



# Finnair

## Q2 2015 Result

14 August 2015

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Interim CFO Mika Stirrkinen



# Market environment shows signs of improvement

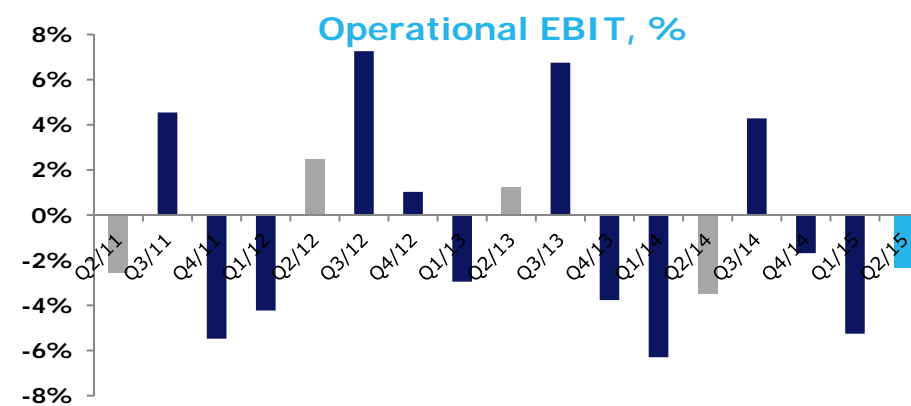
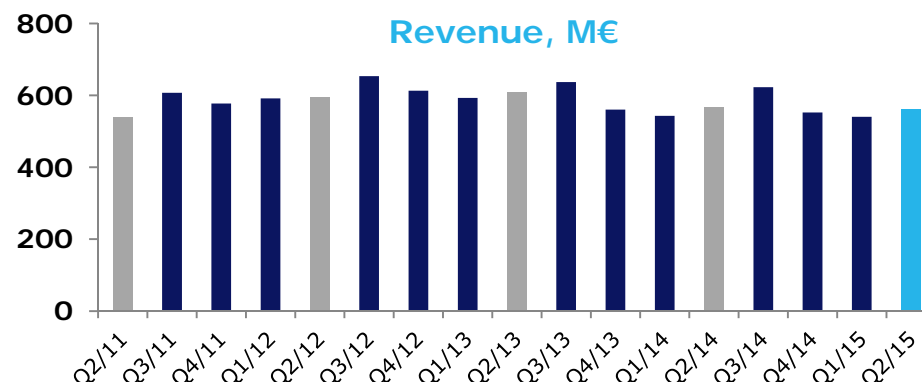
- There were signs of a recovery in the demand for consumer and business travel in all traffic areas.
- Appreciation of several income currencies supported unit revenue improvement in long-haul traffic.
- The supply of packaged travel by tour operators active in Finland for the summer season 2015 has now been well-balanced with the demand.
- The appreciation of the dollar diluted the benefit gained from the substantial decrease in the price of jet fuel and increased other dollar-denominated costs.
- In cargo traffic, continued overcapacity between Asia and Europe put further downward pressure on yields.
- Finnair's market share increased in European traffic and fell slightly in Asian traffic due to decreased capacity 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 close to last years level, Operational EBIT improved significantly

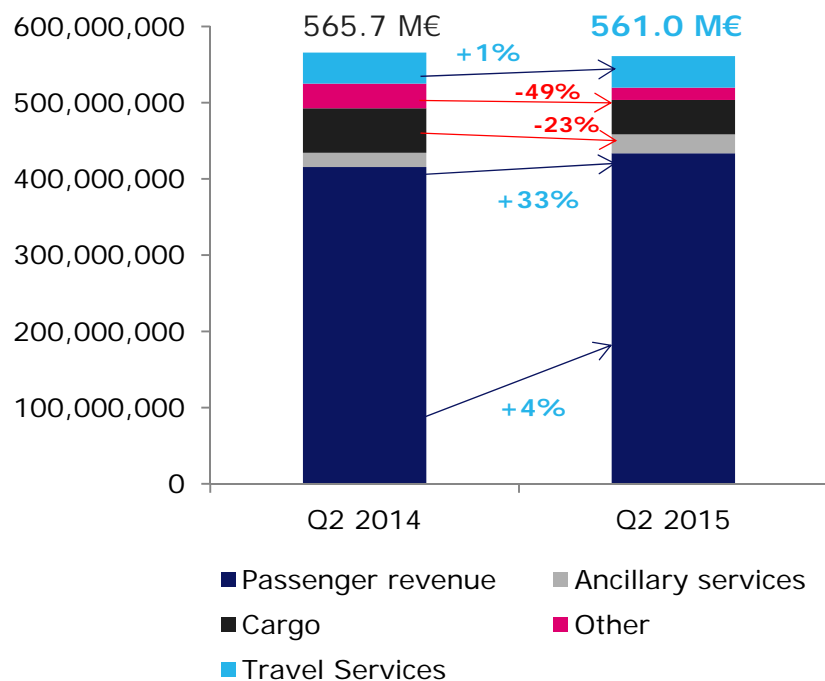
- **Revenue** close to LY at **561 M€**
  - Passenger revenue grew
  - Revenue from Cargo decreased
  - Loss of external revenue from sold operations
- **Operational result**  
**-12.9 M€**, +34.2%
- **Currency increased both unit costs & revenues**
  - Airline business unit revenue at constant currency  
**-1.9%**
  - Unit cost excluding fuel, at constant currency  
**+0.7%**



3 \* 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.



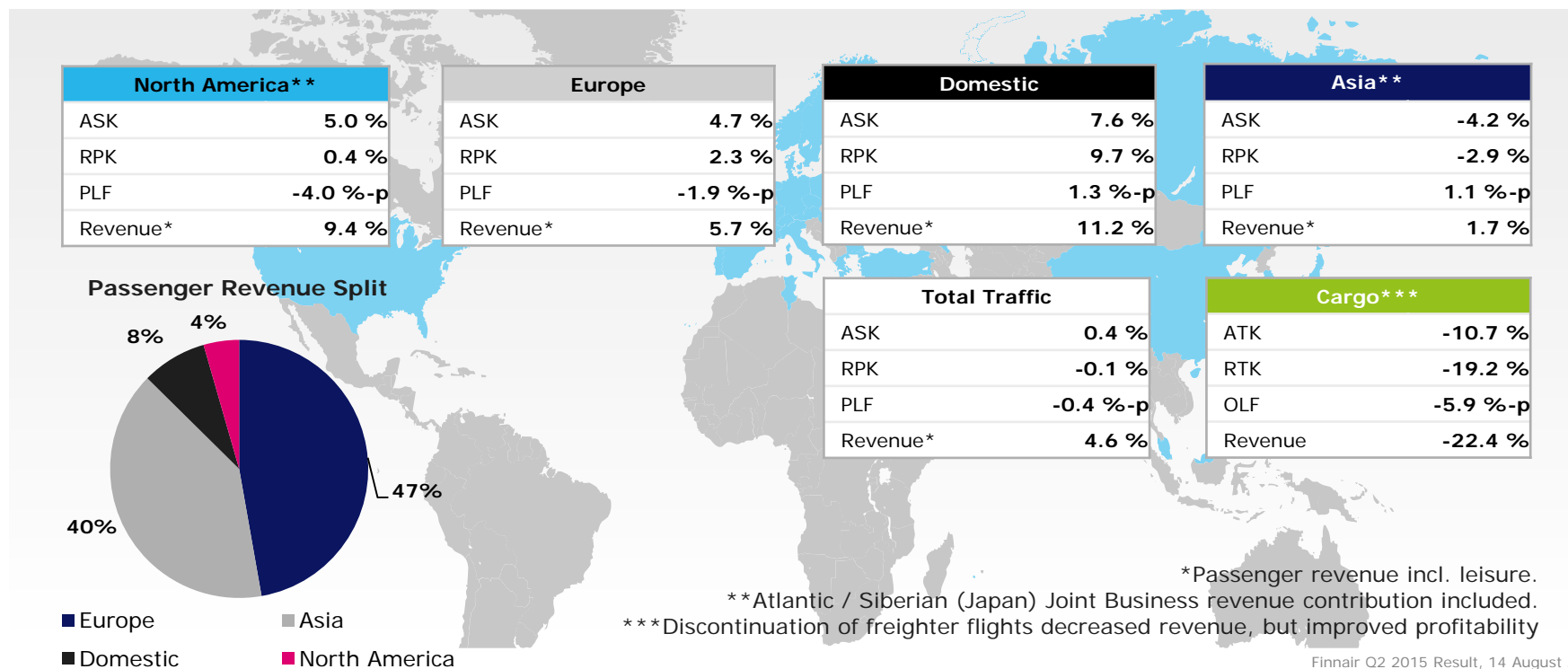
# Positive trend in passenger traffic revenue, revenue from cargo decreased



- 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.
- Other Group External revenue decreased after the sale of Travel Retail store operations and Finncatering businesses.
- Travel Services' revenue flat.



# Q2: Passenger unit revenues developed favourably in all traffic areas, overcapacity drags cargo market down





## Nordic Regional Airlines ownership negotiations

- On 31 March 2015, Norra was transferred to Finnair's ownership on an interim basis.
- Following the acquisition, Finnair has continued negotiations regarding the future ownership of Norra.
- Finnair expanded its contract flying agreement with Norra from 1 May 2015 onwards to cover all routes operated by Norra at its own commercial risk from Helsinki.
- The possible change in ownership will not have a significant financial impact on Finnair in 2015.



## Outlook for 2015

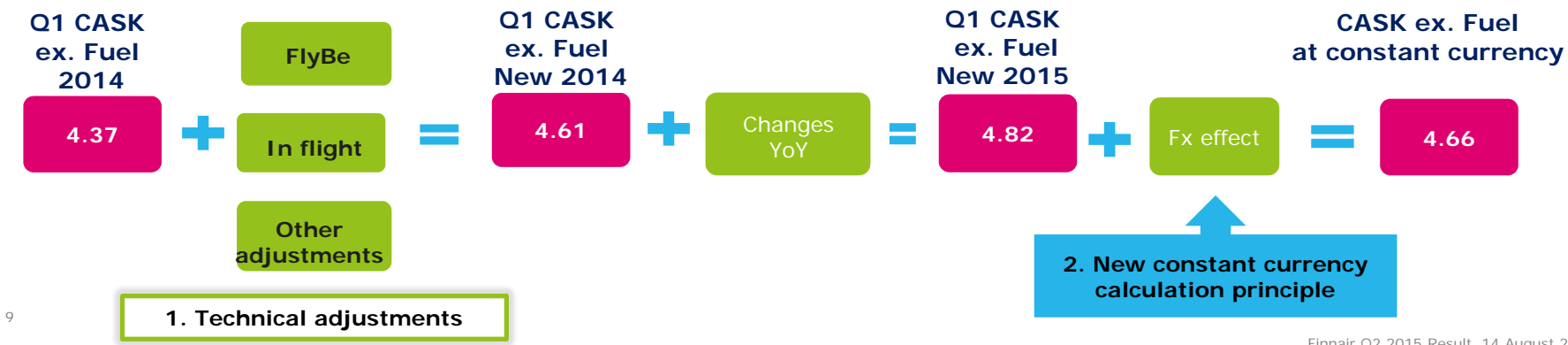
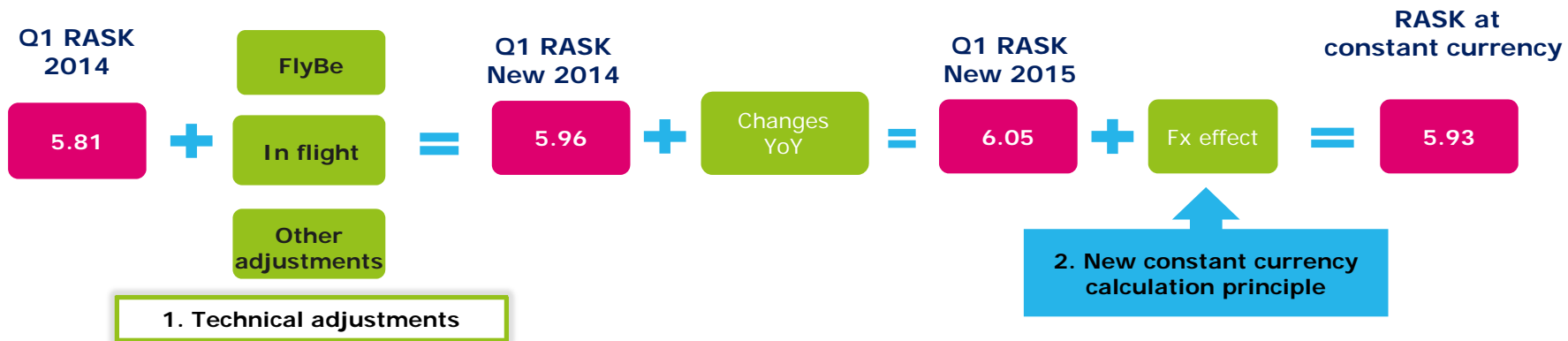
- Finnair estimates that in 2015, its operational result is around break-even or slightly positive.
- Finnair reiterates its previous estimate that its capacity measured in Available Seat Kilometres will grow by approximately 3 per cent and that its revenue will remain approximately at the 2014 level. As a change to its previous estimate, the company now estimates, that its 2015 unit costs excluding fuel at constant currency will remain at the 2014 level.
- Finnair also reiterates as a separate guidance that, when calculated using the exchange rates effective at the end of the review period, 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.



# Financials

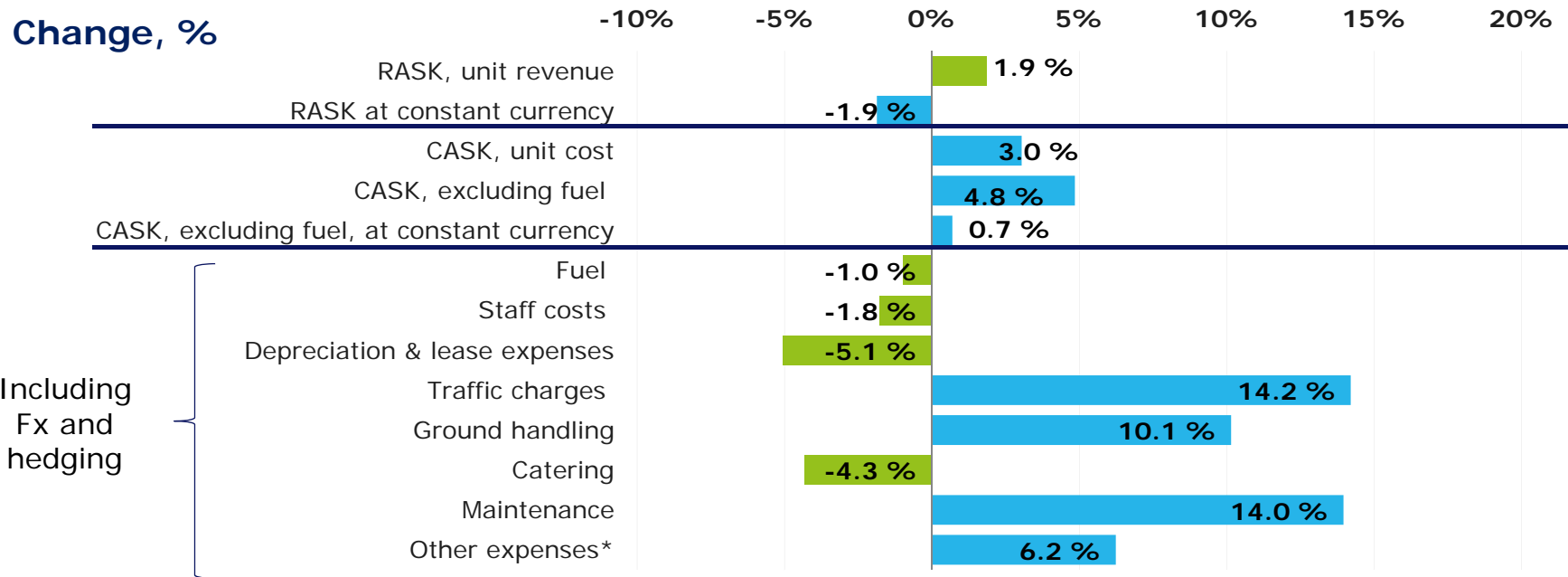


# Changes in the calculation method and reporting of unit revenues and - costs



# Airline business: Q2 RASK & CASK development

- Unit cost excluding fuel, at constant currency +0.7%
- Unit revenue at constant currency -1.9%



<sup>10</sup> \* Including Group management-, IT-, sales and marketing expenses and other rents (Norra)

# Key Figures

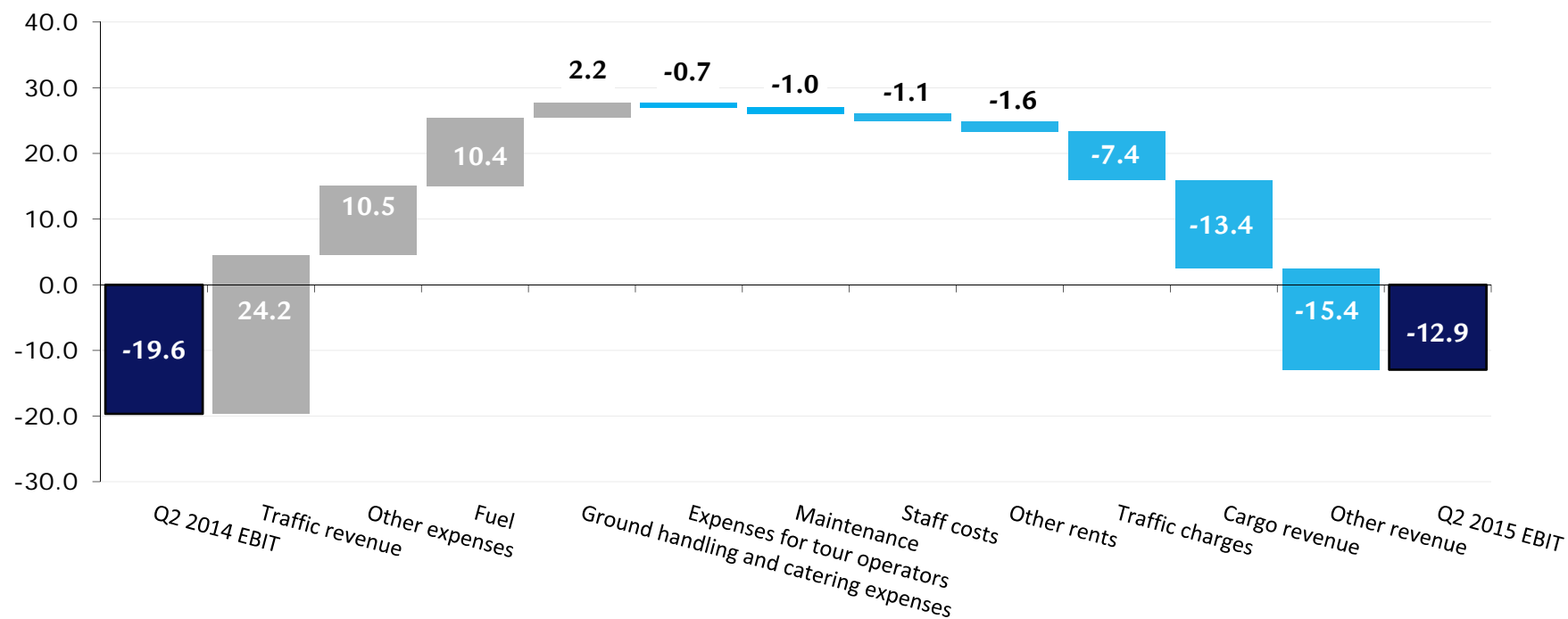


Key figures	Q2 2015	Q2 2014	Change %	Q1-Q2 2015	Q1-Q2 2014	Change %
<b>Revenue and result</b>						
Revenue, EUR million	561.0	565.7	-0.8	1,101.4	1,109.0	-0.7
<b>Operational EBITDAR, EUR million</b>	<b>37.4</b>	<b>35.5</b>	<b>5.3</b>	<b>56.6</b>	<b>53.0</b>	<b>6.8</b>
<b>Operational result, EBIT, EUR million</b>	<b>-12.9</b>	<b>-19.6</b>	<b>34.2</b>	<b>-41.3</b>	<b>-53.9</b>	<b>23.3</b>
Operational result, % of turnover	-2.3	-3.5	1.2 %-p.	-3.7	-4.9	1.1 %-p.
Operating result, EBIT, EUR million	-5.7	-26.3	78.4	-13.9	-54.7	74.5
Result before taxes, EUR million	-7.4	-31.0	76.0	-19.5	-64.9	69.9
Net result, EUR million	-6.0	-23.9	75.0	-15.8	-52.0	69.6
<b>Balance sheet and cash flow</b>						
Gross investment, EUR million	7.3	19.9	-63.1	19.8	53.0	-62.7
Net cash flow from operating activities, EUR million	88.4	69.2	27.7	101.4	48.7	108.2
<b>Share</b>						
Share price at the end of quarter, EUR				2.76	2.84	-2.8
Earnings per share from the result of the period, EUR *	-0.05	-0.19	74.6	-0.12	-0.41	69.5
Earnings per share, EUR	-0.06	-0.20	68.6	-0.16	-0.44	64.2

<sup>11</sup> \* Before hybrid bond interest



# Operational result, EBIT Q2 2014 vs. Q2 2015, M€

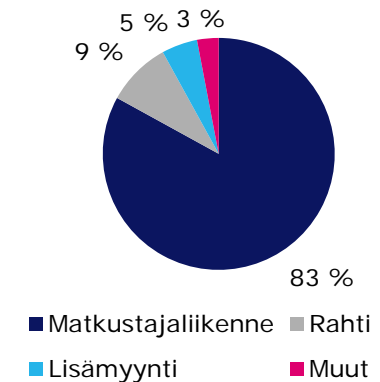


# Segment results: Airline Business



Key figures	Q2 2015	Q2 2014	Change %	Q1-Q2 2015	Q1-Q2 2014	Change %	2014
<b>Revenue and result</b>							
Revenue, EUR million	534.8	541.3	-1.2	1,045.6	1,049.4	-0.4	2,167.7
Operational result, EUR million	-14.7	-20.8	29.3	-38.8	-55.3	29.8	-43.5
Operating result, EBIT, EUR million	-7.2	-27.0	73.4	-11.0	-55.2	80.0	-78.4
Operating result, % of revenue	-1.3 %	-5.0 %		-1.1 %	-5.3 %		-3.6 %
<b>Personnel</b>							
Average number of employees	3949	4367	-9.6	3,963	4,450	-11.0	4,232

**Airline Business revenue 535 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

# Segment result: Travel Services



Key figures	Q2 2015	Q2 2014	Change %	Q1-Q2 2015	Q1-Q2 2014	Change %	2014
<b>Revenue and result</b>							
Revenue, EUR million	41.4	42.6	-2.7	102.7	116.8	-12.1	216.7
Operational result, EUR million	1.7	1.1	56.9	-2.5	1.4	<-200 %	7.0
Operating result, EBIT, EUR million	1.5	0.8	99.0	-2.9	0.5	<-200 %	5.9
Operating result, % of revenue	3.6 %	1.9 %		-2.8 %	0.4 %		2.7 %
<b>Personnel</b>							
Average number of employees	585	676	-13.5	587	690	-15.0	645

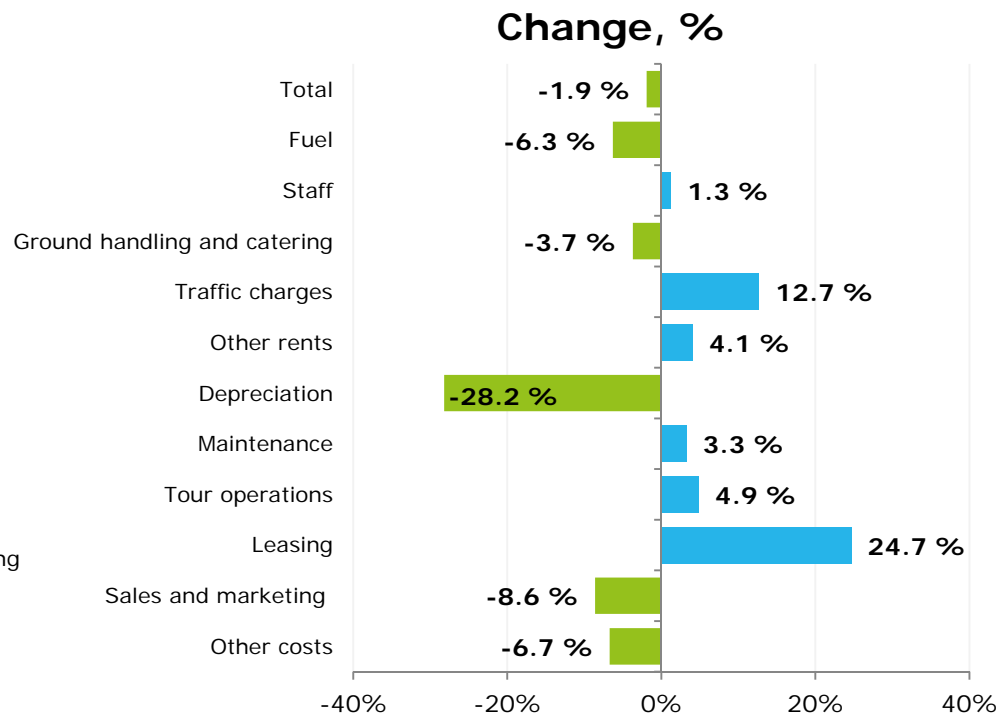
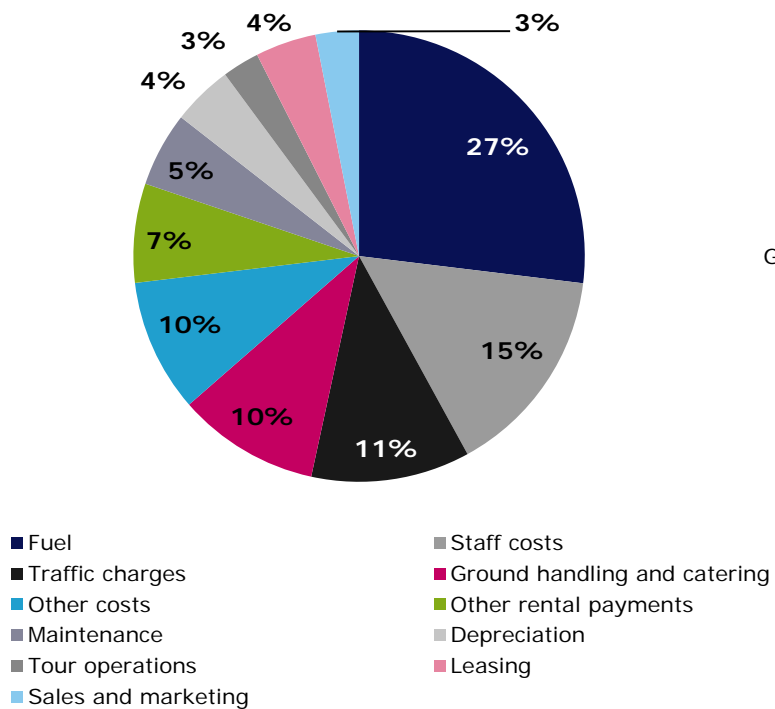


- The revenue declined slightly y-o-y mainly due to adjustment of Suntours package tour supply.
- The profitability of Suntours improved after restructuring of operations.
- The revenue of the business travel agency SMT was flat y-o-y and its operational result showed a slight profit.

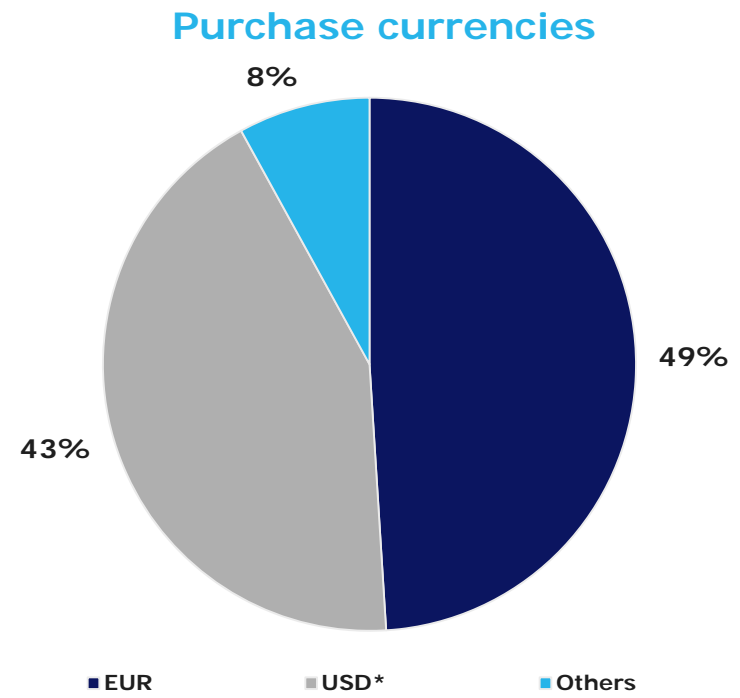
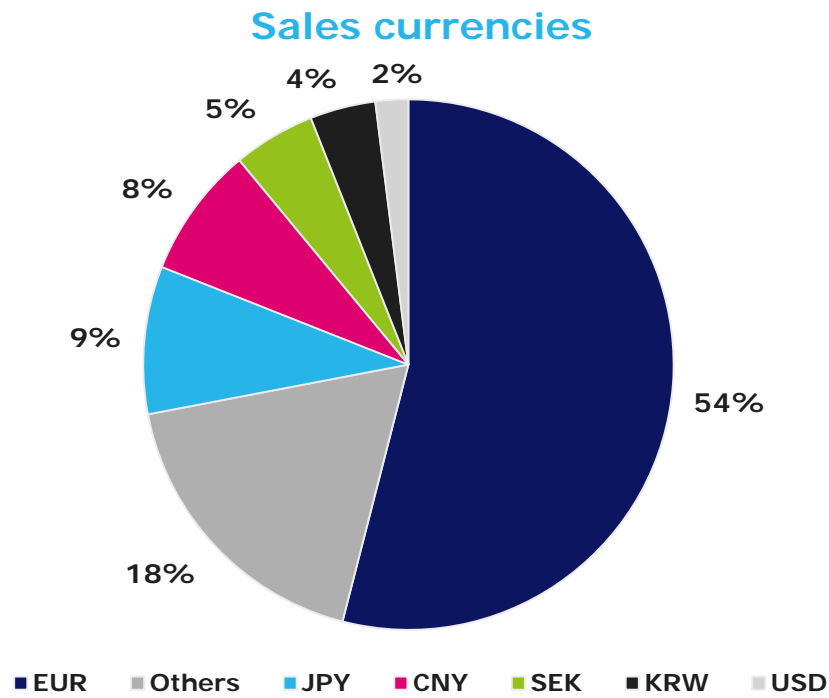


# Operating costs 578 M€, -1.9%

## Fuel largest cost item



# Currency Split, Q2

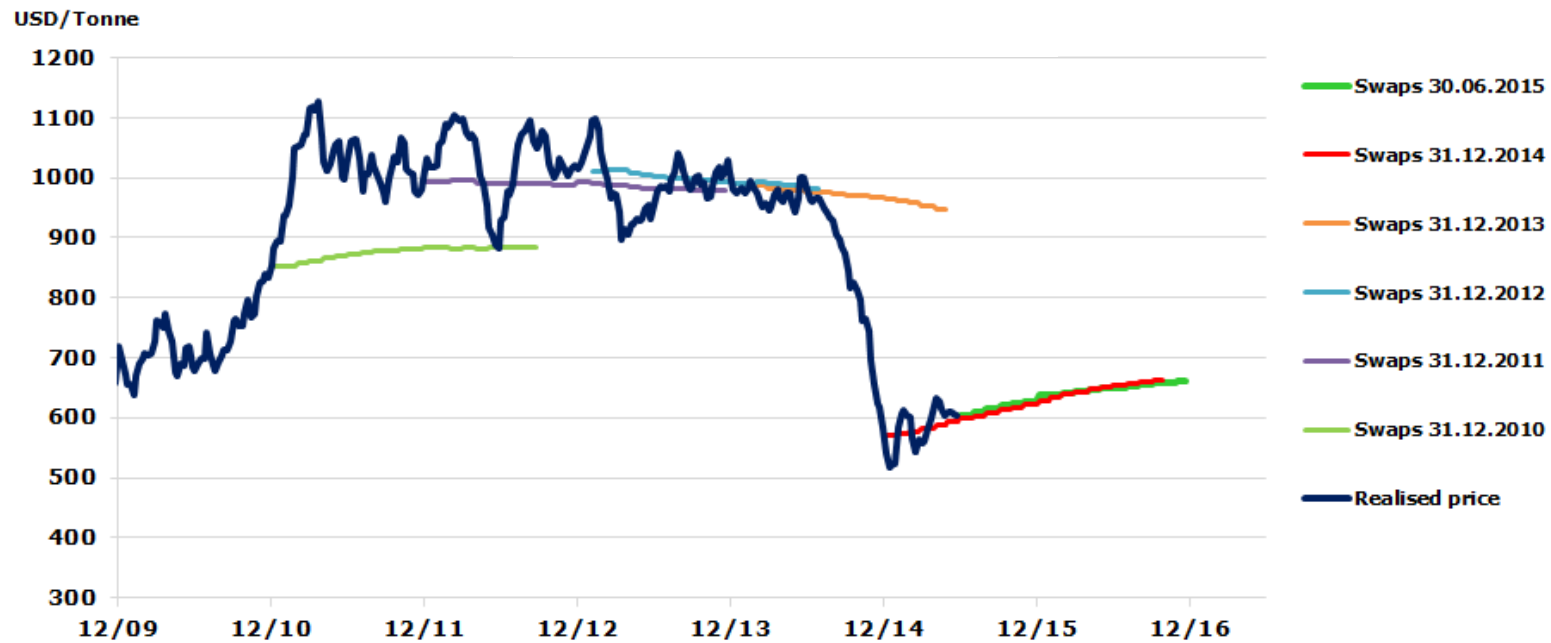




# Jet fuel spot price development



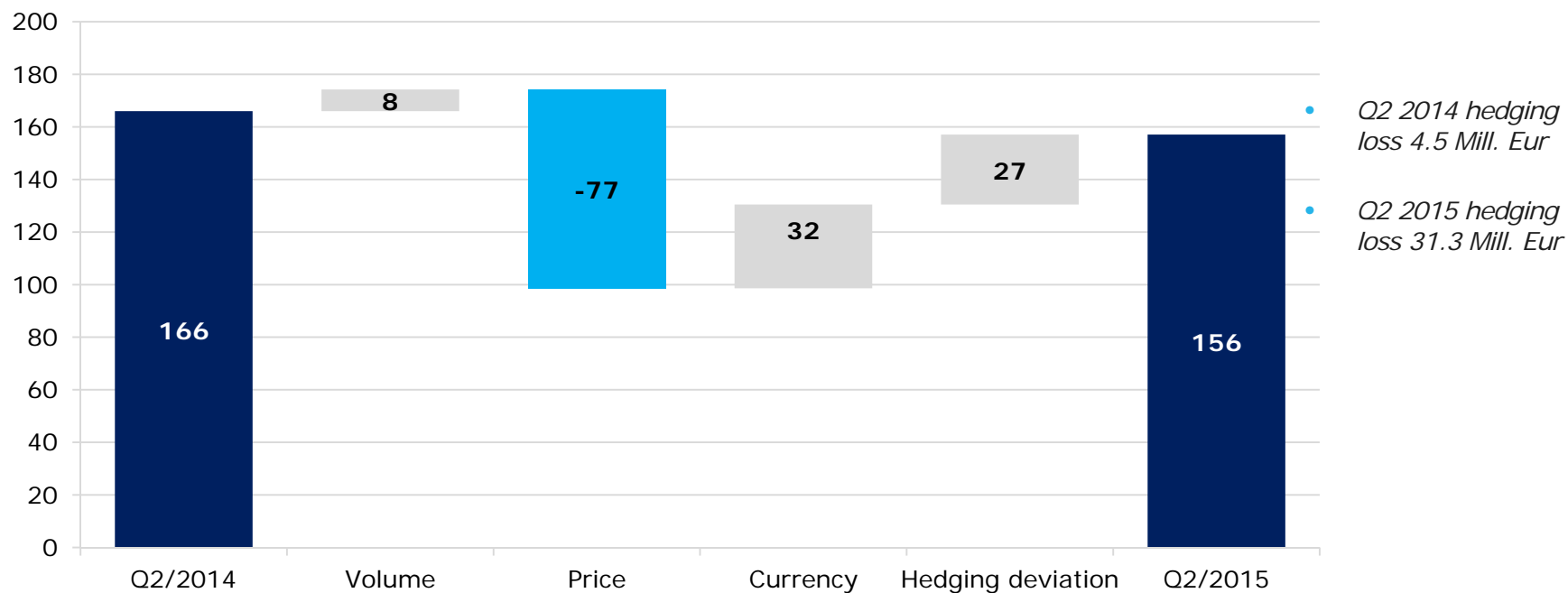
## Jet fuel December 2009 – June 2015



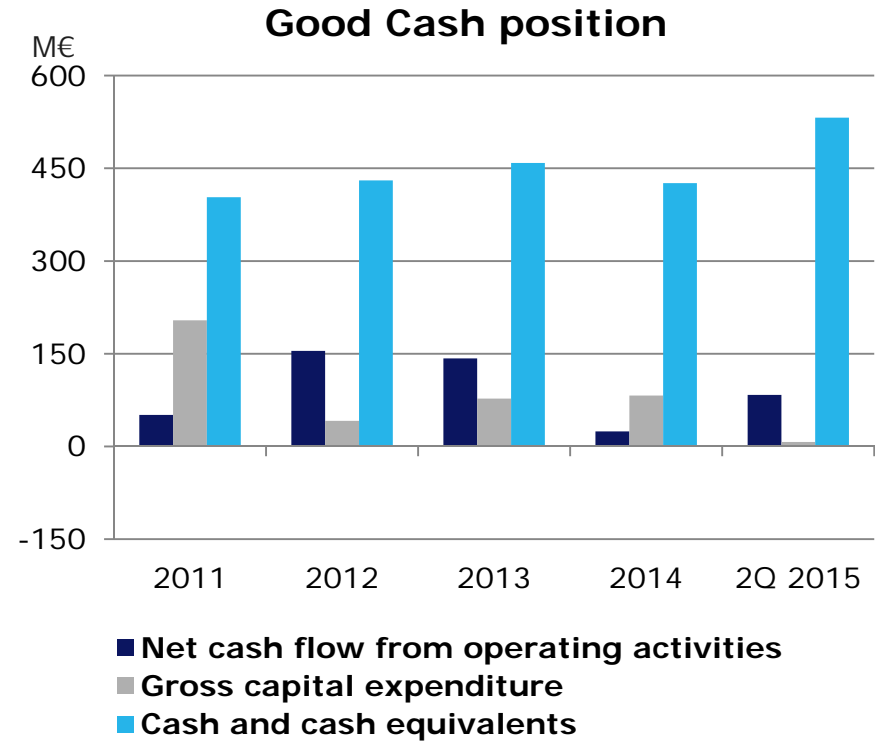
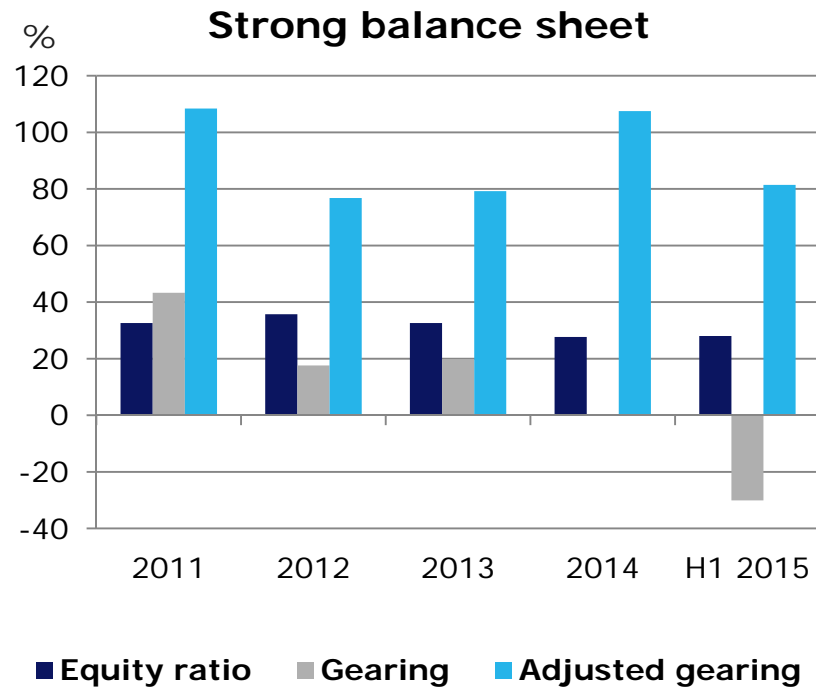


# USD appreciation and hedges diluted the benefit from fuel price decrease

Q2 Comparable fuel cost, M€



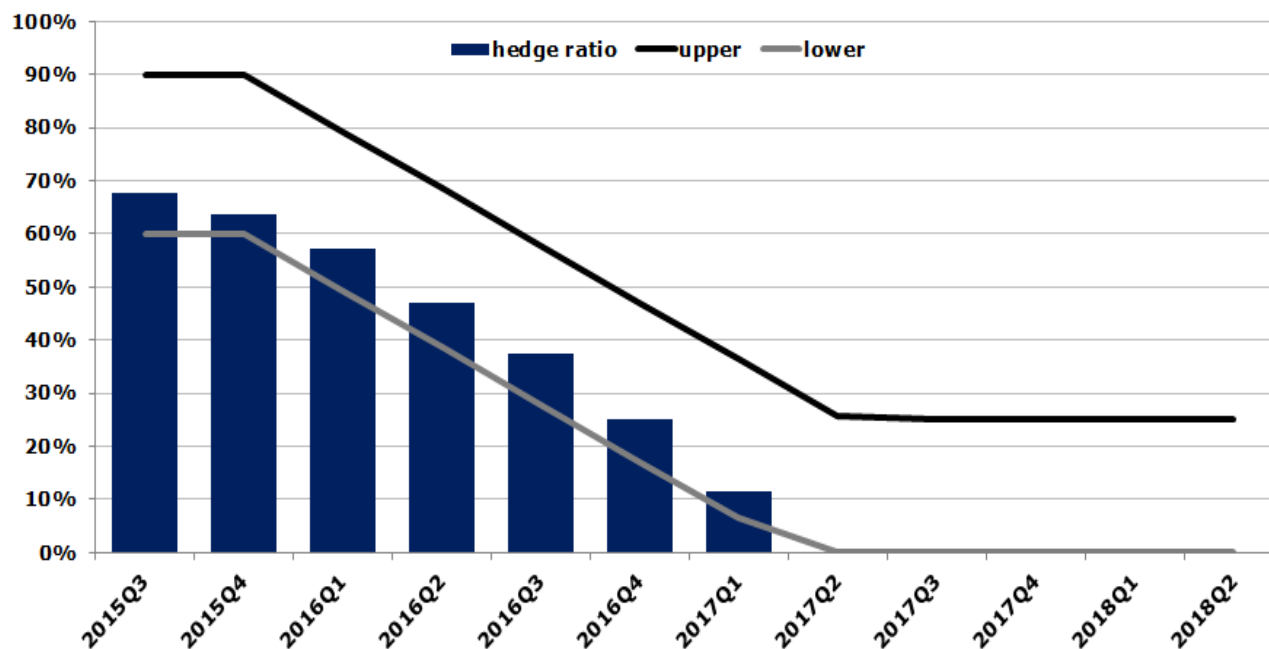
# Net debt 167 M€ negative, Cash 532 M€





# Rolling Hedging policy

Hedging positions as of 30 June 2015  
Hedging ratio for 2015: 66 %



Finnair hedges jet fuel consumption 24 months ahead within the limits defined in the hedging policy.

Finnair's fuel purchases are 66% hedged for H2 2015 and 52% for H1 2016.

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**

