FINNAIR

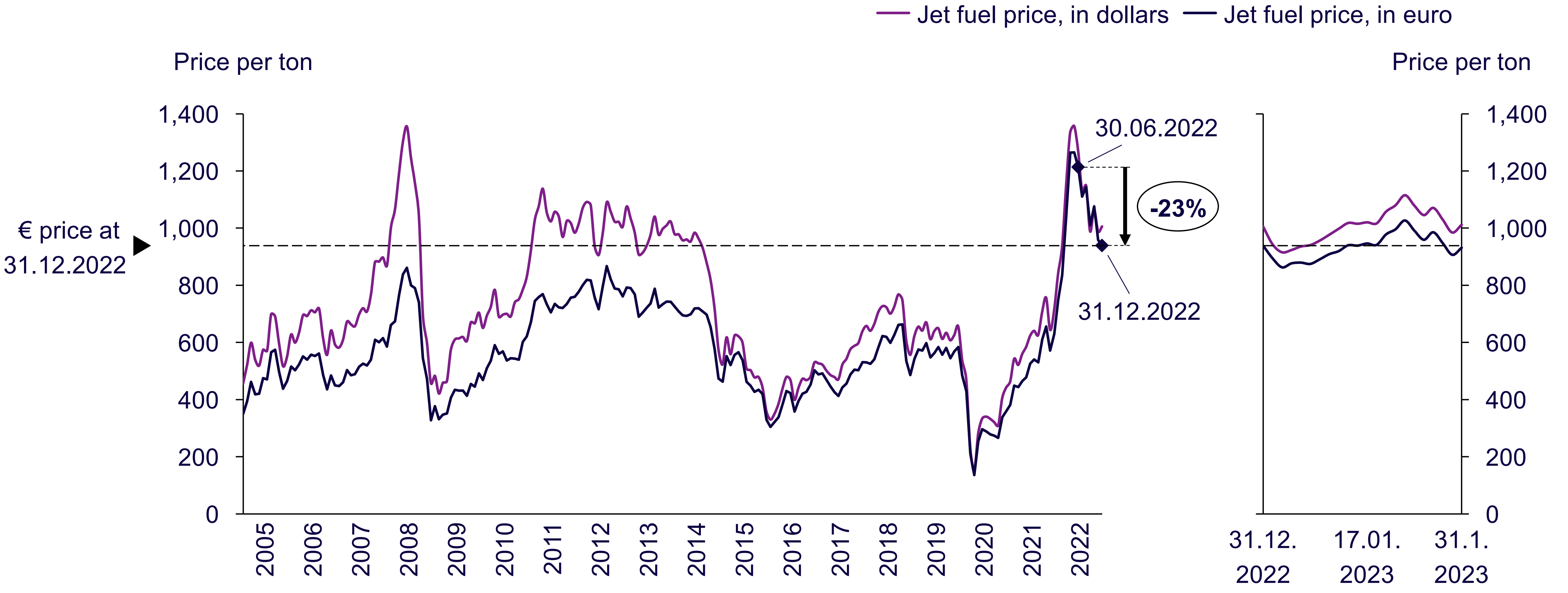
Q4 2022: Comparable EBIT positive, work to restore profitability continues

15.02.2023 Topi Manner, Finnair

Q4: Comparable EBIT positive for the second consecutive quarter

- Comparable operating result 18 million euros, net result also positive.
- Number of passengers increased to 2.5 million.
- We operated 71% of Q4 2019 ASKs on our own flights, 79% when wet-lease operations for our partners are included.
- Efforts to improve sales and optimize revenues produced desired results: RASK 25% above Q4 2019 level.
- PLF improved in all traffic categories.
- Cooperation agreement with Qatar Airways started: daily operations from Helsinki, Copenhagen and Stockholm to Doha.
- Fuel price still on an exceptionally high level.

Fuel price has decreased, but it is still exceptionally high



Source: Bloomberg, price of each month’s last day

Customer satisfaction remained on a good level

- Customer satisfaction remained on a good level (NPS 40).
- Customers rated Finnair a 5-star airline in Airline Passenger Experience Association (APEX)'s airline review.
- Renewed cabin classes now in 12 long-haul aircraft:
  - Best Cabin Innovation – award for design
  - Best New Business Class in 2022 – award for seats
  - Design Innovation Award 2022 for business class

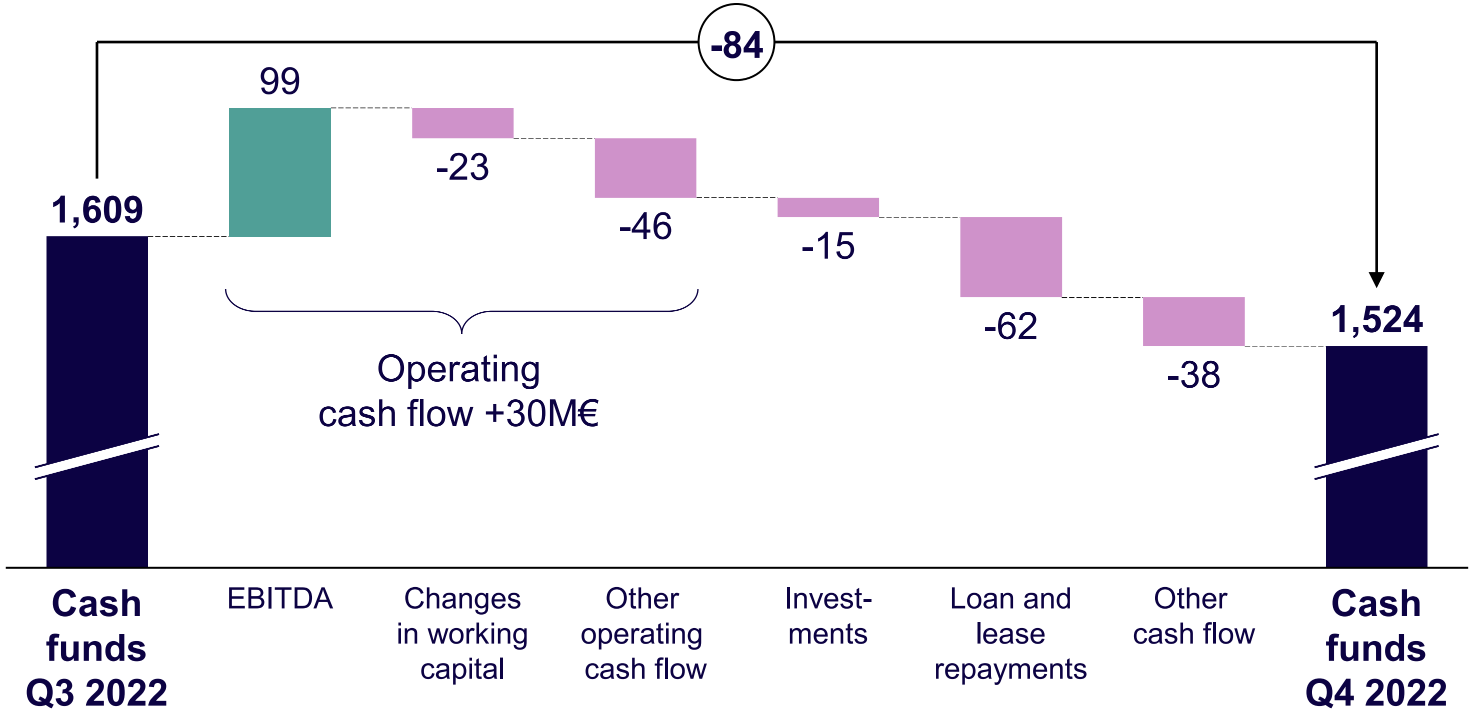
Comparable operating result 18M€; result for the period also positive, driven by weaker US dollar

Income statement, M€	Q4 2022	Q3 2022	Q4 2021
Revenue	687	719	414
Other operating income	37	56	13
Operating expenses excl. depreciation and impairment	-625	-661	-414
Comparable EBITDA	**99**	**114**	**13**
Depreciation and impairment	-81	-79	-78
Comparable operating result	**18**	**35**	**-65**
Items affecting comparability	20	-16	5
Operating result	**38**	**19**	**-60**
Financial income and expenses	17	-64	-45
Result before taxes	**55**	**-45**	**-105**
Income taxes	-2	8	21
Result for the period	**53**	**-37**	**-84**

- Improved sales and revenue optimisation resulted in higher ticket prices and RASK.
- Expense management was successful. However, increased flight-time to Asia as well as exceptionally high fuel price decreased profitability.
- Net financial expenses turned positive mainly due to exchange rate fluctuations of USD-denominated liabilities.
- No income taxes and related deferred tax assets were recognized as there is increased uncertainty relating to utilisation of the tax losses.

Comparable figures where applicable.

Operating cash flow positive, cash funds strong. Pension premium loan extended



Comparable figures where applicable.

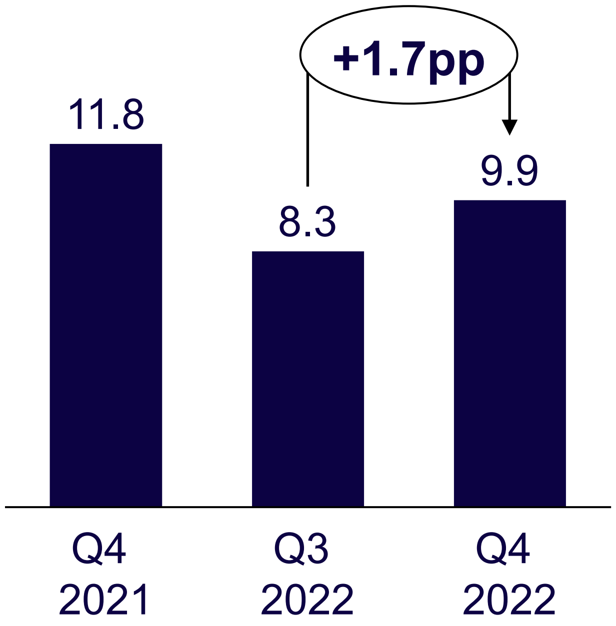
* Cash funds / Revenue for the last 12 months x 100.

- Cash to sales ratio* 65%.
- EBITDA and operating cash flow remained positive.
- The change in working capital is related to *inter alia* seasonality.
- 600M€ pension premium loan extended: 100M€ repayments biannually starting from June, remaining 200M€ in May 2025.

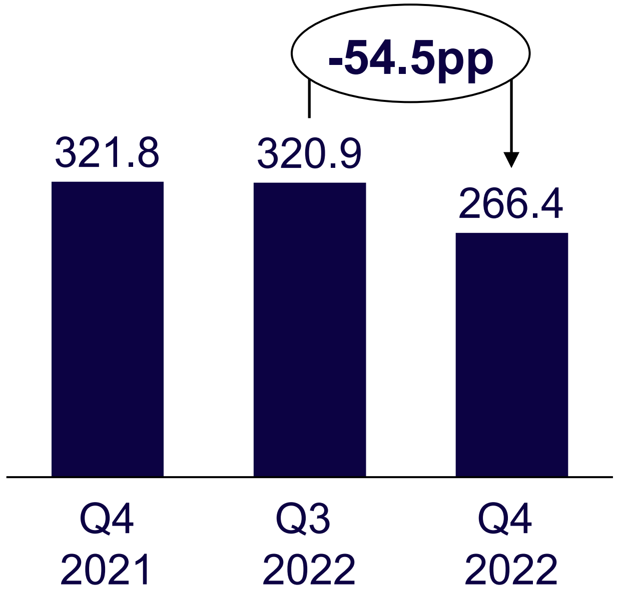
Good result, supported by stronger euro quarter-on-quarter, increased equity ratio and decreased gearing

- Positive net result increased equity ratio quarter-on-quarter.
- Stronger euro decreased gearing.

Equity ratio*, %:



Gearing*, %:



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

Travel restrictions in Asia loosened

- Flights to Asia added for summer 2023
  - After a break of over a year, we resume flights to Osaka with three weekly frequencies. Additional frequencies also to Narita airport in Tokyo, and to Hong Kong and Delhi
- China gave up its strict zero covid policy in December: travel restrictions were essentially loosened starting from January.
- We aim is to add flights to Shanghai and Beijing during the summer, depending on demand.

Strategy work to restore profitability continues

More balanced network and optimized fleet

- Balancing of network, strong demand on new routes
- Extended network and stronger distribution power in the United States
- Co-operation with Qatar Airways
- Optimisation of aircraft lease agreements
- Wet leases increase utilisation

Strengthening unit revenues

- Unit revenues increased by 25%
- Dynamic pricing
- Distribution efforts continue (NDC): share of direct channels* already c. 65% in 2022
- Finnair.com – 2022 sales totalled 0.8 billion euros
- Ancillary sales / passenger increased by 13% in 2022 compared to 2019

Reducing unit costs

Sustainability

* Direct digital, call center and Aurinkomatkat sales based on share of passengers.

Strategy work to restore profitability continues

More balanced network and optimized fleet

Strengthening unit revenues

Reducing unit costs

- Savings agreements/negotiation results with all key personnel groups
- Streamlining of support functions
- Renegotiating of supplier agreements

Sustainability

- Joint SAF purchase agreements together with oneworld partners
- Gradually increasing SAF usage from 2023 onwards
- Supporting re-employment of those subject to reductions
- 95% ticket discounts to Ukrainians continued

Outlook and guidance

New guidance 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.

Guidance issued on 28 October 2022:

Finnair estimates that in Q4 2022, it will operate an average capacity of c. 70 per cent, as measured in ASKs, compared to the corresponding period in 2019. With the leases of aircraft with crew to other airlines, the total capacity deployed would be c. 80 per cent, depending on future lease agreements.

In the short term, the strong demand for travel is predicted to continue, which will support Finnair's unit revenues as in the summer months of 2022. Significant uncertainty in Finnair’s operating environment prevails, however, because the market price of fuel is exceptionally high and the length of the Russian airspace closure, the impact of inflation on demand and costs, as well as the development of the COVID-19 pandemic and related measures are unclear. The company reiterates its guidance according to which the 2022 comparable operating result will be significantly negative for a third consecutive year.

Finnair will update the progress in the implementation of its new strategy as well as provide guidance and outlook for 2023 in connection with the financial statements bulletin for 2022.

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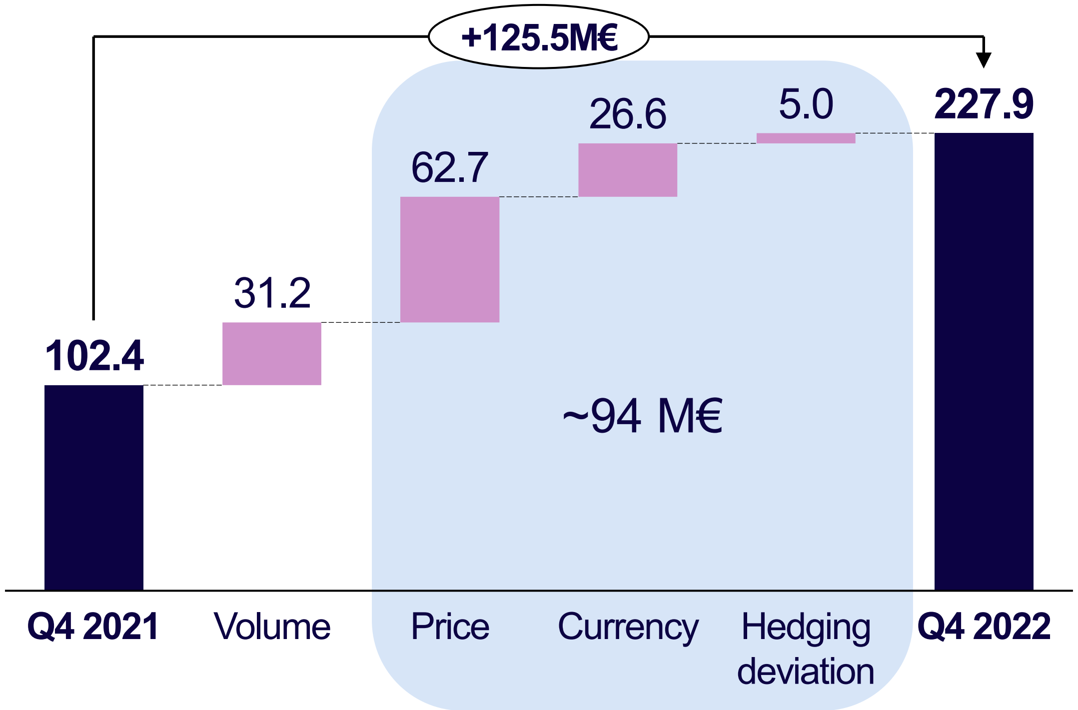
Appendices

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

Fuel costs Q4/22 vs. Q4/21, M€

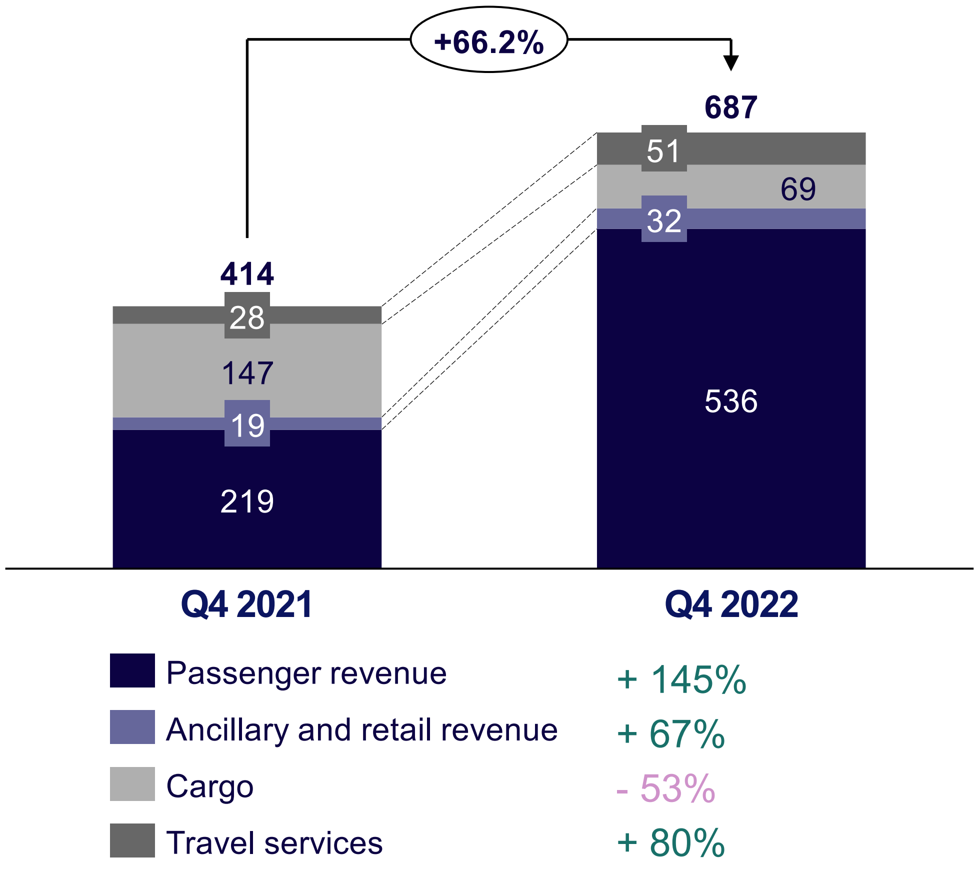


- Fuel price was on an exceptionally high level.
- Despite the closed Russian airspace and COVID-19, traffic volumes increased.
- Operational volumes were exceptionally low during the comparison period.
- Strengthened US dollar had a negative impact on the fuel costs.
- Due to uncertainty imposed by COVID-19, the hedging ratio in the comparison period was low. Normalised hedging operations started in Q1 2022.

Comparable figures where applicable.

Revenue increased due to materialisation of pent-up demand

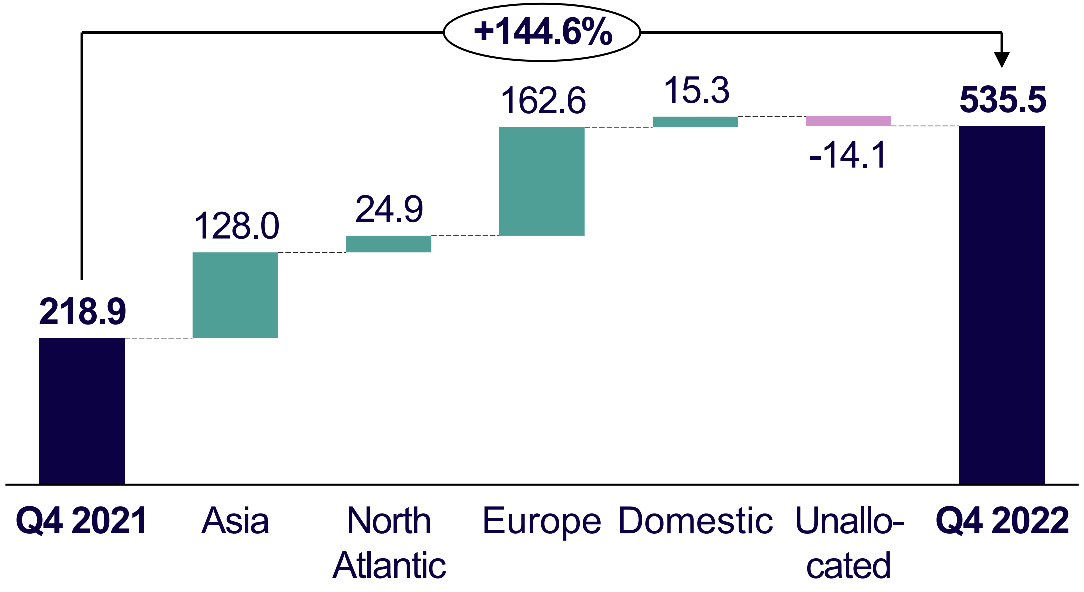
Revenue by product, M€



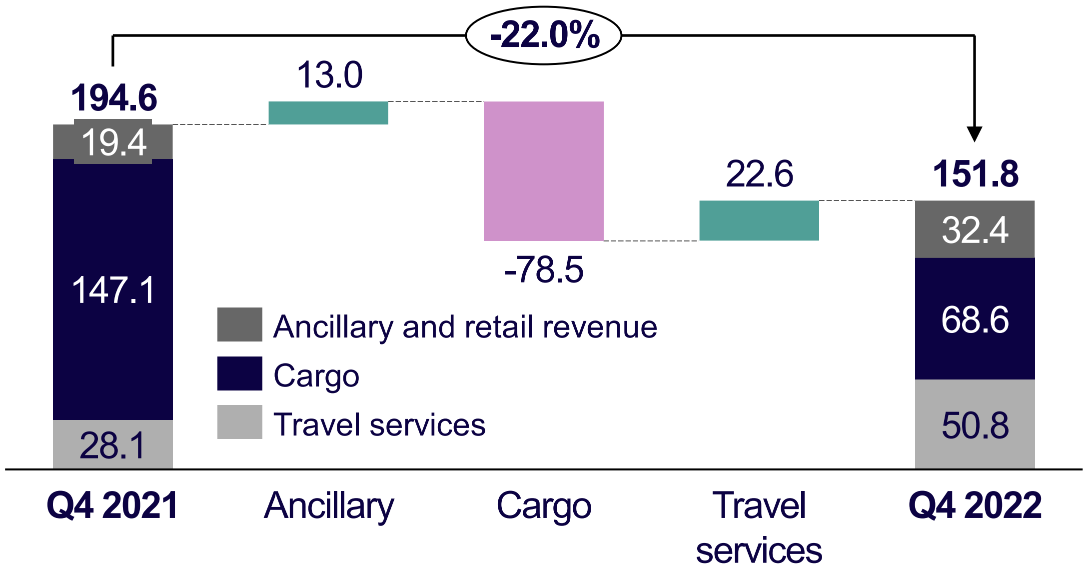
- Demand in intra-European and North Atlantic markets was strong in Q4 as there were no travel restrictions and capacity was also constrained, thus, resulting in healthy yields and improved passenger revenue.
- Cargo revenue was at an exceptionally high level during the comparison period as global supply chain issues and unprecedented air freight demand benefitted cargo.
- The accelerating demand for package holidays continued throughout Q4 and Suntours increased capacity to most popular destinations. Good demand drove up the yields.

Passenger revenue increased especially in European traffic, cargo still strong

Passenger revenue Q4/22 vs Q4/21, M€



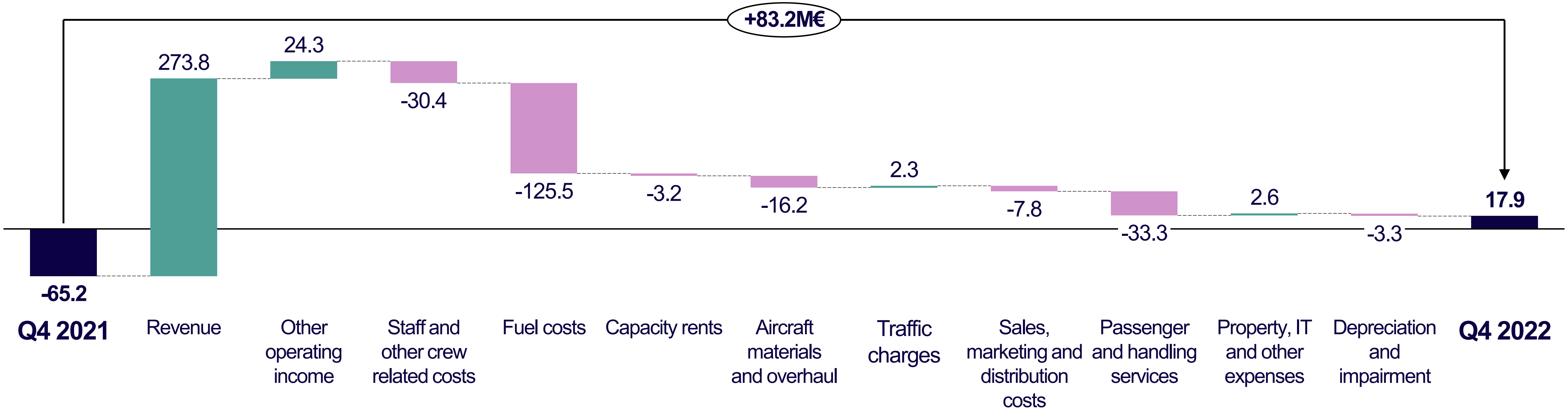
Other revenue Q4/22 vs Q4/21, M€



Strong demand and cost mitigating measures resulted in positive comparable EBIT, exceptionally high fuel price was clearly visible in costs

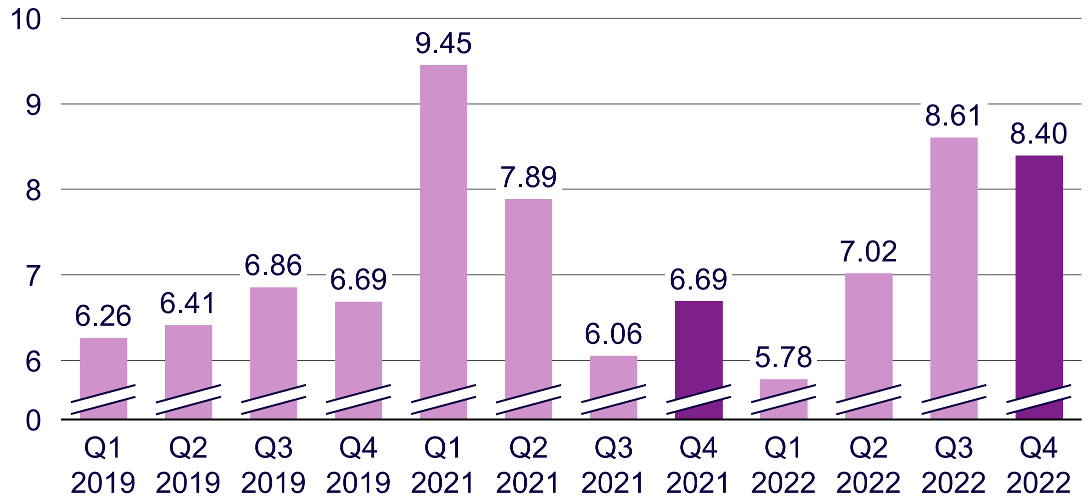
Comparable EBIT Q4/22 vs Q4/21, M€

- **Operating expenses 706.6M€ in total**
- Capacity increased +32.4 %
- Revenue increased +66.2 %
- Operating expenses +43.7%
- Operating expenses excluding fuel +23.0%



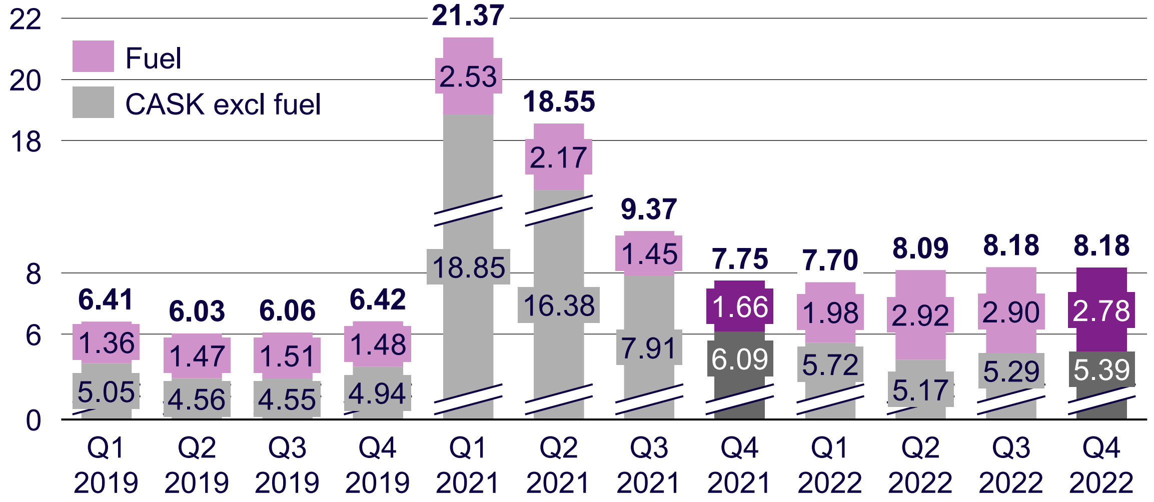
Unit revenue increased, unit cost ex-fuel declined from comparison period. Significant increase in fuel price decreased profitability

RASK development, € cents



Unit revenue (RASK) increased from 6.69 € cents in Q4 2021 to 8.40 € cents in Q4 2022 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 7.75 € cents in Q4 2021 to 8.18 € cents in Q4 2022 as fuel price increased. Unit cost excluding fuel price decreased from 6.09 € cent Q4 2021 to 5.39 € cent in Q4 2022 driven by improved asset utilization, smaller number of cargo only operations, new wet-lease out operations and successfully implemented cost savings program.

Comparable figures where applicable.

Comparable income statement

in mill, EUR	Q4 2022	Q4 2021	Change %	2022	2021	Change %
Revenue	**687.3**	**413.5**	**66.2**	**2,356.6**	**838.4**	**181.1**
Other operating income	37.2	13.0	187.1	146.7	39.2	>200
Operating expenses						
Staff and other crew related costs	-114.5	-84.0	-36.2	-447.1	-248.9	-79.7
Fuel costs	-227.9	-102.4	-122.5	-836.0	-211.4	<-200
Capacity rents	-26.2	-22.9	-14.2	-102.5	-71.3	-43.6
Aircraft materials and overhaul	-52.2	-36.1	-44.9	-183.6	-91.7	-100.1
Traffic charges	-51.1	-53.4	4.2	-206.5	-120.4	-71.6
Sales, marketing and distribution costs	-26.7	-19.0	-40.9	-103.1	-38.1	-170.6
Passenger and handling services	-98.5	-65.2	-51.0	-348.0	-148.0	-135.2
Property, IT and other expenses	-28.3	-30.8	8.3	-123.3	-96.8	-27.4
Comparable EBITDA	**99.1**	**12.6**	**>200**	**153.2**	**-149.0**	**>200**
Depreciation and impairment	-81.2	-77.9	-4.2	-317.1	-319.8	0.9
Comparable operating result	**17.9**	**-65.2**	**127.5**	**-163.9**	**-468.9**	**65.0**
Items affecting comparability	20.1	5.1	>200	-36.6	14.4	<-200
Operating result	**38.0**	**-60.2**	**163.2**	**-200.6**	**-454.4**	**55.9**
Financial income	7.1	0.1	>200	6.5	12.8	-49.0
Financial expenses	-36.7	-33.6	-9.3	-137.9	-117.8	-17.0
Exchange rate gains and losses	46.9	-11.2	>200	-38.8	-22.5	-72.7
Result before taxes	**55.3**	**-104.8**	**152.8**	**-370.7**	**-581.9**	**36.3**
Income taxes	-2.0	21.2	-109.6	-105.4	117.6	-189.7
Result for the period	**53.3**	**-83.7**	**163.7**	**-476.2**	**-464.3**	**-2.6**

Thank You.

Have a wonderful day.

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