FINNAIR

Q1 2020:
Coronavirus impact was significant

29th of April 2020

Topi Manner, Finnair

Coronavirus impacted February and March

- January was a good month for air travel
- Mainland China flights suspended in February
- Finnair issued a profit warning in February
- Situation escalates rapidly in March:
  - Customers allowed to postpone trips
  - 20% capacity reduction in European traffic for April (10 March)
  - Travel restrictions in several countries
  - Flights to USA suspended on 18 March
  - Profit warning for the whole year on 16 March
  - Towards minimum network: over 90% capacity reduction for Q2
  - Aurinkomatkat cancelled all package tours between 13 March – 30 June

Coronavirus visible in almost all key performance indicators

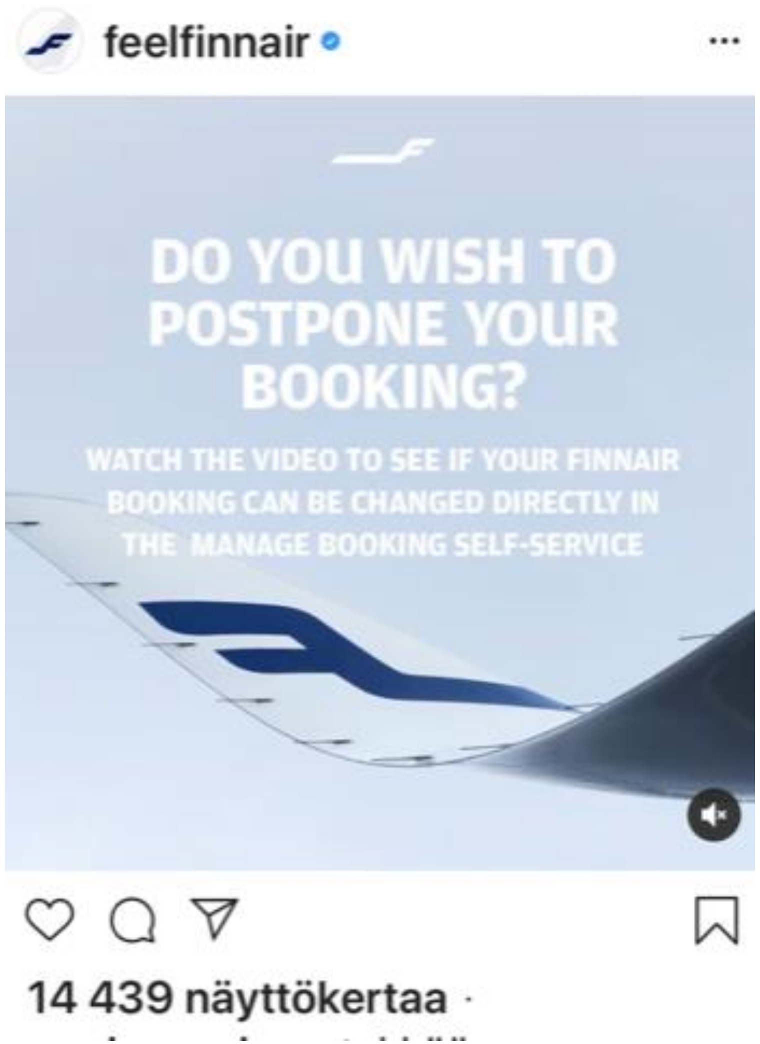
Capacity	Revenue	Comparable operating result	NPS
-9.4%	**-16.0%**	**-91.1 M€** (-16.2 M€)	**43**

PLF	Operating cost	Operating cost (Excl. fuel)	Passenger volume
-5.7%-points	**-4.7%**	**-5.7%** (In fuel combined effect of price paid, currency and hedges totaled 12 million euros)	**-15.6%***

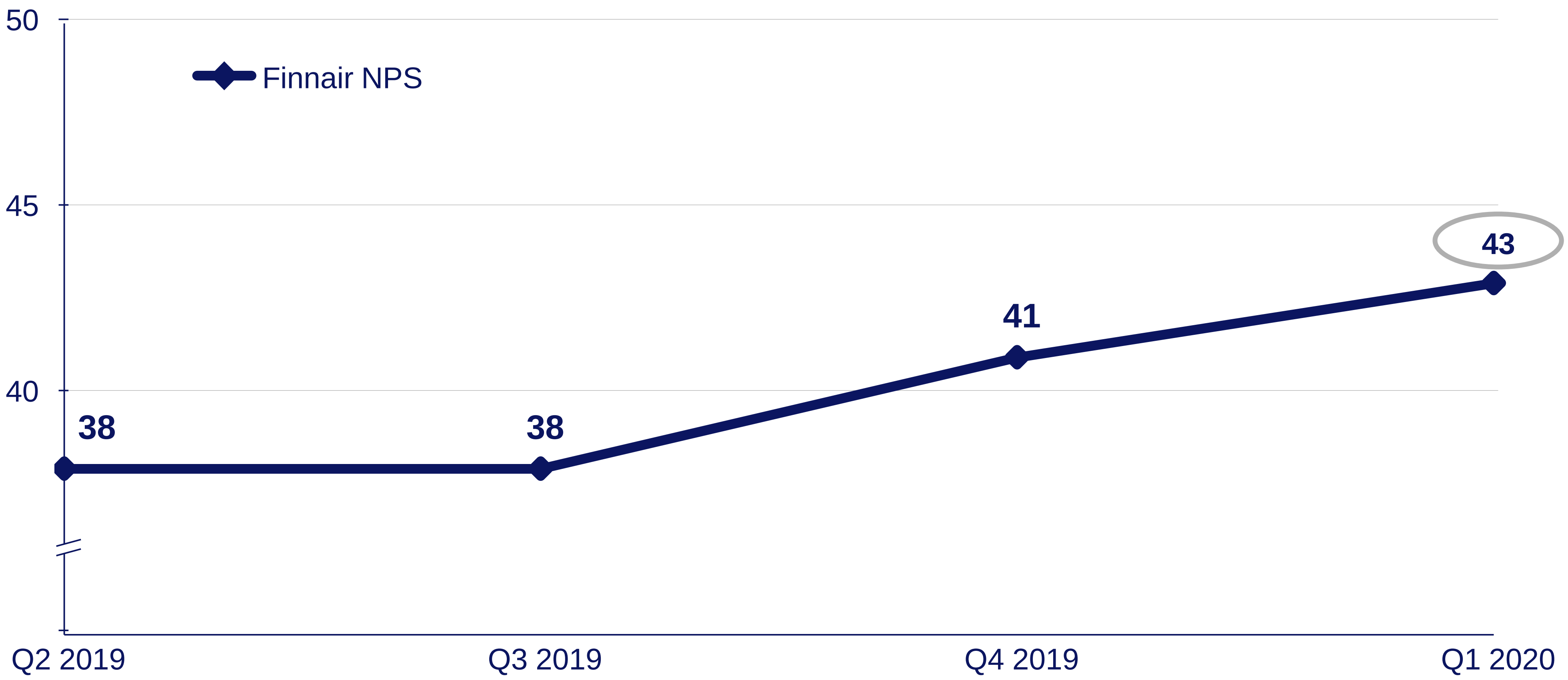
NPS = Net Promoter Score
*Finnair carried in total of 2.7 million passengers in Q1/2020 and 3.1 million passenger in Q1/2019.

Our customer care was appreciated

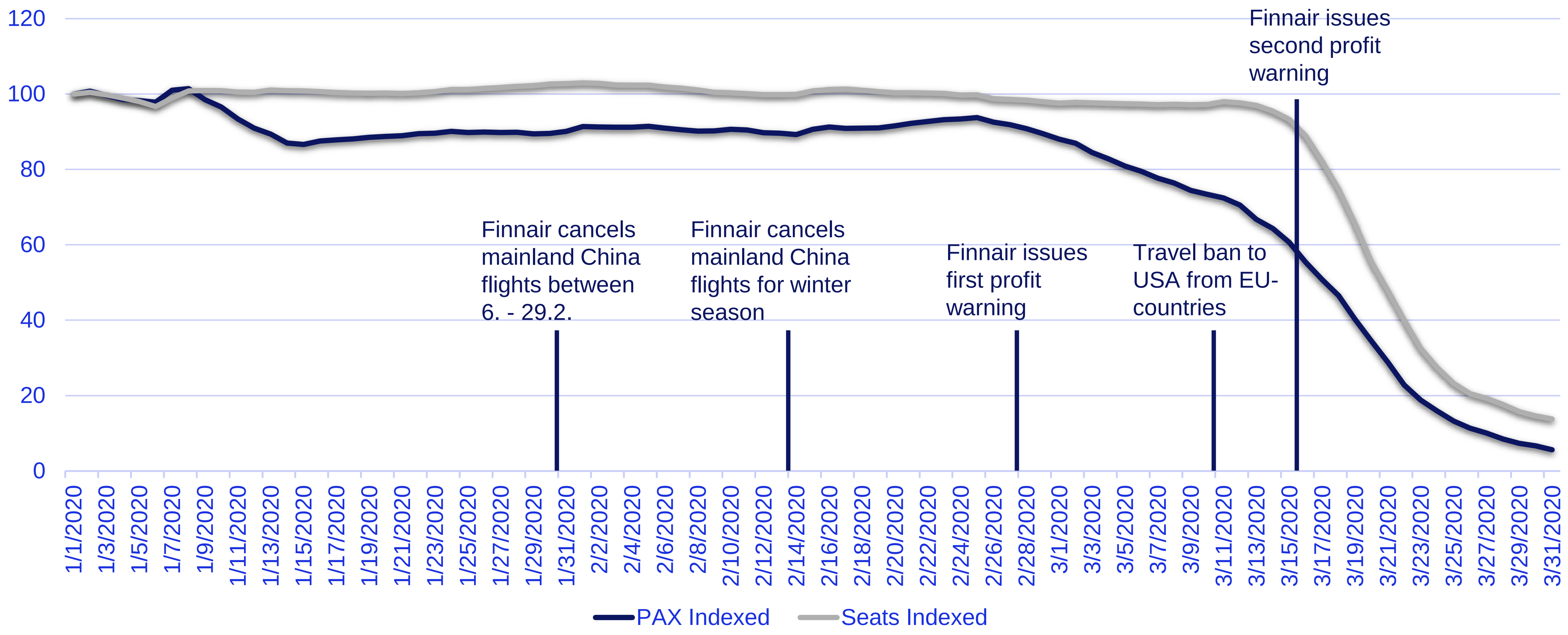
- Customer communication in all channels
- In March, customers were given the opportunity to freely reschedule their flights until 30 November
- Automatic extension of Finnair Plus-tier status by six months
- Gift card as an alternative to ticket refund
- Customer satisfaction trending up (NPS 43)



Customer satisfaction has improved despite the coronavirus



Decline in number of passengers started towards end of February, capacity decreased two weeks later in mid-March*



*The figures reflect the seven-day moving average and are indexed to 1 January 2020

Nearly all traffic figures decreased due to coronavirus

North America

	Total	% Change
ASK (million)	847.0	16.3%
Revenue (Million)	26.6	-3.0%
RASK (Cents/ASK)	3.14	-16.6%
PLF %	76.4	-4.3 %-p

Domestic

	Total	% Change
ASK (million)	580.7	-12.9%
Revenue (Million)	44.8	-16.9%
RASK (Cents/ASK)	7.72	-4.6%
PLF %	60.8	-0.7 %-p

Europe

	Total	% Change
ASK (million)	3,569.3	-6.7%
Revenue (Million)	173.5	-10.1%
RASK (Cents/ASK)	4.86	-3.6%
PLF %	68.8	-5.9 %-p

Total traffic

	Total	% Change
ASK (million)	9,670.8	-9.4%
Revenue (Million)	423.3	-17.4%
RASK (Cents/ASK)	4.38	-8.9%
PLF %	72.6	-5.7 %-p

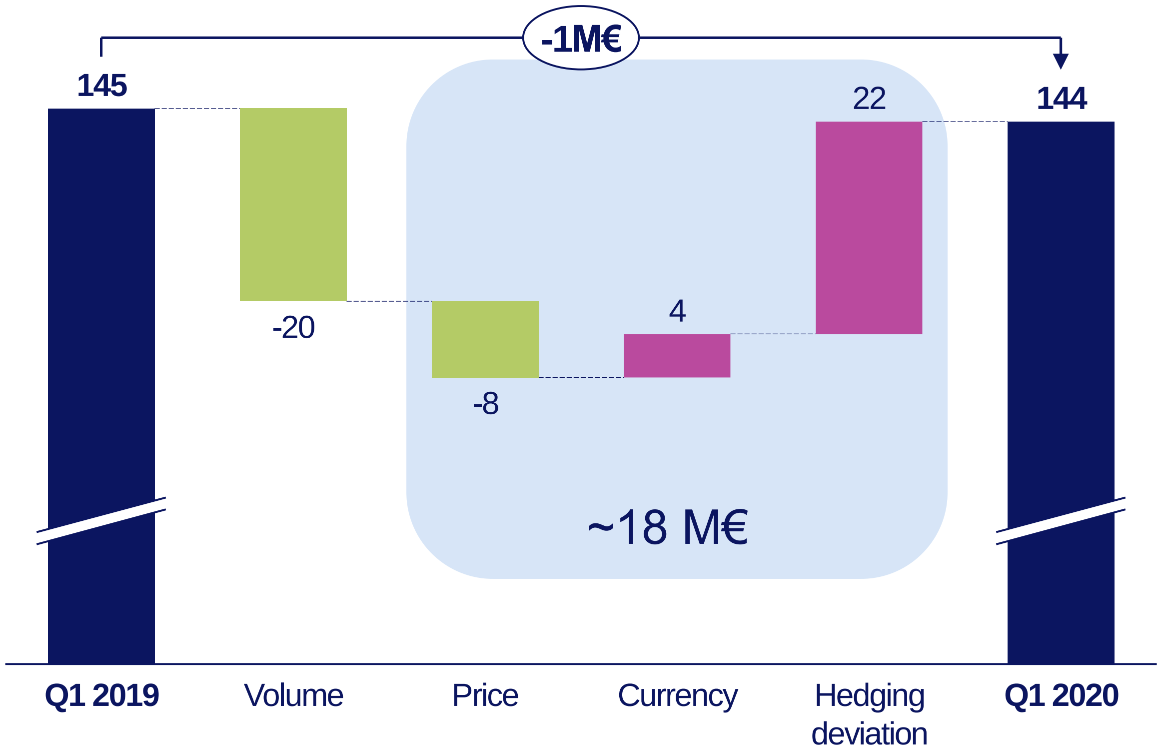
Asia

	Total	% Change
ASK (million)	4,673.8	-14.2%
Revenue (Million)	171.2	-25.5%
RASK (Cents/ASK)	3.66	-13.2%
PLF %	76.3	-6.2 %-p

*PLF=Passenger load factor

Benefit of lower fuel costs outweighed by less flying, existing hedge positions

Fuel costs Q1/20 vs. Q1/19

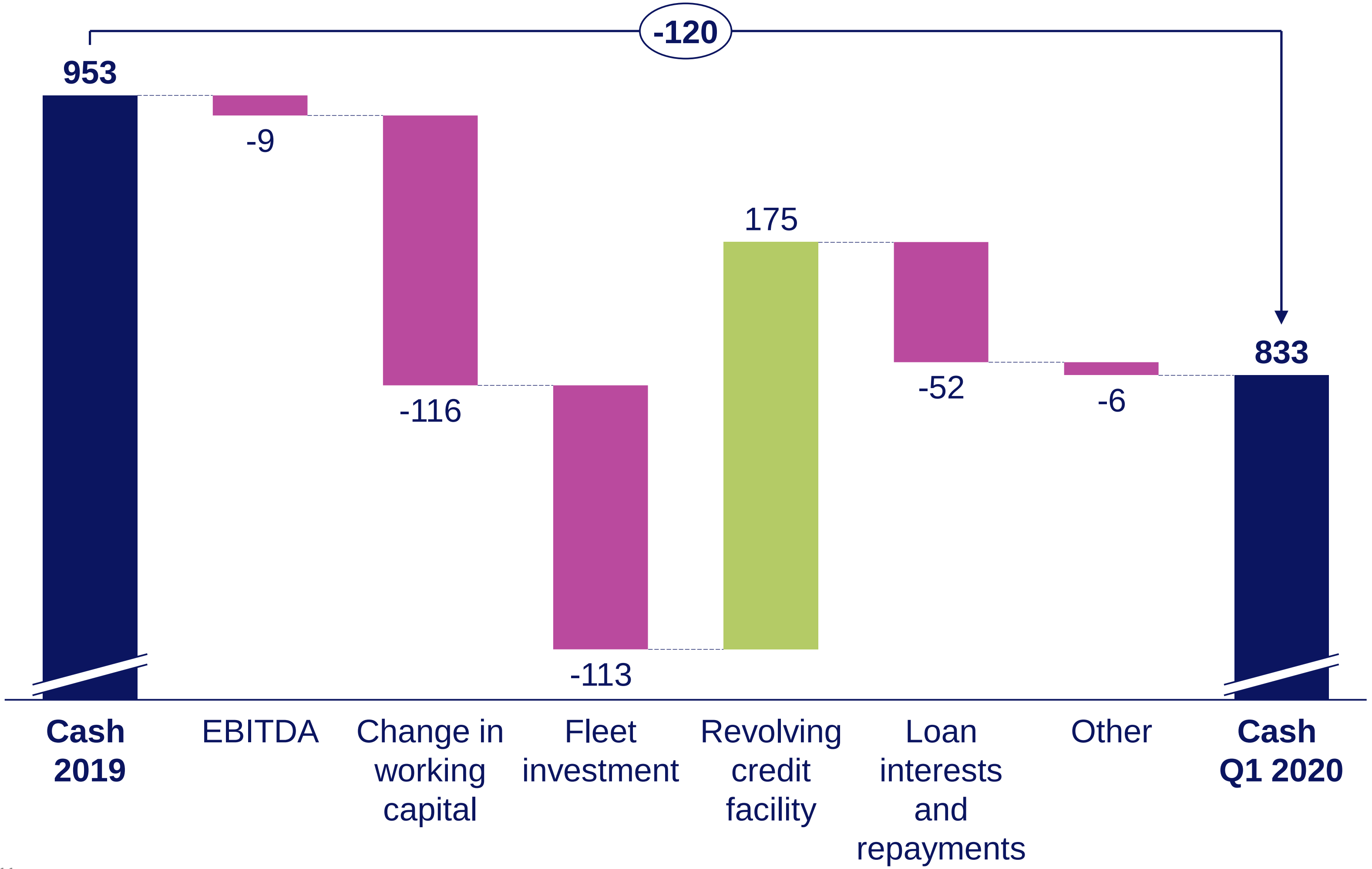


- Due to the flight cancellations caused by the coronavirus, the volume of fuel consumed was lower than expected; therefore, hedges put in place were partially ineffective
- The fuel price was lower than forecast
- The combination of these two factors meant that fuel costs remained nearly the same as in the comparison period

Impact of fuel hedges on Q1 result

- Finnair utilizes hedge accounting according to IFRS to mitigate result volatility caused by derivatives
- The oil price fell significantly as a result of oil price war between Saudi Arabia and Russia
- Due to the capacity cuts caused by the coronavirus, the hedged fuel volume and related currency exposure did not materialize, and Finnair was overhedged
- As the underlying risk no longer existed, Finnair unwound the hedges; in line with IFRS, the market value of those derivatives was reclassified to financing expenses from other comprehensive income
- This increased net financing expenses (below comparable operating result) by 55 million euros in Q1

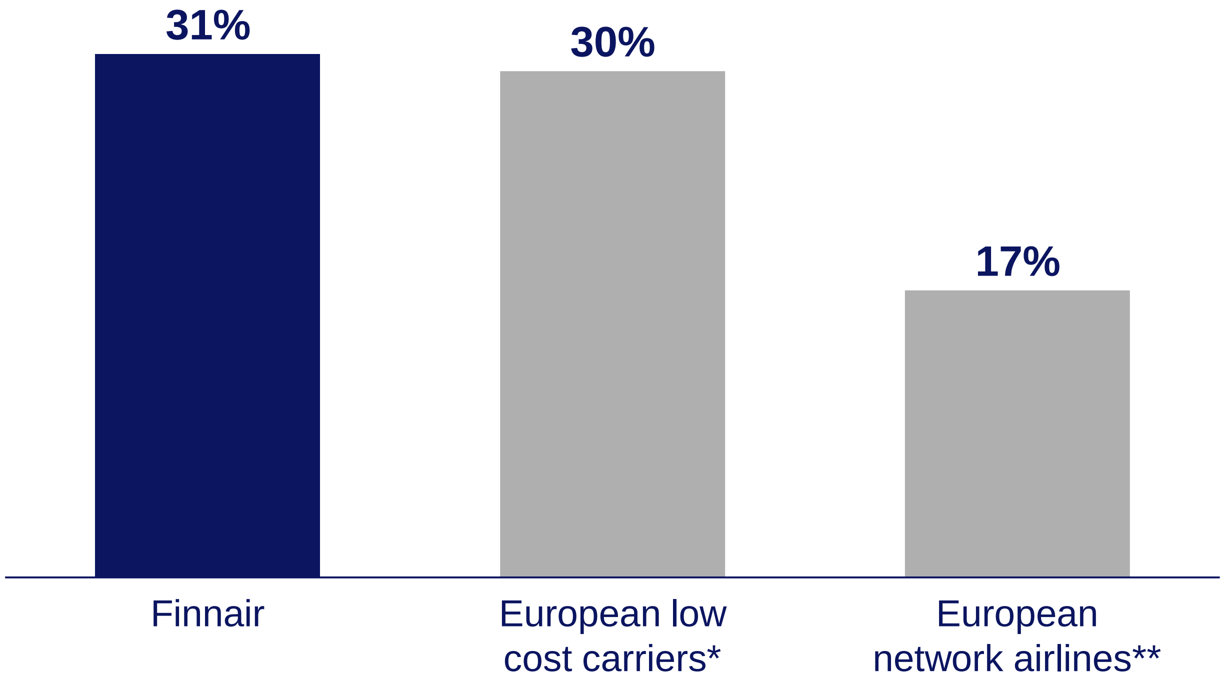
Decline in ticket sales was mitigated by 175M€ revolving credit facility



- EBITDA decreased significantly from previous year (Q1 2019: +60M€)
- Decrease in working capital is related to flight cancellations (refunds)
- 175 M€ RCF had a significant positive impact on cash reserves
- A350 investment was financed from cash
- In addition to RCF, Finnair's funding plan consists of a 600 M€ pension premium loan and aircraft sale and leaseback arrangements

Prior to corona, Finnair’s cash to sales ratio was among the healthiest

Cash to sales ratio

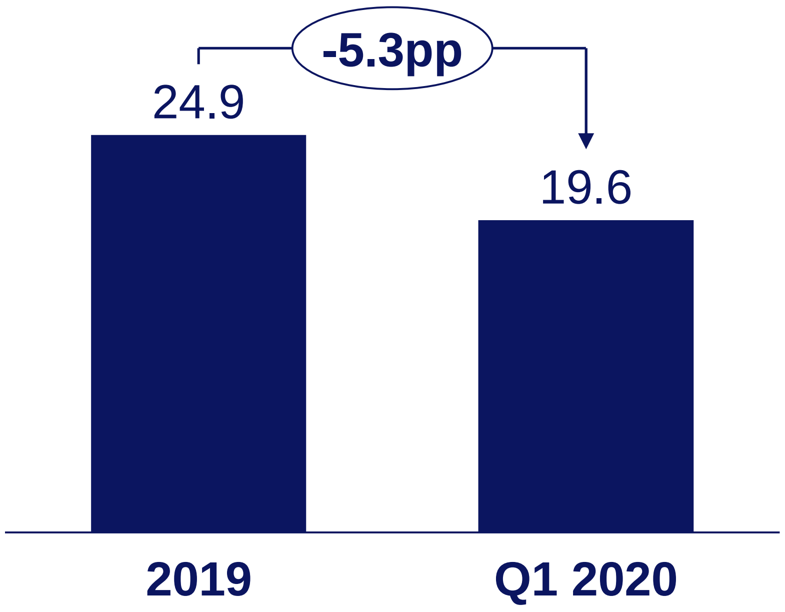


- Finnair’s cash to sales ratio was better than any of its European network airline competitors
- Only Wizz Air and Ryanair had a higher ratio than Finnair

* Ryanair, Wizz Air, EasyJet and Norwegian Air Shuttle; latest available information (December 2019).
** Air France-KLM, IAG, Lufthansa, SAS and Turkish Airlines; latest available information (SAS from January 2020, others December 2019).

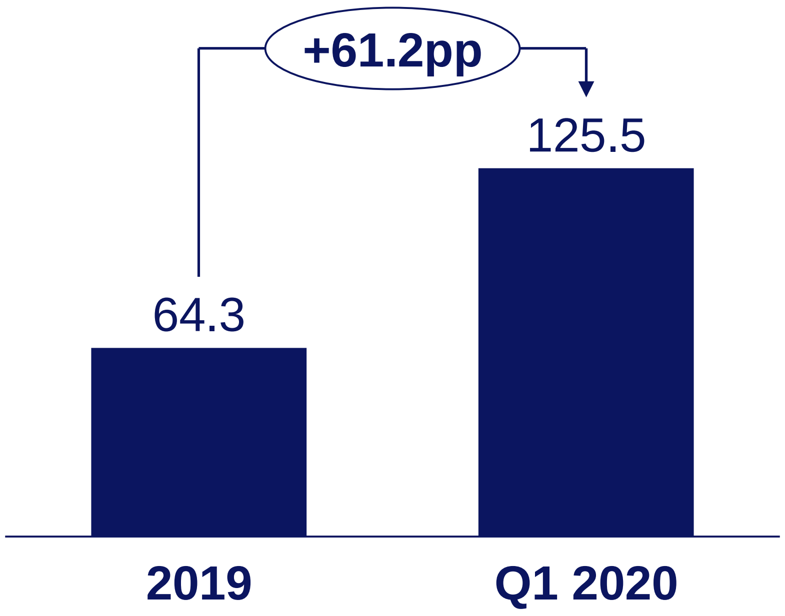
Finnair is planning for an approximately 500 M€ rights offering

Equity ratio*, %



The equity ratio declined mainly due to declined Q1 result and change in fair value reserve. Finnair is planning for an approximately 500 M€ rights offering (manager banks would act as underwriters) to strengthen its equity (31 March 2020: 735.7 M€).

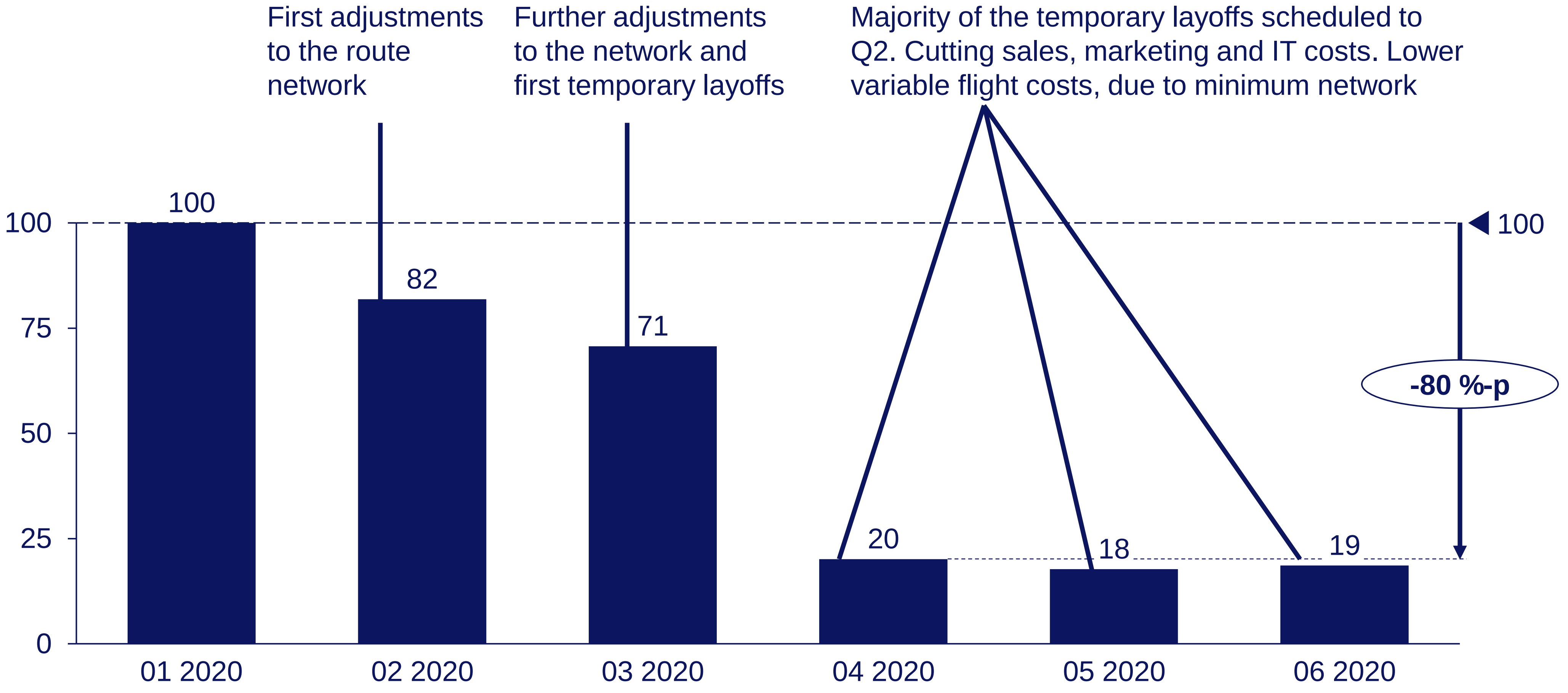
Gearing, %



Gearing rose significantly as equity decreased and interest-bearing net debt increased (A350 purchased with cash, working capital decreased, credit facility increased interest-bearing liabilities).

*No dividend payment for financial year 2019.

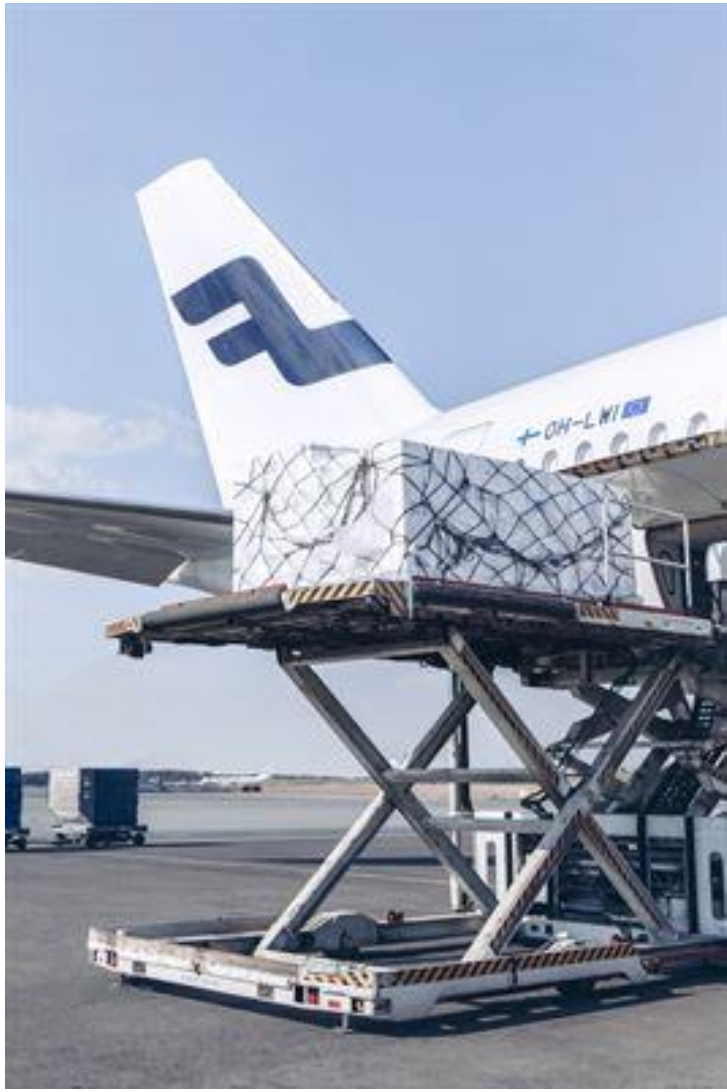
Due to cost adjustment measures, Q2 costs will be 80% below normal level*



*Operating expenses excluding depreciation is indexed to January 2020 level

We maintain critical flight connections for Finland

- We are operating 20 routes in Finland and in Europe in Q2
- Repatriation flights for Finns and other Nordic citizens in March and April in cooperation with Ministry for Foreign Affairs
- Cargo flights between Asia and Helsinki:
  - Personal protective equipment
  - Coronavirus test samples
  - Normal air cargo



Flights added in line with growth in demand

- We will add routes and frequencies when travel restrictions are abolished and there is growth in demand
- Cargo flights are operated based on demand
- Traffic programme for the rest of 2020 is published in May
- Traffic programme will be updated at least on a monthly basis as the situation evolves
- It will take some time before traffic recovers; therefore, partial temporary layoffs are likely necessary also in the future

Traffic will likely recover within 2 – 3 years

- Our estimate is that it will take 2 – 3 years before traffic has fully recovered; we are preparing for different scenarios by increasing our flexibility
- We will update our strategy and financial targets
- We still believe that after a rebuilding period, aviation is a growth sector
- After the rebuilding period, we continue to pursue sustainable profitable growth
- Our core strengths have remained intact

Outlook and guidance

Guidance on 29 April 2020:

Finnair's current assumption is that it will operate the current minimum network throughout Q2 due to the coronavirus situation. At the same time, the company estimates that the recovery of air traffic will begin in stages from the beginning of July 2020. However, the pace of recovery cannot be assessed at this stage, leaving the outlook for the second half of 2020 unclear. Finnair is preparing for the future with different scenarios to have the ability to quickly adapt its capacity to changing demands.

Finnair estimates that with the current minimum network, its comparable operating result will be a daily loss of approximately 2 million euros throughout the second quarter, despite cost adjustments.

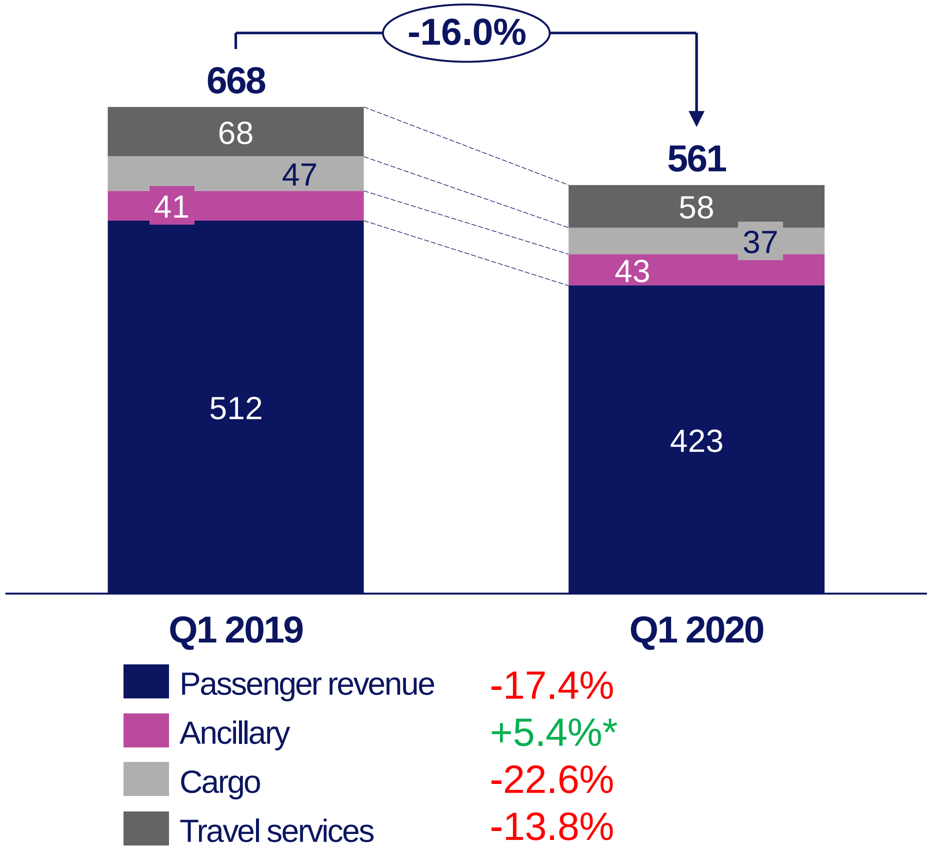
Due to the current situation, Finnair’s revenue will decrease significantly in 2020 compared to 2019. The comparable operating loss will be significant in the financial year 2020 as the company announced in its profit warning on 16 March 2020. In addition, Finnair's capacity will decrease significantly this year compared to 2019. Due to these factors, Finnair will also update its financial targets for the strategy period.

Finnair updates its outlook and guidance in connection with the Q2 interim report.

Appendix

Revenue declined due to cancellations

Revenue by product



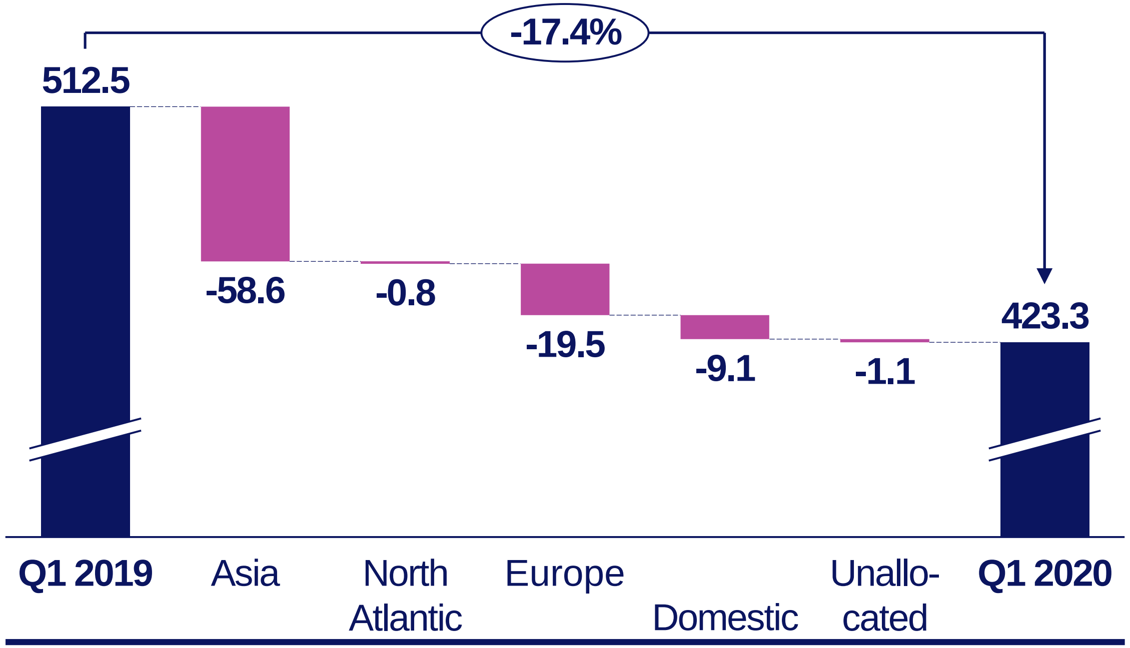
- Passenger revenue declined significantly due to coronavirus related cancellations and travel restrictions
- Market softness due to the coronavirus was visible particularly in Finnair's key cargo markets in Asia
- Package holiday demand improved in the beginning of Q1, but due to coronavirus Aurinkomatkat cancelled all package tours between 13 March – 30 June

*Flight cancellation related fees were visible in the Ancillary revenue.

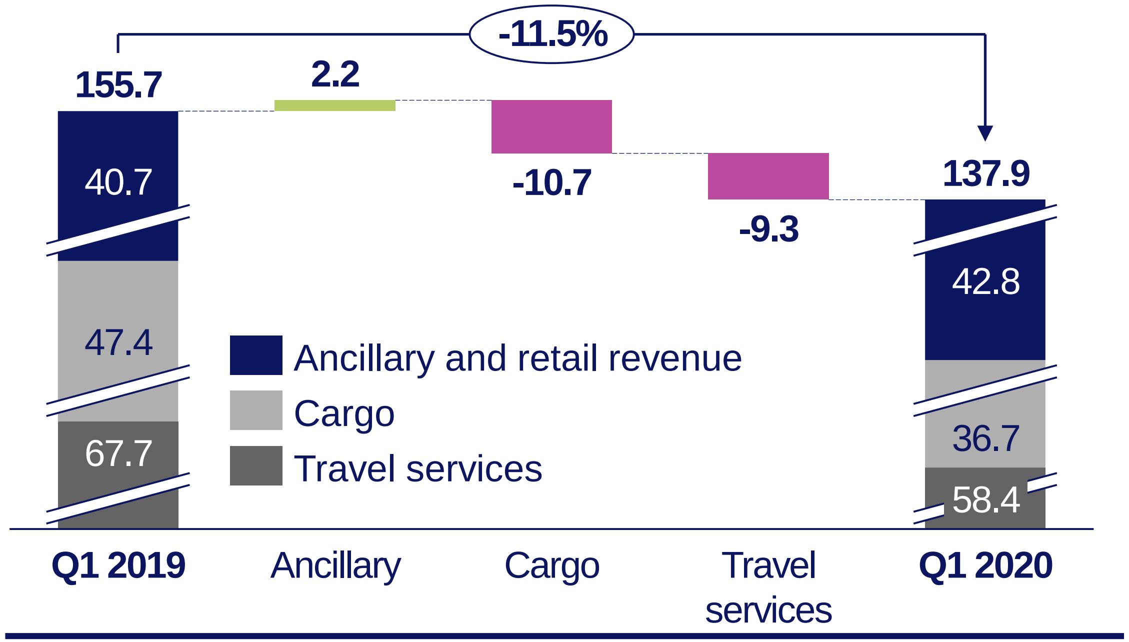
.

Revenue declined especially in Asian traffic

Passenger revenue Q1/19 vs Q1/20



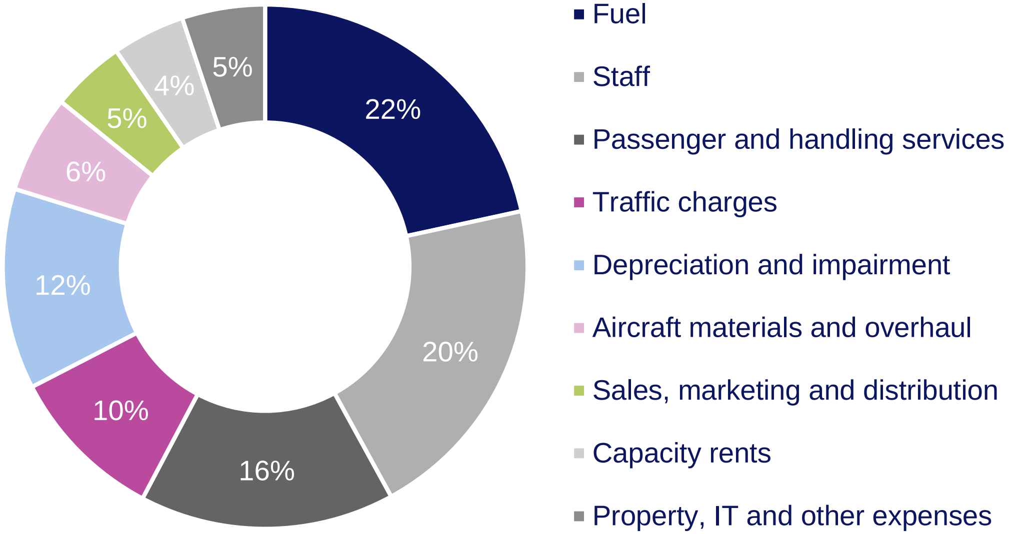
Other revenue Q1/19 vs Q1/20



- Coronavirus cancellations started in Asia in February, and expanded to other traffic areas in March
- Despite coronavirus, the capacity in North Atlantic traffic increased, due to a new route (Los Angeles) that was opened at the end of March 2019

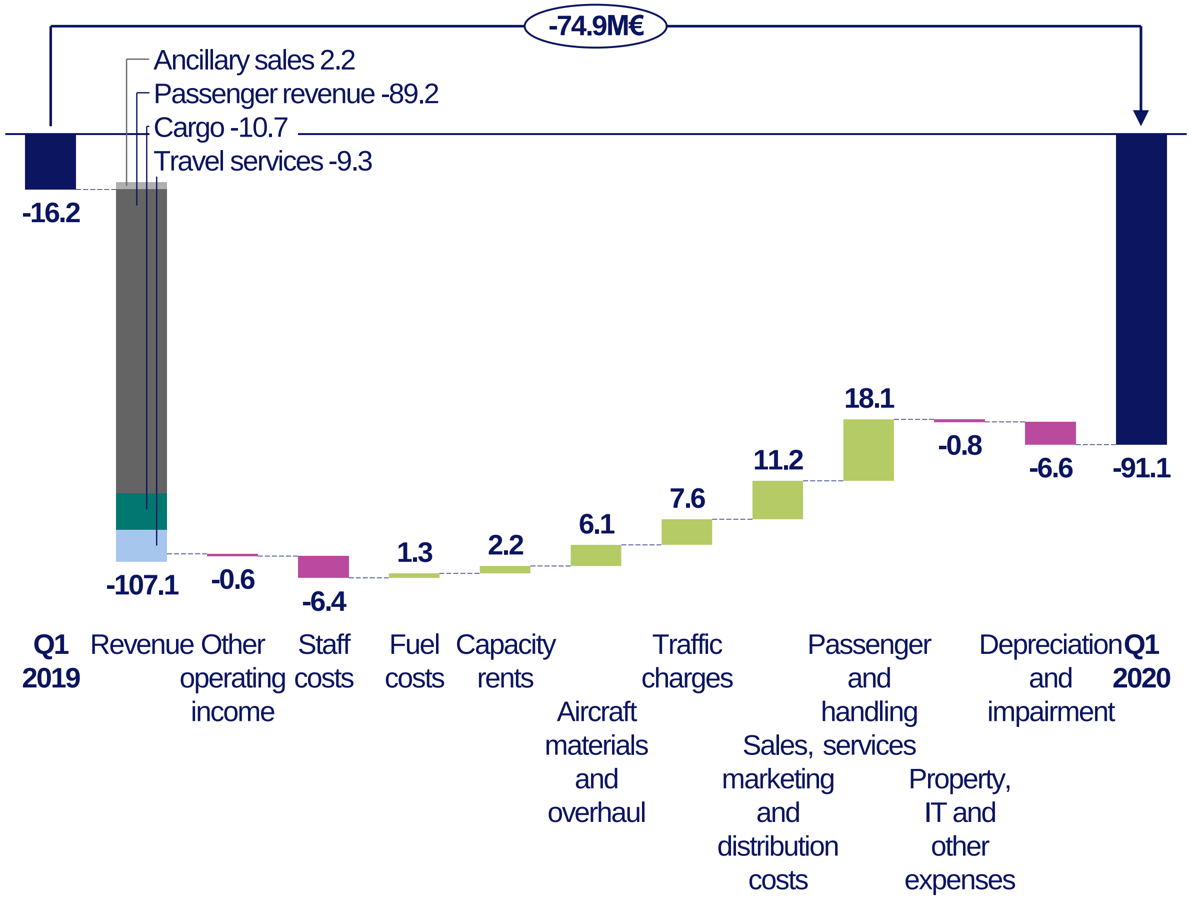
Costs did not decline in line with revenue

OPEX, 666.3M€ in total -4.7%



- **Unit cost excluding fuel increased by 4.0% (Q1/2020 vs Q1/2019)**
- Capacity decline -9.4%
- Operating costs -4.7%
- OPEX excluding fuel -5.7%

Comparable EBIT Q1/19 vs Q1/20

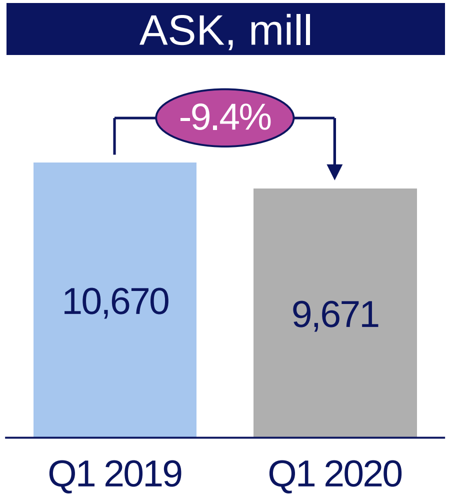


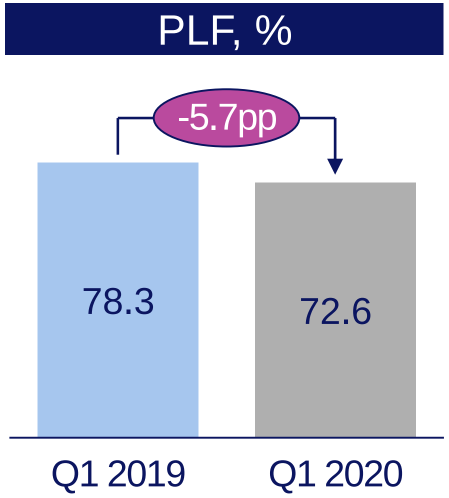
OPEX = operating expenses.

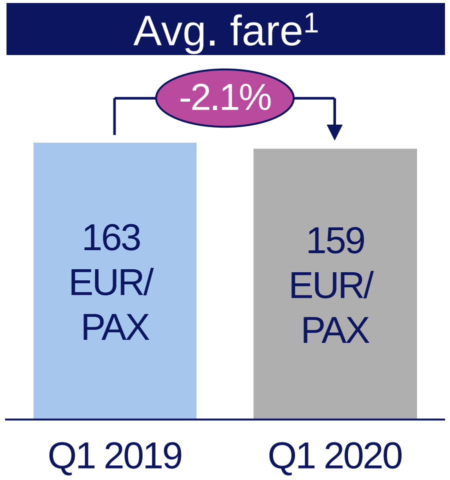
Capacity was adjusted due to coronavirus related travel restrictions and demand decline

Passenger revenue Q1/2019 vs Q1/2020, M€

- Passenger revenue declined significantly due to cancellations and travel restrictions



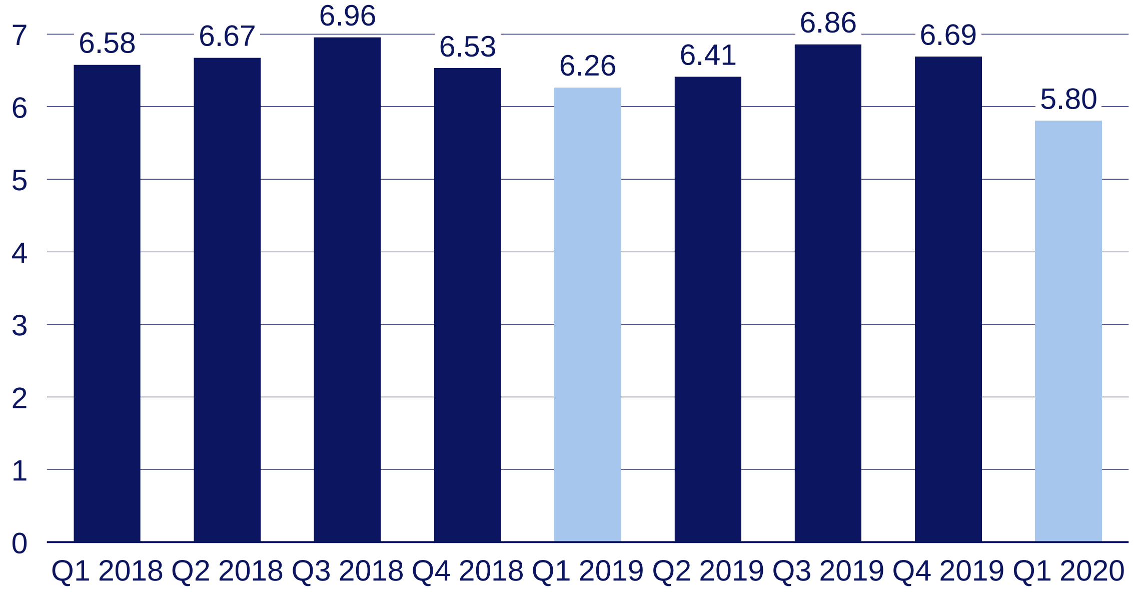




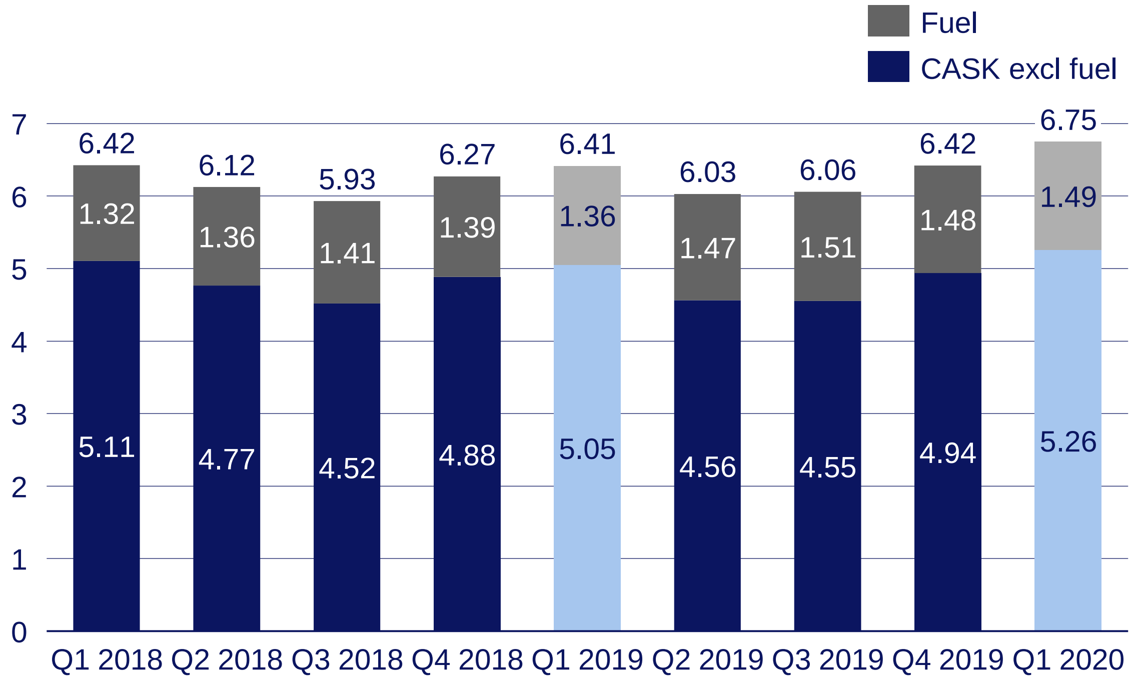
1) *Avg. fare = Passenger revenue per revenue passengers*

RASK trending down whereas CASK trending up

RASK development, € cents



CASK development, € cents



- Unit revenue (RASK) decreased by 7.3%. (Q1/2020 vs Q1/2019)
- Unit cost (CASK) increased by 5.1%. Unit cost excluding fuel increased by 4.0%. (Q1/2020 vs Q1/2019)

Income statement

in mill, EUR	Q1 2020	Q1 2019	Change %	2019
Revenue	**561.2**	**668.2**	**-16.0**	**3,097.7**
Other operating income	14.0	14.6	-4.0	56.4
Operating expenses				
Staff costs	-136.1	-129.7	4.9	-534.7
Fuel costs	-143.9	-145.2	-0.9	-687.3
Capacity rents	-29.9	-32.1	-6.9	-130.2
Aircraft materials and overhaul	-40.2	-46.3	-13.2	-201.2
Traffic charges	-64.5	-72.1	-10.5	-331.3
Sales, marketing and distribution costs	-30.4	-41.6	-27.0	-172.1
Passenger and handling services	-104.7	-122.8	-14.7	-476.7
Property, IT and other expenses	-34.1	-33.3	2.4	-132.4
Comparable EBITDA	**-8.6**	**59.7**	**<-200 %**	**488.3**
Depreciation and impairment	-82.5	-75.9	8.7	-325.4
Comparable operating result	**-91.1**	**-16.2**	**<-200 %**	**162.8**
Operating result	**-95.6**	**-17.6**	**<-200 %**	**160.0**
Financial income	9.2	0.7	> 200 %	4.8
Financial expenses	-88.9	-21.3	<-200 %	-83.6
Exchange rate gains and losses	-3.0	-10.3	71.3	12.7
Share of results in associates and joint ventures	0.0	0.0	-	-0.9
Result before taxes	**-178.2**	**-48.5**	**<-200 %**	**93.0**
Income taxes	35.6	9.7	> 200 %	-18.4
Result for the period	**-142.6**	**-38.8**	**<-200 %**	**74.5**

THANK YOU

Contact us:

Finnair IR and financial communications

Investor.relations@finnair.com