

# FINNAIR Q3 2016 RESULT

26 OCTOBER 2016  
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*FINNAIR*



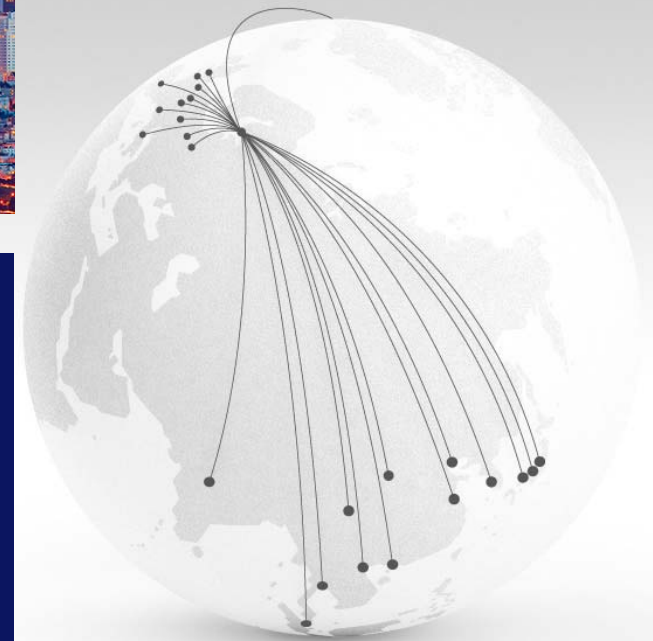
# Highlights

- Improved comparable operating result in an increasingly difficult market
- Implementation of Finnair's strategy continues:
  - 7<sup>th</sup> A350 delivered and SLB signed
  - Summer 2016 new long haul routes had a good start
  - Summer 2017: San Francisco launch, increased frequencies to Tokyo and Hong Kong
  - Mobile application won the coveted Red Dot Award: 95,000\* active users, +144% y-o-y
  - Finnair.com growing in popularity: 1.9\* million monthly visitors +12% y-o-y



## Summer 2017:

- San Francisco route launch
- Increased frequencies to Tokyo and Hong Kong





## Q3 Finnair's market position

- Finnair Capacity grew 8.4%, majority of which in Asia (+13%) and Atlantic (+22%)
- Finnair gained market share in European and Asian traffic.\*
- Demand for air travel continued to grow in Finnair's main markets
  - Leisure travel demand to some European destinations decreased due to security concerns
  - Robust growth in Nordic destinations
- Siberian Joint Business serving Japanese routes gained market share, Atlantic Joint Business performance weakened in a challenging market environment.
- Cargo market remained sluggish, but the downward trajectory seems to have stabilised. Finnair successfully increased cargo volumes in key markets.
- Good development in Aurinkomatkat continued, number of passengers grew by 12%



# Q3 2016: Improved comparable operating result in an increasingly difficult market

**8th consecutive quarter of result improvement:**

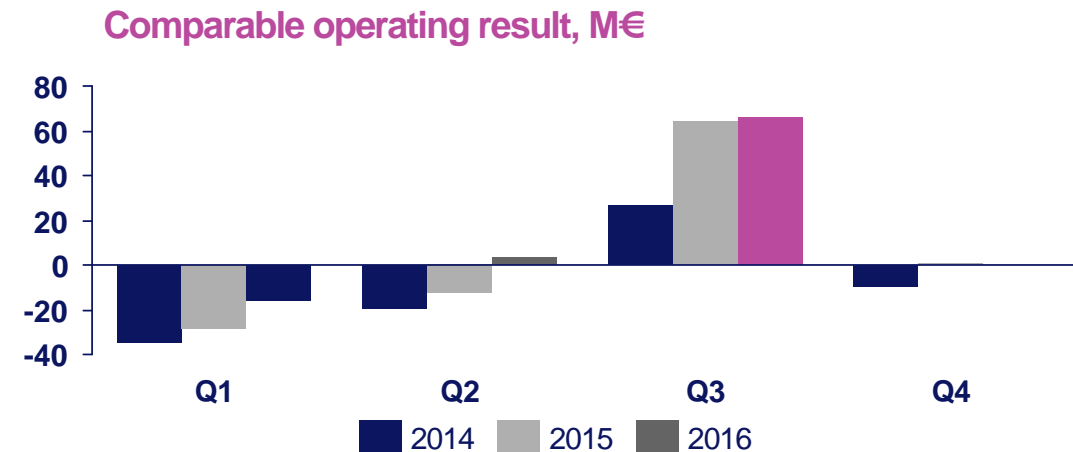
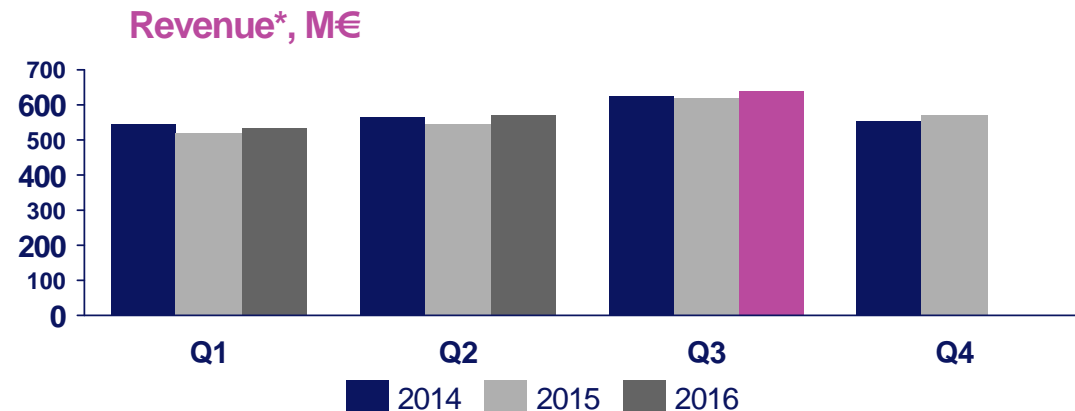
**Revenue grew by 3.1% to 641 M€**

- Growth in passenger traffic & Travel services
- Ancillary sales per pax grew to €11.31 (+16.9%)
- Cargo volume grew but revenue decreased marginally

**Comparable operating result improved by 2.3% to 65.7 M€**

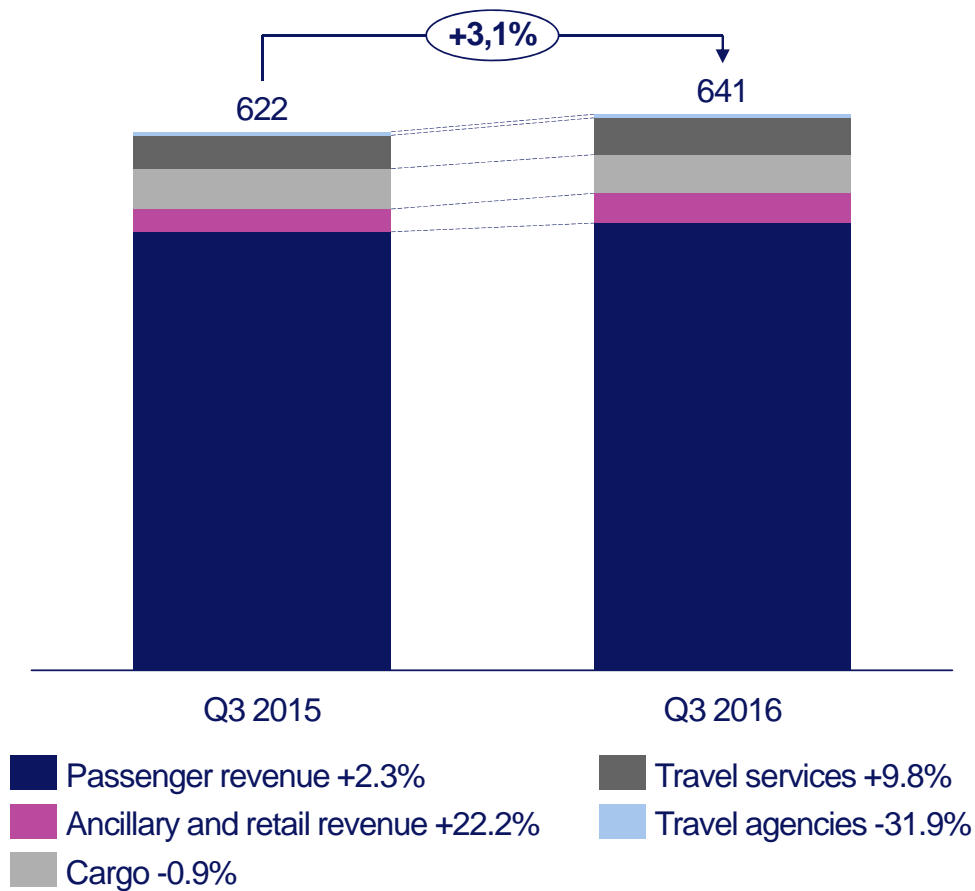
- Preparing for growth reflected in costs: Recruiting and training of flying personnel
- Delays in A350 deliveries increased costs: more wet leases and individual flight cancellations
- Fuel costs fell significantly in spite of the increase in traffic

*\*not fully comparable, 2015 revenue restated, external leasing revenue excluded and included in other operating income.*





## Q3: Growth in passenger traffic revenue



- Passenger traffic ticket revenue grew with capacity growth
- Ancillary and retail sales saw strong, continued growth
- Cargo revenue stabilized
- Solid performance in Aurinkomatkat
- Travel agencies revenue declined mainly due to sale of Estravel in 2015



## Q3: Growth in Long haul traffic

Traffic area	Ticket revenue			ASK			RPK			PLF	
	EUR mill.	Change %	Share %	Mill. km	Change %	Share %	Mill. km	Change %	Share %	%	Change %-point
Asia	224.9	1.2	43.6	4,332	12.6	47.7	3,771	8.4	49.3	87.0	-3.3
North Atlantic	38.4	15.5	7.4	799	22.0	8.8	648	12.2	8.5	81.2	-7.1
Europe	213.8	3.1	41.4	3,657	2.5	40.2	3,030	3.5	39.6	82.8	0.8
Domestic	31.1	-3.7	6.0	299	-4.8	3.3	205	-1.5	2.7	68.4	2.3
Unallocated	7.8	-16.3	1.5								
<b>Total</b>	<b>515.9</b>	<b>2.3</b>	<b>100</b>	<b>9,087</b>	<b>8.4</b>	<b>100</b>	<b>7,653</b>	<b>6.5</b>	<b>100</b>	<b>84.2</b>	<b>-1.5</b>

ASK: Available Seat Kilometres  
 RPK: Revenue Passenger Kilometres  
 PLF%: Passenger Load Factor

Cargo	Revenue		Tonnes	
	EUR mill.	Change %	Mill.	Change %
Cargo	45.5	-0.9	38,839	16,0



## Preparation of 20 M€ cost efficiency program is progressing

- Objective: 20 M€ of permanent cost savings
- Preparation is progressing through the organization
- Recent changes in the market further underline the need to streamline further.
- The program will help us to remain on growth track in accordance with our strategy.
- We invest in growth



**Objective:  
20 million euros of  
permanent cost  
savings**



## Growth preparations increase costs

### Estimated annual costs 20-25 M€

- Wet leases throughout the year
- The cost of training transition
- Individual flight cancellations due to lack of pilots

### We are making room in the traffic program for crew trainings

- JFK wet lease November-December 2016
- Chongqing flight temporary cancellation in January-April

**A new way to train pilots:** Multi Pilot Licence (MPL) received a huge interest

**Together with our staff, we are looking for flexible resourcing opportunities to support our growth**



Estimated  
annual costs  
20-25 million euros





## Outlook for 2016

The demand outlook for passenger and cargo traffic in Finnair's main markets continues to involve uncertainty. Finnair reiterates its previous assessment that its capacity will grow by approximately 7 per cent compared to 2015 and that revenue grows more slowly than capacity.

**Market conditions are increasingly challenging; fuel price has turned upwards and market capacity growth continues to cause pressure on yields. Finnair estimates that its comparable operating result for 2016 will increase from the previous year (2015: 23.7 million euros).**





# Financials



## Q3 Financial Summary

Traffic	Q3 2016	Change %	Q1-Q3 2016	Change %
PAX (1,000)	2,987	4.6 %	8,267	6.5 %
ASK	9,087	8.4 %	25,720	7.5 %
No of flights	27,878	-2.9 %	83,050	2.9 %
PLF % (load)	84 %	-1.5 %-p	80 %	-0.8 %-p

Results	Q3 2016	Change %	Q1-Q3 2016	Change %
Revenue	640.9	3.1 %	1746.9	3.6 %
Comparable EBITDAR	118.3	2.8 %	211.0	22.9 %
Comparable EBIT	65.7	2.3 %	53.5	133.2 %
Net result	87.6	124.3 %	71.5	> 200.00

KPI	Q3 2016	Change %	Q1-Q3 2016	Change %
RASK	7.05	-4.9 %	6.79	-3.7 %
RASK at constant cur	7.11	-4.1 %	6.85	-2.9 %
CASK	6.33	-4.8 %	6.58	-5.3 %
CASK ex fuel	4.91	2.0 %	5.12	1.8 %
CASK ex fuel at constant cur	4.88	1.2 %	5.08	1.1 %

Cash flow and financial position	Q3 2016	Change %	Q1-Q3 2016	Change %
Operating cash flow	59.1	-5.5 %	189.2	15.4 %
Interest-bearing net debt			-216.5	18.1 %
Adjusted gearing			68 %	-15.2 %-p
ROCE			15 %	15.8 %-p



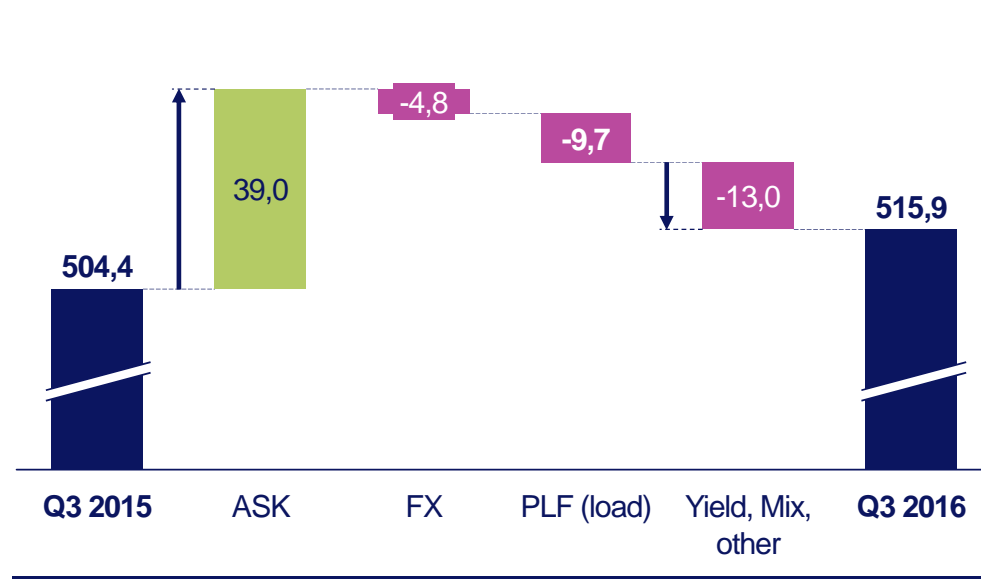
## Income statement

in mill. EUR	Q3 2016	Q3 2015	Change %	Q1-Q3 2016	Q1-Q3 2015	Change %	2015
Revenue	640.9	621.7	3.1	1,746.9	1,686.8	3.6	2,254.5
Other operating income	16.2	18.8	-13.8	56.2	63.3	-11.3	85.2
<b>Operating expenses</b>							
Staff costs	-87.4	-78.5	11.4	-272.2	-255.9	6.4	-353.2
Fuel costs	-128.7	-153.4	-16.1	-376.6	-460.4	-18.2	-595.5
Other rents	-42.1	-40.3	4.5	-121.3	-119.0	2.0	-159.4
Aircraft materials and overhaul	-39.1	-30.1	29.8	-113.3	-92.7	22.2	-118.9
Traffic charges	-70.6	-67.7	4.3	-198.0	-196.0	1.0	-258.5
Ground handling and catering expenses	-65.8	-64.2	2.4	-193.2	-183.6	5.2	-250.3
Expenses for tour operations	-22.1	-18.0	22.7	-64.6	-57.1	13.0	-79.6
Sales and marketing expenses	-19.0	-18.3	3.8	-57.2	-53.9	6.1	-74.0
Other expenses	-64.0	-54.9	16.7	-195.6	-159.9	22.3	-219.3
<b>Comparable EBITDAR</b>	<b>118.3</b>	<b>115.1</b>	<b>2.8</b>	<b>211.0</b>	<b>171.7</b>	<b>22.9</b>	<b>231.2</b>
Lease payments for aircraft	-27.0	-24.9	8.7	-82.7	-71.0	16.5	-99.3
Depreciation and impairment	-25.6	-26.0	-1.5	-74.8	-77.7	-3.8	-108.1
<b>Comparable operating result</b>	<b>65.7</b>	<b>64.2</b>	<b>2.3</b>	<b>53.5</b>	<b>22.9</b>	<b>133.2</b>	<b>23.7</b>

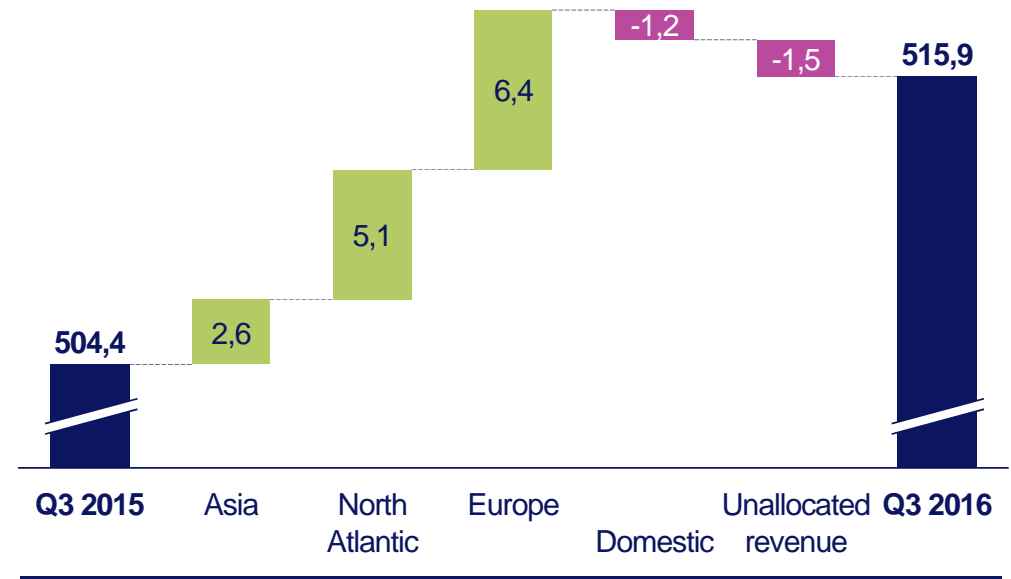


# Passenger revenue development

Passenger revenue, M€ +2.3 %



Passenger revenue by traffic area, M€

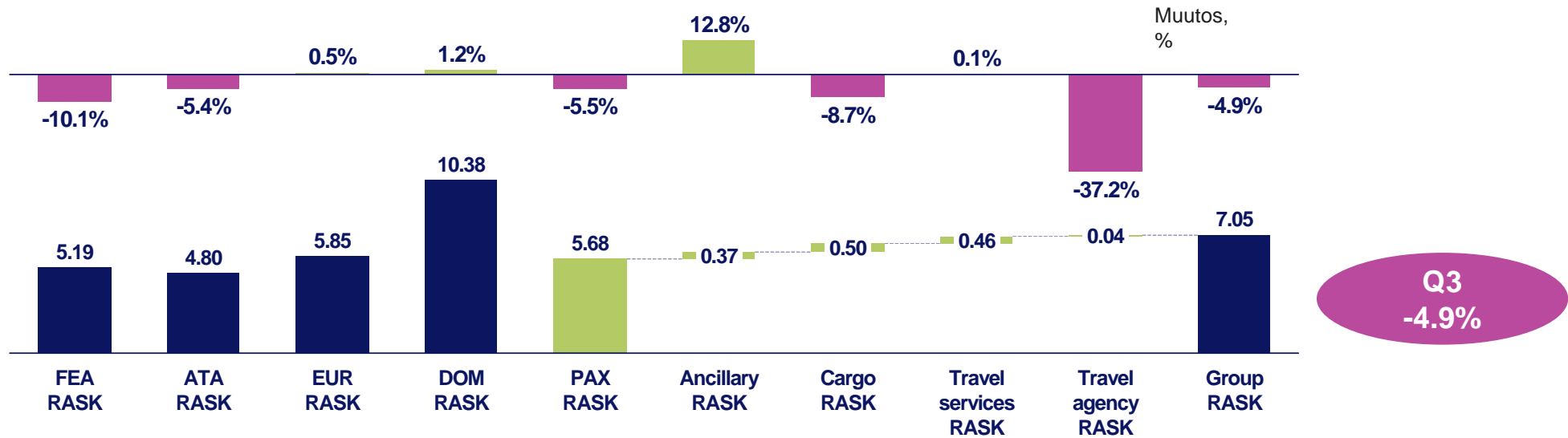


ASK	+13%	+22%	+3%	-5%	+8.4%
Share of ASK	47.7%	8.8%	40.2%	3.3%	100%



# Q3 Rask declined by 4.9% driven by large capacity increase in long haul

Q3 ASK +8.4%

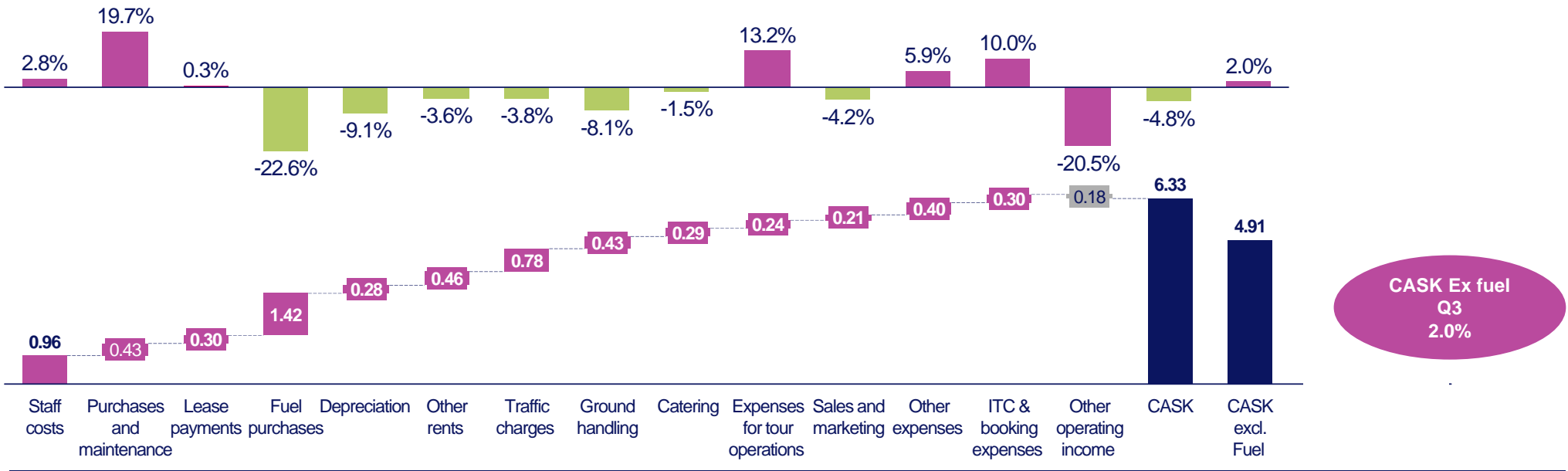


- The strong growth in long-haul traffic, new routes weighed passenger unit revenues
- Freight volumes on the rise, pressure on unit revenues continued



# Q3 CASK declined by 4.8%

## Q3 ASK +8.4%

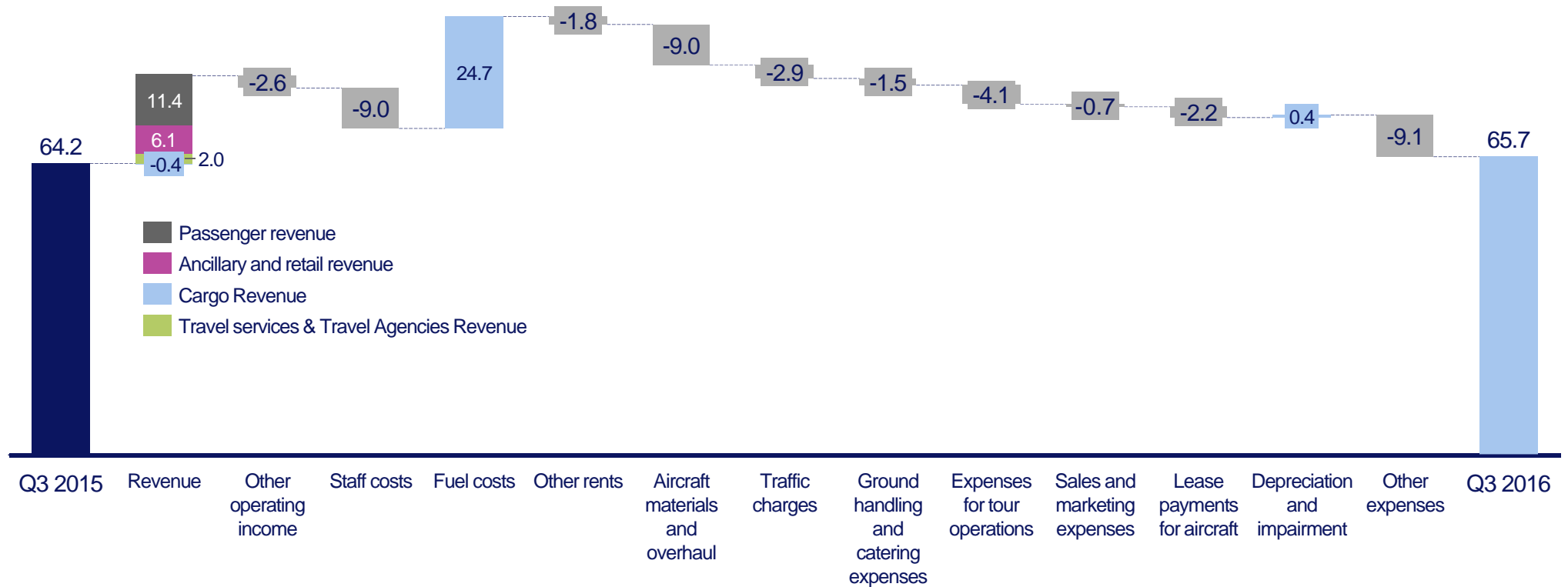


- Fuel unit costs -22.6%
- Growth in maintenance costs due to A340 redelivery overhauls



# Comparable EBIT

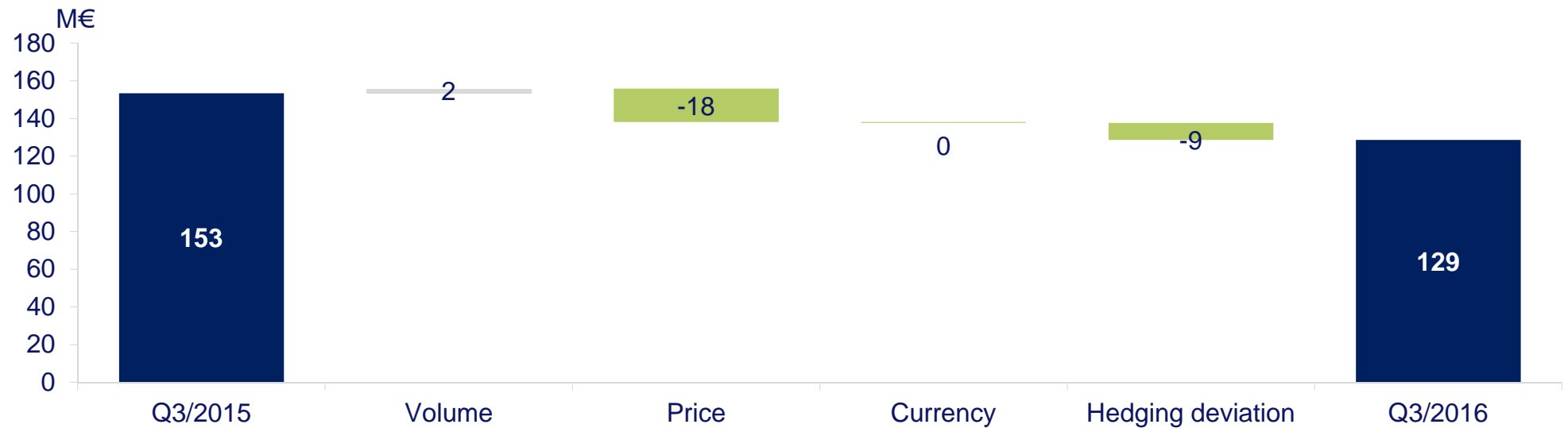
Q3 2015 vs. Q3 2016, M€







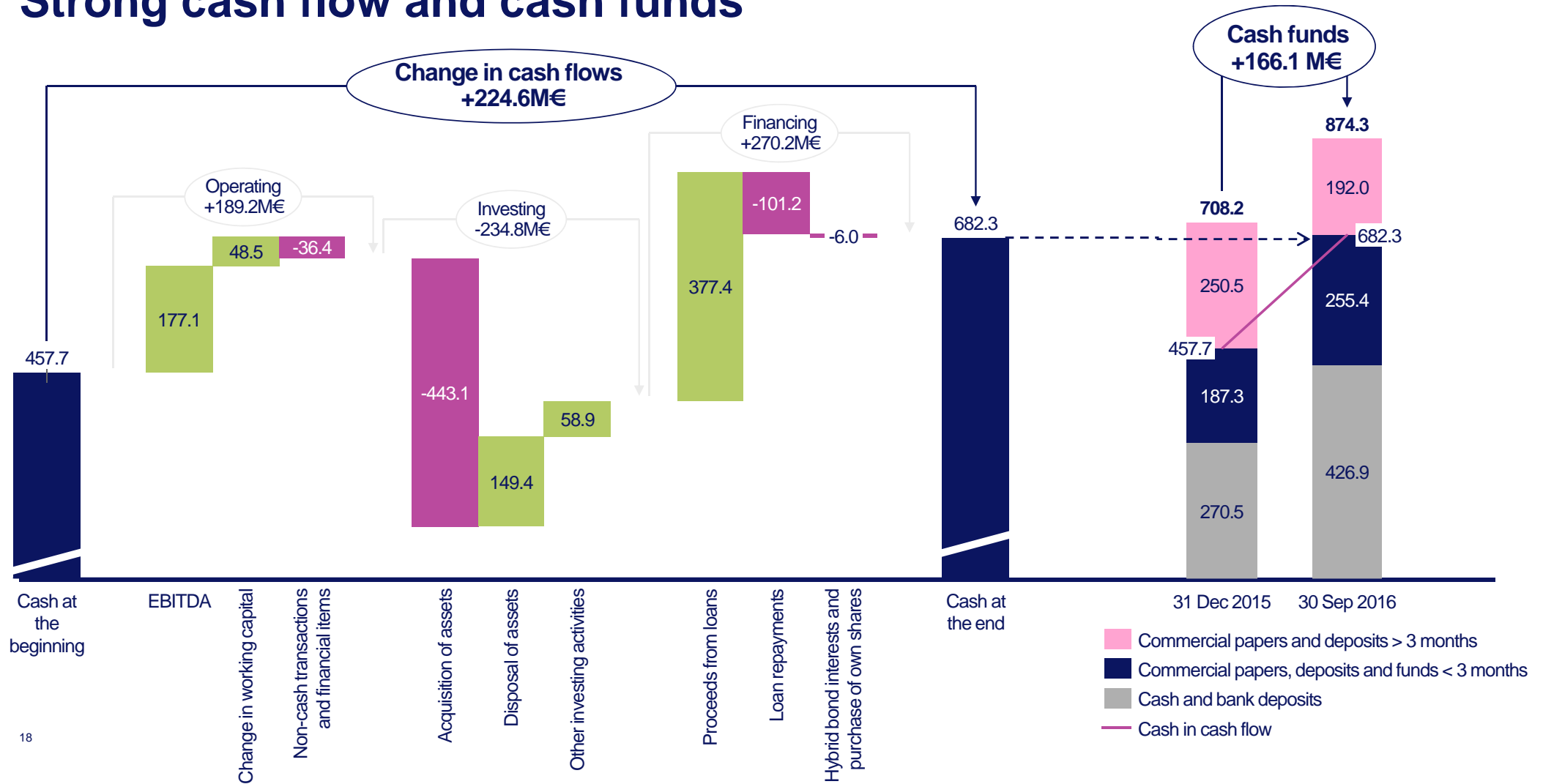
## Jet fuel price decrease supported Q3 performance



- Q3/15 hedging loss 32.7 M€
- Q3/16 hedging loss 23.6 M€



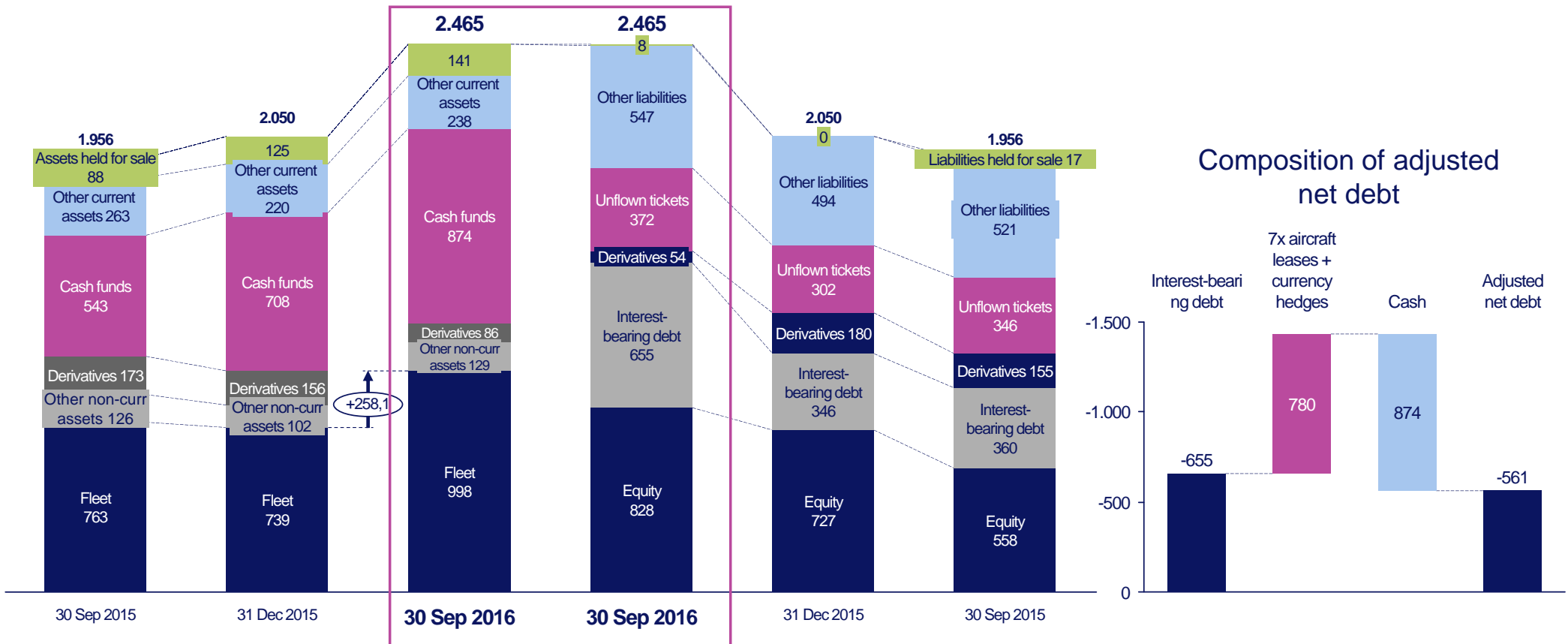
# Strong cash flow and cash funds





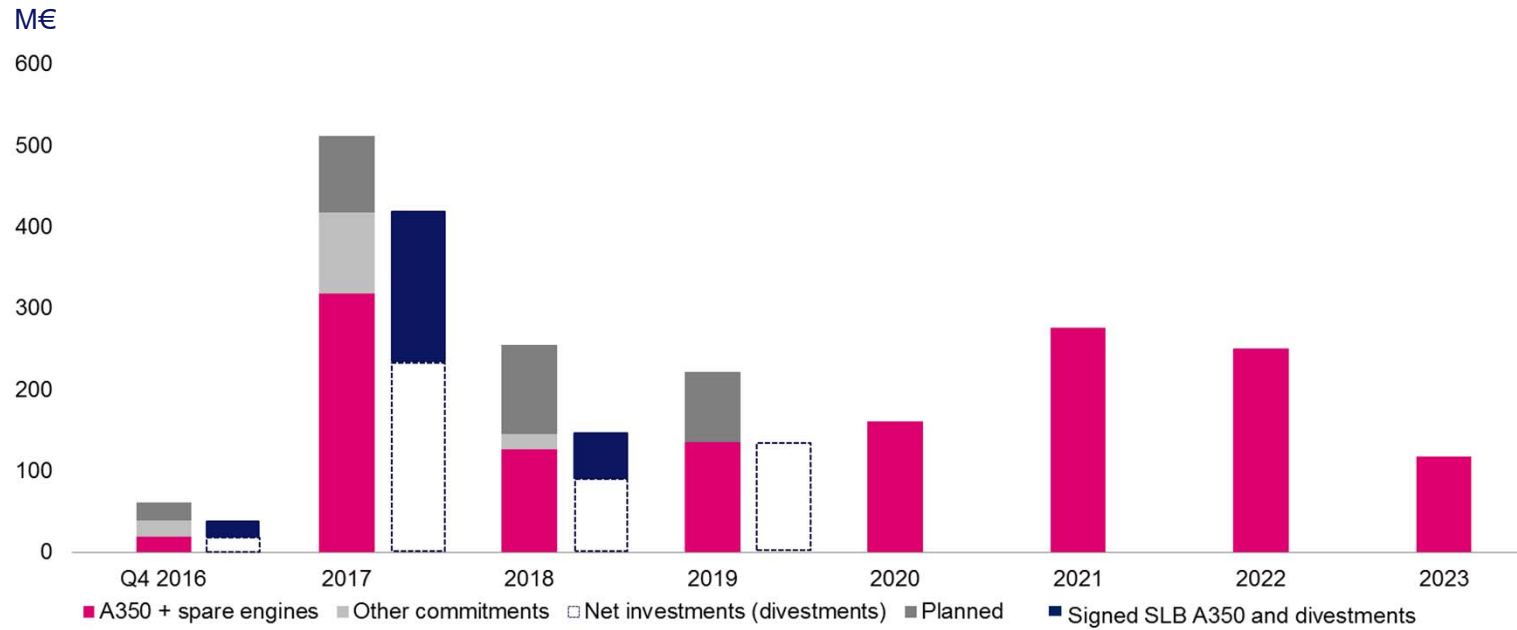
# Balance sheet: 3 new A350 & JOLCO loans YTD, one A350 SLB in Q3

## Strong financial position: Equity ratio at 33.6%, Adjusted gearing at 67.7%





# Net confirmed capital commitments 457 M€ Q4/2016-2019





# THANK YOU

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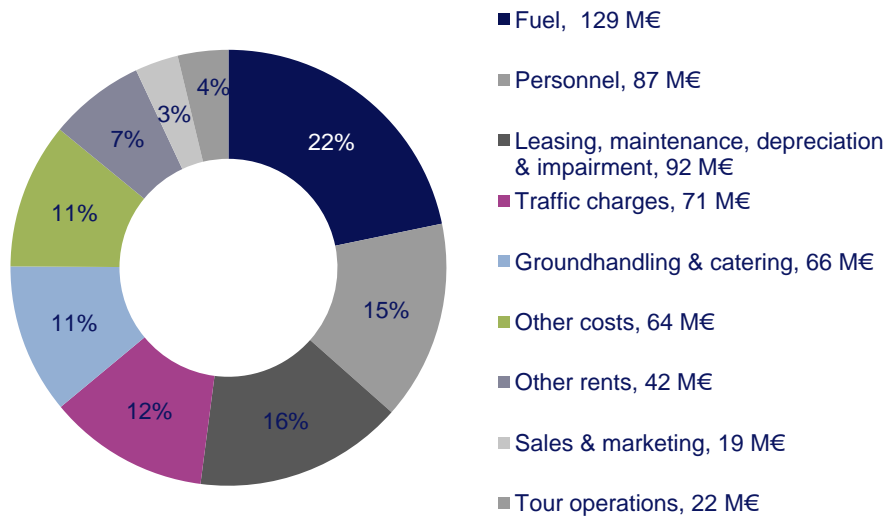
@finnair.com



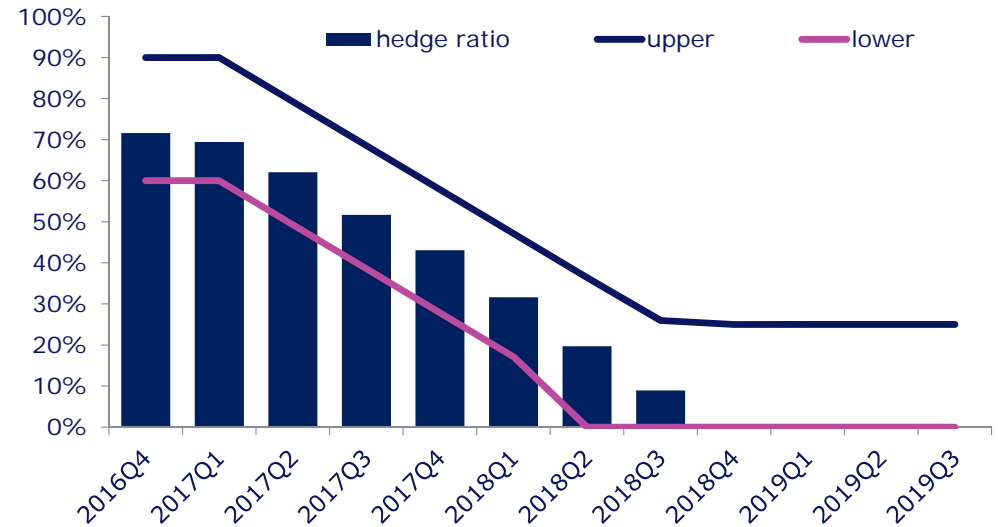


# In Q3, fuel continues to be the largest cost item

## Split of operational costs, %



## Jet fuel hedging ratios 30 September 2016





## Fuel and currency sensitivities & currency split

<b>Fuel sensitivities</b> (rolling 12 months from date of financial statements)	<b>10% change without hedging</b>	<b>10% change with hedging</b>	<b>Hedging ratio</b>	
			H2/2016	H1/2017
Fuel	EUR 41 million	EUR 21 million	72 %	66 %

<b>Currency distribution</b>	7–9	7–9	1–9	1–9	2015	<b>Currency sensitivities</b>		<b>Hedging ratio for operational cash flows</b>
	2016	2015	2016	2015		(rolling 12 months)		(rolling 12 months)
<b>Sales currencies</b>						10% change without hedging	10% change, with hedging	
EUR	48	50	55	56	48	-	-	
USD*	6	3	4	2	6	see below	see below	see below
JPY	12	11	9	9	12	EUR 11 million	EUR 8 million	70 %
CNY	10	11	7	8	10	-	-	
KRW	4	3	3	3	4	-	-	
SEK	4	4	5	5	4	-	-	
Other	16	18	17	17	16	-	-	
<b>Purchase currencies</b>								
EUR	55	52	54	51	55	-	-	
USD*	38	40	39	41	38	EUR 53 million	EUR 17 million	68 %
Other	7	8	7	8	7			

\* Hedging ratio for USD basket. The sensitivity analysis assumes that the Chinese yuan and the Hong Kong dollar continue to correlate strongly with the US dollar.