FINNAIR GROUP INTERIM REPORT

1 JANUARY – 31 MARCH 2021

27 April 2021

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Finnair continued cost adjustment and financing measures while travel demand remained weak, but cargo continued to perform. Gradual recovery of demand is estimated to start from late summer.

January – March 2021

- Earnings per share were -0.11 euros (-0.21)*.
- Revenue decreased by 79.8% to 113.6 million euros (561.2).
- Comparable operating result was -143.2 million euros (-91.1). Operating result was -149.1 million euros (-95.6).
- Cash funds were 665.3 million euros (31 Dec 2020: 823.7) and equity ratio was 22.7 per cent (31 Dec 2020: 24.6).
- Net cash flow from operating activities was -117.7 million euros (-133.5), and net cash flow from investing activities was 5.2 million euros (-67.3).**
- Number of passengers decreased by 90.2% to 0.3 million (2.7).
- ASK declined by 87.6%.
- PLF was 25.5% (72.6).

** Unless otherwise stated, comparisons and figures in parentheses refer to the comparison period, i.e. the same period last year.*
*** In Q1, net cash flow from investing activities includes 9.3 million euros of redemptions in money market funds or other financial assets (maturity over three months). They are part of the Group's liquidity management.*

Outlook

GUIDANCE ISSUED 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.

NEW GUIDANCE ISSUED ON 27 APRIL 2021:

Due to the continued strict travel restrictions, the comparable operating loss in Q2 2021 will be of a similar magnitude as in four previous quarters.

In Q2 2021, Finnair continues to operate a limited network. While gradual recovery of demand is expected in Q3 2021, the visibility is weak and there are several scenarios of the timing of the recovery and, thus, the company will not provide guidance on full year revenue.

Finnair will update its outlook and guidance in connection with the Q2 2021 interim report.

CEO Topi Manner:

As expected, the pandemic continued to impact Finnair as strict travel restrictions heavily limited travelling in many countries during the first quarter. We operated a limited network and frequencies throughout the quarter, as we had indicated. This was reflected in our passenger numbers, revenue and result. However, there were a few bright spots - Finnish Lapland attracted domestic travellers, and we were also able to re-open passenger flights to New York, supported by cargo, after a break of almost one year.

Demand for cargo remained strong, and cargo revenue in March was record high. Cargo demand was supported by supply chain challenges caused by the pandemic, which was exacerbated by the Suez Canal blockage. We operated 547 cargo-only flights in the first quarter, and cargo also supported the continuation of some long-haul passenger flights. Cargo continued to account for over 50 per cent of our revenue.

During the quarter, actions to secure our liquidity continued. The European Commission approved a 350-million-euro tranche of our 400-million-euro hybrid loan from the State of Finland, which means that that part of the credit facility is available to us if the related terms and conditions would be met. We will seek the Commission's approval for the remaining 50 million euros at a later stage. Further, we renegotiated the terms and conditions of our 175-million-euro revolving credit facility, which also remains undrawn. These measures help to pave our way out of the pandemic.

Our cost savings programme targeting permanent savings of 140 million euros by 2022 progressed well during the quarter and we raised the target to 170 million euros. We will continue to seek new savings items from all cost categories. Cost efficiency will be crucial in the highly competitive post-pandemic market. Thanks to our significant permanent cost savings, Finnair will be well positioned in this kind of operational environment.

Customer satisfaction remained at an excellent level and our Net Promoter Score was 54 during the period. Our customers particularly appreciated our focus on a clean, hygienic travel experience we can offer during the pandemic, but also our outstanding customer service. I would like to express my gratitude to the entire Finnair team for this work and thank our customers for the trust they have shown in Finnair during the pandemic.

Even amidst the pandemic, we have progressed with our sustainability efforts. Our biofuel partner Neste will supply biofuel to Helsinki Airport to reduce their business travel related emissions, and our cooperation with the Finnish air navigation services helps to improve fuel efficiency in the Finnish airspace. We also signed a Letter of Interest regarding the Heart Aerospace ES-19 electric aircraft, which are under development.

We are currently expecting that demand will gradually recover starting from late summer driven by improved vaccination coverage and expected easing of travel restrictions. The EU Digital Green Certificate, which is planned to be launched by the end of June, will play an important role in the return of free movement within the EU while protecting healthy and safe travel environment. It is also included in the COVID-19 exit plan of the State of Finland. The first eligibility trainings of our furloughed pilots and cabin crew have commenced quite recently. Finnair expects to operate to over 60 destinations during the summer, and we will be modifying our traffic programme based on demand during the summer.

Business environment in Q1

Similar to Q2, Q3 and Q4 2020, the COVID-19 pandemic heavily impacted the global aviation sector, as well as Finnair's operations, in Q1 2021. 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. The same applied also to Finnair, as it operated a limited network of only c. 12 per cent of its capacity (ASK) compared to Q1 2020. Even though Finnair plans to gradually increase the number of flights, it will continue to operate a limited network in Q2 2021. As the pandemic is still present globally, and COVID-19 vaccination coverage remains relatively limited, Finnair estimates that it will only be able to increase its traffic to a greater extent starting from late summer 2021. Further, the company currently expects a return to its 2019 traffic levels, as measured in ASKs, 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 86.6 per cent (-8.3). 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 79.5 per cent (-16.7) year-on-year even though the COVID-19 impact was visible already in Q1 2020 especially in the Asian market. Due to travel restrictions caused by COVID-19, demand between Europe and Finnair's Asian destinations also strongly declined during the period. Despite this, Finnair is continuing the preparations to launch a Joint Business regarding travelling between Europe and China with Juneyao Airlines in H1 2021.

Aurinkomatkat's foreign package holidays offering has been suspended during Q1 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. The domestic offering was expanded during the quarter by opening new destinations also for the summer of 2021, and the current plan is that the domestic destinations would remain as a part of Aurinkomatkat's year-round package holiday offering. Due to the pandemic, the demand for package holidays has been significantly lower than in Q1 2020, and demand for traditional holiday destinations has focused mainly on the end of summer season 2021 as well as winter season 2021–2022. The relatively strong demand for the winter season 2021–2022 suggests that there is pent-up desire to travel. However, 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 Q1 as pandemic-related supply chain disruptions and resulting delivery delays continued to benefit air cargo. Also the blockage of the Suez Canal in March had a similar impact even though it will be visible in the Q2 figures. This resulted in an exceptionally strong demand for air cargo, as the scheduled passenger traffic capacity (limiting the volume available to carry belly cargo) was down due to COVID-19. This consistently strong cargo demand enabled some markets to remain open for cargo-only operations in Q1, but Finnair was also able to operate scheduled Asian flights carrying belly cargo along with a limited number of passengers. As a result, cargo revenue significantly increased year-on-year despite the pandemic. Also, the total cargo load factor increased materially compared to Q1 2020. Finnair estimates that a similar cargo demand trend will continue at least during Q2 2021.

The US dollar, which is the most significant expense currency for Finnair after the euro, depreciated by 8.6 per cent against the euro year-on-year. The US dollar-denominated market price of jet fuel was 3.5 per cent higher in the first quarter than in the comparison period, but this increase does not fully impact Finnair's Q1 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 Q1 fuel bill, however, decreased significantly due to the capacity decline.

Financial performance in Q1

REVENUE IN Q1

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

Revenue by product

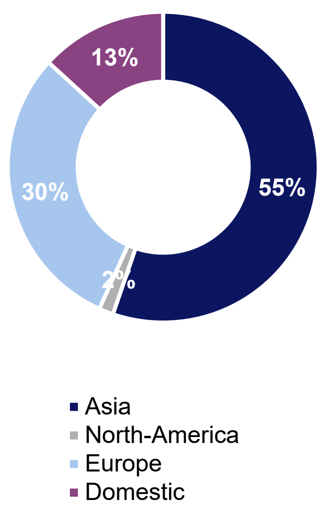
EUR million	Q1/2021	Q1/2020	Change %
Passenger revenue	43.2	423.3	-89.8
Ancillary revenue	8.6	42.8	-80.0
Cargo	60.9	36.7	66.2
Travel services	0.9	58.4	-98.5
Total	**113.6**	**561.2**	**-79.8**

Unit revenue (RASK) increased by 62.9 per cent and amounted to 9.45 cents (5.80). The unit revenue at constant currency increased by 63.6 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.

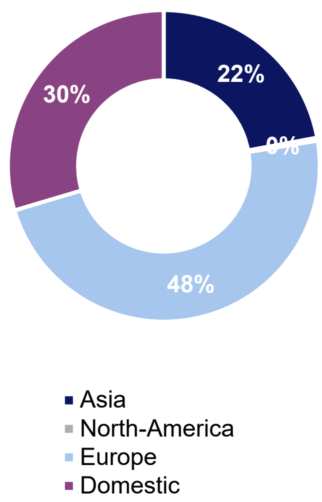
Passenger revenue and traffic data by area, Q1 2021

	Passenger revenue			ASK		RPK		PLF	
Traffic area	**MEUR**	**Share %**	**Change %**	**Mill. km**	**Change %**	**Mill. km**	**Change %**	**%**	**Change %-p**
Asia	6.7	15.5	-96.1	664.2	-85.8	67.9	-98.1	10.2	-66.1
North Atlantic	0.2	0.5	-99.2	17.3	-98.0	0.9	-99.9	5.3	-71.1
Europe	24.2	56.1	-86.0	361.1	-89.9	147.4	-94.0	40.8	-28.0
Domestic	12.6	29.2	-71.9	158.9	-72.6	90.3	-74.4	56.8	-4.0
Unallocated	-0.5	-1.3	-107.6						
Total	**43.2**	**100.0**	**-89.8**	**1,201.5**	**-87.6**	**306.5**	**-95.6**	**25.5**	**-47.1**

Q1 capacity (ASKs)



Q1 traffic (RPKs)



The COVID-19 pandemic and related travel restrictions had a significant negative impact on all Q1 passenger traffic figures. Passenger revenue decreased by 89.8 per cent and traffic capacity, measured in Available Seat Kilometres (ASK), declined by 87.6 per cent overall against the comparison period. The number of passengers decreased by 90.2 per cent to 259,200 passengers. Traffic measured in Revenue Passenger Kilometres (RPK) decreased by 95.6 per cent and the passenger load factor (PLF) by 47.1 percentage points to 25.5 per cent.

In Asian traffic, the number of scheduled passenger flights was limited. As a result, ASKs were down by 85.8 per cent and RPKs by 98.1 per cent. PLF declined by 66.1 percentage points to 10.2 per cent causing low yields but was supported by the strong cargo operations and a very high cargo load factor.

As first North Atlantic passenger flights since June 2020 were operated only in March and solely to New York, capacity in North Atlantic traffic decreased by 98.0 per cent year-on-year. RPKs decreased by 99.9 per cent and the PLF by 71.1 percentage points to 5.3 per cent.

Due to the COVID-19 pandemic, ASKs fell by 89.9, RPKs by 94.0 per cent and the PLF by 28.0 percentage points to 40.8 per cent in European traffic.

Domestic traffic capacity decreased by 72.6 per cent, RPKs by 74.4 per cent and the PLF by 4.0 percentage points to 56.8 per cent.

Ancillary revenue decreased by 80.0 per cent due to the COVID-19 impact. Frequent flyer program related revenue and excess baggage were the largest ancillary categories.

The impact of the COVID-19 pandemic was also visible in Finnair’s Q1 cargo volumes due to the limited number of scheduled passenger flights. Available scheduled cargo tonne kilometres decreased by 81.9 per cent, whereas revenue scheduled cargo tonne kilometres decreased by 71.4 per cent. However, cargo-related available tonne kilometres decreased by 51.4 per cent and revenue tonne kilometres decreased only by 24.8 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 continue operating scheduled Asian passenger flights carrying belly cargo despite their low PLF as these flights had excellent cargo load factors due to continued strong cargo demand. As a result, cargo revenue increased by as much as 66.2 per cent year-on-year with March being a record month measured in revenue.

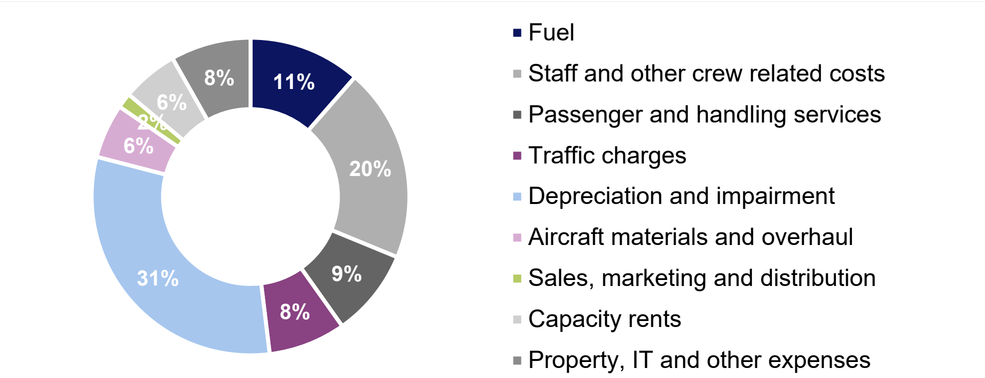
Package holidays' financial development has been significantly affected by the COVID-19 pandemic and the related travel restrictions and guidelines. During Q1, only domestic destinations were in production. The total number of Travel Services passengers declined by 96.7 per cent and the load factor in Aurinkomatkat's allotment-based capacity was 97.8 per cent. Travel Services revenue decreased by 98.5 per cent.

OPERATING EXPENSES INCLUDED IN COMPARABLE EBIT IN Q1

Finnair's operating expenses included in comparable operating result decreased by 60.1 per cent, which is less than the decline in revenue, due primarily to fixed cost items as e.g. depreciation and impairment at the same level than during the comparison period. Finnair continued its significant cost adjustment initiatives in Q1, 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 21.37 cents (6.75). CASK excluding fuel also increased by more than 200 per cent. The surges were caused by the limited capacity and certain fixed cost items.

Q1 operating expenses (€265.6 million in total) included in comparable operating result



EUR million	Q1/2021	Q1/2020	Change %
Staff and other crew related costs	52.6	136.1	-61.4
Fuel costs	30.4	143.9	-78.9
Capacity rents	15.2	29.9	-49.3
Aircraft materials and overhaul	14.7	40.2	-63.4
Traffic charges	20.9	64.5	-67.6
Sales, marketing and distribution costs	4.1	30.4	-86.6
Passenger and handling costs	23.8	104.7	-77.3
Property, IT and other expenses	21.7	34.1	-36.3
Depreciation and impairment	82.3	82.5	-0.2
Total	**265.6**	**666.3**	**-60.1**

Operating expenses included in comparable operating result excluding fuel decreased by 55.0 per cent.

Fuel costs, including hedging results and emissions trading costs, decreased almost in line with capacity (measures in ASK) although the cargo-only flights increased fuel consumption whereas they do not generate ASKs. Fuel efficiency (as measured in fuel consumption per ASK) weakened by 92.2 per cent due to the same reason. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, increased by 15.2 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 Q1.

Passenger and handling costs (including also tour operation expenses related to e.g. hotels) were driven down by the volume decline especially in passenger 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 and updated USD-based discount rates of maintenance reserves. On the other hand, certain cost items were fixed. Depreciation and impairment costs remained at the same level than in the comparison period. Traffic charges decreased almost in line with the traffic decline, even though the traffic mix was structurally different due to the 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 notable cost savings were achieved.

RESULT IN Q1

Finnair's Q1 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	Q1/2021	Q1/2020	Change %
Comparable EBITDA	**-60.9**	**-8.6**	**<-200**
Depreciation and impairment	-82.3	-82.5	0.2
Comparable operating result	**-143.2**	**-91.1**	**-57.2**
Items affecting comparability	-5.8	-4.5	-29.7
Operating result	**-149.1**	**-95.6**	**-55.9**
Financial income	5.0	9.2	-46.3
Financial expenses	-28.6	-88.9	67.8
Exchange gains and losses	-9.1	-3.0	<-200
Result before taxes	**-181.7**	**-178.2**	**-2.0**
Income taxes	36.3	35.6	2.0
Result for the period	**-145.4**	**-142.6**	**-2.0**

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 (-3.7) due to strengthening US dollar and fair value changes of derivatives where hedge accounting is not applied totalled 0.1 million euros (-0.2). Other items affecting comparability consisting of sales gains or losses and restructuring costs totalled 0.4 million euros (-0.6) during the quarter. Similar to the comparison period, there were no exceptional changes in defined benefit pension plans which would have been booked as items affecting comparability.

Net of financial income and expenses as well as exchange gains (mainly related to USD denominated aircraft lease payments and liabilities) declined significantly especially due to lower financial expenses which were in the comparison period related to jet fuel and foreign exchange hedging reclassified from other comprehensive income. Thus, Finnair's result before taxes and result after taxes remained on the same level as in the comparison period.

Financial position and capital expenditure

BALANCE SHEET

The Group's balance sheet totalled 3,473.2 million euros at the end of Q1 (31 Dec 2020: 3,646.5). Fleet book value decreased 58.9 million euros mainly due to depreciation; the right-of-use fleet decreased by 29.8 million euros similarly due to depreciation. Receivables related to revenue increased to 63.9 million euros (31 Dec 2020: 57.5). Net deferred tax assets have increased to 111.3 million euros (31 Dec 2020: 84.8) resulting from estimated tax losses caused by the COVID-19 impact on Finnair's result. The pension assets rose to 49.9 million euros (31 Dec 2020: 31.8) mainly due to a changed discount rate whereas pension obligations remained at the same level and were 1.8 million euros (31 Dec 2020: 1.5).

Deferred income and advances received decreased slightly to 129.7 million euros (31 Dec 2020: 133.6). The unflown ticket liability decreased to 51.8 million euros (31 Dec 2020: 55.7).

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 March was -2.7 million euros after deferred taxes (31 Dec 2020: -41.8) as the increase in the fair value of hedge instruments had an increasing effect on equity especially due to the increase in the jet fuel price and actuarial gains from defined benefit pension plans.

Shareholders' equity totalled 789.7 million euros (31 Dec 2020: 896.6), or 0.56 euros per share (31 Dec 2020: 0.64).

CASH FLOW AND FINANCIAL POSITION

Cash flow

EUR million	Q1/2021	Q1/2020
Net cash flow from operating activities	**-117.7**	**-133.5**
Net cash flow from investing activities	**5.2**	**-67.3**
Net cash flow from financing activities	**-46.1**	**135.5**

In Q1, the COVID-19 impact was clearly visible in net cash flow from operating activities, which was still significantly negative due to the decline in the financial result, interest costs, payments related to unwound fuel and foreign exchange hedges as well as working capital movements. Net cash flow from investments turned positive mainly due to changes in other current financial assets (maturity over three months) and significantly lower fleet investments. Net cash flow from financing turned negative as there were no proceeds from loans and leases and loan repayments were done on schedule.

Capital structure

%	31 Mar 2021	31 Dec 2020
Equity ratio	**22.7**	**24.6**
Gearing	**191.8**	**153.2**

The equity ratio on 31 March 2021 was almost the same as at the end of 2020 despite the lower result for the period as the positive change in the hedging reserve and other comprehensive income alleviated the impact. Gearing, on the contrary, rose as interest-bearing net debt increased.

Liquidity and net debt

EUR million	31 Mar 2021	31 Dec 2020
Cash funds	665.3	823.7
Adjusted interest-bearing liabilities	2,180.0	2,197.5
Interest-bearing net debt	**1,514.7**	**1,373.8**

The company's liquidity remained strong during the period under review even though Finnair Group's cash funds declined mainly due to the negative net cash flow from operating activities but also due to loan and lease liability repayments.

Finnair and the State of Finland signed an agreement on an unsecured hybrid loan of up to 400 million euros in Q1. Of this credit limit, approximately 350 million euros can be used by Finnair based on the state aid decision made by the EU Commission in March. Finnair can access the funds, if its cash or equity position would drop below the limits defined in the facility's terms and conditions. The remaining approximately 50-million-euro share will be brought to approval by the EU Commission at a later stage. In addition to the currently fully undrawn 175-million-euro revolving credit facility[1] maturing in January 2023 (which would be available once the EU Commission's approval for the remaining 50 million euros of the hybrid loan was received), Finnair still has a 200-million-euro short-term commercial paper programme, which was unused at the end of March. Further,

[1] The revolving credit facility's financial covenant based on adjusted gearing until 31 March 2021. The covenant level of adjusted gearing was waived during Q2 2020, was then reset to 225 per cent until 30 June 2021, it would have gone down to 200 per cent until 30 June 2022 and then to the original level of 175 per cent thereafter. It was, however, renegotiated after Q1 and it is now based on cash funds and equity levels. The covenant would be breached if Finnair's cash funds or equity fell below 400 million euros or if equity excluding any hybrid instruments fell below 150 million euros.

Finnair is planning to refinance its existing 200-million-euro senior unsecured bond which matures in March 2022.

Adjusted interest-bearing liabilities decreased slightly from 2020 year-end. The share of lease liabilities amounted to 1,021.7 million euros (31 Dec 2020: 1,016.2). Interest-bearing net debt increased from the end of 2020 due to the decline in cash funds and the strengthened US dollar.

CAPITAL EXPENDITURE

Gross capital expenditure, excluding advance payments, totalled 11.4 million euros in Q1 (187.4) and was primarily related to fleet investments.

Cash flow from investments (including fixed asset investments and divestments, sublease payments received and advance payments) totalled -4.1 million euros (-116.6).

Change in other current financial assets (maturity over three months) totalled 9.3 million (49.2) also forming a part of the net cash flow from investments, which amounted to 5.2 million euros (-67.3).

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 -141 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 46.2 per cent of the balance sheet value of the entire fleet of 2,124.0 million euros.[2]

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 first quarter, 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 first quarter, the average age of the fleet operated by Finnair was 10.8 years.

Fleet operated by Finnair* 31.3.2021	Seats	#	Change from 31.12.2020	Own**	Leased	Average age 31.3.2021	Ordered
Narrow-body fleet							
Airbus A319	144	6		5	1	19.4	
Airbus A320	174	10		8	2	18.6	
Airbus A321	209	19		4	15	9.8	
Wide-body fleet							
Airbus A330	289/263	8		4	4	11.4	
Airbus A350	297/336	16		9	7	3.7	3
Total		**59**	**0**	**30**	**29**	**10.8**	**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 first quarter, Finnair had sixteen A350 aircraft, which have been delivered between 2015–2020 and three A350 aircraft on order from Airbus. These aircraft are scheduled to be delivered to Finnair in Q2 2022, Q4 2024 and Q1 2025.

Finnair's investment commitments for property, plant and equipment, totalling 358.7 million euros, include the upcoming investments in the wide-body fleet.

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

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

FLEET OPERATED BY NORRA (PURCHASED TRAFFIC)

Nordic Regional Airlines (Norra) operates a fleet of 24 aircraft for Finnair on a contract flying basis. All of the aircraft operated by Norra are leased from Finnair Aircraft Finance Oy.

Fleet operated by Norra* 31.3.2021	Seats	#	Change from 31.12.2020	Own**	Leased	Average age 31.3.2021	Ordered
ATR	68-70	12		6	6	11.7	
Embraer E190	100	12		9	3	12.8	
Total		**24**	**0**	**15**	**9**	**12.2**	

* 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 due to the negative COVID-19 impact on demand for global air travel.

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. 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 Q1 was excellent (85.7%) despite it being winter season.

In October 2020, Finnair announced that it was targeting a 140-million-euro permanent cost base decline by 2022, compared to 2019 levels. Finnair seeks 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 in H2 2020 due to the COVID-19 impact, which resulted in a reduction of approximately 600 employees globally. Also, permanent and temporary layoffs were continued. The cost savings programme progressed well in Q1 and the company raised the target to 170 million euros after the period. During the process, Finnair has identified new potential savings items and, therefore, it will continue this work regarding all cost categories.

The company is preparing for a recovery in traffic and demand with different scenarios and it has already e.g. commenced trainings to reactivate furloughed pilots' and cabin crew's 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 54 (43) in Q1. The customers especially appreciated Finnair's service and extensive health and safety measures during the pandemic.

Due to COVID-19, Finnair continued its pandemic-related measures in Q1 by e.g. offering the complimentary Corona Cover extending customers' own travel insurance in 12 new European countries in addition to Finland. It covers international flights departing from these countries between February–August. The Corona Cover compensates to a great extent potential COVID-19 related costs accrued during a trip.

In Q1, Finnair renewed its pricing and introduced one-way ticket fares for all its flights within Europe. The renewal increases pricing transparency and brings customers more choice and flexibility.

Further, in Q1, Finnair piloted a free of charge internet connection on flights operated by its narrow-body fleet. The connection is activated after sponsor advertisements.

During Q1, the average monthly number of unique Finnair website visitors totalled only 0.9 million (2.3) due to the COVID-19 impact. Similarly, the number of active users of the Finnair mobile application decreased by 29 per cent to 240,000 from Q1 2020. Direct sales in Finnair's digital channels increased to 54.0 per cent (35.3) 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'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. Reaching these objectives requires a comprehensive range of different measures, many of which involve a wide-ranging cooperation between governmental bodies and other stakeholders within the industry. As a priority, Finnair strives to reduce the direct emissions of its operations, i.e. reducing actual emissions whenever reasonably possible. Global climate challenge requires long-term planning, and in the short-term, the company will have to invest in economic mechanisms relatively more before it can, in the longer term, take advantage of the improvements in emissions efficiency brought by new technologies.

In Q1, Finnair signed a letter of interest for introducing Heart Aerospace ES-19 electric aircraft as part of its fleet. This aircraft type is developed for use on short routes. Further, the company continued close cooperation with its biofuel supplier Neste as Neste will reduce its employees' business travel related emissions by supplying Finnair with sustainable aviation fuel. Finnair also commenced cooperation with air navigation services provider Fintraffic ANS to reduce emissions of flights operated in the Finnish airspace. These measures are a part of the toolbox with which Finnair aims to achieve its ambitious emissions targets.

Due to the COVID-19 impact, Finnair has placed particular emphasis 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, a 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.

Once Finnair returns to the path of growth, it wants to be an even more sustainable company. As a result, two sustainability performance indicators, fuel efficiency and work safety, were included in the short-term incentive programme, thus, making sustainability a common target.

CULTURE AND WAYS OF WORKING

The strategy will be implemented by engaging all Finnair personnel and, thus, the strategy will be closely linked to everyday work and targets. The strategy emphasises genuine collaboration, target-oriented leadership and utilising 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 and cross-organisational collaboration are necessary.

In 2020, 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 employed an average of 6,016 (6,804) people in Q1 2021, which is 11.6 per cent less than in the corresponding period. The number of employees decreased during Q1 by 102 or 1.7 per cent, totalling 5,962 at the end of March (6,790). In total, five new persons were hired at Finnair in Q1 2021. The attrition rate for the last 12 months was 8.6 per cent (3.9) 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 1.7 per cent (4.8).

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 long-lasting and 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).

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. Finnair commits to becoming carbon neutral by 2045, with an interim goal of reducing the CO2 net emissions by 50% by the end of 2025. This is a challenging target, but Finnair considers it important for the future of the company and a means to challenge the industry as a whole 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 sustainability strategy is embedded into the group strategy, brand, operations 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 interim report.

Changes in company management

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

Share price development and trading

Finnair's market capitalisation was 998.6 million euros at the end of December (31 Dec 2020: 1,066.1). The closing price of the share on 31 March 2021 was 0.71 euros (31 Dec 2020: 0.76 euros). During January–March, the highest price for the Finnair Plc share on the Nasdaq Helsinki was 0.79 euros, the lowest price 0.59 euros and the average price 0.68 euros. Some 384.5 million company shares, with a total value of 261.2 million euros, were traded on the Nasdaq Helsinki exchange.

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 (31 Dec 2020: 55.9) of Finnair's shares, while 6.4 per cent (31 Dec 2020: 7.4) were held by foreign investors or in the name of a nominee at the end of the period.

Own shares

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.

The Board of Directors of Finnair exercised the authorisation granted by the 2020 AGM to acquire own shares. Finnair completed the repurchase of own shares on 22 February 2021, which started on 19 February 2021. During that time, Finnair acquired a total of 1,800,000 own shares for an average price of 0.64 euros per share. The shares were acquired in public trading on Nasdaq Helsinki Ltd. at the market price prevailing at the time of purchase. The repurchased shares were acquired based on the authorisation given by the Annual General Meeting on 29 May 2020 and shall be used as a part of the Company's incentive programmes.

Following the repurchase, Finnair Plc held a total of 1,970,660 own shares, corresponding to 0.14 per cent of the total number of shares and votes.

In February, Finnair transferred, using the authorisation granted by the AGM 2020, a total of 496,564 own shares as incentives to the participants of the FlyShare employee share savings plan. It also transferred 36,903 own shares as a reward to the key personnel included in Finnair's share-based incentive scheme 2018–2020 in March.

On 31 March 2021, Finnair held a total of 1,437,193 own shares (31 Mar 2020: 209,600), representing 0.10 per cent (0.16) of the total number of shares and votes.

Effective authorisations granted by the Annual General Meeting 2021

Finnair's Annual General Meeting was held in Vantaa on 17 March 2021 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 issuance of shares (concerns both the issuance of new shares as well as the transfer of treasury shares). The authorisation shall not exceed 50,000,000 shares, which corresponds to approximately 3.6 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-2021.

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 2020 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 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 2020 and the negative impact is continuing 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, refinancing of the 200-million-euro hybrid bond, undrawn 175-million-euro revolving credit facility 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. Further, 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 (170-million-euro permanent cost base decline by 2022, compared to 2019 levels; this new target was published after the period), 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 cash funds in the summer of 2020. In Q1, Finnair and the State of Finland signed an agreement on an unsecured hybrid loan of up to 400 million euros in Q1. Of this credit limit, approximately 350 million euros can be used by Finnair based on the state aid decision made by the EU Commission in March. Finnair can access the funds, if its cash or equity position would drop below the limits defined in the facility's terms and conditions. The remaining approximately 50-million-euro share will be brought to approval by the EU Commission at a later stage. The company has executed these measures 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. Currently, Finnair has hedged its fuel purchases for the next 9 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 18 million
Average yield of passenger traffic	EUR 11 million
Unit cost (CASK excl. fuel)	EUR 15 million

Fuel sensitivities (rolling 12 months from date of financial statements)	**10% change without hedging**	**10% change, taking hedging into account**
Fuel	EUR 26 million	EUR 18 million

Fuel hedging ratios and average hedged price (rolling 12 months from date of financial statements)	Hedged fuel, tonnes*	Average hedge price, USD/ton* **
March 2021	12,000	490
Q2 2021	42,000	495
Q3 2021	89,000	512
Q4 2021	30,000	492
Q1 2022	-	-
Total	**173,000**	**503**

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

Currency distribution, %	Q1 2021	Q1 2020	2020	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	46	60	55	-	-	-
USD*	2	3	4	see below	see below	see below
JPY	14	7	7	EUR 12 m	EUR 8 m	33%
CNY	9	4	6	-	-	-
KRW	7	2	3	-	-	-
SEK	3	3	3	-	-	-
Other	21	20	21	-	-	-
Purchase currencies						
EUR	74	58	59	-	-	-
USD*	22	34	35	EUR 37 m	EUR 20 m	37%
Other	4	8	6	-	-	-

* 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. Finnair has mitigated the foreign exchange volatility introduced by this difference by using derivatives as well as natural hedges where possible. 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 March 2021, the hedging ratio of USD denominated aircraft lease payments and liabilities was approximately 60 per cent.

Events after the financial period

Finnair has renegotiated its covenant terms for the undrawn 175-million-euro revolving credit facility with an effective date of 13 April 2021. The adjusted gearing covenant is replaced with new covenants which are based on equity and cash funds levels. The covenant would be breached if Finnair's cash funds or equity fell below 400 million euros or if equity excluding any hybrid instruments fell below 150 million euros.

Finnair announced on 26 April 2021, that the Finnish Air Line Pilots' Association and Service Sector Employers Palta have signed an agreement on a new collective labour agreement for Finnair pilots. The new CLA is in force until 30 September 2024 and it encompasses several important structural changes that support Finnair's competitiveness in the highly competitive post-pandemic market.

In addition, Finnair announced on 26 April 2021 that it is planning to fly to over 60 destinations in summer 2021. Finnair is preparing to grow its flight schedule this summer with a focus on leisure destinations, as the vaccine roll-out is expected to enable the reopening of travel in many countries.

On 27 April 2021, Finnair announced that it is targeting 170-million-euro permanent, annual cost base reductions by 2022, compared to 2019 levels. The previous target was 140 million euros.

Financial reporting in 2021

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

- 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 27 April 2021 at 11:00 a.m. via a live webcast: https://finnairgroup.videosync.fi/2021-0427-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 66092688#. To join the live webcast, please register at: https://finnairgroup.videosync.fi/2021-q1.

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Key performance indicators

EUR in millions, unless otherwise indicated	Q1 2021	Q1 2020	Change %	2020
Revenue and profitability				
Revenue	113.6	561.2	-79.8	829.2
Comparable operating result	-143.2	-91.1	-57.2	-595.3
Comparable operating result at constant currency and fuel price	-140.2	-61.9	-126.5	-558.9
Comparable operating result, % of revenue	-126.1	-16.2	-109.9 %-p	-71.8
Operating result	-149.1	-95.6	-55.9	-464.5
Comparable EBITDA, % of revenue	-53.6	-1.5	-52.1 %-p	-30.3
Earnings per share (EPS), basic, EUR	-0.11	-0.21	49.4	-0.51
Earnings per share (EPS), diluted, EUR	-0.11	-0.21	49.4	-0.51
Unit revenue per available seat kilometre (RASK), cents/ASK	9.45	5.80	62.9	6.41
RASK at constant currency, cents/ASK	9.44	5.77	63.6	6.40
Unit revenue per revenue passenger kilometre (yield), cents/RPK	14.08	6.03	133.7	6.48
Unit cost per available seat kilometre (CASK), cents/ASK	21.37	6.75	> 200	11.01
CASK excluding fuel, cents/ASK	18.85	5.26	> 200	9.21
CASK at constant currency and fuel price, cents/ASK	21.11	6.41	> 200	10.72
Capital structure				
Equity ratio, %	22.7	19.6	3.2 %-p	24.6
Gearing, %	191.8	125.5	66.3 %-p	153.2
Interest-bearing net debt	1,514.7	923.0	64.1	1,373.8
Interest-bearing net debt / Comparable EBITDA, LTM	-5.0	2.2	-7.2 %-p	-5.5
Gross capital expenditure	11.4	187.4	-93.9	515.9
Return on capital employed (ROCE), LTM, %	-17.7	3.7	-21.3 %-p	-15.2
Traffic				
Passengers, 1,000	259	2,656	-90.2	3,486
Flights, number	6,187	28,047	-77.9	46,094
Available seat kilometres (ASK), million	1,202	9,671	-87.6	12,937
Revenue passenger kilometres (RPK), million	306	7,025	-95.6	8,150
Passenger load factor (PLF), %	25.5	72.6	-47.1 %-p	63.0
Operational excellence				
Jet fuel consumption, tonnes	54,001	226,192	-76.1	365,492
On-time performance, %	85.7	87.4	-1.6 %-p	90.2
Modern premium airline				
Net Promoter Score (NPS)	54	43	25.2	48
Share of digital direct ticket sales, %	54.0	35.3	18.7 %-p	40.7
Average number of monthly visitors at finnair.com, millions	0.9	2.3	-61.3	1.1
Active users for Finnair mobile app, thousands	240.0	338.0	-29.0	187.3
Ancillary and retail revenue	8.6	42.8	-80.0	62.3
Sustainability				
Flight CO_2 emissions, tonnes	170,102	712,506	-76.1	1,151,299
Flight CO_2 emissions, tonnes/ASK	0.1416	0.0737	92.2	0.0890
Flight CO_2 emissions, tonnes/RTK	1.0043	0.8715	15.2	0.9486
Culture and ways of working				
Average number of employees	6,016	6,804	-11.6	6,573
Absences due to illness, %	1.74	4.82	-3.08 %-p	3.81
Lost-time injury frequency (LTIF)	5.9	5.7	3.1	4.4
Attrition rate, LTM, %	8.6	3.9	4.6 %-p	7.4

PERFORMANCE INDICATORS CLASSIFIED AS ALTERNATIVE PERFORMANCE MEASURES

Finnair uses alternative performance measures (APM) referred to in the European Securities Markets Authority (ESMA) guidelines to describe its operational and financial performance in order to enhance comparability between financial periods 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 + Changes in defined benefit pension plans + 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.

RECONCILIATION OF PERFORMANCE INDICATORS CLASSIFIED AS ALTERNATIVE PERFORMANCE MEASURES

Items affecting comparability EUR in millions	Q1 2021	Q1 2020	Change %	2020
Operating result	**-149.1**	**-95.6**	**-55.9**	**-464.5**
Unrealized changes in foreign currencies of fleet overhaul provisions	6.3	3.7	69.8	-12.2
Fair value changes of derivatives where hedge accounting is not applied	-0.1	0.2	-150.8	0.2
Sales gains and losses on aircraft and other transactions	-0.6	0.1	<-200	-0.8
Changes in defined benefit pension plans			-	-132.8
Restructuring costs	0.2	0.5	-60.1	14.9
Comparable operating result	**-143.2**	**-91.1**	**-57.2**	**-595.3**
Depreciation and impairment	82.3	82.5	-0.2	343.8
Comparable EBITDA	**-60.9**	**-8.6**	**<-200**	**-251.5**

Comparable operating result, RASK and CASK at constant currency and fuel price EUR in millions, unless otherwise indicated	Q1 2021	Q1 2020	Change %	2020
Revenue	113.6	561.2	-79.8	829.2
Currency impact adjustment at 2018 currency	-0.2	-3.4	95.4	-0.8
Revenue at constant currency	113.4	557.8	-79.7	828.4
Other operating income	8.8	14.0	-37.1	48.4
Operating expenses included in comparable operating result	-265.6	-666.3	-60.1	-1,472.9
Currency and fuel price impact adjustment at 2018 currency and price	3.2	32.6	90.1	37.2
Costs at constant currency and fuel price	-253.6	-619.7	-59.1	-1,387.3
Comparable operating result at constant currency and fuel price	**-140.2**	**-61.9**	**-126.5**	**-558.9**
Available seat kilometres (ASK), million	1,202	9,671	-87.6	12,937
RASK at constant currency, cents/ASK	**9.44**	**5.77**	**63.6**	**6.40**
CASK at constant currency and fuel price, cents/ASK	**21.11**	**6.41**	**> 200**	**10.72**

Equity ratio EUR in millions, unless otherwise indicated	31 Mar 2021	31 Mar 2020	Change %	31 Dec 2020
Equity total	789.7	735.7	7.3	896.6
Equity and liabilities total	3,473.2	3,756.5	-7.5	3,646.5
Equity ratio, %	**22.7**	**19.6**	**3.2 %-p**	**24.6**

Gearing, interest-bearing net debt and interest-bearing net debt / Comparable EBITDA, LTM EUR in millions, unless otherwise indicated	31 Mar 2021	31 Mar 2020	Change %	31 Dec 2020
Lease liabilities	1,021.7	1,066.7	-4.2	1,016.2
Other interest-bearing liabilities	1,162.9	693.6	67.7	1,162.6
Cross currency interest rate swaps*	-4.6	-4.7	2.6	18.8
Adjusted interest-bearing liabilities	**2,180.0**	**1,755.5**	**24.2**	**2,197.5**
Other financial assets	-367.8	-713.7	-48.5	-358.3
Cash and cash equivalents	-297.5	-118.8	150.3	-465.3
Cash funds	**-665.3**	**-832.5**	**-20.1**	**-823.7**
Interest-bearing net debt	**1,514.7**	**923.0**	**64.1**	**1,373.8**
Equity total	789.7	735.7	7.3	896.6
Gearing, %	**191.8**	**125.5**	**66.3 %-p**	**153.2**
Comparable EBITDA, LTM	-303.8	420.0	-172.3	-251.5
Interest-bearing net debt / Comparable EBITDA, LTM	**-5.0**	**2.2**	**-7.2 %-p**	**-5.5**

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

Gross capital expenditure EUR in millions	Q1 2021	Q1 2020	Change %	2020
Additions in fixed assets	11.1	166.8	-93.4	348.3
New contracts in right-of-use assets	0.3	2.3	-87.5	173.3
Reassessments and modifications in right-of-use assets	0.1	18.3	-99.7	-5.7
Gross capital expenditure	**11.4**	**187.4**	**-93.9**	**515.9**

Return on capital employed (ROCE), LTM EUR in millions, unless otherwise indicated	31 Mar 2021	31 Mar 2020	Change %	31 Dec 2020
Result before taxes, LTM	-657.9	-36.8	<-200	-654.4
Financial expenses, LTM	194.9	151.2	28.9	255.2
Exchange rate gains and losses, LTM	-20.5	-20.0	-2.1	-26.6
Return, LTM	**-483.5**	**94.4**	**<-200**	**-425.8**
Equity total	789.7	735.7	7.3	896.6
Lease liabilities	1,021.7	1,066.7	-4.2	1,016.2
Other interest-bearing liabilities	1,162.9	693.6	67.7	1,162.6
Capital employed	**2,974.3**	**2,495.9**	**19.2**	**3,075.4**
Capital employed, average of reporting period and comparison period	**2,735.1**	**2,570.4***	**6.4**	**2,808.3***
Return on capital employed (ROCE), LTM, %	**-17.7**	**3.7**	**-21.3 %-p**	**-15.2**

* Capital employed accounted was EUR 2,644.9 million as at 31 Mar 2019 and EUR 2,541.1 million as at 31 Dec 2019.

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 potentionally 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

Culture and ways of working	
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

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CONSOLIDATED INCOME STATEMENT

EUR in millions	Note	Q1 2021	Q1 2020 *	2020 *
Revenue	**5**	**113.6**	**561.2**	**829.2**
Other operating income		9.4	14.0	49.3
Operating expenses				
Staff and other crew related costs	6	-52.8	-136.6	-163.9
Fuel costs		-30.3	-144.1	-232.8
Capacity rents		-15.2	-29.9	-89.3
Aircraft materials and overhaul		-21.0	-43.9	-92.5
Traffic charges		-20.9	-64.5	-112.4
Sales, marketing and distribution costs		-4.1	-30.4	-28.2
Passenger and handling services		-23.8	-104.7	-168.6
Depreciation and impairment	7	-82.3	-82.5	-343.8
Property, IT and other expenses		-21.7	-34.2	-111.6
Operating result		**-149.1**	**-95.6**	**-464.5**
Financial income		5.0	9.2	38.7
Financial expenses		-28.6	-88.9	-255.2
Exchange rate gains and losses		-9.1	-3.0	26.6
Result before taxes		**-181.7**	**-178.2**	**-654.4**
Income taxes	12	36.3	35.6	131.1
Result for the period		**-145.4**	**-142.6**	**-523.2**
Attributable to				
Owners of the parent company		-145.4	-142.6	-523.2
Earnings per share attributable to shareholders of the parent company, EUR				
Basic earnings per share		-0.11	-0.21	-0.51
Diluted earnings per share		-0.11	-0.21	-0.51

* The presentation of income statement has been clarified and the figures for the comparison period have been updated to correspond to the presentation adopted at the beginning of 2021. The changes are described more detailed in the notes 2. Accounting principles and 8. Items affecting comparability and changes in the presentation of income statement and cash flow statement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR in millions	Q1 2021	Q1 2020	2020
Result for the period	**-145.4**	**-142.6**	**-523.2**
Other comprehensive income items			
Items that may be reclassified to profit or loss in subsequent periods			
Change in fair value of hedging instruments	27.1	-152.3	-29.9
Translation differences			-0.7
Tax effect	-5.4	30.5	6.0
Items that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains and losses from defined benefit plans	21.7	41.7	-13.1
Tax effect	-4.3	-8.3	2.6
Other comprehensive income items total	**39.1**	**-88.5**	**-35.1**
Comprehensive income for the period	**-106.3**	**-231.1**	**-558.4**
Attributable to			
Owners of the parent company	-106.3	-231.1	-558.4

CONSOLIDATED BALANCE SHEET

EUR in millions	Note	31 Mar 2021	31 Mar 2020	31 Dec 2020
ASSETS				
Non-current assets				
Fleet	14, 16	1,381.3	1,605.7	1,440.3
Right-of-use fleet	15, 16	742.7	705.3	772.5
Fleet total		2,124.0	2,311.0	2,212.7
Other fixed assets	14, 16	181.4	182.5	185.3
Right-of-use other fixed assets	15, 16	141.6	160.6	145.0
Other fixed assets total		323.0	343.1	330.2
Pension assets	18	49.9		31.8
Other non-current assets		45.7	36.0	25.1
Deferred tax assets	12	111.3		84.8
Non-current assets total		**2,653.9**	**2,690.1**	**2,684.7**
Current assets				
Receivables related to revenue		63.9	73.2	57.5
Inventories and other current assets		66.3	84.6	68.1
Derivative financial instruments	9, 10	23.4	76.1	12.4
Other financial assets	10	367.8	713.7	358.3
Cash and cash equivalents		297.5	118.8	465.3
Current assets total		**818.9**	**1,066.4**	**961.8**
Assets held for sale		0.4		
Assets total		**3,473.2**	**3,756.5**	**3,646.5**
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital		75.4	75.4	75.4
Other equity		714.3	660.3	821.2
Equity total		**789.7**	**735.7**	**896.6**
Non-current liabilities				
Lease liabilities	19	879.9	925.1	880.6
Other interest-bearing liabilities	19	910.1	473.9	1,111.0
Pension obligations		1.8	39.3	1.5
Provisions and other liabilities	20	165.6	159.0	161.1
Deferred tax liabilities	12		6.5	
Non-current liabilities total		**1,957.3**	**1,603.8**	**2,154.2**
Current liabilities				
Lease liabilities	19	141.7	141.6	135.6
Other interest-bearing liabilities	19	252.8	219.6	51.5
Provisions	20	16.5	23.7	20.0
Trade payables		21.8	95.8	24.8
Derivative financial instruments	9, 10	33.2	250.9	99.7
Deferred income and advances received	21	129.7	437.0	133.6
Liabilities related to employee benefits		71.0	123.8	70.7
Other liabilities		59.4	124.7	59.8
Current liabilities total		**726.1**	**1,417.0**	**595.7**
Liabilities total		**2,683.5**	**3,020.8**	**2,749.9**
Equity and liabilities total		**3,473.2**	**3,756.5**	**3,646.5**

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 2021	**75.4**	**168.1**	**-41.8**	**759.5**	**-262.6**	**198.0**	**896.6**
Result for the period					-145.4		-145.4
Change in fair value of hedging instruments			21.7				21.7
Actuarial gains and losses from defined benefit plans			17.4				17.4
Comprehensive income for the period			**39.1**		**-145.4**		**-106.3**
Acquisitions of own shares					-1.1		-1.1
Share-based payments				0.5			0.5
Equity 31 Mar 2021	**75.4**	**168.1**	**-2.7**	**760.1**	**-409.2**	**198.0**	**789.7**

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					-142.6		-142.6
Change in fair value of hedging instruments			-121.8				-121.8
Actuarial gains and losses from defined benefit plans			33.4				33.4
Comprehensive income for the period			**-88.5**		**-142.6**		**-231.1**
Share-based payments				0.4			0.4
Equity 31 Mar 2020	**75.4**	**168.1**	**-95.2**	**256.5**	**132.6**	**198.2**	**735.7**

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**

CONSOLIDATED CASH FLOW STATEMENT

EUR in millions	Q1 2021	Q1 2020 **	2020 **
Cash flow from operating activities			
Result before taxes	-181.7	-178.2	-654.4
Depreciation and impairment	82.3	82.5	343.8
Financial income and expenses	32.7	82.6	189.9
Sales gains and losses on aircraft and other transactions	-0.6	0.1	-0.8
Change in provisions	0.6	7.9	3.5
Employee benefits	4.5	4.1	-120.8
Other adjustments	-0.2	-1.3	0.7
Non-cash transactions	5.0	10.7	-116.6
Changes in trade and other receivables	-11.2	83.7	112.3
Changes in inventories	1.8	-0.4	4.6
Changes in trade and other payables	-7.4	-199.3	-672.0
Changes in working capital	-16.8	-116.0	-555.2
Financial expenses paid, net	-38.5	-12.1	-243.4
Income taxes paid		-3.0	-6.4
Net cash flow from operating activities	**-117.7**	**-133.5**	**-1,043.1**
Cash flow from investing activities			
Investments in fleet	-6.4	-113.4	-300.7
Investments in other fixed assets	-2.4	-9.3	-24.7
Divestments of fleet and other fixed assets	0.6	2.1	221.1
Lease and lease interest payments received	4.0	4.0	16.1
Change in other current financial assets (maturity over 3 months)	9.3	49.2	439.9
Change in other non-current assets	0.0	0.0	0.0
Net cash flow from investing activities	**5.2**	**-67.3**	**351.6**
Cash flow from financing activities			
Proceeds from loans		175.0	872.8
Loan repayments	-11.6	-9.5	-218.0
Repayments of lease liabilities	-33.3	-29.9	-134.9
Share issue			511.7
Share issue costs			-11.1
Hybrid bond repayments			-200.0
Proceeds from hybrid bond			200.0
Hybrid bond interests and expenses			-18.5
Acquisitions of own shares	-1.1		
Net cash flow from financing activities	**-46.1**	**135.5**	**1,001.9**
Change in cash flows	**-158.5**	**-65.3**	**310.5**
Liquid funds, at beginning	792.2	481.7	481.7
Change in cash flows	-158.5	-65.3	310.5
Liquid funds, at end *	**633.7**	**416.4**	**792.2**
*** Liquid funds**			
Other financial assets	367.8	713.7	358.3
Cash and cash equivalents	297.5	118.8	465.3
Cash funds	**665.3**	**832.5**	**823.7**
Other current financial assets (maturity over 3 months)	-31.6	-416.1	-31.5
Liquid funds	**633.7**	**416.4**	**792.2**

** Due to the change in the presentation of consolidated income statement, the presentation of cash flow statement has been clarified and the figures for the comparison period have been updated to correspond to the presentation adopted at the beginning of 2021. Sales gains and losses on aircraft and other transactions, which previously was included in items affecting comparability, is presented separately. The changes are described more detailed in the notes 2. Accounting principles and 8. Items affecting comparability and changes in the presentation of income statement and cash flow statement.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT 1 JAN - 31 MAR 2021

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 26th April, 2021.

2. ACCOUNTING PRINCIPLES

The accounting principles applied in the interim report correspond to the accounting principles disclosed in the Consolidated Financial Statements 2020 except for the changes in the presentation of the consolidated income statement relating to items affecting comparability described below. The figures presented in this interim report 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.

On 1 January 2021, Finnair has changed the presentation of its consolidated income statement in order to clarify the structure and will present the items 'Comparable EBITDA' and 'Comparable operating result' previously reported on the face of the income statement only in the notes to the financial statements. Similarly, items affecting comparability previously individually identified on the face of the income statement are included in those line items in the income statement to which they belong by their nature. Due to the change in the presentation of the income statement, the line item 'Items affecting comparability' and 'Comparable EBITDA' are no longer presented in the consolidated cash flow statement. In connection with the change in presentation, the income statement and cash flow statement for the comparison period 2020 have been adjusted accordingly to facilitate comparability between the periods. The changes are presented in more detail in Note 8. 'Items affecting comparability and changes in the presentation of the income statement and cash flow statement'. The change has no effect on the Group's reported operating result or profit for the period in the current or previous financial year. The change also has no effect on the consolidated balance sheet.

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.

The main critical accounting estimates and sources of uncertainty are disclosed in more detail in the 2020 financial statements. The uncertainty caused by the COVID-19 pandemic relating to the near- and long-term development of the economy and its impact on Finnair's future operating environment remains high also at the time of the preparation of the interim financial report. 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 interim financial report for the period ending 31st March, 2021 has 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 interim financial report is issued. The Board of Directors’ assessment is based on the Group’s latest three-year business plan approved by the Board of Directors and it's continous assessment of the Group's financial situation. 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 considered three different scenarios prepared by the management that cover a period from January 2021 until December 2023. The scenarios have been sensitised to reflect differences in the expected beginning of the recovery. The scenarios and main identified uncertainties and management assumptions relating to the going concern assessment are described in more detail in the consolidated financial statements 2020.

As at the end of the reporting period ending 31 March 2021, the optimistic scenario presented in the consolidated financial statements 2020 predicting demand recovery to begin in June-July 2021, has been excluded from the consideration due to the scenario no longer expected to realize based on the recent passenger demand development. The remaining two scenarios have been updated based on the actual outcome and the latest management estimates while the expected timing of the demand recovery remains the same. In the base case scenario, which is considered as the most probable, the recovery is expected to materially start in August 2021 wheras in the pessimistic scenario, the start of the recovery would be expected to materially take place in October 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. Under both of the 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.

While the continued spread of the COVID-19 and its impact on travel restrictions and passenger demand is not in the sphere of Finnair’s influence, the company has continued to undertake measures to mitigate the negative impacts of the pandemic and actively adjust its operations and strenghten its financial position and funding also in 2021.

In February 2021, Finnair completed a lease arrangement relating to its next A350 aircraft delivery which will have a total positive cash effect for Finnair in excess of 100 million US dollars in the last quarter 2021. In March 2021, Finnair and the State of Finland signed an agreement on a hybrid loan amounting to a maximum of 400 million euros. The arrangement has received an approval of the EU Commission’s competition authority in line with the European Union’s state aid rules. The arrangement is described in more detail in the note 17. State aid relating to Finnair's refinancing.

Finnair has also renegotiated its covenant terms for the undrawn 175-million-euro revolving credit facility in March, 2021. As disclosed in the note 24. Events after the review period, the new covenant has an effective date as of 13 April 2021. The earlier, adjusted gearing covenant will be replaced with new covenants described in more detail in the note 19. Interest-bearing debt. The current maturities of the Group’s interest-bearing liabilities are presented in the note 19. Interest-bearing liabilities. The Group's liquidity risk management is described in the consolidated financial statements 2020.

Further as disclosed in the note 24. Events after the review period, Finnair on 27 April 2021 announced that it is targeting 170-million-euro permanent, annual cost base reductions by 2022, compared to 2019 levels. The previous target was 140 million euros.

Considering the circumstances and uncertainties mentioned in the consolidated financial statements 2020 and above, 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 the consolidated financial statements. The Board of Director's conclusion is based on the information available as at the date of the issuance of the interim financial report and an assessment conducted based on the information assuming, that the company is able to conduct its adjusted business operations according to the plan and to maintain sufficient financing for period of at least 12 months after the date that the interim report is 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 has been significantly impacted by COVID-19 pandemic due to extensive route and frequency cancellations as well as strict travel restrictions in many countries worldwide.

Q1 2021, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	6.7	0.2	24.2	12.6	-0.5	**43.2**	38.0
Ancillary and retail revenue	2.6	-0.5	0.0	0.5	5.9	**8.6**	7.6
Cargo	43.6	5.5	6.2	0.0	5.6	**60.9**	53.7
Travel services	0.0	0.0	0.0	0.8	0.0	**0.9**	0.8
Total	**52.9**	**5.2**	**30.5**	**14.0**	**11.0**	**113.6**	
Share %	46.6	4.6	26.8	12.4	9.6		

Q1 2020, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	171.2	26.6	173.5	44.8	7.2	**423.3**	75.4
Ancillary and retail revenue	12.4	2.3	7.7	1.6	18.9	**42.8**	7.6
Cargo	29.9	2.9	6.8	0.1	-3.2	**36.7**	6.5
Travel services	19.0	8.1	31.5	0.0	-0.2	**58.4**	10.4
Total	**232.6**	**39.8**	**219.5**	**46.6**	**22.7**	**561.2**	
Share %	41.4	7.1	39.1	8.3	4.0		

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		

Key figures quarterly, last 24 months	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenue	**113.6**	**102.0**	**97.4**	**68.6**	**561.2**	**774.9**	**865.4**	**789.1**
Passenger revenue	43.2	36.4	54.7	13.7	423.3	615.9	709.9	641.5
Ancillary and retail revenue	8.6	5.2	8.8	5.5	42.8	44.6	45.7	45.3
Cargo	60.9	59.9	31.7	49.5	36.7	57.2	52.8	54.7
Travel services	0.9	0.5	2.3	0.0	58.4	57.3	57.0	47.6
Comparable EBITDA	**-60.9**	**-71.7**	**-81.9**	**-89.2**	**-8.6**	**120.7**	**181.9**	**125.9**
Comparable operating result	**-143.2**	**-162.9**	**-167.0**	**-174.3**	**-91.1**	**31.2**	**100.7**	**47.2**
Operating result	**-149.1**	**-14.6**	**-183.1**	**-171.2**	**-95.6**	**34.7**	**94.9**	**47.9**

6. STAFF AND OTHER CREW RELATED COSTS

EUR in millions	Q1 2021	Q1 2020	Change %	2020
Wages and salaries	-39.8	-88.0	-54.8	-231.9
Defined contribution schemes	-6.8	-15.4	-56.1	-35.4
Defined benefit schemes	-3.9	-3.8	3.7	120.3
Pension expenses total	-10.7	-19.2	-44.3	84.9
Other social expenses	1.0	-10.9	-109.5	12.8
Salaries, pension and social costs	**-49.5**	**-118.2**	**-58.2**	**-134.1**
Operative staff related costs	-1.4	-11.0	-87.0	-15.8
Leased and outsourced crew	-0.8	-4.0	-79.3	-6.6
Other personnel related costs	-1.1	-3.5	-68.7	-7.3
Total	**-52.8**	**-136.6**	**-61.4**	**-163.9**

7. DEPRECIATION AND IMPAIRMENT

EUR in millions	Q1 2021	Q1 2020	Change %	2020
Depreciation of owned fleet	-43.6	-44.6	-2.2	-184.1
Depreciation of other fixed assets	-5.2	-5.7	-8.6	-23.8
Depreciation of right-of-use fleet	-28.9	-26.7	8.5	-107.2
Depreciation of right-of-use other assets	-4.6	-5.5	-17.5	-20.5
Depreciation	**-82.3**	**-82.5**	**-0.2**	**-335.6**
Impairment of aircraft			-	-8.2
Total	**-82.3**	**-82.5**	**-0.2**	**-343.8**

8. ITEMS AFFECTING COMPARABILITY AND CHANGES IN THE PRESENTATION OF INCOME STATEMENT AND CASH FLOW STATEMENT

Finnair uses alternative performance measures in its internal reporting to the chief operative decision maker, or Finnair Executive Board. The figures are referred to in the European Securities Markets Authority (ESMA) Guidelines on Alternative Performance Measures, which Finnair uses to describe its business and financial performance development between periods. The alternative performance measures do not replace IFRS indicators, but shall be read in conjunction with key figures in accordance with IFRS financial statements.

Unrealised exchange rate differences of mainly in US dollars denominated aircraft maintenance provisions and unrealised fair value changes of derivatives where hedge accounting is not applied are excluded from comparable operating result. These exchange rate and fair value effects are included in the comparable operating result only when they will realize. In addition, 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.

In the tables below, 'Reported' corresponds to the presentation of consolidated income statement adopted on 1 January 2021. Items affecting comparability previously individually indentified on the income statement have been included in those line items in the income statement to which they belond by their nature. 'Comparable' corresponds to the presentation of consolidated income statement previously used, which presented items affecting comparability, 'Comparable EBITDA' and 'Comparable operating result'.

EUR in millions	Reported	Q1 2021 Items affecting compa-rability	Compa-rable	Reported	Q1 2020 Items affecting compa-rability	Compa-rable
Revenue	**113.6**		**113.6**	**561.2**		**561.2**
Other operating income	9.4	-0.6	8.8	14.0	0.0	14.0
Operating expenses						
Staff and other crew related costs	-52.8	0.2	-52.6	-136.6	0.5	-136.1
Fuel costs	-30.3	-0.1	-30.4	-144.1	0.2	-143.9
Capacity rents	-15.2		-15.2	-29.9		-29.9
Aircraft materials and overhaul	-21.0	6.3	-14.7	-43.9	3.7	-40.2
Traffic charges	-20.9		-20.9	-64.5		-64.5
Sales, marketing and distribution costs	-4.1		-4.1	-30.4		-30.4
Passenger and handling services	-23.8		-23.8	-104.7		-104.7
Property, IT and other expenses	-21.7		-21.7	-34.2	0.1	-34.1
EBITDA	**-**		**-60.9**	**-**		**-8.6**
Depreciation and impairment	-82.3		-82.3	-82.5		-82.5
Operating result	**-149.1**	**5.8**	**-143.2**	**-95.6**	**4.5**	**-91.1**

EUR in millions	Reported	2020 Items affecting compa-rability	Compa-rable
Revenue	**829.2**		**829.2**
Other operating income	49.3	-0.9	**48.4**
Operating expenses			
Staff and other crew related costs	-163.9	-119.7	-283.5
Fuel costs	-232.8	0.2	-232.7
Capacity rents	-89.3		-89.3
Aircraft materials and overhaul	-92.5	-12.2	-104.7
Traffic charges	-112.4		-112.4
Sales, marketing and distribution costs	-28.2		-28.2
Passenger and handling services	-168.6		-168.6
Property, IT and other expenses	-111.6	1.9	-109.7
EBITDA	**-**		**-251.5**
Depreciation and impairment	-343.8		-343.8
Operating result	**-464.5**	**-130.8**	**-595.3**

Due to the change in the presentation of consolidated income statement, the lines of consolidated cash flow statement have been adjusted for items affecting comparability as presented in the table below. Sales gains and losses on aircraft and other transactions which were included in items affecting comparability are presented separately. Items affecting comparability related to changes in provisions, employee benefits and other adjustments are presented in non-cash transactions.

EUR in millions	Reported	Q1 2020 Items affecting compa-rability	Restated	Reported	2020 Items affecting compa-rability	Restated
Items affecting comparability	4.5	-4.5		-130.8	130.8	
Sales gains and losses on aircraft and other transactions		0.1	0.1		-0.8	-0.8
Change in provisions	3.6	4.3	7.9	0.8	2.7	3.5
Employee benefits	4.1		4.1	12.0	-132.8	-120.8
Other adjustments	-1.5	0.2	-1.3	0.6	0.2	0.7
Non-cash transactions	6.2	4.4	10.7	13.4	-130.0	-116.6

9. 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 in Q4 2020. Lower bound 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	**31 Mar 2021**		**31 Mar 2020**		**31 Dec 2020**	
	Nominal value	Fair net value	Nominal value	Fair net value	Nominal value	Fair net value
Currency derivatives						
Operational cash flow hedging (forward contracts)	195.1	0.2	756.0	21.9	268.4	-8.8
Operational cash flow hedging (options)						
Bought options	53.1	0.1	236.2	5.7	80.5	0.0
Sold options	49.2	-0.1	206.5	-1.3	74.3	-1.9
Fair value hedging of aircraft acquisitions	172.1	-5.9	294.8	16.5	180.4	-13.8
Hedge accounting items total	469.5	-5.8	1,493.5	42.8	603.7	-24.5
Operational cash flow hedging (forward contracts)	110.4	2.8	304.7	5.2	173.9	1.0
Operational cash flow hedging (options)						
Bought options	5.1	0.1		0.0	20.3	0.1
Sold options	5.1	-0.1	25.2	-0.1	20.3	0.0
Balance sheet hedging (forward contracts)	266.7	0.7	806.7	3.9	267.1	-0.4
Currency hedging of lease payments			4.6	0.5		
Items outside hedge accounting total	387.4	3.5	1,141.2	9.3	481.6	0.7
Currency derivatives total	**856.9**	**-2.3**	**2,634.7**	**52.1**	**1,085.3**	**-23.8**
Commodity derivatives						
Jet fuel forward contracts, tonnes	173,000	2.2	768,000	-172.4	240,000	-14.2
Hedge accounting items total	173,000	2.2	768,000	-172.4	240,000	-14.2
Jet fuel forward contracts, tonnes	228,000	-14.3	342,000	-59.2	336,000	-30.5
Options						
Bought options, jet fuel, tonnes			20,000	4.6		
Sold options, jet fuel, tonnes			35,000	-4.6		
Items outside hedge accounting total	228,000	-14.3	397,000	-59.2	336,000	-30.5
Commodity derivatives total	**401,000**	**-12.1**	**1,165,000**	**-231.6**	**576,000**	**-44.6**
Currency and interest rate swaps and options						
Cross currency interest rate swaps	292.2	4.6	218.3	4.7	286.0	-18.8
Items outside hedge accounting total	292.2	4.6	218.3	4.7	286.0	-18.8
Interest rate derivatives total	**292.2**	**4.6**	**218.3**	**4.7**	**286.0**	**-18.8**
Derivatives total		**-9.8**		**-174.7**		**-87.2**

The uncertainty caused by the COVID-19 pandemic decreased the nominal amount of derivatives in jet fuel and foreign exchange in comparison to the first quarter of 2020.

10. 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	31 Mar 2021	Level 1	Level 2
Financial assets at fair value through profit and loss			
Securities held for trading	367.8	367.8	
Derivatives held for trading			
Currency and interest rate swaps and options	4.6		4.6
Currency derivatives	9.0		9.0
- of which in fair value hedge accounting	0.1		0.1
- of which in cash flow hedge accounting	3.8		3.8
Commodity derivatives	9.7		9.7
- of which in cash flow hedge accounting	7.1		7.1
Total	**391.2**	**367.8**	**23.4**

Financial liabilities recognised at fair value through profit and loss			
Derivatives held for trading			
Currency derivatives	11.4		11.4
- of which in fair value hedge accounting	6.0		6.0
- of which in cash flow hedge accounting	3.7		3.7
Commodity derivatives	21.8		21.8
- of which in cash flow hedge accounting	5.0		5.0
Total	**33.2**		**33.2**

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

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

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

11. COMPANY ACQUISITIONS AND DIVESTMENTS

There were no business acquisitions or disposals during the first quarter 2021.

12. INCOME TAXES

The effective tax rate for Q1 2021 was -20.0% (-20.0%). Deferred taxes have been capitalized in full for the losses during the financial year. The confirmed tax losses 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. Forecast scenarios are described more detailed in the note 4. Covid-19 and Board's assessment of Finnair as a going concern. 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.

13. DIVIDEND PER SHARE

In accordance with the proposal of the Board of Directors, the Annual General Meeting on 17 March 2021 resolved that no dividend be paid based on the balance sheet adopted for the year 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.

14. CHANGE IN FIXED ASSETS

EUR in millions	31 Mar 2021	31 Mar 2020	31 Dec 2020
Carrying amount at the beginning of period	1,625.5	1,711.7	1,711.7
Additions	11.1	166.8	348.3
Change in advances	-13.5	-40.1	-30.4
Currency hedging of aircraft acquisitions	-7.9	2.1	32.4
Disposals and reclassifications	-3.7	-2.1	-220.3
Depreciation	-48.8	-50.3	-216.1
Carrying amount at the end of period	**1,562.6**	**1,788.2**	**1,625.5**

Changes in advances are mainly related to prepayments made for A350 investments that were reclassified from fixed assets to other non-current assets. Reclassification was made as Finnair agreed to transfer the purchase right of the A350 aircraft to the third party, and lease the aircraft instead of purchasing it. Assets relating to dismantling of A319 aircraft and amounting to 0.4 million euro were classified as held for sale.

15. CHANGE IN RIGHT-OF-USE ASSETS

EUR in millions	31 Mar 2021	31 Mar 2020	31 Dec 2020
Carrying amount at the beginning of period	917.5	877.5	877.5
New contracts	0.3	2.3	173.3
Reassessments and modifications	0.1	18.3	-5.7
Depreciation	-33.5	-32.2	-127.7
Carrying amount at the end of period	**884.3**	**865.9**	**917.5**

16. 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 the recoverable amount of an asset 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. Approach to impairment testing is described in more detail in the consolidated financial statements 2020.

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 31.3.2021, the amount of goodwill in Finnair's balance sheet amounted to 0.5 million euro (0.5) and the other intangible assets with indefinite useful life to 1.4 million euro (1.7). 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 31.3.2021 was 2,586.2 million euro and the carrying amount of the assets 2,482.8 million euro.

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 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 two different forecast scenarios prepared by the management. As at the end of the reporting period ending 31 March 2021, Finnair has excluded the optimistic scenario presented in the consolidated financial statements 2020 from the consideration due to the scenario no longer expected to realize. The remaining two scenarios have been updated based on the actual outcome and the latest management estimates. The expected timing of the demand recovery remains the same being August 2021 in the base case scenario and October 2021 in the pessimistic scenario. The probability of the base case scenario is 55% whereas the probability of the pessimistic scenario is 45%. Scenarios are described in more detail in the section 4. COVID-19 and board's assessment of Finnair as a going concern.

Key assumptions used in impairment review	31 Mar 2021	31 Dec 2020
Discount rate (post-tax, long-term weighted average cost of capital), %	8.2	8.2
Discount rate (pre-tax, long-term weighted average cost of capital), %	9.4	9.3
Long-term growth rate, %	2.4	2.4
Fuel cost range per ton (USD)	600-645	540-610

The preparation of the calculations used for impairment testing requires 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 COVID-19. Uncertainty and related management judgement are described in more detail in consolidated financial statements 2020. 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 COVID19 pandemic as well as the future market demand and environment, which are benchmarked against external information sources, such as longterm 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 estimates, 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 assumption at the time, whereby the other assumptions are kept unchanged. The result of the sensitivity analysis reflects the sensitivity of the recoverable amount based on expected cash flow model. In case EBITDA margin-% or long-term growth rate decreased by 0.2 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 0.2 per cent points or the fuel price increased by 4 per cent.

17. 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.

Finnair and the State of Finland signed an agreement in 17 March 2021 on a hybrid loan of maximum 400 million euros to support Finnair. The decision was made by the Plenary Session of the Government on 18 February 2021. The arrangement has the approval of the EU Commission’s competition authority in line with the European Union’s state aid rules. Of the credit limit, approximately 350 million euros can be used by Finnair based on the state aid decision made by the Commission on 12 March 2021. Finnair is able to access the funds, if its cash or equity position would drop below the limits to be defined in the facility’s terms and conditions. The remaining approximately 50-million-euro share will be brought to approval by the Commission at a later stage.

18. PENSION ASSETS

Pension assets were EUR 49.9 million (31 December 2020: 31.8). Change is mainly due to the change in discount rate to 0.69% (31 December 2020: 0.25%).

19. INTEREST-BEARING LIABILITIES

During the second quarter 2020, and as part of the refinancing plan, Finnair negotiated a covenant waiver with the syndicate banks relating to its undrawn 175 million euro revolving credit facility. The waiver has temporarily raised the gearing level according to the following table. Adjusted gearing at the end of first quarter of 2021 was 191.8%.

In the first quarter of 2021 Finnair negotiated a new covenant waiver with the syndicate banks with an effective date of 13 April 2021. The waiver will remove the financial covenant of adjusted gearing completely and replace it with covenants based on the measures of equity and cash funds. The new covenant levels for cash funds and shareholder's equity will be EUR 400 million. In addition, the covenant level for a separate measure 'book equity', defined as the equity within the meaning of the Finnish Companies Act but excluding any hybrid instruments and any capital loans, will be EUR 150 million. The newly negotiated terms have an additional subsequent condition in place, based on which the currently fully undrawn 175 million euro revolving credit facility maturing in January 2023 would be available to Finnair once the EU Commission’s approval for the remaining 50 million euro of the hybrid loan was received. The amended covenant agreement has been signed on 31 March 2021.

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

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

Interest-bearing liabilities, EUR in millions	31 Mar 2021	31 Mar 2020	31 Dec 2020
Non-current interest-bearing liabilities			
Lease liabilities	879.9	925.1	880.6
Loans from financial institutions	599.1		599.0
Bonds		199.7	199.8
JOLCO loans* and other	311.0	274.3	312.2
Total	**1,790.0**	**1,399.0**	**1,991.6**
Current interest-bearing liabilities			
Lease liabilities	141.7	141.6	135.6
Bonds	199.8		
Loans from financial institutions		175.0	
JOLCO loans* and other	53.0	44.6	51.5
Total	**394.6**	**361.2**	**187.2**

* JOLCO loans and other include the JOLCO loans (Japanese Operating Lease with Call Option) for three A350 aircraft and Export Credit Support for one A350 and three A330 aircraft. The transactions are treated as loans and owned aircraft in Finnair's accounting.

Maturity dates of financial liabilities as at 31 Mar 2021 EUR in millions	1-12 months	13-24 months	25-36 months	37-48 months	49-60 months	Later	Total
Lease liabilities, fixed interest	102.2	106.6	96.8	97.9	88.1	184.1	**675.8**
Lease liabilities, variable interest	39.5	42.6	43.8	46.5	33.8	139.6	**345.9**
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				14.5	13.7	14.1	**42.3**
JOLCO loans and other, variable interest	53.0	39.2	37.2	65.5	48.7	81.5	**325.0**
Interest-bearing financial liabilities total*	**394.8**	**488.5**	**477.8**	**224.4**	**184.2**	**419.3**	**2,188.9**
Payments from interest rate and currency derivatives	737.2						**737.2**
Income from interest rate and currency derivatives	-734.8	-3.5	-1.1				**-739.5**
Commodity derivatives	12.1						**12.1**
Trade payables and other liabilities	81.1						**81.1**
Interest payments	65.3	58.6	49.6	35.2	24.6	70.7	**304.1**
Total	**555.6**	**543.6**	**526.3**	**259.6**	**208.8**	**490.0**	**2,583.9**

* 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 3.2 million paid on 2016 and due on 2025. Loans from financial institutions do not include the amortised cost of EUR 0.9 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.

20. PROVISIONS

EUR in millions	31 Mar 2021	31 Mar 2020	31 Dec 2020
Aircraft maintenance provision			
Provision at the beginning of period	162.8	166.3	166.3
Provision for the period	1.6	9.4	25.4
Provision used	-1.7	-4.6	-18.3
Provision reversed	0.0	-0.3	-1.3
Provision for right-of-use assets redelivery	0.1	0.2	2.1
Unwinding of discount	0.2	0.5	0.9
Exchange rate differences	6.3	3.7	-12.2
Aircraft maintenance provision total	**169.2**	**175.2**	**162.8**
Of which non-current	158.2	154.2	153.6
Of which current	11.1	21.0	9.2
Other provisions			
Provision at the beginning of period	13.0	3.1	3.1
Provision for the period	0.8	0.9	27.2
Provision used	-5.6	-1.0	-6.7
Provision reversed	-0.8	-0.2	-10.6
Other provisions total	**7.5**	**2.8**	**13.0**
Of which non-current	2.1	0.2	2.2
Of which current	5.5	2.7	10.8
Total	**176.8**	**178.0**	**175.8**
Of which non-current	160.2	154.3	155.8
Of which current	16.5	23.7	20.0

Non-current aircraft maintenance provisions are expected to be used by 2033. 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.

In balance sheet, non-current provisions and other liabilities 165.6 million euros (31 December 2020: 161.1) includes, in addition to provisions, other non-current liabilities 5.3 million euros (31 December 2020: 5.2), which mainly consists of received lease deposits.

21. DEFERRED INCOME AND ADVANCES RECEIVED

EUR in millions	31 Mar 2021	31 Mar 2020	31 Dec 2020
Deferred revenue on ticket sales	51.8	353.2	55.7
Loyalty program Finnair Plus	52.4	44.8	51.9
Advances received for tour operations	4.7	25.8	3.4
Other items	20.8	13.1	22.5
Total	**129.7**	**437.0**	**133.6**

22. CONTINGENT LIABILITIES

EUR in millions	31 Mar 2021	31 Mar 2020	31 Dec 2020
Guarantees on behalf of group undertakings	31.7	78.3	32.1
Total	**31.7**	**78.3**	**32.1**

Investment commitments for property, plant and equipment as at 31 March 2021 totaled EUR 359 million (31 December 2020: 429). Guarantees on behalf of group undertakings decreased during 2020 due 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, and they remained on the stable during Q1 2021. Lease commitments as at 31 March 2021 including VAT obligations, short-term leases of facilities and leases of low value IT equipment, that do not qualify as IFRS 16 leases, totaled EUR 18.4 million (31 December 2020: 19.1).

23. RELATED PARTY TRANSACTIONS

Related parties of the Finnair group includes its subsidiaries, management (the Board of Directors, the President and CEO and the Executive Board), their close family members and companies controlled by them or their close family members, 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% (31 December 2020: 55.9%) of Finnair's shares. 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	Q1 2021	Q1 2020	2020
Sales of goods and services			
Associates and joint ventures	3.8	7.1	28.4
Pension fund	0.0	0.2	0.4
Employee benefits			
Pension fund	3.7	3.5	-121.5
CEO and Executive Board	1.2	1.4	3.9
The Board of Directors	0.1	0.1	0.4
Purchases of goods and services			
Associates and joint ventures	16.6	28.7	88.2
Pension fund	0.5	0.6	1.9
Financial income and expenses			
Associates and joint ventures	0.6	0.8	2.8
Pension fund	0.0	-0.2	-0.6
Receivables			
Non-current receivables from joint ventures	15.8	30.3	19.6
Non-current receivables from pension fund	49.0		31.0
Current receivables from associates and joint ventures	20.1	24.4	15.9
Liabilities			
Non-current liabilities to joint ventures	2.8	3.6	3.6
Non-current liabilities to pension fund		39.0	
Current liabilities to associates and joint ventures	1.7	0.6	2.1

24. EVENTS AFTER THE REVIEW PERIOD

Finnair has renegotiated its covenant terms for the undrawn 175-million-euro revolving credit facility with an effective date of 13 April 2021. The adjusted gearing covenant is replaced with new covenants which are based on equity and cash funds levels. The covenant would be breached if Finnair's cash funds or equity fell below 400 million euros or if equity excluding any hybrid instruments fell below 150 million euros. Further detail about the newly negotiated covenant terms have been disclosed in the note 19. Interest-bearing liabilities.

Finnair announced on 26 April 2021, that the Finnish Air Line Pilots' Association and Service Sector Employers Palta have signed an agreement on a new collective labour agreement for Finnair pilots. The new CLA is in force until 30 September 2024 and it encompasses several important structural changes that support Finnair's competitiveness in the highly competitive post-pandemic market.

Finnair announced on 26 April 2021, that it is planning to fly to over 60 destinations in summer 2021. Finnair is preparing to grow its flight schedule this summer with a focus on leisure destinations, as the vaccine roll-out is expected to enable the reopening of travel in many countries.

In addition, Finnair announced on 27 April 2021, that it is targeting 170-million-euro permanent, annual cost base reductions by 2022, compared to 2019 levels. The previous target was 140 million euros.