FINNAIR GROUP INTERIM REPORT 1 JANUARY – 30 JUNE 2009

Early-year result a clear loss due to falling price levels

Summary of the second-quarter 2009 key figures

– Turnover fell 21.6% to 427.4 million euros (545.2 million)
– Passenger traffic declined 8.5% in passenger kilometres from the previous year, passenger load factor rose 2.5 percentage points to 71.9% (69.4%)
– Unit revenues from flight operations fell by 14.9%, while unit costs rose by 2.8%
– Operating loss was 32.5 million euros (20.1 million profit).
– The operational result, i.e. EBIT excluding capital gains, non-recurring items and changes in the fair value of derivatives, was a loss of 56.9 million euros (4.6 million profit)
– The result before taxes was a loss of 35.3 million euros (18.5 million profit)
– Gearing at the end of June was 43.2% (–15.7%) and gearing adjusted for leasing liabilities was 117.1% (39.6%)
– Balance sheet cash and cash equivalents at the end of June totalled 266.0 million euros (437.1 million)
– Equity ratio 34.9% (45.7%)
– Equity per share 5.90 euros (8.25)
– Earnings per share -0.20 euros (0.12)
– Return on capital employed –9.5% (11.9%)

In this interim statement, figures for 2008 are presented in brackets after the figures for the current year.

President and CEO Jukka Hienonen on the interim result:

Our sector is facing its deepest crisis. Finnair, too, has suffered from the fall of average prices caused by the decline in air travel. Turnover has been undermined by reduced demand and weaker price levels.

The present financial performance is corroding Finnair's capital adequacy. We have secured various sources of financing to ensure that our cash position is not endangered amid the large investments underway. Even so we have to embark on more radical measures to restore our profitability.

In recent years, we have energetically pursued efficiency targets in order to adjust our operating costs to lower revenues. In an airline the proportion of total costs accounted for by fixed costs is generally high. In connection with the substantial decline in turnover, however, we have seen that many inflexibilities also hinder the adjustment of variable costs.

Achieving flexibility in the labour cost has proved to be difficult. The reason lies in the working conditions agreed in the good times, whose realignment to the present situation simply seems impossible.

We have assiduously engaged in a dialogue with all seven personnel organisations in recent years. Often the negotiating atmosphere has been constructive. Regrettably few good discussions, however, have materialised into agreements by which we could safeguard the company's profitability and at the same time preserve jobs. Redundancies or temporary lay-offs have remained our only options.

One excellent exception is, though, a stabilization agreement in Finnair Technical Services. All five personnel unions and Finnair have agreed upon temporary flexible arrangements. The agreement includes an extra bonus system in case the profitability improves.

Because, moreover, it has not been possible, despite several attempts, to achieve flexibility agreements in other units, we are initiating new statutory employer-employee negotiations (YT negotiations) with the entire workforce to achieve the savings targets announced earlier.

The aircraft investments planned for this year will be implemented, but the aim is to relax the timetable for aircraft acquisitions in the coming years.

The positive signals are few, but remarkably improved on-time performance and excellent results in customer surveys are worth to mention.

Difficult times lie ahead. However, because of a clearly defined strategy and a strong cash and financial situation, the company's opportunities to recover from a difficult period are better than average, but it requires a full implementation of the efficiency programmes and a change in the organisational culture.

Market and General Review

The airline sector has suffered a historically strong recession, which deepened as the first half of the year progressed. The trend in airlines' profitability has been rapidly downward. The decline in average revenues has resulted from an exceptionally strong reduction in business travel as well as a fall in the price level of tickets caused by overcapacity in the market.

The Finnair Group's turnover fell by more than 20 per cent. The decline took place above all in Scheduled Passenger Traffic, where revenue passenger kilometres have fallen by seven per cent in the early part of the year. Due to capacity cuts, passenger load factor has risen, however, by a couple of percentage points.

The fall in absolute scheduled traffic revenues and average prices, together with a too slow reduction in costs, have led to a sharp decline in profitability compared with the previous year. Corporate travel on Finnair flights has fallen by more than 30 per cent. To some extent, business travel demand has shifted to cheaper price classes. Price campaigns have increased demand for other types of travel need.

Leisure Traffic profitability has remained at a good level, despite a weakening of demand and a decline in turnover. Leisure flight capacity and package tour supply have been correspondingly adjusted to demand.

Finnair's cargo traffic has declined by more than 20 per cent in the early part of the year in line with the overall trend in the sector. In the summer months, the fall in volume has stabilised at a lower level. Pressure on price levels continues due to overcapacity in the market. Finnair's cargo companies have adjusted their personnel and costs according to the volume of cargo and mail handled.

The Finnair Group's negative operational cash flow and investment programme have weakened the company's capital structure. Compared with the sector, however, Finnair's gearing remains moderate and solidity is strong. There are a number of sources of finance in the market, but an effort will be made to lighten the level of investment in 2010. To release capital, the sale and leaseback of certain properties in Finnair's ownership is under preparation.

In response to rapidly weakened profitability, Finnair has initiated during the last 15 months efficiency programmes totalling 200 million euros to improve profitability. In the programmes, around 120 million euros of targeted savings are directed at personnel costs. Instead of simple personnel cuts, the objective is to find flexibility factors by which the unit price of work performance could be reduced.

As part of the efficiency programme and operational development, in the early autumn Finnair will implement an organisational change which will remove overlapping functions and make production planning and implementation more efficient. In addition, the change aims to achieve synergy benefits between different units.

The modernisation of the long-haul fleet has proceeded according to the plan in terms of the acquisition of new aircraft. Four new Airbus A330 wide-bodied aircraft joined the Finnair fleet during the first half of the year and the fifth new aircraft of the current year will arrive in November.

Financial Result, 1 April – 30 June 2009

Turnover fell in the second quarter by 21.6 per cent to 427.4 million euros (545.2 million). The Group's operational result, i.e. EBIT excluding capital gains, non-recurring items and changes in the fair value of derivatives was a loss of 56.9 million euros (4.6 million profit). Adjusted operating profit margin was –13.3 per cent (+0.8). The result before taxes was a loss of 35.3 million euros (18.5 million profit)

A 24.2 million euro (12.6 million) item improving the second quarter result has been recognised for changes in the fair value of derivatives. Changes in the fair value of derivatives have no effect on cash flow.

In April–June, Finnair's passenger traffic capacity was cut by 11.7 per cent and revenue passenger kilometres declined by 8.5 per cent. In Asian traffic, revenue passenger kilometres fell by 10.8 per cent and Leisure Traffic performance by 5.9 per cent.

Passenger load factor for all traffic rose by 2.5 percentage points from the previous year to 71.9 per cent. The amount of cargo carried fell by 24.0 per cent.

In scheduled passenger and leisure traffic, total unit revenues per passenger kilometre fell by 15.9 per cent. Yield per passenger fell by 17.2 per cent. Unit revenues per tonne kilometre for cargo traffic declined by 33.1 per cent. Weighted unit revenues for passenger and cargo traffic fell by 14.9 per cent.

Euro-denominated operating costs fell during the period by 13.0 per cent as turnover contracted by 21.6 per cent, which weakened operational profitability significantly. Unit costs of flight operations rose by 2.8 per cent. The impact of initiated cost-cutting programmes on the second quarter result was more than 20 million euros.

Fuel costs fell in the second quarter by 18.2 per cent from April-June the previous year, partly due to a fall in the price of fuel, partly to reduced fuel consumption. Fuel costs per tonne kilometre flown towards fell by 5.4 per cent. In the comparison, realised gains and losses on fuel derivatives and foreign exchange have also been recognised as fuel costs. Fleet materials and overhauls –item includes delivery maintenances of Boeing MD-11.

The significant decline in traffic charges as well as in ground handling and catering expenses is due mainly to capacity cuts. The more than 18 per cent fall in sales and marketing expenses resulted mainly from reduced payment of sales commissions, which in turn was a consequence of lower travel agency and codeshare sales.

The new Airbus 330 aircraft were purchased, which caused a growth in depreciations.

Financial Result, 1 January – 30 June 2009

Turnover fell in January–June by 15.7 per cent and was 943.1 million euros (1.118.1 million). The Group's operational result, i.e. EBIT excluding capital gains, changes in the fair value of derivatives and non-recurring items, declined to a loss of 104.4 million euros (12.4 million profit). Adjusted operating profit margin was –11.1 per cent (+1.1). The result before taxes was a loss of 60.3 million euros (22.8 million profit). Changes in the fair value of derivatives had a 47.6 million euro (12.5 million) improvement effect on the result reported for the first six months of the year.

In January–June, Finnair's passenger traffic capacity has been cut by 6.3 per cent and revenue passenger kilometres fell by 4.0 per cent. Asian traffic declined by 7.0 per cent. Passenger load factor rose 1.8 percentage points from the previous year to 74.1 per cent. The amount of cargo carried fell by 21.9 per cent.

In Group passenger traffic, total unit revenues per passenger kilometre fell by 13.6 per cent. Yield per passenger fell by 12.1 per cent. Unit revenues per tonne kilometre for cargo traffic declined by 25.9 per cent. Weighted unit revenues for passenger and cargo traffic fell by 12.1 per cent.

Euro-denominated operating costs decreased during the period by 8.6 per cent as turnover contracted by 15.7 per cent. Unit costs per tonne kilometre for flight operations increased by 1.6 per cent. ‘Other lease payments’ were more than 27 per cent higher than a year earlier, mainly due to an Air European Airbus A330 aircraft, leased to Leisure Flights in the first quarter.

Net cash flow from operations fell from last year's +86.5 million euros to –114.8 million euros. In addition to the operating loss, the cash flow weakening is explained by a decline in trade payables, which stems from, among other things, a reduction in fuel purchases. The impact of the change in net working capital on cash flow was more positive in the second quarter than in the first quarter of the year, but below expectations. Bookings of flight tickets paid in advance were lower than expected.

Earnings per share for January-June amounted to –0.35 euros (0.15).

Investment, Financing and Risk Management

Balance sheet cash and cash equivalents at the end of June totalled 266.0 million euros (437.1 million). A long-term pension fund loan amounting to 85 million euros was raised during the second quarter.

Gearing at the end of June was 43.2 per cent (–15.7). Gearing adjusted for leasing liabilities was 117.1 per cent (39.6). The equity ratio was 34.9% (45.7). Finnair’s solidity is good within industry comparison.

Agreed, but to date unused, revolving credit facilities total 200 million euros. In addition to this, Finnair has a 250 million euro credit facility from the European Investment Bank and an option of a loan-back of employment pension fund reserves from Ilmarinen Mutual Pension Insurance Company amounting to around 350 million euros, both of which require a bank guarantee.

In terms of 2010, the aim is to reduce the level of investment from an original 300 million euros by, among others, relaxing the acquisition schedule for new wide-bodied aircraft.

For its Airbus A330 wide-bodied aircraft, Finnair is negotiating for funding from the export credit agencies of Airbus owner states. The funding has being offered to purchasers of Airbus aircraft.

In the second quarter, investments totalled 199.3 million euros (80.4 million), including three Airbus A330-aircraft. Including advance payments, the cash-flow impact of fleet and auxiliary investments was around 305 million euros in January–June and the estimate for the full year is over 400 million euros.

To release capital, Finnair is negotiating the sale and leaseback of certain properties located in the area of Helsinki-Vantaa Airport. Financial flexibility is also achieved through a 200 million euro short-term commercial paper programme, of which 105 million euros was in use at the end of the period.

According to the financial risk management policy approved by Finnair’s Board of Directors, the company has hedged 71 per cent of scheduled traffic’s jet fuel purchases during the next six months and thereafter for the following 24 months with a decreasing level of hedging. Finnair Leisure Flights price-hedges fuel consumption according to its agreed traffic programme within the framework of the hedging policy. Derivatives linked to jet fuel and gasoil prices are mainly used as the fuel price hedging instruments.

Fair value change of derivatives that mature in future is quarterly recognised in the Finnair income statement. The change is a valuation loss reported in accordance with IFRS reporting practice. It is not realised and has no effect on cash flow. The item is excluded from the operational result. In January-June, the change in the fair value of derivatives improved the result by 47.6 million euros.

The operational result for January-June includes realised losses on derivatives of 91.0 million euros, which appear in the fuel item of the income statement. In the second quarter, losses were 40.8 million euros. The figure includes both foreign exchange and fuel derivatives.

Shareholders' equity includes, as a variable item, the hedging reserve, whose value is directly affected by oil price and foreign exchange rate changes. The size of the item on the closing date was -62 million euros, which includes foreign exchange and fuel derivatives as well as, to lesser degree, other financial items less deferred taxes.

Thanks to the currency hedging policy, the strengthening of the US dollar in relation to the euro compared with the previous year did not significantly influence Finnair's second quarter operational result. At the end of June, the degree of hedging for a dollar basket over the next 12 months was 66 per cent.

Shares and Share Capital

Finnair's market value at the end of June on the NASDAQ OMX Helsinki Stock Exchange was 481.8 million euros (594.6 million) and the closing price 3.76 euros. During the period January-June, the highest price for the Finnair Plc share was 5.24 (8.49) euros, while the lowest price was 3.52 (4.61) euros and the average price 4.36 (6.83) euros. Some 6.8 million (43.2 million) of the company's shares, with a value of 29.8 million (295.4 million), were traded.

The total number of Finnair shares at the end of June was 128,136,115. The Finnish State owned 55.8 per cent (55.8) of Finnair's shares, while 18.3 per cent (16.6) were held by foreign investors or in the name of a nominee.

On 30 June 2009, Finnair held 387,429 of its own shares (treasury shares), representing 0.3 per cent of the total number of the company's shares.

President and CEO

President and CEO Jukka Hienonen has announced his resignation for personal reasons on 6 August 2009. Hienonen will leave the company at the end of his notice period of six months.

Organisational change

As part of its operational efficiency programme, Finnair is changing the Group structure starting from 1.10.2009. The aim of the planned organisational change is to centralise the Group's scheduled traffic and leisure operations into an integrated organisation and also to achieve closer cooperation between operations and Group Administration. In this way, overlapping functions will be removed in support operations.

The reorganisation of operations will clarify areas of responsibility and enhance efficient use of resources. Administrative support functions, such as ICT, HR and Business Control will be centralised in Group Administration. Resource Control and Strategic Business Planning will be part of the Group Administration.

Personnel

In the period January-June, the average number of employees employed by the Finnair Group amounted to 9,098 (9,573), which was five per cent less than a year earlier. Scheduled Passenger Traffic had 4,034 employees and Leisure Traffic 495 employees. The total number of personnel in technical, catering and ground handling services was 3,447 and in travel services 979. A total of 143 people were employed in other functions.

Finnair has collective employment agreements valid until spring 2010 with six personnel organisations. However, during early autumn 2009, negotiations will be held with the unions representing ground handling workers, technical workers, engineers and managers, on a wage solution for the final year of the agreement. If these negotiations do not result in a mutual understanding, each agreement can be revoked to terminate 30.9.2009.

The pilots' collective employment agreement expired at the end of November 2008 and negotiations on a new agreement have been under way since the autumn last year. These negotiations continue. The most significant points of contention between the employer and the Finnish Airline Pilots' Association (SLL), which represents the pilots, relate to pension benefits, restrictions on business management decision-making and working time arrangements.

YT negotiations aimed at reducing personnel expenses also continued in the second quarter in different business units within Finnair. Altogether, Finnair Group personnel cost-cutting measures affect more than 6,000 employees in terms of temporary lay-offs. The duration of the lay-offs for the most part varies from two weeks to three months. Through workforce reduction measures, the number of Finnair Group personnel had fallen by the end of June by nearly 500 employees compared with the previous year.

In collaboration with personnel organisations, Finnair management arranged a series of meetings in which alternatives to redundancies and temporary lay-offs were sought for savings in personnel costs. Finnair Technical Services was the only unit to achieve an understanding on stabilization agreement upon flexible arrangements to improve the work productivity. The stabilization agreement includes an extra bonus system that enables to return the saved-in amounts as the operating income of Finnair Technical Services improves. This agreement gives slightly around 14 million euros' share of savings of the 70 million euros' target.

In other units, new YT negotiations to achieve the 15 per cent, namely 70 million euro, targeted savings in personnel costs set earlier will take place during the late summer/early autumn. Personnel reductions resulting from the organisational change are also part of this programme.

The number of travel agency personnel has been reduced by 12 per cent from June last year, i.e. by 156 people. In addition, 4-9 week lay-offs of the entire workforce are underway.

Fleet Changes

Finnair Group's fleet is managed by Finnair Aircraft Finance Oy, which belongs to the Scheduled Passenger Traffic business area. At the end of June, the Finnair Group had a total of 67 aircraft in flight operations. The average age of the Finnair's entire fleet is 6.3 years, and in European traffic around five years.

Three new Airbus A330-300 aircraft joined Finnair's wide-bodied fleet in the second quarter. This year one more new Airbus A330-300 long-haul aircraft will be acquired. Finnair currently has a total of 12 long-haul aircraft. The Airbus aircraft will replace three Boeing MD-11 aircraft to be withdrawn from Finnair's fleet by the end of March 2010. We aim at relaxing the fleet renewal schedule in the years to come in order to protect the capital structure.

To protect the capital structure, Finnair aims to relax the fleet modernisation schedule. Orders of Embraer 190 aircraft planned for 2010-2011 will also be rescheduled. Finnair also intends to postpone an order for one Airbus A330 aircraft scheduled for next year.

The lease agreements of the Boeing 757 aircraft used by Finnair Leisure Flights are valid until 2010, after which they can if necessary be extended on current terms twice at two years at a time. Before a possible extension decision, the company will assess the most efficient way of managing its leisure flight commitments.

Environment and Social Responsibility

Finnair takes the environment into consideration in all of its actions and decisions.

Finnair has been systematically modernising its fleet since 1999. The European and domestic traffic's Airbus A320 and Embraer aircraft represent the latest technology. A modern fleet loads the environment less in terms of carbon dioxide and noise emissions. The modernisation of the long-haul fleet currently under way will influence the amount of emissions significantly. The Airbus A330 reduces the fuel consumption and emissions index per passenger by around twenty per cent compared with the MD-11 aircraft.

Last year the EU approved a model for the implementation of emissions trading in air transport starting in 2012. The emissions trading calculation principles will take into account fuel consumption in relation to performance. Finnair will strive as part of the community of European airlines to argue successfully that the system should be worldwide and not distort competition in the sector. In addition, Finnair became a member of the international Aviation Global Deal Group, which is proposing a model as the basis of a sector agreement in international emissions trading.

Finnair is actively involved in environmental cooperation work with interest groups. A new emissions calculator as well as a social responsibility report was published in May. In addition, Finnair has already been reporting on its environmental impact in the international Carbon Disclosure Project (CDP) for three years now.

Finnair's VP Sustainable Development Kati Ihamäki has been appointed to IATA's 15-member Environmental Committee.

Business Area Development in the Second Quarter

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 Traffic

This business area is responsible for scheduled passenger traffic and cargo sales, service concepts, flight operations and activity connected with the 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, Finnair Cargo Oy, Finnair Cargo Terminal Operations Oy and Finnair Aircraft Finance Oy.

The business area's turnover fell in the second quarter by 24.9 per cent to 329.0 million euros (438.0 million). The operational result was a loss of 55.9 million euros (1.3 million profit).

Scheduled Passenger Traffic carried more than 1.5 million passengers in April-June, representing a decline of ten per cent from the previous year. Scheduled Passenger Traffic revenue passenger kilometres fell from the previous year by nine per cent as capacity contracted by nearly 13 per cent, which improved the scheduled traffic passenger load factor by 2.5 percentage points to 70 per cent.

In the second quarter, unit revenues for scheduled passenger traffic fell by 18.2 per cent. The falling of Easter into different quarters in different years influences demand and average revenues to some extent, because business travel is lower at Easter and in the week before and after it. Easter falling in the second quarter of this year contributed to a weakening of unit revenues. The main reason for weak price development, however, was a general reduction in business travel.

The information of the spreading of the H1N1 virus caused a decline in the demand of flight traffic on a part of the Asian market.

Cargo revenues account for more than ten per cent of all Scheduled Traffic's revenues. The profitability of Finnair's cargo business has weakened quickly worldwide due to adverse global economic climate. In April-June, cargo unit revenues declined by 33.6 per cent. In scheduled traffic, the amount of cargo kilos carried fell by 24.0 per cent.

On Finnair's route network, capacity cuts have been made by reducing the number of flights on European and Asian routes. On the other hand, European summer destinations have again been opened this summer, but with lower seating capacities. Finnair is flying to Tokyo and New York three additional times per week in the summer months. The Tokyo route is operated daily and New York ten times per week. In 2009 scheduled traffic capacity in passenger kilometres is, with the present traffic programme, nearly eight per cent lower than last year. The reduction of capacity has weakened the Finnair fleet's average daily utilisation rate, measured in flying hours, by around 15 per cent.

During April-June, the arrival punctuality of scheduled passenger flights improved by 11.7 percentage points from the previous year to 89.5 per cent (77.8). Finnair's punctuality is one of the best among European airlines.

Finnair's cargo companies, Finnair Cargo Oy and Finnair Cargo Terminal Operations Oy, have suffered from the economic downturn. Cargo demand has collapsed worldwide by more than 20 per cent. As a consequence of increased capacity, the price level has also fallen steeply.

Finnair's cargo companies have made major adjustments to their operations. The terminal company in particular has managed to reduce personnel resources to match falling cargo volumes. Profitability is undermined, however, the weak correspondence of unit costs with the downward trend in unit revenues.

Leisure Traffic

This business area consists of Finnair Leisure Flights plus the Aurinkomatkat-Suntours package tour company and its subsidiaries, the Estonian tour operator Horizon Travel and the St. Petersburg Calypso travel agency, as well as the Finnish takeOFF brand, which focuses on youth travel. Aurinkomatkat-Suntours is Finland's largest tour operator, with a market share of more than 35 per cent. Finnair Leisure Flights enjoys strong market leadership in leisure travel flights and all of Finland's largest tour operators are its customers. For their package tour production, tour operators buy the flight series they need to holiday destinations for the summer and winter seasons.

Leisure Traffic's turnover fell in the second quarter by 6.4 per cent to 79.4 million euros (84.8 million). The business area's operational profit was 2.9 million euros (2.5 million loss).

In the second quarter, Finnair Leisure Flights carried 257,500 passengers, around six per cent fewer than a year earlier. Performance calculated in passenger kilometres rose 5.9 per cent. Leisure Flights' passenger load factor was at the previous year's level, 81.8 per cent.

The economic recession and uncertainty are evident in consumer behaviour and in package tour sales. Trips are purchased closer to the travel date. Tour operators have to sell a larger proportion of their trips with last-minute discounts, which weakens the sector's profitability. Tour operators have cut their tour production for the current summer by around ten per cent from the previous year. In Estonia the package tour market has nearly halved. In Russia, Aurinkomatkat's sales are growing, even though demand for holiday trips has clearly fallen.

Aurinkomatkat-Suntours and Finnair Leisure Flights prepared in advance for the weakening of demand by adjusting their summer season production significantly from the previous year's level. Leisure Flights was able to compensate for loss of revenue caused by a reduction in package tour volume by selling seats on holiday route flights, by in-flight sales, through temporary lay-offs of Finnair personnel and as result of the lower price for jet fuel compared with the previous year.

Sales of holiday trips for next winter season have started off at a clearly more leisurely rate compared with the record demand of last winter. The tour operators' capacity cuts will weaken the efficient utilisation of Leisure Flights' fleet in the latter part of the year.

Aviation Services

This business area comprises aircraft maintenance services, ground handling and the Group's catering operations. In addition, most of 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.

Aviation Services' turnover fell in the second quarter by 8.9 per cent to 101.6 million euros (111.5 million). The operational result weakened by 4.6 million euros and was a loss of 0.2 million euros (4.4 million).

The stabilisation agreement made in Finnair Technical Services improves the competitive strength of the unit as regards the costs, which enables the unit to obtain new external clients.

Finnair Catering's business is profitable, even though turnover has fallen as passenger numbers have declined. The unit has implemented adjustment measures by which labour has been dimensioned to the level of demand for meals.

The turnover of ground handling services company Northport Oy has declined due to the lower number of flights. The level of fixed costs has raised unit costs.

Travel Services

The business area consists of the Group's travel agencies: Matkatoimisto Area, Finland Travel Bureau (FTP) and its subsidiary Estravel, which operates in the Baltic states, as well as Amadeus Finland Oy, which integrates travel agency systems and sells travel reservation systems.

Aviation Services' turnover fell in the second quarter by 18.9 per cent to 16.7 million euros (20.6 million). The operational result fell to a loss of 0.9 million euros (1.4 million profit).

Most of the Finnair travel agencies' sales comes from business travel. The exceptionally steep decline in business travel that began in the late autumn continued into the spring. Business travel is expected to fall by 20–30 per cent from the previous year. Some large corporate customers have reduced their travel by up to 70 per cent.

Aspects of the structural change in business travel are expected to remain permanent after the recession. The economic situation has also influenced to some extent the travel of private consumers. Trips are bought on the internet and price is the key factor in the purchasing decision.

Area, FTB and Estravel have adjusted their cost structure to the new market situation. Service locations have been cut, personnel reduced and development projects focused on developing electronic services as well as enhancing and automating processes. The savings will be evident as an improved financial performance in the latter part of the year.

Area initiated cooperation with the S-Matkat.fi service, providing various travel services for S Group's customer-owners. In April, Finland's oldest travel agency FTB celebrated the 100th anniversary of its founding. In the Baltic states, demand for travel services has contracted more sharply than in Finland.

Air Traffic Services and Products

In the summer season, Finnair has a total of 55 direct flights per week to nine Asian destinations. Finnair's Asian destinations are Bangkok, Delhi, Hong Kong, Nagoya, Osaka, Beijing, Shanghai, Seoul and Tokyo. The Mumbai route, which belongs to the route network, is not flown in the summer season.

Flights covering 34 European and domestic destinations connect into Finnair's Asian network. At the same time, a wide selection of direct connections is offered from Finland to the rest of Europe.

In the summer season Finnair also flies to Ljubljana, Krakow, Venice, Pisa and Bergen. Flights to Ljubljana began at the end of March, and to Krakow and Venice at the beginning of April. The Pisa and Bergen routes started up in May.

In June, Finnair and the Italian airline Meridiana began cooperation flights from Helsinki to Cagliari and Olbia in Sardinia, to Palermo in Sicily and from the Finnair destinations of Amsterdam, Rome and Paris to Florence.

In long-haul traffic, Finnair flies to Tokyo in June-September daily instead of its normal four flights per week schedule, and to New York ten times per week.

Finnair and its **one**world partner Cathay Pacific began cooperating between Hong Kong and Brisbane in Australia in May.

Leisure Flights' fleet consists of seven Boeing 757 aircraft. In the summer season, Leisure Flights flies, in addition to charter flight traffic, certain holiday routes, including Boston and Toronto.

In the coming winter season Finnair will use in its Leisure Traffic one of its five long-haul traffic Airbus A330-300 aircraft. The 271-seat wide-bodied aircraft will fly non-stop leisure flights from Helsinki to Phuket in Thailand four days a week from November to April. Last winter, an Airbus A330-200 aircraft leased from outside the Group was used for the corresponding leisure flight series, six days a week.

In addition to leisure traffic, the Airbus A330-300 aircraft will also be used on Finnair's Asian route flights, as a result of which the aircraft has a 42-seat business class section. On leisure flights, business class is called Comfort class, which offers, in addition to lie-flat seats, a more comprehensive service than economy class.

Finnair has introduced the new-generation Altéa Departure Control System developed by Amadeus. The system enhances processes connected with passenger check-in, aircraft load planning control and gate service.

Short-term Risks and Uncertainty Factors

Globally, the airline industry is one of the sectors most sensitive to cyclical changes in economic conditions. The development of gross domestic product and international trade strongly affect the development of air transport passenger and cargo demand. A weakening of domestic consumer confidence might also have an adverse impact on demand for non-business travel in both leisure and scheduled traffic services.

The financial difficulties of customers will increase the bad debt risk in the future. Due to the short booking horizon in passenger and cargo traffic, it is difficult to forecast demand far into the future.

A change of one percentage point in the load factor of scheduled passenger traffic services affects the Group's operating profit by around 15 million euros. A change of one per cent in the average yield of scheduled passenger traffic services also affects the Group's operating profit by around 15 million euros.

The influenza caused by the H1N1-virus may cause a temporary decline in the flight traffic demand as well as increase the sick leaves of the personnel, thus causing extra costs and a short-term lack of resources.

The tightening of the financial markets has raised the cost of planned financing higher than was anticipated. The financial crisis will be reflected in the financing of Finnair's fleet modernisation primarily via the cost of borrowed capital and the price level of lease agreements.

The risk in the acquisition of new aircraft is that demand will fall more quickly than capacity can be meaningfully reduced. The lease agreements of Finnair Leisure Flights' seven Boeing 757 aircraft will expire in 2010, at which time the size of the scheduled traffic and leisure flight fleets can be optimised according to demand forecasts.

Fuel costs constitute around one fifth of the Group's costs and are one of the most significant uncertainty factors where costs are concerned. Foreign exchange rate changes also represent a risk. Finnair provides against fuel price and foreign exchange rate volatility by entering into option and future contracts. The rising cost of hedging arrangements also poses a risk.

The hedging policy practised by Finnair dampens fuel price fluctuations. Finnair's more than 70 per cent hedging level over the next six months will slow the transfer of the benefit of the fall in market price of jet fuel to the company's fuel costs. Hedging losses will be most evident in the first half of the year. Finnair's relative competitive position in terms of costs is also influenced by competitors' fuel price hedging policies. The company's main competitors adhere to the same principles as Finnair in their hedging policies. If the market price of fuel rises, Finnair's hedging losses will decline.

Outlook

Demand for flight travel and cargo is expected to have reached their lowest level and to recover gradually if the global economy recovers. The crisis in air transport will continue as airlines encounter difficulties with their profitability, operational cash flow and financial position.

Finnair’s scheduled traffic will also suffer from the market situation, but with the aid of a strong cash and financial situation, the profitability improvement measures under way and its clearly defined strategy, the company’s opportunities to recover from a difficult period are better than average, even though an improvement of profitability will, though, require the full implementation of the efficiency programmes.

Finnair will maintain its Asian strategy. The long-term goal of scheduled passenger traffic is to grow in services between Europe and Asia, utilising Helsinki as a geographically and logistically ideal transit location.

Our aim is to slow down the development of indebtedness by sale and leaseback agreements for certain properties as well as by relaxing the schedule for aircraft and building investments. Finnair is negotiating on debt and lease arrangements for more than 400 million euros.

Finnair's fuel costs are expected to be slightly lower this year than last due to a fall in fuel prices and the improved fuel economy of aircraft. At the present price level and hedging policy, fuel costs are expected in 2009 to be around 24 per cent of Finnair’s turnover, while the corresponding percentage last year was 24.6.

The development of demand for business travel can not be estimated reliably until in the autumn, based on the yearly seasonal fluctuation. Through the adjustment decisions that have now been made, Finnair's scheduled traffic capacity for the whole of 2009 will fall by more than eight per cent compared with 2008.

Demand for package tours in the coming winter season is expected to be lower than last year. To avoid a weakening of price level, Aurinkomatkat-Suntours has adjusted its capacity, and Finnair Leisure Flights its flight programme, to correspond with weakened demand.

Cargo demand is dependent on industrial investments and the durable consumer goods market. Only a change of sentiment in the global economy will enable cargo demand to turn to growth. Similarly, a pick-up in business travel will require a clear change in international economic conditions.

The Finnair Group has announced efficiency measures totalling around 200 million euros, of which more than half are being implemented. Around 120 million euros of targeted savings are directed at personnel costs. Means to achieve 70 million euros of savings in personnel expenses will include personnel reductions, temporary lay-offs, outsourcing of operations and flexibilities in working conditions to be possibly agreed with personnel organisations. So far, Finnair Technical Services is the only unit to have agreed upon major flexible arrangements.

Finnair is aiming at turning Finnair Technical Services and flight training center into independent companies.

Even though the second half of the year is expected to be stronger than the first, the operational results for the third quarter and the full year are expected to remain clearly loss-making.

FINNAIR PLC
Board of Directors

Finnair Plc
Communications
Christer Haglund
Senior Vice President, Communications

For further information, please contact:

EVP & CFO Lasse Heinonen
tel. +358 9 818 4950
lasse.heinonen@finnair.fi

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

VP Financial Communications and
Investor Relations, Taneli Hassinen
tel. +358 9 818 4976
taneli.hassinen@finnair.fi

FINNAIR GROUP INTERIM REPORT FOR JANUARY 1 –JUNE 30, 2009

KEY FIGURES EUR mill.

	2009	2008	Change	2009	2008	Change	2008
	1 Apr-30 June	1 Apr-30 June	%	1 Jan–30 June	1 Jan-30 June	%	1 Jan–31 Dec
Turnover	427.4	545.2	-21.6	943.1	1 118.1	-15.7	2 255.8
Profit before depreciation and lease payments, EBITDAR *	-8.6	49.5	-	-10.1	103.9	-	188.5
Lease payments for aircraft	18.9	20.7	-8.7	38.2	41.1	-7.1	82.6
Operational profit, EBIT*	-56.9	4.6	-	-104.4	12.4	-	0.8
Fair value changes of derivatives	24.2	12.6	-	47.6	12.5	-	-57.4
Profit from disposal of capital assets	0.2	2.9	-	0.0	4.0	-	-1.3
Operating profit, EBIT	-32.5	20.1	-	-56.8	28.9	-	-57.9
Profit for the period (share attributable to shareholders of parent company)	-26.1	13.4	-	-44.7	16.5	-	-46.3
Operating profit, EBIT. % of turnover *	-13.3	0.8	-	-11.1	1.1	-	0.0
EBITDAR, % of turnover *	-2.0	9.1	-	-1.1	9.3	-	8.4
Unit revenues of flight operations c/RTK	64.2	75.4	-14.9	63.5	72.1	-12.0	70.1
Unit costs of flight operations c/ATK	44.7	43.4	2.8	43.6	43.0	1.6	43.5
Earnings per share EUR (basic)	-0.20	0.12	-	-0.35	0.15	-	-0.36
Earnings per share EUR (diluted)	-0.20	0.12	-	-0.35	0.15	-	-0.36
Equity per share EUR	5.90	8.25	-28.5	5.90	8.25	-28.5	5.87
Gross investment EUR mill.	199.3	80.4	-	327.5	144.8	-	232.8
Gross investment, % of turnover	46.6	14.7	-	34.7	13.0	-	10.3
Equity ratio %				34.9	45.7		36.9
Gearing %				43.2	-15.7		-12.0
Adjusted gearing %				117.1	39.6		65.1
Rolling 12-month ROCE %				-9.5	11.9		-3.0
Rolling 12-month ROE %				-12.0	10.0		-5.3

* Excluding capital assets, fair value changes of derivatives and non-recurring items.
Unit costs of flight operations c / ATK = Operating expenses (excluding fair value changes of derivatives and non-recurring items) of Scheduled Traffic business area and Leisure Flights business unit / ATK of Group.
In connection with the adoption of IAS 1 standard 1.1.2009 the figures of the statement of comprehensive income have been reported in the appendix 15 and the correspondence of the previous year's figures has been made.

CALCULATION OF KEY RATIOS

Earnings / share:
Profit for the period
____
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 non-recurring items

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 *100
____
Equity + minority interests (average)

Shareholders equity = To equity holders of the parent
The figures of interim report have not been audited.

CONSOLIDATED INCOME STATEMENT (EUR mill.)

	2009	2008	Change	2009	2008	Change	2008
	1 Apr 30 June	1 Apr 30 June	%	1 Jan– 30 June	1 Jan 30 June	%	1 Jan– 31 Dec
Turnover	**427.4**	**545.2**	**-21.6**	**943.1**	**1 118.1**	**-15.7**	**2 255.8**
Work used for own purposes and capitalized	0.5	0.5	0.0	0.9	0.6	50.0	1.6
Other operating income	4.0	5.4	-25.9	7.9	9.2	-14.1	20.9
Profit from disposal *)	0.2	2.9	-93.1	0.0	5.0	-	6.2
Operating income	**432.1**	**554.0**	**-22.0**	**951.9**	**1 132.9**	**-16.0**	**2 284.5**
Operating expenses							
Staff costs	116.6	128.2	-9.0	251.8	268.7	-6.3	538.6
Fuel	109.3	133.7	-18.2	241.1	264.3	-8.8	557.6
Lease payment for aircraft	18.9	20.7	-8.7	38.2	41.1	-7.1	82.6
Other rental payments	18.1	17.2	5.2	44.8	35.2	27.3	69.3
Fleet materials and overhauls	25.1	23.1	8.7	51.4	43.3	18.7	96.1
Traffic charges	42.2	47.1	-10.4	87.2	90.7	-3.9	188.5
Ground handling and catering expenses	30.1	36.5	-17.5	63.5	71.7	-11.4	146.6
Expenses for tour operations	25.3	25.5	-0.8	70.8	70.1	1.0	138.9
Sales and marketing expenses	20.1	24.6	-18.3	40.5	51.4	-21.2	102.9
Depreciation	29.4	24.2	21.5	56.1	50.4	11.3	105.1
Other expenses	53.7	65.7	-18.3	110.9	128.6	-13.8	251.3
Operational expenses total	**488.8**	**546.5**	**-10,6**	**1 056.3**	**1 115.5**	**-5.3**	**2 277.5**
Operational profit, EBIT	**-56.9**	**4.6**	**-**	**-104.4**	**12.4**	**-**	**0.8**
Fair value changes of derivatives	24.2	12.6	92.1	47.6	12.5	-	-57.4
Non-recurring items	0.0	0.0	-	0.0	-1.0	-	-7.5
Total expenses	**464.6**	**533.9**	**-13.0**	**1 008.7**	**1104.0**	**-8.6**	**2 342.4**
Operating profit EBIT	**-32.5**	**20.1**	**-**	**-56.8**	**28.9**	**-**	**-57.9**
Financial income	0.9	7.2	-87.5	4.0	12.6	-68.3	22.1
Financial expenses	-3.7	-8.8	-58.0	-7.5	-18.7	-59.9	-26.7
Share of result in associates	0.0	0.0	-	0.0	0.0	-	0.3
Profit before taxes	**-35.3**	**18.5**	**-**	**-60.3**	**22.8**	**-**	**-62.2**
Direct taxes	9.3	-5.1	-	15.7	-6.3	-	16.1
Profit for the period	**-26.0**	**13.4**	**-**	**-44.6**	**16.5**	**-**	**-46.1**

Earnings per share to shareholders of the parent company profit of the period	-26.1	13.4		-44.7	16.5		-46.3
Minority interest profit of the period	0.1	0.0		0.1	0.0		0.2
Earnings per share calculated from profit of the period attributable to shareholders of the parent company							
Earnings per share EUR (basic)	-0.20	0.12		-0.35	0.15		-0.36
Earnings per share EUR (diluted)	-0.20	0.12		-0.35	0.15		-0.36

*) Is not included in the operational profit, EBIT.

After the adoption of IFRIC 13, Customer Loyalty Programmes', (Finnair-Plus program), the correspondence of turnover, marketing expenses and deferred taxes of the previous year income statement has been made.

The fleet materials and overhauls expenses and depreciation has been adjusted to correspondence to the recognition method of the current year so, that depreciation has been decreased 4.4 million euros in period Q1-Q2/ 2008 and 3.9 million euros in period Q2/2008. The correspondence values have been increased to fleet materials and overhaul expenses.

From other expenses has been transferred to fuel expenses the effect of fair value changes of derivatives as follows:
Q2/2009 20.3 EUR mill. Q1-Q2/2009 48.2 EUR mill.
Q2/2008 -9.8 EUR mill. Q1-Q2/2008 -14.1 EUR mill. Q1-Q4/2008 -10.3 EUR mill.

CONSOLITATED BALANCE SHEET (EUR mill.)

	30 June 2009	30 June 2008	31 Dec 2008	1 Jan 2008
ASSETS				
Non-current assets				
Intangible assets	46.9	48.9	48.1	46.6
Tangible assets	1 524.0	1 232.0	1 272.1	1 168.9
Investments in associates	5.8	5.8	6.1	5.7
Financial assets	21.3	19.9	21.5	13.8
Deferred tax receivables	63.6	30.8	57.7	16.7
Total	1 661.6	1 337.4	1 405.5	1 251.7
Short-term receivables				
Inventories	37.4	38.3	35.1	36.1
Trade receivables and other receivables	222.1	477.8	231.8	287.3
Investments	249.5	418.5	373.8	518.6
Cash and bank equivalents	16.5	18.6	18.3	21.5
Total	525.5	953.2	659.0	863.5
Non-current Assets held for sale	19.4	16.2	19.4	34.7
Assets total	**2 206.5**	**2 306.8**	**2 083.9**	**2 149.9**
SHAREHOLDERS´ EQUITY AND LIABILITIES				
Capital and reserves attributable to equity holders of the parent company				
Shareholders´equity	75.4	75.4	75.4	75.4
Other equity	678.2	957.0	674.0	891.8
Total	753.6	1 032.4	749.4	967.2
Minority interest	0.7	0.8	1.1	1.7
Equity, total	754.3	1 033.2	750.5	968.9
Long-term liabilities				
Deferred tax liability	121.6	176.3	120.6	144.5
Financial liabilities	421.1	226.9	261.1	269.6
Pension obligations	0.0	12.2	6.1	15.8
Total	542.7	415.4	387.8	429.9
Short-term liabilities				
Current income tax liabilities	0.0	13.3	1.5	8.2
Reserves	60.2	54.3	61.5	0.0
Financial liabilities	181.4	53.2	48.5	54.5
Trade payables and other liabilities	667.9	737.4	834.1	688.4
Total	909.5	858.2	945.6	751.1
Liabilities total	1 452.2	1 273.6	1 333.4	1 181.0
Shareholders' equity and liabilities, total	**2 206.5**	**2 306.8**	**2 083.9**	**2 149.9**

After the adoption of IFRIC 13, Customer Loyalty Programmes', (Finnair-Plus program), the correspondence of deferred credits, equity and deferred taxes of the previous year reported balance sheet has been made.

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1 Jan – 30 June 2009	1 Jan –30 June 2008	1 Jan – 30 Dec 2008
Cash flow from operating activities			
Profit for the period	-44.6	16.5	-46.1
Operations for which a payment is not included **1)**	-4.5	32.7	174.6
Interest and other financial expenses	7.5	18.7	26.7
Interest income	-3.8	-10.3	-18.9
Other financial income	-0.1	-2.3	-3.2
Dividend income	-0.1	0.0	0.0
Taxes	-15.7	6.3	-16.1
Changes in working capital:			
Change in trade and other receivables	13.2	-74.9	-2.7
Change in inventories	-2.3	-2.2	1.0
Change in accounts payables and other liabilities	-60.2	111.3	-11.8
Interest paid	-5.9	-7.5	-13.1
Paid financial expenses	-0.4	-3.6	-1.3
Received interest	4.5	6.4	15.4
Received financial income	0.1	0.0	3.2
Taxes paid	-2.5	-4.6	12.5
Net cash flow from operating activities	**-114.8**	**86.5**	**120.2**
Cash flow from investing activities			
Acquisitions of subsidiaries	0.0	-2.5	-3.2
Investments in intangible assets	-3.9	-5.9	-12.7
Investments in tangible assets	-300.9	-159.2	-215.3
Net change of financial interest bearing assets at fair value through profit and loss	39.6	113.2	183.1
Net Change of shares classified as available for sale	6.3	15.9	0.0
Sales of tangible fixed assets	0.3	64.9	69.0
Received dividends	0.1	0.0	0.0
Change in non-current receivable	0.2	-6.2	-7.8
Net cash flow from investing activities	**-258.3**	**20.2**	**13.1**
Cash flow from financing activities			
Loan withdrawals	308.0	2.4	4.9
Loan repayments and changes	-15.1	-46.4	-50.0
Purchase of own shares	0.0	-4.7	-4.7
Dividends paid	0.0	-31.9	-31.9
Net cash flow from financing activities	**292.9**	**-80.6**	**-81.7**
Change in cash flows	**-80.2**	**26.1**	**51.6**
Change in liquid funds			
Liquid funds, at beginning	343.4	291.8	291.8
Change in cash flows	-80.2	26.1	51.6
Liquit funds, in the end	**263.2**	**317.9**	**343.4**

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1 Jan – 30 June 2009	1 Jan – 30 June 2008	1 Jan – 31 Dec 2008
Notes to consolidated cash flow statement			
1) Operations for which a payment is not included			
Depreciation	56.1	51.4	110.2
Employee benefits	-10.0	-3.7	-10.3
Fair value changes of derivatives	-47.6	-12.5	57.4
Other adjustments	-3.0	-2.5	17.3
Total	-4.5	32.7	174.6
Financial asset at fair value	249.5	418.5	373.8
Liquid funds	16.5	18.6	18.3
Short-term cash and cash equivalents in balance sheet	266.0	437.1	392.1
Maturing after more than 3 months	0.0	-109.5	-39.6
Shares held to trading purposes	-2.8	-9.7	-9.1
Total in cash flow statement	263.2	317.9	343.4

SHAREHOLDERS´EQUITY EUR mill.

Equity attributable to shareholders of parent company											
	Share capital	**New issue**	**Share premium account**	**Bonus issue**	**Hedging reserve**	**Unrestricted equity**	**Translation difference**	**Retained earnings**	**Total**	**Minority interests**	**Own equity total**
Shareholders´ equity 1.1.2008	75.4	0.0	20.4	147.7	26.8	244.9	-0.1	452.1	**967.2**	1.7	**968.9**
Dividend payment								-31.9	-31.9	-0.6	-32.5
Minority change								0.0	0.0	-0.3	-0.3
Purchase of own shares	0.0	0.0	0.0					-4.7	-4.7		-4.7
Assignment of own shares/ Share premium account charges						2.1		0.8	2.9		2.9
Shareholders equity related to owners 30.6.2008	75.4	0.0	20.4	147.7	26.8	247.0	-0.1	416.3	**933.5**	**0.8**	**934.3**
Statement of comprehensive income					82.2		0.2	16.5	98.9	0.0	98.9
Shareholders´ equity 30.6.2008	75.4	0.0	20.4	147.7	109.0	247.0	0.1	432.8	**1 032.4**	**0.8**	**1 033.2**

SHAREHOLDERS´EQUITY EUR mill.

Equity attributable to shareholders of parent company											
	Share capi-tal	**New issue**	**Share pre-mium account**	**Bonus issue**	**Hed-ging reserve**	**Unres-tricted equity**	**Trans-lation diffe-rence**	**Retai-ned ear-nings**	**Total**	**Mino-rity inte-rests**	**Own equity total**
Share-holders´ equity 1.1.2009	75.4	0.0	20.4	147.7	-110.5	247.2	0.0	369.2	**749.4**	1.1	**750.5**
Dividend payment								0.0	0.0	-0.4	-0.4
Purchase of own shares	0.0	0.0	0.0					0.0	0.0		0.0
Share-holders equity related to owners 30.6.2009	75.4	0.0	20.4	147.7	-110.5	247.2		369.2	**749.4**	**0.7**	**750.1**
Statement of compre-hensive income					48.5		0.4	-44.7	4.2	0.0	4.2
Share-holders´ equity 30.6.2009	75.4	0.0	20.4	147.7	-62.0	247.2	0.4	324.5	**753.6**	**0.7**	**754.3**

SHAREHOLDERS´EQUITY EUR mill.

Equity attributable to shareholders of parent company											
	Share capi-tal	**New issue**	**Share pre-mium account**	**Bonus issue**	**Hed-ging reserve**	**Unres-tricted equity**	**Trans-lation diffe-rence**	**Retai-ned ear-nings**	**Total**	**Mino-rity inte-rests**	**Own equity total**
Share-holders´ equity 1.1.2008	75.4	0.0	20.4	147.7	26.8	244.9	-0.1	470.2	**985.3**	1.7	**987.0**
Change of accounting principle (IFRIC 13)								-18.1	-18.1	0.0	-18.1
Adjusted´ equity 1.1.2008	75.4	0.0	20.4	147.7	26.8	244.9	-0.1	452.1	**967.2**	1.7	**968.9**

NOTES TO THE CONSOLIDATED INTERIM REPORT

1. BASIS OF PREPARATION

This consolidated interim report has been prepared according to the International (IAS) Standard 34: Interim Financial Reporting which has been introduced in the EU.

2. ACCOUNTING PRINCIPLES

The accounting principles adhered to in the interim report are consistent with the principles adhered to in the 2008 consolidated financial statements, excluding the changes listed below.

The following new standards, changes to standards and the application of interpretations which are perceived to be essential for the Group have been introduced from the beginning of 2009:
- *IFRIC 13*. Customer Loyalty Programmes'. The interpretation clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The group operates loyalty programmes as defined by the interpretation (Finnair-Plus program) in the scheduled traffic segment. After the adoption of the interpretation the correspondence of deferred credits, equity and deferred taxes of the previous year reported balance sheet and turnover, marketing expenses and deferred credits of the previous year income and loss statement has been made.

- *IFRIC 13*. The effect of Customer Loyalty Programmes to profit and loss statement and balance sheet of year 2008 have been reported in the interim report Q1/2009.

- *IAS 1 (Revised)*. *'Presentation of Financial Statements'*. The revised standard is aimed at improving users' ability to analyse and compare the information given in financial statements by separating changes in equity of an entity arising from transactions with owners from other changes in equity. Non-owner changed in equity will be presented in the statement of comprehensive income. The group has been reported the income statement and statement of comprehensive income and made the correspondence of the previous year income statement and statement of the comprehensive income according to the IAS 1 (Revised).

- *IFRS 8. 'Operating Segments'*. The new standard replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments reported by the group will also in the future be the same as the business segments under IAS 14. The reported operating segments are the same as under IAS 14 business segments and they correspond the internal reporting.

- *Amendment to IAS 23. 'Borrowing Costs'*. The amended standard requires an entity to capitalise borrowing costs directly attributable to a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will commence capitalisation of borrowing cost related to such undertakings as well as projects to be accounted for under the stage of completion method embarked in 2009. Such Borrowing Costs are expected to be most in the Scheduled Traffic segment. So far, there have not been the Borrowing Costs according to IAS 23 standard.

3. CRITICAL FINANCIAL STATEMENT ESTIMATES AND ASSUMPTIONS

The preparation of interim reports 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. Realised results might differ from these estimates.

In connection with the preparation of this interim report, the significant estimates made by management relating to the consolidated accounting principles and the key uncertainty factors are the same as those applied in the 2008 annual financial statements .

4. SEGMENT INFORMATION

The business segments, Scheduled Passenger Traffic, Leisure Traffic, Aviation Services and Travel Services, are the primary reporting format. The geographical segment, 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 – 30 June 2009

	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
EUR mill.							
External turnover	635.1	225.3	52.4	30.3			943.1
Internal turnover	47.7	2.9	162.0	1.6	-214.2		0.0
Turnover	682.8	228.2	214.4	31.9	-214.2	0.0	943.1
Operating profit	-106.2	8.4	2.1	-2.4		41.3	-56.8
Share of results of associated undertakings						0.0	0.0
Financial income						4.0	4.0
Financial expenses						-7.5	-7.5
Income tax						15.7	15.7
Minority interest						-0.1	-0.1
Result for the period							-44.7
Other items							
Investments	313.9	0.2	12.1	0.8	0.0	0.5	327.5
Depreciation	43.0	0.2	11.5	0.5	0.0	0.9	56.1

PRIMARY REPORTING FORMAT - BUSINESS SEGMENT DATA 1 January- 30 June 2008

	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
EUR mill.							
External turnover	802.9	220.5	55.1	39.6			1 118.1
Internal turnover	54.7	3.6	166.3	2.1	-226.7		0.0
Turnover	857.6	224.1	221.4	41.7	-226.7	0.0	1 118.1
Operating profit	-5.6	8.5	7.0	1.9		17.1	28.9
Share of results of associated undertakings						0.0	0.0
Financial income						12.6	12.6
Financial expenses						-18.7	-18.7
Income tax						-6.3	-6.3
Minority interest						0.0	0.0
Result for the period							16.5
Other items							
Investments	115.5	0.1	28.6	0.3	0.0	0.3	144.8
Depreciation	37.4	0.2	12.5	0.7	0.0	0.6	51.4

TURNOVER

	2009	2008	Change	2009	2008	Change	2008
	1 Apr– 30 June	1 Apr 30 June	%	1 Jan– 30 June	1 Jan 30 June	%	1 Jan– 31 Dec
EUR mill.							
Scheduled Passenger Traffic	329.0	438.0	-24.9	682.8	857.6	-20.4	1 728.9
Leisure Traffic	79.4	84.8	-6.4	228.2	224.1	1.8	454.6
Aviation Services	101.6	111.5	-8.9	214.4	221.4	-3.2	445.8
Travel Services	16.7	20.6	-18.9	31.9	41.7	-23.5	77.9
Group eliminations	-99.3	-109.7	-9.5	-214.2	-226.7	-5.5	-451.4
Total	**427.4**	**545.2**	**-21.6**	**943.1**	**1 118.1**	**-15.7**	**2 255.8**

OPERATING PROFIT EXCLUDING THE DISPOSAL OF THE CAPITAL ASSETS AND FAIR VALUE CHANGES OF DERIVATIVES AND NON-RECURRING ITEMS

	2009	2008	Change	2009	2008	Change	2008
	1 Apr–30 June	1 Apr 30 June	%	1 Jan–30 June	1 Jan 30 June	%	1 Jan–31 Dec
EUR mill.							
Scheduled Passenger Traffic	-55.9	1.3	-	-106.2	-2.4	-	-35.9
Leisure Traffic	2.9	-2.5	-	8.4	8.6	-	26.7
Aviation Services	-0.2	4.4	-	2.1	6.9	-	13.8
Travel Services	-0.9	1.4	-	-2.4	1.8	-	2.1
Unallocated items	-2.8	0.0	-	-6.3	-2.5	-	-5.9
Total	**-56.9**	**4.6**	**-**	**-104.4**	**12.4**	**-**	**0.8**

EMPLOYEES AVERAGE BY SEGMENT

	2009	2008	Change
	1 Jan–30 June	1 Jan–30 June	%
Scheduled Passenger Traffic	4 034	4 222	-4.5
Leisure Traffic	495	461	7.4
Aviation Services	3 447	3 632	-5.1
Travel Services	979	1 106	-11.5
Other functions	143	152	-5.9
Finnair Group, Total	**9 098**	**9 573**	**-5.0**

SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS

TURNOVER OUTSIDE THE GROUP BY SALES DESTINATION

	2009	2008	Change	2009	2008	Change	2008
	1 Apr-30 June	1 Apr–30 June	%	1 Jan–30 June	1 Jan–30 June	%	1 Jan–31 Dec
EUR mill.							
Finland	78.0	94.3	-17.3	193.8	216.4	-10.4	432.8
Europe	207.4	272.8	-24.0	398.6	496.3	-19.7	962.5
Asia	118.4	149.6	-20.9	278.6	336.6	-17.2	708.8
North America	14.1	18.6	-24.2	24.9	30.1	-17.3	67.6
Others	9.5	9.9	-4.0	47.2	38.7	22.0	84.1
Total	**427.4**	**545.2**	**-21.6**	**943.1**	**1 118.1**	**-15.7**	**2 255.8**

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 2008 Annual Report.

The tables below present the nominal value or the amount and net fair value of derivative contracts used in the Group's hedge accounting.

DERIVATIVE CONTRACTS EUR mill.

Derivative contracts	30 June 2009		30 June2008		31 Dec 2008	
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	329.1	1.8	280.9	-24.6	382.7	14.0
Forward contracts. Hedging of Aircraft purchase price						
Fair value hedging	503.4	11.8	348.5	-24.2	425.8	26.4
Cash flow hedging	34.5	0.3	60.5	0.2	58.9	0.4
Forward contracts. Currency hedging of lease payments	29.4	0.5	45.9	-4.1	48.4	2.2
Total	**896.4**	**14.4**	**735.8**	**-52.7**	**915.8**	**43.0**
Currency derivatives at fair value through profit or loss						
Operating cash flow hedging (forward contracts)	40.8	1.4	58.3	-1.5	74.4	3.2
Operational cash flow hedging (options)						
Call options	8.0	0.0	18.0	0.4	12.8	0.2
Put options	8.0	0.0	17.0	-0.2	18.8	-0.1
Balance sheet hedging (forward contracts)	90.4	-4.3	46.4	-1.1	46.9	-2.3
Total	**147.2**	**-2.9**	**139.7**	**-2.4**	**152.9**	**1.0**
Currency derivatives, total	**1 043.7**	**11.5**	**875.5**	**-55.1**	**1 068.8**	**44.0**
	30 June 2009		**30 June 2008**		**31 Dec 2008**	
	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	542 600	-78.0	551 800	184.1	591 300	-153.1
Commodity derivatives at fair value through profit or loss						
Jet Fuel Forward contracts	61 700	-7.5	4 500	1.4	71 700	-27.6
Gasoil forward contracts	2 000	-0.4	33 000	7.5	17 000	-5.5
Jet differential forward contracts	202 500	7.2	404 000	-3.3	340 500	6.9
Options						
Jet Fuel call options	75 000	0.0	72 000	13.6	28 000	0.1
Jet Fuel put options	89 500	-2.3	72 000	-0.6	28 000	-8.9
Gasoil call options	0	0.0	39 000	3.3	47 000	0.0
Gasoil put options	0	0.0	74 500	0.0	63 500	-17.6
Total		**-81.0**		**206.0**		**-205.6**
	30 June 2009		**30 June 2008**		**31 Dec 2008**	
	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	10.6	-5.2	19.9	-12.0	16.7	-7.3
Cross currency interest rate swaps at fair value through profit or loss	9.3	-4.8	12.4	-9.4	11.7	-6.3
Total	**19.9**	**-10.0**	**32.3**	**-21.4**	**28.4**	**-13.6**
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	0.2	20.0	1.0	20.0	0.1
Total	**20.0**	**0.2**	**20.0**	**1.0**	**20.0**	**0.1**

Share derivatives						
Shares						
Call options. share	0.0	0.0	15.4	0.0	0.0	0.0

6. COMPANY ACQUISITIONS AND SALES

Group subsidiary Oy Aurinkomatkat - Suntours Ltd Ab purchased in March 2009 the entire share stock of Toivelomat Oy and since that the company has been consolidated as a Group subsidiary in the interim report.

7. INCOME TAXES

Income taxes have been entered in the income statement using the tax rates that will be applied to the expected total profit for the year.

8. DIVIDEND PER SHARE

The Annual General Meeting on 26 March 2009 decided not to distribute a dividend for financial year 2008.

9. CHANGE IN INTANGIBLE AND TANGIBLE ASSETS EUR mill.

	30 June 2009	30 June 2008	31 Dec 2008
Carrying amount at beginning of period	1 339.6	1 250.2	1 250.2
Fixed asset investments	330.3	147.2	273.2
Change in advances	-22.6	16.0	-4.6
Disposals	-0.9	-64.9	-69.0
Depreciation	-56.1	-51.4	-110.2
Carrying amount at end of period	**1 590.3**	**1 297.1**	**1 339.6**

Proportion of assets held for sale at beginning of period	19.4	34.7	34.7
Proportion of assets held for sale at end of period	19.4	16.2	19.4

10. INTEREST-BEARING LIABILITIES

In the first half year of 2009 Group loans were repaid in accordance with a repayment programme. During the first half year of 2009 the loan withdrawals were 308.0 million euros, the part of short-term loans was 103.3 million euros. 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.

11. CONTINGENT LIABILITIES EUR mill.

	30 June 2009	30 June 2008	31 Dec 2008
Other contingent liabilities			
Pledges on own behalf	451.8	251.3	273.3
Guarantees on group undertakings	82.1	67.5	68.0
Total	**533.9**	**318.8**	**341.3**

Investment commitments for property, plant and equipment on 30 June 2009 totalled 1. 200.0 million euros (31 December 2008: 1. 508.9 million euros)

12. LIABILITIES (EUR million)

	30 June 2009	30 June 2008	31 Dec 2008
Fleet lease payment liabilities	245.1	311.3	285.9
Other liabilities	198.0	205.5	202.5
Total	**443.1**	**516.8**	**488.4**

13. RELATED PARTY TRANSACTIONS

Related party transactions are presented in Finnair's 2008 Annual Report. There have been no substantial changes after the closing date.

Transactions and open balances with associated undertakings were of very minor significance in the reporting period.

14. AIR TRAFFIC 1 January – 30 June 2009

	Total traffic	Europe	North America	Asia	Domestic	Scheduled Traffic Total	Leisure	Cargo
Passengers (1000)	3 721	1 753	72	542	734	3 102	619	
%-change	-8.4	-9.9	6.3	-7.1	-11.5	-9.5	-2.9	
Cargo and mail (tonnes)	40 719	8 913	2 931	26 079	1 396	39 318	613	40 719
%-change	-21.9	-17.1	-17.1	-23.9	-9.3	-21.5	189.1	-21.9
Available seat-kilometres mill	13 567	3 800	602	5 302	691	10 394	3 172	
%-change	-6.3	-9.1	8.8	-10.7	-14.8	-9.5	5.6	
Revenue passenger kilometres	10 054	2 435	477	3 928	407	7 247	2 807	
%-change	-4.0	-8.3	6.4	-7.0	-13.9	-7.1	5.1	
Passenger load factor %	74.1	64.1	79.3	74.1	59.0	69.7	88.5	
%-change	1.8	0.6	-1.8	3.0	0.6	1.8	-0.4	
Available tonne-kilometres	2 037							433
%-change	-7.9							-9.3
Revenue tonne-kilometres mill	1 129							228
%-change	-8.5							-23.1
Overall load factor %	55.4							52.6 *
%-change	-0.4							-9.5

* Operational calculatory capacity

15. ITEMS OF THE 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.

	2009 1 Apr-30 June	2008 1 Apr-30 June	Change %	2009 1 Jan-30 June	2008 1 Jan-30 June	Change %	2008 1 Jan-31 Dec
Profit for the period	**-26.0**	**13.4**	**-**	**-44.6**	**16.5**	**-**	**-46.1**
Other comprehensive income items							
Translation differences	-0.1	0.0	-	0.4	0.2	-	0.1
Fair value change of hedging instruments after taxes	1.4	-7.0		2.7	-11.7		-13.7
- Taxes	-0.6	2.4		-1.0	4.1		4.8
Change in fair value of hedging instruments after taxes	34.8	77.9	-	45.8	93.9	-	-123.6
- Taxes	-12.1	-27.3		-16.0	-33.0		43.4
Other comprehensive income items. total	**36.1**	**70.9**	**-**	**48.9**	**82.4**	**-**	**-137.2**
Comprehensive income for the financial period	**10.1**	**84.3**	**-**	**4.3**	**98.9**	**-**	**-183.3**

Earnings per share to shareholders of the parent company of the comprehensive income statement	10.0	84.3		4.2	98.9		-183.5
Earnings per share to minority of the parent company of the comprehensive income statement	0.1	0.0		0.1	0.0		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.