



Q2 2018 – Fast growth continued, Comparable operating result at record high levels

17.7.2018

Pekka Vauramo





A good Q2 - Comparable operating result increased to new seasonal high

Revenue

715 M€

+12.9%

Comparable
operating result

47.9 M€

+27.6%

Passengers

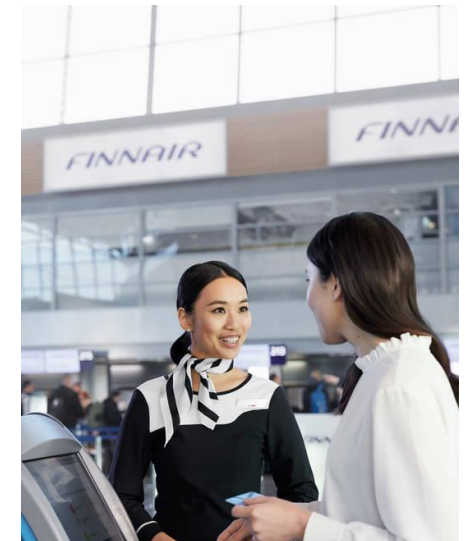
3.5 mill

+12.6%

NPS

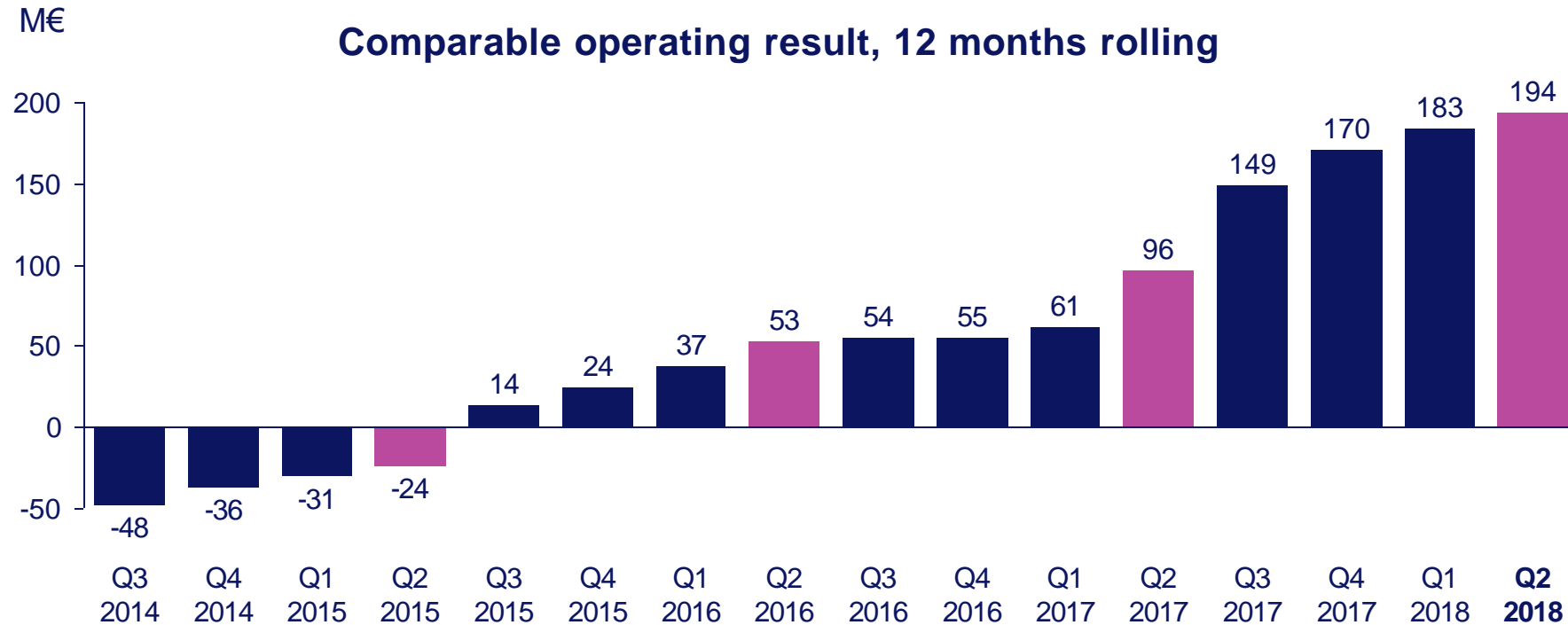
50

+3





Comparable operating result has improved for 15 consecutive quarters



% of revenue

-2.1 -1.6 -1.4 -1.1 0.6 1.1 1.6 2.3 2.3 2.4 2.6 4.0 6.0 6.6 6.9 7.1



Our capacity grew twice as fast as the market

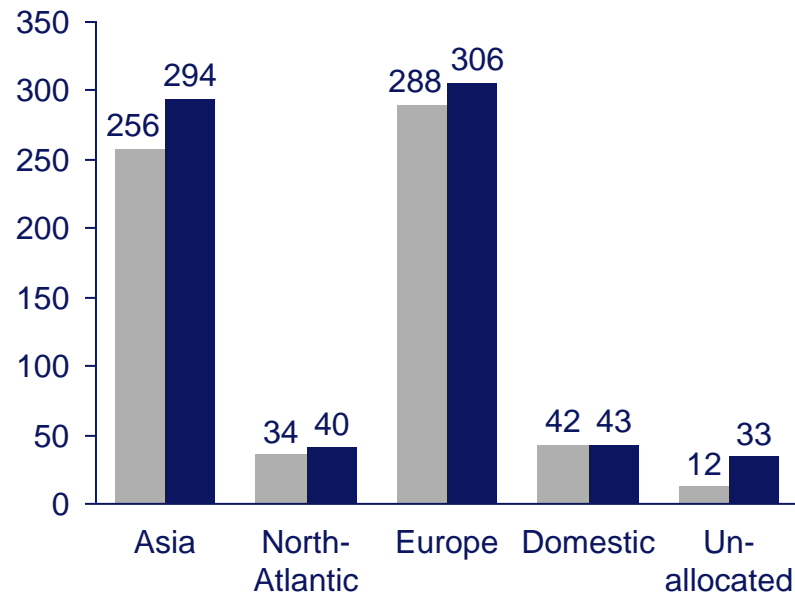
- Passenger load factor remained at a good level
- Passenger records in May and June
- Ancillary sales and cargo grew, but slower than expected
- Travel services developed well





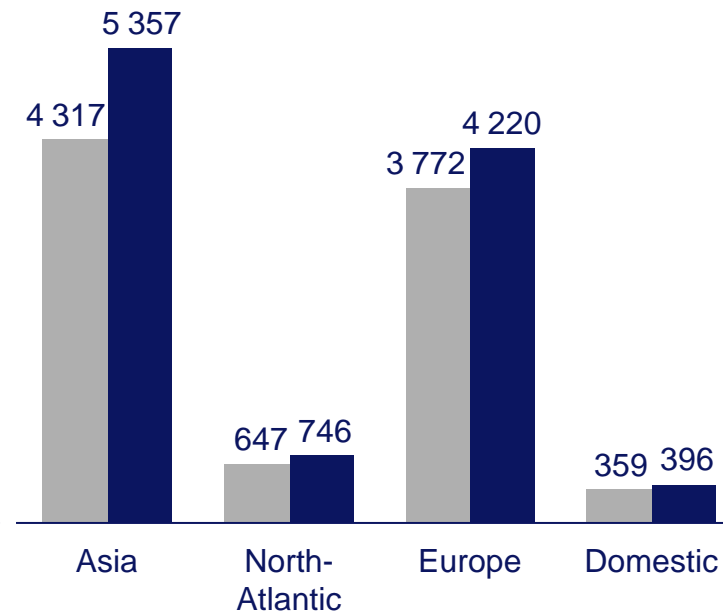
Revenue increased in all market areas

Revenue, M€



- Asia +14.6%
- North-Atlantic +16.4%
- Europe +6.0%
- Domestic +1.9%
- Unallocated +168.4%

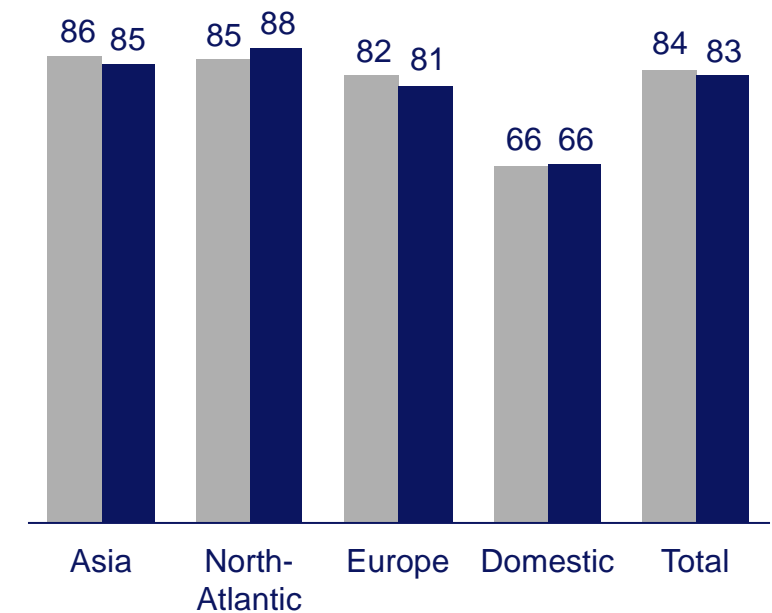
Capacity (ASK), Mill. km



- Asia +24.1%
- North-Atlantic +15.2%
- Europe +11.9%
- Domestic +10.3%

■ Q2 2017
■ Q2 2018

Passenger Load Factor, %



- Asia -1.6%-p
- North-Atlantic +2.3%-p
- Europe -1.9%-p
- Domestic +0.6%-p
- Total -1.2%-p



Business environment changes continuously

- Demand for air traffic continued to increase. IATA forecasts growth for 2018.*
- Market growth in Finnair's traffic areas in Asia and Europe faster than in the comparison period.
- The price of jet fuel has increased significantly.
- Strong movements in currencies.
- Consolidation in Europe continues.

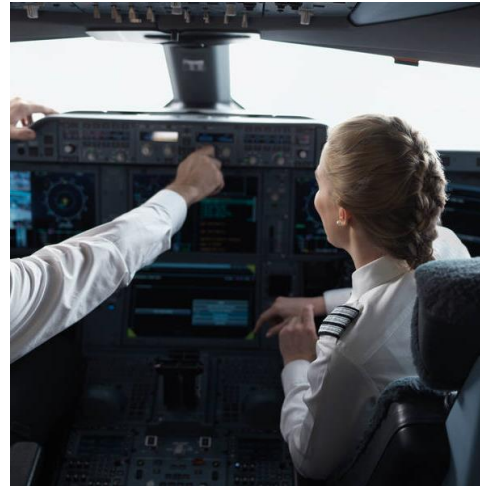
Capacity grew with a record high pace and the operating result reached a new record level





Transformation continues

- Business-class service renewal
- Future Travel Experience reward from ancillaries
- Applications that make it easier for employees to work
- New software for pilots saves fuel and reduces CO2 emissions (PACE)
- Finnair-mobile app has already over a quarter million users



Finnair mobile app
active user count
increased by

+62%





Outlook

- Global airline traffic continues to grow strongly in the second half of 2018. Finnair expects increased competition as existing and new operators increase capacity, particularly on routes linking Europe with Asia and North America.
- Finnair estimates that its capacity increases by more than 15 per cent in 2018. Passenger volume is expected to grow broadly in line with capacity while revenue growth is expected to be slightly lower.
- The substantial increase in the price of jet fuel will impact Finnair's result especially in the second half of 2018. Finnair estimates that its comparable operating result in 2018 will be broadly at the previous year's level (2017: 170.4 million euros), if current fuel prices and exchange rates prevail and assuming no material changes in business environment.





Finance

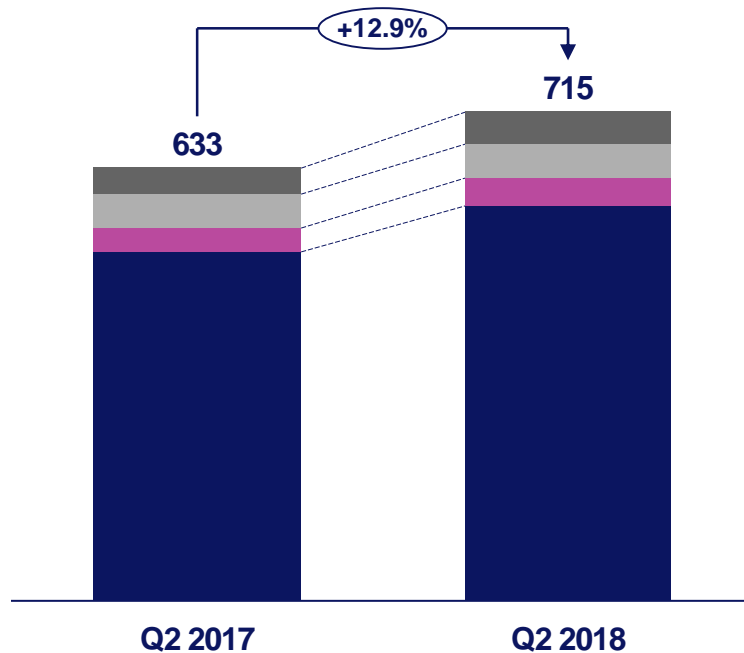
CFO Pekka Vähähyppä





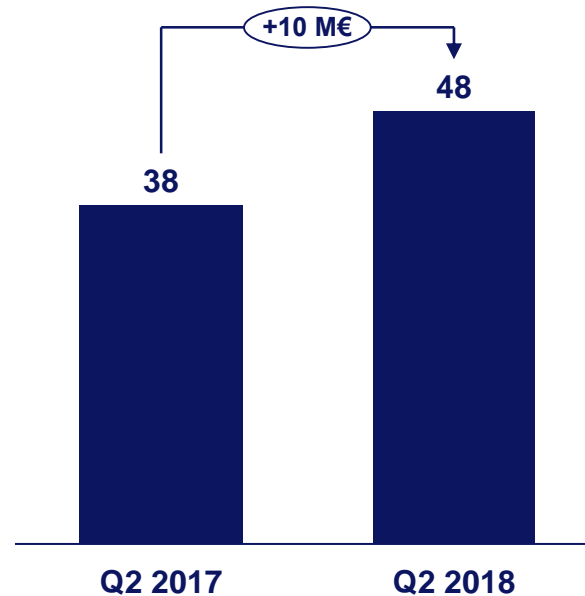
Revenue and comparable operating result improved from last year

Revenue



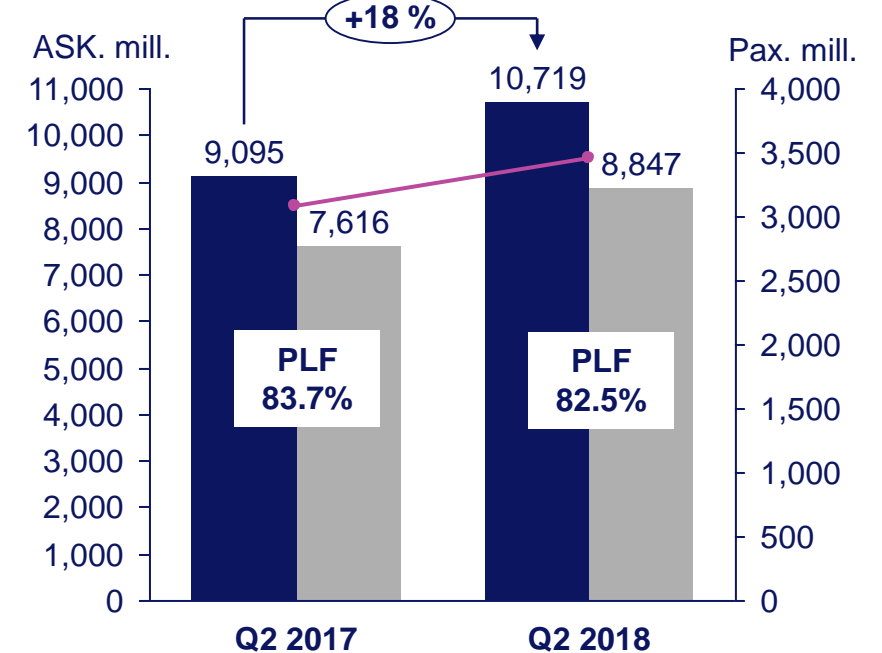
- Passenger revenue
- Ancillary sales
- Cargo
- Travel services

Comparable operating result



Comparable operating result improved compared to Q2/2017

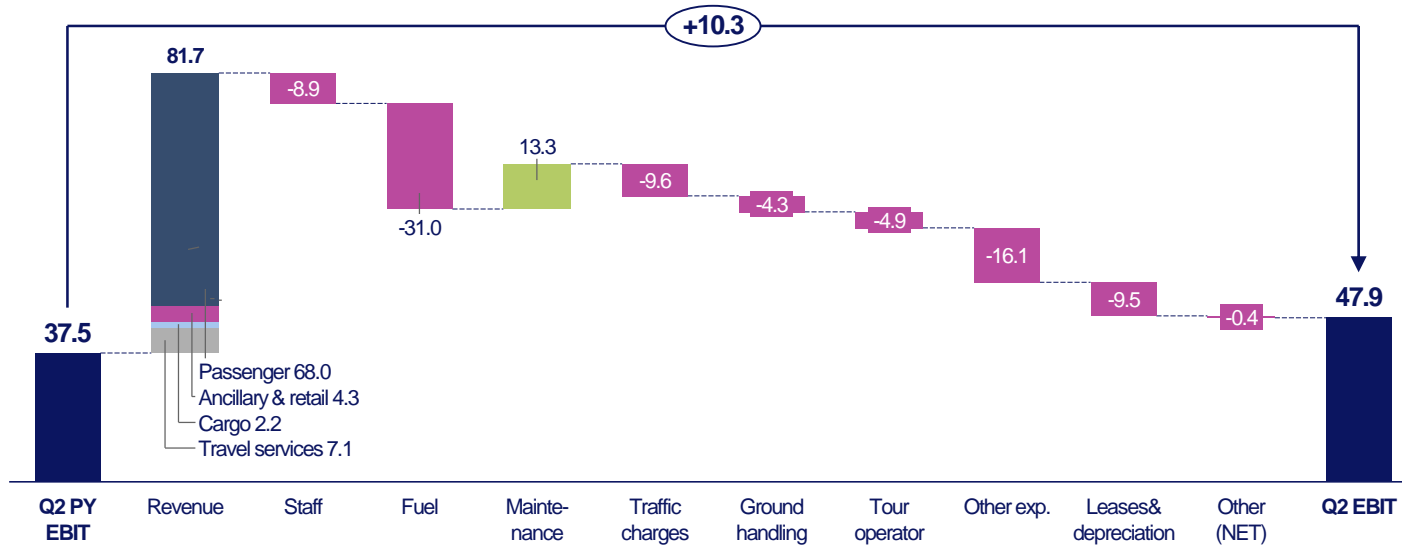
Capacity and traffic



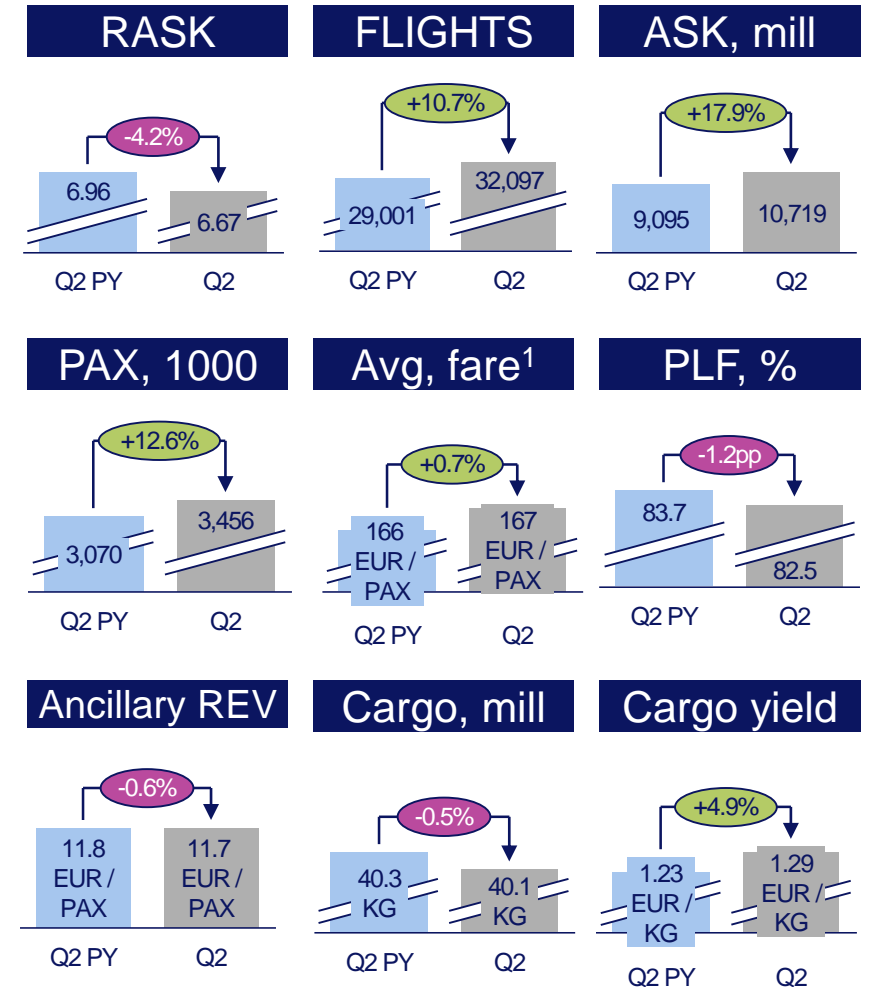
- Capacity (ASK)
- Traffic (RPK)
- Passengers



Comparable operating result improved by 10 M€



- Operating expenses excluding fuel +11.5 % (ASKs +17.9%)
- Fuel costs. including hedging results and emissions trading cost. +27.1%
- Unit costs CASK -5.0%. CASK ex fuel at constant currency -9.9%

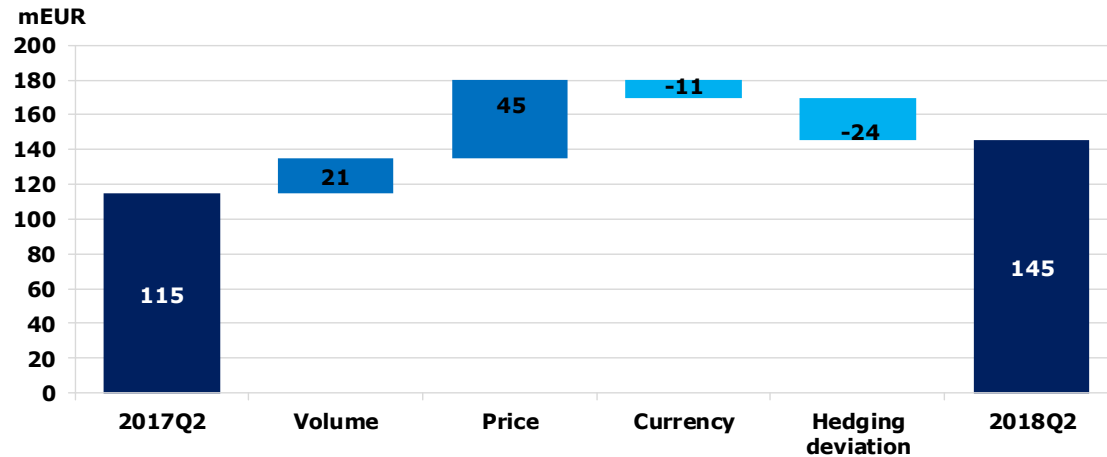


1) Avg. fare = Passenger revenue per revenue passengers.

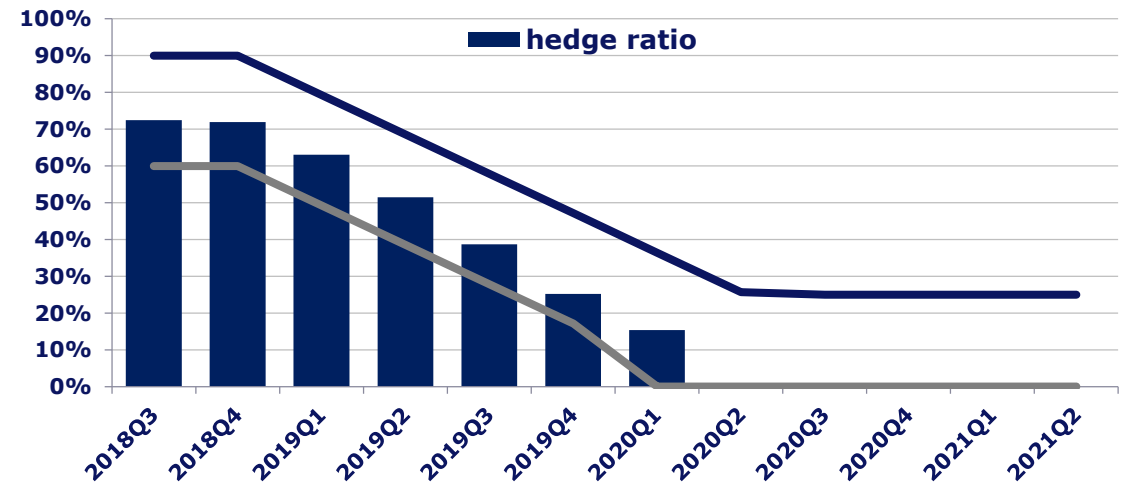


Higher price of jet fuel and Finnair's growing volumes increased fuel costs in Q2

Fuel costs Q2/17 vs. Q2/18



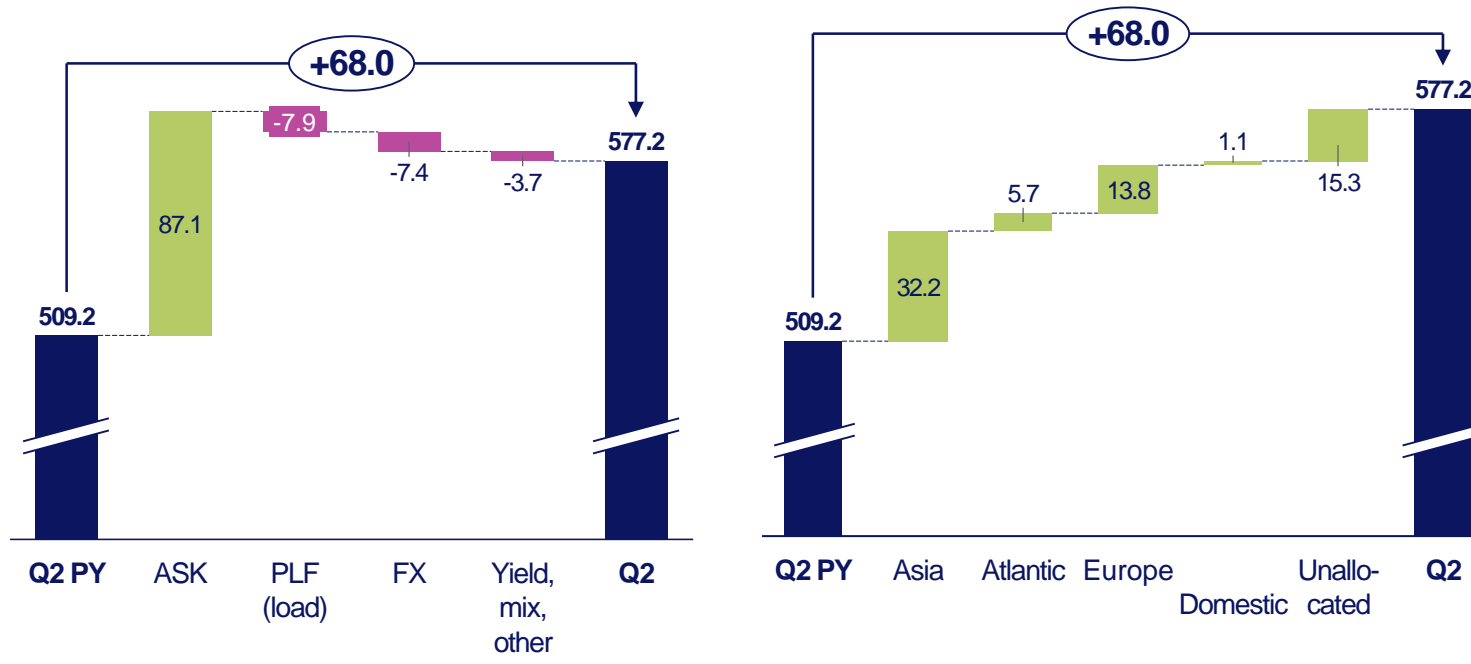
Fuel hedges 30 June 2018



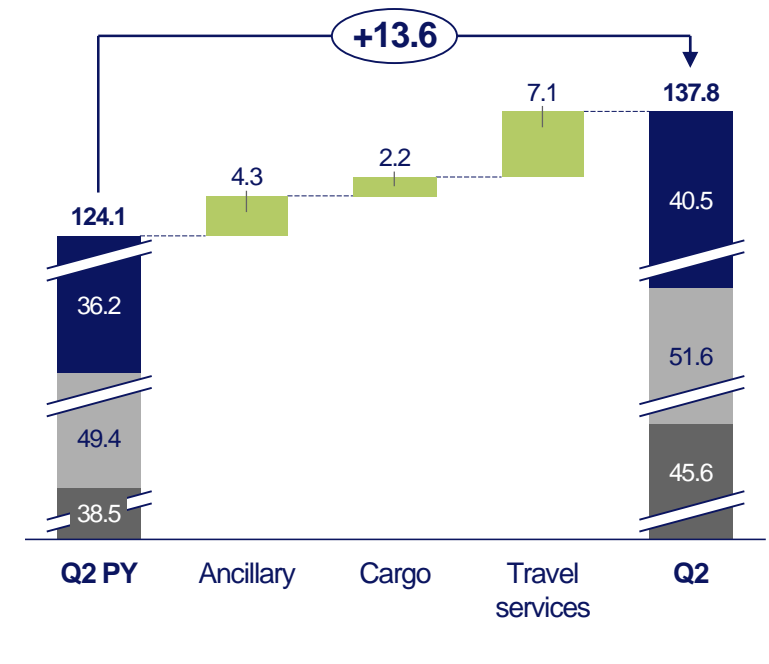
Q1/17 hedging loss 1.7 M€
Q1/18 hedging gain 22.2 M€

Revenue increased as a result of favourable development of Asian and European traffic

Q2 2018 Passenger revenue vs. Q2 2017, M€



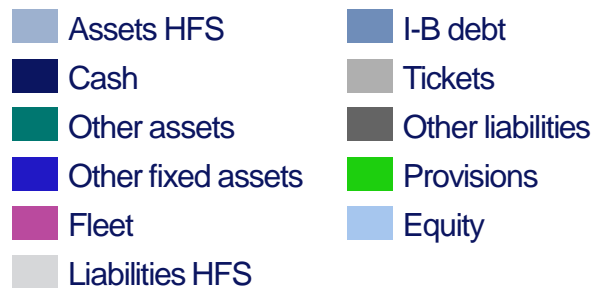
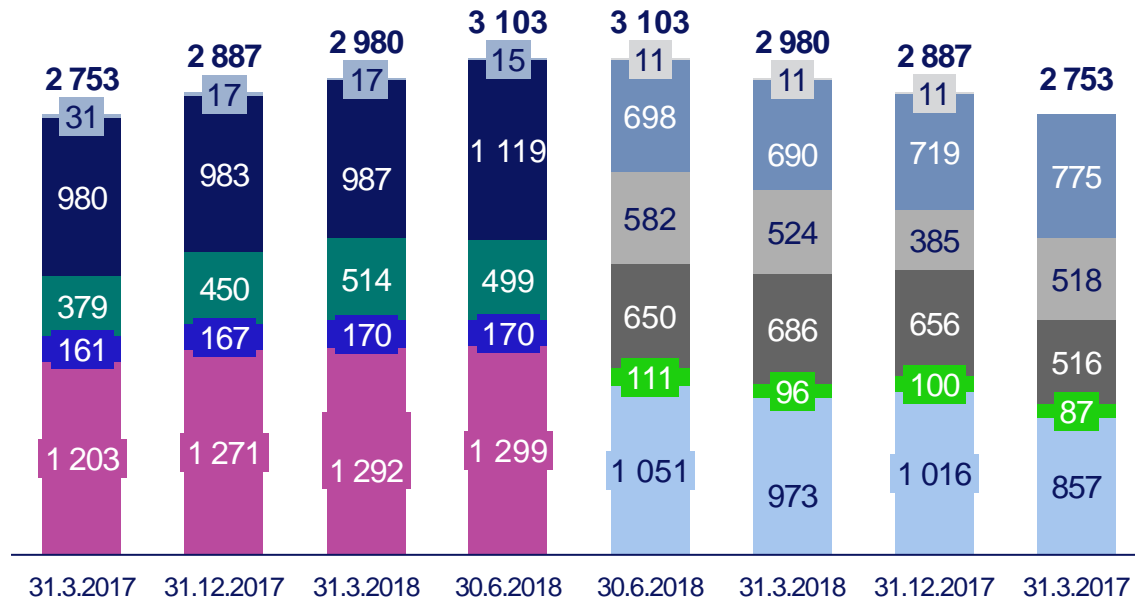
Q2 2018 Other revenue vs. Q2 2017, M€



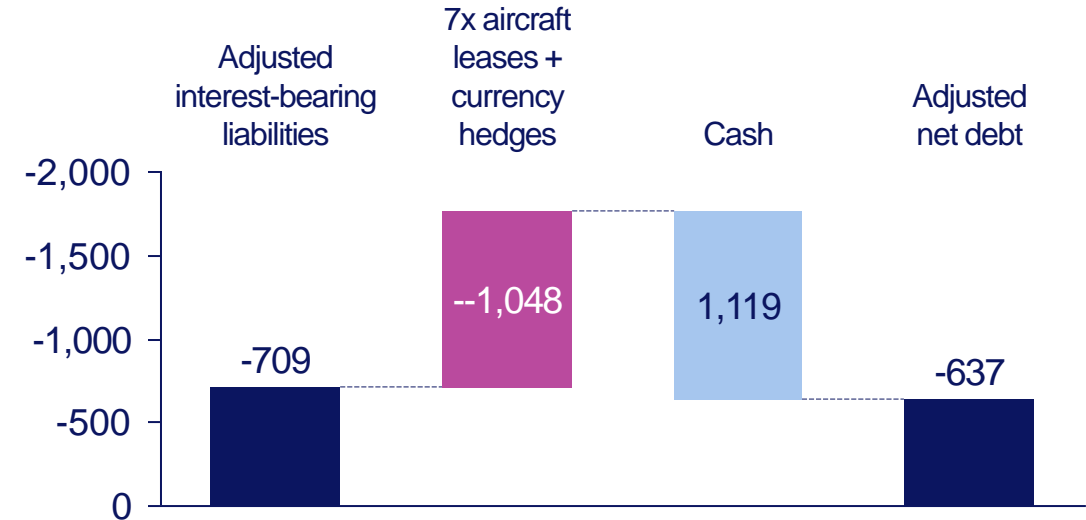
- Ancillary
- Cargo
- Travel services



Strong balance sheet



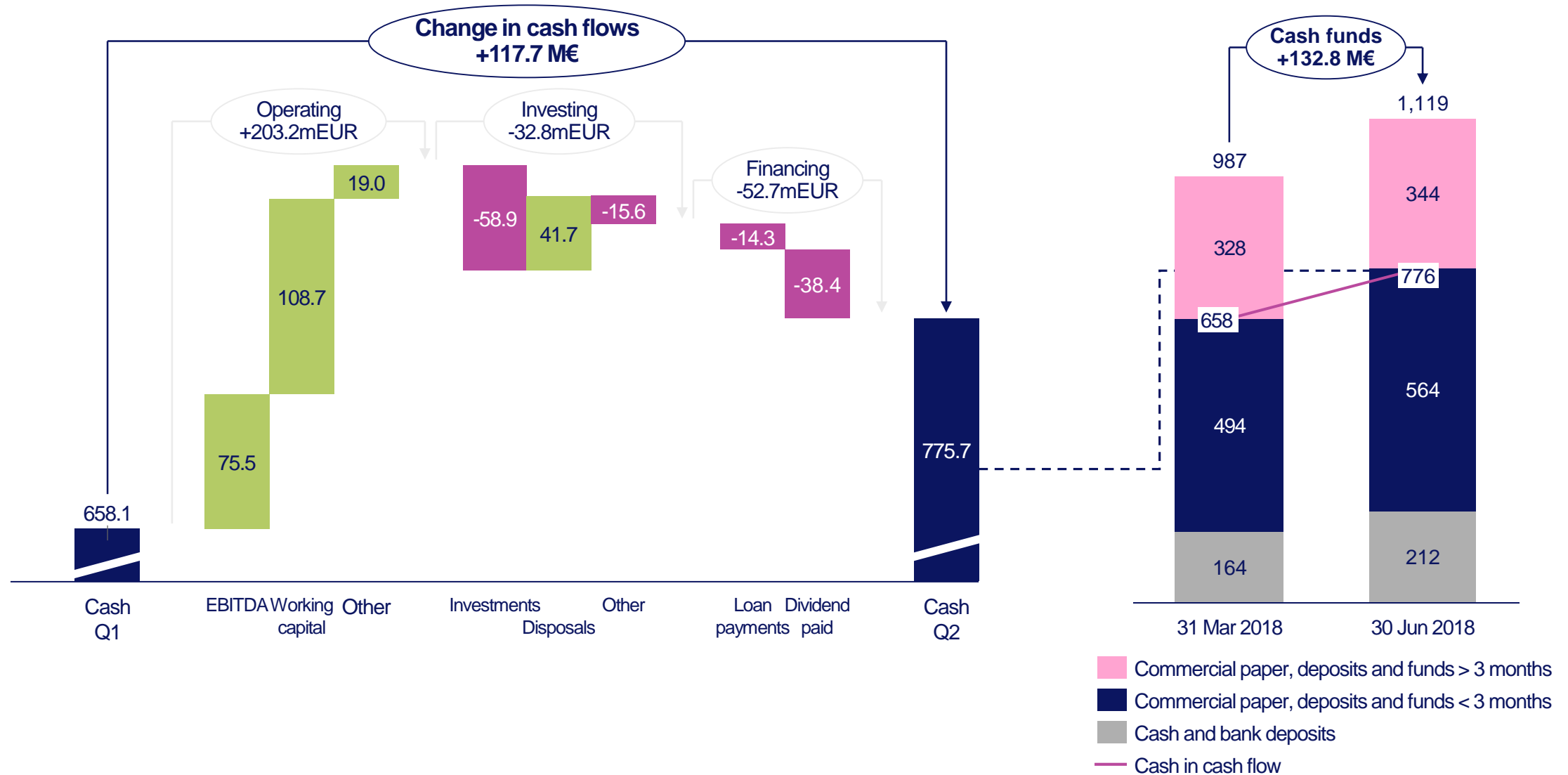
Adjusted net debt



- Equity ratio 33.9%
- Adjusted gearing 60.7%



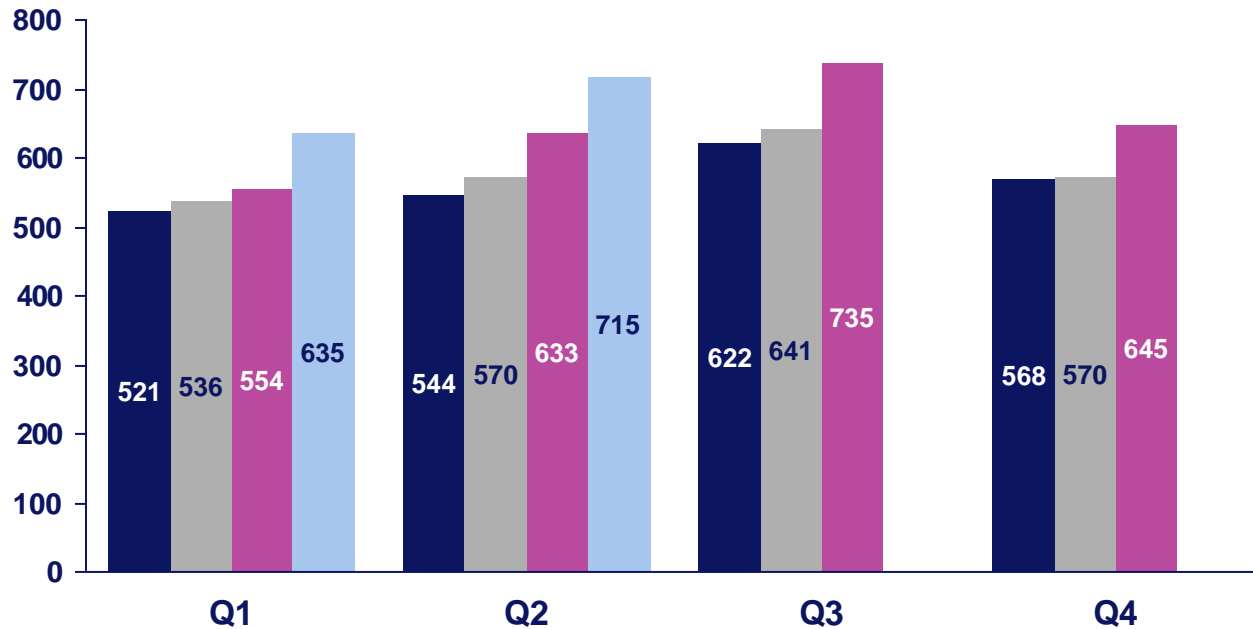
Growing sales and results support financing of fleet investments



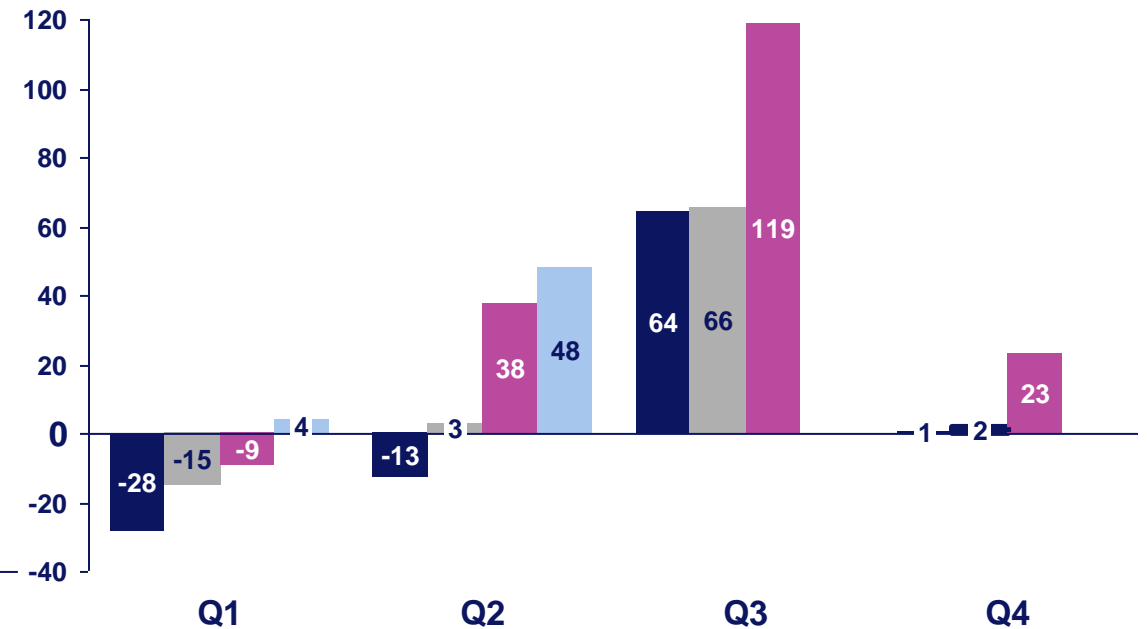


Revenue and comparable operating result development

Revenue



Comparable operating result



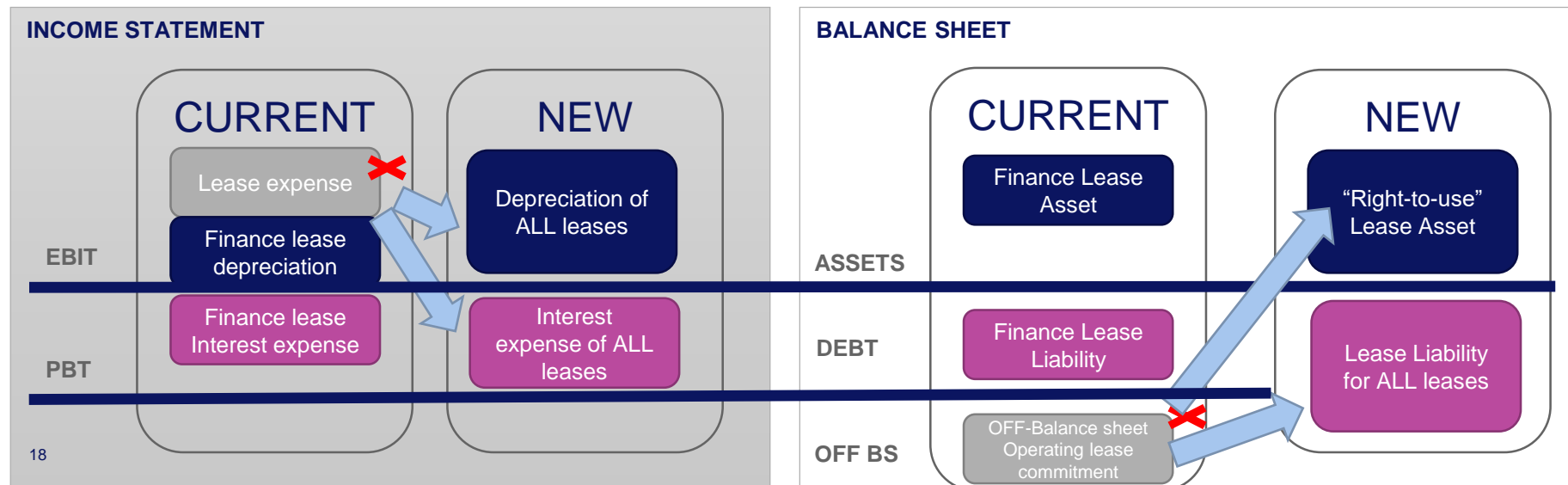
2015 2017
2016 2018

2015 2017
2016 2018

Adoption of IFRS 16 Leases standard (replaces IAS 17)



- Finnair expects to adopt the IFRS 16 -standard from 2019 onwards, and plans to apply the full retrospective method → significant impacts on Finnair financial statements and key ratios.
- The present value of the future operating lease payments for aircraft and other lease agreements will be recognized as right-of-use -assets and interest-bearing liabilities in the balance sheet.* Lease cost is divided into depreciation of the right-of-use -asset (operating result) and interest cost for the liability (finance net).
- Significant impacts on following key ratios: operating result, EBITDA, cash flow from operating activities, cash flow from financing activities, interest-bearing net debt, gearing and equity ratio.



*Currently, future lease payments are presented in the notes as operating lease commitments at their nominal value. Based on Finnair's preliminary evaluation, service contracts that relate to the usage of airports and terminals (HEL hub) do not qualify as lease arrangements for IFRS 16 purposes.



THANK YOU

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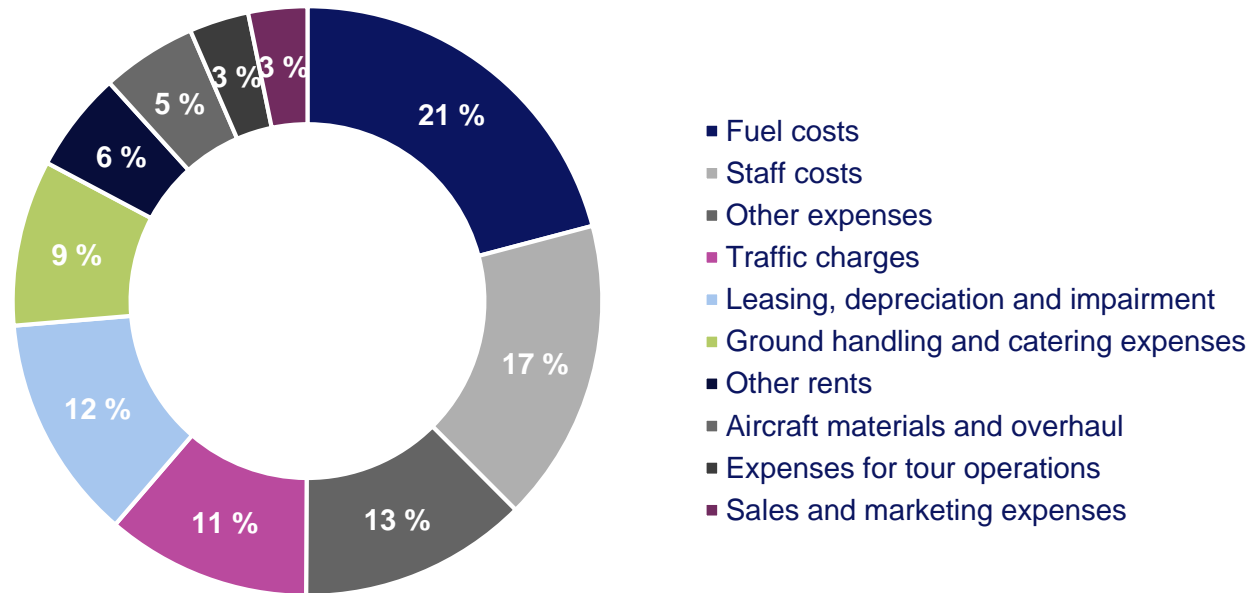
Income statement

in mill. EUR	Q2 2018	Q2 2017	Change %	H1 2018	H2 2017	2017	LTM
Revenue	715.0	633.4	12.9	1 350.4	1 187.7	2 568.4	2 731.1
Other operating income	17.9	18.8	-5.1	37.6	39.0	77.0	75.6
Operating expenses							
Staff costs	-115.7	-106.9	8.3	-222.1	-197.4	-423.3	-448.0
Fuel costs	-145.4	-114.4	27.1	-272.8	-226.0	-472.2	-519.0
Other rents	-38.3	-38.7	-0.9	-74.8	-83.0	-157.9	-149.7
Aircraft materials and overhaul	-36.4	-49.7	-26.8	-75.1	-85.3	-165.7	-155.6
Traffic charges	-78.1	-68.5	14.1	-143.2	-126.7	-266.5	-283.0
Ground handling and catering expenses	-63.3	-59.8	5.8	-127.0	-126.7	-252.2	-252.5
Expenses for tour operations	-22.7	-17.9	27.4	-55.8	-46.4	-100.5	-109.9
Sales and marketing expenses	-22.5	-21.9	2.9	-45.2	-39.4	-85.8	-91.6
Other expenses	-87.3	-71.3	22.5	-170.5	-142.5	-285.1	-313.1
Comparable EBITDAR	123.0	103.2	19.2	201.3	153.3	436.2	484.2
Lease payments for aircraft	-39.5	-35.2	12.1	-78.3	-65.3	-136.6	-149.7
Depreciation and impairment	-35.6	-30.4	17.1	-71.2	-59.5	-129.2	-140.9
Comparable operating result	47.9	37.5	27.6	51.8	28.5	170.4	193.6



Fuel the single largest cost item in Q2/2018

Share of operating costs %, 685 M€





Hedging currencies and sensitivities 30 June 2018

Fuel sensitivities (rolling 12 months from date of financial statements)	10% change without hedging	10% change. taking hedging into account	Hedging ratio	
			H1/2018	H1/2019
Fuel	EUR 66 million	EUR 29 million	72%	57%

Currency distribution %	4-6 2018	4-6 2017	1-6 2018	1-6 2017	2017
Sales currencies					
EUR	55	54	59	57	55
USD*	4	4	3	4	4
JPY	11	10	8	8	10
CNY	7	7	6	6	7
KRW	3	3	3	3	3
SEK	3	4	4	5	4
Other	17	18	17	17	17
Purchase currencies					
EUR	57	57	58	57	57
USD*	36	37	35	36	35
Other	7	6	7	7	7

Currency sensitivities USD and JPY (rolling 12 months from date of financial statements for operational cash flows)	Hedging ratio for operational cash flows (rolling next 12 months)	
10% change without hedging	10% change. taking hedging into account	
-	-	
see below	see below	see below
EUR 26m	EUR 12m	68%
-	-	
-	-	
-	-	
-	-	
-	-	
-	-	
EUR 71m	EUR 27m	67%