# Finnair Group Financial Statements Bulletin 2013

## Turnover was 2,400.3 million euros and the operational result -4.8 million euros in 2013

| Key figures | 10-12 2013 | 10-12 2012 | Change % | 2013 | 2012 | Change % |
|---|---|---|---|---|---|---|
| **Turnover and result** | | | | | | |
| Turnover, EUR million | 560.6 | 612.9 | -8.5 | 2,400.3 | 2,449.4 | -2.0 |
| Operational result, EBIT, EUR million * | -31.7 | 0.1 | <-200 | -4.8 | 43.2 | -111.2 |
| Operational result, % of turnover | -5.7 | 0.0 | -5.7%-p | -0.2 | 1.8 | -2.0%-p |
| Operating result, EBIT, EUR million | -18.5 | -3.5 | <-200 | -8.8 | 33.8 | -126.1 |
| Operational EBITDAR, EUR million | 12.8 | 48.8 | -73.9 | 174.8 | 240.2 | -27.2 |
| Result before taxes, EUR million | -23.8 | -5.3 | <-200 | 10.1 | 14.8 | -32.1 |
| Net result, EUR million | -13.7 | -3.5 | <-200 | 11.0 | 10.5 | 5.1 |
| **Balance sheet and cash flow** | | | | | | |
| Equity ratio, % | | | | 32.0 | 35.4 | -3.4%-p |
| Gearing, % | | | | 19.5 | 18.0 | 1.5%-p |
| Adjusted gearing, % | | | | 77.6 | 77.8 | -0.1%-p |
| Gross investment, EUR million | 11.4 | 23.7 | -51.9 | 42.0 | 41.4 | 1.5 |
| Return on capital employed, ROCE, 12 months rolling, % | | | | 2.3 | 2.8 | -0.6%-p |
| Return on equity, ROE, 12 months rolling, % | | | | 1.5 | 1.4 | 0.1%-p |
| Net cash flow from operating activities | -1.2 | 17.9 | -106.9 | 107.0 | 154.7 | -30.8 |
| **Share** | | | | | | |
| Share price at end of quarter, EUR | | | | 2.77 | 2.38 | 16.4 |
| Earnings per share from the result of the period, EUR ** | -0.11 | -0.02 | <-200 | 0.08 | 0.08 | 2.7 |
| Earnings per share (EPS) | -0.11 | -0.05 | -130.1 | 0.02 | 0.01 | 30.6 |
| **Traffic data, unit costs and revenue** | | | | | | |
| Passengers, 1,000 | 2,148 | 2,081 | 3.2 | 9,269 | 8,774 | 5.6 |
| Available seat kilometres (ASK), million | 7,430 | 7,568 | -1.8 | 31,162 | 30,366 | 2.6 |
| Revenue passenger kilometres (RPK), million | 5,602 | 5,693 | -1.6 | 24,776 | 23,563 | 5.1 |
| Passenger load factor (PLF), % | 75.4 | 75.2 | 0.2%-p | 79.5 | 77.6 | 1.9%-p |
| Unit revenue per available seat kilometre, (RASK), cents/ASK | 6.05 | 6.37 | -5.1 | 6.24 | 6.49 | -3.8 |
| Unit revenue per revenue passenger kilometre, yield, cents/RPK | 6.86 | 7.20 | -4.8 | 6.86 | 7.30 | -6.1 |
| Unit cost per available seat kilometre, (CASK), cents/ASK | 6.84 | 6.54 | 4.5 | 6.57 | 6.58 | -0.1 |
| CASK excluding fuel, cents/ASK | 4.73 | 4.47 | 5.7 | 4.46 | 4.50 | -1.0 |
| Available tonne kilometres (ATK), million | 1,131 | 1,135 | -0.4 | 4,709 | 4,647 | 1.3 |
| Revenue tonne kilometres (RTK), million | 730 | 734 | -0.5 | 3,107 | 3,029 | 2.6 |
| Cargo and mail, tonnes | 37,983 | 36,047 | 5.4 | 146,654 | 148,132 | -1.0 |
| Cargo traffic unit revenue per revenue tonne kilometre, cents/RTK | 27.29 | 26.49 | 3.0 | 25.14 | 25.45 | -1.2 |
| Overall load factor, % | 64.5 | 64.6 | -0.1%-p | 66.0 | 65.2 | 0.8%-p |
| Flights, number *** | 23,648 | 23,355 | 1.3 | 97,360 | 95,097 | 2.4 |
| **Personnel** | | | | | | |
| Average number of employees | | | | 5,859 | 6,784 | -13.6 |

* Operational result: Operating result excluding changes in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves, non-recurring items and capital gains.
** Before hybrid bond interest.
*** The number of flights also includes Finnair's purchased traffic. Numbers for the comparison periods have been changed accordingly.

The comparison figures for 2012 have been adjusted in accordance with the amended standard IAS19 Employee Benefits.

**CEO Pekka Vauramo:**

“Finnair celebrated its 90th anniversary in November 2013. Thanks to our long history, we have a lot of know-how that has helped make Finnair one of the world’s best airlines in terms of its operations, as well as its punctuality. Over the years the company has also accumulated old structures and practices that we are now forced to renew and eliminate. We made good progress in our 200-million-euro cost reduction program in 2013, and we achieved the original cost reduction target of 140 million euros ahead of schedule midway through the year.

Financially, the final quarter of 2013 did not go according to our plans. We cannot be satisfied with the development of our turnover, our financial result or the progress of our cost reduction program in the fourth quarter.

Our turnover in October–December amounted to 560.6 million euros, a decrease of 8.5 per cent compared to the corresponding period in 2012. The main reason for the decline in turnover was the depreciation of the Japanese yen from the comparison period, which led to a decrease in our euro-denominated revenue from the important Japanese market. The result for the fourth quarter was also affected by a contraction in leisure traffic, as well as lost turnover arising from strike threats. Our operational result was -31.7 million euros in the fourth quarter and -4.8 million euros for the full year 2013.

In the collective labour agreements concluded with cabin crew, pilots and the Finnish Aviation Union (IAU) we agreed on extending the savings negotiations timetable till the first half of 2014. Our cost savings targets remain unchanged.

Many of our structures associated with wages and working hours originate from the era of closed, regulated markets. Renegotiating these structures to match current labour market practices is challenging, but we are determined to move forward with Finnair’s structural changes and cost reductions in cooperation with personnel and their representatives. I hope we reach company-specific agreements on the cost reductions necessary for Finnair and its personnel well ahead of the deadline set for the negotiations.

However, at the same time, we must assess other options to prepare for the contingency that, despite our best efforts, the necessary agreements on cost reductions are not reached through negotiations. We have a strong commitment to achieving the cost reductions that are essential for the company’s future. We intend to make Finnair a sustainably profitable and growing company. However, we will not be able to grow unless we improve our cost structure and competitiveness. This is our key goal for 2014, in addition to the renewal of Finnair’s commercial strategy that began in the last months of 2013. Finnair’s tradition requires us to achieve renewal and build a Finnair that holds a solid position in the consolidating European aviation industry.”

## Business Environment

Global air traffic is currently undergoing a structural change, the typical characteristics of which are market liberalisation, increasing competition, overcapacity, consolidation, alliances and specialisation. European network carriers, Finnair included, continued to implement structural change and cost-reduction programs in 2013 to improve their competitiveness in the prevailing tight competitive situation. Capacity growth in the market was conservative. Various partnerships have increased, especially in international long-haul traffic.

The demand for passenger traffic in Europe grew in 2013 despite many European countries still being in recession. Combined with the conservative stance airlines have taken towards increasing their capacity, this led to improved load factors. The weakness of the Finnish economy was reflected in home market demand, especially in the second half of the year. Demand grew in passenger traffic between Asia and Europe but, at the same time, competition in this market increased as competitors launched new routes, particularly to Southeast Asia. Measured in passenger volume, the market for flights between Helsinki and Finnair’s European destinations grew by 4.2 per cent, while the market between Finnair’s Asian and European destinations grew by 1.8 per cent.* Finnair was successful in increasing its market share in both traffic areas.* Unit revenue was under pressure in passenger traffic.

The demand for leisure traffic developed positively in the first half of 2013 as industry operators adjusted their package tour supply to better match demand. However, the market took a turn in the summer as consumers’ uncertainty regarding their own economic situation began to slow down sales and decrease market prices. All industry operators cancelled their winter season tours to Egypt due to unrest in the country, which was reflected in the volumes and revenues for the fourth quarter.

Cargo traffic continued to suffer from overcapacity and weak demand in 2013, which put average yields in traffic between Europe, the Nordic region and Asia under substantial pressure. High fuel prices also had a negative effect on the result for cargo traffic. However, there were early signs of a slight recovery in demand late in the year, especially in Asia.

The price of the largest individual cost factor of airlines, i.e. jet fuel, has stabilised at a high level, and the increase in fuel costs levelled out in 2013. The US dollar is a significant expense currency in Finnair's operations, while the Japanese yen is a significant income currency. The dollar-euro exchange rate remained fairly stable in 2013, but the yen depreciated substantially against the euro as a result of stimulus measures implemented by the Bank of Japan.

**Strategy implementation and partnerships**

Finnair's vision is to be the number one airline in the Nordic region and the most desired option for travel between Asia and Europe. In addition, its aim is to double its revenue from Asian traffic by 2020, using 2010 as the point of reference.

Finnair continued to implement its growth strategy in 2013, launching new summer season routes in June to Xi'an in China and Hanoi in Vietnam. This increased the number of Finnair's Asian destinations to 13. The sales of the new routes were in line with expectations, and the company will continue flying to both cities in summer 2014.

At the beginning of July, Finnair increased its cooperation with fellow **one**world alliance members by joining the transatlantic joint business founded by American Airlines, British Airways and Iberia. The cooperation has started well and the first months of the transatlantic joint business were in line with expectations. In October, competition authorities approved the company's entry into the joint business established by Japan Airlines and British Airways for flights between Japan and Europe. Japan is one of Finnair's most important markets, and the joint business is expected to enter into effect in the first half of 2014.

The airlines participating in the joint businesses cooperate commercially by sharing revenue and by coordinating capacity, flight schedules and fares. The aim of the participating airlines is to improve the efficiency of their operations, expand their networks and provide the public travelling between Europe and Japan with improved intercontinental connections.

**Progress of the structural change and cost-reduction program**

Finnair continued the implementation of its structural change and cost-reduction programs in 2013. During the first half of the year, the focus was on seeking cost reductions under the first program commenced in August 2011. The cost-reduction target of 140 million euros set for that program was achieved by the end of June 2013, six months ahead of schedule.

The second cost-reduction program, with a target of 60 million euros, was announced in October 2012. In August 2013, Finnair stated that, as part of this cost-reduction program, it aims to reduce crew costs by approximately 35 million euros and technical services and customer service personnel costs by approximately 8 million euros. In the autumn, Finnair continued negotiations with personnel and their trade union representatives regarding the solutions and schedules for achieving these cost reduction targets. During the negotiations on new collective labour agreements, the trade unions representing Finnair's cabin crew, technical staff and ground handling personnel issued strike warnings. To prepare for the potential strikes and look after customers, Finnair had to significantly restrict its traffic in mid-November. Even if the strikes were avoided in the final stages of negotiations, the strike threat and later the support strike threats issued by labour unions caused uncertainty and harm to our passengers, and resulted in a considerable loss of turnover as well as additional costs from, for example, the rerouting of passengers.

The strikes were cancelled on 15 November, as Finnair's employer union the Association of Support Service Industries (PALTA) reached an agreement with the Finnish Cabin Crew Union (SLSY) and IAU on a new collective labour agreement in line with the national framework agreement, known as the Finnish Employment and Growth Pact, and also agreed on the schedule and processes of separate, company-specific negotiations related to Finnair's cost reductions. According to the agreement, Finnair and SLSY will negotiate on reaching the cost reductions necessary for Finnair by 28 April 2014. If cost reduction targets are met, cabin personnel will be protected from layoffs for two years. Corresponding negotiations with the IAU to reach a company-specific labour agreement for technical staff have progressed quite far, and these negotiations will continue. In addition, Finnair and the IAU will continue company-specific negotiations on labour agreements for ground handling personnel.

Finnair's objective in the negotiations is primarily to achieve a level of costs and wages that corresponds with market wages and costs in the industry, primarily by implementing changes to wage structures and working hours. Achieving the targets of the cost-reduction program is essential for improving the company's competitiveness, as high fuel prices, cost reduction measures taken by competitors, intensified competition and fleet investments in the coming years require a substantial improvement in profitability. The long-term return objective set for the company by Finnair's Board of Directors is an operating profit margin of six per cent.

Finnair continues to pursue savings in all of the first cost-reduction program's categories. As of the third quarter of 2013, Finnair has monitored the progress of its two cost-reduction programs combined. The combined total target is to reduce annual costs permanently by 200 million euros by the end of 2014. The point of reference for the cost reduction target is the company's unit cost level in 2010. By the end of 2013, Finnair had achieved a total cost reduction of 155 million euros, which was reflected in decreased air traffic unit costs in 2013. At the same time, the company has been able to move a substantial share of fixed costs to volume-based variable costs.

**Financial performance in October–December 2013**

Finnair's turnover in the fourth quarter fell by 8.5 per cent year-on-year to 560.6 million euros (612.9). Capacity decreased by 1.8 per cent. The factors contributing to the decline in turnover were lower euro-denominated revenue due to the depreciation of the Japanese yen, a contraction in leisure traffic and lost turnover arising from the strike threat. Operational costs excluding fuel decreased by nearly five per cent from the comparison period, amounting to 435.0 million euros (456.7). Fuel costs, including hedging and costs incurred from emissions trading, were largely unchanged from the corresponding period in the previous year at 163.9 million euros (165.2). Personnel costs declined by 11.7 per cent to 94.6 million euros (107.1) due to the personnel reductions implemented after the comparison period, but part of the costs are now seen in the form of higher costs for outsourced catering and maintenance services. Euro-denominated operational costs decreased to 598.9 million euros (621.9). The company's operational result, which refers to the operating result 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, was -31.7 million euros (0.1).

Finnair's income statement includes the change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves that took place during the period under review but will fall due later. This is an unrealised valuation result based on IFRS, where the result has no cash flow effect and which is not included in the operational result. The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to 15.7 million euros (0.0). Non-recurring costs in October–December totalled -2.5 million euros (-4.5) and the operational result was -18.5 million euros (-3.5). The result before taxes for October–December was -23.8 million euros (-5.3) and the result after taxes was -13.7 million euros (-3.5).

Unit revenue per available seat kilometre (RASK) declined, primarily due to the depreciation of the Japanese yen, by 5.1 per cent compared to the corresponding period in 2012 and amounted to 6.05 euro cents (6.37). Excluding the effect of exchange rate fluctuations, passenger unit revenue declined by 1.9 per cent from the comparison period. Unit cost per available seat kilometre (CASK) rose by 4.5 per cent to 6.84 euro cents (6.54). Unit cost excluding fuel (CASK excl. fuel) increased by 5.7 per cent and totalled 4.73 euro cents (4.47).

**Financial performance in 2013**

Finnair's turnover in 2013 declined by two per cent from 2012, totalling 2,400.3 million euros (2,449.4). Capacity grew by 2.6 per cent year-on-year. The main factor slowing down turnover growth was the fall in euro-denominated revenue due to the depreciation of the Japanese yen, but in the second half of the year the weaker-than-expected development of cargo and leisure traffic and lost turnover resulting from the strike threat also contributed to the decrease in turnover for the full year. Operational costs excluding fuel amounted to 1,736.6 million euros (1,758.4). Fuel costs, including hedging and costs incurred from emissions trading, increased slightly year-on-year and totalled 689.9 million euros (670.3). Personnel costs decreased by 10.6

per cent as a result of the implementation of structural changes, to 383.9 million euros (429.2). The euro-denominated operational costs were largely unchanged from the comparison year at 2,426.5 million euros (2,428.7), despite the increase in capacity. The operational result weakened substantially year-on-year and was -4.8 million euros (43.2).

The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to 21.7 million euros (-4.0). Non-recurring items stood at -26.8 million euros (-27.6), with the majority being associated with the result of the employee consultations in technical services concluded in June. The non-recurring costs in 2012 were also primarily related to structural changes in technical services.

The operating result was -8.8 million euros (33.8). In April, Finnair sold its entire holding of shares in Norwegian Air Shuttle ASA and recorded a capital gain of 34 million euros as financial income. The result before taxes for 2013 was 10.1 million euros (14.8). The result after taxes was 11.0 million euros (10.5).

Unit revenue per available seat kilometre (RASK) declined, primarily due to the depreciation of the Japanese yen, by 3.8 per cent compared to 2012 and amounted to 6.24 euro cents (6.49). Excluding the effect of exchange rate fluctuations, passenger unit revenue declined by 0.7 per cent year-on-year. Unit cost per available seat kilometre (CASK) decreased by 0.1 per cent and amounted to 6.57 euro cents (6.58). Unit cost excluding fuel (CASK excl. fuel) decreased by one per cent to 4.46 euro cents (4.50) as a result of good progress in the cost reduction program.

## Distribution of profit

In 2013, earnings per share from the result of the period (before hybrid bond interest) was 0.08 (0.08) euros, and earnings per share was 0.02 (0.01) euros. Finnair Plc's distributable equity amounted to 284,038,140.67 euros on 31 December 2013. The Board of Directors proposes to the Annual General Meeting that no dividend is paid for 2013.

## Balance sheet on 31 December 2013

The Group's balance sheet totalled 2,200.6 million euros at the end of 2013 (2,231.3 million euros on 31 December 2012). Shareholders' equity totalled 691.8 million euros (775.3), which is 5.41 euros per share (6.06). Shareholders' equity decreased in 2013 primarily due to the repayment of the outstanding share of the hybrid bond issued in 2009.

Shareholders' equity includes a fair value reserve which is affected by changes in the fair values of oil and currency derivatives used for hedging as well as actuarial gains and losses related to defined benefit plans according to IAS 19. The value of the item at the end of 2013 was -14.7 million euros (0.3) after deferred taxes, and it is mainly comprised of actuarial losses.

## Cash flow and financial position in 2013

Finnair has a strong financial position, which supports business development and future investments. In 2013, net cash flow from operating activities amounted to 107.0 million euros (154.7) and net cash flow from investments totalled 16.1 million euros (-54.2).

The equity ratio was 32.0 per cent (35.4) and gearing was 19.5 per cent (18.0). The adjusted gearing was 77.6 per cent (77.8). At the end of the period under review, interest-bearing debt amounted to 593.0 million euros (569.0) and interest-bearing net debt stood at 134.2 million euros (138.4).

The company's liquidity remained strong in 2013. The Group's cash funds amounted to 458.8 million euros (430.5) at the end of the period. In addition to the cash funds on the balance sheet, the Group has the option of re-borrowing employment pension fund reserves worth approximately 430 million euros from its employment pension insurance company. Drawing these reserves requires a bank guarantee. The Group's entirely unused 200 million euro syndicated credit agreement, which was intended as reserve funding, matured at the end of June. Finnair negotiated a new 180 million euro syndicated credit agreement that will mature in July 2016. The limit is currently unused.

In October, Finnair redeemed the outstanding share of 52.4 million euros of the hybrid bond issued in 2009. The size of the hybrid loan issued by Finnair in November 2012 is 120 million euros. In August, Finnair issued a 150 million euro bond that will mature in five years. The bond pays an annual coupon of five per cent, and it was listed on NASDAQ OMX Helsinki Ltd on 2 September 2013.

Advance payments related to fixed asset investments totalled 66.0 million euros (32.7).

At the end of the year, 44.5 million euros of Finnair's short-term commercial paper program totalling 200 million euros were in use. Net cash flow from financing amounted to -47.4 million euros (-98.9). Financial expenses amounted to 19.7 million euros (-25.5) and financial income to 42.6 million euros (7.9). Financial income includes a capital gain of 34 million euros recorded on the sale of shares in Norwegian Air Shuttle ASA.

### Aircraft sale and leaseback agreements

In September, Finnair entered into an agreement to sell and leaseback two new A321 Sharklet aircraft, and in December, signed memorandums of understanding on the sell and leaseback of three new Airbus 321 Sharklet aircraft, four Finnair-owned Airbus 330 aircraft and two new Airbus 350 aircraft.

The agreements concerning new aircraft are expected to be concluded at the time of delivery in 2014–2015, while the agreements concerning A330 aircraft are expected to be concluded in the first half of 2014. The financing arrangements are part of the fleet renewal program, which involves replacing the current Airbus 340 and 330 fleet with next-generation Airbus 350 aircraft. Arrangements associated with the fleet renewal program as a whole are not estimated to have a substantial effect on the company's result for 2014 and 2015.

### Capital expenditure

In 2013, capital expenditure, excluding advance payments, totalled 42.0 million euros (41.4) and was primarily related to one spare engine and the company's fleet. Capital expenditure for the full year 2014, including advance payments related to fixed assets, is estimated at approximately 133 million euros, with investments in the fleet representing a majority of this total.

The current state of the credit market and Finnair's good debt capacity enables the financing of future fixed-asset investments on competitive terms. The company has 36 unencumbered aircraft, the balance sheet value of which corresponds to approximately 47 per cent of the value of the entire fleet of 1.1 billion euros. The balance sheet value includes three finance lease aircraft.

### Fleet

Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair Plc. At the end of 2013, Finnair itself operated 45 aircraft, of which 15 are widebody and 30 narrowbody aircraft. There were no changes to the size of Finnair's fleet in 2013. However, the composition of the fleet changed somewhat as Finnair received three new A321 Sharklet aircraft in the second half of the year and removed two Boeing 757 from the fleet as their leases expired. Finnair also gave up one Embraer 170 aircraft in the second quarter of the year, leasing the aircraft to an airline outside the Group.

The leases for the final two Boeing 757 aircraft will expire in the first half of 2014, at which time Finnair will take delivery of the final two Airbus A321 Sharklet aircraft. After this, the company will operate an all-Airbus fleet.

In addition to the aircraft operated by Finnair, its balance sheet includes 25 other aircraft owned by the company. These aircraft are operated by other airlines, mainly by Flybe Finland. The average age of the fleet operated by Finnair was 10.1 years at the end of the year and that of the Finnair fleet operated by other airlines 5.2 years. Finnair also has eight leased aircraft that it has subleased to be operated by other airlines.

<u>A350 aircraft</u>

Finnair estimates that its first A350 XWB wide-body aircraft will be delivered and added to the fleet in the second half of 2015. Finnair ordered 11 A350 XWB aircraft from Airbus in 2005. Some of these aircraft will replace aircraft currently in use in long-haul traffic. The order includes an additional option for the delivery of eight more aircraft. Finnair is evaluating alternatives to minimise the effects that any possible delays in deliveries may have.

Finnair has the possibility to adjust the size of its fleet flexibly according to demand and outlook due to its lease agreements with different durations.

| **Fleet operated by Finnair on 31.12.2013** | **Seats** | **#** | **Own** | **Leased (operational leasing)** | **(finance leasing)** | **Average age** | **Change from 31.12.2012** | **Ordered** | **Add. options** |
|---|---|---|---|---|---|---|---|---|---|
| **Narrow-body fleet** | | | | | | | | | |
| Airbus A319 | 138/123 | 9 | 7 | 2 | | 12.4 | | | |
| Airbus A320 | 165 | 10 | 6 | 4 | | 11.4 | | | |
| Airbus A321 | 209/196 | 9 | 4 | 5 | | 8.7 | +3 | 2 | |
| Boeing B757 | 227 | 2 | 0 | 2 | | 15.7 | -2 | | |
| Embraer 170 | 76 | 0 | | | | | -1 | | |
| **Wide-body fleet** | | | | | | | | | |
| Airbus A330 | 297/271/263 | 8 | 4 | 1 | 3 | 4.2 | | | |
| Airbus A340 | 270/269 | 7 | 5 | 2 | | 10.9 | | | |
| Airbus A350 | na. | | | | | | | 11 | 8 |
| **Total** | | **45** | **26** | **16** | **3** | **10.1** | **0** | **13** | **8** |

| **Fleet owned by Finnair and operated by other airlines on 31.12.2013*** | **Seats** | **#** | **Own** | **Average age** | **Change from 31.12.2012** | **Ordered** | **Add. options** |
|---|---|---|---|---|---|---|---|
| ATR 72 | 68–72 | 12 | 12 | 4.4 | | | |
| Embraer 170 | 76 | 5 | 5 | 7.5 | +1 | | |
| Embraer 190 | 100 | 8 | 8 | 5.0 | | | |
| **Total** | | **25** | **25** | **5.2** | **+1** | **0** | **0** |

* All ATR aircraft, all E190 aircraft and two E170 aircraft have been leased to Flybe Nordic and three E170 aircraft to other parties outside the Group.

## Business area development in October–December 2013

The segment reporting of Finnair Group's financial statements is based on business areas. The reporting business areas are Airline Business, Aviation Services and Travel Services.

## Airline Business

This business area is responsible for scheduled passenger and charter traffic as well as cargo sales, customer service and service concepts, flight operations and activity connected with the procurement and financing of aircraft. The Airline Business segment comprises the Commercial, Operations and Resources Management functions as well as the subsidiaries Finnair Cargo Oy, Finnair Cargo Terminal Operations Oy, Finnair Flight Academy Oy and Finnair Aircraft Finance Oy.

| **Key figures** | **10–12 2013** | **10–12 2012** | **Change %** | **2013** | **2012** | **Change %** |
|---|---|---|---|---|---|---|
| **Turnover and result** | | | | | | |
| Turnover, EUR million | 510.1 | 542.3 | -5.9 | 2,174.0 | 2,187.0 | -0.6 |
| Operating result, EBIT, EUR million | -13.6 | 0.0 | <-200 | 24.8 | 30.2 | -17.8 |
| Operating result, % of turnover | -2.7 | 0.0 | -2.7%-p | 1.1 | 1.4 | -0.3%-p |
| **Personnel** | | | | | | |
| Average number of employees | | | | 3,619 | 3,660 | -1.1 |

The turnover of Airline Business in October–December fell by 5.9 per cent to 510.1 million euros (542.3), and the profitability of operations declined substantially. The financial development of Airline Business was affected in particular by the Japanese yen depreciating compared to the corresponding period in the previous year, weaker-than-expected development in cargo and leisure traffic, as well as the threat of industrial action in

November, which led to Finnair cancelling almost all flights on 15 November and significantly restricting capacity in the days around that date.

In October–December, Finnair traffic measured in revenue passenger kilometres decreased by 1.6 per cent and overall capacity by 1.8 per cent year-on-year. The passenger load factor increased by 0.2 percentage points to 75.4 per cent. Measured in revenue passenger kilometres, Asian traffic declined by 0.8 per cent year-on-year, while capacity fell by 1.5 per cent. European traffic grew by 10.4 per cent and capacity by 4.4 per cent. In Asian traffic, the load factor increased to 76.6 per cent and in European traffic to 73.2 per cent. Domestic traffic as measured in revenue passenger kilometres grew by 5.8 per cent year-on-year, while capacity increased by 1.6 per cent. The load factor in domestic traffic was 64.1 per cent.

In October–December, unit revenue per available seat kilometre (RASK) fell by 5.1 per cent on the comparison period. The depreciation of the Japanese yen against the euro had a negative effect on yield in Asian traffic. The decline in yield was also partly due to the loss in turnover resulting from the threat of industrial action.

Finland, Japan, China and Sweden were the largest sales units in Asian traffic in October–December. The weakness of the Finnish economy was reflected in home market demand in the fourth quarter of the year. The market for flights between Finnair's Asian and European destinations grew by 2.0 per cent, and Finnair's market share in this traffic area remained largely unchanged from the comparison period at 5.3 per cent.* Measured in passenger volume, the market for flights between Helsinki and Finnair's European destinations grew by 3.3 per cent, with Finnair's market share in this traffic area increasing by 2.9 per cent to 48.2 per cent, excluding Flybe operations.*

Package tours to Egypt were cancelled for the entire winter season due to unrest in the country, which was reflected in the development of leisure traffic in the fourth quarter. The capacity of leisure traffic declined by 19.9 per cent year-on-year, with the number of passengers in charter traffic decreasing by 30.6 per cent in October–December to approximately 135,000 passengers. The passenger load factor of leisure traffic decreased by 10.4 percentage points year-on-year, to 77.3 per cent.

Cargo transported on scheduled flights (belly cargo) constitutes a significant proportion of the revenue from long-haul traffic. In the fourth quarter, belly cargo accounted for approximately 20 per cent of total long-haul revenue. The fourth quarter is traditionally the period of the year with the strongest demand for cargo traffic due to a peak in the demand for consumer goods and electronics at the end of the year. The amount of cargo and mail carried by Finnair in scheduled traffic grew in the fourth quarter by 5.4 per cent year-on-year. The overall load factor of Finnair's cargo traffic remained largely unchanged from the previous year at 64.5 per cent, while the available tonne kilometres decreased by 0.4 per cent and the revenue tonne kilometres by 0.5 per cent. A significant change that took place in the period under review was the launch of a new cargo route to Hanoi, the capital of Vietnam, at the turn of October–November. Finnair Cargo also operated separate wet-leased cargo flights to Hong Kong, New York and Brussels during the fourth quarter of the year. Separate cargo flights accounted for approximately 19 per cent of total cargo traffic in the fourth quarter.

The arrival punctuality of Finnair's flights was very good in October–December, with 88.3 per cent (81.6) of scheduled flights and 87.9 per cent (80.9) of all flights arriving on schedule.

## Air traffic services and products

### Route network and alliances

Finnair offers connections between Asia and Europe with over 200 route pairs and also operates more than 800 flights weekly from Helsinki to other Finnish and European destinations. In the summer season, Finnair operated at most 81 flights to Asia per week.

Qatar Airways joined the **one**world alliance in October 2013, and US Airways announced in December that it will join the **one**world alliance in March 2014. For Finnair's customers, new airlines joining **one**world enables better connections to destinations outside the Finnair network.

At the beginning of July, Finnair joined the transatlantic joint business founded by American Airlines, British Airways and Iberia, and in October, competition authorities approved the company's entry into the joint business established by Japan Airlines and British Airways for flights between Japan and Europe.

Other renewals and services

Also in early October, Finnair announced it will open a new Premier Lounge at Helsinki Airport in spring 2014.

Awards

In early October, Finnair was named Best European Airline at the annual Asia-Pacific TTG Travel Awards. The readers of TTG's travel magazines highlighted Finnair's punctuality, service quality and quick connections.

## Aviation Services

After the structural changes in Technical Services and catering implemented in 2012, the Aviation Services segment consists of aircraft maintenance and the operations of Finncatering Oy and Finnair Travel Retail Oy. The business operations of Finnair Catering Oy, which were transferred to LSG Sky Chefs on 1 August 2012, are included in the segment's figures for the comparison year until 31 July 2012. In addition, most of Finnair's property holdings, office services and the management and maintenance of properties related to the company's operational activities also belong to the Aviation Services business area. Over half of the business area's turnover comes from outside the Group.

| Key figures | 10–12 2013 | 10–12 2012 | Change % | 2013 | 2012 | Change % |
|---|---|---|---|---|---|---|
| **Turnover and result** | | | | | | |
| Turnover, EUR million | 42.3 | 73.6 | -42.5 | 196.3 | 319.5 | -38.6 |
| Operating result, EBIT, EUR million | -5.0 | -5.7 | 12.4 | -35.2 | -1.3 | <-200 |
| Operating result, % of turnover | -11.8 | -7.7 | -4.1%-p | -17.9 | -0.4 | -17.5%-p |
| **Personnel** | | | | | | |
| Average number of employees | | | | 1,215 | 1,984 | -38.8 |

The turnover of Aviation Services in October–December declined substantially year-on-year due to adjustments to operations. The segment's turnover in October–December amounted to 42.3 million euros (73.6) and the operating result showed a loss of -5.0 million euros (-5.7).

## Travel Services (Tour Operators and Travel Agencies)

This business area consists of the tour operator Aurinkomatkat (Suntours), its subsidiary operating in Estonia, and the business travel agencies that were merged in December, namely Area, Finland Travel Bureau (FTB) and FTB's subsidiary Estravel, which operates in the Baltic countries, as well as Amadeus Finland, which produces travel sector software and solutions. Aurinkomatkat serves leisure travellers, offering its customers package tours, tailored itineraries, flight and hotel packages, flights and cruises, as well as golf, sailing and skiing holidays.

| Key figures | 10–12 2013 | 10–12 2012 | Change % | 2013 | 2012 | Change % |
|---|---|---|---|---|---|---|
| **Turnover and result** | | | | | | |
| Turnover, EUR million | 68.5 | 72.9 | -6.0 | 251.7 | 284.4 | -11.5 |
| Operating result, EBIT, EUR million | 0.2 | 2.2 | -92.9 | 1.6 | 4.9 | -67.7 |
| Operating result, % of turnover | 0.2 | 3.0 | -2.8%-p | 0.6 | 1.7 | -1.1%-p |
| **Personnel** | | | | | | |
| Average number of employees | | | | 751 | 855 | -12.2 |

The turnover of Travel Services in October–December decreased from the previous year and amounted to 68.5 million euros (72.9). The operating result was 0.2 million euros (2.2). The decline in turnover and weaker profitability were primarily due to lower demand for package tours as well as Aurinkomatkat cancelling all of its winter season travel to Egypt at the end of August due to travel restrictions in force in the country.Consumers' uncertainty regarding their own economic situation was reflected in the demand for leisure travel, and a larger share of the package tours were sold with discount in the last minute, which decreased the unit revenue of package travel while the biggest cost item, i.e. a flight's unit cost, increased .

Finnair subsidiaries Finland Travel Bureau and Area merged in December to form FTB, the largest Finnish business travel agency. The aim of merging the two travel agencies is to achieve volume synergies and significant reductions in costs by eliminating overlapping functions. In business travel agencies, the number of flights booked in Finland decreased in October–December by six per cent year-on-year. Area's business travel sales volume contracted slightly less, and Finnish Travel Bureau's volume slightly more than the market in average. In the last quarter of the year the sales of international online travel agencies in the Finnish market started to plummet and declined by 19 per cent year-on-year.

### Changes in the company's senior management

Pekka Vauramo (M.Sc.) took his position as CEO of Finnair on 1 June 2013. He succeeds Mika Vehviläinen, who left the company on 28 February 2013.

Anssi Komulainen, Head of Customer Service, left Finnair's Executive Board and Management Board on 31 August 2013. Customer service functions were moved partly to Finnair's Commercial Division headed by Allister Paterson and partly to Operations headed by Ville Iho. Finnair did not appoint a successor to Komulainen.

At the end of December, Finnair announced that the head of Travel Services and a member of Finnair's Executive Board, D.Sc. (Econ.), Kaisa Vikkula will leave Finnair on 31 January 2014. As the companies belonging to the Travel Services business area will now report to Allister Paterson, the head of Finnair's Commercial Division, Finnair did not appoint a successor to Vikkula.

Finnair's Board of Directors added Antti Kuosmanen as a new member to the Board's Compensation and Appointments Committee on 23 September 2013. The Chairman of the Committee is Jussi Itävuori and the other members are Harri Kerminen and Gunvor Kronman.

### Personnel

The number of Finnair employees decreased significantly in 2013 due to the structural changes in the company. The Group employed an average of 5,859 (6,784) people in 2013, which is 13.6 per cent fewer than in the previous year. The Airline Business segment employed an average of 3,619 (3,660) people during the year, Aviation Services 1,215 (1,984) people and Travel Services 751 (855) people. A total of 274 (285) people were employed in other functions. The number of employees was 5,803 (6,368) on 31 December 2013.

### Personnel incentive schemes

At the end of March 2013, the Board of Directors of Finnair decided to launch FlyShare, an employee share savings plan for Finnair employees. The objective of the plan is to encourage the employees to become shareholders in the company, and thereby strengthen the employees' interest in the development of Finnair's shareholder value and to reward them over the long term. Over 1,000 Finnair employees, or approximately one fifth of all employees, participated in the first phase of the share savings plan. In the fourth quarter of 2013, a total of 22,340 Finnair shares held by the company were transferred to FlyShare program participants as incentive bonuses. The share savings plan is described in more detail in a Stock Exchange Release published on 27 March 2013.

In February 2013, Finnair's Board of Directors approved a new performance share plan for Finnair's key personnel. The share plan replaces the previous plan that expired at the end of 2012. The purpose of the share plan is to encourage the management to work to increase long-term shareholder value and also to commit the management to the company. The share plan is described in more detail in a Stock Exchange Release published on 8 February 2013.

### Own shares

Finnair acquired a total of 600,000 of its own shares in 2013. Finnair's Board of Directors decided on the acquisition of shares at its meeting of 18 December 2012, pursuant to the authorisation to acquire the company's own shares given by the Annual General Meeting of 28 March 2012. Also during 2013, the company transferred 708,679 of its own shares as incentive bonuses to key personnel belonging to the performance share plan in effect from 2010 to 2012, and a further 22,340 shares as incentive bonuses to members of the FlyShare employee share savings plan. On 31 December 2013, Finnair held a total of 279,168 (410,187) of its own shares, representing 0.2 per cent of the total share capital.

### Share price development and trading

At the end of December 2013, Finnair's market value stood at 354.9 million euros (305.0), and the closing price of the share was 2.77 euros (2.38). During the January–December period, the highest price for the Finnair share on the NASDAQ OMX Helsinki Stock Exchange was 3.25 euros (2.64), the lowest price 2.40 euros (1.67) and the average price 2.85 euros (2.24). Some 26.0 million (19.7) of the company's shares, with a total value of 74.2 million euros (44.1), were traded.

The number of shares recorded in Finnair's Trade Register entry was 128,136,115 at the end of the period. The Finnish State owned 55.8 per cent (55.8) of Finnair's shares, while 12.9 per cent (11.4) were held by foreign investors or in the name of a nominee.

### Corporate responsibility

In October, Finnair placed among the leading companies in the Carbon Disclosure Project (CDP), which assesses the quality of environmental reporting related to climate change published by companies from the perspective of identifying business risks and opportunities. Finnair was also included in the CDP Nordic 260 Climate Disclosure Leadership Index (CDLI) for the second consecutive year. The index highlights those companies listed on the Nordic stock exchanges that have displayed a particularly progressive approach to the disclosure of information regarding climate change. The Carbon Disclosure Project is the world's only global environmental disclosure system and represents 722 international investors with assets of over 87 trillion dollars.

Also in 2013, Finnair began employee training on its Code of Conduct updated at the end of 2012. An eLearning course related to the topic was published near the end of the year, and training will continue in 2014.

### Significant near term risks and uncertainties

Due to the short booking horizon in passenger and cargo traffic, long-term forecasting of Finnair's business operations is difficult. Aviation is an industry that is globally sensitive to economic cycles and also reacts quickly to external disruptions, seasonal variation and changes in economic trends. Finnair has implemented a comprehensive risk management process to ensure that risks are identified and mitigated as much as possible. The risks and uncertainties described here are considered to potentially have a significant impact on Finnair's business, financial result and future outlook within the next 12 months.

The achievement of the strategic advantages and cost reductions sought through Finnair's partnership projects involve risks due to, for example, changes in partners' business operations.

Negotiations on cost reductions between Finnair and the trade unions representing its employees involve risks that, if realised, could have an effect on the achievement of the company's cost reduction targets, the uninterrupted continuity of its operations and the company's reputation. The achievement of targets in other cost reduction categories included in the cost-reduction program also involve risks.

The aviation industry is affected by a number of regulatory programs at the EU and international levels. Estimating the impact of the regulatory changes on airlines' operational activities and/or costs in advance is difficult. Examples of such regulatory programs include international regulation related to emission trading and other environmental regulation, EU regulations on privacy protection and the decision made by the Court of Justice of the European Union in October 2012 regarding flight passengers' rights. The European Commission's proposal issued in October 2013 regarding the expansion of emissions trading concerning flights within the EU (so-called stop the clock model or intra-EU ETS) has been met with opposition in certain countries outside the EU, which may have a negative effect on the growth potential of Finnair's Asian traffic, especially in the medium term. The new proposal may also lead to additional costs.

Finnair's risk management and risks related to company's operations are described in more detail on the company's website at www.finnairgroup.com.

## Seasonal variation and sensitivities in business operations

Due to the seasonal variation of the airline business, the Group's turnover and profit are generally at their lowest in the first quarter and at their highest in the third quarter of the year. The growing proportional share of Asian traffic increases seasonal fluctuation due to destination-specific seasons in Asian leisure and business travel.

A one-percentage-point change in the passenger load factor or the average yield in passenger traffic has an effect of approximately 15 million euros on the Group's operating result. A one-percentage-point change in the unit cost of scheduled passenger traffic has an effect of approximately 17 million euros on the operating result.

In addition to operational activities, fuel price development has a key impact on Finnair's result, as fuel costs are the company's most significant cost item. A 10-per-cent change in the world market price of fuel has an effect of approximately 29 million euros on Finnair's operating result at an annual level (for the following 12 months on a rolling basis), taking hedging into account. Without hedging, a 10-per-cent change would have an effect of approximately 63 million euros on Finnair's operating result at an annual level.

Finnair's foreign exchange risk arises primarily from fuel and aircraft purchases, aircraft leasing payments and sales revenue denominated in foreign currencies. Slightly less than 60 per cent of the Group's turnover is denominated in euros. In 2013, the most important other foreign sales currencies were the Japanese yen (10 per cent of turnover), the Chinese yuan (6 per cent), the Swedish crown (5 per cent) and the US dollar (4 per cent). Approximately half of the Group's operating costs were denominated in foreign currencies. The most important purchasing currency was the US dollar, which accounted for slightly over 40 per cent of all operating costs. Significant dollar-denominated expense items are aircraft leasing payments and fuel costs as well as traffic charges. The largest investments, namely the acquisition of aircraft and their spare parts, are mainly denominated in US dollars.

A 10-per-cent change in the euro-dollar exchange rate has an effect of approximately 21 million euros on Finnair's operating result at an annual level (for the following 12 months on a rolling basis), taking hedging into account. Without hedging, a 10-per-cent change would have an effect of approximately 68 million euros on Finnair's operating result at an annual level. The sensitivity analysis assumes that the Chinese yuan and the Hong Kong dollar continue to correlate strongly with the US dollar. A 10-per-cent change in the euro-yen exchange rate has an effect of approximately 6 million euros on Finnair's operating result at an annual level (for the following 12 months), taking hedging into account. Without hedging, a 10-per-cent change would have an effect of approximately 18 million euros on Finnair's operating result at an annual level.

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, according to the risk management policy verified by the Board of Directors. Fuel purchases are hedged for 24 months forward on a rolling basis, and the degree of hedging decreases towards the end of the hedging period. The higher and lower limits of the degree of hedging are 90 and 60 per cent for the following six months. At the end of 2013, the hedging ratio for fuel purchases was 74 per cent for the first half of 2014 and 66 per cent for the whole year. The hedging ratio for a dollar basket over the following 12 months was 67 per cent, and the hedging ratio for a yen basket was 71 per cent.

## Events after the review period

On 31 January 2014, the Shareholders' Nomination Board submitted its proposal on the composition of the Board of Directors to be chosen in Finnair's 2014 Annual General Meeting, and on the Chairman of the Board of Directors and the remunerations of the members of the Board of Directors. The Nomination Board proposes that present members of the Board of Directors Ms Maija-Liisa Friman, Mr Klaus W. Heinemann, Mr Jussi Itävuori, Mr Harri Kerminen and Ms Gunvor Kronman be re-elected, and that Ms Jaana Tuominen and Mr Nigel Turner be elected as new members to the Board of Directors. The Nomination Board further proposes that Mr Klaus W. Heinemann be re-elected as Chairman of the Board. The Nomination Board also proposes, that the annual remunerations of the members of the Board of Directors would remain unchanged.

### Publication of the Financial Statements and the Annual Report and the 2014 Annual General Meeting

Central parts of Finnair Plc Group's financial statements for 2013 and the Board of Directors' Report for 2013 will be published as part of the financial report for 2013 during week 10 (3–9 March) of 2014. The financial statements in their entirety, the Board of Directors' Report and other final accounts referred to in the Limited Liability Companies Act will be available on the company's website on 6 March 2013 at the latest. Finnair Plc's Annual General Meeting will be held on 27 March 2014 at 3:00 p.m. in Helsinki.

### Corporate Governance Statement

Finnair Plc's Corporate Governance Statement will be published as a document separate from the Board of Directors' Report as part of the company's financial report for 2013 during week 10 (3–9 March) of 2014, and it will also be available on the company's website.

### Outlook for 2014

The ongoing uncertain economic outlook in Europe and Asia is contributing to weak consumer demand in some of our main markets. Air traffic is expected to grow moderately in 2014. Finnair, however, will not be able to benefit from that growth without progress in its cost savings program and its target cost structure in place.

Finnair estimates its turnover to be close to previous year's level in 2014. Fuel costs are expected to remain high. The outcome of Finnair's ongoing cost-saving negotiations will have a significant impact on financial performance in 2014, and therefore the company will reconsider giving guidance for its full-year 2014 financial performance after the savings negotiations have been concluded.

Finnair's interim report for 1 January – 31 March 2014 will be published on Wednesday 7 May 2014.

FINNAIR PLC
Board of Directors

### Briefings

Finnair will hold a press conference on 11 February 2014 at 11:00 a.m. and an analyst briefing at 12:30 p.m. at its office at Tietotie 9. An English-language telephone conference for analysts will begin at 3:00 p.m. Finnish time. The conference may be attended by dialling your local access number +358 800 770 306 and using the PIN code 255856#

Finnair Plc
Communications
11 February 2014

* Finnair's estimate. The estimate is based on travel agencies' MIDT data and Finnair's estimates of airlines' own sales through their own sales channels, such as websites.

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| Key Figures | Oct-Dec 2013 | Oct-Dec 2012 | Change % | 2013 | 2012 | Change % |
|---|---|---|---|---|---|---|
| **Turnover and result** | | | | | | |
| Turnover, EUR million | 560.6 | 612.9 | -8.5 | 2,400.3 | 2,449.4 | -2.0 |
| Operational result, EBIT, EUR million * | -31.7 | 0.1 | <-200 % | -4.8 | 43.2 | -111.2 |
| Operational result, % of turnover | -5.7 | 0.0 | -5.7 %-p | -0.2 | 1.8 | -2.0 %-p |
| Operating result, EBIT, EUR million | -18.5 | -3.5 | <-200 % | -8.8 | 33.8 | -126.1 |
| Operational EBITDAR, EUR million | 12.8 | 48.8 | -73.9 | 174.8 | 240.2 | -27.2 |
| Result before taxes, EUR million | -23.8 | -5.3 | <-200 % | 10.1 | 14.8 | -32.1 |
| Net result, EUR million | -13.7 | -3.5 | <-200 % | 11.0 | 10.5 | 5.1 |
| **Balance sheet and cash flow** | | | | | | |
| Equity ratio, % | | | | 32.0 | 35.4 | -3.4 %-p |
| Gearing, % | | | | 19.5 | 18.0 | 1.5 %-p |
| Adjusted gearing, % | | | | 77.6 | 77.8 | -0.1 %-p |
| Gross investment, EUR million | 11.4 | 23.7 | -51.9 | 42.0 | 41.4 | 1.5 |
| Return on capital employed, ROCE, 12 months rolling, % | | | | 2.3 | 2.8 | -0.6 %-p |
| Return on equity, ROE, 12 months rolling, % | | | | 1.5 | 1.4 | 0.1 %-p |
| Net cash flow from operating activities, EUR million | -1.2 | 17.9 | -106.9 | 107.0 | 154.7 | -30.8 |
| **Share** | | | | | | |
| Share price at the end of quarter, EUR | | | | 2.77 | 2.38 | 16.4 |
| Earnings per share from the result of the period, EUR ** | -0.11 | -0.02 | <-200 % | 0.08 | 0.08 | 2.7 |
| Earnings per share, EUR | -0.11 | -0.05 | -130.1 | 0.02 | 0.01 | 30.6 |
| **Traffic data, unit costs and revenue** | | | | | | |
| Passengers, 1,000 | 2,148 | 2,081 | 3.2 | 9,269 | 8,774 | 5.6 |
| Available seat kilometres (ASK), million | 7,430 | 7,568 | -1.8 | 31,162 | 30,366 | 2.6 |
| Revenue passenger kilometres (RPK), million | 5,602 | 5,693 | -1.6 | 24,776 | 23,563 | 5.1 |
| Passenger load factor (PLF), % | 75.4 | 75.2 | 0.2 %-p | 79.5 | 77.6 | 1.9 %-p |
| Unit revenue per available seat kilometre, (RASK), cents/ASK | 6.05 | 6.37 | -5.1 | 6.24 | 6.49 | -3.8 |
| Unit revenue per revenue passenger kilometre, yield, cents/RPK | 6.86 | 7.20 | -4.8 | 6.86 | 7.30 | -6.1 |
| Unit cost per available seat kilometre, (CASK), cents/ASK | 6.84 | 6.54 | 4.5 | 6.57 | 6.58 | -0.1 |
| CASK excluding fuel, cents/ASK | 4.73 | 4.47 | 5.7 | 4.46 | 4.50 | -1.0 |
| Available tonne kilometres (ATK), million | 1,131 | 1,135 | -0.4 | 4,709 | 4,647 | 1.3 |
| Revenue tonne kilometres (RTK), million | 730 | 734 | -0.5 | 3,107 | 3,029 | 2.6 |
| Cargo and mail, tonnes | 37,983 | 36,047 | 5.4 | 146,654 | 148,132 | -1.0 |
| Cargo traffic unit revenue per revenue tonne kilometre, cents/RTK | 27.29 | 26.49 | 3.0 | 25.14 | 25.45 | -1.2 |
| Overall load factor, % | 64.5 | 64.6 | -0.1 %-p | 66.0 | 65.2 | 0.8 %-p |
| Flights, number *** | 23,648 | 23,355 | 1.3 | 97,360 | 95,097 | 2.4 |
| **Personnel** | | | | | | |
| Average number of employees | | | | 5,859 | 6,784 | -13.6 |

* Operational result: Operating result excluding changes in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves, non-recurring items and capital gains.

** Before hybrid bond interest.

*** The number of flights, unlike in the past, includes Finnair's purchased traffic. Numbers for the comparison periods have been changed accordingly.

Comparative figures for 2012 have been restated according to the revised IAS 19 Employee Benefits.

**Consolidated income statement**

| in mill. EUR | Oct-Dec 2013 | Oct-Dec 2012 | Change % | 2013 | 2012 | Change % |
|---|---|---|---|---|---|---|
| **Turnover** | **560.6** | **612.9** | **-8.5** | **2,400.3** | **2,449.4** | **-2.0** |
| Work used for own purposes and capitalized | 0.2 | 0.1 | 90.1 | 2.5 | 1.7 | 49.9 |
| Other operating income | 6.4 | 9.0 | -28.7 | 18.8 | 20.8 | -9.6 |
| Capital gains * | 0.1 | 0.9 | -89.6 | 1.1 | 22.2 | -95.0 |
| **Operating income** | **567.3** | **622.9** | **-8.9** | **2,422.8** | **2,494.1** | **-2.9** |
| **Operating expenses** | | | | | | |
| Staff costs | 94.6 | 107.1 | -11.7 | 383.9 | 429.2 | -10.6 |
| Fuel | 163.9 | 165.2 | -0.8 | 689.9 | 670.3 | 2.9 |
| Lease payment for aircraft | 14.8 | 14.8 | -0.2 | 57.5 | 66.2 | -13.2 |
| Other rental payments | 39.9 | 38.1 | 4.8 | 152.0 | 123.2 | 23.3 |
| Fleet materials and overhaul | 43.9 | 42.4 | 3.5 | 161.2 | 133.1 | 21.1 |
| Traffic charges | 52.4 | 52.0 | 0.7 | 222.3 | 226.0 | -1.6 |
| Ground handling and catering expenses | 62.7 | 66.1 | -5.2 | 257.3 | 247.2 | 4.1 |
| Expenses for tour operations | 23.8 | 22.9 | 3.9 | 89.4 | 96.8 | -7.7 |
| Sales and marketing expenses | 18.1 | 17.7 | 2.1 | 72.9 | 75.7 | -3.7 |
| Depreciation | 29.7 | 33.9 | -12.5 | 122.1 | 130.8 | -6.6 |
| Other expenses | 55.3 | 61.7 | -10.4 | 218.1 | 230.2 | -5.3 |
| **Total** | **598.9** | **621.9** | **-3.7** | **2,426.5** | **2,428.7** | **-0.1** |
| **Operational result, EBIT** | **-31.7** | **0.1** | **<-200 %** | **-4.8** | **43.2** | **-111.2** |
| Fair value changes of derivatives and foreign currency denominated fleet maintenance reserves | 15.7 | 0.0 | - | 21.7 | -4.0 | > 200 % |
| Non-recurring items | -2.5 | -4.5 | 43.4 | -26.8 | -27.6 | 3.0 |
| **Total Expenses** | **585.8** | **626.4** | **-6.5** | **2,431.6** | **2,460.3** | **-1.2** |
| **Operating result, EBIT** | **-18.5** | **-3.5** | **<-200 %** | **-8.8** | **33.8** | **-126.1** |
| Financial income | 2.7 | 1.6 | 71.7 | 42.6 | 7.9 | > 200 % |
| Financial expenses | -5.9 | -4.4 | -34.0 | -19.7 | -25.5 | 22.6 |
| Share of result in associates and joint ventures | -2.2 | 1.0 | <-200 % | -4.0 | -1.4 | -183.6 |
| **Result before taxes** | **-23.8** | **-5.3** | **<-200 %** | **10.1** | **14.8** | **-32.1** |
| Direct taxes | 10.1 | 1.8 | > 200 % | 1.0 | -4.3 | 123.0 |
| **Result for the period** | **-13.7** | **-3.5** | **<-200 %** | **11.0** | **10.5** | **5.1** |
| Result for the period attributable to shareholders of the parent company | -13.6 | -3.5 | | 10.8 | 10.2 | |
| Result for the period to non-controlling interest | -0.1 | 0.0 | | 0.3 | 0.3 | |
| **Earnings per share attributable to shareholders of the parent company (euro)** | | | | | | |
| Earnings per share (basic, diluted) | -0.11 | -0.05 | | 0.02 | 0.01 | |
| Earnings per share from the result of the period | -0.11 | -0.02 | | 0.08 | 0.08 | |

* Not included in the operational result, EBIT.

Comparative figures for 2012 have been restated according to the revised IAS 19 Employee Benefits. The grouping of de-icing, cleaning of aircraft and a few other expenses have been changed.
For more information see note 17.

**Consolidated balance sheet**

| in mill. EUR | 31 Dec 2013 | 31 Dec 2012 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Intangible assets | 19.3 | 25.5 |
| Tangible assets | 1,309.8 | 1,362.6 |
| Investments accounted for using the equity method | 8.2 | 12.3 |
| Financial assets | 20.5 | 22.7 |
| Deferred tax receivables | 65.8 | 77.6 |
| **Total** | **1,423.6** | **1,500.7** |
| **Short-term receivables** | | |
| Inventories | 19.9 | 17.1 |
| Trade receivables and other receivables | 280.7 | 251.1 |
| Investments | 335.9 | 363.5 |
| Cash and cash equivalents | 122.9 | 67.0 |
| **Total** | **759.4** | **698.7** |
| Non-current assets held for sale | 17.7 | 31.9 |
| **Assets total** | **2,200.6** | **2,231.3** |
| **Shareholders' equity and liabilities** | | |
| **Shareholders' equity** | | |
| Share capital | 75.4 | 75.4 |
| Other equity | 615.7 | 699.0 |
| **Total** | **691.1** | **774.4** |
| Non-controlling interest | 0.7 | 0.9 |
| **Equity total** | **691.8** | **775.3** |
| **Long-term liabilities** | | |
| Deferred tax liability | 72.6 | 91.6 |
| Financial liabilities | 410.9 | 413.5 |
| Pension obligations | 10.6 | 3.6 |
| Provisions | 69.3 | 82.3 |
| **Total** | **563.4** | **591.0** |
| **Short-term liabilities** | | |
| Current income and tax liabilities | 0.0 | 0.1 |
| Provisions | 40.5 | 38.2 |
| Financial liabilities | 207.5 | 174.2 |
| Trade payables and other liabilities | 695.2 | 650.3 |
| Liabilities of non-current assets held for sale | 2.3 | 2.2 |
| **Total** | **945.5** | **865.0** |
| **Liabilities total** | **1,508.9** | **1,456.0** |
| **Shareholders' equity and liabilities total** | **2,200.6** | **2,231.3** |

Comparative figures for 2012 have been restated according to the revised IAS 19 Employee Benefits, for more information see note 17.

**Consolidated statement of changes in equity**

| in mill. EUR | Share capital | Share premium account | Legal reserve | Hedging reserve and other OCI items | Unrestricted equity funds | Translation difference | Retained earnings | Hybrid bond | **Equity attributable to shareholders of the company** | Non-controlling interest | **Own equity total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Shareholders' equity, 1 Jan 2013** | 75.4 | 20.4 | 147.7 | 0.2 | 247.1 | -0.3 | 112.6 | 171.1 | **774.3** | 0.9 | **775.2** |
| Dividends paid | | | | | | | -12.7 | | -12.7 | -0.5 | **-13.2** |
| Purchase of own shares | | | | | -1.7 | | | | -1.7 | | **-1.7** |
| Share-based payments | | | | | 1.9 | | -0.3 | | 1.5 | | **1.5** |
| Hybrid bond repayments, interest and expenses | | | | | | | -14.1 | -52.1 | -66.2 | | **-66.2** |
| Proceeds from hybrid bond | | | | | | | | 0.0 | 0.0 | | **0.0** |
| **Shareholders' equity related to owners** | 75.4 | 20.4 | 147.7 | 0.2 | 247.3 | -0.3 | 85.5 | 118.9 | **695.3** | **0.4** | **695.7** |
| Result for the period | | | | | | | 10.8 | | 10.8 | 0.3 | 11.0 |
| Items of comprehensive income | | | | -14.9 | | 0.0 | | | -15.0 | | -15.0 |
| **Comprehensive income for the financial period** | **0.0** | **0.0** | **0.0** | **-14.9** | **0.0** | **0.0** | **10.8** | **0.0** | **-4.2** | **0.3** | **-3.9** |
| **Shareholders' equity, 31 Dec 2013** | **75.4** | **20.4** | **147.7** | **-14.7** | **247.3** | **-0.3** | **96.3** | **118.9** | **691.1** | **0.7** | **691.8** |

| in mill. EUR | Share capital | Share premium account | Legal reserve | Hedging reserve and other OCI items | Unrestricted equity funds | Translation difference | Retained earnings | Hybrid bond | **Equity attributable to shareholders of the company** | Non-controlling interest | **Own equity total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Shareholders' equity, 1 Jan 2012** | 75.4 | 20.4 | 147.7 | 30.0 | 247.2 | -0.2 | 111.9 | 119.4 | **751.8** | 0.7 | **752.5** |
| Change in accounting principles (IAS 19) | | | | 27.2 | | | | | 27.2 | | **27.2** |
| **Shareholders' equity, restated, 1 Jan 2012** | 75.4 | 20.4 | 147.7 | 57.2 | 247.2 | -0.2 | 111.9 | 119.4 | **779.0** | 0.7 | **779.7** |
| Dividends paid | | | | | | | | | 0.0 | | 0.0 |
| Purchase of own shares | | | | | | | 0.3 | | 0.3 | | 0.3 |
| Share-based payments | | | | | | | | | 0.0 | | 0.0 |
| Hybrid bond repayments, interest and expenses | | | | | | | -10.1 | -68.3 | -78.4 | | -78.4 |
| Proceeds from hybrid bond | | | | | | | 0.0 | 120.0 | 120.0 | | 120.0 |
| **Shareholders' equity related to owners** | 75.4 | 20.4 | 147.7 | 57.2 | 247.2 | -0.2 | 102.2 | 171.1 | **821.0** | **0.7** | **821.7** |
| Result for the period | | | | | | | 10.3 | | 10.3 | 0.2 | 10.5 |
| Items of comprehensive income | | | | -56.9 | | | | | -56.9 | | -56.9 |
| **Comprehensive income for the financial period** | **0.0** | **0.0** | **0.0** | **-56.9** | **0.0** | **0.0** | **10.3** | **0.0** | **-46.6** | **0.2** | **-46.4** |
| **Shareholders' equity, 31 Dec 2012** | **75.4** | **20.4** | **147.7** | **0.3** | **247.2** | **-0.2** | **112.5** | **171.1** | **774.4** | **0.9** | **775.3** |

**Consolidated cash flow statement**

| in mill. EUR | 2013 | 2012 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the financial year | 11.0 | 10.5 |
| Operations for which a payment is not included * | 97.3 | 119.5 |
| Other adjustments to profit for the period | | |
| Interest and other financial expenses | 19.7 | 24.7 |
| Interest income and other financial income | -38.6 | -7.9 |
| Income taxes | -1.0 | 4.3 |
| Changes in working capital | 35.8 | 22.2 |
| Interest paid | -12.1 | -16.7 |
| Paid financial expenses | -3.8 | -6.0 |
| Received interest | 1.4 | 4.2 |
| Taxes paid | -2.7 | -0.1 |
| **Net cash flow from operating activities** | **107.0** | **154.7** |
| | | |
| **Cash flows from investing activities** | | |
| Investments in associates and joint ventures | 0.0 | -0.7 |
| Investments in intangible assets | -2.3 | -4.8 |
| Investments in tangible assets | -61.0 | -53.3 |
| Net change of financial interest bearing assets at fair value through profit and loss | 14.6 | -5.2 |
| Net change of shares classified as available for sale | 53.7 | 0.1 |
| Sales of tangible fixed assets | 8.9 | 10.6 |
| Received dividends | 1.2 | 0.1 |
| Change in non-current receivables | 1.0 | -1.0 |
| **Net cash flow from investing activities** | **16.1** | **-54.2** |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds and changes from borrowings | 150.0 | 71.0 |
| Loan repayments and changes | -115.0 | -207.9 |
| Hybrid bond repayments | -52.4 | -67.7 |
| Proceeds from hybrid bond | | 120.0 |
| Hybrid bond interest and expenses | -15.4 | -14.3 |
| Purchase of own shares | -1.7 | 0.0 |
| Dividends paid | -13.0 | 0.0 |
| **Net cash flow from financing activities** | **-47.4** | **-98.9** |
| | | |
| **Change in cash flows** | **75.7** | **1.6** |
| Liquid funds, at beginning | 256.1 | 254.5 |
| Change in cash flows | 75.7 | 1.6 |
| **Liquid funds, at end** | **331.8** | **256.1** |
| | | |
| **Notes to consolidated cash flow statement** | | |
| * Operations for which a payment is not included | | |
| Depreciation | 122.1 | 130.8 |
| Employee benefits | 7.3 | 12.3 |
| Fair value changes in derivatives and changes in exchange rates of fleet overhauls | -21.7 | 4.0 |
| Other adjustments | -10.5 | -27.6 |
| Total | 97.3 | 119.5 |
| | | |
| Financial asset at fair value | 335.9 | 363.5 |
| Liquid funds | 122.9 | 67.0 |
| Short-term cash and cash equivalents in balance sheet | 458.8 | 430.5 |
| Maturing after more than 3 months | -126.5 | -141.1 |
| Shares held to trading purposes | -0.4 | -33.3 |
| Total in cash flow statement | 331.8 | 256.1 |

Comparative figures for 2012 have been restated according to the revised IAS 19 Employee Benefits.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. BASICS OF PREPARATION**

This consolidated financial statements bulletin has been prepared according to the International (IAS) Standard 34: Interim Financial Reporting.

**2. ACCOUNTING PRINCIPLES**

The accounting principles adhered to in the financial statement bulletin are consistent with the principles adhered to in the 2012 consolidated financial statements, except for the changes mentioned below. The figures presented in this statement are not rounded, and therefore total sum calculated from these individual figures does not necessarily match the corresponding sum stated here. Key figures stated here are calculated using the exact figures.

The standards and interpretations published by the IASB to be introduced by the Group in 2013 and 2014 are introduced in the accounting principles of 2012 financial statements. The amendment to IAS 19 Employee Benefits eliminates the corridor approach and calculates the finance costs on a net funding basis. All actuarial gains and losses are recognised in comprehensive income.

**3. CRITICAL FINANCIAL STATEMENT ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements bulletin requires the company's management to make estimates and assumptions that influence the levels of reported assets and liabilities as well as of revenue and expenses. The actual outcomes may differ from the estimates and assumptions made. The main estimates and assumptions used are the same as used while preparing the financial statements 2012.

**4. SEGMENT INFORMATION**

Segment information is presented in line with business segments, which are based on the Group's internal organisation structure and management reporting. The business segments are Airline Business, Aviation Services and Travel Services. Pricing between segments takes place at the going market price.

**Business segment data**

| in mill. EUR | | | **2013** | | | |
|---|---|---|---|---|---|---|
| | Airline Business | Aviation Services | Travel Services | Group eliminations | Unallocated items | **Group** |
| External turnover | 2,052.5 | 96.8 | 251.0 | | | 2,400.3 |
| Internal turnover | 121.4 | 99.4 | 0.7 | -221.6 | | 0.0 |
| Turnover | 2,174.0 | 196.3 | 251.7 | -221.6 | 0.0 | 2,400.3 |
| Operating profit | 24.8 | -35.2 | 1.6 | | 0.0 | -8.8 |
| Share of result in associates and joint ventures | | | | | -4.0 | -4.0 |
| Financial income | | | | | 42.6 | 42.6 |
| Financial expenses | | | | | -19.7 | -19.7 |
| Income tax | | | | | 1.0 | 1.0 |
| Non-controlling interest | | | | | -0.3 | -0.3 |
| Result for the period attributable to shareholders of the parent company | | | | | | 10.8 |
| | | | | | | |
| Depreciation | 113.2 | 7.4 | 1.5 | | | 122.1 |

**Business segment data**

| in mill. EUR | | | **2012** | | | |
|---|---|---|---|---|---|---|
| | Airline Business | Aviation Services | Travel Services | Group eliminations | Unallocated items | **Group** |
| External turnover | 2,050.5 | 116.0 | 282.9 | | | 2,449.4 |
| Internal turnover | 136.5 | 203.5 | 1.5 | -341.5 | | 0.0 |
| Turnover | 2,187.0 | 319.5 | 284.4 | -341.5 | 0.0 | 2,449.4 |
| Operating profit | 30.2 | -1.3 | 4.9 | | 0.0 | 33.8 |
| Share of result in associates and joint ventures | | | | | -1.4 | -1.4 |
| Financial income | | | | | 7.9 | 7.9 |
| Financial expenses | | | | | -25.5 | -25.5 |
| Income tax | | | | | -4.3 | -4.3 |
| Non-controlling interest | | | | | -0.3 | -0.3 |
| Result for the period attributable to shareholders of the parent company | | | | | | 10.2 |
| | | | | | | |
| Depreciation | 112.9 | 16.5 | 1.4 | | | 130.8 |

**Turnover**

| in mill. EUR | Oct-Dec 2013 | Oct-Dec 2012 | Change % | 2013 | 2012 | Change % |
|---|---|---|---|---|---|---|
| Airline Business | 510.1 | 542.3 | -5.9 | 2,174.0 | 2,187.0 | -0.6 |
| Aviation Services | 42.3 | 73.6 | -42.5 | 196.3 | 319.5 | -38.6 |
| Travel Services | 68.5 | 72.9 | -6.0 | 251.7 | 284.4 | -11.5 |
| Group eliminations | -60.3 | -75.9 | 20.6 | -221.6 | -341.5 | 35.1 |
| **Total** | **560.6** | **612.9** | **-8.5** | **2,400.3** | **2,449.4** | **-2.0** |

**Operating profit**

| in mill. EUR | Oct-Dec 2013 | Oct-Dec 2012 | Change % | 2013 | 2012 | Change % |
|---|---|---|---|---|---|---|
| Airline Business | -13.6 | 0.0 | <-200 % | 24.8 | 30.2 | -17.8 |
| Aviation Services | -5.0 | -5.7 | 12.4 | -35.2 | -1.3 | <-200 % |
| Travel Services | 0.2 | 2.2 | -92.9 | 1.6 | 4.9 | -67.7 |
| **Total** | **-18.5** | **-3.5** | **<-200 %** | **-8.8** | **33.8** | **-126.1** |

**Employees average by segment**

| | 2013 | 2012 | Change % |
|---|---|---|---|
| Airline Business | 3,619 | 3,660 | -1.1 |
| Aviation Services | 1,215 | 1,984 | -38.8 |
| Travel Services | 751 | 855 | -12.2 |
| Other functions | 274 | 285 | -3.9 |
| **Total** | **5,859** | **6,784** | **-13.6** |

### 5. MANAGEMENT OF FINANCIAL RISKS

No significant changes have been made to the Group's risk management principles in the reporting period. The objectives and principles of risk management are consistent with information presented in the Group's 2012 Financial Report. The tables below present the nominal value or the amount and net fair value of derivative contracts used in Group's hedge accounting.

| **Derivatives** | **31 Dec 2013** | | **31 Dec 2012** | |
|---|---|---|---|---|
| | Nominal value | Fair net value | Nominal value | Fair net value |
| **Currency derivatives, in Mill. EUR** | | | | |
| Hedge accounting items | | | | |
| Forward contracts, Jet Fuel currency hedging | 370.5 | -17.0 | 413.5 | 0.3 |
| Forward contracts, Hedging of Aircraft purchase price | | | | |
| Fair value hedging | 244.1 | 2.2 | 291.1 | 13.4 |
| Cash flow hedging | 0.0 | 0.0 | 0.0 | 0.0 |
| Forward contracts, Currency hedging of lease payments | 58.3 | -1.6 | 40.3 | -0.2 |
| Total | 672.9 | -16.4 | 744.9 | 13.5 |
| Currency derivatives at fair value through profit or loss | | | | |
| Operating cash flow hedging (forward contracts) | 407.9 | 2.4 | 173.3 | -0.9 |
| Operational cash flow hedging (options) | | | | |
| Call options | 149.8 | 16.1 | 105.5 | 5.9 |
| Put options | 169.5 | -0.7 | 110.5 | -0.8 |
| Balance sheet hedging (forward contracts) | 20.4 | -1.2 | 47.8 | 0.0 |
| Total | 747.5 | 16.6 | 437.1 | 4.2 |
| **Currency derivatives total** | **1,420.4** | **0.2** | **1,182.0** | **17.7** |

| | | | | |
|---|---|---|---|---|
| **Commodity derivatives, in tonnes/MWh** | | | | |
| Hedge accounting items | | | | |
| Jet Fuel swaps (tonnes) | 563,550 | 11.8 | 574,660 | -1.7 |
| Electricity hedging MWh | 17,568 | 0.0 | 0 | 0.0 |
| Total | | 11.7 | | -1.7 |
| Currency derivatives at fair value through profit or loss | | | | |
| Jet fuel forward contracts (tonnes) | 18,000 | 0.8 | 0 | 0.0 |
| Options | | | | |
| Jet fuel options (tonnes) | 201,000 | 3.4 | 214,000 | 3.1 |
| Jet fuel put options (tonnes) | 201,000 | -1.1 | 301,000 | -4.1 |
| Electricity hedging MWh | 71,100 | -0.5 | 91,536 | -0.5 |
| Total | | 2.7 | | -1.5 |
| **Commodity derivatives total** | | **14.4** | | **-3.2** |

| | | | | |
|---|---|---|---|---|
| **Interest rate derivatives, in Mill. EUR** | | | | |
| Hedge accounting items | | | | |
| Interest rate swaps | 150.0 | 1.2 | 0.0 | 0.0 |
| Total | 150.0 | 1.2 | 0.0 | 0.0 |
| Currency derivatives at fair value through profit or loss | | | | |
| Cross currency Interest rate swaps | 17.3 | 0.2 | 22.9 | 1.0 |
| Interest rate swaps | 25.0 | -0.5 | 25.0 | -1.1 |
| Total | 42.3 | -0.3 | 47.9 | -0.1 |
| **Interest rate option total** | **192.3** | **0.9** | **47.9** | **-0.1** |

**6. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE**

| **Fair value hierarchy of financial assets and liabilities valued at fair value** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Fair values at the end of the reporting period** | **31 Dec 2013** | | | | **31 Dec 2012** | | | |
| in mill. EUR | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 |
| **Financial assets at fair value through profit and loss** | | | | | | | | |
| Securities held for trading | 290.4 | 35.0 | 255.4 | | 330.3 | 34.6 | 295.7 | |
| Derivatives held for trading | | | | | | | | |
| Currency and interest rate swaps | 1.4 | | 1.4 | | 0.0 | | 0.0 | |
| - of which in fair value hedge accounting | 1.2 | | 1.2 | | 0.0 | | 0.0 | |
| Currency derivatives | 27.9 | | 27.9 | | 28.3 | | 28.3 | |
| - of which in fair value hedge accounting | 4.4 | | 4.4 | | 15.2 | | 15.2 | |
| - of which in cash flow hedge accounting | 0.1 | | 0.1 | | 6.0 | | 6.0 | |
| Commodity derivatives | 15.7 | | 13.4 | 2.3 | 5.3 | | 5.3 | |
| - of which in cash flow hedge accounting | 12.5 | | 12.5 | | 5.3 | | 5.3 | |
| Financial assets available-for-sale | | | | | | | | |
| Share investments | 0.0 | | | | 32.3 | 32.3 | | |
| **Total** | **335.4** | **35.0** | **298.1** | **2.3** | **396.2** | **66.9** | **329.3** | **0.0** |
| | | | | | | | | |
| **Financial liabilities recognised at fair value through profit and loss** | | | | | | | | |
| Derivatives held for trading | | | | | | | | |
| Interest rate swaps | 0.5 | | 0.5 | | 0.1 | | 0.1 | |
| - of which in fair value hedge accounting | 0.0 | | 0.0 | | 0.0 | | 0.0 | |
| Currency derivatives | 27.7 | | 27.7 | | 11.6 | | 11.6 | |
| - of which in fair value hedge accounting | 2.2 | | 2.2 | | 1.8 | | 1.8 | |
| - of which in cash flow hedge accounting | 18.7 | | 18.7 | | 5.9 | | 5.9 | |
| Commodity derivatives | 1.3 | | 1.3 | | 7.5 | | 6.5 | 1.0 |
| - of which in cash flow hedge accounting | 0.7 | | 0.7 | | 7.0 | | 7.0 | |
| **Total** | **29.5** | **0.0** | **29.5** | **0.0** | **19.2** | **0.0** | **18.2** | **1.0** |

During the reporting period no significant transfers took place between fair value hierarchy Levels 1 and 2.

The fair values of hierarchy Level 1 are based fully on quoted (unadjusted) prices in active markets of the same assets and liabilities.

The fair values of Level 2 instruments are based to a significant extent on input data other than the quoted prices included in Level 1, but however on data that are observable either directly (price) or indirectly (derived from price) for the said asset or liability.

The fair values of Level 3 instruments, on the other hand, are based on asset or liability input data that are not based on observable market information (unobservable inputs), but rather to a significant extent on confirmations supplied by counterparties based on generally accepted valuation models.

The fair value hierarchy level, to which a certain item valued at fair value is classified in its entirety, is determined in accordance with the requirements of IFRS 7 based on the lowest level of input significant to the overall fair value of the said item. The significance of the input data has been assessed in its entirety in relation to said item valued at fair value.

| Reconciliation of financial assets and liabilities valued at fair value according to Level 3 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 2013 | | | | 31 Dec 2012 | | | |
| **Fair values at the end of the reporting period** | Recognised at fair value through profit and loss | | Available-for-sale share investments | Total | Recognised at fair value through profit and loss | | Available-for-sale share investments | Total |
| in mill. EUR | Securities held for trading | Derivatives held for trading | | | Securities held for trading | Derivatives held for trading | | |
| **Opening balance** | | -1.0 | | -1.0 | | 0.0 | | 0.0 |
| Profits and losses in income statement total | | 0.6 | | 0.6 | | 2.9 | | 2.9 |
| In comprehensive income | | | | 0.0 | | | | 0.0 |
| Purchases (and sales) | | | | 0.0 | | | | 0.0 |
| Settlements (and issues) | | 2.7 | | 2.7 | | -3.9 | | -3.9 |
| Transfers to and from Level 3 | | | | 0.0 | | | | 0.0 |
| **Closing balance** | **0.0** | **2.3** | **0.0** | **2.3** | **0.0** | **-1.0** | **0.0** | **-1.0** |
| **Total profits and losses recognised for the period for assets held at the end of the reporting period** | | | | | | | | |
| In other operating expenses | | 0.6 | | 0.6 | | 2.9 | | 2.9 |

During the reporting period, no transfers took place to or from fair value hierarchy Level 3 in the fair value levels of financial assets and liabilities. According to management estimates, the changing of input data used in determining the fair value of financial instruments valued at Level 3 to some other possible alternative assumption would not significantly change the fair value of items valued at fair value in Level 3, given the relatively small amount of the said assets and liabilities.

The book value of the financial assets and liabilities corresponds to their fair value during the reporting period.

### 7. COMPANY ACQUISITIONS AND SALES

During the financial period the Group did not acquire or sell any businesses.

### 8. INCOME TAXES

The tax rate for the year 2013 was -9.8 % (28.7 %). The tax rate was affected by the decrease of Finnish corporate tax rate from 24.5 % to 20.0 % starting 1 January 2014. In 2013, the one-time positive effect from the tax rate change was approximately EUR 4.5 million. Tax rate excluding tax rate change was 27.5 %.

### 9. DIVIDEND PER SHARE

The Annual General Meeting on 27 March 2013 decided to distribute a dividend of 0.10 euros per share. The total dividend was 12.7 million euros, based on the number of shares registered on 3 April 2013. The dividend was paid on 10 April 2013. The Board of Directors proposes to the Annual General Meeting that, taking into account the future investment needs of the company, no dividend is paid for 2013.

### 10. CHANGE IN INTANGIBLE AND TANGIBLE ASSETS

| in mill. EUR | 31 Dec 2013 | 31 Dec 2012 |
|---|---|---|
| Carrying amount at the beginning of period | 1,388.1 | 1,500.5 |
| Fixed asset investments | 42.0 | 41.4 |
| Change in advances | 33.3 | 26.2 |
| Disposals | -11.0 | -49.3 |
| Depreciation * | -123.3 | -130.7 |
| **Carrying amount at the end of period** | **1,329.1** | **1,388.1** |
| | | |
| Proportion of assets held for sale at the beginning of period | 16.7 | 0.0 |
| Proportion of assets held for sale at the end of period | 9.8 | 16.7 |

* Depreciation includes 1,2 million euros (-0,1), which is recognised as non-recurring item through profit or loss.

### 11. NON-CURRENT ASSETS HELD FOR SALE

Mainly inventories and tangible asset related to Finnair Technics and Finncatering Oy.

| Non current assets held for sale | 31 Dec 2013 | 31 Dec 2012 |
|---|---|---|
| Tangible assets | 9.8 | 16.7 |
| Inventories | 5.4 | 12.3 |
| Trade receivables and other receivables | 2.5 | 2.9 |
| Total | 17.7 | 31.9 |

| Liabilities of non-current assets held for sale | 31 Dec 2013 | 31 Dec 2012 |
|---|---|---|
| Trade payables and other liabilities | 2.3 | 2.2 |
| Total | 2.3 | 2.2 |

### 12. INTEREST-BEARING LIABILITIES

During the third quarter of financial year Finnair issued a new 5 year fixed rate bond with nominal value of 150 million euros. The loan withdrawals during the financial year were according to the loan withdrawals program.

### 13. CONTINGENT LIABILITIES

| in mill. EUR | 31 Dec 2013 | 31 Dec 2012 |
|---|---|---|
| Pledges on own behalf | 503.7 | 633.5 |
| Guarantees on behalf of group undertakings | 67.6 | 65.3 |
| Guarantees on behalf of others | 2.3 | 2.5 |
| **Total** | **573.5** | **701.3** |

Investment commitments for property, plant and equipment at 31 Dec 2013 totalled 974 million euros (1,000).

### 14. OPERATING LEASE COMMITMENTS

| in mill. EUR | 31 Dec 2013 | 31 Dec 2012 |
|---|---|---|
| Lease commitments from fleet payments | 259.2 | 170.0 |
| Other lease commitments | 244.8 | 258.0 |
| **Total** | **504.0** | **428.0** |

## 15. RELATED PARTY TRANSACTIONS

| in mill. EUR | 31 Dec 2013 | 31 Dec 2012 |
|---|---|---|
| Associates and joint ventures | | |
| Sales of goods and services | 65.5 | 25.0 |
| Purchases of goods and services | 105.8 | 98.9 |
| Receivables from associates and joint ventures | 36.1 | 22.5 |
| Liabilities from associates and joint ventures | 8.0 | 7.2 |

## 16. ITEMS OF STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive income include the unrealisable change in the fair value of the hedging instruments of the hedge accounting items, which has earlier been recognised straight in the hedging reserve of the shareholders' equity, and the translation difference.

| in mill. EUR | Oct-Dec 2013 | Oct-Dec 2012 | Change % | 2013 | 2012 | Change % |
|---|---|---|---|---|---|---|
| **Profit for the period** | **-13.7** | **-3.5** | **<-200 %** | **11.0** | **10.5** | **5.1** |
| **Other comprehensive income items** | | | | | | |
| **Items that may be classified reclassified to profit or loss in subsequent periods** | | | | | | |
| Translation differences | 0.0 | 0.1 | -128.5 | 0.0 | 0.0 | - |
| Change in fair value of available-for-sale financial assets after taxes | 0.0 | -0.4 | 100.0 | -10.4 | 15.7 | -166.6 |
| Change in fair value of hedging instruments after taxes | 9.2 | 15.0 | -38.6 | -4.2 | -36.5 | 88.4 |
| **Items that will not be reclassified to profit or loss in subsequent periods** | | | | | | |
| Actuarial gains and losses from defined benefit plans | 0.1 | -7.6 | 100.8 | -0.2 | -36.1 | 99.3 |
| **Other comprehensive income items total** | **9.2** | **7.1** | **29.9** | **-15.0** | **-56.9** | **73.7** |
| **Comprehensive income for the financial period** | **-4.5** | **3.6** | **<-200 %** | **-3.9** | **-46.4** | **91.6** |
| | | | | | | |
| Earnings per share to shareholders of the parent company of the comprehensive income statement | -4.4 | 3.6 | <-200 % | -4.2 | -46.5 | 91.0 |
| Earnings per share to non-controlling interest of the comprehensive income statement | -0.1 | 0.0 | <-200 % | 0.3 | 0.1 | 164.7 |

**17. CHANGE IN ACCOUNTING PRINCIPLES**

From 1 January 2013 Finnair Group has adopted the amendments to IAS 19 Employee Benefits. The change is allocated for the Airline Business segment. The grouping of de-icing, cleaning of aircraft and a few other expenses have been changed. The effects of the amendments on consolidated income statement and consolidated balance sheet are described below.

| **Consolidated income statement** | | | **Oct-Dec 2012** | | |
|---|---|---|---|---|---|
| in mill. EUR | Reported | IAS 19 Employee Benefits | De-icing and cleaning of aircraft | Other adjustment | Restated |
| **Operating income** | **622.9** | **0.0** | **0.0** | **0.0** | **622.9** |
| Staff costs | 100.4 | 6.2 | 0.0 | 0.5 | 107.1 |
| Fleet materials and overhaul | 47.3 | 0.0 | -4.9 | 0.0 | 42.4 |
| Ground handling and catering expenses | 61.2 | 0.0 | 4.9 | 0.0 | 66.1 |
| Sales and marketing expenses | 17.3 | 0.0 | 0.0 | 0.4 | 17.7 |
| Other expenses | 62.6 | 0.0 | 0.0 | -0.9 | 61.7 |
| Other expenses total | 331.4 | 0.0 | 0.0 | 0.0 | 331.4 |
| **Operating result, EBIT** | **2.7** | **-6.2** | **0.0** | **0.0** | **-3.5** |
| | | | | | |
| **Result before taxes** | **0.9** | **-6.2** | **0.0** | **0.0** | **-5.3** |
| Direct taxes | 0.3 | 1.5 | 0.0 | 0.0 | 1.8 |
| **Result for the period** | **1.2** | **-4.7** | **0.0** | **0.0** | **-3.5** |

| **Consolidated income statement** | | | **Jan-Dec 2012** | | |
|---|---|---|---|---|---|
| in mill. EUR | Reported | IAS 19 Employee Benefits | De-icing and cleaning of aircraft | Other adjustment | Restated |
| **Operating income** | **2,494.1** | **0.0** | **0.0** | **0.0** | **2,494.1** |
| Staff costs | 426.9 | 1.7 | 0.0 | 0.6 | 429.2 |
| Fleet materials and overhaul | 156.0 | 0.0 | -22.9 | 0.0 | 133.1 |
| Ground handling and catering expenses | 224.3 | 0.0 | 22.9 | 0.0 | 247.2 |
| Sales and marketing expenses | 74.3 | 0.0 | 0.0 | 1.4 | 75.7 |
| Other expenses | 232.2 | 0.0 | 0.0 | -2.0 | 230.2 |
| Other expenses total | 1,344.9 | 0.0 | 0.0 | 0.0 | 1,344.9 |
| **Operating result, EBIT** | **35.5** | **-1.7** | **0.0** | **0.0** | **33.8** |
| | | | | | |
| **Result before taxes** | **16.5** | **-1.7** | **0.0** | **0.0** | **14.8** |
| Direct taxes | -4.7 | 0.4 | 0.0 | 0.0 | -4.3 |
| **Result for the period** | **11.8** | **-1.3** | **0.0** | **0.0** | **10.5** |

| Consolidated balance sheet | 31 Dec 2012 | | |
|---|---|---|---|
| in mill. EUR | Reported | Adjustment | Restated |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Financial assets | 33.1 | -10.4 | 22.7 |
| Other non-current assets | 1,478.0 | 0.0 | 1,478.0 |
| Non-current assets total | 1,511.1 | -10.4 | 1,500.7 |
| Short-term receivables total | 730.6 | 0.0 | 730.6 |
| **Assets total** | **2,241.7** | **-10.4** | **2,231.3** |
| **Shareholders' equity and liabilities** | | | |
| **Capital and provisions attributable to equity holders of the parent company** | | | |
| Shareholders' equity | 75.4 | 0.0 | 75.4 |
| Other equity | 709.2 | -10.2 | 699.0 |
| **Total** | **784.6** | **-10.2** | **774.4** |
| Non-controlling interest | 0.9 | 0.0 | 0.9 |
| **Equity total** | **785.5** | **-10.2** | **775.3** |
| **Long-term liabilities** | | | |
| Deferred tax liability | 94.9 | -3.3 | 91.6 |
| Pension obligations | 0.5 | 3.1 | 3.6 |
| Other long-term liabilities | 495.8 | 0.0 | 495.8 |
| **Total** | **591.2** | **-0.2** | **591.0** |
| Short-term liabilities total | 865.0 | 0.0 | 865.0 |
| Liabilities total | 1,456.2 | -0.2 | 1,456.0 |
| **Shareholders' equity and liabilities total** | **2,241.7** | **-10.4** | **2,231.3** |

## 18. EVENTS AFTER THE REVIEW PERIOD

There have not been other remarkable events after the closing date as told in the interim report.

## 19. CALCULATION OF KEY RATIOS

**Earnings / share:**

$$\frac{\text{Result for the period - hybrid bond interest}}{\text{Average number of shares at the end of the financial year, adjusted for share issues}}$$

**Return on capital employed, % (ROCE):**

$$\frac{\text{Profit before taxes + interest and other financial expenses * 100}}{\text{Balance sheet total - non-interest-bearing liabilities (average)}}$$

**Earnings per share from the result of the period:**

$$\frac{\text{Result for the period}}{\text{Average number of shares at the end of the financial year, adjusted for share issues}}$$

**Net interest-bearing liabilities:**

Interest-bearing liabilities - interest-bearing assets - listed shares

**Equity / share:**

$$\frac{\text{Shareholders' equity}}{\text{Number of shares at the end of the financial year, adjusted for share issues}}$$

**Equity ratio, %:**

$$\frac{\text{Shareholders' equity + non-controlling interest * 100}}{\text{Balance sheet total - advances received}}$$

**Gearing, %:**

$$\frac{\text{Net interest-bearing liabilities * 100}}{\text{Shareholders' equity + non-controlling interest}}$$

**Return on equity, % (ROE):**

$$\frac{\text{Result * 100}}{\text{Equity + non-controlling interest (average)}}$$

**Operating profit, EBIT:**
Operating profit excluding capital gains, non-recurring items and fair value changes in derivatives and changes in the exchange rates of fleet overhauls

**Shareholders' equity:**
To equity holders of the parent

The figures of financial statements bulletin have not been audited.