

Finnair Group interim report 1 January – 30 June 2013

Q2 turnover grew by 2.6% to 609.7 million euros and the operational result was 6.1 million euros.

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

Key figures	4-6 2013	4-6 2012	Change %	1-6 2013	1-6 2012	Change %	2012
Turnover and result							
Turnover, EUR million	609.7	594.4	2.6	1,202.9	1,186.2	1.4	2,449.4
Operational result, EBIT, EUR million*	6.1	16.2	-62.4	-11.6	-7.3	-58.5	43.2
Operational result, % of turnover	1.0	2.7	-1.7%-p	-1.0	-0.6	-0.3%-p	1.8
Operating result, EBIT, EUR million	-11.8	-16.6	28.9	-25.6	-35.3	27.6	33.8
EBITDAR, EUR million	51.5	65.7	-21.7	79.6	92.1	-13.5	240.2
Result before taxes, EUR million	21.2	-24.0	188.4	2.5	-48.7	105.2	14.8
Net result, EUR million	17.0	-18.7	190.9	1.2	-37.9	103.3	10.5
Balance sheet and cash flow							
Equity ratio, %				32.7	29.3	3.4%-p	35.4
Gearing, %				13.3	35.4	-22.1%-p	18.0
Adjusted gearing, %				70.4	106.8	-36.4%-p	77.8
Capital expenditure, CAPEX, EUR million	8.0	2.9	176.4	27.0	10.3	162.1	41.4
Return on capital employed, ROCE, 12 months rolling, %				6.8	-3.8	10.7%-p	2.8
Return on equity, ROE, 12 months rolling, %				7.0	-9.2	16.2%-p	1.4
Net cash flow from operating activities	95.2	100.2	-5.0	78.6	92.3	-14.9	154.7
Share							
Share price at end of quarter, EUR	2.70	1.75	54.3	2.70	1.75	54.3	2.38
Net result for the period per share**	0.13	-0.15	189.7	0.01	-0.30	102.7	0.08
Earnings per share (EPS)	0.11	-0.16	167.1	-0.04	-0.33	88.7	0.01
Traffic data, unit costs and revenue							
Passengers, 1,000	2,397	2,256	6.3	4,557	4,332	5.2	8,774
Available seat kilometres (ASK), million	7,754	7,346	5.6	15,457	14,989	3.1	30,366
Revenue passenger kilometres (RPK), million	6,062	5,694	6.5	12,192	11,519	5.8	23,563
Passenger load factor (PLF), %	78.2	77.5	0.7%-p	78.9	76.9	2.0%-p	77.6
Unit revenue per available seat kilometre, (RASK), cents/ASK	6.39	6.60	-3.1	6.23	6.32	-1.4	6.49
Unit revenue per revenue passenger kilometre, yield, cents/RPK	7.18	7.52	-4.5	6.93	7.22	-4.0	7.30
Unit cost per available seat kilometre, (CASK), cents/ASK	6.62	6.66	-0.7	6.59	6.59	0.1	6.58
CASK excluding fuel, cents/ASK	4.52	4.64	-2.4	4.49	4.55	-1.5	4.50
Available tonne kilometres (ATK), million	1,166	1,130	3.2	2,314	2,325	-0.4	4,647
Revenue tonne kilometres (RTK), million	767	740	3.7	1,513	1,494	1.3	3,029
Cargo and mail, tonnes	37,010	36,854	0.4	69,059	74,746	-7.6	148,132
Cargo traffic unit revenue per revenue tonne kilometre, cents/RTK	24.00	25.48	-5.8	24.66	25.48	-3.2	25.45
Overall load factor, %	65.8	65.5	0.3%-p	65.4	64.3	1.1%-p	65.2
Flights, number***	25,239	23,852	5.8	48,757	47,827	1.9	95,097
Personnel							
Average number of employees				5,981	7,157	-16.4	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 also includes Finnair's purchased traffic. Numbers for the comparison periods have been changed accordingly.

CEO Pekka Vauramo:

"Finnair's turnover in the second quarter increased by 2.6 per cent. We can be fairly pleased with that, taking into account the depreciation of the Japanese yen and the effect this had on the company's euro-denominated revenue. The increased demand in Asian and European traffic contributed to the growth in turnover. Our improved load factors partly compensated for the decrease in unit revenue (yield), but despite this our operational result totalled only 6.1 million euros (16.2)."

I am particularly pleased that we achieved the savings target of 140 million euros of the structural change and cost-reduction program already now. Achieving these savings six months ahead of schedule is the result of an uncompromising and determined effort by everyone at Finnair. For this, I would like to extend my warmest thanks to the entire Finnair team.

Nevertheless, the operational result for the period under review is disappointing. It underlines the necessity of the measures we have taken to improve our business operations and customer service over the past few years and the need to continue those measures. At the same time, we will need to utilise the opportunities offered to us by the growing market.

Last October we set a target of achieving additional cost reductions of 60 million euros. We must now continue to implement a more agile structure and renew the wage structures and earnings models. Part of the supplementary cost-reduction target can be achieved by streamlining operations, but accomplishing the target in full will require an improvement in labour productivity. We must now find, in a dialogue with personnel, solutions and the will to make changes.

Our future success is, however, built, through increasing revenue and developing our products and services - not but cutting costs only. Satisfied paying customers are the best way to ensure a successful future. The new Asian routes launched during the review period, our increased market share in Asian and European traffic, investments in product development and upcoming fleet renewal are all steps towards profitable growth.

During just over two months as CEO, I have met a large number of Finnair personnel. They all have a strong commitment to their work and the company. I believe we all have a shared will to build the Finnair of the future."

Business environment in the second quarter

Finnair's business environment remained difficult in the second quarter of the year. 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 European economy being in a recession, demand for 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. Measured in passenger volume, the market for flights between Helsinki and Finnair's European destinations grew by 4.6 per cent, while the market between Finnair's Asian and European destinations contracted by 2.1 per cent.* Finnair was successful in increasing its market share in both markets.* The demand for air cargo in traffic between Asia and Europe was largely unchanged from the corresponding period last year.

The price of the largest individual cost factor of airlines, i.e. jet fuel, remained at a high level. The euro appreciated nearly 26 per cent against the Japanese yen and approximately two per cent against the US dollar compared to the corresponding period in 2012. The yen is an important income currency in Finnair's operations, while the dollar is a significant expense currency.

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 during the second quarter of the year, launching new summer season routes to Xian in China and Hanoi in Vietnam. Both of the cities are industrial growth centres and popular tourist destinations. Sales for the two new routes have met the company's expectations during the initial months. Finnair flies to 13 Asian destinations this summer season.

Also in the second quarter, Finnair continued the development of the partnership projects and cooperation processes initiated in 2012 and the implementation of its strategically significant structural change and cost-reduction programs.

Progress of the structural change and cost-reduction programs

By the end of June 2013, Finnair had achieved the cost-reduction target of 140 million euros set for structural change and cost-reduction program commenced in August 2011. The target was reached six months ahead of the original schedule. The outsourcing decisions and other cost-reduction measures implemented as part of the structural change and cost-reduction program have allowed Finnair to move a significant share of fixed costs to volume-based variable costs. This was reflected during the period under review as a decrease in airline unit costs excluding fuel. Some of the cost reductions will not be realised until the second half of the year.

In spite of reaching its cost reduction target, Finnair continues to pursue further savings in all of the first cost reduction program's cost categories. This 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 operational profit margin of six per cent.

The emphasis in pursuing further cost savings is on personnel and maintenance costs, in which progress has lagged behind the original targets. 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. As part of the supplementary program, Finnair is aiming to achieve substantial savings in personnel costs. The objective is to achieve the level of market wages and labour costs in the industry, primarily by implementing changes to wage structures and working hours.

Finnair has today published a separate bulletin on the detailed targets of the supplementary cost-reduction program.

Financial performance in April–June 2013

Finnair's turnover in April–June grew by 2.6 per cent year-on-year, reaching 609.7 million euros (594.4), while capacity increased by 5.6 per cent year-on-year. The substantial depreciation of yen from the comparison period had a negative effect on Finnair's euro-denominated revenue, which slowed down the growth in turnover. Operational costs excluding fuel costs increased by 2.3 per cent to 436.5 million euros (426.7). Fuel costs, including hedging and costs incurred from emissions trading, were 171.5 million euros (157.9). Personnel costs declined by 10.6 per cent to 100.6 million euros (112.5) due to the personnel reductions implemented after the comparison period, but part of the personnel costs in the comparison period are now seen in the form of higher costs for outsourced catering and maintenance services. Euro-denominated operational costs rose by four per cent year-on-year and amounted to 608.0 million euros (584.6). 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, was weaker than in the comparison period at 6.1 million euros (16.2).

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 1.4 million euros (-20.9). The non-

recurring costs associated with the outcome of the employee consultations regarding Technical Services that were concluded during the period under review were recorded in their entirety in the second quarter and constituted the majority of the period's total non-recurring items of -19.3 million euros (-11.9). The operating loss for the period decreased to -11.8 million euros (-16.6). 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 company's result before taxes for April–June increased to 21.2 million euros (-24.0) and the result after taxes was 17.0 million euros (-18.7).

Unit revenue per available seat kilometre (RASK) declined mainly due to the depreciation of the Japanese yen by 3.1 per cent year-on-year and amounted to 6.39 euro cents (6.60). Excluding the effect of exchange rate fluctuations, RASK declined by 1.7 per cent year-on-year. Unit cost per available seat kilometre (CASK) decreased by 0.7 per cent and amounted to 6.62 euro cents (6.66). Unit cost excluding fuel (CASK excl. fuel) decreased by 2.4 per cent and totalled 4.52 euro cents (4.64) as a result of successful cost-reduction measures.

Financial performance in January–June 2013

In January–June, Finnair's turnover increased by 1.4 per cent year-on-year, totalling 1,202.9 million euros (1,186.2). Capacity grew by 3.1 per cent year-on-year. Operational costs excluding fuel amounted to 882.8 million euros (879.3). Fuel costs, including hedging and costs incurred from emissions trading, were 341.0 million euros (325.5). Personnel costs decreased as a result of the implementation of structural changes, to 202.7 million euros (225.9). The rise in euro-denominated operational costs was significantly slower than the increase in capacity. Euro-denominated operational costs rose by 1.6 per cent, totalling 1,223.8 million euros (1,204.8). The operational result weakened compared to the corresponding period in 2012 and was -11.6 million euros (-7.3).

The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves amounted to 6.7 million euros (-11.7). Non-recurring items stood at -20.7 million euros (-16.3). The operating loss decreased and totalled -25.6 million euros (-35.3). The result before taxes for January–June showed a profit as a result of Finnair's disposal of its shares in Norwegian Air Shuttle ASA and amounted to 2.5 million euros (-48.7). The result after taxes was 1.2 million euros (-37.9).

Unit revenue per available seat kilometre (RASK) declined by 1.4 per cent year-on-year to 6.23 euro cents (6.32). Excluding the effect of exchange rate fluctuations, RASK declined by 0.1 per cent year-on-year. Unit cost per available seat kilometre (CASK) was unchanged from the comparison period at 6.59 euro cents (6.59). Unit cost excluding fuel (CASK excl. fuel) decreased by 1.5 per cent to 4.49 euro cents (4.55).

Balance sheet on 30 June 2013

The Group's balance sheet totalled 2,277.1 million euros at the end of the period under review (2,391.9 million euros on 30 June 2012). Shareholders' equity totalled 734.4 million euros (689.4), which is 5.75 euros per share (5.40). The disposal of the shares in Norwegian Air Shuttle ASA increased shareholders' equity by approximately 5 million euros in the second quarter.

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 as well as net pension liabilities according to IAS 19. The value of the item at the end of the review period was -24.6 million euros (9.0) after deferred taxes, and it is mainly comprised of items related to the valuation of fuel and exchange rate derivatives.

Cash flow and financial position in January–June 2013

For an airline, Finnair has a strong financial position that supports business development and future investments. In January–June, net cash flow from operating activities totalled 78.6 million euros (92.3) and cash flow from investing activities was -44.6 million euros (35.4).

The equity ratio was 32.7 per cent (29.3) and gearing decreased to 13.3 per cent (35.4). The adjusted gearing was 70.4 per cent (106.8). At the end of the period under review, interest-bearing debt amounted to 522.1 million euros (673.6). Interest-bearing net debt amounted to 97.1 million euros (243.1).

The company's liquidity remained excellent in the review period. The Group's cash funds amounted to 425.0 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. During the period under review, Finnair negotiated a new 180 million euro syndicated credit agreement that will mature in July 2016. The limit is currently unused.

The size of the hybrid loan issued by Finnair in November 2012 is 120 million euros. Finnair has today published a separate bulletin regarding the repayment of the remaining portion of the hybrid loan issued in 2009. The size of the remaining portion is 52.4 million euros. At the end of the review period, 66 million euros of the short-term commercial paper program totalling 200 million euros were in use. Net cash flow from financing amounted to -63.5 million euros (-69.5). Financial expenses totalled -8.9 million euros (-15.6) and financial income 38.7 million euros (4.9). Financial income includes a capital gain of 34 million euros recorded on the sale of shares in Norwegian Air Shuttle ASA.

Advance payments related to fixed asset investments were 52.5 million euros (3.5).

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 value of which corresponds to approximately 44 per cent of the balance sheet 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–June, capital expenditure excluding advance payments totalled 27.0 million euros (10.3) and was primarily related to one spare engine and the company's fleet.

Capital expenditure for the full year 2013 is estimated at approximately 170 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 June 2013, Finnair itself operated 44 aircraft, of which 15 are wide-body and 29 narrow-body aircraft.

In addition to the aircraft operated by Finnair, its balance sheet includes 25 aircraft owned by the company and operated by other airlines, mainly by Flybe Nordic. In June, Finnair signed a contract on the lease of three Embraer 170 aircraft to the Mexican airline Aeromexico Connect for a period of six years. The first of the aircraft was delivered to Aeromexico Connect in June, and the remaining two aircraft will be delivered in June 2014 after the expiry of their existing lease periods with Kenya Airways.

The average age of the fleet operated by Finnair was 10.3 years at the end of the review period and that of the fleet operated by other airlines 4.7 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. Three of the aircraft will be delivered to Finnair in the second half of 2013 and the remaining two in the first half of 2014.

Finnair estimates that its first A350 XWB 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 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 30.6.2013	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		11.9			
Airbus A320	165	10	6	4		10.9			
Airbus A321	196	6	4	2		12.5		5	
Embraer 170	76						-1		
Long-haul traffic									
Airbus A330	297/271/263	8	4	1	3	3.7			
Airbus A340	270/269	7	5	2		10.5			
Airbus A350	na.							11	8
Leisure traffic									
Boeing B757	227	4	0	4		15.5			
Total	44	26		15	3	10.3	-1	16	8
Fleet owned by Finnair and operated by other airlines on 30.6.2013*	Seats	#	Own			Average age	Change from 31.12.2012	Ordered	Add. options
ATR 72	68–72	12	12			3.9			
Embraer 170	76	5	5			7.3	+1		
Embraer 190	100	8	8			5.0			
Total	25	25				4.7	+1	0	0

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

Business area development in April–June

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	4-6 2013	4-6 2012	Change %	1-6 2013	1-6 2012	Change %	2012
Turnover and result							
Turnover, EUR million	552.7	535.6	3.2	1,074.4	1,045.5	2.8	2,187.0
Operating result, EBIT, EUR million	10.9	-6.8	>200	0.9	-26.8	103.3	30.2
Operating result, % of turnover	2.0	-1.3	3.3%-p	0.0	-2.6	2.6%-p	1.4
Personnel							
Average number of employees				3,630	3,619	0.3	3,660

The turnover of Airline Business grew by 3.2 per cent in April–June compared to the same period in 2012 and stood at 552.7 million euros (535.6). The segment's operating result showed a profit and amounted to 10.9 million euros (-6.8).

In April–June, Finnair traffic measured in revenue passenger kilometres rose by 6.5% and overall capacity by 5.6% year-on-year. The overall passenger load factor increased by 0.7 percentage points to 78.2 per cent.

The development of traffic was particularly positive in Asian and European traffic. Measured in revenue passenger kilometres, Asian traffic grew by 6.6 per cent on year-on-year, while capacity grew by 3.9 per cent. European traffic grew by 9.7 per cent and capacity by 10.4 per cent. In Asian traffic, the load factor increased by 1.9 percentage points to 77.3 per cent, while in European traffic the load factor decreased by 0.5 percentage points to 77.9 per cent. Domestic traffic as measured in revenue passenger kilometres increased by 2.6 per cent year-on-year, while capacity rose by 4.3 per cent. The load factor in domestic traffic was 64.4 per cent. The depreciation of the Japanese yen against the euro had a negative effect on yield, with unit revenue (RASK) in April–June declining by 3.1 per cent year-on-year.

In April–June, the largest sales units in Asian traffic were Japan, Finland, Sweden and China. However, the uncertainty in the euro area economy continued to affect business travel, and corporate sales remained at the level of the corresponding period in 2012. Finnair's market share in the route pairs operated by the company in scheduled traffic between Asia and Europe increased to 5.9 per cent (4.8).* In scheduled traffic between Finland and Europe, Finnair's market share increased to 49.4 per cent (47.8), excluding Flybe operations.*

The capacity of leisure traffic declined by 1.5 per cent year-on-year, with the passenger load factor of leisure traffic increasing by 1.3 percentage points to 86.4 per cent. Approximately 186,000 passengers in total flew on Finnair's leisure flights in April–June.

The demand for air cargo in traffic between Asia and Europe fluctuated considerably during the April–June period. The total quarterly demand for air cargo was up 0.4 per cent year-on-year. The overall load factor of Finnair's cargo traffic increased by 0.3 percentage points to 65.8 per cent, while the available tonne kilometres rose by 3.2 per cent and the revenue tonne kilometres by 3.7 per cent. In a significant development during the review period, Finnair opened its second cargo hub in Brussels. As a result, air cargo network revenue on Asian passenger aircraft routes tripled compared to the first quarter of 2013.

Finnair Cargo operated separate cargo flights to Hong Kong, Mumbai, Chicago, New York and Brussels during the second quarter of the year. The hub in Brussels feeds air cargo three times per week to Helsinki on an MD11 cargo aircraft and an A340 passenger aircraft, which complements feeder traffic by road and expedites the transport of air cargo. Separate cargo flights accounted for 23.1 per cent of total cargo traffic. The cargo aircraft route to Chicago was discontinued in May after the successful launch of the Brussels hub, which further strengthened connections between Central Europe and Asia.

The arrival punctuality of Finnair's flights was excellent in April–June, with 92.2 per cent (88.4) of scheduled flights and 92.1 per cent (88.3) of all flights arriving on schedule.

Air traffic services and products

Route network and alliances

In the summer season that began at the end of March, Finnair is flying up to 81 flights per week from Helsinki to Asia and offers the fastest connections between Europe and Asia with more than 200 route pairs. In addition, Finnair operates more than 800 flights weekly from Helsinki to other Finnish and European destinations.

Other renewals and services

Textiles and tableware designed by Finnish design house Marimekko for Finnair were introduced on flights in May, with Finnair also adding new Marimekko products to the Finnair PlusShop selection. The symbol of the collaboration launched in 2012 is a Finnair Airbus 340 aircraft painted in Marimekko's Unikko ("poppy") print. The aircraft's special livery was unveiled in October 2012 and it is currently in use on Finnair's long-haul traffic to and from Helsinki.

In the period under review, Finnair continued a trial of tablet devices and wireless Internet service on board one of its Airbus A330 wide-body aircraft in March. The trial took place in Business Class on scheduled flights and in Comfort Class on charter flights.

Awards

Finnair was the world's most punctual international airline in April–May according to data services firm FlightStats. FlightStats collects real-time global flight tracking information, according to which Finnair was the most punctual international carrier in May with a punctuality rating of 93.83 per cent and in April with a rating of 91.14 per cent. The punctuality rating is based on flights arriving or departing within 15 minutes of schedule.

The International Air Transport Association (IATA) presented a Fast Travel Gold Award to Finnair in June in recognition of Finnair's implementation of IATA's Fast Travel program at Helsinki Airport. Designed to reduce queues at airports and give passengers more options for self-service during their journey, the automation program covers six areas: check-in, baggage drop, document check, boarding, flight rebooking and bag recovery. Finnair has introduced automated systems for all of these activities at Helsinki Airport and many other outstations as well, particularly in Europe.

The aviation research institution Skytrax named Finnair Northern Europe's Best Airline at the World Airline Awards™ in June. Finnair has now won the award for four straight years and is the only airline in the Nordic countries with a four-star Skytrax rating. Oneworld alliance, of which Finnair is a member, was named Best Alliance at the awards. World Airline Awards™ is the most extensive and respected commercial airline rating in the industry. The classification is based on the impartial assessments of 18 million passengers representing 160 countries.

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 Finn Catering 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. Over half of the business area's turnover comes from outside the Group.

Key figures	4-6 2013	4-6 2012	Change %	1-6 2013	1-6 2012	Change %	2012
Turnover and result							
Turnover, EUR million	54.7	82.6	-33.8	109.6	176.4	-37.9	319.5
Operating result, EBIT, EUR million	-21.8	-10.3	-111.2	-28.0	-7.4	< -200	-1.3
Operating result, % of turnover	-39.9	-12.5	-27.4%-p	-25.5	-4.2	-21.3%-p	-0.4
Personnel							
Average number of employees				1,312	2,337	-43.9	1,984

The turnover of Aviation Services declined substantially from the comparison period due to the outsourcing of the engine and equipment maintenance operations to Finnair's outsourcing partner in July 2012 and the transfer of Finnair Catering Oy's operations to LSG in August 2012.

The segment's turnover amounted to 54.7 million euros (82.6). The operating result showed a loss of -21.8 million euros (-10.3), primarily as a result of non-recurring items related to structural changes in Technical Services.

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	4-6 2013	4-6 2012	Change %	1-6 2013	1-6 2012	Change %	2012
Turnover and result							
Turnover, EUR million	51.3	52.4	-2.1	133.1	153.2	-13.1	284.4
Operating result, EBIT, EUR million	-1.0	0.5	<-200	1.5	-1.1	>200	4.9
Operating result, % of turnover	-1.9	1.0	-2.9%-p	1.1	-0.7	1.8%-p	1.7
Personnel							
Average number of employees				778	899	-13.5	855

In April–June, the turnover of Travel Services decreased somewhat from the previous year and amounted to 51.3 million euros (52.4). The operating result showed a slight loss at -1.0 million euros (0.5). The result includes non-recurring items related to the closure of FTB's office network.

Demand and supply remained balanced in the package tour market through the spring. However, the market changed in June as consumer uncertainty regarding economic development and the pleasant summer weather in Finland slowed down sales and put downward pressure on prices. The reasons behind the improved result of Aurinkomatkat during the first half of the year include a renewal of its portal, active dynamic pricing and cost savings achieved through personnel reductions and hotel pricing. Sales for package tours in the winter season have been good. In September, the first of Finnair's B757 aircraft used for leisure flights will be replaced with an A321 ER aircraft.

The demand for business travel contracted further in Finland in April–June. Faced with a recession, businesses have reduced and restricted employee travel. The sales of business travel agencies and online travel agencies decreased compared to the same period in 2012. Lower market volume has led to intensified competition for customers. In addition, during the first half of the year customer companies have become increasingly active in switching to online booking services, which in turn has led to lower margins.

Changes in senior management

On 4 April 2013, Finnair's Board of Directors appointed Pekka Vauramo (M.Sc.) the CEO of Finnair as of 1 June 2013. Vauramo, age 56, previously worked as COO of the MacGregor Business Area of Cargotec in Hong Kong. He succeeds Mika Vehviläinen, who left the company on 28 February 2013.

Personnel

Due to the on-going structural changes, the number of Finnair's employees decreased year-on-year in January–June, and the company employed an average of 5,981 (7,157) people during the period. The personnel were divided by business area as follows: Airline Business 3,630 (3,619), Aviation Services 1,312 (2,337) and Travel Services 778 (899). A total of 261 (302) people were employed in other functions. The number of employees was 5,999 (7,240) on 30 June 2013.

The employee consultations regarding the financial management organisation that began in February were concluded in April and resulted in personnel reductions of 20 employees.

The employee consultations to adjust the operations of Technical Services that began in March were concluded in May. The consultations arrived at a solution for retaining brake and wheel repairs in-company instead of outsourcing them, which led to the number of personnel affected decreasing to 290 from the earlier estimate of 310.

Finnair will offer re-employment support to the affected personnel with its Career Gate service as well as financial support. The reductions in personnel will be implemented gradually, with the majority taking effect by the end of 2013.

Remuneration systems for management and personnel

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.

At the end of March 2013, 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. Over 1,000 Finnair employees, or approximately one fifth of all employees, participated in the first phase of the share savings plan. The 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 June 2013, Finnair's market value stood at 346.0 million euros (224.2), and the closing price of the share was 2.70 euros (1.75). During the January–June 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 (1.67) and the average price 2.80 euros (2.34). Some 16.7 million (8.3) of the company's shares, with a total value of 46.8 million (19.4) 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 12.6 per cent (11.9) were held by foreign investors or in the name of a nominee.

The number of own shares held by Finnair decreased in May, as Finnair transferred a total of 708,679 shares held by the company as treasury shares to the 74 participants of Finnair's share-based incentive scheme 2010–2012 as a reward payment. The incentive scheme is described in more detail in previously published materials, such as the company's Annual Report 2012.

On 30 June 2013, Finnair held a total of 301,508 of its own shares, representing 0.2 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, social and environmental sustainability of the Finnair Group's activities in 2012 and proactively discusses topics such as 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 also began employee training on its updated Code of Conduct during the period under review. The aim is that the majority of Finnair's personnel will attend training by the end of 2013.

In June, Finnair was certified as a pioneer in environmental management in IATA's Environmental Assessment (IEnvA) Program. The program is designed to independently assess and improve the environmental management of an airline. It helps airlines improve fuel efficiency, reduce waste and limit greenhouse gas emissions. Finnair is part of a pilot group of airlines that has been developing and participating in the program. The airline assessments are undertaken by independent accredited environmental assessment organisations.

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 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 June, the hedging ratio for fuel purchases over the second half of 2013 was 75 per cent and 60 per cent for the first half of 2014. The hedging ratio for a dollar basket over the following 12 months was 73 per cent, and the hedging ratio for a yen basket was 85 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 additional cost savings program.

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.

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 32 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 14.5 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 7.5 million euros on Finnair's operating result at an annual level, taking hedging into account.

Other events during the review period

On 22 April 2013, Finnair sold its entire holding of 1,649,862 shares, or 4.69 per cent of the total share capital, in Norwegian Air Shuttle ASA. The shares were sold for a price of approximately 53 million euros, and Finnair recorded a capital gain of approximately 34 million euros on the sale. The shares in Norwegian were transferred to Finnair in 2007 in connection with the sale of Finnair's Swedish subsidiary FlyNordic to Norwegian. The transaction was implemented as a share-swap at the time.

In May, Finnair and GA Telesis signed an agreement for GA Telesis to acquire a part of Finnair's Engine Services. In summer 2012, Finnair announced it will discontinue its own Engine Services operations at Helsinki Airport, as the company focuses on its core airline operations. A total of 80 engine services professionals from Finnair's Engine Services transferred to GA Telesis. Headquartered in the United States, GA Telesis is one of the world's largest service providers in the aviation industry.

Events after the review period

Finnair deepened its cop-operation with its fellow oneworld alliance members at the beginning of July. Finnair joined the transatlantic joint business founded by American Airlines, British Airways and Iberia, and announced its plan to join British Airways and Japan Airlines in a joint business on flights between Europe and Japan. The airlines participating in the joint business cooperate commercially by sharing revenue and by coordinating flight schedules and fares. The aim of the participating airlines is to improve the efficiency of their operations, expand their networks and provide the travelling public between Europe and Japan with improved intercontinental connections. Finnair's accession to the joint business arrangement between Europe and Japan is subject to regulatory approval. Japan is one of Finnair's most important markets.

Finnair's new office premises in Tietotie 9, Vantaa, Finland, were taken in use in July. Majority of Finnair Group's operations, with the exception of flight crew and technical services, will move to the new HOTT building (House of Travel and Transportation) by the end of 2013.

Outlook for 2013 – change in turnover guidance

Previous guidance

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.

New guidance

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 its 2013 turnover to be approximately at the 2012 level due to the pressure that the weak yen puts on the Japan generated unit revenues. 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 September 2013 will be published on Friday 25 October 2013.

FINNAIR PLC
Board of Directors

Briefings

Finnair will hold a press conference on 14 August 2013 at 11:00 a.m. and an analyst briefing at 12:30 p.m. at its new office at Tietotie 9. An English-language telephone conference will begin at 1:45 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
14 August 2013

* Finnair's market share estimate based on IATA's BSP (Billing and Settlement Plan) data and Finnair's estimates on airlines' own sales through their own sales channels like corporate internet sites.

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Consolidated income statement

in mill. EUR	Apr-Jun	Apr-Jun	Change %	Jan-Jun	Jan-Jun	Change %	Jan-Dec
	2013	2012		2013	2012		2012
Turnover	609,7	594,4	2,6	1 202,9	1 186,2	1,4	2 449,4
Work used for own purposes and capitalized	0,1	0,1	-5,6	0,7	1,1	-39,1	1,7
Other operating income	4,3	6,3	-31,2	8,7	10,2	-14,8	20,8
Capital gains *	0,0	0,0	-	0,0	0,0	-	22,2
Operating income	614,1	600,8	2,2	1 212,2	1 197,5	1,2	2 494,1
Operating expenses							
Staff costs	100,6	112,5	-10,6	202,7	225,9	-10,3	429,2
Fuel	171,5	157,9	8,6	341,0	325,5	4,7	670,3
Lease payment for aircraft	14,2	17,2	-17,6	28,9	35,2	-18,0	66,2
Other rental payments	36,8	26,6	38,3	72,4	57,5	25,9	123,2
Fleet materials and overhaul	39,1	27,4	42,9	79,9	55,1	45,0	133,1
Traffic charges	59,0	58,7	0,4	109,0	112,4	-3,0	226,0
Ground handling and catering expenses	65,2	56,0	16,5	128,7	117,9	9,2	247,2
Expenses for tour operations	17,8	17,6	1,4	45,9	57,1	-19,6	96,8
Sales and marketing expenses	19,6	20,3	-3,6	37,8	38,8	-2,6	75,7
Depreciation	31,2	32,3	-3,4	62,3	64,2	-2,9	130,8
Other expenses	53,0	58,1	-8,8	115,2	115,2	0,0	230,2
Total	608,0	584,6	4,0	1 223,8	1 204,8	1,6	2 428,7
Operational result, EBIT	6,1	16,2	-62,4	-11,6	-7,3	-58,5	43,2
Fair value changes of derivatives and foreign currency denominated fleet maintenance reserves	1,4	-20,9	106,8	6,7	-11,7	157,5	-4,0
Non-recurring items	-19,3	-11,9	-62,4	-20,7	-16,3	-27,1	-27,6
Total Expenses	625,9	617,4	1,4	1 237,8	1 232,8	0,4	2 460,3
Operating result, EBIT	-11,8	-16,6	28,9	-25,6	-35,3	27,6	33,8
Financial income	37,4	3,1	> 200 %	38,7	4,9	> 200 %	7,9
Financial expenses	-4,7	-9,1	48,4	-8,9	-15,6	42,6	-25,5
Share of result in associates and joint ventures	0,4	-1,4	126,1	-1,6	-2,7	40,4	-1,4
Result before taxes	21,2	-24,0	188,4	2,5	-48,7	105,2	14,8
Direct taxes	-4,2	5,3	-179,6	-1,3	10,8	-112,0	-4,3
Result for the period	17,0	-18,7	190,9	1,2	-37,9	103,3	10,5
Result for the period attributable to shareholders of the parent company	16,9	-18,8		1,0	-38,1		10,2
Result for the period to non-controlling interest	0,1	0,1		0,2	0,2		0,3
Earnings per share attributable to shareholders of the parent company (euro)							
Earnings per share (basic, diluted)	0,11	-0,16		-0,04	-0,33		0,01
Earnings per share from the result of the period	0,13	-0,15		0,01	-0,30		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.

Consolidated balance sheet

in mill. EUR	30 Jun 2013	30 Jun 2012	31 Dec 2012
ASSETS			
Non-current assets			
Intangible assets	21,4	29,9	25,5
Tangible assets	1 342,6	1 375,3	1 362,6
Investments accounted for using the equity method	10,7	9,4	12,3
Financial assets	21,8	37,4	22,7
Deferred tax receivables	85,4	90,1	77,6
Total	1 481,8	1 542,1	1 500,7
Short-term receivables			
Inventories	18,2	18,5	17,1
Trade receivables and other receivables	325,0	317,4	251,1
Investments	330,0	364,4	363,5
Cash and cash equivalents	94,9	62,7	67,0
Total	768,2	763,0	698,7
Non-current assets held for sale	27,1	86,8	31,9
Assets total	2 277,1	2 391,9	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	658,2	613,2	699,0
Total	733,6	688,6	774,4
Non-controlling interest	0,8	0,8	0,9
Equity total	734,4	689,4	775,3
Long-term liabilities			
Deferred tax liability	89,9	91,6	91,6
Financial liabilities	349,6	482,2	413,5
Pension obligations	5,0	0,0	3,6
Provisions	83,5	90,6	82,3
Total	528,0	664,4	591,0
Short-term liabilities			
Current income and tax liabilities	0,0	0,0	0,1
Provisions	45,3	42,7	38,2
Financial liabilities	194,8	205,7	174,2
Trade payables and other liabilities	772,0	773,4	650,3
Liabilities of non-current assets held for sale	2,5	16,3	2,2
Total	1 014,6	1 038,1	865,0
Liabilities total	1 542,6	1 702,5	1 456,0
Shareholders' equity and liabilities total	2 277,1	2 391,9	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

	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
in mill. EUR											
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
Dividend and share based payments							-12,7		-12,7	-0,3	-13,0
Purchase of own shares					-1,7				-1,7		-1,7
Assignment of own shares /											
Share premium account charges					1,8		-0,3		1,5		1,5
Hybrid bond interest and expenses							-4,0	0,0	-4,0		-4,0
Shareholders' equity related to owners	75,4	20,4	147,7	0,2	247,3	-0,3	95,5	171,1	757,4	0,6	758,0
Result for the period							1,0		1,0	0,2	1,2
Items of comprehensive income				-24,9					-24,9		-24,9
Comprehensive income for the financial period	0,0	0,0	0,0	-24,9	0,0	0,0	1,0	0,0	-23,8	0,2	-23,6
Shareholders' equity, 30 Jun 2013	75,4	20,4	147,7	-24,6	247,3	-0,3	96,6	171,1	733,6	0,8	734,4
	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
in mill. EUR											
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							-4,1		-4,1		-4,1
Shareholders' equity related to owners	75,4	20,4	147,7	57,2	247,2	-0,2	107,8	119,4	774,9	0,7	775,6
Result for the period							-38,1		-38,1	0,1	-38,0
Items of comprehensive income				-48,2					-48,2		-48,2
Comprehensive income for the financial period	0,0	0,0	0,0	-48,2	0,0	0,0	-38,1	0,0	-86,3	0,1	-86,2
Shareholders' equity, 30 Jun 2012	75,4	20,4	147,7	9,0	247,2	-0,2	69,7	119,4	688,6	0,8	689,4

Consolidated cash flow statement

		Jan-Jun 2013	Jan-Jun 2012	Jan-Dec 2012
in mill. EUR				
Cash flows from operating activities				
Profit for the financial year	1,2	-36,6	10,5	
Operations for which a payment is not included *	81,3	98,4	123,8	
Interest and other financial expenses	8,9	15,4	24,7	
Interest income and other financial income	-37,1	-4,4	-7,9	
Changes in working capital	32,1	29,6	22,2	
Interest paid	-5,8	-7,2	-16,7	
Paid financial expenses	-1,6	-5,2	-6,0	
Received interest	1,4	2,3	4,2	
Taxes paid	-2,0	0,0	-0,1	
Net cash flow from operating activities	78,6	92,3	154,7	
Cash flows from investing activities				
Investments in associates and joint ventures	0,0	0,0	-0,7	
Investments in intangible assets	-0,8	-3,4	-4,8	
Investments in tangible assets	-43,3	-3,6	-53,3	
Net change of financial interest bearing assets at fair value through profit and loss	-56,7	42,7	-5,2	
Net change of shares classified as available for sale	54,1	0,0	0,1	
Sales of tangible fixed assets	0,0	0,0	10,6	
Received dividends	1,1	0,1	0,1	
Change in non-current receivables	0,9	-0,4	-1,0	
Net cash flow from investing activities	-44,6	35,4	-54,2	
Cash flows from financing activities				
Proceeds and changes from borrowings	0,0	-100,0	71,0	
Loan repayments and changes	-44,8	30,5	-207,9	
Hybrid bond repayments	0,0	0,0	-67,7	
Proceeds from hybrid bond	0,0	0,0	120,0	
Hybrid bond interest and expenses	-4,0	0,0	-14,3	
Purchase of own shares	-1,7	0,0	0,0	
Dividends paid	-13,0	0,0	0,0	
Net cash flow from financing activities	-63,5	-69,5	-98,9	
Change in cash flows	-29,5	58,2	1,6	
Liquid funds, at beginning	256,1	254,5	254,5	
Change in cash flows	-29,5	58,2	1,6	
Liquid funds, at end	226,6	312,7	256,1	
Notes to consolidated cash flow statement				
* Operations for which a payment is not included				
Depreciation	63,5	64,2	130,8	
Employee benefits	8,4	12,5	12,3	
Fair value changes in derivatives and changes in exchange rates offleet overhauls	-6,7	11,7	4,0	
Other adjustments	16,2	10,0	-23,3	
Total	81,3	98,4	123,8	
Financial asset at fair value	330,0	364,4	363,5	
Liquid funds	94,9	66,1	67,0	
Short-term cash and cash equivalents in balance sheet	425,0	430,5	430,5	
Maturing after more than 3 months	-197,8	-93,2	-141,1	
Shares held to trading purposes	-0,6	-24,6	-33,3	
Total in cash flow statement	226,6	312,7	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 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 therefore 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-Jun 2013				
	Airline Business	Aviation Services	Travel Services	Group eliminations	Unallocated items
External turnover	1 007,4	63,1	132,4		1 202,9
Internal turnover	67,0	46,5	0,7	-114,2	0,0
Turnover	1 074,4	109,6	133,1	-114,2	0,0
Operating profit	0,9	-28,0	1,5		-25,6
Share of result in associates and joint ventures					-1,6
Financial income					38,7
Financial expenses					-8,9
Income tax					-1,3
Non-controlling interest					-0,2
Result for the period attributable to shareholders of the parent company					1,0
Depreciation	58,2	3,4	0,7	0,0	62,3

Business segment data

in mill. EUR	Jan-Jun 2012				
	Airline Business	Aviation Services	Travel Services	Group eliminations	Unallocated items
External turnover	971,2	62,5	152,5		1 186,2
Internal turnover	74,3	113,9	0,7	-188,9	0,0
Turnover	1 045,5	176,4	153,2	-188,9	0,0
Operating profit	-26,8	-7,4	-1,1		-35,3
Share of result in associates and joint ventures					-2,7
Financial income					4,9
Financial expenses					-15,6
Income tax					10,8
Non-controlling interest					-0,2
Result for the period attributable to shareholders of the parent company					-38,1
Depreciation	55,3	8,1	0,8	0,0	64,2

Turnover

	Apr-Jun 2013	Apr-Jun 2012	Change %	Jan-Jun 2013	Jan-Jun 2012	Change %	Jan-Dec 2012
in mill. EUR							
Airline Business	552,7	535,6	3,2	1 074,4	1 045,5	2,8	2 187,0
Aviation Services	54,7	82,6	-33,8	109,6	176,4	-37,9	319,5
Travel Services	51,3	52,4	-2,1	133,1	153,2	-13,1	284,4
Group eliminations	-49,1	-76,2	35,6	-114,2	-188,9	39,5	-341,5
Total	609,6	594,4	2,6	1 202,9	1 186,2	1,4	2 449,4

Operating profit

	Apr-Jun 2013	Apr-Jun 2012	Change %	Jan-Jun 2013	Jan-Jun 2012	Change %	Jan-Dec 2012
in mill. EUR							
Airline Business	10,9	-6,8	> 200 %	0,9	-26,8	103,3	30,2
Aviation Services	-21,8	-10,3	-111,2	-28,0	-7,4	<-200 %	-1,3
Travel Services	-1,0	0,5	<-200 %	1,5	-1,1	> 200 %	4,9
Total	-11,8	-16,6	28,9	-25,6	-35,3	27,6	33,8

Employees average by segment

	Jan-Jun 2013	Jan-Jun 2012	Change %	Jan-Dec 2012
Airline Business	3 630	3 619	0,3	3 660
Aviation Services	1 312	2 337	-43,9	1 984
Travel Services	778	899	-13,5	855
Other functions	261	302	-13,6	285
Total	5 981	7 157	-16,4	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	30 Jun 2013		30 Jun 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	426,9	-0,3	377,4	25,3	413,5	0,3
Forward contracts, Hedging of Aircraft purchase price						
Fair value hedging	273,2	14,8	319,5	30,8	291,1	13,4
Cash flow hedging	0,0		0,0		0,0	
Forward contracts, Currency hedging of lease payments	37,4	-0,1	42,8	2,9	40,3	-0,2
Total	737,6	14,4	739,7	59,0	744,9	13,5
Currency derivatives at fair value through profit or loss						
Operating cash flow hedging (forward contracts)	186,4	0,6	188,8	7,3	173,3	-0,9
Operational cash flow hedging (options)						
Call options	217,3	17,5	104,4	3,0	105,5	5,9
Put options	283,9	-2,6	129,3	-1,5	110,5	-0,8
Balance sheet hedging (forward contracts)	32,2	0,2	63,0	3,2	47,8	0,0
Total	719,9	15,7	485,5	12,0	437,1	4,2
Currency derivatives total	1 457,4	30,1	1 225,2	71,0	1 182,0	17,7
Commodity derivatives, in tonnes/MWh						
Hedge accounting items						
Jet Fuel swaps (tonnes)	602 120	-23,3	507 700	-24,3	574 660	-1,7
Electricity hedging MWh	0	0,0	85 065	-0,2	0	0,0
Currency derivatives at fair value through profit or loss						
Jet fuel forward contracts (tonnes)	12 000	0,0	7 100	-0,8	0	0,0
Options						
Jet fuel options (tonnes)	204 000	1,5	239 000	2,1	214 000	3,1
Jet fuel put options (tonnes)	230 000	-5,9	406 000	-10,3	301 000	-4,1
Electricity hedging MWh	86 005	-0,6	37 545	-0,4	91 536	-0,5
Commodity derivatives total		-28,3		-33,9		-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	19,9	0,4	24,9	0,5	22,9	1,0
Total	19,9	0,4	24,9	0,5	22,9	1,0
Interest rate swaps						
Interest rate swaps at fair value through profit or loss	25,0	-0,8	25,0	-1,0	25,0	-1,1
Interest rate derivatives total	25,0	-0,8	25,0	-1,0	25,0	-1,1
Interest rate option	0,0	0,0	7,7	0,0	0,0	0,0
Interest rate option total	0,0	0,0	7,7	0,0	0,0	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		30 Jun 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	329,5	34,8	294,7		330,3	34,6	295,7	
Derivatives held for trading								
Currency and interest rate swaps	0,0		0,0		0,0		0,0	
- of which in fair value hedge accounting								
Currency derivatives	38,4		38,4		28,3		28,3	
- of which in cash flow hedge accounting	3,0		3,0		6,0		6,0	
Commodity derivatives	0,7		0,7		5,3		5,3	
- of which in cash flow hedge accounting	0,7		0,7		5,3		5,3	
Financial assets available-for-sale								
Share investments	0,0	0,0			32,3	32,3		
Total	368,5	34,8	333,7	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	0,3		0,3		0,1		0,1	
- of which in cash flow hedge accounting								
Currency derivatives	8,3		8,3		11,6		11,6	
- of which in cash flow hedge accounting	3,3		3,3		5,9		5,9	
Commodity derivatives	29,0		24,6	4,4	7,5		6,5	1,0
- of which in cash flow hedge accounting	24,0		24,0		7,0		7,0	
Total	37,7	33,2	4,4		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 in mill. EUR	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
	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	-	0,1	-	0,1	-	2,9	-	2,9
In comprehensive income	-	-	-	-	-	-	-	-
Purchases (and sales)	-	-	-	-	-	-	-	-
Settlements (and issues)	-	-3,5	-	-3,5	-	-3,9	-	-3,9
Transfers to and from Level 3	-	-	-	-	-	-	-	-
Closing balance	-4,4	-4,4			-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	0,1	0,1	2,9	2,9
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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	30 Jun 2013	30 Jun 2012	31 Dec 2012
Carrying amount at the beginning of period	1 388,1	1 500,5	1 500,5
Fixed asset investments	27,0	10,3	41,4
Change in advances	21,9	-3,0	26,2
Disposals	-9,4	-38,4	-49,3
Depreciation	-63,5	-64,2	-130,7
Carrying amount at the end of period	1 364,0	1 405,2	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	14,7	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	30 Jun 2013	30 Jun 2012	31 Dec 2012
Tangible assets	14,7	39,6	16,7
Inventories	9,3	33,3	12,3
Trade receivables and other receivables	3,1	10,5	2,9
Cash and cash equivalents	0,0	3,4	0,0
Total	27,1	86,8	31,9
Liabilities of non-current assets held for sale	30 Jun 2013	30 Jun 2012	31 Dec 2012
Trade payables and other liabilities	2,5	16,3	2,2
Total	2,5	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	30 Jun 2013	30 Jun 2012	31 Dec 2012
Pledges on own behalf	575,2	679,1	633,5
Guarantees on behalf of group undertakings	66,0	64,9	65,3
Guarantees on behalf of others	2,4	3,5	2,5
Total	643,6	747,5	701,3

Investment commitments for property, plant and equipment on 30 June 2013 totalled 1,000.0 million euros (1,000.0).

14. LIABILITIES

in mill. EUR	30 Jun 2013	30 Jun 2012	31 Dec 2012
Fleet lease payment liabilities	148,0	197,9	170,0
Other liabilities	253,0	282,9	258,0
Total	401,0	480,8	428,0

15. RELATED PARTY TRANSACTIONS

in mill. EUR	30 Jun 2013	30 Jun 2012	31 Dec 2012
Sales of goods and services			
Associates and joint ventures	34,3	8,4	25,0
Purchases of goods and services			
Associates and joint ventures	71,7	53,2	98,9
Receivables and liabilities			
Receivables from associates and joint ventures	27,7	0,3	22,5
Liabilities from associates and joint ventures	5,0	4,4	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	Apr-Jun 2013	Apr-Jun 2012	Change %	Jan-Jun 2013	Jan-Jun 2012	Change %	Jan-Dec 2012
Profit for the period	17,0	-18,7		1,2	-37,9	103,3	10,5
Other comprehensive income items							
Translation differences	0,0	0,0	-	0,0	0,0	-	0,0
Change in fair value of available-for-sale financial assets after taxes	-21,1	0,1	<-200 %	-10,4	8,9	<-200 %	15,7
Change in fair value of hedging instruments after taxes	-27,3	-34,7	21,3	-16,7	-32,4	48,5	-36,5
Change in pension liabilities (IAS 19)	4,5	-13,9	132,1	2,1	-24,8	108,5	-36,1
Other comprehensive income items total	-44,0	-48,5		-25,0	-48,3		-56,9
Comprehensive income for the fina	-26,9	-67,2		-23,7	-86,2		-46,4
Earnings per share to shareholders of the parent company of the comprehensive income statement	-27,1	-67,3	59,8	-23,9	-86,3	72,3	-46,5
Earnings per share to non-controlling interest of the comprehensive income statement	0,1	0,1	-16,1	0,2	0,1	103,8	0,1

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		Apr-Jun 2012			
in mill. EUR	Reported	IAS 19 Employee Benefits	De-icing and cleaning of aircraft	Other adjustment	Restated
Operating income	600,8	0,0	0,0	0,0	600,8
Staff costs	113,9	-1,5	0,0	0,1	112,5
Fleet materials and overhaul	31,4	0,0	-4,0	0,0	27,4
Ground handling and catering expenses	52,0	0,0	4,0	0,0	56,0
Sales and marketing expenses	19,9	0,0	0,0	0,4	20,3
Other expenses	58,6	0,0	0,0	-0,5	58,1
Other expenses total	343,1	0,0	0,0	0,0	343,1
Operating result, EBIT	-18,1	1,5	0,0	0,0	-16,6
Result before taxes	-25,5	1,5	0,0	0,0	-24,0
Direct taxes	5,7	-0,4	0,0	0,0	5,3
Result for the period	-19,8	1,1	0,0	0,0	-18,7
Consolidated income statement		Jan-Jun 2012			
in mill. EUR	Reported	IAS 19 Employee Benefits	De-icing and cleaning of aircraft	Other adjustment	Restated
Operating income	1 197,5	0,0	0,0	0,0	1 197,5
Staff costs	228,8	-3,0	0,0	0,1	225,9
Fleet materials and overhaul	71,8	0,0	-16,7	0,0	55,1
Ground handling and catering expenses	101,2	0,0	16,7	0,0	117,9
Sales and marketing expenses	38,2	0,0	0,0	0,6	38,8
Other expenses	115,9	0,0	0,0	-0,7	115,2
Other expenses total	679,9	0,0	0,0	0,0	679,9
Operating result, EBIT	-38,3	3,0	0,0	0,0	-35,3
Result before taxes	-51,7	3,0	0,0	0,0	-48,7
Direct taxes	11,5	-0,7	0,0	0,0	10,8
Result for the period	-40,2	2,3	0,0	0,0	-37,9
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 in mill. EUR	30 Jun 2012			31 Dec 2012		
	Reported	Adjustment	Restated	Reported	Adjustment	Restated
ASSETS						
Non-current assets						
Financial assets	32,5	4,9	37,4	33,1	-10,4	22,7
Other non-current assets	1 504,7	0,0	1 504,7	1 478,0	0,0	1 478,0
Non-current assets total	1 537,2	4,9	1 542,1	1 511,1	-10,4	1 500,7
Short-term receivables total	849,8	0,0	849,8	730,6	0,0	730,6
Assets total	2 387,0	4,9	2 391,9	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	608,5	4,7	613,2	709,2	-10,2	699,0
Total	683,9	4,7	688,6	784,6	-10,2	774,4
Non-controlling interest	0,8	0,0	0,8	0,9	0,0	0,9
Equity total	684,7	4,7	689,4	785,5	-10,2	775,3
Long-term liabilities						
Deferred tax liability	91,4	0,2	91,6	94,9	-3,3	91,6
Pension obligations	0,0	0,0	0,0	0,5	3,1	3,6
Other long-term liabilities	572,8	0,0	572,8	495,8	0,0	495,8
Total	664,2	0,2	664,4	591,2	-0,2	591,0
Short-term liabilities total	1 038,1	0,0	1 038,1	865,0	0,0	865,0
Liabilities total	1 702,3	0,2	1 702,5	1 456,2	-0,2	1 456,0
Shareholders' equity and liabilities total	2 387,0	4,9	2 391,9	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:

Result for the period - hybrid bond interest
Average number of shares at the end of the financial year, adjusted for share issues

Earnings per share from the result of the period:

Result for the period
Average number of shares at the end of the financial year, adjusted for share issues

Equity / share:

Shareholders' equity
Number of shares at the end of the financial year, adjusted for share issues

Gearing, %:

Net interest-bearing liabilities * 100
Shareholders' equity + non-controlling interest

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.

Return on capital employed, % (ROCE):

Profit before taxes + interest and other financial expenses * 100
Balance sheet total - non-interest-bearing liabilities (average)

Net interest-bearing liabilities:

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

Equity ratio, %:

Shareholders' equity + non-controlling interest * 100
Balance sheet total - advances received

Return on equity, % (ROE):

Result * 100
Equity + non-controlling interest (average)