

FINNAIR

A close-up, low-angle shot of the side of a white Airbus A350-900 aircraft. The image shows a row of oval passenger windows. Below the windows, the registration number 'OH-LWG' is visible, accompanied by a small Finnish flag and a European Union flag. Below the registration, the text 'AIRBUS A350-900' is printed. The aircraft's wing and tail fin are partially visible on the right side of the frame. The background is a soft, out-of-focus sky.

Q1 2023: Strong demand and well-progressed strategy implementation led to break-even result during seasonally weakest quarter

27.04.2023 Topi Manner, Finnair

Q1: Comparable EBIT positive for a third consecutive quarter

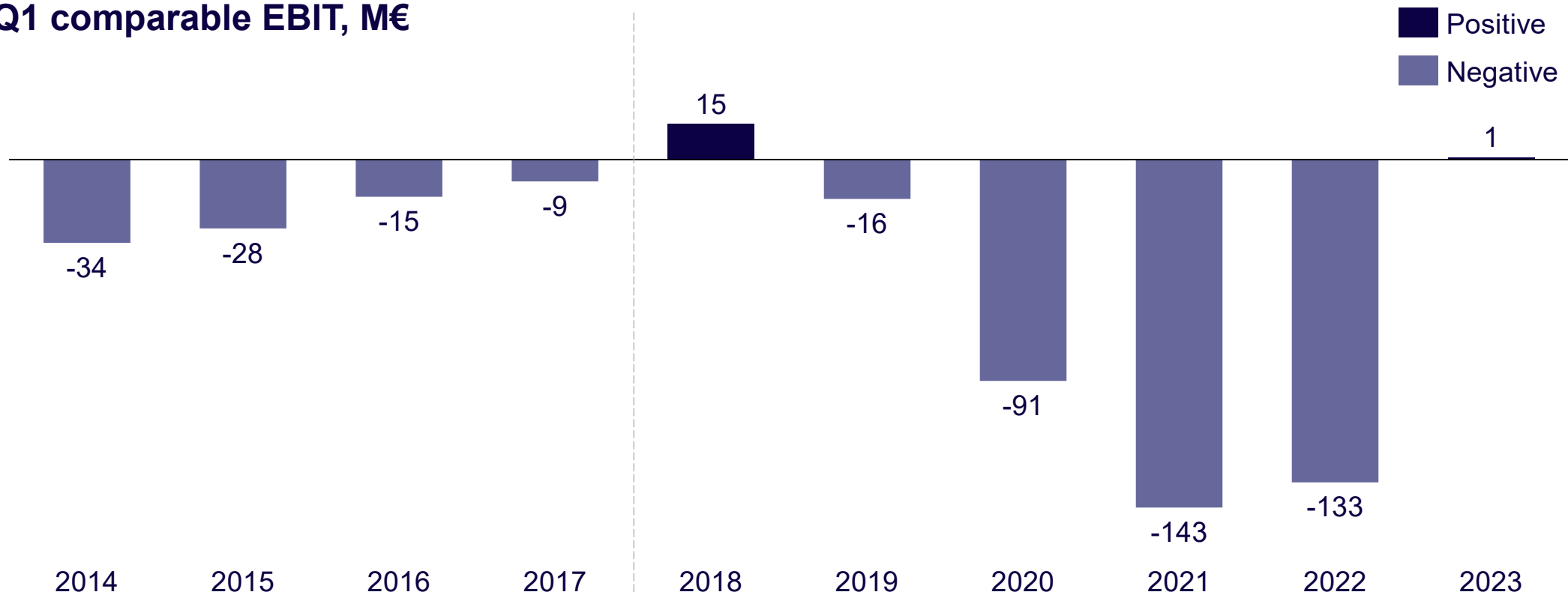
- Net result also positive for a second quarter in a row.
- Number of passengers increased to 2.6 million.
- We operated 80% of Q1 2019 ASKs on our own flights, 86% when wet-lease operations for our partners are included.
- RASK 30% above Q1 2019 level.
- PLF improved in all traffic categories.
- Customer satisfaction remained at a good level (NPS 42).
- On-time performance 82%.





Q1 comparable EBIT is typically negative

Q1 comparable EBIT, M€



-> IFRS16 comparable figures

Uncertain operating environment persists

- Fuel price still high and development uncertain.
- Opening of Russian airspace unknown.
- Extent of impacts of inflation, rise in interest rates on demand and costs uncertain.
- Finnair's net debt still over one billion euros.



Aurinkomatkat had a strong quarter

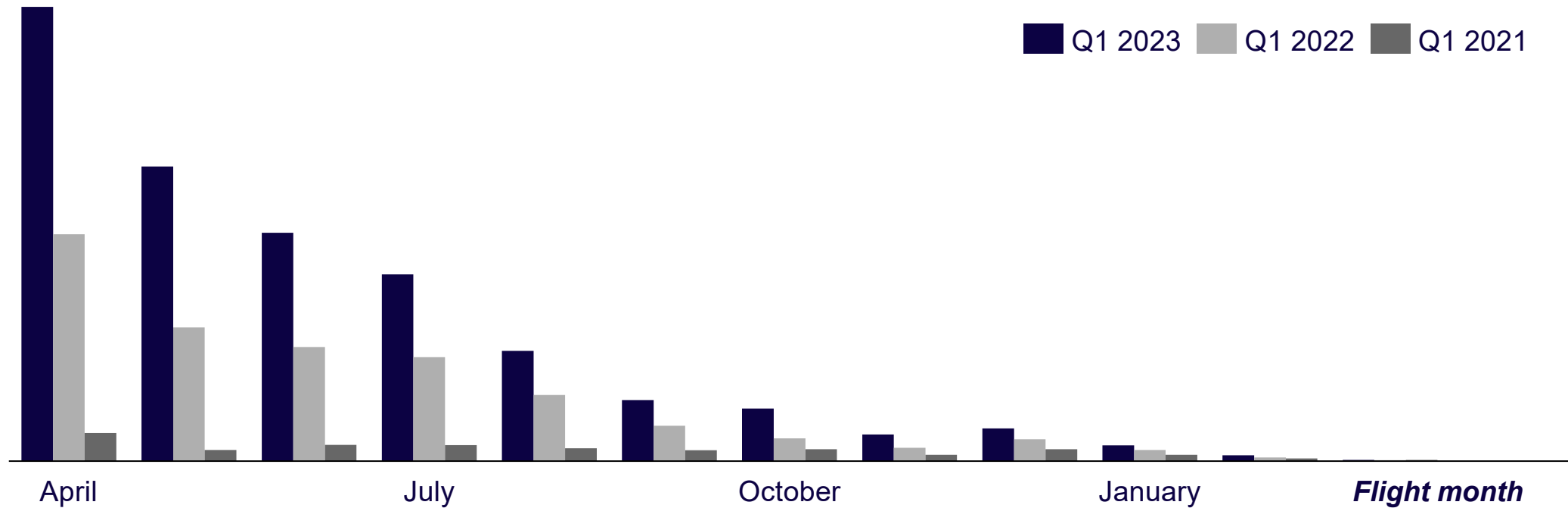
- Aurinkomatkat's share of total revenue has recovered well.
- Excellent customer satisfaction (NPS 55).
- Finland's best customer experience-award at the end of 2022.
- Strong demand continued throughout the quarter.
- Package tours are perceived as a safe alternative in an uncertain economic environment.
- Book your summer trip now!





Ticket sales have recovered from previous years

Tickets sold for future departures at the end of March, €





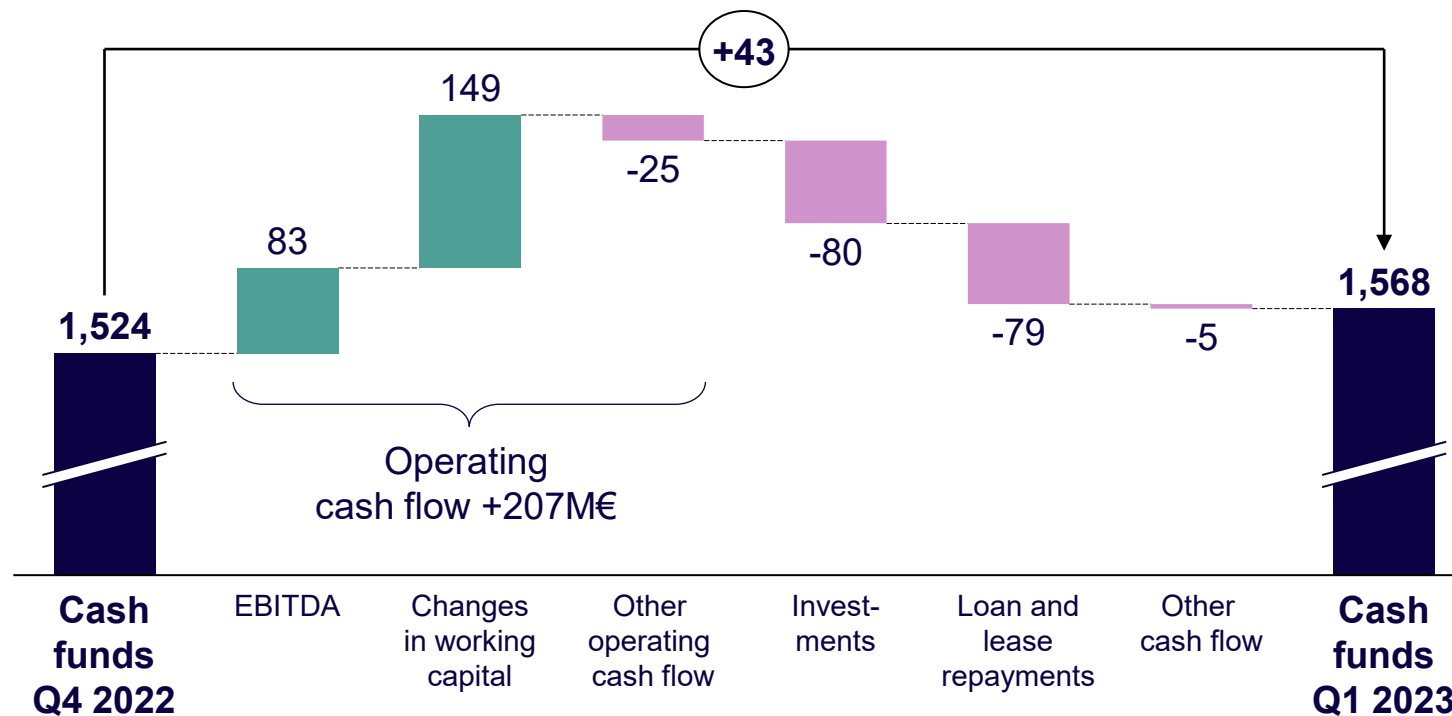
Comparable operating result a million euros, result for the period also positive

Income statement, M€	Q1 2023	Q1 2022	Q1 2019	Q4 2022
Revenue	695	400	673	687
Other operating income	31	16	15	37
Operating expenses excl. depreciation	-643	-469	-628	-625
Comparable EBITDA	83	-54	60	99
Depreciation	-82	-79	-76	-81
Comparable operating result	1	-133	-16	18
Items affecting comparability	7	-32	-1	20
Operating result	8	-165	-18	38
Financial income and expenses	-16	-47	-31	17
Result before taxes	-7	-212	-48	55
Income taxes	10	-1	10	-2
Result for the period	3	-213	-39	53

- Strong demand, restricted market capacity and sales initiatives resulted in higher ticket prices and RASK.
- Expense management was successful. However, increased flight-time to Asia as well as high fuel price decreased profitability.
- Net financial expenses were negative mainly because of the interest expenses.
- Income taxes mainly related to changes in deferred tax assets based on certain temporary differences. They were recognised retrospectively in Q1 as the company outlook has improved.



Cash funds increased with excellent operating cash flow



- Cash to sales ratio* 59%.
- Strong sales increased EBITDA and operating cash.
- Buyback of three leased (47M€) aircraft increased investments.
- Loan and lease repayments included 18-million-euro buyback of senior bond.

Comparable figures where applicable.

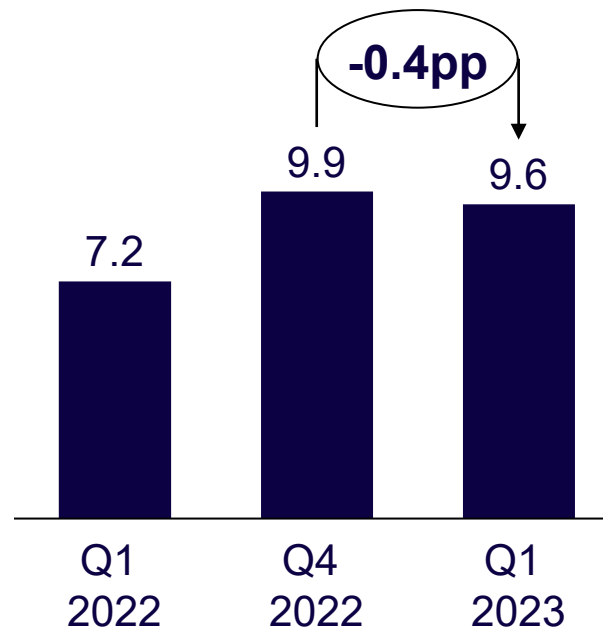
* Cash funds / Revenue for the last 12 months x 100.



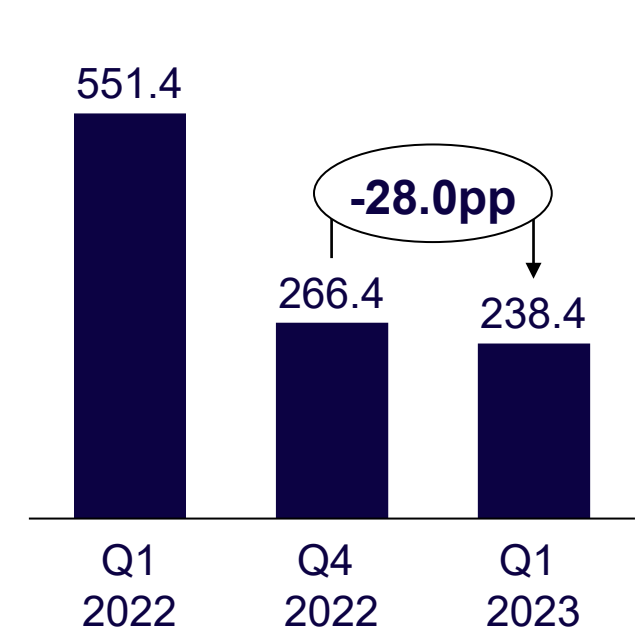
Operating cash flow decreased gearing

- Despite positive net result, equity ratio decreased quarter-on-quarter, as the decline in fuel price negatively impacted fair value reserve.
- Strong operating cash flow decreased gearing.

Equity ratio*, %:



Gearing*, %:



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



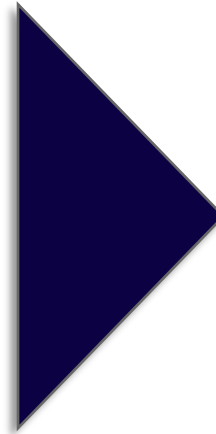
Strategy work to restore profitability continues

More balanced network and optimized fleet

Strengthening unit revenues

Reducing unit costs

Sustainability



- More balanced network successfully executed.
- Delivery of one A350 aircraft deferred to Q2 2026.
- Shortest domestic flights to Tampere and Turku to be discontinued.

- Distribution improved through various measures, dynamic pricing advanced.
- RASK improved by 30% compared to Q1 2019.



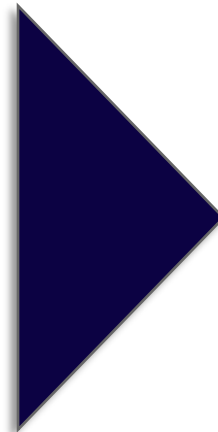
Strategy work to restore profitability continues

More balanced network and optimized fleet

Strengthening unit revenues

Reducing unit costs

Sustainability



- Agreement with cabin crew on new savings.
- In-flight sales stopped.
- Changes to service concepts on our flights.
- CASK excl. fuel decreased by 3% year-on-year.

- 750 tons of Neste MY sustainable aviation fuel purchased.
- Shortest flight connections replaced with buses.



Outlook and guidance

New guidance on 27 April 2023:

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

Finnair estimates that the strong demand for travel will continue, supporting its unit revenues, but the continuing general economic uncertainty weakens the visibility on travel demand development after the summer season 2023. The summer months are the high season in travel, whereas demand typically weakens towards the end of the year, based on normal seasonality.

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

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

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

Guidance issued on 15 February 2023:

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

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

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

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

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

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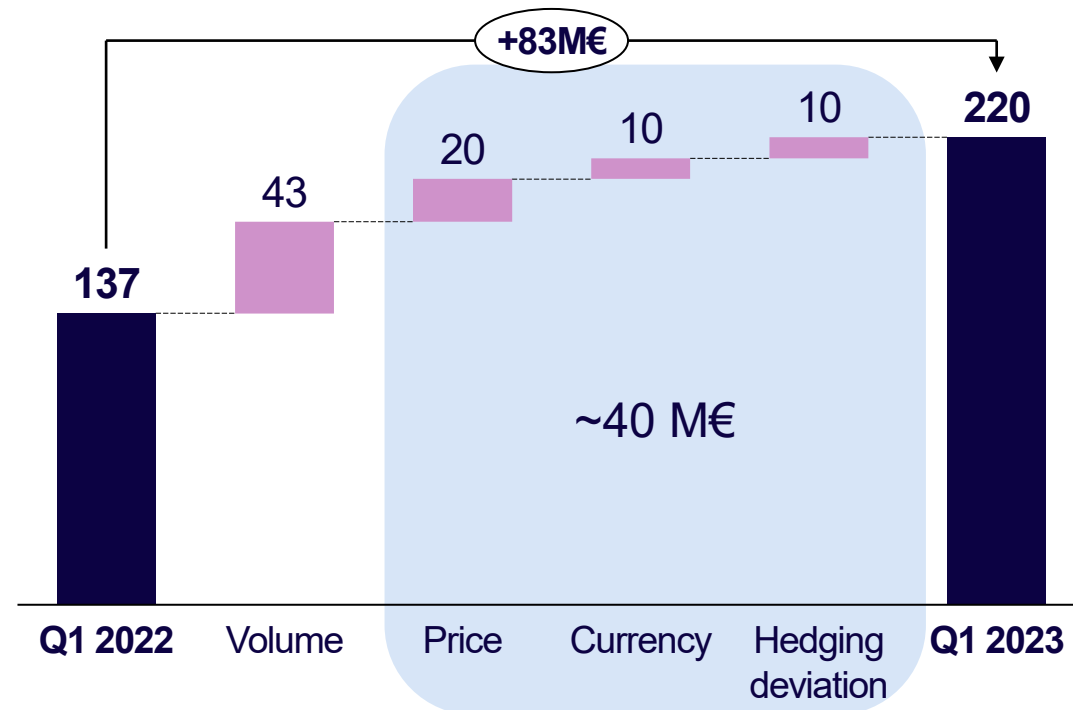
Appendices





Increased volume, high price, weak euro and low hedging ratio in comparison period increased fuel costs

Fuel costs Q1/23 vs. Q1/22, M€

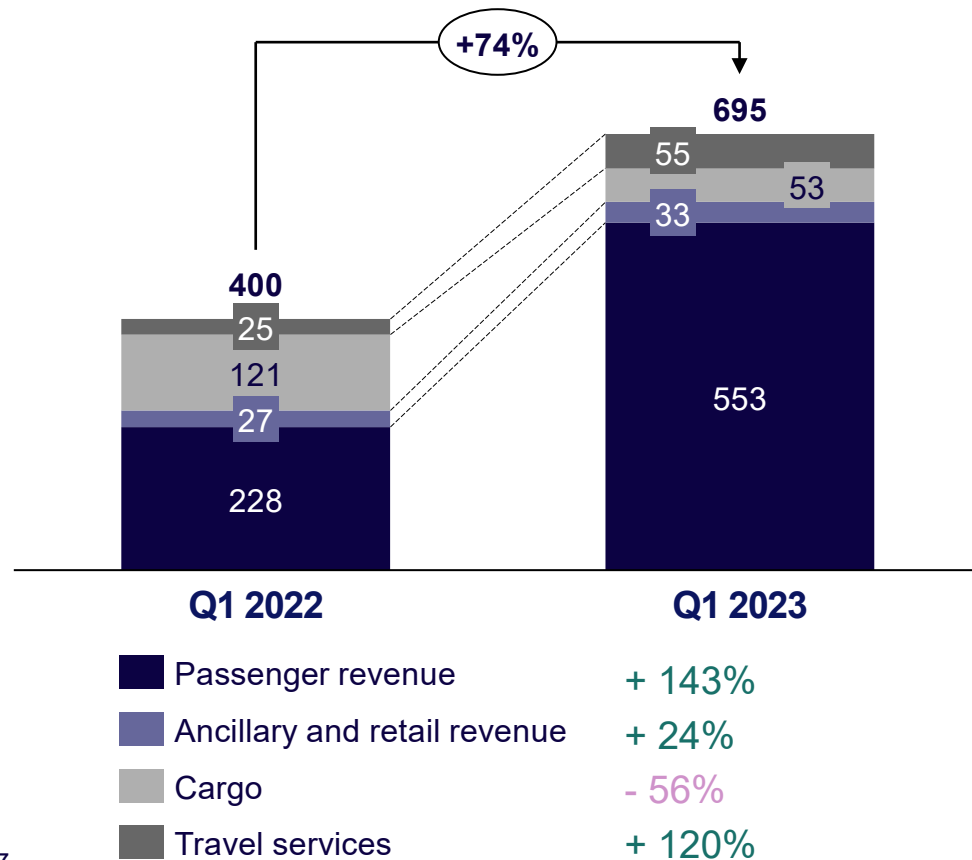


- Despite the closed Russian airspace, traffic volumes increased.
- Fuel price was still on a high level.
- Strengthened US dollar had a negative impact on the fuel costs.
- Due to uncertainty imposed by COVID-19, the hedging ratio in the comparison period was low. Finnair started to gradually normalise its hedging operations since Q1 2022.



Revenue increased with strong passenger demand

Revenue by product, M€

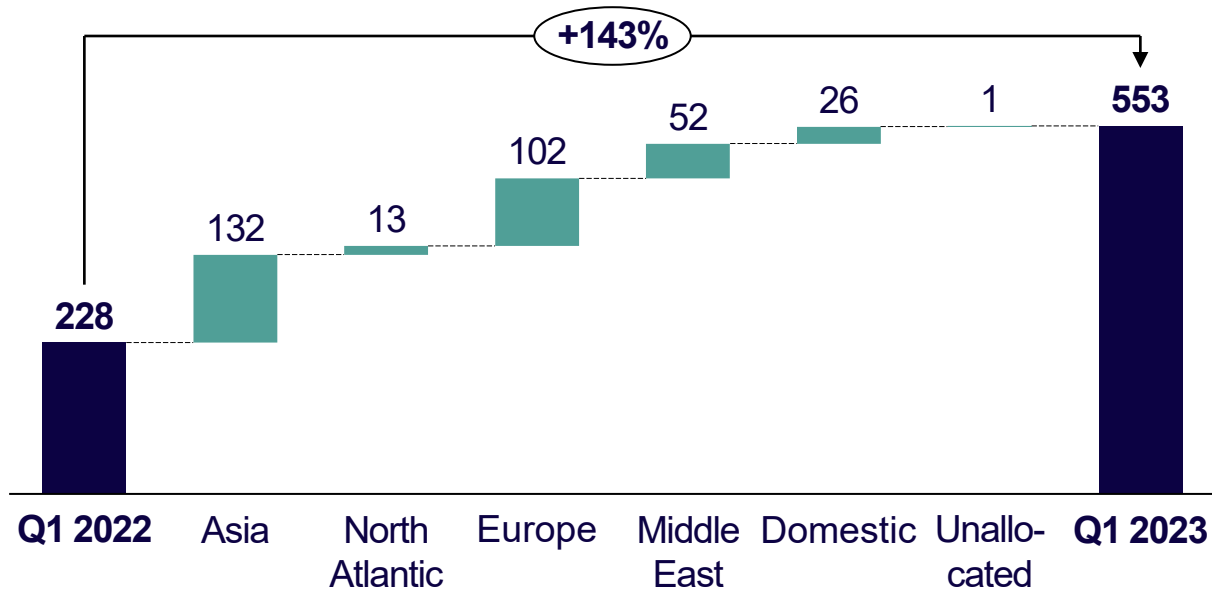


- Passenger revenue improved from the comparison period due to strong demand. However, the closure of Russian airspace had a negative effect, especially on Asian figures.
- Global air cargo market capacity is still more limited compared to pre-pandemic era and the cargo yields are hence elevated. However, declining market prices led to a lower revenue than in the comparison period.
- The strong demand for package holidays continued throughout Q1, increasing the package tour prices. Despite the increase in prices, demand remained strong also for last-minute deals.

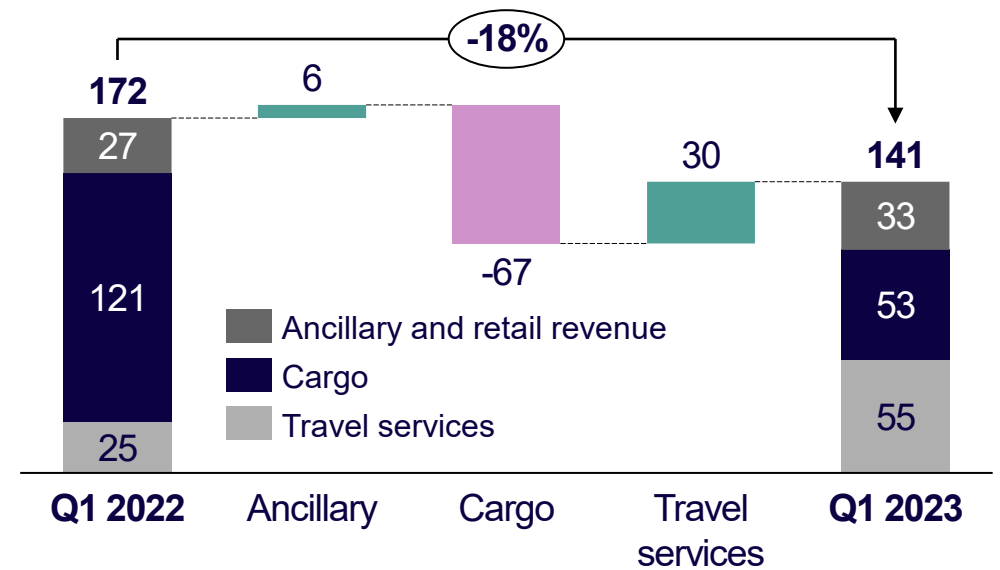


Despite the closed Russian airspace, passenger revenue increased in Asia, as the travel restrictions were lifted

Passenger revenue Q1/23 vs Q1/22, M€



Other revenue Q1/23 vs Q1/22, M€

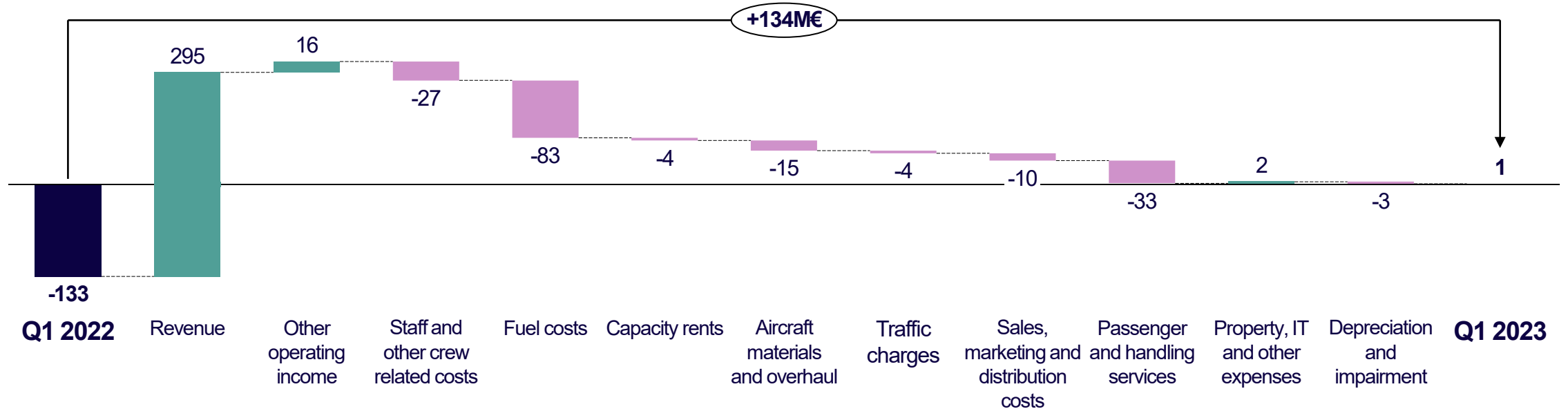




Strong demand resulted in positive comparable EBIT, high fuel price and longer flight times to Asia were visible in costs

Comparable EBIT Q1/23 vs Q1/22, M€

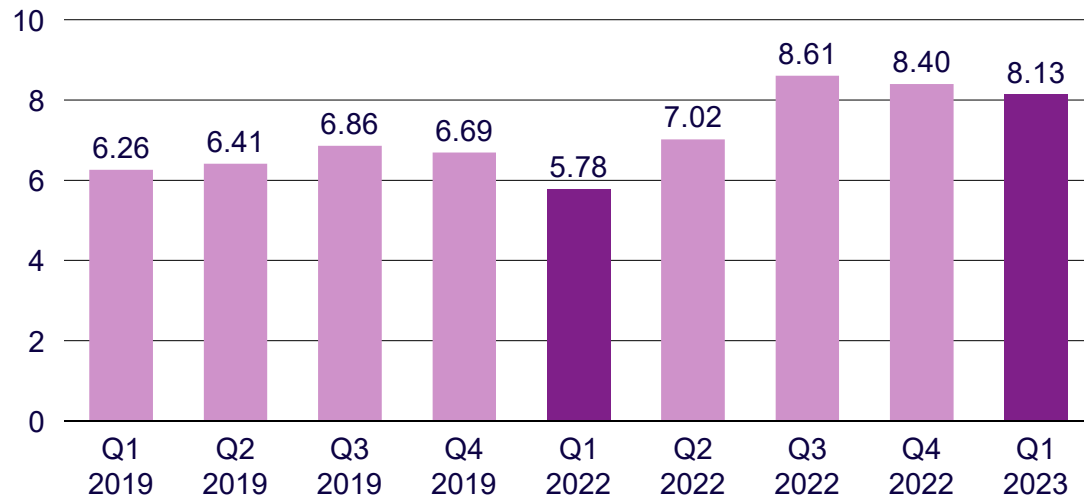
- Operating expenses 725.0M€ in total
- Capacity increased +23.6%
- Revenue increased +73.8%
- Operating expenses +32.2%
- Operating expenses excluding fuel +22.8%





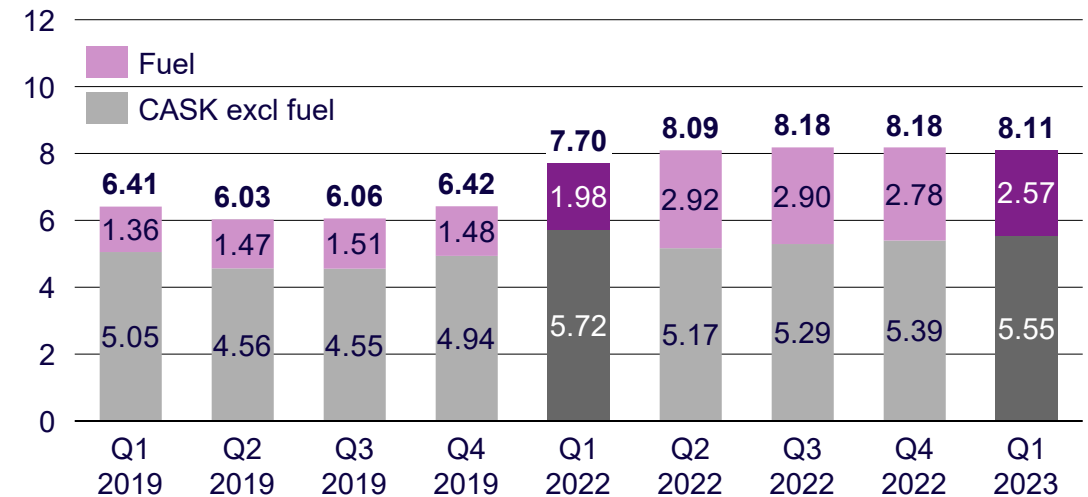
Unit revenue increased, unit cost ex-fuel declined from comparison period. Significant increase in fuel price decreased profitability

RASK development, € cents



Unit revenue (RASK) increased from 5.78 € cents in Q1 2022 to 8.13 € cents in Q1 2023 driven by the higher ticket prices despite the higher volume of Cargo only operations in comparison period, that generate no available seat kilometres.

CASK development, € cents



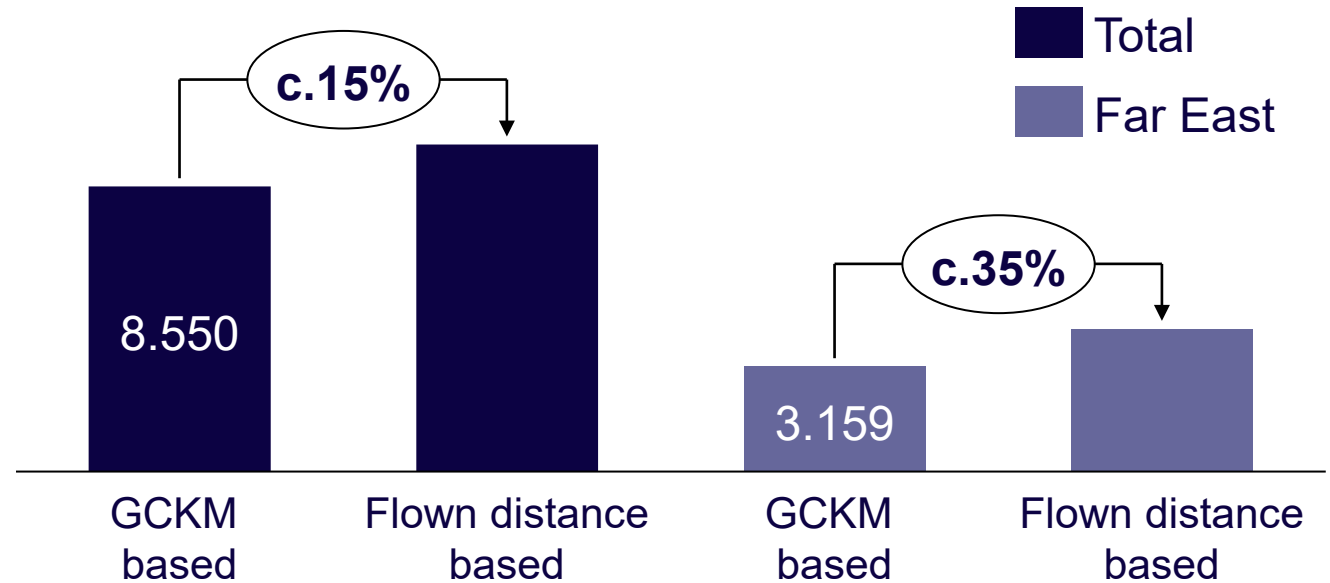
Unit cost (CASK) increased from 7.70 € cents in Q1 2022 to 8.11 € cents in Q1 2023 as fuel price increased. Unit cost excluding fuel price decreased from 5.72 € cent Q1 2022 to 5.55 € cent in Q1 2023 driven by improved asset utilization, smaller number of cargo only operations, new wet-lease out operations 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.

Q1 2023 Available seat kilometres (ASK), million:





Comparable income statement

in mill, EUR	Q1 2023	Q1 2022	Change %
Revenue	694.7	399.8	73.8
Other operating income	31.1	15.6	99.9
Operating expenses			
Staff and other crew related costs	-129.1	-101.7	-27.0
Fuel costs	-219.6	-136.8	-60.5
Capacity rents	-26.8	-22.8	-17.3
Aircraft materials and overhaul	-49.6	-34.8	-42.4
Traffic charges	-55.4	-51.5	-7.5
Sales, marketing and distribution costs	-31.1	-20.7	-50.6
Passenger and handling services	-103.4	-70.8	-46.1
Property, IT and other expenses	-28.0	-30.3	7.6
Comparable EBITDA	82.8	-54.1	> 200
Depreciation and impairment	-82.0	-78.8	-4.0
Comparable operating result	0.9	-132.9	100.7
Items affecting comparability	7.4	-32.0	-123.3%
Operating result	8.3	-164.9	105.0
Financial income	12.2	-0.4	> 200
Financial expenses	-36.7	-33.3	-10.0
Exchange rate gains and losses	8.8	-13.4	165.5
Result before taxes	-7.4	-212.0	96.5
Income taxes	10.3	-0.7	> 200
Result for the period	3.0	-212.8	101.4

A woman with long dark hair, wearing a dark grey sweater and blue jeans, is riding a bicycle on a cobblestone street. She is smiling and looking back over her shoulder. The street is lined with colorful buildings in shades of grey, yellow, red, and orange. The scene is bright and sunny.

Thank You.
Have a wonderful day.

Contact us:

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