



FINNAIR GROUP INTERIM REPORT

1 JANUARY – 31 MARCH 2022



27 April 2022

FINNAIR GROUP INTERIM REPORT 1 JANUARY – 31 MARCH 2022

Recovery from the pandemic progresses at pace whilst we are adapting to the reality of the closed Russian airspace

January – March 2022

- Earnings per share were -0.15 euros (-0.11)*.
- Revenue increased by 252.1% to 399.8 million euros (113.6).
- Comparable operating result was -132.9 million euros (-143.2). Operating result was -164.9 million euros (-149.1).
- Cash funds were 1,136.5 million euros (31 Dec 2021: 1,265.7) and the equity ratio was 7.2 per cent (31 Dec 2021: 11.8).
- Net cash flow from operating activities was 35.4 million euros (-117.7), and net cash flow from investing activities was -23.7 million euros (5.2).**
- Number of passengers increased by 482.0% to 1.5 million (0.3).
- Available seat kilometres (ASK) increased by 475.5% to 6,915.2 million kilometres (1,201.5).
- Passenger load factor (PLF) was 47.3% (25.5).

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

*** In Q1, net cash flow from investing activities includes 7.7 million euros of investments (9.3 million euros of redemptions) in money market funds or other financial assets (maturity over three months). They are part of the Group's liquidity management.*

Outlook

GUIDANCE ISSUED ON 17 FEBRUARY 2022 (PARTIALLY WITHDRAWN ON 28 FEBRUARY 2022):

Travelling in Europe and to the United States is open but Asia remains highly restricted for travel, exclusive of countries such as Thailand, Singapore and India. There is prolonged uncertainty of when China or Hong Kong would be opening for travel. Due to e.g., the Omicron variant, Finnair now estimates that other Asian markets would gradually open for travel towards the end of Q2 2022.

In comparison to Q4 2021, Omicron is having a notable but short-lived adverse effect on revenue and costs in Q1 2022. Further, the ongoing travel restrictions will continue to soften demand, particularly to and from Asia going forward. Due to these factors as well as increased fuel price and incremental costs caused by the need to ramp up capacity for summer 2022, Finnair's comparable operating loss in Q1 2022 is expected to be of a similar magnitude as in Q1 2021. Finnair reiterates its previous estimate that the comparable operating losses will continue also during the entire first half of 2022.

The latter half of 2021 demonstrated that there is robust pent-up demand for travel. During the first half of 2022, the impact of travel restrictions on Finnair's business is expected to fade. Therefore, the company still estimates that the operational environment in the second half of 2022 will be closer to the pre-pandemic era, exclusive of China and Hong Kong, and expects a return to its 2019 traffic levels, as measured in annual ASKs, in 2023.

Finnair will update its outlook and guidance in connection with the Q1 2022 interim report.

On 28 February 2022, Finnair published a stock exchange release in which it withdrew the above guidance, to the extent that it related to Q1 2022 and the operational environment in H2 2022, due to the Russian airspace closure.

NEW GUIDANCE ON 27 APRIL 2022:

Finnair's operating environment is two-sided. In Europe, the United States and South Asia*, travel is normalising as the impacts of the pandemic have eased. In contrast, travel restrictions in North Asia**, combined with the closed Russian airspace, have a significant impact on Finnair's operating environment.

Finnair estimates that during the summer season in Q2 and Q3 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 that have now been agreed for the summer season, the total capacity deployed would be almost 80 per cent.

Finnair estimates that the comparable operating result in Q2 2022 will improve from Q1 2022 and be of a similar magnitude as in Q4 2021 (-65 million euros) supported by the strong rebound of demand in Finnair network yet burdened by the significant increase in fuel price and the continuing low level of North Asian traffic.

The company estimates that in Q3 2022, demand will be closer to the pre-pandemic levels in Europe, North America and South Asia.

Finnair will update its outlook and guidance in connection with the Half-year report 2022.

** India, Singapore and Thailand*

*** Japan, South Korea and China*

CEO Topi Manner:

Over the past two years, Finnair has encountered two major disruptions of historic proportions: a global pandemic, and the Russian invasion that resulted in the closure of the Russian airspace. Both impacted heavily during the first quarter of 2022, the pandemic in the form of Omicron variant. Restrictions and lockdowns related to the Omicron weakened demand especially in January and February. As a result, the anticipated ramp-up of demand stalled for two months and our revenue thus decreased quarter-on-quarter, amounting to 400 million euros in Q1. Our comparable operating result remained strongly negative at -133 million euros mainly driven by the high fuel price and the Omicron impact on costs and demand.

At the beginning of the year, the Omicron wave hampered our operations in many ways, as both customers and Finnair made changes to flights, which congested our customer service. Our on-time performance also suffered from significant sick leaves in various parts of our operations. However, our systematic efforts to improve flight punctuality and to reduce queuing times at customer call centers improved customer satisfaction towards the end of the quarter. We will continue to increase customer service resources towards the summer to normalise queuing times. I warmly thank all our customers for their support, patience and valuable feedback.

At the end of February, our operating environment changed dramatically following Russia's invasion of Ukraine. The sanctions and countersanctions arising from the war closed the Russian airspace. On 28 February, we communicated in a stock exchange release that the potential Russian airspace closure would notably impact air traffic between Europe and Asia, which plays an important role in Finnair's network, and that the negative financial impacts on Finnair will be significant especially if the situation prolongs. We also stated that we are considering different solutions in case the situation prolongs and have an active dialogue with the State of Finland.

We are now preparing for a prolonged Russian airspace closure and have already started to adapt our operations with many determined measures. As the first response, our updated network places more emphasis on connections to the west and South Asia. We opened a new route to Dallas at the end of March and will start new routes to Seattle and Mumbai during the summer. We launched a new cost reduction programme, the first part of which targets 60 million euros of permanent savings from distribution, aircraft leases and the continuous improvement of operations. These savings will be on top of the already achieved 200 million euros of permanent annual savings during the pandemic. We will complement the cost savings programme as we progress with determining our long-term response to the Russian airspace closure. Our cash position is still strong and the 400-million-euro hybrid loan granted by the State of Finland, which is fully undrawn, supports our balance sheet. The conversion of the hybrid loan to a capital loan is an additional step resulting from the ongoing dialogue with the State.

In addition, we have quickly found profitable use for our idle aircraft capacity by leasing aircraft with crew to other airlines. This generates income for us and provides work for a significant number of pilots, cabin crew, and technical staff. Thanks to these arrangements, we are able to avoid laying off Finland-based employees during the summer. We continue to review our fleet plan, evaluating both additional wet lease opportunities as well as the potential sale of idle aircraft.

Recovery from the pandemic is currently progressing at pace. Our customers' booking behavior is normalising, and flights are being booked well into the summer and autumn. Demand is particularly coming back on routes in Europe, South Asia and North America, and the number of our daily flights will increase to more than 300 during the summer season. Aircraft refurbished with our new long-haul cabins are already in service, and the new premium economy class will be available from May on our Dallas, New York and Singapore flights.

The war in Ukraine affects us all. We are supporting Ukrainians who are fleeing the war with a 95% discount on key routes.

During the review period, we committed to setting Science Based Targets to reduce our carbon footprint. We also agreed on major purchases of sustainable aviation fuels with our oneworld partners and re-introduced the opportunity to offset flight emissions to our customers.

We are now preparing for a busy summer season and at the same time we are adapting to the reality of the closed Russian airspace. I warmly thank the entire Finnair team for their amazing resilience and dedication to serving customers amid these new changes.

Business environment in Q1

The COVID-19 pandemic, and in particular the Omicron variant, continued to impact Finnair's operations – as well as the global aviation sector – in Q1 2022. Further, the Russian airspace was closed to EU carriers at the end of February due to the counter sanctions related to the war in Ukraine, which resulted in route and frequency cancellations in Asian traffic, as well as to Russia, in March. Thanks to robust demand for air cargo, Finnair was, however, able to continue operating to most of its Asian destinations after a break of one week despite the longer routings. Finnair was also able to gradually increase its long-haul passenger traffic quarter-on-quarter due to reduced travel restrictions e.g., to the United States, Thailand, Singapore and India. Nevertheless, it continued to operate a more limited network compared to the pre-pandemic period.

Market capacity between Helsinki and many European destinations remained relatively low despite the increase in scheduled market capacity, measured in ASKs, between origin Helsinki and Finnair's European destinations of 389.8 per cent (-86.7) year-on-year. Though demand has strengthened starting from late summer 2021 because of improved coronavirus vaccination coverage and eased travel restrictions, it remained clearly softer especially in January and February, compared to the pre-pandemic era, due to the Omicron impact. Direct market capacity between Finnair's Asian and European destinations increased by 42.4 per cent (-79.5) year-on-year. Due to COVID-related travel restrictions, demand between Europe and most of Finnair's Asian destinations remained soft during the period. As a result, the negative impact of the Russian airspace closure was moderate in Q1. Direct market capacity between Finnair's Asian and North Atlantic destinations increased by 170.2 per cent (-72.2) year-on-year. As travel became less restricted to the US starting from Q4 2021, it was visible in the clearly strengthened demand between Europe and Finnair's North Atlantic destinations, especially towards the end of the period.

The demand for Aurinkomatkat's winter packages softened because of the Omicron variant and had an adverse impact on Q1 and summer 2022 sales. Further, the travel restrictions in Thailand weakened demand and caused more cancellations than expected. During Q1, demand was particularly strong for destinations in the Canary Islands, mainland Spain, Portugal and the United Arab Emirates. Package holidays were also produced for domestic destinations, as in the previous quarters. The war in Ukraine has not had a significant impact on demand for summer 2022 package holidays as there was robust demand starting from mid-March.

The global air freight market was impacted by COVID-19 and the war in Ukraine in Q1, as supply chain disruptions and lack of capacity resulted in delivery delays that continued to benefit air cargo. This resulted in strong demand for air cargo and exceptionally high market prices in selected Asian routes. This consistently strong cargo demand enabled some markets to remain open for cargo-only operations in Q1 although their proportional share was lower as the number of cargo-only flights was cut in March due to the closed Russian airspace and as the number of scheduled passenger flights grew. Because of the increased capacity and the high market prices, cargo revenue surged year-on-year. Finnair estimates that the cargo demand will remain strong at least through H1 2022.

The US dollar, which is the most significant expense currency for Finnair after the euro, strengthened by 8.2 per cent against the euro year-on-year. The US dollar-denominated market price of jet fuel was 85.0 per cent higher in the first quarter than in the comparison period, as the price has been impacted by the Ukrainian war and related sanctions.

Financial performance in Q1

REVENUE IN Q1

Finnair's total revenue increased year-on-year as the COVID-19 impact was even more drastic in Q1 2021 and, on the other hand, cargo operations were very strong in Q1 2022.

Revenue by product

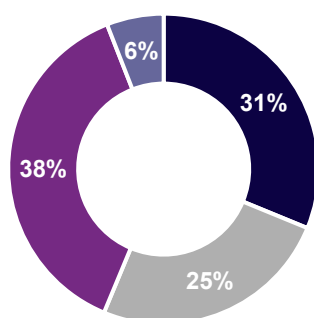
EUR million	Q1/2022	Q1/2021	Change %
Passenger revenue	227.6	43.2	427.3
Ancillary revenue	26.7	8.6	210.7
Cargo	120.5	60.9	97.8
Travel services	25.0	0.9	2,762.9
Total	399.8	113.6	252.1

Unit revenue (RASK) decreased by 38.8 per cent and amounted to 5.78 cents (9.45). The RASK decrease was mainly caused by the smaller share of cargo in the total revenue in Q1 2022 and the higher share of cargo-only flights in the comparison period, as these flights do not generate any ASKs.

Passenger revenue and traffic data by area, Q1 2022

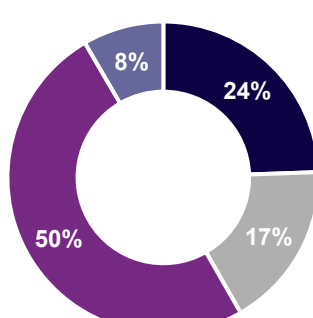
Traffic area	Passenger revenue			ASK		RPK		PLF	
	Q1/2022 MEUR	Share %	Q1/2021 MEUR	Q1/2022 Mill. km	Q1/2021 Mill. km	Q1/2022 Mill. km	Q1/2021 Mill. km	%	Change %-p
Asia	48.7	21.4	6.7	2,157.3	664.2	799.4	67.9	37.1	26.8
North Atlantic	29.2	12.8	0.2	1,734.3	17.3	565.2	0.9	32.6	27.3
Europe	113.6	49.9	24.2	2,613.0	361.1	1,630.1	147.4	62.4	21.6
Domestic	32.4	14.2	12.6	410.6	158.9	274.5	90.3	66.9	10.1
Unallocated	3.7	1.6	-0.5						
Total	227.6	100.0	43.2	6,915.2	1,201.5	3,269.2	306.5	47.3	21.8

Q1 capacity (ASKs)



- Asia
- North-America
- Europe
- Domestic

Q1 traffic (RPKs)



- Asia
- North-America
- Europe
- Domestic

Even though the passenger traffic figures continued to improve year-on-year and quarter-on-quarter, 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 moderate negative impact on the figures in March. Passenger revenue increased by 427.3 per cent and traffic capacity, measured in Available Seat Kilometres (ASK), increased by 475.5 per cent overall against the comparison period. The number of passengers increased by 482.0 per cent to 1,508,800 passengers. Traffic measured in Revenue Passenger Kilometres (RPK) increased by 966.7 per cent and the passenger load factor (PLF) increased by 21.8 percentage points to 47.3 per cent.

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 flights by using longer routings. The number of scheduled passenger flights was nevertheless clearly more than in the comparison period as in Q4 2021, with travel opened to e.g., Thailand, Singapore and India, and as Finnair commenced flights from Sweden to Thailand. Therefore, ASKs grew by 224.8 per cent and RPKs by 1,076.9 per cent. PLF increased by 26.8 percentage points to 37.1 per cent, resulting in low passenger yields, though yields overall were supported by the strong cargo operations and a high cargo load factor.

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. As a result, North Atlantic ASKs in Q1 2022 more than doubled compared to Q1 2019 and Q1 2020. Compared to Q1 2021, ASKs and RPKs surged in Q1 2022 as no passenger flights were operated during the first two months of 2021 and only one weekly return flight to New York was operated in March 2021. PLF increased by 27.3 percentage points to 32.6 per cent driving low passenger yields; however, as in Asia, yields overall were supported by the strong cargo operations.

ASKs grew by 623.7 per cent in European traffic, as loosened travel restrictions within Europe had a meaningful and positive effect on demand from late summer 2021 onwards; additionally, the comparison period traffic was low. Thus, RPKs grew by 1,006.1 per cent and the PLF by 21.6 percentage points to 62.4 per cent in European traffic.

Domestic traffic capacity increased by 158.4 per cent, RPKs by 204.2 per cent and the PLF by 10.1 percentage points to 66.9 per cent.

Ancillary revenue increased by 210.7 per cent. Frequent flyer programme related revenue, excess baggage and advance seat reservations 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, Finnair's Q1 cargo volumes were similar to the pre-pandemic figures. Thus, available scheduled cargo tonne kilometres increased by 374.5 per cent year-on-year, whereas revenue scheduled cargo tonne kilometres increased by 238.7 per cent. Cargo-related available tonne kilometres increased by 120.2 per cent, and revenue tonne kilometres increased by 70.3 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 79.1 per cent and cargo revenue increased by as much as 97.8 per cent year-on-year.

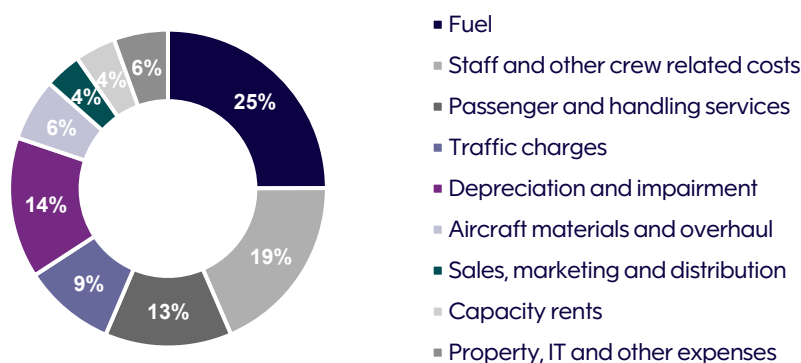
Package holidays' financial development has been significantly affected by the COVID-19 pandemic and the related travel restrictions and guidelines. During Q1, only a limited number of international and domestic package holidays was produced. The total number of Travel Services passengers grew by 1,621.4 per cent and the load factor in allotment-based capacity was 79.6 per cent. Travel Services revenue increased to 25.0 million euros (0.9).

OPERATING EXPENSES INCLUDED IN COMPARABLE EBIT IN Q1

Finnair's operating expenses, included in the comparable operating result, increased by 106.4 per cent mainly due to the increased capacity. Finnair continued its significant cost adjustment initiatives in Q1.

Unit cost (CASK) decreased by 64.0 per cent and totalled 7.70 cents (21.37). CASK excluding fuel decreased by 69.6 per cent. The decrease was mainly caused by the clearly increased capacity year-on-year as well as the achieved cost savings.

Q1 operating expenses (€548.3 million in total) included in comparable operating result



EUR million	Q1/2022	Q1/2021	Change %
Staff and other crew related costs	101.7	52.6	93.5
Fuel costs	136.8	30.4	>200
Capacity rents	22.8	15.2	50.4
Aircraft materials and overhaul	34.8	14.7	136.5
Traffic charges	51.5	20.9	146.2
Sales, marketing and distribution costs	20.7	4.1	>200
Passenger and handling costs	70.8	23.8	197.5
Property, IT and other expenses	30.3	21.7	39.8
Depreciation and impairment	78.8	82.3	-4.2
Total	548.3	265.6	106.4

Operating expenses included in the comparable operating result, excluding fuel, increased by 74.9 per cent.

Fuel costs, including hedging results and emissions trading costs, increased mainly due to the nearly five-fold capacity increase (measured in ASK) and a clearly higher fuel market price¹, which had an adverse impact of c. 51 million euros on costs year-on-year. Fuel efficiency (as measured in fuel consumption per ASK) improved by 44.1 per cent due to e.g., relatively fewer cargo-only flights in Q1 2022 that were not generating ASKs. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, increased by 2.1 per cent year-on-year.

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

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 one-off costs increased property, IT and other expenses.

RESULT IN Q1

Even though travel was open within Europe, and more open to the United States as well as certain countries in Asia during Q1, 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 staff, fuel and navigation costs. The result was also adversely impacted by the clearly higher jet fuel price.

¹ Fuel price including impact of currencies and hedging.

EUR million	Q1/2022	Q1/2021	Change %
Comparable EBITDA	-54.1	-60.9	11.3
Depreciation and impairment	-78.8	-82.3	4.2
Comparable operating result	-132.9	-143.2	7.2
Items affecting comparability	-32.0	-5.8	<-200
Operating result	-164.9	-149.1	-10.6
Financial income	-0.4	5.0	-108.4
Financial expenses	-33.3	-28.6	-16.6
Exchange gains and losses	-13.4	-9.1	-48.3
Result before taxes	-212.0	-181.7	-16.7
Income taxes	-0.7	36.3	-102.1
Result for the period	-212.8	-145.4	-46.3

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

Unrealised changes in foreign currencies relating to fleet overhaul provisions were -3.4 million euros (-6.3) due to the strengthened US dollar. 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 current estimate, the shorter-range wide-body fleet is unlikely be fully deployed as long as the Russian airspace remains closed. Other items affecting comparability consist of fair value changes of derivatives for which hedge accounting is not applied, sales gains or losses and restructuring costs. These items totalled 4.1 million euros (0.5) during the quarter and related mostly to sales gains.

The net financial expenses increased somewhat from the comparison period in Q1 because of e.g., the strengthened US dollar. As 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, Finnair's result after taxes declined accordingly versus the comparison period.

Financial position and capital expenditure

BALANCE SHEET

The Group's balance sheet totalled 3,898.4 million euros at the end of March (31 Dec 2021: 4,047.1). Despite limited investments, the fleet book value decreased by 38.8 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 15.1 million euros. Assets held for sale decreased to 9.2 million euros (31 Dec 2021: 18.7) as two A321 aircraft out of four that were held for sale were sold during the period.

Receivables related to revenue increased to 123.7 million euros mainly due to improved ticket sales (31 Dec 2021: 110.9). Net deferred tax assets declined to 186.3 million euros (31 Dec 2021: 191.9) as loss for the period was not recognised as a deferred tax asset due to the uncertainty related to utilisation of the losses in taxation and as deferred tax liabilities relating to derivatives and pensions were recognised. The pension assets rose to 93.0 million euros (31 Dec 2021: 80.9) mainly due to actuarial gains whereas pension obligations remained the same and were 0.7 million euros (31 Dec 2021: 0.7).

Deferred income and advances received increased to 402.0 million euros (31 Dec 2021: 291.1). This was mainly caused by an increase in the unflown ticket liability amounting to 313.6 million euros (31 Dec 2021: 202.7) due to improved sales intake.

The loss for the period decreased shareholders' equity, which totalled 281.0 million euros (31 Dec 2021: 475.7), or 0.20 euros per share (31 Dec 2021: 0.34). 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 pilots' defined benefit plans according to IAS 19. The value of the item at the end of March was 35.2 million euros after deferred taxes (31 Dec 2021: 16.6) as the increase in the fair value of hedge instruments had an increasing effect on equity especially due to the increase in the jet fuel price and actuarial gains from defined benefit pension plans.

CASH FLOW AND FINANCIAL POSITION

Cash flow

EUR million	Q1/2022	Q1/2021
Net cash flow from operating activities	35.4	-117.7
Net cash flow from investing activities	-23.7	5.2
Net cash flow from financing activities	-154.8	-46.1

In Q1, the impacts of COVID-19 and the Russian airspace closure were visible in net cash flow from operating activities, although it was positive thanks to 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 two A321 aircraft in Q1. Net cash flow from financing was negative mainly due to c. 100-million-euro repayment related to the old 200-million-euro unsecured senior bond which matured in March 2022 and of which approximately half was refinanced with a new 400-million-euro unsecured senior bond issued in 2021.

Capital structure

%	31 Mar 2022	31 Dec 2021
Equity ratio	7.2	11.8
Gearing	551.4	321.8

The equity ratio on 31 March 2022 decreased from the year-end 2021 mainly due to the negative result for the period, even though the positive change in the hedging reserve and other comprehensive income alleviated the impact. Gearing, on the contrary, rose as interest-bearing net debt increased and equity weakened.

Liquidity and net debt

EUR million	31 Mar 2022	31 Dec 2021
Cash funds	1,136.5	1,265.7
Adjusted interest-bearing liabilities	2,685.7	2,796.6
Interest-bearing net debt	1,549.3	1,530.9

The company's liquidity remained strong at the end of the period under review. Despite the positive net cash flow from operating activities in Q1, Finnair Group's cash funds decreased mainly due to the repayment of the remaining c. 100 million euros of the old 200-million-euro unsecured senior bond which matured at the end of March.

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. Finnair can access the funds, once the parent company's cash or equity position drops below the limits defined in the facility agreement's terms and conditions. After the period, the State announced that the hybrid loan will be fully converted to a capital loan to support the parent company's equity position. In addition, Finnair has a 200-million-euro short-term, unsecured commercial paper programme, which was unused at the end of March.

Adjusted interest-bearing liabilities decreased from year-end 2021 mainly due to the c. 100-million-euro repayment of the old unsecured senior bond which matured in March. The share of lease liabilities remained unchanged and totalled 1,381.0 million euros (31 Dec 2021: 1,381.0). Interest-bearing net debt increased from the end of 2021 mainly due to the strengthened US dollar despite the positive net cash flow from operating activities.

CAPITAL EXPENDITURE

Gross capital expenditure, excluding advance payments, totalled 66.2 million euros during Q1 2022 (11.4) and was primarily related to fleet investments.

Cash flow from investments (including fixed asset investments and divestments, sublease payments received and advance payments) totalled -15.9 million euros (-4.1).

Change in other current financial assets (maturity over three months) totalled -7.7 million euros (9.3) also forming a part of the net cash flow from investments, which amounted to -23.7 million euros (5.2).

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 -173 million euros. Investment cash flow includes both committed investments as well as estimates for planned, but not yet committed, investments.

The company has 34 unencumbered aircraft, which account for approximately 29.6 per cent of the balance sheet value of the entire fleet of 1,917.7 million euros.²

Fleet

FINNAIR'S OPERATING FLEET

Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair. At the end of March, Finnair itself had 58 aircraft, of which 25 were wide-body and 33 narrow-body aircraft. During the first quarter, Finnair also completed the sale of two Airbus A321 aircraft and after the period, it sold two more A321 aircraft. During the first quarter, Finnair also purchased one Airbus A330, which was already accounted for as owned, as the finance lease period ended.

At the end of the first quarter, the average age of the fleet operated by Finnair was 11.2 years.

Fleet operated by Finnair*	Seats	#	Change from 31.12.2021	Own**	Leased	Average age 31.3.2022	Ordered
Narrow-body fleet							
Airbus A319	144	6		5	1	20.3	
Airbus A320	174	10		8	2	19.6	
Airbus A321	209	17	-2	2	15	9.3	
Wide-body fleet							
Airbus A330	289/263	8		4	4	12.4	
Airbus A350	297/336	17		5	12	4.4	2
Total		58	-2	24	34	11.2	2

* Finnair's Air Operator Certificate (AOC).

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

FLEET RENEWAL

At the end of March, 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 364.3 million euros, include the upcoming investments in the wide-body fleet.

Finnair has the possibility to adjust the size of its fleet in line with demand forecasts through the staggered maturities of its lease agreements and changes in the number of owned aircraft.

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 31.3.2022	Ordered
ATR	68–70	12		6	6	12.7	
Embraer E190	100	12		9	3	13.8	
Total		24	0	15	9	13.2	

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

Strategy implementation

Finnair re-evaluated its strategy to 2025 after the outbreak of the pandemic. The company implements the revised strategy in four focus areas, namely: Capture market growth; Modern premium offering, retailing and distribution; Cost efficiency; as well as Sustainability as a differentiator.

² Fleet value includes right of use assets as well as prepayments of future aircraft deliveries.

Due to the closure of the Russian airspace, adjustments have now been made to the network strategy in Capture market growth focus are as well as to increase the ambition level in Cost efficiency. Further adjustments are expected as part of the long-term response to the Russian airspace closure. Finnair's long-term financial targets will be re-evaluated once visibility on the business environment, particularly in relation to Asia and the Russian airspace, improves.

CAPTURE MARKET GROWTH

Due to the Russian airspace closure, transfer traffic - particularly between Europe and the mega cities in Japan, South Korea as well as China - has become more difficult as the routings are longer. As a result, the company has, as a short-term response, updated its network strategy by putting more emphasis on the westbound and the South Asian routes. Finnair continues to operate the most essential North Asian routes and is increasing the number of frequencies to destinations in South Asia as the impact of the closed Russian airspace on those routes is clearly lesser. The number of destinations in and frequencies to Japan and South Korea has, on the other hand, been cut.

During the Russian airspace closure, Finnair will have overcapacity in its fleet and the company has commenced a review of its fleet plan by evaluating both opportunities to lease some of its aircraft inclusive of the crew (wet lease) to other airlines as well as the potential sale of idle aircraft. After the period, Finnair concluded wet lease agreements, thus, utilising some of the overcapacity. As the company has stated, it will postpone the narrow-body fleet renewal investment by some years as it concentrates on optimising the life of its current fleet.

MODERN PREMIUM OFFERING, RETAILING AND DISTRIBUTION

Finnair aims to be defined as a modern, premium airline. The company's customer promise emphasises freedom of choice, a smooth travel experience and sustainability. Finnair supports the customer experience with the help of digital services. Finnair is also targeting more dynamic retailing, an increased share of direct sales in digital channels, increased ancillary sales and the renewal of its distribution channels.

During Q1, the average monthly number of unique Finnair website visitors reached pre-pandemic levels as it totalled 2.2 million (0.6). The number of active users of the Finnair mobile application surged by 135.8 per cent to 566,000 from Q1 2021. Direct sales in Finnair's digital channels decreased to 48.0 per cent (54.0) of all tickets sold.

To win in the competitive airline market, Finnair must also excel in everyday customer experience. Finnair's Net Promoter Score (NPS), measuring customer satisfaction, was still at a fair level with a score of 33 (52) in Q1. The NPS was clearly lower in surveys conducted in January than in February and March. The low NPS figure in January was caused by the decline in on-time performance, issues at airports caused by e.g., poor weather and sick leaves, and a backlog in all customer care channels.

In February, Finnair revealed the new long-haul experience that covers all Finnair's wide-body aircraft and, as a result, business and economy classes are refurbished, and a completely new premium economy class was introduced. Some of the renewed aircraft were already operating during the period and on those flights, selected customers were offered a surprise upgrade to the new premium economy class. Ticket sales to premium economy commenced in the beginning of March and the travel class will first be available on Dallas, New York and Singapore routes starting from May.

In Q1, Finnair also continued its actions that enable smooth travelling by updating its digital service, with which customers can confirm their COVID-19-documents before their journey. In the update, new countries and document types were included in the service.

COST EFFICIENCY

Because of the impacts of the pandemic and the closed Russian airspace, Finnair will continue its cost savings work. In addition to the previously achieved 200-million-euro cost savings target, it launched a new cost savings programme after the period. In its first phase, the company is targeting permanent annual savings of 60 million euros. Cost savings are sought especially from distribution, aircraft leases and the continuous improvement of operations. The full run-rate impact would be visible starting from 2024. Finnair announced after the period that it has agreed on wet lease arrangements as the company has fleet overcapacity due to a lower number of long-haul flights. These arrangements will offer work for a total of 600 Finnair employees and, moreover, they generate income.

One particular focus area for continuous improvement of operations is fuel efficiency and on-time performance, which have a significant impact on both cost and productivity as well as customer experience. In terms of on-time performance and fuel efficiency, Finnair aims to be among the industry leaders. The company's on-time

performance in Q1 was 74.5% (85.7). The decline was mainly related to events in January; in addition to severe weather conditions, on-time performance was impacted by COVID-19-related challenges such as new travel restrictions, which required additional travel document checks, and higher-than-normal sick leaves, which caused resourcing challenges.

Finnair is recognised as one of the world's safest airlines. The strong safety culture, as well as the reliability and productivity of Finnair's operations, are at the core of the company's strategy. More effort will be put into technology, automation, utilising data and working together cross-functionally as they support safety and cost efficiency.

SUSTAINABILITY AS A DIFFERENTIATOR

Sustainability is an essential part of Finnair, and the company's ambitious sustainability targets remain unchanged. Finnair's long-term goal is carbon neutrality by 2045, with a 50% reduction in net emissions in 2025 compared to the 2019 level. Social responsibility is also a key component of our sustainability work and will only increase in importance in the future.

The most recent action of social responsibility has been to support Ukraine with donations made by Finnair and our customers. During Q1, Finnair's customers have donated almost 400,000 euros worth of Finnair Plus points for the benefit of Ukrainian women and children. Finnair has supported the Ukrainians with a 95 per cent discount on a one-way ticket in March and April on routes that were important for those leaving the country due to the war. In addition, the company donated blankets and supplies through aid organizations.

In Q1, Finnair signed a commitment to set a science-based target (SBT) for reducing carbon dioxide emissions in accordance with the Paris Climate Agreement. Signatories have 24 months to set this target. The main objective of the measures taken by Finnair is to strive to reduce the company's direct, actual emissions whenever reasonably possible. Finnair uses an extensive toolkit to achieve the reductions. Reducing emissions by reducing the weight of aircraft, developing fuel-efficient operative methods, using sustainable fuels (SAF) and offsets, and involving customers in reducing emissions from flights all play a key role. Finnair is also actively exploring the possibilities of introducing new technologies.

In March, Finnair reintroduced the opportunity for its customers to compensate emissions from their flights by combining certified emission offset projects and SAF. The service can be used to calculate flight emissions and offset a flight's carbon footprint by seamlessly combining SAF and offset projects. The price varies depending on how the amount used is split between the two.

In 2021, the oneworld Alliance set a common goal of achieving a 10% level of SAF refuelling by 2030, well above the 5% EU target. Achieving this goal will require a joint effort with both legislators and various industrial sectors. As a first concrete step, members of the alliance, inclusive of Finnair, have signed long-term commitments with two fuel producers, Aemetis and Gevo. Fuels will be delivered from new plants under construction, from Aemetis from 2025 and from Gevo from 2027 onwards. Finnair has earlier partnered with Neste in Finland to increase to use of SAF and hence reduce carbon emissions of flying.

Finnish consumers rate Finnair and Aurinkomatkat as the most responsible brands of their industries in the Sustainable Brand Index survey 2022 in Finland.

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 because of the COVID-19 impact and, therefore, new, more effective ways of working as well as extensive and cross-organisational collaboration are necessary.

Finnair employed an average of 5,326 (6,016) people in Q1 2022, which is 11.5 per cent less than in the comparison period. The number of employees increased during Q1 by 56 or 1.1 per cent, totalling 5,381 at the end of March (5,962). In total, 105 new persons were hired at Finnair in Q1 2022. The increase in personnel was mostly due to growth in the number of Helsinki Airport Gate Service Agents and Finnair Business Services (FBS) personnel. The attrition rate for the last 12 months was 9.0 per cent (6.5). The number of absences due to illness was 4.8 per cent (1.7) in Q1.

Sustainability and corporate responsibility

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

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

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

The biggest expectations towards Finnair are on reducing the CO₂ emissions of flights. Finnair is committed to the sector's common goal of carbon-neutral growth from 2020 onwards but sees this commitment as only a starting point. Finnair commits to becoming carbon neutral by 2045, with an interim goal of reducing the CO₂ net emissions by 50% in 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'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

As previously announced, 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. Currently, he works as the CIO of Outokumpu. Previously, Mr. Kleemola has held leadership positions in digital and IT services among others in VR Group, Vapo Group and Posti Group.

Share price development and trading

Finnair's market capitalisation was 703.3 million euros at the end of March (31 Dec 2021: 837.7). The closing price of the share on 31 March 2022 was 0.50 euros (31 Dec 2021: 0.60). In Q1, the highest price for the Finnair Plc share on the Nasdaq Helsinki was 0.68 euros, the lowest price 0.36 euros and the average price 0.53 euros. Some 321.0 million company shares, with a total value of 170.0 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 5.5 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 31 March 2022, Finnair held a total of 399,303 own shares, representing 0.03 per cent of the total number of shares and votes.

Decisions made by and authorisations granted by the Annual General Meeting 2022

Finnair's Annual General Meeting was held in Vantaa after the period on 7 April 2022 under special arrangements due to the COVID-19 pandemic. Altogether 155 shareholders representing 61.1 per cent of the votes participated in the Annual General Meeting through advance voting (voting in person or by proxy). The AGM approved the proposals submitted to the meeting as such and discharged the members of the Board of Directors and the CEOs from liability for the financial year 2021.

Tiina Alahuhta-Kasko, Montie Brewer, Jukka Erlund, Hannele Jakosuo-Jansson, Jouko Karvinen, Henrik Kjellberg and Maija Strandberg were re-elected to the Board of Directors and Simon Large was elected as a new member to the Board of Directors. The term of office of the Board of Directors expires at the end of the next AGM in 2023. Mr. Jouko Karvinen was elected Chairman of the Board.

The AGM decided in accordance with the proposal of the Board of Directors that KPMG Oy Ab is re-elected as the auditor of the company for the term of office ending at the end of the next Annual General Meeting. It was recorded that KPMG Oy Ab has announced that Ms. Kirsi Jantunen, authorised public accountant, would act as the principal auditor.

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

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 civil aviation, closures of the airspace. For Finnair's Asian traffic, the duration of the closure of the Russian airspace is a key risk factor. Certain routes between Europe and Asia may become operationally and / or commercially unviable. The impact of a prolonged closure of the Russian airspace on Finnair's business, financial result and future outlook depends on the company's ability to adapt its network, costs and revenue sources 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.

In the implementation of its strategy, 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.

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 traveller's 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 COVID-19 pandemic and travel restrictions, 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, fluctuation in demand 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, inflation, 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, that Finnair can affect, are operating cost adjustments and the ability to respond to changes in demand. Due to the immense effect of the COVID-19 pandemics, Finnair has carried out an extensive cost-saving program. 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 beyond the current COVID-19 crisis. Finnair's ability to pass on the increased costs of jet fuel to its customers by increasing fares is limited by the competitive nature of 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.

The COVID-19 pandemic potentially continuing during most of the 2022 would have an adverse impact on the company's profitability, cash funds and equity. Further, prolonged unprofitability and depletion of equity may have an adverse effect on the availability and terms of funding and may also increase the risk of fleet and other fixed asset impairment.

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. Outbreaks of epidemics or pandemics, such as COVID-19, 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 the COVID-19 will 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.

Primarily due to the Russian airspace closure, pandemic and lack of visibility in business operations, a reliable forecast is not available. Thus, sensitivities in business operations and fuel and their impact on comparable operating result as well as currency sensitivities and their impact on operational cash flows, which Finnair would report in a normal situation, are not available.

Fuel hedging and average hedged price		
(rolling 12 months from date of financial statements)	Hedged fuel, tonnes*	Average hedge price, USD/ton**
March 2022	10,000	638
Q2 2022	30,000	992
Q3 2022	27,000	954
Q4 2022	15,000	1,040
Q1 2023 and after	9,000	1,200
Total	91,000	970

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

** Average of swaps and bought call options strikes.

Currency distribution, %	Q1 2022	Q1 2021	2021
Sales currencies			
EUR	54	46	46
USD	5	2	5
JPY	6	14	9
CNY	4	9	7
KRW	3	7	5
SEK	5	3	4
Other	24	21	25
Purchase currencies			
EUR	59	74	69
USD	35	22	26
Other	6	4	5

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 natural hedges 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 March, the hedging ratio of USD denominated aircraft lease payments and liabilities was approximately 50 per cent.

Events after the financial period

After the period, Finnair concluded a lease agreement with British Airways. Finnair leases four A321 aircraft with crew. The first two are leased starting from 3 May and the remaining two starting from June. The lease period is four months per aircraft. The aircraft and crew will operate British Airways flights from London Heathrow to a number of European destinations. Altogether this operation will bring work to over 200 Finnair employees.

In addition, Finnair has entered into an agreement with the Lufthansa-owned Eurowings Discover, to which it will lease three A350 aircraft with crew. The lease for the first two aircraft will begin in May and the third in June. The agreement with Eurowings Discover is made until the end of the summer season. The aircraft and crew will operate Eurowings Discover flights from Frankfurt and Munich to several destinations in the US and Canada. Altogether Eurowings operations will employ nearly 400 crew members.

On 27 April 2022, the State of Finland and Finnair announced that the 400-million-euro hybrid loan granted to Finnair in March 2021 would be converted to a capital loan. In its meeting on 19 April 2022, the Ministerial Committee

on Economic Policy supported the conversion of the loan instrument from a hybrid loan to a capital loan. The capital loan strengthens the parent company Finnair Plc's equity.

After the review period, Finnair decided to launch a new cost savings programme, in the first phase of which it aims to achieve permanent, annual cost savings of 60 million euros from distribution, aircraft leases and continuous improvement of operations. The additional savings will be fully visible in 2024 and will be on top of the already achieved annual permanent savings of 200 million euros. The new cost savings programme is part of Finnair's contingency plan for the prolongation of the Russian airspace closure.

Financial reporting in 2022

The publication dates of Finnair's financial reports in 2022 are the following:

- Half-year Report for January–June 2022 on Tuesday 19 July 2022
- Interim Report for January–September 2022 on Friday 28 October 2022

FINNAIR PLC
Board of Directors

Briefings

Finnair will hold a results press conference (in Finnish) on 27 April 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/2022-0427-press>.

An English-language telephone conference and webcast will begin at 1:00 p.m. Finnish time. The conference may be attended by dialling your local access number +358 (0)9 8171 0310 (Finland), 08 5664 2651 (Sweden), 033 3300 0804 (UK) or +44 (0)33 3300 0804 (all other countries). The confirmation code is 10451095#. To join the live webcast, please register at <https://finnairgroup.videosync.fi/2022-q1>.

For further information, please contact:

Chief Financial Officer **Mika Stirkkinen**, tel. +358 9 818 4960, mika.stirkkinen@finnair.com

Director, Investor Relations **Erkka Salonen**, tel. +358 9 818 5101, erkka.salonen@finnair.com

Key performance indicators

EUR in millions, unless otherwise indicated	Q1 2022	Q1 2021	Change %	2021
Revenue and profitability				
Revenue	399.8	113.6	> 200	838.4
Comparable operating result	-132.9	-143.2	7.2	-468.9
Comparable operating result, % of revenue	-33.2	-126.1	92.9 %-p	-55.9
Operating result	-164.9	-149.1	-10.6	-454.4
Comparable EBITDA, % of revenue	-13.5	-53.6	40.1 %-p	-17.8
Earnings per share (EPS), basic, EUR	-0.15	-0.11	-45.1	-0.34
Earnings per share (EPS), diluted, EUR	-0.15	-0.11	-45.1	-0.34
Unit revenue per available seat kilometre (RASK), cents/ASK	5.78	9.45	-38.8	6.93
Unit revenue per revenue passenger kilometre (yield), cents/RPK	6.96	14.08	-50.6	8.13
Unit cost per available seat kilometre (CASK), cents/ASK	7.70	21.37	-64.0	10.81
CASK excluding fuel, cents/ASK	5.72	18.85	-69.6	9.06
Capital structure				
Equity ratio, %	7.2	22.7	-15.5 %-p	11.8
Gearing, %	551.4	191.8	359.6 %-p	321.8
Interest-bearing net debt	1,549.3	1,514.7	2.3	1,530.9
Interest-bearing net debt / Comparable EBITDA, LTM	-10.9	-5.0	-5.9 %-p	-10.3
Gross capital expenditure	66.2	11.4	> 200	434.5
Return on capital employed (ROCE), LTM, %	-15.5	-17.7	2.1 %-p	-13.9
Traffic				
Passengers, 1,000	1,509	259	> 200	2,852
Flights, number	18,232	6,187	194.7	41,392
Available seat kilometres (ASK), million	6,915	1,202	> 200	12,094
Revenue passenger kilometres (RPK), million	3,269	306	> 200	5,178
Passenger load factor (PLF), %	47.3	25.5	21.8 %-p	42.8
Modern premium offering, retailing and distribution				
Net Promoter Score (NPS)	33	52	-35.6	38
Share of digital direct ticket sales, %	48.0	54.0	-6.0 %-p	51.0
Average number of monthly visitors at finnair.com, millions	2.2	0.6	> 200	1.1
Active users for Finnair mobile app, thousands	566.0	240.0	135.8	326.0
Ancillary and retail revenue	26.7	8.6	> 200	44.1
Cost efficiency				
Jet fuel consumption, tonnes	173,809	54,010	> 200	364,478
On-time performance, %	74.5	85.7	-11.2 %-p	82.3
Sustainability as a differentiator				
Flight CO ₂ emissions, tonnes	547,498	170,130	> 200	1,148,107
Flight CO ₂ emissions, tonnes/ASK	0.0792	0.1416	-44.1	0.0949
Flight CO ₂ emissions, tonnes/RTK	1.0256	1.0045	2.1	0.9317
People				
Average number of employees	5,326	6,016	-11.5	5,614
Absences due to illness, %	4.82	1.74	3.08 %-p	2.31
Lost-time injury frequency (LTIF)	6.4	5.9	8.3	5.6
Attrition rate, LTM, %	9.0	6.5	2.5 %-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	Calculation	Reason to use the measure
Items affecting comparability	Unrealized changes in foreign currencies of fleet overhaul provisions + Fair value changes of derivatives where hedge accounting is not applied + Sales gains and losses on aircraft and other transactions + 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	Q1 2022	Q1 2021	Change %	2021
Operating result	-164.9	-149.1	-10.6	-454.4
Unrealized changes in foreign currencies of fleet overhaul provisions	3.4	6.3	-46.2	11.7
Fair value changes of derivatives where hedge accounting is not applied	-0.1	-0.1	-87.2	0.0
Sales gains and losses on aircraft and other transactions	-4.0	-0.6	<-200	-5.6
Impairment on A330 aircraft	32.7	-	-	-
Changes in defined benefit pension plans	-	-	-	-20.6
Restructuring costs	-	0.2	-100.0	0.0
Comparable operating result	-132.9	-143.2	7.2	-468.9
Depreciation and impairment	78.8	82.3	-4.2	319.8
Comparable EBITDA	-54.1	-60.9	11.3	-149.0

Equity ratio EUR in millions, unless otherwise indicated	31 Mar 2022	31 Mar 2021	Change %	31 Dec 2021
Equity total	281.0	789.7	-64.4	475.7
Equity and liabilities total	3,898.4	3,473.2	12.2	4,047.1
Equity ratio, %	7.2	22.7	-15.5 %-p	11.8

Gearing, interest-bearing net debt and interest-bearing net debt / Comparable EBITDA, LTM EUR in millions, unless otherwise indicated	31 Mar 2022	31 Mar 2021	Change %	31 Dec 2021
Lease liabilities	1,381.0	1,021.7	35.2	1,381.0
Other interest-bearing liabilities	1,321.0	1,162.9	13.6	1,427.9
Cross currency interest rate swaps*	-16.2	-4.6	<-200	-12.3
Adjusted interest-bearing liabilities	2,685.7	2,180.0	23.2	2,796.6
Other financial assets	-590.5	-367.8	-60.6	-531.4
Cash and cash equivalents	-545.9	-297.5	-83.5	-734.3
Cash funds	-1,136.5	-665.3	-70.8	-1,265.7
Interest-bearing net debt	1,549.3	1,514.7	2.3	1,530.9
Equity total	281.0	789.7	-64.4	475.7
Gearing, %	551.4	191.8	359.6 %-p	321.8
Comparable EBITDA, LTM	-142.2	-303.8	53.2	-149.0
Interest-bearing net debt / Comparable EBITDA, LTM	-10.9	-5.0	-5.9 %-p	-10.3

* 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	Q1 2022	Q1 2021	Change %	2021
Additions in fixed assets	38.3	11.1	> 200	28.7
New contracts in right-of-use assets	2.3	0.3	> 200	380.6
Reassessments and modifications in right-of-use assets	25.6	0.1	> 200	25.3
Gross capital expenditure	66.2	11.4	> 200	434.5

Return on capital employed (ROCE), LTM EUR in millions, unless otherwise indicated	31 Mar 2022	31 Mar 2021	Change %	31 Dec 2021
Result before taxes, LTM	-612.2	-657.9	6.9	-581.9
Financial expenses, LTM	122.6	194.9	-37.1	117.8
Exchange rate gains and losses, LTM	26.8	-20.5	> 200	22.5
Return, LTM	-462.8	-483.5	4.3	-441.6
Equity total	281.0	789.7	-64.4	475.7
Lease liabilities	1,381.0	1,021.7	35.2	1,381.0
Other interest-bearing liabilities	1,321.0	1,162.9	13.6	1,427.9
Capital employed	2,983.0	2,974.3	0.3	3,284.6
Capital employed, average of reporting period and comparison period	2,978.6	2,735.1*	8.9	3,180.0*
Return on capital employed (ROCE), LTM, %	-15.5	-17.7	2.1 %-p	-13.9

* Capital employed accounted was EUR 2,495.9 million as at 31 Mar 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 x kilometres flown
Revenue passenger kilometres (RPK)	Number of revenue passengers x 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 ₂ emissions	CO ₂ 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 - 31 Mar 2022

CONSOLIDATED INCOME STATEMENT

EUR in millions	Note	Q1 2022	Q1 2021	2021
Revenue	5	399.8	113.6	838.4
Other operating income		19.6	9.4	62.5
Operating expenses				
Staff and other crew related costs	6	-101.7	-52.8	-229.3
Fuel costs		-136.7	-30.3	-211.4
Capacity rents		-22.8	-15.2	-71.3
Aircraft materials and overhaul		-38.2	-21.0	-117.2
Traffic charges		-51.5	-20.9	-120.4
Sales, marketing and distribution costs		-20.7	-4.1	-38.1
Passenger and handling services		-70.8	-23.8	-148.0
Depreciation and impairment	7	-111.6	-82.3	-319.8
Property, IT and other expenses		-30.3	-21.7	-99.7
Operating result		-164.9	-149.1	-454.4
Financial income		-0.4	5.0	12.8
Financial expenses		-33.3	-28.6	-117.8
Exchange rate gains and losses		-13.4	-9.1	-22.5
Result before taxes		-212.0	-181.7	-581.9
Income taxes	12	-0.7	36.3	117.6
Result for the period		-212.8	-145.4	-464.3
Attributable to				
Owners of the parent company		-212.8	-145.4	-464.3
Earnings per share attributable to shareholders of the parent company, EUR				
Basic earnings per share		-0.15	-0.11	-0.34
Diluted earnings per share		-0.15	-0.11	-0.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR in millions	Q1 2022	Q1 2021	2021
Result for the period	-212.8	-145.4	-464.3
Other comprehensive income items			
Items that may be reclassified to profit or loss in subsequent periods			
Change in fair value of hedging instruments	8.3	27.1	30.1
Tax effect	-1.7	-5.4	-6.0
Items that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains and losses from defined benefit plans	15.0	21.7	43.0
Tax effect	-3.0	-4.3	-8.6
Other comprehensive income items total	18.6	39.1	58.4
Comprehensive income for the period	-194.2	-106.3	-405.9
Attributable to			
Owners of the parent company	-194.2	-106.3	-405.9

CONSOLIDATED BALANCE SHEET

EUR in millions	Note	31 Mar 2022	31 Mar 2021	31 Dec 2021
ASSETS				
Non-current assets				
Fleet	14, 16	907.5	1,381.3	946.3
Right-of-use fleet	15, 16	1,010.2	742.7	1,025.3
Fleet total		1,917.7	2,124.0	1,971.6
Other fixed assets	14, 16	158.8	181.4	162.3
Right-of-use other fixed assets	15, 16	156.1	141.6	156.4
Other fixed assets total		314.9	323.0	318.7
Pension assets	18	93.0	49.9	80.9
Other non-current assets		4.4	45.7	6.9
Deferred tax assets	12	186.3	111.3	191.9
Non-current assets total		2,516.3	2,653.9	2,569.9
Current assets				
Receivables related to revenue		123.7	63.9	110.9
Inventories and other current assets		66.4	66.3	55.8
Derivative financial instruments	9, 10	46.3	23.4	26.1
Other financial assets	10	590.5	367.8	531.4
Cash and cash equivalents		545.9	297.5	734.3
Current assets total		1,372.9	818.9	1,458.5
Assets held for sale		9.2	0.4	18.7
Assets total		3,898.4	3,473.2	4,047.1
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital		75.4	75.4	75.4
Other equity		205.6	714.3	400.2
Equity total		281.0	789.7	475.7
Non-current liabilities				
Lease liabilities	19	1,200.5	879.9	1,204.1
Other interest-bearing liabilities	19	980.5	910.1	986.2
Pension obligations		0.7	1.8	0.7
Provisions and other liabilities	20	195.8	165.6	200.7
Non-current liabilities total		2,377.4	1,957.3	2,391.6
Current liabilities				
Lease liabilities	19	180.4	141.7	176.9
Other interest-bearing liabilities	19	340.5	252.8	441.7
Provisions	20	22.5	16.5	13.8
Trade payables		50.4	21.8	53.5
Derivative financial instruments	9, 10	7.0	33.2	0.4
Deferred income and advances received	21	402.0	129.7	291.1
Liabilities related to employee benefits		81.4	71.0	74.4
Other liabilities		155.7	59.4	128.1
Current liabilities total		1,239.9	726.1	1,179.8
Liabilities total		3,617.4	2,683.5	3,571.4
Equity and liabilities total		3,898.4	3,473.2	4,047.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR in millions	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Equity total
Equity 1 Jan 2022	75.4	168.1	16.6	762.0	-744.5	198.0	475.7
Result for the period					-212.8		-212.8
Change in fair value of hedging instruments			6.6				6.6
Actuarial gains and losses from defined benefit plans			12.0				12.0
Comprehensive income for the period			18.6		-212.8		-194.2
Share-based payments				-0.5			-0.5
Equity 31 Mar 2022	75.4	168.1	35.2	761.5	-957.3	198.0	281.0

EUR in millions	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Equity total
Equity 1 Jan 2021	75.4	168.1	-41.8	759.5	-262.6	198.0	896.6
Result for the period					-145.4		-145.4
Change in fair value of hedging instruments			21.7				21.7
Actuarial gains and losses from defined benefit plans			17.4				17.4
Comprehensive income for the period			39.1		-145.4		-106.3
Acquisitions of own shares					-1.1		-1.1
Share-based payments				0.5			0.5
Equity 31 Mar 2021	75.4	168.1	-2.7	760.1	-409.2	198.0	789.7

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

CONSOLIDATED CASH FLOW STATEMENT

EUR in millions	Q1 2022	Q1 2021	2021
Cash flow from operating activities			
Result before taxes	-212.0	-181.7	-581.9
Depreciation and impairment	111.6	82.3	319.8
Financial income and expenses	47.2	32.7	127.5
Sales gains and losses on aircraft and other transactions	-4.0	-0.6	-19.4
Change in provisions	2.2	0.6	19.8
Employee benefits	2.5	4.5	-4.3
Other adjustments	-0.1	-0.2	3.3
Non-cash transactions	4.7	5.0	18.9
Changes in trade and other receivables	-23.6	-11.2	-49.9
Changes in inventories	-3.6	1.8	1.9
Changes in trade and other payables	139.1	-7.4	257.3
Changes in working capital	111.9	-16.8	209.2
Financial expenses paid, net	-23.9	-38.5	-99.3
Net cash flow from operating activities	35.4	-117.7	-25.3
Cash flow from investing activities			
Investments in fleet	-28.1	-6.4	-70.3
Investments in other fixed assets	-1.5	-2.4	-6.0
Divestments of fleet, other fixed assets and shares	13.6	0.6	441.7
Lease and lease interest payments received	0.1	4.0	11.7
Change in other current financial assets (maturity over 3 months)	-7.7	9.3	-67.5
Change in other non-current assets	0.0	0.0	0.0
Net cash flow from investing activities	-23.7	5.2	309.6
Cash flow from financing activities			
Proceeds from loans			396.7
Loan repayments	-111.3	-11.6	-154.8
Repayments of lease liabilities	-43.5	-33.3	-146.8
Hybrid bond interests and expenses			-20.5
Acquisitions of own shares		-1.1	-1.1
Net cash flow from financing activities	-154.8	-46.1	73.4
Change in cash flows	-143.1	-158.5	357.8
Liquid funds, at beginning	1,150.0	792.2	792.2
Change in cash flows	-143.1	-158.5	357.8
Liquid funds, at end *	1,006.9	633.7	1,150.0
* Liquid funds			
Other financial assets	590.5	367.8	531.4
Cash and cash equivalents	545.9	297.5	734.3
Cash funds	1,136.5	665.3	1,265.7
Other current financial assets (maturity over 3 months)	-129.5	-31.6	-115.7
Liquid funds	1,006.9	633.7	1,150.0

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT 1 JAN - 31 MAR 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 26 April 2022.

2. ACCOUNTING PRINCIPLES

The accounting principles applied in the interim report correspond to the principles disclosed in the Consolidated Financial Statements 2021. The figures presented in this 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 more detail 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 a significant impact on the routings and operating costs of Finnair's flights to Asia. The geopolitical crisis has also accelerated the rise in jet fuel price, and the future development of fuel prices remain subject to greater uncertainty. At the same time, the COVID-19 pandemic continues to have an impact on Finnair's business, albeit to a lesser extent than previously, and will contribute 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 pandemic on its business, and updates its estimates and assumptions based on the latest available information. Finnair has updated its network strategy during the first quarter as a result of the closure of Russian airspace in addition to which the management will continue to review its fleet plan during the upcoming quarters. It is extremely difficult to forecast the duration of the Russian airspace closure; therefore, its impact on Finnair's future profitability, financial position and cash flows may differ from the current management estimates and assumptions made. Due to the on-going review of the fleet plan, the management estimates and assumptions used in this interim report and the amount of reported assets and liabilities and income and expenses are subject to greater than usual uncertainty.

The latest scenarios 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 31st March 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 the latest three-year business plan derived from the Group's strategy approved by the Board of Directors and 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 33 months from April 2022 until December 2024. The scenarios have been sensitized to reflect differences in the duration of the Russian airspace closure. The main identified uncertainties and management assumptions relating to the forecast scenarios and the going concern assessment are described in more detail in the consolidated financial statements 2021 and in the above note 3. Critical accounting estimates and sources of uncertainty.

Revenue and profitability are expected to develop slower in 2022 and in the following years than what was estimated at the time of the preparation of the 2021 financial statements, which is caused by the closure of the Russian airspace and increased jet fuel prices. Under the base case scenario, Finnair assumes the Russian airspace to be closed for three years. Under the optimistic scenario, the airspace is assumed to open after two years, whereas in the more pessimistic scenario the airspace is assumed to open after four years. Thus, in all scenarios, Finnair expects to operate at ca. 71% capacity in 2022 and at ca. 84% capacity in 2023 (measured in annual available seat kilometres) as compared to the pre-pandemic levels of 2019. In the optimistic scenario, the operations are expected to return to the pre-pandemic levels of 2019 in 2024. Under the base case and pessimistic scenarios, the 2024 annual operational capacity is expected to be ca. 86% of the of the 2019 levels. Under all three scenarios, Finnair will be able to meet its obligations as they fall due at least 12 months after the date that the consolidated interim report is issued.

While the duration of the Russian airspace closure or COVID-19 pandemic is not in the sphere of Finnair's influence, Finnair continues to safeguard its financial position by updating its network and fleet plan, adjusting its operational capacity, reducing costs, and carrying out new funding transactions.

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 that 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 significantly when compared to the first quarter of 2021. Even though the passenger traffic figures have improved, the negative impact of the COVID-19 pandemic and the related travel restrictions was still clearly visible in the figures as compared to the pre-pandemic levels. Also, the Russian airspace closure impacted the first quarter revenues, as Finnair was forced to cut some of its routes and frequencies to Asia.

Q1 2022, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	48.7	29.2	113.6	32.4	3.7	227.6	56.9
Ancillary and retail revenue	3.7	2.0	6.7	1.9	12.3	26.7	6.7
Cargo	79.4	27.0	17.2	0.1	-3.1	120.5	30.2
Travel services	2.5	0.0	22.2	0.4	-0.1	25.0	6.2
Total	134.3	58.2	159.7	34.8	12.8	399.8	
Share %	33.6	14.6	39.9	8.7	3.2		

Q1 2021, EUR in millions	Asia	North Atlantic	Europe	Domestic	Un-allocated	Total	Share %
Passenger revenue	6.7	0.2	24.2	12.6	-0.5	43.2	38.0
Ancillary and retail revenue	2.6	-0.5	0.0	0.5	5.9	8.6	7.6
Cargo	43.6	5.5	6.2	0.0	5.6	60.9	53.7
Travel services	0.0	0.0	0.0	0.8	0.0	0.9	0.8
Total	52.9	5.2	30.5	14.0	11.0	113.6	
Share %	46.6	4.6	26.8	12.4	9.6		

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

Key figures quarterly, last 24 months	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Revenue	399.8	413.5	199.4	111.8	113.6	102.0	97.4	68.6
Passenger revenue	227.6	218.9	113.9	44.9	43.2	36.4	54.7	13.7
Ancillary and retail revenue	26.7	19.4	10.5	5.7	8.6	5.2	8.8	5.5
Cargo	120.5	147.1	65.4	61.2	60.9	59.9	31.7	49.5
Travel services	25.0	28.1	9.7	0.0	0.9	0.5	2.3	0.0
Comparable EBITDA	-54.1	12.6	-30.7	-70.0	-60.9	-71.7	-81.9	-89.2
Comparable operating result	-132.9	-65.2	-109.1	-151.3	-143.2	-162.9	-167.0	-174.3
Operating result	-164.9	-60.2	-106.0	-139.1	-149.1	-14.6	-183.1	-171.2

6. STAFF AND OTHER CREW RELATED COSTS

Staff and other crew related costs almost doubled due to the added capacity, even though Finnair continued its cost savings initiatives, including the COVID-19 related temporary and permanent layoffs in Q1.

EUR in millions	Q1 2022	Q1 2021	Change %	2021
Wages and salaries	-67.0	-39.8	-68.4	-185.8
Defined contribution schemes	-11.1	-6.8	-63.4	-30.1
Defined benefit schemes	-3.0	-3.9	22.7	6.6
Pension expenses total	-14.1	-10.7	-31.7	-23.4
Other social expenses	-8.1	1.0	<-200	-0.6
Salaries, pension and social costs	-89.1	-49.5	-80.3	-209.9
Operative staff related costs	-5.5	-1.4	<-200	-8.3
Leased and outsourced crew	-5.5	-0.8	<-200	-7.2
Other personnel related costs	-1.6	-1.1	-48.1	-3.9
Total	-101.7	-52.8	-92.7	-229.3

7. DEPRECIATION AND IMPAIRMENT

EUR in millions	Q1 2022	Q1 2021	Change %	2021
Depreciation of owned fleet	-30.2	-43.6	30.7	-155.7
Depreciation of other fixed assets	-5.4	-5.2	-2.8	-20.5
Depreciation of right-of-use fleet	-38.0	-28.9	-31.4	-123.2
Depreciation of right-of-use other assets	-5.3	-4.6	-15.2	-18.5
Depreciation	-78.8	-82.3	4.2	-317.8
Impairment	-32.7	-	-	-2.0
Total	-111.6	-82.3	-35.5	-319.8

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, certain changes in defined benefit pension plans and restructuring costs are not included in the comparable operating result.

EUR in millions	Reported	Q1 2022 Items affecting compara- bility	Compa- rable	Reported	Q1 2021 Items affecting compara- bility	Compa- rable	Reported	2021 Items affecting compara- bility	Compa- rable
Revenue	399.8		399.8	113.6		113.6	838.4		838.4
Other operating income	19.6	-4.0	15.6	9.4	-0.6	8.8	62.5	-23.3	39.2
Operating expenses									
Staff and other crew related costs	-101.7		-101.7	-52.8	0.2	-52.6	-229.3	-19.5	-248.9
Fuel costs	-136.7	-0.1	-136.8	-30.3	-0.1	-30.4	-211.4	0.0	-211.4
Capacity rents	-22.8		-22.8	-15.2		-15.2	-71.3		-71.3
Aircraft materials and overhaul	-38.2	3.4	-34.8	-21.0	6.3	-14.7	-117.2	25.5	-91.7
Traffic charges	-51.5		-51.5	-20.9		-20.9	-120.4		-120.4
Sales, marketing and distribution costs	-20.7		-20.7	-4.1		-4.1	-38.1		-38.1
Passenger and handling services	-70.8		-70.8	-23.8		-23.8	-148.0		-148.0
Property, IT and other expenses	-30.3	0.0	-30.3	-21.7		-21.7	-99.7	2.9	-96.8
EBITDA			-54.1			-60.9			-149.0
Depreciation and impairment	-111.6	32.7	-78.8	-82.3		-82.3	-319.8		-319.8
Operating result	-164.9	32.0	-132.9	-149.1	5.8	-143.2	-454.4	-14.4	-468.9

Items affecting comparability include an impairment of 32.7 million euro related to four owned A330 aircraft and sales gain of 4.0 million euro on two A321 aircraft.

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 Q1 2022 was approximately 400 million dollars.

Derivatives, EUR in millions	31 Mar 2022		31 Mar 2021		31 Dec 2021	
	Nominal value	Fair net value	Nominal value	Fair net value	Nominal value	Fair net value
Currency derivatives						
Operational cash flow hedging (forward contracts)	53.6	0.3	195.1	0.2	57.4	0.7
Operational cash flow hedging (options)						
Bought options	4.5	0.0	53.1	0.1	4.5	0.0
Sold options	4.3	0.0	49.2	-0.1	4.3	0.0
Fair value hedging of aircraft acquisitions	162.9	12.6	172.1	-5.9	162.9	8.8
Hedge accounting items total	225.3	13.0	469.5	-5.8	229.2	9.5
Operational cash flow hedging (forward contracts)			110.4	2.8		
Operational cash flow hedging (options)						
Bought options			5.1	0.1		
Sold options			5.1	-0.1		
Balance sheet hedging (forward contracts)	291.2	-2.3	266.7	0.7	270.1	0.0
Items outside hedge accounting total	291.2	-2.3	387.4	3.5	270.1	0.0
Currency derivatives total	516.6	10.6	856.9	-2.3	499.3	9.5
Commodity derivatives						
Jet fuel forward contracts, tonnes	43,000	14.4	173,000	2.2	68,000	3.9
Options						
Bought options, jet fuel, tonnes	48,000	-0.4				
Sold options, jet fuel, tonnes	18,000	-1.6				
Hedge accounting items total	109,000	12.3	173,000	2.2	68,000	3.9
Jet fuel forward contracts, tonnes			228,000	-14.3		
Items outside hedge accounting total	18,000	0.1	228,000	-14.3		
Commodity derivatives total	127,000	12.5	401,000	-12.1	68,000	3.9
Currency and interest rate swaps and options						
Cross currency interest rate swaps	278.3	16.2	292.2	4.6	280.3	12.3
Items outside hedge accounting total	278.3	16.2	292.2	4.6	280.3	12.3
Interest rate derivatives total	278.3	16.2	292.2	4.6	280.3	12.3
Derivatives total		39.3		-9.8		25.7

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	31 Mar 2022	Level 1	Level 2
Financial assets at fair value through profit and loss			
Securities held for trading	590.5	578.5	12.0
Derivatives held for trading			
Currency and interest rate swaps and options	16.2		16.2
Currency derivatives	13.4		13.4
- of which in fair value hedge accounting	12.6		12.6
- of which in cash flow hedge accounting	0.5		0.5
Commodity derivatives	16.7		16.7
- of which in cash flow hedge accounting	16.6		16.6
Total	636.9	578.5	58.3
Financial liabilities recognised at fair value through profit and loss			
Derivatives held for trading			
Currency derivatives	2.8		2.8
- of which in cash flow hedge accounting	0.2		0.2
Commodity derivatives	4.2		4.2
- of which in cash flow hedge accounting	4.2		4.2
Total	7.0		7.0

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 first quarter of the year 2022.

12. INCOME TAXES

Finnair did not recognize deferred tax asset arising from taxable loss for the first quarter of financial year due to increased uncertainty caused by the closure of the Russian airspace, which decreased the effective tax rate to -0.4% (-20.0%). The closure of the Russian airspace has a significant negative impact on Finnair's operating environment. The deferred tax asset at the end of reporting period was 186.3 million euro (31 Dec 2021: 191.9), mainly consisting of deferred tax assets accumulated during the previous years 2020 and 2021.

Tax receivables for the confirmed tax losses in 2020 were 141 million euro and these are estimated to be approximately 75 million euro in 2021. Despite the increased uncertainty, Finnair expects that the confirmed tax losses accumulated during 2020-2021 can be used against its future taxable results as it considers it probable, that it will be able to generate sufficient taxable profits in the future. The assessment is based on Finnair's latest management forecasts that consider different plausible scenarios relating to the pace of the recovery from the pandemic and expectations of the duration of the Russian airspace closure. Forecast scenarios are described in more detail in note 4. Board's assessment of Finnair as a going concern and note 16. Impairment testing. Based on the scenarios, the management considers it probable, that Finnair will be able to use the accumulated tax losses of 2020 and 2021 in advance of the 10-year expiry. The assessment is based on the expected future taxable profits as well as the tax planning methods available to Finnair relating to accumulated tax depreciations.

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	31 Mar 2022	31 Mar 2021	31 Dec 2021
Carrying amount at the beginning of period	1,108.6	1,625.5	1,625.5
Additions	38.3	11.1	28.7
Change in advances	-8.5	-13.5	26.3
Currency hedging of aircraft acquisitions	-3.8	-7.9	-22.6
Disposals and reclassifications	0.0	-3.7	-371.0
Depreciation	-68.3	-48.8	-178.2
Carrying amount at the end of period	1,066.2	1,562.6	1,108.6

The additions to fixed assets are mainly related to the cabin renewal of Finnair's widebody aircraft which was launched during the first quarter.

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 resulting in sales gain of 4.0 million euro.

15. CHANGE IN RIGHT-OF-USE ASSETS

EUR in millions	31 Mar 2022	31 Mar 2021	31 Dec 2021
Carrying amount at the beginning of period	1,181.7	917.5	917.5
New contracts	2.3	0.3	380.6
Reassessments and modifications	25.6	0.1	25.3
Depreciation	-43.3	-33.5	-141.6
Carrying amount at the end of period	1,166.3	884.3	1,181.7

The reassessments and contract modifications include the lease extension and reclassification of certain sublease contracts previously classified as finance leases which have been reclassified as operating leases due to contract changes. The impact of these changes was 19.4 million euro.

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 annual 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 but has also reviewed the fair value measurement-based approach in connection with the interim report. 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 31 March 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 current business model and 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 euro (31.12.21: 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 31 March 2022 was 1,950.3 million euro (31.12.2021: 2,748.6) and the carrying amount of the assets 1,807.3 million euro (31.12.2021: 2,155.8).

The value in use measurement is based on a discounted cash flow model where the cash flow projections are based on the Group's strategy and the latest updated 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 three different forecast scenarios prepared by the management. The scenarios and probabilities allocated to each scenario have been reviewed and approved by the Board of Directors 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 the duration of the airspace closure in Russia, but also the uncertainty of the pace of the post-pandemic recovery. As it is extremely difficult to predict the duration of the Russian airspace closure, each of the scenarios have been weighted with equal probabilities.

The modelling of cash flows is based on the latest forecast scenarios prepared by the management which are described in note 4. The Board of Directors' assessment of Finnair as a going concern. The scenarios differ mainly in the duration of the Russian airspace closure, which is estimated to vary from two to four years depending on the scenario. In the optimistic scenario, Finnair estimates that the airspace closure will last for two years and that it will reach its pre-pandemic operational levels of 2019 in 2024 (measured in annual available seat kilometres). In the baseline scenario, the airspace closure is expected to last for three years and Finnair to reach the 2019 operational level in 2025. In the pessimistic scenario the airspace closure is expected to last four years and Finnair to reach the 2019 operational levels only in 2026.

Key assumptions used in impairment review	31 Mar 2022	31 Dec 2021
Discount rate (post-tax, long-term weighted average cost of capital), %	7.5	7.7
Discount rate (pre-tax, long-term weighted average cost of capital), %	8.5	8.8
Long-term growth rate, %	2.8	2.8
Fuel cost range per ton (USD)	912–1021	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 a duration for the Russian airspace closure as well as the speed of the post-pandemic demand recovery and unit revenue development. 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. 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. The increased uncertainty related to the COVID-19 is considered through the multiple scenarios and the expected cash flow approach used in impairment testing rather than in discount rate. 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	31 Mar 2022	31 Dec 2021
EBITDA margin%, per cent point	-0.2	-1.1
Discount rate, per cent point	+0.3	+1.4
Long-term growth rate, per cent point	-0.4	-1.5
Fuel cost, per cent	+1.0	+4.0

The impairment test based on the value in use method did not show a need for impairment. Because of the closure of Russian airspace and the prolonged flight times to many Asian destinations, there are fewer opportunities to profitably operate Finnair's shorter-range widebody aircraft, which is why the widebody fleet is unlikely to be fully deployed as long as the Russian airspace remains closed. Due to these factors, based on a management judgement an impairment of 32.7 million euro related to four owned A330 aircraft was recognized in the profit and loss.

Finnair's management will be reviewing the overall fleet plan in more detail during the upcoming quarters.

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.

State aid in hybrid 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.

18. PENSION ASSETS

Pension assets were 93.0 million euro (31 December 2021: 80.9). During the first quarter of 2022 total amount recognized in other comprehensive income was 15.0 million euro, which includes the gain of 30.2 million euro caused by change in discount rate to 1.65% (31 December 2021: 0.74%), the loss of 11.2 million euro on plan assets and the loss of 4.1 million euro caused by professional disability pensions. Service costs of 3.0 million euro was recognized in income statement.

19. INTEREST-BEARING LIABILITIES

The EU Commission's competition authority approved the remaining, ca. 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.

Finnair has on 29 March 2022 repaid the remaining approximately 100 million euro share of the 200-million-euro senior unsecured bond issued in 2017. The other existing loans were amortized according to the loan instalment programs.

Interest-bearing liabilities EUR in millions	Fair value			Book value		
	31 Mar 2022	31 Mar 2021	31 Dec 2021	31 Mar 2022	31 Mar 2021	31 Dec 2021
Non-current interest-bearing liabilities						
Lease liabilities	1,200.5	879.9	1,204.1	1,200.5	879.9	1,204.1
Loans from financial institutions	299.7	599.1	299.7	299.7	599.1	299.7
Bonds	363.9		406.2	397.4		397.2
JOLCO loans* and other	283.4	311.0	289.4	283.4	311.0	289.4
Total	2,147.5	1,790.0	2,199.3	2,181.0	1,790.0	2,190.3
Current interest-bearing liabilities						
Lease liabilities	180.4	141.7	176.9	180.4	141.7	176.9
Loans from financial institutions	299.8		299.8	299.8		299.8
Bonds		199.1	99.1		199.8	98.9
JOLCO loans* and other	40.7	53.0	43.1	40.7	53.0	43.1
Total	521.0	393.9	618.8	521.0	394.6	618.6

* JOLCO loans and other include the JOLCO loans (Japanese Operating Lease with Call Option) for three A350 aircraft and Export Credit Support for one A350 and one A330 aircraft. The transactions are treated as loans and owned aircraft in Finnair's accounting.

Maturity dates of financial liabilities as at 31 Mar 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	135.2	141.8	145.5	137.2	95.0	403.9	1,058.6
Lease liabilities, variable interest	45.2	46.5	49.3	35.8	28.2	117.5	322.4
Loans from financial institutions, variable interest	300.0	300.0					600.0
Bonds, fixed interest				400.0			400.0
JOLCO loans and other, fixed interest			13.9	13.1	13.5		40.6
JOLCO loans and other, variable interest	40.7	39.2	69.2	51.4	29.4	56.6	286.6
Interest-bearing financial liabilities total*	521.1	527.5	277.9	637.5	166.1	578.0	2,708.1
Payments from interest rate and currency derivatives	507.7						507.7
Income from interest rate and currency derivatives	-529.3	-5.3					-534.6
Commodity derivatives	-12.5	0.0					-12.5
Trade payables and other liabilities	206.1						206.1
Interest payments	103.3	92.0	74.3	51.8	32.8	103.9	458.2
Total	796.4	614.3	352.2	689.3	198.9	681.9	3,333.1

Finnair has a 600 million euros of pension premium loan maturing during the next two years. 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.

*The bonds maturing do not include the amortised cost of EUR 2.6 million paid in 2021 and due on 2025. Respectively, JOLCO loans do not include the amortised cost of EUR 3.1 million paid on 2016 and due in 2025. Loans from financial institutions do not include the amortised cost of EUR 0.4 million 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. PROVISIONS

EUR in millions	31 Mar 2022	31 Mar 2021	31 Dec 2021
Aircraft maintenance provision			
Provision at the beginning of period	195.9	162.8	162.8
Provision for the period	10.0	1.6	32.0
Provision used	-9.7	-1.7	-12.7
Provision reversed	-0.7	0.0	-1.3
Provision for right-of-use assets redelivery	-0.6	0.1	2.2
Unwinding of discount	0.8	0.2	1.4
Exchange rate differences	3.4	6.3	11.7
Aircraft maintenance provision total	199.1	169.2	195.9
Of which non-current	179.0	158.2	184.6
Of which current	20.2	11.1	11.3
Other provisions			
Provision at the beginning of period	3.8	13.0	13.0
Provision for the period	0.4	0.8	1.9
Provision used	-0.4	-5.6	-9.0
Provision reversed	-0.2	-0.8	-2.1
Other provisions total	3.7	7.5	3.8
Of which non-current	1.3	2.1	1.4
Of which current	2.4	5.5	2.5
Total	202.8	176.8	199.8
Of which non-current	180.2	160.2	186.0
Of which current	22.5	16.5	13.8

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

In balance sheet, non-current provisions and other liabilities 195.8 million euro (31 December 2021: 200.7) includes, in addition to provisions, other non-current liabilities 15.5 million euro (31 December 2021: 14.7), which mainly consists of long-term incentives for the Executive Board and other personnel as well as received lease deposits.

21. DEFERRED INCOME AND ADVANCES RECEIVED

EUR in millions	31 Mar 2022	31 Mar 2021	31 Dec 2021
Deferred revenue on ticket sales	313.6	51.8	202.7
Loyalty program Finnair Plus	51.6	52.4	55.1
Advances received for tour operations	20.8	4.7	15.2
Other items	16.0	20.8	18.1
Total	402.0	129.7	291.1

22. CONTINGENT LIABILITIES

EUR in millions	31 Mar 2022	31 Mar 2021	31 Dec 2021
Guarantees on behalf of group undertakings	51.3	31.7	51.0
Total	51.3	31.7	51.0

Investment commitments for property, plant and equipment as at 31 March 2022 totaled 364.3 million euro (31 December 2021: 355.3). In Q1, the guarantees on behalf of group undertakings remained on the same level as in the end of financial year 2021. Lease commitments as at 31 March 2022 including VAT obligations, short-term leases of facilities and leases of low value IT equipment that do not qualify as IFRS 16 leases totaled 18.2 million euros (31 December 2021: 18.0).

23. 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 2022	Q1 2021	2021
Sales of goods and services			
Associates and joint ventures	6.9	3.8	18.2
Pension fund	0.1	0.0	0.1
Employee benefits			
Pension fund	3.0	3.7	-7.4
CEO and Executive Board	0.0	1.2	4.6
The Board of Directors	0.1	0.1	0.4
Purchases of goods and services			
Associates and joint ventures	20.2	16.6	73.0
Pension fund	0.5	0.5	2.0
Financial income			
Associates and joint ventures		0.6	1.6
Pension fund	0.1	0.0	0.1
Receivables			
Associates and joint ventures	6.5	36.0	17.0
Pension fund	91.0	49.0	78.9
Liabilities			
Associates and joint ventures	4.3	4.5	6.1

During first quarter of year 2022 employee benefits to CEO and Executive Board include the decrease of accrued expenses relating to ongoing performance share plans by 0.7 million euro.

24. EVENTS AFTER THE REVIEW PERIOD

After the period, Finnair concluded a lease agreement with British Airways. Finnair leases four A321 aircraft with crew. The first two are leased starting from 3 May and the remaining two starting from June. The lease period is four months per aircraft. The aircraft and crew will operate British Airways flights from London Heathrow to a number of European destinations. Altogether this operation will bring work to over 200 Finnair employees.

In addition, Finnair has entered into an agreement with the Lufthansa-owned Eurowings Discover, to which it will lease three A350 aircraft with crew. The lease for the first two aircraft will begin in May and the third in June. The agreement with Eurowings Discover is made until the end of the summer season. The aircraft and crew will operate Eurowings Discover flights from Frankfurt and Munich to several destinations in the US and Canada. Altogether Eurowings operations will employ nearly 400 crew members.

On 27 April 2022, the State of Finland and Finnair announced that the 400-million-euro hybrid loan granted to Finnair in March 2021 would be converted to a capital loan. In its meeting on 19 April 2022, the Ministerial Committee on Economic Policy supported the conversion of the loan instrument from a hybrid loan to a capital loan. The capital loan strengthens the parent company Finnair Plc's equity.

After the review period, Finnair decided to launch a new cost savings programme, in the first phase of which it aims to achieve permanent, annual cost savings of 60 million euros from distribution, aircraft leases and continuous improvement of operations. The additional savings will be fully visible in 2024 and will be on top of the already achieved annual permanent savings of 200 million euros. The new cost savings programme is part of Finnair's contingency plan for the prolongation of the Russian airspace closure.