



FINNAIR GROUP INTERIM REPORT

1 JANUARY – 31 MARCH 2023



27 April 2023

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Strong demand and well-progressed strategy implementation led to break-even result during seasonally weakest quarter.

January – March 2023

- Earnings per share were -0.01 euros (-0.15)*.
- Revenue increased by 73.8% to 694.7 million euros (399.8).
- Comparable operating result was 0.9 million euros (-132.9). Operating result was 8.3 million euros (-164.9).
- High fuel price had an adverse cost impact of c. 40 million euros** year-on-year.
- Cash funds were 1,567.8 million euros (31 Dec 2022: 1 524.4) and the equity ratio was 9.6 per cent (31 Dec 2022: 9.9).
- Net cash flow from operating activities was 206.8 million euros (35.4), and net cash flow from investing activities was -143.7 million euros (-23.7).***
- Number of passengers increased by 71.8% to 2.6 million (1.5).
- Available seat kilometres (ASK) increased by 23.6% to 8,550.2 million kilometres (6,915.2).
- Passenger load factor (PLF) was 75.1% (47.3).

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

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

**** In Q1, net cash flow from investing activities included 63.8 million euros of investments (7.7) 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 15 FEBRUARY 2023:

Finnair estimates that in 2023, it will operate an average capacity of 80–85 per cent, as measured in ASKs, compared to 2019. The capacity is impacted by the development of demand, e.g., increase in travel on Chinese routes, and potential leases of aircraft with crew to other airlines.

Finnair estimates that the strong demand for travel will continue in the short-term, supporting its unit revenues as in the second half of 2022, but the continuing general economic uncertainty will weaken the visibility of travel demand development during 2023. With the fading impacts of the pandemic following the opening of China, Finnair expects normal seasonality to return. Accordingly, the first quarter of the year is seasonally the weakest and results typically in negative EBIT, while the summer months are the high season in travel.

Significant uncertainty in Finnair's operating environment continues, as the price of fuel is high and the length of the Russian airspace closure and the impact of inflation on demand and costs are unclear.

Finnair estimates that its 2023 revenue will significantly increase year-on-year, especially as the first half of 2022 was heavily burdened by both the pandemic and the closed Russian airspace. Nonetheless, the company estimates that its revenue will not yet reach the level of 2019.

Finnair will update its outlook and guidance in connection with the Q1 2023 interim report.

NEW GUIDANCE ON 27 APRIL 2023:

Finnair reiterates its guidance, estimating that in 2023, it will operate an average capacity of 80–85 per cent, as measured in ASKs, compared to 2019. The capacity is impacted by the development of demand, e.g., increase in travel on Chinese routes, and potential leases of aircraft with crew to other airlines.

Finnair estimates that the strong demand for travel will continue, supporting its unit revenues, but the continuing general economic uncertainty weakens the visibility on travel demand development after the summer season

2023. The summer months are the high season in travel, whereas demand typically weakens towards the end of the year, based on normal seasonality.

Significant uncertainty in Finnair's operating environment continues. The price of fuel is high, and the end of the Russian airspace closure is not in sight. Further, the extent of the impacts of inflation and rising interest rates on demand and costs is uncertain.

Finnair estimates that its 2023 revenue will significantly increase and comparable EBIT will significantly improve year-on-year, especially as the first half of 2022 was heavily burdened by both the pandemic and the closed Russian airspace. Nonetheless, the company estimates that its revenue and comparable EBIT will not yet reach the level of 2019.

Finnair will update its outlook and guidance in connection with the 2023 half-year report.

CEO Topi Manner:

The year started on a positive note, as Finnair achieved a marginally positive comparable operating result in the seasonally weakest first quarter. This was the third consecutive profitable quarter after ten loss-making quarters caused by the pandemic and the closure of Russian airspace. Typically, the first quarter of the year is loss-making and, thus, the result speaks of both good progress in strategy implementation, and of a strong demand environment. Strong demand, combined with capacity and resource constraints in the aviation sector caused by the pandemic, contributed to the positive development of our unit revenues.

We are heading in the right direction, but the road to recovery is a long one. We cannot expect that the current strong demand situation is a permanent one. Our operating environment remains challenging in many respects, as the fuel price has remained high, inflation has not subsided, interest rates have risen, and the Russian airspace remains closed as the war in Ukraine continues. Therefore, we are determined to continue implementing our strategy, seeking both an increase in unit revenue, and a reduction in unit costs, in order to be able to achieve our financial targets in a normalised demand and capacity environment.

Finnair now has a more geographically balanced network. Although the closure of Russian airspace has reduced traffic to Asia and travel to China is only starting to increase, Finnair's position in traffic between Europe and Asia has remained strong. At the same time, we have found new passenger flows in long-distance traffic, for example, in traffic between the United States and Europe, India and the United States, and the Middle East and Northern Europe. Brisk travel within Europe has also continued. Leisure travel has returned to the pre-pandemic level, and the recovery of business travel continues.

During the quarter, we signed a new agreement with our Finland-based cabin crew to support productivity enhancement and enable savings. As a result, almost 90 per cent of Finnair's personnel have agreed on savings to nurse the company back to health. We have also made changes to the service concept on our flights, reducing unit costs. As part of our sustainability work, we purchased the largest single batch of sustainable aviation fuel from Neste to date, 750 tonnes. While this represents only a small portion of our current fuel consumption, it is a meaningful step in our long-term journey to scale up sustainable aviation fuel usage.

Our on-time performance during the first quarter was 82 per cent. Customers have been satisfied with Finnair's service, as our net promoter score was 42. I would like to thank the entire Finnair team for their good customer care and systematic implementation of the strategy during the quarter.

We are now preparing for the busy summer season. We have strengthened our resources by recruiting pilots and hiring seasonal workers for cabin service through a partner. Thanks to our strong team and well-functioning home base Helsinki Airport, we are in an excellent position to serve our customers during the upcoming peak travel season.

Business environment in Q1

The impacts of the COVID-19 pandemic on Finnair's operations were already mild in Q1 2023. All of Finnair's key markets were open for travel, although the increase in travel to China remains limited. On the other hand, the Russian airspace closure to EU carriers in the middle of the comparison period had a clear impact on Finnair's Asian traffic during the period. Finnair has continued operating to most of its Asian destinations despite routings that are up to 40 per cent longer. However, the Asian capacity, measured in ASKs, was less than 60 per cent compared to Q1 2019. The longer routings and high jet fuel price increased the unit costs considerably, but the Asian market yields remained on a good level, thanks to the strong demand as well as constrained capacity caused by the global

labour shortage and operational challenges due to longer flight times. Similarly, demand in intra-European and North Atlantic markets was robust and capacity constrained. Consequently, passenger revenue increased significantly year-on-year.

Scheduled market capacity, measured in ASKs, between origin Helsinki and Finnair's European destinations increased by 30.1 per cent (388.9) year-on-year. Direct market capacity between Finnair's Asian and European destinations increased by 119.5 per cent (43.0) and between Finnair's North Atlantic and European destinations by 39.0 per cent (193.6) year-on-year.

The strong demand for package holidays continued throughout Q1. The robust demand was clearly reflected in increased package prices, which enabled Aurinkomatkat to cover increasing jet fuel and hotel costs. Despite the increase in prices, demand remained strong for last-minute deals. In Q1, customers continued booking trips into the upcoming summer season. Demand for city holidays continued to grow considerably.

In Q1, the global air freight market remained disrupted, and even though air cargo yields were elevated compared to the pre-pandemic era, declining market prices - combined with regular seasonality patterns - resulted in lower cargo revenue quarter-on-quarter. Finnair estimates that cargo demand will continue to soften and that prices will decline as market capacity increases and disruptions wane.

The US dollar, which is the most significant expense currency for Finnair after the euro, strengthened by 4.6 per cent against the euro year-on-year. The Q1 market price of jet fuel peaked in late January but declined after that. The US dollar-denominated average market price was 3.6 per cent lower, whereas the euro-denominated market price was 0.7 per cent higher than in the comparison period. Changes in fuel price and exchange rates are, however, not directly reflected in Finnair's result due to its hedging policy, as the company hedges its fuel purchases and key foreign currency items.

Financial performance in Q1

REVENUE IN Q1

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

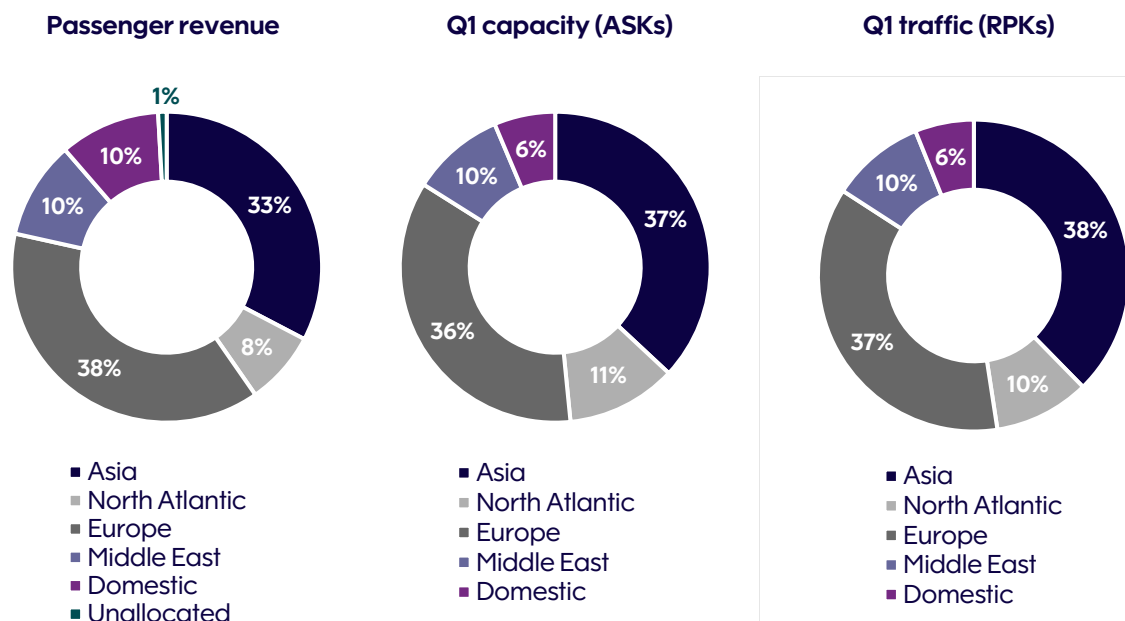
Revenue by product

EUR million	Q1/2023	Q1/2022	Change %
Passenger revenue	553.4	227.6	143.1
Ancillary revenue	33.0	26.7	23.8
Cargo	53.4	120.5	-55.7
Travel services	54.9	25.0	119.9
Total	694.7	399.8	73.8

Unit revenue (RASK) increased by 40.5 per cent and amounted to 8.13 cents (5.78). The RASK increase was caused by elevated passenger yields and higher passenger load factor despite the increase of cargo-only flights in the comparison period, as these flights do not generate any ASKs and, thus, have a positive RASK impact.

Passenger revenue and traffic data by area, Q1 2023

Traffic area	Passenger revenue		ASK		RPK		PLF	
	Q1/2023 MEUR	Q1/2022 MEUR	Q1/2023 Mill. km	Q1/2022 Mill. km	Q1/2023 Mill. km	Q1/2022 Mill. km	%	Change %-p
Asia	180.7	48.7	3,159.0	2,157.3	2,417.0	799.4	76.5	39.5
North Atlantic	42.4	29.2	981.4	1,734.3	636.8	565.2	64.9	32.3
Europe	211.1	109.2	3,036.1	2,492.6	2,346.5	1,542.7	77.3	15.4
Middle East	56.3	4.4	829.4	120.4	625.6	87.4	75.4	2.8
Domestic	58.0	32.4	544.3	410.6	392.4	274.5	72.1	5.2
Unallocated	4.9	3.7						
Total	553.4	227.6	8,550.2	6,915.2	6,418.4	3,269.2	75.1	27.8



The negative impact of the COVID-19 pandemic was still visible in the Asian traffic, as travel to China gradually opened during Q1. On the other hand, the comparison period was burdened by the Omicron variant that softened demand, combined with the closure of Russian airspace at the end of February 2022. Although the figures improved during the period due to strong demand, the Russian airspace closure had a negative impact on the figures in Q1, and this was visible mainly in the Asian figures. Passenger revenue increased by 143.1 per cent and traffic capacity, measured in Available Seat Kilometres (ASK), increased by 23.6 per cent overall against the comparison period. The number of passengers increased by 71.8 per cent to 2,592,700 passengers. Traffic, measured in Revenue Passenger Kilometres (RPK), increased by 96.3 per cent and the passenger load factor (PLF) increased by 27.8 percentage points to 75.1 per cent.

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

In Asian traffic, the number of scheduled passenger flights was less than 60 per cent compared to Q1 2019 because of the remaining pandemic impacts, but especially due to the Russian airspace closure. The number of scheduled passenger flights was nonetheless more than in the comparison period, as travel to Asia opened. Therefore, ASKs grew by 46.4 per cent and RPKs by 202.4 per cent. PLF increased by 39.5 percentage points to 76.5 per cent.

Due to the closed Russian airspace, Finnair has increased its North Atlantic capacity. As a result, North Atlantic ASKs in Q1 2023 increased by c. 35 per cent compared to Q1 2019. Compared to Q1 2022, ASKs decreased by 43.4 per cent as the Stockholm operations were discontinued at the end of October 2022. RPKs, however, increased by 12.7 per cent year-on-year. PLF increased by 32.3 percentage points to 64.9 per cent.

ASKs grew by 21.8 per cent in European traffic year-on-year on the back of robust demand. RPKs grew by 52.1 per cent and the PLF by 15.4 percentage points to 77.3 per cent. Since the beginning of 2023, Finnair has reported Middle East as a separate traffic area whereas in 2022, these figures were still included in the European traffic. Comparison period figures have been adjusted accordingly.

Finnair started its cooperation with Qatar Airways at the end of 2022. Flights operated by Finnair between Copenhagen, Stockholm and Doha commenced at the beginning of November, and flights between Helsinki and Doha from mid-December. As mentioned, the figures for these three daily routes are reported as a part of the new traffic area Middle East starting from 2023. This traffic area includes also flights to Dubai and Israel, which were operated before the Qatar Airways cooperation. ASKs grew by 589.2 per cent in Middle Eastern traffic year-on-year. RPKs grew by 615.9 per cent and the PLF by 2.8 percentage points to 75.4 per cent.

Domestic traffic capacity increased by 32.6 per cent, RPKs by 42.9 per cent and the PLF by 5.2 percentage points to 72.1 per cent year-on-year.

Ancillary revenue increased to 33.0 million euros (26.7). Advance seat reservations, excess baggage and frequent flyer programme-related revenue were the largest ancillary categories.

As Finnair operated fewer scheduled passenger flights to Asia compared to the pre-pandemic era, mainly due to the closure of Russian airspace, Finnair's Q1 cargo volumes were lower than the pre-pandemic figures of Q1 2019. Available scheduled cargo tonne kilometres, however, increased by 9.7 per cent year-on-year and revenue scheduled cargo tonne kilometres by 2.2 per cent. On the other hand, cargo-related available tonne kilometres decreased by 11.6 per cent and revenue tonne kilometres by 22.5 per cent year-on-year. Both include the cargo-only flights which were almost entirely replaced by scheduled passenger flights carrying belly cargo in Q1 2023. Total cargo tonnes decreased by 11.8 per cent and cargo revenue decreased by 55.7 per cent year-on-year, due to lower cargo yields. Finnair reports the cargo traffic figures related to the Qatar Airways cooperation as Finnair operates the flights. However, revenue related to these flights is included in passenger revenue.

Package holidays' financial development has been positively affected by the lifting of COVID-19 related travel restrictions. During Q1, only international package holidays were produced, as the production of domestic package holidays was discontinued earlier. The total number of Travel Services passengers increased by 59.6 per cent year-on-year and the load factor in allotment-based capacity was 97.8 per cent. Travel Services revenue increased by 119.9 per cent to 54.9 million euros (25.0).

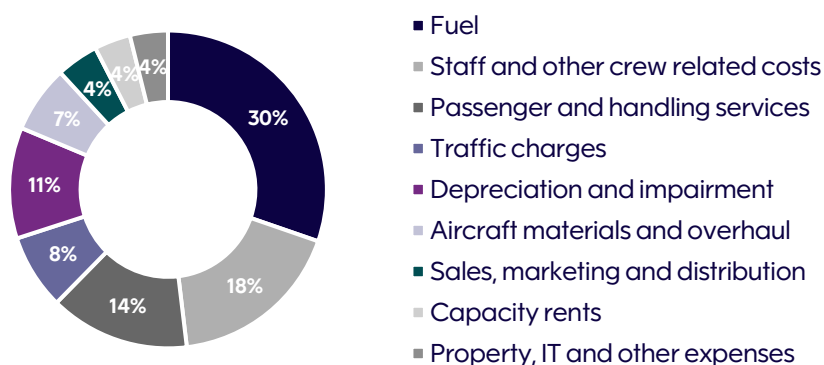
Other operating income increased to 31.1 million euros (15.6), mainly due to income related to the wet lease agreement with Lufthansa-owned Eurowings Discover.

OPERATING EXPENSES INCLUDED IN COMPARABLE EBIT IN Q1

Finnair's operating expenses, included in the comparable operating result, increased by 32.2 per cent mainly due to increased capacity, longer Asian routings and the high jet fuel price. Finnair continued its significant cost adjustment initiatives in Q1.

Unit cost (CASK) increased by 5.3 per cent and totalled 8.11 cents (7.70). CASK excluding fuel decreased by 3.1 per cent. Year-on-year, the decrease was caused by the increased capacity and the wet lease operations, the higher share of cargo-only flights in the comparison period, as well as the achieved cost savings.

Q1 operating expenses (€725.0 million in total) included in comparable operating result



EUR million	Q1/2023	Q1/2022	Change %
Staff and other crew related costs	129.1	101.7	27.0
Fuel costs	219.6	136.8	60.5
Capacity rents	26.8	22.8	17.3
Aircraft materials and overhaul	49.6	34.8	42.4
Traffic charges	55.4	51.5	7.5
Sales, marketing and distribution costs	31.1	20.7	50.6
Passenger and handling costs	103.4	70.8	46.1
Property, IT and other expenses	28.0	30.3	-7.6
Depreciation and impairment	82.0	78.8	4.0
Total	725.0	548.3	32.2

Operating expenses included in the comparable operating result, excluding fuel, increased by 22.8 per cent.

Fuel costs, including hedging results and emissions trading costs, grew mainly due to the increased capacity (measured in ASK), longer Asian routings and high fuel market price¹, which had an adverse impact of c. 40 million euros on costs year-on-year. Fuel efficiency (as measured in fuel consumption per ASK) weakened by 5.8 per cent due to e.g., longer Asian routings despite a very limited number of cargo-only flights, that do not generate ASKs, in Q1 2023. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, however, decreased by 8.3 per cent year-on-year as passenger load factor improved.

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

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

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

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

RESULT IN Q1

As travelling was unrestricted within Europe, to the United States and to almost all countries in Asia during Q1, impacts of the COVID-19 pandemic were mild. However, as the Russian airspace was closed back in February 2022, the rerouted flights were longer, increasing e.g., staff, fuel and navigation costs. The result was also adversely impacted by the high jet fuel price.

EUR million	Q1/2023	Q1/2022	Change %
Comparable EBITDA	82.8	-54.1	>200
Depreciation and impairment	-82.0	-78.8	-4.0
Comparable operating result	0.9	-132.9	100.7
Items affecting comparability	7.4	-32.0	123.3
Operating result	8.3	-164.9	105.0
Financial income	12.2	-0.4	>200
Financial expenses	-36.7	-33.3	-10.0
Exchange gains and losses	8.8	-13.4	165.5
Result before taxes	-7.4	-212.0	96.5
Income taxes	10.3	-0.7	>200
Result for the period	3.0	-212.8	101.4

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

Unrealised changes in foreign currencies relating to fleet overhaul provisions were 3.2 million euros (-3.4) due to the weakened US dollar during the period. Other items affecting comparability consist of fair value changes of derivatives for which hedge accounting is not applied, sales gains or losses and restructuring costs. These items totalled 4.3 million euros (4.1) during the quarter and related mostly to change sales gains totalling 2.8 million euros (4.0). During the comparison period, there were no restructuring costs. No impairment on aircraft was recognised during the period, whereas in Q1 2022, impairment on A330 aircraft was the biggest item affecting comparability (-32.7).

The net financial expenses were negative in Q1 mainly because of the interest expenses surpassing interest income and exchange gains. The company did not book any deferred tax assets based on the losses in Q1 2023 due to the uncertainty relating to utilisation of these losses in taxation. However, the recognised income taxes mainly related to changes in deferred tax assets that are based on certain temporary differences that had not been recognised during the financial year 2022. The company decided to recognise them in Q1 as these items have no statute of limitations, and as the company outlook has improved.

The result for the period was positive for the second consecutive quarter. It was related to abovementioned recognised deferred tax assets.

¹ Fuel price impact including impact of currencies and hedging.

Financial position and capital expenditure

BALANCE SHEET

The Group's balance sheet totalled 4,204.4 million euros at the end of March (31 Dec 2022: 4,133.0). As some investments were made, the fleet book value increased by 16.0 million euros despite depreciation. The right-of-use fleet decreased by 37.9 million euros due to depreciation.

Receivables related to revenue increased to 161.3 million euros mainly due to improved ticket sales (31 Dec 2022: 134.9). Net deferred tax assets increased to 97.6 million euros (31 Dec 2022: 80.6) as certain temporary differences were recognised retrospectively as deferred tax assets. The pension assets rose to 126.2 million euros (31 Dec 2022: 120.0) mainly due to actuarial gains whereas pension obligations remained unchanged at 0.7 million euros (31 Dec 2022: 0.7).

Deferred income and advances received increased to 619.0 million euros (31 Dec 2022: 452.0). This was mainly caused by an increase in the unflown ticket liability, amounting to 519.7 million euros (31 Dec 2022: 356.4) due to improved sales intake.

The profit for the period augmented shareholders' equity, which totalled 401.6 million euros (31 Dec 2022: 410.7), or 0.29 euros per share (31 Dec 2022: 0.29). Shareholders' equity also includes a fair value reserve that is affected by changes in the fair values of jet fuel and currency derivatives used for hedging as well as actuarial gains and losses related to defined benefit plans. The value of the item at the end of March was 29.8 million euros after deferred taxes (31 Dec 2022: 42.8) as the decrease in the fair value of hedge instruments had a declining impact on equity, especially due to the lower jet fuel price.

CASH FLOW AND FINANCIAL POSITION

Cash flow

EUR million	Q1/2023	Q1/2022
Net cash flow from operating activities	206.8	35.4
Net cash flow from investing activities	-143.7	-23.7
Net cash flow from financing activities	-78.5	-154.8

During Q1 2023, net cash flow from operating activities was clearly positive due to materially improved ticket sales and positive comparable EBITDA. Net cash flow from investments was negative, due to fleet-related investments and changes in other current financial assets (maturity over three months). Net cash flow from financing was negative due to loan repayments, which include the senior bond buyback of 18 million euros executed in Q1, and repayments of lease liabilities.

Capital structure

%	31 Mar 2023	31 Dec 2022
Equity ratio	9.6	9.9
Gearing	238.4	266.4

The equity ratio on 31 March 2023 decreased from the year-end 2022 despite the positive result for the period as the negative change in the fair value reserve surpassed its impact. Gearing declined on the back of increased cash funds, decline in adjusted interest-bearing liabilities and, thus, lower interest-bearing net debt even though equity weakened.

Liquidity and net debt

EUR million	31 Mar 2023	31 Dec 2022
Cash funds	1,567.8	1,524.4
Adjusted interest-bearing liabilities	2,525.3	2,618.4
Interest-bearing net debt	957.5	1,094.0

The company's liquidity remained strong as it improved from the year-end 2022 on the back of the robust net cash flow from operating activities. 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 2022 due to repayments of lease liabilities, weakened US dollar and loan repayments. The share of lease liabilities totalled 1,261.7 million euros (31 Dec 2022: 1,330.7).

CAPITAL EXPENDITURE

Gross capital expenditure, excluding advance payments, totalled 73.7 million euros during Q1 2023 (66.2) and was primarily related to fleet investments.

Cash flow from investments (including fixed asset investments and divestments, sublease payments received, advance payments and change in other non-current assets) totalled -79.9 million euros (-15.9).

Change in other current financial assets (maturity over three months) totalled -63.8 million euros (-7.7) also forming a part of the total net cash flow from investments, which amounted to -143.7 million euros (-23.7).

Cash flow from investments (including only fixed asset investments and advance payments) for the financial year 2023 relates mainly to the fleet and is expected to total -216 million euros. Investment cash flow includes both committed investments as well as estimates for planned, but not yet committed, investments.

The company has 36 unencumbered aircraft, which account for approximately 32.5 per cent of the balance sheet value of the entire fleet of 1,805.7 million euros.²

Fleet

FINNAIR'S OPERATING FLEET

Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair Plc. At the end of March, Finnair itself operated 55 aircraft, of which 25 were wide-body and 30 narrow-body aircraft. The average age of the fleet operated by Finnair was 11.7 years.

Fleet operated by Finnair*	Seats	#	Change from 31.12.2022	Own**	Leased	Average age 31.3.2023	Ordered
Narrow-body fleet							
Airbus A319	144	5	-1	5	0	21.8	
Airbus A320	174	10		10	0	20.6	
Airbus A321	209	15		1	14	8.7	
Wide-body fleet							
Airbus A330	289/263	8		4	4	13.4	
Airbus A350	297/336	17		5	12	5.4	2
Total		55	-1	25	30	11.7	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. The first of these aircraft is scheduled to be delivered to Finnair in Q4 2024 but, based on an agreement signed after the period, the delivery of the second aircraft has been deferred from Q1 2025 to Q2 2026.

During the first quarter, Finnair redelivered one Airbus A319 aircraft to the lessor at the end of its lease and purchased two Airbus A320s and one Airbus A321 aircraft from their respective lessors.

Finnair's investment commitments for property, plant and equipment, totalling 353.4 million euros, include the upcoming investments in the wide-body fleet.

FLEET OPERATED BY NORRA (PURCHASED TRAFFIC)

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

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

Fleet operated by Norra*	Seats	#	Change from	Own	Leased	Average age	Ordered
31.3.2023			31.12.2022			31.3.2023	
ATR	68–70	12		6	6	13.7	
Embraer E190	100	12		9	3	14.8	
Total		24	0	15	9	14.2	

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

Strategy implementation

Finnair renewed its strategy to 2025 in Q3 2022 due to the impacts of the pandemic and closed Russian airspace. The new strategy aims to restore profitability and build a competitive airline regardless of whether Russian airspace is open or not. It includes four main themes, which are: a more balanced network and fleet optimisation, strengthening unit revenues, reducing unit costs and sustainability.

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

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

MORE BALANCED NETWORK AND FLEET OPTIMISATION

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

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

Finnair announced after the period that it will cease flying two of its shortest domestic routes, replacing air service between its Helsinki hub and the cities of Turku and Tampere with a bus connection as of 1 May 2023. This will reduce Finnair's emissions and improve its profitability.

With the new strategy, the company aims to optimise its fleet to meet the needs of the future network.

STRENGTHENING UNIT REVENUES

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

Product and service quality are still differentiating factors for Finnair, in which operative quality plays an important role. Finnair's long-haul traffic emphasises a high-quality, differentiating travel experience, while smoothness, simplicity and efficiency are key to intra-European traffic. Finnair's Net Promoter Score (NPS) measuring customer satisfaction was at a good level of 42 (33). The renewed cabin in Finnair's widebody fleet has received very positive

feedback, which has contributed to customer satisfaction. Another contributing factor was Finnair's good on-time performance, which was 81.9 per cent (74.5), despite various capacity challenges in the European aviation system.

The role of digital services, which is already key for Finnair, is further increasing. The average monthly number of unique Finnair website visitors exceeded the pre-pandemic level in Q1 (in Q1 2019, c. 1.6 million) and remained at the comparison period level as it totalled 2.2 million (2.2). The number of active users of the Finnair mobile application increased by 40.6 per cent to 796,000 year-on-year. Share of passengers in Finnair's modern channels³ fell to 64.6 per cent (68.1) as the share of business travel, which relies more on legacy distribution channels, increased.

During the period, Finnair announced that it continues the journey towards enhanced retailing and is taking the next steps towards a more dynamic, customer-centric selling through modern channels. In 2023, Finnair will gradually implement continuous pricing in modern distribution channels, which results in more competitive pricing compared to legacy channels. In addition, Finnair is further accelerating this transformation by removing Finnish domestic flights from legacy channels starting from 1 May 2023.

REDUCING UNIT COSTS

Due to the closure of Russian airspace, profitable operations require a lower cost base than before, which is emphasised in Finnair's new strategy. The company's goal is to significantly reduce unit costs from the 2019 level. This goal includes the permanent cost savings of c. 200 million euros reached during the pandemic.

Considering the better-than-expected market development and strong cost inflation, Finnair expects that the strengthening of unit revenues will play a bigger role than previously anticipated in achieving the targets. At the same time, Finnair continues to focus on cost control and cost reductions in all aspects of its operations. Additional savings are sought from, among other things, fleet costs, supplier contracts and office space, as well as structural changes. Negotiations with personnel on changes to the terms of employment have progressed well, and the company has reached savings agreements with almost all personnel groups. During the period, Finnair concluded a savings agreement with its Finland-based cabin crew.

Finnair also announced during the period that it will discontinue the remaining in-flight and pre-order retail sales of cosmetics, accessories, gifts and other retail products by the end of February 2023. Already in 2020, the company had discontinued in-flight sales on flights within the EU as part of its goal to reduce the overall weight of the aircraft and, thus, also fuel costs and emissions. Finnair also announced that from mid-April 2023, it will renew its in-flight service concept in terms of e.g., catering, which will further reduce unit costs.

SUSTAINABILITY

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

The company's ambitious sustainability targets remained unchanged when the strategy was renewed. Finnair's long-term goal is carbon neutrality by 2045, with a 50 per cent reduction in net emission by the end of 2025 from the 2019 level. Part of the goal is achieved by flying less than in 2019. Key measures also include improving the fuel efficiency of Finnair's fleet, increasing the use of sustainable aviation fuels and emission compensation. At the beginning of 2023, Finnair purchased the largest single batch to date of sustainable aviation fuel (SAF) from Neste, consisting of 750 tons. The SAF was delivered during the first quarter for flights departing from Helsinki-Vantaa airport.

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

During the period, Finnish consumers have perceived Finnair and Aurinkomatkat as the most responsible brands in their respective industries in the Sustainable Brand Index survey 2023 in Finland.

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

PEOPLE

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

Finnair employed an average of 5,150 (5,326) people in Q1 2023, which is 3.3 per cent less than in the comparison period. The number of employees decreased during Q1 by 80 or 1.5 per cent, totalling 5,150 at the end of March (5,381). In total, 64 new persons were hired at Finnair in Q1 2023. The increase was mostly due to growth in the number of Finnair Kitchen and Finnair Business Services employees as well as Helsinki airport gate service agents. The attrition rate for the last 12 months was 6.9 per cent (9.0). The number of absences due to illness was 4.6 per cent (4.8) 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 with respect to reducing the CO₂ emissions of its flights. Finnair is committed to the sector's common goal of carbon-neutral growth from 2020 onwards, but sees this commitment as only a starting point. Finnair commits to becoming carbon neutral by 2045, with an interim goal of reducing the CO₂ net emissions by 50% by the end of 2025. This is a challenging target, but Finnair considers it important for the future of the company and a means to challenge the industry as a whole even further. Finnair is committed to setting a science-based carbon dioxide emission reduction target (SBTi) by Q1 2024 at the latest.

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

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

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

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

Changes in company management

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

Share price development and trading

Finnair's market capitalisation was 720.6 million euros at the end of March (31 Dec 2022: 546.4) and the closing price of the share was 0.51 euros (31 Dec 2022: 0.39). During Q1 2023, the highest price for the Finnair Plc share on the Nasdaq Helsinki was 0.60 euros, the lowest price 0.39 euros and the average price 0.52 euros. Some 116.8 million company shares, with a total value of 60.8 million euros, were traded on the Nasdaq Helsinki exchange.

The number of Finnair shares recorded in the Trade Register was 1,408,726,198 at the end of the period (31 Dec: 1,407,401,265) as Finnair Plc issued 1,324,933 new shares to itself without consideration on 31 March 2023. The Finnish state owned 55.8 per cent (31 Dec 2022: 55.9) of Finnair's shares, while 9.6 per cent (31 Dec 2022: 7.6) were held by foreign investors or in the name of a nominee at the end of the period.

Own shares

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

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

After the period on 3 April 2023, Finnair transferred a total of 1,324,933 own shares as incentives to the participants of the FlyShare employee share savings Plan. Consequently, Finnair retained 399,303 own shares.

Decisions made by and authorisations granted by the Annual General Meeting 2023

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

Altogether 247 shareholders representing 62.9 per cent of the votes participated in the Annual General Meeting 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 2022.

Tiina Alahuhta-Kasko, Montie Brewer, Jukka Erlund, Hannele Jakosuo-Jansson, Henrik Kjellberg and Simon Large were re-elected to the Board of Directors, and Minna Pajumaa and Sanna-Suvanto Harsaae were elected as new members to the Board of Directors. The term of office of the Board of Directors expires at the end of the next AGM in 2024. Ms. Sanna Suvanto-Harsaae was elected as the Chair 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 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 AGM also decided, in accordance with the proposal of the Board of Directors, to amend the company's Articles of Association to enable convening an Annual General Meeting of shareholders as a virtual meeting without a meeting venue as an alternative to a physical meeting or a hybrid meeting. The amendment is intended to facilitate the holding of Annual General Meetings of shareholders and to promote the possibility for all Finnair shareholders to participate in Annual General Meetings of shareholders and exercise their full rights.

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

Significant risks and uncertainties

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

Factors such as geopolitical uncertainty, the threat of trade wars, the threat of terrorism and cyber-attacks as well as other potential external disruptions may, if they materialise, significantly affect Finnair's operations. Geopolitical tensions may have an adverse effect on the global economic environment, and on Finnair's network and profitability. The war in Ukraine has already significantly impacted the global trade in the form of sanctions and countersanctions, and as regards to civil aviation, closures of the airspace. For Finnair's Asian traffic, the duration of the closure of the Russian airspace, as well as a potential escalation of the war, are key risk factors. Further routes between Europe and Asia may become impossible to operate and / or commercially unviable. The impact of a prolonged closure of the Russian airspace and the potential escalation of the war on Finnair's business, financial result and future outlook depends on the company's ability to adapt its network, costs, revenue sources and financing in the 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 that is highly sensitive to global economic cycles and reacts quickly to external disruptions, seasonal variations and economic trends, as the global COVID-19 pandemic and the war in Ukraine have demonstrated.

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

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

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

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

outlook. Derivatives used to hedge against adverse price movements in jet fuel may prove to be inefficient, resulting in an increased jet fuel price in relation to market prices. Due to market volatility impacting the pricing and availability of hedging instruments, Finnair's hedging ratio is currently below the pre-pandemic levels but within the range defined in the treasury policy.

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

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

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

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

The aviation industry is affected by a number of regulatory trends. Estimating the impacts of the regulatory changes on airlines' operational activities and/or costs in advance is difficult. Examples of such regulatory trends include regulation related to emissions trading, noise regulation and other environmental regulation, as well as regulations on privacy and consumer protection. Due to the extraordinary circumstances caused by the COVID-19 pandemic, uncertainties related to agreements and authority policies as well as interpretation and implementation of legislation, such as approval of state aid, may increase. This may increase the likelihood of litigation processes.

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

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

In Finnair's goal of halving its net carbon emissions by the end of 2025 from the 2019 level, 95 per cent of the target has relied on offsetting. However, their global market has not developed as expected, and the market is still immature. In 2022, Finnair committed to the Science Based Target Initiative, where emission credits are not accepted as emission reductions. Because of this, Finnair is now reassessing the selection of the means that it will use to achieve the emission target and its costs. There is also a risk that Finnair may not reach the target.

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 generally at their lowest in the first quarter and at their highest in the third quarter of the year.

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

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

Sensitivities in business operations, impact on comparable operating profit (rolling 12 months from date of financial statements)	1 percentage point change
Passenger load factor (PLF, %)	EUR 29 million
Average yield of passenger traffic	EUR 21 million
Unit cost (CASK excl. fuel)	EUR 19 million

Fuel sensitivities (rolling 12 months from date of financial statements)	10% change without hedging	10% change, taking hedging into account
Fuel	EUR 72 million	EUR 52 million

Fuel hedging and average hedged price (rolling 12 months from date of financial statements)	Hedged fuel, tonnes*	Average hedge price, USD/ton* **
Q2 2023	141,000	1,027
Q3 2023	147,000	975
Q4 2023	99,000	972
Q1 2024	69,000	937
Total	456,000	985

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

** Average of swaps and bought call options strikes.

Currency distribution, %	Q1 2023	Q1 2022	2022	Currency sensitivities USD and JPY (rolling 12 months from date of financial statements for operational cash flows)		Hedging ratio for operational cash flows (rolling next 12 months)
Sales currencies				10% change without hedging	10% change taking hedging into account	
EUR	65	54	59	-	-	-
USD*	4	5	8	see below	see below	see below
JPY	3	6	4	EUR 9 million	EUR 5 million	38%
CNY	1	4	2	-	-	-
KRW	3	3	2	-	-	-
SEK	4	5	4	-	-	-
Other	19	24	21	-	-	-
Purchase currencies						
EUR	62	59	55	-	-	-
USD*	31	35	41	EUR 68 million	EUR 40 million	45%
Other	7	6	5	-	-	-

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

HEDGING OF FOREIGN CURRENCY EXPOSURE IN BALANCE SHEET

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

Events after the period

After the period, Finnair has concluded an agreement with Airbus to postpone the delivery of the second remaining A350 aircraft. The aircraft was originally scheduled for delivery in Q1 2025, but the new delivery date will be in Q2 2026. The other remaining A350, scheduled for delivery in Q4 2024, will be delivered in accordance with the existing schedule. As a result of the deferral, the negative impact of more than 100 million euros on group cash flow will be transferred from 2025 to 2026.

Financial reporting in 2023

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

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

FINNAIR PLC
Board of Directors

Briefings

Finnair will hold a results press conference (in Finnish) on 27 April 2023 at 11:00 a.m. at its office at Tietotie 9. It is also possible to participate in the press conference via a live webcast at <https://finnairgroup.videosync.fi/2023-0427-press>.

An English-language telephone conference and webcast will begin at 1:00 p.m. Finnish time. To access the conference, kindly first register at <https://palvelu.flik.fi/teleconference/?id=10010295>. After the registration, you will



be provided with phone numbers and a conference ID. To join the live webcast, please register at <https://finnairgroup.videosync.fi/2023-q1>.

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Key performance indicators

EUR in millions, unless otherwise indicated	Q1 2023	Q1 2022	Change %	2022
Revenue and profitability				
Revenue	694.7	399.8	73.8	2,356.6
Comparable operating result	0.9	-132.9	100.7	-163.9
Comparable operating result, % of revenue	0.1	-33.2	33.4 %-p	-7.0
Operating result	8.3	-164.9	105.0	-200.6
Comparable EBITDA, % of revenue	11.9	-13.5	25.4 %-p	6.5
Earnings per share (EPS), basic, EUR	-0.01	-0.15	96.4	-0.36
Earnings per share (EPS), diluted, EUR	-0.01	-0.15	96.4	-0.36
Unit revenue per available seat kilometre (RASK), cents/ASK	8.13	5.78	40.5	7.53
Unit revenue per revenue passenger kilometre (yield), cents/RPK	8.62	6.96	23.8	8.09
Unit cost per available seat kilometre (CASK), cents/ASK	8.11	7.70	5.3	8.05
CASK excluding fuel, cents/ASK	5.55	5.72	-3.1	5.38
Capital structure				
Equity ratio, %	9.6	7.2	2.3 %-p	9.9
Gearing, %	238.4	551.4	-312.9 %-p	266.4
Interest-bearing net debt	957.5	1,549.3	-38.2	1,094.0
Interest-bearing net debt / Comparable EBITDA, LTM	3.3	-10.9	14.2 %-p	7.1
Gross capital expenditure	73.7	66.2	11.4	199.6
Return on capital employed (ROCE), LTM, %	-0.3	-15.5	15.3 %-p	-6.1
Cash to sales, LTM, %	59.1	101.1	-41.9 %-p	64.7
Traffic				
Passengers, 1,000	2,593	1,509	71.8	9,096
Flights, number	24,638	18,232	35.1	88,713
Available seat kilometres (ASK), million	8,550	6,915	23.6	31,298
Revenue passenger kilometres (RPK), million	6,418	3,269	96.3	21,157
Passenger load factor (PLF), %	75.1	47.3	27.8 %-p	67.6
Strengthening unit revenues				
Net Promoter Score (NPS)	42	33	26.7	40
Share of passengers in modern channels, %	64.6	68.1	-3.5 %-p	66.3
Average number of monthly visitors at finnair.com, millions	2.2	2.2	-1.8	2.3
Active users for Finnair mobile app, thousands	796.0	566.0	40.6	711.0
Ancillary and retail revenue	33.0	26.7	23.8	123.2
Reducing unit costs				
Jet fuel consumption, tonnes	227,209	173,706	30.8	788,104
On-time performance, %	81.9	74.5	7.4 %-p	79.0
Sustainability				
Flight CO ₂ emissions, tonnes	715,709	547,173	30.8	2,482,528
Flight CO ₂ emissions, g/ASK	83.7	79.1	5.8	79.3
Flight CO ₂ emissions, g/RTK	939.9	1024.9	-8.3	926.9
People				
Average number of employees	5,150	5,326	-3.3	5,336
Absences due to illness, %	4.55	4.82	-0.27 %-p	5.37
Lost-time injury frequency (LTIF)	7.9	6.4	24.2	6.8
Attrition rate, LTM, %	6.9	9.0	-2.1 %-p	7.3

PERFORMANCE INDICATORS CLASSIFIED AS ALTERNATIVE PERFORMANCE MEASURES

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

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

RECONCILIATION OF PERFORMANCE INDICATORS CLASSIFIED AS ALTERNATIVE PERFORMANCE MEASURES

Items affecting comparability EUR in millions	Q1 2023	Q1 2022	Change %	2022
Operating result	8.3	-164.9	105.0	-200.6
Unrealized changes in foreign currencies of fleet overhaul provisions	-3.2	3.4	-193.5	8.8
Fair value changes of derivatives where hedge accounting is not applied	-1.6	-0.1	<200	-0.9
Sales gains and losses on aircraft and other transactions	-2.8	-4.0	30.2	-6.6
Impairment on A330 aircraft		32.7	-100.0	32.7
Restructuring costs	0.1	-	-	2.6
Comparable operating result	0.9	-132.9	100.7	-163.9
Depreciation and impairment	82.0	78.8	4.0	317.1
Comparable EBITDA	82.8	-54.1	> 200	153.2

Equity ratio EUR in millions, unless otherwise indicated	31 Mar 2023	31 Mar 2022	Change %	31 Dec 2022
Equity total	401.6	281.0	42.9	410.7
Equity and liabilities total	4,204.4	3,898.4	7.9	4,133.0
Equity ratio, %	9.6	7.2	2.3 %-p	9.9

Gearing, interest-bearing net debt and interest-bearing net debt / Comparable EBITDA, LTM EUR in millions, unless otherwise indicated	31 Mar 2023	31 Mar 2022	Change %	31 Dec 2022
Lease liabilities	1,261.7	1,381.0	-8.6	1,330.7
Other interest-bearing liabilities	1,265.5	1,321.0	-4.2	1,298.5
Cross currency interest rate swaps*	-2.0	-16.2	87.6	-10.7
Adjusted interest-bearing liabilities	2,525.3	2,685.7	-6.0	2,618.4
Other financial assets	-880.7	-590.5	-49.1	-738.6
Cash and cash equivalents	-687.0	-545.9	-25.8	-785.8
Cash funds	-1,567.8	-1,136.5	-38.0	-1,524.4
Interest-bearing net debt	957.5	1,549.3	-38.2	1,094.0
Equity total	401.6	281.0	42.9	410.7
Gearing, %	238.4	551.4	-312.9 %-p	266.4
Comparable EBITDA, LTM	290.1	-142.2	> 200	153.2
Interest-bearing net debt / Comparable EBITDA, LTM	3.3	-10.9	14.2 %-p	7.1

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

Gross capital expenditure EUR in millions	Q1 2023	Q1 2022	Change %	2022
Additions in fixed assets	66.9	38.3	74.9	125.8
New contracts in right-of-use assets	1.0	2.3	-58.2	9.5
Reassessments and modifications in right-of-use assets	5.9	25.6	-77.2	64.3
Gross capital expenditure	73.7	66.2	11.4	199.6

Return on capital employed (ROCE), LTM EUR in millions, unless otherwise indicated	31 Mar 2023	31 Mar 2022	Change %	31 Dec 2022
Result before taxes, LTM	-166.1	-612.2	72.9	-370.7
Financial expenses, LTM	141.3	122.6	15.2	137.9
Exchange rate gains and losses, LTM	16.6	26.8	-38.3	38.8
Return, LTM	-8.2	-462.8	98.2	-194.0
Equity total	401.6	281.0	42.9	410.7
Lease liabilities	1,261.7	1,381.0	-8.6	1,330.7
Other interest-bearing liabilities	1,265.5	1,321.0	-4.2	1,298.5
Capital employed	2,928.9	2,983.0	-1.8	3,039.8
Capital employed, average of reporting period and comparison period	2,955.9	2,978.6*	-0.8	3,162.2*
Return on capital employed (ROCE), LTM, %	-0.3	-15.5	15.3 %-p	-6.1

* Capital employed accounted was EUR 2,974.3 million as at 31 Mar 2021 and EUR 3,284.6 million as at 31 Dec 2021.

Cash to sales, LTM EUR in millions, unless otherwise indicated	31 Mar 2023	31 Mar 2022	Change %	31 Dec 2022
Other financial assets	880.7	590.5	49.1	738.6
Cash and cash equivalents	687.0	545.9	25.8	785.8
Cash funds	1,567.8	1,136.5	38.0	1,524.4
Revenue, LTM	2,651.5	1,124.6	135.8	2,356.6
Cash to sales, LTM, %	59.1	101.1	-41.9 %-p	64.7

OTHER PERFORMANCE INDICATORS

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

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

Reducing unit costs	
On-time performance	The share of flights arrived less than 15 minutes late

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

Sustainability	
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

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CONSOLIDATED INCOME STATEMENT

EUR in millions	Note	Q1 2023	Q1 2022	2022
Revenue	5	694.7	399.8	2,356.6
Other operating income	6	33.9	19.6	153.5
Operating expenses				
Staff and other crew related costs	7	-129.2	-101.7	-449.6
Fuel costs		-218.0	-136.7	-835.1
Capacity rents		-26.8	-22.8	-102.5
Aircraft materials and overhaul		-46.4	-38.2	-192.4
Traffic charges		-55.4	-51.5	-206.5
Sales, marketing and distribution costs		-31.1	-20.7	-103.1
Passenger and handling services		-103.4	-70.8	-348.0
Depreciation and impairment	8	-82.0	-111.6	-349.8
Property, IT and other expenses		-28.1	-30.3	-123.7
Operating result		8.3	-164.9	-200.6
Financial income		12.2	-0.4	6.5
Financial expenses		-36.7	-33.3	-137.9
Exchange rate gains and losses		8.8	-13.4	-38.8
Result before taxes		-7.4	-212.0	-370.7
Income taxes	13	10.3	-0.7	-105.4
Result for the period		3.0	-212.8	-476.2
Attributable to				
Owners of the parent company		3.0	-212.8	-476.2
Earnings per share attributable to shareholders of the parent company, EUR				
Basic earnings per share		-0.01	-0.15	-0.36
Diluted earnings per share		-0.01	-0.15	-0.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR in millions	Q1 2023	Q1 2022	2022
Result for the period	3.0	-212.8	-476.2
Other comprehensive income items			
Items that may be reclassified to profit or loss in subsequent periods			
Change in fair value of hedging instruments	-27.5	8.3	-13.8
Tax effect	8.2	-1.7	0.1
Items that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains and losses from defined benefit plans	7.8	15.0	49.9
Tax effect	-1.6	-3.0	-10.0
Other comprehensive income items total	-13.0	18.6	26.2
Comprehensive income for the period	-10.1	-194.2	-450.0
Attributable to			
Owners of the parent company	-10.1	-194.2	-450.0

CONSOLIDATED BALANCE SHEET

EUR in millions	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
ASSETS				
Non-current assets				
Fleet	15	910.8	907.5	894.8
Right-of-use fleet	16	894.9	1,010.2	932.9
Fleet total		1,805.7	1,917.7	1,827.6
Other fixed assets	15	147.6	158.8	150.1
Right-of-use other fixed assets	16	144.0	156.1	145.4
Other fixed assets total		291.6	314.9	295.5
Pension assets	18	126.2	93.0	120.0
Other non-current assets		3.3	4.4	4.5
Deferred tax assets	13	97.6	186.3	80.6
Non-current assets total		2,324.4	2,516.3	2,328.3
Current assets				
Receivables related to revenue		161.3	123.7	134.9
Inventories and other current assets		138.1	66.4	122.0
Derivative financial instruments	10,11	12.9	46.3	23.5
Other financial assets	11	880.7	590.5	738.6
Cash and cash equivalents		687.0	545.9	785.8
Current assets total		1,880.1	1,372.9	1,804.8
Assets held for sale			9.2	
Assets total		4,204.4	3,898.4	4,133.0
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital		75.4	75.4	75.4
Other equity		326.2	205.6	335.2
Equity total		401.6	281.0	410.7
Non-current liabilities				
Lease liabilities	19	1,067.3	1,200.5	1,128.0
Other interest-bearing liabilities	19	1,025.7	980.5	1,058.4
Pension obligations		0.7	0.7	0.7
Provisions and other liabilities	21	164.3	195.8	186.4
Non-current liabilities total		2,258.0	2,377.4	2,373.5
Current liabilities				
Lease liabilities	19	194.4	180.4	202.7
Other interest-bearing liabilities	19	239.8	340.5	240.1
Provisions	21	51.6	22.5	71.7
Trade payables		91.5	50.4	90.3
Derivative financial instruments	10,11	66.3	7.0	36.7
Deferred income and advances received	22	619.0	402.0	452.0
Liabilities related to employee benefits		128.5	81.4	111.2
Other liabilities		153.6	155.7	144.4
Current liabilities total		1,544.9	1,239.9	1,348.9
Liabilities total		3,802.8	3,617.4	3,722.4
Equity and liabilities total		4,204.4	3,898.4	4,133.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR in millions	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Capital loan	Equity total
Equity 1 Jan 2023	75.4	168.1	42.8	763.3	-1,237.0	198.0	400.0	410.7
Result for the period					3.0			3.0
Change in fair value of hedging instruments			-19.3					-19.3
Actuarial gains and losses from defined benefit plans			6.3					6.3
Comprehensive income for the period			-13.0		3.0			-10.1
Share-based payments				1.0				1.0
Equity 31 Mar 2023	75.4	168.1	29.8	764.3	-1,234.1	198.0	400.0	401.6

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

CONSOLIDATED CASH FLOW STATEMENT

EUR in millions	Q1 2023	Q1 2022	2022
Cash flow from operating activities			
Result before taxes	-7.4	-212.0	-370.7
Depreciation and impairment	82.0	111.6	349.8
Financial income and expenses	15.7	47.2	170.2
Sales gains and losses on aircraft and other transactions	-2.8	-4.0	-6.6
Change in provisions	-10.4	2.2	45.2
Employee benefits	3.8	2.5	12.7
Other adjustments	0.8	-0.1	2.1
Non-cash transactions	-5.9	4.7	60.0
Changes in trade and other receivables	-36.9	-23.6	-86.9
Changes in inventories	-0.7	-3.6	-10.1
Changes in trade and other payables	186.3	139.1	249.5
Changes in working capital	148.7	111.9	152.5
Financial expenses paid, net	-23.6	-23.9	-96.1
Net cash flow from operating activities	206.8	35.4	259.0
Cash flow from investing activities			
Investments in fleet	-79.7	-28.1	-83.1
Investments in other fixed assets	-0.7	-1.5	-4.9
Divestments of fleet, other fixed assets, and shares	0.4	13.6	25.5
Lease and lease interest payments received	0.1	0.1	0.4
Change in other current financial assets (maturity over 3 months)	-63.8	-7.7	-12.8
Change in other non-current assets	0.0	0.0	-0.7
Net cash flow from investing activities	-143.7	-23.7	-75.5
Cash flow from financing activities			
Loan repayments	-27.3	-111.3	-144.0
Repayments of lease liabilities	-51.2	-43.5	-193.4
Hybrid bond interests and expenses			-20.5
Proceeds from capital loan			400.0
Net cash flow from financing activities	-78.5	-154.8	42.1
Change in cash flows	-15.5	-143.1	225.6
Liquid funds, at beginning	1,375.6	1,150.0	1,150.0
Change in cash flows	-15.5	-143.1	225.6
Liquid funds, at end *	1,360.1	1,006.9	1,375.6
* Liquid funds			
Other financial assets	880.7	590.5	738.6
Cash and cash equivalents	687.0	545.9	785.8
Cash funds	1,567.8	1,136.5	1,524.4
Other current financial assets (maturity over 3 months)	-207.6	-129.5	-148.8
Liquid funds	1,360.1	1,006.9	1,375.6

Notes to the consolidated interim financial report 1 Jan – 31 Mar 2023

1. BASIS OF PREPARATION

This consolidated interim financial report has been prepared in accordance with the Interim Financial Reporting standard IAS 34 and its figures are unaudited. The consolidated interim financial report has been authorized for publication on 26 April 2023.

2. ACCOUNTING PRINCIPLES

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

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

The consolidated interim financial report for the period ending 31 March 2023 has been prepared based on the going concern assumption. The Finnair Board of Directors has assessed the Group's ability to continue as a going concern based on the Group's ability to meet its obligations as they fall due at least 12 months after the interim financial report is issued. The assessment is based on Finnair's strategy and the management's latest business plan approved by the Board of Directors. As a result of the returned passenger demand following the easing of the COVID-19 pandemic's impacts as well as the implementation of Finnair's renewed strategy in accordance with the plan, the company's management no longer estimates the effects of the war in Ukraine or those of the COVID-19 pandemic to be as significant in terms of business continuity as they were in the previous financial year.

Despite the positive development of Finnair's operating environment, the closure of Russian airspace and high jet fuel prices will be having a significant impact on the upcoming months, 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 Directors' 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.

4. CRITICAL ACCOUNTING ESTIMATES AND SOURCES OF UNCERTAINTY

The preparation of the interim financial report requires the company's management to make estimates and assumptions that influence the levels of reported assets and liabilities as well as the revenue and expenses. The actual outcome may differ from the estimates made. The identified items that require the most management estimates and assumptions, or where those estimates involve most uncertainties, include valuation of the fleet and other fixed assets, leasing arrangements, pension obligations, maintenance reserves of the fleet, Finnair Plus - customer loyalty program, derivatives and hedge accounting as well as deferred tax assets. Also, the Board of Directors' assessment of going concern presented in note 3 is based on management estimates about the future events and developments and other information available to the management at the time of the assessment. When preparing the interim financial report, the management has also considered the impacts of climate related matters in the estimates used in this interim report. Information of the main critical accounting estimates and sources of uncertainty as well as the climate related impacts are disclosed in more detail in the 2022 financial statements.

In connection with the preparation of the interim report, the management has prepared just one forecast scenario as it estimates that the unusually high uncertainty caused by the COVID-19 pandemic and war in Ukraine has decreased significantly as a result of the returned passenger demand following the easing the COVID-19 pandemic and the implementation of Finnair's renewed strategy in accordance with the plan. The management's estimates and assumptions used in this interim financial report as well as the amount of reported assets and liabilities and income and expenses, will nevertheless remain subject to significant uncertainty. The closure of Russian airspace is expected to affect the routings and operating costs of Finnair flights to Asia for a longer time, in addition to which the future fuel price development, impact of inflation and increasing interest rates on passenger demand and costs as well as the changes in the economic and competitive environment are subject to increased uncertainty. Further, even when practically no pandemic-related travel restrictions currently remain, the uncertainties associated with possible new virus variants and travel restrictions continue to pose a risk to air passenger demand and therefore, to the development of Finnair's revenue. Finnair's management is continuously monitoring the changes in its operating environment and updates its estimates and assumptions based on the latest available information.

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 first quarter revenue increased compared to the corresponding quarter of 2022 mainly due to a significant increase in passenger revenues. This was due to the strong impact of the COVID-19 pandemic in the comparison period and, on the other hand, the passenger yields being exceptionally high during the reporting period. The decrease in cargo revenues was mainly due to lower yields.

Q1 2023, EUR in millions	Asia	North Atlantic	Europe	Middle East	Domestic	Un-allocated	Total	Share %
Passenger revenue	180.7	42.4	211.1	56.3	58.0	4.9	553.4	79.7
Ancillary and retail revenue	7.5	1.9	9.9	0.8	2.0	11.0	33.0	4.8
Cargo	35.3	8.7	8.6	0.9	0.1	-0.2	53.4	7.7
Travel services	15.8	0.4	34.2	4.6	0.0	0.0	54.9	7.9
Total	239.3	53.3	263.8	62.5	60.1	15.7	694.7	
Share %	34.4	7.7	38.0	9.0	8.6	2.3		

Q1 2022, EUR in millions	Asia	North Atlantic	Europe	Middle East	Domestic	Un-allocated	Total	Share %
Passenger revenue	48.7	29.2	109.2	4.4	32.4	3.7	227.6	56.9
Ancillary and retail revenue	3.7	2.0	6.4	0.3	1.9	12.2	26.7	6.7
Cargo	78.0	27.0	17.2	1.5	0.1	-3.1	120.5	30.2
Travel services	2.5	0.0	20.5	1.7	0.4	-0.1	25.0	6.2
Total	132.8	58.2	153.3	7.9	34.8	12.7	399.8	
Share %	33.2	14.6	38.3	2.0	8.7	3.2		

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

Key figures quarterly, last 24 months	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue	694.7	687.3	719.2	550.3	399.8	413.5	199.4	111.8
Passenger revenue	553.4	535.5	553.9	393.6	227.6	218.9	113.9	44.9
Ancillary and retail revenue	33.0	32.4	36.3	27.7	26.7	19.4	10.5	5.7
Cargo	53.4	68.6	73.4	89.8	120.5	147.1	65.4	61.2
Travel services	54.9	50.8	55.5	39.1	25.0	28.1	9.7	0.0
Comparable EBITDA	82.8	99.1	114.1	-6.0	-54.1	12.6	-30.7	-70.0
Comparable operating result	0.9	17.9	35.2	-84.2	-132.9	-65.2	-109.1	-151.3
Operating result	8.3	38.0	19.2	-92.9	-164.9	-60.2	-106.0	-139.1

6. OTHER OPERATING INCOME

Other operating income increased when compared to the first quarter of 2022 mainly due to agreed wet lease arrangements with Eurowings Discover in which Finnair leases out the aircraft including the crew for a fixed period of time.

EUR in millions	Q1 2023	Q1 2022	Change %	2022
Lease income	25.5	9.7	163.0	118.8
Sales gains on fixed assets	2.8	4.0	-30.3	6.8
Other income	5.6	5.9	-4.5	27.9
Total	33.9	19.6	73.3	153.5

7. STAFF AND OTHER CREW RELATED COSTS

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

EUR in millions	Q1 2023	Q1 2022	Change %	2022
Wages and salaries	-90.2	-67.0	-34.8	-297.3
Defined contribution schemes	-14.7	-11.1	-32.9	-55.4
Defined benefit schemes	-2.8	-3.0	8.2	-11.4
Pension expenses total	-17.5	-14.1	-24.1	-66.8
Other social expenses	-4.5	-8.1	44.4	-31.6
Salaries, pension and social costs	-112.2	-89.1	-25.9	-395.7
Operative staff related costs	-8.7	-5.5	-58.4	-27.6
Leased and outsourced crew	-6.1	-5.5	-10.8	-19.0
Other personnel related costs	-2.2	-1.6	-34.9	-7.3
Total	-129.2	-101.7	-27.0	-449.6

8. DEPRECIATION AND IMPAIRMENT

EUR in millions	Q1 2023	Q1 2022	Change %	2022
Depreciation of owned fleet	-32.0	-30.2	-6.0	-120.9
Depreciation of other fixed assets	-3.9	-5.4	28.3	-18.9
Depreciation of right-of-use fleet	-40.7	-38.0	-7.1	-156.0
Depreciation of right-of-use other assets	-5.4	-5.3	-2.9	-21.3
Depreciation	-82.0	-78.8	-4.0	-317.1
Impairment		-32.7	100.0	-32.7
Total	-82.0	-111.6	26.5	-349.8

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

Intangible assets with indefinite useful life are not subject to depreciation but are tested for impairment at least annually and whenever an indication of impairment exists. The intangible assets with indefinite useful life amount to 1.4 million euros (31 December 2022: 1.4).

Finnair's management has evaluated various impairment indicators as well as the latest management forecast in connection with the preparation of the interim report, based on which it no longer considers the effects caused by the COVID-19 pandemic and the closure of Russian airspace as indications of a possible impairment. The management estimates that due to the returned passenger demand and the implementation of Finnair's renewed strategy in accordance with the plan, their impact on the valuation of the company's fixed assets is no longer as significant as in the previous financial period.

9. ITEMS AFFECTING COMPARABILITY

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

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

EUR in millions	Reported	Q1 2023 Items affecting compara- bility	Compa- rable	Reported	Q1 2022 Items affecting compara- bility	Compa- rable	Reported	2022 Items affecting compara- bility	Compa- rable
Revenue	694.7		694.7	399.8		399.8	2,356.6		2,356.6
Other operating income	33.9	-2.8	31.1	19.6	-4.0	15.6	153.5	-6.8	146.7
Operating expenses									
Staff and other crew related costs	-129.2	0.0	-129.1	-101.7		-101.7	-449.6	2.5	-447.1
Fuel costs	-218.0	-1.6	-219.6	-136.7	-0.1	-136.8	-835.1	-0.9	-836.0
Capacity rents	-26.8		-26.8	-22.8		-22.8	-102.5		-102.5
Aircraft materials and overhaul	-46.4	-3.2	-49.6	-38.2	3.4	-34.8	-192.4	8.8	-183.6
Traffic charges	-55.4		-55.4	-51.5		-51.5	-206.5		-206.5
Sales, marketing and distribution costs	-31.1		-31.1	-20.7		-20.7	-103.1		-103.1
Passenger and handling services	-103.4		-103.4	-70.8		-70.8	-348.0		-348.0
Property, IT and other expenses	-28.1	0.1	-28.0	-30.3	0.0	-30.3	-123.7	0.4	-123.3
EBITDA			82.8			-54.1			153.2
Depreciation and impairment	-82.0		-82.0	-111.6	32.7	-78.8	-349.8	32.7	-317.1
Operating result	8.3	-7.4	0.9	-164.9	32.0	-132.9	-200.6	36.6	-163.9

Items affecting comparability include gain of 3.2 million euros on the unrealized exchange rate difference of aircraft maintenance provisions and gain of 2.8 million euros mainly related to the purchase of three leased aircraft. Gain on unrealised fair value changes of derivatives where hedge accounting is not applied was 1.6 million euros.

10. MANAGEMENT OF FINANCIAL RISKS

No significant changes have been made to the Group's risk management principles in the reporting period. The objectives and principles of risk management are consistent with the information presented in the Group's 2022 financial statements. The tables below present the nominal value, or the amount and net fair value of derivative contracts used in Group's hedge accounting. In addition to derivatives Finnair has also used USD denominated investments and deposits to hedge its balance sheet exposure. The amount of these investments and deposits at the end of Q1 2023 was over 400 million dollars.

The appreciated US dollar against the euro has had a positive impact on the valuations of derivatives and the decreased price of jet fuel has had a negative impact on the valuations of derivatives. On a quarter-on-quarter basis, the US dollar appreciated 4.6% against the euro and jet fuel price decreased 3.6%.

Derivatives, EUR in millions	31 Mar 2023		31 Mar 2022		31 Dec 2022	
	Nominal value	Fair net value	Nominal value	Fair net value	Nominal value	Fair net value
Currency derivatives						
Operational cash flow hedging (forward contracts)	305.7	-8.3	53.6	0.3	284.7	-7.3
Operational cash flow hedging (options)						
Bought options	43.3	0.2	4.5	0.0		
Sold options	40.1	-0.6	4.3	0.0		
Fair value hedging of aircraft acquisitions	183.7	-13.8	162.9	12.6	183.7	-11.6
Hedge accounting items total	572.7	-22.4	225.3	13.0	468.4	-18.9
Balance sheet hedging (forward contracts)	330.8	-1.2	291.2	-2.3	337.7	-0.3
Items outside hedge accounting total	330.8	-1.2	291.2	-2.3	337.7	-0.3
Currency derivatives total	903.4	-23.7	516.6	10.6	806.1	-19.3
Commodity derivatives						
Jet fuel forward contracts, tonnes	287,000	-23.4	43,000	14.4	209,000	-2.5
Options						
Bought options, jet fuel, tonnes	205,000	2.3	48,000	-0.4	149,000	4.8
Sold options, jet fuel, tonnes	205,000	-13.2	18,000	-1.6	149,000	-7.8
Hedge accounting items total	697,000	-34.3	109,000	12.3	507,000	-5.6
Options						
Bought options, jet fuel, tonnes	205,000	2.5	18,000	0.1	149,000	0.9
Items outside hedge accounting total	205,000	2.5	18,000	0.1	149,000	0.9
Commodity derivatives total	902,000	-31.8	127,000	12.5	656,000	-4.6
Currency and interest rate swaps and options						
Cross currency interest rate swaps	294.3	2.0	278.3	16.2	253.1	10.7
Items outside hedge accounting total	294.3	2.0	278.3	16.2	253.1	10.7
Interest rate derivatives total	294.3	2.0	278.3	16.2	253.1	10.7
Derivatives total		-53.4		39.3		-13.2

11. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Fair value hierarchy of financial assets and liabilities valued at fair value			
Fair values at the end of the reporting period, EUR in millions	31 Mar 2023	Level 1	Level 2
Financial assets at fair value through profit and loss			
Securities held for trading	880.7	783.5	97.2
Derivatives held for trading			
Currency and interest rate swaps and options	7.0		7.0
Currency derivatives	0.9		0.9
- of which in cash flow hedge accounting	0.9		0.9
Commodity derivatives	5.1		5.1
- of which in cash flow hedge accounting	2.6		2.6
Total	893.6	783.5	110.1
Financial liabilities recognised at fair value through profit and loss			
Derivatives held for trading			
Currency and interest rate swaps and options	5.0		5.0
Currency derivatives	24.5		24.5
- of which in fair value hedge accounting	13.8		13.8
- of which in cash flow hedge accounting	9.5		9.5
Commodity derivatives	36.8		36.8
- of which in cash flow hedge accounting	36.8		36.8
Total	66.3		66.3

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

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

12. COMPANY ACQUISITIONS AND DIVESTMENTS

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

13. INCOME TAXES

Finnair has not recognized deferred tax assets arising from losses and the interest expenses under the limitation of the right to deduct interest of 2022 and Q1 2023. The other temporary differences related to deferred tax assets not recognized during financial year 2022 were recognized in the first quarter of 2023 as these items have no statute of limitations and as the company outlook has improved. Further, the effect of the war in Ukraine and the COVID-19 pandemic on the management forecasts and assumptions has decreased significantly as a result of the returned passenger demand following the easing the COVID-19 pandemic and the implementation of Finnair's renewed strategy in accordance with the plan. Finnair could deduct the interest expenses after the utilization of the accumulated tax losses which are subject to a 10-year statutory limitation period depending on the capital structure and profitability. These temporary differences have no expiry date, but estimating the possibility of deducting the interest expenses after the utilization of the accumulated tax losses is currently uncertain.

In the second quarter of 2022, a write-down of 117 million euros was recognized from deferred tax assets related to confirmed tax losses for years 2020 and 2021. Based on the forecasts and assumptions, the company's Board of Directors expects that the remaining deferred tax asset of 94 million euros can be utilized, corresponding to taxable losses of approximately 469 million euros from financial years 2020 and 2021, which will expire in 2030 and 2031. The write-down corresponds to tax losses of approximately 585 million euros from financial years 2020 and 2021, which will expire in 2030 and 2031.

The netted deferred tax asset recognized in the consolidated balance sheet at the end of the reporting period was 97.6 million euros (31 December 2022: 80.6) which includes the remaining deferred tax assets of 94 million euros related to the taxable losses of 2020 and 2021. Deferred tax assets and liabilities recognized in the balance sheet are netted as they are levied by the same taxing authority and Finnair has a legally enforceable right to set off the

balances. Deferred tax assets for the estimated tax losses of approximately 169 million euros in financial year 2022 expiring in 2032 and approximately 21 million euros in the first quarter of 2023 expiring in 2033 were not recognized. In addition, temporary differences of 62 million euros relating to the interest expenses under the limitation of the right to deduct interest were not recognized.

The deferred tax asset is recognized up to the amount where it is probable that future taxable income will be generated against which the temporary difference can be utilized, also taking into account the tax planning methods available to Finnair relating to accumulated tax depreciations. The Board's assessment of the future taxable profit is based on the latest forecasts scenario prepared by the management in connection with the interim financial report, which is described in more detail in note 4. Critical accounting estimates and sources of uncertainty.

14. DIVIDEND PER SHARE

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

15. CHANGE IN FIXED ASSETS

EUR in millions	31 Mar 2023	31 Mar 2022	31 Dec 2022
Carrying amount at the beginning of period	1,044.9	1,108.6	1,108.6
Additions	66.9	38.3	125.8
Change in advances	13.6	-8.5	-37.4
Currency hedging of aircraft acquisitions	2.2	-3.8	20.4
Disposals and reclassifications	-33.4	0.0	0.0
Depreciation	-35.9	-35.6	-139.8
Impairment		-32.7	-32.7
Carrying amount at the end of period	1,058.4	1,066.2	1,044.9

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

Assets held for sale

Finnair had no assets classified as held for sale in Q1 2023.

16. CHANGE IN RIGHT-OF-USE ASSETS

EUR in millions	31 Mar 2023	31 Mar 2022	31 Dec 2022
Carrying amount at the beginning of period	1,078.2	1,181.7	1,181.7
New contracts	1.0	2.3	9.5
Reassessments and modifications	5.9	25.6	64.3
Depreciation	-46.1	-43.3	-177.3
Carrying amount at the end of period	1,038.9	1,166.3	1,078.2

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

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

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

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

State aid in capital loan

Finnair and the State of Finland signed an agreement on 17 March 2021 on a hybrid loan of maximum 400 million euros to support Finnair, which has been converted into capital loan on 30 June 2022. The conversion was approved by the EU Commission's competition authority on 20 June 2022. The loan is currently fully withdrawn.

State aid in pension premium loan extension

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

18. PENSION ASSETS

Pension assets were 126.2 million euros (31 December 2022: 120.0). During the first quarter of 2023, total amount recognised in other comprehensive income was 7.8 million euros, which mainly consists of the gain on plan assets. Service costs of 2.8 million euros and net interest income of 1.1 million euros were recognised in the income statement.

19. INTEREST-BEARING LIABILITIES

Finnair announced on 16 February 2023 a voluntary tender offer of its outstanding notes maturing in 2025. The minimum purchase price for the notes was set to 85.5 per cent, but the final purchase price of the notes was determined in a modified Dutch auction procedure. At the expiration deadline, the company received offers to sell for EUR 152,084,000 nominal amount of notes at a volume weighted average price of approximately 94 per cent. Finnair decided to set the final purchase price for the Notes to 90.00 per cent. of the nominal amount of each note. The aggregate nominal amount of the notes validly tendered by the noteholders and bought back by Finnair with a price equal to, or lower than, the final purchase Price, was EUR 17,546,000.

Interest-bearing liabilities EUR in millions	Fair value			Book value		
	31 Mar 2023	31 Mar 2022	31 Dec 2022	31 Mar 2023	31 Mar 2022	31 Dec 2022
Non-current interest-bearing liabilities						
Lease liabilities	1,067.3	1,200.5	1,128.0	1,067.3	1,200.5	1,128.0
Loans from financial institutions	354.2	299.7	305.6	399.3	299.7	399.2
Bonds	343.6	363.9	298.0	380.7	397.4	397.9
JOLCO loans* and other	190.6	283.4	164.4	245.7	283.4	261.3
Total	1,955.7	2,147.5	1,896.0	2,093.0	2,181.0	2,186.4
Current interest-bearing liabilities						
Lease liabilities	194.4	180.4	202.7	194.4	180.4	202.7
Loans from financial institutions	213.9	299.8	207.3	199.8	299.8	199.6
JOLCO loans* and other	53.1	40.7	53.0	40.1	40.7	40.4
Total	461.4	521.0	463.0	434.3	521.0	442.7

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

Fair values of interest-bearing liabilities (excluding lease liabilities) have been calculated by discounting the expected cash flows using the market interest rate and company's credit risk premium at the reporting date. Fair value of bonds has been calculated by using the quoted price of reporting date (89.8).

Maturity dates of financial liabilities as at 31 Mar 2023							
EUR in millions	1-12 months	13-24 months	25-36 months	37-48 months	49-60 months	Later	Total
Lease liabilities, fixed interest	134.6	141.4	136.1	101.3	80.4	330.8	924.7
Lease liabilities, variable interest	59.9	63.3	43.7	33.8	35.5	101.0	337.1
Loans from financial institutions, variable interest	200.0	200.0	200.0				600.0
Bonds, fixed interest			382.5				382.5
JOLCO loans and other, fixed interest		13.0	12.3	12.6			37.9
JOLCO loans and other, variable interest	40.1	70.6	52.5	30.0	10.2	47.6	251.0
Interest-bearing financial liabilities total*	434.5	488.3	827.0	177.7	126.1	479.5	2,533.1
Payments from interest rate and currency derivatives	825.1						825.1
Income from interest rate and currency derivatives	-803.3				-0.1		-803.4
Commodity derivatives	30.9	0.9					31.8
Trade payables and other liabilities	245.1						245.1
Interest payments	116.9	97.4	61.8	37.8	28.1	87.9	429.8
Total	849.1	586.6	888.7	215.5	154.1	567.3	3,261.4

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

* The bonds maturing do not include the amortised cost of 1.8 million euros paid in 2021 and due in 2025. Respectively, JOLCO loans do not include the amortised cost of 3.1 million euros paid in 2016 and due in 2025. Loans from financial institutions do not include the amortised cost of 0.9 million euros paid as arrangement fee from the pension premium loan in 2022. Therefore, the total amount of interest-bearing financial liabilities differs from the book value by the amount equal to the amortised costs.

20. CAPITAL LOAN

Finnair has withdrawn 400 million euros of the capital loan. The withdrawn amount has been booked to the parent company's equity as its own tranche.

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

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

EUR in millions	31 Mar 2023	31 Dec 2022
Accrued interest from capital loan	24.4	15.9

21. PROVISIONS

EUR in millions	31 Mar 2023	31 Mar 2022	31 Dec 2022
Aircraft maintenance provision			
Provision at the beginning of period	246.7	195.9	195.9
Provision for the period	12.6	10.0	56.1
Provision used	-17.9	-9.7	-16.6
Provision reversed	-0.9	-0.7	-3.1
Provision for right-of-use assets redelivery	1.2	-0.6	-0.9
Reclassifications	-34.5		
Unwinding of discount	2.1	0.8	6.4
Exchange rate differences	-3.2	3.4	8.8
Aircraft maintenance provision total	206.1	199.1	246.7
Of which non-current	157.1	179.0	178.7
Of which current	49.0	20.2	68.0
Other provisions			
Provision at the beginning of period	5.0	3.8	3.8
Provision for the period	0.2	0.4	4.8
Provision used	-1.2	-0.4	-2.6
Provision reversed	-0.1	-0.2	-1.0
Other provisions total	4.0	3.7	5.0
Of which non-current	1.3	1.3	1.4
Of which current	2.7	2.4	3.6
Total	210.1	202.8	251.7
Of which non-current	158.5	180.2	180.1
Of which current	51.6	22.5	71.7

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

In balance sheet, the non-current provisions and other liabilities totalling to 164.3 million euros (31 December 2022: 186.4) include, in addition to provisions, other non-current liabilities totalling to 5.8 million euros (31 December 2022: 6.3), which mainly consists of received lease deposits.

22. DEFERRED INCOME AND ADVANCES RECEIVED

EUR in millions	31 Mar 2023	31 Mar 2022	31 Dec 2022
Deferred revenue on ticket sales	519.7	313.6	356.4
Loyalty program Finnair Plus	53.5	51.6	51.3
Advances received for tour operations	36.7	20.8	27.9
Other items	9.2	16.0	16.4
Total	619.0	402.0	452.0

23. CONTINGENT LIABILITIES

EUR in millions	31 Mar 2023	31 Mar 2022	31 Dec 2022
Guarantees on behalf of group undertakings	50.5	51.3	52.5
Total	50.5	51.3	52.5

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

Investment commitments for property, plant and equipment as of 31 March 2023 totalled 353.4 million euros (31 December 2022: 366.1) and they relate mainly to firm aircraft orders and other aircraft related investments. Out of the total investment commitments, 72.2 million euro takes place within the next 12 months and 281.2 million euro during the following 1-5 years.

Off-balance sheet lease commitments as of 31 March 2023 totalled to 17.0 million euros (31 December 2022: 17.2). These include short-term lease agreements and other lease agreements for which the underlying asset is of low

value or contracts that do not contain a lease according to IFRS 16. These relate mainly to leases for facilities and IT equipment.

24. RELATED PARTY TRANSACTIONS

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

The State of Finland, which has control over Finnair owns 55.8% (31 December 2022: 55.9%) of Finnair's shares. All the transactions with other government owned companies and other related parties are on arm's length basis and are on similar terms than transactions carried out with independent parties.

EUR in millions	Q1 2023	Q1 2022	2022
Sales of goods and services			
Joint venture	6.3	6.9	25.7
Pension fund	0.0	0.1	0.3
Sickness fund	0.1	0.0	0.0
Employee benefits			
Pension fund	2.8	3.0	11.2
Sickness fund	0.2	0.2	0.6
CEO and Executive Board	1.7	0.0	4.1
The Board of Directors	0.1	0.1	0.4
Purchases of goods and services			
Joint venture	21.9	20.2	78.2
Pension fund	0.4	0.5	2.0
Financial income			
Pension fund	1.1	0.1	0.6
Receivables			
Joint venture	6.5	6.5	6.4
Pension fund	125.8	91.0	119.9
Liabilities			
Joint venture	5.7	4.3	4.3

25. EVENTS AFTER THE REVIEW PERIOD

After the period, Finnair has concluded an agreement with Airbus to postpone the delivery of the second remaining A350 aircraft. The aircraft was originally scheduled for delivery in Q1 2025, but the new delivery date will be in Q2 2026. The other remaining A350, scheduled for delivery in Q4 2024, will be delivered in accordance with the existing schedule. As a result of the deferral, the negative impact of more than 100 million euros on group cash flow will be transferred from 2025 to 2026.