# Financial Statements


# Financial Statements

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

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

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

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

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

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

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# Consolidated income statement

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

# Consolidated statement of comprehensive income

| EUR mill. | Note | 2022 | 2021 |
|---|---|---|---|
| **Result for the period** | | **-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 | | -13.8 | 30.1 |
| Tax effect | | 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 | 1.3.8.2 | 49.9 | 43.0 |
| Tax effect | | -10.0 | -8.6 |
| **Other comprehensive income items total** | | **26.2** | **58.4** |
| **Comprehensive income for the period** | | **-450.0** | **-405.9** |
| | | | |
| **Attributable to** | | | |
| Owners of the parent company | | -450.0 | -405.9 |

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

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# Consolidated balance sheet

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

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

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

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# Consolidated cash flow statement

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

*** Liquid funds**

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

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

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

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# Consolidated statement of changes in equity

| EUR mill. | Share capital | Other restricted funds | Hedging reserve and other OCI items | Unrestricted equity funds | Retained earnings | Hybrid bond | Capital loan | Equity total |
|---|---|---|---|---|---|---|---|---|
| **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 mill. | 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** |

**Equity ratio at 9.9% in 2022 (11.8%)**
The Group's equity continued to decrease in 2022 due to a decrease in retained earnings resulting from the loss for the period. Equity was partly supported by the withdrawal of the hybrid loan granted by the State of Finland. The hybrid loan was converted into a capital loan during the year.

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

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# Notes to the consolidated financial statements

## Accounting principles

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

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

## Company information

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

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

## Basis of preparation

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

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

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

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

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

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

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

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

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

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

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## Board's assessment of Finnair as a going concern

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

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

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

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

As a result of the aforementioned actions, Finnair's liquidity position remained strong and as at 31 December 2022, the Group held liquid funds of 1.375,6 million euro (1,150.0). The cash funds including other current financial assets (maturity over 3 months) totalled to 1,524.4 million euro (1,265.7). The Group management and the Board of Directors continue to pay close attention to the Group's cash position considering the challenging dynamics in its current operating environment. The maturities of the Group's interest-bearing liabilities are presented in note 3.3. and information about hedging policies and management of liquidity risk is described in notes 3.5 and 3.8. Finnair had no debt covenants at the end of the financial year 2022.

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

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

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

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

## Presentation of consolidated income statement and balance sheet

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

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

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

## Critical accounting estimates and sources of uncertainty

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

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

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

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

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

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

## Climate-related matters in the consolidated financial statements

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

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

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

## Changes in accounting principles

### New and amended IFRS standards and IFRIC interpretations

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

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

! = Critical accounting estimates

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# 1 Operating result

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

## 1.1 Segment information

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

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

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

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

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

## 1.2 Operating income

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

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

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

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

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

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

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

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

Public subsidies are recognised as other operating income. A

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

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

### 1.2.1 Revenue by product and traffic area

**2022**

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

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

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

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

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**2021**

| EUR mill. | Asia | North Atlantic | Europe | Domestic | Unallo-cated | Total | Share, % of revenue by product |
|---|---|---|---|---|---|---|---|
| Passenger revenue | 75.3 | 38.6 | 243.6 | 60.3 | 3.0 | **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, % of revenue by traffic area | 38.5 | 10.8 | 38.9 | 7.7 | 4.2 | | |

## 1.2.2 Revenue by currency

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

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

## 1.2.3 Receivables related to revenue

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Trade receivables | 89.4 | 68.2 |
| Accrued income | 45.5 | 42.7 |
| **Total** | **134.9** | **110.9** |

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

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

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| Aging analysis of trade receivables | Trade receivables, EUR mill. | Probability of not collecting, % | Expected uncollectible, EUR mill. | Trade receivables, EUR mill. | Probability of not collecting, % | Expected uncollectible, EUR mill. |
| Not overdue | 87.1 | 0.5% | 0.4 | 67.7 | 0.7% | 0.5 |
| Overdue less than 60 days | 0.2 | 19.7% | 0.0 | 0.1 | 5.9% | 0.0 |
| Overdue more than 60 days | 2.1 | 6.3% | 0.1 | 0.4 | 1.4% | 0.0 |
| **Total** | **89.4** | **0.7%** | **0.6** | **68.2** | **0.7%** | **0.5** |

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

**Trade receivables by currency**

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

## 1.2.4 Deferred income and advances received

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

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

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ℹ = Content of the section

### 1.2.5 Other operating income

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Lease income | 118.8 | 23.0 |
| Sales gains on fixed assets | 6.8 | 23.3 |
| Other income | 27.9 | 16.2 |
| **Total** | **153.5** | **62.5** |

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

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

## 1.3 Operating expenses

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

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

### 1.3.1 Operating expenses by currency

| EUR mill. | 2022 | 2021 |
|---|---|---|
| EUR | 1,490.1 | 930.6 |
| USD | 1,092.3 | 364.0 |
| Other currencies | 128.3 | 60.8 |
| **Total** | **2,710.6** | **1,355.3** |

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

### 1.3.2 Passenger and handling services

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

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

### 1.3.3 Property, IT and other expenses

| EUR mill. | 2022 | 2021 |
|---|---|---|
| IT expenses | 63.9 | 55.1 |
| Property expenses | 20.6 | 15.9 |
| Other expenses | 39.2 | 28.7 |
| **Total** | **123.7** | **99.7** |

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

**Audit fees**

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Auditor's fees | 0.6 | 0.3 |
| Tax advising | | |
| Other fees | 0.0 | 0.0 |
| **Total** | **0.6** | **0.3** |

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

### 1.3.4 Inventories and other current assets

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

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

### 1.3.5 Other liabilities

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

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## 1.3.6 Provisions

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

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

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

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

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

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

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

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

## 1.3.7 Items affecting comparability

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

Unrealised exchange rate differences of mainly in US dollars denominated aircraft maintenance provisions and unrealised fair value changes of derivatives where hedge accounting is not applied are excluded from comparable operating result. These exchange rate and fair value effects are included in the comparable operating result only when they will realize. In addition, gains and losses on aircraft and other transactions, the impairment of owned A330 aircraft, certain changes in defined benefit pension plans and restructuring costs are not included in the comparable operating result.

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

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

## 1.3.8 Employee benefits

### 1.3.8.1 Employee benefit expenses and share-based payments

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

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

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

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

### Staff and other crew related costs

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

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

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

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

### Transfer to Personnel Fund

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

### Liabilities related to employee benefits

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

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

**Management remuneration**

The President and CEO and Executive Board remuneration

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

* Statutory pensions include Finnair's share of the payment to Finnish statutory "Tyel" pension plan.

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

During 2022 and 2021, the CEO and Executive Board were not paid holiday bonus.

In conjunction with the rights offering in 2020, the EU commission set restrictions to CEO and Executive Board remuneration covering years 2020-2022. The restrictions cover variable compensation payouts and any changes to fixed compensation during the years 2020-2022. As a result, the Board of Directors decided to cancel the 2018-2020, 2019-2021 and 2020-2022 LTI plans as well as the 2020-2022 STI plan for the CEO and Executive Board. A new share-based long-term Rebuild incentive program was established for the CEO and Executive Board for the period 7/2020-6/2023.

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

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

**Remuneration paid to Board of Directors**

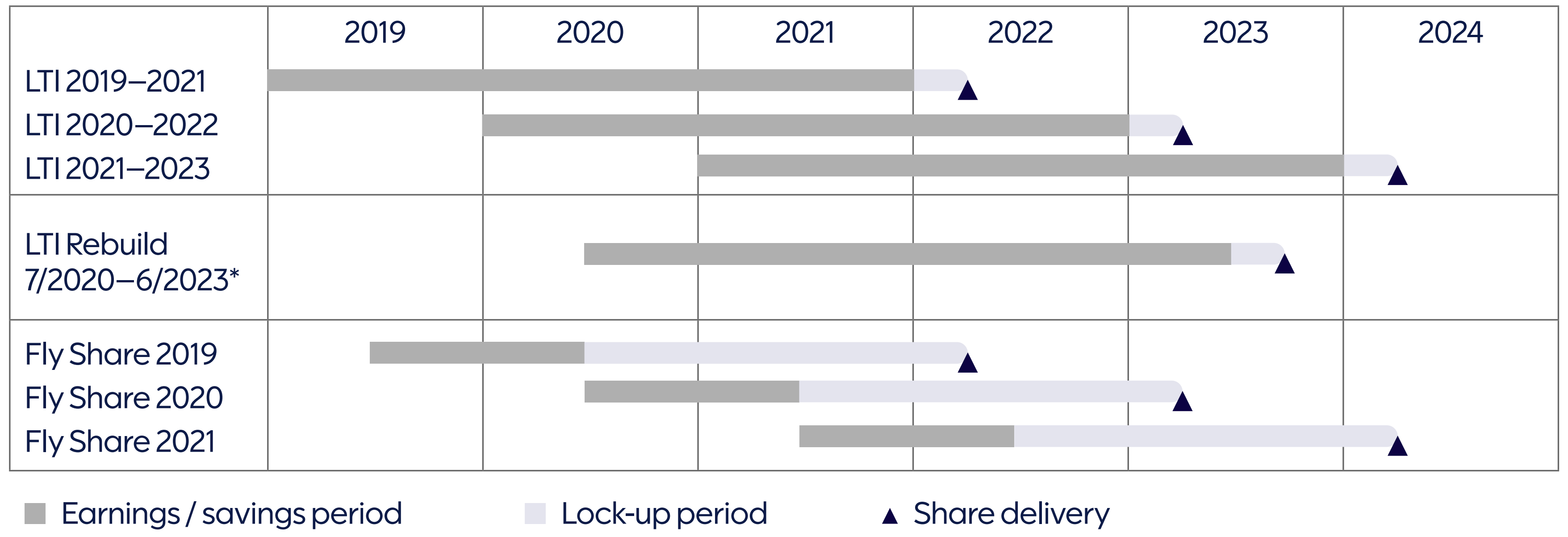
| Compensation paid for board service, EUR | Total 2022 | Fixed remuneration | Meeting compensation | Fringe benefits | Total 2021 |
|---|---|---|---|---|---|
| **Board of Directors** | **416,222** | **282,900** | **129,600** | **3,722** | **372,233** |
| Alahuhta-Kasko Tiina | 43,500 | 30,300 | 13,200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

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

**Share-based payments**

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

Finnair share-based payment plans




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

**Performance share plan for key personnel (LTI)**

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

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

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

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

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

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

**Rebuild incentive plan 7/2020-6/2023**

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

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

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

The performance criteria are set for the whole 3-year period as well as for three 12-month mid-term periods:
- 7/2020–6/2021: comparable EBITDA, gearing, lost-time injury frequency and $CO_2$ emissions (measured through fuel efficiency),
- 7/2021–6/2022: comparable EBIT, revenue, employee retention and $CO_2$ emissions (measured through fuel efficiency) as well as
- 7/2022–6/2023: comparable EBITDA, net promoter score (NPS), lost-time injury frequency and employee retention.

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

**Other incentive plans**

There are two LTI plans ongoing (2020–2022 and 2021–2023). The annually commencing performance share plans retain the three-year performance period. The potential share rewards will be delivered to the participants in one tranche after the performance period and they are at the participants' free disposal after delivery. In conjunction with the rights offering in 2020, according to the restrictions set by EU commission, the Board of Directors decided to cancel the 2018–2020, 2019–2021 and 2020–2022 LTI plans for the CEO and Executive Board. In 2022, no new LTI program was launched due to continuous business environment changes caused by the war in Ukraine. The total expense for the plans is recognised over the vesting period, which is three years. The grant date is at the beginning of performance period and the compensation is measured in shares.

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

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

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

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

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

**FlyShare employee share savings plan 2013 onwards**

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

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

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

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

### 1.3.8.2 Pensions

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

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

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

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

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

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

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

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

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

**Defined benefit pension plans**

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

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**Items recognised in the balance sheet**

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

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

**Changes in pension obligations**

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

**Changes in plan assets**

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

**Plan assets are comprised as follows**

| % | 2022 | 2021 |
|---|---|---|
| Listed shares | 12.2 | 17.8 |
| Debt instruments | 59.7 | 55.1 |
| Property | 24.2 | 23.0 |
| Other | 3.9 | 4.1 |
| **Total** | **100.0** | **100.0** |

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

**Defined benefit plans: principal actuarial assumptions**

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

**Sensitivity analysis**

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

**Sensitivity analysis on principal actuarial assumptions**

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

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

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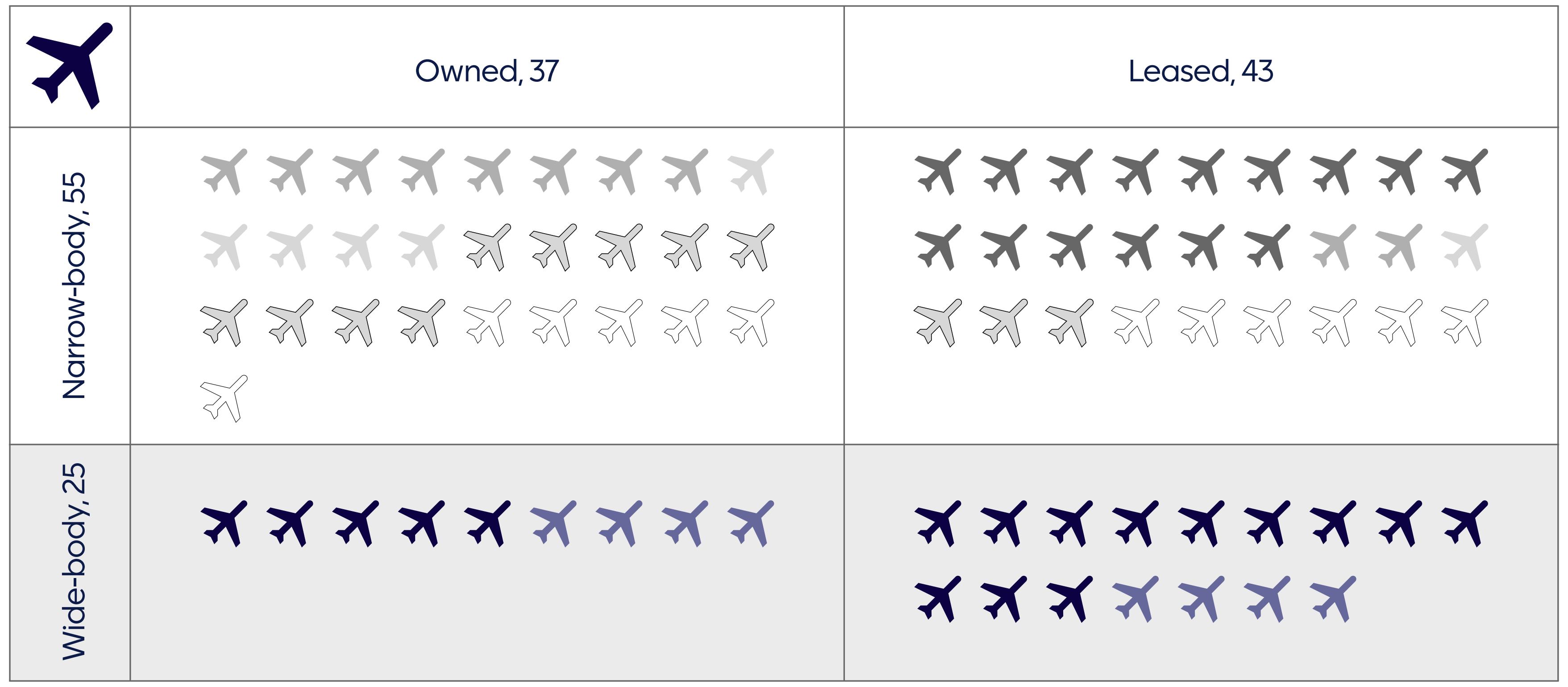
# 2 Fleet and other fixed assets and leasing arrangements

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

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

**Fleet**




**Fleet in Finnair balance sheet**

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

## 2.1 Fleet and other fixed assets

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

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

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

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

**Useful life and residual value**

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

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

**Assets held for sale**

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

**Impairment**

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

i = Content of the section
A = Accounting principles

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**Fleet 2022**

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

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

**Fleet 2021**

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

**Other fixed assets 2022**

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

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

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**Other fixed assets 2021**

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

**Capitalised borrowing costs**

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

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

**Assets and liabilities held for sale**

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

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

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

**Investment commitments**

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

## 2.2 Leasing arrangements

**A The Group as lessee**

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

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

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

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

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

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

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

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

The maintenance costs can be divided into two main groups:
1) costs that are incurred independent of the usage of the aircraft / leasing period and
2) costs that are incurred dependent on the usage of the aircraft / leasing period

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

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

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

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

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

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

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

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

**The Group as lessor**

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

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

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

**Sale and leaseback**

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

**Impairment**

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

**! Leasing arrangements**

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

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

**Right-of-use assets 2022**

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

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

**Right-of-use assets 2021**

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

**Lease liabilities**

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

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

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

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! = Critical accounting estimates

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**Finance lease receivables, Group as lessor**

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

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

**Leasing arrangements in profit and loss**

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

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

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

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

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

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

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

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

## 2.3 Depreciation and impairment

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

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

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

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

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## Impairment testing

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

**! Impairment testing of the fleet and other fixed assets**
Finnair applies the value in use model as its primary method for determining the recoverable amount of the assets. Preparation of the calculations used for impairment testing requires the use of significant management judgement and estimates, which is why the actual outcome may differ from the current management estimates and assumptions made. The management estimates are based on budgets and forecasts, which already inherently contain some degree of uncertainty, in addition to which the COVID-19-pandemic and Russia's war against Ukraine in Europe has resulted in increased estimation uncertainty. It is especially difficult to predict the duration of the Russian airspace closure. Also, the price of jet fuel increased significantly during the year, in addition to which the future fuel price development, impact of inflation on passenger demand and costs as well as the changes in the economic and competitive environment are subject to increased uncertainty.

In order to consider the increased uncertainty in its estimates and assumptions, the management has considered three different forecast scenarios differing mainly in regard to impacts of a possible economic downturn as well as the estimated duration of the Russian airspace closure. These scenarios, as well as the main identified uncertainties, are discussed in more detail in the beginning of the notes, in the section Board's assessment of Finnair as a going concern. In order to consider the increased uncertainty of its operating environment in the impairment testing, Finnair is applying the expected cash flow approach which incorporates expectations about all three forecast scenarios instead of relying on just a single, most likely, cash flow estimate. Determination of the probabilities used for each of the senarios are based on the management's best estimate at the time and require the use of significant management judgement.

Finnair has preparared a sensitivity analysis on the key assumptions used in the impairment testing as well as on changes of the EBITDA-margin. Based on the analysis, the value in use calculation is sensitive to changes in the discount rate, terminal growth rate, fuel cost as well as to changes in the EBITDA-margin. Key assumptions used and the related sensitivities are described in more detail below. !

During the fiscal year 2022, Finnair has reviewed quarterly whether indications for impairment exist. Finnair considers the various adverse economic and business implications relating to the COVID-19 pandemic and the closure of the Russian airspace following the war in Ukraine as indications of possible impairment and therefore, impairment test has been carried out as at the balance sheet date. Such indicators include the unprecedented global market disruptions caused by the pandemic and the war in Ukraine as well as their negative impacts on the Group's operating environment, financial performance, and capacity utilization.

Impairment review is carried out at the level of a cash-generating unit ('CGU'). Finnair is a network carrier with highly integrated fleet operations and it considers all its fleet (including right-of-use fleet) and other closely related assets as one CGU. Intangible assets with indefinite useful life have been identified to belong to the aircraft CGU for impairment testing purposes. At year-end 2022, the amount of other intangible assets with indefinite useful life in Finnair's balance sheet totaled to 1.4 million euro (1.4). Assets that are held for sale are excluded from CGU and reviewed separately for impairment. The cash generating unit has been tested for impairment using the value in use model based on which the recoverable amount of the CGU exceeds its carrying value at the balance sheet date. The recoverable amount of the CGU as at 31.12.2022 was 2,059.2 million euros (2,748.6) based on expected cash flow approach as described below, and the carrying value of the assets was 1 ,635.0 million euros (2,155.8).

The value in use measurement is based on a discounted cash flow model where the cash flow projections are based on Finnair's strategy approved by the Board of Directors and a management forecast covering a five-year period. The cash flow projections beyond the five-year period are based on the management's long-term growth assumptions. In order to consider the increased uncertainty caused by the Russia's war in Ukraine, Finnair is utilizing the expected cash flow approach which is using multiple, probability-weighted cash flow projections based on three different forecast scenarios prepared by the management. The scenarios and probabilities allocated to each scenario have been reviewed and approved by the Board of Directors. When determining the probabilities, the management has considered, in particular, the heightened uncertainty surrounding a possible economic downturn as well as the uncertainty related to the duration of the Russian airspace closure. In the base scenario, which is considered to have a probability of 50%, the Russian airspace would remain closed for the foreseeable future. In the more pessimistic scenario, which is considered to have a probability of 30%, the Russian airspace is also estimated to remain closed until the foreseeable future and additionally, a possible economic downturn to have a negative impact on passenger revenues. In the optimistic scenario, which is considered to have a probability of 20%, Finnair estimates that the Russian airspace would open by mid-2025. Finnair expects it will optimize its fleet and network in all three scenarios as well as enhance its operations in accordance with the renewed strategy during the years 2022–2024.

### Key assumptions used in impairment review

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

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

### Sensitivities of the key assumptions and EBITDA-margin

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

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

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# 3 Capital structure and financing costs

## 3.1 Financial income and expenses

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

**A Interest income and expenses**

Interest income and expenses are recognised on a time-proportion basis using the effective interest method. Interest expenses related to the financing of significant investments are capitalised as part of the asset acquisition cost and depreciated over the useful life of the asset.

More detailed information about financial assets can be found in note 3.2 and about interest bearing liabilities in note 3.3. A

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

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

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

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

## 3.2 Financial assets

**A Financial assets**

In the Group, financial assets have been classified into the following categories according to the IFRS 9 standard "Financial Instruments": amortised cost and fair value through profit and loss. The classification is made at the time of the original acquisition based on the objective of the business model and the characteristics of contractual cash flows of the investment, or by applying a fair value option. All purchases and sales of financial assets are recognised on the trade date.

Financial assets at fair value through profit and loss include such assets as investments in bonds and money market funds. Financial assets at fair value through profit and loss have mainly been acquired to obtain a gain from short-term changes in market prices. All those derivatives that do not fulfil the conditions for the application of hedge accounting are classified as financial assets at fair value through profit and loss and are valued at fair value in each financial statement. Realised and unrealised gains and losses arising from changes in fair value are recognised in the income statement in the period in which they arise. Financial assets recognised at fair value through profit and loss, as well as those maturing within 12 months, are included in current assets.

In Finnair Group, unquoted shares are valued at their acquisition price in the absence of a reliable fair value.

Investments in debt securities are measured at amortised cost, but only when the objective of the business model is to hold the asset to collect the contractual cash flows and the asset's contractual cash flows represent only payments of principal and interest. Financial assets recognised at amortised cost are valued using the effective interest method. Financial assets valued at amortised cost include trade receivables and security deposits for aircraft operating lease agreements. Due to the nature of short-term receivables and other receivables, their book value is expected to be equal to the fair value.

Derecognition of financial assets takes place when the Group has lost its contractual right to receive cash flows or when it has substantially transferred the risks and rewards outside the Group.

**Impairment of financial assets**

Finnair Group recognises impairment provisions based on lifetime expected credit losses from trade receivables in accordance with IFRS 9. Finnair has chosen to apply a simplified credit loss matrix for trade receivables as trade receivables do not have a significant financing component. Accordingly, the credit loss allowance is measured at an amount equal to the lifetime expected credit losses. The expected credit loss model is forward-looking, and expected default rates are based on historical realised credit losses. The lifetime expected credit loss allowance is calculated using the gross carrying amount of outstanding trade receivables in each aging bucket and an expected default rate. The changes in expected credit losses are recognised in other expenses in the consolidated income statement. More information on the credit loss provision on trade receivables can be found in note 1.2.3. Receivables related to revenue.

The impairment model does not apply to financial investments, such as bonds and money market funds, included in other financial assets as those are measured at fair value through profit and loss under IFRS 9, which already takes into account expected credit losses. With respect to the assets measured at amortised cost, Finnair is actively following such instruments and will recognise impairment through profit and loss if there is evidence of deterioration in credit quality.

**Cash and cash equivalents**

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

i = Content of the section
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### 3.2.1 Other current financial assets

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

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

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

### 3.2.2 Cash and cash equivalents

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Cash and bank deposits | 785.8 | 734.3 |
| **Total** | **785.8** | **734.3** |

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

## 3.3 Financial liabilities

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

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

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

**Non-current liabilities**

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

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

The Group's JOLCO loans and other include the JOLCO loans (Japanese Operating Lease with Call Option) for three A350 aircraft and export credit support for one A350 aircraft. Export credit support is a debt arrangement to finance aircraft. The transactions are treated as loans and owned aircraft in Finnair's accounting. Non-interest-bearing liabilities mainly include leases and maintenance reserves related to the aircraft leased to other airlines.

**Current interest-bearing liabilities**

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Loans from financial institutions, current | 199.6 | 299.8 |
| JOLCO loans and other | 40.4 | 43.1 |
| Bonds | | 98.9 |
| Lease liabilities | 202.7 | 176.9 |
| **Total** | **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 aircraft. The transactions are treated as loans and owned aircraft in Finnair's accounting.

| | Fair value | | Book value | |
|---|---|---|---|---|
| Interest-bearing liabilities, EUR in millions | 2022 | 2021 | 2022 | 2021 |
| **Non-current interest-bearing liabilities** | | | | |
| Lease liabilities | 1204.1 | 1,204.1 | 1128.0 | 1,204.1 |
| Loans from financial institutions | 305.6 | 299.7 | 399.2 | 299.7 |
| Bonds | 298.0 | 406.2 | 397.9 | 397.2 |
| JOLCO loans and other | 164.4 | 289.4 | 261.3 | 289.4 |
| **Total** | **1,896.0** | **2,199.4** | **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** | **462.9** | **618.7** | **442.7** | **618.6** |

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

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

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

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

| Maturity dates of interest-bearing financial liabilities 31 Dec 2021 EUR mill. | 2022 | 2023 | 2024 | 2025 | 2026 | Later | Total |
|---|---|---|---|---|---|---|---|
| JOLCO loans and other, fixed interest | | | | | 14.0 | 0.0 | 42.1 |
| JOLCO loans and other, variable interest | 43.1 | 38.2 | 39.4 | 83.8 | 31.1 | 57.9 | 293.5 |
| Loans from financial institutions, variable interest | | 300.0 | 0.0 | | | | 600.0 |
| Bonds, fixed interest | | 0.0 | | | | | 498.9 |
| Lease liabilities, fixed interest | 133.8 | 135.9 | 137.5 | 138.4 | 95.4 | 416.7 | 1,057.7 |
| Lease liabilities, variable interest | 43.0 | 44.6 | 46.5 | 40.6 | 26.8 | 121.6 | 323.3 |
| **Interest-bearing financial liabilities total** | **618.9** | **518.7** | **223.4** | **690.9** | **167.3** | **596.2** | **2,815.5** |
| Payments from currency derivatives | 490.2 | 0.0 | | | | | 490.2 |
| Income from currency derivatives | -506.2 | -1.9 | | | | | -512.0 |
| Commodity derivatives | -3.8 | -0.1 | | | | | -3.9 |
| Trade payables and other liabilities | 181.5 | | | | | | 181.5 |
| Interest payments | 104.8 | 91.0 | 70.8 | 57.1 | 33.5 | 107.8 | 465.1 |
| **Total** | **885.4** | **607.8** | **290.4** | **748.0** | **200.8** | **704.0** | **3,436.4** |

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

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

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

| EUR mill. | 2022 | 2021 |
|---|---|---|
| EUR | 1,170.7 | 1,291.6 |
| USD | 1,418.7 | 1,468.1 |
| JPY | 39.6 | 49.2 |
| HKD | 0.1 | 0.0 |
| SGD | 0.0 | 0.1 |
| INR | 0.0 | 0.0 |
| | **2,629.1** | **2,808.9** |

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

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

| | 2022 | 2021 |
|---|---|---|
| Up to 6 months | 23.6% | 21.0% |
| 6–12 months | 3.9% | 10.7% |
| 1–5 years | 43.2% | 38.5% |
| More than 5 years | 29.3% | 29.9% |
| **Total** | **100.0%** | **100.0%** |

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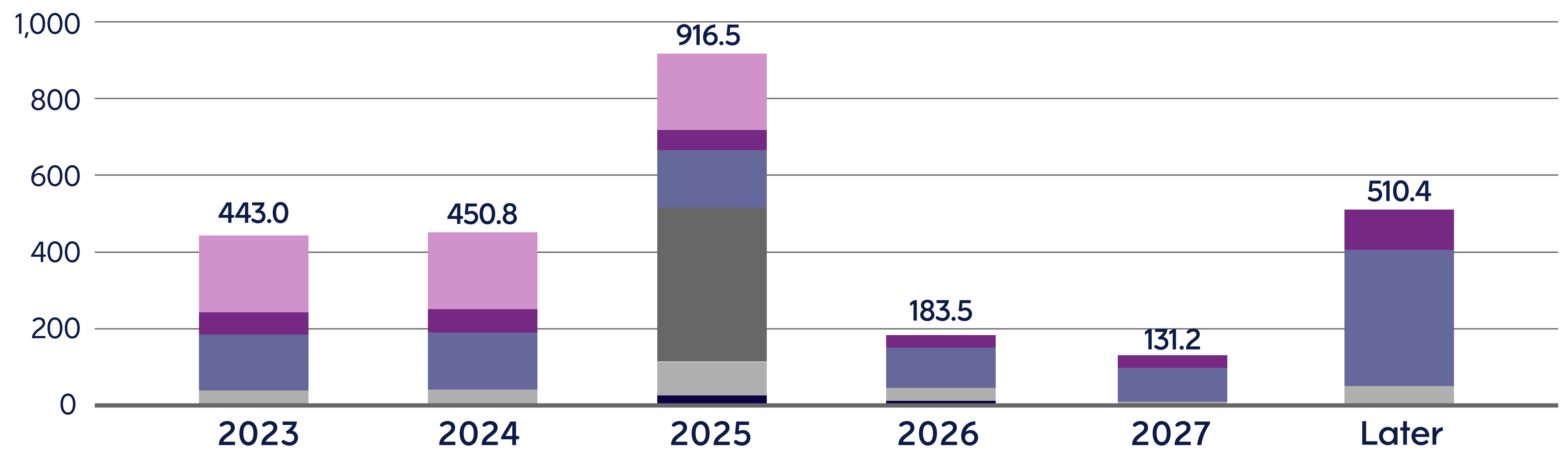
**Maturity dates of interest-bearing financial liabilities**




## State aid relating to Finnair's refinancing

### State aid in pension premium loan and rights offering

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

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

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

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

### State aid in hybrid loan and conversion to capital loan

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

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

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

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

### State aid in pension premium loan extension

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

## 3.4 Contingent liabilities

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

## 3.5 Management of financial risks

### Principles of financial risk management

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

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

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

### Fuel price risk in flight operations

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

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

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

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

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

## Update in financial risk management

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

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

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

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

## Foreign exchange risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| Foreign exchange balance sheet exposure EUR mill. 31 December 2021 | JPY | USD |
|---|---|---|
| Net balance sheet items | -53.0 | -1,134.0 |
| Net hedges of balance sheet items | 49.9 | 500.5 |
| Weighted average exchange rate of hedging instruments against the euro | 130.26 | 1.17 |
| **Foreign exchange exposure from balance sheet items after hedging** | **-3.1** | **-633.5** |

| Foreign exchange investment exposure EUR mill. 31 December 2021 | USD |
|---|---|
| Net investment position | -273.9 |
| Net hedges of investment position | 162.9 |
| Weighted average exchange rate of hedging instruments against the euro | 1.20 |
| **Foreign exchange exposure from investment position after hedging** | **-111.0** |

## Interest rate risk

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

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

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

| Timing of the notional and hedged price range 31.12.2022 | Notional amount (gross) | Maturity Less than 1 year | 1 to 2 years | 2 to 4 years |
|---|---|---|---|---|
| Interest rate derivatives | 253.1 | 164.9 | 88.1 | 0.0 |

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

## Credit risk

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

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## Liquidity risk

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

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

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

## Capital management

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

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

## Sensitivity analysis of the fair value reserve

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

## 3.6 Classification of financial assets and liabilities

| EUR mill. | Hedge accounting items | Fair value through profit and loss | Amortised cost | Book value |
|---|---|---|---|---|
| **31 Dec 2021** | | | | |
| **Financial assets** | | | | |
| Receivables | | | 3.7 | 3.7 |
| Other financial assets | | 738.6 | | 738.6 |
| Trade receivables and other receivables | | | 256.9 | 256.9 |
| Derivatives | 8.6 | 14.9 | | 23.5 |
| Cash and cash equivalents | | | 785.8 | 785.8 |
| **Book value total** | **8.6** | **753.5** | **1,046.3** | **1,808.5** |
| | | | | |
| **Fair value total** | **8.6** | **753.5** | **1,406.3** | **1,808.5** |
| | | | | |
| **Financial liabilities** | | | | |
| Interest-bearing liabilities | | | 1,298.5 | 1,298.5 |
| Lease liabilities | | | 1,330.7 | 1,330.7 |
| Derivatives | 33.1 | 3.5 | | 36.7 |
| Trade payables and other liabilities | | | 234.7 | 234.7 |
| **Book value total** | **33.1** | **3.5** | **2,863.8** | **2,900.5** |
| | | | | |
| **Fair value total** | **33.1** | **3.5** | **2,358.9** | **2,395.6** |

| EUR mill. | Hedge accounting items | Fair value through profit and loss | Amortised cost | Book value |
|---|---|---|---|---|
| **31 Dec 2021** | | | | |
| **Financial assets** | | | | |
| Receivables | | | 3.3 | 3.3 |
| Other financial assets | | 531.4 | | 531.4 |
| Trade receivables and other receivables | | | 166.7 | 166.7 |
| Derivatives | 13.7 | 12.4 | | 26.1 |
| Cash and cash equivalents | | | 734.3 | 734.3 |
| **Book value total** | **13.7** | **543.8** | **904.3** | **1,461.8** |
| | | | | |
| **Fair value total** | **13.7** | **543.8** | **904.3** | **1,461.8** |
| | | | | |
| **Financial liabilities** | | | | |
| Interest-bearing liabilities | | | 1,427.9 | 1,427.9 |
| Lease liabilities | | | 1,381.0 | 1,381.0 |
| Derivatives | 0.3 | 0.1 | | 0.4 |
| Trade payables and other liabilities | | | 234.7 | 234.7 |
| **Book value total** | **0.3** | **0.1** | **3,043.6** | **3,044.0** |
| | | | | |
| **Fair value total** | **0.3** | **0.1** | **3,052.7** | **3,053.1** |

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A = Accounting principles

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

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

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

**Fair values at the end of the reporting period**

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

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

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

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

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

## 3.7 Offsetting financial assets and liabilities

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

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

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

## 3.8 Derivatives

**A Derivative contracts and hedge accounting**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Finnair uses forward contracts and options to hedge its exposure to foreign currency denominated cash flows. The hedges of cash flows denominated in foreign currencies are treated as cash flow hedges in accounting, in accordance with the hedge accounting principles of IFRS 9. Unrealised gains and losses on hedges of forecasted cash flows qualifying for hedge accounting are recognised in the hedging reserve in OCI, while the change in the fair value of such hedges not qualifying for hedge accounting is recognised in Fair value changes in derivatives and changes in exchange rates of fleet overhauls in the income statement. The change in fair value recognised in the hedging reserve in equity is transferred to the income statement when the hedged transaction is realised. Forward points are included in the hedging instrument and in the hedge relationship. Potential sources of ineffectiveness include changes in the timing of the hedged item, significant changes in the credit risk of parties to the hedging relationship and changes in the total amount of the hedged item, for instance if the underlying cash flow forecast is not accurate enough, that can result in overhedging. However, as Finnair usually hedges less than 100% of its exposure, the risk of overhedging is insignificant. Realised profit or loss on derivatives hedging JPY-denominated operating cash flows is presented in revenue, realised profit or loss on derivatives hedging a group of similar USD costs is proportionally recognised in corresponding expense lines, while profit or loss on derivatives hedging cash flows denominated in other currencies is presented in Other expenses.

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

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

**Cost of hedging**

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

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

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

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

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

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

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

A = Accounting principles
! = Critical accounting estimates

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

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

### Hedged items in hedge relationships

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

### Ratings of derivative counterparties

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Better than A | 0.7 | 9.1 |
| A | -11.9 | 16.6 |
| BBB | | 0.0 |
| **Total** | **-13.2** | **25.7** |

### Derivatives realised through profit and loss

| EUR mill. | | 2022 | 2021 |
|---|---|---|---|
| Jet fuel hedging | Fuel costs | 21.3 | 7.6 |
| Operational cash flow hedging | Fuel costs | 8.4 | -4.2 |
| Operational cash flow hedging | Aircraft materials and overhaul | 0.4 | -0.2 |
| Operational cash flow hedging | Traffic charges | 0.5 | -1.0 |
| Operational cash flow hedging | Revenue | 0.3 | 2.4 |
| **Expenses of hedge accounting items total** | | **31.0** | **4.5** |
| Discontinued Jet fuel hedging | Financial expenses | | -26.5 |
| Balance sheet hedging | Financial expenses | 16.6 | 15.5 |
| Discontinued foreign currency hedging | Financial expenses | | 3.4 |
| Cross-currency interest rate swaps | Financial expenses | 5.5 | 2.3 |
| **Expenses of items outside hedge accounting total** | | **18.9** | **-5.3** |

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## 3.9 Equity-related information

**A Shareholders' equity**

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

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

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

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

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

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

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

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

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

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

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

**Group's hedging reserve and other OCI items**

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

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

**Maturity dates of fair values recognised in the hedging reserve**

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

## Hybrid bond

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

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

### Capital loan

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

### Earnings per share

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

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

### Dividend

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

**Finnair Plc's distributable equity**

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

# 4 Consolidation

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

## 4.1 General consolidation principles

### Consolidation

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

## 4.2 Subsidiaries

**A Consolidation principles of subsidiaries**

Finnair Plc's consolidated financial statements include the parent company Finnair Plc and all of its subsidiaries. Subsidiaries are defined as companies in which Finnair has control. Control exists when Finnair has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Usually Finnair has power over the entity when it owns more than 50% of the votes or where Finnair otherwise has the power to govern the financial and operating policies. The acquired subsidiaries are included in the consolidated financial statements from the day the Group has control, and disposed subsidiaries until the control ceases.

Acquired and established companies are accounted for using the acquisition method of accounting. Accordingly, the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. The excess between purchase price and fair value of the Group's share of the identifiable net assets is recognised as goodwill.

All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless there is evidence of impairment related to the transferred asset. The accounting principles of subsidiaries have been changed to correspond Group's accounting policies.

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

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

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**Subsidiaries**

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

Balticport Oü was liquidated on 18 May 2022.

## 4.3 Acquisitions and divestments

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

## 4.4 Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

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

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

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

### Nordic Regional Airlines AB

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

## 4.5 Related party transactions

Related parties of the Finnair group includes its subsidiaries, management (the Board of Directors, the President and CEO and the Executive Board), their close family members and companies controlled by them or their close family members, associated companies and joint ventures, Finnair pension fund and Finnair Group sickness fund. Subsidiaries are listed in the note 4.2 and associates and joint ventures in note 4.4. Related party transactions include such operations that are not eliminated in the group's consolidated financial statement.

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

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The following transactions have taken place with related party entities:

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

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

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

## Finnair pension fund

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

# 5 Other notes

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

## 5.1 Income taxes

A The tax expense for the period includes current and deferred tax and adjustments to previous years' taxation. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or other equity items.

Deferred taxes are calculated for temporary differences between accounting and taxation using the valid tax rates for future years at the closing date. Deferred tax asset is recognised to the extent that realisation of the related tax benefit through future profits is probable. Temporary differences arise mainly from sales of tangible assets and depreciation, right-of-use assets, lease liabilities and tax losses. Deferred tax is recognised for foreign subsidiaries' undistributed earnings only when related tax effects are probable.

Deferred tax assets and liabilities are netted when they are levied by the same taxing authority and Finnair has a legally enforceable right to set off the balances. A

**! Deferred taxes**

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

**Income taxes**

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

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

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

## Deferred tax assets and liabilities

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

**Changes in deferred taxes during 2022:**

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

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

Finnair's taxable result continued to be highly negative in year 2022 as a result of the impact of the war in Ukraine and the COVID-19 pandemic on its operations and financial performance. Finnair has not recognized deferred tax assets arising from the losses of financial year 2022 and temporary differences, and tax losses of 2020-2021 were written down due to the significant uncertainty caused by the closure of the Russian airspace. The Group has recognized a deferred tax asset of 80.6 million euros (191.9).

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

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

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

**Changes in deferred taxes during 2021:**

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

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

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## 5.2 Disputes and litigation

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

## 5.3 Events after the closing date

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

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

# 6 Parent company financial statements

## Finnair Plc income statement

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

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# Finnair Plc balance sheet

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

# Finnair Plc cash flow statement

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

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# Notes to Finnair Plc financial statements

## 6.1 Accounting principles

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

### Foreign currency items
Business transactions in foreign currencies have been valued using the exchange rate at the date of transaction. Receivables and liabilities on the balance sheet date are valued using the exchange rate on the balance sheet date. Advances paid and received are valued in the balance sheet using the exchange rate at the date of payment. Exchange rate differences on trade receivables and payables are treated as the adjustments to turnover and other operating expenses. Exchange rate differences on other receivables and liabilities are entered under financial income and expenses.

### Derivative contracts
According to its risk management policy, Finnair uses foreign exchange, interest rate and commodity derivatives to reduce the exchange rate, interest rate and commodity risks which arise from the Finnair's balance sheet items, currency denominated purchase agreements, anticipated currency denominated purchases and sales as well as future jet fuel purchases. The balance sheet exposure is hedged only at group level, except for Finnair Aircraft Finance that has hedged its own exposures. The combined entity-level exposure for all Group companies differs from the Group-level exposure by the amount of intercompany items. Therefore, the balance sheet position and contracts hedging it are presented only in note 3.5. of the Group financial statements. Similarly, the foreign currency cash flow exposure is only hedged at the Group level to take advantage of the netting effect, and is presented in note 3.5 of the Group financial statements. Derivative contracts are valued using the rates on the balance sheet date according to Accounting Act 5:2 a §.

The derivatives are initially recognized at original acquisition cost (fair value) in the balance sheet and subsequently valued at fair value in each financial statement and interim report. The fair values of the derivatives are based on the value at which the instrument could be exchanged between knowledgeable, willing and independent parties, with no compulsion to sell or buy in the sales situation.

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

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

At the inception of hedge accounting, Finnair documents the economic relationship and the hedge ratio between the hedged item and the hedging instrument, as well as the company's risk management objectives and the strategy for the inception of hedging. At the inception of hedging, and at least at the time of each financial statement, Finnair documents and assesses the effectiveness of hedge relationships by examining the past and prospective capacity of the hedging instrument to offset changes in the fair value of the hedged item or changes in cash flows. The values of derivatives in a hedging relationship are presented in the balance sheet items current assets and current liabilities.

Finnair applies the IFRS hedge accounting principles in the hedging of future cash flows (cash flow hedging). The principles are applied to the foreign currency risk of foreign currency denominated purchases and sales, the price risk of jet fuel purchases and the price risk of electricity.

The change in the fair value of the effective portion of derivative instruments that fulfil the terms of cash flow hedging are directly recognised in the fair value reserve of other comprehensive income, to the extent that the requirements for the application of hedge accounting have been fulfilled. The gains and losses, recognised in fair value reserve, are transferred to the income statement in the period in which the hedged item is recognised in the income statement. When an instrument acquired for the hedging of cash flow matures or is sold, or when the criteria for hedge accounting are no longer fulfilled, the gain or loss accrued from hedging instruments remains in equity until the forecast transaction takes place. However, if the forecasted hedged transaction is no longer expected to occur, the gain or loss accrued in equity is immediately recognised in the income statement.

### Financial assets and liabilities
Financial assets have been classified into the following categories: amortised cost and fair value through profit and loss. The classification is made at the time of the original acquisition based on the objective of the business model and the contractual cash flows of the investment. All purchases and sales of financial assets are recognised on the trade date. Liabilities are recognised at acquisition cost. Financial assets at fair value through profit and loss as well as assets and liabilities maturing within 12 months are included in current assets and liabilities. Investments in debt securities are measured at amortised cost, but only when the objective of the business model is to hold the asset to collect the contractual cash flows and the asset's contractual cash flows represent only payments of principal and interest. Financial assets recognised at amortised cost are valued using the effective interest method. Financial assets valued at amortised cost include trade receivables, deferred charges and security deposits for aircraft lease agreements. Due to the nature of short-term receivables and other receivables, their book value is expected to be equal to the fair value. Derecognition of financial assets takes place when Finnair has lost its contractual right to receive cash flows or when it has substantially transferred the risks and rewards outside the company.

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

### Fixed assets and depreciation
- Buildings, 10–50 years from the time of acquisition to a residual value of 10%.
- Other tangible assets, over 3–15 years

### Research and development costs
Except for major software development costs, research and development costs are expensed as they occur. Research and development of aircraft, systems and operations is conducted primarily by the manufacturers.

### Leasing
Lease payments for aircraft are significant. Annual lease payments are treated as rental expenses. Lease payments due in future years under aircraft lease contracts are presented as off-balance sheet items.

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### Appropriations
The difference between total and planned depreciation is shown as accumulated appropriations in the balance sheet and the change during the financial year in the income statement. Appropriations contain also given and received group contributions.

### Income taxes
Income taxes in the income statement include taxes calculated for the financial year based on Finnish tax provisions, adjustments to taxes in previous financial years and the change in deferred taxes.

### Pension schemes
The mandatory pension cover of the company's domestic employees has primarily been arranged through a Finnish pension insurance company and other additional pension cover through the Finnair pension fund or a Finnish pension insurance company. Since 1992, the pension fund has no longer accepted employees other than pilots for additional pension coverage. The Finnair pension fund's pension obligation is fully covered with respect to additional coverage. Pension fund liabilities are presented in the notes to the financial statements.

### Provisions
Provisions in the balance sheet and entered as expenses in the income statement comprise those items which the company is committed to covering through agreements or otherwise in the foreseeable future and which have no corresponding revenue and whose monetary value can be reasonably assessed.

The company is obliged to return leased aircraft at the required redelivery condition. To fulfil these maintenance obligations the company has recognised provisions based on flight hours flown during the maintenance period.

## 6.2 Revenue by business area

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Revenue by division | | |
| | **2,241.4** | **814.5** |
| Passenger revenue | 1,786.0 | 440.1 |
| Ancillary services | 103.0 | 39.7 |
| Cargo revenue | 352.4 | 334.8 |
| | | |
| Distribution of turnover by market areas based on flight routes, % of turnover | | |
| Finland | 6% | 8% |
| Europe | 46% | 37% |
| Other countries | 48% | 55% |
| **Total** | **100%** | **100%** |

## 6.3 Other operating income

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Aircraft lease income | 105.4 | 20.6 |
| Other rental income | 22.0 | 20.0 |
| Other income | 32.1 | 25.9 |
| **Total** | **159.6** | **66.6** |

## 6.4 Materials and services

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Materials and supplies | | |
| Ground handling and catering expenses | 220.8 | 117.3 |
| Fuel costs | 836.0 | 211.4 |
| Aircraft materials and overhaul | 266.3 | 179.8 |
| IT expenses | 14.2 | 10.8 |
| Other items | 86.7 | 27.7 |
| **Total** | **1,423.9** | **547.0** |

## 6.5 Staff costs

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Wages and salaries | 236.3 | 139.8 |
| Pension expenses | 45.9 | 22.7 |
| Other social expenses | 26.4 | 0.5 |
| **Total** | **308.6** | **163.1** |
| | | |
| Salary and bonus expenses of Chief Executive Officer and Members of the Board of Directors | | |
| Chief Executive Officer and his deputy | 1.2 | 1.3 |
| Board of Directors | 0.4 | 0.4 |
| | | |
| Personnel on average | 3,979 | 4,248 |

## 6.6 Planned depreciation and amortisation

| EUR mill. | 2022 | 2021 |
|---|---|---|
| On other long-term expenditure | 8.5 | 11.5 |
| On buildings | 1.2 | 1.0 |
| On other equipment | 3.3 | 3.3 |
| **Total** | **13.1** | **15.8** |

## 6.7 Other operating expenses

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Lease payments for aircraft | 407.9 | 418.1 |
| Other rents for aircraft capacity | 102.4 | 71.4 |
| Office and other rents | 34.1 | 27.8 |
| Traffic charges | 206.5 | 120.4 |
| Sales and marketing expenses | 95.6 | 33.7 |
| Other expenses | 126.2 | 90.4 |
| **Total** | **972.6** | **761.7** |

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### Audit fees in other expenses

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Authorised Public Accountants | KPMG | KPMG |
| Auditor's fees | 0.3 | 0.1 |
| Tax advising | 0.0 | |
| Other fees | 0.2 | 0.1 |
| **Total** | **0.5** | **0.2** |

## 6.8 Financial income and expenses

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Dividend income | | |
| From other companies | 0.0 | 0.0 |
| **Total** | **0.0** | **0.0** |
| | | |
| Interest income | | |
| From group companies | 8.9 | 5.5 |
| From other companies | | |
| Net gains on debt instruments held mandatorily at FVPL | 3.7 | -0.4 |
| Other interest income | 2.7 | 0.0 |
| **Total** | **15.3** | **5.0** |
| | | |
| Gains on disposal of shares | | 5.9 |
| | | |
| Interest expenses | | |
| To other companies | -54.8 | -46.0 |
| **Total** | **-54.8** | **-46.0** |
| | | |
| Other financial income | | |
| Financial income from discontinued hedges | | 11.6 |
| **Total** | | **11.6** |
| | | |
| Other financial expenses | | |
| Financial expenses for discontinued hedges | | -5.2 |
| Revaluation of shares | 4.1 | |
| Other | -28.1 | -19.1 |
| **Total** | **-23.9** | **-24.3** |
| | | |
| | | |
| Exchange gains and losses | 19.5 | 22.9 |
| | | |
| **Financial income and expenses total** | **-44.0** | **-24.9** |

## 6.9 Appropriations

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Change in depreciation difference | 1.2 | 1.5 |
| Received group contribution | 126.6 | 244.3 |
| **Total** | **127.9** | **245.9** |

## 6.10 Income taxes

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Income tax for the financial year | | 70.8 |
| Change in deferred taxes | -117.0 | 7.6 |
| **Total** | **-117.0** | **78.5** |

## 6.11 Intangible assets

| EUR mill. | 2022 | 2021 |
|---|---|---|
| **Other long-term expenditure** | | |
| Acquisition cost 1 January | 84.9 | 85.4 |
| Additions | 2.2 | 4.6 |
| Disposals | -7.9 | -3.9 |
| Reclassification | | -1.2 |
| **Acquisition cost 31 December** | **79.1** | **84.9** |
| | | |
| Accumulated depreciation 1 January | -57.7 | -50.1 |
| Disposals | 7.8 | 3.6 |
| Depreciation and reduction in value | -8.4 | -11.3 |
| **Accumulated depreciation 31 December** | **-58.4** | **-57.7** |
| | | |
| **Book value 31 December** | **20.8** | **27.1** |
| | | |
| **Intangible assets Total 31 December** | **20.8** | **27.1** |

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## 6.12 Tangible assets

### Tangible assets 2022

| EUR mill. | Land | Buildings | Other equipment | Advances paid | Total |
|---|---|---|---|---|---|
| Acquisition cost 1 January | 0.7 | 54.2 | 59.9 | 0.8 | 115.6 |
| Additions | | | 0.3 | 0.3 | 0.7 |
| Disposals | | | -0.1 | -0.8 | -0.9 |
| **Acquisition cost 31 December** | **0.7** | **54.2** | **60.2** | **0.3** | **115.4** |
| | | | | | |
| Accumulated depreciation 1 January | | -6.7 | -20.2 | | -26.9 |
| Disposals | | | 0.1 | | 0.1 |
| Depreciation and reduction in value | | -1.2 | -3.3 | | -4.6 |
| **Accumulated depreciation 31 December** | | **-7.9** | **-23.5** | | **-31.4** |
| | | | | | |
| **Book value 31 December** | **0.7** | **46.3** | **36.7** | **0.3** | **84.1** |
| | | | | | |
| The share of machines and equipment in the book value of tangible assets 31 December | | | 41.4% | | |

### Tangible assets 2021

| EUR mill. | Land | Buildings | Other equipment | Advances paid | Total |
|---|---|---|---|---|---|
| Acquisition cost 1 January | 0.7 | 54.3 | 54.5 | 7.2 | 116.7 |
| Additions | | | 7.9 | 0.2 | 8.1 |
| Reclassification | | 0.9 | | | 0.9 |
| Disposals | 0.0 | -1.1 | -2.4 | -6.6 | -10.2 |
| **Acquisition cost 31 December** | **0.7** | **54.2** | **59.9** | **0.8** | **115.6** |
| | | | | | |
| Accumulated depreciation 1 January | | -6.3 | -17.0 | | -23.2 |
| Disposals | | 0.6 | 0.0 | | 0.6 |
| Depreciation and reduction in value | | -1.0 | -3.3 | | -4.3 |
| **Accumulated depreciation 31 December** | | **-6.7** | **-20.2** | | **-26.9** |
| | | | | | |
| **Book value 31 December** | **0.7** | **47.5** | **39.7** | **0.8** | **88.7** |
| | | | | | |
| The share of machines and equipment in the book value of tangible assets 31 December | | | 42.3 % | | |

## 6.13 Investments

| EUR mill. | 2022 | 2021 |
|---|---|---|
| **Group companies** | | |
| Acquisition cost 1 January | 653.6 | 640.6 |
| Additions | | 13.0 |
| Revaluation of shares | -4.1 | |
| **Book value 31 December** | **649.4** | **653.6** |
| | | |
| **Associates and joint ventures** | | |
| Acquisition cost 1 January | 0.0 | 2.5 |
| Disposals | | -2.4 |
| **Book value 31 December** | **0.0** | **0.0** |
| | | |
| **Shares in other companies** | | |
| Acquisition cost 1 January | 0.4 | 0.4 |
| Additions | 0.0 | |
| **Book value 31 December** | **0.4** | **0.4** |

| Associates and joint ventures | Share of parent company % |
|---|---|
| Nordic Regional Airlines AB, Sweden | 40.00 |

| Group companies | Share of parent company % | | Share of parent company % |
|---|---|---|---|
| Finnair Cargo Oy, Finland | 100.00 | Kiinteistö Oy Lentokonehuolto, Finland | 100.00 |
| Finnair Aircraft Finance Oy, Finland | 100.00 | Amadeus Finland Oy, Finland | 95.00 |
| Northport Oy, Finland | 100.00 | Oy Aurinkomatkat - Suntours Ltd Ab, Finland | 100.00 |
| Finnair Technical Services Oy, Finland | 100.00 | FTS Financial Services Oy, Finland | 100.00 |
| Finnair Engine Services Oy, Finland | 100.00 | Finnair Business Services OÜ, Estonia | 100.00 |
| Finnair Kitchen Oy, Finland | 100.00 | | |

On 30th June Oy Aurinkomatkat - Suntours Ltd Ab, Finland shares were revaluated and written down by 4 149 082,36 EUR.

## 6.14 Non-current loan and other receivables

| EUR mill. | 2022 | 2021 |
|---|---|---|
| From group companies | | |
| From other companies | 2.5 | 1.8 |
| **Total** | **2.5** | **1.8** |

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## 6.15 Deferred tax assets

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Deferred tax assets 1 January | 220.0 | 147.4 |
| From result for the financial year | | 70.8 |
| From temporary differences | | 7.6 |
| From valuation of derivates at fair value | 0.9 | -5.9 |
| Adjustments recognised for taxes of prior periods | -117.0 | |
| **Deferred tax assets 31 December** | **104.0** | **220.0** |

## 6.16 Current receivables

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Short-term receivables from group companies | | |
| Trade receivables | 18.4 | 11.3 |
| Group contribution receivable | 126.6 | 244.3 |
| Accrued income and prepaid expenses | 2.8 | 1.6 |
| Other receivables | 245.6 | 229.0 |
| **Total** | **393.4** | **486.2** |
| | | |
| Short-term receivables from associates and joint ventures | | |
| Trade receivables | 0.0 | 0.0 |
| Prepaid expenses | 6.5 | 6.7 |
| **Total** | **6.5** | **6.8** |
| | | |
| Short-term receivables from others | | |
| Trade receivables | 85.8 | 65.6 |
| Prepaid expenses | 62.9 | 60.6 |
| Derivative financial instruments | 9.6 | 4.9 |
| Other receivables | 64.6 | 3.6 |
| **Total** | **222.9** | **134.7** |
| | | |
| **Short-term receivables total** | **622.7** | **627.6** |

| Accrued income and prepaid expenses | 2022 | 2021 |
|---|---|---|
| Group contribution | 126.6 | 244.3 |
| Sales accruals | 41.4 | 40.3 |
| Employee related deferred charges and receivables | 0.9 | 1.6 |
| Other prepaid expenses | 29.9 | 27.0 |
| **Prepaid expenses total** | **198.8** | **313.2** |

## 6.17 Investments

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Short-term investments at fair value | 738.6 | 531.4 |

## 6.18 Cash and bank equivalents

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Funds in group bank accounts and deposits maturing in three months | 784.7 | 734.1 |

## 6.19 Shareholder's equity

| EUR mill. | Share capital | Share premium account | Legal reserve | Hedging reserve | Unrestricted equity funds | Retained earnings | Capital loan | Equity total |
|---|---|---|---|---|---|---|---|---|
| **Equity 1.1.2022** | **75.4** | **24.7** | **147.7** | **3.7** | **772.4** | **-698.7** | | **77.4** |
| Change in fair value of equity instruments | | | | -13.6 | | | | -13.6 |
| Share-based payments | | | | | 0.6 | | | 0.6 |
| Withdrawal of capital loan | | | | | | | 400.0 | 400.0 |
| Result for the financial year | | | | | | -350.2 | | -350.2 |
| **Equity 31.12.2022** | **75.4** | **24.7** | **147.7** | **-9.9** | **772.9** | **-1,048.9** | **400.0** | **361.9** |

| EUR mill. | Share capital | Share premium account | Legal reserve | Hedging reserve | Unrestricted equity funds | Retained earnings | Capital loan | Equity total |
|---|---|---|---|---|---|---|---|---|
| **Equity 1.1.2021** | **75.4** | **24.7** | **147.7** | **-19.8** | **772.0** | **-390.5** | | **609.5** |
| Change in fair value of equity instruments | | | | 23.5 | | | | -23.5 |
| Share-based payments | | | | | 0.4 | | | 0.4 |
| Purchase of own shares | | | | | | -1.1 | | -1.1 |
| Result for the financial year | | | | | | -307.0 | | -307.0 |
| **Equity 31.12.2021** | **75.4** | **24.7** | **147.7** | **3.7** | **772.4** | **-698.7** | | **325.2** |

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**Distributable equity**

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Hedging reserve | -9.9 | |
| Unrestricted equity funds | 772.9 | 772.4 |
| Retained earnings | -698.7 | -391.7 |
| Received grants | -6.0 | |
| Profit/loss for the financial year | -350.2 | -307.0 |
| **Total** | **-291.9** | **73.7** |

Finnair Oyj withdrew a 400 million capital loan in 2022. During the year, the company also received support for uncovered fixed expenses in total of 6 million euros from the State Treasury of Finland. Share and dividends information is available in Financial statements in group note 3.9.

## 6.20 Accumulated appropriations

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Accumulated depreciation difference 1 January | 19.5 | 21.0 |
| Change in depreciation difference | -1.2 | -1.5 |
| **Accumulated depreciation difference 31 December** | **18.2** | **19.5** |
| | | |
| **Accumulated appropriations total** | **18.2** | **19.5** |

## 6.21 Provisions

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Provisions 1 January | 182.4 | 155.9 |
| Provision for the period | 67.0 | 34.5 |
| Provision used | -22.5 | -19.7 |
| Exhange rate differences | 8.8 | 11.7 |
| **Provisions 31 December** | **235.8** | **182.4** |
| Of which long-term | 164.3 | 170.3 |
| Of which short-term | 71.5 | 12.1 |
| **Total** | **235.8** | **182.4** |

Long-term aircraft maintenance provisions are expected to be used by 2033.

## 6.22 Non-current liabilities

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Loans from financial institutions | 400.0 | 300.0 |
| Bonds | 400.0 | 400.0 |
| Hybrid loan | 200.0 | 200.0 |
| Other liabilities | 4.3 | 14.4 |
| **Total** | **1,004.3** | **914.4** |
| | | |
| Maturity of interest-bearing liabilies | | |
| 1–5 years | 800.0 | 700.0 |
| after 5 years | 200.0 | 200.0 |
| **Total** | **1,000.0** | **900.0** |

## 6.23 Current liabilities

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Current liabilities to group companies | | |
| Trade payables | 51.1 | 22.0 |
| Accruals and deferred income | 13.8 | 16.0 |
| Group bank account liabilities | 371.7 | 504.9 |
| **Total** | **436.6** | **542.9** |
| | | |
| Current liabilities to associates and joint ventures | | |
| Trade payables | 0.1 | 0.1 |
| Accruals and deferred income | 1.0 | 1.5 |
| **Total** | **1.1** | **1.5** |
| | | |
| Current liabilities to others | | |
| Loans from financial institutions | 200.0 | 398.9 |
| Trade payables | 79.7 | 45.7 |
| Accruals and deferred income | 661.5 | 448.4 |
| Other liabilities | 8.2 | 5.9 |
| **Total** | **949.3** | **898.9** |
| | | |
| **Current liabilities total** | **1,387.0** | **1,443.3** |
| | | |
| Accruals and deferred income | | |
| Unflown air transport revenues | 356.2 | 202.6 |
| Jet fuels and traffic charges | 50.9 | 49.8 |
| Holiday payment liability | 56.0 | 38.6 |
| Other employee related accrued expenses | 34.2 | 18.8 |
| Loyalty program Finnair Plus | 51.5 | 55.2 |
| Derivative financial instruments | 21.5 | 0.3 |
| Accrued other charges | 78.0 | 68.6 |
| Other items | 27.9 | 32.0 |
| **Total** | **676.2** | **465.9** |

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## 6.24 Collateral, contingent liabilities and other commitments

| EUR mill. | 2022 | 2021 |
|---|---|---|
| Guarantees and contingent liabilities | | |
| On behalf of group companies | 52.5 | 51.0 |
| **Total** | **52.5** | **51.0** |
| | | |
| Aircraft lease payments | | |
| Within one year | 379.9 | 364.8 |
| After one year and not later than 5 years | 1,117.7 | 1,173.0 |
| Later than 5 years | 517.7 | 648.0 |
| **Total** | **2,015.3** | **2,185.9** |
| | | |
| Parent company has leased the aircraft fleet from the fully owned subsidiary. | | |
| | | |
| Other lease payments | | |
| Within one year | 26.3 | 29.0 |
| After one year and not later than 5 years | 65.0 | 70.6 |
| Later than 5 years | 158.7 | 159.6 |
| **Total** | **250.0** | **259.1** |
| | | |
| Pension obligations | | |
| Total obligation of pension fund | 321.3 | 333.3 |
| Non-mandatory benefit covered | -321.3 | -333.3 |
| **Total** | | |
| | | |
| Capital loan | | |
| Accrued interest from capital loan | 9.1 | |
| Other accrued fees from capital loan | 6.9 | |
| **Total** | **16.0** | |

Finnair has withdrawn 290 million euros of hybrid bond on 22 June 2022, which has been converted into capital loan on 30 June 2022 with the decision by plenary session of the Government. The remaining 110-million-euro amount of the capital loan has been withdrawn on 2 September 2022. Therefore the 400-million-euro capital loan is fully withdrawn. The withdrawn amount has been booked to the parent company's equity as its own tranche.

If the Limited Liability Companies Act and terms and conditions specified in the capital loan agreement are met Finnair can pay from the facility a reference interest rate added with margin defined in the capital loan agreement. At the time of the withdrawal the margin of the capital loan was 3.5% and reference rate was 0% according to the terms and conditions. Margin of the capital loan will increase annually based on the margin ratchet included in the terms and conditions of the capital loan agreement. Additionally, Finnair can pay utilisation fee for the capital loan. The amount of the utilisation fee is tied to the amount of withdrawn capital loan according to its terms and conditions. At the time of withdrawal, the annual cost from the utilisation fee was 2 per cent. In addition to the utilisation fee, Finnair pays commitment fee on the undrawn portion of the capital loan totalling to 20 per cent of capital loan margin.

The capital loan does not have a determined maturity date, and it can be repaid in accordance with the Limited Liability Companies Act and terms and conditions specified in the capital loan agreement. Finnair can pay accrued interest and other payments from the loan if the conditions and the rules of the Limited Liability Companies Act are met. The interest accrued on the capital loan has not been recorded as an expense.

## 6.25 Derivatives

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| EUR mill. | Nominal value | Positive fair values | Negative fair values | Fair net value | Nominal value | Positive fair values | Negative fair values | Fair net value |
| **Currency derivatives** | | | | | | | | |
| Jet fuel currency hedging | | | | | | | | |
| Operational cash flow hedging (forward contracts) | 284.7 | 0.1 | -7.4 | -7.3 | 57.4 | 0.8 | -0.1 | 0.7 |
| Operational cash flow hedging, bought options | | | | | 4.5 | 0.0 | | 0.0 |
| Operational cash flow hedging, sold options | | | | | 4.3 | | 0.0 | 0.0 |
| **Hedge accounting items total** | **284.7** | **0.1** | **-7.4** | **-7.3** | **66.3** | **0.8** | **-0.1** | **0.7** |
| | | | | | | | | |
| **Currency derivatives total** | **284.7** | **0.1** | **-7.4** | **-7.3** | **66.3** | **0.8** | **-0.1** | **0.7** |
| | | | | | | | | |
| **Commodity derivatives** | | | | | | | | |
| Jet fuel forward contracts, tonnes | 209,000 | 3.4 | -6.0 | -2.5 | 68,000 | 4.1 | -0.2 | 3.9 |
| Bought options, jet fuel, tonnes | 149,000 | 4.9 | -0.2 | 4.8 | | | | |
| Sold options, jet fuel, tonnes | 149,000 | 0.2 | -7.9 | -7.8 | | | | |
| **Hedge accounting items total** | | **8.6** | **-14.1** | **-5.6** | | **4.1** | **-0.2** | **3.9** |
| | | | | | | | | |
| Jet fuel forward contracts, tonnes | | | | | | | | |
| Bought options, jet fuel, tonnes | 149,000 | 0.9 | | 0.9 | | | | |
| Sold options, jet fuel, tonnes | | | | | | | | |
| Electricity derivatives, MWh | | | | | | | | |
| **Items outside hedge accounting total** | **149,000** | **0.9** | | **0.9** | | | | |
| | | | | | | | | |
| **Commodity derivatives total** | | **9.5** | **-14.1** | **-4.6** | | **3.9** | **4.1** | **-0.2** |
| | | | | | | | | |
| **Derivatives total** * | | **9.6** | **-21.5** | **-12.0** | | **4.9** | **-0.3** | **4.6** |

* Positive (negative) fair value of hedging instruments on 31 Dec 2022 is presented in the statement of financial position in the item derivative assets within current assets (derivative liabilities within current liabilities).

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## 6.26 Financial assets and liabilities measured at fair value

**Fair value hierarchy of financial assets and liabilities valued at fair value**
**Fair values at the end of the reporting period**

| EUR mill. | 2022 | Level 1 | Level 2 |
|---|---|---|---|
| **Financial assets at fair value** | | | |
| Securities held for trading | 738.6 | 690.8 | 47.8 |
| | | | |
| Derivatives | | | |
| Currency and interest rate swaps and options | | | |
| - of which in fair value hedge accounting | | | |
| Currency derivatives | 0.1 | | 0.1 |
| - of which in cash flow hedge accounting | 0.1 | | 0.1 |
| Commodity derivatives | 9.5 | | 9.5 |
| - of which in cash flow hedge accounting | 8.6 | | 8.6 |
| **Total** | **748.2** | **690.8** | **57.4** |
| | | | |
| **Financial liabilities at fair value** | | | |
| Derivatives | | | |
| Currency derivatives | 7.4 | | 7.4 |
| - of which in cash flow hedge accounting | 7.4 | | 7.4 |
| Commodity derivatives | 14.1 | | 14.1 |
| - of which in cash flow hedge accounting | 14.1 | | 14.1 |
| **Total** | **21.5** | | **21.5** |

## 6.27 Fuel price risk in flight operations

**Timing of the notional and hedged price**

| | | | Maturity | |
|---|---|---|---|---|
| 31 December 2022 | Hedged price $/tonne | Notional amount (tonnes) | Under 1 year | 1 to 2 years |
| Jet fuel consumption priced with NWE index | 1,042.9 | 358,000 | 338,000 | 20,000 |

**Foreign exchange risk**

| | | | Maturity |
|---|---|---|---|
| Timing of the notional EUR mill. 31 December 2022 | Average exchange rate of hedging instruments against the euro | Notional amount (gross) | Less than 1 year |
| USD | 1.05 | 258.50 | 258.50 |
| JPY | 141.10 | 26.2 | 26.2 |

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

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# Board of directors'proposal on the dividend

Finnair Plc's distributable equity on 31 December 2022 amounts to -291,913,121.87 euros, of which the net result for the financial year 2022 is -350,246,231.89 euros.

The Board of Directors proposes to the Annual General Meeting that no dividend be paid based on the balance sheet to be adopted for the financial year, which ended on 31 December 2022, and the result be retained in the equity.

## Signing of the Report of the Board of Directors and the Financial Statements

Helsinki, 14 February 2023
The Board of Directors of Finnair Plc

Jouko Karvinen

Tiina Alahuhta-Kasko

Montie Brewer

Jukka Erlund

Hannele Jakosuo-Jansson

Henrik Kjellberg

Simon Large

Maija Strandberg

Topi Manner
President and CEO of Finnair Plc

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# Auditor's report

*(This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.)*

To the Annual General Meeting of Finnair Plc

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Finnair Plc (business identity code 0108023-3) for the year ended 31 December 2022. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

— the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

— the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 1.3.3 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

| The key audit matter | How the matter was addressed in the audit |
|---|---|
| **Financial position and funding arrangements (Refer to Accounting principles for consolidated financial statements and Notes 3.3, 3.5 and 3.9)** | |
| Resulting from the prolonged COVID-19 pandemic and the Ukrainian war the Group has incurred a net loss of € 476 million decreasing the equity to € 411 million. Liquid funds amounted to € 1,376 million and the interest-bearing liabilities were € 2,629 million.<br><br>Finnair renewed its strategy and continued adjusting its operations and executing its extensive financing programme.<br><br>As disclosed in the accounting principles to the financial statements due to the current uncertainty embedded in the economic environment and the difficulty in forecasting the ultimate duration of it, the Board of Directors have reviewed three different scenarios prepared by the management. According to the assessment of the Board of Directors Finnair will be able to meet its obligations under all three scenarios as they fall due at least 12 months after the date of the issuance of the financial statements. | With the involvement of KPMG valuation and IFRS specialists, we assessed the terms of the financing agreements and the impacts on classification and recognition in relation to accounting principles and accounting standards applied in the consolidated financial statements.<br><br>We obtained an understanding of the financial forecasting process. We analysed, among others, cash flow forecasts based on different scenarios, the reliability of the data underlying the forecasts and whether effective implementation of management plans is reasonable.<br><br>We challenged the appropriateness of key assumptions used in the cash flow forecasts that require significant management judgement.<br><br>We evaluated the sensitivity calculations prepared by the management to test the headroom for the Group to be able to conduct its adjusted business operations.<br><br>In addition, we assessed the appropriateness of the disclosures provided on the financing arrangements and financial position. |

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| The key audit matter | How the matter was addressed in the audit |
|---|---|
| **Fleet valuation (Refer to Accounting principles for consolidated financial statements and Note 2)** | |
| The Group has own aircraft and right of use aircraft with total carrying value of € 1,828 million representing 44 % of total consolidated assets. The aircraft-related depreciation charge was € 277 million. Finnair sold four owned A321 aircrafts. As a result of the closure of Russian airspace an impairment of € 33 million was recognized relating to four owned A330 aircrafts.<br><br>The evaluation of the expected useful life of the components of the aircraft, the expected residual value, impairment of existing aircraft and assessment of whether onerous contract exists related to the future committed aircraft purchases requires a significant degree of management judgement.<br><br>The valuation of the fleet is considered as a key audit matter due to the significance to the Group's consolidated statement of financial position, due to management judgement and inherent uncertainty increased by pandemic involved in forecasting future cash flows. | We assessed the reasonableness of assumptions made for useful lives, components and residual values regarding owned and leased aircraft and reconciled these assumptions against carrying values of aircraft components and associated depreciation recorded in the income statement.<br><br>Our audit procedures, with the involvement of KPMG valuation specialists, included testing the integrity of the calculations and the technical model. We have challenged the assumptions used in impairment testing and their reasonableness by reconciling against external industry market data, scenarios approved by the Board of Directors and our own views.<br><br>Furthermore, we considered the potential impact of uncertainties related to closure of Russian airspace on the assumptions within management's cash flow estimates. We performed our own sensitivity analyses over the key assumptions used.<br><br>We assessed the appropriateness of the related disclosures. |
| **Valuation of deferred tax asset for unused tax losses (Refer to Accounting principles for consolidated financial statements and note 5.1)** | |
| As a result of the prolonged COVID-19 pandemic and Ukrainian war Finnair recorded tax losses amounting to EUR 1.3 billion in 2020-2022. Due to the significant uncertainty caused by the closure of the Russian airspace no deferred tax asset was recognized for taxable losses in 2022. Furthermore, the carrying amount of the deferred tax asset related to tax loss carryforwards has been reduced by EUR 117 million. The remaining balance of deferred tax asset arising from tax losses amounts to EUR 99 million.<br><br>Deferred tax assets are recognized to the extent that it is probable that they can be utilized against taxable profit in the future. The valuation of deferred tax assets is based on management's estimate of the future taxable profits which will be generated before the unused tax losses expire.<br><br>Valuation of deferred tax assets is considered a key audit matter due to the high level of management judgement involved in preparation of forecasts of future taxable profits and the significance of carrying amounts. | We assessed the appropriateness of the methodology adopted by Finnair to identify existing tax loss carry forwards that will be utilized. To determine the recognition threshold of the deferred tax asset for unused tax losses we assessed the forecasting process by examining the procedure for preparing the taxable income forecasts used as a basis for estimates and by comparing income forecasts for prior years with actual results.<br><br>We evaluated the appropriateness of key assumptions used in the forecasts and compared them with the ones adopted for non-current asset impairment tests.<br><br>We also challenged the degree of the probability and accuracy of the available future taxable profits taking into consideration the Finnair's new strategy and high uncertainty about the duration of Russian airspace closure.<br><br>In addition, we assessed the appropriateness of the disclosures relating to deferred tax assets in accordance with IFRS. |

| The key audit matter | How the matter was addressed in the audit |
|---|---|
| **Deferred passenger revenue (Refer to Accounting principles for consolidated financial statements and Note 1.2.4)** | |
| The deferred passenger revenue amounted to € 452 million. Passenger ticket sale is presented as deferred income in the consolidated statement of financial position from the point of sale until the flight is flown and the sale is recognized as revenue. Recognition of unused tickets as revenue is based on the expected breakage amount of tickets remaining unused. The points earned in the customer loyalty program are measured at fair value and recognised as a decrease of revenue and debt at the time when the points-earning event is recognised as revenue or when the points expire.<br><br>Large volumes of transactions flow through various computer systems from the date of sale until revenue is recognized in the consolidated statement of profit or loss. The recording process is complex, which gives rise to inherent risk of error, in determining the amount and timing of the revenue recognition.<br><br>Timing and accuracy in the recording of passenger revenue is therefore determined as a key audit matter in our audit of the consolidated financial statements. | We obtained an understanding of revenue recognition process. We used data analytics tools for identifying revenue flows and risks in revenue recognition of ticket sales and focused our audit on key risks identified. Further, we used data analyses in testing deferred revenue of unflown tickets.<br><br>We evaluated the design and tested the operating effectiveness of key controls over revenue recognition.<br><br>We tested the mathematical accuracy and input data of the calculation used to recognize revenues from the breakage model. We also analysed the assumptions used in the revenue recognition of the customer loyalty program.<br><br>We tested a sample of passenger revenue recognized as well as a sample of unused tickets in the deferred revenue. |
| **Aircraft maintenance provision (Refer to Accounting principles for consolidated financial statements and Note 1.3.6)** | |
| The Group operates aircrafts which are owned or held under lease agreement. The Group is obliged to return leased aircraft and their engines according to the redelivery condition set in the lease agreement. To fulfil these maintenance obligations, the Group has recognised airframe heavy maintenance, engine performance maintenance, engine life limited part and other material maintenance provisions amounting to € 247 million.<br><br>The measurement of aircraft maintenance provisions requires management judgement especially related to timing of maintenance events and valuation of maintenance costs occurring in the future. The future maintenance costs and their timing are dependent on, for example, how future traffic plans realise, the market price development of maintenance costs and the actual condition of the aircraft at the time of the maintenance event.<br><br>We identified aircraft maintenance provision as a key audit matter due to the inherently complex model and management judgement incorporated in the assumptions used in the calculation. | We obtained an understanding of the process by which the lease agreements are analysed and recorded in the maintenance model and by which the variable factors within the provision are estimated.<br><br>We evaluated the appropriateness of the maintenance provision model and challenged the key assumptions used such as expected timing and cost of maintenance checks.<br><br>We obtained and inspected a sample of asset lease agreements to evaluate the completeness of the restoration and return liabilities for obligations at the redelivery at the end of the lease.<br><br>We tested the input data and mathematical accuracy of the calculations as well as recalculated the maintenance provision by using data analysis tools.<br><br>In addition, we performed retrospective analysis on the accuracy of the provision. |

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**Responsibilities of the Board of Directors and the Managing Director for the Financial Statements**

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Reporting Requirements

**Information on our audit engagement**

We were first appointed as auditors by the Annual General Meeting on May 29, 2020, and our appointment represents a total period of uninterrupted engagement of three years.

**Other Information**

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Other opinions**

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 14 February 2023

KPMG OY AB

KIRSI JANTUNEN
*Authorized Public Accountant, KHT*