



# 3Q 2013 Result



## Unit costs continued to decline in Q3, topline hit by the weaker Yen

- Disappointing operational result **38.4 M€** (-23.7%) in seasonally strongest quarter despite **6.2% decline in CASK** excl. fuel
- Euro denominated **turnover 636.9 M€** (-2.1%) hit by the depreciation of Japanese Yen
- Full implementation of structural change and cost reduction programs absolutely essential for future
- Equally, focus on improving unit revenues by commercial strategy revision is vital



# Market Environment remains challenging

- **European network carriers** continued to implement structural change and cost reduction programs to improve competitiveness in the prevailing tight competitive situation
- The market for traffic between HEL and Finnair's European destinations, measured by passenger volume, grew by 4.0% while the market between Asian and European destinations grew by 3.8%. Finnair increased market share in both markets.
- **Air Freight Volumes** continued to recover, but yield environment remains weak
- **Growth in the BRICS economies, including China, is slowing**
  - Fx head wind depressing yields in the Asian traffic
  - Growth in passenger traffic driven by leisure travel
- **Oil prices remain high**



# **Restructuring and cost savings program is yielding results**



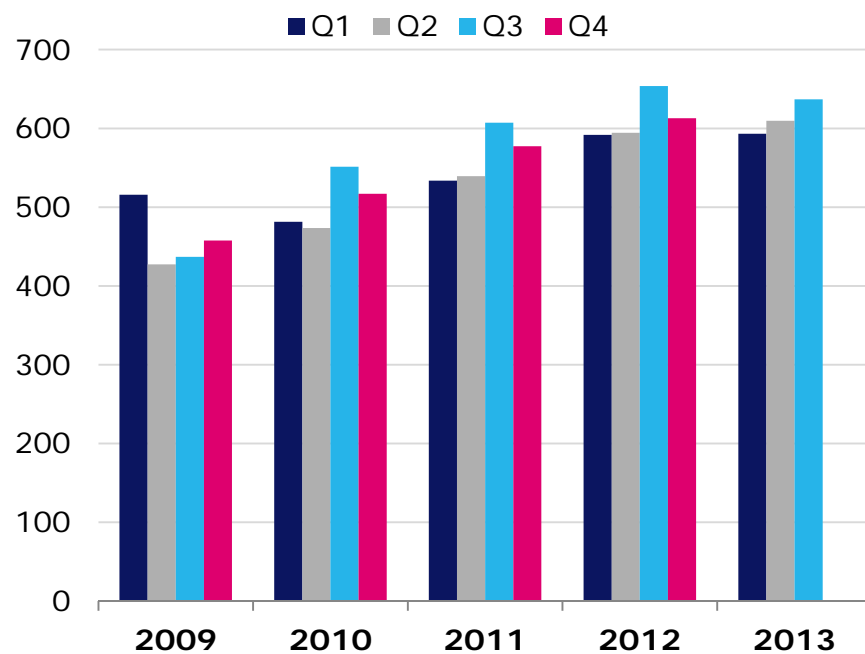
# Revenue and profit hit by weak yen, cost efficiency improved

- **Turnover declined by 2.1%**
  - Q3 Turnover **636.9 M€**
  - Operational EBIT **38.4 M€** (50.4 M€)
  - Euro-denominated revenue impacted by the weakening of Yen
- **Weaker yield partly offset by strong load factors**
  - Unit revenue per available seat kilometre (RASK) -7.1%, passenger unit revenue at **constant currency -0.2%**
  - passenger load factor (PLF) 84.4% (+3.0%-p)
  - yield per revenue passenger kilometre (RPK yield, -10.7%)
- **Sound financial position**
  - Equity ratio **32.9%**
  - Gearing **9.9%**
  - Adjusted gearing **63.0%**
  - **557.4 M€** short-term cash and cash equivalents as per 30 September 2013

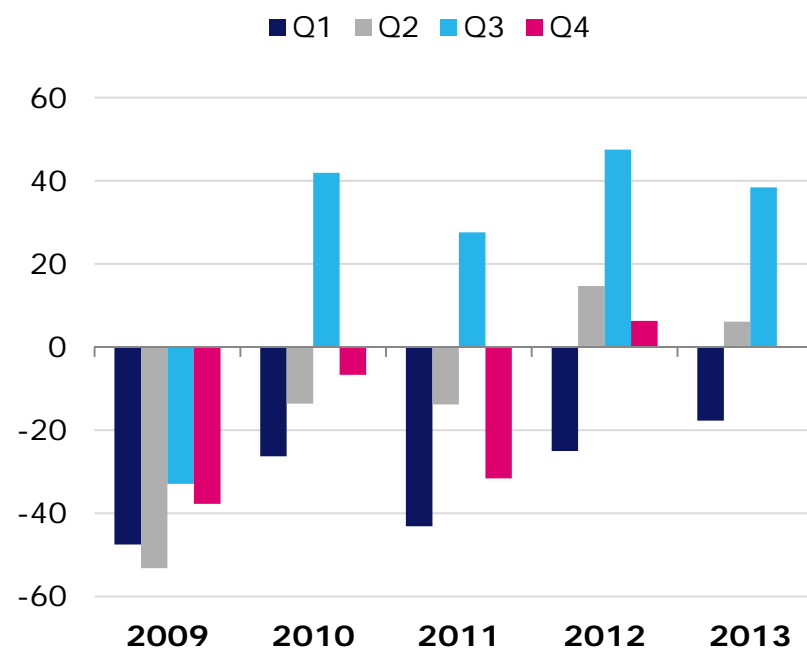


# Turnover & EBIT hit by weaker yen

Quarterly turnover, € million



Quarterly Operational EBIT, € million

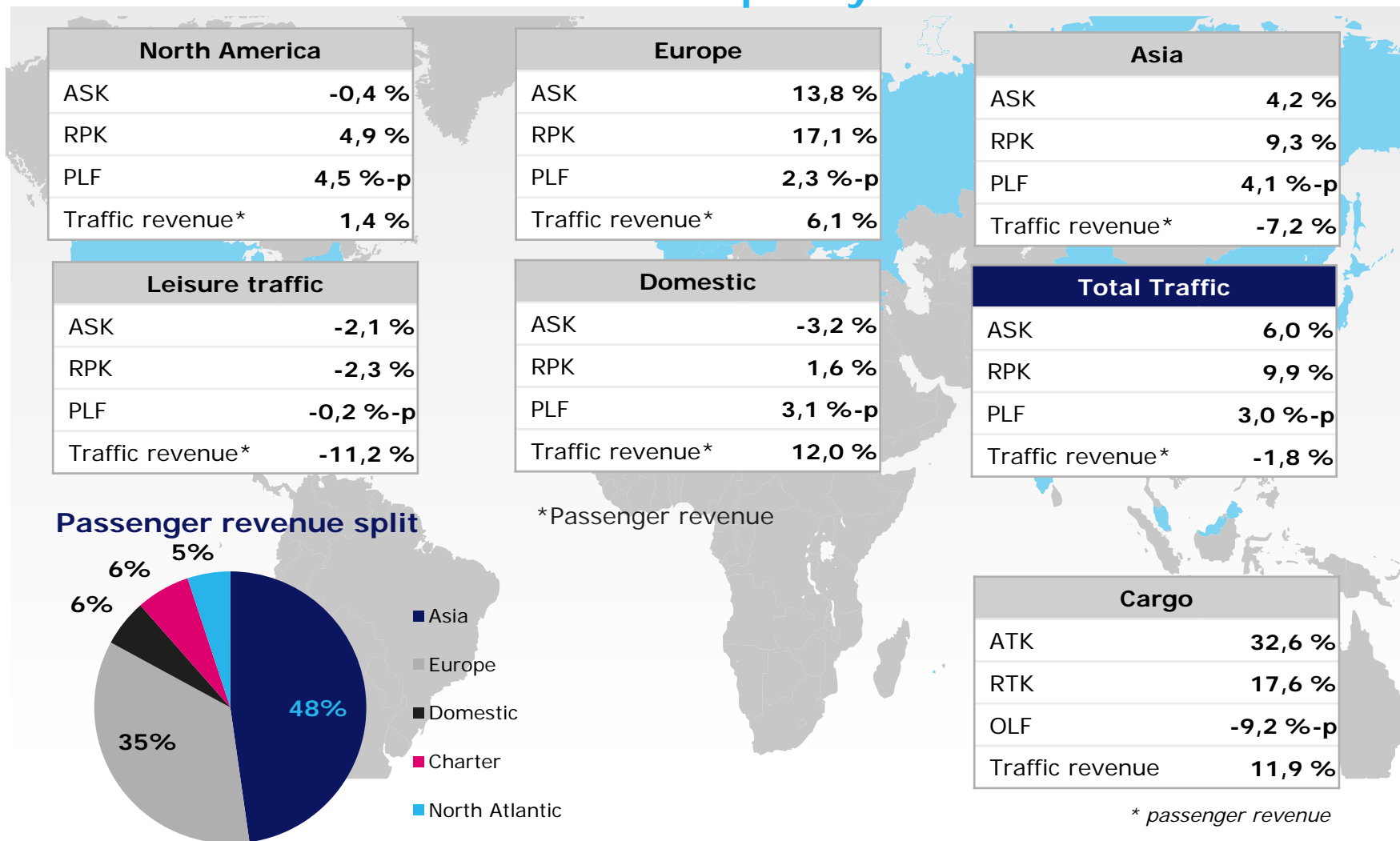


*\*Operational result (EBIT), excluding non-recurring items, capital gains and changes in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves*



# Load factors at a healthy level

## Asian share 51.5% of the total capacity





# Cost savings focus in labour productivity improvement







## Finnair's subsidiaries SMT and Area are planning to merge, creating single largest Finnish business travel agency

- The aim is to create more opportunities to provide customized services to Finnish companies and organizations
- Opportunity to achieve economies of scale, as well as significant cost savings by reducing overlapping functions





# **Finnair lowers its guidance for 2013 due to the weakening unit revenue development**

## **New financial guidance:**

Due to the continuing negative effect of the weak yen on unit revenue in Japanese sales, and the deterioration of cargo and leisure traffic revenues, Finnair expects its turnover in 2013 to be below the 2012 level. Unit costs excluding fuel (CASK excl. fuel) are expected to decrease compared to 2012. If the strong deterioration of unit revenues continues in the last quarter of the year, it is possible that Finnair will not reach a profitable operational result in 2013.

## **Previous financial guidance:**

Due to the negative effect of the weak yen on unit revenue in Japanese sales, Finnair expects its turnover in 2013 to be largely unchanged from 2012. Unit costs excluding fuel (CASK excl. fuel) are expected to decrease compared to 2012. Finnair estimates that its operational result will show a profit in 2013.



# Financials



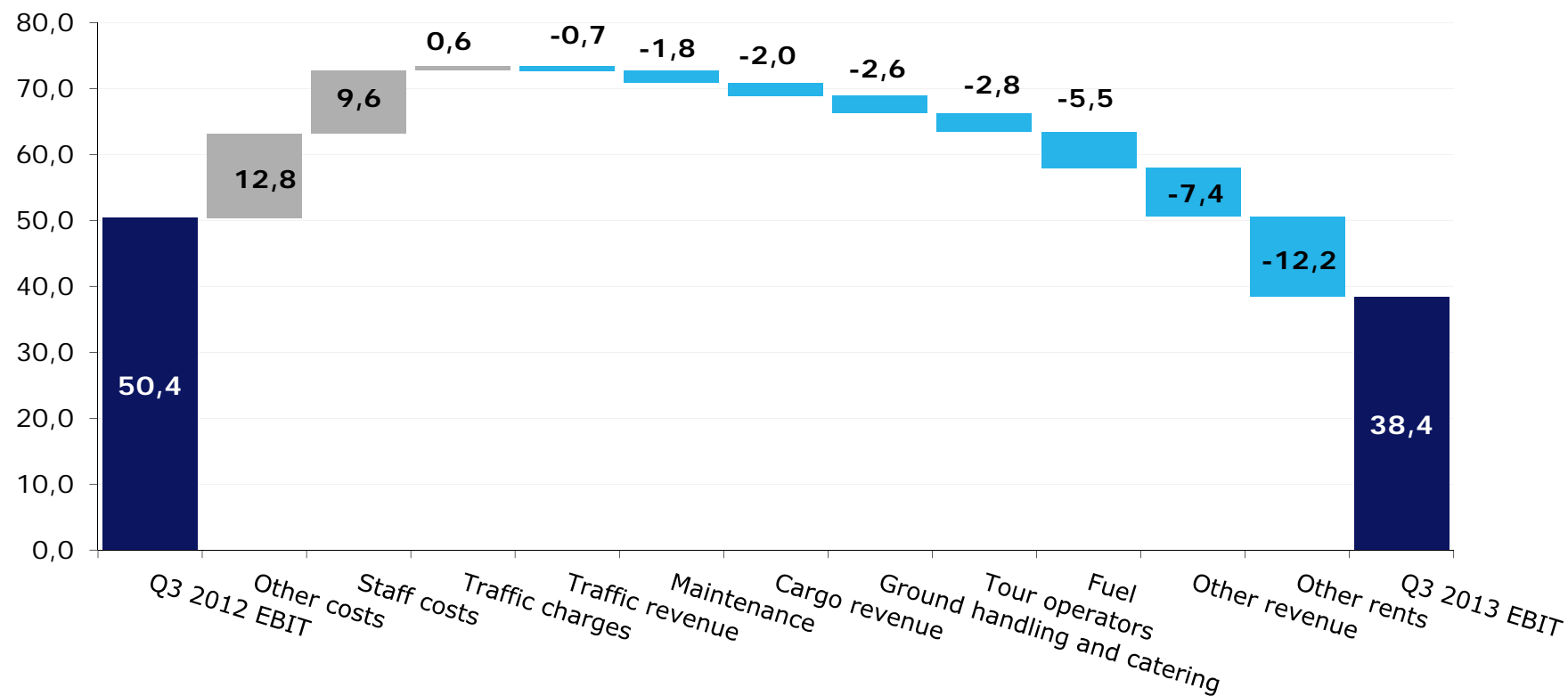
## Q3 Key figures

Key Figures		Jul-Sep 2013	Jul-Sep 2012	Change %	Jan-Sep 2013	Jan-Sep 2012	Change %
<b>Turnover and result</b>							
<b>Turnover</b>	<b>EUR million</b>	636.9	650.3	-2.1	1,839.8	1,836.5	0.2
<b>Operational result, EBIT</b>	<b>EUR million</b>	38.4	50.4	-23.7	26.9	43.1	-37.7
Operational result, % turnover	%	6.0	7.7	-1.7%-p.	1.5	2.3	-0.9%-p.
Operating result, EBIT	EUR million	35.2	72.6	-51.5	9.7	37.3	-74.1
EBITDAR	EUR million	82.4	99.3	-17.0	162.0	191.4	-15.3
Result before taxes	EUR million	31.3	68.8	-54.5	33.9	20.1	68.6
Net result	EUR million	23.5	51.9	-54.7	24.7	14.0	76.9
<b>Balance sheet and cash flow</b>							
Capital expenditure, CAPEX	EUR million	3.6	7.4	-51.2	30.6	17.7	72.9
<b>Net cash flow from operating activities</b>	<b>EUR million</b>	29.7	44.5	-33.3	108.3	136.8	-20.9
<b>Share</b>							
Share price at end of quarter	EUR	3.12	2.07	50.7	3.12	2.07	50.7
Earnings per share, from the result of the period*	EUR	0.18	0.41	-54.9	0.19	0.11	78.5
Earnings per share	EUR	0.16	0.39	-58.8	0.12	0.06	107.3



# Operational EBIT build-up in Q3 2013

Mill. Eur

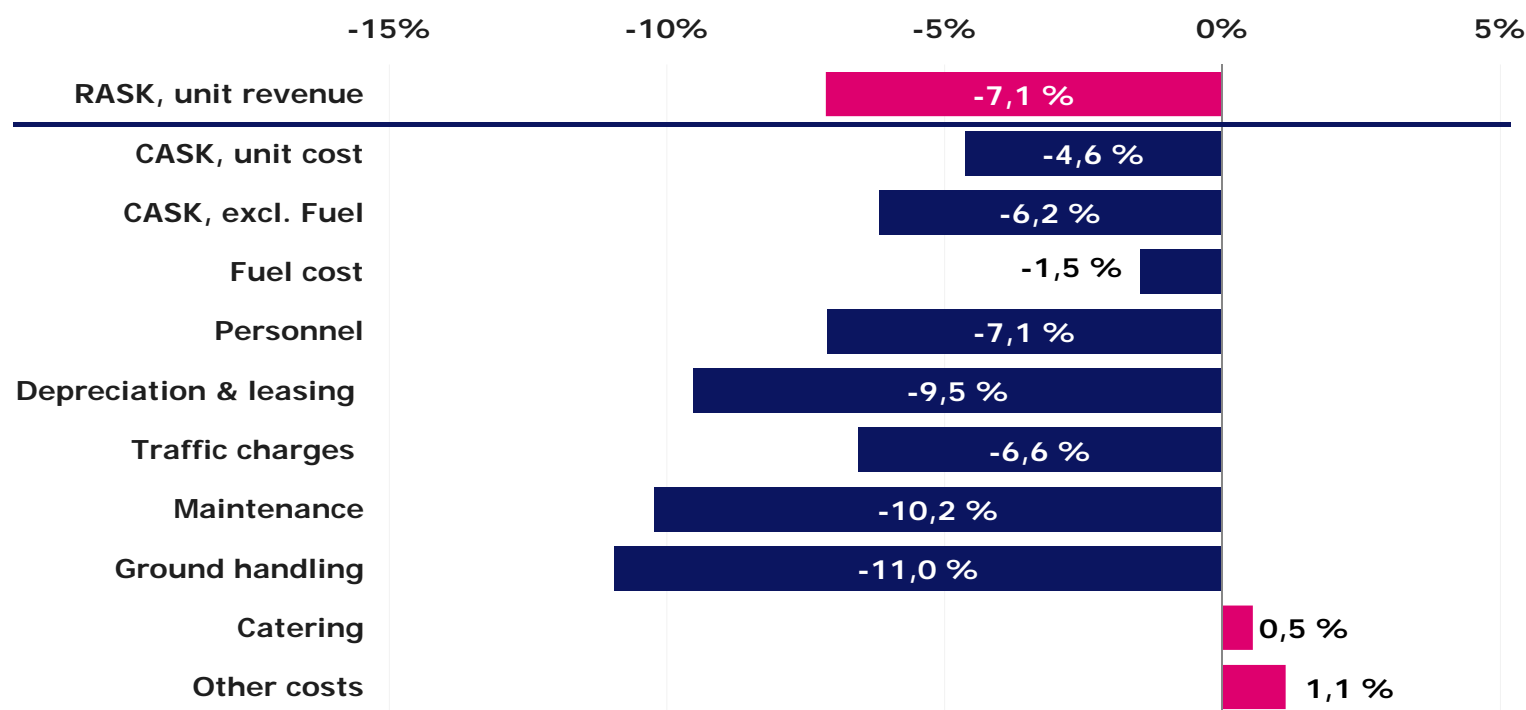




# Airline business: RASK & CASK development Q3 2013

- Unit cost excluding fuel (CASK, excl. fuel) down by 6.2%
- Unit revenue (RASK) at constant currency -0.2%

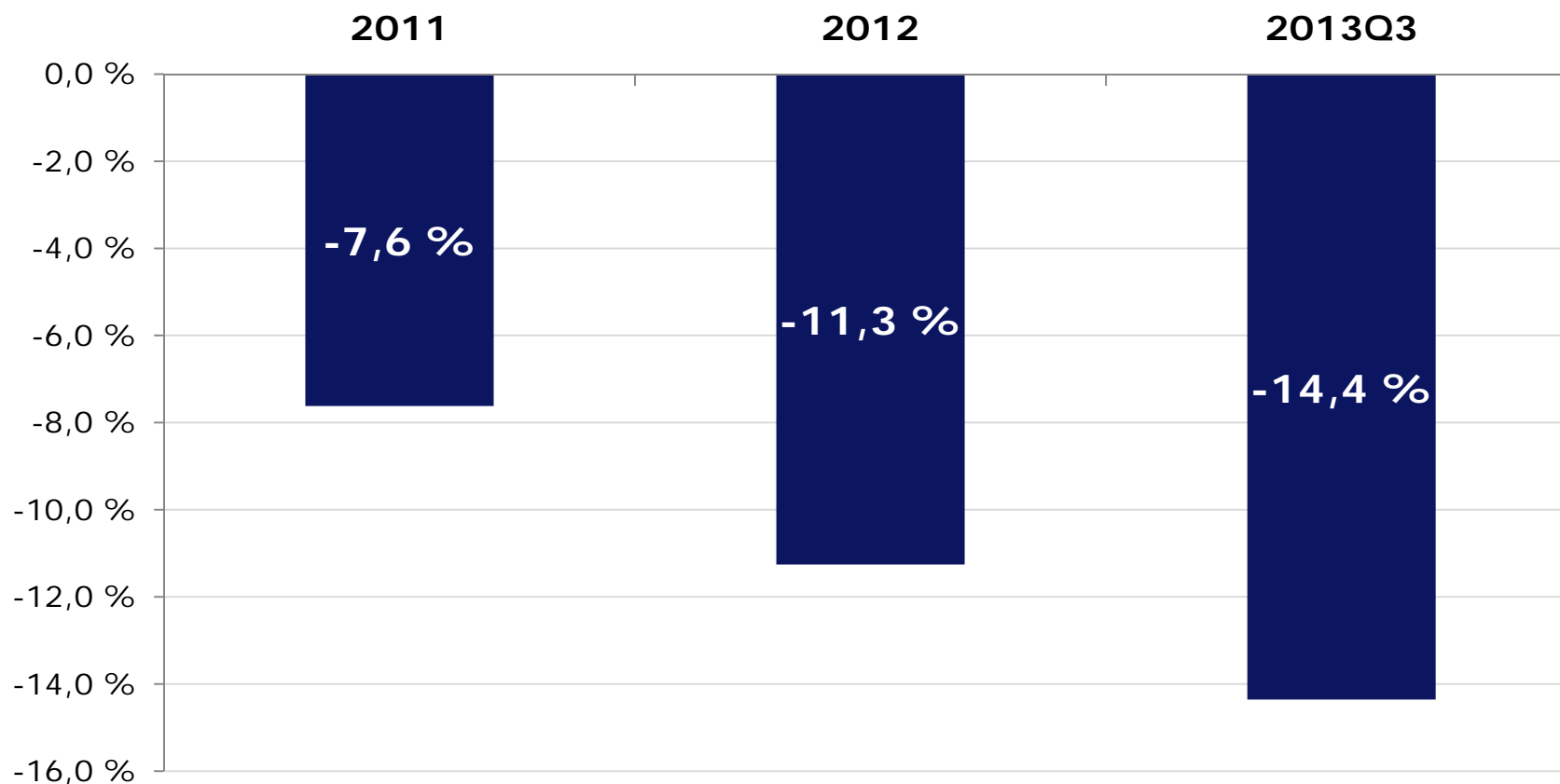
Change, y-o-y, %



*Aviation services operational result has been transferred from other expenses to maintenance, catering and ground handling expenses starting from Q1 2013. 2012 comparison figures were changed respectively.*



# Significant cumulative unit cost\* decrease achieved

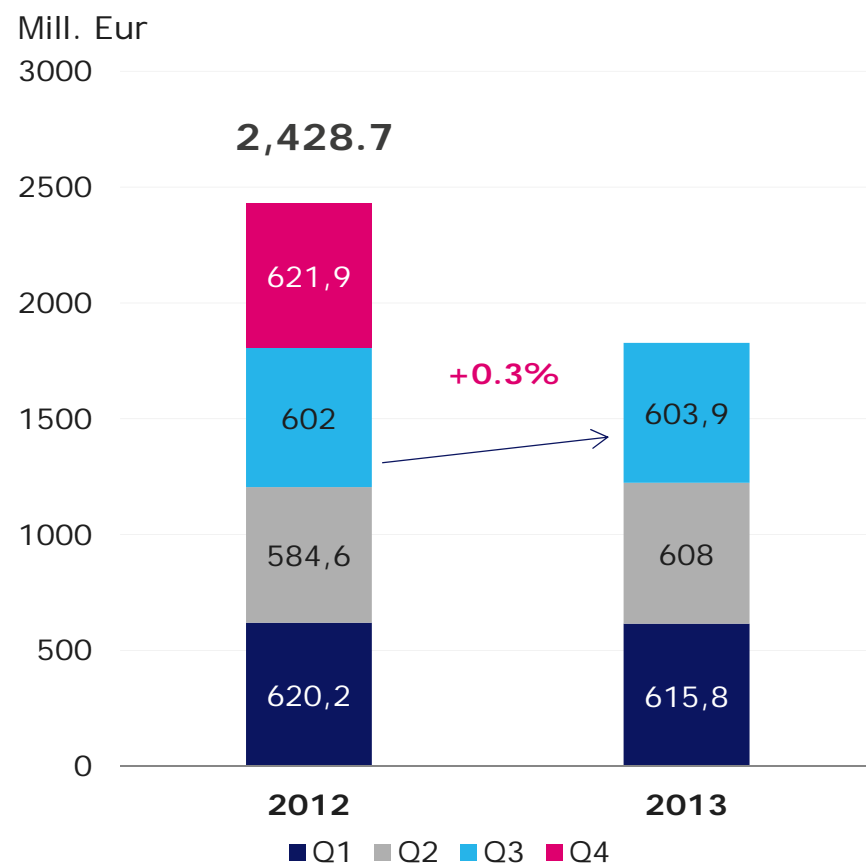


*\*Excl. fuel, adjusted for 2010 ash and industrial action*

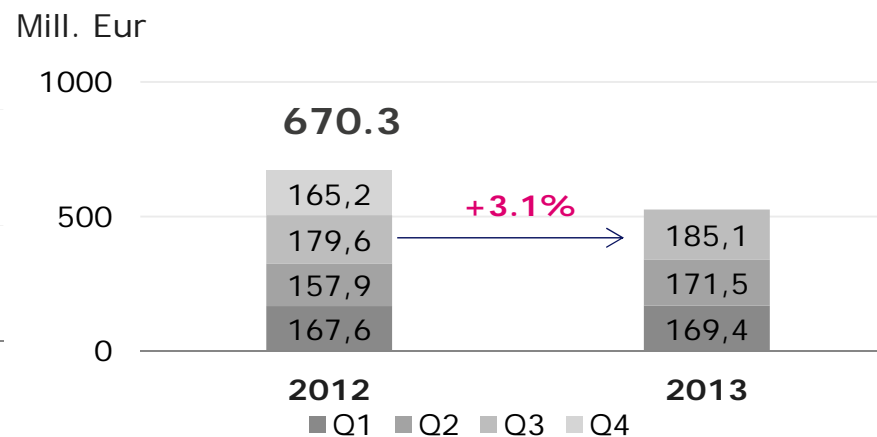


# Operational costs grew less than capacity

## Operational costs



## Share of fuel costs was 30.7%

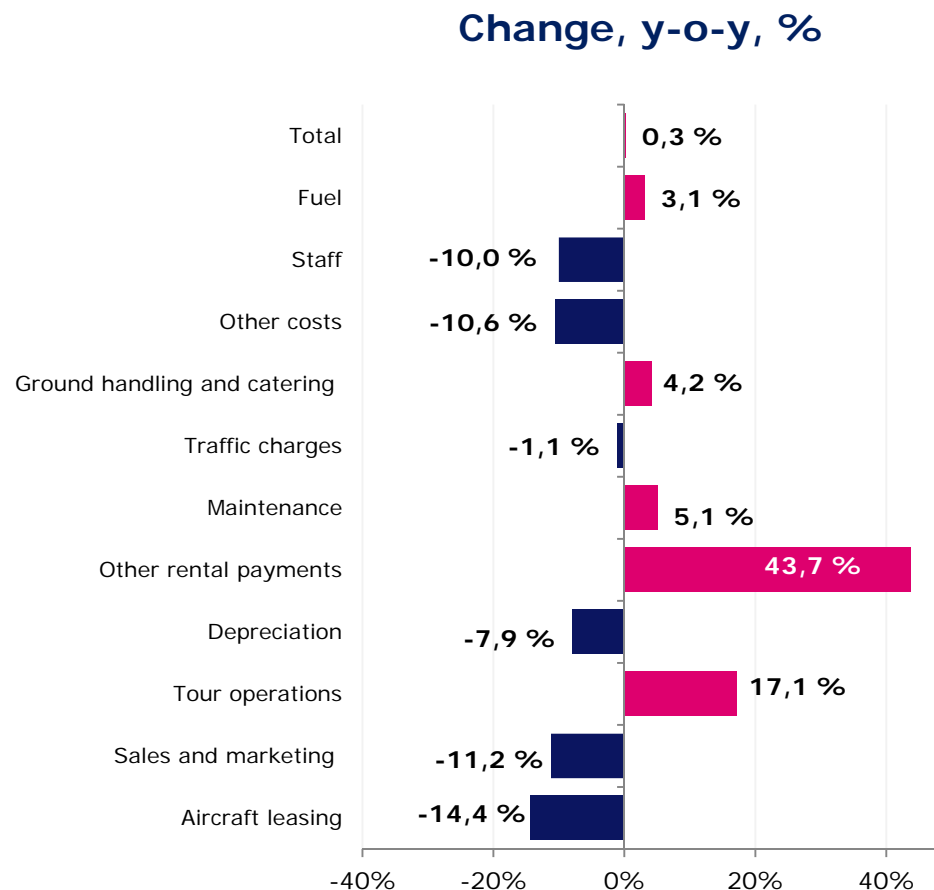
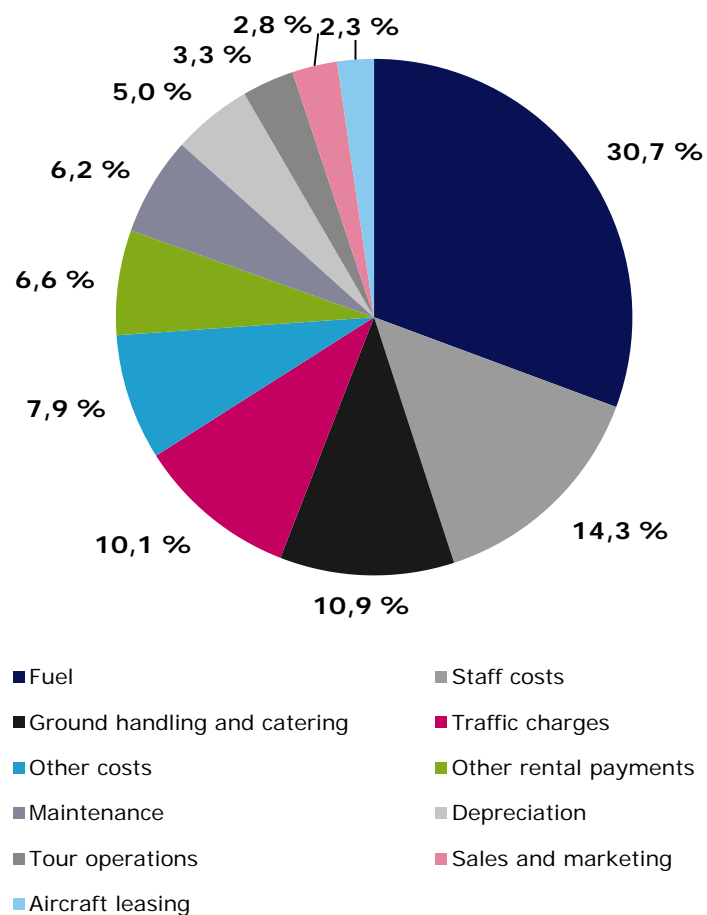


\* Hedging taken into account



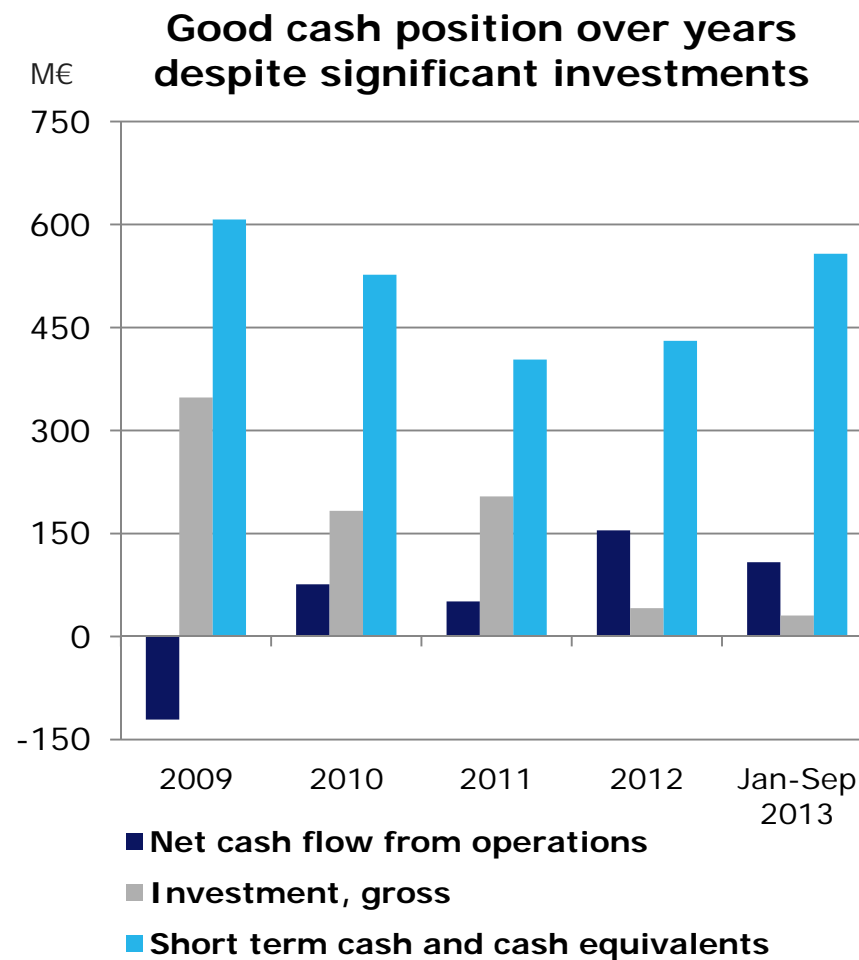
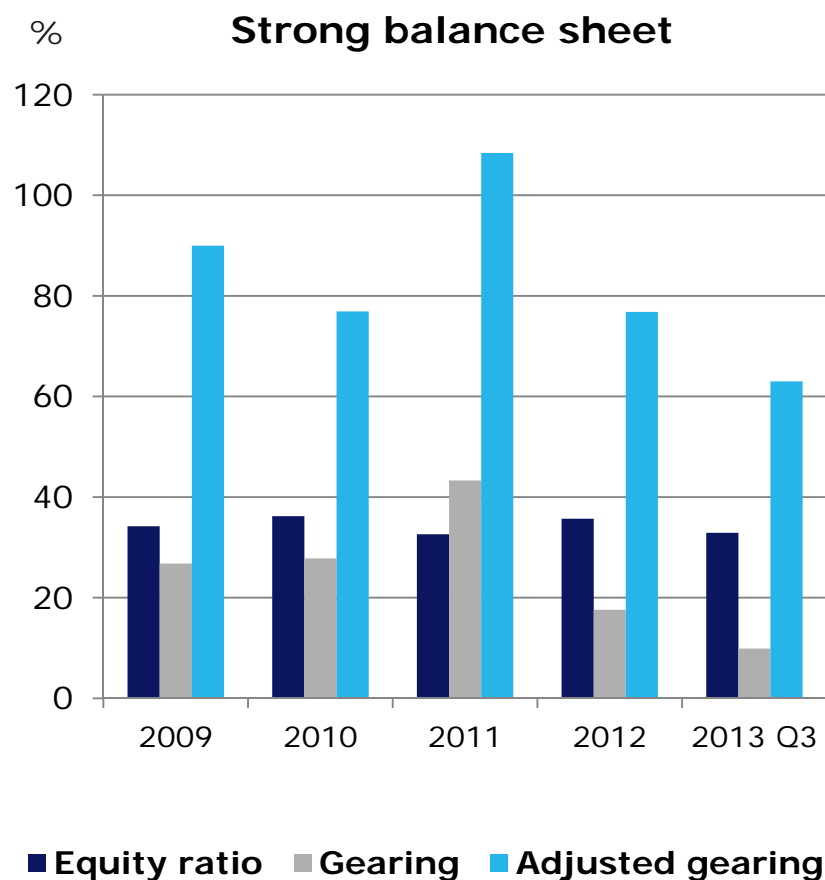


# Fuel and personnel biggest cost items in Operational costs Q3 2013, total of 603.9 M€





# Strong financial position supports business development and future investments





## Finnair is the first European carrier to receive next generation Airbus 350 XWB's

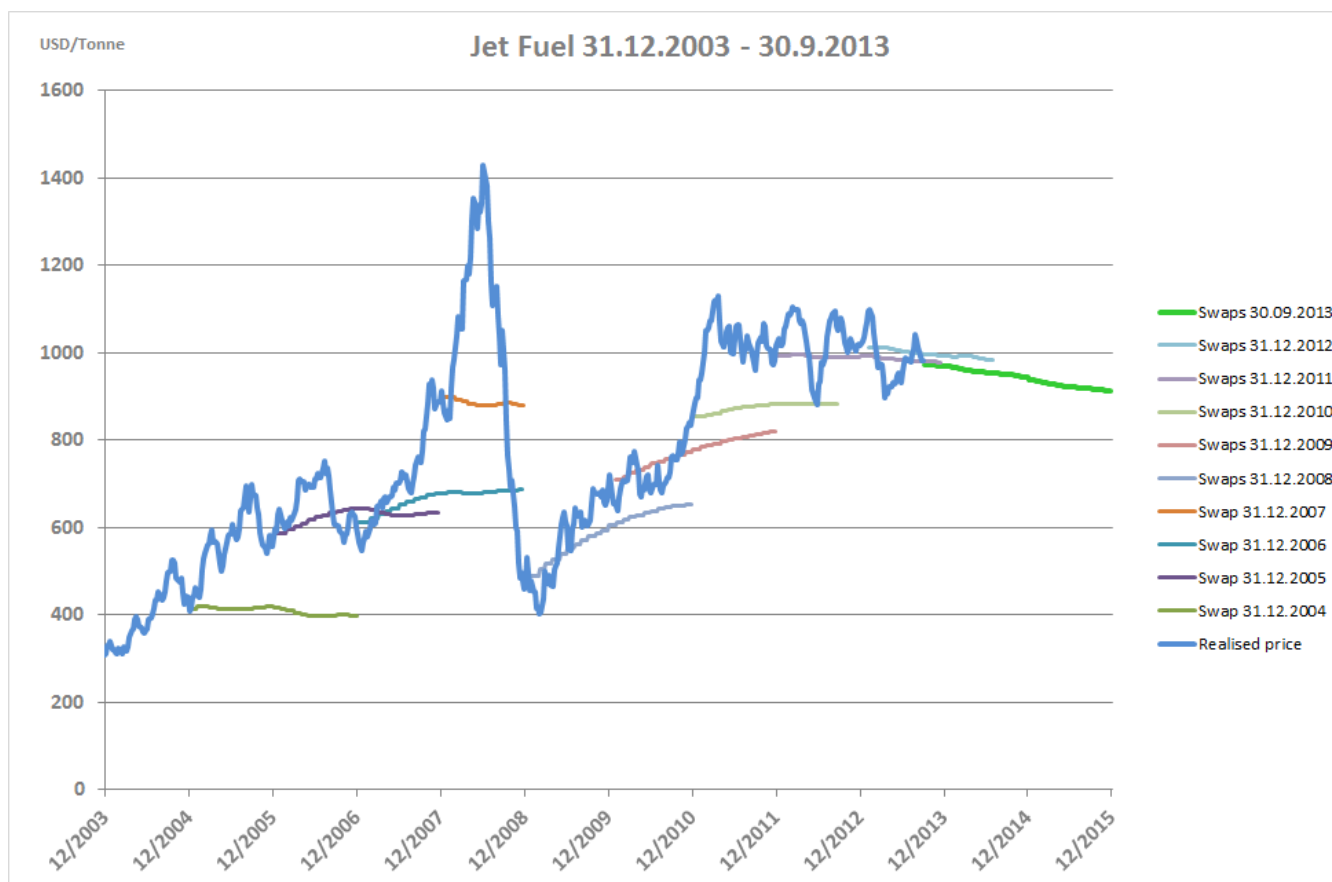
### Competitive advantage:

- **Up to 18% more capacity:** from 270 seats to 310-320 seats
- Estimated **seat cost -30%** compared to Airbus 340
- Improved revenue position with superior product
- 11 orders and 8 options



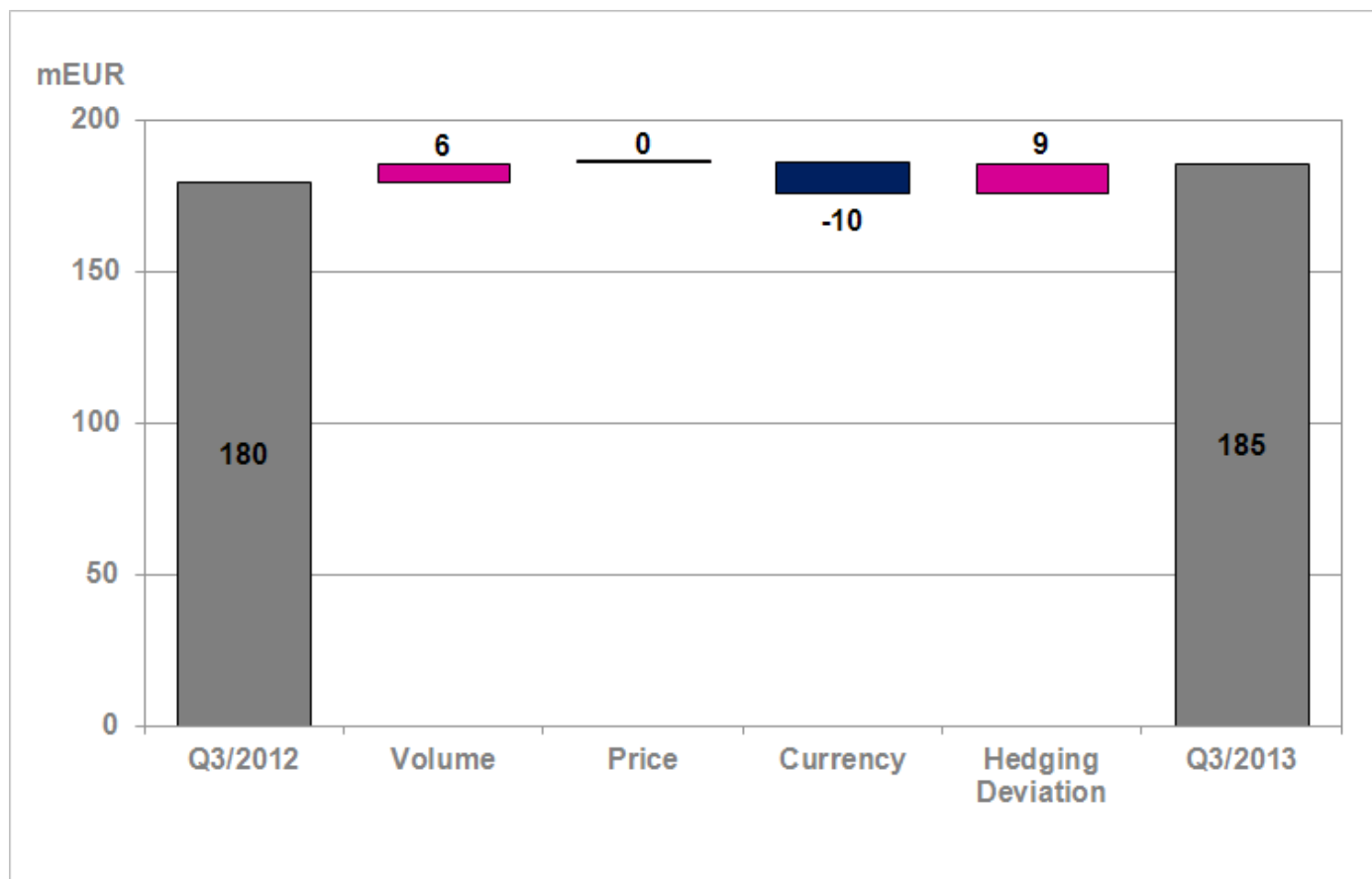


# Fuel, spot-price development





## Hedges are wearing off: Hedging loss of 2,6 M€ in Q3



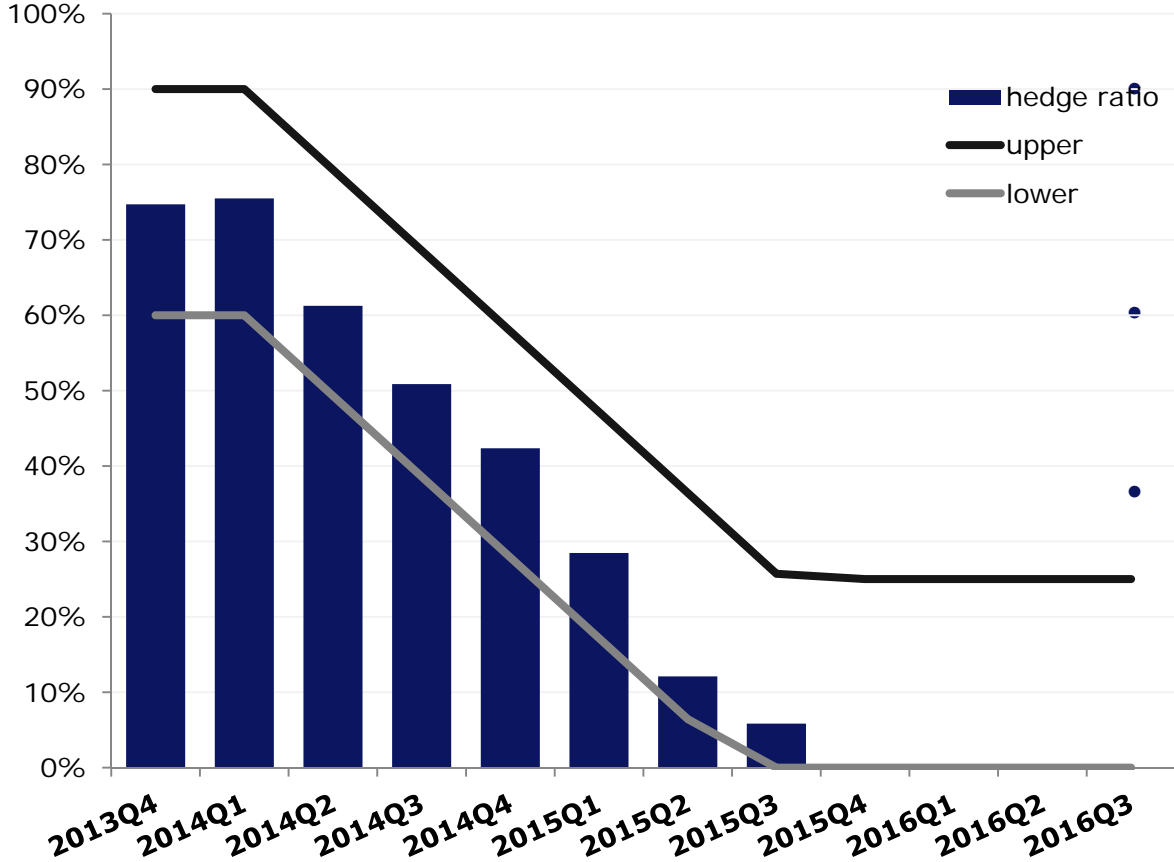
\*2012 Incl. Hedging profit of 6,9 Mill. EUR

\*\*2013 Incl. Hedging loss of 2,6 Mill. EUR

# Rolling hedging policy



## Hedging positions, 30 September 2013 Hedge ratio 2013: 75%



Finnair hedges jet fuel positions 24 months ahead within the limits defined in the hedging policy

- Finnair is 75% hedged for the second half and 57% for first half of 2014
- The company protects itself against the risks of currency, interest rate and jet fuel positions by using different derivative instruments, such as forward contracts, swaps and options

**Thank you**

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