CYPRUS AIRWAYS

INDICATION OF RESULTS
CYPRUS AIRWAYS PUBLIC LTD
FOR THE YEAR ENDED 31 DECEMBER 2012

The Cyprus Airways Group announces the indication of results for the year ended 31 December 2012 which has been approved by the Board of Directors of Cyprus Airways Public Limited during its meeting held on 2 March 2013. The indication of results for the Cyprus Airways Group for the year ended 31 December 2012 is a loss after tax of €55,8 million in comparison to a loss of €23,9 million in 2011. The accounting policies used for the preparation of the indication of results were the same with those used for the preparation of the annual and condensed interim financial statements.

CYPRUS AIRWAYS PUBLIC LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 €'000	2011 €'000
Revenue	**175.541**	212.886
Cost of sales	**(215.622)**	(245.456)
Gross loss before redundancy compensation	**(40.081)**	(32.570)
Redundancy compensation	**-**	(9.690)
Operating loss after redundancy compensation	**(40.081)**	(42.260)
Other (expenses)/income	**(344)**	31.722
Administrative expenses	**(9.270)**	(10.088)
Impairment Loss	**-**	(4.892)
Operating loss before finance (expenses)/income	**(49.695)**	(25.518)
Finance income	**287**	2.932
Finance expense	**(973)**	(1.219)
Net Finance (Expenses)\income	**(685)**	1.713
Loss before share from associate company	**(50.381)**	(23.805)
Share of profit from associated company	**342**	181
Loss before tax	**(50.039)**	(23.624)
Tax	**(5.793)**	(261)
Loss for the year	**(55.832)**	(23.885)
Basic and diluted loss per share - €cent	**(14,27)**	(6,11)

EXPLANATORY STATEMENT

1. **Basis of Preparation**

The indication of results as presented above was prepared on the basis of the company continuing to operate as a going concern. The ability of the Company to continue to operate as a going concern for the next twelve months is directly associated with the decision of the Council of Ministers in its meeting on 4 December 2013 to approve the Turnaround Plan which was prepared by Air France Consulting and the preliminary approval of the additional increase, as provided in the Turnaround Plan, of the share capital of the Company by the State in its capacity as the largest shareholder, and with the final ruling of the European Union on the State Aid application submitted by the Ministry of Finance on 13 December 2012 in the form of Rescue Aid for the Company. The indication of results does not include any provisions which will become necessary if the expected funding is not received. This uncertainty has to be taken into consideration in the analysis of the indication of results. The indication of results is not audited by the External Auditors of the Company.

2. **Financial Review**

Revenue

Total revenue reached €175,5 million in 2012 compared to €212,9 million in 2011, registering a decrease of €37,4 million or 17,6%.

This considerable decrease in revenue was mainly attributed to the reduction in passenger and freight revenue. The number of seats available for sale was reduced as a result of the abandonment of unprofitable routes and the limited demand due to the economic downturn and the intensifying competition. Consequently, the number of passengers carried decreased in comparison to last year.

Operating expenditure

Operating expenditure, which includes cost of sales and administrative expenses, was €224,9 million in 2012 compared to €270,1 million in 2011, registering a decrease of €45,2 million or 16,7%.

The operating expenditure in 2011 included the non-recurring costs relating to the redundancy compensation to employees who left the Company's employment with the Redundancy Scheme of 2011 and the impairment loss resulting from the sale of two A319 aircraft. As a result of the redundancies of 2011 staff costs decreased in 2012. Aircraft depreciation decreased in 2012 after the sale of the two A319 aircraft and all other costs including fuel, en route charges, catering and selling costs decreased due to the drop in the number of flights operated and passengers carried. The compensation for the prohibition to overfly Turkish airspace for the year 2012 has reduced the relevant expense categories.

Other (expenses)/income

Other expenses in 2012 rose to €344 thousand as compared to other income in 2011 of €31,7 million which included the benefit which arose from the exchange of slots at London Heathrow airport between the Company and Virgin Atlantic Airways of €22.0 million as well as the profit of €9,7 million from the sale of one A320 aircraft and three aircraft spare engines.

Operating loss

The operating loss for 2012 was €49,7 million in comparison to a loss of €25,5 million in 2011.

Net finance (expenses)/income

Net finance expenses of €685 thousand were recorded in 2012 in comparison to a net finance income of €1,7million in 2011. This decrease is mainly attributed to the decrease in Interest Receivable due to the decrease in available Bank Balances and interest rates.

3. Prospects for 2013

The current year continues to be affected by the economic downturn and the intensifying competition in the main markets where the Company operates. In Cyprus, the main market in which the company operates, the financial crisis is expected to deepen following the implementation of the painful austerity measures that will be finalized with the Troica and in Greece, the second most important market for the company, the financial crisis will continue well into 2013. In addition the current year is characterized by the instability in the energy sector, the constant currency fluctuations and in particular those of the US Dollar and the Euro, the fluctuations in interest rates and the increase in unemployment and labour insecurity mainly in Europe. The Company does not have the ability to influence these factors which have the potential to adversely affect the effort to secure its long term viability.

The Company is in the process of implementing the Turnaround Plan that was formulated by Air France Consulting, submitted to the Finance and Budgeting Committee of the House of Representatives and was approved by the Council of Ministers. The main pillars of the said Plan are the following:

- Provision of funding to the Company in order to be in a position to implement the Plan
- Reduction in the number of employees of the Company and increase in their productivity
- Outsourcing of specific departments
- Reductions in the employees' emoluments and removal from the Collective Agreements of distortions in its mode of operation.
- Expansion in the larger and less seasonal Greek market
- Introduction of measures to improve the product and the image and increase the Company's revenues.

The implementation of the measures of the Turnaround Plan is expected to lead to a drastic reduction in the operating losses for the current year in comparison to 2012 and it will have a favourable impact on the long term viability of the Company. It should also be noted that the efforts for identifying a strategic investor will continue while the Government has already proceeded with a Rescue Aid application for the Company to the European Union.

This announcement is available at the Company's registered office as well as on its website the address of which is cyprusair.com. It will also be published in daily circulation newspapers on 5 March 2013.

4 March 2013