



# Finnair Q3 result info

31 October 2014  
CEO Pekka Vauramo  
CFO Erno Hildén

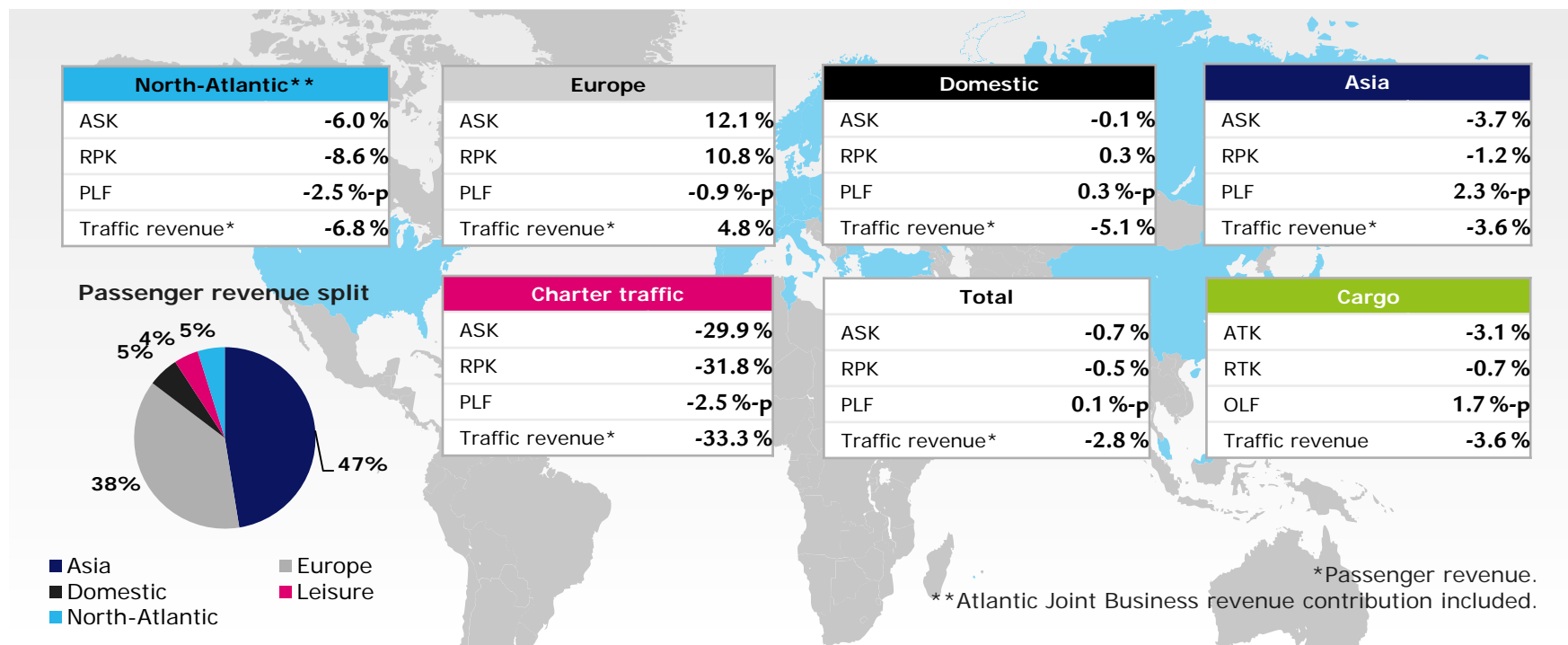
# Difficult market environment especially in Finland prevailed



- 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.
- Several income currencies weakened against Euro.
- The price of jet fuel remained high despite its 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 one per cent.
  - Market capacity between Finnair's Asian and European destinations grew by 3.3 per cent.
  - Finnair increased its market share in European traffic, while in Asian traffic market share decreased slightly year-on-year.\*

\*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.

# Weak domestic market and exchange rate fluctuations contributed to decline in traffic revenues in Q3



# Agreements reached with crew



- Finnair and the Finnish Airline Pilots' Association (SLL) reached an agreement bringing 17 million euros in permanent annual savings.
  - In return, protection against redundancies for the next two years and an incentive plan.
- Finnair and the Finnish Cabin Crew Union (SLSY) reached a savings agreement that brings 18 million euros in permanent annual savings.
  - In return, Finnair protection against redundancies for the next two years, protection from outsourcing, and a pension incentive.
- Savings impact gradually from 2015 onwards



# Target 200 M€ permanent cost savings almost reached



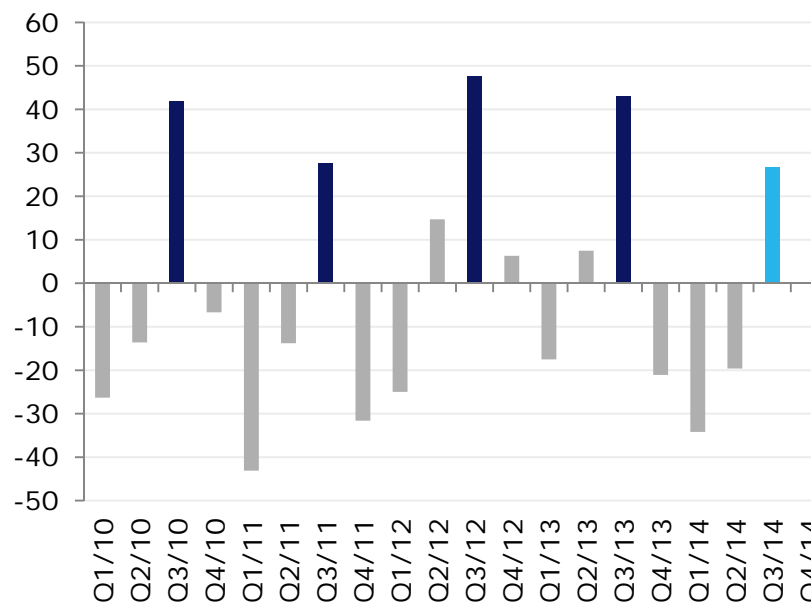
\*Agreements on savings made, not yet realised



# Progress in cost savings did not offset decline in revenues

- **Turnover 622.7 M€**, -2.2% y-o-y
  - Weak home market demand
  - Currency effects
- **Operational result 26.7 M€**, -37.8% y-o-y
- **RASK -1.6%**
  - Excl. Fx, -0.4%
- **CASK ex. fuel -0.4%**.
  - CASK -1.3%.

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.

# Focus on pursuing additional revenue with A350s and product upgrades



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



# Outlook\* for 2014 unchanged



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

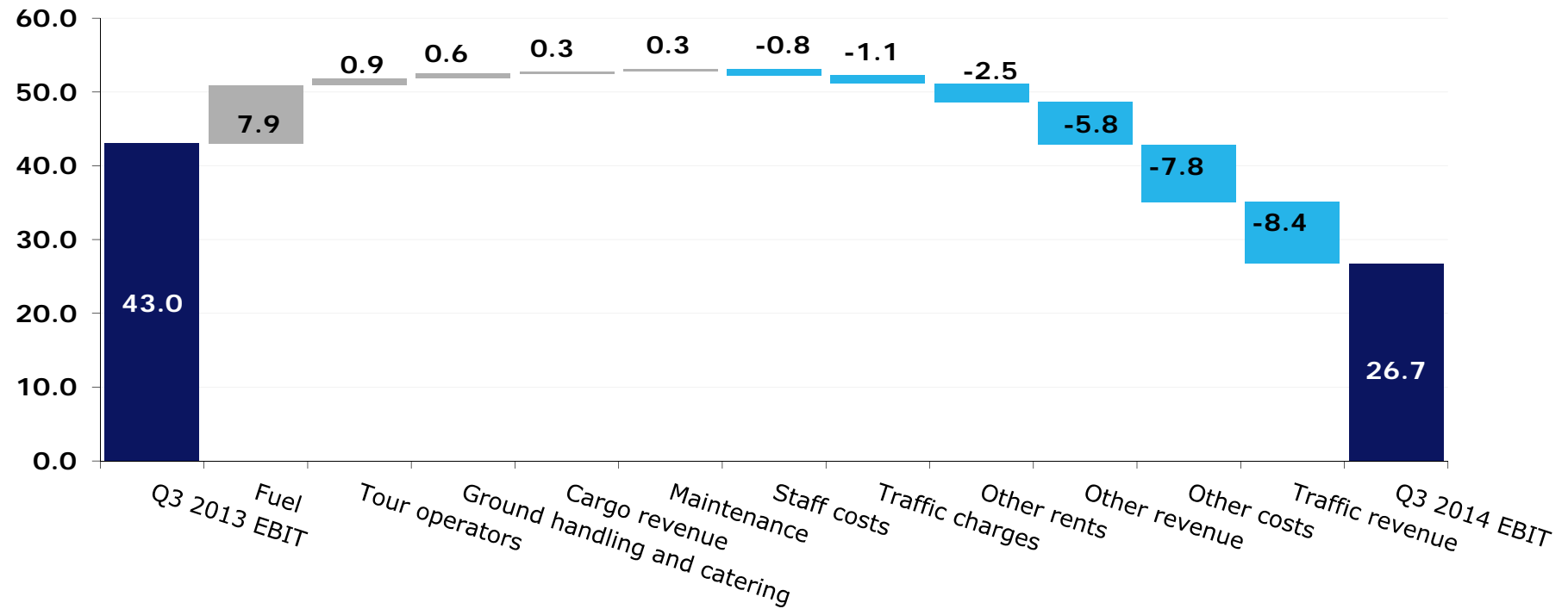
# Key figures



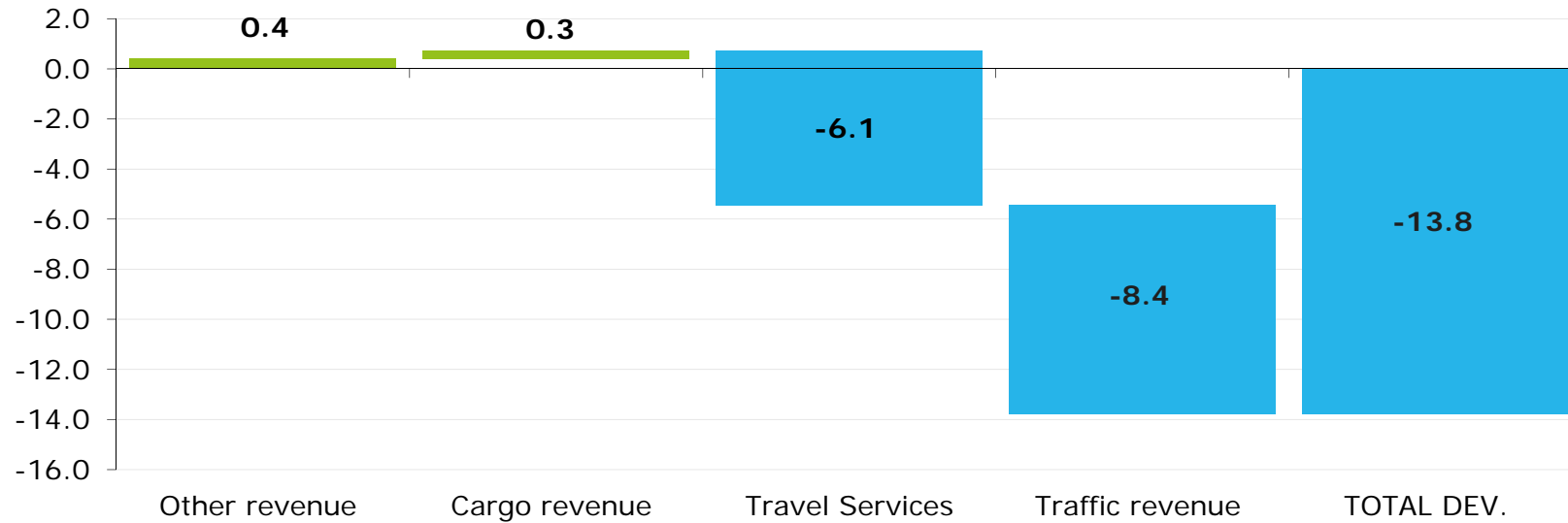
Key figures	Q3 2014	Q3 2013	Change %	Q1-Q3 2014	Q1-Q3 2013	Change %	2013
<b>Turnover and result</b>							
Turnover, EUR million	622.7	636.9	-2.2	1,731.8	1,839.8	-5.9	2,400.3
Operational result, EBIT, EUR million *	26.7	43.0	-37.8	-27.1	33.0	-182.2	11.9
Operational result, % of turnover	4.3	6.8	-2,5 %-p	-1.6	1.8	-3,4 %-p	0.5
Operating result, EBIT, EUR million	23.6	39.8	-40.7	-31.1	15.8	<-200 %	7.9
Operational EBITDAR, EUR million	80.1	91.4	-12.3	133.1	182.1	-26.9	210.1
Result before taxes, EUR million	21.2	35.9	-40.9	-43.7	40.0	<-200 %	26.8
Net result, EUR million	16.6	27.0	-38.3	-35.4	29.4	<-200 %	22.9
<b>Balance sheet and cash flow</b>							
Gross investment, EUR million	15.3	12.6	21.6	68.4	50.7	34.8	77.3
Net cash flow from operating activities, EUR million	-8.9	38.7	-122.9	39.8	128.4	-69.0	142.4
<b>Share</b>							
Share price at the end of quarter, EUR				2.50	3.12		2.77
Earnings per share from the result of the period, EUR **	0.13	0.21	-38.4	-0.28	0.23	<-200 %	0.18
Earnings per share, EUR	0.11	0.19	-39.8	-0.33	0.16	<-200 %	0.11

<sup>10</sup> \* \* Before Hybrid Bond interest

# Operational result, M€, Q3 2013 vs. Q3 2014



# Revenue, M€, Q3 2013 vs. Q3 2014

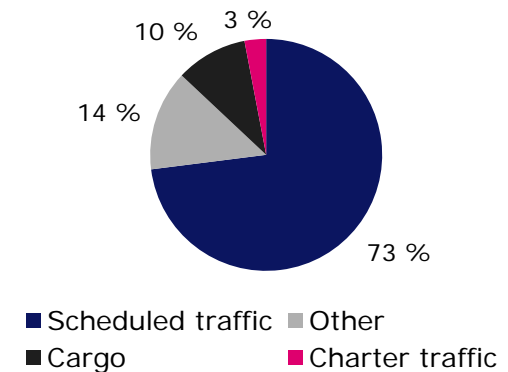


# Segment results: Airline Business\*



Key figures	7-9 2014	7-9 2013	Change %	1-9 2014	1-9 2013	Change %	2013*
Turnover, EUR million	596.2	609.5	-2.2	1,645.7	1,745.0	-5.7	2,271.9
Operational result, EUR million	25.9	43.1	-39.9	-29.3	30.7	-195.5	8.8
Average number of employees				4,400	4,883	-9.9	4,834

**Airline Business turnover**  
596.2 M€



## Scheduled traffic development in Q3

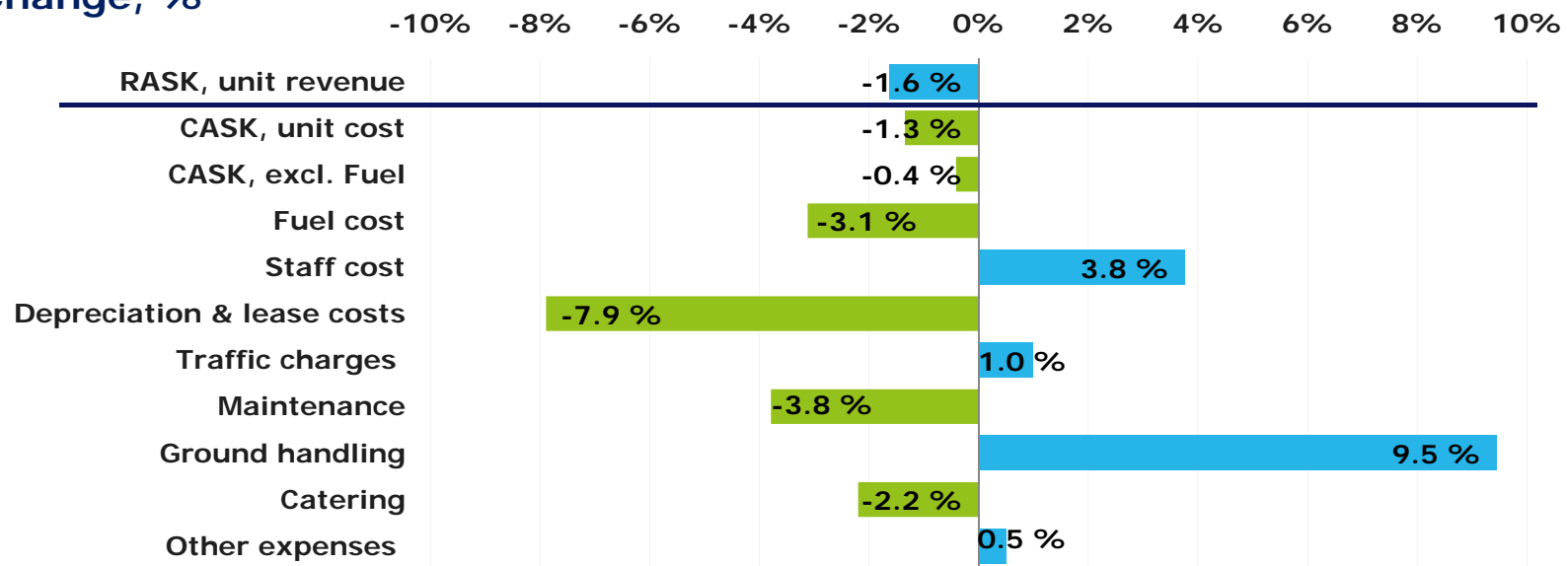
- Capacity decreased in all traffic categories except Europe.
- Passenger unit revenues decreased in all traffic areas, mainly due to currency effects.

\* 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.

# Airline business: Q3 RASK & CASK development

- Unit cost excluding fuel (CASK. excl. fuel) -0.4%
- Unit revenue (RASK) at constant currency -0.4%

Change, %



# Segment result: Travel Services



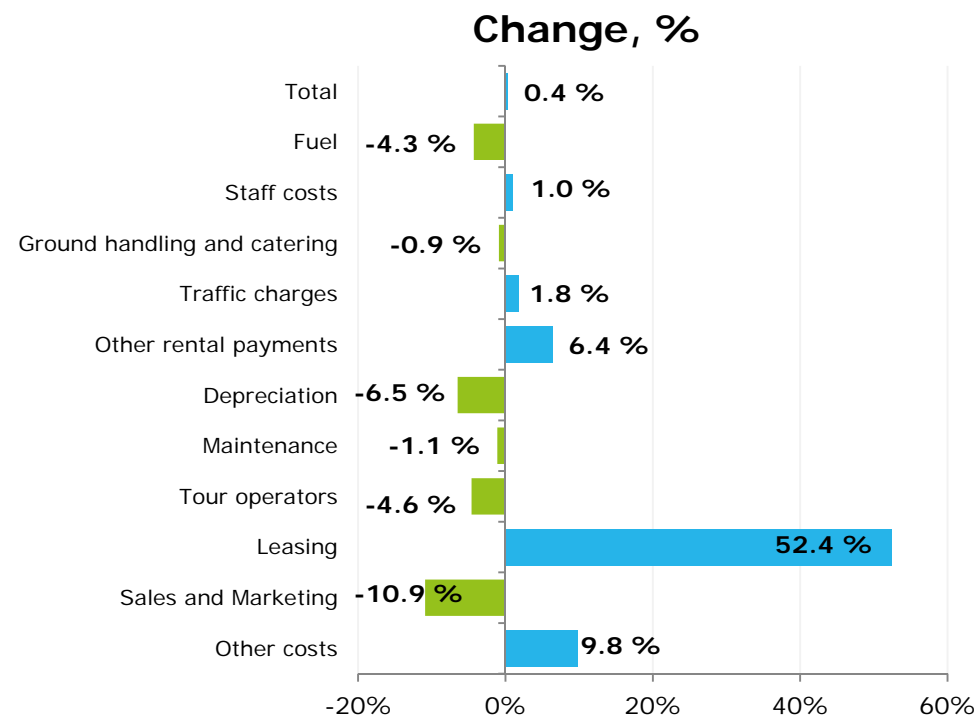
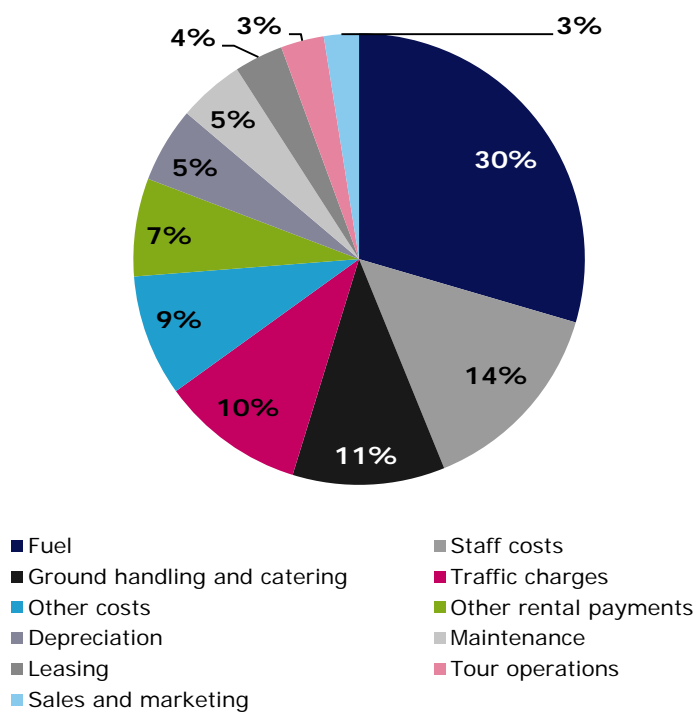
Key figures	7-9 2014	7-9 2013	Change %	1-9 2014	1-9 2013	Change %	2013
Turnover, EUR million	44.4	50.1	-11.3	161.2	183.2	-12.0	251.7
Operational result, EUR million	0.8	-0.1	>200	2.2	2.3	-2.9	3.1
Average number of employees				669	761	-12.1	751



- 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

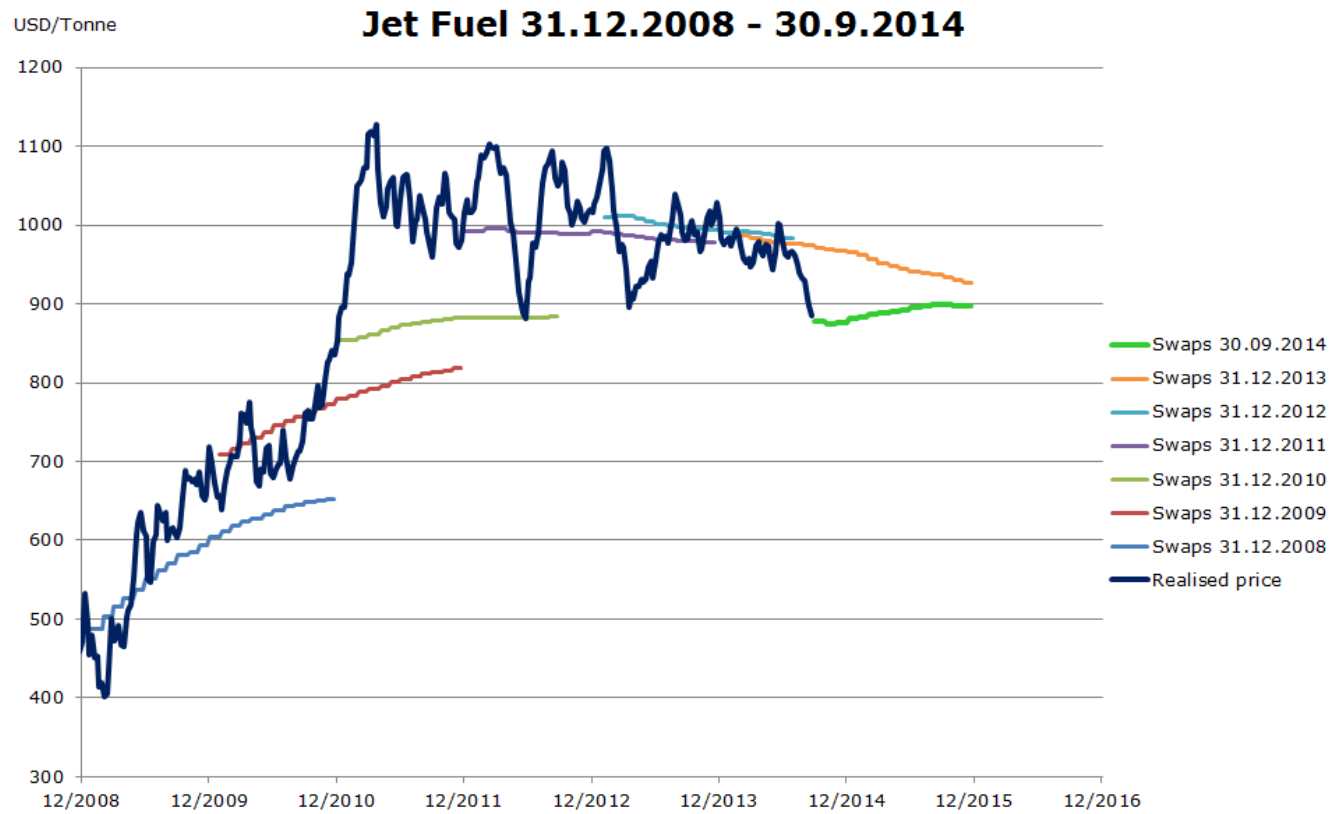


# Operating costs 600 M€ **Fuel largest cost item**





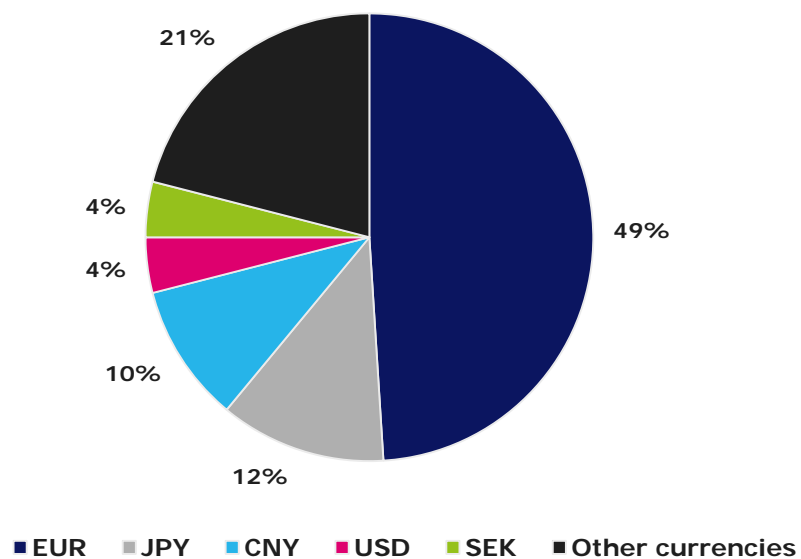
# Fuel, spot-price development



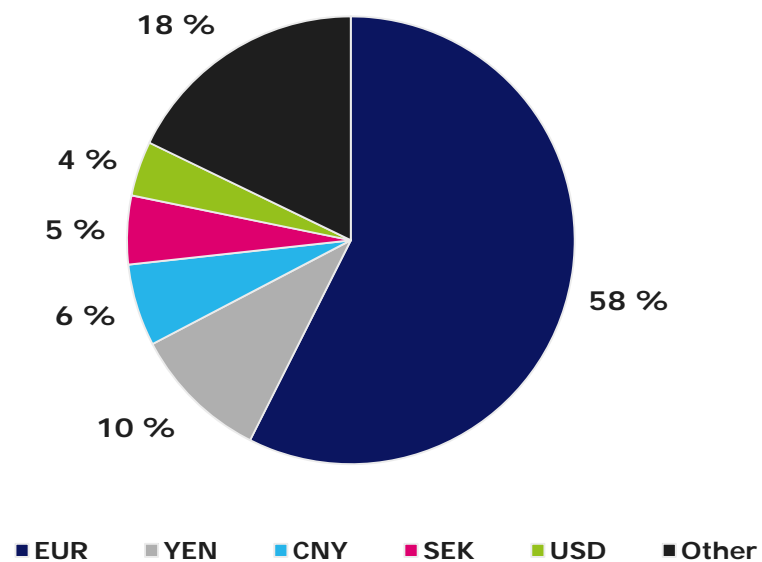


# Revenue currency split

## Revenue currencies Q3 2014



## Revenue currencies 2013





# Airbus fleet

## The first four A350s arrive in H2 2015



9 AIRBUS A319



10 AIRBUS A320



11 AIRBUS A321



8 AIRBUS A330



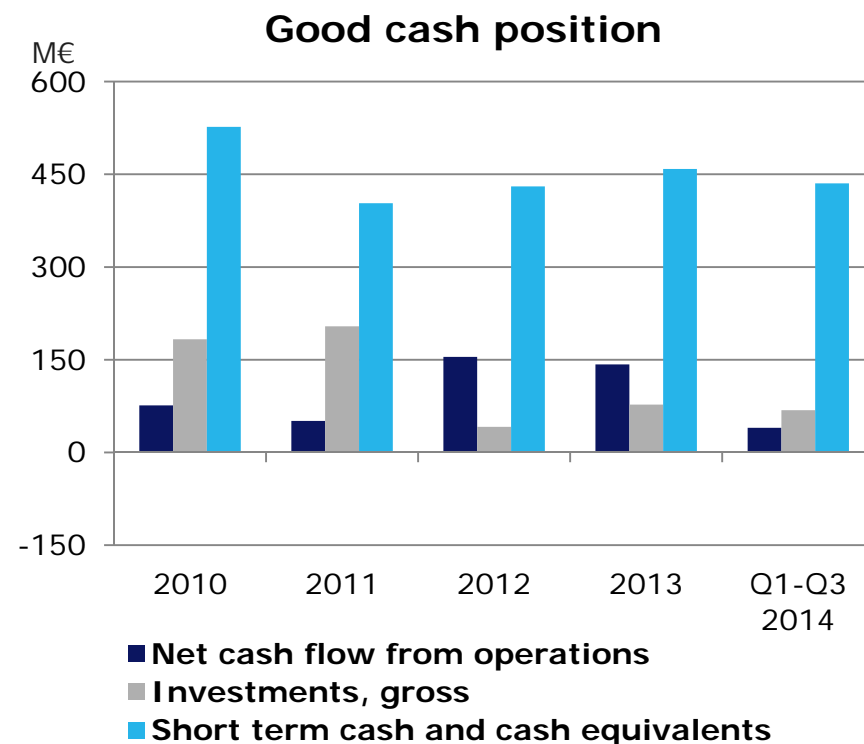
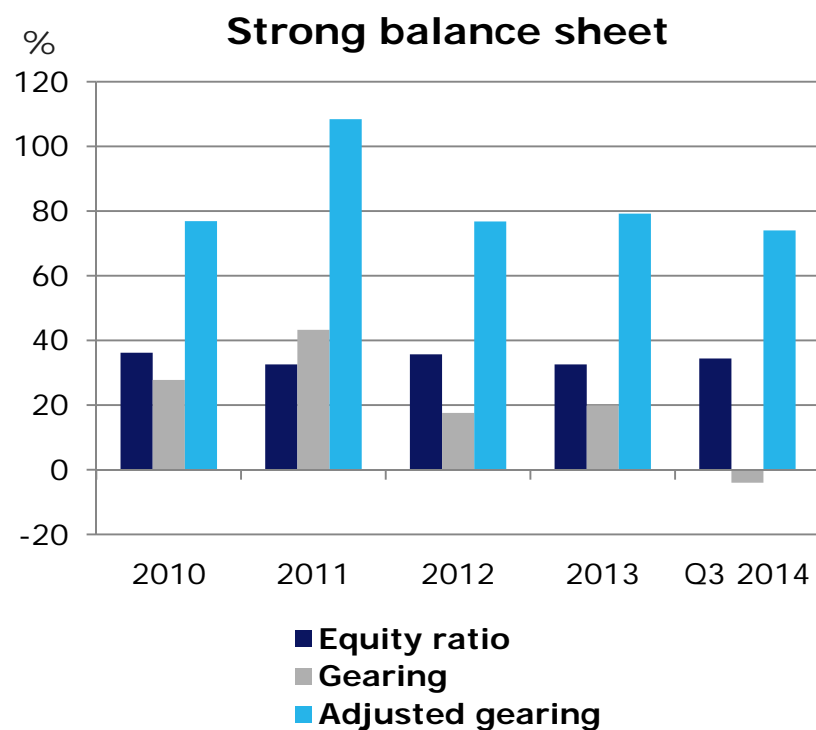
7 AIRBUS A340

**H2 2015 onwards: AIRBUS A350 XWB**

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



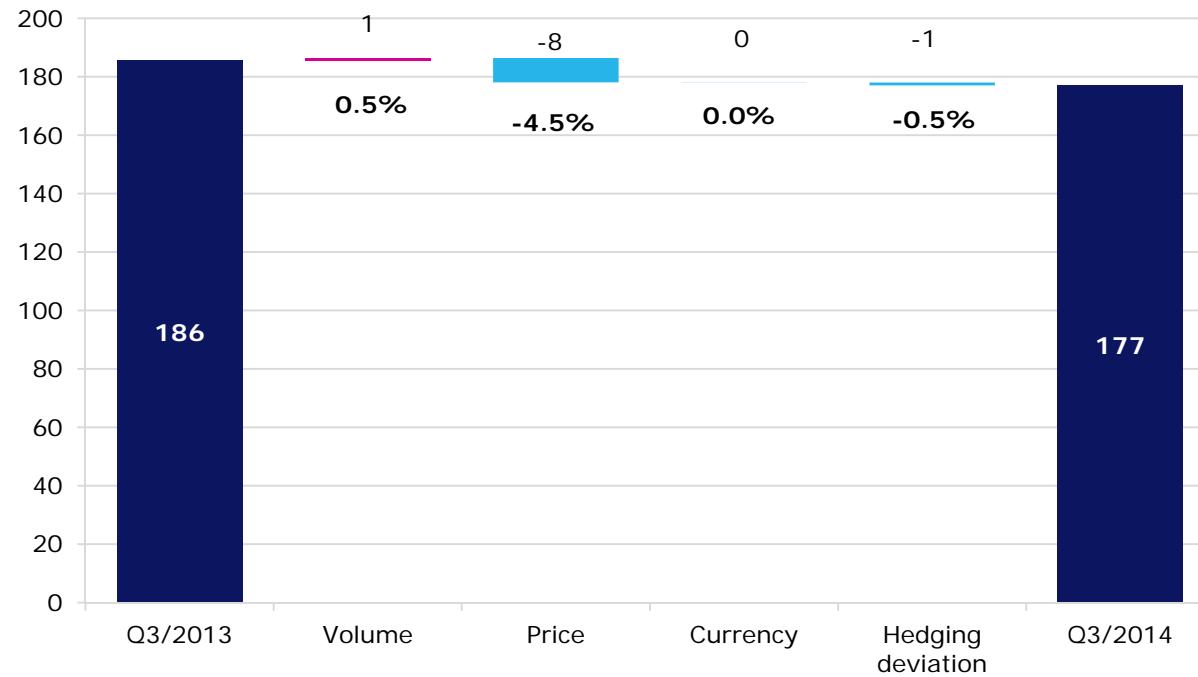
# Strong financial position supports business development and future investments



# Fuel cost build up



Comparable Q3 fuel cost, M€

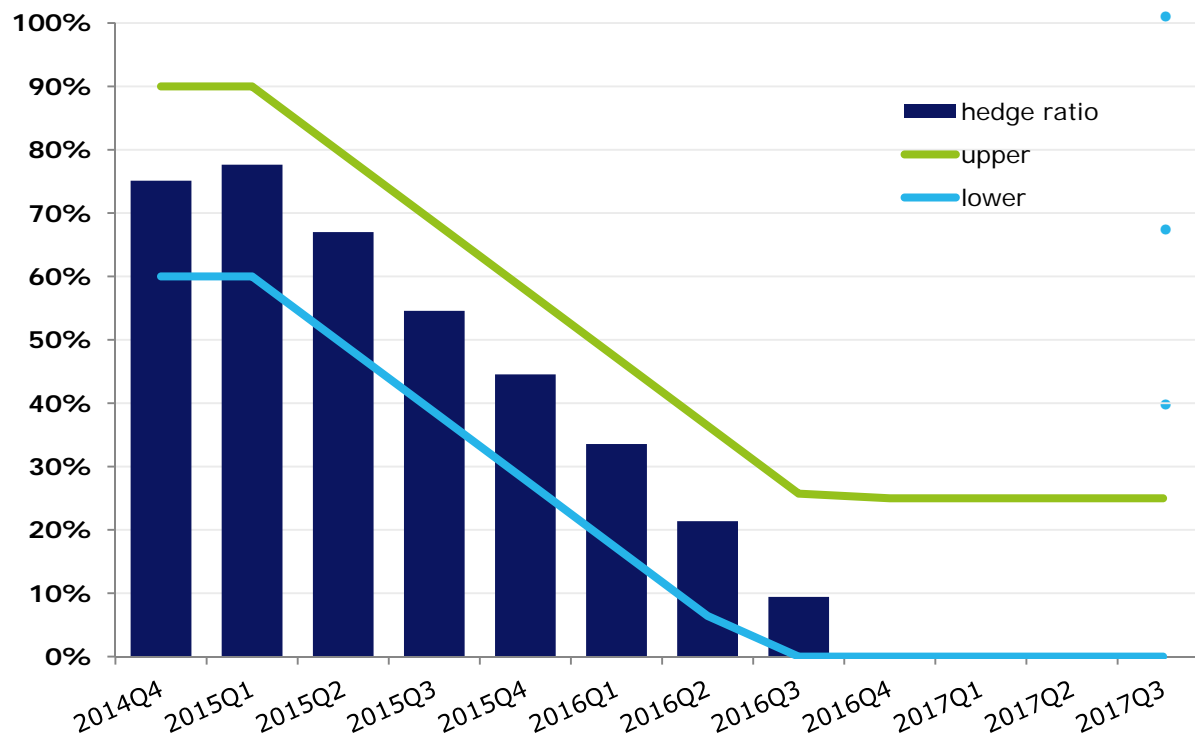


- Q3/13 hedging loss 2,6 M€
- Q3/14 hedging loss 1,7 M€



# Rolling hedging policy

Hedging positions as of 30 September 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 72% hedged for the H1 and 50% for the H2 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**

