

# Financial Information 2022







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# Review of the year 2022

In 2022, Finnair's business continued to recover from the COVID-19 pandemic, but at the same time we faced another crisis in the form of the war in Ukraine and the closure of Russian airspace. The number of our passengers more than tripled year-on-year and was 9.1 million. Our revenue increased to 2.4 billion euros (838.4 million euros) and comparable EBIT was -163.9 million euros. However, our comparable operating result turned positive in the last two quarters, reflecting both the recovery in travel and the numerous actions we have taken to restore our profitability. Our customer satisfaction remained high, and our net promoter score was 40.

The year was characterised by Russia's invasion of Ukraine and the subsequent closure of Russian airspace, as Russia responded to the sanctions imposed on it by closing its own airspace from European airlines. For us, this meant a fundamental change in our operating environment, requiring

active adjustment of operations and defining a completely new strategy.

At the beginning of the year, sickness absences caused by the Omicron variant caused changes to our flights. At the same time, however, we were preparing for the removal of travel restrictions that had already started and the strong recovery of travel toward the summer season. We trained our flight crews, who had been on long furloughs, and returned aircraft from long-term parking back into flight operations. In February, we also revealed our 200-million-euro investment in long-haul cabins. The all-new Business Class, the new Premium Economy travel class and the renewed Economy Class are gradually rolled out to all our long-haul aircraft.

Russia's invasion of Ukraine in February quickly led to the closure of Russian airspace, which

for us meant a reassessment of our entire Asian traffic. We cancelled most of our flights to Japan scheduled for the summer season, as avoiding the Russian airspace increases flight time to Japan by up to 40%. Nonetheless, we continued to fly to Tokyo, Shanghai and Seoul, supported by strong cargo demand. Flights to Southeast Asia and India are less impacted by the airspace closure, and we continued to operate to Bangkok, Singapore and Delhi as normal. Due to the closure of Russian airspace, we redirected our network and also entered into wet lease agreements with British Airways and Lufthansa Group's Eurowings Discover. The lease-outs made it possible to utilise idle aircraft and created work to c. 500 Finnair employees. We added flights to Delhi and started flights to Mumbai. We also opened new routes to Seattle and Dallas in the US, both of which are home hubs for our partner airlines. Through our partners, we gain distribution power

and at the same time we can offer our customers comprehensive onward connections.

The summer of 2022 was a time of busy travel, as the pent-up demand unraveled. The new facilities at Helsinki Airport supported the smooth reception of the growing number of passengers. While several European airports suffered from a lack of resources, our home hub, Helsinki-Vantaa, performed well and we were among the most punctual network airlines in Europe during the busy summer season.

In September, we announced our new strategy, which aims to restore Finnair's profitability regardless of Russian airspace. The main areas of the strategy are a geographically more balanced network and leveraging the use of especially **oneworld** partners, strengthening of unit revenues, reduction of unit costs and sustainability. The





aim is to restore Finnair's profitability to the pre-pandemic comparable operating profit level of 5 per cent starting from mid-2024.

Strategy implementation continued systematically during the autumn. We started flights from three Nordic capitals to Doha in cooperation with Qatar Airways. We streamlined our organisation, reducing approximately 150 jobs globally. We agreed on long-term savings with several personnel groups and started renegotiating agreements with our suppliers. We invested both in improving sales efficiency and revenue optimisation, as well as in modernising distribution. This produced excellent results as in Q4, our unit revenue (RASK) increased by 25 per cent compared to Q4 2019. Share of all of our direct channel sales increased to 64 per cent in 2022 whereas it was 40 per cent in 2019.

Our sustainability targets remain unchanged, and during 2022, we invested especially in increasing the use of renewable fuels by participating in **oneworld** alliance's future joint purchases of renewable fuel. We supported the re-employment of those who lost their jobs with a comprehensive programme. We also supported Ukrainians by offering a 95% discount on flight tickets to Helsinki on several key routes used by those fleeing the war in Ukraine.

Travel demand remained strong in the second half of the year, and this was reflected in both our bookings and in the development of ticket prices. Our profitability was burdened by the exceptionally high fuel price and the long flight times on Asian routes, but our unit revenues were supported by numerous measures we carried out to drive sales and optimise revenues.

Towards the end of the year, Japan and China opened up to travel, and the effects of the pandemic on our operations are now being left behind.

Finnair celebrates its 100th anniversary this year. The last three years have been tough, but our team has shown its ability to adapt and change. At the same time, the sense of purpose in our work and the important role of Finnair have carried us forward. We are proud of our long history, but our eyes are firmly on the future. Together we are building an even stronger Finnair that will provide Finns with connections to the world also in the next hundred years.

**Topi Manner,**  
President and CEO







# The Report of the Board of Directors

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## THE REPORT OF THE BOARD OF DIRECTORS

# Business model and operating environment

Finnair is a network airline that specialises in passenger and cargo traffic between North America, Asia and Europe. It also offers package tours under its Aurinkomatkat-Suntours (later Aurinkomatkat) brand.

The Finnair Plus loyalty programme strengthens engagement with customers and generates valuable customer data. It is one of Finland's leading loyalty programmes with c. 4 million members. The number of members has grown by over 60% since 2017 and Finnair was able to increase the number despite the challenging operational and market environment during 2022. The programme currently has c. 150 partners.

Finnair engages in closer cooperation with certain **oneworld** partners through participation in joint businesses, namely the Siberian Joint Business (SJB)

on flights between Europe and Japan, and the Atlantic Joint Businesses (AJB) on flights between Europe and North America. Finnair and its partners were working closely together to ensure the continued delivery of efficiencies and customer benefits, despite the severely reduced capacity and revenue. Further, Finnair has a Joint Business with Juneyao Airlines launched in 2021. The Joint Business demonstrates Finnair's commitment to China as a strategic market.

Finnair's business is impacted by the four megatrends described *in the adjacent picture*. They offer numerous opportunities, but also add new requirements for conducting business.

Finnair's business is cyclical in nature, and in addition to long-term megatrends, it is heavily

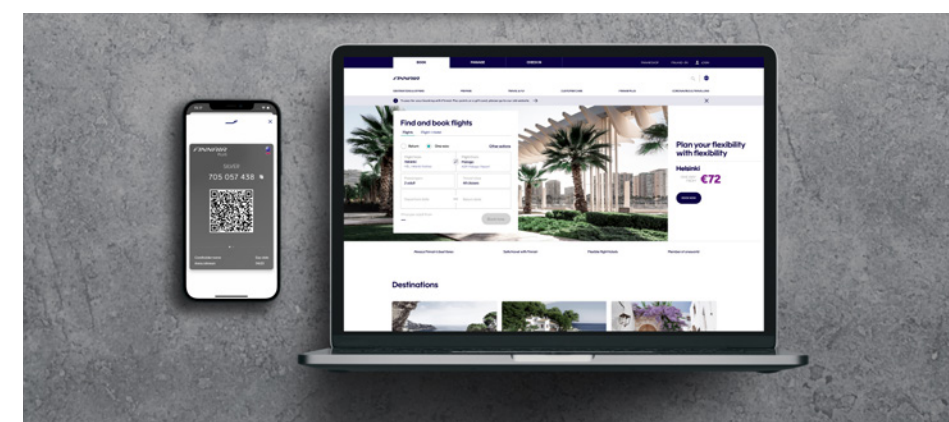
## Megatrends impacting Finnair's business



Increasing significance of sustainability



Urbanisation



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



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

[Read more on Finnair's website.](#)





influenced by external factors described *in the adjacent picture*.

Of these external factors, the COVID-19 pandemic continued to have a negative impact on Finnair's business in 2022 on the back of travel restrictions in many countries especially during the first half of the year. Further, the closure of Russian airspace and exceptionally high jet fuel price both following the breakout of the war in Ukraine had significant adverse impacts on Finnair. Consequently, Finnair continued to adjust its operations. Both temporary and permanent layoffs impacted some of Finnair's personnel and the company was also forced to reduce jobs globally. In addition, the implementation of other significant cost adjustment measures continued in order to minimise losses caused by more limited operations and longer Asian routings caused by the travel restrictions and the closed Russian airspace. With these actions, Finnair also strived to secure its ability to operate from a more efficient cost base as passenger traffic gradually continued recovering in 2022 despite the difficult operating environment.

In 2022, Finnair continued the implementation of its financing programme by drawing down the capital loan of 400 million euros granted by the State of Finland. Further, to maintain its cash funds, it reached an agreement to extend its 600-million-euro pension premium loan until 2025

with the bi-annual 100-million-euro amortisations commencing in June 2023. Even though the company reached the targeted permanent, annual cost savings of c. 200 million euros by 2022, it continued to seek significant cost savings through negotiations with all its relevant stakeholders to lower the unit cost and to restore its profitability in accordance with the new strategy launched in 2022.

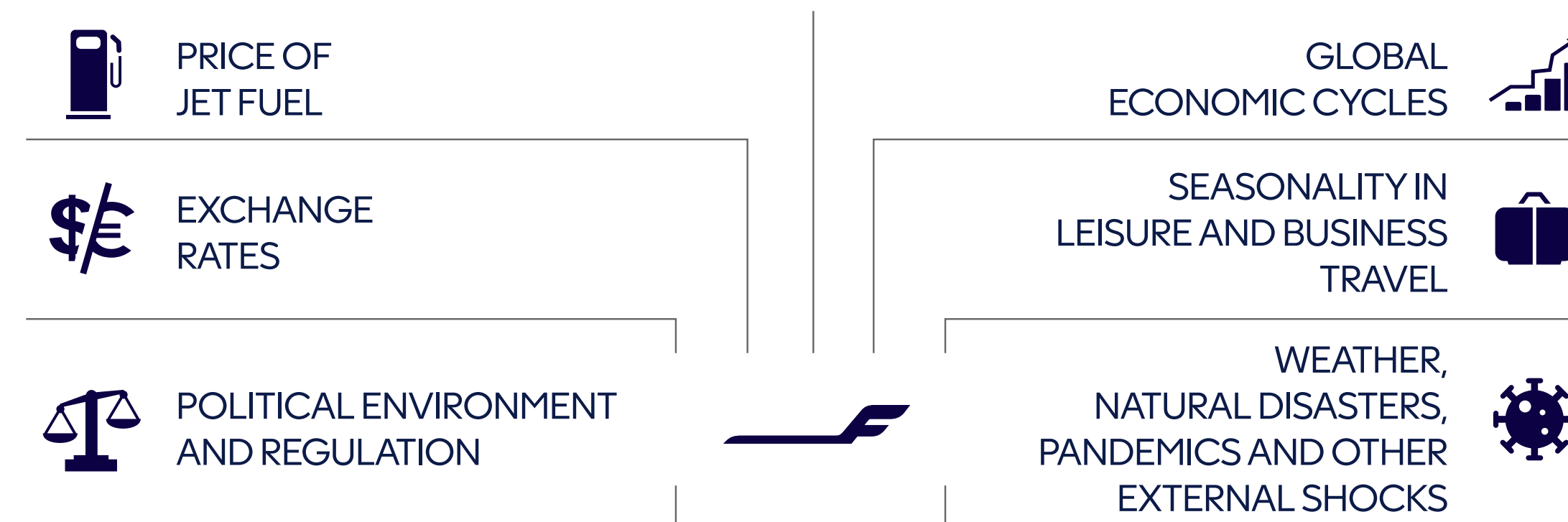
## Business environment in 2022

The COVID-19 pandemic continued to impact the global aviation sector in 2022 and it was particularly visible at the beginning of the year, when the Omicron variant clearly softened demand in all markets. Although travel within Europe and to the United States had already opened and some of Finnair's markets in Asia had or were opened during the year, many countries in Asia maintained their strict travel restrictions for most of the year. This also had a significant impact on Finnair's capacity, especially in Asia.

Another factor strongly affecting Finnair's operating environment was Russia's war of aggression against Ukraine, which began at the end of February. Russian airspace was closed almost simultaneously to EU carriers due to the subsequent counter sanctions imposed by Russia, which resulted in route and frequency

## External factors influencing airlines

## CHANGES IN CONSUMER PREFERENCE, EXPECTATIONS, PURCHASING PATTERNS AND DEMOGRAPHICS



cancellations in Asian traffic and to discontinued Russian flights. Thanks to robust demand for air cargo, Finnair was, however, able to continue operating to most of its Asian destinations despite routings that are up to 40 per cent longer, thus, resulting in increased costs. Due to the combined effect of the pandemic and closed Russian airspace, the capacity of Asian traffic in 2022, measured in ASKs, was only c. 40 per cent compared to the year 2019. The corresponding figures were c. 80 per cent for European traffic and as much as c. 165 per cent for North America, as Finnair reallocated its capacity e.g., to the North American routes.

The war also had other adverse impacts on Finnair's business, as it led to an energy crisis, historically high fuel prices and, partly because of this, to accelerating inflation increasing the uncertainty of the operating environment. On the other hand, demand for intra-European flights and North American traffic was strong starting from early summer as the restrictions were lifted. In addition, capacity was more limited, which increased market prices and improved passenger revenues. Also the Asian market prices reacted very positively especially as there were capacity constraints due to the travel restrictions, global labour shortage and operational challenges





## "Finnair's cargo revenue reached a record high in 2022."

caused by longer flight times. Scheduled market capacity, measured in ASKs, between origin Helsinki and Finnair's European destinations increased by 164.0 per cent (-14.1) year-on-year. Direct market capacity between Finnair's Asian and European destinations increased by 71.7 per cent (-32.9) and between Finnair's North Atlantic and European destinations by 109.6 per cent (17.2) year-on-year.

At the beginning of the year, demand for Aurinkomatkat's foreign travel packages was softer due to the Omicron variant. Further, the travel restrictions e.g., in Thailand weakened demand and caused more cancellations than expected. However, the strong recovery in demand started already at the end of Q1, and the strong demand continued throughout the rest of the year after the travel restrictions were gradually lifted from European destinations during Q2 and Q3. The robust demand was clearly reflected in increased package prices which enabled Aurinkomatkat to cover increasing jet fuel and hotel costs. Despite the increase in prices, demand remained strong also for last-minute deals. As a result, Aurinkomatkat increased capacity to its most popular destinations, such as Crete and Rhodes. Demand for city holidays also continued to grow strongly. The war in Ukraine has not had a significant impact on demand for package holidays.

The global air freight market was impacted by COVID-19 and the war in Ukraine in 2022, as lack of cargo capacity continued to benefit air cargo. This resulted in strong albeit gradually softening demand during the year. Because of this, also market prices declined, but remained at a higher level than before the pandemic. Finnair's cargo revenue reached a record high in 2022 as it rose slightly from the comparison period primarily due to the higher number of flights operated. In 2021, cargo-only flights made up a significant part of Finnair's cargo capacity but in 2022, they were mostly replaced by passenger flights carrying belly cargo due to the strong passenger demand. Finnair estimates that the softening demand for cargo will continue also in Q1.

The US dollar, which is the most significant expense currency for Finnair after the euro, appreciated by 12.3 per cent against the euro year-on-year. The US dollar-denominated market price of jet fuel was 80.3 per cent higher in 2022 than in the comparison period and the euro-denominated market price was as much as 102.2 per cent higher. Finnair hedges part of its fuel purchases and key foreign currency items; hence, market fluctuations are not reflected directly in its result. The fuel hedging ratio has been quite low during the pandemic, but it has been lifted during the year, and, on the back of the updated risk management policy, the average hedging ratio will continue to rise during 2023.

Finnair's 2022 fuel bill surged year-on-year due to the exceptionally high market price, longer Asian routings and higher capacity.

Finnair's revenue and profitability are expected to improve more slowly during the strategy period than what was estimated at the time of the 2021 financial statements due to the long-term impacts of the Russian airspace closure and increased fuel prices.





## Capitals

### Human

- Competent personnel

### Intellectual and social

- Suppliers and partners
- Joint businesses (AJB/SJB/ Juneyao) and alliance cooperation
- Distribution channels
- Public affairs

### Immaterial

- Traffic & overflight rights
- Customer base and data
- Quality certifications
- Route network
- Brand

### Financial and material

- Adjusted interest-bearing debt €2,618.4 million
- Equity capital €410.7 million
- Modern and efficient fleet of 80 aircraft
- COOL Nordic Cargo Terminal, Helsinki Hub
- Maintenance facilities
- Catering facilities

### Natural resources

- Fuel use (jet and ground)
- Energy consumption of facilities
- Water use
- Purchased goods
- Material use

## Business activities



### Customer service and products

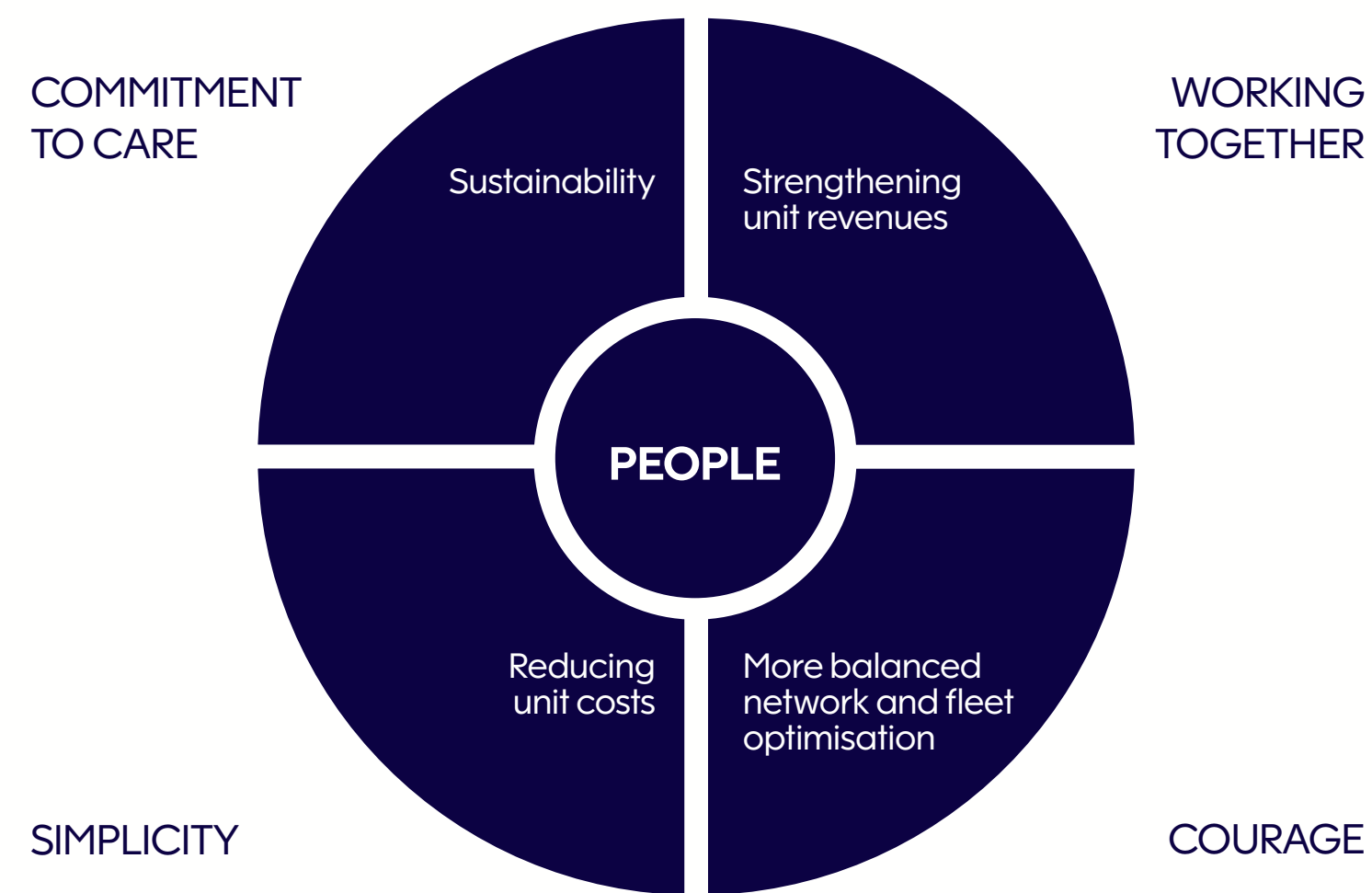
Finnair and oneworld global network  
Passenger and cargo traffic  
Ancillary services  
Package tours  
Dynamic travel products

### Support services

Catering  
Aircraft maintenance  
Ground handling  
Airline training



## Strategy and values



Purpose: Enriching life by bridging the world

## Impact

### Increasing value for society

- Enabling safe and free movement of people, goods and services
- Improving cultural, societal and commercial interaction
- Participating and inspiring cross-industry collaboration
- Economic multiplier effects for the Finnish society

### Sustainable growth

- Producing direct and indirect employment (e.g. tourism, international trade and foreign investments)
- Venturing out of our traditional business to find solutions for our core
- Producing value for shareholders' investments
- Increased brand value

### Satisfied & competent personnel

- Equal opportunities for personnel
- Good governance
- Safe and healthy work
- Support and respect of labour and human rights

### Environmental impact

- Air emissions (CO<sub>2</sub> and non-CO<sub>2</sub>)
- Noise emissions
- Liquid waste (de-icing fluids)
- Material waste







# Financial performance in 2022

## Revenue

Finnair's total revenue increased year-on-year as the COVID-19 impact was more significant in the comparison period.

Unit revenue (RASK) increased by 8.6 per cent and amounted to 7.53 cents (6.93). The RASK increase was caused by the higher passenger yields and improved passenger load factor despite the higher number of cargo-only flights in the comparison period, as these flights do not generate any ASKs and, thus, have a positive RASK impact.

## Passenger traffic

Even though the passenger traffic figures continued to improve year-on-year, the negative impact of the COVID-19 pandemic and related

travel restrictions was still clearly visible in the 2022 figures and especially in H1. Further, the Russian airspace closure had a negative impact on the figures in 2022. Passenger revenue increased by 306.5 per cent and traffic capacity, measured in Available Seat Kilometres (ASK), increased by 158.8 per cent overall against the comparison period.

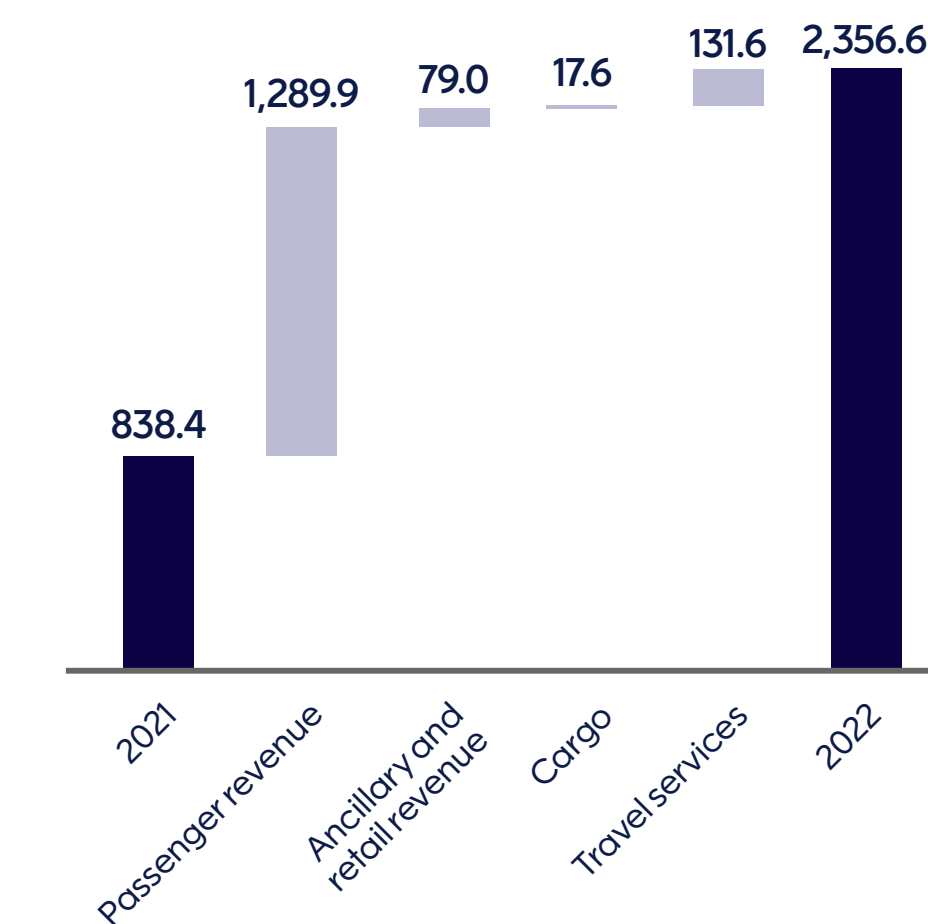
The number of passengers increased by 218.9 per cent to 9,095,800 passengers. Traffic measured in Revenue Passenger Kilometres (RPK) increased by 308.6 per cent and the passenger load factor (PLF)

increased by 24.8 percentage points to 67.6 per cent. The distance-based reported traffic figures do not take into account longer routings caused by the airspace closure as they are based on the Great-Circle distance.

In Asian traffic, the number of scheduled passenger flights remained limited because of the pandemic impacts. Moreover, Finnair cancelled multiple flights to and from Asia in March following the Russian airspace closure even though it was

### Revenue bridge by product

€ million



### Revenue by product

EUR million	2022	2021	Change %
Passenger revenue	1,710.7	420.8	306.5
Ancillary revenue	123.2	44.1	179.1
Cargo	352.3	334.7	5.3
Travel services	170.3	38.7	339.9
<b>Total</b>	<b>2,356.6</b>	<b>838.4</b>	<b>181.1</b>





able to continue operating most of the routes by using longer routings. The number of scheduled passenger flights was nevertheless clearly more than in the comparison period as in Q4 2021 travel opened to e.g., Thailand, Singapore and India, and as Finnair commenced flights from Sweden to Thailand which were, however, discontinued at the end of October 2022. Therefore, ASKs grew by 100.6 per cent and RPKs by as much as 484.1 per cent. PLF increased by 41.0 percentage points to 62.4 per cent. As PLF was still weak and capacity clearly lower than pre-pandemic, it resulted in low passenger revenue compared to 2019. Revenue overall was, however, supported by the strong cargo operations.

In addition to the scheduled passenger flights to New York, which were operated from March 2021, Finnair reopened the Chicago and Los Angeles routes in June 2021 and the Miami route was reopened for the winter season 2021/2022. Finnair also commenced direct flights from Stockholm to New York, Los Angeles and Miami during Q4 2021, which were, however, discontinued at the end of October 2022, and from Helsinki to Dallas in March and to Seattle in June 2022. As a result, North Atlantic ASKs in 2022 increased by 65.8 per cent compared to 2019 whereas RPKs increased only 13.7 per cent. On the other hand, ASKs and RPKs increased in 2022 by 195.4 and 460.9 per cent, respectively, year-on-year as no passenger flights to the United States were operated during the first

two months of 2021 and only one weekly return flight to New York was operated between March and May 2021. Even though PLF increased by 27.7 percentage points to 58.5 per cent year-on-year, it remained weak. As in Asia, revenue overall was supported by the strong cargo operations.

ASKs grew by 208.5 per cent in European traffic, as loosened travel restrictions within Europe have had a meaningful and positive effect on demand from late summer 2021 onwards. In addition, Finnair started its cooperation with Qatar Airways during Q4 related to flights from Copenhagen, Stockholm and Helsinki to Doha. The figures for these three daily routes operated by Finnair were reported until the end of 2022 as a part of Europe, but from the beginning of 2023, they will be reported as a part of the new traffic area Middle East. RPKs grew by 251.4 per cent and the PLF by 9.1 percentage points to 74.9 per cent in European traffic.

#### Passenger revenue and traffic data by area, 2022

Traffic area	Passenger revenue			ASK		RPK		PLF	
	2022 EUR mill.	Share %	2021 EUR mill.	2022 Mill. km	2021 Mill. km	2022 Mill. km	2021 Mill. km	%	Change %-p
Asia	425.0	24.8	75.3	8,953.1	4,463.0	5,586.0	956.3	62.4	41.0
North Atlantic	244.3	14.3	38.6	6,743.3	2,282.5	3,946.2	703.5	58.5	27.7
Europe	897.9	52.5	243.6	14,330.1	4,644.7	10,730.2	3,053.8	74.9	9.1
Domestic	128.2	7.5	60.3	1,271.8	704.0	894.4	464.6	70.3	4.3
Unallocated	15.3	0.9	3.0						
<b>Total</b>	<b>1,710.7</b>	<b>100.0</b>	<b>420.8</b>	<b>31,298.4</b>	<b>12,094.2</b>	<b>21,156.8</b>	<b>5,178.2</b>	<b>67.6</b>	<b>24.8</b>

Domestic traffic capacity increased by 80.6 per cent, RPKs by 92.5 per cent and the PLF by 4.3 percentage points to 70.3 per cent.

## Ancillary

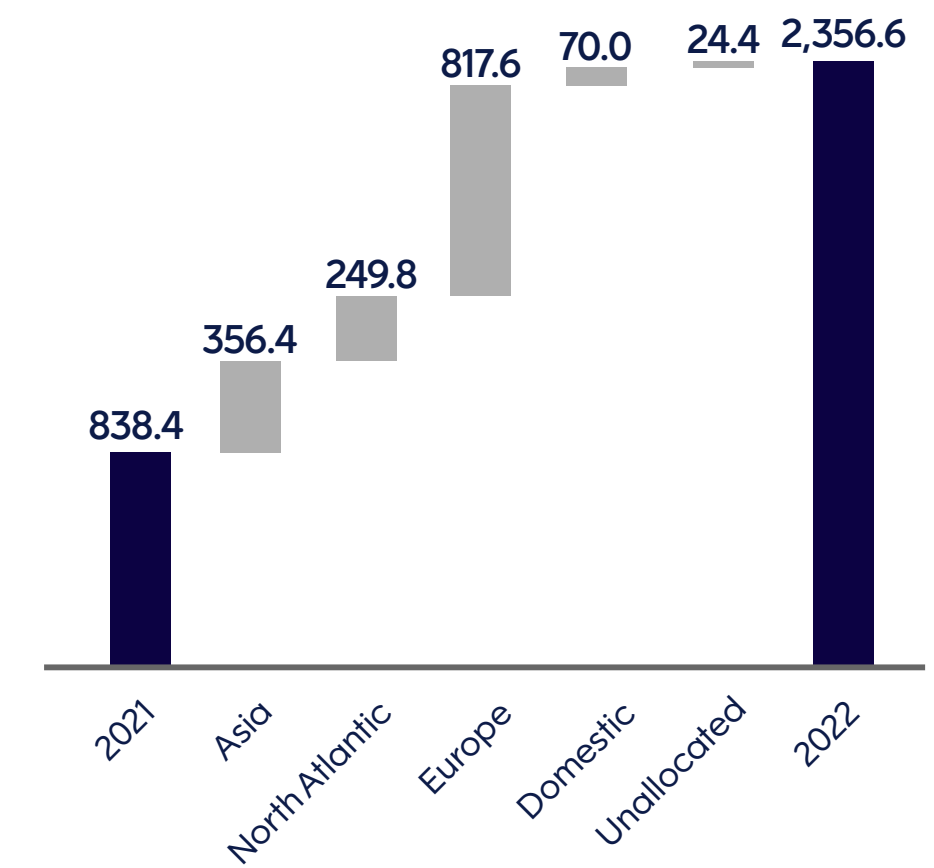
Ancillary revenue, consisting of e.g., various service fees and inflight sales, increased to 123.2 million euros (44.1). Excess baggage, advance seat reservations and frequent flyer programme related revenue were the largest ancillary categories.

## Cargo

Although Finnair operated a lower number of scheduled passenger flights, especially to Asia, compared to the pre-pandemic era, due to the COVID-19 related restrictions as well as the closure of the Russian airspace at the end of February, available scheduled cargo tonne kilometres

#### Revenue bridge by traffic area

€ million







increased by 108.6 per cent year-on-year, whereas revenue scheduled cargo tonne kilometres increased by 67.0 per cent. Cargo-related available tonne kilometres increased by 30.6 per cent, and revenue tonne kilometres increased by 2.2 per cent; both include the cargo-only flights, which were operated mainly between Europe and Asia as well as between Europe and North America. Strong cargo demand continued as total cargo tonnes increased by 16.9 per cent and cargo revenue increased by 5.3 per cent year-on-year and was record high.

## Travel services

In Q1, package holidays' financial development was significantly affected by the COVID-19 pandemic and the related travel restrictions and guidelines. Their impact was already very moderate in Q2 and they were lifted in Europe in Q3, thus, resulting in robust demand during H2. During 2022, both international and domestic package holidays were produced whereas in the comparison period, production consisted mainly of domestic package holidays. Because of this, the total number of Travel Services passengers grew by as much as 291.4 per cent and the load factor in allotment-based capacity was 93.1 per cent. Travel Services revenue increased to 170.3 million euros (38.7).

## Other operating income

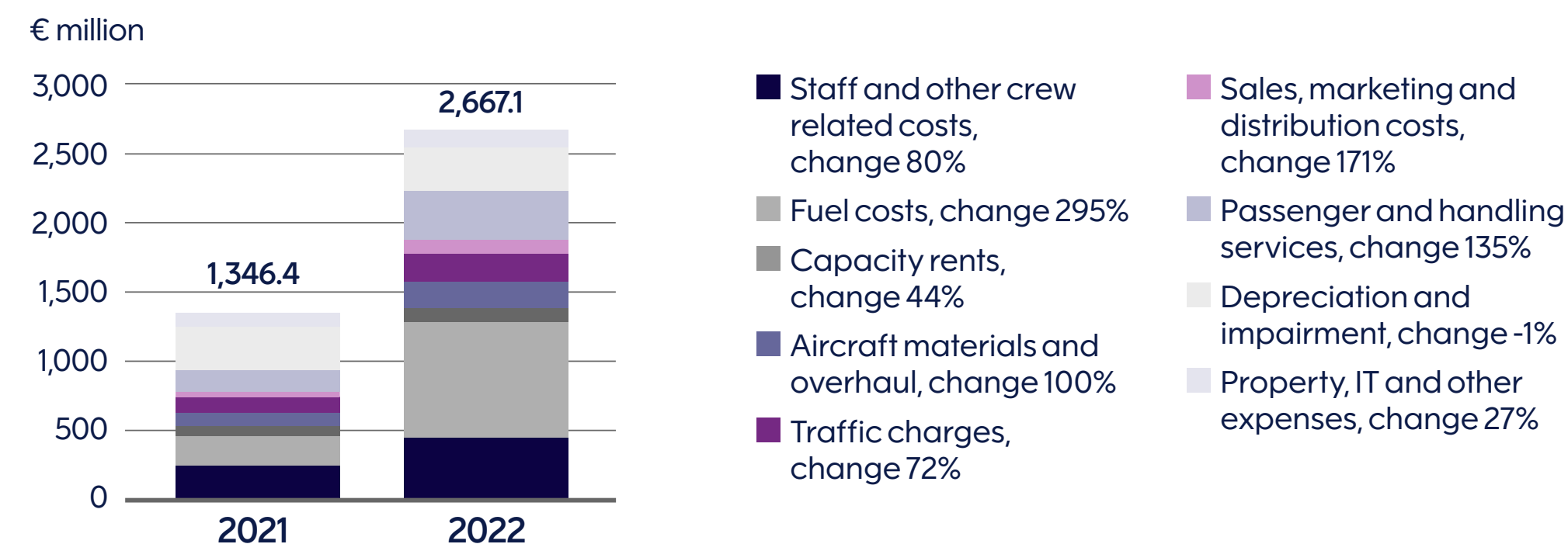
Other operating income increased to 146.7 million euros (39.2) mainly due to income related to the agreed wet leases, which were operated starting from Q2 2022, with Lufthansa-owned Eurowings Discover and British Airways. The wet leases for British Airways ended at the end of Q3 2022 but the ones with Eurowings Discover will continue until the end of current winter season.

## Operating expenses included in comparable EBIT

Finnair's operating expenses, included in the comparable operating result, increased by 98.1 per cent mainly due to the increased capacity, longer Asian routings and the fuel price. Finnair continued its significant cost adjustment initiatives in 2022.

Unit cost (CASK) decreased by 25.5 per cent and totalled 8.05 cents (10.81). CASK excluding fuel decreased by 40.6 per cent. Year-on-year, the unit cost decrease was caused by the increased capacity, the wet lease operations, the smaller number of cargo-only flights that were not generating ASKs, as well as the achieved cost savings. Operating expenses included in the comparable operating result, excluding fuel, increased by 61.3 per cent.

### Operating expenses included in comparable operating result



### Key Figures – Revenue and profitability

			2022	2021	2020	2019	2018
Revenue	EUR mill.		2,356.6	838.4	829.2	3,097.7	2,836.1
change from previous year	%		181.1	1.1	-73.2	9.2	10.4
Comparable operating result	EUR mill.		-163.9	-468.9	-595.3	162.8	218.4
Comparable operating result at constant currency and fuel price*	2018	EUR mill.	236.5	-466.0	-558.9	205.7	218.4
	2019	EUR mill.	210.8	-476.5	-575.5	162.8	
Comparable operating result of revenue	%		-7.0	-55.9	-71.8	5.3	7.7
Operating result	EUR mill.		-200.6	-454.4	-464.5	160.0	256.3
Comparable EBITDA of revenue	%		6.5	-17.8	-30.3	15.8	18.1
Basic and diluted earnings per share (EPS)**	EUR		-0.36	-0.34	-0.51	0.09	0.13
Unit revenue per available seat kilometre (RASK)		cents/ASK	7.53	6.93	6.41	6.56	6.69
RASK at constant currency*	2018	cents/ASK	7.47	6.91	6.40	6.53	6.69
	2019	cents/ASK	7.51	6.99	6.43	6.56	
Unit revenue per revenue passenger kilometre (yield)		cents/RPK	8.09	8.13	6.48	6.44	6.48
Unit cost per available seat kilometre (CASK)		cents/ASK	8.05	10.81	11.01	6.22	6.18
CASK excluding fuel		cents/ASK	5.38	9.06	9.21	4.76	4.81
CASK at constant currency and fuel price*	2018	cents/ASK	6.72	10.76	10.72	6.10	6.18
	2019	cents/ASK	6.84	10.93	10.88	6.22	

\* Key figures at constant currency and fuel price are reported on 2018 and 2019 levels.

\*\* A rights offering was executed between June and July 2020 and, therefore, 2018 and 2019 EPS figures have been restated accordingly.





### Operating expenses included in comparable operating result

EUR million	2022	2021	Change %
Staff and other crew related costs	447.1	248.9	79.7
Fuel costs	836.0	211.4	>200
Capacity rents	102.5	71.3	43.6
Aircraft materials and overhaul	183.6	91.7	100.1
Traffic charges	206.5	120.4	71.6
Sales, marketing and distribution costs	103.1	38.1	170.6
Passenger and handling costs	348.0	148.0	135.2
Property, IT and other expenses	123.3	96.8	27.4
Depreciation and impairment	317.1	319.8	-0.9
<b>Total</b>	<b>2,667.1</b>	<b>1,346.4</b>	<b>98.1</b>

### Result

EUR million	2022	2021	Change %
<b>Comparable EBITDA</b>	<b>153.2</b>	<b>-149.0</b>	<b>&gt;200</b>
Depreciation and impairment	-317.1	-319.8	0.9
<b>Comparable operating result</b>	<b>-163.9</b>	<b>-468.9</b>	<b>65.0</b>
Items affecting comparability	-36.6	14.4	<-200
<b>Operating result</b>	<b>-200.6</b>	<b>-454.4</b>	<b>55.9</b>
Financial income	6.5	12.8	-49.0
Financial expenses	-137.9	-117.8	-17.0
Exchange gains and losses	-38.8	-22.5	-72.7
<b>Result before taxes</b>	<b>-370.7</b>	<b>-581.9</b>	<b>36.3</b>
Income taxes	-105.4	117.6	-189.7
<b>Result for the period</b>	<b>-476.2</b>	<b>-464.3</b>	<b>-2.6</b>

Fuel costs, including hedging results and emissions trading costs, increased mainly due to c. 2.5-fold capacity (measured in ASK), longer Asian routings and a clearly higher fuel market price\*, which had an adverse impact of c. 375 million euros on costs year-on-year. Fuel efficiency (as measured in fuel consumption per ASK) improved by 16.4 per cent due to e.g., relatively fewer cargo-only flights during 2022 that were not generating ASKs. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, decreased by 0.5 per cent year-on-year due to the improved PLF even though Asian routings have been longer since the Russian airspace closure, thus, increasing fuel consumption.

Staff and other crew-related costs increased less than capacity despite longer Asian routings and staff related exceptional costs totalling c. 9 million euros, as the achieved cost savings were visible. Passenger and handling costs (including also tour operation expenses related to e.g., hotels) were driven up by the increased volumes, especially in passenger traffic. Sales, marketing and distribution costs increased due to marketing activities and improved sales intake.

*\* Fuel price impact including impact of currencies and hedging.*

Aircraft materials and overhaul costs went up due to the added capacity and longer Asian routings although updated USD-based discount rates of maintenance reserves had a declining impact. Depreciation and impairment costs remained almost unchanged year-on-year. Traffic charges rose due to the increase in the number of flights and longer routings between Europe and Asia but less than the capacity as e.g., the Russian overflight royalties have not accrued since airspace was closed in February.

Capacity rents, covering purchased traffic from Norra and any wet leases or potential cargo rents, increased from the comparison period, despite renegotiated agreements with Norra in Q2 2021, as capacity increased. Certain exceptional costs had an increasing impact on property, IT and other expenses.

## Result

Even though travel was open within Europe, and more open to the United States as well as certain countries in Asia during 2022, the result was still clearly impacted by the COVID-19 pandemic especially in H1. Further, Finnair was forced to cut routes and frequencies to Asia in March due to the Russian airspace closure, while the remaining flights were rerouted. The rerouted flights were longer, increasing e.g., staff, fuel and navigation





costs. The result was also adversely impacted by the higher price of jet fuel.

As revenue increased more than operating expenses, Finnair's comparable EBITDA and comparable operating result both improved year-on-year and comparable EBITDA turned positive. Comparable EBIT margin was -7.0 per cent (-55.9), when the targeted over the cycle level was above 7.5 per cent during the strategy period of 2020–2025. The targeted level was, however, reassessed during the period due to the impacts of COVID-19 and closed Russian airspace. Finnair's new targeted level is at least 5 per cent starting from mid-2024.

Unrealised changes in foreign currencies relating to fleet overhaul provisions were -8.8 million euros (-11.7) due to the strengthened US dollar. In Q1, the company recognised an impairment totalling 32.7 million euros (none in the comparison period) relating to four owned A330 aircraft as based on the company's estimate, it was unlikely that the shorter-range wide-body fleet would be fully deployed as long as the Russian airspace remains closed. Other items affecting comparability consist of fair value changes of derivatives for which hedge accounting is not applied, sales gains or losses and restructuring costs. These items totalled 4.9 million euros (5.6) during 2022 and related mostly to sales gains from four A321 aircraft. There

were no exceptional changes in defined benefit pension plans (20.6).

The net financial expenses increased from the comparison period during 2022 because of the unrealised exchange losses related to aircraft lease liabilities as the US dollar strengthened and due to increase in financial expenses following the general rise in interest rates. During 2022, the company did not recognise any deferred tax assets based on the loss for the period due to the uncertainty relating to utilisation of the losses in taxation resulting from the closure of Russian airspace. Due to the same reason, the company recognised a deferred tax asset write-down of 117 million euros in Q2 related to previous years' tax losses.





# Financial position and capital expenditure

## Balance sheet

The Group's balance sheet totalled 4,133.0 million euros at the end of December (4,047.1). Despite limited investments, the fleet book value decreased by 51.5 million euros due to the impairment relating to four A330 aircraft as well as depreciation of the fleet. Due to depreciation, the right-of-use fleet decreased by 92.4 million euros. There were no assets held for sale at the end of 2022 (18.7) as four A321 aircraft, held for sale at the end of 2021, were sold during the period.

Receivables related to revenue increased to 134.9 million euros mainly due to improved ticket sales (110.9). Net deferred tax assets declined to 80.6 million euros (191.9) as loss for the period was

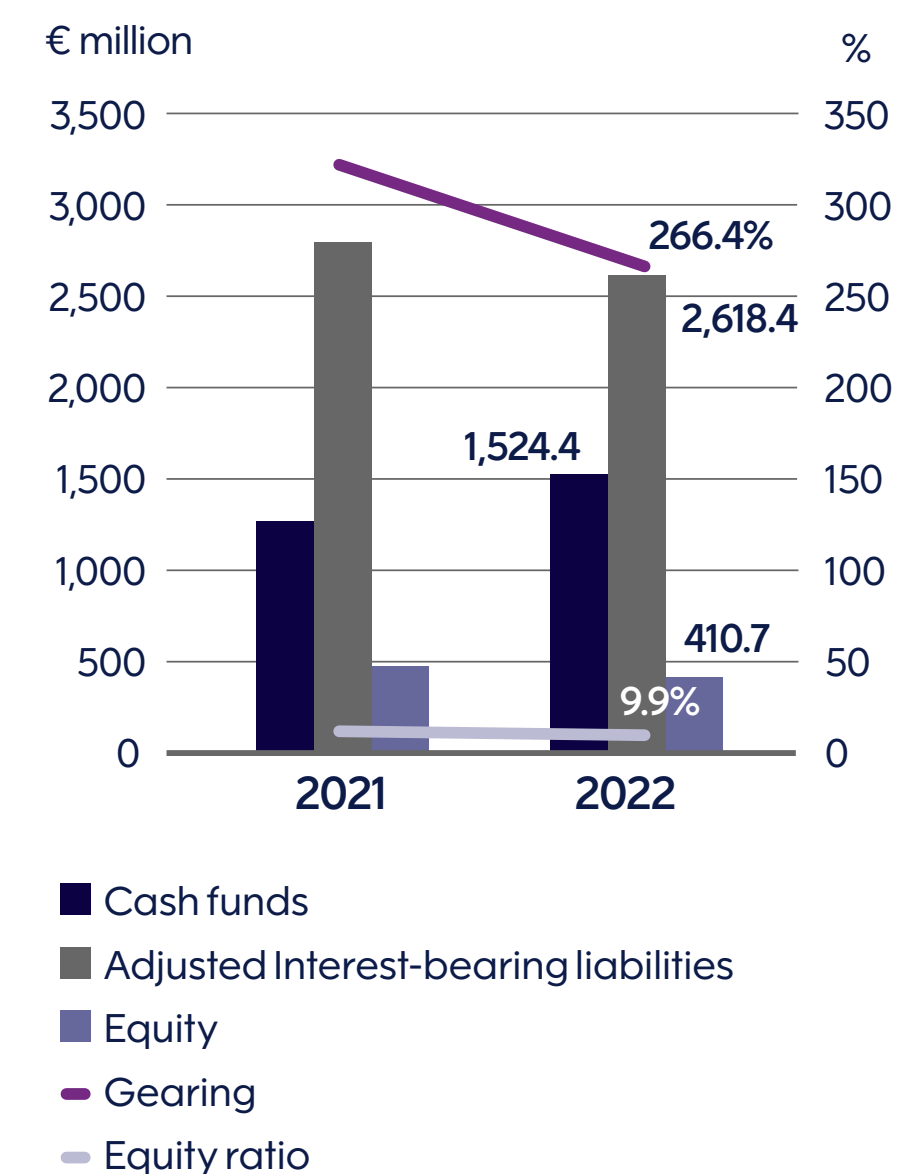
not recognised as a deferred tax asset and as a 117-million-euro write-down was recognised due to the uncertainty related to utilisation of the losses in taxation. The pension assets rose to 120.0 million euros (80.9) mainly due to actuarial gains whereas pension obligations remained unchanged at 0.7 million euros (0.7).

Deferred income and advances received increased to 452.0 million euros (291.1). This was mainly caused by an increase in the unflown ticket liability amounting to 356.4 million euros (202.7) due to clearly improved sales intake.

### Key Figures – Capital structure

		2022	2021	2020	2019	2018
Equity ratio	%	9.9	11.8	24.6	24.9	23.3
Gearing	%	266.4	321.8	153.2	64.3	76.9
Interest-bearing net debt	EUR mill.	1,094.0	1,530.9	1,373.8	621.0	706.7
Interest-bearing net debt / Comparable EBITDA		7.1	-10.3	-5.5	1.3	1.4
Gross capital expenditure	EUR mill.	199.6	434.5	515.9	443.8	474.0
Return on capital employed (ROCE)	%	-6.1	-13.9	-15.2	6.3	9.3

### Gearing







The loss for the period as well as paid hybrid bond interests decreased shareholders' equity, which totalled 410.7 million euros (475.7), or 0.29 euros per share (0.34). Finnair and the State of Finland signed an agreement on an unsecured hybrid loan of up to 400 million euros in 2021. This credit limit could be used in full by Finnair based on the state aid decisions made by the EU Commission in March 2021 and in February 2022. In Q2, the hybrid loan was fully converted to a capital loan to support the parent company's equity position and, at the same time, Finnair made a 290-million-euro drawdown recognised as equity, as the

conditions set in the agreement had been met. Further, Finnair drew down the remaining 110 million euros in Q3. 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 defined benefit plans. The value of the item at the end of December was 42.8 million euros after deferred taxes (16.6). This increase, also improving the equity, was related to actuarial gains from defined benefit pension plans.

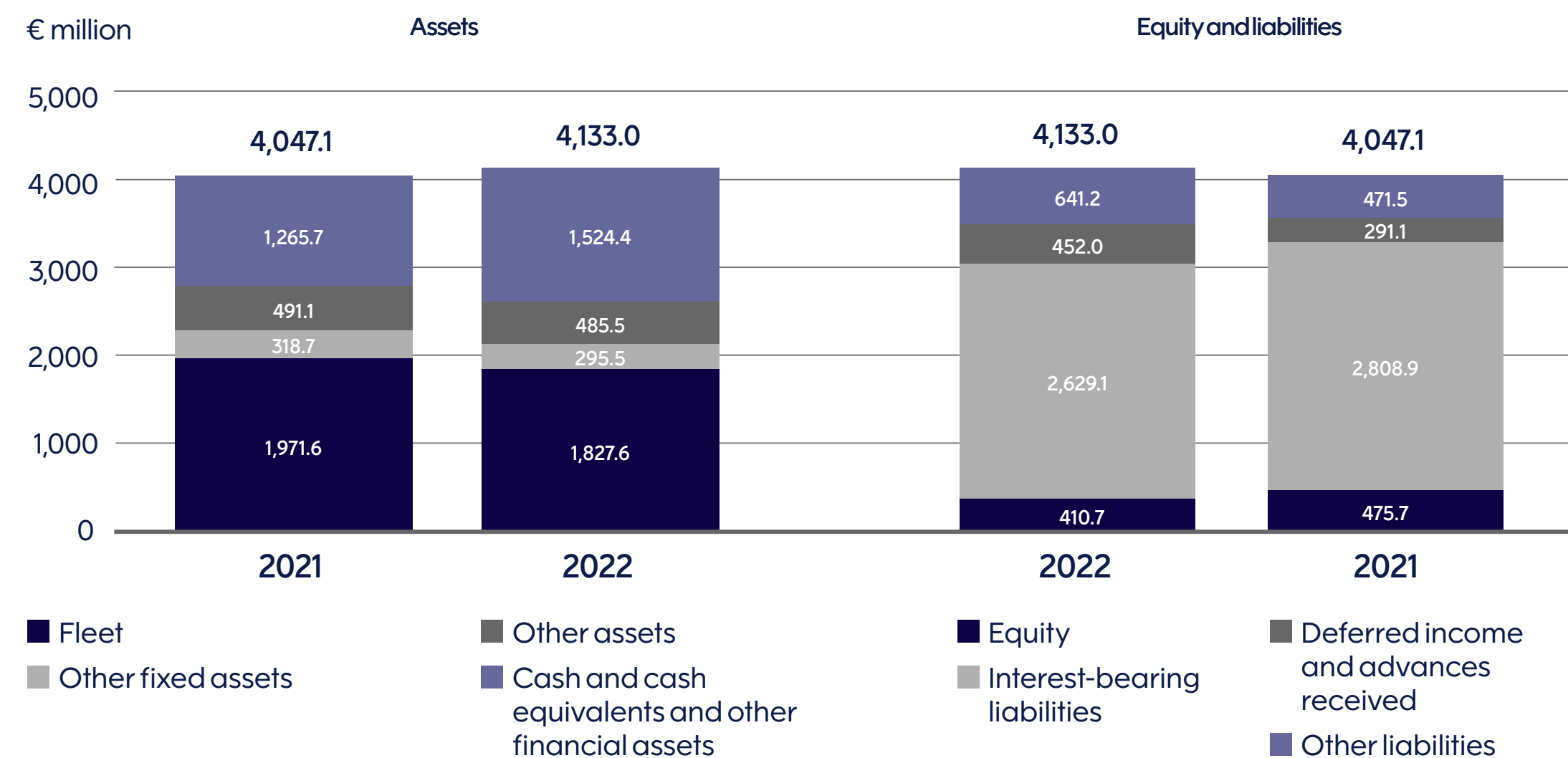
## Cash flow and financial position

During 2022, the impacts of COVID-19 and the Russian airspace closure were visible in net cash flow from operating activities, although it was clearly positive thanks to materially improved ticket sales and positive comparable EBITDA. Net cash flow from investments was negative mainly due to

fleet related investments, despite the divestment of four A321 aircraft. Net cash flow from financing was positive mainly due to the 400-million-euro capital loan drawdown during the period, despite the c. 100-million-euro repayment in Q1 related to the old 200-million-euro unsecured senior bond which matured in March 2022.

The equity ratio on 31 December 2022 decreased from the year-end 2021 mainly due to the negative result for the period, even though the 400-million-euro capital loan and the positive change in the fair value reserve partially alleviated the impact.

### Balance sheet



### Cash flow

EUR million	2022	2021
Net cash flow from operating activities	259.0	-25.3
Net cash flow from investing activities	-75.5	309.6
Net cash flow from financing activities	42.1	73.4

### Capital structure

%	31 Dec 2022	31 Dec 2021
Equity ratio	9.9	11.8
Gearing	266.4	321.8

### Liquidity and net debt

EUR million	31 Dec 2022	31 Dec 2021
Cash funds	1,524.4	1,265.7
Adjusted interest-bearing liabilities	2,618.4	2,796.6
Interest-bearing net debt	1,094.0	1,530.9





Gearing declined on the back of increased cash funds, decline in adjusted interest-bearing liabilities and, thus, lower interest-bearing net debt even though equity weakened.

The company's liquidity remained strong at the end of the period as cash funds totalled 1,524.4 million euros (1,265.7). Liquid funds, which exclude other current financial assets (maturity over three months) compared to cash funds, totalled 1,375.6 million euros (1,150.0).

In addition to the positive net cash flow from operating activities, Finnair Group's cash funds increased mainly due to the 400-million-euro capital loan. To maintain its cash funds, the company agreed in Q4 with other parties of its 600-million-euro pension premium loan to extend the guarantees and the loan maturity until 2025. The repayment schedule was amended so that the company will amortise the loan by 100 million euros every six months starting from June 2023. However, the remaining two 100-million-euro tranches will be paid in full on 15 May 2025. Prior to the

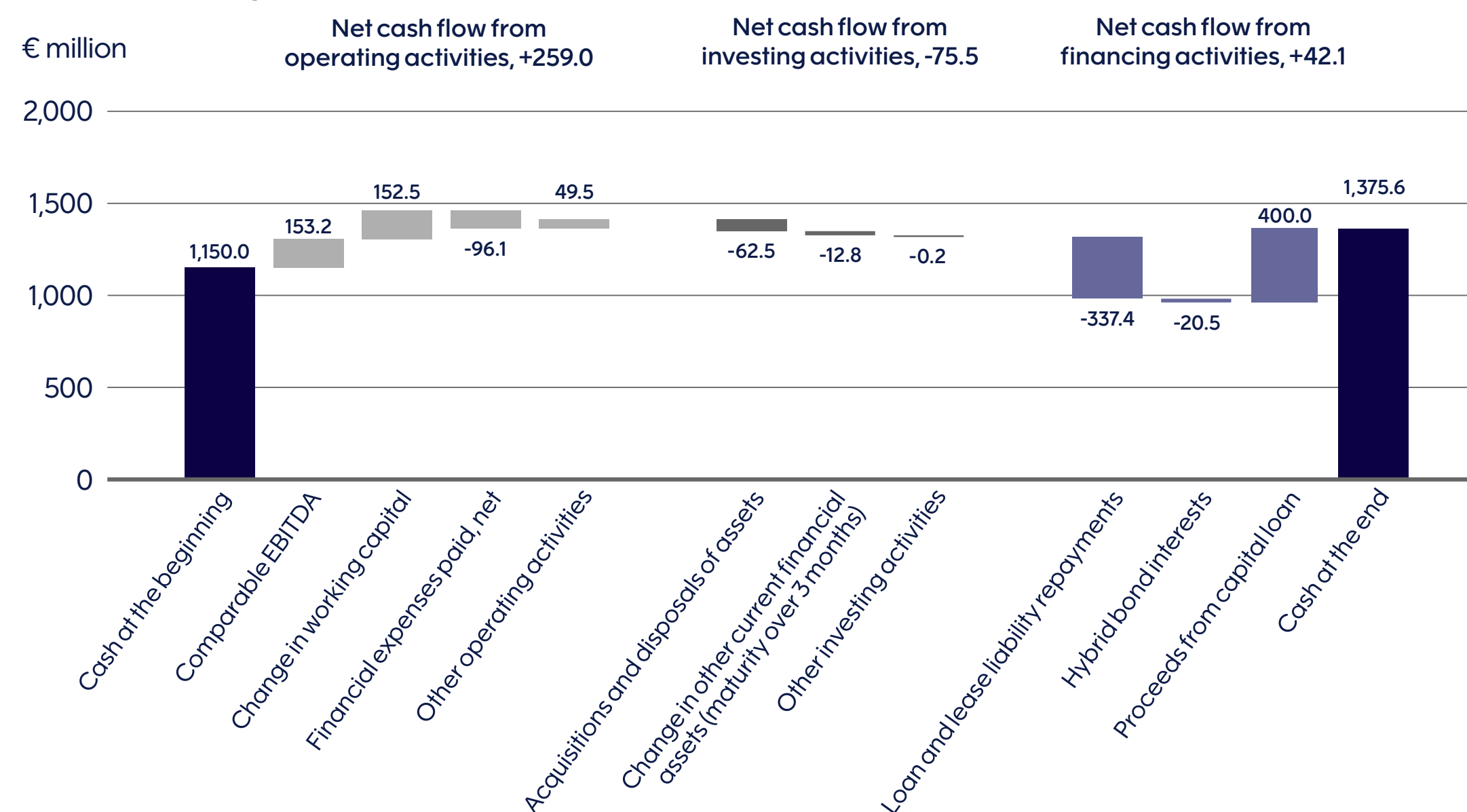
extension, the loan was planned to be repaid in two 300-million-euro tranches in December 2022 and in June 2023. In addition, Finnair has a 200-million-euro short-term, unsecured commercial paper programme, which was unused at the end of December.

Adjusted interest-bearing liabilities decreased from year-end 2021 mainly due to the c. 100-million-euro repayment of the old senior bond. The share of lease liabilities decreased and totalled 1,330.7 million euros (1,381.0).

Cash flow from investments (including only fixed asset investments and advance payments) for the financial year 2023 relates mainly to the fleet and is expected to total -173 million euros. Investment cash flow includes both committed investments as well as estimates for planned, but not yet committed, investments.

The company has 33 unencumbered aircraft, which account for approximately 30.9 per cent of the balance sheet value of the entire fleet of 1,827.6 million euros.\*

### Cash Flow change 2022



## Capital expenditure

Gross capital expenditure, excluding advance payments, totalled 199.6 million euros during 2022 (434.5) and was primarily related to fleet investments.

Cash flow from investments (including fixed asset investments and divestments, sublease payments received, advance payments and change in other non-current assets) totalled -62.7 million euros (377.1).

Change in other current financial assets (maturity over three months) totalled -12.8 million euros (-67.5) also forming a part of the total net cash flow from investments, which amounted to -75.5 million euros (309.6).

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

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

In 2022, earnings per share were -0.36 euros (-0.34). Finnair Plc's distributable equity amounted to -291,913,121.87 euros on 31 December 2022. The Board of Directors proposes to the Annual General Meeting that no dividend be distributed for 2022.

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





# Fleet

## Finnair's operating fleet

Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair Plc. At the end of December, Finnair itself operated 56 aircraft, of which 25 were wide-body and 31 narrow-body aircraft. The average age of the fleet operated by Finnair was 11.6 years.

## Fleet renewal

At the end of December, Finnair had seventeen A350 aircraft, which have been delivered between 2015–2021, and two A350 aircraft on order from Airbus. These aircraft are scheduled to be delivered to Finnair in Q4 2024 and Q1 2025.

Finnair's investment commitments for property, plant and equipment, totalling 366.1 million euros, include the upcoming investments in the wide-body fleet.

## Fleet operated by Norra (purchased traffic)

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

### Fleet operated by Finnair\*

31.12.2022	Seats	#	Change from 31.12.2021	Own**	Leased	Average age 31.12.2022	Ordered
<b>Narrow-body fleet</b>							
Airbus A319	144	6		5	1	21.1	
Airbus A320	174	10		8	2	20.4	
Airbus A321	209	15	-4	0	15	8.4	
<b>Wide-body fleet</b>							
Airbus A330	289/263	8		4	4	13.2	
Airbus A350	297/336	17		5	12	5.1	2
<b>Total</b>		<b>56</b>	<b>-4</b>	<b>22</b>	<b>34</b>	<b>11.6</b>	<b>2</b>

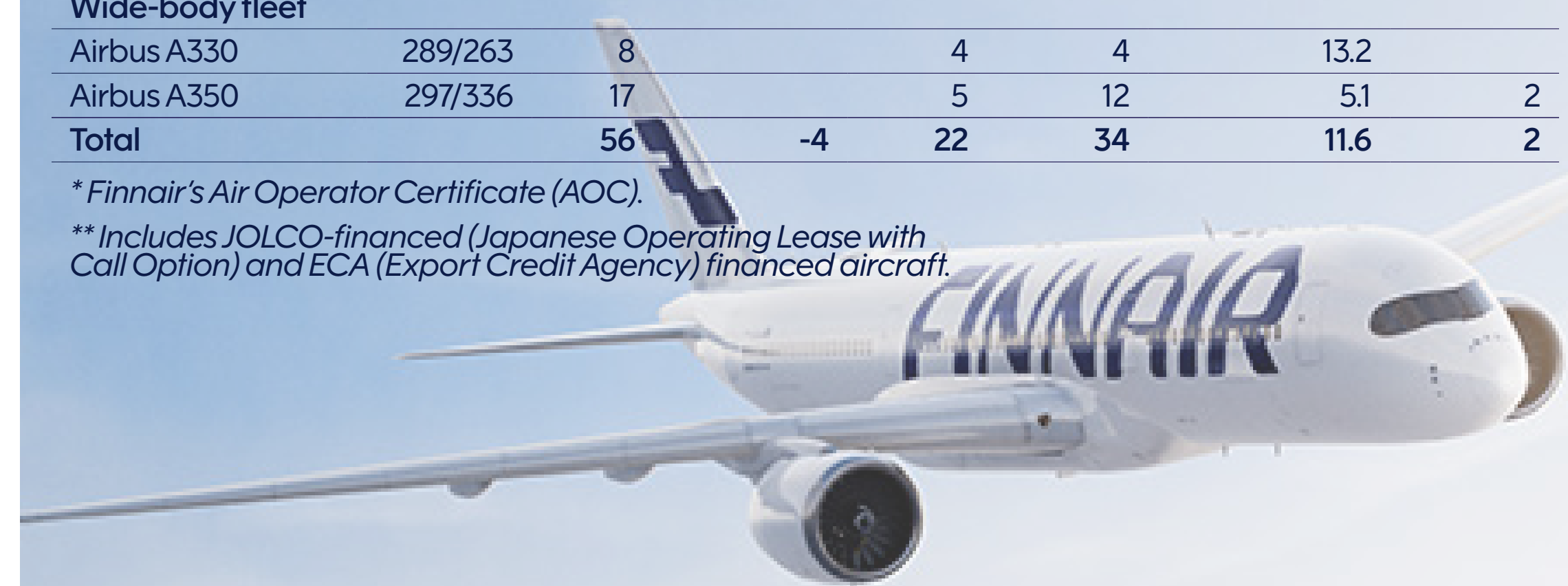
\* Finnair's Air Operator Certificate (AOC).

\*\* Includes JOLCO-financed (Japanese Operating Lease with Call Option) and ECA (Export Credit Agency) financed aircraft.

### Fleet operated by Norra\*

31.12.2022	Seats	#	Change from 31.12.2021	Own	Leased	Average age 31.12.2022	Ordered
ATR	68–70	12		6	6	13.4	
Embraer E190	100	12		9	3	14.5	
<b>Total</b>		<b>24</b>	<b>0</b>	<b>15</b>	<b>9</b>	<b>14.0</b>	

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







# Strategy implementation

Finnair renewed its strategy to 2025 in September due to the impacts of the pandemic and closed Russian airspace. The new strategy aims to restore profitability and build a competitive airline regardless of Russian airspace. It includes four main themes, which are a more balanced network and fleet optimization, strengthening unit revenues, reducing unit costs and sustainability.

The new strategy focuses on reaching the pre-pandemic comparable EBIT level of at least 5% from mid-2024. The key actions to achieve this include:

- A geographically more balanced network connecting Europe to Asia, India and the Middle East, and North America via Finnair's home hub Helsinki.
- Optimisation of the fleet to meet the needs of the future network.

- Further leveraging various partnerships, most notably the **oneworld** alliance and joint businesses, to strengthen distribution, network reach and product offering. Significantly strengthening unit revenues through enhanced digital offering, competitive products and customer choice.
- Significantly reducing unit costs from the 2019 level to be competitive in all markets.
- Building a sustainable balance sheet that allows the company to invest in the future.
- Being among the sustainability leaders in the aviation industry.

## More balanced network and fleet optimization

Due to the closure of Russian airspace, Finnair lost the unique advantage of Finland's geography, as flying around Russia lengthens the routings

between Finnair's home airport and the mega cities in Japan, South Korea and China by 15–40 per cent, depending on the destination. With its new strategy, Finnair is therefore placing more emphasis on the West, the Middle East and India in its network. Despite the longer routings, however, the company continues to serve key Asian markets, focusing on the most profitable cities. With the new strategy, the European network and traffic structure is optimised to increase efficiency, because the transfer traffic via Helsinki between Asia and Europe, which was the basis of the previous strategy, will decrease.

The new strategy also emphasises the utilisation of joint businesses with airline partnerships (Atlantic Joint Business or AJB, Siberian Joint Business or SJB and joint business with Juneyao Air). This highlights the role of **oneworld** partners such as American Airlines and Alaska Airlines in North America, Qatar Airways in the Middle East and Japan Airlines on routes to Japan. The North

American partners provide their extensive network to Finnair's customers and, on the other hand, significantly strengthen Finnair's distribution power in North America. In Q4, Finnair commenced its strategic cooperation with Qatar Airways that comprises daily flights from Helsinki, Copenhagen and Stockholm to Qatar Airways' home airport in Doha. Qatar Airways purchases a fixed share of the passenger and cargo capacity of these flights operated by Finnair.

With the new strategy, the company aims to optimise its fleet to meet the needs of the future network. Due to the closure of Russian airspace, Finnair concluded e.g., wet lease agreements, thus, utilising some of its excess capacity. As the company has stated, it will postpone the narrow-body fleet renewal investment by some years as it concentrates on optimising the life of its current fleet.





## Strengthening unit revenues

In order to strengthen its unit revenues, Finnair has three goals: to offer its customers the best digital experience for sales and services by improving the ease of use, to improve customer engagement by increasing the share of direct distribution channels and through more efficient distribution, and to offer competitive products and options to customers enabling upselling and cross-selling. With the help of these goals, Finnair also aims for even better customer satisfaction.

Product and service quality are still differentiating factors for Finnair, and operative quality plays an important role in this. Finnair's long-haul traffic emphasises a high-quality, differentiating travel experience, while smoothness, simplicity and efficiency are key to intra-European traffic. In February, Finnair revealed the new long-haul

experience that covers all Finnair's wide-body aircraft and, as a result, business and economy classes are refurbished, and a completely new premium economy class was introduced. In 2022, the renewed cabin won many awards and has received very positive feedback from customers, which has contributed to customer satisfaction. Another contributing factor was Finnair's on-time performance that was 79.0 per cent (82.3), despite various capacity challenges in the European aviation system, and one of the best in Europe. As an indication of Finnair's strong customer satisfaction, the company was selected as the best airline in Northern Europe for the 12th consecutive time in the Skytrax customer survey. Finnair's customers also awarded Finnair five stars in the Airline Passenger Experience Association (APEX) airline evaluation. The Net Promoter Score (NPS) measuring customer satisfaction was at a good level of 40 (38).

### Key Figures – Strengthening unit revenues

		2022	2021	2020	2019	2018
Net Promoter Score		40	38	48	38	47
Share of digital direct ticket sales*	%	44.0	51.0	40.7	25.9	23.9
Average number of monthly visitors at finnair.com**	mill.	2.3	1.1	1.1	2.0	1.9
Active users for Finnair mobile app	1,000	711.0	326.0	187.3	332.6	265.5
Ancillary revenue	EUR mill.	123.2	44.1	62.3	176.2	160.8

\* In Finnair's own digital channels only.

The role of digital services, which is already key for Finnair, is further increasing. The average monthly number of unique Finnair's website visitors exceeded the pre-pandemic level in 2022 (in 2019, c. 2.0 million) and the comparison period figure as it totalled 2.3 million (1.1). The number of active users of the Finnair mobile application increased by 118.1 per cent to 711,000 year-on-year. Direct sales in Finnair's digital channels fell to 44.0 per cent (51.0) while total sales clearly increased. During the year, Finnair continued to introduce new distribution technologies and e.g., signed an agreement with Amadeus to bring NDC (new distribution capability) content to travel agency customers. With the help of this, the reach of Finnair's offers is expanded.

## Reducing unit costs

Due to the closure of Russian airspace, profitable operations require a lower cost base than before, which is emphasised in Finnair's new strategy. The company's goal is to significantly reduce unit costs from the 2019 level. This goal includes the permanent cost savings of c. 200 million euros reached during the pandemic.

Considering the better-than-expected market development and strong cost inflation, Finnair expects that the strengthening of unit revenues will play a bigger role than previously expected in achieving the targets. At the same time, Finnair

continues to strongly control and cut costs in all operations. Additional savings are sought from, among other things, fleet costs, personnel costs, supplier contracts and office space, as well as structural changes. Negotiations with the personnel on changes to the terms of employment are progressing and the company has reached negotiation results with several personnel groups. Finnair is also evaluating other actions, such as potential outsourcing of certain operational activities. In addition, during the period, the company completed discussions with its employees to streamline the company's structures to match Finnair's future size. As a result, Finnair reduced c. 150 jobs globally. After the period, Finnair reached a negotiation result with its Finland-based cabin crew. The result will still proceed to an administrative handling.

## Sustainability

Sustainability is an integral part of all of Finnair's operations, but in its Sustainability Strategy, the company focuses on its Purpose and Environment. The company's ambitious sustainability targets remained unchanged when the strategy was renewed. Finnair's long-term goal is carbon neutrality by 2045, with a 50 per cent reduction in net emission by the end of 2025 from the 2019 level. Part of the goal is achieved by flying less than in 2019. Key measures also include improving the fuel efficiency of Finnair's fleet, increasing the





use of sustainable aviation fuels and emission compensation.

During 2022, Finnair signed a commitment to set a science-based target (SBT) for reducing carbon dioxide emissions in accordance with the Paris Climate Agreement. The company must set this target in 2024 at the latest.

In 2021, the **oneworld** Alliance set a common goal of achieving a 10% level of SAF refuelling by 2030, well above the suggested 5% EU target. As a first concrete step, members of the alliance, inclusive of Finnair, signed long-term commitments with two fuel producers, Aemetis and Gevo, in 2022. Fuels will be delivered from Aemetis from 2025 and from Gevo from 2027 onwards. Finnair has earlier partnered with Neste in Finland to increase to use of SAF.

During the year, Finnair also reintroduced the opportunity for its customers to compensate emissions from their flights by combining certified emission offset projects and SAF. The service can be used to calculate flight emissions and offset a flight's carbon footprint by seamlessly combining SAF and offset projects.

Social responsibility is also a key component of the company's sustainability work, and its importance will only grow in the future. As a part of this, the company supports those employees' well-being

and re-employment who are subject to reductions in connection with the change negotiations. The company has also supported Ukraine by donating blankets and supplies through aid organisations as well as by giving the Ukrainians a 95 per cent discount on a one-way ticket on routes that were important for those leaving the country due to the war.

## People

Genuine collaboration, target-oriented leadership and utilising new working methods such as lean and agile are important tools when implementing the strategy. These measures are emphasised in Finnair's people plan. The number of employees has decreased during the pandemic and a need for further reductions has continued because of the impacts of closed Russian airspace. Therefore, new, more effective ways of working as well as extensive and cross-organisational collaboration are necessary.

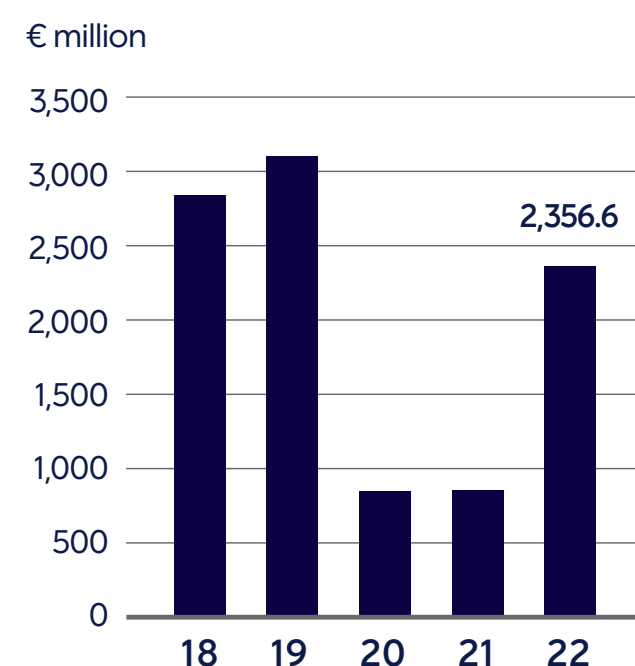




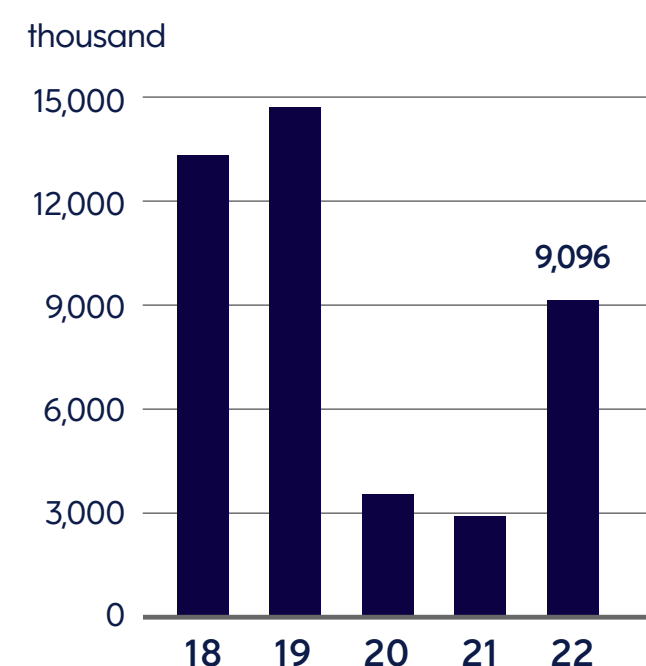


# Financial performance 2018–2022

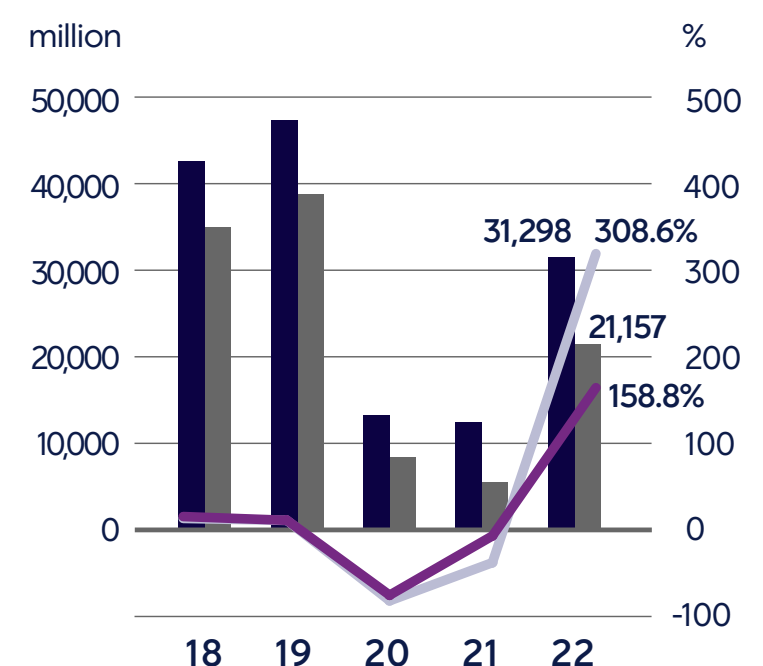
## Revenue



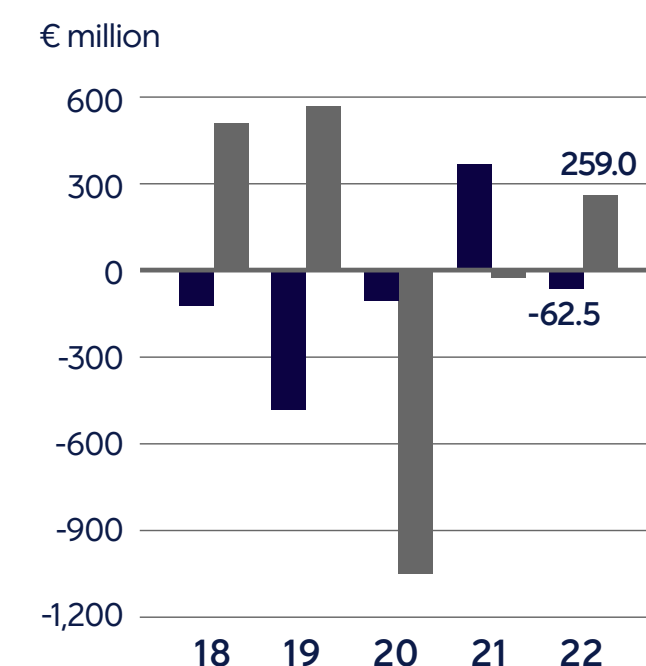
## Number of passengers



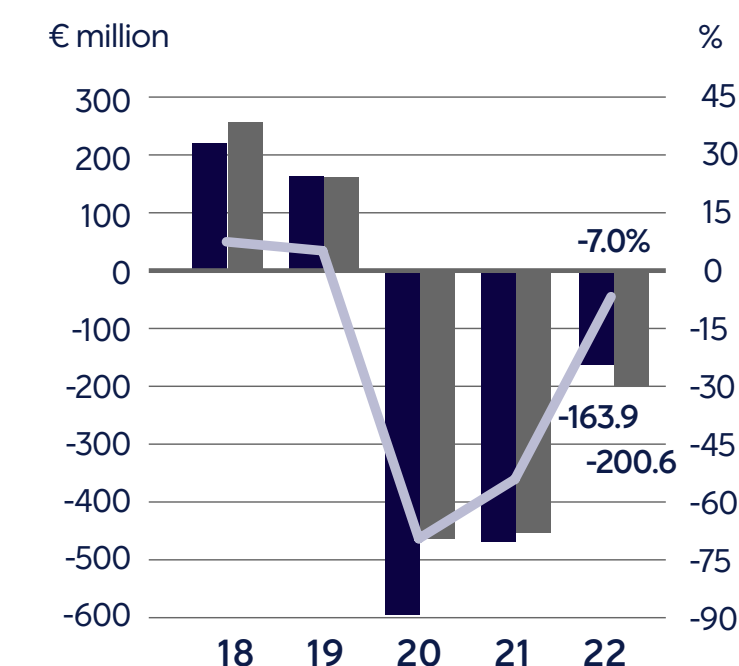
## Available seat kilometres (ASK) and revenue passenger kilometres (RPK)



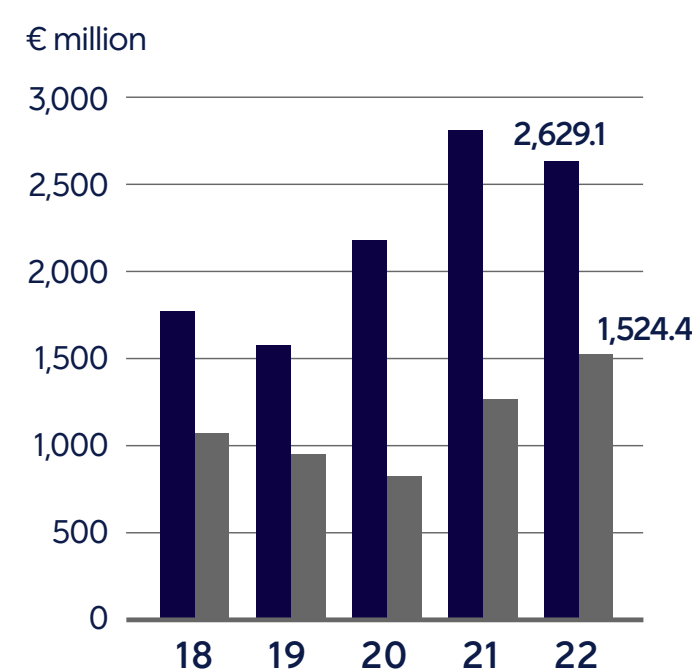
## Cash flow of investments and net cash flow from operations



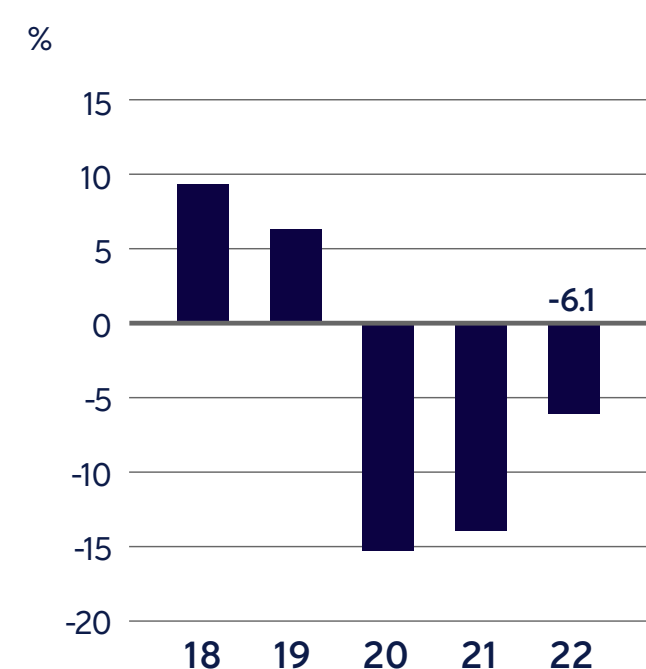
## Comparable operating result and operating result



## Interest-bearing liabilities and cash funds



## Return on capital employed (ROCE)



■ Interest-bearing liabilities  
■ Cash funds

■ Available seat kilometres (ASK)  
■ Revenue passenger kilometres (RPK)  
— Available seat kilometres (ASK), % change  
— Revenue passenger kilometres (RPK), % change

■ Investment cash flow\*  
■ Net cash flow from operations  
\* Including investments and divestments of fixed assets and group shares.

■ Comparable operating result\*  
■ Operating result  
— Comparable operating result\*, % of revenue  
Financial target: The target level of comparable operating result percentage of revenue for the strategy period is at least 5% starting from mid-2024.  
\* Comparable operating result excluding unrealised changes in foreign currencies of fleet overhaul provision, fair value changes of derivatives where hedge accounting is not applied, sales gains and losses on aircraft and other transactions, impairment on A330 aircraft, exceptional changes in defined benefit pension plans and restructuring costs.





# Non-financial performance in 2022

Finnair is committed to continuously and systematically developing its operations in every aspect of sustainability. The company aims to be one of the most sustainable airlines in the world. To achieve this, the company must perform visible and effective acts of social and environmental sustainability, as well as cooperate closely with its partners and its entire supply chain.

The company's most significant non-financial measures are aimed at managing the impacts of climate change and the local environmental impacts (such as aircraft noise) and delivering on the social responsibility of flying. In addition to these major sustainability themes, Finnair's priorities in 2022 have been related to improving the accessibility and material efficiency of its services, ensuring the personnel's competencies and well-being, and deepening the assessment of double materiality. Leading and developing a sustainable business requires a two-way understanding of the company's impact on the environment and the environment's impact on the company.

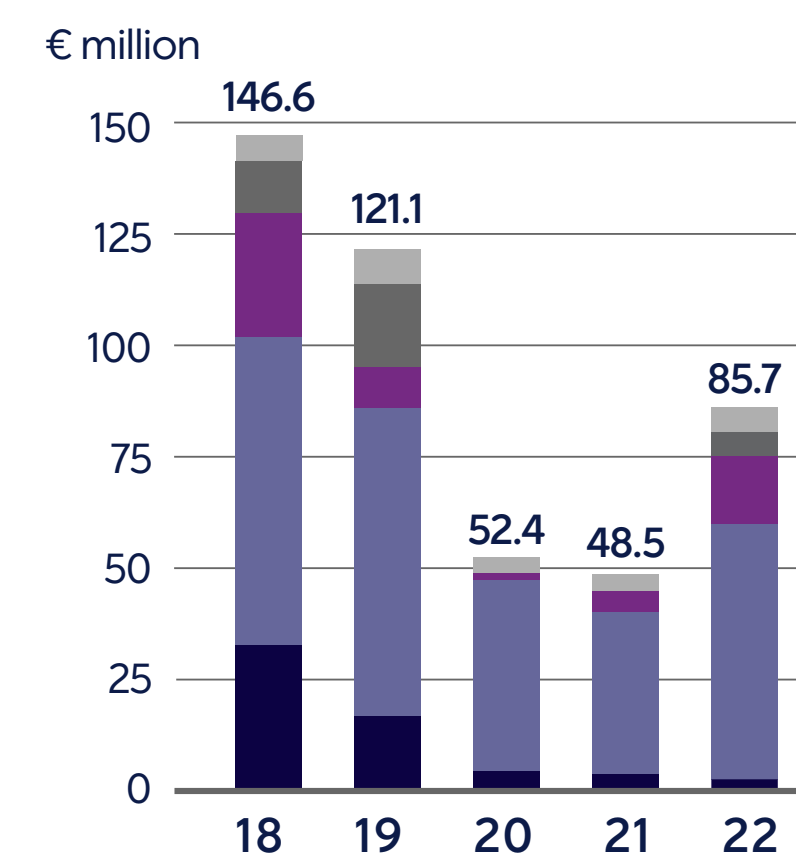
The biggest risks facing Finnair in this area are related to the ongoing transition to a green economy and the effects of the company's profitability strategy. In the European Union, there will be legislative reforms in the near future (namely the Fit for 55 package) which will increase the airline's costs and may cause a competitive advantage for operators outside the EU. Finnair has had continuous and open discussions with both legislators and other stakeholders about the appropriate timing and magnitude of the changes in the legislation. In the next few years, Finnair will be a smaller airline than it was before the pandemic. The change to a smaller airline can be reflected in the company's desirability as an employer, and therefore investments will be made in the retention, availability and development of competent and motivated personnel.

Finnair's ambitious goal of being a carbon-neutral airline in 2045 requires common actions now. Finnair follows closely and participates, whenever possible, in the development of new technologies. The company's goal is to significantly increase

the use of affordable sustainable aviation fuels in its fleet in the 2020s. Supporting this goal, in the beginning of year 2022, Finnair joined the **oneworld** Alliance's common goal of achieving a 10 per cent level in SAF (Sustainable Aviation Fuels) uptake by 2030. Finnair closely monitors the development of both legacy and revolutionary aircraft technologies and prepares for on-time fleet investments. The company's current estimate is that revolutionary aircraft flying on green energy (either hydrogen or electricity) may enter the wider market after the mid-2030s.

In 2022, Finnair continued adaptations and financing measures related to the two crises; COVID-19 pandemic and the war in Ukraine war. The negative impact of the pandemic in Asia traffic continued throughout the year, and was intensified by the closure of Russian airspace. Even though the impacts of the pandemic on Finnair's operations have partially eased, the consequences of the war in Ukraine war hit the company's route structure hard, and thus the operative environment differs significantly from the previous years for a third

## Paid taxes and other environmental costs



- Direct taxes payable
- Indirect taxes collected
- Flight ticket taxes
- EU ETS costs
- Other environmentally related costs

Other environmentally based costs include Noise and emissions charges.





## Our responsibility is to develop sustainable travelling towards carbon neutral flying.

consecutive year. Therefore, it can be stated that the year 2022 still shows unusual figures in both financial and non-financial performance.

Direct and indirect taxes paid during 2022 remained relatively low due to reduced operations and the negative result. Other performance-based payments, such as environmental charges, also remained low.

## Human Rights, Bribery and Anti-Corruption

Finnair is committed to complying with international and national legislation in its operations and the ethical business principles laid out in its Code of Conduct and supports the Sustainable Development Goals (SDG) set by The United Nations General Assembly.

The Code of Conduct applies to all Finnair personnel and all locations. Further, Finnair's Supplier Code of Conduct provide clear principles to ensure for example ethical purchasing and zero-tolerance for corruption. The company requires that its suppliers comply with ethical standards that are essentially similar to those with which Finnair complies with in its own operations. Finnair is working to further integrate sustainability and ethical business conduct into all business processes. Finnair's Code of Conduct includes an anti-corruption section; the receiving and giving of

bribes is strictly prohibited. Preventing corruption is everyone's responsibility at Finnair, including the heads of business operations, compliance function and the internal audit.

Finnair respects the UN Universal Declaration on Human Rights and the core conventions of the International Labour Organisation (ILO). The company has signed the United Nation's Global Compact initiative and as required by the Global Compact's ten principles, the company aims to prevent any violations of human rights and the use of forced or child labour both within its own operations and its supply chain.

Finnair's own operational activities are not associated with significant direct human rights risks or impacts. However, there may be indirect risks and consequences associated with the service, supply chain and outsourced operations. The company's versatile supply chain is built around its route network. It includes suppliers and service providers who are specializing in airlines and subject to international aviation regulations, as well as operators who ensure and enable the safety of Finnair's core business.

Suspected human trafficking is a real concern in aviation, and it is a topic that Finnair is increasingly focusing on. Finnair has signed IATA's resolution against modern slavery and human trafficking. The company works closely with governments and the

airports it operates from to ensure that all trafficking incidents on its flights are reported and dealt with appropriately. The crew has been given specific instructions on the procedures to be followed in cases where human trafficking is suspected. Finnair has made IATA's human trafficking online training package mandatory for all crew members and ground agents. Finnair is committed to increasing its personnel's awareness of this issue.

Finnair has a Whistleblowing line called Finnair Ethics Helpline in use, through which both our employees and partners can report on concerns related to ethical business principles. During 2022, no material incident of material misconduct was reported through the Finnair Ethics Helpline nor were there any such investigations ongoing in the company.

In 2022, Finnair supported Ukrainians by offering them a 95 per cent discount on flights from Warsaw, Krakow, Budapest and Prague to Helsinki.

## Customers, employees, and other stakeholders

Equality and non-discrimination are part of Finnair's basic principles, and the company is striving to ensure accessibility for people with disabilities. The company is constantly improving the customer experience of its services and applying relevant accessibility standards in practice.



Finnair’s overall customer satisfaction, measured by the Net Promoter Score (NPS), increased slightly compared to previous year and was 40 (38), while the number of customers increased, and the war in Ukraine heavily impacted the operating environment in 2022. This shows that customers were satisfied with the service we provided, even in changing circumstances.

During 2022, Finnair introduced new award-winning elevated long-haul experience and invested in a digital customer experience. During the first half of the year, customers started to travel again, as most national Covid restrictions were lifted. To meet the growing demand for customer service, Finnair increased the resourcing of its customer service operations and ramped up the overall ecosystem of the route network to ensure the reliability and quality of the growing operations.

The well-being of Finnair’s employees and customers is equally important to the company. Finnair takes good care of its employees by investing in their health and safety, as well as by providing learning and training opportunities and promoting equality, non-discrimination, and diversity. At Finnair, diversity is seen as a driver for performance.

Finnair employed an average of 5,336 (5,614) people in 2022, which is 4.9 per cent less than

in the previous year. The number of employees decreased during 2022 by 95 or 1.8 per cent, totalling 5,230 at the end of December (5,325). During 2022, the staff turnover rate was 7.3 per cent (6.8). The increase in staff turnover was still due to continuous layoffs and the prolonged low level of activity caused by the pandemic. During 2022, the average number of people at work was 4,492.

Due to the impacts of the pandemic and the war in Ukraine on employment, Finnair has especially invested in social responsibility by supporting employees who were either made redundant or furloughed. The company has an ongoing NEXT programme designed to individually support those who lost their jobs in finding new work. The programme consists of, among other things, a personal plan for moving forward in career, a wide range of training, career coaching, services supporting change management and well-being, and support of the Employment and Economic Development Office of Finland.

Full-time staff accounted for 87 per cent (91) of Finnair employees in 2022, and 97 per cent (99) of staff were employed on a permanent basis. The average age of employees was 43 years (42). Of the personnel, 33 per cent (33) were over 50 years of age, while 13 per cent (13) were under 30 years of age. At the end of 2022, 56 per cent (57) of Finnair’s employees were women and 44 per cent (43) were men. Three (three) out of the eight members of

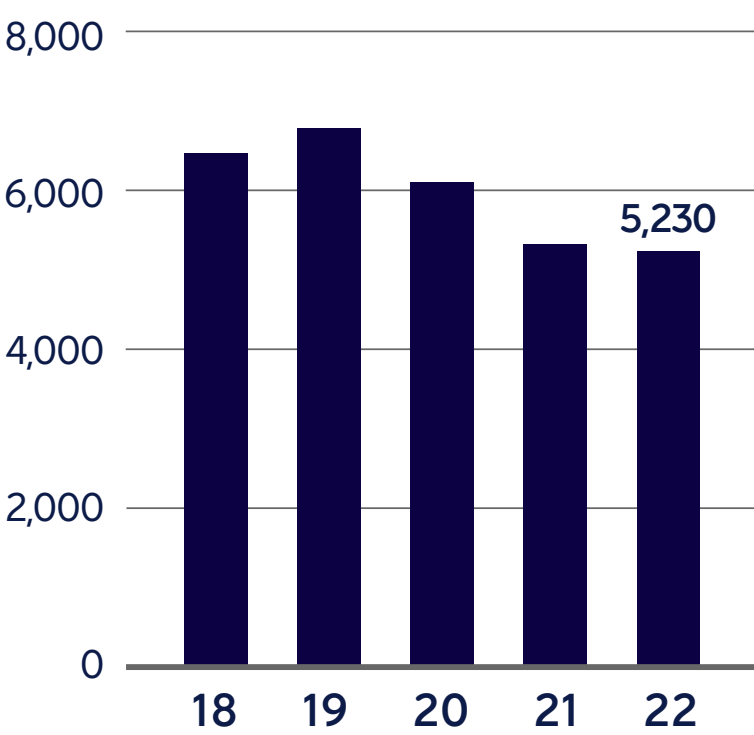
Finnair’s Board of Directors are women. Finnair does not maintain statistics based on ethnicity.

LTIF (Lost Time Incident Frequency), which measures the frequency of accidents at the company level, increased when compared to previous year being 6.8 (5.6). The number of absences due to illness was higher than in the comparison period and was 5.4 per cent (2.3). It was still strongly affected by COVID-19 and the fact that there were more employees at work than in 2021.

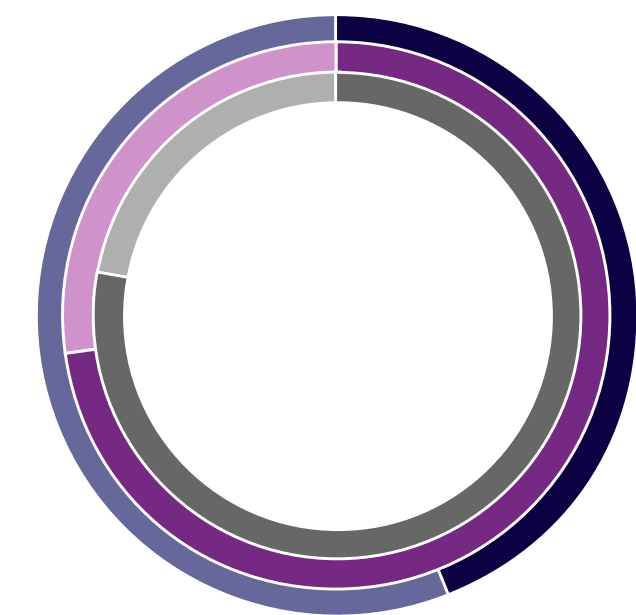
Finnair values good co-operation with labour unions representing its various employee groups. In 2022, the following collective agreements were negotiated:

- An agreement between Palta and Transport Workers’ Union AKT representing Finnair’s cabin crew. The agreement is valid until the end of January 2024.
- An agreement between Service Sector Employers Palta Trade Union Pro concerning technical aviation employees and aviation employees. The agreement is valid until the end of January 2025.
- An agreement between Finnair Plc and Finnairin Insinöörit ja ylemmät FINTO ry concerning Finnair Plc:s upper white-collar employees. The agreement is valid until the end of February 2025.

Number of persons employed by Finnair at year-end



The diversity of the Personnel: Gender



Men:	Women:
Employees 44%	Employees 56%
Leaders/Managers 73%	Leaders/Managers 27%
Executive Board 78%	Executive Board 22%



In addition, the following previously negotiated collective agreements are valid:

- An agreement between Palta and Finnish Aviation Union IAU concerning blue collar employees in Finnair’s Helsinki Airport customer and ground service, cargo and technical services was negotiated in 2020. The agreement is valid until 15 March 2023.
- An agreement between Palta and Workers’ Union AKT concerning travel agencies (Suntours) was negotiated in 2021 and will expire on 30 April 2023.
- An agreement between Palta and Finnish Air Line Pilots’ Association concerning Finnair Plc’s Finnish pilots was negotiated in 2021 and it is valid until the end of September 2024.

## Supply chain

The sustainability of the supply chain is very important in Finnair’s operations, as Finnair increasingly uses partners and service providers to maintain and expand its international route network. The supply chain directly related to flight operations must operate according to international aviation regulations, and these suppliers are strictly monitored. For example, international aviation safety regulations require that all airport employees must be registered and must always carry an official ID card with them. This creates a secure basis for activities directly related to flight

operations not being subject to a significant risk of forced labor or children’s rights.

During 2022, Finnair sent a survey to all its key suppliers, in which it mapped the level of the suppliers’ environmental work. Based on the analysis of the survey responses and the company’s own materiality assessment, Finnair will prepare an action plan that aims to reduce the environmental impact of Finnair’s supply chain.

## Environmental Performance

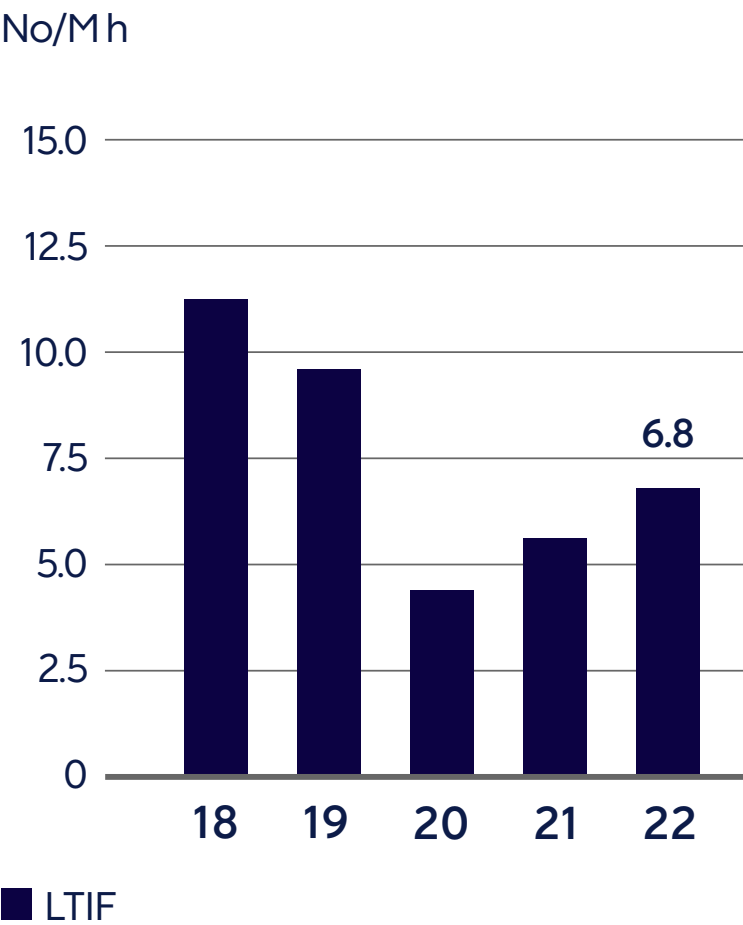
The three major global environmental challenges; climate change, biodiversity loss, and the transition to a circular economy, are interlinked. Addressing these challenges requires our common attention and actions. Finnair has set its own goals for all three of these challenges and urges all its stakeholders to work together to achieve these goals. Finnair aims to fly carbon-neutral in 2045, and already by the end of 2025 it intends to halve its Scope 1 and 2 CO<sub>2</sub> emission net balance compared to the 2019 level. In addition, the company shall enforce the circular economy principals and pollution prevention hierarchy in its operations by the end of 2025. Finnair has zero tolerance for illegal wildlife trading and is a United for Wildlife-certified airline. The company only uses sustainable aviation fuels (SAF) that are sustainably produced and certified.

In 2022, Finnair continued its wide range of emission reduction activities. At the beginning of the year, Finnair started cooperation with a climate company Chooose to offer a compensation service where everyone can participate in reducing global CO<sub>2</sub> emissions by supporting renewable fuel and climate projects. During 2022, approximately 10 per cent of our customers’ compensation money went to SAF and 90 per cent to climate projects. In total, Finnair customers offset about 3,400 tons of carbon dioxide, which corresponds to 0.15 per cent of the company’s total flying emissions, or about 520 Helsinki–Oulu flights. We are also grateful to our business customers who participated in the air industry’s common long-term goal of making flying carbon neutral. In 2022, business travellers compensated for their travel by buying 629 tons of renewable aviation fuel for Finnair’s planes. With this cooperation, 1,809 tons of CO<sub>2</sub> emissions from flying were reduced. Finnair also compensates for the business trip flights of its own staff from 2022 with climate projects. In 2022, the company offset 1,418 tons of its staff’s emissions.

SAF shall be any airline’s most important measure in achieving reasonable emission reductions at this decade. This is the reason why Finnair together with the **oneworld** Alliance has set a common goal of achieving a 10 per cent level in SAF uptake by 2030, well above the designed five per cent EU mandate target. As concrete first big SAF steps, Finnair signed long-term agreements with

Our customers offset about 520 Helsinki–Oulu flights in 2022, and used by average 10% of SAF in these compensations.

Lost Time Incident Frequency





Aemetis and Gevo, renewable fuel companies in U.S. The refuelling will start from 2025 onwards in California. Finnair has earlier partnered with Neste in Finland to increase the use of SAF. The company is currently working on with SAF and compensation roadmaps which will be implemented during 2023.

While the biggest environmental impact of an airline is its aircraft engine emissions another easily observed impact is aircraft noise at the areas surrounding airports. The noise produced by aircraft is mainly engine noise and aerodynamic noise. The level of engine noise is greater in take-offs, while the level of aerodynamic noise grows during approaches. Finnair has continuously, in cooperation with air traffic control, improved continuous descent approaches (CDA) at Helsinki-Vantaa airport reaching all-time record of 86.3 per cent in 2022.

### Climate Change

More than 92 per cent of Finnair’s greenhouse gas emissions relate to flight operations; burning jet fuel (Scope 1) and its production and transportation (Scope 3). For this reason, the company’s measures and reporting related to climate change are focused on this function. In 2022, Finnair signed a letter of intent for a commitment to cooperate with the Science Based Targets initiative (SBTi) to bring CO<sub>2</sub> emissions reduction targets in line with the UN Paris Climate Agreement. SBTi-eligible emission reduction measures will include investments in new

technology aircraft, use of SAF and operational efficiency improvements.

Finnair is also committed to reducing the climate impact of its facilities and its ground operations in Helsinki-Vantaa, and from the beginning of 2023 these operations will be carbon neutral.

In 2022, Finnair’s traffic measured in revenue tonne kilometres (RTK) increased by 117 per cent (1.6) compared to 2021, and thus direct carbon dioxide emissions from flying (CO<sub>2</sub>) also increased by 116 per cent (-0.4) to 2,478,674 tons (1,146,903).

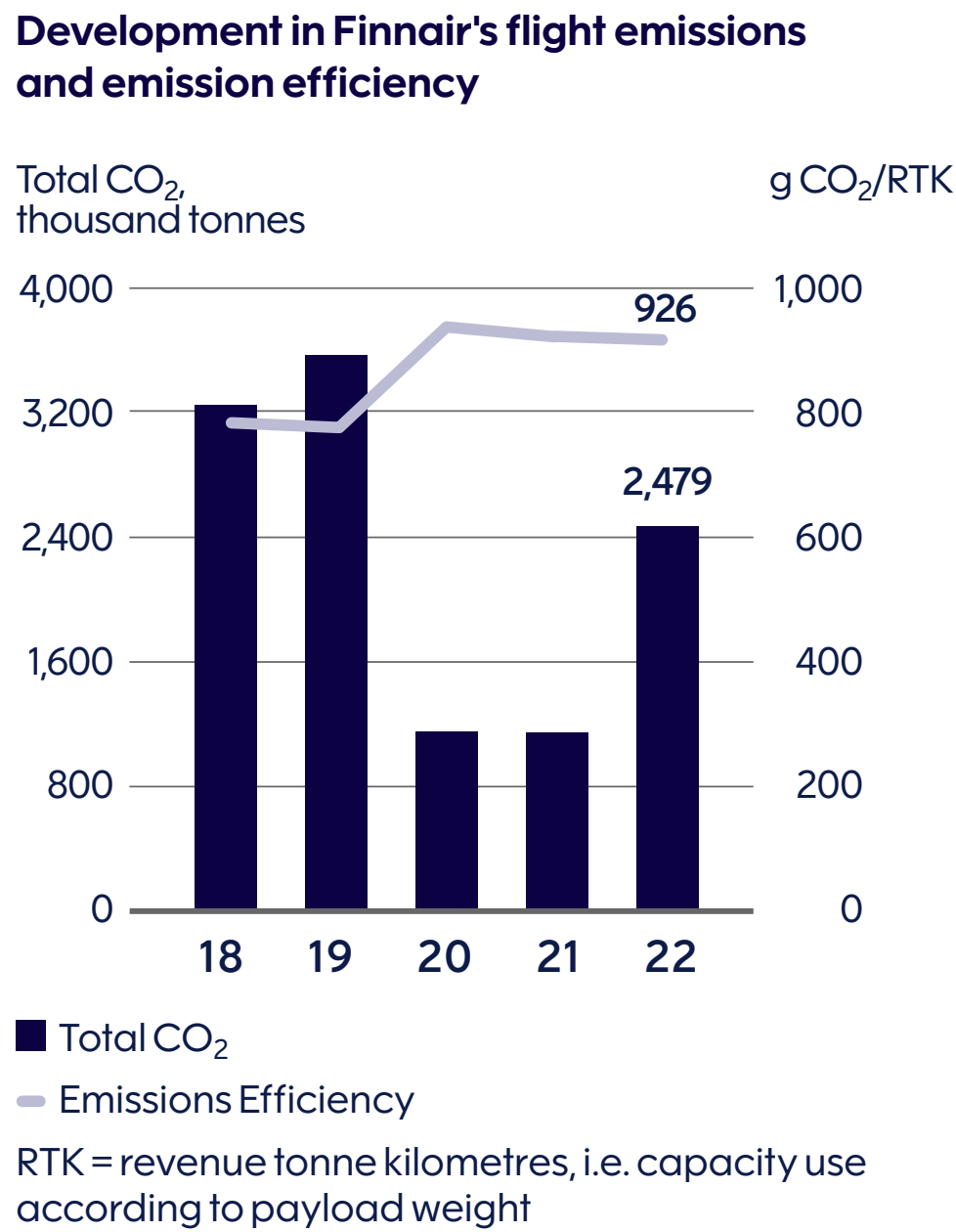
During 2022, effective and successful work to improve fuel efficiency continued. The fuel efficiency of flying was 294 g/RTK (296) (without allocation between passengers and cargo), i.e. fuel efficiency improved by 0.5 per cent (2.0) in 2022. Carbon dioxide emissions of flying have also been calculated by allocating them between passengers and cargo in accordance with IATA recommendations (see the sustainability appendix for more details). Calculated in this way, CO<sub>2</sub> emission efficiencies in 2022 were 85 g CO<sub>2</sub>/RPK (89) and 854 g CO<sub>2</sub>/RTKcargo (890). Allocated emission efficiencies improved by 4.1 per cent (-23.2). The improvement in fuel efficiency was mainly due to the increase in aircraft load factors from 42.8 per cent to 67.6 per cent, on the other hand, flying efficiency was weakened by the longer routes between Helsinki and Asia. The company

has a cross-organizational working group focused on fuel efficiency, which with its actions implemented during 2022 saved approximately 5,000 tons of fuel and thus reduced carbon dioxide emissions by approximately 15,750 tons. The actions included optimizing flight planning and flight operations and reducing the weight of the aircraft. The working group has been active at Finnair for several years already, and the above-mentioned figures do not take into account the group’s achievements in previous years.

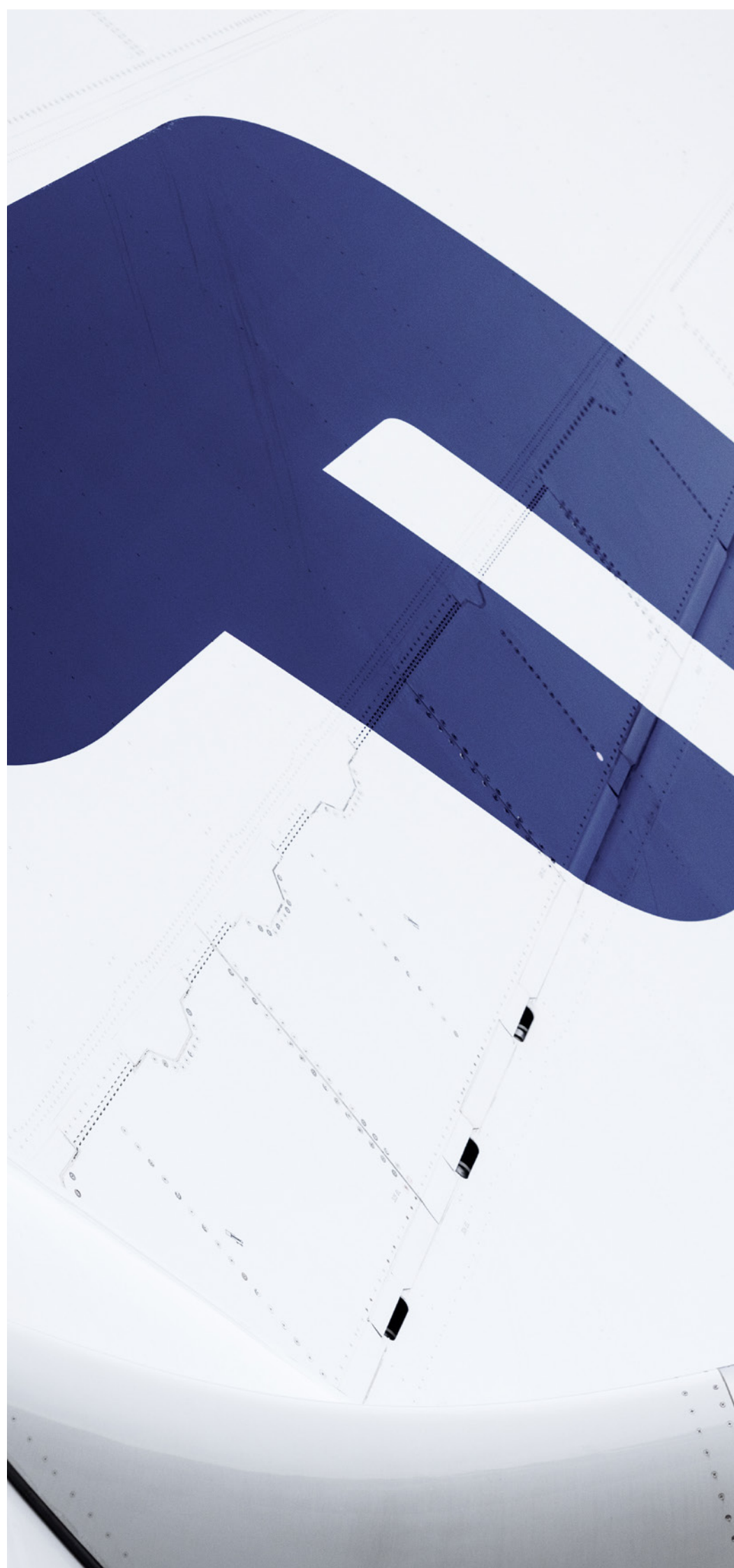
The energy consumption of the Finnair facilities increased by 0.5 per cent in 2022 (12.2). In year 2022, the total electricity consumption of the facilities was 22,266 MWh (21,130) and heat consumption 23,316 MWh (24,238). Total energy efficiency was 21.1 kWh/m<sup>3</sup> (21.0), including both electricity and heat consumptions. The increase in electricity consumption was due to increased operational activity, and the decrease in heating energy may be explained by a warmer winter and energy saving measures taken. CO<sub>2</sub> emissions from energy consumption in buildings decreased by 1.2 per cent (+8.9) to a total of 5,441 (5,507).

### Circular Economy

Finnair develops its products and services constantly to be more sustainable. Finnair’s objective is to introduce circular economy principles in all its operations by the end of year 2025. This will help the company to make more







efficient use of materials and reduce consumption. The plan covers the following measures: Prevention of waste generation, reuse of materials as widely as possible, utilization of the recycling potential of waste materials, utilization of waste in other ways (e.g. as energy) and, finally, safe disposal of the remaining waste.

The total amount of waste produced by Finnair in Finland increased by 101.2 per cent (-40.4), or about 925 tons (618), with the total mass for the year being 1,839 tons (914). The increase in the amount of waste is directly connected to the increased growth in the number of customers. The largest waste stream has been mixed waste from the in-flight service, containing food waste, i.e. international food waste. Food and beverage waste from international flights has to be incinerated, while other ordinary food waste is composted. In 2022, approximately 74 per cent of the waste was utilized as energy and approximately 26 per cent of the waste material was either reused, recycled or composted. No waste ended up in a landfill.

Finnair achieved its goals of halving the single-use plastic products it uses and recycling 50 per cent of all used plastic. Four years of systematic work in a challenging, constantly changing operating environment was completed in the summer of 2022. In 2018, when the goal was set, Finnair's operations generated 466 tons of plastic waste. Now the amount is 150 tons. Compared to the

figures of 2018, the reduced total amount is well over half, and the amount of plastic waste generated per customer is now half less.

Finnair has also set itself the goal of reducing food waste that is generated when preparing customer meals. In 2019, Finnair set a goal to reduce food waste in the preparation of dishes by 30 per cent by the end of 2022. The amount of food waste per passenger was returned to the pre-corona level, and in terms of kilograms, food and beverage waste was 29 per cent less in 2022 than at the starting level in 2019. The company's priority is to utilise food waste as well as possible, and edible surplus food is primarily donated to charity.

Finnair's technical services have set themselves the goal of turning aircraft maintenance services into a paperless operation by the end of 2023. Achieving this goal will reduce paper consumption from approximately 2.7 million A4, i.e. 5,400 reams. In terms of mass, this means approximately 14,000 kilograms less paper per year.

### Biodiversity

Finnair takes environmental aspects into consideration on the ground and in the air operations. Besides energy solutions that reduce the environmental load, Finnair's environmental policy also includes the preservation and promotion of natural diversity, known as biodiversity thinking. Finnair has assessed the

ecosystem services, or benefits provided to people by nature, that are most relevant to its business, and its operations most significant impacts on them. Of the different categories of the ecosystem services, cultural services and regulating services are the most relevant to Finnair's business. Cultural services include tourism, human value and aesthetic value. Regulating services include the regulation of air quality and climate, disease control, and pest control.

Finnair's core business and key product areas benefit ecosystem services in various ways. Cultural services are particularly important for travel services. Accordingly, Finnair's travel agency, Aurinkomatkat, has participated in various local projects to maintain biodiversity at various destinations for several years. When planning its destination programmes, Aurinkomatkat carefully evaluates their potential effects on the environment and biodiversity. For example, it has stopped all trips to zoos and other attractions where animals are held captive. The operations aim also to avoid excursions to sites where visits could pose a threat to biodiversity. The customers are informed at destinations on appropriate conduct to preserve biodiversity.

In the airline business, Finnair has supported both cultural and regulating services by prohibiting the transportation of hunting trophies or memorabilia originating from endangered species or their





parts in its cargo network. Also, primates and canines intended for laboratory, experimental or other exploitation use will never be accepted for transport. Furthermore, Finnair has signed the United for Wildlife (UFW) Buckingham Palace declaration of the Duke of Cambridge to prevent the illegal wildlife trade. As a signatory, the company has undertaken to promote the awareness of different stakeholders about this topic.

The significance of biodiversity in Finnair's airline business will be highlighted further in the coming years through climate change mitigation measures. When Sustainable Aviation Fuels (SAFs) replace fossil fuels in the future, the company wants to ensure that the primary production of feedstocks for renewable energy sources is used in line with the principles of sustainable development and does not compromise ecosystem services. For example, in the manufacturing of biofuel, measures must be taken not directing to Indirect Land Use Change (ILUC). The objective is to ensure that arable land used for growing food crops is not used to produce raw material for biofuel, which would result in either the clearing of forests or wetlands to create space for food production or a decline in food production. Regulating services have a significant impact on both the airline business and travel services. The local decline of biodiversity erodes the operating conditions of the tourism industry and increases the risk of infectious diseases.

## EU Taxonomy

### Background

As a part of its Action Plan for Sustainable Finance, the European Union is working on a classification system for determining environmentally sustainable economic activities, also known as the EU Taxonomy. The Taxonomy regulation includes the sectors assessed to have the largest climate change mitigation and adaptation potential.

The EU Taxonomy Regulation establishes six environmental objectives: Climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. The first delegated act on sustainable activities for climate change adaptation and mitigation came into force on 1 January 2022. The second delegated act for the remaining four environmental objectives will be published in 2023.

Article 8 of the EU Taxonomy regulation brought an obligation for a Public Interest Entity under the Non-Financial Reporting Directive, such as Finnair, to report on its Taxonomy eligibility starting from 1 January 2022 for the first two environmental objectives. All in-scope Entities did have to report the proportion of their 2021 economic activities that are considered Taxonomy-eligible in their

revenue, capital expenditure (CAPEX) and operating expenditure (OPEX). For the reporting year of 2022, Entities are also required to assess the Taxonomy-alignment of their economic activities regarding the first two objectives; the climate change mitigation and adaption.

### Finnair's approach on EU Taxonomy

Finnair's core businesses, i.e. commercial aviation (including ancillary sales), air freight or travel services, are not covered by the Taxonomy's list of economic activities yet. Thus, detailed technical criteria for e.g. passenger air transportation (NACE H51.1 and N77.35) have not yet been specified. However, Finnair estimates that transition to new, low-emission aircraft and sustainable aviation fuels (SAF) are likely to be considered Taxonomy-eligible activities.

Finnair has also assessed the Taxonomy-eligibility of its other economic activities by comparing their NACE coding against economic activities included in the EU Taxonomy and related criteria. The most significant identified economic activity listed in the Taxonomy is freight transport services by road (activity number 6.6) supplied by Finnair Cargo. However, as these services have been outsourced to a third party, they are not deemed as Taxonomy-eligible. As a result, almost all of Finnair's operations in the financial year 2022 were not deemed as Taxonomy-eligible economic activities.

Taxonomy-eligible and Taxonomy-aligned proportions of Finnair's revenue are 0 per cent due to the aforementioned reasons.

Taxonomy-eligible and Taxonomy-aligned proportions of Finnair's CAPEX rounded down to 0 per cent despite an installation of energy efficient LED lights (activity number 7.3) totalling c. 1 million euros, which was also deemed as Taxonomy-aligned CAPEX as it substantially contributed to climate change mitigation and it did no significant harm to other environmental objectives. CAPEX deemed only as Taxonomy-eligible related to acquisition and ownership of buildings (activity number 7.7) and their refurbishment investments totalling less than half a million euros. Majority of Finnair's CAPEX related to its fleet and was, therefore, non-eligible.

Taxonomy-eligible proportion of Finnair's taxonomy-based OPEX rounded up to 5 per cent. This OPEX totalling c. 7 million euros consisted of maintenance and short-term lease costs related to acquisition and ownership of buildings (activity number 7.7). Clear majority of non-eligible OPEX related to maintenance of Finnair fleet. In 2022, 0 per cent of taxonomy-based OPEX was deemed as Taxonomy-aligned. More detailed figures can be found in the tables on the following pages.

COVID-19 has had an unprecedented financial impact on Finnair both in 2020 and 2021 followed





by the war in Ukraine in 2022 resulting in the closure of Russian airspace. Due to travel restrictions and lack of customer demand, Finnair's revenue plummeted in 2020 and was very close to it in 2021. Therefore, the company has been forced to drastically cut all its expenses and investments, including those supporting sustainable development, to minimise the losses caused by the limited operations as well as to secure a healthy cash position. Due to the negative impacts of COVID-19 and the closed Russian airspace, year 2022 was not fully comparable with the pre-pandemic years either.

Finnair has heavily modernised its wide-body fleet in recent years. In 2015–2017, seven A340 aircraft were retired from revenue service at Finnair and since 2015, Finnair has introduced 17 modern, lower emission A350 wide-body aircraft to its fleet. Of the disposed A340 aircraft, one was sold for recycling, two were returned to lessors at the end of their leases, and four were sold to Airbus in conjunction with the confirmation of the exercise of Finnair's option to purchase eight additional A350 aircraft. This renewal of the wide-body fleet is the largest single investment in the company's history. It is not yet defined how, or whether, this forward-thinking investment made before the Taxonomy implementation can be reported within the Taxonomy.

Finnair aims to increase the use of sustainable aviation fuels (SAF) together with the **oneworld** alliance and other stakeholders. The **oneworld** Alliance has set a common goal of achieving a 10 per cent level in SAF uptake by 2030, well above the designed five per cent EU mandate target. Achieving this goal will require a joint effort with both legislators and various industrial sectors. The introduction of SAF is also strongly linked to the protection of biodiversity, i.e., the sixth environmental objective, so that the rapidly growing global demand does not lead to e.g., increased land use and, thus, harm biodiversity. SAF volumes used by Finnair in 2022 did not meet the minimum level of 5 per cent potentially to be set by the Taxonomy.

Regarding Travel Services, the Taxonomy focuses on the conservation and protection of nature's biodiversity. The technical criteria have been created for accommodation services, and the need to develop criteria for the leisure activities management is still pending. Nature and its diversity are a significant attraction in the business of Aurinkomatkat. When planning destination programmes, Aurinkomatkat carefully assesses their potential impacts on environment and biodiversity. The aim is to avoid, for example, organising visits in places where this might pose a threat or harm to biodiversity.



Economic activities				Substantial contribution criteria						DNSH criteria						Minimum safeguards	Taxonomy-aligned share of turnover		Category
	Code(s)	Absolute turnover	Share of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems		2022	2021	
		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T
TAXONOMY-ELIGIBLE ACTIVITIES																			
Taxonomy-aligned activities																			
Turnover of Taxonomy-aligned activities		0	0														0	0	
Taxonomy-non-aligned activities																			
Turnover of Taxonomy-non-aligned activities		0	0														0	0	
Total Taxonomy-eligible activities		0	0														0	0	
TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		2,357	100																
Total Taxonomy-eligible and non-eligible turnover		2,357	100																



Economic activities				Substantial contribution criteria						DNSH criteria						Taxonomy-aligned share of CapEx			Category
	Code(s)	Absolute CapEx	Share of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	2022	2021	
	MEUR	%	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	
TAXONOMY-ELIGIBLE ACTIVITIES																			
Taxonomy-aligned activities																			
Installation of energy efficient equipment	7.3	1	0	100	0	0	0	0	0		Y	N/A	N/A	Y	N/A	Y	0	0	E
CapEx of Taxonomy-aligned activities		1	0	100	0	0	0	0	0		Y	N/A	N/A	Y	N/A	Y	0	0	E
Taxonomy-non-aligned activities																			
Acquisition and ownership of buildings	7.7	0	0																
CapEx of Taxonomy-non-aligned activities		0	0																
Total Taxonomy-eligible activities		1	1														0	0	
TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		199	99																
Total Taxonomy-eligible and non-eligible CapEx		200	100																



Economic activities	Code(s)	Absolute OpEx	Share of OpEx	Substantial contribution criteria						DNSH criteria						Minimum safeguards	Taxonomy-aligned share of OpEx		Category
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems		2022	2021	
		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T
TAXONOMY-ELIGIBLE ACTIVITIES																			
Taxonomy-aligned activities																			
OpEx of Taxonomy-aligned activities		0	0														0	0	
Taxonomy-non-aligned activities																			
Acquisition and ownership of buildings	7.7	7	5														5	0	
OpEx of Taxonomy-non-aligned activities		7	5														5	0	
Total Taxonomy-eligible activities		7	5														5	0	
TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		148	95																
Total Taxonomy-eligible and non-eligible OpEx		155	100																





Topic	Targets and KPIs	Performance		Key actions during the reporting period
		2022	2021	
Environmental responsibility	Halving net CO <sub>2</sub> emissions by the end of 2025, compared to 2019 figures (% , Scope 1)	-12.1	-58.7	Due to the COVID-19 and Ukrainian war 2022 figures are showing unusual performance when comparing to 2019, since passenger demand was minor and unnecessary flying was minimised.
	Carbon free flying by the end of 2045 (gCO <sub>2</sub> /RTK)	Gross 926	931	
		Net 913	931	
	Improving the fuel efficiency of flying by 1% annually. Company's internal Fuel Efficiency Index (FEI) is used here as a basis for the KPI where e.g. wind and payload impacts are normalised.	4.1% reduction	0.0%	Operative methods to reduce weight of the flight continued (E.g. rationalise fuelling, on-board printed material was reduced, potable water intake was optimised). The operative flying procedures were further improved (E.g. pilots' situational awareness of network was improved, this reduces unnecessary high Cost Index flying. Continuous Decent Approaches at Helsinki-Vantaa were further increased). Fleet utilisation was improved (Aircraft type allocation corresponding to the passenger and Cargo amounts)
	Reducing single used plastics in Kitchen operations by 50% by the end of 2022	-51.0	-40.0	The targets were achieved by removing packaging around certain products and replacing plastic in others. Biggest three plastic reduction actions include replacement of economy cutlery, starter salad and hot meal casserole with renewable materials such as cardboard and wood.
	Recycle 50% of plastics in Kitchen operations for reuse by the end of 2022	49.5	37.0	
Social responsibility	Reducing food waste from Kitchen operations by 30% by the end of year 2022	-29.0	New	The previous target of halving food waste was extended with an additional 30% reduction target. Constant monitoring and careful product selection have enabled waste reduction. 33% of food & beverage waste was donated to NGOs.
	Arrival punctuality at least 85%	79.0	82.3	Despite the savings measures in 2022, many improvement measures and process development were carried out to improve arrival punctuality. For example, the baggage process, winter operations, Lapland traffic coordination and defect management were improved.
	Customer satisfaction, NPS increase on the previous year, long-term target level 60	40	38	Finnair introduced a new cabin offering a more comfortable long-haul experience and invested in a digital customer experience. Finnair increased the resourcing of its customer care operations and ramped up the overall ecosystem of the route network to ensure the reliability and quality of the growing operations.
	Employee satisfaction, eNPS increase on the previous year	-17	-31	Sickness rates were still impacted heavily by the pandemic. Also, the amount of employees on duty was higher than in 2021.
	Absences due to illness increased from the previous year	5.4	2.3	
	LTIF (Lost-time injury frequency) of less than 14.8	6.8	5.6	
Ethical Business conduct	Code of Conduct awareness grade in WeTogether@Finnair survey at least 4 on scale 1–5	3.9	3.8	Continuous training of employees, Renewal of Finnair Ethics helpline

\* Net emissions in 2021 were exceptionally low due to reduced number of flights during the COVID-19 pandemic.





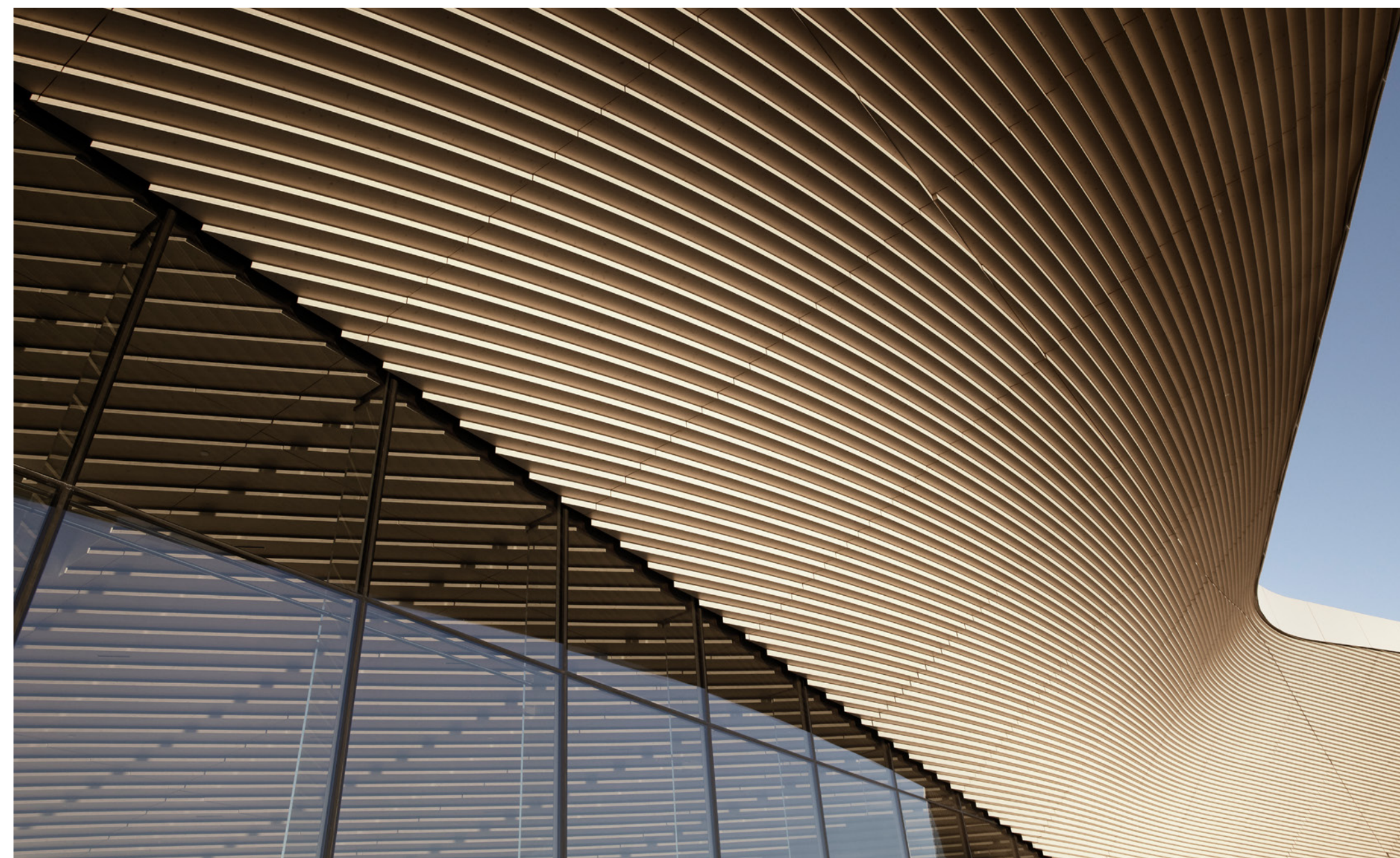
# Changes in company management

Tomi Pienimäki, Finnair's Chief Digital Officer and a member of Finnair's Executive Board, left Finnair at the end of January 2022. Finnair announced on 2 March 2022 that Antti Kleemola (M.Sc. Business) has been appointed as Chief Information Officer and member of the Finnair Executive Board as of 1 June 2022. Most recently, he has worked as the CIO of Outokumpu and has also held leadership positions in digital and IT services among others in VR Group, Vapo Group and Posti Group.

Finnair announced on 24 August 2022 that Kristian Pullola (M.Sc. Economics) has been appointed as Chief Financial Officer and member of the Finnair Executive Board as of 1 October 2022. Pullola started at Finnair as an executive advisor already as of 1 September 2022. Pullola has previously worked for a long period as Chief Financial Officer of Nokia, and prior to that, he held other senior

leadership positions in accounting, finance and investor relations at Nokia. Pullola is a board member at Kemira Plc and Terveystalo Plc, and chairman of the board at Antilooppi Management, Eduhouse and FinanceKey. Finnair's previous CFO Mika Stirrkinen acted as an executive advisor as of 1 October 2022 and left Finnair on 31 October 2022.

Finnair announced on 8 September that Christine Rovelli, MBA, has been appointed as Senior Vice President, Strategy and Fleet, and member of the Executive Board at Finnair as of 1 October 2022. Rovelli joined Finnair in 2012, and most recently worked as Senior Vice President, Finance and Fleet management. Nicklas Ilebrand, the previous SVP Strategy, worked as an executive advisor as of 1 October 2022 and left Finnair on 31 December 2022.







# Shares and shareholders

## Shares and share capital

On 31 December 2022, the number of Finnair shares entered in the Trade Register was 1,407,401,265 and the registered share capital was 75,442,904.30 euros. The company's shares are quoted on Nasdaq Helsinki. Each share has one vote at the General Meeting.

## Share price development and trading

Finnair's market capitalisation was 546.4 million euros at the end of December (837.7) and the closing price of the share was 0.39 euros (0.60). During 2022, the highest price for the Finnair Plc share on the Nasdaq Helsinki was 0.68 euros, the lowest price 0.34 euros and the average price 0.49 euros. Some 619.2 million company shares, with a total value of 302.7 million euros, were traded on the Nasdaq Helsinki exchange.

## Shareholders

The number of Finnair shareholder increased by 2.2 per cent in 2022 to 118,675 shareholders (excluding nominee registered shareholders). The number of domestic retail shareholders increased from 113,926 to 116,549, whereas their combined share of ownership increased by 2.1 per cent. Nominee registered or foreign investors held 7.6 per cent (4.8) of all shares.

### Flagging notifications

No flagging notices were issued in 2022.

### Government ownership

At the end of 2022, the Finnish Government owned 55.9 per cent of Finnair's shares and votes. According to the decision made by the Finnish Parliament on 20 June 1994, the Government must own more than half of Finnair Plc's shares. Decreasing the ownership below this level would require revision of the Parliament's decision.

## Share ownership by management

On 31 December 2022, members of the company's Board of Directors did not own any Finnair shares, while the CEO Topi Manner owned 738,271

shares and the members of the Executive Board, including the CEO, owned a total of 1,311,962 shares, representing 0.09 per cent of all shares and votes.

Finnair plc largest shareholders as at 31 December 2022		Number of shares	%	Changes 2022
1	State of Finland, Prime Minister's Office	786,669,686	55.9%	0
2	Varma Mutual Pension Insurance Company	30,881,263	2.2%	-19,200,000
3	Ilmarinen Mutual Pension Insurance Company	14,850,000	1.1%	-15,150,000
4	The State Pension Fund	11,000,000	0.8%	0
5	Elo Mutual Pension Insurance Company	8,355,000	0.6%	-5,653,115
6	Mäkitalo Allan Risto Pekka	1,695,548	0.1%	500,000
7	OP Life Assurance Company Ltd	1,544,214	0.1%	-487,084
8	Finnair Pension Fund	1,505,262	0.1%	0
9	University of Lapland	1,098,167	0.1%	0
10	Lehtonen Timo Petri	1,085,000	0.1%	485,000
Nominee registered		105,676,261	7.5%	40,298,168
Others		443,040,864	31.5%	82,008,835
<b>Total</b>		<b>1,407,401,265</b>	<b>100%</b>	<b>82,801,804</b>





## Own shares

On 31 December 2021, Finnair held a total of 1,421,133 own shares, representing 0.10 per cent of the total number of shares and votes.

In February, Finnair transferred, using the authorisation granted by the AGM 2021, a total of 902,093 own shares as incentives to the participants of the FlyShare employee share savings plan. It also transferred 119,737 own shares as a reward to the key personnel included in

Finnair's share-based incentive scheme 2019–2021 in March.

On 31 December 2022, Finnair held a total of 399,303 own shares, representing 0.03 per cent of the total number of shares and votes.

## Shareholder agreements

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

## Change of control provisions in material agreements

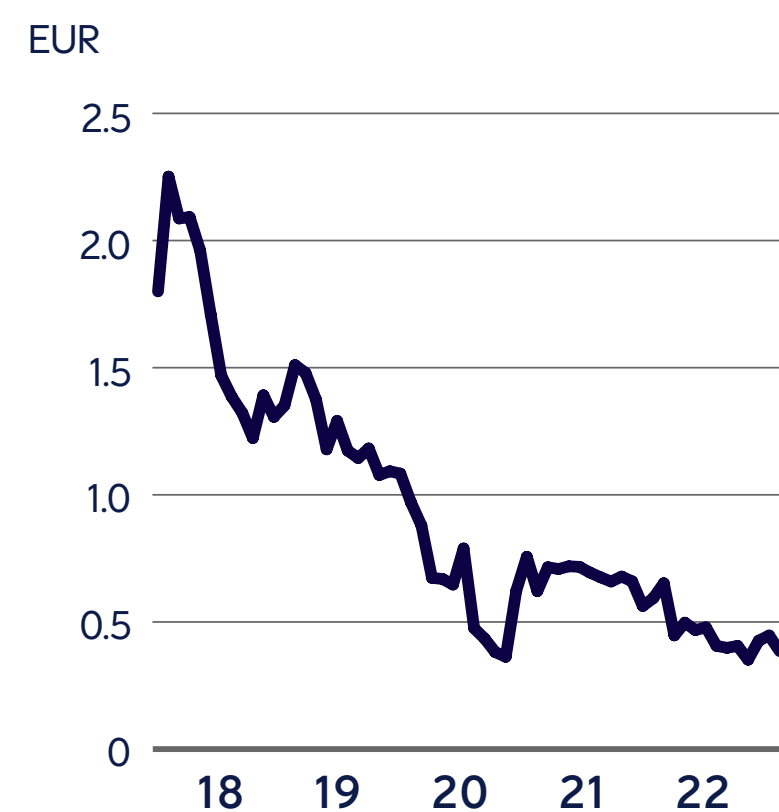
Some of Finnair's financing agreements include a change of control clause under which the financier shall be entitled to request prepayment of the existing loan or to cancel the availability of a loan facility in the event that a person other than the Finnish state acquires control of Finnair either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

## Share-based incentive schemes

### Employee share savings plan FlyShare

In September 2022, Finnair's Board of Directors decided that the voluntary Finnair employee share savings plan, FlyShare, is discontinued and, thus, new savings period will not be initiated. The decision to discontinue FlyShare is part of Finnair's savings target. It has no impact on the ongoing FlyShare plans that were initiated in 2020 and 2021.

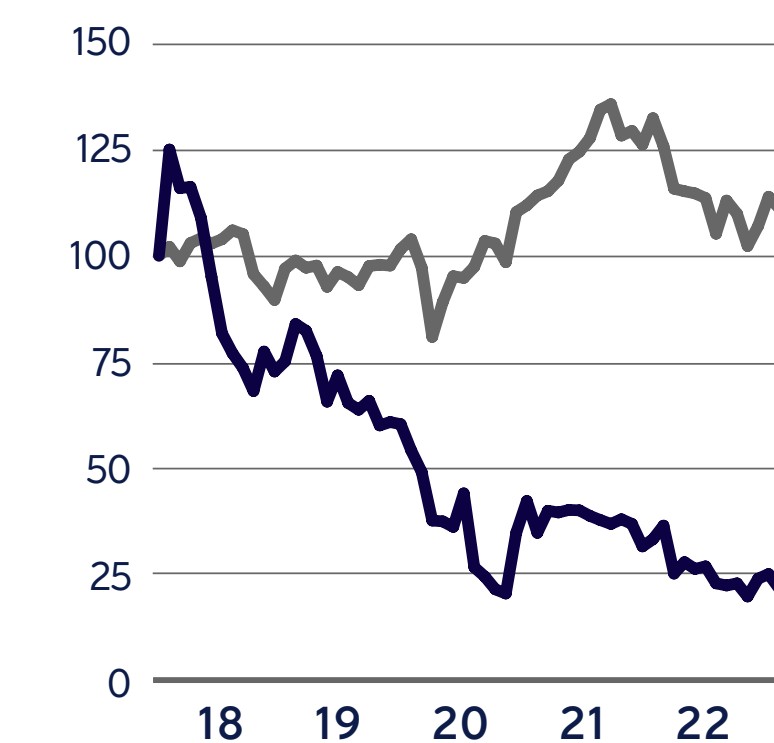
Finnair share 2018–2022\*



■ Average price

\* A rights offering was implemented between June and July 2020 and, therefore, Finnair's share prices have been restated accordingly.

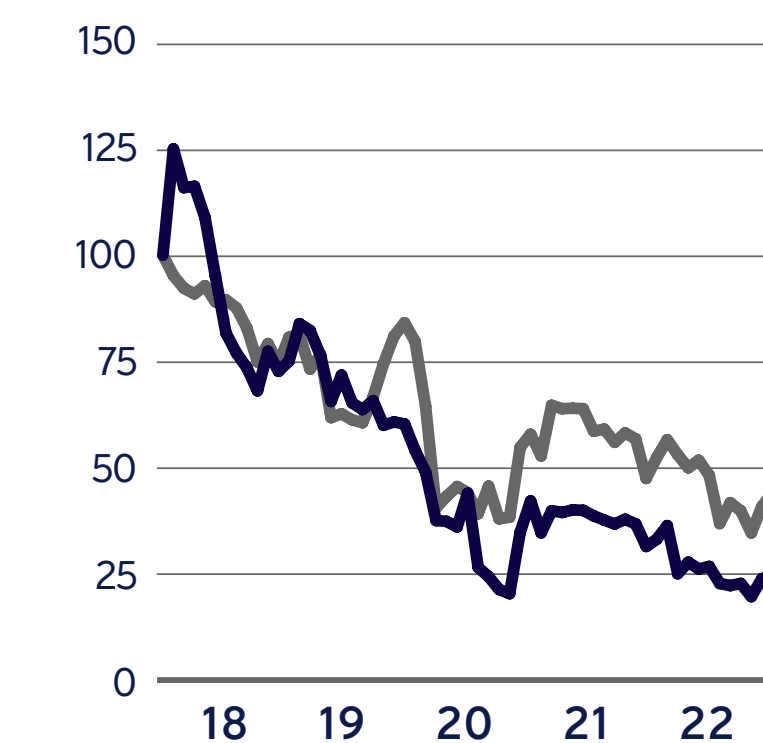
Comparison Nasdaq Helsinki



■ Finnair

■ Nasdaq Helsinki

Comparison European Airlines



■ Finnair

■ Bloomberg Europe Airline Index

Key Figures – Share

		2022	2021	2020	2019	2018
Equity/share	EUR	0.29	0.34	0.64	1.39	1.33
Dividend for the financial year*	EUR mill.	0	0	0	0	35
Dividend/share*	EUR	0.00	0.00	0.00	0.00	0.05
Dividend/earnings*	%	0.0	0.0	0.0	0.0	39.4
Dividend yield*	%	0.0	0.0	0.0	0.0	3.9
Cash flow from operating activities/share	EUR	0.18	-0.02	-0.99	0.82	0.73
P/E ratio		-1.08	-1.74	-1.47	12.12	10.18

\* The dividend for year 2022 is a proposal of the Board of Directors to the Annual General Meeting.





The share savings plan is described in more detail on the company's website.

### Share-based incentive plan for key personnel

After the period in January 2023, the Board of Directors of Finnair approved new individual performance share plan periods covering the years 2023–2024 and 2023–2025. Within the plan, the participants have the opportunity to earn Finnair shares as a long-term incentive reward, if the performance targets set by the Board of Directors for the plan are achieved. The potential share rewards will be delivered to the participants in the spring of 2025 regarding the first period and in the spring of 2026 regarding the second period. The plan applies to some 70 persons, and it is described in a stock exchange release issued on 23 January 2023 and on the company's [website](#).

Shareholders by type at 31 December 2022	Number of shares	%	Number of shareholders	%
Public bodies	852,857,673	60.6	8	0.0
Households	399,807,055	28.4	116,549	98.2
Private companies	37,484,501	2.7	1,732	1.5
Financial institutions	8,089,646	0.6	31	0.0
Associations	1,664,240	0.1	62	0.1
Finnish shareholders, total	1,299,903,115	92.4	118,382	99.7
Registered in the name of a nominee	105,676,261	7.5	9	0.0
Outside Finland	1,821,889	0.1	293	0.2
Nominee registered and foreign shareholders, total	107,498,150	7.6	302	0.3
<b>Total</b>	<b>1,407,401,265</b>	<b>100.0</b>	<b>118,684</b>	<b>100.0</b>

## Effective authorisations granted by the Annual General Meeting 2022

Finnair's Annual General Meeting was held in Vantaa on 7 April 2022 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 regarding the repurchase of own shares and/or on the acceptance as pledge shall not exceed 50,000,000 shares, which corresponds to approximately 3.6 per cent of all the shares in

the company, and the authorisation regarding the issuance of shares shall not exceed 8,000,000 shares, which corresponds to approximately 0.6 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 250,000 euros 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](#).

Acquisition and delivery of own shares and returns of shares	Number of shares	Acquisition value, EUR	Average price, EUR
1 January 2018	433,367	2,312,768.53	5.34
2018	452,000	3,206,965.70	7.10
2018	-236,359	-1,264,765.58	5.35
2019	164,651	1,042,355.90	6.33
2019	-261,346	-1,501,496.17	5.75
2020	-381,653	-2,701,783.40	7.08
2021	1,800,000	1,144,440.00	0.64
2021	-549,527	-1,350,674.25	2.46
2022	-1,021,830	-649,074.54	0.64
<b>31 December 2022</b>	<b>399,303</b>	<b>238,736.19</b>	<b>0.60</b>

Breakdown of shares at 31 December 2022	Number of shares	%	Number of shareholders	%
1–500	8,873,605	0.6	49,371	41.6
501–1,000	13,997,422	1.0	17,624	14.8
1,001–10,000	147,107,217	10.5	43,193	36.4
10,001–100,000	198,154,124	14.1	8,126	6.8
100,001–1,000,000	71,859,116	5.1	348	0.3
1,000,001–10,000,000	18,332,571	1.3	9	0.0
10,000,001–100,000,000	56,731,263	4.0	3	0.0
100,000,001–	786,669,686	55.9	1	0.0
Registered in the name of nominee	105,676,261	7.5	9	0.0
<b>Total</b>	<b>1,407,401,265</b>	<b>100.0</b>	<b>118,684</b>	<b>100.0</b>





# Risk management

## Risk management framework and principles

Finnair operates in a global and highly competitive environment that is sensitive to economic fluctuations. In executing its strategy, Finnair and its operations are exposed to a broad range of risks and opportunities.

Risk management is an integral part of effective management practice to ensure that Finnair is successful in achieving its business objectives. Uncertainty (opportunity or threat) is an inevitable element in all decision-making, and thus an integral component of running the business.

Finnair's Risk Management Framework has been defined and established to ensure the identification, evaluation and management of risks and uncertainties associated with the set objectives. The framework is designed to take a

corporate-wide portfolio view of risks. The risk management principles are summarised as follows:

- Risk management extends beyond internal control to strategy-setting, governance, and measuring performance;
- Risks are managed as an integrated part of strategic and operational planning, day-to-day decision making, and operational processes;
- Three Lines of Defence model is applied as the primary governance principle to ensure that the segregation of duties is defined and established between risk management and risk control;
- The performance and efficiency of Finnair's risk management and internal control systems are subject to systematic monitoring.

## Risk management policy and process

The framework and principles for risk management have been defined in the Finnair Internal Control and Risk Management Policy, which has been approved by the Board of Directors. The policy is supplemented by other policies for managing risks in specific areas. Examples of other risk policies are Treasury Policy, Procurement Policy, Information Security Policy, Data Privacy Policy, Competition Policy, and Trade Sanction Policy.

The Finnair Risk Management Framework and principles are based on the internationally recognised best practices for risk management (COSO Enterprise Risk Management – Integrating with Strategy and Performance, and ISO 31000:2009 standard).

Risk identification and evaluation include the following phases:

- Identification of external and internal events affecting the achievement of objectives;
- Distinction between risks and opportunities;
- Analysis of identified risks;
- Integration (aggregation) of risks;
- Evaluation and prioritisation of risks based on their impact and likelihood.



## Risk governance

### 1st Line of Defence

Business units and shared functions are responsible for setting the objectives and managing day-to-day performance. As risk owners, the business units and shared functions identify and evaluate risks and make risk-informed decisions. They manage risks by defining and implementing controls. Thus, they are responsible for conducting day-to-day control and risk management activities in accordance with Finnair's Risk Management and Internal Control Frameworks.

As a part of the first line of defence, Finnair's CEO and the Finnair Executive Board have the overall accountability for appropriate risk management practices.

### 2nd Line of Defence

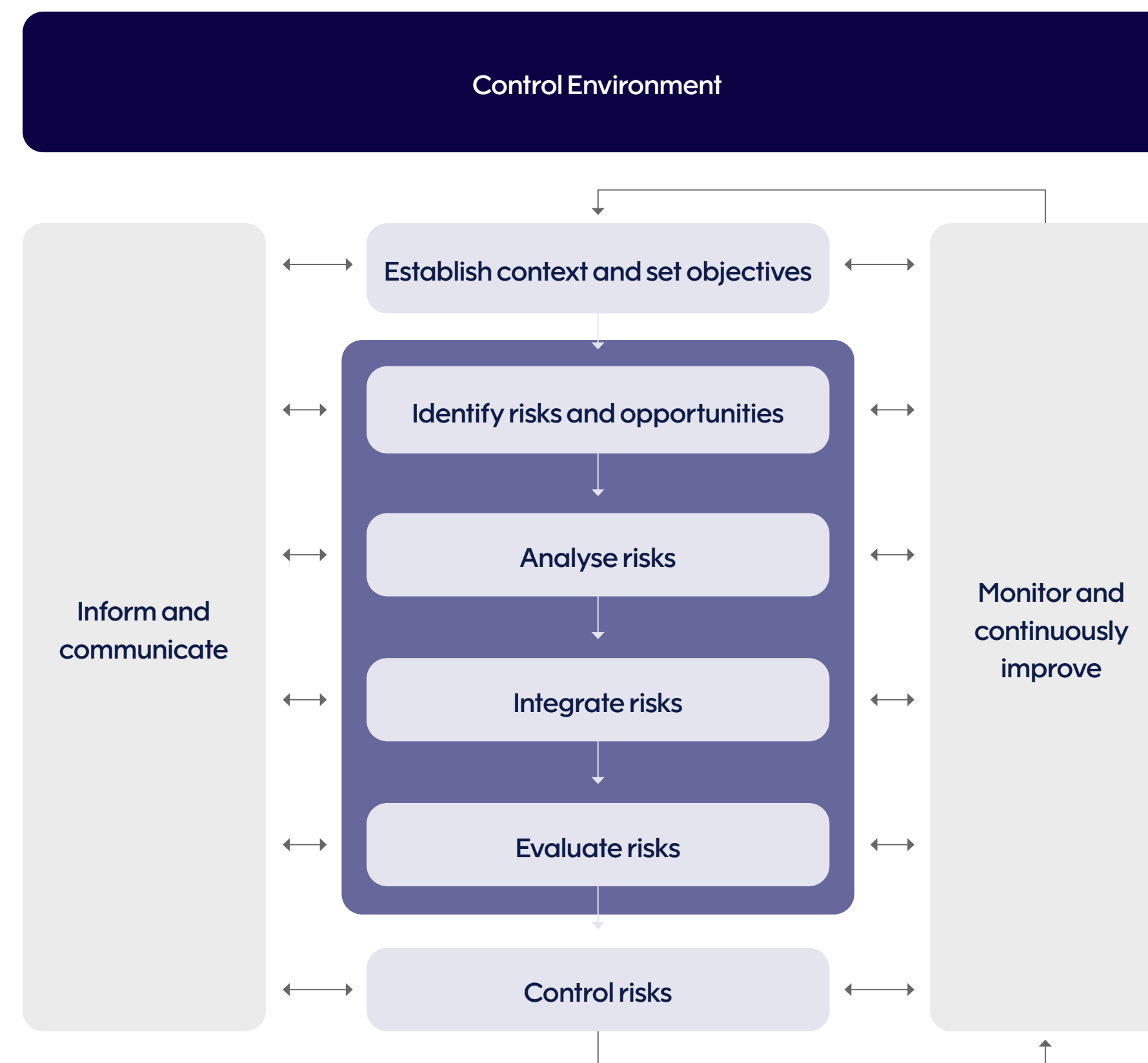
Risk & Compliance provides expertise in risk assessment and risk management, and acts as a control function that is responsible for developing and maintaining the Risk Management Framework and Internal Control Framework as well as for continuously monitoring the implementation of the policies, rules, procedures and key controls within the frameworks. Risk & Compliance has a reporting line to the Audit Committee of the Board of Directors.

Outside the scope of the Risk & Compliance function is Finnair's statutory Safety Management System, which is required by Finnair's Air Operator's Certificate and applicable Aviation Regulation and is subject to specific responsibility matrix and supervision prescribed by the supervisory authorities. Safety & Compliance acts as a control function with respect to the Safety Management System.

### 3rd Line of Defence

Internal Audit performs audits and provides the Audit Committee with an independent assessment of the overall effectiveness and maturity of the internal control and risk management systems.

### Risk management process







# Significant risks and uncertainties

In the implementation of its strategy and business, 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. This list is not intended to be exhaustive.

Factors such as geopolitical uncertainty, the threat of trade wars, the threat of terrorism and cyber-attacks as well as other potential external disruptions may, if they materialise, significantly affect Finnair's operations. Geopolitical tensions may have an adverse effect on the global economic environment, and on Finnair's network and profitability. The war in Ukraine has already dramatically impacted the global trade in the form of sanctions and countersanctions, and as regards

to civil aviation, closures of the airspace. For Finnair's Asian traffic, the duration of the closure of the Russian airspace as well as a potential escalation of the war are key risk factors. Further routes between Europe and Asia may become impossible to operate and / or commercially unviable. The impact of a prolonged closure of the Russian airspace and the potential escalation of the war on Finnair's business, financial result and future outlook depends on the company's ability to adapt its network, costs, revenue sources and financing in a new business environment.

Macroeconomic factors continue to be a key driver of air transportation demand, as there has historically been a strong correlation between air travel and the development of macroeconomic factors such as GDP. Due to this correlation, aviation is an industry which is highly sensitive to global economic cycles and reacts quickly to external disruptions, seasonal

variations and economic trends, as the global COVID-19 pandemic and the war in Ukraine have demonstrated.

The effect of the COVID-19 pandemic in the markets in which Finnair operates has adversely affected the demand for Finnair's services. Even though the existing travel restrictions are very limited as China opened for travel, the uncertainty concerning the travel restrictions, especially in Asia, poses a risk to demand for air travel, and consequently to Finnair's revenue development. The COVID-19 pandemic may also have long-term negative effects on air travel demand due to potential changes in travellers' perception of the air travel experience and the perceived uncertainty relating to the current pandemic or other similar health threats in the future. The recovery of business travel to pre-COVID-19 levels is likely to be affected by the adoption of virtual and teleconferencing tools.

Factors beyond Finnair's control are related to the duration of the Russian airspace closure, COVID-19 pandemic and retightening of related travel restrictions, resource challenges in the European aviation system caused by the pandemic as well as the recovery of demand for air travel. In addition, other general risk factors in the industry and business, such as the fluctuation of jet fuel prices and its weakened supply, fluctuation in demand for air travel in general, and fluctuations in currency exchange rates, as well as regulatory and tax changes are also beyond Finnair's control. Other general macroeconomic conditions, such as deterioration in business or consumer confidence, changing customer preferences or employment levels, lower availability of credit, rising interest rates, rise in prevailing high inflation, recession, or changes in taxation may have an adverse impact on private consumption, and consequently on the demand for air travel.



The key factors affecting revenue and operating result, which Finnair can partially affect, are operating costs and the volume of production. Due to the considerable effect of the COVID-19 pandemic, Finnair has carried out an extensive 200-million-euro cost savings programme and is now targeting significantly lower unit costs compared to 2019 levels (this includes the already achieved 200 million euros) by mid-2024 due to the continued effects of the COVID-19 pandemic and the closed Russian airspace. The current inflationary pressure poses a risk to retaining the cost level achieved.

As jet fuel costs are the largest variable expense item, the jet fuel price development has a material effect on profitability. Fuel price fluctuations may result in increased uncertainty around Finnair's financial performance and cash flow. Jet fuel prices have historically fluctuated significantly, and fluctuations are expected to continue in the future e.g., due to the impacts of the Ukrainian war. Finnair's ability to pass on the increased costs of jet fuel to its customers by increasing fares is limited by the fierce competition in the airline industry. Finnair's jet fuel costs are also subject to foreign exchange rate risk as international prices for jet fuel are denominated in U.S. dollars. The residual effect of jet fuel price fluctuations is determined by the hedges in use at a given point in time. Increasing jet fuel costs, disruptions in fuel supplies and ineffective hedging in relation to changes in market

prices may result in increased expenses, which may have a material adverse effect on Finnair's business, financial result and future outlook. Derivatives used to hedge against adverse price movements in jet fuel may prove to be inefficient resulting in increased jet fuel price in relation to market prices. Due to market volatility impacting the pricing and availability of hedging instruments, Finnair's hedging ratio is currently below the pre-pandemic levels but within the range defined in the treasury policy.

Retightening of the COVID-19 pandemic related restrictions especially in Japan and China as well as prolongation of closed Russian airspace would have an adverse impact on the company's profitability, cash funds and equity. Weakened profitability also increases the risk of fleet and other asset impairment.

Prolonged unprofitability and depletion of equity may have an adverse effect on the availability and terms of new funding.

Capacity increases and product improvements among Finnair's existing or new competitors may have an effect on the demand for, and yield of, Finnair's services. Competition in the industry is intense and the market situation is continuously changing as new entrants and/or alliances expand, industry participants consolidate and airlines form marketing or operational alliances,

which might gain competitive advantage over Finnair's **oneworld** alliance or its joint businesses. In addition, the cost base restructurings of Finnair's competitors, undertaken in response to the COVID-19 pandemic and the closure of Russian airspace, may result in further intensified competition through, among others, more aggressive pricing.

Finnair, along with other airlines, strives to distribute its services in increasingly versatile and flexible ways and at lower cost by adopting and utilising new distribution technologies and channels, including the transition towards differentiation of fare content and availability between channels. The ability to capitalise on the commercial possibilities provided by these technologies is dependent on, among others, Finnair's partners to develop and implement such applications as well as Finnair's ability to generate products and services that best correspond to customer needs. Hence, introduction of new digital distribution technologies and 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.

Finnair is exposed to the risk of operating losses from natural events, pandemics or health epidemics and weather-related events, influencing operating costs and revenue. Outbreaks of epidemics or pandemics, as COVID-19 has demonstrated, can adversely affect the demand for air travel and have a significant effect on Finnair's operations. Further, natural hazards arising from climate change, such as increased extreme weather conditions, including substantial snowfall, atmospheric turbulence, earthquakes, hurricanes, typhoons, or severe thunderstorms, may result in substantial additional costs to Finnair. Such weather conditions may, for example, lead to flight cancellations, increased waiting times, increased fuel consumption as well as costs associated with aircraft de-icing, which could lead to additional costs to Finnair and thus, have an adverse effect on Finnair's results of operations and financial condition.

In a changing aviation business environment, it is difficult to predict the impact that the





COVID-19 and the potential further changes in the geopolitical situation may have an impact 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.

In Finnair's goal of halving its net carbon emissions by the end of 2025 from the 2019 level, 95 per cent of the target has relied on offsetting. However, the global market has not developed as expected as the market is still immature. In 2022, Finnair committed to the Science Based Target Initiative, where emission credits are not accepted as emission reductions. Due to this, Finnair is now reassessing the selection of means it uses to achieve the emission target and its costs. There is also a risk that Finnair would not reach the target.

The overall labour market situation in Finland is challenging and it may have an impact on Finnair's operations. Strikes and other work-related disruptions may, if they materialise, significantly affect Finnair's operations.





# 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.

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. Finnair's policy is to hedge its fuel purchases 12 months forward on a rolling basis. The risk management policy was revised during the last quarter of 2022. The maximum hedging ratio for the first 3-month period is approximately 90 per cent and the lower limit is approximately 60 per cent. The hedging ratio decreases towards the end of the 12-month hedging period. As a result of the revision, the average hedging ratio will be on a significantly higher level. Therefore, the average hedging ratio defined in the revised risk management policy will be reached during the first half of the 2023.

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 30 million
Average yield of passenger traffic	EUR 22 million
Unit cost (CASK excl. fuel)	EUR 20 million

Fuel sensitivities (rolling 12 months from date of financial statements)	10% change, without hedging	10% change, taking hedging into account
Fuel	EUR 80 million	EUR 64 million

Fuel hedging and average hedged price (rolling 12 months from date of financial statements)	Hedged fuel, tonnes*	Average hedge price, USD/ton**
Q1 2023	108,000	1,055
Q2 2023	87,000	1,069
Q3 2023	84,000	996
Q4 2023 and after	60,000	1,005
<b>Total</b>	<b>339,000</b>	<b>1,035</b>

\* Based on the hedged period, i.e., not hedging related cash flow.

\*\* Average of swaps and bought call options strikes.





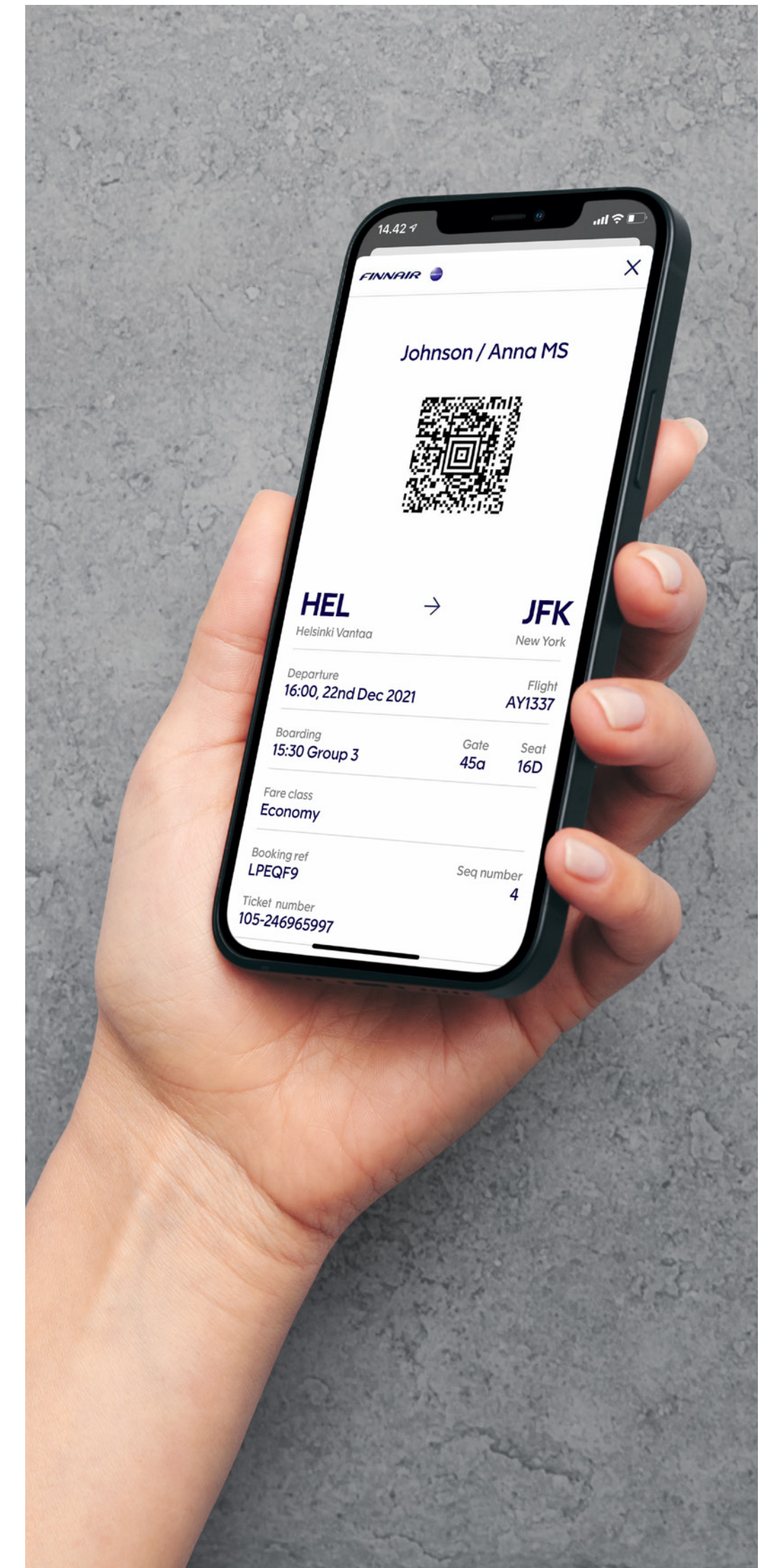
## Hedging of foreign currency exposure in balance sheet

Finnair's balance sheet includes asset-related foreign currency exposure due to 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 by partly investing liquidity in foreign currency money market funds or other financial assets 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 December, the hedging ratio of USD denominated interest-bearing liabilities (including IFRS 16) was approximately 60 per cent.

Currency distribution, %	Q4 2022	Q4 2021	2022	2021	Currency sensitivities USD and JPY (rolling 12 months from date of financial statements for operational cash flows)		Hedging ratio for operational cash flows (rolling next 12 months)
					10% change without hedging	10% change taking hedging into account	
<b>Sales currencies</b>							
EUR	63	49	59	46	-	-	-
USD*	5	5	8	5	see below	see below	see below
JPY	3	7	4	9	EUR 8 million	EUR 5 million	32%
CNY	1	6	2	7	-	-	-
KRW	2	4	2	5	-	-	-
SEK	4	4	4	4	-	-	-
Other	21	25	21	25	-	-	-
<b>Purchase currencies</b>							
EUR	55	65	55	69	-	-	-
USD*	40	31	41	26	EUR 74 million	EUR 48 million	36%
Other	5	5	5	5	-	-	-

\* 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.





# Outlook

## Guidance issued on 28 October 2022:

Finnair estimates that in Q4 2022, it will operate an average capacity of c. 70 per cent, as measured in ASKs, compared to the corresponding period in 2019. With the leases of aircraft with crew to other airlines, the total capacity deployed would be c. 80 per cent, depending on future lease agreements.

In the short term, the strong demand for travel is predicted to continue, which will support Finnair's unit revenues as in the summer months of 2022. Significant uncertainty in Finnair's operating environment prevails, however, because the market price of fuel is exceptionally high and the length of the Russian airspace closure, the impact of inflation on demand and costs, as well as the development of the COVID-19 pandemic and related measures are unclear. The company reiterates its guidance according to which the 2022

comparable operating result will be significantly negative for a third consecutive year.

Finnair will update the progress in the implementation of its new strategy as well as provide guidance and outlook for 2023 in connection with the financial statements bulletin for 2022.

## New guidance on 15 February 2023:

Finnair estimates that in 2023, it will operate an average capacity of 80–85 per cent, as measured in ASKs, compared to 2019. The capacity is impacted by the development of demand, e.g., increase in travel in Chinese routes, and potential leases of aircraft with crew to other airlines.

Finnair estimates that the strong demand for travel will continue in the short-term, supporting its unit revenues as in the second half of 2022, but the continuing general economic uncertainty will weaken the visibility of travel demand development during 2023. With the fading impacts of the pandemic following the opening of China, Finnair expects normal seasonality to return. Accordingly, the first quarter of the year is seasonally the weakest and results typically in

negative EBIT, while the summer months are the high season in travel.

Significant uncertainty in Finnair's operating environment continues, as the price of fuel is high and the length of the Russian airspace closure and the impact of inflation on demand and costs are unclear.

Finnair estimates that its 2023 revenue will significantly increase year-on-year, especially as the first half of 2022 was heavily burdened by both the pandemic and the closed Russian airspace. Nonetheless, the company estimates that its revenue will not yet reach the level of 2019.

Finnair will update its outlook and guidance in connection with the Q1 2023 interim report.





# Performance indicators classified as alternative performance measures

Finnair uses alternative performance measures referred to in the European Securities Markets Authority (ESMA) Guidelines on Alternative Performance Measures to describe its operational and financial performance, to provide a comparable view of its business and to enable better comparability relative to its industry peers. The alternative performance measures do not replace IFRS indicators.

Alternative performance measures	Calculation	Reason to use the measure
Items affecting comparability	Unrealized changes in foreign currencies of fleet overhaul provisions + Fair value changes of derivatives where hedge accounting is not applied + Sales gains and losses on aircraft and other transactions + Impairment on A330 aircraft + 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 2018 and 2019 constant currency	Revenue + Currency impact adjustment at 2018 and 2019 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 and 2019 are excluded from the measurement.
Costs at 2018 and 2019 constant currency and fuel price	Other operating income + Operating expenses included in comparable operating result + Currency and fuel price impact adjustment at 2018 and 2019 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 and 2019 are excluded from the measurement.
Comparable operating result at 2018 and 2019 constant currency and fuel price	Revenue at 2018 and 2019 constant currency + Costs at 2018 and 2019 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 and 2019 are excluded from the measurement.
RASK at 2018 and 2019 constant currency	Revenue at 2018 and 2019 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 and 2019 are excluded from the measurement.
CASK at 2018 and 2019 constant currency and fuel price	Costs at 2018 and 2019 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 and 2019 are excluded from the measurement.



Alternative performance measures	Calculation	Reason to use the measure
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 key performance indicators classified as alternative performance measures

## Items affecting comparability

EUR in millions	2022	2021
<b>Operating result</b>	<b>-200.6</b>	<b>-454.4</b>
Unrealized changes in foreign currencies of fleet overhaul provisions	8.8	11.7
Fair value changes of derivatives where hedge accounting is not applied	-0.9	0.0
Sales gains and losses on aircraft and other transactions	-6.6	-5.6
Impairment on A330 aircraft	32.7	
Changes in defined benefit pension plans		-20.6
Restructuring costs	2.6	0.0
<b>Comparable operating result</b>	<b>-163.9</b>	<b>-468.9</b>
Depreciation and impairment	317.1	319.8
<b>Comparable EBITDA</b>	<b>153.2</b>	<b>-149.0</b>

## Comparable operating result, RASK and CASK at 2018 constant currency and fuel price

EUR in millions, unless otherwise indicated	2022	2021
Revenue	2,356.6	838.4
Currency impact adjustment at 2018 currency	-17.2	-2.5
Revenue at 2018 constant currency	2,339.3	835.9
Other operating income	146.7	39.2
Operating expenses included in comparable operating result	-2,667.1	-1,346.4
Currency and fuel price impact adjustment at 2018 currency and price	417.7	5.3
Costs at 2018 constant currency and fuel price	-2,102.8	-1,301.9
<b>Comparable operating result at 2018 constant currency and fuel price</b>	<b>236.5</b>	<b>-466.0</b>
Available seat kilometres (ASK), million	31,298.4	12,094.2
<b>RASK at 2018 constant currency, cents/ASK</b>	<b>7.47</b>	<b>6.91</b>
<b>CASK at 2018 constant currency and fuel price, cents/ASK</b>	<b>6.72</b>	<b>10.76</b>

## Comparable operating result, RASK and CASK at 2019 constant currency and fuel price

EUR in millions, unless otherwise indicated	2022	2021
Revenue	2,356.6	838.4
Currency impact adjustment at 2019 currency	-5.1	7.2
Revenue at 2019 constant currency	2,351.5	845.6
Other operating income	146.7	39.2
Operating expenses included in comparable operating result	-2,667.1	-1,346.4
Currency and fuel price impact adjustment at 2019 currency and price	379.8	-14.8
Costs at 2019 constant currency and fuel price	-2,140.7	-1,322.1
<b>Comparable operating result at constant currency and fuel price</b>	<b>210.8</b>	<b>-476.5</b>
Available seat kilometres (ASK), million	31,298	12,094
<b>RASK at 2019 constant currency, cents/ASK</b>	<b>7.51</b>	<b>6.99</b>
<b>CASK at 2019 constant currency and fuel price, cents/ASK</b>	<b>6.84</b>	<b>10.93</b>

## Equity ratio

EUR in millions, unless otherwise indicated	31 Dec 2022	31 Dec 2021
Equity total	410.7	475.7
Equity and liabilities total	4,133.0	4,047.1
<b>Equity ratio, %</b>	<b>9.9</b>	<b>11.8</b>



## Gearing, interest-bearing net debt and interest-bearing net debt / Comparable EBITDA, LTM

EUR in millions, unless otherwise indicated	31 Dec 2022	31 Dec 2021
Lease liabilities	1,330.7	1,381.0
Other interest-bearing liabilities	1,298.5	1,427.9
Cross currency interest rate swaps*	-10.7	-12.3
<b>Adjusted interest-bearing liabilities</b>	<b>2,618.4</b>	<b>2,796.6</b>
Other financial assets	-738.6	-531.4
Cash and cash equivalents	-785.8	-734.3
<b>Cash funds</b>	<b>-1,524.4</b>	<b>-1,265.7</b>
<b>Interest-bearing net debt</b>	<b>1,094.0</b>	<b>1,530.9</b>
Equity total	410.7	475.7
<b>Gearing, %</b>	<b>266.4</b>	<b>321.8</b>
Comparable EBITDA, LTM	153.2	-149.0
<b>Interest-bearing net debt / Comparable EBITDA, LTM</b>	<b>7.1</b>	<b>-10.3</b>

\* 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 the note 3.8 Derivatives, is considered an interest-bearing liability in the net debt calculation.

## Gross capital expenditure

EUR in millions	2022	2021
Additions in fixed assets	125.8	28.7
New contracts in right-of-use assets	9.5	380.6
Reassessments and modifications in right-of-use assets	64.3	25.3
<b>Gross capital expenditure</b>	<b>199.6</b>	<b>434.5</b>

## Return on capital employed (ROCE), LTM

EUR in millions, unless otherwise indicated	31 Dec 2022	31 Dec 2021
Result before taxes, LTM	-370.7	-581.9
Financial expenses, LTM	137.9	117.8
Exchange rate gains and losses, LTM	38.8	22.5
<b>Return, LTM</b>	<b>-194.0</b>	<b>-441.6</b>
Equity total	410.7	475.7
Lease liabilities	1,330.7	1,381.0
Other interest-bearing liabilities	1,298.5	1,427.9
<b>Capital employed</b>	<b>3,039.8</b>	<b>3,284.6</b>
<b>Capital employed, average of reporting period and comparison period</b>	<b>3,162.2</b>	<b>3,180.0*</b>
<b>Return on capital employed (ROCE), LTM, %</b>	<b>-6.1</b>	<b>-13.9</b>

\* Capital employed accounted was EUR 3,075.4 million as at 31 December 2020.





# Other performance indicators

## Revenue and profitability

Earnings per share (EPS), basic	(Result for the period - Hybrid bond expenses net of tax) / Average number of outstanding shares during the period
Earnings per share (EPS), diluted	(Result for the period - Hybrid bond expenses net of tax) / Average number of outstanding shares during the period taking into account the diluting effect resulting from changing into shares all potentially diluting shares
Unit revenue per available seat kilometre (RASK)	Unit revenue (RASK) represents the Group's revenue divided by available seat kilometres (ASK).
Unit revenue per revenue passenger kilometre (yield)	Passenger revenue by product divided by Revenue passenger kilometres (RPK).
Unit cost per available seat kilometre (CASK)	Unit cost (CASK) represents the Group's operational costs divided by available seat kilometres. Other operating income is deducted from operational costs.
CASK excluding fuel	(Comparable operating result - Revenue - Fuel costs) / ASK x 100

## Traffic

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

## Reducing unit costs

On-time performance	The share of flights arrived less than 15 minutes late
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## Strengthening unit revenues

Net Promoter Score (NPS)	Net Promoter Score is based on a question: "Thinking about all aspects of this journey, how likely would you be to recommend Finnair to a relative, friend or colleague?" Scale is 0-10: The share of detractors (ratings 0-6) is deducted from the share of promoters (ratings 9-10).
Share of digital direct ticket sales	Share of ticket sales in Finnair's own direct channels in relation to total ticket sales for the period. Direct channels include Finnair.com, Finnair mobile app, New Distribution Capability (NDC) solutions and Finnair Holidays.

## Sustainability

Flight CO <sub>2</sub> emissions	CO <sub>2</sub> emissions from jet fuel consumption
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## People

Absences due to illness	Share of sickness absence hours relating to planned work hours
Attrition rate, LTM	Number of leavers on own request during the last twelve months compared to active employments on reporting date and leavers on own request during the last twelve months

## Share

Equity/share	Equity / Number of outstanding shares at the end of period
Dividend/earnings	Dividend per share / Earnings per share (EPS) x 100
Dividend yield, %	Dividend per share / Share price at the end of period x 100
Cash flow from operating activities/share	Net cash flow from operating activities / Average number of outstanding shares during the period
P/E ratio	Share price at the end of period / Earnings per share (EPS) x 100





# Financial Statements





# Financial Statements

**How to read Finnair Financial Statements?**

Finnair's financial statements are structured to facilitate reading and understanding of the financial statements and to clarify the overall picture derived from it. The notes to the financial statements have been combined to business related sections, separately listing the accounting principles, critical accounting estimates and sources of uncertainty in each section. In addition, comments on interesting figures and other highlights are provided in text areas marked with a star. The financial statements also include illustrative charts to support the understanding of the figures.

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

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

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

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

This Financial Information 2022 is not an xHTML document compliant with the ESEF (European Single Electronic Format) regulation. Financial Information 2022 in accordance with ESEF regulations is available at <https://investors.finnair.com/en>.

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## Consolidated income statement

EUR mill.	Note	2022	2021
<b>Revenue</b>	1.1, 1.2	<b>2,356.6</b>	<b>838.4</b>
Other operating income		153.5	62.5
<b>Operating expenses</b>			
Staff and other crew related costs	1.3.8	-449.6	-229.3
Fuel costs		-835.1	-211.4
Capacity rents		-102.5	-71.3
Aircraft materials and overhaul		-192.4	-117.2
Traffic charges		-206.5	-120.4
Sales, marketing and distribution costs		-103.1	-38.1
Passenger and handling services	1.3.2	-348.0	-148.0
Depreciation and impairment	2.3	-349.8	-319.8
Property, IT and other expenses	1.3.3	-123.7	-99.7
<b>Operating result</b>		<b>-200.6</b>	<b>-454.4</b>
Financial income	3.1	6.5	12.8
Financial expenses	3.1	-137.9	-117.8
Exchange rate gains and losses	3.1	-38.8	-22.5
<b>Result before taxes</b>		<b>-370.7</b>	<b>-581.9</b>
Income taxes	5.1	-105.4	117.6
<b>Result for the period</b>		<b>-476.2</b>	<b>-464.3</b>
<b>Attributable to</b>			
Owners of the parent company		-476.2	-464.3
<b>Earnings per share attributable to shareholders of the parent company, EUR</b>			
Basic earnings per share	3.9	-0.36	-0.34
Diluted earnings per share	3.9	-0.36	-0.34

## Consolidated statement of comprehensive income

EUR mill.	Note	2022	2021
<b>Result for the period</b>		<b>-476.2</b>	<b>-464.3</b>
<b>Other comprehensive income items</b>			
<b>Items that may be reclassified to profit or loss in subsequent periods</b>			
Change in fair value of hedging instruments		-13.8	30.1
Tax effect		0.1	-6.0
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>			
Actuarial gains and losses from defined benefit plans	1.3.8.2	49.9	43.0
Tax effect		-10.0	-8.6
<b>Other comprehensive income items total</b>		<b>26.2</b>	<b>58.4</b>
<b>Comprehensive income for the period</b>		<b>-450.0</b>	<b>-405.9</b>
<b>Attributable to</b>			
Owners of the parent company		-450.0	-405.9

★ **The pandemic and closure of Russian airspace had a significant negative impact on year 2022 profitability**  
Finnair's revenue grew almost threefold in 2022 as the passenger traffic recovered from the COVID-19 pandemic especially in Europe and the United States. However, the remaining pandemic related travel restrictions in Asia as well as the closure of Russian airspace, combined with exceptionally high fuel prices, had a significant negative impact on the Group's operating result in 2022. Income taxes for the period had a negative impact on the result for the period due to a write-down recognized for deferred tax assets related to the previous years' taxable losses. Finnair has not recognized any deferred tax assets based on 2022 losses due to the increased uncertainty caused by the closure of Russian airspace. Accounting for income taxes is presented in more detail in note 5.1 Income taxes.

★ = Highlights





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Consolidated balance sheet

EUR mill.	Note	2022	2021
ASSETS			
Non-current assets			
Fleet	2.1	894.8	946.3
Right-of-use fleet	2.2	932.9	1,025.3
Fleet total		1,827.6	1,971.6
Other fixed assets	2.1	150.1	162.3
Right-of-use other fixed assets	2.2	145.4	156.4
Other fixed assets total		295.5	318.7
Pension assets	1.3.8.2	120.0	80.9
Other non-current assets		4.5	6.9
Deferred tax assets	5.1	80.6	191.9
Non-current assets total		2,328.3	2,569.9
Current assets			
Receivables related to revenue	1.2.3	134.9	110.9
Inventories and other current assets	1.3.4	122.0	55.8
Derivative financial instruments	3.8	23.5	26.1
Other financial assets	3.2.1	738.6	531.4
Cash and cash equivalents	3.2.2	785.8	734.3
Current assets total		1,804.8	1,458.5
Assets held for sale			18.7
Assets total		4,133.0	4,047.1

EUR mill.	Note	2022	2021
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		75.4	75.4
Other equity		335.2	400.2
Equity total		410.7	475.7
Non-current liabilities			
Lease liabilities	2.2, 3.3	1,128.0	1,204.1
Other interest-bearing liabilities	3.3	1,058.4	986.2
Pension obligations	1.3.8.2	0.7	0.7
Provisions and other liabilities	1.3.6	186.4	200.7
Non-current liabilities total		2,373.5	2,391.6
Current liabilities			
Lease liabilities	2.2, 3.3	202.7	176.9
Other interest-bearing liabilities	3.3	240.1	441.7
Provisions	1.3.6	71.7	13.8
Trade payables		90.3	53.5
Derivative financial instruments	3.8	36.7	0.4
Deferred income and advances received	1.2.4	452.0	291.1
Liabilities related to employee benefits	1.3.8.1	111.2	74.4
Other liabilities	1.3.5	144.4	128.1
Current liabilities total		1,348.9	1,179.8
Liabilities total		3,722.4	3,571.4
Equity and liabilities total		4,133.0	4,047.1

✦ The group's equity declined as a result of the negative result for the period

Although the group's equity in 2022 was strengthened by the withdrawal of a hybrid loan granted by the Finnish government, it decreased as compared to the prior year as a result of the significant losses generated during the period. The improved passenger ticket sales increased cash funds as well as the flight ticket liability included in deferred income and advances received. The balance of deferred tax asset decreased in 2022 as a result of a write-down. Accounting for deferred tax assets is presented in more detail in note 5.1 Income taxes.

✦ = Highlights



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EUR mill.	2022	2021
Cash flow from operating activities		
Result before taxes	-370.7	-581.9
Depreciation and impairment	349.8	319.8
Financial income and expenses	170.2	127.5
Sales gains and losses on aircraft and other transactions	-6.6	-19.4
Change in provisions	45.2	19.8
Employee benefits	12.7	-4.3
Other adjustments	2.1	3.3
Non-cash transactions	60.0	18.9
Changes in trade and other receivables	-86.9	-49.9
Changes in inventories	-10.1	1.9
Changes in trade and other payables	249.5	257.3
Changes in working capital	152.5	209.2
Financial expenses paid, net	-96.1	-99.3
Net cash flow from operating activities	259.0	-25.3
Cash flow from investing activities		
Investments in fleet	-83.1	-70.3
Investments in other fixed assets	-4.9	-6.0
Divestments of fleet, other fixed assets and shares	25.5	441.7
Lease and lease interest payments received	0.4	11.7
Change in other current financial assets (maturity over 3 months)	-12.8	-67.5
Change in other non-current assets	-0.7	0.0
Net cash flow from investing activities	-75.5	309.6
Cash flow from financing activities		
Proceeds from loans		396.7
Loan repayments	-144.0	-154.8
Repayments of lease liabilities	-193.4	-146.8
Hybrid bond interests and expenses	-20.5	-20.5
Proceeds from capital loan	400.0	
Acquisitions of own shares		-1.1
Net cash flow from financing activities	42.1	73.4
Change in cash flows	225.6	357.8
Liquid funds, at beginning	1,150.0	792.2
Change in cash flows	225.6	357.8
Liquid funds, at end*	1,375.6	1,150.0

Liquid funds

EUR mill.	2022	2021
Other financial assets	738.6	531.4
Cash and cash equivalents	785.8	734.3
Cash funds	1,524.4	1,265.7
Other current financial assets (maturity over 3 months)	-148.8	-115.7
Liquid funds	1,375.6	1,150.0

Changes in equity and liabilities arising from financing activities are disclosed in the note 3.3 Financial liabilities and in the note 3.9 Equity-related information.

The group's liquidity remained strong in 2022

The net cash flow from operating activities turned positive in 2022 as a result of the increased passenger demand which was reflected in higher revenues and increased ticket liability. Investments in fleet relate mostly to the cabin renewal of Finnair's widebody aircraft launched in the beginning of the year and the divestments to the sale of four A321 aircraft. The proceeds from capital loan shown under financing cash flow relate to the hybrid loan granted by the Finnish government which was fully drawn in 2022.

★ = Highlights



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# Consolidated statement of changes in equity

EUR mill.	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Capital loan	Equity total
<b>Equity 1 Jan 2022</b>	<b>75.4</b>	<b>168.1</b>	<b>16.6</b>	<b>762.0</b>	<b>-744.5</b>	<b>198.0</b>		<b>475.7</b>
Result for the period					-476.2			-476.2
Change in fair value of hedging instruments			-13.7					-13.7
Actuarial gains and losses from defined benefit plans			40.0					40.0
<b>Comprehensive income for the period</b>			<b>26.2</b>		<b>-476.2</b>			<b>-450.0</b>
Proceeds from hybrid bond						290.0		290.0
Conversion of hybrid bond into capital loan						-290.0	290.0	
Proceeds from capital loan							110.0	110.0
Hybrid bond interests and expenses					-16.4			-16.4
Share-based payments				1.4				1.4
<b>Equity 31 Dec 2022</b>	<b>75.4</b>	<b>168.1</b>	<b>42.8</b>	<b>763.3</b>	<b>-1,237.0</b>	<b>198.0</b>	<b>400.0</b>	<b>410.7</b>

EUR mill.	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Capital loan	Equity total
<b>Equity 1 Jan 2021</b>	<b>75.4</b>	<b>168.1</b>	<b>-41.8</b>	<b>759.5</b>	<b>-262.6</b>	<b>198.0</b>		<b>896.6</b>
Result for the period					-464.3			-464.3
Change in fair value of hedging instruments			24.0					24.0
Actuarial gains and losses from defined benefit plans			34.4					34.4
<b>Comprehensive income for the period</b>			<b>58.4</b>		<b>-464.3</b>			<b>-405.9</b>
Hybrid bond interests and expenses					-16.4			-16.4
Acquisitions of own shares					-1.1			-1.1
Share-based payments				2.4				2.4
<b>Equity 31 Dec 2021</b>	<b>75.4</b>	<b>168.1</b>	<b>16.6</b>	<b>762.0</b>	<b>-744.5</b>	<b>198.0</b>		<b>475.7</b>

★ **Equity ratio at 9.9% in 2022 (11.8%)**

The Group's equity continued to decrease in 2022 due to a decrease in retained earnings resulting from the loss for the period. Equity was partly supported by the withdrawal of the hybrid loan granted by the State of Finland. The hybrid loan was converted into a capital loan during the year.

Finnair hedges against jet fuel price fluctuations with forward contracts and options according to its risk management policy described in note 3.5 Management of financial risk. The change in fair value of hedging instruments was mainly related to decreased jet fuel prices at the year-end 2022. Changes in hedging reserve and other OCI (other comprehensive income) items are presented in more detail in note 3.9 Equity-related information.

★ = Highlights



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Accounting principles

**How should Finnair’s accounting principles be read?**  
Finnair describes the accounting principles in conjunction with each note with the aim of providing an enhanced understanding of each accounting area. The basis of preparation is described as part of this note at a general level, while the principles more directly related to a specific note are attached to the corresponding note. The Group focuses on describing the accounting choices made within the framework of the prevailing IFRS policy and avoids repeating the actual text of the standard, unless Finnair considers it particularly important to the understanding of the note’s content. The table below shows in which notes the related accounting principles are presented and to which IFRS standard the accounting principle is primarily based on.

Accounting principle	Note	Nr.	IFRS
Segment reporting	Segment information	1.1	IFRS 8
Revenue recognition, other income and trade receivables	Operating income	1.2	IFRS 15, IFRS 9, IFRS 7
Provisions and contingent liabilities	Provisions	1.3.6	IAS 37
Employee benefits and share-based payments	Employee benefits	1.3.8	IAS 19, IFRS 2
Pensions	Pensions	1.3.8.2	IAS 19
Tangible and intangible assets	Fleet and other fixed assets	2.1	IAS 16, IAS 36, IAS 38
Leases	Leasing arrangements	2.2	IFRS 16
Impairment of assets	Depreciation and impairment	2.3	IAS 36
Interest income and expenses	Financial income and expenses	3.1	IFRS 7, IAS 32
Financial assets	Financial assets	3.2	IFRS 9, IFRS 7
Cash and cash equivalents	Financial assets	3.2	IFRS 9, IFRS 7
Financial liabilities	Financial liabilities	3.3	IFRS 9, IFRS 7
Derivative contracts and hedge accounting	Derivatives	3.8	IFRS 9, IFRS 7
Equity, dividend and treasury shares	Equity-related information	3.9	IAS 32, IAS 33
Consolidation principles of subsidiaries	Subsidiaries	4.2	IFRS 10
Non-controlling interests and transactions with non-controlling interests	Subsidiaries	4.2	IFRS 10
Investments in associates and joint ventures	Investments in associates and joint ventures	4.4	IFRS 11, IAS 28
Related party disclosures	Related party transactions	4.5	IAS 24
Income tax and deferred taxes	Income taxes	5.1	IAS 12

Company information

Finnair Group engages in worldwide air transport operations and supporting services. The Group’s parent company is Finnair Plc, which is domiciled in Helsinki at the registered address Tietotie 9, Vantaa, Finland. The parent company is listed on the NASDAQ OMX Helsinki Stock Exchange.

The consolidated financial statements of Finnair Group for the year ended 31 December 2022 were authorized for issue by the Board of Directors of Finnair Plc on 14 February 2023. Under Finland’s Limited Liability Companies Act, shareholders have the option to accept, or reject the financial statements in the Annual General Meeting of the shareholders, which will be held after the publication of the financial statements.

Basis of preparation

Finnair Plc’s consolidated financial statements for 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and they comply with the IAS and IFRS standards and respective SIC and IFRIC Interpretations effective on 31 December 2022. The notes to the consolidated financial statements also comply with Finnish accounting and corporate law. Changes applied in accounting principles in 2022 and future periods are described in the below section Changes in accounting principles.

The consolidated financial statements are presented in euros, which is the parent company’s functional currency. Transactions denominated in foreign currencies are translated into functional currency by using the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies and outstanding at the end of the reporting period are translated using the exchange rates of the closing date. Foreign exchange gains and losses arising from monetary assets and liabilities as well as fair value changes of related hedging instruments are recognized in the income statement.

The 2022 consolidated financial statements have been prepared based on original acquisition costs, except for financial assets recognised through profit and loss at fair value and derivative contracts measured at fair value. Financial statement data is presented in millions of euros and rounded to the nearest hundred thousand euro, which is why the sum of the individual figures may differ from the total shown.

Impact of the COVID-19 pandemic and the war in Ukraine on the consolidated financial statements

The effects of the COVID-19 pandemic and the related travel restrictions on Finnair’s revenue and profitability eased during the financial year 2022 with the exception of the Asian markets, which was reflected in the increase of passenger numbers and load factors in Europe and the United States. The number of passenger kilometers (ASK) offered in 2022 increased clearly from the comparison period and amounted to 31,298 million (12,094 million). Finnair’s revenue increased to 2,356.6 million euro (838.4) and the total number of passengers to 9.1 million (2.9).

Although the impact of the pandemic on Finnair’s operations eased during the year, the pandemic’s effects especially in the beginning of the year and the closure of Russian airspace following the war in Ukraine caused the Group’s result for the period to remain considerably negative amounting to -476.2 million euro (-464.3). The Russian airspace closure had a significant impact on the routings and cost of Finnair flights to Asia, in addition to which the market price of jet fuel rose to exceptionally high levels. Profitability was further impacted by write-downs recognized for deferred tax assets and four A330 aircraft totaling to 149.7 million euro. Finnair estimates that the current difficult operating environment, including the closure of Russian airspace, will continue for a longer period and announced its new strategy on September 7, 2022 aiming to improve the weak profitability and strengthen its financial position. The implementation of the new strategy started at the end of 2022, as part of which Finnair recorded a provision of EUR 2.6 million related to a decision to reduce approximately 150 jobs.

The group’s equity decreased mainly as a result of the losses generated during the period and totaled to 410.7 million euros (475.7). Equity was strengthened by the 400 million euro hybrid loan from the Finnish government, which was converted into a capital loan during the year. The deferred tax asset recognised on the consolidated balance sheet decreased to 80.6 million euros (191.9) as a result of a write-down, resulting from the expected impacts of the Russian airspace closure on Finnair’s taxable future income.

Net cash flow from operating activities turned positive due to the improved passenger ticket sales, amounting to 259.0 million euro (-25.3). Following the increase in passenger demand, working capital increased by 152.5 million euro as a result of the increase in ticket liability. Overall, the Group’s liquid funds grew by 225.6 million euro during the financial period, amounting to 1,375.6 million euro (1,150.0) at the end of the year.

Further detail on the Group’s financial figures can be found in the following notes: revenue and operating expenses (note 1.2 and 1.3), deferred income and advances received (note 1.2.4), changes in liabilities and equity (notes 3.3 and 3.9) and income taxes (note 5.1).

The COVID-19 pandemic and Russia’s war against Ukraine have also impacted the critical accounting estimates and sources of uncertainty used in the preparation of the financial statements. This has been disclosed in more detail in the below section Critical accounting estimates and sources of uncertainty.





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Board's assessment of Finnair as a going concern

The consolidated financial statements have been prepared based on the going concern assumption. The Finnair Board of Directors has assessed the Group's ability to continue as a going concern based the Group's ability to meet its obligations as they fall due at least 12 months after the financial statements are issued. The Board of Directors' assessment is based on Finnair's new strategy published in September and the management's latest business plan approved by the Board of Directors. Due to the current uncertainty embedded in the economic environment caused by the pandemic and the war in Ukraine, and the difficulty in forecasting its duration, the Board of Directors have reviewed three different scenarios prepared by the management that cover a period of 36 months from January 2023 to December 2025. The scenarios differ mainly in regard to impacts of a possible economic downturn as well as the estimated duration of the Russian airspace closure. Under all three scenarios, Finnair will be able to meet its obligations as they fall due at least 12 months after the date that the financial statements are issued.

Based on the forecast scenarios prepared in connection with the financial statements 2022, revenue and profitability are expected to improve slower than what was estimated at the time of the preparation of the 2021 financial statements due to the negative long-term impacts of the Russian airspace closure in 2022 and increased fuel prices. Under the base case scenario and the more pessimistic scenario, the Russian airspace is expected to remain closed for the foreseeable future whereas under the optimistic scenario, the airspace would open in the second quarter of 2025. In addition, the company estimates that in the most pessimistic scenario, a possible economic downturn will reduce passenger revenues, leading to a somewhat weaker result than the base scenario. Finnair expects it will optimize capacity and network as well as significantly enhance its operations by mid-2024 in accordance with the renewed strategy. It expects to operate at c. 84% capacity in 2023 and c. 88% capacity in 2024 (measured in annual available seat kilometres) as compared to the pre-pandemic levels of 2019 under all of the scenarios. In 2025, the company expects it would operate at c. 93% capacity under the optimistic scenario and at 88% capacity under the other two scenarios. Following the closure of Russian airspace, Finnair no longer estimates to reach its pre-pandemic operational levels during the forecast period due to the optimization of the fleet and flight network in accordance with the updated strategy.

The management forecast scenarios are based on estimated development of passenger demand and capacity levels which depend on the development of general economic environment as well as on how long the strong, post-pandemic passenger demand will continue. The unit revenue (RASK) is expected to remain above the 2019 level in all scenarios due to partial capacity limitations of the industry, strengthening of the unit revenues in line with the strategy and increased fuel costs that are partly reflected in higher ticket prices. At the same time, the reduction in unit costs following the new strategy is estimated to lead to improved profitability. Flight related variable expenses depend on the planned capacity, whereas aircraft maintenance investments are assumed to stay rather constant between all scenarios.

In 2022, Finnair continued to safeguard its strong cash position by optimizing investments and costs, adjusting capacity to meet the demand, renegotiating its funding arrangements and by renewing its prior strategy that was heavily relying on flight connections between Europe and Asia. Finnair's new strategy focuses on building a competitive airline, with the target of reaching the pre-pandemic comparable EBIT level of 5% from mid-2024. As a result of the savings and change negotiations carried out in connection with the strategy implementation in 2022, Finnair announced that it will reduce around 150 jobs worldwide. In order to adjust the operational capacity, Finnair signed crew and aircraft lease agreements with British Airways and Eurowings Discover for a fixed period and started cooperation with Qatar Airways between three Nordic cities and Doha. In addition to the operational measures, the 400-million-euro hybrid loan issued by the Finnish government was converted into an equity capital loan, strengthening the equity capital of the group's parent company Finnair Plc, in addition to which Finnair reached an agreement to extend the loan term and payment schedule of the 600 million-euro pension premium loan until 2025.

As a result of the aforementioned actions, Finnair's liquidity position remained strong and as at 31 December 2022, the Group held liquid funds of 1,375,6 million euro (1,150.0). The cash funds including other current financial assets (maturity over 3 months) totalled to 1,524.4 million euro (1,265.7). The Group management and the Board of Directors continue to pay close attention to the Group's cash position considering the challenging dynamics in its current operating environment. The maturities of the Group's interest-bearing liabilities are presented in note

3.3. and information about hedging policies and management of liquidity risk is described in notes 3.5 and 3.8. Finnair had no debt covenants at the end of the financial year 2022.

The main identified uncertainties relating to the management estimates relate to the current difficult operating environment caused by the effects of the war in Ukraine, including closure of the Russian airspace, the duration of which cannot be known with certainty at the time of the publication of the financial statements. Also the future development of the already increased jet fuel prices, impact of inflation and possible economic downturn on passenger demand and operating costs as well as the changes in the economic and competitive environment are subject to increased uncertainty. These events are not in the sphere of Finnair management's influence and the management has been required to apply material judgement relating to the duration of the current geopolitical and economic situation and make estimates about its impact on Finnair's business and financial performance.

Despite of the abovementioned uncertainties, Finnair's management has at its disposal other mitigating measures that are within the sphere of its influence and with which it believes it will be able to meet its obligations for at least 12 months after the date the financial statements are issued. These include discussions initiated by Finnair with Airbus on options to delay or cancel the two remaining A350s, which according to the current contract are due to arrive in the last quarter of 2024 and the first quarter of 2025. In addition, Finnair is investigating the possibilities of refinancing some of its existing financial arrangements.

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

Despite the various mitigating measures implemented by Finnair, including the commencement of the strategy implementation, the upcoming months will continue to be significantly affected by the closure of Russian airspace and high jet fuel prices leading to 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 current assessment of the Board of Directors, 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.

Presentation of consolidated income statement and balance sheet

Finnair's consolidated income statement includes a subtotal 'operating result' which is not defined in the IAS 1 Presentation of Financial Statements standard. The Group has defined it as the net amount of operating income and expenses, including revenue and other operating income, less operating expenses, such as employee benefits, fuel costs, maintenance expenses and depreciations. Exchange rate differences and realised changes in fair values of derivatives are included in the operating result if they arise from items related to business operations; otherwise, they are recognised in financial items. The operating result excludes financial items, share of results from associates and joint ventures and income taxes.

In the consolidated balance sheet, assets and liabilities are classified as current when they are expected to realise within 12 months or when they are classified as liquid funds or as financial assets or liabilities classified at fair value through profit or loss. Other assets and liabilities are classified as non-current assets or liabilities. Interest-bearing liabilities include loans from financial institutions, bonds, loans taken for aircraft financing (JOLCO-loans & export credit support), lease liabilities and commercial papers. Interest-bearing assets include interest-bearing deposits as well as investments in commercial paper and certificates, bonds and money market funds. Interest-bearing net debt is the net amount of interest-bearing assets and liabilities and cross-





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currency interest rate swaps that are used for hedging the currency and interest rate risk arising from interest-bearing loans.

Critical accounting estimates and sources of uncertainty

The preparation of IFRS financial statements requires Group management to make certain estimates, assumptions and judgements in applying the accounting principles that affect the reported amounts of assets and liabilities as well as income and expenses. The application of the accounting policies prescribed by IFRS require making estimates and assumptions relating to the future where the actual outcome may differ from the earlier estimates and assumptions made. In addition, management discretion has to be exercised in applying the accounting principles especially when the IFRS has alternative accounting, valuation or presentation methods. The estimates and assumptions made are based on past experience and management’s best estimate of future events and other factors, that are believed to be reasonable given the current circumstances. The estimates and associated assumptions are continuously evaluated and any changes therein are reflected in the period that the changes occur.

Although the negative impacts of the COVID-19 pandemic eased towards the end of the year 2022, Finnair’s operating environment became significantly more difficult due to the escalation of the geopolitical situation in Eastern Europe which resulted from Russia’s attack against Ukraine in February 2022. The resulting sanctions, and countersanctions, led to the closure of Russian airspace which has had negative impact on the routings and operating costs of Finnair flights to Asia. Also, the price of jet fuel increased to exceptionally high level during the year, in addition to which the future fuel price development, impact of inflation on passenger demand and operating costs as well as the changes in the economic and competitive environment are subject to increased uncertainty. Further, even when after the opening of China, there were practically no pandemic-related travel restrictions remaining at the time of the preparation of the financial statements, the uncertainties associated with possible new virus variants and travel restrictions continue to pose a risk to air passenger demand and therefore, to the development of Finnair’s revenue.

In order to reflect the increased uncertainty in its estimates and assumptions, Finnair’s management has considered three different forecast scenarios incorporating possible variations of the development of passenger demand and changes in its operating environment based on its best estimate at the time. The scenarios are discussed in more detail in the earlier section of the notes called Board’s assessment of Finnair as a going concern. Further, in order to consider the increased uncertainty also in its impairment testing performed at the year-end, Finnair is using the expected cash flow approach which incorporates expectations about all forecast scenarios instead of relying on just a single, most likely, cash flow estimate.

Information about the estimates and judgement exercised by management in applying the Group’s accounting principles and the areas where estimates and judgements have biggest impact on the financial statements are highlighted in the following table Critical accounting estimates and sources of uncertainty.

**I** The consolidated financial statements have been prepared on a going concern basis. Assessment of the going concern is made based on management estimates about future events and other information that is available to the management and the Board of Directors at the time of the assessment. The main identified critical estimates and sources of uncertainty related to the assessment are presented earlier in this note in section Board’s assessment of Finnair as going concern. The identified main critical estimates and sources of uncertainty related to separate sections of the financial statements are presented in connection to the financial items considered to be affected and attached to the corresponding note. The table below shows where to find more information about those estimates and uncertainties. **I**

Critical accounting estimates and sources of uncertainty

	Note number	Note
Finnair Plus Customer Loyalty Program	1.2	Operating income
Maintenance reserves of the fleet	1.3.6	Provisions
Pension obligations	1.3.8.2	Pensions
Leasing arrangements	2.2	Leasing arrangements
Impairment testing of the fleet and other fixed assets	2.3	Depreciation and impairment
Derivative contracts and hedge accounting	3.8	Derivatives
Deferred taxes	5.1	Income taxes

Climate-related matters in the consolidated financial statements

Finnair’s environmental management is based on the principle of continuous and systematic improvement, and it is committed to the goal of carbon neutral flying by the end 2045, in addition to which it will halve carbon net emissions by 2025 compared to the 2019 level. Finnair’s climate-related targets have been disclosed in more detail in the Report of the Board of Directors and Sustainability Appendix.

Finnair expects the climate-related costs to increase significantly over the next 1-5 years, resulting from carbon emission reduction targets and tightening climate legislation. Especially three initiatives included in the EU’s “Fit for 55” legislative package are particularly relevant for the aviation industry: the reform of emissions trading (EU-ETS), the mixing quota for sustainable aircraft fuel (ReFuelEU Aviation) and the proposal to introduce a kerosene tax (energy tax directive). When in force, the new regulation is expected to result in higher costs for Finnair due to more expensive emission allowances, increased consumption of renewable fuel and possible abolition of the aviation fuel tax exemption. Where Finnair considers such costs will be recovered through increase in ticket fares, a corresponding adjustment is added to passenger revenue. In preparing the consolidated financial statements, the expected impacts of the climate related matters on the Group’s results have been considered in the management’s profitability and cash flow forecasts, which are used in impairment testing of non-financial assets and evaluation of the recovery of deferred tax assets.

Finnair expects the impact of climate-related matters on the estimated economic life of its fleet to be insignificant, as management is not aware of such regulations at the balance sheet date that would directly prevent or limit the company’s ability to use its current fleet. For example, an unexpected and significant increase in emission costs could, if realized, affect the timing of the planned fleet renewal in the future, but this is not considered likely at the time of the preparation of the financial statements.

Changes in accounting principles

New and amended IFRS standards and IFRIC interpretations

The changes in the IFRS standards and IFRIC-interpretations effective from periods beginning 1 January 2022 included mainly amendments or improvements to current standards and did not have material effect on Finnair financial statements.

Other standards issued that are effective from periods on or after 1st of January 2023 mainly include amendments and improvements to current standards that are not expected to have a material impact on the Group’s consolidated financial statements.

**I** = Critical accounting estimates





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1 Operating result

Operating result includes notes related to revenue and operating result from the point of view of income statement and balance sheet.

1.1 Segment information

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

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

The revenue by product and geographical area is presented in the note 1.2.1 Revenue by product and traffic area. The division is based on the destination of Finnair flights. Finnair operates international and domestic routes, but the assets are almost solely owned in Finland. The fleet composes the major part of the non-current assets (see note 2.1 Fleet and other fixed assets). The fleet is owned or leased by Finnair's Finnish subsidiary and the aircraft are operated flexibly across different traffic (geographical) areas. More details about fleet management and ownership can be found in the management report in the section "Fleet".

Even though the passenger traffic figures improved from prior year, the negative impact of the COVID-19 pandemic and related travel restrictions was still clearly visible in the figures. Further, the Russian airspace closure had a negative impact on the figures in 2022. During the financial year Finnair transported 9.1 million passengers (2.9), which was 218.9 per cent more than in 2021. Strong cargo demand continued and the revenue of cargo business was record high. The demand for travel services also grew strongly with the lifting of travel restrictions. Finnair continued to control and optimize its costs in all operations. The effects on revenue and operating expenses as well as the related receivables and liabilities are presented in more detail in the following notes 1.2 and 1.3.

Due to the wide scale of customers and nature of the business, sales to any individual customer is not material compared to Finnair's total revenue.

1.2 Operating income

The operating income section includes both income statement and balance sheet notes that relate to revenue. The aim is to provide a more coherent picture of income related items affecting Finnair's result and financial position. Trade receivables and deferred income containing mainly prepaid flight tickets and travel tour services are presented in connection with this section, because those are an essential part in revenue recognition.

**A Revenue recognition**  
Revenue is recognised when goods or services are delivered. Revenue is measured at fair value of the consideration received or receivable, net of discounts and indirect taxes.

Passenger revenue includes sale of flight tickets, and is recognised as revenue when the flight is flown in accordance with the flight traffic program. Recognition of unused tickets as revenue is based on the expected breakage amount of tickets remaining unused in proportion to the pattern of rights exercised by the passenger.

Sales price is allocated to a flight ticket and points in Finnair Plus' Customer Loyalty Program. Finnair loyalty customers can earn Finnair Plus Points from tickets or services purchased, and use the earned points to buy services and products offered by Finnair or its cooperation partners. The points earned are measured at fair value and recognised as a decrease of revenue and debt at the time when the points-earning event (for example, flight is flown) is recognised as revenue. Fair value is measured by taking into account the fair value of those awards that can be purchased with the points and the customer selection between different awards based on historical customer

behaviour. In addition, the fair valuation takes into account the expiry of the points. The debt is derecognised when the points are used or expire.

Customer compensations for delays or cancellations is a variable consideration in the contract and it is recognised as an adjustment to revenue.

Ancillary revenue includes sale of ticket related services, such as advance seat reservations, additional baggage fees as well as different service fees, and sale of goods in the aircraft. The service revenue is recognized when the flight is flown in accordance with the flight traffic program, since it is considered as a contract modification instead of a separate revenue transaction. The sale of goods is recognized when the goods are delivered to the customer.

Cargo revenue is recognized when the cargo has been delivered to the customer.

Tour operations revenue includes sale of flight and hotel considered as separate performance obligations, which are recognized as the service is delivered.

Public subsidies are recognised as other operating income.

**A Trade receivables**  
Finnair Group recognises impairment provisions based on lifetime expected credit losses from trade receivables in accordance with IFRS 9. Finnair has chosen to apply a simplified credit loss matrix for trade receivables as trade receivables do not have a significant financing component. Accordingly, the credit loss allowance is measured at an amount equal to the lifetime expected credit losses. The expected credit loss model is forward-looking, and expected default rates are based on historical realised credit losses. The lifetime expected credit loss allowance is calculated using the gross carrying amount of outstanding trade receivables in each aging bucket and an expected default rate. The changes in expected credit losses are recognised in other operating expenses.

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

1.2.1 Revenue by product and traffic area

2022

EUR mill.	Asia	North Atlantic	Europe	Domestic	Unallo-cated	Total	Share, % of revenue by product
Passenger revenue	425.0	244.3	897.9	128.2	15.3	1,710.7	72.6
Ancillary and retail revenue	19.4	12.8	37.6	5.4	48.0	123.2	5.2
Cargo	227.1	82.6	46.3	0.4	-4.1	352.3	15.0
Travel services	7.6	0.3	161.7	0.5	0.2	170.3	7.2
Total	679.2	340.0	1,143.6	134.4	59.4	2,356.6	
Share, % of revenue by traffic area	28.8	14.4	48.5	5.7	2.5		

The division of revenue by traffic area is based on destination of the Finnair flights.

Finnair's revenue increased significantly when compared to the financial year 2021 due to reduced impact of the COVID-19 pandemic and exceptionally high passenger yields resulting from strong passenger demand and restricted capacity. Despite the increase in total revenues, the negative impact of the COVID-19 pandemic and closure of the Russian airspace was still reflected in the passenger numbers especially on the Asian routes.

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



## Consolidated income statement

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**2021**

EUR mill.	Asia	North Atlantic	Europe	Domestic	Unallo- cated	Total	Share, % of revenue by product
Passenger revenue	75.3	38.6	243.6	60.3	3.0	<b>420.8</b>	50.2
Ancillary and retail revenue	9.7	1.8	10.7	2.5	19.4	<b>44.1</b>	5.3
Cargo	236.3	49.8	35.9	0.2	12.6	<b>334.7</b>	39.9
Travel services	1.5	0.0	35.8	1.3	0.0	<b>38.7</b>	4.6
<b>Total</b>	<b>322.8</b>	<b>90.2</b>	<b>326.0</b>	<b>64.4</b>	<b>35.0</b>	<b>838.4</b>	
Share, % of revenue by traffic area	38.5	10.8	38.9	7.7	4.2		

**1.2.2 Revenue by currency**

EUR mill.	2022	2021
EUR	1,381.5	387.3
USD	180.4	38.1
SEK	99.4	29.5
JPY	96.7	76.0
KRW	52.3	39.8
CNY	43.7	57.5
Other currencies	502.5	210.2
<b>Total</b>	<b>2,356.6</b>	<b>838.4</b>

The hedging policies against foreign exchange rate fluctuations are described in note 3.5 Management of financial risks.

**1.2.3 Receivables related to revenue**

EUR mill.	2022	2021
Trade receivables	89.4	68.2
Accrued income	45.5	42.7
<b>Total</b>	<b>134.9</b>	<b>110.9</b>

Most of the accrued income represents contract assets, for which Finnair has met the performance requirement prior to receiving payment from customers and these have not yet been recognized as trade receivables. Contract assets mainly include accrued income related to cargo sales and receivables from airlines involved in the Siberian Joint Business on flights between Europe and Japan, and the Atlantic Joint Business on flights between Europe and North America.

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

	2022	2021
Aging analysis of trade receivables	Trade receivables, EUR mill.	Expected uncollectible, EUR mill.
Not overdue	87.1	0.4
Overdue less than 60 days	0.2	0.0
Overdue more than 60 days	2.1	0.1
<b>Total</b>	<b>89.4</b>	<b>0.6</b>

During the financial year, the Group recognised credit losses in total of 0.2 million euros (1.5). Trade receivables do not contain significant credit risk because of the diversified customer base. The maximum exposure to credit risk at the reporting date equals to the total carrying amount of trade receivables. The Group does not hold any collateral as security related to trade receivables.

**Trade receivables by currency**

EUR mill.	2022	2021
EUR	52.6	19.3
NOK	6.2	4.4
USD	5.2	4.3
GBP	3.7	2.3
SEK	3.3	2.8
KRW	3.2	5.2
JPY	3.1	5.0
THB	2.7	11.4
SGD	2.1	2.6
HKD	1.7	3.7
CNY	0.8	4.1
Other currencies	4.7	3.0
<b>Total</b>	<b>89.4</b>	<b>68.2</b>

**1.2.4 Deferred income and advances received**

EUR mill.	2022	2021
Deferred revenue on ticket sales	356.4	202.7
Loyalty program Finnair Plus	51.3	55.1
Advances received for tour operations	27.9	15.2
Other items	16.4	18.1
<b>Total</b>	<b>452.0</b>	<b>291.1</b>

Most of the deferred income and advances received represents contract liabilities, for which payments have been received from customers before the performance obligation is discharged by Finnair. Deferred income and advances received includes prepaid flight tickets and package tours for which the departure date is in the future. The Finnair Plus liability is related to Finnair's customer loyalty program, and equals the fair value of the accumulated, unused Finnair Plus points. Other items mainly include gift voucher liabilities and liabilities to airlines involved in the Siberian Joint Business on flights between Europe and Japan, and the Atlantic Joint Business on flights between Europe and North America. Deferred revenue on ticket sales and advances received for tour operations increased significantly as a result of the lifting of travel restrictions and the strong increase in passenger demand.





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### 1.2.5 Other operating income

EUR mill.	2022	2021
Lease income	118.8	23.0
Sales gains on fixed assets	6.8	23.3
Other income	27.9	16.2
<b>Total</b>	<b>153.5</b>	<b>62.5</b>

Other operating income increased when compared to financial year 2021 mainly due to agreed wet lease arrangements with British Airways and Eurowings Discover in which Finnair leases out aircraft and crew for a fixed period of time.

Public subsidies received due to COVID-19 pandemic increased compared to previous year mainly because of a support received for uncovered fixed expenses. Overall, the amount of subsidies was not material.

## 1.3 Operating expenses

**i** The operating expenses section includes the income statement and balance sheet notes related to operating expenses, aiming to provide a better overview of business operations and related expenses. Maintenance provisions of leased aircraft that inherently relate to aircraft overhaul costs are included in this operating expenses section. Also accrued expenses, such as liabilities related to jet fuel and traffic charges, are presented in this section. In addition, items related to employee benefits are presented at the end of this section in a separate note 1.3.8. Employee benefits. It includes the different forms of benefits received by Finnair employees, including share-based payments and pensions, their effect on staff costs and balance sheet as well as information on management remuneration. **i**

Although Finnair continued with the cost adjustment measures due to the effects of the closure of Russian airspace and the COVID-19 pandemic also in 2022, the Group's operating expenses increased as compared to the prior year due to increased operational volumes and exceptionally high fuel prices.

### 1.3.1 Operating expenses by currency

EUR mill.	2022	2021
EUR	1,490.1	930.6
USD	1,092.3	364.0
Other currencies	128.3	60.8
<b>Total</b>	<b>2,710.6</b>	<b>1,355.3</b>

The hedging policies against foreign exchange rate fluctuations are described in note 3.5 Management of financial risks.

### 1.3.2 Passenger and handling services

EUR mill.	2022	2021
Ground and cargo handling expenses	158.3	93.6
Expenses for tour operations	88.9	21.5
Catering expenses	45.0	9.5
Other passenger services	55.8	23.4
<b>Total</b>	<b>348.0</b>	<b>148.0</b>

Passenger and handling costs (including also tour operation expenses related to e.g., hotels) were driven up by the increased volumes, especially in passenger traffic.

### 1.3.3 Property, IT and other expenses

EUR mill.	2022	2021
IT expenses	63.9	55.1
Property expenses	20.6	15.9
Other expenses	39.2	28.7
<b>Total</b>	<b>123.7</b>	<b>99.7</b>

Property, IT and other expenses mainly consist of fixed costs.

### Audit fees

EUR mill.	2022	2021
Auditor's fees	0.6	0.3
Tax advising		
Other fees	0.0	0.0
<b>Total</b>	<b>0.6</b>	<b>0.3</b>

The auditor's fees of KPMG Oy Ab included fees of 466 thousand euro (332) for audit services and 127 thousand euro (15) for auditor's statements. Non-audit services to Finnair Group entities were 3 thousand euro (1).

### 1.3.4 Inventories and other current assets

EUR mill.	2022	2021
Credit card acquirer holdbacks	57.0	
Inventories	31.1	21.0
Aircraft materials and overhaul	7.4	7.8
Jet fuels	6.6	3.4
Capacity rent receivables	6.4	6.7
VAT receivables	2.1	1.2
Interest and other financial items	1.5	1.1
Receivables from sublease contracts	0.3	8.0
Other items	9.5	6.6
<b>Total</b>	<b>122.0</b>	<b>55.8</b>

Credit card acquirer holdbacks relate to cash funds from passenger ticket sales that are held by credit card processors.

### 1.3.5 Other liabilities

EUR mill.	2022	2021
Jet fuel and traffic charges	50.9	49.8
Passenger and handling services	34.8	29.6
Aircraft materials and overhaul	14.0	10.0
Sales, marketing and distribution cost accruals	13.8	7.3
Interest and other financial items	9.0	15.7
Other items	21.9	15.8
<b>Total</b>	<b>144.4</b>	<b>128.1</b>

**i** = Content of the section



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1.3.6 Provisions

**A** Provisions

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

In most cases, the Group is obliged to return leased aircraft and their engines according to the redelivery condition set in the lease agreement. If at the time of redelivery, the condition of the aircraft and its engines differs from the agreed redelivery condition, Finnair needs to either maintain the aircraft so that it meets the agreed redelivery condition or settle the difference in cash to the lessor. To fulfil these maintenance obligations, the Group has recognised airframe heavy maintenance, engine performance maintenance, engine life limited part, landing gear, auxiliary power unit and other material maintenance provisions. The provision is defined as a difference between the current condition and redelivery condition of these maintenance components. The provision is accrued based on flight hours flown until the next maintenance event or the redelivery and recognised in the aircraft overhaul costs in the income statement. The provision is reversed at the maintenance event or redelivery. The price of the flight hour depends on the market price development of the maintenance costs. Estimated future cash flows are discounted to the present value. The maintenance market prices are mainly denominated in US dollars, which is why the amount of maintenance provision changes due to currency fluctuation of the dollar.

The final check and painting required at redelivery are considered unavoidable maintenance costs that realise when the aircraft is redelivered to the lessor, irrespective of the time or flight hours. The counterpart of the provision is recorded in the book value of the right-of-use asset at the commencement of the lease. Respectively, costs depending on the usage of the aircraft are not considered as part of the right-of-use asset cost, but these are recognised according to the principles presented above.

Restructuring provisions are recognised when the Group has prepared a detailed restructuring plan and has begun to implement the plan or has announced it. **A**

**I** Maintenance reserves of the fleet

The measurement of aircraft maintenance provisions requires management judgement especially related to the timing of maintenance events and the valuation of maintenance costs occurring in the future. The future maintenance costs and their timing are dependent on, for example, how future traffic plans actually realise, the market price development of maintenance costs and the actual condition of the aircraft at the time of the maintenance event. The ultimate duration of the war in Ukraine may have an impact on the level of future maintenance expenses, which could cause the actual outcome to differ from the estimates currently made. **I**

**A** = Accounting principles  
**I** = Critical accounting estimates

EUR mill.	Aircraft maintenance provision	Other provisions	2022	Aircraft maintenance provision	Other provisions	2021
Provision at the beginning of period	195.9	3.8	199.8	162.8	13.0	175.8
Provision for the period	56.1	4.8	60.9	32.0	1.9	33.9
Provision used	-16.6	-2.6	-19.2	-12.7	-9.0	-21.8
Provision reversed	-3.1	-1.0	-4.2	-1.3	-2.1	-3.4
Provision for right-of-use assets redelivery	-0.9		-0.9	2.2		2.2
Unwinding of discount	6.4		6.4	1.4		1.4
Exchange rate differences	8.8		8.8	11.7		11.7
<b>Total</b>	<b>246.7</b>	<b>5.0</b>	<b>251.7</b>	<b>195.9</b>	<b>3.8</b>	<b>199.8</b>
Of which non-current	178.7	1.4	180.1	184.6	1.4	186.0
Of which current	68.0	3.6	71.7	11.3	2.5	13.8
<b>Total</b>	<b>246.7</b>	<b>5.0</b>	<b>251.7</b>	<b>195.9</b>	<b>3.8</b>	<b>199.8</b>

Non-current aircraft maintenance provisions are expected to be used by 2034.

On balance sheet, non-current provisions and other liabilities 186.4 million euro (200.7) includes, in addition to provisions, other non-current liabilities 6.3 million euro (14.7), which mainly consist of received lease deposits. Long-term incentives for the Executive Board and other personnel, which are expected to be paid during the third quarter of 2023, were transferred to current liabilities.

1.3.7 Items affecting comparability

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, the impairment of owned A330 aircraft, certain changes in defined benefit pension plans and restructuring costs are not included in the comparable operating result.





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EUR mill.	2022			2021		
	Reported	Items affecting comparability	Comparable	Reported	Items affecting comparability	Comparable
Revenue	2,356.6		2,356.6	838.4		838.4
Other operating income	153.5	-6.8	146.7	62.5	-23.3	39.2
Operating expenses						
Staff and other crew related costs	-449.6	2.5	-447.1	-229.3	-19.5	-248.9
Fuel costs	-835.1	-0.9	-836.0	-211.4	0.0	-211.4
Capacity rents	-102.5		-102.5	-71.3		-71.3
Aircraft materials and overhaul	-192.4	8.8	-183.6	-117.2	25.5	-91.7
Traffic charges	-206.5		-206.5	-120.4		-120.4
Sales, marketing and distribution costs	-103.1		-103.1	-38.1		-38.1
Passenger and handling services	-348.0		-348.0	-148.0		-148.0
Property, IT and other expenses	-123.7	0.4	-123.3	-99.7	2.9	-96.8
EBITDA			153.2			-149.0
Depreciation and impairment	-349.8	32.7	-317.1	-319.8		-319.8
Operating result	-200.6	36.6	-163.9	-454.4	-14.4	-468.9

Items affecting comparability include an impairment of 32.7 million euros related to four owned A330 aircraft, unrealized exchange rate difference of 8.8 million euros related to aircraft maintenance provisions and sales gain of 6.8 million euros on four A321 aircraft. In addition, 2.5 million euros have been recognised in staff and other crew related costs related to the change negotiations ended in November 2022.

1.3.8 Employee benefits

1.3.8.1 Employee benefit expenses and share-based payments

A Share-based payments

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

The total expense for share-based payments is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. Share-based payments that are settled net of taxes are considered in their entirety as equity-settled share-based payment transactions. The reward is valued based on the market price of the Finnair share as of the grant date, and recognised as an employee benefit expense over the vesting period with corresponding entry in the equity. Income tax paid to tax authorities on behalf of employee is measured based on the market price of the Finnair share at the delivery date and recognised as a decrease in equity. If the reward includes the portion settled in cash, it is accounted for as a cash-settled transaction. The liability resulting from the cash-settled transactions is measured based on the market price of the Finnair share at the balance sheet date and accrued as an employee benefit expense for service period with corresponding entry in the liabilities until the settlement date.

A = Accounting principles

Termination benefits

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

Accounting principles related to pension benefits are described in the note 1.3.8.2 Pensions. A

Staff and other crew related costs

EUR mill.	2022	2021
Wages and salaries	297.3	185.8
Defined contribution schemes	55.4	30.1
Defined benefit schemes	11.4	-6.6
Pension expenses total	66.8	23.4
Other social expenses	31.6	0.6
Salaries, pension and social costs	395.7	209.9
Operative staff related costs	27.6	8.3
Leased and outsourced crew	19.0	7.2
Other personnel related costs	7.3	3.9
Total	449.6	229.3

At Finnair, the total salary of personnel consists of fixed pay, allowances, short- and long-term incentives, fringe benefits and other personnel benefits. The total amount of short-term incentives excluding social security costs recognised for 2022 were 9.2 million euro (5.8).

In 2020, Finnair established a new long-term Rebuild incentive program for the personnel. As part of the program, employee can earn a cash reward equaling to one month base salary, when the targets set by the Board of Directors are met. A maximum of two months' base salary can be paid when targets are exceeded. The possible reward is paid during third quarter 2023. The program is available to those employee groups which have agreed to actions related to staff cost savings. In 2022, the cost recognised for the Rebuild incentive established for personnel was 0.3 million euro (3.8) excluding social security costs. The performance criteria are the same as those of the Rebuild incentive plan established for the Executive Board, which is described in the section Share-based payments of this note.

Staff and other crew related costs include one-off personnel related restructuring costs of 2.5 million euro. In 2021, the one-off items included a 19.5 million euro positive effect mainly consisting of amendmends made to the collective labour agreement relating to a curtailment of occupational disability pensions and withdrawn pilots' early retirement announcements.

Transfer to Personnel Fund

Finnair has a Personnel Fund that is owned and controlled by the personnel. A share of Finnair's profits is allocated to the fund. The share of profit allocated to the fund is determined based on the targets set by the Board of Directors. The participants of the performance share plan (LTI) are not members of the Personnel Fund. Personnel Fund is obliged to invest part of the bonus in Finnair Plc's shares. In 2022 and 2021, no profit was allocated to the fund because the set performance criteria were not met.

Liabilities related to employee benefits

EUR mill.	2022	2021
Holiday payments	66.8	47.0
Other employee related accrued expenses	44.4	27.4
Liabilities related to employee benefits	111.2	74.4



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Other employee related accrued expenses mainly include withholding tax and accrued expenses related to social security costs and remunerations. Other non-current liabilities include the Rebuild incentives of 0.0 million euro (7.8). In addition, restructuring provisions related to termination benefits (see note 1.3.6 Provisions) amounted to 2.3 million euro (1.1).

Management remuneration

The President and CEO and Executive Board remuneration

Thousand euros	President and CEO Topi Manner	Executive Board	Total 2022	President and CEO Topi Manner	Executive Board	Total 2021
Fixed pay	734	1,712	2,446	736	1,817	2,553
Fringe benefits	20	105	125	21	129	150
Share-based payments	287	789	1,076	469	941	1,409
Pensions (statutory)*	124	298	421	120	310	430
Pensions (voluntary, defined contribution)		20	20		20	20
Total	1,165	2,923	4,088	1,346	3,217	4,563

\* Statutory pensions include Finnair’s share of the payment to Finnish statutory “Tyel” pension plan.

Management remuneration is presented on an accrual basis. Share-based payments include LTI plans and employee share savings plans and are recognised over the vesting period until the end of the lock-up period, according to IFRS 2. Therefore the costs accrued and recognised for the financial year include effects from several share-based payment plans independent of when the shares are delivered. Management has not been provided any other long-term incentives in addition to share-based payments.

During 2022 and 2021, the CEO and Executive Board were not paid holiday bonus.  
In conjunction with the rights offering in 2020, the EU commission set restrictions to CEO and Executive Board remuneration covering years 2020-2022. The restrictions cover variable compensation payouts and any changes to fixed compensation during the years 2020-2022. As a result, the Board of Directors decided to cancel the 2018-2020, 2019-2021 and 2020-2022 LTI plans as well as the 2020-2022 STI plan for the CEO and Executive Board. A new share-based long-term Rebuild incentive program was established for the CEO and Executive Board for the period 7/2020-6/2023.

The voluntary pension plans of one member of the Executive Board have been arranged through a Finnish pension insurance company. The retirement age for this member of the Executive Board is 63 years. The plan is a defined contribution plan.

More information on share-based payment schemes can be found later in this note and in a separate Remuneration report as well as on company website.

Remuneration paid to Board of Directors

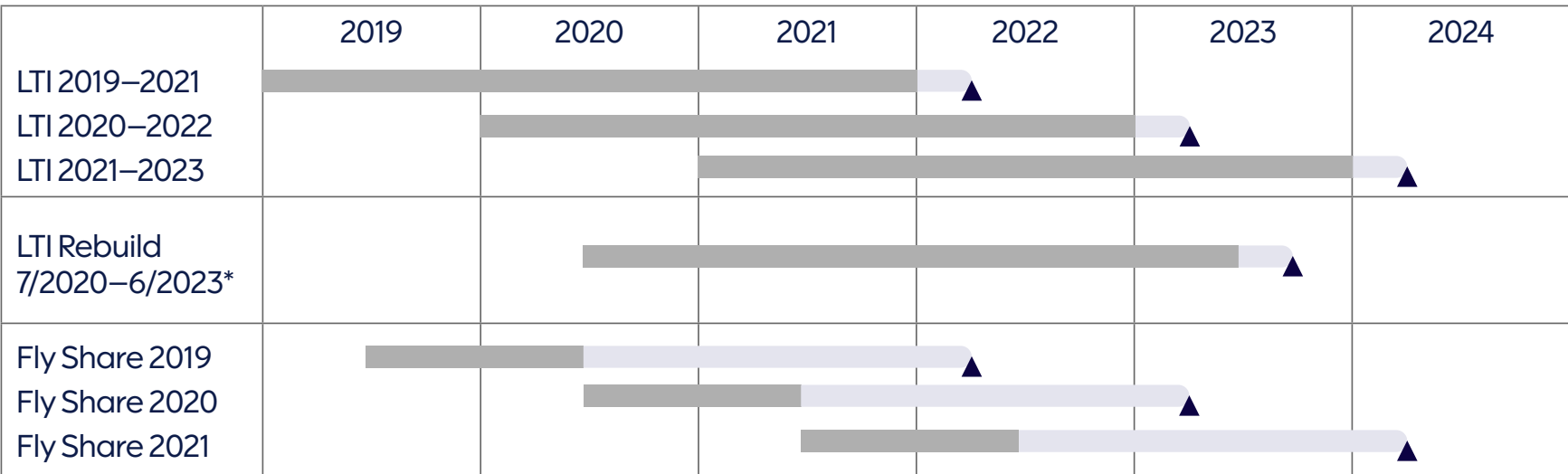
Compensation paid for board service, EUR	Total 2022	Fixed remuneration	Meeting compensation	Fringe benefits	Total 2021
Board of Directors	416,222	282,900	129,600	3,722	372,233
Alahuhta-Kasko Tiina	43,500	30,300	13,200		
Barrington Colm, until 7 April 2022	12,975	8,175	4,800		
Brewer Montie	54,300	32,700	21,600		
Erlund Jukka	43,729	32,700	10,800	229	
Jakosuo-Jansson Hannele	46,167	32,700	13,200	267	
Karvinen Jouko	80,627	63,000	14,400	3,227	
Kjellberg Henrik	51,900	30,300	21,600		
Large Simon, from 7 April 2022 onwards	39,525	22,725	16,800		
Strandberg Maija	43,500	30,300	13,200		

The remuneration of the Board of Directors is presented on an accrual basis. The compensation paid to the members of the Board of Directors include annual remuneration and meeting compensation. The members of the Board of Directors are entitled to a compensation for travel expenses in accordance with Finnair’s general travel rules. In addition, the members of the Board of Directors and their spouses have a limited right to use staff tickets in accordance with Finnair’s staff ticket rules. These tickets constitute taxable income in Finland and are reported as fringe benefits in the table above.

Share-based payments

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

Finnair share-based payment plans



■ Earnings / savings period    ■ Lock-up period    ▲ Share delivery

\* Total incentive rewards cannot exceed 120% of annual base salary in any year, possible exceeding amount is deferred from 2023 to following years.

Performance share plan for key personnel (LTI)

Finnair’s share-based incentive plan is a performance-based, annually commencing long-term incentive (LTI) arrangement, and the commencement of each new plan is subject to a separate decision made by Finnair’s Board of Directors. The purpose of these plans is to encourage the management to work to increase long-term





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shareholder value. The Finnish Government’s guidance regarding the remuneration of executive management and key individuals have been taken into consideration when designing the plans.

In all ongoing LTI plans, the members of Finnair’s Executive Board are expected to accumulate their share ownership in Finnair until it corresponds to their annual gross base salary and thereafter retain it for as long as they are members of the Executive Board.

The potential reward will be delivered in Finnair shares. The shares are delivered to the participants during the year following the performance period, except for the Rebuild incentive where the performance period ends in June 2023 and the reward is delivered in the same year.

The target levels and maximum levels set for the criteria are based on the long-term strategic objectives set by the company’s Board of Directors. Criteria are monitored against the performance on a quarterly basis. The performance criteria of the plan for 2019-2021 were met at 54% level while the target was at 100% and the maximum earning level at 200%. In the comparison period, the performance criteria applied to the 2018-2020 plan was met at 22% level.

The expense recognised for 2022 amounted to 0.9 million euros (1.7). The amount expected to be transferred to the tax authority to settle the employee’s tax obligation is 3.0 million euros (5.3). The cost related to share-based payments is recognised in staff and other crew related costs and unrestricted equity funds, except the cash-settled portion of the Rebuild incentive plan in liabilities related to employee benefits.

Rebuild incentive plan 7/2020-6/2023

In 2020, a new Rebuild incentive plan for CEO and Executive Board was launched. The program contains a three-year performance period (7/2020–6/2023) and it is designed to contain only this one plan. The potential share rewards will be delivered to the participants in a pre-determined proportion of shares and cash after the end of the performance period and the rewards are at the participants’ free disposal after delivery. If the combined value of incentive rewards in 2023 exceeds 120% of executive’s annual salary, the exceeding part is deferred to coming years so that the combined incentive payout in any year does not exceed 120% of the executive’s annual base salary. The total expense for the plan is recognised over the vesting period, which is three years. The grant date is at the beginning of performance period and the compensation is measured in shares.

The payout opportunity is defined in the beginning of each plan in relation to the participants annual base salary. If the performance criteria set for the plan are met at the target level, the incentive paid in Finnair shares to the President and CEO or other member of the Executive Board participating in the plans will be a total of 180% of the participant’s annual base salary. If the performance criteria set for the plan are met at the maximum level, the incentive paid in Finnair shares will be a total of 360% of the participant’s annual base salary.

The amount corresponding to tax payable at the time of payment is first deducted from the gross reward defined as shares. The net reward is delivered in a combination of cash and shares in a proportion decided by the Board of Directors.

- The performance criteria are set for the whole 3-year period as well as for three 12-month mid-term periods:
- 7/2020–6/2021: comparable EBITDA, gearing, lost-time injury frequency and CO<sub>2</sub> emissions (measured through fuel efficiency),
  - 7/2021–6/2022: comparable EBIT, revenue, employee retention and CO<sub>2</sub> emissions (measured through fuel efficiency) as well as
  - 7/2022–6/2023: comparable EBITDA, net promoter score (NPS), lost-time injury frequency and employee retention.

The criteria for the whole 3-year period, is cash flow from operating activities which functions as a multiplier (0-2) for the whole program. This means that the threshold level needs to be reached in order for any reward to be paid.

Other incentive plans

There are two LTI plans ongoing (2020–2022 and 2021–2023). The annually commencing performance share plans retain the three-year performance period. The potential share rewards will be delivered to the participants in one tranche after the performance period and they are at the participants’ free disposal after delivery. In conjunction with the rights offering in 2020, according to the restrictions set by EU commission, the Board of Directors decided to cancel the 2018–2020, 2019–2021 and 2020–2022 LTI plans for the CEO and

Executive Board. In 2022, no new LTI program was launched due to continuous business environment changes caused by the war in Ukraine. The total expense for the plans is recognised over the vesting period, which is three years. The grant date is at the beginning of performance period and the compensation is measured in shares.

The payout opportunity is defined as a fixed share amount in the beginning of each plan in relation to the participants annual base salary. Therefore, changes in the share price during the performance period impacts the value of the payout opportunity. If the performance criteria set for the plan are met at the target level, the incentive paid in Finnair shares to the President and CEO or other member of the Executive Board participating in the plans will be 20% of the participant’s annual base salary. If the performance criteria set for the plan are met at the maximum level, the incentive paid in Finnair shares will be 60% of the participant’s annual base salary. The maximum level for incentives for other key personnel is 20–50% of the person’s annual base salary. As a result of the rights issue in 2020, the share allocations for the ongoing 2018–2020, 2019–2021 and 2020–2022 plans were adjusted 5.5-fold in order for the earning opportunities to retain their value.

The maximum combined value of all variable compensation (including both short- and long-term incentives) paid to an individual participant in any given calendar year may not exceed 120% of the participant’s annual gross base salary. The amounts of shares paid are stated before tax. The number of shares delivered will be deducted by an amount corresponding to the income tax and transfer tax payable for the incentive at the time of payment.

The performance criteria applied to the plans are:

- 2019–2021 plan: earnings per share (EPS, 50% weight), revenue growth (16.7% weight) and unit cost with constant currencies and fuel price (CASK, 33.3% weight),
- 2020–2022 plan: earnings per share (EPS, 50% weight) and unit cost with constant currencies and fuel price (CASK, 50% weight) as well as
- 2021–2023 plan: earnings per share (EPS, 45% weight), unit cost with constant currencies and fuel price (CASK, 45% weight) and fuel efficiency (10% weight).

	2019–2021	2020–2022	Rebuild 2020–2023	2021–2023	Total
Grant date	14 Feb 2019	7 Feb 2020	9 Oct 2020	26 Jan 2021	
Grant price, euros*	1.1914	1.0478	0.3948	0.6250	
Number of persons at the end of the reporting year	0	36	10	57	
Expenses recognised for the financial year, LTI's total (million euros)	0.1	0.0	1.2	-0.4	0.9
of which share-settled (net of taxes)	0.1	0.0	1.1	-0.4	0.7
of which cash-settled			0.2		0.2
Liability related to LTI's total			0.8		0.8
Shares granted, million shares	0.2**	1.1**	18.0	6.5	25.8

\* Grant price until plan granted on 7 February 2020 has been adjusted by a bonus element included in the rights issue in 2020.  
\*\* As a result of the rights issue in 2020, the share allocations for the ongoing 2018–2020, 2019–2021 and 2020–2022 plans were adjusted 5.5-fold in order for the earning opportunities to retain their value. These plans were cancelled for the CEO and Executive Board.

FlyShare employee share savings plan 2013 onwards

Finnair offers an annually commencing share savings plan for its employees. Commencing of each plan is subject to the decision of Finnair’s Board of Directors. The first plan commenced in 2013, and for the time being there are two plans ongoing. In 2022, Finnair’s Board of Directors decided to terminate commencing the new FlyShare programs as a part of savings program.



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

The plan lasts for three years, and Finnair awards each participating employee with one share for each two shares purchased and held at the end of three-year period. The awarded bonus and additional shares are taxable income for the recipient. The number of shares delivered will be deducted by an amount corresponding to the income tax and transfer tax payable for the shares at the time of payment. The cost related to additional shares delivered is recognised as expense during vesting period.

The expense recognised for FlyShare employee share saving plans in 2022 amounted to 0.9 million euros (1.3). The amount expected to be transferred to the tax authority to settle the employee's tax obligation is 0.9 million euros (1.0). The cost related to employee share saving plans is recognised in staff and other crew related costs and unrestricted equity funds.

1.3.8.2 Pensions

A Defined benefit and defined contribution plans

Pension plans are classified as defined benefit and defined contribution plans. Payments made into defined contribution pension plans are recognised in the income statement in the period to which the payment applies. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Current service cost is the present value of the post employment benefit, which is earned by the employees during the year and it is recognised as staff and other crew related costs. The liability recognised in the balance sheet in respect of defined pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. If fair value of plan assets is higher than present value of funded obligations, the net amount is presented as pension assets in the Group's balance sheet. A

I Pension obligations

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

Description of pension plans at Finnair

The statutory pension cover of the employees of the Group's Finnish companies has been arranged in a Finnish pension insurance company. The statutory pension cover is a defined contribution plan. The Group's foreign sales offices and subsidiaries have various defined contribution plans that comply with local rules and practices. CEO has no supplementary pension plan. The supplementary defined contribution pension plan of one member of the Executive Board is arranged in a pension insurance company. The retirement age for this member is 63 years.

Other supplementary pension cover of the Group's domestic companies has been arranged mainly in the Finnair Pension Fund, in which the pension schemes are defined benefit plans. These pension plans cover old age supplementary pensions and disability pensions exceeding the pension cover under the Employment Pensions Act. The survivors' pensions under the supplementary pension cover applies on a limited basis to pensioners who have retired on 1 January 2005 at the latest, as well as to recipients of benefits previously in accordance with Finnair Plc's survivor's pension rules who transferred to the pension fund on 31 December 2015.

A = Accounting principles  
I = Critical accounting estimates

The Pension Fund's old age and occupational disability pension scheme has been closed to other employees since 1 February 1992 and to pilots since 1 January 2010. After this, pilots have only been covered by the occupational disability pension scheme if they have not switched to another work offered by the employer. The pension fund as a whole has been closed on 31 May 2021.

Old age pensions of pilots recruited in 2015 or later are defined contribution schemes arranged in a life insurance company. Supplementary pension cover has also vested pension right on a limited basis and the retirement age of the pension fund's vested pension is tied to a change in the retirement age under the Employment Pensions Act that came into force in 2017 or an event under disability pension cover under the Employment Pensions Act. Beginning from 2021, the earnings or supplementary pensions payable on which the pension fund's defined benefit supplementary pension cover is based are not adjusted by the pension index increment. The supplementary pension liability of the pension fund is fully covered in accordance with Finnish legislation. In addition, approximately 500 Finnair pilots have the right to a separate defined contribution supplementary pension arranged in a life insurance company after reaching the age of 55 years in addition to the pension fund's defined benefit old age pension cover, if the pilot continues to work as pilot over the age of 55 years and retires from his/her job.

Exposure to most significant risks

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

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

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

Defined benefit pension plans

EUR mill.	2022	2021
Items recognised in the income statement		
Current service costs	6.2	8.3
Past service cost	5.3	-1.8
Amendments		0.0
Settlements and curtailments	-0.1	-13.1
Service cost total, recognised in staff costs	11.4	-6.6
Net interest expenses and foreign exchange differences	-0.6	-0.2
Total included in the income statement	10.8	-6.8
Amounts recognised through other comprehensive income		
Experience adjustment on plan obligation	1.5	5.4
Changes in financial actuarial assumptions	-86.4	-17.0
Changes in demographic actuarial assumptions		0.2
Net return on plan assets	34.9	-31.6
Amounts recognised through other comprehensive income total	-49.9	-43.0
Number of persons involved, pension fund		
	4,258	4,364
Number of persons involved, other defined benefit plans		
	53	52





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**Items recognised in the balance sheet**

EUR mill.	2022		2021	
	Pension assets	Pension obligations	Pension assets	Pension obligations
Present value of funded obligations	-263.2	-1.1	-359.8	-1.4
Fair value of plan assets	383.3	0.5	440.7	0.7
<b>Pension assets (+) / pension obligations (-) in the balance sheet</b>	<b>120.0</b>	<b>-0.7</b>	<b>80.9</b>	<b>-0.7</b>

Pension assets 120.0 million euro (80.9) includes 119.7 million euro (78.9) related to defined benefit plans insured through the pension fund and 0.4 million euro (2.0) related to other defined benefit plans. Pension obligations includes 0.7 million euro (0.7) related to other defined benefit plans. The change during 2022 mainly is due to change in discounting rate and net return on plan assets.

**Changes in pension obligations**

EUR mill.	2022	2021
Fair value of pension obligations at 1 January	361.2	405.5
Current service costs	5.7	7.7
Past service cost	5.3	-1.8
Settlements and curtailments	-0.5	-13.2
Amendments		-0.1
Interest expenses and foreign exchange differences	2.3	1.6
<b>Expense recognised in income statement</b>	<b>12.8</b>	<b>-5.9</b>
Changes in actuarial assumptions	-86.4	-16.8
Experience adjustment on plan obligation	1.5	5.4
<b>Remeasurements recognised through OCI</b>	<b>-84.9</b>	<b>-11.4</b>
Benefits paid	-24.8	-27.1
<b>Net present value of pension obligations</b>	<b>264.4</b>	<b>361.2</b>

**Changes in plan assets**

EUR mill.	2022	2021
Fair value of plan assets at 1 January	441.4	435.8
Administration expenses	-0.5	-0.6
Settlements and curtailments	-0.4	-0.2
Amendments		-0.1
Interest income and foreign exchange differences	2.9	1.7
<b>Items recognised through profit and loss</b>	<b>2.0</b>	<b>0.9</b>
Acturial gain (loss) on plan assets	-34.9	31.6
<b>Items recognised through OCI</b>	<b>-34.9</b>	<b>31.6</b>
Contributions paid	0.0	0.1
Benefits paid	-24.8	-27.1
<b>Fair value of plan assets at 31 December</b>	<b>383.7</b>	<b>441.4</b>

**Plan assets are comprised as follows**

%	2022	2021
Listed shares	12.2	17.8
Debt instruments	59.7	55.1
Property	24.2	23.0
Other	3.9	4.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Plan assets of the pension fund include Finnair Plc shares with a fair value of 0.6 million euros (0.9) and buildings used by the Group with a fair value of 13.0 million euros (12.8).

**Defined benefit plans: principal actuarial assumptions**

%	2022	2021
Discount rate %	3.69%	0.74%
Annual rate of future salary increases %	0.60%	1.80%
Future pension increases %	0.00%	0.00%
Estimated remaining years of service	8	8

**Sensitivity analysis**

The sensitivity analysis describes the effect of a change in actuarial assumptions on the net defined benefit obligation. The analyses are based on the change in the assumption while holding all other assumptions constant. The method used is the same as that which has been applied when measuring the defined benefit obligation recognised in the balance sheet.

**Sensitivity analysis on principal actuarial assumptions**

Actuarial assumption	Change in assumption	Impact when increase in assumption, EUR mill.	%	Impact when decrease in assumption, EUR mill.	%
Discount rate %	0.25%	-5.0	-1.9%	5.2	2.0%
Annual rate of future salary increases %	0.25%	1.3	0.5%	-1.2	-0.5%
Life expectancy at birth	1 year	5.2	2.0%		

According to Finnish legislation, the pension fund needs to be fully funded. Finnair does not expect to pay contributions to the pension fund in 2023. The duration of defined benefit obligation is 8 years. The duration is calculated by using a discount rate of 3.69%.



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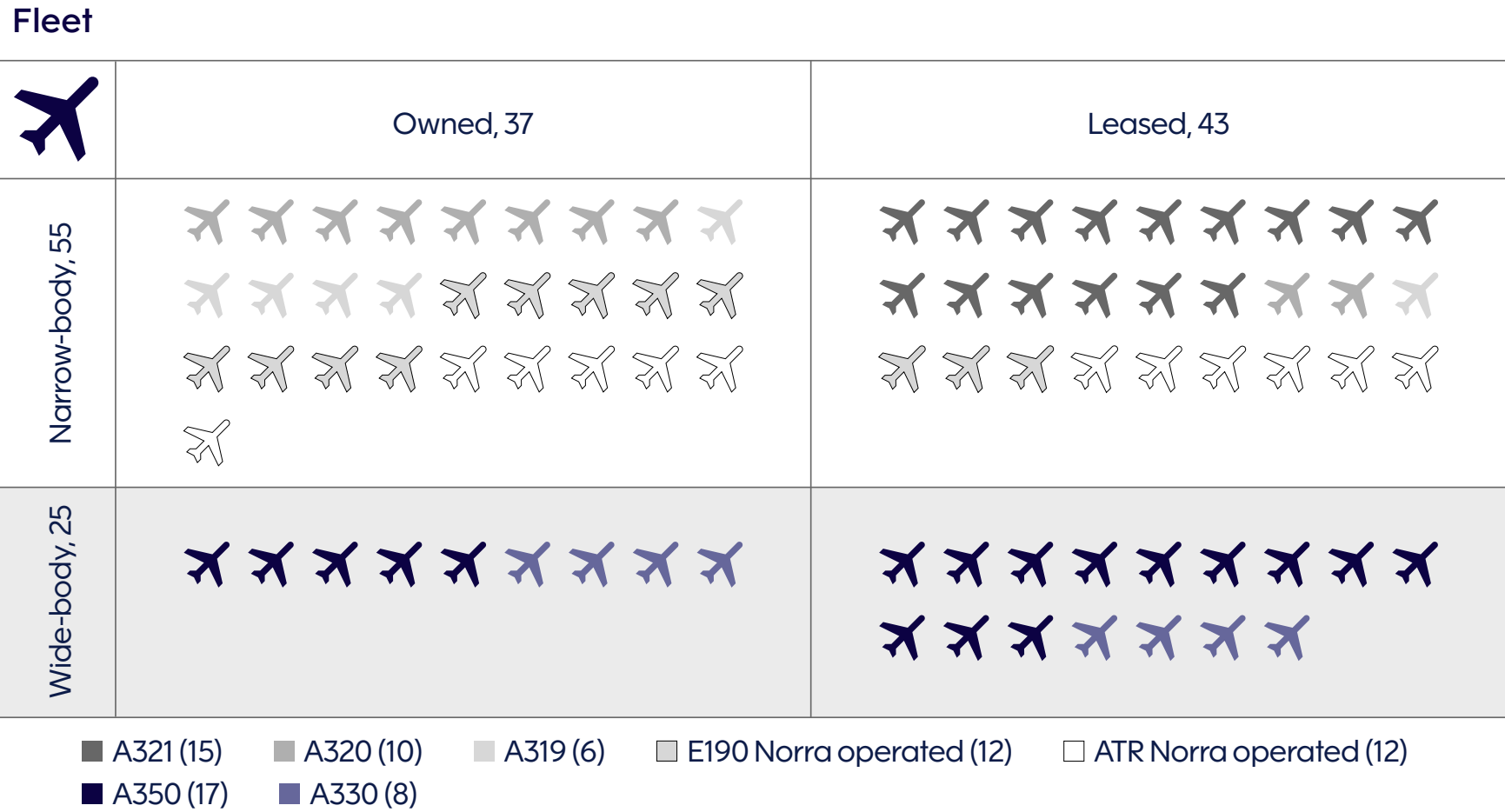
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2 Fleet and other fixed assets and leasing arrangements

**F** Fleet and other fixed assets and leasing arrangements includes notes particularly related to the aircraft fleet. Notes related to the aircraft operated by the Group are combined in this section so that the general view of the fleet is easier to understand. In addition to owned aircraft, the notes cover leased aircraft under different kinds of aircraft lease arrangements. **F**

The assets owned and leased by Finnair consist mostly of aircraft operated by Finnair and Norra. In 2022, the number of owned aircraft was 37 (41) and leased 43 (43). Finnair sold four owned A321 aircraft during 2022. Due to the easing of the impacts of the COVID-19 pandemic, as at the balance sheet date, 79 out of Finnair’s 80 aircraft recognized in fixed assets were operative. The remaining one aircraft is expected to return to service during first quarter of 2023.



Fleet in Finnair balance sheet

EUR mill.	2022	2021	Change
Advances paid for aircraft	111.2	127.7	-16.5
Owned aircraft	783.6	818.6	-35.0
Right-of-use fleet	932.9	1,025.3	-92.4
<b>Fleet total</b>	<b>1,827.6</b>	<b>1,971.6</b>	<b>-143.9</b>
<b>Fleet sublease receivables</b>		<b>10.0</b>	<b>-10.0</b>
<b>Fleet lease liabilities</b>	<b>1,164.4</b>	<b>1,204.6</b>	<b>-40.2</b>
<b>Depreciation for the period of owned aircraft</b>	-120.9	-155.7	34.8
<b>Depreciation for the period of right-of-use fleet</b>	-156.0	-123.2	-32.8
<b>Impairment for the period related to owned aircraft</b>	-32.7	-1.5	-31.2
<b>Assets held for sale (fleet)</b>		18.5	-18.5

**F** = Content of the section  
**A** = Accounting principles

2.1 Fleet and other fixed assets

**A** Fleet and other fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment loss if applicable. Fleet includes aircraft and aircraft prepayments. The acquisition cost of aircraft is allocated to the aircraft frame, cabin components, engines and maintenance components as separate assets. Maintenance components include heavy maintenance, C-checks, APU (auxiliary power unit) restorations, landing gear overhauls and thrust reversers of aircraft frames, as well as performance restoration and maintenance of life limited parts of engines. Aircraft frames and engines are depreciated over the useful life of the aircraft. The maintenance components are depreciated during the maintenance cycle. Cabin components are depreciated over their expected useful life. Significant modifications of owned or leased aircraft are capitalised as separate items and depreciated over their expected useful life, which in the case of leased aircraft cannot exceed the lease period. Replaced components are derecognised from the balance sheet.

Advance payments for aircraft are recorded as fleet fixed assets. Interest costs related to advance payments are capitalised as acquisition cost for the period at which Finnair is financing the manufacturing of the aircraft. Hedging gains or losses related to the fair value changes of firm, USD nominated purchase commitments for aircraft are recognised in advance payments. Advance payments, realised foreign exchange hedges and capitalised interests are recognised as part of the aircraft acquisition cost once the aircraft is delivered and taken to commercial use.

Other fixed assets include rotatable aircraft spare parts, other fixed assets and their prepayments. Other fixed assets are depreciated during their expected useful life.

Intangible assets mainly include computer software and connection fees. Connection fees are not depreciated. Gains and losses on disposal of tangible and intangible assets are included in other operating income and expenses.

Useful life and residual value

Depreciation of fleet and other fixed assets is based on the following expected economic lifetimes:

- New aircraft and engines as well as flight simulators (other equipment) on a straight-line basis as follows:
  - Airbus A350 fleet, over 20 years to a residual value of 10%
  - Airbus A320 and Embraer fleet, over 20 years to a residual value of 10%
  - Airbus A330 fleet, over 18 years to a residual value of 10%
  - Turboprop aircraft (ATR fleet), over 20 years to a residual value of 10%
- Heavy maintenance, C-checks, APU and landing gear restorations and thrust reversers of aircraft frame, as well as performance maintenance and life limited parts of the engines, on a straight-line basis during the maintenance period
- Cabin components, over 7–20 years
- Rotable spare parts and components, over 15 years to a residual value of 0%
- Buildings, over 10–50 years from the time of acquisition to a residual value of 10%
- Other tangible assets, over 3–15 years
- Computer software, over 3–8 years

The residual values and estimated useful lives of the assets are assessed at each closing date and if they differ significantly from previous estimates, the depreciation periods and residual values are changed accordingly. The useful life of Finnair’s current Airbus A320 fleet was prolonged in 2021 as part of the investment optimizations resulting from the COVID-19 pandemic. As a result, the existing A320 fleet’s aircraft and engines are depreciated over a period of 25-29 years to a residual value of 0%.

Assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, a sale is considered highly probable and expected to take place within the next twelve months. Assets classified as held for sale are stated at the lower of the carrying amount or fair value less cost to sell. Assets classified as held for sale are no longer depreciated.

Impairment

The Group reviews its fleet and other fixed assets for indication of impairment on each balance sheet date. Impairment loss is recognized if an asset’s recoverable amount is below its carrying amount. The recoverable amount is determined as the higher of the asset’s fair value less costs to sell or its value in use. The recoverable amount is defined for a cash generating unit, and the need for impairment is evaluated at the cash generating unit level. The value in use is based on the present value of the expected net future cash flows obtainable from the asset or cash-generating unit. Individual assets are excluded from the cash generating unit if they no longer are held for service or are intended to be sold, and are tested for impairment based on their fair value less costs to sell. Impairment testing, including the critical accounting estimates and sources of uncertainty inherent in the calculations, is described in more detail in note 2.3. **A**





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**Fleet 2022**

EUR mill.	Aircraft	Advances	Total
Acquisition cost 1 Jan 2022	1,749.4	127.7	1,877.1
Additions	69.1	12.2	81.2
Disposals	-39.5		-39.5
Currency hedging of aircraft acquisitions		20.4	20.4
Reclassifications	49.2	-49.2	0.0
Transfer to assets held for sale			
<b>Acquisition cost 31 Dec 2022</b>	<b>1,828.1</b>	<b>111.2</b>	<b>1,939.3</b>
Accumulated depreciation and impairment 1 Jan 2022	-930.8		-930.8
Disposals	39.5		39.5
Transfer to assets held for sale			
Reclassifications	0.4		0.4
Depreciation for the financial year	-120.9		-120.9
Impairment for the financial year	-32.7		-32.7
<b>Accumulated depreciation and impairment 31 Dec 2022</b>	<b>-1,044.5</b>		<b>-1,044.5</b>
<b>Book value 31 Dec 2022</b>	<b>783.6</b>	<b>111.2</b>	<b>894.8</b>

Additions to fleet in 2022 relate mainly to cabin renewal investments of Finnair's widebody aircraft. An impairment of 32.7 million euro related to four owned A330 aircraft was recognized during the financial year resulting from the impacts of the closure of Russian airspace. Impairment for the financial year is presented in more detail in the note 2.3 Depreciation and impairment. Currency hedging of aircraft acquisitions is described in the notes 3.5 Management of financial risks and 3.8 Derivatives.

**Fleet 2021**

EUR mill.	Aircraft	Advances	Total
Acquisition cost 1 Jan 2021	2,358.7	117.7	2,476.3
Additions	13.7	55.6	69.3
Disposals	-425.2		-425.2
Currency hedging of aircraft acquisitions		-22.6	-22.6
Reclassifications	-1.3	-22.9	-24.2
Transfer to assets held for sale	-196.5		-196.5
<b>Acquisition cost 31 Dec 2021</b>	<b>1,749.4</b>	<b>127.7</b>	<b>1,877.1</b>
Accumulated depreciation and impairment 1 Jan 2021	-1,036.1		-1,036.1
Disposals	84.5		84.5
Transfer to assets held for sale	178.0		178.0
Depreciation for the financial year	-155.7		-155.7
Impairment for the financial year	-1.5		-1.5
<b>Accumulated depreciation and impairment 31 Dec 2021</b>	<b>-930.8</b>		<b>-930.8</b>
<b>Book value 31 Dec 2021</b>	<b>818.6</b>	<b>127.7</b>	<b>946.3</b>

**Other fixed assets 2022**

EUR mill.	Aircraft rotable parts	Buildings and land	Other equipment	Intangible assets	Advances	Total
Acquisition cost 1 Jan 2022	34.2	74.5	119.5	47.8	0.8	276.7
Additions	2.3		4.4	0.2	0.4	7.2
Disposals	-1.1		-1.4	-7.9		-10.5
Reclassifications			0.1	0.6	-0.8	0.0
Transfers to/from assets held for sale	0.0		0.1			0.0
<b>Acquisition cost 31 Dec 2022</b>	<b>35.3</b>	<b>74.5</b>	<b>122.5</b>	<b>40.7</b>	<b>0.4</b>	<b>273.4</b>
Accumulated depreciation and impairment 1 Jan 2022	-19.2	-10.8	-41.9	-42.5		-114.4
Disposals	1.0		0.9	7.9		9.8
Transfer to/from assets held for sale	0.3					0.3
Reclassifications						
Depreciation for the financial year	-4.5	-1.8	-9.5	-3.1		-18.9
<b>Accumulated depreciation and impairment 31 Dec 2022</b>	<b>-22.3</b>	<b>-12.7</b>	<b>-50.5</b>	<b>-37.7</b>	<b>0.0</b>	<b>-123.3</b>
<b>Book value 31 Dec 2022</b>	<b>12.9</b>	<b>61.8</b>	<b>72.0</b>	<b>3.0</b>	<b>0.4</b>	<b>150.1</b>

In addition to the aircraft rotatable parts included in the other fixed assets, Finnair's inventories include non-rotatable aircraft parts amounting to 24.4 million euro (16.9).



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**Other fixed assets 2021**

EUR mill.	Aircraft rotable parts	Buildings and land	Other equipment	Intangible assets	Advances	Total
Acquisition cost 1 Jan 2021	33.9	75.6	116.0	55.3	7.2	288.0
Additions	1.4	0.0	4.5	1.3	0.2	7.4
Disposals	-0.9	-1.1	-4.9	-4.0		-10.8
Reclassifications	0.0		3.9	-4.8	-6.6	-7.6
Transfer to assets held for sale	-0.3		-0.1			-0.3
<b>Acquisition cost 31 Dec 2021</b>	<b>34.2</b>	<b>74.5</b>	<b>119.5</b>	<b>47.8</b>	<b>0.8</b>	<b>276.7</b>
Accumulated depreciation and impairment 1 Jan 2021	-17.3	-9.8	-33.4	-42.3		-102.8
Disposals	0.6	0.6	0.2	4.0		5.4
Reclassifications				3.9		3.9
Depreciation for the financial year	-2.5	-1.6	-8.7	-8.1		-21.0
<b>Accumulated depreciation and impairment 31 Dec 2021</b>	<b>-19.2</b>	<b>-10.8</b>	<b>-41.9</b>	<b>-42.5</b>	<b>0.0</b>	<b>-114.4</b>
<b>Book value 31 Dec 2021</b>	<b>15.0</b>	<b>63.7</b>	<b>77.6</b>	<b>5.2</b>	<b>0.8</b>	<b>162.3</b>

**Capitalised borrowing costs**

EUR mill.	Aircraft		Advances		Total	
	2022	2021	2022	2021	2022	2021
Book value 1 Jan	8.8	18.6	2.7	2.8	11.5	21.4
Additions			1.8	1.4	1.8	1.4
Disposals		-10.6			0.0	-10.6
Reclassifications				-1.5	0.0	-1.5
Depreciation	-0.5	0.8			-0.5	0.8
<b>Book value 31 Dec</b>	<b>8.3</b>	<b>8.8</b>	<b>4.5</b>	<b>2.7</b>	<b>12.8</b>	<b>11.5</b>

In 2022 borrowing costs of 1.8 million euro (1.4) were capitalised in tangible assets related to the Airbus A350 investment program. Finnair uses the effective interest rate to calculate the capitalised borrowing costs, that represents the costs of the loans used to finance the investment. The average yearly interest rate in 2022 was 4.19% (3.66%). The general borrowings used to fund the acquisition of capital assets are included in the calculation of the capitalisation rate.

**Assets and liabilities held for sale**

Finnair had no assets classified as held for sale at the end of the financial year 2022. In 2021, the assets held for sale related to four A321 aircraft which were sold during 2022.

**Pledged assets and other restrictions on fixed assets**

Finnair does not have fixed assets pledged as a security for bank loans. Fleet assets include three A350 aircraft financed with JOLCO-loans and one A350 aircraft where the legal title is transferred to Finnair after loans are repaid. More details on these arrangements are presented in the note 3.3. Financial liabilities.

**A** = Accounting principles

**Investment commitments**

Investment commitments as at the end of the year totalled 366.1 million euro (355.3) and it includes firm aircraft orders, other aircraft related investments as well as committed maintenance investments. Out of the total investment commitments, 62.1 million euro is expected to take place within the next 12 months and 304.0 million euro during the following 1-5 years. The amount of the total commitments fluctuates between the order and the delivery date of the aircraft mainly due to EUR/USD exchange rate changes and escalation clauses included in airline purchase agreements. The exact amount of the commitments in relation to each aircraft is only known at the time of the delivery.

**2.2 Leasing arrangements**

**A The Group as lessee**

Finnair assesses whether a contract that relates to tangible assets is, or contains, a lease in accordance with the IFRS 16. Lease agreements for tangible assets, where the contract conveys the right to use an identified asset for a period of time in exchange for consideration, are classified as leases.

The lease term is the non-cancellable period for which a lessee has the right to use an underlying asset, together with both periods covered by an option to extend the lease if Finnair is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if Finnair is reasonably certain not to exercise the option.

The lease recognition requirements are not applied to short-term leases, where at the commencement date, the lease term is 12 months or less and does not contain a purchase option. Finnair considers the lease period to be the period that is enforceable. Hence, for contracts where the contract term is non-fixed and Finnair has the right to terminate the contract without the permission from the other party with no more than an insignificant penalty and there are no other indications that the contract is enforceable, Finnair classifies these contracts as short-term. The lease recognition requirements are also not applied to leases that are not material to Finnair.

For short-term leases and immaterial leases to which these exemptions are applied, the lease payments are recognised as an expense on either a straight-line basis over the lease term, or on another systematic basis if that basis is more representative of the pattern of Finnair’s benefit.

At the commencement date of a lease, Finnair recognises both a right-of-use asset and a lease liability.

The lease liability is the present value of future lease payments. At Finnair, lease payments for aircraft leases typically contain variable payments that depend on interest rates and indices. The variable payments are included in the measurement of the lease liability from the commencement date of the lease.

The right-of-use asset is measured at cost, comprising

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any incentives received;
- any initial direct costs incurred by Finnair; and
- an estimate of costs to be incurred by Finnair in restoring the assets to the condition required by the terms and conditions of the lease.

In most cases, Finnair is obliged to return leased aircraft and their engines according to the redelivery condition set in the lease agreement. If at the time of redelivery, the condition of the aircraft and its engines differs from the agreed redelivery condition, Finnair needs to either maintain the aircraft so that it meets the agreed redelivery condition or settle the difference in cash to the lessor.

The maintenance costs can be divided into two main groups:

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

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

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

Finnair remeasures the lease liability when there is a lease modification that changes the scope of a lease or the consideration for the lease, that was not part of the original terms and conditions of the lease (including changes in lease payments resulting from a change in indices and rates used in variable aircraft lease payments) or when the the likelihood of Finnair using a purchase-option is changed. The amount of the remeasurement of the lease liability is generally recognised as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the remaining measurement is recognised in profit or loss.

After initial recognition, right-of-use assets are measured at cost less any accumulated depreciations and accumulated impairment losses. The assets are depreciated with a straight-line method from the commencement date to the shorter of end of useful life of the right-of-use asset and the end of lease term. However, if the lease transfers ownership of the





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asset to Finnair by the end of lease term or if the cost of the right-of-use asset reflects that Finnair will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of useful life of the asset.

At Finnair aircraft lease contracts contain the interest rate implicit in the lease, even if the aircraft lease agreements do not clearly define the interest rate implicit in the lease. Since the fair values of the aircraft are provided publicly by third parties, Finnair is able to calculate the implicit interest rate for each qualifying aircraft operating lease. The rate implicit in the lease is defined as the rate that causes the sum of the present value of the lease payments and the present value of the unguaranteed residual value of the underlying asset at the end of the lease to equal the sum of the fair value of the underlying asset and any initial direct costs of the lessor. The implicit interest rate is determined by each aircraft lease contract separately.

For other lease contracts, an implicit interest rate cannot be usually determined. The incremental borrowing rate is therefore used and it is determined by each class of assets separately, based on management estimate.

Aircraft lease contracts are usually denominated in foreign currency (US dollars) and the foreign currency lease liabilities are revalued at each balance sheet date to the spot rate. The lease payments (lease payments made) are accounted for as repayments of the lease liability and as interest expense.

**The Group as lessor**

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

Agreements, where the Group is the lessor, are accounted for as finance leases, when a substantial part of the risks and rewards of ownership are transferred to the lessee. Finnair recognises assets held under a finance lease in its balance sheet and presents them as a receivable at an amount equal to the net investment of the lease which is equal to the sum of the present values of the lease income it will receive in the future and the unguaranteed residual value.

Finnair subleases aircraft and buildings as well as ground equipment from time to time, which are classified either as finance leases or operating leases based on the individual contract terms. A lease is classified on its commencement date and is reassessed only if the lease is amended. At the commencement date, for the subleases, a net investment (lease receivable), equaling to the present value of lease payments and the present value of the unguaranteed residual value, is recognised. The proportion of the right-of-use asset subleased is derecognised from the balance sheet and the difference between the right-of-use asset and the net investment is recognised in the profit or loss, in other operating income and expenses. Subsequently, the lease payments received are accounted for as repayments of the lease receivable and as interest income.

**Sale and leaseback**

In sale and leaseback transactions, where Finnair sells and then leases back aircraft, Finnair measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Group. Accordingly, Finnair recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

**Impairment**

The Group reviews its leased assets for indication of impairment on each balance sheet date. Impairment loss is recognized if the recoverable amount is below its carrying amount. The recoverable amount is defined for a cash generating unit, and the need for impairment is evaluated at the cash generating unit level. The recoverable amount is determined as the higher of the asset’s fair value less costs to sell or its value in use. The value in use is based on the present value of the expected net future cash flows obtainable from the asset or cash-generating unit. Individual assets are excluded from the cash generating unit if they no longer are held for service or are intended to be sold, and are tested for impairment based on their fair value less costs to sell. Impairment testing, including the critical accounting estimates and sources of uncertainty inherent in the calculations, is described in more detail in note 2.3. **A**

****I** Leasing arrangements**

Determining the interest rate and lease term used in discounting the lease payments, estimating the redelivery obligations of aircraft leases and the classification of sublease agreements to operating and financial leases require management discretion in interpretation and application of accounting standards.

The COVID-19 pandemic or the war in Ukraine and the following closure of Russian airspace did not have a significant impact on the terms of the leasing arrangements of the Group, neither did it significantly increase the amount of discretion related to abovementioned critical accounting estimates and sources of uncertainty. The pandemic or the geopolitical situation did not, for example, have significant impact on the estimated lease terms as extension options are usually not considered in the initial lease term determination. Additionally, the impact of contracts terminated early during the period was not significant. The carrying value of the right-of-use assets are tested for impairment as part of cash generating unit at the balance sheet date. More details is presented in the note 2.3. **I**

**Right-of-use assets 2022**

EUR mill.	Aircraft	Buildings and land	Other equipment	Total
Book value 1 Jan 2022	1,025.3	123.0	33.4	1,181.7
Additions	0.0	0.5	9.0	9.5
Changes in contracts	63.5	3.8	-3.0	64.3
Depreciation for the financial year	-156.0	-13.3	-8.0	-177.3
<b>Book value 31 Dec 2022</b>	<b>932.9</b>	<b>114.0</b>	<b>31.4</b>	<b>1,078.2</b>

The changes in contracts relate to changes either in the scope, or consideration, of leases.

**Right-of-use assets 2021**

EUR mill.	Aircraft	Buildings and land	Other equipment	Total
Book value 1 Jan 2021	772.5	133.8	11.2	917.5
Additions	346.9	1.4	32.2	380.6
Changes in contracts	29.0	1.0	-4.7	25.3
Depreciation for the financial year	-123.2	-13.2	-5.3	-141.6
<b>Book value 31 Dec 2021</b>	<b>1,025.3</b>	<b>123.0</b>	<b>33.4</b>	<b>1,181.7</b>

**Lease liabilities**

EUR mill.	Aircraft		Buildings and land		Other equipment	
	2022	2021	2022	2021	2022	2021
less than one year	183.0	157.2	12.2	12.6	7.4	7.0
1–5 years	605.5	602.7	41.1	43.1	22.3	19.9
more than 5 years	375.9	444.6	80.8	86.8	2.5	6.8
<b>Total</b>	<b>1,164.4</b>	<b>1,204.6</b>	<b>134.1</b>	<b>142.6</b>	<b>32.2</b>	<b>33.8</b>

The Group leases aircraft, premises and other fixed assets, for which the lease liability is recorded on the balance sheet. The lease agreements have different terms of renewal and include index-linked terms and conditions. The Group was operating 43 leased aircraft at the end of the year with lease agreements of different tenors.

The leased aircraft, that Finnair is subleasing to other operators and which are classified as finance leases are shown in the table below.

**A** = Accounting principles  
**I** = Critical accounting estimates



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**Finance lease receivables, Group as lessor**

EUR mill.	Aircraft		Buildings and land	
	2022	2021	2022	2021
less than 12 months		7.6	0.3	0.4
13–24 months		2.4	0.3	0.3
25–36 months			0.3	0.3
37–48 months			0.0	0.3
49–60 months			0.0	0.0
more than 60 months			0.1	0.1
<b>Total</b>		<b>10.0</b>	<b>1.1</b>	<b>1.4</b>

Finnair had no aircraft related finance lease receivables at the end of 2022 as the sublease contracts for aircraft classified earlier as finance leases were reclassified as operating leases due to contract modifications.

**Leasing arrangements in profit and loss**

EUR mill.	2022	2021
Depreciation expense of right-of-use assets	-177.3	-141.6
Interest expense on lease liabilities	-80.1	-62.7
Interest income on sublease receivables	0.1	1.6
Exchange rate changes of lease liabilities	-76.1	-75.5
Hedging result of lease liabilities	19.1	16.3
Short-term wet leases	-28.4	-6.5
Short-term office rents	-3.2	-3.2
Variable purchase traffic and cargo capacity rents	-74.0	-65.0
Gains and losses on sale and leaseback transactions		14.4
<b>Total</b>	<b>-419.9</b>	<b>-322.2</b>

Operating expenses include costs related to short-term and capacity based rental agreements, that are not material for the Group or do not contain a lease according to IFRS 16, and are therefore not recognised in the balance sheet. In the income statement, the short-term wet leases and variable purchase traffic and cargo capacity rents are included in capacity rents and the short-term office rents are included in property, IT and other expenses. Gains related to sale and leaseback transactions are recorded in other operating income in profit and loss. Total cash outflow relating to leases was -376.7 million euro (-284.2).

**Off-balance sheet lease commitments, Group as lessee**

EUR mill.	Premises rents		Other rents	
	2022	2021	2022	2021
less than one year	2.5	2.3	1.5	1.5
1–5 years	5.5	6.3	0.9	0.9
more than 5 years	6.7	6.9		
<b>Total</b>	<b>14.7</b>	<b>15.5</b>	<b>2.4</b>	<b>2.4</b>

Off-balance sheet lease commitments are short-term lease agreements and other lease agreements for which the underlying asset is of low value or contracts that do not contain a lease according to IFRS 16. Therefore, these contracts are not recognised as right-of-use assets and lease liabilities in the balance sheet. The most significant item in the premises rents is the right-to-use a test cell, which is excluded from the lease liability on the basis that it is not for the exclusive use of Finnair. Other rents include IT equipment leases, that are not material.

**A** = Accounting principles

**Off-balance sheet lease receivables, Group as lessor**

EUR mill.	Aircraft		Buildings and land	
	2022	2021	2022	2021
less than 12 months	23.5	19.4	2.1	1.8
13–24 months	23.5	15.4	2.1	1.8
25–36 months	23.5	6.2	2.1	1.8
37–48 months	23.5	6.2	2.1	1.8
49–60 months	11.3	6.2	1.8	1.5
more than 60 months	3.8	1.6	2.5	2.0
<b>Total</b>	<b>109.0</b>	<b>55.1</b>	<b>12.7</b>	<b>10.8</b>

The Group has leased 15 owned aircraft as well as premises with irrevocable lease agreements. Additionally, Finnair has subleased 9 aircraft classified as operating leases. These agreements have different terms of renewal and other index-linked terms and conditions.

**2.3 Depreciation and impairment**

**A Depreciation**

Depreciation of assets is determined based on their expected useful life or maintenance cycle and residual value. The depreciation for all assets is calculated using straight-line method. The depreciation is started when the asset is available for use. Depreciation is ceased when the asset is either classified as held for sale or derecognised. The useful life and residual value for assets are described in more detail in the note 2.1. **A**

EUR mill.	2022	2021
Amortisation of intangible assets	3.1	7.6
Depreciation of own fleet	120.9	155.7
Depreciation of right-of-use fleet	156.0	123.2
Depreciation of other tangible assets	15.8	12.9
Depreciation of other right-of-use assets	21.3	18.5
<b>Amortisation and depreciation</b>	<b>317.1</b>	<b>317.8</b>
Impairment of assets	32.7	2.0
<b>Impairment</b>	<b>32.7</b>	<b>2.0</b>
<b>Total depreciation and impairment in income statement</b>	<b>349.8</b>	<b>319.8</b>

Depreciation and impairment include both planned depreciations on fixed assets as well as impairment. The depreciation of own fleet decreased and the depreciation of right-of-use fleet increased in 2022 mainly as a result of the four A350 sale and leaseback transactions executed in 2021.

An impairment of 32.7 million euro was recognized in 2022 related to four A330 aircraft because of the closure of Russian airspace and the prolonged flight times to many Asian destinations.





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Impairment testing

**A** **Impairment testing**  
The Group reviews its fleet, other fixed assets and other non-current assets for indication of impairment on each balance sheet date. The recoverable amount of an asset or a cash generating unit is determined as the higher of value in use and the fair value less cost to sell. Impairment loss is recognized if an asset’s recoverable amount is below its carrying amount. The recoverable amount is defined for the cash generating unit, and the impairment is evaluated at the cash generating unit level. **A**

**I** **Impairment testing of the fleet and other fixed assets**  
Finnair applies the value in use model as its primary method for determining the recoverable amount of the assets. Preparation of the calculations used for impairment testing requires the use of significant management judgement and estimates, which is why the actual outcome may differ from the current management estimates and assumptions made. The management estimates are based on budgets and forecasts, which already inherently contain some degree of uncertainty, in addition to which the COVID-19-pandemic and Russia’s war against Ukraine in Europe has resulted in increased estimation uncertainty. It is especially difficult to predict the duration of the Russian airspace closure. Also, the price of jet fuel increased significantly during the year, in addition to which the future fuel price development, impact of inflation on passenger demand and costs as well as the changes in the economic and competitive environment are subject to increased uncertainty.  
In order to consider the increased uncertainty in its estimates and assumptions, the management has considered three different forecast scenarios differing mainly in regard to impacts of a possible economic downturn as well as the estimated duration of the Russian airspace closure. These scenarios, as well as the main identified uncertainties, are discussed in more detail in the beginning of the notes, in the section Board’s assessment of Finnair as a going concern. In order to consider the increased uncertainty of its operating environment in the impairment testing, Finnair is applying the expected cash flow approach which incorporates expectations about all three forecast scenarios instead of relying on just a single, most likely, cash flow estimate. Determination of the probabilities used for each of the senarios are based on the management’s best estimate at the time and require the use of significant management judgement.  
Finnair has prepared a sensitivity analysis on the key assumptions used in the impairment testing as well as on changes of the EBITDA-margin. Based on the analysis, the value in use calculation is sensitive to changes in the discount rate, terminal growth rate, fuel cost as well as to changes in the EBITDA-margin. Key assumptions used and the related sensitivities are described in more detail below. **I**

During the fiscal year 2022, Finnair has reviewed quarterly whether indications for impairment exist. Finnair considers the various adverse economic and business implications relating to the COVID-19 pandemic and the closure of the Russian airspace following the war in Ukraine 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 disruptions caused by the pandemic and the war in Ukraine as well as their negative impacts on the Group’s operating environment, financial performance, and capacity utilization.  
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 it considers all its fleet (including right-of-use fleet) and other closely related assets as one CGU. Intangible assets with indefinite useful life have been identified to belong to the aircraft CGU for impairment testing purposes. At year-end 2022, the amount of other intangible assets with indefinite useful life in Finnair’s balance sheet totaled to 1.4 million euro (1.4). 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 the value in use model based on which the recoverable amount of the CGU exceeds its carrying value at the balance sheet date. The recoverable amount of the CGU as at 31.12.2022 was 2,059.2 million euros (2,748.6) based on expected cash flow approach as described below, and the carrying value of the assets was 1,635.0 million euros (2,155.8).  
The value in use measurement is based on a discounted cash flow model where the cash flow projections are based on Finnair’s strategy approved by the Board of Directors and a management forecast covering a five-year period. The cash flow projections beyond the five-year period are based on the management’s long-term growth assumptions. In order to consider the increased uncertainty caused by the Russia’s war in Ukraine, Finnair is utilizing the expected cash flow approach which is using multiple, probability-weighted cash

**A** = Accounting principles  
**I** = Critical accounting estimates

flow projections based on three different forecast scenarios prepared by the management. The scenarios and probabilities allocated to each scenario have been reviewed and approved by the Board of Directors. When determining the probabilities, the management has considered, in particular, the heightened uncertainty surrounding a possible economic downturn as well as the uncertainty related to the duration of the Russian airspace closure. In the base scenario, which is considered to have a probability of 50%, the Russian airspace would remain closed for the foreseeable future. In the more pessimistic scenario, which is considered to have a probability of 30%, the Russian airspace is also estimated to remain closed until the foreseeable future and additionally, a possible economic downturn to have a negative impact on passenger revenues. In the optimistic scenario, which is considered to have a probability of 20%, Finnair estimates that the Russian airspace would open by mid-2025. Finnair expects it will optimize its fleet and network in all three scenarios as well as enhance its operations in accordance with the renewed strategy during the years 2022–2024.

Key assumptions used in impairment review

	Dec 31, 2022	Dec 31, 2021
Discount rate (post-tax long-term weighted average cost of capital), %	8.5	7.7
Discount rate (pre-tax, derived from the long-term weighted average cost of capital), %	9.9	8.8
Long-term growth rate, %	2.6	2.8
Fuel cost range per ton (USD)	952-1015	768–864

Key assumptions used in the impairment review are presented in the table above. The assumptions are the same for all scenarios except for the long-term growth rate. The long-term growth rate in the optimistic scenario is 2.8% and in the base scenario and the more pessimistic scenario 2.5%. The long-term growth rate of the expected cash flow model is 2.6% which is presented in the table. 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 to Finnair’s business. Both pre-tax and post-tax discount rates are presented above.The estimated business growth is based on the management’s best estimate at the time of the prepration of the financial statements and depends the duration of the Russian airspace closure, as well as the development of market demand and environment. The estimates are benchmarked against external information sources when available, such as long-term average growth estimates for the industry. Fuel price is based on the hedge-weighted fuel price based on the forward curve, estimated fuel consumption based on planned flights and the historical data of fuel consumption for each aircraft type.

Sensitivities of the key assumptions and EBITDA-margin

The calculations used in impairment testing require significant use of management estimates and assumptions. The Group has prepared a sensitivity analysis to reflect, how the results of the impairment test would react to changes in key assumptions or EBITDA-margin. The sensitivity analysis considers changes in one assumption at a time, whereby other assumptions are kept unchanged. Results of the sensitivity analysis reflect the sensitivity of the recoverable amount based on the expected cash flow model. The table below shows the changes required to decrease the difference between the recoverable amount and the carrying value of the assets to zero.

	Dec 31, 2022	Dec 31, 2021
EBITDA margin %	-1.0 %-p	-1.1 %-p
Discount rate %	+1.5 %-p	+1.4 %-p
Terminal growth rate %	-2.1 %-p	-1.5 %-p
Fuel cost, % change in cost level	+3 %	+4 %



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3 Capital structure and financing costs

3.1 Financial income and expenses

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

Interest income and expenses Interest income and expenses are recognised on a time-proportion basis using the effective interest method. Interest expenses related to the financing of significant investments are capitalised as part of the asset acquisition cost and depreciated over the useful life of the asset. More detailed information about financial assets can be found in note 3.2 and about interest bearing liabilities in note 3.3.

EUR mill.	2022	2021
Financial income from discontinued hedges		11.6
Interest income on leases	0.1	1.6
Gains on investment instruments held at FVPL	3.7	-0.4
Interest from assets held at amortised cost	2.7	0.0
Other interest income	0.0	0.0
Other financial income	0.1	0.0
Dividend income	0.0	0.0
Financial income total	6.5	12.8
Financial expenses for discontinued hedges		-5.2
Interest on leases	-80.1	-62.7
Other financial expenses	-29.7	-24.2
Interest expenses for liabilities measured at amortised cost	-28.1	-25.7
Financial expenses total	-137.9	-117.8
Foreign exchange gains and losses	-38.8	-22.5
Financial expenses, net	-170.2	-127.5

In the effectiveness testing of the Group’s hedge accounting, both cash flow and fair value hedging were found to be effective at year end 2022. Thus, as in the comparison year 2021, no inefficiency is included in the financial items for 2022. The COVID-19 pandemic has impacted Finnair’s business negatively both in 2021 and 2022. Additionally, the war in Ukraine impacted the year 2022 negatively. As a result of the negative impacts, in the comparison year figures the discontinuation of the application of hedge accounting to the majority of hedges related to jet fuel price risk and foreign exchange risk is visible. The discontinued hedges are shown in profit and loss instead of other comprehensive income. The remaining discontinued hedges matured during the last quarter of 2021. In 2022 Finnair has resumed normal hedging operations. Financial income and expenses include an identical amount of profit and loss for fair value hedging instruments and for hedged items resulting from the hedged risk.

= Content of the section  
= Accounting principles

In 2022, foreign exchange gains and losses recognised in financial expenses consist of a net realised exchange gain of 20.5 million euro and a net unrealised exchange loss of 59.3 million euro which were mostly caused by strengthening of US dollar relative to euro. During the year 2022, 1.8 million euros of interest expense was capitalised in connection with the A350 investment program (1.4). More information about the capitalised interest can be found in note 2.1 Fleet and other fixed assets.

Other financial expenses include for example guarantee fees as well as interest and penalties related to taxes.

3.2 Financial assets

Financial assets In the Group, financial assets have been classified into the following categories according to the IFRS 9 standard “Financial Instruments”: amortised cost and fair value through profit and loss. The classification is made at the time of the original acquisition based on the objective of the business model and the characteristics of contractual cash flows of the investment, or by applying a fair value option. All purchases and sales of financial assets are recognised on the trade date. Financial assets at fair value through profit and loss include such assets as investments in bonds and money market funds. Financial assets at fair value through profit and loss have mainly been acquired to obtain a gain from short-term changes in market prices. All those derivatives that do not fulfil the conditions for the application of hedge accounting are classified as financial assets at fair value through profit and loss and are valued at fair value in each financial statement. Realised and unrealised gains and losses arising from changes in fair value are recognised in the income statement in the period in which they arise. Financial assets recognised at fair value through profit and loss, as well as those maturing within 12 months, are included in current assets. In Finnair Group, unquoted shares are valued at their acquisition price in the absence of a reliable fair value. Investments in debt securities are measured at amortised cost, but only when the objective of the business model is to hold the asset to collect the contractual cash flows and the asset’s contractual cash flows represent only payments of principal and interest. Financial assets recognised at amortised cost are valued using the effective interest method. Financial assets valued at amortised cost include trade receivables and security deposits for aircraft operating lease agreements. Due to the nature of short-term receivables and other receivables, their book value is expected to be equal to the fair value. Derecognition of financial assets takes place when the Group has lost its contractual right to receive cash flows or when it has substantially transferred the risks and rewards outside the Group.

Impairment of financial assets Finnair Group recognises impairment provisions based on lifetime expected credit losses from trade receivables in accordance with IFRS 9. Finnair has chosen to apply a simplified credit loss matrix for trade receivables as trade receivables do not have a significant financing component. Accordingly, the credit loss allowance is measured at an amount equal to the lifetime expected credit losses. The expected credit loss model is forward-looking, and expected default rates are based on historical realised credit losses. The lifetime expected credit loss allowance is calculated using the gross carrying amount of outstanding trade receivables in each aging bucket and an expected default rate. The changes in expected credit losses are recognised in other expenses in the consolidated income statement. More information on the credit loss provision on trade receivables can be found in note 1.2.3. Receivables related to revenue. The impairment model does not apply to financial investments, such as bonds and money market funds, included in other financial assets as those are measured at fair value through profit and loss under IFRS 9, which already takes into account expected credit losses. With respect to the assets measured at amortised cost, Finnair is actively following such instruments and will recognise impairment through profit and loss if there is evidence of deterioration in credit quality.

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





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**3.2.1 Other current financial assets**

EUR mill.	2022	2021
Commercial paper, certificates and bonds	47.8	19.0
Money market funds	690.8	512.4
<b>Total</b>	<b>738.6</b>	<b>531.4</b>
<b>Ratings of counterparties</b>		
Better than A		
A	11.0	
BBB	12.0	5.0
BB	2.0	
Unrated	713.7	526.4
<b>Total</b>	<b>738.6</b>	<b>531.4</b>

As of 31 December 2022, investments in instruments issued by unrated counterparties mostly include investments in money market funds (EUR 690.8 million euro).

The Group’s financial asset investments and risk management policy are described in more detail in note 3.5 Management of financial risks. The IFRS classifications and fair values of the financial assets are presented in Note 3.6 Classification of financial assets and liabilities.

**3.2.2 Cash and cash equivalents**

EUR mill.	2022	2021
Cash and bank deposits	785.8	734.3
<b>Total</b>	<b>785.8</b>	<b>734.3</b>

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

**3.3 Financial liabilities**

**A Financial liabilities**

Finnair Group’s financial liabilities are classified into two different classes: amortised cost and fair value through profit and loss. Financial liabilities are initially recognised at fair value on the basis of the original consideration received. Transaction costs have been included in the original book value of financial liabilities. Thereafter, all non-derivative financial liabilities are valued at amortised cost using the effective interest method. Financial liabilities are included in long- and short-term liabilities, and they can be interest-bearing or non-interest-bearing. Loans that are due for payment within 12 months are presented in the short-term liabilities. Foreign currency loans are valued at the mid-market exchange rate on the closing date, and translation differences are recognised in the financial items.

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

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

**A** = Accounting principles

**Non-current liabilities**

EUR mill.	2022	2021
Loans from financial institutions, non-current	399.2	299.7
JOLCO loans and other	261.3	289.4
Bonds	397.9	397.2
Lease liabilities	1,128.0	1,204.1
<b>Interest-bearing liabilities total</b>	<b>2,186.4</b>	<b>2,190.3</b>
<b>Non-interest-bearing liabilities</b>	<b>6.3</b>	<b>6.3</b>
<b>Total</b>	<b>2,192.7</b>	<b>2,196.6</b>

Finnair’s interest-bearing liabilities decreased slightly during the financial year 2022. The most significant financing transactions during 2022 were the withdrawal of the 400 million euro capital loan from the Finnish State and the refinancing of the 600 million euro pension premium loan during the last quarter of 2022. Non-interest-bearing liabilities mainly include leases and maintenance reserves related to the aircraft leased to other airlines.

The Group’s 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 aircraft. Export credit support is a debt arrangement to finance aircraft. The transactions are treated as loans and owned aircraft in Finnair’s accounting. Non-interest-bearing liabilities mainly include leases and maintenance reserves related to the aircraft leased to other airlines.

**Current interest-bearing liabilities**

EUR mill.	2022	2021
Loans from financial institutions, current	199.6	299.8
JOLCO loans and other	40.4	43.1
Bonds		98.9
Lease liabilities	202.7	176.9
<b>Total</b>	<b>442.7</b>	<b>618.6</b>

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 aircraft. The transactions are treated as loans and owned aircraft in Finnair’s accounting.

Interest-bearing liabilities, EUR in millions	Fair value		Book value	
	2022	2021	2022	2021
<b>Non-current interest-bearing liabilities</b>				
Lease liabilities	1204.1	1,204.1	1128.0	1,204.1
Loans from financial institutions	305.6	299.7	399.2	299.7
Bonds	298.0	406.2	397.9	397.2
JOLCO loans and other	164.4	289.4	261.3	289.4
<b>Total</b>	<b>1,896.0</b>	<b>2,199.4</b>	<b>2,186.4</b>	<b>2,190.3</b>
<b>Current interest-bearing liabilities</b>				
Lease liabilities	202.7	176.9	202.7	176.9
Loans from financial institutions	207.3	299.8	199.6	299.8
Bonds		98.9		98.9
JOLCO loans and other	53.0	43.1	40.4	43.1
<b>Total</b>	<b>462.9</b>	<b>618.7</b>	<b>442.7</b>	<b>618.6</b>



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Fair values of interest-bearing liabilities (excluding lease liabilities) have been calculated by discounting the expected cash flows using the market interest rate and company's credit risk premium at the reporting date. Fair value of bonds has been calculated by using the quoted price of reporting date (75.5).

	Short-term borrowings	Long-term borrowings	Short-term lease liabilities	Long-term lease liabilities	Total
<b>Total liabilities from financing activities, 1 January 2022</b>	<b>441.7</b>	<b>986.2</b>	<b>178.9</b>	<b>1,204.1</b>	<b>2,808.9</b>
Repayments	0.0	-144.0		-193.4	-337.4
Acquisitions			3.9	69.2	73.1
Decreases				-5.7	-5.7
Foreign exchange adjustments		14.4	9.1	66.5	90.0
Reclassification between short-term and long-term liabilities	201.3	201.3	12.8	-12.8	0.0
Other non-cash movements	-0.4	0.6			0.2
<b>Total liabilities from financing activities, 31 December 2022</b>	<b>240.0</b>	<b>1,058.4</b>	<b>202.7</b>	<b>1,128.0</b>	<b>2,629.1</b>

	Short-term borrowings	Long-term borrowings	Short-term lease liabilities	Long-term lease liabilities	Total
<b>Total liabilities from financing activities, 1 January 2021</b>	<b>51.5</b>	<b>1,111.0</b>	<b>135.6</b>	<b>880.6</b>	<b>2,178.7</b>
Repayments	0.2	-154.9		-146.8	-301.6
Additions	0.0	400.0	2.5	437.0	839.5
Decreases				-2.8	-2.8
Foreign exchange adjustments		21.2	10.4	64.5	96.1
Reclassification between short-term and long-term liabilities	390.0	-390.0	28.4	-28.4	0.0
Other non-cash movements		-1.1	0.0	0.0	-1.1
<b>Total liabilities from financing activities, 31 December 2021</b>	<b>441.7</b>	<b>986.2</b>	<b>176.9</b>	<b>1,204.1</b>	<b>2,808.9</b>

Maturity dates of interest-bearing financial liabilities 31 Dec 2022 EUR mill.	2023	2024	2025	2026	2027	Later	Total
JOLCO loans and other, fixed interest			26.0	13.0			39.0
JOLCO loans and other, variable interest	40.4	41.8	89.0	33.0	10.3	51.2	265.8
Loans from financial institutions, variable interest	200.0	200.0	200.0				600.0
Bonds, fixed interest			400.0				400.0
Lease liabilities, fixed interest	144.4	148.0	150.0	104.6	86.3	353.7	987.0
Lease liabilities, variable interest	58.2	61.0	51.5	32.9	34.6	105.5	343.7
<b>Interest-bearing financial liabilities total</b>	<b>443.1</b>	<b>450.8</b>	<b>916.5</b>	<b>183.6</b>	<b>131.2</b>	<b>510.4</b>	<b>2,635.5</b>
Payments from currency derivatives	809.4						809.4
Income from currency derivatives	-792.1	-8.7					-800.8
Commodity derivatives	4.4	0.2					4.6
Trade payables and other liabilities	234.7						234.7
Interest payments	121.4	98.9	69.5	39.9	29.8	92.8	452.3
<b>Total</b>	<b>820.9</b>	<b>541.2</b>	<b>986.0</b>	<b>223.5</b>	<b>160.9</b>	<b>603.2</b>	<b>3,335.7</b>

**Maturity dates of interest-bearing financial liabilities 31 Dec 2021 EUR mill.**

	2022	2023	2024	2025	2026	Later	Total
JOLCO loans and other, fixed interest					14.0	0.0	42.1
JOLCO loans and other, variable interest	43.1	38.2	39.4	83.8	31.1	57.9	293.5
Loans from financial institutions, variable interest		300.0	0.0				600.0
Bonds, fixed interest		0.0					498.9
Lease liabilities, fixed interest	133.8	135.9	137.5	138.4	95.4	416.7	1,057.7
Lease liabilities, variable interest	43.0	44.6	46.5	40.6	26.8	121.6	323.3
<b>Interest-bearing financial liabilities total</b>	<b>618.9</b>	<b>518.7</b>	<b>223.4</b>	<b>690.9</b>	<b>167.3</b>	<b>596.2</b>	<b>2,815.5</b>
Payments from currency derivatives	490.2	0.0					490.2
Income from currency derivatives	-506.2	-1.9					-512.0
Commodity derivatives	-3.8	-0.1					-3.9
Trade payables and other liabilities	181.5						181.5
Interest payments	104.8	91.0	70.8	57.1	33.5	107.8	465.1
<b>Total</b>	<b>885.4</b>	<b>607.8</b>	<b>290.4</b>	<b>748.0</b>	<b>200.8</b>	<b>704.0</b>	<b>3,436.4</b>

The interest rate re-fixing period is three months for variable interest loans and six months for variable interest lease liabilities. The bonds maturing do not include the amortised cost of 2.1 million paid in 2021 and due on 2025. JOLCO loans do not include the amortised cost of 3.1 million euros paid on 2016 and due in 2025 and loans from financial institutions do not include 1.2 million euros paid as an arrangement fee from the pension premium loan in 2022. Therefore, the total amount of interest-bearing financial liabilities differs from the book value by the amount equal to the amortised costs. Also, Finnair has refinanced the 600 million euro pension premium loan during last quarter of 2022. The loan has an amortization schedule of four 100 million euro and one 200 million euro instalments. The first instalment is due during the second quarter of 2023 and the second one is due during the second quarter of 2023.

The minimum lease payments, discount values and present values of lease liabilities are presented in note 2.2 Leasing arrangements.

**The currency mix of interest-bearing liabilities is as follows:**

EUR mill.	2022	2021
EUR	1,170.7	1,291.6
USD	1,418.7	1,468.1
JPY	39.6	49.2
HKD	0.1	0.0
SGD	0.0	0.1
INR	0.0	0.0
	<b>2,629.1</b>	<b>2,808.9</b>

The weighted average effective interest rate on interest-bearing liabilities was 4.0% (3.8%).

**Interest rate re-fixing period of interest-bearing liabilities**

	2022	2021
Up to 6 months	23.6%	21.0%
6–12 months	3.9%	10.7%
1–5 years	43.2%	38.5%
More than 5 years	29.3%	29.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>





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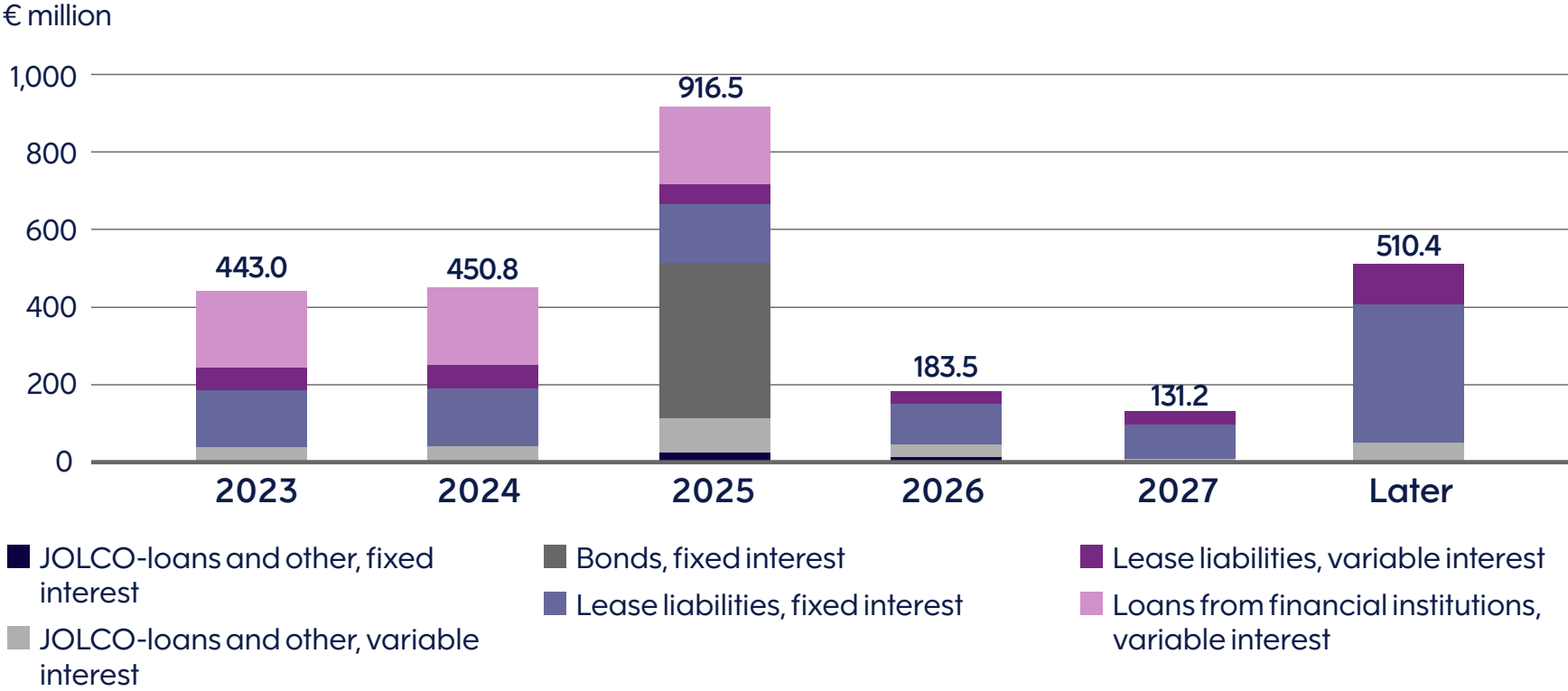
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State aid relating to Finnair's refinancing

State aid in pension premium loan and rights offering

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 Commission's 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.

The EU Commission's competition authority approved the extension of the 540-million-euro guarantee related to the pension premium loan on 20 June 2022. The extended guarantee is in force until the second quarter of 2026.

State aid in hybrid loan and conversion to capital loan

Finnair and the State of Finland signed an agreement on 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 defined in the facility's terms and conditions.

The EU Commission's competition authority approved the remaining, approximately 50-million-euro share of the hybrid loan facility on 10 February 2022. Therefore, the whole 400-million-euro hybrid loan facility is at the company's disposal according to the terms and conditions of the facility.

On 22 June 2022, Finnair withdrew 290 million euros of hybrid bond, which was converted into capital loan on 30 June 2022 based on the decision of the States Council. The EU Commission's competition authority approved the conversion of the hybrid loan facility into capital loan on 20 June 2022. More information about the capital loan can be found in note 3.9.

On 2 September 2022 Finnair withdrew the remaining 110 million euros of the available capital loan. After the withdrawal the total withdrawn amount is 400 million euro meaning that the capital loan is now fully withdrawn.

State aid in pension premium loan extension

The EU Commission's competition authority approved the extension of the 540-million-euro guarantee related to the pension premium loan on 20 June 2022. The pension premium loan maturity is extended until 2025 and the repayment schedule is amended so that the company will amortise the loan by 100 million euros every 6 months. However, the remaining two 100-million-euro tranches will be paid in full on 15 May 2025. In accordance with the loan terms, the pension premium loan is required to have a guarantee. The guarantee is granted by the State of Finland and a commercial bank.

3.4 Contingent liabilities

EUR mill.	2022	2021
Guarantees on behalf of group companies	52.5	51.0
Total	52.5	51.0

3.5 Management of financial risks

Principles of financial risk management

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

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

For the management of foreign exchange, interest rate and jet fuel the company uses different derivative instruments, such as forward contracts, swaps and options. At inception, derivatives are designated as hedges of highly probable cash flows (cash flow hedges), hedges of firm orders (hedges of the fair value of firm commitments) or as financial derivatives where the hedging relationship does not qualify for hedge accounting (economic hedges). Finnair Group implements cash flow hedging through foreign exchange hedging of highly probable forecasted sales and costs denominated in foreign currencies and jet fuel price risk, in accordance with the hedge accounting principles of IFRS 9. Hedge accounting compliant fair value hedges of Finnair Group consist of interest rate hedges of the issued bond and fair value hedges of firm aircraft purchase commitments.

Fuel price risk in flight operations

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

Finnair hedges against jet fuel price fluctuations using jet fuel forward contracts and options. The Jet Fuel CIF Cargoes NWE index is used as the underlying asset of jet fuel derivatives, since over 65 per cent of Finnair's fuel purchase contracts are based on the benchmark price index for Northwest Europe jet fuel deliveries.





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Finnair applies the principle of time-diversification in its fuel hedging. According to the risk management policy, the hedging horizon is one year. The risk management policy states that hedging ratio must be increased during each quarter of the year, so that for the first three months of the hedging period the hedge ratio is approximately between 60 per cent and 90 per cent, with target ratio being 75 per cent. Thereafter, lower hedge ratio limits apply for each quarter. Due to hedging, the fuel cost per period is not as low as the spot-based price when prices fall, but when spot prices rise, the fuel cost rises more slowly.

The hedges of jet fuel consumption are treated as cash flow hedges in accounting, in accordance with the hedge accounting principles of IFRS 9. During 2022, Finnair has hedged the jet fuel price risk in its entirety, without separating it into underlying risk components, such as crude oil price risk. However, Finnair has used proxy hedging for certain layer components of its jet fuel consumption, as described below.

In the hedging of jet fuel price risk, Finnair Group designates layer components of its jet fuel consumption as hedged items. The layer components are defined as jet fuel consumption linked to different jet fuel price benchmarks. The first layer is defined as jet fuel purchases based on the Jet Fuel CIF Cargoes NWE index, with consumption linked to other price benchmarks, notably Cargoes FOB Singapore, representing other layers. Since the Jet Fuel CIF Cargoes NWE index is used as the underlying of all jet fuel derivatives, they are designated as proxy hedges for consumption based on other price benchmarks. Therefore, ineffectiveness may arise if the correlation between the NWE index and the price benchmark for the underlying consumption is not high enough for the fair value changes in the hedged item and the hedging instrument to be exactly offsetting. Any ineffectiveness resulting from overhedging or insufficient correlation is recognised in fair value changes in derivatives and changes in exchange rates of fleet overhauls.

Update in financial risk management

During the year 2022 Finnair returned to normal hedging operations despite the increased uncertainty to Finnair’s operations caused by the COVID-19 pandemic and the war in Ukraine. Finnair increased the hedging ratios in jet fuel and foreign exchange steadily during the year 2022 and revised the risk management policy during the last quarter of 2022. The risk management policy was updated so that hedging ratio must be increased during each quarter of the year, so that for the first three months of the hedging period the hedge ratio is approximately between 60 per cent and 90 per cent, with target ratio being 75 per cent. Thereafter, lower hedge ratio limits apply for each quarter. The hedging period is 12 months.

Timing of the notional and hedged price	Hedged price \$/tonne	Notional amount (tonnes)	Maturity	
			Under 1 year	1 to 2 years
31 December 2022				
Jet fuel consumption priced with NWE index	1,042.9	358,000	338,000	20,000
Jet fuel consumption priced with SING index				
31 December 2021				
Jet fuel consumption priced with NWE index	625.0	68,000	66,000	2,000
Jet fuel consumption priced with SING index	-	-	-	

The average hedged price of the instruments hedging highly probable jet fuel purchases is calculated by taking into account only the hedging (bought) leg of collar option structures, and therefore represents the least favorable hedged rate. The most favorable rate, calculated by including only the sold leg of collar option structures, is 879.04 US dollars per tonne for NWE consumption. Options excluded from hedge accounting are excluded.

At the end of the financial year, Finnair had hedged 41 per cent of its forecasted fuel purchases for the first six months of 2023 and 21 per cent of the purchases for the second half of the year. In the financial year 2022, fuel used in flight operations accounted for approximately 35 per cent of Group’s turnover. At the end of the financial year, the forecast for 2023 is approximately 33 per cent of the Group’s turnover. On the closing date, a 10 per cent rise in the market price of jet fuel – excluding hedging activity – increases annual fuel costs by an estimated 80 million euro. On the closing date – taking hedging into account – a 10 per cent rise in the market price of jet fuel lowers the operating profit by around 64 million euro.

Foreign exchange risk

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

Finnair Group’s foreign exchange risk mainly arises from fuel purchases, aircraft lease liabilities, acquisition and divestment of aircraft, aircraft maintenance, overflight royalties and foreign currency revenue. About 59 per cent of the Group’s revenue is denominated in euros. The most important foreign revenue currencies are the Japanese yen (4 per cent, percentage of revenue), the Chinese yuan (2 per cent), the US dollar (8 per cent) and the Swedish krona (4 per cent). Approximately 45 per cent Group’s operating costs are denominated in foreign currencies. The most important purchasing currency is the US dollar, which accounts for approximately 41 per cent of all operating costs. The most significant US dollar-denominated expense is fuel costs. The largest investments – aircraft and their spare parts – are also mainly made in US dollars.

The risk management policy divides the foreign exchange position into three parts, namely exposure to forecasted cash flows, balance sheet position and investment position.

The cash flow exposure mainly consists of sales denominated in a number of different currencies and US dollar-denominated expenses. Forecasted jet fuel purchases, aircraft materials and overhaul expenses and traffic charges form a group of similar items that are hedged with the same hedging instrument. The purpose of currency risk hedging – for cash flow exposure – is to reduce the volatility of cash flows and the comparable operating result due to fluctuating currency prices. This is done using a layered hedging strategy for the two biggest sources of currency risk and utilising diversification benefits of the portfolio of various currencies. The contracts are timed to mature when the cash flows from operating expenses are expected to be settled. The hedging limits are set only for the main contributors to currency risk: the Japanese yen and the US dollar basket consisting of the US dollar and the Hong Kong dollar. For both of these, the hedging horizon is one year, which is divided into four three-month periods. hedging ratio must be increased during each quarter of the year, so that for the first three months of the hedging period the hedge ratio is approximately between 60 per cent and 90 per cent, with target ratio being 75 per cent. Thereafter, lower hedge ratio limits apply for each quarter.

The investment position includes all foreign currency denominated aircraft investments for which a binding purchase agreement has been signed as well as commitments for sale and leaseback transactions in the next four years. According to its risk management policy, Finnair Group hedges 50–100% of its aircraft investment exposure. New hedges of investments in aircraft are made as an IFRS 9 fair value hedge of a firm commitment.

Balance sheet exposure consists of foreign currency denominated financial assets and liabilities, as well as other foreign currency denominated balance sheet items, such as provisions, trade receivables, trade payables and assets held for sale. Finnair Group has a target hedging ratio of 80% for net positions foreign currency denominated financial assets and financial liabilities exceeding 10 MEUR. The target ratio is reviewed quarterly. Maximum hedge ratio for balance sheet position is 100% and minimum is 0%.

At the end of the financial year, Finnair had a hedge level for net operating cash flows of 36 per cent in the USD-basket and 32 per cent in JPY for the coming 12 months. On the closing date – excluding hedges – a 10 per cent strengthening of the US dollar against the euro has a negative impact on the 12-month result of around 74 million euro and a 10 per cent weakening of the Japanese yen against the euro has a negative impact on 12-month of around 8 million euro. On the closing date – taking hedging into account – a 10 per cent strengthening of the US dollar weakens the result by around 48 million euro and a 10 per cent weakening of the Japanese yen weakens the result by around 5 million euro. In the above numbers, the USD-basket risk includes the Hong Kong dollar, which historical correlation with the US dollar is high. The hedge levels for balance sheet position at the end of the financial year were 70 per cent for USD and 90 per cent for Japanese yen. On the closing date – excluding hedges – a 10 per cent strengthening of the US dollar against the euro has a negative impact on the result of around 142 million euro and a 10 per cent strengthening of the Japanese yen against the euro has a negative impact of around 5 million euro. On the closing date – taking hedging into account – a 10 per cent strengthening of the US dollar weakens the result by around 43 million euro and a 10 per cent strengthening of the Japanese yen weakens the result by around 0.5 million euro.





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Timing of the notional EUR mill. 31 December 2022	Notional amount (gross)	Maturity		
		Less than 1 year	1 to 2 years	2 to 4 years
USD	994.1	905.9	88.1	0.0
JPY	65.1	65.1		

Cross-currency interest rate swaps are included in the nominal amount calculation.

Foreign exchange P&L exposure EUR mill. 31 December 2022		
	JPY	USD-basket
Net forecasted operating cash flows, next 12m	83.4	-707.1
Net operating cash flow hedges, next 12m	-26.2	258.5
Weighted average exchange rate of hedging instruments against the euro	141.05	1.05
<b>Foreign exchange exposure from operating cash flows after hedging, next 12M</b>	<b>57.1</b>	<b>-448.7</b>

The average exchange rate of the instruments hedging highly probable forecasted sales and purchases denominated in foreign currencies is calculated by taking into account only the hedging (bought) leg of collar option structures, and therefore represents the least favorable hedged rate. The most favorable rate, calculated by including only the sold leg of collar option structures, is 1.14 for USD contracts and 119.60 for JPY instruments.

Foreign exchange balance sheet exposure EUR mill. 31 December 2022		
	JPY	USD
Net balance sheet items	-43.8	-988.5
Net hedges of balance sheet items	38.9	564.1
Weighted average exchange rate of hedging instruments against the euro	141.36	1.10
<b>Foreign exchange exposure from balance sheet items after hedging</b>	<b>-4.9</b>	<b>-424.5</b>

Foreign exchange investment exposure EUR mill. 31 December 2022		
	USD	
Net investment position	-320.8	
Net hedges of investment position	183.7	
Weighted average exchange rate of hedging instruments against the euro	1.01	
<b>Foreign exchange exposure from investment position after hedging</b>	<b>-137.1</b>	

Foreign exchange P&L exposure EUR mill. 31 December 2021		
	JPY	USD-basket
Net forecasted operating cash flows, next 12M	223.8	-705.6
Net operating cash flow hedges, next 12M	-5.0	57.0
Weighted average exchange rate of hedging instruments against the euro	121.09	1.14
<b>Foreign exchange exposure from operating cash flows after hedging, next 12M</b>	<b>218.8</b>	<b>-648.6</b>

Foreign exchange balance sheet exposure  
EUR mill. 31 December 2021

	JPY	USD
Net balance sheet items	-53.0	-1,134.0
Net hedges of balance sheet items	49.9	500.5
Weighted average exchange rate of hedging instruments against the euro	130.26	1.17
<b>Foreign exchange exposure from balance sheet items after hedging</b>	<b>-3.1</b>	<b>-633.5</b>

Foreign exchange investment exposure  
EUR mill. 31 December 2021

	USD
Net investment position	-273.9
Net hedges of investment position	162.9
Weighted average exchange rate of hedging instruments against the euro	1.20
<b>Foreign exchange exposure from investment position after hedging</b>	<b>-111.0</b>

## Interest rate risk

Interest rate risk means the cash flow, financial performance and balance sheet uncertainty arising from interest rate fluctuations.

In Finnair Group, the interest rate risk is measured using the interest rate re-fixing period. If necessary, interest rate derivatives are used to adjust the interest rate re-fixing period. According to the risk management policy, the mandate for the investment portfolio's interest rate re-fixing period is 0–12 months and for interest-bearing liabilities 36–72 months. On the closing date, the investment portfolio's interest rate re-fixing period was approximately 1 month and approximately 48 months for interest-bearing liabilities. On the closing date, a one percentage point rise in interest rates increases the annual interest income of the investment portfolio by approximately 13.8 million euros and the interest expenses of the loan portfolio by approximately 3.4 million euros. The situation as of December 31 2021 is a reasonable representation of conditions throughout the year given the current market environment.

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

Timing of the notional  
and hedged price range

31.12.2022	Notional amount (gross)	Maturity		
		Less than 1 year	1 to 2 years	2 to 4 years
Interest rate derivatives	253.1	164.9	88.1	0.0

Cross-currency interest rate swaps are included in the nominal amount calculation. Finnair has not entered into any interest rate derivatives on which it is paying a fixed rate.

## Credit risk

The Group is exposed to counterparty risk when investing its cash reserves and when using derivative instruments. The credit risk is managed by only making contracts with financially sound domestic and foreign banks, financial institutions and brokers, within the framework of the risk management policy for counterparty risk limits. Liquid assets are also invested in money market funds, bonds and commercial papers issued by conservatively selected companies, according to company-specific limits. This way, risk exposure to any single counterparty is not significant. Changes in the fair value of Group loans arises from changes in FX and interest rates, not from credit risk. The Group's credit risk exposure arises from other current financial assets presented in note 3.2.1, cash and cash equivalents presented in note 3.2.2, trade receivables presented in note 1.2.3 and derivatives presented in note 3.8.

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Liquidity risk

The goal of the Finnair Group is to maintain good liquidity. Liquidity is ensured by cash reserves, bank account limits, liquid money market investments and committed credit facilities. Counterparties of groups' long term loans are solid financial institutions with good reputations.

The war in Ukraine or the COVID-19 pandemic has not had a direct impact on the basic principles of Finnair's liquidity risk management. However, due to the continued uncertainty in 2022 Finnair has kept relatively high liquidity levels. The liquidity was kept on high levels mainly through new financing as well as refinancing maturing debt. The most significant financing transactions during the year 2022 were the withdrawal of the 400 million euro capital loan during the second and third quarter of 2022 and the refinancing of the 600 million euro pension premium loan during the last quarter of the 2022.

The Group's cash funds were 1,524.4 million euro at the end of financial year 2022. Finnair Plc has a domestic commercial paper program of 200 million euro, which was not in use as of the closing date.

Capital management

The aim of Finnair's capital management is to secure access to the capital markets at all times despite the volatile business environment, as well as to support future business development. Through maintaining an optimal capital structure the Group also aims to minimize the cost of capital and maximize the return on capital employed. The capital structure is influenced via, for example, dividend distribution and share issues. The Group can vary and adjust the level of dividends paid to shareholders, the amount of capital returned to them or the number of new shares issued. The Group can also decide on sales of asset items in order to reduce debt. The aim of Finnair's dividend policy is to pay on average at least one third of the earnings per share as dividends during an economic cycle.

The COVID-19 pandemic as well as the war in Ukraine still impact Finnair's business and operating enviroment and therefore the balance sheet and capital structure. During the year 2022 Finnair strengthened the capital structure by withdrawing the 400 million euro capital loan, which according to the terms and conditions of the facility is considered to be equity. The development of the Group's capital structure is continuously monitored using the adjusted gearing ratio. When calculating adjusted gearing, adjusted interest-bearing net debt is divided by the amount of shareholders' equity. The Group's adjusted gearing at the end of 2022 was 266.4 per cent (321.8).

Sensitivity analysis of the fair value reserve

If the price of Jet fuel CIF NWE had been 10 per cent higher, the balance of the reserve would have been 16.1 million euro (2.6) higher. Correspondingly, a 10 per cent weaker Jet fuel CIF NWE price would have reduced the reserve by 17.6 million euro (2.6). In terms of the US dollar, a 10 per cent weaker level would have lowered the balance of the fair value reserve by 25.4 million euro (3.3) and a 10 per cent stronger dollar would have had a positive impact of 25.4 million euro (3.3). In terms of Japanese yen, a 10 per cent stronger yen would have had a negative impact of 2.6 million euro (0.5), and a 10 per cent weaker level would have increased the balance of the fair value reserve by 2.6 million euro (0.5). The effect of change in interests to the fair value reserve in own equity is not material. The enclosed sensitivity figures do not take into account any change in deferred tax liability (tax assets).

3.6 Classification of financial assets and liabilities

EUR mill.	Hedge accounting items	Fair value through profit and loss	Amortised cost	Book value
31 Dec 2021				
Financial assets				
Receivables			3.7	3.7
Other financial assets		738.6		738.6
Trade receivables and other receivables			256.9	256.9
Derivatives	8.6	14.9		23.5
Cash and cash equivalents			785.8	785.8
Book value total	8.6	753.5	1,046.3	1,808.5

Fair value total	8.6	753.5	1,406.3	1,808.5
Financial liabilities				
Interest-bearing liabilities			1,298.5	1,298.5
Lease liabilities			1,330.7	1,330.7
Derivatives	33.1	3.5		36.7
Trade payables and other liabilities			234.7	234.7
Book value total	33.1	3.5	2,863.8	2,900.5
Fair value total	33.1	3.5	2,358.9	2,395.6

EUR mill.	Hedge accounting items	Fair value through profit and loss	Amortised cost	Book value
31 Dec 2021				
Financial assets				
Receivables			3.3	3.3
Other financial assets		531.4		531.4
Trade receivables and other receivables			166.7	166.7
Derivatives	13.7	12.4		26.1
Cash and cash equivalents			734.3	734.3
Book value total	13.7	543.8	904.3	1,461.8

Fair value total	13.7	543.8	904.3	1,461.8
Financial liabilities				
Interest-bearing liabilities			1,427.9	1,427.9
Lease liabilities			1,381.0	1,381.0
Derivatives	0.3	0.1		0.4
Trade payables and other liabilities			234.7	234.7
Book value total	0.3	0.1	3,043.6	3,044.0
Fair value total	0.3	0.1	3,052.7	3,053.1





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In this note interest rate derivatives (currency and interest-rate swaps) are included in derivatives. Item Receivables mainly includes USD-denominated security deposits for leased aircraft. Trade payables and other liabilities include trade payables as well as other interest-bearing and non-interest-bearing liabilities.

Derivatives are valued at fair value, with further details in the fair value hierarchy. Financial assets valued at fair value are money market funds (fair value hierarchy level 1) and bonds, or commercial papers (fair value hierarchy level 2). Receivables are mainly current and the book value is equivalent to the fair value, because the discount effect is not significant. Pension premium loan and issued bond make the most significant part of the loans valued at amortised cost. Breakdown of fair values of financial liabilities is presented in note 3.3. The valuation principles of financial assets and liabilities are outlined in the accounting principles.

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

Fair values at the end of the reporting period

EUR mill.	31 Dec 2022	Level 1	Level 2
<b>Assets</b>			
Financial assets at fair value			
Securities held for trading	738.6	690.8	47.8
Derivatives			
Currency and interest rate swaps and options	13.5		13.5
Currency derivatives	0.5		0.5
- of which in cash flow hedge accounting	0.1		0.1
Commodity derivatives	9.5		9.5
- of which in cash flow hedge accounting	8.6		8.6
<b>Total</b>	<b>762.1</b>	<b>690.8</b>	<b>71.3</b>
<b>Liabilities</b>			
Financial liabilities at fair value			
Derivatives			
Currency and interest rate swaps and options	2.8		2.8
Currency derivatives	19.8		19.8
- of which in fair value hedge accounting	11.6		11.6
- of which in cash flow hedge accounting	7.4		7.4
Commodity derivatives	14.1		14.1
- of which in cash flow hedge accounting	14.1		14.1
<b>Total</b>	<b>36.7</b>		<b>36.7</b>

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

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

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

On the other hand, the fair values of Level 3 instruments are based on asset or liability input data that is not based on observable market information (unobservable inputs). The fair values are based on confirmations supplied by counterparties, based on generally accepted valuation models.

A = Accounting principles

3.7 Offsetting financial assets and liabilities

EUR mill.	2022	2021
Derivative assets gross amounts	23.5	26.1
<b>Amounts of financial assets presented in the balance sheet</b>	<b>23.5</b>	<b>26.1</b>
Enforceable master netting agreement	-21.2	-0.4
<b>Derivative assets net amount</b>	<b>2.3</b>	<b>25.7</b>

EUR mill.	2022	2021
Derivative liabilities gross amounts	-36.7	-0.4
<b>Amounts of financial liabilities presented in the balance sheet</b>	<b>-36.7</b>	<b>-0.4</b>
Enforceable master netting agreement	21.2	0.4
<b>Derivative liabilities net amount</b>	<b>-15.5</b>	<b>0.0</b>

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

3.8 Derivatives

**A Derivative contracts and hedge accounting**

According to its risk management policy, Finnair Group uses foreign currency, interest rate and commodity derivatives to reduce the exchange rate, interest rate and commodity risks which arise from the Group’s balance sheet items, foreign currency denominated purchase agreements, anticipated foreign currency denominated purchases and sales as well as future jet fuel purchases. It is the Group’s policy not to enter into derivative financial contracts for speculative purposes.

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

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

The Group uses credit valuation adjustment for cross-currency interest rate swaps as the maturities of these derivatives are long. The credit valuation adjustment is not done for the rest of the derivatives as the maturities for these are short and the impact would not be material. Credit risk management is described in more detail in note 3.5.

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

At the inception of hedge accounting, Finnair Group documents the economic relationship and the hedge ratio between the hedged item and the hedging instrument, as well as the Group’s risk management objectives and the strategy for





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the inception of hedging. At the inception of hedging, and at least at the time of each financial statement, the Group documents and assesses the effectiveness of hedge relationships by examining the past and prospective capacity of the hedging instrument to offset changes in the fair value of the hedged item or changes in cash flows. The values of derivatives in a hedging relationship are presented in the balance sheet item Short-term financial asset and liabilities.

Finnair Group implements the IFRS hedge accounting principles in the hedging of future cash flows (cash flow hedging). The principles are applied to the price and foreign currency risk of jet fuel, the foreign currency risk of lease payments and the foreign currency risk of highly probable future sales and costs denominated in foreign currencies. The IFRS fair value hedge accounting principles are applied to the hedging of foreign exchange and interest rate risk of aircraft.

The change in the fair value of the effective portion of derivative instruments that have been designated and qualify as cash flow hedges are recognised in comprehensive income and presented within equity in the fair value reserve, to the extent that the requirements for the application of hedge accounting have been fulfilled and the hedge is effective. The gains and losses, recognised in the fair value reserve, are transferred to the income statement in the period in which the hedged item is recognised in the income statement. When a hedging instrument expires or is sold, terminated or exercised, or the criteria for cash flow hedge accounting are no longer fulfilled, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in the hedge reserve and is recognised in accordance with the above policy when the transaction occurs. If the underlying hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in the hedge reserve with respect to the hedging instrument is recognised immediately in the consolidated income statement.

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

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

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

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

Finnair Group uses cross-currency interest rate swaps in the hedging of the interest rate and foreign exchange risks of foreign currency denominated loans. Cross-currency interest rate swaps are excluded from hedge accounting, and therefore the fair value changes are recognised in derivative assets and liabilities in the balance sheet, as well as in the financial income and expenses in the income statement. The fair value changes of the loans are simultaneously recognised in the financial income and expenses. Realised foreign exchange rate differences, as well as interest income and expenses, are recognised in the financial income and expenses against the exchange rate differences and interest income and expenses of the loan

Finnair Group uses jet fuel swaps (forward contracts) and options in the hedging of jet fuel price risk. Unrealised gains and losses on derivatives hedging jet fuel, which are designated as cash flow hedges and fulfil the requirements of IFRS hedge accounting, are recognised in the hedging reserve within other comprehensive income. Accrued derivative gains and losses, recognised in shareholders’ equity, are recognised as income or expense in the income statement in the same financial period as the hedged item is recognised in the income statement. If a forecasted cash flow is no longer expected to occur, and as a result the IFRS hedge accounting criteria are not fulfilled, the fair value changes and the accrued gains and losses reported in shareholders’ equity are transferred to the items affecting comparability in the income statement. Changes in the fair value of jet fuel swaps and options excluded from hedge accounting are recognised in fair value changes in derivatives in the income statement, while the realised result is presented in fuel costs.

For forward and option contracts, an economic relationship exists between the hedged item and the hedging instrument as the hedging instrument and the hedged item are expected to move in opposite directions because of the same underlying exposure. This is true for all hedge relationships except for the SING consumption hedged with NWE hedges (as described in section 3.5). In that case, the underlying is different, but the underlying hedged item (SING) and the hedge (NWE) have a historical correlation of 0.99. Therefore, it can be classified as a relationship where the underlying and the hedge are economically closely related. Ineffectiveness on fuel derivatives can also arise from timing differences on the notional amount between the hedged instrument and hedged item, significant changes in credit risk of parties to the hedging relationship and changes in the total amount of the hedged item, for instance if the underlying fuel consumption forecast is not accurate enough, that can result in overhedging. However, as Finnair usually hedges less than 100% of its exposure, the risk of overhedging is insignificant. Finnair has established a hedge ratio of 1:1 for hedging relationships.

Finnair uses forward contracts and options to hedge its exposure to foreign currency denominated cash flows. The hedges of cash flows denominated in foreign currencies are treated as cash flow hedges in accounting, in accordance with the hedge accounting principles of IFRS 9. Unrealised gains and losses on hedges of forecasted cash flows qualifying for hedge accounting are recognised in the hedging reserve in OCI, while the change in the fair value of such hedges not qualifying for hedge accounting is recognised in Fair value changes in derivatives and changes in exchange

rates of fleet overhauls in the income statement. The change in fair value recognised in the hedging reserve in equity is transferred to the income statement when the hedged transaction is realised. Forward points are included in the hedging instrument and in the hedge relationship. Potential sources of ineffectiveness include changes in the timing of the hedged item, significant changes in the credit risk of parties to the hedging relationship and changes in the total amount of the hedged item, for instance if the underlying cash flow forecast is not accurate enough, that can result in overhedging. However, as Finnair usually hedges less than 100% of its exposure, the risk of overhedging is insignificant. Realised profit or loss on derivatives hedging JPY-denominated operating cash flows is presented in revenue, realised profit or loss on derivatives hedging a group of similar USD costs is proportionally recognised in corresponding expense lines, while profit or loss on derivatives hedging cash flows denominated in other currencies is presented in Other expenses.

The hedge ratio is defined as the relationship between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting. With currency hedging, the hedge ratio is typically 1:1. For forward and option contracts, an economic relationship exists between the hedged item and the hedging instrument as there is an expectation that the value of the hedging instrument and the value of the hedged item would move in opposite directions because of the common underlying exposure.

Changes in the fair value of interest rate derivatives not qualifying for hedge accounting are recognised in financial income and expenses in the income statement. Changes in the fair value as well as realised gain or loss on forward contracts used to hedge foreign currency denominated balance sheet items of Finnair Group are recognised in financial expenses. Changes in the fair value and the realised result of hedges of assets held for sale are recognised in Items affecting comparability.

**Cost of hedging**

At Finnair, the time value of an option is excluded from the designation of a financial instrument and accounted for as a cost of hedging. Up on initial recognition, Finnair defers any paid premium in the cost of hedging reserve within other comprehensive income. The fair value changes of the time value are recognised in the cost of hedging reserve within other comprehensive income. The premium will be transferred to the consolidated income statement in the same period that the underlying transaction affects the consolidated income statement for transaction-related hedges. As of 31 December 2022, Finnair has deferred premiums only on transaction-related hedges.

**Impact of COVID-19 to hedge accounting and derivatives**

Due to the COVID-19 pandemic impacts on Finnair’s underlying business during 2020 and 2021, the hedging operations regarding foreign exchange currencies and jet fuel price risk were impacted. Much lower demand as a result of the COVID-19 pandemic during the year 2020 meant that the amount of underlying risk was significantly reduced from forecasted amounts forcing Finnair to discontinue hedge accounting on the majority of its hedges in foreign exchange and jet fuel that were under hedge accounting. The last discontinued hedging relationships matured during the last quarter of 2021 and the realized gains or losses are shown in financial income and expenses. In the last quarter of 2021 Finnair restarted its hedging program in foreign exchange as well as jet fuel according to the revised risk management policy. The risk management policy was further revised in December 2022. More information about the revised risk management policy can be found in note 3.5.

**Impact of war in Ukraine to hedging operations**

Finnair’s operating environment has become significantly more difficult since the publication of the 2021 financial statements, due to the escalation of the geopolitical situation in Eastern Europe resulting from Russia’s attack against Ukraine. The resulting sanctions, and countersanctions, led to the closure of Russian airspace which has had a significant impact on the routings and operating costs of Finnair’s flights to Asia. Also, the price of jet fuel increased significantly during the financial year and increased the uncertainty. At the same time, the COVID-19 pandemic continues to still have an impact on Finnair’s business, especially in the Asian markets, which is also contributing to the uncertainty relating to the near- and long-term development of its operating environment. The war in Ukraine did not directly impact the hedging operations of Finnair and after publishing the revised strategy the risk management policy was also updated in December 2022. More detailed information about the update can be found from the note 3.5. **A**

****I** Critical accounting estimates and sources of uncertainty**

Finnair accounts for its cash flow hedges of forecasted foreign currency denominated purchases and sales and future jet fuel purchases in accordance with the IFRS 9. Under the hedge accounting principles, a forecast transaction can be designated as a hedged item only if that transaction is considered as highly probable. The evaluation of probability is based on the management forecasts about the future level of Finnair’s operations and cash flows. Such forecasts require the use of management judgement and assumptions, which inherently contain some degree of uncertainty that is further increased due to the COVID-19-pandemic. Should the expected circumstances or outcome change in the future, the management would need to reassess whether a hedged forecast transaction is still highly likely to occur. This could be the case if, for example, the expected recovery and thus the expected jet fuel consumption levels would not realize as expected. Should the forecast transaction no longer be highly probable, it would no longer qualify as an eligible hedged item and hedge accounting would need to be discontinued. Should it no longer be expected to occur at all, the balance of the cash flow hedge reserve included in other comprehensive income would need to be reclassified to profit or loss. **I**

**A** = Accounting principles  
**I** = Critical accounting estimates





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EUR mill.	2022				2021			
	Nominal value	Positive fair values	Negative fair values	Fair net value	Nominal value	Positive fair values	Negative fair values	Fair net value
<b>Currency derivatives</b>								
Jet fuel currency hedging								
Operational cash flow hedging (forward contracts)	284.7	0.1	-7.4	-7.3	57.4	0.8	-0.1	0.7
Operational cash flow hedging, bought options					4.5	0.0		0.0
Operational cash flow hedging, sold options					4.3		0.0	0.0
Fair value hedging of aircraft acquisitions	183.7		-11.6	-11.6	162.9	8.8		8.8
Hedging of lease payments								
<b>Hedge accounting items total</b>	<b>468.4</b>	<b>0.1</b>	<b>-19.0</b>	<b>-18.9</b>	<b>229.2</b>	<b>9.6</b>	<b>-0.1</b>	<b>9.5</b>
Balance sheet hedging (forward contracts)	337.7	0.4	-0.7	-0.3	270.1	0.1	-0.1	0.0
<b>Items outside hedge accounting total</b>	<b>337.7</b>	<b>0.4</b>	<b>-0.7</b>	<b>-0.3</b>	<b>270.1</b>	<b>0.1</b>	<b>-0.1</b>	<b>0.0</b>
<b>Currency derivatives total</b>	<b>806.1</b>	<b>0.5</b>	<b>-19.8</b>	<b>-19.3</b>	<b>499.3</b>	<b>9.7</b>	<b>-0.2</b>	<b>9.5</b>
<b>Commodity derivatives</b>								
Jet fuel forward contracts, tonnes	209,000	3.4	-6.0	-2.5	68,000	4.1	-0.2	3.9
Bought options, jet fuel, tonnes	149,000	4.9	-0.2	4.8				
Sold options, jet fuel, tonnes	149,000	0.2	-7.9	-7.8				
<b>Hedge accounting items total</b>		<b>8.6</b>	<b>-14.1</b>	<b>-5.6</b>		<b>4.1</b>	<b>-0.2</b>	<b>3.9</b>
Bought options, jet fuel, tonnes	149,000	0.9		0.9				
<b>Items outside hedge accounting total</b>		<b>0.9</b>		<b>0.9</b>				
<b>Commodity derivatives total</b>		<b>9.5</b>	<b>-14.1</b>	<b>-4.6</b>		<b>4.1</b>	<b>-0.2</b>	<b>3.9</b>
Cross currency interest rate swaps	253.1	13.5	-2.8	10.7	280.3	12.3		12.3
<b>Items outside hedge accounting total</b>	<b>253.1</b>	<b>13.5</b>	<b>-2.8</b>	<b>10.7</b>	<b>280.3</b>	<b>12.3</b>		<b>12.3</b>
<b>Interest rate derivatives total</b>	<b>253.1</b>	<b>13.5</b>	<b>-2.8</b>	<b>10.7</b>	<b>280.3</b>	<b>12.3</b>		<b>12.3</b>
<b>Derivatives total *</b>		<b>23.5</b>	<b>-36.7</b>	<b>-13.2</b>		<b>26.1</b>	<b>-0.4</b>	<b>25.7</b>

\* Positive (negative) fair value of hedging instruments as of 31.12.2022 is presented in the statement of financial position in the item derivative financial instruments within current assets (derivative financial instruments within current liabilities). Uncertainty and discontinued hedging relationships due to the COVID-19 pandemic are visible in the comparison figures. However, during the year 2022 Finnair has resumed normal hedging operations..

## Hedged items in hedge relationships

31 December 2022	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included	Changes in fair value of the hedged item used for calculating hedge ineffectiveness, previous 12 months	Changes in fair value of the hedging instrument used for calculating hedge ineffectiveness, previous 12 months
	Assets	Liabilities	Assets	Liabilities			
<b>Cash flow hedges</b>							
Jet fuel price risk							
- Forecasted jet fuel purchases						-191.3	21.7
Foreign exchange risk							
- Forecasted sales and purchases						-59.3	2.5
<b>Fair value hedges</b>							
Foreign exchange risk							
- Aircraft acquisitions	11.6		11.6		Non-current assets	-17.0	7.9

## Ratings of derivative counterparties

EUR mill.	2022	2021
Better than A	0.7	9.1
A	-11.9	16.6
BBB		0.0
<b>Total</b>	<b>-13.2</b>	<b>25.7</b>

## Derivatives realised through profit and loss

EUR mill.	2022	2021
Jet fuel hedging	21.3	7.6
Operational cash flow hedging	8.4	-4.2
Operational cash flow hedging	0.4	-0.2
Operational cash flow hedging	0.5	-1.0
Operational cash flow hedging	0.3	2.4
<b>Expenses of hedge accounting items total</b>	<b>31.0</b>	<b>4.5</b>
Discontinued Jet fuel hedging		-26.5
Balance sheet hedging	16.6	15.5
Discontinued foreign currency hedging		3.4
Cross-currency interest rate swaps	5.5	2.3
<b>Expenses of items outside hedge accounting total</b>	<b>18.9</b>	<b>-5.3</b>



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3.9 Equity-related information

**A Shareholders’ equity**

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

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

The rights issue proceeds from 2020 less the transaction costs has been recognized in the unrestricted equity funds

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

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

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

The hybrid bond is recognised in equity. It is unsecured and subordinated to all senior debt. The hybrid bond does not confer shareholders’ rights, nor does it dilute the holdings of shareholders. Finnair is not required to redeem the hybrid bond at any time and they are not redeemable on demand of the holders of the hybrid bond. Interest expenses are debited from retained earnings on cash basis net of tax. In the calculation of earnings per share, interest expenses for the hybrid bond are included in the earnings for the financial year.

The capital loan is recognised in equity. In the calculation of earnings per share, interest expenses and other fees for the capital loan are included in the earnings for the financial year. **A**

Macroeconomic factors continue to be a key driver of air transportation demand, as there has historically been a strong correlation between air travel and the development of macroeconomic factors such as GDP. Due to this correlation, aviation is an industry which is highly sensitive to global economic cycles and reacts quickly to external disruptions, seasonal variations and economic trends, as the global COVID-19 pandemic and the war in Ukraine have demonstrated.

Number of shares	2022	2021
Number of outstanding shares in the beginning of the financial year	1,405,980,132	1,407,230,605
Purchase of own shares		-1,800,000
Shares granted from the share-bonus scheme 2018–2020		36,903
Shares granted from the share-bonus scheme 2019–2021	119,737	
Shares granted from FlyShare employee share savings plans	902,093	512,624
<b>Number of outstanding shares at the end of the financial year</b>	<b>1,407,001,962</b>	<b>1,407,980,132</b>
Own shares held by the parent company	399,303	1,421,133
<b>Total number of shares at the end of the financial year</b>	<b>1,407,401,265</b>	<b>1,407,401,265</b>

Finnair Plc’s share capital, paid in its entirety and registered in the trade register, was at 75,442,904.30 euros at the end of 2021 and 2022. The shares have no nominal value. During the year 2022, Finnair transferred a total of 902,093 shares to FlyShare participants and a total of 119,737 shares to participants in Finnair’s share-based incentive scheme 2019–2021.

**A** = Accounting principles

Group’s hedging reserve and other OCI items

EUR mill.	2022	Amounts reclassified to profit or loss	Unrealised gains and losses recognised in OCI	Discontinued hedges reclassified to financial expenses	Change in accounting principles	2021	Line item affected in profit or loss because of the reclassification
Jet fuel price hedging	-5.9	-21.3	11.6			3.9	Fuel costs
Jet fuel currency hedging							Fuel costs
Hedging of lease payments							Lease payments for aircraft
Operating cash flow hedging	-7.3	-9.7	1.6			0.7	Revenue and cost lines*
Hedging of interest related to future lease payments	-3.6	0.7				-4.3	Lease payments for aircraft
The actuarial gains and losses of defined benefit plan	70.4		49.9			20.5	
Translation differences							
Cost of hedging reserve	3.3		3.3			0.0	
Tax effect	-14.1		-9.9			-4.2	
<b>Total</b>	<b>42.8</b>	<b>-30.3</b>	<b>56.5</b>	<b>0.0</b>	<b>0.0</b>	<b>16.6</b>	

\*Forward and option contracts hedging forecasted sales and purchases denominated in foreign currencies are hedges of a group of similar hedged items, and the amounts reclassified from OCI to P&L are proportionally allocated to different cost lines based on the realised cost amounts. Amounts reclassified to revenue and different cost lines are specified in the table “Derivatives realised through profit or loss” in note 3.8.

Maturity dates of fair values recognised in the hedging reserve

EUR mill.	2023	2024	2025	2026	2027	Later	Total
Jet fuel price hedging	-5.5	-0.4					-5.9
Operating cash flow hedging	-7.3						-7.3
Hedging of interest related to future lease payments	-0.7	-0.7	-0.7	-0.7	-0.7		-3.6
The actuarial gains and losses of defined benefit plan	70.4						70.4
Cost of hedging reserve	3.3						3.3
Tax effect	-14.7	0.2	0.1	0.1	0.1		-14.1
<b>Total</b>	<b>45.5</b>	<b>-0.9</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-0.6</b>	<b>0.0</b>	<b>42.8</b>

Hybrid bond

Shareholders’ equity (after equity belonging to the owners) includes a 200 million euro hybrid bond that was issued during the third quarter of 2020. The hybrid bond coupon is fixed at 10.25 per cent per year for the first three years, and thereafter fixed, at 15.25 per cent per year. Finnair can postpone interest payment if it does not





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distribute dividends or any other equity to its shareholders. The bond has no maturity date, but the company has the right to redeem it in three years and on every interest payment date thereafter. The overall hybrid bond net position recognised in equity is 198 million euro, due to issuing expenses. The hybrid bond is unsecured and in a weaker preference position than promissory notes. A holder of hybrid bond notes has no shareholder rights.

Capital loan

During the second and third quarter of 2022 Finnair has withdrawn a 400 million euro capital loan. The capital loan does not have a determined maturity date, and it can be repaid in accordance with the Limited Liability Companies Act and terms and conditions specified in the capital loan agreement. Finnair can pay accrued interest and other payments from the loan if the conditions and the rules of the Limited Liability Companies Act are met. The interest accrued on the capital loan has not been recorded as an expense. The overall capital loan net position recognised in equity is 400 million euro.

Earnings per share

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

EUR mill.	2022	2021
Result for the financial year, EUR mill.	-476.2	-464.3
Hybrid bond interest, EUR mill.	-20.5	-20.5
Capital loan cost, EUR mil.	-15.9	
Tax effect	7.3	4.1
<b>Adjusted result for the financial year</b>	<b>-505.3</b>	<b>-480.7</b>
Weighted average number of shares, mill. Pcs	1,406.8	1,406.1
Basic earnings per share, EUR	-0.36	-0.34
Diluted earnings per share, EUR	-0.36	-0.34
Effect of own shares, EUR	0.00	0.00

Dividend

The Board of Directors proposes to the Annual General Meeting that no dividend is paid for 2022. In accordance with the proposal of the Board of Directors, the Annual General Meeting on 7 April 2022 resolved that no dividend be paid based on the balance sheet adopted for the year 2021.

Finnair Plc’s distributable equity

EUR mill.	2022
Hedging reserve	-9.9
Unrestricted equity funds	772.9
Retained earnings	-698.7
Received grants	-6.0
Result for the financial year	-350.2
<b>Distributable equity total</b>	<b>-291.9</b>

**i** = Content of the section  
**A** = Accounting principles

4 Consolidation

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

4.1 General consolidation principles

Consolidation

Consolidation, the consolidation method and classification of ownership interests depend on whether Group has power to control or jointly control the entity or if it has significant influence or other interests in the entity. When Group has the power to control the entity, it is consolidated as a subsidiary in the group according to principles described in the note 4.2 Subsidiaries. When Group has joint control or significant influence over an entity but does not have the power to control, an entity is accounted for by using the equity method according to principles set in note 4.4 Investments in associates and joint ventures. If Group does not have power to control nor significant influence in the entity, its ownership interests are classified as financial assets available for sale and accounted for according to principles described in the note 3.2 Financial assets.

4.2 Subsidiaries

**A Consolidation principles of subsidiaries**

Finnair Plc’s consolidated financial statements include the parent company Finnair Plc and all of its subsidiaries. Subsidiaries are defined as companies in which Finnair has control. Control exists when Finnair has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Usually Finnair has power over the entity when it owns more than 50% of the votes or where Finnair otherwise has the power to govern the financial and operating policies. The acquired subsidiaries are included in the consolidated financial statements from the day the Group has control, and disposed subsidiaries until the control ceases. Acquired and established companies are accounted for using the acquisition method of accounting. Accordingly, the acquired company’s identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. The excess between purchase price and fair value of the Group’s share of the identifiable net assets is recognised as goodwill. All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless there is evidence of impairment related to the transferred asset. The accounting principles of subsidiaries have been changed to correspond Group’s accounting policies.

**Non-controlling interest and transactions with non-controlling interest**

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



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Subsidiaries

Name of the company	Group ownership %	Name of the company	Group ownership %
Finnair Cargo Oy, Finland	100.0	Amadeus Finland Oy, Finland	95.0
Finnair Aircraft Finance Oy, Finland	100.0	Oy Aurinkomatkat - Suntours Ltd Ab, Finland	100.0
Finnair Technical Services Oy, Finland	100.0	Aurinko Oü, Estonia	100.0
Finnair Engine Services Oy, Finland	100.0	Matkayhtymä Oy, Finland	100.0
Finnair Kitchen Oy, Finland	100.0	FTS Financial Services Oy, Finland	100.0
Kiinteistö Oy Lentokonehuolto, Finland	100.0	Finnair Business Services Oü, Estonia	100.0
Northport Oy, Finland	100.0		

Balticport Oü was liquidated on 18 May 2022.

4.3 Acquisitions and divestments

There were no business acquisitions or divestments in 2022. In 2021, Finnair sold its 49.5% share of Suomen Ilmailuopisto Oy to the city of Pori and to the Government of Finland.

4.4 Investments in associates and joint ventures

**A** Associates are companies in which the Group generally holds 20–50 per cent of the voting rights or in which the Group has significant influence but in which it does not exercise control. Companies where the Group has joint control with another entity and significant decisions require both parties approval are considered as joint ventures. The Group’s interests in associated companies and jointly controlled entities are accounted for using the equity method. The group has no joint arrangements classified as joint operations in which the group would have rights to shares in the assets or liabilities of the joint ventures and which it would combine with its balance sheet.

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

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

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

The Group’s share of the result, asset items and liabilities of associates and joint ventures is presented below.

EUR mill.	2022	2021
At the beginning of the financial year	0.0	2.5
Disposals		-2.4
At the end of the financial year	0.0	0.0

**A** = Accounting principles

There were no changes in 2022. During 2021, Finnair sold its 49.5% share of Suomen Ilmailuopisto Oy. More information on transactions with associated companies and joint ventures can be found in the note 4.5 Related party transactions.

Information on the Group’s associates and joint ventures 31 Dec 2022

EUR mill.	Domicile	Assets	Liabilities	Revenue	Profit/Loss	Holding %
Nordic Regional Airlines AB	Sweden	133.9	134.2	77.1	0.5	40.00

Information on the Group’s associates and joint ventures 31 Dec 2021

EUR mill.	Domicile	Assets	Liabilities	Revenue	Profit/Loss	Holding %
Nordic Regional Airlines AB	Sweden	98.0	97.3	70.3	2.1	40.00

The result of associated companies and joint ventures for 2022 was 0.5 (2.1) million euros, of which Finnair’s share was 0.0 (0.0) million euros.

Nordic Regional Airlines AB

Nordic Regional Airlines AB (Norra) operates mainly purchased traffic for Finnair. The owners (Finnair 40% and Danish Air Transport 60%) have joint control over the entity. In the balance sheet of Finnair, Norra has been classified as a joint venture.

4.5 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, Finnair pension fund and Finnair Group sickness fund. Subsidiaries are listed in the note 4.2 and associates and joint ventures in note 4.4. Related party transactions include such operations that are not eliminated in the group’s consolidated financial statement.

The State of Finland which has control over Finnair owns 55.9% (55.9%) 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.





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The following transactions have taken place with related party entities:

EUR mill.	2022	2021
Sales of goods and services		
Associates and joint ventures	25.7	18.2
Pension fund	0.3	0.1
Sickness fund	0.0	0.2
Employee benefits		
Pension fund	11.2	-7.4
Sickness fund	0.6	0.6
CEO and Executive Board	4.1	4.6
The Board of Directors	0.4	0.4
Purchases of goods and services		
Associates and joint ventures	78.2	73.0
Pension fund	2.0	2.0
Financial income and expenses		
Associates and joint ventures		1.6
Pension fund	0.6	0.1
Receivables		
Associates and joint ventures	6.4	17.0
Pension fund	119.9	78.9
Liabilities		
Associates and joint ventures	4.3	6.1

Employee benefits and non-current receivables from pension fund are related to defined benefit pension plans in Finnair pension fund. These are described more detailed in the note 1.3.8.2. Management remuneration is presented in note 1.3.8. Management has not been granted any loans and there have not been any other transactions with management.

More information on associated companies and joint ventures can be found in the note 4.4.

Finnair pension fund

The Finnair pension fund in Finland is a stand-alone legal entity which mainly provides additional pension coverage to Finnair’s personnel in the form of defined benefit plan, and manages related pension assets. The assets include Finnair’s shares representing 0.1% (0.1%) of the company’s outstanding shares. Real estate and premises owned by the pension fund have been mainly leased to Finnair. In 2022 and 2021 Finnair did not pay any contributions to the fund. Pension asset was 119.7 million euros (78.9) at the end of the financial year.

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

5 Other notes

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

5.1 Income taxes

A The tax expense for the period includes current and deferred tax and adjustments to previous years’ taxation. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or other equity items.  
Deferred taxes are calculated for temporary differences between accounting and taxation using the valid tax rates for future years at the closing date. Deferred tax asset is recognised to the extent that realisation of the related tax benefit through future profits is probable. Temporary differences arise mainly from sales of tangible assets and depreciation, right-of-use assets, lease liabilities and tax losses. Deferred tax is recognised for foreign subsidiaries’ undistributed earnings only when related tax effects are probable.  
Deferred tax assets and liabilities are netted when they are levied by the same taxing authority and Finnair has a legally enforceable right to set off the balances. A

I Deferred taxes  
Recognition of deferred tax asset is based on management estimates and require the use of management judgement in order to assess whether there will be sufficient taxable profits flowing to the company in the future. The expectations used in the calculation are based on the latest management forecasts at the reporting date and use assumptions that are consistent with those used elsewhere in the financial statements. The forecast scenarios have been updated to reflect the renewed strategy announced by Finnair in September. It aims to restore profitability and targets to reach the pre-pandemic comparable operating result level of 5% from mid-2024 onwards. Due to the current uncertainty embedded in the economic environment and the difficulty in forecasting the impact of the war in Ukraine, the management has considered alternative forecast scenarios that differ mainly in regard to impacts of a possible economic downturn as well as the estimated duration of the Russian airspace closure. The scenarios have been discussed in more detail early in the beginning of the notes section under Board’s assessment of Finnair as a going concern. In financial year 2022, deferred tax asset was written down from the taxable losses of 2020-2021, and deferred tax asset from the 2022 loss was not recognized. Finnair expects to be able to use the tax losses remaining on balance sheet in advance of 10 years expiry date under all of the forecast scenarios. I

Income taxes

EUR mill.	2022	2021
Taxes for the financial year		
Current tax		
Adjustments recognised for current tax of prior periods		
Deferred taxes	-105.4	117.6
Total	-105.4	117.6

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The reconciliation of income taxes to theoretical tax cost calculated at Finnish tax rate

EUR mill.	2022	2021
Result before taxes	-370.7	-581.9
Taxes calculated using the Finnish tax rate 20%	74.1	116.4
Different tax rates of foreign subsidiaries	0.1	0.0
Tax-exempt income	0.4	1.3
Non-deductible expenses	-3.9	-0.2
Non-capitalized tax loss carryforwards	-33.9	
Non-capitalized temporary differences	-25.2	
Write-down of deferred tax on taxable losses 2020-2021	-117.0	
Adjustments recognised for taxes of prior periods	0.0	0.1
Income taxes total	-105.4	117.6

Deferred tax assets and liabilities

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

Changes in deferred taxes during 2022:

EUR mill.	2021	Recognised in the income statement	Recognised in shareholders' equity	2022
Deferred tax assets				
Confirmed losses	216.6	-122.8		93.7
Leases	42.8	0.0		42.8
Valuation of derivatives at fair value	0.9		-0.9	0.0
Other temporary differences	16.9	-3.4	4.1	17.6
Total	277.1	-126.2	3.2	154.1
Netted from deferred tax liabilities	-85.2	20.8	-9.1	-73.5
Deferred tax assets in balance sheet	191.9	-105.4	-5.8	80.6

EUR mill.	2021	Recognised in the income statement	Recognised in shareholders' equity	2022
Deferred tax liabilities				
Defined benefit pension plans	-16.1	2.2	-10.0	-24.0
Property, plant and equipment	-68.2	18.6		-49.5
Valuation of derivatives at fair value	-0.9		0.9	0.0
Total	-85.2	20.8	-9.1	-73.5
Netted from deferred tax assets	85.2	-20.8	9.1	73.5
Deferred tax liabilities in balance sheet	0.0	0.0	0.0	0.0

Finnair's taxable result continued to be highly negative in year 2022 as a result of the impact of the war in Ukraine and the COVID-19 pandemic on its operations and financial performance. Finnair has not recognized deferred tax assets arising from the losses of financial year 2022 and temporary differences, and tax losses of

2020-2021 were written down due to the significant uncertainty caused by the closure of the Russian airspace. The Group has recognized a deferred tax asset of 80.6 million euros (191.9).

The forecast scenarios and their expected probabilities have been updated to reflect the renewed strategy announced by Finnair in September. It aims to restore profitability and targets to reach the pre-pandemic comparable operating result level of 5% from mid-2024 onwards. Based on these forecast scenarios and their expected probabilities, the company's Board of Directors expects that after the write-down of 117 million euros of the deferred tax asset recognized in the second quarter, the remaining deferred tax asset of 99 million euros, corresponding to taxable losses of approximately 497 million euros from financial years 2020 and 2021, which will expire in 2030 and 2031, can be utilized after the implementation of the new strategy. The write-down corresponds to tax losses of approximately 585 million euros from financial years 2020 and 2021, which will expire in 2030 and 2031.

Deferred tax assets of financial year 2022 were not recognized for the estimated tax losses of approximately 169 million euros, which will expire in 2032, and temporary differences of 140 million euros, which have no expiry date. Temporary differences include the lease contract related losses of 64 million euros mainly derived from exchange rate differences, the interest expenses under the limitation of the right to deduct interest amounting to 57 million euros and the valuation of derivatives at fair value 13 million euros. The deferred tax asset is recognized up to the amount where it is probable that future taxable income will be generated against which the temporary difference can be utilized, also taking into account the tax planning methods available to Finnair relating to accumulated tax depreciations. The Board's assessment of the future taxable profit is based on the latest forecasts scenarios which are described in more detail in note Board's assessment of Finnair as a going concern and note 2.3 Depreciation and impairment.

Distributing retained earnings of foreign subsidiaries as dividends would cause a tax effect of 0.3 million euros (0.3).

Changes in deferred taxes during 2021:

EUR mill.	2020	Recognised in the income statement	Recognised in shareholders' equity	2021
Deferred tax assets				
Confirmed losses	141.5	75.1		216.6
Leases	17.1	25.7		42.8
Valuation of derivatives at fair value	6.0		-5.1	0.9
Other temporary differences	10.3	2.4	4.1	16.9
Total	174.8	103.3	-1.0	277.1
Netted from deferred tax liabilities	-90.0	14.3	-9.5	-85.2
Deferred tax assets in balance sheet	84.8	117.6	-10.5	191.9

EUR mill.	2020	Recognised in the income statement	Recognised in shareholders' equity	2021
Deferred tax liabilities				
Defined benefit pension plans	-6.2	-1.4	-8.6	-16.1
Property, plant and equipment	-83.9	15.7		-68.2
Valuation of derivatives at fair value			-0.9	-0.9
Total	-90.0	14.3	-9.5	-85.2
Netted from deferred tax assets	90.0	-14.3	9.5	85.2
Deferred tax liabilities in balance sheet	0.0	0.0	0.0	0.0





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5.2 Disputes and litigation

Finnair reports only cases of which the interest is material and that are not insured. As of 31 December 2022 there were no such disputes pending.

5.3 Events after the closing date

Finnair signed agreements to terminate two of its A320-aircraft lease contracts and one A321-aircraft lease contract and to acquire the aircraft to its own possession. The purchase of the aircraft is expected to have a positive impact on Finnair’s profitability over the next few years. One of the transactions took place in February 2023 and the other two transactions are expected to take place during March 2023. The transactions will have a negative impact of around 50 million euro on the Group’s cash flow during the first quarter of 2023. The purchase of the leased aircraft is not expected to have a material impact on the Group’s profit or balance sheet due to simultaneous release of the related maintenance liabilities, in connection with the lease termination.

After the financial year-end, Finnair and British Airways agreed to continue their cooperation where Finnair will lease four A320 aircraft with crew to be operated in British Airways’ European routes starting from 24 March 2023.

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Finnair Plc income statement

EUR mill.	Note	2022	2021
<b>Revenue</b>	6.2	<b>2,241.4</b>	<b>814.5</b>
Other operating income	6.3	159.6	66.6
<b>Operating income</b>		<b>2,401.0</b>	<b>881.1</b>
Materials and services	6.4	1,423.9	547.0
Staff expenses	6.5	308.6	163.1
Depreciation and reduction in value	6.6	13.1	15.8
Other operating expenses	6.7	972.6	761.7
<b>Operating expenses</b>		<b>2,718.2</b>	<b>1,487.5</b>
<b>Operating profit/loss</b>		<b>-317.2</b>	<b>-606.5</b>
Financial income and expenses	6.8	-44.0	-24.9
<b>Profit/loss before appropriations and taxes</b>		<b>-361.1</b>	<b>-631.4</b>
Appropriations	6.9	127.9	245.9
Income taxes	6.10	-117.0	78.5
<b>Profit/loss for the financial year</b>		<b>-350.2</b>	<b>-307.0</b>



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## Finnair Plc balance sheet

EUR mill.	Note	2022	2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	6.11	20.8	27.1
Tangible assets	6.12	84.1	88.7
<b>Investments</b>			
Holdings in group undertakings		649.4	653.6
Participating interests		0.0	0.0
Other shares and similar rights of ownership		0.4	0.4
Loan and other receivables	6.14	2.5	1.8
<b>Total investments</b>	6.13	<b>652.3</b>	<b>655.8</b>
Deferred tax assets	6.15	104.0	220.0
<b>Total non-current assets</b>		<b>861.1</b>	<b>991.7</b>
<b>Current assets</b>			
Current receivables	6.16	622.7	627.6
Marketable securities	6.17	738.6	531.4
Cash and bank equivalents	6.18	784.7	734.1
<b>Total current assets</b>		<b>2,146.1</b>	<b>1,893.1</b>
<b>TOTAL ASSETS</b>		<b>3,007.2</b>	<b>2,884.8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		75.4	75.4
Share premium account		24.7	24.7
Other reserves			
Unrestricted equity funds		772.9	772.4
Legal reserve		147.7	147.7
Hedging reserve		-9.9	3.7
Retained earnings		-698.7	-391.7
Capital loan		400.0	
Profit/loss for the financial year		-350.2	-307.0
<b>Total equity</b>	6.19	<b>361.9</b>	<b>325.2</b>
Accumulated appropriations	6.20	18.2	19.5
Provisions	6.21	235.8	182.4
<b>Liabilities</b>			
Non-current liabilities	6.22	1,004.3	914.4
Current liabilities	6.23	1,387.0	1,443.3
<b>Total liabilities</b>		<b>2,391.2</b>	<b>2,357.7</b>
<b>Equity and liabilities total</b>		<b>3,007.2</b>	<b>2,884.8</b>

## Finnair Plc cash flow statement

EUR mill.	2022	2021
<b>Cash flow from operating activities</b>		
Result before appropriations	-361.1	-631.4
Depreciation	13.1	15.8
Other non-cash transactions	49.6	19.5
Financial income and expenses	44.0	30.8
Changes in working capital	161.5	183.1
Interest and other financial expenses paid	-76.2	-82.1
Received interest and other financial income	13.8	17.1
<b>Cash flow from operating activities</b>	<b>-155.4</b>	<b>-447.4</b>
<b>Cash flow from investing activities</b>		
Investments in intangible and tangible assets	-2.1	-6.0
Proceeds from sales of tangible assets	0.0	3.1
Change in loan and other receivables	3.1	12.9
Investments in subsidiaries		-13.0
Proceeds from sales of associates and joint ventures		8.3
Received dividends	0.0	0.0
<b>Cash flow from investing activities</b>	<b>1.0</b>	<b>5.2</b>
<b>Cash flow from financing activities</b>		
Purchase of own shares		-1.1
Proceeds from loans		400.0
Loan repayments and changes	-232.1	296.6
Proceeds from capital loan	400.0	
Received and given group contributions	244.3	189.6
<b>Cash flow from financing activities</b>	<b>412.2</b>	<b>885.1</b>
<b>Change in cash flows</b>	<b>257.9</b>	<b>443.0</b>
<b>Change in liquid funds</b>		
Liquid funds, at beginning	1,265.5	822.5
Change in cash flows	257.9	443.0
<b>Liquid funds, at end</b>	<b>1,523.4</b>	<b>1,265.5</b>



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## Notes to Finnair Plc financial statements

### 6.1 Accounting principles

#### General

Finnair Plc is the parent company in Finnair Group, domiciled in Helsinki, Finland. Financial statements are prepared in accordance with accounting principles required by Finnish law.

#### Foreign currency items

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

#### Derivative contracts

According to its risk management policy, Finnair uses foreign exchange, interest rate and commodity derivatives to reduce the exchange rate, interest rate and commodity risks which arise from the Finnair's balance sheet items, currency denominated purchase agreements, anticipated currency denominated purchases and sales as well as future jet fuel purchases. The balance sheet exposure is hedged only at group level, except for Finnair Aircraft Finance that has hedged its own exposures. The combined entity-level exposure for all Group companies differs from the Group-level exposure by the amount of intercompany items. Therefore, the balance sheet position and contracts hedging it are presented only in note 3.5. of the Group financial statements. Similarly, the foreign currency cash flow exposure is only hedged at the Group level to take advantage of the netting effect, and is presented in note 3.5 of the Group financial statements. Derivative contracts are valued using the rates on the balance sheet date according to Accounting Act 5:2 a §.

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

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

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

At the inception of hedge accounting, Finnair documents the economic relationship and the hedge ratio between the hedged item and the hedging instrument, as well as the company's risk management objectives and the strategy for the inception of hedging. At the inception of hedging, and at least at the time of each financial statement, Finnair documents and assesses the effectiveness of hedge relationships by examining the past and prospective capacity of the hedging instrument to offset changes in the fair value of the hedged item

or changes in cash flows. The values of derivatives in a hedging relationship are presented in the balance sheet items current assets and current liabilities.

Finnair applies the IFRS hedge accounting principles in the hedging of future cash flows (cash flow hedging). The principles are applied to the foreign currency risk of foreign currency denominated purchases and sales, the price risk of jet fuel purchases and the price risk of electricity.

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

#### Financial assets and liabilities

Financial assets have been classified into the following categories: amortised cost and fair value through profit and loss. The classification is made at the time of the original acquisition based on the objective of the business model and the contractual cash flows of the investment. All purchases and sales of financial assets are recognised on the trade date. Liabilities are recognised at acquisition cost. Financial assets at fair value through profit and loss as well as assets and liabilities maturing within 12 months are included in current assets and liabilities. Investments in debt securities are measured at amortised cost, but only when the objective of the business model is to hold the asset to collect the contractual cash flows and the asset's contractual cash flows represent only payments of principal and interest. Financial assets recognised at amortised cost are valued using the effective interest method. Financial assets valued at amortised cost include trade receivables, deferred charges and security deposits for aircraft lease agreements. Due to the nature of short-term receivables and other receivables, their book value is expected to be equal to the fair value. Derecognition of financial assets takes place when Finnair has lost its contractual right to receive cash flows or when it has substantially transferred the risks and rewards outside the company.

Finnair recognises credit loss provisions based on lifetime expected credit losses from trade receivables in accordance with IFRS 9. Finnair has chosen to apply a simplified credit loss matrix for trade receivables as trade receivables do not have a significant financing component. The expected credit loss model is forward-looking, and expected default rates are based on historical realised credit losses. The lifetime expected credit loss allowance is calculated using the gross carrying amount of outstanding trade receivables in each aging bucket and an expected default rate. The changes in expected credit losses are recognised in other expenses in the consolidated income statement. The impairment model does not apply to financial investments, such as bonds and money market funds, included in other financial assets as those are measured at fair value through profit and loss under IFRS 9, which already takes into account expected credit losses. With respect to the assets measured at amortised cost, Finnair is actively following such instruments and will recognise impairment through profit and loss if there is evidence of deterioration in credit quality.

#### Fixed assets and depreciation

- Buildings, 10–50 years from the time of acquisition to a residual value of 10%.
- Other tangible assets, over 3–15 years

#### Research and development costs

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

#### Leasing

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



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**Appropriations**

The difference between total and planned depreciation is shown as accumulated appropriations in the balance sheet and the change during the financial year in the income statement. Appropriations contain also given and received group contributions.

**Income taxes**

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

**Pension schemes**

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

**Provisions**

Provisions in the balance sheet and entered as expenses in the income statement comprise those items which the company is committed to covering through agreements or otherwise in the foreseeable future and which have no corresponding revenue and whose monetary value can be reasonably assessed.  
The company is obliged to return leased aircraft at the required redelivery condition. To fulfil these maintenance obligations the company has recognised provisions based on flight hours flown during the maintenance period.

**6.2 Revenue by business area**

EUR mill.	2022	2021
Revenue by division		
	<b>2,241.4</b>	<b>814.5</b>
Passenger revenue	1,786.0	440.1
Ancillary services	103.0	39.7
Cargo revenue	352.4	334.8
Distribution of turnover by market areas based on flight routes, % of turnover		
Finland	6%	8%
Europe	46%	37%
Other countries	48%	55%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**6.3 Other operating income**

EUR mill.	2022	2021
Aircraft lease income	105.4	20.6
Other rental income	22.0	20.0
Other income	32.1	25.9
<b>Total</b>	<b>159.6</b>	<b>66.6</b>

**6.4 Materials and services**

EUR mill.	2022	2021
Materials and supplies		
Ground handling and catering expenses	220.8	117.3
Fuel costs	836.0	211.4
Aircraft materials and overhaul	266.3	179.8
IT expenses	14.2	10.8
Other items	86.7	27.7
<b>Total</b>	<b>1,423.9</b>	<b>547.0</b>

**6.5 Staff costs**

EUR mill.	2022	2021
Wages and salaries	236.3	139.8
Pension expenses	45.9	22.7
Other social expenses	26.4	0.5
<b>Total</b>	<b>308.6</b>	<b>163.1</b>
Salary and bonus expenses of Chief Executive Officer and Members of the Board of Directors		
Chief Executive Officer and his deputy	1.2	1.3
Board of Directors	0.4	0.4
Personnel on average	3,979	4,248

**6.6 Planned depreciation and amortisation**

EUR mill.	2022	2021
On other long-term expenditure	8.5	11.5
On buildings	1.2	1.0
On other equipment	3.3	3.3
<b>Total</b>	<b>13.1</b>	<b>15.8</b>

**6.7 Other operating expenses**

EUR mill.	2022	2021
Lease payments for aircraft	407.9	418.1
Other rents for aircraft capacity	102.4	71.4
Office and other rents	34.1	27.8
Traffic charges	206.5	120.4
Sales and marketing expenses	95.6	33.7
Other expenses	126.2	90.4
<b>Total</b>	<b>972.6</b>	<b>761.7</b>





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### Audit fees in other expenses

EUR mill.	2022	2021
Authorised Public Accountants	<b>KPMG</b>	<b>KPMG</b>
Auditor's fees	0.3	0.1
Tax advising	0.0	
Other fees	0.2	0.1
<b>Total</b>	<b>0.5</b>	<b>0.2</b>

### 6.8 Financial income and expenses

EUR mill.	2022	2021
Dividend income		
From other companies	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>
Interest income		
From group companies	8.9	5.5
From other companies		
Net gains on debt instruments held mandatorily at FVPL	3.7	-0.4
Other interest income	2.7	0.0
<b>Total</b>	<b>15.3</b>	<b>5.0</b>
Gains on disposal of shares		5.9
Interest expenses		
To other companies	-54.8	-46.0
<b>Total</b>	<b>-54.8</b>	<b>-46.0</b>
Other financial income		
Financial income from discontinued hedges		11.6
<b>Total</b>		<b>11.6</b>
Other financial expenses		
Financial expenses for discontinued hedges		-5.2
Revaluation of shares	4.1	
Other	-28.1	-19.1
<b>Total</b>	<b>-23.9</b>	<b>-24.3</b>
Exchange gains and losses	19.5	22.9
<b>Financial income and expenses total</b>	<b>-44.0</b>	<b>-24.9</b>

### 6.9 Appropriations

EUR mill.	2022	2021
Change in depreciation difference	1.2	1.5
Received group contribution	126.6	244.3
<b>Total</b>	<b>127.9</b>	<b>245.9</b>

### 6.10 Income taxes

EUR mill.	2022	2021
Income tax for the financial year		70.8
Change in deferred taxes	-117.0	7.6
<b>Total</b>	<b>-117.0</b>	<b>78.5</b>

### 6.11 Intangible assets

EUR mill.	2022	2021
<b>Other long-term expenditure</b>		
Acquisition cost 1 January	84.9	85.4
Additions	2.2	4.6
Disposals	-7.9	-3.9
Reclassification		-1.2
<b>Acquisition cost 31 December</b>	<b>79.1</b>	<b>84.9</b>
Accumulated depreciation 1 January	-57.7	-50.1
Disposals	7.8	3.6
Depreciation and reduction in value	-8.4	-11.3
<b>Accumulated depreciation 31 December</b>	<b>-58.4</b>	<b>-57.7</b>
<b>Book value 31 December</b>	<b>20.8</b>	<b>27.1</b>
<b>Intangible assets Total 31 December</b>	<b>20.8</b>	<b>27.1</b>



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**6.12 Tangible assets**

**Tangible assets 2022**

EUR mill.	Land	Buildings	Other equipment	Advances paid	Total
Acquisition cost 1 January	0.7	54.2	59.9	0.8	115.6
Additions			0.3	0.3	0.7
Disposals			-0.1	-0.8	-0.9
<b>Acquisition cost 31 December</b>	<b>0.7</b>	<b>54.2</b>	<b>60.2</b>	<b>0.3</b>	<b>115.4</b>
Accumulated depreciation 1 January		-6.7	-20.2		-26.9
Disposals			0.1		0.1
Depreciation and reduction in value		-1.2	-3.3		-4.6
<b>Accumulated depreciation 31 December</b>		<b>-7.9</b>	<b>-23.5</b>		<b>-31.4</b>
<b>Book value 31 December</b>	<b>0.7</b>	<b>46.3</b>	<b>36.7</b>	<b>0.3</b>	<b>84.1</b>
The share of machines and equipment in the book value of tangible assets 31 December					41.4%

**Tangible assets 2021**

EUR mill.	Land	Buildings	Other equipment	Advances paid	Total
Acquisition cost 1 January	0.7	54.3	54.5	7.2	116.7
Additions			7.9	0.2	8.1
Reclassification		0.9			0.9
Disposals	0.0	-1.1	-2.4	-6.6	-10.2
<b>Acquisition cost 31 December</b>	<b>0.7</b>	<b>54.2</b>	<b>59.9</b>	<b>0.8</b>	<b>115.6</b>
Accumulated depreciation 1 January		-6.3	-17.0		-23.2
Disposals		0.6	0.0		0.6
Depreciation and reduction in value		-1.0	-3.3		-4.3
<b>Accumulated depreciation 31 December</b>		<b>-6.7</b>	<b>-20.2</b>		<b>-26.9</b>
<b>Book value 31 December</b>	<b>0.7</b>	<b>47.5</b>	<b>39.7</b>	<b>0.8</b>	<b>88.7</b>
The share of machines and equipment in the book value of tangible assets 31 December					42.3 %

**6.13 Investments**

EUR mill.	2022	2021
<b>Group companies</b>		
Acquisition cost 1 January	653.6	640.6
Additions		13.0
Revaluation of shares	-4.1	
<b>Book value 31 December</b>	<b>649.4</b>	<b>653.6</b>
<b>Associates and joint ventures</b>		
Acquisition cost 1 January	0.0	2.5
Disposals		-2.4
<b>Book value 31 December</b>	<b>0.0</b>	<b>0.0</b>
<b>Shares in other companies</b>		
Acquisition cost 1 January	0.4	0.4
Additions	0.0	
<b>Book value 31 December</b>	<b>0.4</b>	<b>0.4</b>

	Share of parent company %
<b>Associates and joint ventures</b>	
Nordic Regional Airlines AB, Sweden	40.00

	Share of parent company %	Share of parent company %
<b>Group companies</b>		
Finnair Cargo Oy, Finland	100.00	Kiinteistö Oy Lentokonehuolto, Finland 100.00
Finnair Aircraft Finance Oy, Finland	100.00	Amadeus Finland Oy, Finland 95.00
Northport Oy, Finland	100.00	Oy Aurinkomatkat - Suntours Ltd Ab, Finland 100.00
Finnair Technical Services Oy, Finland	100.00	FTS Financial Services Oy, Finland 100.00
Finnair Engine Services Oy, Finland	100.00	Finnair Business Services OÜ, Estonia 100.00
Finnair Kitchen Oy, Finland	100.00	

On 30th June Oy Aurinkomatkat - Suntours Ltd Ab, Finland shares were revaluated and written down by 4 149 082,36 EUR.

**6.14 Non-current loan and other receivables**

EUR mill.	2022	2021
From group companies		
From other companies	2.5	1.8
<b>Total</b>	<b>2.5</b>	<b>1.8</b>





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## 6.15 Deferred tax assets

EUR mill.	2022	2021
Deferred tax assets 1 January	220.0	147.4
From result for the financial year		70.8
From temporary differences		7.6
From valuation of derivatives at fair value	0.9	-5.9
Adjustments recognised for taxes of prior periods	-117.0	
<b>Deferred tax assets 31 December</b>	<b>104.0</b>	<b>220.0</b>

## 6.16 Current receivables

EUR mill.	2022	2021
Short-term receivables from group companies		
Trade receivables	18.4	11.3
Group contribution receivable	126.6	244.3
Accrued income and prepaid expenses	2.8	1.6
Other receivables	245.6	229.0
<b>Total</b>	<b>393.4</b>	<b>486.2</b>
Short-term receivables from associates and joint ventures		
Trade receivables	0.0	0.0
Prepaid expenses	6.5	6.7
<b>Total</b>	<b>6.5</b>	<b>6.8</b>
Short-term receivables from others		
Trade receivables	85.8	65.6
Prepaid expenses	62.9	60.6
Derivative financial instruments	9.6	4.9
Other receivables	64.6	3.6
<b>Total</b>	<b>222.9</b>	<b>134.7</b>
<b>Short-term receivables total</b>	<b>622.7</b>	<b>627.6</b>
Accrued income and prepaid expenses	2022	2021
Group contribution	126.6	244.3
Sales accruals	41.4	40.3
Employee related deferred charges and receivables	0.9	1.6
Other prepaid expenses	29.9	27.0
<b>Prepaid expenses total</b>	<b>198.8</b>	<b>313.2</b>

## 6.17 Investments

EUR mill.	2022	2021
Short-term investments at fair value	738.6	531.4

## 6.18 Cash and bank equivalents

EUR mill.	2022	2021
Funds in group bank accounts and deposits maturing in three months	784.7	734.1

## 6.19 Shareholder's equity

EUR mill.	Share capital	Share premium account	Legal reserve	Hedging reserve	Un-restricted equity funds	Retained earnings	Capital loan	Equity total
<b>Equity 1.1.2022</b>	<b>75.4</b>	<b>24.7</b>	<b>147.7</b>	<b>3.7</b>	<b>772.4</b>	<b>-698.7</b>		<b>77.4</b>
Change in fair value of equity instruments				-13.6				-13.6
Share-based payments					0.6			0.6
Withdrawal of capital loan							400.0	400.0
Result for the financial year						-350.2		-350.2
<b>Equity 31.12.2022</b>	<b>75.4</b>	<b>24.7</b>	<b>147.7</b>	<b>-9.9</b>	<b>772.9</b>	<b>-1,048.9</b>	<b>400.0</b>	<b>361.9</b>

EUR mill.	Share capital	Share premium account	Legal reserve	Hedging reserve	Un-restricted equity funds	Retained earnings	Capital loan	Equity total
<b>Equity 1.1.2021</b>	<b>75.4</b>	<b>24.7</b>	<b>147.7</b>	<b>-19.8</b>	<b>772.0</b>	<b>-390.5</b>		<b>609.5</b>
Change in fair value of equity instruments				23.5				-23.5
Share-based payments					0.4			0.4
Purchase of own shares						-1.1		-1.1
Result for the financial year						-307.0		-307.0
<b>Equity 31.12.2021</b>	<b>75.4</b>	<b>24.7</b>	<b>147.7</b>	<b>3.7</b>	<b>772.4</b>	<b>-698.7</b>		<b>325.2</b>

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**Distributable equity**

EUR mill.	2022	2021
Hedging reserve	-9.9	
Unrestricted equity funds	772.9	772.4
Retained earnings	-698.7	-391.7
Received grants	-6.0	
Profit/loss for the financial year	-350.2	-307.0
<b>Total</b>	<b>-291.9</b>	<b>73.7</b>

Finnair Oyj withdrew a 400 million capital loan in 2022. During the year, the company also received support for uncovered fixed expenses in total of 6 million euros from the State Treasury of Finland. Share and dividends information is available in Financial statements in group note 3.9.

**6.20 Accumulated appropriations**

EUR mill.	2022	2021
Accumulated depreciation difference 1 January	19.5	21.0
Change in depreciation difference	-1.2	-1.5
<b>Accumulated depreciation difference 31 December</b>	<b>18.2</b>	<b>19.5</b>
<b>Accumulated appropriations total</b>	<b>18.2</b>	<b>19.5</b>

**6.21 Provisions**

EUR mill.	2022	2021
Provisions 1 January	182.4	155.9
Provision for the period	67.0	34.5
Provision used	-22.5	-19.7
Exchange rate differences	8.8	11.7
<b>Provisions 31 December</b>	<b>235.8</b>	<b>182.4</b>
Of which long-term	164.3	170.3
Of which short-term	71.5	12.1
<b>Total</b>	<b>235.8</b>	<b>182.4</b>

Long-term aircraft maintenance provisions are expected to be used by 2033.

**6.22 Non-current liabilities**

EUR mill.	2022	2021
Loans from financial institutions	400.0	300.0
Bonds	400.0	400.0
Hybrid loan	200.0	200.0
Other liabilities	4.3	14.4
<b>Total</b>	<b>1,004.3</b>	<b>914.4</b>
Maturity of interest-bearing liabilities		
1–5 years	800.0	700.0
after 5 years	200.0	200.0
<b>Total</b>	<b>1,000.0</b>	<b>900.0</b>

**6.23 Current liabilities**

EUR mill.	2022	2021
Current liabilities to group companies		
Trade payables	51.1	22.0
Accruals and deferred income	13.8	16.0
Group bank account liabilities	371.7	504.9
<b>Total</b>	<b>436.6</b>	<b>542.9</b>
Current liabilities to associates and joint ventures		
Trade payables	0.1	0.1
Accruals and deferred income	1.0	1.5
<b>Total</b>	<b>1.1</b>	<b>1.5</b>
Current liabilities to others		
Loans from financial institutions	200.0	398.9
Trade payables	79.7	45.7
Accruals and deferred income	661.5	448.4
Other liabilities	8.2	5.9
<b>Total</b>	<b>949.3</b>	<b>898.9</b>
<b>Current liabilities total</b>	<b>1,387.0</b>	<b>1,443.3</b>
Accruals and deferred income		
Unflown air transport revenues	356.2	202.6
Jet fuels and traffic charges	50.9	49.8
Holiday payment liability	56.0	38.6
Other employee related accrued expenses	34.2	18.8
Loyalty program Finnair Plus	51.5	55.2
Derivative financial instruments	21.5	0.3
Accrued other charges	78.0	68.6
Other items	27.9	32.0
<b>Total</b>	<b>676.2</b>	<b>465.9</b>





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## 6.24 Collateral, contingent liabilities and other commitments

EUR mill.	2022	2021
Guarantees and contingent liabilities		
On behalf of group companies	52.5	51.0
<b>Total</b>	<b>52.5</b>	<b>51.0</b>
Aircraft lease payments		
Within one year	379.9	364.8
After one year and not later than 5 years	1,117.7	1,173.0
Later than 5 years	517.7	648.0
<b>Total</b>	<b>2,015.3</b>	<b>2,185.9</b>
Parent company has leased the aircraft fleet from the fully owned subsidiary.		
Other lease payments		
Within one year	26.3	29.0
After one year and not later than 5 years	65.0	70.6
Later than 5 years	158.7	159.6
<b>Total</b>	<b>250.0</b>	<b>259.1</b>
Pension obligations		
Total obligation of pension fund	321.3	333.3
Non-mandatory benefit covered	-321.3	-333.3
<b>Total</b>		
Capital loan		
Accrued interest from capital loan	9.1	
Other accrued fees from capital loan	6.9	
<b>Total</b>	<b>16.0</b>	

Finnair has withdrawn 290 million euros of hybrid bond on 22 June 2022, which has been converted into capital loan on 30 June 2022 with the decision by plenary session of the Government. The remaining 110-million-euro amount of the capital loan has been withdrawn on 2 September 2022. Therefore the 400-million-euro capital loan is fully withdrawn. The withdrawn amount has been booked to the parent company's equity as its own tranche.

If the Limited Liability Companies Act and terms and conditions specified in the capital loan agreement are met Finnair can pay from the facility a reference interest rate added with margin defined in the capital loan agreement. At the time of the withdrawal the margin of the capital loan was 3.5% and reference rate was 0% according to the terms and conditions. Margin of the capital loan will increase annually based on the margin ratchet included in the terms and conditions of the capital loan agreement. Additionally, Finnair can pay utilisation fee for the capital loan. The amount of the utilisation fee is tied to the amount of withdrawn capital loan according to its terms and conditions. At the time of withdrawal, the annual cost from the utilisation fee was 2 per cent. In addition to the utilisation fee, Finnair pays commitment fee on the undrawn portion of the capital loan totalling to 20 per cent of capital loan margin.

The capital loan does not have a determined maturity date, and it can be repaid in accordance with the Limited Liability Companies Act and terms and conditions specified in the capital loan agreement. Finnair can pay accrued interest and other payments from the loan if the conditions and the rules of the Limited Liability Companies Act are met. The interest accrued on the capital loan has not been recorded as an expense.

## 6.25 Derivatives

EUR mill.	2022				2021			
	Nominal value	Positive fair values	Negative fair values	Fair net value	Nominal value	Positive fair values	Negative fair values	Fair net value
<b>Currency derivatives</b>								
Jet fuel currency hedging								
Operational cash flow hedging (forward contracts)	284.7	0.1	-7.4	-7.3	57.4	0.8	-0.1	0.7
Operational cash flow hedging, bought options					4.5	0.0		0.0
Operational cash flow hedging, sold options					4.3		0.0	0.0
<b>Hedge accounting items total</b>	<b>284.7</b>	<b>0.1</b>	<b>-7.4</b>	<b>-7.3</b>	<b>66.3</b>	<b>0.8</b>	<b>-0.1</b>	<b>0.7</b>
<b>Currency derivatives total</b>	<b>284.7</b>	<b>0.1</b>	<b>-7.4</b>	<b>-7.3</b>	<b>66.3</b>	<b>0.8</b>	<b>-0.1</b>	<b>0.7</b>
<b>Commodity derivatives</b>								
Jet fuel forward contracts, tonnes	209,000	3.4	-6.0	-2.5	68,000	4.1	-0.2	3.9
Bought options, jet fuel, tonnes	149,000	4.9	-0.2	4.8				
Sold options, jet fuel, tonnes	149,000	0.2	-7.9	-7.8				
<b>Hedge accounting items total</b>		<b>8.6</b>	<b>-14.1</b>	<b>-5.6</b>		<b>4.1</b>	<b>-0.2</b>	<b>3.9</b>
Jet fuel forward contracts, tonnes								
Bought options, jet fuel, tonnes	149,000	0.9		0.9				
Sold options, jet fuel, tonnes								
Electricity derivatives, MWh								
<b>Items outside hedge accounting total</b>	<b>149,000</b>	<b>0.9</b>		<b>0.9</b>				
<b>Commodity derivatives total</b>		<b>9.5</b>	<b>-14.1</b>	<b>-4.6</b>		<b>3.9</b>	<b>4.1</b>	<b>-0.2</b>
<b>Derivatives total *</b>		<b>9.6</b>	<b>-21.5</b>	<b>-12.0</b>		<b>4.9</b>	<b>-0.3</b>	<b>4.6</b>

\* Positive (negative) fair value of hedging instruments on 31 Dec 2022 is presented in the statement of financial position in the item derivative assets within current assets (derivative liabilities within current liabilities).



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6.26 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 mill.	2022	Level 1	Level 2
Financial assets at fair value			
Securities held for trading	738.6	690.8	47.8
Derivatives			
Currency and interest rate swaps and options			
- of which in fair value hedge accounting			
Currency derivatives	0.1		0.1
- of which in cash flow hedge accounting	0.1		0.1
Commodity derivatives	9.5		9.5
- of which in cash flow hedge accounting	8.6		8.6
Total	748.2	690.8	57.4
Financial liabilities at fair value			
Derivatives			
Currency derivatives	7.4		7.4
- of which in cash flow hedge accounting	7.4		7.4
Commodity derivatives	14.1		14.1
- of which in cash flow hedge accounting	14.1		14.1
Total	21.5		21.5

6.27 Fuel price risk in flight operations

Timing of the notional and hedged price

31 December 2022	Hedged price \$/tonne	Notional amount (tonnes)	Maturity	
			Under 1 year	1 to 2 years
Jet fuel consumption priced with NWE index	1,042.9	358,000	338,000	20,000

Foreign exchange risk

Timing of the notional EUR mill. 31 December 2022	Average exchange rate of hedging instruments against the euro	Notional amount (gross)	Maturity
			Less than 1 year
USD	1.05	258.50	258.50
JPY	141.10	26.2	26.2

Cross-currency interest rate swaps are included in the nominal amount calculation.





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# Board of directors' proposal on the dividend

Finnair Plc's distributable equity on 31 December 2022 amounts to -291,913,121.87 euros, of which the net result for the financial year 2022 is -350,246,231.89 euros.

The Board of Directors proposes to the Annual General Meeting that no dividend be paid based on the balance sheet to be adopted for the financial year, which ended on 31 December 2022, and the result be retained in the equity.

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

Helsinki, 14 February 2023  
The Board of Directors of Finnair Plc

Jouko Karvinen

Tiina Alahuhta-Kasko

Montie Brewer

Jukka Erlund

Hannele Jakosuo-Jansson

Henrik Kjellberg

Simon Large

Maija Strandberg

Topi Manner  
President and CEO of Finnair Plc



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# Auditor’s report

(This document is an English translation of the Finnish auditor’s report. Only the Finnish version of the report is legally binding.)

To the Annual General Meeting of Finnair Plc

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Finnair Plc (business identity code 0108023-3) for the year ended 31 December 2022. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company’s balance sheet, income statement, statement of cash flows and notes.

- In our opinion
  - the consolidated financial statements give a true and fair view of the group’s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
  - the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 1.3.3 to the consolidated financial statements.

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

### Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matter	How the matter was addressed in the audit
Financial position and funding arrangements (Refer to Accounting principles for consolidated financial statements and Notes 3.3, 3.5 and 3.9)	
Resulting from the prolonged COVID-19 pandemic and the Ukrainian war the Group has incurred a net loss of € 476 million decreasing the equity to € 411 million. Liquid funds amounted to € 1,376 million and the interest-bearing liabilities were € 2,629 million.	With the involvement of KPMG valuation and IFRS specialists, we assessed the terms of the financing agreements and the impacts on classification and recognition in relation to accounting principles and accounting standards applied in the consolidated financial statements.
Finnair renewed its strategy and continued adjusting its operations and executing its extensive financing programme.	We obtained an understanding of the financial forecasting process. We analysed, among others, cash flow forecasts based on different scenarios, the reliability of the data underlying the forecasts and whether effective implementation of management plans is reasonable.
As disclosed in the accounting principles to the financial statements due to the current uncertainty embedded in the economic environment and the difficulty in forecasting the ultimate duration of it, the Board of Directors have reviewed three different scenarios prepared by the management. According to the assessment of the Board of Directors Finnair will be able to meet its obligations under all three scenarios as they fall due at least 12 months after the date of the issuance of the financial statements.	We challenged the appropriateness of key assumptions used in the cash flow forecasts that require significant management judgement.  We evaluated the sensitivity calculations prepared by the management to test the headroom for the Group to be able to conduct its adjusted business operations.  In addition, we assessed the appropriateness of the disclosures provided on the financing arrangements and financial position.



	The Report of the Board of Directors		Financial Statements	Board of Directors' Proposal on the Dividend	Auditor's Report	
Consolidated income statement	The key audit matter		How the matter was addressed in the audit		The key audit matter	How the matter was addressed in the audit
Consolidated statement of comprehensive income	Fleet valuation (Refer to Accounting principles for consolidated financial statements and Note 2)				Deferred passenger revenue (Refer to Accounting principles for consolidated financial statements and Note 1.2.4)	
Consolidated balance sheet	The Group has own aircraft and right of use aircraft with total carrying value of € 1,828 million representing 44 % of total consolidated assets. The aircraft-related depreciation charge was € 277 million. Finnair sold four owned A321 aircrafts. As a result of the closure of Russian airspace an impairment of € 33 million was recognized relating to four owned A330 aircrafts.		We assessed the reasonableness of assumptions made for useful lives, components and residual values regarding owned and leased aircraft and reconciled these assumptions against carrying values of aircraft components and associated depreciation recorded in the income statement.		The deferred passenger revenue amounted to € 452 million. Passenger ticket sale is presented as deferred income in the consolidated statement of financial position from the point of sale until the flight is flown and the sale is recognized as revenue. Recognition of unused tickets as revenue is based on the expected breakage amount of tickets remaining unused. The points earned in the customer loyalty program are measured at fair value and recognised as a decrease of revenue and debt at the time when the points-earning event is recognised as revenue or when the points expire.	
Consolidated cash flow statement	The evaluation of the expected useful life of the components of the aircraft, the expected residual value, impairment of existing aircraft and assessment of whether onerous contract exists related to the future committed aircraft purchases requires a significant degree of management judgement.		Our audit procedures, with the involvement of KPMG valuation specialists, included testing the integrity of the calculations and the technical model. We have challenged the assumptions used in impairment testing and their reasonableness by reconciling against external industry market data, scenarios approved by the Board of Directors and our own views.		Large volumes of transactions flow through various computer systems from the date of sale until revenue is recognized in the consolidated statement of profit or loss. The recording process is complex, which gives rise to inherent risk of error, in determining the amount and timing of the revenue recognition.	
Consolidated statement of changes in equity	The valuation of the fleet is considered as a key audit matter due to the significance to the Group's consolidated statement of financial position, due to management judgement and inherent uncertainty increased by pandemic involved in forecasting future cash flows.		Furthermore, we considered the potential impact of uncertainties related to closure of Russian airspace on the assumptions within management's cash flow estimates. We performed our own sensitivity analyses over the key assumptions used.		Timing and accuracy in the recording of passenger revenue is therefore determined as a key audit matter in our audit of the consolidated financial statements.	
Notes to the consolidated financial statements			We assessed the appropriateness of the related disclosures.			
1. Operating result						
2. Fleet and other fixed assets and leasing arrangements						
3. Capital structure and financing costs						
4. Consolidation						
5. Other notes						
6. Parent company financial statements						
Board of directors' proposal on the dividend	Valuation of deferred tax asset for unused tax losses (Refer to Accounting principles for consolidated financial statements and note 5.1)				Aircraft maintenance provision (Refer to Accounting principles for consolidated financial statements and Note 1.3.6)	
● Auditor's report	As a result of the prolonged COVID-19 pandemic and Ukrainian war Finnair recorded tax losses amounting to EUR 1.3 billion in 2020-2022. Due to the significant uncertainty caused by the closure of the Russian airspace no deferred tax asset was recognized for taxable losses in 2022. Furthermore, the carrying amount of the deferred tax asset related to tax loss carryforwards has been reduced by EUR 117 million. The remaining balance of deferred tax asset arising from tax losses amounts to EUR 99 million.		We assessed the appropriateness of the methodology adopted by Finnair to identify existing tax loss carry forwards that will be utilized. To determine the recognition threshold of the deferred tax asset for unused tax losses we assessed the forecasting process by examining the procedure for preparing the taxable income forecasts used as a basis for estimates and by comparing income forecasts for prior years with actual results.		The Group operates aircrafts which are owned or held under lease agreement. The Group is obliged to return leased aircraft and their engines according to the redelivery condition set in the lease agreement. To fulfil these maintenance obligations, the Group has recognised airframe heavy maintenance, engine performance maintenance, engine life limited part and other material maintenance provisions amounting to € 247 million.	
	Deferred tax assets are recognized to the extent that it is probable that they can be utilized against taxable profit in the future. The valuation of deferred tax assets is based on management's estimate of the future taxable profits which will be generated before the unused tax losses expire.		We evaluated the appropriateness of key assumptions used in the forecasts and compared them with the ones adopted for non-current asset impairment tests.		The measurement of aircraft maintenance provisions requires management judgement especially related to timing of maintenance events and valuation of maintenance costs occurring in the future. The future maintenance costs and their timing are dependent on, for example, how future traffic plans realise, the market price development of maintenance costs and the actual condition of the aircraft at the time of the maintenance event.	
	Valuation of deferred tax assets is considered a key audit matter due to the high level of management judgement involved in preparation of forecasts of future taxable profits and the significance of carrying amounts.		We also challenged the degree of the probability and accuracy of the available future taxable profits taking into consideration the Finnair's new strategy and high uncertainty about the duration of Russian airspace closure.		We identified aircraft maintenance provision as a key audit matter due to the inherently complex model and management judgement incorporated in the assumptions used in the calculation.	
			In addition, we assessed the appropriateness of the disclosures relating to deferred tax assets in accordance with IFRS.		We obtained an understanding of the process by which the lease agreements are analysed and recorded in the maintenance model and by which the variable factors within the provision are estimated.	
					We evaluated the appropriateness of the maintenance provision model and challenged the key assumptions used such as expected timing and cost of maintenance checks.	
					We obtained and inspected a sample of asset lease agreements to evaluate the completeness of the restoration and return liabilities for obligations at the redelivery at the end of the lease.	
					We tested the input data and mathematical accuracy of the calculations as well as recalculated the maintenance provision by using data analysis tools.	
					In addition, we performed retrospective analysis on the accuracy of the provision.	

Review of the year 2022		The Report of the Board of Directors		Financial Statements		Board of Directors' Proposal on the Dividend		Auditor's Report	
Consolidated income statement									
Consolidated statement of comprehensive income									
Consolidated balance sheet									
Consolidated cash flow statement									
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4. Consolidation									
5. Other notes									
6. Parent company financial statements									
Board of directors' proposal on the dividend									
● Auditor's report									
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