

Finnair Group

Interim Report

1 January – 31 March 2008



Outlook for the industry less positive

- ✈ Growth of demand declining due to uncertainty of global economy
- ✈ Growth of Asian traffic for European airlines zero, Finnair's growth still over 23%
- ✈ Passenger load factors down
- ✈ Fuel costs up
- ✈ Bankruptcies and mergers taking place, more to come
- ✈ Competition distorting subsidies once again to Alitalia

Finnair in better result-making shape

- ✈ Finnair's operational result improved from last year's first quarter
- ✈ Unit costs were clearly down despite expensive fuel
- ✈ Easter had a weakening effect on first quarter
- ✈ 80 million euro efficiency programme has been fully completed
- ✈ More difficult terrain ahead
- ✈ Healthier cost structure
- ✈ Poor punctuality in January-February, but improved clearly in March-April

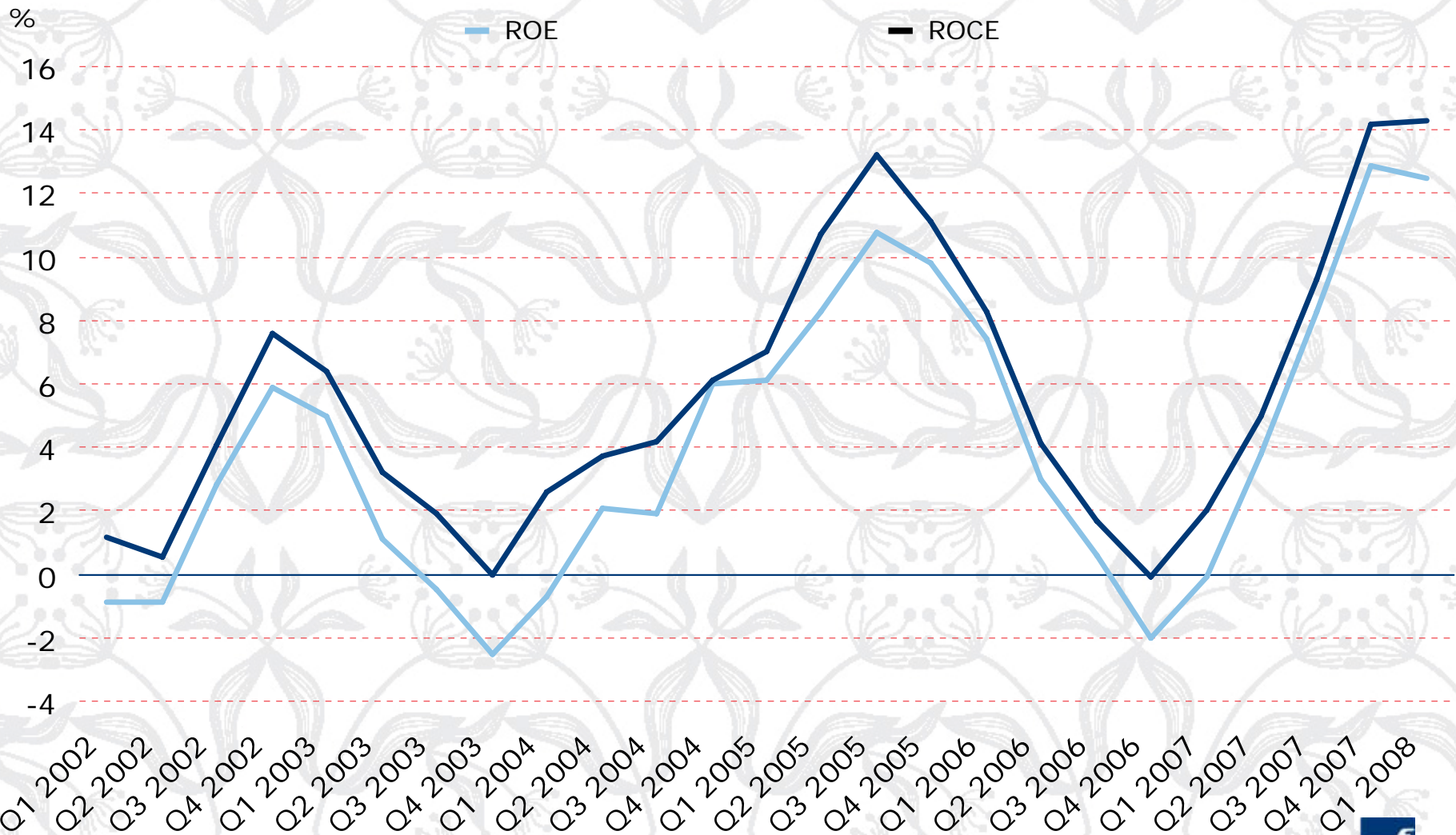
Improved results

	Q1/2008	Q1/2007	Change %
Turnover mill. €	576.5	528.5	9.1
Adjusted EBITDAR*	58.2	54.8	6.2
Adjusted EBIT*	11.1	5.8	91.4
One off items/ capital gains	1.1	1.9	-
Fair value changes of derivatives	-0.1	6.0	-
Operating profit/loss (EBIT)	12.1	13.7	-11.7
Profit for period	5.5	9.3	-40.9

*excl. capital gains, fair values changes of derivatives and non recurring items

ROE and ROCE

Rolling 12 months



Unit costs dropping

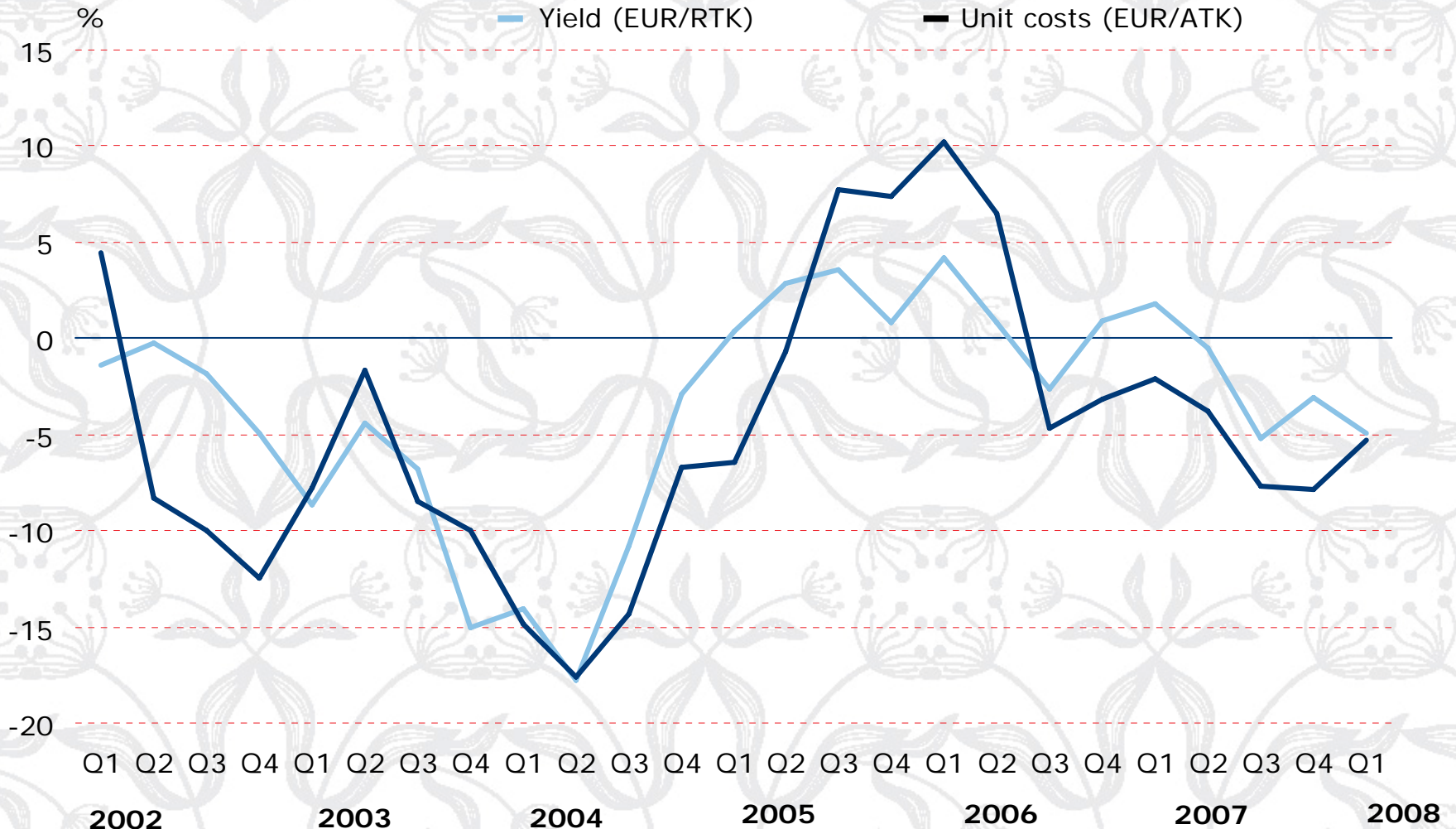
	Q1/2008	2007
Unit costs of flight operations* c/ATK	-5.3%	-2.1%
Unit costs of flight operations excl. fuel* c/ATK	-11.2%	-3.7%
Personnel expenses c/ATK	-8.0%	+0.2%
Fuel costs c/ATK	+13.8%	+3.6%
Traffic charges c/ATK	-13.0%	+1.1%
Ground handling and catering €/passenger	+14.8%	+1.7%
Sales and marketing €/passenger	+54.0%	+16.0%
Aircraft lease payments and depreciation c/ATK	-16.9%	-3.9%
Other costs c/ATK	-17.7%	-7.6%

* excluding fair value changes of derivatives and non-recurring items

ATK = Available Tonne Kilometre

Unit costs decreased more than yield

Change YoY



Marketing and communications focused abroad

- ✈ Finnair's strong growth has required directing resources globally
- ✈ Substantial increase in marketing outside Finland to increase recognisability and sales
- ✈ Sales, media and PR events in European and Asian destinations
- ✈ Lots of visibility in the media and focused activities towards travel agencies and business travel specialists
- ✈ Centrally produced messages adjusted to local markets and language eg. www.earlyjack.com
- ✈ Sales curves are clearly turning upward

Leisure Traffic most profitable in first quarter

- ✈ Profitability of Leisure Traffic clearly improved
- ✈ Load factors and average prices for Scheduled Traffic down, partly due to seasonal fluctuation
- ✈ Good demand and profitability in cargo traffic
- ✈ Finnair Technical Services' competitiveness project bearing fruit
- ✈ Moving to new facilities caused production disturbances in Catering and Northport

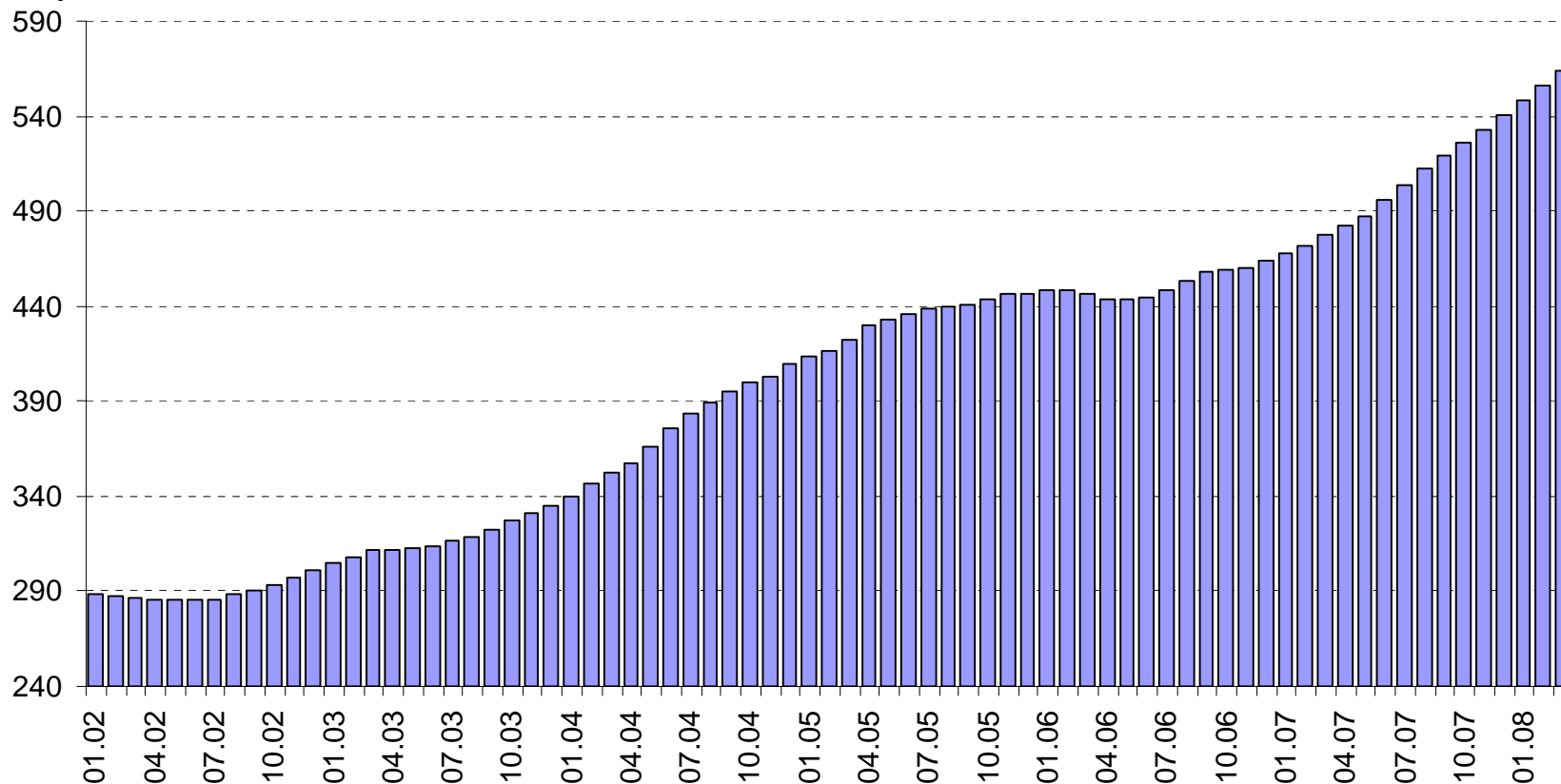
Efficiency programme materialized

- ✈ 80 million euro efficiency programme completed
- ✈ Full financial impact in 2008
- ✈ Jobs cut by over 600 in 2006-07
- ✈ Annual recruiting for flight operations 200 persons

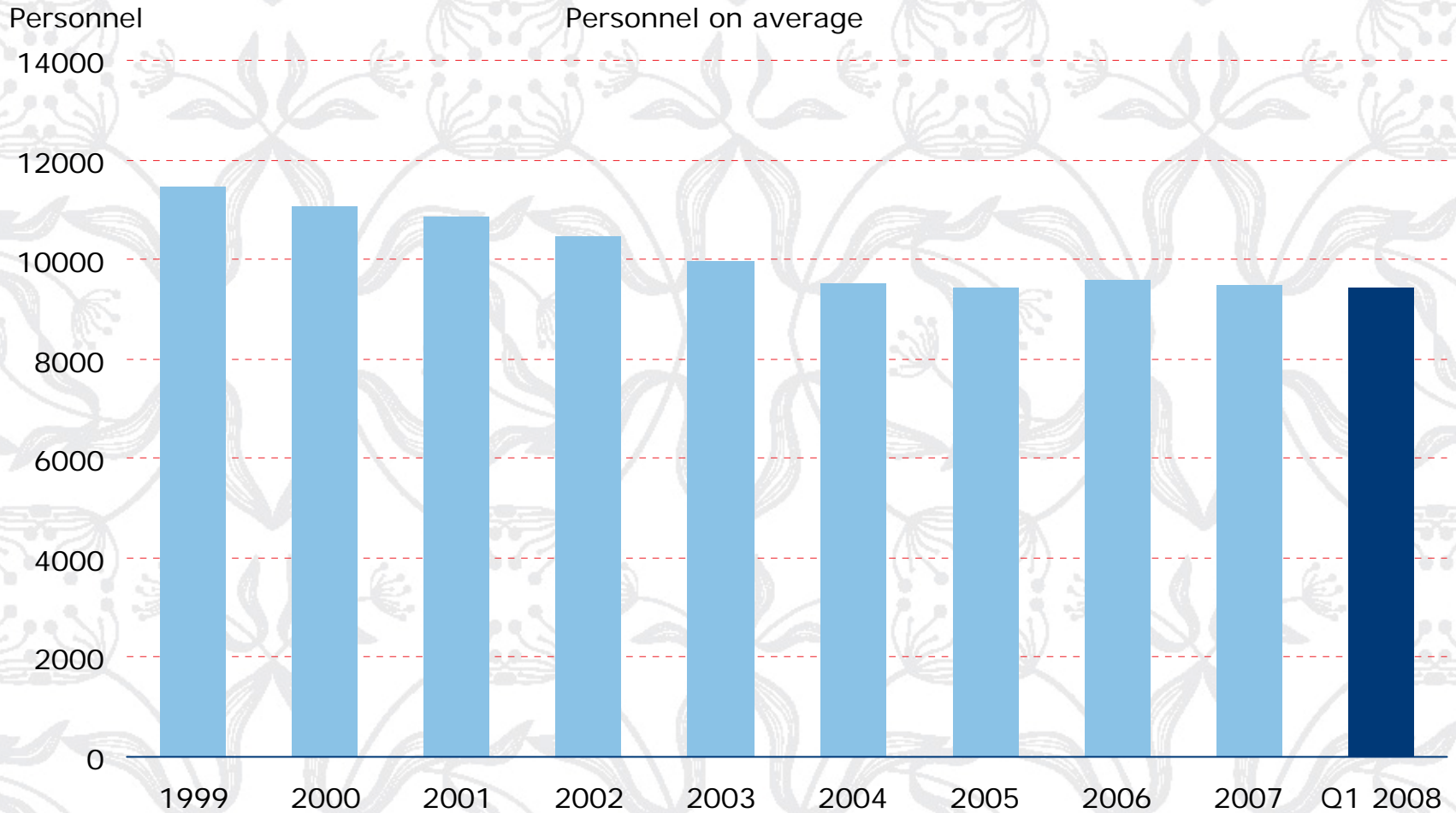
Productivity is improving

Productivity (incl. Aero) (ATK/person) 12 m rolling sum

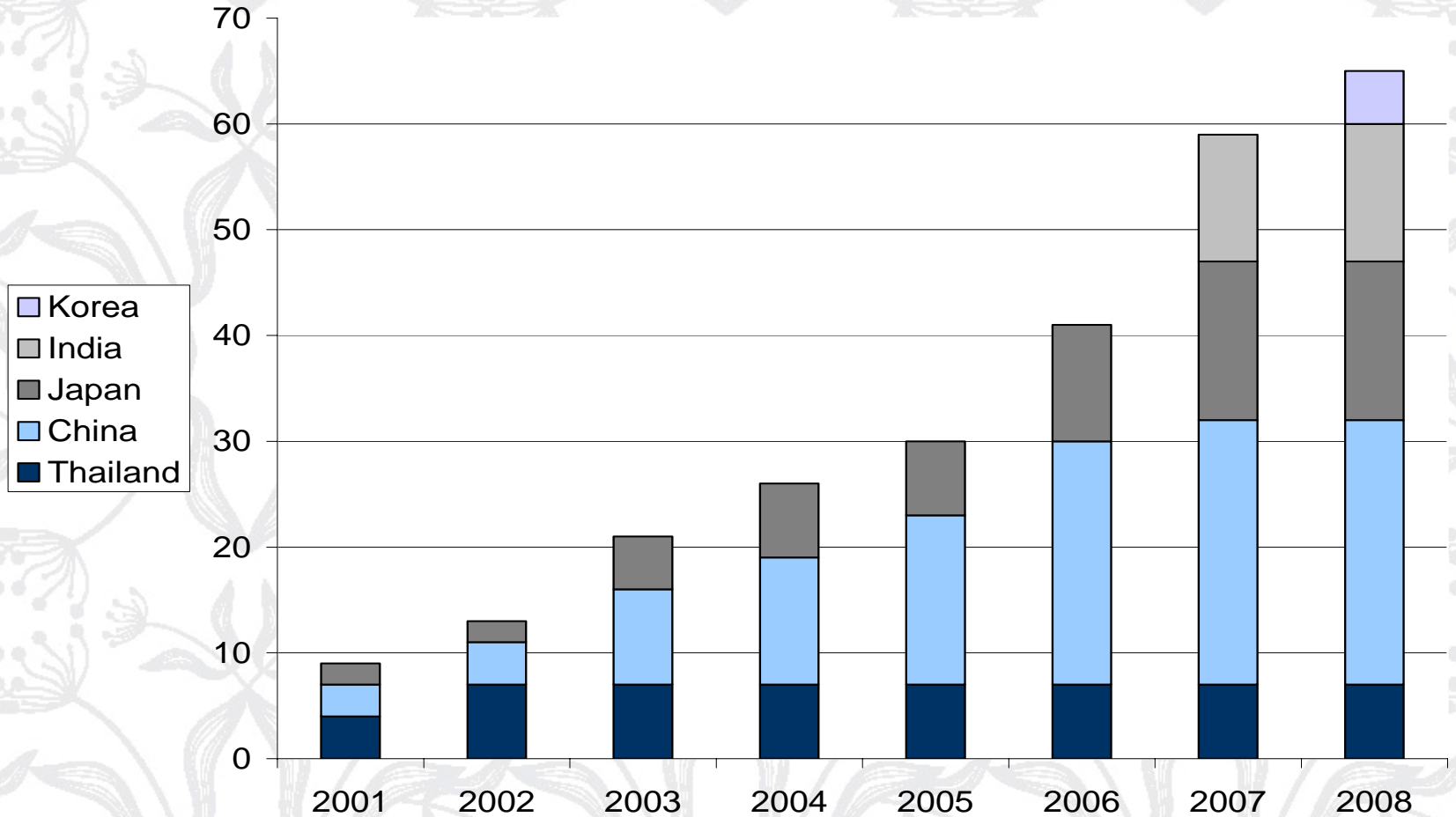
ATK
1000/person



Business growing, number of staff stable

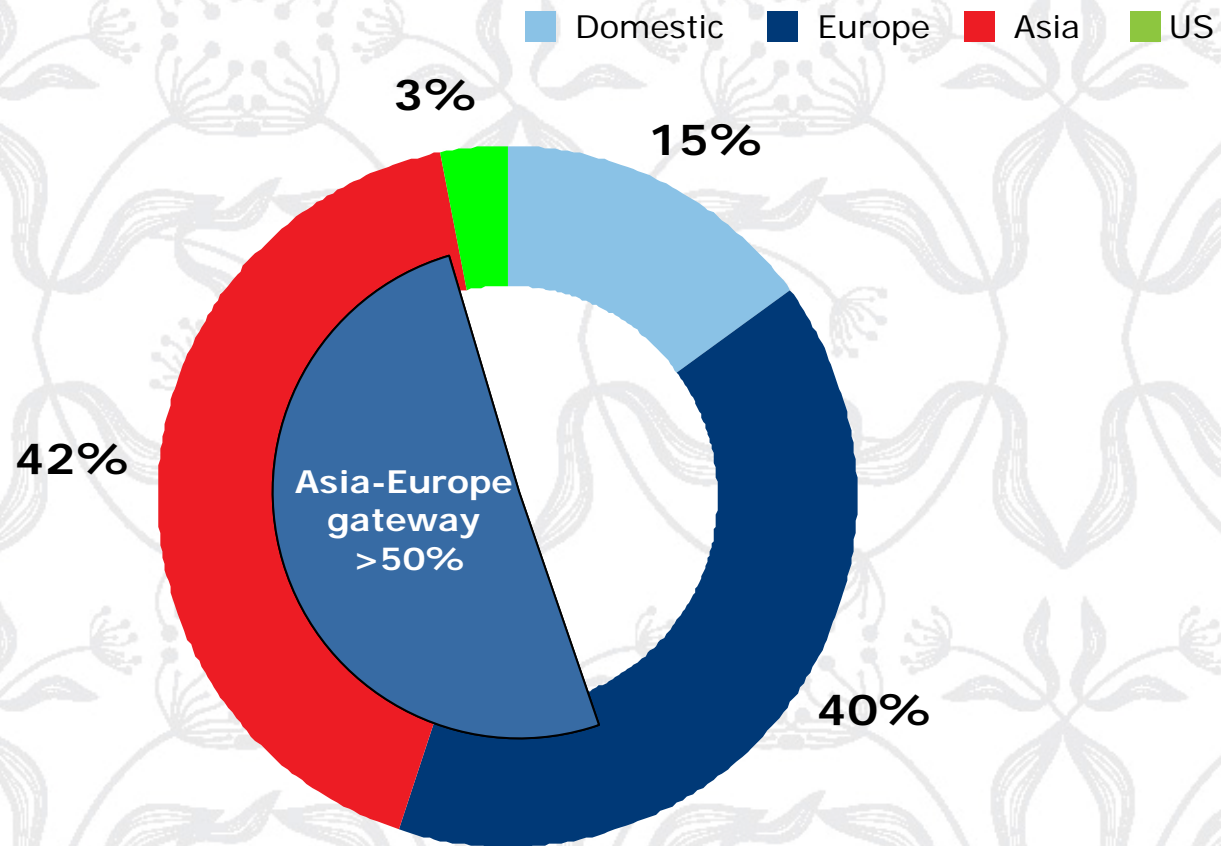


Capacity in Asia has grown rapidly



More revenues from Asia than Europe

Distribution of passenger and cargo revenues in scheduled traffic



Indian traffic speeding up Asian growth

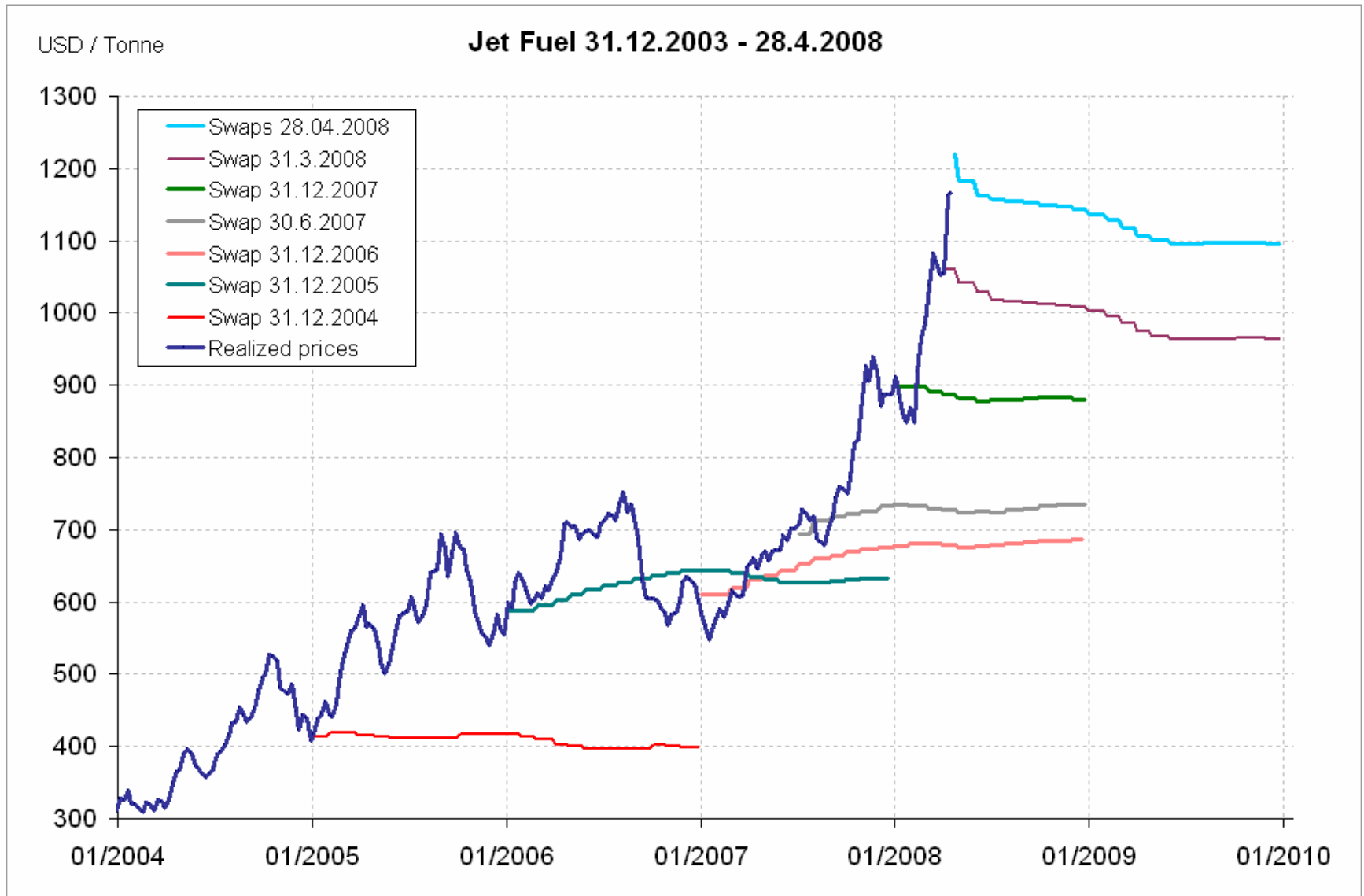
- ✈ Asian demand grew by 23.4%, cargo 36.1% in Q1
- ✈ Passenger load factor 74%
- ✈ Business Class growing faster than average traffic
- ✈ 65 flights a week to Asia
- ✈ Non-stop flights to 11 destinations, daily to six
- ✈ Weekly flights to India up from 3 to 12 in one year
- ✈ Seoul new destination in June



Long-haul network in summer 2008



Fuel price at record high



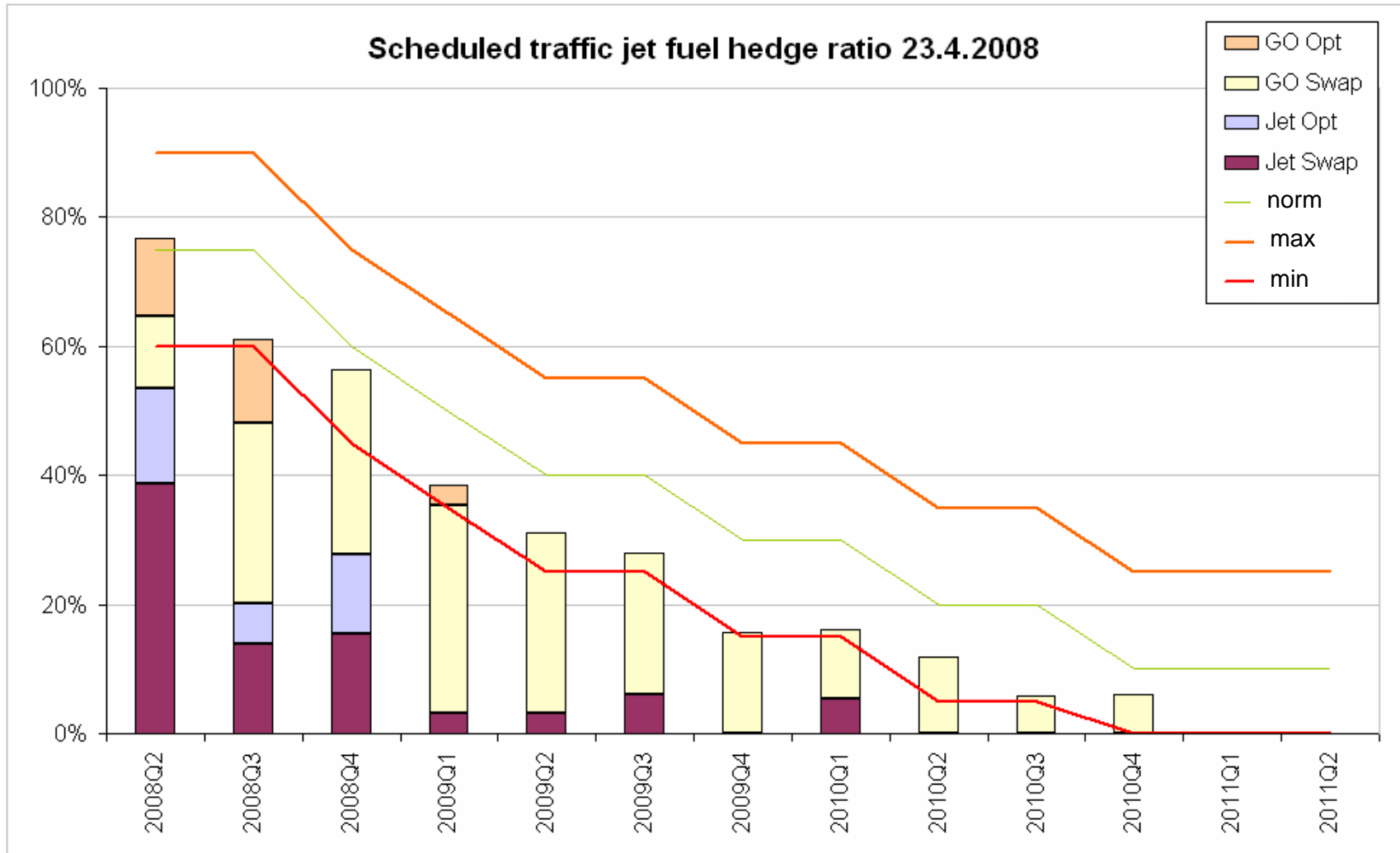
Fuel costs nearly a fourth of turnover

- ✈ 2003: 10.2% of turnover
- ✈ 2004: 12.5% of turnover
- ✈ 2005: 15.6% of turnover
- ✈ 2006: 19.4% of turnover
- ✈ 2007: 20,2% of turnover
- ✈ 2008: >23% of turnover

Finnair scheduled traffic has hedged 68% of its fuel purchases for the next six months, thereafter for the following 24 months at a decreasing level.

Hedging policy for fuel

(Scheduled traffic 31 March 2008)



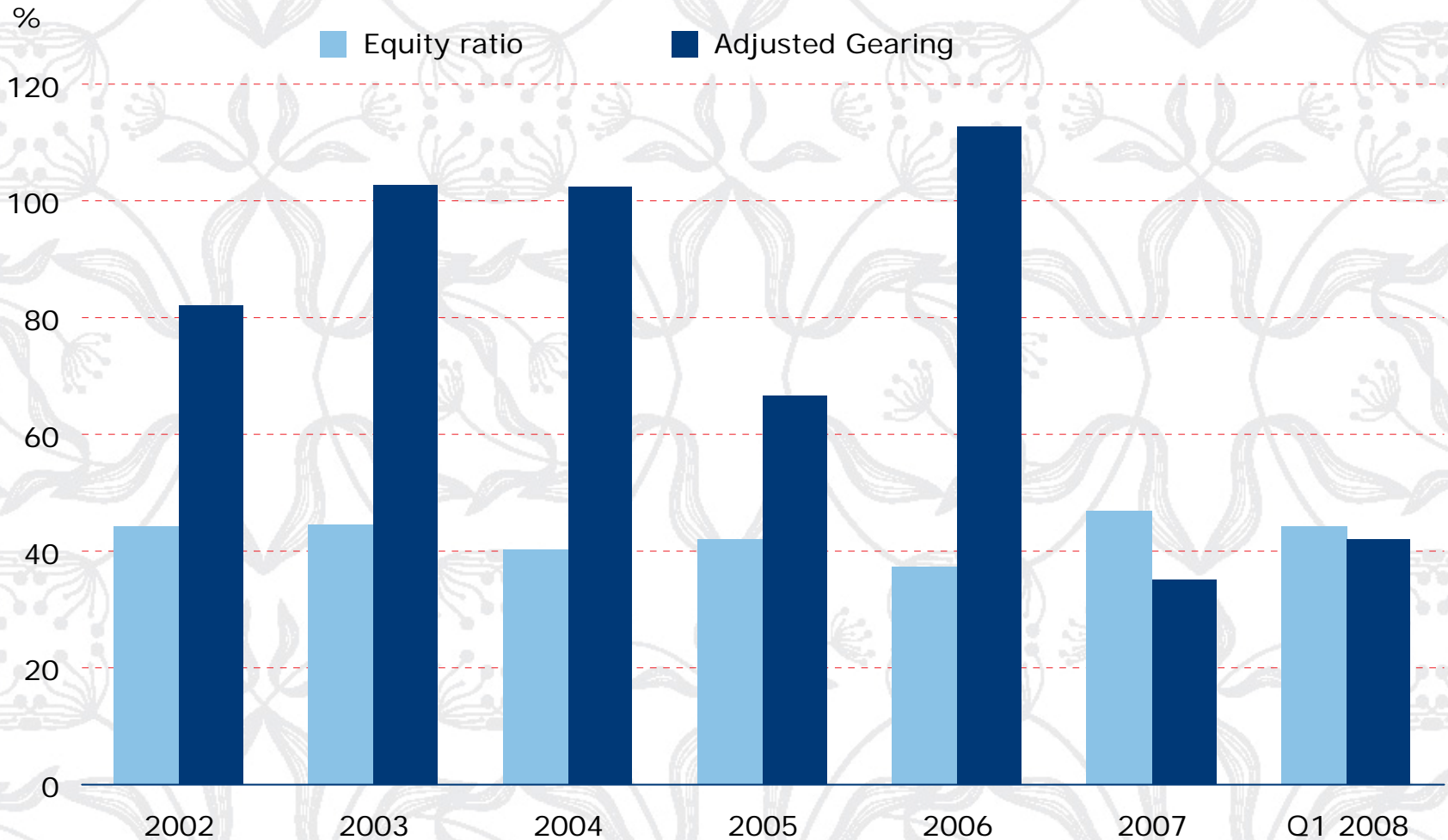
Improved cash flow used for investments

Cash flow January-March

Cash flow statement (EUR mill.)	Q1/2008	Q1/2007
Cash flow from operations	29	1
Investments and sale of assets	-93	-67
Investments	-64	-52
Change of advances and others	-29	-15
Cash flow from financing	-15	-6
Change in liquid funds	-79	-72
Liquid funds at the beginning	540	294
Liquid funds at the end with financial interest bearing assets at fair value	461	222

Strengthening balance sheet by cash flow and share issue

Equity ratio and adjusted gearing



New aircraft enable future growth

- ✈ In 2007-14 a fleet of maximum 15 Airbus A330/A340 aircraft
 - Boeing MD-11 fleet will be phased out by March 2009
- ✈ In 2014-16 a fleet of maximum 15 new technology Airbus A350XWB aircraft



Most modern European fleet

- ✈ Average age of Finnair's European fleet approximately four years
- ✈ 29 Airbus A320 family aircraft
- ✈ Ten smaller Embraer 170- eight larger 190 model aircraft already in the fleet, five more arriving 2009-2011
- ✈ New aircraft have increased flexibility, improved load factors, reduced costs and are eco-efficient

Outlook

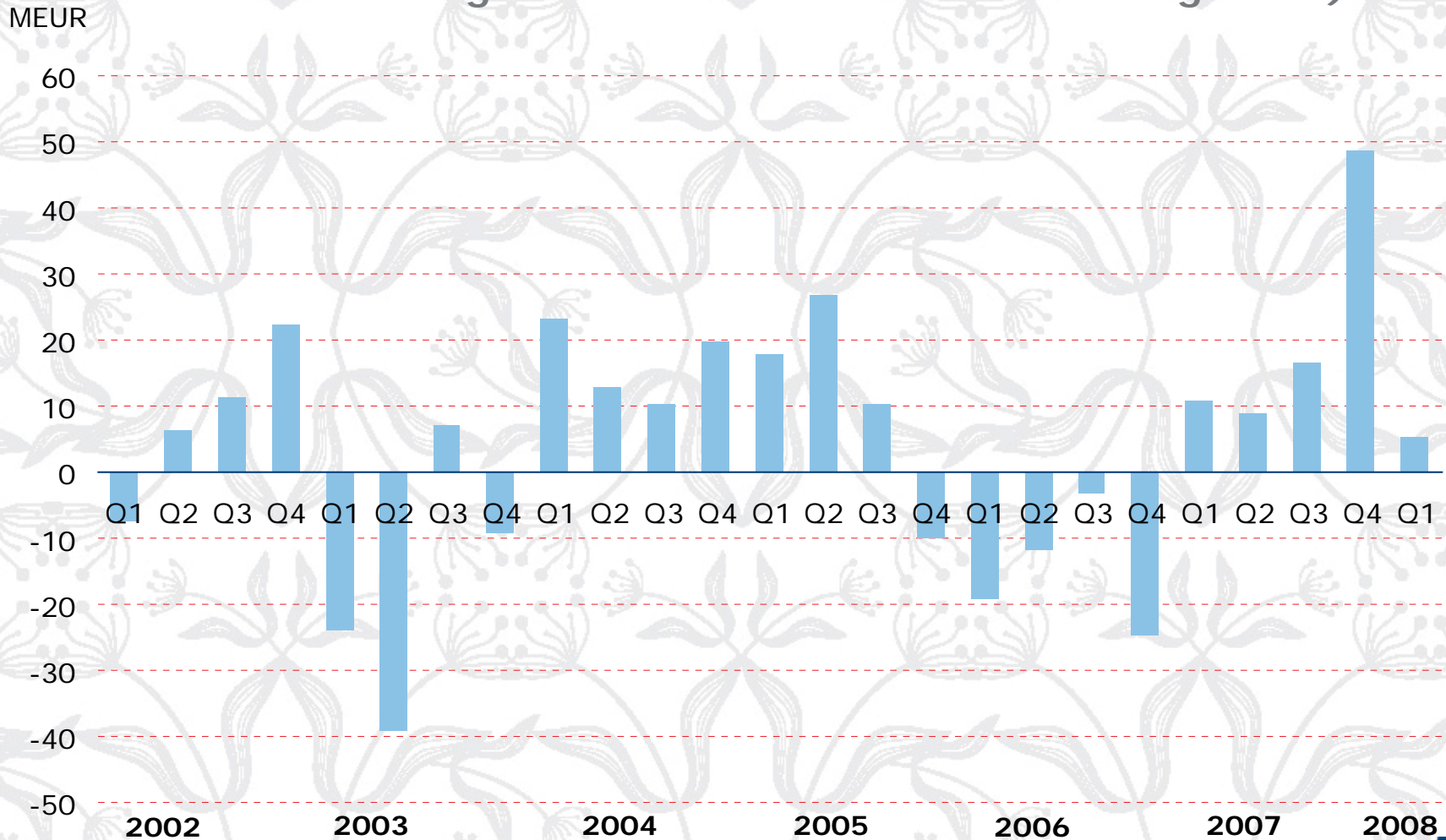
- ✈ Asian demand continues to grow
- ✈ Cargo demand remains strong
- ✈ Two new A340 wide-bodied aircraft
- ✈ Increased fuel costs put pressure on cost base and pricing
- ✈ Collective labour agreement negotiations with pilots continue
- ✈ Operational result for January-June at last year's level

Appendices



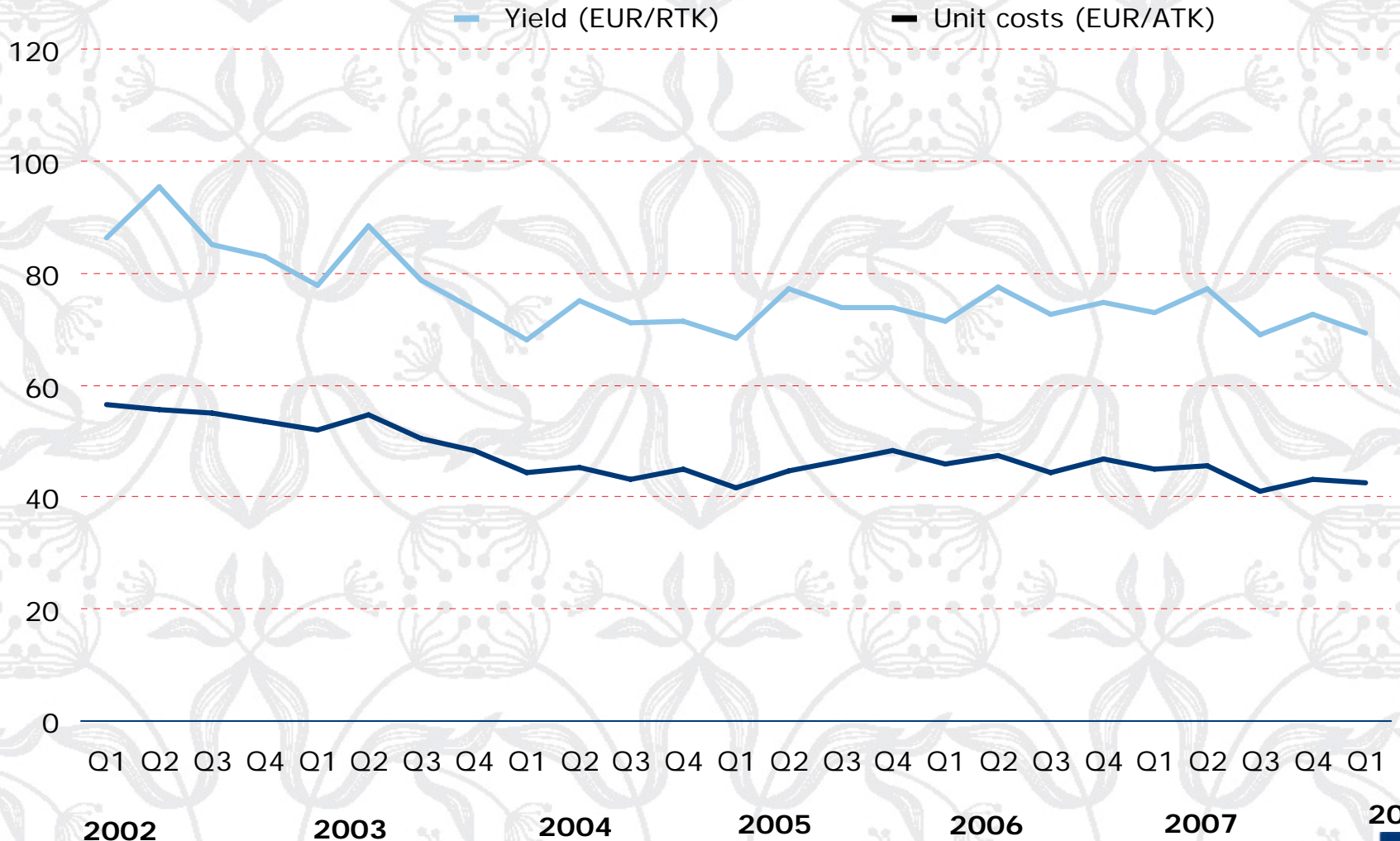
Quarterly change in profitability

Change in EBIT per quarter (Excluding capital gains, fair value changes of derivatives and non recurring items)



Average yield and costs

EUR c/RTK & EUR c/ATK

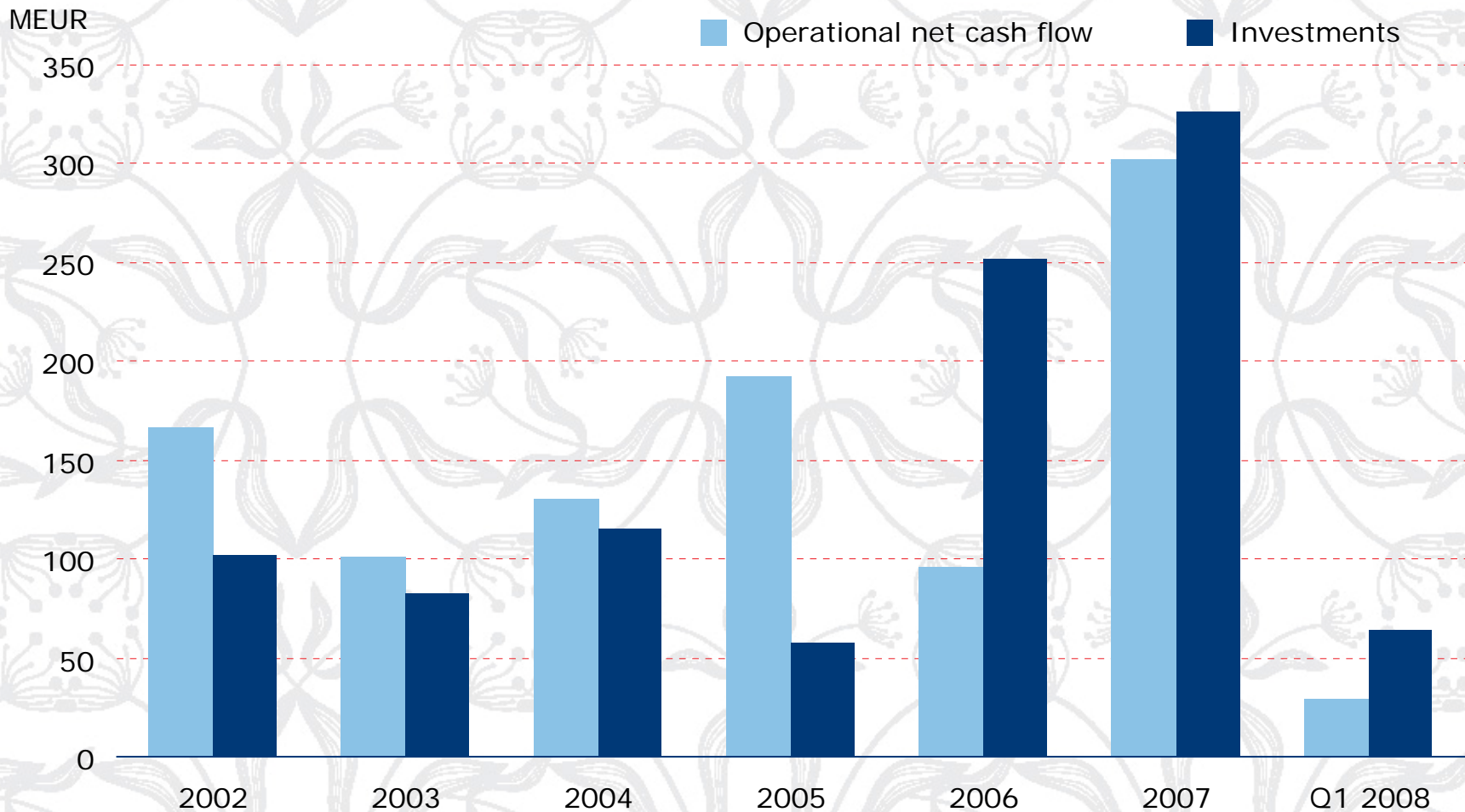


Segment results

Excluding capital gains, fair value changes of
Derivatives and non restructuring items

	2008	2007
	Q1	Q1
MEUR		
Scheduled Passenger Traffic	-0.4	-0.3
Leisure Traffic	11.1	5.6
Aviation Services	2.5	3.3
Travel Services	0.4	1.3
Unallocated items	-2.5	-4.1
Total	11.1	5.8

Investments and cash flow from operations



Aircraft operating lease liabilities



On 31 March all leases were operating leases. If capitalised using the common method of multiplying annual aircraft lease payments by seven, the adjusted gearing on 31 March 2008 would have been 42,1%

Finnair Financial Targets

"Sustainable value creation"

Operating profit (EBIT)	EBIT margin at least 6% => over 120 mill. € in the coming few years
EBITDAR	EBITDAR margin at least 17% => over 350 mill. € in the coming few years
Economic profit	To create positive value over pretax WACC of 9,5%
Adjusted Gearing	Gearing adjusted for aircraft lease liabilities not to exceed 140 %
Pay out ratio	Minimum one third of the EPS

Finnair's Financial Targets

Description of targets

Operating profit (EBIT)	Turnover + other operating revenues – operating costs
EBITDAR	Result before depreciation, aircraft lease payments and capital gains
Economic profit	Operating profit EBIT – Weighted Average Cost of Capital
Adjusted Gearing	Interest bearing debt + 7* Aircraft lease payments – liquid funds) / (Equity + minority interests)
Pay out ratio	Dividend per share / Earnings per share



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