

***FINNAIR***

A Finnair airplane is shown on a tarmac. The aircraft is white with a blue tail fin featuring the Finnair logo. The registration number OH-LWR is visible on the tail. The slogan "BRINGING US TOGETHER SINCE 1923" is printed on the fuselage. The text "OH-LWR" is also visible on the wing. The background is a clear sky.

**Q2 2023: Strong quarter driven by strong demand and successful strategy implementation**

**Company raises its longer-term profitability target**

**21.07.2023 Topi Manner, Finnair**



## Q2 was a strong quarter

- Comparable EBIT 66M€, net result also positive for a third quarter in a row.
- Number of passengers increased to 2.8 million.
- We operated 75% of Q2 2019 ASKs on our own flights, 78% when wet-lease operations for our partners are included.
- RASK 27% above Q2 2019 level.
- PLF improved in almost all traffic categories. Overall load factor 76%.
- Customer satisfaction (NPS) at 35.
- On-time performance 85%.





## Strategy implementation progressed well

- Aircraft lease agreement with Qantas.
- Superlight ticket and new baggage allowances.
- Cabin refurbishing is progressing, 18 of 25 widebodies completed.
- Finnair recognised as the Best Airline in Northern Europe for the 13th consecutive time in Skytrax customer review.
- Home hub Helsinki-Vantaa selected as the best European airport in its size category in 2023.



## Specific risks related to business environment have normalised

- Specific risks related to Finnair's business environment (pandemic and Russian airspace closure) have normalised, consequently ceasing to generate substantial uncertainty.
- Risks related to effects of inflation and rising interest rates on demand and costs are still elevated.
- Finnair's net debt decreased to c. 850 M€.
- Finnair is intending to call its 200 M€ hybrid bond in September – bond's annual coupon 20M€.





## Q2 comparable EBIT margin 8.8%, clearly better than in Q2 2019

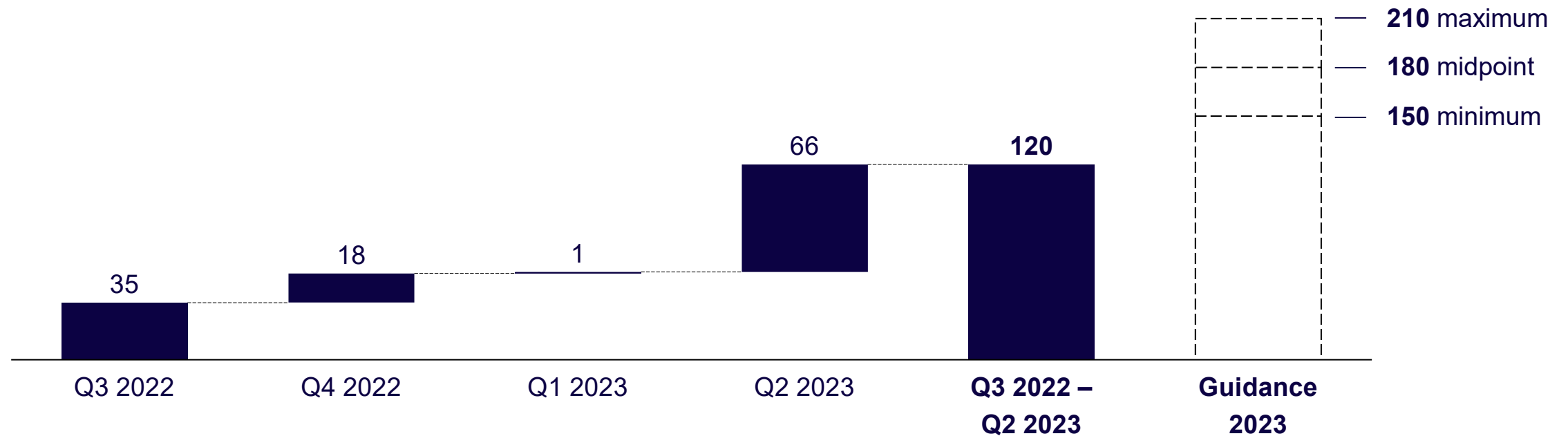
Income statement, in M€	Q2 2023	Q2 2022	Q2 2019	Q1 2023
Revenue	749	550	789	695
Other operating income	28	38	13	31
Operating expenses excl. depreciation	-628	-594	-676	-643
<b>Comparable EBITDA</b>	<b>149</b>	<b>-6</b>	<b>126</b>	<b>83</b>
Depreciation	-83	-78	-79	-82
<b>Comparable operating result</b>	<b>66</b>	<b>-84</b>	<b>47</b>	<b>1</b>
Items affecting comparability	0	-9	1	7
<b>Operating result</b>	<b>66</b>	<b>-93</b>	<b>48</b>	<b>8</b>
Financial income and expenses	-22	-76	-9	-16
<b>Result before taxes</b>	<b>44</b>	<b>-169</b>	<b>39</b>	<b>-7</b>
Income taxes	95	-110	-8	10
<b>Result for the period</b>	<b>139</b>	<b>-280</b>	<b>31</b>	<b>3</b>
Comparable EBIT margin	8.8%	-15.3%	6.0%	0.1%

- Strong demand, restricted market capacity and sales initiatives resulted in higher ticket prices and RASK.
- Expense management was successful. Fuel price also declined. However, increased flight-time to Asia decreased profitability.
- Net financial expenses were negative mainly because of the interest expenses. Exchange rate fluctuations of USD-denominated liabilities impacted comparison period net financial expenses.
- As Finnair's financial outlook has improved, 99 million euros of the deferred tax assets related to 2020 and 2021 tax losses that were written down in Q2 2022 were re-recognized.



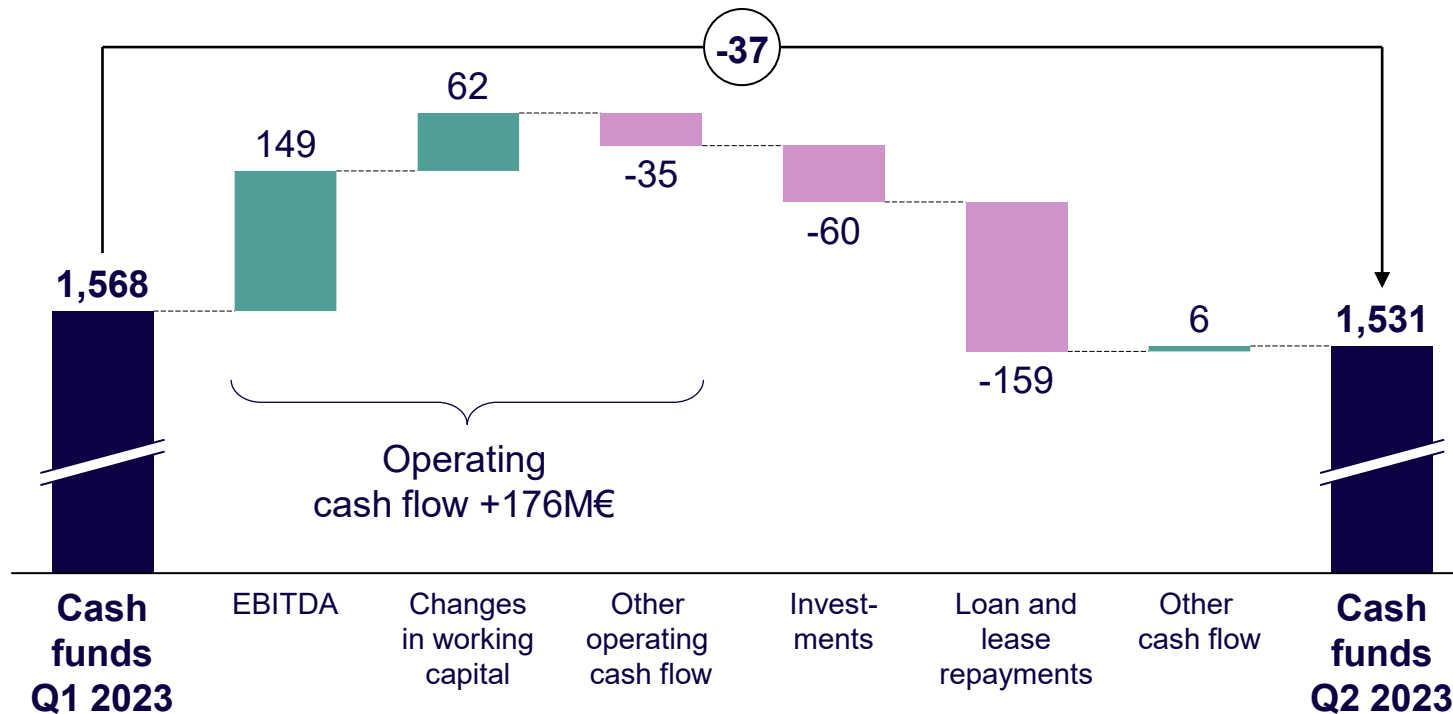
# Comparable EBIT of last 12 months was 120 M€ – good profit development expected to continue

## Comparable EBIT last four quarters, M€





# Strong operating cash flow, repayments of pension premium loan commenced (100 M€)



- Cash to sales ratio\* 54%.
- Strong sales increased EBITDA and operating cash flow.
- Loan and lease repayments included first 100M€ repayment of pension premium loan.

Comparable figures where applicable.

\* Cash funds / Revenue for the last 12 months x 100.

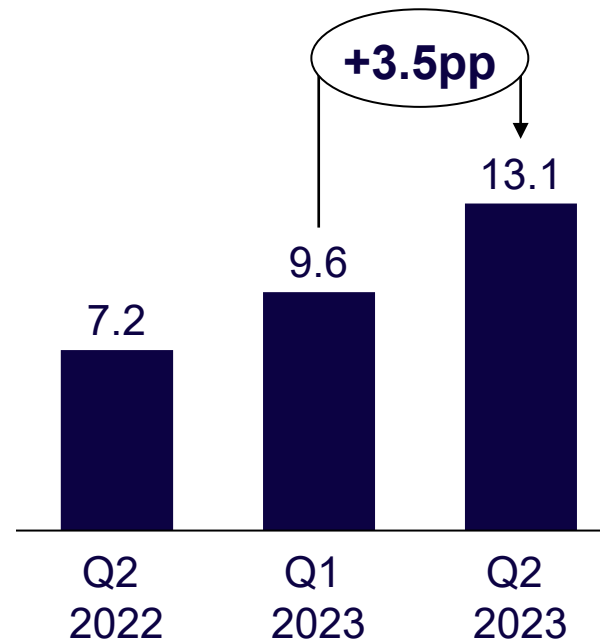




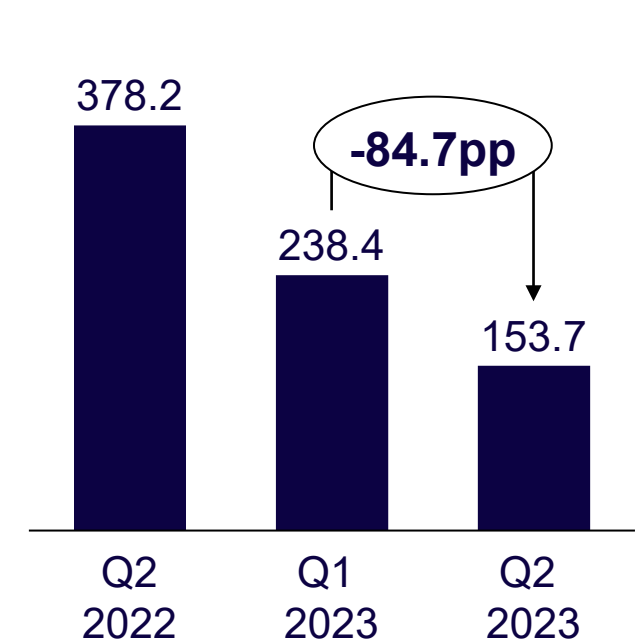
# Equity ratio increased and gearing decreased

- Positive net result increased equity ratio.
- Strong operating cash flow, improved equity and partial repayment of pension premium loan decreased gearing.
- Calling of hybrid bond would decrease equity ratio and increase gearing.

Equity ratio\*, %:



Gearing\*, %:



\* The figures include the full 400-million-euro capital loan between Finnair and the State of Finland.



# Targeting comparable EBIT margin of 6% by end of 2025



*\*Finnair's long-term goal still is carbon neutrality by 2045.*



# Updated strategy themes until end of 2025

## Customer-centric commercial and operational excellence

- Focus on customer need and data driven retailing.
- Creating relationships with all customers across products to build loyalty and foster engagement.
- Continued focus on safety and on-time performance.
- Investing in analytics to deliver smooth journeys and personalised customer experience.

## Balanced growth supported by optimised fleet

- Fleet optimisation completed.
- Growth in line market, maintain flexibility to rebuild Asia-Europe connections.
- Faster turnarounds, improved aircraft utilisation and selected wet-leased capacity enables cost-competitive capacity increase.



# Updated strategy themes until end of 2025

## Continuous cost efficiency to ensure competitiveness

- From programme-based cost reductions to continuous, incremental improvements in cost efficiency.

## Among industry sustainability leaders

- Maintaining focus on reaching carbon neutrality by 2045.
- Moving away from the use of offsets in favor of measures to reduce our direct emissions.
- Preparing to submitting CO2 reduction targets to validation by the Science-Based Targets Initiative framework (SBTI) in Q1 2024.



# Updated strategy themes until end of 2025

## Building a sustainable balance sheet

- Strengthening balance sheet through improved profitability over time.
- Re-recognition of deferred tax assets.
- Next step: intended calling of 200 M€ hybrid bond in September.

## 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.



# Outlook and guidance

## New guidance on 21 July 2023:

Finnair reiterates its capacity guidance issued on 27 April 2023, estimating that in 2023, it will operate an average capacity of 80–85 per cent, as measured in ASKs, compared to 2019.

Finnair also reiterates its previous guidance, estimating that its 2023 revenue will significantly increase year-on-year but will not yet reach the level of 2019 (3,097.7 million euros).

The company specifies its guidance related to full year 2023 comparable operating result provided in connection with the positive profit warning published on 13 June 2023 and now estimates that it will be within the range of 150–210 million euros.

Specific risks related to Finnair's operating environment have normalised as the impacts of the pandemic have faded and the markets have adapted to the closure of Russian airspace. However, risks related to the impacts of inflation and rising interest rates on demand and costs remain elevated, thus, causing uncertainty in the operating environment. The company's comparable operating result estimate is based on the current fuel price and exchange rates.

Finnair will update its outlook and guidance in connection with the Q3 2023 interim report.

## Guidance on 13 June 2023 (profit warning):

Finnair raises its guidance for comparable operating result for the full year 2023, as it expects the travel demand to continue stronger than previously anticipated, fuel price development has been more favourable than expected and as the company's strategy implementation has progressed better than anticipated.

Contrary to the previous guidance, the company estimates that the comparable operating result will probably reach or even exceed the 2019 level (162.8 million euros). In terms of 2023 revenue, Finnair still estimates that it will not yet reach the 2019 level (3,097.7 million euros).

As a result of the improved profit outlook, Finnair's strategic comparable operating profit margin target of at least 5 per cent from mid-2024 onwards would be reached 12–18 months earlier than anticipated. However, uncertainty in Finnair's operating environment continues as the fuel price is still high and also since the end of the closure of Russian airspace is not in sight. In addition, the extent of the impacts of inflation and rising interest rates on demand and costs is uncertain.

Finnair estimated in its guidance published on 27 April 2023 that its 2023 revenue will significantly increase and comparable operating result will significantly improve year-on-year, especially as the first half of 2022 was heavily burdened by both the pandemic and the closed Russian airspace. However, the company estimated that revenue and comparable operating result would not yet reach the level of 2019.

Finnair will update its outlook and guidance for the full year 2023 in connection with its half-year report to be published on 21 July 2023.

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# Appendices

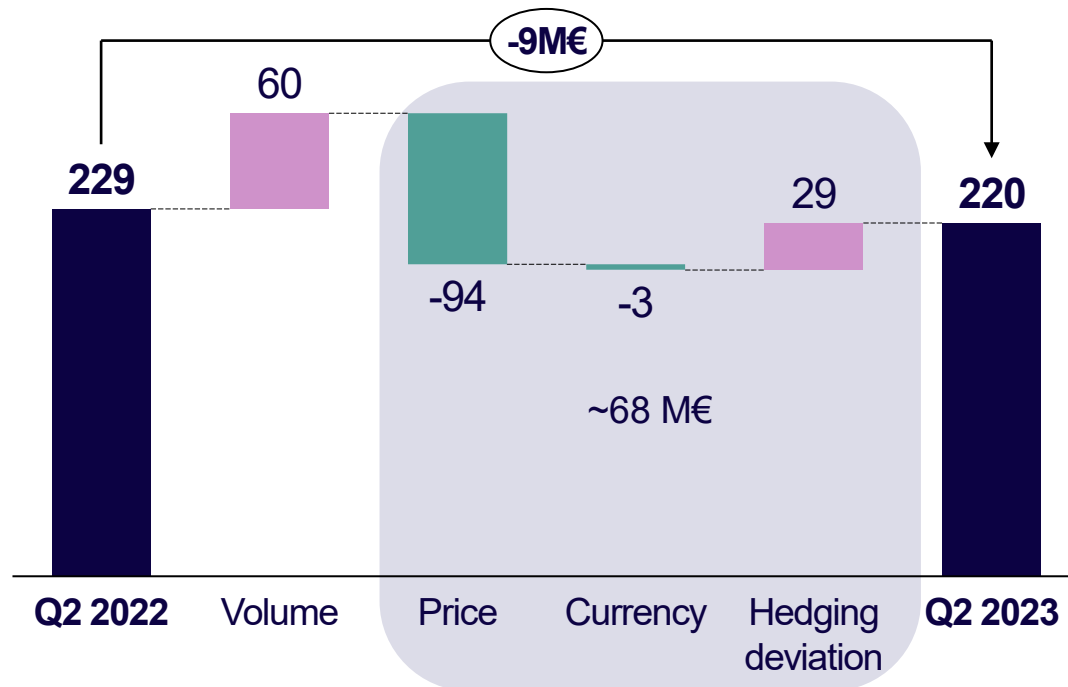






# Fuel costs decreased with lower fuel price despite increased volume

Fuel costs Q2/23 vs. Q2/22, M€

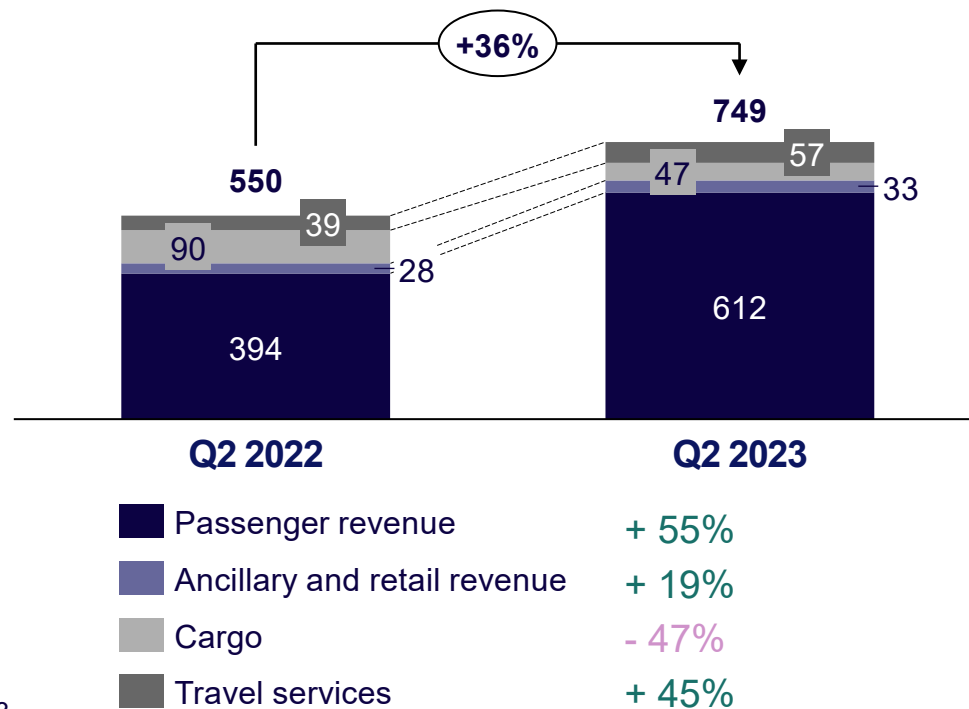


- Traffic volumes increased as comparison period demand and operations were still somewhat impacted by COVID-19.
- Fuel price decreased but was still at a high level.
- Weakening of US dollar decreased fuel costs slightly.
- Due to uncertainty imposed by COVID-19, the hedging ratio in the comparison period was low. Finnair started to gradually normalise its hedging operations since Q1 2022.



# Revenue increased especially with strong passenger demand and restricted market capacity

Revenue by product, M€

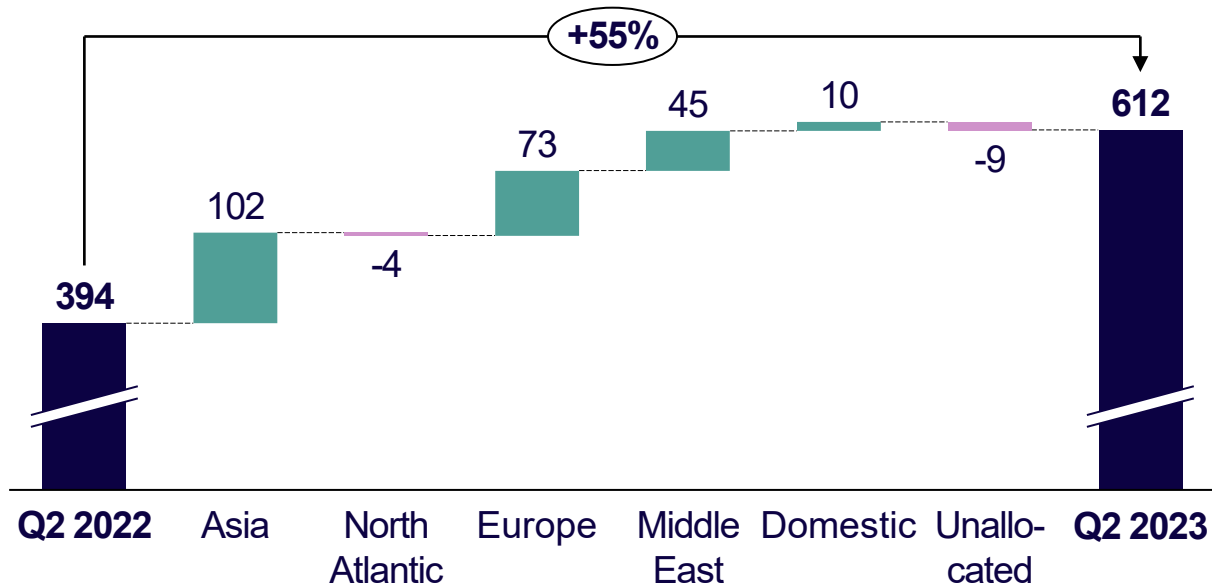


- Passenger revenue improved due to strong demand and industry specific capacity bottlenecks, when comparison period was still somewhat impacted by COVID-19.
- Global air cargo market capacity exceeded the pre-pandemic era, but the cargo yields are still elevated. However, declining market prices led to a lower revenue year-on-year and quarter-on-quarter.
- The strong demand for package holidays continued throughout Q2, increasing the package tour prices. Despite the increase in prices, demand remained strong also for last-minute deals.

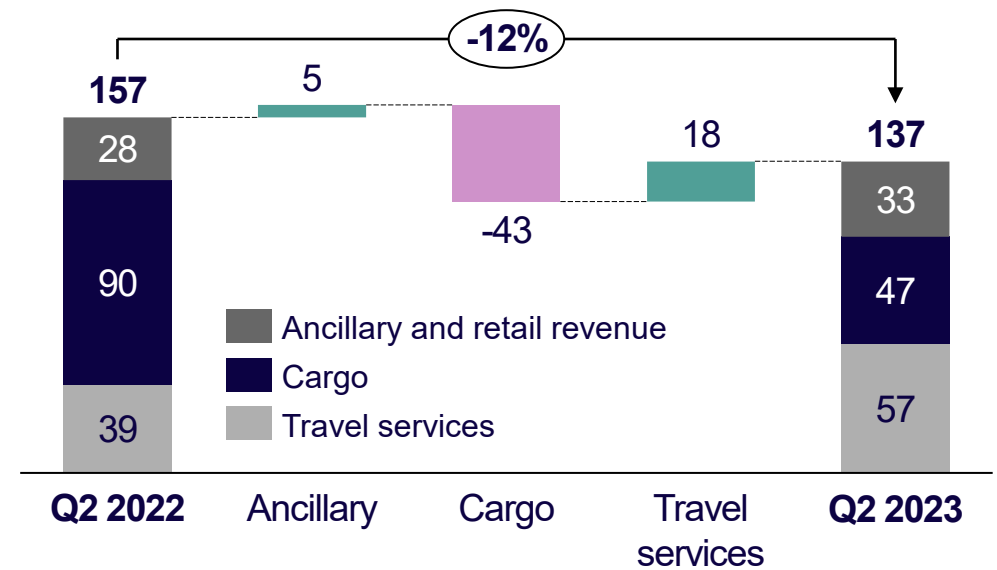


# Despite the closed Russian airspace, passenger revenue increased also in Asia, as the travel restrictions were lifted. Cargo demand and yield decreased year-on-year

Passenger revenue Q2/23 vs Q2/22, M€



Other revenue Q2/23 vs Q2/22, M€

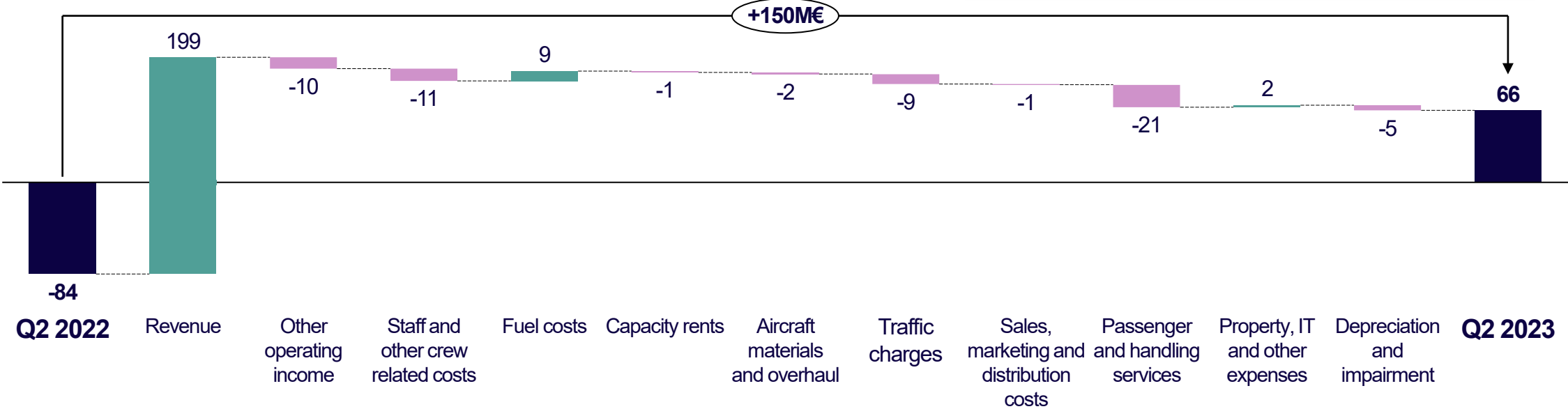




# As revenue increased more than operating expenses, Finnair's comparable operating result improved year-on-year, turning positive

Comparable EBIT Q2/23 vs Q2/22, M€

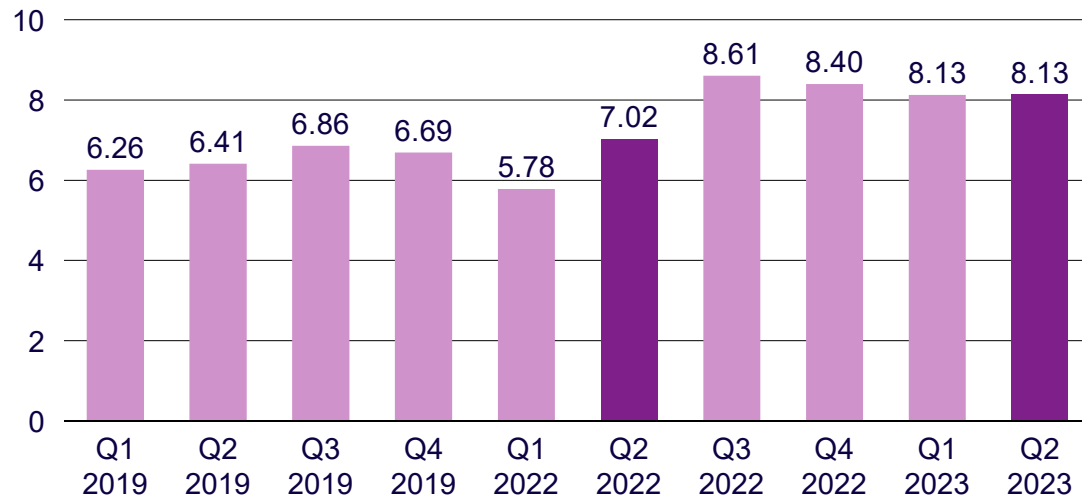
- Operating expenses 710.7M€ in total
- Capacity increased +17.5%
- Revenue increased +36.2%
- Operating expenses +5.7%
- Operating expenses excluding fuel +10.6%





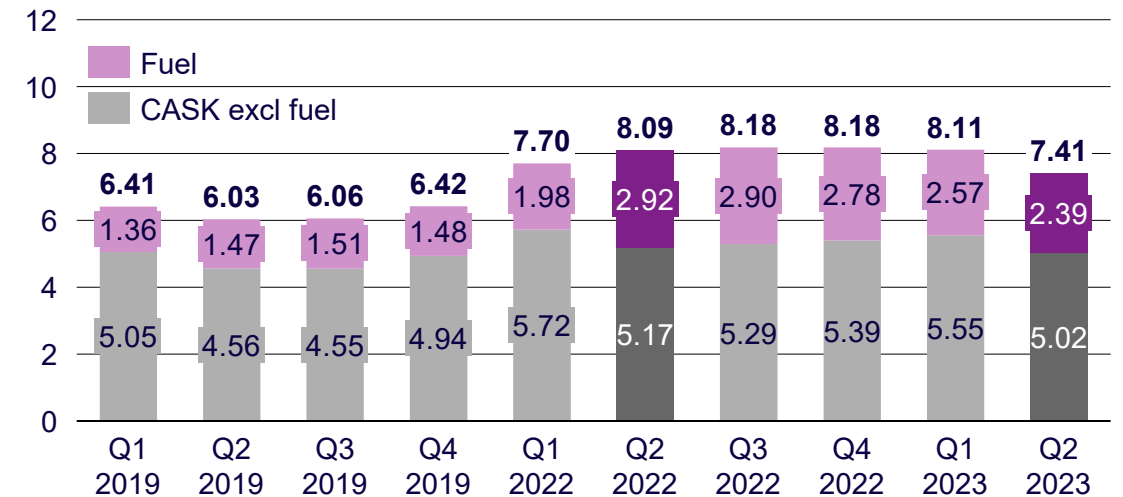
# Unit revenue increased and unit cost declined from comparison period

## RASK development, € cents



Unit revenue (RASK) increased from 7.02 € cents in Q2 2022 to 8.13 € cents in Q2 2023 driven by the higher ticket prices and increased load factor despite the higher volume of Cargo only operations in comparison period, that generate no available seat kilometres.

## CASK development, € cents



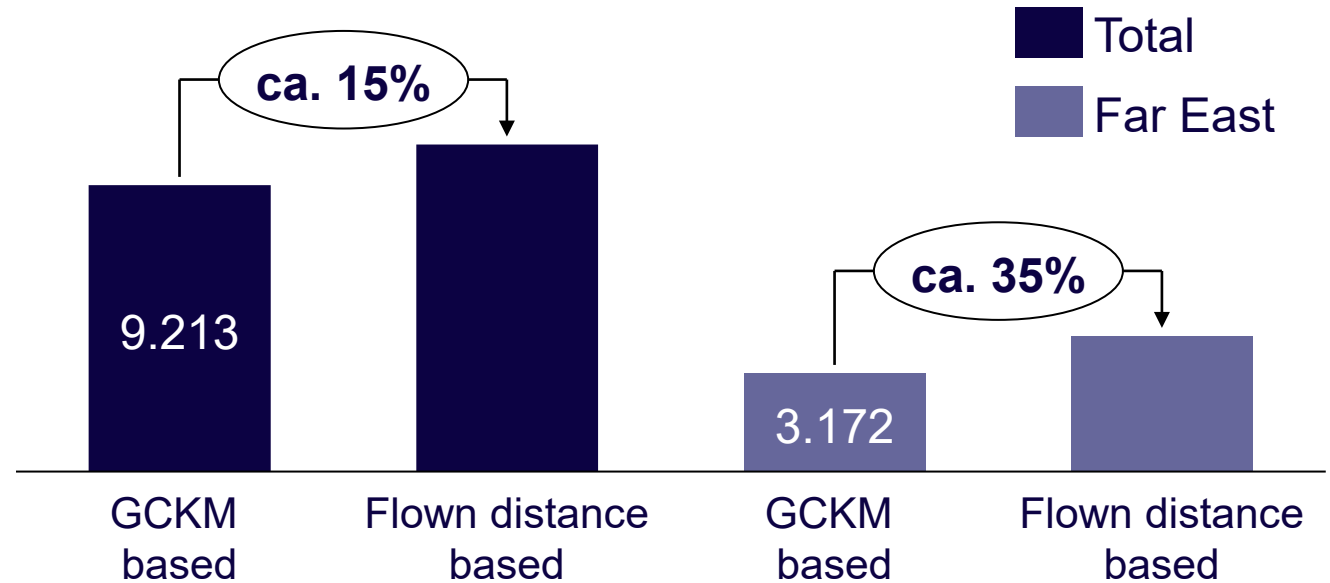
Unit cost (CASK) decreased from 8.09 € cents in Q2 2022 to 7.41 € cents in Q2 2023. Unit cost excluding fuel price decreased from 5.17 € cent Q2 2022 to 5.02 € cent in Q2 2023 driven by improved asset utilization, smaller number of cargo only operations and successfully implemented cost savings program.



# Industry standard capacity calculation is not reflecting longer routings to Asia. Impact on Finnair is greater than on competitors

- Great circle distance (GCKM) - based figures do not reflect the longer Asia routings, caused by the closure of Russian airspace.
- Current capacity figures are not comparable to figures prior to airspace closure.
- Impact on Finnair is greater than on competitors.


Q2 2023 Available seat kilometres (ASK), million:





# Comparable income statement

in M€	Q2 2023	Q2 2022	Change %	Q1-Q2 2023	Q1-Q2 2022	Change %
<b>Revenue</b>	<b>749.2</b>	<b>550.3</b>	<b>36.2</b>	<b>1,443.9</b>	<b>950.1</b>	<b>52.0</b>
Other operating income	27.7	38.0	-27.2	58.8	53.6	9.7
<b>Operating expenses</b>						
Staff and other crew related costs	-125.1	-113.9	-9.8	-254.2	-215.6	-17.9
Fuel costs	-220.3	-229.2	3.9	-439.9	-366.0	-20.2
Capacity rents	-25.9	-24.7	-4.8	-52.7	-47.6	-10.8
Aircraft materials and overhaul	-40.2	-38.6	-4.1	-89.7	-73.4	-22.2
Traffic charges	-59.1	-50.0	-18.0	-114.5	-101.6	-12.7
Sales, marketing and distribution costs	-29.1	-28.3	-2.9	-60.3	-49.0	-23.0
Passenger and handling services	-99.6	-79.0	-26.1	-203.0	-149.8	-35.6
Property, IT and other expenses	-28.5	-30.5	6.6	-56.5	-60.8	7.1
<b>Comparable EBITDA</b>	<b>149.1</b>	<b>-6.0</b>	<b>&gt; 200</b>	<b>231.9</b>	<b>-60.1</b>	<b>&gt; 200</b>
Depreciation and impairment	-82.9	-78.2	-6.0	-164.8	-157.0	-5.0
<b>Comparable operating result</b>	<b>66.2</b>	<b>-84.2</b>	<b>178.7</b>	<b>67.1</b>	<b>-217.1</b>	<b>130.9</b>
Items affecting comparability	-0.4	-8.7	-95.5%	7.0	-40.7	-117.3%
<b>Operating result</b>	<b>65.8</b>	<b>-92.9</b>	<b>170.9</b>	<b>74.1</b>	<b>-257.8</b>	<b>128.8</b>
Financial income	13.4	-0.5	> 200	25.6	-0.9	> 200
Financial expenses	-36.1	-34.5	-4.8	-72.8	-67.8	-7.4
Exchange rate gains and losses	0.5	-41.5	101.1	9.3	-54.9	116.9
<b>Result before taxes</b>	<b>43.6</b>	<b>-169.3</b>	<b>125.7</b>	<b>36.2</b>	<b>-381.4</b>	<b>109.5</b>
Income taxes	95.0	-110.2	186.2	105.4	-111.0	195.0
<b>Result for the period</b>	<b>138.6</b>	<b>-279.5</b>	<b>149.6</b>	<b>141.6</b>	<b>-492.3</b>	<b>128.8</b>



**Thank You.**  
Have a wonderful day.

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