



2012 Result

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Agenda

- **Market environment in Q4**
- **Business performance and strategy execution**
- **Outlook**
- **Financials**



Market Environment

According to **IATA**,

- **Global air travel** continues to increase, but the rate of growth has slowed over the year
- **Air freight demand** showed year-on-year improvement in Q4 after being down in previous quarters
- Growth in international passenger travel was driven by **emerging regions**
- **Airline capacity** management has allowed load factor to remain solid, helping financial performance
- Given the weakness in global economic growth, the **demand environment for air transport remains fragile**



Air traffic remains a growth market

World annual RPK (trillion)

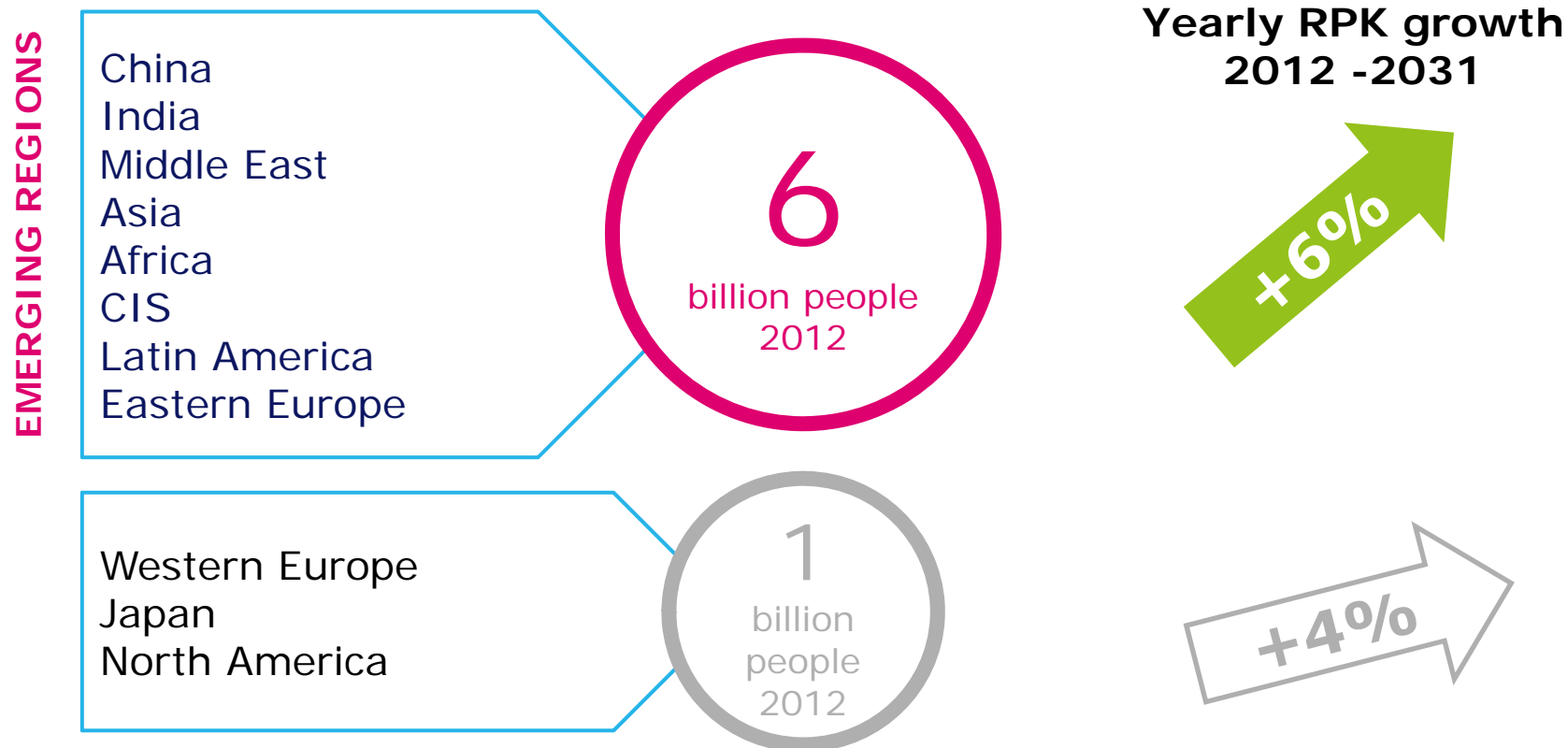


Source: Airbus Global market forecast September 2012.

Finnair FY 2012 Result, 8 February 2013



Growth is highest in emerging regions



Billions of people want to travel by air

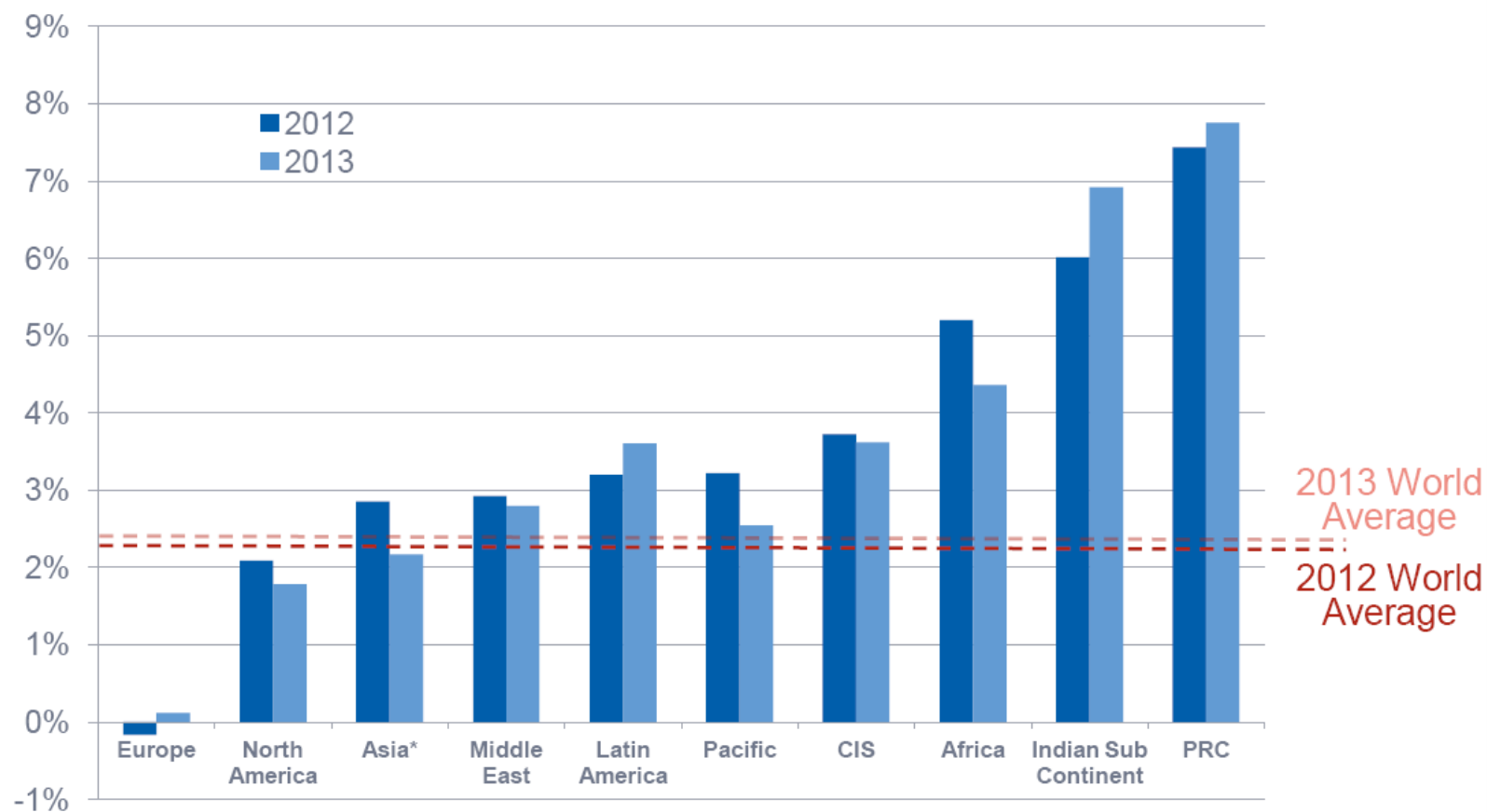
Source: Airbus Global market forecast September 2012.

Finnair FY 2012 Result, 8 February 2013



China is forecasted to continue as the fastest growing market in 2012-2013

2012 and 2013 real GDP forecast by region



Source: Airbus Global market forecast September 2012.



Main drivers for traffic growth in Asia

- More people, bigger cities, more wealth
- Emerging markets, more first time flyers and growing middle class
- Growing tourism and internationalisation will stimulate demand
- China average propensity to travel **x4.6** in 2031 vs. 2011

Source: Airbus Global market forecast September 2012.

Finnair FY 2012 Result, 8 February 2013



Change in the industry continues

- **Alliance landscape is changing**
 - Qatar to join **oneworld** alliance, Middle-Eastern airlines active in partnering with network carriers
 - Malaysia Airlines became a full member of the **oneworld** alliance in January

- **Market exits in short haul traffic**



- **Network carriers continue to restructure their loss-making short haul operations**



Solid business performance strengthens Finnair's position in the market



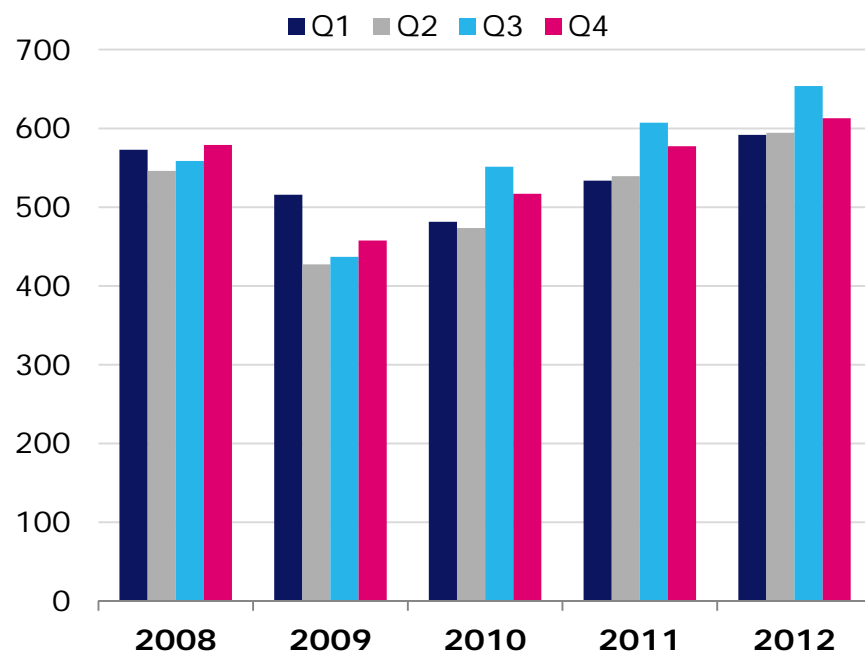
Full year 2012 back in profit

- **Q4 and FY Operational EBIT in profit**
- **Over €100 million result improvement while the fuel bill grew by €115 million**
 - Q4 Turnover **612.9 M€**, Operational EBIT **6.3 M€**
 - FY Turnover all time high **2449.4 M€**, Operational EBIT **44.9 M€**
- **Stable financial position**
 - Net cash flow from operations **17.9 M€** in Q4, **154.7 M€** FY
 - **430.5 M€** short-term cash and cash equivalents as per 31 Dec 2012 (approx. 17.6% of FY turnover)
- **Notable improvements in traffic performance trough out the year:**
 - Load factor **+4.3%-p**
 - RASK **+7.7%**

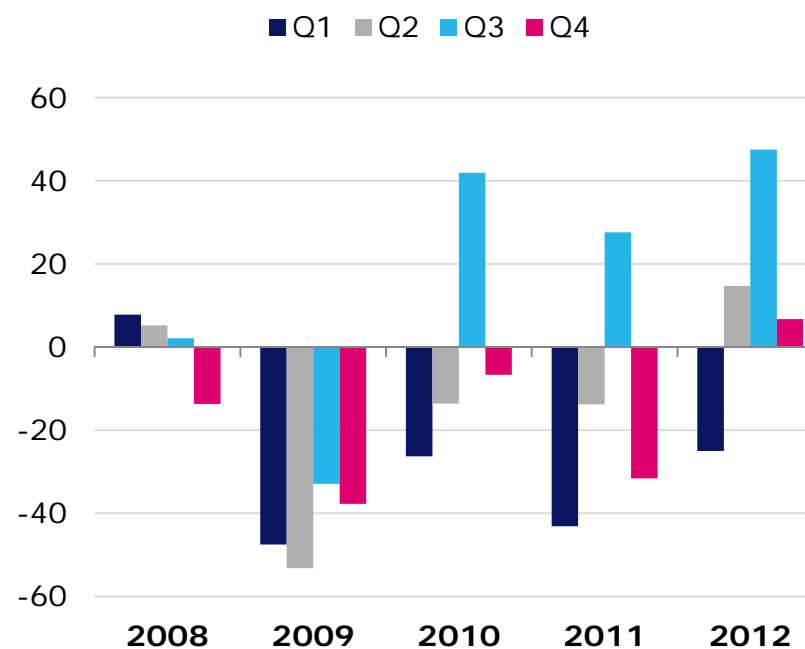


Turnover growth continued, EBIT* back in profit

Quarterly turnover, € million



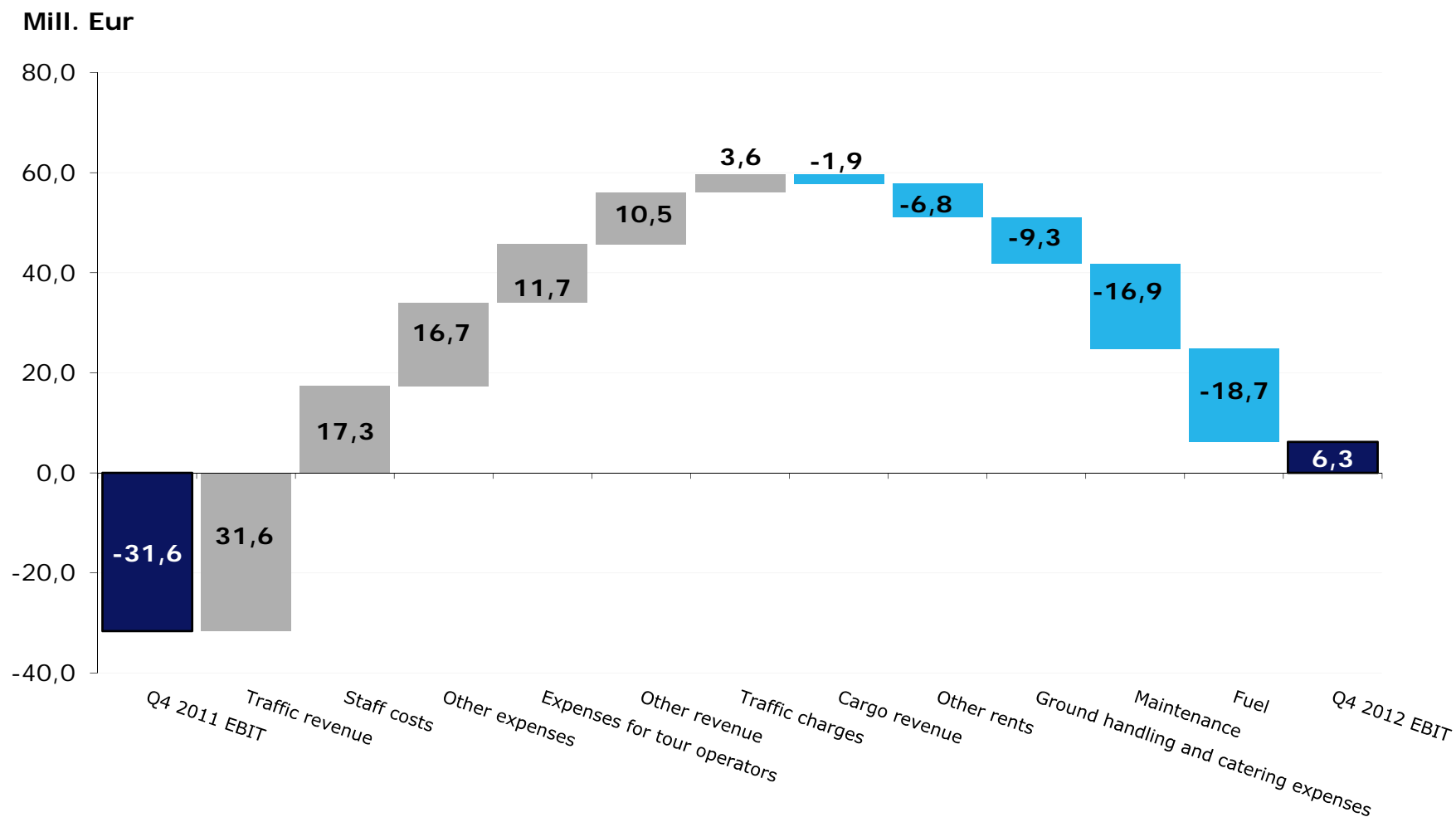
Quarterly Operational EBIT, € million



**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*

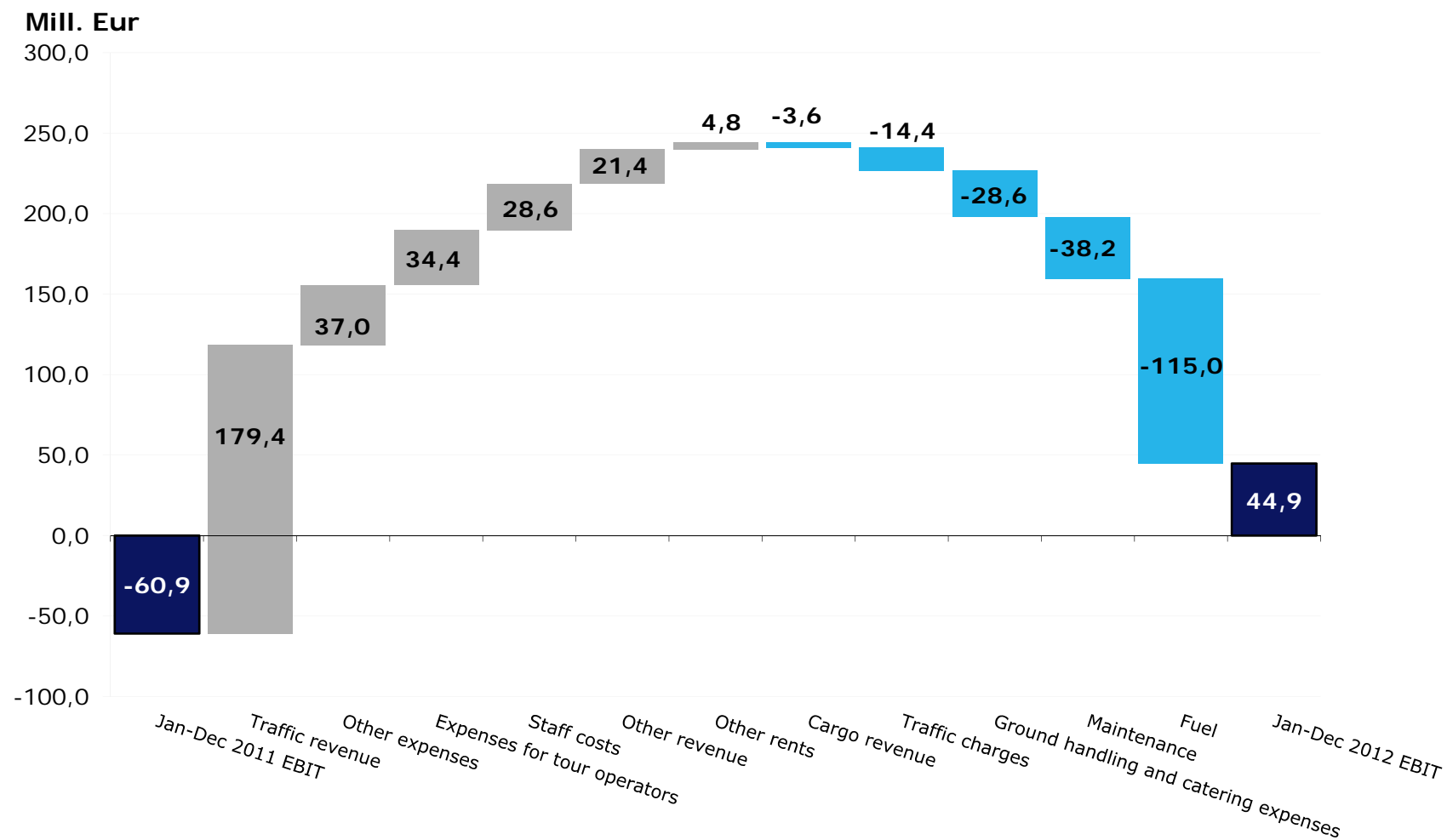


Operational EBIT build-up in Q4 2012





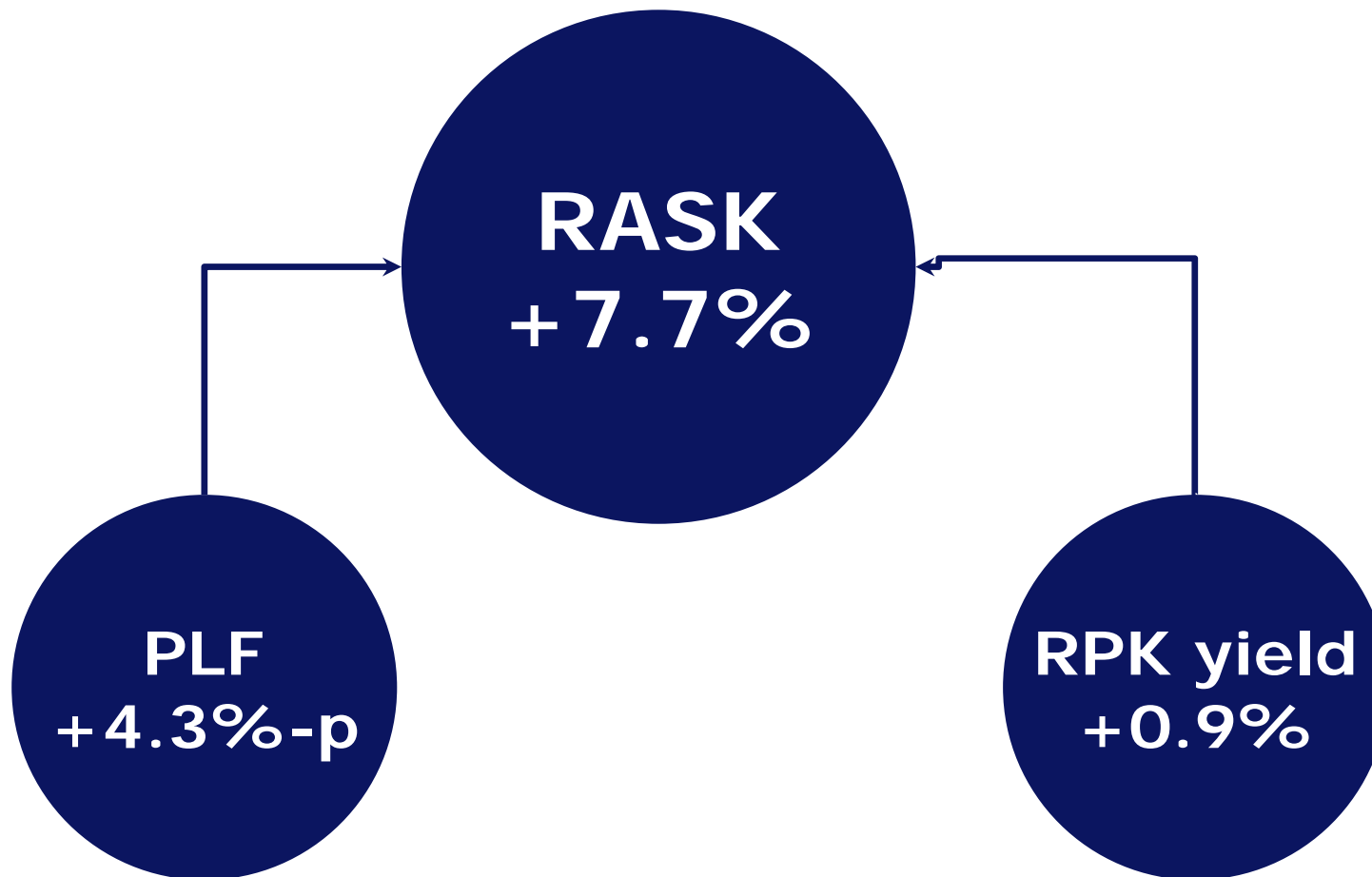
Operational EBIT build-up in FY 2012





Unit revenue improvement continues

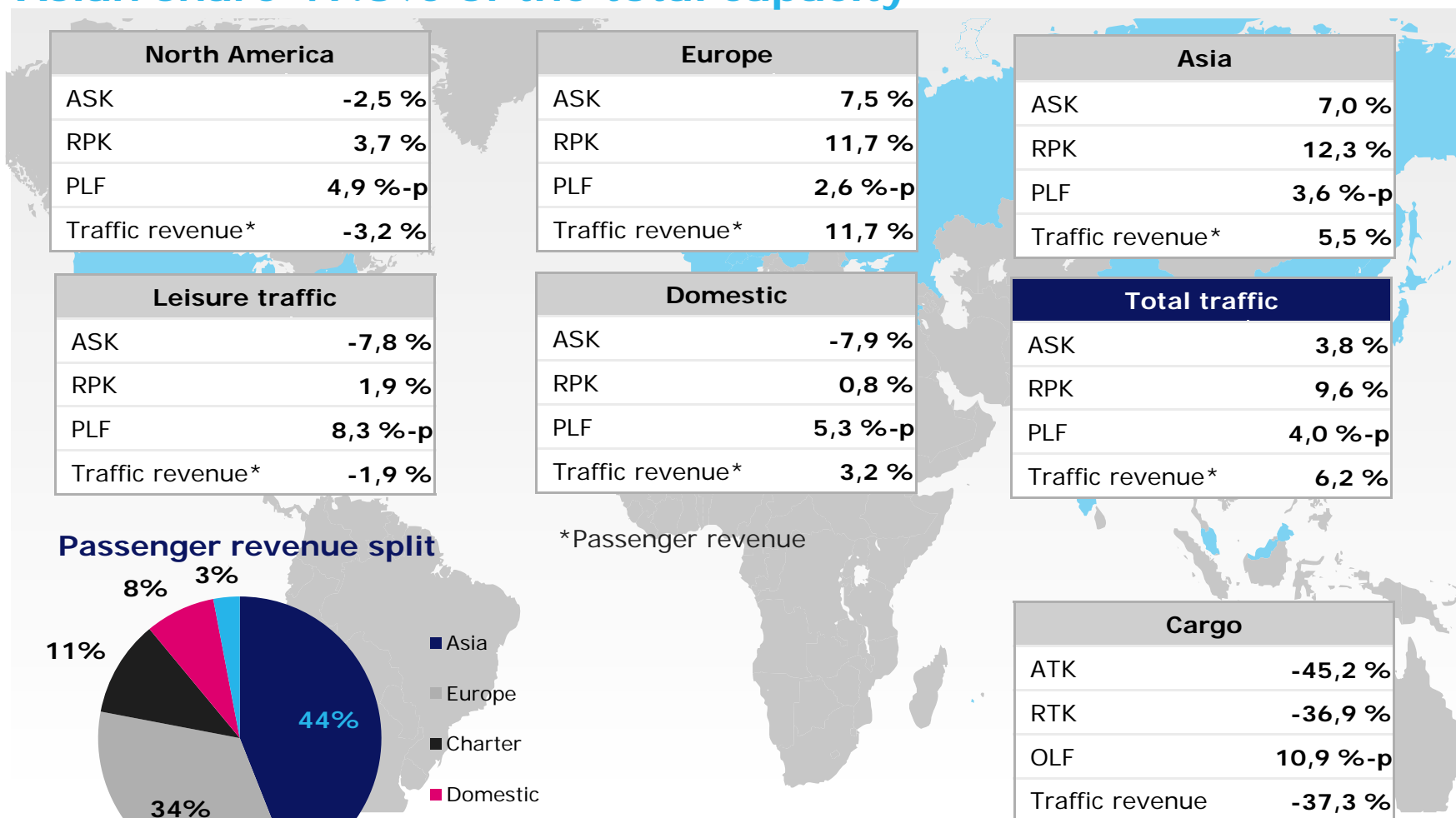
- Unit revenue per available seat kilometre (RASK) up by 7.7% in 2012 as both passenger load factor (PLF, +4.3%-p) and yield per revenue passenger kilometre (RPK yield, +0.9%) improved y-o-y



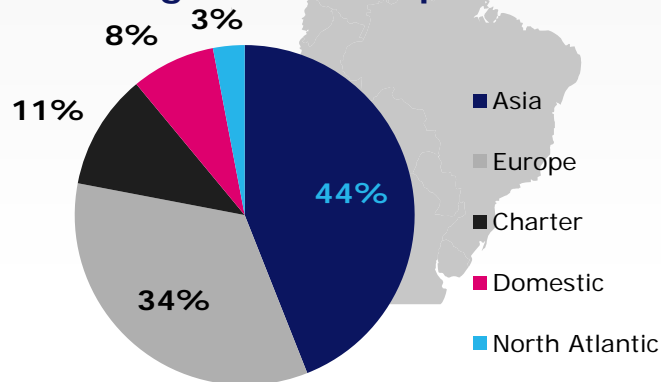


Strong traffic performance in Q4 2012

Asian share 49.8% of the total capacity



Passenger revenue split



* Passenger revenue

* passenger revenue



Strategy implementation yielding results



Finnair today

- Focus on **core Airline business**
 - Scheduled long and short haul traffic
 - Leisure traffic
 - Cargo traffic
- **Partnerships** in both core business and in airline support services





We are committed to adding value and improving our profitability

ADDING VALUE

Service development:

- Customer Service quality
- Product renewal and new ticket types
- More rewarding Finnair Plus Program
- Marimekko partnership

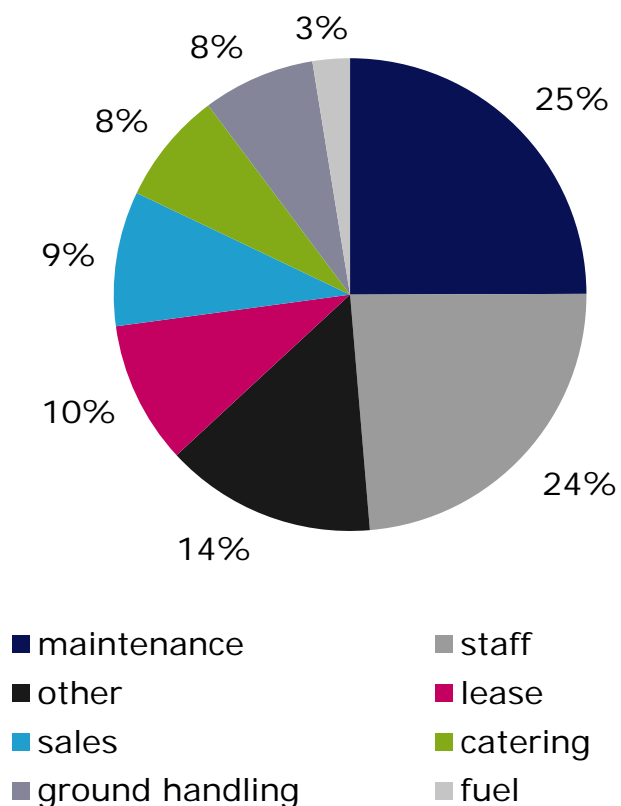
IMPROVING PROFITABILITY

- Cost efficiency and flexible cost structure
- Operational efficiency
- Increasing revenues

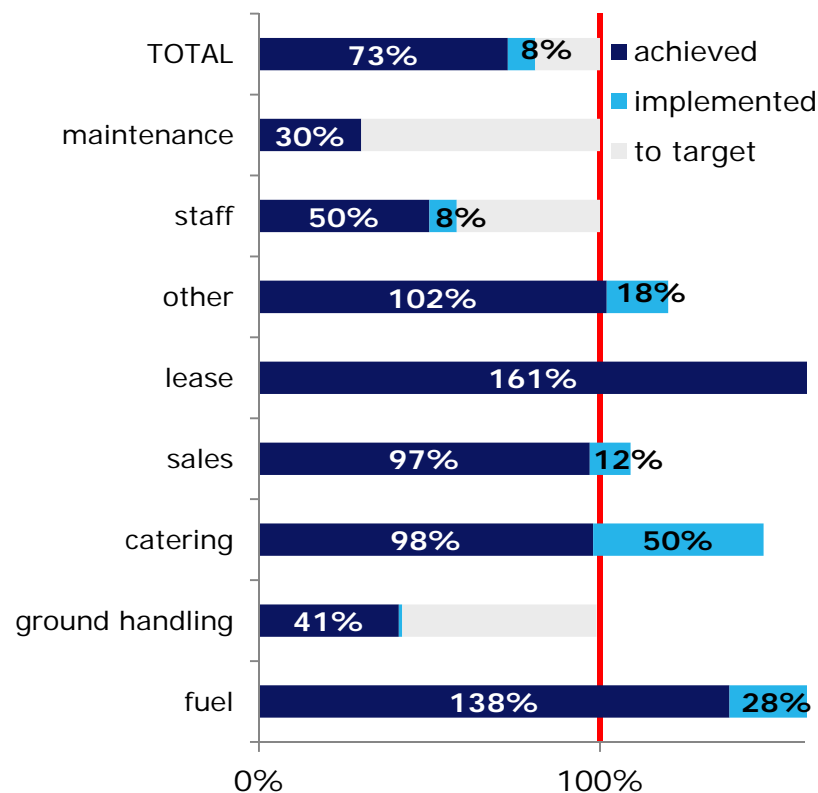


Implementation of cost savings program ahead of schedule, €100 million of realised savings in 2012

Target €140 million



Achieved savings to target





New €60 million savings programme will ensure reaching our target of 6% operational EBIT margin

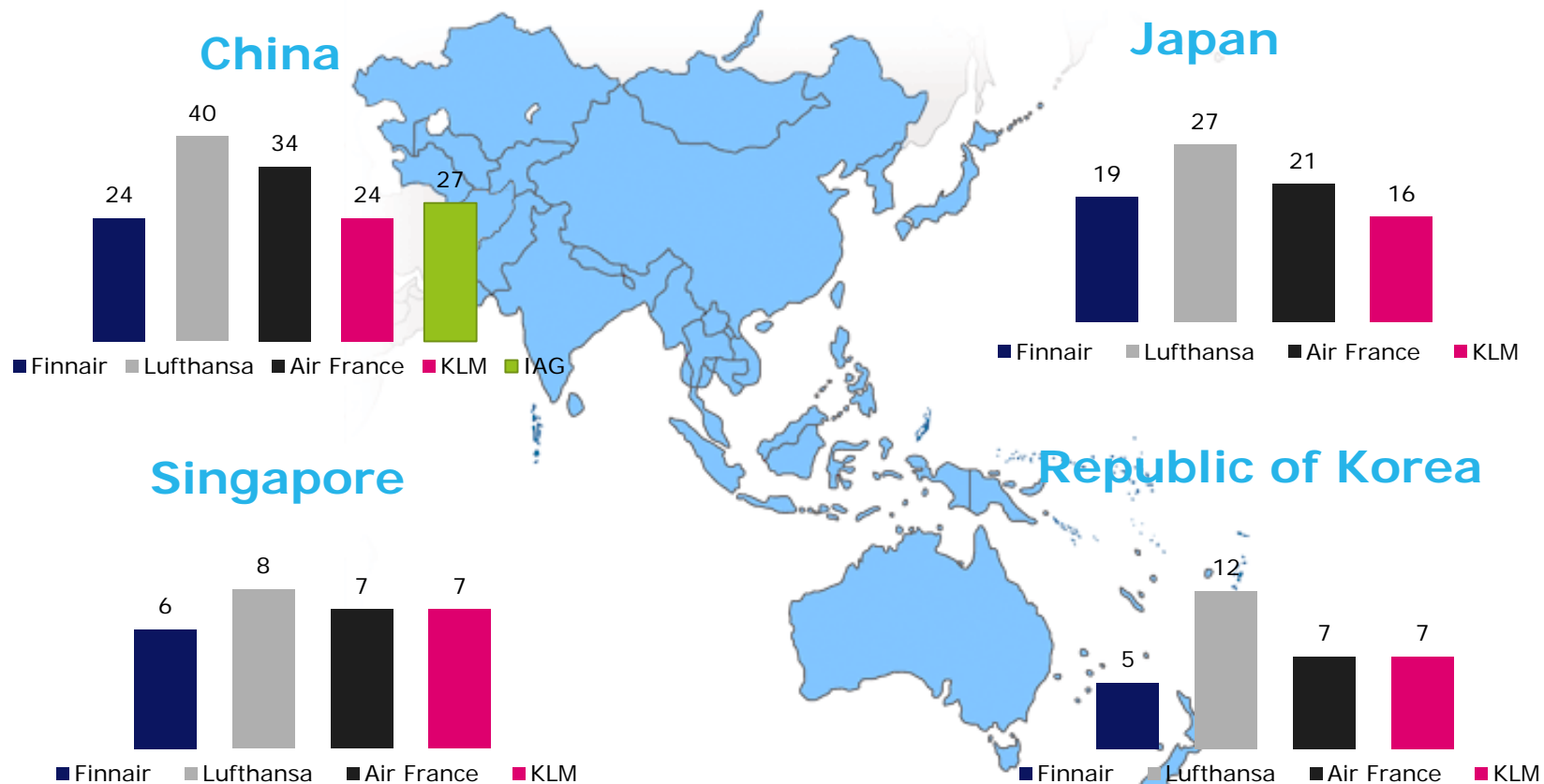
- The aim is to achieve a permanent reduction in costs of **€60 million** by the end of 2014
- The new programme **complements the existing €140 million programme** launched in 2011

Savings timeline for **in total €200 million** sustainable savings from 2010 cost level





Finnair has strong presence in Asian key economies, weekly frequencies in Q4*



- **Finnair was the **3rd largest carrier** in its destinations, estimated market share of 5.4% in 2012.*
- *Market size of 20 million transfer passengers annually, globally one of the fastest growing traffic areas.*
- *Traffic between Europe and China forecasted to **triple** during the next 30 years.*

Adding value to our customers



marimekko®





Outlook for 2013

- The uncertain economic outlook in Europe, together with weakened consumer demand and slower growth in Asia, make it difficult to assess how air traffic will continue to develop. Fuel costs are expected to remain high in 2013, and the demand for air traffic is estimated to grow in moderation.
- Finnair estimates that its turnover will grow in 2013. The airline unit costs excluding fuel (CASK excl. fuel) are expected to decrease compared with 2012, and operational result is expected to show a profit in 2013.



Financials



Key figures Q4 & FY 2012

Key Figures		Oct-Dec 2012	Oct-Dec 2011	Change %	FY 2012	FY 2011	Change %
Turnover and result							
Turnover	EUR million	612.9	577.4	6.1	2 449.4	2 257.7	8.5
Operational result, EBIT	EUR million	6.3	-31.6		44.9	-60.9	
Operational result, % turnover	%	1.0	-5.5	6.5 %-p	1.8	-2.7	4.5 %-p
Operating result, EBIT	EUR million	2.7	-30.1		35.5	-87.8	
EBITDAR	EUR million	55.0	26.4	108.3	241.9	139.6	73.3
Result before taxes	EUR million	0.9	-38.2		16.5	-111.5	
Net result	EUR million	1.2	-32.6		11.8	-87.5	
Balance sheet and cash flow							
Capital expenditure, CAPEX	EUR million	23.7	31.9	-25.7	41.4	203.9	-79.7
Net cash flow from operating activities	EUR million	17.9	-1.2	>200 %	154.7	50.8	>200 %
Share							
Share price at end of quarter	EUR	2.38	2.3	3.5	2.38	2.30	3.5
Earnings per share, from the result of the period*	EUR	0.01	-0.25	104.0	0.09	-0.69	113.0
Earnings per share	EUR	-0.06	-0.27	77.8	0.02	-0.75	102.7

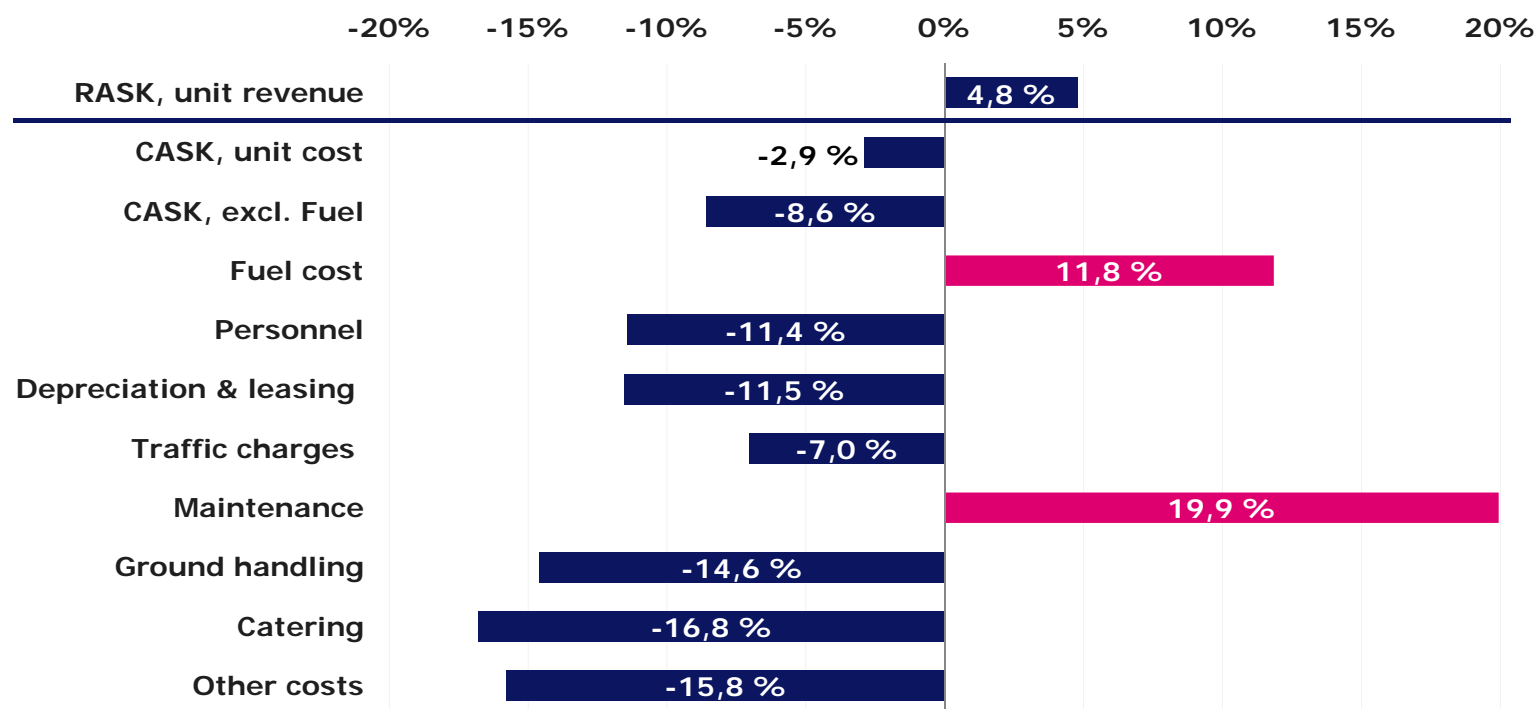
* Before Hybrid Bond interest



Airline business: RASK & CASK development Q4 2012

- Unit revenue per available seat kilometre (RASK) up by 4.8%
- Unit cost per available seat kilometre excluding fuel (CASK, excl. fuel) down by 8.6%

Change, y-o-y, %

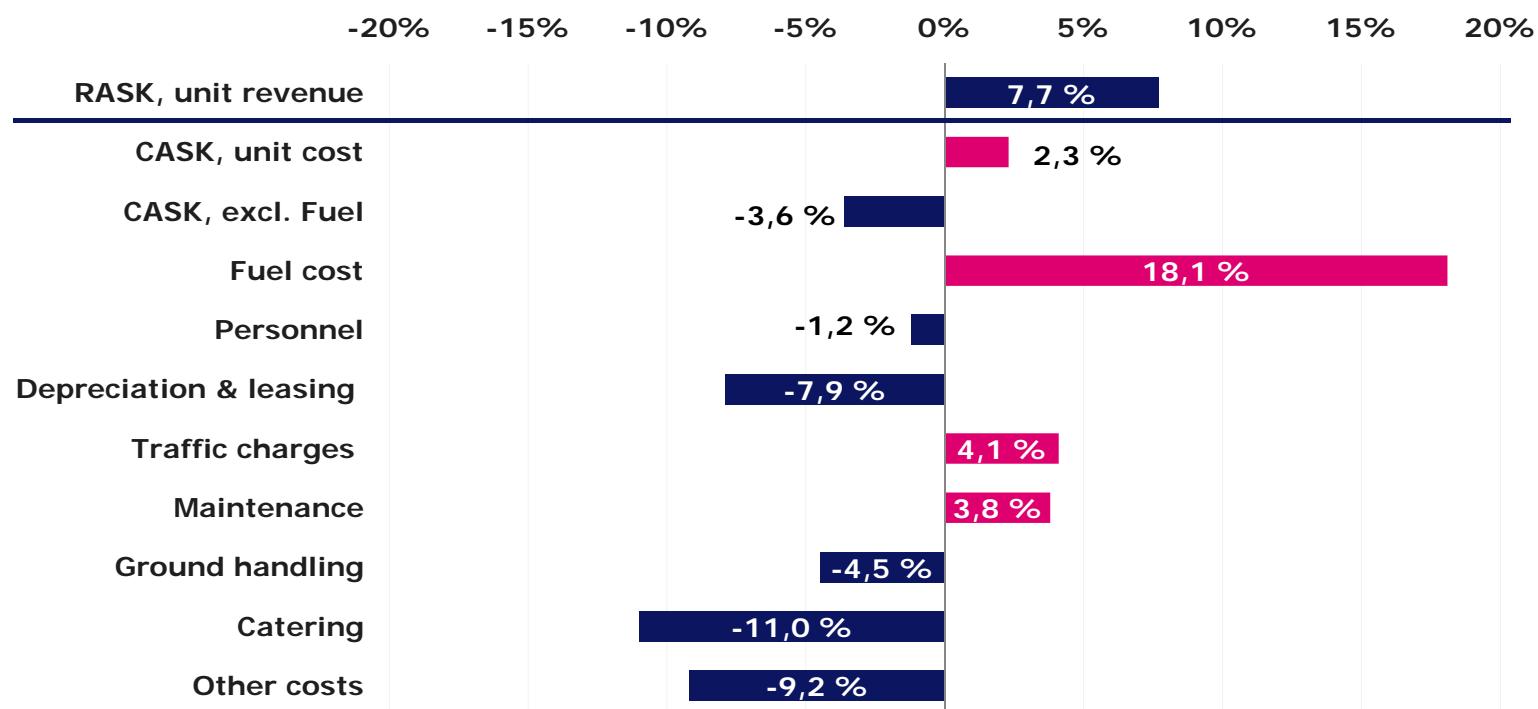




Airline business: RASK & CASK development FY 2012

- Unit revenue per available seat kilometre (RASK) up by 7.7%
- Unit cost per available seat kilometre excluding fuel (CASK, excl. fuel) down by 3.6%

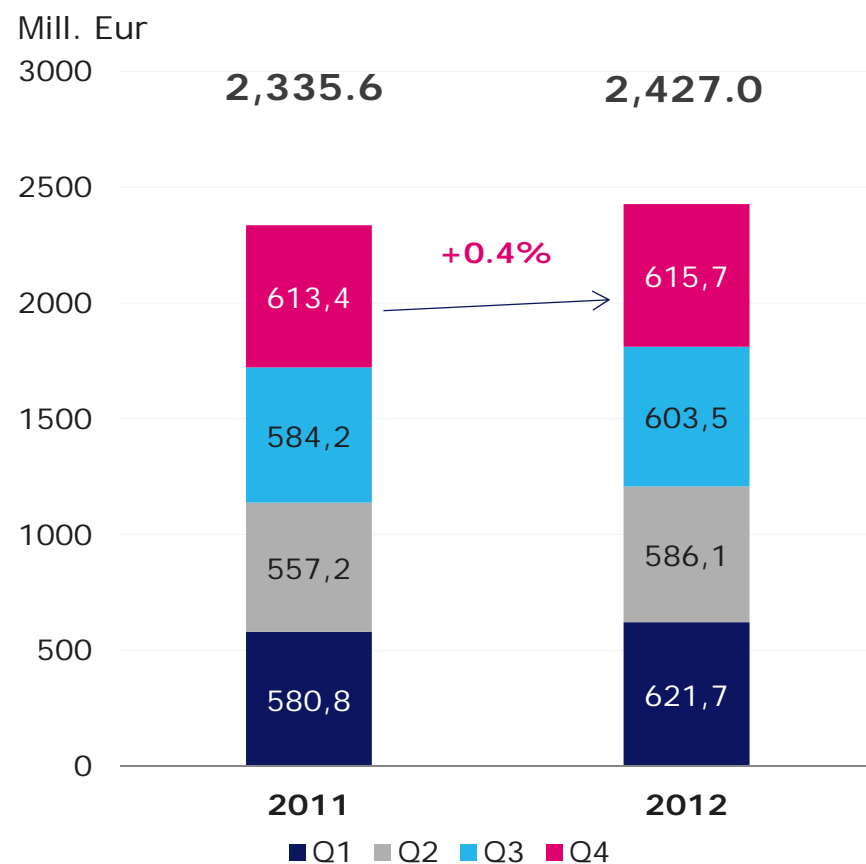
Change, y-o-y, %





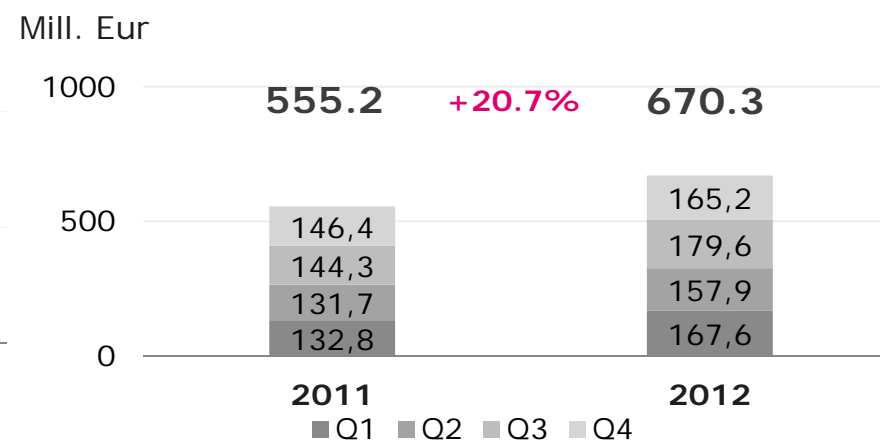
Operational costs flat, fuel costs continued to climb in Q4 2012

Operational costs



Fuel cost +12.8 % y-o-y*

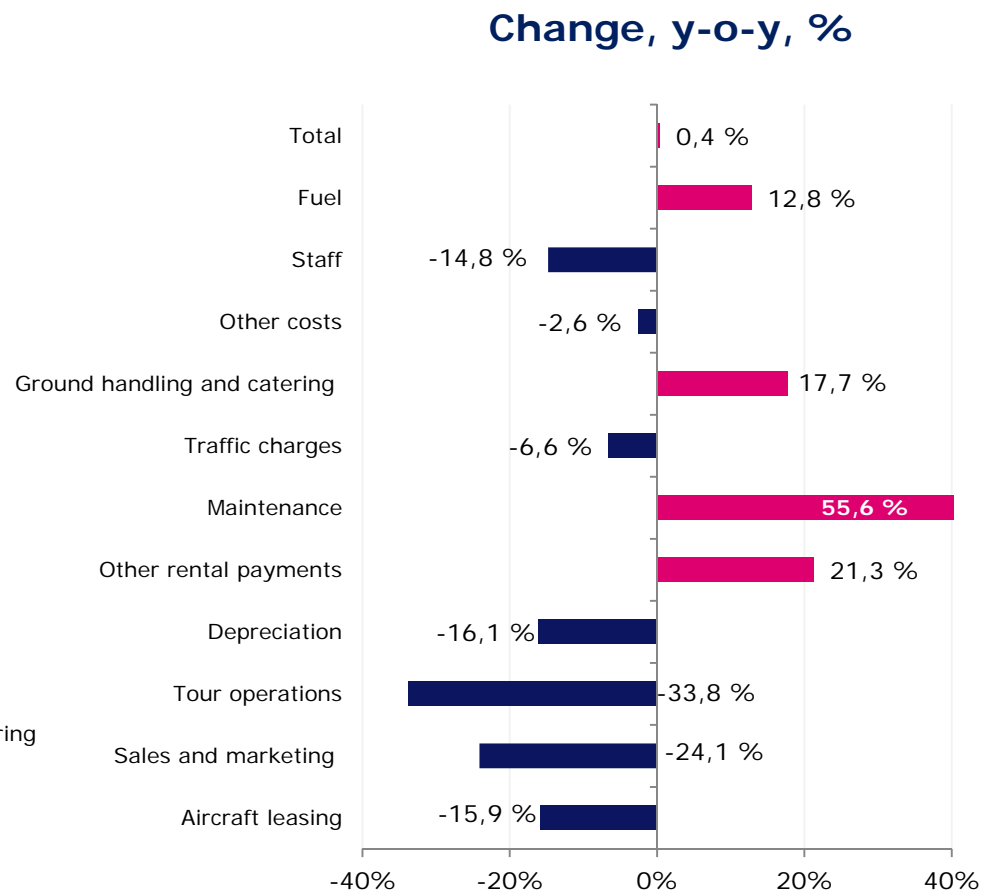
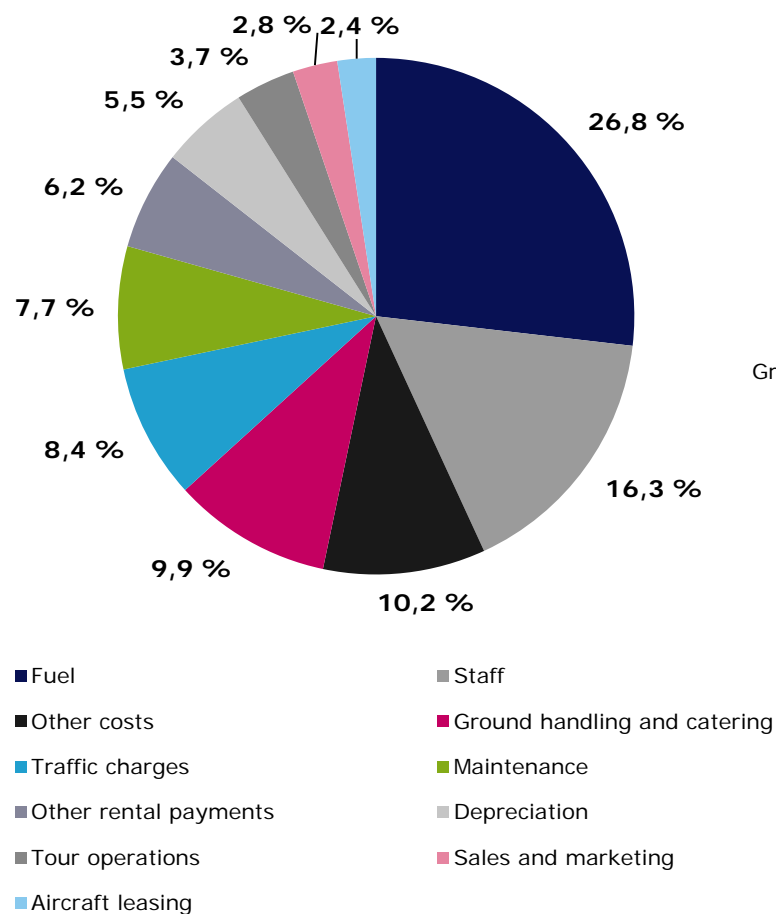
- The share of fuel costs 27%



* Hedging taken into account



Fuel and personnel biggest cost items in Operational costs Q4 2012, total of 615.7 Mill. Eur



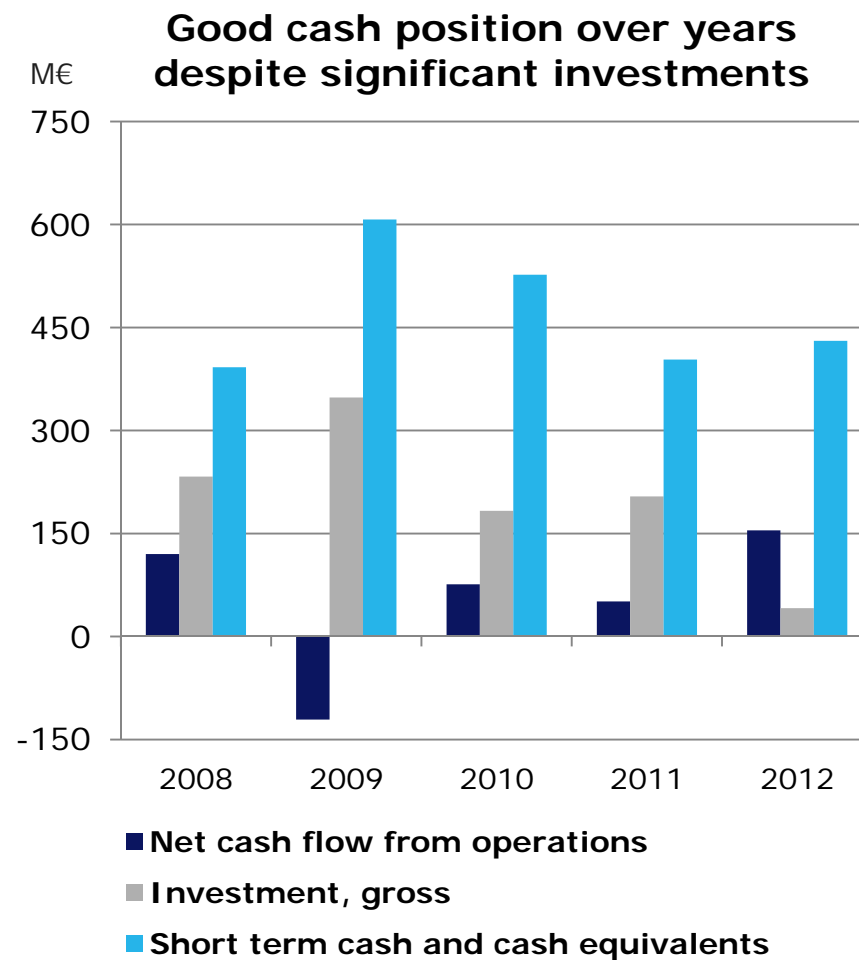
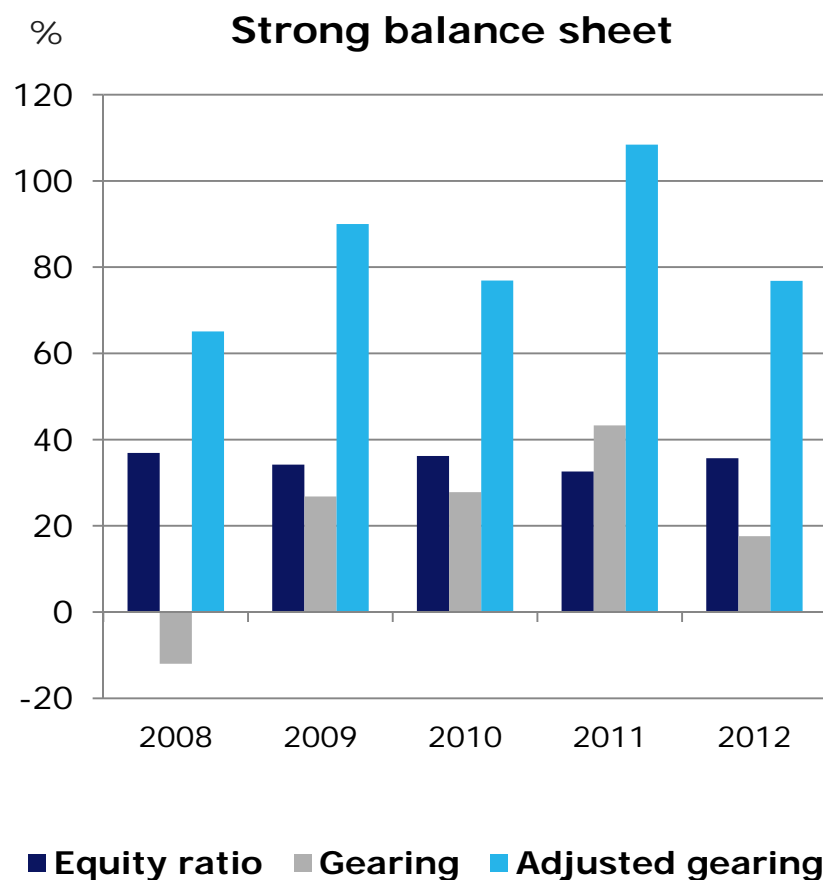


Our financial targets

- **Operational profit (EBIT) margin 6%**
- **EBITDAR margin 17%**
- **Economic profit**
 - To create positive value over pretax WACC of 8%
- **Adjusted gearing <140%**
- **Dividend policy** pay-out ratio minimum **one third** of the EPS

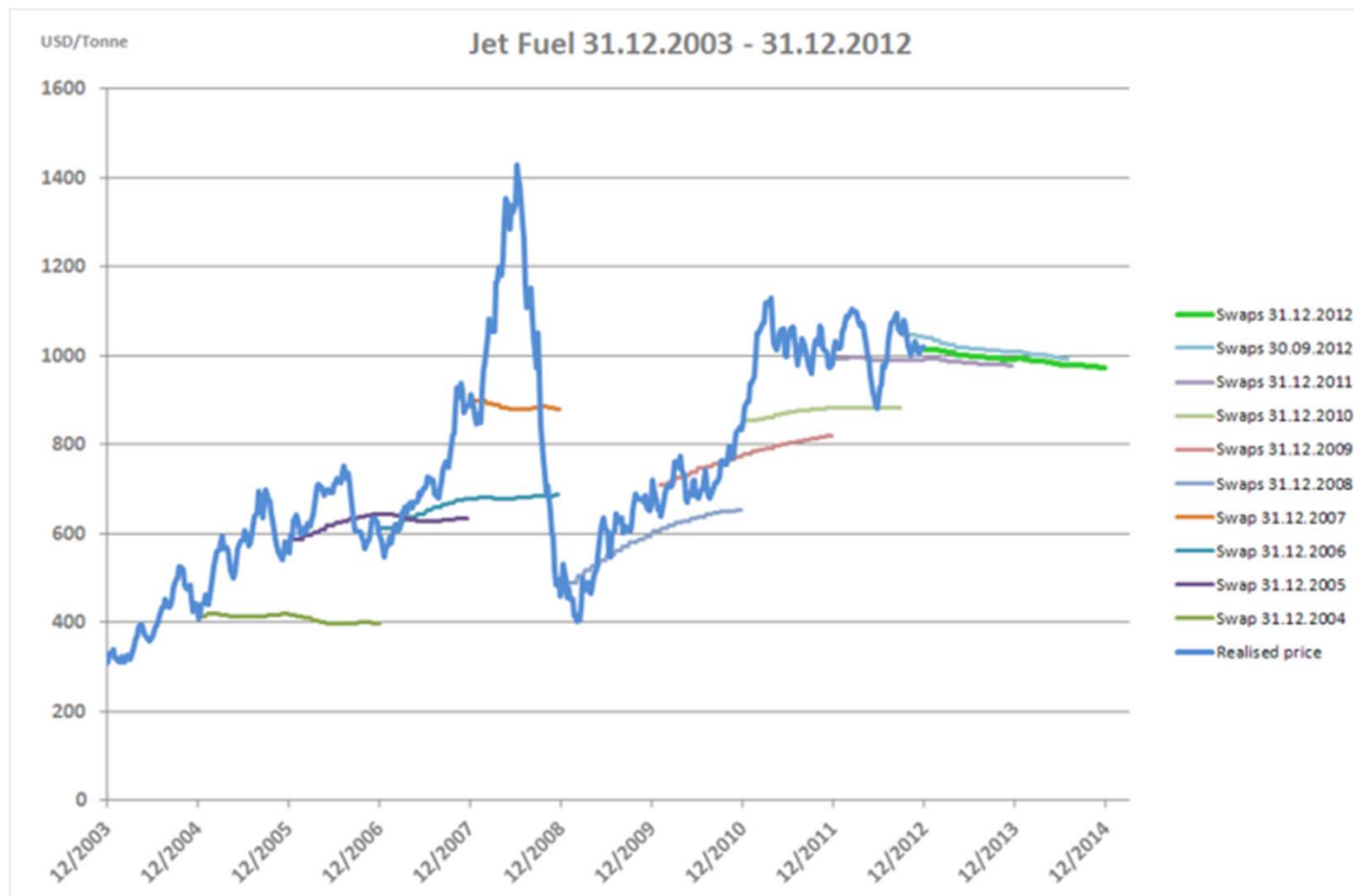


Strong financial position supports business development and future investments



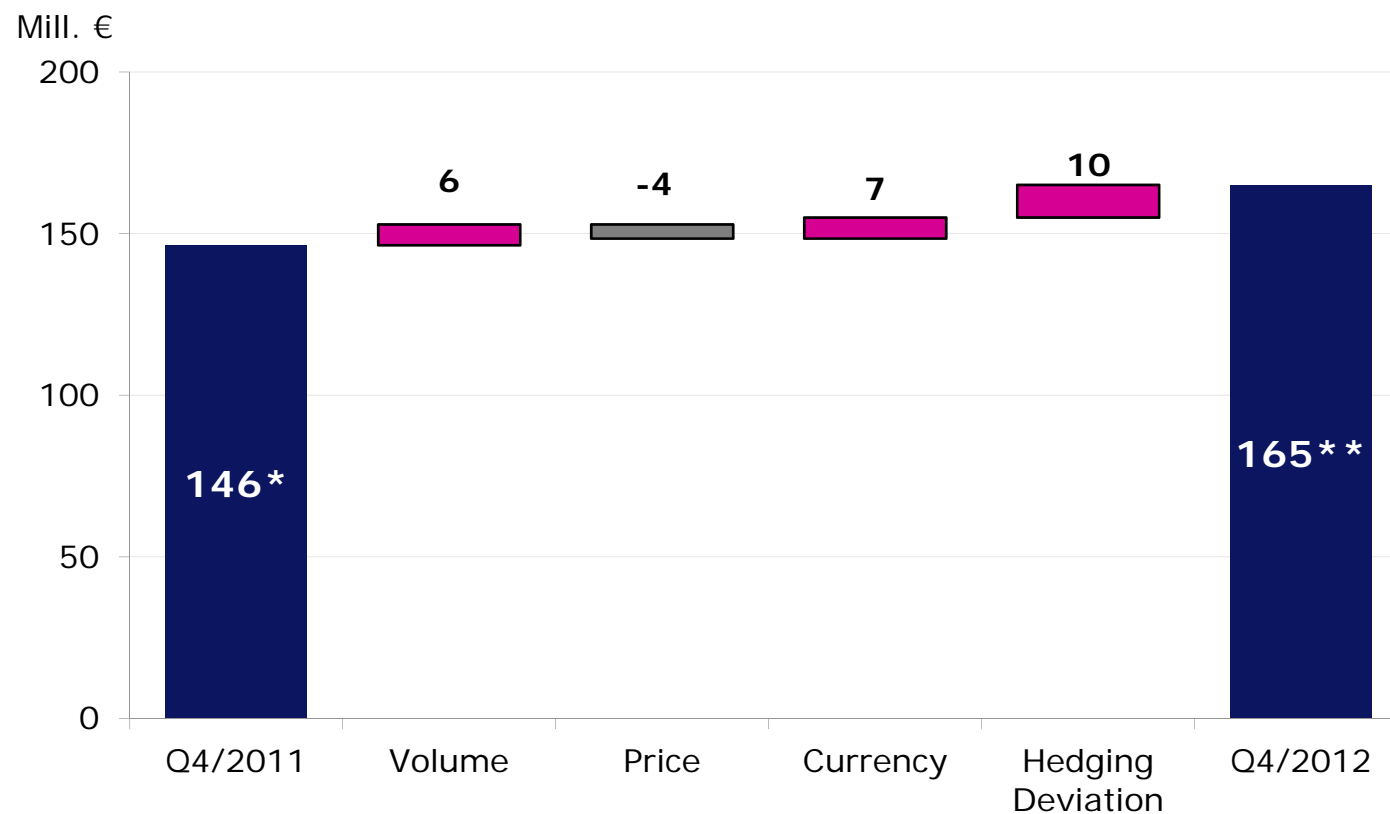


Fuel, spot-price development





Hedging profit of €10 million in Q4



*Incl. Hedging profit of 20 Mill. EUR

**Incl. Hedging profit of 10 Mill. EUR



Hedging profit of €51 million in 2012

Fuel cost build up LTM



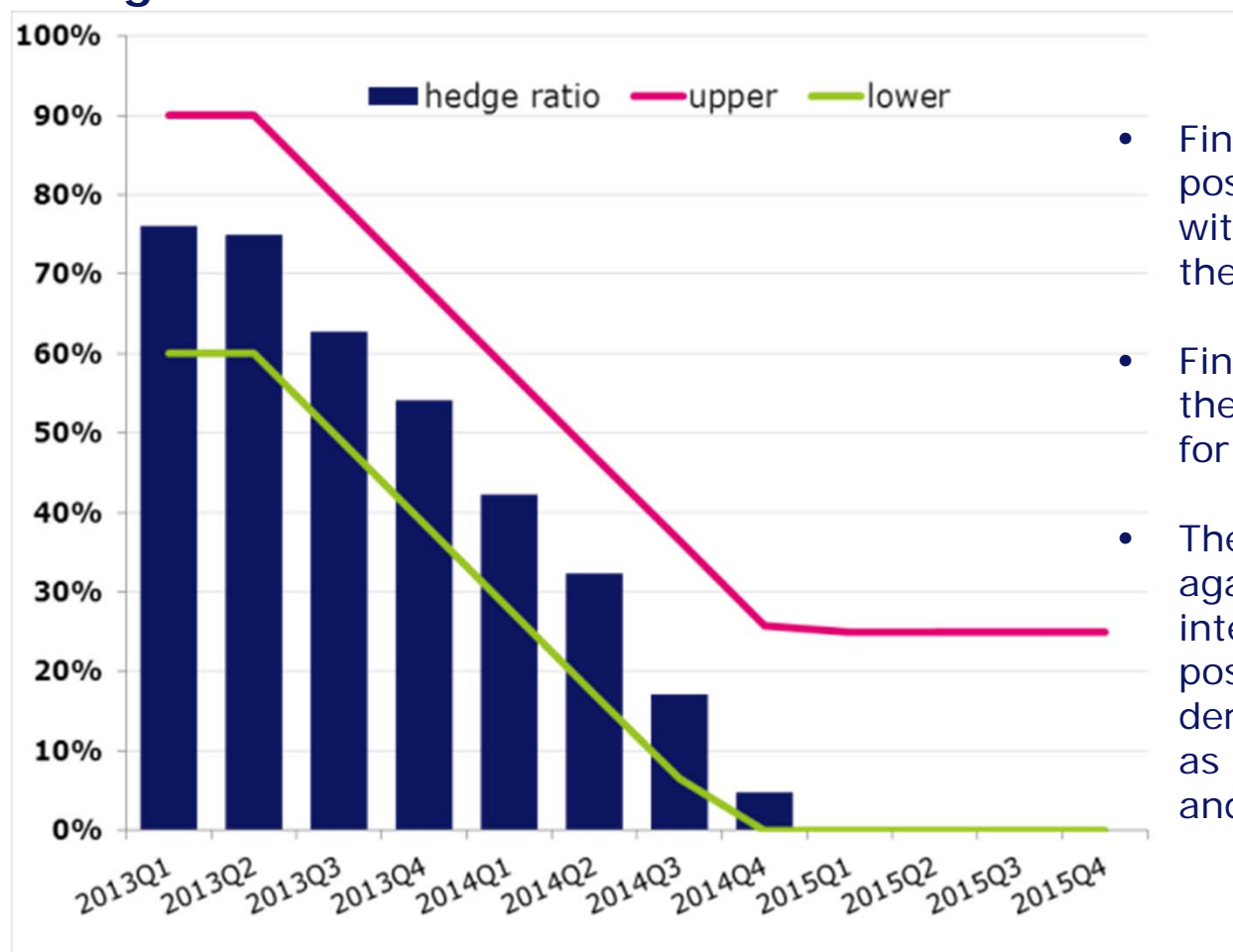
*Incl. Hedging profit of 76 Mill. Eur

**Incl. Hedging profit of 51 Mill. Eur



Rolling hedging policy

Hedging positions, 31 December 2012
Hedge ratio H1 2013: 75%



- Finnair hedges jet fuel positions 24 months ahead within the limits defined in the hedging policy
- Finnair is 75 % hedged for the first 6 months and 67% for the first 12 months
- 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