



Finnair

Q1 2015 Result

7 May 2015

CEO Pekka Vauramo,

Interim CFO Mika Stirrkinen

Turbulent market environment



- The weakness of the Finnish economy continued to be reflected in the demand in the first quarter, particularly in the package tour market.
- There were weak signs of a recovery in the demand for consumer and business travel.
- Appreciation of several income currencies supported unit revenue improvement in long haul traffic.
- The appreciation of the dollar diluted the benefit gained from the substantial decrease in the price of jet fuel.
- In cargo traffic, continued capacity growth between Asia and Europe put further downward pressure on yields.
- Finnair's market share increased significantly in European traffic and fell slightly in Asian traffic.*

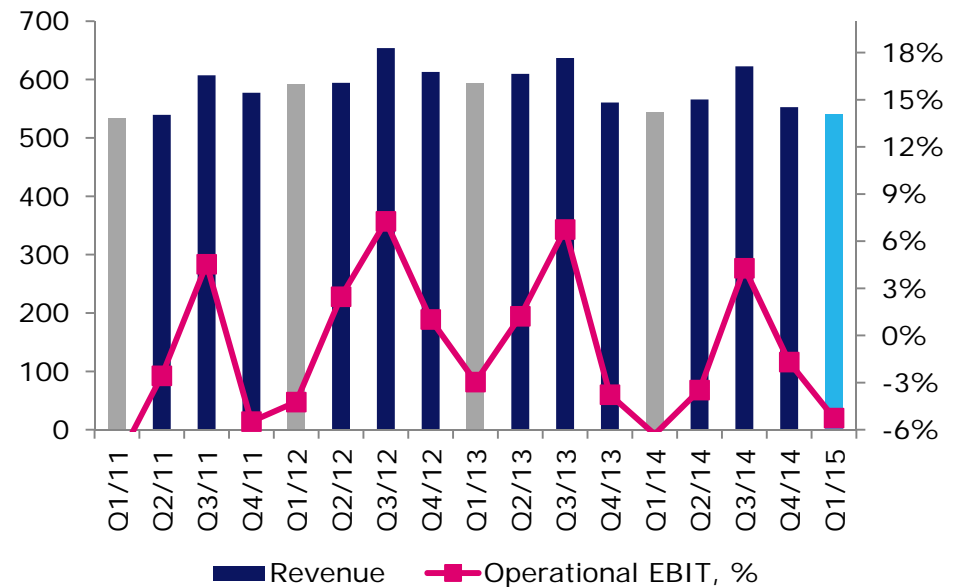
*Finnair's estimate based on MIDT data collected on the sales volumes of travel agencies and Finnair's estimates of airlines' sales through their own sales channels, such as websites.

Revenue at last years level, Operational EBIT improved



- **Revenue flat y-o-y 540.4 M€**
 - Passenger revenue grew
 - Revenue from Suntours and Cargo decreased
 - Loss of external revenue from sold operations
- **Operational result -28.4 M€, +17%**
- Airline business unit revenue at constant currency **-0,4%**
- Unit cost excluding fuel, at constant currency **+1,1 %**

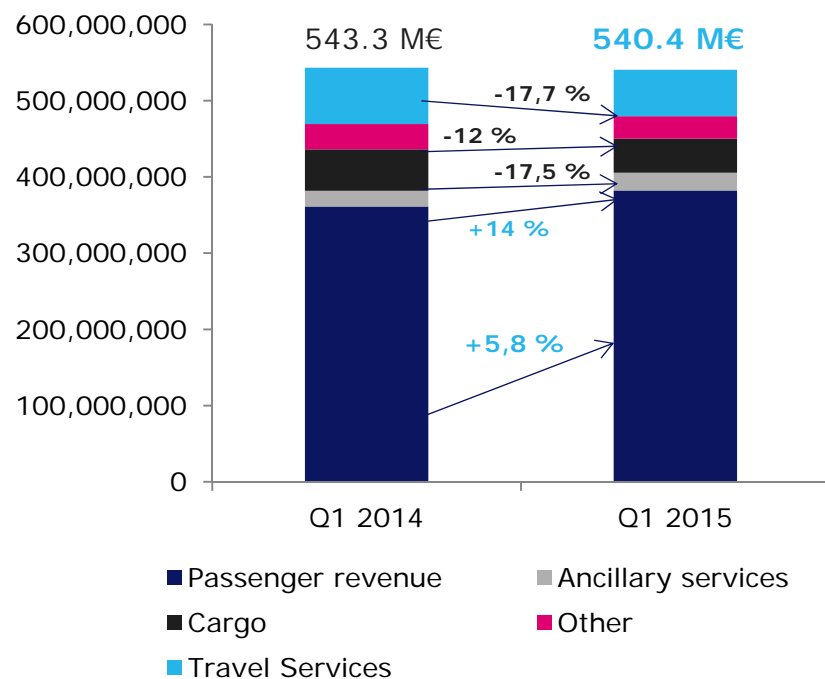
Revenue and operational result, M€



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



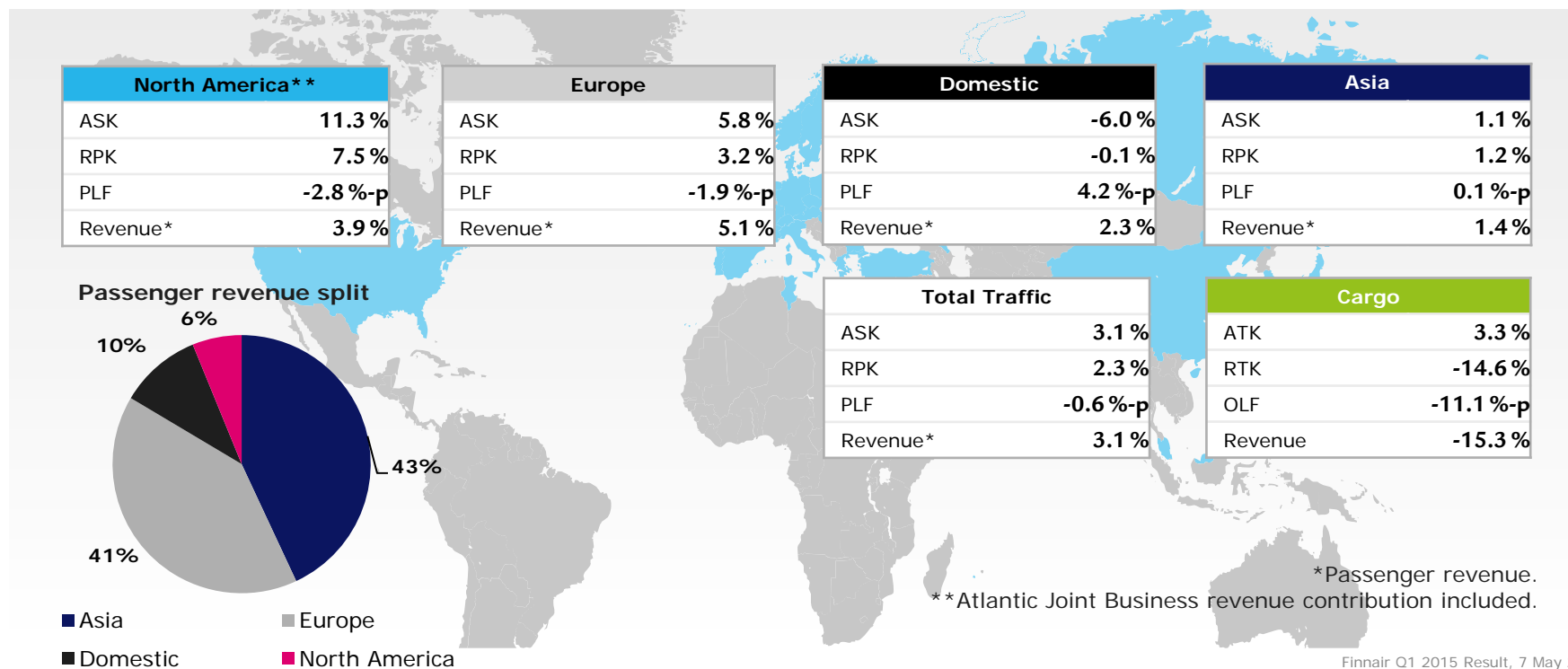
Positive trend in passenger traffic revenue, revenue from Travel services decreases



- Passenger traffic ticket revenue and ancillary sales grew y-o-y.
- Cargo revenue decreased, but profitability improved due to discontinuation of the cargo freighter flights to Asia.
- Other Group External revenue decreased after the sale of Travel Retail store operations and Finncatering businesses.
- Travel Services' revenue fell significantly due to decreased demand and subsequent adjustment of Suntours package tour supply.



Passenger revenue grew in line with capacity, discontinuation of cargo freighter flights to Asia visible in Cargo numbers





Flybe Nordic acquisition and ownership negotiations

- On 31 March 2015, Flybe Nordic was transferred to Finnair's ownership on an interim basis.
- Following the acquisition, Finnair continued negotiations with Staffpoint and GWS regarding the future ownership of Flybe Nordic.
- Finnair expands its contract flying agreement with Flybe Finland from 1 May 2015 onwards to cover all routes operated by Flybe Finland at its own commercial risk from Helsinki.
- The change in ownership and the expansion of the contract flying agreement will not have a significant financial impact on Finnair in 2015.
- Flybe Finland Oy name will be changed to Nordic Regional Airlines.



Outlook for 2015

Finnair estimates that:

In 2015, its capacity measured in Available Seat Kilometres will grow by approximately 3 per cent and that its revenue will remain at the 2014 level.

Finnair estimates that its 2015 unit costs excluding fuel at constant currency will decrease from the 2014 level.

The lower price of jet fuel and the full impact from the completed savings program are supporting the financial performance of Finnair in 2015.

As a separate guidance and calculated using the exchange rates effective at the end of the review period, Finnair estimates that the non-recurring items associated with the long haul fleet renewal in 2015 will have a substantial positive impact on Finnair's operating result due to the strengthened US dollar.

**The full outlook can be found from Financial Statements Bulletin 2014*



Strategy

Strategy Review 2015-2017

Vision:

Unique Nordic Experience

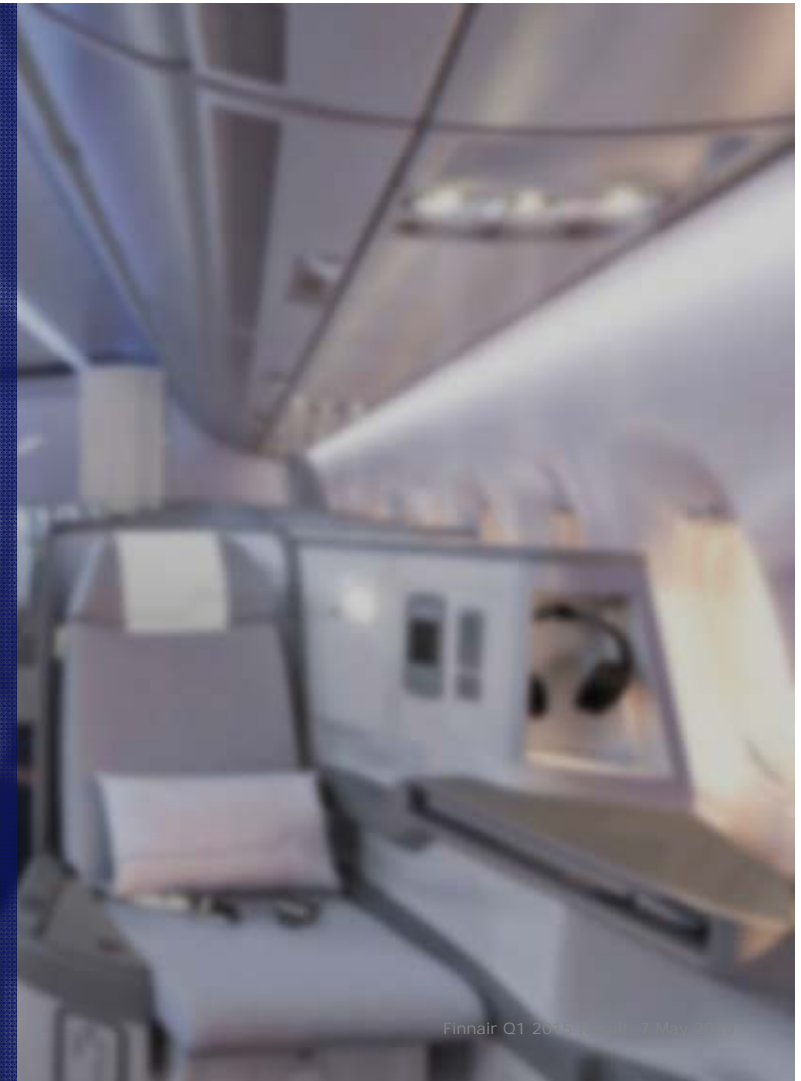
Mission:

Finnair offers

- the smoothest, fastest connections in the northern hemisphere via Helsinki
- the best network to the world from its home markets.

Strategic objectives:

- Double Asian traffic by 2020 from the 2010 level
- Deliver a unique customer experience and achieve world-class operations
- Create shareholder value



Strategic focus areas

Customer excellence

Intercontinental growth with Northeast Asia focus

People and Finnair culture

Digitalization

Funding & capital structure

World-class operations

Financial Targets

EBIT margin 6% over cycle

EBITDAR margin minimum of 17% over cycle

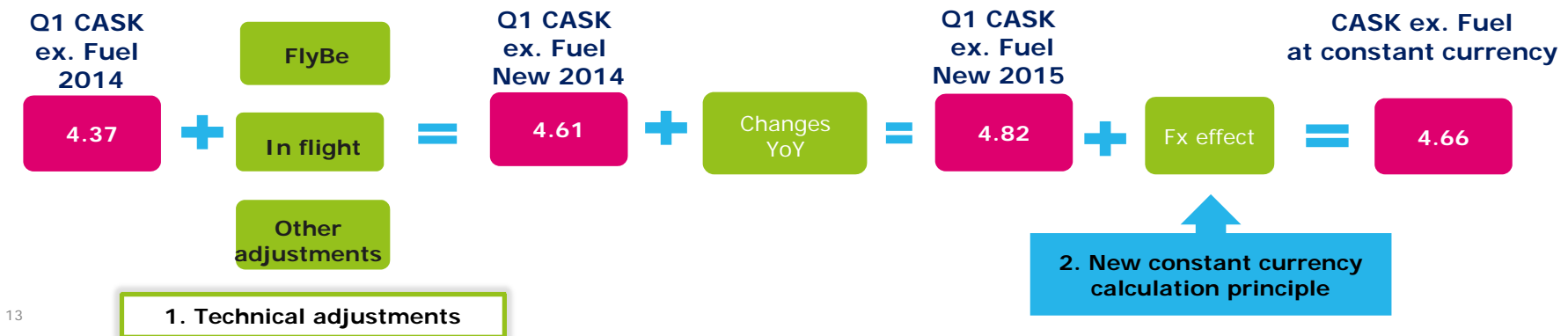
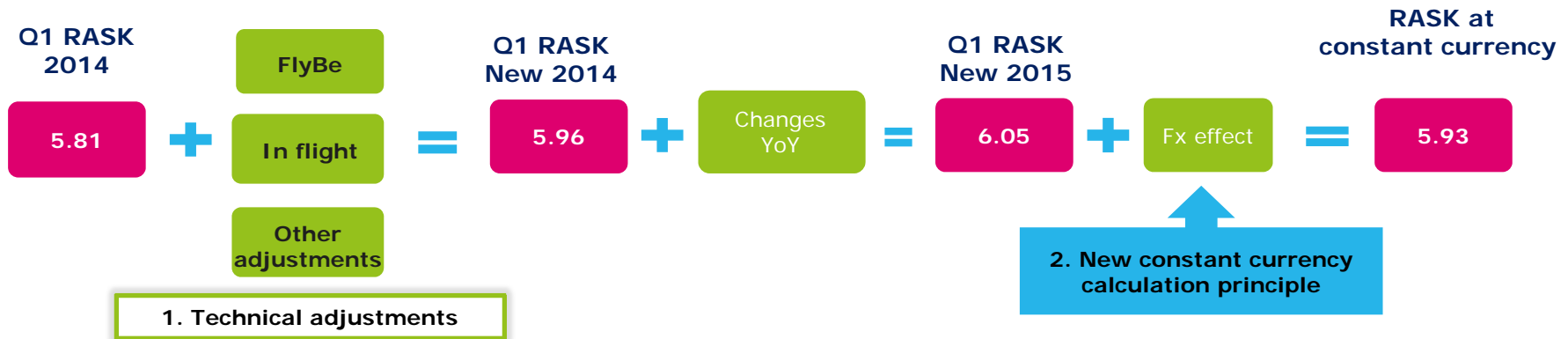
Adjusted gearing maximum of 175%

Return on Capital Employed (ROCE) minimum of 7%



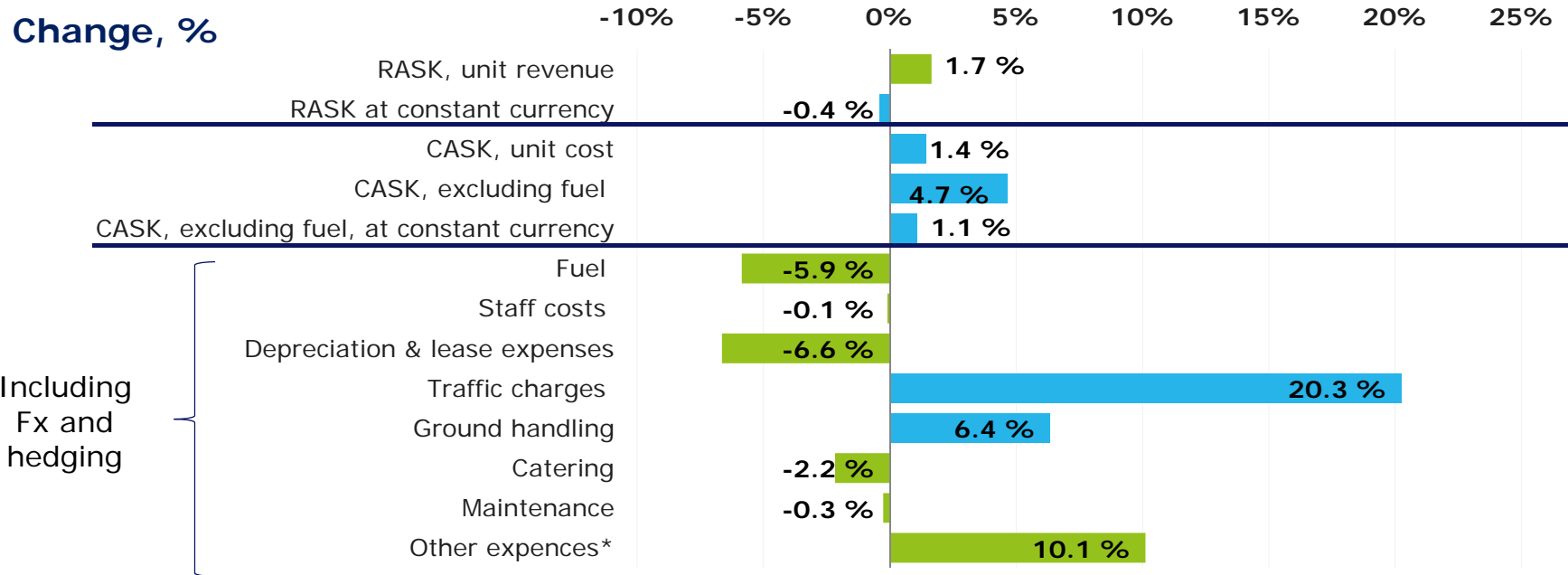
Financials

Changes in the calculation method and reporting of unit revenues and - costs



Airline business: Q1 RASK & CASK development

- Unit cost excluding fuel, at constant currency 1,1 %
- Unit revenue at constant currency -0,4 %



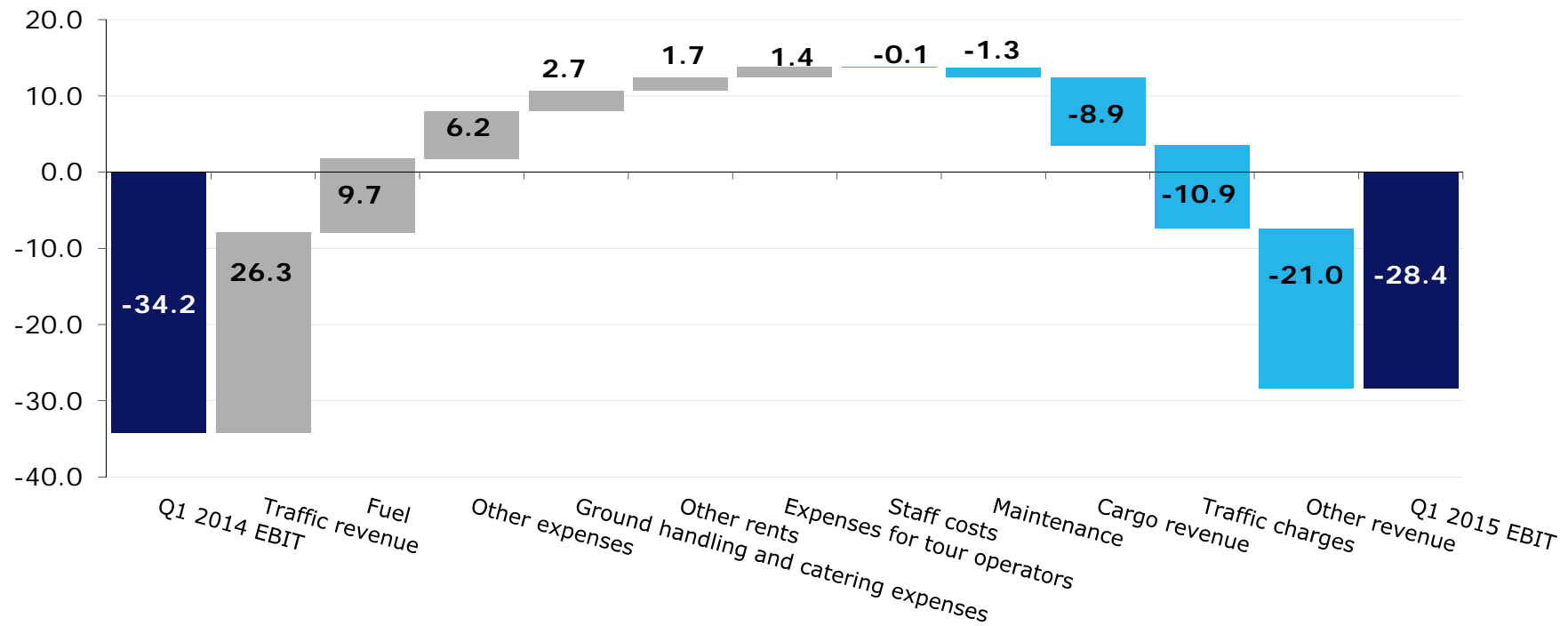
¹⁴ * Including Group management-, IT-, sales and marketing expences and other rents (Flybe)

Key Figures



Key figures	Q1 2015	Q1 2014	Change %	2014
Revenue and result				
Revenue, EUR million	540.4	543.3	-0.5	2,284.5
Operational result, EBIT, EUR million	-28.4	-34.2	17.1	-36.5
Operational result, % of turnover	-5.2	-6.3	1,0 %-p	-1.6
Operating result, EBIT, EUR million	-8.3	-28.4	70.9	-72.5
Operational EBITDAR, EUR million	19.2	17.4	10.0	176.6
Result before taxes, EUR million	-12.1	-33.9	64.3	-99.1
Net result, EUR million	-9.8	-28.1	65.0	-82.5
Balance sheet and cash flow				
Gross investment, EUR million	12.4	33.1	-62.4	82.4
Net cash flow from operating activities, EUR million	13.0	-20.5	163.2	24.2
Share				
Share price at the end of quarter, EUR	3.20	2.69		2.48
Earnings per share from the result of the period, EUR *	-0.08	-0.22	65.1	-0.65
Earnings per share, EUR	-0.09	-0.24	60.5	-0.71

Operational result in Q1 2014 vs. Q1 2015

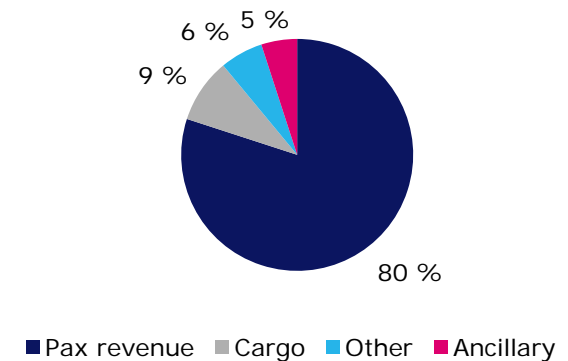


Segment results: Airline Business



Key figures	1-3 2015	1-3 2014	Change %	1-12 2014
Revenue and result				
Revenue, EUR million	510.8	508.1	0.5	2,167.7
Operational result, EUR million	-24.1	-34.5	30.1	-43.5
Operating result, EBIT, EUR million	-3.8	-28.2	86.4	-78.4
Operating result, % of revenue	-4.7	-6.8	2.1%-p	-3.6
Personnel				
Average number of employees	3,976	4,533	-12.3	4,232

Airline Business revenue
511 M€



- Segment profitability significantly improved y-o-y, result still at loss
- Passenger revenue and ancillary sales grew significantly
- Cargo share of segment revenue decreased mainly due to discontinuation of dedicated cargo freighter flights, Cargo profitability improved substantially

Segment result: Travel Services



Key figures	1–3 2015	1–3 2014	Change %	1–12 2014
Revenue and result				
Revenue, EUR million	61.2	74.2	-17.5	216.7
Operational result, EUR million	-4.3	0.3	<-200	7.0
Operating result, EBIT, EUR million	-4.4	-0.3	<-200	5.9
Operating result, % of revenue	-7.0	0.4	-7.4%-p	2.7
Personnel				
Average number of employees	588	704	-16.4	645

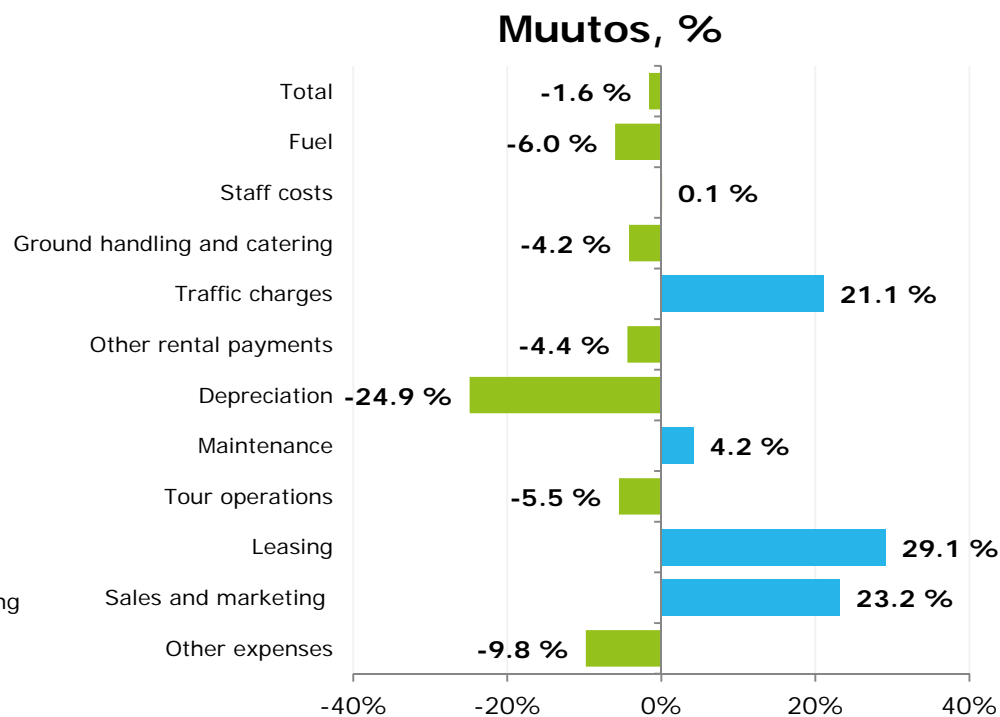
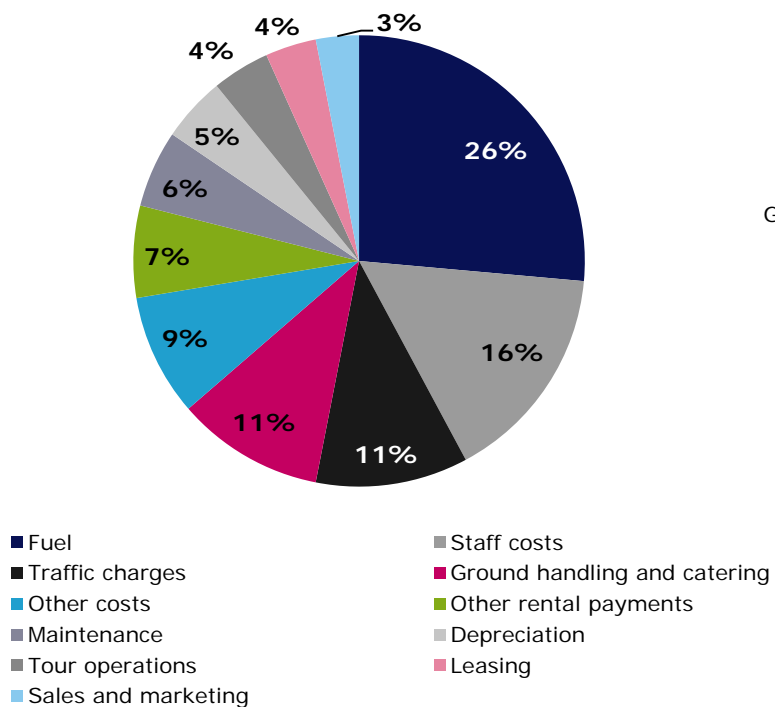


- The revenue of declined substantially y-o-y due to decreased demand and subsequent adjustment of Suntours package tour supply.
- The profitability of Suntours fell short of expectations in spite of the restructuring of operations and the result showed a substantial loss.
- The revenue of the business travel agency SMT was flat y-o-y and its operational result showed a slight profit.

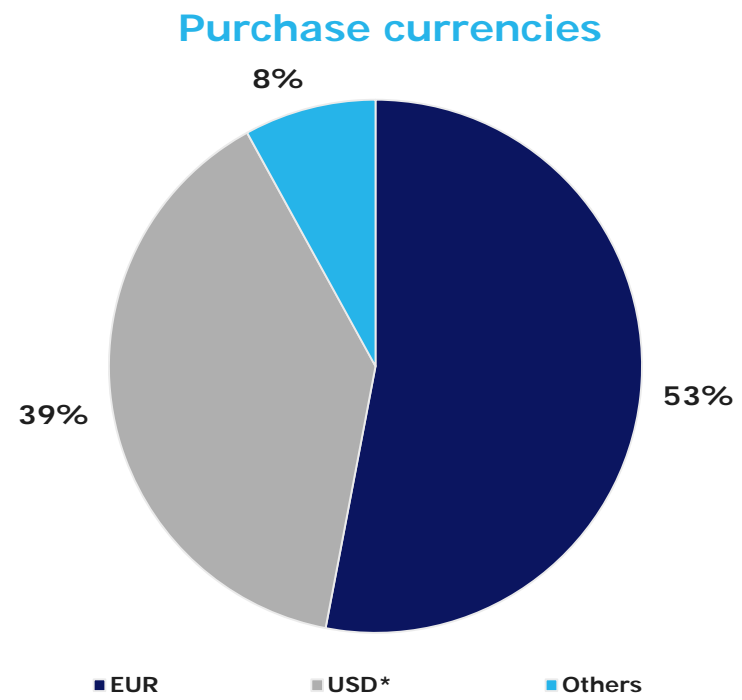
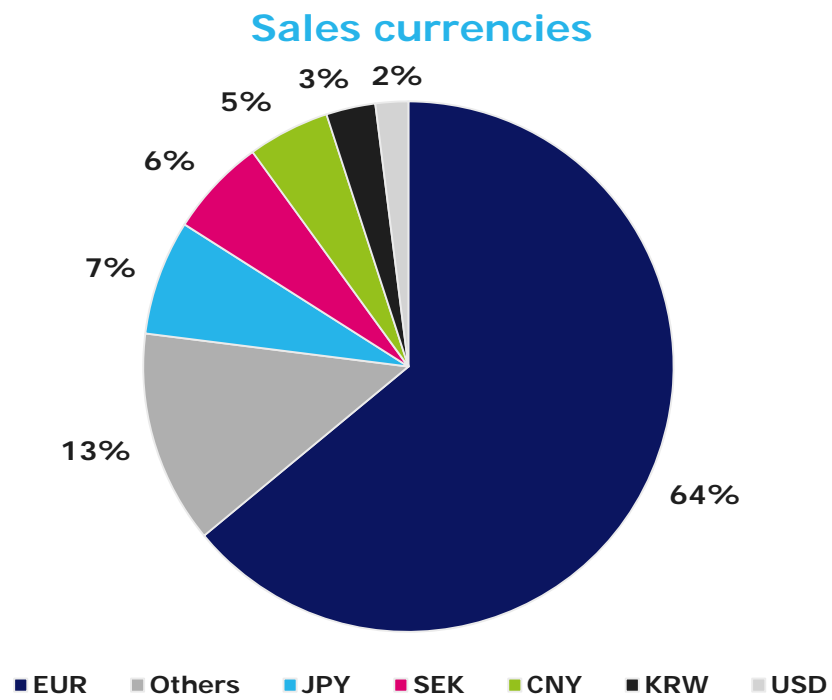


Operating costs 573 M€, -1.6%

Fuel largest cost item



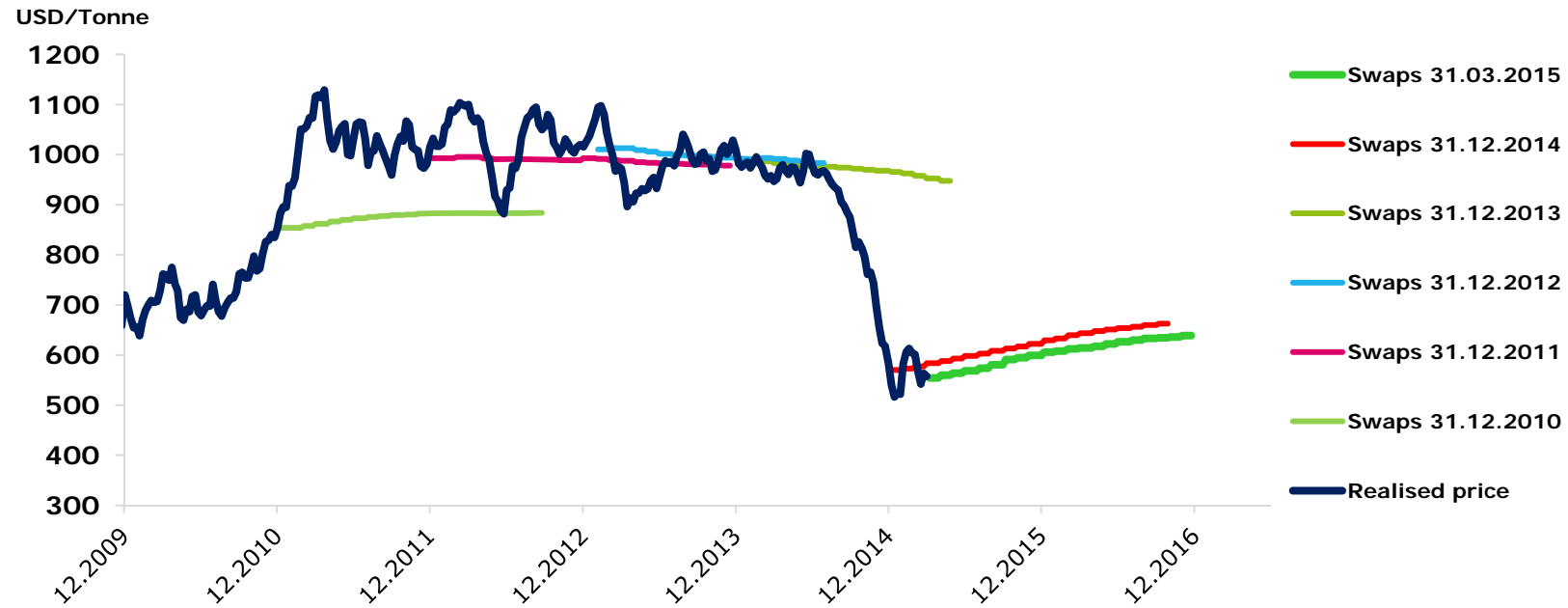
Currency Split, Q1



Fuel, spot-price development



Jet fuel December 2009 – March 2015





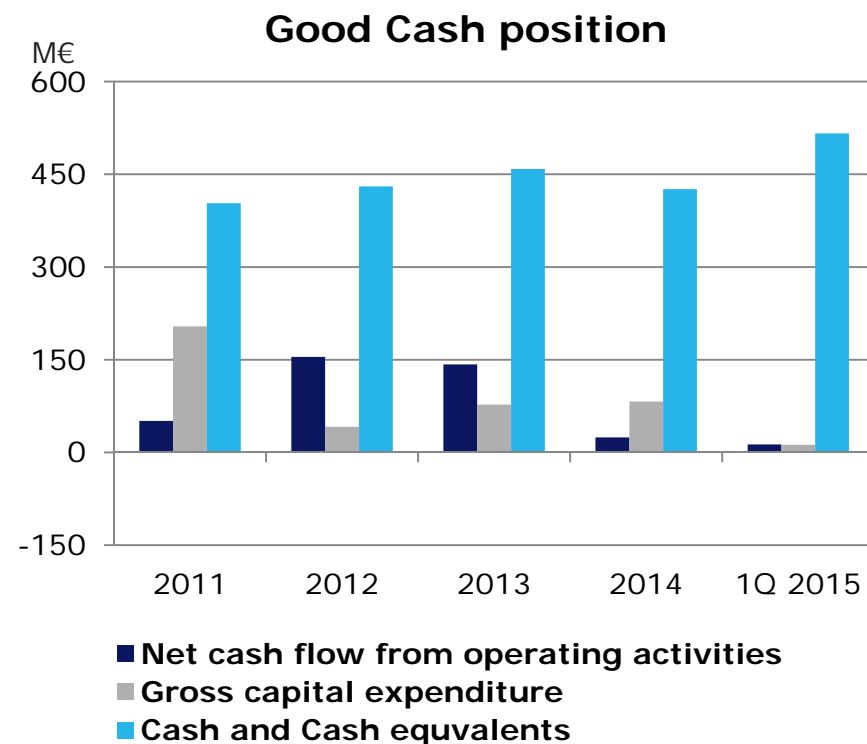
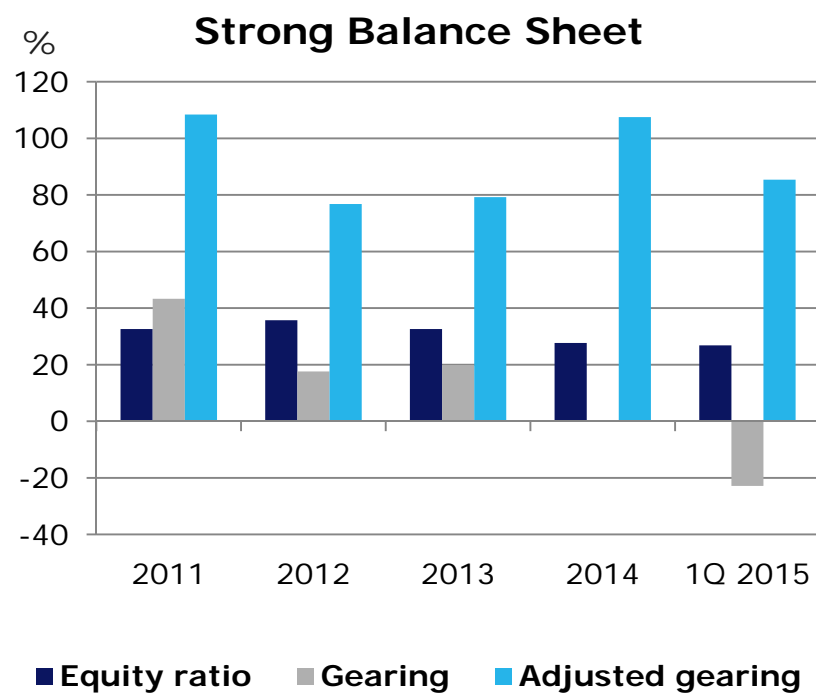
USD appreciation and hedges diluted the benefit from fuel price decrease

Q1 Comparable fuel cost, M€





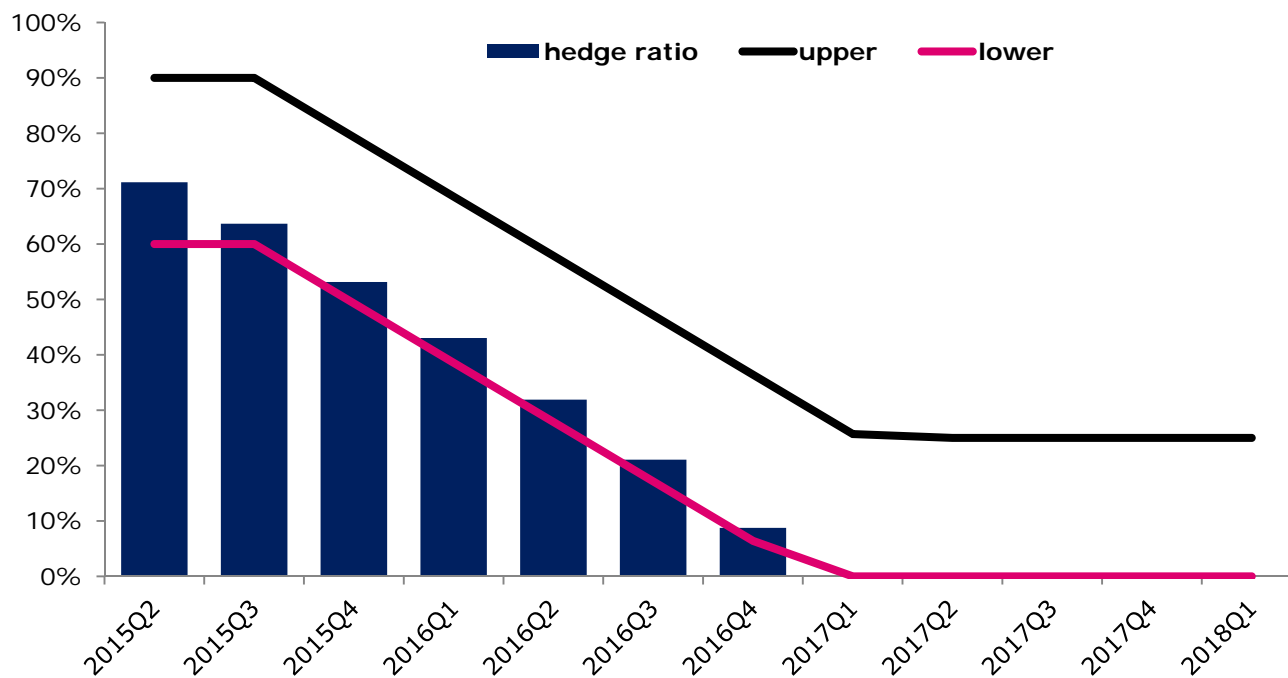
Net debt 123 M€ negative, Cash 516 M€





Rolling Hedging policy

Hedging positions as of 31 March 2015
Hedging ratio for 2015: 64 %



- Finnair hedges jet fuel consumption 24 months ahead within the limits defined in the hedging policy.
- Finnair's fuel purchases are 71% hedged for the H1 and 58% 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