



Finnair

Q1 result info

7 May 2014

CEO Pekka Vauramo

CFO Erno Hildén

Updated mission and strategic targets



Our Mission




Offer the smoothest connections in the northern hemisphere via Helsinki, and the fastest and best network to the world in its home market



Create value to our shareholders by providing an attractive return on investment

Our strategic goals



**Double Asian revenues
by 2020**



Grow traffic via Helsinki by utilising
Finland's geographic location



Create shareholder value and be
attractive investment



Our path forward

The Tools



The Building Blocks



The Foundation





Q1 2014 result

Difficult market environment especially in Finland

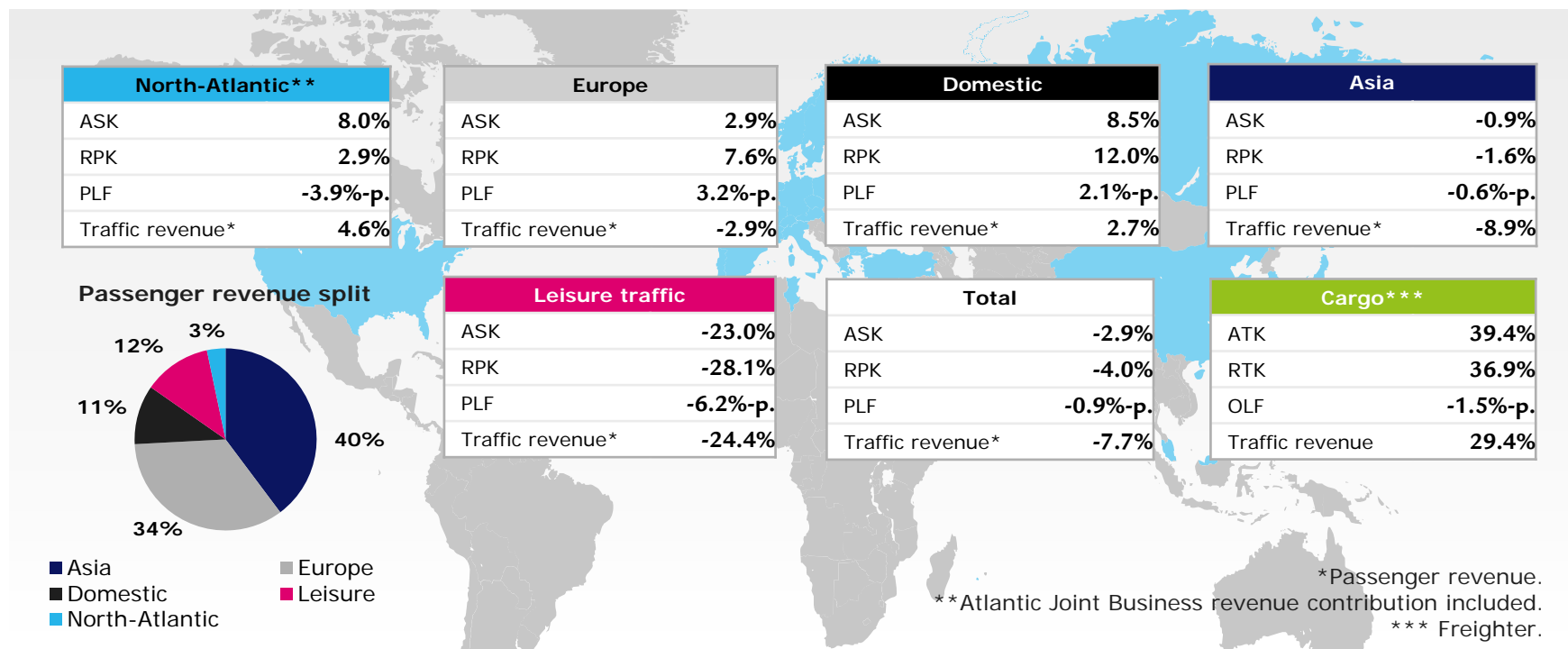


- The weakness of the Finnish economy was reflected in home market demand, in both business travel and leisure traffic.
- Growth in the BRICS economies, including China, slowed.
- Negative exchange rate development of several income currencies.
 - The year-on-year depreciation of the yen against euro was significant still in Q1.
- The price of jet fuel remained high despite its slight decrease.
- Cargo traffic continued to suffer from overcapacity and negative exchange rate development.
- Capacity growth in the market was mostly conservative.
 - Measured in seat kilometres, overall capacity between Helsinki and Finnair's European destinations grew by approximately 4%.*
 - Overall capacity between Finnair's Asian and European destinations grew by some %.*
 - Finnair increased its market share in European traffic, while in Asian traffic market share remained largely unchanged from the comparison period.*

*Finnair's estimate based on MIDT data collected on the sales volumes of travel agencies and Finnair's estimates of airlines' sales through their own sales channels, such as websites.



Passenger load factor 78.7%. The weak domestic market, contraction of leisure traffic and exchange rate fluctuations contributed to decline in revenues



One fifth of Finnair's revenue in the scope of JBAs



Long-haul Joint Business Agreements

- To enable growth, enhance revenues and control capacity.
- Customers can mix and match fares from all participating airlines: best schedules at competitive prices.
- Revenues are shared in relation to capacity shares.
- **Atlantic Joint Business** from 1 July 2013 →
- **Siberian Joint Business** (btw Europe and Japan) from 1 April 2014 →



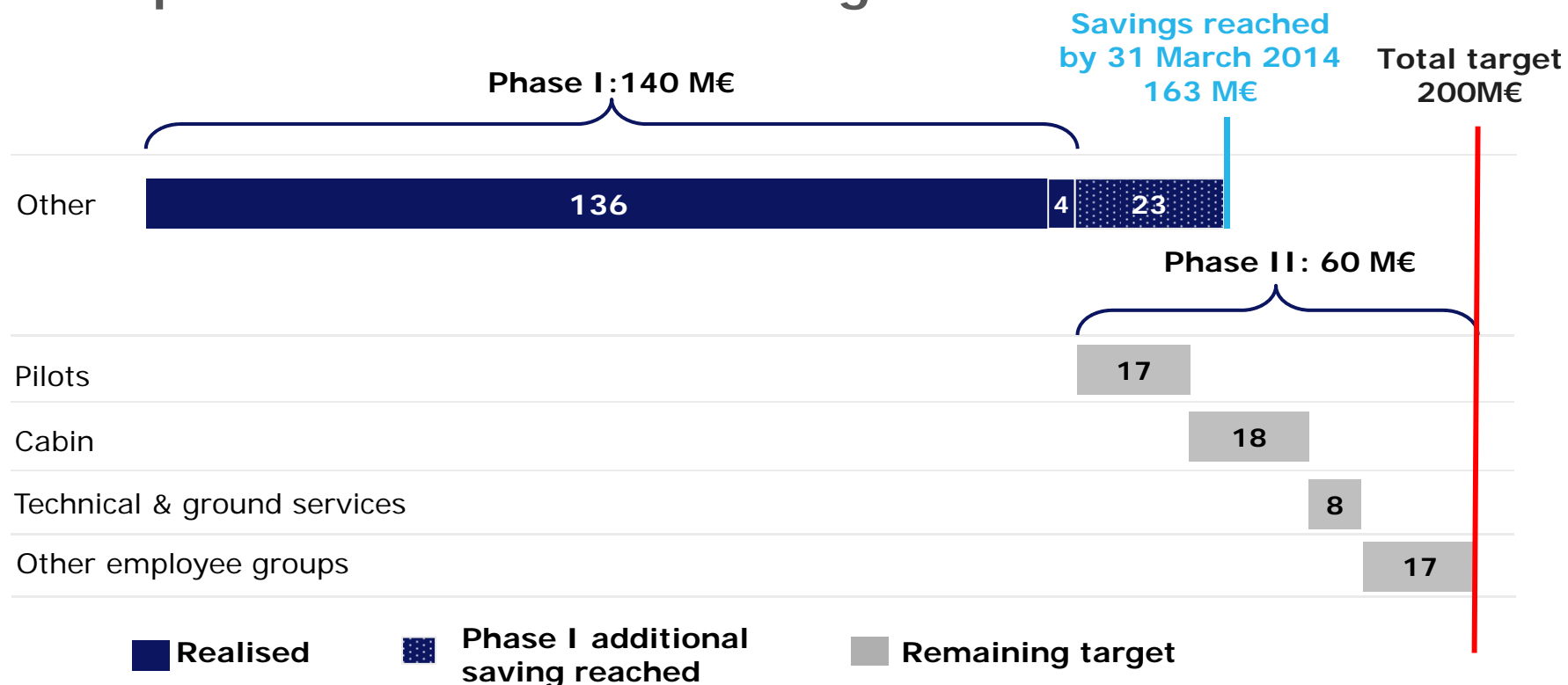
Status of savings negotiations and employee consultations



- Employee consultation negotiations in admin and support functions
 - Focus is on productivity improvements
 - Possible reduction of 140 employees
- Cabin crew employee consultation negotiations
 - Concern wider use of outsourcing in the cabin service of its long-haul and short-haul traffic.
 - In the initial stage, the company plans to outsource the cabin personnel of three long-haul routes at maximum during this year. In the next stage, Finnair would outsource the cabin service of more than 10 routes.
 - The reduction of approximately 540 cabin attendants could be required.
- The deadline for savings negotiations with the Finnish Airline Pilots' Association (SLL) is 13 June 2014.
 - The targeted annual savings total EUR 17 million, and the savings are sought primarily from renewal of working time and compensation structures.
- Negotiations for new collective agreements white-collar employees and engineers' (FYT and FIRY) are currently in progress.



Target 200 M€ permanent cost savings and cost competitiveness in all cost categories



Progress in cost savings didn't offset decline in revenues



- Turnover **543.3 M€**, -8.4%
 - a slight decrease in overall capacity,
 - continued strong contraction in leisure traffic volume,
 - Asian traffic revenue decline mainly due to exchange rate fluctuations, and
 - a decline in home market demand, particularly in business travel.
- Operational result **-34.2 M€**, -95.1%
- RASK **-4.0%**
 - Excluding the effect of exchange rate fluctuations, passenger unit revenue declined by 2.6%
- CASK ex. fuel **-0.2%**. CASK **-1.0 %**.

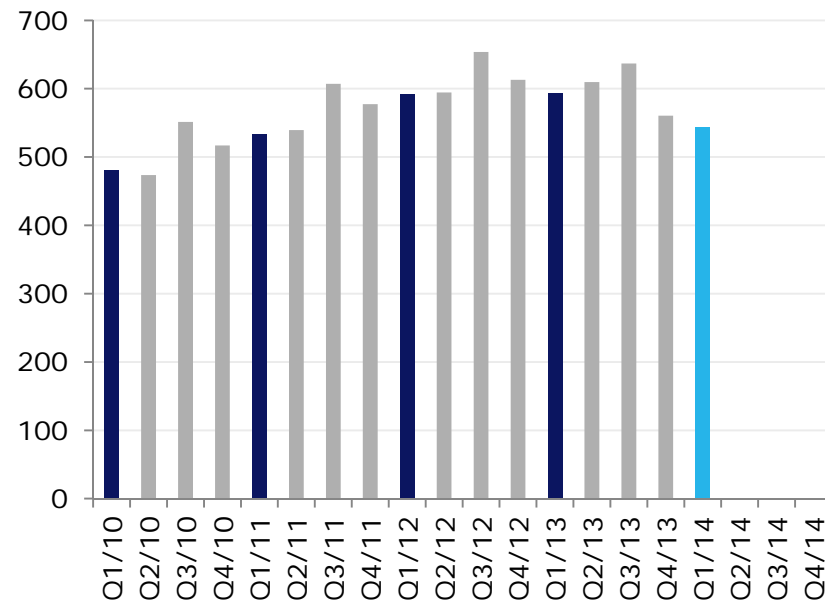


Change from Q1 2013.
RASK = Revenue per Available Seat Kilometre.
CASK = Cost per Available Seat Kilometre.

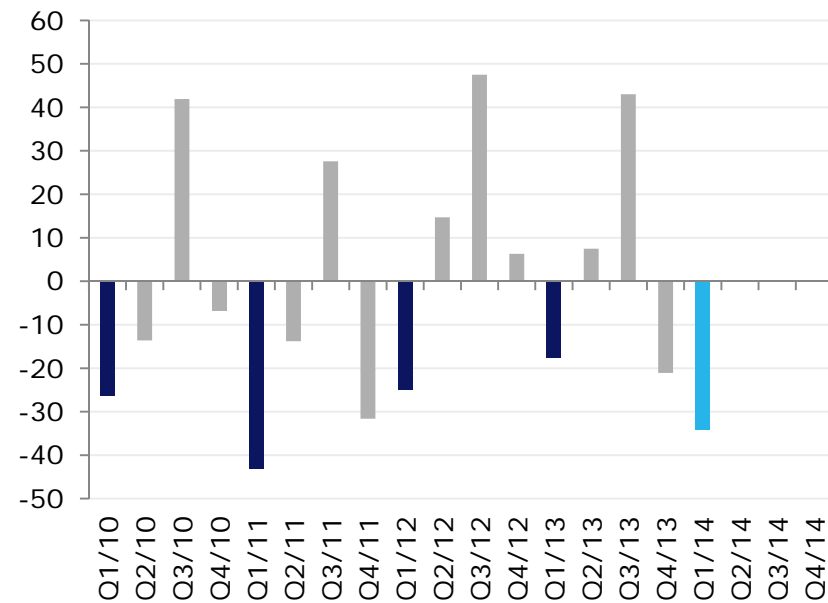
Turnover and operational result decreased yoy



Turnover, M€



Operational result, M€



* Operational result (EBIT), excluding non-recurring items, capital gains and changes in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves.



Outlook for 2014 unchanged

- The ongoing uncertain economic outlook in Europe and Asia is contributing to weak consumer demand in some of our main markets.
- Air traffic is expected to grow moderately in 2014.
- Finnair, however, will not be able to benefit from that growth without progress in its cost savings program and its target cost structure in place.
- Finnair estimates its turnover to be close to previous year's level in 2014.
- Fuel costs are expected to remain high.
- The outcome of Finnair's on-going cost-saving negotiations will have a significant impact on financial performance in 2014, and therefore the company will reconsider giving guidance for its full-year 2014 financial performance after the savings negotiations have been concluded.



Financials

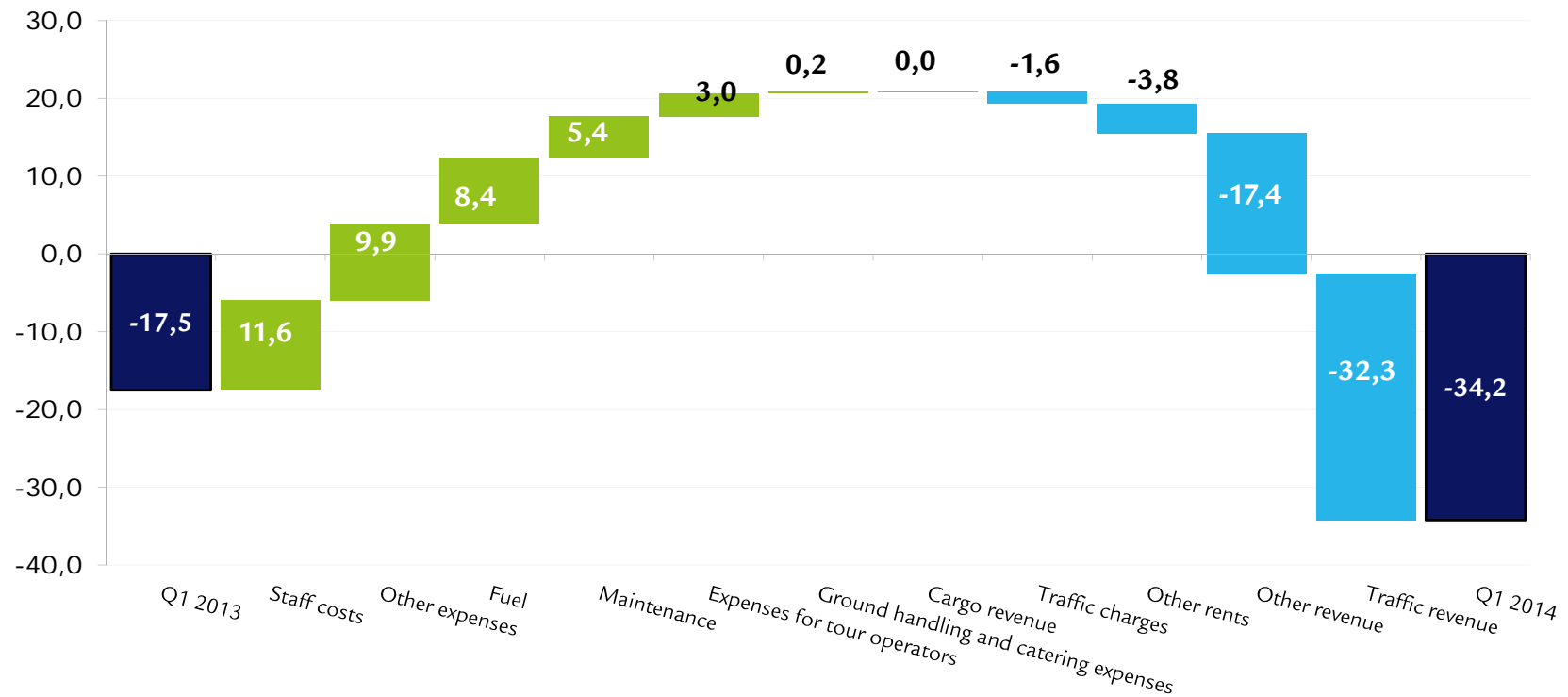
Key figures



		1-3 2014	1-3 2013	Change %	2013
Turnover and result					
Turnover	EUR million	543.3	593.2	-8.4	2,400.3
Operational result, EBIT	EUR million	-34.2	-17.5	-95.1	11.9
Operational result, % turnover	%	-6.3	-3.0	-3.3 %-p	0.5
Operating result, EBIT	EUR million	-28.4	-13.6	-108.4	7.9
EBITDAR	EUR million	17.4	33.3	-47.7	210.1
Result before taxes	EUR million	-33.9	-18.6	-82.7	26.8
Net result	EUR million	-28.1	-15,7	-79.4	22.9
Balance sheet and cash flow					
Capital expenditure, CAPEX	EUR million	33.1	24.1	37.2	77.3
Net cash flow from operating activities	EUR million	-20.5	-11.5	-78.4	142.4
Share					
Share price at end of quarter	EUR	2.69	2.55	5.5	2.77
Earnings per share, from the result of the period*	EUR	-0.22	-0.12	-78.1	0.18
Earnings per share	EUR	-0.24	-0.15	-61.8	0.11

* * Before Hybrid Bond interest

Comparable operational result in Q1, M€

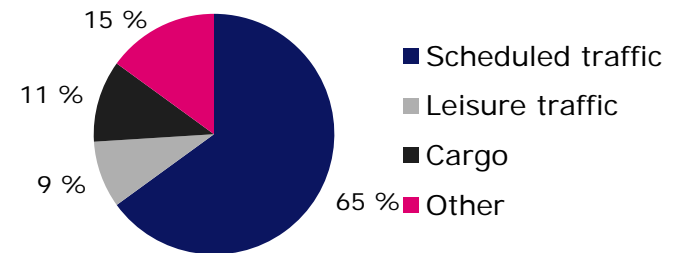


Segment results: Airline Business*



Key figures	1-3 2014	1-3 2013	Change, %	1-12 2013
Turnover, M€	508.1	552.2	-8.0	2,271.9
Operational result, M€	-34.5	-20.5	-68.5	8.8
Personnel, average	4,533	5,016	-9,6	4,834

Airline Business turnover 508.1 M€



Scheduled traffic development in Q1

- Available seat kilometres, revenue passenger kilometres and number of passengers increased in all traffic areas except Asia.
- Passenger revenues increased in North Atlantic and Domestic traffic.
- Passenger revenues decreased in European and Asian traffic.

* Includes from 1 Jan 2014 onward aircraft maintenance, Finnair Travel Retail Oy and Finnair's property holdings and the management of properties related to the company's operational activities.

Leisure traffic and Cargo development in Q1



Leisure traffic

- Consumers' uncertainty regarding their own economic development depressed the overall demand for leisure travel.
- Purchases by tour operators outside the Group declined substantially yoy.
- Cancellation of 2013–2014 winter season tours to Egypt was still reflected in the volumes and revenues for the first quarter.
- Improving cost competitiveness extremely important.

Cargo

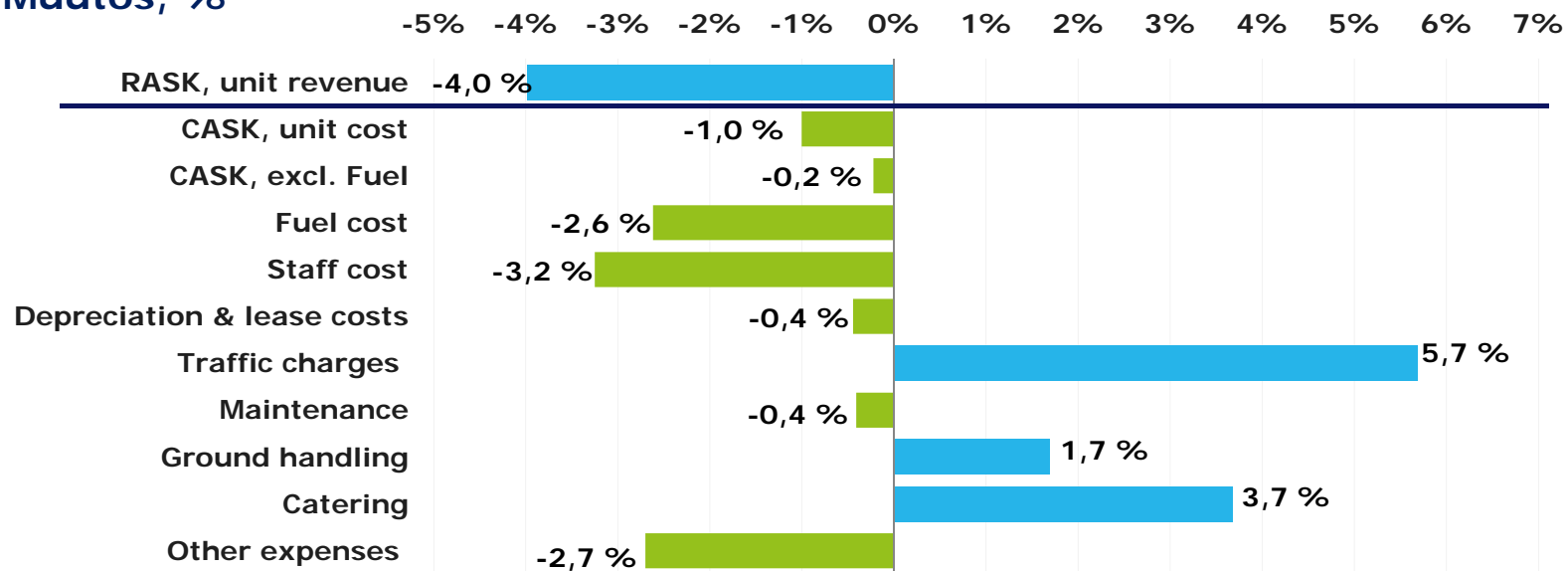
- Overcapacity in the cargo market put average yields under increased pressure.
- Exchange rate fluctuations weakened the result, only 30% of cargo revenue in euros.
- Belly cargo accounted for approx. 17% of total long-haul revenue.
- Separate cargo capacity flights* (Hanoi, Hong Kong, New York, Brussels, and Tokyo/w JAL Cargo) approx. 26.5% of total cargo traffic.
- Early signs of a recovery in demand.

*separate wet-leased cargo flights operated by Finnair Cargo.

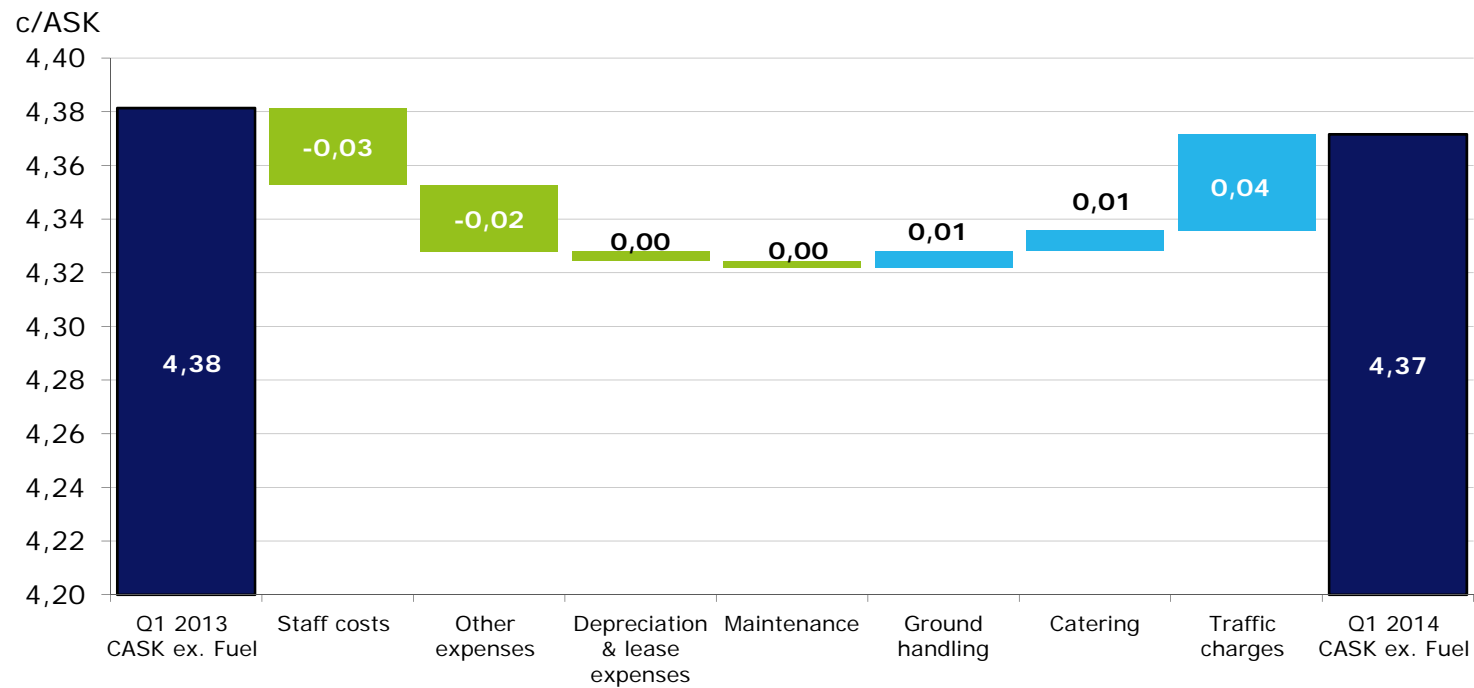
Airline business: Q1 RASK & CASK development

- Unit cost excluding fuel (CASK. excl. fuel) -0.2%
- Unit revenue (RASK) at constant currency -2.6%

Muutos, %



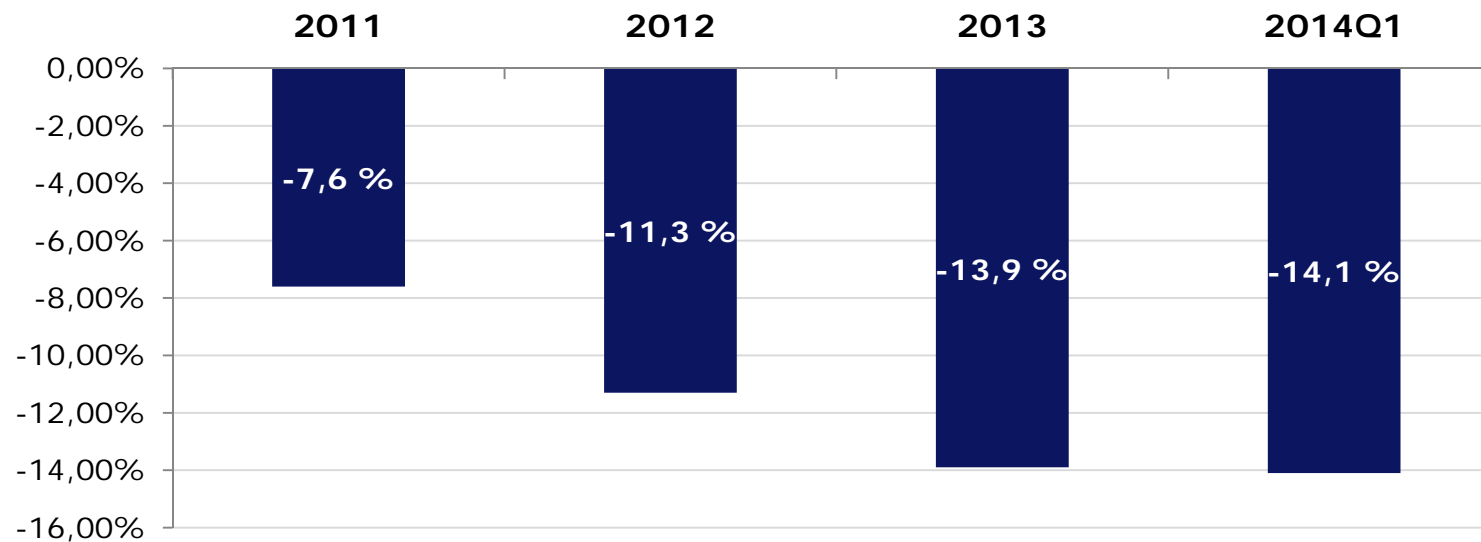
Airline business: Q1 CASK excl. fuel build-up





Airline business: Decrease in ASKs contributed to slower unit cost* decline

Cumulative unit cost decline since 2010, %



*Excl. fuel, adjusted for 2010 ash and industrial action. If applied, the effect of new engine overhaul accounting principles on 2010 costs would be MEUR 11 and 0.8% additional decline in cumulative CASK .

Segment result: Travel Services



Key figures	1-3 2014	1-3 2013	Muutos, %	1-12 2013
Turnover, M€	74.2	81.8	-9.3	251.7
Operational result, M€	0.3	2.9	-90.3	3.1
Personnel, average	704	787	-10.5	751

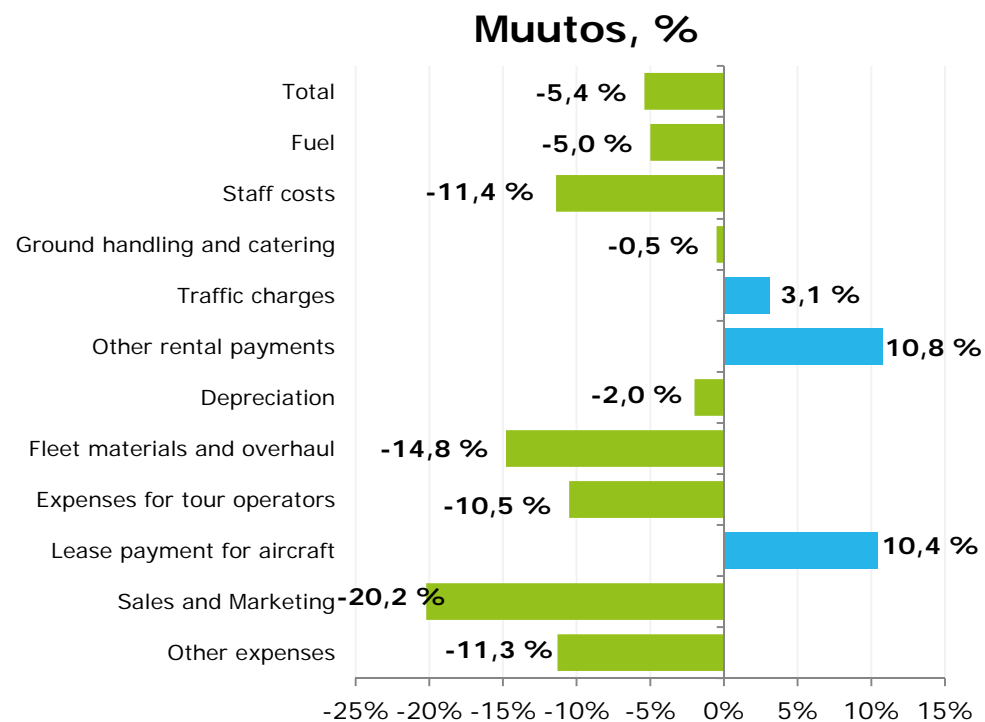
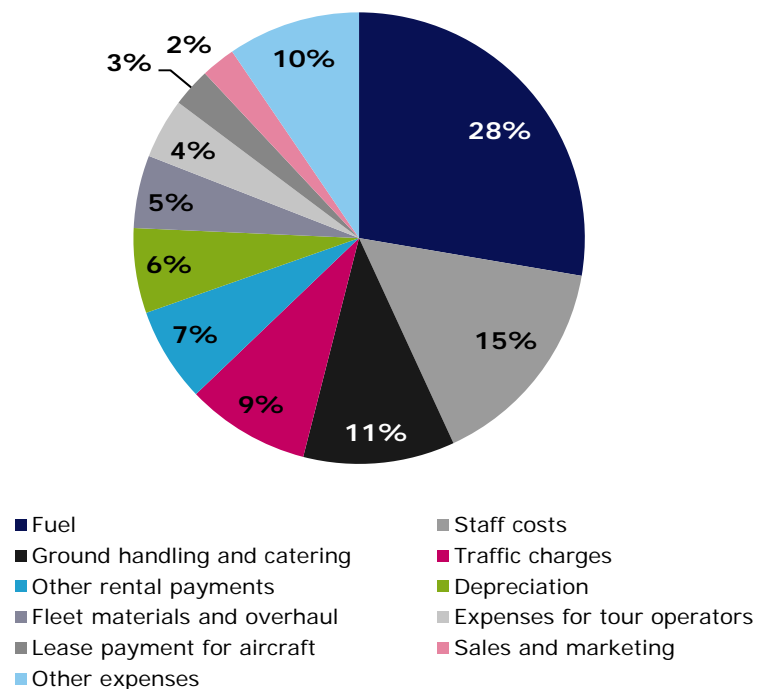


- The weakness of the Finnish economy was reflected in home market demand, in both business travel and leisure traffic.
- Consumers' uncertainty regarding their own economic situation was reflected in the demand for leisure travel → a larger share of the package tours was sold at a discount at the last minute, which decreased the unit revenue of package travel.
- Cancellation of winter season travel to Egypt is still visible in Q1 figures.

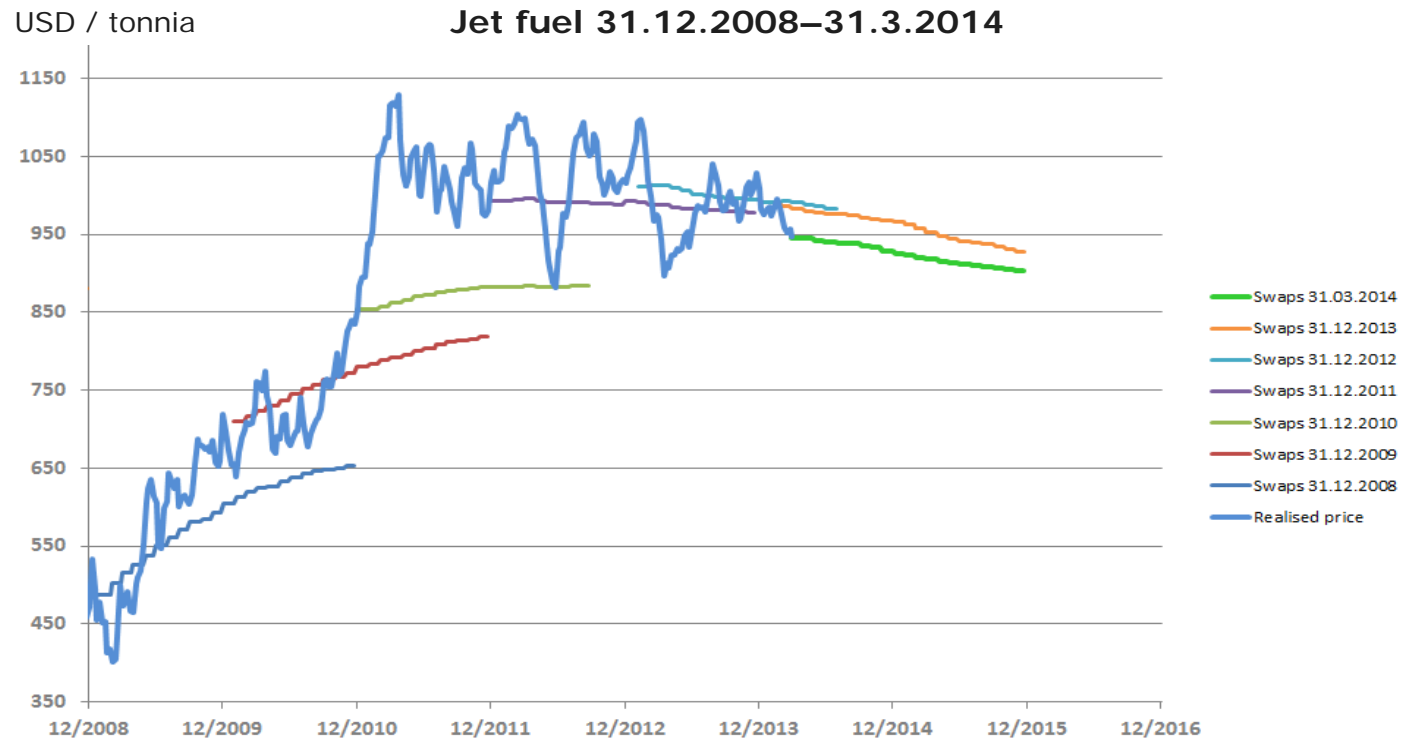


Operating costs 582.1 M€

Fuel largest cost item



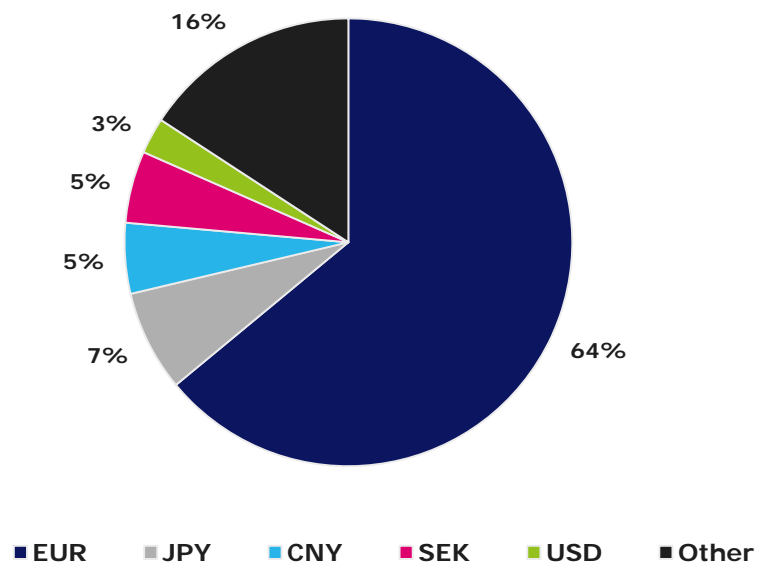
Fuel, spot-price development



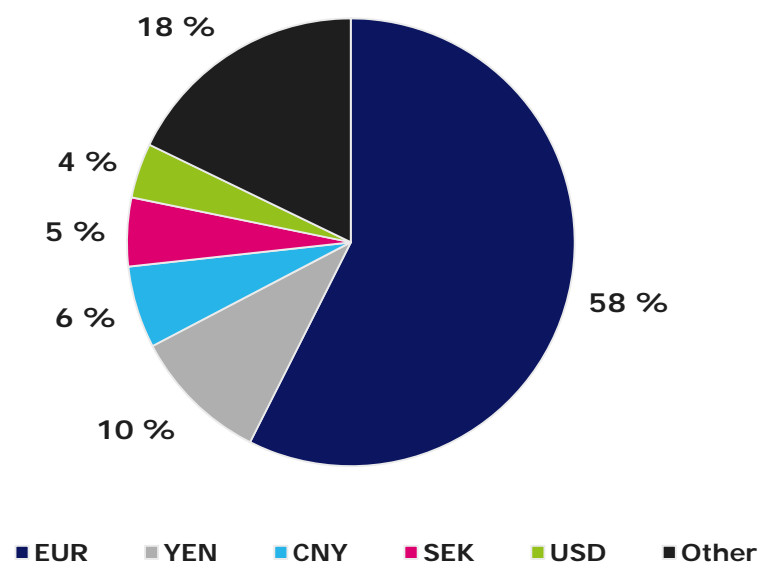


Revenue currency split

Revenue currencies Q1 2014



Revenue currencies 2013



Fleet financing in Q1



- In Q1, sale and leasebacks of three Airbus 330 aircraft and one A321 Sharklet aircraft completed.
 - Sale and leaseback of the fourth A330 aircraft to be completed in Q2 2014.
- In addition, Finnair agreed on the sale and leaseback of two A350 aircraft in Q1 2014.
- After Q1, sale and leaseback agreement for the fifth A321 Sharklet aircraft completed and MoU on the sale of three E170 aircraft announced.
- The financial arrangements of A330 and A350 aircraft relate to Finnair's long-haul fleet renewal program.
 - Total value of A330 and A350 arrangements 430 M€
 - In Q1, 107 M€ EIB loan repaid.

The first four A350s arrive in H2 2015



Finnair fleet 31 March 2014

	Seats	#	Own	Leased	Finance leased	Average age	Change to LY	Orders	Options
Narrowbody fleet									
Airbus A319	138/123	9	7	2		12,7			
Airbus A320	165	10	6	4		11,6			
Airbus A321	209/196	10	4	6		8,0	+1	1	
Boeing B757	227	0	0	0		16,0	-2		
Widebody fleet									
Airbus A330	297/271/263	8	1	4	3	4,4			
Airbus A340	270/269	7	5	2		11,2			
Airbus A350	na.							11	8
Total		44	23	18	3	9,6	-1	12	8

Airbus fleet



9 AIRBUS A319



10 AIRBUS A320



10 AIRBUS A321



8 AIRBUS A330



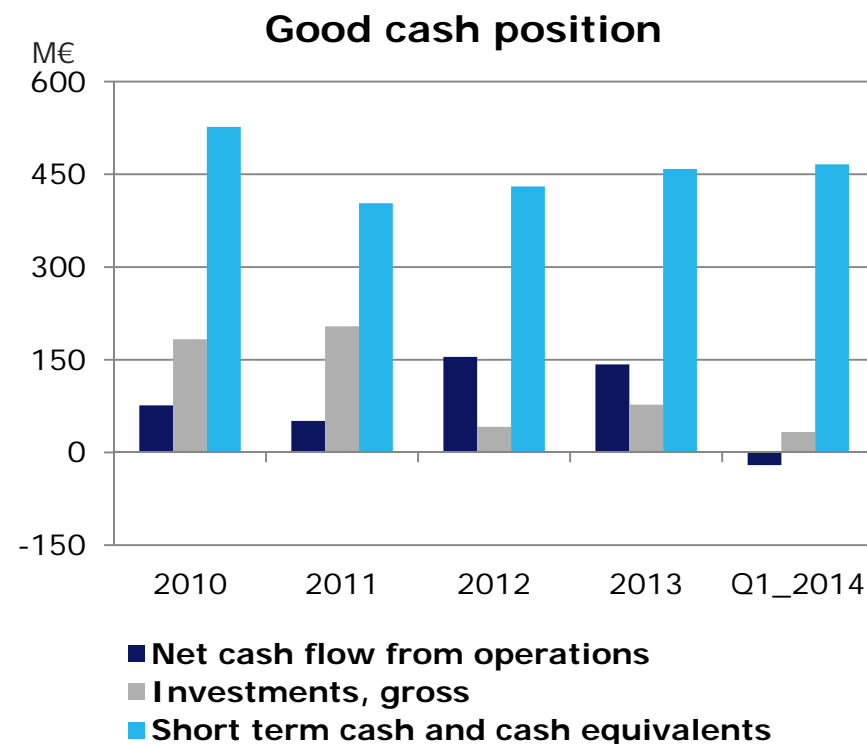
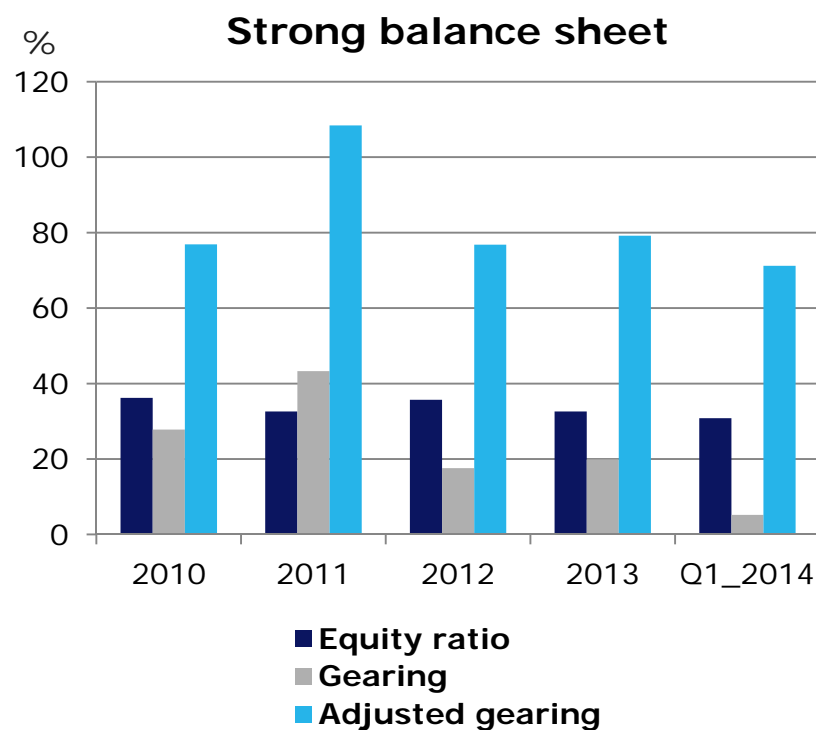
7 AIRBUS A340

H2 2015 onwards: AIRBUS A350 XWB

- **First four by the end of 2015**
- **Next 7 firm orders by the end of 2017**



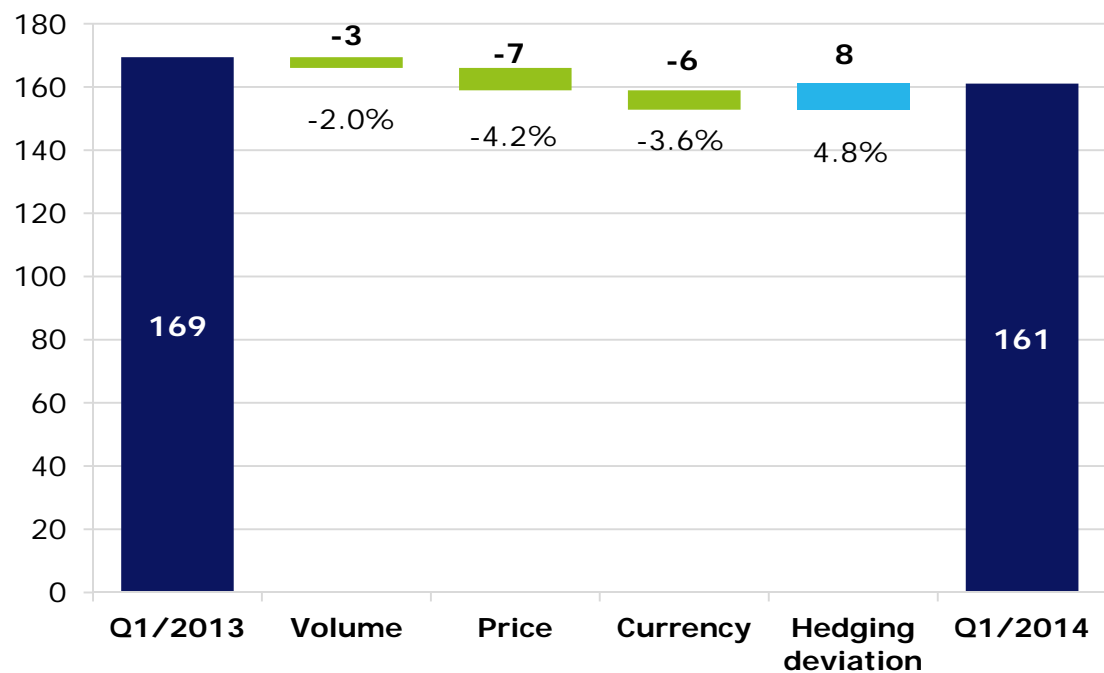
Strong financial position supports business development and future investments





Fuel cost build up

Comparable Q1 fuel cost, M€

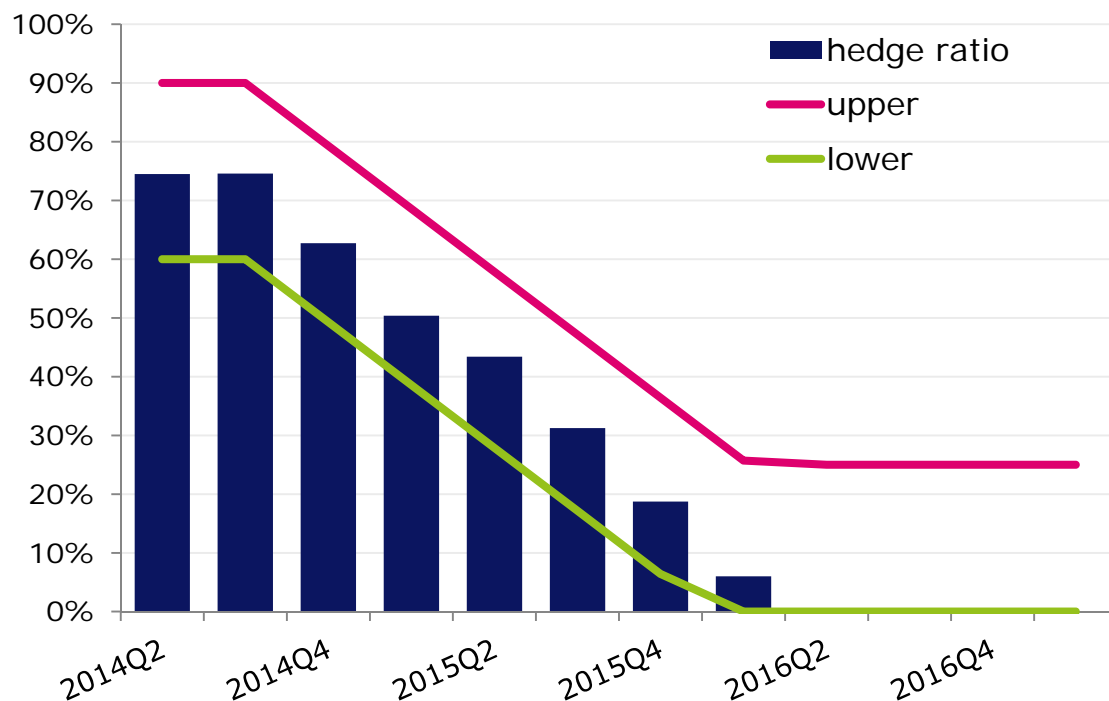


- Q1 2013 incl. hedging profit of 4.9 M€
- Q1 2014 includes hedging loss of 3.4 M€



Rolling hedging policy

Hedging positions as of 31 March 2014
Hedging ratio 2014: 71%



- Finnair hedges jet fuel consumption 24 months ahead within the limits defined in the hedging policy.
- Finnair’s fuel purchases are 75% hedged for the H1 and 69% for the H2 of 2014.
- The company protects itself against the risks of currency, interest rate and jet fuel positions by using different derivative instruments, such as forward contracts, swaps and options.

Thank you

