



Finnair Group Half-year Report

1 January–30 June 2019

17 July 2019

Finnair Group Half-year Report 1 January – 30 June 2019

Q2 revenue increased by 10.4 per cent and comparable operating profit was 47.2 million euros

Quarterly and full-year figures for 2018 have been restated to reflect the adoption of the IFRS 16 standard, changes in accounting principles relating to aircraft components and the changes in the presentation of profit and loss, balance sheet and cash flow statements. The restated figures were published on 21 March 2019. More information on the restatement is available in Note 20 to the Interim Report.

April–June 2019

- Revenue increased by 10.4% to 793.0 million euros (718.2)*.
- Unit revenue (RASK) decreased by 3.8%. Unit revenue at constant currency decreased by 3.7%.
- Unit cost (CASK) decreased by 1.4%. Unit cost at constant currency excluding fuel decreased by 2.9%.
- Fuel costs increased by 35.2 million euros (+24.2%) of which the impact of fuel price** was 13 million euros.
- Some exceptional increase in maintenance costs were booked for the quarter.
- Comparable operating result was 47.2 million euros (59.1). Operating result was 47.9 million euros (50.8).
- Net cash flow from operating activities was 176.8 million euros (233.1), and net cash flow from investing activities was -147.0 million euros (-34.6).***
- Earnings per share were 0.22 euros (-0.15).
- Number of passengers increased by 13.1 per cent to 3.9 million (3.5).
- Available seat kilometres (ASK) grew by 14.8%.
- Passenger load factor (PLF) was 82.5% (-0.1 points).

January–June 2019

- Revenue increased by 7.8% to 1,466.0 million euros (1,359.3)*.
- Unit revenue (RASK) decreased by 4.3%. Unit revenue at constant currency decreased by 4.4%.
- Unit cost (CASK) decreased by 1.0%. Unit cost at constant currency excluding fuel decreased by 2.9%.
- Fuel costs increased by 53.0 million euros (+19.4%) of which the impact of fuel price** was 19 million euros.
- Some exceptional increase in maintenance costs were booked for the quarter.
- Comparable operating result was 31.0 million euros (73.7). Operating result was 30.3 million euros (67.7).
- Net cash flow from operating activities was 325.0 million euros (341.1), and net cash flow from investing activities was -217.2 million euros (-91.1).***
- Earnings per share were -0.11 euros (-0.07).
- Number of passengers increased by 9.0 per cent to 7.1 million (6.5).
- Available seat kilometres (ASK) grew by 12.7%.
- Passenger load factor (PLF) was 80.5% (-2.2 points).

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

** Fuel price including impact of currencies and hedging.

*** In Q2, net cash flow from investing activities includes 2.9 million euros of redemptions in money market funds or other financial assets maturing after more than three months. In H1, these decreased in net terms by 55.5 million euros. These redemptions are part of the Group's liquidity management.

Outlook

Guidance issued on 24 April 2019:

Global airline traffic is expected to continue growing in 2019. Finnair expects increased competition as capacity is added, particularly on routes linking Europe with Asia as well as in short-haul traffic. The slowdown in the economy of Finnair's key markets and the continued uncertainties surrounding global trade, including from Brexit, could impact the demand for air travel and cargo.

Finnair plans to increase its capacity by approximately 10 per cent in 2019, down from its 14.8 per cent capacity growth in 2018. This growth is mainly focused on the Asian market. Revenue is expected to grow at a somewhat slower pace than capacity in 2019.

In line with its disclosure policy, Finnair will issue guidance on its full-year comparable operating result as part of its half-year report in July.

New guidance on 17 July 2019:

Global airline traffic is expected to continue growing in the latter half of 2019. However, the operating environment is expected to remain volatile also in the second half of the year. The slowdown in the economies of Finnair's key markets and the continued uncertainties surrounding global trade, including the US-China trade talks and Brexit, could impact the demand for air travel and for cargo.

Finnair raises its capacity forecast for 2019 owing mainly to its new service to Beijing Daxing International Airport. Finnair estimates that capacity growth in 2019 will be between 11-12 per cent. Revenue is expected to grow at a somewhat slower pace than capacity in 2019.

While the current outlook for Finnair's seasonally strongest third quarter remains robust, we have started to see increased uncertainty especially in cargo demand. Finnair estimates that its comparable operating result will be between 4.5-6.0% of revenue in 2019, assuming no material changes in fuel prices and exchange rates.

CEO Topi Manner:

Despite the volatile operating environment in Q2, the number of passengers carried rose to a new Q2 record of 3.9 million passengers, and our market share strengthened in both Asian and European traffic.

Global uncertainties, such as Brexit and the US-China trade talks, and the gradual slowdown in the economies of Finnair's key markets, were reflected in our Q2 performance. At the same time, capacity reductions in European traffic, especially on some Nordic routes, had a minor beneficial effect on the competitive situation.

Overall, our passenger traffic performed well, with European traffic growing well in line with our expectations. Cargo and travel services, on the other hand, were suffering from a more difficult market environment.

We continued to grow: Our revenue grew by 10.4 percent to 793.0 million euros driven by passenger revenue. Profit developed more moderately and was impacted especially by a 13 million euro increase in fuel price¹ and an exceptional increase in maintenance costs. Our comparable operating result was EUR 47.2 million in Q2.

During the review period, we continued to invest in our customer experience: in June, we opened a new Platinum Wing lounge in Helsinki-Vantaa airport, which has been received enthusiastically by our customers. The expansion of the Business Class lounge will be completed in early autumn. We've made it easier for the customer to buy tickets and services via the renewed Finnair.com website, which has already been opened in over 30 markets. We also completed the installation of wireless internet access for the Airbus narrow-body

¹ Fuel price including impact of currencies and hedging.

aircraft. In the annual Skytrax evaluation, Finnair was recognized as the 'Best Airline in Northern Europe' for the tenth consecutive year, and for that I want to express my warmest thanks to our passengers and to our personnel, who have paved the way for this recognition. Understanding and nurturing a strong relationship between customer and employee experience is in the core of Finnair's strategy.

Sustainability is also one of the cornerstones of our strategy. During Q2 we made progress towards our goals of halving the use of disposable plastic on our flights by the end of 2022 and reducing waste in general: we renewed the packaging of products sold on European flights, reduced the amount of plastic from travel packages and started recycling of bright PET plastic from our return flights to Helsinki. We are also constantly looking for new ways to improve fuel efficiency and reduce carbon emissions from our flying.

Sustainable, profitable growth is our future goal. We will increase capacity in our key markets, either to implement our long-term Asian growth strategy or to exploit short-term tactical growth opportunities. In Asian traffic this can be seen, for example, in the openings of new connections in the second half of the year, and in Europe as route optimization. As the first airline, Finnair will open a direct flight from Europe to Busan, the second largest city in South Korea in the summer of 2020, and in early November 2019 we will open a new connection to Beijing's new Daxing International Airport in addition to the current connection. After that we will operate 10 flights per week to Beijing. In addition, we are extending the summer season route to year-round in Guangzhou, the home hub of our new codeshare partner China Southern.

In the foreseeable, more challenging operating environment, we will pay increasing attention to operational efficiency, including cross-unit processes and resource optimisation between traffic planning and flight operations, and putting further focus on reliability. Furthermore, we will increase productivity by simplifying and automating processes, such as customer compensations, and by utilising digitalisation in distribution and customer service.

Business environment in Q2

A challenging market environment prevailed in Q2. Global uncertainties, such as the Brexit and the US-China trade war, were reflected in our operations. Traffic continued to grow in Finnair's main markets but at a slower pace than in the comparison period. Measured in available seat kilometres, scheduled market capacity between origin Helsinki and Finnair's European destinations increased by 4.4 per cent (11.8). Competition increased, especially on routes to the Mediterranean, though eased somewhat on routes to other Nordic capitals. In European traffic, Finnair's market share increased to 60.5 per cent (56.9).²

Direct market capacity between Finnair's Asian and European destinations grew by 6.1 per cent (10.7) year-on-year. Market capacity grew especially between Europe and South-East Asia, whereas Finnair capacity growth was in addition focused to Japanese routes. Competition increased also on routes between China and Finland. Market demand continued to be strong on routes between Japan and Europe, having a positive impact from the emperor change and "Golden week" in Japan in early May. Demand on routes between China and Europe softened towards the end of Q2, however. In Asian traffic, Finnair's market share increased to 6.5 per cent (6.2).²

Finnair engages in closer cooperation with certain oneworld partners through participation in joint businesses, namely the Siberian Joint Business (SJB) on flights between Europe and Japan, and the Atlantic Joint Businesses (AJB) on flights between Europe and North America. In both joint businesses, capacity grew in the second quarter, and demand developed accordingly resulting in a good development within the joint business traffic.

The market and competitive environment continued to be challenging for tour operators operating in Finland during the second quarter. Good weather conditions, lower early booking demand compared to the previous year and overall increased capacity of packaged holidays slowed their revenue growth and pressured load

²Based on external sources (capacity data from SRS Analyser and market share data based on DDS passenger volume estimates for April). The basis for calculation is Finnair's non-seasonal destinations.

factors. Tour operators continued to increase dynamically generated holidays compared to fixed, allotment-based holidays.

Industry-wide air freight volumes continued to slow down in Q2, and the weakening demand suppressed cargo yields. Market softness was visible also in Finnair's key cargo markets in Asia. Finnair's global cargo volumes continued to improve year-on-year driven by the capacity increase, but at a slower phase than at the start of the year.

The US dollar, which is the most significant expense currency for Finnair after the euro, appreciated by 6.1 per cent against the euro year-on-year. With regard to key income currencies, the Japanese yen was 5.3 per cent stronger against the euro than in the comparison period. The Chinese yuan appreciated by 0.9 per cent against the euro. The market price of jet fuel was 8.9 per cent lower in the second quarter than in the comparison period, but this decline does not fully impact Finnair's Q2 fuel costs due to its hedging policy. Finnair hedges its fuel purchases and key foreign currency items; hence, market fluctuations are not reflected directly in its result. Finnair's Q2 fuel bill was approximately 25% higher than in the comparison period, and capacity growth explains roughly half of this increase.

Financial performance in Q2

Revenue in Q2

Finnair revenue grew by 10.4 per cent to 793.0 million euros (718.2). Passenger revenue grew by 11.2 per cent, ancillary revenue by 11.8 per cent, cargo revenue by 5.8 per cent and travel services revenue by 4.2 per cent.

Unit revenue (RASK) decreased by 3.8 per cent and amounted to 6.44 euro cents (6.70). The unit revenue at constant currency decreased by 3.7 per cent. RASK decline was mainly impacted by changes in traffic mix and cargo performance.

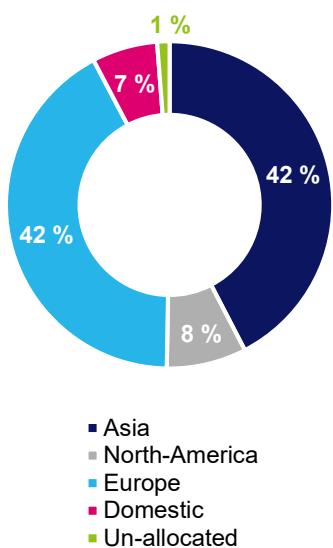
Revenue by product

EUR million	Q2/2019	Q2/2018	Change %
Passenger revenue	645.5	580.3	11.2
Ancillary revenue	45.3	40.5	11.8
Cargo	54.7	51.7	5.8
Travel services	47.6	45.7	4.2
Total	793.0	718.2	10.4

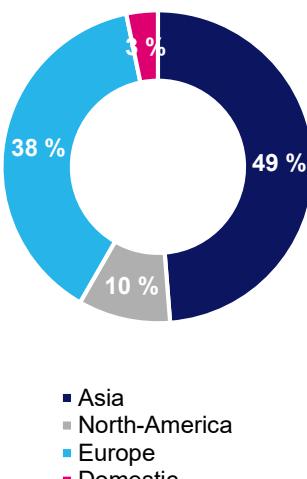
Passenger revenue and traffic data by area, Q2 2019

Traffic area	Passenger revenue		ASK		RPK		PLF	
	MEUR	Change, %	Mill. km	Change, %	Mill. km	Change, %	%	Change, %-p
Asia	273.6	12.4	6,000.4	12.0	4,923.7	8.6	82.1	-2.6
North Atlantic	50.9	43.1	1,174.1	57.5	1,027.1	57.1	87.5	-0.2
Europe	271.2	10.7	4,731.6	12.1	3,928.6	15.6	83.0	2.5
Domestic	41.8	1.0	401.2	1.3	270.7	3.0	67.5	1.1
Unallocated	7.9	-46.8						
Total	645.5	11.2	12,307.3	14.8	10,150.2	14.7	82.5	-0.1

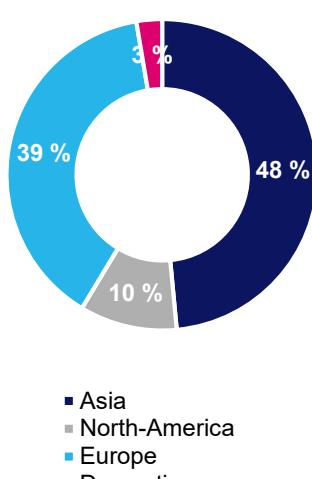
Q2 passenger revenue (M€)



Q2 capacity (ASKs)



Q2 traffic (RPKs)



Passenger traffic capacity, measured in Available Seat Kilometres (ASK), grew by 14.8 per cent overall against the comparison period. The number of passengers increased by 13.1 per cent to 3,910,700 passengers, a new record for Q2. Traffic measured in Revenue Passenger Kilometres (RPK) grew by 14.7 per cent and the passenger load factor (PLF) decreased by 0.1 percentage points to 82.5 per cent.

In long-haul traffic, capacity increased following the three new A350 aircraft that entered service in December 2018, February 2019 and April 2019 respectively. The maximum weekly number of flights to Asia in summer season 2019 is 104 (97). In Asian traffic, ASKs increased by 12.0 per cent. The capacity growth was allocated especially to additional flights to Osaka and Hong Kong. In total Asian traffic, RPKs increased by 8.6 per cent and the PLF decreased by 2.6 percentage points to 82.1 per cent.

Capacity in North Atlantic traffic increased by 57.5 per cent year-on-year. The growth was allocated particularly to a new route to Los Angeles that was opened at the end of March, and additional frequencies to San Francisco. In total North Atlantic traffic, RPKs increased by 57.1 per cent and the PLF decreased by 0.2 percentage points to 87.5 per cent.

In European traffic, capacity increased due to the new A321 aircraft that entered revenue service after the comparison period, the additional seats that were installed on some of the existing Airbus narrow-body aircraft, use of wet-leases and routes with on average longer stage lengths than in the comparison period. ASKs grew by 12.1 per cent, and the new capacity was allocated to various destinations. RPKs increased by 15.6 per cent and the PLF was up by 2.5 percentage points to 83.0 per cent. Domestic traffic capacity increased by 1.3 per cent. RPKs increased in domestic traffic by 3.0 per cent and the PLF increased by 1.1 percentage points to 67.5 per cent.

Ancillary revenue increased by 11.8 per cent and amounted to 45.3 million euros (40.5), or 11.58 euros per passenger (11.72). Advance seat reservations, service charges and inflight sales were the largest ancillary categories.

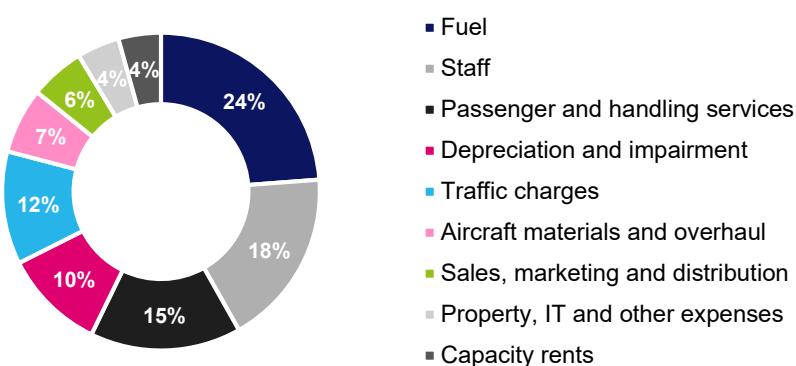
The slowdown in global air cargo demand was visible also in Finnair's Q2 cargo volumes. Available scheduled cargo tonne kilometres increased by 20.7 per cent, whereas revenue cargo tonne kilometres increased by 13.6 per cent. The cargo revenue increased by 5.8 per cent, amounting to 54.7 million euros (51.7).

Despite the challenging market and competitive conditions, the total number of Travel Services passengers grew by 12.0 per cent. The load factor in Aurinkomatkat's fixed seat allotment was 92.3 per cent. All holiday products grew in number of passengers during the second quarter. Travel Services revenue increased by 4.2 per cent to 47.6 million euros (45.7) mainly as a result of Finnair Holidays' and Aurinkomatkat City breaks' strong growth.

Cost development in Q2

Finnair's operating expenses increased by 12.1 per cent to 758.9 million euros (676.9). Unit cost (CASK) decreased by 1.4 per cent and totalled 6.06 euro cents (6.15). CASK excluding fuel at constant currency decreased by 2.9 per cent.

Q2 split of operating costs (€758.9 million in total)



Operating expenses excluding fuel increased by 8.8 per cent and amounted to 578.4 million euros (531.5). Fuel costs, including hedging results and emissions trading costs, increased by 24.2 per cent to 180.6 million euros (145.4). The cost increase was due to increase a 13 million euro increase in fuel price³ paid and Finnair's capacity growth. Fuel efficiency (as measured by fuel consumption per ASK) improved by 1.9 per cent. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, improved by 1.2 per cent.

As of 1 January 2019, staff costs include all staff related costs, whereas earlier staff travel costs and training, for example, were presented in other costs. Staff costs increased by 3.1 per cent to 136.9 million euros (132.8). Staff costs grew with the increase in the average number of people employed and capacity growth (affecting volume related travel costs), but the growth was in part netted by the cancellation of the pilots' long-term incentive scheme in Q4 2018.

Passenger and handling costs increased by 10.2 per cent to 116.7 million (105.9), driven by increased volumes in both passenger and cargo traffic. The category includes also tour operation expenses.

Aircraft materials and overhaul costs increased by 38.7 per cent to 50.7 million euros (36.5). Fleet growth and price escalations explain approximately half of the increase in costs, while the decline in the USD-based discount rate of maintenance reserves and exceptional maintenance events account for the remainder. Fleet growth also increased depreciation and impairment costs. Traffic charges increased due to traffic growth and price escalations. Increase in capacity rents, covering purchased traffic from Norra and any wet leases or cargo rents, was mainly driven by higher utilisation of wet leases. Property, IT and other expenses decreased from the comparison period.

³ Fuel price including impact of currencies and hedging.

Result in Q2

Finnair's comparable EBITDA was 125.9 million euros (130.6). The comparable operating result, or operating result excluding changes in the value of foreign currency-denominated fleet maintenance reserves, changes in the fair value of derivatives, capital gains and other items affecting comparability, decreased to 47.2 million euros (59.1).

Unrealised changes in foreign currencies of fleet overhaul provisions were 2.0 million euros (-5.6) and fair value changes of derivatives where hedge accounting is not applied totalled -0.7 million euros (-2.3). Items affecting comparability (sales gains or losses or restructuring costs) totalled -0.6 million euros during the quarter (-0.4). The operating result totalled 47.9 million euros (50.8).

Financial expenses were -10.4 million euros (-69.6) and they include also interest expenses related to lease liabilities and foreign exchange losses/gains associated with USD denominated aircraft lease payments and liabilities. In Q2, interest expenses were partly offset by the foreign exchange gains totalling 10.8 million euros, whereas in the comparison period the foreign exchange losses totalled -48.4 million euros. In the comparison period, the foreign exchange loss was almost entirely related to unhedged lease liabilities. Finnair's result before taxes was 39.0 million euros (-19.4) and the result after taxes was 31.2 million euros (-15.5).

Financial performance in H1

Revenue in H1

Finnair revenue grew by 7.8 per cent to 1,466.0 million euros (1,359.3). Passenger revenue grew by 8.6 per cent, ancillary revenue by 7.9 per cent, and cargo revenue by 10.7 per cent. Travel services revenue declined in the challenging market environment by 1.4 per cent.

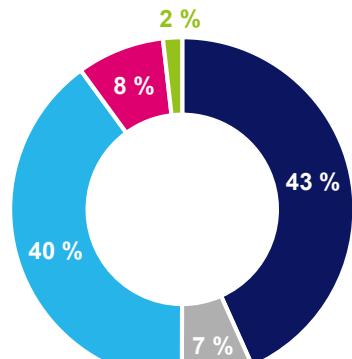
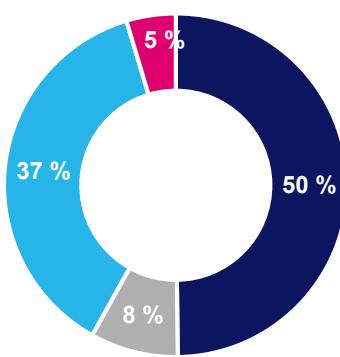
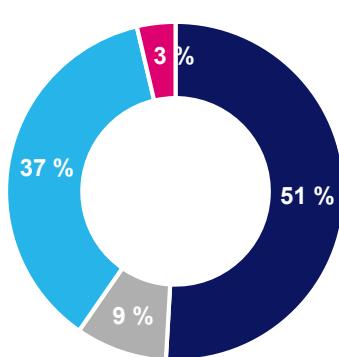
Unit revenue (RASK) decreased by 4.3 per cent and amounted to 6.38 euro cents (6.67). The unit revenue at constant currency decreased by 4.4 per cent.

Revenue by product

EUR million	H1/2019	H1/2018	Change %
Passenger revenue	1,162.7	1,070.5	8.6
Ancillary revenue	86.0	79.6	7.9
Cargo	102.1	92.3	10.7
Travel services	115.3	116.9	-1.4
Total	1,466.0	1,359.3	7.8

Passenger revenue and traffic data by area, H1 2019

Traffic area	Passenger revenue		ASK		RPK		PLF	
	MEUR	Change, %	Mill. km	Change, %	Mill. km	Change, %	%	Change, %-p
Asia	503.4	9.3	11,447.7	10.1	9,422.3	4.6	82.3	-4.3
North Atlantic	78.4	29.3	1,902.5	29.1	1,614.8	29.8	84.9	0.5
Europe	464.2	8.7	8,559.1	14.5	6,788.2	14.5	79.3	-0.1
Domestic	95.8	-0.9	1,067.8	2.3	680.6	-0.1	63.7	-1.5
Unallocated	20.9	-18.5						
Total	1 162.7	8.6	22,977.1	12.7	18,505.9	9.7	80.5	-2.2

H1 passenger revenue (M€)**H1 capacity (ASKs)****H1 traffic (RPKs)**

- Asia
- North-America
- Europe
- Domestic
- Un-allocated

- Asia
- North-America
- Europe
- Domestic

- Asia
- North-America
- Europe
- Domestic

Passenger traffic capacity, measured in Available Seat Kilometres (ASK), grew by 12.7 per cent overall against the comparison period. The number of passengers increased by 9.0 per cent to 7,058,500 passengers, a new record for H1. Traffic measured in Revenue Passenger Kilometres (RPK) grew by 9.7 per cent and the passenger load factor (PLF) decreased by 2.2 percentage points to 80.5 per cent.

In long-haul traffic capacity increased year-on-year following the three new A350 aircraft that entered service after the comparison period. The maximum weekly number of flights to Asia in the winter season 2018/19 was 101 (89 in 2017/18) and in summer season 2019 104 (97). In Asian traffic, ASKs increased by 10.1 per cent. The capacity growth was allocated especially to a new year-round destination, Nanjing, and to additional flights especially to Japanese destinations and Hong Kong. In total Asian traffic, RPKs increased by 4.6 per cent and the PLF decreased by 4.3 percentage points to 82.3 per cent.

Capacity on the North Atlantic traffic increased by 29.1 per cent year-on-year, and additional capacity was directed especially on a new route to Los Angeles that was opened at the end of March and additional frequencies to Chicago, Miami and San Francisco. RPKs increased by 29.8 per cent and the PLF increased by 0.5 percentage points to 84.9 per cent in North-Atlantic traffic.

In European traffic, capacity increased due to the new A321 aircraft that entered revenue service after the comparison period and to the additional seats that were installed on some of the existing Airbus narrow-body aircraft. ASKs grew by 14.5 per cent. The new capacity was allocated to the longer southern European routes, capacity additions to central European destinations and to UK and opening of new destinations such as Lisbon. In addition, increased use of wet leases and operating certain routes with wide bodies for cargo purposes increased the ASKs. RPKs increased by 14.5 per cent whereas the PLF declined by 0.1 percentage points to 79.3 per cent. Domestic traffic capacity increased by 2.3 per cent. RPKs decreased in domestic traffic by 0.1 per cent and the PLF decreased by 1.5 percentage points to 63.7 per cent.

Ancillary revenue increased by 7.9 per cent and amounted to 86.0 million euros (79.6), or 12.18 euros per passenger (12.30). Advance seat reservations, service charges and inflight sales were the largest ancillary categories.

Available scheduled cargo tonne kilometres increased by 18.8 per cent, whereas revenue cargo tonne kilometres increased by 18.0 per cent. The cargo revenue increased by 10.7 per cent, amounting to 102.1

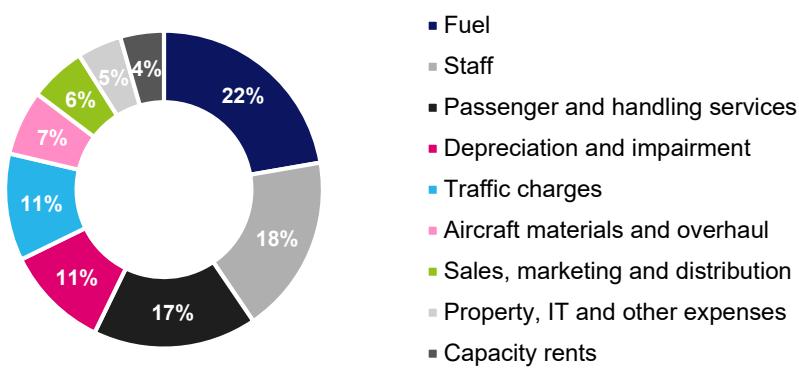
million euros (92.3). Finnair's cargo growth in H1 was partly driven by the weak comparison figures caused by the opening of the COOL Nordic Cargo Terminal in early 2018.

The total number of travel services passengers grew by 7.4 per cent. The load factor in Aurinkomatkat's fixed seat allotment was 92.9 per cent (96.0). The largest passenger growth came from the growth of Finnair Holidays and Aurinkomatkat city holidays. Travel Services revenue decreased by 1.4 per cent to 115.3 million euros (116.9) reflecting the intense competition.

Cost development in H1

Finnair's operating expenses increased by 10.5 per cent to 1,462.7 million euros (1,323.2). Unit cost (CASK) decreased by 1.0 per cent and totalled 6.25 euro cents (6.31). CASK excluding fuel at constant currency decreased by 2.9 per cent.

H1 split of operating costs (€1,462.7 million in total)



Operating expenses excluding fuel increased by 8.2 per cent and amounted to 1,136.9 million euros (1,050.4). Fuel costs, including hedging results and emissions trading costs, increased by 19.4 per cent to 325.8 million euros (272.8). The cost increase was due to increase a 19 million euro increase in fuel price⁴ paid and Finnair's capacity growth. Fuel efficiency (as measured by fuel consumption per ASK) improved by 1.1 per cent. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, increased by 0.2 per cent.

As of 1 January 2019, staff costs include all staff related costs, whereas earlier staff travel costs and training, for example, were presented in other costs. Staff costs increased by 4.1 per cent to 266.6 million euros (256.1). Staff costs grew with the increase in the average number of people employed by 7.1 per cent and capacity growth (affecting volume related travel costs), but the growth was in part netted by the cancellation of the pilots' long-term incentive scheme in Q4 2018 and lower volumes of entering flight crew that impacted training costs.

Passenger and handling costs increased by 8.2 per cent to 244.1 million (225.6), driven by increased volumes in both passenger and cargo traffic. The category includes also tour operation expenses.

Fleet growth, annual price escalations, the decline in USD-based discount rate of maintenance reserves and exceptional maintenance events increased aircraft materials and overhaul costs by 29.8 per cent to 97.0 million euros (74.8). Traffic charges increased due to traffic growth and price escalations. Increase in capacity rents, covering purchased traffic from Norra and any wet leases or cargo rents, was mainly driven by higher utilisation of

⁴ Fuel price including impact of currencies and hedging.

wet leases related to regional fleet's upgrade program. Property, IT and other expenses decreased from the comparison period.

Result in H1

Finnair's comparable EBITDA was 185.6 million euros (217.1). The comparable operating result, or operating result excluding changes in the value of foreign currency-denominated fleet maintenance reserves, changes in the fair value of derivatives, capital gains and other items affecting comparability, decreased to 31.0 million euros (73.7).

Unrealised changes in foreign currencies of fleet overhaul provisions were -0.1 million euros (-3.0) and fair value changes of derivatives where hedge accounting is not applied totalled 0.0 million euros (-2.7). Items affecting comparability (sales gains or losses or restructuring costs) totalled -0.6 million euros during the first half of the year (-0.2). The operating result totalled 30.3 million euros (67.7).

Financial expenses were -42.0 million euros (-69.2) and they include also interest expenses related to lease liabilities and foreign exchange losses associated with USD denominated aircraft lease payments and liabilities. In H1, impact from currencies on financial expenses was minor totalling 0.5 million euros, whereas in the comparison period 27.2 million euros of the expenses related to foreign exchange losses. In the comparison period, the foreign exchange loss was almost entirely related to unhedged lease liabilities. Finnair's result before taxes was -9.4 million euros (-2.6) and the result after taxes was -7.6 million euros (-2.0).

Financial position and capital expenditure

Balance sheet

The Group's balance sheet totalled 3,997.3 million euros at the end of June (31 Dec 2018: 3,943.6). Advance payments related to A350 aircraft and the purchases of two A350 aircraft increased fleet by 194.9 million euros during the first half of the year, and right-of-use fleet decreased by 52.5 due to depreciation. Receivables related to revenue increased driven by the high capacity growth to 185.7 million euros (31 Dec 2018: 152.4).

The loss for the period and the payment of dividends in early April decreased shareholders' equity, whereas the increase in the fair value of jet fuel used in hedge accounting had an opposite effect due to increase in jet fuel price. Shareholders' equity totalled 896.6 million euros (31 Dec 2018: 918.5), or 7.03 euros per share (7.20).

Shareholders' equity includes a fair value reserve that is affected by changes in the fair values of jet fuel 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 June was -6.3 million euros after deferred taxes (31 Dec 2018: -27.2).

Cash flow and financial position

Finnair has a strong financial position, which supports business development and future investments. Following the adoption of IFRS 16, repayments of lease liabilities were moved from operating cash flow to financing cash flow as of 1 January 2019. In H1, net cash flow from operating activities amounted to 325.0 million euros (341.1). Net cash flow from investments amounted to -217.2 million euros (-91.1).

The equity ratio on 30 June 2019 stood at 22.4 per cent (31 Dec 2018: 23.3) and gearing was 75.2 per cent (31 Dec 2018: 76.9). Adjusted interest-bearing liabilities amounted to 1,680.1 million euros (31.12.2018: 1,779.8), of which the share of lease liabilities amounted to 1,082.1 million euros (31 Dec 2018: 1,159.3). Interest-bearing net debt was 674.3 million euros (31 Dec 2018: 706.7).

The company's liquidity was strong during the period under review. The Group's cash funds at period-end amounted to 1,005.8 million euros (31 Dec 2018: 1,073.1). During the period, Finnair refinanced its unused 175

million euro unsecured syndicated revolving credit facility, with the same size and terms substantially in line with the previous facility. The new facility has a maturity date in January 2022, and it includes two one-year extension options.

Finnair has a 200 million euro short-term commercial paper program, which was unused at the end of June. Net cash flow from financing amounted to -120.9 million euros (-118.2). Financial income was 2.2 million euros (-1.1), while financial expenses were -42.0 million euros (-69.2).

Capital expenditure

Capital expenditure excluding advance payments totalled 312.0 million euros (108.0) and was primarily related to fleet investments. Cash flow from investments totalled -280.8 million euros (-129.0), including advance payments. Net change in financial assets maturing after more than three months totalled 55.5 million (-6.1). Net cash flow from investments amounted to -217.2 million euros (-91.1).

Cash flow investments for the financial year 2019 relate mainly to fleet and are expected to total approximately 456 million euros, including advance payments. Investment cash flow includes both committed investments as well as estimates for planned, but not yet committed, investments.

The current favourable state of the credit markets and Finnair's good debt capacity support the financing of future fixed-asset investments on competitive terms. The company has 40 unencumbered aircraft, which account for approximately 50% per cent of the balance sheet value of the entire fleet of 2,296.9 million euros.⁵

Fleet

Finnair's operating fleet

Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair. At the end of June, Finnair itself operated 59 aircraft, of which 22 were wide-body and 37 narrow-body aircraft. Of these aircraft, 32 were owned by Finnair Aircraft Finance Oy and 27 were leased.

In the first half, two new A350 aircraft were purchased and added to the fleet as an owned aircraft, one in February and one in April. At the end of the second quarter, the average age of the fleet operated by Finnair was 9.8 years. During the second quarter, Finnair completed its narrow-body interior renewal project, which included also installation of WI-FI for the whole narrow-body fleet.

Fleet operated by Finnair*	Seats	#	Change from 31.12.2018	Own**	Leased	Average age	Ordered
30.6.2019							30.6.2019
Narrow-body fleet							
Airbus A319	144	8		7	1	18.1	
Airbus A320	174	10		8	2	16.9	
Airbus A321	209	19		4	15	8.0	
Wide-body fleet							
Airbus A330	289/263	8		4	4	9.7	
Airbus A350	297/336	14	2	9	5	2.3	5
Total	59	2		32	27	9.8	5

* Finnair's Air Operator Certificate (AOC).

** Includes JOLCO-financed (Japanese Operating Lease with Call Option) A350 aircraft.

⁵ Fleet value includes right of use assets as well as prepayments of future aircraft deliveries.

Fleet renewal

At the end of June, Finnair operated fourteen A350 XWB aircraft, which have been delivered between 2015–2019. According to the current delivery schedule, Finnair will receive the remaining five A350 XWB aircraft as follows: two in 2020, two in 2021 and one in 2022. Finnair's investment commitments for property, plant and equipment, totalling 827 million euros, include the upcoming investments in the wide-body fleet.

Finnair has the possibility to adjust the size of its fleet in line with demand forecasts through the staggered maturities of its lease agreements and changes in the number of owned aircraft.

Fleet operated by Norra (purchased traffic)

Nordic Regional Airlines (Norra) operates a fleet of 24 aircraft for Finnair on a contract flying basis. All of the aircraft operated by Norra are leased from Finnair Aircraft Finance Oy. In the second quarter, Finnair started the renewal of its ATR aircraft cabins, and the first ATR aircraft with the renewed cabin entered service in May 2019. The aim is to complete the refurbishment of all 12 aircraft by the end of Q1, 2020.

Fleet operated by Norra*	Seats	#	Change from 31.12.2018	Own**	Leased	Average age	Ordered
30.6.2019						30.6.2019	
ATR	68-72	12		6	6	9.9	
Embraer E190	100	12		9	3	11.0	
Total		24		0	15	9	10.5

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

Strategy implementation

Finnair is targeting sustainable, profitable growth. Safety is the foundation of Finnair's strategy, and Finnair continues to implement its strategy in four focus areas, namely Growth, Customer experience, People experience and Transformation. Two additional themes – embedded in all operations, supporting strategy implementation and value creation – are Sustainability and Efficiency.

Growth

In H1, Finnair continued to grow its airline business by opening new routes, by focusing on its selected strategic focus markets and by strengthening Finnair's revenue optimisation and distribution. The growth was driven by the increase in capacity. Capacity allocation and traffic development are discussed in detail under financial performance.

Customer Experience

To grow and win in the competitive airline market, Finnair must excel in everyday customer experience. In H1, focus was put especially on customer care processes, feedback handling, non-Schengen lounge renewal and ancillary and on-board service development. In H1, Finnair's Net Promoter Score (NPS) measuring customer satisfaction was 37 (46)⁶ and Finnair's arrival punctuality was 76.8 per cent (78.9).

⁶ New Customer satisfaction survey was launched in beginning of January 2019. In the new survey NPS is calculated based on responses from all customers starting from beginning of 2019. In 2018 NPS was calculated based on responses from Finnair Plus members only and therefore these results are not comparable.

People experience

Finnair sees that excellent people experience is a prerequisite for excellent customer experience and growth. It is generated by competent and committed personnel. In H1, development of competencies, leadership, new ways of working and well-being at work were the focus areas in the development of the people experience.

Finnair employed an average of 6,704 (6,260) people in H1 2019, which is 7.1 per cent more than in the corresponding period. The number of employees increased by 498 or 7.7 per cent in H1, totalling 6,589 at the end of June (6,527). Altogether 774 new people were hired to Finnair in H1 2019. The increase in personnel was mostly due to growth in the number of cabin crew members, technical maintenance mechanics, Suntours personnel and Helsinki airport service agents. The attrition rate for the last 12 months was 3.8 per cent (3.0). LTIF (Lost Time Incident Frequency), which measures the frequency of accidents at the company level, was 10.6 (9.9) in H1, and the number of absences due to illness was 4.70 per cent (4.42).

Transformation

Finnair is on a transformation journey towards a more customer-oriented and experience-focused company in all stages of travel. Transformation covers also the development of productivity. Digitalisation is one of the main drivers and enablers in this transformation. In H1, focus was on developing and providing new digital tools to the staff.

During H1, the average number of monthly unique website visitors totalled 1.8 million (2.3)⁷. The renewed Finnair.com website, which makes it easier for the customer to buy tickets and services, has already been opened in over 30 markets. The number of active users of the Finnair mobile application increased by 20.5 per cent to 305,000. Direct sales in Finnair's digital channels represented 25.9 per cent (24.3) of all tickets sold and 52.3 per cent of ancillary sales (57.0).

Corporate responsibility

Economic, social and environmental sustainability is integral to Finnair's overall business strategy and operations. Finnair wants to be a responsible global citizen and respond to its stakeholders' needs, including those concerned with corporate responsibility. Finnair cooperates with industry operators and the authorities in areas such as reducing the climate impacts of aviation, promoting equality and inclusion and the consideration of sustainability within the supply chain.

Finnair's corporate responsibility is reflected in its strategy and vision as well as its values of commitment to care, simplicity and courage. Its corporate responsibility strategy is crystallised in a three-pronged commitment: cleaner, caring and collaborative, and it embeds sustainability even deeper into the group strategy, brand and product development. The program measures are geared to contribute to cost containment and risk mitigation as well as value creation.

Finnair's ethical business principles are outlined in its Code of Conduct. The Code applies to all Finnair personnel and all locations. Finnair requires that its suppliers comply with ethical standards essentially similar to those which Finnair complies with in its own operations. Finnair's Supplier Code of Conduct provides clear principles to ensure ethical purchasing, including zero tolerance for corruption.

Safety has the highest priority in Finnair operations. Finnair is committed to implementing, maintaining and constantly reviewing and improving strategies and processes to ensure that all its aviation activities take place under an appropriate allocation of organisational resources. This is to achieve the highest level of safety performance and compliance with the regulatory requirements while delivering our services.

⁷ The measurement method was changed in Q2 2018 due to EU GDPR.

Finnair is also committed to the sector's common goals of carbon-neutral growth from 2020 onwards and cutting emissions from the 2005 level in half by 2050. In addition, Finnair has set an ambitious target to cut 17 per cent of its carbon dioxide emissions/RTK (Revenue Tonne Kilometre) by 2020 (from the 2013 level).

From January 2019 on, Finnair has offered its customers the possibility of offsetting the CO2 emissions of their flights through an emissions reduction project, and/or through the support of the use of biofuel on Finnair flights. The Push for Change service is available on our web pages in the Finnair Shop, and can be bought before, during or after a flight. Customers can also use their Finnair Plus points to buy the service. By the end of June, a total of 5,779 products were sold to compensate for emissions through either a carbon reduction project or biofuel. Total funds for emission compensation amounted to 39,023 euros.

The key performance indicators for corporate responsibility are presented in the Key Figures table of this interim report.

Changes in company management

Finnair appointed on 16 April 2019 two new members to its Executive Board. Ole Orvér was appointed as Chief Commercial Officer, and Nicklas Ilebrand as Senior Vice President, Strategy. Both new Executive Board members started in their roles on May 1, 2019. Ole Orvér has a long international career in several airlines, where he has mainly served in leadership positions in strategy, network management and sales. Nicklas Ilebrand has previously worked at Nordea mainly in strategy and product and business development roles. Prior to that, he worked in international business consulting at McKinsey. He has also served on the board of several companies.

Pekka Vähähyppä, Finnair's CFO and member of the Executive Board, left the company on 1 July 2019. Mika Stirkkinen, VP, Revenue Management and Pricing, was appointed as his successor as of 1 July 2019. Stirkkinen has previously worked in several financial management positions at Finnair.

Eija Hakakari, SVP, People and Culture, and member of the Executive Board, will leave the company on 30 September 2019. Johanna Karppi has been appointed as Senior Vice President, People & Culture at Finnair as of 1 October 2019. She currently works as SVP, Human Resources at Terveystalo, and has previously held HR leadership positions at both Rautaruukki and Orion.

Share price development and trading

Finnair's market capitalization was 897.0 million euros at the end of June (31/12/2018: 907.8). The closing price of the share on 28 June 2019 was 7.00 euros (31/12/2018: 7.09 euros). During H1, the highest price for the Finnair Plc share on the Nasdaq Helsinki was 8.56 euros, the lowest price 6.28 euros and the average price 7.44 euros. Some 22.2 million company shares, with a total value of 164.9 million euros, were traded in Nasdaq Helsinki.

The number of Finnair shares recorded in the Trade Register was 128,136,115 at the end of the period. The Finnish state owned 55.8 per cent (55.8) of Finnair's shares, while 15.8 per cent (22.1) were held by foreign investors or in the name of a nominee.

Own shares

In Q2, Finnair did not exercise the authorisation granted by the AGM 2018 to acquire or dispose its own shares. In Q1, Finnair transferred, using the authorisation granted by the AGM, a total of 105,112 own shares as incentives to the participants of the FlyShare employee share savings plan. It also transferred 149,894 own shares as a reward to the key personnel included in Finnair's share-based incentive scheme 2015–2017 in March.

The shares remaining on the joint book-entry account, totalling 16,651 after Finnair Plc's Annual General Meeting that decided on the forfeiture of the shares registered on the joint book-entry account and the rights carried by such shares, were transferred to Finnair Plc's book-entry account on 9 April 2019. After the transfer the total number of own shares owned by Finnair will be 558,653, which corresponds to 0.44 per cent of Finnair Plc's total number of shares and votes.

Authorisations granted by the Annual General Meeting 2019

Finnair's Annual General Meeting was held in Helsinki on 20 March 2019. The AGM authorised the Board of Directors to decide on the repurchase of the company's own shares and/or on the acceptance as pledge and on the disposal of own shares held by the company. The authorisation shall not exceed 5,000,000 shares, which corresponds to approximately 3.9 per cent of all the shares in the company. The authorisations are effective for a period of 18 months from the resolution of the AGM.

The AGM also authorised the Board of Directors to decide on donations up to an aggregate maximum of EUR 250,000 for charitable or corresponding purposes. The authorisation is effective until the next Annual General Meeting.

The resolutions of the AGM are available in full on the company's website
<https://investors.finnair.com/en/governance/general-meetings/agm-2018>

Significant near-term risks and uncertainties

Aviation is an industry that is sensitive to global economic cycles and reacts quickly to external disruptions, seasonal variation and economic trends. In the implementation of its strategy, Finnair is faced with various risks and opportunities. Finnair has a comprehensive risk management process to ensure that risks are identified and mitigated as much as possible, although many risks are not within the company's full control.

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

Exceptional variations in the fuel price affect capacity growth in Finnair's main markets. This together with changes in ticket prices pose a risk to Finnair's revenue development, as do sudden adverse changes in the foreign exchange rates and slowing growth in demand. Generally, Finnair aims to pass exceptional variations in the fuel price to customers via ticket prices, however, in case of intense competition and overcapacity in a market this may not be possible.

Capacity increases and product improvements among Finnair's existing or new competitors may have an impact on the demand for, and yield of, Finnair's services. In addition, joint operations involving closer cooperation than airline alliances and joint businesses are expected to develop further. Potential industry consolidation could have a significant impact on the competitor landscape.

The achievement of the additional revenue and efficiency improvements sought through Finnair's digital business transformation and new services involves risks, as does the implementation of Finnair's strategy and fleet renewal. Finnair's growth plan and its resourcing could generate further cost pressure and operational challenges in the short term.

The aviation industry is affected by a number of regulatory projects at the EU and international levels. Estimating the impacts of the regulatory changes on airlines' operational activities and/or costs in advance is difficult. Examples of such regulatory projects include international regulation related to emission trading, noise regulation and other environmental regulation, EU and national regulations on privacy and consumer protection and the decisions made by the Court of Justice of the European Union regarding flight passengers' rights.

Interpretation of these decisions involves risks, such as those relating to the injunction sought by the Finnish Consumer Ombudsman regarding Finnair's compensation practices. On 4 January 2019, the Market Court of Justice rejected the Consumer Ombudsman's action against Finnair. The Consumer Ombudsman has applied for a leave to appeal the case in the Supreme Court.

Geopolitical uncertainty, the threat of trade wars, the threat of terrorism and cyber attacks as well as other potential external disruptions may, if they materialise, significantly affect the demand for air travel and Finnair's operations. Potentially increasing protectionism in the political environment may also hinder the market access required for the implementation of Finnair's growth plan. With respect to Brexit, it is unclear whether, when and on which terms Brexit may occur. In the event of a no-deal Brexit, one of the likely consequences is that the traffic rights of UK and European airlines regarding flights between and via UK and EU will be reduced, which may have a considerable effect on the airlines' businesses, including that of Finnair. Such effects may be negative or positive and may not be the same for all airlines.

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

Finnair's risk management and risks related to the company's operations are described in more detail on the company's website at <https://investors.finnair.com/en/governance/risk-management>.

Seasonal variation and sensitivities in business operations

Due to the seasonal variation of the airline business, the Group's revenue and profit are generally at their lowest in the first quarter and at their highest in the third quarter of the year. The growing proportional share of Asian traffic increases seasonal fluctuation due to destination-specific seasons in Asian leisure and business travel.

In addition to operational activities and market conditions, fuel price development has a key impact on Finnair's result, as fuel costs are the company's most significant expense item. Finnair's foreign exchange risk arises primarily from fuel and aircraft purchases, divestments of aircraft, aircraft lease payments, aircraft maintenance, overflight royalties and foreign currency revenue. Significant dollar-denominated expense items are fuel costs and aircraft lease payments. The largest investments, namely the acquisition of aircraft and their spare parts, are also mainly denominated in US dollars. The most significant income currencies after the euro are the Japanese yen, the Chinese yuan and the Swedish krona.

The company hedges its currency, interest rate and jet fuel exposure using a variety of derivative instruments, such as forward contracts, swaps and options, in compliance with the risk management policy approved annually by the Board of Directors. Fuel purchases are hedged for 24 months forward on a rolling basis, and the degree of hedging decreases towards the end of the hedging period. The higher and lower limits of the degree of hedging are 90 and 60 per cent for the following six months.

Sensitivities in business operations, impact on comparable operating profit (rolling 12 months from date of financial statements)	1 percentage (point) change
Passenger load factor (PLF, %)	EUR 31 million
Average yield of passenger traffic	EUR 24 million
Unit cost (CASK excl. fuel)	EUR 23 million

Fuel sensitivities (rolling 12 months from date of financial statements)	10% change without hedging	10% change, taking hedging into account
Fuel	EUR 63 million	EUR 28 million

Fuel hedging ratios and average hedged price (rolling 12 months from date of financial statements)	Hedging ratio	Average hedge price, USD/ton*
Q3 2019	73 %	660
Q4 2019	72 %	681
Q1 2020	69 %	686
Q2 2020	56 %	684

* Average of swaps and bought call options strikes.

Currency distribution, %	Q2 2019	Q2 2018	H1 2019	H1 2018	2018	Currency sensitivities USD and JPY (rolling 12 months from date of financial statements for operational cash flows)	Hedging ratio for operational cash flows (rolling next 12 months)
						10% change without hedging	10% change, taking hedging into account
Sales currencies							
EUR	52	55	55	59	55	-	-
USD*	5	4	4	3	4	see below	see below
JPY	12	11	10	8	10	EUR 35 m	EUR 15 m
CNY	7	7	6	6	7	-	66%
KRW	3	3	3	3	3	-	-
SEK	3	3	4	4	3	-	-
Other	19	17	18	17	17	-	-
Purchase currencies							
EUR	56	62	58	63	61	-	-
USD*	37	31	35	30	32	EUR 83 m	EUR 32 m
Other	7	7	7	7	7		65%

* Hedging ratio and sensitivity analysis for USD basket, which consists of net cash flows in USD and HKD. The sensitivity analysis assumes that the correlation of the Hong Kong dollar with the US dollar is strong.

Hedging of foreign currency exposure in balance sheet

Finnair's asset-related foreign currency exposure increased with the recognition of the present value of qualifying operating lease liabilities in balance sheet as right-of-use assets. The sensitivities related to interest expenses (related to lease liabilities) and foreign exchange losses/gains associated with USD denominated aircraft lease payments and liabilities are not included in the sensitivity figures in the above table, that describe impacts on comparable operating result. Unrealized foreign exchange losses/gains caused by the translation of the USD denominated liability will have an impact on Finnair's net result. In the future, the effect and amount of the foreign currency exchange could be positive or negative, depending on the USD-rate at the closing date. As at January 2019, Finnair mitigates the foreign exchange volatility introduced by this difference by using hedges and is looking for alternative solutions to hedge this position. The annual effect in net result going forward is dependent on the size of the qualifying operating lease portfolio, the duration of the leases and hedging ratio. At the end of H1 2019 hedging ratio of USD denominated aircraft lease payments and liabilities was approximately 80%.

Events after the review period

Finnair continues to grow its Asian operations and adds Busan in South Korea as a new destination in summer 2020. Finnair will be the first and only airline connecting Busan to Europe with a non-stop flight.

Financial Reporting in 2019

The publication dates of Finnair's financial reports in 2019 are the following:

- Interim Report 1 January – 30 September 2019: 22 October 2019

FINNAIR PLC
Board of Directors

Briefings

Finnair will hold a results press conference (in Finnish) on 17 July 2019 at 11:00 a.m. at its office located at Tietotie 9, Vantaa.

An English-language telephone conference and webcast will begin at 1:00 p.m. Finnish time. The conference may be attended by dialling your local access number +358 9 7479 0361 (Finland), 0200 880 389 (Sweden), 0800 358 6377 (UK) or +44 (0)330 336 9105 (all other countries). The confirmation code is 3916088. To join the live webcast, please register at: <https://slideassist.webcasts.com/starthere.jsp?ei=1253101>

For further information, please contact:

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Key figures	Q2 2019	Q2 2018	Change %	Q1-Q2	Q1-Q2	Change %	2018	LTM
				2019	2018			
Revenue and profitability								
Revenue, EUR million	793.0	718.2	10.4	1 466.0	1 359.3	7.8	2 849.7	2 956.4
Comparable operating result, EUR million	47.2	59.1	-20.1	31.0	73.7	-57.9	218.4	175.7
Comparable operating result, % of revenue	6.0	8.2	-2.3 %p	2.1	5.4	-3.3 %p	7.7	5.9
Operating result, EUR million	47.9	50.8	-5.7	30.3	67.7	-55.2	256.3	218.9
Comparable EBITDA, % of revenue	15.9	18.2	-2.3 %p	12.7	16.0	-3.3 %p	18.0	16.3
Earnings per share (EPS), EUR	0.22	-0.15	> 200 %	-0.11	-0.07	-67.1	0.70	0.65
Unit revenue per available seat kilometre, (RASK), cents/ASK	6.44	6.70	-3.8	6.38	6.67	-4.3	6.72	6.57
RASK at constant currency, cents/ASK	6.46	6.70	-3.7	6.37	6.67	-4.4	6.72	6.61
Unit revenue per revenue passenger kilometre (yield), cents/RPK	6.36	6.56	-3.1	6.28	6.35	-1.0	6.52	6.48
Unit cost per available seat kilometre (CASK), cents/ASK	6.06	6.15	-1.4	6.25	6.31	-1.0	6.21	6.18
CASK excluding fuel, cents/ASK	4.59	4.79	-4.2	4.83	4.97	-2.8	4.84	4.77
CASK excluding fuel at constant currency, cents/ASK	4.66	4.79	-2.9	4.82	4.97	-2.9	4.84	4.75
Capital structure								
Equity ratio, %				22.4	23.7	-1.3 %p	23.3	
Gearing, %				75.2	65.6	9.6 %p	76.9	
Interest-bearing net debt, EUR million				674.3	631.7	6.7	706.7	
Interest-bearing net debt / Comparable EBITDA, LTM *				1.4	-	-	1.4	1.4
Gross capital expenditure, EUR million	153.8	43.8	> 200 %	312.0	108.0	189.0	474.0	678.1
Return on capital employed (ROCE), LTM, % *				8.3	-	-	9.3	8.3
Growth and traffic								
Passengers, 1,000	3 911	3 456	13.1	7 059	6 474	9.0	13 281	13 866
Ancillary revenue, EUR million	45.3	40.5	11.8	86.0	79.6	7.9	160.8	167.2
Ancillary revenue per passenger (PAX)	11.58	11.72	-1.2	12.18	12.30	-1.0	12.11	12.06
Flights, number	33 697	32 097	5.0	65 004	61 843	5.1	125 848	129 009
Available seat kilometres (ASK), million	12 307	10 719	14.8	22 977	20 384	12.7	42 386	44 978
Revenue passenger kilometres (RPK), million	10 150	8 847	14.7	18 506	16 862	9.7	34 660	36 304
Passenger load factor (PLF), %	82.5	82.5	-0.1 %p	80.5	82.7	-2.2 %p	81.8	80.7
Fuel consumption, tonnes	294 195	261 089	12.7	554 452	497 577	11.4	1 031 125	1 088 000
CO ₂ emissions, tonnes/ASK	0.0753	0.0767	-1.9	0.0760	0.0769	-1.1	0.0766	0.0762
CO ₂ emissions, tonnes/RTK	0.7785	0.7877	-1.2	0.8026	0.8009	0.2	0.7917	0.7930
Customer Experience								
Net Promoter Score **	37	48	-24.3	37	46	-19.0	47	-
Arrival punctuality, %	80.7	84.1	-3.3 %p	76.8	78.9	-2.1 %p	79.7	78.6
People Experience								
Average number of employees	6 868	6 426	6.9	6 704	6 260	7.1	6 360	6 583
WeTogether@Finnair Personnel Experience overall grade ***	-	3.75	-	-	3.75	-	3.77	3.77
Absences due to illness, %	4.54	3.64	0.90 %p	4.70	4.42	0.28 %p	4.24	4.38
LTIF (Lost-time injury frequency)	8.9	10.5	-15.2	10.6	9.9	7.1	11.7	12.0
Attrition rate, LTM, %	3.8	3.0	0.8 %p	3.8	3.0	0.8 %p	3.3	3.8
Transformation								
Share of digital direct ticket sales, % ****	24.8	23.5	1.3 %p	25.9	24.3	1.6 %p	23.9	24.2
Share of digital direct ancillary sales, % ****	48.7	52.9	-4.2 %p	52.3	57.0	-4.7 %p	55.1	53.6
Average number of monthly visitors at finnair.com, millions *****	2.0	2.1	-2.4	1.8	2.3	-19.8	1.9	1.7
Active users for Finnair mobile app, thousands	320.0	256.6	24.7	305.0	253.2	20.5	265.5	291.9

* Finnair restated key figures that use rolling 12-months income statement figures from 31.12.2018 onwards. Earlier periods were not restated because income statement is restated only from 1.1.2018 onwards.

** New Customer satisfaction survey was launched in beginning of January 2019. Due to renewed research methodology LTM figure cannot currently be calculated, because data in 2018 is not fully comparable to 2019. In the new survey NPS is calculated based on responses from all customers starting from beginning of 2019, including Finnair Plus and non-members. In 2018 NPS was calculated based on responses from Finnair Plus members only and therefore these results are not comparable between each other.

*** Measured in Q2 2018 and Q4 2018.

**** In Finnair's own digital channels.

***** Measurement method changed due to EU GDPR in Q2 2018.

CONSOLIDATED INCOME STATEMENT

in mill. EUR	Q2 2019	Q2 2018	Change %	Q1-Q2		Change %	2018	LTM
				2019	2018			
Revenue	793.0	718.2	10.4	1 466.0	1 359.3	7.8	2 849.7	2 956.4
Other operating income	13.1	17.9	-26.5	27.7	37.6	-26.3	73.7	63.8
Operating expenses								
Staff costs	-136.9	-132.8	3.1	-266.6	-256.1	4.1	-499.6	-510.1
Fuel costs	-180.6	-145.4	24.2	-325.8	-272.8	19.4	-581.0	-634.0
Capacity rents	-32.8	-30.1	9.3	-65.0	-58.3	11.5	-122.4	-129.1
Aircraft materials and overhaul	-50.7	-36.5	38.7	-97.0	-74.8	29.8	-162.9	-185.1
Traffic charges	-87.3	-78.1	11.7	-159.4	-143.2	11.3	-300.8	-317.0
Sales, marketing and distribution costs	-42.3	-40.1	5.6	-84.0	-80.9	3.8	-159.0	-162.1
Passenger and handling services	-116.7	-105.9	10.2	-244.1	-225.6	8.2	-453.9	-472.4
Property, IT and other expenses	-32.9	-36.6	-10.1	-66.2	-68.1	-2.9	-131.3	-129.3
Comparable EBITDA	125.9	130.6	-3.5	185.6	217.1	-14.5	512.6	481.1
Depreciation and impairment	-78.7	-71.5	10.1	-154.6	-143.4	7.8	-294.2	-305.4
Comparable operating result	47.2	59.1	-20.1	31.0	73.7	-57.9	218.4	175.7
Unrealized changes in foreign currencies of fleet overhaul provisions	2.0	-5.6	> 200 %	-0.1	-3.0	97.9	-4.9	-2.0
Fair value changes of derivatives where hedge accounting is not applied	-0.7	-2.3	70.9	0.0	-2.7	> 200 %	0.2	2.9
Sales gains and losses on aircraft and other transactions	0.2	-0.2	> 200 %	0.2	0.1	81.3	42.7	42.8
Restructuring costs	-0.8	-0.2	<-200 %	-0.8	-0.3	-131.3	-0.1	-0.6
Operating result	47.9	50.8	-5.7	30.3	67.7	-55.2	256.3	218.9
Financial income	1.5	-0.5	> 200 %	2.2	-1.1	> 200 %	-2.2	1.1
Financial expenses	-10.4	-69.6	85.1	-42.0	-69.2	39.3	-126.8	-99.6
Result before taxes	39.0	-19.4	> 200 %	-9.4	-2.6	<-200 %	127.2	120.3
Income taxes	-7.8	3.9	<-200 %	1.9	0.6	> 200 %	-25.6	-24.2
Result for the period	31.2	-15.5	> 200 %	-7.6	-2.0	<-200 %	101.6	96.1
Attributable to								
Owners of the parent company	31.2	-15.5	> 200 %	-7.6	-2.0	<-200 %	101.6	96.1
Earnings per share attributable to shareholders of the parent company, EUR (basic and diluted)	0.22	-0.15	> 200 %	-0.11	-0.07	-67.1	0.70	0.65

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in mill. EUR	Q2 2019	Q2 2018	Change %	Q1-Q2		Change %	2018	LTM
				2019	2018			
Result for the period	31.2	-15.5	> 200 %	-7.6	-2.0	<-200 %	101.6	96.1
Other comprehensive income items								
Items that may be reclassified to profit or loss in subsequent periods								
Change in fair value of hedging instruments	-35.4	69.5	<-200 %	51.1	67.8	-24.6	-113.5	-130.1
Tax effect	7.1	-13.9	> 200 %	-10.2	-13.6	24.6	22.7	26.0
Items that will not be reclassified to profit or loss in subsequent periods								
Actuarial gains and losses from defined benefit plans	-6.7	-6.0	-11.6	-25.1	-10.5	-138.7	0.7	-13.8
Tax effect	1.3	1.2	11.6	5.0	2.1	138.7	-0.1	2.8
Other comprehensive income items total	-33.7	50.8	<-200 %	20.8	45.8	-54.5	-90.2	-115.2
Comprehensive income for the period	-2.5	35.3	<-200 %	13.3	43.8	-69.6	11.4	-19.1
Attributable to								
Owners of the parent company	-2.5	35.3	<-200 %	13.3	43.8	-69.6	11.4	-19.1

CONSOLIDATED BALANCE SHEET

in mill. EUR		30 Jun 2019	30 Jun 2018	31 Dec 2018	31 Dec 2017
ASSETS					
Non-current assets					
Fleet	O	1 515.1	1 244.3	1 320.2	1 218.2
Right-of-use fleet	O	781.8	839.9	834.3	881.8
Fleet total	O	2 296.9	2 084.2	2 154.5	2 100.1
Other fixed assets	O	178.0	172.0	173.2	171.5
Right-of-use other fixed assets	O	133.4	175.9	164.3	186.4
Other fixed assets total	O	311.4	347.9	337.5	357.9
Other non-current assets	O	48.3	7.1	53.3	8.1
Non-current assets total		2 656.6	2 439.2	2 545.3	2 466.0
Current assets					
Receivables related to revenue	O	185.7	243.1	152.4	268.6
Inventories and prepaid expenses	O	99.5	93.2	120.7	61.9
Derivative financial instruments	O/I*	49.6	149.3	52.1	104.5
Other financial assets	I	848.6	907.4	892.2	833.0
Cash and cash equivalents	I	157.2	211.9	180.9	150.2
Current assets total		1 340.7	1 604.9	1 398.3	1 418.2
Assets held for sale	O		15.3	0.1	16.7
Assets total		3 997.3	4 059.5	3 943.6	3 900.9
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	O	75.4	75.4	75.4	75.4
Other equity	O	821.2	888.1	843.0	884.5
Equity total		896.6	963.5	918.5	960.0
Non-current liabilities					
Lease liabilities	I	950.7	993.6	1 034.3	1 048.5
Other interest-bearing liabilities	I	495.7	529.3	514.2	539.9
Pension obligations	O	48.6	23.1	17.0	6.4
Provisions and other liabilities	O	129.2	109.0	107.1	94.7
Deferred tax liabilities	O	41.3	69.4	47.6	60.1
Non-current liabilities total		1 665.5	1 724.3	1 720.2	1 749.6
Current liabilities					
Lease liabilities	I	131.4	106.2	125.1	68.7
Other interest-bearing liabilities	I	100.4	111.6	100.5	125.6
Provisions	O	21.5	26.5	30.9	25.8
Trade payables	O	106.7	113.2	72.6	90.7
Derivative financial instruments	O/I*	55.2	40.1	107.1	81.3
Deferred income and advances received	O	723.0	679.8	548.9	475.3
Liabilities related to employee benefits	O	108.5	116.4	105.6	139.2
Other liabilities	O	188.6	167.0	214.2	173.4
Current liabilities total		1 435.2	1 360.7	1 304.9	1 180.1
Liabilities related to assets held for sale	O		10.8		11.2
Liabilities total		3 100.7	3 095.9	3 025.1	2 940.9
Equity and liabilities total		3 997.3	4 059.5	3 943.6	3 900.9

Finnair reports its interest-bearing debt, net debt and gearing to give an overview of Finnair's financial position. Balance sheet items included in interest-bearing net debt are marked with an "I". Other items are marked with an "O".

Additional information to Balance Sheet:

Interest-bearing net debt and gearing	30 Jun 2019	30 Jun 2018	31 Dec 2018	31 Dec 2017
Lease liabilities	1 082.1	1 099.8	1 159.3	1 117.2
Other interest-bearing liabilities	596.1	640.9	614.7	665.5
Cross currency Interest rate swaps *	1.8	10.3	5.8	18.5
Adjusted interest-bearing liabilities	1 680.1	1 751.0	1 779.8	1 801.2
Other financial assets	-848.6	-907.4	-892.2	-833.0
Cash and cash equivalents	-157.2	-211.9	-180.9	-150.2
Interest-bearing net debt	674.3	631.7	706.7	818.1
Equity total	896.6	963.5	918.5	960.0
Gearing, %	75.2 %	65.6 %	76.9 %	85.2 %

* Cross-currency interest rate swaps are used for hedging the currency and interest rate risk of interest-bearing loans, but hedge accounting is not applied. Changes in fair net value correlate with changes in the fair value of interest-bearing liabilities. Therefore, the fair net value of cross-currency interest rate swaps recognised in derivative assets/liabilities and reported in Note 8, is considered an interest-bearing liability in the net debt calculation.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Other restricted funds	reserve and other OCI items	Hedging	Unrestricted equity funds	Retained earnings	Hybrid bond	Equity total
in mill. EUR								
Equity 31 Dec 2018	75.4	168.1	-27.2	255.2	247.2	198.2		916.9
Change in accounting principles						1.6		1.6
Equity 1 Jan 2019	75.4	168.1	-27.2	255.2	248.7	198.2		918.5
Result for the period						-7.6		-7.6
Change in fair value of hedging instruments					40.9			40.9
Actuarial gains and losses from defined benefit plans					-20.0			-20.0
Comprehensive income for the period				20.8	0.0	-7.6		13.3
Dividend						-35.0		-35.0
Purchase of own shares						-0.5		-0.5
Share-based payments					0.3			0.3
Equity 30 Jun 2019	75.4	168.1	-6.3	255.5	205.7	198.2		896.6

Retained earnings was adjusted with 1.6 million euros due to implementation of subleases according to IFRS 16 Leases. More detailed information in note 20. Changes in accounting principles and restated financials 2018.

	Share capital	Other restricted funds	reserve and other OCI items	Hedging	Unrestricted equity funds	Retained earnings	Hybrid bond	Equity total
in mill. EUR								
Equity 31 Dec 2017	75.4	168.1	63.0	250.3	205.0	198.2		960.0
Change in accounting principles					3.8	-4.7		-1.0
Equity 1 Jan 2018	75.4	168.1	63.0	254.0	200.2	198.2		959.0
Result for the period						-2.0		-2.0
Change in fair value of hedging instruments					54.2			54.2
Actuarial gains and losses from defined benefit plans					-8.4			-8.4
Comprehensive income for the period				45.8		-2.0		43.8
Dividend						-38.4		-38.4
Share-based payments					-0.9			-0.9
Equity 30 Jun 2018	75.4	168.1	108.8	253.1	159.8	198.2		963.5

CONSOLIDATED CASH FLOW STATEMENT

in mill. EUR	Q2 2019	Q2 2018	Q1-Q2 2019	Q1-Q2 2018	2018	LTM
Cash flow from operating activities						
Result before taxes	39.0	-19.4	-9.4	-2.6	127.2	120.3
Depreciation and impairment	78.7	71.5	154.6	143.4	294.2	305.4
Items affecting comparability	-0.7	8.3	0.7	6.0	-37.9	-43.2
Financial income and expenses	8.9	70.1	39.8	70.2	129.0	98.6
Comparable EBITDA	125.9	130.6	185.6	217.1	512.6	481.1
Non-cash transactions *	6.5	12.8	15.5	16.2	20.5	19.8
Changes in working capital	53.7	108.9	167.8	149.2	50.4	69.0
Financial expenses paid, net	-11.2	-19.1	-32.7	-41.4	-79.9	-71.2
Income taxes paid	1.8		-11.2			-11.2
Net cash flow from operating activities	176.8	233.1	325.0	341.1	503.6	487.6
Cash flow from investing activities						
Investments in fleet	-148.2	-54.2	-268.6	-115.0	-309.7	-463.2
Investments in other fixed assets	-5.8	-6.5	-12.2	-14.0	-26.0	-24.3
Divestments of fixed assets	0.1	41.7	0.1	43.6	213.8	170.2
Lease and lease interest payments received	4.1		8.3			8.3
Net change in financial assets maturing after more than three months	2.9	-16.0	55.5	-6.1	-81.8	-20.2
Change in other non-current assets	0.0	0.3	-0.2	0.4	1.2	0.6
Net cash flow from investing activities	-147.0	-34.6	-217.2	-91.1	-202.6	-328.6
Cash flow from financing activities						
Loan repayments and changes	-15.9	-12.9	-20.7	-21.1	-112.5	-112.0
Repayments of lease liabilities	-33.0	-29.6	-64.8	-58.7	-118.9	-125.0
Hybrid bond interests and expenses					-15.8	-15.8
Purchase of own shares			-0.5		-3.7	-4.3
Dividends paid	-35.0	-38.4	-35.0	-38.4	-38.4	-35.0
Net cash flow from financing activities	-83.9	-80.8	-120.9	-118.2	-289.2	-292.0
Change in cash flows	-54.0	117.7	-13.1	131.8	11.8	-133.0
Liquid funds, at beginning	696.7	658.1	655.8	643.9	643.9	775.7
Change in cash flows	-54.0	117.7	-13.1	131.8	11.8	-133.0
Liquid funds, at end **	642.7	775.7	642.7	775.7	655.8	642.7
Notes to consolidated cash flow statement						
* Non-cash transactions						
Employee benefits	3.0	3.6	6.7	7.2	3.0	2.5
Change in provisions	3.2	10.7	8.2	10.8	20.6	18.1
Other adjustments	0.3	-1.6	0.6	-1.7	-3.1	-0.8
Total	6.5	12.8	15.5	16.2	20.5	19.8
** Liquid funds						
Other financial assets	848.6	907.4	848.6	907.4	892.2	848.6
Cash and cash equivalents	157.2	211.9	157.2	211.9	180.9	157.2
Cash funds	1 005.8	1 119.3	1 005.8	1 119.3	1 073.1	1 005.8
Maturing after more than three months	-363.1	-343.6	-363.1	-343.6	-417.3	-363.1
Liquid funds	642.7	775.7	642.7	775.7	655.8	642.7

NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL REPORT

1. BASICS OF PREPARATION

This Consolidated Half Year Financial Report has been prepared according to the International (IAS) Standard 34: Interim Financial Reporting. Consolidated income statement includes, in addition to operating result, comparable operating result and EBITDA which are presented to better reflect the Group's business performance when comparing results to previous periods. Comparable operating result does not 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 restructuring costs. The basis for this is explained in more detail in the note 7. Items affecting comparability. Comparable EBITDA is a common measure in airline business which aims to reflect comparable operating result excluding capital cost. Therefore, comparable EBITDA is calculated by excluding depreciations from comparable operating result.

Finnair uses alternative performance measures referred to in the European Securities Markets Authority (ESMA) Guidelines on Alternative Performance Measures to describe its operational and financial performance, to provide a comparable view of its business and to enable better comparability relative to its industry peers. The alternative performance measures do not replace IFRS indicators. Finnair's alternative performance measures reported in financial statements are comparable operating result and EBITDA. Comparable operating result is reconciled in the note 7. Items affecting comparability. Finnair applies consistent principles when excluding items from comparable operating results. The principles are described in more detail in the note 7. Items affecting comparability.

Calculation principles of key ratios are defined in the note 21. Calculation of key ratios. Changes in accounting principles did not have an effect on calculating alternative performance measures. However, due to IFRS 16 implementation, adjusted net debt and adjusted gearing are no longer presented. Further information regarding IFRS 16 impact to key figures is presented in note 20. Changes in accounting principles and restated financials 2018.

2. ACCOUNTING PRINCIPLES

Finnair Group adopted the new IFRS 16 standard: Leases on 1 January 2019. The accounting principles applied correspond to the accounting principles disclosed in the 2018 Consolidated Financial Statements. Finnair has also changed its accounting principle relating to aircraft frame components, including cabin components and frame overhauls and made structural changes in its financial reporting chart of accounts, including income statement, balance sheet and cash flow reporting line item changes. Finnair has applied the changes in accounting principles retrospectively in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and each comparative period has been restated accordingly. The changes to the accounting principles and restatement effects to 2018 financials are described in the note 20 Changes in accounting principles and restated financials 2018.

The figures presented in this statement are not rounded; therefore, the total sum of individual figures does not necessarily match the corresponding sum stated herein. The key figures stated here are calculated using the exact figures.

3. CRITICAL ACCOUNTING ESTIMATES AND SOURCES OF UNCERTAINTY

The preparation of the half year financial report requires the company's management to make estimates and assumptions that influence the levels of reported assets and liabilities as well as of revenue and expenses. The actual outcome may differ from the estimates made. The critical accounting estimates and sources of uncertainty are disclosed in the financial statements 2018.

4. SEGMENT INFORMATION AND REVENUE

Finnair Executive Board, defined as the chief operative decision maker according to IFRS 8 Segment reporting, considers the business as one operating segment. Therefore, segment information is not reported.

Revenue by product and traffic area

Q2 2019, in mill. EUR	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	273.6	50.9	271.2	41.8	7.9	645.5	81.4
Ancillary and retail revenue	13.1	3.2	12.0	1.0	16.0	45.3	5.7
Cargo	39.0	3.7	8.3	0.4	3.3	54.7	6.9
Travel services	1.0	0.6	45.5	0.4	0.0	47.6	6.0
Total	326.7	58.4	337.0	43.6	27.2	793.0	
Share %	41.2	7.4	42.5	5.5	3.4		

Q2 2018, in mill. EUR	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	243.4	35.6	245.0	41.4	14.9	580.3	80.8
Ancillary and retail revenue	10.2	1.7	11.1	0.8	16.8	40.5	5.6
Cargo	38.3	2.7	7.9	0.2	2.6	51.7	7.2
Travel services	1.8	0.0	41.6	0.4	1.8	45.7	6.4
Total	293.7	40.0	305.6	42.8	36.1	718.2	
Share %	40.9	5.6	42.6	6.0	5.0		

Q1-Q2 2019, in mill. EUR	North					Un-allocated		Total	Share %
	Asia	Atlantic	Europe	Domestic					
Passenger revenue	503.4	78.4	464.2	95.8	20.9	1 162.7	79.3		
Ancillary and retail revenue	26.8	5.2	20.9	2.6	30.5	86.0	5.9		
Cargo	74.8	6.2	15.6	0.6	4.8	102.1	7.0		
Travel services	24.4	10.1	78.3	0.5	1.9	115.3	7.9		
Total	629.5	99.9	579.0	99.4	58.1	1 466.0			
Share %	42.9	6.8	39.5	6.8	4.0				

Q1-Q2 2018, in mill. EUR	North				Un-allocated		Total	Share %
	Asia	Atlantic	Europe	Domestic				
Passenger revenue	460.4	60.6	427.2	96.7	25.7	1 070.5	78.8	
Ancillary and retail revenue	22.4	3.5	18.4	1.7	33.7	79.6	5.9	
Cargo	67.5	4.9	13.6	0.3	6.0	92.3	6.8	
Travel services	28.0	10.2	74.8	0.6	3.3	116.9	8.6	
Total	578.3	79.2	533.9	99.2	68.7	1 359.3		
Share %	42.5	5.8	39.3	7.3	5.1			

2018, in mill. EUR	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	999.3	137.5	898.1	178.0	46.0	2 259.0	79.3
Ancillary and retail revenue	45.3	7.5	40.7	4.4	62.9	160.8	5.6
Cargo	155.7	12.0	32.4	0.6	6.5	207.2	7.3
Travel services	35.9	13.3	165.2	1.3	7.0	222.6	7.8
Total	1 236.2	170.3	1 136.4	184.4	122.4	2 849.7	
Share %	43.4	6.0	39.9	6.5	4.3	39.6	

PLF, %	Q2 2019	Q2 2018	Change %	Q1-Q2		Q1-Q2		2018
				2019	2018	Change %	2018	
Asia	82.1	84.6	-2.6 %-p	82.3	86.6	-4.3 %-p	85.5	
North Atlantic	87.5	87.7	-0.2 %-p	84.9	84.4	0.5 %-p	83.8	
Europe	83.0	80.5	2.5 %-p	79.3	79.4	-0.1 %-p	78.6	
Domestic	67.5	66.4	1.1 %-p	63.7	65.2	-1.5 %-p	64.7	
Total	82.5	82.5	-0.1 %-p	80.5	82.7	-2.2 %-p	81.8	

ASK, mill. km				Q1-Q2		Q1-Q2		2018
	Q2 2019	Q2 2018	Change %	2019	2018	Change %		
Asia	6 000.4	5 356.8	12.0	11 447.7	10 394.1	10.1	21 052.1	
North Atlantic	1 174.1	745.6	57.5	1 902.5	1 473.7	29.1	3 135.6	
Europe	4 731.6	4 220.4	12.1	8 559.1	7 472.9	14.5	16 297.8	
Domestic	401.2	396.0	1.3	1 067.8	1 043.8	2.3	1 900.2	
Total	12 307.3	10 718.7	14.8	22 977.1	20 384.4	12.7	42 385.8	

RPK, mill. km				Q1-Q2 2019		Q1-Q2 2018		2018
	Q2 2019	Q2 2018	Change %	2019	2018	Change %	2018	
Asia	4 923.7	4 532.5	8.6	9 422.3	9 006.4	4.6	17 999.6	
North Atlantic	1 027.1	653.7	57.1	1 614.8	1 243.7	29.8	2 626.3	
Europe	3 928.6	3 397.5	15.6	6 788.2	5 931.1	14.5	12 804.9	
Domestic	270.7	262.9	3.0	680.6	681.1	-0.1	1 229.5	
Total	10 150.2	8 846.5	14.7	18 505.9	16 862.3	9.7	34 660.4	

Key figures quarterly, beginning from 2018	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenue	793.0	672.9	683.5	806.9	718.2	641.1
Passenger revenue	645.5	517.2	531.1	657.4	580.3	490.2
Ancillary and retail revenue	45.3	40.7	39.2	42.0	40.5	39.1
Cargo	54.7	47.4	60.0	55.0	51.7	40.5
Travel services	47.6	67.7	53.3	52.5	45.7	71.2
Comparable operating result	47.2	-16.2	26.5	118.2	59.1	14.6
Operating result	47.9	-17.6	73.1	115.5	50.8	16.9
ASK, mill. km	12 307.3	10 669.8	10 473.3	11 528.0	10 718.7	9 665.7
RPK, mill. km	10 150.2	8 355.8	8 055.4	9 742.7	8 846.5	8 015.8
PLF, %	82.5	78.3	76.9	84.5	82.5	82.9

Earlier periods are not reported, because income statement is restated only from 1.1.2018 onwards.

5. STAFF COSTS

in mill. EUR	Q2 2019	Q2 2018	Change %	Q1-Q2	Q1-Q2	Change %	2018
				2019	2018		
Wages and salaries	-105.0	-97.3	7.9	-190.2	-178.4	6.6	-339.2
Defined contribution schemes	-18.6	-18.5	0.5	-32.2	-33.7	-4.4	-63.2
Defined benefit schemes	-3.1	-3.1	3.0	-6.3	-6.1	3.0	-13.2
Pension expenses total	-21.8	-21.6	0.9	-38.5	-39.8	-3.3	-76.4
Other social expenses	7.6	3.1	-143.5	-1.6	-3.9	-58.9	-17.8
Salaries, pension and social costs	-119.2	-115.7	3.0	-230.3	-222.1	3.7	-433.4
Operative staff related costs	-11.1	-8.1	36.9	-21.6	-16.6	30.0	-34.6
Leased and outsourced crew	-3.7	-5.1	-27.5	-8.0	-8.9	-10.1	-17.3
Other personnel related costs	-2.9	-3.8	-24.1	-6.7	-8.5	-21.0	-14.3
Total	-136.9	-132.8	3.1	-266.6	-256.1	4.1	-499.6

6. DEPRECIATION AND IMPAIRMENT

in mill. EUR	Q2 2019	Q2 2018	Change %	Q1-Q2	Q1-Q2	Change %	2018
				2019	2018		
Depreciation of owned fleet	-41.2	-32.2	28.1	-79.4	-65.1	22.0	-136.5
Depreciation of other fixed assets	-5.1	-4.9	5.7	-10.5	-8.9	18.3	-19.3
Depreciation of right-of-use fleet	-26.5	-28.0	-5.7	-52.9	-56.4	-6.3	-112.9
Depreciation of right-of-use other assets	-5.9	-6.4	-7.8	-11.9	-13.1	-9.0	-25.4
Total	-78.7	-71.5	10.1	-154.6	-143.4	7.8	-294.2

7. ITEMS AFFECTING COMPARABILITY

Comparable operating result aims to provide a comparable view on business development between periods. Therefore, items effecting comparability are excluded from the comparable operating result. The principles related to income statement presentation and principles related to usage of alternative performance measures are described under Basics of preparation. Calculation principles of alternative performance measures are also defined in Note 21. Calculation of key ratios. The detailed content of items affecting comparability and the reasoning behind excluding those from comparable operating results is described below.

Unrealised exchange rate differences of mainly in US dollars denominated aircraft maintenance provisions are not included in the comparable operating result. These changes are not included in the comparable operating result until the maintenance event or redelivery occurs during a long period of time in the future and the exchange rate differences realise over a long period of time. Finnair provides for the redelivery condition related to leased aircraft according to the principles described in the note 1.3.5. Provisions in the 2018 Consolidated Financial Statements.

Further, unrealised fair value changes of derivatives where hedge accounting is not applied, are not included in the comparable operating result, as the business transactions which they are hedging are recognised to the comparable operating result only when they occur. The treatment of realised gains and losses on these derivatives is described in the note 3.8 Derivatives in the 2018 Consolidated Financial Statements.

In addition to above, gains and losses on aircraft and other transactions and restructuring costs are not included in the comparable operating result. Gains and losses on transactions include sales gains and losses as well as other items that can be considered to be directly related the sale of the asset. For example, a write-down that might occur when an asset is classified as "Assets held for sale" in accordance with IFRS 5, is included in gains and losses on the transactions. Restructuring costs include termination benefits and other costs that directly related to the restructuring of operations.

in mill. EUR	Q2 2019		Q2 2018		Items affecting comparability	Comparable operating result	Change %
	Operating result	Items affecting comparability	Operating result	Items affecting comparability			
Revenue	793.0		793.0	718.2		718.2	10.4
Sales gains on aircraft and other transactions	0.2	-0.2		0.2	-0.2		0.7
Other operating income	13.1		13.1	17.9		17.9	-26.5
Operating expenses							
Staff costs	-137.7	0.8	-136.9	-133.7	0.9	-132.8	3.0
Fuel costs	-181.2	0.7	-180.6	-147.1	1.7	-145.4	23.2
Capacity rents	-32.8		-32.8	-30.1		-30.1	9.3
Aircraft materials and overhaul	-48.7	-2.0	-50.7	-42.2	5.6	-36.5	15.6
Traffic charges	-87.3		-87.3	-78.1		-78.1	11.7
Sales, marketing and distribution costs	-42.3		-42.3	-105.9		-105.9	-60.0
Passenger and handling services	-116.7		-116.7	-40.1		-40.1	191.3
Sales losses on aircraft and other transactions				-0.3	0.3		-100.0
Property, IT and other expenses	-32.9	0.0	-32.9	-36.6	0.0	-36.6	-10.1
EBITDA	126.6	-0.7	125.9	122.2	8.3	130.6	3.6
Depreciation and impairment	-78.7		-78.7	-71.5		-71.5	10.1
Operating result	47.9	-0.7	47.2	50.8	8.3	59.1	-5.6

in mill. EUR	Q1-Q2 2019		Q1-Q2 2018		Items affecting comparability	Comparable operating result	Change %
	Operating result	Items affecting comparability	Operating result	Items affecting comparability			
Revenue	1 466.0		1 466.0	1 359.3		1 359.3	7.8
Sales gains on aircraft and other transactions	0.2	-0.2		0.6	-0.6		-72.4
Other operating income	27.7		27.7	37.6		37.6	-26.3
Operating expenses							
Staff costs	-267.4	0.8	-266.6	-257.2	1.1	-256.1	4.0
Fuel costs	-325.8	0.0	-325.8	-274.8	1.9	-272.8	18.6
Capacity rents	-65.0		-65.0	-58.3		-58.3	11.5
Aircraft materials and overhaul	-97.1	0.1	-97.0	-77.8	3.0	-74.8	24.8
Traffic charges	-159.4		-159.4	-143.2		-143.2	11.3
Sales, marketing and distribution costs	-84.0		-84.0	-80.9		-80.9	3.8
Passenger and handling services	-244.1		-244.1	-225.6		-225.6	8.2
Sales losses on aircraft and other transactions				-0.5	0.5		-100.0
Property, IT and other expenses	-66.2	0.0	-66.2	-68.1	0.0	-68.1	-2.9
EBITDA	185.0	0.7	185.6	211.1	6.0	217.1	-12.4
Depreciation and impairment	-154.6		-154.6	-143.4		-143.4	7.8
Operating result	30.3	0.7	31.0	67.7	6.0	73.7	-55.2

8. MANAGEMENT OF FINANCIAL RISKS

No significant changes have been made to the Group's risk management principles in the reporting period. The objectives and principles of risk management are consistent with the information presented in the Group's 2018 financial statements. The tables below present the nominal value or the amount and net fair value of derivative contracts used in Group's hedge accounting.

Derivatives, in mill. EUR	30 Jun 2019		30 Jun 2018		31 Dec 2018	
	Nominal value	Fair net value	Nominal value	Fair net value	Nominal value	Fair net value
Currency derivatives						
Operational cash flow hedging (forward contracts)	835.5	9.2	516.3	7.3	700.1	10.1
Operational cash flow hedging (options)						
Bought options	212.8	4.9	281.1	5.2	242.6	5.6
Sold options	215.6	-2.2	281.8	-2.9	242.0	-2.8
Fair value hedging of aircraft acquisitions	342.7	14.0	440.6	-0.2	445.4	17.5
Currency hedging of lease payments	72.9	4.5	130.4	0.8	107.4	5.2
Hedge accounting items total	1 679.6	30.4	1 650.3	10.3	1 737.6	35.5
Hedging of assets held for sale			57.2	-1.8		
Balance sheet hedging (forward contracts)	814.9	0.3	124.1	-0.2	131.8	1.7
Items outside hedge accounting total	814.9	0.3	181.3	-2.1	131.8	1.7
Currency derivatives total	2 494.5	30.8	1 831.6	8.2	1 869.4	37.2
Commodity derivatives						
Jet fuel forward contracts, tonnes	999 000	-33.2	803 000	94.0	924 500	-74.3
Options						
Bought options, jet fuel, tonnes	128 000	1.8	194 000	10.9	169 500	0.7
Sold options, jet fuel, tonnes	128 000	-2.7	194 000	-1.3	169 500	-11.6
Hedge accounting items total		-34.0		103.6		-85.2
Options						
Sold options, jet fuel, tonnes	128 000	-0.5	123 000	-2.7	146 500	-1.1
Items outside hedge accounting total		-0.5		-2.7		-1.1
Commodity derivatives total	-34.5		100.9		-86.4	
Currency and interest rate swaps and options						
Interest rate swaps			64.9	0.2		
Hedge accounting items total			64.9	0.2		
Cross currency Interest rate swaps	224.6	-1.8	237.6	-10.3	232.7	-5.8
Items outside hedge accounting total	224.6	-1.8	237.6	-10.3	232.7	-5.8
Interest rate derivatives total	224.6	-1.8	302.5	-10.2	232.7	-5.8
Equity derivatives						
Stock options						
Bought options			3.0	15.3		
Sold options			3.0	-4.9		
Hedge accounting items total			6.0	10.4		
Equity derivatives total	6.0		10.4			
Derivatives total		-5.6		109.3		-54.9

9. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

Fair values at the end of the reporting period, in mill. EUR	30 Jun 2019	Level 1	Level 2
Financial assets at fair value through profit and loss			
Securities held for trading	848.6	763.0	85.5
Derivatives held for trading			
Currency derivatives	42.8	42.8	
- of which in fair value hedge accounting	14.3	14.3	
- of which in cash flow hedge accounting	27.3	27.3	
Commodity derivatives	6.9	6.9	
- of which in cash flow hedge accounting	6.9	6.9	
Total	898.2	763.0	135.2

Financial liabilities recognised at fair value through profit and loss

Derivatives held for trading			
Currency and interest rate swaps and options	1.8	1.8	
Currency derivatives	12.0	12.0	
- of which in fair value hedge accounting	0.3	0.3	
- of which in cash flow hedge accounting	10.9	10.9	
Commodity derivatives	41.4	41.4	
- of which in cash flow hedge accounting	40.9	40.9	
Total	55.2	55.2	

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

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

The fair values of Level 2 instruments are, to a significant extent, based on input data other than the quoted prices included in Level 1, but still mainly based directly observable data (price) or indirectly observable data (derived from price) for the particular asset or liability.

10. COMPANY ACQUISITIONS AND DIVESTMENTS

There were no business acquisitions or disposals during the first half of 2019.

11. INCOME TAXES

The effective tax rate for Q1-Q2 2019 was -20.0% (-21.8%).

12. DIVIDEND PER SHARE

A dividend for 2018 of 0.274 euro per share, amounting to a total of EUR 35.0 million, was decided in the Annual General Meeting on 20 March 2019. The dividend was paid on 2 April 2019.

A dividend for 2017 of 0.30 euro per share, amounting to a total of EUR 38.4 million, was decided in the Annual General Meeting on 20 March 2018. The dividend was paid on 4 April 2018.

13. CHANGE IN INTANGIBLE AND TANGIBLE ASSETS

in mill. EUR	30 Jun 2019	30 Jun 2018	31 Dec 2018
Carrying amount at the beginning of period	1 493.5	1 389.7	1 389.7
Additions	315.5	89.9	339.6
Change in advances	-29.6	40.8	40.7
Currency hedging of aircraft acquisitions	3.5	-17.2	-34.9
Disposals and reclassifications	0.1	-13.0	-85.9
Depreciation	-89.9	-73.9	-155.8
Carrying amount at the end of period	1 693.1	1 416.3	1 493.5
Proportion of assets held for sale at the beginning of period	0.1	0.1	0.1
Proportion of assets held for sale at the end of period		0.0	0.1

14. CHANGE IN RIGHT-OF-USE ASSETS

in mill. EUR	30 Jun 2019	30 Jun 2018	31 Dec 2018
Carrying amount at the beginning of period	998.6	1 068.3	1 068.3
New contracts	3.2	2.7	122.7
Reassessments and modifications	-6.7	15.3	11.8
Disposals	-15.1	-1.0	-65.8
Depreciation	-64.8	-69.5	-138.4
Carrying amount at the end of period	915.2	1 015.8	998.6

15. ASSETS HELD FOR SALE

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Non-current assets held for sale			
Intangible and tangible assets		0.0	0.1
Assets from subsidiary held for sale		15.3	
Total	15.3		0.1

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Liabilities of non-current assets held for sale			
Liabilities from subsidiary held for sale		10.8	
Total	10.8		

16. INTEREST-BEARING LIABILITIES

During the first half of 2019 Finnair amortized its loans according to the loan instalment programs.

17. CONTINGENT LIABILITIES

in mill. EUR	30 Jun 2019	30 Jun 2018	31 Dec 2018
Guarantees on behalf of group undertakings	82.0	81.5	82.0
Guarantees on behalf of others	0.6		0.6
Total	82.6	81.5	82.6

Investment commitments for property, plant and equipment as at 30 June 2019 totaled 827 million euros (31 December 2018: 975). Lease commitments as at 30 June 2019 for VAT obligations, short-term leases of facilities and leases of low value IT equipment, that do not qualify as IFRS 16 leases, totaled 25 million euros (31 December 2018: 27).

18. RELATED PARTY TRANSACTIONS

	Q1-Q2 2019	Q1-Q2 2018	2018
Sales of goods and services			
Associates and joint ventures	12.8	22.0	44.1
Pension fund	0.3	0.0	0.2
Purchases of goods and services			
Associates and joint ventures	53.2	52.6	105.4
Pension fund	7.1	7.7	15.1
Financial income and expenses			
Associates and joint ventures	2.0		2.0
Pension fund	-0.1	0.0	-0.1
Receivables			
Non-current receivables from joint ventures	40.5		
Current receivables from associates and joint ventures	21.4		9.2
Liabilities			
Non-current liabilities to joint ventures	3.6		3.6
Non-current liabilities to pension fund	47.6	19.6	16.5
Current liabilities to associates and joint ventures	0.3		2.1

19. EVENTS AFTER THE CLOSING DATE

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

20. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATED FINANCIALS 2018

As of 1 January 2019, Finnair has adopted the new IFRS 16 Leases standard using the full retrospective method. Finnair has also changed its accounting principle relating to aircraft frame components, including cabin components and frame overhauls, and made structural changes in its financial reporting chart of accounts, including income statement, balance sheet and cash flow reporting changes. Finnair's financial reporting for 2018 has been restated to account for the new reporting practices.

Finnair has published a separate Stock Exchange Release 21st March 2019 related to the changes, which encloses the restated financials, including also tables where the different restatement effects to 2018 are specified separately for each restatement. Tables are available also in excel-format on Finnair's investor relations website at <https://investors.finnair.com/en>

Below is presented the summary of changes to figures and accounting principles as well as the restatement effects tables for each quarter of 2018 with combined effect of all three restatements.

IFRS 16 Leases

The new leasing standard IFRS 16 is effective from 2019 onwards. It replaces the previous standard (IAS 17 Leases). Finnair has adopted the standard from 2019 onwards and has applied the full retrospective method to each prior reporting period presented.

The new standard has a significant impact to Finnair Group financial statements and key ratios. The present value of the future operating lease payments for aircraft, real estate and other qualifying operating lease arrangements are recognized as right-of-use assets with corresponding interest-bearing lease liabilities on the balance sheet. Previously, future lease payments for operating leases were presented in the notes as operating lease commitments at their nominal value.

Assets at 31.12.2018 increased by 992.3 million euros due to the recognition of right-of-use assets, of which approximately 80 % are aircraft. Liabilities increased in total by 1,091.6 million euros due to the recognition of the present value of qualifying operating lease liabilities. The comparative information was restated, and the cumulative effect of initially applying IFRS 16 was made as an adjustment to opening equity of 2018. The change decreased Finnair's equity at 31.12.2018 by 99.3 million euros.

Although the assets associated with operating leases are denominated in Euros when converted into right of use assets, the majority of Finnair's aircraft lease contracts will remain payable in US dollars. As of January 2019, Finnair has mitigated the foreign exchange volatility introduced by this difference by adjusting its hedging policy.

The change had significant impacts to Finnair's 2018 key figures reported. The increase of interest-bearing net debt reflected to key figure Gearing %, which increased by 115.6 p.p. due to the implementation of IFRS 16. Equity ratio decreased by 11.3 p.p. due to the implementation of IFRS 16. Due to the implementation of IFRS 16, Finnair also gave up on reporting two alternative key performance indicators from 1st January 2019 onwards. Adjusted net debt and adjusted gearing, where the operating lease payments for aircraft have been previously adjusted, are no longer presented. Interest-bearing lease liability is now recognized on the balance sheet and therefore already included in the interest-bearing net debt and gearing, without any separate adjustment needed.

The leasing standard had also impact to Finnair's income statement. From 2019 onwards, operating lease expenses are divided into the depreciation of the right-of-use asset (affecting the comparable operating result) and the interest costs associated with the liability (affecting finance net). The interest costs for the liability are at their highest in the beginning of the lease term, decreasing towards the end of the term as the lease liability is amortized. Previously, operating lease expenses were accrued over the lease term primarily on a straight-line basis and recognized in the operating result as lease payments for aircraft and other rents, according to the lease contract terms. In addition to the impact on operating result and EBITDA, cash flow from operating activities also increases, as the amortization of lease liabilities is transferred from operating activities to financing activities in cash flow.

Finnair 2018 comparable operating result improved by 54.7 million euros and operating result improved by 54.8 million euros due to the implementation of the new standard. Depreciation increased due to depreciation of right of use assets, but the qualifying operating lease payments are no longer be included in operating result and are instead included in lease liability repayments and financial expenses. Finnair's net result in 2018 however decreased by 44.3 million euros due to interest expenses and foreign exchange losses associated with USD denominated aircraft lease payments and liability. The majority of the decrease in Finnair's net result is derived from unrealized foreign exchange losses caused by the translation of the USD denominated liability. The amount of the foreign currency exchange effect could be positive or negative, depending on the USD-rate at the closing date. As of January 2019, Finnair has mitigated the foreign exchange volatility introduced by this difference by adjusting its hedging policy. The annual effect in net result going forward is dependent on the size of the qualifying operating lease portfolio and the duration of the leases.

In the cash flow statement, repayments of lease liabilities are moved from operating cash flow to financing cash flow in accordance with IFRS 16. Operating cash flow increased by 111.9 million euros, with a corresponding reduction in financing cash flow.

IFRS 16 impacts in Finnair accounting policies

The leases recognized as right-of-use assets under IFRS 16 at Finnair are comprised of operating leased aircraft and spare engines, real estate, cars and ground equipment. Aircraft accounts for the majority (~80%) of the right-of-use asset and lease liability balance sheet value. The majority of the remaining (~20%) is real estate contracts.

Finnair uses the exemption provided by the standard not to account for lease liability for operating leases which have a term of 12 months or less, and which do not include an option to purchase the underlying asset. In addition, Finnair does not account for IFRS 16 lease liability for leases for which the underlying asset is not material to Finnair. The assessment of whether the underlying asset is material and is within the scope or excluded from the recognition requirements of IFRS 16 is based on the concept of materiality in the Conceptual Framework and IAS 1. Finnair recognizes the lease payments associated with such short-term and immaterial leases as an expense on a straight-line basis.

Aircraft

Lease term: For the aircraft operating lease contracts, the lease term corresponds to the non-cancellable duration of the contracts signed except in cases where the Group is reasonably certain of exercising either an extension option or an early termination option that is included in the contract. At the initial measurement of the lease, Finnair does not normally include any option period in the lease term as there is significant uncertainty whether Finnair will continue the lease term, even if the lease allows for extensions. The negotiation of possible extension typically begins 12-18 months prior to the initial operating lease term expiry. Finnair remeasures the lease liability when it decides to use the extension option or when there is some other significant indication that the lease period will be extended. For example, major modifications to leased aircraft may be considered as indications of extending the lease, especially if done close to the end of leasing period.

Discount rate: Aircraft lease agreements do not clearly define the interest rate implicit in a lease. Since the fair values of the aircraft are provided publicly by third parties, Finnair is able to calculate the implicit interest rate for each qualifying aircraft operating lease. The rate implicit in the lease is defined as the rate that causes the sum of the present value of the lease payments and the present value of the residual value of the underlying asset at the end of the lease to equal the fair value of the underlying asset.

Maintenance costs: Finnair recognizes provisions for leased aircraft to maintain the aircraft during the period of the lease. For owned aircraft, provisions are not recognized because the cost is avoidable, by for instance selling the asset. IFRS 16 requires including restoration costs in the right-of-use asset. Finnair uses the criteria of whether the maintenance cost is avoidable or unavoidable in determining whether the maintenance cost is capitalized to the RoU asset or not.

Finnair is obliged to return leased aircraft and their engines according to the redelivery condition set in the lease agreement. If at the time of redelivery, the condition of the aircraft and its engines differs from the agreed redelivery condition, Finnair needs to either maintain the aircraft so that it meets the agreed redelivery condition or settle the difference in cash to the lessor. The maintenance costs can be divided into two main groups:

- 1) costs that incur independent of the usage of the aircraft / leasing period and
- 2) costs that incur dependent on the usage of the aircraft / leasing period

The final check and painting required at redelivery are considered unavoidable maintenance costs that realize when the aircraft is redelivered to the lessor, irrespective of the time or flight hours. The counterpart of the provision is recorded in the book value of the right-of-use asset at the commencement of the lease in accordance with IFRS 16 (IFRS 16:25).

Respectively, costs depending on the usage of the aircraft are not considered as part of the right-of-use asset cost.

Excluded contracts: Excluded, non-qualifying, aircraft lease contracts include wet leases and spare engines that have been mainly excluded based on short-term exemption. Finnair analyses the lease term separately for each lease based on contract term and possible extension and early termination options. When the lease term is 12 months or less and Finnair does not intend to continue the lease period after that, the lease agreement is excluded from lease liabilities.

Wet lease agreements are made to lease airline capacity typically on a short-term basis, for example when there are shortages in resourcing. The lease term of a typical wet lease agreement can vary from one day to one year.

Spare engines that have been leased on short-term basis in exceptional cases (e.g., when the owned engine is broken), are excluded from the lease liability. The lease term is usually only few days up to few months and Finnair does not intend to lease the spare engines for a longer period of time than they are needed.

Real estate

Lease term: The lease term corresponds to the non-cancellable duration of the contracts signed, except in cases where Finnair is reasonably certain of exercising either an extension option or an early termination option included in the contract.

Discount rate: Since facility agreements do not clearly specify the implicit interest rate in the lease contracts, Finnair uses an estimate of incremental borrowing cost for a portfolio of facilities, meaning that all of the facilities' (land and real estate) lease contracts are discounted using the same discount rate. A management estimate of the incremental borrowing cost is used in determining the interest rate.

Excluded contracts: Based on Finnair's evaluation, service contracts that relate to the usage of airports and terminals (HEL hub) do not qualify as lease arrangements for IFRS 16 purposes. In the contracts, the lessor has a substitution right to substitute the leased area with another area, which leads to classifying the contracts as non-leases. As an exception from this principle, there are specific lounge areas at Helsinki airport that are dedicated for Finnair's use, and these are therefore included in lease contracts.

Finnair has analyzed lease contracts where the lease term is not fixed but both the lessor and lessee have an option to terminate the lease within 1-12 months' notice and has concluded that these contracts are not material and termination of these contracts is practically realistic within the time of the notice (e.g. small storage space). Therefore, these contracts have been mainly excluded from the lease liability.

Other leases (cars and ground equipment)

Other leases constitute mainly of company cars and ground equipment, where the lease is considered long term and therefore qualify as IFRS 16 leases.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. Finnair has used this practical expedient for those company car and ground equipment leases that include service components.

The lease term corresponds to the non-cancellable duration of the contracts signed except in cases where Finnair is reasonably certain of exercising either an extension option or an early termination option included in the contract. Current lease contracts do not include such options that would be reasonably certain to be exercised, so the lease term of the current contracts corresponds to the lease duration of the signed contract. Finnair uses an estimate of incremental borrowing cost for each portfolio of cars and ground equipment, meaning that all the lease contracts are discounted using the same discount factor. A management estimate is used to determine the incremental interest rate. Lease contracts that individually (or by asset class) are not material to Finnair have been excluded from the lease liability. These contracts include small IT-equipment and office equipment.

Subleases

IFRS 16 did not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. Under IFRS 16, an intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). Because of this change, Finnair has reclassified certain of its sublease agreements as finance leases as at 1st January 2019.

Finnair subleases 9 (nine) aircraft and a small amount of ground equipment, where by reference to the head lease, the lease term is for the majority of the remaining economic life arising from the Right-of-use asset and therefore these are classified as finance leases in accordance with IFRS 16. The right-of-use asset arising from the head lease is derecognized and a net investment corresponding to the discounted lease payments is recognized on the Finnair balance sheet.

In accordance with IFRS 16, for subleases where Finnair is the lessor and are reclassified from operating subleases to finance leases due to IFRS 16, contracts ongoing at 1.1.2019 (date of initial application) are accounted for as new finance leases and the gain arising on the subleases is included in the cumulative catch-up adjustment in retained earnings.

Change in accounting principles of Aircraft frame components and overhauls

Finnair has revised the accounting principles of its aircraft frame components and overhauls. Finnair's financial reporting has been restated to each prior reporting period presented. Previously, only the heavy maintenance of airframes had been separated out into maintenance components. From 1st January 2019 onwards, other material maintenance and cabin components, such as landing gear and business class seats, are accounted for as separate components. The different components are depreciated based on their economic useful lives or during their maintenance period. Previously, overhauls have been booked as expenses as occurred.

Finnair also changed its accounting principle for leased aircraft, so that a provision is recognized following the same principle that Finnair applies to the maintenance of its owned aircraft.

Assets at 31.12.2018 increased by 4.0 million euros. The acquisition cost of the capitalized overhauls increased the assets, and the shorter depreciation period of the cabin components compared to the old policy decreased the asset value. Liabilities increased by 7.9 million euros due to the recognition of provisions for maintenance events. The comparative information was restated, and the cumulative effect of initially applying the accounting principle was made as an adjustment to opening equity of 2018. The change decreased Finnair's equity at 31.12.2018 by 3.9 million euros.

The change had also some impact to income statement and key ratios reported. 2018 comparable operating result decreased because of the change by 5.7 million euros, operating result decreased by 6.0 million euros and net result decreased by 4.7 million euros. Equity ratio decreased by 0.2 p.p. and gearing decreased by 0.1 p.p. In cash flow, the investments to owned aircraft maintenance events are now presented in investing cash flow instead of operating cash flow.

Changes in presentation of Consolidated income statement, balance sheet and cash flow statement

Finnair has renewed the presentation of its consolidated income statement, balance sheet and cash flow statement by grouping costs in the consolidated income statement to better reflect business development and operations and to include the new line items required by the IFRS 16 standard. In all statements, the lines are named to be clearer. Structural changes did not have effect on figures, but rather the line items in income statement, balance sheet and cash flow.

In the new income statement structure, customer compensations have been transferred from revenue to passenger and handling expenses. The volume-driven operating expenses have been transferred from other expenses to relevant line items:

- Personnel related expenses and hired and outsourced crew have been transferred to staff costs.
- Booking fees and credit card commissions have been transferred to sales, marketing and distribution costs.
- Lounge costs, cancellations costs, rerouting compensations, wifi-costs and IT fees based on passengers' amount have been transferred to passenger and handling services.

Groupings and naming have been changed to be more relevant:

- Other rents account name has been changed to capacity rents. Property related costs have been transferred to account property, IT and other expenses.
- Ground handling, catering and tour operation expenses have been combined to account passenger and handling services.

Due to implementing IFRS 16, lease payments are no longer presented in operating result so lease payments for aircraft account has been removed.

In non-current assets the fixed assets have been split to fleet and to other fixed assets, which include other than fleet related tangible and intangible assets. Due to IFRS 16 implementation, additional accounts for the right-of-use assets of fleet and other fixed assets have been added. Respectively, additional accounts have been added for the non-current and current lease liabilities.

In non-current assets the investments in associates and joint ventures have been combined to other non-current assets. In current assets the inventories have been combined with prepaid expenses. The new account receivables related to revenue include trade receivables and accrued income. In non-current liabilities the other non-current liabilities have been combined to the new account provisions and other non-current liabilities.

Cash flow structure has been changed to begin from result before taxes and line item income taxes has been removed from the structure. Comparable EBITDA, which is presented in the Finnair income statement, has been added to the structure and EBITDA, that is not presented in the income statement, is removed. Items affecting comparability, that are specified in a separate note of interim and financial statements, have been added as a new line item to cash flow and the gains and losses on aircraft and other transactions, that belong to the items affecting comparability account group, have been moved there.

In net cash flow from investing activities, the structure has been changed to correspond to the balance sheet presentation of fleet and other fixed assets. Divestments of fixed assets are now presented separately from divestments of group shares. Investments and divestments of group shares have been moved to line item change in other non-current assets.

Due to implementing IFRS 16, a new line item for repayments of lease liabilities has been added to the net cash flow from financing activities.

RESTATEMENT OF KEY FIGURES, INCOME STATEMENT, BALANCE SHEET AND CASH FLOW

CUMULATIVE QUARTERLY KEY FIGURES 2018, REPORTED AND RESTATED

Key figures	Reported				Restated			
	Q1 2018	Q1-Q2 2018	Q1-Q3 2018	Q1-Q4 2018	Q1 2018	Q1-Q2 2018	Q1-Q3 2018	Q1-Q4 2018
Revenue, EUR million	635.3	1 350.4	2 151.5	2 834.6	641.1	1 359.3	2 166.2	2 849.7
Operating expenses total, EUR million	651.2	1 336.2	2 046.4	2 739.0	646.3	1 323.2	2 029.4	2 705.1
Operating expenses excl. fuel, EUR million	523.8	1 063.3	1 610.8	2 158.0	518.9	1 050.4	1 593.8	2 124.0
Comparable operating result, EUR million	3.9	51.8	160.2	169.4	14.6	73.7	191.9	218.4
Comparable operating result, % of revenue	0.6	3.8	7.4	6.0	2.3	5.4	8.9	7.7
Operating result, EUR million	6.0	45.9	151.7	207.5	16.9	67.7	183.1	256.3
DEL NEW Comparable EBITDAR, % of revenue	12.3	14.9	17.9	16.8				
DEL NEW Comparable EBITDA, % of revenue					13.5	16.0	18.9	18.0
Earnings per share (EPS), EUR	-0.01	0.18	0.79	1.08	0.08	-0.07	0.46	0.70
Equity per share, EUR	7.60	8.21	9.02	8.01	7.26	7.53	8.26	7.20
Unit revenue per available seat kilometre, (RASK), cents/ASK	6.57	6.62	6.74	6.69	6.63	6.67	6.79	6.72
RASK at constant currency, cents/ASK	6.71	6.73	6.85	6.78	6.77	6.78	6.90	6.81
Unit revenue per revenue passenger kilometre (yield), cents/RPK	6.05	6.30	6.44	6.48	6.12	6.35	6.49	6.52
Unit cost per available seat kilometre (CASK), cents/ASK	6.53	6.37	6.24	6.29	6.48	6.31	6.19	6.21
CASK excluding fuel, cents/ASK	5.21	5.03	4.88	4.92	5.16	4.97	4.82	4.84
CASK excluding fuel at constant currency, cents/ASK	5.31	5.03	4.86	4.89	5.26	4.96	4.81	4.81
Equity ratio, %	32.6	33.9	37.5	34.7	23.4	23.7	26.3	23.3
Gearing, %	-28.0	-39.1	-37.4	-38.9	80.4	65.6	57.3	76.9
DEL Adjusted gearing, %	76.7	60.7	55.2	67.2				
DEL Interest-bearing net debt, EUR million	-272.1	-410.5	-431.4	-397.9	746.8	631.7	605.6	706.7
DEL Adjusted net debt, EUR million	746.0	637.3	636.7	686.8	746.8	631.7	605.6	706.7
DEL Adjusted net debt / Comparable EBITDAR, LTM	-	-	-	1.4				
NEW Interest-bearing net debt / Comparable EBITDA, LTM *					-	-	-	1.4
Gross capital expenditure, EUR million	55.8	85.5	168.5	331.0	64.2	108.0	221.6	474.0
Return on capital employed (ROCE), LTM, % *	-	-	-	11.9	-	-	-	9.3

PERIODIC QUARTERLY KEY FIGURES 2018, REPORTED AND RESTATED

Key figures	Reported				Restated			
	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Revenue, EUR million	635.3	715.0	801.2	683.1	641.1	718.2	806.9	683.5
Operating expenses total, EUR million	651.2	685.0	710.3	692.5	646.3	676.9	706.2	675.7
Operating expenses excl. fuel, EUR million	523.8	539.6	547.5	547.1	518.9	531.5	543.4	530.2
Comparable operating result, EUR million	3.9	47.9	108.4	9.2	14.6	59.1	118.2	26.5
Comparable operating result, % of revenue	0.6	6.7	13.5	1.3	2.3	8.2	14.6	3.9
Operating result, EUR million	6.0	39.9	105.7	55.9	16.9	50.8	115.5	73.1
DEL NEW Comparable EBITDAR, % of revenue	12.3	17.2	23.0	13.2				
DEL NEW Comparable EBITDA, % of revenue					13.5	18.2	23.7	15.2
Earnings per share (EPS), EUR	-0.01	0.19	0.60	0.29	0.08	-0.15	0.52	0.24
Unit revenue per available seat kilometre, (RASK), cents/ASK	6.57	6.67	6.95	6.52	6.63	6.70	7.00	6.53
RASK at constant currency, cents/ASK	6.71	6.75	7.06	6.56	6.77	6.78	7.11	6.56
Unit revenue per revenue passenger kilometre (yield), cents/RPK	6.05	6.52	6.69	6.59	6.12	6.56	6.75	6.59
Unit cost per available seat kilometre (CASK), cents/ASK	6.53	6.22	6.01	6.43	6.48	6.15	5.97	6.27
CASK excluding fuel, cents/ASK	5.21	4.87	4.60	5.05	5.16	4.79	4.56	4.88
CASK excluding fuel at constant currency, cents/ASK	5.31	4.77	4.57	4.98	5.26	4.70	4.53	4.82
Gross capital expenditure, EUR million	55.8	29.7	83.0	162.5	64.2	43.8	113.6	252.4

* Finnair restated key figures that use rolling 12-months income statement figures from 31.12.2018 onwards. Earlier periods were not restated because income statement is restated only from 1.1.2018 onwards.

CUMULATIVE QUARTERLY CONSOLIDATED INCOME STATEMENT 2018, REPORTED AND RESTATED

	in mill. EUR	Reported				Restated			
		Q1 2018	Q1-Q2 2018	Q1-Q3 2018	Q1-Q4 2018	Q1 2018	Q1-Q2 2018	Q1-Q3 2018	Q1-Q4 2018
Revenue		635.3	1 350.4	2 151.5	2 834.6	641.1	1 359.3	2 166.2	2 849.7
Other operating income		19.8	37.6	55.1	73.7	19.8	37.6	55.1	73.7
Operating expenses									
Staff costs		-106.3	-222.1	-331.1	-433.4	-123.3	-256.1	-380.4	-499.6
Fuel costs		-127.4	-272.8	-435.6	-581.0	-127.4	-272.8	-435.6	-581.0
DEL Other rents		-36.5	-74.8	-114.0	-154.9				
NEW Capacity rents						-28.2	-58.3	-91.5	-122.4
Aircraft materials and overhaul		-38.8	-75.1	-122.0	-169.1	-38.2	-74.8	-120.0	-162.9
Traffic charges		-65.1	-143.2	-226.5	-300.8	-65.1	-143.2	-226.5	-300.8
DEL Sales and marketing expenses		-22.7	-45.2	-67.2	-92.4				
NEW Sales, marketing and distribution costs						-40.8	-80.9	-118.1	-159.0
DEL Ground handling and catering expenses		-63.7	-127.0	-191.5	-256.9				
DEL Expenses for tour operations		-33.1	-55.8	-85.6	-113.4				
NEW Passenger and handling services						-119.7	-225.6	-343.1	-453.9
DEL Other expenses		-83.1	-170.5	-247.8	-330.9				
NEW Property, IT and other expenses						-31.6	-68.1	-97.6	-131.3
Comparable EBITDAR		78.3	201.3	385.4	475.4				
Comparable EBITDA						86.5	217.1	408.5	512.6
DEL Lease payments for aircraft		-38.8	-78.3	-116.5	-155.0				
Depreciation and impairment		-35.6	-71.2	-108.7	-151.1	-72.0	-143.4	-216.6	-294.2
Comparable operating result		3.9	51.8	160.2	169.4	14.6	73.7	191.9	218.4
Unrealized changes in foreign currencies of fleet overhaul provisions		2.4	-2.9	-3.6	-4.7	2.6	-3.0	-3.8	-4.9
Fair value changes of derivatives where hedge accounting is not applied		-0.4	-2.7	-3.9	0.2	-0.4	-2.7	-3.9	0.2
Sales gains and losses on aircraft and other transactions		0.2	0.1	-0.5	42.7	0.2	0.1	-0.5	42.7
Restructuring costs		-0.1	-0.3	-0.5	-0.1	-0.1	-0.3	-0.5	-0.1
Operating result		6.0	45.9	151.7	207.5	16.9	67.7	183.1	256.3
Financial income		-0.7	-1.4	-1.7	-2.9	-0.6	-1.1	-1.2	-2.2
Financial expenses		-3.4	-7.9	-12.6	-16.0	0.5	-69.2	-96.7	-126.8
Result before taxes		2.0	36.7	137.3	188.6	16.8	-2.6	85.2	127.2
Income taxes		-0.4	-7.3	-27.5	-37.9	-3.3	0.6	-17.0	-25.6
Result for the period		1.6	29.3	109.8	150.7	13.4	-2.0	68.2	101.6
Attributable to									
Owners of the parent company		1.6	29.3	109.8	150.7	13.4	-2.0	68.2	101.6
Earnings per share attributable to shareholders of the parent company, EUR (basic and diluted)		-0.01	0.18	0.79	1.08	0.08	-0.07	0.46	0.70

PERIODIC QUARTERLY CONSOLIDATED INCOME STATEMENT 2018, REPORTED AND RESTATED

	Reported				Restated			
	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018
in mill. EUR								
Revenue	635.3	715.0	801.2	683.1	641.1	718.2	806.9	683.5
Other operating income	19.8	17.9	17.5	18.6	19.8	17.9	17.5	18.6
Operating expenses								
Staff costs	-106.3	-115.7	-109.1	-102.3	-123.3	-132.8	-124.3	-119.2
Fuel costs	-127.4	-145.4	-162.7	-145.4	-127.4	-145.4	-162.7	-145.4
DEL Other rents	-36.5	-38.3	-39.2	-40.9				
NEW Capacity rents					-28.2	-30.1	-33.2	-30.9
Aircraft materials and overhaul	-38.8	-36.4	-46.9	-47.1	-38.2	-36.5	-45.2	-42.9
Traffic charges	-65.1	-78.1	-83.3	-74.4	-65.1	-78.1	-83.3	-74.4
DEL Sales and marketing expenses	-22.7	-22.5	-22.0	-25.2				
NEW Sales, marketing and distribution costs					-40.8	-40.1	-37.3	-40.9
DEL Ground handling and catering expenses	-63.7	-63.3	-64.5	-65.4				
DEL Expenses for tour operations	-33.1	-22.7	-29.8	-27.8				
NEW Passenger and handling services					-119.7	-105.9	-117.5	-110.8
DEL Other expenses	-83.1	-87.3	-77.3	-83.1				
NEW Property, IT and other expenses					-31.6	-36.6	-29.5	-33.6
Comparable EBITDAR	78.3	123.0	184.0	90.0				
Comparable EBITDA					86.5	130.6	191.4	104.1
DEL Lease payments for aircraft	-38.8	-39.5	-38.1	-38.5				
Depreciation and impairment	-35.6	-35.6	-37.5	-42.4	-72.0	-71.5	-73.2	-77.5
Comparable operating result	3.9	47.9	108.4	9.2	14.6	59.1	118.2	26.5
Unrealized changes in foreign currencies of fleet overhaul provisions	2.4	-5.3	-0.7	-1.1	2.6	-5.6	-0.8	-1.1
Fair value changes of derivatives where hedge accounting is not applied	-0.4	-2.3	-1.2	4.1	-0.4	-2.3	-1.2	4.1
Sales gains and losses on aircraft and other transactions	0.2	-0.2	-0.6	43.2	0.2	-0.2	-0.6	43.2
Restructuring costs	-0.1	-0.2	-0.2	0.4	-0.1	-0.2	-0.2	0.4
Operating result	6.0	39.9	105.7	55.9	16.9	50.8	115.5	73.1
Financial income	-0.7	-0.7	-0.3	-1.1	-0.6	-0.5	-0.2	-1.0
Financial expenses	-3.4	-4.5	-4.8	-3.4	0.5	-69.6	-27.6	-30.1
Result before taxes	2.0	34.7	100.6	51.3	16.8	-19.4	87.7	42.0
Income taxes	-0.4	-6.9	-20.1	-10.5	-3.3	3.9	-17.5	-8.6
Result for the period	1.6	27.8	80.5	40.8	13.4	-15.5	70.2	33.4
Attributable to								
Owners of the parent company	1.6	27.8	80.5	40.8	13.4	-15.5	70.2	33.4
Earnings per share attributable to shareholders of the parent company, EUR (basic and diluted)	-0.01	0.19	0.60	0.29	0.08	-0.15	0.52	0.24

QUARTERLY CONSOLIDATED BALANCE SHEET, REPORTED AND RESTATED

	Reported						Restated					
	Q4 in mill. EUR	2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	
ASSETS												
Non-current assets												
DEL	Intangible assets	15.5	17.3	19.2	20.8	20.4						
DEL	Tangible assets	1 422.1	1 444.9	1 450.1	1 485.8	1 526.6						
NEW	Fleet						1 218.2	1 246.4	1 244.3	1 280.4	1 320.2	
NEW	Right-of-use fleet						881.8	856.6	839.9	832.0	834.3	
	Fleet total						2 100.1	2 103.0	2 084.2	2 112.4	2 154.5	
NEW	Other fixed assets						171.5	169.2	172.0	171.4	173.2	
NEW	Right-of-use other fixed assets						186.4	181.4	175.9	169.2	164.3	
	Other fixed assets total						357.9	350.5	347.9	340.6	337.5	
	Investments in associates and joint ventures											
DEL	2.5	2.5	2.5	2.5	3.3							
DEL	Loan and other receivables	5.6	4.9	4.6	4.3	4.3						
NEW	Other non-current assets						8.1	7.4	7.1	6.8	53.3	
	Non-current assets total	1 445.7	1 469.6	1 476.3	1 513.3	1 554.7	2 466.0	2 460.9	2 439.2	2 459.8	2 545.3	
Current assets												
DEL	Inventories	17.2	23.1	24.7	24.6	25.1						
DEL	Trade and other receivables	319.8	381.3	318.1	248.8	242.2						
NEW	Receivables related to revenue						268.6	285.6	243.1	195.5	152.4	
NEW	Inventories and prepaid expenses						61.9	112.4	93.2	69.9	120.7	
	Derivative financial instruments	104.5	102.3	149.3	155.0	52.1	104.5	102.3	149.3	155.0	52.1	
	Other financial assets	833.0	822.7	907.4	921.2	892.2	833.0	822.7	907.4	921.2	892.2	
	Cash and cash equivalents	150.2	163.8	211.9	197.5	180.9	150.2	163.8	211.9	197.5	180.9	
	Current assets total	1 424.6	1 493.2	1 611.4	1 547.1	1 392.5	1 418.2	1 487.0	1 604.9	1 539.2	1 398.3	
	Assets held for sale	16.7	16.7	15.3	15.4	0.1	16.7	16.7	15.3	15.4	0.1	
	Assets total	2 887.1	2 979.5	3 103.1	3 075.8	2 947.3	3 900.9	3 964.6	4 059.5	4 014.4	3 943.6	
EQUITY AND LIABILITIES												
Equity attributable to owners of the parent												
	Share capital	75.4	75.4	75.4	75.4	75.4	75.4	75.4	75.4	75.4	75.4	
	Other equity	940.3	897.1	975.2	1 078.2	946.2	884.5	853.3	888.1	980.8	843.0	
	Equity total	1 015.7	972.6	1 050.6	1 153.7	1 021.7	960.0	928.7	963.5	1 056.3	918.5	
Non-current liabilities												
NEW	Lease liabilities						1 048.5	1 023.9	993.6	987.9	1 034.3	
	Other interest-bearing liabilities	586.2	571.4	579.2	624.8	561.0	539.9	527.5	529.3	576.4	514.2	
	Pension obligations	6.4	14.0	23.1	12.1	17.0	6.4	14.0	23.1	12.1	17.0	
DEL	Provisions	79.0	75.1	95.7	87.3	91.3						
DEL	Other liabilities	1.1	1.1	1.1	1.3	4.8						
NEW	Provisions and other liabilities						94.7	89.9	109.0	100.6	107.1	
	Deferred tax liabilities	73.9	71.9	91.2	116.7	73.5	60.1	61.0	69.4	92.3	47.6	
	Non-current liabilities total	746.7	733.5	790.3	842.0	747.6	1 749.6	1 716.4	1 724.3	1 769.3	1 720.2	
Current liabilities												
NEW	Lease liabilities						68.7	45.3	106.2	105.3	125.1	
	Other interest-bearing liabilities	132.4	118.6	119.3	53.6	108.4	125.6	112.1	111.6	45.8	100.5	
	Provisions	21.1	21.0	15.6	16.5	21.2	25.8	28.2	26.5	27.7	30.9	
	Trade payables	90.7	91.7	113.2	108.4	72.6	90.7	91.7	113.2	108.4	72.6	
	Derivative financial instruments	81.3	94.4	40.1	25.3	107.1	81.3	94.4	40.1	25.3	107.1	
	Deferred income and advances received	475.3	613.4	679.8	565.4	548.9	475.3	613.4	679.8	565.4	548.9	
	Liabilities related to employee benefits	139.2	129.1	116.4	116.1	105.6	139.2	129.1	116.4	116.1	105.6	
	Other liabilities	173.4	194.4	167.0	184.2	214.2	173.4	194.4	167.0	184.2	214.2	
	Current liabilities total	1 113.4	1 262.5	1 251.4	1 069.6	1 178.0	1 180.1	1 308.6	1 360.7	1 178.3	1 304.9	
	Liabilities related to assets held for sale	11.2	10.9	10.8	10.5		11.2	10.9	10.8	10.5		
	Liabilities total	1 871.4	2 007.0	2 052.5	1 922.1	1 925.6	2 940.9	3 035.9	3 095.9	2 958.1	3 025.1	
	Equity and liabilities total	2 887.1	2 979.5	3 103.1	3 075.8	2 947.3	3 900.9	3 964.6	4 059.5	4 014.4	3 943.6	

											Reported		Restated			
Additional information to Balance Sheet: Interest-bearing net debt and gearing																
	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018						
NEW	Lease liabilities										1 117.2	1 069.2	1 099.8	1 093.2	1 159.3	
	Other interest-bearing liabilities	718.6	690.0	698.4	678.4	669.4	665.5	639.6	640.9	622.2		614.7				
	Cross currency Interest rate swaps	18.5	24.5	10.3	8.9	5.8	18.5	24.5	10.3	8.9		5.8				
	Adjusted interest-bearing liabilities	737.1	714.5	708.8	687.3	675.2	1 801.2	1 733.4	1 751.0	1 724.3	1 779.8					
	Other financial assets	-833.0	-822.7	-907.4	-921.2	-892.2	-833.0	-822.7	-907.4	-921.2		-892.2				
	Cash and cash equivalents	-150.2	-163.8	-211.9	-197.5	-180.9	-150.2	-163.8	-211.9	-197.5		-180.9				
	Interest-bearing net debt	-246.0	-272.1	-410.5	-431.4	-397.9	818.1	746.8	631.7	605.6	706.7					
DEL	7 x Lease payments for aircraft for the last twelve months	956.4	1 018.1	1 047.8	1 068.2	1 084.7										
DEL	Adjusted interest-bearing net debt	710.3	746.0	637.3	636.7	686.8	818.1	746.8	631.7	605.6	706.7					
DEL	Equity total	1 015.7	972.6	1 050.6	1 153.7	1 021.7	960.0	928.7	963.5	1 056.3	918.5					
NEW	Adjusted gearing, %	69.9 %	76.7 %	60.7 %	55.2 %	67.2 %										
	Gearing, %	-24.2 %	-28.0 %	-39.1 %	-37.4 %	-38.9 %	85.2 %	80.4 %	65.6 %	57.3 %	76.9 %					

CUMULATIVE QUARTERLY CONSOLIDATED CASH FLOW STATEMENT 2018, REPORTED AND RESTATED

	in mill. EUR	Reported				Restated			
		Q1 2018	Q1-Q2 2018	Q1-Q3 2018	Q1-Q4 2018	Q1 2018	Q1-Q2 2018	Q1-Q3 2018	Q1-Q4 2018
Cash flow from operating activities									
DEL	Result for the period	1.6	29.3	109.8	150.7				
NEW	Result before taxes					16.8	-2.6	85.2	127.2
	Depreciation and impairment	35.6	71.2	108.7	151.1	72.0	143.4	216.6	294.2
DEL	Other adjustments to result for the period								
NEW	Items affecting comparability					-2.3	6.0	8.7	-37.9
	Financial income and expenses	4.1	9.3	14.4	18.9	0.1	70.2	98.0	129.0
DEL	Income taxes	0.4	7.3	27.5	37.9				
DEL	EBITDA	41.6	117.1	260.4	358.6				
NEW	Comparable EBITDA					86.5	217.1	408.5	512.6
DEL	Sales gains and losses on aircraft and other transactions	-0.2	-0.1	0.5	-42.7				
	Non-cash transactions *	-0.1	18.9	30.2	25.7	3.5	16.2	25.0	20.5
	Changes in working capital	40.5	149.1	65.1	50.0	40.3	149.2	66.5	50.4
	Financial expenses paid, net	-3.8	-4.0	-10.6	-8.4	-22.3	-41.4	-64.7	-79.9
	Net cash flow from operating activities	78.0	281.2	345.6	383.1	108.0	341.1	435.3	503.6
Cash flow from investing activities									
DEL	Investments in intangible assets	-2.4	-4.7	-7.2	-9.8				
DEL	Investments in tangible assets	-63.3	-119.9	-158.5	-317.3				
NEW	Investments in fleet					-60.8	-115.0	-153.3	-309.7
NEW	Investments in other fixed assets					-7.5	-14.0	-19.0	-26.0
DEL	Investments in group shares	0.1	0.1	0.1	0.1				
DEL	Divestments of fixed assets and group shares	1.9	43.6	100.0	214.1				
NEW	Divestments of fixed assets					1.9	43.6	100.0	213.8
	Net change in financial assets maturing after more than three months	9.9	-6.1	-79.6	-81.8	9.9	-6.1	-79.6	-81.8
DEL	Change in non-current receivables	0.0	0.3	0.8	0.8				
NEW	Change in other non-current assets					0.1	0.4	0.8	1.2
	Net cash flow from investing activities	-53.9	-86.7	-144.5	-194.0	-56.5	-91.1	-151.1	-202.6
Cash flow from financing activities									
NEW	Loan repayments and changes	-10.0	-24.3	-104.5	-119.4	-8.2	-21.1	-99.4	-112.5
	Repayments of lease liabilities					-29.1	-58.7	-88.2	-118.9
	Hybrid bond interests and expenses				-15.8				-15.8
	Purchase of own shares				-3.7				-3.7
	Dividends paid	-38.4	-38.4	-38.4		-38.4	-38.4	-38.4	
	Net cash flow from financing activities	-10.0	-62.7	-142.9	-177.3	-37.3	-118.2	-226.0	-289.2
Change in cash flows									
	Liquid funds, at beginning	643.9	643.9	643.9	643.9	643.9	643.9	643.9	643.9
	Change in cash flows	14.1	131.8	58.2	11.8	14.1	131.8	58.2	11.8
	Liquid funds, at end **	658.1	775.7	702.2	655.8	658.1	775.7	702.2	655.8
Notes to consolidated cash flow statement									
* Non-cash transactions									
	Employee benefits	3.6	7.2	10.9	3.0	3.6	7.2	10.9	3.0
	Change in provisions	-3.9	10.7	16.9	24.9	0.0	10.8	16.0	20.6
	Other adjustments	0.3	1.0	2.4	-2.1	-0.1	-1.7	-1.9	-3.1
	Total	-0.1	18.9	30.2	25.7	3.5	16.2	25.0	20.5
** Liquid funds									
	Other financial assets	822.7	907.4	921.2	892.2	822.7	907.4	921.2	892.2
	Cash and cash equivalents	163.8	211.9	197.5	180.9	163.8	211.9	197.5	180.9
	Cash funds	986.5	1 119.3	1 118.7	1 073.1	986.5	1 119.3	1 118.7	1 073.1
	Maturing after more than three months	-328.5	-343.6	-416.5	-417.3	-328.5	-343.6	-416.5	-417.3
	Liquid funds	658.1	775.7	702.2	655.8	658.1	775.7	702.2	655.8

PERIODIC QUARTERLY CONSOLIDATED CASH FLOW STATEMENT 2018, REPORTED AND RESTATED

	in mill. EUR	Reported				Restated			
		Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Cash flow from operating activities									
DEL	Result for the period	1.6	27.8	80.5	40.8				
NEW	Result before taxes					16.8	-19.4	87.7	42.0
	Depreciation and impairment	35.6	35.6	37.5	42.4	72.0	71.5	73.2	77.5
DEL	Other adjustments to result for the period								
NEW	Items affecting comparability					-2.3	8.3	2.7	-46.6
	Financial income and expenses	4.1	5.2	5.1	4.5	0.1	70.1	27.7	31.1
DEL	Income taxes	0.4	6.9	20.1	10.5				
DEL	EBITDA	41.6	75.5	143.2	98.2				
NEW	Comparable EBITDA					86.5	130.6	191.4	104.1
DEL	Sales gains and losses on aircraft and other transactions	-0.2	0.2	0.6	-43.2				
	Non-cash transactions *	-0.1	19.0	11.3	-4.5	3.5	12.8	8.8	-4.5
	Changes in working capital	40.5	108.7	-84.0	-15.1	40.3	108.9	-82.7	-16.1
	Financial expenses paid, net	-3.8	-0.2	-6.6	2.2	-22.3	-19.1	-23.2	-15.2
	Net cash flow from operating activities	78.0	203.2	64.4	37.5	108.0	233.1	94.3	68.3
Cash flow from investing activities									
DEL	Investments in intangible assets	-2.4	-2.3	-2.5	-2.7				
DEL	Investments in tangible assets	-63.3	-56.6	-38.6	-158.8				
NEW	Investments in fleet					-60.8	-54.2	-38.3	-156.3
NEW	Investments in other fixed assets					-7.5	-6.5	-5.0	-7.0
DEL	Investments in group shares	0.1							
DEL	Divestments of fixed assets and group shares	1.9	41.7	56.4	114.2				
NEW	Divestments of fixed assets					1.9	41.7	56.4	113.8
	Net change in financial assets maturing after more than three months	9.9	-16.0	-73.4	-2.3	9.9	-16.0	-73.4	-2.3
DEL	Change in non-current receivables	0.0	0.3	0.4	0.0				
NEW	Change in other non-current assets					0.1	0.3	0.4	0.4
	Net cash flow from investing activities	-53.9	-32.8	-57.8	-49.5	-56.5	-34.6	-60.0	-51.5
Cash flow from financing activities									
	Loan repayments and changes	-10.0	-14.3	-80.1	-14.9	-8.2	-12.9	-78.3	-13.1
NEW	Repayments of lease liabilities					-29.1	-29.6	-29.5	-30.7
	Hybrid bond interests and expenses				-15.8				-15.8
	Purchase of own shares				-3.7				-3.7
	Dividends paid		-38.4				-38.4		
	Net cash flow from financing activities	-10.0	-52.7	-80.1	-34.4	-37.3	-80.8	-107.8	-63.2
Change in cash flows									
	Liquid funds, at beginning	643.9	658.1	775.7	702.2	643.9	658.1	775.7	702.2
	Change in cash flows	14.1	117.7	-73.5	-46.4	14.1	117.7	-73.5	-46.4
	Liquid funds, at end **	658.1	775.7	702.2	655.8	658.1	775.7	702.2	655.8
Notes to consolidated cash flow statement									
* Non-cash transactions									
	Employee benefits	3.6	3.6	3.7	-7.9	3.6	3.6	3.7	-7.9
	Change in provisions	-3.9	14.6	6.2	7.9	0.0	10.7	5.3	4.6
	Other adjustments	0.3	0.8	1.3	-4.5	-0.1	-1.6	-0.2	-1.2
	Total	-0.1	19.0	11.3	-4.5	3.5	12.8	8.8	-4.5
** Liquid funds									
	Other financial assets	822.7	907.4	921.2	892.2	822.7	907.4	921.2	892.2
	Cash and cash equivalents	163.8	211.9	197.5	180.9	163.8	211.9	197.5	180.9
	Cash funds	986.5	1 119.3	1 118.7	1 073.1	986.5	1 119.3	1 118.7	1 073.1
	Maturing after more than three months	-328.5	-343.6	-416.5	-417.3	-328.5	-343.6	-416.5	-417.3
	Liquid funds	658.1	775.7	702.2	655.8	658.1	775.7	702.2	655.8

21. CALCULATION OF KEY RATIOS

Alternative performance measures	Calculation	Reference to reason to use the measure	Reference to reconciliation
Items affecting comparability	Unrealized changes in foreign currencies of fleet overhaul provisions + Fair value changes of derivatives where hedge accounting is not applied + Sales gains and losses on aircraft and other transactions + Restructuring costs	Note 1. Basics of preparation, Note 7. Items affecting comparability	Note 7. Items affecting comparability
Comparable operating result	Operating result - Items affecting comparability	Note 1. Basics of preparation	Income statement, Note 7. Items affecting comparability
Comparable EBITDA	Comparable operating result + Depreciation and impairment	Note 1. Basics of preparation	Income statement
Adjusted interest-bearing liabilities	Other interest-bearing liabilities + Cross currency interest rate swaps in derivative financial instruments	Component used in calculating gearing	Additional information to Balance Sheet: Interest-bearing net debt and gearing
Cash funds	Cash and cash equivalents + Other financial assets	Component used in calculating gearing. Liquid funds represent the total amount of financial assets that are available for use within short notice. Therefore, liquid funds provide the true and fair view of the Group's financial position.	Additional information to Balance Sheet: Interest-bearing net debt and gearing, Notes to consolidated cash flow statement
Interest-bearing net debt	Adjusted interest-bearing liabilities - Cash funds	Note 1. Basics of preparation	Additional information to Balance Sheet: Interest-bearing net debt and gearing
Gearing, %	Interest-bearing net debt / Equity x 100	Note 1. Basics of preparation	Additional information to Balance Sheet: Interest-bearing net debt and gearing

Other key ratios - Revenue and profitability

Earnings per share (EPS)	(Result for the period - Hybrid bond expenses net of tax) / Average number of outstanding shares during the period
Unit revenue per available seat kilometre (RASK)	Unit revenue (RASK) represents the Group's revenue divided by available seat kilometres (ASK). Unit revenue (RASK) with constant currency aims to provide a comparative, currency neutral measurement for unit revenues. All the currency changes and currency hedging results are excluded from the measurement.
Unit revenue per revenue passenger kilometre (yield)	Passenger Revenue by product divided by Revenue passenger kilometres (RPK).
Unit cost per available seat kilometre (CASK)	Unit cost (CASK) represents the Group's operational costs divided by available seat kilometres. Other operating income is deducted from operational costs. Unit cost (CASK) with constant currency aims to provide a comparative, currency neutral measurement for unit costs. All the currency changes and currency hedging results are excluded from the measurement.
EBITDA	Operating result + Depreciation and impairment

Other key ratios - Capital structure

Equity ratio, %	Equity + Equity and liabilities total x 100
Gross capital expenditure	Investments in intangible and tangible assets excluding advance payments
Return on capital employed (ROCE)	(Result before taxes + Financial expenses) / (Equity + Other interest-bearing liabilities, average of reporting period and comparison period)

Other key ratios - Growth and traffic

Available seat kilometres (ASK)	Total number of seats available x kilometres flown
Revenue passenger kilometres (RPK)	Number of revenue passengers x kilometres flown
Passenger load factor (PLF)	Share of revenue passenger kilometres of available seat kilometres

The figures of the half year financial report are unaudited.