

## Finnair Group Interim report January 1 – June 30, 2012

In April–June, turnover grew by 10.2 per cent year-on-year to 594.4 million euros and the operational result was 14.7 million euros

Key figures	4-6 2012	4-6 2011	Change %	1-6 2012	1-6 2011	Change %	2011
<b>Turnover and result</b>							
Turnover, EUR million	594.4	539.4	10.2	1,186.2	1,073.1	10.5	2,257.7
Operational result, EBIT, EUR million	14.7	-13.8	>200	-10.3	-56.9	81.9	-60.9
Operational result, % of turnover	2.5	-2.6	5.1%-p	-0.9	-5.3	4.4%-p	-2.7
Operating result, EBIT, EUR million	-18.1	-25.2	28.2	-38.3	-68.3	43.9	-87.8
EBITDAR, EUR million	64.2	33.8	89.9	89.1	37.4	138.2	139.6
Result before taxes, EUR million	-25.5	-30.2	15.6	-51.7	-76.4	32.3	-111.5
Net result, EUR million	-19.8	-23.0	13.9	-40.2	-56.8	29.2	-87.5
<b>Balance sheet and cash flow</b>							
Equity ratio, %				29.2	32.9	-3.7%-p	32.6
Gearing, %				35.5	24.0	11.5%-p	43.3
Adjusted gearing, %				107.5	78.7	28.8%-p	108.4
Capital expenditure, CAPEX, EUR million	2.9	30.9	-90.6	10.3	61.8	-83.3	203.9
Return on capital employed, ROCE, 12 months				-3.1	-3.4	0.3%-p	-5.2
Return on equity, ROE, 12 months rolling, %				-7.8	-7.9	0.1%-p	-10.9
Net cash flow from operating activities	100.2	94.5	6.0	92.3	60.6	52.3	50.8
<b>Share</b>							
Share price at end of quarter, EUR	1.75	3.57	-51.0	1.75	3.57	-51.0	2.30
Earnings per share (EPS), EUR	-0.17	-0.20	15.0	-0.35	-0.48	27.1	-0.75
<b>Traffic data, unit costs and revenue</b>							
Passengers, 1,000	2,256	2,040	10.6	4,332	3,925	10.4	8,013
Available seat kilometres (ASK), million	7,346	7,151	2.7	14,989	14,505	3.3	29,345
Revenue passenger kilometres (RPK), million	5,694	5,117	11.3	11,519	10,456	10.2	21,498
Passenger load factor (PLF), %	77.5	71.6	5.9%-p	76.9	72.1	4.8%-p	73.3
Unit revenue per available seat kilometre, (RASK), cents/ASK	6.60	6.02	9.7	6.32	5.78	9.2	6.03
Unit revenue per revenue passenger kilometre, yield, cents/RPK	7.52	7.36	2.2	7.22	7.06	2.2	7.24
Unit cost per available seat kilometre, (CASK), cents/ASK	6.66	6.38	4.5	6.59	6.38	3.2	6.43
CASK excluding fuel, cents/ASK	4.64	4.63	0.2	4.55	4.66	-2.3	4.67
Available tonne kilometres (ATK), million	1,130	1,092	3.5	2,325	2,224	4.5	4,571
Revenue tonne kilometres (RTK), million	740	668	10.7	1,494	1,356	10.2	2,823
Cargo and mail, tonnes	36,854	34,119	8.0	74,746	68,566	9.0	145,883
Cargo traffic unit revenue per revenue tonne kilometre, cents/RTK	25.48	27.43	-7.1	25.48	26.85	-5.1	27.00
Overall load factor, %	65.5	61.2	4.3%-p	64.3	61.0	3.3%-p	61.8
Flights, number	17,820	20,362	-12.5	36,166	40,864	-11.5	78,916
<b>Personnel</b>							
Average number of employees				7,157	7,519	-4.8	7,467

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

### CEO Mika Vehviläinen:

"I am pleased to see that Finnair's turnover grew by more than 10 per cent in the second quarter compared with the corresponding period in 2011. Our turnover reached nearly 600 million euros, thanks to increased capacity, growing demand in passenger traffic and the positive development of passenger load factors. During the second quarter, our operational result turned positive by 14.7 million euros; a result with which we are satisfied in this difficult competitive environment – particularly when taking into account the price of fuel that

has remained high in the second quarter. Despite the temporary decrease in the world market price of oil, our fuel costs in the period under review were 19.9 per cent higher than in the comparison period.

The result reflects not only increased demand but also the successful progress of our structural change and cost reduction programme. We have taken definite steps forward, although the majority of cost savings are still being realised. We will continue to develop our competitiveness determinedly in line with the goals we have set by surveying new cost reduction measures and by seeking opportunities to further increase our turnover. Work to secure our future will continue.

In order to succeed, it is absolutely necessary for us to improve the efficiency of our operations substantially. This year, several European airlines have gone bankrupt, which is a clear indication of the challenges our industry is currently facing. However, we intend to overcome these challenges and emerge as a winner. Finnair is proceeding with changes accordingly.

In June, we concluded employee consultations regarding the discontinuation of Finnair's engine and component services and in July, after the period under review, we signed a multi-year service procurement agreement with the Swiss company SR Technics. The agreement will come into effect gradually in the third quarter of the current year. The sale of our catering operations to the German LSG Sky Chefs Group fell through in May, but we continued negotiations with LSG and in early August we announced a partnership agreement with them, transferring control in Finnair Catering Oy to LSG. With agreements signed with SR Technics and LSG, we have made significant progress in structural change and taken decisive steps toward becoming a company focused on aviation business. Savings resulting from these arrangements can gradually be seen in our result as of the third quarter of the current year.

During the spring and summer, we have sought means to improve the profitability of our European traffic by exploring partnership solutions. In May, we announced our plans to transfer the European flights flown on twelve Embraer 190 aircraft to be operated by Flybe. This represents about one third of our European traffic. Our intention is to execute this planned business transfer in October, and it will generate definite savings for us in the coming years. In connection with this business transfer, we signed an agreement with Finnair pilots, which will also improve the efficiency of our operations.

In addition to the Flybe partnership, we have analysed cooperation opportunities in order to solve the problems related to our European Airbus traffic. This analysis will be continued and our goal is to find solutions that would be in line with the overall interests of the company and would promote our operations as a network company.

During the second period, we opened a new route to Chongqing. The first months on this route have gone as planned. In addition, we have introduced new ancillary services. Although these services are still a minor source of income, their launch has nevertheless been promising.

I believe that our positive development will continue in the second half of the year, provided that traffic develops according to our estimates and our cost reduction program proceeds in line with its goals. Although there is a lot of economic uncertainty around the globe, in Europe in particular, we expect the operational result for the second half of the year, cyclically stronger than the first half of the year, to reflect improved profitability compared to the first half of the year."

## **Business environment**

The global airline industry is undergoing a similar structural change as that already faced by many other sectors. Typical for this change process are market liberalisation, increasing competition, overcapacity, consolidation, alliances and specialisation. The global consolidation of the industry is predicted to continue. The intense competition is reflected in the major structural change and cost reduction programmes implemented by several European airlines, as well as bankruptcies. Finnair's goal is to take advantage of the opportunities presented by the changes in its industry and strengthen its position in traffic between Europe and Asia as well as within Europe.

In April–June, global air traffic grew compared with the corresponding period in 2011. The development of demand exceeded expectations particularly in Europe where conservative capacity increases and discontinued capacity on some routes, caused by changes in the competitive environment, also contributed to the good development of traffic. During the second quarter, Finnair also benefited from decreased capacity on certain

routes from Helsinki to Europe. Traffic between Asia and Europe grew, thanks to economic growth in Asia. On the other hand, several European airlines opened new routes from Central Europe to China, which intensified competition.

In April–June, the price of the largest individual cost factor for airlines – jet fuel – remained at historically high level. Uncertainty in the world economy and in the eurozone was reflected in the entire industry, both as a decline in business travel and as low volumes in cargo traffic. In traffic within Europe, a decline in demand for business travel was partly compensated by increased travel in other price categories. Demand for cargo traffic weakened.

The Finnish package tour market suffered from overcapacity still in the second quarter despite the fact that tour operators slightly decreased their summer offering from the planned. In the comparison period, package tour operations were negatively influenced by the effects of the Arab Spring on leisure travel.

### **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 Europe and Asia. In addition, its objective is to double its revenue from Asian traffic from 2010 to 2020. As part of the implementation of its growth strategy and structural change, Finnair will focus on its core activities and build an even stronger partnership network.

In May, Finnair opened a new route to Chongqing in western China. Chongqing is one of the largest and fastest-growing cities in China, with a great deal of electronics and automotive industry, for instance, offering promising business travel and cargo prospects. The route opened by Finnair is the first direct flight route from Chongqing to Europe. This year Finnair is flying a record number of flights to Asia despite the fact that it had to cancel some flights due to maintenance delays and shortage of overflight permits from Russia.

In February, Finnair announced that it had begun analysing partnership opportunities to identify cost-effective alternatives for European traffic and to strengthen its position in Europe and the Nordic countries in particular. More efficient use of the narrow body fleet, more flexible route alternatives and broader and lower-priced feeder traffic for Finnair's Asian flights would provide significant support for the company's growth strategy based on the Asian markets.

As part of these plans, Finnair and Flybe signed a Memorandum of Understanding, upon completion of which Flybe would operate a fleet consisting of twelve Finnair Embraer 190 aircraft as a contract flying arrangement on behalf of Finnair as of October 2012. Traffic operated with Embraer 190 aircraft accounts for approximately one third of Finnair's European traffic. Before a binding agreement can be signed, employee consultations between Finnair and its cabin attendants need to be concluded. Negotiations with Finnair's pilots in relation to the business transfer and cost savings were already concluded in June.

Also during the second quarter, Finnair continued the analysis of opportunities to improve efficiency of the European Airbus traffic falling outside the Flybe partnership. A suitable partnership solution could not be found within our original target schedule; a radically changing competitive environment, numerous bankruptcies and challenging market conditions have made it more difficult to find the right solution. Nevertheless, the company is still committed to identifying any and all means to significantly reduce the cost level of European traffic and seeks different alternatives with potential partners and its own labour groups.

### **Progress in the structural change and cost reduction programme**

During the review period, Finnair continued the implementation of its structural change and cost reduction programme, which began in August 2011. The aim of the programme is to achieve a permanent reduction in costs of 140 million euros by 2014.

In April, Finnair signed a Memorandum of Understanding according to which Finnair will source engine and component services from the Swiss company SR Technics. The final 10-year cooperation agreement was signed in July. As a result of outsourcing engine and component services, Finnair will discontinue its own engine operations and make adjustments to the component services. Finnair will keep certain parts of these operations as part of its line maintenance organisation that looks after the daily airworthiness of aircraft, in order to ensure smooth operations.

The sale of Finnair's catering operations to LSG Sky Chefs Group fell through in May due to an investment freeze set by the Board of Directors of Lufthansa, the parent company of LSG. A Memorandum of Understanding about the deal was signed in March. After the transaction fell through, the parties continued analysing partnership opportunities and in August Finnair and LSG signed a partnership agreement.

In April-June, Finnair took several measures around the group to improve the efficiency of its operations. For example, Finnair started using automated check-in machines in the Economy class check-in at Helsinki-Vantaa Airport. The company also continued to optimise its flight schedules and route network.

Upon realisation, the Flybe Memorandum of Understanding related to European traffic that was announced during the period under review is also expected to contribute to cost reductions.

Finnair estimates that the biggest savings in the cost reduction programme will be achieved in personnel and maintenance costs, which both account for approximately a quarter of the overall target of 140 million euros. The share of sales and distribution costs is approximately 15 per cent and the combined share of IT, fleet and ground handling costs is approximately 30 per cent of the total reduction target. The programme progresses as planned and Finnair expects to achieve savings of 80 million euros by the end of this year. The aim is to achieve the remaining 60 million euros of the overall cost savings target in 2013.

## **Financial performance**

### **Financial performance in April-June 2012**

As a result of increased capacity and growing demand in passenger traffic, Finnair's turnover in April-June grew by 10.2 per cent year-on-year, totalling 594.4 million euros (539.4).

During the period under review, the progress of the structural change and cost reduction programme could be seen as costs increased at a slower pace than capacity. In the second quarter, operational costs excluding fuel increased by 0.6 per cent year-on-year while capacity increased by 2.7 per cent. Fuel costs, including hedging and costs caused by emissions trading, rose by 19.9 per cent year-on-year, amounting to 157.9 million euros (131.7). Personnel costs amounted to 113.9 million euros (110.4). The total euro-denominated operational costs grew by 5.2 per cent year-on-year and were 586.1 million euros (557.2). The Group's 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, improved despite a marked increase in fuel costs and amounted to 14.7 million euros (-13.8). The strengthening of the US dollar against the euro did not affect the operational result significantly, thanks to the hedging of fuel purchases.

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 the IFRS, where the result has no cash flow effect and 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 weakened the operating result reported for the second quarter by 20.9 million euros (-11.3). The operating result was also impaired by non-recurring items related to the structural change amounting to -11.9 million euros (0.0); consequently, the operating result showed a loss of 18.1 million euros (-25.2). The result before taxes was -25.5 million euros (-30.2) and the result after taxes -19.8 million euros (-23.0).

In the second quarter, unit revenue per available seat kilometre (RASK) rose by 9.7 per cent from the comparison period to 6.60 euro cents (6.02). Unit costs per available seat kilometre (CASK) increased by 4.5 per cent to 6.66 euro cents (6.38) mainly as a result of the increased fuel costs. Unit costs excluding fuel rose by 0.2 per cent to 4.64 euro cents (4.63), and this increase in costs results from exceptionally low traffic charges in the comparison period.

### **Financial performance in January-June 2012**

During the first half of 2012, the company's turnover grew by 10.5 per cent compared with the corresponding period in 2011 and was 1,186.2 million euros (1,073.1). The progress of the structural change and cost

reduction programme could also be seen in the first half of the year: operational costs excluding fuel grew by 1.0 per cent from the comparison period while capacity increased by 3.3 per cent. In January–June, the euro-denominated operational costs were 1,207.8 million euros (1,138.0). Fuel costs, including hedging and costs caused by emissions trading, rose by 23.1 per cent from the comparison period, amounting to 325.5 million euros (264.5). Personnel costs remained at the same level as in the comparison period and were 228.8 million euros (227.2). The company's operational result improved clearly on the comparison period to -10.3 million euros (-56.9). Changes in exchange rates did not affect the operational result significantly in the first half of the year.

The change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves weakened the operating result reported for January–June by -11.7 million euros, while in the comparison period this item had a 8.3 million euro positive effect on the result. Non-recurring items related to the structural change decreased the operating result by 16.3 million euros (-18.4). The operating result for the first half of the year was -38.3 million euros (-68.3) and the result before taxes -51.7 million euros (-76.4). The result for the entire period showed a loss of 40.2 million euros (-56.8).

In January–June, unit revenue per available seat kilometre (RASK) rose by 9.2 per cent from the comparison period to 6.32 euro cents (5.78). Unit costs per available seat kilometre (CASK) increased by 3.2 per cent to 6.59 euro cents (6.38) while unit costs excluding fuel decreased by 2.3 per cent to 4.55 euro cents (4.66).

### **Balance sheet June 30, 2012**

The Group's balance sheet totalled 2,387.0 million euros on June 30, 2012 (2,475.5 million euros on June 30, 2011). Equity amounted to 684.7 million euros (800.1) or 5.35 euros per share (6.26).

Equity includes a fair value reserve related to hedge accounting of derivative contracts, whose value is affected by variations in oil prices and exchange rates. The value of the item at the time of the review was 6.6 (38.9) million euros after deferred taxes, and it includes fuel and exchange rate derivatives as well as other minor items.

### **Cash flow and financing in January–June**

In January–June, net cash flow from operating activities amounted to 92.3 million euros (60.6) and cash flow from investments totalled 35.4 million euros (89.6). Finnair paid back a bond of 100 million euros in June and issued commercial papers amounting to 85.6 million euros in January–June. At the end of June, 95.6 million euros were in use under the 200 million euro short-term commercial paper programme. Net cash flow from financing was -69.5 million euros (-36.1). Financial expenses were 15.6 million euros (-12.5) and financial income stood at 4.9 million euros (4.3).

Advance payments related to fixed asset investments in January–June were 3.5 million euros (31.1). At the end of the period under review, interest-bearing debt amounted to 673.6 million euros (723.3). The equity ratio was 29.2 per cent (32.9) and gearing 35.5 per cent (24.0). Adjusted gearing was 107.5 per cent (78.7).

The Group's liquid funds stood at 430.5 million euros (531.2) at the end of the period. In addition to the liquid funds on the balance sheet, the Group has the option for re-borrowing employment pension fund reserves worth approximately 380 million euros from its employment pension 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.

### **Capital Expenditure**

Capital expenditure excluding advance payments in January–June took place mainly in the first quarter of the year and totalled 10.3 million euros (61.8). Capital expenditure for the full year 2012 is estimated at approximately 40 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. There were no changes in the size of the fleet during the second quarter. Finnair is planning to give up two Airbus 32S series aircraft in autumn 2012 when their leasing agreements expire.

In 2010, Finnair ordered five Airbus A321ER aircraft that are intended to replace four Boeing 757 aircraft used on leisure flights. The first of these aircraft will be delivered toward the end of 2013.

In 2005, Finnair ordered eleven A350 XWB aircraft from Airbus. Some of the aircraft will replace the aircraft currently in use in long-haul traffic. The order includes an additional option for the delivery of eight more aircraft. At the moment, the deliveries are expected to begin in the second half of 2015. Finnair is evaluating alternatives to minimise the impacts delays in deliveries may have.

In addition the fleet operated by Finnair, the company's balance sheet contains eleven ATR 72 aircraft and four Embraer 170 aircraft.

At the end of June, the average age of the fleet operated by Finnair was 8.2 years and that of the fleet operated by others 4.0 years. 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 June 30, 2012	Seats	#	Own	Leased (operational leasing)	(financial leasing)	Average age	Change from Dec 31, 2011	Ordered	Add. options
<b>European traffic</b>									
Airbus A319	123–138	11	7	4		10.7	-2		
Airbus A320	159–165	10	6	4		9.9			
Airbus A321	196	6	4	2		11.4		5	
Embraer 170	76	1	1			5.9	-4		
Embraer 190	100	12	8	4		4.0			
<b>Long-haul traffic</b>									
Airbus A330	297/271/263	8	4	1	3	2.4			
Airbus A340	270/269	7	5	2		9.2			
Airbus A350	na.							11	8
<b>Leisure traffic</b>									
Boeing B757	227	4	0	4		14.2			
<b>Total</b>		<b>59</b>	<b>35</b>	<b>21</b>	<b>3</b>	<b>8,2</b>	<b>-6</b>	<b>16</b>	<b>8</b>

Fleet owned by Finnair but operated by other airlines on June 30 2012**	Seats	#	Own	Leased (operational leasing)	(financial leasing)	Average age	Change from Dec 31, 2011	Ordered	Add. options
ATR 72	68–72	11	11			3,2		1	
Embraer 170	76	4	4			6,5	+4		
<b>Total</b>		<b>15</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>4,2</b>	<b>+4</b>	<b>1</b>	<b>0</b>

\* E170 aircraft operated by Finnair but wet leased to Honeywell.

\*\* All ATR aircraft and two E170 aircraft are leased to Flybe Nordic and two E170 aircraft are leased to companies 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 2012	4-6 2011	Change %	1-6 2012	1-6 2011	Change %	2011
<b>Turnover and result</b>							
Turnover, EUR million	535.6	475.9	12.5	1,045.5	928.2	12.6	1,970.5
Operating result, EBIT, EUR million	-8.3	-26.3	68.4	-29.8	-52.9	43.7	-55.5
Operating result, % of turnover	-1.5	-5.5	4.0%-p	-2.9	-5.7	2.8%-p	-2.8
<b>Personnel</b>							
Average number of employees				3,619	3,547	2.0	3,565

In April–June, Finnair traffic measured in revenue passenger kilometres rose by 11.3 per cent and overall capacity by 2.7 per cent year-on-year. The passenger load factor for all traffic increased by 5.9 percentage points to 77.5 per cent.

Asian traffic measured in revenue passenger kilometres showed a year-on-year increase of 11.6 per cent in April–June while capacity grew by 7.5 per cent in the same period. Despite increased capacity, the load factor rose by 2.8 percentage points, totalling 75.4 per cent. Demand and the load factor in the comparison period were negatively influenced by the Japanese earthquake and tsunami. The natural disaster in Japan was also reflected in European feeder traffic in the comparison period.

Domestic and European traffic also increased in the second quarter, in terms of both revenue passenger kilometres and passenger load factor. Measured in revenue passenger kilometres, European traffic rose by 11.9 per cent and domestic traffic by 3.6 per cent from the comparison period. The corresponding increases in load factors were 10.0 and 13.7 percentage points respectively.

Corporate sales grew by 2.7 per cent in April–June compared to the same period last year. The growth was mainly from non-domestic sales, which increased by 6 per cent. Corporate sales growth was strongest in Singapore, Korea and Japan. Global corporate sales accounted for approximately 23.5 per cent of total scheduled traffic sales volume.

Finnair's market share on operated route pairs in scheduled traffic between Europe and Asia was at the same level as last year, i.e. 6 per cent. Finnair's market share of flights departing from Finland was approximately 40 per cent, or 53 per cent of passengers.

In April–June, leisure traffic capacity increased by 10.2 per cent on the comparison period, although the offering was decreased from planned levels due to overcapacity in the Finnish package tour market. The passenger load factor of leisure traffic grew by 2.7 percentage points to 85.1 per cent. In April–June, Finnair's charter flights carried approximately 186,300 passengers, which is 19 per cent more than during the corresponding period of the previous year.

Increased fuel costs burdened the result reported for cargo traffic in the second quarter, and global air cargo demand declined in traffic between Europe and Asia. Despite this decline in demand, Finnair's cargo traffic increased in the second quarter 9.5 per cent from the comparison period while available cargo capacity grew by 6.1 per cent. This positive development of volumes improved the total load factor of cargo traffic which was 69.3 per cent in the second quarter. Cargo and mail traffic unit revenue decreased by 6.0 per cent on the comparison period. The amount of cargo and mail carried grew by 8.0 per cent. During the second quarter, Finnair Cargo operated separate cargo flights to Hong Kong, Seoul, Mumbai, New York and Frankfurt. On July 9, cargo flights to Seoul were discontinued until further notice due to market conditions. The arrival punctuality of Finnair flights was good in April–June, with 88.5 per cent of all scheduled flights (86.6) and 88.3 per cent of all traffic (86.1) arriving on time.

## Air Traffic Services and Products

### Route Network

In June 2012, Finnair adjusted its longhaul plans due to delays in scheduled heavy maintenance work for some wide-body aircraft and the restricted number of overflight permits from Russia. Finnair will operate a record-breaking number of flights (77) weekly from Helsinki to Asian destinations and offers the fastest connections in traffic between Europe and Asia, with more than 200 route pairs. In addition, Finnair will operate more than 800 flights weekly from Helsinki to other Finnish and European destinations during the summer. New destinations in the second quarter include Chongqing, China, with flights throughout the year, and Dubrovnik, a new summer destination in Europe.

In April, Finnair signed a codeshare agreement with the Portuguese airline TAP Portugal. Cooperation applies to flights between Portugal and Finland. In addition, oneworld announced in June that SriLankan Airlines is to join the alliance towards the end of 2013.

### Other Renewals and Services

In May, Finnair increased the use of passenger self-service kiosks and baggage drop desks and at the same time closed separate Economy class check-in desks at the Helsinki-Vantaa Airport. In addition, passengers have the opportunity to check in online or by mobile phone before departure. The aim of this renewal is to facilitate smoother departures for Finnair's customers and reduce waiting time at the airport.

### Aviation Services

This business area consists of aircraft maintenance services, ground handling and the Group's catering operations. In addition, most of Finnair's property holdings, the procurement of 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. Approximately one quarter of the business area's turnover comes from outside the Group.

Key figures	4-6 2012	4-6 2011	Change %	1-6 2012	1-6 2011	Change %	2011
<b>Turnover and result</b>							
Turnover, EUR million	82.6	100.8	-18.1	176.4	215.3	-18.1	424.1
Operating result, EBIT, EUR million	-10.3	7.5	>-200	-7.4	-9.2	19.6	-16.5
Operating result, % of turnover	-12.5	7.4	-19.9%-p	-4.2	-4.3	0.1%-p	-3.9
<b>Personnel</b>							
Average number of employees				2,337	2,673	-12.6	2,619

In April-June, the turnover of Finnair's catering operations grew, thanks to increased volumes, and profitability improved as a result of measures implemented to improve efficiency. The turnover of technical services decreased in April-June as preparations were made for outsourcing engine and component services to SR Technics, as announced in April. Maintenance operations of Finnair Technical Services were loss-making for the entire first half of the year.

Since the beginning of the year, both Finnair's catering operations and engine and component services have been recorded on the balance sheet as non-current assets held for sale.

### 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. Amadeus Finland 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 2012	4-6 2011	Change %	1-6 2012	1-6 2011	Change %	2011
<b>Turnover and result</b>							
Turnover, EUR million	52.4	65.7	-20.2	153.2	172.3	-11.1	321.9
Operating result, EBIT, EUR million	0.5	-6.4	-107.8	-1.1	-6.2	82.3	-15.8
Operating result, % of turnover	1.0	-9.7	10.7%-p	-0.7	-3.6	2.9%-p	-4.9
<b>Personnel</b>							
Average number of employees				899	1,004	-10.5	980

In April–June, the operating result of the Travel Services was 0.5 million euros (-6.4). The companies operating on the Finnish package tour market, including Aurinkomatkat-Suntours, decreased their 2012 summer offering from planned levels by approximately 10 per cent, but the industry still suffered from overcapacity due to strong growth in offerings that occurred in 2011. Due to overcapacity, the prices of tours remained low and sales by Aurinkomatkat-Suntours were smaller than last year. Nevertheless, tour sales for late summer were lively due to the poor weather experienced in early summer. Aurinkomatkat-Suntours' customer satisfaction remained good.

Aurinkomatkat-Suntours closed its Russian sales offices in April and launched a Russian-language online shop at the end of June. The turnover of Aurinko Oü, operating in Estonia, was nearly the same as last year. Among Estonian customers, the company increased the sales of Aurinkomatkat-Suntours tours departing from Finland.

International online travel agencies continued to increase their airline ticket sales in Finland. For business travel agencies operating in Finland, sales decreased slightly during the first half of the year when compared to last year, but the development in Finnair's travel agencies was somewhat better than the development of business travel agencies on average.

## Personnel

Due to the on-going structural change, the number of employees at Finnair decreased in January–June and the company had on average 7,157 employees (7,519) at the end of June. The personnel were divided by business area as follows: Airline Business 3,619 (3,547), Aviation Services 2,337 (2,673) and Travel Services 899 (1,004). A total of 302 people were employed in other functions (295). The total number of Group employees on June 30, 2012 stood at 7,240 (7,795).

In the period under review, Finnair conducted employee consultations related to the outsourcing of engine and component services with technical services personnel, and as a result, a maximum of 280 jobs in technical services will be reduced. Redundancies will be implemented as of September 15, 2012. Finnair offers the impacted personnel an additional support package that includes both monetary compensation and re-employment support aiming at finding new employment through Finnair's Career Gate service.

Finnair and its cabin attendants concluded their employee consultation negotiations, which started in June, in early August. These consultations were related to Finnair's plan to transfer Embraer 190 traffic to Flybe Nordic. In course of the negotiations the reduction need of cabin personnel was reduced from the earlier announced 120 man years to approximately hundred man years.

In June, Finnair and the Finnish Air Line Pilots' Association concluded negotiations regarding the business transfer of Embraer 190 traffic and cost reduction measures. According to the agreement, pilots of Embraer aircraft will remain in the employment of Finnair in connection with the business transfer and they will be temporarily hired out to Flybe under currently valid terms of employment. Pilots working on aircraft operated by Flybe are entitled to return to Finnair in the future in a phased manner and train to become Airbus pilots in Finnair's increasing Asian traffic.

## Share price development and trading

At the end of June 2012, Finnair's market value stood at 224.2 million euros (457.4), and the closing price of the share was 1.75 euros (3.57). During the January–June period, the highest price for the Finnair share on the NASDAQ OMX Helsinki Stock Exchange was 2.64 euros (5.37), the lowest price 1.67 euros (3.22) and the

average price 2.34 euros (4.09). Some 8.3 million (11.3) of the company's shares, with a value of 19.4 million euros (46.1), 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 under review. The Finnish State owned 55.8 per cent (55.8) of Finnair's shares, while 11.9 per cent (14.3) were held by foreign investors or in the name of a nominee.

On June 30, 2012, Finnair held a total of 410,187 of its own shares, representing 0.3 per cent of the total share capital. There were no changes in the number of own shares held by Finnair in the period under review.

### **Corporate Responsibility**

In April, Finnair published its annual corporate responsibility report. The report was prepared according to guidelines set by the international Global Reporting Initiative (GRI) and includes metrics for financial, social and environmental responsibility for 2011. The report's themes are the impacts of aviation on society and economy, Finnair's actions to reduce emissions of greenhouse gases, and the effects of structural changes on personnel.

Finnair has published reports on environmental responsibility since 1997. In 2008, Finnair became one of the first airlines to publish reports based on the GRI framework. GRI, which is supported by the UN Environment Program, is the world's most broadly recognised international guideline for reporting on sustainable development.

### **Significant risks and uncertainties in the near future**

Due to the brevity of the reservation intake of passenger and cargo traffic, predicting business operations in the long term is difficult. In addition to operational activities, Finnair's result is largely affected by the development of the market price of fuel, as fuel costs are among the largest expense items, in addition to personnel costs. 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. At the end of June, the degree of hedging for a dollar basket over the following 12 months was 69 per cent.

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 executive board.

The implementation of Finnair's partnership projects and the achievement of the related strategic benefits also involve certain risks. The structural change and cost reduction programme initiated by the company has inherent risks related to the content and scheduling of the programme.

The European Union has included airline traffic in the carbon dioxide emissions trading scheme in the beginning of 2012. Airline traffic within the EU as well as flights departing from or arriving in EU countries are subject to emissions trading. Some non-EU countries are opposed to the EU Emissions Trading directive and have threatened Europe with various sanctions that may also affect Finnair's growth opportunities in Asian traffic and incur additional costs. According to the proposal made in July by the Commissioner in charge of emissions trading, the prices of actual emissions trading allowances may also rise, which would further distort the competition between European and non-EU airlines. In 2012, additional costs resulting directly from emissions trading for Finnair are estimated to be approximately 5 million euros.

There are many strategic, financial and operational risks related to Finnair's operations. Risks and risk management are discussed extensively in the Finnair Financial Report released in March 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.

The effect of a one-percentage-point change in the passenger load factor or the average returns of passenger traffic on the Group's operating result is approximately 15 million euros. The effect of a one-percentage-point change in the unit cost of scheduled passenger traffic on the operating result is approximately 17 million euros.

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 annual level, taking hedging into account. A 10 per cent change in the euro-dollar exchange rate has an effect of approximately 20 million euros on Finnair's operating result at annual level, taking hedging into account.

### **Other events during the review period**

Following the ownership arrangements made in June, Finnair gave up its direct shareholding in Finnish Aircraft Maintenance (FAM) and owns now 40 per cent of the company through its shareholding in Flybe Nordic. FAM primarily services to Flybe Finland's ATR turboprop aircraft. The change in ownership has no impact on Finnish Aircraft Maintenance's operational activities nor does it have a significant impact on Finnair's result.

In June, the police announced that the preliminary investigation regarding the apartment transaction between CEO Mika Vehviläinen and Ilmarinen Mutual Pension Insurance Company, which took place in January 2011, has been completed and the suspected bribery case proceeds to the Office of the Prosecutor General for consideration of charges. According to the Office of the Prosecutor General, the decision about prosecution or non-prosecution will probably be made in late August or September.

In June, the Disciplinary Committee of NASDAQ OMX Helsinki Oy reprimanded Finnair, stating that according to the Finnish Corporate Governance Code, Finnair should have provided more detailed reporting on management remunerations in 2009–2011.

### **Events after the Review Period**

In July, Finnair announced that it is in talks about the possible sale of a part of its engine service operations to the US-based GA Telesis. This potential transaction would save 75 jobs that would otherwise be lost as Finnair outsources engine and component services to SR Technics.

In July, passengers voted Finnair Northern Europe's Best Airline at the Skytrax World Airline Awards for the third consecutive year. World Airline Awards™ is the most extensive and valued commercial airline rating in the industry.

Finnair and LSG Sky Chefs Group (LSG) signed on August 1, 2012, a 5-year partnership agreement based on which the operational responsibility for and decision making power in Finnair Catering will fully transfer to LSG. Finnair estimates that this agreement will result in sustainable annual savings of approximately 9 million euros starting from the third year of the cooperation. The savings are a part of the earlier communicated 140 million euro cost reduction programme. In addition, LSG will pay Finnair during the agreement period three million euros annually as a compensation for the change of control, and Finnair will book these payments in full in its 2012 result in line with IFRS. Based on the partnership agreement, LSG has the right to acquire Finnair Catering Oy's share capital for a predetermined price during the agreement period. The payments made by the date of the sale would then be deducted from the purchase price.

According to IFRS, the arrangement is treated as an acquisition in accounting, and consequently, Finnair will cease to include Finnair Catering Oy's operations in its consolidated financial statements from August 1, 2012 onwards. Following this catering partnership and the outsourcing of Finnair's engine and component services, the Aviation Services reporting segment will in future consist of the operations of Finncatering Oy and Finnair Travel Retail Oy, aircraft line maintenance, and operations of Finnair Facilities Management Oy. The changes in reporting will be visible from Q3 2012 onwards and show in full from Q4 2012 onwards.

## Outlook for 2012

Finnair estimates that the operational result for the second half of the year, which is stronger than the first half of the year due to seasonal variations, will reflect improved profitability compared to the first half of the year.

The outlook for the world economy is still uncertain, and Finnair will adjust its passenger traffic capacity with its current structure according to demand, if necessary. Finnair estimates that this capacity will increase on last year but less than the 5 per cent level given in the earlier estimate. The growth will mainly come from Asian traffic, where Finnair increased capacity in May by opening a new flight route to Chongqing, China.

Finnair's fuel costs are estimated to be significantly higher in 2012 compared to the previous year due to increased capacity and high fuel prices.

Cost reductions of approximately 80 million euros out of the structural change and cost reduction programme's total target of 140 million euros are expected to be achieved by the end of 2012. The realisation of the cost reductions will mainly take place during the second half of the year. Finnair estimates that unit cost (CASK) excluding fuel will decrease year-on-year in the second half of the year.

FINNAIR PLC  
Board of Directors

## Q2 Result briefings

Finnair will hold a press conference on August 10, 2012 at 11:00 a.m. and an analyst briefing at 12:30 p.m. at Helsinki-Vantaa Airport's World Trade Center, located at the address Lentäjätie 3. An English-language telephone conference will begin at 3:30 p.m. Finnish time. The conference may be attended by dialling your local access number +358 923 101 514 (Toll-free UK: 08002799491, Sweden: 0200896900) and using the Participant PIN code: 255856#

FINNAIR PLC  
Communications  
August 10, 2012

## For further information, please contact:

Chief Financial Officer  
**Erno Hilden**  
Tel. +358 9 818 8550  
[erno.hilden@finnair.com](mailto:erno.hilden@finnair.com)

Financial Communications and Investor Relations Director  
**Mari Reponen**  
Tel. +358 9 818 4054  
[mari.reponen@finnair.com](mailto:mari.reponen@finnair.com)

IRO **Kati Kaksonen**  
Financial Communications and Investor Relations  
Tel. +358 9 818 2780  
[kati.kaksonen@finnair.com](mailto:kati.kaksonen@finnair.com), [investor.relations@finnair.com](mailto:investor.relations@finnair.com)

**Consolidated income statement**

in mill. EUR	Apr-June 2012	Apr-June 2011	Change %	Jan-June 2012	Jan-June 2011	Change %	Jan-Dec 2011
<b>Turnover</b>	<b>594,4</b>	<b>539,4</b>	<b>10,2</b>	<b>1 186,2</b>	<b>1 073,1</b>	<b>10,5</b>	<b>2 257,7</b>
Work used for own purposes and capitalized	0,1	0,7	-85,7	1,1	2,0	-45,0	3,1
Other operating income	6,3	3,3	90,9	10,2	6,0	70,0	13,9
Capital gains *	0,0	-0,1	100,0	0,0	-1,3	100,0	-3,0
<b>Operating income</b>	<b>600,8</b>	<b>543,3</b>	<b>10,6</b>	<b>1 197,5</b>	<b>1 079,8</b>	<b>10,9</b>	<b>2 271,7</b>
<b>Operating expenses</b>							
Staff costs	113,9	110,4	3,2	228,8	227,2	0,7	455,4
Fuel	157,9	131,7	19,9	325,5	264,5	23,1	555,2
Lease payment for aircraft	17,2	18,1	-5,0	35,2	34,8	1,1	69,9
Other rental payments	26,6	31,3	-15,0	57,5	60,4	-4,8	128,0
Fleet materials and overhaul	31,4	24,9	26,1	71,8	55,1	30,3	117,8
Traffic charges	58,7	49,8	17,9	112,4	100,4	12,0	211,6
Ground handling and catering expenses	52,0	48,6	7,0	101,2	93,3	8,5	195,8
Expenses for tour operations	17,6	26,9	-34,6	57,1	68,8	-17,0	131,2
Sales and marketing expenses	19,9	27,1	-26,6	38,2	48,8	-21,7	93,3
Depreciation	32,3	29,5	9,5	64,2	59,5	7,9	130,6
Other expenses	58,6	58,9	-0,5	115,9	125,2	-7,4	246,8
<b>Total</b>	<b>586,1</b>	<b>557,2</b>	<b>5,2</b>	<b>1 207,8</b>	<b>1 138,0</b>	<b>6,1</b>	<b>2 335,6</b>
<b>Operational result, EBIT</b>	<b>14,7</b>	<b>-13,8</b>	<b>&gt; 200 %</b>	<b>-10,3</b>	<b>-56,9</b>	<b>81,9</b>	<b>-60,9</b>
Fair value changes of derivatives and foreign currency denominated fleet maintenance reserves	-20,9	-11,3	-85,0	-11,7	8,3	<-200 %	-2,4
Non-recurring items	-11,9	0,0	-	-16,3	-18,4	11,4	-21,5
<b>Total Expenses</b>	<b>618,9</b>	<b>568,5</b>	<b>8,9</b>	<b>1 235,8</b>	<b>1148,1</b>	<b>7,6</b>	<b>2 359,5</b>
<b>Operating result, EBIT</b>	<b>-18,1</b>	<b>-25,2</b>	<b>28,2</b>	<b>-38,3</b>	<b>-68,3</b>	<b>43,9</b>	<b>-87,8</b>
Financial income	3,1	1,2	158,3	4,9	4,3	14,0	9,0
Financial expenses	-9,1	-6,2	-46,8	-15,6	-12,5	-24,8	-30,6
Share of result in associates and joint ventures	-1,4	0,0	-	-2,7	0,1	<-200 %	-2,1
<b>Result before taxes</b>	<b>-25,5</b>	<b>-30,2</b>	<b>15,6</b>	<b>-51,7</b>	<b>-76,4</b>	<b>32,3</b>	<b>-111,5</b>
Direct taxes	5,7	7,2	-20,8	11,5	19,6	-41,3	24,0
<b>Result for the period</b>	<b>-19,8</b>	<b>-23,0</b>	<b>13,9</b>	<b>-40,2</b>	<b>-56,8</b>	<b>29,2</b>	<b>-87,5</b>
Earnings per share attributable to shareholders of the parent company	-19,9	-23,1		-40,4	-56,9		-87,7
Earnings per share to shareholders of the parent company	0,1	0,1		0,2	0,1		0,2
<b>Non-controlling interest</b>							
Earnings per share (basic, diluted)	-0,17	-0,20		-0,35	-0,48		-0,75

\* not included in the operational result, EBIT

## Consolidated balance sheet

in mill. EUR	June 30, 2012	June 30, 2011	Dec 31, 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	29,9	36,1	32,3
Tangible assets	1 375,3	1 421,6	1 468,2
Investments accounted for using the equity method	9,4	9,0	13,7
Financial assets	32,5	12,9	32,1
Deferred tax receivables	90,1	77,4	75,2
Total	1 537,2	1 557,0	1 621,5
<b>Short-term receivables</b>			
Inventories	18,5	50,7	48,9
Trade receivables and other receivables	317,4	309,3	283,3
Investments	364,4	427,8	353,8
Cash and cash equivalents	62,7	103,4	49,5
Total	763,0	891,2	735,5
Non-current Assets held for sale	86,8	27,3	0,0
<b>Assets total</b>	<b>2 387,0</b>	<b>2 475,5</b>	<b>2 357,0</b>
<b>Shareholders' equity and liabilities</b>			
<b>Capital and provisions attributable to equity holders of the parent company</b>			
Shareholders' equity	75,4	75,4	75,4
Other equity	608,5	724,0	676,4
Total	683,9	799,4	751,8
Non-controlling interest	0,8	0,7	0,7
Equity total	684,7	800,1	752,5
<b>Long-term liabilities</b>			
Deferred tax liability	91,4	108,1	98,5
Financial liabilities	482,2	523,3	516,0
Pension obligations	0,0	2,5	0,0
Provisions	90,6	73,2	86,9
Total	664,2	707,1	701,4
<b>Short-term liabilities</b>			
Current income and tax liabilities	0,0	0,0	0,0
Provisions	42,7	42,4	46,0
Financial liabilities	205,7	212,0	229,9
Trade payables and other liabilities	773,4	713,9	627,2
Liabilities of Non currents Assets held for sale	16,3	-	-
Total	1 038,1	968,3	903,1
Liabilities total	1 702,3	1 675,4	1 604,5
<b>Shareholders' equity and liabilities, total</b>	<b>2 387,0</b>	<b>2 475,5</b>	<b>2 357,0</b>

Shareholders' equity as of 30 June 2012

	Share capital	Share premium account	Bonus issue	Hedging reserve	Unrestricted equity	Translation difference	Retained earnings	Hybrid bond	Equity attributable to shareholders of the company	Non-controlling interest	Own equity, total
<b>Mill. EUR</b>											
<b>Shareholders' equity, 1 Jan 2012</b>	75,4	20,4	147,7	30,0	247,2	-0,2	111,9	119,4	<b>751,8</b>	0,7	<b>752,5</b>
Dividend and share based payments							0,0	0,0	0,0	0,0	<b>0,0</b>
Hybrid bond interest							-4,1		-4,1	0,0	<b>-4,1</b>
<b>Shareholders' equity related to owners, 30 June 2012</b>	75,4	20,4	147,7	30,0	247,2	-0,2	107,8	<b>119,4</b>	<b>747,7</b>	<b>0,7</b>	<b>748,4</b>
Result for the period							-40,4		-40,4	0,1	-40,3
Items of Comprehensive income				-23,4		0,0			-23,4	0,0	-23,4
Comprehensive income for the financial period	0,0	0,0	0,0	-23,4	0,0	0,0	-40,4	0,0	-63,8	0,1	-63,7
<b>Shareholders' equity, 30 June 2012</b>	75,4	20,4	147,7	6,6	247,2	-0,2	67,4	<b>119,4</b>	<b>683,9</b>	<b>0,8</b>	<b>684,7</b>

	Share capital	Share premium account	Bonus issue	Hedging reserve	Unrestricted equity	Translation difference	Retained earnings	Hybrid bond	Equity attributable to shareholders of the company	Non-controlling interest	Own equity, total
<b>Mill. EUR</b>											
<b>Shareholders' equity, 1 Jan 2011</b>	75,4	20,4	147,7	35,2	247,2	0,0	215,2	119,4	<b>860,5</b>	0,8	<b>861,3</b>
Dividend and share based payments							0,1	0,0	0,1	-0,2	<b>-0,1</b>
Hybrid bond interest							-8,0		-8,0	0,0	<b>-8,0</b>
<b>Shareholders' equity related to owners, 30 June 2011</b>	75,4	20,4	147,7	35,2	247,2	0,0	207,3	<b>119,4</b>	<b>852,6</b>	<b>0,6</b>	<b>853,2</b>
Result for the period							-56,9		-56,9	0,1	-56,8
Items of Comprehensive income				3,7		0,0			3,7	0,0	3,7
Comprehensive income for the financial period	0,0	0,0	0,0	3,7	0,0	0,0	-56,9	0,0	-53,2	0,1	-53,1
<b>Shareholders' equity, 30 June 2011</b>	75,4	20,4	147,7	38,9	247,2	0,0	150,4	<b>119,4</b>	<b>799,4</b>	<b>0,7</b>	<b>800,1</b>

## Consolidated cash flow statement

in mill. EUR	Jan-June 2012	Jan-June 2011	Jan-Dec 2011
<b>Cash flows from operating activities</b>			
Profit for the financial year	-38,9	-56,8	-87,5
Operations for which a payment is not included *	98,4	71,0	148,9
Interest and other financial expenses	15,4	12,5	30,6
Interest income and other financial income	-4,4	-4,2	-8,9
Dividend income	0,0	-0,1	0,0
Changes in working capital	31,9	46,6	-15,3
Interest paid	-7,2	-9,2	-19,7
Paid financial expenses	-5,2	-1,8	-5,2
Received interest	2,3	2,3	5,6
Received financial income	0,0	0,3	2,3
Taxes paid	0,0	0,0	0,0
<b>Net cash flow from operating activities</b>	<b>92,3</b>	<b>60,6</b>	<b>50,8</b>
<b>Cash flows from investing activities</b>			
Investments in associates and joint ventures	0,0	-1,2	-8,3
Investments in intangible assets	-3,4	-1,1	-5,3
Investments in tangible assets	-3,6	-58,4	-145,0
Net change of financial interest bearing assets at fair value through profit and loss	42,7	105,8	70,8
Net change of shares classified as available for sale	0,0	0,2	0,2
Sales of tangible fixed assets	0,0	43,5	60,1
Received dividends	0,1	0,1	0,1
Change in non-current receivable	-0,4	0,7	-9,4
<b>Net cash flow from investing activities</b>	<b>35,4</b>	<b>89,6</b>	<b>-36,8</b>
<b>Cash flows from financing activities</b>			
Loan withdrawals and changes	-100,0	0,3	34,1
Loan repayments and changes	30,5	-36,4	-87,6
<b>Net cash flow from financing activities</b>	<b>-69,5</b>	<b>-36,1</b>	<b>-53,5</b>
<b>Change in cash flows</b>	<b>58,2</b>	<b>114,1</b>	<b>-39,5</b>
Liquid funds, at beginning	254,5	294,0	294
Change in cash flows	58,2	114,1	-39,5
<b>Liquid funds, at end</b>	<b>312,7</b>	<b>408,1</b>	<b>254,5</b>
<b>Notes to consolidated cash flow statement</b>			
* Operations for which a payment is not included			
Depreciation	64,2	59,5	130,6
Employee benefits	12,5	0,0	15,2
Fair value changes in derivatives and changes in exchange rates of fleet overhauls	11,7	-3,1	2,4
Other adjustments**	10,0	14,6	0,7
Total	98,4	71,0	148,9
Financial asset at fair value	364,4	427,8	353,8
Liquid funds	66,1	103,4	49,5
Short-term cash and cash equivalents in balance sheet	430,5	531,2	403,3
Maturing after more than 3 months	-93,2	-100,9	-135,9
Shares held to trading purposes	-24,6	-22,2	-12,9
Total in cash flow statement	312,7	408,1	254,5

\*\* The paid items related to financial lease agreements 2011 have been classified so that they are part of financing activities cash flow instead of operating activities cash flow



## 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 2011 consolidated financial statements.

The standards and interpretations published by the IASB to be introduced by the Group in 2013 and 2014 will be introduced in the accounting principles of 2012 financial statements.

### 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 2011.

### 4. SEGMENT INFORMATION

The reported segment of the Group are business segments. The business segments are Airline Business, Aviation Services and Travel Services. Pricing between segments takes place at the going market price.

#### Business segment data Jan - June 2012

in mill. EUR	Airline Business	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
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	1 186,2
Operating profit	-29,8	-7,4	-1,1		0,0	-38,3
Share of results of associates and joint ventures					-2,7	-2,7
Financial income					4,9	4,9
Financial expenses					-15,6	-15,6
Income tax					11,5	11,5
Non-controlling interest					-0,2	-0,2
Result for the period						-40,4
Depreciation	55,3	8,1	0,8	0,0	0,0	64,2

#### Business segment data Jan - June 2011

in mill. EUR	Airline Business	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
External turnover	846,6	54,9	171,6			1 073,1
Internal turnover	81,6	160,4	0,7	-242,7		0,0
Turnover	928,2	215,3	172,3	-242,7	0,0	1 073,1
Operating profit	-52,9	-9,2	-6,2		0,0	-68,3
Share of results of associates and joint ventures					0,1	0,1
Financial income					4,3	4,3
Financial expenses					-12,5	-12,5
Income tax					19,6	19,6
Non-controlling interest					-0,1	-0,1
Result for the period						-56,9
Depreciation	49,9	8,9	0,7	0,0	0,0	59,5

**Turnover**

	Apr-June 2012	Apr-June 2011	Change %	Jan-June 2012	Jan-June 2011	Change %	Jan-Dec 2011
Mill. EUR							
Airline Business	535,6	475,9	12,5	1045,5	928,2	12,6	1 970,5
Aviation Services	82,6	100,8	-18,1	176,4	215,3	-18,1	424,1
Travel Services	52,4	65,7	-20,2	153,2	172,3	-11,1	321,9
Group eliminations	-76,2	-103,0	26,0	-188,9	-242,7	22,2	-458,8
<b>Total</b>	<b>594,4</b>	<b>539,4</b>	<b>10,2</b>	<b>1 186,2</b>	<b>1 073,1</b>	<b>10,5</b>	<b>2 257,7</b>

**Operating profit**

	Apr-June 2012	Apr-June 2011	Change %	Jan-June 2012	Jan-June 2011	Change %	Jan-Dec 2011
Mill. EUR							
Airline Business	-8,3	-26,3	68,4	-29,8	-52,9	43,7	-55,5
Aviation Services	-10,3	7,5	<-200 %	-7,4	-9,2	19,6	-16,5
Travel Services	0,5	-6,4	107,8	-1,1	-6,2	82,3	-15,8
<b>Total</b>	<b>-18,1</b>	<b>-25,2</b>	<b>28,2</b>	<b>-38,3</b>	<b>-68,3</b>	<b>43,9</b>	<b>-87,8</b>

Unallocated items in 2011 have been allocated to segments.

**Employees average by segment**

	Jan-June 2012	Jan-June 2011	Change %	Jan-Dec 2011
Airline Business	3 619	3 547	2,0	3 565
Aviation Services	2 337	2 673	-12,6	2 619
Travel Services	899	1 004	-10,5	980
Other functions	302	295	2,4	303
<b>Total</b>	<b>7 157</b>	<b>7 519</b>	<b>-4,8</b>	<b>7 467</b>

## 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 2011 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	June 30, 2012		June 30, 2011		Dec 31, 2011	
	Nominal value	Fair net value	Nominal value	Fair net value	Nominal value	Fair net value
<b>Currency derivatives, in Mill. EUR</b>						
Hedge accounting items						
Forward contracts, Jet Fuel currency hedging	377,4	25,3	312,9	-11,8	373,5	22,9
Forward contracts, Hedging of Aircraft purchase price						
Fair value hedging	319,5	30,8	276,8	-1,5	330,0	25,2
Cash flow hedging	0,0					
Forward contracts, Currency hedging of lease payments	42,8	2,9	39,5	-2,4	45,7	2,8
<b>Total</b>	<b>739,7</b>	<b>59,0</b>	<b>629,2</b>	<b>-15,7</b>	<b>749,2</b>	<b>50,9</b>
Currency derivatives at fair value through profit or loss						
Operating cash flow hedging (forward contracts)	188,8	7,3	183,3	-1,9	187,2	8,7
Operational cash flow hedging (options)						
Call options	104,4	3,0	42,3	1,8	109,7	2,4
Put options	129,3	-1,5	5,3	-1,0	162,5	-2,2
Balance sheet hedging (forward contracts)	63,0	3,2	89,8	-3,6	78,8	3,6
<b>Total</b>	<b>485,5</b>	<b>12,0</b>	<b>320,7</b>	<b>-4,7</b>	<b>538,2</b>	<b>12,5</b>
<b>Currency derivatives, total</b>	<b>1 225,2</b>	<b>71,0</b>	<b>949,9</b>	<b>-20,4</b>	<b>1 287,4</b>	<b>63,4</b>
<b>Commodity derivatives, in tonnes/MWh</b>						
Hedge accounting items						
Jet Fuel swaps (tonnes)	507 700	-24,3	547 900	64,0	537 400	21,1
Electricity hedging MWh	85 065	-0,2	113 081	0,3	113 223	-0,3
Currency derivatives at fair value through profit or loss						
Jet fuel forward contracts, (tonnes)	7 100	-0,8	26 600	3,9	13 400	-0,5
<b>Options</b>						
Jet fuel options, (tonnes)	239 000	2,1	200 700	12,9	240 600	7,8
Jet fuel put options, (tonnes)	406 000	-10,3	401 400	-7,9	481 200	-7,8
Electricity hedging MWh	37 545	-0,4	28 944	0,0	26 352	-0,1
<b>Commodity derivatives, total</b>		<b>-33,9</b>		<b>73,2</b>		<b>20,2</b>
<b>Interest rate derivatives, in Mill. EUR</b>						
<b>Cross currency Interest rate swaps</b>						
Cross currency interest rate swaps at fair value through profit or loss	24,9	0,5	29,8	-1,5	27,0	0,2
<b>Total</b>	<b>24,9</b>	<b>0,5</b>	<b>29,8</b>	<b>-1,5</b>	<b>27,0</b>	<b>0,2</b>
<b>Interest rate swaps</b>						
Interest rate swaps at fair value through profit or loss	25,0	-1,0	25,0	0,0	25,0	-0,8
<b>Interest rate derivatives, total</b>	<b>25,0</b>	<b>-1,0</b>	<b>25,0</b>	<b>0,0</b>	<b>25,0</b>	<b>-0,8</b>
<b>Interest rate option</b>	<b>7,7</b>				<b>8,3</b>	
<b>Interest rate option, total</b>	<b>7,7</b>	<b>0,0</b>			<b>8,3</b>	

## 6. COMPANY ACQUISITIONS AND SALES

During the financial period the Group didn't have any acquired businesses.

## 7. INCOME TAXES

Operational and deferred taxes based on the result have been recognised in the income statement at prevailing tax rates.

## 8. DIVIDEND PER SHARE

The Annual General Meeting on 28 March 2012 decided not to distribute a dividend for financial year 2011.

## 9. CHANGE IN INTANGIBLE AND TANGIBLE ASSETS

in mill. EUR	June 30, 2012	June 30, 2011	Dec 31, 2011
Carrying amount at the beginning of period	1 500,5	1 515,9	1 515,9
Fixed asset investments	10,3	61,8	203,9
Change in advances	-3,0	11,6	-12,9
Disposals	-38,4	-44,8	-75,8
Depreciation	-64,2	-59,5	-130,6
<b>Carrying amount at the end of period</b>	<b>1 405,2</b>	<b>1 485,0</b>	<b>1 500,5</b>
Proportion of assets held for sale at beginning of period	0,0	70,7	70,7
Proportion of assets held for sale at end of period	39,6	27,3	0,0

## 10. NON-CURRENT ASSETS HELD FOR SALE

Catering and technical services as described in the interim report text.

	June 30, 2012	June 30, 2011	Dec 31, 2011
Non current assets held for sale			
Tangible assets	39,6	27,3	-
Inventories	33,3	-	-
Trade receivables and other receivables	10,5	-	-
Cash and cash equivalents	3,4	-	-
<b>Total</b>	<b>86,8</b>	<b>27,3</b>	<b>-</b>

	June 30, 2012	June 30, 2011	Dec 31, 2011
Liabilities of Non currents Assets held for sale			
Trade payables and other liabilities	16,3	-	-
<b>Total</b>	<b>16,3</b>	<b>-</b>	<b>-</b>

## 11. 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.

## 12. CONTINGENT LIABILITIES

in mill. EUR	June 30, 2012	June 30, 2011	Dec 31, 2011
Pledges on own behalf	679,1	685,8	757,7
Guarantees on behalf of group undertakings	64,9	65,9	72,5
Guarantees on behalf of others	3,5	2,2	1,8
<b>Total</b>	<b>747,5</b>	<b>753,9</b>	<b>832,0</b>

Investment commitments for property, plant and equipment on 30 June 2012 totalled 1.000.0 million euros (1.000,0)

## 13. LIABILITIES

in mill. EUR	June 30, 2012	June 30, 2011	Dec 31, 2011
Fleet lease payment liabilities	197,9	237,3	228,7
Other liabilities	282,9	246,3	290,6
<b>Total</b>	<b>480,8</b>	<b>483,6</b>	<b>519,3</b>

#### 14. RELATED PARTY TRANSACTIONS

in mill. EUR	June 30, 2012	June 30, 2011	Dec 31, 2011
Sales of goods and services			
Associates and joint ventures	8,4	0,2	5,1
Purchases of goods and services			
Associates and joint ventures	53,2	0,8	25,5
Receivables and liabilities			
Receivables from associates and joint ventures	0,3	0,1	4,4
Liabilities from associates and joint ventures	4,4	0,1	4,1

#### 15. 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 recognised straight in the hedging reserve of the shareholders' equity and the translation difference.

in mill. EUR	Apr-June 2012	Apr-June 2011	Change %	Jan-June 2012	Jan-June 2011	Change %	Jan-Dec 2011
<b>Profit for the period</b>	<b>-18,6</b>	<b>-23,1</b>	19,5	<b>-39,1</b>	<b>-56,9</b>	31,3	<b>-87,5</b>
<b>Other comprehensive income items</b>							
Translation differences	0,1	0,2	-50,0	0,1	0,1	0,0	-0,2
Change in fair value of available-for-sale financial assets after taxes	0,1	-1,1	109,1	9,0	-2,7	> 200 %	-9,9
Change in fair value of hedging instruments after taxes	-34,6	-25,6	-35,2	-32,4	6,4	<-200 %	4,7
<b>Other comprehensive income items, total</b>	<b>-34,4</b>	<b>-26,5</b>	-29,8	<b>-23,3</b>	<b>3,8</b>	<-200 %	<b>-5,4</b>
<b>Comprehensive income for the financial period</b>	<b>-53,0</b>	<b>-49,6</b>	-	<b>-62,4</b>	<b>-53,1</b>	-	<b>-92,9</b>

Earnings per share to shareholders of the parent company of the comprehensive income statement	-53,1	-49,7	-	-62,5	-53,2	-	-93,1
Earnings per share to non-controlling interest of the comprehensive income statement	0,1	0,1	-	0,1	0,1	-	0,2

#### 16. EVENTS AFTER THE REVIEW PERIOD

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

## 17. CALCULATION OF KEY RATIOS

### Earnings / share:

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

### Equity / share:

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

### Gearing, %:

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

### 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)

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

### Net interest-bearing liabilities

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

### Equity ratio, %:

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

### Return on equity %: (ROE)

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