



17 August 2016  
CEO Pekka Vauramo  
CFO Pekka Vähähyppä

# Finnair Q2 2016 Result

Finnair Q2 2016 Result, 17 August 2016

# Highlights of the second quarter



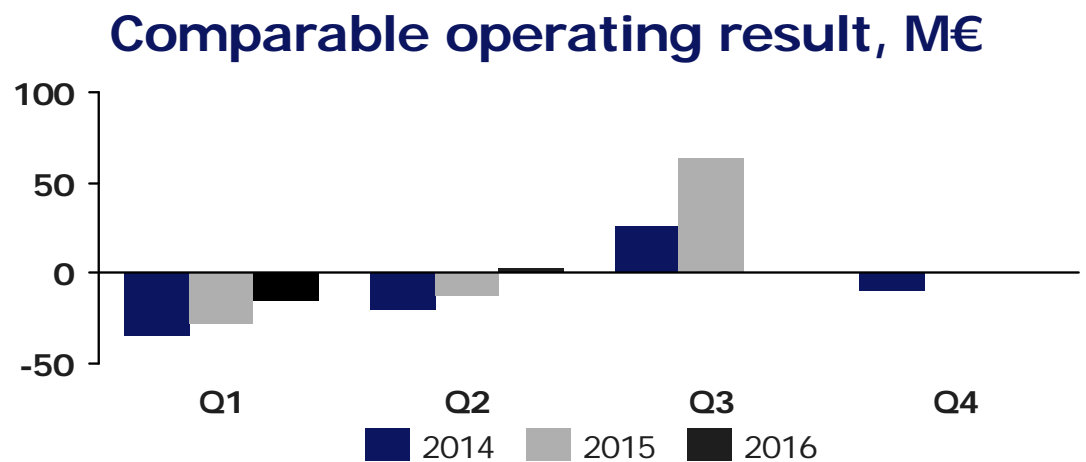
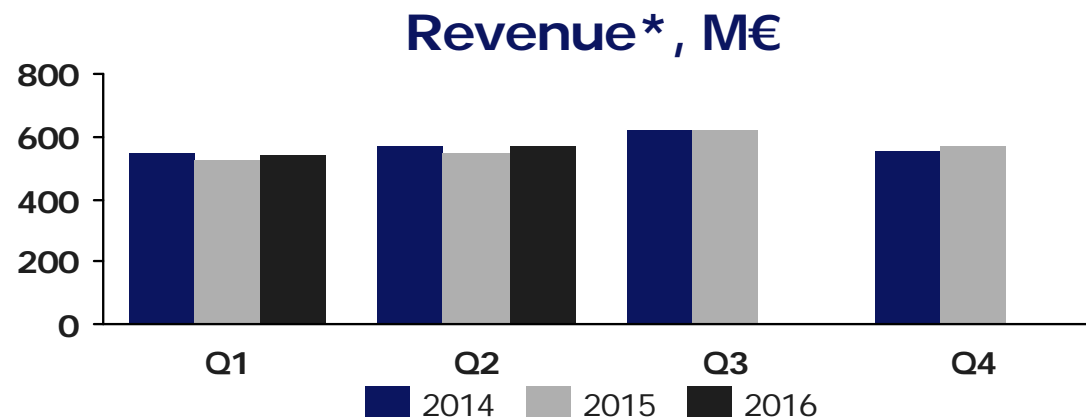
- The seventh consecutive quarter of profit improvement
- Fukuoka & Guangzhou route openings
- Skytrax named Finnair Northern Europe's best airline for the seventh time in a row
- The cooperation agreement with the Chinese Alitrip will bring up to 3 000 Chinese tourists to Finland during the winter months
- Wireless Network Connection in Finnair's entire long-haul fleet in 2017





# Q2 2016: Positive result + 3M€ and 7th consecutive quarter of result improvement

- **Revenue grew by 5% to 570 M€**
  - Growth in passenger traffic & Travel services
  - Ancillary sales per pax grew to 10.89€ (+18%)
  - Cargo volume grew but revenue decreased
- **Comparable operating result improved by 16 M€ to 3 M€**
  - Preparing for the growth was reflected in costs: the flying personnel, training
  - delays in A350 deliveries increased costs
  - 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.

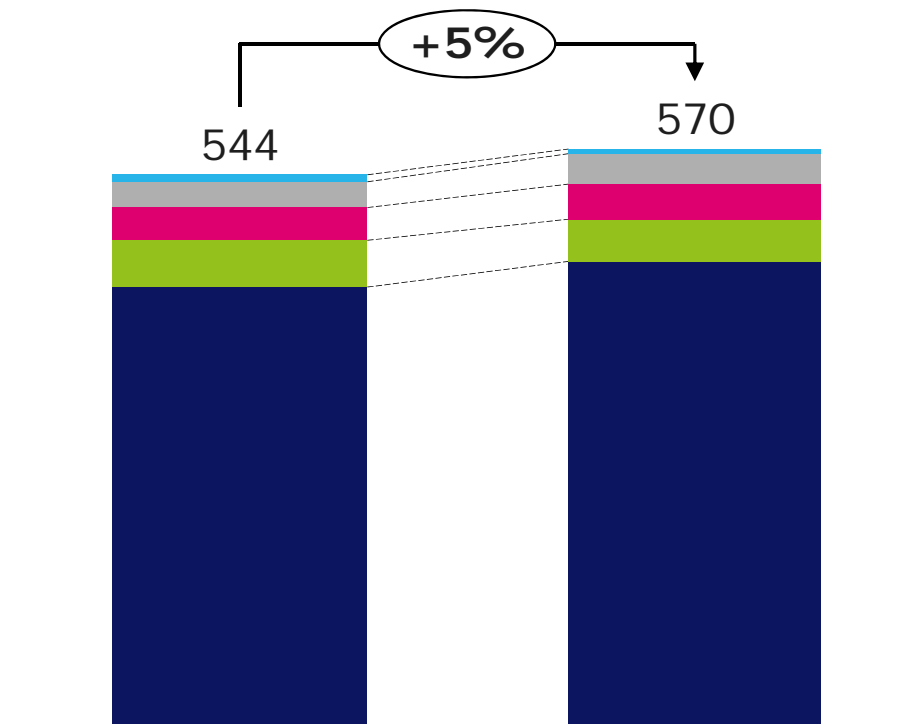


## Q2 Finnair's market position

- Finnair Capacity grew 8.8%, majority of which in Asia (+9.2%) and Atlantic (+66.0%)
- Finnair gained market share in European and Asian traffic. \*
- Demand for air travel continued to grow in Finnair's main markets
  - Timing of Easter affected the comparison year
  - Strong business travel demand growth
  - Leisure travel demand to some European destinations decreased due to security concerns
- Siberian Joint Business serving Japanese routes gained market share, Atlantic Joint Business performance weakened in a challenging market environment.
- Despite overcapacity and weak business environment in cargo traffic, Finnair successfully increased cargo volumes in key markets.
- Good development in Aurinkomatkat continued despite the situation in Turkey

\* Finnair's estimates.

# Q2: Growth in passenger traffic revenue and travel services revenue



- Passenger traffic ticket revenue held up well with capacity growth
- Ancillary and retail sales saw strong, continued growth
- Less revenue from cargo
- Good development in Aurinkomatkat continued
- Travel agencies revenue declined mainly due to sale of Estravel in 2015

Q2 2015		Q2 2016	
Travel agencies: -32.9%	Ancillary and retail revenue: +24.3%		
Travel services: +1.9%	Passenger revenue: +5.5%		
Cargo: -5.6%			

# Q2 Traffic Performance



Q2		Asia	North Atlantic	Europe	Domestic	Total*
<b>Passenger revenue</b>	million	173.9	28.8	204.2	39.7	458.3
	Chg. %	-2.1	40.2	2.6	7.6	5.5
	Share %	37.9	6.3	44.5	8.7	100
<b>ASK</b>	million	4 070.1	671.9	3 413.6	356.9	8 512.5
	Chg. %	9.2	66.0	1.6	7.5	8.8
	Share %	47.8	7.9	40.1	4.2	100
<b>RPK</b>	million	3 109.6	530.2	2 713.7	237.9	6 591.3
	Chg. %	4.6	49.6	2.8	7.1	6.5
<b>PLF</b>	%	76.4	78.9	79.5	66.7	77.4
	Chg %	-3.4	-8.6	0.9	-0.3	-1.7
<b>Cargo</b>	Revenue, Mill.					42.6
	Chg. %					-5.6
	Tonnes, Mill.					371
	Chg. %					9.8

\*Includes unallocated revenue  
 ASK: Available Seat Kilometres  
 RPK: Revenue Passenger Kilometres  
 PLF%: Passenger Load Factor

# H1 Traffic Performance



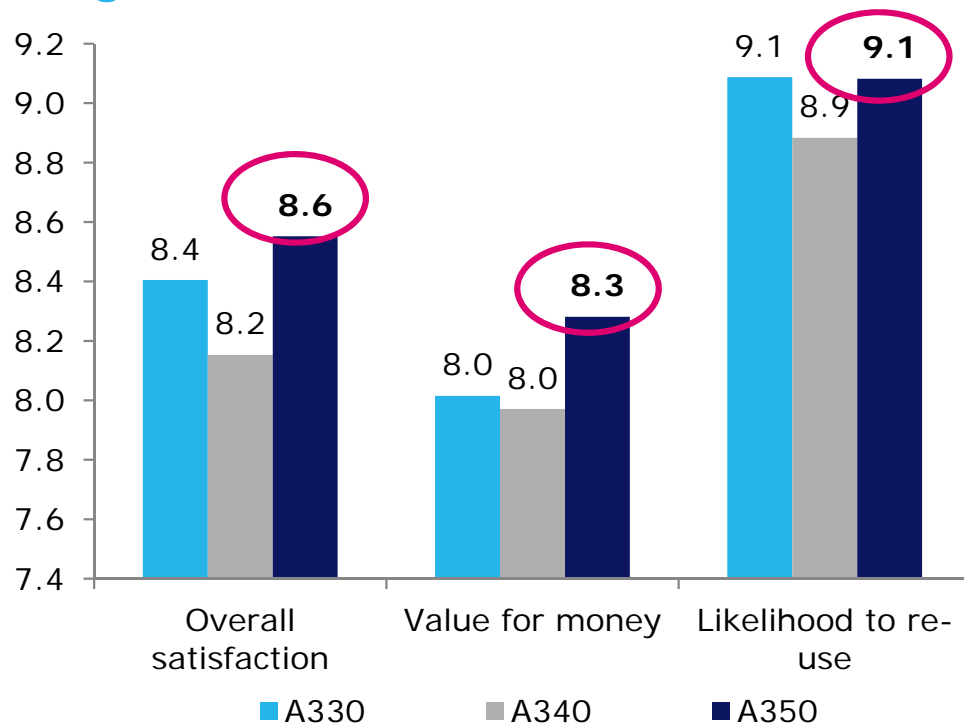
Q2		Asia	North Atlantic	Europe	Domestic	Total*
<b>Passenger revenue</b>	million	338.8	54.5	365.1	88.4	862.3
	Chg. %	0.1	15.8	4.3	12.0	4.1
	Share %	39.3	6.3	42.3	10.3	100
<b>ASK</b>	million	8 091.6	1 304.4	6 412.2	825.1	16 633.2
	Chg. %	6.3	31.7	3.2	14.5	7.1
	Share %	47.6	5.2	42.9	4.2	100
<b>RPK</b>	million	6 438.0	1 038.9	4 942.5	572.4	12 991.7
	Chg. %	5.3	27.4	3.4	14.6	6.4
<b>PLF</b>	%	79.6	79.6	77.1	69.4	78.1
	Chg %	-0.7	-2.6	0.1	0.1	-0.5
<b>Cargo</b>	Revenue, Mill.					82.2
	Chg. %					-8.5
	Tonnes, Mill.					725
	Chg. %					7.3

\*Includes unallocated revenue  
 ASK: Available Seat Kilometres  
 RPK: Revenue Passenger Kilometres  
 PLF%: Passenger Load Factor

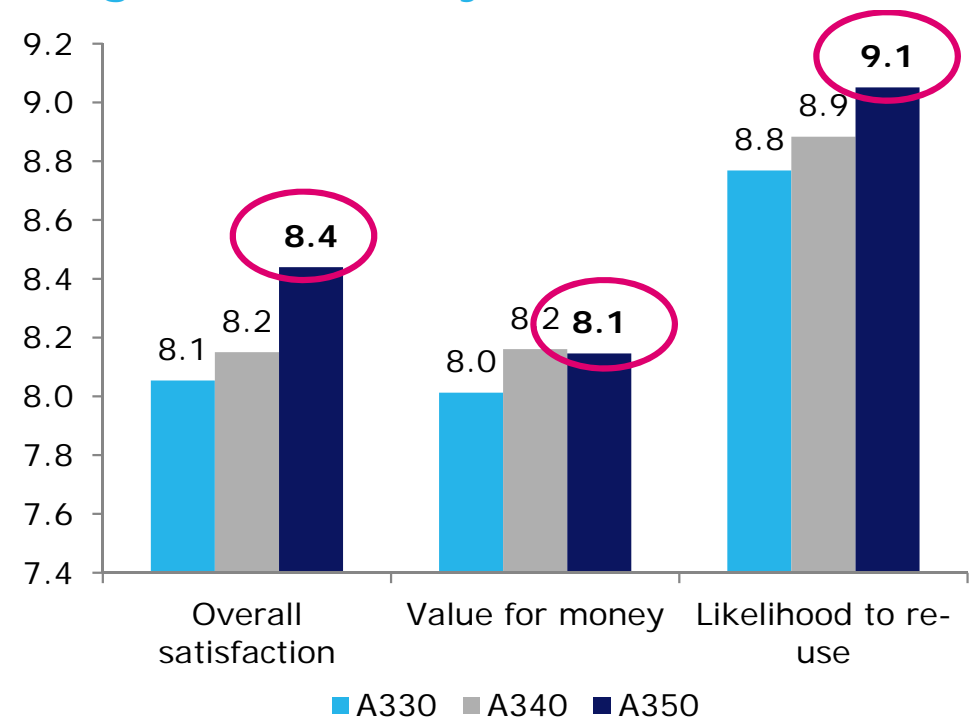
# A350s generate excellent customer ratings



## Long haul business



## Long haul economy



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# 20 M€ cost efficiency program



- Improvement of profitability is a prerequisite for growth
- Finnair is to review its activities
- Efficiency measures aim at an annual cost savings of EUR 20 million by the end of June 2017
- Planning is starting now, the main points during the fall





# Outlook for 2016

- Finnair's new estimate of capacity growth is approximately 7 per cent, while the previous estimate was a growth of 8 per cent compared to 2015. The revision is due to delays in the deliveries of A350 aircraft.
- The rate of revenue growth is estimated to be slower than the rate of capacity growth.
- Uncertainty regarding the demand and yield prospects of the airline industry has increased during recent months.
- Finnair estimates that its comparable operating result for 2016 will increase from the previous year (2015: 23.7 million euros).



# Financials

# Q2 Financial Summary



Traffic	Q2 2016	Change %	Q1-Q2 2016	Change %
PAX (1,000)	2,779	6.0	5,280	7.6
ASK	8,513	8.8	16,633	7.1
No of flights	28,251	2.0	55,172	6.2
PLF % (load)	77 %	-1.7	78 %	-0.5 %-p

KPI	Q2 2016	Change %	Q1-Q2 2016	Change %
RASK	6.69	-3.8	6.65	-3.0
RASK at constant cur	6.77	-2.7	6.70	-2.2
CASK	6.65	-6.5	6.72	-5.6
CASK ex fuel	5.17	0.8	5.23	1.7
CASK ex fuel at constant cur	5.13	0.1	5.20	1.0

Results	Q2 2016	Change %	Q1-Q2 2016	Change %
Revenue	569.6	4.7	1106.0	3.8
Comparable EBITDAR	56.3	50.6	92.7	63.8
Comparable EBIT	3.2	> 200.00	-12.2	70.5
Net result	-1.1	82.3	-16.1	-1.9

Cashflow and financial position	Q2 2016	Change %	Q1-Q2 2016	Change %
Operating cash flow	119.6	35.3	130.0	28.2
Interest-bearing net debt			-150.2	-10.2
Adjusted gearing			82.1	0.7 %-p
ROCE			10.0	13.2 %-p

# Income statement

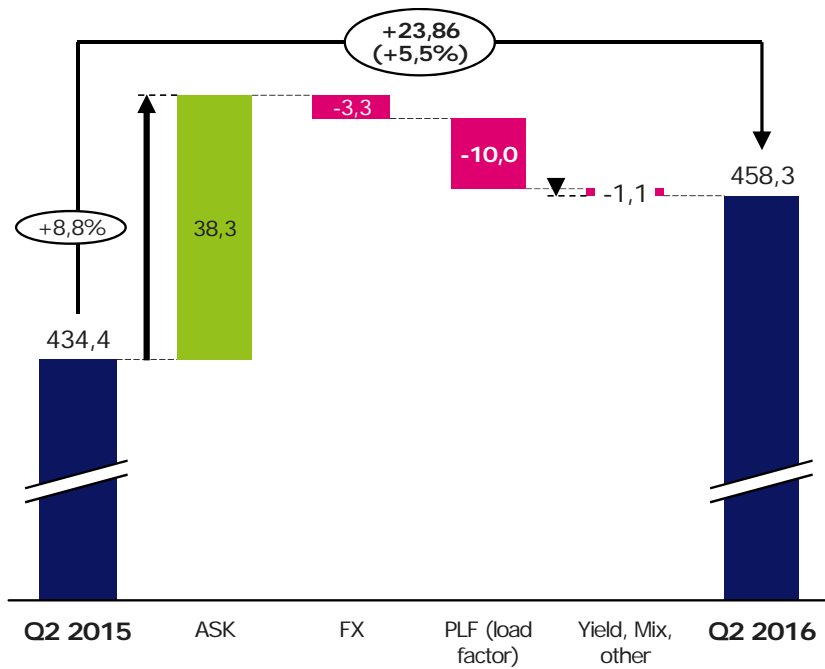


in mill. EUR	Q2 2016	Q2 2015	Change %	Q1-Q2 2016	Q1-Q2 2015	Change %	2015
<b>Revenue</b>	<b>569.6</b>	<b>543.9</b>	<b>4.7</b>	<b>1,106.0</b>	<b>1,065.2</b>	<b>3.8</b>	<b>2,254.5</b>
Other operating income	17.9	21.5	-16.9	40.0	44.5	-10.2	85.2
<b>Operating expenses</b>							
Staff costs	-93.0	-87.4	6.4	-184.8	-177.4	4.2	-353.2
Fuel costs	-126.4	-155.7	-18.8	-247.9	-307.0	-19.2	-595.5
Other rents	-37.2	-41.0	-9.4	-79.2	-78.7	0.7	-159.4
Aircraft materials and overhaul	-37.6	-30.9	21.5	-74.2	-62.6	18.6	-118.9
Traffic charges	-66.4	-65.8	0.9	-127.4	-128.3	-0.7	-258.5
Ground handling and catering expenses	-62.3	-58.9	5.8	-127.4	-119.3	6.8	-250.3
Expenses for tour operations	-15.6	-15.4	1.3	-42.4	-39.1	8.5	-79.6
Sales and marketing expenses	-20.1	-17.9	11.9	-38.2	-35.6	7.3	-74.0
Other expenses	-72.8	-55.1	32.1	-131.6	-105.1	25.3	-219.3
<b>Comparable EBITDAR</b>	<b>56.3</b>	<b>37.4</b>	<b>50.6</b>	<b>92.7</b>	<b>56.6</b>	<b>63.8</b>	<b>231.2</b>
Lease payments for aircraft	-26.9	-25.3	6.6	-55.7	-46.2	20.6	-99.3
Depreciation and impairment	-26.2	-25.1	4.7	-49.1	-51.7	-4.9	-108.1
<b>Comparable operating result</b>	<b>3.2</b>	<b>-12.9</b>	<b>&gt; 200 %</b>	<b>-12.2</b>	<b>-41.3</b>	<b>70.5</b>	<b>23.7</b>

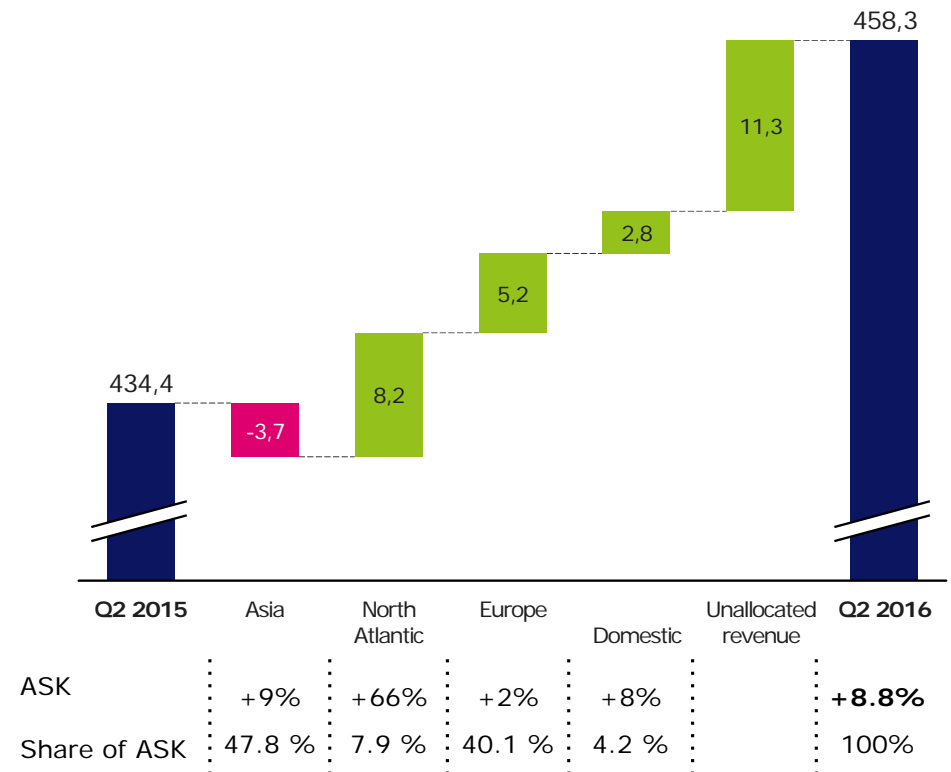


# Passenger revenue development

Passenger revenue, M€ +5.5 %



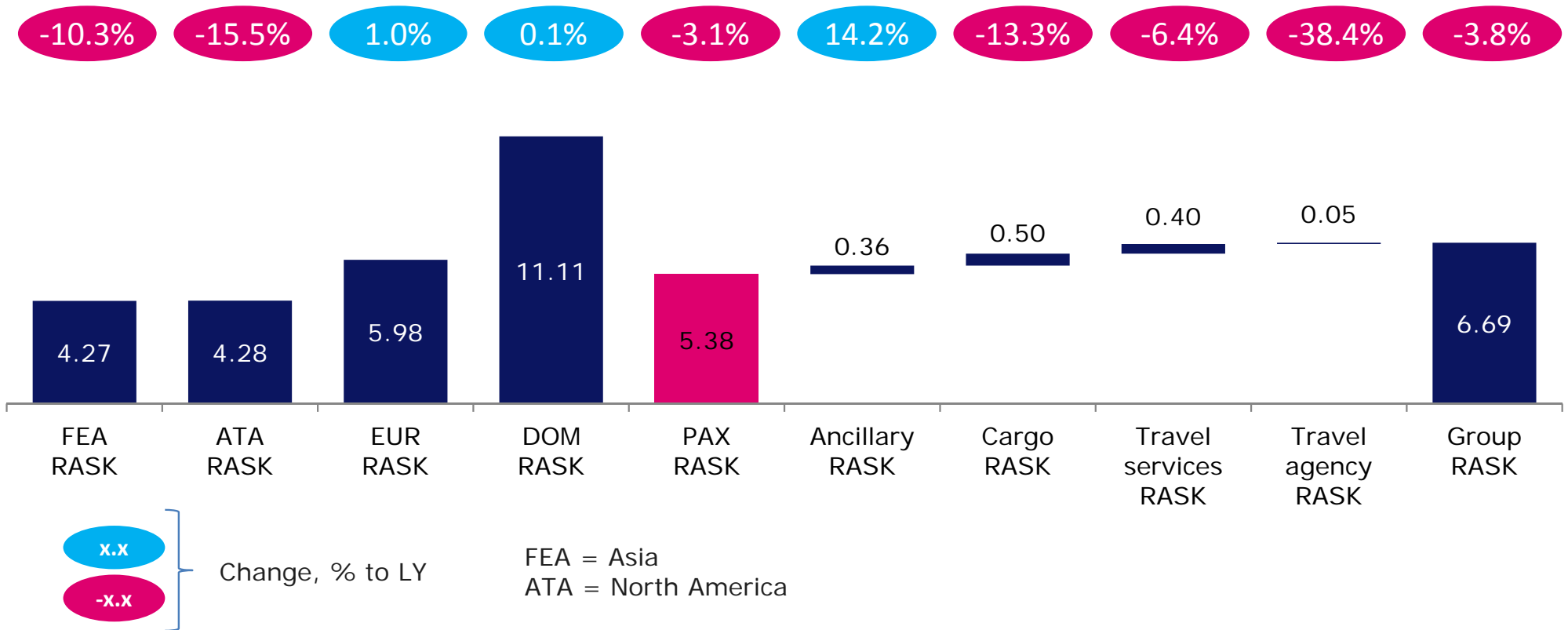
Passenger revenue by traffic area, M€



# Q2 RASK component development vs. LY



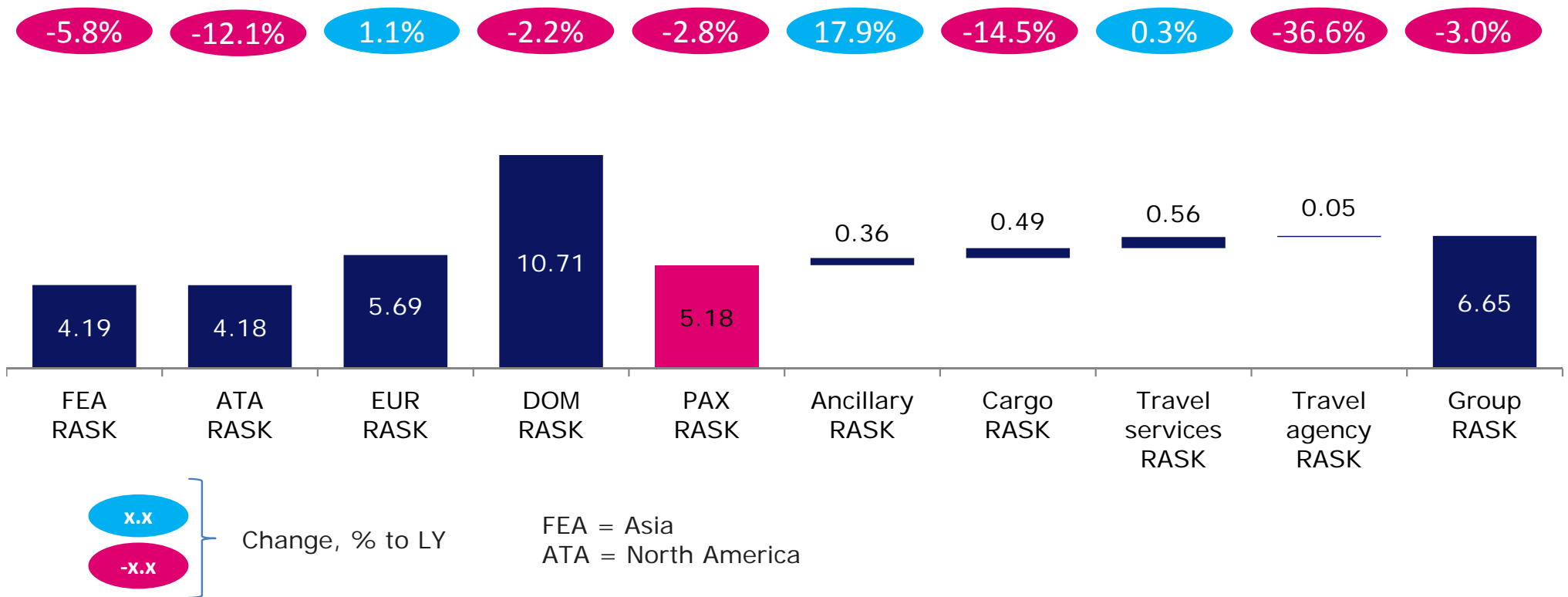
Q2 ASK +8.8%





# H1 RASK component development vs. LY

H1 ASK +7.1%

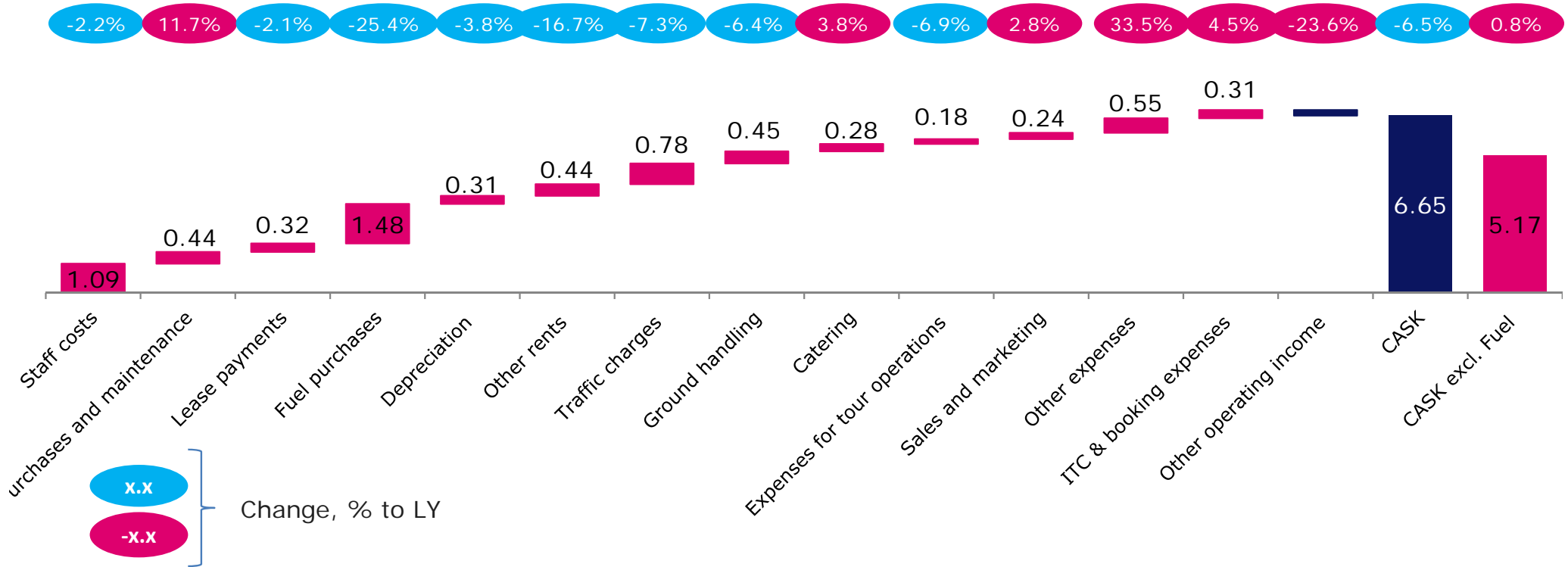




# Q2 CASK component development vs. LY



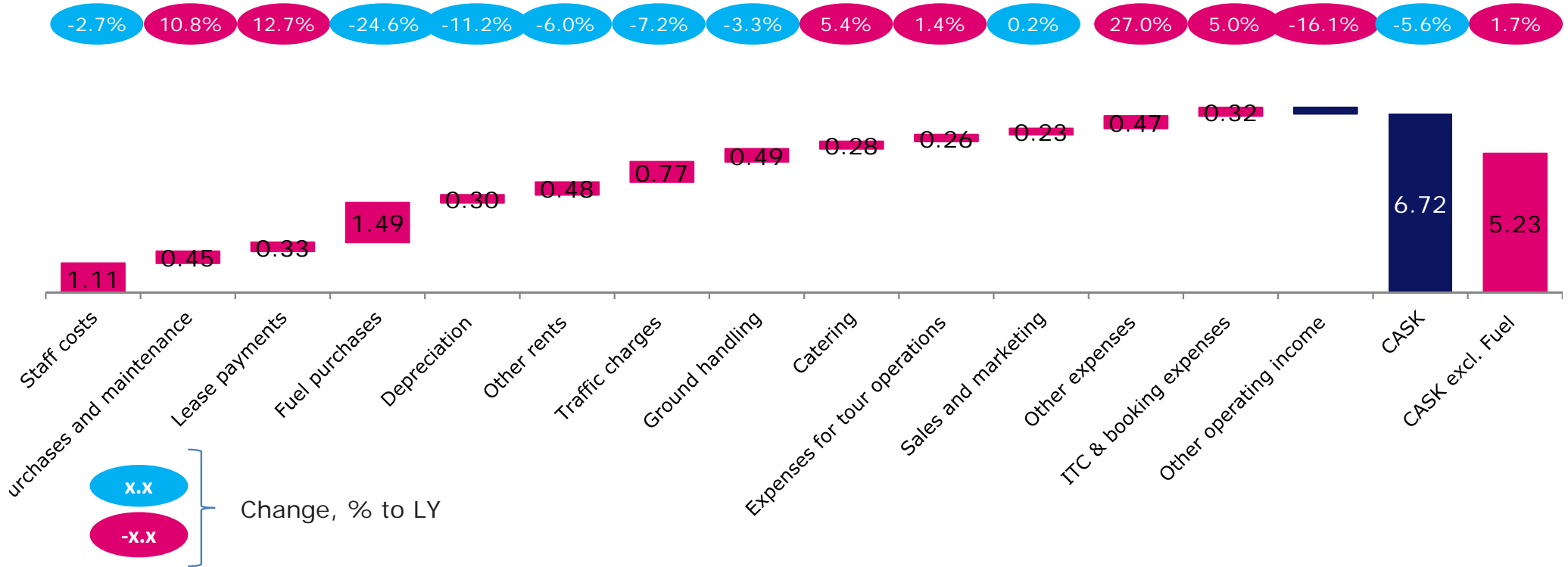
Q2 ASK +8.8%



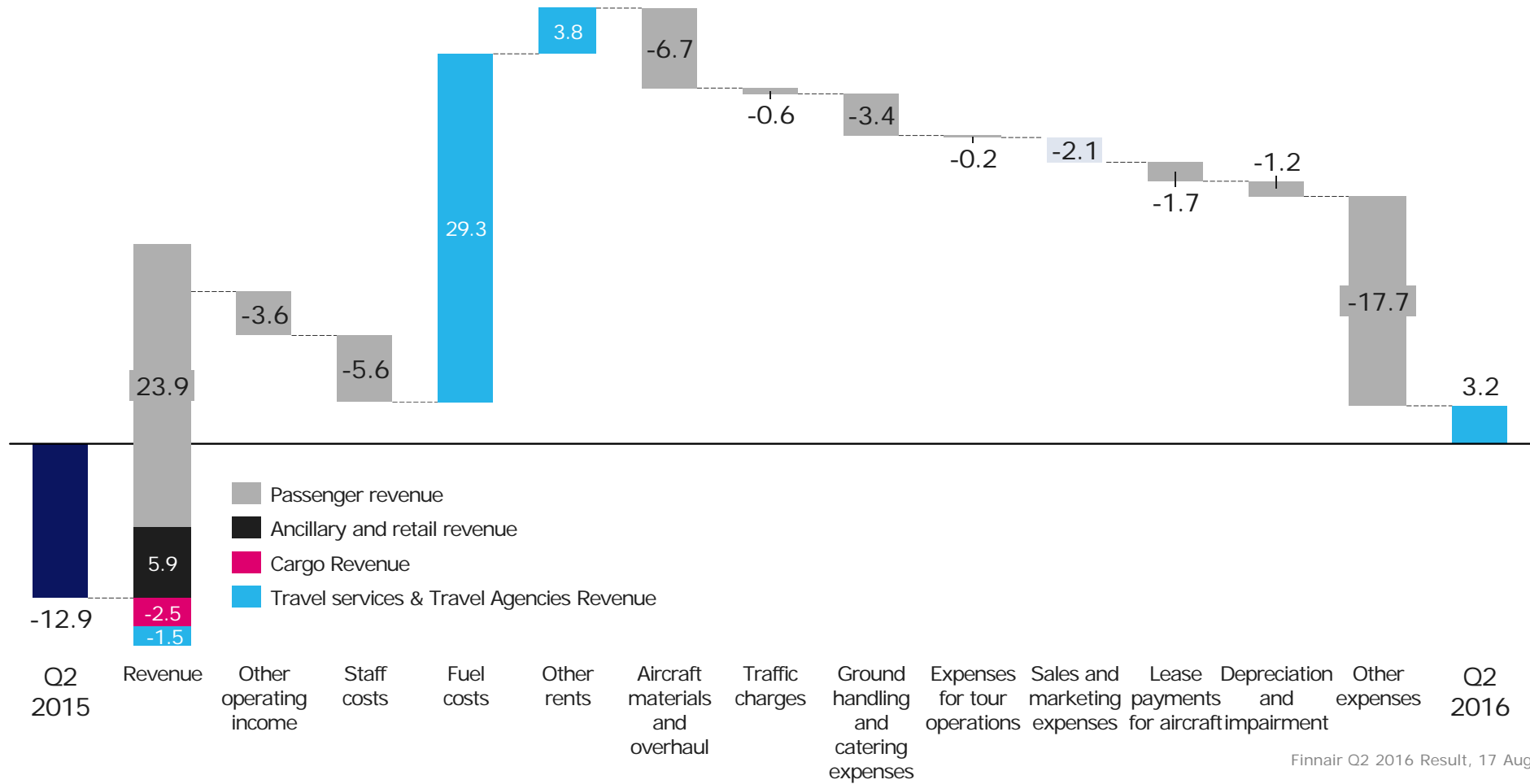
# H1 CASK component development vs. LY



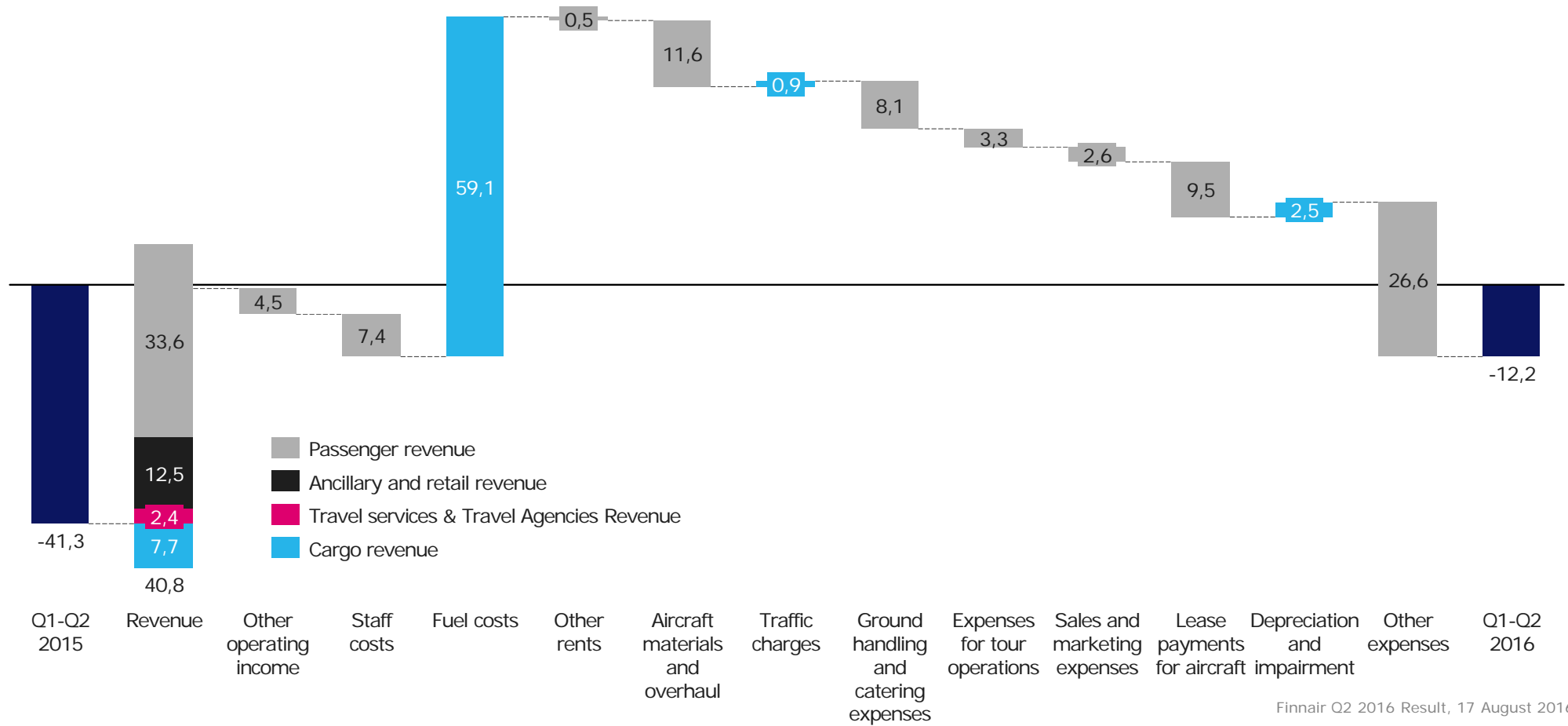
H1 ASK +7.1%



# Comparable EBIT Q2 2015 vs. Q2 2016, M€

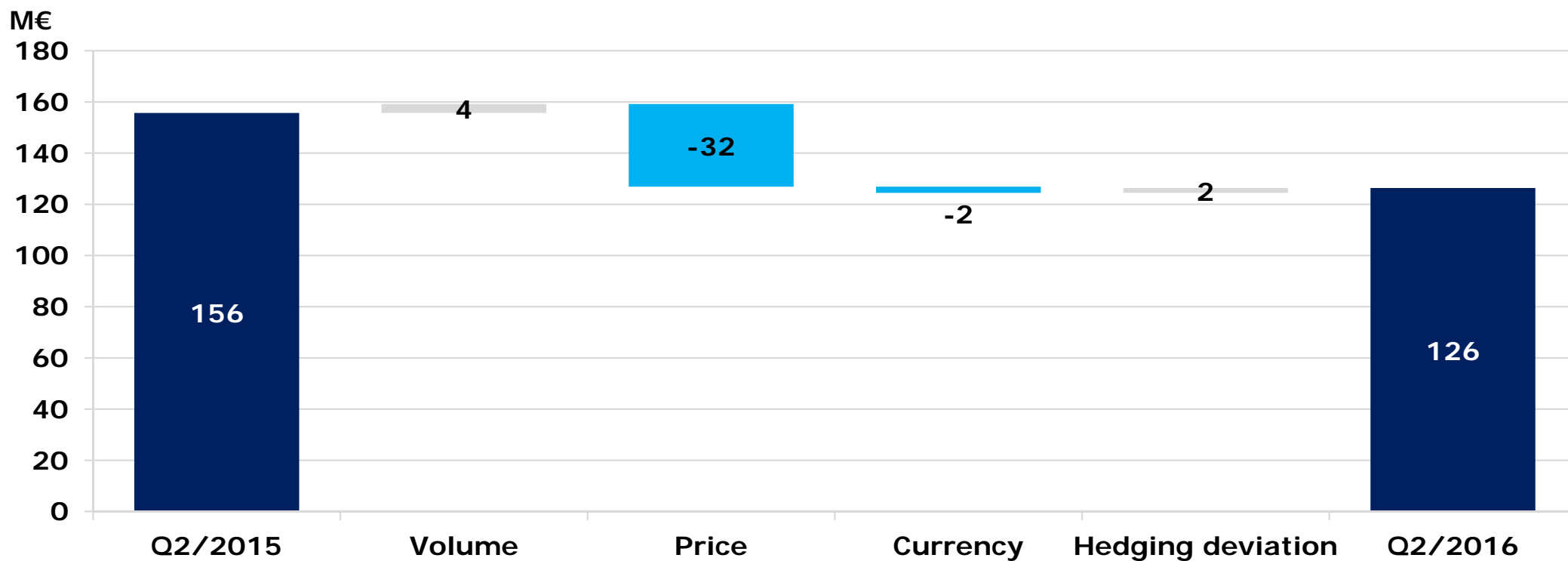


# Comparable EBIT H1 2015 vs. H1 2016, M€



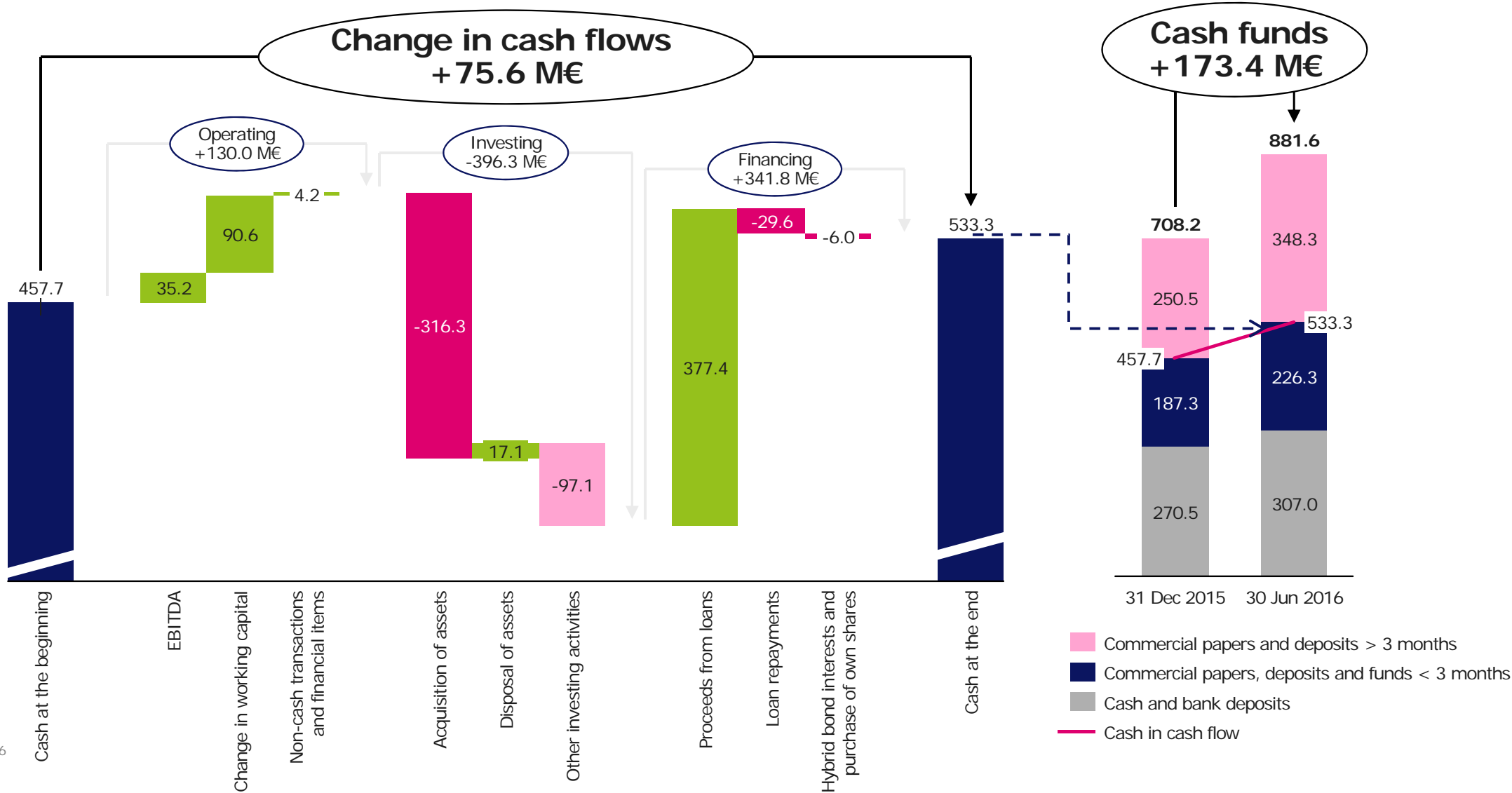


# Jet fuel price decrease supported Q2 performance

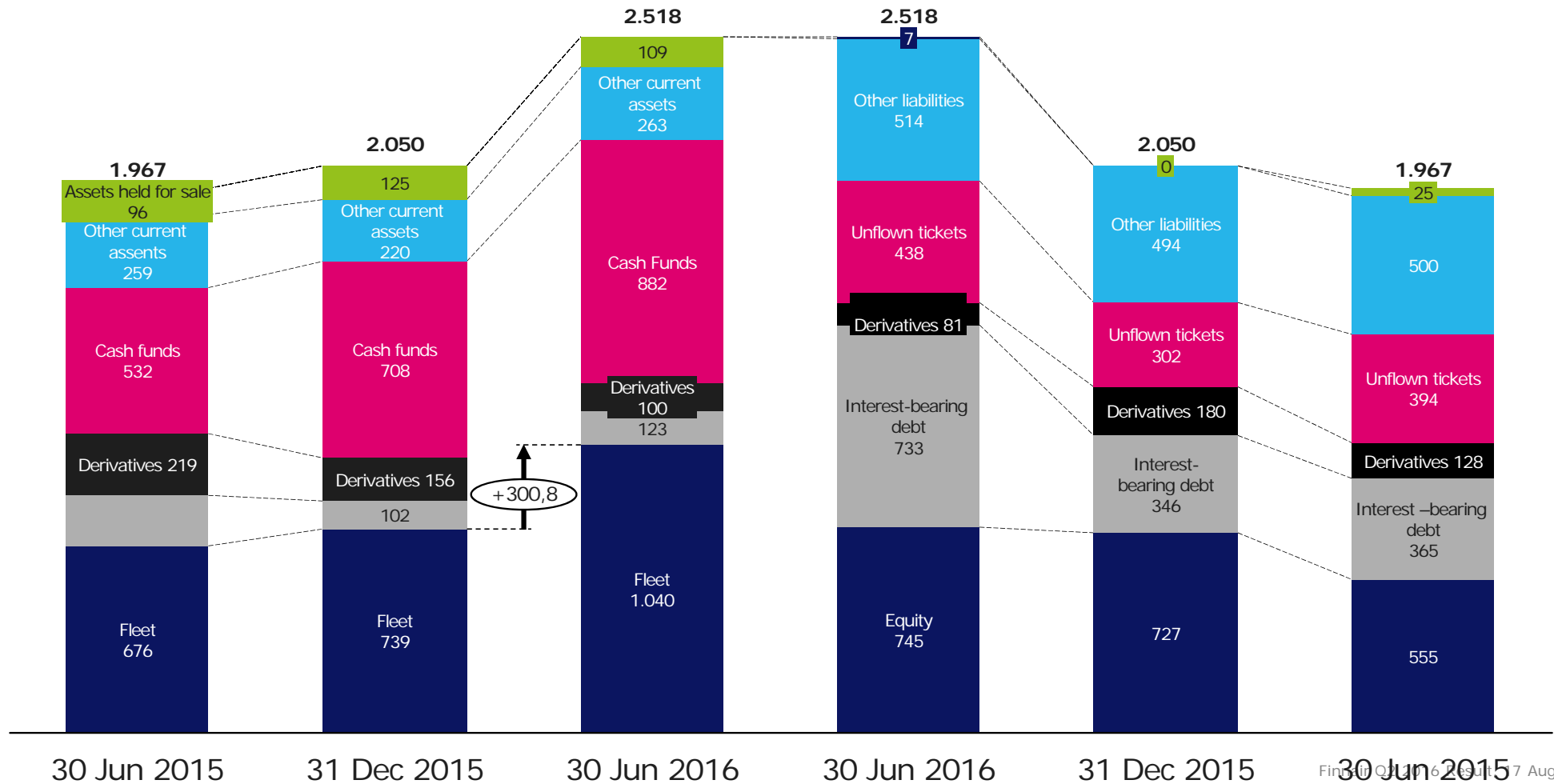


- Q2/15 hedging loss 31.1 M€
- Q2/16 hedging loss 33.0 M€

# Strong cash flow and cash funds



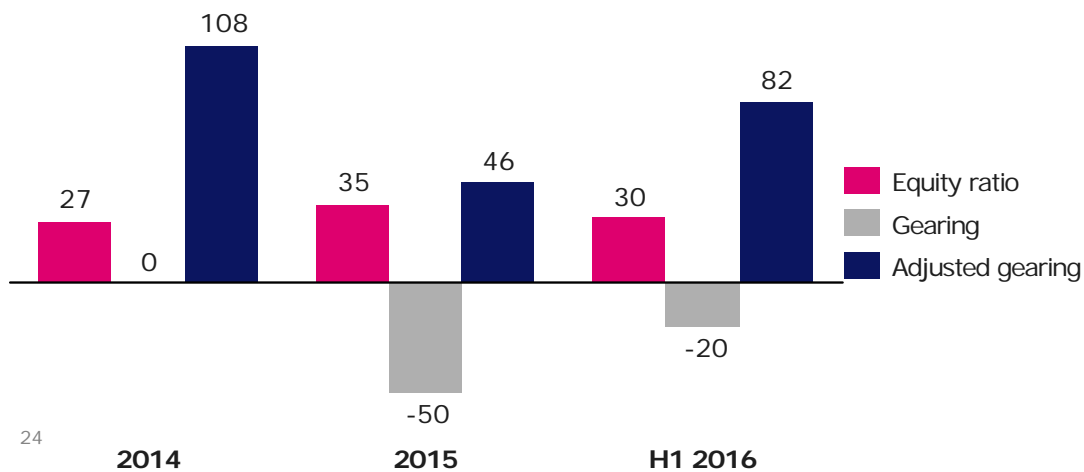
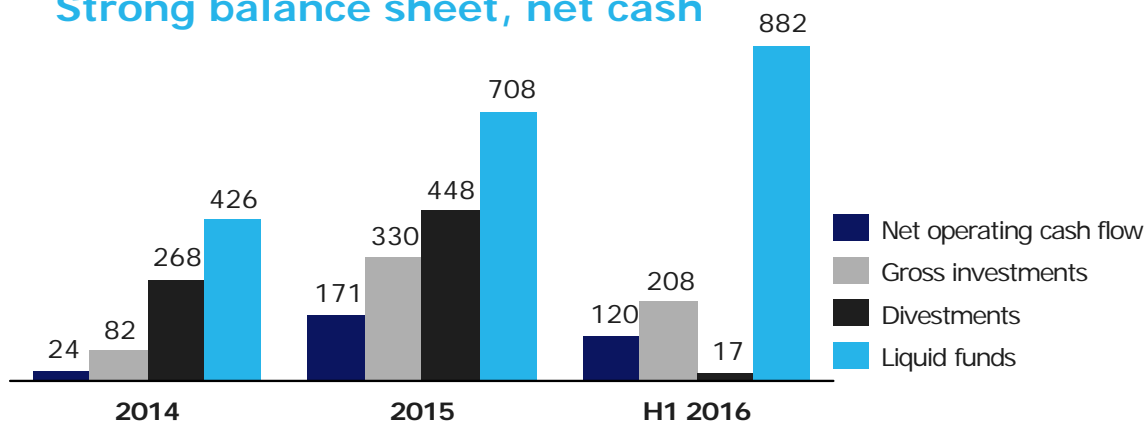
# Balance sheet: 3 new A350's & JOLCO loans



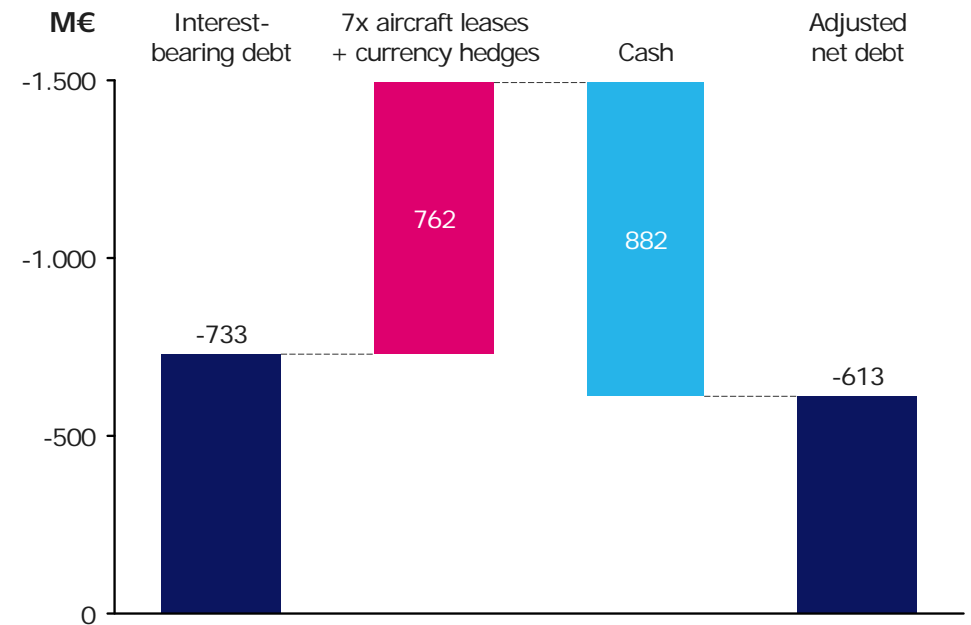


# Q2 Strong balance sheet & net cash support investments

## Strong balance sheet, net cash



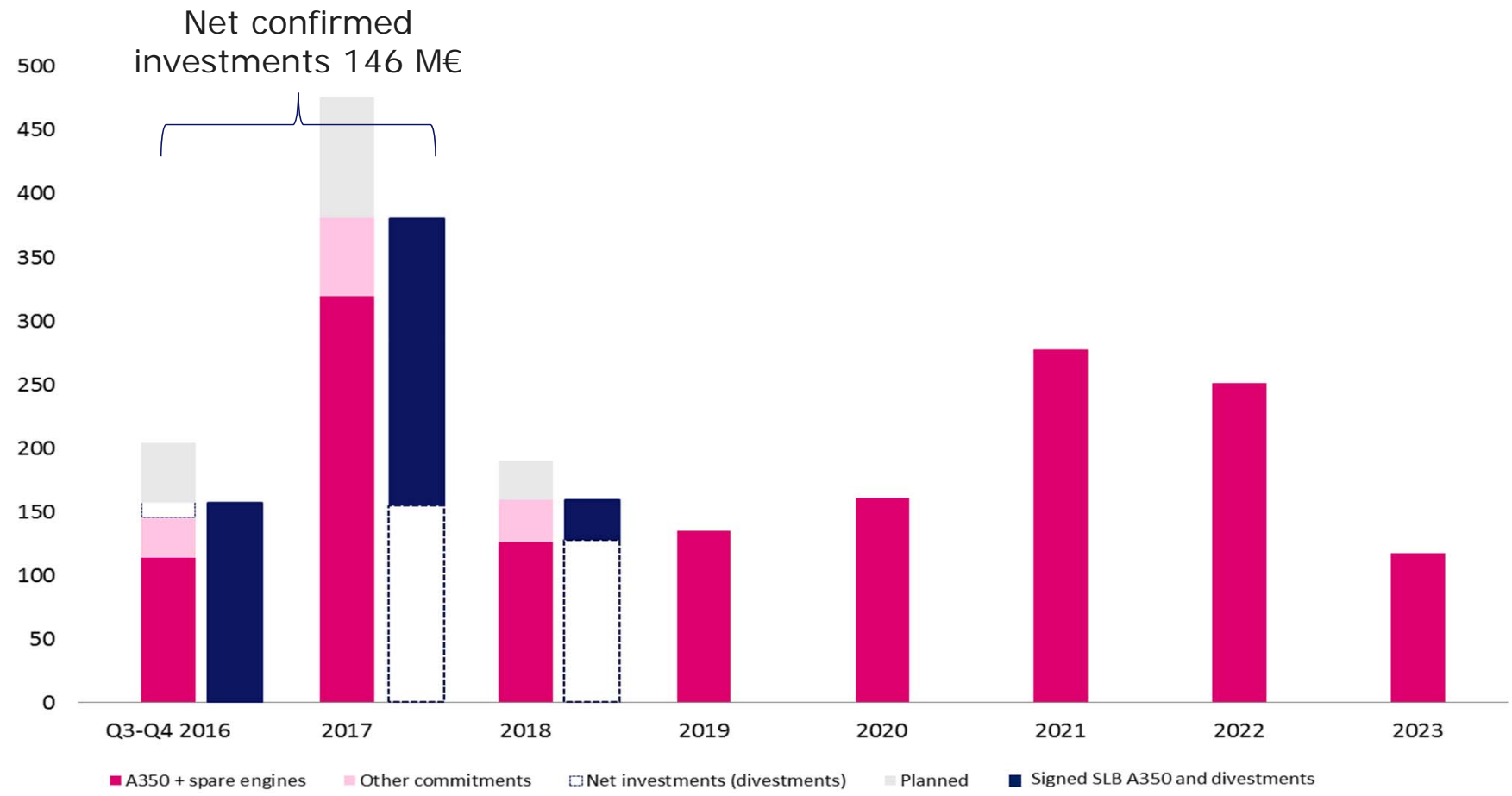
## Composition of adjusted net debt







# Investments 2016-2023

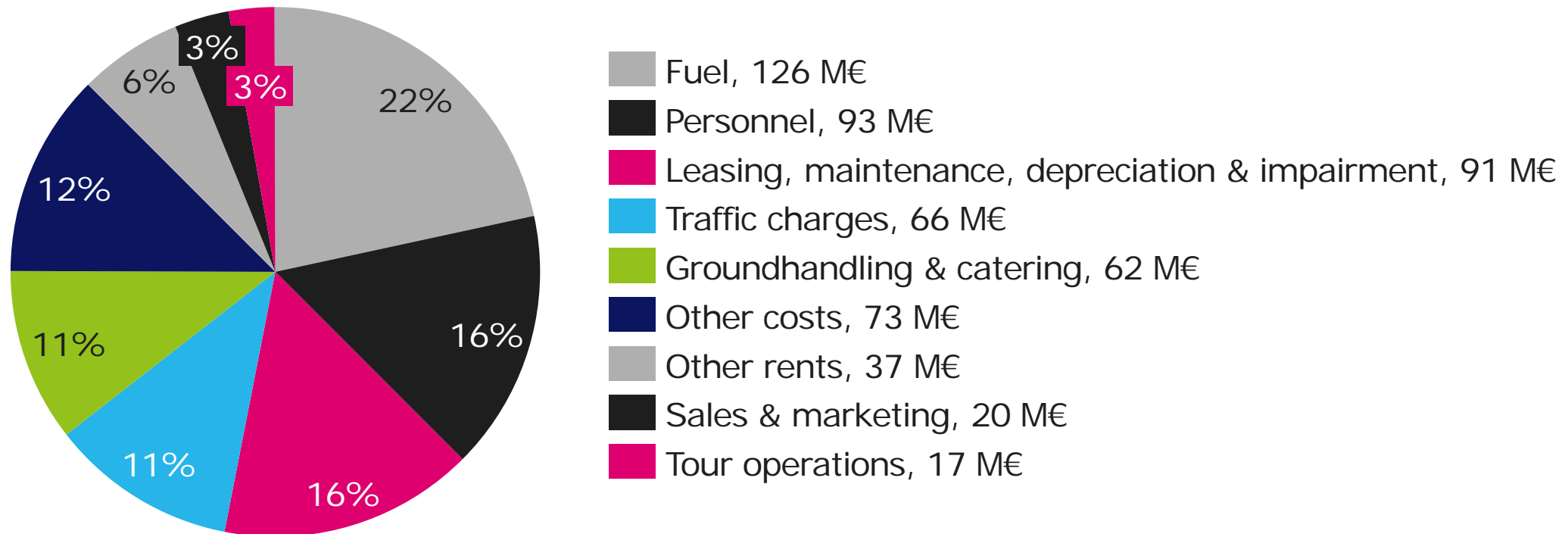


# Thank you





# In Q2, fuel continues to be the largest cost item, operational costs 584 M€





# Fuel and currency sensitivities & currency split

Currency distribution %	4-6	4-6	1-6	1-6	2015	Currency sensitivities USD and JPY (rolling 12 months from date of financial statements)	Hedging ratio (rolling 12 months from date of financial statements)	
	2016	2015	2016	2015				
<b>Sales currencies</b>					59	10% change without hedging	10% change, taking hedging into account	
EUR	63	54	63	59	59	-	-	
USD*	4	2	4	2	3	see below	see below	see below
JPY	8	9	8	8	8	EUR 12 million	EUR 8 million	70%
CNY	6	8	6	6	7	-	-	
KRW	3	4	3	3	3	-	-	
SEK	5	5	5	5	5	-	-	
Other	11	18	11	17	15	-	-	
<b>Purchase currencies</b>								
EUR	53	50	53	52	53	-	-	
USD*	40	40	40	41	41	EUR 55 million	EUR 20 million	68%
Other	7	10	7	7	7			

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



# Jet fuel hedging ratios

30 June 2016

