Finnair Group Half-year Report 1 January–30 June 2020

24 July 2020

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COVID-19 grounded Finnair's passenger operations to a near halt and revenue was mainly driven by cargo-only operations, cash position and equity were restored to pre-pandemic level

April–June 2020

- Earnings per share were -0.25 euros (0.04).
- Revenue decreased by 91.3% to 68.6 million euros (789.1)*.
- Fuel costs decreased by 147.3 million euros (-81.6%) due to the COVID-19-related decline in capacity although it was partly netted by the impact of changes in fuel prices**.
- The comparable operating result was -174.3 million euros (47.2). The operating result was -171.2 million euros (47.9).
- Financial net expenses were 46.0 million euros (19.7) and they increased significantly, with c. 29 million euros of the increase related to jet fuel and foreign exchange hedging that was reclassified from other comprehensive income.
- Net cash flow from operating activities was -463.7 million euros (176.8) and net cash flow from investing activities was 262.1 million euros (-147.0).***
- The number of passengers decreased by 97.5% to 0.1 million (3.9).
- Available seat kilometres (ASK) decreased by 97.2%.
- Passenger load factor (PLF) was 33.1% (-49.4 points).

January–June 2020

- Earnings per share were -0.46 euros (-0.02).
- Revenue decreased by 56.8% to 629.8 million euros (1,457.3)*.
- Fuel costs decreased by 148.6 million euros (-45.6%) due to the COVID-19-related decline in capacity although it was partly netted by the impact of changes in fuel prices**.
- The comparable operating result was -265.4 million euros (31.0). The operating result was -266.8 million euros (30.3).
- Financial net expenses were 125.7 million euros (40.3) and they increased significantly, with c. 84 million euros of the increase related to jet fuel and foreign exchange hedging that was reclassified from other comprehensive income.
- Net cash flow from operating activities was -597.2 million euros (325.0) and net cash flow from investing activities was 194.8 million euros (-217.2).***
- The number of passengers decreased by 61.0% to 2.8 million (7.1).
- Available seat kilometres (ASK) decreased by 56.4%.
- Passenger load factor (PLF) was 71.3% (-9.3 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 322.1 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 371.3 million euros. These redemptions are part of the Group's liquidity management.*

Outlook

Guidance issued on 29 April 2020:

Finnair's current assumption is that it will operate the current minimum network throughout Q2 due to the coronavirus situation. At the same time, the company estimates that the recovery of air traffic will begin in stages from the beginning of July 2020. However, the pace of recovery cannot be assessed at this stage, leaving the outlook for the second half of 2020 unclear. Finnair is preparing for the future with different scenarios to have the ability to quickly adapt its capacity to changing demands.

Finnair estimates that with the current minimum network, its comparable operating result will be a daily loss of approximately 2 million euros throughout the second quarter, despite cost adjustments.

Due to the current situation, Finnair's revenue will decrease significantly in 2020 compared to 2019. The comparable operating loss will be significant in the financial year 2020 as the company announced in its profit warning on 16 March 2020. In addition, Finnair's capacity will decrease significantly this year compared to 2019. Due to these factors, Finnair will also update its financial targets for the strategy period.

Finnair updates its outlook and guidance in connection with the Q2 interim report.

<u>New guidance on 24 July 2020:</u>

In Q3, Finnair gradually increases its capacity and will operate c. 25% of flights in July compared to the same period in 2019. Based on the current assumption, the share of flights operated increases to c. 50% in September. There are uncertainties relating to COVID-19 development and lifting of travel restrictions. As a result, the outlook remains unclear and the company does not provide revenue guidance for Q3.

As ramp-up is an investment, and there are costs associated with it, and Finnair will be running with clearly reduced capacity, the comparable operating loss in Q3 will be of a similar magnitude than in Q2.

Further, the company reiterates its previous guidance and states that the revenue will decrease significantly in 2020 compared to 2019 and that the comparable operating loss will be significant in the financial year 2020. In addition, Finnair's capacity will decrease significantly this year compared to 2019.

Finnair updates its outlook and guidance in connection with the Q3 interim report.

CEO Topi Manner:

Finnair’s second quarter was characterised by a single factor: the COVID-19 pandemic. As we anticipated, it resulted in our capacity dropping to three per cent, as during the second quarter we only maintained flight connections that are critical for Finland. This was also directly reflected in the number of passengers, revenue and result. During the quarter, our comparable operating loss was approximately 2 million euros per day, in line with the guidance we gave in connection with our Q1 results.

However, the review period also included many glimmers of hope. The demand for cargo-only flights remained high throughout the quarter and we flew 602 one-way cargo flights, mainly between Finland and Asia. Cargo exceptionally accounted for over 70% of our revenue for the quarter, and its profitability remained at a good level. The cargo traffic also had a profound social impact as the cargo we transported included personal protective equipment used in managing the pandemic and in ensuring security of supply. Otherwise our result reflected a near-complete halt to our traffic.

I am also satisfied with the measures we took to raise debt and equity during the quarter. First and foremost, the successfully executed oversubscribed rights issue of 500 million euros was vital for our future. Our strong ownership structure remained essentially unchanged in the rights issue and the Finnish Government retained its position as a majority shareholder. The support by our shareholders forms a solid basis for rebuilding and implementing our strategy. I would like to offer warm thanks to all our old and new shareholders, who participated in the rights issue: your trust means a lot to Finnair and its employees.

Thanks to the timely and comprehensive financing measures, our cash position remained strong at approximately 970 million euros after we received the last proceeds from the rights issue in early July. At the same time, our balance sheet is healthy as the equity ratio rose to nearly 28%.

We have also continued implementing our cost reduction programme. As communicated in May, we target a permanent annual cost reduction of nearly 80 million euros from the beginning of 2022, compared to 2019. We seek savings from, among others, real estate costs, aircraft leases, salary and incentive structures, sales and distribution costs as well as IT and administrative costs. In line with our strategy, we also continue the streamlining, digitalisation and automation of our operations. The first results from savings measures have been encouraging. We are also adapting our volume-driven costs to demand, and in this for example the flexible Finnish furlough practices have been of assistance.

Between February and June, we have paid over 270 million euros to customers in refunds for flights cancelled due to the COVID-19 situation. In four months, we have received as many refund requests as we normally get in three years. Currently, we have processed about two-thirds of the requests. We estimate that we will still pay approximately 100 million euros in refunds to customers. The situation has been totally exceptional and has resulted in delays in refund handling, but we are doing everything we can to minimise the delays. We have made considerable additions to the personnel processing the requests and have also developed robots to speed up the process. I want to apologise to our customers for the delays and thank them sincerely for their patience. We will ensure that all customers get their refunds as soon as possible.

In Europe and in Asia, countries are slowly opening their borders and lifting travel restrictions. Finnair has started to operate a more meaningful network of routes and we will keep adding flights gradually and flexibly according to demand as the year progresses depending, however, on the pandemic development and lifting of travel restrictions.

The health and safety of our customers and employees are important to us and we want to make sure that people can fly confidently. For this reason, we have taken into use several measures that increase safety, such as intensified cleaning of aircraft, new practices for boarding and disembarking the aircraft as well as mandatory face masks on flights.

I hope to see you on our flights soon and, with my thanks, I wish you a great summer.

Business environment in Q2

The COVID-19 pandemic heavily impacted the global aviation sector, as well as Finnair’s Q2 operations. Airlines the world over were forced to significantly cut their capacity due to the travel restrictions and lack of demand. This applied also to Finnair as it operated a minimum network of only c. 3 per cent of its capacity (ASK) compared to Q2 2019.

Market capacity between Helsinki and many European markets declined drastically. Measured in available seat kilometres, scheduled market capacity between origin Helsinki and Finnair’s European destinations decreased by 92.0 per cent (+4.4). Demand on European and domestic routes was extremely soft during the quarter due to the COVID-19-related route and frequency cancellations as well as travel restrictions.

Direct market capacity between Finnair’s Asian and European destinations decreased by 92.1 per cent (+6.1) year-on-year. Due to COVID-19, demand between Europe and Finnair’s Asian destinations saw a strong decline during the period due to the same reasons as in European traffic.

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. Under these unprecedented circumstances, Finnair and its JB partners are working closely together to ensure the continued delivery of efficiencies and customer benefits, despite the severely reduced capacity and revenue.

Finnair's package holidays offering was interrupted in Q2 by the COVID-19 pandemic and the related travel restrictions and guidelines. Following the pandemic, customer demand for package holidays declined significantly to approximately 5–10% of the normal level during the April–May period and demand focusing on upcoming autumn and winter holidays. In June, customer demand for package holidays started to recover with demand for ongoing summer season, upcoming autumn and winter as well as summer season 2021. The outlook for the next months continues to be uncertain and is dependent on both the length of travel restrictions and guidelines and the recovery of customer demand. Finnair estimates that the demand and supply of package holidays will come back to 2019 levels in approximately 1–2 years.

The global air freight market was also heavily impacted by COVID-19 in Q2, decreasing industry freight volumes significantly as the scheduled traffic capacity was cut down drastically. On the other hand, it opened a market for cargo-only operations. Finnair operated 602 one-way cargo-only flights in Q2 mainly to Asia as the demand was strong. Cargo-only flights improved Finnair's cargo revenue even though Finnair's global cargo volumes declined year-on-year, driven by the cuts in passenger capacity. Also, the total cargo load factor increased compared to 2019.

The US dollar, which is the most significant expense currency for Finnair after the euro, appreciated by 2.1 per cent against the euro year-on-year. With respect to Finnair's key income currencies, the Japanese yen was 4.2 per cent stronger against the euro than in the comparison period. The Chinese yuan depreciated by 1.7 per cent against the euro. The market price of jet fuel was 62.9 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 decreased significantly due to the capacity decline but the effect was partly netted by the fuel price impact.

Financial performance in Q2

Revenue in Q2

Finnair revenue decreased by 91.3 per cent due to the COVID-19 impact. Passenger revenue decreased by 97.9 per cent whereas ancillary revenue decreased by 87.9 per cent. Travel services revenue decreased by 100.0 per cent and cargo revenue by 9.5 per cent.

Unit revenue (RASK) increased by more than 200.0 per cent and amounted to 19.92 euro cents (6.41). The unit revenue at constant currency also increased by more than 200.0 per cent to 20.20 euro cents (6.42). The increase was caused by the significant decline in passenger revenue and capacity due to COVID-19 pandemic and, thus, cargo revenue impact overemphasised.

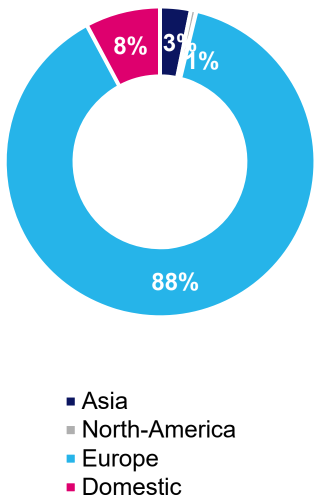
Revenue by product

EUR million	Q2/2020	Q2/2019	Change %
Passenger revenue	13.7	641.5	-97.9
Ancillary revenue	5.5	45.3	-87.9
Cargo	49.5	54.7	-9.5
Travel services	0.0	47.6	-100.0
Total	**68.6**	**789.1**	**-91.3**

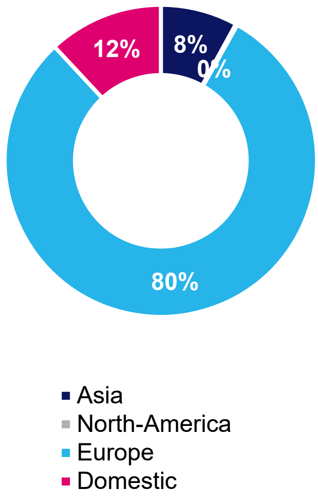
Passenger revenue and traffic data by area, Q2 2020

	Passenger revenue			ASK		RPK		PLF	
Traffic area	MEUR	Share %	Change %	Mill. km	Change %	Mill. km	Change %	%	Change %-p
Asia	-2.0	-14.4	-100.7	11.0	-99.8	9.1	-99.8	82.7	0.6
North Atlantic	0.2	1.3	-99.7	2.0	-99.8	0.2	-100.0	8.1	-79.4
Europe	12.5	91.6	-95.4	304.6	-93.6	91.1	-97.7	29.9	-53.1
Domestic	2.5	18.3	-94.0	27.0	-93.3	13.6	-95.0	50.4	-17.1
Unallocated	0.4	3.2	-89.2						
Total	**13.7**	**100.0**	**-97.9**	**344.6**	**-97.2**	**113.9**	**-98.9**	**33.1**	**-49.4**

Q2 capacity (ASKs)



Q2 traffic (RPKs)



The COVID-19-pandemic had a significant negative impact on all Q2 traffic figures. Passenger traffic capacity, measured in Available Seat Kilometres (ASK), decreased by 97.2 per cent overall against the comparison period. The number of passengers decreased by 97.5 per cent to 98,000 passengers. Traffic measured in Revenue Passenger Kilometres (RPK) decreased by 98.9 per cent and the passenger load factor (PLF) decreased by 49.4 percentage points to 33.1 per cent.

In Asian traffic, there were only few scheduled flights in April and no flights during May and June. As a result, ASKs were down by 99.8 per cent. Similarly, RPKs decreased by 99.8 per cent but the PLF increased by 0.6 percentage points to 82.7 per cent as the few flights in April were relatively full.

Capacity in North Atlantic traffic decreased by 99.8 per cent year-on-year as only one scheduled flight was operated. Thus, RPKs decreased by 100.0 per cent (rounded up) but the PLF decreased by 79.4 percentage points to 8.1 per cent.

Also in European traffic, capacity decreased due to the COVID-19-pandemic impact by 93.6 per cent. RPKs decreased by 97.7 per cent and the PLF was down by 53.1 percentage points to 29.9 per cent.

Domestic traffic capacity decreased by 93.3 per cent. RPKs decreased in domestic traffic by 95.0 per cent and the PLF decreased by 17.1 percentage points to 50.4 per cent.

Ancillary revenue decreased by 87.9 per cent due to COVID-19 impact. Flight ticket fees and frequent flyer program related revenue were the largest ancillary categories.

COVID-19 was also clearly visible in Finnair’s Q2 cargo volumes due to the lack of scheduled flights. Available scheduled cargo tonne kilometres decreased by 99.4 per cent, whereas revenue scheduled cargo tonne kilometres decreased by 99.5 per cent. However, cargo related available tonne kilometres decreased by 81.2% and revenue tonne kilometres decreased by 74.5% and they included the cargo-only flights, which operated primarily between Asia and Europe. Finnair operated 602 one-way cargo-only flights in Q2 as the demand was strong due to overall lack of capacity in the market. As a result, cargo revenue decreased only by 9.5 per cent.

Package holidays financial development was significantly affected by the COVID-19 pandemic and related travel restrictions and guidelines. During Q2, all Travel Services holidays were cancelled including both allotment-based holidays as well as dynamic products Finnair Holidays and Aurinkomatkat City breaks.

Cost development in Q2

Finnair's operating expenses decreased by 66.4 per cent, which is less than the decline in revenue, especially due to fixed cost items as e.g. depreciation and impairment increased from the comparison period. Finnair continued the significant cost adjustment initiatives also in Q2, including inter alia temporary layoffs, which was also visible in the significant decline in the operating expenses.

Unit cost (CASK) increased by more than 200 per cent and totalled 70.50 euro cents (6.03). CASK excluding fuel also increased by more than 200 per cent and totalled 60.85 euro cents (4.56). The surges were caused by the limited capacity and certain inelastic cost items.

Q2 operating costs (€253.8 million in total)

EUR million	Q2/2020	Share %	Q2/2019	Change %
Staff and other crew related costs	48.1	19.0	136.9	-64.9
Fuel costs	33.2	13.1	180.6	-81.6
Capacity rents	17.8	7.0	32.8	-45.9
Aircraft materials and overhaul	19.5	7.7	50.7	-61.5
Traffic charges	11.8	4.7	87.3	-86.4
Sales, marketing and distribution costs	-7.8	-3.1	42.3	-118.5
Passenger and handling costs	17.7	7.0	112.8	-84.3
Property, IT and other expenses	28.4	11.2	32.9	-13.6
Depreciation and impairment	85.1	33.5	78.7	8.1
Total	**253.8**	**100.0**	**755.0**	**-66.4**

Operating expenses excluding fuel decreased by 61.6 per cent. Fuel costs, including hedging results and emissions trading costs, decreased by 81.6 per cent due to decline in capacity although cost decrease was partly netted by the impact of changes in fuel prices[1]. Fuel efficiency (as measured by fuel consumption per ASK) weakened by more than 200 per cent, as the cargo-only flights are included in the fuel consumption but they do not generate ASKs. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, increased by 72.5 per cent due to low load factors.

Staff and other crew related costs (renamed from staff costs as it also includes costs related to leased and outsourced crew) decreased by 64.9 per cent as capacity was significantly down and, therefore, Finnair commenced most of COVID-19-related temporary layoffs in April 2020. On the other hand, elements such as holiday payments and pension fund costs increased the staff and other crew related costs.

Passenger and handling costs decreased by 84.3 per cent, driven by the volume decline in both passenger and cargo traffic. E.g. contact centre costs were, however, on a normal level due to increase in customer contacts related to COVID-19. The category includes also tour operation expenses.

Sales, marketing and distribution costs turned positive as sales and marketing costs were at a very low level and as booking fees were credited due to the wave of COVID-19 related flights cancellations.

Aircraft materials and overhaul costs decreased by 61.5 per cent due to decline in capacity and impact of capacity-based agreements. On the other hand, certain costs were fixed.

Fleet growth from comparison period increased depreciation and impairment costs. Traffic charges decreased almost in line with traffic decline even though the traffic mix was structurally different due to relatively increased wide-body operations caused by cargo-only flights, which led to additional costs.

Capacity rents, covering purchased traffic from Norra and any wet leases or cargo rents, also decreased significantly from the comparison period due to the capacity cuts. Property, IT and other expenses were closer to the comparison period's level even though also they decreased somewhat.

[1] Fuel price including impact of currencies and hedging.

Result in Q2

Finnair's Q2 result was heavily impacted by the COVID-19 pandemic due to extensive route and frequency cancellations as well as strict travel restrictions in many countries worldwide.

EUR million	Q2/2020	Q2/2019	Change %
Comparable EBITDA	**-89.2**	**125.9**	**-170.8**
Depreciation and impairment	-85.1	-78.7	8.1
Comparable operating result	**-174.3**	**47.2**	**<-200**
Items affecting comparability	3.1	0.7	>200
Operating result	**-171.2**	**47.9**	**<-200**
Financial income	15.3	1.5	>200
Financial expenses	-61.4	-21.2	-189.4
Exchange gains and losses	2.1	10.8	-80.3
Result before taxes	**-215.1**	**39.0**	**<-200**
Income taxes	43.0	-7.8	>200
Result for the period	**-172.1**	**31.2**	**<-200**

As operating expenses did not decline in line with the revenue mainly due to fixed costs, Finnair's comparable EBITDA and 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, both decreased significantly.

Unrealised changes in foreign currencies of fleet overhaul provisions were 3.3 million euros (2.0) and fair value changes of derivatives where hedge accounting is not applied totalled 0.0 million euros (-0.7). Other items affecting comparability (sales gains or losses and/or restructuring costs) totalled -0.1 million euros during the quarter (-0.6). Thus, Finnair's operating result declined somewhat in line with comparable EBITDA and comparable operating result.

Financial expenses increased significantly, and c. 36 million euros of the growth related to jet fuel and foreign exchange hedging which was reclassified from other comprehensive income due to IFRS 9. On the other hand, financial income increased by c. 8 million euros due to the same reason and, thus, the negative net effect was c. 29 million euros. In Q2, foreign exchange gains were mainly related to USD denominated aircraft lease payments and liabilities.

Finnair's result before taxes and result after taxes declined more than the other result key figures especially due to the increase in financial expenses.

Financial performance in H1

Revenue in H1

Finnair revenue decreased by 56.8 per cent due to the COVID-19 impact. Passenger revenue decreased by 62.1 per cent whereas ancillary revenue decreased by 43.8 per cent. Travel services revenue decreased by 49.4 per cent and cargo revenue by 15.6 per cent.

Unit revenue (RASK) decreased by 0.9 per cent and amounted to 6.29 euro cents (6.34). The unit revenue at constant currency decreased by 1.1 per cent.

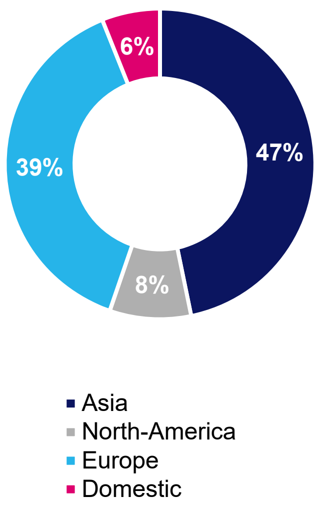
Revenue by product

EUR million	H1/2020	H1/2019	Change %
Passenger revenue	437.0	1,154.0	-62.1
Ancillary revenue	48.3	86.0	-43.8
Cargo	86.2	102.1	-15.6
Travel services	58.3	115.3	-49.4
Total	**629.8**	**1,457.3**	**-56.8**

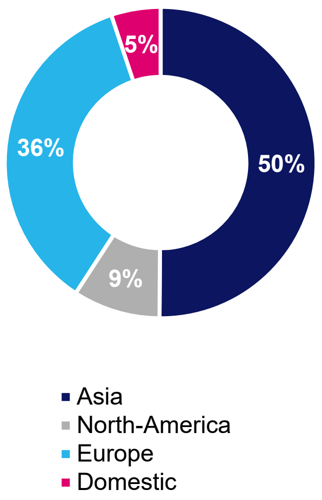
Passenger revenue and traffic data by area, H1 2020

	Passenger revenue			ASK		RPK		PLF	
Traffic area	**MEUR**	**Share %**	**Change %**	**Mill. km**	**Change %**	**Mill. km**	**Change %**	**%**	**Change, %-p**
Asia	169.3	38.7	-66.4	4,684.8	-59.1	3,577.4	-62.0	76.4	-5.9
North Atlantic	26.8	6.1	-65.8	848.9	-55.4	647.1	-59.9	76.2	-8.7
Europe	186.0	42.6	-59.9	3,874.0	-54.7	2,548.3	-62.5	65.8	-13.5
Domestic	47.3	10.8	-50.6	607.7	-43.1	366.4	-46.2	60.3	-3.4
Unallocated	7.6	1.7	-38.1						
Total	**437.0**	100.0	**-62.1**	**10,015.4**	**-56.4**	**7,139.2**	**-61.4**	**71.3**	**-9.3**

H1 capacity (ASKs)



H1 traffic (RPKs)



The COVID-19 pandemic had an impact on the Asian traffic figures already in February and the impact was significant in all traffic areas starting from March. This resulted in a material decline in H1 traffic figures. Passenger traffic capacity, measured in Available Seat Kilometres (ASK), decreased by 56.4 per cent overall against the comparison period. The number of passengers decreased by 61.0 per cent to 2,753,500 passengers. Traffic measured in Revenue Passenger Kilometres (RPK) decreased by 61.4 per cent and the passenger load factor (PLF) decreased by 9.3 percentage points to 71.3 per cent.

In Asian traffic, capacity declined significantly starting from February and there were only few scheduled flights in Q2. Thus, ASKs were down by 59.1 per cent. In total Asian traffic, RPKs decreased by 62.0 per cent and the PLF decreased by 5.9 percentage points to 76.4 per cent.

In H1, capacity in North Atlantic traffic decreased by 55.4 per cent year-on-year due to COVID-19 even though Q1 was still positive due to a new route, Los Angeles, that was opened at the end of March 2019 and ad hoc frequencies that were added in February when COVID-19 measures prompted cancelled frequencies from Asia. In total North Atlantic traffic, RPKs decreased by 59.9 per cent and the PLF decreased by 8.7 percentage points to 76.2 per cent.

Also in European traffic, capacity decreased due to the COVID-19 impact by 54.7 per cent. RPKs decreased by 62.5 per cent and the PLF was down by 13.5 percentage points to 65.8 per cent.

Domestic traffic capacity decreased by 43.1 per cent. RPKs decreased in domestic traffic by 46.2 per cent and the PLF decreased by 3.4 percentage points to 60.3 per cent.

Ancillary revenue decreased by 43.8 per cent, mainly due to low number of passengers especially in Q2. In addition to service charges, advance seat reservations and excess baggage were the largest ancillary categories.

A soft global air cargo demand due to COVID-19 was also visible in Finnair's H1 cargo volumes although Finnair commenced the cargo-only flights in April (602 one-way flights in Q2) and demand for those was strong in the market due to overall lack of capacity in Q2. Available scheduled cargo tonne kilometres decreased by 59.8 per cent, whereas revenue scheduled cargo tonne kilometres decreased by 63.4 per cent. However, cargo related available tonne kilometres decreased by 49.8% and revenue tonne kilometres decreased similarly by 49.8% and they included also the cargo-only flights operated primarily between Asia and Europe. Cargo revenue decreased by 15.6 per cent.

Despite the improved package holiday demand, which positively affected the results in the beginning of H1, travel services development was negatively affected by the lower allotment-based capacity in Q1 and later cancelled production both in allotment-based holidays and dynamic products as well as discontinued travel services in Estonia. Towards the end of Q1 and especially in Q2, travel services were heavily impacted by COVID-19 as there was no revenue in Q2. The total number of travel services passengers declined by 65.3 per cent and the load factor in Aurinkomatkat's allotment-based capacity was 88.9 per cent. Travel services revenue decreased by 49.4 per cent.

Cost development in H1

Finnair's operating expenses decreased by 36.7 per cent, which is notably less than the decline in revenue, due to inelasticity of certain cost items. Finnair has, however, introduced significant cost adjustment initiatives, including inter alia temporary layoffs, due to COVID-19 impact and their effect was visible especially in Q2.

Unit cost (CASK) increased by 44.0 per cent and totalled 8.94 euro cents (6.21). CASK excluding fuel increased by 49.7 per cent and totalled 7.17 euro cents (4.79).

H1 operating costs (€920.1 million in total)

EUR million	H1/2020	Share %	H1/2019	Change %
Staff and other crew related costs	184.3	20.0	266.6	-30.9
Fuel costs	177.1	19.3	325.8	-45.6
Capacity rents	47.7	5.2	65.0	-26.6
Aircraft materials and overhaul	59.7	6.5	97.0	-38.5
Traffic charges	76.4	8.3	159.4	-52.1
Sales, marketing and distribution costs	22.6	2.5	84.0	-73.1
Passenger and handling costs	122.4	13.3	235.5	-48.0
Property, IT and other expenses	62.5	6.8	66.2	-5.6
Depreciation and impairment	167.6	18.2	154.6	8.4
Total	**920.1**	**100.0**	**1,454.1**	**-36.7**

Operating expenses excluding fuel decreased by 34.1 per cent. Fuel costs, including hedging results and emissions trading costs, decreased by 45.6 per cent mainly due to COVID-19-related capacity cuts and this was visible especially in Q2 although cost decrease was partly netted by the impact of changes in fuel prices[2]. Fuel efficiency (as measured by fuel consumption per ASK) weakened by 8.1 per cent. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, increased by 14.0 per cent.

Staff and other crew related costs decreased by 30.9 per cent as capacity was cut significantly and Finnair commenced the majority of its planned temporary layoffs in April 2020 and, thus, the effect was visible mainly in Q2. Elements increasing these costs were one-off pension items, an increase in the employer's health insurance contribution in 2020 and a salary increase due to recently negotiated CLAs.

Passenger and handling costs decreased by 48.0 per cent, driven by volume decline in both passenger and cargo traffic. The category includes also tour operation expenses.

[2] Fuel price including impact of currencies and hedging.

Sales, marketing and distribution costs decreased even more than revenue due to a decline in sales commissions and payment costs added to material marketing cost savings. Further, booking fees paid in Q1 were credited in Q2 due to the wave of COVID-19 related flight cancellations.

Aircraft materials and overhaul costs decreased by 38.5 per cent and notably in Q1, they were positively impacted by a new engine MRO agreement and related revaluation, but this was netted by the decline in the USD-based discount rates of maintenance reserves. In Q2, the capacity decline was the main cause for the cost decrease.

Fleet growth and technical maintenance increased depreciation and impairment costs. Traffic charges decreased somewhat in line with traffic decline. Capacity rents, covering purchased traffic from Norra and any wet leases or cargo rents, decreased from the comparison period due to decline in capacity. Property, IT and other expenses were nearly at the comparison period's level.

<u>Result in H1</u>

Finnair's H1 result was impacted by the COVID-19 which led to route and frequency cancellations as well as strict travel restrictions in many countries worldwide starting from mid-Q1. As a result, also demand softened significantly.

EUR million	H1/2020	H1/2019	Change %
Comparable EBITDA	**-97.8**	**185.6**	**-152.7**
Depreciation and impairment	-167.6	-154.6	8.4
Comparable operating result	**-265.4**	**31.0**	**<-200**
Items affecting comparability	-1.4	-0.7	106.9
Operating result	**-266.8**	**30.3**	**<-200**
Financial income	24.6	2.2	>200
Financial expenses	-150.3	-42.5	<-200
Exchange gains and losses	-0.8	0.5	<-200
Result before taxes	**-393.3**	**-9.4**	**<-200**
Income taxes	78.7	1.9	>200
Result for the period	**-314.6**	**-7.6**	**<-200**

Finnair's comparable EBITDA and 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 significantly as revenue declined notably more than operating expenses.

Unrealised changes in foreign currencies of fleet overhaul provisions were -0.5 million euros (-0.1) and fair value changes of derivatives where hedge accounting is not applied totalled -0.2 million euros (0.0). Other items affecting comparability (sales gains or losses and/or restructuring costs) totalled -0.8 million euros during H1 (-0.6). Thus, the operating result declined somewhat in line with comparable EBITDA and comparable operating result.

Financial expenses increased significantly, and c. 105 million euros of the growth related to jet fuel and foreign exchange hedging which was reclassified from other comprehensive income due to IFRS 9. On the other hand, financial income increased by c. 22 million euros due to the same reason and, thus, the negative net effect was c. 84 million euros. In H1, foreign exchange losses were mainly related to USD denominated aircraft lease payments and liabilities.

Finnair's result before taxes and result after taxes declined more than the other result key figures especially due to the increase in financial expenses.

Financial position and capital expenditure

<u>Balance sheet</u>

The Group's balance sheet totalled 3,761.4 million euros at the end of June (31 Dec 2019: 3,877.9). Fleet book value increased 20.5 million euros mainly due to an A350 delivery in February 2020; the right-of-use fleet decreased by 67.5 million euros, mainly due to depreciation. Receivables related to revenue decreased significantly due to the COVID-19 impact to 69.7 million euros (31 Dec 2019:

160.6). Deferred income and advances received also decreased significantly to 279.8 million euros (31 Dec 2019: 552.7) mainly due to the decline in ticket related liabilities. The unflown ticket liability amounted to 209.9 million euros (31 Dec 2019: 451.2) and it includes unprocessed refunds of c. 69 million euros and estimated refunds of c. 31 million euros related to already cancelled flights based on which no refund claims have yet been received.

The loss for the period decreased shareholders' equity. Shareholders' equity also 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 -86.6 million euros after deferred taxes (31 Dec 2019: -6.7) as the decrease in the fair value of hedge instruments had a decreasing effect on equity especially due to the decline in the jet fuel price and actuarial losses from defined benefit pension plans.

By the end of June 2020, Finnair had booked 395.4 million euros related to its then ongoing 512-million-euro (gross proceeds) rights offering. Shareholders' equity totalled 966.9 million euros (31 Dec 2019: 966.4), or 0.90 euros per share (31 Dec 2019: 1.39[3]).

Table below presents pro forma balances, as if Finnair's rights offering would have been completed by 30 June 2020.

EUR million	30 June 2020 Actual	Pro forma 30 June 2020 Adjusted
Equity attributable to owners of the parent		
Share capital	75.4	75.4
Share issue	395.4	
Unrestricted equity funds	255.9	759.0
Other equity	240.3	240.3
Equity total	**966.9**	**1,074.7**
Lease and other Interest-bearing liabilities	1,878.4	1,878.4
Other liabilities*	916.0	905.7
Equity and liabilities total	**3,761.4**	**3,858.8**
Adjusted interest-bearing liabilities	1,878.8	1,878.8
Cash funds**	850.6	971.4
Interest-bearing net debt	**1,028.2**	**907.4**
Gearing, %	106.3	84.4
Equity ratio, %	25.7	27.9
Cash to sales, LTM, %	37.5	42.8

* The estimated transaction costs of around EUR 10 million, which were not yet paid on 30 June 2020, are deducted from other liabilities in the column Pro forma 30 June 2020 Adjusted.
** The subscriptions of EUR 380.4 million were paid to the company on 30 June 2020. The rest of the subscriptions, EUR 131.3 million, were added to cash funds in the column Pro forma 30 June 2020 Adjusted. The total estimated transaction costs of around EUR 10 million, which were not yet paid on 30 June 2020, were deducted from cash funds in the column Pro forma 30 June 2020 Adjusted.

[3] A rights offering was implemented between June and July 2020. The shareholders' equity per share for the comparison period has been restated accordingly.

Cash flow and financial position

Cash flow

EUR million	H1/2020	H1/2019
Net cash flow from operating activities	**-597.2**	**325.0**
Net cash flow from investing activities	**194.8**	**-217.2**
Net cash flow from financing activities	**670.6**	**-120.9**

In January–June, the COVID-19 impact was clearly visible in net cash flow from operating activities which turned negative especially due to working capital movements related to flight cancellations and the decline in result. Net cash flow from investments turned positive mainly due to net changes in financial assets maturing after more than three months and lower fleet investments. Also net cash flow from financing turned positive mainly due to a previously fully unused 175-million-euro unsecured syndicated revolving credit facility[4] drawn in March, a 200-million-euro instalment of the 600-million-euro statutory pension premium loan drawn in June and the rights offering proceeds of 380.4 million received in cash by the end of June. The remaining 14.9 million euros of rights offering proceeds were booked as a receivable as that amount had not yet been received in cash by the end of June.

Capital structure

%	30 Jun 2020	31 Dec 2019
Equity ratio	**25.7**	**24.9**
Gearing	**106.3**	**64.3**

The equity ratio on 30 June 2020 was slightly higher than at the end of 2019 despite the declined result for the period and the change in the fair value reserve as 395.4 million euros related to the rights offering were booked by the end of June 2020. Gearing, on the contrary, rose significantly as interest-bearing net debt increased.

Liquidity and net debt

EUR million	30 Jun 2020	31 Dec 2019
Cash funds	850.6	952.7
Adjusted interest-bearing liabilities	1,878.8	1,573.7
Interest-bearing net debt	**1,028.2**	**621.0**

The company's liquidity remained strong during the period under review. Even though Finnair Group's cash funds declined due to the purchase of one A350 aircraft in Q1 and negative net cash flow from operating activities, a 175-million-euro revolving credit facility, a 200-million-euro instalment of the 600-million-euro pension premium loan, which were drawn, netted the decline. Further, rights offering proceeds of 380.4 million received in cash by the end of June increased the cash funds.

Finnair still has a 200-million-euro short-term commercial paper program, which was unused at the end of June. Further, the remaining part of statutory pension premium loan (up to 400 million euros) can be raised by the company, if necessary.

Interest-bearing liabilities increased from 2019 year-end mainly as a result of the drawn revolving credit facility and pension premium loan. The share of lease liabilities amounted to 1,003.9 million euros (31 Dec 2019: 1,054.0). Interest-bearing net debt increased from the end of 2019 due to the decline in cash funds and the increase in interest-bearing liabilities.

Capital expenditure

Capital expenditure excluding advance payments totalled 203.8 million euros in H1 (312.0) and was primarily related to fleet investments in Q1. Cash flow from investments totalled -186.7 million euros (-280.8), including advance payments. The net change in financial assets maturing after more than

[4] The revolving credit facility includes a financial covenant based on adjusted gearing. The covenant level of adjusted gearing was waived during Q2 2020, then resetting to 225 per cent until 30 June 2021, down to 200 per cent until 30 June 2022 and then to 175 per cent thereafter. At the closing date, the figure was 106.3 per cent. The maximum level set by the Board of Directors is 175 per cent.

three months totalled 371.3 million (55.5). The net cash flow from investments amounted to 194.8 million euros (-217.2).

Cash flow from investments for the financial year 2020 relates mainly to fleet and is expected to total approximately -402 million euros, including advance payments. Investment cash flow includes both committed investments as well as estimates for planned, but not yet committed, investments.

The company has 42 unencumbered aircraft, which account for approximately 57 per cent of the balance sheet value of the entire fleet of 2,290.2 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 the second quarter, Finnair itself had60 aircraft, of which 23 were wide-body and 37 narrow-body aircraft. Of these aircraft, 33 were owned by Finnair Aircraft Finance Oy and 27 were leased.

At the end of the second quarter, the average age of the fleet operated by Finnair was 10.6 years.

Fleet operated by Finnair* 30.6.2020	Seats	#	Change from 31.12.2019	Own**	Leased	Average age 30.6.2020	Ordered
Narrow-body fleet							
Airbus A319	144	8		7	1	19.1	
Airbus A320	174	10		8	2	17.9	
Airbus A321	209	19		4	15	9.1	
Wide-body fleet							
Airbus A330	289/263	8		4	4	10.7	
Airbus A350	297/336	15	1	10	5	3.1	4
Total		**60**	**1**	**33**	**27**	**10.6**	**4**

* Finnair's Air Operator Certificate (AOC).
** Includes JOLCO-financed (Japanese Operating Lease with Call Option) A350 aircraft.

Fleet renewal

During the second quarter, Finnair had fifteen Airbus A350 aircraft, which have been delivered between 2015–2020. Due to the global lack of demand for air travel, the delivery of one A350 aircraft was deferred from the first half of 2020 to the second half of the year. Based on the current delivery schedule, Finnair will receive the remaining four A350 aircraft as follows: one during the second half of 2020, two in 2021 and one in 2022. Finnair's investment commitments for property, plant and equipment, totalling 548 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 and by renegotiating the delivery schedules of committed aircraft purchases.

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

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.

Fleet operated by Norra* 30.6.2020	Seats	#	Change from 31.12.2019	Own	Leased	Average age 30.6.2020	Ordered
ATR	68-72	12		6	6	10.9	
Embraer E190	100	12		9	3	12.0	
Total		**24**	**0**	**15**	**9**	**11.5**	

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

Strategy implementation

Finnair is targeting sustainable, profitable growth. The company has started to implement its updated strategy for the period of 2020–2025 in five focus areas, namely: Network and fleet, Operational excellence, Modern premium airline, Sustainability, as well as Culture and ways of working.

Due to the COVID-19 impact, the company has decided to reassess its strategy which is still valid for many parts; Finnair is for example still fully committed to Asian megacities and transfer traffic between Asia and Europe. The focus areas related to growth, network and fleet investments and their schedules will, however, be reassessed.

The company estimates that it will return to the path of sustainable, profitable growth within rebuilding period of 2–3 years. The company's long-term financial targets, i.e. comparable EBIT of over 7.5 per cent over the cycle (at constant fuel and currency) and ROCE of over 10 per cent over the cycle (at constant fuel and currency), remain unchanged but the ramp-up period is longer than anticipated due to the aforementioned rebuilding period. The financial targets and the timing for their implementation may be amended depending on the length and impact of the COVID-19 pandemic.

Network and fleet

Exclusive of the COVID-19 impact, Finnair is targeting Asian market level growth focusing primarily on the most profitable Asian mega cities and transfer traffic. The previously expected annual capacity growth between 3–5% was in line with the anticipated market growth. However, the capacity growth rate will be reassessed.

Finnair continues to leverage its home hub's unique geographical location, leveraging its efficiencies. As a result, the network and fleet will be further optimised, and aircraft investments will be made to improve the narrow-body to wide-body ratio enabling better utilisation of the whole fleet. The investment plan will, however, be reassessed. The company will in particular follow the rapidly evolving aircraft market when it plans its future investments.

Operational excellence

Finnair is recognised as one of the world's safest airlines. The safety culture, as well as the reliability and productivity of Finnair's operations, continues to be at the core of the company's strategy. As a result, more effort will be put into technology, automation and utilising data as well as into working together cross-functionally. The focus will be especially in fuel efficiency and on-time performance which have a great impact on both cost and productivity as well as customer experience. In terms of on-time performance and fuel efficiency, Finnair aims to develop from being in line with peers to being one of the leaders. The on-time performance in Q2 was excellent (96.4%).

In May, Finnair announced that it is adjusting its volume-driven costs in line with demand. Due to e.g. Finnish temporary layoff practices, a significant part of Finnair's costs can be adjusted in accordance with demand in the prevailing market conditions caused by COVID-19. In 2019, volume-driven costs formed c. 60% of Finnair's total cost base. Further, Finnair announced that it targets almost 80-million-euro permanent cost base decline starting from year 2022 compared to year 2019. Finnair seeks savings in for example real estate costs, aircraft leasing costs, compensation structures, sales and distribution costs, IT costs as well as administration costs. Finnair will also continue streamlining of its operations and digitalisation and automation of its customer processes. In addition, the company will renegotiate its supplier and partner agreements.

Modern premium airline

Finnair aims to be defined as a modern, premium airline. This will be achieved by offering even more extensive destination and product portfolios as well as additional frequencies and by enabling a smooth travel experience. The extensive destination and product portfolios together with added frequencies cover different customer needs and ancillary products allow the customers to tailor the way they want to travel. To grow and win in the competitive airline market, Finnair must also excel in everyday customer experience. Finnair's Net Promoter Score (NPS) measuring customer satisfaction was 40 (37) in Q2.

Due to the COVID-19 pandemic, Finnair introduced Fly with confidence measures in Q2 to restore customers' trust in air travel and to ensure their health and safety when flying with Finnair. These measures included plastic screens at the airport customer service points, intensified aircraft cleaning, new boarding and disembarkation processes and mandatory face masks for all staff and customers during flight. Further, a new Clean Kit containing hand sanitisers, surface wipes and an information leaflet was introduced for customers in early July 2020.

Further, Finnair announced that it will open its Lounge at Helsinki Airport's Schengen area to its customers as of 1 July 2020.

Finnair will additionally continue to develop its distribution channels, Finnair.com and the travel agent channel. During Q2, the average number of monthly unique Finnair website visitors totalled 2.0 million (2.0). The renewed Finnair.com website, which makes it easier for the customer to buy tickets and services, has already gone live in more than 30 markets. The number of active users of the Finnair mobile application decreased by 57 per cent to 138,000 from Q2 2019 due to COVID-19 impact. Direct sales in Finnair's digital channels increased to 43.0 per cent (24.8) of all tickets sold.

Sustainability

Sustainability is an essential part of Finnair and, thus, visible in everything done at Finnair. In May, the AGM meeting resolved that Finnair's Articles of Association be amended. Based on the amendment, the company may also engage in, or support, activities that are aimed at ensuring the acceptability, and thereby the long-term profitability, of its business by increasing the positive effects and reducing the negative effects of its business on the environment and society. As a result, sustainability is at the core of Finnair.

Finnair's emphasis on sustainability and its sustainability targets will remain unchanged despite the COVID-19 impacts. In the course of autumn 2020, Finnair will, however, reassess how its action plan to reach the targets should be amended due to COVID-19.

Finnair's long-term goal is carbon neutrality by 2045, with a 50% reduction by the end of 2025 compared to 2019 level. In order to achieve this goal, Finnair will further increase the focus on fuel efficiency by e.g. investing in new, more sustainable fleet, and significantly grow the usage of sustainable aviation fuels (SAF) by commencing SAF flights also from Helsinki.

Finnair will also invest and participate in research and development projects that aim at finding solutions for dramatic emission decrease in the future, such as Power to X and electric flying. Focused activities continue in material management, and the company is on track to reach 50% reductions in single use plastics and food waste by end of 2022 and 2020 respectively. In addition, Finnair takes part in voluntary and non-voluntary offsetting schemes.

Culture and ways of working

The strategy will be implemented by engaging the entire Finnair personnel and thus the strategy will be closely linked to their everyday work and targets. The strategy emphasises genuine collaboration, target-oriented leadership and utilising of new working methods such as lean and agile.

A genuine service culture resonates well with customers in the NPS scores, which is something Finnair wants to continue improving on during the strategy period.

As a token of appreciated working culture, Universum ranked Finnair as the most attractive employer amongst business students in Finland for the fourth consecutive year.

Finnair employed an average of 6,745 (6,704) people in H1 2020, which is 0.6 per cent more than in the corresponding period. The number of employees decreased by 171 or -2.5 per cent during H1, totalling 6,635 at the end of June (6,983). Altogether 210 new people were hired into Finnair during H1 2020. The increase in personnel was mostly due to growth in the number of cabin crew members, Aurinkomatkat travel guides, aircraft mechanics and co-pilots. The attrition rate for the last 12 months was 6.9 per cent (3.8). The number of absences due to illness was lower than in the comparison period and was 1.47 per cent (4.54).

Sustainability and corporate responsibility

Economic, social and environmental aspects have for long been integral to Finnair's overall business strategy and operations. Finnair is a responsible global citizen and responds to its stakeholders' needs, including those concerned with corporate sustainability. The strength in sustainability is important in order to stay relevant and to be able to run a successful business. As certain global challenges become more challenging, the companies also need to step up and actively contribute to the United Nations Sustainable Development Goals (SDG).

In March, Finnair announced its new sustainability strategy and targets relating to climate change. The company has identified six SDGs where it is expected to act and can make significant impact.

- SDG 5: Gender equality
- SDG 9: Industry, innovation and infrastructure
- SDG 12: Responsible consumption and production
- SDG 13: Climate action
- SDG 16: Peace, justice and strong institutions
- SDG 17: Partnerships for the goals

The biggest expectations towards Finnair are on reducing the CO2 emissions of flights. Finnair is committed to the sector's common goals of carbon-neutral growth from 2020 onwards but sees this commitment as a starting point only. According to the new strategy, Finnair commits to becoming carbon neutral by 2045 and already by the end of 2025 reduce the CO2 emissions by 50%. This is a challenging target but seen as important for the future of the company and to push the industry even further.

Finnair's corporate sustainability is reflected in its strategy and vision, as well as its values of commitment to care, simplicity, courage and working together. Its current sustainability strategy embeds sustainability even deeper into the group strategy, brand and product development. The strategy measures 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 developing strategies and processes to ensure that all its aviation activities take place with 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.

The key performance indicators for corporate sustainability are presented in the Key performance indicators table of this half-year report.

Changes in company management

During the first quarter, there were no changes in the company management.

Piia Karhu, Senior Vice President, Customer Experience, and a member of the Finnair executive board left the company on 30 June 2020. As a result, Finnair's Customer Experience unit was organised so that the operative parts of the unit were transferred to Finnair's Operations unit, which is led by Jaakko Schildt, and the travel service provider Aurinkomatkat, the Contact centers and the customer service development functions became a part of Finnair's commercial unit, headed by Ole Orvér. The Commercial unit was renamed as Commercial and Customer experience (CX) unit.

Share price development and trading

Finnair's market capitalisation was 1,113.5 million euros (rights offering included) at the end of June (31/12/2019: 753.4) of which the value of interim shares was 788.0 million euros.

The closing price of the share on 30 June 2020 was 0.79 euros (31/12/2019: 1.08 euros). During January–June, the highest price for the Finnair Plc share on the Nasdaq Helsinki was 1.68 euros, the lowest price 0.55 euros and the average price 0.81 euros. Some 124.0 million company shares, with a total value of 344.8 million euros, were traded on the Nasdaq Helsinki exchange (interim shares and subscription rights are not included).

The number of Finnair shares recorded in the Trade Register was 128,136,115 at the end of the period (1,279,265,150 interim shares were not yet registered). The Finnish state owned 55.8 per cent (55.8) of Finnair's shares, while 8.9 per cent (31/12/2019: 13.9) were held by foreign investors or in the name of a nominee at the end of the period.

Own shares

On 31 December 2019, Finnair held a total of 552,313 own shares (31/12/2018: 649,008), representing 0.43 per cent (0.51) of the total number of shares and votes.

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 2019 AGM, a total of 72,939 own shares as incentives to the participants of the FlyShare employee share savings plan. It also transferred 269,774 own shares as a reward to the key personnel included in Finnair's share-based incentive scheme 2017–2019.

On 30 June 2020, Finnair held a total of 209,600 own shares (30/6/2019: 558,653), representing 0.16 per cent (0.44) of the total number of shares and votes.

Decisions made by and authorisations granted by the Annual General Meeting 2019

Finnair's Annual General Meeting was held in Vantaa on 29 May 2020 under special arrangements due to the COVID-19 pandemic. Altogether 238 shareholders representing 66.6 per cent of the votes participated in the Annual General Meeting through advance voting (voting in person or by proxy). The AGM approved the proposals submitted to the meeting as such and discharged the members of the Board of Directors and the CEOs from liability for the financial year 2019.

Tiina Alahuhta-Kasko, Colm Barrington, Montie Brewer, Mengmeng Du, Jukka Erlund, Jouko Karvinen, Henrik Kjellberg and Jaana Tuominen were re-elected to the Board of Directors and Maija Strandberg was elected as new members to the Board of Directors. The term of office of the Board of Directors expires at the end of the next AGM in 2021. Mr. Jouko Karvinen was elected Chairman of the Board.

The AGM decided in accordance with the proposal of the Board of Directors that KPMG Oy Ab is elected auditor of the company for the term of office ending at the end of the next Annual General

Meeting. It was recorded that KPMG Oy Ab has announced that Ms. Kirsi Jantunen, authorised public accountant, would act as the principal auditor.

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 authorised the Board of Directors to decide on a rights offering of approximately 500 million euros to strengthen the company's balance sheet position and liquidity in the exceptional situation caused by the COVID-19 pandemic. The subscription period for the offering was expected to commence during the second quarter of 2020. The Board of Directors was authorised to resolve on the issuance of a maximum of 6,500,000,000 new shares to carry out the above-mentioned rights offering. The shares were to be offered to the company's shareholders for subscription in proportion to their shareholding on the record date of the share issue (rights offering). The authorisation included the right for the Board of Directors to resolve upon the issuance of shares that remain unsubscribed for pursuant to the primary subscription right.

The AGM resolved in accordance with the proposal of the Board of Directors that the Articles of Association be amended in order to expand the company's field of business (article 2).

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-2020

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 as the globally spread COVID-19 pandemic demonstrated during Q1 and Q2.

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.

Uncertainties related to the recovery of air traffic pose a risk to Finnair's revenue development. The key factors affecting revenue and operating loss, that Finnair can affect, are operating cost adjustments and the ability to respond to changes in demand. Factors beyond Finnair's control are mainly related to the duration of the COVID-19 pandemic and the measures to fight the pandemic as well as the recovery of air traffic. Other general risk factors in the industry and business, such as the fluctuation in prices of jet fuel, fluctuation in the demand, currency exchange fluctuations as well as regulatory and tax changes are also beyond Finnair's control.

Exceptional variations in the fuel price (including the impact of currencies and hedging) affect capacity 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, the market conditions prevailing from time to time may not allow this.

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. Industry consolidation could have a significant impact on the competitor landscape. Introduction of new digital distribution technologies and channels in Finnair's distribution strategy, including transition towards differentiation of fare content and availability between the channels, involves implementation and commercial risks.

The aviation industry is affected by a number of regulatory trends. Estimating the impacts of the regulatory changes on airlines' operational activities and/or costs in advance is difficult. Examples of such regulatory trends include regulation related to emissions trading, noise regulation and other environmental regulation, as well as regulations on privacy and consumer protection. Due to the extraordinary circumstances caused by the COVID-19 pandemic, uncertainties related to agreements and authority policies as well as interpretation and implementation of legislation, such as approval of state aid, may increase. This may increase the likelihood of litigation processes.

Geopolitical uncertainty, the threat of trade wars, the threat of terrorism, cyber-attacks and pandemic risks (such as COVID-19) as well as other potential external disruptions may, if they materialise, significantly affect the demand for air travel and Finnair's operations. The COVID-19 pandemic had a significant negative impact on Finnair's first and second quarters and the negative impact will continue in the second half of the year. A prolonged COVID-19 pandemic would result in a deterioration in Finnair's cash funds, but the company has already acted to mitigate this risk by introducing a funding package consisting of a revolving credit facility which was already drawn, a 600-million-euro premium pension loan of which 200 million euros was already drawn and potential sale and leaseback arrangements of aircraft. In case of a prolonged pandemic, it will also reduce the company's equity significantly. As a result, Finnair has also introduced significant cost adjustment initiatives, including temporary layoffs, affecting all Finnair personnel. Along with these actions, Finnair executed a 512-million-euro rights offering to strengthen the equity and to ensure that it will weather also a prolonged pandemic and resulting impacts within the next 12 months.

Potentially increasing protectionism in the political environment may have an adverse impact on the market access required for the implementation of Finnair's strategy. The UK's exit from the European Union and the transition period until the end of 2020 include many commercial threats. In case of unsuccessful trade and traffic negotiations, there is a danger that the traffic rights of the UK and European airlines regarding flights between and via the UK and EU would 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 overall labour market situation in Finland is challenging and it may also have an impact on Finnair's future operations. No specific issues have been identified with collective labour agreements Finnair has recently negotiated and Finnair does not have any pending negotiations.

The construction work associated with the extension of Helsinki Airport, which will continue until 2022, may cause traffic delays and consequently a decline in the customer experience.

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 seasonality 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, the 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, the US dollar 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. Under normal circumstances, 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 would normally be 90 and 60 per cent for the following six months. Currently, Finnair has hedged fuel purchases for the coming 18 months but due to the COVID-19 impact, calculation of the hedging degrees would require better visibility on capacity development.

Due to the COVID-19 pandemic and lack of visibility in business operations, a reliable forecast is not available. Thus, sensitivities in business operations and fuel and their impact on comparable operating result as well as currency sensitivities and their impact on operational cash flows, which Finnair would report in a normal situation, are not available.

Hedged fuel and average hedged price (rolling 15 months from date of financial statements)	**Hedged fuel, tonnes***	**Average hedge price, USD/ton* ****
June 2020	12,000	512
Q3 2020	68,000	520
Q4 2020	148,000	611
Q1 2021	132,000	584
Q2 2021	123,000	547
Q3 2021 and after	129,000	501
Total	**612,000**	**557**

* Based on the hedged period, i.e. not hedging related cash flow.
** Average of swaps and bought call options strikes.

Currency distribution, %	**Q2 2020**	**Q2 2019**	**Q1-Q2 2020**	**Q1-Q2 2019**	**2019**
Sales currencies					
EUR	41	51	58	55	53
USD	11	5	4	4	5
JPY	6	12	7	10	11
CNY	13	7	5	6	7
KRW	5	3	2	3	3
SEK	3	3	3	4	3
Other	21	19	20	18	19
Purchase currencies					
EUR	55	56	57	57	57
USD	39	37	36	35	36
Other	6	7	7	7	7

Hedging of foreign currency exposure in the balance sheet

Due to introduction of IFRS 16 in 2019, Finnair's asset-related foreign currency exposure increased with the recognition of the present value of qualifying operating lease liabilities in the balance sheet as right-of-use assets. Unrealised 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. 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 June 2020, the hedging ratio of USD denominated aircraft lease payments and liabilities was approximately 80 per cent.

Events after the review period

Finnair's rights offering to strengthen the declining equity due to COVID-19 impact ended in July and the company will receive gross proceeds of c. 512 million euros (c. 501-million-euro net proceeds) of which c. 380 million euros was received in June.

Finnair announced on 9 July 2020 that in line with opening borders starting from 13 July 2020, Finnair is increasing its traffic in July and August and is flying 70–80 one-way flights a day to domestic, European and Asian destinations.

Financial Reporting in 2020

The publication dates of Finnair's financial reports in 2020 are the following:

- Interim Report for January–September 2020 on Wednesday 28 October 2020

FINNAIR PLC
Board of Directors

Briefings

Finnair will hold a results press conference (in Finnish) on 24 July 2020 at 11:00 a.m. via a live webcast: https://finnairgroup.videosync.fi/2020-0724-press

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 (0)9 8171 0310 (Finland), 08 5664 2651 (Sweden), 033 3300 0804 (UK) or +44 (0)33 3300 0804 (all other countries). The confirmation code is 16413218#. To join the live webcast, please register at: https://finnairgroup.videosync.fi/2020-q2

For further information, please contact:
Chief Financial Officer **Mika Stirkkinen**, tel. +358 9 818 4960, mika.stirkkinen@finnair.com
Director, Investor Relations **Erkka Salonen**, tel. +358 9 818 5101, erkka.salonen@finnair.com

Key performance indicators

EUR in millions, unless otherwise indicated	Q2 2020	Q2 2019	Change %	Q1-Q2 2020	Q1-Q2 2019	Change %	2019
Revenue and profitability							
Revenue	68.6	789.1	-91.3	629.8	1,457.3	-56.8	3,097.7
Comparable operating result	-174.3	47.2	<-200	-265.4	31.0	<-200	162.8
Comparable operating result at constant currency and fuel price	-163.4	57.2	<-200	-225.3	51.6	<-200	205.7
Comparable operating result, % of revenue	-254.0	6.0	-259.9 %-p	-42.1	2.1	-44.3 %-p	5.3
Operating result	-171.2	47.9	<-200	-266.8	30.3	<-200	160.0
Comparable EBITDA, % of revenue	-130.0	16.0	-145.9 %-p	-15.5	12.7	-28.3 %-p	15.8
Earnings per share (EPS), basic, EUR	-0.25	0.04	<-200	-0.46	-0.02	<-200	0.09
Earnings per share (EPS), diluted, EUR	-0.25	0.04	<-200	-0.46	-0.02	<-200	0.09
Unit revenue per available seat kilometre (RASK), cents/ASK	19.92	6.41	> 200	6.29	6.34	-0.9	6.56
RASK at constant currency, cents/ASK	20.20	6.42	> 200	6.26	6.34	-1.1	6.53
Unit revenue per revenue passenger kilometre (yield), cents/RPK	12.00	6.32	89.9	6.12	6.24	-1.8	6.44
Unit cost per available seat kilometre (CASK), cents/ASK	70.50	6.03	> 200	8.94	6.21	44.0	6.22
CASK excluding fuel, cents/ASK	60.85	4.56	> 200	7.17	4.79	49.7	4.76
CASK at constant currency and fuel price, cents/ASK	67.62	5.96	> 200	8.51	6.11	39.3	6.10
Capital structure							
Equity ratio, %				25.7	22.4	3.3 %-p	24.9
Gearing, %				106.3	75.2	31.1 %-p	64.3
Interest-bearing net debt				1,028.2	674.3	52.5	621.0
Interest-bearing net debt / Comparable EBITDA, LTM				5.0	1.4	3.6 %-p	1.3
Gross capital expenditure	16.4	153.8	-89.3	203.8	312.0	-34.7	443.8
Return on capital employed (ROCE), LTM, %				-4.1	8.3	-12.4 %-p	6.3
Cash to sales, LTM, %				37.5	34.2	3.3 %-p	30.8
Traffic							
Passengers, 1,000	98	3,911	-97.5	2,754	7,059	-61.0	14,650
Flights, number	2,933	33,697	-91.3	30,980	65,004	-52.3	131,186
Available seat kilometres (ASK), million	345	12,307	-97.2	10,015	22,977	-56.4	47,188
Revenue passenger kilometres (RPK), million	114	10,150	-98.9	7,139	18,506	-61.4	38,534
Passenger load factor (PLF), %	33.1	82.5	-49.4 %-p	71.3	80.5	-9.3 %-p	81.7
Operational excellence							
Jet fuel consumption, tonnes	34,956	294,482	-88.1	261,338	554,833	-52.9	1,132,219
On-time performance, %	96.4	80.7	15.7 %-p	88.2	76.8	11.4 %-p	79.3
Modern premium airline							
Net Promoter Score (NPS)	40	37	8.8	42	37	13.7	38
Share of digital direct ticket sales, %	43.0	24.8	18.2 %-p	36.2	25.9	10.3 %-p	25.9
Average number of monthly visitors at finnair.com, millions	2.0	2.0	-1.0	2.2	1.8	20.9	2.0
Active users for Finnair mobile app, thousands	138.0	320.0	-56.9	238.0	305.0	-22.0	332.6
Ancillary and retail revenue	5.5	45.3	-87.9	48.3	86.0	-43.8	176.2
Sustainability							
Flight CO_2 emissions, tonnes	110,112	927,619	-88.1	823,214	1,747,723	-52.9	3,566,491
Flight CO_2 emissions, tonnes/ASK	0.3195	0.0754	> 200	0.0822	0.0761	8.1	0.0756
Flight CO_2 emissions, tonnes/RTK	1.3442	0.7793	72.5	0.9153	0.8031	14.0	0.7853
Culture and ways of working							
Average number of employees	6,686	6,868	-2.6	6,745	6,704	0.6	6,771
Absences due to illness, %	1.47	4.54	-3.07 %-p	3.25	4.70	-1.45 %-p	4.62
Attrition rate, LTM, %				6.9	3.8	3.1 %-p	3.8

Performance indicators classified as alternative performance measures

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.

Alternative performance measures	Calculation	Reason to use the measure
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	Component used in calculating comparable operating result.
Comparable operating result	Operating result - Items affecting comparability	Comparable operating result is presented to better reflect the Group's business performance when comparing results to previous periods.
Comparable operating result, % of revenue	Comparable operating result / Revenue x 100	Comparable operating result is presented to better reflect the Group's business performance when comparing results to previous periods.
Revenue at constant currency	Revenue + Currency impact adjustment at 2018 currency	Component used in calculating comparable operating result at constant currency and fuel price and RASK at constant currency. All changes in currency levels and hedging results since 2018 are excluded from the measurement.
Costs at constant currency and fuel price	Other operating income + Operating expenses included in comparable operating result + Currency and fuel price impact adjustment at 2018 currency and price	Component used in calculating comparable operating result at constant currency and fuel price and CASK at constant currency and fuel price. All changes in fuel price, currency levels and hedging results since 2018 are excluded from the measurement.
Comparable operating result at constant currency and fuel price	Revenue at constant currency + Costs at constant currency and fuel price	Comparable operating result at constant currency and fuel price aims to provide a comparative, currency and fuel price neutral measurement for comparable operating result. All changes in fuel price, currency levels and hedging results since 2018 are excluded from the measurement.
RASK at constant currency	Revenue at constant currency / Available seat kilometres (ASK)	Unit revenue (RASK) at constant currency aims to provide a comparative, currency neutral measurement for unit revenues. All changes in currency levels and hedging results since 2018 are excluded from the measurement.
CASK at constant currency and fuel price	Costs at constant currency and fuel price / Available seat kilometres (ASK)	Unit cost (CASK) at constant currency and fuel price aims to provide a comparative, currency and fuel price neutral measurement for unit costs. All changes in fuel price, currency levels and hedging results since 2018 are excluded from the measurement.
Comparable EBITDA	Comparable operating result + Depreciation and impairment	Comparable EBITDA is presented to better reflect the Group's business performance when comparing results to previous periods. Comparable EBITDA is a common measure in airline business which aims to reflect comparable operating result excluding capital cost.
Comparable EBITDA, % of revenue	Comparable EBITDA / Revenue x 100	Comparable EBITDA is presented to better reflect the Group's business performance when comparing results to previous periods. Comparable EBITDA is a common measure in airline business which aims to reflect comparable operating result excluding capital cost.

Equity ratio, %	Equity total / Equity and liabilities total x 100	Equity ratio provides information on the financial leverage used by the Group to fund its assets.
Adjusted interest-bearing liabilities	Lease liabilities + Other interest-bearing liabilities + Cross currency interest rate swaps in derivative financial instruments	Component used in calculating gearing.
Cash funds	Cash and cash equivalents + Other financial assets	Component used in calculating gearing. Cash funds represent the total amount of financial assets that are available for use within short notice. Therefore, cash funds provide the true and fair view of the Group's financial position.
Interest-bearing net debt	Adjusted interest-bearing liabilities - Cash funds	Interest-bearing net debt provides view of the Group's total external debt financing.
Gearing, %	Interest-bearing net debt / Equity total x 100	Gearing provides view of the level of the Group's indebtedness.
Interest-bearing net debt / Comparable EBITDA, LTM	Interest-bearing net debt / Comparable EBITDA, for the last twelve months	The ratio provides information on the Group's leverage by comparing the Group's net debt to the amount of income generated before covering interest, taxes, depreciation and impairment.
Gross capital expenditure	Additions in fixed assets + New contracts in right-of-use assets + Reassessments and modifications in right-of-use assets	Gross capital expenditure provides information on the Group's capitalized investments and lease modifications.
Return on capital employed (ROCE), LTM, %	(Result before taxes + Financial expenses + Exchange rate gains and losses, for the last twelve months) / (Equity total + Lease liabilities + Other interest-bearing liabilities, average of reporting period and comparison period)	The ratio provides a view to monitor the return of capital employed.
Cash to sales, LTM, %	Cash funds / Revenue for the last twelve months x 100	The ratio provides information about the Group's liquidity in terms of available cash as a percentage of its sales.

Reconciliation of performance indicators classified as alternative performance measures

Items affecting comparability

Items affecting comparability is reconciled in the note 8. Items affecting comparability. Comparable operating result and EBITDA are reconciled in consolidated income statement.

Comparable operating result, RASK and CASK at constant currency and fuel price EUR in millions	Q2 2020	Q2 2019	Change %	Q1-Q2 2020	Q1-Q2 2019	Change %	2019
Revenue	68.6	789.1	-91.3	629.8	1,457.3	-56.8	3,097.7
Currency impact adjustment at 2018 currency	1.0	1.4	-30.0	-2.4	-1.4	-68.6	-14.8
Revenue at constant currency	69.6	790.5	-91.2	627.4	1,455.9	-56.9	3,082.9
Other operating income	10.9	13.1	-17.2	24.9	27.7	-10.2	56.4
Operating expenses included in comparable operating result	-253.8	-755.0	-66.4	-920.1	-1,454.1	-36.7	-2,991.3
Currency and fuel price impact adjustment at 2018 currency and price	9.9	8.5	-16.4	42.5	22.0	-93.3	57.7
Costs at constant currency and fuel price	-233.0	-733.4	-68.2	-852.7	-1,404.3	-39.3	-2,877.2
Comparable operating result at constant currency and fuel price	**-163.4**	**57.2**	**<-200**	**-225.3**	**51.6**	**<-200**	**205.7**
Available seat kilometres (ASK), million	345	12,307	-97.2	10,015	22,977	-56.4	47,188
RASK at constant currency, cents/ASK	**20.20**	**6.42**	**> 200**	**6.26**	**6.34**	**-1.1**	**6.53**
CASK at constant currency and fuel price, cents/ASK	**67.62**	**5.96**	**> 200**	**8.51**	**6.11**	**39.3**	**6.10**

Equity ratio EUR in millions, unless otherwise indicated	30 Jun 2020	30 Jun 2019	Change %	31 Dec 2019
Equity total	966.9	896.6	7.8	966.4
Equity and liabilities total	3,761.4	3,997.3	-5.9	3,877.9
Equity ratio, %	**25.7**	**22.4**	**3.3 %-p**	**24.9**

Gearing, interest-bearing net debt and interest-bearing net debt / Comparable EBITDA, LTM EUR in millions, unless otherwise indicated	30 Jun 2020	30 Jun 2019	Change %	31 Dec 2019
Lease liabilities	1,003.9	1,082.1	-7.2	1,054.0
Other interest-bearing liabilities	874.5	596.1	46.7	520.8
Cross currency interest rate swaps*	0.4	1.8	-75.2	-1.1
Adjusted interest-bearing liabilities	**1,878.8**	**1,680.1**	**11.8**	**1,573.7**
Other financial assets	-322.4	-848.6	-62.0	-800.8
Cash and cash equivalents	-528.2	-157.2	> 200	-151.9
Cash funds	**-850.6**	**-1,005.8**	**-15.4**	**-952.7**
Interest-bearing net debt	**1,028.2**	**674.3**	**52.5**	**621.0**
Equity total	966.9	896.6	7.8	966.4
Gearing, %	**106.3**	**75.2**	**31.1 %-p**	**64.3**
Comparable EBITDA, LTM	204.8	481.1	-57.4	488.3
Interest-bearing net debt / Comparable EBITDA, LTM	**5.0**	**1.4**	**3.6 %-p**	**1.3**

* 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 10, is considered an interest-bearing liability in the net debt calculation.

Gross capital expenditure EUR in millions	Q2 2020	Q2 2019	Change %	Q1-Q2 2020	Q1-Q2 2019	Change %	2019
Additions in fixed assets	27.9	161.3	-82.7	194.7	315.5	-38.3	420.2
New contracts in right-of-use assets	0.4	-0.7	153.1	2.7	3.2	-17.0	29.2
Reassessments and modifications in right-of-use assets	-11.9	-6.7	-77.7	6.4	-6.7	194.9	-5.6
Gross capital expenditure	**16.4**	**153.8**	**-89.3**	**203.8**	**312.0**	**-34.7**	**443.8**

Return on capital employed (ROCE), LTM EUR in millions, unless otherwise indicated	30 Jun 2020	30 Jun 2019	Change %	31 Dec 2019
Result before taxes, LTM	-290.9	120.3	<-200	93.0
Financial expenses, LTM	191.4	85.1	124.9	83.6
Exchange rate gains and losses, LTM	-11.3	14.5	-178.0	-12.7
Return, LTM	**-110.8**	**220.0**	**-150.4**	**163.9**
Equity total	966.9	896.6	7.8	966.4
Lease liabilities	1,003.9	1,082.1	-7.2	1,054.0
Other interest-bearing liabilities	874.5	596.1	46.7	520.8
Capital employed	**2,845.4**	**2,574.9**	**10.5**	**2,541.1**
Capital employed, average of reporting period and comparison period	**2,710.1**	**2,639.5***	**2.7**	**2,616.8***
Return on capital employed (ROCE), LTM, %	**-4.1**	**8.3**	**-12.4 %-p**	**6.3**

* Capital employed accounted was EUR 2,704.1 million as at 30 Jun 2018 and EUR 2,692.5 million as at 31 Dec 2018.

Cash to sales, LTM EUR in millions, unless otherwise indicated	30 Jun 2020	30 Jun 2019	Change %	31 Dec 2019
Other financial assets	322.4	848.6	-62.0	800.8
Cash and cash equivalents	528.2	157.2	> 200	151.9
Cash funds	**850.6**	**1,005.8**	**-15.4**	**952.7**
Revenue, LTM	2,270.1	2,942.5	-22.9	3,097.7
Cash to sales, LTM, %	**37.5**	**34.2**	**3.3 %-p**	**30.8**

Other performance indicators

Revenue and profitability	
Earnings per share (EPS), basic	(Result for the period - Hybrid bond expenses net of tax) / Average number of outstanding shares during the period
Earnings per share (EPS), diluted	(Result for the period - Hybrid bond expenses net of tax) / Average number of outstanding shares during the period taking into account the diluting effect resulting from changing into shares all potentially diluting shares
Unit revenue per available seat kilometre (RASK)	Unit revenue (RASK) represents the Group's revenue divided by available seat kilometres (ASK).
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.
CASK excluding fuel	(Comparable operating result - Revenue - Fuel costs) / ASK x 100
Traffic	
Available seat kilometres (ASK)	Total number of seats available × kilometres flown
Revenue passenger kilometres (RPK)	Number of revenue passengers × kilometres flown
Passenger load factor (PLF)	Share of revenue passenger kilometres of available seat kilometres
Operational excellence	
On-time performance	The share of flights arrived less than 15 minutes late
Modern premium airline	
Net Promoter Score (NPS)	Net Promoter Score is based on a question: "Thinking about all aspects of this journey, how likely would you be to recommend Finnair to a relative, friend or colleague?" Scale is 0-10: The share of detractors (ratings 0-6) is deducted from the share of promoters (ratings 9-10).
Share of digital direct ticket sales	Share of ticket sales in Finnair's own direct channels in relation to total ticket sales for the period. Direct channels include Finnair.com, Finnair mobile app, New Distribution Capability (NDC) solutions and Finnair Holidays.
Sustainability	
Flight CO_2 emissions	CO_2 emissions from jet fuel consumption
Culture and ways of working	
Absences due to illness	Share of sickness absence hours relating to planned work hours
Attrition rate, LTM	Number of leavers on own request during the last twelve months compared to active employments on reporting date and leavers on own request during the last twelve months

Consolidated half-year financial report 1 January - 30 June 2020

Consolidated income statement

EUR in millions	Note	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	2019
Revenue	**5**	**68.6**	**789.1**	**629.8**	**1,457.3**	**3,097.7**
Other operating income		10.9	13.1	24.9	27.7	56.4
Operating expenses						
Staff and other crew related costs	6	-48.1	-136.9	-184.3	-266.6	-534.7
Fuel costs		-33.2	-180.6	-177.1	-325.8	-687.3
Capacity rents		-17.8	-32.8	-47.7	-65.0	-130.2
Aircraft materials and overhaul		-19.5	-50.7	-59.7	-97.0	-201.2
Traffic charges		-11.8	-87.3	-76.4	-159.4	-331.3
Sales, marketing and distribution costs		7.8	-42.3	-22.6	-84.0	-172.1
Passenger and handling services		-17.7	-112.8	-122.4	-235.5	-476.7
Property, IT and other expenses		-28.4	-32.9	-62.5	-66.2	-132.4
Comparable EBITDA		**-89.2**	**125.9**	**-97.8**	**185.6**	**488.3**
Depreciation and impairment	7	-85.1	-78.7	-167.6	-154.6	-325.4
Comparable operating result		**-174.3**	**47.2**	**-265.4**	**31.0**	**162.8**
Unrealized changes in foreign currencies of fleet overhaul provisions	8	3.3	2.0	-0.5	-0.1	-1.4
Fair value changes of derivatives where hedge accounting is not applied	8	0.0	-0.7	-0.2	0.0	1.3
Sales gains and losses on aircraft and other transactions	8	0.0	0.2	-0.1	0.2	0.2
Restructuring costs	8	-0.1	-0.8	-0.7	-0.8	-3.0
Operating result		**-171.2**	**47.9**	**-266.8**	**30.3**	**160.0**
Financial income		15.3	1.5	24.6	2.2	4.8
Financial expenses		-61.4	-21.2	-150.3	-42.5	-83.6
Exchange rate gains and losses		2.1	10.8	-0.8	0.5	12.7
Share of results in associates and joint ventures						-0.9
Result before taxes		**-215.1**	**39.0**	**-393.3**	**-9.4**	**93.0**
Income taxes	13	43.0	-7.8	78.7	1.9	-18.4
Result for the period		**-172.1**	**31.2**	**-314.6**	**-7.6**	**74.5**
Attributable to						
Owners of the parent company		-172.1	31.2	-314.6	-7.6	74.5
Earnings per share attributable to shareholders of the parent company, EUR						
Basic earnings per share	9	-0.25	0.04	-0.46	-0.02	0.09
Diluted earnings per share	9	-0.25	0.04	-0.46	-0.02	0.09

Consolidated statement of comprehensive income

EUR in millions	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	2019
Result for the period	**-172.1**	**31.2**	**-314.6**	**-7.6**	**74.5**
Other comprehensive income items					
Items that may be reclassified to profit or loss in subsequent periods					
Change in fair value of hedging instruments	60.3	-35.4	-92.0	51.1	75.8
Tax effect	-12.1	7.1	18.4	-10.2	-15.2
Items that will not be reclassified to profit or loss in subsequent periods					
Actuarial gains and losses from defined benefit plans	-49.5	-6.7	-7.8	-25.1	-50.2
Tax effect	9.9	1.3	1.6	5.0	10.0
Other comprehensive income items total	**8.6**	**-33.7**	**-79.9**	**20.8**	**20.5**
Comprehensive income for the period	**-163.5**	**-2.5**	**-394.5**	**13.3**	**95.0**
Attributable to					
Owners of the parent company	-163.5	-2.5	-394.5	13.3	95.0

Consolidated balance sheet

EUR in millions	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS				
Non-current assets				
Fleet	15, 17	1,621.3	1,515.1	1,533.3
Right-of-use fleet	16, 17	668.9	781.8	736.4
Fleet total		2,290.2	2,296.9	2,269.7
Other fixed assets	15, 17	183.4	178.0	178.4
Right-of-use other fixed assets	16, 17	154.1	133.4	141.1
Other fixed assets total		337.6	311.4	319.5
Other non-current assets		32.4	48.3	39.5
Deferred tax assets	13	37.7		
Non-current assets total		**2,697.9**	**2,656.6**	**2,628.7**
Current assets				
Receivables related to revenue		69.7	185.7	160.6
Inventories and other current assets		116.5	99.5	80.2
Derivative financial instruments	10, 11	26.6	49.6	55.7
Other financial assets	11	322.4	848.6	800.8
Cash and cash equivalents		528.2	157.2	151.9
Current assets total		**1,063.4**	**1,340.7**	**1,249.2**
Assets total		**3,761.4**	**3,997.3**	**3,877.9**
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital		75.4	75.4	75.4
Other equity		891.5	821.2	890.9
Equity total		**966.9**	**896.6**	**966.4**
Non-current liabilities				
Lease liabilities	20	864.5	950.7	913.6
Other interest-bearing liabilities	20	655.0	495.7	477.3
Pension obligations	19	92.7	48.6	77.1
Provisions and other liabilities		159.8	129.2	156.9
Deferred tax liabilities	13		41.3	64.3
Non-current liabilities total		**1,772.1**	**1,665.5**	**1,689.1**
Current liabilities				
Lease liabilities	20	139.3	131.4	140.4
Other interest-bearing liabilities	20	219.5	100.4	43.5
Provisions		26.1	21.5	17.2
Trade payables		42.5	106.7	84.7
Derivative financial instruments	10, 11	164.3	55.2	38.9
Deferred income and advances received	21	279.8	723.0	552.7
Liabilities related to employee benefits		87.5	108.5	119.4
Other liabilities		63.2	188.6	225.7
Current liabilities total		**1,022.4**	**1,435.2**	**1,222.4**
Liabilities total		**2,794.4**	**3,100.7**	**2,911.5**
Equity and liabilities total		**3,761.4**	**3,997.3**	**3,877.9**

Consolidated statement of changes in equity

EUR in millions	Share capital	Other restricted funds	Hedging reserve and other OCI items	Share issue	Unrestricted equity funds	Retained earnings	Hybrid bond	Equity total
Equity 1 Jan 2020	**75.4**	**168.1**	**-6.7**		**256.1**	**275.2**	**198.2**	**966.4**
Result for the period						-314.6		-314.6
Change in fair value of hedging instruments			-73.6					-73.6
Actuarial gains and losses from defined benefit plans			-6.3					-6.3
Comprehensive income for the period			**-79.9**		**0.0**	**-314.6**		**-394.5**
Share issue				395.4				395.4
Share-based payments					-0.3			-0.3
Equity 30 Jun 2020	**75.4**	**168.1**	**-86.6**	**395.4**	**255.9**	**-39.4**	**198.2**	**966.9**

Finnair offered 1,279,265,150 new shares for subscription in a rights issue between 17 June 2020 and 1 July 2020 with a subscription price of EUR 0.40 per share. 988,393,166 new shares were subscribed by 30 June 2020 and EUR 395.4 million was recognized in the share issue account. Cash funds totaling to EUR 380.4 million were received on the bank account in the month of June and remaining EUR 14.9 million was recognized in receivables. The rest of the proceeds from the July subscriptions will be recognized by Finnair in the month of July.

EUR in millions	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Equity total
Equity 1 Jan 2019	**75.4**	**168.1**	**-27.2**	**255.2**	**248.8**	**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**		**-7.6**		**13.3**
Dividend					-35.0		-35.0
Acquisitions 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**

Consolidated cash flow statement

EUR in millions	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	2019
Cash flow from operating activities					
Result before taxes	-215.1	39.0	-393.3	-9.4	93.0
Depreciation and impairment	85.1	78.7	167.6	154.6	325.4
Items affecting comparability	-3.1	-0.7	1.4	0.7	2.8
Financial income and expenses	43.9	8.9	126.5	39.8	66.1
Share of results in associates and joint ventures					0.9
Comparable EBITDA	**-89.2**	**125.9**	**-97.8**	**185.6**	**488.3**
Change in provisions	6.3	3.2	9.9	8.2	29.5
Employee benefits	3.1	3.0	7.2	6.7	10.6
Other adjustments	1.4	0.3	-0.1	0.6	1.5
Non-cash transactions	**10.7**	**6.5**	**17.0**	**15.5**	**41.5**
Changes in trade and other receivables	-2.3	36.8	81.4	-12.6	33.4
Changes in inventories	0.4	-1.9	0.0	-1.2	-2.2
Changes in trade and other payables	-313.4	18.8	-512.7	181.5	46.9
Changes in working capital	**-315.3**	**53.7**	**-431.3**	**167.8**	**78.1**
Financial expenses paid, net	-66.6	-11.2	-78.6	-32.7	-31.5
Income taxes paid	-3.4	1.8	-6.4	-11.2	-11.9
Net cash flow from operating activities	**-463.7**	**176.8**	**-597.2**	**325.0**	**564.5**
Cash flow from investing activities					
Investments in fleet	-56.3	-148.2	-169.7	-268.6	-453.1
Investments in other fixed assets	-7.7	-5.8	-17.0	-12.2	-25.2
Divestments of fixed assets	0.0	0.1	2.1	0.1	1.3
Lease and lease interest payments received	4.0	4.1	8.0	8.3	16.3
Net change in financial assets maturing after more than three months	322.1	2.9	371.3	55.5	-53.4
Change in other non-current assets	0.0	0.0	0.0	-0.2	0.8
Net cash flow from investing activities	**262.1**	**-147.0**	**194.8**	**-217.2**	**-513.2**
Cash flow from financing activities					
Proceeds from loans	200.0		375.0		
Loan repayments and changes	-12.3	-15.9	-21.8	-20.7	-42.0
Repayments of lease liabilities	-33.1	-33.0	-63.0	-64.8	-132.2
Share issue	380.4		380.4		
Hybrid bond interests and expenses					-15.8
Acquisitions of own shares				-0.5	-0.5
Dividends paid		-35.0		-35.0	-35.0
Net cash flow from financing activities	**535.1**	**-83.9**	**670.6**	**-120.9**	**-225.4**
Change in cash flows	**333.6**	**-54.0**	**268.2**	**-13.1**	**-174.1**
Liquid funds, at beginning	416.4	696.7	481.7	655.8	655.8
Change in cash flows	333.6	-54.0	268.2	-13.1	-174.1
Liquid funds, at end *	**750.0**	**642.7**	**750.0**	**642.7**	**481.7**
*** Liquid funds**					
Other financial assets	322.4	848.6	322.4	848.6	800.8
Cash and cash equivalents	528.2	157.2	528.2	157.2	151.9
Cash funds	**850.6**	**1,005.8**	**850.6**	**1,005.8**	**952.7**
Maturing after more than three months	-100.7	-363.1	-100.7	-363.1	-470.9
Liquid funds	**750.0**	**642.7**	**750.0**	**642.7**	**481.7**

Notes to the consolidated half-year financial report 1 January - 30 June 2020

1. BASIS OF PREPARATION

This consolidated half-year financial report has been prepared in accordance with the Interim Financial Reporting standard IAS 34 and its figures are unaudited. The consolidated half-year financial report has been authorized for publication on 23rd July, 2020.

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 unrealized fair 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 8. 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 8. Items affecting comparability. Finnair applies consistent principles when excluding items from comparable operating results. The principles are described in more detail in the note 8. Items affecting comparability.

2. ACCOUNTING PRINCIPLES

The accounting principles applied correspond to the accounting principles disclosed in the Consolidated Financial Statements 2019. The figures presented in this statement are rounded and consequently the sum of individual figures may not precisely add up to the corresponding totals stated herein. The reported key figures have been calculated using exact figures.

Finnair has adopted a minor change in the presentation of its consolidated financial statements and changed the description of the line item 'Staff cost' to 'Staff and other crew related costs' in order to better describe the nature of the line item. The content of the line item remains unchanged both in the current and comparable periods and is disclosed in more detail in note 6.

3. CRITICAL ACCOUNTING ESTIMATES AND SOURCES OF UNCERTAINTY

The preparation of the consolidated 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 the revenue and expenses. The actual outcome may differ from the estimates made. The main identified items requiring the use of critical accounting estimates and assumptions include impairment testing, leasing arrangements, pension obligations, maintenance reserves of the fleet, Finnair Plus - customer loyalty program as well as deferred tax assets.

Since the publication of the annual report 2019, the global world economy has weakened rapidly due to the global pandemic caused by the COVID-19 virus. This has also increased the level of uncertainty relating to the near- and long-term development of the world economy and its impacts on the aviation industry's operating environment. Given the unpredictability of the duration and reach of the pandemic, it's impact on Finnair's future profitability, financial position and cash flows may differ from the current management estimates and assumptions made.

4. COVID-19 AND MANAGEMENT'S ASSESSMENT OF THE COMPANY AS A GOING CONCERN

The consolidated half-year financial report for the period ending 30th June, 2020 have been prepared based on the going concern assumption. The Finnair Board of Directors has assessed the Group's ability to continue as a going concern based on the company's ability to meet its obligations as they come due at least 12 months after the financial statements are issued. The management's assessment is based on the Board-approved, covid-adjusted plan as well as its refinancing plan as described below.

The spread of COVID-19 and the consequent restrictive measures relating to cross-border travel and negative impact on customer demand has had a significant, adverse effect on Finnair's financial and operating performance. Not only have sales decreased as travel restrictions came into effect and passenger demand decreased, but also refunds of ticket purchases to customers have also increased as many of Finnair's flights were cancelled. The primary impact of lower sales is seen in the operating result and the impact of the refunds in operating cash flow.

The global aviation industry, including Finnair, has suffered significantly from COVID-19 pandemic. However, the Group's management expects to see slow recovery for flights during the second half of 2020 and a return to the path of sustainable, profitable growth within rebuilding period of 2-3 years. In addition, the company strives to actively adjust its operations and is renewing its capital structure to respond to the challenging financial situation caused by the COVID-19 pandemic. The company has undertaken measures to mitigate the COVID-related impacts, uncertainties and risks, as well as secure the company's financial position, competitiveness and sufficient funding. The Group has, among others, adjusted its operations in terms of traffic and personnel and undertaken measures to achieve savings in, for example, real estate costs, aircraft leasing costs, compensation structures, sales and distribution costs, IT costs as well as administration costs. The company is also renegotiating terms of existing agreements with its suppliers and partners.

In addition, in order to secure adequate funding, the company has already begun to implement a refinancing plan, comprising of (i) already agreed amendments under the company's revolving credit facility, (ii) already agreed EUR 600 million pension premium loan with Ilmarinen Mutual Pension Insurance Company, (iii) a potential refinancing or solicitation of changes to the terms of the company's outstanding hybrid notes and (iv) a potential sale and leaseback arrangements of unencumbered aircraft. In addition, after the reporting date, the Group has finalized an (v) equity offering of around EUR 500 million for which the final results were announced on 7th July 2020. The gross proceeds received by Finnair from the equity offering amounted to approximately EUR 512 million before taking into account transaction costs relating to the offering.

Considering the above-mentioned circumstances and uncertainties, as well as the undertaken and planned measures to mitigate the impacts of the COVID-19 situation, the Group's management has concluded that the assessment does not cast significant doubt on the company's ability to continue as a going concern and that consequently, there is no cause for deviating from the management's earlier assessments of preparing the financial statements based on the going concern assumption. The management's conclusion is based on the information available as at the date of the issuance of the half-year financial report and an assessment conducted based on the information assuming, that the company is able to conduct its adjusted business operations according to the plan and to secure the financing under its refinancing plan.

Despite the various mitigating measures implemented by the company, the upcoming months will continue to be significantly affected by decreased demand for air travel resulting in lower revenue and weaker financial performance than in the past for a duration that is currently uncertain. Should future events or conditions cause the Group to be unable to continue its operations in accordance with the management's current assessment, using the going concern principle may prove to be no longer justified and the carrying values as well as the classification of the Group's assets and liabilities would have to be adjusted accordingly.

5. 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 was significantly impacted by COVID-19 pandemic due to extensive route and frequency cancellations as well as strict travel restrictions in many countries worldwide.

Revenue by product and traffic area

Q2 2020, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	-2.0	0.2	12.5	2.5	0.4	**13.7**	19.9
Ancillary and retail revenue	1.5	-0.3	0.1	0.0	4.1	**5.5**	8.0
Cargo	43.1	1.4	4.0	0.0	1.0	**49.5**	72.1
Travel services	0.0	0.0	0.1	0.0	-0.1	**0.0**	0.0
Total	**42.6**	**1.3**	**16.7**	**2.6**	**5.4**	**68.6**	
Share %	62.1	1.9	24.4	3.8	7.9		

Q2 2019, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	273.6	50.9	271.2	41.8	4.0	**641.5**	81.3
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**	**23.3**	**789.1**	
Share %	41.4	7.4	42.7	5.5	3.0		

Q1-Q2 2020, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	169.3	26.8	186.0	47.3	7.6	**437.0**	69.4
Ancillary and retail revenue	13.9	2.0	7.8	1.7	22.9	**48.3**	7.7
Cargo	73.0	4.4	10.9	0.2	-2.2	**86.2**	13.7
Travel services	19.0	8.1	31.6	0.0	-0.2	**58.3**	9.3
Total	**275.1**	**41.2**	**236.2**	**49.2**	**28.1**	**629.8**	
Share %	43.7	6.5	37.5	7.8	4.5		

Q1-Q2 2019, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	503.4	78.4	464.2	95.8	12.3	**1,154.0**	79.2
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**	**49.5**	**1,457.3**	
Share %	43.2	6.9	39.7	6.8	3.4		

2019, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	1,083.6	179.1	997.9	181.4	37.8	**2,479.8**	80.1
Ancillary and retail revenue	54.8	11.1	45.1	5.2	60.0	**176.2**	5.7
Cargo	156.8	13.8	32.9	1.3	7.3	**212.1**	6.8
Travel services	32.9	13.0	183.6	0.0	-0.1	**229.5**	7.4
Total	**1,328.2**	**217.1**	**1,259.5**	**187.9**	**105.0**	**3,097.7**	
Share %	42.9	7.0	40.7	6.1	3.4		

Key figures quarterly, last 24 months	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue	**68.6**	**561.2**	**774.9**	**865.4**	**789.1**	**668.2**	**683.4**	**801.8**
Passenger revenue	13.7	423.3	615.9	709.9	641.5	512.5	530.9	652.3
Ancillary and retail revenue	5.5	42.8	44.6	45.7	45.3	40.7	39.2	42.0
Cargo	49.5	36.7	57.2	52.8	54.7	47.4	60.0	55.0
Travel services	0.0	58.4	57.3	57.0	47.6	67.7	53.3	52.5
Comparable EBITDA	**-89.2**	**-8.6**	**120.7**	**181.9**	**125.9**	**59.7**	**104.1**	**191.4**
Comparable operating result	**-174.3**	**-91.1**	**31.2**	**100.7**	**47.2**	**-16.2**	**26.5**	**118.2**
Operating result	**-171.2**	**-95.6**	**34.7**	**94.9**	**47.9**	**-17.6**	**73.1**	**115.5**

6. STAFF AND OTHER CREW RELATED COSTS

EUR in millions	Q2 2020	Q2 2019	Change %	Q1-Q2 2020	Q1-Q2 2019	Change %	2019
Wages and salaries	-49.5	-105.0	-52.9	-137.1	-190.2	-27.9	-371.4
Defined contribution schemes	-7.5	-18.6	-59.6	-22.9	-32.2	-28.9	-63.4
Defined benefit schemes	-3.8	-3.1	20.8	-7.6	-6.3	20.8	-11.2
Pension expenses total	-11.3	-21.8	-48.0	-30.5	-38.5	-20.8	-74.6
Other social expenses	16.9	7.6	-124.3	6.1	-1.6	<-200	-16.7
Salaries, pension and social costs	**-43.9**	**-119.2**	**-63.2**	**-161.5**	**-230.3**	**-29.9**	**-462.7**
Operative staff related costs	-2.0	-11.1	-82.2	-12.9	-21.6	-40.0	-42.8
Leased and outsourced crew	-1.3	-3.7	-64.6	-5.3	-8.0	-33.8	-16.2
Other personnel related costs	-1.0	-2.9	-65.9	-4.5	-6.7	-33.6	-13.0
Total	**-48.1**	**-136.9**	**-64.9**	**-184.3**	**-266.6**	**-30.9**	**-534.7**

7. DEPRECIATION AND IMPAIRMENT

in mill. EUR	Q2 2020	Q2 2019	Change %	Q1-Q2 2020	Q1-Q2 2019	Change %	2019
Depreciation of owned fleet	-46.7	-41.2	13.3	-91.3	-79.4	15.0	-171.2
Depreciation of other fixed assets	-7.1	-5.1	38.0	-12.8	-10.5	22.4	-24.7
Depreciation of right-of-use fleet	-26.2	-26.5	-1.0	-52.8	-52.9	-0.1	-106.1
Depreciation of right-of-use other assets	-5.1	-5.9	-13.1	-10.7	-11.9	-10.3	-23.3
Total	**-85.1**	**-78.7**	**8.1**	**-167.6**	**-154.6**	**8.4**	**-325.4**

8. ITEMS AFFECTING COMPARABILITY

Comparable operating result aims to provide a comparable view on business development between periods. Therefore, items affecting 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 Basis of preparation. Calculation principles of alternative performance measures are also defined in the section Performance indicators classified as alternative performance measures. 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 and the exchange rate differences realise. Finnair provides for the redelivery condition related to leased aircraft according to the principles described in the note 1.3.6 Provisions in the 2019 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 in 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 2019 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 being directly related the sale of the asset. For example, a write-down, that might occur when an asset is classified under "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.

	Q2 2020			Q2 2019			
EUR in millions	Operating result	Items affecting compa-rability	Compa-rable operating result	Operating result	Items affecting compa-rability	Compa-rable operating result	Change %
Revenue	**68.6**		**68.6**	**789.1**		**789.1**	**-91.3**
Sales gains on aircraft and other transactions	0.0	0.0		0.2	-0.2		-97.3
Other operating income	10.9		10.9	13.1		13.1	-17.2
Operating expenses							
Staff and other crew related costs	-48.3	0.1	-48.1	-137.7	0.8	-136.9	-65.0
Fuel costs	-33.2	0.0	-33.2	-181.2	0.7	-180.6	-81.7
Capacity rents	-17.8		-17.8	-32.8		-32.8	-45.9
Aircraft materials and overhaul	-16.2	-3.3	-19.5	-48.7	-2.0	-50.7	-66.7
Traffic charges	-11.8		-11.8	-87.3		-87.3	-86.4
Sales, marketing and distribution costs	7.8		7.8	-42.3		-42.3	-118.5
Passenger and handling services	-17.7		-17.7	-112.8		-112.8	-84.3
Property, IT and other expenses	-28.4		-28.4	-32.9	0.0	-32.9	-13.7
EBITDA	**-86.1**	**-3.1**	**-89.2**	**126.6**	**-0.7**	**125.9**	**-168.0**
Depreciation and impairment	-85.1		-85.1	-78.7		-78.7	8.1
Operating result	**-171.2**	**-3.1**	**-174.3**	**47.9**	**-0.7**	**47.2**	**<-200**

EUR in millions	Q1-Q2 2020 Operating result	Items affecting compa-rability	Compa-rable operating result	Q1-Q2 2019 Operating result	Items affecting compa-rability	Compa-rable operating result	Change %
Revenue	**629.8**		**629.8**	**1,457.3**		**1,457.3**	**-56.8**
Sales gains on aircraft and other transactions	0.0	0.0		0.2	-0.2		-97.1
Other operating income	24.9		24.9	27.7		27.7	-10.2
Operating expenses							
Staff and other crew related costs	-184.9	0.6	-184.3	-267.4	0.8	-266.6	-30.9
Fuel costs	-177.3	0.2	-177.1	-325.8	0.0	-325.8	-45.6
Capacity rents	-47.7		-47.7	-65.0		-65.0	-26.6
Aircraft materials and overhaul	-60.1	0.5	-59.7	-97.1	0.1	-97.0	-38.1
Traffic charges	-76.4		-76.4	-159.4		-159.4	-52.1
Sales, marketing and distribution costs	-22.6		-22.6	-84.0		-84.0	-73.1
Passenger and handling services	-122.4		-122.4	-235.5		-235.5	-48.0
Sales losses on aircraft and other transactions	-0.1	0.1					-
Property, IT and other expenses	-62.5	0.0	-62.5	-66.2	0.0	-66.2	-5.5
EBITDA	**-99.2**	**1.4**	**-97.8**	**185.0**	**0.7**	**185.6**	**-153.6**
Depreciation and impairment	-167.6		-167.6	-154.6		-154.6	8.4
Operating result	**-266.8**	**1.4**	**-265.4**	**30.3**	**0.7**	**31.0**	**<-200**

9. EARNINGS PER SHARE

The basic earnings per share figure is calculated by dividing the result for the period attributable to the parent company's shareholders by the weighted average number of shares outstanding during the period. The result for the period is adjusted for the after-tax amounts of hybrid bond interests regardless of payment date, transaction costs of the new hybrid bond issued and premium paid, when a hybrid bond is redeemed. When calculating the earnings per share adjusted by dilution, the weighted average of the number of shares takes into account the diluting effect resulting from changing into shares all potentionally diluting shares. Finnair has not granted any options.

Finnair offered 1,279,265,150 new shares for subscription in a rights issue between 17 June 2020 and 1 July 2020. 951,074,910 new shares were subscribed by 29 June 2020. The subscription price was EUR 0.40 per offer share and the company received EUR 380.4 million on 30 June 2020. Thus, 951,074,910 new shares were taken into account in the calculation of basic and diluted earnings per share from 30 June 2020 onwards.

The exercise price in the rights offering was less than the fair value of the shares immediately before the exercise of rights. A bonus element included in the rights issue effected on the number of outstanding shares before the rights issue in the calculation of basic and diluted earnings per share. The fair value per share was EUR 3.90 and theoretical ex-rights fair value per share was EUR 0.72. The fair value per share divided by theoretical ex-rights fair value per share results in bonus element multiplier 5.43.

EUR in millions, unless otherwise indicated	Q1-Q2 2020	Q1-Q2 2019	2019
Result for the period	-314.6	-7.6	74.5
Hybrid bond interests and expenses	-7.9	-7.9	-15.8
Tax effect	1.6	1.6	3.2
Adjusted result for the period	**-320.9**	**-13.9**	**61.9**
Weighted average number of outstanding shares until 29 June 2020, mill. pcs	127.8	127.5	127.5
Bonus element multiplier	5.43	5.43	5.43
Adjusted weighted average number of outstanding shares until 29 June 2020, mill. pcs	694.2	692.4	692.7
Number of outstanding shares on 30 June 2020, mill. pcs	1,079.0		
Weighted average number of outstanding shares, mill. pcs	**696.3**	**692.4**	**692.7**
Earnings per share (EPS), basic, EUR	-0.46	-0.02	0.09
Earnings per share (EPS), diluted, EUR	-0.46	-0.02	0.09

10. MANAGEMENT OF FINANCIAL RISKS

No significant permanent changes have been made to the Group's risk management principles in the reporting period. However, a short term amendment until the end of year 2020 regarding hedging levels was executed. Lower levels of hedging limits for jet fuel and foreign exchance were lowered to zero. Additionally, balance sheet hedging limit was lowered to 50%. The objectives and principles of risk management are consistent with the information presented in the Group's 2019 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, EUR in millions	30 Jun 2020		30 Jun 2019		31 Dec 2019	
	Nominal value	Fair net value	Nominal value	Fair net value	Nominal value	Fair net value
Currency derivatives						
Operational cash flow hedging (forward contracts)	569.9	13.2	835.5	9.2	924.4	17.6
Operational cash flow hedging (options)						
Bought options	179.2	2.6	212.8	4.9	201.5	3.3
Sold options	179.2	-0.6	215.6	-2.2	201.8	-1.0
Fair value hedging of aircraft acquisitions	271.5	2.0	342.7	14.0	336.5	18.6
Currency hedging of lease payments			72.9	4.5	22.3	1.7
Hedge accounting items total	1,199.8	17.1	1,679.6	30.4	1,686.5	40.2
Operational cash flow hedging (forward contracts)	211.6	0.4				
Balance sheet hedging (forward contracts)	703.2	1.4	814.9	0.3	775.1	-9.3
Items outside hedge accounting total	914.8	1.8	814.9	0.3	775.1	-9.3
Currency derivatives total	**2,114.6**	**18.9**	**2,494.5**	**30.8**	**2,461.6**	**30.9**
Commodity derivatives						
Jet fuel forward contracts, tonnes	612,000	-101.5	999,000	-33.2	898,000	-15.3
Options						
Bought options, jet fuel, tonnes			128,000	1.8	57,000	0.7
Sold options, jet fuel, tonnes			128,000	-2.7	57,000	-0.5
Hedge accounting items total	612,000	-101.5	1,255,000	-34.0	1,012,000	-15.1
Jet fuel forward contracts, tonnes	338,000	-54.6				
Options						
Sold options, jet fuel, tonnes			128,000	-0.5	42,000	-0.1
Items outside hedge accounting total	338,000	-54.6	128,000	-0.5	42,000	-0.1
Commodity derivatives total	**950,000**	**-156.1**	**1,383,000**	**-34.5**	**1,054,000**	**-15.2**
Currency and interest rate swaps and options						
Cross currency interest rate swaps	208.6	-0.4	224.6	-1.8	217.9	1.1
Items outside hedge accounting total	208.6	-0.4	224.6	-1.8	217.9	1.1
Interest rate derivatives total	**208.6**	**-0.4**	**224.6**	**-1.8**	**217.9**	**1.1**
Derivatives total		**-137.7**		**-5.6**		**16.8**

COVID-19 virus had a significant impact on oil price during the first half of 2020. The decrease in oil price is also visible in the valuations of jet fuel derivatives in comparison to 2019 year end.

11. 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, EUR in millions	30 Jun 2020	Level 1	Level 2
Financial assets at fair value through profit and loss			
Securities held for trading	322.4	307.9	14.5
Derivatives held for trading			
Currency and interest rate swaps and options	0.8		0.8
Currency derivatives	24.9		24.9
- of which in fair value hedge accounting	3.2		3.2
- of which in cash flow hedge accounting	17.9		17.9
Commodity derivatives	1.0		1.0
- of which in cash flow hedge accounting	0.7		0.7
Total	**349.0**	**307.9**	**41.1**

Financial liabilities recognised at fair value through profit and loss			
Derivatives held for trading			
Currency and interest rate swaps and options	1.2		1.2
Currency derivatives	6.0		6.0
- of which in fair value hedge accounting	1.2		1.2
- of which in cash flow hedge accounting	2.8		2.8
Commodity derivatives	157.1		157.1
- of which in cash flow hedge accounting	102.2		102.2
Total	**164.3**		**164.3**

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.

12. COMPANY ACQUISITIONS AND DIVESTMENTS

There were no business acquisitions or disposals during the first half of 2020.

13. INCOME TAXES

The effective tax rate for Q1-Q2 2020 was -20.0% (-20.0%). Deferred tax liabilities of EUR 64.3 million as at 31 December 2019 turned to deferred tax assets of EUR 37.7 million as at 30 June 2020 mainly due to a significant taxable loss caused by COVID-19 virus. Tax loss to be confirmed for the year 2020 will expire within 10 years and Finnair expects that this can be used against its future taxable results based on the management's estimates and forecasts, which inherently contain some degree of uncertainty. Finnair did not have confirmed tax losses at the end of 2019.

14. DIVIDEND PER SHARE

In accordance with the proposal of the Board of Directors, the Annual General Meeting on 29 May 2020 resolved that no dividend be paid based on the balance sheet adopted for the year 2019.

A dividend for 2018 of EUR 0.274 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.

15. CHANGE IN FIXED ASSETS

EUR in millions	30 Jun 2020	30 Jun 2019	31 Dec 2019
Carrying amount at the beginning of period	1,711.7	1,493.5	1,493.5
Additions	194.7	315.5	420.2
Change in advances	-12.1	-29.6	-2.8
Currency hedging of aircraft acquisitions	16.6	3.5	-1.1
Disposals and reclassifications	-2.1	0.1	-2.0
Depreciation	-104.1	-89.9	-195.9
Carrying amount at the end of period	**1,804.7**	**1,693.1**	**1,711.7**

Due to the global lack of demand for air travel, the delivery of one A350 aircraft was deferred from the first half of 2020 to the second half of the year.

16. CHANGE IN RIGHT-OF-USE ASSETS

EUR in millions	30 Jun 2020	30 Jun 2019	31 Dec 2019
Carrying amount at the beginning of period	877.5	998.6	998.6
New contracts	2.7	3.2	29.2
Reassessments and modifications	6.4	-6.7	-5.6
Disposals	0.0	-15.1	-15.1
Depreciation	-63.5	-64.8	-129.5
Carrying amount at the end of period	**823.1**	**915.2**	**877.5**

17. IMPAIRMENT TEST

Fleet and other non-current assets subject to depreciation, including the right-of-use assets, are stated at historical cost less accumulated depreciation and impairment loss, when applicable. The Group reviews the assets for impairment at each reporting date or whenever there is indication of impairment. Goodwill and intangible assets with indefinite useful life are not subject to depreciation but to annual impairment review at each reporting date. An impairment loss is recognized if an asset's recoverable amount is below its carrying amount. Recoverable amount is determined as the higher of the asset's fair value less costs to sell or its value in use.

The impairment review is carried out at the level of a cash-generating unit ('CGU'). Finnair is a network carrier with highly integrated fleet operations and considers all its fleet and other closely related assets as one CGU. The intangible assets with indefinite useful life, including goodwill, have been identified to belong to the aircraft CGU for impairment testing purposes. As of 30.6.2020 and 31.12.2019, the amount of goodwill in Finnair's balance sheet amounted to EUR 0.5 million and the other intangible assets with indefinite useful life to EUR 1.7 million.

The recoverable amount of the CGU has been measured based on its value in use with no indication for impairment. Since the COVID-19 situation, Finnair is using the value in use methodology instead of the fair value less costs to sell due to the deemed impact of the COVID-19 situation on the accuracy of the market prices resulting from the lower transaction volume and potential impact of the distress situations on realized prices. The value in use measurement is based on a discounted cash flow model where the cash flow projections are based on a business forecast approved by the management, covering a five year period. Cash flows beyond the five-year period are projected to increase in line with management's long-term growth assumptions. The discount rate applied to the cash flow projections are derived from the Group's long-term weighted average cost of capital, adjusted for the risks specific to the assets.

Key assumptions used in impairment review	30 Jun 2020
Discount rate (derived from the long-term weighted average cost of capital), %	8.4
Long-term growth rate, %	2.4
Fuel cost range per ton (USD)	520-650

The calculation of the recoverable amount is impacted primarily by changes in the forecasted EBITDA, discount rate used and the estimated business growth. The business growth and EBITDA are based on management's assessment of the speed of recovery from the current COVID-19 situation as well as the future market demand and environment, which are benchmarked against external information sources. The (after-tax) discount rate used is based on the weighted average cost of capital (WACC), which reflects the market assessment of the time value of money and the risks specific in Finnair's business. The value-in-use calculations for the CGU are based on the management's estimates and forecasts, which inherently contain some degree of uncertainty. The main uncertainty factors in calculations are the ultimate duration of the pandemic and speed of recovery, unit revenue development and cost of jet fuel. Based on sensitivity analysis of the VIU model, the highest impact on impairment test outcome is caused by the discount rate and the terminal growth rate. However, even a 1%-unit increase in WACC, or lowering of terminal growth rate, would not result in impairment.

18. STATE AID RELATING TO FINNAIR'S REFINANCING

The European Commission has concluded that the State of Finland's guarantee of Finnair's pension premium loan up to EUR 540 million, which was approved by the European Commission on 18 May 2020, and the State of Finland's participation in the rights offering are so closely linked that they must be regarded as an overall transaction that constitutes State aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union. Under the Commission's decision, the Company has agreed to certain conditions following the offering, which include, among other things, a ban on acquisitions, restricting the Company from acquiring a stake of more than 10 per cent in competitors or other operators in the same line of business, including upstream or downstream operations for a period of three years from the offering.

As a result of the restrictions based on the Commissions decision, the remuneration of each member of Finnair's management will not go beyond the fixed part of his/her remuneration on 31 December 2019. For persons becoming members of the management on or after the rights issue, the applicable limit of the remuneration for such new member will be benchmarked to the remuneration of comparable managerial positions and areas of responsibility in Finnair applied on 31 December 2019. Finnair will not pay bonuses and other variable or comparable remuneration elements during the three fiscal years 2020-2022 to the members of the management.

Further, Finnair is committed to publishing information about the use of the aid received within 12 months from the date of the offering and thereafter periodically every 12 months, for a period of three years. In particular, this should include information on how the company's use of the aid received supports its activities in line with EU objectives and national obligations linked to the green and digital transformation, including the EU objective of climate neutrality by 2050.

19. PENSION OBLIGATIONS

Net pension obligations rose by 20.2% to EUR 92.7 million (31 December 2019: 77.1) mainly due to the decrease of EUR 20.5 million in the market values of plan assets, the current and past service cost of EUR 7.6 million for the reporting period as well as the increase of EUR 3.0 million relating to the discounting rate of 0.83% (31 December 2019: 0.87%), which were partly offset by the decrease of EUR 16.2 million relating to the inflation of 0.79% (31 December 2019 1.10%).

20. INTEREST-BEARING LIABILITIES

An unsecured syndicated revolving credit facility totaling to EUR 175 million was taken into use during the first quarter of 2020. The facility has a maturity date in January 2023, and it includes two one-year extension options of which one has been exercised.

During second quarter 2020, and as part of the refinancing plan, Finnair negotiated a covenant waiver with the syndicate banks. The waiver temporarily raises the gearing level according to the following table.

Covenant value	Before the waiver	Until 30 June 2021	1 July 2021 - June 2022	After 30 June 2022
Gearing, %	175	225	200	175

A pension premium loan facility of EUR 600 million was negotiated during second quarter of 2020 and EUR 200 million was withdrawn from the facility in June 2020. The facility is contingent on Finnair delivering guarantees for the full amount. Currently, Government is guaranteeing 90% of the facility and a commercial bank the remaining 10% including all other costs associated with the loan.

The existing loans are being amortized according to the loan instalment programs.

Interest-bearing liabilities

EUR in millions	30 Jun 2020	30 Jun 2019	31 Dec 2019
Non-current interest-bearing liabilities			
Lease liabilities	864.5	950.7	913.6
JOLCO loans* and other	256.5	296.1	277.6
Bonds	199.7	199.6	199.6
Loans from financial institutions	198.8		
Total	**1,519.5**	**1,446.4**	**1,390.8**
Current interest-bearing liabilities			
Loans from financial institutions	175.0		
Lease liabilities	139.3	131.4	140.4
JOLCO loans* and other	44.5	100.4	43.5
Total	**358.9**	**231.8**	**183.9**

* JOLCO loans include the JOLCO loans (Japanese Operating Lease with Call Option) for three A350 aircraft. The transactions are treated as loans and owned aircraft in Finnair's accounting.

Maturity dates of financial liabilities as at 30 Jun 2020

EUR in millions	1-12 months	13-24 months	25-36 months	37-48 months	49-60 months	Later	Total
JOLCO loans and other, fixed interest					30.3	15.2	**45.5**
JOLCO loans and other, variable interest	44.5	43.3	29.0	29.8	85.9	26.4	**258.9**
Bonds, fixed interest		200.0					**200.0**
Lease liabilities, fixed interest	97.0	98.1	98.3	89.5	90.6	137.5	**610.9**
Lease liabilities, variable interest	42.3	43.9	46.8	49.5	49.8	160.6	**393.0**
Loans from financial institutions, variable interest	175.0		200.0				**375.0**
Interest-bearing financial liabilities total*	**358.9**	**385.3**	**374.0**	**168.8**	**256.6**	**339.7**	**1,883.2**
Payments from currency derivatives	1,574.4	160.2					**1,734.6**
Income from currency derivatives	-1,589.7	-163.3					**-1,753.0**
Commodity derivatives	141.5	14.7					**156.2**
Trade payables and other liabilities	105.6						**105.6**
Interest payments	65.5	56.4	47.3	31.6	29.9	57.1	**288.0**
Total	**656.2**	**453.3**	**421.4**	**200.4**	**286.5**	**396.8**	**2,414.6**

* The bonds maturing do not include the amortised cost of EUR 0.3 million paid in 2017 and due on 2022. Respectively, JOLCO loans do not include the amortised cost of EUR 3.4 million paid on 2016 and due on 2025. Loans from financial institutions do not include the amortised cost of EUR 1.2 million paid in 2020 and due on 2022. Therefore, the total amount of interest-bearing financial liabilities differs from the book value by the amount equal to the amortised costs.

21. DEFERRED INCOME AND ADVANCES RECEIVED

EUR in millions	30 Jun 2020	30 Jun 2019	31 Dec 2019
Deferred revenue on ticket sales	209.9	615.1	451.2
Loyalty program Finnair Plus	46.3	48.6	43.3
Advances received for tour operations	4.5	43.1	45.4
Other items	19.1	16.2	12.7
Total	**279.8**	**723.0**	**552.7**

Deferred revenue on ticket sales and advances received for tour operations were significantly impacted by COVID-19 pandemic due to travel restrictions in many countries and lower demand for air travel worldwide. Deferred revenue on ticket sales includes unprocessed refunds of approximately EUR 69 million and estimated refunds of approximately EUR 31 million related to already cancelled flights based on which no refund claims have yet been received.

22. CONTINGENT LIABILITIES

EUR in millions	30 Jun 2020	30 Jun 2019	31 Dec 2019
Guarantees on behalf of group undertakings	52.7	82.0	79.6
Guarantees on behalf of others		0.6	
Total	**52.7**	**82.6**	**79.6**

Investment commitments for property, plant and equipment as at 30 June 2020 totaled EUR 548 million (31 December 2019: 730). The decrease in guarantees on behalf of group undertakings related to reduced guarantee amounts required by the Finnish Competition and Consumer Authority as a result of lower bookings in tour operations caused by the COVID-19. Lease commitments as at 30 June 2020 for VAT obligations, short-term leases of facilities and leases of low value IT equipment, that do not qualify as IFRS 16 leases, totaled EUR 21.3 million (31 December 2019: 20.1).

23. RELATED PARTY TRANSACTIONS

Finnair's related parties include subsidiaries, associates, joint operations and Finnair pension fund as well as the members of the Board of Directors and the Executive Board and their close family members and controlled entities.

The following table set forth the related party transactions of Finnair. Transactions with the related parties have been carried out on market-based terms. Related party transactions include such operations that are not eliminated in the Group's consolidated financial statement.

EUR in millions	Q1-Q2 2020	Q1-Q2 2019	2019
Sales of goods and services			
Associates and joint ventures	14.3	12.8	27.0
Pension fund	0.3	0.3	0.7
Purchases of goods and services			
Associates and joint ventures	45.2	53.2	107.8
Pension fund	7.8	7.1	12.8
Financial income and expenses			
Associates and joint ventures	1.5	2.0	5.7
Pension fund	-0.3	-0.1	-0.3
Receivables			
Non-current receivables from joint ventures	26.8	40.5	33.7
Current receivables from associates and joint ventures	27.8	21.4	23.4
Liabilities			
Non-current liabilities to joint ventures	3.6	3.6	3.6
Non-current liabilities to pension fund	92.2	47.6	77.0
Current liabilities to associates and joint ventures	0.4	0.3	1.0

The remuneration of President and CEO Topi Manner and the other members of the Executive Board as at 30 June 2020 was EUR 1.8 million (31 December 2019: 5.6) on an accrual basis. Following the rights offering and related EU state aid rules, the Company has agreed on limitations to management remuneration, which are described more detailed in the note 18. State aid relating to Finnair's refinancing. Additionally CEO and the other members of the Executive Board have cut their monthly base salaries by 15% as of April 2020 until further notice.

The remuneration of the Board of Directors as at 30 June 2020 was EUR 238 thousand (31 December 2019: 422) on an accrual basis. The Board of Directors have cut their fixed remuneration by 15% as of April 2020 until further notice.

24. EVENTS AFTER THE REVIEW PERIOD

Finnair's rights offering to strengthen the declining equity due to COVID-19 impact ended in July and the company will receive gross proceeds of 512 million euros (501-million-euro net proceeds) of which 380 million euros was received in June.

Finnair announced on 9 July 2020 that in line with opening borders starting from 13 July 2020, Finnair is increasing its traffic in July and August and is flying 70–80 one-way flights a day to domestic, European and Asian destinations.