Finnair Group Financial Statements Release 1 January–31 December 2020

18 February 2021

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Healthy financial position secured through extensive recapitalisation and cost reset

October–December 2020

- Earnings per share were -0.01 euros (0.03)*.
- Revenue decreased by 86.8% to 102.0 million euros (774.9).
- Comparable operating result was -162.9 million euros (31.2). Operating result was -14.6 million euros (34.7). The difference is mainly explained by a one-off effect of 132.8 million euros related to changes in Finnair pension fund's defined benefit plans.
- Net cash flow from operating activities was -178.6 million euros (120.1), and net cash flow from investing activities was 135.3 million euros (-185.7).**
- Number of passengers decreased by 92.1% to 0.3 million (3.5).
- Available seat kilometres (ASK) declined by 89.2%.
- Passenger load factor (PLF) was 29.2% (79.0).

January–December 2020

- Earnings per share were -0.51 euros (0.09).
- Revenue decreased by 73.2% to 829.2 million euros (3,097.7).
- Comparable operating result was -595.3 million euros (162.8). Operating result was -464.5 million euros (160.0). The difference mainly relates to the changes in defined benefit plans.
- Cash funds were 823.7 million euros (952.7) and equity ratio was 24.6 per cent (24.9).
- Financial net expenses were 216.5 million euros (78.8) and they increased significantly, with c. 136 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 -1,043.1 million euros (564.5), and net cash flow from investing activities was 351.6 million euros (-513.2).**
- Number of passengers decreased by 76.2% to 3.5 million (14.7).
- ASK declined by 72.6%.
- PLF was 63.0% (81.7).
- The Board of Directors proposes to the Annual General Meeting that no dividend be distributed for 2020.

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

** *In Q4, net cash flow from investing activities includes 57.3 million euros of redemptions in money market funds or other financial assets (maturity over three months). In 2020, the investments decreased in net terms by 439.9 million euros. They are part of the Group's liquidity management.*

Outlook

<u>Guidance issued on 28 October 2020:</u>

Due to the continued strict travel restrictions, the comparable operating loss in Q4 will be of a similar magnitude as in Q2 and Q3.

As Finnair has announced today, certain amendments to the terms of Finnair's pension fund have been approved and these and potential other similar changes are expected to have a significant positive one-off impact on Finnair's operating result in Q4. This impact is not included in the expected comparable operating result.

Based on the current assumptions, the revenue and capacity (measured in ASKs) will both decrease more than 70% in 2020 compared to 2019.

Finnair updates its outlook and guidance in connection with the financial statements bulletin for 2020.

New guidance on 18 February 2021:

Due to the continued strict travel restrictions, the comparable operating loss in Q1 2021 will be of a similar magnitude as in Q2, Q3 and Q4 2020.

In Q1 2021, Finnair continues to operate a limited network. As the visibility thereafter is weak and there are several scenarios of the timing of the recovery in demand, the company will not provide guidance on full year revenue.

Finnair will update its outlook and guidance in connection with the Q1 2021 interim report.

CEO Topi Manner:

The year 2020 will go down in history as the most difficult peacetime year in commercial aviation's 100 years of existence. The COVID-19 pandemic has been first and foremost a human crisis and health crisis that has touched hundreds of millions of people. It has also been a severe crisis for aviation and for the tens of millions of people globally whose livelihoods depend on international travel, including us at Finnair. Yet in this uncharted territory we have built a path for ourselves through the pandemic. For that, I'm deeply grateful to the entire Finnair team. The commitment and resilience of our people during this year of challenges is a source of inspiration and hope.

Amid lockdowns and exceptional restrictions to travel across countries and continents, airlines suffered massive losses as passenger flows diminished. During the year, we carried 3.5 million passengers (14.7) and our revenue for the year shrank to 829.2 million euros (3,097.7); a drop of more than 70 per cent on both measures. Our result for the year was -523.2 million euros (74.5). Thanks to the rights issue of nearly the same size, our balance sheet and cash reserves remained at a healthy level. Our equity ratio was 24.6% (24.9) and our cash reserves amounted to 823.7 million euros at year end (952.7).

During the year, we focused on securing the continuation of operations and our long-term competitiveness in a post-pandemic market that will be different from what it was before the pandemic. Our financing measures were timely and comprehensive, and we secured approximately 1.8 billion euros of new financing, which included an oversubscribed rights issue of over 500 million euros. In addition, together with the State of Finland, we are preparing a hybrid loan of up to 400 million euros, which awaits EU approval. The support from the State of Finland and other shareholders has been critically important in this situation.

As the pandemic situation continued to be challenging in the latter part of the year, we operated a limited network of approximately 50 destinations with 75 daily flights. Cargo, supported by shortage of capacity and increased prices in the market, played a significant role in our revenue. During 2020, we operated over 1,300 cargo-only flights.

In 2020, we paid over 460 million euros in refunds to customers. Our health-related measures and flexible booking terms enabled travelling for those who needed to travel. Customers appreciated our actions and our net promoter score (NPS) rose to record heights during the year. In the last quarter, our NPS was 52. We are grateful for the trust and loyalty our customers have shown us.

We made overarching adjustments to our operations and processes during the year and reduced costs by over 1.5 billion euros compared to 2019. Of this, 30 per cent was fuel related. Almost all our personnel were furloughed for a part of the year and, unfortunately, furloughs continue for a large share of our personnel. Our savings programme, targeting a permanent reduction of 140 million euros of costs with full run-rate impact in 2022, proceeded well as we sought savings from all parts of our operations. With these decisions, the number of personnel at Finnair decreases altogether by 1,100 persons through reductions, ending of fixed-term contracts, retirements, and natural attrition. The job losses are saddening, but necessary. To support redundant employees find new jobs, we have collaborated with employment authorities and training organisations to build a comprehensive NEXT programme that has started with encouraging results.

During the pandemic year, our focus has been on social and economic aspects of sustainability, but we have not forgotten our environmental targets. Our long-term target to reach carbon neutrality remains intact, and we will pay special attention to reducing emissions, especially through fuel efficiency, as our traffic gradually starts to grow.

We expect travel to begin to recover from summer 2021 onwards as vaccination coverage increases and countries start lifting their travel restrictions. We intend to come out stronger and serve our customers even better when the market starts moving. We have enhanced the agility of our operations so that we can act fast when our customers are again ready to travel.

Business environment in Q4

Similar to Q2 and Q3, the COVID-19 pandemic heavily impacted the global aviation sector, as well as Finnair's operations in Q4. Airlines the world over were forced to continue to cut capacity due to the ongoing strict travel restrictions imposed by governments and an overall lack of demand. This applied to Finnair in particular, as it operated a limited network of only c. 11 per cent of its capacity (ASK) compared to Q4 2019, as indicated earlier. The company has already announced that it will continue to operate a limited network in Q1 2021. As the pandemic is still present globally, and COVID-19 vaccinations started only a few weeks ago, Finnair estimates that it will only be able to meaningfully increase its traffic to a greater extent starting from the summer 2021. Further, the company estimates that its 2019 traffic levels measured in ASKs will be achieved in 2023.

Market capacity between Helsinki and many European destinations declined dramatically year-on-year. Measured in available seat kilometres, scheduled market capacity between origin Helsinki and Finnair's European destinations decreased by 86.8 per cent (-2.1). Demand on European and domestic routes remained soft during the quarter due to the COVID-19-related route and frequency cancellations as well as strict travel restrictions. Direct market capacity between Finnair's Asian and European destinations decreased by 82.6 per cent (+1.6) year-on-year. Due to travel restrictions caused by COVID-19, demand between Europe and Finnair's Asian destinations similarly strongly declined during the period. Despite this, Finnair is continuing the preparations to launch a Joint Business with Juneyao Airlines in H1 2021.

Aurinkomatkat's foreign package holidays offering has been suspended during Q4 due to the COVID-19 pandemic and related travel restrictions and guidelines. Package holidays have been produced only for domestic destinations, which were launched as a new product in autumn 2020. Demand for these has been higher than expected. Even though the demand for package holidays has been significantly lower than in Q4 2019, it gained strength towards the end of quarter as the weekly demand increased to 50% of the Q4 2019 level, focused on the summer season 2021 and winter season 2021–2022. Demand for that winter season has been stronger than normal, which suggests that there is pent-up demand. The outlook for the summer season 2021 continues to be uncertain for traditional holiday destinations and is dependent on the COVID-19 development and related travel restrictions as well as the recovery of customer demand.

The global air freight market was likewise heavily impacted by COVID-19 in Q4, decreasing industry cargo volumes significantly; some volumes of air cargo are typically moved in passenger aircraft holds, and as the scheduled passenger traffic capacity was down, so too was the volume available to carry cargo. However, due to consistently strong demand for cargo, some markets remained open exclusively for cargo operations in Q4 and, thus, Finnair was also able to operate scheduled Asian flights carrying belly cargo along with a limited number of passengers. As a result, cargo revenue increased year-on-year despite the pandemic. Also, the total cargo load factor increased significantly compared to 2019. Finnair estimates that a similar cargo demand trend will continue at least during Q1 2021.

The US dollar, which is the most significant expense currency for Finnair after the euro, depreciated by 7.2 per cent against the euro year-on-year. The market price of jet fuel was 40.2 per cent lower in the fourth quarter than in the comparison period, but this decline does not fully impact Finnair's Q4 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 Q4 fuel bill, however, decreased significantly due to the capacity decline.

Financial performance in Q4

<u>Revenue in Q4</u>

Finnair's total revenue decreased significantly due to the COVID-19 impact.

Revenue by product

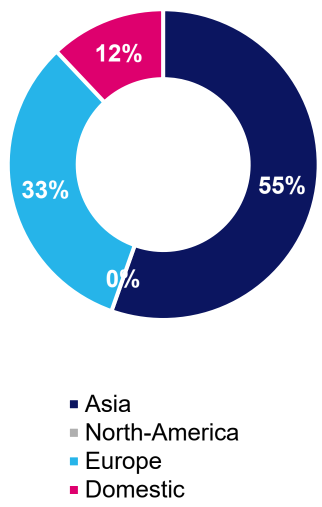
EUR million	Q4/2020	Q4/2019	Change %
Passenger revenue	36.4	615.9	-94.1
Ancillary revenue	5.2	44.6	-88.2
Cargo	59.9	57.2	4.6
Travel services	0.5	57.3	-99.1
Total	**102.0**	**774.9**	**-86.8**

Unit revenue (RASK) increased by 21.5 per cent and amounted to 8.12 cents (6.69). The unit revenue at constant currency increased by 23.7 per cent. The RASK increases were caused by the significant decline in ASKs due to the COVID-19 pandemic; therefore, the cargo revenue - which did not generate any ASKs – had an outsize contribution to the increase.

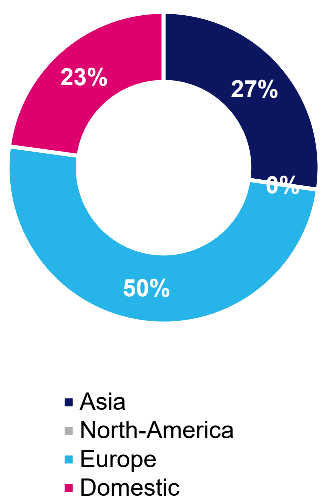
Passenger revenue and traffic data by area, Q4 2020

	Passenger revenue			ASK		RPK		PLF	
Traffic area	**MEUR**	**Share %**	**Change %**	**Mill. km**	**Change %**	**Mill. km**	**Change %**	**%**	**Change %-p**
Asia	6.2	17.1	-97.6	695.5	-87.9	99.9	-97.8	14.4	-65.3
North Atlantic	0.1	0.3	-99.8	0.0	-100.0	0.0	-100.0	N/A	N/A
Europe	23.6	64.9	-90.5	408.9	-90.5	182.9	-94.6	44.7	-34.5
Domestic	12.2	33.4	-77.0	151.1	-70.9	83.5	-76.2	55.3	-12.1
Unallocated	-5.7	-15.7	-135.2						
Total	**36.4**	**100.0**	**-94.1**	**1,255.5**	**-89.2**	**366.2**	**-96.0**	**29.2**	**-49.8**

Q4 capacity (ASKs)



Q4 traffic (RPKs)



The COVID-19 pandemic had a significant negative impact on all Q4 traffic figures. Passenger revenue decreased by 94.1 per cent and traffic capacity, measured in Available Seat Kilometres (ASK), declined by 89.2 per cent overall against the comparison period. The number of passengers decreased by 92.1 per cent to 278,300 passengers. Traffic measured in Revenue Passenger Kilometres (RPK) decreased by 96.0 per cent and the passenger load factor (PLF) by 49.8 percentage points to 29.2 per cent.

In Asian traffic, the number of scheduled passenger flights was limited. As a result, ASKs were down by 87.9 per cent and RPKs by 97.8 per cent. PLF declined by 65.3 percentage points to 14.4 per cent causing low yields but was supported by the strong cargo operations and a very high cargo load factor.

Capacity in North Atlantic traffic decreased by 100.0 per cent year-on-year, as no scheduled passenger flights were operated. Thus, RPKs decreased by 100.0 per cent and no PLF was available.

Due to the COVID-19 pandemic, ASKs fell by 90.5, RPKs by 94.6 per cent and the PLF by 34.5 percentage points to 44.7 per cent in European traffic.

Domestic traffic capacity decreased by 70.9 per cent, RPKs by 76.2 per cent and the PLF by 12.1 percentage points to 55.3 per cent.

Ancillary revenue decreased by 88.2 per cent due to the COVID-19 impact. Flight ticket fees and excess baggage were the largest ancillary categories.

The impact of the COVID-19 pandemic was also clearly visible in Finnair's Q4 cargo volumes due to the limited number of scheduled passenger flights. Available scheduled cargo tonne kilometres decreased by 86.8 per cent, whereas revenue scheduled cargo tonne kilometres decreased by 81.1 per cent. However, cargo-related available tonne kilometres decreased by 65.4 per cent and revenue tonne kilometres decreased by 49.7 per cent and they both include the cargo-only flights, which were operated mainly between Europe and Asia as well as Europe and North America. Finnair was also able to operate an increasing number of scheduled Asian passenger flights carrying belly cargo with a low PLF as these flights had excellent cargo load factors due to continued strong cargo demand. As a result, cargo revenue increased by 4.6 per cent.

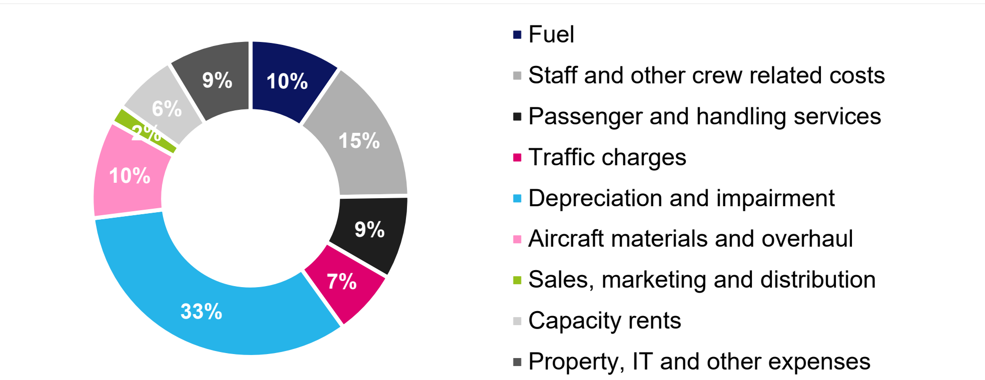
Package holidays' financial development has been significantly affected by the COVID-19 pandemic and the related travel restrictions and guidelines. During Q4, a limited number of destinations was in production. The total number of Travel Services passengers declined by 98.4 per cent and the load factor in Aurinkomatkat's allotment-based capacity was 98.8 per cent. Travel Services revenue decreased by 99.1 per cent. Comparison year figures include Aurinkomatkat's Estonian operations, which were closed at the end of 2019.

Cost development in Q4

Finnair's operating expenses decreased by 63.5 per cent, which is less than the decline in revenue, due primarily to fixed cost items as e.g. depreciation and impairment increased from the comparison period. Finnair continued its significant cost adjustment initiatives in Q4, including temporary layoffs, which was also visible in the significant decline in operating expenses.

Unit cost (CASK) increased by more than 200 per cent and totalled 21.10 cents (6.42). CASK excluding fuel also increased by more than 200 per cent. The surges were caused by the limited capacity and certain fixed cost items.

Q4 operating expenses (€277.1 million in total) included in comparable operating result



EUR million	Q4/2020	Q4/2019	Change %
Staff and other crew related costs	42.1	136.3	-69.1
Fuel costs	26.5	171.4	-84.6
Capacity rents	17.9	32.1	-44.1
Aircraft materials and overhaul	27.9	53.4	-47.9
Traffic charges	18.7	78.7	-76.2
Sales, marketing and distribution costs	5.1	44.5	-88.6
Passenger and handling costs	23.8	118.3	-79.9
Property, IT and other expenses	24.0	35.0	-31.3
Depreciation and impairment	91.2	89.5	1.8
Total	**277.1**	**759.2**	**-63.5**

Operating expenses excluding fuel decreased by 57.4 per cent.

Fuel costs, including hedging results and emissions trading costs, decreased in line with capacity. Fuel efficiency (as measured by fuel consumption per ASK) weakened by 82.2 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 24.5 per cent due to low passenger load factors.

Staff and other crew related costs decreased as capacity was significantly down and, therefore, Finnair continued the COVID-19-related temporary and permanent layoffs in Q4.

Passenger and handling costs (including also tour operation expenses related to e.g. hotels) were driven down by the volume decline in both passenger and cargo traffic. Sales, marketing and distribution costs were at a very low level due to low marketing activities and limited sales intake.

Aircraft materials and overhaul costs decreased due to the decline in capacity. On the other hand, certain cost items were fixed. Fleet growth versus the comparison period increased depreciation and impairment costs. Traffic charges decreased almost in line with the 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 potential cargo rents, were closer to the comparison period’s level due to Norra’s significant operations. The same applied to property, IT and other expenses; they mainly consist of fixed costs, even though some cost savings were achieved.

Result in Q4

Finnair’s Q4 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	Q4/2020	Q4/2019	Change %
Comparable EBITDA	**-71.7**	**120.6**	**-159.4**
Depreciation and impairment	-91.2	-89.5	1.8
Comparable operating result	**-162.9**	**31.2**	**<-200**
Items affecting comparability	148.3	3.6	>200
Operating result	**-14.6**	**34.7**	**-142.1**
Financial income	4.5	2.1	119.9
Financial expenses	-20.7	-20.4	-1.4
Exchange gains and losses	19.1	14.9	28.2
Share of results in associated and joint ventures	-	-0.9	100.0
Result before taxes	**-11.7**	**30.4**	**-138.4**
Income taxes	2.6	-5.9	143.9
Result for the period	**-9.1**	**24.5**	**-137.0**

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

Unrealised changes in foreign currencies of fleet overhaul provisions were 6.3 million euros (4.3) and fair value changes of derivatives where hedge accounting is not applied totalled 0.0 million euros (0.8). Other items affecting comparability consisting of changes in defined benefit plans, sales gains or losses and restructuring costs totalled 142.0 million euros (-1.5) during the quarter. Of that, 132.8 million euros was related to changes in defined benefit plans caused by the net impact of Finnair’s pension fund index increment removals and pilots’ early retirement costs, and 8.4 million euros to restructuring costs as the number of realised employment terminations was lower than estimated. Driven by the changes in the defined benefit plans during the period, Finnair's operating result declined clearly less year-on-year than the comparable operating result.

Financial income and expenses as well as exchange gains (mainly related to USD denominated aircraft lease payments and liabilities) remained almost at the same level than in the comparison period. Thus, Finnair's result before taxes and result after taxes declined in line with the operating result.

Financial performance in 2020

Revenue in 2020

In 2020, Finnair's revenue decreased significantly due to the impact of the COVID-19 pandemic.

Revenue by product

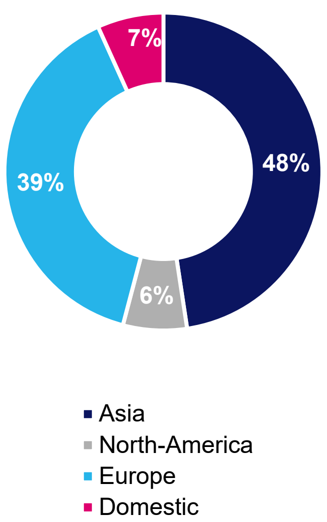
EUR million	2020	2019	Change %
Passenger revenue	528.1	2,479.8	-78.7
Ancillary revenue	62.3	176.2	-64.6
Cargo	177.7	212.1	-16.2
Travel services	61.1	229.5	-73.4
Total	**829.2**	**3,097.7**	**-73.2**

Unit revenue (RASK) decreased by 2.4 per cent and amounted 6.41 cents (6.56). The unit revenue at constant currency decreased by 2.0 per cent.

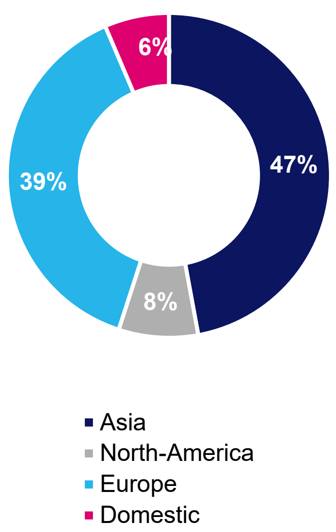
Passenger revenue and traffic data by area, 2020

	Passenger revenue			ASK		RPK		PLF	
Traffic area	MEUR	Share %	Change %	Mill. km	Change %	Mill. km	Change %	%	Change, %-p
Asia	186.0	35.2	-82.8	6,155.9	-73.6	3,837.7	-80.1	62.3	-20.6
North Atlantic	26.4	5.0	-85.3	848.9	-79.1	647.1	-81.4	76.2	-9.1
Europe	244.6	46.3	-75.5	5,061.1	-71.7	3,140.5	-78.3	62.1	-18.8
Domestic	69.1	13.1	-61.9	871.5	-54.7	524.7	-58.4	60.2	-5.4
Unallocated	1.9	0.4	-95.0						
Total	**528.1**	**100.0**	**-78.7**	**12,937.5**	**-72.6**	**8,150.0**	**-78.8**	**63.0**	**-18.7**

2020 capacity (ASKs)



2020 traffic (RPKs)



The COVID-19 pandemic had an impact on the Asian traffic figures beginning in February; the impact was significant in all traffic areas from March. This resulted in a material decline in 2020 traffic figures. Passenger revenue decreased by 78.7 per cent and passenger traffic capacity, measured in Available Seat Kilometres (ASK), declined by 72.6 per cent overall against the comparison period. The number of passengers decreased by 76.2 per cent to 3,485,600 passengers. Traffic measured in Revenue Passenger Kilometres (RPK) decreased by 78.8 per cent and the passenger load factor (PLF) decreased by 18.7 percentage points to 63.0 per cent.

In Asian traffic, capacity declined significantly starting from February and there were only a few scheduled flights in Q2 and a limited number in Q3 and Q4. Even though the number of scheduled flights increased somewhat in Q3 and Q4 from Q2, ASKs were nevertheless down by 73.6 per cent in 2020. In total Asian traffic, RPKs decreased by 80.1 per cent and the PLF decreased by 20.6 percentage points to 62.3 per cent. The low PLF causing low yields in Q2–Q4 were, however, supported by the strong Asian cargo operations and a very high cargo load factor.

As there was only one passenger flight in Q2 and none in Q3 or Q4, capacity on North Atlantic routes decreased by 79.1 per cent year-on-year 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 81.4 per cent and the PLF decreased by 9.1 percentage points to 76.2 per cent.

Also in European traffic, capacity decreased due to the COVID-19 impact by 71.7 per cent. RPKs decreased by 78.3 per cent and the PLF was down by 18.8 percentage points to 62.1 per cent.

Due to the same reasons, domestic traffic capacity decreased by 54.7 per cent. RPKs decreased by 58.4 per cent and the PLF decreased by 5.4 percentage points to 60.2 per cent.

Ancillary revenue decreased by 64.6 per cent, mainly due to the low number of passengers, especially in Q2–Q4. In addition to service charges, advance seat reservations and excess baggage were the largest ancillary categories.

Due to the limited number of scheduled flights - especially in Q2, but also in Q3 and Q4 – the impact of the COVID-19 pandemic was visible in Finnair's 2020 cargo volumes. Finnair commenced its cargo-only operations in April as demand was strong in the market due to overall lack of capacity. In Q3, Finnair was able to increase the number of Asian scheduled passenger flights carrying belly cargo as the cargo demand remained strong even though the passenger load factor was low. The same trend continued in Q4. In 2020, available scheduled cargo tonne kilometres decreased by 73.9 per cent, whereas revenue scheduled cargo tonne kilometres decreased by 73.2 per cent. However, cargo related available tonne kilometres decreased by 61.6 per cent and revenue tonne kilometres decreased by 55.6 per cent as they included also the cargo-only flights operated primarily between Asia and Europe but also between Europe and North America. Cargo revenue decreased by 16.2 per cent.

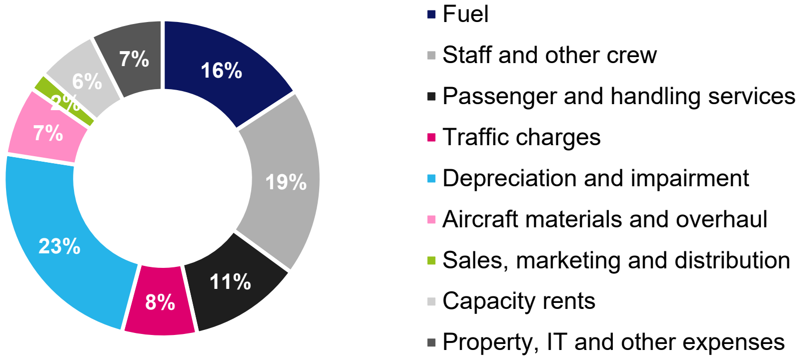
Despite the improved package holiday demand in early Q1, travel services development was negatively affected by the lower allotment-based capacity in Q1 caused by COVID-19 and later temporarily cancelled production both in allotment-based holidays and dynamic products in Q2. Further, Aurinko Estonia operations were discontinued at the end of 2019. As a result, there was no revenue in Q2 and Q3 saw only a limited amount of production. On the other hand, Aurinkomatkat opened domestic package holidays for sale during Q3 and related demand has been stronger than estimated. In Q4, Aurinkomatkat produced only domestic package holidays. The total number of travel services passengers declined by 81.7 per cent and the load factor in Aurinkomatkat's allotment-based capacity was 94.5 per cent. Travel services revenue decreased by 73.4 per cent.

<u>Cost development in 2020</u>

In 2020, Finnair's operating expenses decreased notably less than the decline in revenue, due to certain fixed cost items. Finnair has, however, introduced significant cost adjustment initiatives, including temporary and permanent layoffs, due to the COVID-19 impact; their effect was visible in Q2–Q4.

Unit cost (CASK) increased by 77.0 per cent and totalled 11.01 cents (6.22). CASK excluding fuel increased by 93.4 per cent and totalled 9.21 cents (4.76). The surges were caused by the limited capacity starting from Q2 and certain fixed cost items.

2020 operating expenses (€1,472.9 million in total) included in comparable operating result



EUR million	2020	2019	Change %
Staff and other crew related costs	283.5	534.7	-47.0
Fuel costs	232.7	687.3	-66.2
Capacity rents	89.3	130.2	-31.4
Aircraft materials and overhaul	104.7	201.2	-47.9
Traffic charges	112.4	331.3	-66.1
Sales, marketing and distribution costs	28.2	172.1	-83.6
Passenger and handling costs	168.6	476.7	-64.6
Property, IT and other expenses	109.7	132.4	-17.1
Depreciation and impairment	343.8	325.4	5.6
Total	**1,472.9**	**2,991.3**	**-50.8**

Operating expenses excluding fuel decreased by 46.2 per cent. Fuel costs, including hedging results and emissions trading costs, decreased mainly due to COVID-19-related capacity cuts and this was visible especially in Q2-Q4 although the price impact mitigated it.[1] Fuel efficiency (as measured by fuel consumption per ASK) weakened by 17.7 per cent. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, increased by 20.8 per cent.

Staff and other crew related costs decreased as capacity was cut significantly and Finnair commenced the majority of its planned temporary layoffs in April 2020 and, thus, the effect was visible starting from Q2. On the other hand, items maintaining the costs were summer holidays in the middle of temporary layoffs, fixed pension fund costs, an increase in the employer's health insurance contribution in 2020 and a salary increase due to recently negotiated CLAs.

Passenger and handling costs (including also tour operation expenses related to e.g. hotels) were driven down by volume declines in both passenger and cargo traffic. The category also includes tour operation expenses.

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, some booking fees paid, particularly in Q1, were credited due to the wave of COVID-19-related flight cancellations.

Aircraft materials and overhaul costs also decreased 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. During Q2–Q4, 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 despite Norra's relatively significant operations during Q2–Q4. Property, IT and other expenses were nearly at the comparison period's level as they are mainly fixed even though some cost savings initiatives have already been executed.

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

Result in 2020

Finnair's 2020 result was heavily impacted by COVID-19 as the company was forced to cancel tens of thousands of flights and was able to operate only to a limited number of destinations as a result of strict travel restrictions in many countries worldwide starting from mid-Q1. Therefore, demand softened significantly.

EUR million	2020	2019	Change %
Comparable EBITDA	**-251.5**	**488.3**	**-151.5**
Depreciation and impairment	-343.8	-325.4	5.6
Comparable operating result	**-595.3**	**162.8**	**<-200**
Items affecting comparability	130.8	-2.8	>200
Operating result	**-464.5**	**160.0**	**<-200**
Financial income	38.7	4.8	>200
Financial expenses	-255.2	-83.6	>200
Exchange gains and losses	26.6	12.7	109.5
Share of results in associates and joint ventures	-	-0.9	100.0
Result before taxes	**-654.4**	**93.0**	**<-200**
Income taxes	131.1	-18.4	>200
Result for the period	**-523.2**	**74.5**	**<-200**

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

Unrealised changes in foreign currencies of fleet overhaul provisions were 12.2 million euros (-1.4) and fair value changes of derivatives where hedge accounting is not applied totalled -0.2 million euros (1.3). Other items affecting comparability consisting of changes in defined benefit plans, sales gains or losses and restructuring costs totalled 118.7 million euros (-2.8) of which 132.8 million euros was related to changes in defined benefit plans caused by the net impact of Finnair's pension fund index increment removals and pilots' early retirement costs. Further, -14.9 million euros was related to the restructuring costs caused by the COVID-19 impact. Driven by the changes in the defined benefit plans, Finnair's operating result declined notably less year-on-year than the comparable operating result.

Financial expenses increased significantly, and the growth was mainly related to jet fuel and foreign exchange hedging. Due to COVID-19, Finnair operated only limited capacity and, thus, the underlying fuel price and foreign exchange exposures did not exist. As a result, Finnair discontinued the application of hedge accounting to most of its fuel and currency hedges and the market value of those hedges was reclassified to profit and loss from other comprehensive income due to IFRS 9 during Q1–Q3. Financial income increased for the same reason, but the related net expense totalled 136 million euros. 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 primarily due to the increase in financial expenses.

Financial position and capital expenditure

Balance sheet

The Group's balance sheet totalled 3,646.5 million euros at the end of the year (3,877.9). Fleet book value decreased 93.1 million euros despite the A350 deliveries in February and September 2020 due to depreciation and two A350 sale-and-leaseback transactions; the right-of-use fleet increased by 36.1 million euros despite depreciation mainly due to the effect of A350 sale-and-leaseback transactions. Receivables related to revenue decreased significantly due to the COVID-19 impact to 57.5 million euros (160.6). Netted deferred tax assets have increased to 84.8 million euros (-64.3) resulting from tax losses caused by the COVID-19 impact on Finnair's result. The pension assets totalling to 31.8 million euros (none in the comparison period) mainly relate to the changes in defined benefit plans (net impact of Finnair's pension fund index increment removals and pilots' early retirement costs) whereas pension obligations declined to 1.5 million euros (77.1) mainly due to the same reason.

Deferred income and advances received also decreased significantly to 133.6 million euros (552.7) mainly due to the decline in ticket related liabilities. The unflown ticket liability decreased to 55.7 million euros (451.2) mainly as a result of paid out ticket refunds of 464 million euros related to the cancelled flights.

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 December was -41.8 million euros after deferred taxes (-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.

During 2020, Finnair booked 502.9 million euros of net proceeds related to a rights offering, which was finalised in July. Finnair also issued a new hybrid bond of 200 million euros in September to refinance the previous 200-million-euro hybrid bond. Shareholders' equity totalled 896.6 million euros (966.4), or 0.64 euros per share (1.39[2]).

Cash flow and financial position

Cash flow

EUR million	2020	2019
Net cash flow from operating activities	**-1,043.1**	**564.5**
Net cash flow from investing activities	**351.6**	**-513.2**
Net cash flow from financing activities	**1,001.9**	**-225.4**

In 2020, the COVID-19 impact was clearly visible in net cash flow from operating activities, which turned significantly negative primarily due to working capital movements related to flight cancellations (e.g. paid ticket refunds of 464 million euros in total) and the decline in the financial result. Net cash flow from investments turned positive mainly due to changes in other current financial assets (maturity over three months), the A350 sale-and-leaseback transactions in August and December and lower fleet investments. Also net cash flow from financing turned positive mainly due to the fully-drawn 600-million-euro statutory pension premium loan, the rights offering net proceeds of 500.6 million received in cash and the export credit agency financing transaction of an A350 in December. The 175-million-euro unsecured syndicated revolving credit facility[3] drawn in March was repaid in September. Its maturity date is in January 2023.

Capital structure

%	31 Dec 2020	31 Dec 2019
Equity ratio	**24.6**	**24.9**
Gearing	**153.2**	**64.3**

The equity ratio on 31 December 2020 was almost the same as at the end of 2019 despite the lower result for the period and the change in the fair value reserve as 502.9 million euros related to the rights offering were booked. Gearing, on the contrary, rose significantly as interest-bearing net debt increased.

Liquidity and net debt

EUR million	31 Dec 2020	31 Dec 2019
Cash funds	823.7	952.7
Adjusted interest-bearing liabilities	2,197.5	1,573.7
Interest-bearing net debt	**1,373.8**	**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 two A350 aircraft (one in Q1 and one in Q3) and negative net cash flow from operating activities, the fully-drawn 600-million-euro pension premium loan, the A350 sale-and-leaseback transactions in August and December as well as the export credit agency financing transaction of an A350 in December netted the decline. Further, the rights offering net proceeds of 500.6 million received in cash also increased the cash funds.

In addition to the currently fully undrawn 175-million-euro revolving credit facility, Finnair still has a 200-million-euro short-term commercial paper programme, which was unused at the end of December. The company also announced in December that the State of Finland, together with Finnair, is preparing to make up to 400 million euros which is expected to be available to Finnair in Q1 2021 in the form of an unsecured hybrid loan. The

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

[3] The revolving credit facility includes a financial covenant based on adjusted gearing. The covenant level of adjusted gearing was waived during Q2 2020, was then reset to 225 per cent until 30 June 2021, goes down to 200 per cent until 30 June 2022 and then to 175 per cent thereafter. At the closing date, the figure was 153.2 per cent.

possible arrangement is subject to a final decision by the Finnish Government and it also requires approval by the EU commission. Further, Finnair is planning to refinance its existing 200-million-euro senior unsecured bond which matures in March 2022.

Interest-bearing liabilities increased from 2019 year-end mainly as a result of the A350 sale-and-leaseback transactions, the A350 export credit agency financing and the pension premium loan. The share of lease liabilities amounted to 1,016.2 million euros (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

Gross capital expenditure, excluding advance payments, totalled 515.9 million euros in 2020 (443.8) and was primarily related to fleet investments.

Cash flow from investments (including fixed asset investments and divestments, sublease payments received and advance payments) totalled -88.3 million euros (-460.6).

Change in other current financial assets (maturity over three months) totalled 439.9 million (-53.4) also forming a part of the net cash flow from investments, which amounted to 351.6 million euros (-513.2).

Cash flow from investments (including only fixed asset investments and advance payments) for the financial year 2021 relates mainly to fleet and is expected to total approximately -119 million euros. Investment cash flow includes both committed investments as well as estimates for planned, but not yet committed, investments.

The company has 38 unencumbered aircraft, which account for approximately 46 per cent of the balance sheet value of the entire fleet of 2,212.7 million euros.[4]

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

The aim of Finnair's dividend policy is to pay, on average, at least one-third of the earnings per share as a dividend over an economic cycle. The aim is to take into account the company's earnings trend and outlook, financial situation and capital needs in the distribution of dividends.

In 2020, earnings per share were -0.51 euros (0.09). Finnair Plc's distributable equity amounted to 361,672,701.47 euros on 31 December 2020. The Board of Directors proposes to the Annual General Meeting that no dividend be distributed for 2020.

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 year, Finnair itself had 59 aircraft, of which 24 were wide-body and 35 narrow-body aircraft. Of these aircraft, 30 were owned by Finnair Aircraft Finance Oy and 29 were leased.

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

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

Fleet operated by Finnair* 31.12.2020	Seats	#	Change from 31.12.2019	Own**	Leased	Average age 31.12.2020	Ordered
Narrow-body fleet							
Airbus A319	144	6	-2	5	1	19.1	
Airbus A320	174	10		8	2	18.4	
Airbus A321	209	19		4	15	9.6	
Wide-body fleet							
Airbus A330	289/263	8		4	4	11.2	
Airbus A350	297/336	16	2	9	7	3.4	3
Total		**59**	**0**	**30**	**29**	**10.6**	**3**

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

Fleet renewal

At the end of the year, Finnair had sixteen A350 aircraft, which have been delivered between 2015–2020 and three A350 aircraft on order from Airbus. These aircraft were originally scheduled for delivery from Q2 2021 to Q2 2022. Based on a new agreed schedule, the remaining three aircraft would be delivered to Finnair in Q2 2022, Q4 2024 and Q1 2025.

In the fourth quarter, Finnair also retired two of its oldest Airbus A319 aircraft, both of which were more than 21 years old.

Finnair's investment commitments for property, plant and equipment, totalling 429 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.

Finnair continues to proceed with the introduction of the new Premium Economy cabin class. Due to the COVID-19 impact, the introduction has been postponed from 2021 to 2022.

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* 31.12.2020	Seats	#	Change from 31.12.2019	Own**	Leased	Average age 31.12.2020	Ordered
ATR	68-72	12		6	6	11.4	
Embraer E190	100	12		9	3	12.5	
Total		**24**	**0**	**15**	**9**	**12.0**	

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

Strategy implementation

Finnair is targeting sustainable, profitable growth. The company implements 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; though the foundation is still valid - for example, Finnair is 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, as well as long-term financial targets will be re-evaluated in the autumn of 2021 as a result of the impact on demand caused by the COVID-19 pandemic. The company still estimates that it will return to the path of sustainable, profitable growth within a rebuilding period of approximately 2 years.

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 development of the capacity growth rate will be reassessed.

Finnair continues to leverage its home hub's unique geographical location, maximizing its efficiencies. Currently committed aircraft investments will be made, though Finnair was able to postpone deliveries of the remaining A350 aircraft by, on average, 24 months. The time horizon of the remaining fleet investment plan (including the narrow-body fleet renewal) will, however, be reassessed. The company will in particular follow the rapidly evolving aircraft market when it plans its future fleet investments.

Operational excellence

Finnair is recognised as one of the world's safest airlines. The strong safety culture (including health and safety measures), as well as the reliability and productivity of Finnair's operations, continues to be at the core of the company's strategy which has been emphasised especially during the COVID-19 pandemic. In the future, more effort will be put into technology, automation and utilising data as well as into working together cross-functionally.

Particular focus will be on fuel efficiency and on-time performance which have a significant 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 among the leaders. The company's on-time performance in Q4 was excellent (91.8%).

In October, Finnair announced that it was targeting a 140-million-euro permanent cost base decline by 2022, compared to 2019 levels, increasing its savings target published in August by 40 million euros. Finnair continues to seek savings in such areas as real estate, aircraft leasing, IT, sales and distribution and administration as well as employee compensation structures. The company will further continue streamlining its operations and the digitalisation and automation of its customer processes. The company will also renegotiate its supplier and partner agreements. In addition, it carried out staff co-operation negotiations due to the COVID-19 impact, which resulted in a reduction of approximately 600 employees globally. Also, permanent and temporary layoffs were continued.

The company is preparing for a recovery in traffic and demand with different scenarios and it has already announced that it will e.g. soon commence training to reactivate furloughed pilots' eligibility to fly. With the help of these preparations, the company aims to ensure that the gradual increase in traffic will be smooth once the demand recovers.

Modern premium airline

Finnair aims to be defined as a modern, premium airline. This will be achieved by allowing the customers to tailor the way they want to travel and by enabling a smooth travel experience with the help of digital services.

To win in the competitive airline market, Finnair must also excel in everyday customer experience. Finnair's Net Promoter Score (NPS), measuring customer satisfaction, was at an excellent level with a score of 52 (41) in Q4. The customers especially appreciated Finnair's service and extensive health and safety measures during the pandemic. As a token of appreciation, Finnair received a Five-Star Global Airline rating from APEX (Airline Passenger Experience Association) in December based on customer reviews.

Due to COVID-19, Finnair continued its pandemic-related measures in Q4 by offering a complimentary Corona Cover extending customers' own travel insurance to all international flights departing from Finland as well as to all Aurinkomatkat and Finnair Holidays international holiday packages between November–March. The Corona Cover compensates to a great extent potential COVID-19 related costs accrued during a trip.

During Q4, Finnair launched a new Taste of Finnair concept where it sells ready-made meals in K-markets around Helsinki area but also in other parts of Finland. The meals are made by Finnair Kitchen and, thus, utilises a workforce which would otherwise be furloughed. The same K-markets also started selling Finnair's signature blueberry juice previously available only onboard Finnair flights. In addition, Finnair operated eight virtual flights from Helsinki to Rovaniemi to meet Santa Claus. The total virtual flight proceeds of 90,000 euros went to supporting UNICEF's work to slow the spread of COVID-19 and minimise the pandemic's impact on children worldwide.

During Q4, the average monthly number of unique Finnair website visitors totalled only 0.6 million (2.3) due to the COVID-19 impact. Similarly, the number of active users of the Finnair mobile application decreased by 66 per cent to 126,000 from Q4 2019. Direct sales in Finnair's digital channels increased to 49.0 per cent (27.6) of all tickets sold.

Sustainability

Sustainability is an essential part of Finnair, and Finnair's sustainability targets will remain unchanged despite the COVID-19 pandemic. 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 in net emissions by the end of 2025 compared to the 2019 level. The company is on track to reach a 50% reduction in single use plastics by the end of 2022 and was able to reach a 50% reduction of food waste by end of 2020.

Due to the COVID-19 impact, Finnair has especially concentrated on its social responsibilities by offering extensive and active support to its employees who have been, or will be, laid off. The company has introduced a NEXT programme which supports the re-employment of those leaving the company. The programme consists e.g. of personalised plans to move forward in work life, wide range of training options, career coaching, services and content that support coping and well-being, support from the TE Office and support for those interested in entrepreneurship.

Culture and ways of working

The strategy will be implemented by engaging all Finnair personnel and, thus, the strategy will be closely linked to the everyday work and targets. The strategy emphasises genuine collaboration, target-oriented leadership and utilising of new working methods such as lean and agile. These measures are emphasised in the pandemic but also during the future years as the number of employees has decreased as a result of the COVID-19 impact and, therefore, new, more effective ways of working as well as extensive collaboration are necessary.

In Q4, Finnair announced a long-term incentive programme for those personnel groups with which it agreed on permanent cost savings that support Finnair's recovery during the rebuild period. The incentive programme started during 2020 and will end in the third quarter of 2023. Finnair also reached agreements with some of the personnel groups related to Finnair pension fund's index increment removals, which had a positive impact of more than 150 million euros on the 2020 financial result. These are outstanding examples of Finnair's common culture and collaboration during the pandemic.

Finnair employed an average of 6,234 (6,772) people in Q4 2020, which is 7.9 per cent less than in the corresponding period. The number of employees decreased during Q4 by 257 or 4.0 per cent, totalling 6,105 at the end of December (6,788). In total, one new person was hired at Finnair in Q4 2020. The attrition rate for the last 12 months was 7.4 per cent (3.8) which is higher than in the comparison period due to temporary layoffs and, thus, lower number of active employees. The number of absences due to illness was 2.3 per cent (4.6).

Sustainability and corporate responsibility

Economic, social and environmental aspects have for a long time 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 difficult to address, 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 a 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 goal of carbon-neutral growth from 2020 onwards but sees this commitment as only a starting point. According to the new strategy, Finnair commits to becoming carbon neutral by 2045 and already by the end of 2025 reducing the CO2 net 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 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 financial statements release.

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 experience and 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.

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

Arja Suominen, Senior Vice President, Communications and Corporate Responsibility and member of the Finnair executive board left the executive board on 31 October 2020 but continued to serve as executive advisor in Finnair until 31 December 2020. Further, Päivyt Tallqvist was appointed Senior Vice President, Communications and a member of Finnair's Executive Board as of 1 November 2020. Previously, Tallqvist worked as a Director, Media Relations at Finnair, and has prior to her Finnair career served in different communications leadership roles in Nokia.

Share price development and trading

Finnair's market capitalization was 1,066.1 million euros at the end of December (31/12/2019: 753.4). The closing price of the share on 31 December 2020 was 0.76 euros (31/12/2019: 1.08 euros). During January–December, the highest price for the Finnair Plc share on the Nasdaq Helsinki was 1.68 euros, the lowest price 0.36 euros and the average price 0.63 euros. Some 939.4 million company shares, with a total value of 780.1 million euros, were traded in Nasdaq Helsinki.

The number of Finnair shares recorded in the Trade Register was 1,407,401,265 at the end of the period. The Finnish state owned 55.9 per cent (55.8) of Finnair's shares, while 7.4 per cent (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, representing 0.43 per cent of the total number of shares and votes.

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.

In Q2 or Q3, Finnair did not exercise the authorisation granted by the AGM 2019 or 2020 to acquire or dispose its own shares.

In Q4, Finnair transferred, using the authorisation granted by the 2020 AGM, a total of 38,940 own shares as incentives to the participants of the FlyShare employee share savings plan.

On 31 December 2020, Finnair held a total of 170,660 own shares, representing 0.01 per cent of the total number of shares and votes.

Share-based incentive schemes

Employee share savings plan FlyShare

In December, Finnair's Board of Directors decided to launch its ninth consecutive 12-month savings period under the FlyShare Employee Share Plan. The objective of the plan, which was established in 2013, is to encourage the employees to become shareholders in the company, and thereby strengthen the employees' interest in the development of Finnair's shareholder value and to reward them over the long term. The share savings plan is described in a stock exchange release issued on 16 December 2020, in the Remuneration Statement 2020 and on the company's website.

Effective authorisations granted by the Annual General Meeting 2020

Finnair's Annual General Meeting was held in Vantaa on 29 May 2020 under special arrangements due to the COVID-19 pandemic.

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 0.4 per cent of all the shares in the company. The authorisations are effective for a period of 18 months from the resolution of the AGM.

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

The resolutions of the AGM are available in full on the company's website https://investors.finnair.com/en/governance/general-meetings/agm-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 variations and economic trends, as the global COVID-19 pandemic starting in Q1 has demonstrated. 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 and demand. 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) might 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 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 operations in all quarters in 2020 and the negative impact will continue in 2021. A prolonged COVID-19 pandemic would result in a deterioration in Finnair's cash funds, although the company has already acted to mitigate this risk by introducing a funding package consisting of a 600-million-euro premium pension loan as well as e.g. sale and leaseback arrangements and export credit agency financing of aircraft. In case of a prolonged pandemic, it will also reduce the company's equity significantly. On the other hand, prolonged unprofitability will increase the risk of fleet and other fixed asset impairments. As a result, Finnair has also introduced a significant cost adjustment programme (140-million-euro permanent cost base decline by 2022, compared to 2019 levels), including e.g. renegotiating of vendor agreements. Further, the company was forced to reduce 600 employees globally. Along with these actions, Finnair executed a 512-million-euro rights offering to strengthen the equity and is preparing, together with the State of Finland, an unsecured hybrid loan of up to 400 million euros to better ensure that it will weather a prolonged pandemic and the resulting impacts within the next 12 months.

In a changing aviation business environment, it is difficult to predict the impact the COVID-19 will have on airline market access and traffic right opportunities in general. Potentially increasing protectionism in the political environment may have an adverse impact on the market access required for the implementation of Finnair's strategy. At the same time, it is also possible that connectivity needs may increase in some countries, leading to increasing market access opportunities and new traffic rights.

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 result are, in a normal situation, 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 variable 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, the South Korean won 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 but due to the uncertainty caused by COVID-19, Finnair has temporarily changed the lower limit from 60 per cent to 0 per cent during the hedging period. At the moment, Finnair has hedged its fuel purchases for the next 12 months.

Sensitivities in business operations, impact on comparable operating profit (rolling 12 months from date of financial statements)	**1 percentage (point) change**
Passenger load factor (PLF, %)	EUR 11 million
Average yield of passenger traffic	EUR 7 million
Unit cost (CASK excl. fuel)	EUR 11 million

Fuel sensitivities (rolling 12 months from date of financial statements)	**10% change without hedging**	**10% change, taking hedging into account**
Fuel	EUR 14 million	EUR 7 million

Fuel hedging ratios and average hedged price (rolling 12 months from date of financial statements)	**Hedged fuel, tonnes***	**Average hedge price, USD/ton* ****
December 2020	12,000	634
Q1 2021	34,000	609
Q2 2021	65,000	521
Q3 2021	99,000	510
Q4 2021	30,000	491
Total	**240,000**	**531**

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

Currency distribution, %	Q4 2020	Q4 2019	2020	2019	Currency sensitivities USD and JPY (rolling 12 months from date of financial statements for operational cash flows)		Hedging ratio for operational cash flows (rolling next 12 months)
Sales currencies					10% change without hedging	10% change, taking hedging into account	
EUR	35	55	55	53	-	-	-
USD*	2	5	4	5	see below	see below	see below
JPY	13	9	7	11	EUR 11 m	EUR 5 m	44%
CNY	12	6	6	7	-	-	-
KRW	8	2	3	3	-	-	-
SEK	3	3	3	3	-	-	-
Other	27	19	21	19	-	-	-
Purchase currencies							
EUR	64	57	59	57	-	-	-
USD*	32	36	35	36	EUR 27 m	EUR 8 m	42%
Other	4	8	6	7	-	-	-

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

Hedging of foreign currency exposure in balance sheet

Due to the 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. Since the beginning of 2019, Finnair has mitigated the foreign exchange volatility introduced by this difference by using hedges and is looking for alternative solutions to mitigate the effect of this volatility on its financial performance. 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 December 2020, the hedging ratio of USD denominated aircraft lease payments and liabilities was approximately 50 per cent.

Events after the financial period

On 26 January 2021, Finnair has announced that the Board of Directors of Finnair also approved a new individual performance share plan covering the years 2021–2023. Within the plan, the participants have the opportunity to earn Finnair shares as a long-term incentive reward, if the performance targets set by the Board of Directors for the plan are achieved. The potential share rewards will be delivered to the participants in the spring of 2024. The plan applies to some 70 persons, and it is described in more detail in a stock exchange release, in the Remuneration Statement 2020 and on the company's website.

On 17 February 2021, Finnair announced that it has completed a lease financing arrangement for its next A350 aircraft delivery where it will assign the purchase of the Airbus A350 aircraft to a third party, and then leases it back for its own operation. The aircraft is expected to be delivered to Finnair in the second quarter of 2022. The operating lease period is a minimum of 12 years, including a storage period expected to commence in the fourth quarter of 2021, concurrent with the aircraft's sale. The total positive cash effect of the arrangement for Finnair in 2021–2022 is in excess of 100 million US dollars compared to a situation in which the aircraft had been purchased and owned by Finnair.

Financial reporting in 2021

The publication dates of Finnair's financial reports in 2021 are the following:

- Interim Report for January–March 2021 on Tuesday 27 April 2021
- Half-year Report for January–June 2021 on Thursday 15 July 2021
- Interim Report for January–September 2021 on Tuesday 26 October 2021

FINNAIR PLC
Board of Directors

Briefings

Finnair will hold a results press conference (in Finnish) on 18 February 2021 at 11:00 a.m. via a live webcast: https://finnairgroup.videosync.fi/2021-0218-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 26638231#. To join the live webcast, please register at: https://finnairgroup.videosync.fi/2020-q4

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Key performance indicators

EUR in millions, unless otherwise indicated	Q4 2020	Q4 2019	Change %	2020	2019	Change %
Revenue and profitability						
Revenue	102.0	774.9	-86.8	829.2	3,097.7	-73.2
Comparable operating result	-162.9	31.2	<-200	-595.3	162.8	<-200
Comparable operating result at constant currency and fuel price	-166.2	39.4	<-200	-558.9	205.7	<-200
Comparable operating result, % of revenue	-159.7	4.0	-163.7 %-p	-71.8	5.3	-77.0 %-p
Operating result	-14.6	34.7	-142.1	-464.5	160.0	<-200
Comparable EBITDA, % of revenue	-70.3	15.6	-85.9 %-p	-30.3	15.8	-46.1 %-p
Earnings per share (EPS), basic, EUR	-0.01	0.03	-133.4	-0.51	0.09	<-200
Earnings per share (EPS), diluted, EUR	-0.01	0.03	-133.4	-0.51	0.09	<-200
Unit revenue per available seat kilometre (RASK), cents/ASK	8.12	6.69	21.5	6.41	6.56	-2.4
RASK at constant currency, cents/ASK	8.22	6.65	23.7	6.40	6.53	-2.0
Unit revenue per revenue passenger kilometre (yield), cents/RPK	9.94	6.73	47.6	6.48	6.44	0.7
Unit cost per available seat kilometre (CASK), cents/ASK	21.10	6.42	> 200	11.01	6.22	77.0
CASK excluding fuel, cents/ASK	18.99	4.94	> 200	9.21	4.76	93.4
CASK at constant currency and fuel price, cents/ASK	21.45	6.31	> 200	10.72	6.10	75.9
Capital structure						
Equity ratio, %				24.6	24.9	-0.3 %-p
Gearing, %				153.2	64.3	89.0 %-p
Interest-bearing net debt				1,373.8	621.0	121.2
Interest-bearing net debt / Comparable EBITDA, LTM				-5.5	1.3	-6.7 %-p
Gross capital expenditure	91.5	80.7	13.4	515.9	443.8	16.2
Return on capital employed (ROCE), LTM, %				-15.2	6.3	-21.4 %-p
Cash to sales, LTM, %				99.3	30.8	68.6 %-p
Traffic						
Passengers, 1,000	278	3,504	-92.1	3,486	14,650	-76.2
Flights, number	6,525	32,301	-79.8	46,094	131,186	-64.9
Available seat kilometres (ASK), million	1,256	11,587	-89.2	12,937	47,188	-72.6
Revenue passenger kilometres (RPK), million	366	9,151	-96.0	8,150	38,534	-78.8
Passenger load factor (PLF), %	29.2	79.0	-49.8 %-p	63.0	81.7	-18.7 %-p
Operational excellence						
Jet fuel consumption, tonnes	54,362	275,324	-80.3	365,492	1,132,219	-67.7
On-time performance, %	91.8	83.2	8.6 %-p	90.2	79.3	10.9 %-p
Modern premium airline						
Net Promoter Score (NPS)	52	41	27.9	48	38	25.7
Share of digital direct ticket sales, %	49.0	27.6	21.4 %-p	40.7	25.9	14.8 %-p
Average number of monthly visitors at finnair.com, millions	0.6	2.3	-73.7	1.1	2.0	-48.7
Active users for Finnair mobile app, thousands	126.0	365.3	-65.5	187.3	332.6	-43.7
Ancillary and retail revenue	5.2	44.6	-88.2	62.3	176.2	-64.6
Sustainability						
Flight CO_2 emissions, tonnes	171,241	867,271	-80.3	1,151,299	3,566,491	-67.7
Non-flight CO_2 emissions, tonnes				8,917	11,853	-24.8
Flight CO_2 emissions, tonnes/ASK	0.1364	0.0748	82.2	0.0890	0.0756	17.7
Flight CO_2 emissions, tonnes/RTK	0.9801	0.7872	24.5	0.9486	0.7853	20.8
Culture and ways of working						
Average number of employees	6,234	6,772	-7.9	6,573	6,771	-2.9
Employee Net Promoter Score (eNPS)				-1	17	<-200 %
Absences due to illness, %	2.31	4.58	-2.27 %-p	3.81	4.62	-0.81 %-p
Lost-time injury frequency (LTIF)	4.3	6.2	-30.4	4.4	9.6	-53.8
Attrition rate, LTM, %				7.4	3.8	3.7 %-p

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 EUR in millions	Q4 2020	Q4 2019	Change %	2020	2019	Change %
Operating result	**-14.6**	**34.7**	**-142.1**	**-464.5**	**160.0**	**<-200**
Unrealized changes in foreign currencies of fleet overhaul provisions	-6.3	-4.3	-44.1	-12.2	1.4	<-200
Fair value changes of derivatives where hedge accounting is not applied	0.0	-0.8	99.1	0.2	-1.3	111.8
Sales gains and losses on aircraft and other transactions	-0.8	0.0	<-200	-0.8	-0.2	<-200
Changes in defined benefit pension plans	-132.8		-	-132.8		-
Restructuring costs	-8.4	1.6	<-200	14.9	3.0	> 200
Comparable operating result	**-162.9**	**31.2**	**<-200**	**-595.3**	**162.8**	**<-200**

Comparable operating result, RASK and CASK at constant currency and fuel price EUR in millions, unless otherwise indicated	Q4 2020	Q4 2019	Change %	2020	2019	Change %
Revenue	102.0	774.9	-86.8	829.2	3,097.7	-73.2
Currency impact adjustment at 2018 currency	1.2	-4.9	124.2	-0.8	-14.8	94.4
Revenue at constant currency	103.2	770.0	-86.6	828.4	3,082.9	-73.1
Other operating income	12.3	15.4	-20.4	48.4	56.4	-14.3
Operating expenses included in comparable operating result	-277.1	-759.2	-63.5	-1,472.9	-2,991.3	-50.8
Currency and fuel price impact adjustment at 2018 currency and price	-4.5	13.1	134.2	37.2	57.7	35.5
Costs at constant currency and fuel price	-269.4	-730.7	-63.1	-1,387.3	-2,877.2	-51.8
Comparable operating result at constant currency and fuel price	**-166.2**	**39.4**	**<-200**	**-558.9**	**205.7**	**<-200**
Available seat kilometres (ASK), million	1,256	11,587	-89.2	12,937	47,188	-72.6
RASK at constant currency, cents/ASK	**8.22**	**6.65**	**23.7**	**6.40**	**6.53**	**-2.0**
CASK at constant currency and fuel price, cents/ASK	**21.45**	**6.31**	**> 200**	**10.72**	**6.10**	**75.9**

Equity ratio EUR in millions, unless otherwise indicated	2020	2019	Change %
Equity total	896.6	966.4	-7.2
Equity and liabilities total	3,646.5	3,877.9	-6.0
Equity ratio, %	**24.6**	**24.9**	**-0.3 %-p**

Gearing, interest-bearing net debt and interest-bearing net debt / Comparable EBITDA, LTM EUR in millions, unless otherwise indicated	31 Dec 2020	31 Dec 2019	Change %
Lease liabilities	1,016.2	1,054.0	-3.6
Other interest-bearing liabilities	1,162.6	520.8	123.2
Cross currency interest rate swaps*	18.8	-1.1	> 200
Adjusted interest-bearing liabilities	**2,197.5**	**1,573.7**	**39.6**
Other financial assets	-358.3	-800.8	-55.2
Cash and cash equivalents	-465.3	-151.9	> 200
Cash funds	**-823.7**	**-952.7**	**-13.5**
Interest-bearing net debt	**1,373.8**	**621.0**	**121.2**
Equity total	896.6	966.4	-7.2
Gearing, %	**153.2**	**64.3**	**89.0 %-p**
Comparable EBITDA, LTM	-251.5	488.3	-151.5
Interest-bearing net debt / Comparable EBITDA, LTM	**-5.5**	**1.3**	**-6.7 %-p**

* 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	Q4 2020	Q4 2019	Change %	2020	2019	Change %
Additions in fixed assets	16.1	69.6	-76.8	348.3	420.2	-17.1
New contracts in right-of-use assets	79.9	15.7	> 200	173.3	29.2	> 200
Reassessments and modifications in right-of-use assets	-4.5	-4.6	2.6	-5.7	-5.6	-0.3
Gross capital expenditure	**91.5**	**80.7**	**13.4**	**515.9**	**443.8**	**16.2**

Return on capital employed (ROCE), LTM EUR in millions, unless otherwise indicated	31 Dec 2020	31 Dec 2019	Change %
Result before taxes, LTM	-654.4	93.0	<-200
Financial expenses, LTM	255.2	83.6	> 200
Exchange rate gains and losses, LTM	-26.6	-12.7	-109.5
Return, LTM	**-425.8**	**163.9**	**<-200**
Equity total	896.6	966.4	-7.2
Lease liabilities	1,016.2	1,054.0	-3.6
Other interest-bearing liabilities	1,162.6	520.8	123.2
Capital employed	**3,075.4**	**2,541.1**	**21.0**
Capital employed, average of reporting period and comparison period	**2,808.3**	**2,616.8***	**7.3**
Return on capital employed (ROCE), LTM, %	**-15.2**	**6.3**	**-21.4 %-p**

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

Cash to sales, LTM EUR in millions, unless otherwise indicated	31 Dec 2020	31 Dec 2019	Change %
Other financial assets	358.3	800.8	-55.2
Cash and cash equivalents	465.3	151.9	> 200
Cash funds	**823.7**	**952.7**	**-13.5**
Revenue, LTM	829.2	3,097.7	-73.2
Cash to sales, LTM, %	**99.3**	**30.8**	**68.6 %-p**

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). Result is between +100 and -100.
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
Non-flight CO_2 emissions	CO_2 emissions from electricity and heating consumption of facilities and fuel consumption of ground equipment
Culture and ways of working	
Employee Net Promoter Score (eNPS)	Employee Net Promoter Score (eNPS) is based on a question: "How likely would you be to recommend Finnair as an employer 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). Result is between +100 and -100.
Absences due to illness	Share of sickness absence hours relating to planned working hours
Lost-time injury frequency (LTIF)	The number of workplace accidents per million working 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

Financial statements release - Consolidated financial report 1 Jan - 31 Dec 2020

Consolidated income statement

EUR in millions	Note	Q4 2020	Q4 2019	2020	2019
Revenue	**5**	**102.0**	**774.9**	**829.2**	**3,097.7**
Other operating income		12.3	15.4	48.4	56.4
Operating expenses					
Staff and other crew related costs	6	-42.1	-136.3	-283.5	-534.7
Fuel costs		-26.5	-171.4	-232.7	-687.3
Capacity rents		-17.9	-32.1	-89.3	-130.2
Aircraft materials and overhaul		-27.9	-53.4	-104.7	-201.2
Traffic charges		-18.7	-78.7	-112.4	-331.3
Sales, marketing and distribution costs		-5.1	-44.5	-28.2	-172.1
Passenger and handling services		-23.8	-118.3	-168.6	-476.7
Property, IT and other expenses		-24.0	-35.0	-109.7	-132.4
Comparable EBITDA		**-71.7**	**120.7**	**-251.5**	**488.3**
Depreciation and impairment	7	-91.2	-89.5	-343.8	-325.4
Comparable operating result		**-162.9**	**31.2**	**-595.3**	**162.8**
Unrealized changes in foreign currencies of fleet overhaul provisions	8	6.3	4.3	12.2	-1.4
Fair value changes of derivatives where hedge accounting is not applied	8	0.0	0.8	-0.2	1.3
Sales gains and losses on aircraft and other transactions	8	0.8	0.0	0.8	0.2
Changes in defined benefit pension plans	8	132.8		132.8	
Restructuring costs	8	8.4	-1.6	-14.9	-3.0
Operating result		**-14.6**	**34.7**	**-464.5**	**160.0**
Financial income		4.5	2.1	38.7	4.8
Financial expenses		-20.7	-20.4	-255.2	-83.6
Exchange rate gains and losses		19.1	14.9	26.6	12.7
Share of results in associates and joint ventures			-0.9		-0.9
Result before taxes		**-11.7**	**30.4**	**-654.4**	**93.0**
Income taxes	13	2.6	-5.9	131.1	-18.4
Result for the period		**-9.1**	**24.5**	**-523.2**	**74.5**
Attributable to					
Owners of the parent company		-9.1	24.5	-523.2	74.5
Earnings per share attributable to shareholders of the parent company, EUR					
Basic earnings per share	9	-0.01	0.03	-0.51	0.09
Diluted earnings per share	9	-0.01	0.03	-0.51	0.09

Consolidated statement of comprehensive income

EUR in millions	Q4 2020	Q4 2019	2020	2019
Result for the period	**-9.1**	**24.5**	**-523.2**	**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	18.9	17.0	-29.9	75.8
Translation differences	-0.7		-0.7	
Tax effect	-3.8	-3.4	6.0	-15.2
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial gains and losses from defined benefit plans	-4.1	24.1	-13.1	-50.2
Tax effect	0.8	-4.8	2.6	10.0
Other comprehensive income items total	**11.1**	**32.9**	**-35.1**	**20.5**
Comprehensive income for the period	**2.0**	**57.3**	**-558.4**	**95.0**
Attributable to				
Owners of the parent company	2.0	57.3	-558.4	95.0

Consolidated balance sheet

EUR in millions	Note	2020	2019
ASSETS			
Non-current assets			
Fleet	15, 17	1,440.3	1,533.3
Right-of-use fleet	16, 17	772.5	736.4
Fleet total		2,212.7	2,269.7
Other fixed assets	15, 17	185.3	178.4
Right-of-use other fixed assets	16, 17	145.0	141.1
Other fixed assets total		330.2	319.5
Pension assets		31.8	
Other non-current assets		25.1	39.5
Deferred tax assets	13	84.8	
Non-current assets total		**2,684.7**	**2,628.7**
Current assets			
Receivables related to revenue		57.5	160.6
Inventories and other current assets		68.1	80.2
Derivative financial instruments	10, 11	12.4	55.7
Other financial assets	11	358.3	800.8
Cash and cash equivalents		465.3	151.9
Current assets total		**961.8**	**1,249.2**
Assets total		**3,646.5**	**3,877.9**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		75.4	75.4
Other equity		821.2	890.9
Equity total		**896.6**	**966.4**
Non-current liabilities			
Lease liabilities	20	880.6	913.6
Other interest-bearing liabilities	20	1,111.0	477.3
Pension obligations	19	1.5	77.1
Provisions and other liabilities	21	161.1	156.9
Deferred tax liabilities	13		64.3
Non-current liabilities total		**2,154.2**	**1,689.1**
Current liabilities			
Lease liabilities	20	135.6	140.4
Other interest-bearing liabilities	20	51.5	43.5
Provisions	21	20.0	17.2
Trade payables		24.8	84.7
Derivative financial instruments	10, 11	99.7	38.9
Deferred income and advances received	22	133.6	552.7
Liabilities related to employee benefits		70.7	119.4
Other liabilities		59.8	225.7
Current liabilities total		**595.7**	**1,222.4**
Liabilities total		**2,749.9**	**2,911.5**
Equity and liabilities total		**3,646.5**	**3,877.9**

Consolidated statement of changes in equity

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 2020	**75.4**	**168.1**	**-6.7**	**256.1**	**275.2**	**198.2**	**966.4**
Result for the period					-523.2		-523.2
Change in fair value of hedging instruments			-23.9				-23.9
Actuarial gains and losses from defined benefit plans			-10.5				-10.5
Translation differences			-0.7				-0.7
Comprehensive income for the period			**-35.1**		**-523.2**		**-558.4**
Share issue				511.7			511.7
Share issue costs				-8.8			-8.8
Proceeds from hybrid bond						200.0	200.0
Hybrid bond repayments						-200.0	-200.0
Hybrid bond interests and expenses					-14.6	-0.2	-14.8
Share-based payments				0.6			0.6
Equity 31 Dec 2020	**75.4**	**168.1**	**-41.8**	**759.5**	**-262.6**	**198.0**	**896.6**

According to the final results of Finnair Plc’s rights offering, a total of 1,416,635,293 new shares were subscribed for in the offering, corresponding to approximately 110.7 per cent of the offer shares, and the offering was oversubscribed. A total of 1,253,946,070 offer shares were subscribed for pursuant to the exercise of subscription rights. The remaining 25,319,080 offer shares subscribed for without subscription rights were allocated in the secondary subscription in accordance with the terms and conditions of the offering. The subscription price was EUR 0.40 per offer share. Finnair received gross proceeds of EUR 511.7 million from the offering.

During the third quarter of 2020 Finnair succesfully refinanced its EUR 200 million hybrid bond and tendered the outstanding hybrid bond issued in 2015. The final results of the new hybrid bond issue and tender have been published in August 2020. Finnair redeemed the capital securities tendered EUR 157.8 million and paid accrued interest of EUR 11.1 million in September 2020. The remaining EUR 42.2 million of the outstanding hybrid bond and accrued interest was redeemed according to the terms and conditions of the hybrid bond in October 2020.

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**	**248.7**	**198.2**	**918.5**
Result for the period					74.5		74.5
Change in fair value of hedging instruments			60.7				60.7
Actuarial gains and losses from defined benefit plans			-40.2				-40.2
Comprehensive income for the period			**20.5**		**74.5**		**95.0**
Hybrid bond interests and expenses					-12.6		-12.6
Dividend					-35.0		-35.0
Acquisitions of own shares					-0.5		-0.5
Share-based payments				0.9			0.9
Equity 31 Dec 2019	**75.4**	**168.1**	**-6.7**	**256.1**	**275.2**	**198.2**	**966.4**

Consolidated cash flow statement

EUR in millions	Q4 2020	Q4 2019	2020	2019
Cash flow from operating activities				
Result before taxes	-11.7	30.4	-654.4	93.0
Depreciation and impairment	91.2	89.5	343.8	325.4
Items affecting comparability	-148.3	-3.6	-130.8	2.8
Financial income and expenses	-2.9	3.4	189.9	66.1
Share of results in associates and joint ventures		0.9		0.9
Comparable EBITDA	-71.7	120.7	-251.5	488.3
Change in provisions	-4.6	9.6	0.8	29.5
Employee benefits	0.8	0.8	12.0	10.6
Other adjustments	0.1	0.4	0.6	1.5
Non-cash transactions	**-3.8**	**10.8**	**13.4**	**41.5**
Changes in trade and other receivables	17.8	48.8	112.3	33.4
Changes in inventories	4.0	0.2	4.6	-2.2
Changes in trade and other payables	-53.1	-40.8	-672.0	46.9
Changes in working capital	**-31.3**	**8.1**	**-555.2**	**78.1**
Financial expenses paid, net	-71.9	-18.6	-243.4	-31.5
Income taxes paid		-0.9	-6.4	-11.9
Net cash flow from operating activities	**-178.6**	**120.1**	**-1,043.1**	**564.5**
Cash flow from investing activities				
Investments in fleet	-26.0	-126.7	-300.7	-453.1
Investments in other fixed assets	-4.9	-4.8	-24.7	-25.2
Divestments of fleet and other fixed assets	104.9	0.6	221.1	1.3
Lease and lease interest payments received	4.0	4.0	16.1	16.3
Change in other current financial assets (maturity over 3 months)	57.3	-59.7	439.9	-53.4
Change in other non-current assets	0.0	0.8	0.0	0.8
Net cash flow from investing activities	**135.3**	**-185.7**	**351.6**	**-513.2**
Cash flow from financing activities				
Proceeds from loans	297.8		872.8	
Loan repayments	-11.1	-12.0	-218.0	-42.0
Repayments of lease liabilities	-39.4	-34.0	-134.9	-132.2
Share issue			511.7	
Share issue costs	-0.4		-11.1	
Hybrid bond repayments	-42.2		-200.0	
Proceeds from hybrid bond			200.0	
Hybrid bond interests and expenses	-4.9	-15.8	-18.5	-15.8
Acquisitions of own shares				-0.5
Dividends paid				-35.0
Net cash flow from financing activities	**199.7**	**-61.7**	**1,001.9**	**-225.4**
Change in cash flows	**156.4**	**-127.3**	**310.5**	**-174.1**
Liquid funds, at beginning	635.9	609.0	481.7	655.8
Change in cash flows	156.4	-127.3	310.5	-174.1
Liquid funds, at end *	**792.2**	**481.7**	**792.2**	**481.7**
*** Liquid funds**				
Other financial assets	358.3	800.8	358.3	800.8
Cash and cash equivalents	465.3	151.9	465.3	151.9
Cash funds	**823.7**	**952.7**	**823.7**	**952.7**
Other current financial assets (maturity over 3 months)	-31.5	-470.9	-31.5	-470.9
Liquid funds	**792.2**	**481.7**	**792.2**	**481.7**

Notes to the financial statements release - Consolidated financial report 1 Jan - 31 Dec 2020

1. BASIS OF PREPARATION

This consolidated interim financial report has been prepared in accordance with the Interim Financial Reporting standard IAS 34 and its figures are unaudited. The consolidated interim financial report has been authorized for publication on 17th February, 2021.

Consolidated income statement includes, in addition to operating result, comparable operating result and comparable 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 2020. 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 income 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 change was initially applied in Finnair's half year report published on 24th July 2020. In addition, Finnair has renamed two line items presented on consolidated cash flow statement as at the year end 2020 in order to better describe the nature of the line items. The line item formerly described as 'Divestments of fixed assets' was renamed to 'Divestments of fleet and other fixed assets' and the line item 'Net change in financial assets maturing after more than three months' was renamed to 'Change in other current financial assets (maturity more than three months)'.

The content of the line items remain unchanged and has no impact on the comparability of the periods.

3. CRITICAL ACCOUNTING ESTIMATES AND SOURCES OF UNCERTAINTY

The preparation of the consolidated interim 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, derivates and hedge accounting as well as deferred tax assets. In addition, the assessement of going concern is based on management estimates about the future events and developments and other information available to the management at the time of the preparation of the financial statements. The Board of Directors assessment of going concern has been described in more detail in note 4.

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 BOARD'S ASSESSMENT OF FINNAIR AS A GOING CONCERN

The consolidated financial statements 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 the Group's ability to meet its obligations as they fall due at least 12 months after the financial statements are issued. The Board of Directors' assessment is based on the Group's latest three-year business plan approved by the Board of Directors. Due to the current uncertainty embedded in the economic environment and the difficulty in forecasting the ultimate duration and impact of the COVID-19 pandemic, the Board of Directors have reviewed three different scenarios prepared by the management that cover a period of 36 months from January 2021 to December 2023. The abovementioned scenarios have been sensitised to reflect differences on the expected beginning of the recovery. Under all the three scenarios, Finnair will be able to meet its obligations as they fall due at least 12 months after the date that the financial statements are issued.

The main differences between the scenarios relate to the timing of the demand recovery, unit revenue development and development of customer demand. In the optimistic scenario, the demand recovery is expected to materially start in June 2021 and in July 2021, Finnair expects to operate around 60% of its capacity (measured in available seat kilometres) as compared to 2019. In the base case scenario, which is considered as the most probable of the three, the recovery is expected to materially start in August 2021 and the capacity would be around 70% of the 2019 levels in September 2021. In the pessimistic scenario, the start of the recovery would be expected to materially take place in October 2021 and the capacity to remain below 80% of the 2019 levels in November 2021. Under each of the scenarios, the business is expected to return to the operational levels (measured in available seat kilometres) comparable to 2019 in year 2023. All of the management forecast scenarios are based on the development of passenger demand and capacity levels that depend on the implementation of the vaccination programs, lifting of travel restrictions and global acceptance of vaccine passports. It is assumed in all scenarios, that the unit revenue (RASK) will remain below the 2019 levels throughout the period of the business plan due to lower passenger volumes and lower share of corporate travel. In the base case scenario, the passenger load factors and thus also the unit revenue would recover slower in 2021 than in the optimistic scenario, but faster than in the pessimistic scenario. At the same time, the committed cost saving program included in the scenarios will decrease unit costs. Flight related variable expenses depend on the planned capacity, whereas aircraft maintenance investments are assumed to stay rather constant between all scenarios.

In 2020, Finnair took immediate and decisive action to mitigate the negative impacts relating to the COVID-19 pandemic by adjusting its operations and targeting both temporary and permanent cost reductions. The temporary measures include temporary layoffs of employees, limiting spending only to the mandatory and compliance driven items and the temporary grounding of a large part of its fleet in order to accommodate its cost base to lower level of operations until the demand for flying returns again. On 28 October 2020, Finnair announced that it is targeting 140 million euro in permanent cost base reductions (as compared to year 2019) by 2022. As part of the mentioned cost savings program, Finnair has finalized significant co-operation negotiations which resulted in a reduction of ca. 600 jobs.

In addition to the operational measures, Finnair responded quickly in order to secure adequate funding to support its liquidity. Finnair's refinancing plan included e.g. raising 500 million euro of new equity through a rights issue, drawdown of 600 million euro pension premium loan, refinancing of the company's outstanding 200 million euro hybrid note, three refinancing transactions related to A350 aircraft and rescheduling of future aircraft deliveries to later periods.

As a result of the aforementioned actions, Finnair's liquidity position remained strong and as at 31 December 2020, the Group held liquid funds of 792.2 million euro (481.7). The cash funds including other current financial assets (maturity over 3 months) totalled to 823.7 million euro (952.7). The Group management and the Board of Directors continue to pay close attention to the Group's cash position considering the challenging dynamics in its current operating environment that are negatively impacting the Group's cash flows. Based on Finnair's current estimate (base case scenario), the covenant terms related to Finnair's undrawn 175 million euro revolving credit facility are estimated to be possibly breached during the second quarter of 2021. The credit facility is not in use as at the date of preparation of the financial statements and Finnair's financing during the going concern assessment period is not dependent on the existence of the facility. Finnair plans to initiate negotiations with the syndicate banks with respect to covenant amendments. The maturities of the Group's interest-bearing liabilities are presented in the note 3.3 of the 2020 consolidated financial statements and information about the existing covenants, changes in hedging policies and management of liquidity risk is described in the consolidated financial statement notes 3.4, 3.5 and 3.8.

The main identified uncertainties relating to the management estimates relate to the eventual duration of the COVID-19 pandemic as well as the timing of the expected demand recovery which depends on the timing and effectiveness of the vaccination programs, availability of a vaccine passport solution, lifting of the travel restrictions and increased competition all of which cannot be known with certainty at the time of the publication of the financial statements. These events are not in the sphere of Finnair management's influence. The management has been required to apply material judgement relating to the duration of the COVID-19 pandemic and make estimates about the effectiveness and realization of the vaccination programs as well as the time and speed of the demand recovery for air passenger travel. This again is heavily impacted by the actions of the governments in many parts of the world and the time that it takes to get the pandemic under control.

Despite of the abovementioned uncertainties, Finnair's management has at its disposal other mitigating measures that are within the sphere of its influence and with which it believes it will be able to meet its obligations for at least 12 months after the date the financial statements are issued. These include, in addition to the abovementioned 140 million euro savings plan, Finnair management's plan to continue to actively seek additional financing and cost adjustment opportunities, postponement of capital and maintenance investments as well as continuance of structural changes and temporary cost savings, including e.g. temporary layoffs.

In addition, to ensure adequate funding and sufficient liquidity, and to strengthen its financial position, Finnair has announced on 16 December 2020 that the State of Finland is preparing to make a hybrid loan of up to 400 million euros available to Finnair. The hybrid loan is expected to be finalized during the first quarter of 2021. The final decision on the possible financing arrangement is still subject to a decision by the Government Plenary session. The hybrid loan also requires an approval by the EU Commission. In addition, Finnair is planning to refinance its existing 200 million euro senior unsecured bond which matures in March 2022.

Considering the above-mentioned circumstances and uncertainties, as well as the already realized and planned measures to mitigate the impacts of the COVID-19 pandemic, the Board of Directors has concluded that the assessment does not cast significant doubt on the Group's ability to continue as a going concern and that consequently, the Group continues to adopt the going concern basis of accounting in preparing these consolidated financial statements. The Board of Director's conclusion is based on the information available as at the date of the issuance of the consolidated financial statements 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 maintain sufficient financing for period of at least 12 months after the date that the financial statements are issued. The management and the Board of Directors have also considered events and developments taking place after the balance sheet date and concluded that there is no material impact on the scenarios approved by the Board of Directors and the going concern assessment of the Group.

Despite the various mitigating measures implemented by Finnair, the upcoming months will continue to be significantly affected by decreased demand for air travel resulting in lower revenues and weaker financial performance 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 Board of Director'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

Q4 2020, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	6.2	0.1	23.6	12.2	-5.7	**36.4**	35.7
Ancillary and retail revenue	2.0	-0.4	0.3	0.5	2.9	**5.2**	5.1
Cargo	47.6	3.6	7.7	0.0	0.9	**59.9**	58.7
Travel services	0.0	0.0	0.0	0.5	0.0	**0.5**	0.5
Total	**55.9**	**3.3**	**31.6**	**13.2**	**-2.0**	**102.0**	
Share %	54.8	3.2	31.0	12.9	-1.9		

Q4 2019, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	255.4	42.3	249.1	52.8	16.2	**615.9**	79.5
Ancillary and retail revenue	13.9	2.7	12.0	1.2	14.8	**44.6**	5.7
Cargo	43.0	4.0	8.9	0.3	1.1	**57.2**	7.4
Travel services	8.3	2.6	49.0	-0.7	-2.0	**57.3**	7.4
Total	**320.6**	**51.6**	**319.0**	**53.6**	**30.1**	**774.9**	
Share %	41.4	6.7	41.2	6.9	3.9		

2020, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	186.0	26.4	244.6	69.1	1.9	**528.1**	63.7
Ancillary and retail revenue	18.5	1.4	9.4	2.4	30.6	**62.3**	7.5
Cargo	145.8	11.1	22.0	0.3	-1.5	**177.7**	21.4
Travel services	19.0	8.1	33.8	0.5	-0.2	**61.1**	7.4
Total	**369.3**	**47.0**	**309.8**	**72.4**	**30.8**	**829.2**	
Share %	44.5	5.7	37.4	8.7	3.7		

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	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue	**102.0**	**97.4**	**68.6**	**561.2**	**774.9**	**865.4**	**789.1**	**668.2**
Passenger revenue	36.4	54.7	13.7	423.3	615.9	709.9	641.5	512.5
Ancillary and retail revenue	5.2	8.8	5.5	42.8	44.6	45.7	45.3	40.7
Cargo	59.9	31.7	49.5	36.7	57.2	52.8	54.7	47.4
Travel services	0.5	2.3	0.0	58.4	57.3	57.0	47.6	67.7
Comparable EBITDA	**-71.7**	**-81.9**	**-89.2**	**-8.6**	**120.7**	**181.9**	**125.9**	**59.7**
Comparable operating result	**-162.9**	**-167.0**	**-174.3**	**-91.1**	**31.2**	**100.7**	**47.2**	**-16.2**
Operating result	**-14.6**	**-183.1**	**-171.2**	**-95.6**	**34.7**	**94.9**	**47.9**	**-17.6**

6. STAFF AND OTHER CREW RELATED COSTS

EUR in millions	Q4 2020	Q4 2019	Change %	2020	2019	Change %
Wages and salaries	-39.7	-92.1	-56.9	-222.4	-371.4	-40.1
Defined contribution schemes	-4.4	-15.4	-71.4	-33.9	-63.4	-46.4
Defined benefit schemes	-1.1	-1.8	-38.1	-12.5	-11.2	11.4
Pension expenses total	-5.5	-17.2	-67.9	-46.5	-74.6	-37.7
Other social expenses	7.2	-8.7	-181.8	15.1	-16.7	-190.7
Salaries, pension and social costs	**-38.1**	**-118.0**	**-67.7**	**-253.8**	**-462.7**	**-45.2**
Operative staff related costs	-1.6	-10.6	-85.0	-15.8	-42.8	-63.1
Leased and outsourced crew	-1.0	-4.0	-76.4	-6.6	-16.2	-59.0
Other personnel related costs	-1.5	-3.7	-60.2	-7.3	-13.0	-43.3
Total	**-42.1**	**-136.3**	**-69.1**	**-283.5**	**-534.7**	**-47.0**
Staff costs included in items affecting comparability	139.0	-0.6	<-200	119.7	-1.9	<-200
Total staff and other crew related costs in income statement	**96.9**	**-136.9**	**-170.8**	**-163.9**	**-536.6**	**-69.5**

7. DEPRECIATION AND IMPAIRMENT

in mill. EUR	Q4 2020	Q4 2019	Change %	2020	2019	Change %
Depreciation of owned fleet	-47.2	-47.9	-1.6	-184.1	-171.2	7.5
Depreciation of other fixed assets	-5.5	-9.1	-39.5	-23.8	-24.7	-3.6
Depreciation of right-of-use fleet	-27.7	-26.8	3.5	-107.2	-106.1	1.0
Depreciation of right-of-use other assets	-4.9	-5.7	-14.0	-20.5	-23.3	-12.0
Depreciation	**-85.3**	**-89.5**	**-4.7**	**-335.6**	**-325.4**	**3.1**
Impairment of aircraft	-5.9		-	-8.2		-
Total	**-91.2**	**-89.5**	**1.8**	**-343.8**	**-325.4**	**5.6**
Impairment of goodwill included in items affecting comparability		-0.8	-100.0		-0.8	-100.0
Total depreciation and impairment in income statement	**-91.2**	**-90.3**	**0.9**	**-343.8**	**-326.2**	**5.4**

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 excluded from comparable operating result. These exchange rate effects are included in the comparable operating result only when the maintenance event or redelivery occurs and the exchange rate differences realise over a long period of time. Finnair provides for fulfilling maintenance obligations related to leased aircraft according to the principles described in the note 1.3.6 Provisions in the 2020 Consolidated Financial Statements.

Further, unrealised fair value changes of derivatives where hedge accounting is not applied, are not included in the comparable operating result, as the business transactions which they are hedging are recognised to the comparable operating result only when they occur. The treatment of realised gains and losses on these derivatives is described in the note 3.8 Derivatives in the 2020 Consolidated Financial Statements.

In addition to above, gains and losses on aircraft and other transactions, certain changes in defined benefit pension plans 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 to the sale of the asset. Changes in defined benefit pension plans include amendments made to Finnair's pension fund terms relating to pension index increment removals and pilots' early retirement announcements. Restructuring costs include termination and other costs that are directly related to the restructuring of operations.

EUR in millions	Q4 2020 Operating result	Q4 2020 Items affecting compa-rability	Q4 2020 Compa-rable operating result	Q4 2019 Operating result	Q4 2019 Items affecting compa-rability	Q4 2019 Compa-rable operating result	Change %
Revenue	**102.0**		**102.0**	**774.9**		**774.9**	**-86.8**
Sales gains on aircraft and other transactions	0.8	-0.8		0.1	-0.1		> 200
Other operating income	12.3		12.3	15.4		15.4	-20.4
Operating expenses							
Staff and other crew related costs	96.9	-139.0	-42.1	-136.9	0.6	-136.3	-170.8
Fuel costs	-26.5	0.0	-26.5	-170.6	-0.8	-171.4	-84.5
Capacity rents	-17.9		-17.9	-32.1		-32.1	-44.1
Aircraft materials and overhaul	-21.6	-6.3	-27.9	-49.1	-4.3	-53.4	-56.0
Traffic charges	-18.7		-18.7	-78.7		-78.7	-76.2
Sales, marketing and distribution costs	-5.1		-5.1	-44.5		-44.5	-88.6
Passenger and handling services	-23.8		-23.8	-118.3		-118.3	-79.9
Sales losses on aircraft and other transactions				-0.1	0.1		-100.0
Property, IT and other expenses	-21.9	-2.2	-24.0	-35.2	0.3	-35.0	-38.0
EBITDA	**76.5**	**-148.3**	**-71.7**	**125.0**	**-4.3**	**120.7**	**-38.8**
Depreciation and impairment	-91.2		-91.2	-90.3	0.8	-89.5	0.9
Operating result	**-14.6**	**-148.3**	**-162.9**	**34.7**	**-3.6**	**31.2**	**-142.1**

EUR in millions	2020 Operating result	2020 Items affecting compa-rability	2020 Compa-rable operating result	2019 Operating result	2019 Items affecting compa-rability	2019 Compa-rable operating result	Change %
Revenue	**829.2**		**829.2**	**3,097.7**		**3,097.7**	**-73.2**
Sales gains on aircraft and other transactions	0.9	-0.9		0.2	-0.2		> 200
Other operating income	48.4		48.4	56.4		56.4	-14.3
Operating expenses							
Staff and other crew related costs	-163.9	-119.7	-283.5	-536.6	1.9	-534.7	-69.5
Fuel costs	-232.8	0.2	-232.7	-686.0	-1.3	-687.3	-66.1
Capacity rents	-89.3		-89.3	-130.2		-130.2	-31.4
Aircraft materials and overhaul	-92.5	-12.2	-104.7	-202.5	1.4	-201.2	-54.3
Traffic charges	-112.4		-112.4	-331.3		-331.3	-66.1
Sales, marketing and distribution costs	-28.2		-28.2	-172.1		-172.1	-83.6
Passenger and handling services	-168.6		-168.6	-476.7		-476.7	-64.6
Sales losses on aircraft and other transactions	-0.1	0.1					-
Property, IT and other expenses	-111.5	1.8	-109.7	-132.7	0.3	-132.4	-16.0
EBITDA	**-120.7**	**-130.8**	**-251.5**	**486.2**	**2.1**	**488.3**	**-124.8**
Depreciation and impairment	-343.8		-343.8	-326.2	0.8	-325.4	5.4
Operating result	**-464.5**	**-130.8**	**-595.3**	**160.0**	**2.8**	**162.8**	**<-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.

The exercise price in the rights offering in 2020 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	Q4 2020	Q4 2019	2020	2019
Result for the period	-9.1	24.5	-523.2	74.5
Hybrid bond interests and expenses	-7.2	-3.9	-21.8	-15.8
Tax effect	1.4	0.8	4.4	3.2
Adjusted result for the period	**-14.8**	**21.3**	**-540.7**	**61.9**
Weighted average number of outstanding shares, mill. pcs	1,407.2	692.8	1,052.0	692.6
Earnings per share (EPS), basic, EUR	-0.01	0.03	-0.51	0.09
Earnings per share (EPS), diluted, EUR	-0.01	0.03	-0.51	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 treasury policy review in 2021 regarding hedging levels was executed. Lower levels of hedging limits for jet fuel and foreign exchance were lowered to zero. This change was done to avoid a situation were Finnair would be forced to hedge even that the COVID-19 related uncertainty would still be significant. Additionally, balance sheet hedging limit was lowered to 0%, with target level remaining at 50%. Due to the COVID-19 Finnair has unwound a significant amount of fuel and foreign exhange hedges, which has been recognized in the P&L statement instead of OCI. The objectives and principles of risk management are consistent with the information presented in the Group's 2020 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	2020		2019	
	Nominal value	Fair net value	Nominal value	Fair net value
Currency derivatives				
Operational cash flow hedging (forward contracts)	268.4	-8.8	924.4	17.6
Operational cash flow hedging (options)				
Bought options	80.5	0.0	201.5	3.3
Sold options	74.3	-1.9	201.8	-1.0
Fair value hedging of aircraft acquisitions	180.4	-13.8	336.5	18.6
Currency hedging of lease payments			22.3	1.7
Hedge accounting items total	603.7	-24.5	1,686.5	40.2
Operational cash flow hedging (forward contracts)	173.9	1.0		
Operational cash flow hedging (options)				
Bought options	20.3	0.1		
Sold options	20.3	0.0		
Balance sheet hedging (forward contracts)	267.1	-0.4	775.1	-9.3
Items outside hedge accounting total	481.6	0.7	775.1	-9.3
Currency derivatives total	**1,085.3**	**-23.8**	**2,461.6**	**30.9**
Commodity derivatives				
Jet fuel forward contracts, tonnes	240,000	-14.2	898,000	-15.3
Options				
Bought options, jet fuel, tonnes			57,000	0.7
Sold options, jet fuel, tonnes			57,000	-0.5
Hedge accounting items total	240,000	-14.2	1,012,000	-15.1
Jet fuel forward contracts, tonnes	336,000	-30.5		
Options				
Sold options, jet fuel, tonnes			42,000	-0.1
Items outside hedge accounting total	336,000	-30.5	42,000	-0.1
Commodity derivatives total	**576,000**	**-44.6**	**1,054,000**	**-15.2**
Currency and interest rate swaps and options				
Cross currency interest rate swaps	286.0	-18.8	217.9	1.1
Items outside hedge accounting total	286.0	-18.8	217.9	1.1
Interest rate derivatives total	**286.0**	**-18.8**	**217.9**	**1.1**
Derivatives total		**-87.2**		**16.8**

COVID-19 virus had a significant impact on oil price during the year 2020. The decrease in oil price is also visible in the valuations of jet fuel derivatives in comparison to 2019 year end. Uncertainty caused by the COVID-19 virus also decreased the nominal amount of derivates in jet fuel and foreign exchange in comparison to year 2019.

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	2020	Level 1	Level 2
Financial assets at fair value through profit and loss			
Securities held for trading	358.3	358.3	
Derivatives held for trading			
Currency derivatives	8.6		8.6
- of which in cash flow hedge accounting	4.3		4.3
Commodity derivatives	3.8		3.8
- of which in cash flow hedge accounting	3.2		3.2
Total	**370.8**	**358.3**	**12.4**

Financial liabilities recognised at fair value through profit and loss			
Derivatives held for trading			
Currency and interest rate swaps and options	18.8		18.8
Currency derivatives	32.5		32.5
- of which in fair value hedge accounting	13.8		13.8
- of which in cash flow hedge accounting	15.0		15.0
Commodity derivatives	48.4		48.4
- of which in cash flow hedge accounting	17.3		17.3
Total	**99.7**		**99.7**

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 2020.

13. INCOME TAXES

The effective tax rate for 2020 was -20.0% (19.8%). Finnair's taxable result was highly negative in year 2020 as a result of the impact of the COVID-19 pandemic on its operations and financial performance and the Group has recognized a deferred tax asset of 84.8 million euro. The estimated amount of confirmed tax losses after the 2020 taxable result totals to approximately 707 million euros. The tax losses to be confirmed for the year 2020 will expire in 10 years and Finnair expects that these can be used against its future taxable results. The assessment is based on Finnair's latest management forecasts that consider different plausible scenarios relating to the start of the recovery. Finnair would be able to use the tax losses well in advance of 10 years expiry date under all of the forecast scenarios. This is based on both the expected future profits and tax planning methods relating to accumulated tax depreciations. In 2019, Finnair recognized a deferred tax liability balance of 64.3 million euro.

14. DIVIDEND PER SHARE

The Board of Directors proposes to the Annual General Meeting that no dividend is paid for 2020.

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	2020	2019
Carrying amount at the beginning of period	1,711.7	1,493.5
Additions	348.3	420.2
Change in advances	-30.4	-2.8
Currency hedging of aircraft acquisitions	32.4	-1.1
Disposals and reclassifications	-220.3	-2.0
Depreciation	-216.1	-195.9
Carrying amount at the end of period	**1,625.5**	**1,711.7**

Additions include the delivery of two new A350 aircraft. Disposals and reclassifications include sale and leaseback arrangements of two A350 aircraft. An impairment of EUR 4.4 million was recognized in profit and loss.

16. CHANGE IN RIGHT-OF-USE ASSETS

EUR in millions	2020	2019
Carrying amount at the beginning of period	877.5	998.6
New contracts	173.3	29.2
Reassessments and modifications	-5.7	-5.6
Disposals		-15.1
Depreciation	-127.7	-129.5
Carrying amount at the end of period	**917.5**	**877.5**

New contracts include sale and leaseback arrangements of two A350 aircraft.

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 any 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. Starting in 2020, Finnair has adopted the value in use model as its primary method for impairment testing purposes due to deemed impact of the COVID-19 pandemic on the accuracy of the market prices resulting from the lower transaction volume and the impact of the distressed situations on realized prices.

Finnair considers the various adverse economic and business implications relating to the COVID-19 pandemic as indications of possible impairment, and therefore, impairment test has been carried out as at the balance sheet date. Such indicators include the unprecedented global market disruption, the negative impacts of the pandemic on the Group's own operating environment as well as the impact of the currently extremely low passenger demand on the Group's financial performance and low capacity utilization rates. 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 CGU for impairment testing purposes. As of 31.12.2020, the amount of goodwill in Finnair's balance sheet amounted to EUR 0.5 million (0.5) and the other intangible assets with indefinite useful life to EUR 1.7 million (0.7). Assets, that are held for sale are excluded from CGU and reviewed separately for impairment.

The cash generating unit has been tested for impairment using value in use model based on which the recoverable amount of the CGU exceeds its carrying value at the balance sheet date. The recoverable amount of the CGU as at 31.12.2020 was EUR 2,897.3 million and the carrying amount of the assets EUR 2,498.3 million.

The value in use measurement is based on a discounted cash flow model where the cash flow projections are based on the latest management forecast, covering a five year period. The cash flows beyond the five-year period are projected to increase in line with management's long-term growth assumptions. In order to consider the uncertainty related to the current COVID-19 pandemic and the future outlook, Finnair is utilizing the expected cash flow approach which is using multiple, probability-weighted cash flow projections based on the three different forecast scenarios prepared by the management. The main differences between the scenarios are related to the estimated beginning of the recovery.

Key assumptions used in impairment review	31 Dec 2020
Discount rate (post-tax, long-term weighted average cost of capital), %	8.2
Discount rate (pre-tax, long-term weighted average cost of capital), %	9.3
Long-term growth rate, %	2.4
Fuel cost range per ton (USD)	540-610

The preparation of the calculations used for impairment testing require significant management judgement and the use of management estimates. These estimates are based on budgets and forecasts, which already inherently contain some degree of uncertainty, and the level of uncertainty is further increased due to current COVID-19 environment. The main factors requiring significant management judgement are the ultimate duration of the pandemic and the speed of recovery, unit revenue development and cost of jet fuel. Additionally, the value in use calculation is sensitive to changes in the EBITDA margin, terminal growth rate and changes in discount rate.

The estimated business growth and EBITDA are based on management's best assessment of the speed of recovery from the current COVID-19 pandemic as well as the future market demand and environment, which are benchmarked against external information sources, such as long-term average growth estimates for industry. The 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 increased uncertainty related to the COVID-19 is considered through the multiple scenarios and the expected cash flow approach used in impairment testing rather than in discount rate. Fuel price is based on hedge-weighted fuel price based on forward curve, estimated fuel consumption based on planned flights and the historical data of fuel consumption for each aircraft type.

Due to increased uncertainties related to the use of key assumptions and management estimated, Finnair has prepared a sensitivity analysis to reflect how the result of impairment test would react to the changes in key assumptions and management estimates. The sensitivity analysis considers changes in one assumptions at the time, whereby the other assumptions are kept unchanged. The result of the sensitivity analysis reflect the sensitivity of the recoverable amount based on expected cash flow model. In case EBITDA margin-% decreased by 1.0 per cent points or long-term growth rate decreased by 1.0 per cent points, the surplus between the recoverable amount and the carrying value of the assets would be lost. The surplus would also be lost, if the discount rate increased by 0.9 per cent points or the fuel price increased by 15 per cent.

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.

Currently, the State of Finland and Finnair are preparing to make up to 400 million euros available to Finnair in the form of an unsecured hybrid loan. The final decision on the possible financing arrangement is subject to a decision by the Government Plenary session, which will also confirm the final terms and conditions of the loan. The hybrid loan requires approval by the EU Commission.

19. PENSION OBLIGATIONS

Pension assets were EUR 31.8 million at the end of 2020. Change compared to pension obligations of EUR 77.1 million at the end of 2019 is mainly due to the amendments to the terms of Finnair pension fund relating to pension index increment removals and pilots' early retirement announcements. This had an one-off positive effect of 132.8 M€ in items affecting comparability in income statement during Q4 2020.

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 and it was paid fully back during the third quarter of 2020. The facility has a maturity date in January 2023.

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, additional EUR 200 milllion in September 2020 and final tranche of EUR 200 million in December 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.

During the fourth quarter of 2020 Finnair has entered into a sale and leaseback agreement regarding one A350 aircraft, which increased lease liability with EUR 79.3 million. Finnair was also granted export credit support in excess of EUR 100 million, which was granted for A350 aircraft.

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

Interest-bearing liabilities

EUR in millions	2020	2019
Non-current interest-bearing liabilities		
Lease liabilities	880.6	913.6
JOLCO loans* and other	312.2	277.6
Bonds	199.8	199.6
Loans from financial institutions	599.0	
Total	**1,991.6**	**1,390.8**
Current interest-bearing liabilities		
Lease liabilities	135.6	140.4
JOLCO loans* and other	51.5	43.5
Total	**187.2**	**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 31 Dec 2020

EUR in millions	1-12 months	13-24 months	25-36 months	37-48 months	49-60 months	Later	Total
Lease liabilities, fixed interest	96.4	102.3	95.0	92.9	137.3	147.1	**671.1**
Lease liabilities, variable interest	39.2	41.5	43.8	46.0	35.3	139.3	**345.1**
Loans from financial institutions, variable interest		300.0	300.0				**600.0**
Bonds, fixed interest		200.0					**200.0**
JOLCO loans and other, fixed interest					28.9	14.5	**43.4**
JOLCO loans and other, variable interest	51.5	40.9	35.3	36.4	77.4	82.2	**323.7**
Interest-bearing financial liabilities total*	**187.2**	**684.7**	**474.1**	**175.2**	**278.9**	**383.1**	**2,183.3**
Payments from interest rate and currency derivatives	865.9	36.3					**902.2**
Income from interest rate and currency derivatives	-826.3	-33.2					**-859.5**
Commodity derivatives	44.4	0.2					**44.6**
Trade payables and other liabilities	84.6						**84.6**
Interest payments	65.3	63.5	50.1	32.3	41.8	61.2	**314.3**
Total	**421.0**	**751.6**	**524.2**	**207.5**	**320.8**	**444.3**	**2,669.4**

* The bonds maturing do not include the amortised cost of EUR 0.2 million paid in 2017 and due on 2022. Respectively, JOLCO loans do not include the amortised cost of EUR 3.3 million paid on 2016 and due on 2025. Loans from financial institutions do not include the amortised cost of EUR 1.0 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. PROVISIONS

EUR in millions	2020	2019
Aircraft maintenance provision		
Provision at the beginning of period	166.3	132.2
Provision for the period	25.4	61.6
Provision used	-18.3	-31.7
Provision reversed	-1.3	
Provision for right-of-use assets redelivery	2.1	0.1
Unwinding of discount	0.9	2.7
Exchange rate differences	-12.2	1.4
Aircraft maintenance provision total	**162.8**	**166.3**
Of which non-current	153.6	151.8
Of which current	9.2	14.5
Other provisions		
Provision at the beginning of period	3.1	1.0
Provision for the period	27.2	6.6
Provision used	-6.7	-5.7
Provision reversed	-10.6	
Reclassifications		1.1
Other provisions total	**13.0**	**3.1**
Of which non-current	2.2	0.4
Of which current	10.8	2.7
Total	**175.8**	**169.4**
Of which non-current	155.8	152.2
Of which current	20.0	17.2

Non-current aircraft maintenance provisions are expected to be used by 2032. Other provisions include mainly items related to restructuring actions due to COVID-19 impacts, which are expected to be used mainly by the end of 2021. Provision for the period and provision used relating to aircraft maintenance provision were significantly lower due to decreased flight operations during COVID-19 pandemic. Provision reversed in other provisions is mainly related to restructuring actions, which were originally estimated to be higher than realized as a result of co-operation negotiations.

In balance sheet, non-current provisions and other liabilities 161.1 (156.9) million euros includes, in addition to provisions, other non-current liabilities 5.2 (4.7) million euros, which mainly consists of received lease deposits.

22. DEFERRED INCOME AND ADVANCES RECEIVED

EUR in millions	2020	2019
Deferred revenue on ticket sales	55.7	451.2
Loyalty program Finnair Plus	51.9	43.3
Advances received for tour operations	3.4	45.4
Other items	22.5	12.7
Total	**133.6**	**552.7**

Deferred revenue on ticket sales and advances received for tour operations decreased significantly in 2020 due to the travel restrictions, reduced demand and flights cancellations following the pandemic. In total, Finnair refunded its customers 464 million euros relating to the flight cancellations. The debt balance related to the Finnair Plus loyalty program increased as the expiry of points was prolonged due to the exceptional circumstances for the benefit of customers, who have not been able to use earned points in a normal manner during COVID-19 pandemic. The balance of other items increased as a result of customers being offered gift vouchers in exchange of cancelled flights.

23. CONTINGENT LIABILITIES

EUR in millions	2020	2019
Guarantees on behalf of group undertakings	32.1	79.6
Total	**32.1**	**79.6**

Investment commitments for property, plant and equipment as at 31 December 2020 totaled EUR 429 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 31 December 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 19.1 million (31 December 2019: 20.1).

24. RELATED PARTY TRANSACTIONS

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

The State of Finland which has control over Finnair owns 55.9% (55.8%) of Finnair’s shares. During financial year 2020 the State of Finland participated in the rights issue in proportion to its holding by 286.1 million euro and guaranteed Finnair’s pension premium loan up to 540 million euro. The European Commission concluded that these transactions, in combination, constituted state aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union. The conditions relating to the state aid approval are described in the note 18. State aid relating to Finnair's refinancing. All the transactions with other government owned companies and other related parties are on arm's length basis, and are on similar terms than transactions carried out with independent parties.

EUR in millions	2020	2019
Sales of goods and services		
Associates and joint ventures	28.4	27.0
Pension fund	0.4	0.7
Employee benefits		
Pension fund	-121.5	10.3
Purchases of goods and services		
Associates and joint ventures	88.2	107.8
Pension fund	1.9	2.5
Financial income and expenses		
Associates and joint ventures	2.8	5.7
Pension fund	-0.6	-0.3
Receivables		
Non-current receivables from joint ventures	19.6	33.7
Non-current receivables from pension fund	31.0	
Current receivables from associates and joint ventures	15.9	23.4
Liabilities		
Non-current liabilities to joint ventures	3.6	3.6
Non-current liabilities to pension fund		77.0
Current liabilities to associates and joint ventures	2.1	1.0

During financial year 2020 the remuneration of President and CEO Topi Manner and the other members of the Executive Board was EUR 3.9 million (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, the CEO and Executive Board voluntarily cut their base salaries for a temporary period during 2020.

In 2020 the remuneration of the Board of Directors was EUR 406 thousand (422) on an accrual basis. During 2020 the Board of Directors voluntarily cut their annual remunerations for a temporary period.

25. EVENTS AFTER THE REVIEW PERIOD

On 26 January 2021, Finnair has announced that the Board of Directors of Finnair approved a new individual performance share plan covering the years 2021-2023. Within the plan, the participants have the opportunity to earn Finnair shares as a long-term incentive reward if the performance targets set by the Board of Directors are achieved. The potential share rewards will be delivered to the participants in the spring of 2024. The plan applies to some 70 persons, and it is also described in a stock exchange release, in the Remuneration Statement 2020 and on the company's website.

On 17 February 2021, Finnair announced that it has completed a lease financing arrangement for its next A350 aircraft delivery where it will assign the purchase of the Airbus A350 aircraft to a third party, and then leases it back for its own operation. The aircraft is expected to be delivered to Finnair in the second quarter of 2022. The operating lease period is a minimum of 12 years, including a storage period expected to commence in the fourth quarter of 2021, concurrent with the aircraft's sale. The total positive cash effect of the arrangement for Finnair in 2021-2022 is in excess of 100 million US dollars compared to a situation in which the aircraft had been purchased and owned by Finnair.