

# FINNAIR Q4 AND 2016 RESULT

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**FINNAIR**

## 2016: Steps of growth

- **Revenue increased**, the comparable operating profit more than doubled to 55 M€
- **Close to 11 million passengers** - half a million more than in 2015
- **Customer satisfaction at a good level: NPS\* 43%**
- Four new wide-body A350 aircraft in use
- **Hundreds of new Finnair employees** joined the team



In 2017 the route network expands to 18 destinations in Asia, 7 in the Americas, and more than 70 in Europe





## Route Network expands

- More capacity to favourite destinations in Europe and Asia for the summer 2017
- Record number of flights to China and Japan, Finnair to become the largest\* European airline in Japan in the summer of 2017
- The route network is expanding:
  - Reykjavik and San Francisco in the summer of 2017
  - Goa, Havana, Puerto Plata and Puerto Vallarta in the winter 2017/2018
  - Direct routes from European cities to Lapland in winter 2017/2018





## Q4 Lapland was number one destination for Chinese passengers

- Air travel growth continued in Finnair's main market areas:
  - Lapland was number one destination for Chinese passengers on Finnair flights
  - Nordic destinations and Eastern Europe saw strong growth
  - Leisure travel demand to some European destinations continued to decline due to security concerns
- Finnair's capacity increased by 3.5%, in Asia (5.7%) and Europe (2.2%)
- Finnair market share in traffic between Europe and Asia was flat year-on-year.\*
- Siberian Joint Business serving Japanese routes gained market share, Atlantic Joint Business performance weakened in a challenging market environment.
- The freight market's bearish trend appears to have levelled off and Finnair Cargo saw increased sales in October-November. The early challenges associated with the introduction of cargo ERP system hampered sales in December.
- Aurinkomatkat performed well.



## Q4 was 9<sup>th</sup> consecutive quarter of result improvement

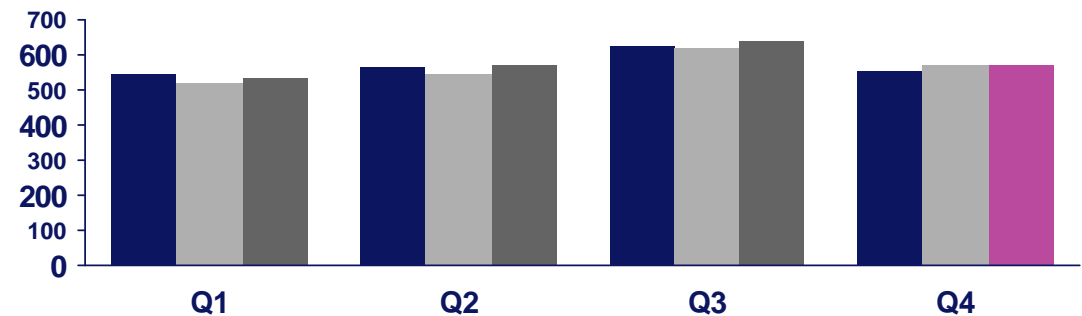
### Comparable revenue growth was 1.2%

- Growth in passenger traffic & Travel services
- Ancillary sales per pax grew to €12.2 (+10.3%)

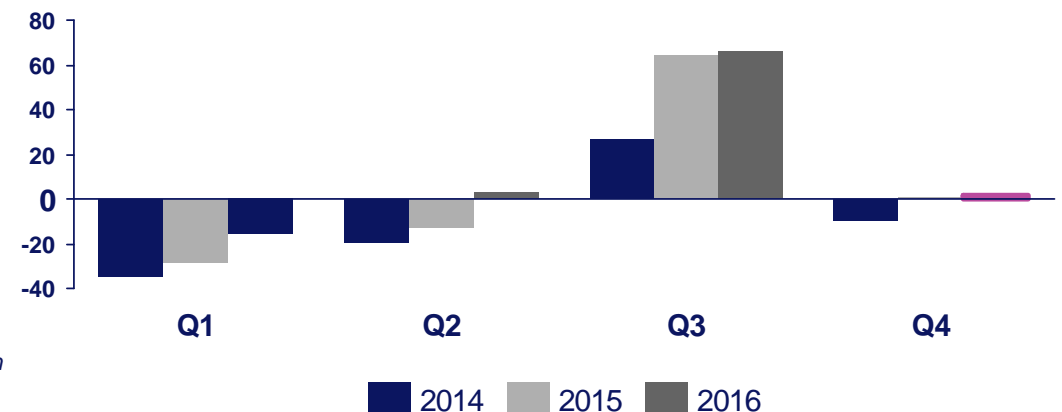
### Comparable operating result doubled to 1.6 M€

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

### Revenue\*: Q4 570 M€



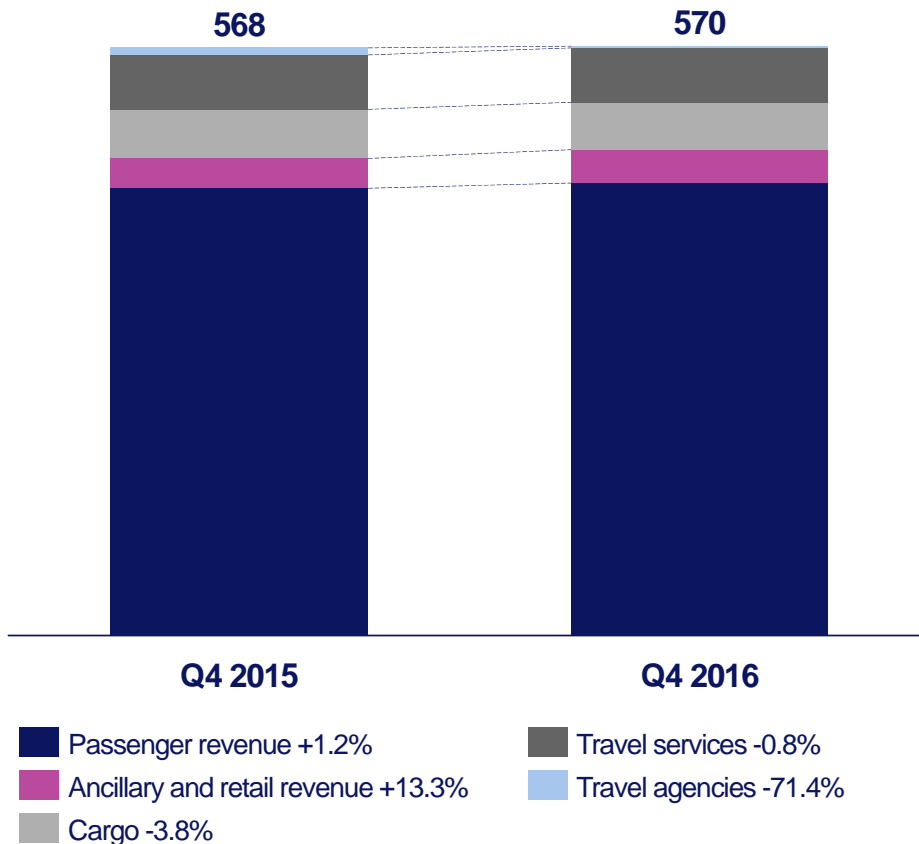
### Comparable operating result: Q4 1.6 M€



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



## Q4: Strong growth in ancillary sales, +13.3% to 31.7 M€

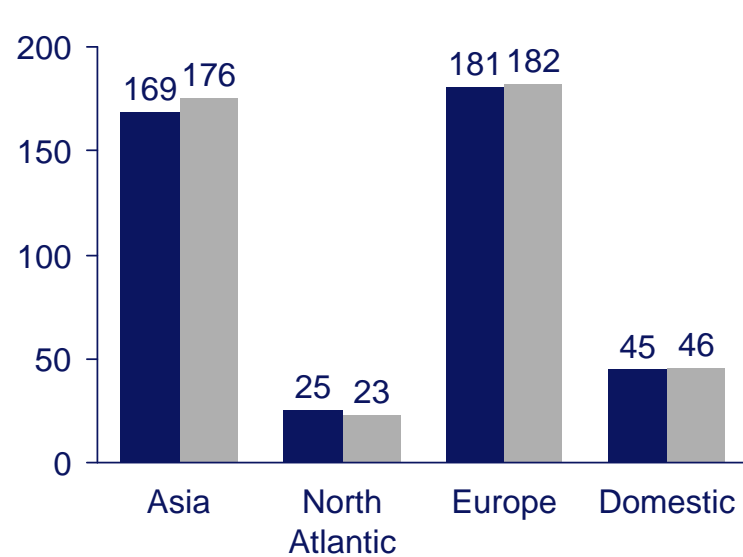


- Ticket revenue increased by capacity growth in passenger traffic
- Ancillary sales continued to grow strongly
- Cargo Sales increased in October and November, but was affected by early challenges of the new ERP system in December.
- Aurinkomatkat sales were at last year's level
- Travel agency income decreased due to divestment of SMT and Estravel businesses



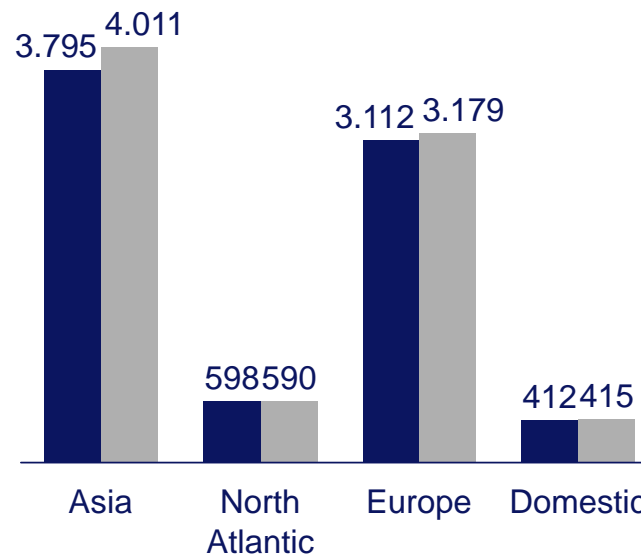
## Q4: Asia and Europe grew, strong sales in Domestic traffic

### Passenger revenue, M€



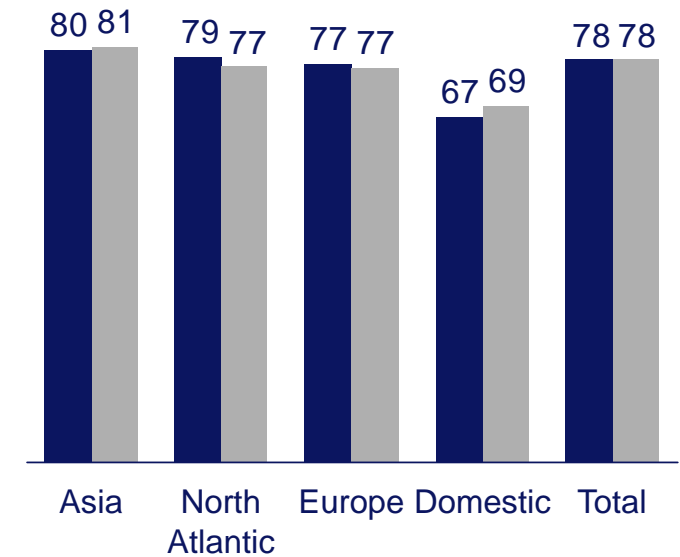
- Asia +4%
- North Atlantic -9.8%
- Europe +0.8%
- Domestic +2.1%
- Total pax revenue +1.2%

### Capacity (ASK), mill. km



- Asia +5.7%
- North Atlantic -1.3%
- Europe +2.2%
- Domestic +0.8%

### Passenger load factor, %



- Asia +0.7% -p
- North Atlantic -1.8% -p
- Europe -0.6% -p
- Domestic +2.0% -p

■ Q4 2015 ■ Q4 2016



## 20 M€ cost savings program proceeding

- **Objective: 20 million euros of permanent cost savings**
- Realized savings of EUR 9 million.
- Identified additional savings of EUR 11 million, an action plan ready.
- We invest in growth.



**Objective:  
20 million euros of  
cost efficiency  
improvements**







# More revenue, higher productivity and better customer experience with digitalisation

## Increase revenue

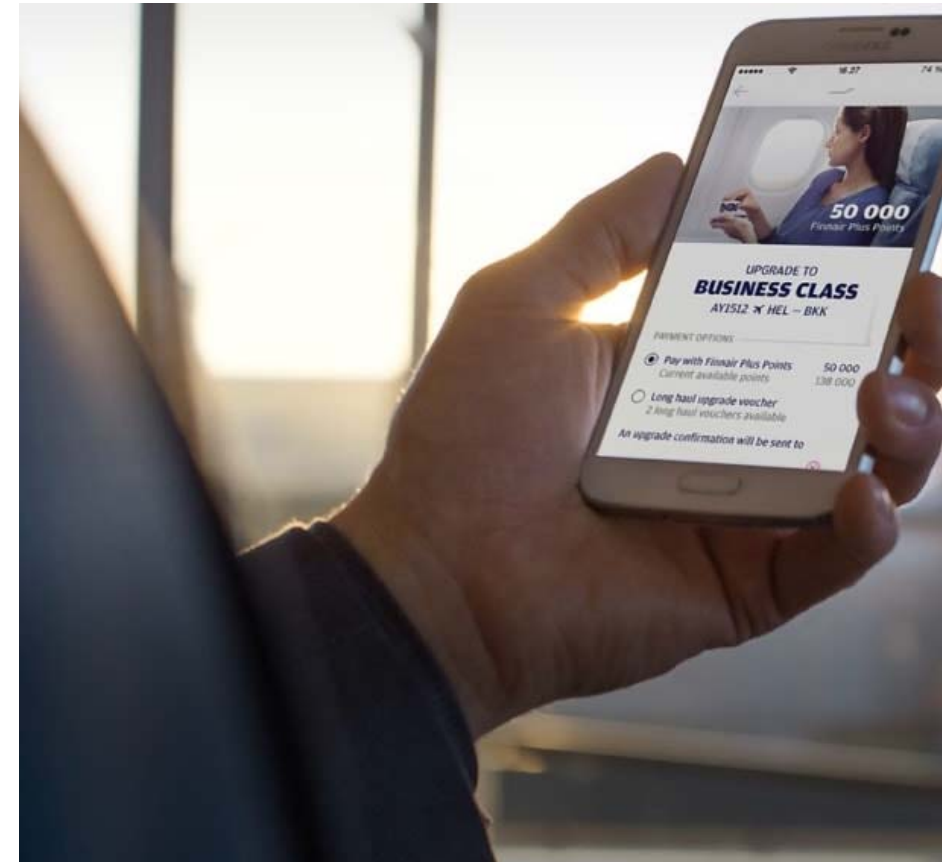
- Digital touch-points contributed approximately 24% of ticket sales. Ticket sales through digital touch-points grew by 19% from the comparison period.
- Alipay testing ongoing on Shanghai flights

## Improve productivity

- Mobile Applications for Technical Services
- A new production control system, analytics in flight planning

## Improve Customer Experience

- Wi-fi access throughout the wide-body fleet by May
- Mobile application had more than 114 000 active users\*, +85% year on year
- Customer Chat service had 70,000 contacts, +600% y-o-y





# Outlook and dividend proposal

## Outlook 2017:

- The demand outlook for passenger and cargo traffic in Finnair's main markets continues to involve uncertainty,
- Finnair estimates that, in 2017, due to the fleet renewal and introduction of new aircraft, its **capacity will grow 8–10 per cent, weighted strongly towards the second half of 2017.**
- **Revenue is expected to grow more slowly than our capacity**, reflecting increasing capacity in the relevant markets.
- In keeping with its disclosure policy, Finnair will issue guidance for its expected full-year operational result in connection with the half-year report in July.

## Dividend:

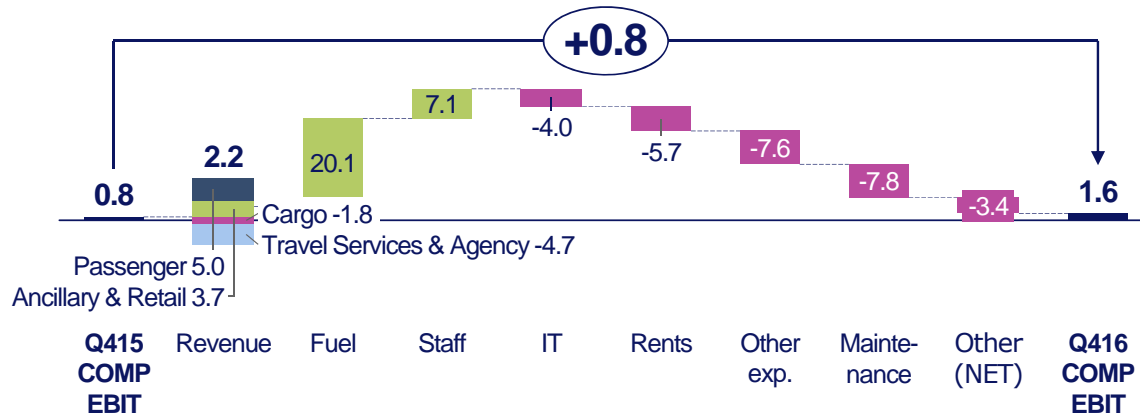
- The Board of Directors proposes to the AGM that a dividend of 0.10 euros per share be distributed for 2016.



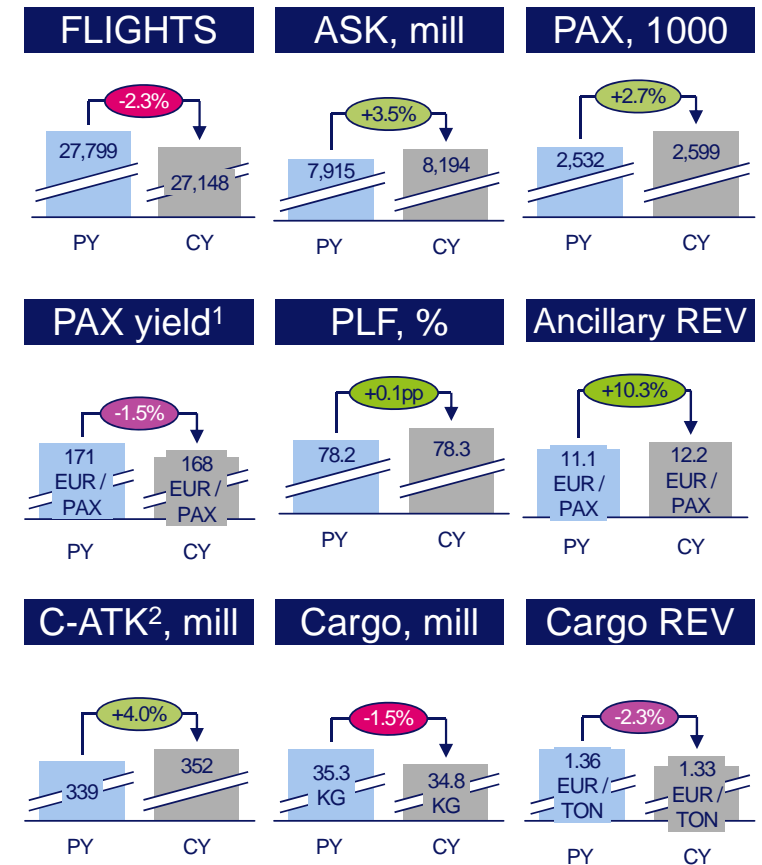


# Finance

# Q4 9th quarter of profitability improvement in a row – Comparable EBIT doubled



- Revenue increased by 0.4 % and was 569,9 M€. Revenue excluding the divested travel agencies grew by 1.2 %.
- Fuel costs lower than last year because hedge-weighted price of fuel realized on lower level than in comparative period
- Staff costs below comparable period mainly due to exceptional items in 2015
- IT cost related to digitalization and other projects increased, continued development and enhancements
- Rental costs increased due to wet-lease arrangements that have been used mainly to compensate pilot shortage
- Other expenses exceeded the previous year party due to higher traffic volume but also due a more positive hedging result in the comparison period.

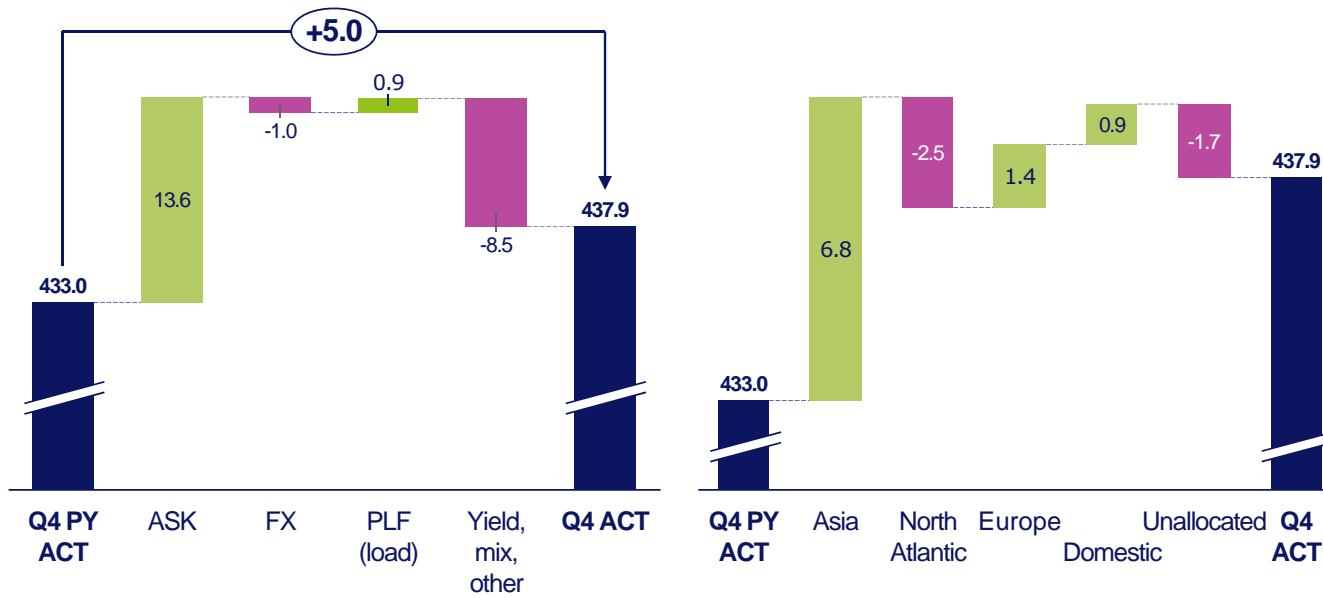


1) Passenger revenue per revenue passengers 2) Cargo ATK



# Revenue development in Q4

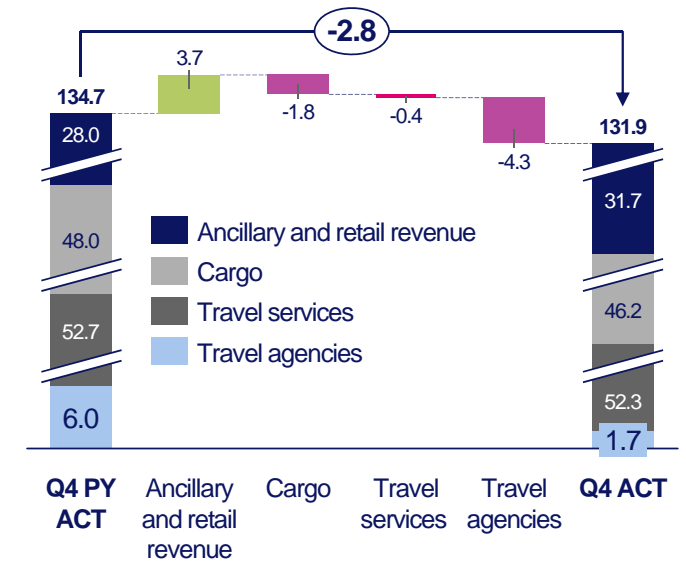
## Q4 2016 Passenger revenue vs. Q4 2015



Total	ASK (%)	PLF (pp)
Δ to PY	3.5%	0.1
4Q'16		78.3%
4Q'15		78.2%

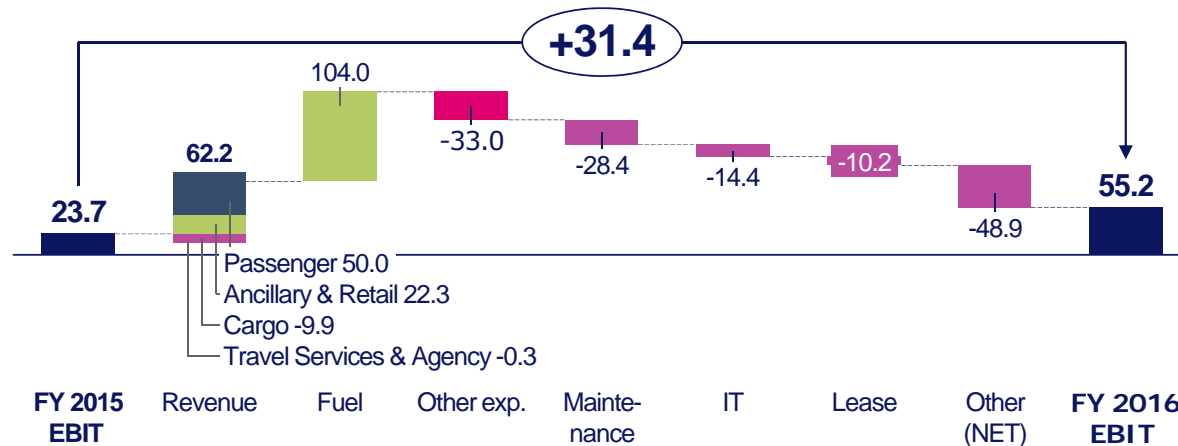
Δ to PY	FEA	ATA	EUR	DOM
ASK (%)	5.7%	-1.3%	2.2%	0.8%
PLF (pp)	0.7	-1.8	-0.6	2.0
Yield <sup>1</sup> (%)	-2.4%	-6.5%	-0.6%	-1.7%
RASK (%)	-1.6%	-8.6%	-1.4%	1.2%

## Q4 2016 Other revenue vs. Q4 2015

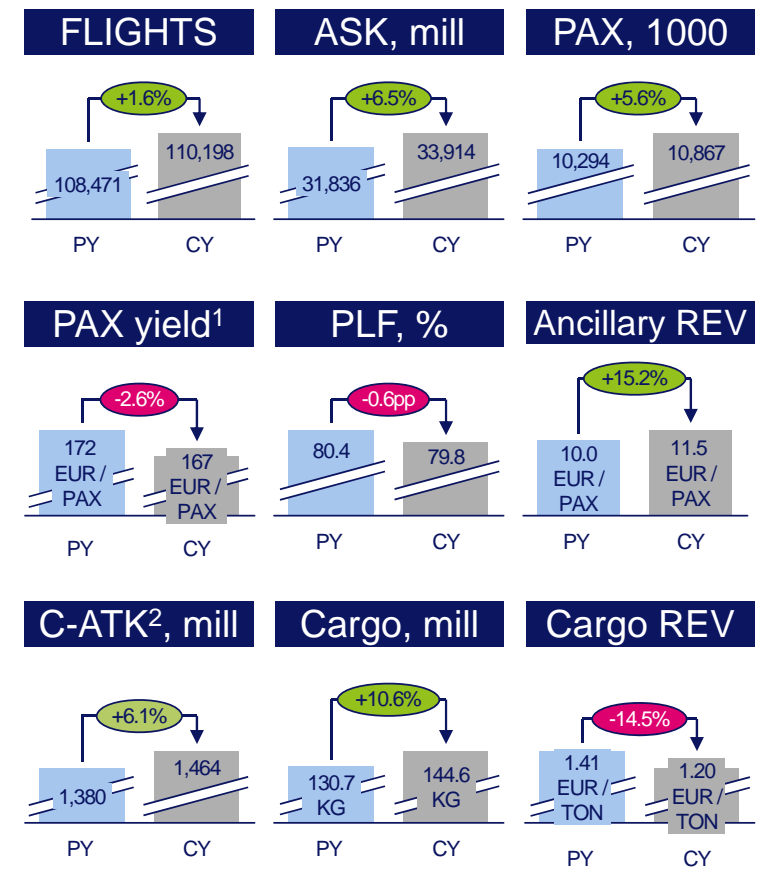




# 2016 Comparable operating result over doubled to 55 M€



- Revenue grew by 2.8 % and totalled 2.316,8 million euro.
- Capacity (available seat kilometres) grew +6.5%, stemming from new routes as well as new aircraft type (A350).
- Number of passengers grew by 0.5 million and totalled to record of 10.9 million
- Ancillary revenue continued to grow in all product categories.
- Fuel costs decreased significantly due to a lower hedge-weighted price.
- Other expenses exceeded the previous year partly due to higher traffic volume but also due to a more positive hedging result in the comparison period.
- Growth-related costs totalled some 20 M€ in 2016, increasing the total costs compared to previous year and weakening the profitability

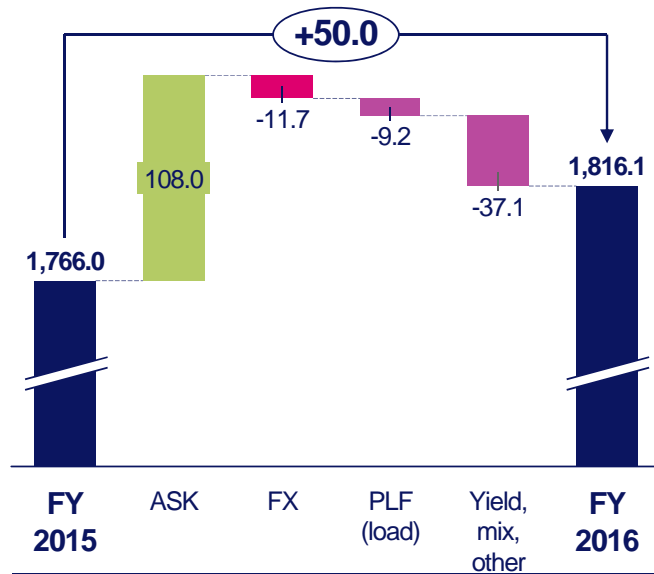


1) Passenger revenue per revenue passengers 2) Cargo ATK



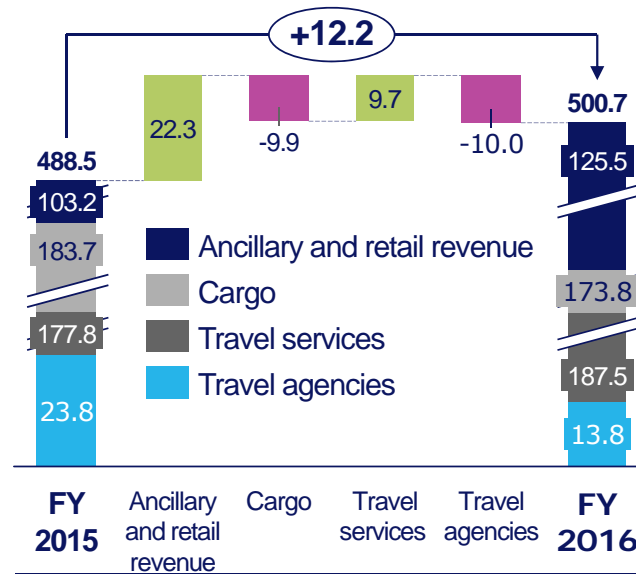
# Comparable operating result component development in 2016

## 2016 Passenger revenue vs. 2015



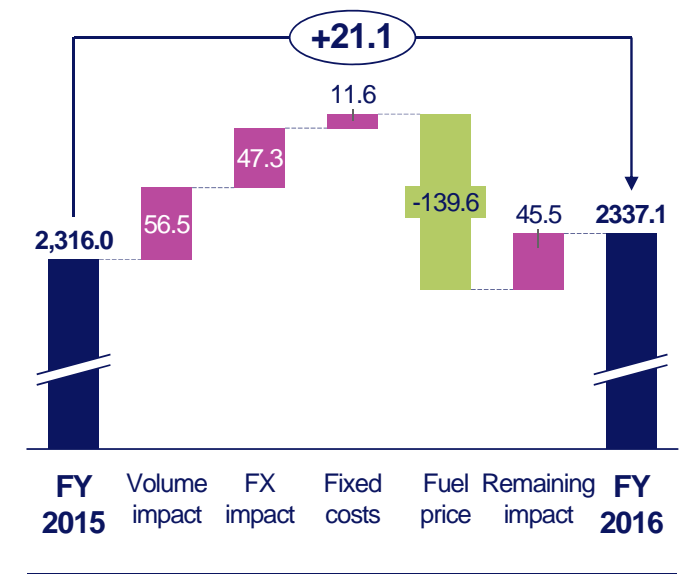
Total	ASK (%)	PLF (pp)
Δ to PY	6.5%	-0.6
2016		79.8%
2015		80.4%

## 2016 Other revenue vs. 2015



	Ancillary per PAX	Cargo ATK	Suntours allotment	Suntours PLF (pp)
Δ to PY	15.2%	6.1%	5.4%	0.4
2016	11.5			96.3%
2015	10.0			96.0%

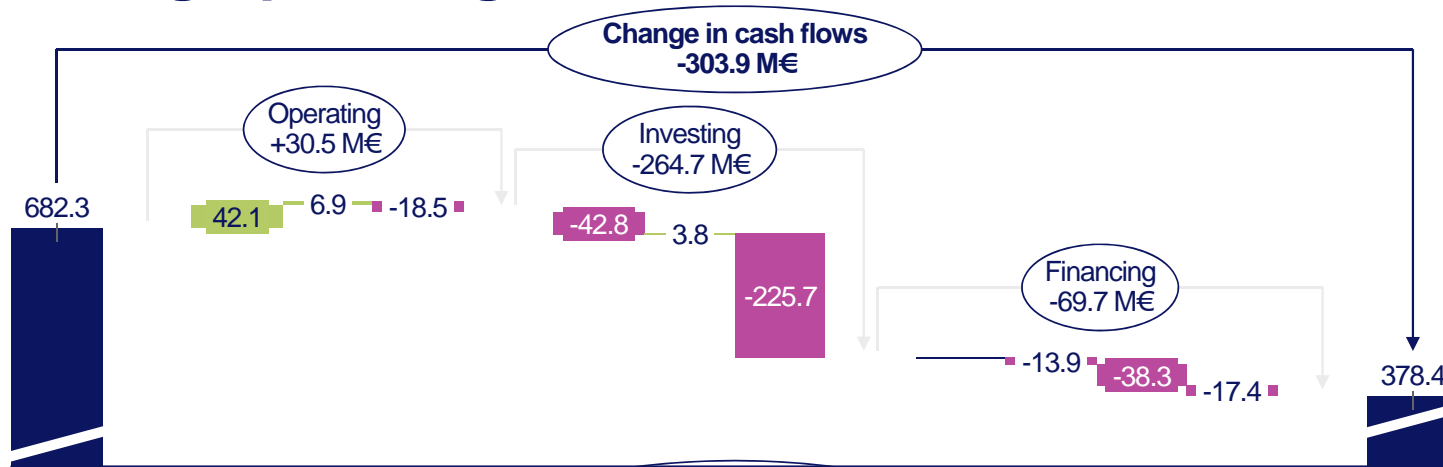
## 2016 Costs vs. 2015



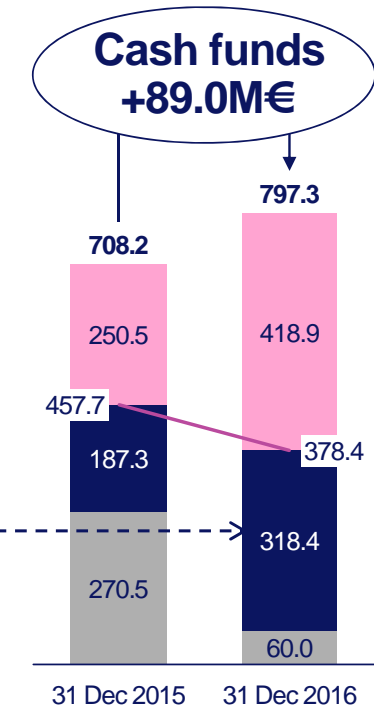
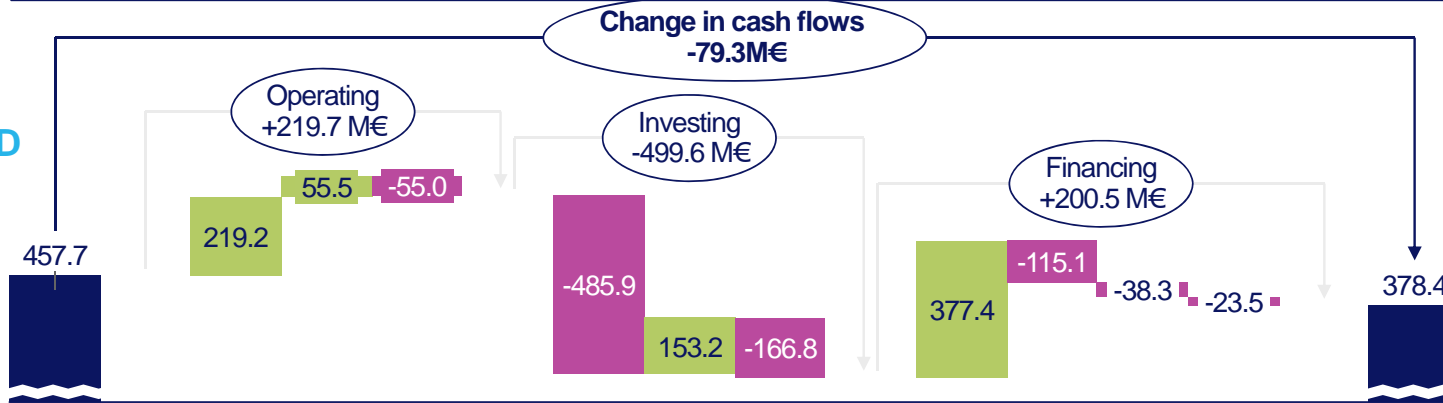
# Strong operating cash flow and cash funds



Q4



YTD



- Commercial papers and deposits > 3 months
- Commercial papers, deposits and funds < 3 months
- Cash and bank deposits
- Cash in cash flow

Cash at the beginning

EBITDA

Working capital

Non-cash and financial items

Acquisitions

Disposals

Other investing activities

Proceeds from loans

Loan repayments

Hybrid bond repayment

Hybrid bond interests and own shares

Cash at the end

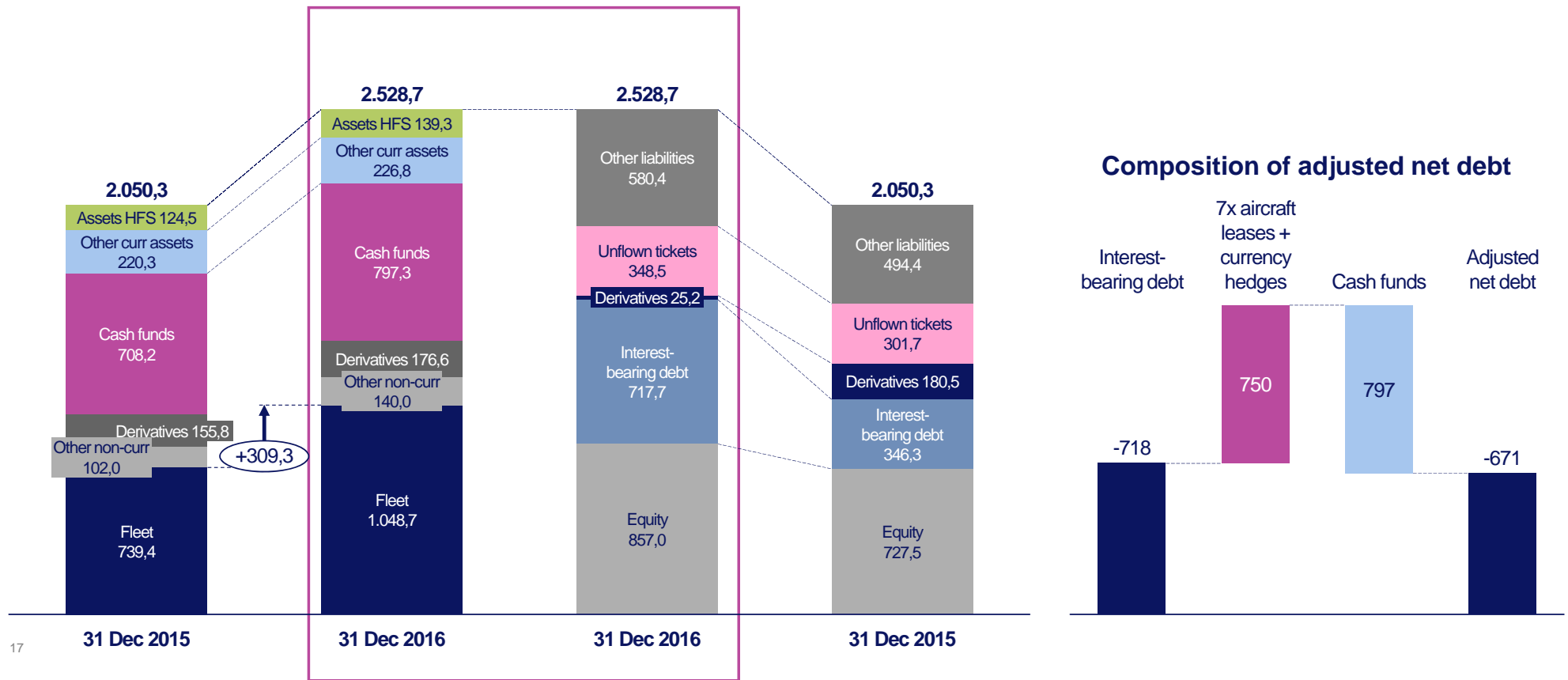
31 Dec 2015 31 Dec 2016





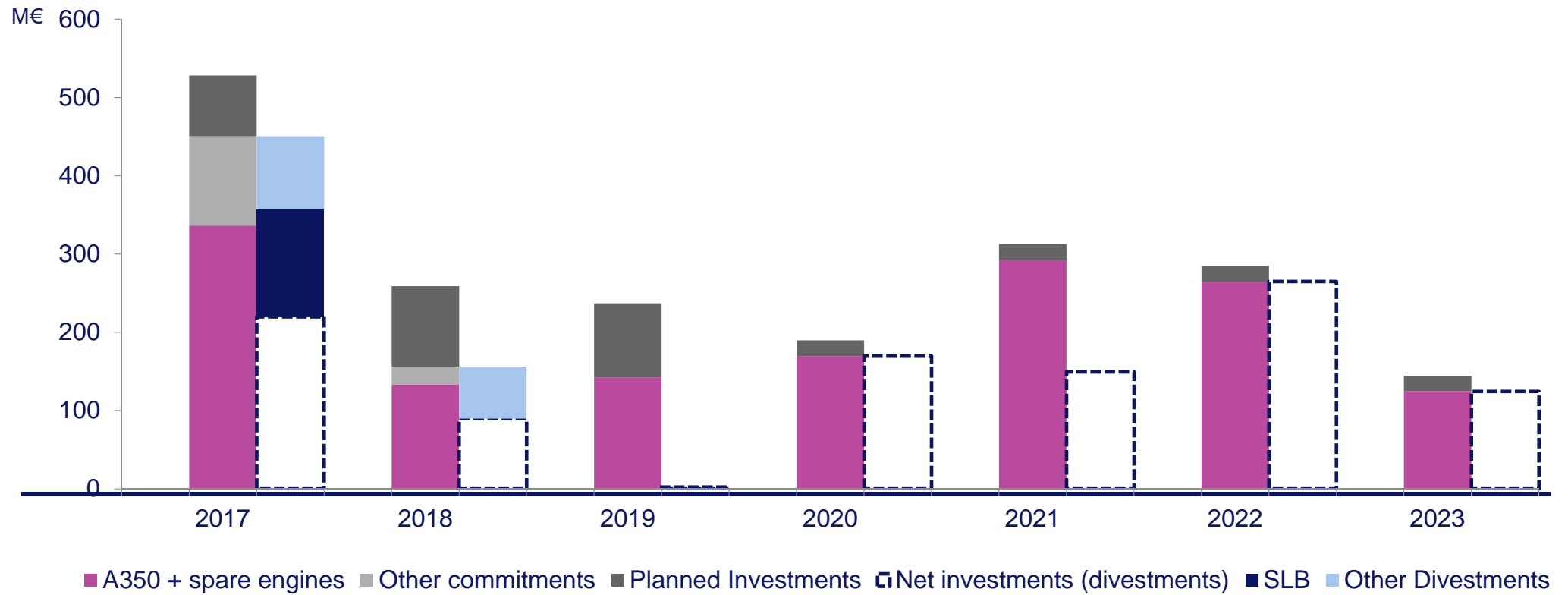
# Balance sheet growing: 3 x New A350 & Jolco loans in 2016, 1 x A350 SLB in Q3 and 4 x A320s lease extensions as finance lease

Strong financial position: Equity ratio at 33.9%, Adjusted gearing at 78.3%





# Net investment commitments 532 M€ 2017-2019





# THANK YOU

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# Income statement

in mill. EUR	Q4 2016	Q4 2015	Change %	2016	2015	Change %
<b>Revenue</b>	<b>569.9</b>	<b>567.7</b>	<b>0.4</b>	<b>2,316.8</b>	<b>2,254.5</b>	<b>2.8</b>
Other operating income	19.3	21.9	-11.8	75.5	85.2	-11.4
<b>Operating expenses</b>						
Staff costs	-90.3	-97.3	-7.3	-362.5	-353.2	2.6
Fuel costs	-114.9	-135.1	-14.9	-491.5	-595.5	-17.5
Other rents	-46.1	-40.4	14.2	-167.4	-159.4	5.1
Aircraft materials and overhaul	-34.0	-26.2	29.6	-147.3	-118.9	23.9
Traffic charges	-64.8	-62.5	3.8	-262.8	-258.5	1.7
Ground handling and catering expenses	-65.8	-66.7	-1.4	-258.9	-250.3	3.5
Expenses for tour operations	-23.2	-22.5	3.3	-87.8	-79.6	10.3
Sales and marketing expenses	-19.7	-20.1	-2.0	-76.9	-74.0	3.9
Other expenses	-71.0	-59.4	19.6	-266.6	-219.3	21.6
<b>Comparable EBITDAR</b>	<b>59.4</b>	<b>59.5</b>	<b>-0.1</b>	<b>270.4</b>	<b>231.2</b>	<b>17.0</b>
Lease payments for aircraft	-26.8	-28.3	-5.4	-109.5	-99.3	10.2
Depreciation and impairment	-31.0	-30.4	2.1	-105.8	-108.1	-2.1
<b>Comparable operating result</b>	<b>1.6</b>	<b>0.8</b>	<b>105.6</b>	<b>55.2</b>	<b>23.7</b>	<b>132.3</b>



## Fuel costs decreased

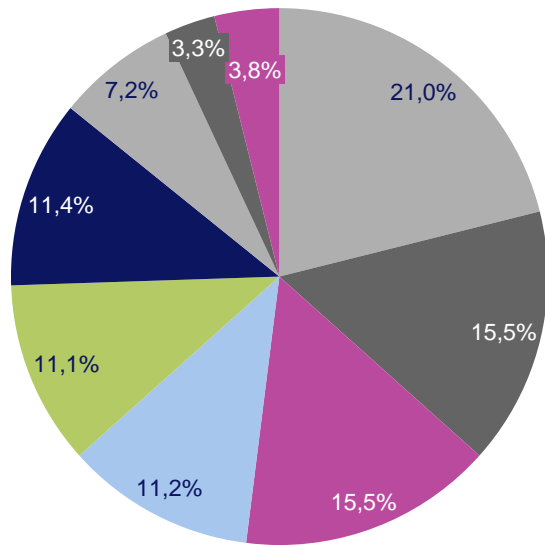


- Q4/15 hedging loss 35,9 M€
- Q4/16 hedging loss 13,5 M€



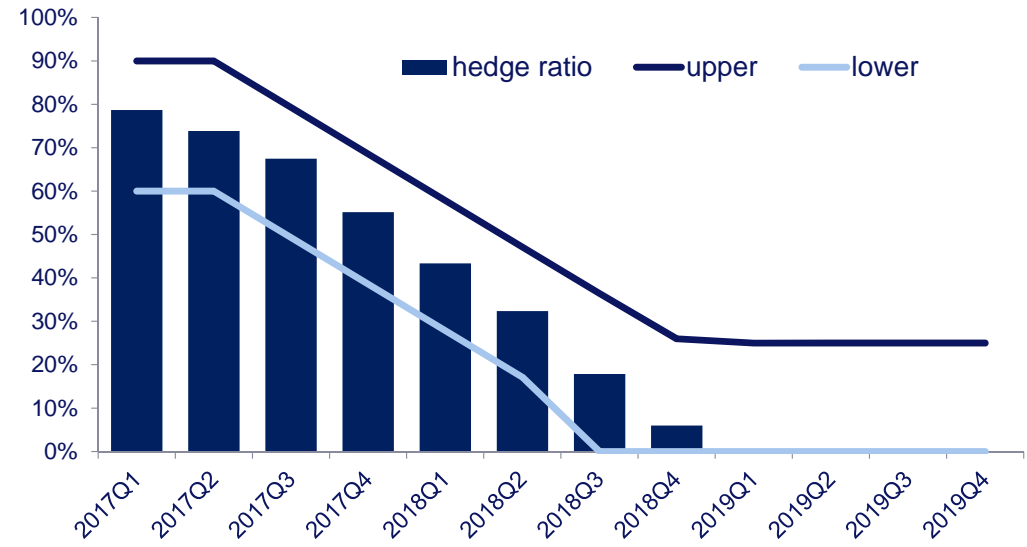
# Fuel the single largest cost item

%- share of operating costs (2,337 mill.eur. In 2016)



Fuel, 492 M€	Other costs, 266 M€
Personnel, 362 M€	Other rents, 167 M€
Leasing, maintenance, depreciation & impairment, 363 M€	Sales & marketing, 77 M€
Traffic charges, 263 M€	Tour operations, 88 M€
Groundhandling & catering, 259 M€	

Fuel hedges as of 31 December 2016





# Hedging, currencies and sensitivities

Fuel sensitivities (rolling 12 months from date of financial statements)		10% change without hedging	10% change, taking hedging into account	Hedging ratio	
				H1/2017	H2/2017
Fuel		EUR 50 million	EUR 23 million	72%	66%

Currency distribution %	7-9 2016	7-9 2015	2016	2015	Currency sensitivities USD and JPY (rolling 12 months from date of financial statements for operational cash flows)		Hedging ratio for operational cash flows (rolling 12 months from date of financial statements)
					10% change without hedging	10% change, taking hedging into account	
<b>Sales currencies</b>							
EUR	61	64	56	59	-	-	
USD*	4	2	4	3	see below	see below	see below
JPY	8	7	9	8	EUR 19 million	EUR 9 million	69%
CNY	5	5	7	7	-	-	
KRW	2	2	3	3	-	-	
SEK	5	5	5	5	-	-	
Other	15	15	16	15	-	-	
<b>Purchase currencies</b>							
EUR	57	54	54	53	-	-	
USD*	36	37	38	40	EUR 56 million	EUR 19 million	72%
Other	8	9	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.