

FINNAIR

Q4 2023: Solid end to a strong year due to robust market and visible results from revenue and cost actions

14.02.2024 Jaakko Schildt, Finnair



Q4: Good performance in challenging winter conditions

- Revenue increased by 5.8% year-on-year.
- Comparable EBIT 23M€. Net result 60M€, positive for the fifth consecutive quarter.
- RASK 20% above Q4 2019 level.
- Number of passengers increased to 2.6 million.
- ASKs 83% of Q4 2019 incl. wet lease outs.
- PLF improved in Asian, North Atlantic and Middle Eastern traffic areas. Overall load factor 73%.
- On-time performance 75% in challenging winter conditions.
- Customer satisfaction (NPS) at 32.



2023: Determined strategy implementation bore fruit and strengthened the company

- A330 fleet in efficient use:
 - Established co-operation with Qatar Airways
 - Qantas co-operation started
- Nine previously leased narrow-body aircraft purchased; significant cost savings.
- Financing transactions strengthened the balance sheet and reduced costs:
 - No remaining debt instruments deemed as equity
 - Successfully executed 570M€ rights issue
- Share of modern sales channels increased and made sales more efficient.
- Impact from permanent cost savings is constantly increasing, which is visible in the result.
- Full year comparable EBIT margin 6.2%.





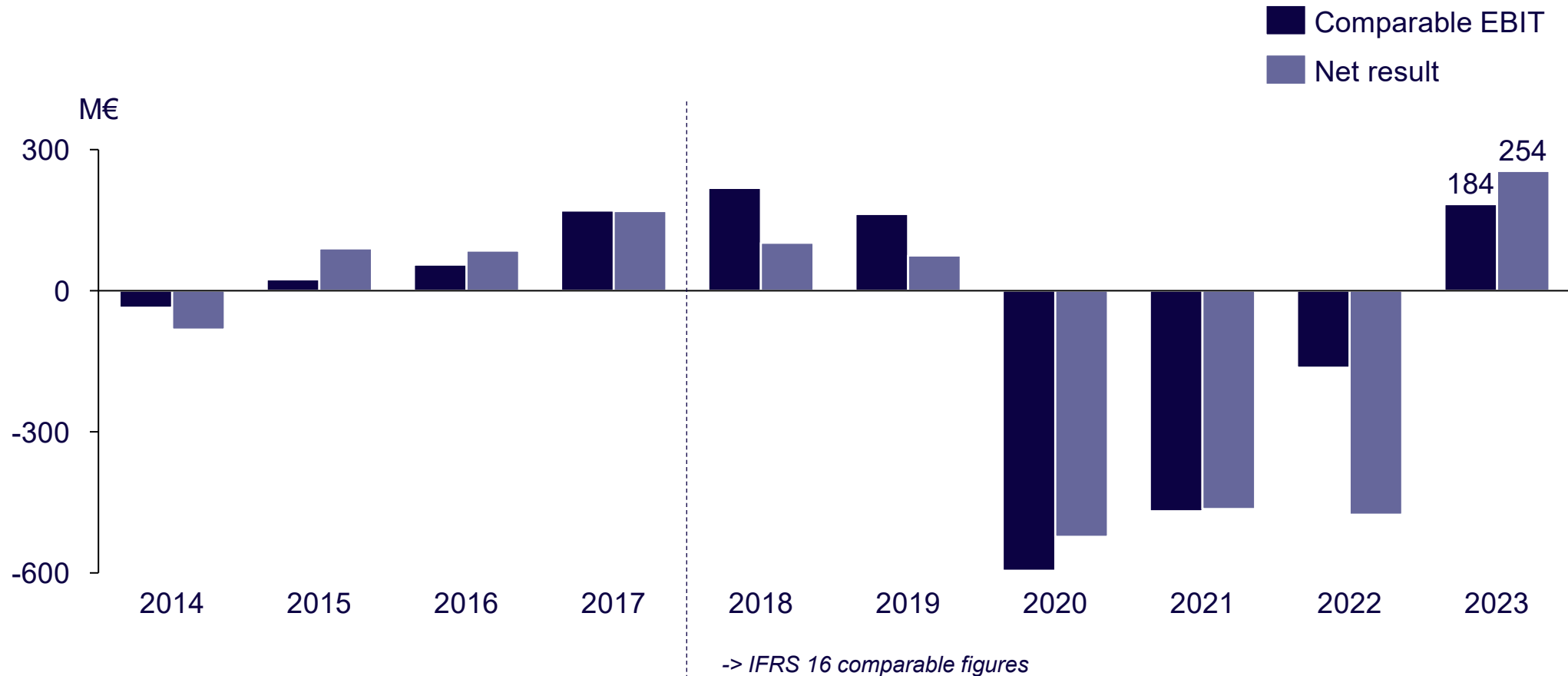
Q4 and full-year comparable EBIT improved year-on-year as revenue increased more than operating expenses

Income statement, in M€	Q4 2023	Q4 2022	2023	2022
Revenue	727	687	2,988	2,357
Other operating income	31	37	117	147
Operating expenses excl. depreciation	-652	-625	-2,589	-2,350
Comparable EBITDA	107	99	517	153
Depreciation	-84	-81	-333	-317
Comparable operating result	23	18	184	-164
Items affecting comparability	5	20	7	-37
Operating result	27	38	191	-201
Financial income and expenses	-11	17	-72	-170
Result before taxes	16	55	119	-371
Income taxes	44	-2	135	-105
Result for the period	60	53	254	-476
Comparable EBIT margin	3.1%	2.6%	6.2%	-7.0%

- Increased capacity, strong demand, restricted market capacity and sales initiatives resulted in higher revenue year-on-year despite declined cargo yields.
- Expense management was successful. Also fuel price declined year-on-year.
- As Finnair's financial outlook has improved, 46M€ of deferred tax assets related to 2020-2022 tax losses were recognised in Q4 2023. In Q2 2023, 99M€ was already recognised regarding 2020-2021 tax losses. In Q2 2022, 117M€ of deferred tax assets were written down related to 2020-2021 tax losses.

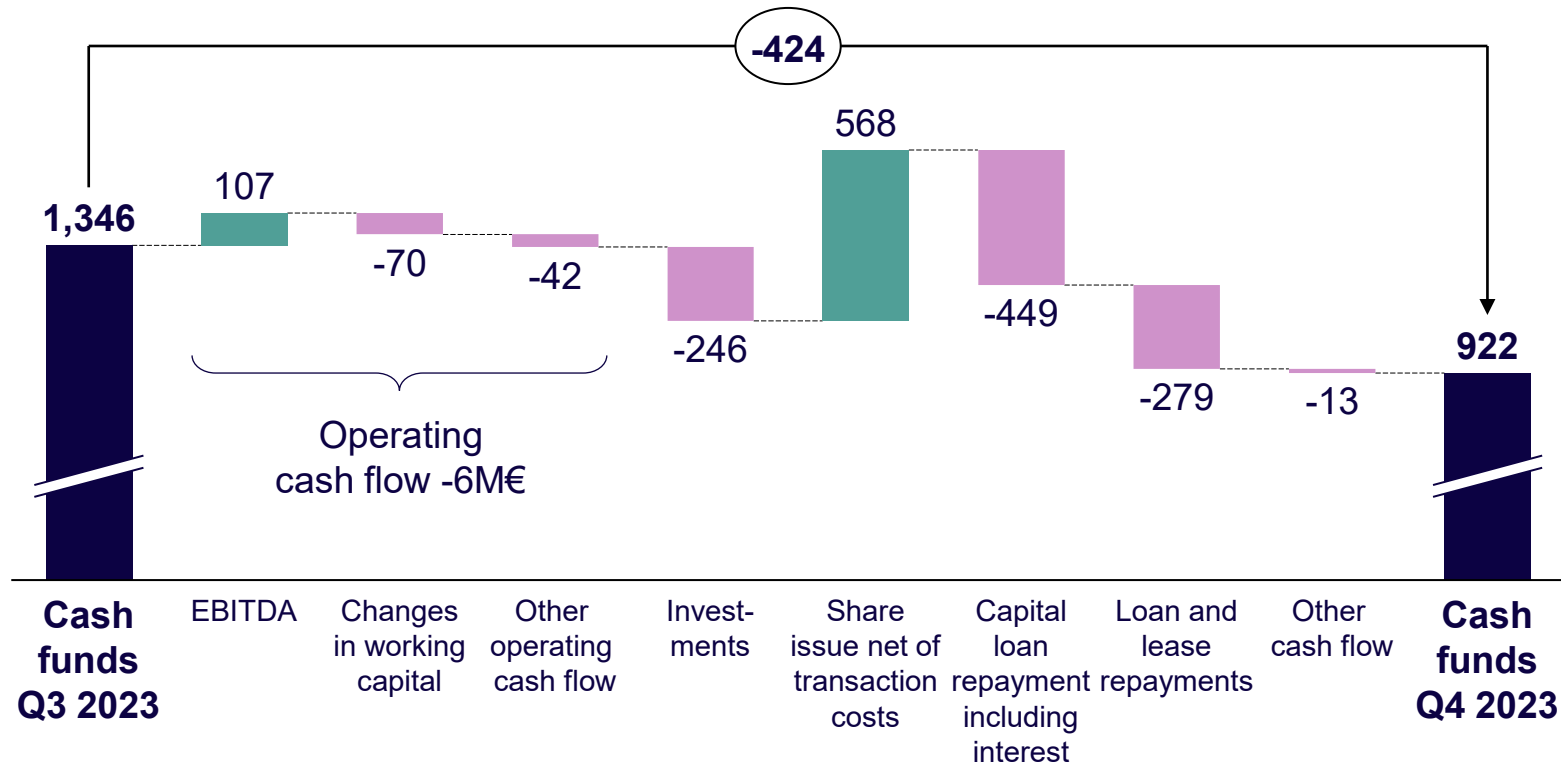


Full-year 2023 result is historically very good





Significant changes in balance sheet during the quarter, cash funds normalised

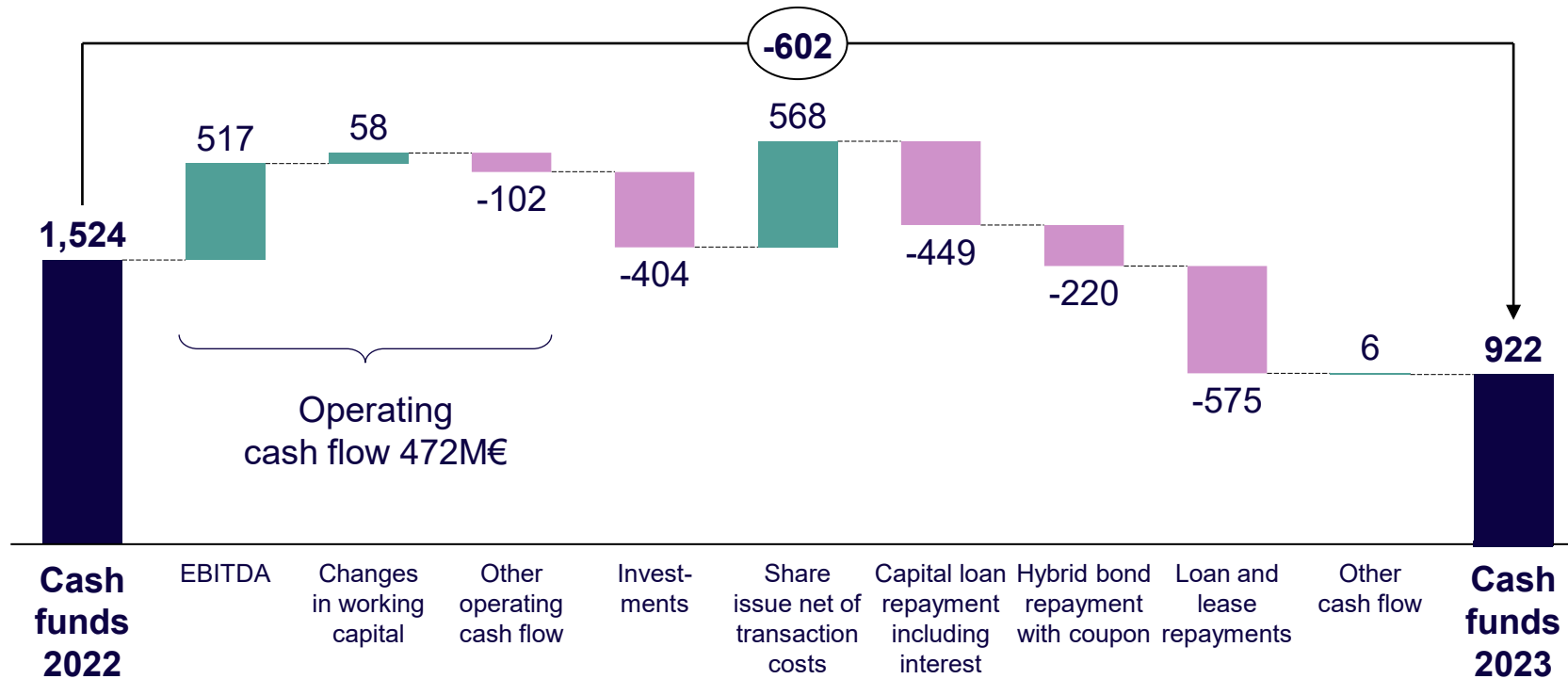


Comparable figures where applicable.

- 570M€ rights issue was executed; State of Finland offset its share from the 400M€ capital loan. Remaining 81M€ was paid back together with 49M€ total loan interest.
- Buyout of six leased aircraft in excess of 200M€ was carried out.
- On top of the planned 100M€ pension premium loan repayment tranche, additional 120M€ was repaid.



Strong operating cash flow and rights issue enabled debt burden reduction by 1.2B€



- Strong operating cash flow in 2023, healthy cash balance and rights issue made it possible to reduce debt burden by 1.2B€.

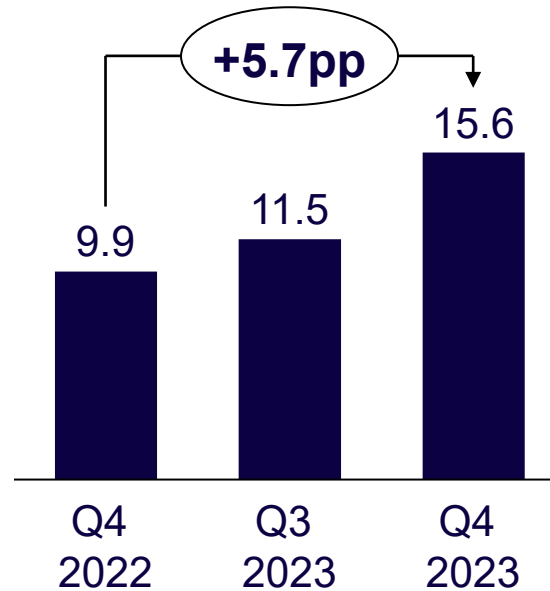
Comparable figures where applicable.



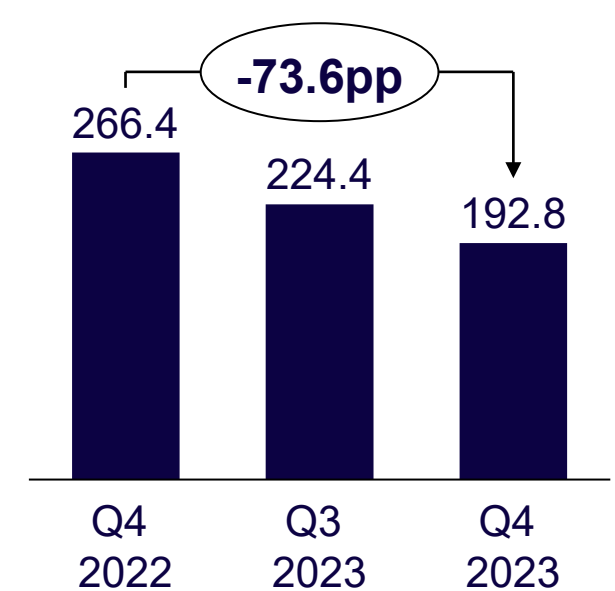
Much healthier balance sheet. Equity ratio increased and gearing decreased year-on-year

- Strong net result and declined interest-bearing liabilities increased equity ratio year-on-year.
- Gearing decreased from year end, as equity increased.
- Pension premium loan repayments, lease payments, buyout of nine leased aircraft and weaker US-dollar decreased interest-bearing liabilities during 2023.

Equity ratio, %:

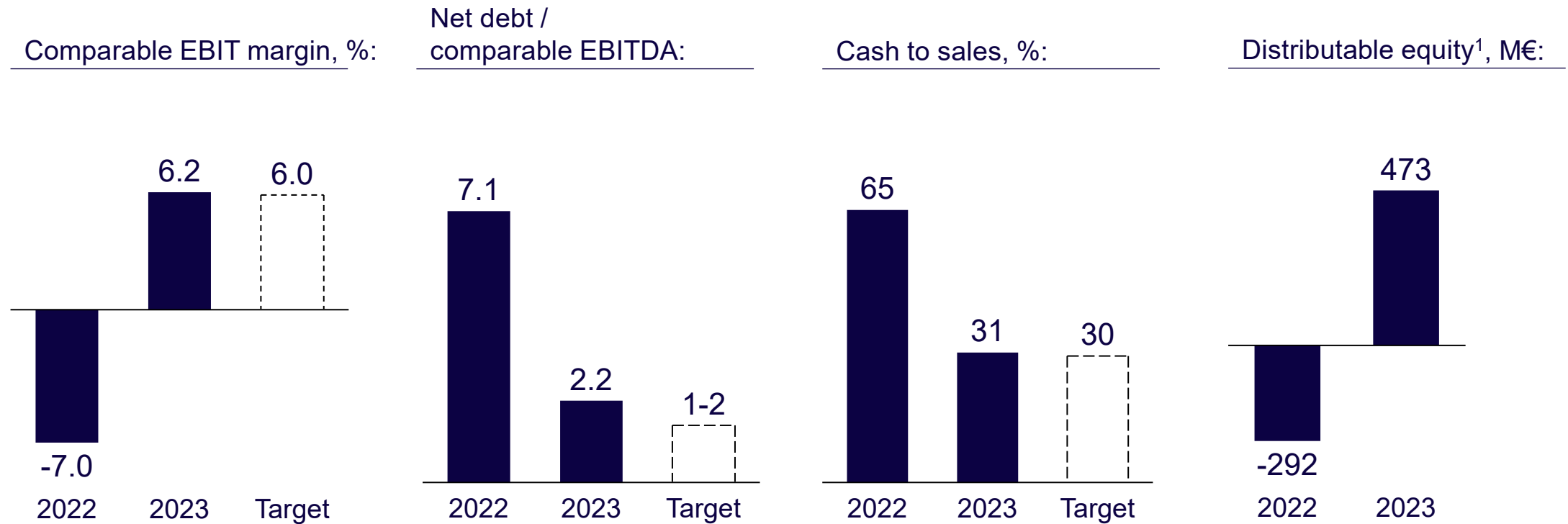


Gearing, %:





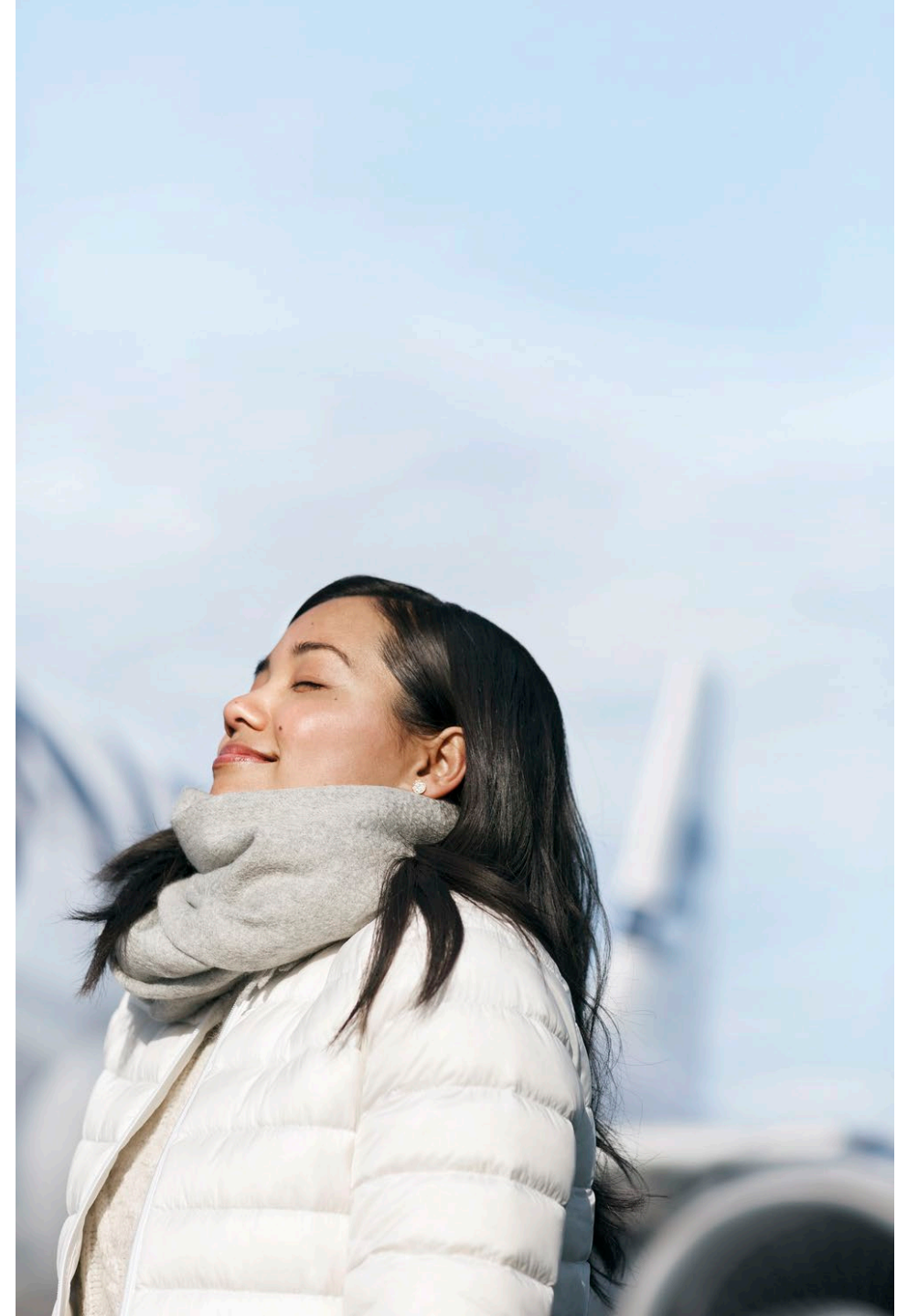
Progress towards targets set in connection with rights issue



1) Company aims to reinstate its ability for shareholder distributions from 2025 onwards.

Profitability and operational quality in focus

- Determined strategy implementation continues.
- The company continues to focus on profitability, quality, reliability and, thus, customer satisfaction.
- More frequencies and destinations as capacity increases:
 - Full fleet in efficient and profitable use.
 - Narrow-body aircraft wet leased to British Airways back to own use during spring.
 - Delivery of next A350 aircraft in late-2024.





Outlook and guidance

New guidance on 14 February 2024:

Global air traffic is expected to continue growing in 2024. However, risks related to the impact of inflation and higher interest rates on demand and costs remain elevated, causing uncertainty in the operating environment. International conflicts and global political instability also cause uncertainty in the operating environment. These factors may affect the demand for air travel and cargo.

Finnair plans to increase its total capacity by more than 10 per cent in 2024. The capacity estimate includes the agreed wet leases. This growth will mainly focus on Asia and Europe. Finnair's revenue is expected to grow at a somewhat slower pace than capacity in 2024.

In accordance with its disclosure policy, Finnair provides full-year comparable EBIT estimate in connection with the half-year report in July.

Finnair will update its outlook and guidance in connection with the Q1 2024 interim report.

Guidance on 24 October 2023:

Finnair reiterates its capacity 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 estimate also includes the agreed wet leases.

Finnair specifies its previous guidance for full-year 2023 revenue and now estimates it to be in the range of 2.9–3.1 billion euros.

The company also specifies its previous guidance for full-year 2023 comparable operating result and now estimates it to be in the range of 160–200 million euros. The company's comparable operating result estimate is based on the current fuel price and exchange rates.

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. Also the prevailing situation in the Middle East causes uncertainty in the operating environment.

Finnair will update its outlook and guidance in connection with the financial statements bulletin for 2023.

FINNAIR



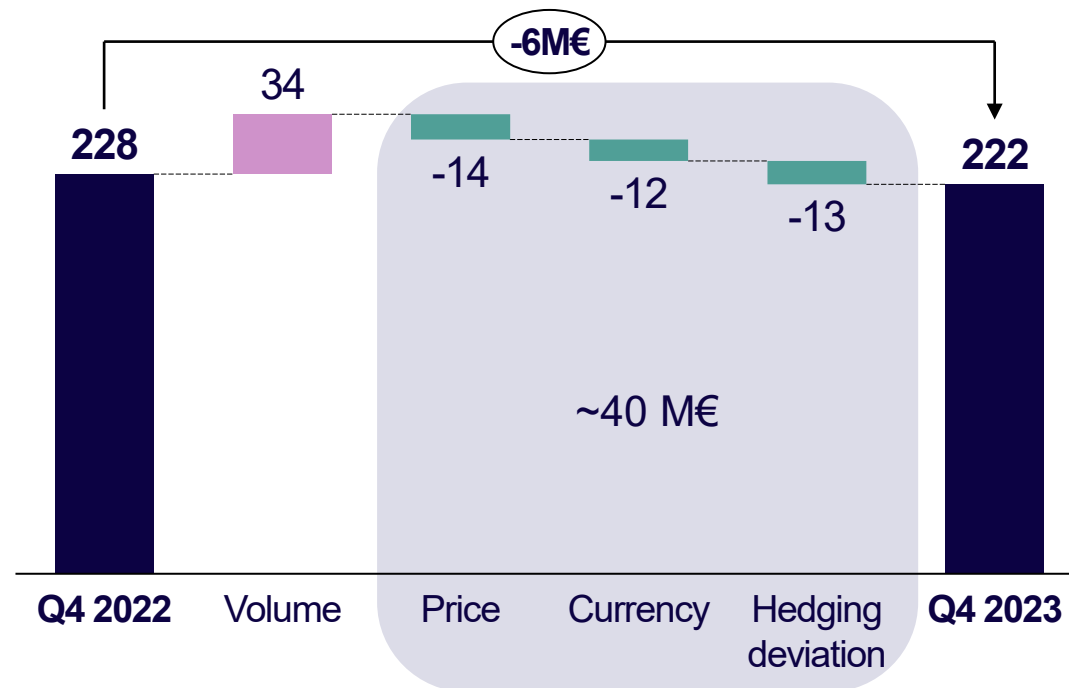
Appendices





Fuel costs decreased with lower fuel price and weaker dollar despite increased volume

Fuel costs Q4/23 vs. Q4/22, M€

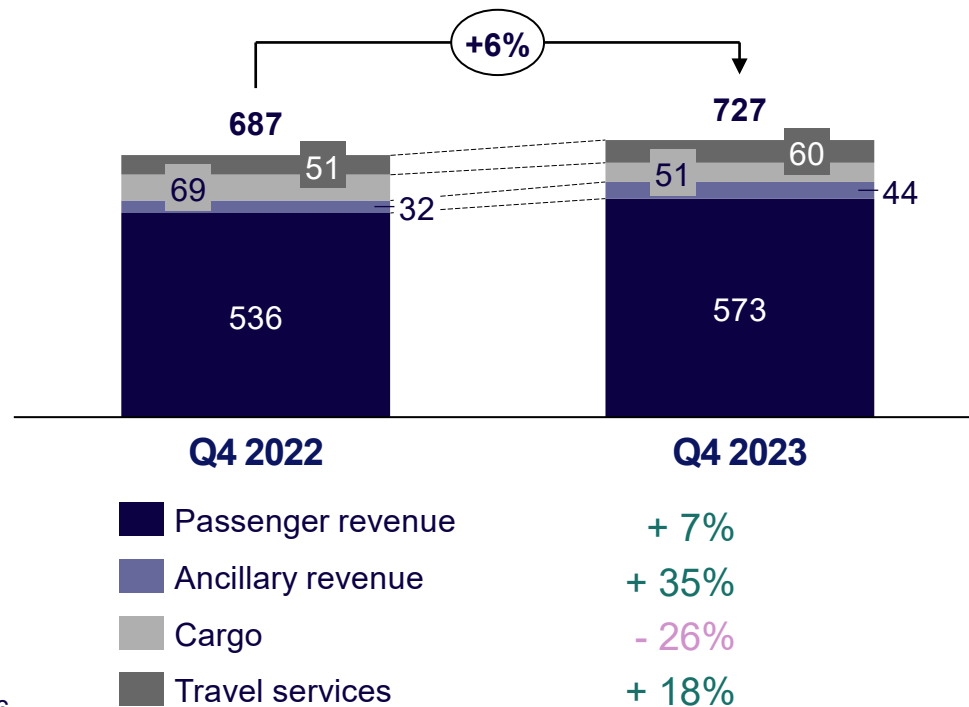


- Traffic volumes increased as comparison period demand and operations were still somewhat impacted by COVID-19 especially in Asian traffic.
- Fuel price decreased year-on-year but was still at a high level.
- Weaker US dollar decreased fuel costs slightly.
- Due to uncertainty imposed by COVID-19, the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



Revenue increased with capacity despite lower cargo yields and revenue

Revenue by product, M€

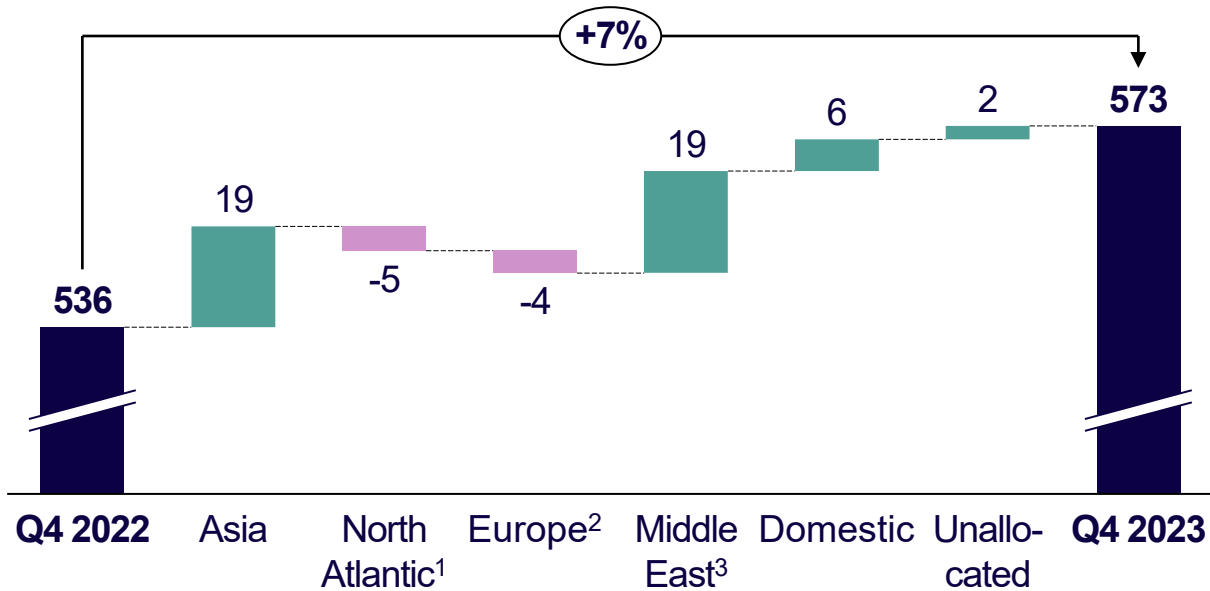


- Passenger revenue improved due to capacity increase, strong demand and industry specific capacity constraints, whereas comparison period was still somewhat impacted by COVID-19 especially in Asian traffic.
- Growing supply and softer demand in the global air freight market led to declining market prices and lower revenue year-on-year.
- The strong demand for package holidays continued throughout Q4, increasing the package tour prices.

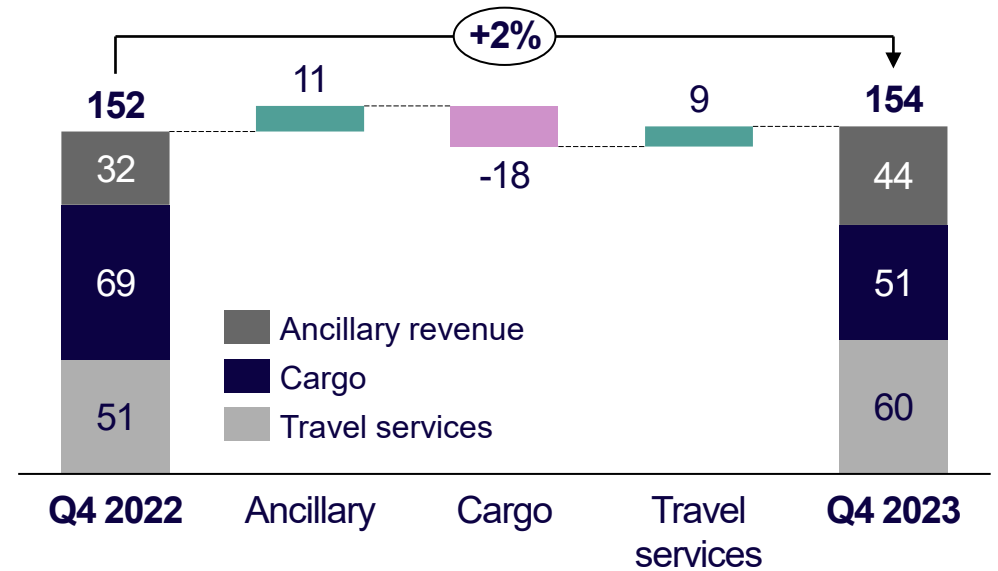


Passenger revenue grew in Asia, as the travel restrictions were lifted whereas Doha operations launch increased revenue in Middle East. Cargo demand and yield decreased year-on-year

Passenger revenue Q4/23 vs Q4/22, M€



Other revenue Q4/23 vs Q4/22, M€



1) Stockholm operations were discontinued at the end of October 2022.

2) Revenue recognition from outdated tickets decreased passenger revenue from last year. Impact visible especially in European traffic category.

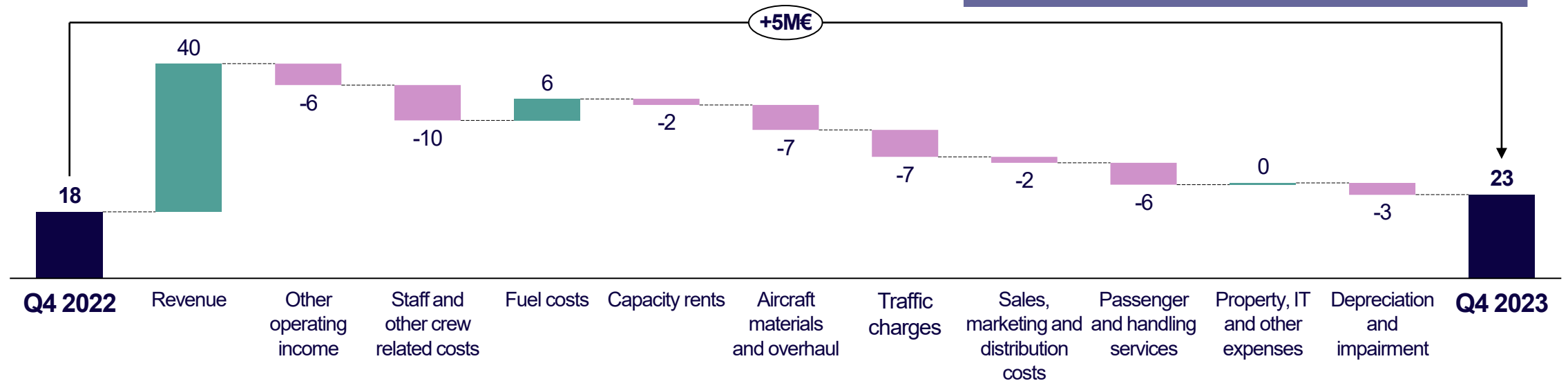
3) Daily operations to Doha started in the beginning of November 2022 from Copenhagen and Stockholm, and in mid-December from Helsinki.



Q4 comparable EBIT improved year-on-year as revenue increased more than operating expenses

Comparable EBIT Q4/23 vs Q4/22, M€

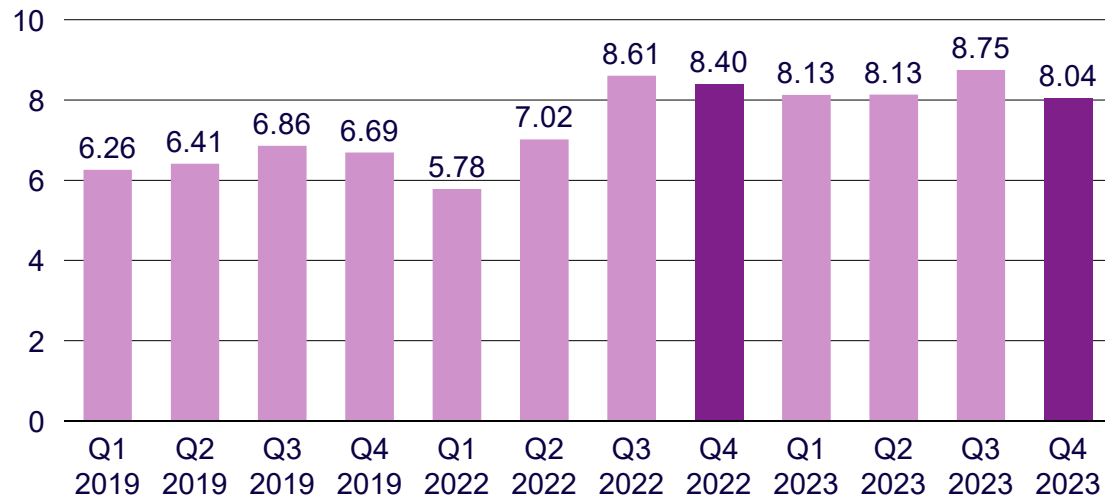
- Operating expenses 736.1M€ in total
- Capacity increased +10.5%
- Revenue increased +5.8%
- Operating expenses +4.2%
- Operating expenses excluding fuel +7.4%





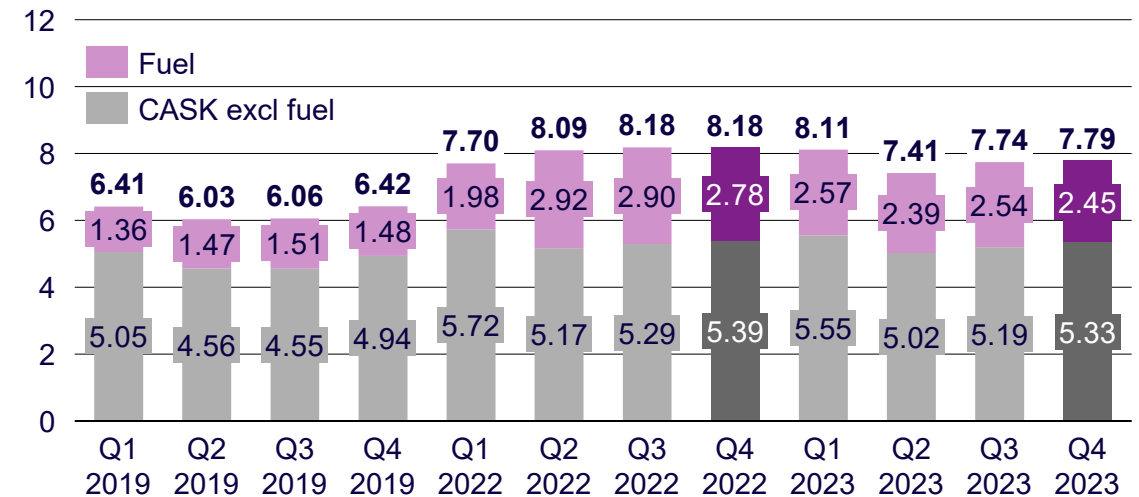
Unit revenue and unit cost declined year-on-year

RASK development, € cents



Unit revenue (RASK) decreased from 8.40 € cents in Q4 2022 to 8.04 € cents in Q4 2023 driven by lower cargo yields, decline in revenue recognition related to outdated tickets and slightly lower passenger load factors (PLF) in European traffic.

CASK development, € cents



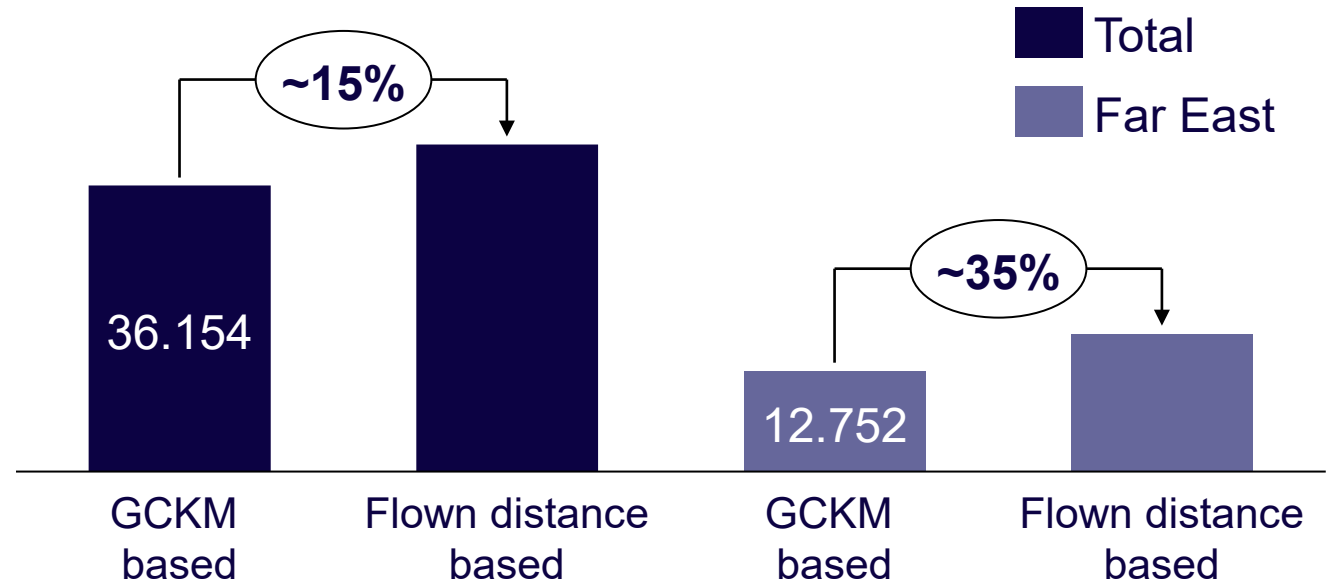
Unit cost (CASK) decreased from 8.18 € cents in Q4 2022 to 7.79 € cents in Q4 2023. Unit cost excluding fuel price decreased from 5.39 € cent Q4 2022 to 5.33 € cent in Q4 2023 driven by improved asset utilisation and cost savings reached.



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.

2023 Available seat kilometres (ASK), million:





Comparable income statement

in M€	Q4 2023	Q4 2022	Change %	2023	2022	Change %
Revenue	727.2	687.3	5.8	2,988.5	2,356.6	26.8
Other operating income	31.5	37.2	-15.5	117.0	146.7	-20.2
Operating expenses						
Staff and other crew related costs	-124.0	-114.5	-8.3	-498.1	-447.1	-11.4
Fuel costs	-222.0	-227.9	2.6	-899.6	-836.0	-7.6
Capacity rents	-27.8	-26.2	-6.4	-107.2	-102.5	-4.6
Aircraft materials and overhaul	-59.0	-52.2	-12.9	-207.2	-183.6	-12.8
Traffic charges	-58.4	-51.1	-14.2	-233.8	-206.5	-13.2
Sales, marketing and distribution costs	-28.3	-26.7	-5.9	-117.1	-103.1	-13.6
Passenger and handling services	-104.4	-98.5	-6.0	-414.1	-348.0	-19.0
Property, IT and other expenses	-27.8	-28.3	1.6	-111.9	-123.3	9.2
Comparable EBITDA	106.9	99.1	7.8	516.5	153.2	> 200
Depreciation and impairment	-84.3	-81.2	-3.9	-332.6	-317.1	-4.9
Comparable operating result	22.5	17.9	25.6	184.0	-163.9	> 200
Items affecting comparability	4.7	20.1	-76.4%	7.5	-36.6	-120.3%
Operating result	27.3	38.0	-28.3	191.4	-200.6	195.4
Financial income	15.1	7.1	113.8	56.2	6.5	> 200
Financial expenses	-33.5	-36.7	8.7	-142.2	-137.9	-3.1
Exchange rate gains and losses	7.5	46.9	-84.0	13.7	-38.8	135.3
Result before taxes	16.4	55.3	-70.4	119.1	-370.7	132.1
Income taxes	43.8	-2.0	> 200	135.2	-105.4	> 200
Result for the period	60.2	53.3	12.9	254.3	-476.2	153.4

A woman in a dark blue Finnair flight attendant uniform with a striped scarf and a man in a dark blue suit with a striped tie are standing in an airport terminal. They are both smiling and looking towards the right. The background features a curved, ribbed ceiling with recessed lighting.

Thank You.

Have a wonderful day.

Contact us:

Finnair IR and financial communications
investor.relations@finnair.com

FINNAIR