

DON'T
STAPLE**OS AA01**Statement of details of parent law and other
information for an overseas company027828/20
Companies House

✓ **What this form is for**
You may use this form to
accompany your accounts
disclosed under parent law.

✗ **What this form is NOT for**
You cannot use this form for
an alteration of manner of
with accounting requirements.



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Part 1 Corporate company nameCorporate name of
overseas company ①

Finnair OYJ

UK establishment
number

B R 0 0 9 6 1 0

→ **Filling in this form**Please complete in typescript or in
bold black capitals.All fields are mandatory unless
specified or indicated by *① This is the name of the company in
its home state.**Part 2 Statement of details of parent law and other
information for an overseas company****A1 Legislation**Please give the legislation under which the accounts have been prepared and
audited.

Legislation ②

Finnish Law

② This means the relevant rules or
legislation which regulates the
preparation of accounts.**A2 Accounting principles**

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box.

☐ **No. Go to Section A3.**☒ **Yes. Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3.**③ Please insert the name of the
appropriate accounting organisation
or body.Name of organisation
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IFRS

OS AA01

Statement of details of parent law and other information for an overseas company

A3

Audited accounts

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box.

☐ No. Go to **Part 3 'Signature'**.

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❶ Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body ❶

KPMG OY AB

Part 3

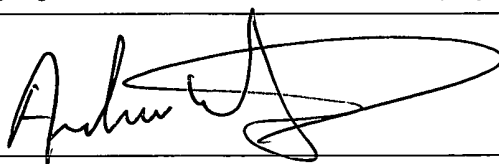
Signature

I am signing this form on behalf of the overseas company.

Signature

Signature

X



X

This form may be signed by:
Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

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Checklist

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Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
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FINNAIR



Review of the year 2021

The Report of the
Board of Directors

Financial Statements

Corporate
Governance Statement

Remuneration Report

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Review of the year 2021

During 2021, we took the first steps in Finnair's recovery from the pandemic. We carried 2.9 million passengers during the year. Our revenue improved slightly year-on-year and totaled 838.4 million euros, still less than 30 per cent of the 2019 level. The comparable operating result for the year remained heavily negative at -469.9 million euros.

The gradual recovery of passenger traffic started in the latter half of 2021 as vaccination coverage improved and travel restrictions were partially removed. Pent-up demand was reflected in increased passenger numbers and improved bookings starting from late summer. Our long-haul passenger numbers also started to recover as the United States, Thailand, Singapore, and India opened for travel. We launched our direct services from Stockholm to the United States and Thailand, which was a major new initiative for us. At the end of Q4, the impacts of the Omicron variant began to

be visible, as many countries tightened their travel restrictions in December.

Due to global supply chain disruptions, cargo demand was exceptionally strong throughout the year, and cargo accounted for 40 per cent of Finnair's revenue.

We continued our comprehensive financing measures throughout the year. In early 2021, we signed an agreement on a 400-million-euro hybrid loan with the State of Finland. This facility is still undrawn, but it will have a stabilising effect on Finnair's balance sheet. We also implemented an over 400-million-US dollar sale and leaseback arrangement covering four Airbus A350 aircraft and issued a 400-million-euro bond. The management and the board want to thank sincerely both the state owner and all our other investors for the trust they have placed in us. We

had c. 116,000 shareholders at the end 2021, and the number grew by more than 35 per cent year-on-year.

Our cost savings programme proceeded well and we reached our target of 200 million euros of permanent annual cost savings, based on 2019 volumes. The achieved cost savings decreased our loss already in 2021, and their full run-rate impact will be visible starting from 2022. Despite achieving the target, we will continue our cost savings work through continuous operational improvement and efficiency.

After the period, we introduced our new long-haul customer experience, for which we are renewing the cabins of all our long-haul aircraft, both in business and economy class, and are introducing a new premium economy travel class. This 200-million-euro investment has been in

development for years and it is essential to secure our competitiveness. Together with the terminal expansion at Helsinki-Vantaa airport, our cabin renewal enables us to offer a modern premium product to our customers.

Our net promoter score remained at a high level, 38, for the whole year. Finnair was chosen as the best airline in Northern Europe in the Skytrax customer survey for the eleventh consecutive time, for which we are grateful to our customers. Ramping up flights after a long period of low traffic brought operational challenges, which were further amplified by the unanticipated impacts of the Omicron variant at the end of the year. This was reflected in weaker on-time performance and in congestion in our customer service channels when many customers changed their travel dates. This year, ensuring high-quality customer service and on-time performance are in special focus for



us, as they are integral for Finnair's recovery from the pandemic.

During the year, we advanced our sustainability targets. Together with other members of the oneworld Alliance, we agreed to jointly purchase sustainable aviation fuel. We dismantled and recycled one of the oldest A319-aircraft in our fleet. This provided work for our employees at Finnair Technical Services during a period of low traffic and gave us valuable information on recycling opportunities of airplanes: c. 99% of the aircraft materials were reutilised. We successfully continued our weight and fuel programme, improving our flight efficiency. Our actions related to social responsibility consisted of e.g., supporting the re-employment of employees who were made redundant in 2020 and supporting the wellbeing of employees on long-term furloughs.

As the Omicron wave is waning, the pandemic is changing to an endemic. We are preparing for the traffic in summer 2022 and the opening of our new long-haul routes to Busan, Dallas, Seattle, and Tokyo Haneda. We estimate that, aside from China and Hong Kong, by next summer we will be closer to a normal operating environment.

The prolonged pandemic and the rapid changes in our operating environment were wearing for our personnel. Even though I'm grateful that we were able to provide a safe and healthy working

environment for them, we have been forced to continue the very unfortunate furloughs as there still has not been enough work for everyone. I want to deliver my special thanks to the entire Finnair team for their commitment and for delivering a high-quality customer experience under these strenuous circumstances. I believe the operating environment this year will be more positive for our employees as we continue to take significant steps forward in our recovery from the pandemic.

Topi Manner,
President and CEO





The Report of the Board of Directors

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THE REPORT OF THE BOARD OF DIRECTORS

Business model and operational environment

Finnair is a network airline that specialises in passenger and cargo traffic between Asia and Europe. It also offers package tours under its Aurinkomatkat-Suntours (later Aurinkomatkat) brand. The cornerstone of Finnair's strategy is its geographical position, which confers a competitive advantage because it enables the fastest connections in the growing market of air traffic between Asia and Europe.

The Finnair Plus loyalty programme strengthens engagement with customers and generates valuable customer data. It is one of Finland's leading loyalty programmes with over 3.5 million members. The number of members has grown

by over 50% since 2017 and Finnair was able to increase the number despite the challenging operational and market environment during 2021. The programme currently has c. 150 partners.

Finnair's business is impacted by the four megatrends described in the adjacent picture. They offer numerous opportunities, but also add new requirements for conducting business.

Finnair's business is cyclical in nature, and in addition to long-term megatrends, it is heavily influenced by external factors described in the picture on the next page.

Megatrends impacting Finnair's business



Increasing significance of sustainability



Urbanisation



Technological progress, an increase in the significance of network connections and digitalisation



Shift in economic and political focus from the United States and Europe to the growth economies in Asia

[Read more on Finnair's website.](#)

Of these external factors, the COVID-19 pandemic continued to have a significantly negative impact on Finnair's business in 2021. Even though vaccinations against the virus were available from early 2021, many countries continued to heavily restrict travelling. As Finnair continued to adjust its operations, both temporary and permanent layoffs impacted most Finnair personnel in 2021. In addition, the implementation of other significant cost adjustment measures – which were volume-driven, but also permanent – continued in order to minimise losses caused by limited operations as well as to secure the company's competitiveness and ability to operate from a more efficient cost base as passenger traffic gradually started to recover in the second half of 2021.

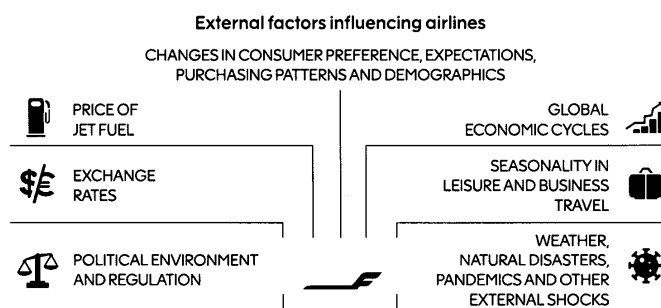
In 2021, Finnair continued its extensive financing programme, consisting of e.g. an unsecured and currently undrawn hybrid loan agreement of up to 400 million euros signed with the State of Finland, a new 400-million-euro unsecured senior bond, which refinanced the previous senior bond of 200 million euros and a sale and leaseback transaction of four A350 aircraft resulting in cash proceeds of more than 400 million US dollars. The company also reached the targeted permanent, annual cost savings of c. 200 million euros by 2022, calculated based on 2019 operational volumes. After this, it will continue to seek savings through continuous operational improvement and efficiency.

In the current three forecast scenarios, demand and revenue are expected to recover somewhat more slowly during 2022 than estimated in the 2020 financial statements. This is caused by the prolonged impact of the COVID-19 pandemic on travel restrictions. The company, however, still estimates in its base scenario that the capacity, measured in ASKs, will reach 2019 levels in 2023.

Business environment in 2021

The COVID-19 pandemic dramatically impacted the global aviation sector also in 2021. Even though the improved vaccination coverage enabled a gradual ramp-up and less restricted travel starting in the summer to Europe, and later in the year to e.g. the United States, Thailand, Singapore and India, also Finnair was forced to significantly cut its capacity and operate a limited network due to the continued travel restrictions and lack of demand. The annual capacity (measured in ASKs) was slightly lower than in 2020.

Measured in ASKs, the scheduled market capacity between origin Helsinki and Finnair's European destinations decreased by 14.5 per cent (-68.7) compared to 2020, as the pandemic impact was not visible before the end of Q1 2020. Demand on European and domestic routes was soft due to the COVID-19-related strict travel restrictions especially in early 2021 even though the situation improved



starting from late summer because of improved vaccination coverage. Direct market capacity between Finnair's Asian and European destinations decreased by 34.8 per cent (-70.5) year-on-year despite the partially opened travel to Asia during Q4. Due to continued travel restrictions, demand between Europe and Finnair's Asian destinations remained soft.

Finnair engages in closer cooperation with certain oneworld partners through participation in joint businesses, namely the Siberian Joint Business (SJB) on flights between Europe and Japan, and the Atlantic Joint Businesses (AJB) on flights between Europe and North America. During the unprecedented circumstances, Finnair and its JB

partners were working closely together in 2021 to ensure the continued delivery of efficiencies and customer benefits, despite the severely reduced capacity and revenue. Further, Finnair launched its Joint Business with Juneyao Airlines in the beginning of July. The carriers will cooperate commercially on flights between Helsinki and Shanghai as well as on Chinese and European routes. The Joint Business demonstrates Finnair's commitment to China as a strategic market.

Aurinkomatkat's foreign package holiday offering was suspended during H1 2021 due to the COVID-19 pandemic and related travel restrictions and guidelines. Package holidays were produced only for domestic destinations, which were launched



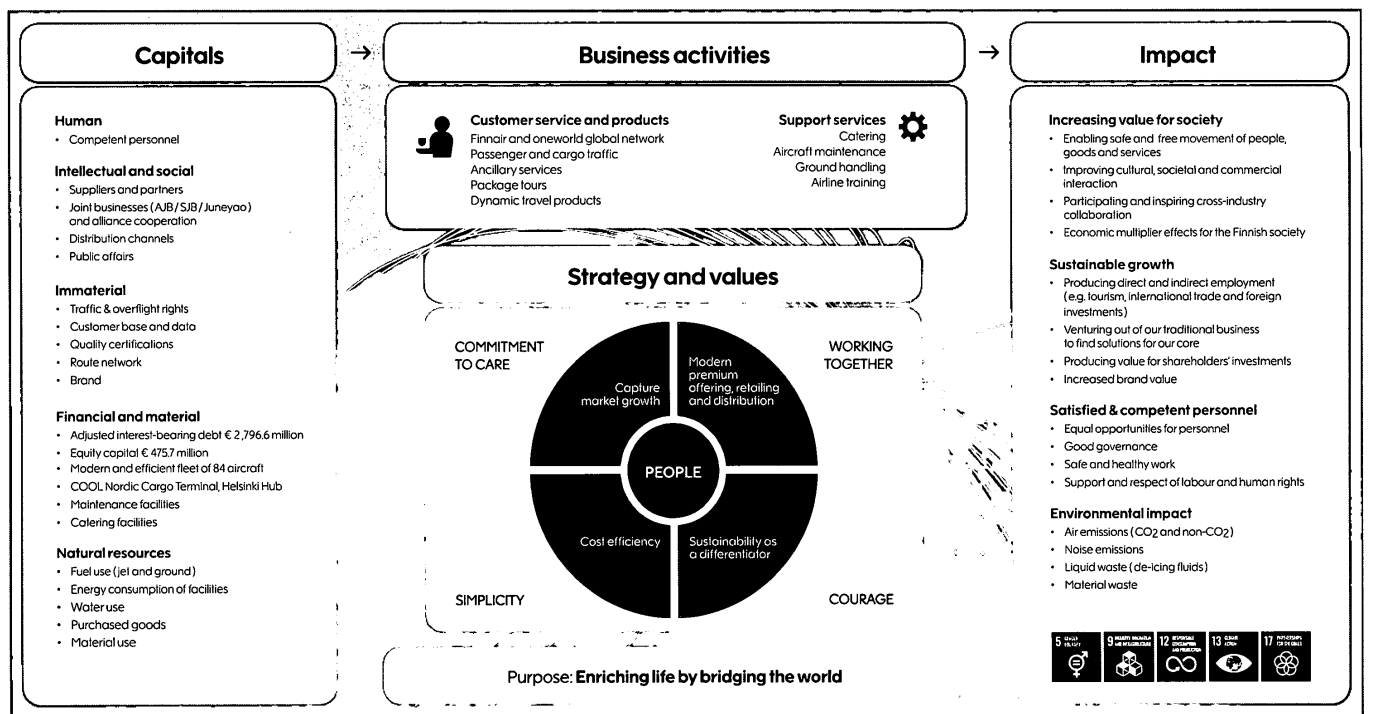
“Finnair’s cargo revenue increased significantly year-on-year, and even compared to 2019.”

as a new product in autumn 2020. Aurinkomatkat’s foreign package holiday production restarted in Q3 after a suspension of almost one year with mainly Mediterranean destinations on offer. In Q4, the selection was extended with destinations such as the Canary Islands, the United Arab Emirates and Thailand due to eased travel restrictions. The domestic package holidays were also in production in H2. Even though demand for foreign package holidays strengthened in H2, and was primarily focused on the winter season 2021–2022 as well as summer 2022, it was negatively impacted by the Omicron variant and related travel restrictions. The relatively strong demand for the winter season 2022–2023 suggests, however, that there is pent-up desire to travel.

The global air freight market was also impacted by COVID-19 in 2021, as the scheduled passenger traffic capacity (which provides the volume available to carry belly cargo) was down compared to the pre-pandemic era. Pandemic-related supply chain disruptions and the lack of capacity resulted in delivery delays that continued, however, to benefit air cargo as they resulted in exceptionally strong demand and surging market prices. Due to the exceptional demand, a market for cargo-only operations to both Asia and North America remained viable. Finnair was gradually able to also increase the number of scheduled

long-haul flights carrying belly cargo despite the low passenger load factor. Finnair’s cargo revenue increased significantly year-on-year, and even compared to 2019. Similarly, the total cargo load factor increased significantly compared to 2020. Finnair estimates that this cargo demand trend will continue at least through H1 2022.

The US dollar, which is the most significant expense currency for Finnair after the euro, depreciated by 3.4 per cent against the euro year-on-year. The market price of jet fuel was 69.2 per cent higher in 2021 than in the comparison period.





Financial performance in 2021

Revenue in 2021

Finnair's total revenue increased slightly from the comparison period due to the record cargo performance in 2021.

Unit revenue (RASK) increased by 8.2 per cent and amounted to 6.93 cents (6.41). The RASK increase was caused by the decline in ASKs due to the COVID-19 pandemic; therefore, the strong cargo operations – of which cargo-only flights did not generate any ASKs – had an outsize contribution to the increase.

Passenger traffic

The COVID-19 pandemic and related travel restrictions had a significant negative impact on almost all 2021 passenger traffic figures. As the

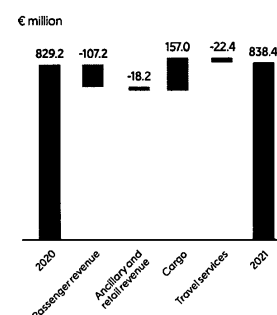
pandemic impact was more visible starting from the end of Q1 2020, passenger revenue decreased by 20.3 per cent and traffic capacity, measured in Available Seat Kilometres (ASK), declined by 6.5 per cent overall against the comparison period. The number of passengers decreased by 18.2 per cent to 2,852,300 passengers. Traffic measured in Revenue Passenger Kilometres (RPK) decreased by 36.5 per cent and the passenger load factor (PLF) by 20.2 percentage points to 42.8 per cent.

In Asian traffic, the number of scheduled passenger flights was limited in 2021 despite e.g., Thailand, Singapore and India opening for travel in Q4, and the number of Finnair flights to those destinations increasing. ASKs were down by 27.5 per cent, and RPKs by 75.1 per cent. PLF declined by 40.9 percentage points to 21.4 per cent, causing low passenger yields, but it was supported by the strong cargo operations and a high cargo load factor.

Revenue by product

EUR million	2021	2020	Change %
Passenger revenue	420.8	528.1	-20.3
Ancillary revenue	44.1	62.3	-29.2
Cargo	334.7	177.7	88.3
Travel services	38.7	61.1	-36.7
Total	838.4	829.2	1.1

Revenue bridge by product





Even though the first North Atlantic passenger flights since June 2020 were restarted in March (only to New York), capacity in North Atlantic traffic increased by 168.9 per cent year-on-year. The Chicago and Los Angeles routes were reopened in June 2021 and the Miami route was reopened for the winter season. Travel restrictions from Finland and Sweden to the United States were eased in Q4, when Finnair also commenced direct flights from Stockholm to Miami, Los Angeles and New York. RPKs increased by 8.7 per cent. On the other hand, the PLF decreased by 45.4 percentage points to 30.8 per cent, with low passenger yields, but the strong cargo operations also supported the North Atlantic traffic.

ASKs fell by 8.2 per cent and RPKs by 2.8 per cent but the PLF increased by 3.7 percentage points to 65.7 per cent in European traffic.

Domestic traffic capacity decreased by 19.2 per cent, and RPKs by 11.4 per cent, but the PLF increased by 5.8 percentage points to 66.0 per cent.

Ancillary

Ancillary revenue, consisting of e.g., various service fees and inflight sales, decreased by 29.2 per cent due to the COVID-19 impact. Excess baggage and frequent flyer programme related revenue were the largest ancillary categories.

Cargo

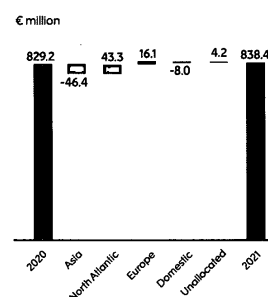
The impact of the COVID-19 pandemic was also visible in Finnair's 2021 cargo volumes, due to the limited number of scheduled passenger flights, even though available scheduled cargo tonne kilometres increased by 16.9 per cent and revenue scheduled cargo tonne kilometres increased by 47.0 per cent. Cargo-related available tonne kilometres grew by 36.5 per cent and revenue tonne kilometres by 58.9 per cent as they both include the cargo-only flights, which were operated mainly between Europe and Asia as well as between Europe and North America. Finnair was also able to continue operating scheduled Asian and North Atlantic passenger flights carrying belly cargo, despite their low PLF, as these flights had high cargo load factors due to continued strong cargo demand. As a result, cargo revenue

increased by as much as 88.3 per cent year-on-year, with December being a record month as measured by revenue.

Travel services

Travel Services' financial development has been significantly affected by the COVID-19 pandemic and the related travel restrictions and guidelines. During Q1–Q2, only domestic destinations were in production but in Q3 and Q4, international package holidays were included in production as demand improved significantly due to reduced travel restrictions. The total number of Travel Services passengers declined by 0.7 per cent and the load factor in Aurinkomatkat's allotment-based capacity was 891 per cent. Travel Services revenue decreased, however, by 36.7 per cent.

Revenue bridge by traffic area



Passenger revenue and traffic data by area, 2021

Traffic area	Passenger revenue			ASK		RPK		PLF	
	MEUR	Share %	Change%	Mill. km	Change %	Mill. km	Change %	%	Change %-p
Asia	75.3	17.9	-59.5	4,463.0	-27.5	956.3	-75.1	21.4	-40.9
North Atlantic	38.6	9.2	46.0	2,282.5	168.9	703.5	8.7	30.8	-45.4
Europe	243.6	57.9	-0.4	4,644.7	-8.2	3,053.8	-2.8	65.7	3.7
Domestic	60.3	14.3	-12.8	704.0	-19.2	464.6	-11.4	66.0	5.8
Unallocated	3.0	0.7	59.7						
Total	420.8	100.0	-20.3	12,094.2	-6.5	5,178.2	-36.5	42.8	-20.2



Operating expenses included in comparable ebit in 2021

Finnair's operating expenses included in the comparable operating result decreased by 8.6 per cent despite the increase in revenue. Finnair continued its significant cost adjustment initiatives during 2021, including temporary and permanent layoffs, which were visible in the decline in operating expenses.

Unit cost (CASK) decreased by 1.8 per cent and totalled 10.81 cents (11.01). CASK excluding fuel also decreased by 1.6 per cent.

Operating expenses included in the comparable operating result excluding fuel decreased by 8.5 per cent.

Fuel costs, including hedging results and emissions trading costs, decreased almost in line with capacity (measured in ASK) although the cargo-only flights, which commenced in Q2 2020, increased fuel consumption while they did not generate ASKs. Fuel efficiency (as measured in fuel consumption per ASK) weakened by 6.7 per cent for the same reason. Fuel consumption per RTK, which also accounts for developments in both passenger and cargo load factors, decreased, however, by 1.8 per cent.

Staff and other crew related costs decreased as capacity was down and, therefore, Finnair

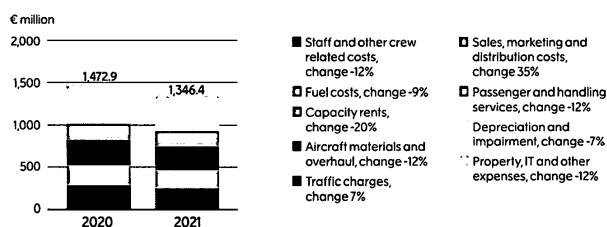
continued the COVID-19-related temporary and permanent layoffs during 2021. Further, other staff-related savings had a decreasing impact.

Passenger and handling costs (including tour operation expenses related to e.g., hotels) were driven down by the volume decline particularly in passenger traffic. Sales, marketing and distribution costs remained low, even though they increased year-on-year due to increases in marketing activities and sales intake as a result of the ramp-up in traffic together with stronger demand.

Aircraft materials and overhaul costs decreased due to the decline in capacity and updated USD-based discount rates of maintenance reserves. Depreciation and impairment costs remained closer to the comparison period level. Traffic charges increased as the traffic mix was structurally different due to the relatively increased wide-body operations caused by cargo-only flights, which led to additional costs.

Capacity rents, covering purchased traffic from Norra and any wet leases or potential cargo rents, declined more than capacity from the comparison period due to renegotiated agreements with Norra. Property, IT and other expenses were closer to the comparison period level as they mainly consist of fixed costs, even though notable cost savings were achieved.

Operating expenses included in comparable operating result



Key Figures - Revenue and profitability

EUR million		2021	2020	2019	2018	2017
Revenue	EUR mill.	838.4	829.2	3,097.7	2,836.1	2,568.4
change from previous year	%	1.1	-73.2	9.2	10.4	10.9
Comparable operating result	EUR mill.	-468.9	-595.3	162.8	218.4	170.4
Comparable operating result at constant currency and fuel price*	2018 EUR mill.	-466.0	-558.9	205.7	218.4	
	2019 EUR mill.	-476.5	-575.5	162.8		
Comparable operating result of revenue	%	-55.9	-71.8	5.3	7.7	6.6
Operating result	EUR mill.	-454.4	-464.5	160.0	256.3	224.8
Comparable EBITDA/EBITDAR of revenue	%	-17.8	-30.3	15.8	18.1	17.0
Basic and diluted earnings per share (EPS)**	EUR	-0.34	-0.51	0.09	0.13	0.23
Unit revenue per available seat kilometre (RASK)	cents/ASK	6.93	6.41	6.56	6.69	6.96
RASK at constant currency*	2018 cents/ASK	6.91	6.40	6.53	6.69	
	2019 cents/ASK	6.99	6.43	6.56		
Unit revenue per revenue passenger kilometre (yield)	cents/RPK	8.13	6.48	6.44	6.48	6.57
Unit cost per available seat kilometre (CASK)	cents/ASK	10.81	11.01	6.22	6.18	6.49
CASK excluding fuel	cents/ASK	9.06	9.21	4.76	4.81	5.22
CASK at constant currency and fuel price*	2018 cents/ASK	10.76	10.72	6.10	6.18	
	2019 cents/ASK	10.93	10.88	6.22		

* Key figures at constant currency and fuel price are reported on 2018 and 2019 level.

** A rights offering was executed between June and July 2020 and, therefore, 2017-2019 EPS figures have been restated accordingly.



Result in 2021

Finnair's 2021 result was heavily impacted by the COVID-19 pandemic due to extensive route and frequency cuts caused by travel restrictions in many countries worldwide.

Because of cost adjustment initiatives, Finnair's comparable EBITDA and comparable operating result both improved year-on-year. Comparable EBIT margin was -55.9 per cent (-71.8), when the targeted over the cycle level was above 7.5 per cent during the strategy period of 2020–2025. The targeted level will, however, be reassessed due to the COVID-19 impact once visibility on the business environment, and particularly in Asia, improves.

Unrealised changes in foreign currencies of fleet overhaul provisions were -11.7 million euros (12.2) due to the strengthening US dollar. Exceptional changes in defined benefit pension plans booked as items affecting comparability totalled 20.6 million euros and they related to amendments in the collective labour agreement relating to the curtailment of the occupational disability pensions, as well as to pilots' withdrawn early retirement announcements. In the comparison period (132.8),

the exceptional changes in defined benefit pension plans related to changes in defined benefit plans caused by the net impact of Finnair's pension fund index increment removals, and pilots' early retirement costs. Other items affecting comparability consist of fair value changes in derivatives where hedge accounting is not applied, sales gains or losses and restructuring costs totalled 5.6 million euros (-14.3) during 2021. Due to the items affecting comparability being clearly lower in 2021, the operating result was close to the 2020 level.

The net of financial income and expenses as well as exchange gains (mainly related to USD denominated aircraft lease payments and liabilities) declined significantly especially due to lower financial expenses, which in the comparison period related mainly to reclassified jet fuel and foreign exchange hedges from other comprehensive income to profit and loss. Thus, Finnair's result before taxes and result after taxes improved year-on-year.

2021 operating expenses (€1,346.4 million in total) included in comparable operating result

EUR million	2021	2020	Change %
Staff and other crew related costs	248.9	283.5	-12.2
Fuel costs	211.4	232.7	-9.1
Capacity rents	71.3	89.3	-20.1
Aircraft materials and overhaul	91.7	104.7	-12.4
Traffic charges	120.4	112.4	7.1
Sales, marketing and distribution costs	38.1	28.2	35.0
Passenger and handling costs	148.0	168.6	-12.2
Property, IT and other expenses	96.8	109.7	-11.8
Depreciation and impairment	319.8	343.8	-7.0
Total	1,346.4	1,472.9	-8.6

EUR million	2021	2020	Change %
Comparable EBITDA	-149.0	-251.5	40.7
Depreciation and impairment	-319.8	-343.8	7.0
Comparable operating result	-468.9	-595.3	21.2
Items affecting comparability	14.4	130.8	-89.0
Operating result	-454.4	-464.5	2.2
Financial income	12.8	38.7	-67.0
Financial expenses	-117.8	-255.2	53.8
Exchange gains and losses	-22.5	26.6	-184.5
Result before taxes	-581.9	-654.4	11.1
Income taxes	117.6	131.1	-10.3
Result for the period	-464.3	-523.2	11.3



Financial position and capital expenditure

Balance Sheet

The Group's balance sheet totalled 4,047.1 million euros at the end of 2021 (3,646.5). Fleet book value decreased by 494.0 million euros due to depreciation and the sale and leaseback transaction of four Airbus A350 aircraft finalised in September. Despite depreciation, the right-of-use fleet increased by 252.8 million euros similarly due to the same sale and leaseback transaction as well as due to a leased A350 aircraft that was delivered to Finnair in Q4. Both transactions increased lease liabilities. Assets held for sale totalled 18.7 million euros (none in the comparison period) relating to four A321 aircraft.

Receivables related to revenue increased to 110.9 million euros mainly due to improved ticket sales and strong cargo operations (57.5). Net deferred tax assets increased to 191.9 million euros (84.8) resulting from estimated tax losses caused by the COVID-19 impact

on Finnair's result. The pension assets rose to 80.9 million euros (31.8) mainly due to actuarial gains and the curtailment of the occupational disability pensions whereas pension obligations remained at the same level and were 0.7 million euros (1.5).

Deferred income and advances received increased to 291.1 million euros (133.6). This was mainly caused by an increase in the unfown ticket liability amounting to 202.7 million euros (55.7) due to improved sales intake.

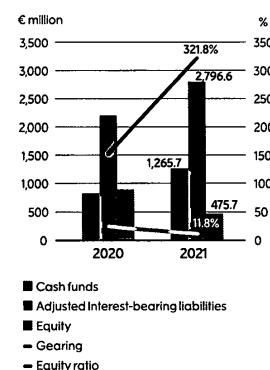
Key Figures - Capital structure

EUR million		2021	2020	2019	2018	2017
Equity ratio	%	11.8	24.6	24.9	23.3	35.2
Gearing	%	321.8	153.2	64.3	76.9	24.2
Interest-bearing net debt	EUR mill.	1,530.9	1,373.8	621.0	706.7	246.0
Interest-bearing net debt / Comparable EBITDA		-10.3	-5.5	1.3	1.4	1.6
Gross capital expenditure	EUR mill.	434.5	515.9	443.8	474.0	519.0
Return on capital employed (ROCE)	%	-13.9	-15.2	6.3	9.3	13.6

The loss for the period, as well as the hybrid bond coupon payment in Q3, decreased shareholders' equity. Shareholders' equity also includes a fair value reserve that is affected by changes in the fair values of jet fuel and currency derivatives used for hedging as well as actuarial gains and losses related to pilots' defined benefit plans according to IAS 19. The value of the item at the end of December was 16.6 million euros after deferred taxes (-41.8) as the increase in the fair value of hedge instruments had an increasing effect on equity especially due to the increase in the jet fuel price and actuarial gains from defined benefit pension plans.

Shareholders' equity totalled 475.7 million euros (896.6), or 0.34 euros per share (0.64).

Gearing





Cash flow and financial position

In 2021, the COVID-19 impact was clearly visible in net cash flow from operating activities, which remained negative due to the negative result for the period, lease and loan interest costs as well as payments related to unwind fuel and foreign exchange hedges, even though H2 was already positive by 151.7 million euros. Net cash flow from investments remained positive mainly due to fleet divestments related to the sale and leaseback transaction in September. Net cash flow from financing was positive due to c. 400-million-euro proceeds from the new unsecured senior bond that was issued in May and will mature in May 2025. On the other hand, approximately half of the refinanced, old 200-million-euro unsecured senior bond was redeemed in May, which had a negative impact on the net cash flow from financing, and the other half will be repaid in March 2022 when it matures.

The equity ratio on 31 December 2021 decreased from the year-end 2020 mainly due to the negative result for the period, even though the positive change in the hedging reserve and other comprehensive income alleviated the impact, and

the impact of the sale and leaseback transaction finalised in September as well as the new unsecured senior bond on total liabilities. Gearing, on the contrary, rose as interest-bearing net debt increased and equity weakened.

The company's liquidity was very strong at the end of the period under review. Despite the negative net cash flow from operating activities in 2021, Finnair Group's cash funds increased due to the divestments of more than 400 million euros mainly related to the sale and leaseback transaction finalised in September and the new unsecured senior bond of c. 400 million euros although it was netted by the partial redemption of the old unsecured senior bond.

Finnair and the State of Finland signed an agreement on an unsecured hybrid loan of up to 400 million euros in Q1. Of this credit limit, approximately 350 million euros could be used by Finnair based on the state aid decision made by the EU Commission in March. The remaining approximately 50-million-euro share was approved by the EU Commission after the period. Finnair can access the funds, if its cash or equity position would drop below the limits defined in the facility agreement's terms and conditions. In addition, Finnair has a 200-million-euro short-term, unsecured commercial paper programme, which was unused at the end of December. In October, Finnair announced that it has retired the undrawn

Cash flow

EUR million	2021	2020
Net cash flow from operating activities	-25.3	-1,043.1
Net cash flow from investing activities	309.6	351.6
Net cash flow from financing activities	73.4	1,001.9

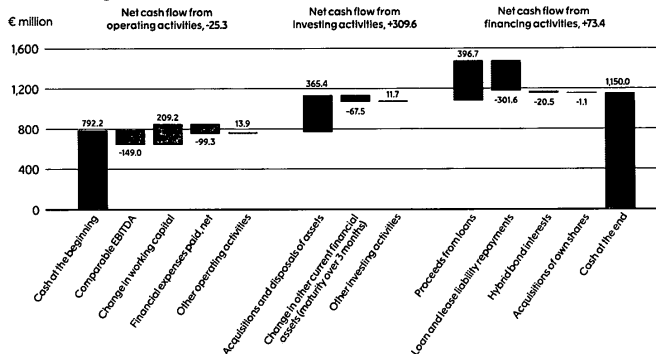
Liquidity and net debt

EUR million	31 Dec 2021	31 Dec 2020
Cash funds	1,265.7	823.7
Adjusted interest-bearing liabilities	2,796.6	2,197.5
Interest-bearing net debt	1,530.9	1,373.8

Capital structure

%	31 Dec 2021	31 Dec 2020
Equity ratio	11.8	24.6
Gearing	321.8	153.2

Cash Flow change 2021





175-million-euro revolving credit facility which was maturing in January 2023.

Adjusted interest-bearing liabilities increased from year-end 2020 mainly due to the sale and leaseback transaction finalised in September, the new senior unsecured bond and the leased A350 aircraft that was delivered to Finnair in Q4. The share of lease liabilities amounted to 1,381.0 million euros (1,016.2). Interest-bearing net debt increased from the end of 2020 mainly due to the A350 aircraft delivered in Q4, negative net cash flow from operating activities but also due to the strengthened US dollar.

Capital expenditure

Gross capital expenditure, excluding advance payments, totalled 434.5 million euros during 2021 (515.9) and was primarily related to fleet investments. This figure includes also changes in the right-of-use fleet consisting of e.g., the sale and leaseback transaction finalised in September as well as the A350 aircraft delivered in Q4.

Cash flow from investments (including fixed asset investments and divestments, sublease payments received and advance payments) totalled 377.2 million euros (-88.3).

Change in other current financial assets (maturity over three months) totalled -67.5 million euros (439.9) also forming a part of the net cash flow from investments, which amounted to 309.6 million euros (351.6).

Cash flow from investments (including only fixed asset investments and advance payments) for the financial year 2022 relates mainly to the fleet and is expected to total approximately -180 million euros. Investment cash flow includes both committed investments as well as estimates for planned, but not yet committed, investments.

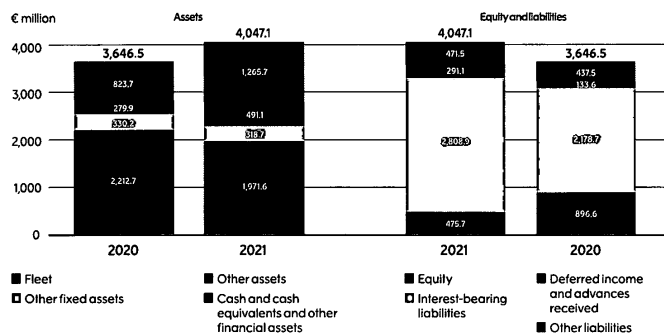
The company has 35 unencumbered aircraft, which account for approximately 30.5 per cent of the balance sheet value of the entire fleet of 1,971.6 million euros.*

Dividend policy and the Board's proposal for the distribution of profit

The aim of Finnair's dividend policy is to pay, on average, at least one-third of the earnings per share as a dividend over an economic cycle. The aim is to take into account the company's earnings trend and outlook, financial situation and capital needs in the distribution of dividends.

In 2021, earnings per share were -0.34 euros (-0.51). Finnair Plc's distributable equity amounted to 73,709,760.76 euros on 31 December 2021. The Board of Directors proposes to the Annual General Meeting that no dividend be distributed for 2021.

Balance sheet



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

Fleet

Finnair's operating fleet

Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair. At the end of the year, Finnair itself had 60 aircraft, of which 25 were wide-body and 35 narrow-body aircraft. During the fourth quarter, Finnair took delivery of its 17th Airbus A350 aircraft which was financed with an operating lease during the first quarter and at that time planned for delivery in the second quarter of 2022. The delivery was advanced in response to widebody aircraft capacity requirements. During the fourth quarter, Finnair also purchased one Airbus A330, which was already accounted for as owned, as the finance lease period ended.

At the end of 2021, the average age of the fleet operated by Finnair was 11.4 years.

Fleet renewal

At the end of the year, Finnair had seventeen A350 aircraft, which have been delivered between 2015–2021 and two A350 aircraft on order from Airbus. These aircraft are scheduled to be delivered to Finnair in Q4 2024 and Q1 2025.

Finnair's investment commitments for property, plant and equipment, totalling 355.0 million euros, include the upcoming investments in the wide-body fleet.

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

Fleet operated by Norra (purchased traffic)

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

Fleet operated by Finnair*

31.12.2021	Seats	#	Change from 31.12.2020	Own**	Leased	Average age 31.12.2021	Ordered
Narrow-body fleet							
Airbus A319	144	6		5	1	20.1	
Airbus A320	174	10		8	2	19.4	
Airbus A321	209	19		4	15	10.6	
Wide-body fleet							
Airbus A330	289/263	8		4	4	12.2	
Airbus A350	297/336	17		1	5	4.1	2
Total		60	1	26	34	11.4	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*

31.12.2021	Seats	#	Change from 31.12.2020	Own	Leased	Average age 31.12.2021	Ordered
ATR	68–70	12		6	6	12.4	
Embraer E175	100	12		9	3	13.5	
Total		24	0	15	9	13.0	

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



Strategy implementation

In 2021, Finnair has re-evaluated its strategy, which is valid until 2025, due to the pandemic impact. The company implements it in four focus areas, namely: Capture market growth; Modern premium offering, retailing and distribution; Cost efficiency; as well as Sustainability as a differentiator.

Finnair's long-term financial targets will be re-evaluated once visibility on the business environment, particularly in Asia, improves.

Capture market growth

Finnair continues to focus on transfer traffic between the essential Asian mega cities and Europe. Finnair also continues to leverage its home hub's unique geographical location, enabling fast connections via the short northern route and maximising its efficiencies. The company now expects annual capacity growth of c. 3% which is in line with the anticipated growth of Finnair's main markets.

Currently committed wide-body aircraft investments will be made. As a result of the negative financial impact of the pandemic, Finnair will, however, postpone the narrow-body fleet renewal investment by some years as it concentrates on optimising the life of its current fleet.

Modern premium offering, retailing and distribution

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

During 2021, the average monthly number of unique Finnair website visitors started to recover especially in H2 even though it remained the same as in 2020 and totalled 1.1 million (1.1). The number of active users of the Finnair mobile application grew by 74.1 per cent to 326,000 from 2020. Direct sales in Finnair's digital channels increased to 51.0 per cent (40.7) of all tickets sold.

To win in the competitive airline market, Finnair must also excel in everyday customer experience. Finnair's Net Promoter Score (NPS), measuring customer satisfaction, was at a good level with a score of 38 (47) in 2021. The customers especially appreciated Finnair's service and extensive health and safety measures during the pandemic and this appreciation was reflected in customers voting Finnair the best airline in the Northern Europe for the 11th consecutive time in the Skytrax World Airline Awards. The drop in NPS compared to 2020 related mainly to surveys conducted in December and was caused by the decline in on-time

performance, issues at airports caused by e.g., sick leaves, and a backlog in customer care channels.

In 2021, Finnair renewed its pricing and introduced one-way ticket fares for all its flights within Europe and a completely new Business Light ticket. The renewals increase pricing transparency and bring customers more choice and flexibility. Finnair also reinstated certain pre-pandemic services as two Finnair lounges at Helsinki Airport were reopened and in-flight and pre-order sales were restarted. During the period, Finnair renewed its service concept onboard. Streamlined, more uniform inflight selection supports the company's sustainability targets and helps to cut the amount of food waste.

After the period, Finnair revealed the long-prepared, new long-haul experience in which the company invested c. 200 million euros. It covers all Finnair's wide-body aircraft and, as a result, business and economy classes are refurbished



and a completely new premium economy class is introduced.

Finnair also continued its COVID-19-related actions which were started in 2020. The company offered a complimentary Corona Cover to its customers. It compensates to a great extent potential COVID-19 related costs accrued during an international trip. Further, Finnair introduced affordable PCR and rapid antigen testing services, which are available at Finnair's headquarters near Helsinki Airport. Finnair also prolonged Book with Confidence sales until 28 February 2022 and, after the period, further until 31 May 2022. Moreover, the company introduced a digital service, with which customers can confirm their COVID-19-certificates before their journey from Finland to selected European countries, and a digital travel requirements map presenting the latest travel requirements and guidelines.

Cost efficiency

In 2021, it was confirmed that Finnair will achieve the targeted permanent, annual cost savings of c. 200 million euros by 2022, calculated based on 2019 operational volumes. It will also continue to seek savings through continuous operational improvement and efficiency.

Particular focus will be on fuel efficiency and on-time performance, which have a significant

impact on both cost and productivity as well as customer experience. In terms of on-time performance and fuel efficiency, Finnair aims to being among the industry leaders. The company's on-time performance in 2021 was 82.3% (90.2). The decline was mainly related to events in December; in addition to severe weather conditions, on-time performance was impacted by COVID-19-related challenges such as new travel restrictions, which required additional travel document checks, and higher-than-normal sick leaves, which caused resourcing challenges both internally and for external service providers in the home hub as well as in outstations.

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

Sustainability as a differentiator

Sustainability is an essential part of Finnair, and the company's ambitious sustainability targets remain unchanged. Finnair's long-term goal is carbon neutrality by 2045, with a 50% reduction in net emissions in 2025 compared to the 2019 level.

As a priority, Finnair strives to reduce the direct emissions of its operations, i.e., reducing actual emissions whenever reasonably possible. Meeting the global climate challenge requires long-term planning, and in the short-term, the company will have to rely more on economic measures before it can, in the longer term, take advantage of the improvements in the emissions efficiency of new technologies.

In 2021, Finnair signed a letter of interest to potentially introducing Heart Aerospace ES-19 electric aircraft as part of its fleet. This aircraft type is developed for use on short routes. Finnair also commenced cooperation with air navigation services provider Fintraffic ANS to reduce emissions of flights operated in the Finnish airspace. Further, Finnair Technical Services finished a recycling project of one of its retired Airbus A319 aircraft. The final recovery rate was very high: 99.2% of the aircraft was either recycled or reused.

Finnair's renewed onboard service is more sustainable. Plastic cutlery was replaced with a wooden version and the share of vegetarian options was increased. Further, the previous target of halving the amount of food waste produced has already been met and was extended by another 30%.

Finnair aims to increase the use of sustainable aviation fuel (SAF) together with the oneworld

Alliance and other stakeholders. The oneworld Alliance set a common goal of achieving a 10 per cent level in SAF uptake by 2030, well above the designed 5 per cent EU mandate target. Finnair has already signed a Memorandum of Understanding with Aemetis, a renewable fuels company, in 2021. Finnair has earlier partnered with Neste in Finland to increase to use of SAF and, hence, reduce carbon emissions of flying.

People

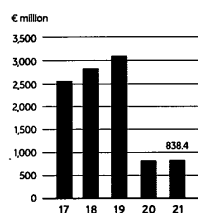
Genuine collaboration, target-oriented leadership and utilising new working methods such as lean and agile are important tools when implementing the strategy. These measures are emphasised in Finnair's people plan. The number of employees has decreased because of the COVID-19 impact and, therefore, new, more effective ways of working as well as extensive and cross-organisational collaboration are necessary.

Once Finnair returns to the path of growth, it wants to be an even more sustainable company. As a result, two sustainability performance indicators, fuel efficiency and work safety, were included in the short-term incentive programme, thus, making sustainability a common target.

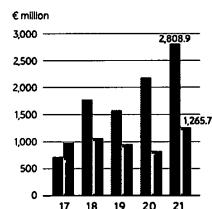


Financial performance 2017–2021

Revenue

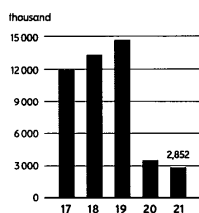


Interest-bearing liabilities and cash funds

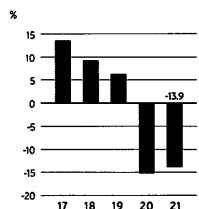


■ Interest-bearing liabilities
■ Cash funds

Number of passengers

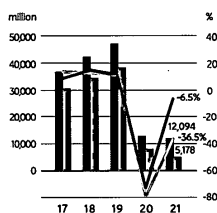


Return on capital employed (ROCE)



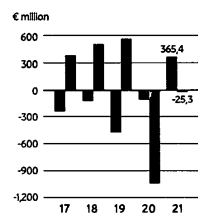
■ Return on capital employed (ROCE)
Financial target: The target level of return of capital employed (ROCE) for the strategy period until year 2025 will be reassessed due to the COVID-19 impact.

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



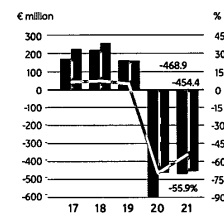
■ Available seat kilometres (ASK)
■ Revenue passenger kilometres (RPK)
— Available seat kilometres (ASK), %
— Revenue passenger kilometres (RPK), %

Cash flow of investments and net cash flow from operations



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

Comparable operating result and operating result



■ 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 until year 2025 will be reassessed due to the COVID-19 impact.
* 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, exceptional changes in defined benefit pension plans and restructuring costs.



Non-Financial Performance 2021

In 2021, Finnair continued cost adaptations and financing measures addressing the impacts of the COVID-19 pandemic. The negative impact of the pandemic continued throughout the year, which resulted in lower passenger numbers and revenue compared to the pre-pandemic period. Towards the end of the year, however, the easing of travel restrictions was reflected in increased bookings and the number of flights. Overall, the available seat kilometres decreased by 6.5 per cent compared to 2020. The exceptionally low number of flights caused by travel restrictions and the challenges of targeting supply with demand make performance comparisons with previous years challenging. Thus, it can be stated that the year 2021 still shows unusual earnings figures in both financial and non-financial data.

As traffic increased towards the end of the year, Finnair was able to call its staff back to work from long furloughs. The recalls have been relevant to the personnel experience of Finnair's staff, although long furloughs have not affected all

professional groups. Community spirit and collegiality have been the driving force behind Finnair's personnel for decades. As a major opening, Finnair launched new direct flights from Stockholm to the United States and Thailand.

With increased demand towards the end of the year, Finnair was able to reopen lounge services for its customers at Helsinki-Vantaa Airport and restart in-flight sales, which were very limited for a long time due to health and safety reasons. The company's in-flight sales have been redesigned so that the amount of food waste can be minimized in the future. In addition to renewing the product range, Finnair has strongly guided the customers to pre-order meals, which, in addition to minimising food waste, significantly expands the customer's choice. Further, the reduction in the amount of food and sales products loaded on the aircraft has a direct impact on the emissions from the flight.

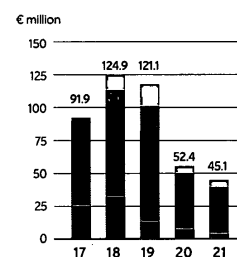
Health safety measures throughout the organization continued throughout the year. In

health safety, the focus was on emphasizing the responsibility of customers and employees, as well as the entire tourism industry, with all possible measures. Finnair's customer satisfaction was still at a good level, as evidenced by the company's selection as the best airline in Northern Europe in the Skytrax World Airline Awards customer survey for the eleventh consecutive time.

Demand for air cargo was exceptionally strong, especially towards the end of the year, due to global supply chain difficulties and a lack of cargo capacity. Cargo achieved record sales and enabled the addition of passenger flights to Finnair's long-haul destinations in Asia and the United States.

Direct and indirect taxes paid during 2021 remained relatively low due to reduced operations and the negative result. Other performance-based payments, such as environmental charges, also remained low.

Paid taxes and other environmental costs



■ Direct taxes payable
■ Indirect taxes collected
■ EU ETS costs
■ Other environmentally related costs

Other environmentally based costs include Noise and NOx costs, and environmental-based taxes



EU Taxonomy

Background

The purpose of the EU Taxonomy, a classification system, is to direct investments towards sustainable projects and activities and to provide companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable.

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
6. The protection and restoration of biodiversity and ecosystems

The first delegated act on sustainable activities for climate change adaptation and mitigation, was approved in principle on 21 April 2021, and formally adopted on 4 June 2021 for scrutiny by the co-legislators. The second delegated act for the remaining four environmental objectives will be published in 2022.

Article 8 of the EU Taxonomy regulation brings an obligation for a Public Interest Entity under the Non-Financial Reporting Directive, such as Finnair, to report on its Taxonomy eligibility starting from 1 January 2022 for the first two environmental objectives. All in-scope Entities must report the proportion of their 2021 economic activities that are considered Taxonomy-eligible in their revenue, capital expenditure (CAPEX) and operating expenditure (OPEX). For the reporting year of 2021, Entities are not yet required to assess the Taxonomy-alignment of their economic activities.

Finnair's approach on EU Taxonomy

The Taxonomy regulation includes the sectors assessed to have the largest climate change mitigation and adaptation potential. It should be noted that Finnair's core businesses, i.e., commercial aviation (including ancillary sales), air freight or travel services (supplied by Finnair Cargo and Aurinkomatkat, respectively) are not yet covered by the economic activities included in the Taxonomy. Thus, detailed technical criteria for e.g., passenger air transportation (NACE H51.1 and N77.35) have not yet been specified. However, Finnair estimates that transition to new, low-emission aircraft and sustainable aviation fuels (SAF) are likely to be included in the future in the Taxonomy regulation.

Finnair has also assessed the Taxonomy-eligibility of its other economic activities by comparing its

business relevant NACE codes to the ones included in the EU Taxonomy. The most significant identified economic activity included in the Taxonomy is freight transport services by road (NACE H49.41) supplied by Finnair Cargo. However, as the operation of these services have been outsourced to a third party, they are not deemed as Taxonomy-eligible for Finnair. Other identified but immaterial examples are Finnair Group's acquisition and ownership of buildings (NACE L68), solar electricity generated by Finnair Cargo for its own operations (NACE D35.11), and Finnair Technical Services' industrial wastewater treatment (NACE E37.00).

COVID-19 has had an unprecedented financial impact on Finnair both in 2020 and 2021. Due to travel restrictions and lack of customer demand, Finnair's revenue reached a record low and, therefore, the company has been forced to drastically cut all its expenses and investments, including those supporting sustainable development, to minimise the losses caused by the limited operations as well as to secure a healthy cash position. Thus, 2021 was not comparable with the pre-pandemic years. As more than 99% of Finnair's operations in 2021 were not deemed as Taxonomy-eligible economic activities, it can be stated that the shares of Taxonomy-eligible revenue, CAPEX and OPEX were not material compared to Finnair's total revenue, CAPEX and OPEX. Therefore, the Taxonomy-eligible proportion of Finnair's revenue, CAPEX and OPEX

during the financial year 2021 rounds down to 0%. Consequently, Finnair's non-eligible revenue, CAPEX and OPEX round up to 100%.

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. This renewal of the wide-body fleet is the largest single investment in the company's history. It is not yet defined how, or whether, this investment made before the Taxonomy implementation can be reported within the Taxonomy.

Finnair aims to increase the use of sustainable 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 in SAF uptake by 2030, well above the designed 5 per cent EU mandate target. 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., the sixth environmental objective, so that the rapidly growing global demand does not lead to e.g.,



increased land use and, thus, harm biodiversity. SAF volumes used by Finnair in 2021 did not meet the minimum level of 5 per cent potentially to be set by the Taxonomy.¹

Regarding Travel Services, the Taxonomy focuses on the conservation and protection of nature's biodiversity. 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.²

Sustainability

Finnair is a network airline specializing in passenger and cargo traffic between Asia and Europe, and whose purpose is to create value for all its stakeholders by bridging the world in a sustainable and safe manner. Sustainability is reflected in company's purpose, strategy, vision, and values. The

¹ Platform on Sustainable Finance: Technical Working Group, Part B – Annex: Full list of Technical Screening Criteria, August 2021.

² <https://www.aurinkomatkat.fi/vastuullinen-matkailu>

company's risk management framework covers the risk assessment of non-financial activities also. The most significant near-term risks and uncertainties are described in the Risk Management section of this Report of the Board of Directors.

Sustainability is an integral part of all Finnair's operations. The objective of the company's sustainability strategy is to reduce the environmental impact and increase the economic and social value of society. The key areas and strategic goals of corporate sustainability work are divided into the following themes: ethical business, environment, sociality, and economics. Sustainability applies to everyone at Finnair, and the company's objective is to include the themes of sustainability equally in all operational activities, and product and service design.

Human Rights, Bribery and Anti-Corruption

Finnair's operations are based on its ethical business principles, which are described in more detail in the Sustainability Appendix of this Annual Report; Section 103: Management Model. The company respects the UN Declaration of Human Rights and the conventions of the International Labor Organization (ILO). Finnair has signed the UN Global Compact initiative and reports annually on the implementation of the Global Compact's ten principles of responsible business

conduct. A summary of that report can also be found in the Sustainability Appendix of the Annual Report.

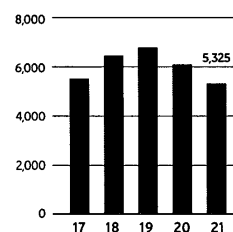
Finnair has a Whistleblowing line called Finnair Ethics Helpline in use, through which both our employees and partners can report on concerns related to ethical business principles. During 2021 no material incidents of material misconduct were notified through the Finnair Ethics Helpline nor were there any such investigations ongoing in the company.

Customers, employees and other stakeholders

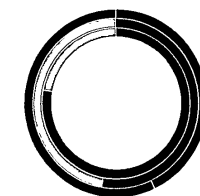
Finnair is committed to providing its customers with reliable, accurate and pleasant travel experiences with a friendly smile. Equality and non-discrimination are part of Finnair's basic principles, and the company is committed to ensuring accessibility for people with reduced mobility. The company is constantly improving the customer experience of its services and applying relevant accessibility standards in practice.

The well-being of Finnair's employees and customers is equally important to the company. Finnair takes good care of its employees by investing in their health and safety, as well as by providing training opportunities and promoting equality, non-discrimination, and diversity. At Finnair, diversity is seen as a driver of performance.

Number of persons employed by Finnair at year-end



The diversity of the Personnel: Gender





As mentioned above, during the year 2021 special attention was paid to the health safety of the entire travel chain from the airport until the end of the flight. Finnair's overall customer satisfaction, measured by the Net Promoter Score (NPS), decreased from the previous year and was 38 (47). The score still remained at a relatively high level showing that together with Finnair, customers are committed to safe travel and are aware of the importance of responsibility although in-flight services were minimised for health and safety reasons.

Finnair employed an average of 5,614 (6,573) people in 2021, which is 14.6 per cent less than in the previous year. The number of employees decreased during 2021 by 780 or 12.8 per cent, totalling 5,325 at the end of December (6,105). During 2021, the staff turnover rate was 6.8 per cent (7.4). The reduction in staff and the increase in the staff turnover were still due to continued layoffs and the prolonged low operational level caused by the pandemic. During 2021, the average number of people at work was 2,996.

Due to the pandemic's social impacts, Finnair has especially invested in social responsibility by supporting its redundant and laid-off employees. The company has an ongoing NEXT programme designed to individually support those made redundant in finding a new job. The programme consists of, among other things, a personal plan for moving forward in their working career, a

wide range of training, career coaching, services supporting change management and well-being, support for those interested in entrepreneurship, and tailored support of the Employment and Economic Development Office of Finland.

Full-time staff accounted for 91 per cent (92) of Finnair employees in 2021, and 99 per cent (99) of staff were employed on a permanent basis. The average age of employees was 42 years (43). Of the personnel, 33 per cent (33) were over 50 years of age, while 13 per cent (13) were under 30 years of age. At the end of 2021, 57 per cent (57) of Finnair's employees were women and 43 per cent (43) were men. Three (four) 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, increased when compared to previous year being 5.6 (4.4). In contrast, the number of absences due to illness was less than in the comparison period and was 2.3 per cent (3.8).

Finnair values good cooperation with labour unions representing its various employee groups. In 2021, the following collective agreements were negotiated:

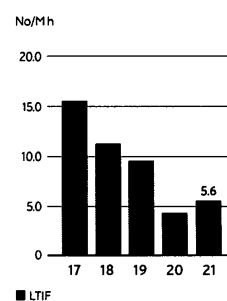
- An agreement between Service Sector Employers Palta and Finnish Air Line Pilots'

Association concerning Finnair Plc's Finnish pilots. The agreement is valid until the end of September 2024.

- 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 2023.
- An agreement between Palta and Workers' Union AKT concerning travel agencies (Suntours). The agreement is valid until the end of April 2023.

An agreement between Palta and Transport Workers' Union AKT representing Finnair's cabin crew in Finland negotiated in 2019 will expire on 31 January 2022. The same applies to agreements between Palta and Trade Union Pro concerning technical aviation employees and aviation employees, which were negotiated in 2020 and are also valid until the end of January 2022. 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 was negotiated also in 2020. The agreement is valid until 15 March 2023.

Lost Time Incident Frequency





Environmental Performance

The three major global environmental challenges, climate change, biodiversity loss, and the transition to a circular economy, are mutually reinforcing. Addressing these challenges requires our common attention. Finnair has set its own goals for all three of these challenges and urges all its stakeholders to work together to achieve these goals. Finnair aims to fly carbon-neutral in 2045, and already at the end of 2025 it intends to halve its net emissions compared to the 2019 level. In addition, the company shall enforce the circular economy principals and pollution prevention hierarchy in its operations. Finnair has zero tolerance for illegal wildlife trading and is a United for Wildlife-certified airline.

Climate change

In 2021, Finnair's traffic measured in revenue tonne kilometres (RTK) increased by 1.6 per cent compared to 2020. However, carbon dioxide (CO₂) emissions decreased by 0.4 per cent year-on-year to 1,146,903 tonnes (1,151,299). When compared to 2019 emissions they were 67.8 per cent lower.

The fuel efficiency of flying was 296 g/RTK (301) (without allocation between passengers and cargo), i.e. fuel efficiency improved by 2.0 per cent (-20.8) in 2021. Carbon dioxide emissions of flying have also been calculated by allocating them between passengers and cargo in accordance

with ICAO recommendations (see the sustainability appendix, Scope 1 emissions). Calculated in this way, CO₂ emission efficiencies in 2021 were 131 g CO₂/RPK (92) and 606 g CO₂/RTK-cargo (514). Emissions per revenue passenger-kilometre (RPK) increased by 42.5 per cent (17.1) and per revenue cargo tonne-kilometre (RTK-cargo) by 17.9 per cent (5.3). The worse performing in 2021 compared to 2020 were mainly due to the fact that year 2021 operations were entirely affected by pandemic, with challenges in targeting supply (ATK +6.4 per cent) with demand (RTK +1.6 per cent), the average length of the flights was shortened, and the ICAO allocation calculation model where each empty seat is adding passenger weight. The beginning of 2020 was still normal, and the effects of the pandemic did not start to affect until March 2020 onwards.

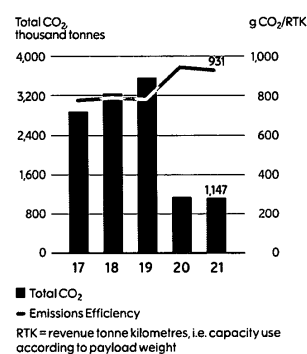
During 2021, strong and effective work was continued to improve fuel efficiency. Good progress was made in terms of both optimal fleet utilisation and fuel-efficient flying. For example, a new optimising tool introduced in 2021, called Tail Swapper, helps in planning the optimum aircraft type used when changes in the number of passengers are noticed. Thus, it helps to avoid flying oversized planes and saves on fuel consumption accordingly. Another tool to help fleet planning was made specifically for the use of Technical Services. It is used to optimize wide-body traffic, where there are some differences found in fuel consumption between aircraft types.

The tool guides us to find the best combinations between the aircraft and the route so that longer connections are flown with the aircraft having the best fuel efficiency. A third tool was introduced into the cockpit of the aircraft. It helps long-distance traffic to be optimized so that we find the best balance between flight speed and fuel consumption. The optimization application transmits speed and consumption information to the cockpit during the flight, facilitating pilot decision-making. In this way, for example, fuel is not wasted due to time savings of a few minutes, unless there is a very good reason for this.

To reduce CO₂ emissions from flying, it is very important to increase the use of sustainable aviation fuels (SAF). We are very grateful to our customers who want to participate in Finnair's long-term goal of flying carbon-neutral in 2045. In 2021, business passengers compensated for their travel by purchasing 310 tonnes of sustainable fuel for Finnair's aircraft. This cooperation reduced 909 tonnes of CO₂ emissions. In December 2021, the Finnish Parliament approved an amendment to the law that will allow companies to sell compensation services. Finnair will open a compensation service for customers at the beginning of 2022. We hope that it will be well received and that our customers will be more involved in the fight against climate change.

The energy consumption of the Finnair facilities increased by 12.2 per cent 2021 (-29.1). Year 2021 the

Development in Finnair's emissions and emission efficiency



total electricity consumption of the facilities was 21,130 MWh (21,259) and heat consumption 24,238 MWh (18,592). Total energy efficiency was 21.0 kWh/m² (18.5), including both electricity and heat consumptions. The decrease in electricity use was due to reduced activity, but the increase in heating energy may be explained by the cold winter. Correspondingly, CO₂ emissions from energy consumption in buildings increased by 8.9 per cent (-57.8) to a total of 8,138 tonnes (7,414).



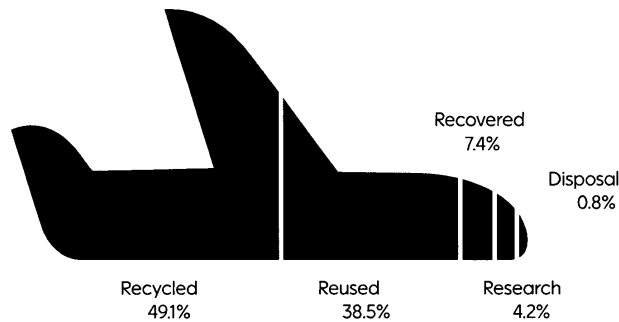
Circular economy

Total amount of waste generated by Finnair in Finland decreased by 40.4 per cent (64.8), or over 618 tonnes (2,816), from the previous year total mass being 914 tonnes (1,532). These figures do not account the material streams generated during the Airbus A319 recycling, which Finnair Technical Services performed in 2021. The largest waste stream has been mixed waste generated from the in-flight service. This waste stream is so called international food waste and cannot be recycled but is recovered as energy, whereas the rest of the food waste is composted. Food waste has been reduced in a target-orientated manner since 2018, and primarily it is donated to charity. In total 18 per cent of inflight waste was recycled in 2021. This is a very high recycling rate for inflight waste.

During the review period, Finnair renewed its in-flight catering concept to be more sustainable. Plastic cutlery was replaced with wooden and the availability of vegetarian food was increased. In addition, the previous target of halving food waste was extended with an additional 30% reduction target. Measures to achieve this goal included simplifying the menu and transferring fresh products to the pre-order menu.

Finnair, together with Kuusakoski, dismantled and recycled one Airbus A319 aircraft, which had reached the end of its economic life. Finnair initially

Finnair Airbus A319 recycling



estimated that about 90-95 per cent of the materials could be reutilised. The final recovery rate turned out to be higher than expected, with only 0.8 per cent of the material ending up as waste. This was the first passenger aircraft ever recycled in Finland. The recycling project created a positive mood, employed staff, and supported the profitability of the narrow-body fleet spare parts service.

Supply chain

Supply chain management focused on managing demand and availability during the pandemic, addressing cost pressures, and supply chain risk management. Due to a shrinking route network and fewer flights, the number of active suppliers decreased by 27 per cent.



Topic	Targets and KPIs	Performance		Key actions during the reporting period
		2021	2020	
Environmental responsibility	Halving net CO ₂ emissions by the end of 2025, compared to 2019 figures, %*	-67.8	-67.7	Due to the COVID-19, 2021 figures are showing unusual performance, since passenger demand was low and unnecessary flying was minimised.
	Carbon free flying by the end of 2045 (net emissions, gCO ₂ /RTK)	931	949	
	Improving the fuel efficiency of flying by 1% annually. Company's internal Fuel Efficiency Index (FEI) is used here as a basis for the KPI where e.g. wind and payload impacts are normalised.	0.0% improvement	1.7% improvement	One narrow body aircraft at the end of its lifecycle was recycled at Vantaa. Operative methods to reduce weight of the flight continued (e.g. rationalise fuelling, on-board printed material was reduced, potable water intake was optimised). The flying procedures were further improved (e.g. pilots' situational awareness of network was improved, this reduces unnecessary high Cost Index flying. Continuous Decent Approaches at Helsinki-Vantaa were further increased). Fleet utilisation was improved (aircraft type allocation corresponding to the passenger and Cargo amounts).
	Reducing single used plastics in Kitchen operations by 50% by the end of 2022	-40.0	-23.0	
	Recycle 50 % of plastics in Kitchen operations for reuse by the end of 2022	37.0	20.7	
Social responsibility	Reducing food waste from Kitchen operations by 30% by the end of year 2022	New	New	The number of recyclable waste fractions was successfully increased when green plastic wine bottles were added to the list of recyclable plastics. The previous target of halving food waste was achieved and further extended with an additional 30% reduction target.
	Arrival punctuality at least 85%	82.3	90.2	Arrival punctuality declined, in particular due to the difficult weather conditions in December 2021 and the challenges associated with COVID-19, such as new travel restrictions requiring additional travel document checks, as well as higher sickness rates.
	Customer satisfaction, NPS increase on the previous year, long-term target level 60	38	47	We continued to invest in customer health-safety measures and repayment processes. The NPS dropped late in 2021 and was mainly related to Omicron variant which increased the number of sick leaves, and caused a backlog in customer care channels.
	Employee satisfaction, eNPS increase on the previous year	-31	-1	eNPS decreased as a result of e.g., furloughs which Finnair was forced to continue due to the clearly lower operational volumes compared to the pre-pandemic era.
	Absences due to illness decrease from the previous year	2.3	3.8	
Ethical Business conduct	LTIF (Lost-time injury frequency) of less than 14.8	5.6	4.4	Continuous training of employees, Renewal of Finnair Ethics helpline
	Code of Conduct awareness grade in WeTogether@Finnair survey at least 4 on scale 1–5	3.8	4.3	

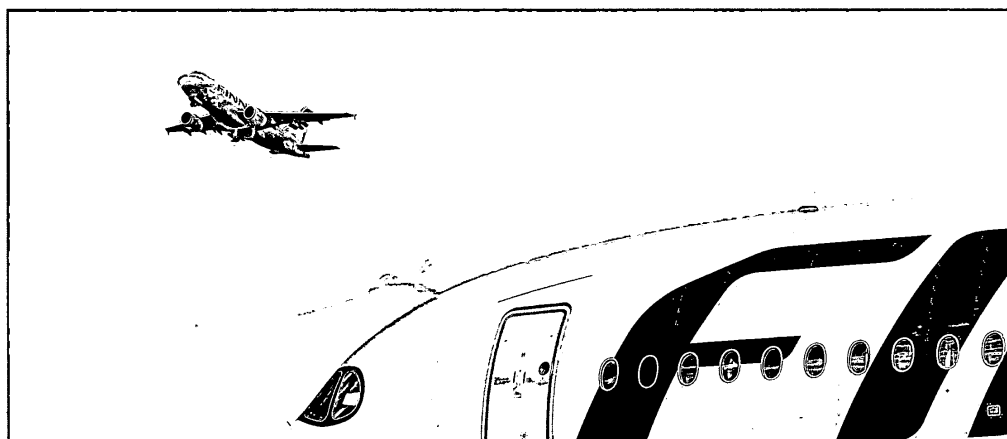
* Net emissions in 2021 and 2020 are exceptionally low due to reduced number of flights during the COVID-19 pandemic.



Changes in company management

During Q1–Q3, there were no changes in the company's management.

Finnair announced on 13 October 2021 that Tomi Pienimäki, Finnair's Chief Digital Officer and a member of Finnair's Executive Board, will leave Finnair by the end of January 2022.





Shares and shareholders

Shares and share capital

On 31 December 2021, the number of Finnair shares entered in the Trade Register was 1,407,401,265 and 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's market capitalisation was 837.7 million euros at the end of December (1,066.1). The closing price of the share on 31 December 2021 was 0.60 euros (0.76). In 2021, the highest price for the Finnair Plc share on the Nasdaq Helsinki was 0.81 euros, the lowest price 0.56 euros and the average price 0.68 euros. Some 1,143.8 million company shares, with a total value of 780.5 million euros, were traded on the Nasdaq Helsinki exchange.

Shareholders

The number of Finnair shareholders increased by 35.7 per cent in 2021 to 116,129 shareholders (excluding nominee registered shareholders). The number of domestic retail shareholders increased from 83,711 to 113,926, whereas their combined share of ownership increased by 27.4 per cent. Nominee registered or foreign investors held 4.6 per cent (7.4) of all shares.

Flagging notifications

No flagging notices were issued in 2021.

Government ownership

At the end of 2021, the Finnish Government owned 55.9 per cent of Finnair'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 the revision of the Parliament's decision.

Share ownership by management

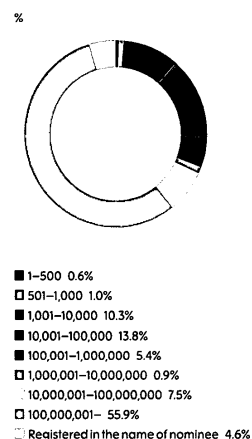
On 31 December 2021, members of the company's Board of Directors did not own any Finnair shares, while the CEO Topi Manner owned 738,271 shares and the members of the Executive Board, including the CEO, owned a total of 1,536,254 shares, representing 0.11 per cent of all shares and votes.

Own shares

On 31 December 2020, Finnair held a total of 170,660 own shares, representing 0.01 per cent of the total number of shares and votes.

The Board of Directors of Finnair exercised the authorisation granted by the 2020 AGM to acquire own shares. Finnair completed the repurchase of own shares on 22 February 2021, which started on 19 February 2021. During that time, Finnair acquired a total of 1,800,000 own shares for an average price of 0.64 euros per share. The shares were acquired in public trading on Nasdaq Helsinki Ltd. at the

Shareholding by number of shares owned





market price prevailing at the time of purchase. The repurchased shares were acquired based on the authorisation given by the Annual General Meeting on 29 May 2020 and shall be used as a part of the Company's incentive programmes.

Following the repurchase, Finnair Plc held a total of 1,970,660 own shares, corresponding to 0.14 per cent of the total number of shares and votes.

In February, Finnair transferred, using the authorisation granted by the AGM 2020, a total of 496,564 own shares as incentives to the

participants of the FlyShare employee share savings plan. It also transferred 36,903 own shares as a reward to the key personnel included in Finnair's share-based incentive scheme 2018–2020 in March.

In Q2 or Q3, Finnair did not exercise the authorisation granted by the AGM 2021 to acquire or dispose of its own shares.

In October, Finnair transferred, using the authorisation granted by the 2021 AGM, a total of

16,060 own shares as incentives to the participants of the FlyShare employee share savings plan.

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

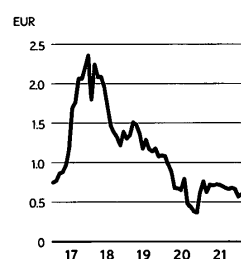
Shareholder agreements

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.

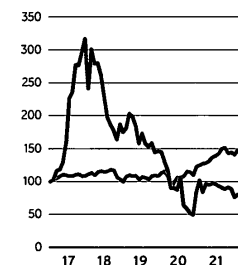
Finnair share 2017–2021*



■ Average price

* A rights offering was implemented between June and July 2020 and, therefore, Finnair's share prices have been restated accordingly.

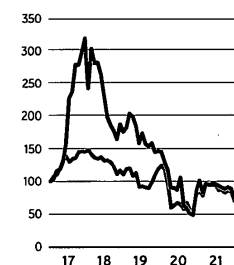
Comparison Nasdaq Helsinki



■ Finnair

■ Nasdaq Helsinki

Comparison European Airlines



■ Finnair

■ Bloomberg Europe Airline Index

Key Figures - Share

		2021	2020	2019	2018	2017
Equity/share*	EUR	0.34	0.64	1.39	1.33	1.46
Dividend for the financial year**	EUR mill.	0	0	0	35	38
Dividend/share**	EUR	0.00	0.00	0.00	0.05	0.06
Dividend/earnings**	%	0.0	0.0	0.0	39.4	24.4
Dividend yield**	%	0.0	0.0	0.0	3.9	2.3
Cash flow from operating activities/share*	EUR	-0.02	-0.99	0.82	0.73	0.55
P/E ratio		-1.74	-1.47	12.12	10.18	10.43

* A rights offering was executed between June and July 2020 and, therefore, 2017–2019 key figures based on the number of shares have been restated accordingly.

** The dividend for year 2021 is a proposal of the Board of Directors to the Annual General Meeting.



Effective authorisations granted by the annual general meeting 2021

Finnair's Annual General Meeting was held in Vantaa on 17 March 2021 under special arrangements due to the COVID-19 pandemic.

The AGM authorised the Board of Directors to decide on the repurchase of the company's own shares and/or on the acceptance as pledge and on the issuance of shares (concerns both the issuance of new shares as well as the transfer of treasury shares). The authorisation shall not exceed 50,000,000 shares, which corresponds to

approximately 3.6 per cent of all the shares in the company. The authorisations are effective for a period of 18 months from the resolution of the AGM.

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

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

Acquisition and delivery of own shares and returns of shares

	Number of shares	Acquisition value, EUR	Average price, EUR
11.2017	788,964	4,275,212.39	5.42
2017	-355,597	-1,962,443.86	5.52
2018	452,000	3,206,965.70	7.10
2018	-236,359	-1,264,765.58	5.35
2019	164,651	1,042,355.90	6.33
2019	-261,346	-1,501,496.17	5.75
2020	-381,653	-2,701,783.40	7.08
2021	1,800,000	1,144,440.00	0.64
2021	-549,527	-1,350,674.25	2.46
31.12.2021	1,421,133	887,810.73	0.62

Shareholders by type at 31 December 2021	Number of shares	%	Number of shareholders	%
Public bodies	892,860,788	63.4	8	0.0
Households	391,765,11	27.8	113,926	98.1
Private companies	41,294,299	2.9	1,811	1.6
Financial institutions	12,806,183	0.9	33	0.0
Associations	1,717,951	0.1	66	0.1
Finnish shareholders, total	1,340,444,832	95.2	115,844	99.7
Registered in the name of a nominee	65,378,093	4.6	10	0.0
Outside Finland	1,578,340	0.1	285	0.2
Nominee registered and foreign shareholders, total	66,956,433	4.8	285	0.2
Total	1,407,401,265	100.0	116,139	100.0

Breakdown of shares at 31 December 2021	Number of shares	%	Number of shareholders	%
1-500	8,709,146	0.6	47,284	40.7
501-1,000	14,021,968	1.0	17,697	15.2
1,001-10,000	144,950,124	10.3	42,874	36.9
10,001-100,000	194,217,310	13.8	7,919	6.8
100,001-1,000,000	75,312,250	5.4	342	0.3
1,000,001-10,000,000	13,053,310	0.9	8	0.0
10,000,001-100,000,000	105,089,378	7.5	4	0.0
100,000,001-	786,669,686	55.9	1	0.0
Registered in the name of nominee	65,378,093	4.6	10	0.0
Total	1,407,401,265	100.0	116,139	100.0



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
- The 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 the Treasury Policy, the Procurement Policy, the Information Security Policy, the Data Privacy Policy, the Competition Policy, and the Trade Sanction Policy.

The Finnair Risk Management Framework and principles are aligned with 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, among others, defining and implementing controls. Thus, the First Line of Defence is 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 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

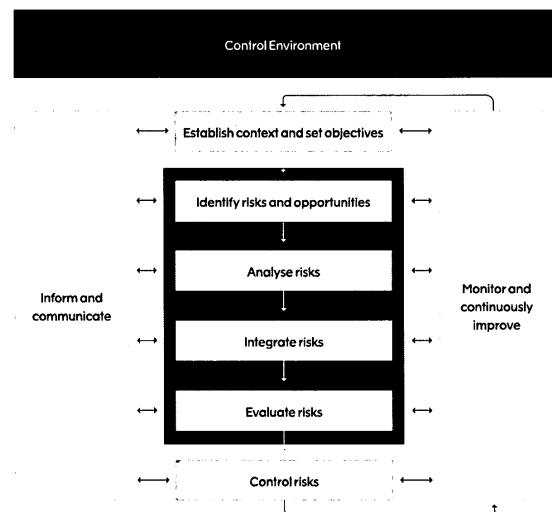
and Internal Control Framework as well as for continuously monitoring the implementation of the policies, rules, procedures and key controls within the frameworks. Risk & Compliance has a reporting line to the Audit Committee of the Board of Directors.

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

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

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

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

Factors beyond Finnair's control are related to the duration of the COVID-19 pandemic and travel restrictions, as well as the recovery of demand for

air travel. In addition, other general risk factors in the industry and business, such as the fluctuation of jet fuel prices, fluctuation in demand in general, and fluctuations in currency exchange rates, as well as regulatory and tax changes are also beyond Finnair's control.

Other general macroeconomic conditions, such as deterioration in business or consumer confidence, changing customer preferences or employment levels, lower availability of credit, rising interest rates, inflation, or changes in taxation may have an adverse impact on private consumption, and consequently on the demand for air travel.

The key factors affecting revenue and operating result, that Finnair can affect, are operating cost adjustments and the ability to respond to changes in demand. Due to the immense effect of the COVID-19 pandemics, Finnair has carried out an extensive cost-saving program. The current

inflationary pressure poses a risk to retaining the cost level achieved.

As jet fuel costs are the largest variable expense item, the jet fuel price development has a material effect on profitability. Fuel price fluctuations may result in increased uncertainty around Finnair's financial performance and cash flow. Jet fuel prices have historically fluctuated significantly, and fluctuations are expected to continue in the future beyond the current COVID-19 crisis. Finnair's ability to pass on the increased costs of jet fuel to its customers by increasing fares is limited by the competitive nature of the airline industry. Finnair's jet fuel costs are also subject to foreign exchange rate risk as international prices for jet fuel are denominated in U.S. dollars. The residual effect of jet fuel price fluctuations is determined by the hedges in use at a given point in time. Increasing jet fuel costs, disruptions in fuel supplies and ineffective hedging in relation to changes in market



prices may result in increased expenses, which may have a material adverse effect on Finnair's business, financial result and future outlook. Derivatives used to hedge against adverse price movements in jet fuel may prove to be inefficient resulting in increased jet fuel price in relation to market prices.

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

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

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

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

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

Factors such as geopolitical uncertainty, the threat of trade wars, the threat of terrorism, cyber-attacks and pandemics 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. In a changing aviation business environment, it is difficult to predict the impact the COVID-19 will have on airline market access and traffic right opportunities in general.

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

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



Seasonal variation and sensitivities in business operations

Due to the seasonality of the airline business, the Group's revenue and result are, in a normal situation, generally at their lowest in the first quarter and at their highest in the third quarter of the year. The growing proportional share of Asian traffic increases seasonal fluctuation due to destination-specific seasons in Asian leisure and business travel.

In addition to operational activities and market conditions, the fuel price development has a key impact on Finnair's result, as fuel costs are the company's most significant variable expense item. Finnair's foreign exchange risk arises primarily from fuel and aircraft purchases, divestments of aircraft, aircraft lease payments, aircraft maintenance,

overflight royalties and foreign currency revenue. Significant dollar-denominated expense items are fuel costs and aircraft lease payments. The largest investments, namely the acquisition of aircraft and their spare parts, are also mainly denominated in US dollars. The most significant income currencies after the euro are the Japanese yen, the Chinese yuan, the US dollar, the South Korean won and the Swedish krona.

The company hedges its currency, interest rate and jet fuel exposure using a variety of derivative instruments, such as forward contracts, swaps and options, in compliance with the risk management policy approved annually by the Board of Directors. Finnair's policy is to hedge its fuel

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 27 million
Average yield of passenger traffic		EUR 18 million
Unit cost (CASK excl. fuel)		EUR 19 million

Fuel sensitivities (rolling 12 months from date of financial statements)		10% change, taking without hedging	10% change, taking hedging into account
Fuel		EUR 59 million	EUR 57 million

Fuel hedging and average hedged price (rolling 12 months from date of financial statements)	Hedged fuel, tonnes*	Average hedge price, USD/ton**
December 2021	15,000	528
Q1 2022	20,000	632
Q2 2022	15,000	685
Q3 2022	12,000	647
Q4 2022 and after	6,000	651
Total	68,000	625

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

** Average of swaps and bought call options strikes.



purchases 12 months forward on a rolling basis. The maximum hedging ratio for the 12-month period is 50 per cent and the lower limit is 0 per cent while the target hedging ratio is set to 25 per cent.

Hedging of foreign currency exposure in balance sheet

Due to the introduction of IFRS 16 in 2019, Finnair's asset-related foreign currency exposure increased with the recognition of the present value of qualifying operating lease liabilities in the balance sheet as right-of-use assets. Unrealised foreign exchange losses/gains caused by the translation of

the USD denominated liability will have an impact on Finnair's net result. In the future, the effect and amount of the foreign currency exchange could be positive or negative, depending on the USD-rate at the closing date. Finnair has mitigated the foreign exchange volatility introduced by this difference by using derivatives as well as natural hedges where possible. The annual effect in net result going forward is dependent on the size of the qualifying operating lease portfolio, the duration of the leases and hedging ratio. At the end of 2021, the hedging ratio of USD denominated aircraft lease payments and liabilities was approximately 50 per cent.

Currency distribution, %	2021	2020	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	
Sales currencies					
EUR	46	55	-	-	-
USD*	5	4	see below	see below	see below
JPY	9	7	EUR 21 m	EUR 21 m	7%
CNY	7	6	-	-	-
KRW	5	3	-	-	-
SEK	4	3	-	-	-
Other	25	21	-	-	-
Purchase currencies					
EUR	69	59	-	-	-
USD*	26	35	EUR 70 m	EUR 67 m	14%
Other	5	6	-	-	-

* 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 26 October 2021:

Even though travelling in Europe has opened and will open to the United States and Thailand in November, the travel restrictions will continue to have a dampening impact on demand especially in Asia. Based on an increased level of vaccinations, Finnair expects Asia to open to travelers more meaningfully early 2022 - exclusive of China, which is expected to open only after the first half of 2022. While cargo continues to be strong and the cost savings programme delivers as planned, due to the travel restrictions, incremental costs caused by the ramped-up capacity and higher fuel price, the comparable operating loss in Q4 2021 is expected to be of a similar magnitude as in Q3 2021 despite the gradual increase in revenue.

The company estimates that the operating cash flow remains positive in Q4 2021.

Further, due to the slow recovery of Asian traffic, Finnair estimates that the comparable operating losses will continue also during the first half of 2022. Even though Finnair estimates that the operational environment in the second half of 2022 will be closer to the pre-pandemic era, the company expects a return to its 2019 traffic levels, as measured in annual ASKs, in 2023.

Finnair will update its outlook and guidance in connection with the financial statements bulletin for 2021.

New guidance on 17 February 2022:

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

In comparison to Q4 2021, Omicron is having a notable but short-lived adverse effect on revenue and costs in Q1 2022. Further, the ongoing travel restrictions will continue to soften demand, particularly to and from Asia going forward. Due to these factors as well as increased fuel price and incremental costs caused by the need to ramp up

capacity for summer 2022, Finnair's comparable operating loss in Q1 2022 is expected to be of a similar magnitude as in Q1 2021. Finnair reiterates its previous estimate that the comparable operating losses will continue also during the entire first half of 2022.

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

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



Key performance indicators classified as alternative performance measures

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

Alternative performance measures	Calculation	Reason to use the measure
Items affecting comparability	Unrealized changes in foreign currencies of fleet overhaul provisions + Fair value changes of derivatives where hedge accounting is not applied + Sales gains and losses on aircraft and other transactions + Changes in defined benefit pension plans + Restructuring costs	Component used in calculating comparable operating result.
Comparable operating result	Operating result - Items affecting comparability	Comparable operating result is presented to better reflect the Group's business performance when comparing results to previous periods.
Comparable operating result, % of revenue	Comparable operating result / Revenue x 100	Comparable operating result is presented to better reflect the Group's business performance when comparing results to previous periods.
Revenue at 2018 and 2019 constant currency	Revenue + Currency impact adjustment at 2018 and 2019 currency	Component used in calculating comparable operating result at constant currency and fuel price and RASK at constant currency. All changes in currency levels and hedging results since 2018 and 2019 are excluded from the measurement.
Costs at 2018 and 2019 constant currency and fuel price	Other operating income + Operating expenses included in comparable operating result + Currency and fuel price impact adjustment at 2018 and 2019 currency and price	Component used in calculating comparable operating result at constant currency and fuel price and CASK at constant currency and fuel price. All changes in fuel price, currency levels and hedging results since 2018 and 2019 are excluded from the measurement.
Comparable operating result at 2018 and 2019 constant currency and fuel price	Revenue at 2018 and 2019 constant currency + Costs at 2018 and 2019 constant currency and fuel price	Comparable operating result at constant currency and fuel price aims to provide a comparative, currency and fuel price neutral measurement for comparable operating result. All changes in fuel price, currency levels and hedging results since 2018 and 2019 are excluded from the measurement.
RASK at 2018 and 2019 constant currency	Revenue at 2018 and 2019 constant currency / Available seat kilometres (ASK)	Unit revenue (RASK) at constant currency aims to provide a comparative, currency neutral measurement for unit revenues. All changes in currency levels and hedging results since 2018 and 2019 are excluded from the measurement.
CASK at 2018 and 2019 constant currency and fuel price	Costs at 2018 and 2019 constant currency and fuel price / Available seat kilometres (ASK)	Unit cost (CASK) at constant currency and fuel price aims to provide a comparative, currency and fuel price neutral measurement for unit costs. All changes in fuel price, currency levels and hedging results since 2018 and 2019 are excluded from the measurement.



Alternative performance measures	Calculation	Reason to use the measure
Comparable EBITDA	Comparable operating result + Depreciation and impairment	Comparable EBITDA is presented to better reflect the Group's business performance when comparing results to previous periods. Comparable EBITDA is a common measure in airline business which aims to reflect comparable operating result excluding capital cost.
Comparable EBITDA, % of revenue	Comparable EBITDA / Revenue x 100	Comparable EBITDA is presented to better reflect the Group's business performance when comparing results to previous periods. Comparable EBITDA is a common measure in airline business which aims to reflect comparable operating result excluding capital cost.
Equity ratio, %	Equity total / Equity and liabilities total x 100	Equity ratio provides information on the financial leverage used by the Group to fund its assets.
Adjusted interest-bearing liabilities	Lease liabilities + Other interest-bearing liabilities + Cross currency interest rate swaps in derivative financial instruments	Component used in calculating gearing.
Cash funds	Cash and cash equivalents + Other financial assets	Component used in calculating gearing. Cash funds represent the total amount of financial assets that are available for use within short notice. Therefore, cash funds provide the true and fair view of the Group's financial position.
Interest-bearing net debt	Adjusted interest-bearing liabilities - Cash funds	Interest-bearing net debt provides view of the Group's total external debt financing.
Gearing, %	Interest-bearing net debt / Equity total x 100	Gearing provides view of the level of the Group's indebtedness.
Interest-bearing net debt / Comparable EBITDA, LTM	Interest-bearing net debt / Comparable EBITDA, for the last twelve months	The ratio provides information on the Group's leverage by comparing the Group's net debt to the amount of income generated before covering interest, taxes, depreciation and impairment.
Gross capital expenditure	Additions in fixed assets + New contracts in right-of-use assets + Reassessments and modifications in right-of-use assets	Gross capital expenditure provides information on the Group's capitalized investments and lease modifications.
Return on capital employed (ROCE), LTM, %	(Result before taxes + Financial expenses + Exchange rate gains and losses, for the last twelve months) / (Equity total + Lease liabilities + Other interest-bearing liabilities, average of reporting period and comparison period)	The ratio provides a view to monitor the return of capital employed.



Reconciliation of key performance indicators classified as alternative performance measures

Items affecting comparability

EUR in millions	2021	2020
Operating result	-454.4	-464.5
Unrealized changes in foreign currencies of fleet overhaul provisions	11.7	-12.2
Fair value changes of derivatives where hedge accounting is not applied	0.0	0.2
Sales gains and losses on aircraft and other transactions	-5.6	-0.8
Changes in defined benefit pension plans	-20.6	-132.8
Restructuring costs	0.0	14.9
Comparable operating result	-468.9	-595.3
Depreciation and impairment	319.8	343.8
Comparable EBITDA	-149.0	-251.5

Comparable operating result, RASK and CASK at 2018 constant currency and fuel price

EUR in millions, unless otherwise indicated	2021	2020
Revenue	838.4	829.2
Currency impact adjustment at 2018 currency	-2.5	-0.8
Revenue at 2018 constant currency	835.9	828.4
Other operating income	39.2	48.4
Operating expenses included in comparable operating result	-1,346.4	-1,472.9
Currency and fuel price impact adjustment at 2018 currency and price	5.3	37.2
Costs at 2018 constant currency and fuel price	-1,301.9	-1,387.3
Comparable operating result at 2018 constant currency and fuel price	-466.0	-558.9
Available seat kilometres (ASK), million	12,094	12,937
RASK at 2018 constant currency, cents/ASK	6.91	6.40
CASK at 2018 constant currency and fuel price, cents/ASK	10.76	10.72

Comparable operating result, RASK and CASK at 2019 constant currency and fuel price

EUR in millions, unless otherwise indicated	2021	2020
Revenue	838.4	829.2
Currency impact adjustment at 2019 currency	7.2	2.7
Revenue at 2019 constant currency	845.6	831.9
Other operating income	39.2	48.4
Operating expenses included in comparable operating result	-1,346.4	-1,472.9
Currency and fuel price impact adjustment at 2019 currency and price	-14.8	17.1
Costs at 2019 constant currency and fuel price	-1,322.1	-1,407.4
Comparable operating result at 2019 constant currency and fuel price	-476.5	-575.5
Available seat kilometres (ASK), million	12,094	12,937
RASK at 2019 constant currency, cents/ASK	6.99	6.43
CASK at 2019 constant currency and fuel price, cents/ASK	10.93	10.88

Equity ratio

EUR in millions, unless otherwise indicated	2021	2020
Equity total	475.7	896.6
Equity and liabilities total	4,047.1	3,646.5
Equity ratio, %	11.8	24.6



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

EUR in millions, unless otherwise indicated	31 Dec 2021	31 Dec 2020
Lease liabilities	1,381.0	1,016.2
Other interest-bearing liabilities	1,427.9	1,162.6
Cross currency interest rate swaps*	-12.3	18.8
Adjusted interest-bearing liabilities	2,796.6	2,197.5
Other financial assets	-531.4	-358.3
Cash and cash equivalents	-734.3	-465.3
Cash funds	-1,265.7	-823.7
Interest-bearing net debt	1,530.9	1,373.8
Equity total	475.7	896.6
Gearing, %	321.8	153.2
Comparable EBITDA, LTM	-149.0	-251.5
Interest-bearing net debt / Comparable EBITDA, LTM	-10.3	-5.5

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

Gross capital expenditure

EUR in millions	2021	2020
Additions in fixed assets	28.7	348.3
New contracts in right-of-use assets	380.6	173.3
Reassessments and modifications in right-of-use assets	25.3	-5.7
Gross capital expenditure	434.5	515.9

Return on capital employed (ROCE), LTM

EUR in millions, unless otherwise indicated	31 Dec 2021	31 Dec 2020
Result before taxes, LTM	-581.9	-654.4
Financial expenses, LTM	117.8	255.2
Exchange rate gains and losses, LTM	22.5	-26.6
Return, LTM	-441.6	-425.8
Equity total	475.7	896.6
Lease liabilities	1,381.0	1,016.2
Other interest-bearing liabilities	1,427.9	1,162.6
Capital employed	3,284.6	3,075.4
Capital employed, average of reporting period and comparison period	3,180.0	2,808.3*
Return on capital employed (ROCE), LTM, %	-13.9	-15.2

* Capital employed accounted was EUR 2,541.1 million as at 31 Dec 2019.



Other performance indicators

Revenue and profitability

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

Traffic

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

Operational excellence

On-time performance	The share of flights arrived less than 15 minutes late
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Modern premium airline

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

Sustainability

Flight CO ₂ emissions	CO ₂ emissions from jet fuel consumption
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Culture and ways of working

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

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

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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.

■ 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 ■.

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

■ 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.

This Financial Information 2021 is not an XHTML document compliant with the ESEF (European Single Electronic Format) regulation. Financial Information 2021 in accordance with ESEF regulations is available at <https://investors.finnair.com/en>.

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Consolidated income statement

EUR mill.	Note	2021	2020
Revenue	1.1, 1.2	838.4	829.2
Other operating income		62.5	49.3
Operating expenses			
Staff and other crew related costs	1.3.8	-229.3	-163.9
Fuel costs	1	-211.4	-232.8
Capacity rents		-71.3	-89.3
Aircraft materials and overhaul		-117.2	-92.5
Traffic charges		-120.4	-112.4
Sales, marketing and distribution costs		-38.1	-28.2
Passenger and handling services	1.3.2	-148.0	-168.6
Depreciation and impairment	2.3	-319.8	-343.8
Property, IT and other expenses	1.3.3	-99.7	-111.6
Operating result		-454.4	-464.5
Financial income	3.1	12.8	38.7
Financial expenses	3.1	-117.8	-255.2
Exchange rate gains and losses	3.1	-22.5	26.6
Result before taxes		-581.9	-654.4
Income taxes	5.1	117.6	131.1
Result for the period		-464.3	-523.2
Attributable to			
Owners of the parent company		-464.3	-523.2
Earnings per share attributable to shareholders of the parent company, EUR			
Basic earnings per share	3.9	-0.34	-0.51
Diluted earnings per share	3.9	-0.34	-0.51

Consolidated statement of comprehensive income

EUR mill.	Note	2021	2020
Result for the period		-464.3	-523.2
Other comprehensive income items			
Items that may be reclassified to profit or loss in subsequent periods			
Change in fair value of hedging instruments		30.1	-29.9
Translation differences			-0.7
Tax effect		-6.0	6.0
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	43.0	-13.1
Tax effect		-8.6	2.6
Other comprehensive income items total		58.4	-35.1
Comprehensive income for the period		-405.9	-558.4
Attributable to			
Owners of the parent company		-405.9	-558.4

■ The COVID-19 pandemic had a significant impact on Finnair's revenue and profitability also in 2021
The financial year 2021 was Finnair's second annual reporting period impacted by the COVID-19 pandemic. Although the gradual recovery of passenger air traffic began in the second half of 2021, the annual revenue remained at the level of the comparison period amounting to 838.4 million euro (829.2). Despite the notable cost-saving measures taken in 2021, the reported operating result remained close to the previous year's level due to the significant non-recurring items included in the result of the comparison period. Non-recurring items are presented in more detail in note 1.3.7 items affecting comparability.

■ = Highlights



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Consolidated balance sheet

EUR mill.	Note	2021	2020
ASSETS			
Non-current assets			
Fleet	2.1 ¹	946.3 ¹	1,440.3
Right-of-use fleet	2.2 ¹	1,025.3 ¹	772.5
Fleet total		1,971.6 ¹	2,212.7
Other fixed assets	2.1 ¹	162.3 ¹	185.3
Right-of-use other fixed assets	2.2 ¹	156.4 ¹	145.0
Other fixed assets total		318.7 ¹	330.2
Pension assets	1.3.8.2 ¹	80.9	31.8
Other non-current assets		6.9	25.1
Deferred tax assets	5.1 ¹	191.9	84.8
Non-current assets total		2,569.9	2,684.7
Current assets			
Receivables related to revenue	1.2.3.1 ¹	110.9	57.5
Inventories and other current assets	1.3.4 ¹	55.8	68.1
Derivative financial instruments	3.8 ¹	26.1 ¹	12.4
Other financial assets	3.2.1.1 ¹	531.4 ¹	358.3
Cash and cash equivalents	3.2.2.1 ¹	734.3 ¹	465.3
Current assets total		1,458.5	961.8
Assets held for sale		18.7 ¹	
Assets total		4,047.1¹	3,646.5

EUR mill.	Note	2021	2020
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	1 ¹	75.4 ¹	75.4
Other equity		400.2 ¹	821.2
Equity total		475.7¹	896.6
Non-current liabilities			
Lease liabilities	2.2.3.3 ¹	1,204.1 ¹	880.6
Other interest-bearing liabilities	3.3 ¹	986.2 ¹	1,111.0
Pension obligations	1.3.8.2 ¹	0.7 ¹	1.5
Provisions and other liabilities	1.3.6 ¹	200.7 ¹	161.1
Non-current liabilities total		2,391.6¹	2,154.2
Current liabilities			
Lease liabilities	2.2.3.3 ¹	176.9 ¹	135.6
Other interest-bearing liabilities	3.3 ¹	441.7 ¹	51.5
Provisions	1.3.6 ¹	13.8 ¹	20.0
Trade payables		53.5 ¹	24.8
Derivative financial instruments	3.8 ¹	0.4 ¹	99.7
Deferred income and advances received	1.2.4 ¹	291.1 ¹	133.6
Liabilities related to employee benefits	1.3.8.1 ¹	74.4 ¹	70.7
Other liabilities	1.3.5 ¹	128.1 ¹	59.8
Current liabilities total		1,179.8¹	595.7
Liabilities total		3,571.4¹	2,749.9
Equity and liabilities total		4,047.1¹	3,646.5

■ Refinancing plan was continued also in 2021
Finnair continued to execute its refinancing plan in 2021 in order to mitigate the impacts of the COVID-19 pandemic. This included, among other transactions, issuing a senior unsecured bond totaling to 400 million euro and closing of five new financing transactions relating to the A350 aircraft. As a result, the total interest-bearing debt increased to 2,809.9 million euro (2,178.7) and the sum of cash and cash equivalents and other financial assets to 1,265.7 million euro (823.7). The financing transactions of the A350 aircraft comprised of four sale- and leaseback agreements and one lease financing arrangement which are reflected as an increase in the value of the RoU fleet totaling to 1,025.3 million euro (772.5) and as a decrease in own fleet to 946.3 million euro (1,440.3).
The deferred tax assets increased to 191.9 million euro (84.8) due to the significant losses caused by the COVID-19 pandemic.

■ = Highlights



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EUR mill.	2021	2020
Cash flow from operating activities	1	1
Result before taxes	-581.9	-654.4
Depreciation and impairment	319.8	343.8
Financial income and expenses	127.5	189.9
Sales gains and losses on aircraft and other transactions	-19.4	-0.8
Change in provisions	19.8	3.5
Employee benefits	-4.3	-120.8
Other adjustments	3.3	0.7
Non-cash transactions	18.9	-116.6
Changes in trade and other receivables	-49.9	112.3
Changes in inventories	1.9	4.6
Changes in trade and other payables	257.3	-672.0
Changes in working capital	209.2	-555.2
Financial expenses paid, net	-99.3	-243.4
Income taxes paid	1	-6.4
Net cash flow from operating activities	-25.3	-1,043.1
Cash flow from investing activities	1	1
Investments in fleet	-703.1	-300.7
Investments in other fixed assets	-6.0	-24.7
Divestments of fleet, other fixed assets and shares	441.7	221.1
Lease and lease interest payments received	11.7	16.1
Change in other current financial assets (maturity over 3 months)	-67.5	439.9
Change in other non-current assets	0.0	0.0
Net cash flow from investing activities	309.6	351.6
Cash flow from financing activities	1	1
Proceeds from loans	396.7	872.8
Loan repayments	-154.8	-218.0
Repayments of lease liabilities	-146.8	-134.9
Share issue	1	511.7
Share issue costs	1	-11.1
Hybrid bond repayments	1	-200.0
Proceeds from hybrid bond	1	200.0
Hybrid bond interests and expenses	-20.5	-18.5
Acquisitions of own shares	-1.1	1
Net cash flow from financing activities	73.4	1,001.9
Change in cash flows	357.8	310.5
Liquid funds, at beginning	792.2	481.7
Change in cash flows	357.8	310.5
Liquid funds, at end*	1,150.0	792.2

■ = Highlights

• Liquid funds

EUR mill.	2021	2020
Other financial assets	531.4	358.3
Cash and cash equivalents	734.3	465.3
Cash funds	1,265.7	823.7
Other current financial assets (maturity over 3 months)	-115.7	-31.5
Liquid funds	1,150.0	792.2

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

■ The Group's liquidity remained strong in 2021

The net cash flow from operating activities improved significantly during 2021 but remained negative at -25.3 million euro (-1,043.1). The improvement was mainly due to the exceptionally large volume of cash refunds (relating to prepaid flight tickets) paid to customers in 2020 and on the other hand, the gradual increase in sales during the second half of 2021. The Group's total liquid funds grew to 1,150.0 million euro (792.2). The increase in liquid funds during the period was largely related to the positive investment cash flow resulting from the financing transactions of the A350 aircraft as well as the issuance of the senior unsecured bond of 400 million euro included in cash flow from financing activities.



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

EUR mill.	Share capital	Other restricted funds	Hedging reserve and other OCI items	Unrestricted equity funds	Retained earnings	Hybrid bond	Equity total
Equity 1 Jan 2020	75.4	168.1	-6.7	256.1	275.2	198.2	966.4
Result for the period					-523.2		-523.2
Change in fair value of hedging instruments			-23.9				-23.9
Actuarial gains and losses from defined benefit plans			-10.5				-10.5
Translation differences			-0.7				-0.7
Comprehensive income for the period			-35.1		-523.2		-558.4
Share issue				511.7			511.7
Share issue costs				-8.8			-8.8
Proceeds from hybrid bond						200.0	200.0
Hybrid bond repayments						-200.0	-200.0
Hybrid bond interests and expenses					-14.6	-0.2	-14.8
Share-based payments				0.6			0.6
Equity 31 Dec 2020	75.4	168.1	-41.8	759.5	-262.6	198.0	896.6

Equity ratio at 11.8% in 2021 (24.6%)

The COVID-19 pandemic continued to have a significant negative impact on the Group's consolidated result for the period as a result of which the Group's equity decreased to 475.7 million euro (896.6).
Finnair hedges against jet fuel price fluctuations with forward contracts and options according to its risk management policy described in note 3.5 Management of financial risk. The change in fair value of hedging instruments amounting to 24.0 million euro (-23.9) related mainly to increased jet fuel prices at the year-end 2021. Changes in hedging reserve and other OCI (other comprehensive income) items are presented in more detail in note 3.9 Equity-related information.

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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 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, 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
Non-controlling interests and transactions with non-controlling interests	Subsidiaries	4.2	IFRS 10
Investments in associates and joint ventures	Investments in associates and 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 Tietolä 9, Vantaa. 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 2021 were authorized for issue by the Board of Directors of Finnair Plc on 16 February 2022. 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 2021 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 2021. The notes to the consolidated financial statements also comply with Finnish accounting and corporate law. Changes applied in accounting principles in 2021 and future periods are described in the below section Changes in accounting principles.

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 2021 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, rounded to the nearest hundred thousand euro. The sum of the individual figures may differ from the total shown.

Impact of the COVID-19 pandemic on the consolidated financial statements

The financial year 2021 was the second annual reporting period severely impacted by the COVID-19 pandemic. The COVID-19 pandemic and the subsequent travel restrictions continued to have a significant negative impact on passenger demand also in 2021, which was heavily reflected in Finnair's revenue and profitability. Despite the gradual improvement in passenger demand in the second half of 2021, enabled by the increase in vaccine coverage and the partial lifting of travel restrictions, the number of passenger kilometers (ASK) offered in 2021 was slightly below the level of the comparison period totalling to 12,094 million (12,937 million). This is around one quarter of the pre-COVID-19 levels of 2019 (47,188 million). Finnair's revenue in 2021 totalled 838.4 million euro (829.2) and the total number of passengers was 2.9 million (3.5). The relative improvement in revenue relative to the passenger volume was due to the record high revenues of the cargo business, which was boosted by the increased demand for air cargo resulting from the COVID-19 pandemic and global supply chain challenges. Cargo revenue increased by 88.3 percent to 334.7 million euro (177.7). Although Finnair was able to significantly reduce its variable costs during 2021 as part of its cost savings program, the Group's operating result of -454.4 million euro (-464.5) remained close to the comparison period due to the impact from non-recurring items. The positive impact of non-recurring items in 2020 operating result was 130.8 million euro, whereas for the financial year 2021 it was 14.4 million euro. The loss for the period 2021 amounted to -464.3 million euro (-523.2).

The negative result for the period caused by the COVID-19 pandemic also had an impact on the consolidated balance sheet. The Group's equity declined by 47% to 475.7 million euro (896.6). Total net deferred tax asset recognized in the consolidated balance sheet as at the end of 2021 increased to 191.9 million euro (84.8). Further, the Group's total non-current liabilities increased to 2,391.6 million euro (2,154.2) mainly because of the four A350 sale and leaseback transactions and one leased A350 aircraft. Finnair also issued an unsecured bond of 400 million euro, which was raised to repay some of the earlier, maturing bonds and to provide general funding for the Group. Finnair's current liabilities increased to 1,179.8 million euro (595.7) resulting mainly from the reclassification of the first pension premium loan repayment of 300 million euro (due in December 2022) to short-term liabilities and an increase in deferred income resulting from the increase in passenger ticket sales.

The Group's net cash flow from operating activities improved significantly during 2021 amounting to -25.3 million euro (-1,043.1). The improvement was mainly due to the exceptionally large volume of cash refunds (relating to prepaid flight tickets) paid to customers in 2020 and, on the other hand, the increase in ticket sales during the second half of 2022. Finnair's liquid funds grew by 357.8 million euro during the reporting period and totalled to 1,150.0 million euro (792.2) as at 31.12.2021. The increase in cash funds during the year was mainly due to aircraft financing transactions of the A350 aircraft and an issuance of the unsecured bond totalling to 400 million euro.

Further detail on the Group's financial figures can be found in the following notes: revenue and operating expenses (note 1.2 and 1.3), deferred income and advances received (note 1.2.4), pensions (note 1.3.8.2), aircraft

Review of the year 2021	The Report of the Board of Directors	Financial Statements	Corporate Governance Statement	Remuneration Report	Sustainability Appendix
Consolidated income statement	financing transactions in notes 2.1, 2.2 and 3.3, derivatives and jet fuel hedges in notes 3.1 and 3.8, changes in liabilities and equity (notes 3.3 and 3.9) and income taxes (note 5.1).				
Consolidated statement of comprehensive income	The COVID-19 pandemic has also had an impact on the critical accounting estimates and sources of uncertainty. This has been disclosed in more detail in the below section Critical accounting estimates and sources of uncertainty.				
Consolidated balance sheet	Board's assessment of Finnair as a going concern				
Consolidated cash flow statement	The consolidated financial statements have been prepared based on the going concern assumption. The Finnair Board of Directors has assessed the Group's ability to continue as a going concern based on the Group's ability to meet its obligations as they fall due at least 12 months after the financial statements are issued. The Board of Directors' assessment is based on the Group's strategy and the latest three-year business plan approved by the Board of Directors. Due to the current uncertainty embedded in the economic environment and the difficulty in forecasting the ultimate duration and impact of the COVID-19 pandemic, the Board of Directors have reviewed three different scenarios prepared by the management that cover a period of 36 months from January 2022 to December 2024. The abovementioned scenarios have been sensitised to reflect differences in the expected pace of the recovery. Under all three scenarios, Finnair will be able to meet its obligations as they fall due at least 12 months after the date that the financial statements are issued.				
Consolidated statement of changes in equity	Finnair's customer demand started to recover materially in September 2021 and the main differences between the most recent forecast scenarios prepared in connection with the 2021 financial statements relate to the pace of the expected demand recovery and unit revenue development. The demand and revenue are expected to recover somewhat slower during 2022 than what was estimated at the time of the preparation of the 2020 financial statements, which is caused by the prolonged impacts of the COVID-19 pandemic on travel restrictions. In the base case scenario, which is considered as the most probable of the three, Finnair expects to operate around 83% of its capacity (measured in annual available seat kilometres) in 2022 as compared to the pre-pandemic levels of the year 2019 (financial statements 2020: 95%). In the optimistic scenario, the annual capacity is expected to reach 87% of the 2019 levels in 2022, whereas in the most pessimistic scenario, it is expected to remain at 75%. Despite the differences in the pace of the recovery, the business is expected to return to the pre-covid levels of 2019 in 2023 under all but the pessimistic scenario, in which the 2023 annual operational capacity is expected to reach 98% of the pre-pandemic levels. All of the management forecast scenarios are based on the development of passenger demand and capacity levels that depend on the implementation of the vaccination programs, lifting of travel restrictions (especially in Asia) and global acceptance of vaccine passports. It is assumed in all scenarios, that the unit revenue (RASK) will remain below the 2019 levels throughout the period of the business plan due to lower passenger volumes and lower share of corporate travel. At the same time, the committed cost saving program included in the scenarios will decrease unit costs. Flight related variable expenses depend on the planned capacity, whereas aircraft maintenance investments are assumed to stay rather constant between all scenarios.				
■ Notes to the consolidated financial statements	In 2021, Finnair continued to safeguard its strong cash position by optimizing investments, reducing costs, adjusting capacity to meet the demand and executing new funding transactions. Finnair continued targeting both temporary and permanent cost reductions and announced on 15th July 2021, that it had increased its earlier cost savings target to 200 million euro (based on 2019 operational volumes) from the beginning of 2022. The temporary measures of the program included temporary layoffs of employees, limiting spending only to the mandatory and compliance driven items and the temporary grounding of a large part of its fleet in order to accommodate its cost base to lower level of operations until the demand for flying returns again. In addition to the operational measures, Finnair continued its extensive financing programme to secure adequate funding and liquidity, consisting of e.g. an unsecured and undrawn hybrid loan agreement of 400 million euros signed with the State of Finland and the completion of five aircraft financing transactions related to A350 aircraft. In addition, Finnair issued a senior unsecured bond totalling to 400 million euro in order to repay its existing, maturing bonds and to provide general purpose financing.				
1. Operating result	As a result of the aforementioned actions, Finnair's liquidity position remained strong and as at 31 December 2021, the Group held liquid funds of 1150.0 million euro (792.2). The cash funds including other current financial assets (maturity over 3 months) totalled to 1265.7 million euro (823.7). The Group management and the Board of Directors continue to pay close attention to the Group's cash position considering the challenging dynamics				
2. Fleet and other fixed assets and leasing arrangements	In its current operating environment that are negatively impacting the Group's cash flows. The maturities of the Group's interest-bearing liabilities are presented in note 3.3, and information about hedging policies and management of liquidity risk is described in notes 3.5 and 3.8. Finnair had no debt covenants at the end of the financial year 2021.				
3. Capital structure and financing costs	The main identified uncertainties relating to the management estimates relate to the eventual duration of the COVID-19 pandemic as well as the timing of the expected demand recovery which depends on the timing and effectiveness of the vaccination programs and potential new virus variants, functioning of a vaccine passport solution, lifting of the travel restrictions and increased competition all of which cannot be known with certainty at the time of the publication of the financial statements. In addition, the price of fuel is subject to higher than average uncertainty, which is further increased by the possibility of an escalation of the geopolitical situation in Eastern Europe. The escalation and prolongation of the geopolitical situation could negatively affect the overflight permits, routings and costs of Finnair's flights to Asia. These events are not in the sphere of Finnair management's influence. The management has been required to apply material judgement relating to the duration of the COVID-19 pandemic and make estimates about the effectiveness and realization of the vaccination programs as well as the pace of the demand recovery for air passenger travel. This again is heavily impacted by the actions of the governments in many parts of the world and the time that it takes to get the pandemic under control.				
4. Consolidation	Despite of the abovementioned uncertainties, Finnair's management has at its disposal other mitigating measures that are within the sphere of its influence and with which it believes it will be able to meet its obligations for at least 12 months after the date the financial statements are issued. These include utilization of the undrawn state hybrid loan totalling to 400 million euro, further to which Finnair's management will continue to seek additional financing and cost adjustment opportunities.				
5. Other notes	Considering the above-mentioned circumstances and uncertainties, as well as the already realized and planned measures to mitigate the impacts of the COVID-19 pandemic, the Board of Directors has concluded that the assessment does not cast significant doubt on the Group's ability to continue as a going concern and that consequently, the Group continues to adopt the going concern basis of accounting in preparing these consolidated financial statements. The Board of Directors' conclusion is based on the information available as of the date of the issuance of the consolidated financial statements and an assessment conducted based on the information assuming that the company is able to conduct its adjusted business operations according to the plan and to maintain sufficient financing for period of at least 12 months after the date that the financial statements are issued. The management and the Board of Directors have also considered events and developments taking place after the balance sheet date and concluded that there is no material impact on the scenarios approved by the Board of Directors and the going concern assessment of the Group.				
6. Parent company financial statements	Despite the various mitigating measures implemented by Finnair, the upcoming months will continue to be significantly affected by the pandemic and the resulting decreased demand for air travel causing lower revenues and weaker financial performance for a duration that is currently uncertain. Should future events or conditions cause the Group to be unable to continue its operations in accordance with current assessment of the Board of Directors, using the going concern principle may prove to be no longer justified and the carrying values as well as the classification of the Group's assets and liabilities would have to be adjusted accordingly.				
Board of directors' proposal on the dividend	Presentation of consolidated income statement and balance sheet				
Auditor's report	Finnair has changed the presentation of its consolidated income statement on 1 January 2021 in order to clarify the structure and will present the items 'Comparable EBITDA' and 'Comparable operating result' previously reported on the face of the income statement only in the notes to the financial statements. Similarly, items affecting comparability that were previously presented individually on the face of the income statement are included in those line items in the income statement to which they belong by their nature. Due to the change in the presentation of the income statement, the line items 'Items affecting comparability' and 'Comparable EBITDA' are no longer presented in the consolidated cash flow statement. In connection with the change in presentation, the income statement and cash flow statement for the comparison period 2020 have been adjusted accordingly to facilitate comparability between the periods. The changes are presented in more detail in Note 1.3.7. Items affecting comparability and changes in the presentation of the income statement and cash flow statement.				



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The change in presentation had no effect on the Group's reported operating result or profit for the period in the current or previous financial year. The change also has no effect on the consolidated balance sheet.

The 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, lease payments for aircraft 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 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 certain estimates, assumptions and judgements in applying the accounting principles that affect the reported amounts of assets and liabilities as well as income and expenses. 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. In addition, management discretion has to be exercised in applying the accounting principles especially when the IFRS has alternative accounting, valuation or presentation methods. 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 associated assumptions are continuously evaluated and any changes therein are reflected in the period that the changes occur.

The COVID-19 pandemic has increased the level of uncertainty relating to the near- and long-term development of the economy and its impact on Finnair's future operating environment. Despite increased vaccination rates and significant actions taken by the governments to contain the virus, it is difficult to forecast how long it will take to bring the global pandemic under control. In addition, the price of fuel is subject to higher than average uncertainty, which is further increased by the possibility of an escalation of the geopolitical situation in Eastern Europe. The escalation and prolongation of the geopolitical situation could affect the overflight permits, routings and costs of Finnair's flights to Asia. Given the unpredictability of the duration and the reach of the pandemic, price of jet fuel and the geopolitical situation, their impact on Finnair's future profitability, financial position and cash flows may eventually differ from the current management estimates and assumptions made.

In order to reflect the increased uncertainty in its estimates and assumptions caused by the COVID-19 pandemic, Finnair's management has considered three different forecast scenarios incorporating possible variations of the expected pace of the business recovery based on its best estimate at the time. These scenarios are discussed in more detail in the earlier section of the notes called Board's assessment of Finnair as a going concern. Further, in order to consider the increased uncertainty also in its impairment testing performed at the year-end, Finnair is using the expected cash flow approach which incorporates expectations about all forecast scenarios instead of relying on just a single, most likely, cash flow estimate.

Information about the estimates and judgement exercised by management in applying the Group's accounting principles and the areas where estimates and judgements have biggest impact on the financial statements are highlighted in the following table Critical accounting estimates and sources of uncertainty.

■ The consolidated financial statements have been prepared on a going concern basis. Assessment of the going concern is made based on management estimates about future events and other information that is available to the management and the Board of Directors at the time of the assessment. The main identified critical estimates and sources of uncertainty related to the assessment are presented earlier in this note in section Board's assessment of Finnair as going concern. The identified main 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

Changes in accounting principles

New and amended IFRS standards and IFRIC interpretations

The changes in the IFRS standards and IFRIC-interpretations effective from periods beginning 1 January 2021 included mainly amendments or improvements to current standards and did not have material effect on Finnair financial statements.

Other standards issued that are effective from periods on or after 1st of January 2022 mainly include amendments and 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

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

1.1 Segment information

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.

The Finnair Executive Board, defined as the chief operative decision maker according to IFRS 8 Segment reporting, considers the business as one operating segment. Therefore, 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".

Despite the increase in vaccination coverage and partial lifting of the travel restrictions, and the resulting gradual increase in passenger demand and revenue during the second half of 2021, the number of passengers was slightly below the prior year level. The various travel restrictions due to COVID-19 continued to have a significant negative impact on passenger demand which was reflected in Finnair's revenue and profitability also in 2021. During the financial year Finnair transported 2.9 million passengers (3.5), which was 18.2 per cent less than in 2020. Decrease in passenger volumes was compensated by the record high revenues of the cargo business, which was boosted by the increased demand for air cargo resulting from the COVID-19 pandemic and global logistical challenges. Finnair was able to significantly reduce its variable costs during 2021 as a result of its cost savings program. The effects on revenue and operating expenses as well as the related receivables and liabilities are presented in more detail in the following notes 1.2 and 1.3.

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.

1.2 Operating income

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.

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.

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.

Public subsidies due to COVID-19 pandemic decreased slightly compared to previous year and they were not material in overall. Subsidies are recognised as other operating income.

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.

Finnair Plus Customer Loyalty Program

Valuation and revenue recognition related to Finnair Plus debt requires management judgment especially related to 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.

Estimating customer behaviour relating to the expiry of the points continued to be somewhat more challenging during financial year 2021 as a result of the COVID-19 pandemic, which has led to a low number of passenger flights and less recent activity of Finnair Plus members. This leads Finnair to have less recent data available that can be used as a basis of the estimates and thus increase the level of uncertainty about the expected customer behaviour and the point expiry rates in the future.

1.2.1 Revenue by product and traffic area

2021

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

The division of revenue by traffic area is based on the destination of the Finnair flight.

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Despite the gradual increase seen in passenger demand during the second half of 2021, the passenger revenue, ancillary and retail revenue as well as travel services decreased from the comparison period due to the COVID-19 related travel restrictions. The cargo revenue nearly doubled due to the increased demand for air cargo resulting from the COVID-19 pandemic and challenges in the global logistic chains. The Group's total revenue remained at the prior year level.

2020

EUR mill.	Asia	North Atlantic	Europe	Domestic	Unallocated	Total	Share, % of revenue by product
Passenger revenue	186.0	26.4	244.6	69.1	1.9	528.1	63.7
Ancillary and retail revenue	18.5	1.4	9.4	2.4	30.6	62.3	7.5
Cargo	145.8	11.1	22.0	0.3	-1.5	177.7	21.4
Travel services	19.0	8.1	33.8	0.5	-0.2	61.1	7.4
Total	369.3	47.0	309.8	72.4	30.8	829.2	
Share, % of revenue by traffic area	44.5	5.7	37.4	8.7	3.7		

1.2.2 Revenue by currency

EUR mill.	2021	2020
EUR	387.3 ¹	456.0
JPY	76.0 ¹	61.4
CNY	57.5 ¹	50.0
KRW	39.8 ¹	27.1
USD	38.1 ¹	29.5
SEK	29.5 ¹	27.0
Other currencies	210.2 ¹	178.3
Total	838.4¹	829.2

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

1.2.3 Receivables related to revenue

EUR mill.	2021	2020
Trade receivables	68.2 ¹	37.4
Accrued income	42.7 ¹	20.1
Total	110.9¹	57.5

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 increase in revenue related receivables at the end of 2021 results from the increase in passenger and cargo demand and the related revenues which took place during the second half of the year. The fair value of trade receivables does not materially differ from balance sheet value.

	2021			2020		
Aging analysis of trade receivables	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	67.7	0.7%	0.5	33.0	0.3%	0.1
Overdue less than 60 days	0.1	5.9%	0.0	-0.2	0.2%	0.0
Overdue more than 60 days	0.4	1.4%	0.0	4.6	0.8%	0.0
Total	68.2	0.7%	0.5	37.4	0.3%	0.1

During the financial year, the Group recognised credit losses in total of 1.5 million euros (0.0). The uncertainty caused by the COVID-19 pandemic has not resulted in increased 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.	2021	2020
EUR	19.3 ¹	15.3
THB	11.4 ¹	1.9
KRW	5.2 ¹	3.4
JPY	5.0 ¹	5.7
NOK	4.4 ¹	2.1
USD	4.3 ¹	1.6
CNY	4.1 ¹	3.7
HKD	3.7 ¹	2.2
SEK	2.8 ¹	0.9
Other currencies	7.9 ¹	0.7
Total	68.2¹	37.4

1.2.4 Deferred income and advances received

EUR mill.	2021	2020
Deferred revenue on ticket sales	202.7 ¹	55.7
Loyalty program Finnair Plus	55.1 ¹	51.9
Advances received for tour operations	15.2 ¹	3.4
Other items	18.1 ¹	22.5
Total	291.1¹	133.6

Most of the deferred income and advances received represents 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.

Deferred revenue on ticket sales and advances received for tour operations increased significantly during the second half of 2021 as a result of the partial lifting of travel restrictions and the gradual increase in passenger demand. The debt balance related to the Finnair Plus loyalty program increased as the expiry of points was further prolonged for the benefit of customers, who have not been able to use earned points in a normal manner during COVID-19 pandemic.



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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. **II**

Although Finnair was able to significantly reduce its variable costs during 2021 as a result of its cost savings program, the Group's operating expenses remained on the prior year level due to significant non-recurring items in the comparison period 2020 which had costs decreasing effect of 130.8 million euro.

Finnair continued significant cost adjustment initiatives due to the effects of COVID-19 pandemic on Finnair's operations, such as temporary layoffs and certain amendments to the collective labour agreement relating to a curtailment of occupational disability pensions. These are presented more detailed in note 1.3.8. Changes in depreciation and impairment are presented in note 2.3.

1.3.1 Operating expenses by currency

EUR mill.	2021	2020
EUR	930.6	754.8
USD	364.0	498.7
Other currencies	60.8	89.4
Total	1,355.3	1,343.0

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.	2021	2020
Ground and cargo handling expenses	93.6	80.9
Expenses for tour operations	21.5	27.8
Catering expenses	9.5	21.2
Other passenger services	23.4	38.7
Total	148.0	168.6

Passenger and handling costs reduced as a result of the lower passenger traffic volumes.

1.3.3 Property, IT and other expenses

EUR mill.	2021	2020
IT expenses	55.1	69.4
Property expenses	15.9	18.4
Other expenses	28.7	23.8
Total	99.7	111.6

Property, IT and other expenses mainly consist of fixed costs, where significant cost savings were also achieved.

Audit fees

EUR mill.	2021	2020
Auditor's fees	0.3 ^I	0.5
Tax advising	0.0	0.1
Other fees	0.0	0.2
Total	0.3^I	0.8

The auditor's fees of KPMG Oy Ab included fees of 332 thousand euro (519) for audit and 15 thousand euro (3) for auditor's statements. Non-audit services to entities of Finnair Group were 1 thousand euro (285), which included relocation services as well as during the comparison period capital markets services.

1.3.4 Inventories and other current assets

EUR mill.	2021	2020
Inventories	21.0 ^I	22.9
Receivables from sublease contracts	8.0 ^I	14.2
Aircraft materials and overhaul	7.8	7.4
Capacity rent receivables	6.7	7.1
Jet fuels	3.4	2.8
VAT receivables	1.2	0.9
Interest and other financial items	1.1	5.3
Other items	6.6	7.6
Total	55.8	68.1

1.3.5 Other liabilities

EUR mill.	2021	2020
Jet fuel and traffic charges	49.8	15.6
Passenger and handling services	29.6	15.4
Interest and other financial items	15.7	5.8
Aircraft materials and overhaul	10.0	4.9
Sales, marketing and distribution cost accruals	7.3	4.3
Other items	15.8	13.7
Total	128.1	59.8

Other liabilities increased significantly as a result of the increased air traffic when the travel restrictions were lifted. It mainly includes liabilities relating to variable operating expenses such as jet fuel and traffic charges, passenger and handling services as well as aircraft materials and overhaul for which the amounts are largely correlated with the actual operational volumes.

1.3.6 Provisions

II 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.

^I 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

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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 incurred 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 unrealised changes in currencies are recognised in changes in exchange rates of fleet overhauls. 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 of 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. ¹

1.3.7 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. The ultimate duration of the COVID-19 pandemic may have an impact on the level of future maintenance expenses, which could cause the actual outcome to differ from the estimates currently made. ²

EUR mill.	Aircraft maintenance provision	Other provisions	2021	Aircraft maintenance provision	Other provisions	2020
Provision at the beginning of period	162.8	13.0	175.8	166.3	3.1	169.4
Provision for the period	32.0	1.9	33.9	25.4	27.2	52.6
Provision used	-12.7	-9.0	-21.8	-18.3	-6.7	-25.0
Provision reversed	-1.3	-2.1	-3.4	-1.3	-10.6	-11.9
Provision for right-of-use assets redelivery	2.2		2.2	2.1		2.1
Unwinding of discount	1.4		1.4	0.9		0.9
Exchange rate differences	11.7		11.7	-12.2		-12.2
Total	195.9	3.8	199.8	162.8	13.0	175.8
Of which non-current	184.6	1.4	186.0	153.6	2.2	155.8
Of which current	11.3	2.5	13.8	9.2	10.8	20.0
Total	195.9	3.8	199.8	162.8	13.0	175.8

Non-current aircraft maintenance provisions are expected to be used by 2033. Items related to restructuring actions due to COVID-19 impacts included in other provisions were mainly used by the end of 2021.

On balance sheet, non-current provisions and other liabilities 200.7 million euro (161.1) includes, in addition to provisions, other non-current liabilities 14.7 million euro (5.2), which mainly consist of long-term incentives for the Executive Board and other personnel as well as 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, certain changes in defined benefit pension plans and restructuring costs are not included in the comparable operating result.

In the table below, 'Reported' corresponds to the presentation of consolidated income statement adopted on 1 January 2021. Items affecting comparability previously individually identified on the income statement have been included in those line items in the income statement to which they belong by their nature. 'Comparable' corresponds to the presentation of consolidated income statement previously used, which presented items affecting comparability, 'Comparable EBITDA' and 'Comparable operating result'.

EUR mill.	2021 Items affecting compara- bility		2020 Items affecting compara- bility	
	Reported	Comparable	Reported	Comparable
Revenue	838.4	838.4	829.2	829.2
Other operating income	62.5	-23.3	39.2	49.3
Operating expenses				-0.9
Staff and other crew related costs	-229.3	-19.5	-248.9	-119.7
Fuel costs	-211.4	0.0	-211.4	0.2
Capacity rents	-71.3	-71.3	-89.3	-89.3
Aircraft materials and overhaul	-117.2	25.5	-91.7	-12.2
Traffic charges	-120.4		-120.4	-112.4
Sales, marketing and distribution costs	-38.1		-38.1	-28.2
Passenger and handling services	-148.0		-148.0	-168.6
Property, IT and other expenses	-99.7	2.9	-96.8	1.9
EBITDA	-	-149.0	-	-251.5
Depreciation and impairment	-319.8		-319.8	-343.8
Operating result	-454.4	-14.4	-468.9	-130.8

Items affecting comparability of 23.3 million euro (0.9) in other operating income mainly consist of the gain on the sale and leaseback of four A350 aircraft and the sale of Suomen Ilmailuopisto Oy. Items affecting the comparability of -25.5 million euro (12.2) in aircraft materials and overhaul include maintenance provisions related to the sale and leaseback arrangement of four A350 aircraft in addition to unrealised exchange rate differences.

Staff and other crew related costs include items affecting the Group's result positively by 19.5 million euro (19.7). This mainly consists of amendments made to the collective labour agreement relating to a curtailment of occupational disability pensions and withdrawn pilots' early retirement announcements. In 2020, these costs included a 132.8 million euro positive one-off effect relating to amendments made to Finnair's pension fund terms and pilots' early retirement announcements as well as termination benefit costs of 13.1 million euro.

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1.3.8 Employee benefits

1.3.8.1 Employee benefit expenses and share-based payments

Share-based payments

Finnair provides a number of 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 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.	2021	2020
Wages and salaries	185.8	231.9
Defined contribution schemes	30.1 ¹	35.4
Defined benefit schemes	-6.6 ¹	-120.3
Pension expenses total	23.4 ¹	-84.9
Other social expenses	0.6 ¹	-12.8
Salaries, pension and social costs	209.9	134.1
Operative staff related costs	8.3 ¹	15.8
Leased and outsourced crew	7.2	6.6
Other personnel related costs	3.9	7.3
Total	229.3 ¹	163.9

At Finnair, the total salary of personnel consists of fixed pay, allowances, short- and long-term incentives, fringe benefits and other personnel benefits. The total amount of short-term incentives excluding social security costs recognised for 2021 were 5.8 million euro. Short-term incentives for the financial year 2020 were cancelled due to the implementation of the savings program resulting from the pandemic.

In 2020, Finnair established a new long-term Rebuild incentive program for the personnel. As part of the program, employee can earn a cash reward equaling to one month base salary, when the targets set by the Board of Directors are met. A maximum of two months' base salary can be paid when targets are exceeded. The possible reward is paid during third quarter 2023. The program is available to those employee groups which have agreed to actions related to staff cost savings. In 2021, the cost recognised for the Rebuild incentive established for personnel was 3.8 million euro (2.2) excluding social security costs. The performance criteria are

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.

Staff and other crew related costs include one-off items which had a positive 19.5 million euro (19.7) impact on the Group's result. This mainly consists of amendments made to the collective labour agreement relating to a curtailment of occupational disability pensions and withdrawn pilots' early retirement announcements. In 2020, the one-off items included a 132.8 million euro positive effect relating to amendments made to Finnair's pension fund terms and pilots' early retirement announcements as well as termination benefit costs of 13.1 million euro.

Transfer to Personnel Fund

Finnair has a Personnel Fund that is owned and controlled by the personnel. A share of Finnair's profits is allocated to the fund. The share of profit allocated to the fund is determined based on the targets set by the Board of Directors. The participants of the performance share plan (LTI) are not members of the Personnel Fund. Personnel Fund is obliged to invest part of the bonus in Finnair Plc's shares. In 2021 and 2020, no profit was allocated to the fund because the set performance criteria were not met.

Liabilities related to employee benefits

EUR mill.	2021	2020
Holiday payments	47.0	54.6
Other employee related accrued expenses	27.4 ¹	16.1
Liabilities related to employee benefits	74.4 ¹	70.7

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 Rebuild incentives of 7.8 million euro. In addition, restructuring provisions related to termination benefits (see note 1.3.6 Provisions) amounted to 1.1 million euro (8.1).

Management remuneration

The President and CEO and Executive Board remuneration

Thousand euros	President and CEO Total	Executive Board Total	President and CEO Total	Executive Board Total
Fixed pay	736	1,817 ¹	2,553 ¹	725
Short-term incentives				7
Fringe benefits	21	129	150	99
Share-based payments	469	941 ¹	1,409 ¹	132
Pensions (statutory)*	120	310	430	109
Pensions (voluntary, defined contribution)		20 ¹	20 ¹	47
Total	1,346	3,217 ¹	4,563 ¹	981

* 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 LTI 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.

During 2020, the CEO and Executive Board voluntarily cut their base salaries for a temporary period and during 2021, they were not paid holiday bonus.

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

^(A) = Accounting principles



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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 and 2021 STI plan for the CEO and 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.

During 2021, the voluntary pension plans of one member of the Executive Board have been arranged through a Finnish pension insurance company. At the end of 2020 only one member of the Executive Board had this voluntary pension plan. The retirement age for this members 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 for board service, EUR	Total 2021	Fixed remuneration	Meeting compensation	Fringe benefits	Total 2020
Board of Directors	372,233	277,260	94,800	173	406,238
Alahuhtio-Kasko Tiina	41,100	29,100	12,000		
Barrington Calm	43,410	31,410	12,000		
Brewer Martti	42,900	29,100	13,800		
Du Mengmeng, until 17 March 2021	9,375	6,375	3,000		
Ertund Jukka	41,610	31,410	10,200		
Jakosuo-Jansson Hannele, from 17 March 2021 onwards	33,525	24,525	9,000		
Karvinen Jouko	68,228	60,255	7,800	173	
Kjellberg Henrik	41,100	29,100	12,000		
Strandberg Maija	41,100	29,100	12,000		
Tuominen Jaana, until 17 March 2021	9,885	6,885	3,000		

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.

During 2020 the Board of Directors voluntarily cut their annual remunerations for a temporary period, until the Annual General Meeting 2021.

Share-based payments

The note below 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 for key personnel (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.

Finnair share-based payment plans

	2016	2017	2018	2019	2020	2021	2022	2023	2024
LTI 2016–2018									
LTI 2017–2019									
LTI 2018–2020									
LTI 2019–2021									
LTI 2020–2022									
LTI 2021–2023									
LTI Rebuild 7/2020–6/2023*									
Fly Share 2018									
Fly Share 2019									
Fly Share 2020									
Fly Share 2021									

- 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.

In all ongoing LTI plans, 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 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 new Rebuild incentive where the performance period ends in June 2023 and the reward is delivered in the same year.

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 2018–2020 were met at 22% level while the target was at 100% and the maximum earning level of 200%. In the comparison period, the performance criteria applied to the 2017–2019 plan was met at 194% level.

The expense recognised for 2021 amounted to 1.7 million euros (0.6). The amount expected to be transferred to the tax authority to settle the employee's tax obligation is 5.3 million euros (6.0). 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 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 executive's annual base salary. The total expense for the plan 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.

The payout opportunity is defined in the beginning of each plan in relation to the participants annual base salary. If the performance criteria set for the plan are met at the target level, the incentive paid in Finnair shares to

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the President and CEO or other member of the Executive Board participating in the plans will be a total of 180% 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 a total of 360% of the participant's annual base salary.

The amount corresponding to tax payable at the time of payment is first deducted from the gross reward defined as shares. The net reward is delivered in a combination of cash and shares in a proportion decided by the Board of Directors.

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

- 7/2020–6/2021: comparable EBITDA, gearing, Lost Time Injury Frequency and CO₂ emissions (measured through fuel efficiency) as well as
- 7/2021–6/2022: comparable EBIT, revenue, employee retention and CO₂ emissions (measured through fuel efficiency).

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

Incentive plans commencing from 2017 onwards

In 2017, a new LTI arrangement was launched and there are three plans ongoing (2019–2021, 2020–2022 and 2021–2023). In the revised structure the annually commencing performance share plans retain the three-year performance period like before. 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. 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 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.

The payout opportunity is defined as a fixed share amount in the beginning of each plan in relation to the participant's annual base salary. Therefore, changes in the share price during the performance period impacts the value of the payout 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 2020, the share allocations for the ongoing 2018–2020, 2019–2021 and 2020–2022 plans were adjusted 5.5-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 and transfer tax payable for the incentive at the time of payment.

The performance criteria applied to the plans are:

- 2018–2020 plan: earnings per share (EPS, 50% weight) and revenue growth (50% weight),
- 2019–2021 plan: earnings per share (EPS, 50% weight), revenue growth (16.7% weight) and unit cost with constant currencies and fuel price (CASK, 33.3% weight),
- 2020–2022 plan: earnings per share (EPS, 50% weight) and unit cost with constant currencies and fuel price (CASK, 50% weight) as well as
- 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).

Incentive plan commenced in 2016

The restriction period of three years is ongoing for the 2016–2018 plan of the Executive Board, during which the participant may not sell or transfer the shares received as a reward. The total expense for the plan is recognised over the vesting period, which is six years. The compensation was measured during performance period in cash, and only after performance period at grant date translated into shares.

The payout opportunity was defined as a fixed euro amount in the beginning of plan in relation to the participants annual base salary. If the performance criteria set for the plan were 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 was 30% of his or her annual base salary. If the performance criteria set for the plan were met at the maximum level, the incentive paid in Finnair shares was 60% of the participant's annual base salary. The performance criteria applied to the plan 2016–2018 were Return on Capital Employed (ROCE, 50% weight) and Total Shareholder Return (TSR, 50% weight).

	2015– 2017	2016– 2018	2018– 2020	2019– 2021	2020– 2022	Rebuild 2020– 2023	2021– 2023	Total
Grant date	17 Dec 2014	10 Feb 2016	15 Feb 2018	14 Feb 2019	7 Feb 2020	9 Oct 2020	26 Jan 2021	
Grant price, euros*	1.3196	1.1970	1.4272	1.1914	1.0478	0.3948	0.6250	
Number of persons at the end of the reporting year	0	1	0	26	42	8	63	
Expenses recognised for the financial year, LTIs total (million euros)	0.0	0.0	0.0	0.1	0.0	1.2	0.4	1.7
of which share-settled (net of taxes)	0.0	0.0	0.0	0.1	0.0	0.8	0.4	1.3
of which cash-settled						0.4		0.4
Liability related to LTIs total						0.6		0.6
Shares granted, million shares**	0.2	0.3	0.1***	0.8***	1.3***	17.3	7.1	27.0

* Grant price until plan granted on 7 February 2020 has been adjusted by a bonus element included in the rights issue in 2020.
** At the end of the performance period of 2015–2017 and 2016–2018 plans, the vested euros were translated into shares, and granted and delivered. In the other plans shares are earned during vesting period from the beginning of the program.
*** As a result of the rights issue in 2020, the share allocations for the ongoing 2018–2020, 2019–2021 and 2020–2022 plans were adjusted 5.5-fold in order for the earning opportunities to retain their value. These plans were cancelled for the CEO and Executive Board.

FlyShare employee share savings plan 2013 onwards

Finnair offers an annually commencing share savings plan for its employees. Commencing of each plan is subject to the decision of Finnair's Board of Directors. The first plan commenced in 2013, and for the time being there are three plans ongoing. The objective of the plan is to encourage employees to become shareholders in the company, and to thereby strengthen the employees' interest in the development of Finnair's shareholder value and reward them in the long-term.

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

Finnair awards 110 bonus shares (was 20 prior the share issue in 2020) to each employee that participates in the plan for the first time, and continues savings at least the first three months of the plan. The bonus shares are delivered in October each year, and the effect is recognised as expense for the period. 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 and transfer tax payable for the shares at the time of payment. The cost related to additional shares delivered is recognised as expense during vesting period.

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The expense recognised for FlyShare employee share saving plans in 2021 amounted to 1.3 million euros (1.3). The amount expected to be transferred to the tax authority to settle the employee's tax obligation is 1.0 million euros (0.7). The cost related to employee share saving plans is recognised in staff and other crew related costs and unrestricted equity funds.

1.3.8.2 Pensions

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.

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.

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 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 or 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 and occupational disability pension scheme has been closed to other employees since 1 February 1992 and to pilots since 1 January 2010. After this, pilots have only been covered by the occupational disability pension scheme if they have 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 a separate defined contribution supplementary pension arranged in a life insurance company 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.

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.	2021	2020
Items recognised in the income statement		
Current service costs	8.3	12.5
Past service cost	-1.8	17.9
Amendments	0.0	-150.7
Settlements and curtailments	-13.1	
Service cost total, recognised in staff costs	-4.6	-120.3
Net interest expenses and foreign exchange differences	-0.2	0.6
Total included in the income statement	-4.8	-119.7
Amounts recognised through other comprehensive income		
Experience adjustment on plan obligation	5.4	-4.2
Changes in financial actuarial assumptions	-17.0	22.5
Changes in demographic actuarial assumptions	0.2	
Net return on plan assets	-31.6	-5.2
Amounts recognised through other comprehensive income total	-43.0	13.1
Number of persons involved, pension fund	4,364	4,448
Number of persons involved, other defined benefit plans	52	159

Items recognised in the balance sheet

2021		2020		
Pension assets	Pension obligations	Pension assets	Pension obligations	
Present value of funded obligations	-359.8	-1.4	-397.8	-7.7
Fair value of plan assets	440.7	0.7	429.6	6.2
Pension assets (+) / pension obligations (-) in the balance sheet	80.9	-0.7	31.8	-1.5

Pension assets 80.9 million euro (31.8) includes 78.9 million euro (31.0) related to defined benefit plans insured through the pension fund and 2.0 million euro (0.9) related to other defined benefit plans. Pension obligations

A = Accounting principles
B = Critical accounting estimates



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includes 0.7 million euro (1.5) related to other defined benefit plans. The change during 2021 mainly is due to net return on plan assets, the amendments made to the collective labour agreement relating to a curtailment of occupational disability pensions and withdrawn pilots' early retirement announcements.

Changes in pension obligations

EUR mill.	2021	2020
Fair value of pension obligations at 1 January	405.5	523.2
Current service costs	7.7	12.0
Past service cost	-1.8	17.9
Settlements and curtailments	-13.2	-
Amendments	-0.1	-150.7
Interest expenses and foreign exchange differences	1.6	3.8
Expense recognised in income statement	-5.9	-117.0
Changes in actuarial assumptions	-16.8	22.5
Experience adjustment on plan obligation	5.4	-4.2
Remeasurements recognised through OCI	-11.4	18.3
Benefits paid	-27.1	-19.0
Net present value of pension obligations	361.2	405.5

Changes in plan assets

EUR mill.	2021	2020
Fair value of plan assets at 1 January	435.8	446.1
Administration expenses	-0.6	-0.5
Settlements and curtailments	-0.2	-
Amendments	-0.1	-
Interest income and foreign exchange differences	1.7	3.2
Items recognised through profit and loss	0.9	2.7
Actuarial gain (loss) on plan assets	31.6	5.2
Items recognised through OCI	31.6	5.2
Contributions paid	0.1	0.8
Benefits paid	-27.1	-19.0
Fair value of plan assets at 31 December	441.4	435.8

Plan assets are comprised as follows

%	2021	2020
Listed shares	17.8	18.8
Debt instruments	55.1	56.6
Property	23.0	20.0
Other	4.1	4.6
Total	100.0	100.0

Plan assets of the pension fund include Finnair Plc shares with a fair value of 0.9 million euros (1.1) and buildings used by the Group with a fair value of 12.8 million euros (18.2).

Defined benefit plans: principal actuarial assumptions

%	2021	2020
Discount rate %	0.74%	0.25%
Annual rate of future salary increases %	1.80%	1.60%
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%	-8.8	-2.5%	9.2	2.6%
Annual rate of future salary increases %	0.25%	2.3	0.7%	-2.3	-0.6%
Life expectancy at birth	1 year	8.8	2.5%	-	-

According to Finnish legislation, the pension fund needs to be fully funded. Finnair does not expect to pay contributions to the pension fund in 2022. The duration of defined benefit obligation is 10 years. The duration is calculated by using a discount rate of 0.74%.

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2 Fleet and other fixed assets and leasing arrangements

■ Fleet and other fixed assets and leasing arrangements includes 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. ■

The assets owned and leased by Finnair consist mostly of aircraft operated by Finnair and Norra. In 2021, the number of owned aircraft was 41 (45) and leased 43 (38). As at the end of 2021, four narrow-body aircraft were recognised as assets held for sale.

Fleet

	Owned, 41	Lease, 43
Narrow-body, 59	              	                                            
Wide-body, 25	              	                             

☒ A350 (17) ☒ A330 (8) ☒ A321 (19) ☒ A320 (10) ☒ A319 (6)
☒ E190 *Norra* operated (12) ☐ ATR *Norra* operated (12)

Fleet in Flinnair balance sheet

EUR million	2021	2020	Change
Advances paid for aircraft	127.7	117.7	10.0
Owned aircraft	818.6	1,322.5	-504.0
Right-of-use fleet	1,025.3	772.5	252.8
Fleet total	1,971.6	2,212.7	-241.2
Fleet sublease receivables	10.0	33.7	-23.7
Fleet lease liabilities	1,204.6	854.0	350.6
Depreciation for the period of owned aircraft	-155.7	-184.1	28.3
Depreciation for the period of right-of-use fleet	-123.2	-107.2	-16.0
Impairment for the period related to owned aircraft	-1.5	-8.2	6.7
Assets held for sale (fleet)	18.5	18.5	0.0

i = Content of the section
A = Accounting principles

During 2021, Finnair executed several aircraft financing transactions as part of its refinancing plan resulting from the COVID-19 pandemic. The most significant transactions comprised four sale and leaseback arrangements of the A350 aircraft which decreased the number of the owned aircraft and increased the number of the Finnair's right-of-use fleet. In addition, Finnair's right-of-use fleet increased due to a lease financing arrangement of one A350 aircraft, where Finnair assigned the purchase right of the aircraft to a third party and leased it back for its own operation. Further details on these transactions is presented in notes 2.1-2.3 and 3.3.

The number of aircraft operated by Finnair increased with one A350 aircraft during 2021. However, due to the continuing COVID-19 pandemic, not all fleets were used in its full capacity. As at the balance sheet date, 71 out of Finnair's 80 aircraft recognised in fixed assets were kept at Helsinki-Vantaa airport and maintained in such a condition that they are flight-ready. Three wide-body aircraft and 6 narrow-body aircraft were not actively used in the operations and were temporarily stored. This represents approximately 11% or 82.4 million euro of the year-end carrying value of the total fleet. All temporarily stored aircraft are expected to be used in their full capacity within next two to three years.

2.1 Fleet and other fixed asset

12 Aircraft and other fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment loss if applicable. Fleet includes aircraft and aircraft spare parts. 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 overhaul and engine maintenance, and other maintenance and repair costs. Aircraft spare parts include spare 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. Aircraft spare parts are depreciated over the expected useful life of the aircraft or the time period over their expected useful life, whichever is the case of leased aircraft or aircraft not covered the leasee period. Replaced components are derecognised from the balance sheet.

13 Intangible assets include patents and other intangible 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 firms, USD nominated purchase commitments for aircraft are recognised in advance payments. Advance payments, realised foreign exchange hedges and capitalised interests are recognised in the statement of financial position as intangible assets.

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

15 Gains and losses on disposal of aircraft and aircraft spare parts 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 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 A320 and A320XLR 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
- Reliable spare parts and components, over 15–20 years to a residual value of 10 %

- Buildings, over 10–50 years from the time of acquisition to a residual value of 10 %
- Other tangible assets, over 3–15 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.

As part of the investment optimizations resulting from the COVID-19 pandemic, the useful life of Finnair's current Airbus A320 fleet was prolonged. As a result, the depreciation period and the residual values of the existing A320

All das AS20-Netz war verlängert. Als a result, the depreciation period and the residual values of the existing AS20



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Fleet's aircraft and engines was extended from 20 years to a period of 25-29 years with 0% residual value. The change decreased the depreciations of 2021 by 4.7 million euro. The decrease in 2022 is approximately 10 million euro.

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.

Impairment

The Group reviews its fleet and other fixed assets for indication of impairment on each balance sheet date. Impairment loss is recognized if an asset's recoverable amount is below its carrying amount. The recoverable amount is determined as the higher of the asset's fair value less costs to sell or its value in use. The recoverable amount is defined for a cash-generating unit, and the need for impairment is evaluated at the cash-generating unit level. The value in use is based on the present value of the expected net future cash flows obtainable from the asset or cash-generating unit. Individual assets are excluded from the cash-generating unit if they no longer are held for service or are intended to be sold, and are tested for impairment based on their fair value less costs to sell. Impairment testing, including the critical accounting estimates and sources of uncertainty inherent in the calculations, is described in more detail in note 2.3.

Fleet 2021

EUR mill.	Aircraft	Advances	Total
Acquisition cost 1 Jan 2021	1	2,358.7	117.7
Acquisition cost 1 Jan 2021	1	2,358.7	117.7
Additions	13.7	55.6	69.3
Disposals	-425.2		-425.2
Currency hedging of aircraft acquisitions		-22.6	-22.6
Reclassifications	-1.3	-22.9	-24.2
Transfer to assets held for sale	-196.5		-196.5
Acquisition cost 31 Dec 2021	1,749.4	127.7	1,877.1
Acquisition cost 31 Dec 2021	1,749.4	127.7	1,877.1
Accumulated depreciation and impairment 1 Jan 2021	-1,036.1		-1,036.1
Disposals	84.5		84.5
Transfer to assets held for sale	178.0		178.0
Depreciation for the financial year	-155.7		-155.7
Impairment for the financial year	-1.5		-1.5
Accumulated depreciation and impairment 31 Dec 2021	-930.8		-930.8
Accumulated depreciation and impairment 31 Dec 2021	-930.8		-930.8
Book value 31 Dec 2021	818.6	127.7	946.3
Book value 31 Dec 2021	818.6	127.7	946.3

During 2021, Finnair executed four sale and leaseback transactions of A350 aircraft which are shown as disposals of own aircraft. Additionally, four A321 aircraft with a total book value of 18.5 million euro were transferred to assets held for sale. Impairment for the financial year is presented in more detail in the note 2.3 Depreciation and impairment. Currency hedging of aircraft acquisitions is described in the notes 3.5 Management of financial risks and 3.8 Derivatives.



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Other fixed assets 2020

EUR mill.	Aircraft rotable parts	Buildings and land	Other equipment	Intangible assets	Advances	Total
Acquisition cost 1 Jan 2020	50.1	75.6	96.8	51.6	7.1	281.2
Additions	1.7		17.3	2.8	4.7	26.4
Disposals	-0.4		-3.0	-0.4		-3.8
Reclassifications*	-17.5		4.9	1.3	-4.5	-15.8
Acquisition cost 31 Dec 2020	33.9	75.6	116.0	55.3	7.2	288.0
Accumulated depreciation and impairment 1 Jan 2020	-33.4	-8.2	-28.5	-32.8		-102.9
Disposals	0.3		4.9	0.5		5.7
Reclassifications*	18.6	0.0	-0.3	-0.1		18.2
Depreciation for the financial year	-2.8	-1.6	-9.5	-9.9		-23.8
Accumulated depreciation and impairment 31 Dec 2020	-17.3	-9.8	-33.4	-42.3	0.0	-102.8

Book value 31 Dec 2020 16.7 65.8 82.6 13.0 7.2 185.3

* The presentation of fixed asset note has been clarified and for the comparison period the adjustment is included in the reclassifications of fixed assets.

Capitalised borrowing costs

EUR mill.	Aircraft		Advances		Total	
	2021	2020	2021	2020	2021	2020
Book value 1 Jan	18.6	17.6	2.8	4.3	21.4	21.9
Additions	1	1	1.4	3.3	1.4	3.3
Disposals	-10.6	-2.9	1	1	-10.6	-2.9
Reclassifications	1	4.8	-1.5	-4.8	-1.5	0.0
Depreciation	1	-0.9	1	1	0.8	-0.9
Book value 31 Dec	8.8	18.6	2.7	2.8	11.5	21.4

In 2021 borrowing costs of 1.4 million euro (3.3) 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 2021 was 3.66% (4.29%). 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

During 2021 Finnair transferred four A321 aircraft to assets held for sale with a total balance sheet value of 18.5 million euro. Impairment of 1.5 million euro was recognised in the profit and loss in connection with the reclassification. In addition, the assets held for sale include spare parts held for sale totaling to 0.2 million euro.

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 JOLO-loans and two owned A330 aircraft 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.



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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 residual value of the underlying asset at the end of the lease to equal the fair value of the underlying asset. The implicit interest rate is determined by each aircraft lease contract separately.

For other lease contracts at Finnair, 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 statement of financial position and presents them as a receivable of an amount equal to the net investment of the lease.

Finnair subleases aircraft and buildings as well as ground equipment if needed, which are classified either as finance leases or operating leases based on the individual contract terms.

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-lessee.

Impairment

The Group reviews its leased assets for indication of impairment on each balance sheet date. Impairment loss is recognized if the recoverable amount is below its carrying amount. The recoverable amount is defined for a cash generating unit, and the need for impairment is evaluated at the cash generating unit level. The recoverable amount is determined as the higher of the asset's fair value less costs to sell or its value in use. The value in use is based on the present value of the expected net future cash flows obtainable from the asset or cash-generating unit. Individual assets are excluded from the cash generating unit if they no longer are held for service or are intended to be sold, and are tested for impairment based on their fair value less costs to sell. Impairment testing, including the critical accounting estimates and sources of uncertainty inherent in the calculations, is described in more detail in note 2.3.

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 finance leases require management discretion in interpretation and application of accounting standards.

The COVID-19 pandemic did not have a significant impact on the terms of the leasing arrangements of the Group, neither did it significantly increase the amount of discretion related to abovementioned critical accounting estimates and sources of uncertainty. The pandemic did not, for example, have significant impact on the estimated lease terms as extension options are usually not considered in the initial lease term determination. Additionally, the impact of contracts terminated early during the period was not significant. The carrying value of the right-of-use assets are tested for impairment as part of cash generating unit of the balance sheet date. More details is presented in the note 2.3.

Right-of-use assets 2021

EUR mill.	Aircraft	Buildings and land	Other equipment	Total
Book value 1 Jan 2021	772.5	133.8	11.2	917.5
Additions	346.9	1.4	32.2	380.6
Changes in contracts	29.0	1.0	-4.7	25.3
Depreciation for the financial year	-123.2	-13.2	-5.3	-141.6
Book value 31 Dec 2021	1,025.3	123.0	33.4	1,181.7

Additions to right-of-use assets in 2021 are mainly related to the four sale and leaseback arrangements of A350 aircraft and one leased A350 aircraft which were all part of the Group's refinancing plan in response to the pandemic. The changes in contracts relate to changes either in the scope, or consideration, of leases.

Right-of-use assets 2020

EUR mill.	Aircraft	Buildings and land	Other equipment	Total
Book value 1 Jan 2020	736.4	124.0	17.1	877.5
Additions	167.5	2.6	3.3	173.3
Changes in contracts	-24.1	21.5	-3.0	-5.7
Disposals	-0.1	0.1	0.0	0.0
Depreciation for the financial year	-107.2	-14.3	-6.2	-127.7
Book value 31 Dec 2020	772.5	133.8	11.2	917.5

Lease liabilities

	Aircraft		Buildings and land		Other equipment	
EUR mill.	2021	2020	2021	2020	2021	2020
less than one year	1 357.2	118.5	12.6	12.7	7.0	4.4
1-5 years	1 602.7	495.1	43.1	49.9	19.9	7.1
more than 5 years	1 444.6	240.4	86.8	88.1	6.8	
Total	1,204.6	854.0	142.6	150.8	33.8	11.5

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 34 leased aircraft at the end of the year with lease agreements of different tenors.

Lease liabilities related to aircraft increased significantly during the financial year 2021 due to the aircraft transactions implemented as part of the refinancing program, including the sale and leaseback of four A350 aircraft and one leased A350 aircraft.

The leased aircraft, that Finnair is subleasing to other operators and which are classified as finance leases are shown in the table below.

¹ = Accounting principles
² = Critical accounting estimates



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Finance lease receivables, Group as lessor

EUR mill.	Aircraft		Buildings and land	
	2021	2020	2021	2020
less than 12 months	7.6 ¹	14.2	0.4 ¹	-
13-24 months	2.4 ¹	15.2 ¹	0.3 ¹	-
25-36 months	-	4.3 ¹	0.3 ¹	-
37-48 months	-	-	0.3 ¹	-
49-60 months	-	-	0.0	-
more than 60 months	-	-	0.1 ¹	-
Total	10.0	33.7¹	1.4¹	0.0

Subleases mainly include sublease arrangements of 6 aircraft that are classified as finance leases. Due to contract modifications, some of the sublease contracts classified earlier as finance leases, have been classified as operating leases.

Leasing arrangements in profit and loss

EUR mill.	2021	2020
Depreciation expense of right-of-use assets	-141.6 ¹	-127.7
Interest expense on lease liabilities	-62.7 ¹	-58.1
Interest income on sublease receivables	1.6 ¹	2.8
Exchange rate changes of lease liabilities	-75.5 ¹	68.5
Hedging result of lease liabilities	16.3 ¹	-36.1
Short-term wet leases	-6.5 ¹	-6.3
Short-term office rents	-3.2	-4.0
Variable purchase traffic and cargo capacity rents	-65.0	-83.0
Gains and losses on sale and leaseback transactions	14.4 ¹	-4.4
Total	-322.2	-248.3

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 -284.2 million euro (-284.5).

Off-balance sheet lease commitments, Group as lessee

	Premises rents		Other rents	
EUR mill.	2021	2020	2021	2020
less than one year	2.3 ¹	2.5	1.5 ¹	1.1
1-5 years	6.3 ¹	6.3	0.9 ¹	0.6
more than 5 years	6.9 ¹	8.5 ¹	-	0.0
Total	15.5	17.3	2.4	1.8

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 premises rents 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	
	2021	2020	2021	2020
less than 12 months	19.4	13.2	1.8	1.5
13-24 months	15.4 ¹	13.2	1.8	1.5
25-36 months	6.2	9.2 ¹	1.8	1.5
37-48 months	6.2	-	1.8	1.5
49-60 months	6.2	-	1.5	1.5
more than 60 months	1.6 ¹	-	2.0	3.6
Total	55.1¹	35.6¹	10.8¹	11.0

The Group has leased 15 owned aircraft as well as premises with irrevocable lease agreements. Additionally, Finnair has subleased 6 aircraft classified as operating leases. These agreements have different terms of renewal and other index-linked terms and conditions.

2.3 Depreciation and impairment

Depreciation
Depreciation of assets is determined based on their expected useful life or maintenance cycle and residual value. The depreciation for all assets is calculated using straight-line method. The 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 21. ¹

EUR mill.	2021	2020
Amortisation of intangible assets	7.6	9.9
Depreciation of own fleet ¹	155.7	184.1
Depreciation of right-of-use fleet ¹	123.2 ¹	107.2
Depreciation of other tangible assets	12.9 ¹	13.9
Depreciation of other right-of-use assets	18.5 ¹	20.5
Amortisation and depreciation	317.8 ¹	335.6
Impairment	2.0	8.2
Impairment total	2.0	8.2
Total depreciation and impairment in income statement	319.8¹	343.8

Depreciation and impairment include both planned depreciations on fixed assets as well as impairment. The depreciation of own fleet decreased and the depreciation of right-of-use fleet increased in 2021 mainly as a result of the four A350 sale and leaseback transactions. The impairment recognized in 2021 relates mainly to the evaluation and reclassification of the four A321 aircraft to assets held for sale.

¹ = Accounting principles



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Impairment testing

A Impairment testing

The Group 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. Impairment loss is recognized if an asset's recoverable amount is below its carrying amount. The recoverable amount is defined for the cash generating unit, and the impairment is evaluated at the cash generating unit level. **B**

B Impairment testing of the fleet and other fixed assets

The main factors requiring significant management judgement in impairment testing include the ultimate duration of the pandemic and the speed of demand recovery, unit revenue development and the cost of jet fuel. Further, the value in use calculation is sensitive to changes in the EBITDA margin, terminal growth rate and discount rate. The key assumptions used and the related sensitivities are described in more detail below.

In order to consider the increased uncertainty in its estimates and assumptions caused by the COVID-19 pandemic, the management has considered three different forecast scenarios incorporating plausible variations of the expected pace of the recovery and unit revenue development based on its best estimate at the time. These scenarios, as well as the main identified uncertainties, are discussed in more detail in the beginning of the notes, in the section Board's assessment of Finnair as a going concern. In order to consider the possibility of various outcomes also in its impairment testing performed at the year-end 2021, Finnair is applying the expected cash flow approach which incorporates expectations about all three forecast scenarios instead of relying on just a single, most likely, cash flow estimate. The determination of the probabilities used for each of the scenarios requires the use of significant management judgement and is based on the management's best estimate of the time. The expected cash flow approach used in Finnair's year-end impairment testing is described in more detail below in this note. **B**

During the fiscal year 2021, Finnair has reviewed quarterly whether indications for impairment exist. Finnair considers various adverse economic and business implications resulting from the COVID-19 pandemic as indications of possible impairment and therefore, impairment testing has been carried out as at the balance sheet date. Such indicators include the unprecedented global market disruption, the negative impacts of the pandemic on the Group's own operating environment as well as the adverse impact of the currently extremely low passenger demand on the Group's financial performance and low capacity utilization rates.

The impairment review is carried out at the level of a cash-generating unit (CGU). Finnair is a network carrier with highly integrated fleet operations and it considers all its fleet (including right-of-use fleet) and other closely related assets as one CGU. The intangible assets with indefinite useful life, including goodwill, have been identified to belong to the aircraft CGU for impairment testing purposes. At year-end 2021, the amount other intangible assets with indefinite useful life in Finnair's balance sheet totaled to 1.4 million euro (1.7). The Group had no goodwill at the end of year 2021 (0.5 million euro). Assets that are held for sale are excluded from CGU and reviewed separately for impairment. The cash generating unit has been tested for impairment using the value in use model based on which the recoverable amount of the CGU exceeds its carrying value at the balance sheet date. The recoverable amount of the CGU as at 31.12.2021 was 2,748.6 million euros (2,897.3) based on expected cash flow approach as described below, and the carrying value of the assets was 2,155.8 million euros (2,498.3).

The value in use measurement is based on a discounted cash flow model where the cash flow projections are based on the Group's strategy and the latest, updated management forecast covering a four year period. The cash flows beyond the four-year period are projected to increase in line with the Group's strategy and the management's long-term growth assumptions. In order to consider the uncertainty caused by the current COVID-19 pandemic and the future outlook, Finnair is utilizing the expected cash flow approach which is using

multiple, probability-weighted cash flow projections based on the three different forecast scenarios prepared by the management. The scenarios and probabilities allocated to each scenario have been reviewed and approved by the Board of Directors. When determining the probabilities, the management has reflected on the uncertainty caused by the duration of the COVID-19 pandemic and the uncertainty related to the speed of recovery. The optimistic scenario, in which the annual capacity is expected to reach 87% of the pre-covid 2019 levels in 2022 (measured in annual available seat kilometres), is considered to have a probability weight of 5%. The base case scenario, which expects Finnair to be able to operate around 83% of its 2019 capacity in 2022, is considered to have a probability of 60%. The pessimistic scenario, which has a probability of 35%, is assumed to reach 75% of the 2019 operational volumes in 2022. The business is expected to return to the pre-covid levels of 2019 in 2023 under all but the pessimistic scenario, in which the 2023 annual operational capacity is expected to reach 98% of the pre-pandemic levels.

In connection with the financial statements 2021, the demand and revenue are expected to recover somewhat slower during 2022 than what was estimated at the time of the preparation of the 2020 financial statements, which is caused by the prolonged impacts of the COVID-19 pandemic on travel restrictions.

Key assumptions used in impairment review

	Dec 31, 2021	Dec 31, 2020
Discount rate (post-tax long-term weighted average cost of capital), %	7.7	8.2
Discount rate (pre-tax, derived from the long-term weighted average cost of capital), %	8.8	9.3
Long-term growth rate, %	2.8	2.4
Fuel cost range per ton (USD)	768-864	540-610

Key assumptions used in the impairment review are presented in the table above. The assumptions are the same for all scenarios.

The discount rate used is based on the weighted average cost of capital (WACC), which reflects the market assessment of the time value of money and the risks specific to Finnair's business. Both pre-tax and post-tax discount rates are presented above. The increased uncertainty related to the COVID-19 pandemic is considered through the multiple scenarios and the expected cash flow approach used in impairment testing rather than in the discount rate.

EBITDA and estimated business growth are based on management's best assessment of the speed of recovery from the current COVID-19 pandemic as well as the future market demand and environment, which are benchmarked against external information sources, such as long-term average growth estimates for industry.

Fuel price is based on the hedge-weighted fuel price based on the forward curve, estimated fuel consumption based on planned flights and the historical data of fuel consumption for each aircraft type.

Sensitivities of the key assumptions

The calculations used in impairment testing require significant use of management estimates and assumptions. The Group has prepared a sensitivity analysis to reflect, how the results of the impairment test would react to changes in the key assumptions. The sensitivity analysis considers changes in one assumption at a time, whereby the other assumptions are kept unchanged. The results of the sensitivity analysis reflect the sensitivity of the recoverable amount based on expected cash flow model. The uncertainty related to the future pace of the recovery of the business is taken into account in the calculation by using multiple forecast scenarios and the expected cash flow approach in impairment testing.

The table below shows the changes required to decrease the difference between the recoverable amount and the carrying value of the assets to zero.

	Dec 31, 2021	Dec 31, 2020
EBITDA margin %	-1.1 %-p	-1.0 %-p
Discount rate %	+1.4 %-p	+0.9 %-p
Terminal growth rate %	-1.5 %-p	-1.0 %-p
Fuel cost, % change in cost level	+4 %	15 %

A = Accounting principles
B = Critical accounting estimates



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3 Capital structure and financing costs

3.1 Financial income and expenses

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.

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.

EUR mill.	2021	2020
Financial income from discontinued hedges	11.6	32.5
Interest income on leases	1.6	2.8
Gains on investment instruments held at FVPL	-0.4	3.3
Interest from assets held at amortised cost	0.0	0.0
Other interest income	0.0	0.0
Other financial income	0.0	0.0
Dividend income	0.0	0.0
Financial income total	12.8	38.7
Financial expenses for discontinued hedges	-5.2	-168.3
Interest on leases	-62.7	-58.1
Other financial expenses	-24.2	-19.3
Interest expenses for liabilities measured at amortised cost	-25.7	-9.5
Financial expenses total	-117.8	-255.2
Foreign exchange gains and losses	-22.5	26.6
Financial expenses, net	-127.5	-189.9

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 2021. Thus, as in the comparison year 2020, no inefficiency is included in the financial items for 2021. The COVID-19 pandemic has continued to have a negative impact on Finnair's business during the years 2020 and 2021, as a result, Finnair has discontinued the application of hedge accounting to the majority of its hedges related to jet fuel price risk and foreign exchange risk during the year 2020. The discontinued hedges matured during the last quarter of 2021. 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 2021, foreign exchange gains and losses recognised in financial expenses consist of a net realised exchange gain of 22.2 million euro and a net unrealised exchange loss of 44.9 million euro. In the financial year 2021, Finnair

recognized an expense of 5.2 million euro from discontinued hedges and a gain of 11.6 million euro. During the year 2021, 1.4 million euros of interest expense was capitalised in connection with the A350 investment program (3.3) and due to one A350 leasing arrangement, 1.5 million euros of capitalised interest cost was written down resulting in an increase in interest costs amounting to 0.1 million euros. More information about the capitalised interest can be found in note 2.1 Fleet and other fixed assets.

Other financial expenses include revolving credit facility and guarantee fees as well as interest and penalties related to taxes.

3.2 Financial assets

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 the note 12.3. 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.

I = Content of the section
A = Accounting principles



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3.2.1 Other current financial assets

EUR mill.	2021	2020
Commercial paper, certificates and bonds	19.0	-
Money market funds	512.4	358.3
Total	531.4	358.3
Ratings of counterparties	-	-
Better than A	-	-
A	-	-
BBB	5.0	-
BB	-	-
Unrated	526.4	358.3
Total	531.4	358.3

As of 31 December 2021, investments in instruments issued by unrated counterparties mostly include investments in money market funds (EUR 512.4 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.	2021	2020
Cash and bank deposits	734.3	465.3
Total	734.3	465.3

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**

A = Accounting principles

Non-current liabilities

EUR mill.	2021	2020
Loans from financial institutions, non-current	299.7	599.0
JOLCO loans and other	289.4	312.2
Bonds	397.2	199.8
Lease liabilities	1,204.1	880.6
Interest-bearing liabilities total	2,190.3	1,991.6
Non-interest-bearing liabilities	6.3	5.2
Total	2,196.6	1,996.8

Finnair's interest-bearing liabilities continued to increase during the financial year 2021 as a result of the financing transactions carried out by the Group in response to the continuing COVID-19 pandemic. The most significant financing transactions during 2021 were the issuance of a 400 million euro bond during the second quarter of 2021, and the completion of two leasing transactions: one sale and leaseback for four of its Airbus A350 aircraft worth over 400 million dollars and one lease financing arrangement for one Airbus A350 aircraft worth over 100 million dollars during the years 2021 - 2022. Non-interest-bearing liabilities mainly include leases and maintenance reserves related to the aircraft leased to other airlines.

The Group's lease liabilities include five new lease agreements for A350 aircraft as a result of the completion of four sale- and leaseback transactions and one lease arrangement transaction during the financial year. JOLCO loans and other include the JOLCO loans (Japanese Operating Lease with Call Option) for three A350 aircraft and Export Credit Support for one A350 and two A330 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.	2021	2020
Loans from financial institutions, current	299.8	-
JOLCO loans and other	43.1	51.5
Bonds	98.9	-
Lease liabilities	176.9	135.6
Total	618.6	187.2

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

	Short-term borrowings	Long-term borrowings	Short-term lease liabilities	Long-term lease liabilities	Total
Total liabilities from financing activities, 1 January 2021	51.5	1,111.0	135.6	880.6	2,178.7
Repayments	0.0	-154.9	-	-146.8	-301.6
Acquisitions	-	400.0	2.5	437.0	839.5
Decreases	-	-	-	-2.8	-2.8
Foreign exchange adjustments	-	21.2	10.4	64.5	96.1
Reclassification between short-term and long-term liabilities	390.0	-390.0	28.4	-28.4	0.0
Other non-cash movements	-	-1.1	-	-	-1.1
Total liabilities from financing activities, 31 December 2021	441.5	986.2	176.9	1,204.1	2,808.9



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	Short-term borrowings	Long-term borrowings	Short- term lease liabilities	Long- term lease liabilities	Total
Total liabilities from financing activities, 1 January 2020	43.5	477.3	140.4	913.6	1,574.8
Repayments	-174.9	-43.1		-134.9	-352.9
Additions	175.0	697.8	3.1	170.1	1,046.0
Decreases				-4.1	-4.1
Foreign exchange adjustments		-20.7	-9.8	-58.3	-88.8
Reclassification between short-term and long-term liabilities	8.0	-8.0	3.9	-3.9	0.0
Other non-cash movements		7.7	-2.0	-1.9	3.8
Total liabilities from financing activities, 31 December 2020	51.5	1,111.0	135.6	880.6	2,178.7

Maturity dates of interest-bearing financial liabilities 31 Dec 2021 EUR mill.	2022	2023	2024	2025	2026	Later	Total
JOLCO loans and other, fixed interest				28.1	14.0		42.1
JOLCO loans and other, variable interest	43.1	38.2	39.4	83.8	31.1	57.9	295.5
Loans from financial institutions, variable interest	300.0	300.0					600.0
Bonds, fixed interest	98.9			400.0			498.9
Lease liabilities, fixed interest	133.8	135.9	137.5	138.4	95.4	416.7	1,057.7
Lease liabilities, variable interest	43.0	44.6	46.5	40.6	26.8	121.6	323.1
Interest-bearing financial liabilities total	618.9	518.7	223.4	690.9	167.3	596.2	2,815.5
Payments from currency derivatives	490.2						490.2
Income from currency derivatives	-506.2	-1.9	-3.9				-512.0
Commodity derivatives	-3.8	-0.1					-3.9
Trade payables and other liabilities	181.5						181.5
Interest payments	104.8	91.0	70.8	57.1	33.5	107.8	465.1
Total	885.4	607.8	290.4	748.0	200.8	704.0	3,436.4

Maturity dates of interest-bearing financial liabilities 31 Dec 2020 EUR mill.	2021	2022	2023	2024	2025	Later	Total
JOLCO loans and other, fixed interest					28.9	14.5	43.4
JOLCO loans and other, variable interest	51.5	40.9	35.3	36.4	77.4	82.2	323.7
Loans from financial institutions, variable interest	300.0	300.0					600.0
Bonds, fixed interest			200.0				200.0
Lease liabilities, fixed interest	96.4	102.3	95.0	92.9	137.3	147.1	671.1
Lease liabilities, variable interest	39.2	41.5	43.8	46.0	35.3	139.3	345.1
Interest-bearing financial liabilities total	387.2	484.7	474.3	175.2	278.9	363.1	1,683.5
Payments from currency derivatives	865.9	36.3					902.2
Income from currency derivatives	-826.3	-33.2					-859.5
Commodity derivatives	44.4	0.2					44.6
Trade payables and other liabilities	84.5						84.5
Interest payments	65.3	63.5	50.1	32.3	41.8	61.2	314.3
Total	421.0	751.6	524.2	207.5	320.8	444.3	2,669.4

The interest rate re-fixing period is three months for variable interest loans and six months for variable interest lease liabilities. The bonds maturing do not include the amortised cost of 43 thousand euros paid in 2017 and due

In 2022 and 2.8 million paid in 2021 and due on 2025. JOLCO loans do not include the amortised cost of 3.1 million euros paid in 2016 and due in 2025 and loans from financial institutions do not include 0.6 million euros paid as arrangement fees on the pension premium loan in 2020. Therefore, the total amount of interest-bearing financial liabilities differs from the book value by the amount equal to the amortised costs. The COVID-19 pandemic has continued to impact Finnair's business and it has also increased the interest-bearing liabilities in 2021 in comparison to 2020. The increase mainly consists of the issued 400 million bond and aircraft related sale and leaseback agreements. Also, Finnair has a 600 million euros of pension premium loan maturing during the next two years. The loan matures in two 300 million euro instalments. The first instalment is due during the last quarter of 2022 and the second one is due during the second quarter of 2023.

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

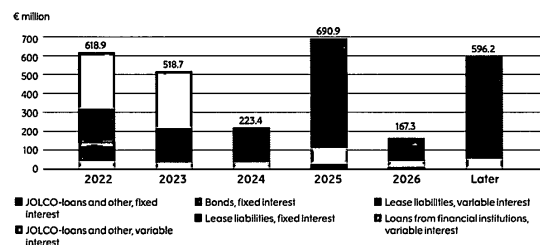
EUR mill.	2021	2020
EUR	1,291.6	994.5
USD	1,468.1	1,126.8
JPY	49.2	57.3
HKD	0.0	0.2
SGD	0.1	0.0
INR	0.0	0.0
	2,808.9	2,178.7

The weighted average effective interest rate on interest-bearing liabilities was 3.8% (3.3%).

Interest rate re-fixing period of interest-bearing liabilities

	2021	2020
Up to 6 months	21.0%	24.6%
6–12 months	10.7%	0.1%
1–5 years	38.5%	46.5%
More than 5 years	29.9%	28.9%
Total	100.0%	100.0%

Maturity dates of interest-bearing financial liabilities



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State aid relating to Finnair's refinancing

State aid in pension premium loan and rights offering

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

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

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

State aid in hybrid loan

Finnair and the State of Finland signed an agreement in 17 March 2021 for a hybrid loan of a maximum of 400 million euros to support Finnair. The decision was made by the Plenary Session of the Government on 18 February 2021. The arrangement has the approval of the EU Commission's competition authority in line with the European Union's state aid rules. Of the credit limit, approximately 350 million euros can be used by Finnair based on the state aid decision made by the Commission on 12 March 2021. Finnair is able to access the funds if its cash or equity position would drop below the limits to be defined in the facility's terms and conditions. The EU Commission's competition authority approved the remaining, ca. 50-million-euro share of the hybrid loan facility on 10 February 2022. Therefore, as disclosed also in the note 5.4 Events after the closing date, the whole 400 million euro hybrid loan facility is at the company's disposal according to the terms and conditions of the facility.

3.4 Contingent liabilities

EUR mill.	2021	2020
Guarantees on behalf of group companies	51.0	32.1
Total	51.0	32.1

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 over 60 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. According to the risk management policy, the hedging horizon is one year. The risk management policy states that hedging must be increased during each quarter of the year, so that the hedge ratio is maximum of 50 per cent, with target ratio being 25 per cent per 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 2021, 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

The COVID-19 pandemic has continued to impact Finnair's business and therefore Finnair's hedging operations regarding foreign currency and jet fuel price risk during the years 2021 and 2020. The decrease in demand due to the COVID-19 pandemic meant that the amount of underlying risk was significantly lower than the forecasted amounts forcing Finnair to discontinue applying hedge accounting to the majority of its hedges in foreign currency and jet fuel. Updated risk management principles mainly concern the hedging horizon and hedging limits in jet fuel and foreign currency. The hedging horizon was lowered permanently from 24 months to 12 months for jet fuel and foreign currency and the lower bound of the hedging limits for jet fuel and foreign currency was lowered to zero. The higher bound of the hedging limit is set to 50% throughout the hedging horizon for jet fuel and foreign currency, while keeping the target level at 25%. Additionally, the balance sheet hedging limit was lowered to 0%, with the target level remaining at 50%.



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Timing of the notional and hedged price	Hedged price \$/tonne	Notional amount (tonnes)	Maturity	
			Under 1 year	1 to 2 years
31 December 2021				
Jet fuel consumption priced with NWE Index	625.0	68,000	66,000	12,000
Jet fuel consumption priced with SING Index *				
31 December 2020				
Jet fuel consumption priced with NWE Index	527.7	237,423	227,423	10,000
Jet fuel consumption priced with SING Index	609.8	2,577	2,577	

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 625.0 US dollars per tonne for NWE consumption. Options excluded from hedge accounting are excluded.

At the end of the financial year, Finnair had hedged 8 per cent of its forecasted fuel purchases for the first six months of 2022 and 3 per cent of the purchases for the second half of the year. In the financial year 2021, fuel used in flight operations accounted for approximately one quarter of Group's turnover. At the end of the financial year, the forecast for 2022 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 59 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 57 million euro.

The COVID-19 pandemic continued to impact Finnair's business during the financial year 2021 and therefore Finnair's hedging operations regarding foreign currencies and jet fuel price risk. During the year 2021 all discontinued hedging relationships have matured and are no longer visible in Finnair's balance sheet and Finnair restarted its hedging operations in the last quarter of 2021.

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 46 per cent of the Group's revenue is denominated in euros. The most important foreign revenue currencies are the Japanese yen (9 per cent, percentage of revenue), the Chinese yuan (7 per cent), the US dollar (5 per cent) and the Swedish krona (4 per cent). Approximately 30 per cent Group's operating costs are denominated in foreign currencies. The most important purchasing currency is the US dollar, which accounts for approximately 25 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 dollar-denominated expenses. Forecasted jet fuel purchases, aircraft materials and overhaul expenses and 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. For both of these, the hedging horizon is one year, which is divided into four three-month periods. The maximum hedging ratio for the whole period is 50% and the minimum is 0% while maintaining the target hedging ratio at 25%.

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. Finnair Group hedges 0–100% of net positions with target set in 50% in foreign currency denominated financial assets and financial liabilities exceeding 10 MEUR.

At the end of the financial year, Finnair had a hedge level for net operating cash flows of 9 per cent in the USD-basket and 2 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 result of around 70 million euro and a 10 per cent weakening of the Japanese yen against the euro has a negative impact on 12-month of around 21 million euro. On the closing date – taking hedging into account – a 10 per cent strengthening of the US dollar weakens the result by around 67 million euro and a 10 per cent weakening of the Japanese yen weakens the result by around 21 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 57 per cent for USD and 94 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 146 million euro and a 10 per cent strengthening of the Japanese yen against the euro has a negative impact of around 6 million euro. On the closing date – taking hedging into account – a 10 per cent strengthening of the US dollar weakens the result by around 64 million euro and a 10 per cent strengthening of the Japanese yen weakens the result by around 0.3 million euro.

Timing of the notional EUR mill. 31 December 2021	Notional amount (gross)	Maturity		
		Less than 1 year	1 to 2 years	2 to 4 years
USD	724.7	570.5	67.8	86.4
JPY	54.9	54.9		

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

Foreign exchange P&L exposure

EUR mill. 31 December 2021	JPY	USD-basket
Net forecasted operating cash flows, next 24m	546.8	-1,461.8
Net operating cash flow hedges, next 24m	-5.0	57.0
Weighted average exchange rate of hedging instruments against the euro	-121.09	1.14
Foreign exchange exposure from operating cash flows after hedging, next 24m	541.9	-1,404.8

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 114 for USD contracts and 119.60 for JPY instruments.

Foreign exchange balance sheet exposure

EUR mill. 31 December 2021	JPY	USD
Net balance sheet items	-53.0	-1,134.0
Net hedges of balance sheet items	49.9	500.5
Weighted average exchange rate of hedging instruments against the euro	130.26	1.17
Foreign exchange exposure from balance sheet items after hedging	-3.1	-633.5



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Foreign exchange investment exposure

EUR mill. 31 December 2021	USD
Net investment position	-273.9
Net hedges of investment position	162.9
Weighted average exchange rate of hedging instruments against the euro	1.20
Foreign exchange exposure from investment position after hedging	-111.0

Foreign exchange P&L exposure

EUR mill. 31 December 2020	JPY	USD-basket
Net forecasted operating cash flows, next 24m	474.8	-1,411.8
Net operating cash flow hedges, next 24m	-75.8	273.2
Weighted average exchange rate of hedging instruments against the euro	120.24	1.14
Foreign exchange exposure from operating cash flows after hedging, next 24m	399.1	-1,138.6

Foreign exchange balance sheet exposure

EUR mill. 31 December 2020	JPY	USD
Net balance sheet items	-63.3	-943.6
Net hedges of balance sheet items	57.6	509.0
Weighted average exchange rate of hedging instruments against the euro	126.83	1.18
Foreign exchange exposure from balance sheet items after hedging	-5.7	-434.6

Foreign exchange investment exposure

EUR mill. 31 December 2020	USD
Net investment position	-335.5
Net hedges of investment position	180.4
Weighted average exchange rate of hedging instruments against the euro	1.14
Foreign exchange exposure from investment position after hedging	-155.1

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 1 month and approximately 53 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 11.9 million euros and the interest expenses of the loan portfolio by approximately 3.3 million euros. The situation as of December 31 2020 is a reasonable representation of the 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.

Maturity

Timing of the notional and hedged price range EUR mill. 31 December 2020	Notional amount (gross)	Less than 1 year	1 to 2 years	2 to 4 years
Interest rate derivatives	280.3	126.0	67.8	86.4

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 COVID-19 pandemic has not had a direct impact on the basic principles of Finnair's liquidity risk management. However, due to the continued uncertainty in 2021 Finnair executed several financing transactions in order to secure liquidity levels. The most significant financing transactions during year 2021 were issuing a 400 million euro bond during the second quarter of 2021, completing a sale and leaseback arrangement for four of its Airbus A350 aircraft worth over 400 million dollars and completing a lease financing arrangement for one Airbus A350 aircraft worth over 100 million dollars during the years 2021–2022. Additionally, the State of Finland and Finnair agreed on a hybrid loan of maximum 400 million euros to support Finnair. The arrangement has the approval of the EU Commission's competition authority in line with the European Union's state aid rules. Of the credit limit, approximately 350 million euros can be used by Finnair if the conditions defined in the facility's terms and conditions are met. The EU Commission's competition authority approved on 10 February 2022 the remaining approximately 50-million-euro share of the hybrid loan facility. Therefore the whole 400 million euro hybrid loan facility is at the company's disposal according to the terms and conditions of the facility.

The Group's cash funds were 1265.7 million euro at the end of financial year 2021. Finnair Plc has a domestic commercial paper program of 200 million euro, which was not in use as of the closing date. Finnair announced on the last quarter of 2021 that it has retired its undrawn revolving credit facility of 175 million euros on 4 October 2021. The credit facility included a financial covenant based on adjusted gearing. As the facility is now retired the financial covenant is no longer in force.

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 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. The aim of Finnair's dividend policy is to pay on average at least one third of the earnings per share as dividends during an economic cycle.



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The COVID-19 pandemic still impacts Finnair's business and therefore the balance sheet and capital structure. In order to mitigate possible future impacts the State of Finland and Finnair agreed on a hybrid loan of maximum 400 million euros to support Finnair. The arrangement has the approval of the EU Commission's competition authority in line with the European Union's state aid rules. Of the credit limit, approximately 350 million euros can be used by Finnair if the conditions defined in the facility's terms and conditions are met. The EU Commission's competition authority approved on 10 February 2022 the remaining approximately 50-million-euro share of the hybrid loan facility. Therefore the whole 400 million euro hybrid loan facility is at the company's disposal according to the terms and conditions of the facility. 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 2021 was 321.8 per cent (153.2).

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 2.6 million euro (6.6) higher. Correspondingly, a 10 per cent weaker Jet fuel CIF NWE price would have reduced the reserve by 2.6 million euro (6.6). In terms of the US dollar, a 10 per cent weaker level would have lowered the balance of the fair value reserve by 3.3 million euro (9.9) and a 10 per cent stronger dollar would have had a positive impact of 3.3 million euro (5.2). In terms of Japanese yen, a 10 per cent stronger yen would have had a negative impact of 0.5 million euro (5.1), and a 10 per cent weaker level would have increased the balance of the fair value reserve by 0.5 million euro (5.1). 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).

3.6 Classification of financial assets and liabilities

EUR mill.	Hedge accounting items	Fair value through profit and loss	Amortised cost	Book value
31 Dec 2021				
Financial assets				
Receivables			3.3	3.3
Other financial assets		531.4		531.4
Trade receivables and other receivables			166.7	166.7
Derivatives	13.7	12.4		26.1
Cash and cash equivalents			734.3	734.3
Book value total	13.7	543.8	904.3	1,461.8
Fair value total	13.7	543.8	904.3	1,461.8
Financial liabilities				
Interest-bearing liabilities			1,427.9	1,427.9
Lease liabilities			1,381.0	1,381.0
Derivatives	0.3	0.1		0.4
Trade payables and other liabilities			181.5	181.5
Book value total	0.3	0.1	2,990.4	2,990.9
Fair value total	0.3	0.1	2,990.5	2,990.9

EUR mill.	Hedge accounting items	Fair value through profit and loss	Amortised cost	Book value
31 Dec 2020				
Financial assets				
Receivables			3.1	3.1
Other financial assets		358.3		358.3
Trade receivables and other receivables			125.7	125.7
Derivatives	7.4	5.0		12.4
Cash and cash equivalents			465.3	465.3
Book value total	7.4	363.3	594.1	964.9
Fair value total	7.4	363.3	594.1	964.9
Financial liabilities				
Interest-bearing liabilities			1,162.5	1,162.5
Lease liabilities			1,016.2	1,016.2
Derivatives	46.1	53.6		99.7
Trade payables and other liabilities			84.5	84.5
Book value total	46.1	53.6	2,263.2	2,362.9
Fair value total	46.1	53.6	2,261.1	2,360.7

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). Loans and receivables are mainly current and the book value is equivalent to the fair value, because the discount effect is not significant. The current portion of loans valued at amortised cost, excluding bonds, is 219.9 million euro, and the book value is equivalent to the fair value, because the discount effect is not significant. The issued bond makes the most significant part of the loans valued at amortised cost. The senior bond maturing in 2022 was quoted at 99.729 and the senior bond maturing in 2025 was quoted at 101.154, which explains the difference between book value and fair value. The valuation principles of financial assets and liabilities are outlined in the accounting principles.



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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 2021	Level 1	Level 2
Assets			
Financial assets at fair value			
Securities held for trading	531.4	512.4	19.0
Derivatives			
Currency and interest rate swaps and options	12.3		12.3
Currency derivatives	9.7		9.7
- of which in fair value hedge accounting	8.8		8.8
- of which in cash flow hedge accounting	0.8		0.8
Commodity derivatives	4.1		4.1
- of which in cash flow hedge accounting	4.1		4.1
Total	557.5	512.4	45.1
Liabilities			
Financial liabilities at fair value			
Derivatives			
Currency derivatives	0.2		0.2
- of which in cash flow hedge accounting	0.1		0.1
Commodity derivatives	0.2		0.2
- of which in cash flow hedge accounting	0.2		0.2
Total	0.4		0.4

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 (prices) or indirectly observable data (derived from prices) 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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hedged) 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 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 assets 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 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) 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 national 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 proportionately 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 2021, Finnair has deferred premiums only on transaction-related hedges.

Impact of COVID-19 to hedge accounting and derivatives

Due to the COVID-19 pandemic impacts on Finnair's underlying business during 2020 and 2021, the hedging operations regarding foreign exchange currencies and jet fuel price risk were impacted. Much lower demand as a result of the COVID-19 pandemic during the year 2020 meant that the amount of underlying risk was significantly reduced from forecasted amounts forcing Finnair to discontinue hedge accounting on the majority of its hedges in foreign exchange and jet fuel that were under hedge accounting. The last discontinued hedging relationships matured during the last quarter of 2021 and the realized gains or losses are shown in financial income and expenses. In the last quarter of 2021 Finnair restarted its hedging program in foreign exchange as well as jet fuel according to the revised risk management policy. More information about the revised risk management policy can be found in note 3.5. **■**

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 that is further increased due to the COVID-19 pandemic. 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. **■**

A = Accounting principles
■ = Critical accounting estimates



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EUR mill.	2021				2020			
	Nominal value	Positive fair values	Negative fair values	Fair net value	Nominal value	Positive fair values	Negative fair values	Fair net value
Currency derivatives								
Jet fuel currency hedging								
Operational cash flow hedging (forward contracts)	57.4	0.8	-0.1	0.7	268.4	4.2	-13.1	-8.8
Operational cash flow hedging, bought options	4.5	0.0		0.0	80.5	0.0		0.0
Operational cash flow hedging, sold options	4.3		0.0	0.0	74.3		-1.9	-1.9
Fair value hedging of aircraft acquisitions	162.9	8.8		8.8	180.4		-13.8	-13.8
Hedge accounting items total	229.2	9.6	-0.1	9.5	603.7	4.3	-28.8	-24.5
Commodity derivatives								
Operational cash flow hedging (forward contracts)					173.9	4.1	-3.1	1.0
Operational cash flow hedging, bought options					20.3	0.1		0.1
Operational cash flow hedging, sold options					20.3	0.0	-0.1	-0.0
Balance sheet hedging (forward contracts)	270.1	0.1	-0.1	0.0	267.1	0.1	-0.5	-0.4
Items outside hedge accounting total	270.1	0.1	-0.1	0.0	481.5	4.4	-3.7	0.7
Currency derivatives total	499.3	9.7	-0.2	9.5	1,085.3	8.6	-32.5	-23.8
Commodity derivatives								
Jet fuel forward contracts, tonnes	68,000	4.1	-0.2	3.9	240,000	3.2	-17.3	-14.2
Hedge accounting items total	4.1	-0.2	3.9		3.2	-17.3	-14.2	
Jet fuel forward contracts, tonnes					336,000	0.6	-31.1	-30.5
Items outside hedge accounting total					0.6	-31.1	-30.5	
Commodity derivatives total	4.1	-0.2	3.9		3.8	-48.4	-44.6	
Cross currency interest rate swaps	280.3	12.3		12.3	286.0		-18.8	-18.8
Items outside hedge accounting total	280.3	12.3		12.3	286.0	0.0	-18.8	-18.8
Interest rate derivatives total	280.3	12.3		12.3	286.0	0.0	-18.8	-18.8
Derivatives total*	26.1	-0.4	25.7		12.4	-99.7	-87.2	

* Positive (negative) fair value of hedging instruments as of 31.12.2021 is presented in the statement of financial position in the item derivative financial instruments within current assets (derivative financial instruments within current liabilities). Uncertainty and discontinued hedging relationships due to the COVID-19 pandemic have imposed the amount of hedging Finnair has done during the last two years. During the last quarter of 2021 Finnair restarted its hedging program under the revised risk management policy.

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 2021	Assets	Liabilities	Assets	Liabilities			
Cash flow hedges							
Jet fuel price risk							
- Forecasted Jet fuel purchases						-321.9	28.3
Foreign exchange risk							
- Forecasted sales and purchases						-91.8	10.7
Fair value hedges							
Foreign exchange risk							
- Aircraft acquisitions	-8.8		-8.8		Non-current assets	-25.6	3.5

Ratings of derivative counterparties

EUR mill.	2021	2020
Better than A	9.1	-18.9
A	16.6	-54.1
BBB		-14.2
Total	25.7	-87.2

Derivatives realised through profit and loss

EUR mill.	2021	2020
Jet fuel hedging	Fuel costs	7.6
Hedging of lease payments	Financial expenses	1.7
Operational cash flow hedging	Fuel costs	-4.2
Operational cash flow hedging	Aircraft materials and overhaul	-0.2
Operational cash flow hedging	Traffic charges	-1.0
Operational cash flow hedging	Revenue	2.4
Expenses of hedge accounting items total		4.5
Discontinued Jet fuel hedging	Financial expenses	-26.5
Balance sheet hedging	Financial expenses	15.5
Discontinued foreign currency hedging	Financial expenses	3.4
Cross-currency interest rate swaps	Financial expenses	2.3
Expenses of items outside hedge accounting total		-5.3
		-155.6



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3.9 Equity-related information

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 less the transaction costs has been recognised 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.
The hybrid bond is recognised in equity. It is unsecured and subordinated to all senior debt. The hybrid bond does not confer shareholders' rights, nor does it dilute the holdings of shareholders. Finnair is not required to redeem the hybrid bond at any time and they are not redeemable on demand of the holders of the hybrid bond. Interest expenses are debited from retained earnings on cash basis net of tax. In the calculation of earnings per share, interest expenses for the hybrid bond are included in the earnings for the financial year. ¹

The financial year 2021 remained highly challenging for the global aviation industry and was the second annual reporting period severely impacted by the Covid-19 pandemic. The continued losses resulting from the COVID-19 pandemic also had an impact on the consolidated balance sheet where the Group's equity declined to 475.5 million euro (896.6). Despite the challenging times during the COVID-19 pandemic Finnair is determined to continue on its long-term strategic path despite the adjustments made related to the COVID-19 pandemic, and aims to ensure that the Company remains a competitive airline company in the future. The company's management believes that air traffic will, upon expiration of the COVID-19 pandemic related travel restrictions, still be a growth business, in which Finnair targets sustainable, profitable growth, supported by a strategy based on a competitive geographical advantage and strong ownership structure.

Number of shares	2021	2020
Number of outstanding shares in the beginning of the financial year	1,407,230,605	127,583,802
Share issue	1	1,279,265,150
Purchase of own shares	1	-1,800,000
Shares granted from the share-bonus scheme 2018–2020	1	36,903
Shares granted from the share-bonus scheme 2017–2019	1	269,774
Shares granted from FlyShare employee share savings plans	1	512,624
Number of outstanding shares at the end of the financial year	1,405,980,132	1,407,230,605
Own shares held by the parent company	1,421,133	170,660
Total number of shares at the end of the financial year	1,407,401,265	1,407,401,265

Finnair Plc's share capital, paid in its entirety and registered in the trade register, was of 75,442,904.30 euros at the end of 2020 and 2021. The shares have no nominal value. During the year 2021, Finnair transferred a total of 512,624 shares to FlyShare participants and a total of 36,903 shares to participants in Finnair's share-based incentive scheme 2018–2020.

Group's hedging reserve and other OCI items

EUR mill.	2021	Amounts reclassified to profit or loss	Unrealised gains and losses recognised in OCI	Discontinued hedges reclassified to financial expenses	Change in accounting principles	2020	Line item affected in profit or loss because of the reclassification
Jet fuel price hedging	3.9	-7.6	29.6	-4.0		-14.2	Fuel costs
Operating cash flow hedging	0.7	3.1	10.3	-2.4		-10.2	Revenue and cost lines ¹
Hedging of interest related to future lease payments	-4.3	0.7				-5.0	Lease payments for aircraft
The actuarial gains and losses of defined benefit plan	20.5		43.0			-22.5	
Cost of hedging reserve	0.0		0.4			-0.4	
Tax effect	-4.2		-14.6			10.5	
Total	16.6	-3.8	68.7	-6.4	0.0	-41.8	

¹Forward 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 section 3.8.

Maturity dates of fair values recognised in the hedging reserve

EUR mill.	2022	2023	2024	2025	2026	Later	Total
Jet fuel price hedging	3.8	0.1					3.9
Operating cash flow hedging	0.7						0.7
Hedging of interest related to future lease payments	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-4.3
The actuarial gains and losses of defined benefit plan	20.5						20.5
Cost of hedging reserve	0.0						0.0
Tax effect	-4.9	0.1	0.1	0.1	0.1	0.1	-4.2
Total	19.4	-0.5	-0.6	-0.6	-0.6	-0.6	16.6

¹ = Accounting principles



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Hybrid bond

Shareholders' equity (after equity belonging to the owners) includes a 200 million euro hybrid bond that was issued during the third quarter of 2020. The hybrid bond coupon is fixed at 10.25 per cent per year for the first three years, and thereafter fixed, at 15.25 per cent per year. Finnair can postpone interest payment if it does not distribute dividends or any other equity to its shareholders. The bond has no maturity date, but the company has the right to redeem it in three years and on every interest payment date thereafter. The overall hybrid bond net position recognised in equity is 198 million euro, due to issuing expenses. The hybrid bonds are unsecured and in a weaker preference position than promissory notes. A holder of hybrid bond notes has no shareholder rights.

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 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 the conversion into shares all potentially diluting shares. Finnair has not granted any options.

EUR mill.	2021	2020
Result for the financial year, EUR mill.	-464.5	-523.2
Hybrid bond interest, EUR mill.	-20.5	-17.9
Premium paid related to redemption of the hybrid bond issued in 2020	0.0	-1.3
Transaction costs of the hybrid bond issued in 2020	0.0	-2.7
Tax effect	4.1	4.4
Adjusted result for the financial year	-480.9	-540.7
Weighted average number of shares, mill. Pcs	1,406.1	1,052.0
Basic earnings per share, EUR	-0.34	-0.51
Diluted earnings per share, EUR	-0.34 ¹	-0.51
Effect of own shares, EUR	0.00	0.00

Dividend

The Board of Directors proposes to the Annual General Meeting that no dividend is paid for 2021. In accordance with the proposal of the Board of Directors, the Annual General Meeting on 17 March 2021 resolved that no dividend be paid based on the balance sheet adopted for the year 2020.

Finnair Plc's distributable equity

EUR mill.	2021
Retained earnings at the end of financial year	-391.7
Unrestricted equity	772.4
Result for the financial year	-307.0
Distributable equity total	73.7

¹ = Content of the section
² = Accounting principles

4 Consolidation

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, associated companies and joint ventures held, acquired or sold by the group.

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

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.

Non-controlling interest and transactions with non-controlling interest

Non-controlling interests are presented within the equity in the Consolidated Balance Sheet, separated from equity attributable to owners of the parent. For each acquisition the non-controlling interest can be recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The carrying amount of non-controlling interests is the amount of the interests at initial recognition added with the non-controlling interests' share of subsequent changes in equity.



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Subsidiaries

Name of the company	Group ownership %	Name of the company	Group ownership %
Finnair Cargo Oy, Finland	100.0	Balticport OÜ, Estonia	100.0
Finnair Aircraft Finance Oy, Finland	100.0	Amadeus Finland Oy, Finland	95.0
Finnair Technical Services Oy, Finland	100.0	Oy Aurinkomaailma - Suntoours Ltd Ab, Suomi	100.0
Finnair Engine Services Oy, Finland	100.0	Aurika OÜ, Estonia	100.0
Finnair Kitchen Oy, Finland	100.0	Mallikayhtymä Oy, Finland	100.0
Kirjelmä Oy Lentokonehuolto, Finland	100.0	FTS Financial Services Oy, Finland	100.0
Northport Oy, Finland	100.0	Finnair Business Services OÜ, Estonia	100.0

4.3 Acquisitions and disposals

During 2021, Finnair sold its 49.5% share of Suomen Ilmailuopisto Oy to the city of Pori and to the Government of Finland. The transaction had no material effect on Finnair's profitability. There were no business acquisitions or disposals during 2020.

4.4 Investments in associates and joint ventures

Associates are companies in which the Group generally holds 20–50 per cent of the voting rights or in which the Group has significant influence but in which it does not exercise control. Companies where the Group has joint control with another entity are considered as joint ventures. The Group's interests in associated companies and jointly controlled entities are accounted for using the equity method. The investment in associates and joint ventures include goodwill recognized at the time of acquisition. The Group recognises its share of the post-acquisition results in associates and joint ventures in the income statement. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations on behalf of the associate or joint venture. Results from the transactions between the Group and its associates are recognised only to the extent of unrelated investor's interests in the associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. In case of such indications, Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. The impairment is recognised in share of results in associates and joint ventures. Accounting policies of associates or joint ventures have been changed where necessary 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 associated or joint venture companies is included in the consolidated accounts based on the preliminary financial statements or latest available information.

The Group's share of the result, asset items and liabilities of associates and joint ventures is presented below.

EUR mill.	2021	2020
At the beginning of the financial year	2.5	2.5
Disposals	-2.4	-
At the end of the financial year	0.0	2.5

¹ = Accounting principles

During 2021, Finnair sold its 49.5% share of Suomen Ilmailuopisto Oy. There were no changes in 2020. More information on transactions with associated companies and joint ventures can be found in the note 4.5 Related party transactions.

Information on the Group's associates and joint ventures 31 Dec 2021

EUR mill.	Domicile	Assets	Liabilities	Revenue	Profit/Loss	Holding %
Nordic Regional Airlines AB	Sweden	98.0	97.3	70.3	2.1	40.00

Information on the Group's associates and joint ventures 31 Dec 2020

EUR mill.	Domicile	Assets	Liabilities	Revenue	Profit/Loss	Holding %
Nordic Regional Airlines AB	Sweden	103.2	104.7	86.6	-2.0	40.00
Suomen Ilmailuopisto Oy*	Finland	19.9	1.3	9.3	0.4	49.50

* The presented figures have been adjusted according to the final and audited financial statements of 2020.

The result of associated companies and joint ventures for 2021 was 2.1 (-1.6) million euros, of which Finnair's share was 0.0 (0.0) million euros.

Nordic Regional Airlines AB

Nordic Regional Airlines AB (Nora) 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, Nora has been classified as a joint venture.

4.5 Related party transactions

Related parties of the Finnair group includes its subsidiaries, management, associated companies and joint ventures and Finnair pension fund. Subsidiaries are listed in the note 4.2 and associates 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 55.9% (55.9%) of Finnair's shares. During financial year 2020 the State of Finland participated in the rights issue in proportion to its holding by 286.1 million euro and guaranteed Finnair's pension premium loan up to 540 million euro. The European Commission concluded that these transactions, in combination, constituted state aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union. The conditions relating to the state aid approval are described in the note 3.3. All the transactions with other government owned companies and other related parties are on arm's length basis, and are on similar terms than transactions carried out with independent parties.



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The following transactions have taken place with associated companies, joint ventures and Finnair pension fund:

EUR mill.	2021	2020
Sales of goods and services		
Associates and joint ventures	18.2	28.4
Pension fund	0.1	0.4
Employee benefits		
Pension fund	-7.4	-121.5
CEO and Executive Board	4.6	3.9
The Board of Directors	0.4	0.4
Purchases of goods and services		
Associates and joint ventures	73.0	88.2
Pension fund	2.0	1.9
Financial income and expenses		
Associates and joint ventures	1.6	2.8
Pension fund	0.1	-0.6
Receivables		
Non-current receivables from associates and joint ventures	2.4	19.6
Non-current receivables from pension fund	78.9	31.0
Current receivables from associates and joint ventures	14.5	15.9
Liabilities		
Non-current liabilities to associates and joint ventures	2.8	3.6
Current liabilities to associates and joint ventures	3.3	2.1

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 associated companies and joint ventures 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 2021 and 2020 Finnair did not pay any contributions to the fund. Pension asset was 78.9 million euros (31.0) at the end of the financial year.

5 Other notes

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

5.1 Income taxes

■ 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. ■

■ 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 forecasts at the reporting date and use assumptions that are consistent with those used elsewhere in the financial statements. Due to the current uncertainty embedded in the economic environment and the difficulty in forecasting the ultimate duration and impact of the COVID-19 pandemic, the management has considered alternative forecast scenarios that have been sensilised to reflect plausible variations relating to the expected pace of the recovery of the Finnair business. The scenarios have been discussed in more detail early in the beginning of the notes section under Board's assessment of Finnair as a going concern. Finnair expects to be able to use the tax losses in advance of 10 years expiry date under all of the forecast scenarios. ■

Income taxes

EUR mill.	2021	2020
Taxes for the financial year		
Current tax		
Adjustments recognised for current tax of prior periods		-3.4
Deferred taxes	117.6 ¹	134.5
Total	117.6¹	131.1

In 2020, Finnair Aircraft Finance Oy recognized an adjustment for prior year deferred taxes, which caused additional payable taxes of 3.4 million euro relating to the financial year 2019.

■ = Content of the section
 ■ = Accounting principles
 ■ = Critical accounting estimates



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

EUR mill.	2021	2020
Result before taxes	-581.9	-654.4
Taxes calculated using the Finnish tax rate 20%	116.4	130.9
Different tax rates of foreign subsidiaries	0.0	0.1
Tax-exempt income	1.3	0.3
Non-deductible expenses	-0.2	-0.2
Adjustments recognised for taxes of prior periods	0.1	0.1
Income taxes total	117.6	131.1
Effective tax rate	-20.2%	-20.0%

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 2021:

EUR mill.	2020	Recognised in the income statement	Recognised in shareholders' equity	2021
Deferred tax assets and liabilities				
Confirmed losses	141.5	71.0	4.1	216.6
Defined benefit pension plans	-6.2	-1.4	-8.6	-16.1
Property, plant and equipment	-83.9	15.7	1	-68.2
Leases	17.1	25.7	1	42.8
Valuation of derivatives at fair value	6.0		-6.0	-0.1
Other temporary differences	10.3	6.5	1	16.9
Total	84.8	117.6	-10.5	191.9

Finnair's taxable result continued to be highly negative in year 2021 as a result of the impact of the COVID-19 pandemic on its operations and financial performance and the Group has recognized a deferred tax asset of 191.9 million euro. The amount of confirmed tax losses after the 2020 taxable result totals to 706 million euros, which will expire in 2030. The estimated amount of confirmed tax losses for the 2021 taxable result totals to approximately 376 million euros, which will expire in 2031. Finnair expects that these can be used against its future taxable results. The assessment is based on Finnair's latest management forecasts that consider different plausible scenarios relating to the expected pace of the recovery. Finnair would be able to use the tax losses in advance of the 10 years expiry date under all of the forecast scenarios. This is based on both the expected future profits and allowed tax planning methods available to Finnair. In 2020, Finnair recognized a deferred tax asset balance of 84.8 million euro.

Distributing retained earnings of foreign subsidiaries as dividends would cause a tax effect of 0.3 million euros (0.2).

Changes in deferred taxes during 2020:

EUR mill.	2019	Recognised in the income statement	Recognised in shareholders' equity	2020
Deferred tax assets and liabilities				
Confirmed losses	0.0	135.6	5.9	141.5
Defined benefit pension plans	15.3	-24.1	2.6	-6.2
Property, plant and equipment	-116.4	32.5	1	-83.9
Leases	30.7	-13.6	1	17.1
Valuation of derivatives at fair value	0.0		6.0	6.0
Other temporary differences	6.1	4.2	1	10.3
Total	-64.3	134.5	14.5	84.8

5.2 Disputes and litigation

Finnair reports only cases of which the interest is material and that are not insured. As of 31 December 2021 there were no such disputes pending.

5.3 Events after the closing date

The increased uncertainty related to the COVID-19 pandemic is still evolving and will have a significant impact on Finnair's operating environment also after the review period. In addition, the price of fuel is subject to higher than average uncertainty at the time of the publication of the financial statements, which is further increased by the intensified geopolitical situation in Eastern Europe. The escalation and prolongation of the geopolitical situation in Eastern Europe could have a strongly negative effect not only on the price of fuel, but also on the usage of airspace, routings and costs of Finnair's flights to Asia.

Finnair announced on 17 March 2021 that the company and the State of Finland had signed an agreement on a hybrid loan of maximum 400 million euros to support Finnair. The company also stated that of this credit limit, approximately 350 million euros can be used by Finnair based on the state aid decision made by the European Commission on 12 March 2021 and that the remaining approximately 50-million-euro share will be brought to approval by the Commission at a later stage. Finnair announced on 17 February 2022, that the Commission has approved the remaining 50-million-euro share. The company is able to access the funds, if its cash or equity position would drop below the limits to be defined in the facility's terms and conditions.



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Finnair Plc income statement

EUR mill.	Note	2021	2020
Revenue	6.2	814.5	791.9
Other operating income	6.3	66.6	84.1
Operating income		881.1	876.0
Materials and services	6.4	547.0	574.3
Staff expenses	6.5	163.1	183.7
Depreciation and reduction in value	6.6	15.8	18.4
Other operating expenses	6.7	761.7	812.2
Operating expenses		1,487.5	1,588.6
Operating profit/loss		-606.5	-712.6
Financial income and expenses	6.8	-24.9	-189.8
Profit/loss before appropriations and taxes		-631.4	-902.4
Appropriations	6.9	245.9	194.6
Income taxes	6.10	78.5	141.8
Profit/loss for the financial year		-307.0	-566.0

Finnair Plc balance sheet

EUR mill.	Note	2021	2020
ASSETS			
Non-current assets			
Intangible assets	6.11	27.1	35.3
Tangible assets	6.12	88.7	93.5
Investments			
Holdings in group undertakings		653.6	640.6
Participating interests		0.0	2.5
Other shares and similar rights of ownership		0.4	0.4
Loan and other receivables	6.14	1.8	218.2
Total investments	6.13	655.8	861.6
Deferred tax assets	6.15	220.0	147.4
Total non-current assets		991.7	1,137.9
Current assets			
Current receivables	6.16	627.6	303.5
Marketable securities	6.17	531.4	358.3
Cash and bank equivalents	6.18	734.1	464.2
Total current assets		1,893.1	1,126.0
TOTAL ASSETS		2,884.8	2,263.9
EQUITY AND LIABILITIES			
Equity			
Share capital		75.4	75.4
Share premium account		24.7	24.7
Other reserves			
Unrestricted equity funds		772.4	772.0
Legal reserve		147.7	147.7
Hedging reserve		3.7	-19.8
Retained earnings		-391.7	175.5
Profit/loss for the financial year		-307.0	-566.0
Total equity	6.19	325.2	609.5
Accumulated appropriations	6.20	19.5	21.0
Provisions	6.21	182.4	155.9
Liabilities			
Non-current liabilities	6.22	914.4	1,002.1
Current liabilities	6.23	1,443.3	475.3
Total liabilities		2,357.7	1,477.4
EQUITY AND LIABILITIES TOTAL		2,884.8	2,263.9



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Finnair Plc cash flow statement

EUR mill.	2021	2020
Cash flow from operating activities		
Result before appropriations	-631.4	-902.4
Depreciation	15.8	18.4
Other non-cash transactions	19.5	-5.6
Financial income and expenses	30.8	189.8
Changes in working capital	183.1	-512.0
Interest and other financial expenses paid	-82.1	-199.9
Received interest and other financial income	17.1	39.1
Income taxes paid	-	-3.0
Cash flow from operating activities	-447.4	-1,375.6
Cash flow from investing activities		
Investments in intangible and tangible assets	-6.0	-23.9
Proceeds from sales of tangible assets	3.1	-
Change in loan and other receivables	12.9	180.6
Investments in subsidiaries	-13.0	-
Proceeds from sales of associates and joint ventures	8.3	-
Received dividends	0.0	0.0
Cash flow from investing activities	5.2	156.7
Cash flow from financing activities		
Purchase of own shares	-1.1	-
Proceeds from loans	400.0	775.0
Loan repayments and changes	296.6	-229.8
Proceed from share issues	-	511.7
Proceeds from hybrid bond	-	200.0
Hybrid bond repayments	-	-200.0
Received and given group contributions	189.6	34.1
Cash flow from financing activities	885.1	1,091.0
Change in cash flows	443.0	-127.9
Change in liquid funds		
Liquid funds, at beginning	822.5	950.4
Change in cash flows	443.0	-127.9
Liquid funds, at end	1,265.5	822.5

Notes to Finnair Plc financial statements

6.1 Accounting principles

General

Finnair Plc is the parent company of the Finnair Group, domiciled in Helsinki, Finland. Financial statements have been prepared in accordance with accounting principles required by Finnish law.

Foreign currency items

Transactions denominated in foreign currencies are translated into functional currency by using the exchange rates prevailing on the date of the transaction. Receivables and liabilities on the balance sheet 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 contract's hedging is 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 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 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

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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.

Finnair implements 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 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 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 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. 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.

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.	2021	2020
Revenue by division	814.5	791.9
Passenger revenue	440.1	561.4
Ancillary services	39.7	52.8
Cargo revenue	334.8	178.6
Distribution of turnover by market areas based on flight routes, % of turnover		
Finland	8%	9%
Europe	37%	36%
Other countries	55%	55%
Total	100%	100%

6.3 Other operating income

EUR mill.	2021	2020
Aircraft lease income	20.6	28.0
Other rental income	20.0	23.5
Other income	25.9	32.6
Total	66.6	84.1



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6.4 Materials and services

EUR mill.	2021	2020
Materials and supplies	-	-
Ground handling and catering expenses	117.3	116.6
Fuel costs	211.4	232.7
Aircraft materials and overhaul	179.8	165.6
IT expenses	10.8	11.5
Other items	27.7	48.0
Total	547.0	574.3

6.5 Staff costs

EUR mill.	2021	2020
Wages and salaries	139.8	168.9
Pension expenses	22.7	27.3
Other social expenses	0.5	-12.5
Total	163.1	183.7

Salary and bonus expenses of Chief Executive Officer and Members of the Board of Directors	-	-
Chief Executive Officer and his deputy	1.3	1.0
Board of Directors	0.4	0.4
Personnel on average	4,248	4,852

6.6 Planned depreciation and amortisation

EUR mill.	2021	2020
On other long-term expenditure	11.5	13.4
On buildings	1.0	1.0
On other equipment	3.3	4.0
Total	15.8	18.4

6.7 Other operating expenses

EUR mill.	2021	2020
Lease payments for aircraft	418.1	442.6
Other rents for aircraft capacity	71.4	89.2
Office and other rents	27.8	29.9
Traffic charges	120.4	112.4
Sales and marketing expenses	33.7	24.5
Other expenses	90.4	113.6
Total	761.7	812.2

Audit fees in other expenses

EUR mill.	2021	2020
Authorised Public Accountants	KPMG	KPMG
Auditor's fees	0.1	0.4
Tax advising	-	0.1
Other fees	0.1	0.1
Total	0.2	0.6

6.8 Financial income and expenses

EUR mill.	2021	2020
Dividend income	-	-
From other companies	0.0	0.0
Total	0.0	0.0
Interest income	-	-
From group companies	5.5	7.0
From other companies	-	-
Net gains on debt instruments held mandatorily at FVPL	-0.4	3.3
Other interest income	0.0	0.1
Total	5.0	10.4

Gains on disposal of shares	5.9	-
Interest expenses	-	-
To other companies	-46.0	-28.5
Total	-46.0	-28.5

Other financial income	-	-
Financial income from discontinued hedges	11.6	32.0
Total	11.6	32.0

Other financial expenses	-	-
Financial expenses for discontinued hedges	-5.2	-168.3
Other	-19.1	-31.1
Total	-24.3	-199.4

Exchange gains and losses	22.9	-4.3
Financial income and expenses total	-24.9	-189.8



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6.9 Appropriations

EUR mill.	2021	2020
Change in depreciation difference	-1.5 ¹	5.0
Received group contribution	244.3 ¹	189.6
Total	245.9¹	194.6

6.10 Income taxes

EUR mill.	2021	2020
Income tax for the financial year	70.8 ¹	138.2
Change in deferred taxes	7.6 ¹	3.6
Total	78.5¹	141.8

6.11 Intangible assets

EUR mill.	2021	2020
Other long-term expenditure		
Acquisition cost 1 January	85.4 ¹	77.8
Additions	4.6 ¹	7.9
Disposals	-3.9 ¹	-0.3
Reclassification	-1.2 ¹	-
Acquisition cost 31 December	84.9	85.4
Accumulated depreciation 1 January	-50.1 ¹	-37.0
Disposals	3.6 ¹	0.3
Depreciation and reduction in value	-11.3 ¹	-13.4
Accumulated depreciation 31 December	-57.7¹	-50.1
Book value 31 December	27.1¹	35.3
Intangible assets Total 31 December	27.1¹	35.3

6.12 Tangible assets

Tangible assets 2021

EUR mill.	Land	Buildings	equipment	Other Advances paid	Total
Acquisition cost 1 January	0.7	54.3	54.5	7.2 ¹	116.7 ¹
Additions	-	-	7.9	0.2 ¹	8.1 ¹
Reclassification	-	0.9	-	-	0.9 ¹
Disposals	0.0	-1.1	-2.4	-6.6 ¹	-10.2 ¹
Acquisition cost 31 December	0.7	54.2	59.9	0.8¹	115.6¹
Accumulated depreciation 1 January	-	-6.3	-17.0	-	-23.2 ¹
Disposals	-	0.6	0.0	-	0.6 ¹
Depreciation and reduction in value	-	-1.0	-3.3	-	-4.3 ¹
Accumulated depreciation 31 December	-	-6.7	-20.2	-	-26.9¹
Book value 31 December	0.7	47.5	39.7	0.8¹	88.7¹
The share of machines and equipment in the book value of tangible assets 31 December					
			42.3 %		

Tangible assets 2020

EUR mill.	Land	Buildings	equipment	Other Advances paid	Total
Acquisition cost 1 January	0.7	54.3	43.6	5.1 ¹	103.8 ¹
Additions	-	-	13.9	6.6 ¹	20.5 ¹
Disposals	-	-	-3.1	-4.5 ¹	-7.6 ¹
Acquisition cost 31 December	0.7	54.3	54.5	7.2¹	116.7¹
Accumulated depreciation 1 January	-	-5.2	-16.0	-	-21.3 ¹
Disposals	-	-	1.6	-	1.6 ¹
Depreciation and reduction in value	-	-1.0	-2.5	-	-3.5 ¹
Accumulated depreciation 31 December	-	-6.3	-17.0	-	-23.2¹
Book value 31 December	0.7	48.1	37.5	7.2¹	93.5¹
The share of machines and equipment in the book value of tangible assets 31 December					
			39.9 %		



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6.13 Investments

EUR mill.	2021	2020
Group companies	-	-
Acquisition cost 1 January	640.6	440.6
Additions	13.0	200.0
Book value 31 December	653.6	640.6
Associates and joint ventures	-	-
Acquisition cost 1 January	2.5	2.5
Disposals	-2.4	-
Book value 31 December	0.1	2.5
Shares in other companies	-	-
Acquisition cost 1 January	0.4	0.4
Book value 31 December	0.4	0.4

	Share of parent company %
Associates and joint ventures	-
Nordic Regional Airlines AB, Sweden	40.00

Group companies	Share of parent company %	Share of parent company %	
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 Aurinkomarkat - Suntoours 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		

On 1 July 2021, Finnair Plc sold its 49.5% share of Suomen Ilmailuopisto Oy to the city of Porvoo and to the Government of Finland. On 16 December 2021 Finnair Plc increased its investments to Oy Aurinkomarkat - Suntoours Ltd Ab, Finland by 9,000,000 euro and to Finnair Kitchen Oy, Finland by 4,000,000 euro.

6.14 Non-current loan and other receivables

EUR mill.	2021	2020
From group companies	-	216.7
From other companies	1.8	1.5
Total	1.8	218.2

6.15 Deferred tax assets

EUR mill.	2021	2020
Deferred tax assets 1 January	147.4	0.0
From result for the financial year	70.8	138.2
From temporary differences	7.6	3.6
From valuation of derivatives at fair value	-5.9	5.8
Offset against deferred tax liabilities	-	-0.1
Deferred tax assets 31 December	220.0	147.4

6.16 Current receivables

EUR mill.	2021	2020
Short-term receivables from group companies	-	-
Trade receivables	11.3	7.5
Group contribution receivable	244.3	189.6
Accrued income and prepaid expenses	1.6	1.5
Other receivables	229.0	8.5
Total	486.2	207.1

Short-term receivables from associates and joint ventures	-	-
Trade receivables	0.0	0.1
Prepaid expenses	6.7	7.2
Total	6.8	7.3

Short-term receivables from others	-	-
Trade receivables	65.6	32.6
Prepaid expenses	60.6	40.8
Derivative financial instruments	4.9	12.4
Other receivables	3.6	3.3
Total	134.7	89.0

Short-term receivables total	627.6	303.5
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	2021	2020
Accrued income and prepaid expenses	-	-
Sales accruals	40.3	18.9
Employee related deferred charges and receivables	1.6	1.7
Other prepaid expenses	27.0	28.9
Accrued income and prepaid expenses total	68.9	239.1



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6.17 Investments

EUR mill.	2021	2020
Short-term investments at fair value	531.4 ¹	358.3

6.18 Cash and bank equivalents

EUR mill.	2021	2020
Funds in group bank accounts and deposits maturing in three months	734.1 ¹	464.2

6.19 Shareholder's equity

EUR mill.	Share capital	Share premium account	Legal reserve	Hedging reserve	Un-restricted equity funds	Retained earnings	Equity total
Equity 1.1.2021	75.4	24.7	147.7	-19.8	772.0	-390.5	609.5
Change in fair value of equity instruments	-	-	-	23.5	-	-	23.5
Share-based payments	-	-	-	-	0.4	-	0.4
Purchase of own shares	-	-	-	-	-	-1.1	-1.1
Result for the financial year	-	-	-	-	-	-307.0	-307.0
Equity 31.12.2021	75.4	24.7	147.7	3.7	772.4	-698.7	325.2

EUR mill.	Share capital	Share premium account	Legal reserve	Hedging reserve	Un-restricted equity funds	Retained earnings	Equity total
Equity 1.1.2020	75.4	24.7	147.7	3.3	258.7	175.5	685.3
Change in fair value of equity instruments	-	-	-	-23.1	-	-	-23.1
Share issue	-	-	-	-	311.7	-	311.7
Share-based payments	-	-	-	-	1.6	-	1.6
Result for the financial year	-	-	-	-	-	-566.0	-566.0
Equity 31.12.2020	75.4	24.7	147.7	-19.8	772.0	-390.5	609.5

Distributable equity

EUR mill.	2021	2020
Hedging reserve	-	-19.8
Unrestricted equity funds	772.4	772.0
Retained earnings	-391.7	175.5
Profit/loss for the financial year	-	-307.0
Total	380.7	361.7

Share and dividends information is available in Financial statements in group note 3.9.

6.20 Accumulated appropriations

EUR mill.	2021	2020
Accumulated depreciation difference 1 January	-	21.0
Change in depreciation difference	-1.5	-5.0
Accumulated depreciation difference 31 December	19.5	21.0
Accumulated appropriations total	19.5	21.0

6.21 Provisions

EUR mill.	2021	2020
Provisions 1 January	155.9	157.0
Provision for the period	34.5	36.4
Provision used	-19.7	-25.2
Exchange rate differences	11.7	-12.2
Provisions 31 December	182.4	155.9
Of which long-term	170.3	141.7
Of which short-term	12.1	14.2
Total	182.4	155.9

Long-term aircraft maintenance provisions are expected to be used by 2033.

6.22 Non-current liabilities

EUR mill.	2021	2020
Loans from financial institutions	300.0	600.0
Bonds	400.0	200.0
Hybrid loan	200.0	200.0
Other liabilities	14.4	2.1
Total	914.4	1,002.1

EUR mill.	2021	2020
Maturity of interest-bearing liabilities	-	-
1-5 years	700.0	800.0
after 5 years	200.0	200.0
Total	900.0	1,000.0

Finnair Plc issued on 19.05.2021 a senior unsecured bond of EUR 400 million. The 4-year Bond matures on 19 May 2025, it carries a fixed annual interest of 4.250 per cent.



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6.23 Current liabilities

EUR mill.	2021	2020
Current liabilities to group companies	–	–
Trade payables	22.0	22.5
Accruals and deferred income	16.0	8.8
Group bank account liabilities	504.9	107.2
Total	542.9	138.5
Current liabilities to associates and joint ventures	–	–
Trade payables	0.1	0.0
Accruals and deferred income	1.5	0.3
Total	1.5	0.3
Current liabilities to others	–	–
Loans from financial institutions	398.9	–
Trade payables	45.7	23.8
Accruals and deferred income	448.4	308.5
Other liabilities	5.9	4.2
Total	898.9	336.5
Current liabilities total	1,443.3	475.3
Accruals and deferred income	–	–
Unflown air transport revenues	202.6	55.7
Jet fuels and traffic charges	49.8	15.6
Holiday payment liability	38.6	44.0
Loyalty program Finnair Plus	55.2	52.0
Derivative financial instruments	0.3	66.6
Other items	119.4	83.8
Total	465.9	317.6

6.24 Collateral, contingent liabilities and other commitments

EUR mill.	2021	2020
Guarantees and contingent liabilities	–	–
On behalf of group companies	51.0	32.1
Total	51.0	32.1
Aircraft lease payments	–	–
Within one year	364.8	367.8
After one year and not later than 5 years	1,173.0	1,215.8
Later than 5 years	648.0	507.0
Total	2,185.9	2,090.7
Parent company has leased the aircraft fleet from the fully owned subsidiary	–	–
Other lease payments	–	–
Within one year	29.0	27.5
After one year and not later than 5 years	70.6	87.0
Later than 5 years	159.6	162.4
Total	259.1	276.9
Pension obligations	–	–
Total obligation of pension fund	333.3	345.9
Non-mandatory benefit covered	-333.3	-345.9
Total	0.0	0.0



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6.25 Derivatives

EUR mill.	2021				2020			
	Nominal value	Positive fair values	Negative fair values	Fair net value	Nominal value	Positive fair values	Negative fair values	Fair net value
Currency derivatives								
Operational cash flow hedging (forward contracts)	57.4	0.8	-0.1	0.7	268.4	4.2	-13.1	-8.8
Operational cash flow hedging, bought options	4.5	0.0		0.0	80.5	0.0		0.0
Operational cash flow hedging, sold options	4.3		0.0	0.0	74.3		-1.9	-1.9
Hedge accounting items total	66.3	0.8	-0.1	0.7	423.3	4.3	-15.0	-10.7
Operational cash flow hedging (forward contracts)					173.9	4.1	-3.1	1.0
Operational cash flow hedging, bought options					20.3	0.1		0.1
Operational cash flow hedging, sold options					20.3	0.0	-0.1	0.0
Balance sheet hedging (forward contracts)					5.7	0.0		0.0
Items outside hedge accounting total					220.4	4.3	-3.2	1.1
Currency derivatives total	66.3	0.8	-0.1	0.7	643.5	8.5	-18.1	-9.6
Commodity derivatives								
Jet fuel forward contracts, tonnes	68,000	4.1	-0.2	3.9	240,000	3.2	-17.3	-14.2
Bought options, jet fuel, tonnes								
Sold options, jet fuel, tonnes								
Hedge accounting items total	4.1	-0.2	3.9	3.2	-17.3	-14.2		
Jet fuel forward contracts, tonnes					336,000	0.6	-31.1	-30.5
Items outside hedge accounting total					0.6	-31.1	-30.5	
Commodity derivatives total	3.9	4.1	-0.2	3.8	-48.4	-44.6		
Derivatives total*	4.9	-0.3	4.6	12.4	-66.6	-54.2		

* Positive (negative) fair value of hedging instruments on 31 Dec 2021 is presented in the statement of financial position in the item derivative assets within current assets (derivative liabilities within current liabilities).

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.	31 Dec 2021	Level 1	Level 2
Financial assets at fair value			
Securities held for trading	531.4	512.4	19.0
Derivatives			
Currency derivatives	0.8		0.8
- of which in cash flow hedge accounting	0.8		0.8
Commodity derivatives	4.1		4.1
- of which in cash flow hedge accounting	4.1		4.1
Total	536.3	512.4	23.9
Financial liabilities at fair value			
Derivatives			
Currency derivatives	0.1		0.1
- of which in cash flow hedge accounting	0.1		0.1
Commodity derivatives	0.2		0.2
- of which in cash flow hedge accounting	0.2		0.2
Total	0.3		

6.27 Fuel price risk in flight operations

Timing of the notional and hedged price

31 December 2021	Hedged price \$/tonne	Notional amount (tonnes)	Maturity	
			Under 1 year	1 to 2 years
Jet fuel consumption priced with NWE index	625.0	68,000	66,000	2,000

Foreign exchange risk

Timing of the notional EUR mill.	Average exchange rate of hedging instruments against the euro	Notional amount (gross)	Maturity	
			Less than 1 year	1 to 2 years
31 December 2021				
USD	1.14	61.3	61.3	
JPY	121.09	5.0	5.0	

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 2021 amounts to 73,709,760.76 euros, of which the net result for the financial year 2021 is -307,023,080.56 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 2021, and the result be retained in the equity.

Signing of the Report of the Board of Directors and the Financial Statements

Helsinki, 16 February 2022
The Board of Directors of Finnair Plc

Jouko Karvinen

Tiina Alahuhta-Koski

Colin Barrington

Montle Brewer

Jukka Erlund

Hannele Jakosuo-Jansson

Henrik Kjelberg

Maija Strandberg

Topi Manner
President and 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, 2021. 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 a summary of significant accounting policies, 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 International Financial Reporting Standards (IFRS) 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(f) 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 (Refer to Accounting principles for consolidated financial statements and Notes 3.3 and 3.5)	
Resulting from the prolonged COVID-19 pandemic the Group has incurred a net loss of € 464 million decreasing the equity to € 416 million. Liquid funds amounted to € 1150 million and the interest-bearing liabilities were € 2 809 million.	With the involvement of KPMG valuation and IFRS specialists, we assessed the terms of the financing agreements and the impacts on classification and recognition in relation to accounting principles and accounting standards applied in the consolidated financial statements.
Finnair continued adjusting its operations and executing its extensive financing programme.	We obtained an understanding of the financial forecasting process. We analysed, among others, cash flow forecasts based on different scenarios, the reliability of the data underlying the forecasts and whether effective implementation of management plans is reasonable.
As disclosed in the accounting principles to the financial statements due to the current uncertainty embedded in the economic environment and the difficulty in forecasting the ultimate duration and impact of the COVID-19 pandemic, the Board of Directors have reviewed three different scenarios prepared by the management. According to the assessment of the Board of Directors Finnair will be able to meet its obligations under all three scenarios as they fall due at least 12 months after the date of the issuance of the financial statements.	We challenged the appropriateness of key assumptions used in the cash flow forecasts that require significant management judgement.
	We evaluated the sensitivity calculations prepared by the management to test the headroom for the Group to be able to conduct its adjusted business operations.
	In addition, we assessed the appropriateness of the disclosures provided on the financing arrangements and financial position.



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The key audit matter

How the matter was addressed in the audit

Fleet valuation
(Refer to Accounting principles for consolidated financial statements and Note 2)

The Group has own aircraft and right of use aircraft with total carrying value of € 1 972 million representing 49 % of total consolidated assets. The aircraft-related depreciation charge was € 279 million. As a result of the COVID-19 pandemic, part of the aircraft fleet has been grounded and several aircraft refinancing transactions were executed as part of investment optimization.

The evaluation of the expected useful life of the components of the aircraft, the expected residual value, impairment of existing aircraft and assessment of whether onerous contract exists related to the future committed aircraft purchases requires a significant degree of management judgement.

The valuation of the fleet is considered as a key audit matter due to the significance to the Group's consolidated statement of financial position, due to management judgement and inherent uncertainty increased by pandemic involved in forecasting future cash flows.

We assessed the reasonableness of assumptions made for useful lives, components and residual values regarding owned and leased aircraft and reconciled these assumptions against carrying values of aircraft components and associated depreciation recorded in the income statement.

Our audit procedures, with the involvement of KPMG valuation specialists, included testing the integrity of the calculations and the technical model. We have challenged the assumptions used in impairment testing and their reasonableness by reconciling against external industry market data, scenarios approved by the Board of Directors and our own views.

Furthermore, we considered the potential impact of uncertainties related to COVID-19 on the assumptions within management's cash flow estimates. We performed our own sensitivity analyses over the key assumptions used.

We assessed the appropriateness of the related disclosures.

Deferred passenger revenue
(Refer to Accounting principles for consolidated financial statements and Note 1.2.4)

The deferred passenger revenue amounted to € 291 million. Passenger ticket sale is presented as deferred income in the consolidated statement of financial position from the point of sale until the flight is flown and the sale is recognized as revenue. Recognition of unused tickets as revenue is based on the expected breakage amount of tickets remaining unused. The points earned in the customer loyalty program are measured at fair value and recognised as a decrease of revenue and debt at the time when the points-earning event is recognised as revenue or when the points expire. COVID-19 pandemic has increased the level of uncertainty about the expected customer behaviour.

Large volumes of transactions flow through various computer systems from the date of sale until revenue is recognized in the consolidated statement of profit or loss. The recording process is complex, which gives rise to inherent risk of error, in determining the amount and timing of the revenue recognition.

Timing and accuracy in the recording of passenger revenue is therefore determined as a key audit matter in our audit of the consolidated financial statements.

We obtained an understanding of revenue recognition process. We used data analytics tools for identifying revenue flows and risks in revenue recognition of ticket sales and focused our audit on key risks identified. Further, we used data analyses in testing deferred revenue of unflown tickets.

We evaluated the design and tested the operating effectiveness of key controls over revenue recognition.

We tested the mathematical accuracy and input data of the calculation used to recognize revenues from the breakage model.

We also analysed the assumptions used in the revenue recognition of the customer loyalty program.

We tested a sample of passenger revenue recognized as well as a sample of unused tickets in the deferred revenue.

The key audit matter

How the matter was addressed in the audit

Aircraft maintenance provision
(Refer to Accounting principles for consolidated financial statements and Note 1.3.6)

The Group operates aircrafts which are owned or held under lease agreement. The Group is obliged to return leased aircraft and their engines according to the redelivery condition set in the lease agreement. To fulfil these maintenance obligations, the Group has recognised airframe heavy maintenance, engine performance maintenance, engine life limited part and other material maintenance provisions amounting to € 196 million.

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

We identified aircraft maintenance provision as a key audit matter due to the inherently complex model and management judgement incorporated in the assumptions used in the calculation.

We obtained an understanding of the process by which the lease agreements are analysed and recorded in the maintenance model and by which the variable factors within the provision are estimated.

We evaluated the appropriateness of the maintenance provision model and challenged the key assumptions used such as expected timing and cost of maintenance checks.

We obtained and inspected a sample of asset lease agreements to evaluate the completeness of the restoration and return liabilities for obligations at the redelivery at the end of the lease.

We tested the input data and mathematical accuracy of the calculations as well as recalculated the maintenance provision by using data analysis tools.

In addition, we performed retrospective analysis on the accuracy of the provision.

Defined benefit pension plans
(Refer to Accounting principles for consolidated financial statements and Note 1.3.8.2)

The liability recognised in the balance sheet in respect of defined benefit 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 net defined benefit pension asset amounted to € 81 million.

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method and based on actuarial assumptions. The present value of the defined benefit obligations is determined by discounting the estimated future cash flows using interest rates of high-quality bonds with consistent maturities.

The plan assets are valued at fair value involving use of judgement in particular relating to unlisted investments. We considered valuation of the defined benefit obligation and plan assets as a key audit matter in the audit of the Group due to materiality of the related balances and judgments involved in these estimates.

With the assistance of KPMG pension specialist, we assessed the appropriateness of the actuarial assumptions used in calculating the defined benefit pension obligation.

We assessed the appropriateness of the valuation methods, estimates and judgments used by management to value the assets.

We tested the valuation of the plan assets related to defined employee benefit plans by testing a sample of listed equity holdings against prevailing market prices at closing date.

Related to unlisted investments we have created independent expectation based on the nature of the investment, historical purchase price and publicly available information on similar investments and compared that to the management valuation.

In addition, we assessed the appropriateness of the related disclosures.

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Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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 International Financial Reporting Standards (IFRS) 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— 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.

— 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.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— 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.

— 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.

— 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.

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.

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.

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.

Other Reporting Requirements

Information on our audit engagement

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 two years.

Other Information

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 and 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.

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.

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.

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.

Other opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 16 February 2022

KPMG OY AB

KIRSI JANTUNEN
Authorized Public Accountant, KHT

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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 55.9% of the shares as of 31 December 2021.

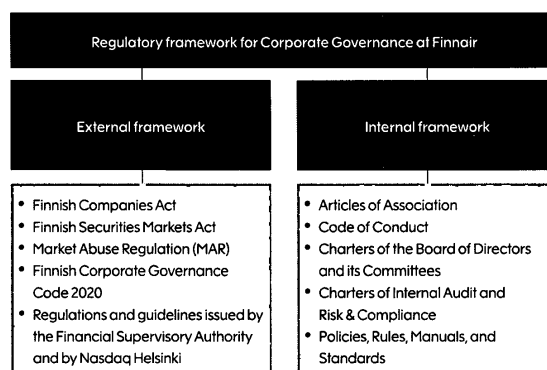
Corporate governance at Finnair is based on Finnish laws and the Company's Articles of Association. Finnair complies fully with and has prepared this Corporate Governance Statement in accordance with the Finnish Corporate Governance Code 2020. This Corporate Governance Statement is issued separately 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:

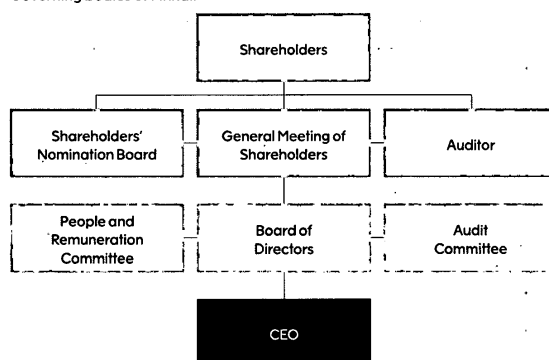
- adoption of the financial statements and the consolidated financial statements

- 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.

2021 AGM

Finnair's AGM 2021 was held at the headquarters of the Company in Vantaa on 17 March 2021. The Board of the Company has by virtue of Section 2, Subsection 2 of the temporary legislative act 677/2020 to limit the spread of the Covid-19 pandemic approved by the Finnish Parliament on 15 September 2020 ("Temporary Act"), resolved that the Company's shareholders and their proxy representatives may participate in the meeting and exercise shareholder rights only through voting in advance as well as by making counterproposals and asking questions in advance. A total of 204 shareholders, representing 66.1 per cent of the shares and voting rights of the Company, participated by voting in advance. No counterproposals by shareholders were made. One question had been submitted to the Board, which had been replied to at the Company's website on 8 March 2021.

Present at the meeting were Chair of the Board Mr. Jouko Karvinen (remote connection), the CEO Mr. Topi Manner, Chief Financial Officer Mr. Mika Stirkkinen, SVP & General Counsel Mr. Sami Sarelius, Chair of the General Meeting Mr. Manne Airaksinen,

person to confirm the minutes and to verify the counting of votes Mr. Matias Oikarinen, and the responsible auditor appointed by the Company's audit firm Ms. Kirsii Jantunen (remote connection). In addition, the representative of the Company's AGM registration and voting service provider Euroclear Finland Oy, Jarkko Heinonen, attended via remote connection.

Auditor

The AGM 2021 elected KPMG as the Company's auditor, and Ms. Kirsii Jantunen acted as the auditor with principal responsibility.

The audit fees paid in 2021 amounted to 347 thousand euros, and the fees for other services rendered amounted to 1 thousand euros.

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 four members nominated annually. The Company's three largest shareholders appoint three of the members, and the current Chair of the Board serves as the fourth member. 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 September 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](#).



2020 Nomination Board

The 2020 Nomination Board consisted of the representatives of the first, third and fourth largest shareholders as at the first working day in September 2020, i.e. the State of Finland, Ilmarinen Mutual Pension Insurance Company, Varma Mutual Pension Insurance Company, and of the Chair of the Board. The composition of the 2020 Nomination Board was the following:

- Ms. Minna Pajumaa, b. 1963, Senior Financial Counsellor, Government Ownership Steering Department (Chair)
- Mr. Esko Torsti, b. 1964, Head of Cross Asset Allocation, Ilmarinen Mutual Pension Insurance Company
- Mr. Timo Sallinen, b. 1970, Head of Listed Securities, Varma Mutual Pension Insurance Company
- Mr. Jouko Karvinen, b. 1957, Chair of the Board of Finnair.

The Nomination Board convened three times and the participation rate was 100%. On 26 January 2021, the Nomination Board submitted to the Board its proposals for the 2021 AGM to be held on 17 March 2021. The proposals are available at Finnair's [website](#).

2021 Nomination Board

The 2021 Nomination Board consisted of the representatives of the first, second and third largest shareholders as at the first working day in September 2021, 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 2021 Nomination Board was the following:

- Ms. Minna Pajumaa, b. 1963, Senior Financial Counsellor, Government Ownership Steering Department (Chair)
- Mr. Timo Sallinen, b. 1970, Head of Listed Securities, Varma Mutual Pension Insurance Company
- Mr. Esko Torsti, b. 1964, Head of Cross Asset Allocation, Ilmarinen Mutual Pension Insurance Company
- Mr. Jouko Karvinen, b. 1957, Chair of the Board of Finnair.

The Nomination Board convened three times and the participation rate was 100%. On 31 January 2022, the Nomination Board submitted to the Board its proposals for the 2022 AGM to be held on 24 March 2022. 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 appropriateness 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 2021



Jouko Karvinen



b. 1957, M. Sc. (Tech.)
Chair of the Finnair Board since March 2017
and member of the Board since March 2016

Main occupation:

Board professional

Key positions of trust:

Member of the Board of Directors of
Solidium Oy, Member of the Foundation and
Supervisory Boards of IMD Business School,
Lausanne, Switzerland



Calm Barrington



b. 1946, M. Sc. (Econ.)
Vice Chair and member of the Finnair Board
since 2017

Main occupation:

Senior Ambassador with BBAM Aviation
Services Limited

Key positions of trust:

Member of the Board of Directors of
Hibermia REIT Plc until July 2021



Jukka Ertund



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:

The 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 Ilmarinen
Mutual Pension Insurance Company



Henrik Kjellberg



b. 1971, M. Sc. (Econ.).
Member of the Finnair Board since 2018

Main occupation:

CEO of Awaze

Key positions of trust:



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:



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



Hannele Jakosuo-Jansson



b. 1966, M.Sc. (Tech.)
Member of the Finnair Board since 2021

Main occupation:

Senior Vice President Human Resources,
HSE&Q and Procurement at Neste
Corporation

Key positions of trust:

Member of Board of Directors of Ahlström-
Munksjö, Vice Chair of Skilled work force
committee of the Confederation of Finnish
Industries, Chair of Skills and Competence
Committee of the Chemical Industry
Federation of Finland



Maija Strandberg



b. 1969, M.Sc. (Econ.)
Member of the Finnair Board since 2020

Main occupation:

Senior Financial Counsellor Prime Minister's
office, Government Ownership Steering
Department

Key positions of trust:

Member of the Board of Directors of Neova Oy
Member of the Board of Directors of SSAB AB

Mengmeng Du
(member of the Board until AGM 17
March 2021)



b. 1980, M. Sc. (Econ.), M. Sc. (Computer
science)

Member of the Finnair Board since 2017

Jaana Tuominen
(member of the Board until AGM 17
March 2021)



b. 1960, M. Sc. (Eng.).

Member of the Finnair Board since 2014

Committees

= Audit Committee

= People and Remuneration Committee



Members of the Board and their independence

The 2021 AGM held on 17 March elected Mr. Jouko Karvinen as Chair of the Board and Ms. Tiina Alahuhta-Kasko, Mr. Colm Barrington, Mr. Montie Brewer, Mr. Jukka Erlund, Ms. Hannele Jakosuo-Jansson, Mr. Henrik Kjellberg, and Ms. Maija Strandberg as other members of the Board. The Board elected Mr. Colm Barrington as its Vice Chair.

Finnair complies with applicable requirements regarding independence of the Board according to Finnish laws and regulations as well as according to 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 Maija Strandberg, 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 2020 and 2021, neither the members of the Board nor any companies under their control held any shares or share-based rights in any company within Finnair Group.

The Committees of the Board

The Board delegates 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 2021 and the attendance rate of the members

Member	Board of Directors	Audit Committee	People and Remuneration Committee
Jouko Karvinen	10/10		
Tiina Alahuhta-Kasko	10/10		10/10
Colm Barrington	10/10	7/7	
Montie Brewer	10/10	7/7	
Jukka Erlund	10/10	7/7	
Hannele Jakosuo-Jansson (member since 17 March 2021)	7/7		8/8
Henrik Kjellberg	10/10	7/7	
Maija Strandberg	10/10		10/10

In addition to the 10 meetings, the Board made *per capsulam* decisions five times in 2021 without convening.



The diversity principles of the Board

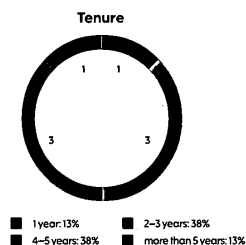
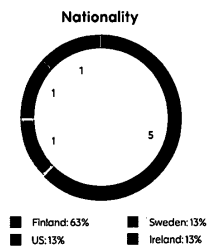
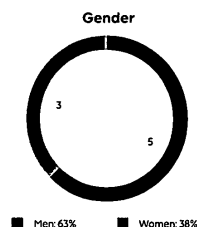
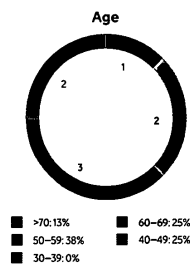
The Board has determined its diversity principles for the use of the Shareholders' Nomination Board when preparing proposals on the composition of the Board to the General Meeting of Shareholders.

The diversity principles of the Board are:

- The Board as a whole must have sufficient expertise and experience to conduct the 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 2021

After the AGM of 17 March 2021, the Board elected the following members to the Audit Committee: Jukka Erlund as the Chair and Colm Barrington, Montie Brewer and Henrik Kjellberg as members. Between 1 January and 17 March 2021, the committee was chaired by Jukka Erlund and its other members were Colm Barrington, Montie Brewer and Henrik Kjellberg. The Audit Committee met seven times in 2021 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 2021

After the AGM of 17 March 2021, the Board elected the following members to the People and Remuneration Committee: Hannele Jakosuo-Jansson as the Chair, and Tiina Alahuhta-Kasko and Maija Strandberg as members. Between 1 January and 17 March 2021, Jaana Tuominen acted as the Chair of the committee and Mengmeng Du, Tiina Alahuhta-Kasko and Maija Strandberg acted as members. The committee met ten times in 2021 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 and financial business services 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, 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](#).

Mr. 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 13.8 to the financial statements and in the Remuneration Statement.

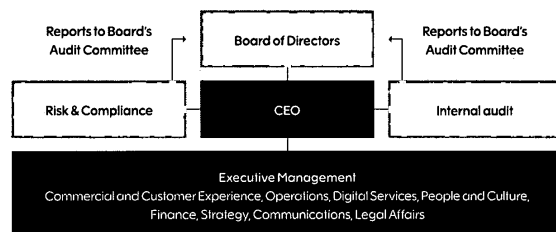
Executive Board

The Executive Board of the Company is led by the CEO, and it comprises the senior management responsible for Finnair commercial and customer experience activities, operations, digital services, finance, people and culture, strategy, 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.

Company management





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 SVP Operations, the Accountable Manager in the SMS, and it convenes four times per year.

Investment Steering Board

The Investment Steering Board ("ISB") acts as the forum for preparing investment decisions for the Executive Board's approval. The ISB is headed by the Chief Financial Officer.

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 2021, the Finnair Corporate Council met six times.

Corporate Governance in Finnair subsidiaries

The subsidiaries of Finnair are presented in the Financial Statements 2021 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 2021). 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, SR Technics, and Lufthansa Technik. In the area of IT services Finnair partners with Amadeus, IBM 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 2021



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, Elso Oy
Member of the Board, Service Sector Employers Pöytä
Shareholding 31 December 2021:
738,271



Johanna Karppi
b. 1968, LL.M. (trained on bench)
Main occupation:
SVP People & Culture as of 1 October 2019
Key positions of trust:
Shareholding 31 December 2021:
16,115



Tomi Pienimäki
b. 1973, Dr. Tech, M.Sc. (Eng.), M.Sc. (Econ.)
Main occupation:
Chief Digital Officer as of 1 October 2019
Key positions of trust:
Chair of the Board of Directors, Frendy Group Oy
Member of the Board of Directors, Router Group Oy
Shareholding 31 December 2021:
50,025



Jaakko Schildt
b. 1970, B.Sc. (Eng.), MBA
Main occupation:
SVP Operations as of 1 March 2016
Key positions of trust:
Chair of the Board, Nordic Regional Airlines Oy
Member of the Board of Directors, Finnish Aviation Academy Oy (until 30 June 2021)
Member of the Board of Directors, Kallioinen Yhtiöt Oy
Shareholding 31 December 2021:
127,096



Päivi Tällqvist
b. 1970, M.Sc. (Econ.)
Main occupation:
SVP Communications as of 1 November 2020
Key positions of trust:
Shareholding 31 December 2021:
4,939



Nicklas Ilebrand
b. 1980, M.Sc. (Computer Science)
Main occupation:
SVP Strategy as of 1 May 2019
Key positions of trust:
Member of the Board of Directors, Skandiabanken AB
Shareholding 31 December 2021:
121,238



Ole Orvén
b. 1966, Degree in Market Economics
Main occupation:
Chief Commercial Officer as of 1 May 2019
Key positions of trust:
Shareholding 31 December 2021:
113,570



Sami Sarellus
b. 1971, LL.M.
Main occupation:
SVP and General Counsel as of 20 August 2010
Key positions of trust:
Shareholding 31 December 2021:
225,000



Mika Strömkinen
b. 1968, M.Sc. (Econ.)
Main occupation:
Chief Financial Officer (CFO) as of 1 July 2019
Key positions of trust:
Member of the Board of Directors, Nordic Regional Airlines Oy
Shareholding 31 December 2021:
140,000



Key events in Finnair governance in 2021

Shareholders

The ownership profile of Finnair Plc changed noticeably in 2021. Among the name-registered shareholders, the number of shares owned by corporations and households increased by 17% and 27%, respectively, from year-end 2020, whereas the number of shares owned by the financial institutions and public bodies decreased by 58% and 3%. The largest shareholder at the end of the year was the Government of Finland, holding 55.90% of the shares and votes, followed by mutual pension insurance company Varma (3.56%), mutual pension insurance company Ilmarinen (2.13%), and mutual pension insurance company Elo (1.00%). The ownership share of nominee-registered shareholders decreased from 7.39% to 4.65%. The number of shareholders increased from 85,590 to 116,139 between 1 January and 31 December 2021.

The shareholders' AGM was held on 17 March 2021.

Subsidiaries

There were no changes in Finnair Group structure during 2021.

Auditor

On 17 March 2021, 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 2021 as one new member was elected by the AGM. In 2021, the Board and the Executive Board focussed on resizing the Company, mitigating the negative impact of the Covid-19 pandemic on different areas

of business, ensuring liquidity, as well as defining the Company's post-pandemic rebuild plan.

The composition of the Executive Board did not change in 2021.

Corporate Council

The composition of the Corporate Council, previously called the Management Board, changed in 2021 as some of the personnel groups replaced their representatives and as non-Finnish speaking members of the Executive Board were added to the composition of the Corporate Council. At the same time, the participation by the members of the senior management was reduced by two seats. The Corporate Council changed its meeting language from Finnish to English. At the same time, the English language name was changed from the Management Board to Corporate Council.

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 2021. 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, 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

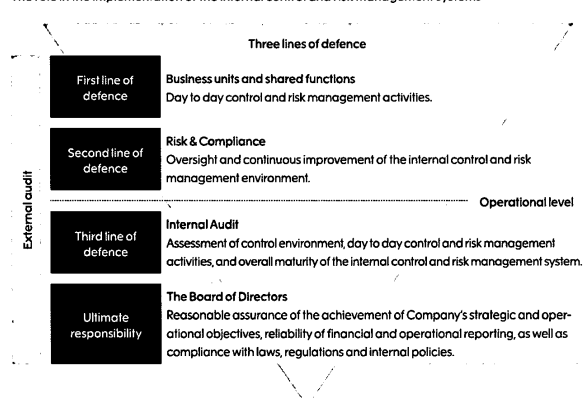
Based on the limited liability companies act the management of the Company shall act with due care and promote the interests of the Company. The Board shall see to the administration of the Company and the appropriate organisation of its operations. The Board is responsible for the appropriate arrangement 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

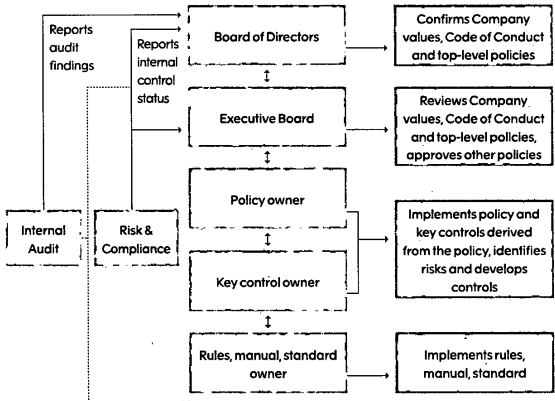
general IT controls support the financial reporting controls in areas like access control and back-up management. Responsibilities are assigned in the Finance function ensuring that analyses of the business performance, including analyses on volumes, revenues, costs, working capital, and asset values 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

The 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 parties. 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 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 twice a month 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](#).

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[The Report of the
Board of Directors](#)

[Financial Statements](#)

[Corporate
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[Sustainability Appendix](#)



Remuneration Report 2021

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Directors' Remuneration Report 2021

This Remuneration Report presents the remuneration paid to members of the Board of Directors and the CEO of Finnair during 2021. Remuneration paid to members of the Executive Board is presented on investors.finnair.com website. The report has been prepared based on the Finnish Corporate Governance Code 2020, which also correspond to the requirements of the EU's Second Shareholder Rights Directive.

Introduction

Remuneration at Finnair is based on the principles of performance, fairness and competitiveness. 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 behaviors consistent with Finnair's values, and reward for excellent performance. These principles also guide the work of Finnair's People and Remuneration Committee.

Year 2021 continued as an exceptionally challenging year for Finnair due to the Covid-19 pandemic and its impact on Finnair's business. This had a major impact also on the remuneration for the CEO, Executive Board members and all employees at Finnair. The fast-changing business environment and the European Commission's (Commission) restrictions on management remuneration require special attention, especially for the variable pay structures and target setting. The People and Remuneration Committee follow the validity of remuneration structures on a regular basis, and if needed, takes appropriate steps to ensure that remuneration aligns with the defined remuneration principles.

Despite an improvement in Finnair's business performance compared to 2020, the level is still significantly below the pre-pandemic era. In addition to the business performance, the remuneration of the CEO Topi Manner and other Executive Board members is directly impacted

by the restrictions set by the Commission on management remuneration. The Commission issued on 9 June 2020 a decision that the participation of the State of Finland in Finnair's Rights Offering is compatible with the EU state aid rules. Under the Commission's decision, the Company agreed to certain conditions following the Offering, which include, among other things, limitations on management remuneration during the financial years 2020, 2021 and 2022. These limitations resulted in Finnair not being able to implement the Short Term Incentive (STI) and Long Term Incentive (LTI) structures as described in the Directors' Remuneration Policy. To comply with the defined limitations, Finnair cancelled the ongoing STI and LTI plans for the CEO and Executive Board members and launched a new performance share plan for the CEO and Executive Board members for the period 7/2020–6/2023. At the same time, a rebuild incentive plan for personnel was launched that is based on the same period and target setting.

The Board's voluntary annual fee cut by 15%, that was decided in 2020, continued until the 2021 Annual General Meeting.

Development of remuneration 2017–2021

Annual fees for the Board of Directors (Board) were last changed in 2020 and before that, in 2008. The average paid remuneration to the Board, 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 increased as the number of Board members increased from 7 to 8 in 2018 and from 8 to 9 in 2020, and from 9 to 8 in 2021. The Board's decision in 2020 to forego the annual fee increases and additionally cut their current annual fees by 15% impacted the remuneration paid to the Board in both 2020 and 2021.

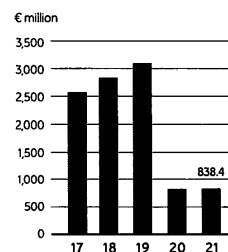


A significant share of the CEO's remuneration is based on variable pay and is linked to the achievement of set business targets, including both financial, operational and sustainability performance. Remuneration of the CEO increased strongly during 2017–2018 mainly due to increased variable remuneration reflecting the Company's improved financial performance. The 2018 CEO remuneration includes both CEO Pekka Vauramo's and interim CEO Pekka Vähähyppä's remuneration. CEO Topi Manner joined Finnair on 1 January 2019, and hence did not receive any STI or LTI payouts during 2019 based on previous years' performance. In 2021, the CEO's paid remuneration decreased by 33% compared to 2020 and included only base salary and benefits, in line with the restrictions set by the European Commission.

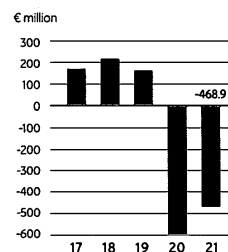
Average paid remuneration of employees has been impacted by a number of factors during the past 5 years. In 2020 and 2021, extensive temporary lay-offs decreased the paid average remuneration per employee including active (at work) and inactive (leave of absence). Paid average remuneration per active employee on the other hand increased as the temporary lay-offs were extensive in operative employee groups where the salary level is lower than average. The other main items impacting average employee remuneration over time include CLA-based annual salary increases, personnel incentive plan payouts as well as the volume of recruitments and retirements especially in those employee groups where remuneration structures are heavily based on seniority.

Financial performance 2017–2021

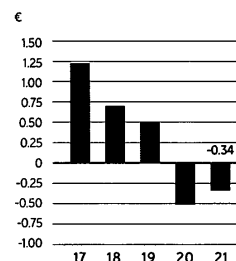
Revenue



Comparable operating result



Earnings per share



Paid remuneration

	2021	2020	2019	2018	2017
Chair of the Board	68,228	71,968	77,907	89,308	74,223
Vice Chair of the Board	43,410	52,365	55,984	70,500	51,367
Other members of the Board average	41,695	46,102	43,878	53,873	49,982
CEO	756,713 Topi Manner	1,125,233 Topi Manner	769,205 Topi Manner	1,456,648 Pekka Vauramo 1.1.–31.10.2018 123,714 Pekka Vähähyppä 4.9.–31.12.2018	1,241,910 Pekka Vauramo
Finnair employees (average active)*	62,016	66,072	57,608	56,131	62,880
Finnair employees (average employed)**	32,522	33,835	54,852	53,333	59,866

* 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 (includes both active (at work) and inactive (leave of absence) workers) during the year. Temporary lay-offs have a significant impact on average paid remuneration of all employees.



Paid remuneration of the Board of Directors in 2021

The Board fees were paid in cash. The Board decided in 2020 to forgo annual fee increases and made a voluntary annual fee cut by 15%, which impacted paid fees until the 2021 Annual General Meeting.

Members 1.1.–31.12.2021	Annual remuneration ¹	Board meetings	Committee meetings	Meeting compensations in total	Taxable benefits ²	Total
Jouko Karvinen (Chair)	60,255	10/10	0/0	7,800	173	68,228
Colm Barrington (Vice Chair)	31,410	10/10	7/7	12,000		43,410
Montie Brewer	29,100	10/10	7/7	13,800		42,900
Henrik Kjellberg	29,100	10/10	7/7	12,000		41,100
Jukka Erlund	31,410	10/10	7/7	10,200		41,610
Tiina Alahuhta-Kosko	29,100	10/10	10/10	12,000		41,100
Maija Strandberg	29,100	10/10	10/10	12,000		41,100
Members 17.3.–31.12.2021						
Hannele Jakosuo-Jansson	24,525	7/7	8/8	9,000		33,525
Members 1.1.–17.3.2021						
Mengmeng Du	6,375	3/3	2/2	3,000		9,375
Jaana Tuominen	6,885	3/3	2/2	3,000		9,885

¹ The annual remuneration is expressed at the annual level but paid in monthly instalments.

² 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 rule.



Paid remuneration of the CEO in 2021

The change in the CEO's base salary is mainly due to the 15% voluntary and temporary base salary cut during 2020 and to holiday bonus cut during 2021. The change in company car during 2020 increased taxable benefit value but reduced the base salary.

The 2020 and 2021 STI as well as 2018–2020, 2019–2021 and 2020–2022 LTI plans were cancelled for the CEO due to the limitations set by the Commission. Hence, there are no due short or long-term incentive payments that are made in 2021 and 2022.

The CEO and the Executive Board members are participants of the performance share plan that was launched for the CEO and the Executive Board members during 2020. The program contains a three-year performance period (7/2020–6/2023). The potential

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 the delivery. The CEO and the Executive Board members also participate in the annually commencing LTI plans starting with the 2021–2023 plan, where the potential reward would be paid in 2024.

The pandemic's impact on paid variable compensation was not yet visible in 2020 as STI payouts were based on 2019 performance and LTI payouts were based on 2017–2019 performance.

Remuneration paid, euros per year		CEO 2021 Topi Manner	CEO 2020 Topi Manner
Base salary ¹	In total, euros	735,615	724,866
Benefits ²	In total, euros	21,098	14,821
Short Term Incentives ³		Based on 2020 performance	Based on 2019 performance
	In total, euros	0	216,727
	as % of paid base salary	0%	28%
Long Term Incentives ⁴		Based on 2018–2020 performance	Based on 2017–2019 performance
	Key personnel LTI, monetary and share reward, euros	0	168,819
	Fly Share, monetary and share reward, euros	0	0
	In total, euros	0	168,819
	as % of paid base salary	0%	22%
Supplementary pensions	In total, euros	0	0
Remuneration paid in total		756,713	1,125,233

¹ Base salary includes holiday bonus.

² Benefits include company car, phone, staff tickets and possible voluntary health insurance.

³ 2020 Short Term Incentive plan was cancelled.

⁴ 2018–2020 Long Term Incentive plan was cancelled for the CEO and Executive Board members.

The contractual base salary of the CEO has not changed during 2020 and 2021. The change in paid base salary compared to 2020 is mainly due to the 15% voluntary and temporary base salary cut during 2020 and to holiday bonus cut during 2021.

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This Sustainability Appendix is integrated into the Annual Report and together they form Finnair's sustainability reporting. This appendix has been prepared in accordance with the GRI Standards: Core option and Global Compact's Communication on Progress (CoP). The report covers the parent company and all Finnish subsidiaries. The descriptions and information presented in the Annual Report provide an overview of the operations sustainability context, while this appendix provides the reader with more detailed information and figures for the reporting year. The priorities of the report are based on the materiality analysis described on GRI-table chapter 102-47 list of Material Topics.

Finnair group does not report on the operations of foreign subsidiaries, because they are deemed not to be of key significance in terms of the group's sustainability issues as minor operators. Any exceptions to this should be mentioned separately in connection with each indicator. Finnair does not report on outsourced operations, either.

The information of the report has been collected from the group's internal statistics systems and from various subcontractors. In terms of measurement and calculation methods, the GRI topic-specific accounting principles have been adhered to whenever the available data have so allowed. If some other measurement or calculation method has been used, this shall be mentioned in connection with the key figure concerned. The figures have been presented in time series when this has been appropriate and reliably possible.

There have been no significant changes in the data compared with the previous report. Small amendments have been made to provide reader with more reliable comparable data between reporting periods. 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.



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Human rights & Labour

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: Make sure that they are not complicit in human rights abuses.
Principle 4: The elimination of all forms of forced and compulsory labour;
Principle 5: The effective abolition of child labour.

Practical actions Finnair's human rights management is described in the Finnair Code of Conduct, The Supplier Code of Conduct, and the company's personnel management principles. The company aims to prevent any violations of human rights and the use of forced or child labour both within its own operations and its supply chain.

Sustainability Appendix: 102-16, 103

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Practical actions Freedom of association and the collective right to negotiate on occupational issues are recognised as fundamental rights in Finland. There is a long tradition of trade union activity in Finnair. Labour market culture in the company has been constructed in such a way that the organisation of workers and collective negotiations between Finnair and employee groups are part of normal practice. All Finnair employees have the right and opportunity to agree on terms of employment collectively.
The terms of employment of management employees are agreed on locally. Personnel and management remuneration principles are described in the Remuneration statement.

Annual Report, pages 116–120: Remuneration Statement
Sustainability Appendix: 103, 407

Principle 6: The elimination of discrimination in respect of employment and occupation.

Practical actions Equality and non-discrimination are embedded in the Finnair values, and Finnair is committed to providing its customers, personnel and partners with equal opportunities. Finnair does not discriminate based on gender, age, ethnic or national origin, nationality, language, religion, conviction, opinion, health, disability, sexual orientation or other personal attributes or circumstances.
Finnair offers everyone equal opportunities for recruitment, work performance, career progression and development. Finnair implements the equal pay principle based on the Finnish Equality Act and gives both men and women equal opportunities for balancing work and family life. The working group for equality frequently updates the Equality and non-discrimination plan published internally and externally.

Sustainability Appendix: 103, 406
Company's Equality and Non-discrimination Plan



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Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: Undertake initiatives to promote greater environmental responsibility; and
Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Practical actions Finnair's goal is to be an engaging leader in the field of environmental responsibility. Finnair strives being a pioneer in evaluating, reducing and reporting environmental impacts. Company is also committed complying with current environmental legislation, but its environmental work aims at exceeding statutory requirements.
Modern aircraft are always more fuel-efficient and silent than previous-generation aircraft, and hence Finnair's most significant environmental action has been continuous, ongoing investments in a modern fleet. Company's long-term target is to fly carbon neutral year 2045.

Sustainability Appendix: 102-1, 103, 300 series (Environmental Topics)

Anti-corruption

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

Practical actions Anti-corruption policies are outlined in Finnair's Code of Conduct and Supplier Code of Conduct as well as in the Rules for Anti-Bribery, Corporate Hospitality and Hosting of Public Officials. Receiving and giving of bribes is strictly prohibited at Finnair.
The group's Conflict of Interest Guidelines cover the identification and avoidance of conflicts of interest and related conduct.

Sustainability Appendix: 103, 205-2, 206-1

Implementation and Measurement of Outcomes

Finnair has a Whistleblowing line called Finnair Ethics Helpline in use, through which concerns for ethical business conduct can be raised. This is open for both internal and external stakeholders.
During 2021 no material incidents of material misconduct were notified through the Finnair Ethics Helpline nor were there any investigations ongoing in the company.

Annual report, pages 21–27, Non-Financial Performance
Sustainability Appendix: 102-17, 300 & 400 series (Social & Environmental topics)



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102: Organisation Profile			
102-1 Name of the organisation			
Finnair Plc			
102-2 Activities, Brands, Products and Services			
Annual Report, pages 6–8, 10–11			
102-3 Location of the Headquarters			
Tietolite 9, Vantaa, Finland			
102-4 Location of the Operations			
Annual Report, pages 6–8, 10–12			
102-5 Ownership and Legal Form			
Annual Report, pages 29–31			
102-6 Markets Served			
Annual Report, page 11			
102-7 Scale of the Organisation			
Annual Report, pages 10–17, 23–24			
102-8 Information on employees and other workers			
Annual report, pages 21–27, Non-Financial Performance			
	Number of employees	Share of females, %	Share of permanent contracts, %
Employees	5,041	57%	99%
Management	269	47%	100%
Executive Board	9	22%	100%
Board of Directors	8	38%	0%
Distribution of employee groups, %			
Employee Group	2021	2020	
	Share from total, %	Share of females, %	Share from total, %
Cabin Crew	40	90	38
Pilots	16	3	15
White Collar Employees	14	42	14
Ground services and Finnair Kitchen	9	60	11
Abroad	6	73	7
Technical Services	7	5	7
Technical Employees	2	17	3
Aviation Employees	2	81	2
Management	1	28	1
Travel Guides	1	79	1
Travel Agency Staff	1	86	1

Indicators on personnel are based on active employment relationships as at 31 December 2021 and are derived from company's HR system. The figures exclude dormant employees.

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102-9 Supply chain

A report of the organisation's supply chain can be found under the chapter 103 Management Approach.

102-10 Significant changes to the organisation and its supply chain

Annual Report, page 28

102-11 Precautionary Principle of Approach

Finnair has signed the Global Compact initiative, according to Principle 7 of which we support a precautionary approach to environmental challenges. To apply this approach, Finnair has an Environmental Policy in place and has included systematic risk assessment, management and communication in its environmental management system. All environmental objectives, targets, impacts and promotion are managed and continuously developed through Finnair's Environmental Management System (EMS).

102-12 External initiatives

- UN Global Compact
- UN Universal Declaration of Human Rights
- UN Women's Empowerment Principles
- Finnish Government's Society's Commitment 2050 (UN Agenda 2030)
- Nordic Network for Electric Aviation
- IATA's 25by25
- IATA resolution against modern slavery and human trafficking
- Diversity Charter Finland (by FIBS)
- Wildlife Transport Taskforce; Buckingham Palace Declaration
- Helsinki Declaration

102-13 Membership of associations

- Airlines for Europe (A4E)
- International Air Transport Association (IATA)
- Global Compact Finland Network
- Climate Leadership Council (CLC)
- Nordic Initiative for Sustainable Aviation (NISA)
- Finnish Business & Society (FIBS)
- Nordic CEOs for Sustainable Future



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102: Strategy

102-14 Statement from senior decision-maker

Annual Report, pages 3–4, CEO Review
Annual Report, pages 6–9, Business Model and Operational Environment

The sustainability strategy is geared at preserving the license to operate from key stakeholders and contributing to the good reputation and long-term shareholder value of Finnair. It also helps protect Finnair from the downside risk that breaches of environmental regulations, climate change, human rights abuses or governance issues, such as corruption, can bring to a company.

102-15 Key impacts, risks, and opportunities (comprehensive)

Annual Report, page 9, Value creation
Annual report, page 6, Megatrends
Annual report, pages 32–35, Risk management
Company's website: <https://investors.finnair.com/en/governance/risk-management>

102: Ethics and integrity

102-16 Values, principles, standards, and norms of behaviour

Annual report, page 9, Value creation model.

Finnair's corporate sustainability is reflected in its purpose, strategy, mission, vision and values of commitment to care, simplicity, courage and working together. Sustainability is integral to all Finnair operations, as stated in its strategy's target: Sustainable, profitable growth. The target of Finnair's sustainability strategy is to reduce the environmental impact and increase the financial and social return for society.

The Finnair Code of Conduct and Finnair Supplier Code of Conduct lay the foundation of how the company conducts its business responsibly, in all areas. The values, Codes of Conduct and policies implemented thereunder set the standard for Finnair and its employees across the jurisdictions and environments in which the company operates.

The sustainability strategy is geared at preserving the license to operate from key stakeholders and contributing to the good reputation and long-term shareholder value of Finnair. It also helps protect Finnair from the downside risk that breaches of environmental regulations, climate change, human rights abuses or governance issues, such as corruption, can bring to a company.

The key areas of the strategy fall under the following themes: Environment, Social and Economic. Finnair is committed to complying with international and national legislation in its operations and the ethical business principles laid out in the Code of Conduct, as well as continuously developing its sustainability performance. The most significant environmental aspects are the combustion of fuel, aircraft noise, energy usage in corporate facilities and waste generation. The most important social responsibility areas concern safety, personnel and customers, as well as ethical business conduct and responsible sourcing.

Finnair respects the UN Universal Declaration on Human Rights and the core conventions of the International Labour Organization (ILO). Finnair has also signed the United Nations Global Compact initiative and as required by the Global Compact principles, the company aims to prevent any violations of human rights and the use of forced or child labour both within its own operations and its supply chain. Finnair has been reporting on its corporate responsibility pursuant to the GRI G4 reporting guidelines since 2015 and from 2018 have followed the GRI standard framework.

102-17 Mechanisms for advice and concerns about ethics (comprehensive)

Finnair conducts its business in a responsible way and in accordance with its Code of Conduct. In order to protect the company and our business, all employees with knowledge of suspected violations of the law, misconduct or fraudulent or unethical conduct in violation of the Code of Conduct are encouraged to raise the concern and report it in accordance with the reporting procedures provided. Primarily, all employees are encouraged to raise concerns and report possible violations through normal reporting procedures. Supporting this, Finnair has a Whistleblowing line called Finnair Ethics Helpline in use, through which concerns for ethical business conduct can be raised. This is open for both internal and external stakeholders. All reports through the Ethics Helpline are received and handled directly by the Compliance function.

The identity, or anonymity as the case may be, of the person raising concerns will be protected and Finnair has a strict policy of non-retaliation against anyone raising a concern in good faith. Third party that hosts Ethics Helpline will never disclose voice-files, IP addresses or phone numbers, unless authorities are involved. The right of non-retaliation is guaranteed under the Finnair Code of Conduct and violation of this right will not be tolerated. Filing a report will not, however, automatically result in immunity for misconduct.



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102: Governance

102-18 Governance structure

Finnair's management system is aimed at achieving strategic goals, creating added value for the company's owners and other stakeholders, managing operational risks and improving the company's performance.

A detailed description of Finnair governance model can be found from Company internet pages: <https://investors.finnair.com/en/governance>

102-19 Delegating Authority (comprehensive)

Annual Report, pages 98–99, Governing bodies

The company management structure can be viewed on the Company's website: <https://investors.finnair.com/en/governance/company-management>

102-20 Executive-level Responsibility for Economic, Environmental and Social Topics (comprehensive)

The executive-level responsibilities and reporting structure can be viewed on the company's website: <https://investors.finnair.com/en/governance>

102-30 Effectiveness of risk management processes

The internal control and risk management system at Finnair - corporate-wide coverage, hence 100% of operations - is the following:

Finnair's Internal Control Framework is the defined set and structure of the company's internal policies, rules, procedures and key controls, including those in place in the area of sustainability. 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 Finnair Internal Control Framework covers the whole Finnair group, and thus all operations. 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.

102: Stakeholder engagement

102-40 List of stakeholder groups

Stakeholder groups are listed in a table presented in 102-43; approach to stakeholder engagement.

102-41 Collective bargaining agreements

Annual Report, pages 21–27, Non-Financial Performance

Employees can agree on their terms of employment through collective bargaining in countries in which that is the local practice. Finnair does not limit its employees' rights to participate in trade union activities. Senior management constitutes an exception to this, as its terms of employment are agreed on locally or individually.

102-42 Identifying and selecting stakeholders

An open and transparent dialogue with various stakeholder groups provides the basis for an active stakeholder identification and responding process. We pro-actively provide and gather information through social media, print, and other forms of communication medias.



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102-43 Approach to stakeholder engagement		
Stakeholder Group	Topics	Channels
Customers	Safety, Travel experience, customer service issues, product quality, on-time performance, emissions and noise reduction, recycling, responsible sourcing, responsible tourism, corporate responsibility projects via Finnair Plus.	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 inflight magazine, In-flight Entertainment system (IFE).
Personnel	Occupational health and wellbeing at work, target setting, Code of Conduct and ethical issues, safety and security, changes to improve profitability, values and business practices, increasing trust, reducing environmental impact on the job, corporate responsibility in partnerships, changes affecting personnel.	Intranet, internal blogs, theme weeks, Yammer, personnel events, WeTogether@Finnair- Wellbeing at Work -survey, occupational health services, performance evaluation and development planning, discussions with labour organisations, Leadership forum.
Shareholders and investors	Market environment and competitive landscape, the company's operations, corporate responsibility, goals, 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.
Aviation sector	Safety, emissions and noise reduction, emissions reduction 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 oneworld alliance; Joint Businesses; cooperation with Finnavia 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	Greenhouse gas 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	Greenhouse gas emissions and environmental impact reduction, common interest projects for sustainability and development cooperation, supply chain responsibility.	Finnair website, social media, customer events.
Suppliers	Cooperation efforts to reduce emissions and other environmental impacts, monitoring of responsibility and business ethics everywhere in the value chain.	Contractual cooperation, Finnair procurement guidelines and Supplier Code of Conduct.
Media	Company strategy and business, Finnair products and network, daily operations irregularities, investments, emissions reduction, personnel relations, financial sustainability, economic contribution of aviation, 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 magazine.
General public	Customer service, product quality, labour relations, economic contribution of aviation, ethics, emissions reduction, presence in local economies, cooperation projects with NGOs, corporate citizenship.	Communications via media, websites, email and lectures; social media including blogs, Facebook, Twitter and Sina Weibo.
102-44 Key topics and concerns raised		
Key Topics of the stakeholder groups are listed in a table presented in 102-43; approach to stakeholder engagement		



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102: Reporting practice

102-45 Entities included in the consolidated financial statements

Annual report, pages 79–80, Consolidation

102-46 Defining report content and topic Boundaries

Finnair has performed materiality analysis to identify the key economic, environmental and social values and impacts in Finnair's value chain as well as impacts on business and stakeholder decision making. The materiality analysis issues have been identified through an analysis of industry trends, legislation, sustainability reporting guidelines, the reporting of peer companies and issues highlighted by various stakeholders. Priorities have been given for the identified sustainability topics based on their business impact and stakeholder interest. The material topics defined, as a result of the materiality analysis, have been grouped under four themes and have been used as the basis for 2021 reporting. Finnair's sustainability focus areas, material topics, and related GRI standards and boundaries can be found in the table below (102-47).

102-47 List of material topics

Focus area	Material topics	GRI topics	Topic boundaries
Ethical business and responsible sourcing			
Ethical business and responsible sourcing	Code of Conduct	Ethics and integrity	Finnair's own operations, partners and supply chain
	Anti-corruption and bribery	Environmental compliance	
	Compliance with anti-competition regulations	Socioeconomic compliance	
	Supply chain sustainability	Anti-corruption	
		Anti-competitive behaviour	
		Supplier social assessment	
	Human rights assessment		
Environmental			
Energy	Fuel efficiency	Energy intensity	Finnair's own operations, supply chain, indirect impacts on greenhouse gas emissions and biodiversity
Noise	Flight noise		
Protection of the natural environment	Biodiversity	Biodiversity	
Emissions	Climate change mitigation	GHG Emissions (Scope 1,2 and 3), Reduction of GHG emissions	
	Renewable fuels		
	Offsetting		
Waste	Reusing products	Effluents and waste	
	Reducing waste		
	Reducing disposable plastics		
	Recycling of materials		



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Focus area	Material topics	GRI topics	Topic boundaries
Social			
Caring for our employees	Employee experience	Employment	Finnair's own operations
	Employee brand image	Labour/management relations	
	Employee well-being	Occupational health and safety	
	Working conditions	Training and education	
	Equality	Diversity and equal opportunity	
Respecting our customers	Flight safety	Human rights assessment	Finnair's own operations and customers
	Customer experience	Stakeholder engagement	
	Equality	Customer health and safety	
	Responsible use of customer data	Marketing and labelling	
		Customer privacy	
Stakeholders		Human rights assessment	Finnair's own operations, society and local communities
		Stakeholder engagement	
Public policy		Public policy	Finnair's own operations, society and local communities
Economic			
Economic impact	Economic responsibility	Economic performance	Finnair's own operations, society and local communities
		Indirect economic impacts	

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102-48 Restatements of information

In 2021 there restatements have been made to the 2020 figures concerning the facilities' energy consumption and emissions. More detailed information on these minor changes are provided under the sections on the indicator in question.

102-49 Changes in reporting

There has been no significant changes in the material topics in year 2021.

102-50 Reporting period

1 January – 31 December 2021

102-51 Date of most recent report

February 2021

102-52 Reporting cycle

Annually

102-53 Contact point for questions regarding the report

Finnair strategy, Finnair Plc, Tietolä 9, 01053,
e-mail: Finnair.comms(at)finnair.com

102-54 Claims of reporting in accordance with the GRI Standards

This sustainability appendix has been prepared in accordance with the GRI Standards: Core option

102-55 GRI content index

The easy-to-navigate index of this GRI appendix content is implemented with a table of contents in the left margin.

102-56 External assurance

Sustainability Appendix, pages 154–155



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103: Management approach

- 103-1 Explanation of the material topic and its Boundary
- 103-2 The management approach and its components
- 103-3 Evaluation of the management approach

Company management system at Company Internet pages: <https://investors.finnair.com/en/governance/company-management>
Annual report, pages 6–9; Business model and operational environment
Annual report, pages 32–35; Strategy
Annual report, pages 21–27; Non-Financial Performance

General Management Principles

Company Internet pages: <https://investors.finnair.com/en/governance/company-management>

Sustainability Management

Finnair's purpose is to create value for all its stakeholders by bridging the world in a sustainable and safe manner. Finnair's standpoint in sustainability is reflected in its purpose, strategy, mission and values. Sustainability is integral to all Finnair operations. Finnair sustainability strategy's target is to reduce the environmental impact and increase the financial and social return for society. The material topics of sustainability fall under the following themes: Ethical business, Social, Economic and Environment. Sustainability at Finnair concerns everyone and we strive to incorporate the sustainability topics equally in all our processes and product design.

ETHICAL BUSINESS

Human Rights and Code of Conduct

Finnair is committed to comply with international and national legislation in its operations, as well as the ethical business principles laid out in the Code of Conduct and 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 provide clear principles to ensure e.g. ethical purchasing and zero-tolerance for corruption. The company requires that its suppliers comply with ethical standards that are essentially similar to those that Finnair complies with in its own operations. Finnair is working to further integrate sustainability and ethical business conduct into all business processes. Finnair's Code of Conduct includes an anti-corruption section according to which 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.

Finnair respects the UN Universal Declaration on Human Rights and the core conventions of the International Labour Organization (ILO). The company has signed the United Nations Global Compact initiative and as required by the Global Compact principles, the company aims to prevent any violations of human rights and the use of forced or child labour both within its own operations and its supply chain.

Public affairs and lobbying

Aviation is a strictly regulated industry. Therefore, it is important for Finnair to participate in discussions and decision-making regarding its operating conditions. It is part of the company's growth strategy to aim towards securing adequate traffic rights. Finnair pursues its interests in an ethically sustainable manner by appropriately introducing its views, perspectives and expertise. The company does not pressurise or support political decision-makers in any way in pursuing its interests. The legality and ethicality of lobbying activities is controlled as part of the company's general supervision and audit processes. The aim of Finnair's lobbying activities is to maintain relationships concerning relevant policy and to participate in relevant negotiations and the operations of advocacy organisations. When lobbying on various civil aviation and industry regulation issues, Finnair typically cooperates with various organisations and chambers of commerce. Finnair is an active member of various aviation industry organisations, such as A4E and IATA, but also in the Confederation of Finnish Industries (EK), and its sub-associations and in several chambers of commerce.



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Communications

Finnair aims at open, honest and timely communications. In line with these principles, Finnair's communications are also in compliance with regulations governing listed companies and limited liability companies, as well as the obligations of the Finnish Act on Cooperation within Undertakings and the communications guidelines of the State Ownership Steering Department.

Finnair takes different perspectives into consideration and respects all stakeholders' views of its operations. Finnair's internal communications are based on reciprocity. Every employee has the duty to communicate matters related to their area of responsibility to the relevant target groups. Those in supervisory roles have a further duty to communicate goals, operations and results to their own work community and create a work environment that enables genuine constructive discussion. The company systematically develops its communication channels to enable more efficient communications and to facilitate constructive discussion.

Ethics Helpline

Finnair has a Whistleblowing line called Finnair Ethics Helpline in use, through which concerns for ethical business conduct can be raised. This is open for both internal and external stakeholders. During 2021 no material incidents of material misconduct were notified through the Ethics Helpline nor were there any investigations on-going in the company.

ECONOMIC RESPONSIBILITY

Finnair has substantial direct and indirect financial implications on Finland's national and local economies. Aviation is a significant industry for Finnish society and the national economy. The accessibility created by airline traffic is a necessity for Finland's global competitiveness and its economic impact is considerable; aviation is estimated to account for 3.5-4 per cent of GDP, employment and tax revenue.

Finnair's objective is to create sustainable economic added value by producing flight services profitably, cost-competitively and in harmony with the needs of the environment and society. Sustainable operations are the cornerstone of profitable business activity, and Finnair considers the effects of its operations on society.

Finnair's Board of Directors set the company's financial targets which are provided with 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 dividend policy. Finnair's financial reporting aims to transparently provide information about Finnair's financial position and development.

In financial reporting, Finnair applies the rules relating to listed companies as well as international financial reporting standards. Most of Finnair's operational activities are based on the official regulations and are subject to official supervision. Within the group, the legality and acceptability of operations is monitored as part of Finnair's general control and audit processes.

ENVIRONMENTAL RESPONSIBILITY

Finnair's goal is to be an engaging leader in the field of environmental responsibility. Finnair's environmental responsibility management is based on the principle of continuous and systematic improvement. The company has identified the key environmental aspects of its operations, their impacts, risks and opportunities involved, and set targets related to them. Finnair shall enforce circular economy principals and pollution prevention hierarchy in its functions; prevent, reduce, reuse, control. Finnair Group is committed to the airline industry's common goal of carbon neutral growth from 2020 onwards, to halve the carbon net emissions by 2025 compared to the 2019 level, and fly carbon neutral by the end 2045. Finnair strives being a pioneer in evaluating, reducing and reporting environmental impacts. Company is also committed complying with current environmental legislation, but its environmental work aims at exceeding statutory requirements.

The biggest environmental impact of an airline is its aircraft engine air emissions. Another easily observed impact is aircraft noise at the areas surrounding airports. Other material environmental impacts arise from common company operations, including different waste streams and corporate buildings' energy consumption. Finnair considers environmental aspects and impacts in all its flight and ground operations. In addition to solutions around energy use that reduce the environmental impact, Finnair's environmental strategy includes also the implementation of circular economy principals and the preservation and promotion of natural diversity, known as biodiversity thinking.



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Finnair participates actively in civil aviation environmental committees as well as in industry workgroups in Finland and the Nordic countries, promoting the reduction of the aviation sector's environmental load. An open dialogue with different stakeholders, continuous development of operations according to the latest available information and being active in implementing new technologies are the prerequisites for environmental responsibility.

Finnair report on environmental impacts regularly as part of the annual reporting and as a part of the Carbon Disclosure Project (CDP). Company also communicate directly with various parties about its operations and gladly answers any questions arising from its stakeholders.

All the above-mentioned environmental objectives, targets, impacts and promotion are managed and continuously developed through Finnair's Environmental Management System (EMS). The system complies with IATA Environmental Assessment Program (iEnvA) Stage 2 and ISO 14001. iEnvA is an environmental management system developed by IATA specifically for airlines, which helps the company to make use of the best practices in the industry.

SOCIAL RESPONSIBILITY

Finnair's operations is by nature very diverse and in many ways highly technical. Company organisation and partners are present in dozens of countries around the globe and are subject to a wide range of laws and regulations. The core areas of the company's social responsibility include safety, care for our employees and customers, and supply chain management.

Safety

Safety is at the core of all Finnair's operations. Flight safety and giving priority to it are part of all decision-making at every stage. Finnair has implemented a Safety Management System (SMS) through which it continuously develops the safety performance of the operations. It covers all aspects of flight safety: policy, risk management, training and communications for the entire personnel and subcontractor chain, continuous compliance evaluation of operations and the assessment of the potential impact of new factors in the operating environment. Official regulations and standards set the minimum standards for Finnair's safety management, which the company aims to exceed in all areas.

One of the central elements in Finnair's safety system is the safety reporting concerning the entire staff. The company encourages its personnel and subcontractors to actively report any events they come across that could potentially compromise safety. Each report is analysed, classified and assessed for risk, followed by necessary corrective or preventive actions. The person submitting the report will be notified of the outcome of the investigation. Alongside subjective observations, Finnair extensively monitors and analyses objective indicators, such as flight data. Ongoing monitoring and analysis enable a transparent risk level in all areas, which in turn enables prompt action on any indication of altered safety level.

Events that seriously jeopardise safety are extremely rare and almost without exception an impartial safety investigation is launched on each such event. Serious incident investigations are coordinated by public officials (Safety Investigation Authority) or, if the authorities elect not to investigate the event, Finnair will conduct its own internal safety investigation. The safety investigators always carry out the investigation independently and the company's management has no opportunity to influence the investigation outcome.

A strong safety culture, objective monitoring of the company's own operations, continuous development and implementing improving measures as well as open dialogue with the authorities guarantee safe and high-quality airline operations.

Personnel Experience

A core part of Finnair's social responsibility involves taking care of its employees and their working conditions. Finnair personnel management policies cover all aspects of social responsibility that have been identified as material. The impacts affecting the personnel and the working conditions are managed as based on the respective national regulations, Finnair values, guidelines and policies.

Finnair does not discriminate based on gender, age, ethnic or national origin, nationality, language, religion, conviction, opinion, health, disability, sexual orientation or other personal attributes or circumstances. Finnair does not condone harassment in the work community. Reporting infractions is employee's basic right and the company is determined to take steps to intervene in all cases brought to its knowledge. Every employee is responsible for acting in a way no one is accorded unequal status.



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Finnair offers equal opportunities to everyone with regard to recruitment, work performance, career progression and development. Finnair implements the equal pay principle based on the Finnish Equality Act and gives both men and women equal opportunities for balancing work and family life. In 2011, Finnair signed the United Nations Women's Empowerment Principles, which give guidance on the empowerment of women in the workplace, marketplace and community. Year 2019 Finnair signed on an aviation initiative 25by2025, pledging that by 2025 we will have either 25% or women in all work groups or a 25% improvement in the gender equality.

Finnair complies with procedures jointly agreed by the employer and employees for the prevention of harassment, inappropriate conduct, and conflicts. Finnair has also promoted the prevention culture and processes of easily accessible services. The procedures are based on the Finnish Act on Occupational Safety and Health and complies with the model recommended by the Finnish Ministry of Social Affairs and Health.

Leadership and competencies are developed on an individual, team, unit and organisation level. Learning and development solutions are typically either adopted by the entire personnel or tailored for specific development needs within a unit. They may also be aimed at developing professional skills, based on official requirements or in support of personal development. Development needs in teams and the organisation are identified and the wellbeing and commitment of the personnel are regularly monitored through a personnel survey.

Finnair has employee wellbeing high on the agenda. Company's People & Culture roadmap covers all the aspects of employee wellbeing: Leadership and Management, People development, Strategic resource management, Compensation and Benefits and driving Workability. In workability area sick leave development and means to improve early pensions due to workability reasons have been top on the agenda and Occupational health and safety has kept on building even more safe working environments at all Finnair locations.

At Finnair, the Finnair Health Services unit is responsible for the implementation of occupational health care services. Finnair Health Services focus on preventive care. The model of early caring and the occupational ability risk management system provide two examples of preventive health care guidelines. The operational and service quality of Finnair Health Services is based on the European Foundation for Quality Management's EFQM Excellence Model. The quality system is used to ensure that Finnair Health Services meets the requirements for good occupational health care practice in both aviation health care and aviation medicine services.

Freedom of association and the collective right to negotiate on occupational issues are recognised as fundamental rights in Finland. There is a long tradition of trade union activity in the company. Labour market culture in the company has been constructed in such a way that the organisation of workers and collective negotiations between the company and employee groups are part of normal practice. All Finnair employees have the right and opportunity to agree on terms of employment collectively. The terms of employment of management employees are agreed on locally. Personnel and management remuneration principles are described Remuneration statement.

Customer Experience

Finnair is committed in transporting customers, their baggage and cargo to appointed destinations safely, smoothly and punctually. The most material product responsibility aspects in the Finnair Group operations are flight safety, health safety, on-time-performance, food safety, responsibility for individual customers, and responsibility for the cargo carried. The aviation industry consists of regulated value chains comprised of multiple suppliers of products and services. As an airline and service company at the top of this value chain, Finnair creates added value for the customers by providing them with a variety of product and service choices together with its partners.

Customers must be able to trust in the fact that they will be cared for throughout the entire service chain. Finnair has the responsibility for the customers' overall quality experience, although some services are produced by its partners rather than the company itself. Therefore, Finnair pays increased attention to the selection of its partners and they are required to comply with Finnair's quality assurance policies and ethical guidelines. Monitoring and supervision of customer service is based on regular auditing, customer feedback and customer satisfaction surveys, as well as external measurements. Finnair's partners' operations are also continually evaluated. Monitoring is systematic and is based on set targets and evaluating performance. Finnair continuously develop these processes and assess the possibilities to use new technologies to improve the customer experience and operational efficiency. At Finnair, situations that deviate from the norm are prepared for in advance. The group has developed processes for various unexpected situations, and they are continually updated and maintained. Flight traffic irregularities are handled with care, and efforts are made to minimise inconvenience to the customer. Finnair has recently invested in new tools to both serve the customers better and perform the operations in a more optimized way.



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Finnair respects the privacy of its customers and is committed to ensuring that personal details and other customer information are processed appropriately. Finnair has implemented the requirements of the EU's General Data Protection Regulation (GDPR) in all its business processes. Company do all its best to guarantee the confidentiality, security and accuracy of customer data under all circumstances. Company processes personal details at all stages of travel in compliance with the legislation on personal data and regulations issued by the authorities in the countries in which we operate.

Finnair Kitchen is responsible for food- and product-safety for all Finnair inflight services. Quality and safety of the catering operations are covered by Finnair Kitchen Quality Management System. Official regulations and industry standards set the minimum requirements, which the company aims to exceed in all areas.

Finnair's Ground Operations unit is responsible for the acquisition, quality criteria and quality control of ground handling services required at airports. The unit's task is to ensure that the ground services used by Finnair fulfil the requirements set for them, both in terms of quality and with respect of safety and official regulations.

To deliver on their service promises, Finnair Cargo, Kitchen and Ground Operations unit apply a systematic evaluation process to select subcontractors and partners. Partners are required, for example, to ensure and maintain the competency of their personnel, and to ensure that vehicles, equipment and premises are appropriate. In addition to quality audits, Finnair regularly performs quality inspections to continuously monitor both its own and subcontractors' work. Finnair Cargo and Ground Operations are responsible for maintaining and updating their own quality systems and ensuring that operations comply with the requirements.

Supply Chain

The sustainability of the supply chain is very important for the airline as Finnair uses partners and service providers to an increasing degree as it expands its international route network. As provided in Finnair's Code of Conduct, its procurement operations are based on the fair treatment of suppliers. Finnair has its own ethical guidelines for suppliers, the Finnair's Supplier Code of Conduct, and expects all suppliers and partners to comply with the Supplier Code or essentially similar ethical standards. All partners and subcontractors, moreover, are obliged to comply with the principles of the UN Universal Declaration of Human Rights as well as local legislation. Finnair's Responsible Sourcing Manual complements the Supplier Code of Conduct as internal instructions for implementation.

The persons making sourcing decisions must always stay independent in relation with business partners concerned. Finnair employee must declare themselves disqualified due to bias whenever they are required to make a decision pertaining to a contract or business relationship involving family relationships, ownership in the company concerned (with the exception of a reasonable share of ownership in a listed company), or any other business or debt relationship external to Finnair. Finnair does not accept corruption in any form and requires that its personnel and partners comply with the principles of the UN's Universal Declaration of Human Rights. Finnair has a process and guidelines for continuously improving the sustainability of supply chain and for handling possible non-compliances. Company aspires to continuously develop practices ensuring negative sustainability impacts can be mitigated and responsible sourcing is favoured.

Finnair's Executive Board group is responsible for the steering of the group's procurement activity. The management of the Procurement unit has the duty to ensure that the personnel carrying out purchasing has access to valid purchasing guidelines and that the guidelines are observed. Audits are performed in certain product and service groups and especially among strategic and key suppliers. Auditing focuses on quality and safety factors.

Finnair is aware of the risks related to environment and human rights in geographical and industry-specific areas and aims at continuous improvement of preventive actions. The dialogue with the suppliers is continuous via themed supplier events.



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201: Economic Performance				
201H Direct economic value generated and distributed				
EUR mill.	2021	2020	2019	2018
Direct economic value generated				
Revenue	838.4	829.2	3,097.7	2,836.1
Other operating income	39.2	48.4	56.4	73.7
Sales gains and losses on aircraft and other transactions	5.6	0.8	0.2	42.7
Financial income	12.8	38.7	3.3	-2.2
Total	896.0	917.2	3,157.6	2,950.3
Economic value distributed				
Materials, services and other operating expenses	787.7	831.8	2,128.3	1,899.3
Staff costs	223.0	158.6	530.9	494.7
Payments made to shareholders and loan providers	160.8	247.2	120.1	181.0
Dividend	0.0	0.0	35.0	38.4
Hybrid bond interests and expenses	20.5	18.5	15.8	15.8
Financial expenses	140.3	228.6	69.4	126.8
Payments to governments	7.1	8.7	18.0	19.2
Donations and other charitable payments	0.0	0.0	0.0	0.0
Total	1,178.6	1,246.3	2,797.3	2,594.2
Economic value retained for operational development				
Investments in tangible and intangible assets and acquisitions of subsidiaries	434.5	515.9	443.8	474.0
Comparable operating result	-468.9	-595.3	162.8	218.4
Return on capital employed (ROCE), %	-13.9	-15.2	6.3	9.3

Figures on economic responsibility are mainly derived from the financial statements and collected from company's reporting system.

201-2 Financial implications and other risks and opportunities due to climate change

Annual report, pages 32–35, Risk management

Company Internet -pages: <https://investors.finnair.com/en/governance/risk-management>

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 has identified and assessed various short- (1-2 years) and mid-term (3-5 years) climate-related risks and opportunities against IEA WEO 450 and IPCC RCP4.5 scenarios. In brief, Finnair prepare for jet fuel price increase, advocate on global or regional sustainability charges instead of national ones and upkeeps active dialogues between different stakeholders to secure the reputation and basic need of the aviation industry.



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201: Economic Performance

201-4 Financial assistance received from government

The Finnish Government does not support Finnair's operations financially.

Public subsidies consist of subsidies received for training and they are primarily related to the aviation training services provided by Finnair. The Finnair Aviation College, founded in 1964, is a special vocational educational establishment maintained by Finnair Plc, which operates as a special educational establishment under the Act on Vocational Adult Education (631/1998). The reported public subsidies do not include subsidies paid to the airline business by the authorities in various countries, as they are considered business secrets.

	2021	2020	2019
Public subsidies received	31*	4.4**	1.3

* 2.5 million euros relate to COVID-19 subsidies.

** 3.3 million euros relate to COVID-19 subsidies.

Figures are derived from the financial statements.

203: Indirect economic impacts

203-2 Significant indirect economic impacts

Finnair's sustainable growth and current route network utilising Helsinki Hub's geographical position 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.

Blue Wings: Why travel is essential for Finland (<https://www.finnair.com/it-en/bluewings/travel-experience/why-travel-is-essential-for-finland-2167526>)

205: Anti-corruption

205-1 Operations assessed for risks related to corruption

During 2021, no incidents of corruption were notified through Finnair Ethics Helpline, available to both internal and external stakeholders, nor were there any material investigations on-going in the company.

205-2 Communication and training about anti-corruption policies and procedures

Finnair's Code of Conduct includes an anti-corruption section, and the receiving and giving of bribes is strictly prohibited. During 2021, Finnair continued to train its employees on Finnair's Code of Conduct, and all new employees receive the mandatory e-learning module on the Code of Conduct.

205-3 Confirmed incidents of corruption and actions taken

No incidents of corruption were reported in 2021.

206: Anti-competitive behaviour

206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

No incidents identified.



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207: Tax

207-1 Approach to tax

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.

207-2 Tax governance, control, and risk management

High-quality tax returns and reports are essential to Finnair and, as a result, the company prepares tax returns carefully and submits them on time. Finnair also discusses openly with tax authorities. 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.

207-3 Stakeholder engagement and management of concerns related to tax

No incidents

207-4 Country-by-country reporting

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 in the tables below.

Finnair Group's only foreign operative subsidiary is located in Estonia, where income tax is due in connection with distribution of dividends. Specification for foreign subsidiaries' external revenue, result before taxes, income tax payable and number of personnel is presented in the adjacent chart.

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. Specification of taxes paid and collected in other countries is presented in the table below.

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 706 million euros. The estimated amount of confirmed tax losses from 2021 is 376 million euros and thus, the total estimated tax losses are approximately 1,082 million euros. The confirmed tax losses can be utilised 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 51 in Finnair's consolidated financial statements.

The most significant indirect taxes collected during the financial year are withholding tax liabilities and value added tax.

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 2021 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 outside Finland in 2021 has been less than 0.1 million euros and, hence, this information is not presented on a country-by-country basis.



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Finnair's operations in Finland and in other countries	2021				2020			
	Finland*	Estonia**	Other countries	Total	Finland*	Estonia	Other countries	Total
Revenue, EUR million	838.5	-0.1	-	838.4	829.0	0.2	0.0	829.2
Result before taxes, EUR million	-582.1	0.2	-	-581.9	-654.6	0.3	0.0	-654.4
Number of personnel	5,152	172	290	5,614	5,982	217	374	6,573

* Internal revenue has been eliminated.

** Negative revenue is due to a subsidiary being liquidated in Estonia which caused expenses that have been recorded as an adjustment to revenue.

Direct taxes payable, EUR million	2021			2020		
	Finland	Other countries	Total	Finland	Other countries	Total
Employer contributions	3.8	1.5	5.3	4.7	2.3	7.0
Property taxes	0.8	0.0	0.8	0.7	0.0	0.7
Other taxes	1.0	0.0	1.0	0.9	0.0	1.0
Public subsidies received*	-1.6	-1.5	-3.1	-1.9	-2.5	-4.4
Taxes included in direct operating expenses and subsidies in total	3.9	0.1	4.0	4.5	-0.2	4.3
Income taxes payable	0.0	0.0	0.0	0.0	0.0	0.0
Total direct taxes payable	3.9	0.1	4.0	4.5	-0.2	4.3

* 2.5 million euros of public subsidies received 2021 were COVID-19 related.

Indirect taxes collected for the financial year, EUR million	2021			2020		
	Finland	Other countries	Total	Finland	Other countries	Total
Value added taxes, sales	45.9	1.2	47.1	63.1	0.1	63.2
Value added taxes, purchases	62.1	2.1	64.2	84.8	2.6	87.3
Value added taxes, net	-16.2	-0.9	-17.1	-21.7	-2.5	-24.2
Withholding taxes on wages and salaries and other indirect taxes	51.6	1.3	53.0	64.8	2.0	66.8
Excise taxes	0.0	0.0	0.0	0.1	0.0	0.1
Total	35.4	0.4	35.9	43.2	-0.5	42.8



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2021 Country specification, EUR million	Employer contributions	Value added taxes, sales	Value added taxes, purchases	Value added taxes, net	Withholding taxes on wages and salaries	Total
Countries						
Estonia	0.8	0.2	0.2	-0.1	0.0	0.7
China	0.2	0.0	0.0	0.0	0.2	0.4
Japan	0.2	0.4	0.6	-0.2	0.3	0.2
USA	0.0	0.0	0.0	0.0	0.1	0.2
Spain	0.0	0.0	0.0	0.0	0.1	0.1
Germany	0.0	0.0	0.0	0.0	0.1	0.1
Belgium	0.0	0.0	0.0	0.0	0.1	0.1
UK	0.0	0.0	0.0	0.0	0.1	0.1
South Korea	0.1	0.1	0.1	0.0	0.0	0.1
Sweden	0.1	0.1	0.1	-0.1	0.1	0.1
Italy	0.0	0.0	0.0	0.0	0.1	0.0
Poland	0.0	0.0	0.1	0.0	0.0	0.0
Norway	0.0	0.0	0.1	-0.1	0.0	-0.1
Thailand	0.0	0.3	0.7	-0.4	0.0	-0.3
Areas						
Other European countries*	0.1	0.1	0.1	0.0	0.1	0.2
Rest of the world**	0.0	0.1	0.1	0.0	0.1	0.0
Total	1.5	1.2	2.1	-0.9	1.3	2.0

* Austria, Czech Republic, Denmark, France, Greece, Hungary, Ireland, Latvia, Lithuania, Portugal, Slovenia, Switzerland.

** Australia, Canada, India, Singapore, Russia.

Figures on economic responsibility are mainly derived from the financial statements. Other information with respect to economic responsibility is derived from the group's various operators.



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302: Energy						
Energy consumption and GHG emissions						
For the detailed descriptions see: 302-1, 305-1, 305-2, and 305-3						
Direct Energy use and GHG Emissions (Scope 1)	2021			2020		
	Consumed Mass, tons	Energy use, GJ	CO ₂ Emissions, tons	Consumed Mass, tons	Energy use, GJ	CO ₂ Emissions, tons
Fossil Jet Fuel	364,096	15,987,466	1,147,903	365,492	15,643,051	1,151,299
Ground vehicle Fuel	229	9,357	732	69	2,836	218
Solar Power (Renewable)	-	1,079	0	-	1,003	0
Renewable Jet Fuel ¹⁾	382	16,813	0	0	0	0
Renewable Ground Fuel ¹⁾	37	1,570	0	26	1,119	0
Total	364,744	16,016,285	1,147,635	365,587	15,648,009	1,151,517
Indirect energy use and GHG Emissions (Scope 2)						
Electricity ²⁾	-	76,068	-	-	76,533	-
Market-based emissions ³⁾	-	-	4,902	-	-	4,932
Location-based emissions ³⁾	-	-	2,768	-	-	2,998
Heat ²⁾	-	87,255	-	-	66,929	-
Market-based emissions ³⁾	-	-	3,236	-	-	2,482
Location-based emissions ³⁾	-	-	3,587	-	-	2,863
Total	0	163,323	8,138	0	143,463	7,414
Other Indirect GHG Emissions (Scope 3)						
Fossil fuel transportation & production	-	-	254,264	-	-	255,197
Renewable fuel transportation & production	-	-	334	-	-	9
Business Travel	-	-	52	-	-	109
Total	0	0	254,650	0	0	255,315
Grand Total	364,744	16,179,608	1,410,424	365,587	15,791,472	1,414,246

¹⁾ Biogenic CO₂ emissions are reported in the separate table below.

²⁾ From district heat 30% and electricity 8% come from renewable sources (in addition 52% is nuclear). The figures have been received from the energy providers.

³⁾ The 2021 emissions have been calculated with 2020 emission factor. Respectively, the 2020 figures have been amended with correct factor used. See the figures used from the chapter 305-2.



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302: Energy						
Biogenic CO ₂ LCA-emissions	2021			2020		
	Consumed Mass, tons	LCA Emissions, tons*	CO ₂ Emission Reductions, tons**	Consumed Mass, tons	LCA Emissions, tons	CO ₂ Emission Reductions, tons
Sustainable Aviation Fuel, Finnair purchases	72	33	247	0	0	0
Sustainable Aviation Fuel, Customer purchases	310	305	909	0	0	0
Renewable Ground Fuel, Finnair purchases	37	12	130	26	9	92
GROSS Total	419	350	1,286	26	9	92

* The fuel life cycle analysis (LCA) emissions have been calculated on the batch-based LCA-figures received from the fuel producers.

** CO₂ emission reductions have been calculated against the fossil fuel LCA comparator.

302-1 Energy consumption within the organisation

Annual report, pages 21–27, Non-Financial Performance.

For the figures see: GRI Appendix 302, Energy

Finnair's primary energy consumption consists of the use of transport fuels. Aviation is very energy-intensive, and Finnair's largest environmental load arises from flying and particularly from the use of fossil jet fuel. Finnair's total jet fuel consumption comprises flights operated by Finnair itself, flights operated by Norra on Finnair's behalf, as well as so-called wet-lease flights leased on a short-term basis from other operators due to lack of fleet or crew. In addition, jet fuel is consumed on transfer and training flights, as well as on test runs.

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) No 601/2012).

The used 'Method A' formula: Fuel consumption for each flight = Amount of fuel contained in aircraft tanks once fuel uplift for the flight is complete – Amount of fuel contained in aircraft tanks once fuel uplift for subsequent flight is complete + Fuel uplift for that subsequent flight. This method is used in order to capture the fuel consumption by the aircraft's auxiliary power unit (APU) on the ground also. Where the Method A cannot be used, estimated average fuel burn per block hour per aircraft type is used. For wet-leased flights fuel burn has been requested from wet-lessor. If not received, respective fuel burn has been calculated by aircraft manufacturer specifications or lessor's information on aircraft type fuel burn per block hour. Data gaps and erroneous data have been handled using substitution data as close to actual values as possible.

Ground vehicles' fuel consumption figures have been derived from the company's own fuel filling station. The densities reported by different fuel vendor(s) have been used for different fuel qualities. Where technical data sheets for fuels used in ground vehicles (biodiesel, petrol, fuel oil, diesel) have not been available from the manufacturer, UK Government Conversion Factors for greenhouse gas (GHG) reporting 2021 have been used. Solar power production figures have been received from the facility's inverters.

Organisations' indirect energy consumption includes those corporate facilities where company's own operations take place. The properties owned and leased by Finnair are mainly located in the Helsinki Airport area. The data include electricity and heating consumption. The figures have been obtained from service providers and is based on paid invoices. Energy consumption figures are not available for Finnair's offices abroad (which are mainly sales offices), as their energy consumption is typically invoiced as a fixed part of rent.



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302-3 Energy intensity

Annual report, pages 21–27; Non-Financial Performance.

In this report jet fuel is treated as energy because in terms of its purpose and environmental effects it is sensible to understand jet fuel as stored energy. Finnair's measures to improve its fuel efficiency focus on flights operated by the company itself. 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.

Jet Fuel consumption	2021	2020	2019	2018	2017
g / RTK (total, pax + cargo)	295.5	301.4	249.3	251.3	247.7
g / RPK (allocated)	41.7	29.3	25.0	25.2	25.0
liters / Pax / 100km (allocated)	5.2	3.7	3.1	3.2	3.1

RTK = Revenue Tonne Kilometer,
RPK = Revenue Passenger Kilometer
PAX = Passenger

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 ICAO emissions allocation principle; An average passenger mass with baggage is assumed as 100 Kg, plus a 50 Kg add-on to account of the on-board equipment and infrastructure associated with passenger use (for example, the weight of seats, toilets, galleys and crew). Allocation of fuel consumption between passenger and cargo activities derives from this relation.

302-4 Reduction of energy consumption

Annual Report, pages 21–27; Non-Financial Performance

Finnair discloses its progress in emissions and energy reduction work in detail through CDP reporting. Those who would have interest and have CDP membership can find detailed disclosures at <https://www.cdp.net/en>.

302-5 Reductions in energy requirements of products and services

Annual Report, page 25; Fuel Efficiency Graph

Finnair is a network airline that specialises in passenger and cargo traffic between Asia and Europe. It also offers package tours under its Aurinkomatkat and Finnair Holidays brands. The energy consumption of Finnair's services is easiest to observe with the jet fuel consumption intensity figures presented in the table 302-3.



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304: Biodiversity

304-2 Significant impacts of activities, products, and services on biodiversity

Finnair takes environmental aspects into consideration on the ground and in the air. Besides energy solutions that reduce the environmental load, Finnair's environmental policy also includes the preservation and promotion of natural diversity, known as biodiversity thinking. Finnair has assessed the ecosystem services, or benefits provided to people by nature, that are most relevant to its business, and its operations most significant impacts on them. Of the different categories of the ecosystem services, cultural services and regulating services are the most relevant to Finnair's business. Cultural services include tourism, human value and aesthetic value. Regulating services include the regulation of air quality and climate, disease control, pest control and pollination.

Finnair's core business and key product areas benefit ecosystem services in various ways. Cultural services are particularly important for travel services. Accordingly, Finnair's travel agency, Aurinkomatkat, has participated in various local projects to maintain biodiversity at various destinations for several years. When planning its destination programmes, Aurinkomatkat carefully evaluates their potential effects on the environment and biodiversity. For example, it has stopped all trips to zoos and other attractions where animals are held captive. The operations aim also to avoid excursions to sites where visits could pose a threat to biodiversity. The customers are informed at destinations on appropriate conduct to preserve biodiversity.

In the airline business, Finnair has supported both cultural and regulating services by prohibiting 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. Furthermore, Finnair has signed the United for Wildlife (UFW) Buckingham Palace declaration of the Duke of Cambridge to prevent the illegal wildlife trade. As a signatory, the company has undertaken to promote the awareness of different stakeholders about this topic.

The significance of biodiversity in Finnair's airline business will be highlighted further in the coming years through climate change mitigation measures. When Sustainable Aviation Fuels (SAFs) replace fossil fuels in the future, the company wants to ensure that the primary production of feedstocks for renewable energy sources is used in line with the principles of sustainable development and does not compromise ecosystem services. For example, in the manufacturing of biofuel, measures must be taken not directing to Indirect Land Use Change (ILUC). The objective is to ensure that arable land used for growing food crops is not used to produce raw material for biofuel, which would result in either the clearing of forests or wetlands to create space for food production or a decline in food production. 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.

304-3 Habitats protected or restored

No activities during 2021.



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305: Emissions

305-1 Direct (Scope 1) GHG emissions

Annual report, page 25, graph: Development in Finnair's emissions and emission efficiency

Nearly all of Finnair Group's greenhouse gas emissions arise from flight operations. Flying primarily causes two kinds of direct greenhouse gas emissions: carbon dioxide and water vapour. Water vapour is the most important greenhouse gas in the atmosphere, but it is not generally examined directly as a human-derived greenhouse gas emission, because the water vapour in the atmosphere is mainly the result of natural evaporation. Air transport is in a special position in this respect because the water vapour generated by the engines is released high in the atmosphere, which increases the atmosphere's H₂O content above the cloud layer. However, not enough is yet known about the impacts of water vapour and other GHG emissions than CO₂ from aviation and while more scientific results are available company report the CO₂ emissions only. Emission factor for jet fuel used in the report has been 315 kg CO₂/kg (Default IPCC emission factors, taken from the 2006 IPCC Inventory Guidelines). 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.

Ground vehicles' emissions (biodiesel, petrol, fuel oil) have been calculated using emission conversion factors for different fuel qualities originating from UK Government Conversion Factors for greenhouse gas (GHG) reporting 2021.

305-2 Energy indirect (Scope 2) GHG emissions

For the figures see: GRI Appendix 302, Energy

Market-based emission factors used have been received from the energy company. Since the energy company update its emissions factor after Q1/2022, the 2020 emissions factors have been used for 2021. 2020 factors being 232 kgCO₂/MWh for electricity and 133,5 kgCO₂/MWh for heat. Respectively, 2020 figures above have been updated compared to the previous year's reporting. Location-based emission factors have been received from Motiva, factors used for year 2021 being 131 kgCO₂/MWh for electricity and 148 kgCO₂/MWh for heat.

305-3 Other indirect (Scope 3) GHG emissions

For the figures see: GRI Appendix 302, Energy

Finnair has assessed its Scope 3 emissions based on GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The most material scope 3 emissions derives from Category 3 (Fuel and Energy related activities not included in Scope 1-2). Emission factor source: SFS-EN 16258 standard Table A1 for Jet A-1, petrol and fuel oil. Biodiesel emission factor (transport and production emissions) has been received from the manufacturer.

Business travel by Finnair employees primarily are made by the company's own flights, the emissions of which are reported under Direct greenhouse gas emissions (Scope 1). Business travel made by other airline services is reported under the Other indirect (Scope 3) greenhouse gas emissions. These emissions are estimates, calculated utilising Finnair fuel consumption data from the same or similar (distance-based) Finnair route network.



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305-4 GHG emissions intensity

Annual report, pages 21–27, Non-Financial performance

Finnair prefers to use RTK (revenue tonne kilometres) to divide its carbon emissions, since it measures emissions in relation to the distance travelled and the combined mass of passengers and cargo. Emission intensity figures below include scope 1 emissions only (TTW).

Jet Fuel consumption	2021	2020	2019	2018	2017
g CO ₂ / RTK (total pax + cargo)	931	949	785	792	780
g CO ₂ / RPK (Allocated)	131	92	79	80	79
g CO ₂ / RTK Cargo (Allocated)	606	514	488	493	492

RTK = Revenue Tonne Kilometer,
RPK = Revenue Passenger Kilometer
PAX = Passenger

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 ICAO emissions allocation principle; An average passenger mass with baggage is assumed as 100 Kg, plus a 50 Kg add-on to account of the on-board equipment and infrastructure associated with passenger use (for example, the weight of seats, toilets, galleys and crew). Allocation of fuel consumption between passenger and cargo activities derives from this relation.

305-4 GHG emissions intensity

Annual Report, pages 21–27, Non-Financial Performance

Finnair discloses its progress in emissions and energy reduction work in detail through CDP reporting also. Those who are interested and have CDP membership can find detailed disclosures at <https://www.cdp.net/en>.

305-6 Emissions of ozone-depleting substances (ODS)

Airline operators are bound to use aircraft manufacturers' certified and safe fire extinguishers. The manufacturers are constantly working on replacing halons from aircrafts but currently there are applications in aircraft where decent replacements aren't yet found. There were two reported operational events where halon 1301 and halon 1211 was emitted to the air during the year 2021. The amount of halon 1301 emission was 2.3 kg (used in engines) and halon 1211 1.1 kg (portable cabin fire extinguisher).



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306: Waste				
306-2 Waste by type and disposal method				
Annual report, pages 21–27, Non-Financial Performance				

	2021		2020	
	Hazardous, kg	Non-hazardous, kg	Hazardous, kg	Non-hazardous, kg
Energy Recovery	48,559	658,335	45,227	1,130,864
Recycling	7,805	159,331	12,113	279,515
Composting	0	25,933	0	64,540
Landfill	0	0	0	0
Other	305	13,800	216	0
Total	56,669	857,399	57,556	1,474,919

The waste volumes have been obtained from the service providers' reporting channel.

307: Environmental compliance				
307-1 Non-compliance with environmental laws and regulations				
No incidents				

400: Social Standards				
401: Employment				
401-1 New employee hires and employee turnover				
Annual report, pages 21–27, Non-Financial Performance				

	under 30 years		30–50 years		over 50 years		Total	
	Men	Women	Men	Women	Men	Women	Men	Women
New employee hires	13	44	23	36	5	6	41	86
Employee turnover (including both voluntary and involuntary terminations)	104	264	303	460	317	301	724	1,025

The figures have been retrieved from Finnair's HR information system.

402: Labour/management relations				
402-1 Minimum notice periods regarding operational changes				
Significant operational changes in Finland are governed by the Finnish Act on Cooperation within undertakings. Depending on the matter in question, the minimum time period applied can range from one day to six weeks. The collective bargaining agreements that concern Finnair do not include provisions that run counter to these legislative provisions.				



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403: Occupational health and safety		
403-1 Occupational health and safety management system		
Finnair has implemented an internal occupational health and safety management system in order to systematically maintain and improve occupational health and safety related work in all Finnair units in Finland.		
403-2 Hazard identification, risk assessment, and incident investigation		
Work-related hazards are identified through systematic risk assessment process. Risk assessments have been carried out for our operations and they are being regularly reviewed and updated, also if a significant change to its scope is implemented.		
All our employees have access to the occupational safety reporting system through which they can report incidents, near misses experienced and hazardous conditions noticed. All reports are investigated, and corrective and preventive actions set to prevent recurrence. This approach applies similarly to injuries, near misses and occupational safety observations reported.		
403-3 Occupational health services		
Occupational health services regularly carry out workplace surveys in order to assess the operations' impact on workers' occupational health. Regular health checks are provided for employees that are exposed to health hazards through their work, such as noise, chemicals and working during nighttime. The exposure levels are kept as low as possible.		
403-4 Worker participation, consultation, and communication on occupational health and safety		
The company's occupational health and safety management system is developed in close contact with the employees. The employees have access to the occupational safety reports and the risk assessments. There is a formal regular occupational health and safety committee in place with the employee occupational health and safety representatives from all Finnair units as members.		
403-5 Worker training on occupational health and safety		
The basic training of occupational health and safety is mandatory for all employees as an e-learning module. In addition, the occupational health and safety is part of all work-related trainings depending on the task.		
403-9 Work-related injuries		
	Occupational accidents	Loss time injury frequency*
Airline's flight personnel	13	10.8
Airline's ground personnel**	13	41
Aurinkomatkat Ltd	0	0
Total	26	5.6
* 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.		
Accident statistics are obtained from the insurance company and they are updated retroactively, as a result of which the 2021 figures may be subject to further adjustment.		
403-10 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 Ltd	0	0
Total	0	0
* Airline's ground personnel include group management, support services, ground crew, and operative ground personnel.		
Accident statistics are obtained from the insurance company and they are updated retroactively, as a result of which the 2021 figures may be subject to further adjustment.		



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404: Training and education

404-1 Average hours of training per year per employee

Annual report, pages 21–27, Non-Financial Performance

	All training hours and share between men & women			Average hours of training			Count of employees		
	Total, h	Women, %	Men, %	Total, h	Women, h	Men, h	Total, ea	Women, ea	Men, ea
Office staff	9,091	30%	70%	6	3	9	1,515	828	687
Cabin	42,853	89%	11%	18	18	19	2,352	2,099	253
Pilots	90,245	1%	99%	97	36	98	934	27	907
Other Employees	14,065	30%	70%	10	8	12	1,394	542	852
Total	156,254	29%	71%	25	16	34	6,195	3,496	2,699

The training figures have been retrieved from Finnair's HR information system.

404-2 Programmes for upgrading employee skills and transition assistance programs

Improving employee competence has a significant effect on the strategy implementation and finding critical competence development areas itself is an integral part of strategic implementation process. The strategic competencies development requires cooperation with various parties. Thus, in Finnair, learning and development plans are built at the company, unit, team and individual levels. These are further discussed during the annual My Journey development discussions.

Personnel competency is developed using varieties of different learning methods including; traditional classroom training, on-the-job learning, e-learning, workshops, coaching, shadowing, and mentoring. On-the-job learning, for example, is a widely utilised effective learning method in ever changing working environment where continuous self-learning is required.

Permanent learning themes include the Code of Conduct, flight safety management, occupational safety and health in aviation, work induction, occupational safety and health awareness for supervisors, and occupational safety card training. Other vocational training includes outstation training, first aid and emergency training, basic and recurrent trainings, systems training. Also, cooperation with various educational institutions is organised.

The vocational training for Finnair flight crew is conducted in cooperation with Finnair Flight Academy, while Finnair's Technical Services-Unit handles its own technical-specific training requirements. Our Learning & Development team is responsible for strategic and general business competency development.

The Finnair Aviation Academy, founded in 1964, is a special vocational educational establishment maintained by Finnair Plc, which operates as a special educational establishment under the Act on Vocational Adult Education (631/1998). Its task is to arrange further vocational training leading to a vocational or special vocational qualification as well as other further vocational training required for the practice of Finnair Plc's and its subsidiaries' operations (Further Vocational Training Arrangement Permit 551/530/2006, 13 December 2006). As a privately-owned educational establishment, the Aviation Academy funds its operations in accordance with government aid practices and it is a member of Business Education Establishments ELO (Elinkeinoelämän oppilaitokset Elo ry).

404-3 Percentage of employees receiving regular performance and career development reviews

Performance and career development reviews (called My Journey) cover all Finnair personnel. The My Journey process is a management tool based on (bi-)annual discussions that guide individual performance reviews, target setting, development and wellbeing.



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405: Diversity and equal opportunity

405-1 Diversity of governance bodies and employees

Annual report, page 104, The diversity of the Board of Directors
Annual report, pages 21–27, Non-Financial Performance

406: Non-discrimination

Disclosure 406-1 Incidents of discrimination and corrective actions taken

During 2021, no incidents of discrimination were notified through Finnair Ethics Helpline, available to both internal and external stakeholders, nor were there any material investigations on-going in the company concerning non-discrimination.

407: Freedom of Association and Collective Bargaining

Disclosure 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk

During 2021, it was assumed that Finnair's operations did not pose a risk to employees' freedom of association or collective bargaining rights.

408: Child Labor

Disclosure 408-1 Operations and suppliers at significant risk for incidents of child labor

The responsibility of our supply chain is very important in the airline's operations, as Finnair is increasingly using partners and service providers while its international route network expands. In accordance with the UN Global Compact initiative, Finnair strives to prevent human rights violations and the use of child labor or forced labor both in its own operations and in its chain of operations.

The supply chain, which is directly related to aviation, operates in accordance with aviation regulations, thus these suppliers are closely monitored. International aviation safety regulations require that all airport employees must be registered and always carry an official identity card. This creates a basis for the fact that Finnair's own operations do not directly involve a significant risk to children's rights.

However, there may underlie indirect risks and consequences associated with the supply chain and outsourced operations. Aviation rules require us to inspect aircraft component suppliers and service facilities ourselves. In these inspections, we have not detected any use of child labor.

We use some manufacturing companies in Asian countries where local laws may not exist to protect children's rights, so full assurance of supply chain cleanliness cannot be guaranteed.

During 2021, no cases of child labor were reported and there were no ongoing investigations in the company.

414: Supplier social assessment

414-1 New suppliers that were screened using social criteria

414-2 Negative social impacts in the supply chain and actions taken

During 2020 Finnair discontinued using Sedex in assessing suppliers' social criteria. The company is developing new processes and guidelines to continuously improve supply chain's sustainability and handling of non-compliances. The company is constantly striving to develop practices to mitigate negative sustainability impacts and encourage responsible sourcing.

415: Public policy

415-1 Political contributions

Finnair does not support any political parties or persons.



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416: Customer health and safety

416-1 Assessment of the health and safety impacts of product and service categories

Sustainability Appendix; Chapter 103 - Customer experience

In connection with the coronavirus, the company has continuously assessed the health safety of travel in 2021. Instructions related to safe travel are available on the company's website at: <https://www.finnair.com/en/safe-travel-during-coronavirus>

Blue Wings: Covid and Flying (<https://www.finnair.com/fi/en/bluewings/travel-experience/five-facts-about-the-risk-of-a-coronavirus-infection-during-your-flight-2248876>)

416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

No incidents

417: Marketing and labelling

417-3 Incidents of non-compliance concerning marketing communications

No incidents.

418: Customer privacy

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

No incidents.

419: Socioeconomic compliance

419-1 Non-compliance with laws and regulations in the social and economic area

No incidents.



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VERIFAVIA SARL (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 2021 (January 1, 2021 – December 31, 2021) 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.

Except for the section "302: Energy" and for the year 2021, all other information in the sustainability appendix of Finnair's annual report is not subject to our assurance engagement and we do not report and do not opine on this information.

The Strategy and Business Development 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 14065:2013 – Greenhouse gases – requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition
- ISO 14064-3:2019 – Greenhouse Gases – Specification with guidance for the validation and verification of greenhouse gas emissions and removals
- 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.

We conducted our examination having regard to the verification criteria documents listed above. This involved a virtual site visit on 10 December 2021, 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.



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Independent 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, 09 February 2022

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