

Q3 Result 2015

30 October 2015



Highlights of the quarter



- **Excellent Q3 result:**
 - Record result in Airline Business
 - Strong growth in ancillary sales
 - Clear improvement in Travel Services
- **We are preparing for growth,** recruitment of flying personnel has begun
- **We received our first A350 aircraft** and strengthened further our financial position with **Hybrid Bond** issue in October
- **Summer 2016:** Fukuoka & Guangzhou, year-round to Miami, added weekly frequencies to Chicago, 12 new summer destinations

Q3 2015: Finnair's strongest quarter ever



- **Revenue increased, operational result strong at EUR 64M, +140% LY**
 - Increased load factor in passenger travel
 - Ticket revenues increased
 - Ancillary sales grew
 - Clear improvement in Suntours' result
 - Leisure and business travel increased



Favourable development in market environment

- Leisure and business travel increased clearly
- Passenger demand on Chinese routes increased markedly in the third quarter. So far, the slow-down in Chinese economic growth has not affected passenger demand.
- Packaged tours supply in Finland was well balanced with demand.
- Decline in the price of jet fuel supported the result improvement, but strong USD dampened cost savings and increased other USD-denominated costs.
- Overcapacity in cargo traffic between Asia and Europe continued to weigh on cargo unit revenues.
- Finnair gained market share in European traffic. Market share in Asian traffic declined slightly from last year due to reduced capacity.*
- The Atlantic Joint Business (AJB) performed well in the Premium segment, and the Siberian Joint Business serving Japanese routes gained market share.

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* Finnair's estimates 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 online.

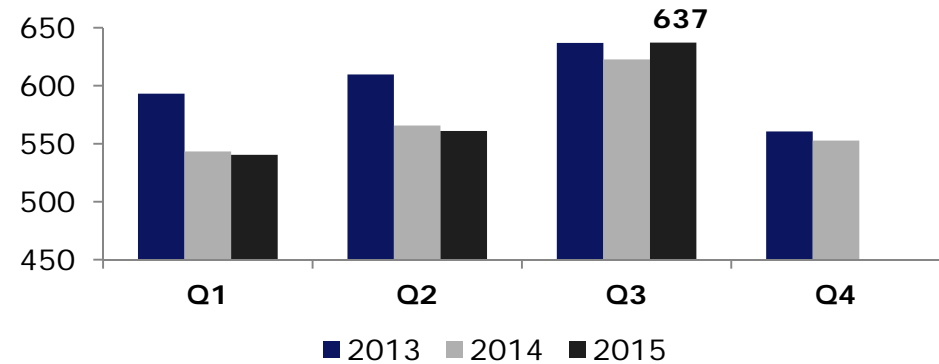
Finnair Q3 2015 Result, 30 October 2015

Q3 revenue increased slightly, operational result was strong

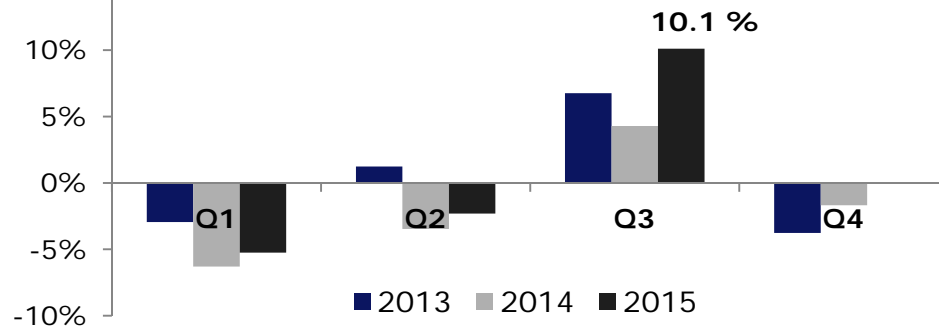


- **Revenue increased 2.3% to 637 M€**
 - Passenger traffic revenue increased
 - Revenue from Cargo decreased
 - Loss of external revenue from sold operations
- **Operational result 64 M€, increase 37 M€, +140%**
- **Fx impacts increased both unit revenues and costs**
 - Revenue per available seat kilometre (RASK) at constant currency decreased by 0.6%
 - Cost per available seat kilometre (CASK) at constant currency decreased by 0.8%

Revenue by quarter



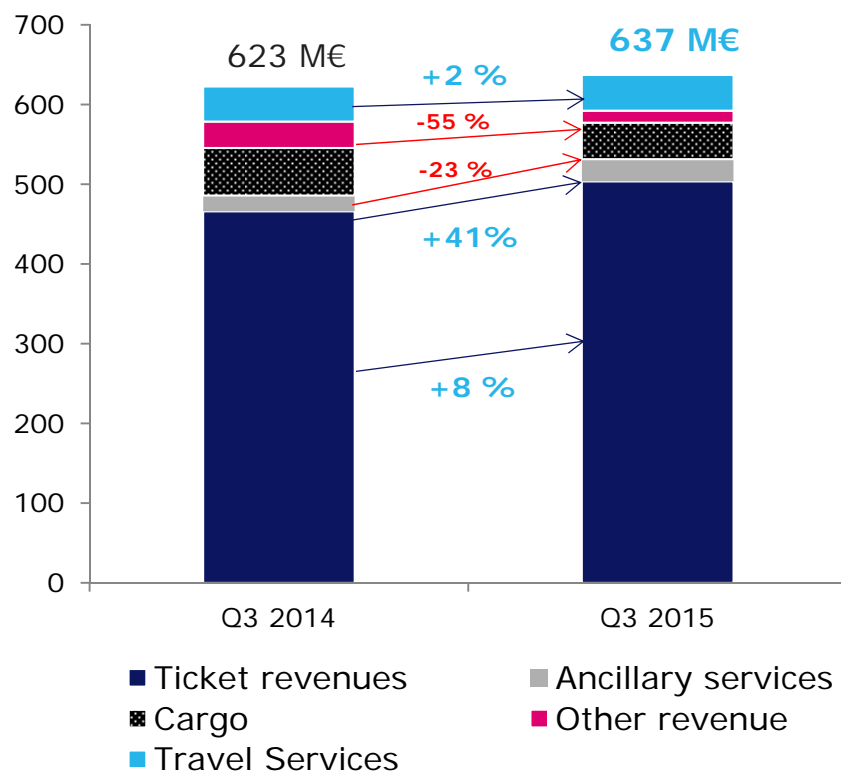
Operational profit, % by quarter



5 * 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. Finnair Q3 2015 Result, 30 October 2015



Positive trend in passenger traffic, revenue from cargo decreased



- Passenger traffic ticket revenue and ancillary sales grew significantly y-o-y.
- Cargo revenue decreased, partly reflecting the discontinuation of cargo freighter flights.
- Other Group External revenue decreased after the sale of Travel Retail store operations and Finncatering businesses.
- Travel Services' revenue flat.

Q3: Strong development in passenger ticket revenue, overcapacity weighing on cargo market



North America		
ASK mill km	654	+37.1 %
RPK, mill km	578	+36.8 %
PLF%	88.3	-0.2 %-p
Ticket revenue		+41.2 %

Europe		
ASK mill km	3,566	+5.2 %
RPK, mill km	2,926	+6.7 %
PLF%	82.0	+1.2 %-p
Ticket revenue		+9.2 %

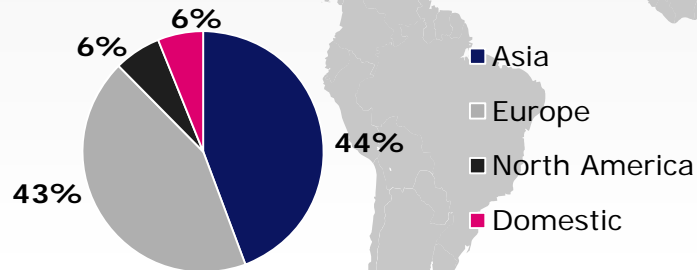
Asia		
ASK mill km	3,848	-6.2 %
RPK, mill km	3,477	-3.8 %
PLF%	90.4	+2.2 %-p
Ticket revenue		+1.7 %

Domestic		
ASK mill km	314	+24.7 %
RPK, mill km	208	+24.5 %
PLF%	66.1	-0.1 %-p
Ticket revenue		+22.5 %

Cargo*		
ATK mill km	365	-5.1 %
RTK mill km	207	-14.1 %
Cargo revenue		-22.8 %

Total traffic		
ASK mill km	8,383	2.0 %
RPK, mill km	7,189	3.5 %
PLF%	85.8	1.3 %-p
Ticket revenue		+7.9 %

Passenger Revenue Split



ASK: Available Seat Kilometres
 RPK: Revenue Passenger Kilometres
 PLF%: Passenger Load Factor, %
 ATK: Available Tonne Kilometres
 RTK: Revenue Tonne Kilometres
 Ticket revenue: passenger revenue including leisure flights
 Atlantic/Siberian Joint Business contribution included in the figures.
 *Includes cargo freighter flights



Events after the period

- First A350 received on 7 October 2015.
- EUR 200 million hybrid issued on 13 October 2015.
- Sale and leaseback of two first A350s in Q4. Expected impact on result EUR 70 million positive after concurrent expenses related to the phasing out of A340s.



A350 reforms customer experience and improves competitiveness

- First experiences in line with our expectations
- Outstanding reception across Europe
- Shanghai flights to commence on 21 November 2015
- Five aircraft in operation by Q2 2016
- Unique Nordic experience : design, service, Wi-Fi and inflight entertainment





Outlook for 2015

- Finnair estimates that in 2015, its operational result is around break-even or slightly positive.
- Capacity measured in Available Seat Kilometres will grow by approximately 3 per cent and that its revenue will remain approximately at the 2014 level. Finnair estimates, that its 2015 unit costs excluding fuel at constant currency will remain at the 2014 level.
- 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. The non-recurring positive net impact of these arrangements on Finnair's operating profit in H2/2015 is expected to amount to approximately EUR 70 million.



Financials

Result in brief



Q3

- **Revenue 637.1 M€**
(growth 14.3 M€ and 2.3% y-o-y)
- Available passenger kilometres (ASK) 8,383 mill **+2.0 %** vs PY, Revenue passenger kilometres (RPK) 7 189 mill **+3.5%**
- **Operating expenses 576.2 M€**
(decrease 23.8 M€ and -4,0 % vs PY)
- **Largest changes:**
fuel costs -23.8 M€,
staff costs -7.3 M€,
traffic charges +5.7 M€
- **Operational EBIT improved by 37.5 M€ to 64.2 M€**

Q1-Q3

- **Revenue 1,738.5 M€**
(growth 6.7 M€ and 0.4% y-o-y)
- Available passenger kilometres (ASK) 23,920 mill. **+1.8 %** vs PY, Revenue passenger kilometres (RPK) 19,399 mill **+2.0%**
- **Operating expenses 1,727.2 M€**
(decrease 44,6 M€ and -2,5 % vs PY)
- **Largest changes:**
fuel costs -43.9 M€
staff costs -6.1 M€,
traffic charges +24.0 M€
- **Operational EBIT improved by 50 M€ to 22.9 M€**

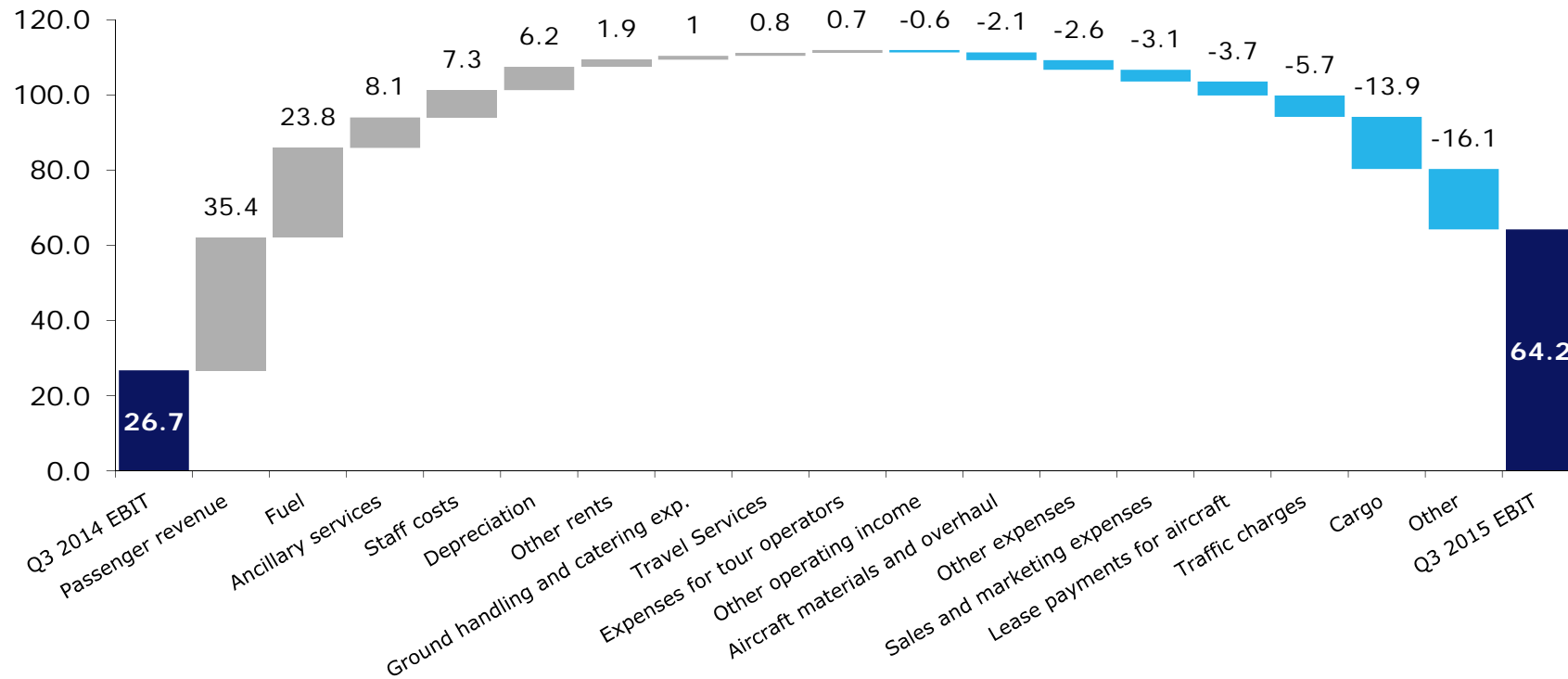
Key figures



Key figures	Q3 2015	Q3 2014	Change %	Q1-Q3 2015	Q1-Q3 2014	Change %	2014
Revenue and result							
Revenue	637.1	622.7	2.3	1,738.5	1,731.8	0.4	2,284.5
Operational EBITDAR	115.1	80.1	43.7	171.7	133.1	29.0	176.6
Operational result	64.2	26.7	140.2	22.9	-27.1	184.6	-36.5
Operational result, % of revenue	10.1	4.3	5.8%-pp.	1.3	-1.6	2.9%-pp.	-1.6
Operating result	50.7	23.6	114.7	36.7	-31.1	> 200%	-72.5
Result before taxes	48.9	21.2	130.2	29.4	-43.7	167.2	-99.1
Result for the period	39.0	16.6	134.5	23.2	-35.4	165.6	-82.5
Balance sheet and cash flow							
Gross investment	18.4	15.3	20.3	38.2	68.4	-44.1	82.4
Net cash flow from operating activities	62.6	-8.9	> 200 %	164.0	39.8	> 200%	24.2
Share							
Share price at the end of quarter				3.07	2.50	22.8	2.48
Result for the period per share*	0.30	0.13	135.0	0.18	-0.28	164.4	-0.65
Earnings per share, EPS	0.29	0.11	154.9	0.13	-0.33	139.4	-0.71

13 * Before interest on hybrid bond

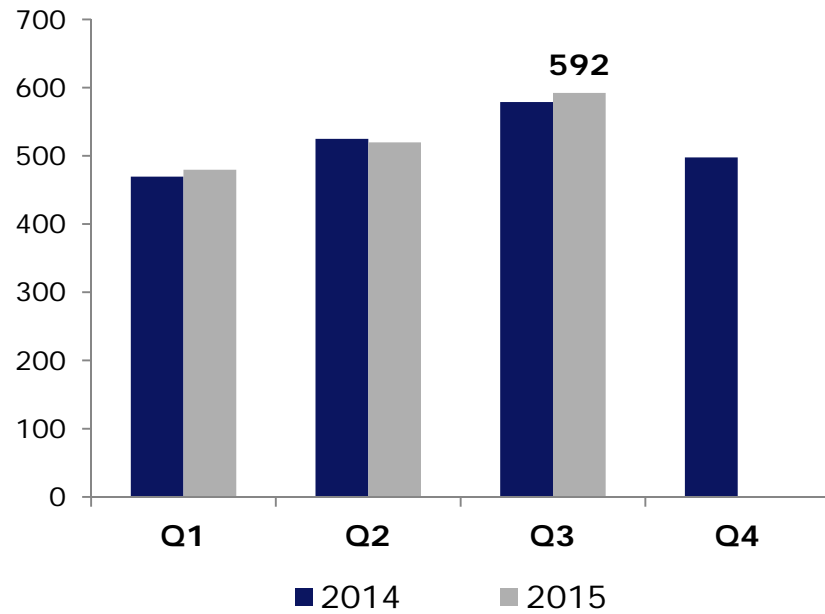
Operational result Q3 2014 vs. Q3 2015, M€



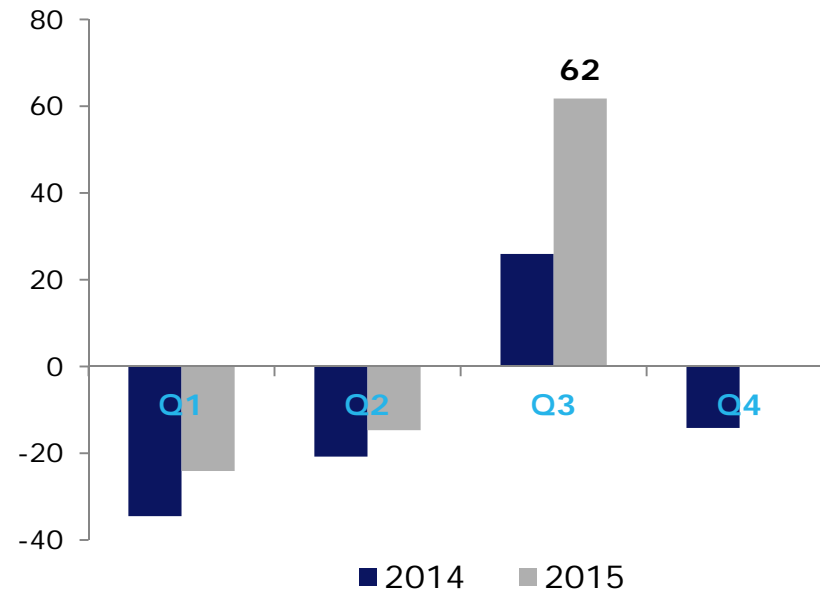
Record result in Airline Business



Revenue by quarter, M€



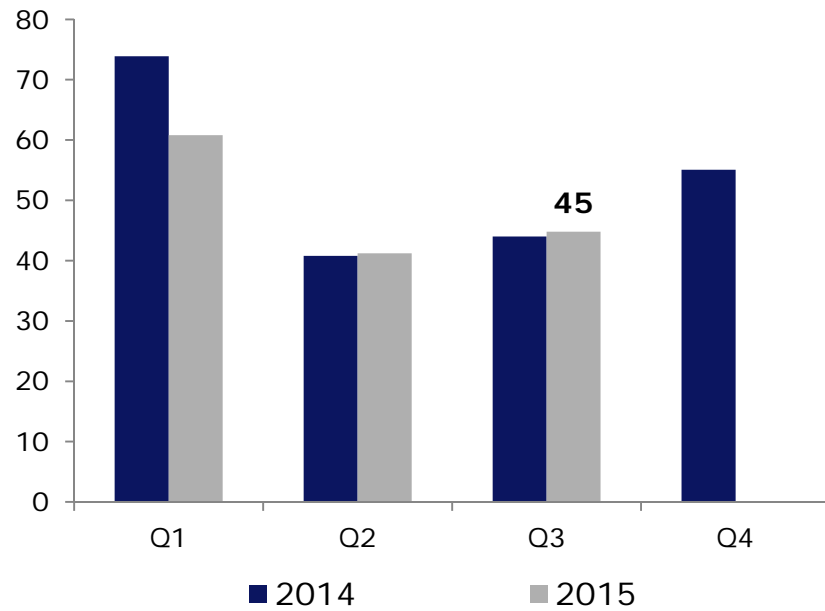
Operational result by quarter, M€



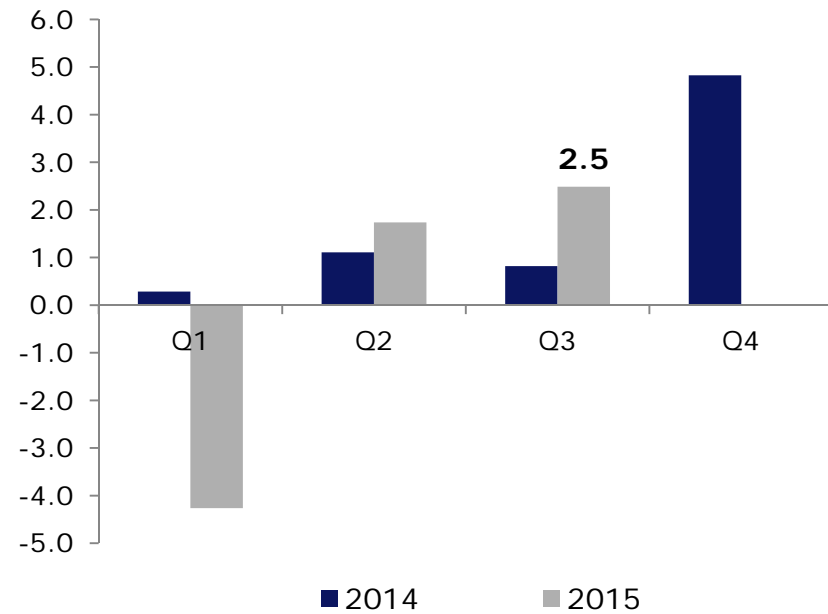
Clearly improved result in Travel Services



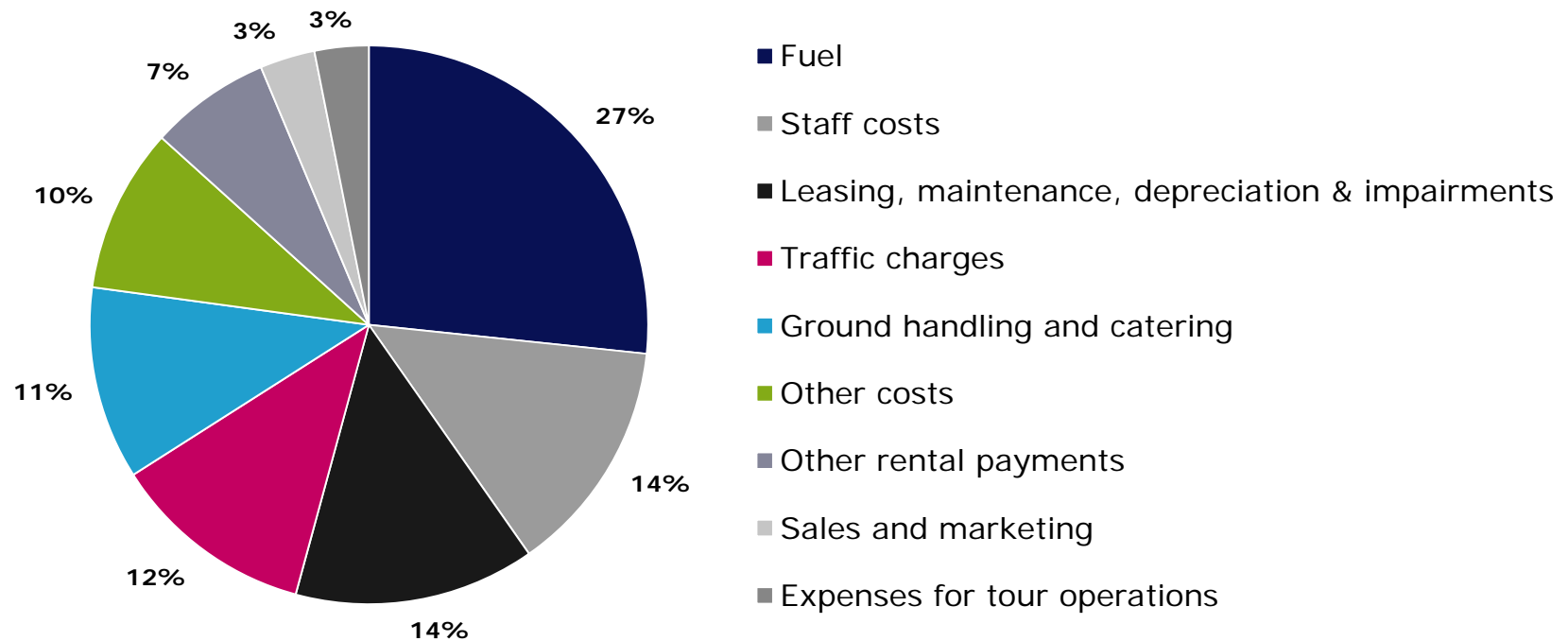
Revenue by quarter, M€



Operational result by quarter, M€



Q3 Operating expenses decreased by 4%



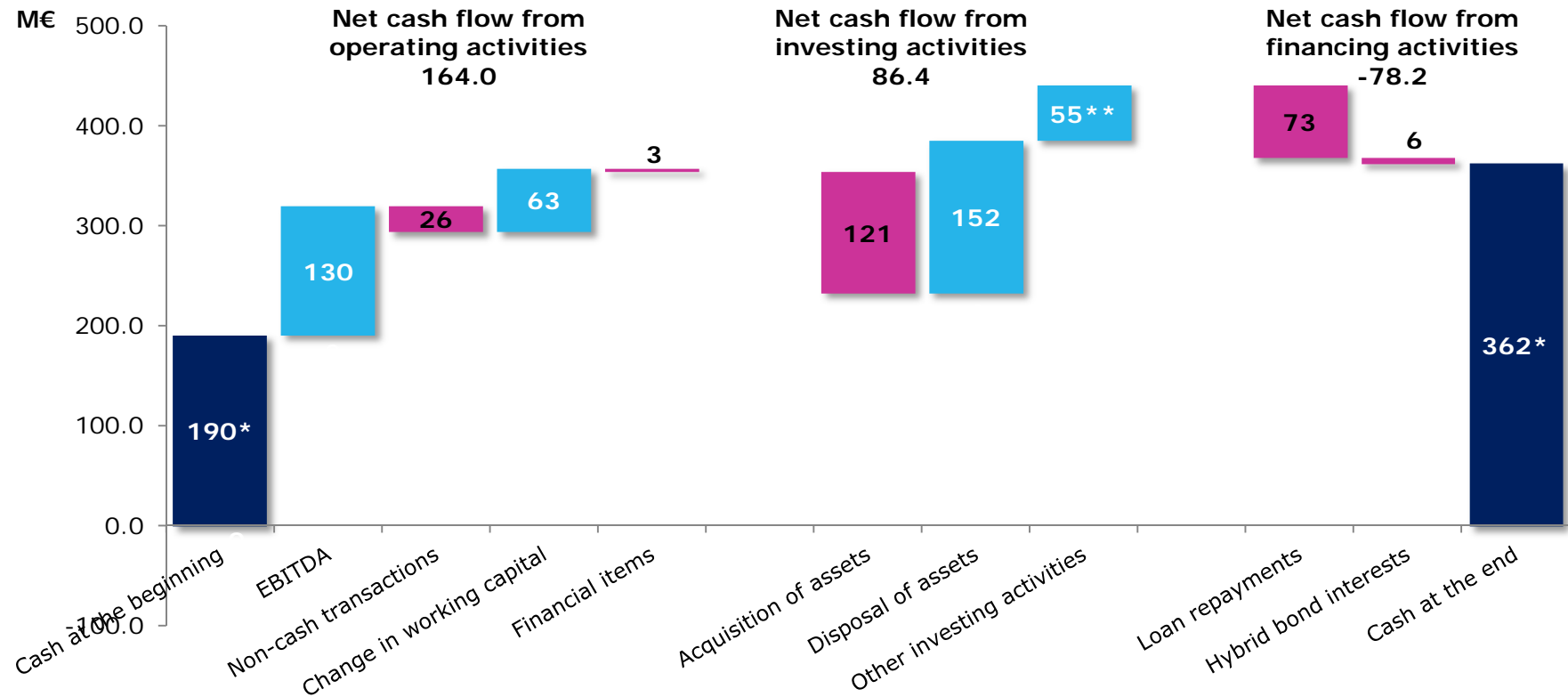
Appreciation of USD dampened the decrease of fuel cost



Comparable Q3 fuel cost, EUR million



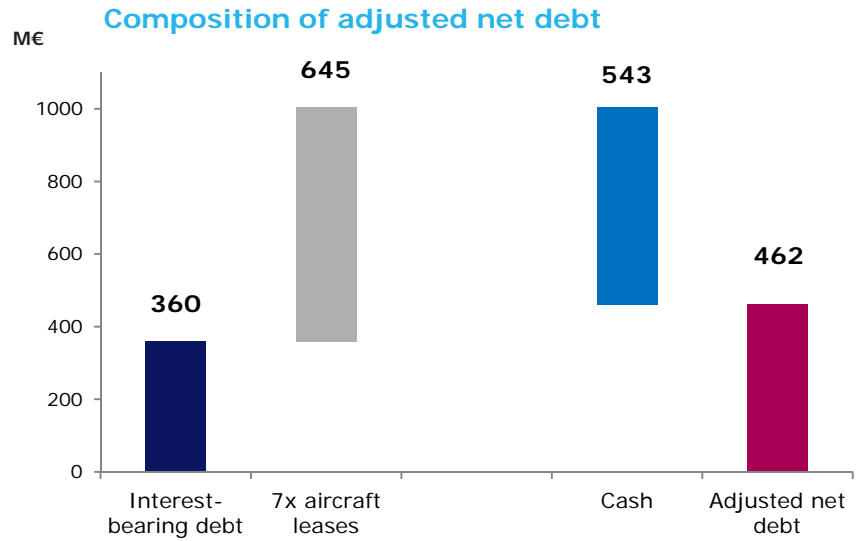
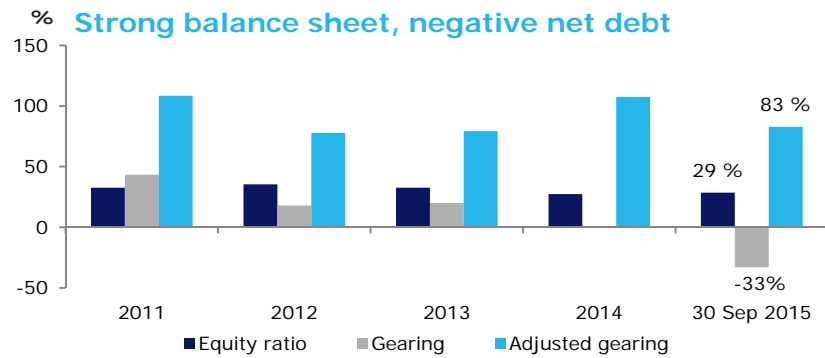
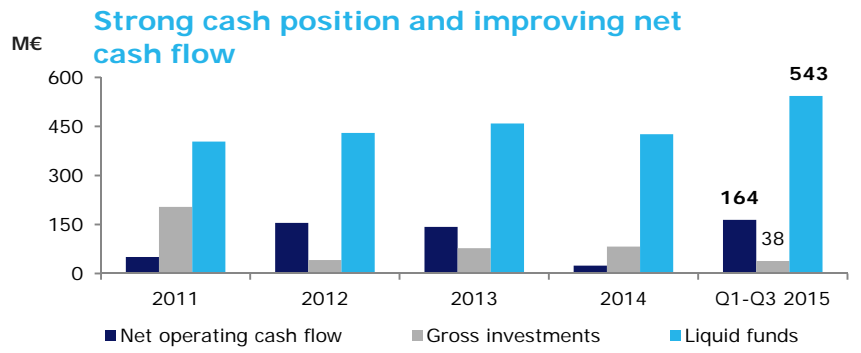
Cash funds increased 172 M€



*Without marketable securities over 3 month

**Change in value of marketable securities over 3 month

Q3 Negative net debt, strong balance sheet supports investments





New hybrid bond strengthens capital structure further

- In October, Finnair issued a 200 M€ hybrid bond, which is the largest hybrid bond issue in Finland to date.
- Finnair's new hybrid issue strengthens equity and enables competitive terms in other financing activities.
- The new hybrid has a life length of minimum 5 years.
- At the same time, Finnair redeemed 82 M€ of the higher-coupon 2012 hybrid.
- The new hybrid bond further diversified investor base with international investors.

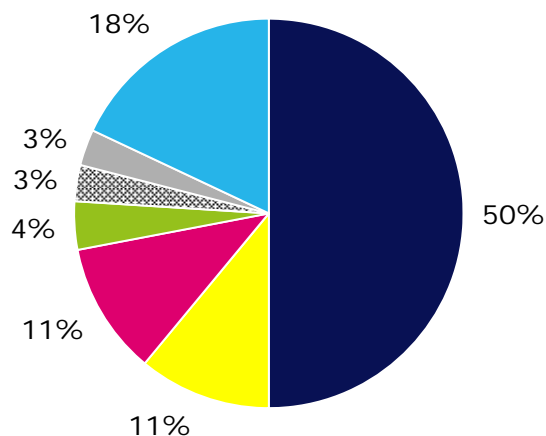
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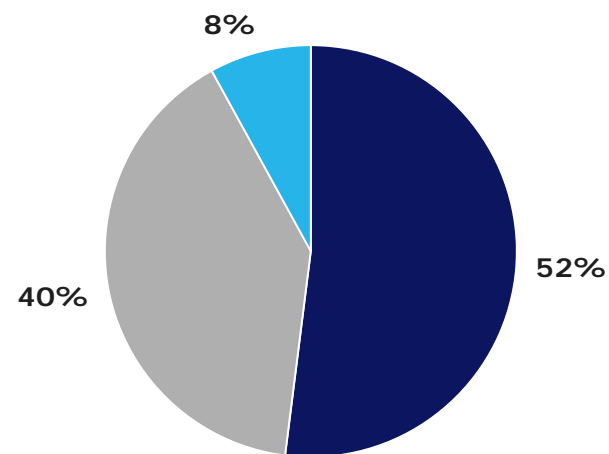
Currency split, Q3



Sales currencies



Purchase currencies



■ EUR
 ■ JPY
 ■ CNY
 ■ SEK
 ■ KRW
 ■ USD
 ■ Muut
 ■ EUR
 ■ USD*
 ■ Other

	Q3/14	Q3/15	Change%	YTD/14	YTD/15	Change%
EUR/USD	1.33	1.11	-16.1 %	1.36	1.11	-17.8 %
EUR/JPY	137.75	135.89	-1.4 %	139.49	134.74	-3.4 %

Fuel and currency sensitivities



Fuel sensitivity (rolling 12 months from date of financial statements)	10% change without hedging	10% change, taking hedging into account	Hedging ratio	
			H2 2015	H1 2016
Fuel	EUR 41 million	EUR 19 million	70%	63%

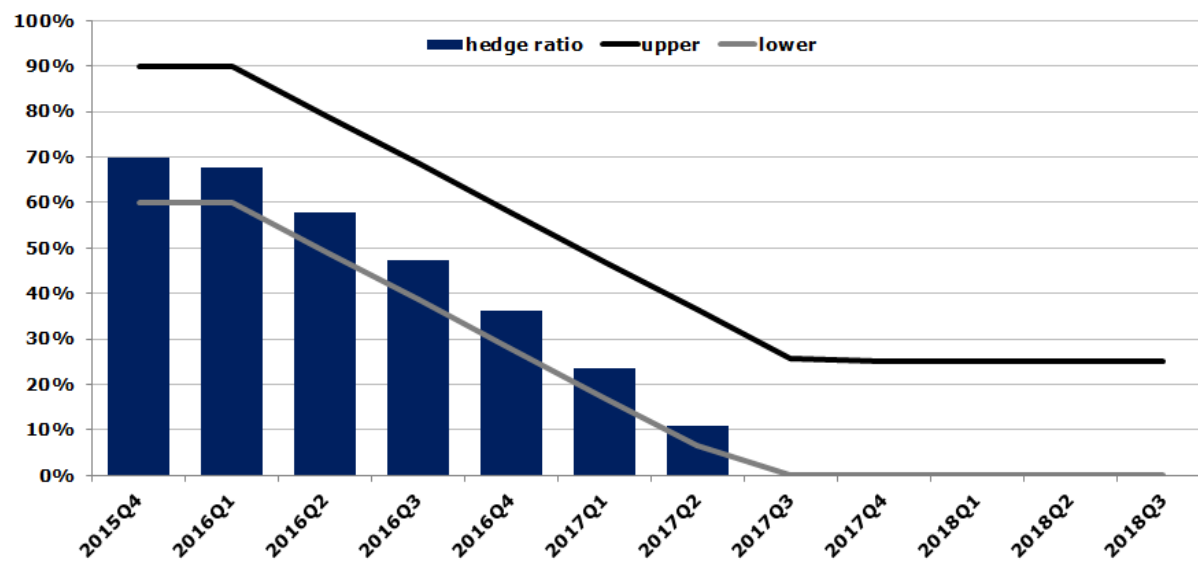
Currency distribution %	7–9 2015	7–9 2014	1–9 2015	1–9 2014	2014	Currency sensitivities USD and JPY (rolling 12 months from date of financial statements)
Sales currencies						10% change without hedging
EUR	50	49	56	57	58	-
USD*	3	4	2	3	3	see below
JPY	11	12	9	10	9	EUR 18 million
CNY	11	10	8	7	7	-
KRW	3	2	3	2	3	-
SEK	4	4	5	5	5	-
Other	18	19	17	16	15	-
Purchase currencies						
EUR	52	50	51	51	52	-
USD*	40	36	41	39	41	EUR 62 million
Other	8	14	8	10	7	

* The sensitivity analysis assumes that the Chinese yuan and the Hong Kong dollar continue to correlate strongly with the US dollar..



Rolling Hedging policy

Hedging positions as of 30 September 2015
Hedging ratio for 2015: 70 %



- Finnair hedges jet fuel consumption 24 months ahead within the limits defined in the hedging policy.
- Finnair’s fuel purchases are 70% hedged for Q4 2015 and 63% 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.

Jet fuel spot price development



Jet fuel December 2009 – September 2015

