FINNAIR

FINNAIR GROUP INTERIM REPORT 1 JANUARY - 31 MARCH 2007

An encouraging start to the year

Summary of the first quarter's key figures

– Turnover rose 10.0% to 528.5 million euros
– Passenger traffic grew 9.3% from the previous year, passenger load factor rose 1.2 percentage points to 75.8%
– Unit revenues from flight operations rose by 1.8%, unit costs fell by 2.1%
– Operating profit was 13.7 million euros (operating loss 5.2 million euros).
– Operational result ie. EBIT, excluding capital gains, changes in the fair value of derivatives, was 5.8 million euros (5.1 million loss)
– Profit before taxes was 13.4 million euros (5.2 million loss)
– Gearing at the end of the quarter was 16.6% (-10.6%) and gearing adjusted for leasing liabilities was 116.5% (85.0%)
– Balance sheet cash and cash equivalents totalled 221.5 million euros (306.7 million)
– Equity ratio 36.9% (40.7%)
– Equity per share 6.93 euros (7.39)
– Earnings per share 0.11 euros (-0.05)
– Return on capital employed -0.1% (8.3%)
Comparisons made to Q1 in 2006

President and CEO Jukka Hienonen on the first-quarter result:

Demand is now strong both in Asian traffic and on European routes, and our market share in Europe-Asia traffic is growing. Development of unit revenues in all types of traffic is positive and unit costs are decreasing, so profitability is improving.

We will continue to further expand our Europe-Asia traffic, which will be shown in the improvement of cost structure and operating terms and conditions. An example of this is the Memorandum of Understanding we recently signed with Norwegian Air Shuttle on sale of the FlyNordic subsidiary to the Norwegian company and the deepening of cooperation between the companies to increase traffic between the Nordic countries and Asia.

We are making new openings in Asia and Europe. We will quadruple our India traffic when we begin flights to Mumbai in June. Slots are now being awarded at many busy Asian airports and we want to ensure that Finnair's colours are seen among the ranks of aircraft at these destinations. In Europe we have already opened five new destinations this year.

We have worked hard to improve efficiency and profitability of the company, and in this work we have not been able to avoid painful solutions. Through our own actions we have, however, managed to turn last year's weak financial performance into a clearly better effort this year.

I believe that everyone in Finnair will want to be part of the success story that we have on our hands. In the light of current forecasts, we have the potential to exceed the level of operational result achieved in 2005.

General Review

Finnair began 2007 with strong growth in travel demand. Growth was especially good in Europe-Asia traffic. As this traffic passes through Helsinki, strong growth was seen on both Asian and European routes. European network airlines' performance improved on average by a good five per cent, while Finnair's revenue passenger kilometres in scheduled traffic increased by around 20 per cent, representing the absolute best performance in the sector.

The price of jet fuel price remained high, but did not continue its rise; operational efficiencies, however, reduced unit costs of flight operations by around three per cent in January-March. Unit revenues rose at the same time by slightly under two per cent. This improved profitability in the first quarter, which is generally the weakest of the year in terms of profitability.

Profitability has improved, particularly in Aviation Services. The booking situation at Finnair Technical Services' Aircraft Heavy Maintenance, which has suffered from weak utilisation capacity, improved during the early part of the year. The order book is also strong for the latter part of the year.

The 80 million euro efficiency programme initiated in 2006 is being implemented and it is expected to yield around 40 million euros in savings in the cost structure during the current year. Savings weighted towards end of the year. The reduction of workforce by 670 announced last May will be mainly implemented by the end of this year.

A long-haul fleet renewal programme, which will see the present Boeing MD-11 fleet replaced by Airbus A330/A340 wide-bodied aircraft by the end of 2010, was announced in March 2007. At the same time, the order for the new generation A350XWB type of aircraft, announced earlier, was increased from nine to eleven. The value of confirmed orders is nearly two billion euros in the period 2007–2016.

At the end of April, Finnair signed a Memorandum of Undestanding on the sale of its Swedish subsidiary FlyNordic to the Norwegian budget airline Norwegian Air Shuttle. As a result of the deal, Finnair will get over five per cent of the shares in Norwegian, and an option to increase its ownership to approximately ten per cent. During the first Quarter Flynordic´s result was slightly negative, but clearly better than during previous year.

Finnair and Norwegian Air Shuttle have also agreed to deepen cooperation between the companies. Norwegian Air Shuttle's Scandinavian route network will be linked to Finnair's increasing Asian connections, which means that growing demand in Asia for tours in the Nordic countries and Central Europe can be met better.

Financial Result, 1 January – 31 March 2007

Turnover rose in the first quarter by 10.0 per cent to 528.5 million euros. The Group's operating profit on operations, excluding capital gains and changes in the fair value of derivatives, rose to 5.8 million euros (5.1 million loss) Adjusted operating profit margin was 1.1 per cent (-1.1). Profit before taxes was 13.4 million euros (5.2 million loss). Changes in the fair value of derivatives improved the first quarter result by 6.0 million euros, but this has no effect on cash flow.

In January-March, passenger traffic capacity (ASK) rose 9.5 per cent and demand grew 11.2 per cent, while Asian traffic rose by 35.4 per cent. Passenger load factor rose 1.2 percentage points from the previous year to 75.8 per cent. The amount of cargo carried grew by 0.5 per cent to 21.7 million kilos.

In scheduled passenger and leisure traffic, total unit revenues per passenger kilometre rose by 2.0 per cent. Yield per passenger rose by 9.5 per cent. Unit revenues per tonne kilometre for cargo traffic declined by 4.9 per cent. Weighted unit revenue for passenger and cargo traffic rose by 1.7 per cent.

Euro-denominated operating costs rose during the period by 6.1 per cent. Unit costs for flight operations fell by 2.1 per cent. Fuel costs increased in the first quarter by 15.6 per cent as whole, but per available tonne kilometre only by 3.6 per cent. Unit costs, excluding fuel costs, fell by 3.7 per cent.

Earnings per share for the quarter amounted to 0.11 euros (-0.05). The Group's result improvement in year-on-year comparison is mostly due to better financial performance in Finnair Technical Services and FlyNordic.

Investment, financing and risk management

First-quarter investments totalled 52.3 million euros (48.7 million) and included one Embraer 190 aircraft. Including advance payments, the cash flow impact of investments was -57.5 million euros. The investments in new aircraft in the years 2007-2009 exceed 300 million euros per year.

At the end of March, the Group had balance sheet cash and cash equivalents amounting to 221.5 million euros, in addition to which there was a total of 300 million euros in unused committed credit facilities.

Operational net cash flow was 0.6 million euros, compared with -32.9 million euros a year earlier. Gearing increased from 6.7 per cent at the beginning of the year to 16.6 per cent at the end of March. Gearing adjusted for leasing liabilities was 116.5 per cent (85.0%). Various options for strengthening the capital structure are being studied. The equity ratio fell by 9.3 percentage points from the corresponding point in the previous year to stand at 36.9 per cent.

According to the financial risk management policy approved by Finnair's Board of Directors, the company has hedged about 70 per cent of scheduled traffic's jet fuel purchases during the next six months and thereafter for the following 30 months with a decreasing level of hedging. At the end of 2006 Finnair adjusted its hedging policy so that the hedging horizon for jet fuel was extended from two to three years. Finnair Leisure Flights has price hedged more than 60 per cent of the fuel consumption of its agreed traffic programme for the summer season.

Derivatives linked to the jet fuel price are mainly used as the fuel price hedging instrument. Due to the extension of the hedging horizon and derivatives market efficiency differences, Finnair also uses other oil derivatives.

Under IFRS rules, a change during the financial period in the fair value of derivatives that mature in future is recognised in the Finnair income statement item 'Other expenses'. The change in the fair value of derivatives is not a realised hedging gain nor does it have an effect on cash flow; it is a valuation gain in accordance with IFRS reporting practice. During the first quarter, the change in the fair value of derivatives was 6.0 million euros.

A weakening of the US dollar against the euro has a positive impact on Finnair's operational result. At the end of March, the degree of hedging for a dollar basket over the following 12 months was 64 per cent.

Shares and Share Capital

The company's market value on 31 March 2007 was 1,152.1 million euros (1,131.9 million) and the closing share price 12.98 euros. During the period January-March the highest price for the Finnair Plc share on the Helsinki Stock Exchange was 14.35 (15.00) euros, while the lowest price was 12.02 (11.50) euros and the average price 13.37 (13.22) euros. During the quarter, some 6.4 million (15.3 million) of the company's shares, with a value of 85.6 million euros (202.8 million), were traded on the Helsinki Stock Exchange. At the end of the period under review, the Finnish State owned 55.78 per cent (56.56%) of the company's shares, while 33.79 per cent (34.3%) were held by foreign investors or in the name of a nominee.

At the beginning of the financial period, the company held 151,903 of its own shares, which it had purchased in previous years. On 22 March 2007 the Annual General Meeting authorised the Board of Directors to purchase the company's own shares up to a maximum of 3,500,000 shares and dispose of the company's own shares up to a maximum of 3,651,903 shares. The authorisation applies to shares amounting to less than five per cent of the company's share capital. The company has not acquired nor disposed of its own shares in the first quarter, and on 31 March 2007 the company held a total of 151,903 own shares, i.e. 0.17 per cent of all shares.

Board of Directors and Senior Management

At the Annual General Meeting held on 22 March 2007, the following former members were elected as Members of the Board of Directors for a term lasting until the end of the next Annual General Meeting: Christoffer Taxell (Chairman), Kalevi Alestalo, Satu Huber, Markku Hyvärinen, Kari Jordan, Ursula Ranin and Veli Sundbäck. In addition, a new member, Sigurdur Helgason, was elected.

PricewaterhouseCoopers Oy, Authorised Public Accountants and Jyri Heikkinen APA were elected as the company's regular auditors. For PricewaterhouseCoopers Oy, Eero Suomela, Authorised Public Accountant, is the auditor with main responsibility. Tuomas Honkamäki APA and Timo Takalo APA were elected as deputy auditors.

As of 1 February 2007, the Senior Vice President, Human Resources is Anssi Komulainen, who moved to the position from his duties as Managing Director of Finnair Catering Oy. Kristina Inkiläinen has been appointed to replace Komulainen as Managing Director of Finnair Catering Oy and SVP, Catering as of 30 April 2007. Inkiläinen was formerly Managing Director of Select Service Partner Finland Oy.

Finnair's Legal Counsel Sami Sarelius was appointed Vice President and General Counsel as of 1 February 2007. He will also act as secretary to the company's Board of Directors and Board of Management.

Personnel

During the first three months of the year, the Finnair Group had an average number of 9,412 employees, which was 0.9 per cent fewer than a year earlier. Scheduled Passenger Traffic had 4,121 employees and Leisure Traffic 355 employees. The total number of personnel in technical, catering and ground handling services was 3,649 and in travel services 1,131. A total of 156 people were employed in other functions.

Personnel expenses have risen by 9.3 per cent from the previous year. The increase is mainly due to higher pension expenses as well as reserves for incentive programmes based on better financial performance. Personnel expenses per available tonne kilometre remained on the previous year's level.

The number of scheduled passenger traffic personnel grew in the early part of the year by 2.6 per cent. The increase has occurred in Flight Operations, particularly for the needs of growing Asian traffic. The number of personnel in other business areas has declined or remained as before. The trend is in accordance with the Finnair Group's restructuring plan.

Finnair has collective employment agreements valid at least until 30 September 2007 with six labour unions and with pilots until the end of April 2008. In March, an efficiency agreement was signed with the Finnish Airline Pilots Association (SLL). The agreement will help improve work productivity and achieve significant cost savings.

Fleet changes

Finnair Group's fleet is managed by Finnair Aircraft Finance Oy, which belongs to the Scheduled Passenger Traffic business area. On 31 March 2007, the Finnair fleet had 67 aircraft. The average age of the entire fleet was 5.6 years. In European traffic, the average age of the fleet is less than four years. Finnair has at its disposal the most modern fleet in European air traffic, which brings both cost savings and eco-efficiency.

The present Boeing MD-11 long-haul traffic fleet will be replaced by Airbus A340 and A330 wide-bodied aircraft by 2010. Six Airbus wide-bodied aircraft will be acquired in 2009–10 in addition to one present A340 and four new A340 aircraft, which are already ordered. In addition, options arranged in March 2006 can be exercised for four aircraft.

According to the agreement with Airbus, both the orders and the options can be flexibly confirmed according to need for either the A340 or A330 model. The programme means that the Finnair long-haul fleet can be increased from the present eight aircraft to 11–15 aircraft by the end of 2010.

Both the four-engine A340 and the two-engine A330 have around 270 seats, but the A340 aircraft's range with a large cargo load is longer. The A330 aircraft is more attractive than the A340 in terms of acquisition price and operating costs. It can be used economically on, for example, the shorter India routes or correspondingly on longer Asia routes where cargo demand does not require an A340 aircraft.

Beginning in 2014, Finnair will also start the acquisition of new technology A350XWB aircraft. In March 2006 Finnair ordered nine new Airbus wide-bodied aircraft and arranged options for four more. Now two more of the A350 aircraft have been ordered, bringing the maximum number of A350 aircraft to 15. All of the A350 aircraft will have Rolls-Royce Trent XWB engines installed.

The four Airbus A340 aircraft ordered by Finnair earlier will be delivered in the years 2007–08. The terms of the wide-bodied aircraft acquisition programme take into account the difficulties caused to Finnair's operations as a result of the delay in the A350 production schedule. The total value of confirmed aircraft orders is around two billion euros.

The orders made will accelerate the fleet renewal. The present seven Boeing MD-11 aircraft will be withdrawn from Finnair's ranks in 2008–10. Thereafter the company's scheduled passenger traffic fleet will consist solely of modern Airbus A320, A330 and A340 aircraft as well as Embraer 170 and 190 aircraft. The commonality of the fleet will boost the efficiency of crew utilisation and maintenance work. The lower fuel consumption of the new aircraft will improve eco-efficiency and cut emissions. The fleet renewal will create a good framework for lowering operating costs and improving profitability.

The Embraer aircraft acquisition programme, which began in autumn 2005, continues. The number of Embraer aircraft ordered to date is 20, of which ten are the 76-seat 170 model and ten the 100-seat 190 model. All ten Embraer 170 aircraft and the two Embraer 190s have already been delivered to Finnair. During 2007, four more Embraer 190s will arrive, and the remaining four will be delivered in 2008-9, two each year.

By the end of 2007, winglets will be fitted to all seven Boeing 757 aircraft used by Finnair Leisure Flights. They improve an aircraft's aerodynamics and thus reduce fuel consumption and emissions. Fuel consumption falls by an estimated four per cent.

The Estonian subsidiary Aero Airlines AS operates with three ATR 72 aircraft instead of the previous seven aircraft. A decision has been made to sell four aircraft. The intention is to sell the aircraft during spring 2007.

Performance of business areas

The primary segment reporting of the Finnair Group's financial statements is based on business areas. The reporting business areas are Scheduled Passenger Traffic, Leisure Traffic, Aviation Services and Travel Services.

Scheduled Passenger Traffic

This business area is responsible for sales of scheduled passenger traffic and cargo, service concepts, flight operations and procurement and financing of aircraft. Scheduled Passenger Traffic leases to Leisure Traffic the crews and aircraft it requires. The business area consists of the following units and companies: Finnair Scheduled Passenger Traffic, Aero Airlines, FlyNordic, Finnair Cargo Oy and Finnair Aircraft Finance Oy.

In January-March the business area's turnover grew 10.9 per cent to 391.2 million euros. The adjusted EBIT ie. operational result was -0.3 million euros (4.4 million loss).

Scheduled Passenger Traffic carried 1.9 million passengers in the first quarter. Scheduled Passenger Traffic demand grew by 18.6 per cent, while capacity grew by 14.3 per cent, leading to an improvement in passenger load factor by 2.6 percentage points to 70.6 per cent.

In January-March Scheduled Passenger Traffic's unit revenue declined by 1.6 per cent. Unit revenues increased in all types of traffic, but growth in the relative share of Asian traffic, characterised by lower unit revenues, reduced the average for scheduled traffic as a whole. In long-haul traffic, passenger kilometre-based unit revenue and cost is lower than in European and domestic traffic.

The total quantity of cargo carried in scheduled passenger traffic grew by 4.9 per cent. Leased cargo capacity has been reduced in North American traffic. The quantity of cargo carried in Asian traffic increased 19.7 per cent from the previous year.

Unit revenues for cargo in scheduled traffic declined 4.6 per cent during the first three months of the year, as a result of a fall in prices due to overcapacity in the Nordic market. A positive factor is strong cargo demand in the Indian market. The Mumbai route beginning in June will serve this demand well.

In international scheduled traffic, Finnair has slightly increased its market share relative to its main competitors. In domestic traffic, no significant changes have occurred in Finnair's market share in the early part of the year.

Finnair and the Norwegian company Norwegian Air Shuttle have agreed on the sale of Finnair's Swedish subsidiary FlyNordic to Norwegian Air Shuttle during the second quarter of 2007. The deal will be implemented as a share swap through which Finnair's ownership of Norwegian Air Shuttle will exceed five per cent. In addition, Finnair has the option to increase its holding to ten per cent. FlyNordic posted slightly negative result for the first quarter. The result was, however, clearly better than a year before.

During the January-March, the arrival punctuality of scheduled passenger flights fell by 5.5 per cent to 77.1 per cent (82.6%). Late arrivals in the first quarter were particularly caused by the Helsinki-Vantaa Airport terminal's capability of handling the increased passenger and baggage streams of Europe-Asia traffic during extension work. Finnair and CAA Finland-Finavia are working together to find solutions to ease the situation. The extension of the Asia terminal will be completed in 2009.

Leisure Traffic

This business area consists of Finnair Leisure Flights as well as the Aurinkomatkat-Suntours package tour group, which is the biggest in its field in Finland with a market share of more than 37 per cent. Finnair Leisure Flights also enjoys a strong market leadership in leisure travel flights. The company has ten tour operators as customers.

In January-March Finnair Leisure Flights carried nearly 290,000 passengers. Performance calculated in passenger kilometres was 3.1 per cent lower than a year earlier. Capacity was reduced by 3.1 per cent, so the passenger load factor of Leisure Flights remained at the previous year's level, at 91.9 per cent.

Customer numbers of Aurinkomatkat-Suntours grew 3.6 per cent in winter season 2006-7. As the price level remained at the previous year's level, profitability improved compared to year 2006. Aurinkomatkat-Suntours launched in January the takeOFF brand, specialised in youth destinations. The inexpensive takeOFF trips are only sold on the internet. At the end of 2006, Aurinkomatkat-Suntours agreed to buy Estonia's second biggest tour operator, Oü Horizon Travel. The deal was finalised at the beginning of April. The company will be reported for the whole year as part of Aurinkomatkat's result. The company increases Aurinkomatkat's tour capacity by more than five per cent.

The business area's turnover grew during the first quarter by seven per cent to 116.6 million euros. Operating profit on operations remained at the previous year's level and was 5.6 million euros (6.2 million).

Finnair has agreed fixed flight prices with tour operators and provided for the fuel risk with price hedging in accordance with the Group's financial policy.

Aviation Services

This business area comprises aircraft maintenance services, ground handling and the Group's catering operations. In addition, the Group's property holdings, the procurement of office services, and the management and maintenance of properties related to the Group's operational activities also belong to the Aviation Services business area.

Turnover for Aviation Services rose in January-March by 8.4 per cent to 110.8 million euros. The operational result improved by 6.9 million euros and was in profit, 3.3 million euros (3.6 million loss).

The utilisation of Technical Services' Aircraft Heavy Maintenance unit in particular has been low, and operations have been loss-making. Utilisation of the Aircraft Heavy Maintenance unit in spring 2007 is clearly better than the previous year.

At the beginning of 2006, Finnair Technical Services initiated a competitiveness project that examined the entire organisation's revenue and cost structure. The goal is to return the business to profit by specialising as well as by developing processes and operating models. Operations for which there is no commercial justification will be discontinued. As a result of operational efficiencies, Finnair Technical Services' operating result returned to profit in January-March.

Around 300 jobs will be cut in Finnair Technical Services' in 2006–7. The reduction in jobs will be implemented through various early retirement solutions, outsourcing of functions as well as redundancies, in a manner agreed earlier.

The ground handling company Northport Oy expanded its operations to Oslo's Gardemoen Airport in October 2006.

As part of the Finnair Group's restructuring and profitability improvement, opportunities for the reorganisation of Northport Oy and its subsidiaries are being investigated. Various ownership and partnership options for the company or its parts are being explored. In respect of Finnish airports, excluding Helsinki-Vantaa, the transfer of ground handling services to the responsibility of the RTG Group was agreed in March. Decisions regarding Helsinki-Vantaa are pursued during the second quarter.

At the turn of the year, the Finnair Group's real-estate and facilities management services were outsourced to the YIT Group. Around 50 Finnair Facilities Management employees transferred to the service of YIT under their existing conditions of employment.

FTS Financial Services Oy was formed at the beginning of 2007 by integrating the Finnair Oyj´s financial services unit together with the Travel agents´shared service center FTS Oy.

Travel Services

This business area consists of the Group's domestic and foreign travel agency operations, including Finland Travel Bureau (FTB), its subsidiary Estravel and Area, as well as the operations of the travel reservations systems supplier Amadeus Finland Oy.

In 2007, the business area's turnover fell 8.4 per cent to 20.7 million euros. The decline was due to a down-sizing of the business area's own package tour production. Restructuring implemented last year and the combining of travel agencies located in various localities under FTB are beginning to produce results. Sales via the internet doubled from the previous year. Customers have given a good reception to the opportunity to tailor their leisure trips themselves on the internet. Travel Services' operating profit improved to 1.3 million euros (0.3 million euros).

Flight Traffic Services and Products

Finnair is increasingly an airline engaged in traffic between Europe and Asia, and nearly half of scheduled passenger traffic revenue is linked to Asian traffic. From summer 2007, Finnair will have a total of 59 direct flight connections per week to ten Asian destinations. To China alone, the company will fly more than 100 flights per month.

Finnair's entire route network, which benefits from Helsinki's ideal location on flight routes between Asia and Europe, has been built particularly to serve this type of traffic. Flights covering 50 European and 15 domestic destinations connect into Finnair's Asia network. At the same time, a wide selection of direct connections are offered from Finland to the rest of Europe.

Growing passenger streams between Europe and Asia have enabled opening of new routes in Europe. The expansion of the European network also provides an excellent service to Finnish customers, who can utilise Finnair's morning-evening concept in their European connections.

In spring 2007 Finnair's Asian route network will be revised so that all destinations are served by direct flights, with no intermediate stops. The objective is to fly daily to as many Asian destinations as possible, so that business passengers are offered as competitive a product as possible. Product improvement is expected to increase also average revenues.

The shorter flight connections also improve the eco-efficiency of travelling; when flying with Finnair from Europe to Asia, passengers travel the most direct route, and connections via Central Europe that increase travel time and fuel consumption are not needed.

From summer 2007 the daily destinations will be Bangkok, Delhi, Hong Kong, Osaka, Beijing and Shanghai. In addition, Finnair will fly to Guangzhou in China and to Tokyo and Nagoya in Japan. A new destination, Mumbai in India, will open in summer 2007 with five flights per week.

A fleet consisting of aircraft of different sizes allows routes and flights to be added to the route network flexibly as the demand base varies. This year, five new destinations, serving local demand as well as the needs of Asian traffic, will be added to the European route network. The new destinations are Bucharest, Gdansk, Lisbon, Ljubljana and Nuremberg. In addition, the Madrid and Manchester flights will fly direct, without an intermediate stop in Stockholm. The changes mean that all European routes will be served by non-stop flights.

From first of April **one**world completed the biggest expansion in its history with Japan Airlines, Malév Hungarian Airlines and Royal Jordanian Airlines, all now offering the alliance´s services and benefits as full members.

Finnair Leisure Flights carries the customers of ten tour operators to 66 holiday destinations in 33 countries. In addition, flights only can be purchased on the internet to dozens of Leisure Flights' destinations.

Leisure Flights' fleet consists of seven Boeing 757 aircraft and Airbus capacity leased from Scheduled Passenger Traffic. At the beginning of 2007, Leisure Flights launched extra services that customers can pay for. Before their trip, customers can order on the internet a special meal or a more spacious seating place, for example. Child passengers have their own meal service.

Future prospects

Finnair's strength is to operate as a network company in scheduled passenger traffic between Europe and Asia. The chosen strategy is to diversify operational risk, because Finnair's European flights serve both a local and a transit travel function. In addition, Finnair operates in Asia with passenger and cargo traffic in a number of different types of market.

China has become in recent years the most important target market; air traffic there is growing at more than ten per cent annually. Japan is an established market where the price level is good and demand is growing through increased capacity.

India is a new opening and has already proved its attraction. A new route, to Mumbai, served by five flights a week, will open in June. It is expected that new flight slots at Mumbai airport will become more difficult to obtain in the future. Immediate utilisation of the new slots is strategically important even though the upcoming summer season forms a short-term challenge in load factors.

Demand in Finnair's scheduled passenger traffic has risen strongly, particularly through growth in Asian traffic. Transit traffic has also boosted passenger numbers on European routes. The strong growth is expected to continue. Asian traffic is forecast to grow by over 30 per cent this year.

Despite increased capacity, passenger load factors have remained high, based not only on demand but also on flexible fleet utilisation. For each route, Finnair's fleet can provide an aircraft suitable for the demand.

Goal-oriented work will be continued to change Finnair's structure and operating conditions to serve the needs of Europe-Asia traffic. Terms of employment have been adjusted to the needs of long-haul traffic in collaboration with personnel groups. A cabin staff group specialised in long-haul traffic, founded at the end of last year, will facilitate more flexible crew utilisation. Significant cost savings will be achieved with flight personnel as a whole by developing work shift arrangements. Six out of the seven Finnair Group's agreements with labour unions are due to expire at the end of the September 2007. Negotiations for the new terms have already started.

The plan is to further improve operational efficiency through advanced technology in Aviation Services and administrative support functions. Partnership arrangements, of which some have already been implemented, are being sought in the provision of ground handling services. In Finnair Technical Services, operating models aimed at increasing productivity will continue to be developed. In terms of improving profitability, positive results are already at sight.

The company's financial performance in 2007 is expected to improve significantly compared to previous year, owing to strongly growing demand, stabilised price levels as well as operational efficiencies.

FINNAIR PLC
Board of Directors

For further information, please contact:

SVP and CFO Lasse Heinonen
tel. +358 9 818 4950
lasse.heinonen@finnair.fi

SVP Communications, Christer Haglund
tel. +358 9 818 4007
christer.haglund@finnair.fi

Director, Investor Relations, Taneli Hassinen
tel. +358 9 818 4976
taneli.hassinen@finnair.fi

http://www.finnair.com/investor

FINNAIR GROUP INTERIM REPORT FOR JANUARY 1 - MARCH 31, 2007

The interim report has been prepared in accordance with accounting and valuation principles of IFRS standards, but all requirements of IAS 34 has not been followed to full extend.

KEY FIGURES EUR mill.

	2007	2006	Change	2006
	1 Jan–31 Mar	1 Jan–31 Mar	%	1 Jan–31 Dec
Turnover	528.5	480.3	10.0	1 989.6
Profit before depreciation and lease payments, EBITDAR *	54.8	40.9	34.0	206.8
Lease payments for aircraft	21.7	22.6	-4.0	90.8
Operating profit, EBIT*	5.8	-5.1	-	11.2
Fair value changes of derivatives	6.0	-0.1	-	-8.8
Profit from disposal of capital assets	1.9	0.0	-	2.0
Operating profit, EBIT	13.7	-5.2	-	-10.8
Profit for the financial year (share attributable to shareholders of parent company)	9.3	-4.0	-	-13.6
Operating profit, EBIT, % of turnover *	1.1	-1.1	-	0.6
EBITDAR, % of turnover *	10.4	8.5	-	10.4
Unit revenues of flight operations c/RTK	72.8	71.5	1.8	74.0
Unit costs of flight operations c/ATK	44.9	45.8	-2.1	46.0
Earnings per share EUR (basic)	0.11	-0.05	-	-0.16
Earnings per share EUR (diluted)	0.11	-0.05	-	-0.16
Equity per share EUR	6.93	7.39	-6.2	6.77
Gross investment EUR mill.	52.3	48.7	-	252.2
Gross investment, % of turnover	9.9	10.1	-	12.7
Equity ratio %	36.9	40.7	-9.3	37.2
Gearing %	16.6	-10.6		6.7
Adjusted gearing %	116.5	85.0		112.3
Rolling 12-month ROCE %	-0.1	8.3		-0.1
Rolling 12-month ROE %	2.0	7.4		-2.0

* Excluding capital assets, fair value changes of derivatives and reorganization expenses.
Unit costs of flight operations c / ATK = Operating expenses (excluding fair value changes of derivatives) of Scheduled Traffic business area and Leisure Flights business unit / ATK of Group.

CALCULATION OF KEY RATIOS

Earnings / share:
Profit for the financial year
_____
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 + minority interest

Operating profit, EBIT :
Operating profit excluding the disposal of the capital assets, fair value changes of derivatives and reorganization expenses

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 + minority interest *100
_____
Balance sheet total - advances received

Return on equity %: (ROE)
Result before extraordinary items – taxes *100
_____
Equity + minority interests (average)

CONSOLIDATED INCOME STATEMENT (EUR mill.)

	2007 1 Jan– 31 Mar	2006 1 Jan– 31 Mar	Change %	2006 1 Jan– 31 Dec
Turnover	**528.5**	**480.3**	**10.0**	**1 989.6**
Work used for own purposes and capitalized	0.8	0.1	700.0	3.7
Other operating income	5.9	5.7	3.5	17.9
Operating income	**535.2**	**486.1**	**10.1**	**2 011.2**
Operating expenses				
Staff costs	135.1	123.6	9.3	508.2
Fuel	103.2	89.3	15.6	385.0
Lease payment for aircraft	21.7	22.6	-4.0	90.8
Other rental payments	17.2	20.8	-17.3	80.7
Fleet materials and overhauls	22.2	25.8	-14.0	100.6
Traffic charges	43.7	38.7	12.9	161.9
Ground handling and catering expenses	36.5	33.2	9.9	139.4
Expenses for tour operations	35.8	34.2	4.7	111.5
Sales and marketing expenses	19.4	16.9	14.8	91.3
Depreciation	27.3	23.4	16.7	104.8
Other expenses	59.4	62.8	-5.4	247.8
Total	**521.5**	**491.3**	**6.1**	**2 022.0**
Operating profit EBIT	**13.7**	**-5.2**	**-**	**-10.8**
Financial income	3.6	2.7	33.3	11.0
Financial expenses	-3.9	-2.7	44.4	-15.0
Share of result in associates	0.0	0.0	-	0.1
Profit before taxes	**13.4**	**-5.2**	**-**	**-14.7**
Direct taxes	-4.1	1.4	-	1.7
Profit for financial year	**9.3**	**-3.8**	**-**	**-13.0**

Earnings per share to shareholders of the parent company	9.3	-4.0		-13.6
Minority interest	0.0	0.2		0.6
Earnings per share calculated from profit attributable to shareholders of the parent company				
Earnings per share EUR	0.11	-0.05		-0.16
Earnings per share EUR (diluted)	0.11	-0.05		-0.16

CONSOLIDATED BALANCE SHEET (EUR mill.)

	31 Mar 2007	31 Mar 2006	31 Dec 2006
ASSETS			
Non-current assets			
Intangible assets	48.9	47.6	47.5
Tangible assets	1 051.1	887.2	1 012.3
Investments in associates	5.6	3.2	5.6
Financial assets	15.3	17.1	15.4
Deferred tax receivables	23.3	22.5	27.1
Total	1 144.2	977.6	1 107.9
Short-term receivables			
Inventories	40.3	47.0	38.5
Trade receivables and other receivables	286.3	286.9	211.8
Investments	192.6	278.8	268.6
Cash and bank equivalents	28.9	27.9	25.7
Total	548.1	640.6	544.6
Non-current Assets held for sale	7.6	0.0	7.6
Assets total	**1 699.9**	**1 618.2**	**1 660.1**
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent company			
Shareholders´equity	75.4	74.4	75.4
Other equity	538.4	568.9	524.5
Total	613.8	643.3	599.9
Minority interest	1.2	1.5	1.6
Equity, total	615.0	644.8	601.5
Long-term liabilities			
Deferred tax liability	116.2	123.6	115.7
Financial liabilities	280.0	207.6	286.9
Pension obligations	8.4	9.8	7.0
Total	404.6	341.0	409.6
Short-term liabilities			
Current income tax liabilities	4.6	0.0	3.0
Reserves	9.5	0.0	10.0
Financial liabilities	50.0	53.3	56.6
Trade payables and other liabilities	616.2	579.1	579.4
Total	680.3	632.4	649.0
Liabilities total	1 084.9	973.4	1 058.6
Shareholders' equity and liabilities, total	**1 699.9**	**1 618.2**	**1 660.1**

SHAREHOLDERS´EQUITY EUR mill.

Equity attributable to shareholders of parent company									
	Share capital	New issue	Share pre-mium account	Bonus issue	Hedging reserve	Retained earnings	Total	Minority interests	Own equity total
Shareholders´ equity 1.1.2006	73.8	0.6	18.3	147.7	20.9	411.1	**672.4**	**1.6**	**674.0**
Translation difference						-0.1	-0.1		-0.1
Dividend payment						-21.8	-21.8	-0.3	-22.1
Option right to shares	0.6	-0.6	0.0				0.0		0.0
Change in fair value of hedging instruments					-3.2		-3.2		-3.2
Profit for the period						-4.0	-4.0	0.2	-3.8
Shareholders´ equity 31.3.2006	74.4	0.0	18.3	147.7	17.7	385.2	**643.3**	**1.5**	**644.8**

SHAREHOLDERS´EQUITY EUR mill.

Equity attributable to shareholders of parent company									
	Share capital	New issue	Share pre-mium account	Bonus issue	Hedging reserve	Retained earnings	Total	Minority interests	Own equity total
Shareholders´ equity 1.1.2007	75.4	0.0	20.4	147.7	-21.1	377.5	**599.9**	1.6	**601.5**
Translation difference						-0.3	-0.3		-0.3
Dividend payment						-8.9	-8.9	-0.4	-9.3
Optio right to shares	0.0	0.0	0.0				0.0		0.0
Change in fair value of hedging instruments					13.8		13.8		13.8
Profit for the period						9.3	9.3	0.0	9.3
Shareholders´ equity 31.3.2007	75.4	0.0	20.4	147.7	-7.3	377.6	**613.8**	**1.2**	**615.0**

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1 Jan – 31 Mar 2007	1 Jan – 31 Mar 2006	1 Jan – 31 Dec 2006
Cash flow from operating activities			
Profit for the financial year	9.3	-3.8	-13.0
Operations for which a payment is not included **1)**	24.2	18.9	100.2
Interest and other financial expenses	3.9	2.7	15.0
Interest income	-2.4	-2.4	-9.1
Other financial income	-1.2	-0.3	-1.8
Dividend income	0.0	0.0	-0.1
Taxes	4.1	-1.4	-1.7
Changes in working capital:			
Change in trade and other receivables	-74.2	-44.4	10.2
Change in inventories	-1.9	-1.9	6.7
Change in accounts payables and other liabilities	44.8	-2.7	13.4
Interest paid	-3.5	-2.3	-11.0
Paid financial expenses	-0.2	-0.3	-3.4
Received interest	1.8	1.5	9.9
Received financial income	1.0	3.5	1.6
Taxes paid	-5.1	0.0	-21.1
Net cash flow from operating activities	**0.6**	**-32.9**	**95.8**
Cash flow from investing activities			
Sell of subsidiarys, net of cash sold	0.0	0.0	0.0
Investments in intangible assets	-3.6	-5.5	-12.6
Investments in tangible assets	-64.7	-64.0	-273.0
Net change of financial interest bearing assets at fair value through profit and loss	9.8	48.9	53.2
Sales of tangible fixed assets	0.8	0.4	2.3
Received dividends	0.0	0.0	0.1
Change in non-current receivable	0.2	0.5	2.3
Net cash flow from investing activities	**-57.5**	**-19.7**	**-227.7**
Cash flow from financing activities			
Loan withdrawals and changes	6.9	2.3	108.3
Loan repayments	-13.0	-8.8	-25.9
Optio right to shares	0.0	0.0	5.4
Dividends paid	0.0	0.0	-21.8
Net cash flow from financing activities	**-6.1**	**-6.5**	**66.0**
Change in cash flows	**-63.0**	**-59.1**	**-65.9**
Change in liquid funds			
Liquid funds, at beginning	273.5	339.4	339.4
Change in cash flows	-63.0	-59.1	-65.9
Liquit funds, in the end	**210.5**	**280.3**	**273.5**

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1 Jan – 31 Mar 2007	1 Jan – 31 Mar 2006	1 Jan – 31 Dec 2006
Notes to consolidated cash flow statement			
1) Operations for which a payment is not included			
Depreciation	27.3	23.4	104.8
Employee benefits	-1.6	-2.9	-2.8
Finance lease	-1.2	-1.2	-5.0
Other adjustments	-0.3	-0.4	3.2
Total	24.2	18.9	100.2
Financial asset at fair value	192.6	278.8	268.6
Cash and bank equivalents	28.9	27.9	25.7
Short-term cash and cash equivalents in balance sheet	221.5	306.7	294.3
Shares held to trading purposes	-2.9	-4.2	-2.9
Maturing after more than 3 months	-8.1	-22.2	-17.9
Total in cash flow statement	210.5	280.3	273.5

SEGMENT INFORMATION

The business segments, Scheduled Passenger Traffic, Leisure Traffic, Aviation Services and Travel Services, are the primary reporting format. The geographical segments, Finland, Europe, Asia, North America and Others, are the secondary reporting format. Segment information will based on the corresponding information reported in the financial statement.

PRIMARY REPORTING FORMAT - BUSINESS SEGMENT DATA 1 January - 31 March 2007

	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
EUR mill.							
External turnover	361.5	115.4	32.3	19.3			528.5
Internal turnover	29.7	1.2	78.5	1.4	-110.8		0.0
Turnover	391.2	116.6	110.8	20.7	-110.8	0.0	528.5
Operating profit	0.7	5.6	4.1	1.3		2.0	13.7
Share of results of associated undertakings						0.0	0.0
Financial income						3.6	3.6
Financial expenses						-3.9	-3.9
Income tax						-4.1	-4.1
Minority interest						0.0	0.0
Result for the period							9.3
Other items							
Investments	41.0	0.1	9.1	1.0	0.0	1.1	52.3
Depreciation	20.1	0.1	6.4	0.4	0.0	0.3	27.3

PRIMARY REPORTING FORMAT - BUSINESS SEGMENT DATA 1 January- 31 March 2006

	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
EUR mill.							
External turnover	324.0	108.4	26.5	21.4			480.3
Internal turnover	28.8	1.0	75.7	1.2	-106.7		0.0
Turnover	352.8	109.4	102.2	22.6	-106.7	0.0	480.3
Operating profit	-4.4	6.2	-3.5	0.3		-3.8	-5.2
Share of results of associated undertakings						0.0	0.0
Financial income						2.7	2.7
Financial expenses						-2.7	-2.7
Income tax						1.4	1.4
Minority interest						-0.2	-0.2
Result for the period							-4.0
Other items							
Investments	39.7	0.5	7.6	0.3	0.0	0.6	48.7
Depreciation	16.3	0.1	5.9	0.4	0.0	0.7	23.4

TURNOVER

	2007	2006	Change	2006
	1 Jan–31 Mar	1 Jan–31 Mar	%	1 Jan–31 Dec
EUR mill.				
Scheduled Passenger Traffic	391.2	352.8	10.9	1 522.1
Leisure Traffic	116.6	109.4	6.6	386.8
Aviation Services	110.8	102.2	8.4	407.5
Travel Services	20.7	22.6	-8.4	87.4
Group eliminations	-110.8	-106.7	3.8	-414.2
Total	**528.5**	**480.3**	**10.0**	**1 989.6**

OPERATING PROFIT EXCLUDING THE DISPOSAL OF THE CAPITAL ASSETS AND FAIR VALUE CHANGES OF DERIVATIVES AND REORGANIZATION EXPENSES

	2007	2006	Change	2006
	1 Jan–31 Mar	1 Jan–31 Mar	%	1 Jan–31 Dec
EUR mill.				
Scheduled Passenger Traffic	-0.3	-4.4	-93.2	28.6
Leisure Traffic	5.6	6.2	-9.7	18.6
Aviation Services	3.3	-3.6	-191.7	-24.5
Travel Services	1.3	0.3	333.3	2.3
Unallocated items	-4.1	-3.6	13.9	-13.8
Total	**5.8**	**-5.1**	**-**	**11.2**

EMPLOYEES AVERAGE BY SEGMENT

	2007	2006	Change
	1 Jan–31 Mar	1 Jan–31 Mar	%
Scheduled Passenger Traffic	4 121	4 017	2.6
Leisure Traffic	355	351	1.1
Aviation Services	3 649	3 734	-2.3
Travel Services	1 131	1 162	-2.7
Other functions	156	229	-31.9
Finnair Group Total	**9 412**	**9 493**	**-0.9**

SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS

TURNOVER OUTSIDE THE GROUP BY SALES DESTINATION

	2007	2006	Change	2006
	1 Jan- 31 Mar	1 Jan– 31 Mar	%	1 Jan– 31 Dec
EUR mill.				
Finland	108.2	118.2	-8.5	436.7
Europe	232.9	214.8	8.4	936.5
Asia	148.0	105.3	40.6	482.0
North America	11.3	12.4	-8.9	66.4
Others	28.1	29.6	-5.1	68.0
Total	**528.5**	**480.3**	**10.0**	**1 989.6**

AIR TRAFFIC 1 January – 31 March 2007

	Total traffic	Europe	North America	Asia	Domestic	Scheduled Traffic Total	Leisure	Cargo
Passengers (1000)	2 190	1 063	27	257	555	1 902	288	
%-change	2.5	5.5	-5.8	29.9	-8.2	3.4	-3.3	
Cargo and mail (tonnes)	21 659	5 134	1 546	12 097	930	19 707	119	21 659
%-change	0.5	-13.2	-10.8	19.7	-9.3	4.9	5.2	0.5
Available seat-kilometres mill	6 595	1 976	227	2 281	496	4 981	1 614	
%-change	9.5	6.0	-9.5	35.9	-12.1	14.3	-3.1	
Revenue passenger kilometres	5 001	1 252	180	1 784	301	3 517	1 484	
%-change	11.2	10.0	-5.8	35.4	-5.4	18.6	-3.1	
Passenger load factor %	75.8	63.4	79.3	78.2	60.6	70.6	91.9	
%-change	1.2	2.3	3.1	-0.3	4.3	2.6	0.0	
Available tonne-kilometres	975							278
%-change	11.6							45.2
Revenue tonne-kilometres mill	564							116
%-change	10.3							5.6
Overall load factor %	57.8							41.7 *
%-change	-0.7							-15.6

* Operational calculatory capacity

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS EUR mill.

	31 Mar 2007	**31 Mar 2006**	**31 Dec 2006**
Other contingent liabilities			
Pledges on own behalf	234.7	254.5	236.9
Guarantees on group undertakings	663.9	412.4	536.3
Total	**898.6**	**666.9**	**773.2**
Aircraft lease obligations	367.3	459.3	389.8
Total	**1 265.9**	**1 126.2**	**1 163.0**

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS EUR mill.

Derivative contracts	**31 Mar 2007**		**31 Mar 2006**		**31 Dec 2006**	
Currency derivatives	**Nominal value (EUR mill.)**	**Fair value (EUR mill.)**	**Nominal value (EUR mill.)**	**Fair value (EUR mill.)**	**Nominal value (EUR mill.)**	**Fair value (EUR mill.)**
Hedge accounting items						
Forward contracts. Jet Fuel currency hedging	270.0	-8.5	154.5	3.8	260.2	-8.2
Forward contracts. Hedging of Aircraft purchase price	455.6	-9.5	211.3	3.2	324.7	-9.1
Forward contracts. Currency hedging of lease payments	59.0	-1.4	54.5	0.5	63.8	-1.9
	784.6	**-19.4**	**420.3**	**7.5**	**648.6**	**-19.2**
Currency derivatives at fair value through profit or loss						
Operating cash flow hedging	9.4	-0.4	72.6	1.6	26.7	-1.3
Balance sheet hedging	83.6	-0.3	88.6	-1.1	94.1	-0.6
Currency call options	41.3	0.0	0.0	0.0	0.0	0.0
Currency put options	41.3	0.0	0.0	0.0	0.0	0.0
Total	**175.6**	**-0.7**	**161.2**	**0.5**	**120.9**	**-2.0**
Currency derivatives, total	**960.2**	**-20.1**	**581.5**	**8.0**	**769.5**	**-21.2**
	31 Mar 2007		**31 Mar 2006**		**31 Dec 2006**	
	Nominal value (tonnes)	**Fair value (EUR mill.)**	**Nominal value (tonnes)**	**Fair value (EUR mill.)**	**Nominal value (tonnes)**	**Fair value (EUR mill.)**
Commodity derivatives						
Hedge accounting items						
Jet Fuel swaps	534 800	4.1	320 200	18.1	510 400	-12.8
Commodity derivatives at fair value through profit or loss						
Jet Fuel Forward contracts	51 400	-1.1	69 600	0.1	79 300	-5.1
Gasoil forward contracts	15 000	0.7	0	0.0	0	0.0
Jet differential forward contracts	184 500	0.0	0	0.0	112 500	0.0
Options						
Jet Fuel call options	47 000	0.5	25 000	1.0	35 000	0.3
Jet Fuel put options	94 000	-0.4	46 000	-0.7	70 000	-0.5
Gasoil call options	45 000	0.8	0	0.0	9 000	0.0
Gasoil put options	81 000	-0.7	0	0.0	18 000	0.0
Total		**3.9**		**18.5**		**-18.2**
	31 Mar 2007		**31 Mar 2006**		**31 Dec 2006**	
	Nominal value (EUR mill.)	**Fair value (EUR mill.)**	**Nominal value (EUR mill.)**	**Fair value (EUR mill.)**	**Nominal value (EUR mill.)**	**Fair value (EUR mill.)**
Interest rate derivatives						
Cross currency Interest rate swaps						
Hedge accounting items	38.5	-14.1	55.9	-14.4	42.5	-15.2
Cross currency interest rate swaps at fair value through profit or loss	20.6	-10.3	27.9	-10.2	22.1	-10.7
Total	**59.1**	**-24.4**	**83.8**	**-24.6**	**64.7**	**-25.9**
Interest rate swaps						
Hedge accounting items	0.0	0.0	0.0	0.0	0.0	0.0
Interest rate swaps at fair value through profit or loss	20.0	1.0	20.0	0.8	20.0	1.0
Total	**20.0**	**1.0**	**20.0**	**0.8**	**20.0**	**1.0**