

# FINNAIR Q1 2017 RESULT

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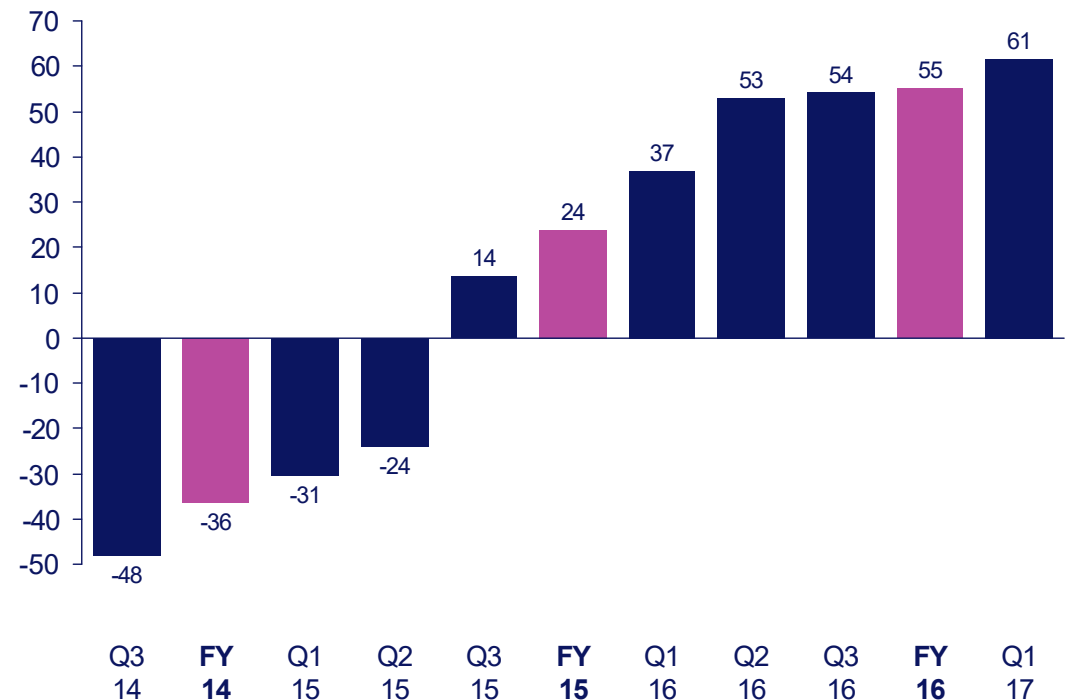
**FINNAIR**



## Revenue grew and result continued to improve

- Revenue\* grew 4.1% - China, Korea and domestic traffic the biggest contributors.
- Number of passengers grew 4.1%; we flew with fuller planes.
- Lapland drew visitors: +40.000 passengers in domestic traffic y-o-y
- Ancillary and retail sales per passenger grew and was 13 euros/pax
- Q1 comparable operating result -9M€ - 10th consecutive y-o-y improvement in a row (-15 M€ Q1/16)

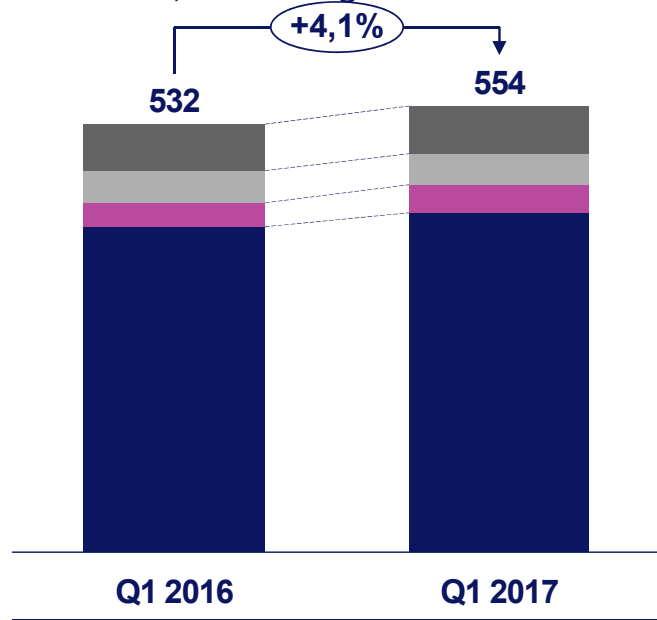
Comparable operating result, rolling 12 months by quarter





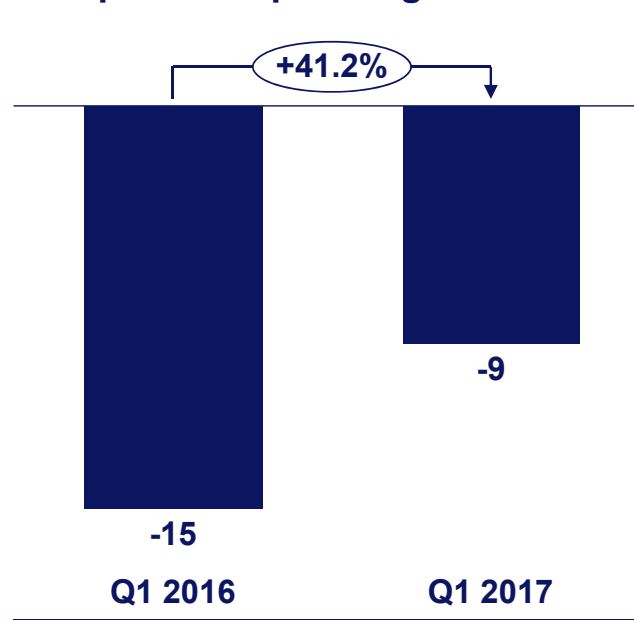
# Strong passenger revenue performance on flat capacity

### Revenue, excluding SMT



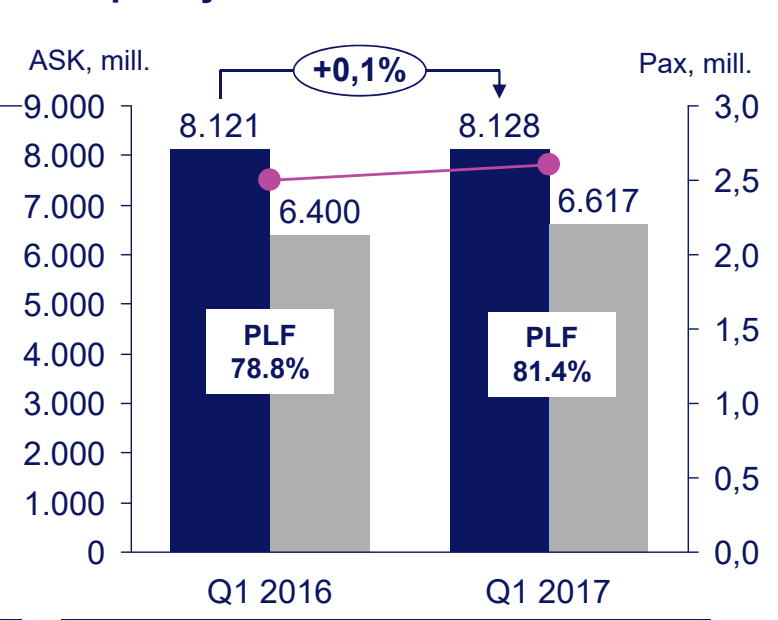
- Passenger revenue +4.6%
- Ancillary and retail revenue +13.9%
- Cargo -1.2%
- Travel services -0.5%

### Comparable operating result



Comparable operating result continued to improve: +41.2% y-o-y

### Capacity and traffic



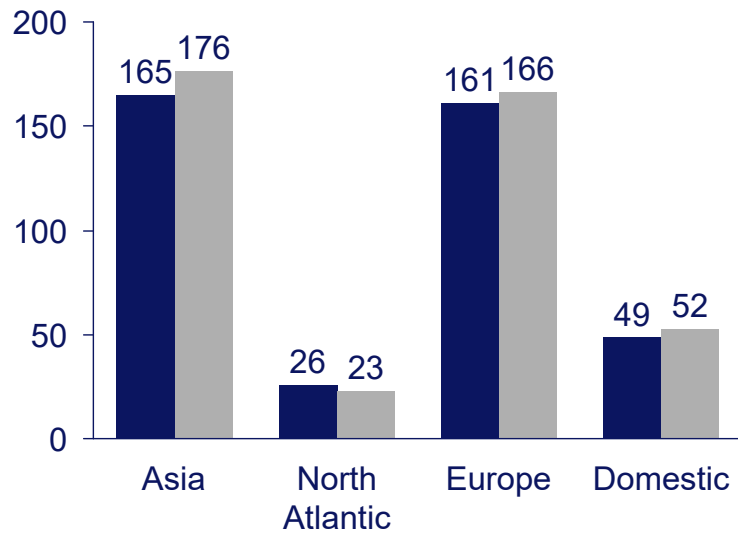
- Capacity (ASK) + 0.1%
- Traffic (RPK) +3.4%
- Passengers +4.1%

Strike actions at HEL airport caused close to 200 flight cancellations during the period



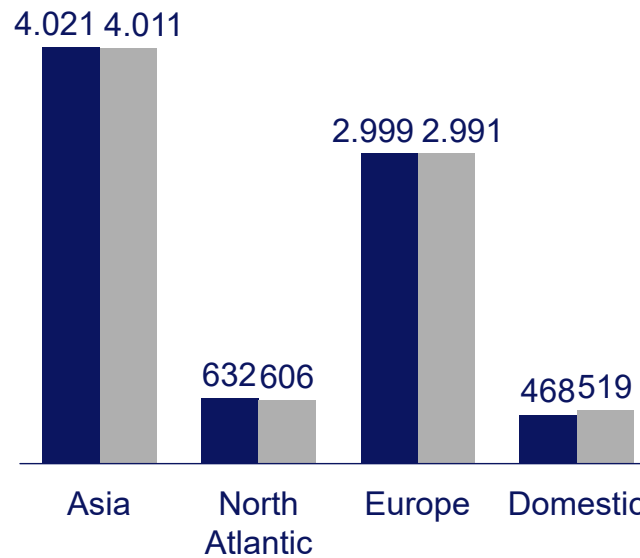
# Q1: Nordics drew visitors, Asia, Europe and domestic driving revenue growth

### Passenger revenue, M€



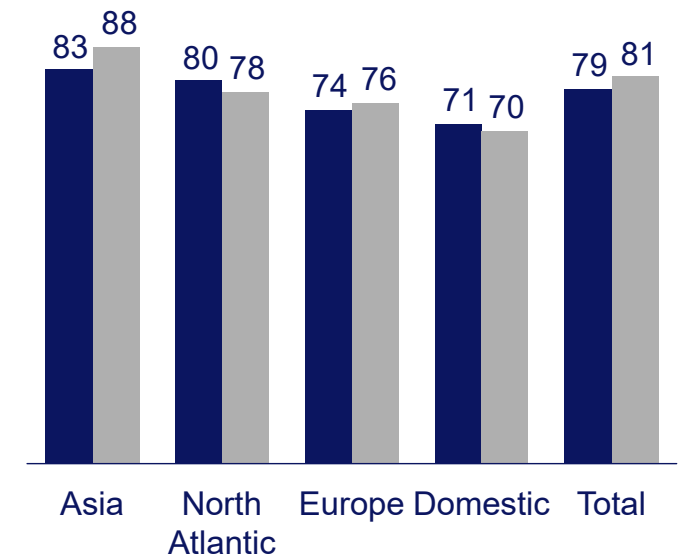
- Asia +6.9%
- North Atlantic -11.6%
- Europe +3.4%
- Domestic +7.2%
- Total pax revenue +4.6%

### Capacity (ASK), mill. km



- Asia -0.3%
- North Atlantic -4.1%
- Europe -0.3%
- Domestic +11%

### Passenger load factor, %



- Asia +4.8% -p
- North Atlantic -2.2% -p
- Europe +1.4% -p
- Domestic -1.5% -p
- Total +2.6% -p

■ Q1 2016 ■ Q1 2017



## Work on enabling growth continued

- Wet lease on the Miami route until May; then Miami discontinued until autumn. Two wet leased A321's to be replaced with own, new A321's
- A new A350 simulator and a future narrow body simulator will enhance pilots' training
- Recruitments continue: pilots, cabin crew, digital experts, customer service.
- 20 M€ cost efficiency program will be fully completed and on time





## A350 is yielding results

- 8 aircraft currently in use, 3 more to be delivered during 2017
- Customer satisfaction clearly improved, NPS 46%
- Regularity (98.9%) and tech Dispatch Reliability (97.5%) on a good level
- A350 has improved Finnair's overall fuel efficiency: Fuel consumption per ASK -3.4%, per RPK -4.9%
- More passenger and cargo capacity

**A350 is up to 25%  
more fuel efficient  
vs. the replaced  
A340 –aircraft**





## Growth accelerates – record breaking summer ahead

- 87 times a week to Asia in the summer
- Growing number of passengers:  
Over 40,000 passengers per day in peak summer days
- More capacity to favourite destinations in Europe and Asia for summer 2017:
  - San Francisco and Reykjavik
  - Additions to Tokyo and Hong Kong
  - Record number of flights to China and Japan
- More capacity to Lapland for winter 2017;  
430,000 seats during November-April



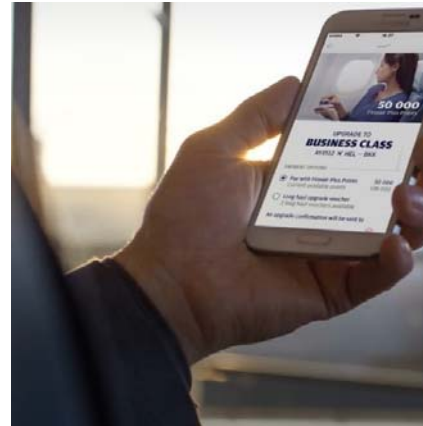
18 destinations  
in Asia  
7 in Americas,  
over 70 in  
Europe





## We develop our customer experience

- Q1 Customer satisfaction excellent: NPS \* 46%.
- Finnair Kitchen: In flight catering back to Finnair's own hands.
- Alipay rollout to all flights to China in in the summer; Ease of buying.
- Wi-Fi installations of the long-haul fleet are completed in May, installations to narrow body fleet will begin later this year.
- The mobile application and Finnair.com growing in popularity and increasing sales;
  - Ticket sales in Finnair's digital channels grew by 33% and ancillary and retail sales were up 24% from the comparison period.



Mobile app had 136,000 active users\*, (+ 78%)

Finnair.com 2.3 million visitors / month\* (+ 19%)







# Outlook unchanged

## Outlook 2017:

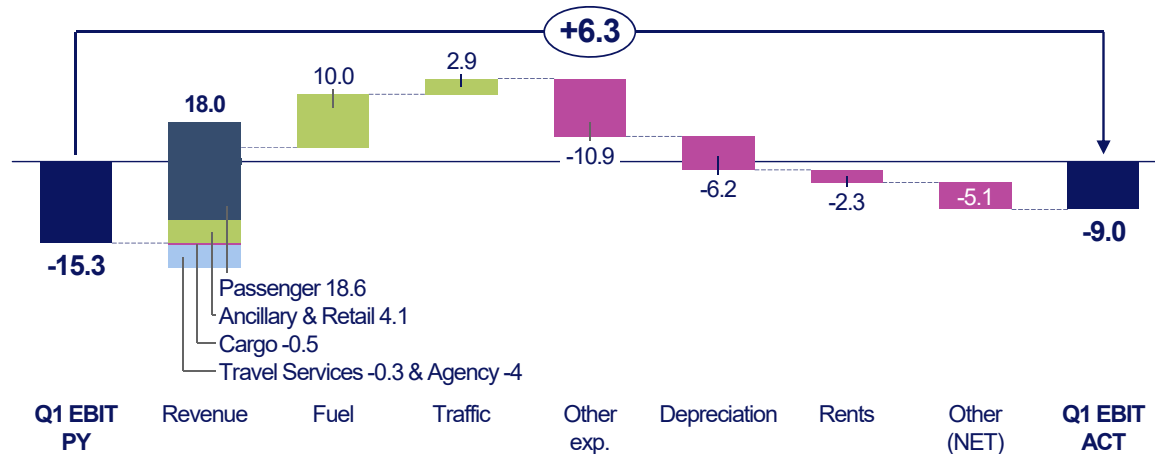
- The demand outlook for passenger and cargo traffic in Finnair's main markets continues to involve uncertainty.
- Finnair estimates that, in 2017, due to the fleet renewal and introduction of new aircraft, its **capacity will grow 8–10 per cent, weighted strongly towards the second half of 2017.**
- **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 20 July 2017.**



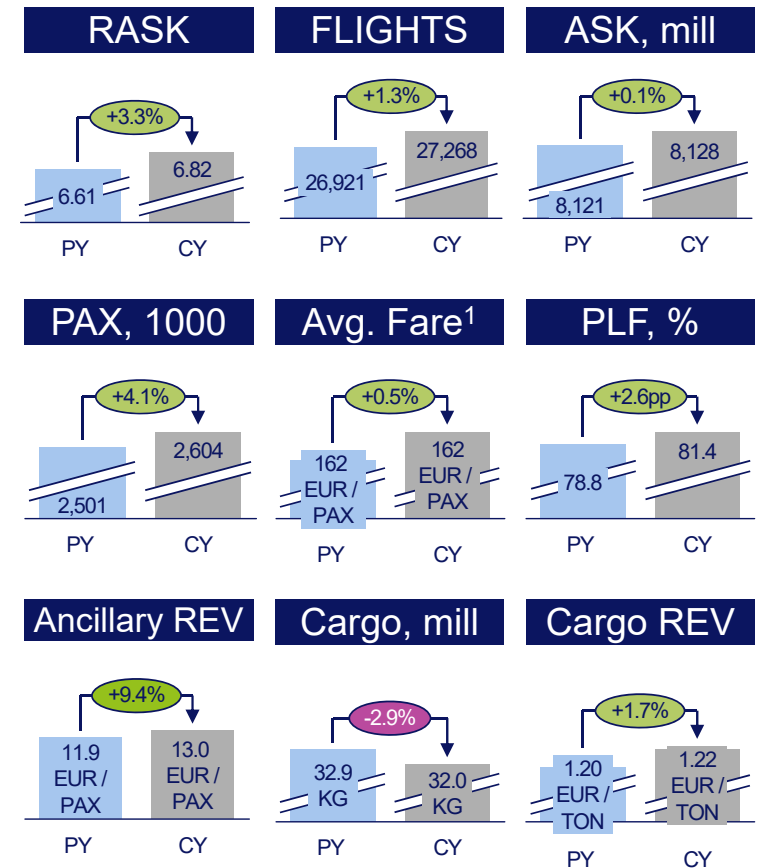


# Finance

# Q1 was 10<sup>th</sup> quarter of year-on-year profitability improvement in a row



- Passenger revenue grew by 19 MEUR, as a result of clearly improved outlook especially in Asian and European traffic from a weak comparison period.
- Ancillary revenue grew by 4 MEUR, Economy Comfort seats sold particularly well.
- Revenue from Travel services & agency decreased mainly due to sale of SMT.
- Fuel efficiency has improved due to fleet renewal and aircraft up gauging, fuel spot price has increased, but hedging delays the impact.
- Increase in other expenses mainly related to currency hedging items.
- Depreciation: Mainly fleet renewal related, change from A340 to A350.
- Growth: additional costs from recruitment, training and use of wet leases.

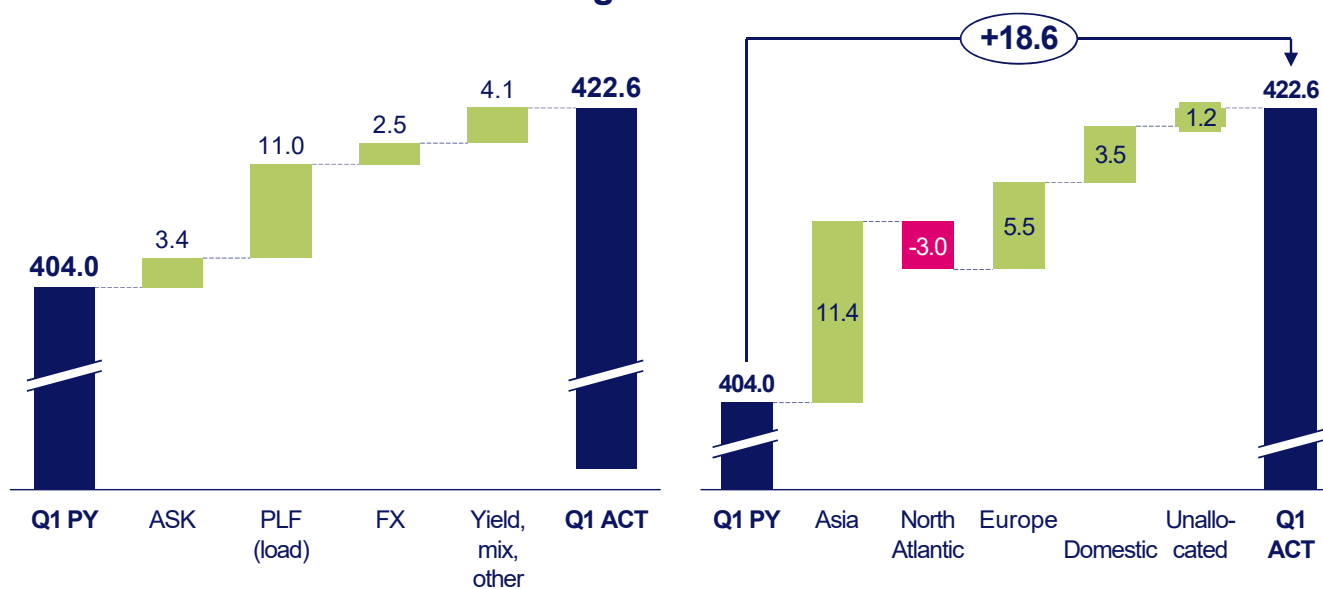


PY= Q1 16, CY= Q1 17, 1) Passenger revenue/number of passengers

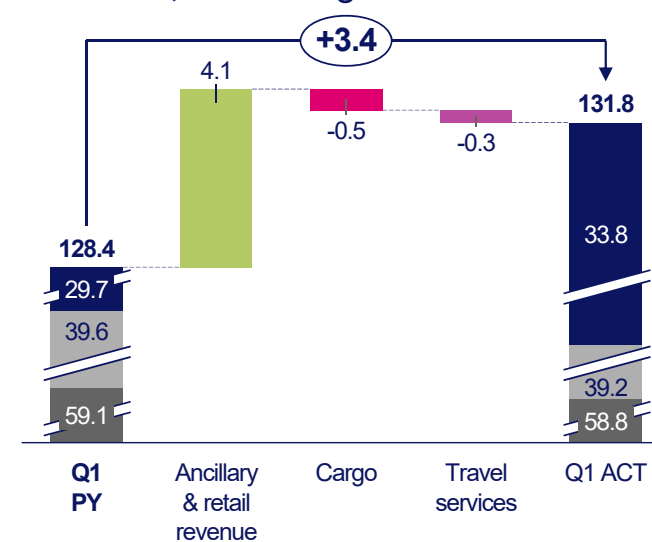
# Revenue grew on the back of improved load factors and solid performance in Asian and European traffic



Q1 2017 Passenger revenue vs. Q1 2016



Q1 2017 Other revenue items vs. Q1 2016, excluding SMT



Total	ASK (%)	PLF (pp)	Yield <sup>1</sup> (%)
Δ to PY	0.1%	2.6	1.2%
Q1 ACT		81.4%	
Q1 PY		78.8%	

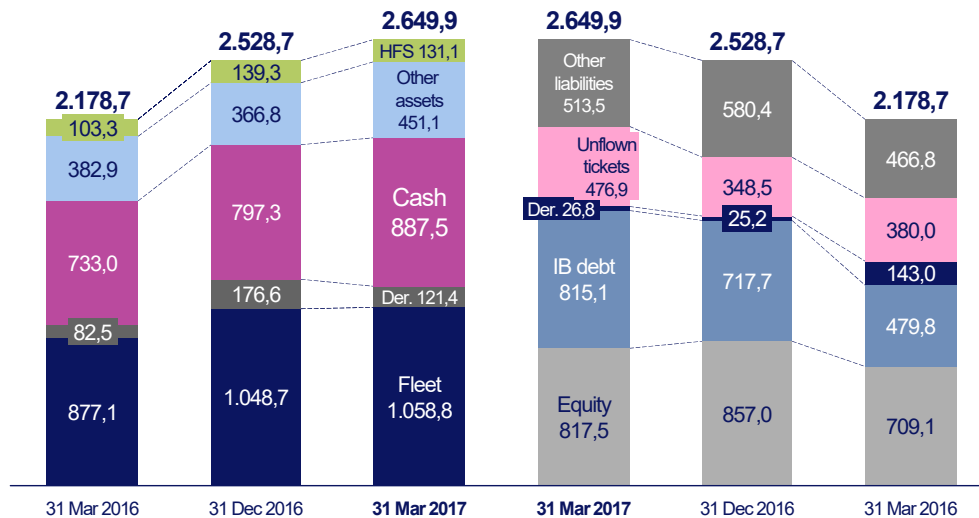
Δ to PY	FEA	ATA	EUR	DOM
ASK (%)	-0.3%	-4.1%	-0.3%	11.0%
PLF (pp)	4.8	-2.2	1.4	-1.5
Yield <sup>1</sup> (%)	1.3%	-5.2%	1.7%	-1.4%
RASK (%)	7.2%	-7.8%	3.7%	-3.4%

- Ancillary and retail revenue
- Cargo
- Travel services



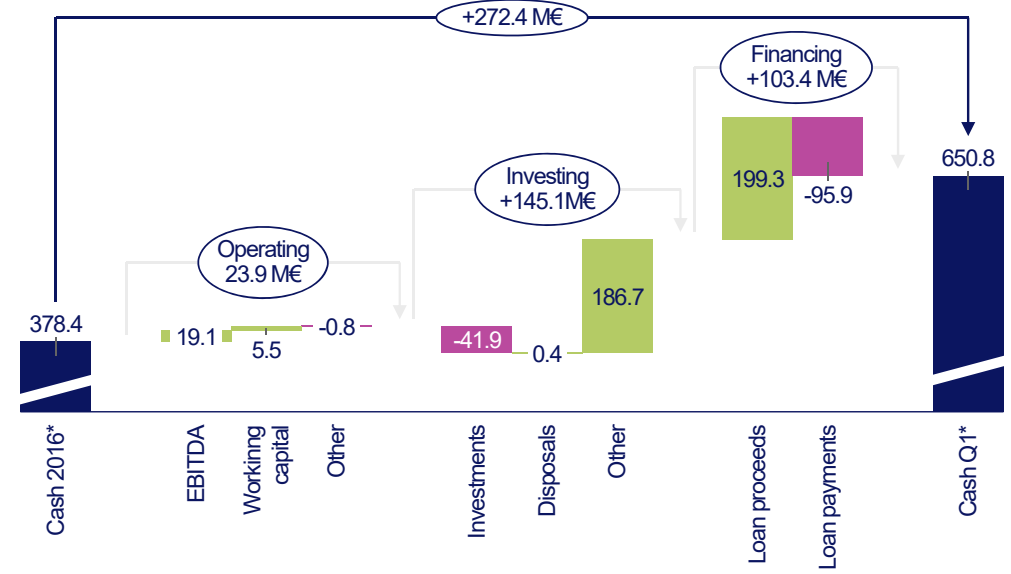
# Balance sheet and cash flow

**Bond issue increases loans and cash, adjusted gearing remains conservative at 84.1%**



- Liquid funds increased to 887.5 million euros
- Interest bearing debt increased due to new 200 M€ bond issue, old partially prepaid (85 M€)

**Positive operating cash flow due to improved result and increased sales**



- Investments consist of one final payment of E190 aircraft plus maintenance investments for owned fleet

\*Cash excluding commercial papers of over 3 month maturity

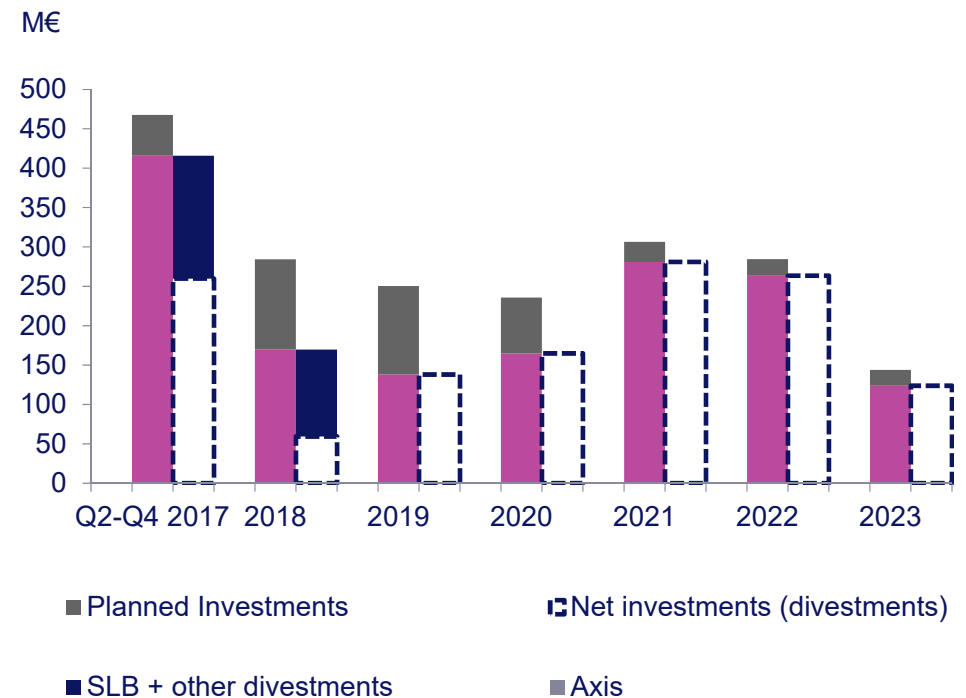


# Capacity growth will pick up from Q2 onwards with new aircraft deliveries

## 3 new A350 and 5 A321 aircraft to be delivered during 2017\*

- Capacity growth to pick up in Q2 with new aircraft deliveries:
  - 8th A350 delivered in April, 3 more to be delivered during 2017
  - 2 A321 aircraft delivered in Q1, 5 more to be delivered during 2017
- Aircraft returns: All remaining A340 aircraft to be sold back and returned to Airbus during 2017, one A319 returned after lease expired in Q1, two A321 aircraft to be returned in Q2 (wet leases)
- Net additions in 2017: 3 widebody aircraft and 4 narrow body aircraft

## Net investment commitments 457 M€ 2017-2019



\*2017 new deliveries in total: 4 A350's and 7 A321's



# THANK YOU

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# Income statement

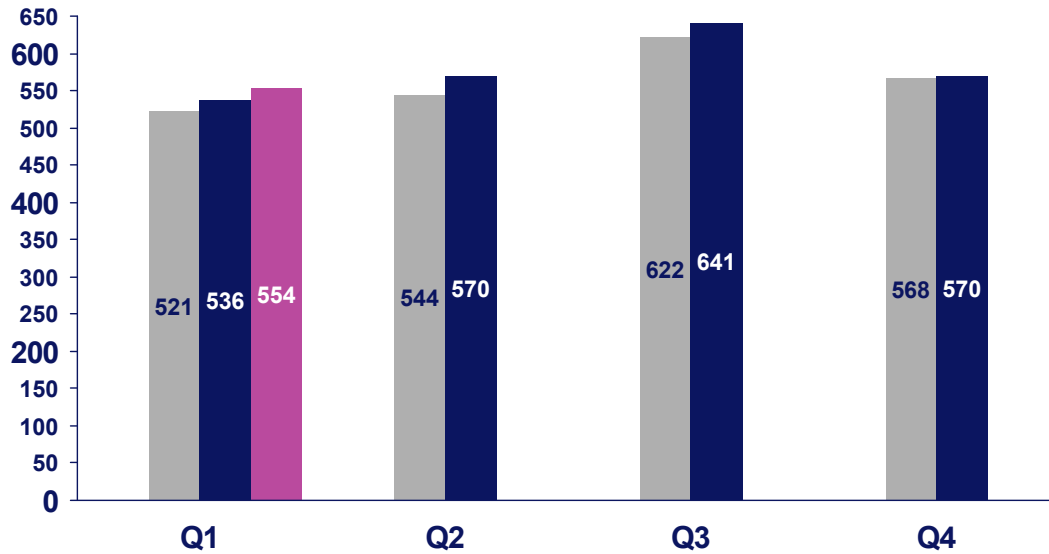
in mill. EUR	Q1 2017	Q1 2016	Change %	2016
<b>Revenue</b>	<b>554.4</b>	<b>536.4</b>	<b>3.3</b>	<b>2,316.8</b>
Other operating income	20.2	22.1	-8.5	75.5
<b>Operating expenses</b>				
Staff costs	-90.5	-91.9	-1.4	-362.5
Fuel costs	-111.6	-121.6	-8.2	-491.5
Other rents	-44.4	-42.1	5.4	-167.4
Aircraft materials and overhaul	-35.6	-36.6	-2.7	-147.3
Traffic charges	-58.2	-61.1	-4.7	-262.8
Ground handling and catering expenses	-66.9	-65.1	2.7	-258.9
Expenses for tour operations	-28.6	-26.9	6.4	-87.8
Sales and marketing expenses	-17.5	-18.1	-3.2	-76.9
Other expenses	-71.2	-58.8	21.0	-266.6
<b>Comparable EBITDAR</b>	<b>50.1</b>	<b>36.4</b>	<b>37.8</b>	<b>270.4</b>
Lease payments for aircraft	-30.0	-28.8	4.3	-109.5
Depreciation and impairment	-29.1	-22.9	27.1	-105.8
<b>Comparable operating result</b>	<b>-9.0</b>	<b>-15.3</b>	<b>41.2</b>	<b>55.2</b>





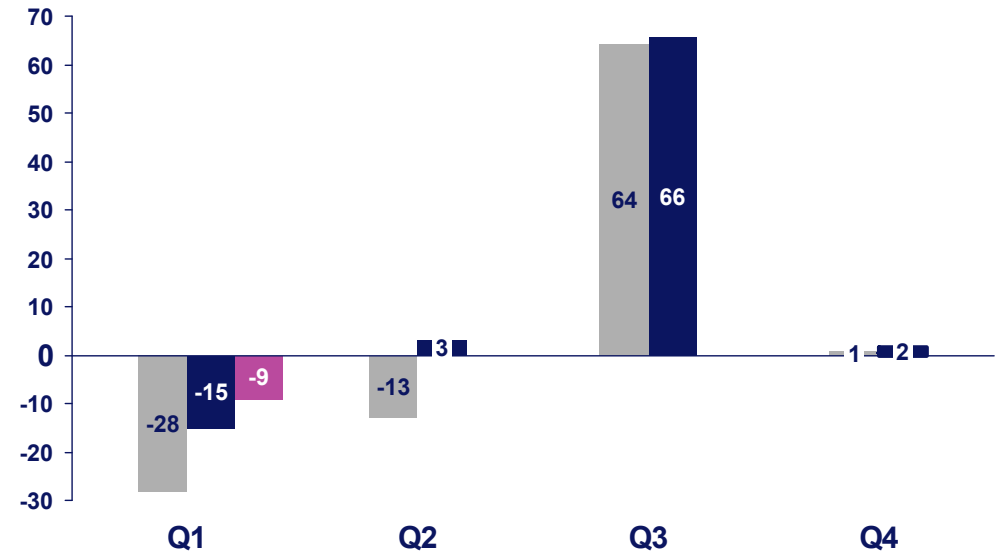
# Revenue and comparable operating result development

## Revenue



■ 2015 ■ 2016 ■ 2017

## Comparable operating result



■ 2015 ■ 2016 ■ 2017



## Fuel costs decreased despite spot price increase

Improved fuel efficiency with fleet renewal and aircraft up gauging

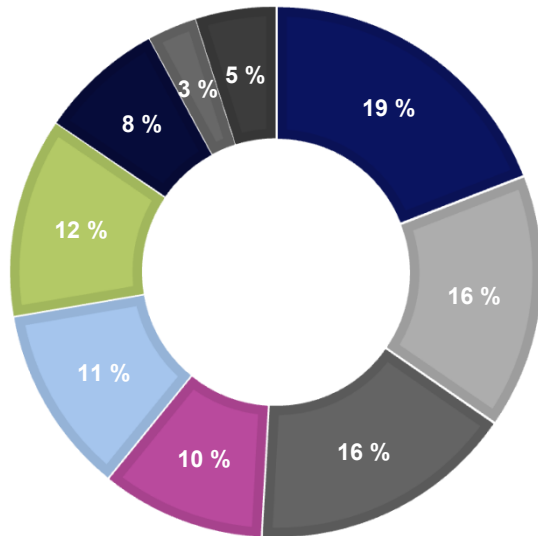


- Q1/16 hedging loss 45,1 mEUR
- Q1/17 hedging profit 0,1 mEUR

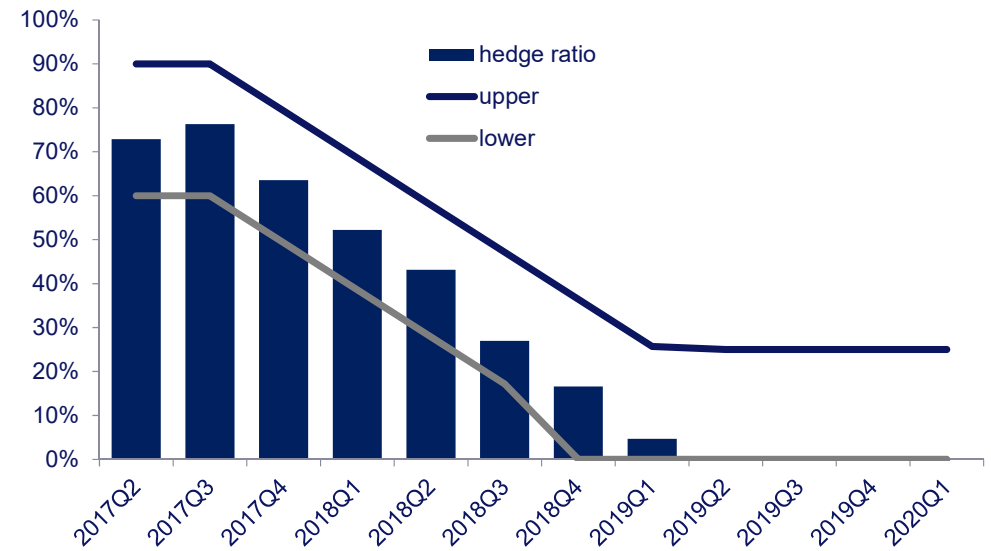


# Fuel the single largest cost item

%- share of operating costs (584 mill. Eur. in Q1)



Fuel hedges as of 31 March 2017



- Fuel
- Staff
- Leasing, maintenance, depreciation & impairment
- Traffic charges
- Groundhandling & catering
- Other costs
- Other rents
- Sales & marketing
- Tour operations

<sup>19</sup>



## Hedging, currencies and sensitivities

Fuel sensitivities (rolling 12 months from date of financial statements)				10% change		Hedging ratio	
				without hedging	with hedging	H1/2017	H2/2017
Fuel				EUR 47 million	EUR 23 million	73 %	70 %

Currency distribution %	1–3	1–3	2016	Currency sensitivities USD and JPY		Hedging ratio for operational cash flows (rolling 12 months from date of financial statements)
	2017	2016		(rolling 12 months from date of financial statements for operational cash flows)		
Sales currencies				10% change without hedging	10% change with hedging	
EUR	61	62	56	-	-	
USD*	3	3	4	see below	see below	see below
JPY	7	6	9	EUR 20 mill.	EUR 10 mill.	70 %
CNY	5	5	7	-	-	
KRW	3	2	3	-	-	
SEK	6	5	5	-	-	
Other	15	17	16	-	-	
Purchase currencies						
EUR	57	55	54	-	-	
USD*	35	37	38	EUR 54 mill.	EUR 17 mill.	71 %
Other	8	8	8			