FINNAIR GROUP FINANCIAL STATEMENTS RELEASE

1 JANUARY – 31 DECEMBER 2022

15 February 2023

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Comparable EBIT positive for the second consecutive quarter; work to restore profitability continues.

October – December 2022

- Earnings per share were 0.03 euros (-0.06)*.
- Revenue increased by 66.2% to 687.3 million euros (413.5).
- Comparable operating result was 17.9 million euros (-65.2). Operating result was 38.0 million euros (-60.2).
- Exceptionally high fuel price had an adverse cost impact of c. 94 million euros** year-on-year.
- Cash funds were 1,524.4 million euros (1 265.7) and the equity ratio was 9.9 per cent (11.8).
- Net cash flow from operating activities was 29.9 million euros (124.6), and net cash flow from investing activities was -54.3 million euros (-66.8).***
- Number of passengers increased by 60.9% to 2.5 million (1.5).
- Available seat kilometres (ASK) increased by 32.4% to 8,185.5 million kilometres (6,180.9).
- Passenger load factor (PLF) was 72.3% (49.6).

January – December 2022

- Earnings per share were -0.36 euros (-0.34).
- Revenue increased by 181.1% to 2,356.6 million euros (838.4).
- Comparable operating result was -163.9 million euros (-468.9). Operating result was -200.6 million euros (-454.4).
- High fuel price had an adverse cost impact of c. 375 million euros** year-on-year.
- Net cash flow from operating activities was 259.0 million euros (-25.3), and net cash flow from investing activities was -75.5 million euros (309.6).***
- Number of passengers increased by 218.9% to 9.1 million (2.9).
- Available seat kilometres (ASK) increased by 158.8% to 31,298.4 million kilometres (12,094.2).
- Passenger load factor (PLF) was 67.6% (42.8).
- The Board of Directors proposes to the Annual General Meeting that no dividend be distributed for 2022.

** Unless otherwise stated, comparisons and figures in parentheses refer to the comparison period, i.e., the same period last year.*
*** Fuel price impact including impact of currencies and hedging.*
**** In Q4, net cash flow from investing activities includes 38.9 million euros of investments (79.2) in money market funds or other financial assets (maturity over three months). In 2022, the investments totalled to 12.8 million euros (67.5). They are part of the Group's liquidity management.*

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.

CEO Topi Manner:

Finnair's comparable operating result was positive for the second consecutive quarter, and the net result was 53.3 million euros, turning positive driven by the weakening US dollar for the first time since the last quarter of 2019. This is yet another important step in the right direction, but the road towards profitability on an annual level is a long one, and full of challenges in the operating environment.

During the review period, Finnair carried 2.5 million passengers and our revenue was 687.3 million euros (413.5). Although strong demand continued to support our unit revenues, both passenger and revenue figures declined quarter-on-quarter due to seasonality. The comparable operating result was 17.9 million euros (-65.2), as our continued efforts to cut costs, improve sales and optimise profits produced the desired results.

Although the challenges of our operating environment continued in the form of high fuel prices, accelerating inflation, the remaining effects of the pandemic, as well as the Ukrainian war and closed Russian airspace, there were also positive developments. Of our key markets, Japan opened to travel, and China relaxed its zero covid policy in December, which makes it possible for Chinese travel to start gradually during 2023. The impacts of the pandemic are therefore fading, and we believe that the related travel restrictions will no longer affect our operations on any of the routes we operate after the summer. We also started our cooperation with Qatar Airways by launching daily flights between Copenhagen and Stockholm and Doha from the beginning of November, and between Helsinki and Doha from mid-December. Our cooperation will significantly increase the importance of the Middle East in our network, and it will also enable smooth transfers to numerous destinations in e.g., Africa and Asia.

The implementation of our strategy to restore profitability, announced in September, continued systematically throughout the organization, and the target is to reach a comparable EBIT level of at least 5 per cent starting from mid-2024. Considering on one hand the market developing more positively than previously anticipated, and on the other hand the continued strong cost inflation, we expect the strengthening of unit revenues to play a bigger role than we previously expected in achieving our targets. Despite the economic uncertainty and weak consumer confidence, people want to travel, and strong demand is expected to continue. At the same time, we continue to manage and cut costs in all our operations. During the period, we completed the change negotiations that resulted in a reduction of 150 jobs globally. As part of our sustainable balance sheet target, we also concluded an agreement to extend the pension premium loan until 2025. The extension maintains our cash funds in the still-challenging operating environment.

During the period, we also agreed on long-term savings with some personnel groups. After the period, we reached with our Finland-based cabin crew a negotiation result that now proceeds to an administrative handling.

Despite the winter conditions that started very early, our on-time performance remained on a good level. In addition to several won awards, our wide-body aircraft cabin renewal has received very positive feedback from our customers, which has contributed to our customer satisfaction. Finnair's Net Promoter Score of 40 remained good. Further, we received five-star status from the Airline Passenger Experience Association (APEX) based on our customers' ratings and feedback. Big thanks to the whole Finnair team for these achievements.

Finnair turns 100 years old this year. During this milestone year, our eyes are firmly on the future, and the work to restore Finnair's profitability continues. Together with the Finnair team, we are building an even stronger company for the next hundred years.

Business environment in Q4

The COVID-19 pandemic continued to impact Finnair's operations in Asia in Q4 2022 even though most of the Asian markets were already open - or opened - during the period for travel. Further, the Russian airspace closure to EU carriers resulted in route and frequency cancellations in Asian traffic, as well as to Russia. Thanks to the strong demand for air cargo, Finnair, however, continued operating to most of its Asian destinations despite routings that are up to 40% longer. The Asian capacity, measured in ASKs, reached only c. 50% compared to Q4 2019. The longer routings and high jet fuel price increased the costs considerably, but the Asian market yields remained on a good level, especially as there were capacity constraints due to the travel restrictions, global labour shortage and operational challenges caused by longer flight times. Demand in intra-European and North Atlantic markets was strong in Q4 as there were no travel restrictions and capacity was also constrained, thus, maintaining healthy yields and improved passenger revenue.

Scheduled market capacity, measured in ASKs, between origin Helsinki and Finnair's European destinations increased by 45.3 per cent (299.0) year-on-year. Direct market capacity between Finnair's Asian and European destinations increased by 86.3 per cent (35.1) and between Finnair's North Atlantic and European destinations by 54.6 per cent (125.5) year-on-year.

The strong demand for package holidays continued throughout Q4, despite the war in Ukraine. Aurinkomatkat was therefore able to increase capacity to popular destinations. 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 for last-minute deals. In addition to the winter season, customers continued booking trips into the upcoming summer season. Demand for city holidays continued to grow better than expectations.

The global air freight market was impacted by COVID-19 and the war in Ukraine in Q4, as limited cargo capacity continued to benefit air cargo compared to the pre-pandemic era. While the cargo market remained disrupted and yields were still elevated, declining market prices resulted in lower cargo revenue quarter-on-quarter. Finnair estimates that cargo demand will continue to soften, thus, also impacting the first quarter of the year.

The US dollar, which is the most significant expense currency for Finnair after the euro, strengthened by 12.1 per cent against the euro year-on-year. In Q4, the US dollar-denominated and the euro-denominated market prices of jet fuel were 43.9 per cent and 61.4 per cent higher, respectively, than in the comparison period, as the jet fuel price has been impacted by the Ukrainian war and related sanctions.

Financial performance in Q4

REVENUE IN Q4

Finnair's total revenue increased year-on-year as the COVID-19 impact was more drastic in Q4 2021 and, on the other hand, as passenger yields were exceptionally high during the period on the back of robust demand and restricted capacity.

Revenue by product

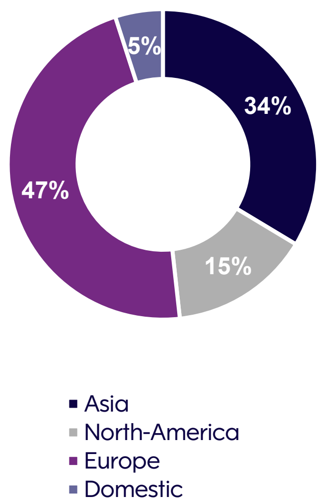
EUR million	Q4/2022	Q4/2021	Change %
Passenger revenue	535.5	218.9	144.6
Ancillary revenue	32.4	19.4	67.2
Cargo	68.6	147.1	-53.4
Travel services	50.8	28.1	80.5
Total	**687.3**	**413.5**	**66.2**

Unit revenue (RASK) increased by 25.5 per cent and amounted to 8.40 cents (6.69). The RASK increase was caused by elevated passenger yields and higher passenger load factor despite the clearly 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.

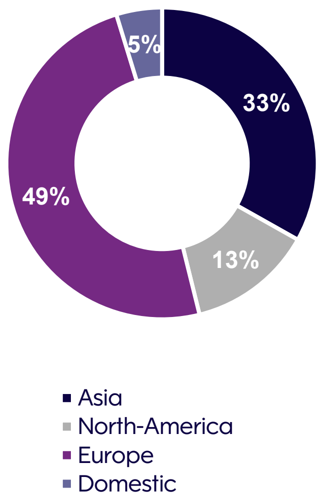
Passenger revenue and traffic data by area, Q4 2022

	Passenger revenue			ASK		RPK		PLF	
Traffic area	Q4/2022 MEUR	Share %	Q4/2021 MEUR	Q4/2022 Mill. km	Q4/2021 Mill. km	Q4/2022 Mill. km	Q4/2021 Mill. km	%	Change %-p
Asia	166.9	31.2	38.9	2,751.1	2,147.9	1,961.6	607.0	71.3	43.0
North Atlantic	49.6	9.3	24.7	1,198.8	1,283.9	768.5	472.6	64.1	27.3
Europe	284.6	53.1	122.0	3,828.8	2,427.0	2,907.1	1,771.3	75.9	2.9
Domestic	42.4	7.9	27.1	406.9	322.1	281.0	217.3	69.1	1.6
Unallocated	-7.9	-1.5	6.1						
Total	**535.5**	**100.0**	**218.9**	**8,185.5**	**6,180.9**	**5,918.2**	**3,068.2**	**72.3**	**22.7**

Q4 capacity (ASKs)



Q4 traffic (RPKs)



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 figures in Asia. Further, the Russian airspace closure had a negative impact on the figures in Q4 and this was visible mainly in Asian figures. Passenger revenue increased by 144.6 per cent and traffic capacity, measured in Available Seat Kilometres (ASK), increased by 32.4 per cent overall against the comparison period. The number of passengers increased by 60.9 per cent to 2,450,600 passengers. Traffic, measured in Revenue Passenger Kilometres (RPK), increased by 92.9 per cent and the passenger load factor (PLF) increased by 22.7 percentage points to 72.3 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 Great-Circle distance.

In Asian traffic, the number of scheduled passenger flights remained limited compared to those in the year 2019 because of the pandemic and Russian airspace closure impacts. Moreover, despite the Russian airspace closure, Finnair was able to continue operating to most of the destinations using longer routings. The number of scheduled passenger flights was nonetheless more than in the comparison period as travel gradually opened also to Asia. Therefore, ASKs grew by 28.1 per cent and RPKs by as much as 223.2 per cent. PLF increased by 43.0 percentage points to 71.3 per cent. Further, Asian revenue overall was supported by the strong cargo operations.

Finnair re-opened the first North Atlantic route after a break caused by the pandemic in March 2021 and has since gradually increased the number of destinations and flights to the United States from both Helsinki and Stockholm. Due to the closed Russian airspace, the company has increased its North Atlantic capacity even further. As a result, North Atlantic ASKs in Q4 2022 increased by 18.5 per cent compared to Q4 2019. Compared to Q4 2021, ASKs decreased by 6.6 per cent as the Stockholm operations were discontinued at the end of October. RPKs, however, increased by 62.6 per cent year-on-year. PLF increased by 27.3 percentage points to 64.1 per cent. As in Asia, revenue overall was further supported by the strong cargo operations.

ASKs grew by 57.8 per cent in European traffic year-on-year, as loosened travel restrictions within Europe have had a meaningful and positive effect on demand. In addition, Finnair started its cooperation with Qatar Airways during the period. Flights operated by Finnair between Copenhagen, Stockholm and Doha started at the beginning of

November, and flights between Helsinki and Doha from mid-December. The figures for these three daily routes 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. Thus, RPKs grew by 64.1 per cent and the PLF by 2.9 percentage points to 75.9 per cent in European traffic.

Domestic traffic capacity increased by 26.3 per cent, RPKs by 29.3 per cent and the PLF by 1.6 percentage points to 69.1 per cent year-on-year.

Ancillary revenue increased to 32.4 million euros (19.4). Advance seat reservations, excess baggage and flight ticket fees were the largest ancillary categories.

As Finnair operated a lower number of scheduled passenger flights 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, Finnair's Q4 cargo volumes fell behind the pre-pandemic figures of Q4 2019. They were, however, higher quarter-on-quarter because of seasonality. Available scheduled cargo tonne kilometres increased by 14.8 per cent year-on-year, whereas revenue scheduled cargo tonne kilometres decreased by 6.2 per cent. Cargo-related available tonne kilometres decreased by 19.8 per cent and revenue tonne kilometres decreased by 37.7 per cent year-on-year. Both include the cargo-only flights, operated mainly between Europe and Asia as well as between Europe and North America, which were, however, almost entirely replaced by scheduled passenger flights carrying cargo in Q4 2022. Strong cargo demand continued even though total cargo tonnes decreased by 26.2 per cent and cargo revenue decreased by 53.4 per cent year-on-year as demand in Q4 2021 was exceptionally strong with record high cargo revenue.

Package holidays' financial development has been positively affected by the lifting of COVID-19 related travel restrictions. During Q4, only international package holidays were produced as the production of domestic ones was discontinued. The total number of Travel Services passengers increased by 37.8 per cent year-on-year and the load factor in allotment-based capacity was 97.3 per cent. Travel Services revenue increased by 80.5 per cent to 50.8 million euros (28.1).

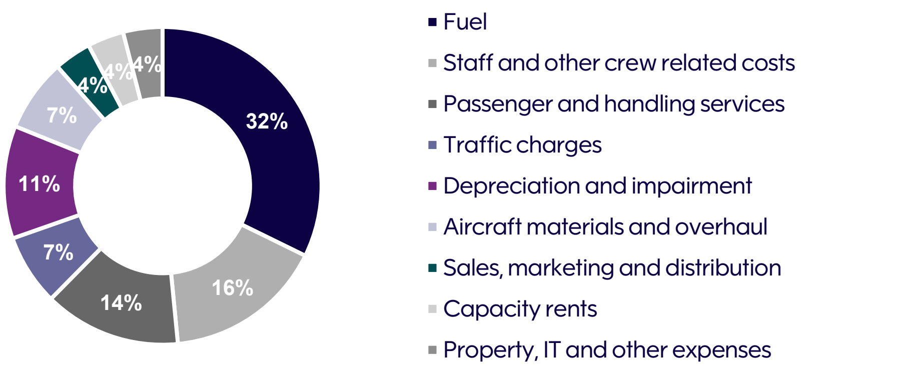
Other operating income increased to 37.2 million euros (13.0) mainly due to income related to the agreed wet leases with Lufthansa-owned Eurowings Discover.

OPERATING EXPENSES INCLUDED IN COMPARABLE EBIT IN Q4

Finnair's operating expenses, included in the comparable operating result, increased by 43.7 per cent mainly due to increased capacity, longer Asian routings and high jet fuel price. Finnair continued its significant cost adjustment initiatives in Q4.

Unit cost (CASK) increased by 5.6 per cent and totalled 8.18 cents (7.75). CASK excluding fuel decreased by 11.4 per cent. Year-on-year, the decrease was caused by the clearly increased capacity and the wet lease operations, the higher share of cargo-only flights in the comparison period as well as the achieved cost savings.

Q4 operating expenses (€706.6 million in total) included in comparable operating result



EUR million	Q4/2022	Q4/2021	Change %
Staff and other crew related costs	114.5	84.0	36.2
Fuel costs	227.9	102.4	122.5
Capacity rents	26.2	22.9	14.2
Aircraft materials and overhaul	52.2	36.1	44.9
Traffic charges	51.1	53.4	-4.2
Sales, marketing and distribution costs	26.7	19.0	40.9
Passenger and handling costs	98.5	65.2	51.0
Property, IT and other expenses	28.3	30.8	-8.3
Depreciation and impairment	81.2	77.9	4.2
Total	**706.6**	**491.7**	**43.7**

Operating expenses included in the comparable operating result, excluding fuel, increased by 23.0 per cent.

Fuel costs, including hedging results and emissions trading costs, more than doubled mainly due to the increased capacity (measured in ASK), longer Asian routings and the exceptionally high fuel market price[1], which had an adverse impact of c. 94 million euros on costs year-on-year. Fuel efficiency (as measured in fuel consumption per ASK) improved by 2.7 per cent due to e.g., a very limited number of cargo-only flights, that do not generate ASKs, in Q4 2022. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, increased by 3.5 per cent year-on-year as Asian routings have been longer since the Russian airspace closure, thus, increasing fuel consumption.

Staff and other crew-related costs increased due to the added capacity and longer Asian routings.

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 recent marketing activities and improved sales intake.

Aircraft materials and overhaul costs went up due to the added capacity and longer Asian routings. Depreciation and impairment costs increased slightly from the comparison period. Traffic charges decreased despite the longer routings between Europe and Asia and increased capacity as e.g., the Russian overflight royalties did not accrue during the period.

Capacity rents, covering purchased traffic from Norra and any wet leases or potential cargo rents, increased from the comparison period as capacity increased. Certain exceptional items and exchange gains, on the other hand, had a declining impact on property, IT and other expenses.

RESULT IN Q4

Even though travelling was unrestricted within Europe, and to the United States as well as to many countries in Asia during Q4, the result was still clearly impacted by the COVID-19 pandemic. Further, Finnair was forced to cut some of its 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 exceptionally high jet fuel price.

EUR million	Q4/2022	Q4/2021	Change %
Comparable EBITDA	**99.1**	**12.6**	**>200**
Depreciation and impairment	-81.2	-77.9	-4.2
Comparable operating result	**17.9**	**-65.2**	**127.5**
Items affecting comparability	20.1	5.1	>200
Operating result	**38.0**	**-60.2**	**163.2**
Financial income	7.1	0.1	>200
Financial expenses	-36.7	-33.6	-9.3
Exchange gains and losses	46.9	-11.2	>200
Result before taxes	**55.3**	**-104.8**	**152.8**
Income taxes	-2.0	21.2	-109.6
Result for the period	**53.3**	**-83.7**	**163.7**

As revenue increased more than operating expenses, Finnair's comparable EBITDA and comparable operating result both improved year-on-year and comparable operating result turned positive.

Unrealised changes in foreign currencies relating to fleet overhaul provisions were 19.2 million euros (-3.4) due to the weakened US dollar during the period. 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

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

totalled 0.9 million euros (0.8) during the quarter and related mostly to change negotiations-based restructuring costs totalling 2.2 million euros (1.1). During the period, there were no exceptional changes in defined benefit pension plans (7.7).

The net financial expenses turned positive in Q4 mainly because of the unrealised exchange losses related to aircraft lease liabilities as the US dollar weakened. The company did not book any deferred tax assets based on the losses in 2022 due to the uncertainty relating to utilisation of these losses in taxation and, therefore, the company did not book any income taxes based on the result for the period. Income taxes related to changes in deferred tax liabilities.

Result for the period turned positive for the first time since Q4 2019. The profit was related to the weakened US dollar resulting in exchange gains.

Financial performance in 2022

REVENUE IN 2022

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

Revenue by product

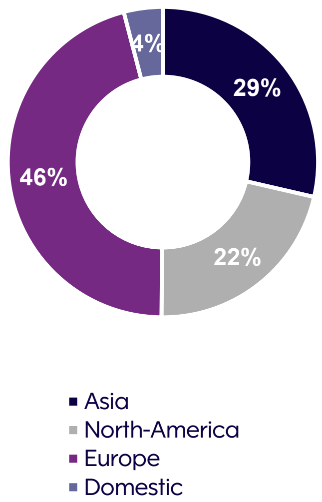
EUR million	2022	2021	Change %
Passenger revenue	1,710.7	420.8	306.5
Ancillary revenue	123.2	44.1	179.1
Cargo	352.3	334.7	5.3
Travel services	170.3	38.7	339.9
Total	**2,356.6**	**838.4**	**181.1**

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.

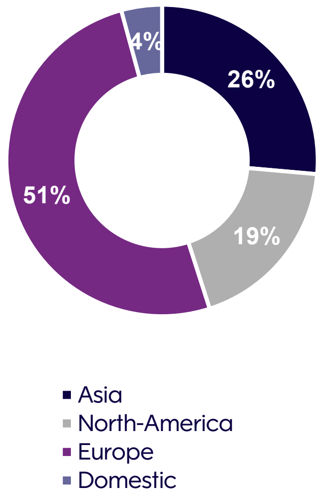
Passenger revenue and traffic data by area, 2022

	Passenger revenue			ASK		RPK		PLF	
Traffic area	2022 MEUR	Share %	2021 MEUR	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						
Total	**1,710.7**	**100.0**	**420.8**	**31,298.4**	**12,094.2**	**21,156.8**	**5,178.2**	**67.6**	**24.8**

2022 traffic (ASKs)



2022 traffic (RPKs)



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 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. 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, the Chicago and Los Angeles routes were reopened 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, 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 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. RPKs grew by 251.4 per cent and the PLF by 9.1 percentage points to 74.9 per cent in European traffic.

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 revenue increased to 123.2 million euros (44.1). Excess baggage, advance seat reservations and frequent flyer programme related revenue were the largest ancillary categories.

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 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.

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).

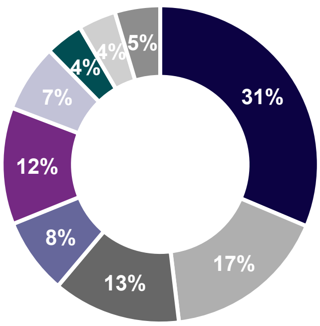
Other operating income increased to 146.7 million euros (39.2) mainly due to income related to the agreed wet leases, which were operated starting from Q2 2022, with Lufthansa-owned Eurowings Discover and British Airways. The wet leases for British Airways ended at the end of Q3 2022 but the ones with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

OPERATING EXPENSES INCLUDED IN COMPARABLE EBIT IN 2022

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 and the wet lease operations, the smaller number of cargo-only flights that were not generating ASKs, as well as the achieved cost savings.

2022 operating expenses (€2,667.1 million in total) 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
Total	**2,667.1**	**1,346.4**	**98.1**

Operating expenses included in the comparable operating result, excluding fuel, increased by 61.3 per cent.

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[2], 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.

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 IN 2022

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.

EUR million	2022	2021	Change %
Comparable EBITDA	**153.2**	**-149.0**	**>200**
Depreciation and impairment	-317.1	-319.8	0.9
Comparable operating result	**-163.9**	**-468.9**	**65.0**
Items affecting comparability	-36.6	14.4	<-200
Operating result	**-200.6**	**-454.4**	**55.9**
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
Result before taxes	**-370.7**	**-581.9**	**36.3**
Income taxes	-105.4	117.6	-189.7
Result for the period	**-476.2**	**-464.3**	**-2.6**

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.

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

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

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.

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

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**

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.

Capital structure

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

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. 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.

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**

The company's liquidity remained strong at the end of the period. 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).

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).

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.[3]

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

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.

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

Fleet operated by Finnair* 31.12.2022	Seats	#	Change from 31.12.2021	Own**	Leased	Average age 31.12.2022	Ordered
Narrow-body fleet							
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	
Wide-body fleet							
Airbus A330	289/263	8		4	4	13.2	
Airbus A350	297/336	17		5	12	5.1	2
Total		**56**	**-4**	**22**	**34**	**11.6**	**2**

* Finnair's Air Operator Certificate (AOC).
** Includes JOLCO-financed (Japanese Operating Lease with Call Option) and ECA (Export Credit Agency) financed aircraft.

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 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	
Total		**24**	**0**	**15**	**9**	**14.0**	

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

Strategy implementation

Finnair renewed its strategy to 2025 in Q3 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 **one**world 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 **one**world 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. During the period, 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.

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. During the period, Finnair's customers awarded Finnair as a five-star airline in the Airline Passenger Experience Association (APEX) airline evaluation. In addition, Finnair’s already awarded, renewed wide-body aircraft cabin won the Best Cabin Innovation award for its design. The renewed cabin has received very positive feedback from customers, which has contributed to customer satisfaction. Another contributing factor was Finnair’s good on-time performance that was 80.4 per cent (72.3), despite various capacity challenges in the European aviation system. The Net Promoter Score (NPS) measuring customer satisfaction was at a good level of 40 (29).

The role of digital services, which is already key for Finnair, is further increasing. The average monthly number of unique Finnair's website visitors did not exceed the pre-pandemic level in Q4 (in Q4 2019, c. 2.3 million) or the comparison period figure as it totalled 1.8 million (2.0). The lower number of verified visitors was explained by the changed cookie consent policy. The number of active users of the Finnair mobile application increased by 52.4 per cent to 721,000 year-on-year. Direct sales in Finnair’s digital channels fell slightly to 43.0 per cent (49.0) while total sales clearly increased. During the period, Finnair announced a long-term IT investment to strengthen its retailing capabilities through modern offer and order management.

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

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 do visible and effective acts of social and environmental sustainability, as well as cooperate closely with its partners and its entire supply chain. Sustainability is an integral part of all of Finnair's operations, but in its Sustainability Strategy, the company focuses on our 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.

Social responsibility is also a key component of the company's sustainability work, and its importance will only grow in the future. This means wellbeing and health of employees, promoting human rights, equality, non-discrimination and diversity in workplace and in our value chain, offering accessible services to customers with disabilities and taking care of the safety and health of customers and personnel in all circumstances. The company also supports those employees' well-being and re-employment who are subject to reductions in connection with the change negotiations.

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.

Finnair employed an average of 5,256 (5,365) people in Q4 2022, which is 2.0 per cent less than in the comparison period. The number of employees decreased during Q4 by 98 or 1.9 per cent, totalling 5,230 at the end of December (5,325). In total, 42 new persons were hired at Finnair in Q4 2022. The increase in personnel was mostly due to growth in the number of Finnair Business Services and Aurinkomatkat travel guides. The attrition rate for the last 12 months was 7.3 per cent (6.8). The number of absences due to illness was 5.3 per cent (3.3) in Q4.

Sustainability and corporate responsibility

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

The company has identified six SDGs where it is expected to act and can make a significant impact.

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

The biggest expectations towards Finnair are on reducing the CO2 emissions of flights. Finnair is committed to the sector's common goal of carbon-neutral growth from 2020 onwards but sees this commitment as only a starting point. Finnair commits to becoming carbon neutral by 2045, with an interim goal of reducing the CO2 net emissions by 50% by the end of 2025. This is a challenging target, but Finnair considers it important for the future of the company and a means to challenge the industry as a whole even further. Finnair is committed to setting a science-based carbon dioxide emission reduction target (SBTi) by Q1 2024 at the latest.

Finnair's sustainability is reflected in its strategy and vision, as well as its values of commitment to care, simplicity, courage and working together. Its sustainability strategy is embedded into the group strategy, brand, operations

and product development. The strategy measures contribute to cost containment and risk mitigation as well as value creation.
Finnair's ethical business principles are outlined in its Code of Conduct. The Code applies to all Finnair personnel and all locations. Finnair requires that its suppliers comply with ethical standards essentially similar to those with which Finnair complies in its own operations. Finnair's Supplier Code of Conduct provides clear principles to ensure ethical purchasing, including zero tolerance for corruption.

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

The key performance indicators for corporate sustainability are presented in the Key Performance Indicators table of this financial statements release.

Changes in company management

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 Stirkkinen 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.

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.

The number of Finnair shares recorded in the Trade Register was 1,407,401,265 at the end of the period. The Finnish state owned 55.9 per cent (55.9) of Finnair's shares, while 7.5 per cent (4.6) were held by foreign investors or in the name of a nominee at the end of the period.

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.

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. 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.

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 EUR 250,000 for charitable or corresponding purposes. The authorisation is effective until the next Annual General Meeting.

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

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 at least for the next 12 months. 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 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, their 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
Total	**339,000**	**1,035**

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

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)
Sales currencies					10% change without hedging	10% change taking hedging into account	
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	-	-	-
Purchase currencies							
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.

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 70 per cent.

Events after the financial year

Finnair announced on 23 January 2023 that its Board of Directors 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.

After the financial year, 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 euros 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 result or balance sheet due to simultaneous release of the related maintenance liabilities, in connection with the lease termination.

After the financial year, 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.

Financial reporting in 2023

The publication dates of Finnair's financial reports in 2023 are the following:

- Interim Report for January – March 2023 on Thursday 27 April 2023
- Half-year Report for January – June 2023 on Friday 21 July 2023
- Interim Report for January – September 2023 on Tuesday 31 October 2023

FINNAIR PLC
Board of Directors

Briefings

Finnair will hold a results press conference (in Finnish) on 15 February 2023 at 11:00 a.m. at its office at Tietotie 9. It is also possible to participate in the press conference via a live webcast at https://finnairgroup.videosync.fi/2023-0215-press.

An English-language telephone conference and webcast will begin at 1:00 p.m. Finnish time. To access the conference, kindly first register at https://palvelu.flik.fi/teleconference/?id=10010294. After the registration, you will be provided with phone numbers and a conference ID. To join the live webcast, please register at https://finnairgroup.videosync.fi/2022-q4.

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Key performance indicators

EUR in millions, unless otherwise indicated	Q4 2022	Q4 2021	Change %	2022	2021	Change %
Revenue and profitability						
Revenue	687.3	413.5	66.2	2,356.6	838.4	181.1
Comparable operating result	17.9	-65.2	127.5	-163.9	-468.9	65.0
Comparable operating result, % of revenue	2.6	-15.8	18.4 %-p	-7.0	-55.9	49.0 %-p
Operating result	38.0	-60.2	163.2	-200.6	-454.4	55.9
Comparable EBITDA, % of revenue	14.4	3.1	11.4 %-p	6.5	-17.8	24.3 %-p
Earnings per share (EPS), basic, EUR	0.03	-0.06	148.4	-0.36	-0.34	-5.1
Earnings per share (EPS), diluted, EUR	0.03	-0.06	148.4	-0.36	-0.34	-5.1
Unit revenue per available seat kilometre (RASK), cents/ASK	8.40	6.69	25.5	7.53	6.93	8.6
Unit revenue per revenue passenger kilometre (yield), cents/RPK	9.05	7.14	26.8	8.09	8.13	-0.5
Unit cost per available seat kilometre (CASK), cents/ASK	8.18	7.75	5.6	8.05	10.81	-25.5
CASK excluding fuel, cents/ASK	5.39	6.09	-11.4	5.38	9.06	-40.6
Capital structure						
Equity ratio, %				9.9	11.8	-1.8 %-p
Gearing, %				266.4	321.8	-55.4 %-p
Interest-bearing net debt				1,094.0	1,530.9	-28.5
Interest-bearing net debt / Comparable EBITDA, LTM				7.1	-10.3	17.4 %-p
Gross capital expenditure	61.8	128.7	-51.9	199.6	434.5	-54.1
Return on capital employed (ROCE), LTM, %				-6.1	-13.9	7.8 %-p
Traffic						
Passengers, 1,000	2,451	1,523	60.9	9,096	2,852	> 200
Flights, number	23,858	17,919	33.1	88,713	41,392	114.3
Available seat kilometres (ASK), million	8,186	6,181	32.4	31,298	12,094	158.8
Revenue passenger kilometres (RPK), million	5,918	3,068	92.9	21,157	5,178	> 200
Passenger load factor (PLF), %	72.3	49.6	22.7 %-p	67.6	42.8	24.8 %-p
Strengthening unit revenues						
Net Promoter Score (NPS)	40	29	36.9	40	38	4.8
Share of digital direct ticket sales, %	43.0	49.0	-6.0 %-p	44.0	51.0	-7.0 %-p
Average number of monthly visitors at finnair.com, millions	1.8	2.0	-9.7	2.3	1.1	104.5
Active users for Finnair mobile app, thousands	721.0	473.0	52.4	711.0	326.0	118.1
Ancillary and retail revenue	32.4	19.4	67.2	123.2	44.1	179.1
Reducing unit costs						
Jet fuel consumption, tonnes	210,599	163,446	28.8	788,104	364,478	116.2
On-time performance, %	80.4	72.3	8.1 %-p	79.0	82.3	-3.3 %-p
Sustainability						
Flight CO_2 emissions, tonnes	663,388	514,856	28.8	2,482,528	1,148,107	116.2
Non-flight CO_2 emissions, tonnes				6,597	6,239	5.7
Flight CO_2 emissions, kg/ASK	0.0810	0.0833	-2.7	0.0793	0.0949	-16.4
Flight CO_2 emissions, kg/RTK	0.9251	0.8942	3.5	0.9269	0.9317	-0.5
People						
Average number of employees	5,256	5,365	-2.0	5,336	5,614	-4.9
Employee Net Promoter Score (eNPS)				-17	-31	45.2
Absences due to illness, %	5.26	3.28	1.98 %-p	5.37	2.31	3.06 %-p
Lost-time injury frequency (LTIF)	3.9	5.4	-27.0	6.8	5.6	20.4
Attrition rate, LTM, %				7.3	6.8	0.5 %-p

PERFORMANCE INDICATORS CLASSIFIED AS ALTERNATIVE PERFORMANCE MEASURES

Finnair uses alternative performance measures (APM) referred to in the European Securities Markets Authority (ESMA) guidelines to describe its operational and financial performance in order to enhance comparability between financial periods and to enable better comparability relative to its industry peers. The alternative performance measures do not replace IFRS indicators.

Alternative performance measures		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.
Comparable EBITDA	Comparable operating result + Depreciation and impairment	Comparable EBITDA is presented to better reflect the Group's business performance when comparing results to previous periods. Comparable EBITDA is a common measure in airline business which aims to reflect comparable operating result excluding capital cost.
Comparable EBITDA, % of revenue	Comparable EBITDA / Revenue x 100	Comparable EBITDA is presented to better reflect the Group's business performance when comparing results to previous periods. Comparable EBITDA is a common measure in airline business which aims to reflect comparable operating result excluding capital cost.
Equity ratio, %	Equity total / Equity and liabilities total x 100	Equity ratio provides information on the financial leverage used by the Group to fund its assets.
Adjusted interest-bearing liabilities	Lease liabilities + Other interest-bearing liabilities + Cross currency interest rate swaps in derivative financial instruments	Component used in calculating gearing.
Cash funds	Cash and cash equivalents + Other financial assets	Component used in calculating gearing. Cash funds represent the total amount of financial assets that are available for use within short notice. Therefore, cash funds provide the true and fair view of the Group's financial position.
Interest-bearing net debt	Adjusted interest-bearing liabilities - Cash funds	Interest-bearing net debt provides view of the Group's total external debt financing.
Gearing, %	Interest-bearing net debt / Equity total x 100	Gearing provides view of the level of the Group's indebtedness.
Interest-bearing net debt / Comparable EBITDA, LTM	Interest-bearing net debt / Comparable EBITDA, for the last twelve months	The ratio provides information on the Group's leverage by comparing the Group's net debt to the amount of income generated before covering interest, taxes, depreciation and impairment.
Gross capital expenditure	Additions in fixed assets + New contracts in right-of-use assets + Reassessments and modifications in right-of-use assets	Gross capital expenditure provides information on the Group's capitalized investments and lease modifications.
Return on capital employed (ROCE), LTM, %	(Result before taxes + Financial expenses + Exchange rate gains and losses, for the last twelve months) / (Equity total + Lease liabilities + Other interest-bearing liabilities, average of reporting period and comparison period)	The ratio provides a view to monitor the return of capital employed.

RECONCILIATION OF PERFORMANCE INDICATORS CLASSIFIED AS ALTERNATIVE PERFORMANCE MEASURES

Items affecting comparability EUR in millions	Q4 2022	Q4 2021	Change %	2022	2021	Change %
Operating result	**38.0**	**-60.2**	**163.2**	**-200.6**	**-454.4**	**55.9**
Unrealized changes in foreign currencies of fleet overhaul provisions	-19.2	3.4	<-200	8.8	11.7	-24.8
Fair value changes of derivatives where hedge accounting is not applied	1.2		-	-0.9	0.0	<-200
Sales gains and losses on aircraft and other transactions	0.2	0.3	-43.9	-6.6	-5.6	-16.5
Impairment on A330 aircraft			-	32.7		-
Changes in defined benefit pension plans		-7.7	100.0		-20.6	100.0
Restructuring costs	-2.2	-1.1	-101.8	2.6	0.0	> 200
Comparable operating result	**17.9**	**-65.2**	**127.5**	**-163.9**	**-468.9**	**65.0**
Depreciation and impairment	81.2	77.9	4.2	317.1	319.8	-0.9
Comparable EBITDA	**99.1**	**12.6**	**> 200**	**153.2**	**-149.0**	**> 200**

Equity ratio EUR in millions, unless otherwise indicated	2022	2021	Change %
Equity total	410.7	475.7	-13.7
Equity and liabilities total	4,133.0	4,047.1	2.1
Equity ratio, %	**9.9**	**11.8**	**-1.8 %-p**

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	Change %
Lease liabilities	1,330.7	1,381.0	-3.6
Other interest-bearing liabilities	1,298.5	1,427.9	-9.1
Cross currency interest rate swaps*	-10.7	-12.3	12.7
Adjusted interest-bearing liabilities	**2,618.4**	**2,796.6**	**-6.4**
Other financial assets	-738.6	-531.4	-39.0
Cash and cash equivalents	-785.8	-734.3	-7.0
Cash funds	**-1,524.4**	**-1,265.7**	**-20.4**
Interest-bearing net debt	**1,094.0**	**1,530.9**	**-28.5**
Equity total	410.7	475.7	-13.7
Gearing, %	**266.4**	**321.8**	**-55.4 %-p**
Comparable EBITDA, LTM	153.2	-149.0	> 200
Interest-bearing net debt / Comparable EBITDA, LTM	**7.1**	**-10.3**	**17.4 %-p**

* Cross-currency interest rate swaps are used for hedging the currency and interest rate risk of interest-bearing loans, but hedge accounting is not applied. Changes in fair net value correlate with changes in the fair value of interest-bearing liabilities. Therefore, the fair net value of cross-currency interest rate swaps recognised in derivative assets/liabilities and reported in notes 10 and 11, is considered an interest-bearing liability in the net debt calculation.

Gross capital expenditure EUR in millions	Q4 2022	Q4 2021	Change %	2022	2021	Change %
Additions in fixed assets	41.0	11.2	> 200	125.8	28.7	> 200
New contracts in right-of-use assets	3.7	117.0	-96.8	9.5	380.6	-97.5
Reassessments and modifications in right-of-use assets	17.1	0.4	> 200	64.3	25.3	154.3
Gross capital expenditure	**61.8**	**128.7**	**-51.9**	**199.6**	**434.5**	**-54.1**

Return on capital employed (ROCE), LTM EUR in millions, unless otherwise indicated	31 Dec 2022	31 Dec 2021	Change %
Result before taxes, LTM	-370.7	-581.9	36.3
Financial expenses, LTM	137.9	117.8	17.0
Exchange rate gains and losses, LTM	38.8	22.5	72.7
Return, LTM	**-194.0**	**-441.6**	**56.1**
Equity total	410.7	475.7	-13.7
Lease liabilities	1,330.7	1,381.0	-3.6
Other interest-bearing liabilities	1,298.5	1,427.9	-9.1
Capital employed	**3,039.8**	**3,284.6**	**-7.5**
Capital employed, average of reporting period and comparison period	**3,162.2**	**3,180.0***	**-0.6**
Return on capital employed (ROCE), LTM, %	**-6.1**	**-13.9**	**7.8 %-p**

* Capital employed accounted was EUR 3,075.4 million as at 31 Dec 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

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). Result is between +100 and -100.
Share of digital direct ticket sales	Share of ticket sales in Finnair's own direct channels in relation to total ticket sales for the period. Direct channels include Finnair.com, Finnair mobile app, New Distribution Capability (NDC) solutions and Finnair Holidays.

Sustainability	
Flight CO_2 emissions	CO_2 emissions from jet fuel consumption
Non-flight CO_2 emissions	CO_2 emissions from electricity and heating consumption of facilities and fuel consumption of ground equipment

People	
Employee Net Promoter Score (eNPS)	Employee Net Promoter Score (eNPS) is based on a question: "How likely would you be to recommend Finnair as an employer to a relative, friend or colleague?" Scale is 0-10: The share of detractors (ratings 0-6) is deducted from the share of promoters (ratings 9-10). Result is between +100 and -100.
Absences due to illness	Share of sickness absence hours relating to planned working hours
Lost-time injury frequency (LTIF)	The number of workplace accidents per million working hours
Attrition rate, LTM	Number of leavers on own request during the last twelve months compared to active employments on reporting date and leavers on own request during the last twelve months

Financial statements release – Consolidated financial report 1 Jan – 31 Dec 2022

CONSOLIDATED INCOME STATEMENT

EUR in millions	Note	Q4 2022	Q4 2021	2022	2021
Revenue	**5**	**687.3**	**413.5**	**2,356.6**	**838.4**
Other operating income	6	37.3	13.4	153.5	62.5
Operating expenses					
Staff and other crew related costs	7	-112.6	-76.4	-449.6	-229.3
Fuel costs		-229.0	-102.4	-835.1	-211.4
Capacity rents		-26.2	-22.9	-102.5	-71.3
Aircraft materials and overhaul		-33.1	-39.5	-192.4	-117.2
Traffic charges		-51.1	-53.4	-206.5	-120.4
Sales, marketing and distribution costs		-26.7	-19.0	-103.1	-38.1
Passenger and handling services		-98.5	-65.2	-348.0	-148.0
Depreciation and impairment	8	-81.2	-77.9	-349.8	-319.8
Property, IT and other expenses		-28.1	-30.4	-123.7	-99.7
Operating result		**38.0**	**-60.2**	**-200.6**	**-454.4**
Financial income		7.1	0.1	6.5	12.8
Financial expenses		-36.7	-33.6	-137.9	-117.8
Exchange rate gains and losses		46.9	-11.2	-38.8	-22.5
Result before taxes		**55.3**	**-104.8**	**-370.7**	**-581.9**
Income taxes	13	-2.0	21.2	-105.4	117.6
Result for the period		**53.3**	**-83.7**	**-476.2**	**-464.3**
Attributable to					
Owners of the parent company		53.3	-83.7	-476.2	-464.3
Earnings per share attributable to shareholders of the parent company, EUR					
Basic earnings per share		0.03	-0.06	-0.36	-0.34
Diluted earnings per share		0.03	-0.06	-0.36	-0.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR in millions	Q4 2022	Q4 2021	2022	2021
Result for the period	**53.3**	**-83.7**	**-476.2**	**-464.3**
Other comprehensive income items				
Items that may be reclassified to profit or loss in subsequent periods				
Change in fair value of hedging instruments	-11.5	-5.6	-13.8	30.1
Tax effect		1.1	0.1	-6.0
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial gains and losses from defined benefit plans	8.3	18.3	49.9	43.0
Tax effect	-1.7	-3.7	-10.0	-8.6
Other comprehensive income items total	**-4.9**	**10.2**	**26.2**	**58.4**
Comprehensive income for the period	**48.4**	**-73.5**	**-450.0**	**-405.9**
Attributable to				
Owners of the parent company	48.4	-73.5	-450.0	-405.9

CONSOLIDATED BALANCE SHEET

EUR in millions	Note	2022	2021
ASSETS			
Non-current assets			
Fleet	15, 17	894.8	946.3
Right-of-use fleet	16, 17	932.9	1,025.3
Fleet total		1,827.6	1,971.6
Other fixed assets	15, 17	150.1	162.3
Right-of-use other fixed assets	16, 17	145.4	156.4
Other fixed assets total		295.5	318.7
Pension assets	19	120.0	80.9
Other non-current assets		4.5	6.9
Deferred tax assets	13	80.6	191.9
Non-current assets total		**2,328.3**	**2,569.9**
Current assets			
Receivables related to revenue		134.9	110.9
Inventories and other current assets		122.0	55.8
Derivative financial instruments	10, 11	23.5	26.1
Other financial assets	11	738.6	531.4
Cash and cash equivalents		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**
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	20	1,128.0	1,204.1
Other interest-bearing liabilities	20	1,058.4	986.2
Pension obligations		0.7	0.7
Provisions and other liabilities	22	186.4	200.7
Non-current liabilities total		**2,373.5**	**2,391.6**
Current liabilities			
Lease liabilities	20	202.7	176.9
Other interest-bearing liabilities	20	240.1	441.7
Provisions	22	71.7	13.8
Trade payables		90.3	53.5
Derivative financial instruments	10, 11	36.7	0.4
Deferred income and advances received	23	452.0	291.1
Liabilities related to employee benefits		111.2	74.4
Other liabilities		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**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR in millions	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Capital loan	Equity total
Equity 1 Jan 2022	**75.4**	**168.1**	**16.6**	**762.0**	**-744.5**	**198.0**		**475.7**
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
Comprehensive income for the period			**26.2**		**-476.2**			**-450.0**
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
Equity 31 Dec 2022	**75.4**	**168.1**	**42.8**	**763.3**	**-1,237.0**	**198.0**	**400.0**	**410.7**

EUR in millions	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Capital loan	Equity total
Equity 1 Jan 2021	**75.4**	**168.1**	**-41.8**	**759.5**	**-262.6**	**198.0**		**896.6**
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
Comprehensive income for the period			**58.4**		**-464.3**			**-405.9**
Hybrid bond interests and expenses					-16.4			-16.4
Acquisitions of own shares					-1.1			-1.1
Share-based payments				2.4				2.4
Equity 31 Dec 2021	**75.4**	**168.1**	**16.6**	**762.0**	**-744.5**	**198.0**		**475.7**

CONSOLIDATED CASH FLOW STATEMENT

EUR in millions	Q4 2022	Q4 2021	2022	2021
Cash flow from operating activities				
Result before taxes	55.3	-104.8	-370.7	-581.9
Depreciation and impairment	81.2	77.9	349.8	319.8
Financial income and expenses	-17.3	44.6	170.2	127.5
Sales gains and losses on aircraft and other transactions	0.2	0.3	-6.6	-19.4
Change in provisions	-10.2	4.9	45.2	19.8
Employee benefits	0.8	-5.4	12.7	-4.3
Other adjustments	2.6	3.4	2.1	3.3
Non-cash transactions	-6.8	2.9	60.0	18.9
Changes in trade and other receivables	19.9	-28.4	-86.9	-49.9
Changes in inventories	-0.6	-1.0	-10.1	1.9
Changes in trade and other payables	-42.7	150.6	249.5	257.3
Changes in working capital	-23.4	121.3	152.5	209.2
Financial expenses paid, net	-59.2	-17.6	-96.1	-99.3
Net cash flow from operating activities	**29.9**	**124.6**	**259.0**	**-25.3**
Cash flow from investing activities				
Investments in fleet	-13.4	-27.0	-83.1	-70.3
Investments in other fixed assets	-1.6	-0.5	-4.9	-6.0
Divestments of fleet, other fixed assets and shares	0.0	37.8	25.5	441.7
Lease and lease interest payments received	0.2	2.1	0.4	11.7
Change in other current financial assets (maturity over 3 months)	-38.9	-79.2	-12.8	-67.5
Change in other non-current assets	-0.6	0.0	-0.7	0.0
Net cash flow from investing activities	**-54.3**	**-66.8**	**-75.5**	**309.6**
Cash flow from financing activities				
Proceeds from loans				396.7
Loan repayments	-9.7	-15.0	-144.0	-154.8
Repayments of lease liabilities	-52.1	-42.4	-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	**-61.8**	**-57.4**	**42.1**	**73.4**
Change in cash flows	**-86.2**	**0.4**	**225.6**	**357.8**
Liquid funds, at beginning	1,461.8	1,149.6	1,150.0	792.2
Change in cash flows	-86.2	0.4	225.6	357.8
Liquid funds, at end *	**1,375.6**	**1,150.0**	**1,375.6**	**1,150.0**
*** Liquid funds**				
Other financial assets	738.6	531.4	738.6	531.4
Cash and cash equivalents	785.8	734.3	785.8	734.3
Cash funds	**1,524.4**	**1,265.7**	**1,524.4**	**1,265.7**
Other current financial assets (maturity over 3 months)	-148.8	-115.7	-148.8	-115.7
Liquid funds	**1,375.6**	**1,150.0**	**1,375.6**	**1,150.0**

NOTES TO THE FINANCIAL STATEMENTS RELEASE – CONSOLIDATED FINANCIAL REPORT 1 JAN – 31 DEC 2022

1. BASIS OF PREPARATION

This consolidated financial statements release has been prepared in accordance with the Interim Financial Reporting standard IAS 34 and its figures are unaudited. The financial statements release has been authorized for publication on 14 February 2023.

2. ACCOUNTING PRINCIPLES

The accounting principles applied in the financial statements release correspond to the principles disclosed in the Consolidated Financial Statements 2022. The figures presented in the financial statements release are rounded and consequently the sum of individual figures may not precisely add up to the corresponding totals stated herein. The reported key figures have been calculated using exact figures.

3. CRITICAL ACCOUNTING ESTIMATES AND SOURCES OF UNCERTAINTY

The preparation of the consolidated financial statements release requires the company's management to make estimates and assumptions that influence the levels of reported assets and liabilities as well as the revenue and expenses. The actual outcome may differ from the estimates made. The main identified items requiring the use of critical accounting estimates and assumptions include impairment testing, leasing arrangements, pension obligations, maintenance reserves of the fleet, Finnair Plus - customer loyalty program, derivates and hedge accounting as well as deferred tax assets. Finnair has also considered the expected impact of climate related matters 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 prepared in connection with the consolidated financial statements. In addition to the above-mentioned items, the Board of Directors' assessment of going concern is based on management estimates about the future events and developments and other information available to the management at the time of the assessment. The Board of Directors assessment of going concern has been described in more detail in note 4. The main critical accounting estimates and sources of uncertainty are disclosed in the 2022 financial statements and in this note.

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 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, 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.

Finnair's management is continuously monitoring the impacts of the war in Ukraine and the other changes in the operating environment and updates its estimates and assumptions based on the latest available information. Finnair estimates that the difficult operating environment, inclusive of the closed Russian airspace, will prevail for a longer period and, therefore, the company prepared a new strategy to improve its weak profitability and to strengthen its financial position. The new strategy was announced on 7 September 2022.

Due to the changes in the operating environment and the difficulty of predicting them, the management's estimates and assumptions used in this financial statements release as well as the amount of reported assets and liabilities and income and expenses, are subject to greater uncertainty. It is especially difficult to forecast the duration of the Russian airspace closure and therefore, its impact on Finnair's future profitability, financial position and cash flows may differ from the current management estimates and assumptions made. The latest forecast scenarios used in this financial statements release as well as their effect on the assessment of the going concern and impairment testing are described in more detail in the notes 4. Board's assessment of Finnair as a going concern and 17. Impairment testing.

4. THE BOARD OF DIRECTORS' ASSESSMENT OF FINNAIR AS A GOING CONCERN

The consolidated financial statements release for the period ending 12 December 2022 has been prepared based on the going concern assumption. The Finnair Board of Directors has assessed the Group's ability to continue as a going concern based on the Group's ability to meet its obligations as they fall due at least 12 months after the financial statement release is 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 as well as management's continuous assessment of the impacts of Russian airspace closure and the COVID-19 pandemic on the Group's financial situation. Due to the uncertainty embedded in the economic environment and the difficulty of forecasting its duration, the Board of Directors has considered three different forecast scenarios prepared by the management that cover a period of 36 months from January 2023 until December 2025. The forecast scenarios differ mainly in regard to impacts of a possible economic downturn as well as the estimated duration of the Russian airspace closure. The main identified uncertainties and management assumptions relating to the forecast scenarios and the going concern assessment are described in more detail in the consolidated financial statements 2022 and in the above note 3. Critical accounting estimates and sources of uncertainty.

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 long-term impacts of the Russian airspace closure and increased fuel prices. Under the base case scenario and the more pessimistic scenario updated in connection with the financial statements, 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. Finnair would optimize its capacity and network in all three scenarios as well as significantly enhance its operations by mid-2024 in accordance with the renewed strategy. 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. 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. Under all scenarios, Finnair will be able to meet its obligations as they fall due at least 12 months after the date that the financial statements are issued.

While the duration and the wider impacts of the Russian airspace closure are not in the sphere of Finnair's influence, Finnair continues to adjust its operational capacity and reducing costs as part of its new strategy.

Considering the circumstances and uncertainties mentioned in the consolidated financial statements 2022 and above, as well as the already realized and planned measures to mitigate the impacts of the closure of the Russian airspace and COVID-19-pandemic, the Board of Directors has concluded that the assessment does not cast significant doubt on the Group's ability to continue as a going concern and consequently, the Group continues to adopt the going concern basis of accounting in preparing the consolidated financial statements and the financial statements release. The Board of Director's conclusion is based on the information available as at the date of the issuance of the annual 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 a period of at least 12 months after the date that the consolidated financial statements is issued. The management and the Board of Directors have also considered events and developments taking place after the balance sheet date and concluded that there is no material impact on the scenarios approved by the Board of Directors and the going concern assessment of the Group.

Despite the various mitigating measures implemented by Finnair, including the commencement of the strategy implementation, its financial performance in the upcoming months will be significantly affected by the closure of Russian airspace and high jet fuel prices, leading to weaker financial performance as compared to the pre-pandemic levels, for a duration that is currently uncertain. Should future events or conditions cause the Group to be unable to continue its operations in accordance with the Board of Director's current assessment, using the going concern principle may prove to be no longer justified and the carrying values as well as the classification of the Group's assets and liabilities would have to be adjusted accordingly.

5. SEGMENT INFORMATION AND REVENUE

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

Finnair's quarterly revenue increased when compared to the fourth quarter of 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.

Revenue by product and traffic area

Q4 2022, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	166.9	49.6	284.6	42.4	-7.9	**535.5**	77.9
Ancillary and retail revenue	6.2	2.3	10.6	1.2	12.1	**32.4**	4.7
Cargo	44.1	12.0	10.7	0.1	1.6	**68.6**	10.0
Travel services	5.1	0.2	45.4	0.0	0.1	**50.8**	7.4
Total	**222.3**	**64.2**	**351.3**	**43.7**	**5.8**	**687.3**	
Share %	32.3	9.3	51.1	6.4	0.8		

Q4 2021, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	38.9	24.7	122.0	27.1	6.1	**218.9**	52.9
Ancillary and retail revenue	3.5	1.5	6.5	1.3	6.6	**19.4**	4.7
Cargo	101.1	23.4	16.9	0.1	5.7	**147.1**	35.6
Travel services	1.5	0.0	26.4	0.2	0.0	**28.1**	6.8
Total	**145.0**	**49.7**	**171.8**	**28.6**	**18.4**	**413.5**	
Share %	35.1	12.0	41.5	6.9	4.5		

2022, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
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 %	28.8	14.4	48.5	5.7	2.5		

2021, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	75.3	38.6	243.6	60.3	3.0	**420.8**	50.2
Ancillary and retail revenue	9.7	1.8	10.7	2.5	19.4	**44.1**	5.3
Cargo	236.3	49.8	35.9	0.2	12.6	**334.7**	39.9
Travel services	1.5	0.0	35.8	1.3	0.0	**38.7**	4.6
Total	**322.8**	**90.2**	**326.0**	**64.4**	**35.0**	**838.4**	
Share %	38.5	10.8	38.9	7.7	4.2		

Key figures quarterly, last 24 months	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	**687.3**	**719.2**	**550.3**	**399.8**	**413.5**	**199.4**	**111.8**	**113.6**
Passenger revenue	535.5	553.9	393.6	227.6	218.9	113.9	44.9	43.2
Ancillary and retail revenue	32.4	36.3	27.7	26.7	19.4	10.5	5.7	8.6
Cargo	68.6	73.4	89.8	120.5	147.1	65.4	61.2	60.9
Travel services	50.8	55.5	39.1	25.0	28.1	9.7	0.0	0.9
Comparable EBITDA	**99.1**	**114.1**	**-6.0**	**-54.1**	**12.6**	**-30.7**	**-70.0**	**-60.9**
Comparable operating result	**17.9**	**35.2**	**-84.2**	**-132.9**	**-65.2**	**-109.1**	**-151.3**	**-143.2**
Operating result	**38.0**	**19.2**	**-92.9**	**-164.9**	**-60.2**	**-106.0**	**-139.1**	**-149.1**

6. OTHER OPERATING INCOME

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

EUR in millions	Q4 2022	Q4 2021	Change %	2022	2021	Change %
Lease income	31.9	8.2	> 200	118.8	23.0	> 200
Sales gains on fixed assets	0.0	0.4	-95.5	6.8	23.3	-70.7
Other income	5.4	4.7	13.2	27.9	16.2	71.9
Total	**37.3**	**13.4**	**179.0**	**153.5**	**62.5**	**145.6**

7. STAFF AND OTHER CREW RELATED COSTS

Staff and other crew-related costs increased due to the added capacity and longer Asian routings, although the achieved cost savings, including the COVID-19-related temporary and permanent layoffs, were visible.

EUR in millions	Q4 2022	Q4 2021	Change %	2022	2021	Change %
Wages and salaries	-74.3	-57.7	-28.6	-297.3	-185.8	-60.0
Defined contribution schemes	-12.7	-8.8	-45.0	-55.4	-30.1	-84.3
Defined benefit schemes	-0.2	6.2	-102.6	-11.4	6.6	<-200
Pension expenses total	-12.9	-2.6	<-200	-66.8	-23.4	-185.0
Other social expenses	-11.4	-6.5	-75.3	-31.6	-0.6	<-200
Salaries, pension and social costs	**-98.5**	**-66.8**	**-47.4**	**-395.7**	**-209.9**	**-88.5**
Operative staff related costs	-7.4	-3.6	-107.0	-27.6	-8.3	<-200
Leased and outsourced crew	-4.8	-4.7	-2.4	-19.0	-7.2	-162.7
Other personnel related costs	-1.9	-1.3	-49.7	-7.3	-3.9	-89.9
Total	**-112.6**	**-76.4**	**-47.5**	**-449.6**	**-229.3**	**-96.1**

8. DEPRECIATION AND IMPAIRMENT

EUR in millions	Q4 2022	Q4 2021	Change %	2022	2021	Change %
Depreciation of owned fleet	-31.0	-31.0	-0.3	-120.9	-155.7	22.3
Depreciation of other fixed assets	-4.4	-4.8	10.0	-18.9	-20.5	7.6
Depreciation of right-of-use fleet	-40.3	-35.6	-13.3	-156.0	-123.2	-26.6
Depreciation of right-of-use other assets	-5.4	-5.0	-9.4	-21.3	-18.5	-15.5
Depreciation	**-81.2**	**-76.4**	**-6.3**	**-317.1**	**-317.8**	**0.2**
Impairment		-1.5	100.0	-32.7	-2.0	<-200
Total	**-81.2**	**-77.9**	**-4.2**	**-349.8**	**-319.8**	**-9.4**

Impairment for the period is presented more in detail in the note 17. Impairment testing.

9. 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.

EUR in millions	Q4 2022 Reported	Q4 2022 Items affecting compa-rability	Q4 2022 Compa-rable	Q4 2021 Reported	Q4 2021 Items affecting compa-rability	Q4 2021 Compa-rable
Revenue	**687.3**		**687.3**	**413.5**		**413.5**
Other operating income	37.3	0.0	37.2	13.4	-0.4	13.0
Operating expenses						
Staff and other crew related costs	-112.6	-1.9	-114.5	-76.4	-7.7	-84.0
Fuel costs	-229.0	1.2	-227.9	-102.4		-102.4
Capacity rents	-26.2		-26.2	-22.9		-22.9
Aircraft materials and overhaul	-33.1	-19.2	-52.2	-39.5	3.4	-36.1
Traffic charges	-51.1		-51.1	-53.4		-53.4
Sales, marketing and distribution costs	-26.7		-26.7	-19.0		-19.0
Passenger and handling services	-98.5		-98.5	-65.2		-65.2
Property, IT and other expenses	-28.1	-0.2	-28.3	-30.4	-0.4	-30.8
EBITDA			**99.1**			**12.6**
Depreciation and impairment	-81.2		-81.2	-77.9		-77.9
Operating result	**38.0**	**-20.1**	**17.9**	**-60.2**	**-5.1**	**-65.2**

EUR in millions	2022 Reported	2022 Items affecting compa-rability	2022 Compa-rable	2021 Reported	2021 Items affecting compa-rability	2021 Compa-rable
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.

10. MANAGEMENT OF FINANCIAL RISKS

The Group's risk management principles have changed during the reporting period. Changes concern operational cashflow hedging for foreign exchange and jet fuel. 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 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. The 12-month rolling hedging period remained unchanged. The tables below present the nominal value, or the amount and net fair value of derivative contracts used in Group's hedge accounting. In addition to derivates Finnair has also used USD denominated investments and deposits to hedge its balance sheet exposure. The amount of these investments and deposits at the end of Q4 2022 was over 400 million dollars.

The appreciated US dollar against the euro has had a positive impact on the valuations of derivatives and the increased price of jet fuel has had a negative impact on the valuations of derivatives. On a quarter-on-quarter basis, the US dollar appreciated 12.1% against the euro and jet fuel price increased 43.9%.

Derivatives, EUR in millions	**2022**		**2021**	
	Nominal value	Fair net value	Nominal value	Fair net value
Currency derivatives				
Operational cash flow hedging (forward contracts)	284.7	-7.3	57.4	0.7
Operational cash flow hedging (options)				
Bought options			4.5	0.0
Sold options			4.3	0.0
Fair value hedging of aircraft acquisitions	183.7	-11.6	162.9	8.8
Hedge accounting items total	468.4	-18.9	229.2	9.5
Balance sheet hedging (forward contracts)	337.7	-0.3	270.1	0.0
Items outside hedge accounting total	337.7	-0.3	270.1	0.0
Currency derivatives total	**806.1**	**-19.3**	**499.3**	**9.5**
Commodity derivatives				
Jet fuel forward contracts, tonnes	209,000	-2.5	68,000	3.9
Options				
Bought options, jet fuel, tonnes	149,000	4.8		
Sold options, jet fuel, tonnes	149,000	-7.8		
Hedge accounting items total	507,000	-5.6	68,000	3.9
Options				
Bought options, jet fuel, tonnes	149,000	0.9		
Items outside hedge accounting total	149,000	0.9		
Commodity derivatives total	**656,000**	**-4.6**	**68,000**	**3.9**
Currency and interest rate swaps and options				
Cross currency interest rate swaps	253.1	10.7	280.3	12.3
Items outside hedge accounting total	253.1	10.7	280.3	12.3
Interest rate derivatives total	**253.1**	**10.7**	**280.3**	**12.3**
Derivatives total		**-13.2**		**25.7**

11. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Fair value hierarchy of financial assets and liabilities valued at fair value			
Fair values at the end of the reporting period, EUR in millions	2022	Level 1	Level 2
Financial assets at fair value through profit and loss			
Securities held for trading	738.6	690.8	47.8
Derivatives held for trading			
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
Total	**762.1**	**690.8**	**71.3**
Financial liabilities recognised at fair value through profit and loss			
Derivatives held for trading			
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
Total	**36.7**		**36.7**

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

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

12. COMPANY ACQUISITIONS AND DIVESTMENTS

There were no business acquisitions or divestments during the year 2022.

13. INCOME TAXES

Finnair has not recognized deferred tax assets arising from losses and temporary differences during financial year 2022 due to the significant uncertainty caused by the closure of the Russian airspace. In the second quarter of the financial year, a write-down of 117 million euros was recognized from deferred tax assets related to confirmed tax losses for years 2020 and 2021.

The forecast scenarios and the expected probabilities have been updated in connection with the preparation of the financial statements and are based on the new strategy announced by Finnair in September, which aims to restore profitability and targets to reach pre-pandemic comparable operating result level of 5% from mid-2024 onwards. Based on the 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 can be utilized, corresponding to taxable losses of approximately 497 million euros from financial years 2020 and 2021, which will expire in 2030 and 2031. 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.

The netted deferred tax asset recognized in the consolidated balance sheet at the end of the reporting period was 80.6 million euros (31 December 2021: 191.9) which includes the remaining deferred tax assets of 99 million euros related to the taxable losses of 2020 and 2021. Deferred tax assets and liabilities recognized in the balance sheet are netted as they are levied by the same taxing authority and Finnair has a legally enforceable right to set off the balances. 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 4. The Board of Directors' assessment of Finnair as a going concern and note 17. Impairment testing.

14. DIVIDEND PER SHARE

The Board of Directors proposes to the Annual General Meeting that no dividend is paid for the year 2022. In accordance with the proposal of the Board of Directors, the Annual General Meeting on 7 April 2022 resolved that no dividend was paid for the year 2021. In accordance with the proposal of the Board of Directors, the Annual General Meeting on 17 March 2021 resolved that no dividend was paid for the year 2020.

15. CHANGE IN FIXED ASSETS

EUR in millions	2022	2021
Carrying amount at the beginning of period	1,108.6	1,625.5
Additions	125.8	28.7
Change in advances	-37.4	26.3
Currency hedging of aircraft acquisitions	20.4	-22.6
Disposals and reclassifications	0.0	-371.0
Depreciation	-139.8	-176.2
Impairment	-32.7	-2.0
Carrying amount at the end of period	**1,044.9**	**1,108.6**

The additions to fixed assets are mainly related to the cabin renewal of Finnair's widebody aircraft which was launched during the first quarter of the year. The total annual depreciations were reduced during the period as compared to the prior year mainly due to the sale and leaseback arrangements of four A350 aircraft that were executed during the second half of 2021. An impairment of 32.7 million euro was recognized in the profit and loss due to the impacts from the closure of Russian airspace and the prolonged flight times to Asian destinations.

Assets held for sale

Finnair had no assets classified as held for sale at the end of the financial year 2022. In Q4 2021, Finnair transferred four A321 aircraft to assets held for sale which were sold during 2022.

16. CHANGE IN RIGHT-OF-USE ASSETS

EUR in millions	2022	2021
Carrying amount at the beginning of period	1,181.7	917.5
New contracts	9.5	380.6
Reassessments and modifications	64.3	25.3
Depreciation	-177.3	-141.6
Carrying amount at the end of period	**1,078.2**	**1,181.7**

The reassessments and modifications are mainly related to index rate changes of the lease contracts. The line item also includes an impact of 19.4 million euro from a lease extension and reclassification of aircraft sublease contracts from finance to operating lease due to contract changes. The increase in depreciations was mainly due to the sale and leaseback transactions of the A350 aircraft finalized in 2021.

17. IMPAIRMENT TESTING

Fleet and other non-current assets subject to depreciation, including the right-of-use assets, are stated at historical cost less accumulated depreciation and impairment loss, when applicable. The Group reviews the assets for impairment at each reporting date or whenever there is any indication of impairment. Intangible assets with indefinite useful life are not subject to depreciation but to impairment review at each reporting date. An impairment loss is recognized if the recoverable amount of an asset 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. Finnair applies the value in use model as its primary method for determining the recoverable amount of the assets. Finnair's impairment testing based on the value in use model is described in more detail in the consolidated financial statements 2022.

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. The impairment review based on value in use approach is carried out at the level of a cash generating unit ('CGU') and is based on Finnair's latest strategy and its current fleet as at the reporting date. Finnair is a network carrier with highly integrated fleet operations and considers all its fleet and other closely related assets as one CGU. Any assets that are held for sale are excluded from the CGU and reviewed separately for impairment. Intangible assets with indefinite useful life have been identified to belong to the CGU for impairment testing purposes. The intangible assets with indefinite useful life amount to 1.4 million euros (31 December 2021: 1.4).

The cash generating unit has been tested for impairment using value in use model based on which the recoverable amount of the CGU exceeds its carrying value at the balance sheet date. The recoverable amount of the CGU on 31 December 2022 was 2,059.2 million euros (31 December 2021: 2,748.6) and the carrying amount of the assets 1 ,635.0 million euros (December 2021: 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 Russia's war in Ukraine, Finnair is utilizing the expected cash flow approach, which is using multiple, probability-weighted cash flow projections based on the 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 in connection with the preparation of the financial statements 2022. In determining the probabilities of the scenarios, 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.

The modelling of cash flows is based on the latest forecast scenarios prepared by the management which are described more in detail in note 4. The Board of Directors' assessment of Finnair as a going concern. The scenarios differ mainly in regard to impacts of a possible economic downturn as well as the estimated 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	31 Dec 2022	30 Sep 2022	31 Dec 2021
Discount rate (post-tax, long-term weighted average cost of capital), %	8.5	7.9	7.7
Discount rate (pre-tax, long-term weighted average cost of capital), %	9.9	9.1	8.8
Long-term growth rate, %	2.6	2.6	2.8
Fuel cost range per ton (USD)	952–1015	916–1024	768–864

Preparation of the calculations used for impairment testing requires the use of significant management judgement and estimates. These estimates are based on budgets and forecasts, which already inherently contain some degree of uncertainty in addition to which 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. Sources of uncertainty and the related management judgement are described in more detail in the consolidated financial statements 2022 and in this financial statements release note 3. Critical accounting estimates and uncertainties. In order to consider the increased uncertainty in impairment testing, Finnair is using the expected cash flow approach which considers all forecast scenarios.

The long-term growth rate is based on the management's best estimate at the time of the preparation of 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. In the optimistic scenario, Finnair has estimated the long-term growth rate as 2.8%

and for the base scenario as well as for the more pessimistic scenario, the estimated growth rate is 2.5%. Thus, the long-term growth rate for the expected cash flow model is 2.6%. The discount rate used is based on the weighted average cost of capital (WACC), which reflects the market assessment of the time value of money and the risks specific in Finnair's business. Fuel price is based on 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.

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

Sensitivities	31 Dec 2022	30 Sep 2022	31 Dec 2021
EBITDA margin%, per cent point	-1.0	-0.6	-1.1
Discount rate, per cent point	+1.5	+0.9	+1.4
Long-term growth rate, per cent point	-2.1	-1.1	-1.5
Fuel cost, per cent	+3	+2	+4

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 EBITDA-margin.

18. 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 540 million euro, 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 loan, 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 under the section 21. Capital loan.

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.

19. PENSION ASSETS

Pension assets were 120.0 million euros (31 December 2021: 80.9). During financial year 2022, total amount recognised in other comprehensive income was 49.9 million euros, which mainly consists of the gain of 86.4 million euros caused by change in discount rate to 3.69% (31 December 2021: 0.74%) and change in salary increase assumptions as well as the loss of 34.9 million euros on plan assets. Service costs of 11.5 million euros were recognised in the income statement.

20. INTEREST-BEARING LIABILITIES

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. The nominal amount of the pension premium loan has remained unchanged at 600 million euro. 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. The guarantee granted to Finnair by the State of Finland is described in more detail in note 18. State aid related to Finnair's refinancing. The pension premium loan is included in Loans from financial institutions.

Appreciated US dollar has increased the amount of lease liabilities as majority of the lease liabilities are US dollar denominated.

Interest-bearing liabilities	Fair value		Book value	
EUR in millions	**2022**	**2021**	**2022**	**2021**
Non-current interest-bearing liabilities				
Lease liabilities	1,128.0	1,204.1	1,128.0	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
Total	**1,896.0**	**2,199.3**	**2,186.4**	**2,190.3**
Current interest-bearing liabilities				
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
Total	**463.0**	**618.6**	**442.7**	**618.6**

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

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).

Maturity dates of financial liabilities as at 31 Dec 2022 EUR in millions	1-12 months	13-24 months	25-36 months	37-48 months	49-60 months	Later	Total
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**
Loans from financial institutions, variable interest	200.0	200.0	200.0				**600.0**
Bonds, fixed interest			400.0				**400.0**
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**
Interest-bearing financial liabilities total*	**443.1**	**450.8**	**916.5**	**183.6**	**131.2**	**510.4**	**2,635.5**
Payments from interest rate and currency derivatives	809.4						**809.4**
Income from interest rate and 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**
Total	**820.9**	**541.2**	**986.0**	**223.5**	**160.9**	**603.2**	**3,335.7**

Maturity dates of financial liabilities as at 31 Dec 2021 EUR in millions	1-12 months	13-24 months	25-36 months	37-48 months	49-60 months	Later	Total
Lease liabilities, fixed interest	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**
Loans from financial institutions, variable interest	300.0	300.0					**600.0**
Bonds, fixed interest	98.9			400.0			**498.9**
JOLCO loans and other, fixed interest				28.1	14.0		**42.1**
JOLCO loans and other, variable interest	43.1	38.2	39.4	83.8	31.1	57.9	**293.5**
Interest-bearing financial liabilities total*	**618.9**	**518.7**	**223.4**	**690.9**	**167.3**	**596.2**	**2,815.5**
Payments from interest rate and currency derivatives	490.2						**490.2**
Income from interest rate and currency derivatives	-506.2	-1.9	-3.9				**-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**
Total	**885.4**	**607.8**	**290.4**	**748.0**	**200.8**	**704.0**	**3,436.4**

* The bonds maturing do not include the amortised cost of 2.1 million euros paid in 2021 and due in 2025. Respectively, JOLCO loans do not include the amortised cost of 3.1 million euros paid in 2016 and due in 2025. Loans from financial institutions do not include the amortised cost of 1.2 million euros paid as 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.

21. CAPITAL LOAN

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.

EUR in millions	2022	2021
Accrued interest from capital loan	15.9	

22. PROVISIONS

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

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

In balance sheet, the non-current provisions and other liabilities totalling to 186.4 million euros (31 December 2021: 200.7) include, in addition to provisions, other non-current liabilities totalling to 6.3 million euros (31 December 2021: 14.7), which mainly consists 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.

23. DEFERRED INCOME AND ADVANCES RECEIVED

EUR in millions	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
Total	**452.0**	**291.1**

24. CONTINGENT LIABILITIES

EUR in millions	2022	2021
Guarantees on behalf of group undertakings	52.5	51.0
Total	**52.5**	**51.0**

In 2022, the guarantees on behalf of group undertakings remained approximately on the same level as in 2021.

Investment commitments for property, plant and equipment as of 31 December 2022 totalled 366.1 million euros (31 December 2021: 355.3) and they relate mainly to firm aircraft orders and other aircraft related investments. Out of the total investment commitments, 62.1 million euro takes place within the next 12 months and 304.0 million euro during the following 1-5 years.

Off-balance sheet lease commitments as of 31 December 2022 totalled to 17.2 million euros (31 December 2021: 18.0). These include 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. These relate mainly to leases for facilities and IT equipment.

25. RELATED PARTY TRANSACTIONS

Related parties of the Finnair group include 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. Related party transactions include such operations that are not eliminated in the group's consolidated financial statement.

The State of Finland, which has control over Finnair owns 55.9% (31 December 2021: 55.9%) of Finnair's shares. All the transactions with other government owned companies and other related parties are on arm's length basis and are on similar terms than transactions carried out with independent parties.

EUR in millions	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		
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

26. EVENTS AFTER THE REVIEW PERIOD

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.