



# FINNAIR GROUP INTERIM REPORT

1 JANUARY – 30 SEPTEMBER 2023



24 October 2023

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*Strong growth and profitability in the busiest quarter of the year.  
The rights issue is the next step in strategy implementation.*

## July – September 2023

- Earnings per share were 0.03 euros (-0.03)\*.
- Revenue increased by 13.7% to 817.3 million euros (719.2).
- Comparable operating result was 94.3 million euros (35.2) and operating result was 90.0 million euros (19.2). Both were adversely impacted by the more expensive fuel price towards the end of the period.
- Cash funds were 1,346.3 million euros (31 Dec 2022: 1 524.4) and they decreased mainly due to the 200-million-euro hybrid bond redemption during the period. The equity ratio was 11.5 per cent (31 Dec 2022: 9.9).
- Net cash flow from operating activities was 95.5 million euros (11.8), and net cash flow from investing activities was 45.1 million euros (-0.4). \*\* Gross capital expenditure totalled 73.2 million euros (37.5).
- Number of passengers increased by 6.6% to 3.0 million (2.8).
- Available seat kilometres (ASK) increased by 11.8% to 9,343.9 million kilometres (8,356.5).
- Passenger load factor (PLF) was 80.9% (80.1).

## January – September 2023

- Basic earnings per share were 0.12 euros (-0.39).
- Result for the period included a positive, one-off deferred tax item of 99 million euros based on previous years' tax losses.
- Revenue increased by 35.5% to 2,261.3 million euros (1,669.3).
- Comparable operating result was 161.4 million euros (-181.8) and operating result was 164.1 million euros (-238.6). Both were adversely impacted by the more expensive fuel price towards the end of the period.
- Net cash flow from operating activities was 478.1 million euros (229.1), and net cash flow from investing activities was -286.3 million euros (-21.2). \*\* Gross capital expenditure totalled 209.4 million euros (137.8).
- Number of passengers increased by 26.0% to 8.4 million (6.6).
- Available seat kilometres (ASK) increased by 17.3% to 27,106.9 million kilometres (23,112.9).
- Passenger load factor (PLF) was 77.5% (65.9).

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

\*\* In Q3, net cash flow from investing activities included 63.2 million euros of redemptions (29.1 million euros) in money market funds or other financial assets (maturity over three months). In Q1–Q3, investments totalled to 128.6 million euros (26.1 million euros of redemptions). They are part of the Group's liquidity management.

## Outlook

### GUIDANCE ISSUED ON 21 JULY 2023:

Finnair reiterates its capacity guidance issued on 27 April 2023, estimating that in 2023, it will operate an average capacity of 80–85 per cent, as measured in ASKs, compared to 2019.

Finnair also reiterates its previous guidance, estimating that its 2023 revenue will significantly increase year-on-year but will not yet reach the level of 2019 (3,097.7 million euros).

The company specifies its guidance related to full-year 2023 comparable operating result provided in connection with the positive profit warning published on 13 June 2023 and now estimates that it will be within the range of 150–210 million euros.

Specific risks related to Finnair's operating environment have normalised as the impacts of the pandemic have faded and the markets have adapted to the closure of Russian airspace. However, risks related to the impacts of inflation and rising interest rates on demand and costs remain elevated, thus, causing uncertainty in the operating environment. The company's comparable operating result estimate is based on the current fuel price and exchange rates.

Finnair will update its outlook and guidance in connection with the Q3 2023 interim report.

#### **NEW GUIDANCE ON 24 OCTOBER 2023:**

Finnair reiterates its capacity guidance estimating that in 2023, it will operate an average capacity of 80–85 per cent, as measured in ASKs, compared to 2019. The capacity estimate also includes the agreed wet leases.

Finnair specifies its previous guidance for full-year 2023 revenue and now estimates it to be in the range of 2.9–3.1 billion euros.

The company also specifies its previous guidance for full-year 2023 comparable operating result and now estimates it to be in the range of 160–200 million euros. The company's comparable operating result estimate is based on the current fuel price and exchange rates.

Specific risks related to Finnair's operating environment have normalised as the impacts of the pandemic have faded and the markets have adapted to the closure of Russian airspace. However, risks related to the impacts of inflation and rising interest rates on demand and costs remain elevated, thus, causing uncertainty in the operating environment. Also the prevailing situation in the Middle East causes uncertainty in the operating environment.

Finnair will update its outlook and guidance in connection with the financial statements bulletin for 2023.

## **CEO Topi Manner:**

Strong growth and profitability characterised the busiest quarter of the year. We carried 3 million passengers and had a passenger load factor of 81 per cent. Our revenue grew by 13.7 per cent year-on-year to 817 million euros. Our comparable operating profit was 94 million euros, equaling a comparable EBIT margin of 11.5 per cent. This was the fifth consecutive quarter with a positive comparable EBIT driven by continued revenue optimisation and cost efficiency as per our strategy. Our net result was also positive for the fourth consecutive time, this time 53 million euros.

In July, the monthly number of customers exceeded one million for the first time since the beginning of the COVID-19 pandemic. Operationally, we were well prepared for the busy travel season. Our on-time performance was 82 per cent. Punctuality is the single biggest factor affecting customer satisfaction. Customer satisfaction measured by the Net Promoter Score was 31. Our customers rated Finnair as a five-star airline in APEX's airline assessment. This recognition shows the trust and support our customers have in us. Thanks for the good customer experience belong to the entire Finnair team, who work daily to ensure smooth and safe flight operations and friendly customer service.

During the quarter, we renewed the Finnair Plus programme and joined Avios, bringing new benefits and new opportunities for members to collect and use frequent flyer currency. We also announced that we are investing in new, larger lounges on the Schengen side of Helsinki Airport. The expanded lounges will be available in the second half of 2024 to serve the needs of a growing number of customers.

We are also hiring more staff for our growing traffic. Training for pilots recruited earlier this year is already underway, and we had thousands of applicants applying for cabin crew positions earlier this autumn. We are also strengthening resources in digital services and in airport customer service. The interest towards these positions shows that Finnair is an attractive employer, and we also received recognition for our attractiveness in Universum's survey.

After the review period, we announced that we are planning a rights issue of up to 600 million euros to strengthen our financial position. The offering is a natural next step in the implementation of our strategy. It aims to reduce Finnair's financing costs, support the strategy implementation for sustainable profitable growth and ensure the company's ability to invest in the future. With the rights issue, Finnair also aims to restore the company's ability to reinstate shareholder distributions. Finnair's largest shareholders, including the State of Finland, support the rights issue.

Next week we will celebrate Finnair's 100th anniversary. Finnair is the sixth oldest airline still in operation in the world. Reaching the age of one hundred is not a given for an airline, and, after the double crisis we have been going through, achieving it is particularly meaningful. A warm thank you for the long history and shared journey goes to all our customers, owners, partners, personnel and other stakeholders.

## Business environment in Q3

The impacts of the COVID-19 pandemic on Finnair's operations were very mild in Q3 2023, although the increase in travel to China, opened for travel in early 2023, remained slow. On the other hand, the Russian airspace closure to EU carriers had a clear impact on Finnair's Asian traffic also during the period. Finnair has continued operating to most of its Asian destinations despite routings that are up to 40 per cent longer. However, the Asian capacity, measured in ASKs, was only 50 per cent compared to Q3 2019. The longer routings increased the unit costs considerably. However, the Asian market yields remained at a good level, thanks to the strong demand as well as constrained capacity caused by the global labour shortage and operational challenges due to longer flight times. Similarly, demand in intra-European and North Atlantic markets was robust and capacity constrained. Consequently, passenger revenue increased clearly more year-on-year than capacity.

Scheduled market capacity, measured in ASKs, between origin Helsinki and Finnair's European destinations increased by 5.6 per cent (141.3) year-on-year. Direct market capacity between Finnair's Asian and European destinations increased by 92.6 per cent (82.2) and between Finnair's North Atlantic and European destinations by 14.3 per cent (95.0) year-on-year.

The strong demand for package holidays continued throughout Q3. This was clearly reflected in increased package prices, which enabled Aurinkomatkat to cover increasing flight and hotel costs. Due to the strong demand, capacity has been increased to popular destinations such as Crete, Turkey, and Canary Islands. The wildfires in Rhodes during the period temporarily shifted demand to other locations. Despite the higher prices, demand remained strong also for last-minute deals. Demand for city holidays continued to grow strongly and the number of passengers was record high in July. Customers have started to book their trips earlier after the pandemic and, therefore, demand for the upcoming winter season is at a good level.

In the global air freight market, growing supply, softer demand and, thus, declining market prices resulted in lower Finnair's cargo revenue than in the comparison period and in the previous quarter. Finnair estimates that overall cargo demand will remain soft in the near-term, although seasonality patterns may be visible during the traditionally strongest Q4, and that prices will decline as market capacity increases.

The US dollar, which is the most significant expense currency for Finnair after the euro, weakened by 7.5 per cent against the euro year-on-year. The Q3 US dollar-denominated average market price of jet fuel was 14.9 per cent lower and the euro-denominated market price was 20.5 per cent lower than in the comparison period. Changes in fuel price and exchange rates are, however, not directly reflected in Finnair's result due to its hedging policy, as the company hedges its fuel purchases and key foreign currency items.

## Financial performance in Q3

### REVENUE IN Q3

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

#### Revenue by product

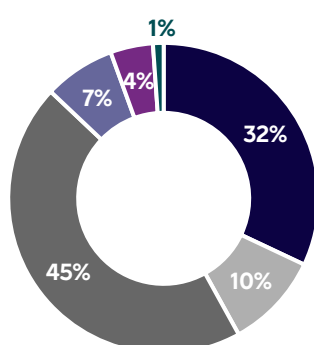
EUR million	Q3/2023	Q3/2022	Change %
Passenger revenue	673.1	553.9	21.5
Ancillary revenue	37.9	36.3	4.3
Cargo	40.8	73.4	-44.5
Travel services	65.6	55.5	18.2
<b>Total</b>	<b>817.3</b>	<b>719.2</b>	<b>13.7</b>

Unit revenue (RASK) increased by 1.6 per cent and amounted to 8.75 cents (8.61). The RASK increase was caused by elevated passenger yields and higher passenger load factor despite the higher number of cargo-only flights in the comparison period, as these flights do not generate any ASKs and, thus, have a positive RASK impact.

## Passenger revenue and traffic data by area

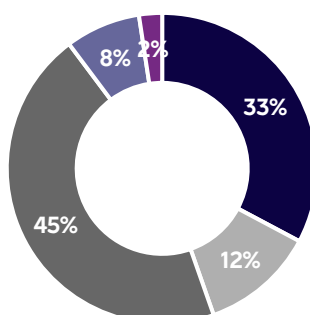
Traffic area	Passenger revenue		ASK		RPK		PLF	
	Q3/2023 MEUR	Q3/2022 MEUR	Q3/2023 Mill. km	Q3/2022 Mill. km	Q3/2023 Mill. km	Q3/2022 Mill. km	%	Change %-p
Asia	215.5	130.7	3,062.1	2,152.0	2,558.1	1,669.7	83.5	5.9
North Atlantic	67.1	101.6	1,107.8	1,920.7	905.8	1,494.2	81.8	4.0
Europe	303.4	284.4	4,218.0	4,034.4	3,387.6	3,335.1	80.3	-2.4
Middle East	49.9	2.5	731.5	41.4	552.2	35.5	75.5	-10.4
Domestic	29.8	26.9	224.6	208.0	158.6	160.4	70.6	-6.5
Unallocated	7.5	7.9						
<b>Total</b>	<b>673.1</b>	<b>553.9</b>	<b>9,343.9</b>	<b>8,356.5</b>	<b>7,562.3</b>	<b>6,695.0</b>	<b>80.9</b>	<b>0.8</b>

Q3 passenger revenue



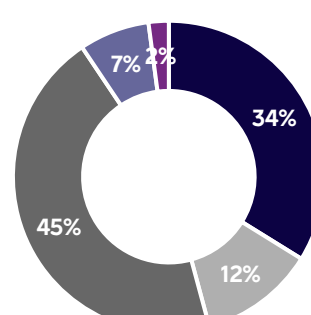
- Asia
- North Atlantic
- Europe
- Middle East
- Domestic
- Unallocated

Q3 capacity (ASKs)



- Asia
- North Atlantic
- Europe
- Middle East
- Domestic

Q3 traffic (RPKs)



- Asia
- North Atlantic
- Europe
- Middle East
- Domestic

The mildly negative impact of the COVID-19 pandemic was still visible in the Asian traffic, as travel to China continued to gradually increase during Q3. Although the figures improved during the period due to strong demand, the Russian airspace closure had a clear negative impact which was visible mainly in the Asian figures. Passenger revenue increased by 21.5 per cent and traffic capacity, measured in Available Seat Kilometres (ASK), increased by 11.8 per cent overall against the comparison period. The number of passengers increased by 6.6 per cent to 2,954,100 passengers. Traffic, measured in Revenue Passenger Kilometres (RPK), increased by 13.0 per cent and the passenger load factor (PLF) increased by 0.8 percentage points to 80.9 per cent.

The distance-based reported traffic figures are based on the great circle distance and, thus, do not reflect the longer Asian routings caused by the closure of Russian airspace. As a result, they are not fully comparable with the figures prior to the airspace closure. During the period, the adjusted ASKs, taking into account the longer sector lengths, would be 12 per cent higher than the reported ASKs.

In Asian traffic, the number of scheduled passenger flights was only 50 per cent compared to Q3 2019 because of the remaining pandemic impacts, but especially due to the Russian airspace closure. The number of scheduled passenger flights was nonetheless more than in the comparison period, as travel to Asia opened and Finnair has gradually added capacity to e.g. Japan, Hong Kong and South Korea. Therefore, ASKs grew by 42.3 per cent and RPKs by 53.2 per cent. PLF increased by 5.9 percentage points to 83.5 per cent.

North Atlantic ASKs in Q3 2023 decreased by 42.3 per cent year-on-year mainly as the Stockholm operations were discontinued at the end of October 2022. RPKs decreased by 39.4 per cent year-on-year. PLF increased by 4.0 percentage points to 81.8 per cent.

ASKs grew by 4.6 per cent in European traffic year-on-year. RPKs grew only by 1.6 per cent and, thus, the PLF declined by 2.4 percentage points to 80.3 per cent. Since the beginning of 2023, Finnair has reported Middle East as

a separate traffic area whereas in 2022, these figures were still included in the European traffic. Comparison period figures have now been adjusted accordingly.

Finnair started its cooperation with Qatar Airways at the end of 2022. Flights operated by Finnair between Copenhagen, Stockholm and Doha commenced at the beginning of November, and flights between Helsinki and Doha from mid-December. As mentioned, the figures for these three daily routes are reported as a part of the new traffic area Middle East starting from 2023. This traffic area also includes flights to Dubai and Israel, which were operated already before the Qatar Airways cooperation. ASKs grew by 1,667.9 per cent in Middle Eastern traffic year-on-year. RPKs grew by 1,454.0 per cent. The PLF decreased by 10.4 percentage points to 75.5 per cent.

Domestic traffic capacity increased by 8.0 per cent but RPKs decreased by 1.1 per cent. The PLF decreased by 6.5 percentage points to 70.6 per cent year-on-year.

Ancillary revenue increased to 37.9 million euros (36.3). Advance seat reservations, excess baggage and flight ticket related fees were the largest ancillary categories.

As Finnair operated fewer scheduled passenger flights to Asia compared to the pre-pandemic era, mainly due to the closure of Russian airspace, Finnair's Q3 cargo volumes were lower than the pre-pandemic figures of Q3 2019. Available cargo tonne kilometres, however, increased by 20.8 per cent and revenue cargo tonne kilometres by 15.8 per cent year-on-year. Even though total cargo tonnes increased by 20.0 per cent, cargo revenue decreased by 44.5 per cent year-on-year due to lower cargo yields and as Finnair reports the cargo traffic figures related to the Qatar Airways cooperation as the operating carrier. However, revenue related to these flights is reported in full in passenger revenue.

Travel services' financial development has been positively affected by the robust demand after the COVID-19 pandemic. During Q3, only international package holidays were produced, as the production of domestic package holidays was discontinued earlier. The total number of travel services passengers increased by 8.0 per cent year-on-year and the load factor in allotment-based capacity was 93.5 per cent. Travel services revenue increased by 18.2 per cent to 65.6 million euros (55.5).

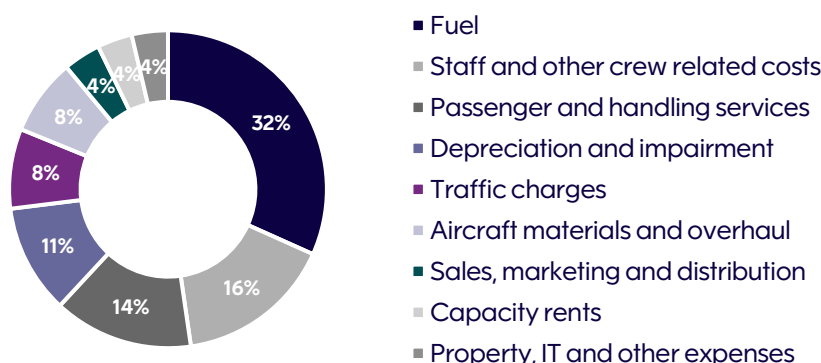
Other operating income decreased by 52.2 per cent to 26.7 million euros (55.9) as the wet lease arrangement with Eurowings Discover, that was operated during the comparison period, ended in Q1 2023.

## OPERATING EXPENSES INCLUDED IN COMPARABLE EBIT IN Q3

Finnair's operating expenses, included in the comparable operating result, increased by 1.3 per cent due to increased capacity. Finnair continued its cost efficiency initiatives in Q3.

Unit cost (CASK) decreased by 5.5 per cent and totalled 7.74 cents (8.18). CASK excluding fuel decreased by 1.8 per cent. Year-on-year, the CASK decrease was caused by the increased capacity, the higher share of cargo-only flights in the comparison period, lower jet fuel price, as well as the achieved cost savings.

### Q3 operating expenses (€749.7 million in total) included in comparable operating result





EUR million	Q3/2023	Q3/2022	Change %
Staff and other crew related costs	119.9	117.1	2.4
Fuel costs	237.7	242.1	-1.8
Capacity rents	26.7	28.7	-7.2
Aircraft materials and overhaul	58.4	57.9	0.9
Traffic charges	60.9	53.8	13.3
Sales, marketing and distribution costs	28.5	27.3	4.3
Passenger and handling costs	106.7	99.7	7.0
Property, IT and other expenses	27.6	34.2	-19.4
Depreciation and impairment	83.4	78.9	5.7
<b>Total</b>	<b>749.7</b>	<b>739.8</b>	<b>1.3</b>

Operating expenses included in the comparable operating result, excluding fuel, increased by 2.9 per cent.

Fuel costs, including hedging results and emissions trading costs, decreased despite the increased capacity (measured in ASK) and longer Asian routings as the fuel market price<sup>1</sup> declined year-on-year. Fuel efficiency (as measured in fuel consumption per ASK) weakened by 5.7 per cent due to e.g., longer Asian routings despite a very limited number of cargo-only flights, that do not generate ASKs, in Q3 2023. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, weakened by 4.0 per cent year-on-year.

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

Passenger and handling costs (including also tour operation expenses related to e.g., hotels) were driven up by the increased volumes, especially in passenger traffic. Sales, marketing and distribution costs increased due to recent marketing activities and improved sales intake.

Aircraft materials and overhaul costs went slightly up due to the added capacity and longer Asian routings although updated USD-based discount rates of maintenance reserves had a declining impact. Traffic charges increased as a result of the longer routings between Europe and Asia and increased capacity.

Capacity rents, covering purchased traffic from Norra and any wet lease ins or potential cargo rents, decreased versus the comparison period as more wet lease ins were utilised in Q3 2022. Property, IT and other expenses, on the other hand, decreased mainly due to exchange gains during the period and certain one-off cost items during the comparison period.

### RESULT IN Q3

As travelling was unrestricted within Europe, to the United States and to almost all countries in Asia during Q3, impacts of the COVID-19 pandemic were mild. However, as the Russian airspace was closed back in February 2022, the rerouted flights were longer, increasing e.g., staff, fuel and navigation costs.

EUR million	Q3/2023	Q3/2022	Change %
<b>Comparable EBITDA</b>	<b>177.7</b>	<b>114.1</b>	<b>55.7</b>
Depreciation and impairment	-83.4	-78.9	-5.7
<b>Comparable operating result</b>	<b>94.3</b>	<b>35.2</b>	<b>168.0</b>
Items affecting comparability	-4.3	-16.0	73.0
<b>Operating result</b>	<b>90.0</b>	<b>19.2</b>	<b>&gt;200</b>
Financial income	15.5	0.4	>200
Financial expenses	-35.9	-33.4	-7.4
Exchange gains and losses	-3.1	-30.9	90.0
<b>Result before taxes</b>	<b>66.5</b>	<b>-44.7</b>	<b>&gt;200</b>
Income taxes	-14.0	7.5	<-200
<b>Result for the period</b>	<b>52.5</b>	<b>-37.2</b>	<b>&gt;200</b>

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

Unrealised changes in foreign currencies relating to fleet overhaul provisions were -4.3 million euros (-13.0). Other items affecting comparability consist of fair value changes of derivatives for which hedge accounting is not applied and sales gains or losses. These items totalled 0.0 million euros (1.8) during the quarter. During the period, there were no restructuring costs (-4.8).

<sup>1</sup> Fuel price impact including impact of currencies and hedging.

The net financial expenses were negative in Q3 mainly because of the interest expenses and exchange losses surpassing interest income. Recognised income taxes consisted of utilised tax losses and other temporary differences.

The result for the period was positive for the fourth consecutive quarter.

## Financial performance in Q1–Q3

### REVENUE IN Q1–Q3

Finnair's total revenue increased year-on-year as the COVID-19 impact was visible in Q1–Q3 2022 and, on the other hand, as passenger yields were exceptionally high during the period on the back of robust demand and restricted market capacity.

#### Revenue by product

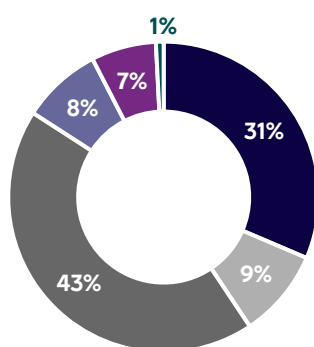
EUR million	Q1–Q3/2023	Q1–Q3/2022	Change %
Passenger revenue	1,838.5	1,175.2	56.4
Ancillary revenue	104.1	90.7	14.7
Cargo	141.4	283.8	-50.2
Travel services	177.3	119.6	48.3
<b>Total</b>	<b>2,261.3</b>	<b>1,669.3</b>	<b>35.5</b>

Unit revenue (RASK) increased by 15.5 per cent and amounted to 8.34 cents (7.22). The RASK increase was caused by elevated passenger yields and higher passenger load factor despite the higher number of cargo-only flights in the comparison period, as these flights do not generate any ASKs and, thus, have a positive RASK impact.

#### Passenger revenue and traffic data by area

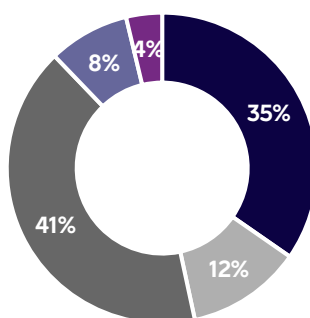
Traffic area	Passenger revenue		ASK		RPK		PLF	
	Q1–Q3/2023 MEUR	Q1–Q3/2022 MEUR	Q1–Q3/2023 Mill. km	Q1–Q3/2022 Mill. km	Q1–Q3/2023 Mill. km	Q1–Q3/2022 Mill. km	%	Change %-p
Asia	577.5	258.2	9,393.0	6,202.0	7,316.4	3,624.4	77.9	19.5
North Atlantic	169.8	194.7	3,244.1	5,544.5	2,377.9	3,177.8	73.3	16.0
Europe	799.0	604.7	11,168.6	10,295.9	8,918.2	7,668.8	79.9	5.4
Middle East	153.0	8.7	2,286.4	205.5	1,661.1	154.3	72.7	-2.4
Domestic	124.4	85.8	1,014.8	864.9	737.8	613.4	72.7	1.8
Unallocated	14.8	23.2						
<b>Total</b>	<b>1,838.5</b>	<b>1,175.2</b>	<b>27,106.9</b>	<b>23,112.9</b>	<b>21,011.5</b>	<b>15,238.6</b>	<b>77.5</b>	<b>11.6</b>

Q1–Q3 passenger revenue



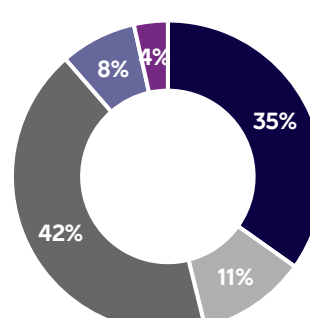
- Asia
- North Atlantic
- Europe
- Middle East
- Domestic
- Unallocated

Q1–Q3 capacity (ASKs)



- Asia
- North Atlantic
- Europe
- Middle East
- Domestic

Q1–Q3 traffic (RPKs)



- Asia
- North Atlantic
- Europe
- Middle East
- Domestic



The negative impact of the COVID-19 pandemic was still visible in the Asian traffic, as travel to China gradually opened during Q1–Q3. On the other hand, the comparison period was burdened by the Omicron variant that softened demand, combined with the closure of Russian airspace at the end of February 2022. Although the figures improved during the period due to strong demand, the Russian airspace closure had a negative impact on the figures in Q1–Q3, and this was visible mainly in the Asian figures. Passenger revenue increased by 56.4 per cent and traffic capacity, measured in Available Seat Kilometres (ASK), increased by 17.3 per cent overall against the comparison period. The number of passengers increased by 26.0 per cent to 8,372,800 passengers. Traffic, measured in Revenue Passenger Kilometres (RPK), increased by 37.9 per cent and the passenger load factor (PLF) increased by 11.6 percentage points to 77.5 per cent.

The distance-based reported traffic figures are based on the great circle distance and, thus, do not reflect the longer Asian routings caused by the closure of Russian airspace. As a result, they are not fully comparable with the figures prior to the airspace closure. During the period, the adjusted ASKs, taking into account the longer sector lengths, would be c. 15 per cent higher than the reported ASKs.

In Asian traffic, the number of scheduled passenger flights was 53 per cent compared to Q1–Q3 2019 because of the remaining pandemic impacts, but especially due to the Russian airspace closure. The number of scheduled passenger flights was nonetheless more than in the comparison period, as travel to Asia opened. Therefore, ASKs grew by 51.4 per cent and RPKs by 101.9 per cent. PLF increased by 19.5 percentage points to 77.9 per cent.

Due to the closed Russian airspace, Finnair has increased its North Atlantic capacity. As a result, North Atlantic ASKs in Q1–Q3 2023 increased by 6 per cent compared to Q1–Q3 2019. Compared to Q1–Q3 2022, ASKs, however, decreased by 41.5 per cent as the Stockholm operations were discontinued at the end of October 2022. RPKs decreased only by 25.2 per cent year-on-year. Thus, PLF increased by 16.0 percentage points to 73.3 per cent.

ASKs grew by 8.5 per cent in European traffic year-on-year. RPKs grew by 16.3 per cent on the back of robust demand and the PLF increased by 5.4 percentage points to 79.9 per cent. Since the beginning of 2023, Finnair has reported Middle East as a separate traffic area whereas in 2022, these figures were still included in the European traffic. Comparison period figures have now been adjusted accordingly.

Finnair started its cooperation with Qatar Airways at the end of 2022. Flights operated by Finnair between Copenhagen, Stockholm and Doha commenced at the beginning of November, and flights between Helsinki and Doha from mid-December. As mentioned, the figures for these three daily routes are reported as a part of the new traffic area Middle East starting from 2023. This traffic area also includes flights to Dubai and Israel, which were operated already before the Qatar Airways cooperation. ASKs grew by 1,012.6 per cent in Middle Eastern traffic year-on-year. RPKs grew by 976.8 per cent but the PLF decreased by 2.4 percentage points to 72.7 per cent.

Domestic traffic capacity increased by 17.3 per cent, RPKs by 20.3 per cent and the PLF by 1.8 percentage points to 72.7 per cent year-on-year.

Ancillary revenue increased to 104.1 million euros (90.7). Advance seat reservations, excess baggage and flight ticket related fees were the largest ancillary categories.

As Finnair operated fewer scheduled passenger flights to Asia compared to the pre-pandemic era, mainly due to the closure of Russian airspace, Finnair's Q1–Q3 cargo volumes were lower than the pre-pandemic figures of Q1–Q3 2019. Available cargo tonne kilometres, however, increased by 10.0 per cent but revenue scheduled cargo tonne kilometres decreased by 1.6 per cent year-on-year. The increase in available cargo tonne kilometres is mainly explained by the fact that Finnair reports the cargo traffic figures related to the Qatar Airways cooperation as Finnair operates the flights. However, revenue related to these flights is included in passenger revenue. Even though total cargo tonnes increased by 6.6 per cent, cargo revenue decreased by 50.2 per cent year-on-year, due to lower cargo yields and the allocation of Qatar Airways related revenue.

Travel services' financial development has been positively affected by the robust demand after the COVID-19 pandemic. During Q1–Q3, only international package holidays were produced, as the production of domestic package holidays was discontinued earlier. The total number of travel services passengers increased by 22.0 per cent year-on-year and the load factor in allotment-based capacity was 95.6 per cent. Travel Services revenue increased by 48.3 per cent to 177.3 million euros (119.6).

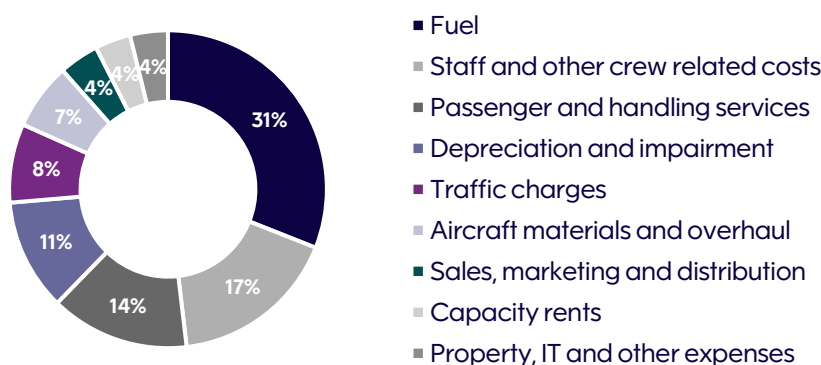
Other operating income decreased by 21.9 per cent to 85.5 million euros (109.4), as the wet lease arrangement with Eurowings Discover, that commenced in Q2 2022, ended in Q1 2023.

## OPERATING EXPENSES INCLUDED IN COMPARABLE EBIT IN Q1–Q3

Finnair's operating expenses, included in the comparable operating result, increased by 11.5 per cent mainly due to increased capacity and longer Asian routings. Finnair continued its cost efficiency initiatives in Q1–Q3.

Unit cost (CASK) decreased by 3.3 per cent and totalled 7.75 cents (8.01). CASK excluding fuel decreased by 2.4 per cent. Year-on-year, the decrease was caused by the increased capacity, the higher share of cargo-only flights in the comparison period, as well as the achieved cost savings.

### Q1–Q3 operating expenses (€2,185.4 million in total) included in comparable operating result



EUR million	Q1–Q3/2023	Q1–Q3/2022	Change %
Staff and other crew related costs	374.0	332.6	12.4
Fuel costs	677.6	608.1	11.4
Capacity rents	79.4	76.3	4.0
Aircraft materials and overhaul	148.2	131.4	12.8
Traffic charges	175.4	155.4	12.9
Sales, marketing and distribution costs	88.8	76.3	16.3
Passenger and handling costs	309.7	249.5	24.1
Property, IT and other expenses	84.1	95.1	-11.5
Depreciation and impairment	248.2	235.9	5.2
<b>Total</b>	<b>2,185.4</b>	<b>1,960.5</b>	<b>11.5</b>

Operating expenses included in the comparable operating result, excluding fuel, increased by 11.5 per cent.

Fuel costs, including hedging results and emissions trading costs, grew mainly due to the increased capacity (measured in ASK) and longer Asian routings. Fuel efficiency (as measured in fuel consumption per ASK) weakened by 6.0 per cent due to e.g., longer Asian routings despite a very limited number of cargo-only flights, that do not generate ASKs, in Q1–Q3 2023. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, however, decreased by 1.3 per cent year-on-year as passenger load factor improved.

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

Passenger and handling costs (including also tour operation expenses related to e.g., hotels) were driven up by the increased volumes, especially in passenger traffic. Sales, marketing and distribution costs increased due to marketing activities and improved sales intake.

Aircraft materials and overhaul costs went up due to the added capacity and longer Asian routings. Traffic charges increased as a result of the longer routings between Europe and Asia and increased capacity even though e.g., the Russian overflight royalties did not accrue during the period.

Capacity rents, covering purchased traffic from Norra and any wet leases or potential cargo rents, increased versus the comparison period as capacity increased. Property, IT and other expenses, on the other hand, decreased mainly due to exchange gains.

## RESULT IN Q1–Q3

As travelling was unrestricted within Europe, to the United States and to almost all countries in Asia during Q1–Q3, impacts of the COVID-19 pandemic were fairly mild. However, as the Russian airspace was closed back in February 2022, the rerouted flights were longer, increasing e.g., staff, fuel and navigation costs.

EUR million	Q1–Q3/2023	Q1–Q3/2022	Change %
<b>Comparable EBITDA</b>	<b>409.7</b>	<b>54.1</b>	<b>&gt;200</b>
Depreciation and impairment	-248.2	-235.9	-5.2
<b>Comparable operating result</b>	<b>161.4</b>	<b>-181.8</b>	<b>188.8</b>
Items affecting comparability	2.7	-56.7	104.8
<b>Operating result</b>	<b>164.1</b>	<b>-238.6</b>	<b>168.8</b>
Financial income	41.1	-0.5	>200
Financial expenses	-108.7	-101.2	-7.4
Exchange gains and losses	6.2	-85.7	107.2
<b>Result before taxes</b>	<b>102.7</b>	<b>-426.1</b>	<b>124.1</b>
Income taxes	91.4	-103.4	188.4
<b>Result for the period</b>	<b>194.1</b>	<b>-529.5</b>	<b>136.6</b>

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

Unrealised changes in foreign currencies relating to fleet overhaul provisions were -1.3 million euros (-28.0) due to the weakened US dollar during the period. Other items affecting comparability consist of fair value changes of derivatives for which hedge accounting is not applied, sales gains or losses and restructuring costs. These items totalled 4.0 million euros (4.0) during the period and related mostly to sales gains totalling 2.9 million euros (6.7). No impairment on aircraft was recognised during the period, whereas in Q1–Q3 2022, impairment on A330 aircraft was the biggest item affecting comparability (-32.7).

The net financial expenses were negative in Q1–Q3 mainly because of the interest expenses surpassing interest income and exchange gains. The company did not book any deferred tax assets based on the losses in Q1 2023 due to the uncertainty relating to utilisation of these losses in taxation. However, the recognised income taxes mainly related to changes in deferred tax assets that are based on certain temporary differences that had not been recognised during the financial year 2022. The company decided to recognise them in Q1 as these items have no statute of limitations, and as the company outlook had improved. In Q2, Finnair re-recognised 99 million euros of the deferred tax assets related to 2020 and 2021 tax losses that were written down in Q2 2022 as its financial outlook had further improved. Other recognised income taxes in Q2 as well as in Q3 consisted of utilised tax losses and other temporary differences.

The result for the period was positive due to improved financial performance and the abovementioned recognised deferred tax assets.

## Financial position and capital expenditure

### BALANCE SHEET

The Group's balance sheet totalled 4,037.6 million euros at the end of September (31 Dec 2022: 4,133.0). As some investments were made, the fleet book value increased by 2.5 million euros despite depreciation. The right-of-use fleet decreased by 81.5 million euros due to depreciation.

Receivables related to revenue increased to 163.1 million euros mainly due to improved ticket sales (31 Dec 2022: 134.9). Net deferred tax assets increased to 161.3 million euros (31 Dec 2022: 80.6) mainly due to the 99-million-euro re-recognition of deferred tax assets in Q2 related to 2020 and 2021 tax losses. The pension assets rose to 132.7 million euros (31 Dec 2022: 120.0) mostly due to actuarial gains whereas pension obligations remained unchanged at 0.7 million euros (31 Dec 2022: 0.7).

Deferred income and advances received increased to 564.0 million euros (31 Dec 2022: 452.0). This was mainly caused by an increase in the unflown ticket liability, amounting to 453.9 million euros (31 Dec 2022: 356.4) due to improved sales intake and seasonality.

The profit for the period augmented shareholders' equity, which totalled 463.3 million euros (31 Dec 2022: 410.7), or 0.33 euros per share (31 Dec 2022: 0.29). During the period, Finnair redeemed the hybrid bond of 200 million euros and paid the related interests which had a declining impact on equity. Shareholders' equity also includes a fair value reserve that is affected by changes in the fair values of jet fuel and currency derivatives used for hedging as well as actuarial gains and losses related to defined benefit plans. The value of the item at the end of September was 115.3 million euros after deferred taxes (31 Dec 2022: 42.8) as the increase in the fair value of hedge instruments had an improving impact on equity, especially due to the higher jet fuel price.

After the period, Finnair announced that it is planning a rights issue of up to EUR 600 million to strengthen its financial position, which, if realised, would also have an impact on the structure of equity, as the plan is to convert the 400-million-euro capital loan granted by the State of Finland into equity pro rata to the State's ownership and to repay the remainder of it together with the accrued interests to the State.

## CASH FLOW AND FINANCIAL POSITION

### Cash flow

EUR million	Q1–Q3/2023	Q1–Q3/2022
Net cash flow from operating activities	478.1	229.1
Net cash flow from investing activities	-286.3	-21.2
Net cash flow from financing activities	-517.0	103.9

During Q1–Q3 2023, net cash flow from operating activities was strong due to materially improved ticket sales and positive comparable EBITDA. Net cash flow from investments was negative, due to fleet-related investments and changes in other current financial assets (maturity over three months). Net cash flow from financing was negative due to both loan and lease liability repayments. The loan repayments include the senior bond buyback of 18 million euros executed in Q1, the first 100-million-euro tranche of the pension premium loan amortisation in June as well as the 200-million-euro hybrid bond redemption with interests in September.

### Capital structure

%	30 Sep 2023	31 Dec 2022
Equity ratio	11.5	9.9
Gearing	224.4	266.4

The equity ratio on 30 September 2023 improved from the year-end 2022 thanks to the positive result for the period. Gearing declined on the back of improved equity as well as decline in adjusted interest-bearing liabilities and, thus, lower interest-bearing net debt.

### Liquidity and net debt

EUR million	30 Sep 2023	31 Dec 2022
Cash funds	1,346.3	1,524.4
Adjusted interest-bearing liabilities	2,386.1	2,618.4
Interest-bearing net debt	1,039.7	1,094.0

The company's liquidity remained strong on the back of the robust net cash flow from operating activities even though the company repaid the first 100-million-euro tranche of the pension premium loan and redeemed the 200-million-euro hybrid bond. In addition, Finnair has a 200-million-euro short-term, unsecured commercial paper programme, which was unused at the end of September.

Adjusted interest-bearing liabilities decreased from year-end 2022 due to repayments of lease liabilities, weakened US dollar and loan repayments. The share of lease liabilities totalled 1,237.9 million euros (31 Dec 2022: 1,330.7).

## CAPITAL EXPENDITURE

Gross capital expenditure, excluding advance payments, totalled 209.4 million euros during Q1–Q3 2023 (137.8) and was primarily related to fleet investments.

Cash flow from investments (including fixed asset investments and divestments, sublease payments received, advance payments and change in other non-current assets) totalled -157.7 million euros (-47.3).

Change in other current financial assets (maturity over three months) totalled -128.6 million euros (26.1) also forming a part of the total net cash flow from investments, which amounted to -286.3 million euros (-21.2).

Cash flow from investments (including only fixed asset investments and advance payments) for the financial year 2023 relates mainly to the fleet and is expected to total -225 million euros. Investment cash flow includes both committed investments as well as estimates for planned, but not yet committed, investments.

The company has 36 unencumbered aircraft, which account for approximately 31.3 per cent of the balance sheet value of the entire fleet of 1,748.6 million euros.<sup>2</sup>

<sup>2</sup> Fleet value includes right of use assets as well as prepayments of future aircraft deliveries.

# Fleet

## FINNAIR'S OPERATING FLEET

Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair Plc. At the end of September, Finnair itself operated 55 aircraft, of which 25 were wide-body and 30 narrow-body aircraft. The average age of the fleet operated by Finnair was 12.2 years.

Fleet operated by Finnair*	Seats	#	Change from 31 Dec 2022	Own**	Leased	Average age 30 Sep 2023	Ordered
<b>Narrow-body fleet</b>							
Airbus A319	144	5	-1	5	0	22.3	
Airbus A320	174	10		10	0	21.1	
Airbus A321	209	15		1	14	9.2	
<b>Wide-body fleet</b>							
Airbus A330	289/263	8		4	4	13.9	
Airbus A350	297/336	17		5	12	5.9	2
<b>Total</b>		<b>55</b>	<b>-1</b>	<b>25</b>	<b>30</b>	<b>12.2</b>	<b>2</b>

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

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

## FLEET RENEWAL

At the end of September, Finnair had seventeen A350 aircraft, which have been delivered between 2015–2021, and two A350 aircraft on order from Airbus. The first of these aircraft is scheduled to be delivered to Finnair in Q4 2024 and the second aircraft in Q2 2026.

Finnair's investment commitments for property, plant and equipment, totalling 355.9 million euros, include the upcoming investments in the wide-body fleet.

## FLEET OPERATED BY NORRA (PURCHASED TRAFFIC)

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

Fleet operated by Norra*	Seats	#	Change from 31 Dec 2022	Own	Leased	Average age 30 Sep 2023	Ordered
ATR	68–70	12		6	6	14.2	
Embraer E190	100	12		9	3	15.3	
<b>Total</b>		<b>24</b>	<b>0</b>	<b>15</b>	<b>9</b>	<b>14.7</b>	

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

# Strategy implementation

During Q2 2023, Finnair updated its strategy extending to 2025, as the company had already executed many of the actions planned for the strategy period. The strategy, published in September 2022, was aimed at restoring profitability and building a competitive airline regardless of the closed Russian airspace. It targeted a comparable operating profit level of at least 5% from mid-2024 onwards.

In its strategy update in Q2, Finnair set a new financial target, which is a comparable operating profit margin of 6% by the end of 2025. The strategy themes to achieve this target are:

- Customer-centric commercial and operational excellence
- Balanced growth supported by optimised fleet
- Continuous cost efficiency to ensure competitiveness
- Among industry sustainability leaders
- Building a sustainable balance sheet
- Adaptable Finnair culture driven by engaged people

After the period, Finnair announced its planned rights issue of up to 600 million euros. The gross proceeds from the rights issue would be used to strengthen Finnair's balance sheet and financial position to better manage its outstanding financial liabilities, support the implementation of its strategy to drive sustainable profitable growth and ensure its ability for future investments.

At the same time, the company set additional key long-term financial targets. In addition to the previously announced comparable EBIT margin target of 6%, Finnair aims to achieve a net debt of 1–2 times the comparable EBITDA by the end of 2025 and to restore the company's ability for shareholder distributions from 2025 onwards. Further, Finnair's goal is to be carbon neutral by 2045.

Finnair's long-term financial targets are based on the following key assumptions: the company's overall capacity, measured in Available Seat Kilometres (ASK), would increase by more than 15 per cent from 2023 to 2025; the company's maintenance capex would be 80–100 million euros annually; the company would be able to utilise 190 million euros of the recognised deferred tax assets, which would limit the corporate tax payable over the medium term; and the company would maintain a cash to sales ratio of 30 per cent over time.

## **CUSTOMER-CENTRIC COMMERCIAL AND OPERATIONAL EXCELLENCE**

Finnair aims to be a modern Nordic airline. The company has significantly increased the share of direct distribution, improved its digital sales capability, and developed revenue optimisation and partner utilisation. The focus is now shifting to customer-centric and data-driven sales, as well as strengthening customer relationships and customer engagement in all customer segments. Safety and on-time performance remain at the core of Finnair's operational quality, and the company invests in the use of analytics and data to provide a smooth and personalised travel experience.

The role of digital services is already a key part of Finnair's offering, and its importance will continue to grow. The average monthly number of unique and verified Finnair website visitors in Q3 declined from the comparison period level as it totalled 2.2 million (2.5). The decrease was mainly caused by the revised cookie consent policy. The number of active users of the Finnair mobile application, on the other hand, increased by 12.5 per cent to 926,000 year-on-year. Share of passengers in Finnair's modern channels<sup>3</sup> grew to 69.0 per cent (65.9) driven by the increasing NDC share in all customer segments.

The updated strategy still emphasises the utilisation of joint businesses with airline partnerships (Atlantic Joint Business or AJB, Siberian Joint Business or SJB and joint business with Juneyao Air). This highlights the role of oneworld partners such as American Airlines and Alaska Airlines in North America, Qatar Airways in the Middle East, Japan Airlines on routes to Japan and Qantas on the new routes connecting Australia and Asia. Finnair's partnerships provide Finnair customers with an extensive global network and, on the other hand, significantly strengthen Finnair's distribution power.

Product and service quality are still differentiating factors for Finnair, in which operative quality plays an important role. Finnair's long-haul traffic emphasises a high-quality, differentiating travel experience, while smoothness, simplicity and efficiency are key to intra-European traffic. Finnair's Net Promoter Score (NPS) measuring customer satisfaction was still at a good level of 31 (40). In addition to the refurbished wide-body aircraft cabin, which has received very positive feedback from Finnair customers, NPS has been positively impacted by Finnair's excellent on-time performance of 81.9 per cent (80.2) despite the capacity challenges that have burdened the European aviation system. As an indication of Finnair's strong customer satisfaction, Finnair's customers awarded Finnair as a five-star airline in the Airline Passenger Experience Association (APEX) airline evaluation during the period.

During the period, the company announced changes to the Finnair Plus programme, which will bring new benefits to its members and new opportunities to collect and use frequent flyer currency. Starting from early 2024, the programme will also move to a new spend-based platform. In the future, programme members will collect Avios loyalty currency. Avios is a frequent flyer currency used by Finnair's oneworld partner frequent flyer programmes British Airways Executive Club, Qatar Airways Privilege Club and Iberia Plus.

The company also announced during the period that it is investing in new, larger lounges on the Schengen side of Helsinki Airport. The expanded lounges will be available in the second half of 2024 to serve the needs of a growing number of customers. Further, after the period, the company announced that it will renew the cabins of all Embraer E190 fleet consisting of 12 aircraft. The renewal will be implemented during 2024–2025.

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<sup>3</sup> In 2023, Finnair started to report its share of passengers in modern channels instead of share of sales in direct digital channels as the company is focusing on digitalisation. The modern sales channels include direct as well as modern, digital indirect channels.



## BALANCED GROWTH SUPPORTED BY OPTIMISED FLEET

Due to the closure of Russian airspace, Finnair lost its hub's unique geographic advantage, as flying around Russia lengthens the routings between Finnair's hub and the mega cities in Japan, South Korea and China by 15–40 per cent, depending on the destination. Finnair has therefore geographically balanced its network with an emphasis on the West and the Middle East and optimised its European network and traffic structure to increase efficiency. Through the Qantas wet and dry lease agreements published in Q2 2023 together with the cooperation with Qatar Airways commenced in Q4 2022, Finnair will be able to productively deploy its A330 fleet despite the closure of Russian airspace, while maintaining flexibility to restore connectivity between Asia and Europe.

With the abovementioned measures, the optimisation of Finnair's fleet has been completed. Faster turnarounds at airports, improved aircraft utilisation and aircraft returning from wet lease outs enable Finnair to grow in line with the market and increase capacity at a competitive cost level despite the capacity constraints prevailing in the aircraft market.

## CONTINUOUS COST EFFICIENCY TO ENSURE COMPETITIVENESS

Profitable and competitive operations require Finnair to continuously monitor its cost levels. However, the company has moved from programme-based cost reductions towards continuous cost efficiency improvement to ensure its competitiveness and the opportunity to invest in customer experience also in the future.

During the period, Finnair has continued to advance existing savings projects and has also worked on new projects that, among other things, utilise the opportunities offered by artificial intelligence.

## AMONG INDUSTRY SUSTAINABILITY LEADERS

Finnair is committed to continuously and systematically developing its operations in every aspect of sustainability. The company aims to be one of the most sustainable airlines in the world. To achieve this, the company must perform visible and effective acts of social and environmental sustainability, as well as cooperate closely with its partners and its supply chain. Sustainability is an integral part of all of Finnair's operations, but in its Sustainability Strategy, the company focuses on its Purpose and Environment.

The company's long-term sustainability target remained unchanged in connection with the strategy update, as its goal is to be carbon neutral by 2045. In April 2022, Finnair committed to cooperating with the Science Based Targets initiative (SBTi) to bring its emissions targets in line with the Paris Agreement. SBTi requires airlines to decarbonise through their own operations, so it does not take into account off-industry carbon credits or other market-based mechanisms such as the ETS. In line with SBTi's requirements, Finnair focuses on reducing the direct emissions of its aircraft. This requires significant measures to modernise Finnair's aircraft, improve operational efficiency and increase the use of sustainable aviation fuels. The exact schedule and scope of the measures will be specified during the rest of 2023, as Finnair prepares to submit short-term CO<sub>2</sub> intensity reduction targets to SBTi for validation in the first quarter of 2024.

Social responsibility is also a key component of the company's sustainability work, and its importance will only grow in the future. This means taking care of the safety and health of our employees and customers in all circumstances, promoting human rights, equality, nondiscrimination, and diversity in workplace and in our value chain and offering accessible services.

## BUILDING A SUSTAINABLE BALANCE SHEET

In building a sustainable balance sheet, it is essential to maintain the achieved business profitability. This strengthens equity and improves cash flows, which enables debt repayment and, thus, gradually builds a sustainable balance sheet. This strategy theme is also built into other strategy themes.

During the period, Finnair took the next step in building a more sustainable and cost-efficient balance sheet when the company redeemed the 200-million-euro hybrid bond at the beginning of September, driven by clearly improved profitability. After the period, Finnair also announced that it is planning a rights issue of up to 600 million euros to strengthen its balance sheet and financial position. The rights issue is the next step in Finnair's strategy implementation.

## ADAPTABLE FINNAIR CULTURE DRIVEN BY ENGAGED PEOPLE

Throughout Finnair's 100-year history, the company and its employees have demonstrated a remarkable ability to adapt to changing circumstances and find new, previously untapped opportunities. This has been particularly highlighted during and after the twin crises caused by the pandemic and Russia's attack into Ukraine followed by

the closure of Russian airspace. Going forward, the company will focus even more on nurturing and developing this cultural strength and will invest in its people to further improve employee competence, employee and customer experience, and business results.

Finnair employed an average of 5,222 (5,358) people in Q3 2023, which is 2.5 per cent less than in the comparison period. The number of employees decreased during Q3 by 60 or 1.1 per cent, totalling 5,201 at the end of September (5,328). In total, 88 new persons were hired at Finnair in Q3 2023. The increase was mostly due to growth in the number of cabin crew members as well as Aurinkomatkat travel guides and customer service employees. The attrition rate for the last 12 months was 4.3 per cent (8.2). The number of absences due to illness was 3.9 per cent (5.1) in Q3.

## Sustainability and corporate responsibility

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

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

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

The biggest expectations towards Finnair are with respect to reducing the CO<sub>2</sub> emissions of its flights. Finnair is committed to the sector's common goal of carbon-neutral growth from 2020 onwards but sees this commitment as only a starting point. Based on its strategy Finnair commits to becoming carbon neutral by 2045 and is committed to setting a science-based carbon dioxide emission reduction target (SBTi) by Q1 2024 at the latest.

Finnair's sustainability is reflected in its strategy and vision, as well as its values of commitment to care, simplicity, courage and working together. Its sustainability strategy is embedded into the group strategy, brand, operations and product development. The strategy measures contribute to cost containment and risk mitigation as well as value creation.

Finnair's ethical business principles are outlined in its Code of Conduct. The Code applies to all Finnair personnel and all locations. Finnair requires that its suppliers comply with ethical standards essentially similar to those with which Finnair complies in its own operations. Finnair's Supplier Code of Conduct provides clear principles to ensure ethical purchasing, including zero tolerance for corruption.

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

The key performance indicators for corporate sustainability are presented in the Key Performance Indicators table of this interim report.

## Changes in company management

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

On 23 May 2023, Finnair announced that it has appointed Kaisa Aalto-Luoto as Finnair's Chief People Officer and a member of the Executive Board. Aalto-Luoto will start in her new role at the latest on 23 November 2023. She currently works as Chief Human Resources Officer at Sanoma Media, has previously worked as Senior Vice President, Human Resources and Communications in Outotec, and has a long career in demanding HR management positions at Outotec and Mandatum Life. Johanna Karppi, Finnair's current Senior Vice President, Human Resources, continues in her role until autumn 2023 and will leave Finnair at a date to be decided later.

On 18 August 2023, Finnair announced that its CEO, Topi Manner, has given notice of his resignation from the company to join Elisa Corporation as their new CEO, starting at the latest on 1 March 2024. Until then, Manner continues as normal in his CEO role at Finnair. The search for Manner's successor started immediately.

## Share price development and trading

Finnair's market capitalisation was 726.9 million euros at the end of September (31 Dec 2022: 546.4) and the closing price of the share was 0.52 euros (31 Dec 2022: 0.39). During Q1–Q3 2023, the highest price for the Finnair Plc share on the Nasdaq Helsinki was 0.60 euros, the lowest price 0.39 euros and the average price 0.53 euros. Some 254.0 million company shares, with a total value of 135.5 million euros, were traded on the Nasdaq Helsinki exchange.

The number of Finnair shares recorded in the Trade Register was 1,408,726,198 at the end of the period (31 Dec: 1,407,401,265). The Finnish state owned 55.8 per cent (31 Dec 2022: 55.9) of Finnair's shares, while 9.9 per cent (31 Dec 2022: 7.6) were held by foreign investors or in the name of a nominee at the end of the period.

## Own shares

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

Based on the share issue authorisation granted by the Annual General Meeting 2023, Finnair Plc issued 1,324,933 new shares to itself without consideration on 31 March 2023. Thus, the company held a total of 1,724,236 own shares, representing 0.12 per cent of the total number of shares and votes.

On 3 April 2023, Finnair transferred a total of 1,324,933 own shares as incentives to the participants of the FlyShare employee share savings plan.

Finnair retained 399,303 own shares at the end of the period.

## Effective authorisations granted by the Annual General Meeting 2023

Finnair's Annual General Meeting was held in Helsinki on 23 March 2023.

The AGM authorised the Board of Directors to decide on the repurchase of the company's own shares and/or on the acceptance as pledge and on the issuance of shares (concerns both the issuance of new shares as well as the transfer of treasury shares). The authorisation regarding the repurchase of own shares and/or on the acceptance as pledge shall not exceed 50,000,000 shares, which corresponds to approximately 3.6 per cent of all the shares in the company, and the authorisation regarding the issuance of shares shall not exceed 8,000,000 shares, which corresponds to approximately 0.6 per cent of all the shares in the company. The authorisations are effective for a period of 18 months from the resolution of the AGM.

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

The resolutions of the AGM are available in full on the company's website <https://investors.finnair.com/en/governance/general-meetings/agm-2023>

## Significant risks and uncertainties

In the implementation of its strategy and business, Finnair is faced with various risks and opportunities. Finnair has a comprehensive risk management process to ensure that risks are identified and mitigated as much as possible, although many risks are not within the company's full control. The risks and uncertainties described below are considered as potentially having a significant impact on Finnair's business, financial result and future outlook at least for the next 12 months. This list is not intended to be exhaustive.

Factors such as geopolitical uncertainty, the threat of trade wars, the threat of terrorism and cyber-attacks as well as other potential external disruptions may, if they materialise, significantly affect Finnair's operations. Geopolitical tensions may have an adverse effect on the global economic environment, and on Finnair's network and profitability. The war in Ukraine has already significantly impacted the global trade in the form of sanctions and countersanctions, and as regards to civil aviation, closures of the airspace. A possible escalation of the war and unrest in conflict areas in the Middle East may have adverse effects on, e.g., the demand for air travel, fuel prices, the flight network and the use of airspace. Their negative impact on Finnair's operating result and financial position depends on the company's ability to adjust its route network, costs, revenue generating sources and financing in the new operating environment.

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

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

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

The key factors affecting revenue and operating result, which Finnair can partially affect, are operating costs and the volume of production. Due to the considerable effect of the COVID-19 pandemic, Finnair has carried out an extensive 200-million-euro cost savings programme. The current inflationary pressure poses a risk to retaining the cost level achieved.

As jet fuel costs are the largest variable expense item, the jet fuel price development has a material effect on profitability. Fuel price fluctuations may result in increased uncertainty around Finnair's financial performance and cash flow. Jet fuel prices have historically fluctuated significantly, and fluctuations are expected to continue in the future e.g., due to the impacts of the war in Ukraine. Finnair's ability to pass on the increased costs of jet fuel to its customers by increasing fares is limited by the fierce competition in the airline industry. Finnair's jet fuel costs are also subject to foreign exchange rate risk as international prices for jet fuel are denominated in U.S. dollars. The residual effect of jet fuel price fluctuations is determined by the hedges in use at a given point in time. Increasing jet fuel costs, disruptions in fuel supplies and ineffective hedging in relation to changes in market prices may result in increased expenses, which may have a material adverse effect on Finnair's business, financial result and future outlook. Derivatives used to hedge against adverse price movements in jet fuel may prove to be inefficient, resulting in an increased jet fuel price in relation to market prices. The volatile market impacts the pricing and availability of hedging instruments. Finnair manages risks related to fuel costs in accordance with the current risk management policy.

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

If the business would become unprofitable again, it could result in depletion of equity, which may have an adverse effect on the availability and terms of new funding.

Capacity increases and product improvements among Finnair's existing or new competitors may have an effect on the demand for, and yield of, Finnair's services. Competition in the airline industry is intense, and the market situation

is continuously changing as new entrants and/or alliances expand, industry participants consolidate and airlines form marketing or operational alliances, which might gain competitive advantage over Finnair's oneworld alliance or its joint businesses. In addition, the cost base restructurings of Finnair's competitors, undertaken in response to the COVID-19 pandemic and the closure of Russian airspace, may result in further intensified competition through, among others, more aggressive pricing.

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

The aviation industry is affected by a number of regulatory trends. Estimating the exact impacts of the regulatory changes on airlines' operational activities and/or costs in advance is difficult. Examples of such regulatory trends include regulation related to emissions trading, noise regulation and other environmental regulation, as well as regulations on privacy and consumer protection.

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

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

General labour market tensions in Finland are somewhat higher than normal, which increases the risk of indirect strikes and other industrial action. Depending on their timing, duration and scope, strikes and other industrial action in Finland and elsewhere may have a significant adverse impact on Finnair's operations and result.

## Seasonal variation and sensitivities in business operations

Due to the seasonality of the airline business, the Group's revenue and result are generally at their lowest in the first quarter and at their highest in the third quarter of the year.

In addition to operational activities and market conditions, the fuel price development has a key impact on Finnair's result, as fuel costs are the company's most significant variable expense item. Finnair's foreign exchange risk arises primarily from fuel and aircraft purchases, aircraft divestments, aircraft lease payments, aircraft maintenance and foreign currency revenue. Significant dollar-denominated expense items are fuel costs and aircraft lease payments. The largest investments, namely the acquisition of aircraft and related spare parts, are also mainly denominated in US dollars. The most significant income currencies after the euro are the US dollar, the Japanese yen, the South Korean won, the Swedish krona, the UK pound, and the Norwegian krona.

The company hedges its currency, interest rate and jet fuel exposure using a variety of derivative instruments, such as forward contracts, swaps and options, in compliance with the risk management policy approved annually by the Board of Directors. Finnair's policy is to hedge its fuel purchases 12 months forward on a rolling basis. The risk management policy was revised during the last quarter of 2022. The maximum hedging ratio for the first 3-month period is approximately 90 per cent and the lower limit is approximately 60 per cent. The hedging ratio decreases towards the end of the 12-month hedging period. As a result of the revision, the average hedging ratio will be on a significantly higher level. The average hedging ratio defined in the revised risk management policy was reached during the first half of 2023.

Sensitivities in business operations, impact on comparable operating profit (rolling 12 months from date of financial statements)		1 percentage point change
Passenger load factor (PLF, %)		EUR 34 million
Average yield of passenger traffic		EUR 24 million
Unit cost (CASK excl. fuel)		EUR 20 million
Fuel sensitivities (rolling 12 months from date of financial statements)	10% change without hedging	10% change, taking hedging into account
Fuel	EUR 90 million	EUR 60 million

Fuel hedging and average hedged price (rolling 12 months from date of financial statements)	Hedged fuel, tonnes*	Average hedge price, USD/ton**
Q4 2023	195,000	937
Q1 2024	159,000	918
Q2 2024	126,000	868
Q3 2024	87,000	934
<b>Total</b>	<b>567,000</b>	<b>916</b>

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

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

Currency distribution, %	Q3 2023	Q3 2022	Q1–Q3 2023	Q1–Q3 2022	2022	Currency sensitivities USD and JPY (rolling 12 months from date of financial statements for operational cash flows)		Hedging ratio for operational cash flows (rolling next 12 months)
<b>Sales currencies</b>						10% change without hedging	10% change taking hedging into account	
EUR	55	56	59	56	58	-	-	-
USD*	12	12	9	9	8	see below	see below	see below
JPY	5	4	4	5	4	EUR 11 million	EUR 6 million	48%
KRW	4	2	3	2	2	-	-	-
SEK	3	4	3	4	4	-	-	-
GBP	4	4	4	4	4	-	-	-
NOK	3	3	3	4	4	-	-	-
Other	15	16	14	16	15	-	-	-
<b>Purchase currencies</b>								
EUR	56	51	59	54	55	-	-	-
USD*	38	44	35	41	41	EUR 76 million	EUR 42 million	48%
Other	6	4	6	5	5	-	-	-

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

## HEDGING OF FOREIGN CURRENCY EXPOSURE IN BALANCE SHEET

Finnair's balance sheet includes asset-related foreign currency exposure due to the recognition of the present value of qualifying operating lease liabilities in the balance sheet as right-of-use assets. Unrealised foreign exchange losses/gains caused by the translation of the USD denominated liability will have an impact on Finnair's net result. In the future, the effect and amount of the foreign currency exchange could be positive or negative, depending on the USD-rate at the closing date. Finnair has mitigated the foreign exchange volatility introduced by this difference by using derivatives as well as by partly investing liquidity in foreign currency money market funds or other financial assets where possible. The annual effect in net result going forward is dependent on the size of the qualifying operating lease portfolio, the duration of the leases and hedging ratio. At the end of September, the hedging ratio of USD denominated interest-bearing liabilities (including IFRS 16) was approximately 80 per cent.



## Events after the period

On 6 October 2023, Finnair published additional key financial targets based on which it seeks to achieve 1-2x net debt to comparable EBITDA by the end of 2025 and to reinstate the company's ability for shareholder distributions from 2025 onwards. Finnair's earlier comparable operating profit margin target of 6 per cent by the end of 2025 as well as achieving of carbon neutrality by 2045 remain unchanged.

Also on 6 October 2023, Finnair announced that it is planning a rights issue of up to 600 million euros to strengthen its balance sheet and financial position in order to better manage its outstanding financial liabilities, to support the execution of its strategy to drive sustainable profitable growth and ensure ability for future investments. The company will use the net proceeds from the offering to pay the portion of the 400-million-euro capital loan that remains outstanding after the offering and the accrued interest thereon, which is expected to significantly reduce the company's financing costs. The offering will be conditional on the shareholders of the company granting the authorisation sought at the EGM to be held on 27 October 2023. The offering is expected to be completed during the fourth quarter of 2023, subject to market conditions.

## Financial reporting in 2024

The publication dates of Finnair's financial reports in 2024 are the following:

- Financial Statements Bulletin for 2023 on Wednesday 14 February 2024
- Interim Report for January–March 2024 on Tuesday 23 April 2024
- Half-year Report for January–June 2024 on Friday 19 July 2024
- Interim Report for January–September 2024 on Tuesday 29 October 2024

FINNAIR PLC  
Board of Directors

## Briefings

Finnair will hold a results press conference (in Finnish) on 24 October 2023 at 12:00 p.m. at its office at Tietotie 9 in Vantaa. It is also possible to participate in the press conference via a live webcast at <https://finnairgroup.videosync.fi/2023-10-24-press>.

An English-language telephone conference and webcast will begin at 3:00 p.m. Finnish time. To access the conference, kindly first register at <https://palvelu.flik.fi/teleconference/?id=10010297>. After the registration, you will be provided with phone numbers and a conference ID. To join the live webcast, please register at <https://finnairgroup.videosync.fi/2023-a3>.

## For further information, please contact:

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## Key performance indicators

EUR in millions, unless otherwise indicated	Q3 2023	Q3 2022	Change %	Q1-Q3 2023	Q1-Q3 2022	Change %	2022
<b>Revenue and profitability</b>							
Revenue	817.3	719.2	13.7	2,261.3	1,669.3	35.5	2,356.6
Comparable operating result	94.3	35.2	168.0	161.4	-181.8	188.8	-163.9
Comparable operating result, % of revenue	11.5	4.9	6.6 %-p	7.1	-10.9	18.0 %-p	-7.0
Operating result	90.0	19.2	> 200	164.1	-238.6	168.8	-200.6
Comparable EBITDA, % of revenue	21.7	15.9	5.9 %-p	18.1	3.2	14.9 %-p	6.5
Earnings per share (EPS), basic, EUR	0.03	-0.03	191.0	0.12	-0.39	129.7	-0.36
Earnings per share (EPS), diluted, EUR	0.03	-0.03	189.1	0.11	-0.39	129.1	-0.36
Unit revenue per available seat kilometre (RASK), cents/ASK	8.75	8.61	1.6	8.34	7.22	15.5	7.53
Unit revenue per revenue passenger kilometre (yield), cents/RPK	8.90	8.27	7.6	8.75	7.71	13.5	8.09
Unit cost per available seat kilometre (CASK), cents/ASK	7.74	8.18	-5.5	7.75	8.01	-3.3	8.05
CASK excluding fuel, cents/ASK	5.19	5.29	-1.8	5.25	5.38	-2.4	5.38
<b>Capital structure</b>							
Equity ratio, %				11.5	8.3	3.2 %-p	9.9
Gearing, %				224.4	320.9	-96.5 %-p	266.4
Interest-bearing net debt				1,039.7	1,147.0	-9.4	1,094.0
Interest-bearing net debt / Comparable EBITDA, LTM				2.0	17.2	-15.1 %-p	7.1
Gross capital expenditure	73.2	37.5	95.4	209.4	137.8	52.0	199.6
Return on capital employed (ROCE), LTM, %				8.3	-9.3	17.6 %-p	-6.1
Cash to sales, LTM, %				45.7	77.2	-31.6 %-p	64.7
<b>Traffic</b>							
Passengers, 1,000	2,954	2,771	6.6	8,373	6,645	26.0	9,096
Flights, number	25,811	23,847	8.2	75,499	64,855	16.4	88,713
Available seat kilometres (ASK), million	9,344	8,356	11.8	27,107	23,113	17.3	31,298
Revenue passenger kilometres (RPK), million	7,562	6,695	13.0	21,012	15,239	37.9	21,157
Passenger load factor (PLF), %	80.9	80.1	0.8 %-p	77.5	65.9	11.6 %-p	67.6
<b>Customer-centric commercial and operational excellence</b>							
Net Promoter Score (NPS)	31	40	-22.8	36	40	-8.7	40
On-time performance, %	81.9	80.2	1.7 %-p	82.9	78.5	4.3 %-p	79.0
Share of passengers in modern channels, %	69.0	65.9	3.1 %-p	67.9	66.6	1.3 %-p	66.3
Average number of monthly visitors at finnav.com, millions	2.2	2.5	-14.6	2.1	2.4	-11.6	2.3
Active users for Finnair mobile app, thousands	926.0	823.0	12.5	863.0	708.0	21.9	711.0
Ancillary revenue	37.9	36.3	4.3	104.1	90.7	14.7	123.2
<b>Among industry sustainability leaders</b>							
Jet fuel consumption, tonnes	248,424	210,175	18.2	717,776	577,505	24.3	788,104
Flight CO <sub>2</sub> emissions, tonnes	782,536	662,051	18.2	2,260,995	1,819,140	24.3	2,482,528
Flight CO <sub>2</sub> emissions, g/ASK	83.7	79.2	5.7	83.4	78.7	6.0	79.3
Flight CO <sub>2</sub> emissions, g/RTK	894.8	860.3	4.0	915.5	927.6	-1.3	926.9
<b>Adaptable Finnair culture driven by engaged people</b>							
Average number of employees	5,222	5,358	-2.5	5,195	5,363	-3.1	5,336
Absences due to illness, %	3.88	5.09	-1.21 %-p	4.33	5.14	-0.81 %-p	5.37
Lost-time injury frequency (LTIF)	4.1	7.2	-43.4	5.6	7.8	-28.5	6.8
Attrition rate, LTM, %				4.3	8.2	-3.9 %-p	7.3

## PERFORMANCE INDICATORS CLASSIFIED AS ALTERNATIVE PERFORMANCE MEASURES

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

Alternative performance measures	Calculation	Reason to use the measure
Items affecting comparability	Unrealized changes in foreign currencies of fleet overhaul provisions + Fair value changes of derivatives where hedge accounting is not applied + Sales gains and losses on aircraft and other transactions + Impairment on A330 aircraft + Restructuring costs	Component used in calculating comparable operating result.
Comparable operating result	Operating result - Items affecting comparability	Comparable operating result is presented to better reflect the Group's business performance when comparing results to previous periods.
Comparable operating result, % of revenue	Comparable operating result / Revenue x 100	Comparable operating result is presented to better reflect the Group's business performance when comparing results to previous periods.
Comparable EBITDA	Comparable operating result + Depreciation and impairment	Comparable EBITDA is presented to better reflect the Group's business performance when comparing results to previous periods. Comparable EBITDA is a common measure in airline business which aims to reflect comparable operating result excluding capital cost.
Comparable EBITDA, % of revenue	Comparable EBITDA / Revenue x 100	Comparable EBITDA is presented to better reflect the Group's business performance when comparing results to previous periods. Comparable EBITDA is a common measure in airline business which aims to reflect comparable operating result excluding capital cost.
Equity ratio, %	Equity total / Equity and liabilities total x 100	Equity ratio provides information on the financial leverage used by the Group to fund its assets.
Adjusted interest-bearing liabilities	Lease liabilities + Other interest-bearing liabilities + Cross currency interest rate swaps in derivative financial instruments	Component used in calculating gearing.
Cash funds	Cash and cash equivalents + Other financial assets	Component used in calculating gearing. Cash funds represent the total amount of financial assets that are available for use within short notice. Therefore, cash funds provide the true and fair view of the Group's financial position.
Interest-bearing net debt	Adjusted interest-bearing liabilities - Cash funds	Interest-bearing net debt provides view of the Group's total external debt financing.
Gearing, %	Interest-bearing net debt / Equity total x 100	Gearing provides view of the level of the Group's indebtedness.
Interest-bearing net debt / Comparable EBITDA, LTM	Interest-bearing net debt / Comparable EBITDA, for the last twelve months	The ratio provides information on the Group's leverage by comparing the Group's net debt to the amount of income generated before covering interest, taxes, depreciation and impairment.
Gross capital expenditure	Additions in fixed assets + New contracts in right-of-use assets + Reassessments and modifications in right-of-use assets	Gross capital expenditure provides information on the Group's capitalized investments and lease modifications.
Return on capital employed (ROCE), LTM, %	(Result before taxes + Financial expenses + Exchange rate gains and losses, for the last twelve months) / (Equity total + Lease liabilities + Other interest-bearing liabilities, average of reporting period and comparison period)	The ratio provides a view to monitor the return of capital employed.
Cash to sales, LTM, %	Cash funds / Revenue for the last twelve months x 100	The ratio provides information about the Group's liquidity in terms of available cash as a percentage of its sales.

## RECONCILIATION OF PERFORMANCE INDICATORS CLASSIFIED AS ALTERNATIVE PERFORMANCE MEASURES

Items affecting comparability EUR in millions	Q3 2023	Q3 2022	Change %	Q1-Q3 2023	Q1-Q3 2022	Change %	2022
<b>Operating result</b>	<b>90.0</b>	<b>19.2</b>	<b>&gt; 200</b>	<b>164.1</b>	<b>-238.6</b>	<b>168.8</b>	<b>-200.6</b>
Unrealized changes in foreign currencies of fleet overhaul provisions	4.3	13.0	-67.0	1.3	28.0	-95.4	8.8
Fair value changes of derivatives where hedge accounting is not applied	0.0	-1.8	100.1	-1.0	-2.1	52.3	-0.9
Sales gains and losses on aircraft and other transactions	0.0	0.0	> 200	-2.9	-6.7	56.3	-6.6
Impairment on A330 aircraft			-		32.7	-100.0	32.7
Restructuring costs		4.8	-100.0	-0.1	4.8	-101.4	2.6
<b>Comparable operating result</b>	<b>94.3</b>	<b>35.2</b>	<b>168.0</b>	<b>161.4</b>	<b>-181.8</b>	<b>188.8</b>	<b>-163.9</b>
Depreciation and impairment	83.4	78.9	5.7	248.2	235.9	5.2	317.1
<b>Comparable EBITDA</b>	<b>177.7</b>	<b>114.1</b>	<b>55.7</b>	<b>409.7</b>	<b>54.1</b>	<b>&gt; 200</b>	<b>153.2</b>

Equity ratio EUR in millions, unless otherwise indicated	30 Sep 2023	30 Sep 2022	Change %	31 Dec 2022
Equity total	463.3	357.5	29.6	410.7
Equity and liabilities total	4,037.6	4,316.7	-6.5	4,133.0
<b>Equity ratio, %</b>	<b>11.5</b>	<b>8.3</b>	<b>3.2 %-p</b>	<b>9.9</b>

Gearing, interest-bearing net debt and interest-bearing net debt / Comparable EBITDA, LTM EUR in millions, unless otherwise indicated	30 Sep 2023	30 Sep 2022	Change %	31 Dec 2022
Lease liabilities	1,237.9	1,470.6	-15.8	1,330.7
Other interest-bearing liabilities	1,149.4	1,334.7	-13.9	1,298.5
Cross currency interest rate swaps*	-1.3	-49.4	97.4	-10.7
<b>Adjusted interest-bearing liabilities</b>	<b>2,386.1</b>	<b>2,755.9</b>	<b>-13.4</b>	<b>2,618.4</b>
Other financial assets	-1,018.2	-788.5	-29.1	-738.6
Cash and cash equivalents	-328.1	-820.4	60.0	-785.8
<b>Cash funds</b>	<b>-1,346.3</b>	<b>-1,608.9</b>	<b>16.3</b>	<b>-1,524.4</b>
<b>Interest-bearing net debt</b>	<b>1,039.7</b>	<b>1,147.0</b>	<b>-9.4</b>	<b>1,094.0</b>
Equity total	463.3	357.5	29.6	410.7
<b>Gearing, %</b>	<b>224.4</b>	<b>320.9</b>	<b>-96.5 %-p</b>	<b>266.4</b>
Comparable EBITDA, LTM	508.8	66.7	> 200	153.2
<b>Interest-bearing net debt / Comparable EBITDA, LTM</b>	<b>2.0</b>	<b>17.2</b>	<b>-15.1 %-p</b>	<b>7.1</b>

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

Gross capital expenditure EUR in millions	Q3 2023	Q3 2022	Change %	Q1-Q3 2023	Q1-Q3 2022	Change %	2022
Additions in fixed assets	38.9	25.8	50.6	157.1	84.8	85.3	125.8
New contracts in right-of-use assets	1.2	1.0	20.5	8.2	5.8	40.1	9.5
Reassessments and modifications in right-of-use assets	33.0	10.6	> 200	44.1	47.1	-6.5	64.3
<b>Gross capital expenditure</b>	<b>73.2</b>	<b>37.5</b>	<b>95.4</b>	<b>209.4</b>	<b>137.8</b>	<b>52.0</b>	<b>199.6</b>

Return on capital employed (ROCE), LTM EUR in millions, unless otherwise indicated	30 Sep 2023	30 Sep 2022	Change %	31 Dec 2022
Result before taxes, LTM	158.0	-530.9	129.8	-370.7
Financial expenses, LTM	145.4	134.8	7.9	137.9
Exchange rate gains and losses, LTM	-53.1	96.9	-154.8	38.8
<b>Return, LTM</b>	<b>250.3</b>	<b>-299.2</b>	<b>183.7</b>	<b>-194.0</b>
Equity total	463.3	357.5	29.6	410.7
Lease liabilities	1,237.9	1,470.6	-15.8	1,330.7
Other interest-bearing liabilities	1,149.4	1,334.7	-13.9	1,298.5
<b>Capital employed</b>	<b>2,850.7</b>	<b>3,162.8</b>	<b>-9.9</b>	<b>3,039.8</b>
<b>Capital employed, average of reporting period and comparison period</b>	<b>3,006.7</b>	<b>3,214.7*</b>	<b>-6.5</b>	<b>3,162.2*</b>
<b>Return on capital employed (ROCE), LTM, %</b>	<b>8.3</b>	<b>-9.3</b>	<b>17.6 %-p</b>	<b>-6.1</b>

\* Capital employed accounted was EUR 3,266.7 million as at 30 Sep 2021 and EUR 3,284.6 million as at 31 Dec 2021.

Cash to sales, LTM EUR in millions, unless otherwise indicated	30 Sep 2023	30 Sep 2022	Change %	31 Dec 2022
Other financial assets	1,018.2	788.5	29.1	738.6
Cash and cash equivalents	328.1	820.4	-60.0	785.8
<b>Cash funds</b>	<b>1,346.3</b>	<b>1,608.9</b>	<b>-16.3</b>	<b>1,524.4</b>
Revenue, LTM	2,948.6	2,082.8	41.6	2,356.6
<b>Cash to sales, LTM, %</b>	<b>45.7</b>	<b>77.2</b>	<b>-31.6 %-p</b>	<b>64.7</b>

## OTHER PERFORMANCE INDICATORS

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

Traffic	
Available seat kilometres (ASK)	Total number of seats available x great circle distance in kilometres
Revenue passenger kilometres (RPK)	Number of revenue passengers x great circle distance in kilometres
Passenger load factor (PLF)	Share of revenue passenger kilometres of available seat kilometres

Customer-centric commercial and operational excellence	
Net Promoter Score (NPS)	Net Promoter Score is based on a question: "Thinking about all aspects of this journey, how likely would you be to recommend Finnair to a relative, friend or colleague?" Scale is 0-10: The share of detractors (ratings 0-6) is deducted from the share of promoters (ratings 9-10). Result is between +100 and -100.
On-time performance	The share of flights arrived less than 15 minutes late
Share of passengers in modern channels	Share of passengers in Finnair's own direct channels and modern, digital indirect channels in relation to total passengers for the period based on departure date. These channels include Finnair.com, Finnair mobile app, New Distribution Capability (NDC) solutions, Finnair call centers, Aurinkomatkat sales and group tool sales.

Among industry sustainability leaders	
Flight CO <sub>2</sub> emissions	CO <sub>2</sub> emissions from jet fuel consumption

Adaptable Finnair culture driven by engaged people	
Absences due to illness	Share of sickness absence hours relating to planned working hours
Lost-time injury frequency (LTIF)	The number of workplace accidents per million working hours
Attrition rate, LTM	Number of leavers on own request during the last twelve months compared to active employments on reporting date and leavers on own request during the last twelve months

# Consolidated interim financial report 1 Jan – 30 Sep 2023

## CONSOLIDATED INCOME STATEMENT

EUR in millions	Note	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	2022
<b>Revenue</b>	<b>5</b>	<b>817.3</b>	<b>719.2</b>	<b>2,261.3</b>	<b>1,669.3</b>	<b>2,356.6</b>
Other operating income	6	26.7	55.9	88.7	116.3	153.5
<b>Operating expenses</b>						
Staff and other crew related costs	7	-119.9	-121.4	-374.0	-337.0	-449.6
Fuel costs		-237.7	-240.3	-676.6	-606.0	-835.1
Capacity rents		-26.7	-28.7	-79.4	-76.3	-102.5
Aircraft materials and overhaul		-62.7	-70.9	-149.5	-159.4	-192.4
Traffic charges		-60.9	-53.8	-175.4	-155.4	-206.5
Sales, marketing and distribution costs		-28.5	-27.3	-88.8	-76.3	-103.1
Passenger and handling services		-106.7	-99.7	-309.7	-249.5	-348.0
Depreciation and impairment	8	-83.4	-78.9	-248.2	-268.6	-349.8
Property, IT and other expenses		-27.7	-34.7	-84.3	-95.6	-123.7
<b>Operating result</b>		<b>90.0</b>	<b>19.2</b>	<b>164.1</b>	<b>-238.6</b>	<b>-200.6</b>
Financial income		15.5	0.4	41.1	-0.5	6.5
Financial expenses		-35.9	-33.4	-108.7	-101.2	-137.9
Exchange rate gains and losses		-3.1	-30.9	6.2	-85.7	-38.8
<b>Result before taxes</b>		<b>66.5</b>	<b>-44.7</b>	<b>102.7</b>	<b>-426.1</b>	<b>-370.7</b>
Income taxes	13	-14.0	7.5	91.4	-103.4	-105.4
<b>Result for the period</b>		<b>52.5</b>	<b>-37.2</b>	<b>194.1</b>	<b>-529.5</b>	<b>-476.2</b>
<b>Attributable to</b>						
Owners of the parent company		52.5	-37.2	194.1	-529.5	-476.2
<b>Earnings per share attributable to shareholders of the parent company, EUR</b>						
Basic earnings per share		0.03	-0.03	0.12	-0.39	-0.36
Diluted earnings per share		0.03	-0.03	0.11	-0.39	-0.36

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR in millions	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	2022
<b>Result for the period</b>	<b>52.5</b>	<b>-37.2</b>	<b>194.1</b>	<b>-529.5</b>	<b>-476.2</b>
<b>Other comprehensive income items</b>					
<b>Items that may be reclassified to profit or loss in subsequent periods</b>					
Change in fair value of hedging instruments	88.0	-14.3	69.4	-2.3	-13.8
Tax effect	-17.6	2.5	-11.2	0.1	0.1
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>					
Actuarial gains and losses from defined benefit plans	5.6	14.2	17.8	41.7	49.9
Tax effect	-1.1	-2.8	-3.6	-8.3	-10.0
<b>Other comprehensive income items total</b>	<b>74.9</b>	<b>-0.5</b>	<b>72.4</b>	<b>31.1</b>	<b>26.2</b>
<b>Comprehensive income for the period</b>	<b>127.3</b>	<b>-37.6</b>	<b>266.5</b>	<b>-498.3</b>	<b>-450.0</b>
<b>Attributable to</b>					
Owners of the parent company	127.3	-37.6	266.5	-498.3	-450.0



## CONSOLIDATED BALANCE SHEET

EUR in millions	Note	30 Sep 2023	30 Sep 2022	31 Dec 2022
<b>ASSETS</b>				
<b>Non-current assets</b>				
Fleet	15	897.2	879.1	894.8
Right-of-use fleet	16	851.3	955.7	932.9
Fleet total		1,748.6	1,834.8	1,827.6
Other fixed assets	15	142.8	152.4	150.1
Right-of-use other fixed assets	16	143.1	147.4	145.4
Other fixed assets total		285.9	299.8	295.5
Pension assets	18	132.7	111.9	120.0
Other non-current assets		3.2	4.1	4.5
Deferred tax assets	13	161.3	80.0	80.6
<b>Non-current assets total</b>		<b>2,331.7</b>	<b>2,330.7</b>	<b>2,328.3</b>
<b>Current assets</b>				
Receivables related to revenue		163.1	146.8	134.9
Inventories and other current assets		125.5	132.7	122.0
Derivative financial instruments	10, 11	70.9	97.6	23.5
Other financial assets	11	1,018.2	788.5	738.6
Cash and cash equivalents		328.1	820.4	785.8
<b>Current assets total</b>		<b>1,705.9</b>	<b>1,986.0</b>	<b>1,804.8</b>
<b>Assets total</b>		<b>4,037.6</b>	<b>4,316.7</b>	<b>4,133.0</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital		75.4	75.4	75.4
Other equity		387.9	282.0	335.2
<b>Equity total</b>		<b>463.3</b>	<b>357.5</b>	<b>410.7</b>
<b>Non-current liabilities</b>				
Lease liabilities	19	1,038.6	1,258.1	1,128.0
Other interest-bearing liabilities	19	907.8	691.4	1,058.4
Pension obligations		0.7	0.8	0.7
Provisions and other liabilities	21	174.4	204.9	186.4
<b>Non-current liabilities total</b>		<b>2,121.5</b>	<b>2,155.2</b>	<b>2,373.5</b>
<b>Current liabilities</b>				
Lease liabilities	19	199.3	212.6	202.7
Other interest-bearing liabilities	19	241.7	643.2	240.1
Provisions	21	43.0	61.0	71.7
Trade payables		114.5	92.6	90.3
Derivative financial instruments	10, 11	7.4	30.8	36.7
Deferred income and advances received	22	564.0	513.1	452.0
Liabilities related to employee benefits		111.8	100.2	111.2
Other liabilities		171.0	150.6	144.4
<b>Current liabilities total</b>		<b>1,452.8</b>	<b>1,804.0</b>	<b>1,348.9</b>
<b>Liabilities total</b>		<b>3,574.3</b>	<b>3,959.2</b>	<b>3,722.4</b>
<b>Equity and liabilities total</b>		<b>4,037.6</b>	<b>4,316.7</b>	<b>4,133.0</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR in millions	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Capital loan	Equity total
<b>Equity 1 Jan 2023</b>	<b>75.4</b>	<b>168.1</b>	<b>42.8</b>	<b>763.3</b>	<b>-1,237.0</b>	<b>198.0</b>	<b>400.0</b>	<b>410.7</b>
Result for the period					194.1			194.1
Change in fair value of hedging instruments			58.2					58.2
Actuarial gains and losses from defined benefit plans			14.2					14.2
<b>Comprehensive income for the period</b>			<b>72.4</b>		<b>194.1</b>			<b>266.5</b>
Hybrid bond repayments						-200.0		-200.0
Hybrid bond interests and expenses					-18.3	2.0		-16.3
Share-based payments				2.5				2.5
<b>Equity 30 Sep 2023</b>	<b>75.4</b>	<b>168.1</b>	<b>115.3</b>	<b>765.8</b>	<b>-1,061.3</b>	<b>0.0</b>	<b>400.0</b>	<b>463.3</b>

EUR in millions	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Capital loan	Equity total
<b>Equity 1 Jan 2022</b>	<b>75.4</b>	<b>168.1</b>	<b>16.6</b>	<b>762.0</b>	<b>-744.5</b>	<b>198.0</b>		<b>475.7</b>
Result for the period					-529.5			-529.5
Change in fair value of hedging instruments			-2.2					-2.2
Actuarial gains and losses from defined benefit plans			33.3					33.3
<b>Comprehensive income for the period</b>			<b>31.1</b>		<b>-529.5</b>			<b>-498.3</b>
Proceeds from hybrid bond						290.0		290.0
Conversion of hybrid bond into capital loan						-290.0	290.0	
Proceeds from capital loan							110.0	110.0
Hybrid bond interests and expenses					-20.5			-20.5
Share-based payments				0.6				0.6
<b>Equity 30 Sep 2022</b>	<b>75.4</b>	<b>168.1</b>	<b>47.8</b>	<b>762.6</b>	<b>-1,294.4</b>	<b>198.0</b>	<b>400.0</b>	<b>357.5</b>

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

## CONSOLIDATED CASH FLOW STATEMENT

EUR in millions	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	2022
<b>Cash flow from operating activities</b>					
Result before taxes	66.5	-44.7	102.7	-426.1	-370.7
Depreciation and impairment	83.4	78.9	248.2	268.6	349.8
Financial income and expenses	23.5	63.9	61.4	187.5	170.2
Sales gains and losses on aircraft and other transactions	0.0	0.0	-2.9	-6.7	-6.6
Change in provisions	3.5	35.9	-11.9	55.4	45.2
Employee benefits	3.5	6.1	10.9	11.9	12.7
Other adjustments	-0.2	-0.5	2.2	-0.5	2.1
Non-cash transactions	6.7	41.5	1.2	66.8	60.0
Changes in trade and other receivables	-12.0	-70.1	-26.8	-106.8	-86.9
Changes in inventories	0.0	-1.8	-0.6	-9.5	-10.1
Changes in trade and other payables	-70.0	-64.3	155.7	292.2	249.5
Changes in working capital	-81.9	-136.1	128.3	175.9	152.5
Financial expenses paid, net	-2.8	8.3	-60.9	-36.9	-96.1
<b>Net cash flow from operating activities</b>	<b>95.5</b>	<b>11.8</b>	<b>478.1</b>	<b>229.1</b>	<b>259.0</b>
<b>Cash flow from investing activities</b>					
Investments in fleet	-17.5	-28.6	-156.5	-69.8	-83.1
Investments in other fixed assets	-0.7	-1.2	-1.8	-3.3	-4.9
Divestments of fleet, other fixed assets and shares	0.0	0.3	0.4	25.5	25.5
Lease and lease interest payments received	0.1	0.1	0.3	0.3	0.4
Change in other current financial assets (maturity over 3 months)	63.2	29.1	-128.6	26.1	-12.8
Change in other non-current assets	-0.1	0.0	-0.1	-0.1	-0.7
<b>Net cash flow from investing activities</b>	<b>45.1</b>	<b>-0.4</b>	<b>-286.3</b>	<b>-21.2</b>	<b>-75.5</b>
<b>Cash flow from financing activities</b>					
Loan repayments	-10.2	-10.3	-147.4	-134.3	-144.0
Repayments of lease liabilities	-49.0	-51.0	-149.2	-141.3	-193.4
Hybrid bond repayments	-200.0		-200.0		
Hybrid bond interests and expenses	-20.4	-20.5	-20.4	-20.5	-20.5
Proceeds from capital loan		110.0		400.0	400.0
<b>Net cash flow from financing activities</b>	<b>-279.5</b>	<b>28.2</b>	<b>-517.0</b>	<b>103.9</b>	<b>42.1</b>
<b>Change in cash flows</b>	<b>-139.0</b>	<b>39.6</b>	<b>-325.2</b>	<b>311.8</b>	<b>225.6</b>
Liquid funds, at beginning	1,189.3	1,422.2	1,375.6	1,150.0	1,150.0
Change in cash flows	-139.0	39.6	-325.2	311.8	225.6
<b>Liquid funds, at end *</b>	<b>1,050.3</b>	<b>1,461.8</b>	<b>1,050.3</b>	<b>1,461.8</b>	<b>1,375.6</b>
<b>* Liquid funds</b>					
Other financial assets	1,018.2	788.5	1,018.2	788.5	738.6
Cash and cash equivalents	328.1	820.4	328.1	820.4	785.8
<b>Cash funds</b>	<b>1,346.3</b>	<b>1,608.9</b>	<b>1,346.3</b>	<b>1,608.9</b>	<b>1,524.4</b>
Other current financial assets (maturity over 3 months)	-296.0	-147.1	-296.0	-147.1	-148.8
<b>Liquid funds</b>	<b>1,050.3</b>	<b>1,461.8</b>	<b>1,050.3</b>	<b>1,461.8</b>	<b>1,375.6</b>

# Notes to the consolidated interim financial report 1 Jan – 30 Sep 2023

## 1. BASIS OF PREPARATION

This consolidated interim financial report has been prepared in accordance with the Interim Financial Reporting standard IAS 34 and its figures are unaudited. The consolidated interim financial report has been authorized for publication on 23 October 2023.

## 2. ACCOUNTING PRINCIPLES

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

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

The consolidated interim financial report for the period ending 30 September 2023 has been prepared based on the going concern assumption. The Finnair Board of Directors has assessed the Group's ability to continue as a going concern based on the Group's ability to meet its obligations as they fall due at least 12 months after the interim financial report is issued. The assessment is based on Finnair's financial position, strategy and the management's latest business plan as approved by the Board of Directors.

## 4. CRITICAL ACCOUNTING ESTIMATES AND SOURCES OF UNCERTAINTY

The preparation of the interim financial report requires the company's management to make estimates and assumptions that influence the levels of reported assets and liabilities as well as the revenue and expenses. The actual outcome may differ from the estimates made. The identified items that require the most management estimates and assumptions, or where those estimates involve most uncertainties, include valuation of the fleet and other fixed assets, leasing arrangements, pension obligations, maintenance reserves of the fleet, Finnair Plus - customer loyalty program, derivatives and hedge accounting as well as deferred tax assets. When preparing the interim financial report, the management has also considered the impacts of climate related matters in the estimates used in this interim report.

While the exceptional risks related the COVID-19 pandemic and closure of Russian airspace have normalized, the risks related to the effects of inflation and rising interest rates on demand and costs remain elevated. Also a potential escalation of the conflict in the Middle East as well as the somewhat elevated tensions in the Finnish labour markets cause uncertainty in Finnair's operating environment. In addition, changes in the price of jet fuel or foreign currency rates can have a material impact on the company's financial result, balance sheet and cash flow. Finnair's management is continuously monitoring the changes in its operating environment and updates its estimates and assumptions based on the latest available information.

Information of the other main critical accounting estimates and sources of uncertainty as well as the climate related impacts are disclosed in more detail in the 2022 financial statements.

## 5. SEGMENT INFORMATION AND REVENUE

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

Finnair's third quarter revenue increased compared to the corresponding quarter of 2022 mainly due to increase in passenger revenues. Passenger revenue increased as the COVID-19 impact was still reflected in the comparison period and as passenger yields were exceptionally high during the review period. The decrease in cargo revenue was mainly due to reduced cargo yields.

Q3 2023, EUR in millions	Asia	North Atlantic	Europe	Middle East	Domestic	Un-allocated	Total	Share %
Passenger revenue	215.5	67.1	303.4	49.9	29.8	7.5	<b>673.1</b>	82.3
Ancillary revenue	8.0	3.2	14.4	0.3	0.8	11.3	<b>37.9</b>	4.6
Cargo	28.3	5.6	5.6	0.0	0.1	1.2	<b>40.8</b>	5.0
Travel services	0.1	0.3	65.2	0.0		0.1	<b>65.6</b>	8.0
<b>Total</b>	<b>251.8</b>	<b>76.1</b>	<b>388.5</b>	<b>50.2</b>	<b>30.7</b>	<b>20.0</b>	<b>817.3</b>	
Share %	30.8	9.3	47.5	6.1	3.8	2.4		

Q3 2022, EUR in millions	Asia	North Atlantic	Europe	Middle East	Domestic	Un-allocated	Total	Share %
Passenger revenue	130.7	101.6	284.4	2.5	26.9	7.9	<b>553.9</b>	77.0
Ancillary revenue	5.4	4.9	11.2	0.1	0.6	14.1	<b>36.3</b>	5.0
Cargo	45.2	19.0	10.6	0.0	0.1	-1.5	<b>73.4</b>	10.2
Travel services	0.0	0.1	55.2	0.0	0.1	0.1	<b>55.5</b>	7.7
<b>Total</b>	<b>181.2</b>	<b>125.6</b>	<b>361.4</b>	<b>2.6</b>	<b>27.6</b>	<b>20.7</b>	<b>719.2</b>	
Share %	25.2	17.5	50.3	0.4	3.8	2.9		

Q1-Q3 2023, EUR in millions	Asia	North Atlantic	Europe	Middle East	Domestic	Un-allocated	Total	Share %
Passenger revenue	577.5	169.8	799.0	153.0	124.4	14.8	<b>1,838.5</b>	81.3
Ancillary revenue	22.2	7.7	36.9	1.3	4.0	32.0	<b>104.1</b>	4.6
Cargo	98.5	21.7	19.7	1.0	0.3	0.2	<b>141.4</b>	6.3
Travel services	16.0	0.9	155.6	4.7	0.0	0.1	<b>177.3</b>	7.8
<b>Total</b>	<b>714.2</b>	<b>200.1</b>	<b>1,011.2</b>	<b>160.0</b>	<b>128.7</b>	<b>47.1</b>	<b>2,261.3</b>	
Share %	31.6	8.8	44.7	7.1	5.7	2.1		

Q1-Q3 2022, EUR in millions	Asia	North Atlantic	Europe	Middle East	Domestic	Un-allocated	Total	Share %
Passenger revenue	258.2	194.7	604.7	8.7	85.8	23.2	<b>1,175.2</b>	70.4
Ancillary revenue	13.2	10.5	26.6	0.5	4.1	35.8	<b>90.7</b>	5.4
Cargo	181.5	70.5	35.6	1.5	0.3	-5.7	<b>283.8</b>	17.0
Travel services	2.5	0.1	114.3	2.0	0.5	0.1	<b>119.6</b>	7.2
<b>Total</b>	<b>455.4</b>	<b>275.8</b>	<b>781.1</b>	<b>12.8</b>	<b>90.7</b>	<b>53.5</b>	<b>1,669.3</b>	
Share %	27.3	16.5	46.8	0.8	5.4	3.2		

2022, EUR in millions	Asia	North Atlantic	Europe	Middle East	Domestic	Un-allocated	Total	Share %
Passenger revenue	425.0	244.3	866.1	31.9	128.2	15.3	<b>1,710.7</b>	72.6
Ancillary revenue	19.4	12.8	36.7	1.0	5.4	47.9	<b>123.2</b>	5.2
Cargo	224.7	82.6	46.3	2.4	0.4	-4.1	<b>352.3</b>	15.0
Travel services	7.6	0.3	156.2	5.5	0.5	0.2	<b>170.3</b>	7.2
<b>Total</b>	<b>676.8</b>	<b>340.0</b>	<b>1,105.4</b>	<b>40.7</b>	<b>134.4</b>	<b>59.3</b>	<b>2,356.6</b>	
Share %	28.7	14.4	46.9	1.7	5.7	2.5		

Key figures quarterly, last 24 months	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
<b>Revenue</b>	<b>817.3</b>	<b>749.2</b>	<b>694.7</b>	<b>687.3</b>	<b>719.2</b>	<b>550.3</b>	<b>399.8</b>	<b>413.5</b>
Passenger revenue	673.1	612.1	553.4	535.5	553.9	393.6	227.6	218.9
Ancillary revenue	37.9	33.1	33.0	32.4	36.3	27.7	26.7	19.4
Cargo	40.8	47.3	53.4	68.6	73.4	89.8	120.5	147.1
Travel services	65.6	56.8	54.9	50.8	55.5	39.1	25.0	28.1
<b>Comparable EBITDA</b>	<b>177.7</b>	<b>149.1</b>	<b>82.8</b>	<b>99.1</b>	<b>114.1</b>	<b>-6.0</b>	<b>-54.1</b>	<b>12.6</b>
<b>Comparable operating result</b>	<b>94.3</b>	<b>66.2</b>	<b>0.9</b>	<b>17.9</b>	<b>35.2</b>	<b>-84.2</b>	<b>-132.9</b>	<b>-65.2</b>
<b>Operating result</b>	<b>90.0</b>	<b>65.8</b>	<b>8.3</b>	<b>38.0</b>	<b>19.2</b>	<b>-92.9</b>	<b>-164.9</b>	<b>-60.2</b>

## 6. OTHER OPERATING INCOME

Other operating income decreased when compared to the third quarter of 2022 mainly due to ending of the wet lease arrangements with Eurowings Discover in Q1 2023.

EUR in millions	Q3 2023	Q3 2022	Change %	Q1-Q3 2023	Q1-Q3 2022	Change %	2022
Lease income	22.0	49.7	-55.7	70.0	87.0	-19.5	118.8
Sales gains on fixed assets	0.0	0.0	> 200	3.1	6.8	-55.2	6.8
Other income	4.7	6.2	-23.8	15.6	22.5	-30.8	27.9
<b>Total</b>	<b>26.7</b>	<b>55.9</b>	<b>-52.1</b>	<b>88.7</b>	<b>116.3</b>	<b>-23.7</b>	<b>153.5</b>

## 7. STAFF AND OTHER CREW RELATED COSTS

EUR in millions	Q3 2023	Q3 2022	Change %	Q1-Q3 2023	Q1-Q3 2022	Change %	2022
Wages and salaries	-82.4	-80.2	-2.8	-259.5	-223.1	-16.3	-297.3
Defined contribution schemes	-14.1	-13.8	-2.3	-44.4	-42.7	-4.0	-55.4
Defined benefit schemes	-2.8	-5.1	45.7	-8.4	-11.2	25.4	-11.4
Pension expenses total	-16.9	-18.9	10.7	-52.8	-53.9	2.1	-66.8
Other social expenses	-4.0	-8.3	52.3	-12.4	-20.2	38.8	-31.6
<b>Salaries, pension and social costs</b>	<b>-103.3</b>	<b>-107.4</b>	<b>3.8</b>	<b>-324.6</b>	<b>-297.2</b>	<b>-9.2</b>	<b>-395.7</b>
Operative staff related costs	-7.2	-7.3	1.1	-23.2	-20.2	-15.0	-27.6
Leased and outsourced crew	-7.0	-4.6	-53.1	-19.6	-14.2	-38.3	-19.0
Other personnel related costs	-2.3	-2.1	-8.3	-6.6	-5.4	-21.5	-7.3
<b>Total</b>	<b>-119.9</b>	<b>-121.4</b>	<b>1.3</b>	<b>-374.0</b>	<b>-337.0</b>	<b>-11.0</b>	<b>-449.6</b>

## 8. DEPRECIATION AND IMPAIRMENT

EUR in millions	Q3 2023	Q3 2022	Change %	Q1-Q3 2023	Q1-Q3 2022	Change %	2022
Depreciation of owned fleet	-34.9	-29.8	-17.0	-100.9	-89.9	-12.3	-120.9
Depreciation of other fixed assets	-3.7	-4.8	22.6	-11.4	-14.6	22.0	-18.9
Depreciation of right-of-use fleet	-39.6	-39.2	-1.0	-120.1	-115.6	-3.9	-156.0
Depreciation of right-of-use other assets	-5.2	-5.1	-1.3	-15.9	-15.9	0.0	-21.3
<b>Depreciation</b>	<b>-83.4</b>	<b>-78.9</b>	<b>-5.7</b>	<b>-248.2</b>	<b>-235.9</b>	<b>-5.2</b>	<b>-317.1</b>
Impairment			-		-32.7	100.0	-32.7
<b>Total</b>	<b>-83.4</b>	<b>-78.9</b>	<b>-5.7</b>	<b>-248.2</b>	<b>-268.6</b>	<b>7.6</b>	<b>-349.8</b>

Fleet and other non-current assets subject to depreciation, including the right-of-use assets, are stated at historical cost less accumulated depreciation and impairment loss, when applicable. The Group reviews the assets for impairment at each reporting date or whenever there is any indication of impairment. If there is an indication that an asset may be impaired, then the asset's recoverable amount is determined. 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. An impairment loss is recognized if the recoverable amount of an asset is below its carrying amount. The impairment testing process is described in more detail in the consolidated financial statements 2022.

Finnair's management has not identified indications of impairment in connection with the preparation of the interim report and no impairment tests have been performed.

## 9. ITEMS AFFECTING COMPARABILITY

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



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

EUR in millions	Q3 2023			Q3 2022		
	Reported	Items affecting comparability	Comparable	Reported	Items affecting comparability	Comparable
<b>Revenue</b>	<b>817.3</b>		<b>817.3</b>	<b>719.2</b>		<b>719.2</b>
Other operating income	26.7	0.0	26.7	55.9	0.0	55.9
<b>Operating expenses</b>						
Staff and other crew related costs	-119.9		-119.9	-121.4	4.4	-117.1
Fuel costs	-237.7	0.0	-237.7	-240.3	-1.8	-242.1
Capacity rents	-26.7		-26.7	-28.7		-28.7
Aircraft materials and overhaul	-62.7	4.3	-58.4	-70.9	13.0	-57.9
Traffic charges	-60.9		-60.9	-53.8		-53.8
Sales, marketing and distribution costs	-28.5		-28.5	-27.3		-27.3
Passenger and handling services	-106.7		-106.7	-99.7		-99.7
Property, IT and other expenses	-27.7	0.1	-27.6	-34.7	0.5	-34.2
<b>EBITDA</b>			<b>177.7</b>			<b>114.1</b>
Depreciation and impairment	-83.4		-83.4	-78.9		-78.9
<b>Operating result</b>	<b>90.0</b>	<b>4.3</b>	<b>94.3</b>	<b>19.2</b>	<b>16.0</b>	<b>35.2</b>

EUR in millions	Q1-Q3 2023			Q1-Q3 2022			2022		
	Reported	Items affecting comparability	Comparable	Reported	Items affecting comparability	Comparable	Reported	Items affecting comparability	Comparable
<b>Revenue</b>	<b>2,261.3</b>		<b>2,261.3</b>	<b>1,669.3</b>		<b>1,669.3</b>	<b>2,356.6</b>		<b>2,356.6</b>
Other operating income	88.7	-3.2	85.5	116.3	-6.8	109.4	153.5	-6.8	146.7
<b>Operating expenses</b>									
Staff and other crew related costs	-374.0		-374.0	-337.0	4.4	-332.6	-449.6	2.5	-447.1
Fuel costs	-676.6	-1.0	-677.6	-606.0	-2.1	-608.1	-835.1	-0.9	-836.0
Capacity rents	-79.4		-79.4	-76.3		-76.3	-102.5		-102.5
Aircraft materials and overhaul	-149.5	1.3	-148.2	-159.4	28.0	-131.4	-192.4	8.8	-183.6
Traffic charges	-175.4		-175.4	-155.4		-155.4	-206.5		-206.5
Sales, marketing and distribution costs	-88.8		-88.8	-76.3		-76.3	-103.1		-103.1
Passenger and handling services	-309.7		-309.7	-249.5		-249.5	-348.0		-348.0
Property, IT and other expenses	-84.3	0.1	-84.1	-95.6	0.6	-95.1	-123.7	0.4	-123.3
<b>EBITDA</b>			<b>409.7</b>			<b>54.1</b>			<b>153.2</b>
Depreciation and impairment	-248.2		-248.2	-268.6	32.7	-235.9	-349.8	32.7	-317.1
<b>Operating result</b>	<b>164.1</b>	<b>-2.7</b>	<b>161.4</b>	<b>-238.6</b>	<b>56.7</b>	<b>-181.8</b>	<b>-200.6</b>	<b>36.6</b>	<b>-163.9</b>

Items affecting comparability include loss of 1.3 million euros on the unrealized exchange rate difference of aircraft maintenance provisions and gain of 3.1 million euros mainly comprising of the purchase of three leased aircraft. Gain on unrealised fair value changes of derivatives where hedge accounting is not applied was 1.0 million euros.

## 10. MANAGEMENT OF FINANCIAL RISKS

No significant changes have been made to the Group's risk management principles in the reporting period. The objectives and principles of risk management are consistent with the information presented in the Group's 2022 financial statements. The tables below present the nominal value, or the amount and net fair value of derivative contracts used in Group's hedge accounting. In addition to derivatives Finnair has also used USD denominated investments and deposits to hedge its balance sheet exposure. The amount of these investments and deposits at the end of Q3 2023 was over 400 million dollars.

On a quarter-on-quarter basis, the US dollar depreciated 7.5% against the euro and jet fuel price decreased 14.9%.

Derivatives, EUR in millions	30 Sep 2023		30 Sep 2022		31 Dec 2022	
	Nominal value	Fair net value	Nominal value	Fair net value	Nominal value	Fair net value
<b>Currency derivatives</b>						
Operational cash flow hedging (forward contracts)	356.0	9.3	234.8	15.2	284.7	-7.3
Operational cash flow hedging (options)						
Bought options	48.2	0.2				
Sold options	44.5	-0.1				
Fair value hedging of aircraft acquisitions	167.0	6.2	177.6	22.1	183.7	-11.6
Hedge accounting items total	615.8	15.7	412.4	37.3	468.4	-18.9
Balance sheet hedging (forward contracts)	427.2	1.3	373.7	-7.0	337.7	-0.3
Items outside hedge accounting total	427.2	1.3	373.7	-7.0	337.7	-0.3
<b>Currency derivatives total</b>	<b>1,042.9</b>	<b>17.0</b>	<b>786.0</b>	<b>30.4</b>	<b>806.1</b>	<b>-19.3</b>
<b>Commodity derivatives</b>						
Jet fuel forward contracts, tonnes	368,000	39.9	109,000	-6.6	209,000	-2.5
Options						
Bought options, jet fuel, tonnes	262,000	8.1	134,000	4.6	149,000	4.8
Sold options, jet fuel, tonnes	262,000	-4.7	129,000	-13.0	149,000	-7.8
Hedge accounting items total	892,000	43.3	372,000	-15.0	507,000	-5.6
Options						
Bought options, jet fuel, tonnes	247,000	1.9	129,000	2.1	149,000	0.9
Items outside hedge accounting total	247,000	1.9	129,000	2.1	149,000	0.9
<b>Commodity derivatives total</b>	<b>1,139,000</b>	<b>45.2</b>	<b>501,000</b>	<b>-12.9</b>	<b>656,000</b>	<b>-4.6</b>
<b>Currency and interest rate swaps and options</b>						
Cross currency interest rate swaps	234.3	1.3	299.3	49.4	253.1	10.7
Items outside hedge accounting total	234.3	1.3	299.3	49.4	253.1	10.7
<b>Interest rate derivatives total</b>	<b>234.3</b>	<b>1.3</b>	<b>299.3</b>	<b>49.4</b>	<b>253.1</b>	<b>10.7</b>
<b>Derivatives total</b>		<b>63.5</b>		<b>66.8</b>		<b>-13.2</b>

## 11. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Fair value hierarchy of financial assets and liabilities valued at fair value			
Fair values at the end of the reporting period, EUR in millions	30 Sep 2023	Level 1	Level 2
<b>Financial assets at fair value through profit and loss</b>			
Securities held for trading	1,018.2	898.3	119.9
Derivatives held for trading			
Currency and interest rate swaps and options	1.5		1.5
Currency derivatives	19.0		19.0
- of which in fair value hedge accounting	6.2		6.2
- of which in cash flow hedge accounting	10.1		10.1
Commodity derivatives	50.4		50.4
- of which in cash flow hedge accounting	48.5		48.5
<b>Total</b>	<b>1,089.1</b>	<b>898.3</b>	<b>190.8</b>
<b>Financial liabilities recognised at fair value through profit and loss</b>			
Derivatives held for trading			
Currency and interest rate swaps and options	0.3		0.3
Currency derivatives	1.9		1.9
- of which in cash flow hedge accounting	0.7		0.7
Commodity derivatives	5.2		5.2
- of which in cash flow hedge accounting	5.2		5.2
<b>Total</b>	<b>7.4</b>		<b>7.4</b>

During the reporting period no significant transfers took place between fair value hierarchy Levels 1 and 2. Majority of the securities held for trading are investments into money market funds and commercial papers. Investments have been done according to the treasury policy.

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

## 12. COMPANY ACQUISITIONS AND DIVESTMENTS

There were no business acquisitions or divestments during the reporting period.

## 13. INCOME TAXES

Finnair's management is continuously monitoring the probability of utilizing deferred tax assets and considers both positive and negative evidence in the assessment. In the second quarter of 2023 Finnair re-recognized to its balance sheet the deferred tax assets of 99 million euros offsetting the write-down of 117 million euros recognized in the second quarter of 2022, as a result of the re-established pattern of profitability together with the management forecasts of future taxable profit providing positive evidence about its ability to utilize the unused tax losses and other deductible temporary differences. The management concluded at the time of the preparation of the interim report that Finnair's ability to utilize the unused tax losses and other deductible temporary differences recognised in the balance sheet did not change materially during the third quarter of 2023.

Deferred tax assets EUR in millions	31 Dec 2022	Recognised in the income statement	Recognised in sharehold- ers' equity	30 Sep 2023
Confirmed losses	93.7	67.9 *		161.6
Property, plant and equipment	60.4	-6.6		53.8
Leases	279.2	-28.3		250.9
Valuation of derivatives at fair value	0.0		-11.2	-11.2
Other temporary differences	16.9	-3.6	4.1	17.4
<b>Total</b>	<b>450.2</b>	<b>29.4</b>	<b>-7.1</b>	<b>472.5</b>
Netted from deferred tax liabilities	-369.6	62.0	-3.6	-311.2
<b>Deferred tax assets in balance sheet</b>	<b>80.6</b>	<b>91.4</b>	<b>-10.7</b>	<b>161.3</b>

Deferred tax liabilities EUR in millions	31 Dec 2022	Recognised in the income statement	Recognised in sharehold- ers' equity	30 Sep 2023
Defined benefit pension plans	-24.0	1.0	-3.6	-26.5
Property, plant and equipment	-109.2	21.3		-87.9
Leases	-236.4	39.6		-196.8
<b>Total</b>	<b>-369.6</b>	<b>62.0</b>	<b>-3.6</b>	<b>-311.2</b>
Netted from deferred tax assets	369.6	-62.0	3.6	311.2
<b>Deferred tax liabilities in balance sheet</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

\* The deferred tax asset (99 million euros) related to confirmed losses recognized in the income statement during the reporting period is offset against the deduction of the deferred tax asset recognized against taxable profit for the reporting period (31 million euros).

Finnair has not recognized deferred tax assets related to temporary differences as presented in the table below.

Unrecognized deferred tax assets EUR in millions	Expiry year	30 Sep 2023 Gross amount	Tax effect	Expiry year	31 Dec 2022 Gross amount	Tax effect
Tax losses	2031–2032	259.1	51.8	2030–2032	754.4	150.9
Leases				No expiry	64.1	12.8
Interest expenses under the limitation of the right to deduct interest	No expiry	60.5	12.1	No expiry	56.7	11.3
Valuation of derivatives at fair value				No expiry	13.5	2.7
Other temporary differences				No expiry	5.4	1.1
<b>Total</b>		<b>319.6</b>	<b>63.9</b>		<b>894.1</b>	<b>178.8</b>

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 management's assessment of the future taxable profit is based on the latest forecasts approved by the Board of Directors in connection with the interim financial report. The statutory period of limitation relating to confirmed losses is 10 years and the respective deferred tax currently recognized in the balance sheet are expiring in 2030 and 2031. Deferred tax assets and liabilities recognized in the balance sheet are netted as they are levied by the same taxing authority and Finnair has a legally enforceable right to set off the balances.

#### 14. DIVIDEND PER SHARE

In accordance with the proposal of the Board of Directors, the Annual General Meeting on 23 March 2023 resolved that no dividend was paid for the year 2022. In accordance with the proposal of the Board of Directors, the Annual General Meeting on 7 April 2022 resolved that no dividend was paid for the year 2021.

## 15. CHANGE IN FIXED ASSETS

EUR in millions	30 Sep 2023	30 Sep 2022	31 Dec 2022
Carrying amount at the beginning of period	1,044.9	1,108.6	1,108.6
Additions	157.1	84.8	125.8
Change in advances	1.7	-11.5	-37.4
Currency hedging of aircraft acquisitions	-17.8	-13.3	20.4
Disposals and reclassifications	-33.7	0.0	0.0
Depreciation	-112.2	-104.4	-139.8
Impairment		-32.7	-32.7
<b>Carrying amount at the end of period</b>	<b>1,040.0</b>	<b>1,031.5</b>	<b>1,044.9</b>

Additions to fixed assets are mainly related to the purchase of three leased aircraft, the cabin renovation of Finnair's wide-body aircraft and investments on aircraft maintenance. Also, the increase in advances is mainly related to cabin renewal investments. Deductions and transfers are mainly related to maintenance provisions rebooked against the acquisition cost of purchased, formerly leased aircraft.

### Assets held for sale

Finnair had no assets classified as held for sale in Q3 2023.

## 16. CHANGE IN RIGHT-OF-USE ASSETS

EUR in millions	30 Sep 2023	30 Sep 2022	31 Dec 2022
Carrying amount at the beginning of period	1,078.2	1,181.7	1,181.7
New contracts	8.2	5.8	9.5
Reassessments and modifications	44.1	47.1	64.3
Depreciation	-136.0	-131.5	-177.3
<b>Carrying amount at the end of period</b>	<b>994.5</b>	<b>1,103.2</b>	<b>1,078.2</b>

Reassessments and modifications are mainly related to index changes and changes of office space and parking slot contracts.

## 17. STATE AID RELATING TO FINNAIR'S REFINANCING

### State aid in 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, which has been converted into capital loan on 30 June 2022. The conversion was approved by the EU Commission's competition authority on 20 June 2022. The loan is currently fully withdrawn, and the drawn amount has been booked to the parent company's equity as its own tranche.

Finnair announced on 6 October 2023 its plans of a up to 600-million-euro rights issue. The state of Finland has announced their participation to the rights issue and intends to pay the subscription price of the shares by offsetting the aggregate subscription price against a corresponding amount of the principal of the capital loan. Additionally, Finnair will use the net proceeds from the offering to pay the portion of the 400-million-euro capital loan that remains outstanding after the offering and the accrued interest thereon. Additional information on the interest amount can be found under the note 20. Equity financing instruments.

### 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.

## 18. PENSION ASSETS

Pension assets were 132.7 million euros (31 December 2022: 120.0). During Q1-Q3 2023, total amount recognised in other comprehensive income was 17.8 million euros, which mainly consists of the change in discounting rate to 4.03% (31 December 2022: 3.69%) and the gain on plan assets. Service costs of 8.4 million euros and net interest income of 3.3 million euros were recognised in the income statement.

## 19. INTEREST-BEARING LIABILITIES

During the third quarter of 2023 Finnair amortized its loans according to the loan instalment programs.

Interest-bearing liabilities EUR in millions	Fair value			Book value		
	30 Sep 2023	30 Sep 2022	31 Dec 2022	30 Sep 2023	30 Sep 2022	31 Dec 2022
Lease liabilities	1,237.9	1,470.6	1,330.7	1,237.9	1,470.6	1,330.7
Loans from financial institutions	489.1	599.8	512.9	499.5	599.8	598.8
Bonds	367.0	317.0	298.0	381.1	397.8	397.9
JOLCO loans* and other	252.1	337.1	217.3	268.8	337.1	301.8
<b>Total</b>	<b>2,346.2</b>	<b>2,724.5</b>	<b>2,358.9</b>	<b>2,387.4</b>	<b>2,805.3</b>	<b>2,629.1</b>

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

Fair values of interest-bearing liabilities (excluding lease liabilities) have been calculated by discounting the expected cash flows using the market interest rate and company's credit risk premium at the reporting date. Fair value of bonds has been calculated by using the quoted price of reporting date (93.6).

Maturity dates of financial liabilities as at 30 Sep 2023							
EUR in millions	1-12 months	13-24 months	25-36 months	37-48 months	49-60 months	Later	Total
Lease liabilities, fixed interest	133.5	139.6	113.7	93.4	72.3	360.7	913.2
Lease liabilities, variable interest	65.8	59.8	38.8	36.6	37.3	86.5	324.7
Loans from financial institutions, variable interest	200.0	300.0					500.0
Bonds, fixed interest		382.5					382.5
JOLCO loans and other, fixed interest		23.2	11.6				34.7
JOLCO loans and other, variable interest	41.8	95.2	35.7	10.4	10.5	43.6	237.2
<b>Interest-bearing financial liabilities total*</b>	<b>441.1</b>	<b>1,000.3</b>	<b>199.7</b>	<b>140.3</b>	<b>120.1</b>	<b>490.9</b>	<b>2,392.3</b>
Payments from interest rate and currency derivatives	850.9	97.0	0.1				948.0
Income from interest rate and currency derivatives	-864.6	-100.1			-1.5		-966.3
Commodity derivatives	-44.7	-0.5					-45.2
Trade payables and other liabilities	285.5						285.5
Interest payments	113.4	93.4	48.8	37.5	30.2	92.6	415.8
<b>Total</b>	<b>781.5</b>	<b>1,090.0</b>	<b>248.6</b>	<b>177.9</b>	<b>148.7</b>	<b>583.5</b>	<b>3,030.1</b>



Maturity dates of financial liabilities as at 31 Dec 2022							
EUR in millions	1-12 months	13-24 months	25-36 months	37-48 months	49-60 months	Later	Total
Lease liabilities, fixed interest	144.4	148.0	150.0	104.6	86.3	353.7	987.0
Lease liabilities, variable interest	58.2	61.0	51.5	32.9	34.6	105.5	343.7
Loans from financial institutions, variable interest	200.0	200.0	200.0				600.0
Bonds, fixed interest			400.0				400.0
JOLCO loans and other, fixed interest			26.0	13.0			39.0
JOLCO loans and other, variable interest	40.4	41.8	89.0	33.0	10.3	51.2	265.8
<b>Interest-bearing financial liabilities total*</b>	<b>443.1</b>	<b>450.8</b>	<b>916.5</b>	<b>183.6</b>	<b>131.2</b>	<b>510.4</b>	<b>2,635.5</b>
Payments from interest rate and currency derivatives	809.4						809.4
Income from interest rate and currency derivatives	-792.1	-8.7					-800.8
Commodity derivatives	4.4	0.2					4.6
Trade payables and other liabilities	234.7						234.7
Interest payments	121.4	98.9	69.5	39.9	29.8	92.8	452.3
<b>Total</b>	<b>820.9</b>	<b>541.2</b>	<b>986.0</b>	<b>223.5</b>	<b>160.9</b>	<b>603.2</b>	<b>3,335.7</b>

\* The bonds maturing do not include the amortised cost of 1.4 million euros paid in 2021 and due in 2025. Respectively, JOLCO loans do not include the amortised cost of 3.1 million euros paid in 2016 and due in 2025. Loans from financial institutions do not include the amortised cost of 0.5 million euros paid as arrangement fee from the pension premium loan in 2022. Therefore, the total amount of interest-bearing financial liabilities differs from the book value by the amount equal to the amortised costs.

## 20. EQUITY FINANCING INSTRUMENTS

Finnair announced the redemption of the 200-million-euro hybrid bond on 1 August 2023 and it was redeemed on 1 September 2023. At the time of the redemption Finnair paid to the holders of hybrid bond a redemption price equal to the principal amount of the note together with any accrued interest to, but excluding, the redemption date.

Finnair has drawn 400 million euros of the capital loan. The drawn amount has been booked to the parent company's equity as its own tranche. Information from the state aid related matters can be found from the note 17.

At the end of the third quarter of 2023 the margin of the capital loan was 3.5 per cent and the reference rate was 4.102 per cent according to the terms and conditions. Additionally, Finnair pays utilisation fee from the capital loan which is 3 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. Accumulated interest from capital loan has not been accounted or accrued as costs.

EUR in millions	30 Sep 2023	31 Dec 2022
Accumulated interest from capital loan	42.1	15.9
Accumulated interest from hybrid bond		6.7

## 21. PROVISIONS

EUR in millions	30 Sep 2023	30 Sep 2022	31 Dec 2022
<b>Aircraft maintenance provision</b>			
Provision at the beginning of period	246.7	195.9	195.9
Provision for the period	34.1	40.1	56.1
Provision used	-43.3	-12.7	-16.6
Provision reversed	-1.8	-2.9	-3.1
Provision for right-of-use assets redelivery	1.2	-1.0	-0.9
Reclassifications	-34.5		
Unwinding of discount	5.8	4.0	6.4
Exchange rate differences	1.3	28.0	8.8
<b>Aircraft maintenance provision total</b>	<b>209.6</b>	<b>251.5</b>	<b>246.7</b>
Of which non-current	168.3	197.4	178.7
Of which current	41.3	54.1	68.0
<b>Other provisions</b>			
Provision at the beginning of period	5.0	3.8	3.8
Provision for the period	0.5	5.7	4.8
Provision used	-2.7	-1.4	-2.6
Provision reversed	-0.1	-0.2	-1.0
<b>Other provisions total</b>	<b>2.7</b>	<b>7.9</b>	<b>5.0</b>
Of which non-current	1.0	1.0	1.4
Of which current	1.8	6.9	3.6
<b>Total</b>	<b>212.4</b>	<b>259.4</b>	<b>251.7</b>
Of which non-current	169.3	198.4	180.1
Of which current	43.0	61.0	71.7

Non-current aircraft maintenance provisions are expected to be used by the end of 2035. Maintenance provisions of 34.5 million euros were reclassified against the acquisition cost of purchased, formerly leased aircraft.

In balance sheet, the non-current provisions and other liabilities totalling to 174.4 million euros (31 December 2022: 186.4) include, in addition to provisions, other non-current liabilities totalling to 5.1 million euros (31 December 2022: 6.3), which mainly consists of received lease deposits.

## 22. DEFERRED INCOME AND ADVANCES RECEIVED

EUR in millions	30 Sep 2023	30 Sep 2022	31 Dec 2022
Deferred revenue on ticket sales	453.9	423.1	356.4
Loyalty program Finnair Plus	57.7	43.4	51.3
Advances received for tour operations	38.1	30.5	27.9
Other items	14.3	16.1	16.4
<b>Total</b>	<b>564.0</b>	<b>513.1</b>	<b>452.0</b>

## 23. CONTINGENT LIABILITIES

EUR in millions	30 Sep 2023	30 Sep 2022	31 Dec 2022
Guarantees on behalf of group undertakings	54.9	55.5	52.5
<b>Total</b>	<b>54.9</b>	<b>55.5</b>	<b>52.5</b>

The guarantees on behalf of group undertakings remained approximately on the same level as in the previous period.

Investment commitments for property, plant and equipment as of 30 September 2023 totalled 355.9 million euros (31 December 2022: 366.1) and they relate mainly to firm aircraft orders and other aircraft related investments. Out of the total investment commitments, 72.4 million euro takes place within the next 12 months and 283.5 million euro during the following 1–5 years.

Off-balance sheet lease commitments as of 30 September 2023 totalled to 17,1 million euros (31 December 2022: 17.2). These include short-term lease agreements and other lease agreements for which the underlying asset is of low value or contracts that do not contain a lease according to IFRS 16. These relate mainly to leases for facilities and IT equipment.

## 24. RELATED PARTY TRANSACTIONS

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

The State of Finland, which has control over Finnair owns 55.8% (31 December 2022: 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. Capital loan and guarantee related to the pension premium loan from the State of Finland are described in the note 17. State aid relating to Finnair's refinancing.

EUR in millions	Q1-Q3 2023	Q1-Q3 2022	2022
<b>Sales of goods and services</b>			
Joint venture	18.9	19.4	25.7
Pension fund	0.0	0.1	0.3
Sickness fund	0.1	0.0	0.0
<b>Employee benefits</b>			
Pension fund	8.3	11.0	11.2
Sickness fund	0.6	0.5	0.6
CEO and Executive Board	5.6	2.7	4.1
The Board of Directors	0.3	0.3	0.4
<b>Purchases of goods and services</b>			
Joint venture	63.3	58.5	78.2
Pension fund	1.1	1.5	2.0
<b>Financial income</b>			
Pension fund	3.3	0.4	0.6
<b>Receivables</b>			
Joint venture	6.7	6.5	6.4
Pension fund	132.4	110.0	119.9
<b>Liabilities</b>			
Joint venture	4.7	4.3	4.3
Sickness fund	0.1		

## 25. EVENTS AFTER THE PERIOD

On 6 October 2023, Finnair published additional key financial targets based on which it seeks to achieve 1–2x net debt to comparable EBITDA by the end of 2025 and to reinstate the company's ability for shareholder distributions from 2025 onwards. Finnair's earlier comparable operating profit margin target of 6 per cent by the end of 2025 as well as achieving of carbon neutrality by 2045 remain unchanged.

Also on 6 October 2023, Finnair announced that it is planning a rights issue of up to 600 million euros to strengthen its balance sheet and financial position in order to better manage its outstanding financial liabilities, to support the execution of its strategy to drive sustainable profitable growth and ensure ability for future investments. The company will use the net proceeds from the offering to pay the portion of the 400-million-euro capital loan that remains outstanding after the offering and the accumulated interest thereon, which is expected to significantly reduce the company's financing costs. The offering will be conditional on the shareholders of the company granting the authorisation sought at the EGM to be held on 27 October 2023. The offering is expected to be completed during the fourth quarter of 2023, subject to market conditions.