Finnair Group

Interim Report
1 January – 30 June 2008

Airline industry at a historical turning point

- Fuel price has a stranglehold on the business
- Average ticket prices have not kept up with costs
- More efficiency required from airlines
- Weak companies are dumping prices to ensure short-term cash flow, weakening the profitability of the industry
- More bankruptcies and mergers
- Risk of new subsidy interferences

Cold winter ahead

- Lufthansa – result drop 29%
- Ryanair – result drop 85%
- British Airways – result drop 90%
- Air France-KLM – result drop 53%
- Iberia – result drop 85%
- Cathay Pacific – result drop into the red
- **Finnair – result drop 81%**
- All airlines are cutting capacity
- Personnel cuts all around
- Capacity decrease also from bankruptcies

Expensive fuel and low load factors spoiled the quarter

- Finnair's operational result clearly weakened from last year's second quarter
- Poor load factors
- Unit revenues for flight operations down 2.2 per cent per tonne kilometre
- Fuel costs up by 37.6 per cent
- Unit costs were clearly down despite expensive fuel
- 50 million euro efficiency programme
- Demand for cargo remains strong
- Punctuality improved significantly in April-June

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Finnair’s second quarter clearly weaker than previous year

	Q2/2008	Q2/2007	Change %
Turnover mill. €	546.1	538.1	1.5
Adjusted EBITDAR*	54.0	74.0	-27.0
Adjusted EBIT*	5.2	27.2	-80.9
One off items/ capital gains	2.9	5.0	-
Fair value changes of derivatives	12.6	4.9	-
Operating profit/loss (EBIT)	20.7	37.1	-44.2
Profit for period	13.9	25.8	-46.1

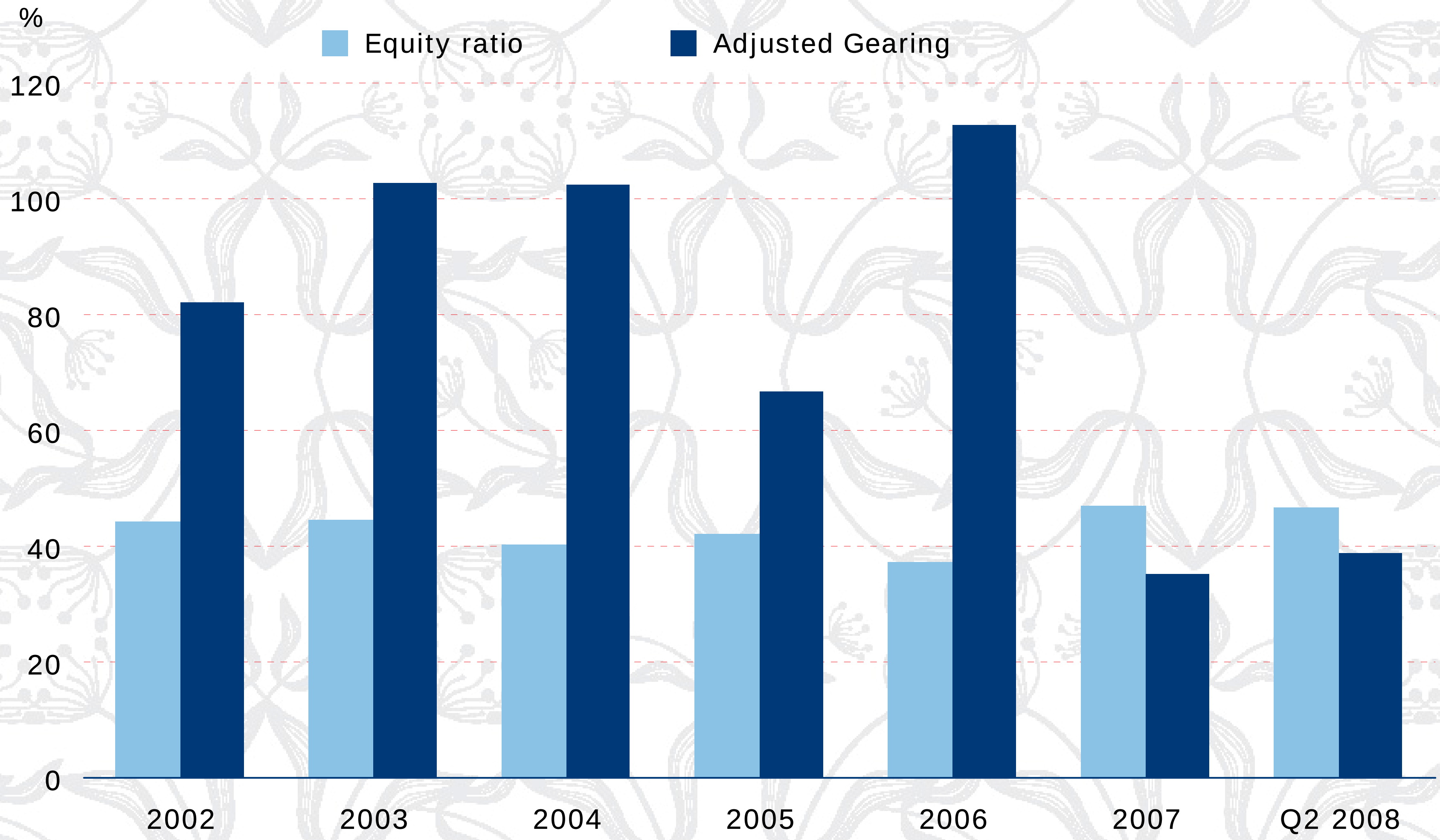
*excl. capital gains, fair values changes of derivatives and non recurring items

Strong cash balance, weakened cash flow

Cash flow January-June

Cash flow statement (EUR mill.)	Q2/2008	Q2/2007
Cash flow from operations	87	114
Investments and sale of assets	-109	-204
Investments	-145	-245
Change of advances and others	36	41
Cash flow from financing	-81	46
Change in liquid funds	-103	-44
Liquid funds at the beginning	540	294
Liquid funds at the end with financial interest bearing assets at fair value	437	250

Strong balance sheet



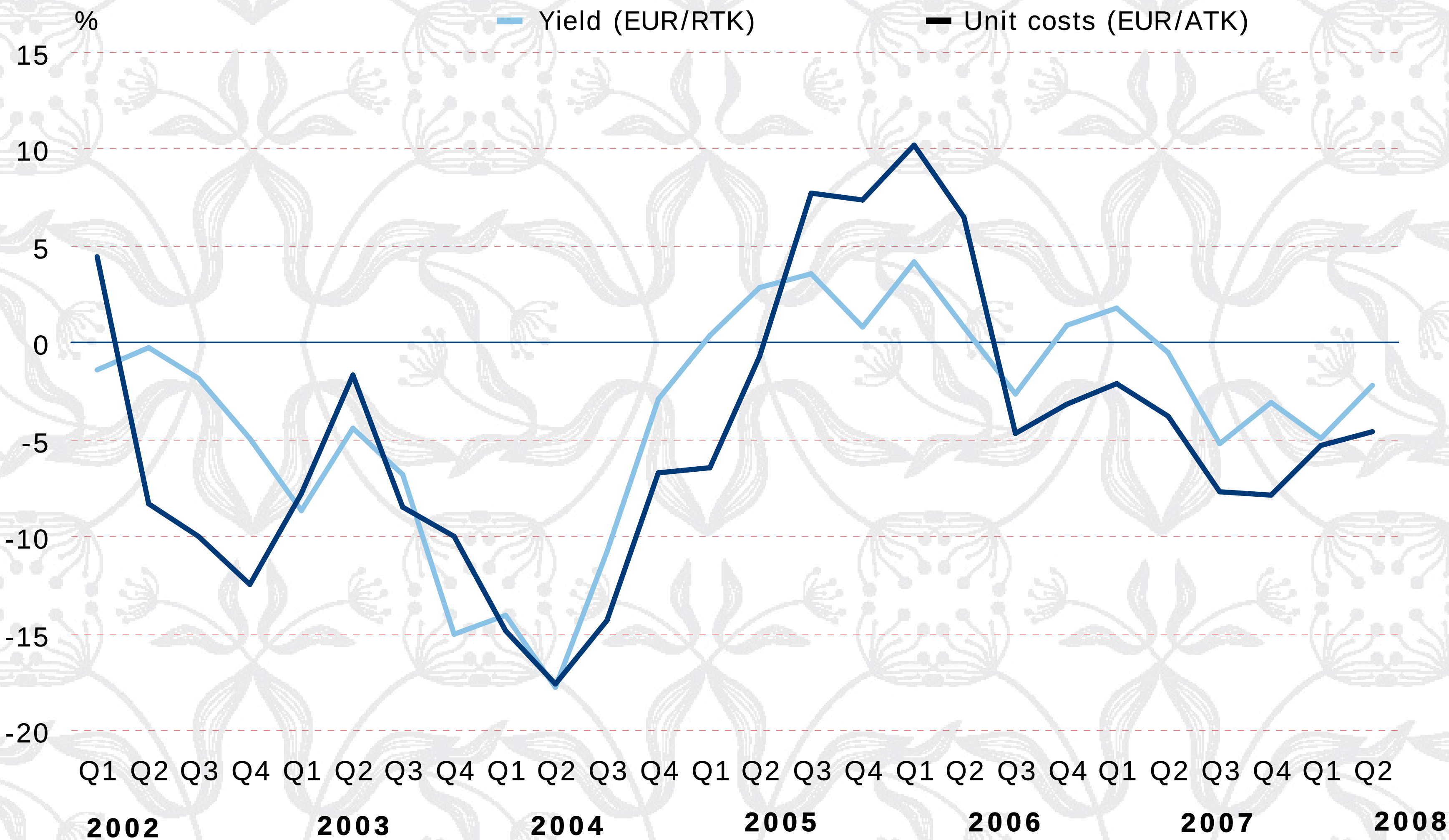
Unit costs dropped

	Q2/08	Q2/07
Unit costs of flight operations* c/ATK	-4,6%	-3,8 %
Unit costs of flight operations excl. fuel* c/ATK	-12,9%	-5,3 %
Personnel expenses c/ATK	-8,7%	-5,0 %
Fuel costs c/ATK	+22,5%	+1,3 %
Traffic charges c/ATK	-5,5%	-3,1 %
Ground handling and catering €/passenger	+21,2%	+3,3 %
Sales and marketing €/passenger	+3,9%	+7,3 %
Aircraft lease payments and depreciation c/ATK	-13,6%	-14,4 %
Other costs c/ATK	-20,5%	-2,9 %

* excluding fair value changes of derivatives and non-recurring items
ATK = Available Tonne Kilometre

Unit costs decreased still more than yield

Change YoY



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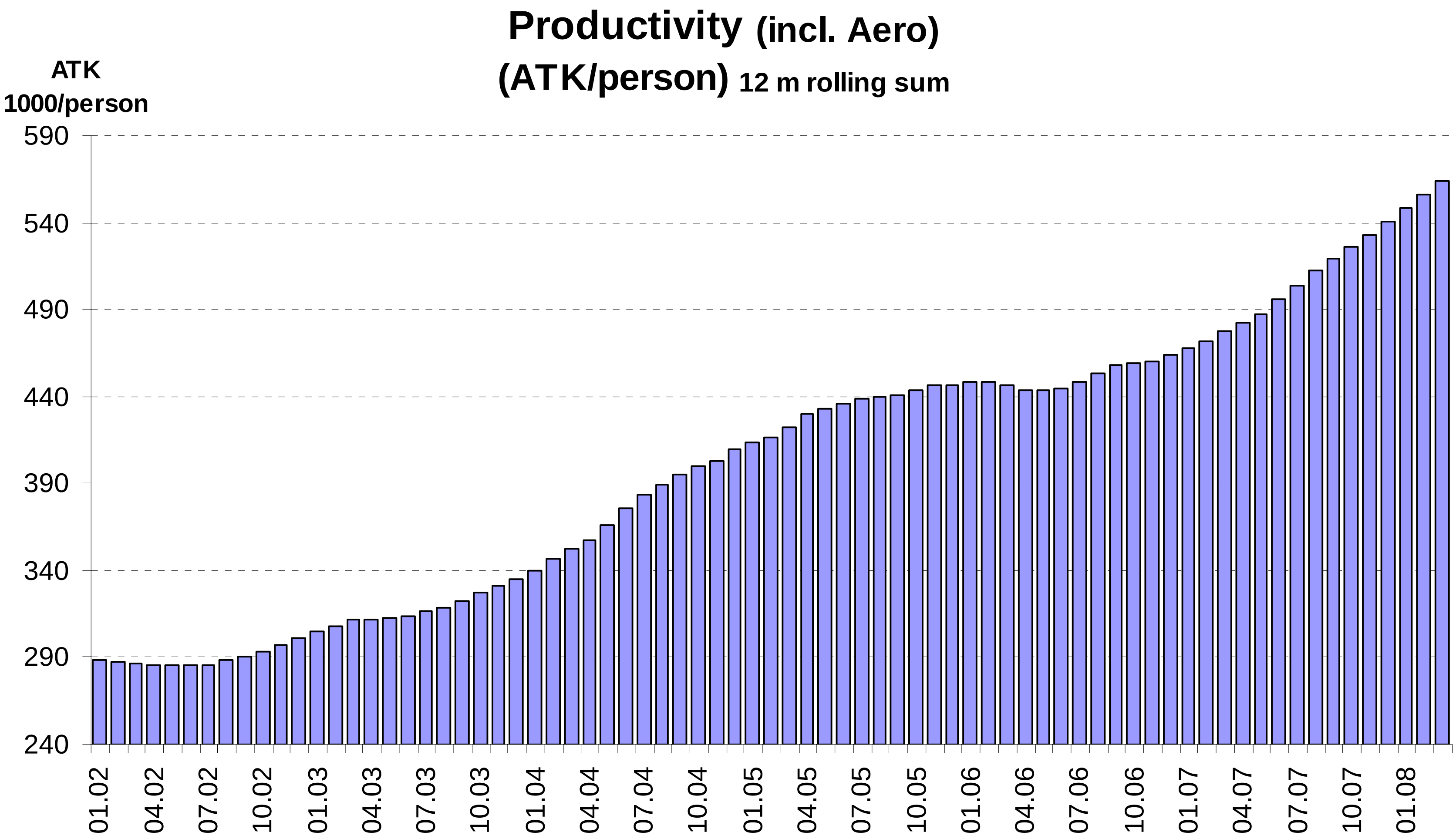
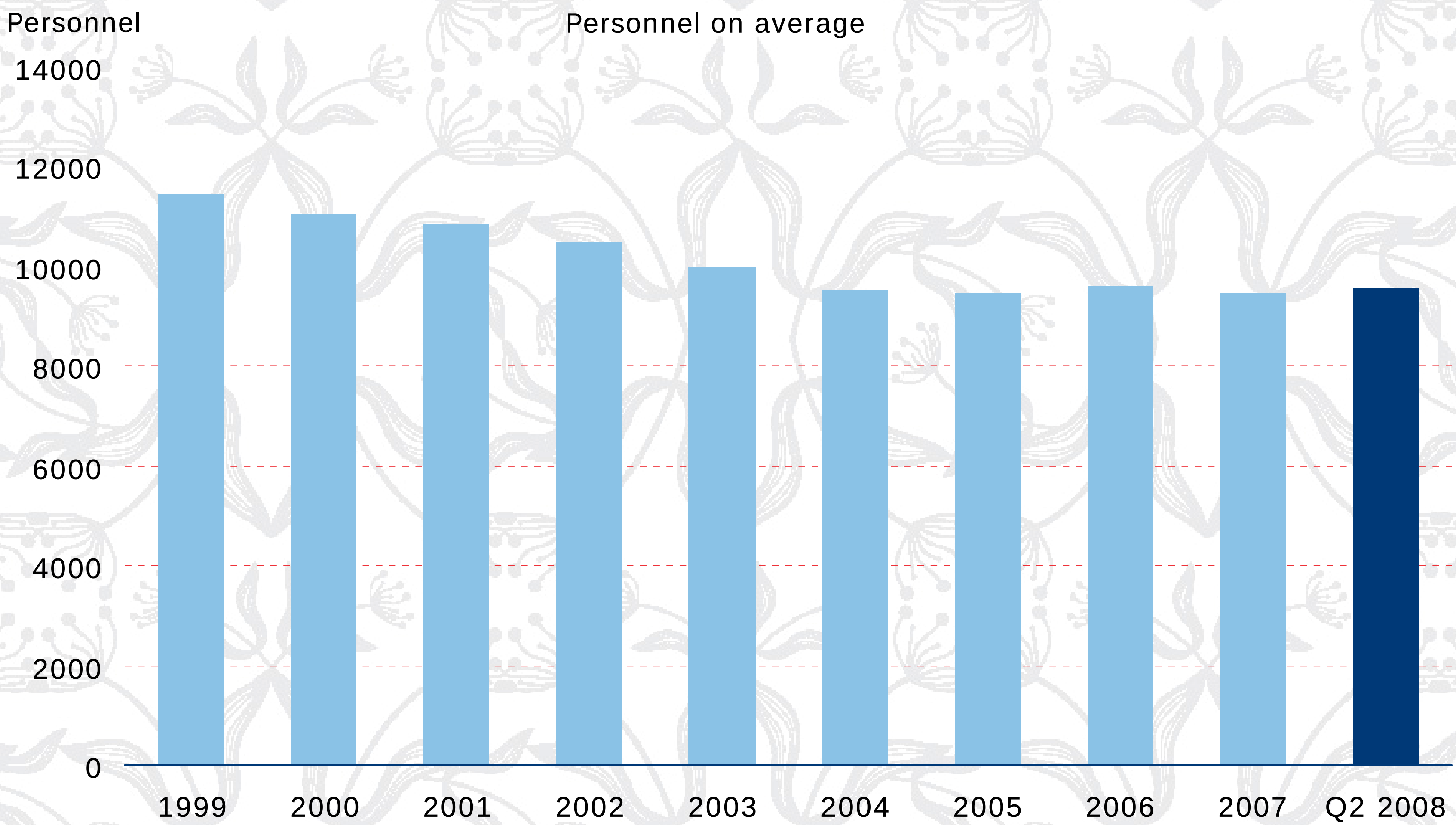
Productivity improved



Despite business growth, number of staff stable



Challenges have been met in difficult conditions

Period	Issue	Change	Level of challenge
H107	Telephone service Customer feedback	Over 90% answered in under 1 minute	1
H207	Baggage delays	Number of delays cut to a third	2
Q208	Passenger load factors down	62% => 79%	3
H108	Flight delays	From 18th position to 5th position	4
H208	Fuel price vs. ticket prices		5

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Efficiency programme underway

- Decision made on 50 million euro efficiency programme
- Result effect visible next year
- Personnel cuts at most 500 people
- Main efficiency improvement areas:
  - Capacity adjustment / discontinuing unprofitable flights
    - Effect on staff and variable costs
  - Partners' pricing and deepening cooperation
  - Fuel burn / flight procedures
  - Support functions and business unit interfaces

Load factors back to normal levels

July traffic performance

- Scheduled traffic increased 6%
- Scheduled traffic passenger load factor 79%
- Leisure traffic passenger load factor 90%
- Asian demand grew by 12% in July, load factor 80%, cargo 20%

Growth in Asian traffic continues

- Seoul launched as new destination in June
- Asian demand grew 18.8% in January- July, cargo loads by 31.6%, despite travel restrictions in China
- 65 flights a week to Asia in the summer
- Non-stop flights to 11 destinations, daily to six
- India up to 13 flights per week
- Guangzhou on winter break

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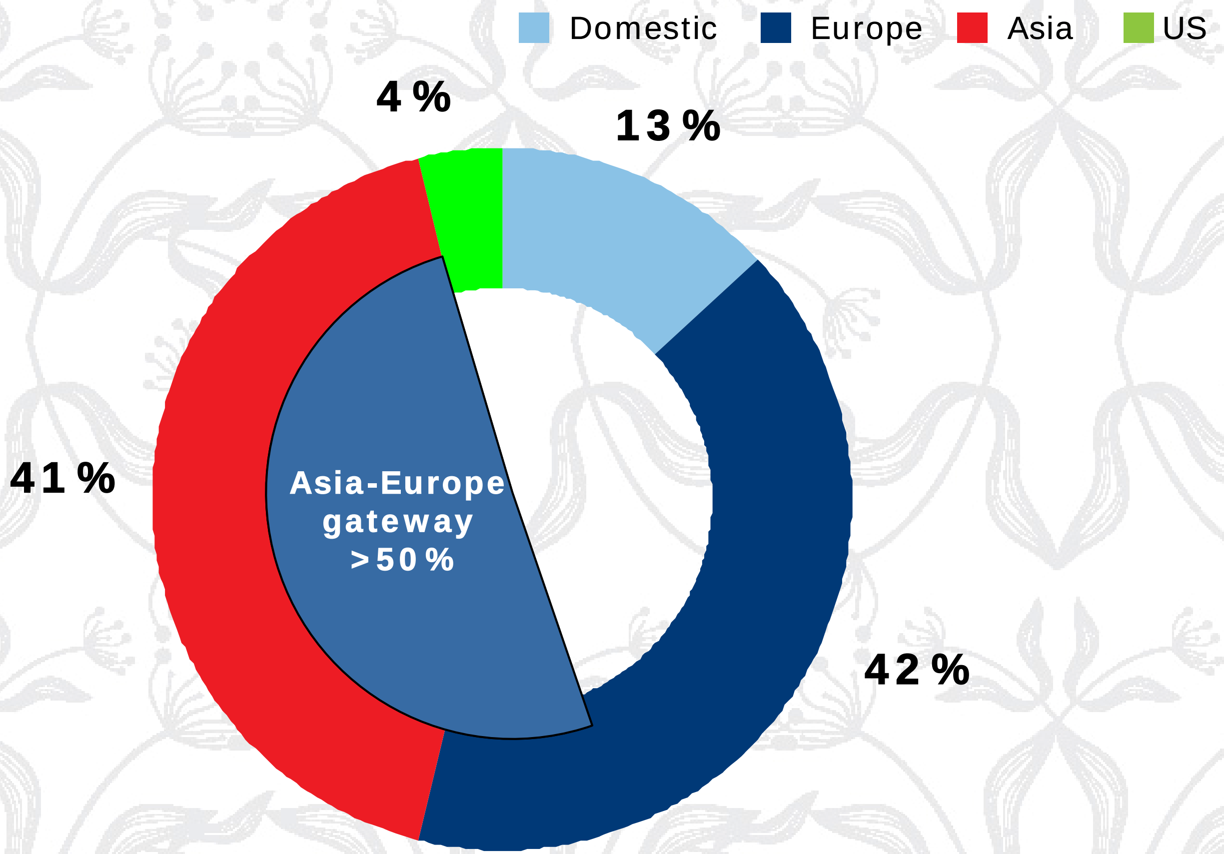
More revenues from Asian traffic

Distribution of passenger and cargo revenues in scheduled traffic



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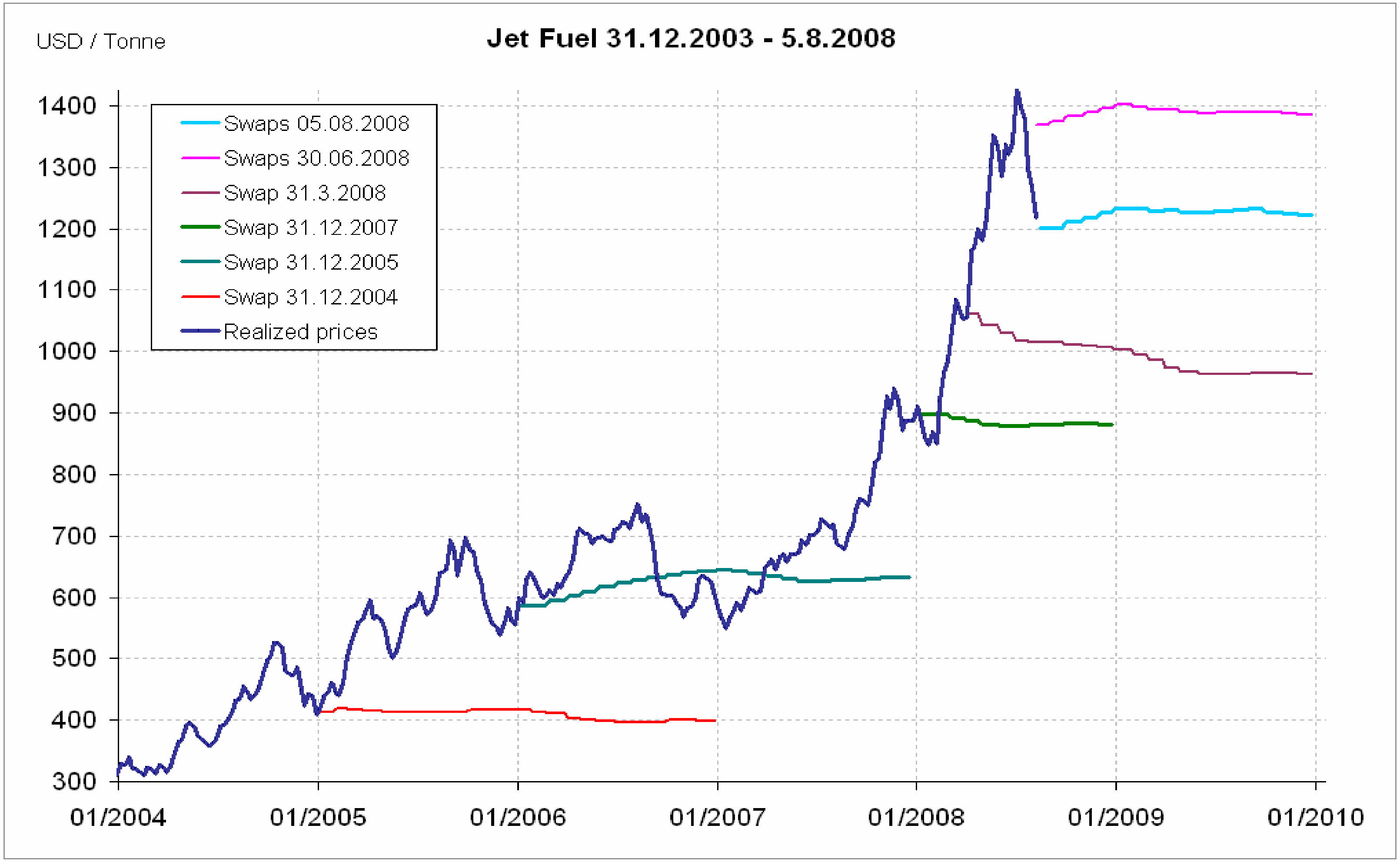
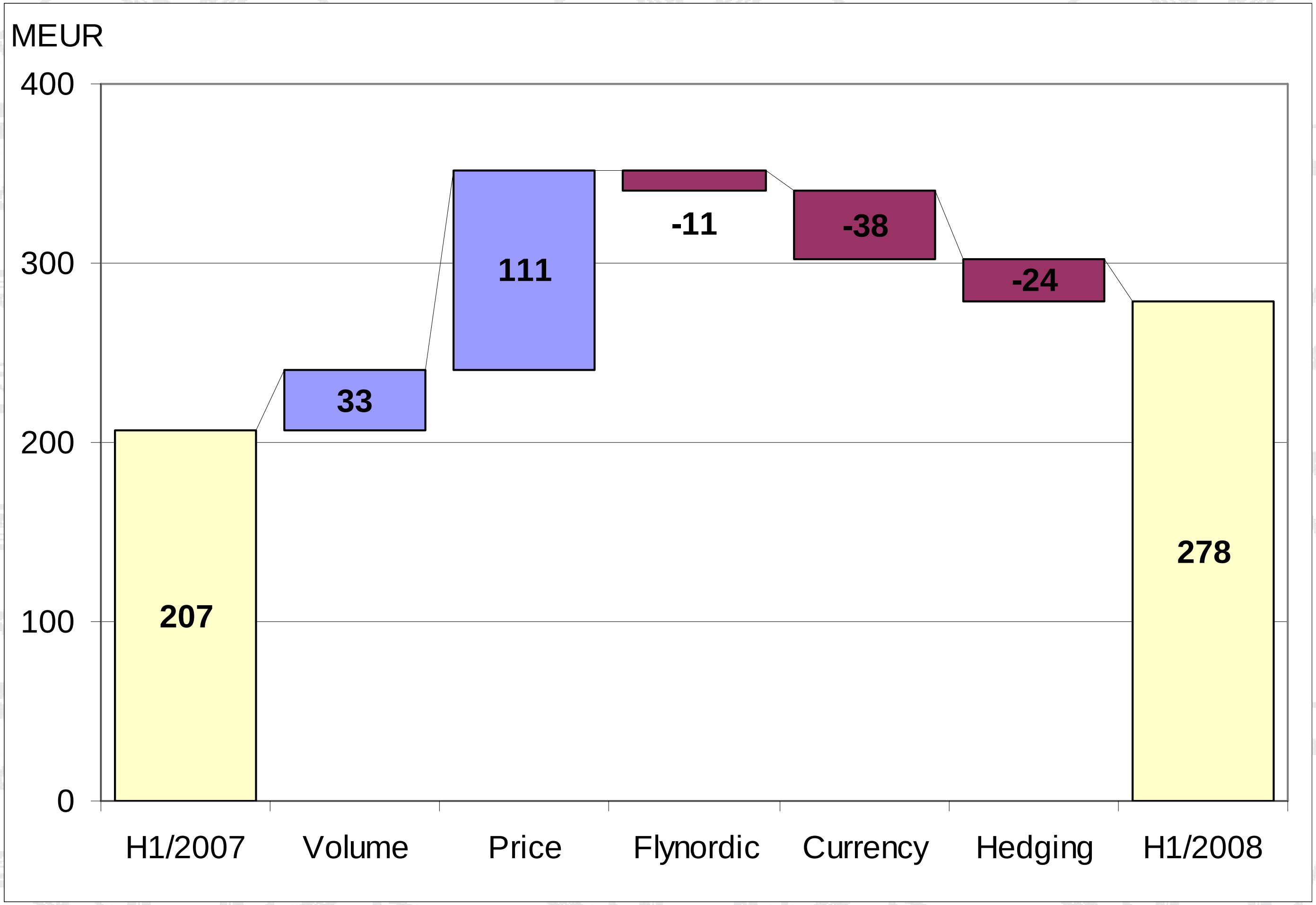
Long-haul network in summer 2008

Fuel price still on a high level



Fuel costs H1 / 2007 vs. H1 / 2008



Fuel hedging outside hedging calculations: H1/Y2007 -5 MEUR ja H1/Y2008 +13,5

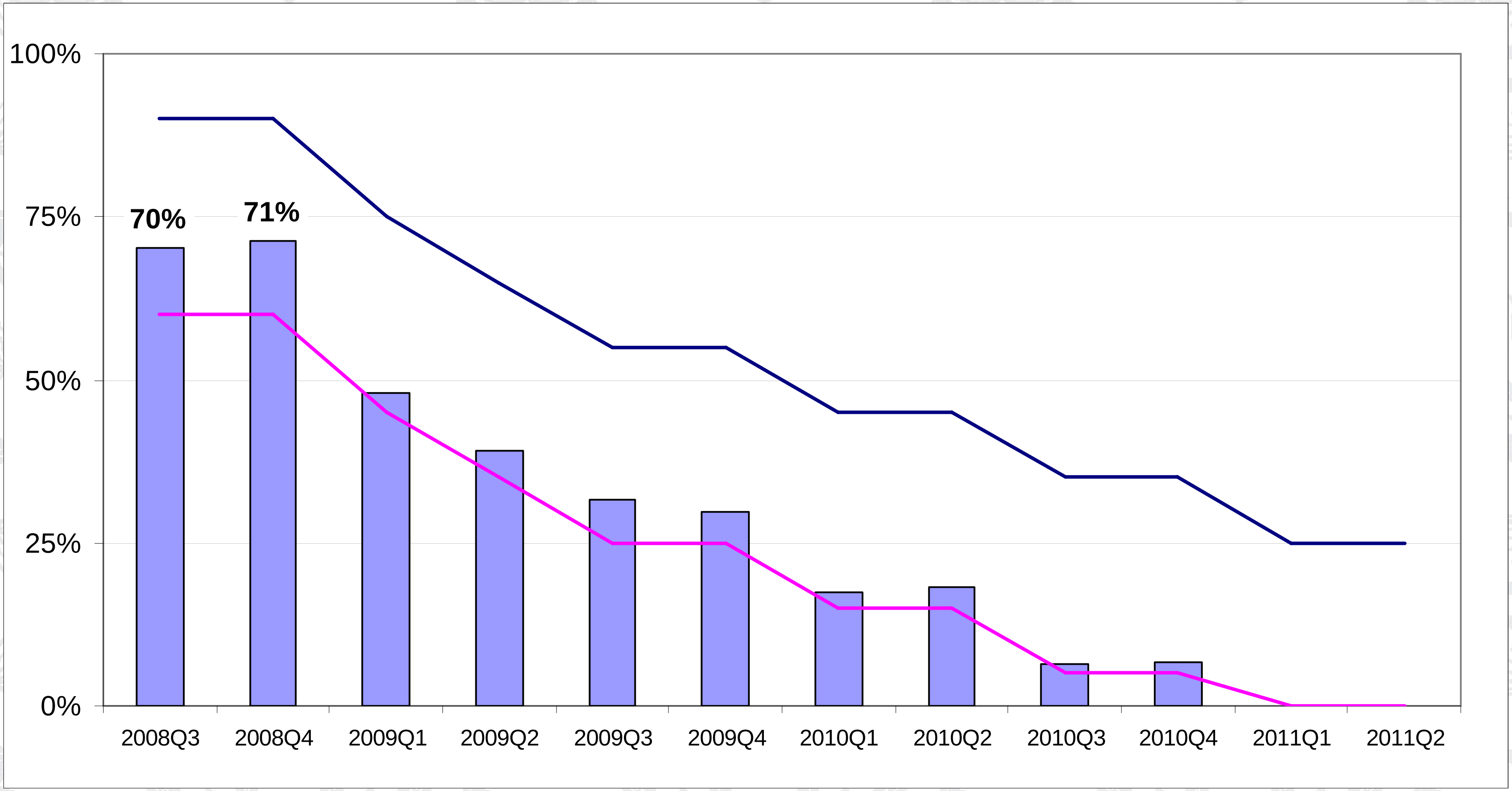
Fuel costs clearly over a quarter of turnover

- 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: >27% of turnover

Finnair scheduled traffic has hedged 70% of its fuel purchases for the next six months, thereafter for the following 24 months at a decreasing level.

A change of 10 per cent in fuel price between August-December will affect Finnair's 2008 result by over 10 million euros at the current hedging rate.

Fuel hedging rates
(Scheduled Passenger Traffic, 30 June 2008)



Outlook

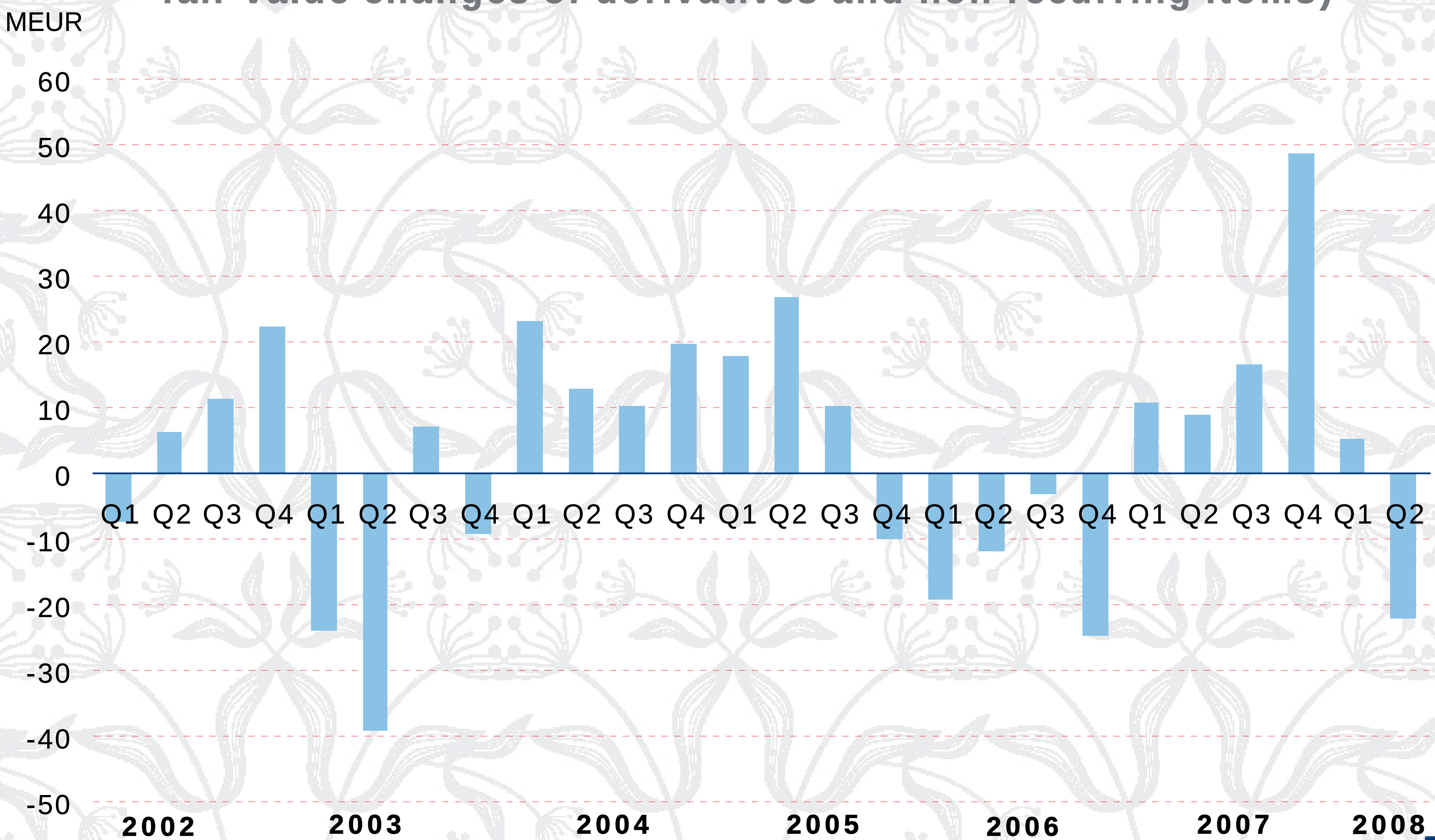
- Outlook weakened by volatility of oil price and short booking horizon
- Dramatically increased fuel costs cannot be added on ticket prices for now
- Announced industry capacity cuts approximately 7%, surplus capacity will also disappear with bankruptcies
- Finnair Scheduled Passenger Traffic capacity will increase by approximately 5% in H2 (H1 > 10%)
- At current expectations latter part of year operating result may be loss-making

Appendices


EXTENSION OF STAY PERMITTED UNTIL
2007 MAY 17
Mumbai
DORVAL
287
DEPARTED
NAGOYA
11. NOV.2007
IMMIGRATION

Quarterly change in profitability

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



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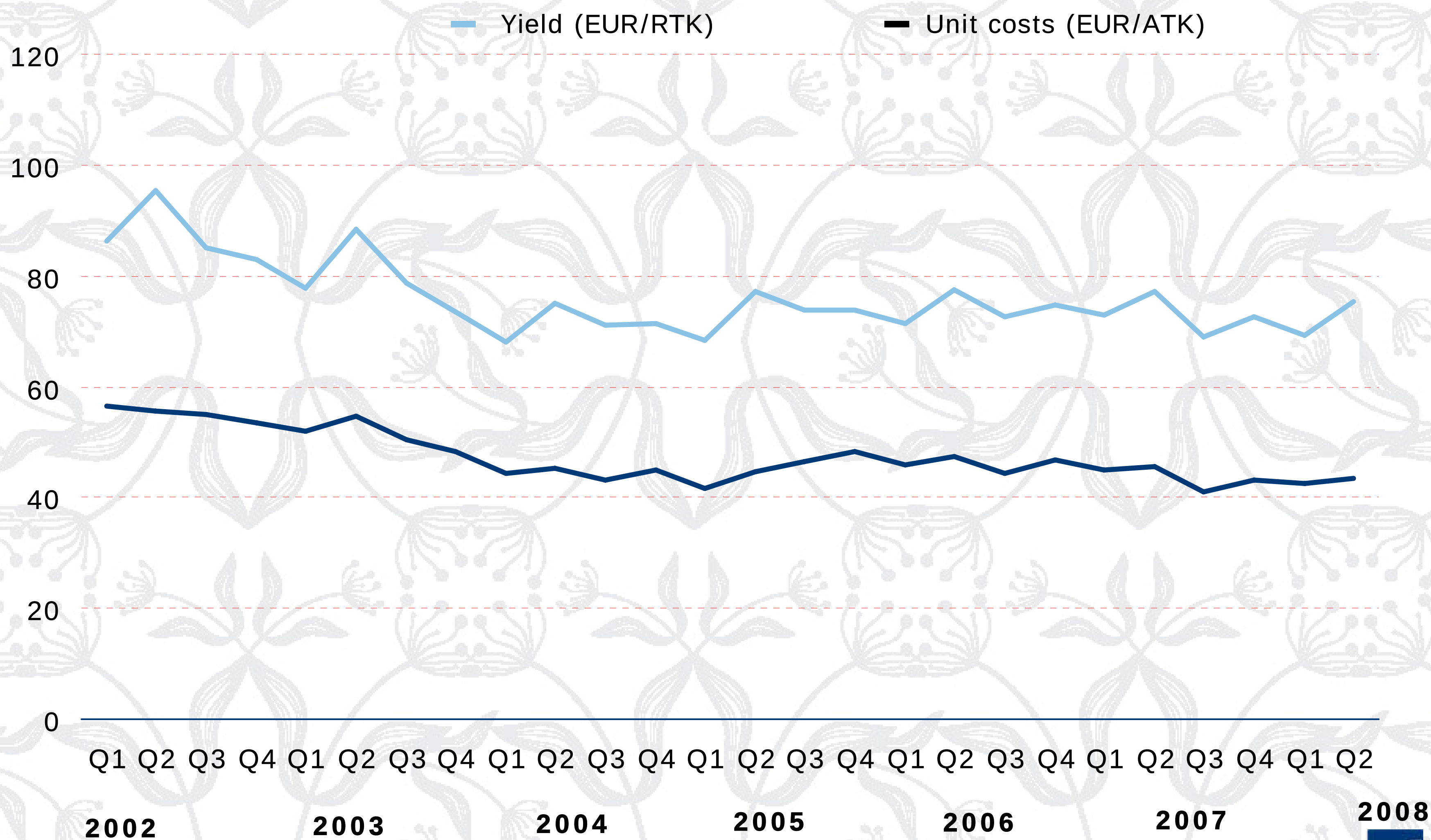
Average yield and costs
EUR c / RTK & EUR c / ATK



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Segment results

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

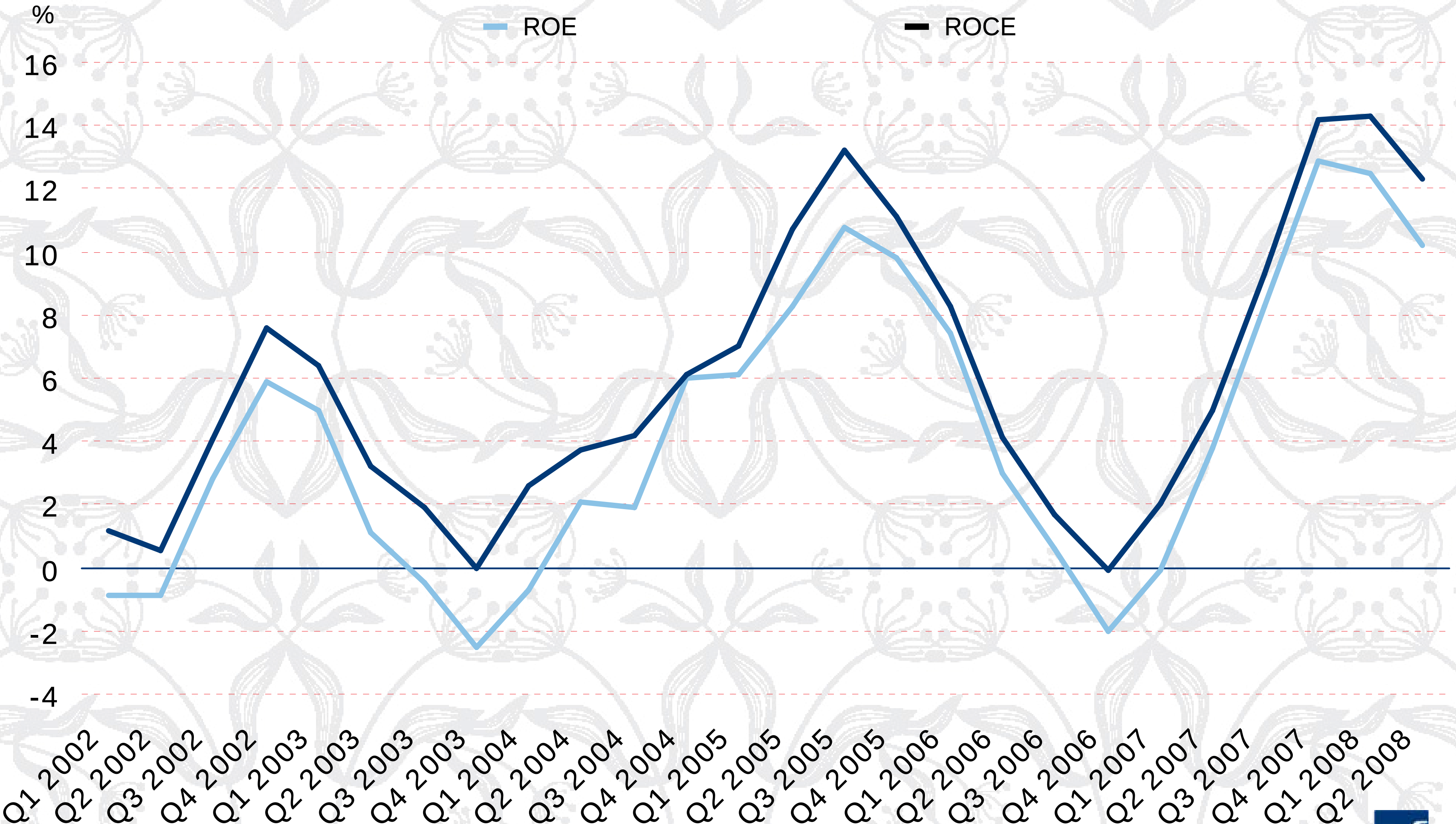
	2008	2007
	Q2	Q2
MEUR		
Scheduled Passenger Traffic	1.9	27.7
Leisure Traffic	-2.5	1.1
Aviation Services	4.4	1.3
Travel Services	1.4	1.2
Unallocated items	0.0	-4.1
Total	**5.2**	**27.2**

Segment results

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

	2008	2007
	Q1-Q2	Q1-Q2
MEUR		
Scheduled Passenger Traffic	1.5	27.4
Leisure Traffic	8.6	6.7
Aviation Services	6.9	4.6
Travel Services	1.8	2.5
Unallocated items	-2.5	-8.2
Total	**16.3**	**33.0**

ROE and ROCE
Rolling 12 months



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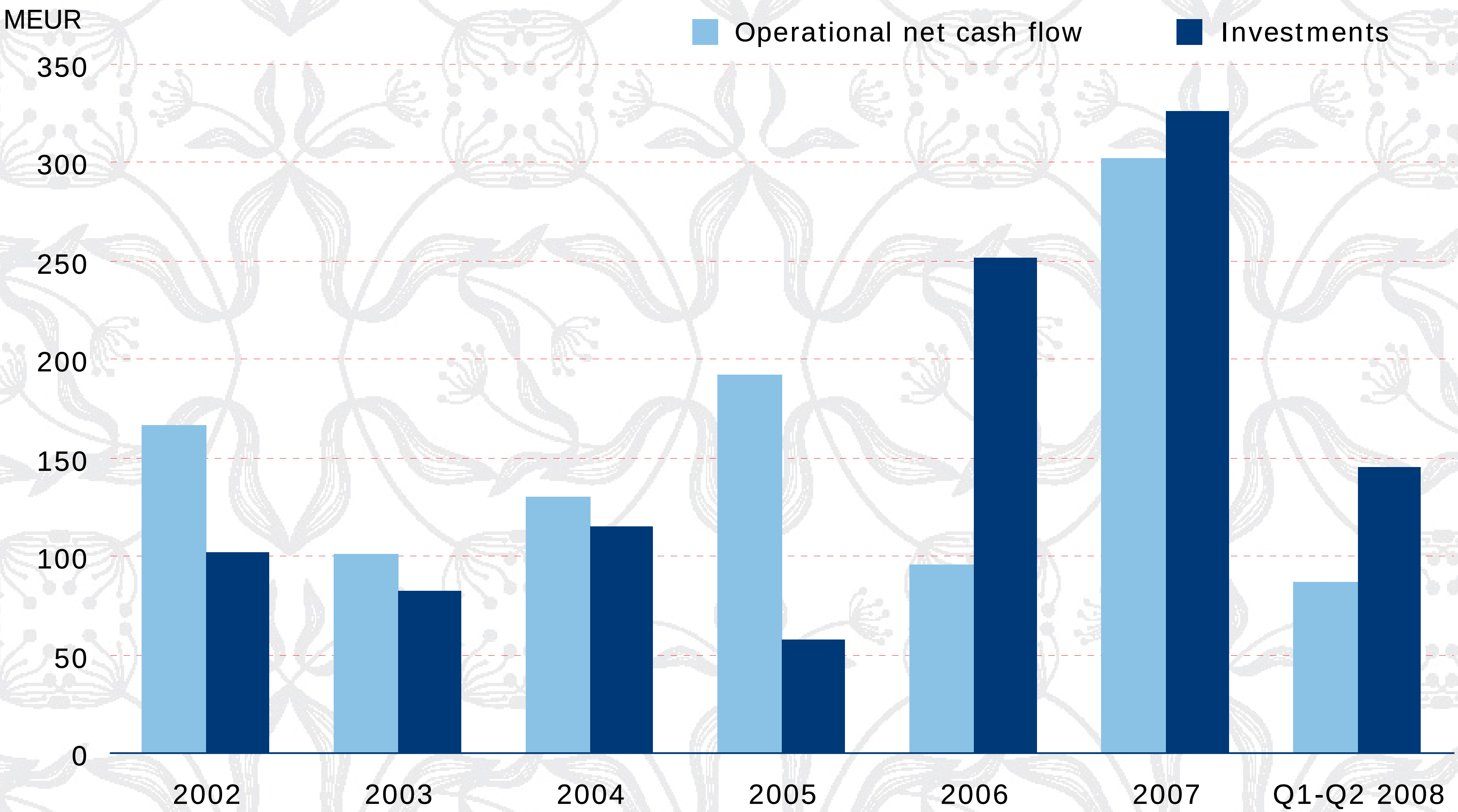
New aircraft enable future growth

- In 2007-14 a fleet of up to 15 Airbus A330/A340 aircraft
  - Boeing MD-11 fleet will be phased out by March 2010
- In 2014-16 a fleet of up to 15 new technology Airbus A350XWB aircraft

Most modern European fleet

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

Investments and cash flow from operations



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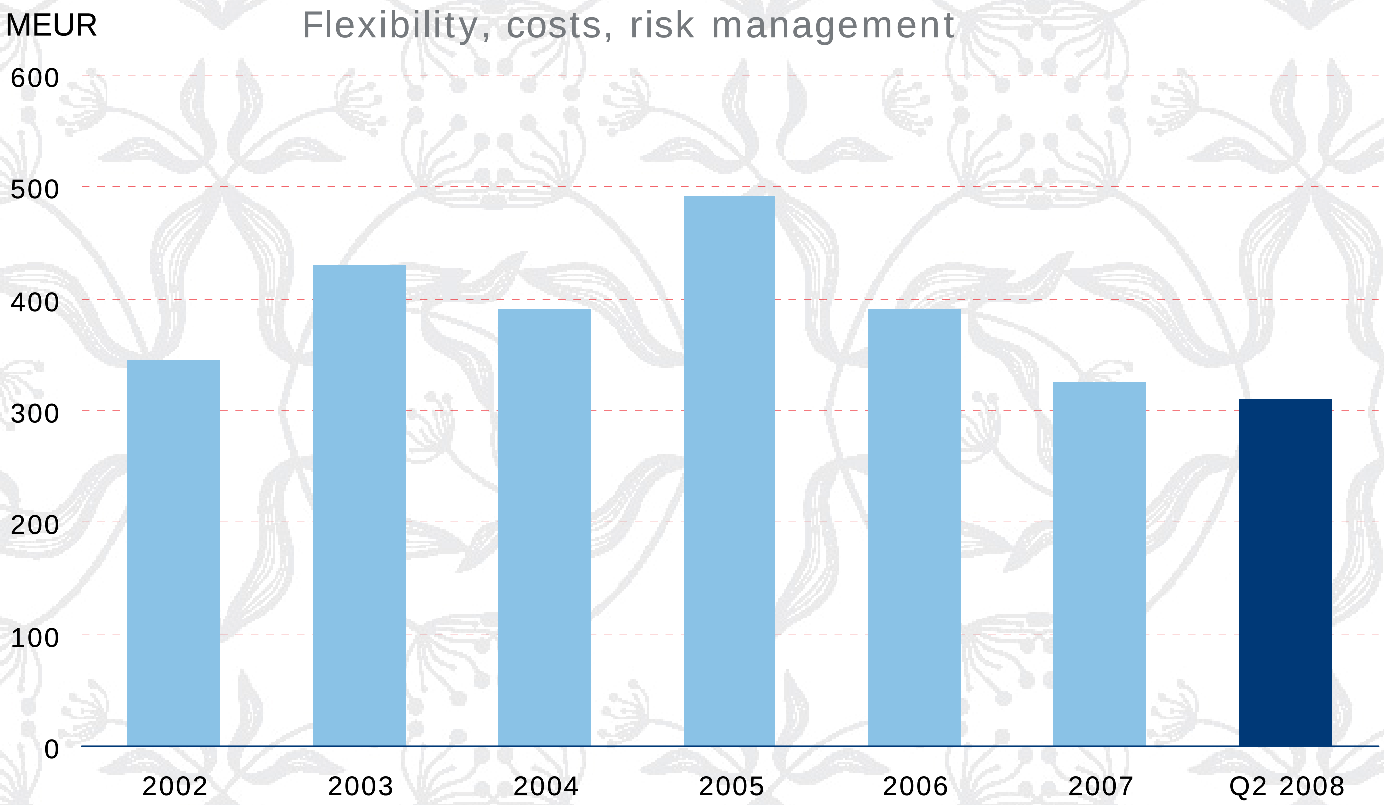
Aircraft operating lease liabilities



On 30 June all leases were operating leases. If capitalised using the common method of multiplying annual aircraft lease payments by seven, the adjusted gearing on 30 June 2008 would have been 38,8%

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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

www.finnair.com

Finnair Group Investor Relations
email: investor.relations@finnair.com

tel: +358-9-818 4951
fax: +358-9-818 4092