



# Finnair Q2 result info

15 August 2014  
CEO Pekka Vauramo  
CFO Erno Hildén



# Product upgrades: Customers spoke, we listened



Signature meals and new buy onboard menu, Sky Bistro



Lounge renewals



New In-flight entertainment system



Full flat seats



New Economy Comfort package



Wireless on-board



Airbus 350 XWB





## Q2 2014 result

# Difficult market environment especially in Finland

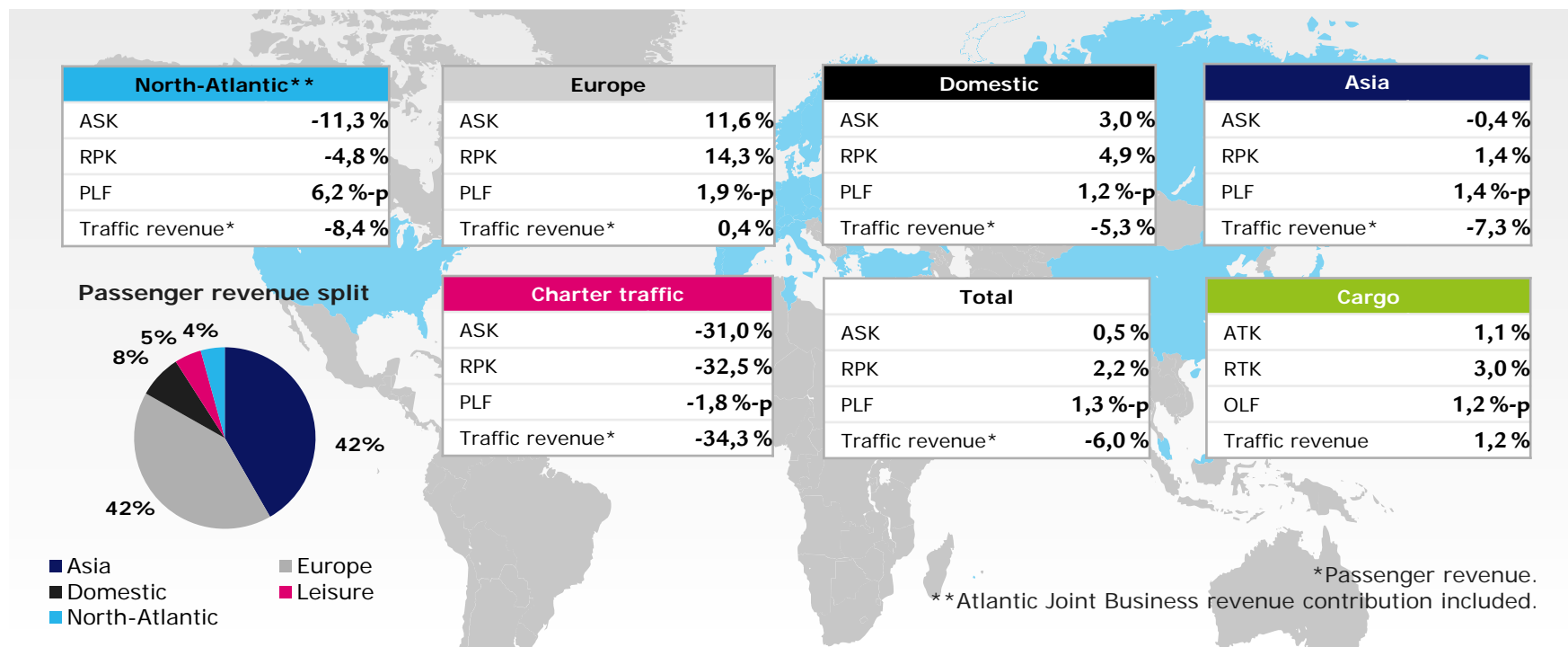


- The weakness of the Finnish economy was reflected in home market demand, in both business travel and leisure traffic.
- Growth in the BRICS economies, including China, slowed.
- Negative exchange rate development of several income currencies.
- The price of jet fuel remained high despite its slight 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, market capacity between Helsinki and Finnair's European destinations grew by approximately 9.2 per cent.
  - Market capacity between Finnair's Asian and European destinations grew by some 2.8 per cent.
  - 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 79.5%. The weak domestic market, contraction of charter traffic and exchange rate fluctuations contributed to decline in revenues



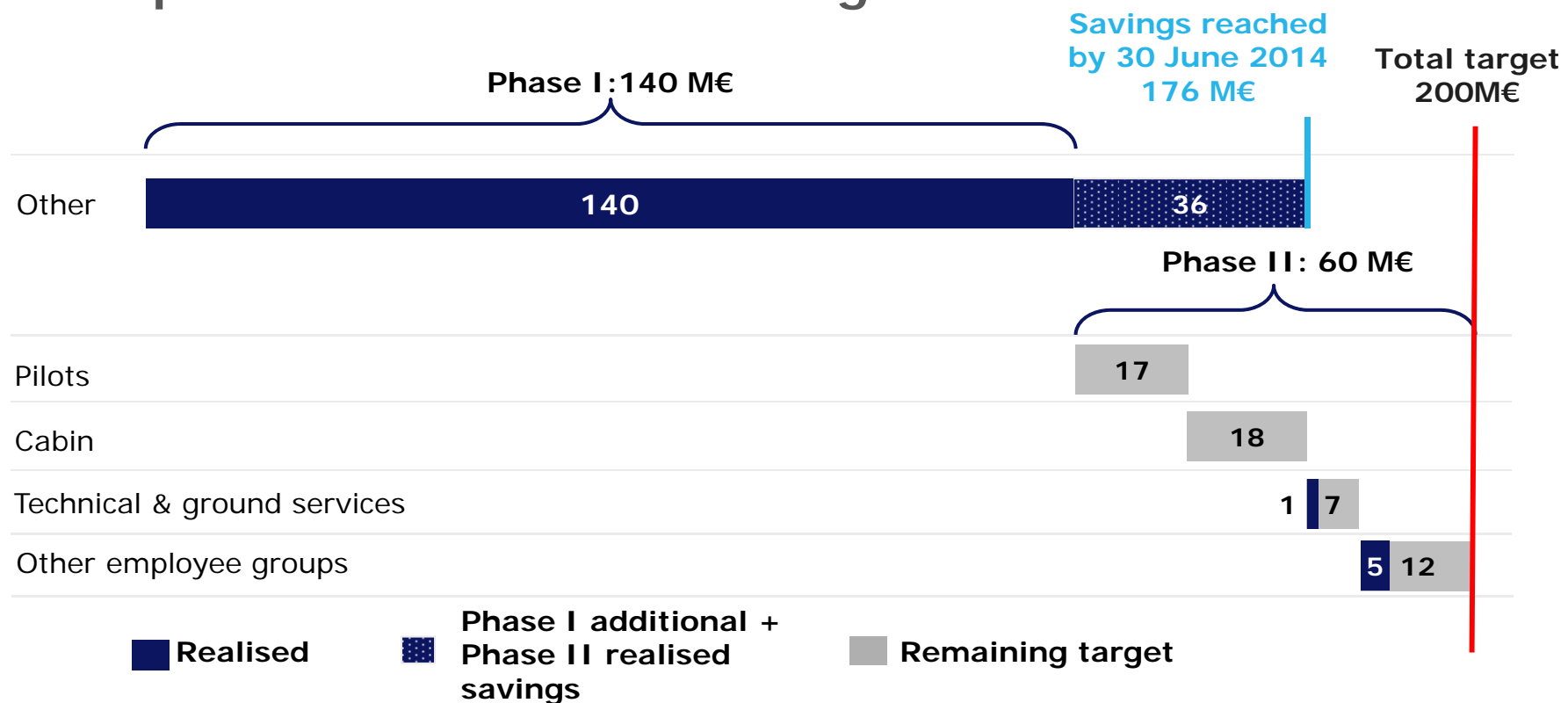
# Status of savings negotiations and employee consultations



- Employee consultation negotiations in admin and support functions concluded
  - Total reduction of approximately 100 FTE's
- Company specific agreements achieved with the Finnish Aviation Union IAU
- Cabin crew outsourcing plans proceed
  - Total of approximately 540 FTE's in the current scope.
- An agreement on wage structure renewal achieved with the Finnish Airline Pilots' Association (SLL), deadline for final agreement is 7 September 2014.



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



# Progress in cost savings didn't offset decline in revenues



- Turnover **565.7** M€, -7.2%
  - a slight decrease in overall capacity,
  - continued strong contraction in charter traffic volume,
  - Asian traffic revenue decline mainly due to exchange rate fluctuations,
  - External turnover loss, and
  - a decline in home market demand, particularly in business travel.
- Operational result **-19.6** M€, - < -200 %
- RASK **-5.8%**
  - Excluding the effect of exchange rate fluctuations, passenger unit revenue declined by 3.8%
- CASK ex. fuel **-2.4%**. CASK -2.4%.



Change from Q2 2013.  
RASK = Revenue per Available Seat Kilometre.  
CASK = Cost per Available Seat Kilometre.

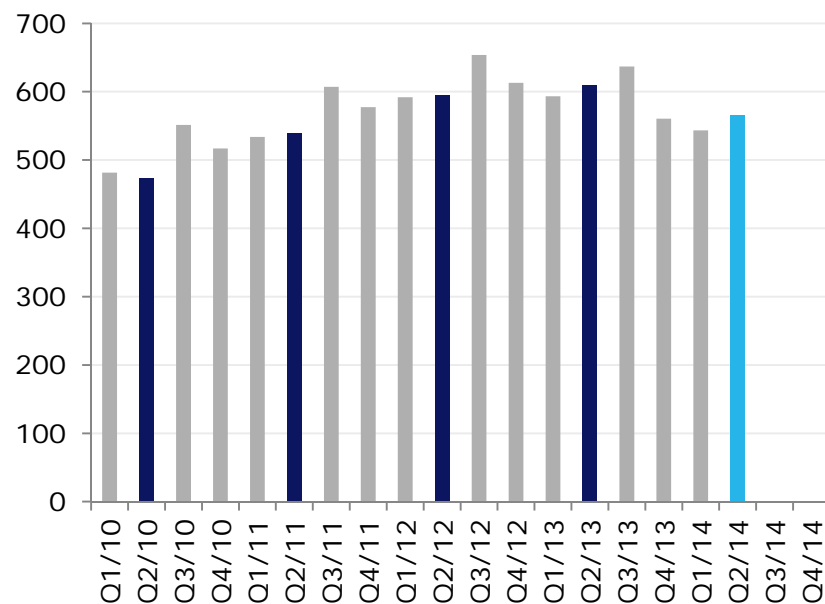
Finnair Q2 Result, 15 August 2014



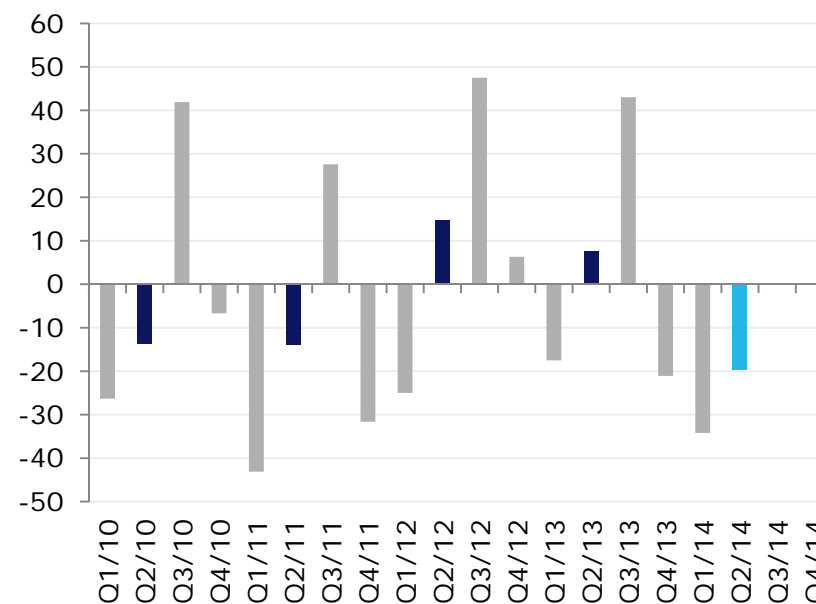


# Turnover and operational result declined y-o-y

## 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 updated:



Finnair estimates:

- Its turnover in 2014 to be significantly lower than in 2013.
- Fuel costs are expected to remain high.
- Due to delays in the personnel cost reduction negotiations and the decline in unit revenue, 2014 operational result will show a significant loss.

\*The full outlook can be found from interim report 1 January – 30 June 2014



# Financials

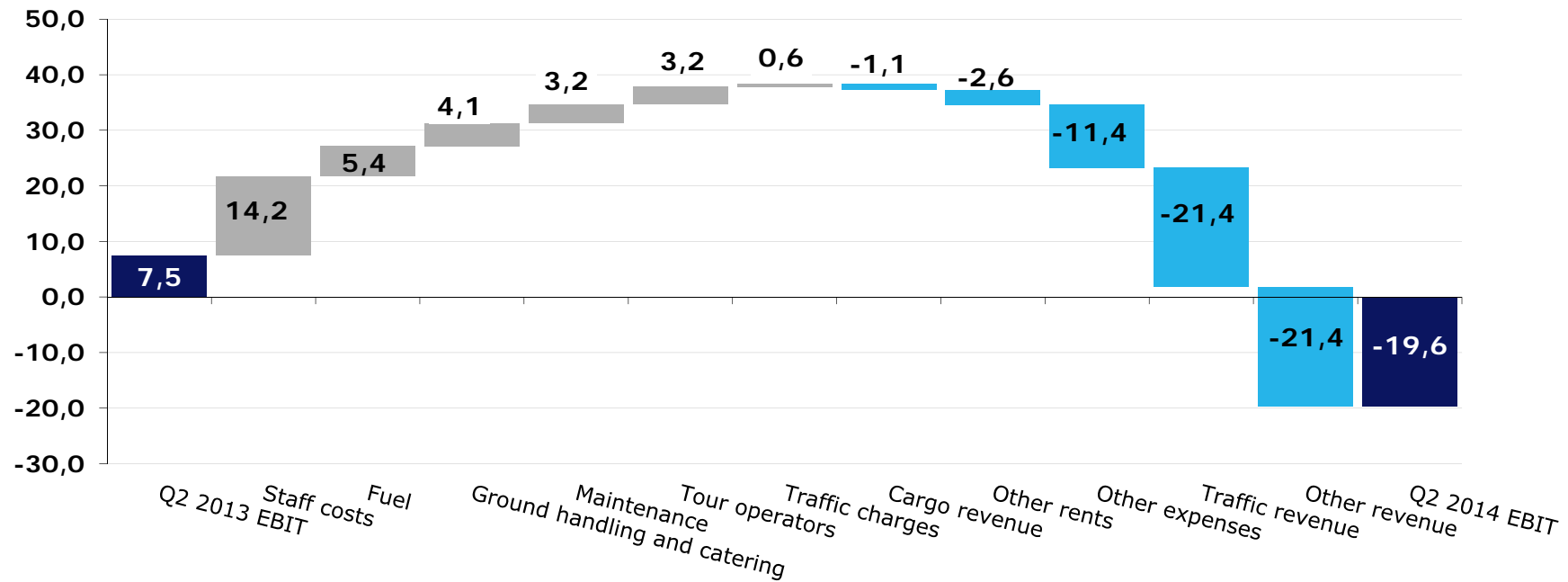
# Key figures



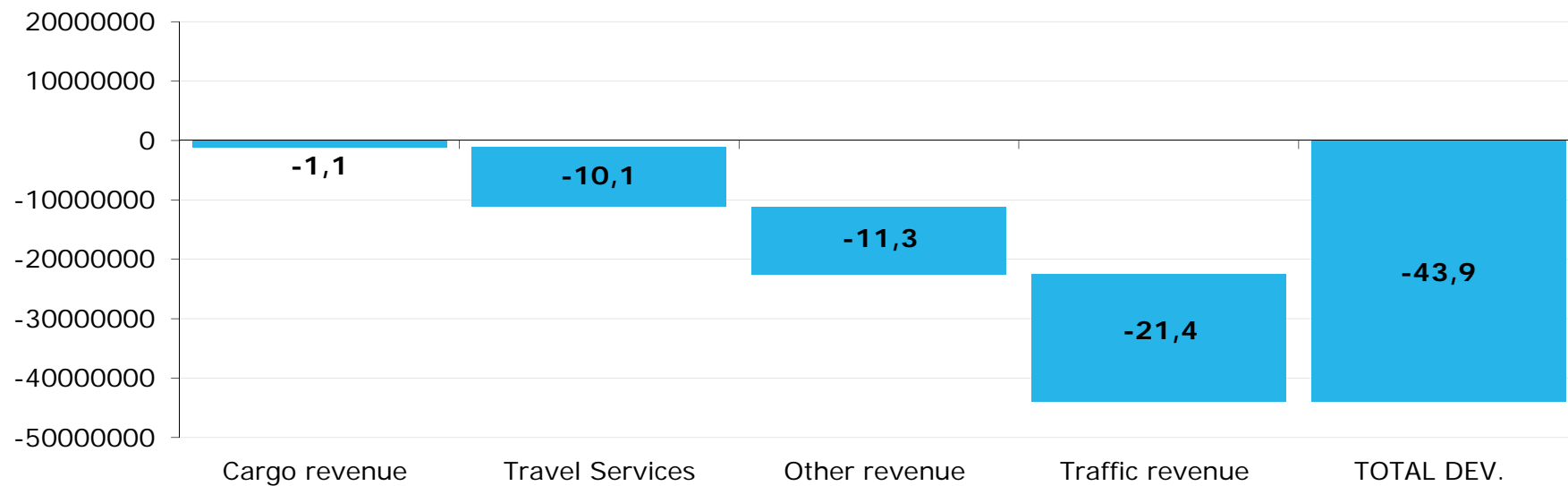
Key figures	Q2 2014	Q2 2013	Change %	Q1-Q2 2014	Q1-Q2 2013	Change %	2013
<b>Turnover and result</b>							
Turnover, EUR million	565,7	609,7	-7,2	1 109,0	1 202,9	-7,8	2 400,3
Operational result, EBIT, EUR million *	-19,6	7,5	<-200 %	-53,9	-10,0	<-200 %	11,9
Operational result, % of turnover	-3,5	1,2	-4.7 %-p	-4,9	-0,8	-4.0 %-p	0,5
Operating result, EBIT, EUR million	-26,3	-10,4	-152,6	-54,7	-24,0	-127,6	7,9
Operational EBITDAR, EUR million	35,5	57,4	-38,1	53,0	90,7	-41,6	210,1
Result before taxes, EUR million	-31,0	22,6	<-200 %	-64,9	4,1	<-200 %	26,8
Net result, EUR million	-23,9	18,1	<-200 %	-52,0	2,4	<-200 %	22,9
<b>Balance sheet and cash flow</b>							
Gross investment, EUR million	19,9	14,0	42,5	53,0	38,1	39,1	77,3
Net cash flow from operating activities, EUR million	69,2	101,2	-31,6	48,7	89,7	-45,7	142,4
<b>Share</b>							
Share price at the end of quarter, EUR				2,84	2,70		2,77
Earnings per share from the result of the period, EUR **	-0,19	0,14	<-200 %	-0,41	0,02	<-200 %	0,18
Earnings per share, EUR	-0,20	0,12	<-200 %	-0,44	-0,03	<-200 %	0,11

<sup>12</sup> \* \* Before Hybrid Bond interest

# Q2 2013 vs. Q2 2014 Operational result, M€



# Q2 2013 vs. Q2 2014 revenue, M€

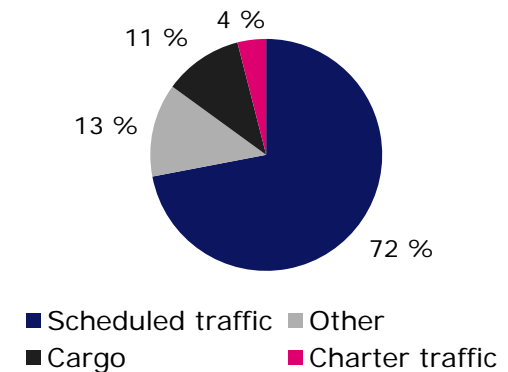


# Segment results: Airline Business\*



Key figures	4-6 2014	4-6 2013	Change %	1-6 2014	1-6 2013	Change %	2013*
Turnover, EUR million	541.3	583.3	-7.2	1,049.4	1,135.5	-7.6	2,271.9
Operational result, EUR million	-20.8	8.1	<200%	-55.3	-12.4	<200%	8.8
Average number of employees				4,450	4,942	-10.0	4,834

Airline Business turnover  
541.3 M€



## Scheduled traffic development in Q2

- Capacity grew in Europe and Domestic traffic, revenue passenger kilometres increased in all traffic areas except in North Atlantic.
- Passenger unit revenues decreased in all areas except in North Atlantic.

\* 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.

# Charter traffic and Cargo development in Q2



## Charter traffic

- Consumers' uncertainty depressed the overall demand for leisure travel.
- Purchases by external tour operators declined substantially y-o-y.
- Structural shift where most popular charter routes will or already have been changed into scheduled services continues
- Improving cost competitiveness extremely important.

## Cargo

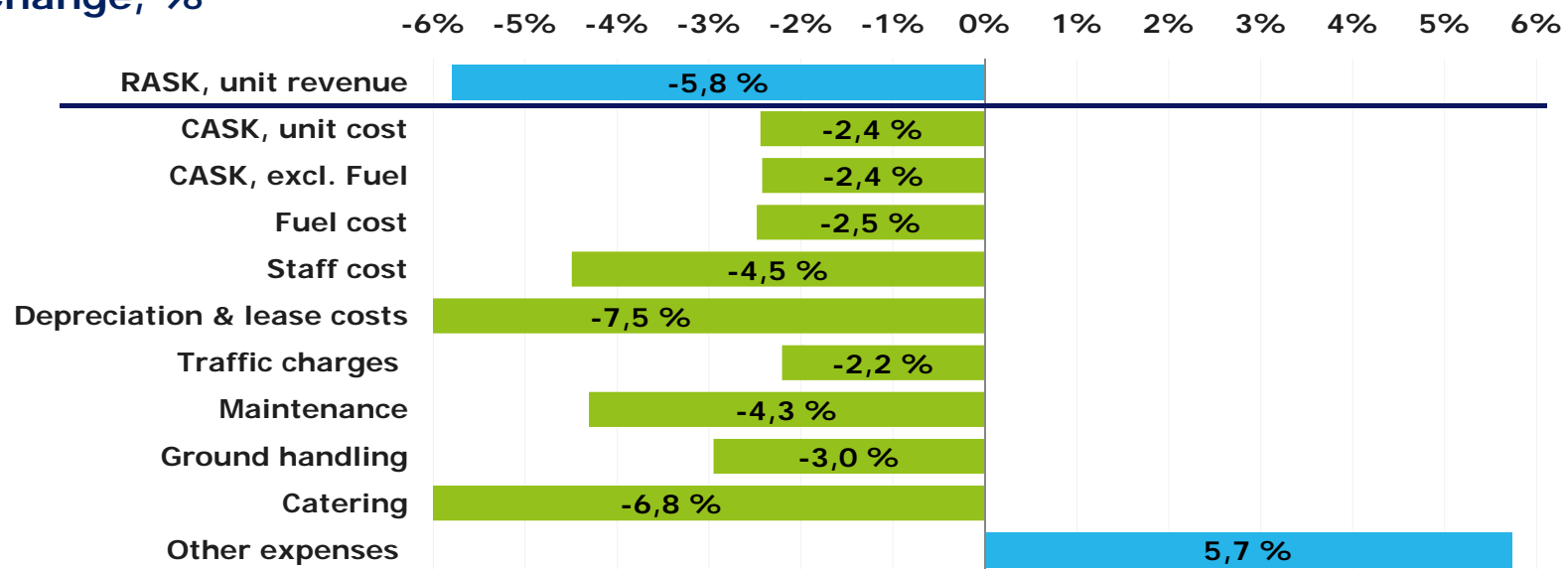
- Overcapacity in the cargo market continues to depress yields.
- Exchange rate fluctuations weakened the result, only 30% of cargo revenue in euros.
- Belly cargo accounted for approx. 17% of total long-haul revenue.
- Early signs of a recovery in demand.



# Airline business: Q2 RASK & CASK development

- Unit cost excluding fuel (CASK. excl. fuel) -2.4%
- Unit revenue (RASK) at constant currency -3.8%

Change, %



# Segment result: Travel Services



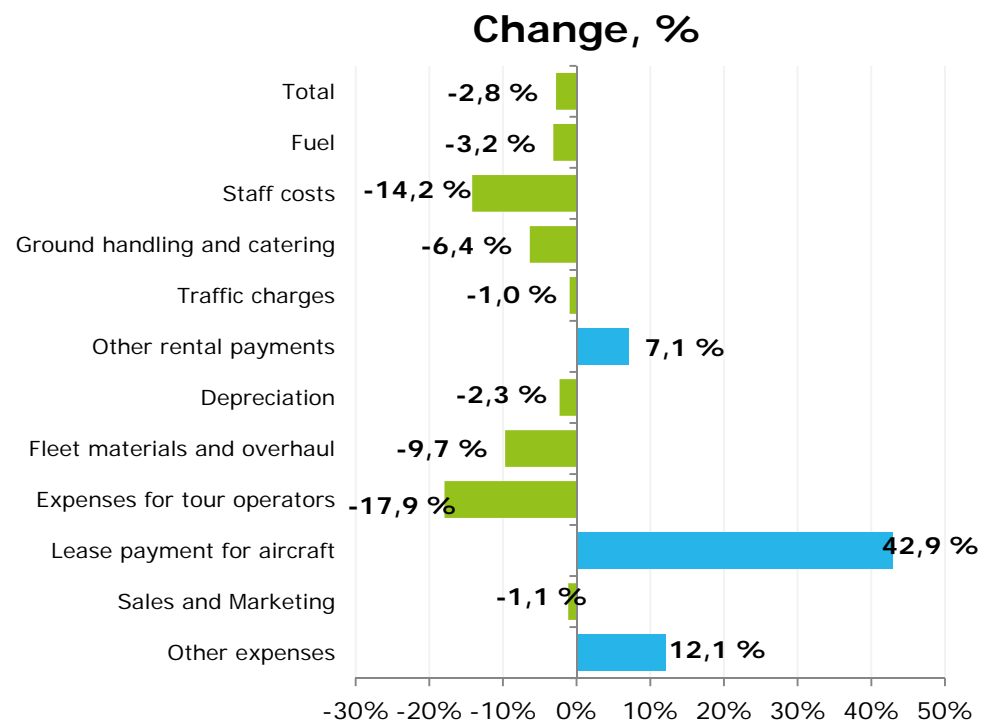
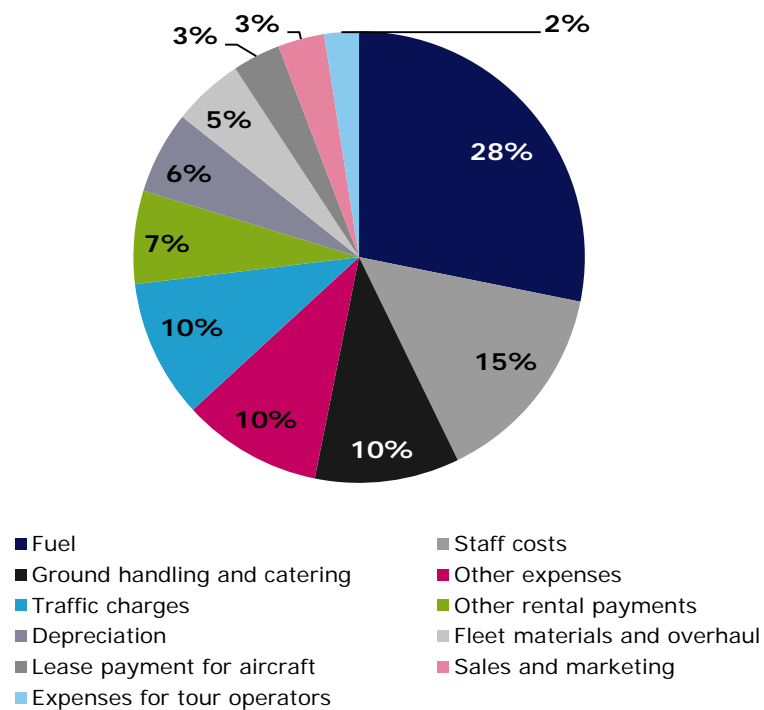
Key figures	4-6 2014	4-6 2013	Change %	1-6 2014	1-6 2013	Change %	2013
Turnover, EUR million	42.6	51.3	-17.0	116.8	133.1	-12.3	251.7
Operational result, EUR million	1.1	-0.6	>200%	1.4	2.4	-41.1	3.1
Average number of employees				690	778	-11.3	751



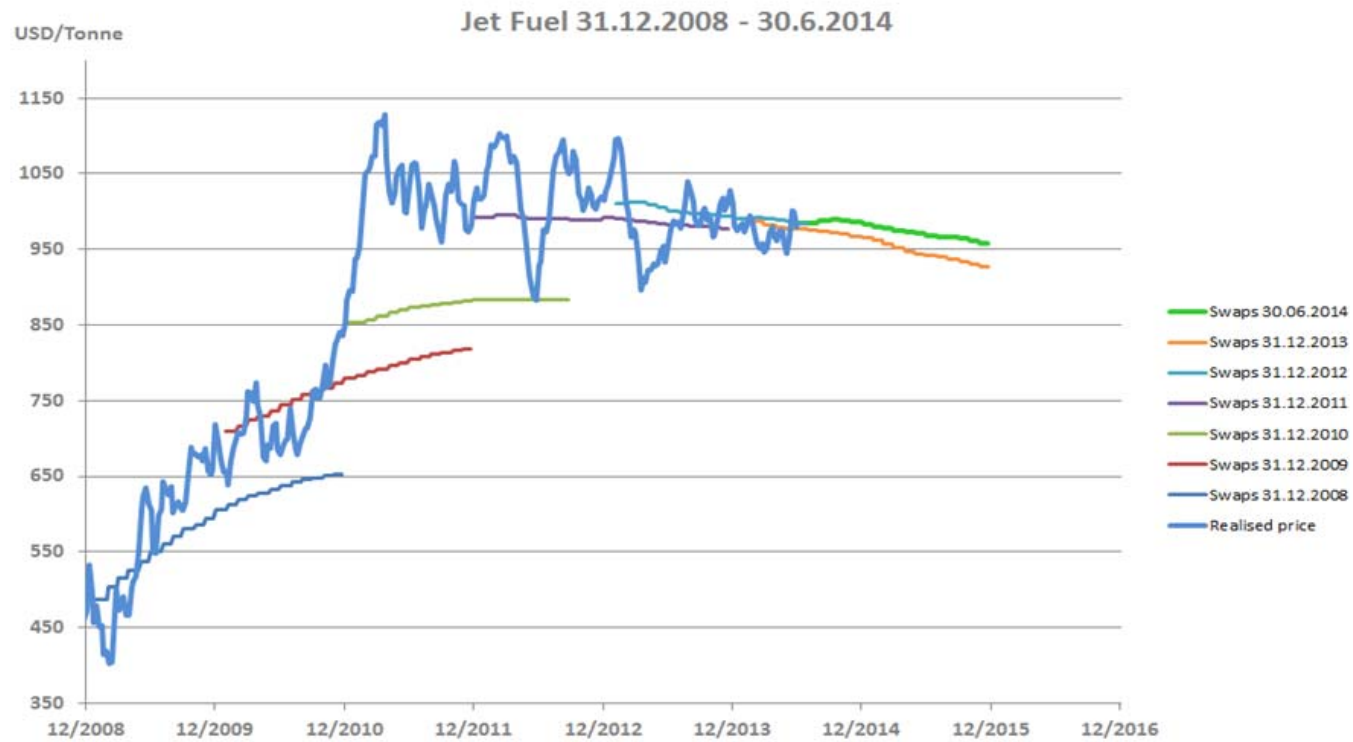
- The weakness of the Finnish economy was reflected in home market demand, in both business travel and leisure traffic.
- Consumers' uncertainty was reflected in the demand for leisure travel → a larger share of the package tours was sold at a discount at the last minute, which decreased the unit revenue of package travel.



# Operating costs -589.7 M€ **Fuel largest cost item**



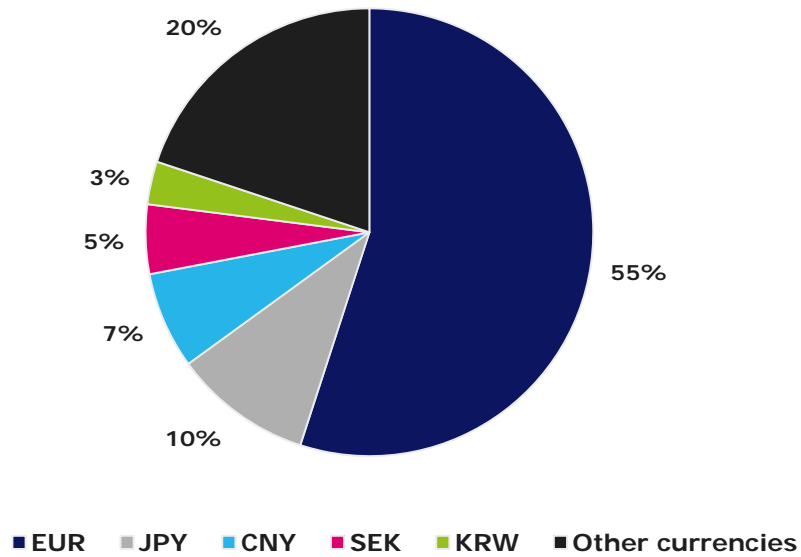
# Fuel, spot-price development



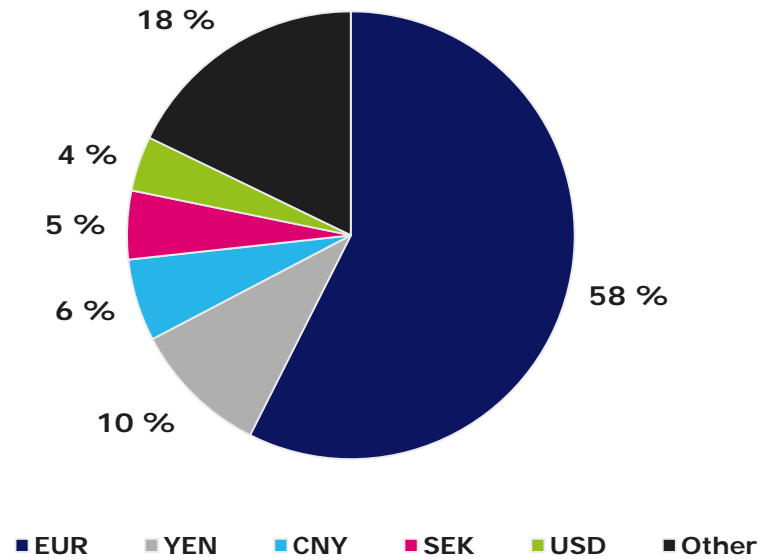
# Revenue currency split



Revenue currencies Q2 2014



Revenue currencies 2013





# Airbus fleet

The first four A350s arrive in H2 2015



9 AIRBUS A319



10 AIRBUS A320



10 AIRBUS A321



8 AIRBUS A330



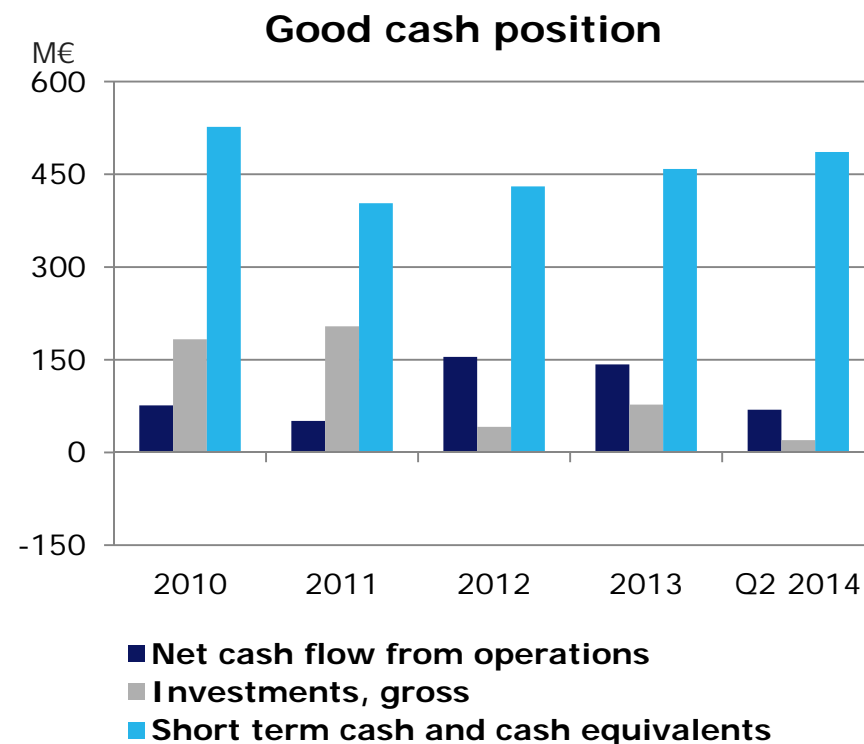
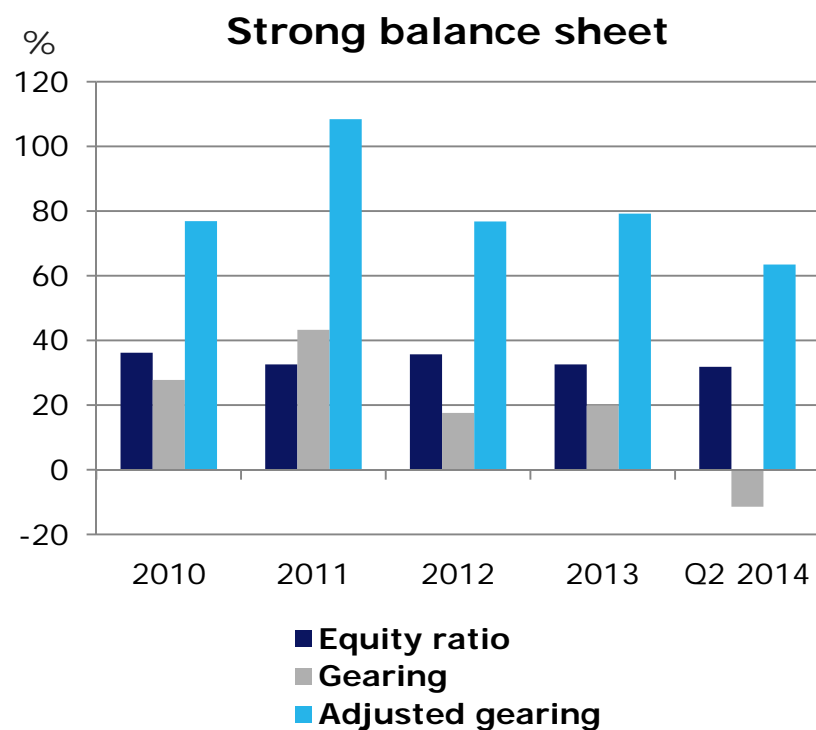
7 AIRBUS A340

**H2 2015 onwards: AIRBUS A350 XWB**

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



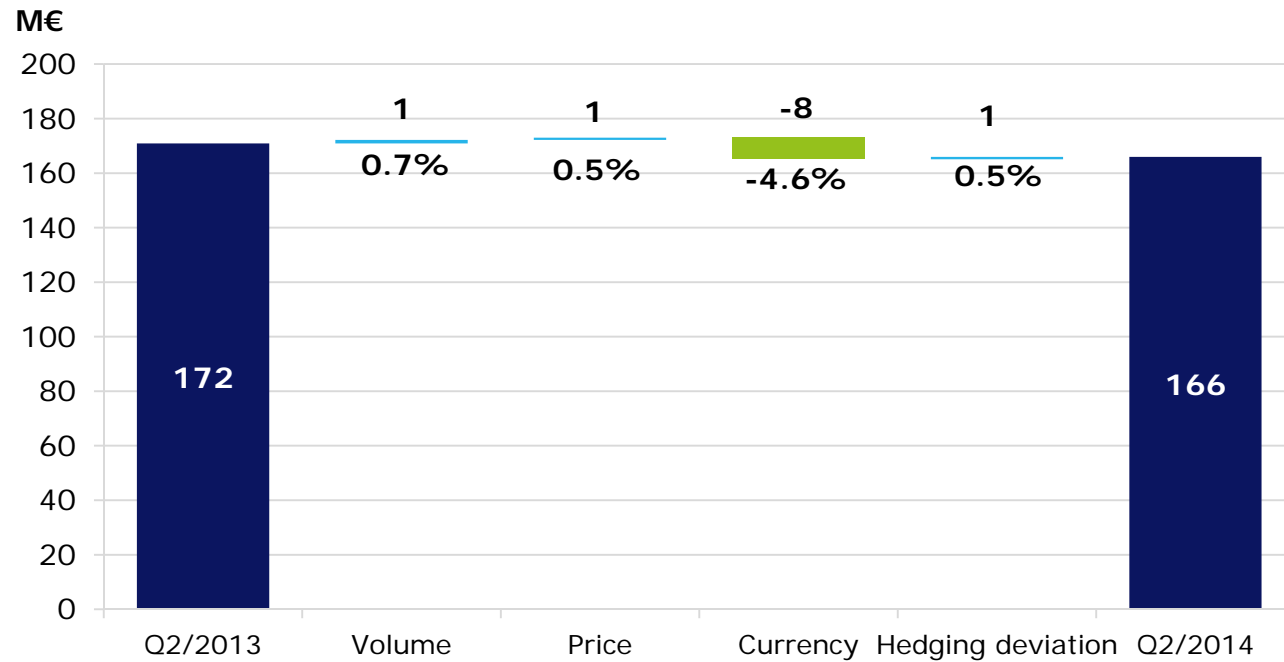
# Strong financial position supports business development and future investments



# Fuel cost build up



Comparable Q2 fuel cost, M€



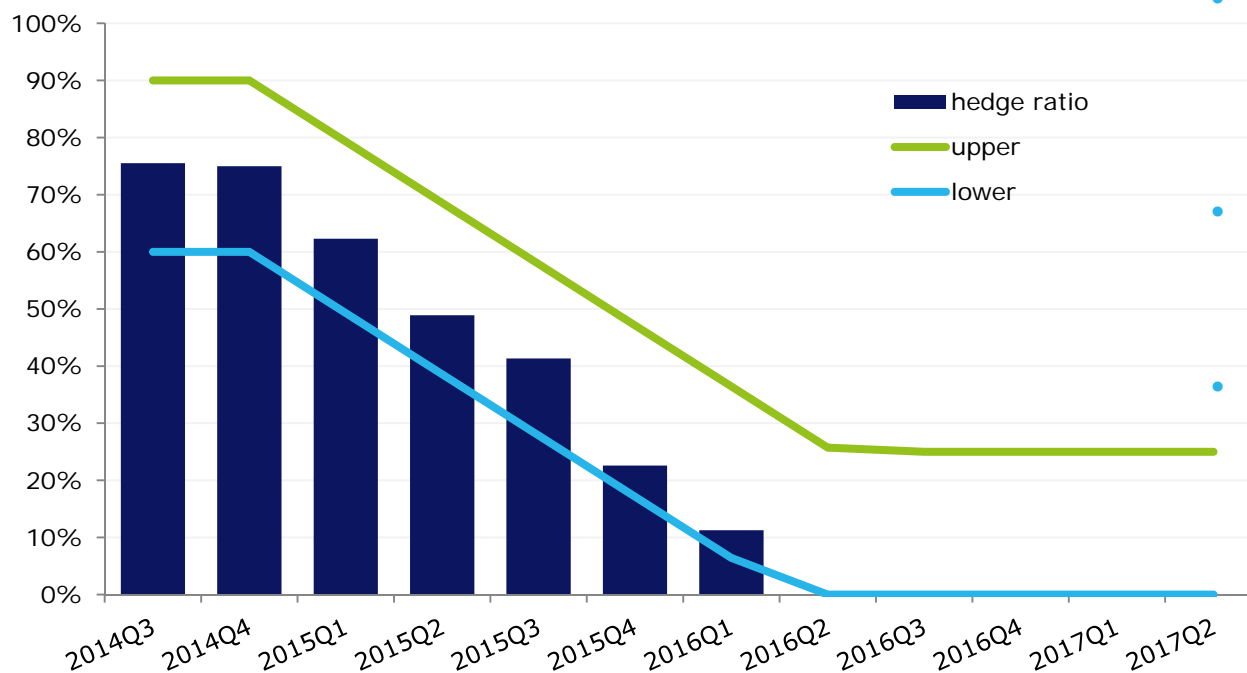
- Q2/13 incl. A hedging loss of 3.6 M€
- Q2/14 incl. A hedging loss of 4.5 M€





# Rolling hedging policy

Hedging positions as of 30 June 2014  
Hedging ratio 2014: 75%



- Finnair hedges jet fuel consumption 24 months ahead within the limits defined in the hedging policy.
- Finnair's fuel purchases are 55% hedged for the H2 and 32% for the H1 of 2015.
- 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**

