

# Annual Report 2023





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# Review of the year 2023

The year 2023 was special for Finnair in many ways. We celebrated our centenary in November and are the sixth oldest continuously operating airline in the world. However, an even more significant achievement for us was the restoration of our profitability on an annual basis after the twin crises caused by the COVID-19 pandemic and the closure of Russian airspace.

During the year, we carried 11 million passengers and our revenue grew to 3.0 billion euros. Our comparable EBIT was 184.0 million euros, compared to a loss of 163.9 million euros in 2022. Together with the entire Finnair team, we not only restored our

profitability, but reached the financial target of a comparable operating profit level of 5 per cent that was set in autumn 2022 approximately 12 months ahead of the target schedule.

Our capacity in 2023, measured in available seat kilometres, was approximately 81 per cent of the pre-pandemic level of 2019, including wet leases. Unit revenue per available seat kilometre increased by 9.8 per cent year-on-year, driven by successful pricing and improved passenger load factors.

All of Finnair's committed personnel are to thank for the turnaround we have made.





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## “The support of our shareholders has played an important role in achieving Finnair’s turnaround.”

The implementation of the strategy to restore profitability, which began in autumn 2022, has progressed systematically, and at the same time we have succeeded in taking advantage of the opportunities offered by the continued strong travel market. We have profitably redirected our network, we have been able to get our Airbus A330 aircraft into productive use through cooperation with **oneworld** partners, and we have managed to control costs despite the increased inflation. At the same time, we have intensified our sales efforts and increased the share of direct sales channels, optimised our fleet and executed hundreds of large and small projects that have supported revenue growth and cost control. We will continue to take care of Finnair’s profitability also from now on, focusing on continuous improvement.

The support of our shareholders has played an important role in achieving Finnair’s turnaround. In November, we carried out a 570-million-euro rights issue aimed at strengthening Finnair’s balance sheet and financial position in order to better manage our financial liabilities, support the implementation of our strategy for sustainable profitable growth and ensure our ability to implement investments in the future. I would like to extend my warmest thanks to all old and new shareholders who participated in our rights issue.

Through the successful rights issue, we have, among other things, repaid the rest of the 400-million-euro capital loan granted by the state of Finland. We also repaid an additional 120-million-euro tranche of our 600-million-euro pension premium loan. As a result of these measures, as well as the strong full-year results and cash flow, our balance sheet is healthier than before. Our financial expenses have also decreased.

Our customer satisfaction has remained at a good level by international comparison, and our Net Promoter Score for the full year was 35. Punctuality and reliability of flights are key factors in customer satisfaction. During 2023, we continued development projects supporting on-time performance. Unlike many other airlines, we have been able to operate almost all our flights, thus avoiding cancellations, and our reliability was once again top notch globally.

We have continued to invest in customer experience. The new cabins are now installed in 23 out of 25 wide-body aircraft. We have started the construction of a new Schengen lounge that will open in summer 2024 at our home hub Helsinki Airport. A new era will begin in the Finnair Plus program in March 2024, when we will start using the Avios loyalty currency, new benefits will be added

to the program and the program becomes spend-based. We are also constantly developing the functionality of our digital services.

During 2023, we continued our sustainability work, focusing especially on reducing carbon dioxide emissions from our flights. We are committed to setting science-based emission reduction targets in accordance with the Science Based Targets Initiative, and we will submit our emission reduction targets to the Science Based Targets Initiative for validation in early 2024. Sustainable aviation fuel will play a significant role in reducing our emissions, and in early 2023 we purchased our largest one-off batch of SAF so far. The share of SAF in our total fuel consumption is still very small, about 0.2 per cent, but its share will increase in the future.

At the end of the year, we were able to celebrate our 100-year journey together with our stakeholders in 11 countries. I would like to warmly thank all our customers, partners, owners and all Finnair employees for the journey together. Safety, punctuality, reliability and good customer service are our priorities also in the next century of Finnair.

**Jaakko Schildt,**  
Interim CEO



# The Report of the Board of Directors

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THE REPORT OF THE BOARD OF DIRECTORS

# Business model and operating environment

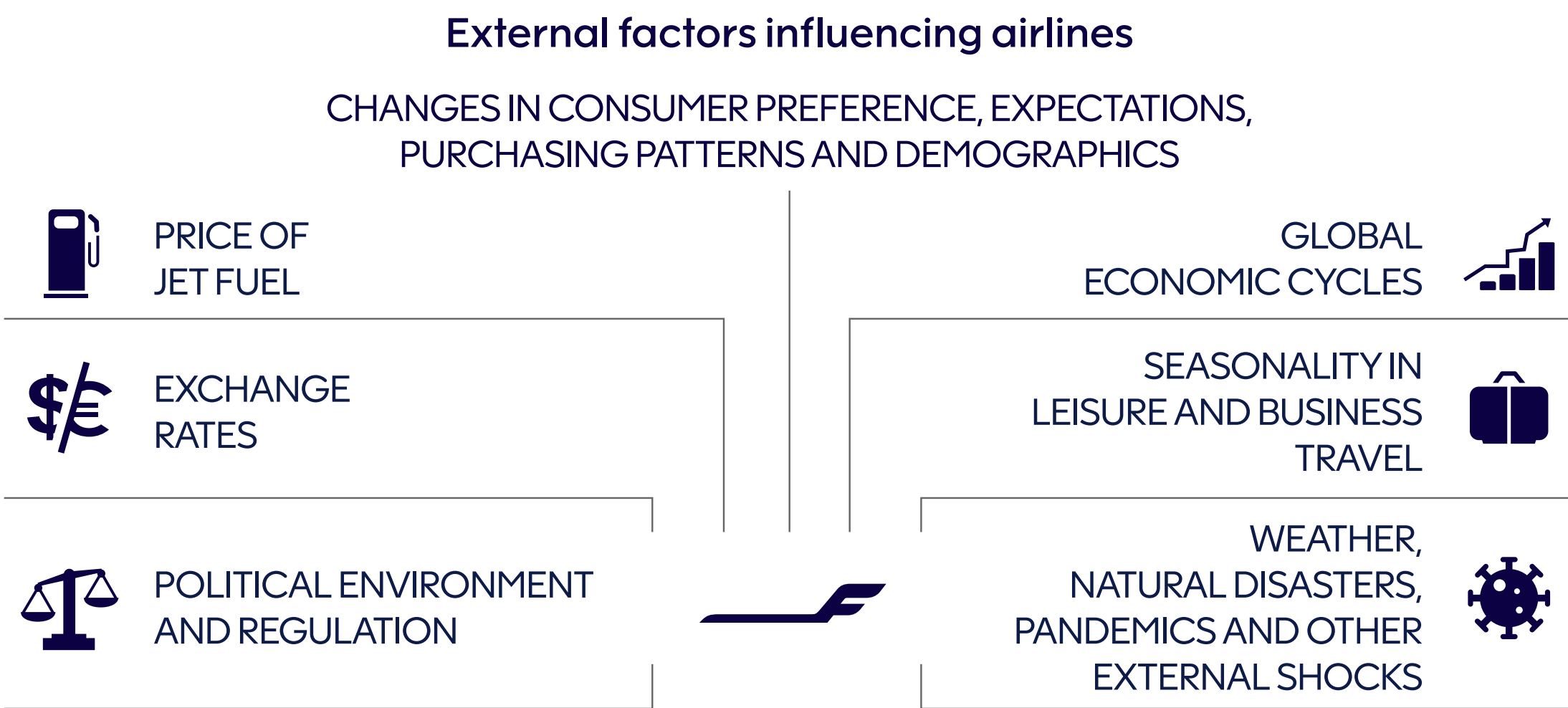
Finnair is a network airline that specialises in passenger and cargo traffic between Europe, North America, Asia and Middle East. It also offers package tours under its Aurinkomatkat-Suntours (later Aurinkomatkat) brand. Finnair offers direct flights to approximately 40 countries and over 100 destinations.

The company’s loyalty programme Finnair Plus strengthens engagement with customers and generates valuable customer data. It is one of Finland’s leading loyalty programmes with c. 4.5 million members. The number of members has

[Read more on Finnair’s website.](#)

grown by 7 per cent during 2023. The programme currently has more than 100 partners. In the spring of 2024, Finnair’s frequent flyer programme will enter a new era as the frequent flyer currency is replaced by Avios, which is the common currency for frequent flyers used by several partner airlines. With Avios, Finnair’s loyal customers will have even wider opportunities to take advantage of the benefits they have accrued in the program.

Finnair’s business is cyclical in nature, and in addition to long-term megatrends, it is heavily influenced by external factors described in the adjacent picture. Many of these factors have had a strong impact on Finnair’s operations, especially in recent years.





## Business environment in 2023

The impacts of the COVID-19 pandemic on Finnair's operations were already mild in 2023, although travel to China, opened for travel in early 2023, remained limited partly due to the COVID-19 aftermath. On the other hand, the Russian airspace closure to EU carriers had a clear impact on Finnair's Asian traffic also during the period. Finnair has continued operating to most of its Asian destinations despite routings that are up to 40 per cent longer. However, the Asian capacity, measured in ASKs, was only 55 per cent compared to 2019. The corresponding figures were 85 per cent for European traffic and 102 per cent for North America.

The war in Ukraine also had other adverse impacts, as it led to an energy crisis, high fuel prices and, partly because of this, to accelerating inflation. Also the rising interest rates increased the uncertainty of the operating environment as, together with the inflation, it could have had a negative impact on demand. Further, the situation in the Middle East caused uncertainty in the operating environment. Despite these factors, demand remained strong throughout the year in all traffic areas.

Even though the longer Asian routings increased the unit costs considerably, the Asian market

yields remained at a good level, thanks to the strong demand as well as constrained capacity caused by the global labour shortage and operational challenges due to longer flight times. Similarly, demand in intra-European and North Atlantic markets was robust while capacity remained constrained. Consequently, passenger revenue increased clearly more year-on-year than capacity. Scheduled market capacity, measured in ASKs, between origin Helsinki and Finnair's European destinations increased by 10.4 per cent (164.0) year-on-year. Direct market capacity between Finnair's Asian and European destinations increased by 95.2 per cent (71.7) and between Finnair's North Atlantic and European destinations by 17.4 per cent (109.6).

The strategic partnership with Qatar Airways, that commenced in late-2022, continued with daily flights from Helsinki, Copenhagen and Stockholm to Qatar Airways' home airport in Doha. Qatar Airways purchases a fixed share of the passenger and cargo capacity of these flights operated by Finnair. Finnair also engages in closer cooperation with certain other **oneworld** partners through participation in joint businesses, namely the Siberian Joint Business (SJB) on flights between Europe and Japan, and the Atlantic Joint Business (AJB) on flights between Europe and North America. Further, Finnair is also engaged in joint business operations with Juneyao Air on flights

between Helsinki and Shanghai and on European and mainland Chinese routes.

Demand for Aurinkomatkat travel packages was strong throughout the year. This was reflected in increased package prices, which enabled Aurinkomatkat to cover increasing flight and hotel costs. Also Aurinkomatkat's Net Promoter Score (NPS) measuring customer satisfaction was at an excellent level of 60 (60). Due to the strong demand, Aurinkomatkat increased its capacity to popular destinations such as Crete, Rhodes, Turkey and the Canary Islands even though the wildfires in Rhodes temporarily shifted demand to other locations during the third quarter. Despite the higher prices, demand remained strong also for last-minute deals. In addition, customers have booked their trips earlier and sales for the year 2024 are at a good pace. Demand for city holidays continued to grow strongly and passenger numbers were at a record high. The war in Ukraine or the Middle East crisis have not had a significant impact on the demand for Aurinkomatkat, but city breaks in Tel Aviv have been cancelled for the time being.

In the global air freight market, capacity already exceeded the pre-pandemic levels, but air cargo yields were still slightly elevated compared to the pre-pandemic levels. However, growing supply, weakened demand and, thus, declining market

## "The impacts of the COVID-19 pandemic on Finnair's operations were already mild in 2023."

prices resulted in lower Finnair's cargo revenue than in the record high year 2022 although the softened demand for cargo already started to level off in Q4, which has a positive impact on market prices.

The US dollar, which is the most significant expense currency for Finnair after the euro, appreciated by 5.1 per cent against the euro year-on-year. The US dollar-denominated market price of jet fuel was 19.5 per cent lower in 2023 than in the comparison period and the euro-denominated market price was 21.3 per cent lower. 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. The fuel hedging ratio was low during the pandemic, but it has been clearly lifted during the year, and, on the back of the updated risk management policy, the average hedging ratio will rise slightly during 2024. Finnair's 2023 fuel bill increased year-on-year less than the capacity as the jet fuel price was below 2022 levels starting from Q2.



## Capital

### Human

- Competent personnel

### Intellectual and social

- Suppliers and partners
- Joint businesses (AJB/SJB/ Juneyao) and alliance cooperation
- Distribution channels
- Public affairs

### Immaterial

- Traffic & overflight rights
- Customer base and data
- Quality certifications
- Route network
- Brand

### Financial and material

- Adjusted interest-bearing debt €2,034.5 million
- Equity capital €577.0 million
- Modern and efficient fleet of 79 aircraft
- COOL Nordic Cargo Terminal, Helsinki Hub
- Maintenance facilities
- Catering facilities

### Natural resources

- Fuel use (jet and ground)
- Energy consumption of facilities
- Water use
- Purchased goods
- Material use

## Business activities



### Customer service and products

Finnair and oneworld global network  
Passenger and cargo traffic  
Ancillary services  
Package tours  
Dynamic travel products

### Support services

Catering  
Aircraft maintenance  
Ground handling  
Airline training



## Strategy and values

WORKING  
TOGETHER

Building  
a sustainable  
balance sheet

COMMITMENT  
TO CARE

Customer-centric  
commercial  
and operational  
excellence

Continuous cost  
efficiency to ensure  
competitiveness

Adaptable  
Finnair culture  
driven by  
engaged people

Among industry  
sustainability  
leaders

Balanced growth  
supported by  
optimised fleet

COURAGE

SIMPLICITY

Purpose: Enriching life by bridging the world

## Impact

### Increasing value for society

- Enabling safe and free movement of people, goods and services
- Improving cultural, societal and commercial interaction
- Participating and inspiring cross-industry collaboration
- Economic multiplier effects for the Finnish society

### Sustainable growth

- Producing direct and indirect employment (e.g. tourism, international trade and foreign investments)
- Venturing out of our traditional business to find solutions for our core
- Producing value for shareholders' investments
- Increased brand value

### Satisfied & competent personnel

- Equal opportunities for personnel
- Good governance
- Safe and healthy work
- Support and respect of labour and human rights

### Environmental impact

- Air emissions (CO<sub>2</sub> and non-CO<sub>2</sub>)
- Noise emissions
- Liquid waste (de-icing fluids)
- Material waste





# Financial performance in 2023

## Revenue in 2023

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

Unit revenue (RASK) increased by 9.8 per cent and amounted to 8.27 cents (7.53). The RASK increase was caused by elevated passenger yields and higher passenger load factor despite the lower cargo yields during the period and the higher number of cargo-only flights in the comparison period, as these flights do not generate any ASKs and, thus, have a positive RASK impact.

## Passenger traffic

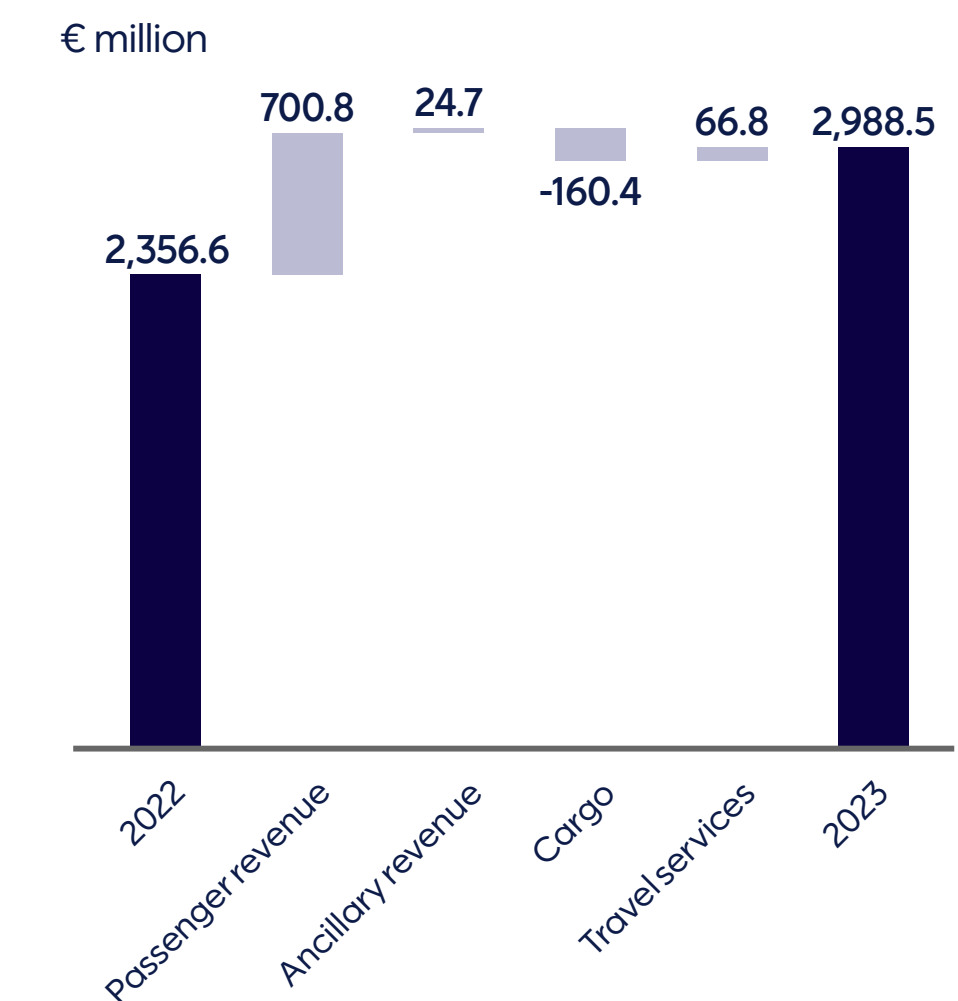
The negative impact of the COVID-19 pandemic was still visible in the Asian traffic, as travel especially to China was limited during 2023. On the other hand, the comparison period was burdened by the Omicron variant that softened demand, combined with the closure of Russian airspace at the end of February 2022. Although the figures

improved during the period due to strong demand, the Russian airspace closure had a negative impact on the 2023 figures as well, and this was visible mainly in the Asian figures. Passenger revenue increased by 41.0 per cent and traffic capacity, measured in Available Seat Kilometres (ASK), increased by 15.5 per cent overall against the comparison period. The number of passengers increased by 20.8 per cent to 10,983,300. Traffic,

### Revenue by product

| EUR million       | 2023           | 2022           | Change %    |
|-------------------|----------------|----------------|-------------|
| Passenger revenue | 2,411.6        | 1,710.7        | 41.0        |
| Ancillary revenue | 147.8          | 123.2          | 20.0        |
| Cargo             | 192.0          | 352.3          | -45.5       |
| Travel services   | 237.1          | 170.3          | 39.2        |
| <b>Total</b>      | <b>2,988.5</b> | <b>2,356.6</b> | <b>26.8</b> |

### Revenue bridge by product



measured in Revenue Passenger Kilometres (RPK), increased by 30.6 per cent and the passenger load factor (PLF) increased by 8.8 percentage points to 76.4 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 55 per cent compared to 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 42.4 per cent and RPKs by 74.6 per cent. PLF increased by 14.1 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 2023 increased slightly compared to 2019. Compared to 2022, ASKs, however, decreased by 38.3 per cent as the Stockholm operations were discontinued at the end of October 2022. RPKs decreased only by 23.5

per cent year-on-year. Thus, PLF increased by 14.0 percentage points to 72.5 per cent.

ASKs grew by 8.2 per cent in European traffic year-on-year. RPKs grew by 13.4 per cent on the back of robust demand and the PLF increased by 3.6 percentage points to 78.7 per cent. Since the beginning of 2023, Finnair has reported Middle East as a separate traffic area whereas in 2022, these figures were still included in the European traffic. Comparison period figures have now been adjusted accordingly.

Finnair started its cooperation with Qatar Airways at the end of 2022. Flights operated by Finnair between Copenhagen, Stockholm and Doha commenced at the beginning of November, and flights between Helsinki and Doha from

mid-December. As mentioned, the figures for these three daily routes are reported as a part of the new traffic area Middle East starting from 2023. This traffic area includes flights to Dubai and Israel, which were operated already before the Qatar Airways cooperation. ASKs grew by 342.2 per cent in Middle Eastern traffic year-on-year. RPKs grew by 354.3 per cent and, thus, also the PLF increased by 1.9 percentage points to 72.4 per cent.

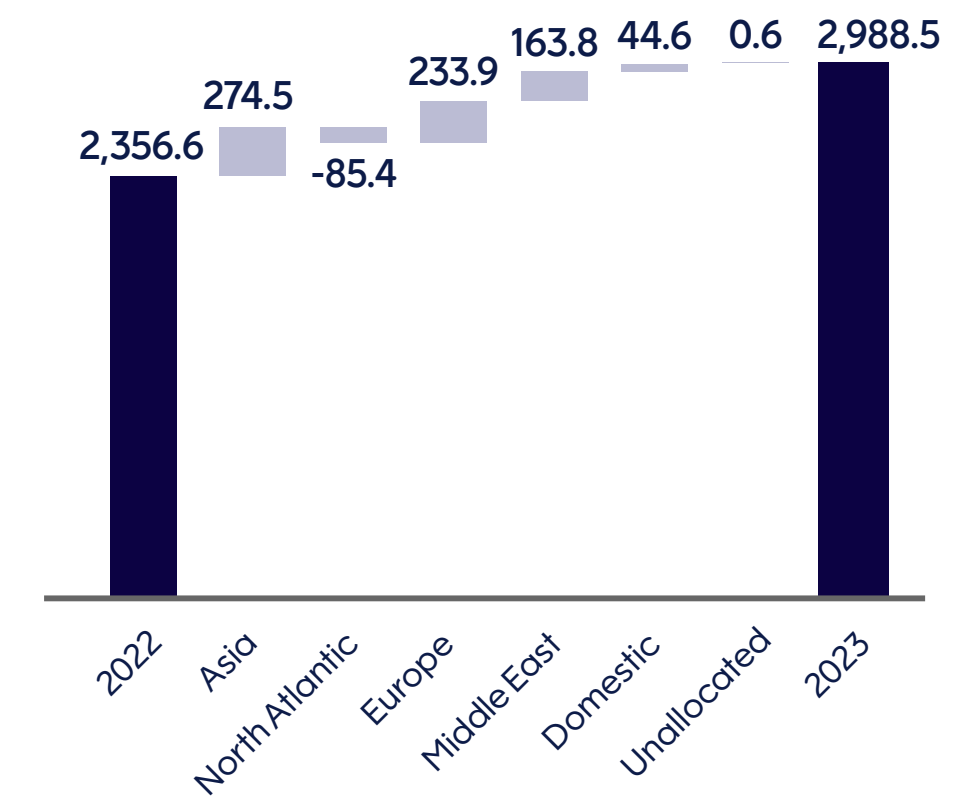
Domestic traffic capacity increased by 12.1 per cent, RPKs by 14.0 per cent and the PLF by 1.2 percentage points to 71.5 per cent year-on-year.

## Ancillary

Ancillary revenue, consisting of e.g., various service fees and inflight sales, increased to 147.8 million

Revenue bridge by traffic area

€ million



Passenger revenue and traffic data by area

| Traffic area   | Passenger revenue |                   | ASK              |                  | RPK              |                  | PLF         |            |
|----------------|-------------------|-------------------|------------------|------------------|------------------|------------------|-------------|------------|
|                | 2023<br>EUR mill. | 2022<br>EUR mill. | 2023<br>Mill. km | 2022<br>Mill. km | 2023<br>Mill. km | 2022<br>Mill. km | %           | Change %-p |
| Asia           | 763.2             | 425.0             | 12,752.0         | 8,953.1          | 9,755.9          | 5,586.0          | 76.5        | 14.1       |
| North Atlantic | 214.9             | 244.3             | 4,162.9          | 6,743.3          | 3,019.7          | 3,946.2          | 72.5        | 14.0       |
| Europe         | 1,045.3           | 855.0             | 14,760.0         | 13,639.5         | 11,618.9         | 10,243.3         | 78.7        | 3.6        |
| Middle East    | 206.3             | 42.9              | 3,054.4          | 690.7            | 2,211.9          | 486.9            | 72.4        | 1.9        |
| Domestic       | 172.7             | 128.2             | 1,425.3          | 1,271.8          | 1,019.8          | 894.4            | 71.5        | 1.2        |
| Unallocated    | 9.3               | 15.3              |                  |                  |                  |                  |             |            |
| <b>Total</b>   | <b>2,411.6</b>    | <b>1,710.7</b>    | <b>36,154.5</b>  | <b>31,298.4</b>  | <b>27,626.4</b>  | <b>21,156.8</b>  | <b>76.4</b> | <b>8.8</b> |



euros (123.2). Advance seat reservations, excess baggage and frequent flyer programme-related revenue were the largest ancillary categories.

## Cargo

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 2023 cargo volumes were lower than the pre-pandemic figures of 2019. Available cargo tonne kilometres, however, increased by 12.6 per cent and revenue scheduled cargo tonne kilometres by 3.5 per cent year-on-year. The increase is mainly explained by the fact that Finnair reports the cargo traffic figures related to the Qatar Airways cooperation as Finnair operates the flights. However, revenue related to these flights is included in passenger revenue. Even though total cargo tonnes increased by 10.3 per cent, cargo revenue decreased by 45.5 per cent year-on-year, due to lower cargo yields and the allocation of Qatar Airways related revenue.

## Travel services

Travel services' financial development has been positively affected by the robust demand after the COVID-19 pandemic. During 2023, 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 18.9 per cent year-on-year and the load factor in allotment-based capacity was 95.9 per cent. Travel Services revenue increased by 39.2 per cent to 237.1 million euros (170.3).

## Other operating income

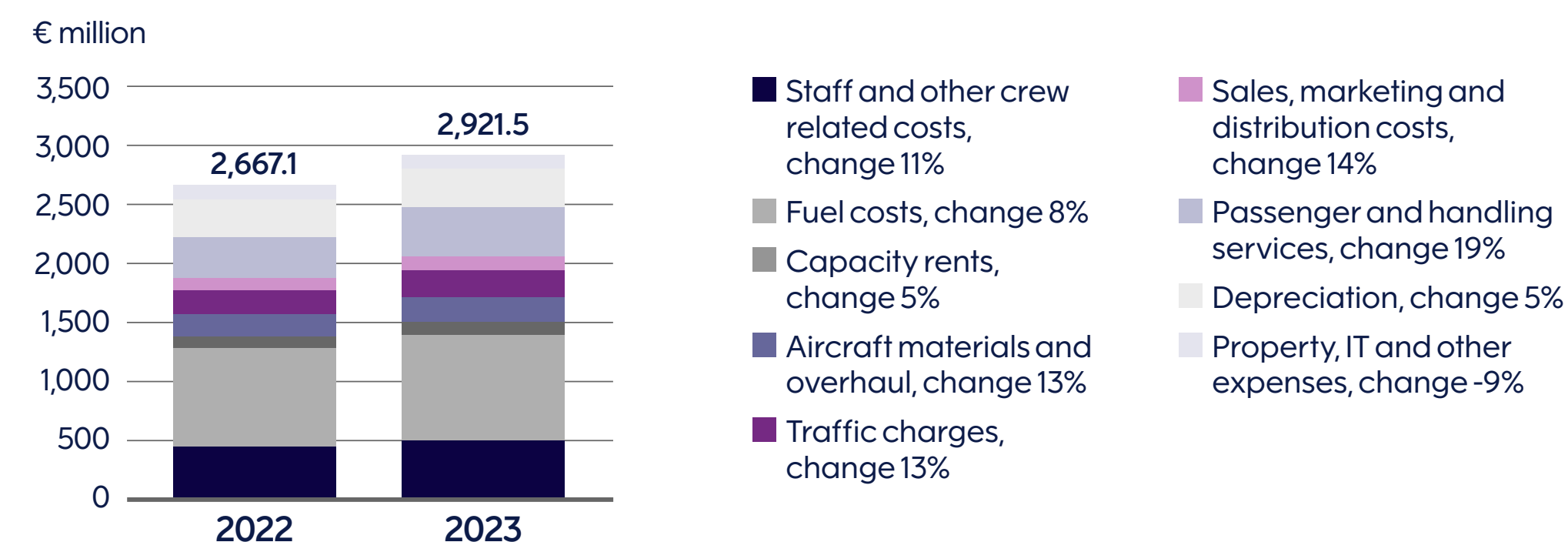
Other operating income decreased by 20.2 per cent to 117.0 million euros (146.7), as the wet lease arrangement with Eurowings Discover, that commenced in Q2 2022, ended in Q1 2023.

## Operating expenses included in comparable operating result

Finnair's operating expenses, included in the comparable operating result, increased by 9.5 per cent mainly due to increased capacity and longer Asian routings. Finnair continued its cost efficiency initiatives during 2023.

Unit cost (CASK) decreased by 3.7 per cent and totalled 7.76 cents (8.05). CASK excluding fuel decreased by 2.1 per cent. Year-on-year, the decrease was caused by the increased capacity, the higher share of cargo-only flights in the comparison period, as well as the achieved cost savings.

### Operating expenses included in comparable operating result



### Key Figures – Revenue and profitability

|                                                      |           | 2023    | 2022    | 2021   | 2020   | 2019    |
|------------------------------------------------------|-----------|---------|---------|--------|--------|---------|
| Revenue                                              | EUR mill. | 2,988.5 | 2,356.6 | 838.4  | 829.2  | 3,097.7 |
| change from previous year                            | %         | 26.8    | 181.1   | 1.1    | -73.2  | 9.2     |
| Comparable operating result                          | EUR mill. | 184.0   | -163.9  | -468.9 | -595.3 | 162.8   |
| Comparable operating result of revenue               | %         | 6.2     | -7.0    | -55.9  | -71.8  | 5.3     |
| Operating result                                     | EUR mill. | 191.4   | -200.6  | -454.4 | -464.5 | 160.0   |
| Comparable EBITDA of revenue                         | %         | 17.3    | 6.5     | -17.8  | -30.3  | 15.8    |
| Basic and diluted earnings per share (EPS)*          | EUR       | 0.022   | -0.060  | -0.057 | -0.086 | 0.015   |
| Unit revenue per available seat kilometre (RASK)     | cents/ASK | 8.27    | 7.53    | 6.93   | 6.41   | 6.56    |
| Unit revenue per revenue passenger kilometre (yield) | cents/RPK | 8.73    | 8.09    | 8.13   | 6.48   | 6.44    |
| Unit cost per available seat kilometre (CASK)        | cents/ASK | 7.76    | 8.05    | 10.81  | 11.01  | 6.22    |
| CASK excluding fuel                                  | cents/ASK | 5.27    | 5.38    | 9.06   | 9.21   | 4.76    |

\* A rights offering was implemented in November 2023 and, therefore, 2019-2022 EPS figures have been restated accordingly.



### Operating expenses included in comparable operating result

| EUR million                             | 2023           | 2022           | Change %   |
|-----------------------------------------|----------------|----------------|------------|
| Staff and other crew related costs      | 498.1          | 447.1          | 11.4       |
| Fuel costs                              | 899.6          | 836.0          | 7.6        |
| Capacity rents                          | 107.2          | 102.5          | 4.6        |
| Aircraft materials and overhaul         | 207.2          | 183.6          | 12.8       |
| Traffic charges                         | 233.8          | 206.5          | 13.2       |
| Sales, marketing and distribution costs | 117.1          | 103.1          | 13.6       |
| Passenger and handling costs            | 414.1          | 348.0          | 19.0       |
| Property, IT and other expenses         | 111.9          | 123.3          | -9.2       |
| Depreciation                            | 332.6          | 317.1          | 4.9        |
| <b>Total</b>                            | <b>2,921.5</b> | <b>2,667.1</b> | <b>9.5</b> |

### Result

| EUR million                        | 2023         | 2022          | Change %       |
|------------------------------------|--------------|---------------|----------------|
| <b>Comparable EBITDA</b>           | <b>516.5</b> | <b>153.2</b>  | <b>&gt;200</b> |
| Depreciation and impairment        | -332.6       | -317.1        | -4.9           |
| <b>Comparable operating result</b> | <b>184.0</b> | <b>-163.9</b> | <b>&gt;200</b> |
| Items affecting comparability      | 7.5          | -36.6         | -120.3         |
| <b>Operating result</b>            | <b>191.4</b> | <b>-200.6</b> | <b>195.4</b>   |
| Financial income                   | 56.2         | 6.5           | >200           |
| Financial expenses                 | -142.2       | -137.9        | -3.1           |
| Exchange gains and losses          | 13.7         | -38.8         | 135.3          |
| <b>Result before taxes</b>         | <b>119.1</b> | <b>-370.7</b> | <b>132.1</b>   |
| Income taxes                       | 135.2        | -105.4        | >200           |
| <b>Result for the period</b>       | <b>254.3</b> | <b>-476.2</b> | <b>153.4</b>   |

Operating expenses included in the comparable operating result, excluding fuel, increased by 10.4 per cent.

Fuel costs, including hedging results and emissions trading costs, grew mainly due to the increased capacity (measured in ASK) and longer Asian routings. Fuel efficiency (as measured in fuel consumption per ASK) weakened by 5.5 per cent due to e.g., longer Asian routings despite a limited number of cargo-only flights, that do not generate ASKs, in 2023. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, however, decreased by 0.7 per cent year-on-year as passenger load factor improved.

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

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

Aircraft materials and overhaul costs went up due to the added capacity and longer Asian routings. Traffic charges increased as a result of the longer routings between Europe and Asia and increased

capacity even though e.g., the Russian overflight royalties did not accrue during the period.

Capacity rents, covering purchased traffic from Norra and any wet leases or potential cargo rents, increased versus the comparison period as capacity increased. Property, IT and other expenses, on the other hand, decreased mainly due to exchange gains and cost savings. Depreciation increased year-on-year e.g. due to depreciation of the wide-body fleet cabin refurbishment.

## Result

As travelling was unrestricted within Europe, to the United States and to almost all countries in Asia during 2023, impacts of the COVID-19 pandemic were fairly mild. However, as the Russian airspace was closed back in February 2022, the rerouted flights were longer, increasing e.g., staff, fuel and navigation costs.

As revenue increased more than operating expenses, Finnair's comparable EBITDA and comparable operating result both improved year-on-year and comparable operating result turned positive. Comparable EBIT margin was 6.2 per cent (-7.0). In its strategy update in Q2, Finnair set a new financial target, which is a comparable operating profit margin of 6 per cent by the end of 2025.



Unrealised changes in foreign currencies relating to fleet overhaul provisions were 7.1 million euros (-8.8) due to the weakened US dollar during the period. During the period, Finnair recognised an impairment of 13.7 million euros related to lease agreements for a maintenance hangar and its land area situated in the Helsinki airport area, whereas in 2022, impairment on A330 aircraft was the biggest item affecting comparability (-32.7). 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 14.0 million euros (4.9) during 2023 and related mostly to sales gains of 13.3 million euros (6.6) mainly consisting of gains of lease buyouts regarding six A321 aircraft.

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

were written down in 2022 as its financial outlook had further improved. In Q4, it re-recognised the remaining 18 million euros of the written down deferred tax assets related to 2020 and 2021 tax losses and recognised also 28 million euros of the deferred tax assets related to 2022 tax losses. Other recognised income taxes between during 2023 consisted of utilised tax losses and other temporary differences.

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



# Financial position and capital expenditure

## Balance sheet

The Group's balance sheet totalled 3,698.0 million euros at the end of December (4,133.0). Due to investments mainly related to acquisitions of nine previously leased narrow-body aircraft, the fleet book value increased by 158.2 million euros despite depreciation. The right-of-use fleet decreased by 157.9 million euros due to depreciation and the aircraft acquisition.

Receivables related to revenue increased to 154.4 million euros mainly due to improved ticket sales (134.9). Net deferred tax assets increased to 234.0 million euros (80.6) mainly due to the re-recognition of deferred tax assets totalling to 117 million euros in Q2 and Q4 related to 2020 and 2021 tax losses

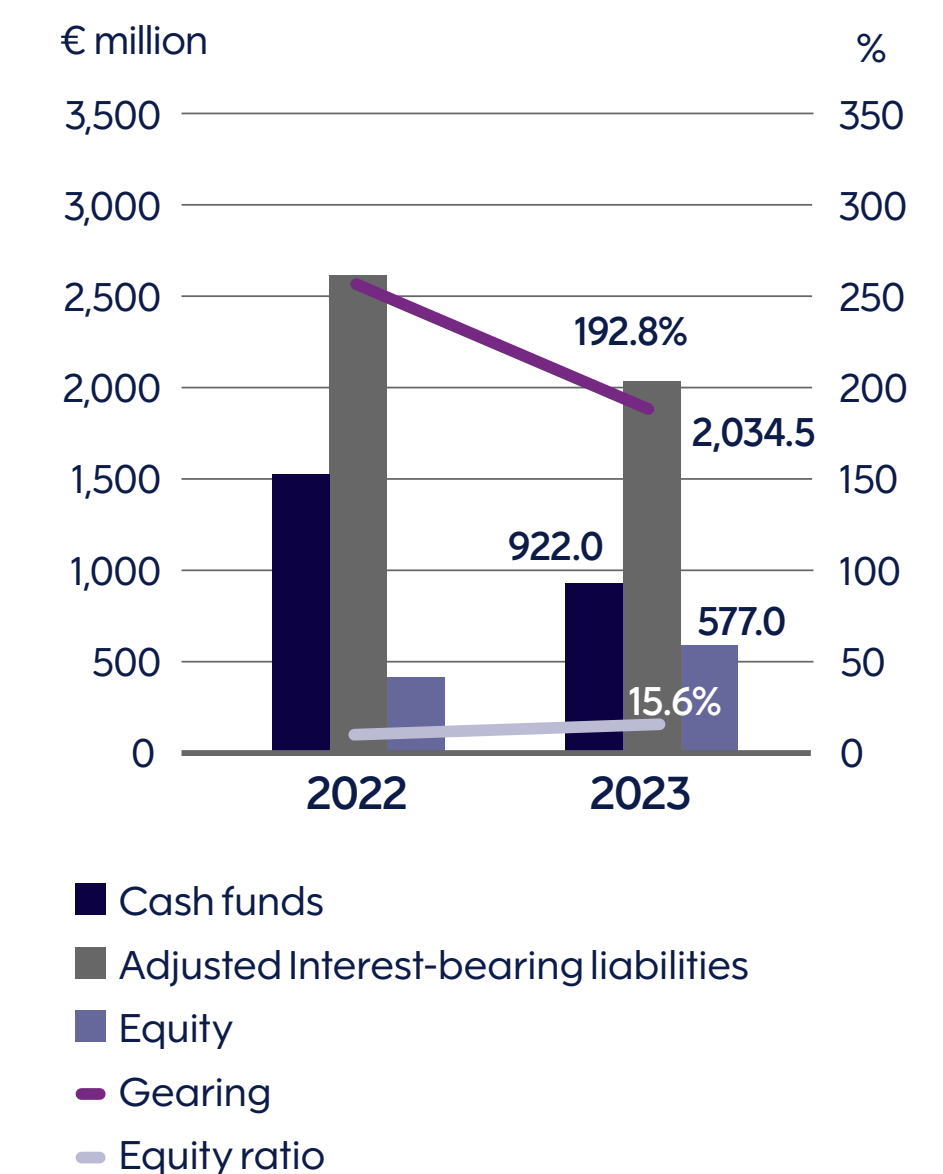
as well as recognition of deferred tax assets of 28 million euros in Q4 related to 2022 tax losses. The pension assets rose to 128.0 million euros (120.0) mostly due to actuarial gains whereas pension obligations increased to 0.8 million euros (0.7).

Deferred income and advances received increased to 506.7 million euros (452.0). This was mainly caused by an increase in the unflown ticket liability, amounting to 394.8 million euros (356.4) due to capacity growth and stronger passenger yields.

### Key Figures – Capital structure

|                                               |           | 2023    | 2022    | 2021    | 2020    | 2019  |
|-----------------------------------------------|-----------|---------|---------|---------|---------|-------|
| Equity ratio                                  | %         | 15.6    | 9.9     | 11.8    | 24.6    | 24.9  |
| Gearing                                       | %         | 192.8   | 266.4   | 321.8   | 153.2   | 64.3  |
| Interest-bearing net debt                     | EUR mill. | 1,112.5 | 1,094.0 | 1,530.9 | 1,373.8 | 621.0 |
| Interest-bearing net debt / Comparable EBITDA |           | 2.2     | 7.1     | -10.3   | -5.5    | 1.3   |
| Gross capital expenditure                     | EUR mill. | 484.2   | 199.6   | 434.5   | 515.9   | 443.8 |
| Return on capital employed (ROCE)             | %         | 8.8     | -6.1    | -13.9   | -15.2   | 6.3   |
| Cash to sales                                 | %         | 30.9    | 64.7    | 151.0   | 99.3    | 30.8  |

### Gearing



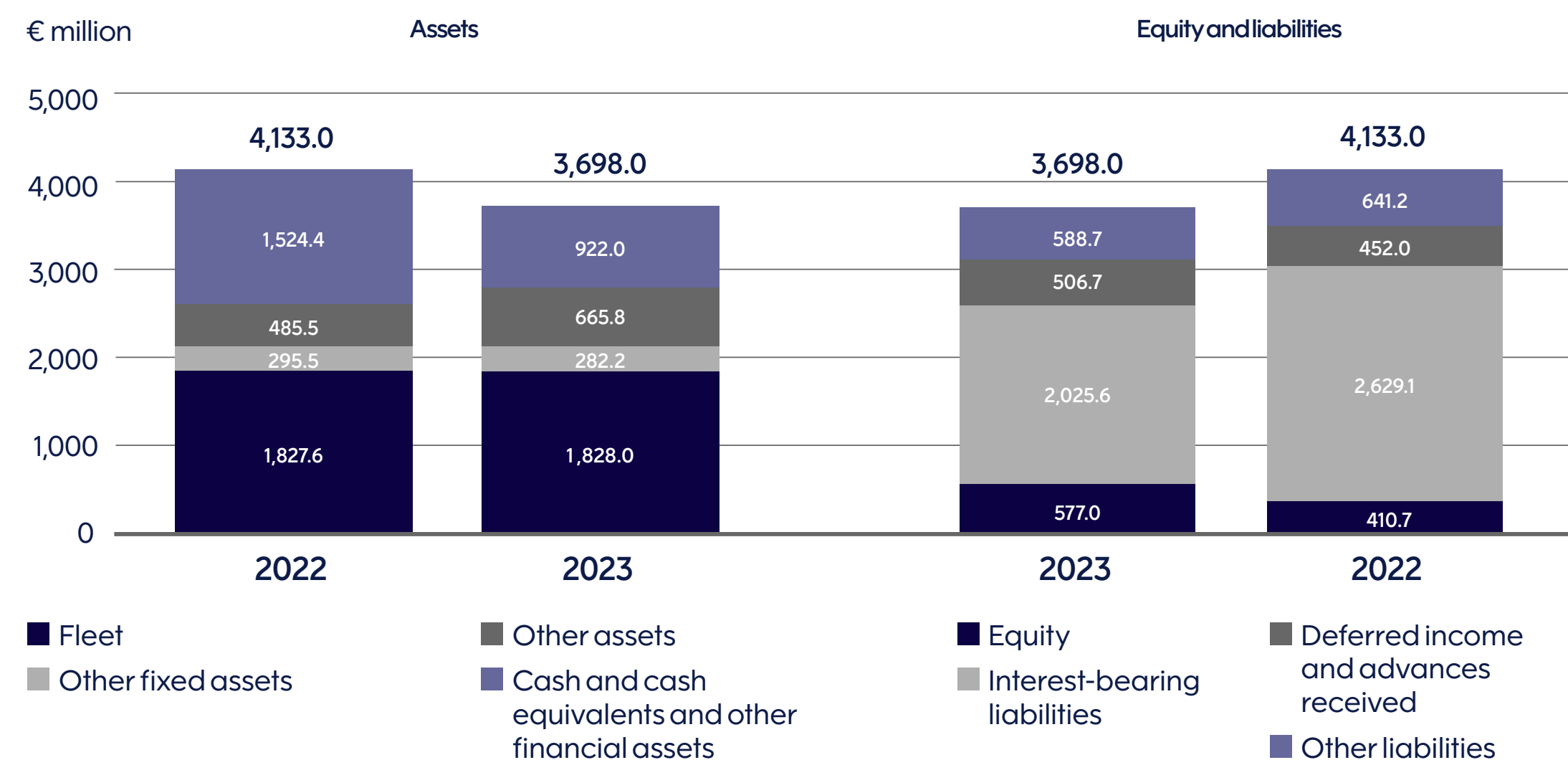


The profit for the period augmented shareholders' equity, which totalled 577.0 million euros (410.7), or 0.03 euros per share (0.05<sup>1</sup>). During the period, Finnair redeemed the hybrid bond of 200 million euros and paid the related interests which had a declining impact on equity. Further, Finnair carried out a rights issue of 570 million euros in November to strengthen its financial position. It had an impact on the structure of equity as the company converted the 400-million-euro capital loan granted by the State of Finland into equity pro rata to the State's ownership and repaid the remainder of it together with the accrued interests to the State after the rights issue. Shareholders' equity 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 December was 48.6 million euros after deferred taxes (42.8) as actuarial gains from defined benefit pension plans had an improving impact on equity.

<sup>1</sup> A rights offering was implemented in November 2023. The shareholders' equity per share for the comparison period has been restated accordingly.

## Balance sheet



# Cash flow and financial position

During 2023, net cash flow from operating activities was strong due to materially improved comparable EBITDA. Net cash flow from investments was negative, due to fleet-related investments and changes in other current financial assets (maturity over three months). Net cash flow from financing was negative due to both loan and

lease liability repayments. The loan repayments include the senior bond buyback of 18 million euros executed in Q1, the first 100-million-euro tranche of the pension premium loan amortisation in June and another tranche of 220 million euros in December, the 200-million-euro hybrid bond redemption with 20-million-euro interests in September as well as the remaining 81 million euros of the capital loan granted by the State of Finland together with total interests and other fees of 49 million.

The equity ratio on 31 December 2023 improved from the year-end 2022 mostly thanks to the positive result for the period and lower interest-

## Cash flow

| EUR million                             | 2023   | 2022  |
|-----------------------------------------|--------|-------|
| Net cash flow from operating activities | 472.3  | 259.0 |
| Net cash flow from investing activities | -464.0 | -75.5 |
| Net cash flow from financing activities | -676.4 | 42.1  |

## Capital structure

| %            | 31 Dec 2023 | 31 Dec 2022 |
|--------------|-------------|-------------|
| Equity ratio | 15.6        | 9.9         |
| Gearing      | 192.8       | 266.4       |

## Liquidity and net debt

| EUR million                           | 31 Dec 2023 | 31 Dec 2022 |
|---------------------------------------|-------------|-------------|
| Cash funds                            | 922.0       | 1,524.4     |
| Adjusted interest-bearing liabilities | 2,034.5     | 2,618.4     |
| Interest-bearing net debt             | 1,112.5     | 1,094.0     |



bearing liabilities. Gearing declined year-on-year on the back of improved equity.

The company’s liquidity remained strong on the back of the robust net cash flow from operating activities and the rights issue even though the company repaid 130 million euros of the capital loan granted by the State of Finland including the total interests and other fees, repaid 320 million euros of the pension premium loan, redeemed the 200-million-euro hybrid bond with interest

and acquired previously leased narrowbody aircraft with more than 200 million euros. Finnair has a 200-million-euro short-term, unsecured commercial paper programme, which was unused at the end of December.

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 1,115.0 million euros (1,330.7).

## Capital expenditure

Gross capital expenditure, excluding advance payments, totalled 484.2 million euros during 2023 (199.6) 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 -403.3 million euros (-62.7).

Change in other current financial assets (maturity over three months) totalled -60.7 million euros (-12.8) also forming a part of the total net cash flow from investments, which amounted to -464.0 million euros (-75.5).

Cash flow from investments (including only fixed asset investments and advance payments) for the financial year 2024 relates mainly to the fleet and is expected to total -235 million euros. Investment cash flow includes both committed investments as well as estimates for planned, but not yet committed, investments.

The company has 42 unencumbered aircraft, which account for approximately 38.0 per cent of the balance sheet value of the entire fleet of 1,828.0 million euros.<sup>2</sup>

## Shareholder return policy and the Board’s proposal for the distribution of profit

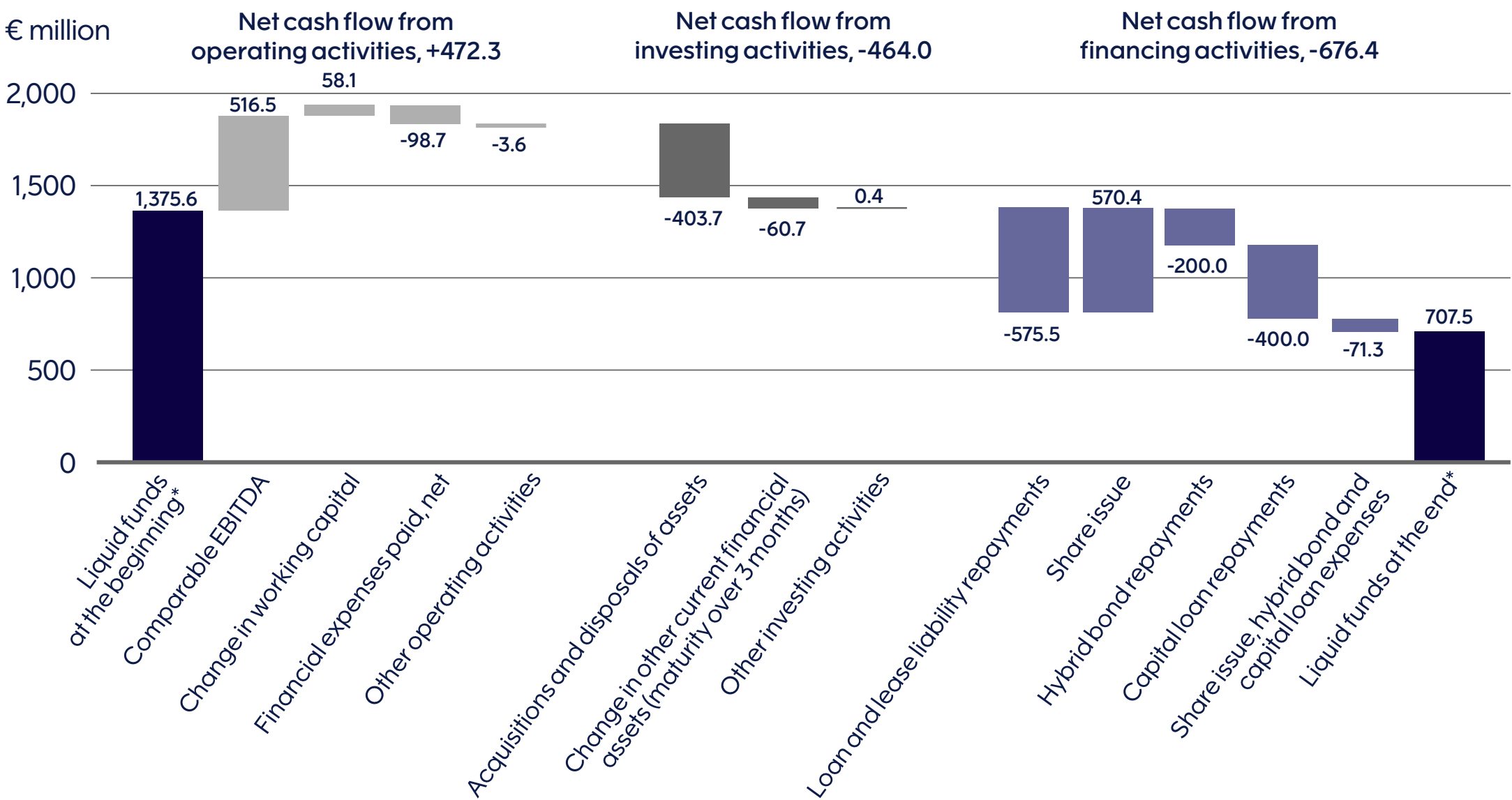
The aim of Finnair’s shareholder return policy is to pay, on average, one-third of the earnings per share as dividend or capital distribution during an economic cycle. When deciding on such distribution, Finnair intends to take into account its earnings trend and outlook, financial situation as well as capital and investment need for any given period. Any future distributions may be made in two annual investments.

In connection with the 570-million-euro rights issue implemented in November, Finnair announced that it is targeting to reinstate its ability for shareholder distributions from 2025 onwards based on 2024 financial statements.

In 2023, earnings per share were 0.022 euros (-0.060). Finnair Plc’s distributable equity amounted to 473,123,719.36 euros on 31 December 2023. The Board of Directors proposes to the Annual General Meeting that no dividend be distributed based on the financial statements adopted for 2023.

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

### Cash Flow change 2023



\* Finnair’s cash funds differ from liquid funds as liquid funds do not include other financial assets (maturity over 3 months).



# 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 year, Finnair itself operated 55 aircraft, of which 25 were wide-body and 30 narrow-body aircraft. The average age of the fleet operated by Finnair was 12.5 years.

During the year, Finnair Aircraft Finance Oy purchased in total nine narrowbody aircraft previously leased to the company: in February one A320 aircraft, and in March one A320 and one A321 aircraft, and during December six previously leased A321 aircraft. In March, the company also re-delivered one leased A319 to the lessor.

## Fleet renewal

At the end of year, Finnair had seventeen A350 aircraft, which have been delivered between

2015–2021, and two A350 aircraft on order from Airbus. In April, the company concluded an agreement with the manufacturer to defer the second aircraft on order. The first of the two remaining aircraft on order is scheduled to be delivered to Finnair in Q4 2024 and the second deferred aircraft in Q2 2026.

Finnair’s investment commitments for property, plant and equipment, totalling 313.7 million euros, include the upcoming investments in the wide-body fleet.

## Fleet operated by Norra (purchased traffic)

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

### Fleet operated by Finnair\*

| 31 Dec 2023       | Seats           | #  | Change from<br>31 Dec 2022 | Own** | Leased | Average age<br>31 Dec 2023 | Ordered |
|-------------------|-----------------|----|----------------------------|-------|--------|----------------------------|---------|
| Narrow-body fleet |                 |    |                            |       |        |                            |         |
| Airbus A319       | 144             | 5  | -1                         | 5     |        | 22.6                       |         |
| Airbus A320       | 174             | 10 |                            | 10    |        | 21.4                       |         |
| Airbus A321       | 209             | 15 |                            | 7     | 8      | 9.4                        |         |
| Wide-body fleet   |                 |    |                            |       |        |                            |         |
| Airbus A330       | 279/263         | 8  |                            | 4     | 4      | 14.2                       |         |
| Airbus A350       | 278/297/321/336 | 17 |                            | 5     | 12     | 6.1                        | 2       |
| Total             |                 | 55 | -1                         | 31    | 24     | 12.5                       | 2       |

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

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

### Fleet operated by Norra\*

| 31 Dec 2023  | Seats | #  | Change from<br>31 Dec 2022 | Own | Leased | Average age<br>31 Dec 2023 | Ordered |
|--------------|-------|----|----------------------------|-----|--------|----------------------------|---------|
| ATR          | 68–70 | 12 |                            | 6   | 6      | 14.4                       |         |
| Embraer E190 | 100   | 12 |                            | 9   | 3      | 15.5                       |         |
| Total        |       | 24 | 0                          | 15  | 9      | 15.0                       | 0       |

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



# Strategy implementation

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

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

- Customer-centric commercial and operational excellence

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

In November, Finnair carried out a rights issue of 570 million euros. The gross proceeds from the rights issue were used to strengthen Finnair's balance sheet and financial position to better manage its outstanding financial liabilities, support the implementation of its strategy to drive sustainable profitable growth and ensure its ability for future investments.

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

Finnair's long-term financial targets are based on the following key assumptions: the company's overall capacity, measured in Available Seat Kilometres (ASK), would increase by more than 15 per cent from 2023 to 2025; the company's maintenance capex would be 80–100 million euros annually; the company would be able to utilise 190 million euros of the recognised deferred

tax assets, which would limit the corporate tax payable over the medium term; and the company would maintain a cash to sales ratio of 30 per cent over time.

## Customer-centric commercial and operational excellence

Finnair aims to be a modern Nordic airline, providing customers with the ability to tailor their journey at each step of the process as well as to remain relevant outside of the air travel experience. The first step has been to significantly increase the share of direct distribution, improve digital sales capability, and develop revenue optimisation and partner utilisation. The next step is to smooth



the process from the customer’s perspective by shifting to customer-centric and data-driven sales, strengthening customer relationships by providing the right product at the right time and increasing customer engagement with more targeted sales communications. Safety as well as excellent on-time performance and regularity remain at the core of Finnair’s operational quality, and the company invests in the use of analytics and data to provide a smooth and timely travel experience.

The role of digital services is a key part of Finnair’s strategy, and its importance will continue to grow. The average monthly number of unique and verified Finnair website visitors in 2023 (2.1 million) decreased from the comparison period level (2.3). This was mainly caused by the revised cookie consent policy. The number of active users of the Finnair mobile application increased by 21.0 per cent to 860,000 year-on-year, as customers

were able to effect more changes and purchase more ancillaries directly from the app. Share of passengers in Finnair’s modern channels<sup>3</sup> grew to 67.8 per cent (66.5) driven by the increasing NDC (New Distribution Capability) share in all customer segments.

The updated strategy still emphasises the utilisation of joint businesses with airline partnerships (Atlantic Joint Business or AJB, Siberian Joint Business or SJB and joint business with Juneyao Air). This highlights the role of **oneworld** partners such as American Airlines and Alaska Airlines in North America, Qatar Airways

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

in the Middle East, Japan Airlines on routes to Japan and Qantas on the new routes connecting Australia and Asia, which Finnair started to operate in late 2023. Finnair’s partnerships provide Finnair customers with an extensive global network and, on the other hand, significantly strengthen Finnair’s distribution power.

Product and service quality are still differentiating factors for Finnair, in which operative quality plays an important role. Finnair’s long-haul traffic emphasises a high-quality, differentiating travel experience, while smoothness, simplicity and efficiency are key to intra-European traffic. Finnair’s Net Promoter Score (NPS) measuring customer satisfaction was still at a good level of 35 (40). In addition to the refurbished wide-body aircraft cabin, which has received very positive feedback from Finnair customers, NPS has been positively impacted by Finnair’s good on-time performance of 80.9 per cent (79.0) despite the capacity challenges that have impacted the European aviation system. As an indication of Finnair’s strong customer satisfaction, the company was selected as the best airline in Northern Europe for the 13th consecutive time in the Skytrax customer survey. Further, customers voted to select Finnair as a five-star airline in the Airline Passenger Experience Association (APEX) airline evaluation in 2023.

In 2023, the company announced changes to the Finnair Plus programme, which will bring new benefits to its members and new opportunities to collect and use frequent flyer currency. Starting from the spring of 2024, the programme will also move to a new spend-based platform. In the future, programme members will collect Avios loyalty currency. Avios is a frequent flyer currency used by Finnair’s **oneworld** partner frequent flyer programmes British Airways Executive Club, Qatar Airways Privilege Club and Iberia Plus.

The company also announced during 2023 that it is investing in new, larger lounges on the Schengen side of Helsinki Airport. The expanded lounges will be available in the second half of 2024 to serve the needs of a growing number of customers. Further, the company announced that it will renew the cabins of all Embraer E190 fleet consisting of 12 aircraft. The renewal will be implemented during 2024–2025.

## Balanced growth supported by optimised fleet

Due to the closure of Russian airspace, Finnair’s hub lost its unique geographic advantage, as flying around Russia lengthens the routings between Helsinki and the mega cities in Japan, South Korea and China by up to 40 per cent, depending on the

### Key Figures – Customer centric commercial and operational excellence

|                                                   |           | 2023  | 2022  | 2021  | 2020  | 2019  |
|---------------------------------------------------|-----------|-------|-------|-------|-------|-------|
| Net Promoter Score                                |           | 35    | 40    | 38    | 48    | 38    |
| On-time performance                               | %         | 80.9  | 79.0  | 82.3  | 90.2  | 79.3  |
| Share of passengers in modern channels            | %         | 67.8  | 66.5  | 71.5  | 51.2  | 40.8  |
| Average number of monthly visitors at finnair.com | mill.     | 2.1   | 2.3   | 1.1   | 1.1   | 2.0   |
| Active users for Finnair mobile app               | 1,000     | 860.0 | 711.0 | 326.0 | 187.3 | 332.6 |
| Ancillary revenue                                 | EUR mill. | 147.8 | 123.2 | 44.1  | 62.3  | 176.2 |



destination. Finnair has re-balanced its network with an emphasis on the West and the Middle East and optimised its European network and traffic structure to increase efficiency.

Through the Qantas wet and dry lease agreements published in Q2 2023 and the cooperation with Qatar Airways commenced in Q4 2022, Finnair will be able to productively deploy its A330 fleet despite the closure of Russian airspace, while maintaining flexibility in the near term to restore connectivity between Asia and Europe.

Faster, standardised turnarounds at airports, improved aircraft utilisation and aircraft returning from wet lease outs in Q1 2024, as well as the next A350 delivery in Q4 2024, will enable Finnair to grow in line with the market and increase capacity at a competitive cost level despite the capacity constraints prevailing in the aircraft market.

## Continuous cost efficiency to ensure competitiveness

Maintaining profitable and competitive operations require Finnair to continuously review its cost levels with a view to containing cost increases. However, the company has moved from programme-based cost reductions towards continuous cost efficiency improvement to ensure its competitiveness and to

protect the opportunity to maintain investments in the customer experience in the future.

In 2023, Finnair continued to advance existing savings projects and developed new projects that, among other things, utilise the opportunities offered by artificial intelligence. Further, the purchase of six previously leased A321 aircraft in late 2023 will have an annual positive impact of more than 20 million euros on both profit before taxes and cash flow over the next few years. Also the additional pension premium loan repayment of 120 million euros during Q4 will have a positive impact on profit before taxes amounting to approximately 3 million euros in 2024 in the form of lower net interest costs.

## Among industry sustainability leaders

Finnair is committed to continuously and systematically developing its operations in every relevant aspect of sustainability. The company aims to be among 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. In order to invest more sustainably, the company must also ensure that the economic development of its business supports such investments..

### Key Figures – Among industry sustainability leaders

|                                  |        | 2023      | 2022      | 2021      | 2020      | 2019      |
|----------------------------------|--------|-----------|-----------|-----------|-----------|-----------|
| Fuel consumption                 | tonnes | 960,357   | 788,104   | 364,478   | 365,492   | 1,132,219 |
| Flight CO <sub>2</sub> emissions | tonnes | 3,025,124 | 2,482,528 | 1,148,107 | 1,151,299 | 3,566,491 |
| Flight CO <sub>2</sub> emissions | g/ASK  | 83.7      | 79.3      | 94.9      | 89.0      | 75.6      |
| Flight CO <sub>2</sub> emissions | g/RTK  | 920.5     | 926.9     | 931.7     | 948.6     | 785.3     |

### Key Figures – Adaptable Finnair culture driven by engaged people

|                                                                 |   | 2023  | 2022  | 2021  | 2020  | 2019  |
|-----------------------------------------------------------------|---|-------|-------|-------|-------|-------|
| Average number of employees                                     |   | 5,195 | 5,336 | 5,614 | 6,573 | 6,771 |
| Absences due to illness, target decrease from the previous year | % | 4.6   | 5.4   | 2.3   | 3.8   | 4.6   |
| Attrition rate                                                  | % | 3.8   | 7.3   | 6.8   | 7.4   | 3.8   |
| LTIF (Lost-time injury frequency)                               |   | 5.5   | 6.8   | 5.6   | 4.4   | 9.6   |

The company's long-term sustainability target is to be carbon neutral by 2045. In April 2022, Finnair committed to cooperating with the Science Based Targets initiative (SBTi) to bring its emissions targets in line with the Paris Agreement. SBTi requires airlines to decarbonise through their own operations, so it does not take into account off-industry carbon credits or other market-based mechanisms such as the ETS. In line with SBTi's requirements, Finnair focuses on reducing the direct emissions of its aircraft. This requires significant measures to modernise Finnair's aircraft, improve operational efficiency and

increase the use of sustainable aviation fuels. The exact schedule and scope of the measures will be specified during the year 2024, as Finnair prepares to submit short-term CO<sub>2</sub> intensity reduction targets to SBTi for validation in the first quarter of 2024.

Social responsibility is also a key component of the company's sustainability work. This means taking care of the safety and health of its employees and customers, promoting human rights, equality, non-discrimination, and diversity in the workplace and in its value chain, and offering accessible services.



## Building a sustainable balance sheet

In building a sustainable balance sheet, it is essential to maintain the achieved business profitability. This strengthens equity and improves cash flows, which enables debt repayment and – together with continuous cost efficiency – builds a sustainable balance sheet. This strategy theme is also incorporated into other strategy themes.

During 2023, Finnair took many steps towards building a more sustainable and efficient balance sheet. In November, it carried out a rights issue of 570 million euros to strengthen its balance sheet and financial position. With the proceeds, Finnair repaid the remaining amount of the capital loan granted by the State of Finland together with total interests and other fees, totalling 130 million euros, and repaid an additional tranche of 120 million euros of its pension premium loan in addition to the scheduled tranches totalling 200 million euros. It also purchased six narrowbody aircraft previously on lease to the company for more than 200 million euros. Further, Finnair redeemed the 200-million-euro hybrid bond at the beginning of September, driven by clearly improved profitability. For the same reason, it also recognised a total of 145 million euros of deferred tax assets related to 2020–2022 tax losses.

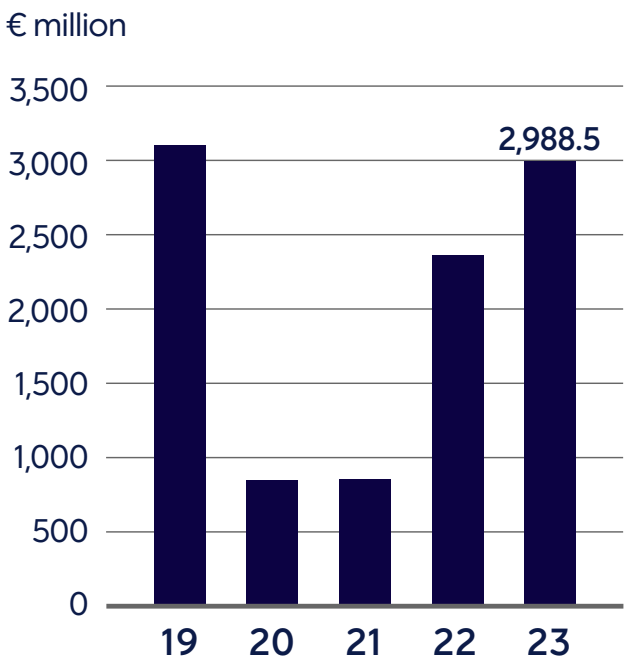
## Adaptable Finnair culture driven by engaged people

Throughout Finnair's 100-year history, the company and its employees have demonstrated a remarkable ability to adapt to changing circumstances and find new, previously untapped opportunities. This has been particularly highlighted during and after the twin crises caused by the pandemic and Russia's attack on Ukraine followed by the closure of Russian airspace. Going forward, the company will focus even more on nurturing and developing this cultural strength and will invest in its people to further improve employee competence, employee and customer experience, and business results.

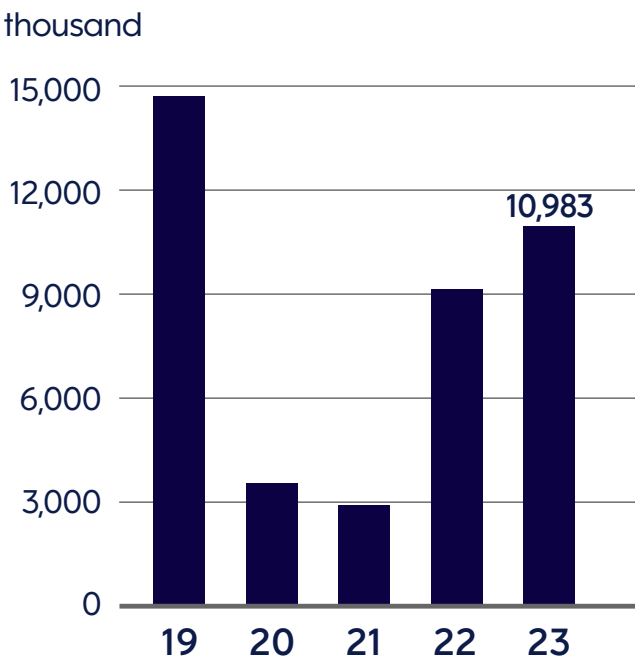


# Financial performance 2019–2023

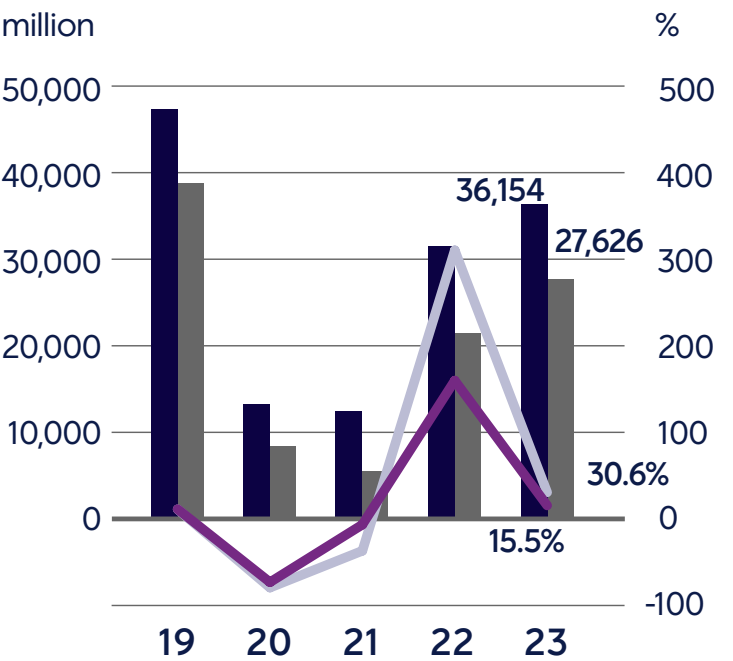
Revenue



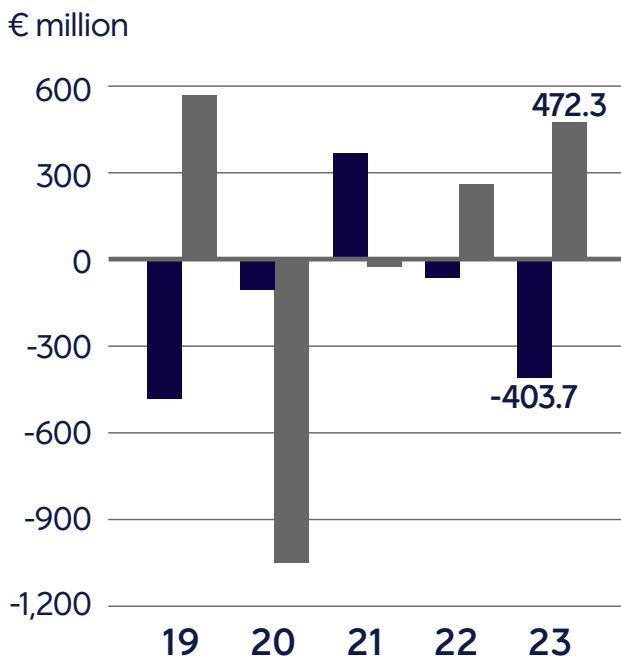
Number of passengers



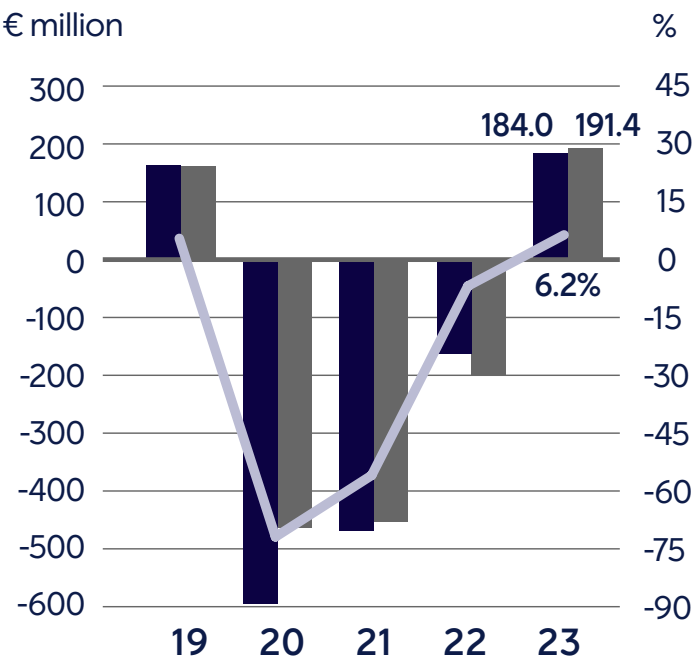
Available seat kilometres (ASK) and  
revenue passenger kilometres (RPK)



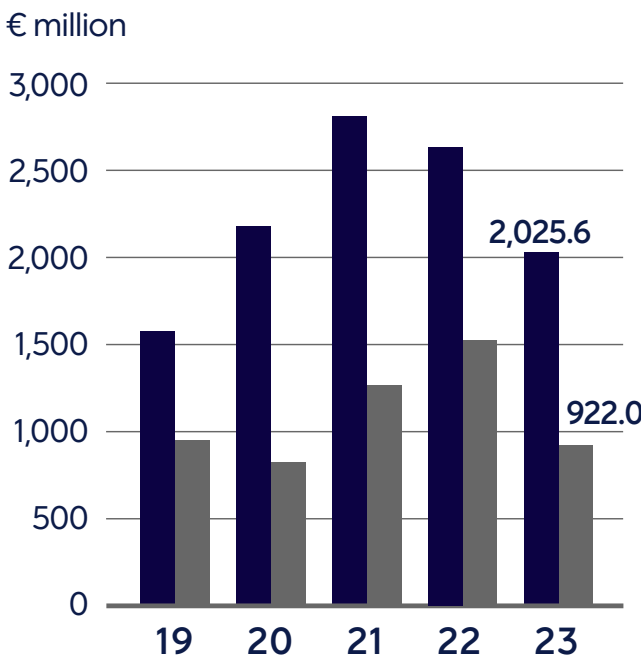
Investments cash flow and net cash flow  
from operations



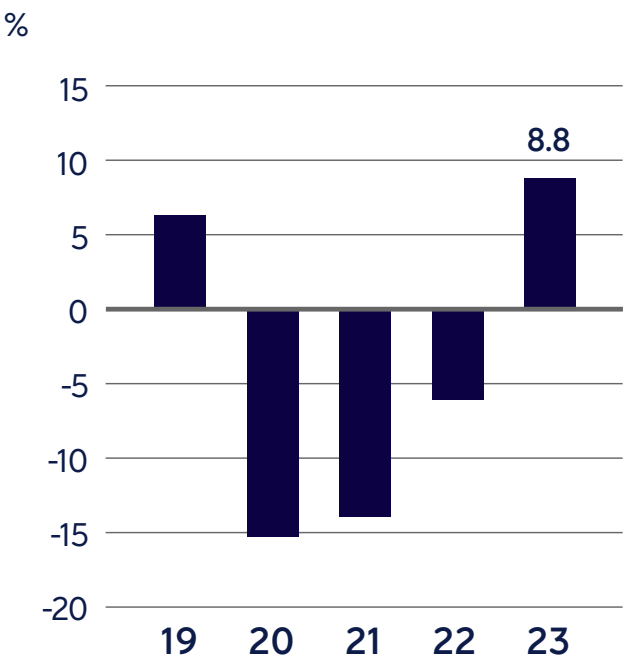
Comparable operating result  
and operating result



Interest-bearing liabilities and cash funds



Return on capital employed (ROCE)



- Available seat kilometres (ASK)
- Revenue passenger kilometres (RPK)
- Available seat kilometres (ASK), % change
- Revenue passenger kilometres (RPK), % change

- Investment cash flow\*
- Net cash flow from operations
- \* Including investments and divestments of fixed assets and group shares.

- Comparable operating result\*
- Operating result
- Comparable operating result\*, % of revenue
- Financial target: The target level of comparable operating result percentage of revenue for the strategy period is 6% by the end of 2025.
- \* Comparable operating result excluding unrealised changes in foreign currencies of fleet overhaul provision, fair value changes of derivatives where hedge accounting is not applied, sales gains and losses on aircraft and other transactions, impairment, exceptional changes in defined benefit pension plans and restructuring costs.

- Interest-bearing liabilities
- Cash funds



# Non-financial performance in 2023

The year 2023 stands out as a significant year in Finnair's history, as the company celebrated its 100th anniversary. The year was also notable in the sense that, following a challenging double crisis, the company successfully restored its profitability. The role of aviation as a fast and global enabler of connections and as an economic driver lays the basic need also for the next 100 years. Finnair is attentive to the sustainable development of the society around it and the obvious challenge it must tackle now is how to make sustainable aviation a reality within the next few decades.

Finnair has begun its long journey as part of the energy transition to minimise the amount of fossil energy, but the transition to use cleaner energy sources will take several decades in aviation. Nonetheless, Finnair is already setting milestones

for it. Finnair is gradually increasing the volume of Sustainable Aviation Fuel (SAF) refuelling, continuously improving energy-efficiency of flying, and closely monitoring the development of new hydrogen and hybrid-electric aircraft. Worldwide, new technologies are advancing at an accelerating pace, making it crucial to identify and select the optimal path to achieve Finnair's target to fly carbon neutral in 2045.

During 2023, Finnair conducted a double materiality analysis (DMA) in accordance with the European Sustainability Reporting Standards (ESRS), with careful consideration of the disclosure requirements specified in ESRS 2, as well as the EFRAG Value chain implementation guidance. The assessment process consisted of a contextual analysis (based on Finnair's previous materiality

assessments), public and certain internal sources, engagement with stakeholders through interviews and surveys, internal impact, and financial materiality assessments, as well as working group meetings. The results were reviewed and validated by Finnair's Executive Board and the process followed the principles of internal control and risk management confirmed by Finnair's Board of Directors. The DMA was conducted in close collaboration with a third-party service provider. As a result of the work, it can be stated that the material sustainability topics of Finnair include (not in priority order):

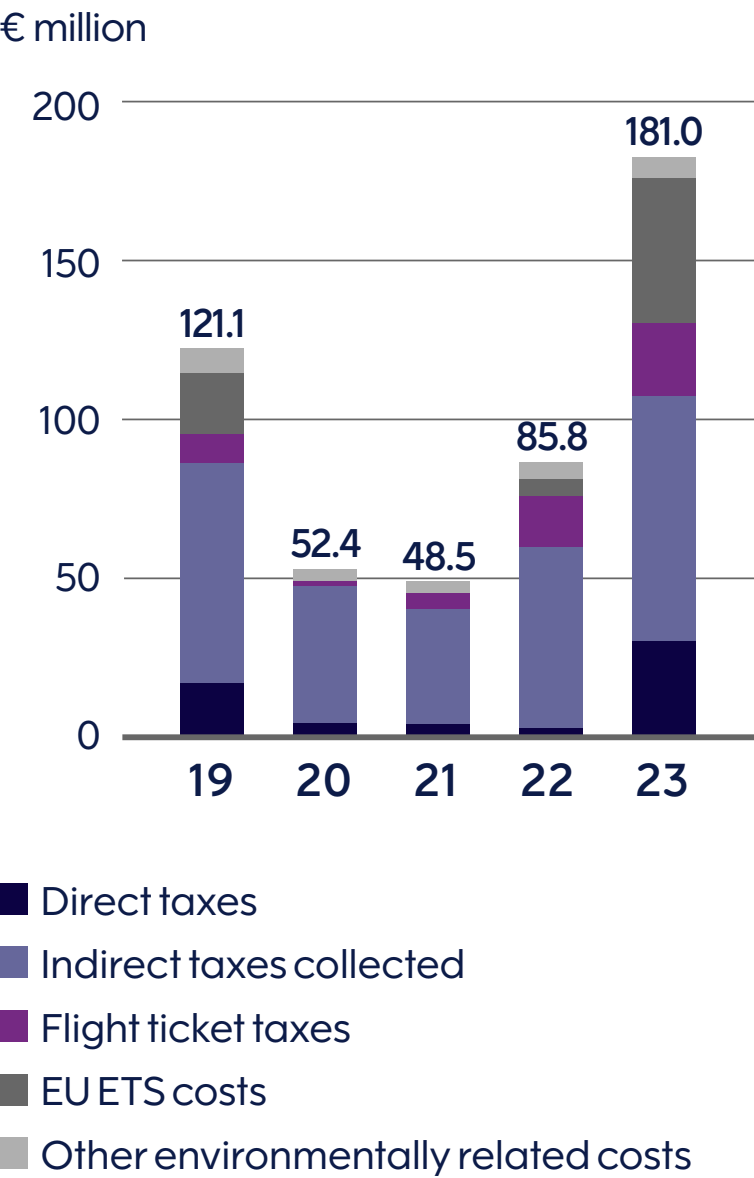
- Energy Consumption and Greenhouse Gas (GHG) Emissions: Finnair is targeting to fly carbon neutral in 2045, is actively improving the energy efficiency of its operations and will set a science-

based target for the next ten years period during the first quarter of 2024.

- Biodiversity Aspects: Finnair's climate commitments extend to ensuring sustainable aviation fuels are produced with a focus on minimising harm to ecosystem services.
- Community Impact: The company is actively increasing the positive effects on people and communities around it.
- Employee Experience: Motivated, diverse, and competent employees is the core of Finnair's success.
- Consumer Experience: Enhancing the travel experiences of our consumers and listening their views are pivotal aspects of the company's sustainability strategy.

## Finnair’s own non-flight operations (Scope 1 & 2) at Helsinki-Vantaa are carbon neutral from the beginning of 2023.

### Taxes and other environmental costs



Other environmentally related costs include Noise and emissions charges.

- Supply Chain Management: Finnair is implementing systematic measures throughout its supply chain to ensure responsible sourcing and operations, considering human rights of workers in its value chain.
- Business Conduct: Ethical, transparent, and robust business practices are integral to Finnair’s operations, aligning with global standards.
- Aircraft Noise: The company recognises the importance of addressing aircraft noise pollution and is actively working on mitigating solutions.
- Circular Economics: Finnair is embracing circular economic principles to minimize waste and maximize resource efficiency.
- Climate Change Adaptation: Understanding and adapting to climate change risks are integral to Finnair’s long-term strategy.

The Audit Committee, nominated by Finnair’s Board of Directors, ensures that sustainability is seamlessly integrated into its core business strategy. The company is committed to the continuous development of all identified material topics, supported by comprehensive policies, robust management processes, stakeholder engagement, and transparent communication practices. The company is preparing to publish its first CSRD-compliant sustainability report in 2025 on the development and status of 2024.

The impacts of the pandemic on Finnair’s operations were very mild in the second half (H2) of 2023, although the increase in travel to China remained slow. On the other hand, the Russian airspace closure to EU carriers clearly affected Finnair’s traffic to Asia. During 2023, the risks related to the double crisis have, however, normalised and the year can be considered the first reasonable reference year for the coming years.

## Business Conduct

Finnair is committed to complying with international and national legislation in its operations and the ethical business principles laid out in its Code of Conduct and supports the Sustainable Development Goals (SDG) set by The United Nations General Assembly.

The Code of Conduct applies to all Finnair personnel and all locations. Further, Finnair’s Supplier Code of Conduct address, among other things, the company’s principles for ethical procurement, human rights, anti-bribery and corruption policies, as well as environmental responsibility. The company requires that its suppliers comply with ethical standards that are essentially similar to those with which Finnair complies within its own operations. Finnair is working to further integrate sustainability and ethical business conduct into all business processes.

Finnair has identified the developments in its value chain and legislation and has begun to establish a framework for human rights-related due diligence. The company is committed to integrating this due diligence into its business as an ongoing and iterative programme. Stakeholder engagement, especially with vulnerable groups, is a crucial part of this assessment to gain accurate insights from those who may be affected by the company’s operations. The company sees human rights due diligence as a continuous learning journey, not merely as a checklist. Managing the company’s business goes beyond mere compliance; it should reflect a genuine commitment to building sustainable business that respects and supports human rights in all its operations.

### Human Rights, Bribery and Anti-Corruption

Finnair respects the UN Universal Declaration on Human Rights and the core conventions of the International Labour Organisation (ILO). The company has signed the United Nation’s Global Compact initiative and as required by the Global Compact’s ten principles, the company aims to prevent any violations of human rights, including the use of forced or child labour, both within its own operations and its supply chain. The company reports annually on the progress of its operations in accordance with the UN Communications on Progress requirements. Finnair’s Code of Conduct includes an anti-



corruption section; the receiving and giving of bribes is strictly prohibited. Preventing corruption is everyone’s responsibility at Finnair, including the heads of business operations, compliance function and the internal audit.

The direct human rights risks related to the company’s own operations have not been assessed to be at a significant level. However, there may be indirect risks and consequences associated with the supply chain and outsourced operations and services. The company’s versatile supply chain is built around its route network. It includes suppliers and service providers who are specializing in airlines and subject to international aviation regulations, as well as operators who ensure and enable the safety of Finnair’s core business.

Suspected human trafficking is a real concern in aviation, and Finnair has procedures in place to prohibit it. Finnair has signed IATA’s resolution against modern slavery and human trafficking. The company works closely with governments and the airports it operates from to ensure that all possible trafficking incidents on its flights are reported and dealt with appropriately. The crew has been given specific instructions on the procedures to be followed in cases where human trafficking is suspected. Finnair has made IATA’s human trafficking online training package mandatory for all crew members and ground agents. Finnair is

committed to increasing its personnel’s awareness of this issue.

Finnair has a Whistleblowing line called Finnair Ethics Helpline in use, through which both our employees and partners can report on concerns related to ethical business principles. During 2023, no material incident of material misconduct was reported through the Finnair Ethics Helpline nor were there any such investigations ongoing in the company.

**Sustainability Risk Management**

The company has implemented a systematic Enterprise Risk Management (ERM) framework and process, which is based on the COSO ERM framework. The process considers all potential business risks, including sustainability-related risks and evaluates their potential substantive financial impacts. When evaluating the risk impact, the primary criteria used has been strategic impact. Financial and reputation impacts are used as assisting criteria for the impact evaluation.

The primary governance principle is adherence to the Three Lines of Defense model, with a clear division of roles and responsibilities with respect to internal control and risk management. The Three Lines of Defense governance ensures that the segregation of duties is defined and established between risk management and risk control. For more detailed description of the risk management,

please refer to the Risk Management chapter in the Report of the Boad of Directors.

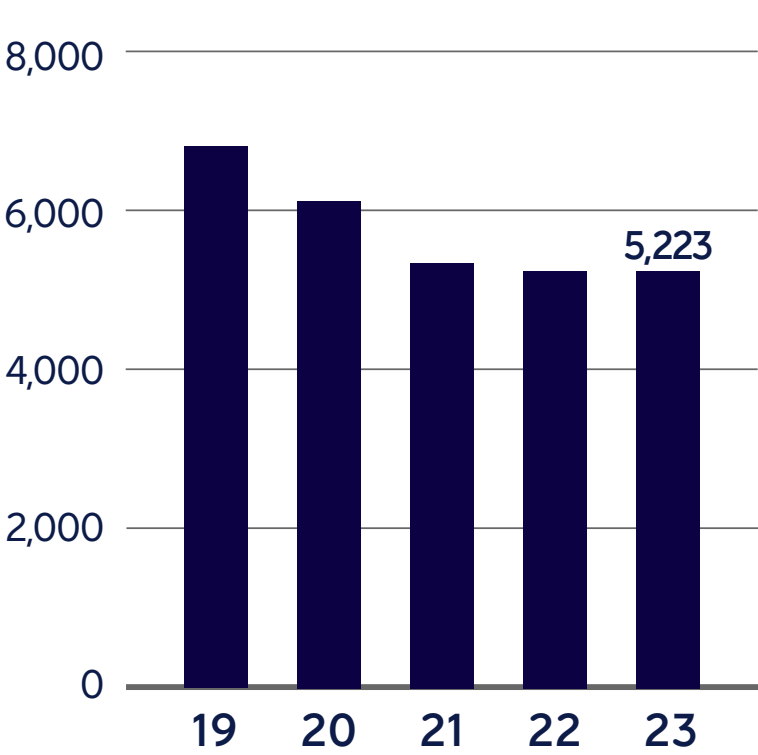
As part of the double materiality assessment conducted during the year 2023, the company updated the impacts, risks, and opportunities related to environmental, social, and governance responsibility. As a result of the process, the company now has a so-called long and short list of various sustainability topics, associated with both opportunities and risks. These are managed in accordance with the company’s risk management framework and process. External reporting related to these risks will be further developed in the year 2024.

**Customers, employees, and other stakeholders**

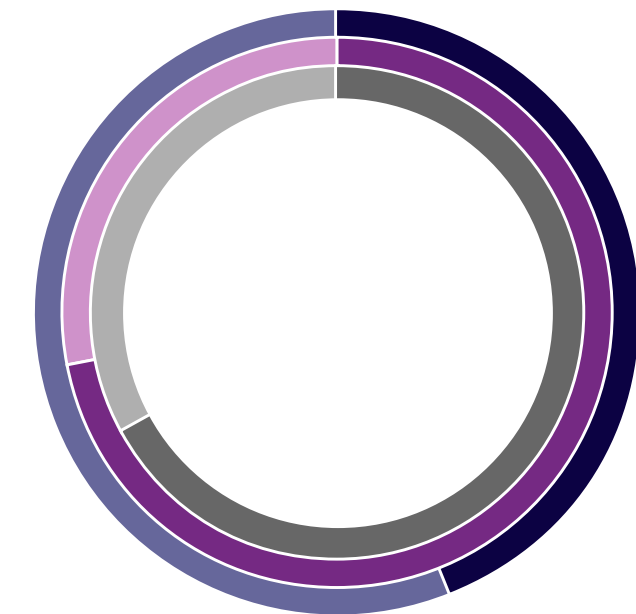
The year 2023 has been characterised by strong growth and diligent work. Progress has been made in internal ways of working and in refining the content and accessibility of services for customers. The company’s primary goals continue to be ensuring operational safety and maintaining clear priorities.

Finnair’s commitment to continuously enhance the customer experience remains unwavering, with a consistent application of relevant accessibility standards. Despite the challenges presented by the operating environment, there

**Number of persons employed by Finnair at year-end**



**The diversity of the Personnel: Gender**



|                        |                        |
|------------------------|------------------------|
| Men:                   | Women:                 |
| ■ Employees 44%        | ■ Employees 56%        |
| ■ Leaders/Managers 72% | ■ Leaders/Managers 28% |
| ■ Executive Board 67%  | ■ Executive Board 33%  |



has been an increase in the number of customers, accompanied by a modest decline in Net Promoter Score (NPS) (35) from the preceding year (40). While NPS showed a decrease, it is noteworthy that Finnair’s customers express satisfaction with the services provided and good arrival punctuality of flights. During the year, changes were made in airport services, ticket types, and baggage policies. These strategic initiatives not only improved operational efficiency and punctuality but also played a pivotal role in enhancing our financial performance, aligning seamlessly with our overarching strategic direction.

The well-being of Finnair’s employees is a central focus area of the company. The company is committed to maintaining the health and safety of its staff, providing them with learning and training opportunities, and promoting a workplace culture that values equality, inclusivity, and diversity. The company recognises diversity as a key driver of its performance.

Finnair employed an average of 5,195 (5,336) people in 2023, which is 2.7 per cent less than in the comparison period. The number of employees decreased during 2023 by 7 or 0.1 per cent, totalling 5,223 at the end of December (5,230). In total, 571 new persons were hired at Finnair in 2023. The increase was mostly due to growth in the number of Finnair Kitchen employees, pilots and cabin crew members. The attrition rate for the last 12 months

was 3.8 per cent (7.3). During 2023, the average number of people at work was 4,818 (4,492).

Full-time staff accounted for 85 per cent (87) of Finnair employees in 2023, and 92 per cent (97) of staff were employed on a permanent basis. The average age of employees was 44 years (43). Of the personnel, 35 per cent (33) were over 50 years of age, while 12 per cent (13) were under 30 years of age. At the end of 2023, 55 per cent (56) of Finnair’s employees were women and 45 per cent (44) were men. Four (three) out of the eight members of Finnair’s Board of Directors are women. Finnair does not maintain statistics based on ethnicity.

LTIF (Lost Time Incident Frequency), which measures the frequency of accidents at the company level, decreased year-on-year and was 5.5 (6.8). Also, the number of absences due to illness was lower than in the comparison period and was 4.6 per cent (5.4).

In Finland, employees have a legal right to freedom of association, and Finnair values good co-operation with labour unions representing its various employee groups. In 2023, the following collective agreements were negotiated:

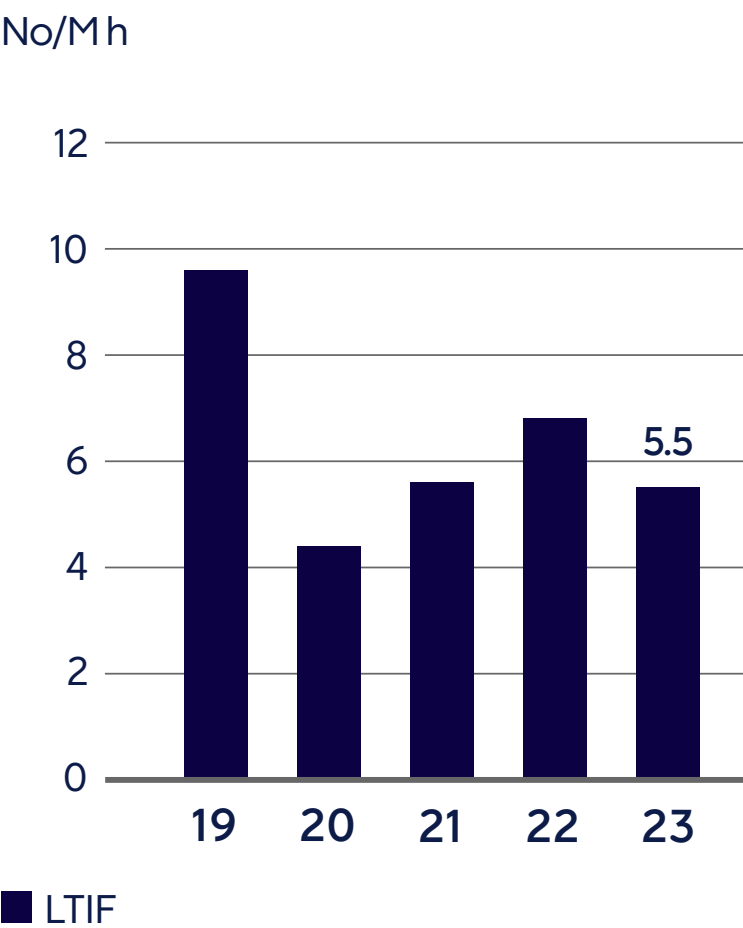
- An agreement between Palta and Finnish Aviation Union IAU concerning blue collar employees in Finnair’s Helsinki Airport customer and ground service, cargo and technical services. The agreement is valid until 15 March 2025.

- An agreement between Palta and Workers’ Union AKT concerning travel agencies (Suntours). The agreement is valid until 30 April 2025.
- An agreement between Finnair Plc and Finnairin Insinöörit ja ylemmät FINTO ry concerning Finnair Plc:s upper white-collar employees. The agreement is valid until the end of February 2026.

In addition, the following previously negotiated collective agreements are valid:

- An agreement between Palta and Finnish Air Line Pilots’ Association concerning Finnair Plc’s Finnish pilots was negotiated in 2021 and it is valid until the end of September 2024.
- An agreement between Palta and Transport Workers’ Union AKT representing Finnair’s cabin crew was negotiated in 2022. The agreement is valid until the end of January 2025.
- An agreement between Service Sector Employers Palta Trade Union Pro concerning Finnair’s technical aviation employees was negotiated in 2022. The agreement is valid until the end of January 2025.
- An agreement between Service Sector Employers Palta Trade Union Pro concerning Finnair’s aviation employees was negotiated in 2021. The agreement is valid until the end of January 2025.

Lost Time Incident Frequency





Supply chain

The sustainability of the supply chain is very important in Finnair’s operations, as Finnair increasingly uses partners and service providers to maintain and expand its international route network.

In 2023, the company conducted a comprehensive screening of indirect emissions, Scope 3, resulting in the identification of five out of the 15 categories as significant. The company continues its ongoing development work related to Scope 3 emissions accounting and will provide more detailed reports on these emissions in the coming year’s activities.

The company is in the process of developing a programme related to the management of environmental impacts in the supply chain, aiming to understand and control emissions in its supply chain. The programme also establishes a framework for actively sharing and increasing awareness of Finnair’s Nordic values. It also guides the selection of key partners from the approximately 4,500 active suppliers, with whom efforts are made to systematically improve the environmental impacts of products and services. Additionally, the goal is to seamlessly integrate sustainability into the company’s existing procurement processes, such as supplier selection and building customer relationships.

Currently, the company has not set specific target levels for supplier climate action or other environmental goals. Social and administrative aspects are primarily addressed through the Supplier Code of Conduct (SCoC) and self-assessment questionnaire forms.

The supply chain directly related to flight operations must operate according to international aviation regulations, and these suppliers are strictly monitored. For example, international aviation safety regulations require that all airport employees must be registered and must always carry an official ID card with them. This creates a secure basis for activities directly related to flight operations not being subject to a significant risk of forced labor or children’s rights.

Environmental Performance

Finnair has recognised the interconnected challenges of climate change, biodiversity loss, and the transition to a circular economy. To address these challenges, the company has set ambitious goals across these fronts and encourages collaborative efforts from all its stakeholders.

Climate Action

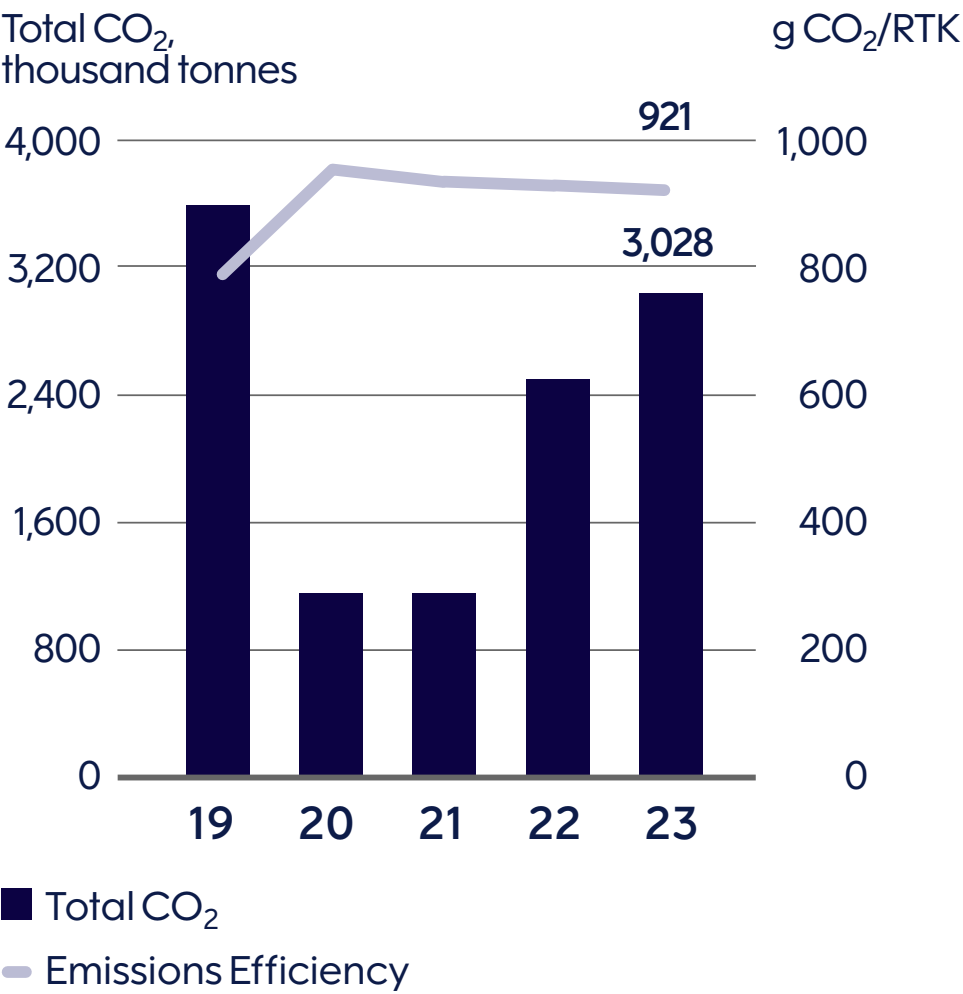
Finnair aims to fly carbon-neutral in 2045. In April 2022, Finnair committed to cooperating with the Science Based Targets initiative (SBTi) to bring its

climate targets in line with the Paris Agreement. SBTi requires airlines to decarbonise through their own operations, so it does not take into account off-industry carbon credits or other market-based mechanisms such as the EU ETS. In line with SBTi’s requirements, Finnair now focuses on reducing the direct emissions of its aircraft. This requires significant measures to modernise Finnair’s aircraft, improve operational efficiency and increase the use of sustainable aviation fuels (SAF). More exact schedule and the scope of the measures will be presented during the year 2024 as Finnair prepares to submit a short-term CO<sub>2</sub> intensity reduction target for SBTi for validation in the first quarter of 2024.

For more immediate actions, the company is committed to achieving carbon neutrality for its own on-site ground operations in the Helsinki-Vantaa area (Scope 1 and 2) starting from 2023. Initiatives include utilising renewable diesel, improving energy efficiency, introducing renewable fuel oil, green electricity, green district heat, and offsetting residual emissions. In 2023, 8,973 tons of residual CO<sub>2</sub> emissions will be offset using projects consistent with those offered to customers. During the year 2023, one concrete action taken was an investment in 2,435 solar panels, which more than doubled the amount of solar energy produced by the company. Thanks to the investment, on a sunny summer day, Finnair may generate over 1.1 MW peaks (MWp)

Finnair reduced 10% of its own business travel emissions through SAF.

Development in Finnair's flight emissions and emission efficiency



RTK = revenue tonne kilometres, i.e. capacity use according to payload weight.

## Total of 2,435 solar panels were installed on the roofs of Cargo and Hangar buildings.

during a day. This is sufficient to cover the energy consumption of the property used by the Finnair Cargo, on whose roof most of the company’s solar panels are installed.

SAF shall be any airline’s most important measure in achieving reasonable emission reductions during this decade. This is the reason why Finnair together with the **oneworld** Alliance has set a common goal of achieving a 10 per cent level in SAF uptake by 2030, well above the designed six per cent EU mandate target. The company is currently working on a detailed SAF strategy which will be implemented during 2024. Finnair used its own SAF programme and decreased its own business travel emissions by 10 per cent by purchasing SAF for these journeys.

In 2023, the company used approximately 2,266 tons of SAF, which constituted about 0.2 per cent of the total kerosene consumption. Of this SAF, Finnair’s customers partly funded 1,101 tons, the company voluntarily funded 681 tons, and 483 tons were obtained through national mandates. Overall, the utilisation of SAF resulted in a reduction of CO<sub>2</sub> emissions by 6,359 tons, with our customers contributing 3,106 tons to this reduction. This figure contains so called life-cycle emissions (LCA).

The biggest risks facing Finnair in this area are related to the ongoing transition to a green economy and the effects of the company’s

profitability strategy. In the European Union, there will be legislative reforms in the near future (namely the Fit for 55 package) which will increase EU airlines’ costs and may result in a competitive advantage for non-EU operators. Finnair has had continuous and open discussions with both legislators and other stakeholders about the appropriate implementation of the changes in the legislation.

### Energy efficiency and Emissions

More than 85 per cent of Finnair’s greenhouse gas emissions relate to flight operations, burning jet fuel (Scope 1) plus its production and transportation (Scope 3). For this reason, the company’s measures and reporting related to climate change are focused on this function. In line with the SBTi, the company’s emission reduction measures will include investments in new technology aircraft, use of SAF and operational efficiency improvements.

In 2023, Finnair’s traffic measured in revenue tonne kilometres (RTK) increased by 23 per cent (117) compared to 2022, and the company continued operating to most of its Asian destinations despite routings that are up to 40 per cent longer. Thus, direct carbon dioxide emissions from flying (CO<sub>2</sub>) increased by 21.8 per cent (116) to 3,027,569 tons (2,486,543). This is still 15.4 per cent less than in year 2019.

During 2023, effective and successful work to improve fuel efficiency continued. The fuel efficiency of flying was 292 g/RTK (294) (without allocation between passengers and cargo), i.e. fuel efficiency improved by 0.7 per cent (0.5). When allocating carbon dioxide emissions between passengers and cargo (see more details on the allocation principles from the sustainability appendix) emission efficiencies improved by 1.2 per cent (4.1) passenger related figure being 84.6 g CO<sub>2</sub>/RPK (85.6) and for cargo 846 g CO<sub>2</sub>/RTK (856). The improvement in the fuel efficiency was mainly due to the increase of aircraft load factors from 67,6 per cent to 76.4 per cent. On the other hand, flying efficiency was weakened by the increased amount of flights at longer Asia routes.

The company has a cross-organisational working group focused on fuel efficiency, which with its actions implemented during 2023 saved approximately 1,760 tons of fuel (5,000) and thus reduced carbon dioxide emissions by approximately 5,560 tons (15,750). The actions included implementing of new in-flight service concepts as well as optimising of flight operations (weight savings) and ground operations supporting reduced speed of flying. The working group has been active at Finnair for several years already, and the abovementioned figures do not take into account the group’s achievements from previous years.



The energy consumption of the Finnair facilities increased by 3.1 per cent in 2023 (0.5). The total electricity consumption of the facilities was 22,268 MWh (22,266) and heat consumption 24,755 MWh (23,316). Total energy efficiency was 21.7 kWh/m<sup>3</sup> (21.1), including both electricity and district heat consumptions.

The decrease in electricity consumption was due to increased operational efficiencies, and the increase in heating energy may be explained by a colder winter. CO<sub>2</sub> emissions from energy consumption in buildings increased by 3.3 per cent (25,0) to a total of 7,558 (7,339). The growth was attributed to both the increase in total energy consumption and the energy companies' updated practice of reporting more detailed product-specific emission factors. Finnair has not utilised renewable energy origin certificates in its energy procurements.

### Circular Economy

Finnair develops its products and services constantly to be more sustainable. Finnair's objective is to introduce circular economy principles in all its operations by the end of year 2025. This will help the company to make more efficient use of materials and reduce consumption. The plan covers the following measures: reducing material need, reuse of materials when possible, recycling waste materials, utilisation of waste

in other ways (e.g. as energy) and, finally, safe disposal of the remaining waste.

The total amount of waste produced by Finnair in Helsinki hub increased by 20.7 per cent (101.2), or about 481 tons (925), with the total mass for the year being 2,320 tons (1,839). The increase in the amount of waste is directly related to the growth in number of customers. The largest waste stream has been mixed waste from the in-flight service, containing food waste, i.e. international food waste. Food and beverage waste from international flights has to be incinerated, due to authority requirements, while other ordinary food waste is composted. In 2023, approximately 73 per cent (74) of the waste was utilised as energy and approximately 27 per cent (26) of the waste material was either reused, recycled or composted. No waste ended up in a landfill.

Finnair has set two goals related to efficient material use. Firstly, the company works on reducing the total waste generated per passenger for example by optimising purchases in its catering operations and by preventive maintenance of aircraft and aircraft parts in its own maintenance operations. Secondly, the company works on recycling the waste that cannot be avoided. The amount of waste per passenger measured in our Helsinki hub increased by 11.5 per cent to 0.23 kg per passenger (0.20) still reaching the company's target of 0.29 kg per passenger for

2023. Recycling rate at Helsinki hub was 26.7 per cent (26.1) improving by 2.3 per cent and meeting the company's annual target of 25 per cent.

In 2023, the company implemented a process to reuse cabin and ground crew uniforms. This ensures that high-quality workwear is not discarded but rather finds a new user. Since July 2023, thanks to this process, the material required for staff uniforms was reduced by 10 per cent during the first six months.

Another initiative to reduce the materials needed and waste generated is optimising the number of meals loaded per flight. Finnair encourage passengers to prebook their onboard meals to avoid unnecessary over catering. The company also continuously analyse the meal data to reach an optimal amount of meals per flight. This work has already prevented the production, loading, and disposal of 9,000 unused meals in 2023. These measures have a positive effect on flight CO<sub>2</sub> emissions also.

### Biodiversity

Finnair takes environmental aspects into consideration on the ground and in the air operations. Besides the climate actions that reduce the environmental load, Finnair's environmental policy also includes the preservation and promotion of natural diversity, known as biodiversity thinking.

In celebration of Finnair's centenary, it has, together with Airbus, collaborated with Snowchange on the Haarasuo peatland-forest ecosystem restoration in Suomussalmi, Finland. This 30-hectare site, integral to local communities and ecological diversity, has undergone rejuvenation to counteract the impacts of historical forestry practices. The Haarasuo restoration is centred around three key objectives: revitalising peatlands, managing invasive species, and rehabilitating forest ecosystems. The ambition is to cultivate a biodiverse habitat, expecting a revival of indigenous plant and animal life by 2034, thereby aiding in carbon capture and contributing to climate change mitigation. Furthermore, the Haarasuo project has considerable socio-ecological significance. It bolsters traditional local practices such as berry picking and hunting, and rejuvenate aquatic life, including trout populations.

Finnair has zero tolerance for illegal wildlife trading and is a United for Wildlife-certified airline. As such, the company has undertaken to promote the awareness of different stakeholders about this topic. Furthermore, Finnair has prohibited the transportation of hunting trophies or memorabilia originating from endangered species or their parts in its cargo network. Also, primates and canines intended for laboratory, experimental or other exploitation use will never be accepted for transport.



Regulating services have a significant impact on both the airline business and travel services. The local decline of biodiversity erodes the operating conditions of the tourism industry and increases the risk of infectious diseases.

### Aircraft Noise

While the biggest environmental impact of an airline is its aircraft engine emissions another easily observed impact is aircraft noise at the areas surrounding airports. The noise produced by aircraft is mainly engine noise and aerodynamic noise. The level of engine noise is greater in takeoffs, while the level of aerodynamic noise grows during approaches.

Finnair has continuously, in cooperation with air traffic control, improved continuous descent approaches (CDA) at Helsinki-Vantaa airport reaching 85.8 percent level in 2023. The set target of maintaining the 85 percent level was then well achieved.

## EU Taxonomy

### Background

As a part of its Action Plan for Sustainable Finance, the European Union is working on a classification system for determining environmentally sustainable economic activities, also known as the EU Taxonomy. The EU Taxonomy Regulation establishes six environmental objectives: 1) climate

change mitigation, 2) climate change adaptation, 3) the sustainable use and protection of water and marine resources, 4) the transition to a circular economy, 5) pollution prevention and control, and the protection and 6) restoration of biodiversity and ecosystems.

The EU Taxonomy is constantly evolving, as new economic activities and environmental objectives have been gradually added. The first delegated act of the Taxonomy Regulation concerning climate change mitigation and adaptation entered into force on 1 January 2022. Article 8 of the Regulation brought an obligation for Public-Interest Entities under the Non-financial Reporting Directive (NFRD), such as Finnair, to report on their Taxonomy-eligibility for the first two environmental objectives, climate change mitigation and adaptation, for the reporting year 2021. In the reporting year 2022, entities were also obliged to assess the Taxonomy-alignment of their economic activities for the first two objectives. For the reporting year 2023, the list of economic activities was expanded for the first two environmental objectives. In addition, the remaining four environmental objectives were introduced for certain economic activities. For 2023, all in-scope Entities are required to report the proportion of their revenue, capital expenditure (CapEx) and operating expenditure (OpEx) that is both Taxonomy-eligible and aligned with the first two environmental objectives.



These indicators are defined in the EU Taxonomy and their definitions differ from those of IFRS for capital expenditure and operating expenditure. For the latter four environmental objectives and the economic activities covered by them, on the one hand, and for the new economic activities under the first two environmental objectives, only Taxonomy eligibility shall be reported.

**Finnair’s approach on EU Taxonomy**

Finnair has assessed the Taxonomy-eligibility of its economic activities by comparing their NACE coding against the economic activities included in the EU Taxonomy and related criteria. Finnair’s core business areas consist of passenger traffic, ancillary sales, cargo and travel services. Of these, passenger air transport (NACE H51.1, activity number 6.19) and freight air transport (NACE H51.21, activity number 6.19) are included in the list of economic activities contributing to climate change mitigation from the reporting year 2023 and, thus, Finnair must report a Taxonomy-eligible share of its revenue, CapEx and OpEx related to these economic activities. The alignment of these activities will not be reported until 2024. Of Finnair’s other core business areas, ancillary sales and travel services are not, however, yet included in the Taxonomy’s list of economic activities. The same applies to freight transport services by road supplied by Finnair Cargo (activity number 6.6), as these services are outsourced to a third party and are, therefore, not considered Taxonomy-eligible.

**Revenue**

The EU taxonomy definition of revenue is identical with Finnair Group’s revenue in financial reporting and, thus, other operating income is not included in it. As a result of the new economic activities covering passenger traffic and air cargo operations, Finnair’s taxonomy-eligible revenue accounts for 87 per cent (0) of its total revenue. The share of Taxonomy-aligned revenue of total revenue is 0 per cent (0), but due to reporting requirements, the possible Taxonomy-aligned share of passenger and cargo revenue has not been defined yet.

**Capital expenditure (CapEx)**

Capital expenditure definition according to the EU Taxonomy is the same as gross capital expenditure reported by Finnair. The share of Taxonomy-eligible CapEx of total CapEx increased to 83 per cent (1), and almost all of it was related to the fleet operated by the company in both passenger and air cargo operations. Other Taxonomy-eligible CapEx was related to real estate and related energy solutions. Despite the installation of more than 2,400 solar panels (function number 4.1), 0 per cent of Finnair’s total CapEx was Taxonomy-aligned (0), as alignment of passenger and air cargo operations is not yet reported. The solar panel investment of approximately 1 million euros was deemed as Taxonomy-aligned CapEx that fulfils the climate change mitigation criteria, does not cause significant harm to other environmental objectives

and would also meet minimum safeguards even though Finnair has not in this case verified the manufacturing conditions of the solar panels in accordance with the related recommendations.

**Operating expenditure (OpEx)**

Operating expenditure, as defined in the EU Taxonomy, consists of direct research, development and maintenance costs as well as short-term leases. The Taxonomy-eligible share of Finnair’s total Taxonomy-based OpEx increased to 100 per cent (5), as almost all OpEx were related to fleet maintenance. Other Taxonomy-eligible OpEx related to the maintenance of acquired and owned buildings (activity number 7.7) as well as short-term leases. During the reporting year 2023, 0 per cent of the total Taxonomy-based OpEx were Taxonomy-aligned (0), as alignment of passenger and cargo operations is not yet reported.

In accordance with the Taxonomy reporting requirements, Finnair has avoided double counting by ensuring that revenue, CapEx and OpEx have been allocated only once to an economic activity and from environmental objectives only to climate change mitigation. More detailed Taxonomy figures are presented in the Taxonomy tables on the following pages.

Finnair has heavily modernised its wide-body fleet in recent years. In 2015–2017, seven A340 aircraft were retired from revenue service at Finnair and

since 2015, Finnair has introduced 17 modern, lower emission A350 wide-body aircraft to its fleet. Of the disposed A340 aircraft, one was sold for recycling, two were returned to lessors at the end of their leases, and four were sold to Airbus in conjunction with the confirmation of the exercise of Finnair’s option to purchase eight additional A350 aircraft. Finnair still has two A350 aircraft on order. The first is scheduled to be delivered in Q4 2024 and the second in Q2 2026. This renewal of the wide-body fleet is the largest single investment in the company’s history. However, it is not yet defined whether this forward-thinking investment, partly made before the Taxonomy implementation, can be reported within the Taxonomy.

Finnair aims to increase the use of renewable aviation fuels (SAF) together with the **oneworld** alliance and other stakeholders. The **oneworld** Alliance has set a common goal of achieving a 10 per cent level SAF uptake by 2030, well above the 5 per cent mandate proposed by the EU. Achieving this goal will require a joint effort with both legislators and various industrial sectors. The introduction of SAF is also strongly linked to the protection of biodiversity, i.e. sixth environmental objective), so that the rapidly growing demand does not lead, e.g., to increased land use that could cause harm to biodiversity. Finnair’s SAF usage of 0.24 per cent in 2023 would not meet the future Taxonomy minimum of 5 per cent.



Regarding travel services, the Taxonomy would focus on the conservation and protection of nature's biodiversity if this economic function were to be included in the Taxonomy. The technical criteria have been created for accommodation services, and the need to develop criteria for the leisure activities management is still pending. Nature and its diversity are a significant attraction in the business of Aurinkomatkat. When planning destination programmes, Aurinkomatkat carefully assesses their potential impacts on environment and biodiversity. The aim is to avoid, for example, organising visits in places where this might pose a threat or harm to biodiversity





Proportion of revenue from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

| Financial year 2023                                                                                                 |          | 2023        |                                       | Substantial contribution criteria |                               |            |               |                      |                   | DNSH criteria ("Does Not Significantly Harm") |                                |            |                |                       |                   |                         |                                                                                   |                                 |                                     |
|---------------------------------------------------------------------------------------------------------------------|----------|-------------|---------------------------------------|-----------------------------------|-------------------------------|------------|---------------|----------------------|-------------------|-----------------------------------------------|--------------------------------|------------|----------------|-----------------------|-------------------|-------------------------|-----------------------------------------------------------------------------------|---------------------------------|-------------------------------------|
| Economic Activities (1)                                                                                             | Code (2) | Revenue (3) | Proportion of turnover, year 2023 (4) | Climate Change Mitigation (5)     | Climate Change Adaptation (6) | Water (7)  | Pollution (8) | Circular Economy (9) | Biodiversity (10) | Climate Change Mitigation (11)                | Climate Change Adaptation (12) | Water (13) | Pollution (14) | Circular Economy (15) | Biodiversity (16) | Minimum Safeguards (17) | Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) revenue, year 2022 (18) | Category enabling activity (19) | Category transitional activity (20) |
|                                                                                                                     |          | MEUR        | %                                     | Y; N; N/EL                        | Y; N; N/EL                    | Y; N; N/EL | Y; N; N/EL    | Y; N; N/EL           | Y; N; N/EL        | Y/N                                           | Y/N                            | Y/N        | Y/N            | Y/N                   | Y/N               | Y/N                     | %                                                                                 | E                               | T                                   |
| TAXONOMY-ELIGIBLE ACTIVITIES                                                                                        |          |             |                                       |                                   |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         |                                                                                   |                                 |                                     |
| Environmentally sustainable activities (Taxonomy-aligned)                                                           |          |             |                                       |                                   |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         |                                                                                   |                                 |                                     |
| Revenue of environmentally sustainable activities (Taxonomy-aligned) (A.1)                                          |          | 0           | 0                                     |                                   |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         | 0                                                                                 |                                 |                                     |
| Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)                  |          |             |                                       |                                   |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         | 0                                                                                 |                                 |                                     |
|                                                                                                                     |          |             |                                       | EL; N/EL                          | EL; N/EL                      | EL; N/EL   | EL; N/EL      | EL; N/EL             | EL; N/EL          |                                               |                                |            |                |                       |                   |                         |                                                                                   |                                 |                                     |
| Passenger and freight air transport                                                                                 |          | 6.19        | 2,589                                 | 87                                | EL                            | N/EL       | N/EL          | N/EL                 | N/EL              |                                               |                                |            |                |                       |                   |                         |                                                                                   |                                 |                                     |
| Revenue of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) |          |             | 2,589                                 | 87                                |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         |                                                                                   | 0                               |                                     |
| Revenue of Taxonomy-eligible activities (A.1+A.2)                                                                   |          |             | 2,589                                 | 87                                |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         |                                                                                   | 0                               |                                     |
| TAXONOMY-NON-ELIGIBLE ACTIVITIES                                                                                    |          |             |                                       |                                   |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         |                                                                                   |                                 |                                     |
| Revenue of Taxonomy-non-eligible activities                                                                         |          |             | 400                                   | 13                                |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         |                                                                                   |                                 |                                     |
| TOTAL                                                                                                               |          |             | 2,988                                 | 100%                              |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         |                                                                                   |                                 |                                     |

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N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective  
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Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

| Financial year 2023                                                                                               |          | 2023      |                                    |                               | Substantial contribution criteria |            |               |                      |                   |                                | DNSH criteria ("Does Not Significantly Harm") |            |                |                       |                   |                         |                                                                                 |                                 |                                     |  |  |  |
|-------------------------------------------------------------------------------------------------------------------|----------|-----------|------------------------------------|-------------------------------|-----------------------------------|------------|---------------|----------------------|-------------------|--------------------------------|-----------------------------------------------|------------|----------------|-----------------------|-------------------|-------------------------|---------------------------------------------------------------------------------|---------------------------------|-------------------------------------|--|--|--|
| Economic Activities (1)                                                                                           | Code (2) | CapEx (3) | Proportion of CapEx, year 2023 (4) | Climate Change Mitigation (5) | Climate Change Adaptation (6)     | Water (7)  | Pollution (8) | Circular Economy (9) | Biodiversity (10) | Climate Change Mitigation (11) | Climate Change Adaptation (12)                | Water (13) | Pollution (14) | Circular Economy (15) | Biodiversity (16) | Minimum Safeguards (17) | Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CapEx, year 2022 (18) | Category enabling activity (19) | Category transitional activity (20) |  |  |  |
|                                                                                                                   |          | MEUR      | %                                  | Y; N; N/EL                    | Y; N; N/EL                        | Y; N; N/EL | Y; N; N/EL    | Y; N; N/EL           | Y; N; N/EL        | Y/N                            | Y/N                                           | Y/N        | Y/N            | Y/N                   | Y/N               | Y/N                     | %                                                                               | E                               | T                                   |  |  |  |
| TAXONOMY-ELIGIBLE ACTIVITIES                                                                                      |          |           |                                    |                               |                                   |            |               |                      |                   |                                |                                               |            |                |                       |                   |                         |                                                                                 |                                 |                                     |  |  |  |
| Environmentally sustainable activities (Taxonomy-aligned)                                                         |          |           |                                    |                               |                                   |            |               |                      |                   |                                |                                               |            |                |                       |                   |                         |                                                                                 |                                 |                                     |  |  |  |
| Electricity generation using solar photovoltaic technology                                                        | CCM 4.1  | 1         | 0                                  | Y                             | N                                 | N          | N             | N                    | N                 |                                | Y                                             | N/A        | N/A            | Y                     | Y                 | Y                       | 0                                                                               | E                               |                                     |  |  |  |
| CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)                                          |          | 1         | 0                                  | Y                             | N                                 | N          | N             | N                    | N                 |                                | Y                                             | N/A        | N/A            | Y                     | Y                 | Y                       | 0                                                                               |                                 |                                     |  |  |  |
| Of which enabling                                                                                                 |          | 1         | 0                                  | Y                             | N                                 | N          | N             | N                    | N                 |                                | Y                                             | N/A        | N/A            | Y                     | Y                 | Y                       | 0                                                                               | E                               |                                     |  |  |  |
| Of which transitional                                                                                             |          | 0         | 0                                  |                               |                                   |            |               |                      |                   |                                |                                               |            |                |                       |                   |                         | 0                                                                               |                                 |                                     |  |  |  |
| Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)                |          |           |                                    |                               |                                   |            |               |                      |                   |                                |                                               |            |                |                       |                   |                         |                                                                                 |                                 |                                     |  |  |  |
|                                                                                                                   |          |           |                                    | EL; N/EL                      | EL; N/EL                          | EL; N/EL   | EL; N/EL      | EL; N/EL             | EL; N/EL          |                                |                                               |            |                |                       |                   |                         |                                                                                 |                                 |                                     |  |  |  |
| Passenger and freight air transport                                                                               | CCM 6.19 | 401       | 83                                 | EL                            | N/EL                              | N/EL       | N/EL          | N/EL                 | N/EL              |                                |                                               |            |                |                       |                   |                         |                                                                                 |                                 |                                     |  |  |  |
| Acquisition and ownership of buildings                                                                            | CCM 7.7  | 0         | 0                                  | EL                            | N/EL                              | N/EL       | N/EL          | N/EL                 | N/EL              |                                |                                               |            |                |                       |                   |                         | 0                                                                               |                                 |                                     |  |  |  |
| Installation of energy efficient equipment                                                                        | CCM 7.3  | 0         | 0                                  | EL                            | N/EL                              | N/EL       | N/EL          | N/EL                 | N/EL              |                                |                                               |            |                |                       |                   |                         | 0                                                                               |                                 |                                     |  |  |  |
| CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) |          | 401       | 83                                 |                               |                                   |            |               |                      |                   |                                |                                               |            |                |                       |                   |                         | 0                                                                               |                                 |                                     |  |  |  |
| CapEx of Taxonomy-eligible activities (A.1+A.2)                                                                   |          | 402       | 83                                 |                               |                                   |            |               |                      |                   |                                |                                               |            |                |                       |                   |                         | 0                                                                               |                                 |                                     |  |  |  |
| TAXONOMY-NON-ELIGIBLE ACTIVITIES                                                                                  |          |           |                                    |                               |                                   |            |               |                      |                   |                                |                                               |            |                |                       |                   |                         |                                                                                 |                                 |                                     |  |  |  |
| CapEx of Taxonomy-non-eligible activities                                                                         |          | 82        | 17                                 |                               |                                   |            |               |                      |                   |                                |                                               |            |                |                       |                   |                         |                                                                                 |                                 |                                     |  |  |  |
| TOTAL                                                                                                             |          | 484       | 100%                               |                               |                                   |            |               |                      |                   |                                |                                               |            |                |                       |                   |                         |                                                                                 |                                 |                                     |  |  |  |

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N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.



Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

| Financial year 2023                                                                                              | 2023     |          |                                   | Substantial contribution criteria |                               |            |               |                      |                   | DNSH criteria ("Does Not Significantly Harm") |                                |            |                |                       |                   |                         |                                                                                |                                 |                                     |
|------------------------------------------------------------------------------------------------------------------|----------|----------|-----------------------------------|-----------------------------------|-------------------------------|------------|---------------|----------------------|-------------------|-----------------------------------------------|--------------------------------|------------|----------------|-----------------------|-------------------|-------------------------|--------------------------------------------------------------------------------|---------------------------------|-------------------------------------|
| Economic Activities (1)                                                                                          | Code (2) | OpEx (3) | Proportion of OpEx, year 2023 (4) | Climate Change Mitigation (5)     | Climate Change Adaptation (6) | Water (7)  | Pollution (8) | Circular Economy (9) | Biodiversity (10) | Climate Change Mitigation (11)                | Climate Change Adaptation (12) | Water (13) | Pollution (14) | Circular Economy (15) | Biodiversity (16) | Minimum Safeguards (17) | Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OpEx, year 2022 (18) | Category enabling activity (19) | Category transitional activity (20) |
|                                                                                                                  |          | MEUR     | %                                 | Y; N; N/EL                        | Y; N; N/EL                    | Y; N; N/EL | Y; N; N/EL    | Y; N; N/EL           | Y; N; N/EL        | Y/N                                           | Y/N                            | Y/N        | Y/N            | Y/N                   | Y/N               | Y/N                     | %                                                                              | E                               | T                                   |
| TAXONOMY-ELIGIBLE ACTIVITIES                                                                                     |          |          |                                   |                                   |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         |                                                                                |                                 |                                     |
| Environmentally sustainable activities (Taxonomy-aligned)                                                        |          |          |                                   |                                   |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         |                                                                                |                                 |                                     |
| OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)                                          |          | 0        | 0                                 |                                   |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         | 0                                                                              |                                 |                                     |
| Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)               |          |          |                                   |                                   |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         |                                                                                |                                 |                                     |
|                                                                                                                  |          |          |                                   | EL; N/EL                          | EL; N/EL                      | EL; N/EL   | EL; N/EL      | EL; N/EL             | EL; N/EL          |                                               |                                |            |                |                       |                   |                         |                                                                                |                                 |                                     |
| Passenger and freight air transport                                                                              | CCM 6.19 | 310      | 97                                | EL                                | N/EL                          | N/EL       | N/EL          | N/EL                 | N/EL              |                                               |                                |            |                |                       |                   |                         |                                                                                |                                 |                                     |
| Acquisition and ownership of buildings                                                                           | CCM 7.7  | 9        | 3                                 | EL                                | N/EL                          | N/EL       | N/EL          | N/EL                 | N/EL              |                                               |                                |            |                |                       |                   |                         | 5                                                                              |                                 |                                     |
| OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) |          | 319      | 100                               |                                   |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         | 5                                                                              |                                 |                                     |
| OpEx of Taxonomy-eligible activities (A.1+A.2)                                                                   |          | 319      | 100                               |                                   |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         | 5                                                                              |                                 |                                     |
| TAXONOMY-NON-ELIGIBLE ACTIVITIES                                                                                 |          |          |                                   |                                   |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         |                                                                                |                                 |                                     |
| OpEx of Taxonomy-non-eligible activities                                                                         |          | 1        | 0                                 |                                   |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         |                                                                                |                                 |                                     |
| TOTAL                                                                                                            |          | 319      | 100%                              |                                   |                               |            |               |                      |                   |                                               |                                |            |                |                       |                   |                         |                                                                                |                                 |                                     |

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Nuclear and fossil gas related activities

| Row                           | Nuclear energy related activities                                                                                                                                                                                                                                                                                                    |    |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| 1                             | The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.                                                                                        | NO |
| 2                             | The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies. | NO |
| 3                             | The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.                          | NO |
| Fossil gas related activities |                                                                                                                                                                                                                                                                                                                                      |    |
| 4                             | The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.                                                                                                                                                           | NO |
| 5                             | The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.                                                                                                                                                  | NO |
| 6                             | The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.                                                                                                                                                    | NO |



| Topic                        | Targets and KPIs                                                                                                                                                                                                | Performance |      | Key actions during the reporting period                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                              |                                                                                                                                                                                                                 | 2023        | 2022 |                                                                                                                                                                                                                                                                                                                                                                                                |
| Environmental responsibility | Carbon neutral flying by the end of 2045 (gCO <sub>2</sub> /RTK)                                                                                                                                                | 921         | 928  | In the reporting year, Finnair continued its cross-organisational efforts to improve fuel efficiency, resulting in a reduction of approximately 5,560 tonnes of CO <sub>2</sub> emissions. The company strives to consistently increase the use of Sustainable Aviation Fuel (SAF), and in 2023, over 0.2% of the fuel consumption consisted of SAF, reducing emissions by about 6,360 tonnes. |
|                              | Improving the fuel efficiency of flying by 1% annually. Company's internal Fuel Efficiency Index (nFEI) is used here as a basis for the KPI where e.g. route distance, wind and payload impacts are normalised. | -0.7        | 0.0  | The most effective actions included implementation of new in-flight service concepts and optimisation of flight (weight savings) and ground operations (reduced speed of flying). On the other hand, growth in number of longer Asian flights had a negative impact on efficiency.                                                                                                             |
|                              | Reducing food waste per pax, target <0.25kg/pax                                                                                                                                                                 | 0.21        | 0.20 | To reduce waste, the company implemented several enhancements to existing processes, such as optimising the quantity of meals loaded onboard and further reducing food waste during the service preparation.                                                                                                                                                                                   |
|                              | Improving waste recycling at Helsinki-Vantaa site, target >27% in 2025.                                                                                                                                         | 27.0        | 26.1 | Finnair continued the structured work to promote recycling in different units and for example changed non- recyclable plastic cups with recyclables and updated the recycling instructions in cabin.                                                                                                                                                                                           |
| Social responsibility        | On-time performance %                                                                                                                                                                                           | 80.9        | 79.0 | During 2023, changes were made to airport services, ticket types and baggage policies, among other things. These projects improved operational efficiency and punctuality, as well as contributed to improved financial performance.                                                                                                                                                           |
|                              | Customer satisfaction, NPS increase on the previous year                                                                                                                                                        | 35          | 40   |                                                                                                                                                                                                                                                                                                                                                                                                |
|                              | Employee satisfaction, eNPS increase on the previous year                                                                                                                                                       | -2          | -17  | The results continue to reflect the burden of the crisis years. Dialogue between personnel groups has been improved and employee consultation and involvement have been improved through pulse surveys. In parts of the organisation, training aimed at understanding diversity and reducing polarisation was launched.                                                                        |
|                              | Absences due to illness, decrease on the previous year                                                                                                                                                          | 4.6         | 5.4  |                                                                                                                                                                                                                                                                                                                                                                                                |
|                              | LTIF (Lost-time injury frequency) of less than 6.5                                                                                                                                                              | 5.5         | 6.8  |                                                                                                                                                                                                                                                                                                                                                                                                |
| Ethical Business conduct     | Code of Conduct awareness grade in WeTogether@Finnair survey at least 4 on scale 1–5                                                                                                                            | 4.1         | 3.9  | Continuous training of employees in ethical practices.                                                                                                                                                                                                                                                                                                                                         |



# Changes in company management

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

On 23 May 2023, Finnair announced that it has appointed Kaisa Aalto-Luoto as Finnair's Chief People Officer and a member of the Executive Board. Aalto-Luoto started in her new role in October 2023. Previously, she has worked as Chief Human Resources Officer at Sanoma Media as well as Senior Vice President, Human Resources and Communications in Outotec, and has a long career in demanding HR management positions at Outotec and Mandatum Life. Johanna Karppi, Finnair's prior Senior Vice President, Human Resources, continued in her role until October 2023.

On 18 August 2023, Finnair announced that its CEO, Topi Manner, has given notice of his resignation

from the company to join Elisa Corporation as their new CEO, starting at the latest on 1 March 2024.

After the period on 11 January 2024, Finnair announced that it has appointed Turkka Kuusisto as CEO of Finnair and he will start in this role on 11 July 2024 at the latest. Kuusisto joins Finnair from Posti Group Corporation, where he has served as the CEO since 2020. Prior to his CEO role in Posti Group Corporation, Kuusisto served in senior leadership positions in Posti Group Corporation and in Lindorff Group. Finnair's previous CEO Topi Manner left the company on 15 January 2024 to later take on the role of CEO at Elisa Corporation. Jaakko Schildt, Chief Operating Officer of Finnair, acts as an interim CEO between 15 January and the start of the new CEO.





# Shares and shareholders

## Shares and share capital

On 31 December 2023, the number of Finnair Plc's shares entered in the Trade Register was 20,481,139,267 (1,407,401,265) and the increase was explained by the rights issue carried out in November. The registered share capital was 75,442,904.30 euros. The company's shares are quoted on Nasdaq Helsinki. Each share has one vote at the General Meeting.

## Share price development and trading

Finnair Plc's market capitalisation was 815.1 million euros at the end of December (546.4) and the closing price of the share was 0.04 euros (0.07). During 2023, the highest price for the Finnair Plc share on the Nasdaq Helsinki was 0.10 euros, the

lowest price 0.03 euros and the average price 0.06 euros. Some 1,831.4 million company shares, with a total value of 218.5 million euros, were traded on the Nasdaq Helsinki exchange.

### Shareholders

The number of Finnair Plc's shareholders increased by 3.7 per cent in 2023 to 123,036 shareholders (excluding nominee registered shareholders). The number of domestic retail shareholders increased from 116,549 to 120,727, whereas their combined share of ownership decreased by 19.6 per cent. Nominee registered or foreign investors held 9.5 per cent (7.6) of all shares.

### Flagging notifications

No flagging notices were issued in 2023.

### Finnair plc largest shareholders as at 31 December 2023

|    |                                            | Number of<br>shares   | %           | Changes 2023          |
|----|--------------------------------------------|-----------------------|-------------|-----------------------|
| 1  | State of Finland, Prime Minister's Office  | 11,406,710,447        | 55.7%       | 10,620,040,761        |
| 2  | Varma Mutual Pension Insurance Company     | 582,778,300           | 2.8%        | 551,897,037           |
| 3  | Ilmarinen Mutual Pension Insurance Company | 278,850,000           | 1.4%        | 264,000,000           |
| 4  | Elo Mutual Pension Insurance Company       | 197,450,500           | 1.0%        | 189,095,500           |
| 5  | The State Pension Fund                     | 179,500,000           | 0.9%        | 168,500,000           |
| 6  | Danske Invest Finnish Equity Fund          | 149,732,799           | 0.7%        | 149,732,799           |
| 7  | Säästöpankki Pienyhtiöt                    | 72,900,000            | 0.4%        | 72,900,000            |
| 8  | Nordea Pro Finland Fund                    | 58,520,178            | 0.3%        | 58,520,178            |
| 9  | Nordea Bank ABP                            | 50,379,683            | 0.2%        | 50,379,683            |
| 10 | Finnair Plc                                | 49,565,650            | 0.2%        | 49,166,347            |
|    |                                            |                       |             |                       |
|    | Nominee registered                         | 1,929,299,110         | 9.4%        | 1,823,622,849         |
|    | Others                                     | 5,525,452,600         | 27.0%       | 5,075,882,848         |
|    | <b>Total</b>                               | <b>20,481,139,267</b> | <b>100%</b> | <b>19,073,738,002</b> |

Government ownership

At the end of 2023, the Finnish Government owned 55.7 per cent of Finnair Plc’s shares and votes. According to the decision made by the Finnish Parliament on 20 June 1994, the Government must own more than half of Finnair Plc’s shares. Decreasing the ownership below this level would require revision of the Parliament’s decision.

Share ownership by management

On 31 December 2023, members of the company’s Board of Directors owned a total of 3,045,000

Finnair Plc’s shares. The CEO Topi Manner owned 10,704,916 shares and the members of the Executive Board, including the CEO, owned a total of 24,368,486 shares, representing 0.12 per cent of all shares and votes.

Own shares

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

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

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. After that, the company held a total of 399,303 own shares.

Based on the share issue authorisation granted by the Extraordinary General Meeting held on 27 October 2023, Finnair Plc’s issued 60,000,000 new shares to itself without consideration on 24 November 2023. Thus, the company held a total of 60,399,303 own shares.

On 4 December, Finnair transferred a total of 10,833,653 own shares as a reward for the rebuild incentive plan’s performance period 1 July 2020–30 June 2023 and for the savings periods 2019–2020 and 2020–2021 of the FlyShare share savings plan.

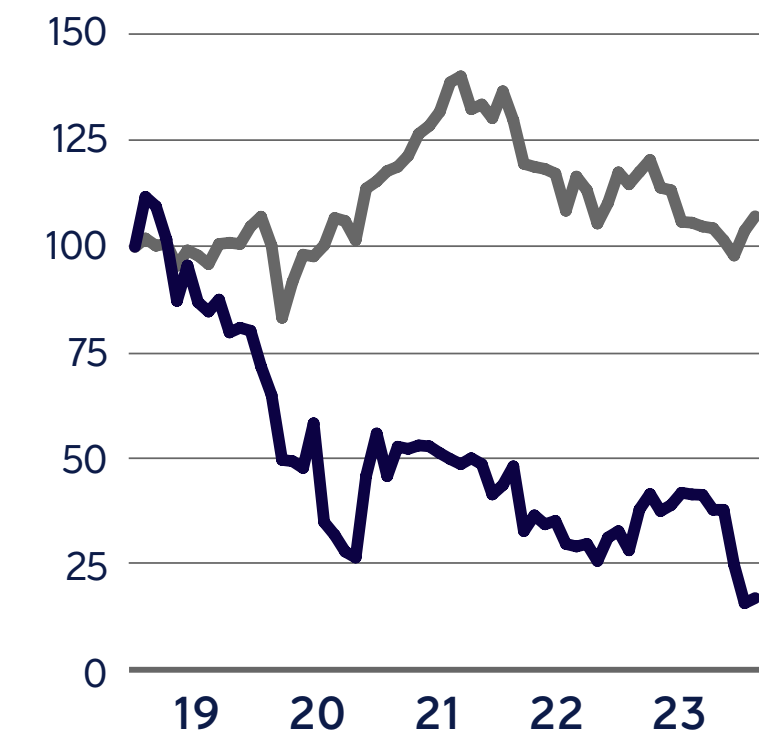
Finnair share 2019–2023\*



■ Average price

\* A rights offering was implemented in November 2023 and, therefore, Finnair's share prices have been restated accordingly.

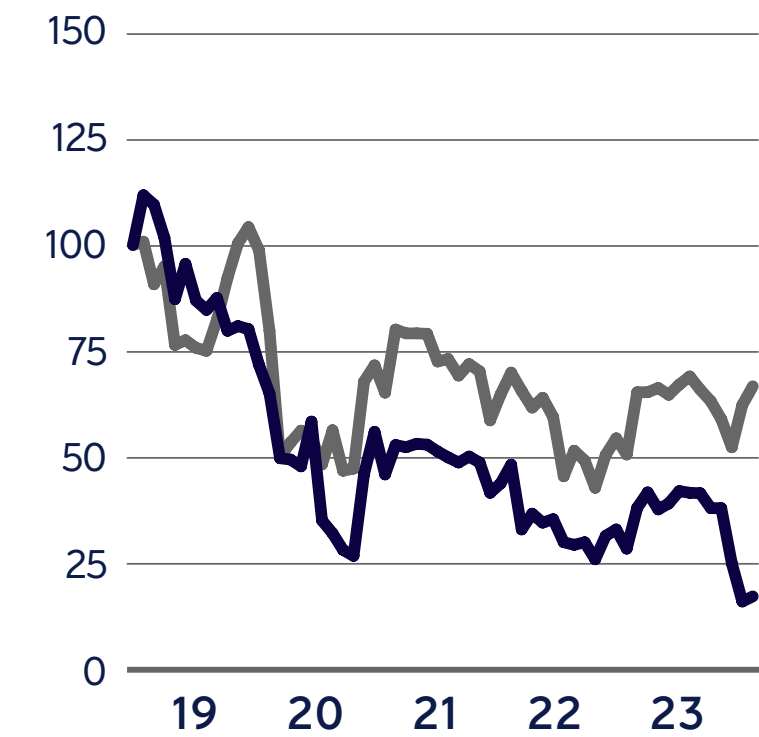
Comparison Nasdaq Helsinki



■ Finnair

■ Nasdaq Helsinki

Comparison European Airlines



■ Finnair

■ Bloomberg Europe Airline Index

Key Figures – Share

|                                             |           | 2023 | 2022  | 2021  | 2020  | 2019  |
|---------------------------------------------|-----------|------|-------|-------|-------|-------|
| Equity/share*                               | EUR       | 0.03 | 0.05  | 0.06  | 0.11  | 0.23  |
| Dividend for the financial year**           | EUR mill. | 0    | 0     | 0     | 0     | 0     |
| Dividend/share* **                          | EUR       | 0.00 | 0.00  | 0.00  | 0.00  | 0.00  |
| Dividend/earnings**                         | %         | 0.0  | 0.0   | 0.0   | 0.0   | 0.0   |
| Dividend yield**                            | %         | 0.0  | 0.0   | 0.0   | 0.0   | 0.0   |
| Cash flow from operating activities/ share* | EUR       | 0.05 | 0.03  | -0.00 | -0.17 | 0.14  |
| P/E ratio                                   |           | 1.77 | -1.08 | -1.74 | -1.47 | 12.12 |

\* A rights offering was implemented in November 2023 and, therefore, 2019–2022 key figures based on the number of shares have been restated accordingly.

\*\* The dividend for year 2023 is a proposal of the Board of Directors to the Annual General Meeting.



The shares were transferred to the members of the executive board who were participants in these plans. The transfer of the shares was based on the authorisation given by the Extraordinary General Meeting held on 27 October 2023.

Finnair retained 49,565,650 own shares at the end of the period, representing 0.24 per cent of the total number of shares and votes.

### Shareholder agreements

Finnair is not aware of any shareholder agreements pertaining to share ownership or the use of voting rights.

### Change of control provisions in material agreements

Some of Finnair's financing agreements include a change of control clause under which the financier shall be entitled to request prepayment of the existing loan or to cancel the availability of a loan facility in the event that a person other than the Finnish state acquires control of Finnair either through a majority of the voting rights or otherwise.

### Acquisition and delivery of own shares and returns of shares

|                  | Number of shares | Acquisition value, EUR | Average price, EUR |
|------------------|------------------|------------------------|--------------------|
| 1 January 2019   | 649,008          | 4,254,968.65           | 6.556              |
| 2019             | 164,651          | 1,042,355.90           | 6.331              |
| 2019             | -261,346         | -1,501,496.17          | 5.745              |
| 2020             | -381,653         | -2,701,783.40          | 7.079              |
| 2021             | 1,800,000        | 1,144,440.00           | 0.636              |
| 2021             | -549,527         | -1,350,674.25          | 2.458              |
| 2022             | -1,021,830       | -649,074.54            | 0.635              |
| 2023             | 61,324,933       | 0.00                   | 0.000              |
| 2023             | -12,158,586      | 0.00                   | 0.000              |
| 31 December 2023 | 49,565,650       | 238,736.19             | 0.005              |

| Shareholders by type at 31 December 2023           | Number of shares      | %            | Number of shareholders | %            |
|----------------------------------------------------|-----------------------|--------------|------------------------|--------------|
| Public bodies                                      | 12,661,801,568        | 61.8         | 10                     | 0.0          |
| Households                                         | 4,678,148,707         | 22.8         | 120,727                | 98.1         |
| Private companies                                  | 673,419,371           | 3.3          | 1,910                  | 1.6          |
| Financial institutions                             | 497,287,511           | 2.4          | 54                     | 0.0          |
| Associations                                       | 24,012,137            | 0.1          | 65                     | 0.1          |
| Finnish shareholders, total                        | 18,534,669,294        | 90.5         | 122,766                | 99.8         |
| Registered in the name of a nominee                | 1,929,299,110         | 9.4          | 10                     | 0.0          |
| Outside Finland                                    | 17,170,863            | 0.1          | 270                    | 0.2          |
| Nominee registered and foreign shareholders, total | 1,946,469,973         | 9.5          | 280                    | 0.2          |
| <b>Total</b>                                       | <b>20,481,139,267</b> | <b>100.0</b> | <b>123,046</b>         | <b>100.0</b> |

| Breakdown of shares at 31 December 2023 | Number of shares      | %            | Number of shareholders | %            |
|-----------------------------------------|-----------------------|--------------|------------------------|--------------|
| 1–500                                   | 4,158,330             | 0.0          | 27,043                 | 22.0         |
| 501–1,000                               | 6,332,547             | 0.0          | 8,176                  | 6.6          |
| 1,001–10,000                            | 157,142,501           | 0.8          | 37,813                 | 30.7         |
| 10,001–100,000                          | 1,357,908,313         | 6.6          | 39,684                 | 32.3         |
| 100,001–1,000,000                       | 2,417,933,237         | 11.8         | 9,726                  | 7.9          |
| 1,000,001–10,000,000                    | 1,186,410,766         | 5.8          | 561                    | 0.5          |
| 10,000,001–100,000,000                  | 626,932,417           | 3.1          | 27                     | 0.0          |
| 100,000,001–1,000,000,000               | 1,388,311,599         | 6.8          | 5                      | 0.0          |
| 1,000,000,001–                          | 11,406,710,447        | 55.7         | 1                      | 0.0          |
| Registered in the name of nominee       | 1,929,299,110         | 9.4          | 10                     | 0.0          |
| <b>Total</b>                            | <b>20,481,139,267</b> | <b>100.0</b> | <b>123,046</b>         | <b>100.0</b> |



## Share-based incentive schemes

After the period in February 2024, the Board of Directors of Finnair approved a new individual performance share plan period covering the years 2024–2026. Within the plan, the participants have the opportunity to earn Finnair shares as a long-term incentive reward, if the performance targets set by the Board of Directors for the plan are achieved. The potential share rewards will be delivered to the participants in the spring of 2027. The plan applies to some 75 persons. It is described in more detail in a stock exchange release published by the company and on the company's website.

## Effective authorisations granted by the Annual General Meeting 2023

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

The AGM authorised the Board of Directors to decide on the repurchase of the company's own shares and/or on the acceptance as pledge. The authorisation shall not exceed 50,000,000 shares, which corresponds to approximately 3.6 per cent of all the shares in the company. The authorisation is effective for a period of 18 months from the resolution of the AGM.

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

The resolutions of the AGM are available in full on the company's [website](#).

## Decisions made by and authorisations granted by the Extraordinary General Meeting 2023

The Extraordinary General Meeting (EGM) of Finnair Plc was held on 27 October 2023 without a meeting venue as a virtual meeting in accordance with Section 11 of the Articles of Association of the Company and Chapter 5, Section 16 Subsection 3 of the Finnish Companies Act. A total of 222 shareholders representing approximately 61 per cent of the company's shares and votes, were represented in the EGM, either by advance vote or via remote connection. The EGM adopted all the proposals of the Board of Directors to the EGM.

### Authorising the board of directors to resolve on a rights offering

In accordance with the proposal of the Board of Directors, the EGM resolved that the Board of Directors is authorised to decide on the issuance



of a maximum of 22,000,000,000 new shares. The new shares to be issued based on the authorisation will be offered to the Company's shareholders for subscription under pre-emptive subscription rights in the same proportion as they already hold shares in the Company. Shares that remain unsubscribed on the basis of pre-emptive subscription rights may be offered on a secondary basis for subscription to other shareholders or third parties. The Board of Directors is authorised to decide to whom shares that remain unsubscribed are offered to. The authorisation can only be used once, and it does not permit the Board of Directors to conduct multiple share issues. The Board of Directors decides on all other terms and conditions of the share issue. As the rights offering under the authorisation was carried out in November 2023, the authorisation is no longer valid.

### Authorising the board of directors to resolve on the issuance of shares

In accordance with the proposal of the Board of Directors, the EGM resolved that the Board of Directors is authorised to decide on the issuance of shares. The maximum number of shares that may be issued based on the authorisation shall not exceed 132,935,562 shares, which corresponds to approximately 0.6 per cent of all the shares in the Company if the authorisation to issue shares decided by the EGM for the rights offering above is used in full. The authorisation is, however, at all times, limited to 0.6 per cent of the Company's actual total

number of shares after the rights offering, so that upon completion of the rights offering the maximum number of shares that may be issued based on the authorisation shall be reduced to the nearest whole number corresponding to 0.6 per cent of the Company's total number of shares following the registration of the new shares to be issued in the rights offering. The Board of Directors decides on all conditions of the issuance of shares, including to whom, at what price and in which manner the shares are issued on the basis of the authorisation. The authorisation concerns both the issuance of new shares as well as the transfer of treasury shares. Shares may also be issued in deviation from the shareholders' pre-emptive rights (directed issue), e.g., for using the shares to develop the Company's capital structure, to finance or carry out acquisitions, investments or other business transactions, or in order to use the shares as part of the Company's incentive and remuneration schemes. The authorisation is effective until 23 September 2024, corresponding to a period of 18 months from the Annual General Meeting held on 23 March 2023, and, as it entered into force, revoked the share issue authorisation granted by the Annual General Meeting on 23 March 2023. The authorisation was conditional to the completion of the rights offering and entered into force as of the registration of the new shares issued in the rights offering.

The resolutions of the EGM are available in full on the company's [website](#).



# Risk management

## Risk management framework and principles

Finnair operates in a global and highly competitive environment that is sensitive to economic fluctuations. In executing its strategy, Finnair and its operations are exposed to a broad range of risks and opportunities.

Risk management is an integral part of effective management practice to ensure that Finnair is successful in achieving its business objectives. Uncertainty (opportunity or threat) is an inevitable element in all decision-making, and thus an integral component of running the business.

Finnair’s Risk Management Framework has been defined and established to ensure the identification,

evaluation and management of risks and uncertainties associated with the set objectives. The framework is designed to take a corporate-wide portfolio view of risks. The risk management principles are summarised as follows:

- Risk management extends beyond internal control to strategy-setting, governance, and measuring performance;
- Risks are managed as an integrated part of strategic and operational planning, day-to-day decision making, and operational processes;
- Three Lines of Defence model is applied as the primary governance principle to ensure that the segregation of duties is defined and established between risk management and risk control;

- The performance and efficiency of Finnair’s risk management and internal control systems are subject to systematic monitoring.

## Risk management policy and process

The framework and principles for risk management have been defined in the Finnair Internal Control and Risk Management Policy, which has been approved by the Board of Directors. The policy is supplemented by other policies for managing risks in specific areas. Examples of other risk policies are Treasury Policy, Procurement Policy, Information Security Policy, Data Privacy Policy, Competition Policy, and Trade Sanction Policy.

The Finnair Risk Management Framework and principles are based on the internationally recognised best practices for risk management (COSO Enterprise Risk Management – Integrating with Strategy and Performance, and ISO 31000:2009 standard).

Risk identification and evaluation include the following phases:

- Identification of external and internal events affecting the achievement of objectives;
- Distinction between risks and opportunities;
- Analysis of identified risks;
- Integration (aggregation) of risks;
- Evaluation and prioritisation of risks based on their impact and likelihood.



# Risk governance

## 1st Line of Defence

Business units and shared functions are responsible for setting the objectives and managing day-to-day performance. As risk owners, the business units and shared functions identify and evaluate risks and make risk-informed decisions. They manage risks by defining and implementing controls. Thus, they are responsible for conducting day-to-day control and risk management activities in accordance with Finnair’s Risk Management and Internal Control Frameworks.

As a part of the first line of defence, Finnair’s CEO and the Finnair Executive Board have the overall accountability for appropriate risk management practices.

## 2nd Line of Defence

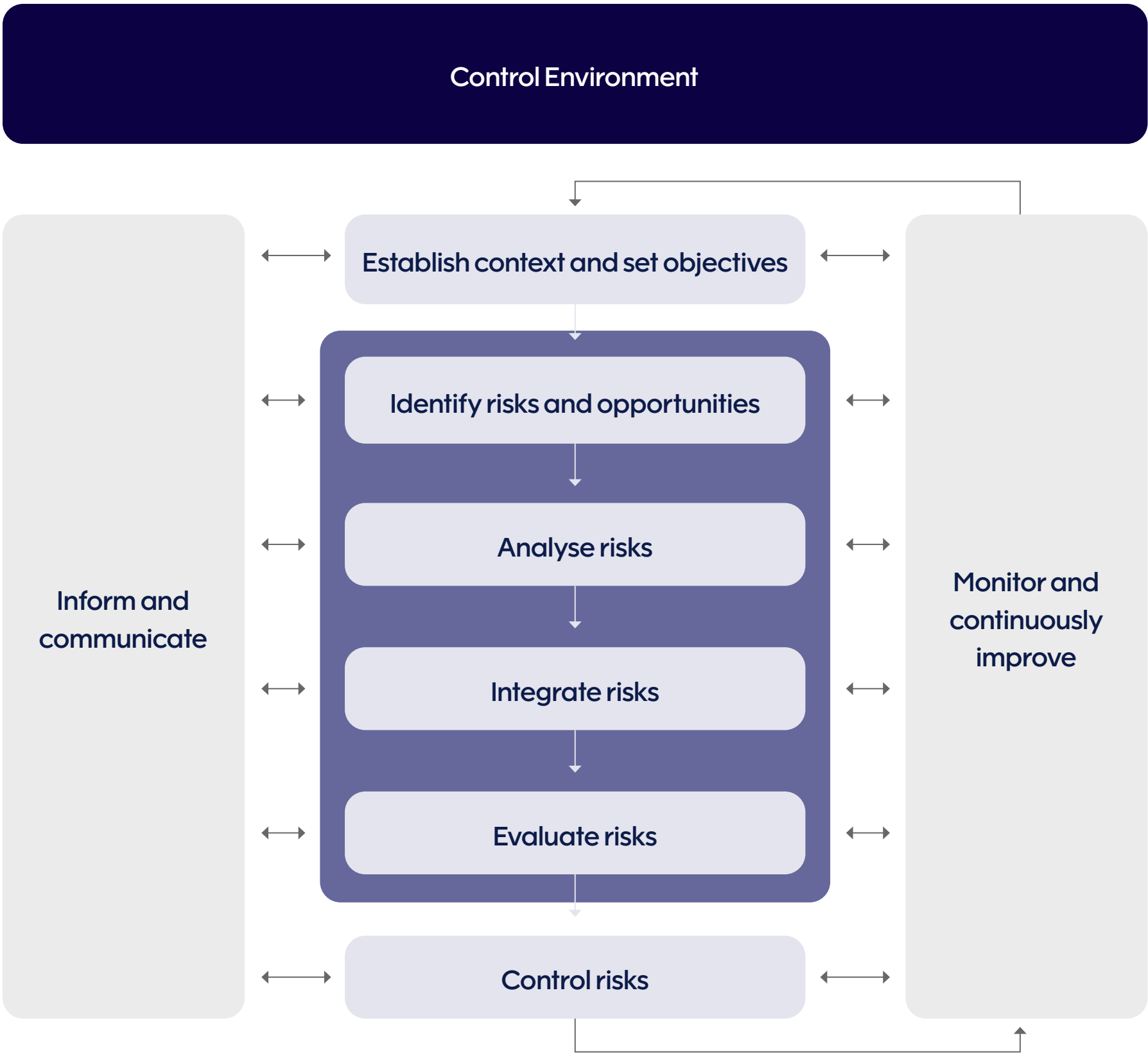
Risk & Compliance provides expertise in risk assessment and risk management, and acts as a control function that is responsible for developing and maintaining the Risk Management Framework and Internal Control Framework as well as for continuously monitoring the implementation of the policies, rules, procedures and key controls within the frameworks. Risk & Compliance has a reporting line to the Audit Committee of the Board of Directors.

Outside the scope of the Risk & Compliance function is Finnair’s statutory Safety Management System, which is required by Finnair’s Air Operator’s Certificate and applicable Aviation Regulation and is subject to specific responsibility matrix and supervision prescribed by the supervisory authorities. Safety & Compliance acts as a control function with respect to the Safety Management System.

## 3rd Line of Defence

Internal Audit performs audits and provides the Audit Committee with an independent assessment of the overall effectiveness and maturity of the internal control and risk management systems.

## Risk management process





# Significant risks and uncertainties

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

Factors such as geopolitical uncertainty, the threat of trade wars, the threat of terrorism and cyber-attacks as well as other potential external disruptions may, if they materialise, significantly affect Finnair's operations. Geopolitical tensions may have an adverse effect on the global

economic environment, and on Finnair's network and profitability. The war in Ukraine has already significantly impacted the global trade in the form of sanctions and countersanctions, and as regards to civil aviation, closures of the airspace. A possible escalation of the war and unrest in conflict areas in the Middle East may have adverse effects on, e.g., the demand for air travel, fuel prices, the flight network and the use of airspace. Their negative impact on Finnair's operating result and financial position depends on the company's ability to adjust its route network, costs, revenue generating sources and financing in the new operating environment.

Macroeconomic factors continue to be a key driver of air transportation demand, as there has historically been a strong correlation

between air travel and the development of macroeconomic factors such as GDP. Due to this correlation, aviation is an industry that is highly sensitive to global economic cycles and reacts quickly to external disruptions, seasonal variations and economic trends, as the global COVID-19 pandemic and the war in Ukraine have demonstrated.

The effect of the COVID-19 pandemic in the markets in which Finnair operates has adversely affected the demand for Finnair's services. Even though the existing travel restrictions are very limited since China opened for travel, the uncertainty concerning the travel restrictions, especially in Asia, poses a risk to demand for air travel, and consequently to Finnair's revenue development. The COVID-19 pandemic may also

have long-term negative effects on air travel demand due to potential changes in travellers' perception of the air travel experience and the perceived uncertainty relating to the current pandemic or other similar health threats in the future. The recovery of business travel to pre-COVID-19 levels is likely to be affected by the adoption of virtual and teleconferencing tools.

Factors beyond Finnair's control are related to the duration of the Russian airspace closure, COVID-19 pandemic and retightening of related travel restrictions, resource challenges in the European aviation system caused by the pandemic as well as the recovery of demand for air travel. In addition, other general risk factors in the industry and business, such as the fluctuation of jet fuel prices and its weakened supply, fluctuation in



demand for air travel in general, and fluctuations in currency exchange rates, as well as regulatory and tax changes are also beyond Finnair's control. Other general macroeconomic conditions, such as deterioration in business or consumer confidence, changing customer preferences or employment levels, lower availability of credit, rising interest rates, rise in prevailing high inflation, recession, or changes in taxation may have an adverse impact on private consumption, and consequently on the demand for air travel.

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

As jet fuel costs are the largest variable expense item, the jet fuel price development has a material effect on profitability. Fuel price fluctuations may result in increased uncertainty around Finnair's financial performance and cash flow. Jet fuel prices have historically fluctuated significantly, and fluctuations are expected to continue in the future e.g., due to the impacts of the war in Ukraine. Finnair's ability to pass on the increased costs of jet fuel to its customers by increasing fares is limited by the fierce competition in the airline





industry. Finnair's jet fuel costs are also subject to foreign exchange rate risk as international prices for jet fuel are denominated in U.S. dollars. The residual effect of jet fuel price fluctuations is determined by the hedges in use at a given point in time. Increasing jet fuel costs, disruptions in fuel supplies and ineffective hedging in relation to changes in market prices may result in increased expenses, which may have a material adverse effect on Finnair's business, financial result and future outlook. Derivatives used to hedge against adverse price movements in jet fuel may prove to be inefficient, resulting in an increased jet fuel price in relation to market prices. The volatile market impacts the pricing and availability of hedging instruments. Finnair manages risks related to fuel costs in accordance with the current risk management policy.

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

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

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

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

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

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

In a changing aviation business environment, it is difficult to predict the impact that the

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

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



# Seasonal variation and sensitivities in business operations

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

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

euro are the US dollar, the Japanese yen, the South Korean won, the Swedish krona, the UK pound, and the Norwegian krona.

The company hedges its currency, interest rate and jet fuel exposure using a variety of derivative instruments, such as forward contracts, swaps and options, in compliance with the risk management policy approved annually by the Board of Directors. Finnair's risk management policy was updated during Q4 2023. Before the update Finnair hedged its fuel purchases 12 months forward on a rolling basis. The update extends the time horizon to 18 months on a rolling basis. Also, the hedging ratios were increased slightly throughout the hedging horizon. After the update, the maximum hedging ratio for the first 3-month period is 93 per cent and the lower limit is 68 per cent, while

## Sensitivities in business operations, impact on comparable operating profit (rolling 12 months from date of financial statements)

|                                    | 1 percentage point change |
|------------------------------------|---------------------------|
| Passenger load factor (PLF, %)     | EUR 34 million            |
| Average yield of passenger traffic | EUR 24 million            |
| Unit cost (CASK excl. fuel)        | EUR 21 million            |

## Fuel sensitivities (rolling 12 months from date of financial statements)

|      | 10% change, without hedging | 10% change, taking hedging into account |
|------|-----------------------------|-----------------------------------------|
| Fuel | EUR 77 million              | EUR 49 million                          |

## Fuel hedging and average hedged price (rolling 12 months from date of financial statements)

|              | Hedged fuel, tonnes* | Average hedge price, USD/ton* ** |
|--------------|----------------------|----------------------------------|
| Q1 2024      | 198,000              | 909                              |
| Q2 2024      | 183,000              | 878                              |
| Q3 2024      | 144,000              | 895                              |
| Q4 2024      | 87,000               | 851                              |
| Q1 2025      | -                    | -                                |
| Q2 2025      | -                    | -                                |
| <b>Total</b> | <b>612,000</b>       | <b>888</b>                       |

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

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



average hedging ratio is approximately 80 per cent. The hedging ratio decreases towards the end of the 18-month hedging period.

## 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 December, the hedging ratio of USD denominated interest-bearing liabilities (including IFRS 16) was approximately 90 per cent.

| Currency distribution, %   | 2023 | 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) |
|----------------------------|------|------|---------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------------------------------------------|
|                            |      |      | 10% change without hedging                                                                                          | 10% change taking hedging into account |                                                                   |
| <b>Sales currencies</b>    |      |      |                                                                                                                     |                                        |                                                                   |
| EUR                        | 59   | 58   | -                                                                                                                   | -                                      | -                                                                 |
| USD*                       | 9    | 8    | see below                                                                                                           | see below                              | see below                                                         |
| JPY                        | 4    | 4    | EUR 12 million                                                                                                      | EUR 5 million                          | 51%                                                               |
| KRW                        | 3    | 2    | -                                                                                                                   | -                                      | -                                                                 |
| SEK                        | 3    | 4    | -                                                                                                                   | -                                      | -                                                                 |
| GBP                        | 4    | 4    | -                                                                                                                   | -                                      | -                                                                 |
| NOK                        | 3    | 4    | -                                                                                                                   | -                                      | -                                                                 |
| Other                      | 14   | 15   | -                                                                                                                   | -                                      | -                                                                 |
| <b>Purchase currencies</b> |      |      |                                                                                                                     |                                        |                                                                   |
| EUR                        | 60   | 55   | -                                                                                                                   | -                                      | -                                                                 |
| USD*                       | 34   | 41   | EUR 62 million                                                                                                      | EUR 28 million                         | 57%                                                               |
| Other                      | 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.





# Outlook

## Guidance issued on 24 October 2023:

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

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

The company also specifies its previous guidance for full-year 2023 comparable operating result and now estimates it to be in the range of 160–200 million euros. The company's comparable

operating result estimate is based on the current fuel price and exchange rates.

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

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

## New guidance on 14 February 2024:

Global air traffic is expected to continue growing in 2024. However, risks related to the impact of inflation and higher interest rates on demand and costs remain elevated, causing uncertainty in the operating environment. International conflicts and global political instability also cause uncertainty in the operating environment. These factors may affect the demand for air travel and cargo.

Finnair plans to increase its total capacity by more than 10 per cent in 2024. The capacity estimate includes the agreed wet leases. This growth will mainly focus on Asia and Europe. Finnair's revenue is expected to grow at a somewhat slower pace than capacity in 2024.

In accordance with its disclosure policy, Finnair provides full-year comparable EBIT estimate in connection with the half-year report in July.

Finnair will update its outlook and guidance in connection with the Q1 2024 interim report.



# Performance indicators classified as alternative performance measures

Finnair uses alternative performance measures referred to in the European Securities Markets Authority (ESMA) Guidelines on Alternative Performance Measures to describe its operational and financial performance, to provide a comparable view of its business 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 + 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                                                                                                                                                                                                     | 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.                                                                                                                                                                                                   |



| Alternative performance measures                   | Calculation                                                                                                                                                                                                                          | Reason to use the measure                                                                                                                                                    |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 and depreciation. |
| 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

Items affecting comparability is reconciled in the note 1.3.7 Items excluded from comparable operating result.

| EUR in millions                                                         | 2023         | 2022          |
|-------------------------------------------------------------------------|--------------|---------------|
| <b>Operating result</b>                                                 | <b>191.4</b> | <b>-200.6</b> |
| Unrealized changes in foreign currencies of fleet overhaul provisions   | -7.1         | 8.8           |
| Fair value changes of derivatives where hedge accounting is not applied | -0.7         | -0.9          |
| Sales gains and losses on aircraft and other transactions               | -13.3        | -6.6          |
| Impairment                                                              | 13.7         | 32.7          |
| Restructuring costs                                                     | -0.1         | 2.6           |
| <b>Comparable operating result</b>                                      | <b>184.0</b> | <b>-163.9</b> |
| Depreciation                                                            | 332.6        | 317.1         |
| <b>Comparable EBITDA</b>                                                | <b>516.5</b> | <b>153.2</b>  |

## Equity ratio

| EUR in millions, unless otherwise indicated | 31 Dec 2023 | 31 Dec 2022 |
|---------------------------------------------|-------------|-------------|
| Equity total                                | 577.0       | 410.7       |
| Equity and liabilities total                | 3,698.0     | 4,133.0     |
| <b>Equity ratio, %</b>                      | <b>15.6</b> | <b>9.9</b>  |

## Gearing, interest-bearing net debt and interest-bearing net debt / Comparable EBITDA, LTM

| EUR in millions, unless otherwise indicated               | 31 Dec 2023    | 31 Dec 2022     |
|-----------------------------------------------------------|----------------|-----------------|
| Lease liabilities                                         | 1,115.0        | 1,330.7         |
| Other interest-bearing liabilities                        | 910.6          | 1,298.5         |
| Cross currency interest rate swaps*                       | 8.9            | -10.7           |
| <b>Adjusted interest-bearing liabilities</b>              | <b>2,034.5</b> | <b>2,618.4</b>  |
| Other financial assets                                    | -776.8         | -738.6          |
| Cash and cash equivalents                                 | -145.1         | -785.8          |
| <b>Cash funds</b>                                         | <b>-922.0</b>  | <b>-1,524.4</b> |
| <b>Interest-bearing net debt</b>                          | <b>1,112.5</b> | <b>1,094.0</b>  |
| Equity total                                              | 577.0          | 410.7           |
| <b>Gearing, %</b>                                         | <b>192.8</b>   | <b>266.4</b>    |
| Comparable EBITDA, LTM                                    | 516.5          | 153.2           |
| <b>Interest-bearing net debt / Comparable EBITDA, LTM</b> | <b>2.2</b>     | <b>7.1</b>      |

\* Cross-currency interest rate swaps are used for hedging the currency and interest rate risk of interest-bearing loans, but hedge accounting is not applied. Changes in fair net value correlate with changes in the fair value of interest-bearing liabilities. Therefore, the fair net value of cross-currency interest rate swaps recognised in derivative assets/liabilities and reported in the note 3.8 Derivatives, is considered an interest-bearing liability in the net debt calculation.

## Gross capital expenditure

| EUR in millions                                        | 2023         | 2022         |
|--------------------------------------------------------|--------------|--------------|
| Additions in fixed assets                              | 409.4        | 125.8        |
| New contracts in right-of-use assets                   | 24.3         | 9.5          |
| Reassessments and modifications in right-of-use assets | 50.5         | 64.3         |
| <b>Gross capital expenditure</b>                       | <b>484.2</b> | <b>199.6</b> |



## Return on capital employed (ROCE), LTM

| EUR in millions, unless otherwise indicated                         | 31 Dec 2023    | 31 Dec 2022    |
|---------------------------------------------------------------------|----------------|----------------|
| Result before taxes, LTM                                            | 119.1          | -370.7         |
| Financial expenses, LTM                                             | 142.2          | 137.9          |
| Exchange rate gains and losses, LTM                                 | -13.7          | 38.8           |
| <b>Return, LTM</b>                                                  | <b>247.6</b>   | <b>-194.0</b>  |
| Equity total                                                        | 577.0          | 410.7          |
| Lease liabilities                                                   | 1,115.0        | 1,330.7        |
| Other interest-bearing liabilities                                  | 910.6          | 1,298.5        |
| <b>Capital employed</b>                                             | <b>2,602.5</b> | <b>3,039.8</b> |
| Capital employed, average of reporting period and comparison period | 2,821.2        | 3,162.2*       |
| <b>Return on capital employed (ROCE), LTM, %</b>                    | <b>8.8</b>     | <b>-6.1</b>    |

\* Capital employed accounted was EUR 3,284.6 million as at 31 December 2021.

## Cash to sales, LTM

| EUR million, unless otherwise indicated | 31 Dec 2023  | 31 Dec 2022    |
|-----------------------------------------|--------------|----------------|
| Other financial assets                  | 776.8        | 738.6          |
| Cash and cash equivalents               | 145.1        | 785.8          |
| <b>Cash funds</b>                       | <b>922.0</b> | <b>1,524.4</b> |
| Revenue, LTM                            | 2,988.5      | 2,356.6        |
| <b>Cash to sales, LTM %</b>             | <b>30.9</b>  | <b>64.7</b>    |



# Other performance indicators

## Revenue and profitability

|                                                      |                                                                                                                                                                                                                                                 |
|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Earnings per share (EPS), basic                      | (Result for the period - Hybrid bond and capital loan expenses net of tax) / Average number of outstanding shares during the period                                                                                                             |
| Earnings per share (EPS), diluted                    | (Result for the period - Hybrid bond and capital loan 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 × great circle distance in kilometres |
| Revenue passenger kilometres (RPK) | Number of revenue passengers × great circle distance in kilometres    |
| Passenger load factor (PLF)        | Share of revenue passenger kilometres of available seat kilometres    |

## Customer-centric commercial and operational excellence

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

## Among industry sustainability leaders

|                                  |                                                     |
|----------------------------------|-----------------------------------------------------|
| Flight CO <sub>2</sub> emissions | CO <sub>2</sub> emissions from jet fuel consumption |
|----------------------------------|-----------------------------------------------------|

## Adaptable Finnair culture driven by engaged people

|                            |                                                                                                                                                                          |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Absences due to illness    | Share of sickness absence hours relating to planned work hours                                                                                                           |
| Lost-time injury frequency | 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 |

## Share

|                                           |                                                                                                  |
|-------------------------------------------|--------------------------------------------------------------------------------------------------|
| Equity/share                              | Equity / Number of outstanding shares at the end of period                                       |
| Dividend/earnings                         | Dividend per share / Earnings per share (EPS) x 100                                              |
| Dividend yield, %                         | Dividend per share / Share price at the end of period x 100                                      |
| Cash flow from operating activities/share | Net cash flow from operating activities / Average number of outstanding shares during the period |
| P/E ratio                                 | Share price at the end of period / Earnings per share (EPS) x 100                                |



# Financial Statements





# Financial Statements

**How to read Finnair Financial Statements?**

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

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

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

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

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

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Consolidated income statement

| EUR mill.                                                                     | Note     | 2023    | 2022    |
|-------------------------------------------------------------------------------|----------|---------|---------|
| Revenue                                                                       | 1.1, 1.2 | 2,988.5 | 2,356.6 |
| Other operating income                                                        |          | 130.5   | 153.5   |
| Operating expenses                                                            |          |         |         |
| Staff and other crew related costs                                            | 1.3.8    | -498.1  | -449.6  |
| Fuel costs                                                                    |          | -898.9  | -835.1  |
| Capacity rents                                                                |          | -107.2  | -102.5  |
| Aircraft materials and overhaul                                               |          | -200.1  | -192.4  |
| Traffic charges                                                               |          | -233.8  | -206.5  |
| Sales, marketing and distribution costs                                       |          | -117.1  | -103.1  |
| Passenger and handling services                                               | 1.3.2    | -414.1  | -348.0  |
| Depreciation and impairment                                                   | 2.3      | -346.2  | -349.8  |
| Property, IT and other expenses                                               | 1.3.3    | -112.1  | -123.7  |
| Operating result                                                              |          | 191.4   | -200.6  |
| Financial income                                                              | 3.1      | 56.2    | 6.5     |
| Financial expenses                                                            | 3.1      | -142.2  | -137.9  |
| Exchange rate gains and losses                                                | 3.1      | 13.7    | -38.8   |
| Result before taxes                                                           |          | 119.1   | -370.7  |
| Income taxes                                                                  | 5.1      | 135.2   | -105.4  |
| Result for the period                                                         |          | 254.3   | -476.2  |
| Attributable to                                                               |          |         |         |
| Owners of the parent company                                                  |          | 254.3   | -476.2  |
| Earnings per share attributable to<br>shareholders of the parent company, EUR |          |         |         |
| Basic earnings per share                                                      | 3.9      | 0.022   | -0.060  |
| Diluted earnings per share                                                    | 3.9      | 0.022   | -0.060  |

Consolidated statement of comprehensive income

| EUR mill.                                                                   | Note    | 2023  | 2022   |
|-----------------------------------------------------------------------------|---------|-------|--------|
| Result for the period                                                       |         | 254.3 | -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                                 |         | -7.7  | -13.8  |
| Tax effect                                                                  |         | 4.2   | 0.1    |
| Items that will not be reclassified to profit or loss in subsequent periods |         |       |        |
| Actuarial gains and losses from defined benefit plans                       | 1.3.8.2 | 11.6  | 49.9   |
| Tax effect                                                                  |         | -2.3  | -10.0  |
| Other comprehensive income items total                                      |         | 5.8   | 26.2   |
| Comprehensive income for the period                                         |         | 260.0 | -450.0 |
| Attributable to                                                             |         |       |        |
| Owners of the parent company                                                |         | 260.0 | -450.0 |

★ The business returned to profit during 2023

Operating result turned to profit in the financial year 2023 after the loss making years, which was a result of the easing of the negative impact of the COVID-19 pandemic and closure of Russian airspace as well as a successful implementation of the company strategy. Profitability improved especially due to strong passenger demand and exceptionally high ticket prices. Income taxes had a positive impact on the result for the period due to recognition of deferred tax assets on balance sheet. Accounting for income taxes is presented in more detail in note 5.1 Income taxes.

★ = Highlights

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## Consolidated balance sheet

| EUR mill.                            | Note    | 2023           | 2022           |
|--------------------------------------|---------|----------------|----------------|
| <b>ASSETS</b>                        |         |                |                |
| <b>Non-current assets</b>            |         |                |                |
| Fleet                                | 2.1     | 1,053.0        | 894.8          |
| Right-of-use fleet                   | 2.2     | 775.0          | 932.9          |
| Fleet total                          |         | 1,828.0        | 1,827.6        |
| Other fixed assets                   | 2.1     | 141.8          | 150.1          |
| Right-of-use other fixed assets      | 2.2     | 140.4          | 145.4          |
| Other fixed assets total             |         | 282.2          | 295.5          |
| Pension assets                       | 1.3.8.2 | 128.0          | 120.0          |
| Other non-current assets             |         | 3.1            | 4.5            |
| Deferred tax assets                  | 5.1     | 234.0          | 80.6           |
| <b>Non-current assets total</b>      |         | <b>2,475.2</b> | <b>2,328.3</b> |
| <b>Current assets</b>                |         |                |                |
| Receivables related to revenue       | 1.2.3   | 154.4          | 134.9          |
| Inventories and other current assets | 1.3.4   | 134.6          | 122.0          |
| Derivative financial instruments     | 3.8     | 11.8           | 23.5           |
| Other financial assets               | 3.2.1   | 776.8          | 738.6          |
| Cash and cash equivalents            | 3.2.2   | 145.1          | 785.8          |
| <b>Current assets total</b>          |         | <b>1,222.8</b> | <b>1,804.8</b> |
| <b>Assets total</b>                  |         | <b>3,698.0</b> | <b>4,133.0</b> |

| EUR mill.                                          | Note     | 2023           | 2022           |
|----------------------------------------------------|----------|----------------|----------------|
| <b>EQUITY AND LIABILITIES</b>                      |          |                |                |
| <b>Equity attributable to owners of the parent</b> |          |                |                |
| Share capital                                      |          | 75.4           | 75.4           |
| Other equity                                       |          | 501.5          | 335.2          |
| <b>Equity total</b>                                |          | <b>577.0</b>   | <b>410.7</b>   |
| <b>Non-current liabilities</b>                     |          |                |                |
| Lease liabilities                                  | 2.2, 3.3 | 951.0          | 1,128.0        |
| Other interest-bearing liabilities                 | 3.3      | 790.2          | 1,058.4        |
| Pension obligations                                | 1.3.8.2  | 0.8            | 0.7            |
| Provisions and other liabilities                   | 1.3.6    | 125.9          | 186.4          |
| <b>Non-current liabilities total</b>               |          | <b>1,868.0</b> | <b>2,373.5</b> |
| <b>Current liabilities</b>                         |          |                |                |
| Lease liabilities                                  | 2.2, 3.3 | 164.0          | 202.7          |
| Other interest-bearing liabilities                 | 3.3      | 120.3          | 240.1          |
| Provisions                                         | 1.3.6    | 28.1           | 71.7           |
| Trade payables                                     |          | 107.0          | 90.3           |
| Derivative financial instruments                   | 3.8      | 43.4           | 36.7           |
| Deferred income and advances received              | 1.2.4    | 506.7          | 452.0          |
| Liabilities related to employee benefits           | 1.3.8.1  | 116.5          | 111.2          |
| Other liabilities                                  | 1.3.5    | 167.1          | 144.4          |
| <b>Current liabilities total</b>                   |          | <b>1,253.1</b> | <b>1,348.9</b> |
| <b>Liabilities total</b>                           |          | <b>3,121.0</b> | <b>3,722.4</b> |
| <b>Equity and liabilities total</b>                |          | <b>3,698.0</b> | <b>4,133.0</b> |

📌 **Finnair invested in fleet and repaid interest-bearing liabilities**

During 2023, Finnair purchased nine leased narrow body aircraft which is reflected in the increase of its own fleet and in the decrease of the right-of-use fleet. The early termination of lease contracts was reflected also in the reduction of lease liabilities. Decrease in other interest bearing liabilities was mainly due to amortisation of the pension premium loan. Changes in the capital structure are described in more detail in note 3. Capital structure and financing costs.

★ = Highlights



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## Consolidated cash flow statement

| EUR mill.                                                         | 2023          | 2022           |
|-------------------------------------------------------------------|---------------|----------------|
| <b>Cash flow from operating activities</b>                        |               |                |
| Result before taxes                                               | 119.1         | -370.7         |
| Depreciation and impairment                                       | 346.2         | 349.8          |
| Financial income and expenses                                     | 72.3          | 170.2          |
| Sales gains and losses on aircraft and other transactions         | -13.3         | -6.6           |
| Change in provisions                                              | -21.4         | 45.2           |
| Employee benefits                                                 | 8.9           | 12.7           |
| Other adjustments                                                 | 1.0           | 2.1            |
| Non-cash transactions                                             | -11.5         | 60.0           |
| Changes in trade and other receivables                            | -30.2         | -86.9          |
| Changes in inventories                                            | -1.1          | -10.1          |
| Changes in trade and other payables                               | 89.4          | 249.5          |
| Changes in working capital                                        | 58.1          | 152.5          |
| Financial expenses paid, net                                      | -98.7         | -96.1          |
| <b>Net cash flow from operating activities</b>                    | <b>472.3</b>  | <b>259.0</b>   |
| <b>Cash flow from investing activities</b>                        |               |                |
| Investments in fleet                                              | -400.6        | -83.1          |
| Investments in other fixed assets                                 | -3.6          | -4.9           |
| Divestments of fleet, other fixed assets and shares               | 0.4           | 25.5           |
| Lease and lease interest payments received                        | 0.4           | 0.4            |
| Change in other current financial assets (maturity over 3 months) | -60.7         | -12.8          |
| Change in other non-current assets                                | 0.0           | -0.7           |
| <b>Net cash flow from investing activities</b>                    | <b>-464.0</b> | <b>-75.5</b>   |
| <b>Cash flow from financing activities</b>                        |               |                |
| Loan repayments                                                   | -377.4        | -144.0         |
| Repayments of lease liabilities                                   | -198.1        | -193.4         |
| Share issue**                                                     | 570.4         | -              |
| Share issue costs                                                 | -2.1          | -              |
| Hybrid bond repayments                                            | -200.0        | -              |
| Hybrid bond interests and expenses                                | -20.4         | -20.5          |
| Proceeds from capital loan                                        | -             | 400.0          |
| Capital loan repayments**                                         | -400.0        | -              |
| Capital loan interests and expenses                               | -48.9         | -              |
| <b>Net cash flow from financing activities</b>                    | <b>-676.4</b> | <b>42.1</b>    |
| <b>Change in cash flows</b>                                       | <b>-668.1</b> | <b>225.6</b>   |
| Liquid funds, at beginning                                        | 1,375.6       | 1,150.0        |
| Change in cash flows                                              | -668.1        | 225.6          |
| <b>Liquid funds, at end*</b>                                      | <b>707.5</b>  | <b>1,375.6</b> |

★ = Highlights

### \* Liquid funds

| EUR mill.                                               | 2023         | 2022           |
|---------------------------------------------------------|--------------|----------------|
| Other financial assets                                  | 776.8        | 738.6          |
| Cash and cash equivalents                               | 145.1        | 785.8          |
| <b>Cash funds</b>                                       | <b>922.0</b> | <b>1,524.4</b> |
| Other current financial assets (maturity over 3 months) | -214.4       | -148.8         |
| <b>Liquid funds</b>                                     | <b>707.5</b> | <b>1,375.6</b> |

\*\* The participation of the State of Finland to the rights issue was paid by offsetting the aggregate subscription price against a corresponding amount of the principal of the capital loan. After the completion of the rights issue Finnair repaid the remainder of the capital loan to the State of Finland. The offsetting is disclosed in more detail in the notes 3.3 Financial liabilities and 3.9 Equity-related information.

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

#### ★ Fleet investments and loan repayments reduced cash funds

The net cash flow from operating activities increased during the financial year as a result of the improved profitability. Investments in fleet relate mostly to the acquisition of nine aircraft previously leased by Finnair as well as cabin refurbishment of the wide-body aircraft. Net cash flow from financing activities decreased due lease and loan repayments, including repayment of the capital loan and hybrid bond. Changes in the capital structure are described in more detail in note 3. Capital structure and financing costs.



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## Consolidated statement of changes in equity

| EUR mill.                                             | Share capital | Other<br>restricted funds | Hedging reserve<br>and other OCI<br>items | Unrestricted<br>equity funds | Retained<br>earnings | Hybrid bond  | Capital loan | Equity total |
|-------------------------------------------------------|---------------|---------------------------|-------------------------------------------|------------------------------|----------------------|--------------|--------------|--------------|
| <b>Equity 1 Jan 2023</b>                              | <b>75.4</b>   | <b>168.1</b>              | <b>42.8</b>                               | <b>763.3</b>                 | <b>-1,237.0</b>      | <b>198.0</b> | <b>400.0</b> | <b>410.7</b> |
| <b>Result for the period</b>                          | -             | -                         | -                                         | -                            | <b>254.3</b>         | -            | -            | <b>254.3</b> |
| Change in fair value of hedging instruments           | -             | -                         | -3.5                                      | -                            | -                    | -            | -            | -3.5         |
| Actuarial gains and losses from defined benefit plans | -             | -                         | 9.3                                       | -                            | -                    | -            | -            | 9.3          |
| <b>Other comprehensive income items total</b>         | -             | -                         | <b>5.8</b>                                | -                            | -                    | -            | -            | <b>5.8</b>   |
| <b>Comprehensive income for the period</b>            | -             | -                         | <b>5.8</b>                                | -                            | <b>254.3</b>         | -            | -            | <b>260.0</b> |
| Share issue                                           | -             | -                         | -                                         | 570.4                        | -                    | -            | -            | 570.4        |
| Share issue costs                                     | -             | -                         | -                                         | -9.5                         | -                    | -            | -            | -9.5         |
| Capital loan repayments                               | -             | -                         | -                                         | -                            | -                    | -            | -400.0       | -400.0       |
| Capital loan interests and expenses                   | -             | -                         | -                                         | -                            | -39.1                | -            | -            | -39.1        |
| Hybrid bond repayments                                | -             | -                         | -                                         | -                            | -                    | -200.0       | -            | -200.0       |
| Hybrid bond interests and expenses                    | -             | -                         | -                                         | -                            | -18.3                | 2.0          | -            | -16.3        |
| Share-based payments                                  | -             | -                         | -                                         | 0.7                          | -                    | -            | -            | 0.7          |
| <b>Equity 31 Dec 2023</b>                             | <b>75.4</b>   | <b>168.1</b>              | <b>48.6</b>                               | <b>1,325.0</b>               | <b>-1,040.2</b>      | <b>-</b>     | <b>-</b>     | <b>577.0</b> |

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

★ **The group's equity increased despite repayment of capital and hybrid loans**

Equity increased from prior year as a result of funds received from a share issue and the positive result for the period. Increase in equity was partly offset by repayments of the capital loan and hybrid bond.

★ = Highlights



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Accounting principles

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

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

Company information

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

The consolidated financial statements of Finnair Group for the year ended 31 December 2023 were authorized for issue by the Board of Directors of Finnair Plc on 13 February 2024. Under Finland's Limited Liability Companies Act, shareholders have the option to accept, or reject the financial statements in the Annual General Meeting of the shareholders, which will be held after the publication of the financial statements.

Basis of preparation

Finnair Plc's consolidated financial statements for 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and they comply with the IAS and IFRS standards and respective SIC and IFRIC Interpretations effective on 31 December 2023. The notes to the consolidated financial statements also comply with Finnish accounting and corporate law. Changes applied in accounting principles in 2023 and future periods are described in the below section Changes in accounting principles.

The consolidated financial statements have been prepared on a going concern basis. The Board of Directors has assessed Finnair 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 consolidated financial statements are issued.

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

The 2023 consolidated financial statements have been prepared based on original acquisition costs, except for financial assets recognised through profit and loss at fair value and derivative contracts measured at fair value. Financial statement data is presented in millions of euros and rounded to the nearest hundred thousand euro, which is why the sum of the individual figures may differ from the total shown.

Presentation of consolidated income statement and balance sheet

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

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

Critical accounting estimates and sources of uncertainty

The preparation of IFRS financial statements requires Group management to make various judgements in applying the accounting principles that affect the reported amounts of assets and liabilities as well as income and expenses. Management judgement has to be exercised in applying the accounting principles especially when the IFRS has alternative accounting, valuation or presentation methods.

The application of the accounting policies prescribed by IFRS require making estimates and assumptions relating to the future where the actual outcome may differ from the earlier estimates and assumptions made. The estimates and assumptions made are based on past experience and management's best estimate of future events and other factors, that are believed to be reasonable given the current circumstances. The estimates and assumptions are continuously evaluated and any changes therein are reflected in the period that the changes occur.

The earlier heightened uncertainty related to the COVID-19 pandemic and the closure of the Russian airspace diminished during the financial year 2023, which was due to the easing of the COVID-19 pandemic following



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increased immunity levels and Finnair's successful implementation of its renewed strategy. As a result of the normalization of the business environment, Finnair's management has prepared a single forecast scenario in connection with the preparation of the consolidated financial statements as opposed to the multiple scenarios used in the prior year financial statements.

Finnair's management has taken the relevant risks and opportunities related to the business environment into account in their estimates and assumptions, based on their best knowledge on the balance sheet date. At the time of preparation of the financial statements, risks related to the effects of inflation and rising interest rates on passenger demand and business costs, potential escalation of the conflict in the Middle East as well as the somewhat elevated tensions in the Finnish labour markets are causing uncertainty in Finnair's operating environment. In addition, changes in the price of jet fuel or foreign currency rates can have a material impact on the company's financial result, balance sheet and cash flow.

Considerations related to the climate related impacts are described in more detail in the following chapter Climate-related matters in the consolidated financial statements.

**!** The main identified critical estimates and sources of uncertainty related to separate sections of the financial statements are presented in connection to the financial items considered to be affected and attached to the corresponding note. The table below shows where to find more information about those estimates and uncertainties. **!**

**Critical accounting estimates  
and sources of uncertainty**

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

**!** = Critical accounting estimates

**Climate-related matters in the consolidated financial statements**

Finnair's environmental management is based on the principle of continuous and systematic improvement, and it is committed to the long-term goal of carbon neutral flying by the end 2045. Finnair's climate-related targets have been disclosed in more detail in the Report of the Board of Directors and Sustainability Appendix.

Finnair expects the climate-related costs to increase significantly over the next 1-5 years, resulting from carbon emission reduction targets and tightening climate legislation. Especially three initiatives included in the EU's "Fit for 55" legislative package are particularly relevant for the aviation industry: the reform of emissions trading (EU-ETS), the mixing quota for sustainable aviation fuel (ReFuelEU Aviation) and the proposal to introduce a kerosene tax (energy tax directive). Free emission allowances are expected to seize in 2026. An initial minimum mixing quota of two percent for sustainable aviation fuel will be introduced in 2025, reaching 70% by year 2050. When in force, the new regulation is expected to result in higher costs for Finnair due to more expensive emission allowances, increased consumption of renewable fuel and possible abolition of the aviation fuel tax exemption. Where Finnair considers such costs will be recovered through increase in ticket fares, a corresponding adjustment is added to passenger revenue. In preparing the consolidated financial statements, the expected impacts of the climate related matters on the Group's results have been considered in the management's profitability and cash flow forecasts, which are also used in the evaluation of the recovery of deferred tax assets.

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

**Changes in accounting principles**

**New and amended IFRS standards and IFRIC interpretations**

In May 2023, the IASB issued an amendment to the IAS 12 Income taxes standard which provides a temporary mandatory exemption from deferred tax accounting for the top-up tax under the OECD Pillar Two model. Finnair has applied the exception in its consolidated financial statements 2023. The amendment further requires entities to disclose information on their potential exposure to Pillar Two income taxes. This is disclosed in more detail in note 5.1 Income taxes. Other changes in the IFRS standards and IFRIC-interpretations effective from periods beginning 1 January 2023 included mainly amendments or improvements to current standards that did not have material effect on Finnair financial statements.

Other standards issued that are effective from periods on or after 1st of January 2024 mainly include amendments or improvements to current standards that are not expected to have a material impact on the Group's consolidated financial statements.



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# 1 Operating result

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

## 1.1 Segment information

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

The Finnair Executive Board, defined as the chief operative decision maker according to IFRS 8 Segment reporting, considers the business as one operating segment. Thus, separate segment information is not reported. The revenue by product and geographical area is presented in the note 1.2.1 Revenue by product and traffic area. The division is based on the destination of Finnair flights. Finnair operates international and domestic routes, but the assets are almost solely owned in Finland. The fleet composes the major part of the non-current assets (see note 2.1 Fleet and other fixed assets). The fleet is owned or leased by Finnair's Finnish subsidiary and the aircraft are operated flexibly across different traffic (geographical) areas. More details about fleet management and ownership can be found in the management report in the section "Fleet". The negative impacts of the COVID-19 pandemic and the Russian airspace closure dimished during the financial year 2023 due to the removal of travel restrictions and Finnair's successful implementation of its renewed strategy. During the financial year Finnair transported 11.0 million passengers (9.1), which was 20.8 per cent more than in 2022.

## 1.2 Operating income

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

**A Revenue recognition**  
Revenue is recognised when goods or services are delivered. Revenue is measured at fair value of the consideration received or receivable, net of discounts and indirect taxes. Passenger revenue includes sale of flight tickets, and is recognised as revenue when the flight is flown in accordance with the flight traffic program. Recognition of unused tickets as revenue is based on the expected breakage amount of tickets remaining unused in proportion to the pattern of rights exercised by the passenger. Sales price is allocated to a flight ticket and points in Finnair Plus' Customer Loyalty Program. Finnair loyalty customers can earn Finnair Plus Points from tickets or services purchased, and use the earned points to buy services and products offered by Finnair or its cooperation partners. The points earned are measured at fair value and recognised as a decrease of revenue and debt at the time when the points-earning event (for example, flight is flown) is recognised as revenue. Fair value is measured by taking into account the fair value of those awards that can be purchased with the points and the customer selection between different awards based on historical customer behaviour. In addition, the fair valuation takes into account the expiry of the points. The debt is derecognised when the points are used or expire. Customer compensations for delays or cancellations is a variable consideration in the contract and it is recognised as an adjustment to revenue.

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

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

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

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

### 1.2.1 Revenue by product and traffic area

|                                     |       |                |         |             |          |              | Share, % of revenue by product |      |
|-------------------------------------|-------|----------------|---------|-------------|----------|--------------|--------------------------------|------|
| EUR mill.                           | Asia  | North Atlantic | Europe  | Middle East | Domestic | Unallo-cated | Total                          |      |
| Passenger revenue                   | 763.2 | 214.9          | 1,045.3 | 206.3       | 172.7    | 9.3          | 2,411.6                        | 80.7 |
| Ancillary revenue                   | 30.6  | 9.9            | 50.7    | 1.9         | 5.8      | 48.9         | 147.8                          | 4.9  |
| Cargo                               | 133.6 | 28.5           | 26.5    | 1.4         | 0.4      | 1.6          | 192.0                          | 6.4  |
| Travel services                     | 23.8  | 1.3            | 205.8   | 6.0         | 0.0      | 0.1          | 237.1                          | 7.9  |
| Total                               | 951.3 | 254.6          | 1,328.3 | 215.6       | 178.9    | 59.9         | 2,988.5                        |      |
| Share, % of revenue by traffic area | 31.8  | 8.5            | 44.4    | 7.2         | 6.0      | 2.0          |                                |      |

The division of revenue by traffic area is based on destination of the Finnair flights. 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's revenue increased compared to the financial year 2022 mainly due to increase in passenger revenue. Passenger revenue increased as the COVID-19 impact was still reflected in the comparison period and as passenger yields were exceptionally high during the reporting period. The decrease in cargo revenue was mainly due to reduced cargo yields. Due to the wide scale of customers and nature of the business, sales to any individual customer is not material compared to Finnair's total revenue.

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| EUR mill.                           | Asia         | North Atlantic | Europe         | Middle East | Domestic     | Unallo-cated | Total          | Share, % of revenue by product |
|-------------------------------------|--------------|----------------|----------------|-------------|--------------|--------------|----------------|--------------------------------|
| Passenger revenue                   | 425.0        | 244.3          | 855.0          | 42.9        | 128.2        | 15.3         | 1,710.7        | 72.6                           |
| Ancillary 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                            |
| <b>Total</b>                        | <b>676.8</b> | <b>340.0</b>   | <b>1,094.3</b> | <b>51.8</b> | <b>134.4</b> | <b>59.3</b>  | <b>2,356.6</b> |                                |
| Share, % of revenue by traffic area | 28.7         | 14.4           | 46.4           | 2.2         | 5.7          | 2.5          |                |                                |

1.2.2 Revenue by currency

| EUR mill.        | 2023           | 2022           |
|------------------|----------------|----------------|
| EUR              | 1,764.0        | 1,365.3        |
| USD              | 282.1          | 193.7          |
| JPY              | 128.4          | 96.8           |
| GBP              | 109.4          | 97.8           |
| SEK              | 100.6          | 100.9          |
| KRW              | 93.6           | 52.3           |
| NOK              | 82.9           | 85.4           |
| Other currencies | 427.5          | 364.2          |
| <b>Total</b>     | <b>2,988.5</b> | <b>2,356.6</b> |

1.2.3 Receivables related to revenue

| EUR mill.         | 2023         | 2022         |
|-------------------|--------------|--------------|
| Trade receivables | 94.1         | 89.4         |
| Accrued income    | 60.3         | 45.5         |
| <b>Total</b>      | <b>154.4</b> | <b>134.9</b> |

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

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

| Aging analysis of trade receivables | 2023                         |                                  |                                   | 2022                         |                                  |                                   |
|-------------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
|                                     | Trade receivables, EUR mill. | Probability of not collecting, % | Expected uncollectible, EUR mill. | Trade receivables, EUR mill. | Probability of not collecting, % | Expected uncollectible, EUR mill. |
| Not overdue                         | 93.7                         | 0.6%                             | 0.5                               | 87.1                         | 0.5%                             | 0.4                               |
| Overdue less than 60 days           | 0.1                          | 4.5%                             | 0.0                               | 0.2                          | 19.7%                            | 0.0                               |
| Overdue more than 60 days           | 0.4                          | 3.7%                             | 0.0                               | 2.1                          | 6.3%                             | 0.1                               |
| <b>Total</b>                        | <b>94.1</b>                  | <b>0.6%</b>                      | <b>0.6</b>                        | <b>89.4</b>                  | <b>0.7%</b>                      | <b>0.6</b>                        |

During the financial year, the Group recognised credit losses in total of 0.8 million euros (0.2). Trade receivables do not contain significant credit risk because of the diversified customer base. The maximum exposure to credit risk at the reporting date equals to the total carrying amount of trade receivables. The Group does not hold any collateral as security related to trade receivables.

### Trade receivables by currency

| EUR mill.        | 2023        | 2022        |
|------------------|-------------|-------------|
| EUR              | 51.4        | 52.6        |
| USD              | 11.4        | 5.2         |
| KRW              | 4.1         | 3.2         |
| NOK              | 3.9         | 6.2         |
| JPY              | 3.4         | 3.1         |
| GBP              | 3.1         | 3.7         |
| SEK              | 2.8         | 3.3         |
| Other currencies | 14.0        | 12.1        |
| <b>Total</b>     | <b>94.1</b> | <b>89.4</b> |

### 1.2.4 Deferred income and advances received

| EUR mill.                             | 2023         | 2022         |
|---------------------------------------|--------------|--------------|
| Deferred revenue on ticket sales      | 394.8        | 356.4        |
| Loyalty program Finnair Plus          | 66.7         | 51.3         |
| Advances received for tour operations | 32.5         | 27.9         |
| Other items                           | 12.8         | 16.4         |
| <b>Total</b>                          | <b>506.7</b> | <b>452.0</b> |

Most of the deferred income and advances received represent contract liabilities, for which payments have been received from customers before the performance obligation is discharged by Finnair. Deferred income and advances received includes prepaid flight tickets and package tours for which the departure date is in the future. The Finnair Plus liability is related to Finnair’s customer loyalty program, and equals the fair value of the accumulated, unused Finnair Plus points. Other items mainly include gift voucher liabilities and liabilities to airlines involved in the Siberian Joint Business on flights between Europe and Japan, and the Atlantic Joint Business on flights between Europe and North America.

|                                                                                                                                                                                                                                                                                             |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
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| <ul style="list-style-type: none"> <li>Notes to the consolidated financial statements</li> </ul>                                                                                                                                                                                            |  |
| <ul style="list-style-type: none"> <li>1. Operating result</li> <li>2. Fleet and other fixed assets and leasing arrangements</li> <li>3. Capital structure and financing costs</li> <li>4. Consolidation</li> <li>5. Other notes</li> <li>6. Parent company financial statements</li> </ul> |  |
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### 1.2.5 Other operating income

| EUR mill.                   | 2023         | 2022         |
|-----------------------------|--------------|--------------|
| Lease income                | 95.3         | 118.8        |
| Sales gains on fixed assets | 13.4         | 6.8          |
| Other income                | 21.8         | 27.9         |
| <b>Total</b>                | <b>130.5</b> | <b>153.5</b> |

Other operating income decreased when compared to the financial year 2022 mainly due to ending of the wet lease arrangements with Eurowings Discover in the first quarter of 2023. Sales gains on fixed assets mainly comprise of the purchase of two A320 and seven A321 leased aircraft.

## 1.3 Operating expenses

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

Finnair's operating expenses increased as compared to the prior year mainly due to increased capacity and longer Asian routings. Finnair continued its cost efficiency initiatives during 2023.

### 1.3.1 Operating expenses by currency

| EUR mill.        | 2023           | 2022           |
|------------------|----------------|----------------|
| EUR              | 1,774.4        | 1,490.1        |
| USD              | 971.9          | 1,092.3        |
| Other currencies | 181.3          | 128.3          |
| <b>Total</b>     | <b>2,927.5</b> | <b>2,710.6</b> |

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

### 1.3.2 Passenger and handling services

| EUR mill.                          | 2023         | 2022         |
|------------------------------------|--------------|--------------|
| Ground and cargo handling expenses | 178.8        | 158.3        |
| Expenses for tour operations       | 115.4        | 88.9         |
| Catering expenses                  | 57.3         | 45.0         |
| Other passenger services           | 62.7         | 55.8         |
| <b>Total</b>                       | <b>414.1</b> | <b>348.0</b> |

### 1.3.3 Property, IT and other expenses

| EUR mill.         | 2023         | 2022         |
|-------------------|--------------|--------------|
| IT expenses       | 67.2         | 63.9         |
| Property expenses | 21.9         | 20.6         |
| Other expenses    | 22.9         | 39.2         |
| <b>Total</b>      | <b>112.1</b> | <b>123.7</b> |

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

#### Audit fees

| EUR mill.      | 2023       | 2022       |
|----------------|------------|------------|
| Auditor's fees | 0.6        | 0.6        |
| Tax advising   | -          | -          |
| Other fees     | 0.2        | 0.0        |
| <b>Total</b>   | <b>0.9</b> | <b>0.6</b> |

The auditor's fees of KPMG Oy Ab included fees of 614 thousand euro (466) for audit services and 9 thousand euro (127) for auditor's statements. Non-audit services to Finnair Group entities were 239 thousand euro (3).

### 1.3.4 Inventories and other current assets

| EUR mill.                          | 2023         | 2022         |
|------------------------------------|--------------|--------------|
| Credit card acquirer holdbacks     | 57.0         | 57.0         |
| Inventories                        | 32.2         | 31.1         |
| Aircraft materials and overhaul    | 9.5          | 7.4          |
| Jet fuels                          | 9.3          | 6.6          |
| Capacity rent receivables          | 7.0          | 6.4          |
| VAT receivables                    | 3.7          | 2.1          |
| Interest and other financial items | 2.3          | 1.5          |
| Other items                        | 13.6         | 9.8          |
| <b>Total</b>                       | <b>134.6</b> | <b>122.0</b> |

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

### 1.3.5 Other liabilities

| EUR mill.                                       | 2023         | 2022         |
|-------------------------------------------------|--------------|--------------|
| Jet fuel and traffic charges                    | 50.4         | 50.9         |
| Passenger and handling services                 | 38.1         | 34.8         |
| Aircraft materials and overhaul                 | 22.2         | 14.0         |
| Sales, marketing and distribution cost accruals | 17.1         | 13.8         |
| Interest and other financial items              | 8.2          | 9.0          |
| Other items                                     | 31.2         | 21.9         |
| <b>Total</b>                                    | <b>167.1</b> | <b>144.4</b> |

**i** = Content of the section



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1.3.6 Provisions

**A Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as the result of a past event, the fulfilment of the payment obligation is probable, and a reliable estimate of the amount of the obligation can be made. The amount to be recognised as provision corresponds to the management's best estimate of the expenses that will be necessary to meet the obligation at the end of the reporting period.  
In most cases, the Group is obliged to return leased aircraft and their engines according to the redelivery condition set in the lease agreement. If at the time of redelivery, the condition of the aircraft and its engines differs from the agreed redelivery condition, Finnair needs to either maintain the aircraft so that it meets the agreed redelivery condition or settle the difference in cash to the lessor. To fulfil these maintenance obligations, the Group has recognised airframe heavy maintenance, engine performance maintenance, engine life limited part, landing gear, auxiliary power unit and other material maintenance provisions. The provision is defined as a difference between the current condition and redelivery condition of these maintenance components. The provision is accrued based on flight hours flown until the next maintenance event or the redelivery and recognised in the aircraft overhaul costs in the income statement. The provision is reversed at the maintenance event or redelivery. The price of the flight hour depends on the market price development of the maintenance costs. Estimated future cash flows are discounted to the present value. The maintenance market prices are mainly denominated in US dollars, which is why the amount of maintenance provision changes due to currency fluctuation of the dollar.  
The final check and painting required at redelivery are considered unavoidable maintenance costs that realise when the aircraft is redelivered to the lessor, irrespective of the time or flight hours. The counterpart of the provision is recorded in the book value of the right-of-use asset at the commencement of the lease. Respectively, costs depending on the usage of the aircraft are not considered as part of the right-of-use asset cost, but these are recognised according to the principles presented above.  
Restructuring provisions are recognised when the Group has prepared a detailed restructuring plan and has begun to implement the plan or has announced it. **A**

**I Maintenance reserves of the fleet**

The measurement of aircraft maintenance provisions requires management judgement especially related to the timing of maintenance events and the valuation of maintenance costs occurring in the future. The future maintenance costs and their timing are dependent on, for example, how future traffic plans actually realise, the market price development of maintenance costs and the actual condition of the aircraft at the time of the maintenance event. **I**

| EUR mill.                                    | Aircraft<br>maintenance<br>provision | Other<br>provisions | 2023         | Aircraft<br>maintenance<br>provision | Other<br>provisions | 2022         |
|----------------------------------------------|--------------------------------------|---------------------|--------------|--------------------------------------|---------------------|--------------|
| Provision at the beginning of period         | 246.7                                | 5.0                 | 251.7        | 195.9                                | 3.8                 | 199.8        |
| Provision for the period                     | 49.1                                 | 1.2                 | 50.3         | 56.1                                 | 4.8                 | 60.9         |
| Provision used                               | -58.9                                | -2.8                | -61.7        | -16.6                                | -2.6                | -19.2        |
| Provision reversed                           | -2.3                                 | -0.6                | -2.9         | -3.1                                 | -1.0                | -4.2         |
| Provision for right-of-use assets redelivery | -0.3                                 | -                   | -0.3         | -0.9                                 | -                   | -0.9         |
| Reclassifications                            | -90.8                                | -                   | -90.8        | -                                    | -                   | -            |
| Unwinding of discount                        | 7.8                                  | -                   | 7.8          | 6.4                                  | -                   | 6.4          |
| Exchange rate differences                    | -7.1                                 | -                   | -7.1         | 8.8                                  | -                   | 8.8          |
| <b>Total</b>                                 | <b>144.2</b>                         | <b>2.9</b>          | <b>147.1</b> | <b>246.7</b>                         | <b>5.0</b>          | <b>251.7</b> |
| Of which non-current                         | 118.3                                | 0.8                 | 119.0        | 178.7                                | 1.4                 | 180.1        |
| Of which current                             | 25.9                                 | 2.1                 | 28.1         | 68.0                                 | 3.6                 | 71.7         |
| <b>Total</b>                                 | <b>144.2</b>                         | <b>2.9</b>          | <b>147.1</b> | <b>246.7</b>                         | <b>5.0</b>          | <b>251.7</b> |

**A** = Accounting principles  
**I** = Critical accounting estimates

Non-current aircraft maintenance provisions are expected to be used by 2035. Maintenance provisions of 90.8 million euros were reclassified against the acquisition cost of purchased, formerly leased aircraft.

In balance sheet, the non-current provisions and other liabilities 125.9 million euro (186.4) includes, in addition to provisions, other non-current liabilities 6.9 million euro (6.3), which mainly consist of received lease deposits.

1.3.7 Items affecting comparability

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

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

| EUR mill.                               | 2023<br>Reported | Items<br>affecting<br>compara-<br>bility | Comparable     | 2022<br>Reported | Items<br>affecting<br>compara-<br>bility | Comparable     |
|-----------------------------------------|------------------|------------------------------------------|----------------|------------------|------------------------------------------|----------------|
| <b>Revenue</b>                          | <b>2,988.5</b>   | -                                        | <b>2,988.5</b> | <b>2,356.6</b>   | -                                        | <b>2,356.6</b> |
| Other operating income                  | 130.5            | -13.5                                    | 117.0          | 153.5            | -6.8                                     | 146.7          |
| <b>Operating expenses</b>               |                  |                                          |                |                  |                                          |                |
| Staff and other crew related costs      | -498.1           | -                                        | -498.1         | -449.6           | 2.5                                      | -447.1         |
| Fuel costs                              | -898.9           | -0.7                                     | -899.6         | -835.1           | -0.9                                     | -836.0         |
| Capacity rents                          | -107.2           | -                                        | -107.2         | -102.5           | -                                        | -102.5         |
| Aircraft materials and overhaul         | -200.1           | -7.1                                     | -207.2         | -192.4           | 8.8                                      | -183.6         |
| Traffic charges                         | -233.8           | -                                        | -233.8         | -206.5           | -                                        | -206.5         |
| Sales, marketing and distribution costs | -117.1           | -                                        | -117.1         | -103.1           | -                                        | -103.1         |
| Passenger and handling services         | -414.1           | -                                        | -414.1         | -348.0           | -                                        | -348.0         |
| Property, IT and other expenses         | -112.1           | 0.1                                      | -111.9         | -123.7           | 0.4                                      | -123.3         |
| <b>EBITDA</b>                           | <b>-</b>         | <b>-</b>                                 | <b>516.5</b>   | <b>-</b>         | <b>-</b>                                 | <b>153.2</b>   |
| Depreciation and impairment             | -346.2           | 13.7                                     | -332.6         | -349.8           | 32.7                                     | -317.1         |
| <b>Operating result</b>                 | <b>191.4</b>     | <b>-7.5</b>                              | <b>184.0</b>   | <b>-200.6</b>    | <b>36.6</b>                              | <b>-163.9</b>  |

Items affecting comparability include gain of 7.1 million euros on the unrealized exchange rate difference of aircraft maintenance provisions, gain of 13.5 million euros mainly comprising of the purchase of nine leased aircraft and an impairment of 13.7 million euros related to lease agreements for an aircraft maintenance hangar and its land area situated in the Helsinki airport area.



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1.3.8 Employee benefits

1.3.8.1 Employee benefit expenses and share-based payments

**A Share-based payments**

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

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

**Termination benefits**

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

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

**Staff and other crew related costs**

| EUR mill.                                 | 2023         | 2022         |
|-------------------------------------------|--------------|--------------|
| Wages and salaries                        | 348.6        | 297.3        |
| Defined contribution schemes              | 61.7         | 55.4         |
| Defined benefit schemes                   | 8.3          | 11.4         |
| Pension expenses total                    | 70.0         | 66.8         |
| Other social expenses                     | 16.3         | 31.6         |
| <b>Salaries, pension and social costs</b> | <b>435.0</b> | <b>395.7</b> |
| Operative staff related costs             | 30.5         | 27.6         |
| Leased and outsourced crew                | 26.0         | 19.0         |
| Other personnel related costs             | 6.5          | 7.3          |
| <b>Total</b>                              | <b>498.1</b> | <b>449.6</b> |

At Finnair, the total salary of personnel consists of fixed pay, allowances, short- and long-term incentives, fringe benefits and other personnel benefits.

In the long-term Rebuild incentive plan for 1 July 2020 – 30 June 2023, employee could earn a cash reward equaling to 1–2 month base salary, when the targets set by the Board of Directors are met or exceeded. The performance criteria were the same as those of the Rebuild incentive plan established for the Executive Board, which is described in the section Share-based payments of this note. The program is available to those employee groups which have agreed to actions related to staff cost savings.

A new long-term incentive plan (Staff Incentive Plan) for 2023–2025 was commenced for the personnel, which was prepared as part of the cost-saving program in 2022. The incentive plan returns half of the one year's

**A** = Accounting principles

permanent savings made by the personnel group, if the goal of the incentive plan set by Finnair's board of Directors is met.

The total amount of the short-term and above-mentioned long-term incentives excluding social security costs recognised for 2023 were 19.1 million euro (10.0). Staff and other crew related costs include one-off personnel related restructuring costs of 2.5 million euro in the comparison period, during the reporting period these costs did not exist.

**Profit-sharing Plan (Personnel fund)**

Finnair has a profit-sharing plan in which a share of Finnair's profits is allocated to the personnel. The share of profit is determined on the basis of targets set by the Board of Directors. All Finnair employees are eligible for the profit-sharing plan, excluding the CEO, other members of the Executive Board and the participants of the performance share plan. The targets for the profit-sharing plan in years 2021–2023 were not set.

**Liabilities related to employee benefits**

| EUR mill.                                       | 2023         | 2022         |
|-------------------------------------------------|--------------|--------------|
| Holiday payments                                | 72.4         | 66.8         |
| Other employee related accrued expenses         | 44.1         | 44.4         |
| <b>Liabilities related to employee benefits</b> | <b>116.5</b> | <b>111.2</b> |

Other employee related accrued expenses mainly include withholding tax and accrued expenses related to social security costs and remunerations. Other non-current liabilities include the long-term Staff incentive plan of 1.5 million euro, there were no long-term liabilities in the comparison period. In addition, restructuring provisions related to termination benefits (see note 1.3.6 Provisions) amounted to 0.2 million euro (2.3).

**Management remuneration**

The President and CEO and Executive Board remuneration

|                                               | President<br>and CEO | Executive    |              | President<br>and CEO | Executive    |              |
|-----------------------------------------------|----------------------|--------------|--------------|----------------------|--------------|--------------|
| Thousand euros                                | Topi Manner          | Board        | Total 2023   | Topi Manner          | Board        | Total 2022   |
| Fixed pay                                     | 771                  | 2,050        | 2,820        | 734                  | 1,712        | 2,446        |
| Short-term incentives                         | 372                  | 1,057        | 1,428        | -                    | -            | -            |
| Fringe benefits                               | 19                   | 92           | 111          | 20                   | 105          | 125          |
| Share-based payments                          | 756                  | 1,651        | 2,407        | 287                  | 789          | 1,076        |
| Pensions (statutory)*                         | 189                  | 519          | 708          | 124                  | 298          | 421          |
| Pensions (voluntary,<br>defined contribution) | -                    | 32           | 32           | -                    | 20           | 20           |
| <b>Total</b>                                  | <b>2,106</b>         | <b>5,401</b> | <b>7,507</b> | <b>1,165</b>         | <b>2,923</b> | <b>4,088</b> |

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

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

In conjunction with the rights offering in 2020, the EU commission set restrictions to CEO and Executive Board remuneration covering years 2020-2022. The restrictions cover variable compensation payouts and any changes to fixed compensation during the years 2020-2022. As a result, the Board of Directors decided to cancel the 2018-2020, 2019-2021 and 2020-2022 LTI plans as well as the 2020-2022 STI plan for the CEO and



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Executive Board. A new share-based long-term Rebuild incentive program was established for the CEO and Executive Board for the period 7/2020-6/2023.

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

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

Remuneration paid to Board of Directors

| Compensation paid<br>for board service, EUR             | Total 2023 | Fixed<br>remuneration | Meeting<br>compensation | Fringe<br>benefits | Total 2022 |
|---------------------------------------------------------|------------|-----------------------|-------------------------|--------------------|------------|
| Board of Directors                                      | 445,830    | 282,300               | 156,600                 | 6,930              | 416,222    |
| Alahuhta-Kasko Tiina                                    | 45,300     | 30,300                | 15,000                  | -                  |            |
| Brewer Montie                                           | 56,834     | 32,700                | 22,800                  | 1,334              |            |
| Erlund Jukka                                            | 47,100     | 32,700                | 12,000                  | 2,400              |            |
| Jakosuo-Jansson Hannele                                 | 50,896     | 32,700                | 15,000                  | 3,196              |            |
| Karvinen Jouko, until 23<br>March 2023                  | 21,150     | 15,750                | 5,400                   | -                  |            |
| Kjellberg Henrik                                        | 53,100     | 30,300                | 22,800                  | -                  |            |
| Large Simon                                             | 53,100     | 30,300                | 22,800                  | -                  |            |
| Pajumaa Minna, from 24<br>March 2023 onwards            | 34,725     | 22,725                | 12,000                  | -                  |            |
| Strandberg Maija, until 23<br>March 2023                | 11,175     | 7,575                 | 3,600                   | -                  |            |
| Suvanto-Harsaae Sanna,<br>from 24 March 2023<br>onwards | 72,450     | 47,250                | 25,200                  | -                  |            |

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

Share-based payments

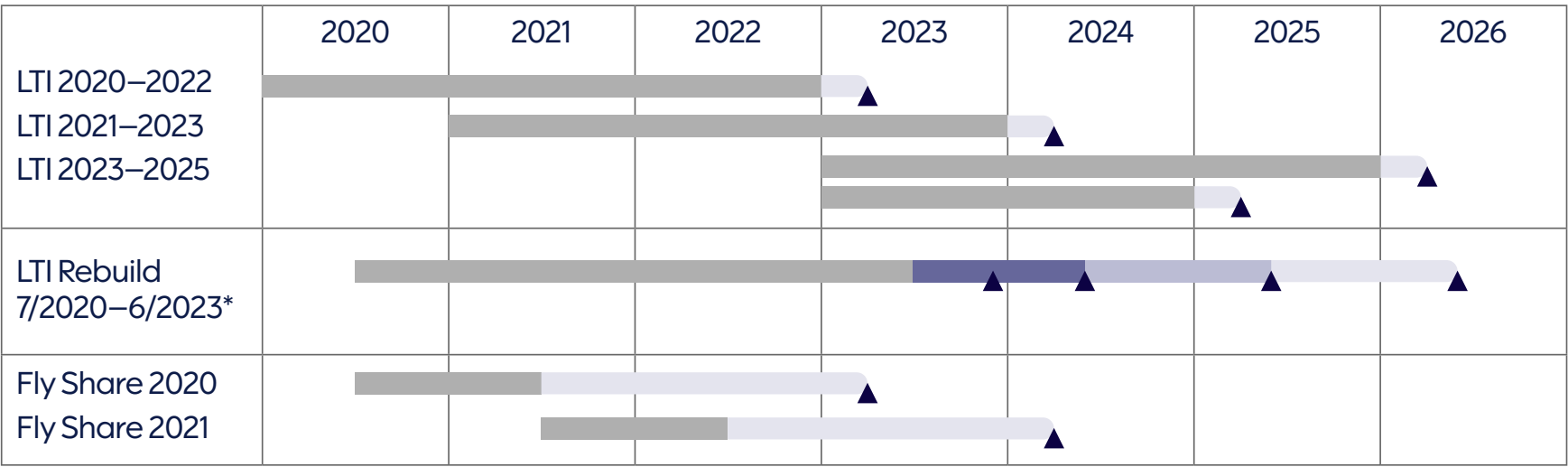
This note provides description and information on effects of the Group's share-based incentive schemes. More information on share-based personnel bonus schemes can be found in Remuneration report.

Performance share plan (LTI)

Finnair's share-based incentive plan is a performance-based, annually commencing long-term incentive (LTI) arrangement, and the commencement of each new plan is subject to a separate decision made by Finnair's Board of Directors. The purpose of these plans is to encourage the management to work to increase long-term shareholder value. The Finnish Government's guidance regarding the remuneration of executive management and key individuals have been taken into consideration when designing the plans.

All ongoing LTI plans include three years earning period. The potential reward will be delivered in Finnair shares. The shares are delivered to the participants during the year following the performance period, except for the Rebuild incentive where the performance period ended in June 2023 and the share of year 2023 reward was delivered at the end of the same year.

Finnair share-based payment plans



■ Earnings / savings period    ■ Lock-up period    ▲ Share delivery

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

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

The target levels and maximum levels set for the criteria are based on the long-term strategic objectives set by the company's Board of Directors. Criteria are monitored against the performance on a quarterly basis. The performance criteria of the plan for 2020-2022 were not reached. In the comparison period, the performance criteria applied to the 2019-2021 plan was met at 54% level while the target was at 100% and the maximum earning level at 200%.

The expense recognised for 2023 amounted to 3.8 million euros (0.9). The amount expected to be transferred to the tax authority to settle the employee's tax obligation is 3.4 million euros (3.0). The cost related to share-based payments is recognised in staff and other crew related costs and unrestricted equity funds, except the cash-settled portion of the Rebuild incentive plan in liabilities related to employee benefits.

Rebuild incentive plan 7/2020-6/2023

In 2020, a new share-based Rebuild incentive plan for CEO and Executive Board was launched. The program contains a three-year performance period (7/2020-6/2023) and it is designed to contain only this one plan. The potential share rewards will be delivered to the participants in a pre-determined proportion of shares and cash after the end of the performance period and the rewards are at the participants' free disposal after delivery.

If the combined value of incentive rewards in 2023 exceeds 120% of executive's annual salary, the exceeding part is deferred to coming years so that the combined incentive payout in any year does not exceed 120% of the annual base salary. The total expense for the plan is recognised over the vesting period between the grant date and each tranche of share deliveries. The grant date is at the beginning of performance period and the compensation is measured in shares.

The payout opportunity of the Rebuild plan was defined in the beginning of each plan in relation to the participants annual base salary. If the performance criteria set for the plan would have been met at the target level, the incentive paid in Finnair shares to the President and CEO or other member of the Executive Board participating in the plans would have been a total of 180% of the participant's annual base salary. If the performance criteria set for the plan would have been at the maximum level, the incentive paid in Finnair shares will be a total of 360% of the participant's annual base salary. The performance criteria of the plan were met at 69.5% of the maximum level.

The amount corresponding to tax payable at the time of payment was first deducted from the gross reward defined as shares. The net reward was delivered in a combination of cash and shares in a proportion decided by the Board of Directors. As a result of the rights issue in 2023 prior to the share delivery, the share allocation for



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the Rebuild plan was adjusted in accordance with the decision of the Board of Directors in order for the earning opportunities to retain their value.

The performance criteria were set for the whole 3-year period as well as for three 12-month mid-term periods:

- 7/2020–6/2021: comparable EBITDA (40% weight), gearing (40% weight), lost-time injury frequency (10% weight) and CO<sub>2</sub> emissions measured through fuel efficiency (10% weight),
- 7/2021–6/2022: comparable EBIT (60% weight), revenue (20% weight), employee retention (10% weight) and CO<sub>2</sub> emissions measured through fuel efficiency (10% weight) as well as
- 7/2022–6/2023: comparable EBITDA (40% weight), net promoter score (NPS, 40% weight), lost-time injury frequency (10% weight) and employee retention (10% weight).

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

**Other long-term incentive plans**

There are two long-term incentive plans ongoing (2021–2023 and 2023–2025 with two performance periods 2023–2024 and 2023–2025). In 2022, no new long-term incentive plan was launched due to continuous business environment changes caused by the war in Ukraine.

The annually commencing performance share plans retain the three-year performance period, the exception is the two-year performance period of the 2023-2025 plan. The potential share rewards will be delivered to the participants in one tranche after the performance period and they are at the participants' free disposal after delivery.

The pay-out opportunity is defined as a fixed share amount in the beginning of each plan in relation to the participants annual base salary. Therefore, changes in the share price during the performance period impacts the value of the pay-out opportunity. If the performance criteria set for the plan are met at the target level, the incentive paid in Finnair shares to the President and CEO or other member of the Executive Board participating in the plans will be 20% of the participant's annual base salary. If the performance criteria set for the plan are met at the maximum level, the incentive paid in Finnair shares will be 60% of the participant's annual base salary. The maximum level for incentives for other key personnel is 20–50% of the person's annual base salary. As a result of the rights issue in 2023, the share allocations for the ongoing 2021–2023 and 2023–2025 plans were adjusted 6.32-fold in order for the earning opportunities to retain their value.

The maximum combined value of all variable compensation (including both short- and long-term incentives) paid to an individual participant in any given calendar year may not exceed 120% of the participant's annual gross base salary. The amounts of shares paid are stated before tax. The number of shares delivered will be deducted by an amount corresponding to the income tax payable for the incentive at the time of payment. In conjunction with the rights offering in 2020, according to the restrictions set by EU commission, the Board of Directors decided to cancel the 2018–2020, 2019–2021 and 2020–2022 LTI plans for the CEO and Executive Board.

The performance criteria applied to the plans are:

- 2020–2022 plan: earnings per share (EPS, 50% weight) and unit cost with constant currencies and fuel price (CASK, 50% weight),
- 2021–2023 plan: earnings per share (EPS, 45% weight), unit cost with constant currencies and fuel price (CASK, 45% weight) and fuel efficiency (10% weight) as well as
- 2023–2025 plan: operating result.

The total expense for the plans is recognised over the vesting period, which is three years. The grant date is at the beginning of performance period and the compensation is measured in shares.

|                                                                         | 2020–2022  | Rebuild<br>2020–2023 | 2021–2023   | 2023–2025   | Total |
|-------------------------------------------------------------------------|------------|----------------------|-------------|-------------|-------|
| Grant date                                                              | 7 Feb 2020 | 9 Oct 2020           | 26 Jan 2021 | 23 Jan 2023 |       |
| Grant price, euros*                                                     | 0.1759     | 0.0663               | 0.1049      | 0.0856      |       |
| Number of persons at the end of the reporting year                      | -          | 6                    | 52          | 66          |       |
| Expenses recognised for the financial year, LTI's total (million euros) | -          | 1.8                  | -           | 2.0         | 3.8   |
| of which share-settled (net of taxes)                                   | -          | 0.8                  | -           | 2.0         | 2.9   |
| of which cash-settled                                                   | -          | 0.9                  | -           | -           | 0.9   |
| Liability related to LTI's total                                        | -          | 0.5                  | -           | -           | 0.5   |
| Shares granted, million shares                                          | -          | 66.5                 | 38.5        | 96.6        | 201.6 |

\* Grant price in the plan 2020-2022 has been adjusted by the bonus elements included in the rights issues in 2020 and 2023, and the other plans have been adjusted by a bonus element included in the rights issue in 2023.

\*\* As a result of the rights issue in 2023, the share allocations for the 2020–2023 Rebuild, 2021–2023 and 2023–2025 plans were adjusted based on the decision of the Board of Directors in order for the earning opportunities to retain their value. The 2020–2022 and 2021–2023 plans were cancelled for the CEO and Executive Board.

**FlyShare employee share savings plan**

The saving period of the last plan of the share savings plans offered for Finnair's employees is ongoing. In 2022, Finnair's Board of Directors decided to terminate commencing the new FlyShare programs as a part of savings program.

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

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

The expense recognised for FlyShare employee share saving plans in 2023 amounted to 0.7 million euros (0.9). The amount expected to be transferred to the tax authority to settle the employee's tax obligation is 0.3 million euros (0.9). The cost related to employee share saving plans is recognised in staff and other crew related costs and unrestricted equity funds.



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1.3.8.2 Pensions

**A** Defined benefit and defined contribution plans

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

**I** Pension obligations

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

Description of pension plans at Finnair

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

Other supplementary pension cover of the Group's domestic companies has been arranged mainly in the Finnair Pension Fund, in which the pension schemes are defined benefit plans. These pension plans cover old age supplementary pensions and disability pensions exceeding the pension cover under the Employment Pensions Act. The survivors' pensions under the supplementary pension cover applies on a limited basis to pensioners who have retired on 1 January 2005 at the latest, as well as to recipients of benefits previously in accordance with Finnair Plc's survivor's pension rules who transferred to the pension fund on 31 December 2015. The Pension Fund's old age pension scheme has been closed to other employees since 1 February 1992 and to pilots since 1 January 2010. Pilots recruited between 1 January 2010 to 31 May 2021, have only been covered by the limited occupational disability pension scheme if they are not switched to another work offered by the employer. The pension fund as a whole has been closed on 31 May 2021.

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

**A** = Accounting principles  
**I** = Critical accounting estimates

Exposure to most significant risks

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

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

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

Defined benefit pension plans

| EUR mill.                                                          | 2023         | 2022         |
|--------------------------------------------------------------------|--------------|--------------|
| <b>Items recognised in the income statement</b>                    |              |              |
| Current service costs                                              | 3.8          | 6.2          |
| Past service cost                                                  | 4.4          | 5.3          |
| Settlements and curtailments                                       | -            | -0.1         |
| <b>Service cost total, recognised in staff costs</b>               | <b>8.3</b>   | <b>11.4</b>  |
| Net interest expenses and foreign exchange differences             | -4.4         | -0.6         |
| <b>Total included in the income statement</b>                      | <b>3.8</b>   | <b>10.8</b>  |
| <b>Amounts recognised through other comprehensive income</b>       |              |              |
| Experience adjustment on plan obligation                           | -5.7         | 1.5          |
| Changes in financial actuarial assumptions                         | 15.2         | -86.4        |
| Net return on plan assets                                          | -21.1        | 34.9         |
| <b>Amounts recognised through other comprehensive income total</b> | <b>-11.6</b> | <b>-49.9</b> |
| <b>Number of persons involved, pension fund</b>                    |              |              |
|                                                                    | 3,893        | 4,258        |
| <b>Number of persons involved, other defined benefit plans</b>     |              |              |
|                                                                    | 51           | 53           |

Items recognised in the balance sheet

| EUR mill.                                                                | 2023           |                     | 2022           |                     |
|--------------------------------------------------------------------------|----------------|---------------------|----------------|---------------------|
|                                                                          | Pension assets | Pension obligations | Pension assets | Pension obligations |
| Present value of funded obligations                                      | -260.6         | -5.9                | -263.2         | -1.1                |
| Fair value of plan assets                                                | 388.5          | 5.1                 | 383.3          | 0.5                 |
| <b>Pension assets (+) / pension obligations (-) in the balance sheet</b> | <b>128.0</b>   | <b>-0.8</b>         | <b>120.0</b>   | <b>-0.7</b>         |

Pension assets 128.0 million euro (120.0) includes 127.9 million euro (119.7) related to defined benefit plans insured through the pension fund and 0.1 million euro (0.4) related to other defined benefit plans. Pension obligations includes 0.8 million euro (0.7) related to other defined benefit plans. The change during 2023 mainly is due to change in discounting rate to 3.01% (3.69%), net return on plan assets and experience adjustments.



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**Changes in pension obligations**

| EUR mill.                                          | 2023         | 2022         |
|----------------------------------------------------|--------------|--------------|
| Fair value of pension obligations at 1 January     | 264.4        | 361.2        |
| Current service costs                              | 3.3          | 5.7          |
| Past service cost                                  | 4.4          | 5.3          |
| Settlements and curtailments                       | -            | -0.5         |
| Interest expenses and foreign exchange differences | 9.4          | 2.3          |
| <b>Expense recognised in income statement</b>      | <b>17.2</b>  | <b>12.8</b>  |
| Changes in actuarial assumptions                   | 15.2         | -86.4        |
| Experience adjustment on plan obligation           | -5.7         | 1.5          |
| <b>Remeasurements recognised through OCI</b>       | <b>9.5</b>   | <b>-84.9</b> |
| Benefits paid                                      | -24.6        | -24.8        |
| <b>Net present value of pension obligations</b>    | <b>266.5</b> | <b>264.4</b> |

**Changes in plan assets**

| EUR mill.                                        | 2023         | 2022         |
|--------------------------------------------------|--------------|--------------|
| Fair value of plan assets at 1 January           | 383.7        | 441.4        |
| Administration expenses                          | -0.5         | -0.5         |
| Settlements and curtailments                     | -            | -0.4         |
| Interest income and foreign exchange differences | 13.8         | 2.9          |
| <b>Items recognised through profit and loss</b>  | <b>13.3</b>  | <b>2.0</b>   |
| Acturial gain (loss) on plan assets              | 21.1         | -34.9        |
| <b>Items recognised through OCI</b>              | <b>21.1</b>  | <b>-34.9</b> |
| Contributions paid                               | 0.1          | 0.0          |
| Benefits paid                                    | -24.6        | -24.8        |
| <b>Fair value of plan assets at 31 December</b>  | <b>393.7</b> | <b>383.7</b> |

**Plan assets are comprised as follows**

| %                | 2023         | 2022         |
|------------------|--------------|--------------|
| Listed shares    | 14.8         | 12.2         |
| Debt instruments | 56.7         | 59.7         |
| Property         | 25.2         | 24.2         |
| Other            | 3.3          | 3.9          |
| <b>Total</b>     | <b>100.0</b> | <b>100.0</b> |

Plan assets of the pension fund include Finnair Plc shares with a fair value of 0.9 million euros (0.6) and buildings used by the Group with a fair value of 22.0 million euros (13.0).

**Defined benefit plans: principal actuarial assumptions**

| %                                        | 2023   | 2022   |
|------------------------------------------|--------|--------|
| Discount rate %                          | 3.01 % | 3.69 % |
| Annual rate of future salary increases % | 0.90 % | 0.60 % |
| Future pension increases %               | 0.00 % | 0.00 % |
| Estimated remaining years of service     | 8      | 8      |

**Sensitivity analysis**

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

**Sensitivity analysis on principal actuarial assumptions**

| Actuarial assumption                     | Change in assumption | Impact when increase in assumption, EUR mill. | %     | Impact when decrease in assumption, EUR mill. | %     |
|------------------------------------------|----------------------|-----------------------------------------------|-------|-----------------------------------------------|-------|
| Discount rate %                          | 0.25%                | -5.2                                          | -2.0% | 5.4                                           | 2.1%  |
| Annual rate of future salary increases % | 0.25%                | 1.3                                           | 0.5%  | -1.3                                          | -0.5% |
| Life expectancy at birth                 | 1 year               | 5.6                                           | 2.1%  | -                                             | -     |

According to Finnish legislation, the pension fund needs to be fully funded. Finnair does not expect to pay contributions to the pension fund in 2024. The duration of defined benefit obligation is 8 years. The duration is calculated by using a discount rate of 3.01%.



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## 2 Fleet and other fixed assets and leasing arrangements

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

The assets owned and leased by Finnair consist mostly of aircraft operated by Finnair and Norra. In 2023, the number of owned aircraft was 46 (37) and leased aircraft 33 (43). During the financial year, Finnair purchased two A320 and seven A321 aircraft that it had been leasing in. All aircraft were in operative use as at the balance sheet date.

### Fleet



### Fleet in Finnair balance sheet

| EUR mill.                                                       | 2023           | 2022           | Change     |
|-----------------------------------------------------------------|----------------|----------------|------------|
| Advances paid for aircraft                                      | 95.8           | 111.2          | -15.4      |
| Owned aircraft                                                  | 957.2          | 783.6          | 173.6      |
| Right-of-use fleet                                              | 775.0          | 932.9          | -157.9     |
| <b>Fleet total</b>                                              | <b>1,828.0</b> | <b>1,827.6</b> | <b>0.4</b> |
| Fleet lease liabilities                                         | 940.3          | 1,164.4        | -224.1     |
| <b>Depreciation and impairment from fleet during the period</b> |                |                |            |
| Depreciation for the period of owned aircraft                   | -139.5         | -120.9         | -18.6      |
| Depreciation for the period of right-of-use fleet               | -156.9         | -156.0         | -0.9       |
| Impairment for the period related to owned aircraft             | -              | -32.7          | 32.7       |

**i** = Content of the section  
**A** = Accounting principles

## 2.1 Fleet and other fixed assets

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

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

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

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

### Useful life and residual value

Depreciation of fleet and other fixed assets is based on the following expected economic lifetimes:

• New aircraft and engines (fleet) as well as flight simulators (other equipment) on a straight-line basis as follows:

- Airbus A350 fleet, over 20 years to a residual value of 10%
- Airbus A320 and Embraer fleet, over 20 years to a residual value of 10%
- Airbus A330 fleet, over 18 years to a residual value of 10%
- Turboprop aircraft (ATR fleet), over 20 years to a residual value of 10%

- Heavy maintenance, C-checks, APU and landing gear restorations and thrust reversers of aircraft frame, as well as performance maintenance and life limited parts of the engines, on a straight-line basis during the maintenance period
- Cabin components, over 7–20 years
- Rotable spare parts and components, over 15 years to a residual value of 0%
- Buildings, over 10–50 years from the time of acquisition to a residual value of 10%
- Other tangible assets, over 3–15 years
- Computer software, over 3–8 years

The residual values and estimated useful lives of the assets are assessed at each closing date and if they differ significantly from previous estimates, the depreciation periods and residual values are changed accordingly.

### Assets held for sale

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



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**Fleet 2023**

| EUR mill.                                                  | Aircraft        | Advances    | Total           |
|------------------------------------------------------------|-----------------|-------------|-----------------|
| Acquisition cost 1 Jan 2023                                | 1,828.1         | 111.2       | 1,939.3         |
| Additions                                                  | 348.0           | 49.6        | 397.7           |
| Disposals                                                  | -44.6           | -           | -44.6           |
| Currency hedging of aircraft acquisitions                  | -               | -10.2       | -10.2           |
| Reclassifications                                          | -34.7           | -54.8       | -89.5           |
| <b>Acquisition cost 31 Dec 2023</b>                        | <b>2,096.8</b>  | <b>95.8</b> | <b>2,192.7</b>  |
| Accumulated depreciation and impairment 1 Jan 2023         | -1,044.5        | -           | -1,044.5        |
| Disposals                                                  | 44.3            | -           | 44.3            |
| Depreciation for the financial year                        | -139.5          | -           | -139.5          |
| <b>Accumulated depreciation and impairment 31 Dec 2023</b> | <b>-1,139.7</b> | <b>-</b>    | <b>-1,139.7</b> |
| <b>Book value 31 Dec 2023</b>                              | <b>957.2</b>    | <b>95.8</b> | <b>1,053.0</b>  |

Additions to fleet in 2023 relate mainly to purchase of two A320 and seven A321 aircrafts that were previously leased by Finnair, cabin refurbishment of the wide-body aircraft, and investments in aircraft maintenance. Currency hedging of aircraft acquisitions is described in the notes 3.5 Management of financial risks and 3.8 Derivatives.

**Fleet 2022**

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

**Other fixed assets 2023**

| EUR mill.                                                  | Aircraft<br>rotatable<br>parts | Buildings<br>and land | Other<br>equipment | Intangible<br>assets | Advances   | Total         |
|------------------------------------------------------------|--------------------------------|-----------------------|--------------------|----------------------|------------|---------------|
| Acquisition cost 1 Jan 2023                                | 35.3                           | 74.5                  | 122.5              | 40.7                 | 0.4        | 273.4         |
| Additions                                                  | 3.6                            | -                     | 2.5                | 0.3                  | 0.8        | 7.3           |
| Disposals                                                  | -1.7                           | -                     | -0.6               | -9.0                 | -          | -11.3         |
| Reclassifications                                          | -                              | -                     | 0.1                | 0.1                  | -0.1       | 0,0           |
| <b>Acquisition cost 31 Dec 2023</b>                        | <b>37.2</b>                    | <b>74.5</b>           | <b>124.5</b>       | <b>32.0</b>          | <b>1.0</b> | <b>269.3</b>  |
| Accumulated depreciation and impairment 1 Jan 2023         | -22.3                          | -12.7                 | -50.5              | -37.7                | -          | -123.3        |
| Disposals                                                  | 1.4                            | -                     | 0.6                | 9.0                  | -          | 11.0          |
| Depreciation for the financial year                        | -3.1                           | -1.8                  | -9.4               | -1.0                 | -          | -15.3         |
| <b>Accumulated depreciation and impairment 31 Dec 2023</b> | <b>-24.1</b>                   | <b>-14.5</b>          | <b>-59.3</b>       | <b>-29.7</b>         | <b>-</b>   | <b>-127.5</b> |
| <b>Book value 31 Dec 2023</b>                              | <b>13.2</b>                    | <b>60.1</b>           | <b>65.2</b>        | <b>2.3</b>           | <b>1.0</b> | <b>141.8</b>  |

In addition to the aircraft rotatable parts included in the other fixed assets, Finnair's inventories include non-rotatable aircraft parts amounting to 26.7 million euro (24.4).

**Other fixed assets 2022**

| EUR mill.                                                  | Aircraft<br>rotatable<br>parts | Buildings<br>and land | Other<br>equipment | Intangible<br>assets | Advances   | Total         |
|------------------------------------------------------------|--------------------------------|-----------------------|--------------------|----------------------|------------|---------------|
| Acquisition cost 1 Jan 2022                                | 34.2                           | 74.5                  | 119.5              | 47.8                 | 0.8        | 276.7         |
| Additions                                                  | 2.3                            | -                     | 4.4                | 0.2                  | 0.4        | 7.2           |
| Disposals                                                  | -1.1                           | -                     | -1.4               | -7.9                 | -          | -10.5         |
| Reclassifications                                          | -                              | -                     | 0.1                | 0.6                  | -0.8       | -             |
| Transfers to/from assets held for sale                     | -                              | -                     | 0.1                | -                    | -          | 0,0           |
| <b>Acquisition cost 31 Dec 2022</b>                        | <b>35.3</b>                    | <b>74.5</b>           | <b>122.5</b>       | <b>40.7</b>          | <b>0.4</b> | <b>273.4</b>  |
| Accumulated depreciation and impairment 1 Jan 2022         | -19.2                          | -10.8                 | -41.9              | -42.5                | -          | -114.4        |
| Disposals                                                  | 1.0                            | -                     | 0.9                | 7.9                  | -          | 9.8           |
| Transfer to/from assets held for sale                      | 0.3                            | -                     | -                  | -                    | -          | 0.3           |
| Depreciation for the financial year                        | -4.5                           | -1.8                  | -9.5               | -3.1                 | -          | -18.9         |
| <b>Accumulated depreciation and impairment 31 Dec 2022</b> | <b>-22.3</b>                   | <b>-12.7</b>          | <b>-50.5</b>       | <b>-37.7</b>         | <b>-</b>   | <b>-123.3</b> |
| <b>Book value 31 Dec 2022</b>                              | <b>12.9</b>                    | <b>61.8</b>           | <b>72.0</b>        | <b>3.0</b>           | <b>0.4</b> | <b>150.1</b>  |



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Capitalised borrowing costs

|                   | Aircraft |      | Advances |      | Total |      |
|-------------------|----------|------|----------|------|-------|------|
| EUR mill.         | 2023     | 2022 | 2023     | 2022 | 2023  | 2022 |
| Book value 1 Jan  | 8.3      | 8.8  | 4.5      | 2.7  | 12.8  | 11.5 |
| Additions         | -        | -    | 2.9      | 1.8  | 2.9   | 1.8  |
| Depreciation      | -0.5     | -0.5 | -        | -    | -0.5  | -0.5 |
|                   |          |      |          |      |       |      |
| Book value 31 Dec | 7.8      | 8.3  | 7.4      | 4.5  | 15.3  | 12.8 |

In 2023 borrowing costs of 2.9 million euro (1.8) were capitalised in tangible assets related to the Airbus A350 investment program. Finnair uses the effective interest rate to calculate the capitalised borrowing costs, that represents the costs of the loans used to finance the investment. The average yearly interest rate in 2023 was 5.1% (4.2%). The general borrowings used to fund the acquisition of capital assets are included in the calculation of the capitalisation rate.

Assets and liabilities held for sale

Finnair had no assets classified as held for sale at the end of the financial year 2023.

Pledged assets and other restrictions on fixed assets

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

Investment commitments

Investment commitments as at the end of the year totalled 313.7 million euro (366.1) and it includes firm aircraft orders, other aircraft related investments as well as committed maintenance investments. Out of the total investment commitments 175.6 million euro is expected to take place within the next 12 months and 138.1 million euro during the following 1-5 years. The amount of the total commitments fluctuates between the order and the delivery date of the aircraft mainly due to EUR/USD exchange rate changes and escalation clauses included in airline purchase agreements. The exact amount of the commitments in relation to each aircraft is only known at the time of the delivery.

2.2 Leasing arrangements

**A** The Group as lessee

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

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

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

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

**A** = Accounting principles

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

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

The right-of-use asset is measured at cost, comprising

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

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

The maintenance costs can be divided into two main groups:

- 1) costs that are incurred independent of the usage of the aircraft / leasing period and
- 2) costs that are incurred dependent on the usage of the aircraft / leasing period

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

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

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

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

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

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

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

**The Group as lessor**

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

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

Finnair subleases aircraft and buildings as well as ground equipment from time to time, which are classified either as finance leases or operating leases based on the individual contract terms. A lease is classified on its commencement



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date and is reassessed only if the lease is amended. At the commencement date, for the subleases, a net investment (lease receivable), equaling to the present value of lease payments and the present value of the unguaranteed residual value, is recognised. The proportion of the right-of-use asset subleased is derecognised from the balance sheet and the difference between the right-of-use asset and the net investment is recognised in the profit or loss, in other operating income and expenses. Subsequently, the lease payments received are accounted for as repayments of the lease receivable and as interest income.

**Sale and leaseback**

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

****I** Leasing arrangements**

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

The carrying value of the right-of-use assets are tested for impairment as part of cash generating unit at the balance sheet date. More details is presented in the note 2.3. **I**

**Right-of-use assets 2023**

| EUR mill.                           | Aircraft     | Buildings<br>and land | Other<br>equipment | Total        |
|-------------------------------------|--------------|-----------------------|--------------------|--------------|
| Book value 1 Jan 2023               | 932.9        | 114                   | 31.4               | 1,078.20     |
| New contracts                       | 0.2          | 18.6                  | 5.5                | 24.3         |
| Reassessments and modifications     | 45.0         | 9.0                   | -3.5               | 50.5         |
| Disposals                           | -46.2        | -                     | -                  | -46.2        |
| Depreciation for the financial year | -156.9       | -13.1                 | -7.7               | -177.8       |
| Impairment                          | -            | -13.7                 | -                  | -13.7        |
| <b>Book value 31 Dec 2023</b>       | <b>775.0</b> | <b>114.8</b>          | <b>25.6</b>        | <b>915.3</b> |

Reassessments and modifications are mainly related to index changes in existing lease contracts and changes of office and parking space contracts. Disposals are related to purchase of two leased A320 and seven leased A321 aircraft, for which the leasing contracts were terminated in connection with the acquisition.

**Right-of-use assets 2022**

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

**A** = Accounting principles  
**I** = Critical accounting estimates

**Lease liabilities**

| EUR mill.          | Aircraft     |                | Buildings and land |              | Other equipment |             |
|--------------------|--------------|----------------|--------------------|--------------|-----------------|-------------|
|                    | 2023         | 2022           | 2023               | 2022         | 2023            | 2022        |
| less than one year | 143.2        | 183.0          | 14.8               | 12.2         | 6.0             | 7.4         |
| 1–5 years          | 464.8        | 605.5          | 51.5               | 41.1         | 20.5            | 22.3        |
| more than 5 years  | 332.3        | 375.9          | 81.9               | 80.8         | 0.0             | 2.5         |
| <b>Total</b>       | <b>940.3</b> | <b>1,164.4</b> | <b>148.2</b>       | <b>134.1</b> | <b>26.6</b>     | <b>32.2</b> |

The Group leases aircraft, premises and other fixed assets, for which the lease liability is recorded on the balance sheet. The lease agreements have different terms of renewal and include index-linked terms and conditions. The Group was operating 33 leased aircraft at the end of the year with lease agreements of different tenors.

**Finance lease receivables, Group as lessor**

| EUR mill.           | Buildings and land |            |
|---------------------|--------------------|------------|
|                     | 2023               | 2022       |
| less than 12 months | 0.3                | 0.3        |
| 13–24 months        | 0.3                | 0.3        |
| 25–36 months        | 0.0                | 0.3        |
| 37–48 months        | 0.0                | 0.0        |
| 49–60 months        | 0.0                | 0.0        |
| more than 60 months | 0.1                | 0.1        |
| <b>Total</b>        | <b>0.8</b>         | <b>1.1</b> |

During the period the Group had finance lease receivable related to the buildings and land area located in the airport area.

**Leasing arrangements in profit and loss**

| EUR mill.                                          | 2023          | 2022          |
|----------------------------------------------------|---------------|---------------|
| Depreciation expense of right-of-use assets        | -177.8        | -177.3        |
| Interest expense on lease liabilities              | -70.7         | -80.1         |
| Interest income on sublease receivables            | 0.0           | 0.1           |
| Exchange rate changes of lease liabilities         | 37.0          | -76.1         |
| Hedging result of lease liabilities                | -4.6          | 19.1          |
| Short-term wet leases                              | -26.9         | -28.4         |
| Short-term office rents                            | -3.8          | -3.2          |
| Variable purchase traffic and cargo capacity rents | -80.3         | -74.0         |
| <b>Total</b>                                       | <b>-327.1</b> | <b>-419.9</b> |

Operating expenses include costs related to short-term and capacity based rental agreements, that are not material for the Group or do not contain a lease according to IFRS 16, and are therefore not recognised in the balance sheet. In the income statement, the short-term wet leases and variable purchase traffic and cargo capacity rents are included in capacity rents and the short-term office rents are included in property, IT and other expenses. Gains related to sale and leaseback transactions are recorded in other operating income in profit and loss. Total cash outflow relating to leases was -376.3 million euro (-376.7).



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Off-balance sheet lease commitments, Group as lessee

| EUR mill.          | Premises rents |             | Other rents |            |
|--------------------|----------------|-------------|-------------|------------|
|                    | 2023           | 2022        | 2023        | 2022       |
| less than one year | 2.6            | 2.5         | 0.9         | 1.5        |
| 1–5 years          | 4.7            | 5.5         | 0.5         | 0.9        |
| more than 5 years  | 7.0            | 6.7         | -           | -          |
| <b>Total</b>       | <b>14.3</b>    | <b>14.7</b> | <b>1.5</b>  | <b>2.4</b> |

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

Off-balance sheet lease receivables, Group as lessor

| EUR mill.           | Aircraft    |              | Buildings and land |             |
|---------------------|-------------|--------------|--------------------|-------------|
|                     | 2023        | 2022         | 2023               | 2022        |
| less than 12 months | 23.5        | 23.5         | 2.3                | 2.1         |
| 13–24 months        | 23.5        | 23.5         | 2.2                | 2.1         |
| 25–36 months        | 23.5        | 23.5         | 1.9                | 2.1         |
| 37–48 months        | 11.3        | 23.5         | 1.9                | 2.1         |
| 49–60 months        | 3.4         | 11.3         | 0.8                | 1.8         |
| more than 60 months | 0.4         | 3.8          | 0.0                | 2.5         |
| <b>Total</b>        | <b>85.6</b> | <b>109.0</b> | <b>9.1</b>         | <b>12.7</b> |

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

2.3 Depreciation and impairment

**A Depreciation**

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

| EUR mill.                                                    | 2023         | 2022         |
|--------------------------------------------------------------|--------------|--------------|
| Amortisation of intangible assets                            | 1.0          | 3.1          |
| Depreciation of own fleet                                    | 139.5        | 120.9        |
| Depreciation of right-of-use fleet                           | 156.9        | 156.0        |
| Depreciation of other tangible assets                        | 14.3         | 15.8         |
| Depreciation of other right-of-use assets                    | 20.9         | 21.3         |
| <b>Amortisation and depreciation</b>                         | <b>332.6</b> | <b>317.1</b> |
| Impairment of assets                                         | 13.7         | 32.7         |
| <b>Impairment</b>                                            | <b>13.7</b>  | <b>32.7</b>  |
| <b>Total</b>                                                 | <b>346.2</b> | <b>349.8</b> |
| <b>Total depreciation and impairment in income statement</b> | <b>346.2</b> | <b>349.8</b> |

Depreciation and impairment include both planned depreciations on fixed assets as well as impairment. The depreciation of own fleet increased mainly due to nine purchased aircrafts.

An impairment of 13.7 million euro was recorded in 2023 related to lease agreements a land area and the related building located in the airport area. The impairment was caused by low utilization of the leased property resulting from reorganization of certain operational activities in cooperation with Nordic Regional Airlines AB. At the end of the review period, the respective lease liability related to the property reported on the consolidated balance sheet totalled to 13.4 million euro.

Impairment testing

**A Impairment testing**

Finnair reviews its fleet, other fixed assets and other non-current assets for indication of impairment on each balance sheet date. The recoverable amount of an asset or a cash generating unit is determined as the higher of value in use and the fair value less cost to sell. An impairment loss is recognized if an asset's recoverable amount is less than its carrying amount.

The recoverable amount is defined for the cash generating unit, and the impairment is evaluated at the cash generating unit level. Finnair is a network carrier with highly integrated fleet operations and it considers all its fleet (including the right-of-use fleet) and other closely related assets as one cash-generating unit. Also intangible assets with indefinite useful life have been identified to belong to the one cash-generating unit. Assets that are either idle or held for sale are excluded from the cash-generating unit and reviewed for impairment separately. **A**

**A** = Accounting principles



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**1** Calculation of the recoverable amount

Finnair applies the value in use model as its primary method for determining the recoverable amount of the assets. The value in use measurement is based on a discounted cash flow model where the cash flow projections are based on Finnair's strategy approved by the Board of Directors and a management forecast covering a five-year period. The cash flow projections beyond the five-year period are based on the management's long-term growth assumptions. Preparation of the calculations used for impairment testing requires the use of significant management judgement and estimates, which is why the actual outcome may differ from the current management estimates and assumptions made. **1**

Finnair has not identified indications of possible impairment in connection with the preparation of its 2023 consolidated financial statements. As part of Finnair's internal process, in addition to the evaluation of separate impairment indicators, Finnair's management prepares an annual impairment test which indicated no need for impairment. In impairment testing, a possible change in any single key assumption would not result in an impairment.

In 2022, Finnair still considered the adverse economic and business implications relating to the COVID-19 pandemic and the closure of the Russian airspace as indications of possible impairment. Based on the impairment test performed as at the end of 2022, the recoverable amount of the CGU (2,059.2 million euros) exceeded the carrying value of the assets (1,635.0 million euros). The post-tax discount rate based on weighted average cost of capital was 8.5% and pre-tax discount rate 9.9%. In order to consider the heightened uncertainty, Finnair applied the expected cash flow approach which considered three forecast scenarios for which the management had assigned different probabilities. The impairment testing and its assumptions are described in more detail in the consolidated financial statements 2022.

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

## 3 Capital structure and financing costs

### 3.1 Financial income and expenses

**1** The notes related to financial assets, liabilities and equity have been gathered into the capital structure and financing costs-section in order to give a better overview of the Group's financial position. The note 'Earnings per share' has been added to the equity section. **1**

**A** Interest income and expenses

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

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

| EUR mill.                                                    | 2023          | 2022          |
|--------------------------------------------------------------|---------------|---------------|
| Interest income on leases                                    | 0.0           | 0.1           |
| Gains on investment instruments held at FVPL                 | 38.0          | 3.7           |
| Interest from assets held at amortised cost                  | 14.7          | 2.7           |
| Other interest income                                        | 0.0           | 0.0           |
| Other financial income                                       | 3.4           | 0.1           |
| Dividend income                                              | 0.0           | 0.0           |
| <b>Financial income total</b>                                | <b>56.2</b>   | <b>6.5</b>    |
| Interest on leases                                           | -70.7         | -80.1         |
| Other financial expenses                                     | -25.4         | -29.7         |
| Interest expenses for liabilities measured at amortised cost | -46.0         | -28.1         |
| <b>Financial expenses total</b>                              | <b>-142.2</b> | <b>-137.9</b> |
| Foreign exchange gains and losses                            | 13.7          | -38.8         |
| <b>Financial expenses, net</b>                               | <b>-72.3</b>  | <b>-170.2</b> |

In the effectiveness testing of the Group's hedge accounting, both cash flow and fair value hedging were found to be effective at year end 2023. Thus, as in the comparison year 2022, no inefficiency is included in the financial items for 2023. Financial income and expenses include an identical amount of profit and loss for fair value hedging instruments and for hedged items resulting from the hedged risk.

In 2023, foreign exchange gains and losses recognised in financial expenses consist of a net realised exchange loss of 1.1 million euro and a net unrealised exchange gain of 14.8 million euro which were mostly caused by strenghtening of US dollar relative to euro. During the year 2023, 3.0 million euros of interest expense was capitalised in connection with the A350 investment program (1.8). More information about the capitalised interest can be found in note 2.1 Fleet and other fixed assets.

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



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3.2 Financial assets

**A Financial assets**

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

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

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

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

**Impairment of financial assets**

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

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

**Cash and cash equivalents**

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

**A** = Accounting principles

3.2.1 Other current financial assets

| EUR mill.                                | 2023         | 2022         |
|------------------------------------------|--------------|--------------|
| Commercial paper, certificates and bonds | 53.4         | 47.8         |
| Money market funds                       | 723.4        | 690.8        |
| <b>Total</b>                             | <b>776.8</b> | <b>738.6</b> |
|                                          |              |              |
| <b>Ratings of counterparties</b>         |              |              |
| Better than A                            |              |              |
| A                                        | -            | 11.0         |
| BBB                                      | 21.7         | 12.0         |
| BB                                       | 3.9          | 2.0          |
| Unrated                                  | 751.2        | 713.7        |
| <b>Total</b>                             | <b>776.8</b> | <b>738.6</b> |

As of 31 December 2023, investments in instruments issued by unrated counterparties mostly include investments in money market funds (EUR 723.4 million euro).

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

3.2.2 Cash and cash equivalents

| EUR mill.              | 2023         | 2022         |
|------------------------|--------------|--------------|
| Cash and bank deposits | 145.1        | 785.8        |
| <b>Total</b>           | <b>145.1</b> | <b>785.8</b> |

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

3.3 Financial liabilities

**A Financial liabilities**

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

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

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



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**Non-current liabilities**

| EUR mill.                                      | 2023           | 2022           |
|------------------------------------------------|----------------|----------------|
| Loans from financial institutions, non-current | 199.8          | 399.2          |
| JOLCO loans and other                          | 209.2          | 261.3          |
| Bonds                                          | 381.3          | 397.9          |
| Lease liabilities                              | 951.0          | 1,128.0        |
| <b>Interest-bearing liabilities total</b>      | <b>1,741.3</b> | <b>2,186.4</b> |
| <b>Non-interest-bearing liabilities</b>        | <b>6.9</b>     | <b>6.3</b>     |
| <b>Total</b>                                   | <b>1,748.1</b> | <b>2,192.7</b> |

Finnair's interest-bearing liabilities decreased during the financial year 2023. Most significant financing transactions affecting interest-bearing liabilities during 2023 were the repayments of the pension premium loan of 100 million euro during June 2023 and 220 million euro during December 2023. Non-interest-bearing liabilities mainly include leases and maintenance reserves related to the aircraft leased to other airlines.

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

**Current interest-bearing liabilities**

| EUR mill.                                  | 2023         | 2022         |
|--------------------------------------------|--------------|--------------|
| Loans from financial institutions, current | 80.0         | 199.6        |
| JOLCO loans and other                      | 40.4         | 40.4         |
| Lease liabilities                          | 164.0        | 202.7        |
| <b>Total</b>                               | <b>284.3</b> | <b>442.7</b> |

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

| Interest-bearing liabilities, EUR in millions | Fair value     |                | Book value     |                |
|-----------------------------------------------|----------------|----------------|----------------|----------------|
|                                               | 2023           | 2022           | 2023           | 2022           |
| Lease liabilities                             | 1115.0         | 1330.7         | 1115.0         | 1330.7         |
| Loans from financial institutions             | 272.1          | 512.9          | 279.7          | 598.8          |
| Bonds                                         | 371.9          | 298.0          | 381.3          | 397.9          |
| JOLCO loans and other                         | 231.9          | 217.3          | 249.5          | 301.8          |
| <b>Total</b>                                  | <b>1,990.9</b> | <b>2,358.9</b> | <b>2,025.6</b> | <b>2,629.2</b> |

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 (97.2).

|                                                                      | Short-term borrowings | Long-term borrowings | Short-term lease liabilities | Long-term lease liabilities | Total          |
|----------------------------------------------------------------------|-----------------------|----------------------|------------------------------|-----------------------------|----------------|
| <b>Total liabilities from financing activities, 1 January 2023</b>   | <b>240.0</b>          | <b>1,058.4</b>       | <b>202.7</b>                 | <b>1,128.0</b>              | <b>2,629.1</b> |
| Repayments                                                           | -239.8                | -137.5               | -198.1                       | -                           | -575.5         |
| Acquisitions                                                         | -                     | -                    | 3.1                          | 73.1                        | 76.1           |
| Decreases                                                            | -                     | -                    | -                            | -56.9                       | -56.9          |
| Foreign exchange adjustments                                         | -                     | -12.4                | -5.7                         | -31.0                       | -49.1          |
| Reclassification between short-term and long-term liabilities        | 120.0                 | -120.0               | 162.1                        | -162.1                      | 0.0            |
| Other non-cash movements                                             | 0.1                   | 1.7                  | -                            | -                           | 1.8            |
| <b>Total liabilities from financing activities, 31 December 2023</b> | <b>120.3</b>          | <b>790.2</b>         | <b>164.0</b>                 | <b>951.1</b>                | <b>2,025.6</b> |

|                                                                      | Short-term borrowings | Long-term borrowings | Short-term lease liabilities | Long-term lease liabilities | Total          |
|----------------------------------------------------------------------|-----------------------|----------------------|------------------------------|-----------------------------|----------------|
| <b>Total liabilities from financing activities, 1 January 2022</b>   | <b>441.7</b>          | <b>986.2</b>         | <b>176.9</b>                 | <b>1,204.1</b>              | <b>2,808.9</b> |
| Repayments                                                           | -144.0                | -                    | -193.4                       | -                           | -337.4         |
| Additions                                                            | -                     | -                    | 3.9                          | 69.2                        | 73.1           |
| Decreases                                                            | -                     | -                    | -                            | -5.7                        | -5.7           |
| Foreign exchange adjustments                                         | -                     | 14.4                 | 9.1                          | 66.5                        | 90.0           |
| Reclassification between short-term and long-term liabilities        | -57.2                 | 57.2                 | 206.1                        | -206.1                      | 0.0            |
| Other non-cash movements                                             | -                     | 0.6                  | -                            | -                           | 0.2            |
| <b>Total liabilities from financing activities, 31 December 2022</b> | <b>240.0</b>          | <b>1,058.4</b>       | <b>202.7</b>                 | <b>1,128.0</b>              | <b>2,629.1</b> |

**Maturity dates of interest-bearing financial liabilities 31 Dec 2023 EUR mill.**

|                                                      | 2024         | 2025         | 2026         | 2027         | 2028         | Later        | Total          |
|------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| JOLCO loans and other, fixed interest                | -            | 23.4         | 11.7         | -            | -            | -            | 35.1           |
| JOLCO loans and other, variable interest             | 40.4         | 85.9         | 31.9         | 10.0         | 10.1         | 39.3         | 217.5          |
| Loans from financial institutions, variable interest | 80.0         | 200.0        | -            | -            | -            | -            | 280.0          |
| Bonds, fixed interest                                | -            | 382.5        | -            | -            | -            | -            | 382.5          |
| Lease liabilities, fixed interest                    | 127.6        | 131.9        | 101.8        | 89.7         | 68.5         | 329.0        | 848.5          |
| Lease liabilities, variable interest                 | 36.4         | 36.4         | 35.9         | 37.7         | 35.0         | 85.2         | 266.5          |
| <b>Interest-bearing financial liabilities total</b>  | <b>284.4</b> | <b>860.1</b> | <b>181.2</b> | <b>137.3</b> | <b>113.7</b> | <b>453.4</b> | <b>2,030.1</b> |
| Payments from currency derivatives                   | 872.4        | 2.3          | 2.7          | -            | 1.7          | -            | 879.1          |
| Income from currency derivatives                     | -864.9       | -            | -            | -            | -            | -            | -864.9         |
| Commodity derivatives                                | 15.8         | 1.5          | -            | -            | -            | -            | 17.4           |
| Trade payables and other liabilities                 | 274.1        | -            | -            | -            | -            | -            | 274.1          |
| Interest payments                                    | 96.8         | 73.2         | 45.1         | 34.6         | 27.6         | 84.1         | 361.3          |
| <b>Total</b>                                         | <b>678.5</b> | <b>937.2</b> | <b>229.1</b> | <b>171.9</b> | <b>142.9</b> | <b>537.5</b> | <b>2,697.0</b> |



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#### Maturity dates of interest-bearing financial liabilities 31 Dec 2022 EUR mill.

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

The interest rate re-fixing period is three months for variable interest loans and for variable interest lease liabilities. The bonds maturing do not include the amortised cost of 1.2 million paid in 2021 and due on 2025. JOLCO loans do not include the amortised cost of 3.1 million euros paid on 2016 and due in 2025 and loans from financial institutions do not include 0.3 million euros paid as an arrangement fee from the pension premium loan in 2022. Therefore, the total amount of interest-bearing financial liabilities differs from the book value by the amount equal to the amortised costs. Finnair has repaid 320 million euro of the pension premium loan during 2023. The remaining loan amount is 280 million euros and has an amortization schedule of one 80 million euro and one 200 million euro instalments. The first instalment of 80 million euro is due during the second quarter of 2024 and the second one of 200 million euro is due during the second quarter of 2025.

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

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

| EUR mill. | 2023           | 2022           |
|-----------|----------------|----------------|
| EUR       | 841.2          | 1,170.7        |
| USD       | 1,149.2        | 1,418.7        |
| JPY       | 35.1           | 39.6           |
| HKD       | 0.1            | 0.1            |
| SGD       | -              | 0.0            |
|           | <b>2,025.6</b> | <b>2,629.1</b> |

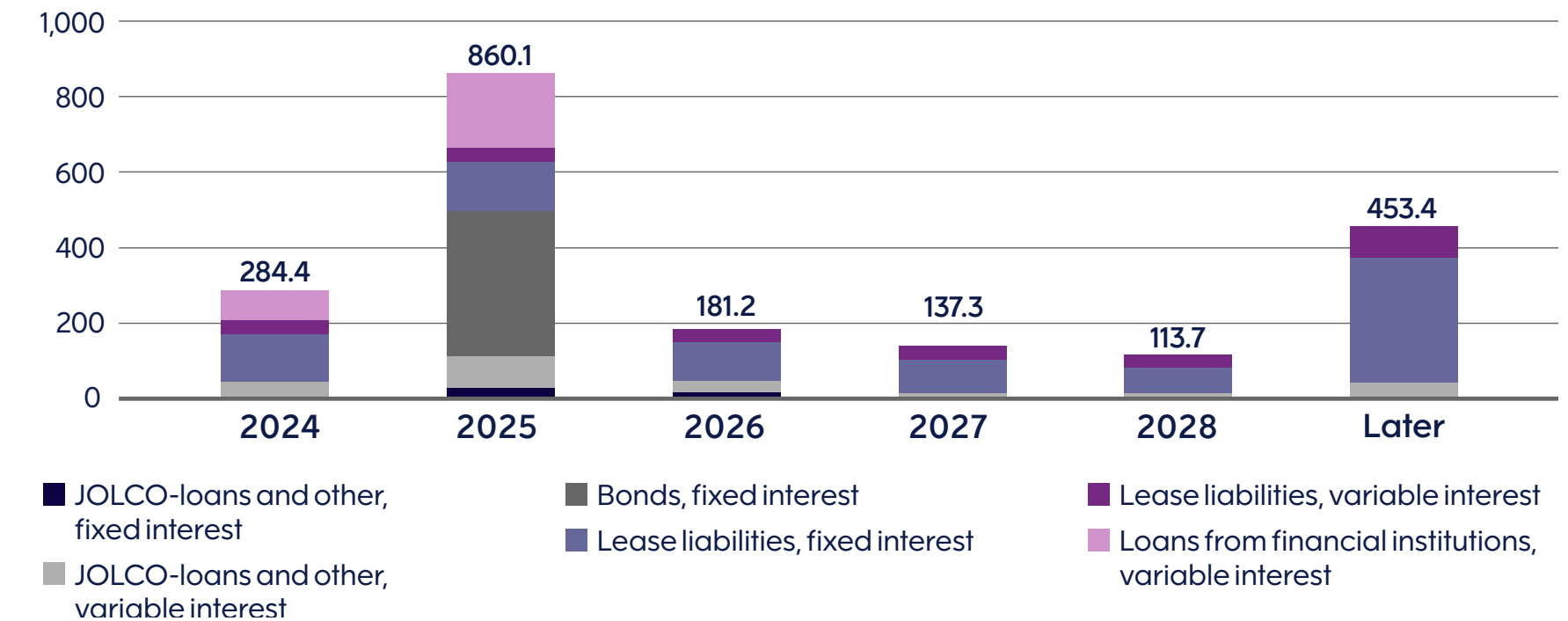
The weighted average effective interest rate on interest-bearing liabilities was 5.0% (4.0%).

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

|                   | 2023          | 2022          |
|-------------------|---------------|---------------|
| Up to 6 months    | 22.2%         | 23.6%         |
| 6–12 months       | 0.1%          | 3.9%          |
| 1–5 years         | 43.9%         | 43.2%         |
| More than 5 years | 33.8%         | 29.3%         |
| <b>Total</b>      | <b>100.0%</b> | <b>100.0%</b> |

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

€ million



#### State aid relating to Finnair's refinancing

##### State aid in rights issue

Finnair announced on 27 October 2023 the terms and conditions of the planned rights issue and completed the rights issue on 23 November 2023. The gross proceeds from the rights issue were announced to be approximately 570 million euros by offering up to 19,012,413,069 offer shares for subscription in the Offering with pre-emptive rights for existing shareholders in Finnair.

State of Finland irrevocably committed to subscribe for their respective pro rata share of the offering subject to customary terms and conditions of the right issue. The participation of the State of Finland to the rights issue was paid by offsetting the aggregate subscription price against a corresponding amount of the principal of the capital loan. The overall offset amount was approximately 318.6 million euros and after the completion of the rights issue Finnair repaid the remainder of the capital loan of approximately 81.4 million euros, to the State of Finland. In addition, Finnair paid the related interest and other fees of 48.9 million euros to the State. Therefore the capital loan has been fully repaid and is no longer part of Finnair's balance sheet.

##### 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..



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3.4 Contingent liabilities

| EUR mill.                               | 2023 | 2022 |
|-----------------------------------------|------|------|
| Guarantees on behalf of group companies | 51.5 | 52.5 |
| Total                                   | 51.5 | 52.5 |

3.5 Management of financial risks

Principles of financial risk management

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

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

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

Fuel price risk in flight operations

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

Finnair hedges against jet fuel price fluctuations using jet fuel forward contracts and options. The Jet Fuel CIF Cargoes NWE index is used as the underlying asset of jet fuel derivatives, since approximately 64 per cent of Finnair’s fuel purchase contracts are based on the benchmark price index for Northwest Europe jet fuel deliveries.

Finnair applies the principle of time-diversification in its fuel hedging. Finnair updated its risk management policy in December 2023, and hedging horizon was extended from 12 months to 18 months. The risk management policy states that hedging ratio must be increased during each quarter of the year, so that for the first three months of the hedging period the hedge ratio is approximately between 70 per cent and 95 per cent, with target ratio being 80 per cent. Thereafter, lower hedge ratio limits apply for each quarter. Due to hedging, the fuel cost per period is not as low as the spot-based price when prices fall, but when spot prices rise, the fuel cost rises more slowly.

The hedges of jet fuel consumption are treated as cash flow hedges in accounting, in accordance with the hedge accounting principles of IFRS 9. During 2023, Finnair has hedged the jet fuel price risk in its entirety, without separating it into underlying risk components, such as crude oil price risk. However, Finnair has used proxy hedging for certain layer components of its jet fuel consumption, as described below.

In the hedging of jet fuel price risk, Finnair Group designates layer components of its jet fuel consumption as hedged items. The layer components are defined as jet fuel consumption linked to different jet fuel price benchmarks. The first layer is defined as jet fuel purchases based on the Jet Fuel CIF Cargoes NWE index, with consumption linked to other price benchmarks, notably Cargoes FOB Singapore, representing other layers. Since the Jet Fuel CIF Cargoes NWE index is used as the underlying of all jet fuel derivatives, they are designated as proxy hedges for consumption based on other price benchmarks. Therefore, ineffectiveness may arise if

the correlation between the NWE index and the price benchmark for the underlying consumption is not high enough for the fair value changes in the hedged item and the hedging instrument to be exactly offsetting. Any ineffectiveness resulting from overhedging or insufficient correlation is recognised in fair value changes in derivatives and changes in exchange rates of fleet overhauls.

Update in financial risk management

During the year 2023 Finnair has continued normal hedging operations. Finnair increased the hedging ratios in jet fuel and foreign exchange steadily during the year 2023 and revised the risk management policy during the the last quarter of 2023. The risk management policy was updated so that the hedging limits and target level were increased by 5% for each of the hedged quarters. Furthermore, hedging horizon was extended from 12 months to 18 months.

| Timing of the notional<br>and hedged price  | Hedged price<br>\$/tonne | Notional amount<br>(tonnes) | Maturity     |              |
|---------------------------------------------|--------------------------|-----------------------------|--------------|--------------|
|                                             |                          |                             | Under 1 year | 1 to 2 years |
| 31 December 2023                            |                          |                             |              |              |
| Jet fuel consumption priced with NWE index  | 892.1                    | 655,264                     | 626,264      | 29,000       |
| Jet fuel consumption priced with SING index | 918.3                    | 21,736                      | 21,736       | -            |
| 31 December 2022                            |                          |                             |              |              |
| Jet fuel consumption priced with NWE index  | 1,042.9                  | 358,000                     | 338,000      | 20,000       |
| Jet fuel consumption priced with SING index |                          |                             |              |              |

The average hedged price of the instruments hedging highly probable jet fuel purchases is calculated by taking into account only the hedging (bought) leg of collar option structures, and therefore represents the least favorable hedged rate. The most favorable rate, calculated by including only the sold leg of collar option structures, is 798.96 US dollars per tonne for NWE consumption, and 809.38 US dollars for SING consumption. Options excluded from hedge accounting are excluded in both cases.

At the end of the financial year, Finnair had hedged 73 per cent of its forecasted fuel purchases for the first six months of 2024 and 42 per cent of the purchases for the second half of the year. In the financial year 2023, fuel used in flight operations accounted for approximately 30 per cent of Group’s turnover. At the end of the financial year, the forecast for 2024 is approximately 29 per cent of the Group’s turnover. On the closing date, a 10 per cent rise in the market price of jet fuel – excluding hedging activity – increases annual fuel costs by an estimated 77 million euro. On the closing date – taking hedging into account – a 10 per cent rise in the market price of jet fuel lowers the operating profit by around 49 million euro.

Foreign exchange risk

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

Finnair Group’s foreign exchange risk mainly arises from fuel purchases, aircraft lease liabilities, acquisition and divestment of aircraft, aircraft maintenance, overflight royalties and foreign currency revenue. About 59 per cent of the Group’s revenue is denominated in euros. The most important foreign revenue currencies are the US dollar (9 per cent, percentage of revenue), the Japanese yen (4 per cent) and the British pound sterling (4 per cent). Approximately 40 per cent Group’s operating costs are denominated in foreign currencies. The most important purchasing currency is the US dollar, which accounts for approximately 34 per cent of all operating costs. The most significant US dollar-denominated expense is fuel costs. The largest investments – aircraft and their spare parts – are also mainly made in US dollars.

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

The cash flow exposure mainly consists of sales denominated in a number of different currencies and US dollar-denominated expenses. Forecasted jet fuel purchases, aircraft materials and overhaul expenses and



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traffic charges form a group of similar items that are hedged with the same hedging instrument. The purpose of currency risk hedging – for cash flow exposure – is to reduce the volatility of cash flows and the comparable operating result due to fluctuating currency prices. This is done using a layered hedging strategy for the two biggest sources of currency risk and utilising diversification benefits of the portfolio of various currencies. The contracts are timed to mature when the cash flows from operating expenses are expected to be settled. The hedging limits are set only for the main contributors to currency risk: the Japanese yen and the US dollar basket consisting of the US dollar and the Hong Kong dollar. Finnair updated its risk management policy in December 2023, and hedging horizon for both Japanese yen and US dollar basket was extended from 12 months to 18 months. The hedging horizon of 18 months is divided into six three-month periods. The risk management policy states that hedging ratio must be increased during each quarter of the year, so that for the first three months of the hedging period the hedge ratio is approximately between 70 per cent and 95 per cent, with target ratio being 80 per cent. Thereafter, lower hedge ratio limits apply for each quarter.

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

Balance sheet exposure consists of foreign currency denominated financial assets and liabilities, as well as other foreign currency denominated balance sheet items, such as provisions, trade receivables, trade payables and assets held for sale. Maximum hedge ratio for balance sheet position is 100% and minimum is 0%.

At the end of the financial year, Finnair had a hedge level for net operating cash flows of 57 per cent in the USD-basket and 50 per cent in JPY for the coming 12 months. On the closing date – excluding hedges – a 10 per cent strengthening of the US dollar against the euro has a negative impact on the 12-month operating result of around 62 million euro and a 10 per cent weakening of the Japanese yen against the euro has a negative impact of around 12 million euro. On the closing date – taking hedging into account – a 10 per cent strengthening of the US dollar weakens the operating result by around 29 million euro and a 10 per cent weakening of the Japanese yen weakens the operating result by around 5 million euro. In the above numbers, the USD-basket risk includes the Hong Kong dollar, which historical correlation with the US dollar is high.

The hedge levels for balance sheet position at the end of the financial year were 89 per cent for USD and 86 per cent for Japanese yen. On the closing date – excluding hedges – a 10 per cent strengthening of the US dollar against the euro has a negative impact on the result of around 115 million euro and a 10 per cent strengthening of the Japanese yen against the euro has a negative impact of around 4 million euro. On the closing date – taking hedging into account – a 10 per cent strengthening of the US dollar weakens the result by around 13 million euro and a 10 per cent strengthening of the Japanese yen weakens the result by around 0.6 million euro.

| Timing of the notional<br>EUR mill. 31 December 2023 | Notional amount<br>(gross) | Maturity            |              |              |
|------------------------------------------------------|----------------------------|---------------------|--------------|--------------|
|                                                      |                            | Less than<br>1 year | 1 to 2 years | 2 to 4 years |
| USD                                                  | 1,179.8                    | 923.4               | 114.0        | 142.5        |
| JPY                                                  | 103.1                      | 103.1               | -            | -            |

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

| Foreign exchange P&L exposure<br>EUR mill. 31 December 2023                 |  | JPY    | USD-basket |
|-----------------------------------------------------------------------------|--|--------|------------|
| Net forecasted operating cash flows, next 12m                               |  | 136.3  | -639.7     |
| Net operating cash flow hedges, next 12m                                    |  | -69.8  | 373.2      |
| Weighted average exchange rate of hedging instruments against the euro      |  | 152.09 | 1.09       |
| Foreign exchange exposure from operating cash flows after hedging, next 12m |  | 66.6   | -266.5     |

The average exchange rate of the instruments hedging highly probable forecasted sales and purchases denominated in foreign currencies is calculated by taking into account only the hedging (bought) leg of collar option structures, and therefore represents the least favorable hedged rate. The most favorable rate, calculated by including only the sold leg of collar option structures, is 1.10 for USD contracts and 152.09 for JPY instruments.

| Foreign exchange balance sheet exposure<br>EUR mill. 31 December 2023  |  | JPY    | USD    |
|------------------------------------------------------------------------|--|--------|--------|
| Net balance sheet items                                                |  | -39.3  | -718.6 |
| Net hedges of balance sheet items                                      |  | 33.4   | 590.9  |
| Weighted average exchange rate of hedging instruments against the euro |  | 155.92 | 1.09   |
| Foreign exchange exposure from balance sheet items after hedging       |  | -5.9   | -127.7 |

| Foreign exchange investment exposure<br>EUR mill. 31 December 2023     |  | USD    |
|------------------------------------------------------------------------|--|--------|
| Net investment position                                                |  | -289.2 |
| Net hedges of investment position                                      |  | 158.9  |
| Weighted average exchange rate of hedging instruments against the euro |  | 1.11   |
| Foreign exchange exposure from investment position after hedging       |  | -130.3 |

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

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

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



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Interest rate risk

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

In Finnair Group, the interest rate risk is measured using the interest rate re-fixing period. If necessary, interest rate derivatives are used to adjust the interest rate re-fixing period. According to the risk management policy, the mandate for the investment portfolio's interest rate re-fixing period is 0-12 months and for interest-bearing liabilities 36-72 months. On the closing date, the investment portfolio's interest rate re-fixing period was approximately 3 months and approximately 57 months for interest-bearing liabilities. On the closing date, a one percentage point rise in interest rates increases the annual interest income of the investment portfolio by approximately 7.0 million euros and the interest expenses of the loan portfolio by approximately 3.7 million euros. The situation as of December 31 2023 is a reasonable representation of conditions throughout the year given the current market environment.

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

| Timing of the notional<br>EUR mill. 31 December 2023 | Notional amount<br>(gross) | Maturity            |              |              |
|------------------------------------------------------|----------------------------|---------------------|--------------|--------------|
|                                                      |                            | Less than<br>1 year | 1 to 2 years | 2 to 4 years |
| Interest rate derivatives                            | 310.4                      | 53.9                | 114.0        | 142.5        |

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

Credit risk

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

Liquidity risk

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

The war in Ukraine has not had a direct impact on the basic principles of Finnair's liquidity risk management. Finnair executed several financing transactions to strengthen its balance sheet and maintain liquidity levels. The most significant financing transactions during the year 2023 were the rights issue of net proceeds of approximately 558 million euros, conversion and repayment of the 400 million euro capital loan, repayment of the 200 million euro hybrid bond, and amortisations of the pension premium loan totalling 320 million euro.

The Group's cash funds were 922.0 million euro at the end of financial year 2023. Finnair Plc has a domestic commercial paper program of 200 million euro, which was not in use as of the closing date.

Capital management

The aim of Finnair's capital management is to secure access to the capital markets at all times despite the volatile business environment, as well as to support future business development. Through maintaining an

optimal capital structure the Group also aims to minimize the cost of capital and maximize the return on capital employed. The capital structure is influenced via, for example, dividend distribution and share issues. The Group can vary and adjust the level of dividends paid to shareholders, the amount of capital returned to them or the number of new shares issued. The Group can also decide on sales of asset items in order to reduce debt.

During the year 2023 Finnair strengthened its capital structure with the rights issue of net proceeds of approximately 558 million euros, conversion and repayment of the 400 million euro capital loan, repayment of the 200 million euro hybrid bond and amortisations of the pension premium loan totalling 320 million euro. The development of the Group's capital structure is continuously monitored using the adjusted gearing ratio. When calculating adjusted gearing, adjusted interest-bearing net debt is divided by the amount of shareholders' equity. The Group's adjusted gearing at the end of 2023 was 193.2 per cent (266.4).

Sensitivity analysis of the fair value reserve

If the price of Jet fuel CIF NWE had been 10 per cent higher, the balance of the reserve would have been 27.9 million euro (16.1) higher. Correspondingly, a 10 per cent weaker Jet fuel CIF NWE price would have reduced the reserve by 35.3 million euro (17.6). In terms of the US dollar, a 10 per cent weaker level would have lowered the balance of the fair value reserve by 35.9 million euro (25.4) and a 10 per cent stronger dollar would have had a positive impact of 33.3 million euro (25.4). In terms of Japanese yen, a 10 per cent stronger yen would have had a negative impact of 6.8 million euro (2.6), and a 10 per cent weaker level would have increased the balance of the fair value reserve by 6.8 million euro (2.6). The effect of change in interests to the fair value reserve in own equity is not material. The enclosed sensitivity figures do not take into account any change in deferred tax liability (tax assets).



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3.6 Classification of financial assets and liabilities

| EUR mill.                               | Hedge<br>accounting<br>items | Fair value<br>through profit<br>and loss | Amortised<br>cost | Book value |
|-----------------------------------------|------------------------------|------------------------------------------|-------------------|------------|
| 31 Dec 2023                             |                              |                                          |                   |            |
| Financial assets                        |                              |                                          |                   |            |
| Receivables                             | -                            | -                                        | 2.6               | 2.6        |
| Other financial assets                  | -                            | 776.8                                    | -                 | 776.8      |
| Trade receivables and other receivables | -                            | -                                        | 289.0             | 289.0      |
| Derivatives                             | 10.0                         | 1.8                                      | -                 | 11.8       |
| Cash and cash equivalents               | -                            | -                                        | 145.1             | 145.1      |
| Book value total                        | 10.0                         | 778.6                                    | 436.7             | 1,225.3    |
| Fair value total                        | 10.0                         | 778.6                                    | 436.7             | 1,225.3    |
| Financial liabilities                   |                              |                                          |                   |            |
| Interest-bearing liabilities            | -                            | -                                        | 910.6             | 910.6      |
| Lease liabilities                       | -                            | -                                        | 1,115.0           | 1,115.0    |
| Derivatives                             | 34.4                         | 8.9                                      | -                 | 43.4       |
| Trade payables and other liabilities    | -                            | -                                        | 274.1             | 274.1      |
| Book value total                        | 34.4                         | 8.9                                      | 2,299.7           | 2,343.0    |
| Fair value total                        | 34.4                         | 8.9                                      | 1,990.9           | 2,034.2    |

| EUR mill.                               | Hedge<br>accounting<br>items | Fair value<br>through profit<br>and loss | Amortised<br>cost | Book value |
|-----------------------------------------|------------------------------|------------------------------------------|-------------------|------------|
| 31 Dec 2022                             |                              |                                          |                   |            |
| Financial assets                        |                              |                                          |                   |            |
| Receivables                             | -                            | -                                        | 3.7               | 3.7        |
| Other financial assets                  | -                            | 738.6                                    | -                 | 738.6      |
| Trade receivables and other receivables | -                            | -                                        | 256.9             | 256.9      |
| Derivatives                             | 8.6                          | 14.9                                     | -                 | 23.5       |
| Cash and cash equivalents               | -                            | -                                        | 785.8             | 785.8      |
| Book value total                        | 8.6                          | 753.5                                    | 1,046.3           | 1,808.5    |
| Fair value total                        | 8.6                          | 753.5                                    | 1,046.3           | 1,808.5    |
| Financial liabilities                   |                              |                                          |                   |            |
| Interest-bearing liabilities            | -                            | -                                        | 1,298.5           | 1,298.5    |
| Lease liabilities                       | -                            | -                                        | 1,330.7           | 1,330.7    |
| Derivatives                             | 33.1                         | 3.5                                      | -                 | 36.7       |
| Trade payables and other liabilities    | -                            | -                                        | 234.7             | 234.7      |
| Book value total                        | 33.1                         | 3.5                                      | 2,863.8           | 2,900.5    |
| Fair value total                        | 33.1                         | 3.5                                      | 2,358.9           | 2,395.6    |

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

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

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

Fair values at the end of the reporting period

| EUR mill.                                    | 31 Dec 2023 | Level 1 | Level 2 |
|----------------------------------------------|-------------|---------|---------|
| Assets                                       |             |         |         |
| Financial assets at fair value               |             |         |         |
| Securities held for trading                  | 776.8       | 723.4   | 53.4    |
| Derivatives                                  |             |         |         |
| Currency derivatives                         | 2.3         | -       | 2.3     |
| - of which in fair value hedge accounting    | 0.1         | -       | 0.1     |
| - of which in cash flow hedge accounting     | 2.0         | -       | 2.0     |
| Commodity derivatives                        | 9.5         | -       | 9.5     |
| - of which in cash flow hedge accounting     | 7.9         | -       | 7.9     |
| Total                                        | 788.7       | 723.4   | 65.3    |
| Liabilities                                  |             |         |         |
| Financial liabilities at fair value          |             |         |         |
| Derivatives                                  |             |         |         |
| Currency and interest rate swaps and options | 8.9         | -       | 8.9     |
| Currency derivatives                         | 7.6         | -       | 7.6     |
| - of which in fair value hedge accounting    | 1.5         | -       | 1.5     |
| - of which in cash flow hedge accounting     | 6.1         | -       | 6.1     |
| Commodity derivatives                        | 26.8        | -       | 26.8    |
| - of which in cash flow hedge accounting     | 26.8        | -       | 26.8    |
| Total                                        | 43.4        | -       | 43.4    |

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

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

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

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



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3.7 Offsetting financial assets and liabilities

| EUR mill.                                                  | 2023  | 2022  |
|------------------------------------------------------------|-------|-------|
| Derivative assets gross amounts                            | 11.8  | 23.5  |
| Amounts of financial assets presented in the balance sheet | 11.8  | 23.5  |
| Enforceable master netting agreement                       | -11.8 | -21.2 |
| Derivative assets net amount                               | 0.0   | 2.3   |

| EUR mill.                                                       | 2023  | 2022  |
|-----------------------------------------------------------------|-------|-------|
| Derivative liabilities gross amounts                            | -43.4 | -36.7 |
| Amounts of financial liabilities presented in the balance sheet | -43.4 | -36.7 |
| Enforceable master netting agreement                            | 11.8  | 21.2  |
| Derivative liabilities net amount                               | -31.5 | -15.5 |

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

3.8 Derivatives

A Derivative contracts and hedge accounting

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

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

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

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

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

A = Accounting principles

is not applied (economic hedges). Hedging of the fair value of net investments of foreign units or embedded derivatives have not been used.

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

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

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

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

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

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

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

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

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

For forward and option contracts, an economic relationship exists between the hedged item and the hedging instrument as the hedging instrument and the hedged item are expected to move in opposite directions because of the same underlying exposure. This is true for all hedge relationships except for the SING consumption hedged with NWE hedges (as described in section 3.5). In that case, the underlying is different, but the underlying hedged item (SING)



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and the hedge (NWE) have a historical correlation of 0.99. Therefore, it can be classified as a relationship where the underlying and the hedge are economically closely related. Ineffectiveness on fuel derivatives can also arise from timing differences on the notional amount between the hedged instrument and hedged item, significant changes in credit risk of parties to the hedging relationship and changes in the total amount of the hedged item, for instance if the underlying fuel consumption forecast is not accurate enough, that can result in overhedging. However, as Finnair usually hedges less than 100% of its exposure, the risk of overhedging is insignificant. Finnair has established a hedge ratio of 1:1 for hedging relationships.

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

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

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

**Cost of hedging**

At Finnair, the time value of an option is excluded from the designation of a financial instrument and accounted for as a cost of hedging. Upon initial recognition, Finnair defers any paid premium in the cost of hedging reserve within other comprehensive income. The fair value changes of the time value are recognised in the cost of hedging reserve within other comprehensive income. The premium will be transferred to the consolidated income statement in the same period that the underlying transaction affects the consolidated income statement for transaction-related hedges. As of 31 December 2023, Finnair has deferred premiums only on transaction-related hedges. **A**

** Critical accounting estimates and sources of uncertainty**

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

**A** = Accounting principles  
**I** = Critical accounting estimates

| EUR mill.                                         | 2023          |                      |                      |                | 2022          |                      |                      |                |
|---------------------------------------------------|---------------|----------------------|----------------------|----------------|---------------|----------------------|----------------------|----------------|
|                                                   | Nominal value | Positive fair values | Negative fair values | Fair net value | Nominal value | Positive fair values | Negative fair values | Fair net value |
| <b>Currency derivatives</b>                       |               |                      |                      |                |               |                      |                      |                |
| Jet fuel currency hedging                         |               |                      |                      |                |               |                      |                      |                |
| Operational cash flow hedging (forward contracts) | 389.7         | 2.0                  | -5.5                 | -3.5           | 284.7         | 0.1                  | -7.4                 | -7.3           |
| Operational cash flow hedging, bought options     | 53.3          | 0.0                  | -                    | 0.0            | -             | -                    | -                    | -              |
| Operational cash flow hedging, sold options       | 48.9          | -                    | -0.6                 | -0.6           | -             | -                    | -                    | -              |
| Fair value hedging of aircraft acquisitions       | <b>158.9</b>  | <b>0.1</b>           | <b>-1.5</b>          | <b>-1.4</b>    | <b>183.7</b>  | <b>-</b>             | <b>-11.6</b>         | <b>-11.6</b>   |
| <b>Hedge accounting items total</b>               | <b>650.7</b>  | <b>2.1</b>           | <b>-7.6</b>          | <b>-5.5</b>    | <b>468.4</b>  | <b>0.1</b>           | <b>-19.0</b>         | <b>-18.9</b>   |
|                                                   |               |                      |                      |                |               |                      |                      |                |
| Balance sheet hedging (forward contracts)         | 321.8         | 0.2                  | -0.1                 | 0.2            | 337.7         | 0.4                  | -0.7                 | -0.3           |
| <b>Items outside hedge accounting total</b>       | <b>321.8</b>  | <b>0.2</b>           | <b>-0.1</b>          | <b>0.2</b>     | <b>337.7</b>  | <b>0.4</b>           | <b>-0.7</b>          | <b>-0.3</b>    |
|                                                   |               |                      |                      |                |               |                      |                      |                |
| <b>Currency derivatives total</b>                 | <b>972.6</b>  | <b>2.3</b>           | <b>-7.6</b>          | <b>-5.3</b>    | <b>806.1</b>  | <b>0.5</b>           | <b>-19.8</b>         | <b>-19.3</b>   |
|                                                   |               |                      |                      |                |               |                      |                      |                |
| <b>Commodity derivatives</b>                      |               |                      |                      |                |               |                      |                      |                |
| Jet fuel forward contracts, tonnes                | 422,000       | 5.3                  | -14.9                | -9.6           | 209,000       | 3.4                  | -6.0                 | -2.5           |
| Bought options, jet fuel, tonnes                  | 255,000       | 2.6                  | -                    | 2.6            | 149,000       | 4.9                  | -0.2                 | 4.8            |
| Sold options, jet fuel, tonnes                    | 255,000       | -                    | -12.0                | -12.0          | 149,000       | 0.2                  | -7.9                 | -7.8           |
| <b>Hedge accounting items total</b>               | <b>-</b>      | <b>7.9</b>           | <b>-26.8</b>         | <b>-18.9</b>   | <b>-</b>      | <b>8.6</b>           | <b>-14.1</b>         | <b>-5.6</b>    |
|                                                   |               |                      |                      |                |               |                      |                      |                |
| Bought options, jet fuel, tonnes                  | 187,000       | 1.6                  | -                    | 1.6            | 149,000       | 0.9                  | -                    | 0.9            |
| <b>Items outside hedge accounting total</b>       | <b>-</b>      | <b>1.6</b>           | <b>-</b>             | <b>1.6</b>     | <b>-</b>      | <b>0.9</b>           | <b>-</b>             | <b>0.9</b>     |
|                                                   |               |                      |                      |                |               |                      |                      |                |
| <b>Commodity derivatives total</b>                | <b>-</b>      | <b>9.5</b>           | <b>-26.8</b>         | <b>-17.4</b>   | <b>-</b>      | <b>9.5</b>           | <b>-14.1</b>         | <b>-4.6</b>    |
|                                                   |               |                      |                      |                |               |                      |                      |                |
| Cross currency interest rate swaps                | 310.4         | -                    | -8.9                 | -8.9           | 253.1         | 13.5                 | -2.8                 | 10.7           |
| <b>Items outside hedge accounting total</b>       | <b>310.4</b>  | <b>-</b>             | <b>-8.9</b>          | <b>-8.9</b>    | <b>253.1</b>  | <b>13.5</b>          | <b>-2.8</b>          | <b>10.7</b>    |
|                                                   |               |                      |                      |                |               |                      |                      |                |
| <b>Interest rate derivatives total</b>            | <b>310.4</b>  | <b>-</b>             | <b>-8.9</b>          | <b>-8.9</b>    | <b>253.1</b>  | <b>13.5</b>          | <b>-2.8</b>          | <b>10.7</b>    |
|                                                   |               |                      |                      |                |               |                      |                      |                |
| <b>Derivatives total *</b>                        | <b>-</b>      | <b>11.8</b>          | <b>-43.3</b>         | <b>-31.5</b>   | <b>-</b>      | <b>23.5</b>          | <b>-36.7</b>         | <b>-13.2</b>   |

\* Positive (negative) fair value of hedging instruments as of 31.12.2023 is presented in the statement of financial position in the item derivative financial instruments within current assets (derivative financial instruments within current liabilities). However, during the year 2023 Finnair has resumed normal hedging operations.



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**Hedged items in hedge relationships**

|                                       | Carrying amount of the hedged item |             | Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged item |             | Line item in the statement of financial position in which the hedged item is included | Changes in fair value of the hedged item used for calculating hedge ineffectiveness, previous 12 months | Changes in fair value of the hedging instrument used for calculating hedge ineffectiveness, previous 12 months |
|---------------------------------------|------------------------------------|-------------|-------------------------------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| 31 December 2023                      | Assets                             | Liabilities | Assets                                                                                                | Liabilities |                                                                                       |                                                                                                         |                                                                                                                |
| Cash flow hedges                      |                                    |             |                                                                                                       |             |                                                                                       |                                                                                                         |                                                                                                                |
| Jet fuel price risk                   |                                    |             |                                                                                                       |             |                                                                                       |                                                                                                         |                                                                                                                |
| - Forecasted jet fuel purchases       | -                                  | -           | -                                                                                                     | -           | -                                                                                     | 145.6                                                                                                   | -9.7                                                                                                           |
| Foreign exchange risk                 |                                    |             |                                                                                                       |             |                                                                                       |                                                                                                         |                                                                                                                |
| - Forecasted sales and purchases, USD | -                                  | -           | -                                                                                                     | -           | -                                                                                     | 24.6                                                                                                    | -0.9                                                                                                           |
| - Forecasted sales and purchases, JPY | -                                  | -           | -                                                                                                     | -           | -                                                                                     | -8.4                                                                                                    | 2.3                                                                                                            |
| Fair value hedges                     |                                    |             |                                                                                                       |             |                                                                                       |                                                                                                         |                                                                                                                |
| Foreign exchange risk                 |                                    |             |                                                                                                       |             |                                                                                       |                                                                                                         |                                                                                                                |
| - Aircraft acquisitions               | 1.4                                |             | 1.4                                                                                                   |             | Non-current assets                                                                    | 11.1                                                                                                    | -3.0                                                                                                           |

**Ratings of derivative counterparties**

| EUR mill.     | 2023         | 2022         |
|---------------|--------------|--------------|
| Better than A | -3.9         | 0.7          |
| A             | -20.9        | -11.9        |
| BBB           | -6.7         | -2.0         |
| <b>Total</b>  | <b>-31.5</b> | <b>-13.2</b> |

**Derivatives realised through profit and loss**

| EUR mill.                                               |                                 | 2023         | 2022        |
|---------------------------------------------------------|---------------------------------|--------------|-------------|
| Jet fuel hedging                                        | Fuel costs                      | 0.6          | 21.3        |
| Operational cash flow hedging                           | Fuel costs                      | -7.2         | 8.4         |
| Operational cash flow hedging                           | Aircraft materials and overhaul | -0.8         | 0.4         |
| Operational cash flow hedging                           | Traffic charges                 | -0.2         | 0.5         |
| Operational cash flow hedging                           | Revenue                         | 4.2          | 0.3         |
| <b>Expenses of hedge accounting items total</b>         |                                 | <b>-3.3</b>  | <b>31.0</b> |
| Jet fuel hedging                                        | Fuel costs                      | -6.1         | -3.2        |
| Balance sheet hedging                                   | Financial expenses              | -8.4         | 16.6        |
| Cross-currency interest rate swaps                      | Financial expenses              | 3.7          | 5.5         |
| <b>Expenses of items outside hedge accounting total</b> |                                 | <b>-10.8</b> | <b>18.9</b> |

**A** = Accounting principles

**3.9 Equity-related information**

****A** Shareholders' equity**

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

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

The rights issue proceeds from 2020 and 2023 less the transaction costs has been recognized in the unrestricted equity funds.

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

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

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

| Number of shares                                                     | 2023                  | 2022                 |
|----------------------------------------------------------------------|-----------------------|----------------------|
| Number of outstanding shares in the beginning of the financial year  | 1,407,001,962         | 1,405,980,132        |
| Rights issue                                                         | 19,012,413,069        | -                    |
| Shares granted from the share-bonus scheme 2019-2021                 | -                     | 119,737              |
| Shares granted from FlyShare employee share savings plans            | 1,487,760             | 902,093              |
| Executive Board Rebuild Incentive Plan                               | 10,670,826            | -                    |
| <b>Number of outstanding shares at the end of the financial year</b> | <b>20,431,573,617</b> | <b>1,407,001,962</b> |
| Own shares held by the parent company                                | 49,565,650            | 399,303              |
| <b>Total number of shares at the end of the financial year</b>       | <b>20,481,139,267</b> | <b>1,407,401,265</b> |

Finnair Plc's share capital, paid in its entirety and registered in the trade register, was at 75,442,904.30 euros at the end of 2022 and 2023. The shares have no nominal value. During the year 2023, Finnair transferred a total of 1,487,760 shares to FlyShare participants, total of 10,670,826 shares to Executive Board Rebuild Incentive Plan participants.

|                                                                                                                                                                                                                                                                                             |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
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### Group's hedging reserve and other OCI items

| EUR mill.                                              | 2023        | Amounts reclassified to profit or loss | Unrealised gains and losses recognised in OCI | 2022        | Line item affected in profit or loss because of the reclassification |
|--------------------------------------------------------|-------------|----------------------------------------|-----------------------------------------------|-------------|----------------------------------------------------------------------|
| Jet fuel price hedging                                 | -13.2       | -0.6                                   | -6.8                                          | -5.9        | Fuel costs                                                           |
| Operating cash flow hedging                            | -3.5        | 3.9                                    | -0.1                                          | -7.3        | Revenue and cost lines*                                              |
| Hedging of interest related to future lease payments   | -2.8        | 0.7                                    | -                                             | -3.6        | Lease payments for aircraft                                          |
| The actuarial gains and losses of defined benefit plan | 82.0        | -                                      | 11.6                                          | 70.4        |                                                                      |
| Cost of hedging reserve                                | -1.7        | -                                      | -4.9                                          | 3.3         |                                                                      |
| Tax effect                                             | -12.2       | -                                      | 1.9                                           | -14.1       |                                                                      |
| <b>Total</b>                                           | <b>48.6</b> | <b>4.1</b>                             | <b>1.7</b>                                    | <b>42.8</b> |                                                                      |

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

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

| EUR mill.                                              | 2024        | 2025        | 2026        | 2027        | 2028       | Later    | Total       |
|--------------------------------------------------------|-------------|-------------|-------------|-------------|------------|----------|-------------|
| Jet fuel price hedging                                 | -11.7       | -1.5        | -           | -           | -          | -        | -13.2       |
| Operating cash flow hedging                            | -3.5        | -           | -           | -           | -          | -        | -3.5        |
| Hedging of interest related to future lease payments   | -0.7        | -0.7        | -0.7        | -0.7        | 0.0        | -        | -2.8        |
| The actuarial gains and losses of defined benefit plan | 82.0        | -           | -           | -           | -          | -        | 82.0        |
| Cost of hedging reserve                                | -1.7        | -           | -           | -           | -          | -        | -1.7        |
| Tax effect                                             | -12.9       | 0.5         | 0.1         | 0.1         | 0.0        | -        | -12.2       |
| <b>Total</b>                                           | <b>51.5</b> | <b>-1.8</b> | <b>-0.6</b> | <b>-0.6</b> | <b>0.0</b> | <b>-</b> | <b>48.6</b> |

### Rights issue

During third quarter of 2023, Finnair organised a rights issue to strenghten its financial position. The aim of the rights issue was reducing Finnair's financing costs, supporting the implementation of the strategy for sustainable profitable growth in the new operating environment shaped by the COVID-19 pandemic and the closure of Russian airspace and ensuring the Company's ability for future investments. Through the rights issue Finnair also seeked to reinstate its ability for shareholder distributions.

According to the final results of the rights issue, a total of 19,038,769,224 new shares were subscribed for in the offering, corresponding to approximately 100.14 per cent of the offer shares, and thus, the offering was oversubscribed. A total of 18,102,803,535 offer shares were subscribed for pursuant to the exercise of subscription rights. The remaining 909,609,534 offer shares subscribed for without subscription rights were allocated in the secondary subscription in accordance with the terms and conditions of the offering. The subscription price was EUR 0.03 per Offer Share. Gross proceeds of the rights issue were approximately 570.4 million euro, and net proceeds of the rights issue were approximately 558.2 million euro. Gross and net proceeds include the 318.6 million euro pro rata subscription by the State of Finland through the offset of a corresponding amount of the capital loan, granted to Finnair by the State of Finland, which did not generate any proceeds in cash to Finnair.

### Hybrid bond

Finnair issued a 200 million euro hybrid bond during 2020, which was booked to shareholders' equity (after equity belonging to the holders). The hybrid bond was redeemed in full during third quarter of 2023.

### Capital loan

During 2022 Finnair withdrew a 400 million euro capital loan, which was booked to equity. In Finnair's rights offering of approximately 558 million euros executed in November 2023, the State of Finland subscribed for its pro rata share of the new shares on the basis of subscription rights allocated to it. The State of Finland paid the subscription price of the shares by offsetting it against a corresponding amount of the principal of the capital loan. This totaled 318.6 million euros. Finnair repaid the remainder of the capital loan, i.e. 81.4 million euros, on 24 November 2023 to the State of Finland. In addition, Finnair paid the related interest and other fees of 48.9 million euros to the State.

### Earnings per share

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

| EUR mill.                                     | 2023         | 2022          |
|-----------------------------------------------|--------------|---------------|
| Result for the financial year, EUR mill.      | 254.3        | -476.2        |
| Hybrid bond interest, EUR mill.               | -13.7        | -20.5         |
| Capital loan cost, EUR mill.                  | -32.9        | -15.9         |
| Tax effect                                    | 9.3          | 7.3           |
| <b>Adjusted result for the financial year</b> | <b>216.9</b> | <b>-505.3</b> |
| Weighted average number of shares, mill. Pcs  | 9,640.7      | 8,380.5       |
| Basic earnings per share, EUR                 | 0.022        | -0.060        |
| Diluted earnings per share, EUR               | 0.022        | -0.060        |
| Effect of own shares, EUR                     | 0.000        | 0.000         |

### Dividend

The Board of Directors proposes to the Annual General Meeting that no dividend is paid for 2023. In accordance with the proposal of the Board of Directors, the Annual General Meeting on 23 March 2023 resolved that no dividend be paid based on the balance sheet adopted for the year 2022.

#### Finnair Plc's distributable equity

| EUR mill.                         | 2023         |
|-----------------------------------|--------------|
| Hedging reserve                   | -14.7        |
| Unrestricted equity funds         | 1,344.4      |
| Retained earnings                 | -1,088.0     |
| Result for the financial year     | 231.5        |
| <b>Distributable equity total</b> | <b>473.1</b> |



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**i** = Content of the section  
**A** = Accounting principles

## 4 Consolidation

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

### 4.1 General consolidation principles

#### Consolidation

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

### 4.2 Subsidiaries

#### **A** Consolidation principles of subsidiaries

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

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

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

#### Subsidiaries

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

### 4.3 Acquisitions and divestments

There were no business acquisitions or divestments in 2023 and 2022.

### 4.4 Investments in joint ventures

**A** Companies where the Group has joint control with another entity and significant decisions require both parties approval are considered as joint ventures and those are accounted for using the equity method. The group has no joint arrangements classified as joint operations in which the group would have rights to shares in the assets or liabilities of the joint ventures and which it would combine with its balance sheet.

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

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

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

#### Information on the Group's joint ventures

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

| EUR mill.   | Domicile | Assets | Liabilities | Revenue | Profit/Loss | Holding % |
|-------------|----------|--------|-------------|---------|-------------|-----------|
| 31 Dec 2023 | Sweden   | 110.7  | 110.4       | 84.0    | 0.5         | 40.00     |
| 31 Dec 2022 | Sweden   | 133.9  | 134.2       | 77.1    | 0.5         | 40.00     |

The result of associated companies and joint ventures for 2023 was 0.5 (0.5) million euros, of which Finnair's share was 0.0 (0.0) million euros. Investments in joint ventures in consolidated balance sheet were 0.0 (0.0) million euros. More information on transactions with joint ventures can be found in the note 4.5 Related party transactions.

### 4.5 Related party transactions

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

The State of Finland which has control over Finnair owns 55.7% (55.9%) of Finnair's shares. During financial year 2023 the State of Finland participated in the rights issue in proportion to its holding by offsetting the aggregate subscription price 318.6 million euros against a corresponding amount of the principal of the capital loan. Guarantee related to the pension premium loan from the State of Finland and during the reporting period repaid capital loan to the State of Finland are described in the note 3.3 Financial liabilities. All the transactions with other government owned companies and other related parties are on arm's length basis, and are on similar



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terms than transactions carried out with independent parties. The following transactions have taken place with related party entities:

| EUR mill.                              | 2023  | 2022  |
|----------------------------------------|-------|-------|
| <b>Sales of goods and services</b>     |       |       |
| Joint venture                          | 25.4  | 25.7  |
| Pension fund                           | 0.2   | 0.3   |
| Sickness fund                          | 0.3   | 0.0   |
| <b>Employee benefits</b>               |       |       |
| Pension fund                           | 8.3   | 11.2  |
| Sickness fund                          | 0.8   | 0.6   |
| CEO and Executive Board                | 7.5   | 4.1   |
| The Board of Directors                 | 0.4   | 0.4   |
| <b>Purchases of goods and services</b> |       |       |
| Joint venture                          | 84.7  | 78.2  |
| Pension fund                           | 1.6   | 2.0   |
| <b>Financial income</b>                |       |       |
| Pension fund                           | 4.4   | 0.6   |
| <b>Receivables</b>                     |       |       |
| Joint venture                          | 6.7   | 6.4   |
| Pension fund                           | 128.1 | 119.9 |
| <b>Liabilities</b>                     |       |       |
| Joint venture                          | 4.6   | 4.3   |
| Pension fund                           | 25.6  | 13.0  |
| Sickness fund                          | 0.1   | -     |

Employee benefits and non-current receivables from pension fund are related to defined benefit pension plans in Finnair pension fund. These are described more detailed in the note 1.3.8.2. Management remuneration is presented in note 1.3.8. Management has not been granted any loans and there have not been any other transactions with management. More information on joint venture can be found in the note 4.4.

Finnair pension fund

The Finnair pension fund in Finland is a stand-alone legal entity which mainly provides additional pension coverage to Finnair's personnel in the form of defined benefit plan, and manages related pension assets. The assets include Finnair's shares representing 0.1% (0.1%) of the company's outstanding shares. Real estate and premises owned by the pension fund have been mainly leased to Finnair. In 2023 and 2022 Finnair did not pay any contributions to the fund. Pension asset was 127.9 million euros (119.7) at the end of the financial year.

Finnair sickness fund

The Finnair sickness fund in Finland is a stand-alone legal entity which provides its members the possibility to seek best possible care by compensating related medical costs. The fund's sphere of operation consists of persons (members) employed by group companies (shareholders). The activities of the insurance fund are financed by contributions collected from shareholders and members.

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

5 Other notes

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

5.1 Income taxes

**A** The tax expense for the period includes current and deferred tax and adjustments to previous years' taxation. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or other equity items.  
Deferred taxes are calculated for temporary differences between accounting and taxation using the valid tax rates for future years at the closing date. Deferred tax asset is recognised to the extent that realisation of the related tax benefit through future profits is probable. Temporary differences arise mainly from sales of tangible assets and depreciation, right-of-use assets, lease liabilities and tax losses. Deferred tax is recognised for foreign subsidiaries' undistributed earnings only when related tax effects are probable.  
Deferred tax assets and liabilities are netted when they are levied by the same taxing authority and Finnair has a legally enforceable right to set off the balances. **A**

**i** **Deferred taxes**  
Recognition of deferred tax asset is based on management estimates and require the use of management judgement in order to assess whether there will be sufficient taxable profits flowing to the company in the future. The expectations used in the calculation are based on the latest management forecast at the reporting date and use assumptions that are consistent with those used elsewhere in the financial statements. The level of uncertainty in Finnair's operating environment has decreased significantly during 2023 as a result of the improved business conditions and the successful execution of the new strategy. This has resulted in significant increase in passenger revenue and profitability, on top of which the management's profitability outlook has improved. Although the closure of Russian airspace is expected to affect the routings and operating costs of Finnair flights to Asia for a longer time, the management estimated in connection with its strategy update made in the second quarter of 2023 that Finnair will reach comparable operating profit margin target of 6 per cent by the end of 2025. As a result of the normalization of the business environment, Finnair's management has prepared a single forecast scenario in connection with the preparation of the consolidated financial statements as opposed to the multiple scenarios used in the prior year financial statements. In financial year 2022, deferred tax asset was written down from the taxable losses of 2020-2021, and deferred tax asset from the 2022 loss was not recognized. In financial year 2023, deferred tax asset written down in the previous financial year was fully re-recognised and a major part of deferred tax asset for taxable loss of 2022 was recognised in the balance sheet. Finnair expects to be able to use the tax losses remaining on balance sheet in advance of 10 years expiry date. **i**

Global minimum tax framework (Pillar Two)

The OECD introduced Global Anti-Base Erosion (GloBE) Rules rules for a new global minimum tax framework (Pillar Two) at the end of 2021 and in December 2022, the EU Minimum Tax Directive (Pillar Two) was entered into force. The EU Directive is set to implement a global minimum tax rate of 15% for multinational enterprises and large-scale domestic groups and it is applicable within EU starting from 2024. To provide transitional relief for Pillar Two tax compliance and administrative burden, the OECD has introduced a Framework for Transitional Safe CbCR Safe Harbours applicable for Transition Period covering fiscal years 2024–2026.  
Finnair has taken measures for assessing its potential exposure to Pillar Two rules and based on its initial assessment it does not anticipate material top-up tax adjustments during the transitional period 2024–2026. Finnair will monitor the development of regulatory updates, as OECD is expected to publish additional guidance and details concerning for example aviation industry, permanent safe harbours frameworks and Qualified Domestic Minimum Tax Regimes.



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**Income taxes**

| EUR mill.                                               | 2023         | 2022          |
|---------------------------------------------------------|--------------|---------------|
| Taxes for the financial year                            |              |               |
| Current tax                                             | -0.1         | -             |
| Adjustments recognised for current tax of prior periods | -            | -             |
| Deferred taxes                                          | 135.3        | -105.4        |
| <b>Total</b>                                            | <b>135.2</b> | <b>-105.4</b> |

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

| EUR mill.                                              | 2023         | 2022          |
|--------------------------------------------------------|--------------|---------------|
| Result before taxes                                    | 119.1        | -370.7        |
|                                                        |              |               |
| Taxes calculated using the Finnish tax rate 20%        | -23.8        | 74.1          |
| Different tax rates of foreign subsidiaries            | 0.1          | 0.1           |
| Tax-exempt income                                      | 0.4          | 0.4           |
| Non-deductible expenses                                | 3.2          | -3.9          |
| Non-capitalized tax loss carryforwards                 | -            | -33.9         |
| Non-capitalized temporary differences                  | -3.3         | -25.2         |
| Write-down of deferred tax on taxable losses 2020-2021 | -            | -117.0        |
| Re-recognized deferred tax on taxable losses 2020-2021 | 117.0        | -             |
| Recognized temporary differences in taxation 2022      | 13.9         | -             |
| Recognized deferred tax on taxable loss 2022           | 27.7         | -             |
| Adjustments recognised for taxes of prior periods      | 0.0          | 0.0           |
| <b>Income taxes total</b>                              | <b>135.2</b> | <b>-105.4</b> |

Distributing retained earnings of foreign subsidiaries as dividends would cause a tax effect of 0.4 million euros (0.3).

**Deferred tax assets and liabilities**

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

**Changes in deferred taxes during 2023:**

| EUR mill.                                   | 2022         | Recognised<br>in the income<br>statement | Recognised in<br>shareholders'<br>equity | 2023         |
|---------------------------------------------|--------------|------------------------------------------|------------------------------------------|--------------|
| Deferred tax assets                         |              |                                          |                                          |              |
| Confirmed losses                            | 93.7         | 116.0 *                                  | 9.8 *                                    | 219.5        |
| Property, plant and equipment**             | 60.4         | -10.4                                    | -                                        | 49.9         |
| Leases**                                    | 279.2        | -53.1                                    | -                                        | 226.0        |
| Valuation of derivatives at fair value      | -            | -                                        | 4.2                                      | 4.2          |
| Other temporary differences                 | 16.9         | -6.1                                     | 6.4                                      | 17.3         |
| <b>Total</b>                                | <b>450.2</b> | <b>46.4</b>                              | <b>20.5</b>                              | <b>517.0</b> |
| Netted from deferred tax liabilities        | -369.6       | 88.9                                     | -2.3                                     | -283.0       |
| <b>Deferred tax assets in balance sheet</b> | <b>80.6</b>  | <b>135.3</b>                             | <b>18.1</b>                              | <b>234.0</b> |

| EUR mill.                                        | 2022          | Recognised<br>in the income<br>statement | Recognised in<br>shareholders'<br>equity | 2023          |
|--------------------------------------------------|---------------|------------------------------------------|------------------------------------------|---------------|
| Deferred tax liabilities                         |               |                                          |                                          |               |
| Defined benefit pension plans                    | -24.0         | 0.8                                      | -2.3                                     | -25.5         |
| Property, plant and equipment**                  | -109.2        | 32.8                                     | -                                        | -76.4         |
| Leases**                                         | -236.4        | 55.3                                     | -                                        | -181.1        |
| <b>Total</b>                                     | <b>-369.6</b> | <b>88.9</b>                              | <b>-2.3</b>                              | <b>-283.0</b> |
| Netted from deferred tax assets                  | 369.6         | -88.9                                    | 2.3                                      | 283.0         |
| <b>Deferred tax liabilities in balance sheet</b> | <b>-</b>      | <b>-</b>                                 | <b>-</b>                                 | <b>-</b>      |

\* The deferred tax asset (145 million euros) related to confirmed losses recognised in the income statement during the reporting period is offset against the deduction of the deferred tax asset recognised against taxable profit for the reporting period (29 million euros). In addition, the deferred tax asset related to confirmed losses was recognized in equity for capital loan costs (9.8 million euros).

\*\* The amendment to IAS 12 applicable from 1 January 2023 requires that a separate deferred tax asset and deferred tax liability are recognised related to lease agreements and aircraft presented as owned in Finnair's accounting and financed by the JOLCO loans and export credit support, when the temporary differences arising on the initial recognition of an asset and a liability are equal. The comparison period has been adjusted accordingly. The amendment has no effect on Finnair's consolidated balance sheet, as deferred tax assets and liabilities can be netted.

Finnair's taxable result turned profitable in year 2023 and a part of tax losses for 2020–2021 were utilized. Finnair's management is continuously monitoring the probability of utilizing deferred tax assets and considers both positive and negative evidence in the assessment. Based on the criteria outlined in IAS 12 and the management's assessment of the Finnair Group's forecasted future profits and performance, in the financial year 2023 Finnair fully re-recognized to its balance sheet a deferred tax assets of 117 million euros, which was written down in the financial year 2022. In addition, to the extent that the positive evidence supported, a deferred tax asset of 28 million euros was recognized for part of the tax losses accumulated during 2022. The management has concluded at the time of the preparation of the consolidated financial statements, that Finnair's successful implementation of its renewed strategy and the re-established pattern of profitability as well as the management forecast of future taxable profit provide positive evidence about its ability to utilize the unused tax losses and other deductible temporary differences.



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**Changes in deferred taxes during 2022:**

| EUR mill.                                   | 2021         | Recognised<br>in the income<br>statement | Recognised in<br>shareholders'<br>equity | 2022         |
|---------------------------------------------|--------------|------------------------------------------|------------------------------------------|--------------|
| Deferred tax assets                         |              |                                          |                                          |              |
| Confirmed losses                            | 216.6        | -122.8                                   | -                                        | 93.7         |
| Property, plant and equipment**             | 66.5         | -6.1                                     | -                                        | 60.4         |
| Leases**                                    | 279.2        | -                                        | -                                        | 279.2        |
| Valuation of derivatives at fair value      | 0.9          | -                                        | -0.9                                     | -            |
| Other temporary differences                 | 16.2         | -3.3                                     | 4.1                                      | 16.9         |
| <b>Total</b>                                | <b>579.2</b> | <b>-132.3</b>                            | <b>3.2</b>                               | <b>450.2</b> |
| Netted from deferred tax liabilities        | -387.4       | 26.9                                     | -9.1                                     | -369.6       |
| <b>Deferred tax assets in balance sheet</b> | <b>191.9</b> | <b>-105.4</b>                            | <b>-5.8</b>                              | <b>80.6</b>  |

| EUR mill.                                        | 2021          | Recognised<br>in the income<br>statement | Recognised in<br>shareholders'<br>equity | 2022          |
|--------------------------------------------------|---------------|------------------------------------------|------------------------------------------|---------------|
| Deferred tax liabilities                         |               |                                          |                                          |               |
| Defined benefit pension plans                    | -16.1         | 2.2                                      | -10.0                                    | -24.0         |
| Property, plant and equipment**                  | -134.0        | 24.7                                     | -                                        | -109.2        |
| Leases**                                         | -236.4        | 0.0                                      | -                                        | -236.4        |
| Valuation of derivatives at fair value           | -0.9          | -                                        | 0.9                                      | -             |
| <b>Total</b>                                     | <b>-387.4</b> | <b>26.9</b>                              | <b>-9.1</b>                              | <b>-369.6</b> |
| Netted from deferred tax assets                  | 387.4         | -26.9                                    | 9.1                                      | 369.6         |
| <b>Deferred tax liabilities in balance sheet</b> | <b>-</b>      | <b>-</b>                                 | <b>-</b>                                 | <b>-</b>      |

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

**Unrecognized deferred taxes:**

| EUR mill.                                                                    | 2023           |                 |             | 2022           |                 |              |
|------------------------------------------------------------------------------|----------------|-----------------|-------------|----------------|-----------------|--------------|
|                                                                              | Expiry<br>year | Gross<br>amount | Tax effect  | Expiry<br>year | Gross<br>amount | Tax effect   |
| Tax losses                                                                   | 2032           | 31.1            | 6.2         | 2030–2032      | 754.4           | 150.9        |
| Leases                                                                       | -              | -               | -           | No expiry      | 64.1            | 12.8         |
| Interest expenses under<br>the limitation of the right to<br>deduct interest | No expiry      | 73.1            | 14.6        | No expiry      | 56.7            | 11.3         |
| Valuation of derivatives at<br>fair value                                    | -              | -               | -           | No expiry      | 13.5            | 2.7          |
| Other temporary<br>differences                                               | -              | -               | -           | No expiry      | 5.4             | 1.1          |
| <b>Total</b>                                                                 | <b>-</b>       | <b>104.2</b>    | <b>20.8</b> | <b>-</b>       | <b>894.1</b>    | <b>178.8</b> |

The deferred tax asset is recognized up to the amount where it is probable that future taxable income will be generated against which the temporary difference can be utilized, also taking into account the tax planning methods available to Finnair relating to accumulated tax depreciations. The management's assessment of the

future taxable profit is based on the latest forecast approved by the Board of Directors in connection with the financial statements. The statutory period of limitation relating to confirmed losses is 10 years and the respective deferred tax currently recognized in the balance sheet are expiring in 2030–2032.

## 5.2 Disputes and litigation

Finnair reports only cases of which the interest is material and that are not insured. As of 31 December 2023 there were no such disputes pending.

## 5.3 Events after the closing date

There were no events after the closing date that would have a material financial impact.



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## 6 Parent company financial statements

### Finnair Plc income statement

| EUR mill.                                          | Note | 2023           | 2022           |
|----------------------------------------------------|------|----------------|----------------|
| <b>Revenue</b>                                     | 6.2  | <b>2,830.0</b> | <b>2,241.4</b> |
| Other operating income                             | 6.3  | 131.3          | 159.6          |
| <b>Operating income</b>                            |      | <b>2,961.3</b> | <b>2,401.0</b> |
| Materials and services                             | 6.4  | 1,573.3        | 1,423.9        |
| Staff expenses                                     | 6.5  | 343.9          | 308.6          |
| Depreciation and reduction in value                | 6.6  | 10.9           | 13.1           |
| Other operating expenses                           | 6.7  | 1,045.0        | 972.6          |
| <b>Operating expenses</b>                          |      | <b>2,973.0</b> | <b>2,718.2</b> |
| <b>Operating profit/loss</b>                       |      | <b>-11.7</b>   | <b>-317.2</b>  |
| Financial income and expenses                      | 6.8  | -41.6          | -44.0          |
| <b>Profit/loss before appropriations and taxes</b> |      | <b>-53.3</b>   | <b>-361.1</b>  |
| Appropriations                                     | 6.9  | 165.0          | 127.9          |
| Income taxes                                       | 6.10 | 119.7          | -117.0         |
| <b>Profit/loss for the financial year</b>          |      | <b>231.5</b>   | <b>-350.2</b>  |

### Finnair Plc balance sheet

| EUR mill.                                    | Note | 2023           | 2022           |
|----------------------------------------------|------|----------------|----------------|
| <b>ASSETS</b>                                |      |                |                |
| <b>Non-current assets</b>                    |      |                |                |
| Intangible assets                            | 6.11 | 16.5           | 20.8           |
| Tangible assets                              | 6.12 | 81.1           | 84.1           |
| <b>Investments</b>                           |      |                |                |
| Holdings in group undertakings               |      | 649.4          | 649.4          |
| Participating interests                      |      | 0.0            | 0.0            |
| Other shares and similar rights of ownership |      | 0.4            | 0.4            |
| Loan and other receivables                   | 6.14 | 2.4            | 2.5            |
| <b>Total investments</b>                     | 6.13 | <b>652.2</b>   | <b>652.3</b>   |
| Deferred tax assets                          | 6.15 | 237.1          | 104.0          |
| <b>Total non-current assets</b>              |      | <b>986.9</b>   | <b>861.1</b>   |
| <b>Current assets</b>                        |      |                |                |
| Current receivables                          | 6.16 | 783.4          | 622.7          |
| Marketable securities                        | 6.17 | 776.8          | 738.6          |
| Cash and bank equivalents                    | 6.18 | 144.3          | 784.7          |
| <b>Total current assets</b>                  |      | <b>1,704.5</b> | <b>2,146.1</b> |
| <b>TOTAL ASSETS</b>                          |      | <b>2,691.4</b> | <b>3,007.2</b> |
| <b>EQUITY AND LIABILITIES</b>                |      |                |                |
| <b>Equity</b>                                |      |                |                |
| Share capital                                |      | 75.4           | 75.4           |
| Share premium account                        |      | 24.7           | 24.7           |
| Other reserves                               |      |                |                |
| Unrestricted equity funds                    |      | 1,344.4        | 772.9          |
| Legal reserve                                |      | 147.7          | 147.7          |
| Hedging reserve                              |      | -14.7          | -9.9           |
| Retained earnings                            |      | -1,088.0       | -698.7         |
| Capital loan                                 |      | -              | 400.0          |
| Profit/loss for the financial year           |      | 231.5          | -350.2         |
| <b>Total equity</b>                          | 6.19 | <b>721.0</b>   | <b>361.9</b>   |
| Accumulated appropriations                   | 6.20 | 17.0           | 18.2           |
| Provisions                                   | 6.21 | 143.7          | 235.8          |
| <b>Liabilities</b>                           |      |                |                |
| Non-current liabilities                      | 6.22 | 587.7          | 1,004.3        |
| Current liabilities                          | 6.23 | 1,222.0        | 1,387.0        |
| <b>Total liabilities</b>                     |      | <b>1,809.6</b> | <b>2,391.2</b> |
| <b>Equity and liabilities total</b>          |      | <b>2,691.4</b> | <b>3,007.2</b> |



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Finnair Plc cash flow statement

| EUR mill.                                     | 2023          | 2022           |
|-----------------------------------------------|---------------|----------------|
| <b>Cash flow from operating activities</b>    |               |                |
| Result before appropriations                  | -53.3         | -361.1         |
| Depreciation                                  | 10.9          | 13.1           |
| Other non-cash transactions                   | -98.0         | 49.6           |
| Financial income and expenses                 | 41.6          | 44.0           |
| Changes in working capital                    | 114.7         | 161.5          |
| Interest and other financial expenses paid    | -88.0         | -76.2          |
| Received interest and other financial income  | 52.2          | 13.8           |
| <b>Cash flow from operating activities</b>    | <b>-19.8</b>  | <b>-155.4</b>  |
| <b>Cash flow from investing activities</b>    |               |                |
| Investments in intangible and tangible assets | -3.6          | -2.1           |
| Proceeds from sales of tangible assets        | 0.0           | 0.0            |
| Change in loan and other receivables          | -84.0         | 3.1            |
| Received dividends                            | 0.0           | 0.0            |
| <b>Cash flow from investing activities</b>    | <b>-87.7</b>  | <b>1.0</b>     |
| <b>Cash flow from financing activities</b>    |               |                |
| Loan repayments and changes                   | -742.9        | -232.1         |
| Proceed from share issues*                    | 570.4         | -              |
| Proceeds from capital loan                    | -             | 400.0          |
| Repayment of capital loan*                    | -400.0        | -              |
| Capital loan interests and expenses           | -48.9         | -              |
| Received and given group contributions        | 126.6         | 244.3          |
| <b>Cash flow from financing activities</b>    | <b>-494.8</b> | <b>412.2</b>   |
| <b>Change in cash flows</b>                   | <b>-602.3</b> | <b>257.9</b>   |
| <b>Change in liquid funds</b>                 |               |                |
| Liquid funds, at beginning                    | 1,523.4       | 1,265.5        |
| Change in cash flows                          | -602.3        | 257.9          |
| <b>Liquid funds, at end</b>                   | <b>921.1</b>  | <b>1,523.4</b> |

\* The participation of the State of Finland to the rights issue was paid by offsetting the aggregate subscription price against a corresponding amount of the principal of the capital loan. The overall offset amount was 318.6 million euros and net proceeds from the rights issue amounted to 251.8 million euros. After the completion of the rights issue Finnair repaid the remainder of the capital loan of approximately 81.4 million euros, to the State of Finland.

Notes to Finnair Plc financial statements

6.1 Accounting principles

General

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

Foreign currency items

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

Derivative contracts

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

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

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

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

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



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

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

Financial assets and liabilities

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

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

Fixed assets and depreciation

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

Research and development costs

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

Leasing

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

Appropriations

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

Income taxes

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

The deferred tax receivable or liability is calculated for the temporary differences between taxation and the financial statements using the tax rate confirmed on the closing date. The balance sheet includes the deferred tax receivable or liability at the amount of the estimated likely receivable.

Pension schemes

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

Provisions

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

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

6.2 Revenue by business area

| EUR mill.                                                                      | 2023    | 2022    |
|--------------------------------------------------------------------------------|---------|---------|
| Revenue by division                                                            |         |         |
|                                                                                | 2,830.0 | 2,241.4 |
| Passenger revenue                                                              | 2,511.9 | 1,786.0 |
| Ancillary services                                                             | 126.4   | 103.0   |
| Cargo revenue                                                                  | 191.8   | 352.4   |
|                                                                                |         |         |
| Distribution of turnover by market areas based on flight routes, % of turnover |         |         |
| Finland                                                                        | 6%      | 6%      |
| Europe                                                                         | 42%     | 45%     |
| Middle East                                                                    | 7%      | 2%      |
| Asia                                                                           | 33%     | 30%     |
| North Atlantic                                                                 | 9%      | 15%     |
| Unallocated                                                                    | 2%      | 3%      |
| Total                                                                          | 100%    | 100%    |

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.

6.3 Other operating income

| EUR mill.             | 2023  | 2022  |
|-----------------------|-------|-------|
| Aircraft lease income | 81.0  | 105.4 |
| Other rental income   | 24.4  | 22.0  |
| Other income          | 25.9  | 32.1  |
| Total                 | 131.3 | 159.6 |



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## 6.4 Materials and services

| EUR mill.                             | 2023           | 2022           |
|---------------------------------------|----------------|----------------|
| Materials and supplies                |                |                |
| Ground handling and catering expenses | 280.1          | 220.8          |
| Fuel costs                            | 899.6          | 836.0          |
| Aircraft materials and overhaul       | 275.0          | 266.3          |
| IT expenses                           | 17.2           | 14.2           |
| Other items                           | 101.4          | 86.7           |
| <b>Total</b>                          | <b>1,573.3</b> | <b>1,423.9</b> |

## 6.5 Staff costs

| EUR mill.                                                                                  | 2023         | 2022         |
|--------------------------------------------------------------------------------------------|--------------|--------------|
| Wages and salaries                                                                         | 280.8        | 236.3        |
| Pension expenses                                                                           | 50.8         | 45.9         |
| Other social expenses                                                                      | 12.2         | 26.4         |
| <b>Total</b>                                                                               | <b>343.9</b> | <b>308.6</b> |
| Salary and bonus expenses of Chief Executive Officer and Members of the Board of Directors |              |              |
| Chief Executive Officer and his deputy                                                     | 2.1          | 1.2          |
| Board of Directors                                                                         | 0.4          | 0.4          |
| Personnel on average                                                                       | 3,801        | 3,979        |

## 6.6 Planned depreciation and amortisation

| EUR mill.                      | 2023        | 2022        |
|--------------------------------|-------------|-------------|
| On other long-term expenditure | 6.3         | 8.5         |
| On buildings                   | 1.2         | 1.2         |
| On other equipment             | 3.4         | 3.3         |
| <b>Total</b>                   | <b>10.9</b> | <b>13.1</b> |

## 6.7 Other operating expenses

| EUR mill.                         | 2023           | 2022         |
|-----------------------------------|----------------|--------------|
| Lease payments for aircraft       | 431.4          | 407.9        |
| Other rents for aircraft capacity | 106.7          | 102.4        |
| Office and other rents            | 46.3           | 34.1         |
| Traffic charges                   | 233.8          | 206.5        |
| Sales and marketing expenses      | 111.3          | 95.6         |
| Other expenses                    | 115.4          | 126.2        |
| <b>Total</b>                      | <b>1,045.0</b> | <b>972.6</b> |

## Audit fees in other expenses

| EUR mill.                     | 2023        | 2022        |
|-------------------------------|-------------|-------------|
| Authorised Public Accountants | <b>KPMG</b> | <b>KPMG</b> |
| Auditor's fees                | 0.4         | 0.3         |
| Tax advising                  | -           | 0.0         |
| Other fees                    | 0.2         | 0.2         |
| <b>Total</b>                  | <b>0.7</b>  | <b>0.5</b>  |

## 6.8 Financial income and expenses

| EUR mill.                                              | 2023         | 2022         |
|--------------------------------------------------------|--------------|--------------|
| Dividend income                                        |              |              |
| From other companies                                   | 0.0          | 0.0          |
| <b>Total</b>                                           | <b>0.0</b>   | <b>0.0</b>   |
| Interest income                                        |              |              |
| From group companies                                   | 16.3         | 8.9          |
| From other companies                                   |              |              |
| Net gains on debt instruments held mandatorily at FVPL | 36.3         | 3.7          |
| Other interest income                                  | 16.4         | 2.7          |
| <b>Total</b>                                           | <b>69.0</b>  | <b>15.3</b>  |
| Interest expenses                                      |              |              |
| To group companies                                     | -6.5         | -            |
| To other companies                                     | -57.5        | -54.8        |
| <b>Total</b>                                           | <b>-64.0</b> | <b>-54.8</b> |
| Other financial income                                 |              |              |
| Other                                                  | 3.3          | -            |
| <b>Total</b>                                           | <b>3.3</b>   | <b>-</b>     |
| Other financial expenses                               |              |              |
| Revaluation of shares                                  | -            | 4.1          |
| Other                                                  | -32.3        | -28.1        |
| <b>Total</b>                                           | <b>-32.3</b> | <b>-23.9</b> |
| Exchange gains and losses                              | -17.6        | 19.5         |
| <b>Financial income and expenses total</b>             | <b>-41.6</b> | <b>-44.0</b> |



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6.9 Appropriations

| EUR mill.                         | 2023         | 2022         |
|-----------------------------------|--------------|--------------|
| Change in depreciation difference | 1.2          | 1.2          |
| Received group contribution       | 163.8        | 126.6        |
| <b>Total</b>                      | <b>165.0</b> | <b>127.9</b> |

The group contributions received in 2023 relate to 121,9 million euro received from Finnair Aircraft Finance Oy, 18.6 million euro from Oy Aurinkomatkat – Suntours Lth Ab, 9.2 million euro from Finnair Kitchen Oy, 8.8 million euro from Finnair Technical Services Oy, 2.9 million euro Finnair Cargo Oy, 1.7 million euro from Amadeus Finland Oy, 0.4 million euro from Finnair Engine Services Oy, 0.2 million euro from Northport Oy and 0.1 million euro from FTS Financial Services Oy.

6.10 Income taxes

| EUR mill.                         | 2023         | 2022          |
|-----------------------------------|--------------|---------------|
| Income tax for the financial year | -17.0        | -             |
| Change in deferred taxes          | 136.8        | -117.0        |
| <b>Total</b>                      | <b>119.7</b> | <b>-117.0</b> |

6.11 Intangible assets

| EUR mill.                                   | 2023         | 2022         |
|---------------------------------------------|--------------|--------------|
| <b>Other long-term expenditure</b>          |              |              |
| Acquisition cost 1 January                  | 79.1         | 84.9         |
| Additions                                   | 2.0          | 2.2          |
| Disposals                                   | -9.2         | -7.9         |
| <b>Acquisition cost 31 December</b>         | <b>71.9</b>  | <b>79.1</b>  |
|                                             |              |              |
| Accumulated depreciation 1 January          | -58.4        | -57.7        |
| Disposals                                   | 9.2          | 7.8          |
| Depreciation and reduction in value         | -6.2         | -8.4         |
| <b>Accumulated depreciation 31 December</b> | <b>-55.4</b> | <b>-58.4</b> |
|                                             |              |              |
| <b>Book value 31 December</b>               | <b>16.5</b>  | <b>20.8</b>  |
|                                             |              |              |
| <b>Intangible assets Total 31 December</b>  | <b>16.5</b>  | <b>20.8</b>  |

6.12 Tangible assets

Tangible assets 31.12.2023

| EUR mill.                                                                                  | Land       | Buildings   | Other equipment | Advances paid | Total        |
|--------------------------------------------------------------------------------------------|------------|-------------|-----------------|---------------|--------------|
| Acquisition cost 1 January                                                                 | 0.7        | 54.2        | 60.2            | 0.3           | 115.4        |
| Additions                                                                                  | -          | -           | 1.1             | 0.8           | 1.8          |
| Disposals                                                                                  | -          | -           | -0.4            | -0.2          | -0.6         |
| <b>Acquisition cost 31 December</b>                                                        | <b>0.7</b> | <b>54.2</b> | <b>60.8</b>     | <b>0.9</b>    | <b>116.6</b> |
|                                                                                            |            |             |                 |               |              |
| Accumulated depreciation 1 January                                                         | -          | -7.9        | -23.5           | -             | -31.4        |
| Disposals                                                                                  | -          | -           | 0.3             | -             | 0.3          |
| Depreciation and reduction in value                                                        | -          | -1.2        | -3.3            | -             | -4.5         |
| <b>Accumulated depreciation 31 December</b>                                                | <b>-</b>   | <b>-9.1</b> | <b>-26.4</b>    | <b>-</b>      | <b>-35.5</b> |
|                                                                                            |            |             |                 |               |              |
| <b>Book value 31 December</b>                                                              | <b>0.7</b> | <b>45.1</b> | <b>34.3</b>     | <b>0.9</b>    | <b>81.1</b>  |
|                                                                                            |            |             |                 |               |              |
| The share of machines and equipment<br>in the book value of tangible assets 31<br>December |            |             | 40.7%           |               |              |

Tangible assets 31.12.2022

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

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## 6.13 Investments

| EUR mill.                            | 2023         | 2022         |
|--------------------------------------|--------------|--------------|
| <b>Group companies</b>               |              |              |
| Acquisition cost 1 January           | 649.4        | 653.6        |
| Revaluation of shares                | -            | -4.1         |
| <b>Book value 31 December</b>        | <b>649.4</b> | <b>649.4</b> |
| <b>Associates and joint ventures</b> |              |              |
| Acquisition cost 1 January           | 0.0          | 0.0          |
| <b>Book value 31 December</b>        | <b>0.0</b>   | <b>0.0</b>   |
| <b>Shares in other companies</b>     |              |              |
| Acquisition cost 1 January           | 0.4          | 0.4          |
| Additions                            | -0.0         | 0.0          |
| <b>Book value 31 December</b>        | <b>0.4</b>   | <b>0.4</b>   |

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

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

## 6.14 Non-current loan and other receivables

| EUR mill.            | 2023       | 2022       |
|----------------------|------------|------------|
| From other companies | 2.4        | 2.5        |
| <b>Total</b>         | <b>2.4</b> | <b>2.5</b> |

## 6.15 Deferred tax assets

| EUR mill.                                         | 2023         | 2022         |
|---------------------------------------------------|--------------|--------------|
| Deferred tax assets 1 January                     | 104.0        | 220.0        |
| From result for the financial year                | -17.0        | -            |
| From temporary differences                        | 4.6          | -            |
| From valuation of derivatives at fair value       | 3.7          | 0.9          |
| Adjustments recognised for taxes of prior periods | 141.9        | -117.0       |
| <b>Deferred tax assets 31 December</b>            | <b>237.1</b> | <b>104.0</b> |

The taxable result of Finnair Plc turned profitable in year 2023 and a part of tax losses for 2020–2021 were utilized. Finnair’s management is continuously monitoring the probability of utilizing deferred tax assets and considers both positive and negative evidence in the assessment. In the financial year 2023 Finnair fully re-recognized to its balance sheet a deferred tax assets of 117.0 million euros, which was written down in the financial year 2022. In addition, to the extent that the positive evidence supported, a deferred tax asset of 26.0 million euros was recognized for part of the tax losses accumulated during 2022. The management has concluded at the time of the preparation of financial statements, that Finnair’s successful implementation of its renewed strategy and the re-established pattern of profitability as well as the management forecast of future taxable profit provide positive evidence about its ability to utilize the unused tax losses and other deductible temporary differences.

Finnair Plc has not recognised a deferred tax asset of 7.8 million euros for the share of 38.9 million euros of the confirmed tax loss for the financial year 2022, which expires in 2032. In addition, a deferred tax asset of 13.4 million euros related to interest expenses of 67.1 million euros that are subject to the limitation of the right to deduct interest expenses, and which do not have a limitation period have not been recognised.



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## 6.16 Current receivables

| EUR mill.                                                 | 2023         | 2022         |
|-----------------------------------------------------------|--------------|--------------|
| Short-term receivables from group companies               |              |              |
| Trade receivables                                         | 22.4         | 18.4         |
| Group contribution receivable                             | 163.8        | 126.6        |
| Accrued income and prepaid expenses                       | 2.7          | 2.8          |
| Other receivables                                         | 334.6        | 245.6        |
| <b>Total</b>                                              | <b>523.5</b> | <b>393.4</b> |
| Short-term receivables from associates and joint ventures |              |              |
| Trade receivables                                         | -            | 0.0          |
| Prepaid expenses                                          | 6.7          | 6.5          |
| <b>Total</b>                                              | <b>6.7</b>   | <b>6.5</b>   |
| Short-term receivables from others                        |              |              |
| Trade receivables                                         | 91.0         | 85.8         |
| Prepaid expenses                                          | 84.6         | 62.9         |
| Derivative financial instruments                          | 11.5         | 9.6          |
| Other receivables                                         | 66.1         | 64.6         |
| <b>Total</b>                                              | <b>253.2</b> | <b>222.9</b> |
| <b>Short-term receivables total</b>                       | <b>783.4</b> | <b>622.7</b> |

|                                                   | 2023         | 2022         |
|---------------------------------------------------|--------------|--------------|
| Accrued income and prepaid expenses               |              |              |
| Group contribution                                | 163.8        | 126.6        |
| Sales accruals                                    | 55.8         | 41.4         |
| Employee related deferred charges and receivables | 2.2          | 0.9          |
| Other prepaid expenses                            | 36.0         | 29.9         |
| <b>Prepaid expenses total</b>                     | <b>257.8</b> | <b>198.8</b> |

## 6.17 Investments

| EUR mill.                            | 2023  | 2022  |
|--------------------------------------|-------|-------|
| Short-term investments at fair value | 776.8 | 738.6 |

## 6.18 Cash and bank equivalents

| EUR mill.                                                          | 2023  | 2022  |
|--------------------------------------------------------------------|-------|-------|
| Funds in group bank accounts and deposits maturing in three months | 144.3 | 784.7 |

## 6.19 Shareholder's equity

| EUR mill.                                  | Share capital | Share premium account | Legal reserve | Hedging reserve | Un-restricted equity funds | Retained earnings | Capital loan | Equity total |
|--------------------------------------------|---------------|-----------------------|---------------|-----------------|----------------------------|-------------------|--------------|--------------|
| <b>Equity 1.1.2023</b>                     | <b>75.4</b>   | <b>24.7</b>           | <b>147.7</b>  | <b>-9.9</b>     | <b>772.9</b>               | <b>-1,048.9</b>   | <b>400.0</b> | <b>361.9</b> |
| Change in fair value of equity instruments | -             | -                     | -             | -4.8            | -                          | -                 | -            | -4.8         |
| Share issue                                | -             | -                     | -             | -               | 570.4                      | -                 | -            | 570.4        |
| Share-based payments                       | -             | -                     | -             | -               | 1.1                        | -                 | -            | 1.1          |
| Repayment of capital loan                  | -             | -                     | -             | -               | -                          | -                 | -400.0       | -400.0       |
| Capital loan interests and fees            | -             | -                     | -             | -               | -                          | -39.1             | -            | -39.1        |
| Result for the financial year              | -             | -                     | -             | -               | -                          | 231.5             | -            | 231.5        |
| <b>Equity 31.12.2023</b>                   | <b>75.4</b>   | <b>24.7</b>           | <b>147.7</b>  | <b>-14.7</b>    | <b>1,344.4</b>             | <b>-856.5</b>     | <b>0.0</b>   | <b>721.0</b> |

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

|                                                                                                                                                                                                                                                                           |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Consolidated income statement                                                                                                                                                                                                                                             |  |
| Consolidated statement of comprehensive income                                                                                                                                                                                                                            |  |
| Consolidated balance sheet                                                                                                                                                                                                                                                |  |
| Consolidated cash flow statement                                                                                                                                                                                                                                          |  |
| Consolidated statement of changes in equity                                                                                                                                                                                                                               |  |
| <ul style="list-style-type: none"> <li>Notes to the consolidated financial statements</li> </ul>                                                                                                                                                                          |  |
| <ol style="list-style-type: none"> <li>Operating result</li> <li>Fleet and other fixed assets and leasing arrangements</li> <li>Capital structure and financing costs</li> <li>Consolidation</li> <li>Other notes</li> <li>Parent company financial statements</li> </ol> |  |
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| Distributable equity               |              |               |
|------------------------------------|--------------|---------------|
| EUR mill.                          | 2023         | 2022          |
| Hedging reserve                    | -14.7        | -9.9          |
| Unrestricted equity funds          | 1,344.4      | 772.9         |
| Retained earnings                  | -1,088.0     | -698.7        |
| Received grants                    | -            | -6.0          |
| Profit/loss for the financial year | 231.5        | -350.2        |
| <b>Total</b>                       | <b>473.1</b> | <b>-291.9</b> |

During third quarter of 2023, Finnair organised a rights issue to strenghten its financial position. The aim of the rights issue was reducing Finnair's financing costs, supporting the implementation of the strategy for sustainable profitable growth in the new operating environment shaped by the COVID-19 pandemic and the closure of Russian airspace and ensuring the Company's ability for future investments. Through the rights issue Finnair also seeked to reinstate its ability for shareholder distributions.

According to the final results of the rights issue, a total of 19,038,769,224 new shares were subscribed for in the offering, corresponding to approximately 100.14 per cent of the offer shares, and thus, the offering was oversubscribed. A total of 18,102,803,535 offer shares were subscribed for pursuant to the exercise of subscription rights. The remaining 909,609,534 offer shares subscribed for without subscription rights were allocated in the secondary subscription in accordance with the terms and conditions of the offering. The subscription price was EUR 0.03 per Offer Share. Gross proceeds of the rights issue were approximately 570.4 million euro, and net proceeds of the rights issue were approximately 558.2 million euro. Gross and net proceeds include the 318.6 million euro pro rata subscription by the State of Finland through the offset of a corresponding amount of the capital loan, granted to Finnair by the State of Finland, which did not generate any proceeds in cash to Finnair. Share and dividends information is available in Financial statements in group note 3.9.

## 6.20 Accumulated appropriations

| EUR mill.                                              | 2023        | 2022        |
|--------------------------------------------------------|-------------|-------------|
| Accumulated depreciation difference 1 January          | 18.2        | 19.5        |
| Change in depreciation difference                      | -1.2        | -1.2        |
| <b>Accumulated depreciation difference 31 December</b> | <b>17.0</b> | <b>18.2</b> |
|                                                        |             |             |
| <b>Accumulated appropriations total</b>                | <b>17.0</b> | <b>18.2</b> |

## 6.21 Provisions

| EUR mill.                     | 2023         | 2022         |
|-------------------------------|--------------|--------------|
| Provisions 1 January          | 235.8        | 182.4        |
| Provision for the period      | 58.5         | 67.0         |
| Provision used                | -143.5       | -22.5        |
| Exchange rate differences     | -7.1         | 8.8          |
| <b>Provisions 31 December</b> | <b>143.7</b> | <b>235.8</b> |
| Of which long-term            | 113.9        | 164.3        |
| Of which short-term           | 29.8         | 71.5         |
| <b>Total</b>                  | <b>143.7</b> | <b>235.8</b> |

Provisions contain mostly aircraft maintenance provisions. Long-term aircraft maintenance provisions are expected to be used by 2035.

## 6.22 Non-current liabilities

| EUR mill.                                | 2023         | 2022           |
|------------------------------------------|--------------|----------------|
| Loans from financial institutions        | 200.0        | 400.0          |
| Bonds                                    | 382.5        | 400.0          |
| Hybrid loan                              | -            | 200.0          |
| Other liabilities                        | 5.2          | 4.3            |
| <b>Total</b>                             | <b>587.7</b> | <b>1,004.3</b> |
|                                          |              |                |
| Maturity of interest-bearing liabilities |              |                |
| 1–5 years                                | 582.5        | 800.0          |
| after 5 years                            | -            | 200.0          |
| <b>Total</b>                             | <b>582.5</b> | <b>1,000.0</b> |

## 6.23 Current liabilities

| EUR mill.                                            | 2023           | 2022           |
|------------------------------------------------------|----------------|----------------|
| Current liabilities to group companies               |                |                |
| Trade payables                                       | 114.8          | 51.1           |
| Accruals and deferred income                         | 18.3           | 13.8           |
| Group bank account liabilities                       | 166.3          | 371.7          |
| <b>Total</b>                                         | <b>299.4</b>   | <b>436.6</b>   |
|                                                      |                |                |
| Current liabilities to associates and joint ventures |                |                |
| Trade payables                                       | 0.3            | 0.1            |
| Accruals and deferred income                         | 1.0            | 1.0            |
| <b>Total</b>                                         | <b>1.3</b>     | <b>1.1</b>     |
|                                                      |                |                |
| Current liabilities to others                        |                |                |
| Loans from financial institutions                    | 80.0           | 200.0          |
| Trade payables                                       | 91.8           | 79.7           |
| Accruals and deferred income                         | 739.4          | 661.5          |
| Other liabilities                                    | 10.0           | 8.2            |
| <b>Total</b>                                         | <b>921.2</b>   | <b>949.3</b>   |
|                                                      |                |                |
| <b>Current liabilities total</b>                     | <b>1,222.0</b> | <b>1,387.0</b> |
|                                                      |                |                |
| Accruals and deferred income                         |                |                |
| Unflown air transport revenues                       | 394.5          | 356.2          |
| Jet fuels and traffic charges                        | 50.4           | 50.9           |
| Holiday payment liability                            | 60.9           | 56.0           |
| Other employee related accrued expenses              | 29.8           | 34.2           |
| Loyalty program Finnair Plus                         | 67.0           | 51.5           |
| Derivative financial instruments                     | 32.9           | 21.5           |
| Accrued other charges                                | 94.7           | 78.0           |
| Other items                                          | 28.5           | 27.9           |
| <b>Total</b>                                         | <b>758.7</b>   | <b>676.2</b>   |



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## 6.24 Collateral, contingent liabilities and other commitments

| EUR mill.                                                                     | 2023           | 2022           |
|-------------------------------------------------------------------------------|----------------|----------------|
| Guarantees and contingent liabilities                                         |                |                |
| On behalf of group companies                                                  | 51.5           | 52.5           |
| <b>Total</b>                                                                  | <b>51.5</b>    | <b>52.5</b>    |
| Aircraft lease payments                                                       |                |                |
| Within one year                                                               | 412.9          | 379.9          |
| After one year and not later than 5 years                                     | 1,169.5        | 1,117.7        |
| Later than 5 years                                                            | 527.9          | 517.7          |
| <b>Total</b>                                                                  | <b>2,110.3</b> | <b>2,015.3</b> |
| Parent company has leased the aircraft fleet from the fully owned subsidiary. |                |                |
| Other lease payments                                                          |                |                |
| Within one year                                                               | 16.2           | 26.3           |
| After one year and not later than 5 years                                     | 86.9           | 65.0           |
| Later than 5 years                                                            | 174.5          | 158.7          |
| <b>Total</b>                                                                  | <b>277.6</b>   | <b>250.0</b>   |
| Pension obligations                                                           |                |                |
| Total obligation of pension fund                                              | 301.4          | 321.3          |
| Non-mandatory benefit covered                                                 | -301.4         | -321.3         |
| <b>Total</b>                                                                  | <b>-</b>       | <b>-</b>       |
| Capital loan                                                                  |                |                |
| Accrued interest from capital loan                                            | -              | 9.1            |
| Other accrued fees from capital loan                                          | -              | 6.9            |
| <b>Total</b>                                                                  | <b>-</b>       | <b>16.0</b>    |

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

In Finnair's rights offering of approximately 558 million euros executed in November 2023, the State of Finland subscribed for its pro rata share of the new shares on the basis of subscription rights allocated to it. The State of Finland paid the subscription price of the shares by offsetting it against a corresponding amount of the principal of the capital loan. This totaled 318.6 million euros. Finnair repaid the remainder of the capital loan, i.e. 81.4 million euros, on 24 November 2023 to the State of Finland. In addition, Finnair paid the related interest and other fees of 48.9 million euros to the State.

## 6.25 Derivatives

| EUR mill.                                         | 2023           |                      |                      |                | 2022           |                      |                      |                |
|---------------------------------------------------|----------------|----------------------|----------------------|----------------|----------------|----------------------|----------------------|----------------|
|                                                   | Nominal value  | Positive fair values | Negative fair values | Fair net value | Nominal value  | Positive fair values | Negative fair values | Fair net value |
| <b>Currency derivatives</b>                       |                |                      |                      |                |                |                      |                      |                |
| Jet fuel currency hedging                         |                |                      |                      |                |                |                      |                      |                |
| Operational cash flow hedging (forward contracts) | 389.7          | 2.0                  | -5.5                 | -3.5           | 284.7          | 0.1                  | -7.4                 | -7.3           |
| Operational cash flow hedging, bought options     | 53.3           | 0.0                  | -                    | 0.0            | -              | -                    | -                    | -              |
| Operational cash flow hedging, sold options       | 48.9           | -                    | -0.6                 | -0.6           | -              | -                    | -                    | -              |
| <b>Hedge accounting items total</b>               | <b>491.8</b>   | <b>2.0</b>           | <b>-6.1</b>          | <b>-4.1</b>    | <b>284.7</b>   | <b>0.1</b>           | <b>-7.4</b>          | <b>-7.3</b>    |
| <b>Currency derivatives total</b>                 | <b>491.8</b>   | <b>2.0</b>           | <b>-6.1</b>          | <b>-4.1</b>    | <b>284.7</b>   | <b>0.1</b>           | <b>-7.4</b>          | <b>-7.3</b>    |
| <b>Commodity derivatives</b>                      |                |                      |                      |                |                |                      |                      |                |
| Jet fuel forward contracts, tonnes                | 422,000        | 5.3                  | -14.9                | -9.6           | 209,000        | 3.4                  | -6.0                 | -2.5           |
| Bought options, jet fuel, tonnes                  | 255,000        | 2.6                  | -                    | 2.6            | 149,000        | 4.9                  | -0.2                 | 4.8            |
| Sold options, jet fuel, tonnes                    | 255,000        | -                    | -12.0                | -12.0          | 149,000        | 0.2                  | -7.9                 | -7.8           |
| <b>Hedge accounting items total</b>               |                | <b>7.9</b>           | <b>-26.8</b>         | <b>-18.9</b>   |                | <b>8.6</b>           | <b>-14.1</b>         | <b>-5.6</b>    |
| Jet fuel forward contracts, tonnes                |                |                      |                      |                |                |                      |                      |                |
| Bought options, jet fuel, tonnes                  | 187,000        | 1.6                  | -                    | 1.6            | 149,000        | 0.9                  | -                    | 0.9            |
| <b>Items outside hedge accounting total</b>       | <b>187,000</b> | <b>1.6</b>           | <b>-</b>             | <b>1.6</b>     | <b>149,000</b> | <b>0.9</b>           | <b>-</b>             | <b>0.9</b>     |
| <b>Commodity derivatives total</b>                |                | <b>9.5</b>           | <b>-26.8</b>         | <b>-17.4</b>   |                | <b>9.5</b>           | <b>-14.1</b>         | <b>-4.6</b>    |
| <b>Derivatives total*</b>                         |                | <b>11.5</b>          | <b>-32.9</b>         | <b>-21.4</b>   |                | <b>9.6</b>           | <b>-21.5</b>         | <b>-12.0</b>   |

\*Positive (negative) fair value of hedging instruments on 31 Dec 2023 is presented in the statement of financial position in the item derivative assets within current assets (derivative liabilities within current liabilities).



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## 6.26 Financial assets and liabilities measured at fair value

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

| EUR mill.                                  | 2023         | Level 1      | Level 2     |
|--------------------------------------------|--------------|--------------|-------------|
| <b>Financial assets at fair value</b>      |              |              |             |
| Securities held for trading                | 776.8        | 723.4        | 53.4        |
| Derivatives                                |              |              |             |
| Currency derivatives                       | 2.0          | -            | 2.0         |
| - of which in cash flow hedge accounting   | 2.0          | -            | 2.0         |
| Commodity derivatives                      | 9.5          | -            | 9.5         |
| - of which in cash flow hedge accounting   | 7.9          | -            | 7.9         |
| <b>Total</b>                               | <b>788.3</b> | <b>723.4</b> | <b>64.9</b> |
| <b>Financial liabilities at fair value</b> |              |              |             |
| Derivatives                                |              |              |             |
| Currency derivatives                       | 6.1          | -            | 6.1         |
| - of which in cash flow hedge accounting   | 6.1          | -            | 6.1         |
| Commodity derivatives                      | 26.8         | -            | 26.8        |
| - of which in cash flow hedge accounting   | 26.8         | -            | 26.8        |
| <b>Total</b>                               | <b>32.9</b>  | <b>-</b>     | <b>32.9</b> |

## 6.27 Fuel price risk in flight operations

### Timing of the notional and hedged price

| 31 December 2023                            | Hedged price<br>\$/tonne | Notional<br>amount (tonnes) | Maturity     |              |
|---------------------------------------------|--------------------------|-----------------------------|--------------|--------------|
|                                             |                          |                             | Under 1 year | 1 to 2 years |
| Jet fuel consumption priced with NWE index  | 892.1                    | 655,264                     | 626,264      | 29,000       |
| Jet fuel consumption priced with SING index | 918.3                    | 21,736                      | 21,736       | -            |

### Foreign exchange risk

| Timing of the notional<br>EUR mill.<br>31 December 2023 | Average exchange rate<br>of hedging instruments<br>against the euro | Notional<br>amount (gross) | Maturity         |
|---------------------------------------------------------|---------------------------------------------------------------------|----------------------------|------------------|
|                                                         |                                                                     |                            | Less than 1 year |
| USD                                                     | 1.1                                                                 | 422.1                      | 422.1            |
| JPY                                                     | 152.1                                                               | 69.8                       | 69.8             |

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

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# Board of directors' proposal on the dividend

Finnair Plc's distributable equity on 31 December 2023 amounts to 473,123,719.36 euros, of which the net result for the financial year 2023 is 231,458,763.52 euros.

The Board of Directors proposes to the Annual General Meeting that no dividend be paid based on the balance sheet to be adopted for the financial year, which ended on 31 December 2023, and the result be retained in the equity.

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

Helsinki, 13 February 2024  
The Board of Directors of Finnair Plc

Sanna Suvanto-Harsaae

Tiina Alahuhta-Kasko

Montie Brewer

Jukka Erlund

Hannele Jakosuo-Jansson

Henrik Kjellberg

Simon Large

Minna Pajumaa

Jaakko Schildt  
Interim CEO of Finnair Plc

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Auditor's report

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

To the Annual General Meeting of Finnair Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Finnair Plc (business identity code 0108023-3) for the year ended 31 December 2023. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion  
— the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU  
— the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

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

Basis for Opinion

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

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

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

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

Materiality

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

Key Audit Matters

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

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

| The key audit matter                                                                                                                                                                                                                                   | How the matter was addressed in the audit                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial position and funding arrangements<br>(Refer to Accounting principles for consolidated financial statements and Notes 3.3, 3.5 and 3.9)                                                                                                       |                                                                                                                                                                                                                                                                       |
| At the end of the financial year consolidated liquid funds amounted to € 708 million and interest-bearing liabilities € 2,026 million, of which € 284 million will mature during 2024. The equity amounted to € 577 million.                           | With the involvement of KPMG IFRS specialists, we assessed the terms of the funding arrangements and the impacts on classification and recognition in relation to accounting principles and accounting standards applied in the consolidated financial statements.    |
| To strengthen its balance sheet Finnair continued executing several financing transactions including rights issue, conversion and repayment of capital loan, repayment of hybrid bond and pension loans as well as several fleet related transactions. | Our procedures have included assessing the accounting treatment of financial transactions as well as comparing the changes in equity to the terms and proceeds of the rights issue.                                                                                   |
| Financial position and funding arrangements are considered a key audit matter as funding arrangements have significant impact on the cash flows and financial position as well as the view given of those in the consolidated financial statements.    | We have also reconciled the balance sheet values of financial transactions to external confirmations at the balance sheet date.<br><br>In addition, we assessed the appropriateness of the disclosures provided on the financing arrangements and financial position. |

[illegible]

| Review of<br>the year 2023                                  | The Report of the<br>Board of Directors | Financial<br>Statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Corporate<br>Governance Statement | Remuneration<br>Report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Sustainability<br>Appendix                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  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|-------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------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| Consolidated income statement                               |                                         | <b>Responsibilities of the Board of Directors and the Managing Director for the Financial Statements</b> <p>The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company’s and the group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <p>We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.</p> <p>We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.</p> <p>From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.</p> |                                                                                    |
| Consolidated statement<br>of comprehensive income           |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                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                                                                                                                                           | <b>Other Reporting Requirements</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         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| Consolidated balance sheet                                  |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                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                                                                                                                                           | <b>Information on our audit engagement</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  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| Consolidated cash flow statement                            |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                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                                                                                                                                           | We were first appointed as auditors by the Annual General Meeting on May 29, 2020, and our appointment represents a total period of uninterrupted engagement of four years.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 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| Consolidated statement<br>of changes in equity              |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                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                                                                                                                                           | <b>Other Information</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    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| Notes to the consolidated<br>financial statements           |                                         | <b>Auditor’s Responsibilities for the Audit of the Financial Statements</b> <p>Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.</p> <p>As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:</p> <ul style="list-style-type: none"><li>— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.</li><li>— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company’s or the group’s internal control.</li><li>— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.</li><li>— Conclude on the appropriateness of the Board of Directors’ and the Managing Director’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company’s or the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.</li><li>— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.</li><li>— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.</li></ul> |                                   | <p>The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements or our auditor’s report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor’s report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.</p> <p>In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.</p> <p>In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.</p> <p>If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                    |
| 1. Operating result                                         |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     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| 2. Fleet and other fixed assets and leasing<br>arrangements |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     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| 3. Capital structure and financing costs                    |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     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| 4. Consolidation                                            |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     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| 5. Other notes                                              |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     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| 6. Parent company financial statements                      |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     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| Board of directors’ proposal on the dividend                |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                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| ● Auditor’s report                                          |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                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                                                                                                                                           | KIRSI JANTUNEN<br><i>Authorized Public Accountant, KHT</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  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# Corporate Governance Statement 2023

|                                              |                                                                              |
|----------------------------------------------|------------------------------------------------------------------------------|
| <b>110</b> Regulatory Framework              | <b>120</b> Company Management                                                |
| <b>111</b> Governing Bodies                  | <b>123</b> Key Events in Finnair Governance in 2023                          |
| <b>114</b> The Board                         | <b>124</b> Main Features of the Internal Control and Risk Management Systems |
| <b>118</b> Audit Committee                   |                                                                              |
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# Regulatory Framework

Finnair Plc (“Finnair” or “the Company”) is a Finnish public limited liability company domiciled in Helsinki. Finnair is the ultimate parent of Finnair Group, and its shares are listed on Nasdaq Helsinki Stock Exchange. The State of Finland is the majority owner in Finnair with 55.69% of the shares as of 31 December 2023.

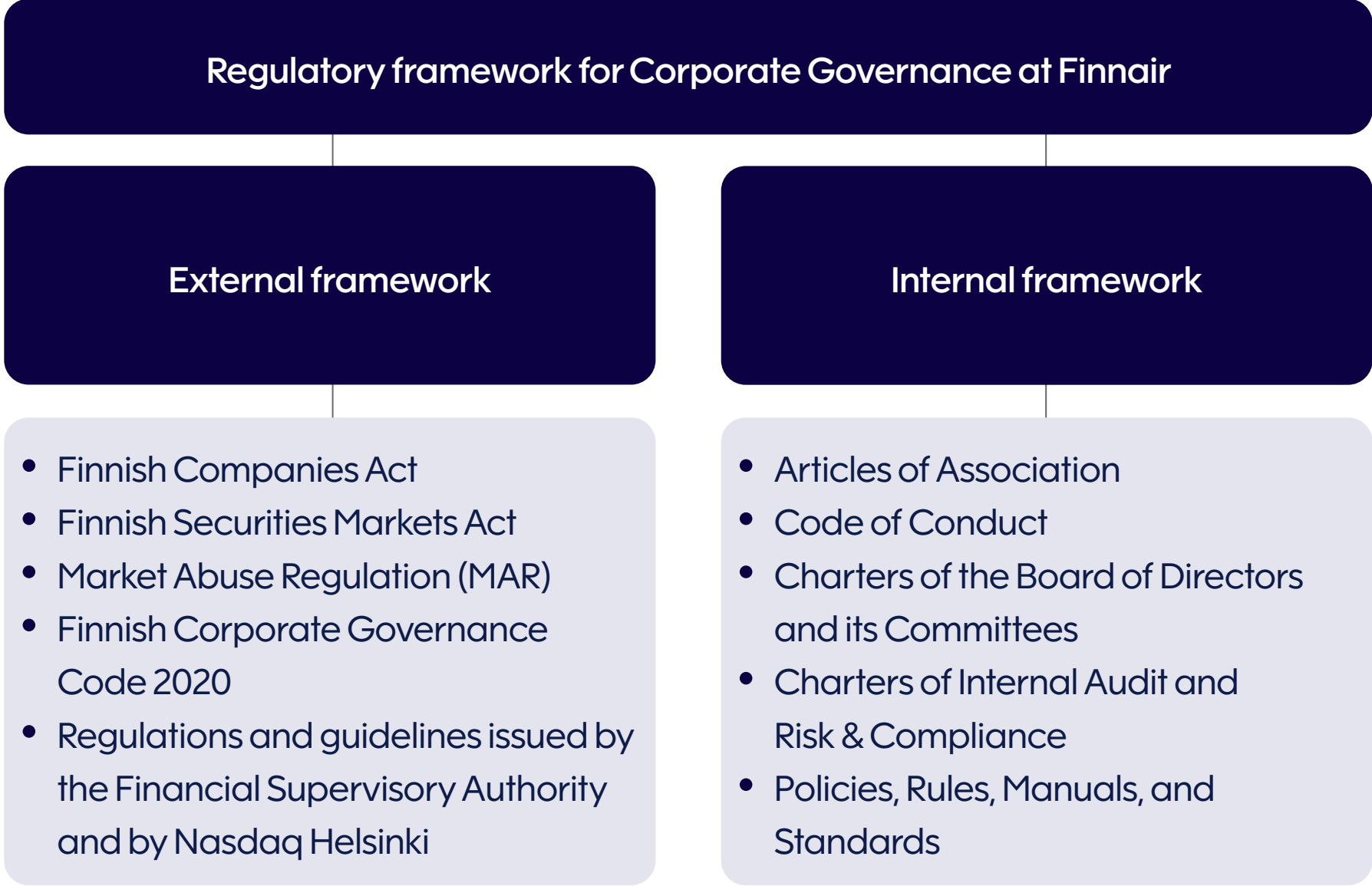
Corporate governance at Finnair is based on Finnish laws and the Company’s Articles of Association. Finnair complies fully with and has prepared this Corporate Governance Statement in accordance with the Finnish Corporate Governance Code 2020. This Corporate Governance Statement is issued separately from the Board of Directors’ report, and it has been reviewed by the Audit Committee of Finnair’s Board of Directors.

Finnair prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), the Finnish Securities Markets Act as well as

the Financial Supervision Authority’s regulations and guidelines and Nasdaq Helsinki’s rules. The Company’s financial statements are prepared in accordance with the Finnish Companies Act, Accounting Act, Securities Markets Act, and the opinions and guidelines of the Finnish Accounting Board. The auditor’s report covers the consolidated financial statements and the parent company’s financial statements.

This Corporate Governance Statement and other information to be disclosed in accordance with the Finnish Corporate Governance Code 2020, the Company’s financial statements, the Board of Directors’ report, the auditor’s report, the Company’s Articles of Association and its published policies are available at Finnair’s [website](#).

The Finnish Corporate Governance Code 2020 is available at the [website](#) of the Securities Market Association.





# Governing Bodies

The governing bodies of Finnair pursuant to the Companies Act and the Articles of Association are the General Meeting of Shareholders, the Board of Directors (the “Board”) and the Chief Executive Officer (the “CEO”).

The roles of the governing bodies are described below.

## General Meeting of Shareholders

The ultimate authority in Finnair is vested in the General Meeting of Shareholders. An Annual General Meeting (the “AGM”) must be held each year by the end of May.

The competence of the General Meeting of Shareholders is set out in the Companies Act and in Finnair’s Articles of Association. The AGM shall annually decide on the following matters:

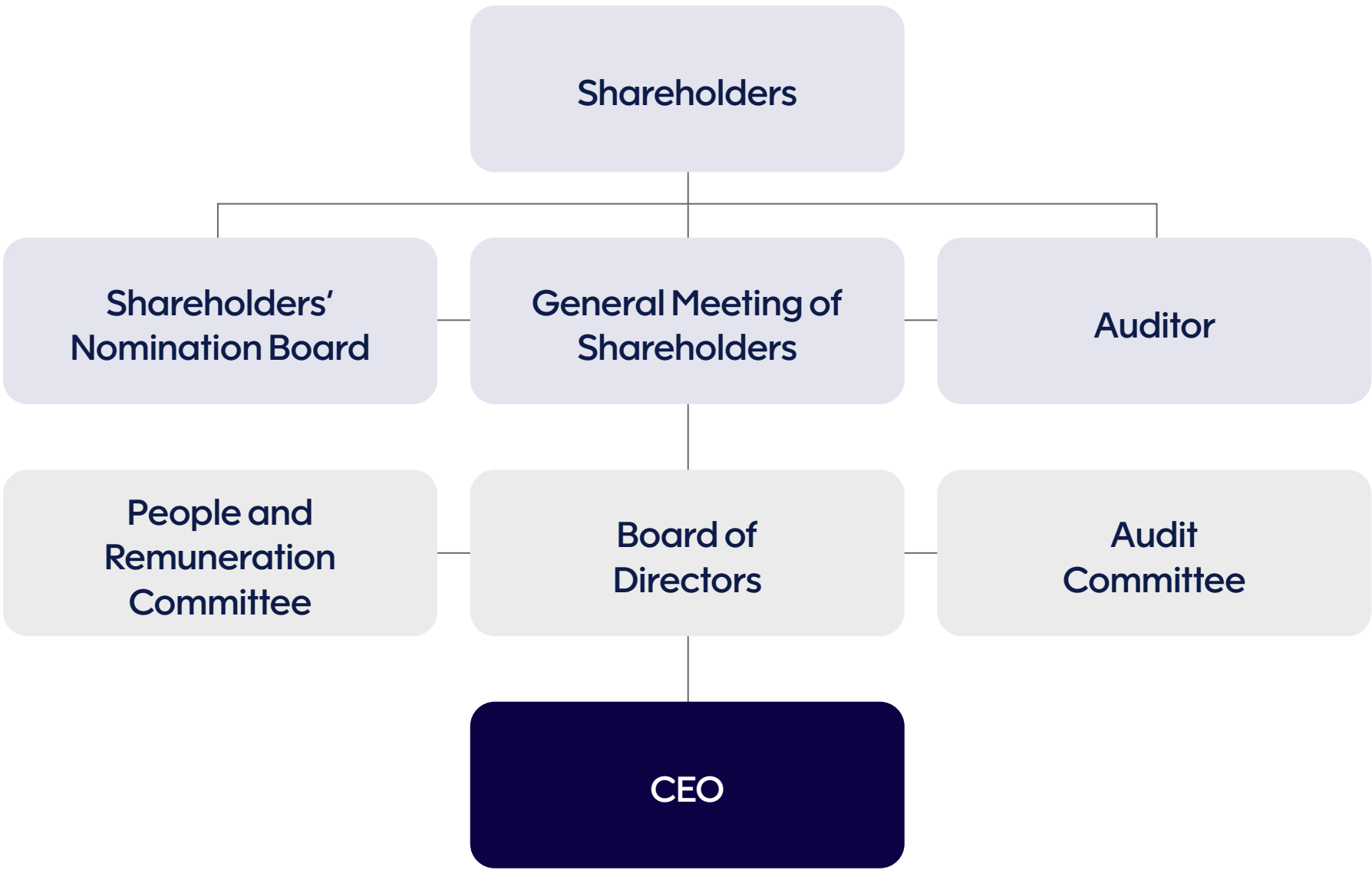
- adoption of the financial statements and the consolidated financial statements

- the use of the profit shown on the balance sheet
- the discharging of the Members of the Board and the CEO from liability
- the appointment of the Members of the Board and their remuneration
- election of the Chair of the Board from among the Members
- the election and remuneration of the auditor.

The Board convenes the General Meetings of Shareholders by publishing a notice no earlier than three months and no later than three weeks before the date of the meeting and always at least nine days before the record date of the meeting. The notice shall be published as a stock exchange release and at Finnair’s [website](#).

Each shareholder who is registered on the record date as a shareholder in the Company’s public register of shareholders, maintained by Euroclear Finland Oy, has the right to participate in the General Meeting of Shareholders. A holder of nominee-

Governing bodies of Finnair



registered shares that wishes to participate in the meeting has to register temporarily in the register of shareholders. Furthermore, in order to attend the meeting, a shareholder must register for the meeting in the manner defined in the notice convening the

meeting. A shareholder has the right to have a matter falling within the competence of the General Meeting of Shareholders addressed by the meeting, if the shareholder so demands in writing from the Board by the date announced at Finnair’s [website](#).



The minutes of the General Meeting of Shareholders and the voting results, if any, shall be made available to shareholders at Finnair's [website](#) within two weeks of the meeting.

## 2023 AGM

Finnair's AGM 2023 was held at Messukeskus Helsinki on 23 March 2023. Shareholders could attend the General Meeting at the meeting venue, either in person or by proxy. Shareholders could attend also through advance voting. A total of 247 shareholders, representing 62.86 per cent of the shares and voting rights of the Company, were represented in the meeting. One counterproposal by a shareholder was made. No questions had been submitted to the Board.

Present at the meeting were the shareholders set out in the list of votes adopted at the meeting, Chair of the Board, all Board Members, the new Board Member candidates Sanna Suvanto-Harsaae and Minna Pajumaa, the company's CEO, the responsible auditor appointed by the company's audit firm as well as technical personnel.

## Auditor

The AGM 2023 elected KPMG as the Company's auditor, and Ms. Kirsi Jantunen acted as the auditor with principal responsibility.

The audit fees paid in 2023 amounted to 623 thousand euros, and the fees for other services rendered amounted to 239 thousand euros.

## 2023 EGM

The Extraordinary General Meeting (the "EGM") was held on 27 October 2023 without a meeting venue as a virtual meeting in accordance with Chapter 5, Section 16, Subsection 3 of the Finnish Companies Act, in which shareholders could exercise their full shareholders' rights in real time via remote connection. Shareholders had the opportunity to present questions about the matters on the agenda of the EGM in writing prior to the meeting. Shareholders were able to vote in advance on the items on the agenda of the EGM.

A total of 222 shareholders, representing 60.97 per cent of the Company's shares and votes, were represented at the beginning of the EGM, either by advance vote or via remote connection.

The Chair of the Board Sanna Suvanto-Harsaae, Members of the Board Tiina Alahuhta-Kasko, Montie Brewer, Jukka Erlund, Henrik Kjellberg, Simon Large, and Minna Pajumaa, the Company's CEO Topi Manner, and other senior management, the responsible auditor appointed by the Company's audit firm as well as technical personnel participated in the meeting.

## Shareholders' Nomination Board

The AGM 2013 decided to establish a permanent Shareholders' Nomination Board. The term of the Nomination Board continues until further notice.

The purpose and task of the Nomination Board is to prepare and present to the AGM – and if necessary, to an Extraordinary General Meeting – proposals on the composition and remuneration of the Board. In addition, the task of the Nomination Board is to seek potential future candidates for Board Members. The Nomination Board shall forward its proposals to the Company's Board by 31 January each year.

The Nomination Board consists of three Members nominated annually. The Company's three largest shareholders appoint three of the Members, and the current Chair of the Board serves as a non-voting expert of the Nomination Board. The Chair of the Board is not a member of the Nomination Board and has no voting rights. However, the Chair of the Board is entitled to attend meetings of the Nomination Board and to receive materials relating to the meetings.

The Nomination Board appoints its Chair from among its Members. The Company’s largest shareholders entitled to appoint Members to the Nomination Board are determined on the basis of the registered holdings in the Company’s shareholder register held by Euroclear Finland Oy as of the first working day in June each year. In the event that a shareholder does not wish to exercise its right to appoint a representative, such right passes to the next largest shareholder.

The Members of the Nomination Board are not remunerated by Finnair for their Membership in the Nomination Board. The Members’ expenses are reimbursable in accordance with the Company’s expense policy. In addition, the Nomination Board’s costs of using external experts shall be borne by the Company.

The Charter of the Nomination Board is available at the Company [website](#).

## 2022 Nomination Board

The 2022 Nomination Board consisted of the representatives of the first, second and third largest shareholders as at the first working day in September 2022, i.e. the State of Finland, Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company and of the Chair of the Board. The composition of the 2022 Nomination Board was the following:

- Minna Pajumaa, b. 1963, Senior Financial Counsellor, Government Ownership Steering Department (Chair) until 24 January 2023
- Timo Sallinen, b. 1970, Head of Listed Securities, Varma Mutual Pension Insurance Company
- Esko Torsti, b. 1964, Head of Cross Asset Allocation, Ilmarinen Mutual Pension Insurance Company
- Jouko Karvinen, b. 1957, Chair of the Board of Finnair.

On 26 January 2023, the Nomination Board submitted to the Board its proposals for the 2023 AGM to be held on 23 March 2023. The Nomination Board’s proposals are available at Finnair’s [website](#).

## 2023 Nomination Board

The 2023 Nomination Board consisted of the representatives of the first, second and fourth largest shareholders as at the first working day in June 2023, i.e. the State of Finland, Varma Mutual Pension Insurance Company and Elo Mutual Pension Insurance Company. The composition of the 2023 Nomination Board was the following:

- Kimmo Viertola, b. 1961, Senior Ministerial Adviser, Financial Affairs (Chair) from 24 January 2023
- Timo Sallinen, b. 1970, Head of Listed Securities, Varma Mutual Pension Insurance Company
- Hanna Hiidenpalo, b. 1966, Chief Investment Officer, Elo Mutual Pension Insurance Company until 18 September 2023
- Jukka Vähäpesola, b. 1964, Head of Equities, Elo Mutual Pension Insurance Company from 18 September 2023

On 31 January 2024, the Nomination Board submitted to the Board its proposals for the 2024 AGM to be held on 18 March 2024. The proposals are available at Finnair’s [website](#).



# The Board

The Chair and the Members of the Board are elected by the AGM. According to the Articles of Association, the Board consists of the Chair and a minimum of four and a maximum of nine other Members. The Board elects a Vice Chair from among its Members. The term of the office of the Members of the Board ends at the close of the first AGM following their election.

According to the Companies Act, the Board represents all shareholders of Finnair and has the general duty to act diligently in the interests of the Company. The Board is accountable to the shareholders for the appropriate governance of the Company and for ensuring that the operations of the Company are run adequately.

The accountability for the Company’s governance pertains specifically to the reliability of the financial reporting and to the efficiency of the Company’s internal control and risk management systems. The main features of the internal control and risk management systems are described later in this Corporate Governance Statement. The Board has extensive general competence in the governance of the Company as its competence covers all matters that are not within the powers of other governing bodies of the Company.

## The main duties of the Board:

- approve the Company’s strategic targets and monitor the achievement of strategic targets
- ensure the administration of the Company and the appropriate organisation of its operations
- confirm the values and top-level policies of the Company
- monitor and ensure the adequacy of the accounting, financial administration and risk management
- approve significant strategic matters, business plans, partnerships and other decisions exceeding the limits of the CEO’s decision-making power

- decide on guarantees and other commitments for external parties’ liabilities
- appoint and dismiss the CEO and other Members of the Executive Board, as well as evaluate their performance and determine their remuneration, and attend to the succession planning of the management
- establish and regularly evaluate the Company’s personnel policies and its compensation systems
- evaluate its own work on an annual basis
- prepare and approve the Charters of the Board and its Committees and confirm the Charters of the Internal Audit and Risk & Compliance

The Charter of the Board is available at the Finnair’s Corporate Governance [website](#).



# Members of the Board in 2023



**Sanna Suvanto-Harsaæ**  
  

b. 1966, B.Sc. (Business Administration)  
Chair and Member of the Finnair Board since 2023

**Main occupation:**  
Board professional

**Key positions of trust:**  
Chair of the Board of Directors of Posti Group Oyj, Orthex Oyj, BoConcept AS, TCM Group A/S, N'Age AS, Member of the Board of Directors of Motonet Oy, Elopak Oy

**Shareholding 31 December 2023:**  
420,000



**Tiina Alahuhta-Kasko**  
 

b. 1981, M.Sc. (Econ.), CEMS MIM.  
Member of the Finnair Board since 2019

**Main occupation:**  
President & CEO of Marimekko Corporation

**Key positions of trust:**  
Member of the Foundation Board of IMD Business School, Lausanne, Switzerland, Member of the Board of Climate Leadership Coalition

**Shareholding 31 December 2023:**  
175,000



**Montie Brewer**  
 

b. 1957, BA (Business Administration).  
Member of the Finnair Board since 2018

**Main occupation:**  
Board professional

**Key positions of trust:**  
Member of the Board of Directors of Allegiant Travel Company, Member of the Board of Directors of ID90 Travel, Inc.

**Shareholding 31 December 2023:**  
-



**Jukka Erlund**  
 

b. 1974, M.Sc. (Econ.), eMBA.  
Member of the Finnair Board since 2019

**Main occupation:**  
Executive Vice President, CFO, of Kesko Oyj

**Key positions of trust:**  
Member of the Board of Directors of Ilmarinen Mutual Pension Insurance Company, Chair of the Tax and Economic Policy Committee of Finnish Commerce Federation, Member of the Economy and Tax Committee of Confederation of Finnish Industries EK, Member of the Board of Directors of Suomen Luotto-osuuskunta

**Shareholding 31 December 2023:**  
1,350,000



**Hannele Jakosuo-Jansson**  
 

b. 1966, M.Sc. (Tech)  
Member of the Finnair Board since 2021

**Main occupation:**  
Senior Vice President Human Resources, Safety and Communications at Neste Corporation

**Key positions of trust:**  
Vice Chair of Skilled work force committee of the Confederation of Finnish Industries EK, Chair of Skills and Competence Committee of the Chemical Industry Federation of Finland, Senior Advisor of Directors' Institute of Finland (DIF)

**Shareholding 31 December 2023:**  
100,000



**Henrik Kjellberg**  
 

b. 1971, M.Sc. (Econ.)  
Member of the Finnair Board since 2018

**Main occupation:**  
CEO of Awaze

**Key positions of trust:**  
-

**Shareholding 31 December 2023:**  
1,000,000



**Simon Large**  
 

b. 1969, BA (Bachelor of Arts)  
Member of the Finnair Board since 2022

**Main occupation:**  
Independent Non-Executive Director

**Key positions of trust:**  
-

**Shareholding 31 December 2023:**  
-



**Minna Pajumaa**  
 

b. 1963, M.Sc. (Econ.), CEFA  
Member of the Finnair Board since 2023

**Main occupation:**  
Senior Financial Counsellor of the Prime Minister's office, Government Ownership Steering Department

**Key positions of trust:**  
Member of the Board of Directors of Posti Group Oyj

**Shareholding 31 December 2023:**  
-

**Jouko Karvinen (Chair of the Board until AGM 23 March 2023)**  


b. 1957, M.Sc. (Tech.). Chair of the Finnair Board since 2017 and Member of the Board since 2016

**Maija Strandberg (Member of the Board until AGM 23 March 2023)**  
 

b. 1969, M.Sc. (Econ.)  
Member of the Finnair Board since 2020

**Committees**  
 = Audit Committee  
 = People and Remuneration Committee

## Members of the Board and their independence

The 2023 AGM held on 23 March elected Sanna Suvanto-Harsaae as Chair of the Board and Tiina Alahuhta-Kasko, Montie Brewer, Jukka Erlund, Hannele Jakosuo-Jansson, Henrik Kjellberg, Simon Large and Minna Pajumaa as other Members of the Board. The Board elected Montie Brewer as its Vice Chair.

Finnair complies with applicable requirements regarding independence of the Board according to Finnish laws and regulations, and the Finnish Corporate Governance Code. The Board has assessed all of its Members to be independent of the Company and its significant shareholders except for Minna Pajumaa, who is not deemed to be independent of the Company’s significant shareholder as she is a civil servant of the Government of Finland.

## The ownership of the Directors and companies controlled by them in Finnair

At the end of 2023, Sanna Suvanto-Harsaae, Tiina Alahuhta-Kasko, Jukka Erlund, Hannele Jakosuo-Jansson and Henrik Kjellberg held shares or share-based rights in companies within Finnair Group.

## The Committees of the Board

The Board has delegated some of its functions to the Audit Committee and to the People and Remuneration Committee. The Board appoints the Committee Members and their Chairs from among the Members of the Board. The minimum number of Members is three in both Committees.

Each Committee meets regularly under their respective charters. The Committees report on their work regularly to the Board but they do not have decision-making powers independent from the Board, except where expressly authorised by the Board. Copies of the Committees’ charters are available at Finnair’s [website](#).

Number of the Board meetings and Board Committee meetings in 2023 and the attendance rate of the Members

| Member                                             | Board of Directors | Audit Committee | People and Remuneration Committee |
|----------------------------------------------------|--------------------|-----------------|-----------------------------------|
| Sanna Suvanto-Harsaae (Member since 23 March 2023) | 8/8                | 5/5             | 9/9                               |
| Jouko Karvinen (Member until 23 March 2023)        | 3/3                |                 |                                   |
| Tiina Alahuhta-Kasko                               | 11/11              |                 | 12/12                             |
| Montie Brewer                                      | 11/11              | 7/7             |                                   |
| Jukka Erlund                                       | 11/11              | 7/7             |                                   |
| Hannele Jakosuo-Jansson                            | 11/11              |                 | 12/12                             |
| Henrik Kjellberg                                   | 11/11              | 7/7             |                                   |
| Simon Large                                        | 11/11              | 7/7             |                                   |
| Minna Pajumaa (Member since 23 March 2023)         | 8/8                |                 | 9/9                               |
| Maija Strandberg (Member until 23 March 2023)      | 3/3                |                 | 3/3                               |

In addition to the eleven meetings, the Board made *per capsulam* decisions ten times in 2023 without convening.



# The diversity principles of the Board

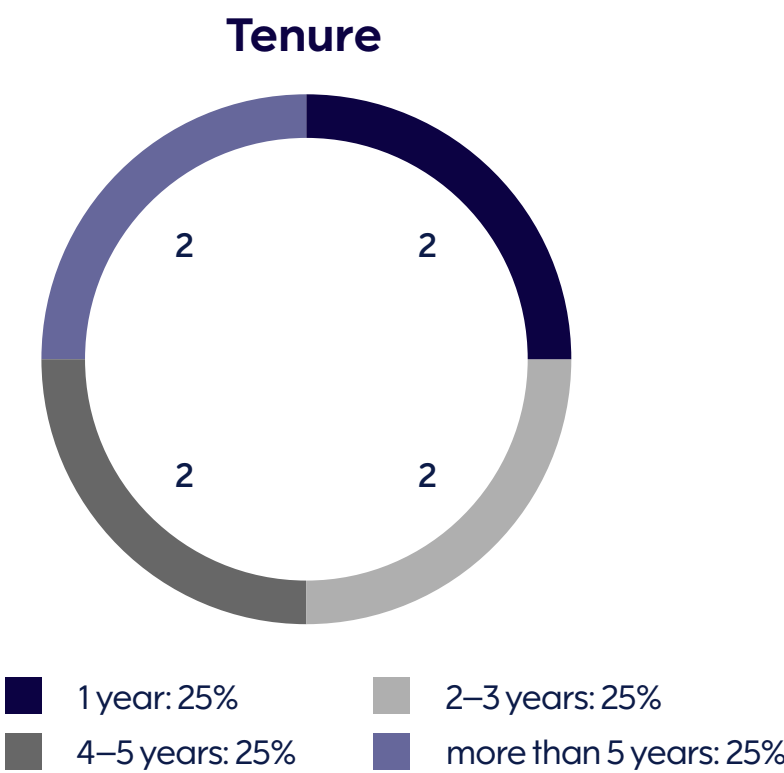
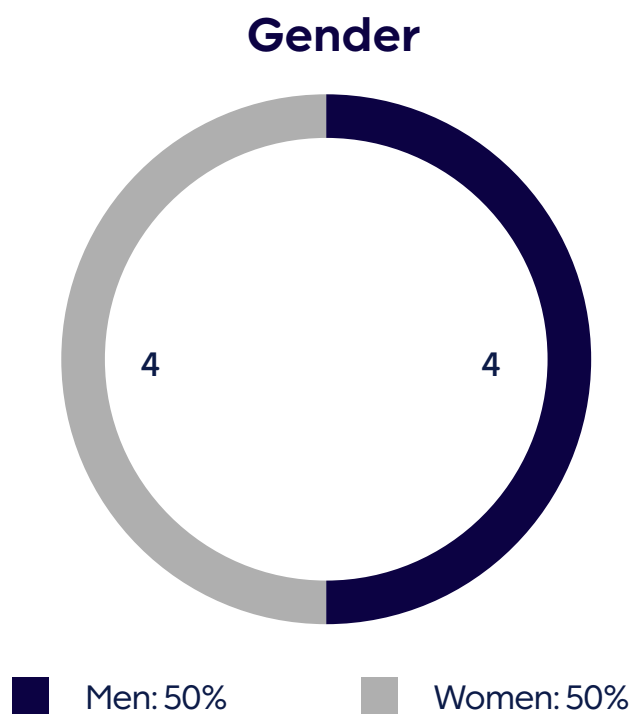
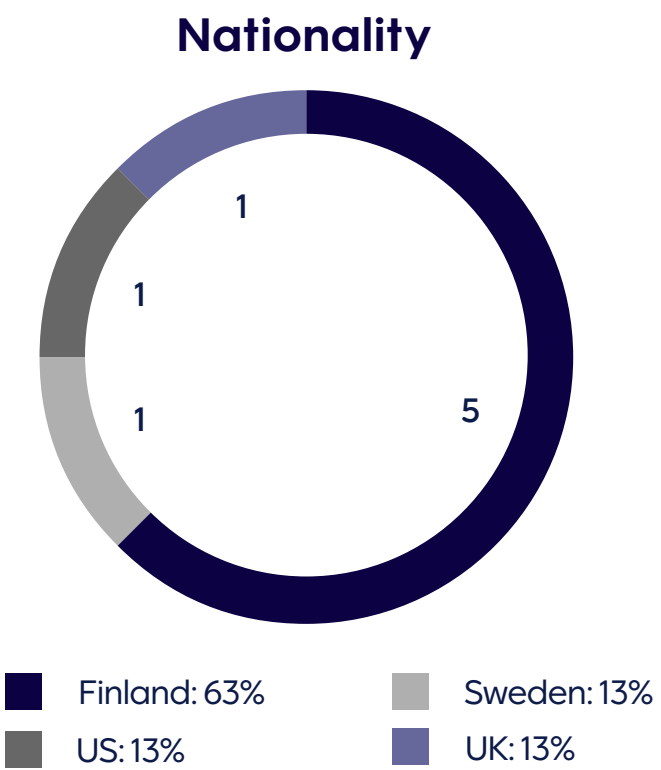
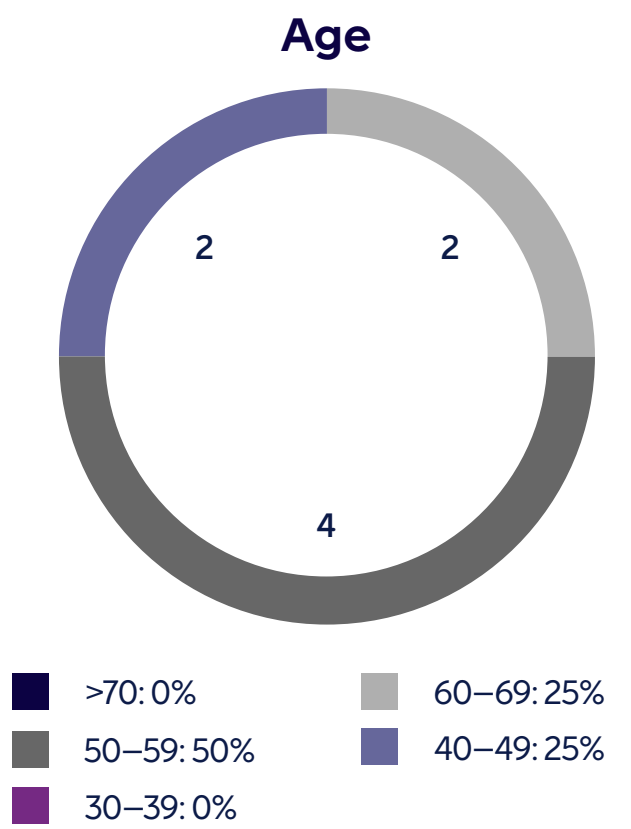
The Board has determined its diversity principles for the use of the Shareholders’ Nomination Board when preparing proposals on the composition of the Board to the General Meeting of Shareholders.

The diversity principles of the Board are:

- The Board as a whole must have sufficient expertise and experience to conduct its duties carefully and effectively, taking into account the quality, scope and international nature of the Company’s operations, the Company’s strategic targets and changes in the business environment and society.
- The Members of the Board must be capable of cooperating with the other Members and the management.
- The Members of the Board should have training and experience that complement each other and experience from industries that are important for the Company.

- The Members should have experience of Board work and conducting managerial duties in business or other areas of society.
- The Board shall have at least 40 per cent both men and women. The composition should show diversity also in terms of the age distribution, length of service and cultural background.
- Sufficient continuity should be ensured in reforming the composition of the Board, but the continuous term of any Member may not exceed 10 years.

## The diversity of the Board





# Audit Committee

The Audit Committee assists the Board in matters relating to financial reporting and control in accordance with the duties specified for audit committees in law and in the Finnish Corporate Governance Code.

The Audit Committee monitors and evaluates the Company’s reporting process of financial statements and the efficiency of the internal control and risk management systems as well as the internal audit. The Committee monitors the statutory audit and evaluates the independence of the auditor. In addition, the Audit Committee monitors the efficiency of the Company’s compliance systems.

Pursuant to the Finnish Corporate Governance Code, the Members of the Audit Committee shall have the qualifications necessary to perform the responsibilities of the Committee, and at least one of the Members shall have expertise specifically in accounting or auditing.

## The main duties of the Audit Committee:

- monitor the financial position of the Company
- monitor and assess the financial reporting process
- monitor and assess the efficiency of the Company’s internal control and risk management systems as well as internal audit
- monitor the statutory audit of the financial statements
- monitor and assess the independence of the statutory auditor, and particularly the provision by auditor of non-audit services to the Company
- prepare the Board’s proposal for resolution on the election of the auditor and its remuneration

- review the auditor’s and internal auditor’s plans and reports
- monitor and assess agreements and transactions between the Company and its related parties with respect to compliance with the governance and disclosure requirements of the same
- review the Company’s Corporate Governance Statement
- prepare the Board’s decisions on the Company’s risk management policies
- monitor and assess the status of information security management including cyber security
- prepare the Board’s decisions on significant changes in the accounting principles or in the valuations of the group’s assets
- assess the efficiency of the Company’s compliance systems
- maintain contact with the auditor

In addition to the Committee Members, the CEO, the CFO, the auditor, and the SVP & General Counsel as secretary to the Committee attend the Committee meetings. Other executives attend the meetings as invited by the Committee.

## Audit Committee in 2023

After the AGM of 23 March 2023, the Board elected the following Members to the Audit Committee: Jukka Erlund as the Chair, and Montie Brewer, Henrik Kjellberg, Simon Large and Sanna Suvanto-Harsaae as Members. Between 1 January and 23 March 2023, the committee was chaired by Jukka Erlund and its other Members were Montie Brewer, Henrik Kjellberg and Simon Large. The Audit Committee met seven times in 2023 and its attendance rate was 100%.



# People and Remuneration Committee

The People and Remuneration Committee assists the Board in matters pertaining to the compensation and benefits of the CEO and other senior management, their performance evaluation, appointment and successor planning. The Committee assists the Board also in establishing and evaluating the Company's compensation structures and other personnel policies. Pursuant to the Board's authorisation, the Committee reviews and confirms the achievement of targets for short-term incentives and approves the payment of the incentives to the CEO and other senior management.

## The main duties of the People and Remuneration Committee:

The Committee prepares the following matters for the Board:

- the key principles of the Company's compensation policies and practices
- compensation, pension, benefits and other material terms of the contract of the CEO and the Executive Board Members
- CEO's and the Executive Board Members' incentive and retention plans
- CEO's and the Executive Board Members' performance reviews

- nominations of the CEO and the Executive Board Members
- composition and responsibilities of the Executive Board
- CEO's and the Executive Board Members' succession planning and leadership development
- assessment of the people strategy and key development initiatives
- equity-based incentive plans
- the remuneration policy for the Company's governing bodies
- annual remuneration reporting based on the recommendations of the Finnish Corporate Governance Code for listed companies

## People and Remuneration Committee in 2023

After the AGM of 23 March 2023, the Board elected the following Members to the People and Remuneration Committee: Hannele Jakosuo-Jansson as the Chair, and Tiina Alahuhta-Kasko, Minna Pajumaa and Sanna Suvanto-Harsaee as Members. Between 1 January and 23 March 2023, the Committee composition was chaired by Hannele Jakosuo-Jansson and its other Members were Tiina Alahuhta-Kasko and Maija Strandberg. The committee met 12 times in 2023 and the attendance rate was 100%.



# Company Management

## Finnair’s corporate structure

Finnair’s core airline activities are operated in the Group’s parent company, Finnair Plc, whereas technical services, travel services (package tours), catering services as well as the financial and business centre are run in wholly owned subsidiaries. Finnair business is

considered one operating segment, consisting of the Commercial and Customer Experience, and Operations units. The shared functions in Finnair’s Group administration are Finance, People and Culture, Digital Services, Strategy and Fleet, Communications, Legal Affairs, Risk & Compliance, and Internal Audit.

## The CEO

The CEO is appointed by the Board. The CEO manages the Company’s operations in accordance with guidelines and instructions issued by the Board. The CEO acts as the Chair of the Executive Board.

The Board determines the CEO’s compensation and sets his short- and long-term incentive targets. The main contents of the CEO’s contract, including his compensation and benefits, are described in the Remuneration Statement and at Finnair’s [website](#).

Topi Manner, M.Sc. (Econ.), b. 1974, has been the CEO of Finnair since 1 January 2019. Prior to joining Finnair, Manner had a long career in management positions at Nordea, the largest financial group in the Nordic countries, where he worked as a Member of Nordea’s Group Executive Management and as Head of Personal Banking.

The remuneration of the CEO is described in Note 1.3.8.1 to the financial statements and in the Remuneration Statement.

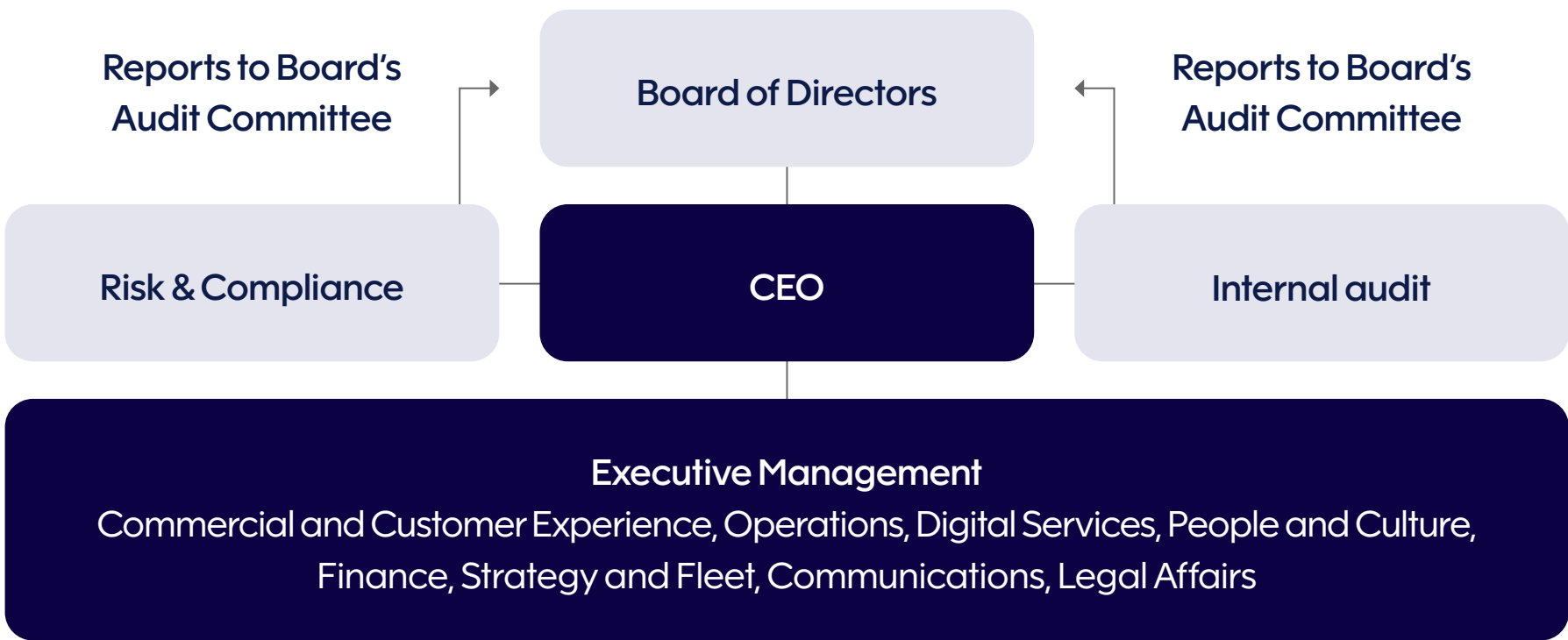
Finnair informed on 18 August 2023 that Finnair’s CEO, Topi Manner, had given notice of his resignation from the company to join Elisa Corporation as their new CEO, starting at the latest on 1 March, 2024.

Finnair announced on 11 January 2024 that Turkka Kuusisto, M.Sc. (Tech.), b. 1979, has been appointed as the new CEO of Finnair and he will start in this role on 11 July 2024 at the latest. Jaakko Schildt, Chief Operating Officer of Finnair, acts as an interim CEO between 15 January and the start of the new CEO.

## Executive Board

The Executive Board of the Company is led by the CEO, and it comprises the senior management responsible for Finnair commercial and customer

Company management





experience activities, operations, digital services, finance, people and culture, strategy and fleet, communications and legal affairs.

The Executive Board Members are appointed by the Board, which also determines their remuneration.

The Executive Board assists the CEO in the strategy implementation, coordinates group-wide development projects and defines policies that guide the Company's activities. The Executive Board Members report to the CEO and their main task is to lead the daily operations of their respective units or shared functions.

## Safety Review Board

Based on Finnair's statutory Safety Management System ("SMS"), the Safety Review Board ("SRB") is responsible for reviewing the Company's safety performance and monitoring that the SMS remains effective and appropriate. The SRB is responsible for setting the objectives for the SMS and assessing the safety performance against the safety policy and objectives. The SRB reviews and ensures that appropriate resources are allocated to achieve the targeted safety performance.

The SMS is under the responsibility of the Accountable Manager as defined by the aviation regulations. The SRB is headed by the Chief Operating Officer, the Accountable Manager in the SMS, and it convenes four times per year.

## Corporate Council

The Finnair Corporate Council is principally a communication and co-operation forum designed for the personnel's participation in the Company's governance processes, especially with regard to matters that affect the personnel. The Corporate Council discusses the implementation of the Company's strategic objectives and development projects that affect Finnair's personnel as well as business plans, financial performance, the operational quality and customer satisfaction. The Corporate Council comprises the Executive Board Members, certain senior managers and the representatives of all personnel groups. In 2023, the Finnair Corporate Council met six times.

## Corporate Governance in Finnair subsidiaries

The subsidiaries of Finnair are presented in the Financial Statements 2023 under Note 4.2.

## Governance principles in key partnerships and outsourcings

Finnair has equity partnership in Nordic Regional Airlines Oy through Nordic Regional Airlines AB (Finnair's ownership 40 per cent as at 31 December 2023). 60 per cent of Nordic Regional Airlines AB is owned by Danish Air Transport (DAT). Nordic Regional Airlines Oy is a Finnish regional passenger airline operating ATR turboprop and Embraer 190 aircraft. Its route network is designed to provide convenient feeder connections to Finnair's European and long-haul routes. Finnair's influence over the governance of the Company is based on shareholding and contractual rights.

Finnair procures certain important operational services from strategic partners, such as the ground handling services in Helsinki hub from Airpro and Aviator, and cargo terminal handling services from Swissport Finland Ltd, as well as the engine and component services from Airbus, Rolls-Royce, and Lufthansa Technik. In the area of IT services Finnair partners with Amadeus, and Nordcloud, among others. The cost and quality targets of these agreements have been determined so as to correspond at least to a good general market level.

Finnair participates in joint businesses with certain airlines belonging to the oneworld alliance. In addition, Finnair participates in a joint business with Juneyao, an airline not belonging to the oneworld alliance. These joint businesses seek to improve competitiveness and efficiency in a manner benefitting the passengers. Finnair's influence in the joint businesses is based on contractual arrangements. Decisions by the joint businesses are sought to be made unanimously.

All Finnair's service providers are expected to comply with Finnair's Supplier Code of Conduct. Finnair aims to secure in its supply contracts the rights to audit the Supplier's governance and security measures.

Finnair's Code of Conduct and Supplier Code of Conduct are available at Finnair's [website](#).



# Executive Board Members in 2023



**Topi Manner**  
b. 1974, M.Sc. (Econ.)  
**Main occupation:**  
CEO as of 1 January 2019  
**Key positions of trust:**  
Member of the IATA Board of Governors, Chair of the IATA Audit Committee, Member of the Board of Directors, Elisa Oyj (until 18 August 2023), Member of the Board, Service Sector Employers Palta, Member of the Board, UPM-Kymmene Oyj  
**Shareholding 31 December 2023:**  
10,704,916



**Kaisa Aalto-Luoto**  
b. 1979, M.Sc. (Econ.)  
**Main occupation:**  
Chief People Officer as of 23 October 2023  
**Key positions of trust:**  
Member of the Board of Directors, Uudenmaan Osuuspankki  
**Shareholding 31 December 2023:**  
-



**Antti Kleemola**  
b. 1980, M.Sc. (Econ.)  
**Main occupation:**  
Chief Information Officer as of 1 June 2022  
**Key positions of trust:**  
Member of the Board of Directors, ICT Leaders Finland ry  
**Shareholding 31 December 2023:**  
1,564,626



**Ole Orvér**  
b. 1966, Degree in Market Economics  
**Main occupation:**  
Chief Commercial Officer as of 1 May 2019  
**Key positions of trust:**  
Member of the Board of Directors, SkyClean Energy AB  
**Shareholding 31 December 2023:**  
2,515,479



**Kristian Pullola**  
b. 1973, M.Sc. (Econ.)  
**Main occupation:**  
Chief Financial Officer as of 1 October 2022  
**Key positions of trust:**  
Member of the Board of Directors, Kemira Plc, Member of the Board of Directors, Terveystalo Plc, Chairman of the Board of Directors, Instructor HoldCo Oy and FinanceKey Oy  
**Shareholding 31 December 2023:**  
2,652,590



**Christine Rovelli**  
b. 1974, MBA  
**Main occupation:**  
SVP Strategy and Fleet as of 1 October 2022  
**Key positions of trust:**  
Member of the Board of Directors, UATP, Member of the Board of Directors, Nordic Regional Airlines Oy, Trustee of the International Society of Transport Aircraft Trading (ISTAT) Foundation  
**Shareholding 31 December 2023:**  
1,437,586



**Sami Sarelius**  
b. 1971, LLM  
**Main occupation:**  
SVP and General Counsel as of 20 August 2010  
**Key positions of trust:**  
-  
**Shareholding 31 December 2023:**  
1,926,263



**Jaakko Schildt**  
b. 1970, B.Sc. (Eng.), MBA  
**Main occupation:**  
Chief Operating Officer as of 1 March 2016  
**Key positions of trust:**  
Chair of the Board, Nordic Regional Airlines Oy, Member of the Board of Directors, Kallioinen Yhtiöt Oy, Member of the Board of Directors, Pirkanmaan Osuuskauppa  
**Shareholding 31 December 2023:**  
2,251,838



**Päivi Tallqvist**  
b. 1970, M.Sc. (Econ.)  
**Main occupation:**  
SVP Communications as of 1 November 2020  
**Key positions of trust:**  
-  
**Shareholding 31 December 2023:**  
1,315,188

**Johanna Karppi (Member until 23 October 2023)**  
b. 1968, LLM, (trained on bench)  
**Main occupation:**  
SVP People & Culture as of 1 October 2019



# Key Events in Finnair Governance in 2023

## Shareholders

The ownership share of financial and insurance corporations increased from 4.85% at year-end 2022 to 8.25% at year-end 2023. The share of pension insurance funds increased from 3.84% at year-end 2022 to 5.17%. The largest shareholder at the end of the year 2023 was the Government of Finland, holding 55.69% of the shares and votes, followed by mutual pension insurance company Varma (2.85%), mutual pension insurance company Ilmarinen (1.36%), and Elo mutual pension insurance company (0.96%). The ownership share of nominee registered shareholders increased from 7.51% to 9.42%. The number of shareholders increased from 118,684 to 123,046 during 2023. The AGM was held on 23 March 2023 and the EGM on 27 October 2023.

## Subsidiaries

There were no changes in Finnair Group structure during 2023.

## Auditor

On 23 March 2023, the AGM elected KPMG Oy Ab as the Company's auditor for the period ending at the following AGM.

## The Board and the Executive Board

The composition of the Board changed in 2023 as two new Members were elected by the AGM and two Members retired from the Board. The AGM elected a new Chair of the Board. In 2023, the Board and the Executive Board focused on adapting to the changed business environment, mitigating the adverse business impact of the war in Ukraine and the closure of Russian airspace, on ensuring liquidity and solvency, as well as implementing the Company's revised strategy. A Rights Issue of EUR 570 million was successfully executed in November 2023. The composition of the Executive Board changed in 2023 as one

Member retired from the Executive Board and one new Member was elected.

Finnair informed on 18 August 2023 that Finnair's CEO, Topi Manner, had given notice of his resignation from the company to join Elisa Corporation as their new CEO, starting at the latest on 1 March, 2024. Finnair announced on 11 January 2024 that Turkka Kuusisto, M.Sc. (Tech.), b. 1979, has been appointed as the new CEO of Finnair and he will start in this role on 11 July 2024 at the latest. Jaakko Schildt, Chief Operating Officer of Finnair, acts as an interim CEO between 15 January and the start of the new CEO.

## Corporate Council

The composition of the Corporate Council changed in 2023 as some of the personnel groups replaced their representatives.

## Internal Control and Risk Management

Adherence to the Three Lines of Defence model – with a clear division of roles and responsibilities with respect to internal control and risk management – was further strengthened in 2023. In the second Line of Defence, the Risk & Compliance function acts as a control function that is responsible for developing and maintaining the Internal Control Framework and Risk Management Framework as well as for monitoring the implementation of the policies, rules, procedures, and key controls within the frameworks.

## Internal Audit

Internal audit, which is the independent assurance function in the third Line of Defence, performed audits according to the annual plan approved by the Audit Committee of the Board and performed also assignments requested by the management.



# Main Features of the Internal Control and Risk Management Systems

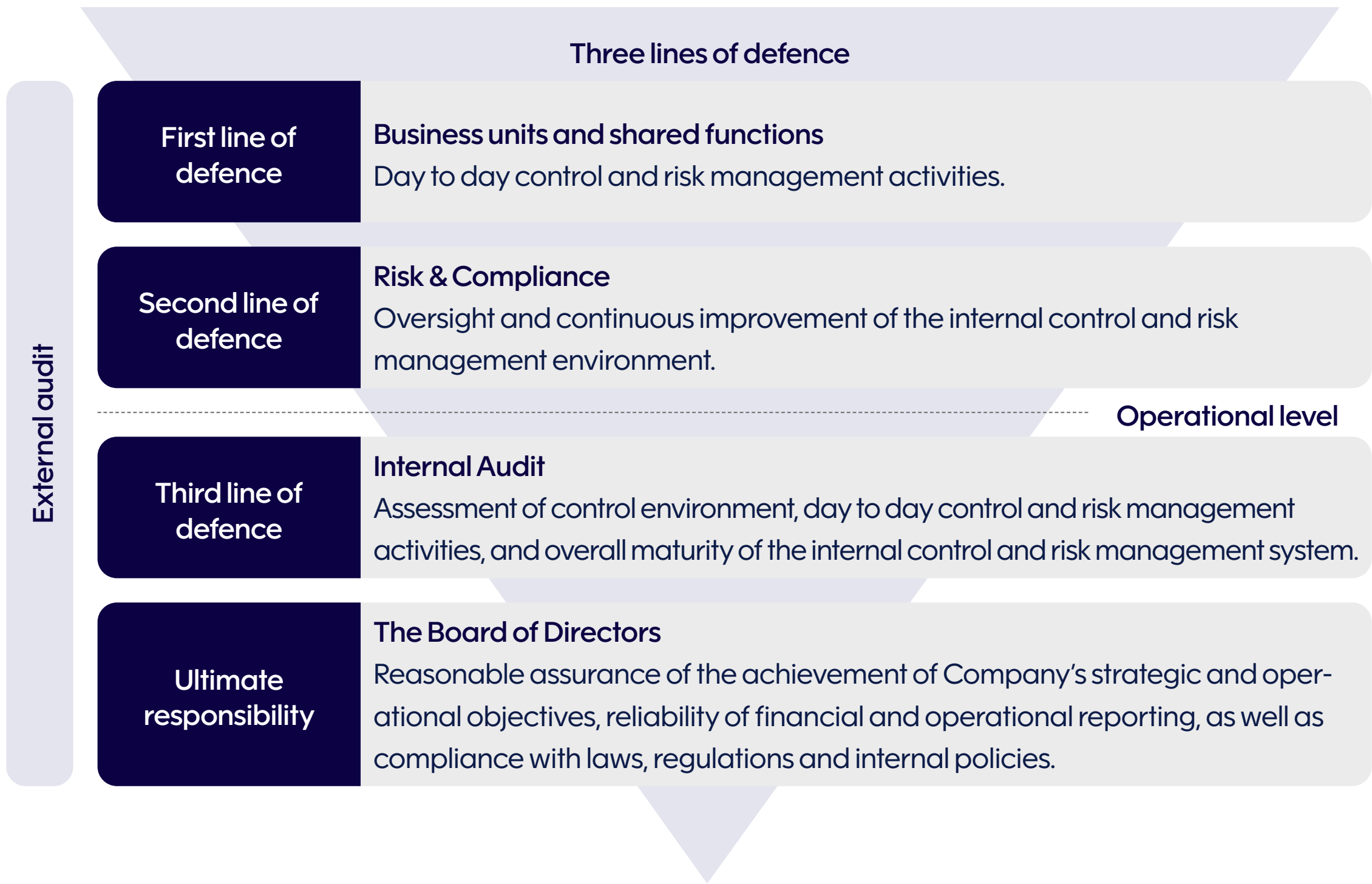
Under Finnish Companies Act the management of the Company shall act with due care and promote the interests of the Company. The Board shall see to the administration of the Company and the appropriate organisation of its operations. The Board is responsible for the appropriate arrangement of the control of the Company accounts and finances. The CEO shall see to the executive management of the Company in accordance with the instructions given by the Board. The CEO shall see to it that the accounts of the Company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Internal control and risk management activities are an integral part of the management’s overall duty to ensure that the Company achieves its business objectives. Through efficient systems of internal control and risk management, deviations from

objectives can be prevented or detected as early as possible. The Board is responsible for monitoring and evaluating the efficiency of the Company’s internal control and risk management systems.

Finnair’s Internal Control Framework is the defined set and structure of the Company’s internal policies, rules, procedures and key controls. The framework is systematically developed and maintained to ensure the efficiency of the internal control system. The Internal Control Framework is designed to ensure effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, including safeguarding of assets, sound administrative and accounting procedures, reliability of financial and non-financial information both externally and internally, and compliance with laws, regulations, supervisory requirements and with Finnair’s internal policies and rules.

The role in the implementation of the internal control and risk management systems





The primary governance principle is adherence to the Three Lines of Defence model, with a clear division of roles and responsibilities with respect to internal control and risk management. A proper Three Lines of Defence governance ensures that the segregation of duties is defined and established between risk management and risk control.

- In the first line of defence, the business organisation and shared functions are risk owners, and thus responsible for conducting day-to-day control and risk management activities in accordance with the Internal Control Framework.
- In the second line of defence, Risk & Compliance acts as a control function that is responsible for developing and maintaining the Internal Control Framework and Risk Management Framework as well as for monitoring the implementation of the policies, rules, procedures and key controls within the frameworks.
- In the third line of defence, Internal Audit performs audits and provides the Board with an independent assessment of the overall effectiveness and maturity of the internal control and risk management systems.

## Internal control and risk management systems in relation to financial reporting

The systems for internal control and risk management of financial reporting are designed to provide reasonable assurance about the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies. Internal control and risk management of financial reporting at Finnair can be described in accordance with the COSO framework which consists of the five components: control environment, risk assessment, control activities, information and communication, and monitoring.

### Control environment

The control environment constitutes the basis for Finnair's internal control system. The control environment encompasses the culture and values as well as a clear and transparent organisational structure. Finnair's Internal Control Framework is a fundamental element in the control environment

and consists of the Code of Conduct, Finnair Policies, Standards, Rules, and Manuals, as well as the related key controls.

For the proper functioning of the internal control and risk management of financial reporting, clearly defined roles and responsibilities are critical. The risk owners in the first line of defence – i.e. business units, Finance organisation as well as certain other shared functions – are responsible for the risk management activities, whereas Risk & Compliance, being a control function in the second line of defence, facilitates the identification and evaluation of risks, assists the first line of defence in defining the controls, and monitors the implementation of controls and risk management activities. In the third line of defence, Internal Audit provides the Board with an assessment of the overall effectiveness of the governance, risk management and control processes.

### Risk assessment

Risks are continuously identified and analysed as part of the risk management process. Risk management is an integral part of running the business. Performing risk assessments as part of the business activities improves the relevance and quality of risk assessment. Main responsibility for

performing risk assessments regarding financial reporting risks lies with the business organisation and shared functions, i.e. the first line of defence. Processes related to financial reporting are subject to on-going risk assessment by the business controllers, financial controllers and other shared service staff as part of their activities.

Consistent with the Three Lines of Defence model, the role of Risk & Compliance function is to develop and maintain the Finnair Risk Management Framework.



Control activities

Financial reporting manuals and instructions have been prepared to be followed across the organisation. The manuals and instructions outlining the content and schedule for the reporting aim to increase the overall controllability of the financial reporting process and ensure that financial statements fulfil the requirements set in the IFRS standards and other applicable requirements.

Risks related to financial reporting are managed through controls aiming to provide reasonable assurance that the information of interim reports and year-end reports are correct and that they have been prepared in accordance with legislation, applicable accounting standards and other requirements for listed companies.

Control activities are applied in the business processes and, from the financial reporting perspective, they ensure that errors or deviations are prevented or detected and corrected. Controls in financial reporting pertain to the initiation, recognition, measurement, approval, accounting and reporting of financial transactions as well as disclosure of financial information. The

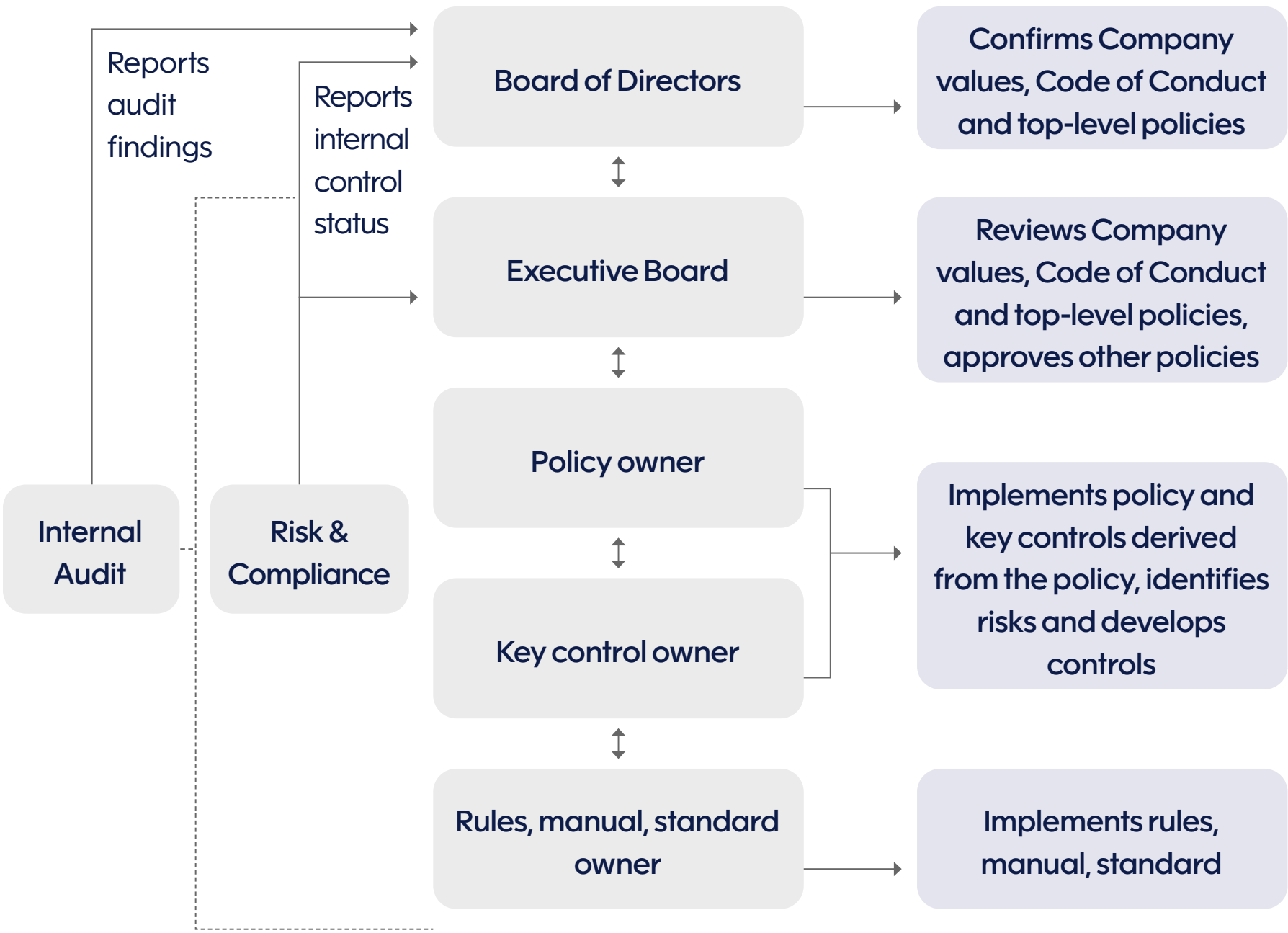
general IT controls support the financial reporting controls in areas like access control and back-up management. Responsibilities are assigned in the Finance function ensuring that analyses of the business performance, including analyses on volumes, revenues, costs, working capital, and asset values are performed in accordance with the control requirements.

Information and communication

The Finance organisation is responsible for ensuring that the financial reporting manuals and instructions are up-to-date and that changes are communicated to the relevant units and functions. The process owners of the main finance processes are responsible for informing about upcoming changes in International Accounting Standards, new accounting principles and other changes in reporting requirements.

The key principles of Finnair’s Disclosure Policy regarding disclosure to the stock markets are reliability, openness, consistency and fairness. Finnair publishes press and stock exchange releases without undue delay and makes them available to the markets and all principal stakeholders simultaneously.

The key components and roles in control planning, implementation and monitoring





## Monitoring and improvement

The business units and shared functions regularly assess the maturity of their control activities. The control function – Risk & Compliance – facilitates the identification and evaluation of risks, assists business units and shared functions in defining the controls, and monitors the implementation of controls and risk management activities.

The design and effectiveness of the internal control and risk management systems are also assessed as part of the audits by Internal Audit. Audit results, corrective actions and their status, are regularly reported to the Executive Board and to the Audit Committee.

## Internal Audit

Internal Audit is established by the Board, and its responsibilities are defined by the Audit Committee of the Board as part of their oversight responsibility.

Internal Audit, the independent assurance function in the third Line of Defence, performed audits according to the annual plan approved by the Audit Committee of the Board and performed also assignments requested by the management.

The mission of Internal Audit in Finnair is to provide independent, objective assurance and consulting services designed to add value and improve the

organisation's operations. Internal Audit helps the organisation to mitigate factors that might undermine its business objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## Related party transactions

Related party transactions are regulated by the Finnish Companies Act and the Corporate Governance Code issued by the Securities Market Association, as well as in the IAS 24 Related Party Disclosures. Finnair related parties include the subsidiaries, associated companies and joint ventures. Also, the Members of the Board, the CEO and other Members of the Executive Board, their close family Members and entities controlled directly or indirectly by them, as defined in IAS 24, are related to Finnair. Major shareholders with more than 20 per cent ownership of shares or of the total voting rights in the Company, are included in related parties. Finnair has defined procedures in place for identifying related party transactions.

In relation to any transaction with the Company the related parties must obtain permission in advance. The permission can be given by the Executive Board, or if the permission concerns the CEO or a Member of the Board, by the Board.

The person concerned may not participate in discussing the matter on the Executive Board or the Board or participate in preparations, decisions or implementation of the matter on behalf of the Company.

In addition, the Members of the Executive Board and the Board are required to file an annual report of transactions conducted by them or their related parties with Finnair during the financial period, as well as of transactions anticipated for the next period. The permission and notification procedures only apply to negotiated transactions. Hence, they do not apply to service or product purchases available on normal commercial terms or to normal employee discounts.

Significant transactions between Finnair and its related parties are announced with a stock exchange release in accordance with the rules of Nasdaq Helsinki. Information on transactions with related parties is also provided in note 4.5 to the financial statements. Transactions have been carried out at market prices.



## Managers' transactions and key insider management procedures

Inside information within the Company and transactions on Finnair financial instruments by persons discharging managerial responsibilities in the Company or their closely related persons are managed in accordance with the Market Abuse Regulation (MAR) and the insider guidelines of Nasdaq Helsinki and the Insider Rules of the Company. The Company's Insider Rules also apply to employees in the so-called informative core of the Company.

The Company maintains a list of persons discharging managerial responsibilities in Finnair (managers), including their closely related persons and entities, who must notify the Company and the Financial Supervisory Authority of their transactions on the Company's financial instruments within three business days of the execution of the transaction. The Company must disclose these transactions in a stock exchange release within two business days from having received the notification of the transaction. The Company's managers are the Members of Finnair's Board and of the Executive Board.

The Company's managers and employees in the so-called informative core of the Company are bound by a closed window on trading, which begins 30 days before the release of interim or annual results and continues until the end of the release date. The Company may also impose other trading restrictions and grant exemptions in accordance with its insider rules.

The Company's managers and employees in the so-called informative core of the Company must give an advance notice to the Company before the execution of a planned transaction. In addition, they can request an advance assessment of the legality of a planned transaction. The advance notice obligation and advance assessment opportunity are intended to reduce the risk of trading during a closed trading window or at a time when the Company has undisclosed inside information. Giving an advance notice does not affect the responsibility of the Company's managers and employees in its so-called informative core regarding the abuse of inside information.

The Disclosure Policy of the Company requires, in accordance with the Market Abuse Regulation (MAR), that the Company discloses any inside

information it may have as soon as possible. However, the disclosure may be delayed if the requirements specified in MAR are met. The identification of inside information and decisions regarding the disclosure or delay of disclosure are made by the Company's Disclosure Committee, which is comprised of the Members of the Executive Board. The Disclosure Committee assesses the Company's information typically once a week and otherwise whenever necessary. If the Company delays the disclosure of inside information, it establishes a project-specific insider list and enters the persons with access to the relevant information on the insider list.

The person responsible for insider issues within the Company is the SVP & General Counsel. Finnair's Insider Rules are available at the Company's [website](#).



# Remuneration Report 2023

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# Directors' Remuneration Report 2023

This remuneration report presents the remuneration paid to members of the Board of Directors and the Chief Executive Officer (CEO) of Finnair during 2023. The report has been prepared based on the Finnish Corporate Governance Code 2020, which also conforms to the requirements of the EU Second Shareholder Rights Directive. The advisory vote of the Annual General Meeting 2023 approved the remuneration report for the year 2022. Therefore, there have not been changes made to this report which would result from the vote of the Annual General Meeting. For members of the Executive Board other than the CEO, the remuneration paid is presented on the investors.finnair.com website, in compliance with the Corporate Governance Code.

## Introduction

Remuneration at Finnair is based on the principles of performance, fairness, and competitive remuneration. Remuneration shall support the achievement of Finnair's strategic goals and sustainability strategy, align the management's priorities with the interests of Finnair's shareholders, encourage behaviour consistent with Finnair's

values, and reward excellent performance. These principles also guide the work of Finnair's People and Remuneration Committee.

"2023 marked a year of turnaround for Finnair, as the Finnair team succeeded in restoring the company's profitability after the double crisis caused by the pandemic and the closure of Russian airspace," says Sanna Suvanto-Harsaae, Chair of the Board of Directors, Finnair. "This was achieved by extensive and systematic measures to rebuild the business, defining and implementing a new strategy, and successfully seizing the opportunities offered by the recovery of travel. Success in these areas also meant that the targets set in the personnel and management incentive plans for the period between July 2020 and June 2023 were well achieved. These plans were established when the pandemic began in 2020, to support the rebuilding of the company after global travel restrictions brought commercial aviation to a halt. The personnel and management plans had identical earnings periods, performance targets, and metrics that included both financial and sustainability metrics. 1,900 Finnair employees who contributed to the rebuild of Finnair through

savings agreements participated in the personnel plan. Management plan included the CEO and the Executive Board. The programs yielded 69.5% of the maximum goal defined in the programs for the participants.

I am pleased that the Finnair team has succeeded in rebuilding the company after the most severe crises in Finnair's 100-year history, and we have been able to reward the team for their excellent performance."

## Development of remuneration between 2019 and 2023

The annual fees for the Board of Directors (Board) were last changed in 2020, and before that in 2008. The remuneration paid to the Board, as presented in the table below, has varied from year to year mainly based on the number of Board and committee meetings held during each year. The total amount paid to the Board has varied because the number of Board members increased from seven to eight in 2018 and then from eight to nine in

2020. The number of Board members decreased from nine to eight in 2021 and remained at eight in 2022 and 2023.

A significant share of the CEO's remuneration is based on variable pay and is linked to the achievement of set business targets, including financial, operational, and sustainability performance. The CEO's remuneration between 2019 and 2023 has varied due to differences in the company's business and financial results, a CEO change, and restrictions set by the European Commission on Finnair's management remuneration due to the State of Finland's participation in Finnair's 2020 rights offering.

The short-term incentive plans (STI) for the years 2020–2022 and the long-term incentive plans (LTI) 2018–2020, 2019–2021, and 2020–2022 for the CEO and the Executive Board were cancelled due to the restrictions set by the European Commission. Consequently, in both 2021 and 2022, the remuneration paid to the CEO only included base salary and benefits. There were also no new long-term incentive plans started for the CEO and the Executive Board in 2021 and 2022. Between 2020 and



2022, the CEO and the Executive Board did not have any incentive plans other than the performance- and share-based Rebuild Incentive Plan, which was commensurate with the remuneration restrictions set by the European Commission. The plan contained a single three-year performance period (between July 2020 and June 2023) and was not repeated.

In parallel with the Executive Boards' Rebuild Incentive Plan, Finnair's personnel groups also had a cash-based Rebuild Incentive Plan with the same performance period and performance targets. The plan covered 63 % of of all Finnair employees, i.e. those employee groups made savings agreements in 2020 to support the rebuilding of Finnair. The rewards earned under the personnel's plan were paid in September 2023.

The average paid remuneration of the personnel of Finnair Group was affected by several factors during the past five years. In 2020 and 2021, extensive temporary layoffs decreased the paid average remuneration per employee. The average remuneration per active employee increased in 2023 compared to 2022 both for the personnel at work and for the whole personnel, including also employees on temporary lay-offs and leave of absence. The increase is partly influenced by the temporary lay-offs in operational units at the beginning of 2022 and the payments of the Rebuild incentive in 2023.

As an exception, holiday bonuses were not paid in 2021 and 2022 for some personnel groups, including the CEO and the Executive Board, as part of the savings measures agreed with the personnel.

#### Paid remuneration in the years 2019–2023

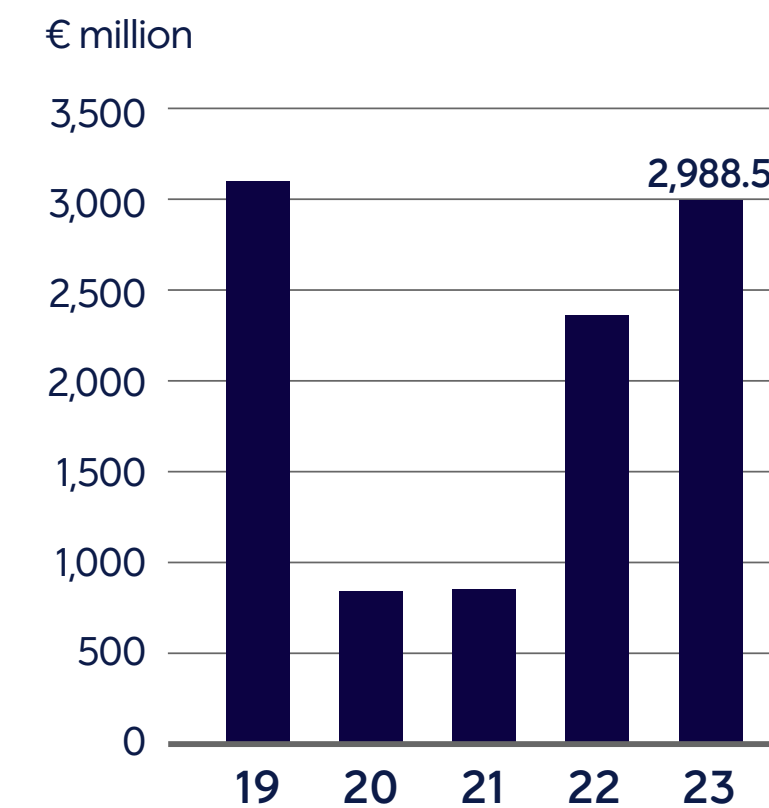
|                                           | 2023      | 2022    | 2021    | 2020      | 2019    |
|-------------------------------------------|-----------|---------|---------|-----------|---------|
| Chair of the Board, Sanna Suvanto-Harsaae | 73,050    |         |         |           |         |
| Chair of the Board, Jouko Karvinen        | 21,150    | 80,627  | 68,228  | 71,968    | 77,907  |
| Vice Chair of the Board                   | 56,834    | 54,300  | 43,410  | 52,365    | 55,984  |
| Other members of the Board average        | 42,199    | 46,583  | 41,695  | 46,102    | 43,878  |
| CEO, Topi Manner                          | 1,724,053 | 754,452 | 756,713 | 1,125,233 | 769,205 |
| Finnair employees (average active)*       | 72,361    | 66,191  | 62,016  | 66,072    | 57,608  |
| Finnair employees (average employed)**    | 67,109    | 55,719  | 32,522  | 33,835    | 54,852  |

\* Average salary is calculated by dividing the total paid salaries with the average number of active (at work) employees during the year.

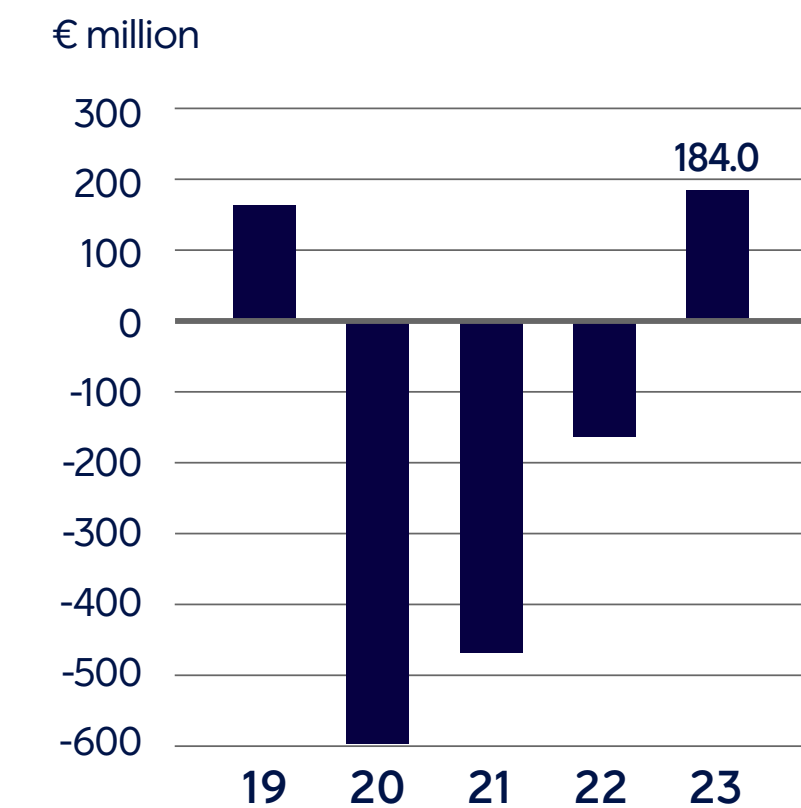
\*\* Average salary is calculated by dividing the total paid salaries with the average number of all employees i.e., both active (at work) and inactive (temporary lay-offs and leaves of absence) workers during the year. Temporary lay-offs have a significant impact on average paid remuneration of all employees.

#### Financial performance 2019–2023

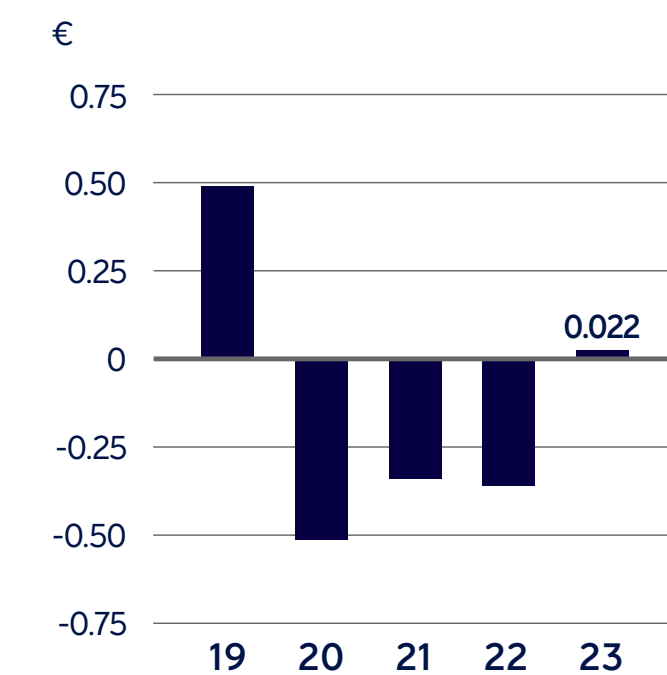
##### Revenue



##### Comparable operating result



##### Earnings per share\*



\* A rights offering was implemented in November 2023 and, therefore, 2019–2022 key figures based on the number of shares have been adjusted.



# Remuneration paid to the members of the Board of Directors in 2023

The Annual General Meeting of Shareholders (AGM) decides on the remuneration of the members of the Board of Directors based on the proposal of the Shareholders' Nomination Board. The AGM's decision covers the period extending to the next year's AGM. On March 23, 2023, Finnair's AGM decided on the following annual fees and meeting fees for Board members:

|                                                              |              |
|--------------------------------------------------------------|--------------|
| Chair                                                        | 63,000 euros |
| Vice Chair                                                   | 32,700 euros |
| The Chair of the Audit or People and Remuneration Committee* | 32,700 euros |
| Members                                                      | 30,300 euros |

\*In the case she/he does not act as the Chair or Vice Chair of the Board at the same time.

The meeting fee to be paid for Board or committee meetings is 600 euros per meeting if the meeting is in the Board member's country of residence. A meeting fee of 2,400 euros is paid for other meetings and 600 euros for telephone meetings. No fee is paid for decisions made without a meeting (per capsulam).

The Board fees were paid in cash. The table below shows the meetings for which a fee has been paid.

|                                                                  | Annual remuneration <sup>1</sup> | Board meetings | Committee meetings | Meeting compensations in total | Taxable benefits <sup>2</sup> | Total  |
|------------------------------------------------------------------|----------------------------------|----------------|--------------------|--------------------------------|-------------------------------|--------|
| <b>Members 1.1.–31.12.2023</b>                                   |                                  |                |                    |                                |                               |        |
| Montie Brewer (Vice Chair)                                       | 32,700                           | 15,000         | 7,800              | 22,800                         | 1,334                         | 56,834 |
| Henrik Kjellberg                                                 | 30,300                           | 15,000         | 7,800              | 22,800                         | 0                             | 53,100 |
| Jukka Erlund (Chair, Audit Committee)                            | 32,700                           | 7,800          | 4,200              | 12,000                         | 2,400                         | 47,100 |
| Tiina Alahuhta-Kasko                                             | 30,300                           | 7,800          | 7,200              | 15,000                         | 0                             | 45,300 |
| Simon Large                                                      | 30,300                           | 15,000         | 7,800              | 22,800                         | 0                             | 53,100 |
| Hannele Jakosuo-Jansson (Chair, People & Remuneration Committee) | 32,700                           | 7,800          | 7,200              | 15,000                         | 3,196                         | 50,896 |
| <b>Members 24.3.–31.12.2023</b>                                  |                                  |                |                    |                                |                               |        |
| Sanna Suvanto-Harsaae (Chair)                                    | 47,250                           | 12,000         | 13,200             | 25,800                         | 0                             | 73,050 |
| Minna Pajumaa                                                    | 22,725                           | 6,600          | 5,400              | 12,000                         | 0                             | 34,725 |
| <b>Members 1.1.–23.3.2023</b>                                    |                                  |                |                    |                                |                               |        |
| Maija Strandberg                                                 | 7,575                            | 1,800          | 1,800              | 3,600                          | 0                             | 11,175 |
| Jouko Karvinen (Chair)                                           | 15,750                           | 5,400          | 0                  | 5,400                          | 0                             | 21,150 |

<sup>1</sup> The annual remuneration is expressed at the annual level but paid in monthly instalments.

<sup>2</sup> Taxable benefits include Finnair staff tickets. The members of the Board and their spouses have a right to use staff tickets in accordance with Finnair's staff ticket rules.



# Remuneration paid to the CEO in 2023 and due to be paid for 2023

Finnair's Board of Directors decides on the remuneration of the CEO based on a proposal from the People and Remuneration Committee. In compliance with Finnair's Remuneration Policy, the remuneration of the CEO consists of a fixed salary and fringe benefits, as well as short- and long-term variable pay earning opportunities. The CEO has no supplementary pension benefit. The CEO's variable pay earning opportunities are based on a combination of short-term and long-term targets which are balanced between long-term value creation and the efficient achievement of short-term goals. Founded on the principles described in the introduction above, the target setting of the CEO's variable pay is designed to support the achievement of Finnair's strategic goals and sustainability strategy, maximize shareholder value creation, and reward excellent performance.

The double crisis caused by COVID-19 pandemic and war in Ukraine have demanded exceptional decisions from the Board of Directors regarding the management remuneration. The CEO's base salary in 2023 remained at the same level as in 2021 and 2022. The STI plans for the years 2020, 2021, and 2022 were cancelled for the CEO due to

the remuneration restrictions explained above in the introduction section. As those restrictions have now expired, the CEO was able to participate in the STI plan as of 2023 and onwards. Due to the exceptional challenges Finnair faced with the COVID-19 pandemic and the war in Ukraine, the CEO's maximum earning opportunity for the 2023 STI plan was set at 90% of his annual base salary. Therefore, this temporarily exceeded 60% of the annual base salary, which is the maximum STI earning opportunity guidance given in Finnair's Remuneration Policy. The total rewards paid to the CEO of all variable pay plans are capped at 120% also with regard to the temporarily increased STI earning opportunity. Since the CEO gave notice of his resignation on August 18, 2023, and since his responsibilities as CEO ended at the end of February 2024, his entitlement to any short-term incentives accrued during the year 2024 has been cancelled.

Similar to the cancellation of the STI plans, the CEO's LTI plans for 2018–2020, 2019–2021, and 2021–2023 were cancelled due to the remuneration re-strictions explained in the introduction. These restrictions have now expired, and the CEO

would be able eligible to participate in LTI plans for the period between 2023–2025 and onwards. However, since the CEO gave his notice of resignation on August 18, 2023, his entitlement to any reward under this LTI plan, and any subsequent LTI plan, has been cancelled.

The CEO and the Executive Board members were participants in the performance- and share-based Rebuild Incentive Plan explained in the introduction above. The plan contained a three-year performance period, covering from July 2020 until June 2023, and the rewards earned under this plan were paid in 2023. The performance period and the performance targets in this plan were the same as in the Rebuild Incentive Plan for Finnair's personnel.

In the absence of other variable earning opportunities for the same period, the CEO's combined maximum earning opportunity under the Rebuild Incentive Plan was 120% of his annual base salary per year, when annualized over the three-year length of the performance period. The Plan included three annual performance periods and a cash flow multiplier measuring

the performance over the total plan period. The combined materialized earnings for the entire plan were measured and confirmed in 2023 once the three-year performance period ended. However, the annual variable pay cap of 120% of the individual's annual base salary, as stated in Finnair's Remuneration Policy, was also applied to the rewards payable under the Rebuild Incentive Plan. Therefore, the payment of the portion of the reward which exceeded 120% of his annual base salary, was not paid in 2023 but would be paid in the following years. The postponed portion of the reward is similarly subject to the annual pay cap. Consequently, the variable pay which was paid to the CEO in any given year does not exceed 120% of his annual base salary. Due to CEO Topi Manner notice of resignation, the reward earned by the CEO under the Rebuild Incentive Plan was paid in cash. Even though the Topi Manner resigned in 2023 and left Finnair in February 2024, according to the Rules of the Rebuild Incentive Plan, he will be entitled to rebuild incentive reward also in 2024, within the annual variable pay limit of 120%. After which, any remaining payments of the Rebuild Incentive will be forfeited.



| Remuneration paid,<br>euros per year                   | CEO 2023<br>Topi Manner                                                                                     | CEO 2022 <sup>2</sup><br>Topi Manner |
|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------|
| Base salary <sup>1</sup>                               | 733,183                                                                                                     | 734,197                              |
| Holiday bonus <sup>2</sup>                             | 37,502                                                                                                      | 0                                    |
| Benefits <sup>3</sup>                                  | 18,902                                                                                                      | 20,256                               |
| Short term incentives <sup>4</sup>                     | 0                                                                                                           | 0                                    |
|                                                        | as % of paid base salary                                                                                    | 0%                                   |
| Long term incentives <sup>5</sup>                      | 0                                                                                                           | 0                                    |
|                                                        | as % of paid base salary                                                                                    | 0%                                   |
| Rebuild Incentive Plan<br>07/2020-06/2023 <sup>6</sup> | 896,280                                                                                                     | 0                                    |
|                                                        | as % of paid base salary (of which<br>re-ward the amount equalling 120% of base<br>salary was paid in 2023) | 115%                                 |
| Fly Share Plan                                         | 38,186                                                                                                      | 0                                    |
|                                                        | as % of paid base salary                                                                                    | 5%                                   |
| <b>Variable pay in total, euros</b>                    | 934,466                                                                                                     | 0                                    |
|                                                        | as % of paid base salary                                                                                    | 120%                                 |
| Supplementary pensions                                 | 0                                                                                                           | 0                                    |
| <b>Remuneration paid in total</b>                      | 1,724,053                                                                                                   | 754,453                              |

#### Remuneration of the CEO not yet paid but due based on the year 2023, euros

|                                               |         |
|-----------------------------------------------|---------|
| Short-term incentives (STI 2023) <sup>7</sup> | 405,108 |
| Rebuild Incentive Plan <sup>6</sup>           | 529,356 |

<sup>7</sup> Since the CEO gave his notice of resignation on August 18, 2023, he forfeited any short-term incentives (STI 2024) which would have accrued during the year 2024 until the end of his office.

<sup>1</sup> There has been no change in the CEO's base salary during the years 2021–2023. Base salary includes car benefit deduction (10,817€). In the base salary, the note no. (2) below with regards to the non-payment of holiday bonuses in 2021 and 2022 should be noted.

<sup>2</sup> In 2021 and 2022, the CEO's holiday bonus was left unpaid as part of the company's savings measures. In 2023, the holiday bonus was paid.

<sup>3</sup> Benefits include e.g. a telephone benefit, a car benefit, health insurance and the company's personnel ticket benefit.

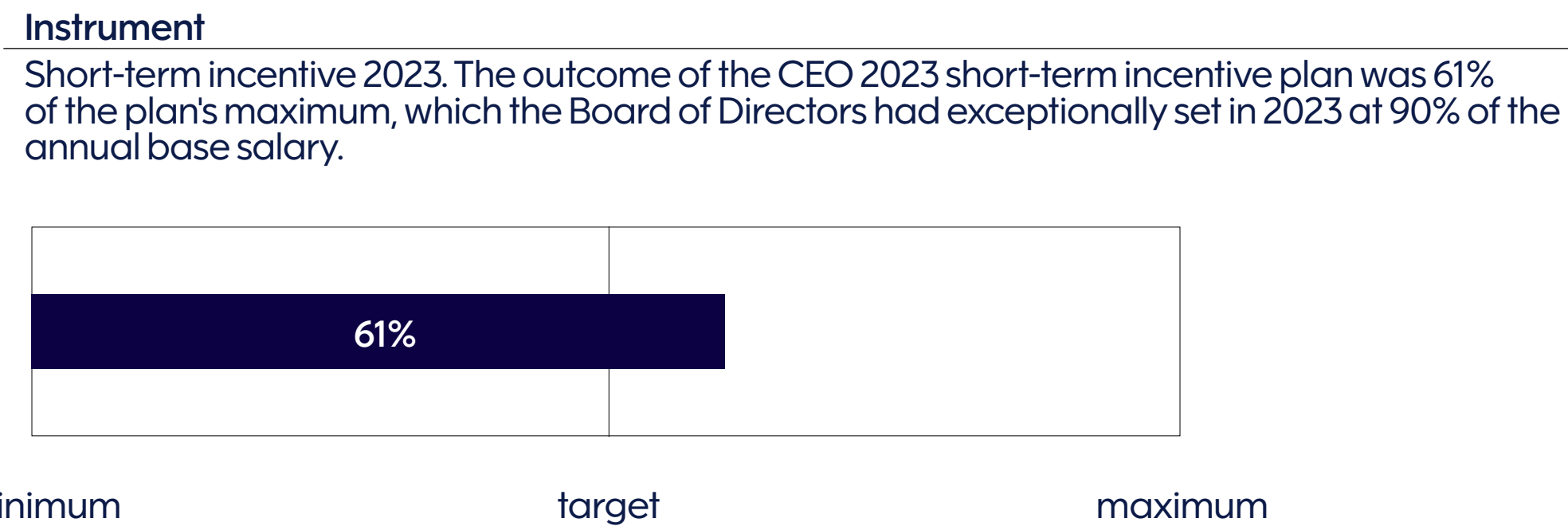
<sup>4</sup> The short-term incentives for the years 2021 and 2022 were cancelled for the CEO and the Executive Board members.

<sup>5</sup> The long-term incentive programs for the years 2019–2021, 2020–2022 and 2021–2023 were cancelled for the CEO and the Executive Board members.

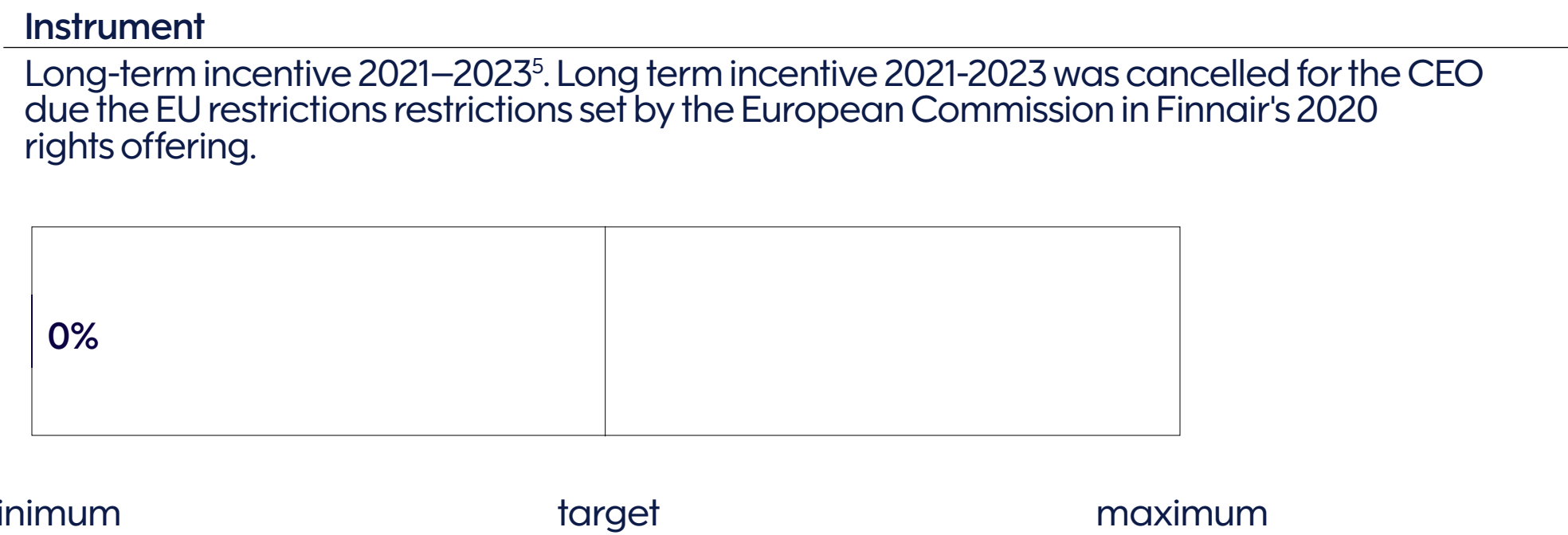
<sup>6</sup> According to the Terms and Conditions of the Rebuild Incentive Plan, the proportion of the reward, which exceeds the annual variable pay cap (120% of the individual's annual base salary), was postponed and will be paid in the subsequent year(s) in which the individual continues to be employed by Finnair, each year subject to the annual pay cap. Any amount that remains unpaid after the payment in the year during which the individual's service or employment with Finnair ends, is cancelled and forfeited. The value of the already earned Rebuild Incentive Plan rewards which the CEO forfeited, amounts in the aggregate to 706,165€.



Performance measures and outcomes of variable pay elements ending in 2023



| Short-term Incentive 2023, total performance, percentage              |        | 61%                       |
|-----------------------------------------------------------------------|--------|---------------------------|
| Measure                                                               | Weight | Performance, % of maximum |
| Comparable EBIT                                                       | 12,5%  | 100%                      |
| Operating cash flow                                                   | 12,5%  | 100%                      |
| Carbon dioxide emissions/Revenue tonne kilometre CO <sub>2</sub> /RTK | 10,0%  | 43%                       |
| Employee Net Promoter Score eNPS                                      | 7,5%   | 0%                        |
| Customer Net Promoter Score NPS                                       | 7,5%   | 14%                       |
| Revenue per available seat kilometre RASK                             | 15%    | 93%                       |
| Cost per available seat kilometre CASK                                | 15%    | 43%                       |
| Individual targets                                                    | 20%    | 50%                       |

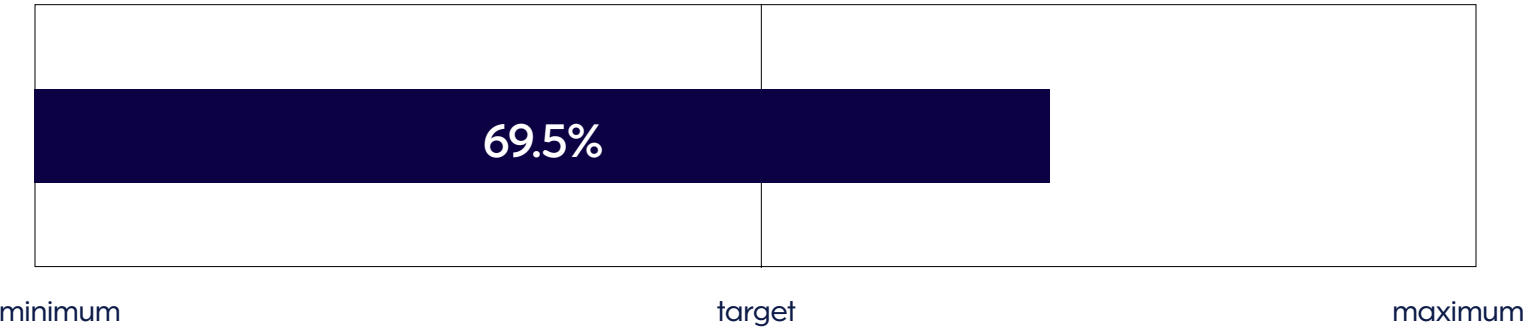


| Long-term Incentive 2021–2023, total performance, percentage |        | 0%                        |
|--------------------------------------------------------------|--------|---------------------------|
| Measure                                                      | Weight | Performance, % of maximum |
| EPS 21-23                                                    | 45%    | Cancelled for CEO         |
| CASK 21-23                                                   | 45%    | Cancelled for CEO         |
| Fuel Efficiency Index 21-23                                  | 10%    | Cancelled for CEO         |

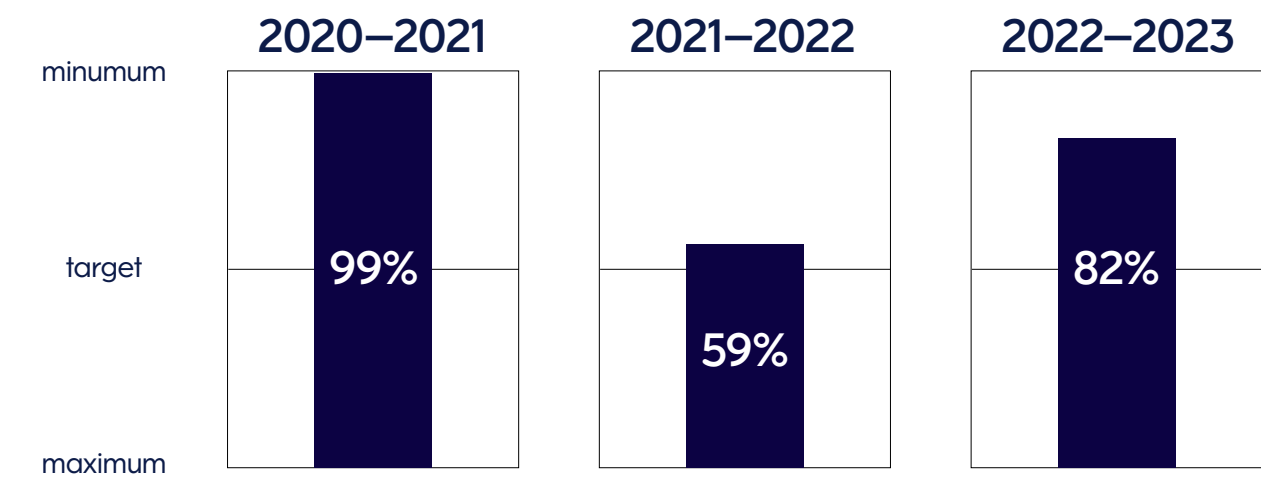
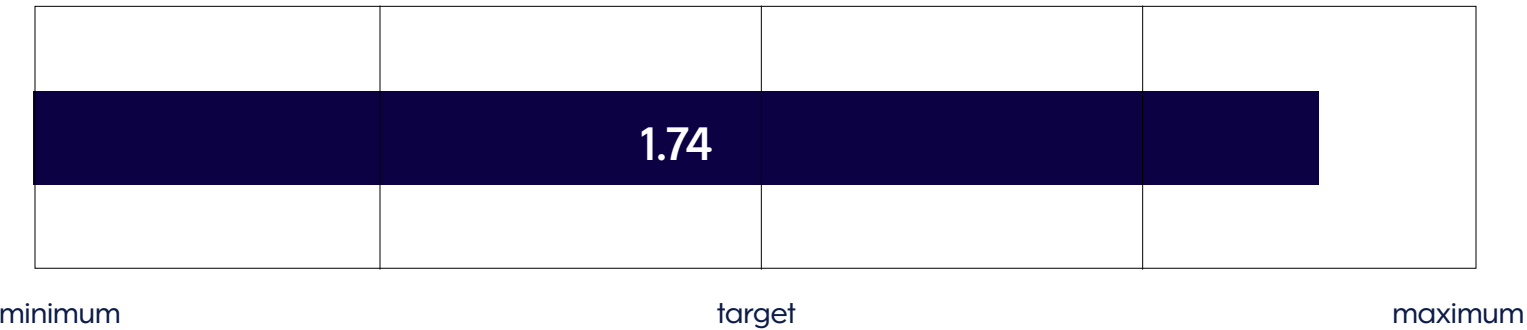


**Instrument**  
Rebuild Incentive Plan<sup>6</sup> 7/2020–6/2023. The outcome of the CEO's three-year rebuild incentive plan was 69.5% of the plan's maximum.

**Rebuild incentive plan**



**Cash flow multiplier**



**Outstanding long-term incentives granted to the CEO\***

| Instrument    | Measure     | Weight | Grant date       | Grant in shares | Vesting date |
|---------------|-------------|--------|------------------|-----------------|--------------|
| LTI 2023–2024 | EBIT margin | 100%   | January 23, 2023 | 6,775,040       | 15.3.2025    |
| LTI 2023–2025 | EBIT margin | 100%   | January 23, 2023 | 6,775,040       | 15.3.2026    |

*\* Since the CEO gave his notice of resignation on August 18, 2023, he forfeited any outstanding and unvested LTI grants, including the earning opportunities under LTI 2023–2024 and LTI 2023–2025. The value of his forfeited LTI earning opportunities under these plans, calculated based on their grant value, amounts in the aggregate to 940,001.57€. Additionally, the CEO forfeited any earnings under the next following LTI plan, LTI 2024–2026.*

| Long-term Incentive 2021–2023, total performance, percentage |        |                           | 69.5% |
|--------------------------------------------------------------|--------|---------------------------|-------|
| Measure                                                      | Weight | Performance, % of maximum |       |
| 2020–2021 Comparable EBITDA                                  | 40%    | 100%                      |       |
| 2020–2021 Gearing %                                          | 40%    | 97,7%                     |       |
| 2020–2021 LTIF                                               | 10%    | 100%                      |       |
| 2020–2021 Fuel Efficiency Index                              | 10%    | 100%                      |       |
| 2020–2021, total                                             | 100%   | 99%                       |       |
| 2021–2022 Comparable EBIT                                    | 60%    | 72,4%                     |       |
| 2021–2022 Revenue                                            | 20%    | 80,4%                     |       |
| 2021–2022 Retention                                          | 10%    | 0,00%                     |       |
| 2021–2022 Fuel Efficiency Index                              | 10%    | 0,00%                     |       |
| 2021–2022, total                                             | 100%   | 59%                       |       |
| 2022–2023 Comparable EBITDA                                  | 40%    | 100%                      |       |
| 2022–2023 NPS                                                | 40%    | 63,3%                     |       |
| 2022–2023 LTIF                                               | 10%    | 72,5%                     |       |
| 2022–2023 Retention                                          | 10%    | 92,2%                     |       |
| 2022–2023, total                                             | 100%   | 82%                       |       |
| 2020–2023 Cash flow multiplier                               |        | 1.74                      |       |



# Sustainability Appendix 2023

|                                                    |                                                           |
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This sustainability appendix is integrated into the Annual Report, and together with the company’s website, they form Finnair’s sustainability reporting for the reporting period from January 1st to December 31st, 2023. The content of the Finnair’s annual sustainability report is based on a double materiality analysis, which is constantly updated based on the analysis of the business environment and on the basis of discussions and communication with its stakeholders.

The descriptions and information presented in the report of the Board of Directors give an overview of the development of the company’s sustainability activities, while this appendix provides the reader with more detailed information about the figures of the reporting year. More extensive descriptions and the latest updates on the company’s sustainability themes can be found on the Finnair company’s [website](#). An independent third party, Verifavia, has verified the emission data of the company’s environmental indicators; Scope 1, 2 and 3. The other sustainability information reported in 2023 has not been verified by a third party.

The report covers the parent company Finnair Plc and all its Finnish subsidiaries. Regarding the environmental impact, the reported figures also include the fuel consumption of Norra, which flies the company’s flights, and wet-leased flights. Finnair Group does not report on the activities of subsidiaries outside Finland, as their activities are not considered to be significant in the group’s overall sustainability. Possible exceptions to this are mentioned separately in connection with each possible indicator. Finnair also does not report on outsourced operations.

The information in the report has been collected from the group’s internal statistical systems and subcontractors. The information and contents of the sustainability report, which have been reported using and following the subject-specific reporting principles of the GRI standard, are listed in the GRI Content Index at the end of this appendix.

There have been no significant changes in the data compared with the previous year’s 2022 report. Small amendments have been made to provide reader with more reliant comparable data between reporting periods. The 2022 data regarding the facilities’ energy related emissions (Scope 2) have been amended to the 2023 reporting. Also, some of the multipliers used and referenced in the GHG emission calculations have been updated to the newest standard, EN16258:2013 has been replaced by ISO14083:2023. Information on changes in individual indicator data is provided under the section on the indicator in question. Changes pertaining to Finnair’s organisational structure and the calculation of financial statement data are described in more detail in connection with Finnair’s financial key figures.



# Materiality Analysis

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In the Finnair’s latest double materiality assessment (DMA) for 2023, the company examined two main views: what is the company’s impact on the world and the surrounding communities, and external factors that could significantly affect the company financially. This assessment focused on various aspects of sustainability, including the environmental, social, and corporate governance (ESG) dimensions, and involved a thorough analysis of immediate and future challenges that could materialize in various future scenarios.

The assessment was conducted comprehensively, taking into account regulatory requirements (e.g., CSRD), industry-specific factors, external trends, stakeholder interviews, various sustainability frameworks, and aligning them with the company’s strategy and purpose. Material topics were further refined by specifically considering ESG aspects relevant to both the company’s business and its stakeholders. The initial list of material topics obtained underwent a comprehensive Impact, Risks, and Opportunities (IRO) assessment conducted by internal experts and managers within the company.

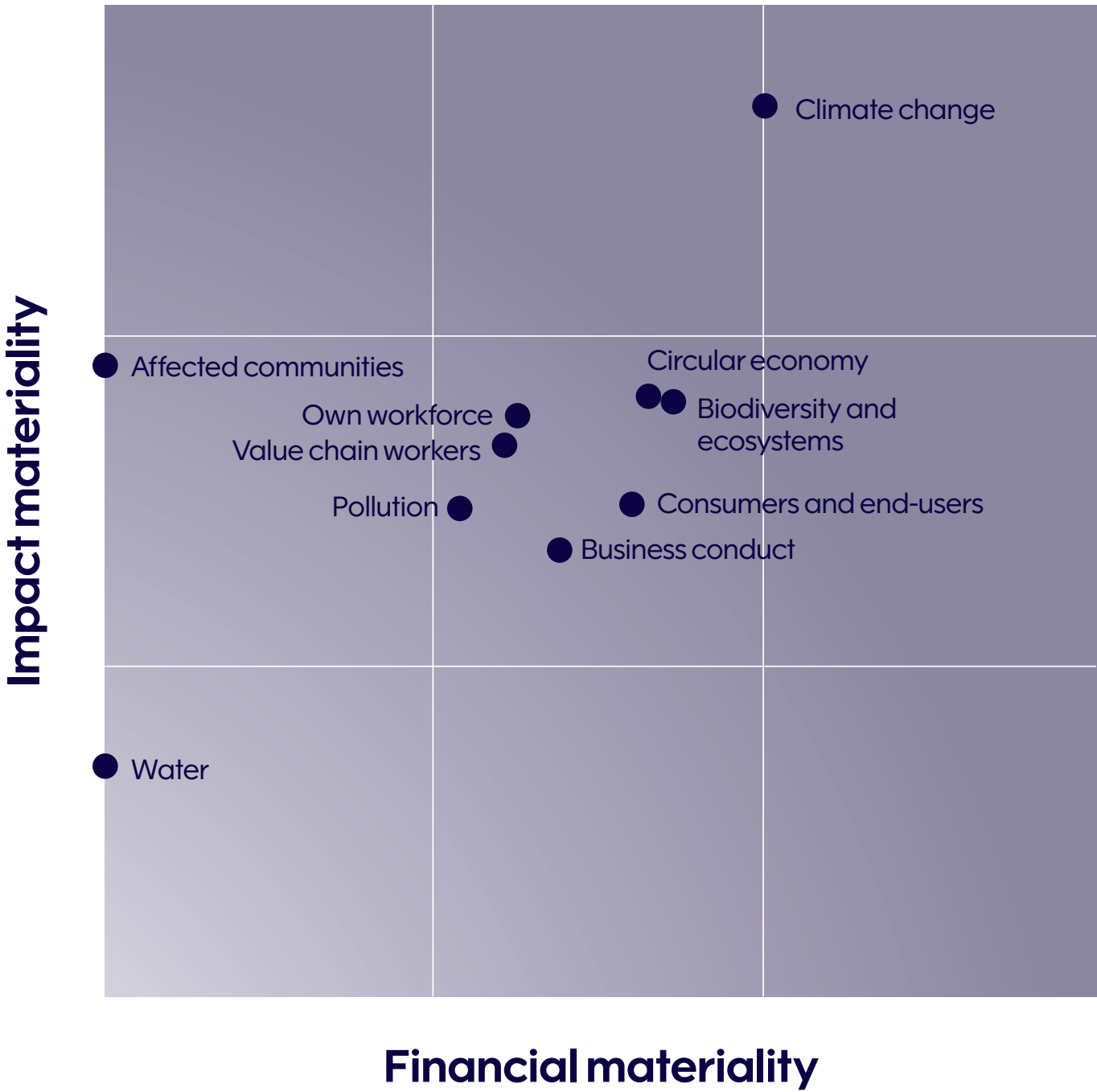
The company’s stakeholders represent a truly diverse perspective and play a crucial role in defining material topics. Through interviews, surveys, and online channels, the company sought their views to reinforce already identified material issues. Additionally, in-depth interviews were

conducted by an external consultant provided valuable insights into crucial topics.

As a result of this analysis, the company has identified nine essential themes, presented in the accompanying materiality matrix. In this matrix, the horizontal axis represents the impact of financial significance, and the vertical axis represents the importance of the ESG impact of the topic.

These emerged material topics particularly highlight the company’s strategic efforts to address climate change and promote sustainable development in surrounding societies.

The results of the materiality assessment were approved by the company’s executive leadership and were also reviewed by the company’s audit committee and board.





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| Focus Area                                | Material Topics                                                                                                     | GRI Reference                              | Topic Boundaries                                                                                      |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Ethical business                          |                                                                                                                     |                                            |                                                                                                       |
| Ethical business and responsible sourcing | Code of Conduct                                                                                                     | Ethics and integrity                       | Finnair's own operations, partners and supply chain                                                   |
|                                           |                                                                                                                     | Environmental compliance                   |                                                                                                       |
|                                           | Socioeconomic compliance                                                                                            |                                            |                                                                                                       |
|                                           | Anti-corruption and bribery                                                                                         | GRI 205: Anti-corruption                   |                                                                                                       |
|                                           | Compliance with anti-competition regulations                                                                        | GRI 206: Anti-competitive behaviour        |                                                                                                       |
| Environmental                             |                                                                                                                     |                                            |                                                                                                       |
| Energy                                    | Fuel efficiency                                                                                                     | GRI 302: Energy                            | Finnair's own operations, supply chain, indirect impacts on greenhouse gas emissions and biodiversity |
| Pollution                                 | Flight noise                                                                                                        | Local environmental impacts                |                                                                                                       |
| Biodiversity                              | Production of SAF                                                                                                   | GRI 304: Biodiversity                      |                                                                                                       |
| Climate Change                            | Climate change mitigation                                                                                           | GRI 305: Emissions                         |                                                                                                       |
|                                           | Climate change adaptation                                                                                           |                                            |                                                                                                       |
|                                           | Sustainable Aviation Fuels (SAF)                                                                                    |                                            |                                                                                                       |
| Circular Economy                          | Reusing products                                                                                                    | GRI 306: Waste                             |                                                                                                       |
|                                           | Reducing waste                                                                                                      |                                            |                                                                                                       |
|                                           | Recycling of materials                                                                                              |                                            |                                                                                                       |
| Social                                    |                                                                                                                     |                                            |                                                                                                       |
| Own Workforce                             | Employee experience                                                                                                 | GRI 401: Employment                        | Finnair's own operations                                                                              |
|                                           | Employee brand image                                                                                                | GRI 402: Labour/management relations       |                                                                                                       |
|                                           | Employee well-being                                                                                                 | GRI 406: Non-discrimination                |                                                                                                       |
|                                           | Working conditions                                                                                                  | GRI 403: Occupational health and safety    |                                                                                                       |
|                                           |                                                                                                                     | GRI 404: Training and education            |                                                                                                       |
|                                           | Equality                                                                                                            | GRI 405: Diversity and equal opportunity   |                                                                                                       |
| Customers                                 | Flight safety                                                                                                       | Human rights assessment                    | Finnair's own operations                                                                              |
|                                           | Customer experience                                                                                                 | Stakeholder engagement                     |                                                                                                       |
|                                           |                                                                                                                     | Accessibility                              |                                                                                                       |
|                                           | Equality                                                                                                            | GRI 416: Customer health and safety        |                                                                                                       |
|                                           | Responsible use of customer data                                                                                    | GRI 417: Marketing and labelling           |                                                                                                       |
| Workers in the value chain                | Freedom of association, working conditions, equal treatment and opportunities for all and other work-related rights | GRI 418: Customer privacy                  | Finnair's supply chain                                                                                |
|                                           |                                                                                                                     | Human rights assessment                    |                                                                                                       |
|                                           |                                                                                                                     | GRI 308: Supplier environmental assessment |                                                                                                       |
|                                           |                                                                                                                     | GRI 414: Supplier social assessment        |                                                                                                       |
|                                           |                                                                                                                     | GRI 409: Forced or Compulsory Labor        |                                                                                                       |
| Economic                                  |                                                                                                                     |                                            |                                                                                                       |
| Economic impact                           | Economic responsibility                                                                                             | GRI 201: Economic performance              | Finnair's own operations, society and local communities                                               |
|                                           |                                                                                                                     | GRI 203: Indirect economic impacts         |                                                                                                       |



# Stakeholder Engagement

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An open and transparent dialogue with various stakeholder groups provides the basis for an active stakeholder identification and communication process. Finnair proactively provides information through social media, print, and other forms of communication medias.

| Stakeholder Group                             | Topics                                                                                                                                                                                                                                                                                                                                                                | Channels                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customers                                     | Safety, Travel experience, accessibility, customer service issues, product quality, on-time performance, emissions and noise reduction, recycling, wildlife protection, responsible sourcing, responsible tourism, corporate responsibility projects via Finnair Plus, collaboration.                                                                                 | Surveys, research, written feedback, Finnair website, social media, customer events, customer service encounters at every stage of the journey, messages to Finnair Plus customers, Finnair mobile app, Blue Wings, In-flight Entertainment system (IFE), net promotion scope (NPS).                                                                           |
| Personnel                                     | Occupational health, diversity, inclusion and wellbeing at work, work-life balance, target setting, Code of Conduct and ethical issues, safety and security, changes to improve profitability, values and business practices, increasing trust, mitigating environmental impacts of the work, corporate responsibility in partnerships, changes affecting personnel.  | Intranet, internal blogs, monthly All Finnair Live -Team meetings, theme weeks, Yammer, personnel events, Wellbeing at Work -survey (WeTogether@Finnair), occupational health services, performance evaluation and development planning, discussions with labour organisations, Leadership forum, eNPS.                                                        |
| Shareholders and investors                    | Market environment and competitive landscape, the company's operations, corporate sustainability, objectives and targets, reporting, strategy and financial position.                                                                                                                                                                                                 | Stock exchange bulletins under periodic and ongoing disclosure obligation; interim reports, financial statements, report of the Board of Directors, Corporate Governance Statement. Annual General Meeting, investor, analyst and media meetings and events, corporate website, Carbon Disclosure Project, UN Global Compact -Communication on Progress (CoP). |
| Aviation sector                               | Safety, GHG emissions and noise reduction, emissions reduction and trading schemes, air traffic management, biofuel and supply chain development, sustainable tourism, economic impacts of the sector.                                                                                                                                                                | Membership in IATA and A4E; cooperation forum for sustainable tourism; membership in <b>oneworld</b> alliance; Joint Businesses; cooperation with Finavia and other airport operators; sector seminars and working groups; manufacturers.                                                                                                                      |
| Authorities and government                    | Competitiveness, market access, safety, emissions trading and reduction schemes, air traffic management, supply chain responsibility, reporting, economic contribution of aviation, impact of operations on environment and noise, disruptions and irregularities, biofuels, employee relations, the Transport Code.                                                  | Dialogue with local, national, EU-level authorities and governments; dialogue with governments and authorities in destination and overflight countries, events and other cooperation with the Finnish Consumer Agency, Flight Safety Authority (Traficom), embassies and other relevant Finnish and foreign actors.                                            |
| NGOs                                          | GHG emissions and environmental impact reduction, public health measures, human rights, disaster relief, wildlife protection, common interest projects for sustainability and development cooperation, supply chain responsibility.                                                                                                                                   | Cooperation with the WWF, Finnish Association for Nature Conservation, UNICEF, Finnish Red Cross, Cancer Society of Finland and other NGOs. Membership in the Carbon Disclosure Project and the Climate Leadership coalition, Commitment 2050 -cooperation, Science based Target -cooperation.                                                                 |
| Research, Development and Innovation Partners | GHG emissions and environmental impact reduction, common interest projects for sustainability and development cooperation, supply chain responsibility.                                                                                                                                                                                                               | Joint projects, cooperation with educational institutions and companies that emphasize innovation, industry seminars and working groups, cooperation with manufacturers.                                                                                                                                                                                       |
| Suppliers                                     | Cooperation efforts to mitigate emissions and other environmental impacts, ensuring good working conditions of value chain workers, monitoring of sustainability and business ethics everywhere in the value chain.                                                                                                                                                   | Contractual cooperation, Finnair procurement guidelines and Supplier Code of Conduct.                                                                                                                                                                                                                                                                          |
| Media                                         | Daily operations irregularities, company's strategy and business, GHG emission reduction, Finnair products and network, investments, personnel relations, financial sustainability, ethics, cooperation projects with NGOs, trends in travel and traffic, biofuels, emissions trading and reduction schemes, noise, impact of aviation on local economy and mobility. | Press releases, press conferences, visits by reporters, press trips, interviews, Finnair media desk calls and emails, websites social media, Blue Wings digital magazine.                                                                                                                                                                                      |
| General public                                | Customer service, product quality, GHG emission reductions, labour relations, economic contribution of aviation, ethics, presence in local economies, cooperation projects with NGOs, corporate citizenship.                                                                                                                                                          | Communications via media, websites, email and lectures; social media including blogs, Instagram, Facebook, Twitter and Sina Weibo.                                                                                                                                                                                                                             |



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|                                                                                        | 2023                   |           |               |                   |                          |                                       | 2022                   |           |               |                   |                          |                                       |
|----------------------------------------------------------------------------------------|------------------------|-----------|---------------|-------------------|--------------------------|---------------------------------------|------------------------|-----------|---------------|-------------------|--------------------------|---------------------------------------|
|                                                                                        | Consumed Mass,<br>tons |           | Non-renewable | Energy use,<br>GJ |                          | CO <sub>2</sub><br>Emissions,<br>tons | Consumed Mass,<br>tons |           | Non-renewable | Energy use,<br>GJ |                          | CO <sub>2</sub><br>Emissions,<br>tons |
|                                                                                        | Fossil                 | Renewable |               | Renewable         | Share of<br>Renewable, % |                                       | Fossil                 | Renewable |               | Renewable         | Share of<br>Renewable, % |                                       |
| Direct Energy use and<br>GHG Emissions (Scope 1)                                       |                        |           |               |                   |                          |                                       |                        |           |               |                   |                          |                                       |
| Fossil Jet Fuel <sup>1,3)</sup>                                                        | 985,091                | 2,266     | 41,197,933    | 99,682            | 0.24                     | 3,027,569                             | 786,881                | 1,224     | 33,835,867    | 53,836            | 0.16                     | 2,486,543                             |
| Ground vehicle Fuel <sup>2,3)</sup>                                                    | 430                    | 92        | 18,321        | 4,048             | 18.10                    | 1,380                                 | 359                    | 62        | 15,306        | 2,717             | 15.07                    | 1,156                                 |
| Solar Power (Renewable)                                                                | -                      | -         | 0             | 1,026             | 100.00                   | 0                                     | -                      | -         | 0             | 1,002             |                          | 0                                     |
| Total                                                                                  | 958,522                | 2,357     | 42,216,254    | 104,756           | 0.25                     | 3,028,949                             | 787,240                | 1,285     | 33,851,173    | 57,554            | 0.17                     | 2,487,698                             |
| Indirect energy use and<br>GHG Emissions (Scope 2)                                     |                        |           |               |                   |                          |                                       |                        |           |               |                   |                          |                                       |
| Electricity <sup>4)</sup>                                                              | -                      | -         | 70,803        | 9,363             | 11.68                    | -                                     | -                      | -         | 70,537        | 9,619             | 12.00                    | -                                     |
| Market-based emissions <sup>5)</sup>                                                   | -                      | -         | -             | -                 | -                        | 3,385                                 | -                      | -         | -             | -                 | -                        | 1,648                                 |
| Location-based emissions <sup>5)</sup>                                                 | -                      | -         | -             | -                 | -                        | 1,670                                 | -                      | -         | -             | -                 | -                        | 1,982                                 |
| Heat <sup>4)</sup>                                                                     | -                      | -         | 66,840        | 22,280            | 25.00                    | -                                     | -                      | -         | 62,952        | 20,984            | 25.00                    | -                                     |
| Market-based emissions <sup>5)</sup>                                                   | -                      | -         | -             | -                 | -                        | 4,203                                 | -                      | -         | -             | -                 | -                        | 3,793                                 |
| Location-based emissions <sup>5)</sup>                                                 | -                      | -         | -             | -                 | -                        | 4,203                                 | -                      | -         | -             | -                 | -                        | 3,614                                 |
| Total                                                                                  | 0                      | 0         | 137,643       | 31,643            | 18.69                    | 7,588                                 | 0                      | 0         | 133,489       | 30,603            | 18.65                    | 5,441                                 |
| Other Indirect GHG Emissions<br>(Scope 3)                                              |                        |           |               |                   |                          |                                       |                        |           |               |                   |                          |                                       |
| Fuel and energy related activities<br>(not incl. in Scope 1-2 emissions) <sup>6)</sup> | -                      | -         | -             | -                 | -                        | 461,878                               | -                      | -         | -             | -                 | -                        | 379,107                               |
| Downstream leased assets <sup>7)</sup>                                                 | 47,550                 | 0         | 2,044,660     | 0                 | 0                        | 150,259                               | 75,725                 | 0         | 3 256 158     | 0                 | 0                        | 239,290                               |
| Business Travel <sup>8)</sup>                                                          | -                      | -         | -             | -                 | -                        | 1,081                                 | -                      | -         | -             | -                 | -                        | 1,418                                 |
| Total                                                                                  | 0                      | 0         | 0             | 0                 | 0                        | 613,218                               | 75,725                 | 0         | 3 256 158     | 0                 | 0                        | 619,814                               |
| Grand Total                                                                            | 1,006,072              | 2,357     | 43,398,556    | 136,400           | 0.31                     | 3,649,755                             | 862,965                | 1,285     | 37,240,820    | 88,157            | 0.24                     | 3,112,954                             |

<sup>1)</sup> Fuel consumption and emission figures for flight operations are derived from the company's own monitoring systems and based on actual fuel consumptions (Annex 1 EU ETS Directive 2003/87/EC of the European Parliament and of the Council, 'Method A' EU ETS Monitoring and Reporting Regulation (EU) N:o 601/2012). The CO<sub>2</sub> emission factor for jet fuel used has been amended to 3,16 kg CO<sub>2</sub>/kg with reference to ISO 14083:2023, Table K.1. Fuel mass has been converted to volume using densities provided by fuel vendor. If density has not been available a default value of 0.80 kg/l has been used.

<sup>2)</sup> Ground vehicles' fuel consumption figures have been derived from the company's own refueling station. The emission conversion factors for fossil fuels (petrol and fuel oil (LFO)) have been amended with reference to ISO 14083:2023, Table K.1.

<sup>3)</sup> Biogenic CO<sub>2</sub> emissions are reported in the separate table below.

<sup>4)</sup> Figures relating to facilities' energy consumption have been received from the energy providers. 25 per cent of the district heat is from bioenergy. 11.7 per cent of the electricity is bio-based and 18.2 per cent from nuclear.

<sup>5)</sup> Since the energy companies update their emission factor after Q1/2024, the 2022 emissions factors have been used for 2023. 2022 market-based factors being 152 kgCO<sub>2</sub>/MWh for electricity and 169.6 kgCO<sub>2</sub>/MWh for heat. Respectively, 2022 figures above have been updated compared to the previous year's reporting. The location-based emission factor for district heating is the same as the market-based one. For electricity location-based factor (Finland total) for the year 2022 is 77 kgCO<sub>2</sub>/MWh (Motiva).

<sup>6)</sup> WTT emissions have been calculated using supplier-specific method and average data method. Regarding the emission factors of fossil fuels, reference has been made to table K.1 of the ISO 14083:2023, and regarding renewable fuels, fuel suppliers have been consulted.

<sup>7)</sup> The fuel consumption of the aircraft leased by Finnair to other operators is obtained from the company's own monitoring systems and they are based on the actual annual fuel consumption. The emission factor applied to jet fuel in this report is 3.16 kg CO<sub>2</sub>/kg (ISO 14083:2023, Table K.1). The mass of the fuel has been converted to volume based on the density values reported by the fuel suppliers. If the density value has not been available, the default value of 0.80 kg/l has been used.

<sup>8)</sup> Business travel by Finnair employees has been calculated using fuel-based method and distance-based method. Primarily, staff business flights are made by the company's own flights, the emissions of which are reported also under Direct greenhouse gas emissions (Scope 1). Business travel emissions also include flights made with other airline services. These emissions are calculated utilising Finnair fuel consumption data from the same or similar (distance-based) Finnair route network.



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|                                                | 2023                   |                        |                                              | 2022                   |                        |                                              |
|------------------------------------------------|------------------------|------------------------|----------------------------------------------|------------------------|------------------------|----------------------------------------------|
|                                                | Consumed Mass,<br>tons | LCA Emissions,<br>tons | CO <sub>2</sub> Emission<br>Reductions, tons | Consumed Mass,<br>tons | LCA Emissions,<br>tons | CO <sub>2</sub> Emission<br>Reductions, tons |
| Biogenic CO <sub>2</sub> LCA-emissions         |                        |                        |                                              |                        |                        |                                              |
| Sustainable Aviation Fuel, Finnair purchases*  | 1,164                  | 729                    | 3,253                                        | 595                    | 589                    | 1,741                                        |
| Sustainable Aviation Fuel, Customer purchases* | 1,101                  | 1,029                  | 3,106                                        | 629                    | 622                    | 1,809                                        |
| Renewable Ground Fuel, Finnair purchases**     | 92                     | 27                     | 326                                          | 62                     | 18                     | 228                                          |
| <b>GROSS Total</b>                             | <b>2,357</b>           | <b>1,785</b>           | <b>6,685</b>                                 | <b>1,285</b>           | <b>1,229</b>           | <b>3,778</b>                                 |

*\* Sustainable Aviation Fuel (SAF) life cycle analysis (LCA) emissions and emission reductions have been calculated according to the sustainability certification documents received from the suppliers. In case the exact feedstock-based emission factor was not received from the SAF suppliers before the publication of this report. In accordance with the precautionary principle, a higher Tallow-based LCA-factor of 22.5 gCO<sub>2</sub>e/MJ has been used in the calculation..*

*\*\* Renewable Ground Fuel LCA emission value provided is based on fuel supplier (Neste) information. Year 2023 the LCA emission value has been 6.7 gCO<sub>2</sub>e/MJ and in 2022 6.5 gCO<sub>2</sub>e/MJ. The CO<sub>2</sub> reductions have been calculated against a fossil fuel comparator of 87,3 gCO<sub>2</sub>e/MJ (ISO 14083:2023, Table K.1)*

Finnair monitors the fuel efficiency of its flights primarily by the payload indicator (RTK), which accounts for the passenger load factor, the mass of cargo transported and the distance between the origin and destination. The emissions efficiency figures reported below include direct Scope 1 emissions (TTW) only. The allocated intensity figures have been calculated by dividing the burned fuel between cargo and passenger masses. The total revenue mass of the transport activity has been calculated following the IATA emissions allocation principle (RP 1726); An average passenger mass with baggage is assumed as 100 Kg. Allocation of fuel consumption between passenger and cargo activities derives from this relation.

Finnair discloses its progress in emissions and energy reduction work in more detail through CDP reporting. The year 2023 CDP disclosure can be found at <https://company.finnair.com/en/sustainability/sustainability-library>.

| Fuel and Emission efficiency                         | 2023             |                           | 2022             |                           |
|------------------------------------------------------|------------------|---------------------------|------------------|---------------------------|
|                                                      | Fuel consumption | CO <sub>2</sub> emissions | Fuel consumption | CO <sub>2</sub> emissions |
| g / RTK (total, pax + cargo weight from load sheets) | 292              | 921                       | 294              | 928                       |
| g / RPK (allocated, IATA)                            | 26.8             | 84.6                      | 27.1             | 85.6                      |
| g / RTK <sub>rahti</sub> (allocated, IATA)           | 268              | 846                       | 271              | 856                       |

RTK = Revenue Ton Kilometer, RPK = Revenue Passenger Kilometer, PAX = Passenger



# Environmental Performance in Figures

| Waste generation and sorting | 2023             |                      |              | 2022             |                      |              |
|------------------------------|------------------|----------------------|--------------|------------------|----------------------|--------------|
|                              | Hazardous,<br>kg | Non-hazardous,<br>kg | Total,<br>kg | Hazardous,<br>kg | Non-hazardous,<br>kg | Total,<br>kg |
| Energy recovery              | 66,052           | 1,626,019            | 1,692,071    | 63,455           | 1,283,548            | 1,347,003    |
| Recycling                    | 4,244            | 523,456              | 527,700      | 2,918            | 404,351              | 407,269      |
| Reusing                      | 1,737            | 0                    | 1,737        | 8,896            | 1,140                | 10,036       |
| Composting                   | 0                | 98,740               | 98,740       | 0                | 65,749               | 65,749       |
| Landfill                     | 0                | 2                    | 2            | 0                | 0                    | 0            |
| Other                        | 0                | 0                    | 0            | 4,000            | 5,140                | 9,140        |
| Total                        | 72,033           | 2,248,221            | 2,320,254    | 79,269           | 1,759,928            | 1,839,197    |

The waste volumes have been obtained from the service providers' reporting channel.

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## Emissions of Ozone depleting substances

Airline operators are bound to use aircraft manufacturers certified and safe fire extinguishers. The manufacturers are constantly working on replacing halons from aircraft but currently there are applications in aircraft where decent replacements aren't yet found. In 2023, one use of portable cabin fire extinguisher was reported, in which 0.12 kilograms of Halon 1211 was emitted into the air. Also, one accidental activation of two cargo fire extinguishers was reported where 65.5 kilograms of halon 1301 was released into the air.



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| Number of Employees | 2023       |                     |                                 | 2022       |                     |                                 |
|---------------------|------------|---------------------|---------------------------------|------------|---------------------|---------------------------------|
|                     | Head count | Share of females, % | Share of permanent contracts, % | Head count | Share of females, % | Share of permanent contracts, % |
| Employees           | 5,223      | 56                  | 97                              | 5,230      | 56                  | 97                              |
| Management          | 67         | 28                  | 100                             | 70         | 27                  | 100                             |
| Executive Board     | 9          | 33                  | 100                             | 9          | 22                  | 100                             |
| Board of Directors  | 8          | 50                  | 0                               | 8          | 38                  | 0                               |

| Distribution of employee groups, %  | 2023                |                     | 2022                |                     |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                     | Share from total, % | Share of females, % | Share from total, % | Share of females, % |
| Cabin Crew                          | 32                  | 89                  | 34                  | 90                  |
| Pilots                              | 18                  | 3                   | 16                  | 3                   |
| White Collar Employees              | 16                  | 49                  | 15                  | 47                  |
| Ground services and Finnair Kitchen | 15                  | 62                  | 13                  | 60                  |
| Abroad                              | 8                   | 82                  | 9                   | 78                  |
| Technical Services                  | 6                   | 7                   | 6                   | 5                   |
| Technical Employees                 | 2                   | 15                  | 2                   | 14                  |
| Aviation Employees                  | 1                   | 75                  | 2                   | 77                  |
| Management                          | 1                   | 28                  | 1                   | 27                  |
| Travel Guides                       | 1                   | 81                  | 1                   | 86                  |
| Travel Agency Staff                 | 1                   | 97                  | 1                   | 94                  |

| New employee hires<br>and employee turnover                                  | Under 30 years |       | 30–50 years |       | Over 50 years |       | Total |       |
|------------------------------------------------------------------------------|----------------|-------|-------------|-------|---------------|-------|-------|-------|
|                                                                              | Men            | Women | Men         | Women | Men           | Women | Men   | Women |
| New employee hires                                                           | 119            | 182   | 122         | 134   | 6             | 25    | 247   | 341   |
| Employee turnover (including both<br>voluntary and involuntary terminations) | 24             | 51    | 70          | 97    | 56            | 64    | 150   | 212   |



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| Work related injuries        | Occupational accidents | LTIF* |
|------------------------------|------------------------|-------|
| Airline's flight personnel   | 14                     | 5.8   |
| Airline's ground personnel** | 19                     | 5.2   |
| Aurinkomatkat Ltd            | 0                      | 0     |
| Total                        | 33                     | 5.5   |

\* Loss time injury frequency (LTIF) refers to the number of workplace accidents per million working hours.  
\*\* Airline's ground personnel include group management, support services, ground crew, and operative ground personnel.

| Work related ill health     | Number of work-related ill health cases | Number of work-related ill health fatalities |
|-----------------------------|-----------------------------------------|----------------------------------------------|
| Airline's flight personnel  | 0                                       | 0                                            |
| Airline's ground personnel* | 0                                       | 0                                            |
| Aurinkomatkat Oy            | 0                                       | 0                                            |
| Total                       | 0                                       | 0                                            |

\* Airline's ground personnel include group management, support services, ground crew, and operative ground personnel.

Above occupational health and safety related statistics have been obtained from the insurance company and they are updated retroactively, as a result of which the 2023 figures may be subject to further adjustment.

| Training hours and distribution between genders and employee category | All training hours |          |        | Average annual training hours |          |        | Number of employees |       |       |
|-----------------------------------------------------------------------|--------------------|----------|--------|-------------------------------|----------|--------|---------------------|-------|-------|
|                                                                       | Total, h           | Women, % | Men, % | Total, h                      | Women, h | Men, h | Total, each         | Women | Men   |
| Office staff                                                          | 11,439             | 28.5%    | 71.5%  | 8                             | 4        | 12     | 1,483               | 823   | 660   |
| Cabin                                                                 | 40,432             | 89.5%    | 10.5%  | 21                            | 21       | 21     | 1,896               | 1,694 | 202   |
| Pilots                                                                | 320,928            | 3%       | 97%    | 331                           | 333      | 331    | 970                 | 28    | 942   |
| Other Employees                                                       | 18,498             | 38%      | 62%    | 13                            | 11       | 16     | 1,384               | 650   | 734   |
| Total                                                                 | 391,297            | 14.5%    | 85.5%  | 68                            | 17       | 132    | 5,733               | 3,195 | 2,538 |

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Finnair’s Board of Directors has set the company’s financial targets, which are provided in information material for investors. As a public limited company, Finnair is committed to earning a profit for its shareholders. The company’s profit distribution principles are expressed in Finnair’s shareholder return policy. Finnair’s financial reporting aims to transparently provide information about Finnair’s financial position and development.

| Direct economic value generated, EUR mill.                                     | 2023    | 2022    | 2021    | 2020     | 2019     |
|--------------------------------------------------------------------------------|---------|---------|---------|----------|----------|
| Revenue                                                                        | 2,988.5 | 2,356.6 | 838.4   | 829.20   | 3,097.70 |
| Other operating income                                                         | 117.0   | 146.7   | 39.2    | 48.40    | 56.40    |
| Sales gains and losses on aircraft and other transactions                      | 13.3    | 6.6     | 5.6     | 0.80     | 0.20     |
| Financial income                                                               | 56.2    | 6.5     | 12.8    | 38.70    | 3.30     |
| Total                                                                          | 3,174.9 | 2,516.3 | 896.0   | 917.20   | 3,157.60 |
| Economic value distributed                                                     |         |         |         |          |          |
| Materials, services and other operating expenses                               | 2,094.1 | 1,940.3 | 787.7   | 831.80   | 2128.30  |
| Staff costs                                                                    | 489.7   | 443.1   | 223.0   | 158.60   | 530.90   |
| Payments made to shareholders and loan providers                               | 197.7   | 197.2   | 160.8   | 247.20   | 120.10   |
| Dividend                                                                       | 0.0     | 0.0     | 0.0     | 0.00     | 35.00    |
| Hybrid bond interests and expenses                                             | 69.2    | 20.5    | 20.5    | 18.5     | 15.80    |
| Financial expenses                                                             | 128.5   | 176.7   | 140.3   | 228.60   | 69.40    |
| Payments to governments                                                        | 11.1    | 9.9     | 7.1     | 8.7      | 18.00    |
| Donations and other charitable payments                                        | 0.0     | 0.0     | 0.0     | 0.00     | 0.00     |
| Total                                                                          | 2,792.6 | 2,590.5 | 1,178.6 | 1,246.30 | 2,797.30 |
| Economic value retained for operational development                            |         |         |         |          |          |
| Investments in tangible and intangible assets and acquisitions of subsidiaries | 484.2   | 199.6   | 434.5   | 515.90   | 443.80   |
| Comparable operating result                                                    | 184.0   | -163.9  | -468.9  | -595.3   | 162.80   |
| Return on capital employed (ROCE), %                                           | 8.8     | -6.1    | -13.9   | -15.2    | 6.30     |

Figures on economic responsibility are mainly derived from the financial statements and collected from company’s reporting system.

## Financial implications and other risks and opportunities due to climate change

In combating climate change, the main measures are directed at reducing the combustion of fossil fuels. The jet fuel used by Finnair is mainly fossil fuel and fuel



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costs are Finnair's single most significant cost item. Therefore, all the factors influencing the price of jet fuel similarly influence Finnair's operating costs. The need to reduce fuel consumption and the resultant carbon dioxide emissions have a significant impact on the company's business operations.

Finnair has implemented a systematic Enterprise Risk Management (ERM) framework and process, which is based on the COSO ERM framework. The process considers all potential risks, including climate change-related risks and evaluates their potential financial impacts. The summary of the process and the list of most significant risks are presented in the **Company Internet -pages**. Finnair reports on the work done for emissions and energy efficiency and risk management according to TCFD in more detail through CDP reporting. The year 2023 CDP disclosure can be found at **<https://company.finnair.com/en/sustainability/sustainability-library>**.

As a result of climate-related scenario analysis Finnair has summarised following:  
Acute physical climate risks would materialize in the punctuality of flight operations (on-time performance) or in extreme weather events. Based on the analysis, Finnair's home base Helsinki-Vantaa does not suffer from the acute physical risks of climate change at the same level compared to its competitors in general. Increased heavy snowfall could pose challenges to the on-time performance.

Comparing the RCP 8.5 scenario with the RCP 2.6 scenario, it can be concluded that climate change would lead to increased operational costs. These would most likely be due to an increase in extreme weather events, resulting in irregularities and flight cancellations. Part of Finnair's network might also need to be re-evaluated. The likelihood of this latter risk is also affected by possible chronic changes in climate that could have an impact on people's travel behavior.

According to the IEA's NetZero 2050 scenario, governments should invest in ways to increase the use of low-carbon fuels. Here, global cooperation is seen as very important and a key factor for success. It would also be important to agree that measures should be targeted where rapid results can be achieved. Infrastructure projects aimed at reducing the number of Short Haul flights,

mainly bullet trains, would need more funding. The NetZero 2050 scenario also highlights the importance of measures to curb the growth of long-haul air traffic.

SAFs are currently many times more expensive than fossil kerosene, so any refuelling sanctions on them should be carefully designed to avoid regional inequalities. The same applies to possible regulatory upward pressure on ticket prices. As stated in the IEA's NetZero 2050 scenario, international co-operation is needed to define a common direction and actions.

Based on the scenario analysis, Finnair sees also an opportunity to stand out as a sustainable airline among its competitors. A more attractive sustainable option and a positive service experience can lead to increased customer loyalty and bring new customers to Finnair.

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## Significant indirect economic impacts

Finnair’s sustainable growth and growing network enable Finland to have better connections to other parts of the world than domestic demand alone could support. This has a significant impact on the travel opportunities of Finns and on the Finnish business sector competitiveness. In addition, the aviation sector is a major job creator in Finnish society.

## Financial assistance received from government

The domestic public subsidies received by Finnair reported in the table below consist mainly of subsidies related to the COVID-19 pandemic, and they do not include subsidies paid to airlines by the governments of other countries, as they are considered trade secrets.

## Tax principles and risk management

Finnair’s principle is to pay, collect, remit and report the indirect and direct taxes it is subject to in each country according to local laws and regulations. The aim of Finnair’s tax principles is to support business decisions and to ensure their appropriate implementation, also from the perspective of taxation. High-quality tax returns and reports are very important to Finnair and, as a result, we prepare tax returns carefully and submit them on time. Finnair also discusses openly with tax authorities. The Finnair group does not have any structures in place to transfer taxable income from Finland to jurisdictions with lower tax rates. Finnair’s tax related risk management is based on a responsibility assignment matrix (RACI matrix) and in addition to Finnair group’s tax function, the risk management processes are monitored by the internal audit function. Potential tax risks are reported also for the Executive Board of Finnair as well as for the Audit Committee.

## Taxes related to international business operations

Finnair’s international business operations are mainly related to the sales of flight tickets and cargo services through Finnair Plc’s foreign sales units, as well as local sales promotion activities. Sales units are not separate legal entities. The operations of Finnair’s foreign subsidiaries have primarily been related to back-office services, and they are very minor in scale relative to the group’s business operations as a whole. Finnair has also had minor holdings (less than 20 per cent) in some insurance captives located in Guernsey for business reasons, the results of which are subject to taxation in Finland.

Finnair’s taxable operations in individual countries outside of Finland are minor in scale, which can be seen from the tables presented below. Specification for foreign subsidiaries’ external revenue, result before taxes, income tax payable

|                           | 2023 | 2022 | 2021 |
|---------------------------|------|------|------|
| Public subsidies received | 0.2  | 6.5  | 3.1  |

Above figures are derived from the financial statements.



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and number of personnel is presented in the adjacent chart. Country-by-Country reporting obligation applies to groups whose turnover exceeds 750 million euros. Finnair group follows the rule and provides the report yearly.

Profits of sales units are taxed in accordance with regulations and double tax treaties pertaining to the international airline business and, hence, revenue, result before taxes, income tax payable and number of personnel in other countries are not separately adopted in financial statements. Finnair Group's foreign operative subsidiaries are located in Estonia, where income tax is due in connection with distribution of dividends. The global minimum tax (Pillar Two) will be applied in the EU from 2024. Finnair is in the scope of the new regulation and therefore it has made an assessment of the impacts. No material Top-up Taxes are expected to arise during 2024–2026. Finnair continues to monitor closely the development of the regulatory environment.

Specification of taxes paid and collected in other countries is presented in the table on the next page. Other taxes primarily include environmental and electricity taxes. Due to the nature of the international airline business, jet fuel is tax-free.

Finnair has confirmed losses in taxation from previous tax periods amounting to approximately 1,222 million euros due to the negative impact of COVID-19 and the closure of the Russian airspace. The estimated amount of confirmed tax losses after 2023 taxable result is approximately 1,127 million euros of which 30 million euros is not recognized in the balance sheet. Finnair's successful implementation of its renewed strategy, re-established pattern of profitability and management forecast of the future taxable profit resulted to re-recognition of deferred tax asset of 117 million euros which was written down in 2022. In addition, based on the positive evidence deferred tax asset of 28 million euros was recognized partly for tax losses 2022. The confirmed tax losses can be utilized against positive taxable income over the next ten years. More information on direct taxes, such as the taxes pursuant to the consolidated income statement, deferred tax assets and liabilities and the adjustment of the effective tax rate is presented in Note 5.1 in Finnair's consolidated financial statements.

The most significant indirect taxes collected during the financial year are withholding tax liabilities, value added tax and excise taxes. The passenger tariffs collected from flight passengers are not

considered as tax-like payments remitted to the authorities subject to reporting as part of the tax footprint as these payments are usually remitted to the private or public party responsible for airport operations.

Country specific information for 2023 is presented in the chart below only regarding countries where the amount of taxes paid, collected, or deducted was at least 0.05 million euros. Countries where this threshold was not met are presented as two separate geographical areas. The figures below include taxes paid and collected by subsidiaries and sales units.

Employer contributions paid relate to mandatory employer payments regarding employees located outside of Finland. Withholding taxes on salary are collected based on local legislation. Value added tax on sales and purchases relate mainly to passenger sales and cargo services.

Total amount of excise taxes in 2023 has been less than 0.5 million euros. All excise taxes have been paid to Finland.



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| Finnair’s operations in Finland and in other countries | 2023     |         |                 |         | 2022     |         |                 |         |
|--------------------------------------------------------|----------|---------|-----------------|---------|----------|---------|-----------------|---------|
|                                                        | Finland* | Estonia | Other countries | Total   | Finland* | Estonia | Other countries | Total   |
| Revenue, EUR million                                   | 2,988.5  | 0.0     | 0.0             | 2,988.5 | 2,356.6  | 0.0     | 0.0             | 2,356.6 |
| Result before taxes, EUR million                       | 118.7    | 0.4     | 0.0             | 119.1   | -371.0   | 0.3     | 0.0             | -370.7  |
| Number of personnel                                    | 4,769    | 208     | 218             | 5,195   | 4,885    | 202     | 250             | 5,336   |

\* Internal turnover has been eliminated.

| Direct taxes payable, EUR mill.                                    | 2023    |                 |       | 2022    |                 |       |
|--------------------------------------------------------------------|---------|-----------------|-------|---------|-----------------|-------|
|                                                                    | Finland | Other countries | Total | Finland | Other countries | Total |
| Employer contributions                                             | 6.1     | 2.2             | 8.3   | 4.8     | 1.8             | 6.7   |
| Property taxes                                                     | 0.8     | 0.0             | 0.8   | 0.8     | 0.0             | 0.8   |
| Other taxes                                                        | 1.9     | 0.0             | 1.9   | 2.4     | 0.0             | 2.4   |
| Public subsidies received*                                         | -0.1    | -0.1            | -0.2  | -6.5    | -0.7            | -7.2  |
| Taxes included in direct operating expenses and subsidies in total | 8.7     | 2.0             | 10.8  | 1.5     | 1.1             | 2.6   |
| Income taxes payable**                                             | 19.1    | 0.0             | 19.1  | 0.0     | 0,0             | 0.0   |
| Total direct taxes payable                                         | 27.8    | 2.0             | 29.9  | 1.5     | 1.1             | 2.6   |

\*\* Income taxes payable are tax expenses recorded based on the taxable result, which has been utilised against confirmed tax losses.

| Indirect taxes collected for the financial year, EUR million     | 2023    |                 |       | 2022    |                 |       |
|------------------------------------------------------------------|---------|-----------------|-------|---------|-----------------|-------|
|                                                                  | Finland | Other countries | Total | Finland | Other countries | Total |
| Value added taxes, sales                                         | 104.4   | 0.5             | 104.9 | 67.2    | 0.3             | 67.5  |
| Value added taxes, purchases                                     | 126.8   | 4.5             | 131.3 | 88.1    | 3.2             | 91.3  |
| Value added taxes, net                                           | -22.4   | -4.0            | -26.3 | -21.0   | -2.9            | -23.8 |
| Withholding taxes on wages and salaries and other indirect taxes | 100.2   | 2.1             | 102.3 | 78.8    | 1.2             | 80.0  |
| Excise taxes                                                     | 0.5     | 0.0             | 0.5   | 0.4     | 0.0             | 0.4   |
| Total                                                            | 78.2    | -1.8            | 76.4  | 58.2    | -1.7            | 56.6  |



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| 2023<br>Country specification,<br>EUR million | Employer<br>contributions | Value added taxes,<br>sales | Value added taxes,<br>purchases | Value added<br>taxes, net | Withholding<br>taxes on wages<br>and salaries | Total |
|-----------------------------------------------|---------------------------|-----------------------------|---------------------------------|---------------------------|-----------------------------------------------|-------|
| Countries                                     |                           |                             |                                 |                           |                                               |       |
| Estonia                                       | 1.5                       | 0.1                         | 0.2                             | -0.1                      | 0.9                                           | 2.3   |
| USA                                           | 0.0                       | 0.0                         | 0.0                             | 0.0                       | 0.2                                           | 0.2   |
| China                                         | 0.1                       | 0.0                         | 0.0                             | 0.0                       | 0.1                                           | 0.2   |
| Greece                                        | 0.0                       | 0.2                         | 0.0                             | 0.2                       | 0.0                                           | 0.2   |
| Belgium                                       | 0.0                       | 0.0                         | 0.0                             | 0.0                       | 0.1                                           | 0.1   |
| South Korea                                   | 0.1                       | 0.0                         | 0.2                             | -0.2                      | 0.1                                           | -0.1  |
| Austria                                       | 0.0                       | 0.0                         | 0.1                             | -0.1                      | 0.0                                           | -0.1  |
| Switzerland                                   | 0.0                       | 0.0                         | 0.1                             | -0.1                      | 0.0                                           | -0.1  |
| Singapore                                     | 0.0                       | 0.0                         | 0.1                             | -0.1                      | 0.0                                           | -0.1  |
| Italy                                         | 0.0                       | 0.0                         | 0.1                             | -0.1                      | 0.0                                           | -0.1  |
| Denmark                                       | 0.0                       | 0.0                         | 0.2                             | -0.2                      | 0.0                                           | -0.2  |
| Sweden                                        | 0.0                       | 0.0                         | 0.4                             | -0.4                      | 0.1                                           | -0.3  |
| Norway                                        | 0.0                       | 0.0                         | 0.6                             | -0.6                      | 0.1                                           | -0.5  |
| Thailand                                      | 0.0                       | 0.0                         | 0.6                             | -0.6                      | 0.0                                           | -0.6  |
| UK                                            | 0.0                       | 0.0                         | 0.7                             | -0.7                      | 0.0                                           | -0.7  |
| Areas                                         |                           |                             |                                 |                           |                                               |       |
| Other European countries*                     | 0.0                       | 0.1                         | 0.5                             | -0.3                      | 0.3                                           | 0.0   |
| Rest of the world**                           | 0.2                       | 0.0                         | 0.7                             | -0.7                      | 0.4                                           | -0.1  |
| Total                                         | 2.2                       | 0.5                         | 4.5                             | -4.0                      | 2.1                                           | 0.3   |

\*Latvia, Lithuania, Portugal, Slovenia, Netherlands, Czech Republic, Ireland, Hungary, Germany, Poland, Spain, Croatia

\*\*Japan, India, United Arab Emirates, Canada, Australia, Russia



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|------------------|------------------------------------------------------------------------------------------------------------------------------------------------|--|--|
| Statement of use | Finnair has reported the information cited in this GRI content index for the period 1.1.2022 - 31.12.2023 with reference to the GRI Standards. |  |  |
| GRI 1 used       | GRI 1: Foundation 2021                                                                                                                         |  |  |

| GRI Standard                    | Disclosure                                                                       | Location                                                                                                                                                                                                                                                                                                                                                        | UN Global Compact reference |
|---------------------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| GRI 2: General Disclosures 2021 |                                                                                  |                                                                                                                                                                                                                                                                                                                                                                 |                             |
|                                 | 2-1 Organizational details                                                       | Financial Statement, Company information, page 63                                                                                                                                                                                                                                                                                                               |                             |
|                                 | 2-2 Entities included in the organization's sustainability reporting             | Sustainability Appendix, page 138<br>Financial statements, Subsidiaries, page 91                                                                                                                                                                                                                                                                                |                             |
|                                 | 2-3 Reporting period, frequency and contact point                                | Sustainability Appendix, page 138                                                                                                                                                                                                                                                                                                                               |                             |
|                                 | 2-4 Restatements of information                                                  | Sustainability Appendix, page 138                                                                                                                                                                                                                                                                                                                               |                             |
|                                 | 2-5 External assurance                                                           | Sustainability Appendix, page 138                                                                                                                                                                                                                                                                                                                               | Principle 10                |
|                                 | 2-6 Activities, value chain and other business relationships                     | Business model and operational environment, pages 6–8                                                                                                                                                                                                                                                                                                           |                             |
|                                 | 2-7 Employees                                                                    | Sustainability Appendix, pages 145–146<br>NFI Performance, pages 23–37                                                                                                                                                                                                                                                                                          |                             |
|                                 | 2-9 Governance structure and composition                                         | Corporate governance Statement, pages 109–128<br><a href="https://investors.finnair.com/en/governance">https://investors.finnair.com/en/governance</a>                                                                                                                                                                                                          | Principles 1, 7 and 10      |
|                                 | 2-10 Nomination and selection of the highest governance body                     | Corporate governance Statement, Nomination Board, page 112–113<br><a href="https://investors.finnair.com/en/governance/shareholders-nomination-board">https://investors.finnair.com/en/governance/shareholders-nomination-board</a>                                                                                                                             |                             |
|                                 | 2-11 Chair of the highest governance body                                        | Corporate governance Statement, The Board, page 115<br><a href="https://investors.finnair.com/en/governance/board-of-directors/members-of-the-board">https://investors.finnair.com/en/governance/board-of-directors/members-of-the-board</a>                                                                                                                    |                             |
|                                 | 2-12 Role of the highest governance body in overseeing the management of impacts | Corporate governance Statement, pages 114–116<br><a href="https://investors.finnair.com/en/governance/board-of-directors">https://investors.finnair.com/en/governance/board-of-directors</a><br><b>Finnair CDP-Report 2023</b>                                                                                                                                  | Principles 1, 7 and 10      |
|                                 | 2-13 Delegation of responsibility for managing impacts                           | Corporate governance Statement, The Committees of the Board, page 116<br><a href="https://investors.finnair.com/en/governance/company-management">https://investors.finnair.com/en/governance/company-management</a>                                                                                                                                            | Principles 1, 7 and 10      |
|                                 | 2-14 Role of the highest governance body in sustainability reporting             | Signing of the Report of the Board of Directors and the Financial Statements, page 108                                                                                                                                                                                                                                                                          | Principles 1 and 7          |
|                                 | 2-15 Conflicts of interest                                                       | Corporate governance Statement, Related party transactions, pages 127–128<br><a href="https://investors.finnair.com/en/governance/board-of-directors">https://investors.finnair.com/en/governance/board-of-directors</a><br><a href="https://investors.finnair.com/en/governance/insider-issues">https://investors.finnair.com/en/governance/insider-issues</a> |                             |



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|-----------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Reporting Principles                    | 2-19 Remuneration policies                                                           | Remuneration report, pages 129–136<br><a href="https://investors.finnair.com/en/governance/remuneration">https://investors.finnair.com/en/governance/remuneration</a>                                          | Principles 1, 7 and 10    |
|                                         | 2-20 Process to determine remuneration                                               | Remuneration report, pages 129–130<br><a href="https://investors.finnair.com/en/governance/remuneration">https://investors.finnair.com/en/governance/remuneration</a>                                          |                           |
|                                         | 2-21 Annual total compensation ratio                                                 | Remuneration report, pages 131–132<br><a href="https://investors.finnair.com/en/governance/remuneration/incentives">https://investors.finnair.com/en/governance/remuneration/incentives</a>                    |                           |
|                                         | 2-22 Statement on sustainable development strategy                                   | CEO Review of the year, pages 3–4<br>Strategy Implementation, sustainability, pages 18–21                                                                                                                      | Principles 1 and 7        |
|                                         | 2-23 Policy commitments                                                              | <a href="https://investors.finnair.com/en/governance">https://investors.finnair.com/en/governance</a><br><b>Finnair Code of conduct</b><br><b>Finnair Environmental policy</b><br>NFI Performance, pages 24–32 | All Principles 1-10       |
|                                         | 2-24 Embedding policy commitments                                                    | Corporate governance Statement, page 110<br><a href="https://investors.finnair.com/en/governance">https://investors.finnair.com/en/governance</a>                                                              |                           |
|                                         | 2-26 Mechanisms for seeking advice and raising concerns                              | NFI Performance, page 24<br><b>Ethics helpline</b>                                                                                                                                                             | Principles 1, 3, 7 and 10 |
|                                         | 2-30 Collective bargaining agreements                                                | NFI Performance, pages 26–27                                                                                                                                                                                   | Principles 3, 4 and 6     |
| GRI 3: Material Topics 2021             |                                                                                      |                                                                                                                                                                                                                |                           |
| Stakeholder Engagement                  | 3-1 Process to determine material topics                                             | Sustainability Appendix, page 139                                                                                                                                                                              | Principles 1, 2, 7 and 10 |
|                                         | 3-2 List of material topics                                                          | Sustainability Appendix, pages 139–140                                                                                                                                                                         | Principles 1 and 2        |
|                                         | 3-3 Management of material topics                                                    | Strategy Implementation, pages 20–21<br>NFI Performance, pages 23–34                                                                                                                                           | All Principles 1-10       |
| GRI 201: Economic Performance 2016      |                                                                                      |                                                                                                                                                                                                                |                           |
| Economic Responsibility                 | 201-1 Direct economic value generated and distributed                                | Sustainability Appendix, page 147                                                                                                                                                                              |                           |
|                                         | 201-2 Financial implications and other risks and opportunities due to climate change | Sustainability Appendix, page 148<br><b>Finnair CDP-Report 2023</b>                                                                                                                                            | Principles 7, 8 and 9     |
|                                         | 201-4 Financial assistance received from government                                  | Sustainability Appendix, page 149                                                                                                                                                                              |                           |
| GRI 203: Indirect Economic Impacts 2016 |                                                                                      |                                                                                                                                                                                                                |                           |
|                                         | 203-2 Significant indirect economic impacts                                          | Sustainability Appendix, pages 149                                                                                                                                                                             |                           |



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|-----------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------|
| GRI 205: Anti-corruption 2016           |                                                                                       |                                                                                                                 |                       |
|                                         | 205-3 Confirmed incidents of corruption and actions taken                             | No incidents in 2023                                                                                            | Principle 10          |
| GRI 206: Anti-competitive Behavior 2016 |                                                                                       |                                                                                                                 |                       |
|                                         | 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | No incidents in 2023                                                                                            |                       |
| GRI 207: Tax 2019                       |                                                                                       |                                                                                                                 |                       |
|                                         | 207-1 Approach to tax                                                                 | Sustainability Appendix, pages 150–152                                                                          |                       |
|                                         | 207-2 Tax governance, control, and risk management                                    |                                                                                                                 |                       |
|                                         | 207-3 Stakeholder engagement and management of concerns related to tax                |                                                                                                                 |                       |
|                                         | 207-4 Country-by-country reporting                                                    |                                                                                                                 |                       |
| GRI 302: Energy 2016                    |                                                                                       |                                                                                                                 |                       |
|                                         | 302-1 Energy consumption within the organization                                      | NFI Performance, pages 28–29<br>Sustainability Appendix, pages 143<br><b><u>Finnair CDP-Report 2023</u></b>     | Principle 9           |
|                                         | 302-3 Energy intensity                                                                |                                                                                                                 |                       |
|                                         | 302-4 Reduction of energy consumption                                                 |                                                                                                                 |                       |
|                                         | 302-5 Reductions in energy requirements of products and services                      |                                                                                                                 |                       |
| GRI 304: Biodiversity 2016              |                                                                                       |                                                                                                                 |                       |
|                                         | 304-2 Significant impacts of activities, products and services on biodiversity        | NFI Performance, pages 29–30                                                                                    |                       |
| GRI 305: Emissions 2016                 |                                                                                       |                                                                                                                 |                       |
|                                         | 305-1 Direct (Scope 1) GHG emissions                                                  | NFI Performance, pages 27–29<br>Sustainability Appendix, pages 142–143<br><b><u>Finnair CDP-Report 2023</u></b> | Principles 7, 8 and 9 |
|                                         | 305-2 Energy indirect (Scope 2) GHG emissions                                         |                                                                                                                 |                       |
|                                         | 305-3 Other indirect (Scope 3) GHG emissions                                          |                                                                                                                 |                       |
|                                         | 305-4 GHG emissions intensity                                                         |                                                                                                                 |                       |
|                                         | 305-5 Reduction of GHG emissions                                                      |                                                                                                                 |                       |
|                                         | 305-6 Emissions of ozone-depleting substances (ODS)                                   | Sustainability Appendix, page 144                                                                               |                       |



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| GRI 306: Waste 2020                           |                                                                                 |                                                                                                                         |                          |
|-----------------------------------------------|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------------|
|                                               | 306-1 Waste generation and significant waste-related impacts                    | NFI Performance, page 29<br>Sustainability Appendix, page 144                                                           | Principles 7 and 8       |
|                                               | 306-2 Management of significant waste-related impacts                           |                                                                                                                         |                          |
|                                               | 306-3 Waste generated                                                           |                                                                                                                         |                          |
|                                               | 306-4 Waste diverted from disposal                                              |                                                                                                                         |                          |
|                                               | 306-5 Waste directed to disposal                                                |                                                                                                                         |                          |
| GRI 401: Employment 2016                      |                                                                                 |                                                                                                                         |                          |
|                                               | 401-1 New employee hires and employee turnover                                  | Sustainability Appendix, page 145                                                                                       |                          |
| GRI 403: Occupational Health and Safety 2018  |                                                                                 |                                                                                                                         |                          |
|                                               | 403-9 Work-related injuries                                                     | NFI Performance, page 26<br>Sustainability Appendix, page 146                                                           | Principles 3, 4, 5 and 6 |
|                                               | 403-10 Work-related ill health                                                  |                                                                                                                         |                          |
|                                               |                                                                                 | NFI Performance, page 26<br>Sustainability Appendix, page 146                                                           |                          |
| GRI 404: Training and Education 2016          |                                                                                 |                                                                                                                         |                          |
|                                               | 404-1 Average hours of training per year per employee                           | Sustainability Appendix, page 146                                                                                       | Principles 3, 4, 5 and 6 |
| GRI 405: Diversity and Equal Opportunity 2016 |                                                                                 |                                                                                                                         |                          |
|                                               | 405-1 Diversity of governance bodies and employees                              | The diversity principles of the Board, page 117<br>NFI Performance, page 25–26<br>Sustainability Appendix, page 145–146 | Principles 1 and 6       |
| GRI 406: Non-discrimination 2016              |                                                                                 |                                                                                                                         |                          |
|                                               | 406-1 Incidents of discrimination and corrective actions taken                  | No incidents in 2023                                                                                                    | Principles 3, 4, 5 and 6 |
| GRI 408: Child Labor 2016                     |                                                                                 |                                                                                                                         |                          |
|                                               | 408-1 Operations and suppliers at significant risk for incidents of child labor | NFI Performance, page 27                                                                                                | Principles 3, 4, 5 and 6 |



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|------------------------------------------|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| GRI 409: Forced or Compulsory Labor 2016 | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor     | NFI Performance, page 27                                                                                                                | Principles 3, 4, 5 and 6 |
| GRI 415: Public Policy 2016              | 415-1 Political contributions                                                                      | Finnair does not support financially any political party or person.                                                                     |                          |
| GRI 416: Customer Health and Safety 2016 | 416-1 Assessment of the health and safety impacts of product and service categories                | <a href="https://www.finnair.com/fi-en/safe-travel-during-coronavirus">https://www.finnair.com/fi-en/safe-travel-during-coronavirus</a> |                          |
| GRI 418: Customer Privacy 2016           | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | No complaints year in 2023.                                                                                                             |                          |



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## Context

VERIFAVIA SAS (‘VERIFAVIA’) has been engaged by Finnair to perform an independent verification with limited assurance of the scope 1, 2 and select scope 3 carbon inventory data for the calendar year 2023 (January 1, 2023 – December 31, 2023) as presented in the sustainability appendix of Finnair’s annual report. Scope 2 emissions were calculated using location- based and market-based emission factors but for reporting purposes, only the market-based emissions factor was used. Scope 3 emissions consisted of the fossil fuel transportation and production, the renewable fuel transportations and production, and the business travels.

This assurance statement issued by VERIFAVIA covers the section “Environmental Performance in Figures” of the reporting year 2023. Our Assurance statement does not report or opine all other information in the sustainability appendix of Finnair’s annual report.

The Commercial Department of Finnair is responsible for the preparation and presentation of the sustainability appendix of Finnair’s annual report. We are responsible for providing an Assurance Statement on the reported annual environmental data presented in the appendix. VERIFAVIA disclaims any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this Assurance Statement.

## Criteria

We conducted the independent audit based on the following verification criteria:

- ISO 14065:2020 General principles and requirements for bodies validating and verifying environmental information
- ISO 14064-3:2019 Greenhouse gases - Part 3: Specification with guidance for the verification and validation of greenhouse gas statements
- ISO 17029:2019 Conformity assessment - General principles and requirements for validation and verification bodies
- Chapter 10 of the Greenhouse Gas Protocol – “A Corporate Accounting and Reporting Standard” (Revised Edition)

## Responsibilities

Finnair is solely responsible for the preparation and reporting of their carbon inventory data, for any information and assessments that support the reported data, for determining the group’s objectives in relation to carbon information and management, and for establishing and maintaining appropriate performance management and internal control systems from which reported information is derived.

In accordance with the verification contract, it is our responsibility to form an independent opinion, based on the examination of information and data presented in the sustainability appendix of Finnair’s annual report, and to report that opinion to Finnair. We also report if, in our opinion:

- the carbon inventory data is or may be associated with misstatements (omissions, misrepresentations, or errors) or non-conformities; or
- the verification team/verifier has not received all the information and explanations that it requires to conduct its examination; or
- improvements can be made to the company’s performance in monitoring and reporting of carbon inventory data.



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We conducted our examination having regard to the verification criteria documents listed above. This involved an on-site visit on 11th December 2023, to interview the staff responsible to give us reasonable assurance that the amounts and disclosures relating to the data have been properly prepared in accordance with the requirements of the Greenhouse Gas Protocol in terms of relevance, completeness, consistency, transparency, and accuracy. This also involved assessing where necessary estimates and judgements made by Finnair in preparing the data and considering the overall adequacy of the presentation of the data in the sustainability appendix of Finnair’s annual report.

## Independence statement

We confirm that VERIFAVIA and the verification team are independent of Finnair and have not assisted in any way with the development of the carbon inventory or in the preparation of any text or data provided in the sustainability appendix of Finnair’s annual report, except for this Assurance Statement.

## Opinion

We conducted a verification of the carbon inventory data reported by Finnair in the sustainability appendix of Finnair’s annual report and presented above. Based on the verification work undertaken to limited assurance, these data are fairly stated and contain no material misstatements or material non-conformities.

Paris, 9th of February 2024

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VERIFAVIA SAS

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