



# FINNAIR GROUP INTERIM REPORT

1 JANUARY – 30 SEPTEMBER 2022



28 October 2022

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*Q3 net result still negative. Comparable EBIT positive, driven by seasonality and pent-up demand. Strategy implementation initiated.*

## July – September 2022

- Earnings per share were -0.03 euros (-0.08)\*.
- Revenue increased by 260.6% to 719.2 million euros (199.4).
- Comparable operating result was 35.2 million euros (-109.1). Operating result was 19.2 million euros (-106.0).
- Exceptionally high fuel price had an adverse cost impact of c. 125 million euros\*\* year-on-year.
- Cash funds were 1,608.9 million euros (31 Dec 2021: 1 265.7) and the equity ratio was 8.3 per cent (31 Dec 2021: 11.8).
- Net cash flow from operating activities was 11.8 million euros (27.1), and net cash flow from investing activities was -0.4 million euros (357.4).\*\*\*
- Number of passengers increased by 255.9% to 2.8 million (0.8).
- Available seat kilometres (ASK) increased by 153.7% to 8,356.5 million kilometres (3,293.5).
- Passenger load factor (PLF) was 80.1% (41.6).

## January – September 2022

- Earnings per share were -0.39 euros (-0.28).
- Revenue increased by 292.9% to 1,669.3 million euros (424.9).
- Comparable operating result was -181.8 million euros (-403.6). Operating result was -238.6 million euros (-394.2).
- High fuel price had an adverse cost impact of c. 303 million euros\*\* year-on-year.
- Net cash flow from operating activities was 229.1 million euros (-149.8), and net cash flow from investing activities was -21.2 million euros (376.4).\*\*\*
- Number of passengers increased by 399.9% to 6.6 million (1.3).
- Available seat kilometres (ASK) increased by 290.9% to 23,112.9 million kilometres (5,913.3).
- Passenger load factor (PLF) was 65.9% (35.7).

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

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

*\*\*\* In Q3, net cash flow from investing activities includes 29.1 million euros of redemptions (26.3 million euros of investments) in money market funds or other financial assets (maturity over three months). In Q1–Q3, the redemptions totalled in net terms to 26.1 million euros (11.7 million euros of redemptions). They are part of the Group's liquidity management.*

## Outlook

### **GUIDANCE ISSUED ON 19 JULY 2022:**

Demand has almost normalised particularly in Europe and in the United States. Finnair estimates that in Q3 2022, it will operate an average capacity of c. 70 per cent, as measured in ASKs, compared to the corresponding period in 2019 and in Q4 2022, it will operate similar or slightly higher volumes than in Q3. With the leases of aircraft with crew to other airlines, the total capacity deployed would be more than 80 per cent in Q3 and c. 80 – 85 per cent in Q4, depending on future lease agreements.

Significant uncertainty in Finnair's operating environment prevails, however, as the market price of fuel is historically high and the length of Russian airspace closure, the impact of inflation on demand and costs, as well as the development of the COVID-19 pandemic and related measures are unclear.

Even though the impacts of the pandemic on Finnair's operations have partially eased, the 2022 comparable operating result will be significantly negative for a third consecutive year due to the impacts of the Ukrainian war. Further, Finnair estimates that the difficult operating environment, inclusive of the closed Russian airspace, will prevail for a longer period and, therefore, the company is preparing a new strategy to improve its weak profitability and to strengthen its financial position. The company's target is to complete the strategy work during the autumn of 2022.

Finnair will update its outlook and guidance in connection with the Q3 2022 interim report.

#### **NEW GUIDANCE ON 28 OCTOBER 2022:**

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

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

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

## **CEO Topi Manner:**

In the third quarter, Finnair's net result was negative, but our comparable operating result turned positive for the first time since the last quarter of 2019. A positive operating result in the seasonally strongest third quarter is a step to the right direction, but we have a long journey ahead of us to nurse the company back to health. Due to the combination of the heavy pandemic and the closure of Russian airspace, we are facing a uniquely difficult challenge. Thus, determined measures to implement our new strategy and to restore profitability at an annual level are vital.

During the summer, Finnair carried 2.8 million passengers, as the demand, which had been pent up during the pandemic, continued to materialise. Finnair's revenue rose to 719.2 million euros (199.4), supported by the good development in unit revenues. Our comparable operating result was 35.2 million euros (-109.1) as our actions to reduce costs, improve sales and optimise revenues started to become visible. Nonetheless, the result for the period was still negative, -37.2 million euros, due to high financial expenses resulting from heavy indebtedness and exchange losses caused by the strong dollar.

The challenges in our operating environment continued, and our Q3 operating profit was still burdened by the exceptionally high fuel price, the strong US dollar, the remaining effects of the pandemic in e.g., travel restrictions in China, and the extended flight times and increased operating costs of our Asian routes due to the closure of Russian airspace.

The summer season was operatively challenging in the whole European aviation scene due to scarce resources. Our punctuality was among the best for European airlines, the performance of our Helsinki hub was a clear strength, and our customer satisfaction remained at a good level, with a Net Promoter Score of 40. Customers voted us the best airline in Northern Europe in the Skytrax survey, for the 12th consecutive time. All Finnair people working daily to ensure the best possible customer experience and operative quality are to thank for these achievements.

The closed Russian airspace will significantly affect Finnair's ability to make a profit in the long term, and in September, we announced our new strategy to restore profitability. Key actions to achieve this goal are a geographically more balanced network, fleet optimisation, strengthening of unit revenues, utilisation of partnerships, reduction of unit costs, building a sustainable balance sheet, and sustainability. The implementation of the strategy progresses throughout the organisation. Examples of a more geographically balanced network are the Mumbai route opened in August and our cooperation with Qatar Airways to commence flights from three Nordic capitals to Doha by the end of the year. As a part of our efforts to lower unit costs, negotiations with the personnel about changes to employment terms are progressing and we have reached conditional negotiation results with two of our unions. We are also seeking savings from other cost items. Further, we started discussions with

our personnel after the period to streamline the company's structures globally. Strategy implementation will proceed at pace in every area and needs contribution from all stakeholders.

## Business environment in Q3

The COVID-19 pandemic continued to impact Finnair's operations especially in Asia in Q3 2022. Further, the Russian airspace was closed to EU carriers at the end of February due to the counter sanctions imposed by Russia related to the war in Ukraine, which resulted in route and frequency cancellations in Asian traffic, as well as to Russia, in Q3. Thanks to robust demand for air cargo, Finnair was, however, able to continue operating to most of its Asian destinations despite routings that are up to 40% longer. The Asian capacity, measured in ASKs, reached only c. 35% compared to Q3 2019. The longer routings and high jet fuel price increased the costs considerably, but the Asian market prices reacted very positively especially as there were capacity constraints due to the travel restrictions and global labour shortage. Demand in intra-European and North Atlantic markets was strong in Q3 as there were no travel restrictions and capacity was also constrained, thus, resulting in healthy yields and improved passenger revenue.

Scheduled market capacity, measured in ASKs, between origin Helsinki and Finnair's European destinations increased by 141.3 per cent (59.4) year-on-year. Direct market capacity between Finnair's Asian and European destinations increased by 82.2 per cent (33.7) and between Finnair's North Atlantic and European destinations by 95.0 per cent (119.8) year-on-year.

The accelerating demand for package holidays continued throughout Q3 as travel restrictions were completely lifted in the European destinations. The robust demand was clearly reflected in increased package prices, which enabled Aurinkomatkat to cover increasing jet fuel and hotel costs. Aurinkomatkat increased its capacity to popular summer destinations, such as Crete and Rhodes. Despite the increase in prices, demand remained strong also for last-minute deals. In addition to late summer bookings, customers also continued booking trips into the commencing winter season. Demand for city holidays continued to grow strongly. The war in Ukraine has not had a significant impact on demand for package holidays.

The global air freight market was impacted by COVID-19 and the war in Ukraine in Q3, as lack of cargo capacity continued to benefit air cargo. This resulted in strong although already softened demand resulting in lower market prices and cargo revenue quarter-on-quarter. Because of the increased capacity and the higher than pre-pandemic market prices, cargo revenue, however, increased year-on-year. Finnair estimates that cargo demand will continue to soften, thus, also impacting the last quarter of the year which is normally the strongest quarter for air cargo.

The US dollar, which is the most significant expense currency for Finnair after the euro, strengthened by 17.1 per cent against the euro year-on-year. The US dollar-denominated market price of jet fuel was 77.9 per cent higher in the third quarter than in the comparison period, as the price has been impacted by the Ukrainian war and related sanctions. In Q3, the euro-denominated market price of jet fuel was 105.9% higher year-on-year.

## Financial performance in Q3

### REVENUE IN Q3

Finnair's total revenue increased year-on-year as the COVID-19 impact was more drastic in Q3 2021 and, on the other hand, as passenger yields were exceptionally high during the period on the back of robust demand and restricted capacity.

#### Revenue by product

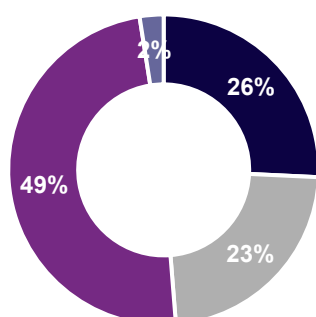
EUR million	Q3/2022	Q3/2021	Change %
Passenger revenue	553.9	113.9	386.5
Ancillary revenue	36.3	10.5	246.4
Cargo	73.4	65.4	12.2
Travel services	55.5	9.7	472.4
<b>Total</b>	<b>719.2</b>	<b>199.4</b>	<b>260.6</b>

Unit revenue (RASK) increased by 42.1 per cent and amounted to 8.61 cents (6.06). The RASK increase was caused by elevated passenger yields despite the clearly higher number of cargo-only flights in the comparison period, as these flights do not generate any ASKs and, thus, have a positive RASK impact.

## Passenger revenue and traffic data by area, Q3 2022

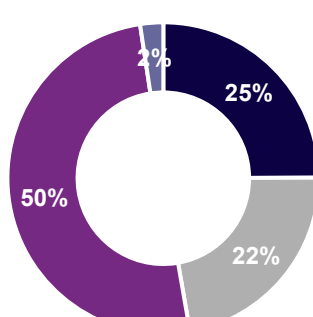
Traffic area	Passenger revenue			ASK		RPK		PLF	
	Q3/2022 MEUR	Share %	Q3/2021 MEUR	Q3/2022 Mill. km	Q3/2021 Mill. km	Q3/2022 Mill. km	Q3/2021 Mill. km	%	Change %-p
Asia	138.0	24.9	19.7	2,152.0	954.3	1,669.7	193.7	77.6	57.3
North Atlantic	94.3	17.0	11.8	1,920.7	838.6	1,494.2	197.3	77.8	54.3
Europe	286.9	51.8	69.8	4,075.8	1,363.6	3,370.7	880.5	82.7	18.1
Domestic	26.9	4.9	12.1	208.0	137.1	160.4	97.8	77.1	5.8
Unallocated	7.9	1.4	0.4						
<b>Total</b>	<b>553.9</b>	<b>100.0</b>	<b>113.9</b>	<b>8,356.5</b>	<b>3,293.5</b>	<b>6,695.0</b>	<b>1,369.3</b>	<b>80.1</b>	<b>38.5</b>

Q3 capacity (ASKs)



- Asia
- North-America
- Europe
- Domestic

Q3 traffic (RPKs)



- Asia
- North-America
- Europe
- Domestic

Even though the passenger traffic figures continued to improve year-on-year and mostly quarter-on-quarter, the negative impact of the COVID-19 pandemic and related travel restrictions was still clearly visible in the figures especially in Asia. Further, the Russian airspace closure had a negative impact on the figures in Q3 and this was visible mainly in Asian figures. Passenger revenue increased by 386.5 per cent and traffic capacity, measured in Available Seat Kilometres (ASK), increased by 153.7 per cent overall against the comparison period. The number of passengers increased by 255.9 per cent to 2,770,600 passengers. Traffic measured in Revenue Passenger Kilometres (RPK) increased by 388.9 per cent and the passenger load factor (PLF) increased by 38.5 percentage points to 80.1 per cent. The distance-based reported traffic figures do not take into account longer routings caused by the airspace closure as they are based on Great-Circle distance.

In Asian traffic, the number of scheduled passenger flights remained limited because of the pandemic impacts. Moreover, despite the Russian airspace closure, Finnair was able to continue operating to most of the destinations using longer routings. The number of scheduled passenger flights was nonetheless clearly more than in the comparison period as in Q4 2021, travel opened to e.g., Thailand, Singapore and India. Therefore, ASKs grew by 125.5 per cent and RPKs by as much as 761.9 per cent. PLF increased by 57.3 percentage points to 77.6 per cent. Further, Asian revenue overall was supported by the strong cargo operations.

Finnair re-opened the first North Atlantic route after a break caused by the pandemic in March 2021 and has since gradually increased the number of destinations and flights to the United States from both Helsinki and Stockholm. Due to the closed Russian airspace, the company has increased its North Atlantic capacity even further. As a result, North Atlantic ASKs in Q3 2022 increased by 66.5 per cent compared to Q3 2019. Compared to Q3 2021, ASKs increased by 129.0 per cent and RPKs by 657.2 per cent in Q3. PLF increased by 54.3 percentage points to 77.8 per cent. As in Asia, revenue overall was further supported by the strong cargo operations.

ASKs grew by 198.9 per cent in European traffic, as loosened travel restrictions within Europe have had a meaningful and positive effect on demand. Thus, RPKs grew by 282.8 per cent and the PLF by 18.1 percentage points to 82.7 per cent in European traffic.

Domestic traffic capacity increased by 51.7 per cent, RPKs by 64.0 per cent and the PLF by 5.8 percentage points to 77.1 per cent year-on-year.

Ancillary revenue increased to 36.3 million euros (10.5). Excess baggage, advance seat reservations and flight ticket fees were the largest ancillary categories.

As Finnair operated a lower number of scheduled passenger flights, especially to Asia, compared to the pre-pandemic era, due to the COVID-19 related restrictions as well as the closure of the Russian airspace at the end of February, Finnair's Q3 cargo volumes fell behind the pre-pandemic figures of Q3 2019. They were also lower quarter-on-quarter because of the softened demand. However, available scheduled cargo tonne kilometres increased by 83.5 per cent year-on-year, whereas revenue scheduled cargo tonne kilometres increased by 49.7 per cent. Cargo-related available tonne kilometres increased by 27.9 per cent but revenue tonne kilometres decreased by 0.1 per cent. Both include the cargo-only flights, operated mainly between Europe and Asia as well as between Europe and North America, which were, however, almost entirely replaced by scheduled passenger flights carrying cargo in Q3 2022. Strong cargo demand continued as total cargo tonnes increased by 20.0 per cent and cargo revenue increased by 12.2 per cent year-on-year.

Package holidays' financial development has been positively affected by the lifting of COVID-19 related travel restrictions. During Q3, both international and domestic package holidays were produced. The total number of Travel Services passengers increased by 347.5 per cent and the load factor in allotment-based capacity was 93.9 per cent. Travel Services revenue increased to 55.5 million euros (9.7).

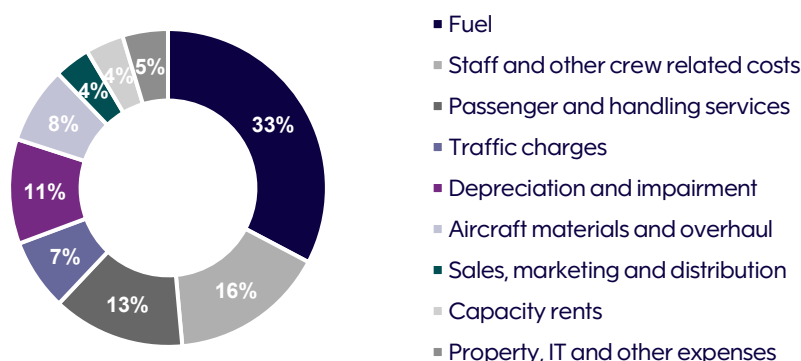
Other operating income increased to 55.9 million euros (9.6) mainly due to income related to the agreed wet leases with British Airways and Lufthansa-owned Eurowings Discover.

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

Finnair's operating expenses, included in the comparable operating result, increased by 132.6 per cent mainly due to increased capacity, longer Asian routings and record high jet fuel price. Finnair continued its significant cost adjustment initiatives in Q3.

Unit cost (CASK) decreased by 12.6 per cent and totalled 8.18 cents (9.37). CASK excluding fuel decreased by 33.2 per cent. Year-on-year, the decrease was caused by the clearly increased capacity and other operating income mainly related to wet leases, the higher share of cargo-only flights in the comparison period as well as the achieved cost savings.

#### Q3 operating expenses (€739.8 million in total) included in comparable operating result





EUR million	Q3/2022	Q3/2021	Change %
Staff and other crew related costs	117.1	58.4	100.5
Fuel costs	242.1	47.9	405.7
Capacity rents	28.7	18.2	57.5
Aircraft materials and overhaul	57.9	21.5	169.7
Traffic charges	53.8	27.0	99.2
Sales, marketing and distribution costs	27.3	9.1	202.1
Passenger and handling costs	99.7	36.4	173.7
Property, IT and other expenses	34.2	21.3	60.8
Depreciation and impairment	78.9	78.4	0.7
<b>Total</b>	<b>739.8</b>	<b>318.1</b>	<b>132.6</b>

Operating expenses included in the comparable operating result, excluding fuel, increased by 84.2 per cent.

Fuel costs, including hedging results and emissions trading costs, increased mainly due to the 2.5-fold capacity (measured in ASK), longer Asian routings and the exceptionally high fuel market price<sup>1</sup>, which had an adverse impact of c. 125 million euros on costs year-on-year. Fuel efficiency (as measured in fuel consumption per ASK) improved by 7.0 per cent due to e.g., a very limited number of cargo-only flights, that do not generate ASKs, in Q3 2022. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, decreased by 10.1 per cent year-on-year thanks to the clearly improved PLF even though Asian routings have been longer since the Russian airspace closure, thus, increasing fuel consumption.

Staff and other crew-related costs doubled due to the added capacity and longer Asian routings, although the achieved cost savings were visible.

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

Aircraft materials and overhaul costs went up due to the added capacity and longer Asian routings. Depreciation and impairment costs increased slightly from the comparison period. Traffic charges rose due to the increase in the number of flights and longer routings between Europe and Asia but less than the capacity as e.g., the Russian overflight royalties did not accrue during the period.

Capacity rents, covering purchased traffic from Norra and any wet leases or potential cargo rents, increased from the comparison period as capacity increased. Certain exceptional costs and exchange losses had an increasing impact on property, IT and other expenses.

## RESULT IN Q3

Even though travelling was unrestricted within Europe, and to the United States as well as to certain countries in Asia during Q3, the result was still clearly impacted by the COVID-19 pandemic. Further, Finnair was forced to cut some of its routes and frequencies to Asia in March due to the Russian airspace closure, while the remaining flights were rerouted. The rerouted flights were longer, increasing e.g., staff, fuel and navigation costs. The result was also adversely impacted by the exceptionally high jet fuel price.

EUR million	Q3/2022	Q3/2021	Change %
<b>Comparable EBITDA</b>	<b>114.1</b>	<b>-30.7</b>	<b>&gt;200</b>
Depreciation and impairment	-78.9	-78.4	-0.7
<b>Comparable operating result</b>	<b>35.2</b>	<b>-109.1</b>	<b>132.3</b>
Items affecting comparability	-16.0	3.1	<-200
<b>Operating result</b>	<b>19.2</b>	<b>-106.0</b>	<b>118.1</b>
Financial income	0.4	0.3	56.5
Financial expenses	-33.4	-28.6	-16.9
Exchange gains and losses	-30.9	-10.8	-184.8
<b>Result before taxes</b>	<b>-44.7</b>	<b>-145.2</b>	<b>69.2</b>
Income taxes	7.5	30.1	-74.9
<b>Result for the period</b>	<b>-37.2</b>	<b>-115.1</b>	<b>67.7</b>

As revenue increased more than operating expenses, Finnair's comparable EBITDA and comparable operating result both improved year-on-year and turned positive. This was the first positive comparable EBIT since Q4 2019.

Unrealised changes in foreign currencies relating to fleet overhaul provisions were -13.0 million euros (-3.9) due to the strengthened US dollar. Other items affecting comparability consist of fair value changes of derivatives for

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

which hedge accounting is not applied and sales gains or losses. These items totalled 1.8 million euros (6.2) during the quarter and related mostly to fair value changes of derivatives. Restructuring costs totalled 4.8 million euros (-0.7) in Q3 2022 and were related to commenced change negotiations.

The net financial expenses increased from the comparison period in Q3 mainly because of the unrealised exchange losses related to aircraft lease liabilities as the US dollar strengthened. The company did not book any deferred tax assets based on the loss for the period due to the uncertainty relating to utilisation of these losses in taxation. Income taxes related to changes in deferred tax liabilities.

## Financial performance in Q1–Q3

### REVENUE IN Q1–Q3

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

#### Revenue by product

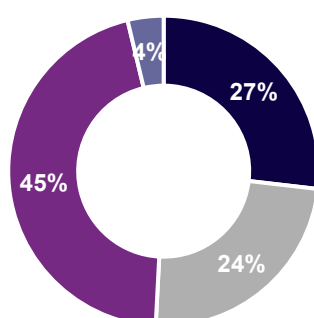
EUR million	Q1– Q3/2022	Q1– Q3/2021	Change %
Passenger revenue	1,175.2	201.9	482.0
Ancillary revenue	90.7	24.7	266.8
Cargo	283.8	187.6	51.3
Travel services	119.6	10.6	1,028.8
<b>Total</b>	<b>1,669.3</b>	<b>424.9</b>	<b>292.9</b>

Unit revenue (RASK) increased by 0.5 per cent and amounted to 7.22 cents (7.18). The minor RASK increase was caused by the higher passenger yields 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, Q1–Q3 2022

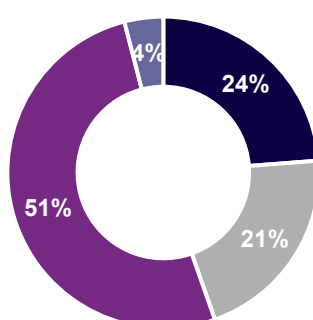
Traffic area	Passenger revenue			ASK		RPK		PLF	
	Q1– Q3/2022 MEUR	Share %	Q1– Q3/2021 MEUR	Q1– Q3/2022 Mill. km	Q1–Q3/2021 Mill. km	Q1– Q3/2022 Mill. km	Q1– Q3/2021 Mill. km	%	Change %-p
Asia	265.5	22.6	36.4	6,202.0	2,315.1	3,624.4	349.3	58.4	43.4
North Atlantic	187.4	15.9	13.9	5,544.5	998.6	3,177.8	230.9	57.3	34.2
Europe	613.3	52.2	121.6	10,501.4	2,217.7	7,823.1	1,282.6	74.5	16.7
Domestic	85.8	7.3	33.2	864.9	381.9	613.4	247.3	70.9	6.2
Unallocated	23.2	2.0	-3.1						
<b>Total</b>	<b>1,175.2</b>	<b>100.0</b>	<b>201.9</b>	<b>23,112.9</b>	<b>5,913.3</b>	<b>15,238.6</b>	<b>2,110.1</b>	<b>65.9</b>	<b>30.2</b>

Q1–Q3 capacity (ASKs)



- Asia
- North-America
- Europe
- Domestic

Q1–Q3 traffic (RPKs)



- Asia
- North-America
- Europe
- Domestic



Even though the passenger traffic figures continued to improve year-on-year, the negative impact of the COVID-19 pandemic and related travel restrictions was still clearly visible in the figures. Further, the Russian airspace closure had a negative impact on the figures in Q1–Q3 2022. Passenger revenue increased by 482.0 per cent and traffic capacity, measured in Available Seat Kilometres (ASK), increased by 290.9 per cent overall against the comparison period. The number of passengers increased by 399.9 per cent to 6,645,300 passengers. Traffic measured in Revenue Passenger Kilometres (RPK) increased by 622.2 per cent and the passenger load factor (PLF) increased by 30.2 percentage points to 65.9 per cent. The distance-based reported traffic figures do not take into account longer routings caused by the airspace closure as they are based on Great-Circle distance.

In Asian traffic, the number of scheduled passenger flights remained limited because of the pandemic impacts. Moreover, Finnair cancelled multiple flights to and from Asia in March following the Russian airspace closure even though it was able to continue operating most of the routes by using longer routings. The number of scheduled passenger flights was nevertheless clearly more than in the comparison period as in Q4 2021 travel opened to e.g., Thailand, Singapore and India, and as Finnair commenced flights from Sweden to Thailand. Therefore, ASKs grew by 167.9 per cent and RPKs by as much as 937.6 per cent. PLF increased by 43.4 percentage points to 58.4 per cent. As PLF was still weak, it resulted in low passenger revenue. Revenue overall was, however, supported by the strong cargo operations.

In addition to the scheduled passenger flights to New York, which were operated from March 2021, the Chicago and Los Angeles routes were reopened in June 2021 and the Miami route was reopened for the winter season 2021/2022. Finnair also commenced direct flights from Stockholm to New York, Los Angeles and Miami during Q4 2021 and from Helsinki to Dallas in March and to Seattle in June 2022. As a result, North Atlantic ASKs in Q1–Q3 2022 increased by 81.4 per cent compared to Q1–Q3 2019. Compared to Q1–Q3 2021, ASKs and RPKs increased in Q1 – Q3 2022 by 455.2 and 1,276.2 per cent respectively as no passenger flights were operated during the first two months of 2021 and only one weekly return flight to New York was operated between March and May 2021. Even though PLF increased by 34.2 percentage points to 57.3 per cent, it remained weak and resulted in low passenger revenue. However, as in Asia, revenue overall was supported by the strong cargo operations.

ASKs grew by 373.5 per cent in European traffic, as loosened travel restrictions within Europe have had a meaningful and positive effect on demand from late summer 2021 onwards. RPKs grew by 510.0 per cent and the PLF by 16.7 percentage points to 74.5 per cent in European traffic.

Domestic traffic capacity increased by 126.5 per cent, RPKs by 148.0 per cent and the PLF by 6.2 percentage points to 70.9 per cent.

Ancillary revenue increased to 90.7 million euros (24.7). Excess baggage, advance seat reservations and frequent flyer programme related revenue were the largest ancillary categories.

Although Finnair operated a lower number of scheduled passenger flights, especially to Asia, compared to the pre-pandemic era, due to the COVID-19 related restrictions as well as the closure of the Russian airspace at the end of February, available scheduled cargo tonne kilometres increased by 195.2 per cent year-on-year, whereas revenue scheduled cargo tonne kilometres increased by 130.7 per cent. Cargo-related available tonne kilometres increased by 64.4 per cent, and revenue tonne kilometres increased by 28.0 per cent; both include the cargo-only flights, which were operated mainly between Europe and Asia as well as between Europe and North America. Strong cargo demand continued as total cargo tonnes increased by 45.2 per cent and cargo revenue increased by 51.3 per cent year-on-year.

In Q1, package holidays' financial development was significantly affected by the COVID-19 pandemic and the related travel restrictions and guidelines. Their impact was already very moderate in Q2 and they were lifted in Q3, thus, resulting in robust demand. During Q1–Q3, both international and domestic package holidays were produced whereas in the comparison period, production consisted mainly of domestic package holidays. Because of this, the total number of Travel Services passengers grew by as much as 793.2 per cent and the load factor in allotment-based capacity was 91.9 per cent. Travel Services revenue increased to 119.6 million euros (10.6).

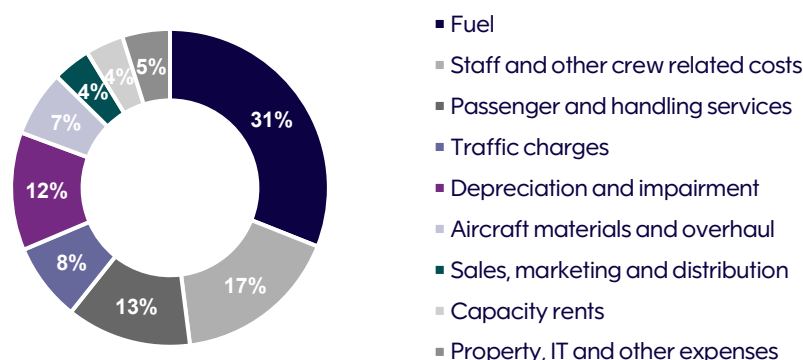
Other operating income increased to 109.4 million euros (26.2) mainly due to income related to the agreed wet leases, which were operated starting from Q2 2022, with British Airways and Lufthansa-owned Eurowings Discover.

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

Finnair's operating expenses, included in the comparable operating result, increased by 129.4 per cent mainly due to the increased capacity, longer Asian routings and fuel price. Finnair continued its significant cost adjustment initiatives in Q1–Q3.

Unit cost (CASK) decreased by 42.8 per cent and totalled 8.01 cents (14.01). CASK excluding fuel decreased by 55.8 per cent. Year-on-year, the decrease was caused by the clearly increased capacity and other operating income mainly related to wet leases as well as the achieved cost savings.

#### Q1–Q3 operating expenses (€1,960.5 million in total) included in comparable operating result



EUR million	Q1–Q3/2022	Q1–Q3/2021	Change %
Staff and other crew related costs	332.6	164.8	101.8
Fuel costs	608.1	109.0	457.7
Capacity rents	76.3	48.4	57.5
Aircraft materials and overhaul	131.4	55.7	135.9
Traffic charges	155.4	67.0	132.0
Sales, marketing and distribution costs	76.3	19.1	299.3
Passenger and handling costs	249.5	82.7	201.5
Property, IT and other expenses	95.1	66.0	44.1
Depreciation and impairment	235.9	241.9	-2.5
<b>Total</b>	<b>1,960.5</b>	<b>854.7</b>	<b>129.4</b>

Operating expenses included in the comparable operating result, excluding fuel, increased by 81.4 per cent.

Fuel costs, including hedging results and emissions trading costs, increased mainly due to the nearly four-fold capacity (measured in ASK), longer Asian routings and a clearly higher fuel market price<sup>2</sup>, which had an adverse impact of c. 303 million euros on costs year-on-year. Fuel efficiency (as measured in fuel consumption per ASK) improved by 26.4 per cent due to e.g., relatively fewer cargo-only flights during Q1–Q3 2022 that were not generating ASKs. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, decreased by 3.8 per cent year-on-year due to the clearly improved PLF even though Asian routings have been longer since the Russian airspace closure, thus, increasing fuel consumption.

Staff and other crew-related costs doubled due to the added capacity and longer Asian routings, although the achieved cost savings, including the COVID-19-related temporary and permanent layoffs, were visible. Further, there were certain staff related exceptional costs totalling c. 9 million euros during Q1–Q3 2022. Passenger and handling costs (including also tour operation expenses related to e.g., hotels) were driven up by the increased volumes, especially in passenger traffic. Sales, marketing and distribution costs increased due to recent marketing activities and improved sales intake.

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

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

<sup>2</sup> Fuel price impact including impact of currencies and hedging.

## RESULT IN Q1–Q3

Even though travel was open within Europe, and more open to the United States as well as certain countries in Asia during Q1–Q3, the result was still clearly impacted by the COVID-19 pandemic. Further, Finnair was forced to cut routes and frequencies to Asia in March due to the Russian airspace closure, while the remaining flights were rerouted. The rerouted flights were longer, increasing e.g., staff, fuel and navigation costs. The result was also adversely impacted by the higher price of jet fuel.

EUR million	Q1–Q3/2022	Q1–Q3/2021	Change %
<b>Comparable EBITDA</b>	<b>54.1</b>	<b>-161.7</b>	<b>133.4</b>
Depreciation and impairment	-235.9	-241.9	2.5
<b>Comparable operating result</b>	<b>-181.8</b>	<b>-403.6</b>	<b>54.9</b>
Items affecting comparability	-56.7	9.4	<-200
<b>Operating result</b>	<b>-238.6</b>	<b>-394.2</b>	<b>39.5</b>
Financial income	-0.5	12.7	-104.3
Financial expenses	-101.2	-84.2	-20.1
Exchange gains and losses	-85.7	-11.3	<-200
<b>Result before taxes</b>	<b>-426.1</b>	<b>-477.1</b>	<b>10.7</b>
Income taxes	-103.4	96.5	<-200
<b>Result for the period</b>	<b>-529.5</b>	<b>-380.7</b>	<b>-39.1</b>

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

Unrealised changes in foreign currencies relating to fleet overhaul provisions were -28.0 million euros (-8.3) due to the strengthened US dollar. In Q1, the company recognised an impairment totalling 32.7 million euros (none in the comparison period) relating to four owned A330 aircraft as based on the company's estimate, it was unlikely that the shorter-range wide-body fleet would be fully deployed as long as the Russian airspace remains closed. Other items affecting comparability consist of fair value changes of derivatives for which hedge accounting is not applied and sales gains or losses. These items totalled 8.8 million euros (5.9) during Q1–Q3 and related mostly to sales gains of four A321 aircraft. There were no exceptional changes in defined benefit pension plans (12.9). Restructuring costs totalled 4.8 million euros (1.1) during Q1–Q3 2022 and related to change negotiations commenced in Q3.

The net financial expenses increased significantly from the comparison period during Q1–Q3 mainly because of the unrealised exchange losses related to aircraft lease liabilities as the US dollar strengthened. During Q1–Q3, the company did not book any deferred tax assets based on the loss for the period due to the uncertainty relating to utilisation of these losses in taxation. Due to the same reason, the company recognised a deferred tax asset write-down of 117 million euros in Q2 related to previous years' tax losses. Finnair's result after taxes declined accordingly versus the comparison period.

## Financial position and capital expenditure

### BALANCE SHEET

The Group's balance sheet totalled 4,316.7 million euros at the end of September (31 Dec 2021: 4,047.1). In spite of limited investments, the fleet book value decreased by 67.2 million euros due to the impairment relating to four A330 aircraft as well as depreciation of the fleet. Due to depreciation, the right-of-use fleet decreased by 69.6 million euros. Assets held for sale decreased to 0.0 million euros (31 Dec 2021: 18.7) as four A321 aircraft that were held for sale at the end of 2021 were sold during the period.

Receivables related to revenue increased to 146.8 million euros mainly due to improved ticket sales (31 Dec 2021: 110.9). Net deferred tax assets declined to 80.0 million euros (31 Dec 2021: 191.9) as loss for the period was not recognised as a deferred tax asset and as a 117-million-euro write-down was recognised due to the uncertainty related to utilisation of the losses in taxation. The pension assets rose to 111.9 million euros (31 Dec 2021: 80.9) mainly due to actuarial gains whereas pension obligations remained almost unchanged and were 0.8 million euros (31 Dec 2021: 0.7).

Deferred income and advances received increased to 513.1 million euros (31 Dec 2021: 291.1). This was mainly caused by an increase in the unflown ticket liability amounting to 423.1 million euros (31 Dec 2021: 202.7) due to improved sales intake.

The loss for the period as well as paid hybrid bond interests decreased shareholders' equity, which totalled 357.5 million euros (31 Dec 2021: 475.7), or 0.25 euros per share (31 Dec 2021: 0.34). Finnair and the State of Finland signed

an agreement on an unsecured hybrid loan of up to 400 million euros in 2021. This credit limit could be used in full by Finnair based on the state aid decisions made by the EU Commission in March 2021 and in February 2022. In Q2, the hybrid loan was fully converted to a capital loan to support the parent company's equity position and, at the same time, Finnair made a 290-million-euro drawdown recognised as equity, as the conditions set in the agreement had been met. Further, Finnair drew down the remaining 110 million euros in Q3. Shareholders' equity also includes a fair value reserve that is affected by changes in the fair values of jet fuel and currency derivatives used for hedging as well as actuarial gains and losses related to defined benefit plans according to IAS 19. The value of the item at the end of September was 47.8 million euros after deferred taxes (31 Dec 2021: 16.6). This increase, improving also the equity, was mainly related to actuarial gains from defined benefit pension plans.

## CASH FLOW AND FINANCIAL POSITION

### Cash flow

EUR million	Q1–Q3/2022	Q1–Q3/2021
<b>Net cash flow from operating activities</b>	<b>229.1</b>	<b>-149.8</b>
<b>Net cash flow from investing activities</b>	<b>-21.2</b>	<b>376.4</b>
<b>Net cash flow from financing activities</b>	<b>103.9</b>	<b>130.8</b>

During Q1–Q3, the impacts of COVID-19 and the Russian airspace closure were visible in net cash flow from operating activities, although it was clearly positive thanks to materially improved ticket sales despite the negative result for the period as well as lease and loan interest costs. Net cash flow from investments was negative mainly due to fleet related investments, despite the divestment of four A321 aircraft during Q1–Q3. Net cash flow from financing was positive mainly due to the 400-million-euro capital loan drawdown during the period, despite the c. 100-million-euro repayment in Q1 related to the old 200-million-euro unsecured senior bond which matured in March 2022.

### Capital structure

%	30 Sep 2022	31 Dec 2021
<b>Equity ratio</b>	<b>8.3</b>	<b>11.8</b>
<b>Gearing</b>	<b>320.9</b>	<b>321.8</b>

The equity ratio on 30 September 2022 decreased from the year-end 2021 mainly due to the negative result for the period, even though the 400-million-euro capital loan and the positive change in the hedging reserve and other comprehensive income partially alleviated the impact. Gearing declined slightly on the back of increased cash funds and, thus, lower interest-bearing net debt even though equity weakened.

### Liquidity and net debt

EUR million	30 Sep 2022	31 Dec 2021
Cash funds	1,608.9	1,265.7
Adjusted interest-bearing liabilities	2,755.9	2,796.6
<b>Interest-bearing net debt</b>	<b>1,147.0</b>	<b>1,530.9</b>

The company's liquidity remained strong at the end of the period under review. In addition to the positive net cash flow from operating activities during Q1–Q3, Finnair Group's cash funds increased mainly due to the 400-million-euro capital loan even though the company repaid the remaining c. 100 million euros of the old senior 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 2021 mainly due to the c. 100-million-euro repayment of the old senior bond. The share of lease liabilities increased and totalled 1,470.6 million euros (31 Dec 2021: 1,381.0). Interest-bearing net debt decreased from the end of 2021 mainly due to the increased cash funds, despite the increasing impact of the strengthened US dollar on lease liabilities.

## CAPITAL EXPENDITURE

Gross capital expenditure, excluding advance payments, totalled 137.8 million euros during Q1–Q3 2022 (305.8) and was primarily related to fleet investments.

Cash flow from investments (including fixed asset investments and divestments, sublease payments received and advance payments) totalled -47.3 million euros (364.8).

Change in other current financial assets (maturity over three months) totalled 26.1 million euros (11.7) also forming a part of the total net cash flow from investments, which amounted to -21.2 million euros (376.4).

Cash flow from investments (including only fixed asset investments and advance payments) for the financial year 2022 relates mainly to the fleet and is expected to total approximately -104 million euros. Investment cash flow includes both committed investments as well as estimates for planned, but not yet committed, investments.

The company has 33 unencumbered aircraft, which account for approximately 30.5 per cent of the balance sheet value of the entire fleet of 1,834.8 million euros.<sup>3</sup>

## 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 56 aircraft, of which 25 were wide-body and 31 narrow-body aircraft.

At the end of September, the average age of the fleet operated by Finnair was 11.3 years.

Fleet operated by Finnair*	Seats	#	Change from 31.12.2021	Own**	Leased	Average age 30.9.2022	Ordered
<b>Narrow-body fleet</b>							
Airbus A319	144	6		5	1	20.8	
Airbus A320	174	10		8	2	20.1	
Airbus A321	209	15	-4	0	15	8.2	
<b>Wide-body fleet</b>							
Airbus A330	289/263	8		4	4	12.9	
Airbus A350	297/336	17		5	12	4.9	2
<b>Total</b>		<b>56</b>	<b>-4</b>	<b>22</b>	<b>34</b>	<b>11.3</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. These aircraft are scheduled to be delivered to Finnair in Q4 2024 and Q1 2025.

Finnair's investment commitments for property, plant and equipment, totalling 415.5 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 31.12.2021	Own	Leased	Average age 30.9.2022	Ordered
ATR	68–70	12		6	6	13.2	
Embraer E190	100	12		9	3	14.3	
<b>Total</b>		<b>24</b>	<b>0</b>	<b>15</b>	<b>9</b>	<b>13.7</b>	

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

## Strategy implementation

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

<sup>3</sup> Fleet value includes right of use assets as well as prepayments of future aircraft deliveries.

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

- A geographically more balanced network connecting Europe to Asia, India and the Middle East, and North America via Finnair's home hub Helsinki.
- A reduction of the fleet to optimize the network going forward.
- Significantly strengthening unit revenues through enhanced digital offering, competitive products and customer choice.
- Further leveraging various partnerships, most notably oneworld alliance and joint businesses, to strengthen distribution, network reach and product offering.
- Reducing unit costs by approximately 15%\* from the 2019 level to be competitive in all markets.
- Building a sustainable balance sheet that allows the company to invest in the future.
- Being among sustainability leaders in the aviation industry.

\*for main products excluding fuel, stage length adjusted; including the over 200 million euros of cost savings already achieved since end of 2019

### **MORE BALANCED NETWORK AND FLEET OPTIMIZATION**

Due to the closure of Russian airspace, Finnair lost its unique geographical advantage, as flying around Russia lengthens the routings between Finnair's home airport and the mega cities in Japan, South Korea and China by 15-40 per cent. With its new strategy, Finnair is therefore placing more emphasis on the West, the Middle East and India in its network. Despite the longer routings, however, the company continues to serve key Asian markets, focusing on the most profitable cities. With the new strategy, the European network and traffic structure will be optimized to increase efficiency, because the transfer traffic via Helsinki between Asia and Europe, which was the basis of the previous strategy, will decrease.

The new strategy also emphasises the utilisation of joint businesses with airline partnerships (Atlantic Joint Business or AJB, Siberian Joint Business or SJB and joint business with Juneyao Air). This highlights the role of oneworld partners such as American Airlines and Alaska Airlines in North America, Qatar Airways in the Middle East and Japan Airlines on routes to Japan. The North American partners provide their extensive network to Finnair's customers and, on the other hand, significantly strengthen Finnair's distribution power in North America. During the period, Finnair announced its strategic cooperation with Qatar Airways which would comprise daily flights from Helsinki, Copenhagen and Stockholm to Qatar Airways' home airport in Doha.

Due to the closure of Russian airspace, Finnair currently has excess capacity in its fleet, and with the new strategy, the company aims to optimize its fleet to meet the needs of the future network.

### **STRENGTHENING UNIT REVENUES**

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

Product and service quality are still differentiating factors for Finnair, and operative quality plays an important role in this. Finnair's long-haul traffic emphasises a high-quality, differentiating travel experience, while smoothness, simplicity and efficiency are key to intra-European traffic. As an indication of Finnair's strong customer satisfaction, the company was selected as the best airline in Northern Europe for the 12th consecutive time in the Skytrax customer survey. After the period, Finnair's customers awarded Finnair as a five-star airline in the APEX (Airline Passenger Experience Association) airline evaluation. During the period, the Net Promoter Score (NPS) measuring customer satisfaction was at a good level, being 40 (45).

The role of digital services, which is already key for Finnair, is further increasing. During Q3, the average monthly number of unique Finnair's website visitors already exceeded the pre-pandemic level (in Q3 2019, c. 2.3 million) as it totalled 2.5 million (1.3). The number of active users of the Finnair mobile application increased by 142.8 per cent to 823,000 year-on-year. Direct sales in Finnair's digital channels fell slightly to 49.0 percent (52.0) while total sales clearly increased. During the period, Finnair continued to introduce new distribution technologies and signed an agreement with Amadeus to bring NDC (new distribution capability) content to travel agency customers. With the help of this, the reach of Finnair's offers is expanded.



## REDUCING UNIT COSTS

As Finnair focuses in its new strategy on markets that are more open and competitive than some of the previous key markets, profitable operations require a lower cost base than before. Finnair's goal is to reduce unit costs by 15 per cent from the 2019 level. This goal includes the permanent cost savings of c. 200 million euros reached during the pandemic but, measured in 2019 volumes, achieving the goal still requires similar additional savings.

The unit cost reduction target addresses all cost items. Additional savings are sought from, among other things, fleet costs, personnel costs, supplier contracts and office space, as well as structural changes. Negotiations with the personnel on changes to the terms of employment are progressing and the company has reached conditional negotiation results with two unions. Finnair is also evaluating other actions, such as route-specific outsourcing of cabin service and potential outsourcing of certain operational activities. In addition, after the period, the company has started discussions with its employees to streamline the company's structures globally with personnel reductions to match Finnair's future size.

## SUSTAINABILITY

Sustainability will continue to be an essential part of Finnair, and the company's ambitious sustainability targets remained unchanged. Finnair's long-term goal is carbon neutrality by 2045, with a 50 per cent reduction in net emission by the end of 2025 from the 2019 level. Part of the goal is achieved by flying less than in 2019. Key measures also include improving the fuel efficiency of Finnair's fleet, increasing the use of sustainable aviation fuels and emission compensation.

Social responsibility is also a key component of the company's sustainability work, and its importance will only grow in the future. This includes e.g., the accessibility of services, inclusion and well-being of personnel, and promotion of diversity and equality. The company will also support those employees' well-being and re-employment who are subject to reductions in connection with the change negotiations.

During the period, Finnair achieved one of its goals of halving the amount of single-use plastics used onboard from the 2019 level.

## PEOPLE

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

Finnair employed an average of 5,358 (5,462) people in Q3 2022, which is 1.9 per cent less than in the comparison period. The number of employees decreased during Q3 by 91 or 1.7 per cent, totalling 5,328 at the end of September (5,426). In total, 111 new persons were hired at Finnair in Q3 2022. The increase in personnel was mostly due to growth in the number of Finnair Kitchen employees, Helsinki Airport Gate Service Agents and Aurinkomatkat travel guides. The attrition rate for the last 12 months was 8.2 per cent (7.5). The number of absences due to illness was 5.1 per cent (2.5) 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 on reducing the CO<sub>2</sub> emissions of flights. Finnair is committed to the sector's common goal of carbon-neutral growth from 2020 onwards but sees this commitment as only a starting point. Finnair commits to becoming carbon neutral by 2045, with an interim goal of reducing the CO<sub>2</sub> net emissions by 50% by the end of 2025. This is a challenging target, but Finnair considers it important for the future of the company and a means to challenge the industry as a whole even further. Finnair is committed to setting a science-based carbon dioxide emission reduction target (SBTi) by Q1 2024 at the latest.

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

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

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

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

## Changes in company management

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

Finnair announced on 24 August 2022 that Kristian Pullola (M.Sc. Economics) has been appointed as Chief Financial Officer and member of the Finnair Executive Board as of 1 October 2022. Pullola started at Finnair as an executive advisor already as of 1 September 2022. Pullola has previously worked for a long period as Chief Financial Officer of Nokia, and prior to that, he held other senior leadership positions in accounting, finance and investor relations at Nokia. Pullola is a board member at Kemira Plc and Terveystalo Plc, and chairman of the board at Antilooppi Management, Eduhouse and FinanceKey. Finnair's previous CFO Mika Stirkkinen acts as an executive advisor as of 1 October 2022 and leaves Finnair on 31 October 2022.

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

## Share price development and trading

Finnair's market capitalisation was 499.1 million euros at the end of September (31 Dec 2021: 837.7). The closing price of the share on 30 September 2022 was 0.35 euros (31 Dec 2021: 0.60). During January – September, the highest price for the Finnair Plc share on the Nasdaq Helsinki was 0.68 euros, the lowest price 0.34 euros and the average price 0.50 euros. Some 510.5 million company shares, with a total value of 254.0 million euros, were traded on the Nasdaq Helsinki exchange.

The number of Finnair shares recorded in the Trade Register was 1,407,401,265 at the end of the period. The Finnish state owned 55.9 per cent (31 Dec 2021: 55.9) of Finnair's shares, while 5.9 per cent (31 Dec 2021: 4.6) were held by foreign investors or in the name of a nominee at the end of the period.

## Own shares

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

In February, Finnair transferred, using the authorisation granted by the AGM 2021, a total of 902,093 own shares as incentives to the participants of the FlyShare employee share savings plan. It also transferred 119,737 own shares as a reward to the key personnel included in Finnair's share-based incentive scheme 2019–2021 in March.

On 30 September 2022, Finnair held a total of 399,303 own shares, representing 0.03 per cent of the total number of shares and votes.

## Effective authorisations granted by the Annual General Meeting 2022

Finnair's Annual General Meeting was held in Vantaa on 7 April 2022 under special arrangements due to the COVID-19 pandemic.

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

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

The resolutions of the AGM are available in full on the company's website <https://investors.finnair.com/en/governance/general-meetings/agm-2022>.

## 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 with the next 12 months. This list is not intended to be exhaustive.

Factors such as geopolitical uncertainty, the threat of trade wars, the threat of terrorism and cyber-attacks as well as other potential external disruptions may, if they materialise, significantly affect Finnair's operations. Geopolitical tensions may have an adverse effect on the global economic environment, and on Finnair's network and profitability. The war in Ukraine has already dramatically impacted the global trade in the form of sanctions and countersanctions, and as regards to civil aviation, closures of the airspace. For Finnair's Asian traffic, the duration of the closure of the Russian airspace as well as a potential escalation of the war are key risk factors. Further routes between Europe and Asia may become impossible to operate and / or commercially unviable. The impact of a prolonged closure of the Russian airspace and the potential escalation of the war on Finnair's business, financial result and future outlook depends on the company's ability to adapt its network, costs, revenue sources and financing in a new business environment.

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

The effect of the COVID-19 pandemic in the markets in which Finnair operates has adversely affected and is expected to continue to adversely affect the demand for Finnair's services. The uncertainty concerning the duration of travel restrictions, especially in Asia, pose 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 travel restrictions, resource challenges in the European aviation system caused by the pandemic as well as the recovery of demand for air travel. In addition, other general risk factors in the industry and business, such as the fluctuation of jet fuel prices and its weakened supply, fluctuation in demand for air travel in general, and fluctuations in currency exchange rates, as well as regulatory and tax changes are also beyond Finnair's control. Other general macroeconomic conditions, such as deterioration in business or consumer confidence, changing customer preferences or employment levels, lower availability of credit, rising interest rates, rise in prevailing high inflation, recession, or changes in taxation may have an adverse impact on private consumption, and consequently on the demand for air travel.

The key factors affecting revenue and operating result, which Finnair can partially affect, are operating costs and the volume of production. Due to the considerable effect of the COVID-19 pandemic, Finnair has carried out an extensive 200-million-euro cost savings programme and is now targeting 15 per cent unit cost reductions compared to 2019 levels (this includes the already achieved 200 million euros) by mid-2024 due to the continued effects of the COVID-19 pandemic and the closed Russian airspace. The current inflationary pressure poses a risk to retaining the cost level achieved.

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

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

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

Capacity increases and product improvements among Finnair's existing or new competitors may have an effect on the demand for, and yield of, Finnair's services. Competition in the industry is intense and the market situation is continuously changing as new entrants and/or alliances expand, industry participants consolidate and airlines form marketing or operational alliances, which might gain competitive advantage over Finnair's oneworld alliance or its joint businesses. In addition, the cost base restructurings of Finnair's competitors, undertaken in response to the COVID-19 pandemic, may result in further intensified competition through, among others, more aggressive pricing.

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

The aviation industry is affected by a number of regulatory trends. Estimating the impacts of the regulatory changes on airlines' operational activities and/or costs in advance is difficult. Examples of such regulatory trends include regulation related to emissions trading, noise regulation and other environmental regulation, as well as regulations on privacy and consumer protection. Due to the extraordinary circumstances caused by the COVID-19

pandemic, uncertainties related to agreements and authority policies as well as interpretation and implementation of legislation, such as approval of state aid, may increase. This may increase the likelihood of litigation processes.

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

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

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

## Seasonal variation and sensitivities in business operations

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

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

The company hedges its currency, interest rate and jet fuel exposure using a variety of derivative instruments, such as forward contracts, swaps and options, in compliance with the risk management policy approved annually by the Board of Directors. Finnair's policy is to hedge its fuel purchases 12 months forward on a rolling basis. The maximum hedging ratio for the 12-month period is 50 per cent and the lower limit is 0 per cent while the target hedging ratio is set to 25 per cent.

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 28 million
Average yield of passenger traffic			EUR 21 million
Unit cost (CASK excl. fuel)			EUR 18 million

Fuel sensitivities (rolling 12 months from date of financial statements)			10% change without hedging	10% change, taking hedging into account
Fuel			EUR 78 million	EUR 68 million

Fuel hedging and average hedged price		
(rolling 12 months from date of financial statements)	Hedged fuel, tonnes*	Average hedge price, USD/ton**
Q4 2022	57,000	1,178
Q1 2023	63,000	1,137
Q2 2023	57,000	1,085
Q3 2023 and after	54,000	1,041
<b>Total</b>	<b>231,000</b>	<b>1,112</b>

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

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

Currency distribution, %	Q3 2022	Q3 2021	Q1–Q3 2022	Q1–Q3 2021	2021	Currency sensitivities USD and JPY (rolling 12 months from date of financial statements for operational cash flows)		Hedging ratio for operational cash flows (rolling next 12 months)
Sales currencies						10% change without hedging	10% change taking hedging into account	
EUR	57	48	57	43	46	-	-	-
USD*	11	6	9	4	5	see below	see below	see below
JPY	4	6	5	11	9	EUR 6 m	EUR 5 m	16%
CNY	2	6	2	7	7	-	-	-
KRW	2	4	2	5	5	-	-	-
SEK	4	3	4	3	4	-	-	-
Other	21	27	21	25	25	-	-	-
Purchase currencies								
EUR	51	72	54	72	69	-	-	-
USD*	44	24	41	23	26	EUR 65 m	EUR 40 m	38%
Other	4	4	5	4	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

Due to the introduction of IFRS 16 in 2019, Finnair's asset-related foreign currency exposure increased with the recognition of the present value of qualifying operating lease liabilities in the balance sheet as right-of-use assets. Unrealised foreign exchange losses/gains caused by the translation of the USD denominated liability will have an impact on Finnair's net result. In the future, the effect and amount of the foreign currency exchange could be positive or negative, depending on the USD-rate at the closing date. Finnair has mitigated the foreign exchange volatility introduced by this difference by using derivatives as well as 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 60 per cent.

## Events after the financial period

There have not been any material events after the review period.

## Financial reporting in 2023

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

- Financial Statements Bulletin for 2022 on Wednesday 15 February 2023
- Interim Report for January – March 2023 on Thursday 27 April 2023
- Half-year Report for January – June 2023 on Friday 21 July 2023
- Interim Report for January – September 2023 on Tuesday 31 October 2023



FINNAIR PLC  
Board of Directors

## Briefings

Finnair will hold a results press conference (in Finnish) on 28 October 2022 at 11:00 a.m. at its office at Tietotie 9. It is also possible to participate in the press conference via a live webcast at <https://finnairgroup.videosync.fi/2022-10-28-press>.

An English-language telephone conference and webcast will begin at 1:00 p.m. Finnish time. To access the conference, kindly first register at <https://call.vsy.io/access-8144>. After the registration, you will be provided with phone numbers and a conference ID. To join the live webcast, please register at <https://finnairgroup.videosync.fi/2022-q3>.

## For further information, please contact:

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## Key performance indicators

EUR in millions, unless otherwise indicated	Q3 2022	Q3 2021	Change %	Q1–Q3 2022	Q1–Q3 2021	Change %	2021
<b>Revenue and profitability</b>							
Revenue	719.2	199.4	> 200	1,669.3	424.9	> 200	838.4
Comparable operating result	35.2	-109.1	132.3	-181.8	-403.6	54.9	-468.9
Comparable operating result, % of revenue	4.9	-54.7	59.6 %-p	-10.9	-95.0	84.1 %-p	-55.9
Operating result	19.2	-106.0	118.1	-238.6	-394.2	39.5	-454.4
Comparable EBITDA, % of revenue	15.9	-15.4	31.3 %-p	3.2	-38.1	41.3 %-p	-17.8
Earnings per share (EPS), basic, EUR	-0.03	-0.08	60.6	-0.39	-0.28	-39.3	-0.34
Earnings per share (EPS), diluted, EUR	-0.03	-0.08	60.6	-0.39	-0.28	-39.3	-0.34
Unit revenue per available seat kilometre (RASK), cents/ASK	8.61	6.06	42.1	7.22	7.18	0.5	6.93
Unit revenue per revenue passenger kilometre (yield), cents/RPK	8.27	8.31	-0.5	7.71	9.57	-19.4	8.13
Unit cost per available seat kilometre (CASK), cents/ASK	8.18	9.37	-12.6	8.01	14.01	-42.8	10.81
CASK excluding fuel, cents/ASK	5.29	7.91	-33.2	5.38	12.17	-55.8	9.06
<b>Capital structure</b>							
Equity ratio, %				8.3	14.1	-5.9 %-p	11.8
Gearing, %				320.9	279.1	41.8 %-p	321.8
Interest-bearing net debt				1,147.0	1,530.1	-25.0	1,530.9
Interest-bearing net debt / Comparable EBITDA, LTM				17.2	-6.6	23.7 %-p	-10.3
Gross capital expenditure	37.5	288.0	-87.0	137.8	305.8	-55.0	434.5
Return on capital employed (ROCE), LTM, %				-9.3	-12.8	3.5 %-p	-13.9
<b>Traffic</b>							
Passengers, 1,000	2,771	778	> 200	6,645	1,329	> 200	2,852
Flights, number	23,847	11,261	111.8	64,855	23,473	176.3	41,392
Available seat kilometres (ASK), million	8,356	3,294	153.7	23,113	5,913	> 200	12,094
Revenue passenger kilometres (RPK), million	6,695	1,369	> 200	15,239	2,110	> 200	5,178
Passenger load factor (PLF), %	80.1	41.6	38.5 %-p	65.9	35.7	30.2 %-p	42.8
<b>Modern premium offering, retailing and distribution</b>							
Net Promoter Score (NPS)	40	45	-9.4	40	46	-13.8	38
Share of digital direct ticket sales, %	49.0	52.0	-3.0 %-p	45.0	55.0	-10.0 %-p	51.0
Average number of monthly visitors at finnair.com, millions	2.5	1.3	92.4	2.4	0.9	179.8	1.1
Active users for Finnair mobile app, thousands	823.0	339.0	142.8	708.0	277.0	155.6	326.0
Ancillary and retail revenue	36.3	10.5	> 200	90.7	24.7	> 200	44.1
<b>Cost efficiency</b>							
Jet fuel consumption, tonnes	210,446	89,193	135.9	577,998	201,032	187.5	364,478
On-time performance, %	80.2	91.5	-11.3 %-p	78.5	90.0	-11.4 %-p	82.3
<b>Sustainability as a differentiator</b>							
Flight CO <sub>2</sub> emissions, tonnes	662,903	280,959	135.9	1,820,692	633,251	187.5	1,148,107
Flight CO <sub>2</sub> emissions, tonnes/ASK	0.0793	0.0853	-7.0	0.0788	0.1071	-26.4	0.0949
Flight CO <sub>2</sub> emissions, tonnes/RTK	0.8614	0.9585	-10.1	0.9284	0.9647	-3.8	0.9317
<b>People</b>							
Average number of employees	5,358	5,462	-1.9	5,363	5,697	-5.9	5,614
Absences due to illness, %	5.09	2.54	2.55 %-p	5.14	2.15	2.99 %-p	2.31
Lost-time injury frequency (LTIF)	7.2	5.4	34.6	7.8	5.8	35.7	5.6
Attrition rate, LTM, %				8.2	7.5	0.7 %-p	6.8

## PERFORMANCE INDICATORS CLASSIFIED AS ALTERNATIVE PERFORMANCE MEASURES

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

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

## RECONCILIATION OF PERFORMANCE INDICATORS CLASSIFIED AS ALTERNATIVE PERFORMANCE MEASURES

Items affecting comparability EUR in millions	Q3 2022	Q3 2021	Change %	Q1-Q3 2022	Q1-Q3 2021	Change %	2021
<b>Operating result</b>	<b>19.2</b>	<b>-106.0</b>	<b>118.1</b>	<b>-238.6</b>	<b>-394.2</b>	<b>39.5</b>	<b>-454.4</b>
Unrealized changes in foreign currencies of fleet overhaul provisions	13.0	3.9	> 200	28.0	8.3	> 200	11.7
Fair value changes of derivatives where hedge accounting is not applied	-1.8	-	-	-2.1	0.0	<-200	0.0
Sales gains and losses on aircraft and other transactions	0.0	-6.2	100.2	-6.7	-5.9	-13.7	-5.6
Impairment on A330 aircraft	-	-	-	32.7	-	-	-
Changes in defined benefit pension plans	-	-	-	-	-12.9	100.0	-20.6
Restructuring costs	4.8	-0.7	> 200	4.8	1.1	> 200	0.0
<b>Comparable operating result</b>	<b>35.2</b>	<b>-109.1</b>	<b>132.3</b>	<b>-181.8</b>	<b>-403.6</b>	<b>54.9</b>	<b>-468.9</b>
Depreciation and impairment	78.9	78.4	0.7	235.9	241.9	-2.5	319.8
<b>Comparable EBITDA</b>	<b>114.1</b>	<b>-30.7</b>	<b>&gt; 200</b>	<b>54.1</b>	<b>-161.7</b>	<b>133.4</b>	<b>-149.0</b>

Equity ratio EUR in millions, unless otherwise indicated	30 Sep 2022	30 Sep 2021	Change %	31 Dec 2021
Equity total	357.5	548.3	-34.8	475.7
Equity and liabilities total	4,316.7	3,876.7	11.3	4,047.1
<b>Equity ratio, %</b>	<b>8.3</b>	<b>14.1</b>	<b>-5.9 %-p</b>	<b>11.8</b>

Gearing, interest-bearing net debt and interest-bearing net debt / Comparable EBITDA, LTM EUR in millions, unless otherwise indicated	30 Sep 2022	30 Sep 2021	Change %	31 Dec 2021
Lease liabilities	1,470.6	1,281.8	14.7	1,381.0
Other interest-bearing liabilities	1,334.7	1,436.6	-7.1	1,427.9
Cross currency interest rate swaps*	-49.4	-6.9	<-200	-12.3
<b>Adjusted interest-bearing liabilities</b>	<b>2,755.9</b>	<b>2,711.4</b>	<b>1.6</b>	<b>2,796.6</b>
Other financial assets	-788.5	-370.3	-112.9	-531.4
Cash and cash equivalents	-820.4	-811.1	-1.1	-734.3
<b>Cash funds</b>	<b>-1,608.9</b>	<b>-1,181.4</b>	<b>-36.2</b>	<b>-1,265.7</b>
<b>Interest-bearing net debt</b>	<b>1,147.0</b>	<b>1,530.1</b>	<b>-25.0</b>	<b>1,530.9</b>
Equity total	357.5	548.3	-34.8	475.7
<b>Gearing, %</b>	<b>320.9</b>	<b>279.1</b>	<b>41.8 %-p</b>	<b>321.8</b>
Comparable EBITDA, LTM	66.7	-233.4	128.6	-149.0
<b>Interest-bearing net debt / Comparable EBITDA, LTM</b>	<b>17.2</b>	<b>-6.6</b>	<b>23.7 %-p</b>	<b>-10.3</b>

\* Cross-currency interest rate swaps are used for hedging the currency and interest rate risk of interest-bearing loans, but hedge accounting is not applied. Changes in fair net value correlate with changes in the fair value of interest-bearing liabilities. Therefore, the fair net value of cross-currency interest rate swaps recognised in derivative assets/liabilities and reported in note 9, is considered an interest-bearing liability in the net debt calculation.

Gross capital expenditure EUR in millions	Q3 2022	Q3 2021	Change %	Q1-Q3 2022	Q1-Q3 2021	Change %	2021
Additions in fixed assets	25.8	4.9	> 200	84.8	17.4	> 200	28.7
New contracts in right-of-use assets	1.0	257.0	-99.6	5.8	263.6	-97.8	380.6
Reassessments and modifications in right-of-use assets	10.6	26.1	-59.5	47.1	24.8	89.8	25.3
<b>Gross capital expenditure</b>	<b>37.5</b>	<b>288.0</b>	<b>-87.0</b>	<b>137.8</b>	<b>305.8</b>	<b>-55.0</b>	<b>434.5</b>

Return on capital employed (ROCE), LTM EUR in millions, unless otherwise indicated	30 Sep 2022	30 Sep 2021	Change %	31 Dec 2021
Result before taxes, LTM	-530.9	-488.8	-8.6	-581.9
Financial expenses, LTM	134.8	104.9	28.5	117.8
Exchange rate gains and losses, LTM	96.9	-7.8	> 200	22.5
<b>Return, LTM</b>	<b>-299.2</b>	<b>-391.7</b>	<b>23.6</b>	<b>-441.6</b>
Equity total	357.5	548.3	-34.8	475.7
Lease liabilities	1,470.6	1,281.8	14.7	1,381.0
Other interest-bearing liabilities	1,334.7	1,436.6	-7.1	1,427.9
<b>Capital employed</b>	<b>3,162.8</b>	<b>3,266.7</b>	<b>-3.2</b>	<b>3,284.6</b>
<b>Capital employed, average of reporting period and comparison period</b>	<b>3,214.7</b>	<b>3,052.5*</b>	<b>5.3</b>	<b>3,180.0*</b>
<b>Return on capital employed (ROCE), LTM, %</b>	<b>-9.3</b>	<b>-12.8</b>	<b>3.5 %-p</b>	<b>-13.9</b>

\* Capital employed accounted was EUR 2,838.3 million as at 30 Sep 2020 and EUR 3,075.4 million as at 31 Dec 2020.

## OTHER PERFORMANCE INDICATORS

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

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

Cost efficiency	
On-time performance	The share of flights arrived less than 15 minutes late

Modern premium offering, retailing and distribution	
Net Promoter Score (NPS)	Net Promoter Score is based on a question: "Thinking about all aspects of this journey, how likely would you be to recommend Finnair to a relative, friend or colleague?" Scale is 0-10: The share of detractors (ratings 0-6) is deducted from the share of promoters (ratings 9-10). Result is between +100 and -100.
Share of digital direct ticket sales	Share of ticket sales in Finnair's own direct channels in relation to total ticket sales for the period. Direct channels include Finnair.com, Finnair mobile app, New Distribution Capability (NDC) solutions and Finnair Holidays.

Sustainability as a differentiator	
Flight CO <sub>2</sub> emissions	CO <sub>2</sub> emissions from jet fuel consumption

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 2022

## CONSOLIDATED INCOME STATEMENT

EUR in millions	Note	Q3 2022	Q3 2021	Q1–Q3 2022	Q1–Q3 2021	2021
<b>Revenue</b>	<b>5</b>	<b>719.2</b>	<b>199.4</b>	<b>1,669.3</b>	<b>424.9</b>	<b>838.4</b>
Other operating income	5	55.9	31.9	116.3	49.2	62.5
<b>Operating expenses</b>						
Staff and other crew related costs	6	-121.4	-57.8	-337.0	-153.0	-229.3
Fuel costs		-240.3	-47.9	-606.0	-109.0	-211.4
Capacity rents		-28.7	-18.2	-76.3	-48.4	-71.3
Aircraft materials and overhaul		-70.9	-39.1	-159.4	-77.8	-117.2
Traffic charges		-53.8	-27.0	-155.4	-67.0	-120.4
Sales, marketing and distribution costs		-27.3	-9.1	-76.3	-19.1	-38.1
Passenger and handling services		-99.7	-36.4	-249.5	-82.7	-148.0
Depreciation and impairment	7	-78.9	-78.4	-268.6	-241.9	-319.8
Property, IT and other expenses		-34.7	-23.5	-95.6	-69.3	-99.7
<b>Operating result</b>		<b>19.2</b>	<b>-106.0</b>	<b>-238.6</b>	<b>-394.2</b>	<b>-454.4</b>
Financial income		0.4	0.3	-0.5	12.7	12.8
Financial expenses		-33.4	-28.6	-101.2	-84.2	-117.8
Exchange rate gains and losses		-30.9	-10.8	-85.7	-11.3	-22.5
<b>Result before taxes</b>		<b>-44.7</b>	<b>-145.2</b>	<b>-426.1</b>	<b>-477.1</b>	<b>-581.9</b>
Income taxes	12	7.5	30.1	-103.4	96.5	117.6
<b>Result for the period</b>		<b>-37.2</b>	<b>-115.1</b>	<b>-529.5</b>	<b>-380.7</b>	<b>-464.3</b>
<b>Attributable to</b>						
Owners of the parent company		-37.2	-115.1	-529.5	-380.7	-464.3
<b>Earnings per share attributable to shareholders of the parent company, EUR</b>						
Basic earnings per share		-0.03	-0.08	-0.39	-0.28	-0.34
Diluted earnings per share		-0.03	-0.08	-0.39	-0.28	-0.34

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR in millions	Q3 2022	Q3 2021	Q1–Q3 2022	Q1–Q3 2021	2021
<b>Result for the period</b>	<b>-37.2</b>	<b>-115.1</b>	<b>-529.5</b>	<b>-380.7</b>	<b>-464.3</b>
<b>Other comprehensive income items</b>					
<b>Items that may be reclassified to profit or loss in subsequent periods</b>					
Change in fair value of hedging instruments	-14.3	0.9	-2.3	35.7	30.1
Tax effect	2.5	-0.2	0.1	-7.1	-6.0
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>					
Actuarial gains and losses from defined benefit plans	14.2	-7.7	41.7	24.7	43.0
Tax effect	-2.8	1.5	-8.3	-4.9	-8.6
<b>Other comprehensive income items total</b>	<b>-0.5</b>	<b>-5.4</b>	<b>31.1</b>	<b>48.3</b>	<b>58.4</b>
<b>Comprehensive income for the period</b>	<b>-37.6</b>	<b>-120.6</b>	<b>-498.3</b>	<b>-332.4</b>	<b>-405.9</b>
<b>Attributable to</b>					
Owners of the parent company	-37.6	-120.6	-498.3	-332.4	-405.9



## CONSOLIDATED BALANCE SHEET

EUR in millions	Note	30 Sep 2022	30 Sep 2021	31 Dec 2021
<b>ASSETS</b>				
<b>Non-current assets</b>				
Fleet	14, 16	879.1	982.9	946.3
Right-of-use fleet	15, 16	955.7	956.1	1,025.3
Fleet total		1,834.8	1,939.0	1,971.6
Other fixed assets	14, 16	152.4	169.7	162.3
Right-of-use other fixed assets	15, 16	147.4	148.6	156.4
Other fixed assets total		299.8	318.3	318.7
Pension assets	18	111.9	57.8	80.9
Other non-current assets		4.1	8.8	6.9
Deferred tax assets	12	80.0	173.0	191.9
<b>Non-current assets total</b>		<b>2,330.7</b>	<b>2,497.0</b>	<b>2,569.9</b>
<b>Current assets</b>				
Receivables related to revenue		146.8	85.0	110.9
Inventories and other current assets		132.7	85.8	55.8
Derivative financial instruments	9, 10	97.6	27.2	26.1
Other financial assets	10	788.5	370.3	531.4
Cash and cash equivalents		820.4	811.1	734.3
<b>Current assets total</b>		<b>1,986.0</b>	<b>1,379.3</b>	<b>1,458.5</b>
Assets held for sale	14		0.5	18.7
<b>Assets total</b>		<b>4,316.7</b>	<b>3,876.7</b>	<b>4,047.1</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		282.0	472.9	400.2
<b>Equity total</b>		<b>357.5</b>	<b>548.3</b>	<b>475.7</b>
<b>Non-current liabilities</b>				
Lease liabilities	19	1,258.1	1,117.7	1,204.1
Other interest-bearing liabilities	19	691.4	1,289.6	986.2
Pension obligations		0.8	2.3	0.7
Provisions and other liabilities	21	204.9	184.9	200.7
<b>Non-current liabilities total</b>		<b>2,155.2</b>	<b>2,594.5</b>	<b>2,391.6</b>
<b>Current liabilities</b>				
Lease liabilities	19	212.6	164.1	176.9
Other interest-bearing liabilities	19	643.2	147.0	441.7
Provisions	21	61.0	15.9	13.8
Trade payables		92.6	35.4	53.5
Derivative financial instruments	9, 10	30.8	1.0	0.4
Deferred income and advances received	22	513.1	221.8	291.1
Liabilities related to employee benefits		100.2	67.1	74.4
Other liabilities		150.6	81.8	128.1
<b>Current liabilities total</b>		<b>1,804.0</b>	<b>733.9</b>	<b>1,179.8</b>
<b>Liabilities total</b>		<b>3,959.2</b>	<b>3,328.4</b>	<b>3,571.4</b>
<b>Equity and liabilities total</b>		<b>4,316.7</b>	<b>3,876.7</b>	<b>4,047.1</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 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>
Hybrid bond interests and expenses					-20.5			-20.5
Proceeds from capital loan							400.0	400.0
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 2021</b>	<b>75.4</b>	<b>168.1</b>	<b>-41.8</b>	<b>759.5</b>	<b>-262.6</b>	<b>198.0</b>		<b>896.6</b>
Result for the period					-380.7			-380.7
Change in fair value of hedging instruments			28.5					28.5
Actuarial gains and losses from defined benefit plans			19.7					19.7
<b>Comprehensive income for the period</b>			<b>48.3</b>		<b>-380.7</b>			<b>-332.4</b>
Hybrid bond interests and expenses					-16.4			-16.4
Acquisitions of own shares					-1.1			-1.1
Share-based payments				1.6				1.6
<b>Equity 30 Sep 2021</b>	<b>75.4</b>	<b>168.1</b>	<b>6.4</b>	<b>761.1</b>	<b>-660.8</b>	<b>198.0</b>		<b>548.3</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 2021</b>	<b>75.4</b>	<b>168.1</b>	<b>-41.8</b>	<b>759.5</b>	<b>-262.6</b>	<b>198.0</b>		<b>896.6</b>
Result for the period					-464.3			-464.3
Change in fair value of hedging instruments			24.0					24.0
Actuarial gains and losses from defined benefit plans			34.4					34.4
<b>Comprehensive income for the period</b>			<b>58.4</b>		<b>-464.3</b>			<b>-405.9</b>
Hybrid bond interests and expenses					-16.4			-16.4
Acquisitions of own shares					-1.1			-1.1
Share-based payments				2.4				2.4
<b>Equity 31 Dec 2021</b>	<b>75.4</b>	<b>168.1</b>	<b>16.6</b>	<b>762.0</b>	<b>-744.5</b>	<b>198.0</b>		<b>475.7</b>

## CONSOLIDATED CASH FLOW STATEMENT

EUR in millions	Q3 2022	Q3 2021	Q1–Q3 2022	Q1–Q3 2021	2021
<b>Cash flow from operating activities</b>					
Result before taxes	-44.7	-145.2	-426.1	-477.1	-581.9
Depreciation and impairment	78.9	78.4	268.6	241.9	319.8
Financial income and expenses	63.9	39.2	187.5	82.9	127.5
Sales gains and losses on aircraft and other transactions	0.0	-20.0	-6.7	-19.7	-19.4
Change in provisions	35.9	15.2	55.4	14.9	19.8
Employee benefits	6.1	5.0	11.9	1.1	-4.3
Other adjustments	-0.5	0.0	-0.5	-0.1	3.3
Non-cash transactions	41.5	20.2	66.8	15.9	18.9
Changes in trade and other receivables	-70.1	-21.2	-106.8	-21.5	-49.9
Changes in inventories	-1.8	0.3	-9.5	2.8	1.9
Changes in trade and other payables	-64.3	80.2	292.2	106.6	257.3
Changes in working capital	-136.1	59.3	175.9	87.9	209.2
Financial expenses paid, net	8.3	-4.6	-36.9	-81.7	-99.3
<b>Net cash flow from operating activities</b>	<b>11.8</b>	<b>27.1</b>	<b>229.1</b>	<b>-149.8</b>	<b>-25.3</b>
<b>Cash flow from investing activities</b>					
Investments in fleet	-28.6	-18.5	-69.8	-43.3	-70.3
Investments in other fixed assets	-1.2	-2.4	-3.3	-5.5	-6.0
Divestments of fleet, other fixed assets and shares	0.3	402.4	25.5	404.0	441.7
Lease and lease interest payments received	0.1	2.1	0.3	9.6	11.7
Change in other current financial assets (maturity over 3 months)	29.1	-26.3	26.1	11.7	-67.5
Change in other non-current assets	0.0	0.0	-0.1	0.0	0.0
<b>Net cash flow from investing activities</b>	<b>-0.4</b>	<b>357.4</b>	<b>-21.2</b>	<b>376.4</b>	<b>309.6</b>
<b>Cash flow from financing activities</b>					
Proceeds from loans				396.7	396.7
Loan repayments	-10.3	-11.8	-134.3	-139.8	-154.8
Repayments of lease liabilities	-51.0	-36.9	-141.3	-104.4	-146.8
Hybrid bond interests and expenses	-20.5	-20.5	-20.5	-20.5	-20.5
Proceeds from capital loan	110.0		400.0		
Acquisitions of own shares				-1.1	-1.1
<b>Net cash flow from financing activities</b>	<b>28.2</b>	<b>-69.2</b>	<b>103.9</b>	<b>130.8</b>	<b>73.4</b>
<b>Change in cash flows</b>	<b>39.6</b>	<b>315.3</b>	<b>311.8</b>	<b>357.4</b>	<b>357.8</b>
Liquid funds, at beginning	1,422.2	834.3	1,150.0	792.2	792.2
Change in cash flows	39.6	315.3	311.8	357.4	357.8
<b>Liquid funds, at end *</b>	<b>1,461.8</b>	<b>1,149.6</b>	<b>1,461.8</b>	<b>1,149.6</b>	<b>1,150.0</b>
<b>* Liquid funds</b>					
Other financial assets	788.5	370.3	788.5	370.3	531.4
Cash and cash equivalents	820.4	811.1	820.4	811.1	734.3
<b>Cash funds</b>	<b>1,608.9</b>	<b>1,181.4</b>	<b>1,608.9</b>	<b>1,181.4</b>	<b>1,265.7</b>
Other current financial assets (maturity over 3 months)	-147.1	-31.7	-147.1	-31.7	-115.7
<b>Liquid funds</b>	<b>1,461.8</b>	<b>1,149.6</b>	<b>1,461.8</b>	<b>1,149.6</b>	<b>1,150.0</b>

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

## 1 JAN - 30 SEP 2022

### 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 27 October 2022.

### 2. ACCOUNTING PRINCIPLES

The accounting principles applied in the interim financial report correspond to the principles disclosed in the Consolidated Financial Statements 2021. The figures presented in the interim report are rounded and consequently the sum of individual figures may not precisely add up to the corresponding totals stated herein. The reported key figures have been calculated using exact figures.

### 3. CRITICAL ACCOUNTING ESTIMATES AND SOURCES OF UNCERTAINTY

The preparation of the consolidated interim financial report requires the company's management to make estimates and assumptions that influence the levels of reported assets and liabilities as well as the revenue and expenses. The actual outcome may differ from the estimates made. The main identified items requiring the use of critical accounting estimates and assumptions include impairment testing, leasing arrangements, pension obligations, maintenance reserves of the fleet, Finnair Plus - customer loyalty program, derivatives and hedge accounting as well as deferred tax assets. In addition, the assessment of going concern is based on management estimates about the future events and developments and other information available to the management at the time of the assessment. The Board of Directors assessment of going concern has been described in more detail in note 4. The main critical accounting estimates and sources of uncertainty are disclosed in the 2021 financial statements and in this note.

Finnair's operating environment has become significantly more difficult since the publication of the 2021 financial statements, due to the escalation of the geopolitical situation in Eastern Europe resulting from Russia's attack against Ukraine. The resulting sanctions, and countersanctions, have led to the closure of Russian airspace which has had a significant impact on the routings and operating costs of Finnair's flights to Asia. Also, the price of jet fuel has increased significantly during the current reporting period, in addition to which the future fuel price development, impact of inflation on passenger demand and operational costs as well as the changes in the economic and competitive environment are subject to increased uncertainty. At the same time, the COVID-19 pandemic continues to have an impact on Finnair's business, especially in the Asian markets, which is also contributing to the uncertainty relating to the near- and long-term development of its operating environment.

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

Due to the changes in the operating environment and the difficulty of predicting them, the management's estimates and assumptions used in this interim report as well as the amount of reported assets and liabilities and income and expenses, are subject to greater uncertainty. It is especially difficult to forecast the duration of the Russian airspace closure and therefore, its impact on Finnair's future profitability, financial position and cash flows may differ from the current management estimates and assumptions made. The latest forecast scenarios used in this interim report as well as their effect on the assessment of the going concern and impairment testing are described in more detail in the notes 4. Board's assessment of Finnair as a going concern and 16. Impairment testing.

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

The consolidated interim financial report for the period ending 30 September 2022 has been prepared based on the going concern assumption. The Finnair Board of Directors has assessed the Group's ability to continue as a going concern based on the Group's ability to meet its obligations as they fall due at least 12 months after the interim financial report is issued. The Board of Directors' assessment is based on Finnair's renewed strategy and the management's latest business plan approved by the Board of Directors as well as the management's continuous assessment of the impacts of the Russian airspace closure and the COVID-19 pandemic on the Group's financial

situation. Due to the uncertainty embedded in the economic environment and the difficulty of forecasting its duration, the Board of Directors has considered three different forecast scenarios prepared by the management that cover a period of 39 months from October 2022 until December 2025. The main identified uncertainties and management assumptions relating to the forecast scenarios and the going concern assessment are described in more detail in the consolidated financial statements 2021 and in the above note 3. Critical accounting estimates and sources of uncertainty.

With the exception of the current financial year 2022, revenue and profitability are expected to improve slower than what was estimated at the time of the preparation of the 2021 financial statements due to the long-term impacts of the Russian airspace closure and increased fuel prices. Under the base case scenario and the more pessimistic scenario updated in connection with the interim report, the Russian airspace would remain closed for the foreseeable future whereas under the optimistic scenario, the airspace would open in the second quarter of 2025. Finnair expects it will optimize its capacity and network in all three scenarios as well as significantly enhance its operations in accordance with the renewed strategy during the years 2022–2024. In addition, the company estimates that in the most pessimistic scenario, a possible economic downturn will reduce passenger revenues, leading to a somewhat weaker result than the base scenario. The company expects to operate at c. 66% capacity in 2022 and c. 75% capacity in 2023 (measured in annual available seat kilometres) under all of the scenarios as compared to the pre-pandemic levels of 2019. As a result of the renewed strategy, Finnair no longer estimates that it will reach its pre-pandemic operational levels in any of the scenarios during the forecast period resulting from the optimization of the flight network and the planned reduction of the fleet size. Under all scenarios, Finnair will be able to meet its obligations as they fall due at least 12 months after the date that the consolidated interim report is issued.

While the duration and the wider impacts of the Russian airspace closure or COVID-19 pandemic are not in the sphere of Finnair's influence, Finnair continues to adjust its operational capacity and reducing costs as part of its new strategy.

Considering the circumstances and uncertainties mentioned in the consolidated financial statements 2021 and above, as well as the already realized and planned measures to mitigate the impacts of the closure of the Russian airspace and COVID-19-pandemic, the Board of Directors has concluded that the assessment does not cast significant doubt on the Group's ability to continue as a going concern and consequently, the Group continues to adopt the going concern basis of accounting in preparing the consolidated interim report. The Board of Director's conclusion is based on the information available as at the date of the issuance of the interim financial report and an assessment conducted based on the information assuming that the company is able to conduct its adjusted business operations according to the plan and to maintain sufficient financing for a period of at least 12 months after the date that the consolidated interim report is issued. The management and the Board of Directors have also considered events and developments taking place after the balance sheet date and concluded that there is no material impact on the scenarios approved by the Board of Directors and the going concern assessment of the Group.

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

## 5. SEGMENT INFORMATION AND REVENUE

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

Finnair's quarterly revenue increased when compared to the third quarter of 2021 due to reduced impact of the COVID-19 pandemic and exceptionally high passenger yields resulting from a strong demand and restricted capacity. The negative impact of the COVID-19 pandemic and closure of the Russian airspace was reflected in the passenger traffic figures and revenue from Asian routes.

## Revenue by product and traffic area

Q3 2022, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	138.0	94.3	286.9	26.9	7.9	<b>553.9</b>	77.0
Ancillary and retail revenue	5.4	4.9	11.3	0.6	14.1	<b>36.3</b>	5.0
Cargo	45.2	19.0	10.6	0.1	-1.5	<b>73.4</b>	10.2
Travel services	0.0	0.1	55.2	0.1	0.1	<b>55.5</b>	7.7
<b>Total</b>	<b>188.6</b>	<b>118.3</b>	<b>364.0</b>	<b>27.6</b>	<b>20.7</b>	<b>719.2</b>	
Share %	26.2	16.4	50.6	3.8	2.9		

Q3 2021, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	19.7	11.8	69.8	12.1	0.4	<b>113.9</b>	57.1
Ancillary and retail revenue	2.1	0.7	3.1	0.5	4.0	<b>10.5</b>	5.3
Cargo	43.0	13.4	5.8	0.0	3.1	<b>65.4</b>	32.8
Travel services	0.0		9.5	0.2	0.0	<b>9.7</b>	4.9
<b>Total</b>	<b>64.8</b>	<b>25.9</b>	<b>88.3</b>	<b>12.9</b>	<b>7.6</b>	<b>199.4</b>	
Share %	32.5	13.0	44.3	6.5	3.8		

Q1–Q3 2022, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	265.5	187.4	613.3	85.8	23.2	<b>1,175.2</b>	70.4
Ancillary and retail revenue	13.2	10.5	27.0	4.1	35.9	<b>90.7</b>	5.4
Cargo	183.1	70.5	35.6	0.3	-5.7	<b>283.8</b>	17.0
Travel services	2.5	0.1	116.3	0.5	0.1	<b>119.6</b>	7.2
<b>Total</b>	<b>464.3</b>	<b>268.5</b>	<b>792.2</b>	<b>90.7</b>	<b>53.6</b>	<b>1,669.3</b>	
Share %	27.8	16.1	47.5	5.4	3.2		

Q1–Q3 2021, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	36.4	13.9	121.6	33.2	-3.1	<b>201.9</b>	47.5
Ancillary and retail revenue	6.3	0.3	4.1	1.3	12.8	<b>24.7</b>	5.8
Cargo	135.2	26.4	19.0	0.2	6.9	<b>187.6</b>	44.2
Travel services	0.0	0.0	9.5	1.1	0.0	<b>10.6</b>	2.5
<b>Total</b>	<b>177.8</b>	<b>40.6</b>	<b>154.2</b>	<b>35.7</b>	<b>16.6</b>	<b>424.9</b>	
Share %	41.9	9.5	36.3	8.4	3.9		

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

Key figures quarterly, last 24 months	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
<b>Revenue</b>	<b>719.2</b>	<b>550.3</b>	<b>399.8</b>	<b>413.5</b>	<b>199.4</b>	<b>111.8</b>	<b>113.6</b>	<b>102.0</b>
Passenger revenue	553.9	393.6	227.6	218.9	113.9	44.9	43.2	36.4
Ancillary and retail revenue	36.3	27.7	26.7	19.4	10.5	5.7	8.6	5.2
Cargo	73.4	89.8	120.5	147.1	65.4	61.2	60.9	59.9
Travel services	55.5	39.1	25.0	28.1	9.7	0.0	0.9	0.5
<b>Comparable EBITDA</b>	<b>114.1</b>	<b>-6.0</b>	<b>-54.1</b>	<b>12.6</b>	<b>-30.7</b>	<b>-70.0</b>	<b>-60.9</b>	<b>-71.7</b>
<b>Comparable operating result</b>	<b>35.2</b>	<b>-84.2</b>	<b>-132.9</b>	<b>-65.2</b>	<b>-109.1</b>	<b>-151.3</b>	<b>-143.2</b>	<b>-162.9</b>
<b>Operating result</b>	<b>19.2</b>	<b>-92.9</b>	<b>-164.9</b>	<b>-60.2</b>	<b>-106.0</b>	<b>-139.1</b>	<b>-149.1</b>	<b>-14.6</b>



## Other operating income

Other operating income increased when compared to the third quarter of 2021 mainly due to the agreed wet lease arrangements with British Airways and Eurowings Discover in which Finnair leases out the aircraft including the crew. These flights started to be operated during the second quarter of 2022.

## 6. STAFF AND OTHER CREW RELATED COSTS

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

EUR in millions	Q3 2022	Q3 2021	Change %	Q1-Q3 2022	Q1-Q3 2021	Change %	2021
Wages and salaries	-80.2	-41.9	-91.3	-223.1	-128.1	-74.1	-185.8
Defined contribution schemes	-13.8	-7.0	-97.8	-42.7	-21.3	-100.5	-30.1
Defined benefit schemes	-5.1	-4.6	-12.7	-11.2	0.5	<-200	6.6
Pension expenses total	-18.9	-11.5	-64.1	-53.9	-20.8	-159.0	-23.4
Other social expenses	-8.3	-0.6	<-200	-20.2	5.9	<-200	-0.6
<b>Salaries, pension and social costs</b>	<b>-107.4</b>	<b>-54.0</b>	<b>-98.8</b>	<b>-297.2</b>	<b>-143.1</b>	<b>-107.7</b>	<b>-209.9</b>
Operative staff related costs	-7.3	-1.8	<-200	-20.2	-4.8	<-200	-8.3
Leased and outsourced crew	-4.6	-1.2	<-200	-14.2	-2.5	<-200	-7.2
Other personnel related costs	-2.1	-0.8	-183.0	-5.4	-2.6	-110.2	-3.9
<b>Total</b>	<b>-121.4</b>	<b>-57.8</b>	<b>-110.1</b>	<b>-337.0</b>	<b>-153.0</b>	<b>-120.3</b>	<b>-229.3</b>

## 7. DEPRECIATION AND IMPAIRMENT

EUR in millions	Q3 2022	Q3 2021	Change %	Q1-Q3 2022	Q1-Q3 2021	Change %	2021
Depreciation of owned fleet	-29.8	-38.2	21.9	-89.9	-124.7	28.0	-155.7
Depreciation of other fixed assets	-4.8	-5.1	5.1	-14.6	-15.6	6.9	-20.5
Depreciation of right-of-use fleet	-39.2	-30.0	-30.3	-115.6	-87.6	-32.0	-123.2
Depreciation of right-of-use other assets	-5.1	-4.6	-11.8	-15.9	-13.5	-17.8	-18.5
<b>Depreciation</b>	<b>-78.9</b>	<b>-77.9</b>	<b>-1.4</b>	<b>-235.9</b>	<b>-241.4</b>	<b>2.3</b>	<b>-317.8</b>
Impairment		-0.5	100.0	-32.7	-0.5	<-200	-2.0
<b>Total</b>	<b>-78.9</b>	<b>-78.4</b>	<b>-0.7</b>	<b>-268.6</b>	<b>-241.9</b>	<b>-11.0</b>	<b>-319.8</b>

Impairment for the period is presented more in detail in the note 16. Impairment testing.

## 8. ITEMS AFFECTING COMPARABILITY

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

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

EUR in millions	Q3 2022			Q3 2021		
	Reported	Items affecting comparability	Comparable	Reported	Items affecting comparability	Comparable
<b>Revenue</b>	<b>719.2</b>		<b>719.2</b>	<b>199.4</b>		<b>199.4</b>
Other operating income	55.9	0.0	55.9	31.9	-22.3	9.6
<b>Operating expenses</b>						
Staff and other crew related costs	-121.4	4.4	-117.1	-57.8	-0.6	-58.4
Fuel costs	-240.3	-1.8	-242.1	-47.9		-47.9
Capacity rents	-28.7		-28.7	-18.2		-18.2
Aircraft materials and overhaul	-70.9	13.0	-57.9	-39.1	17.7	-21.5
Traffic charges	-53.8		-53.8	-27.0		-27.0
Sales, marketing and distribution costs	-27.3		-27.3	-9.1		-9.1
Passenger and handling services	-99.7		-99.7	-36.4		-36.4
Property, IT and other expenses	-34.7	0.5	-34.2	-23.5	2.2	-21.3
<b>EBITDA</b>			<b>114.1</b>			<b>-30.7</b>
Depreciation and impairment	-78.9		-78.9	-78.4		-78.4
<b>Operating result</b>	<b>19.2</b>	<b>16.0</b>	<b>35.2</b>	<b>-106.0</b>	<b>-3.1</b>	<b>-109.1</b>

EUR in millions	Q1–Q3 2022			Q1–Q3 2021			2021		
	Reported	Items affecting comparability	Comparable	Reported	Items affecting comparability	Comparable	Reported	Items affecting comparability	Comparable
<b>Revenue</b>	<b>1,669.3</b>		<b>1,669.3</b>	<b>424.9</b>		<b>424.9</b>	<b>838.4</b>		<b>838.4</b>
Other operating income	116.3	-6.8	109.4	49.2	-23.0	26.2	62.5	-23.3	39.2
<b>Operating expenses</b>									
Staff and other crew related costs	-337.0	4.4	-332.6	-153.0	-11.8	-164.8	-229.3	-19.5	-248.9
Fuel costs	-606.0	-2.1	-608.1	-109.0	0.0	-109.0	-211.4	0.0	-211.4
Capacity rents	-76.3		-76.3	-48.4		-48.4	-71.3		-71.3
Aircraft materials and overhaul	-159.4	28.0	-131.4	-77.8	22.1	-55.7	-117.2	25.5	-91.7
Traffic charges	-155.4		-155.4	-67.0		-67.0	-120.4		-120.4
Sales, marketing and distribution costs	-76.3		-76.3	-19.1		-19.1	-38.1		-38.1
Passenger and handling services	-249.5		-249.5	-82.7		-82.7	-148.0		-148.0
Property, IT and other expenses	-95.6	0.6	-95.1	-69.3	3.3	-66.0	-99.7	2.9	-96.8
<b>EBITDA</b>			<b>54.1</b>			<b>-161.7</b>			<b>-149.0</b>
Depreciation and impairment	-268.6	32.7	-235.9	-241.9		-241.9	-319.8		-319.8
<b>Operating result</b>	<b>-238.6</b>	<b>56.7</b>	<b>-181.8</b>	<b>-394.2</b>	<b>-9.4</b>	<b>-403.6</b>	<b>-454.4</b>	<b>-14.4</b>	<b>-468.9</b>

Items affecting comparability include an impairment of 32.7 million euros related to four owned A330 aircraft, unrealized exchange rate difference of 28.0 million euros related to aircraft maintenance provisions and sales gain of 6.8 million euros on four A321 aircraft. In addition, 4.4 million euros have been recognised in staff and other crew related costs and 0.5 million euros in property, IT and other expenses related to the change negotiations announced on 29 September 2022. Fuel costs include positive effect of 2.1 million euros from fair value changes of jet fuel options that are not included in hedge accounting.

## 9. 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 2021 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 2022 was over 400 million dollars.

The appreciated US dollar against the euro has had a positive impact on the valuations of derivatives and the increased price of jet fuel has had a negative impact on the valuations of derivatives. On a quarter-on-quarter basis, the US dollar appreciated 17.1% against the euro and jet fuel price increased 77.9%.

Derivatives, EUR in millions	30 Sep 2022		30 Sep 2021		31 Dec 2021	
	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)	234.8	15.2	81.0	1.1	57.4	0.7
Operational cash flow hedging (options)						
Bought options			4.7		4.5	0.0
Sold options			4.2	0.0	4.3	0.0
Fair value hedging of aircraft acquisitions	177.6	22.1	162.9	4.8	162.9	8.8
Hedge accounting items total	412.4	37.3	252.8	5.9	229.2	9.5
Balance sheet hedging (forward contracts)	373.7	-7.0	265.0	2.1	270.1	0.0
Items outside hedge accounting total	373.7	-7.0	265.0	2.1	270.1	0.0
<b>Currency derivatives total</b>	<b>786.0</b>	<b>30.4</b>	<b>517.8</b>	<b>8.0</b>	<b>499.3</b>	<b>9.5</b>
<b>Commodity derivatives</b>						
Jet fuel forward contracts, tonnes	109,000	-6.6	83,000	9.3	68,000	3.9
Options						
Bought options, jet fuel, tonnes	134,000	4.6				
Sold options, jet fuel, tonnes	129,000	-13.0				
Hedge accounting items total	372,000	-15.0	83,000	9.3	68,000	3.9
Jet fuel forward contracts, tonnes			30,000	1.9		
Options						
Bought options, jet fuel, tonnes	129,000	2.1				
Items outside hedge accounting total	129,000	2.1	30,000	1.9		
<b>Commodity derivatives total</b>	<b>501,000</b>	<b>-12.9</b>	<b>113,000</b>	<b>11.2</b>	<b>68,000</b>	<b>3.9</b>
<b>Currency and interest rate swaps and options</b>						
Cross currency interest rate swaps	299.3	49.4	281.5	6.9	280.3	12.3
Items outside hedge accounting total	299.3	49.4	281.5	6.9	280.3	12.3
<b>Interest rate derivatives total</b>	<b>299.3</b>	<b>49.4</b>	<b>281.5</b>	<b>6.9</b>	<b>280.3</b>	<b>12.3</b>
<b>Derivatives total</b>		<b>66.8</b>		<b>26.2</b>		<b>25.7</b>

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

Fair value hierarchy of financial assets and liabilities valued at fair value			
Fair values at the end of the reporting period, EUR in millions	30 Sep 2022	Level 1	Level 2
<b>Financial assets at fair value through profit and loss</b>			
Securities held for trading	788.5	726.6	61.9
Derivatives held for trading			
Currency and interest rate swaps and options	49.4		49.4
Currency derivatives	37.5		37.5
- of which in fair value hedge accounting	22.1		22.1
- of which in cash flow hedge accounting	15.4		15.4
Commodity derivatives	10.7		10.7
- of which in cash flow hedge accounting	8.6		8.6
<b>Total</b>	<b>886.1</b>	<b>726.6</b>	<b>159.5</b>
<b>Financial liabilities recognised at fair value through profit and loss</b>			
Derivatives held for trading			
Currency derivatives	7.1		7.1
- of which in cash flow hedge accounting	0.2		0.2
Commodity derivatives	23.6		23.6
- of which in cash flow hedge accounting	23.6		23.6
<b>Total</b>	<b>30.8</b>		<b>30.8</b>

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

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

## 11. COMPANY ACQUISITIONS AND DIVESTMENTS

There were no business acquisitions or disposals during the third quarter of the year 2022.

## 12. INCOME TAXES

The group's effective tax rate in the reporting period Q1–Q3 2022 was -24.3% (-20.2%) as Finnair has not recognized deferred tax assets arising from the taxable losses during financial year 2022 due to the significant uncertainty caused by the closure of the Russian airspace.

The forecast scenarios and their expected probabilities have been updated in connection with the interim report to reflect the renewed strategy announced by Finnair in September. It aims to restore profitability and targets to reach the pre-pandemic comparable operating result level of 5% from mid-2024 onwards. Based on these forecast scenarios and their expected probabilities, the company's Board of Directors expects that after the write-down of 117 million euros of the deferred tax asset recognized in the second quarter, the remaining deferred tax asset of 99 million euros, corresponding to taxable losses of approximately 497 million euros from financial years 2020 and 2021 can be utilized after the implementation of the new strategy. Forecast scenarios are described in more detail in note 4. The Board of Directors' assessment of Finnair as a going concern and note 16. Impairment testing.

The netted deferred tax asset recognized in the consolidated balance sheet at the end of the reporting period was 80.0 million euros (31 December 2021: 191.9) which includes the remaining deferred tax assets of 99 million euros related to the taxable losses of 2020 and 2021. Deferred tax assets and liabilities recognized in the balance sheet are netted as they are levied by the same taxing authority and Finnair has a legally enforceable right to set off the balances. Deferred tax assets of Q1–Q3 2022 were not recognized for the estimated tax losses of approximately 119 million euros and the lease contract related losses of 180 million euros, which were mainly derived from exchange rate differences. The deferred tax asset is recognized up to the amount where it is probable that future taxable income will be generated against which the temporary difference can be utilized, also taking into account the tax planning methods available to Finnair relating to accumulated tax depreciations. The Board's assessment of the future taxable profit is based on the latest forecasts scenarios which are described in more detail in note 4. The Board of Directors' assessment of Finnair as a going concern and note 16. Impairment testing.

### 13. DIVIDEND PER SHARE

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

### 14. CHANGE IN FIXED ASSETS

EUR in millions	30 Sep 2022	30 Sep 2021	31 Dec 2021
Carrying amount at the beginning of period	1,108.6	1,625.5	1,625.5
Additions	84.8	17.4	28.7
Change in advances	-11.5	10.9	26.3
Currency hedging of aircraft acquisitions	-13.3	-18.6	-22.6
Disposals and reclassifications	0.0	-341.8	-371.0
Depreciation	-104.4	-140.4	-176.2
Impairment	-32.7	-0.5	-2.0
<b>Carrying amount at the end of period</b>	<b>1,031.5</b>	<b>1,152.5</b>	<b>1,108.6</b>

The additions to fixed assets are mainly related to the cabin renewal of Finnair's widebody aircraft which was launched during the first quarter of the year. During Q1 2022, an impairment of 32.7 million euro was recognized in the profit and loss based on management estimate due to the closure of the Russian airspace and the prolonged flight times to Asian destinations.

#### Assets held for sale

During Q4 2021, Finnair transferred four A321 aircraft to assets held for sale of which two aircraft were sold in February 2022 and the other two in April 2022.

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

EUR in millions	30 Sep 2022	30 Sep 2021	31 Dec 2021
Carrying amount at the beginning of period	1,181.7	917.5	917.5
New contracts	5.8	263.6	380.6
Reassessments and modifications	47.1	24.8	25.3
Depreciation	-131.5	-101.1	-141.6
<b>Carrying amount at the end of period</b>	<b>1,103.1</b>	<b>1,104.8</b>	<b>1,181.7</b>

In Q3 2022, the reassessments and modifications are mainly due to changes in the index rates.

### 16. IMPAIRMENT TESTING

Fleet and other non-current assets subject to depreciation, including the right-of-use assets, are stated at historical cost less accumulated depreciation and impairment loss, when applicable. The Group reviews the assets for impairment at each reporting date or whenever there is any indication of impairment. Goodwill and intangible assets with indefinite useful life are not subject to depreciation but to impairment review at each reporting date. An impairment loss is recognized if the recoverable amount of an asset is below its carrying amount. The recoverable amount is determined as the higher of the asset's fair value less costs to sell or its value in use. Finnair applies the value in use model as its primary method for determining the recoverable amount of the assets. Finnair's impairment testing based on the value in use model is described in more detail in the consolidated financial statements 2021 and below.

Finnair considers the various adverse economic and business implications relating to the COVID-19 pandemic and the closure of the Russian airspace following the war in Ukraine as indications of possible impairment and therefore, impairment test has been carried out as of 30 September 2022. Such indicators include the unprecedented global market disruptions caused by the pandemic and the war in Ukraine as well as their negative impacts on the Group's operating environment, financial performance, and lower capacity utilization rates. The impairment review based on value in use approach is carried out at the level of a cash generating unit ('CGU') and is based on Finnair's new strategy and its current fleet as at the reporting date. Finnair is a network carrier with highly integrated fleet operations and considers all its fleet and other closely related assets as one CGU. The intangible assets with indefinite useful life have been identified to belong to the CGU for impairment testing purposes. The intangible

assets with indefinite useful life amount to 1.4 million euros (30 June 2022: 1.4). Assets that are held for sale are excluded from the CGU and reviewed separately for impairment.

The cash generating unit has been tested for impairment using value in use model based on which the recoverable amount of the CGU exceeds its carrying value at the balance sheet date. The recoverable amount of the CGU on 30 September 2022 was 1,893.4 million euros (30 June 2022: 1,800.5) and the carrying amount of the assets 1,612.7 million euros (30 June 2022: 1,551.0).

The value in use measurement is based on a discounted cash flow model where the cash flow projections are based on the latest business plan approved by the Board of Directors and a management forecast covering a five-year period. The cash flows beyond the five-year period are projected to increase in line with management's long-term growth assumptions. In order to consider the increased uncertainty caused by the war in Ukraine and the COVID-19 pandemic on the future outlook, Finnair is utilizing the expected cash flow approach, which is using multiple, probability-weighted cash flow projections based on the different forecast scenarios prepared by the management. The scenarios and probabilities allocated to each scenario have been reviewed and approved by the Board of Directors in connection with the preparation of the interim financial report. In determining the probabilities of the scenarios, the management has considered, in particular, the heightened uncertainty surrounding a possible economic downturn as well as the uncertainty related to the duration of the Russian airspace closure.

The modelling of cash flows is based on the latest forecast scenarios prepared by the management which are described more in detail in note 4. The Board of Directors' assessment of Finnair as a going concern. The scenarios differ mainly in regard to a possible impact of an economic downturn as well as the estimated duration of the Russian airspace closure. In the base scenario, which is considered to have a probability of 50%, the Russian airspace would remain closed for the foreseeable future. In the more pessimistic scenario, which is considered to have a probability of 30%, the Russian airspace is also estimated to remain closed until the foreseeable future but additionally, the possible economic downturn would have a negative impact on the passenger revenues leading to a somewhat weaker result than in the base scenario. In the optimistic scenario, which is considered to have a probability of 20%, Finnair estimates that the Russian airspace would open by mid-2025. Finnair expects it will optimize its capacity and network in all three scenarios as well as significantly enhance its operations in accordance with the renewed strategy during the years 2022–2024.

Key assumptions used in impairment review	30 Sep 2022	30 Jun 2022	31 Dec 2021
Discount rate (post-tax, long-term weighted average cost of capital), %	7.9	7.9	7.7
Discount rate (pre-tax, long-term weighted average cost of capital), %	9.1	9.0	8.8
Long-term growth rate, %	2.6	2.6	2.8
Fuel cost range per ton (USD)	916–1024	1014–1300	768–864

The preparation of the calculations used for impairment testing requires significant management judgement and the use of management estimates. These estimates are based on budgets and forecasts, which already inherently contain some degree of uncertainty. Uncertainty and related management judgement are described in more detail in the consolidated financial statements 2021 and in this interim report's note 3. Critical accounting estimates and uncertainties. The main factors requiring significant management judgement include, in particular, estimating the duration of the Russian airspace closure as well as the speed of the post-pandemic demand recovery and unit revenue development. It is especially difficult to predict the duration of the Russian airspace closure. Finnair has considered the impact of these management estimates on the impairment testing by using the abovementioned forecast scenarios and expected cash flow approach in the testing. Additionally, the value in use calculation is sensitive to changes in the EBITDA margin, the cost of jet fuel, the terminal growth rate, and changes in the discount rate, which are the key assumptions used in the calculation.

The estimated business growth and EBITDA are based on the management's best assessment of the duration of the Russian airspace closure, the pace of recovery from the pandemic as well as the development of market demand and environment. The estimates are benchmarked against external information sources when available, such as long-term average growth estimates for the industry. In the optimistic scenario, Finnair has estimated the long-term growth rate as 2.8% and for the base scenario as well as for the more pessimistic scenario, the estimated growth rate is 2.5%. Thus, the long-term growth rate for the expected cash flow model is 2.6%. The increased uncertainty related to the COVID-19 is considered through the multiple scenarios and the expected cash flow approach used in impairment testing as well as in the discount rate. The discount rate used is based on the weighted average cost of capital (WACC), which reflects the market assessment of the time value of money and the risks specific in Finnair's business. Fuel price is based on hedge-weighted fuel price based on the forward curve, estimated fuel consumption based on planned flights and the historical data of fuel consumption for each aircraft type.



Due to increased uncertainties related to the use of key assumptions and management estimates, Finnair has prepared a sensitivity analysis to reflect how the result of the impairment testing would react to the changes in key assumptions. The sensitivity analysis considers changes in one assumption at the time, whereby the other assumptions are kept unchanged. The result of the sensitivity analysis reflects the sensitivity of the recoverable amount based on expected cash flow model.

Sensitivities of the key assumptions	30 Sep 2022	30 Jun 2022	31 Dec 2021
EBITDA margin%, per cent point	-0.6	-0.5	-1.1
Discount rate, per cent point	+0.9	+0.8	+1.4
Long-term growth rate, per cent point	-1.1	-1.1	-1.5
Fuel cost, per cent	+2	+1	+4

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

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

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

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

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

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

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

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

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

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

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

## 18. PENSION ASSETS

Pension assets were 111.9 million euros (31 December 2021: 80.9). During Q1–Q3 2022, total amount recognised in other comprehensive income was 41.7 million euros, which mainly consists of the gain of 84.4 million euros caused by change in discount rate to 3.70% (31 December 2021: 0.74%) and change in salary increase assumptions as well as the loss of 41.9 million euros on plan assets. Service costs of 11.1 million euros were recognised in the income statement.

## 19. INTEREST-BEARING LIABILITIES

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

Interest-bearing liabilities EUR in millions	Fair value			Book value		
	30 Sep 2022	30 Sep 2021	31 Dec 2021	30 Sep 2022	30 Sep 2021	31 Dec 2021
<b>Non-current interest-bearing liabilities</b>						
Lease liabilities	1,258.1	1,117.7	1,204.1	1,258.1	1,117.7	1,204.1
Loans from financial institutions		599.3	299.7		599.3	299.7
Bonds	317.0	408.9	406.2	397.8	397.0	397.2
JOLCO loans* and other	293.7	293.3	289.4	293.7	293.3	289.4
<b>Total</b>	<b>1,868.8</b>	<b>2,419.2</b>	<b>2,199.3</b>	<b>1,949.5</b>	<b>2,407.3</b>	<b>2,190.3</b>
<b>Current interest-bearing liabilities</b>						
Lease liabilities	212.6	164.1	176.9	212.6	164.1	176.9
Loans from financial institutions	599.8		299.8	599.8		299.8
Bonds		99.8	98.9		98.9	98.9
JOLCO loans* and other	43.4	48.1	43.1	43.4	48.1	43.1
<b>Total</b>	<b>855.8</b>	<b>312.0</b>	<b>618.6</b>	<b>855.8</b>	<b>311.1</b>	<b>618.6</b>

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

Maturity dates of financial liabilities as at 30 Sep 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	155.9	160.6	166.1	127.0	101.0	410.1	1,120.7
Lease liabilities, variable interest	56.6	59.1	54.2	36.1	34.1	109.9	349.9
Loans from financial institutions, variable interest	600.0						600.0
Bonds, fixed interest			400.0				400.0
JOLCO loans and other, fixed interest			26.0	13.0			38.9
JOLCO loans and other, variable interest	43.4	45.4	103.5	38.8	11.3	58.8	301.2
<b>Interest-bearing financial liabilities total*</b>	<b>856.0</b>	<b>265.0</b>	<b>749.8</b>	<b>214.8</b>	<b>146.4</b>	<b>578.8</b>	<b>2,810.8</b>
Payments from interest rate and currency derivatives	786.2						786.2
Income from interest rate and currency derivatives	-848.4	-17.5					-866.0
Commodity derivatives	12.5	0.4					12.9
Trade payables and other liabilities	243.1						243.1
Interest payments	125.5	92.8	81.7	44.1	32.9	103.7	480.7
<b>Total</b>	<b>1,174.8</b>	<b>340.8</b>	<b>831.4</b>	<b>258.9</b>	<b>179.3</b>	<b>682.6</b>	<b>3,467.8</b>

Finnair has 600 million euros of pension premium loan maturing during the next year. The loan matures in two 300-million-euro instalments. The first instalment is due during the last quarter of 2022 and the second one is due during the second quarter of 2023. In accordance with the loan terms, the pension premium loan is required to have a guarantee. The guarantee is granted by the State of Finland and a commercial bank. The next guarantee from the commercial bank is maturing in December 2022. The guarantee granted to Finnair by the State of Finland is described in more detail in note 17. State aid related to Finnair's refinancing.

\* The bonds maturing do not include the amortised cost of 2.2 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 0.2 million euros paid in 2020 and due 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. CAPITAL LOAN

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

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

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

EUR in millions	30 Sep 2022	30 Jun 2022
Accrued interest from capital loan	3.7	0.2

## 21. PROVISIONS

EUR in millions	30 Sep 2022	30 Sep 2021	31 Dec 2021
<b>Aircraft maintenance provision</b>			
Provision at the beginning of period	195.9	162.8	162.8
Provision for the period	40.1	24.2	32.0
Provision used	-12.7	-8.1	-12.7
Provision reversed	-2.9	-1.2	-1.3
Provision for right-of-use assets redelivery	-1.0	2.2	2.2
Unwinding of discount	4.0	0.9	1.4
Exchange rate differences	28.0	8.3	11.7
<b>Aircraft maintenance provision total</b>	<b>251.5</b>	<b>189.0</b>	<b>195.9</b>
Of which non-current	197.4	176.4	184.6
Of which current	54.1	12.6	11.3
<b>Other provisions</b>			
Provision at the beginning of period	3.8	13.0	13.0
Provision for the period	5.7	1.7	1.9
Provision used	-1.4	-8.5	-9.0
Provision reversed	-0.2	-1.5	-2.1
<b>Other provisions total</b>	<b>7.9</b>	<b>4.8</b>	<b>3.8</b>
Of which non-current	1.0	1.5	1.4
Of which current	6.9	3.2	2.5
<b>Total</b>	<b>259.4</b>	<b>193.8</b>	<b>199.8</b>
Of which non-current	198.4	177.9	186.0
Of which current	61.0	15.9	13.8

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

In balance sheet, the non-current provisions and other liabilities totalling to 204.9 million euros (31 December 2021: 200.7) include, in addition to provisions, other non-current liabilities totalling to 6.5 million euros (31 December 2021: 14.7), which mainly consists of received lease deposits. Long-term incentives for the Executive Board and other personnel, which are expected to be paid during the third quarter of 2023, were transferred to current liabilities.

## 22. DEFERRED INCOME AND ADVANCES RECEIVED

EUR in millions	30 Sep 2022	30 Sep 2021	31 Dec 2021
Deferred revenue on ticket sales	423.1	133.3	202.7
Loyalty program Finnair Plus	43.4	53.0	55.1
Advances received for tour operations	30.5	16.9	15.2
Other items	16.1	18.6	18.1
<b>Total</b>	<b>513.1</b>	<b>221.8</b>	<b>291.1</b>

## 23. CONTINGENT LIABILITIES

EUR in millions	30 Sep 2022	30 Sep 2021	31 Dec 2021
Guarantees on behalf of group undertakings	55.5	49.4	51.0
<b>Total</b>	<b>55.5</b>	<b>49.4</b>	<b>51.0</b>

In Q3 2022, the guarantees on behalf of group undertakings remained approximately on the same level as in Q2 2022.

Investment commitments for property, plant and equipment as of 30 September 2022 totalled 415.5 million euros (31 December 2021: 355.3) and they relate mainly to firm aircraft orders and other aircraft related investments. Out of the total investment commitments, 67.6 million euro takes place within the next 12 months and 347.8 million euro during the following 1-5 years.

Lease commitments as of 30 September 2022 totalled to 17.7 million euros (31 December 2021: 18.0). These include VAT obligations, short-term leases of facilities and lease contracts of IT equipment that either do not qualify as IFRS 16 leases or for which Finnair applies the recognition exemptions of the IFRS 16 standard.

## 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 and Finnair pension fund. Related party transactions include such operations that are not eliminated in the group's consolidated financial statement.

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

EUR in millions	Q1–Q3 2022	Q1–Q3 2021	2021
<b>Sales of goods and services</b>			
Associates and joint ventures	19.4	12.9	18.2
Pension fund	0.1	0.0	0.1
<b>Employee benefits</b>			
Pension fund	11.0	-1.2	-7.4
CEO and Executive Board	2.7	3.6	4.6
The Board of Directors	0.3	0.3	0.4
<b>Purchases of goods and services</b>			
Associates and joint ventures	58.5	52.0	73.0
Pension fund	1.5	1.5	2.0
<b>Financial income</b>			
Associates and joint ventures		1.3	1.6
Pension fund	0.4	0.1	0.1
<b>Receivables</b>			
Associates and joint ventures	6.5	12.6	17.0
Pension fund	110.0	56.9	78.9
<b>Liabilities</b>			
Associates and joint ventures	4.3	4.8	6.1

## 25. EVENTS AFTER THE REVIEW PERIOD

There have not been any material events after the review period.