Finnair Group interim report 1 January – 31 March 2013

Q1 turnover remained flat and operational result improved year-on-year.

The historical comparative financials presented in the interim report will include certain changes to previously reported information. These changes result from retrospective application of an amendment to IFRS accounting standard IAS19, Employee Benefits and they are described in detail in notes 2 and 17 to the Interim Report.

Key figures	1-3 2013	1-3 2012	Change %	2012
Turnover and result				
Turnover, EUR million	593.2	591.8	0.2	2,449.4
Operational result, EBIT, EUR million*	-17.7	-23.5	24.8	43.2
Operational result, % of turnover	-3.0	-4.0	1%-p	1.8
Operating result, EBIT, EUR million	-13.8	-18.7	26.5	33.8
EBITDAR, EUR million	28.2	26.4	6.7	240.2
Result before taxes, EUR million	-18.7	-24.7	24.4	14.8
Net result, EUR million	-15.8	-19.3	18.3	10.5
Balance sheet and cash flow				
Equity ratio, %	33.6	31.4	2.2%-p	35.4
Gearing, %	19.9	44.6	-24.6%-p	18.0
Adjusted gearing, %	77.6	111.8	-34.2%-p	77.8
Capital expenditure, CAPEX, EUR million	19.0	7.4	156.5	41.4
Return on capital employed, ROCE, 12 months rolling, %	3.3	-3.9	7,2%-p	2.8
Return on equity, ROE, 12 months rolling, %	1.8	-9.1	10.9%-p	1.4
Net cash flow from operating activities	-16.7	-7.9	-110.8	154.7
Share				
Share price at end of quarter, EUR	2.55	2.30	10.9	2.38
Net result for the period per share**	-0.12	-0.15	18.3	0.08
Earnings per share (EPS)	-0.15	-0.17	12.1	0.02
Traffic data, unit costs and revenue				
Passengers, 1,000	2,160	2,076	4.0	8,774
Available seat kilometres (ASK), million	7,702	7,643	0.8	30,366
Revenue passenger kilometres (RPK), million	6,129	5,825	5.2	23,563
Passenger load factor (PLF), %	79.6	76.2	3.4%-p	77.6
Unit revenue per available seat kilometre, (RASK), cents/ASK	6.06	6.04	0.2	6.49
Unit revenue per revenue passenger kilometre, yield, cents/RPK	6.68	6.92	-3.5	7.30
Unit cost per available seat kilometre, (CASK), cents/ASK	6.57	6.51	0.9	6.58
CASK excluding fuel, cents/ASK	4.45	4.48	-0.6	4.50
Available tonne kilometres (ATK), million	1,149	1,195	-3.9	4,647
Revenue tonne kilometres (RTK), million	747	755	-1.0	3,029
Cargo and mail, tonnes	32,049	37,892	-15.4	148,132
Cargo traffic unit revenue per revenue tonne kilometre, cents/RTK	25.42	25.48	-0.2	25.45
Overall load factor, %	65.0	63.2	1.9%-p	65.2
Flights, number***	23,518	23,975	-1.9	95,097
Personnel				
Average number of employees	6,061	7,212	-16,0	6,784

* 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.

Deputy CEO Ville Iho:

"Finnair's 90th anniversary year has started well. In January–March, our traffic measured by revenue passenger kilometres grew by over five per cent year-on-year, despite capacity remaining at the level of the comparison period. The demand for passenger traffic developed well, particularly in our key markets of Asia and Europe, and our load factor was nearly 80 per cent. Our strategy works and its implementation is progressing according to plan.

The first quarter of the year is the most challenging for Finnair because of the seasonality of demand. Our operational result improved year-on-year but showed a loss of 17.7 million euros. The business environment in our industry continues to be characterised by intense competition, cost pressures and dramatic structural changes. It is important that we continue our determined effort to improve Finnair's competitiveness by seeking growth and reducing costs.

By the end of March, we had achieved permanent annual savings of 119 million euros, out of the total target of 140 million euros we set in August 2011 for our structural change and cost reduction program. Despite the good progress made in the implementation of the program, achieving the overall target will require a great deal of work and difficult decisions. We are currently carrying out employee consultations concerning the restructuring of Technical Services organisation. As a part of the additional cost reduction program of 60 million euros announced in October 2012, we seek significant savings in personnel costs. Our objective is to achieve the level of Finnish market wages and labour costs in the industry, primarily by implementing changes to wage structures and working hours. The measures required to ensure Finnair's success are difficult, but we believe we can achieve this goal in cooperation with our personnel through discussion and negotiation.

Finnair is committed to improving its productivity and developing its operations. The first quarter has given us a solid foundation for building our future. We face cost challenges, but we also have a clear direction and a growth story: We aim to double our revenue from Asian traffic by 2020 and we are currently preparing to launch two new Asian routes in June. Our outlook for the rest of the year is unchanged.

The second quarter will see Pekka Vauramo take the lead at Finnair. His appointment as Finnair's new CEO as of 3 June 2013 was announced in April. I am pleased to join everyone at Finnair in welcoming Pekka Vauramo to build the Finnair of the future."

Business environment

There were no significant changes in Finnair's operating environment in January–March. European network carriers, Finnair included, continued to implement structural change and cost reduction programs to improve their competitiveness in the prevailing tight competitive situation. Despite the uncertain European economic situation, passenger traffic in Europe continued to grow. Combined with the conservative stance airlines have taken toward increasing their capacity, this led to improved load factors. Passenger traffic between Asia and Europe also grew in the period under review.

The price of jet fuel - the largest individual cost factor of airlines - decreased in March but remains at a historically high level. During the period under review, the Japanese yen depreciated substantially against the euro as a result of stimulus measures implemented by the Bank of Japan, and at the same time the euro depreciated against the US dollar. The yen is an important income currency in Finnair's operations, while the dollar is a significant expense currency.

The overall industry outlook remains uncertain. The situation on the Korean peninsula and bird flu in China have thus far not had an effect on the demand for passenger traffic.

Strategy implementation and partnerships

Finnair's vision is to be the top 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 in 2010–2020. Finnair continued to implement its growth strategy and structural change program during the first quarter of the year.

In Asian traffic, Finnair continued its preparations for the launch of new routes in June 2013. The new destinations are Xian in China and Hanoi in Vietnam, both of which are industrial growth centres and popular tourist destinations. After the launch of the new routes, Finnair will fly to 13 Asian destinations in the summer season.

During the review period, Finnair announced it will enter a transatlantic joint business with its oneworld alliance partners American Airlines, British Airways and Iberia later this year. This will be the first time Finnair joins a venture involving closer cooperation between oneworld alliance partners.

Also in the first quarter, Finnair continued to develop the partnership processes related to the outsourcing decisions implemented in 2012. The early experiences of the selected partners are positive, and the quality of Finnair's operations and customer satisfaction have remained at a high level.

Progress of the structural change and cost-reduction programs

The implementation of the structural change and cost-reduction programs commenced by Finnair in August 2011 and October 2012 continued in the period under review. Finnair believes that the full target of each program will be reached according to schedule.

The aim of the program that began in 2011 is to cut Finnair's costs permanently by 140 million euros by the end of 2013. During the review period, the main focus of cost reduction efforts was on the personnel and maintenance cost categories, which lagged behind the original objectives in 2012. With regard to fleet, sales and distribution, and catering costs, the original objectives were already exceeded in 2012. At the end of March, Finnair had achieved total cumulative annual cost savings of 119 million euros in the categories included in the initial cost reduction program.

The aim of the supplementary cost-reduction program commenced in October 2012 is to reduce the cost level permanently by an additional 60 million euros by the end of 2014. We are aiming to achieve significant cost savings in personnel costs and target the level of Finnish market wages and labour costs in the industry, primarily by implementing changes to wage structures and working hours.

The outsourcing decisions implemented as part of the initial structural change and cost-reduction program have allowed Finnair to move a significant share of fixed costs to volume-based variable costs. The cost-reduction measures were also reflected in the decrease of airline unit costs excluding fuel. Nevertheless, it is necessary for Finnair to continue to reduce costs. High fuel prices, intensifying competition and significant fleet investments in the coming years require a substantial improvement in profitability. The long-term return objective set by Finnair's Board of Directors is an operating profit margin of six per cent.

Financial performance in January–March 2013

Finnair's turnover in the period under review was largely unchanged from the corresponding period in 2012, totalling 593.2 million euros (591.8). Capacity grew by 0.8 per cent year-on-year. Operational costs excluding fuel costs totalled 446.3 million euros (452.6). Fuel costs, including hedging and costs incurred from emissions trading, were 169.4 million euros (167.6). Personnel costs declined by 9.9 per cent to 102.1 million euros (113.4) due to the personnel reductions implemented after the comparison period, but part of the costs previously included in personnel costs are now seen in the costs for outsourced catering and maintenance services. Due to the structural change and cost-reduction program, euro-denominated operational costs decreased somewhat from the comparison period, totalling 615.8 million euros (620.2). The operational result, which refers to the operating result excluding non-recurring items, capital gains and the change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves, totalled -17.7 million euros (-23.5).

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 5.3 million euros (9.2). Non-recurring items stood at -1.4 million euros (-4.4). The operating loss decreased, totalling -13.8 million euros (-18.7). The result before taxes for January–March was -18.7 million euros (-24.7) and the result after taxes was -15.8 million euros (-19.3).

Unit revenue per available seat kilometre (RASK) increased by 0.2 per cent on the comparison period to 6.06 euro cents (6.04). Unit cost per available seat kilometre (CASK) rose by 0.9 per cent to 6.57 euro cents (6.51). Unit cost excluding fuel (CASK excl. fuel) decreased by 0.6 per cent to 4.45 euro cents (4.48).

Balance sheet on 31 March 2013

The Group's balance sheet totalled 2,304.9 million euros on 31 March 2013 (2,446.1 million euros on 31 March 2012). Shareholders' equity totalled 763.9 million euros (758.5), which is 6.00 euros per share (5.93).

Shareholders' equity includes a fair value fund related to hedge accounting, the value of which is affected by changes in the oil price and foreign exchange rates and net pension liabilities according to IAS 17.The value of the item at the end of the review period was 19.3 million euros (57.4) after deferred taxes, and it includes fuel and exchange rate derivatives as well as other minor items. The discount rate in pension liability calculation was decreased to 3.00 per cent on 31 March 2013 (3.25 per cent on 31 December 2012), which had an effect of -9.6 million euros on shareholders' equity.

Cash flow and financial position

Finnair has a strong financial position, which supports business development and future investments. The company's net cash flow from operating activities totalled -16.7 million euros (-7.9) and cash flow from investing activities was -4.1 million euros (17.5).

The equity ratio was 33.6 per cent (31.4) and gearing was 19.9 per cent (44.6). The adjusted gearing was 77.6 per cent (111.8). At the end of the period under review, interest-bearing debt amounted to 552.7 million euros (736.2).

The company's liquidity remained excellent in the review period. The Group's cash funds amounted to 401.4 million euros (407.0) 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 also has reserve funding available through an entirely unused 200 million euro syndicated credit agreement, which will mature in June 2013.

The size of the hybrid loan issued by Finnair in November 2012 is 120 million euros and the size of the hybrid loan issued in 2009 is 52.4 million euros. At the end of the review period, 79 million euros of the short-term commercial paper program totalling 200 million euros were in use. Net cash flow from financing amounted to -13.6 million euros (3.8). Financial expenses amounted to -4.3 million euros (-6.5) and financial income to 1.3 million euros (1.8). Advance payments related to fixed asset investments amounted to 30.3 million euros (17.7).

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 34 unencumbered aircraft, the balance sheet value of which corresponds to approximately 44 per cent of the value of the entire fleet of 1.2 billion euros. This includes three finance lease aircraft. The number of unmortgaged aircraft will increase to 36 by the end of 2013.

Capital expenditure

In January–March, capital expenditure excluding advance payments totalled 19.0 million euros (7.4) and was primarily related to purchase of one spare engine.

Capital expenditure for the full year 2013 is estimated at approximately 150 million euros, with investments in the fleet representing a majority of this total.

Fleet

Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair Plc. At the end of March 2013, Finnair itself operated 45 aircraft, of which 15 are wide-body and 30 narrow-body aircraft. There were no changes to the fleet operated by Finnair in the period under review.

In addition to the aircraft operated by Finnair, its balance sheet includes 24 aircraft owned by the company and operated by other airlines, mainly by Flybe Nordic. The average age of the fleet operated by Finnair was 10.0 years at the end of the review period and that of the fleet operated by other airlines 4.9 years. Finnair also has eight leased aircraft, which it has subleased to be operated by other airlines.

In 2010, Finnair ordered five Airbus A321ER aircraft, which will replace four Boeing 757 aircraft used on leisure flights in 2013–2014. The first of these aircraft will be delivered at the end of 2013.

In addition, in 2005, Finnair ordered 11 A350 XWB aircraft from Airbus. 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. The deliveries of the aircraft are estimated to begin in the second half of 2015. Finnair is evaluating alternatives to minimise the effects that 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 31.3.2013	Seats	#	Own	Leased (operational leasing)	(finance leasing)	Average age	Change from 31.12.2012	Ordered	Add. options
European traffic									
Airbus A319	123–138	9	7	2		11.7			
Airbus A320	165	10	6	4		10.6			
Airbus A321	196	6	4	2		12.2		5	
Embraer 170	76	1	1			6.7			
Long-haul traffic									
Airbus A330	297/271/263	8	4	1	3	3.4			
Airbus A340	270/269	7	5	2		10.2			
Airbus A350	na.							11	8
Leisure traffic									
Boeing B757	227	4	0	4		15.2			
Total		**45**	**27**	**15**	**3**	**10.0**	**0**	**16**	**8**

Fleet owned by Finnair and operated by other airlines on 31.3.2013*	Seats	#	Own	Average age	Change from 31.12.2012	Ordered	Add. options
ATR 72	68–72	12	12	3.7			
Embraer 170	76	4	4	6.8			
Embraer 190	100	8	8	4.7			
Total		**24**	**24**	**4.9**	**0**	**0**	**0**

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

Business area development in January–March

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 Sales & Marketing, Operations, Customer Service 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	1–3 2013	1–3 2012	Change %	2012
Turnover and result				
Turnover, EUR million	521.7	509.9	2.3	2,187.0
Operating result, EBIT, EUR million	-10.1	-19.9	49.3	30.2
Operating result, % of turnover	-1.9	-3,9	2.0%-p	1.4
Personnel				
Average number of employees	3,621	3,551	2.0	3,660

The turnover of Airline Business grew by 2.3 per cent in January–March compared to the same period in 2012, reaching 521.7 million euros (509.9). The operating result improved to -10.1 million.

In January–March, Finnair traffic measured in revenue passenger kilometres grew by 5.2 per cent and overall capacity by 0.8 per cent year-on-year. The overall passenger load factor increased by 3.4 percentage points to 79.6 per cent.

Traffic developed positively, particularly due to increased demand for passenger traffic between Asia and Europe. Measured in revenue passenger kilometres, Asian traffic grew by 4.4 per cent year-on-year, while capacity decreased by 1.3 per cent. European traffic grew by 8.9 per cent and capacity by 6.9 per cent. In Asian traffic, the load factor increased to 80.7 per cent and in European traffic to 71.1 per cent. Domestic traffic as measured in revenue passenger kilometres declined by 6.9 per cent year-on-year, while capacity decreased by 8.2 per cent. The load factor in domestic traffic was 65.0 per cent. In January–March, unit revenue (RASK) grew by 0.2 per cent year-on-year due to improved load factors. Unit revenue per revenue passenger kilometre (yield) was weakened by Easter falling in March, which led to decreased demand for business travel. The depreciation of the Japanese yen against the euro also had a negative effect on unit revenue.

In January–March, the largest sales units were Finland, Japan, Sweden and China. However, the uncertainty in the euro area economy continued to affect business travel, and corporate sales declined year-on-year. Finnair's market share in the route pairs operated by the company in scheduled traffic between Asia and Europe was at the level of the previous year and was 5.3 per cent. In scheduled traffic between Finland and Europe, Finnair's market share was 43.1 per cent, excluding Flybe operations.

In January–March, the number of passengers on Finnair's charter flights grew by 11.3 per cent year-on-year to approximately 228,700 passengers. The capacity of leisure traffic was reduced by 1.3 per cent during the same period, as a result of which the passenger load factor of leisure traffic increased year-on-year by 4.6 percentage points to 93.3 per cent.

The demand for air cargo in traffic between Asia and Europe remained stable in January–March. The overall load factor of Finnair's cargo traffic declined by 2.6 percentage points on the comparison period to 60.5 per cent, while the available tonne kilometres decreased by -11.4 per cent and the revenue tonne kilometres fell by -15.2 per cent. The primary factor behind this was the -45.4 per cent year-on-year reduction in cargo aircraft operations.

Finnair Cargo operated separate cargo flights to Hong Kong, Mumbai and New York during the first quarter of the year. Separate cargo flights accounted for 17.6 per cent of total cargo traffic. The volume of separate cargo flights will increase by 30.5 per cent in the second quarter with the launch of a new cargo operation via Brussels to Chicago. The return leg of the current New York cargo flight will also be routed via Brussels. The new operating model strengthens cargo demand in Finnair's Asian passenger flight network, as Finnair Cargo will offer faster cargo connections between Central Europe and Asia after adopting Brussels Airport as a second hub.

The arrival punctuality of Finnair's flights was good in January–March, with 85.9 per cent (77.5) of scheduled flights and 84.6 per cent (76.8) of all flights arriving on schedule.

Air traffic services and products

Route network and alliances

During the winter season, Finnair flew 74 flights per week from Helsinki to Asia and offered the fastest connections between Europe and Asia with more than 200 route pairs. In the summer season that began at the end of March, Finnair will fly up to 81 flights per week from Helsinki to Asia. In addition, Finnair will operate more than 800 flights weekly from Helsinki to other Finnish and European destinations.

Malaysia Airlines joined the oneworld alliance at the end of January 2013, significantly strengthening the oneworld network in Southeast Asia. In addition, LATAM Airlines Group confirmed in March that it has selected oneworld as its global alliance. This will strengthen oneworld's network in South America. TAM Airlines of Brazil and its subsidiary LAN Colombia will join the oneworld alliance in the second quarter of 2014. LATAM Group subsidiaries LAN Airlines of Chile, LAN Ecuador and LAN Peru are already members of the oneworld alliance.

Other renewals and services

In March, Finnair launched a social check-in service for its customers. The service allows passengers to link their travel information with their Facebook profile when checking in online and view the public Facebook information of other passengers who have enabled the service. Using the service is voluntary and it can be disabled at any time.

Finnair began a two-month trial of tablet devices and wireless Internet service on board one of its Airbus A330 wide-body aircraft in March. The test will take place in Business Class on scheduled flights and in Comfort Class on charter flights.

During the period under review, Finnair also announced a renewal of its Business Class meal service to be implemented from autumn 2014 onwards.

Aviation Services

After the structural reforms of 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 were transferred to LSG Sky Chefs on 1 August 2012 and 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. Aviation Services' business consists mainly of intra-Group service provision. Over half of the business area's turnover comes from outside the Group.

Key figures	1–3 2013	1–3 2012	Change %	2012
Turnover and result				
Turnover, EUR million	54.9	93.8	-41.5	319.5
Operating result, EBIT, EUR million	-6.2	2.8	<-200	-1.3
Operating result, % of turnover	-11.3	2.9	-14.2%-p	-0.4
Personnel				
Average number of employees	1,395	2,419	-42.3	1,984

The turnover of Aviation Services declined substantially from the comparison period due to the outsourcing of the engine and equipment maintenance operations from July 2012 onwards and the transfer of Finnair Catering Oy's operations to LSG in August 2012. The turnover amounted to 54.9 million euros (93.8) and the operating result showed a loss of 6.2 million euros (2.8).

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 Area and 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	1–3 2013	1–3 2012	Change %	2012
Turnover and result				
Turnover, EUR million	81.8	100.8	-18.9	284.4
Operating result, EBIT, EUR million	2.5	-1.6	>200	4.9
Operating result, % of turnover	3.1	-1.6	4.7%-p	1.7
Personnel				
Average number of employees	787	937	-16.0	855

In January–March, the turnover of Travel Services amounted to 81.8 million euros (100.8) and its operating result turned profitable and amounted to 2.5 million euros (-1.6).

Suntours reduced its supply in the winter season slightly to adjust to a decline in demand. The advance booking rate, load factor and prices rose to a good level in the period under review. Employee consultations resulted in a reduction in Suntours' Finnish personnel of 34 employees, and Suntours also achieved savings in hotel costs. The company's result improved substantially, and its Estonian subsidiary also achieved a better result than in the comparison period.

In the first quarter, business travel from Finland declined by slightly over 10 per cent year-on-year. The demand for leisure flights also took a downturn. The decrease in business travel was reflected in the sales and profitability of Finnair's business travel agencies. As the degree of automation and share of online bookings increased, FTB consolidated its customer service operations in Helsinki, Oulu and Vaasa. This involved a reduction in personnel of 34 employees.

Resolutions of the Annual General Meeting

Finnair Plc.'s Annual General Meeting, held on 27 March 2013, confirmed the financial statements for 2012 and discharged the members of the Board of Directors and the CEO from liability. The Annual General Meeting adopted the Board's proposal to pay a dividend of 0.10 euros per share. The dividends were paid after the review period on 10 April 2013.

The Annual General Meeting elected Klaus W. Heinemann as the Chairman of the Board of Directors. Of the previous members of the Board of Directors, Maija-Liisa Friman, Jussi Itävuori, Merja Karhapää, Harri Kerminen and Gunvor Kronman continue on the newly elected Board, with Ambassador Antti Kuosmanen elected as a new member. The term of office of the members of the Board of Directors ends at the close of the first Annual General Meeting following their election. The Annual General Meeting decided that the remuneration paid to the Board of Directors will remain unchanged. The Chairman of the Board of Directors will be paid an annual fee of 61,200 euros, the Deputy Chairman a fee of 34,200 euros and the ordinary members a fee of 30,000 euros. Members of the Board of Directors will also receive fees for participating in Board and Board Committee meetings at the amount of 600 euros per meeting for members residing in Finland and 1,200 euros per meeting for members residing abroad.

Authorised Public Accountants PricewaterhouseCoopers continues as Finnair's auditor, with APA Mikko Nieminen acting as the principal auditor. Auditor's fees are paid in accordance with the auditor's reasonable invoice.

The Annual General Meeting authorised the Board of Directors to decide on the repurchase of the company's own shares and/or use of shares as collateral. The authorisation applies to a maximum of 5,000,000 shares and is valid until 27 September 2014. The Annual General Meeting also authorised the Board of Directors to decide on the disposal of a maximum of 5,000,000 of the company's own shares. The authorisation is valid until the end of the next Annual General Meeting, but no longer than until 30 June 2014.

The Annual General Meeting decided to establish a permanent Shareholders' Nomination Board. The task of the Nomination Board is to prepare and present to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, a proposal on the remuneration of the members of the Board of Directors, a proposal on the number of members of the Board of Directors and a proposal on the members of the Board of Directors. In addition, the task of the Nomination Board is to seek candidates as potential board members. The Nomination Board was established to operate until the General Meeting of the company decides otherwise.

The members of the Nomination Board will be nominated annually and their term of office will end when new members are nominated to replace them. The Nomination Board will submit its proposals to the Board of Directors by 31 January each year.

Changes in senior management

On 27 January 2013, Mika Vehviläinen, Finnair's President and CEO, announced that he will resign from Finnair's service on 28 February 2013. On 4 April 2013, after the end of the period under review, Finnair's Board of Directors appointed Pekka Vauramo (M.Sc.) the CEO of Finnair. Pekka Vauramo currently works as COO of the MacGregor Business Area of Cargotec, based in Hong Kong. Vauramo will assume his position as Finnair's CEO on 1 June 2013. Until that time, the duties of CEO will be performed by Ville Iho, the Deputy CEO appointed by the Board of Directors.

Allister Paterson was appointed Senior Vice President, Commercial and a member of the Finnair Executive Board as of 7 January 2013. Mika Perho, the company's Senior Vice President, Commercial, since 2001 and a member of the Executive Board since 2007, left the company at the end of December 2012.

Personnel

Due to the on-going structural changes, the number of Finnair's employees decreased year-on-year in January–March, and the company employed an average of 6,061 (7,212) people during the period. The personnel were divided by business area as follows: Airline Business 3,621 (3,551), Aviation Services 1,395 (2,419) and Travel Services 787 (937). A total of 258 (305) people were employed in other functions. The number of employees was 6,117 on 31 March 2013 (7,322).

In February, Finnair began employee consultations to adjust its financial management organisation to match the reduced size of the Finnair organisation and the more cost-effective operating methods implemented by the company. The employee negotiations ended after the review period in April, and following the negotiations the need for personnel reductions is at maximum 20 employees.

In March, Finnair began employee consultations in its Technical Operations. The employee consultations concern plans and alternatives to improve the efficiency of operations and adjust the technical organisation to the changes implemented in 2012, such as reducing the size of Finnair's fleet and discontinuing the provision of maintenance services to external customers. If implemented, the plans could result in a decrease of, at a maximum, 310 positions of the 900 positions there currently are in Finnair Technical Operations.

Remuneration systems for management and personnel

In February, Finnair's Board of Directors approved a new performance share plan for Finnair Group's key personnel. The share plan replaces the previous program 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.

At the end of March, the Board of Directors of Finnair decided to launch 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 in the long term. The plan was well-received by the personnel. The employee share savings plan is described in more detail in a Stock Exchange Release published on 27 March 2013.

Share price development and trading

At the end of March 2013, Finnair's market value stood at 326.7 million euros (294.7), and the closing price of the share was 2.55 euros (2.30). During the January–March period, the highest price for the Finnair share on the NASDAQ OMX Helsinki Stock Exchange was 3.24 euros (2.64), the lowest price 2.40 euros (2.25) and the average price 2.88 euros (2.47). Some 9.4 million (4.8) of the company's shares, with a total value of 26.9 million (11.8) euros, were traded on the NASDAQ OMX Helsinki Stock Exchange.

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 11.0 per cent (11.9) were held by foreign investors or in the name of a nominee.

The number of own shares held by Finnair increased by 600,000 shares during the period under review, as Finnair purchased 600,000 of its own shares primarily for the purpose of implementing the 2010–2012 share-based incentive scheme. The share purchase was based on a decision made by the Board of Directors of Finnair on 18 December 2012. On 31 March 2013, Finnair held a total of 1,010,187 of its own shares, representing 0.8 per cent of the total share capital.

Corporate responsibility

In March, Finnair published its annual Sustainability Report, which is based on the Global Reporting Initiative (GRI). The report details and assesses the financial, environmental and social sustainability of the Finnair Group's activities in 2012 and proactively discusses topics like the airline's efforts to reduce greenhouse gas emissions, developments in carbon trading and air traffic management, aviation's role in trade and economic development and the impact of restructuring on personnel.

Finnair began employee training on its updated Code of Conduct during the period under review. The aim is that majority of Finnair's personnel has attended to training by the end of this year.

Significant near term risks and uncertainties

Due to the short booking horizon in passenger and cargo traffic, long-term forecasting is difficult. 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 expense item. The result is also affected by exchange-rate fluctuations of the US dollar and the Japanese yen against the euro. Fuel costs, aircraft leasing costs and purchases of spare parts are dollar-denominated, whereas the yen is an important income currency in Finnair's strong Japanese operations.

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 hedging ratio decreases towards the end of the hedging period. The higher and lower limits of theof hedging ratio are 90 and 60 per cent for the following six months. At the end of the review period, the hedging ratio for fuel purchases over the first half of 2013 was 75 per cent and 72 per cent over the whole year. The hedging ratio for a dollar basket over the following 12 months was 82 per cent, and the hedging ratio for a yen was 62 per cent.

The implementation of Finnair's partnership projects and the achievement of the related strategic benefits also involve certain risks. Risks are also involved in the implementation of the structural change and cost-reduction programs.

The aviation industry is affected by a number of regulatory projects at the EU and international levels. Estimating the impacts of the regulatory changes on airlines' operational activities and/or costs in advance is difficult. Examples of such regulatory projects include international regulation related to the EU Emission Trading Scheme (EU ETS) and the decision made by the Court of Justice of the European Union in October 2012 regarding flight passengers' rights.

The situation on the Korean peninsula and bird flu in China have thus far not had an effect on the demand for passenger or cargo traffic.

A number of strategic, financial and operational risks are involved in Finnair's operations. Risks and risk management are described in more detail on the company's website and the Financial Report 2012.

Seasonal variation and sensitivities in business operations

Due to the seasonal variation of the airline business, the Group's turnover and profit are generally very much 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.

Fuel costs are a significant uncertainty factor in Finnair's business operations: a 10-per-cent change in the world market price of fuel has an effect of approximately 33 million euros on Finnair's operating result at an annual level, taking hedging into account.

A 10-per-cent change in the euro-dollar exchange rate has an effect of approximately 11 million euros on Finnair's operating result at an annual level, taking hedging into account. A 10-per-cent change in the euro-yen exchange rate has an effect of approximately 13 million euros on Finnair's operating result at an annual level, taking hedging into account.

Events after the review period

Finnair sold on 24 April its entire holding of 1,649,862 shares, representing 4.69% of total shares, in Norwegian Air Shuttle ASA (Norwegian). The shares were sold for approximately 53 million euros, and Finnair's capital gain for the transaction totalled approximately 34 million euros. It will be recorded as financial income in Finnair's second quarter 2013 accounts.

The proceeds from the sale will be used for the development of the Finnair and implementation of its growth strategy. The sale of Norwegian shares increases Finnair's shareholders' equity by approximately 5 million euros compared to 31.3.2013 level.

No changes in outlook for 2013

The uncertain economic outlook in Europe, weakened consumer demand and slower growth in Asia increase the uncertainty of the future development of air traffic. Fuel costs are expected to remain high in 2013 as well, and the demand for air traffic is estimated to grow moderately.

Finnair estimates that its turnover will grow in 2013. Unit costs excluding fuel (CASK excl. fuel) are expected to decrease compared to 2012. Finnair estimates that its operational result will show a profit in 2013.

Finnair's interim report for 1 January – 30 June 2013 will be published on Wednesday 14 August 2013.

FINNAIR PLC
Board of Directors

Briefings

Finnair will hold a press conference on 26 April 2013 at 11:00 a.m. and an analyst briefing at 12:30 p.m. at Helsinki-Vantaa Airport's World Trade Center, located at Lentäjäntie 3. An English-language telephone conference 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
26 April 2013

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Consolidated income statement

in mill. EUR	Jan-Mar 2013	Jan-Mar 2012	Change %	Jan-Dec 2012
Turnover	**593,2**	**591,8**	**0,2**	**2 449,4**
Work used for own purposes and capitalized	0,6	1,0	-42,5	1,7
Other operating income	4,4	3,9	12,1	20,8
Capital gains *	0,0	0,0	-	22,2
Operating income	**598,1**	**596,7**	**0,2**	**2 494,1**
Operating expenses				
Staff costs	102,1	113,4	-9,9	428,6
Fuel	169,4	167,6	1,1	670,3
Lease payment for aircraft	14,7	18,0	-18,4	66,2
Other rental payments	35,6	30,9	15,2	123,2
Fleet materials and overhaul **	40,8	27,7	47,1	133,1
Traffic charges	50,1	53,7	-6,7	226,0
Ground handling and catering expenses **	63,5	61,9	2,6	247,2
Expenses for tour operations	28,1	39,5	-29,0	96,8
Sales and marketing expenses	17,9	18,3	-2,0	74,3
Depreciation	31,2	31,9	-2,3	130,8
Other expenses	62,4	57,3	8,9	232,2
Total	**615,8**	**620,2**	**-0,7**	**2 428,7**
Operational result, EBIT	**-17,7**	**-23,5**	**24,8**	**43,2**
Fair value changes of derivatives and foreign currency denominated fleet maintenance reserves	5,3	9,2	-42,4	-4,0
Non-recurring items	-1,4	-4,4	68,4	-27,6
Total Expenses	**611,9**	**615,4**	**-0,6**	**2460,3**
Operating result, EBIT	**-13,8**	**-18,7**	**26,5**	**33,8**
Financial income	1,3	1,8	-28,1	7,9
Financial expenses	-4,3	-6,5	34,6	-25,5
Share of result in associates and joint ventures	-2,0	-1,3	-51,8	-1,4
Result before taxes	**-18,7**	**-24,7**	**24,4**	**14,8**
Direct taxes	2,9	5,4	-45,9	-4,3
Result for the period	**-15,8**	**-19,3**	**18,3**	**10,5**
Result for the period attributable to shareholders of the parent company	-15,8	-19,4		10,2
Result for the period to non-controlling interest	0,1	0,1		0,3
Earnings per share attributable to shareholders of the parent company (euro)				
Earnings per share (basic, diluted)	-0,15	-0,17		0,01
Earnings per share from the result of the period	-0,12	-0,15		0,08

* Not included in the operational result, EBIT.

** De-icing expenses transferred from fleet materials and overhaul to ground handling and catering expenses.

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

Consolidated balance sheet

in mill. EUR	31 Mar 2013	31 Mar 2012	31 Dec 2012
ASSETS			
Non-current assets			
Intangible assets	23,2	31,7	25,5
Tangible assets	1 346,7	1 416,4	1 362,6
Investments accounted for using the equity method	10,4	11,5	12,3
Financial assets	22,0	54,9	22,7
Deferred tax receivables	82,7	82,4	77,6
Total	1 485,0	1 596,9	1 500,7
Short-term receivables			
Inventories	11,3	19,0	17,1
Trade receivables and other receivables	369,6	339,8	251,1
Investments	361,6	363,9	363,5
Cash and cash equivalents	39,8	39,7	67,0
Total	782,3	762,4	698,7
Non-current assets held for sale	37,6	86,8	31,9
Assets total	**2 304,9**	**2 446,1**	**2 231,3**
Shareholders' equity and liabilities			
Capital and provisions attributable to equity holders of the parent company			
Shareholders' equity	75,4	75,4	75,4
Other equity	687,7	682,4	699,0
Total	763,2	757,8	774,4
Non-controlling interest	0,7	0,7	0,9
Equity total	763,9	758,5	775,3
Long-term liabilities			
Deferred tax liability	99,5	109,2	91,6
Financial liabilities	393,9	497,6	413,5
Pension obligations	8,8	0,0	3,6
Provisions	86,3	88,3	82,3
Total	588,5	695,1	591,0
Short-term liabilities			
Current income and tax liabilities	0,0	0,0	0,1
Provisions	36,2	38,4	38,2
Financial liabilities	179,3	252,7	174,2
Trade payables and other liabilities	734,6	685,1	650,3
Liabilities of non-current assets held for sale	2,6	16,3	2,2
Total	952,6	992,5	865,0
Liabilities total	1 541,1	1 687,6	1 456,0
Shareholders' equity and liabilities total	**2 304,9**	**2 446,1**	**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	Bonus issue	Hedging reserve	Unrestricted equity	Translation difference	Retained earnings	Hybrid bond	**Equity attributable to share-holders of the company**	Non-controlling interest	**Own equity total**
Shareholders' equity, 1 Jan 2013	75,4	20,4	147,7	0,3	247,2	-0,2	112,5	171,1	**774,4**	0,9	**775,3**
Dividend and share based payments							-12,7		-12,7		**-12,7**
Purchase of own shares					-1,7				-1,7		**-1,7**
Shareholders' equity related to owners	75,4	20,4	147,7	0,3	245,5	-0,2	99,8	171,1	**760,0**	**0,9**	**760,9**
Result for the period							-15,8		-15,8	-0,1	-15,9
Items of comprehensive income				19,0					19,0		19,0
Comprehensive income for the financial period	0,0	0,0	0,0	19,0	0,0	0,0	-15,8	0,0	3,2	-0,1	3,1
Shareholders' equity, 31 Mar 2013	75,4	20,4	147,7	19,3	245,5	-0,2	83,9	171,1	**763,1**	**0,8**	**763,9**

in mill. EUR	Share capital	Share premium account	Bonus issue	Hedging reserve	Unrestricted equity	Translation difference	Retained earnings	Hybrid bond	**Equity attributable to share-holders 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**
Hybrid bond interest and expenses							-2,1		-2,1		**-2,1**
Shareholders' equity related to owners	75,4	20,4	147,7	57,2	247,2	-0,2	109,8	119,4	**776,9**	**0,7**	**777,6**
Result for the period							-19,4		-19,4	0,1	-19,3
Items of comprehensive income				0,2					0,2		0,2
Comprehensive income for the financial period	0,0	0,0	0,0	0,2	0,0	0,0	-19,4	0,0	-19,2	0,1	-19,1
Shareholders' equity, 31 Mar 2012	75,4	20,4	147,7	57,4	247,2	-0,2	90,4	119,4	**757,7**	**0,8**	**758,5**

Consolidated cash flow statement

in mill. EUR	Jan-Mar 2013	Jan-Mar 2012
Cash flows from operating activities		
Profit for the financial year	-15,8	-17,4
Operations for which a payment is not included *	22,9	25,5
Interest and other financial expenses	4,3	5,2
Interest income and other financial income	-1,2	-1,2
Changes in working capital	-21,6	-15,9
Interest paid	-3,1	-3,2
Paid financial expenses	-1,0	-2,1
Received interest	0,9	1,2
Taxes paid	-2,0	0,0
Net cash flow from operating activities	**-16,7**	**-7,9**
Cash flows from investing activities		
Investments in intangible assets	-0,6	-3,1
Investments in tangible assets	-13,3	-0,8
Net change of financial interest bearing assets at fair value through profit and loss	9,0	21,3
Received dividends	0,1	0,1
Change in non-current receivables	0,7	0,0
Net cash flow from investing activities	**-4,1**	**17,5**
Cash flows from financing activities		
Proceeds and changes from borrowings	0,0	35,2
Loan repayments and changes	-11,9	-31,4
Purchase of own shares	-1,7	0,0
Net cash flow from financing activities	**-13,6**	**3,8**
Change in cash flows	**-34,3**	**13,4**
Liquid funds, at beginning	256,0	254,5
Change in cash flows	-34,3	13,4
Liquid funds, at end	**221,7**	**267,9**
Notes to consolidated cash flow statement		
* Operations for which a payment is not included		
Depreciation	31,2	31,9
Employee benefits	0,5	0,6
Fair value changes in derivatives and changes in exchange rates of fleet overhauls	5,3	-9,2
Other adjustments	-14,0	2,2
Total	22,9	25,5
Financial asset at fair value	361,6	363,9
Liquid funds	39,8	43,1
Short-term cash and cash equivalents in balance sheet	401,4	407,0
Maturing after more than 3 months	-132,2	-114,6
Shares held to trading purposes	-47,5	-24,5
Total in cash flow statement	221,7	267,9

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 interim report has been prepared according to the International (IAS) Standard 34: Interim Financial Reporting.

2. ACCOUNTING PRINCIPLES

The accounting principles adhered to in the interim report are consistent with the principles adhered to in the 2012 consolidated financial statements. The figures presented in this statement are rounded, and there for 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	Jan-Mar 2013					
	Airline Business	Aviation Services	Travel Services	Group eliminations	Unallocated items	**Group**
External turnover	479,5	32,3	81,5			593,2
Internal turnover	42,2	22,6	0,3	-65,1		0,0
Turnover	521,7	54,9	81,8	-65,1	0,0	593,2
Operating profit	-10,1	-6,2	2,5		0,0	-13,8
Share of result in associates and joint ventures					-2,0	-2,0
Financial income					1,3	1,3
Financial expenses					-4,3	-4,3
Income tax					2,9	2,9
Non-controlling interest					-0,1	-0,1
Result for the period attributable to shareholders of the parent company						-15,8
Depreciation	28,9	1,9	0,4	0,0	0,0	31,2

Business segment data

in mill. EUR	Jan-Mar 2012					
	Airline Business	Aviation Services	Travel Services	Group eliminations	Unallocated items	**Group**
External turnover	456,7	34,6	100,5			591,8
Internal turnover	53,2	59,2	0,3	-112,7		0,0
Turnover	509,9	93,8	100,8	-112,7	0,0	591,8
Operating profit	-19,9	2,8	-1,6		0,0	-18,7
Share of result in associates and joint ventures					-1,3	-1,3
Financial income					1,8	1,8
Financial expenses					-6,5	-6,5
Income tax					5,4	5,4
Non-controlling interest					-0,1	-0,1
Result for the period attributable to shareholders of the parent company						-19,4
Depreciation	27,6	3,9	0,4	0,0	0,0	31,9

Turnover

in mill. EUR	Jan-Mar 2013	Jan-Mar 2012	Change %	Jan-Dec 2012
Airline Business	521,7	509,9	2,3	2 187,0
Aviation Services	54,9	93,8	-41,5	319,5
Travel Services	81,8	100,8	-18,9	284,4
Group eliminations	-65,1	-112,7	42,2	-341,5
Total	**593,2**	**591,8**	**0,2**	**2 449,4**

Operating profit

in mill. EUR	Jan-Mar 2013	Jan-Mar 2012	Change %	Jan-Dec 2012
Airline Business	-10,1	-19,9	49,3	30,2
Aviation Services	-6,2	2,8	<-200 %	-1,3
Travel Services	2,5	-1,6	> 200 %	4,9
Total	**-13,8**	**-18,7**	**26,5**	**33,8**

Employees average by segment

	Jan-Mar 2013	Jan-Mar 2012	Change %	Jan-Dec 2012
Airline Business	3 621	3 551	2,0	3 660
Aviation Services	1 395	2 419	-42,3	1 984
Travel Services	787	937	-16,0	855
Other functions	258	305	-15,4	285
Total	**6 061**	**7 212**	**-16,0**	**6 784**

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 Mar 2013**		**31 Mar 2012**		**31 Dec 2012**	
	Nominal value	Fair net value	Nominal value	Fair net value	Nominal value	Fair net value
Currency derivatives, in Mill. EUR						
Hedge accounting items						
Forward contracts, Jet Fuel currency hedging	432,0	10,8	360,1	8,6	413,5	0,3
Forward contracts, Hedging of Aircraft purchase price						
Fair value hedging	294,9	22,3	320,0	14,3	291,1	13,4
Cash flow hedging	0,0		0,0		0,0	
Forward contracts, Currency hedging of lease payments	35,8	0,6	44,8	1,0	40,3	-0,2
Total	**762,7**	**33,7**	**724,9**	**23,9**	**744,9**	**13,5**
Currency derivatives at fair value through profit or loss						
Operating cash flow hedging (forward contracts)	179,0	3,8	165,4	3,1	173,3	-0,9
Operational cash flow hedging (options)						
Call options	278,5	14,1	137,3	2,8	105,5	5,9
Put options	344,1	-4,8	181,3	0,1	110,5	-0,8
Balance sheet hedging (forward contracts)	32,7	0,8	69,2	0,7	47,8	0,0
Total	**834,3**	**13,9**	**553,2**	**6,7**	**437,1**	**4,2**
Currency derivatives total	**1 597,0**	**47,6**	**1 278,1**	**30,6**	**1 182,0**	**17,7**
Commodity derivatives, in tonnes/MWh						
Hedge accounting items						
Jet Fuel swaps (tonnes)	584 060	1,1	518 100	40,1	574 660	-1,7
Electricity hedging MWh	0	0,0	109 226	-0,2	0	0,0
Currency derivatives at fair value through profit or loss						
Jet fuel forward contracts (tonnes)	0	0,0	12 700	0,4	0	0,0
Options						
Jet fuel options (tonnes)	213 000	1,2	228 000	10,9	214 000	3,1
Jet fuel put options (tonnes)	268 500	-2,5	408 000	-3,4	301 000	-4,1
Electricity hedging MWh	83 376	-0,3	31 947	-0,3	91 536	-0,5
Commodity derivatives total		**-0,5**		**47,5**		**-3,2**
Interest rate derivatives, in Mill. EUR						
Cross currency Interest rate swaps						
Cross currency interest rate swaps at fair value through profit or loss	23,6	1,6	27,2	0,3	22,9	1,0
Total	**23,6**	**1,6**	**27,2**	**0,3**	**22,9**	**1,0**
Interest rate swaps						
Interest rate swaps at fair value through profit or loss	25,0	-0,9	25,0	-0,9	25,0	-1,1
Interest rate derivatives total	**25,0**	**-0,9**	**25,0**	**-0,9**	**25,0**	**-1,1**
Interest rate option	0,0	0,0	7,7	0,0	0,0	-
Interest rate option total	**0,0**	**-**	**7,7**	**-**	**0,0**	**-**

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 Mar 2013**				**31 Dec 2012**			
in mill. EUR	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets valued at fair value								
Financial assets at fair value through profit and loss								
Securities held for trading	314,2	34,7	279,5		330,3	34,6	295,7	
Derivatives held for trading								
Currency and interest rate swaps	0,7		0,7		0,0		0,0	
- of which in fair value hedge accounting								
Currency derivatives	54,3		54,3		28,3		28,3	
- of which in cash flow hedge accounting	12,3		12,3		6,0		6,0	
Commodity derivatives	5,7		5,7		5,3		5,3	
- of which in cash flow hedge accounting	5,7		5,7		5,3		5,3	
Financial assets available-for-sale								
Share investments	46,5	46,5			32,3	32,3		
Total	**421,4**	**81,2**	**340,2**	**0,0**	**396,2**	**66,9**	**329,3**	**0,0**

Liabilities valued at fair value								
Financial liabilities recognised at fair value through profit and loss								
Derivatives held for trading								
Interest rate swaps	0,0		0,0		0,1		0,1	
- of which in cash flow hedge accounting								
Currency derivatives	6,7		6,7		11,6		11,6	
- of which in cash flow hedge accounting	1,0		1,0		5,9		5,9	
Commodity derivatives	6,2		4,9	1,3	7,5		6,5	1,0
- of which in cash flow hedge accounting	4,6		4,6		7,0		7,0	
Total	**12,9**		**11,6**	**1,3**	**19,2**		**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								
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	31 Mar 2013		Securities held for trading	Derivatives held for trading	31 Dec 2012	
Opening balance	-	-1,0	-	-1,0	-	0,0	-	0,0
Profits and losses in income statement total	-	1,3		1,3	-	2,9		2,9
In comprehensive income	-		-	-	-		-	-
Purchases (and sales)	-	-	-	-	-	-	-	-
Settlements (and issues)	-	-1,6	-	-1,6	-	-3,9	-	-3,9
Transfers to and from Level 3	-	-	-	-	-	-	-	-
Closing balance		**-1,3**		**-1,3**		**-1,0**		**-1,0**
Total profits and losses recognised for the period for assets held at the end of the reporting period								
In other operating expenses		1,3		1,3		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

Operational and deferred taxes based on the result have been recognised in the income statement at prevailing tax rates applied for the full year's estimated result.

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.

10. CHANGE IN INTANGIBLE AND TANGIBLE ASSETS

in mill. EUR	31 Mar 2013	31 Mar 2012	31 Dec 2012
Carrying amount at the beginning of period	1 388,1	1 500,5	1 500,5
Fixed asset investments	19,0	7,4	41,4
Change in advances	-2,4	12,1	26,2
Disposals	-3,6	-40,0	-49,3
Depreciation	-31,2	-31,9	-130,7
Carrying amount at the end of period	**1 369,9**	**1 448,1**	**1 388,1**
Proportion of assets held for sale at the beginning of period	16,7	0,0	0,0
Proportion of assets held for sale at the end of period	18,6	39,6	16,7

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 Mar 2013	31 Mar 2012	31 Dec 2012
Tangible assets	18,6	39,6	16,7
Inventories	16,5	33,3	12,3
Trade receivables and other receivables	2,5	10,5	2,9
Cash and cash equivalents	0,0	3,4	0,0
Total	37,6	86,8	31,9

Liabilities of non-current assets held for sale	31 Mar 2013	31 Mar 2012	31 Dec 2012
Trade payables and other liabilities	2,6	16,3	2,2
Total	2,6	16,3	2,2

12. INTEREST-BEARING LIABILITIES

The loan withdrawals were according to the loan withdrawals program. The rest of the loan transactions presented in the accounts relate to old secured loans, which owing to their exceptional agreement structure have a net repayment entered gross both as a withdrawal and a repayment.

13. CONTINGENT LIABILITIES

in mill. EUR	31 Mar 2013	31 Mar 2012	31 Dec 2012
Pledges on own behalf	577,0	749,6	633,5
Guarantees on behalf of group undertakings	66,0	64,9	65,3
Guarantees on behalf of others	2,5	3,8	2,5
Total	**645,5**	**818,3**	**701,3**

Investment commitments for property, plant and equipment on 31 Mar 2013 totalled 1,000.0 million euros (1,000.0).

14. LIABILITIES

in mill. EUR	31 Mar 2013	31 Mar 2012	31 Dec 2012
Fleet lease payment liabilities	155,3	205,9	170,0
Other liabilities	244,9	287,9	258,0
Total	**400,2**	**493,8**	**428,0**

15. RELATED PARTY TRANSACTIONS

in mill. EUR	31 Mar 2013	31 Mar 2012	31 Dec 2012
Sales of goods and services			
Associates and joint ventures	17,3	4,7	25,0
Purchases of goods and services			
Associates and joint ventures	18,3	9,9	98,9
Receivables and liabilities			
Receivables from associates and joint ventures	32,4	3,9	22,5
Liabilities from associates and joint ventures	1,8	4,0	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	Jan-Mar 2013	Jan-Mar 2012	Change %	Jan-Dec 2012
Profit for the period	**-15,8**	**-19,3**	18,3	**10,5**
Other comprehensive income items				
Translation differences	0,0	0,0	-	0,0
Change in fair value of available-for-sale financial assets after taxes	10,7	8,9	20,0	15,7
Change in fair value of hedging instruments after taxes	10,6	2,2	> 200 %	-36,5
Change in pension liabilities (IAS 19)	-2,3	-10,9	78,5	-36,1
Other comprehensive income items total	**19,0**	**0,2**	> 200 %	**-56,9**
Comprehensive income for the financial period	**3,2**	**-19,1**	-	**-46,4**

Earnings per share to shareholders of the parent company of the comprehensive income statement	3,1	-19,2	-	-46,5
Earnings per share to non-controlling interest of the comprehensive income statement	0,1	0,1	-	0,1

17. Change in accounting principles (IAS 19)

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 effects of the amendments on consolidated income statement and consolidated balance sheet are described below.

Consolidated income statement		**Jan-Mar 2012**			**Jan-Dec 2012**	
in mill. EUR	Reported	Adjustment	Restated	Reported	Adjustment	Restated
Operating income	**596,7**	**0,0**	**596,7**	**2 494,1**	**0,0**	**2 494,1**
Staff costs	114,9	-1,5	113,4	426,9	1,7	428,6
Other expenses total	502,0	0,0	502,0	2 031,7	0,0	2 031,7
Operating result, EBIT	**-20,2**	**1,5**	**-18,7**	**35,5**	**-1,7**	**33,8**
Result before taxes	**-26,2**	**1,5**	**-24,7**	**16,5**	**-1,7**	**14,8**
Direct taxes	5,8	-0,4	5,4	-4,7	0,4	-4,3
Result for the period	**-20,4**	**1,1**	**-19,3**	**11,8**	**-1,3**	**10,5**

Consolidated balance sheet		**31 Mar 2012**			**31 Dec 2012**	
in mill. EUR	Reported	Adjustment	Restated	Reported	Adjustment	Restated
ASSETS						
Non-current assets						
Financial assets	31,8	23,1	54,9	33,1	-10,4	22,7
Other non-current assets	1 542,0	0,0	1 542,0	1 478,0	0,0	1 478,0
Non-current assets total	1 573,8	23,1	1 596,9	1 511,1	-10,4	1 500,7
Short-term receivables total	849,2	0,0	849,2	730,6	0,0	730,6
Assets total	**2 423,0**	**23,1**	**2 446,1**	**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	75,4	0,0	75,4
Other equity	665,0	17,4	682,4	709,2	-10,2	699,0
Total	740,4	17,4	757,8	784,6	-10,2	774,4
Non-controlling interest	0,7	0,0	0,7	0,9	0,0	0,9
Equity total	741,1	17,4	758,5	785,5	-10,2	775,3
Long-term liabilities						
Deferred tax liability	103,5	5,7	109,2	94,9	-3,3	91,6
Pension obligations	0,0	0,0	0,0	0,5	3,1	3,6
Other long-term liabilities	585,9	0,0	585,9	495,8	0,0	495,8
Total	689,4	5,7	695,1	591,2	-0,2	591,0
Short-term liabilities total	992,5	0,0	992,5	865,0	0,0	865,0
Liabilities total	1 681,9	5,7	1 687,6	1 456,2	-0,2	1 456,0
Shareholders' equity and liabilities total	**2 423,0**	**23,1**	**2 446,1**	**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:

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

Earnings per share from the result of the period:

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

Equity / share:

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

Gearing, %:

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

Return on capital employed, % (ROCE):

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

Net interest-bearing liabilities:

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

Equity ratio, %:

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

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 interim report have not been audited.