

***FINNAIR***



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# Rights issue of up to €600m builds a sustainable balance sheet

## Current state

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- ✓ Renewed strategy following COVID-19 and Russian airspace closure
- ✓ Restored profitability
- ✓ Hybrid bond repaid

## Rights issue

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- ✓ Significantly reduces financing costs
- ✓ Reinstates ability for shareholder distributions
- ✓ Supports continued strategy implementation
- ✓ Fully supported by a combination of main shareholders and banks\*








Note: \*Subject to customary terms and conditions

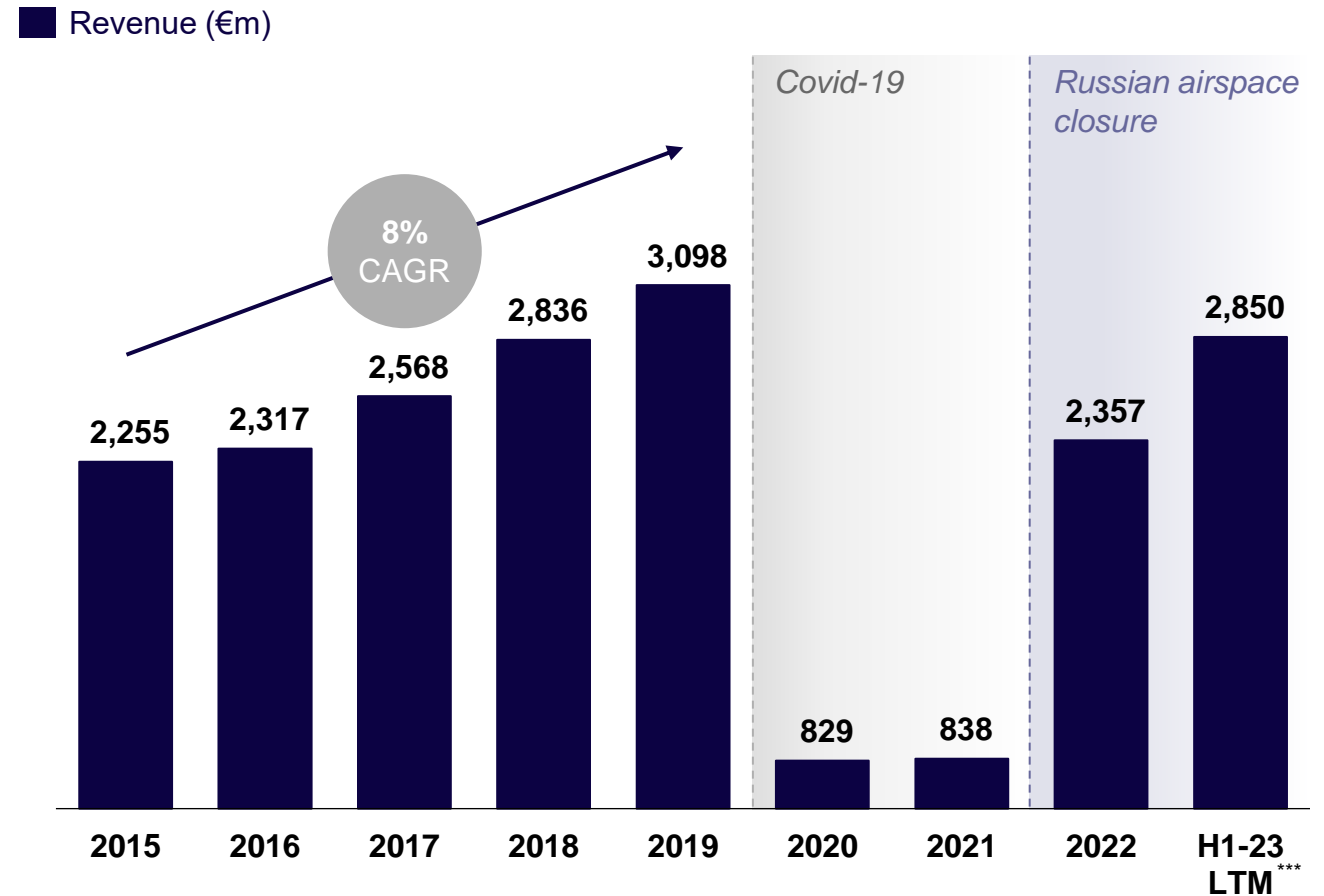


# Finnair is a high-performing network airline

## Snapshot

-  **Global network**  
>100 destinations
-  **Optimised fleet**  
79 aircraft
-  **Service & operational excellence**  
39 NPS\* & 83% OTP\*\*
-  **Best airline in Northern Europe**  
13 times in a row
-  **APEX five-star rating**  
Global airline 2023

## Track record of sustainable growth



Note: \*Net Promoter Score for H1-23. \*\*On-time performance for H1-23. \*\*\*Time period July 2022-June 2023  
Source: Public information



# Targeting profitable, cash generative growth

**FINNAIR**

*Enriching life by bridging the world*



**Customer-centric  
commercial and  
operational  
excellence**



**Balanced growth  
supported by  
optimised fleet**



**Continuous cost  
efficiency to  
ensure  
competitiveness**



**Among industry  
sustainability  
leaders**



**Building a  
sustainable  
balance sheet**



**Adaptable Finnair  
culture driven by  
engaged people**



## Updated strategy themes until end of 2025 (1 out of 3)



### Customer-centric commercial and operational excellence

- ▶ Data driven sales
- ▶ Share of direct sales has increased from 35% to 65%. Finnair.com is the largest online store in Finland
- ▶ Strong safety culture and focus in on-time performance
- ▶ Focus on data utilisation to deliver a smooth and personalised customer experience



### Balanced growth supported by optimised fleet

- ▶ Fleet optimisation completed for the current strategy period until end of 2025
- ▶ Growth in line with the market, maintain flexibility to rebuild Asia-Europe connections
- ▶ Faster turnarounds, improved aircraft utilisation and selected wet-leased capacity enables cost-competitive capacity increase
- ▶ Wet lease of two A330 with Qantas, wet lease of four A320 with British Airways, strategic cooperation with Qatar Airways

Source: Public information



## Updated strategy themes until end of 2025 (2 out of 3)



**Continuous cost efficiency  
to ensure competitiveness**

- ▶ Continuous improvement in cost efficiency by utilising e.g., lean methods
- ▶ €200m structural cost savings already achieved



**Among industry  
sustainability leaders**

- ▶ Maintaining focus on reaching carbon neutrality by 2045
- ▶ Moving away from the use of offsets in favour of measures to reduce our direct emissions
- ▶ Preparing to submit short-term CO<sub>2</sub> intensity reduction targets to validation by the Science-Based Targets initiative framework (SBTi) in Q1-24
- ▶ Committed to 40% reduction in emission intensity by 2033\*

Note: \*SBTi framework related commitment, with base year 2023 for SBTi metrics  
Source: Public information

## Updated strategy themes until end of 2025 (3 out of 3)



### Building a sustainable balance sheet

- ▶ Strengthening balance sheet through improved profitability over time
- ▶ Re-recognition of deferred tax assets
- ▶ Hybrid bond of €200m called in September
- ▶ Planned rights issue of up to €600m
- ▶ Planned repayment of the remaining part of the capital loan
- ▶ Significantly reduced financing costs\*



### Adaptable Finnair culture driven by engaged people

- ▶ Nurture Finnair's adaptable culture of working together
- ▶ Increase investments to improve capabilities, wellbeing and customer experience, as well as business results
- ▶ Chosen as the #1 and #3 most attractive employer in Finland by business students and professionals in business, respectively in Universum survey

Note: \*At the end of the second quarter of 2023 the accrued interest from the capital loan was EUR 32.8 million, the margin was 3.5%, and the reference rate was 1.851% (12-month Euribor). The current reference rate is 4.102% which reset on 31 August 2023, and if the capital loan is not repaid, the reference rate will reset again on 31 August 2024. The margin of the capital loan steps up to 5.0% in March 2024 pursuant to its terms, and the terms set out additional margin step-ups beyond 2024. The capital loan interest rate (margin and reference rate) applies to both, the principal amount and any deferred interest. Finnair also pays a utilisation fee of 3.0% on the capital loan principal amount.

Source: Public information, company materials

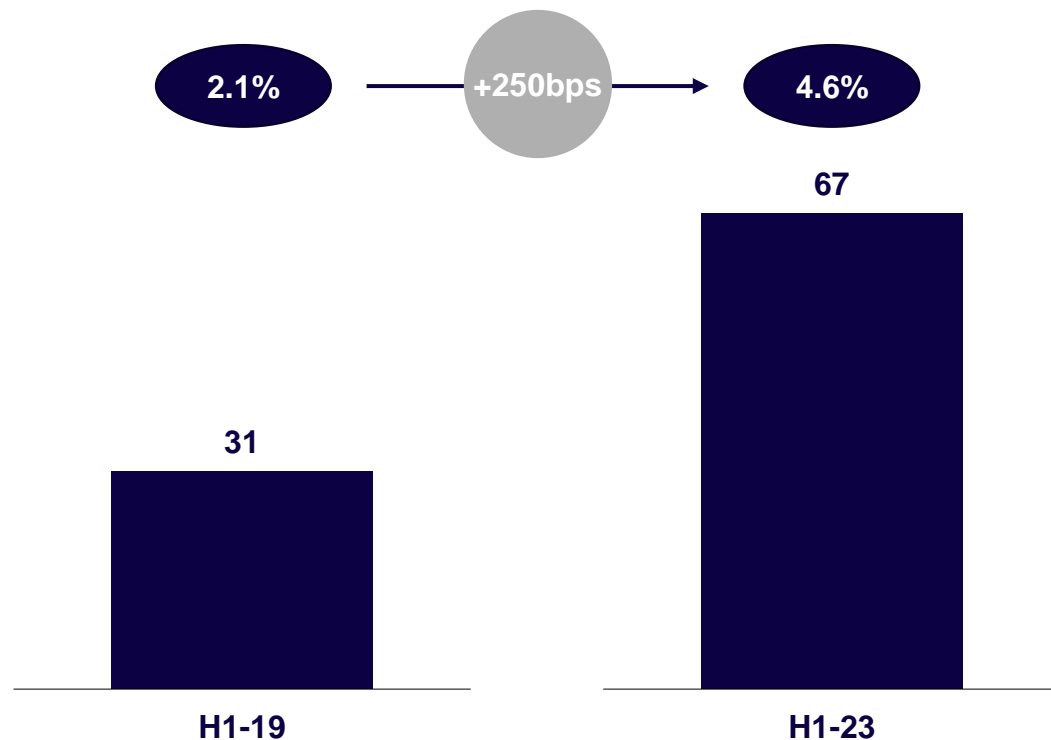




# More profitable today than pre-COVID with strong operational momentum

## Comparable EBIT (€m) / margin (%)

H1-19 vs. H1-23 comparable EBIT



	H1-19	H1-22	H1-23	H1-23 vs H1-22
ASK* (Mill. km)	22,977	14,756	17,763	+20%
Passenger load factor** (%)	80.5	57.9	75.7	+31%
RASK*** (€c)	6.4	6.4	8.1	+26%
CASK excl. fuel**** (€c)	4.8	5.4	5.3	-3%

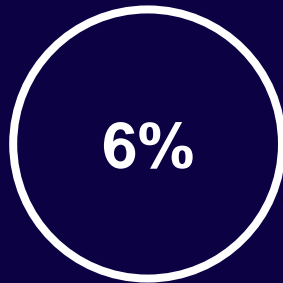
Note: The distance-based reported traffic figures are based on the great circle distance and, thus, do not reflect the longer Asian routings caused by the Russian airspace closure. \*Available seat kilometres, calculated as total number of seats available x kilometres flown. \*\*Share of revenue passenger kilometres of available seat kilometres. \*\*\*Unit revenue per available seat kilometres, calculated as Group's revenue divided by available seat kilometres (ASK). \*\*\*\*Unit cost per available seat kilometres excluding fuel, calculated as (Comparable operating result - Revenue - Fuel costs) / ASK x 100

Source: Public information



## We target profitable, cash generative growth over the medium term

### 2025 targets



Comparable  
EBIT margin



Net debt / Comparable  
EBITDA



Shareholder  
distributions reinstated

### Assumptions

- ▶ >15% ASK\* growth 2025 vs. 2023
- ▶ Maintenance capex of €80-100m annually
- ▶ Maintain 30% cash to sales ratio\*\* over time
- ▶ €190m deferred tax asset, limited corporate tax payable over the medium term

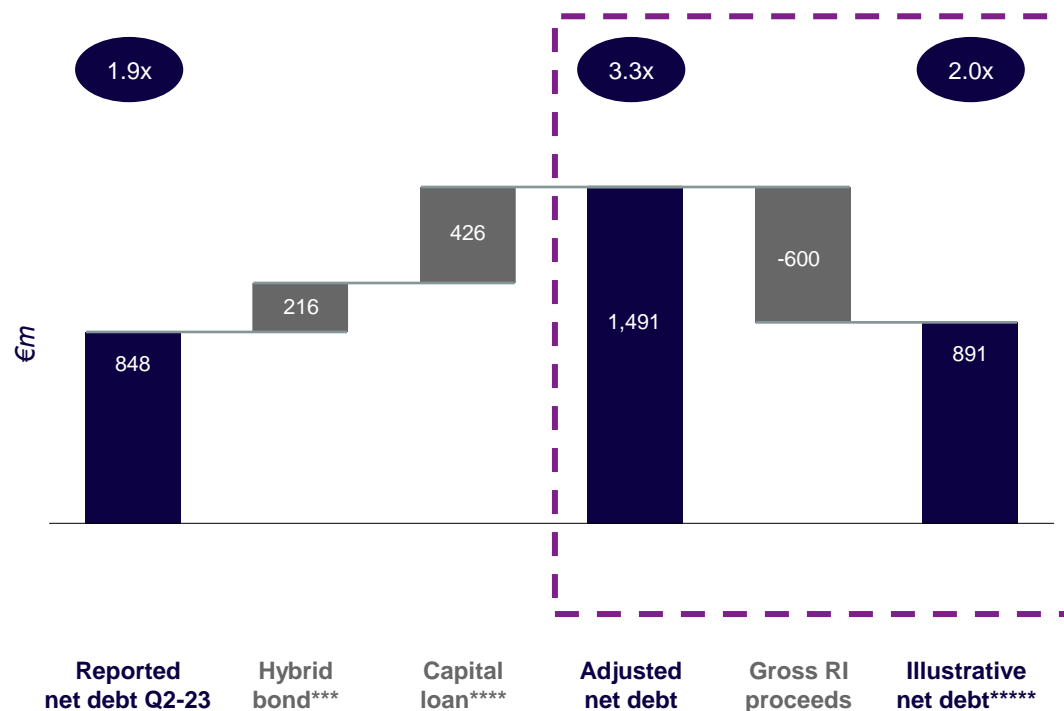
Note: \*Available seat kilometres, calculated as total number of seats available × kilometres flown. \*\*Defined as: (Cash and cash equivalents + Other financial assets) / Revenue for the last twelve months



# Rights issue strengthens our balance sheet

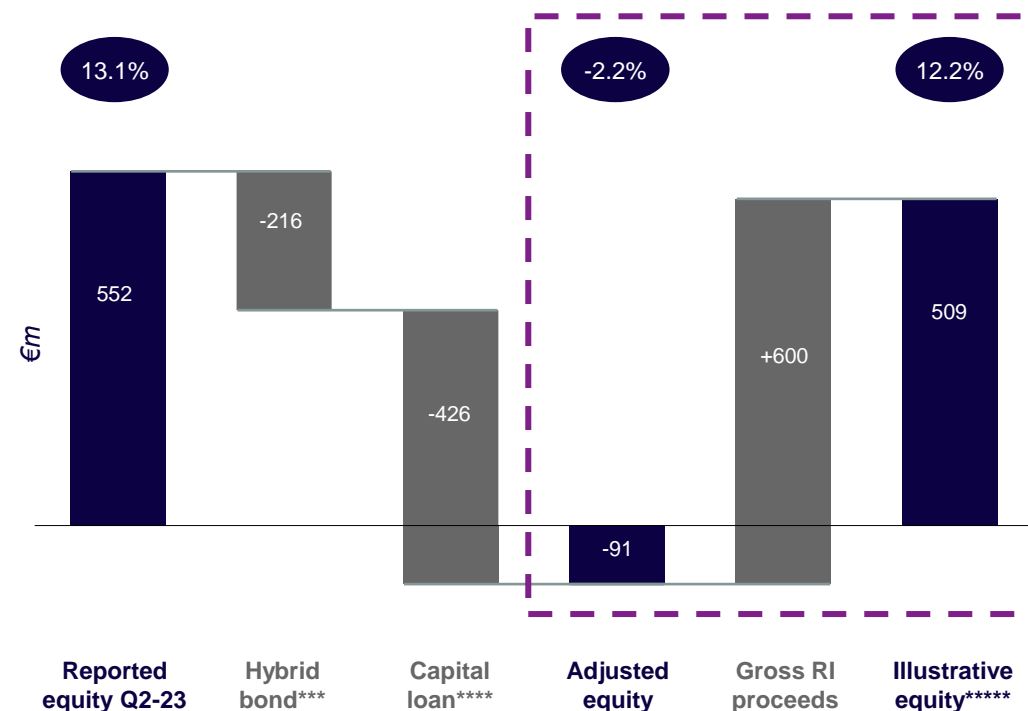
## Significantly reduces leverage

● Net debt / comparable EBITDA\* (x)



## Restores balance sheet equity

● Equity ratio\*\* (%)



Note: \*Net debt: Lease liabilities + Other interest-bearing liabilities + Cross currency interest rate swaps - Cash and cash equivalents - Other financial assets. Comparable EBITDA: Operating result - Items affecting comparability + Depreciation and impairment. \*\*Equity ratio: Equity total / Equity and liabilities total x 100. \*\*\*Hybrid bond principal of €200m and €20m accrued interest paid in Sep-23, 20% tax shield on accrued interest. \*\*\*\*Capital loan principal of €400m and €33m accrued interest as of Q2-23, 20% tax shield on accrued interest. \*\*\*\*\*Assuming gross proceeds of EUR 600m, Finnair's Board of Directors may decide on a smaller issue



# Rights issue enables continued execution of our strategy

## Use of proceeds

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- ✓ **Repay capital loan**
- ✓ **Continued execution of strategy**
- ✓ **Flexibility to support sustainable, profitable growth and future investments**

## Rights issue is fully supported\*

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- ✓ **State of Finland**
- ✓ **Varma, Elo and Ilmarinen**
- ✓ **Nordea and Deutsche Bank**

Note: \*The State of Finland supports the rights issue and intends to subscribe for its pro-rata share. Varma, Elo and Ilmarinen have irrevocably undertaken to vote in favour of and subscribe for their respective pro-rata share in the rights issue. The remainder is standby underwritten by Nordea and Deutsche Bank. The participation of the State of Finland, Varma, Elo and Ilmarinen, as well as the underwriting of Nordea and Deutsche Bank are subject to customary terms and conditions.



# Summary of today

- ✓ **Rights issue of up to €600m builds a sustainable balance sheet and significantly reduces financing costs**
- ✓ **Strong support from main shareholders**
- ✓ **Additional targets set for end of 2025**

## Key dates

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Note: The rights issue is conditional on the shareholders of Finnair granting the authorisation sought at the Extraordinary General Meeting ("EGM") to be held on 27 October 2023

**Thank you!**



***FINNAIR***