

Finnair Group

Interim Report

1 January – 31 March 2009



Airlines' results in the red

- ✈ The whole sector is in crisis; weak results commonplace
- ✈ Weakening of demand has led to discounting
- ✈ Decline in cargo demand has halted at a level more than 20 per cent below a year ago
- ✈ The sector has announced capacity cuts, but overcapacity is disappearing only slowly
- ✈ Most companies have suffered from fuel-price hedging
- ✈ Cash flow from operations proving to be a very difficult issue for many airlines
- ✈ IATA forecasts at least five billion dollars in losses this year

Finnair result collapsed

- ⊖ Scheduled traffic profitability very poor
- ⊖ Price level weak
- ⊖ Passenger load factor has stayed reasonable
- ⊖ Scheduled traffic capacity cut, cost structure insufficiently flexible
- ⊖ Efficiency programmes totalling 100 million euros being implemented
- ⊖ Operational quality and customer satisfaction on a good level

Poor operational result

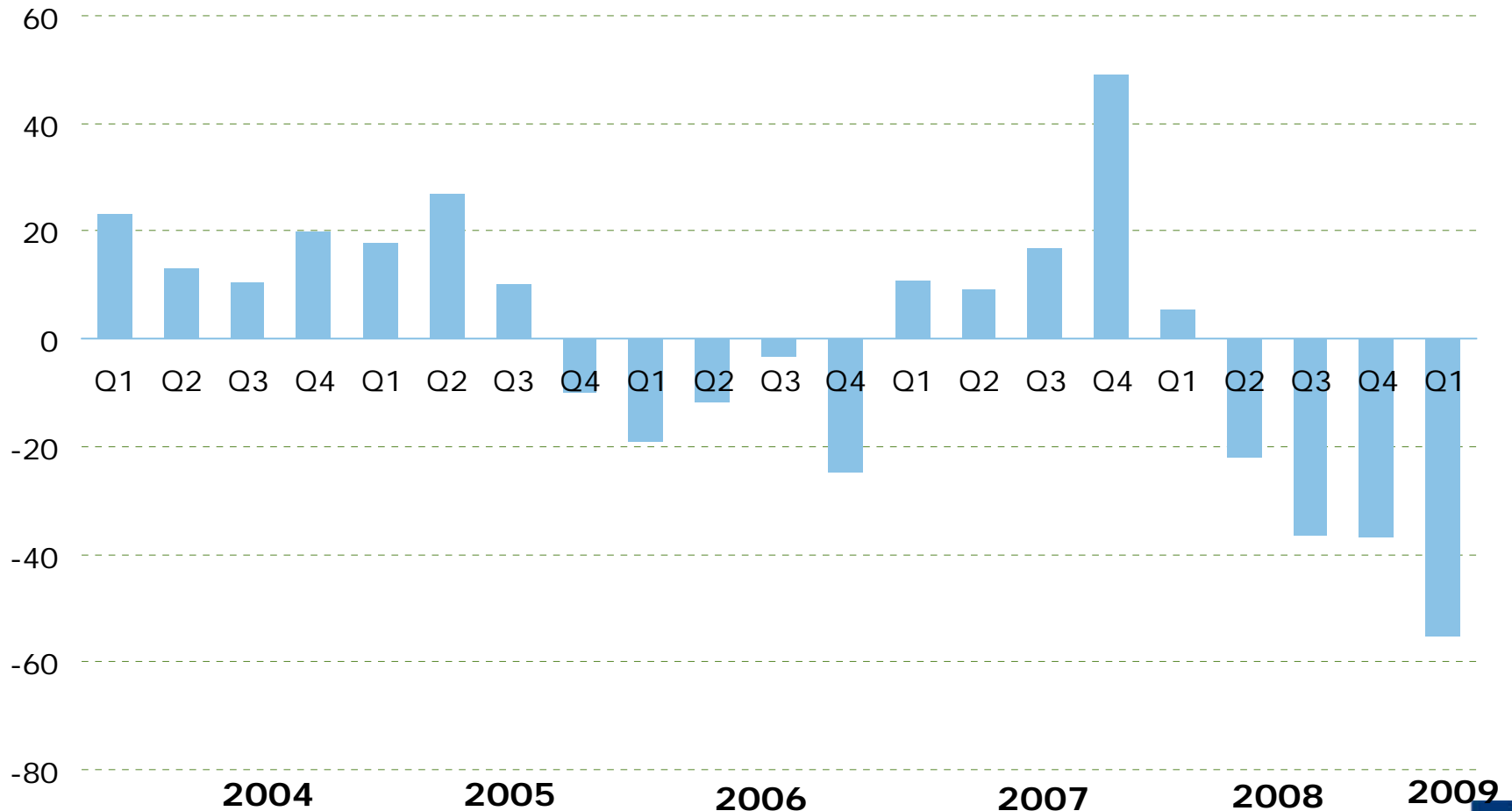
		Q1/09	Q1/08	Change %
Turnover	mill. euro	515.7	572.9	-10.0
Adjusted EBITDAR*	mill. euro	-1.5	54.9	-
Adjusted EBIT* i.e. Operational result	mill. euro	-47.5	7.8	-
One off items/ capital gains	mill. euro	-0.2	1.1	-
Fair value changes of derivatives	mill. euro	23.4	-0,1	-
Operating profit/loss (EBIT)	mill. euro	-24.3	8,8	-
Profit before tax	mill. euro	-25.0	4,3	-

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

Profitability weakened through four quarters

Change in EBIT* per quarter

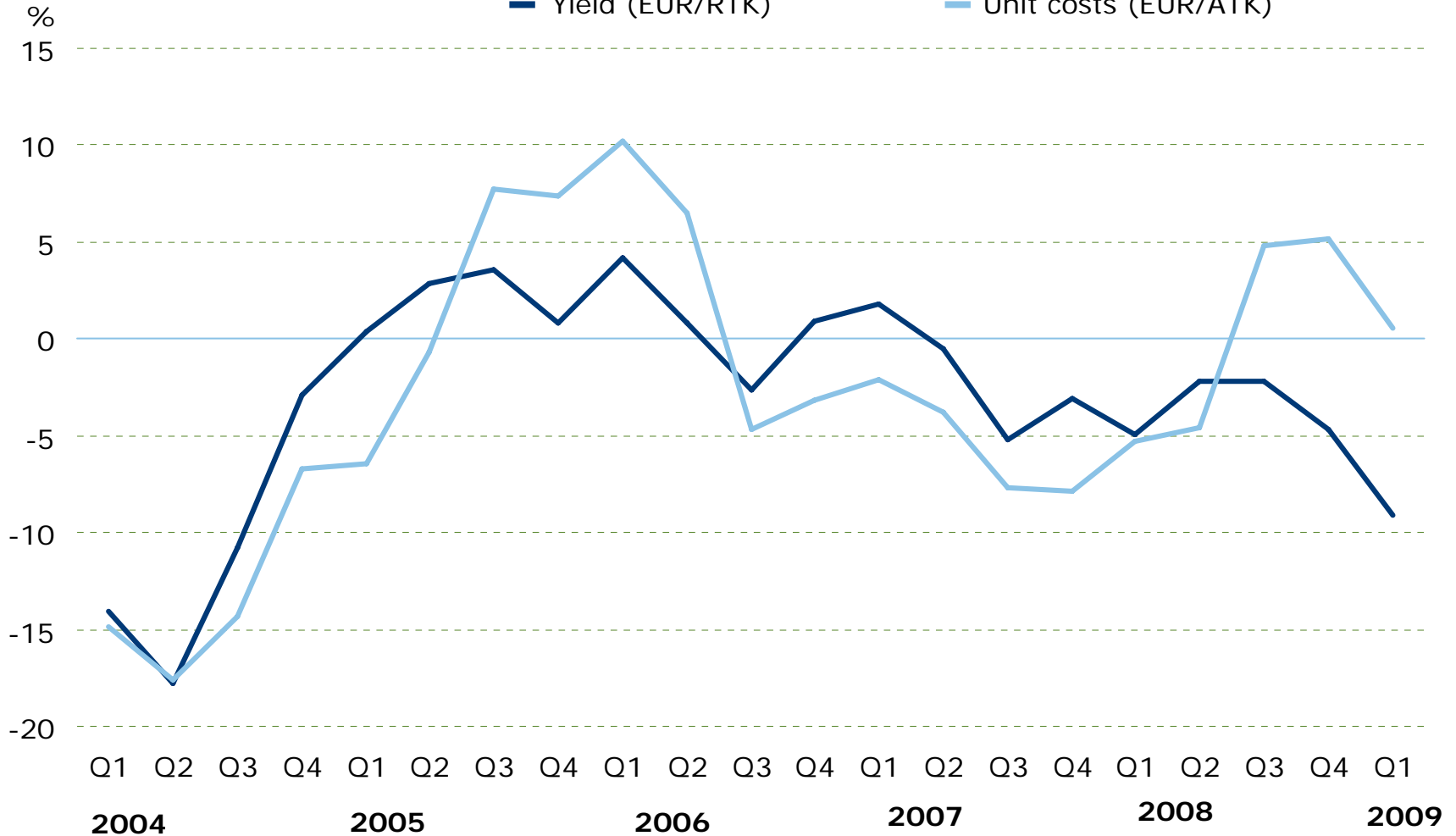
MEUR



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

Unit costs not in parity with declining revenues

Change YoY



Unit costs reduced in the biggest components

		Q1/09	Q1/08
Unit costs of flight operations*	c/ATK	+0.6%	-5.4%
Unit costs of flight operations* excl. fuel	c/ATK	+1.1%	-9.0%
Personnel expenses	c/ATK	-3.0%	-8.0%
Fuel costs**	c/ATK	-0.6%	+5.8%
Traffic charges	c/ATK	+4.6%	-13.0%
Ground handling and catering	€/psgr.	+5.1%	+14.8%
Sales and marketing	€/psgr.	-19.3%	+52.1%
Aircraft lease payments and depreciation	c/ATK	+0.2%	-16.8%
Other costs*	c/ATK	+9.3%	-10.8%

* excluding fair value changes of derivatives and restructuring items

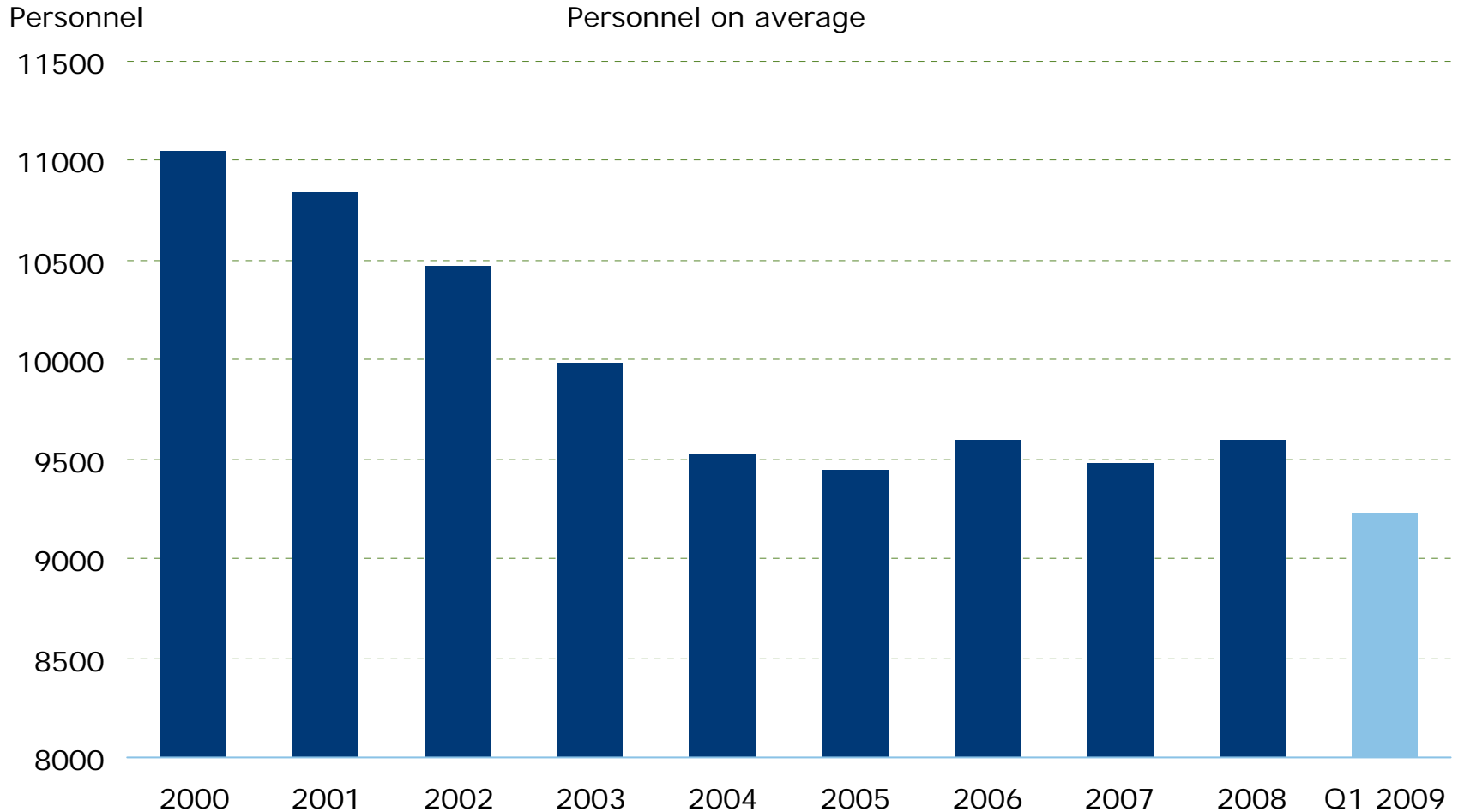
** includes realized fuel and currency hedging outside hedge accounting

ATK = Available Tonne Kilometre

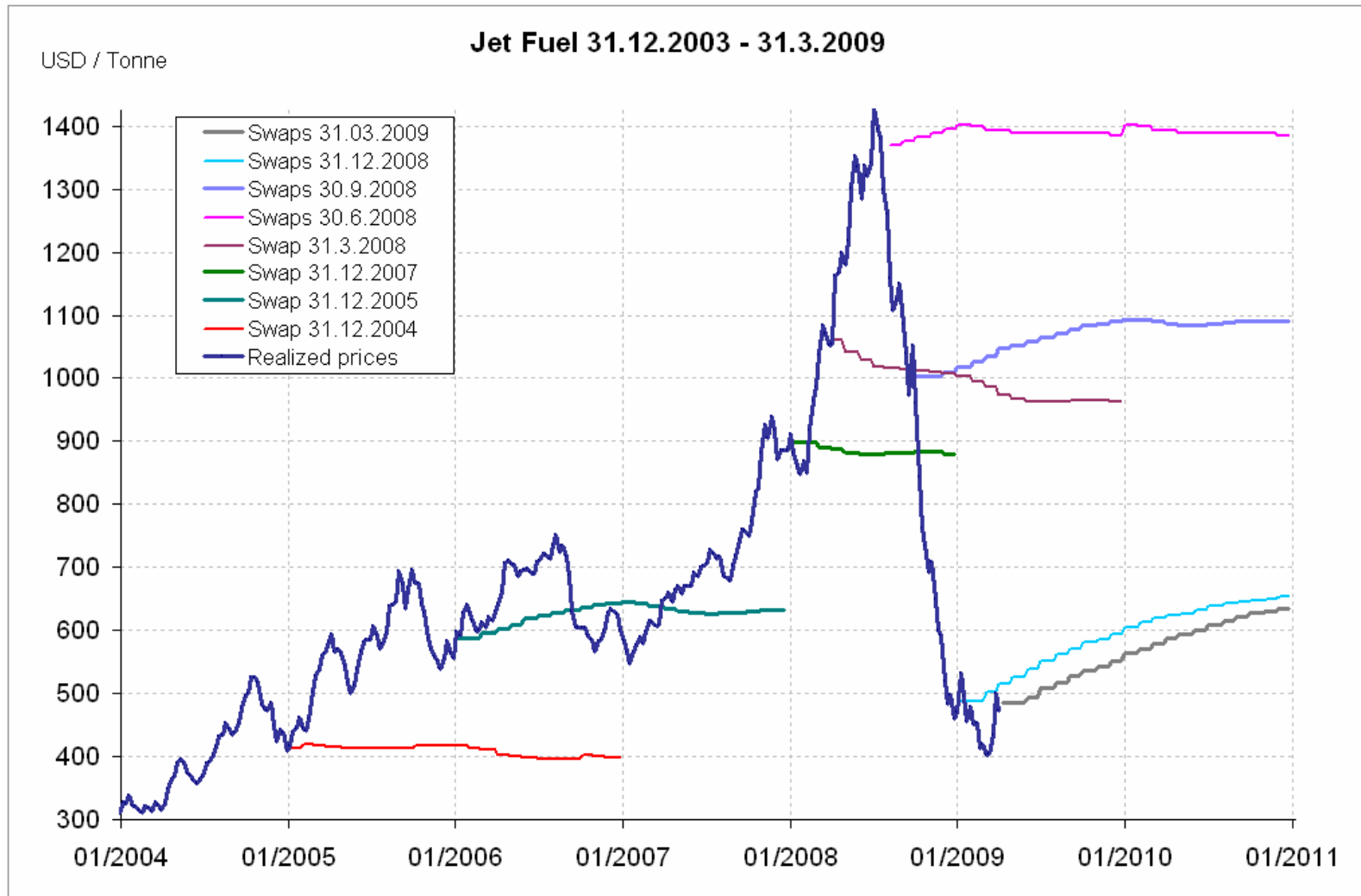
Efficiency programmes under way

- ⊕ Result-improvement programmes totalling 100 million euros mostly implemented
- ⊕ Profit impact of programmes will mostly be felt this year
- ⊕ Savings in personnel costs total nearly 50 million euros
 - More than 600 employment relationships ended, more than 6,000 temporary lay-offs
- ⊕ Key efficiency areas:
 - Cut in scheduled traffic capacity –8 % v. 2008
 - Improvement of network cost-efficiency
 - Unit-specific process efficiency improvements
- ⊕ Successful adjustment measures in Finnair Cargo and Technical Services
- ⊕ Since 2001, efficiency of operations has been enhanced by more than 400 million euros

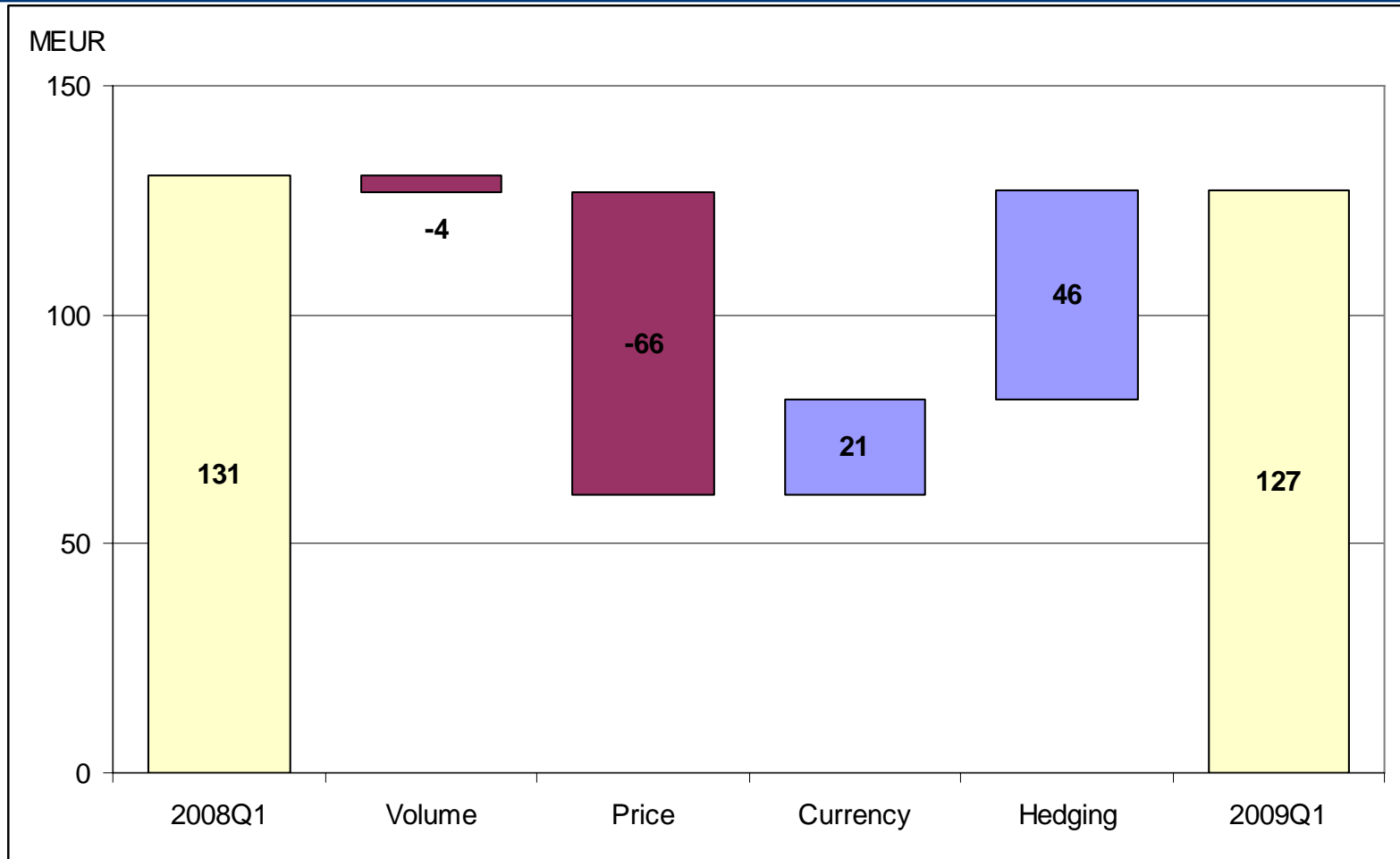
Number of staff declining in 2009



Hedges above the spot price

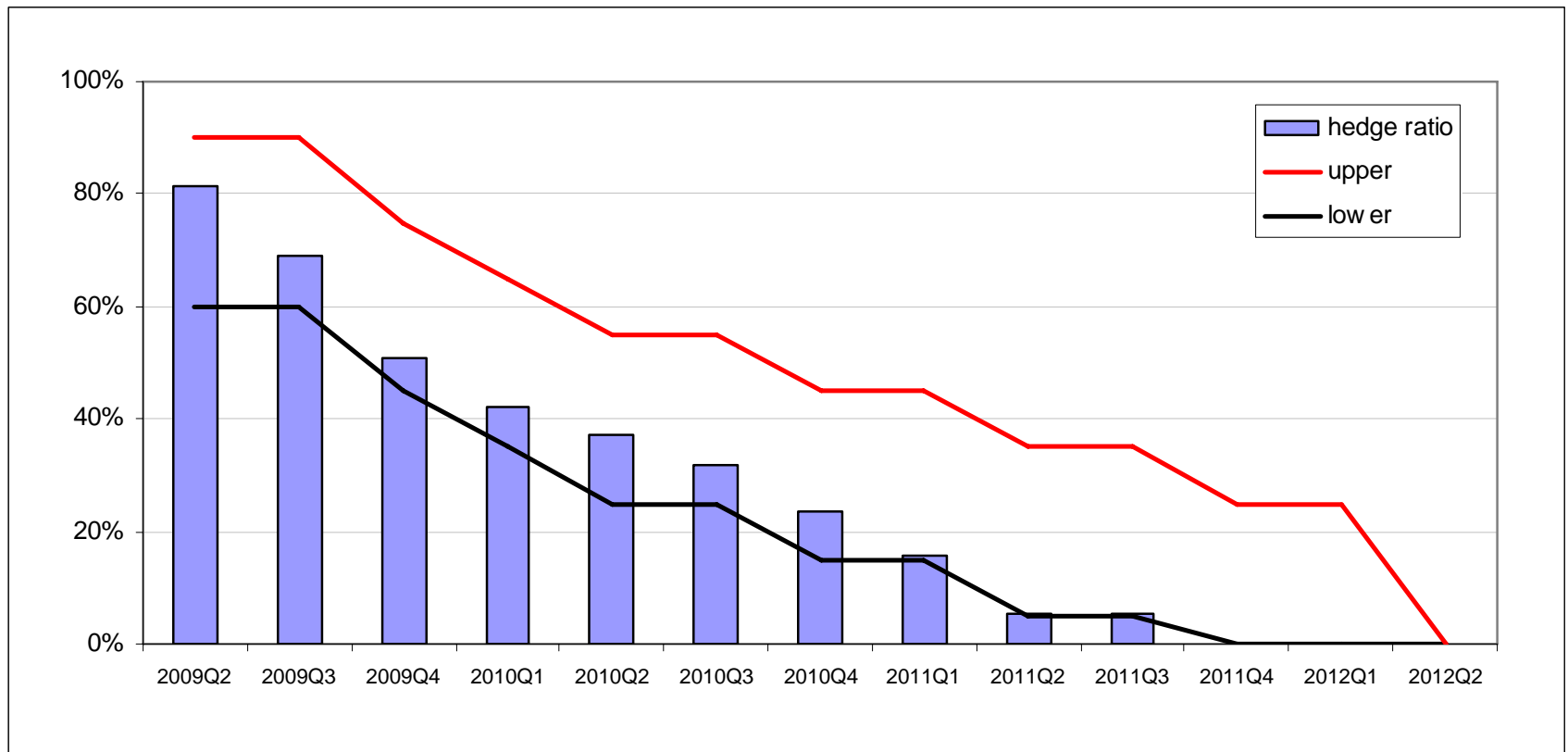


Hedges even out fluctuations



In the comparison, fuel costs also take into account realised hedging gains and losses of hedge accounting, which have been recognised in the income statement item 'Other expenses'

Finnair continues its hedging policy



Fuel costs more than a fifth of turnover

- ⊕ 2004: 12.6% of turnover
- ⊕ 2005: 15.6% of turnover
- ⊕ 2006: 19.4% of turnover
- ⊕ 2007: 20.3% of turnover
- ⊕ 2008: 24.6% of turnover
- ⊕ 2009: >23% of turnover

Finnair scheduled traffic has hedged 75% of its fuel purchases for the next six months, thereafter for the following 24 months with a decreasing level.

Cash flow in decline

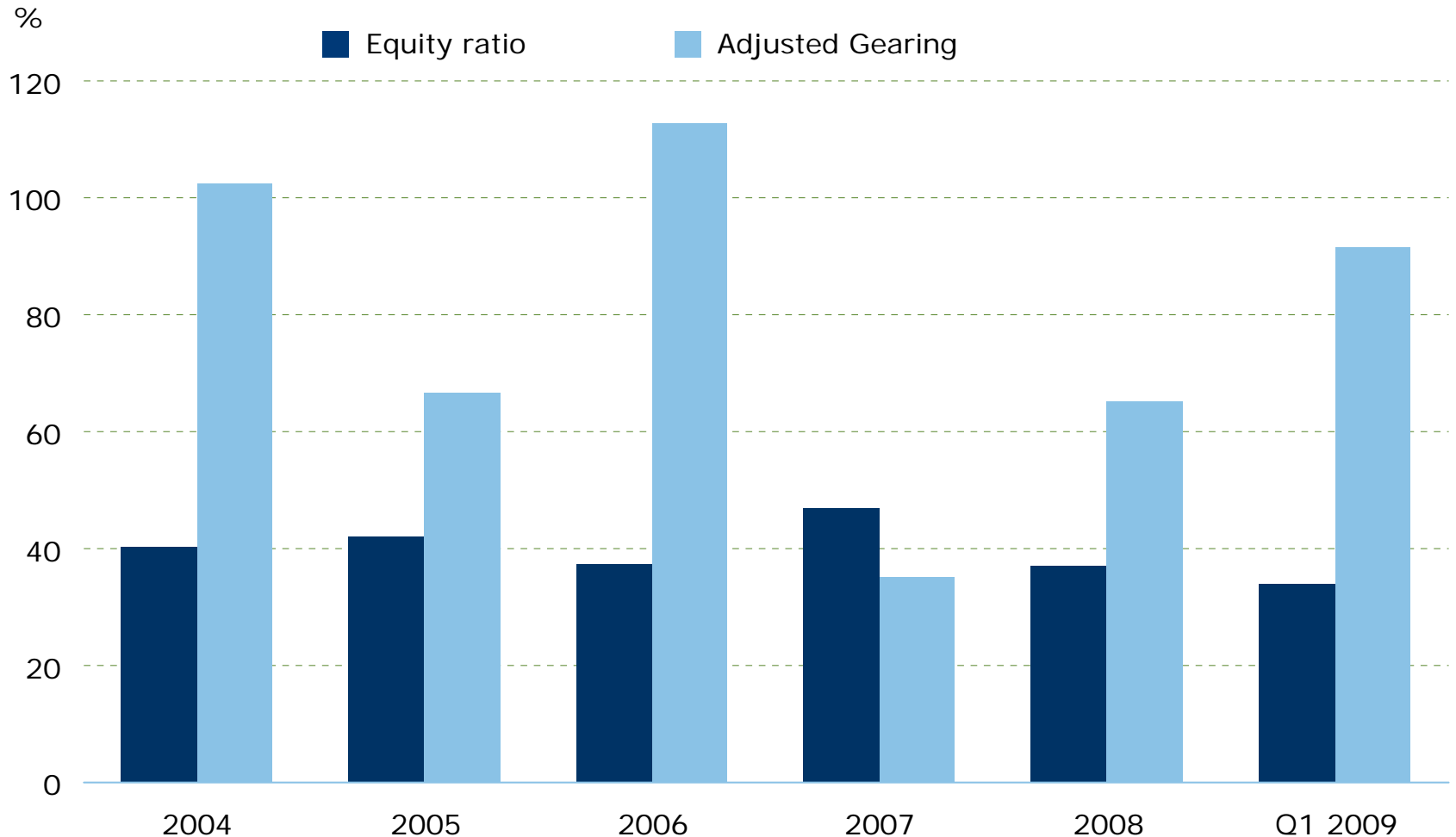
Cash flow statement

		Q1/2009	Q1/2008
Cash flow from operations	mill. euro	-73	29
Investments and sale of assets	mill. euro	-129	-93
Investments	mill. euro	-128	-64
Change of advances and others	mill. euro	-1	-29
Cash flow from financing	mill. euro	185	-15
Liquid funds at the beginning	mill. euro	392	540
Change in liquid funds	mill. euro	-17	-79
Liquid funds* at the end	mill. euro	375	461

*incl. financial interest bearing assets at fair value

Tournament durability is needed

Equity ratio and adjusted gearing



Fleet renewal programme

2006

- 6 E170
- 1* E190
- 1 A340

2007

- 5* E190
- 2 A340

2008

- 2 A340
- 2* E190

2009

- 5 A330
- 2 E190

2010

- 3 A330
- 2 E190

- Total capex of over €400m in 2009 and approx. €300m in 2010

*) Yhteensä neljälle E190-koneelle tehty myynti-takaisinvuokrausjärjestely

Investments safeguarded for 2009

- ⊖ Availability of funding has become more difficult and price has increased sharply
- ⊖ Funding of Finnair investment programme ensured for this year
- ⊖ Cash reserves 375 million euros
- ⊖ Agreed, but unused credit facilities
200 million euros
- ⊖ In addition credit facilities requiring a bank guarantee
 - European Investment Bank 250 million euros
 - Loan-back of TyEL pension funds more than 400 million euros
- ⊖ 200 million euros commercial paper programme

Pilots' contract negotiations continue

- Old agreement was made in different conditions
- Inflexibilities in pilots' employment terms being addressed
- Normalised retirement age
- Power of decision on use of company's aircraft
- Pay to correspond with productivity
- New rest and free days would raise costs

Finnair's full year loss-making

- ⊖ Business travel is falling and price level weakening further
- ⊖ Scheduled traffic capacity at least eight per cent below last year
- ⊖ Big investments, A330 aircraft replacing MD-11 aircraft
- ⊖ Funding for investments arranged for this year
- ⊖ Efficiency programmes being implemented
- ⊖ Leisure Traffic fleet arrangements will be decided in near future
- ⊖ Pilots' employment contract negotiations still incomplete
- ⊖ Second quarter clearly loss-making
- ⊖ Visibility is limited, but full year operational result expected to be negative

Appendices



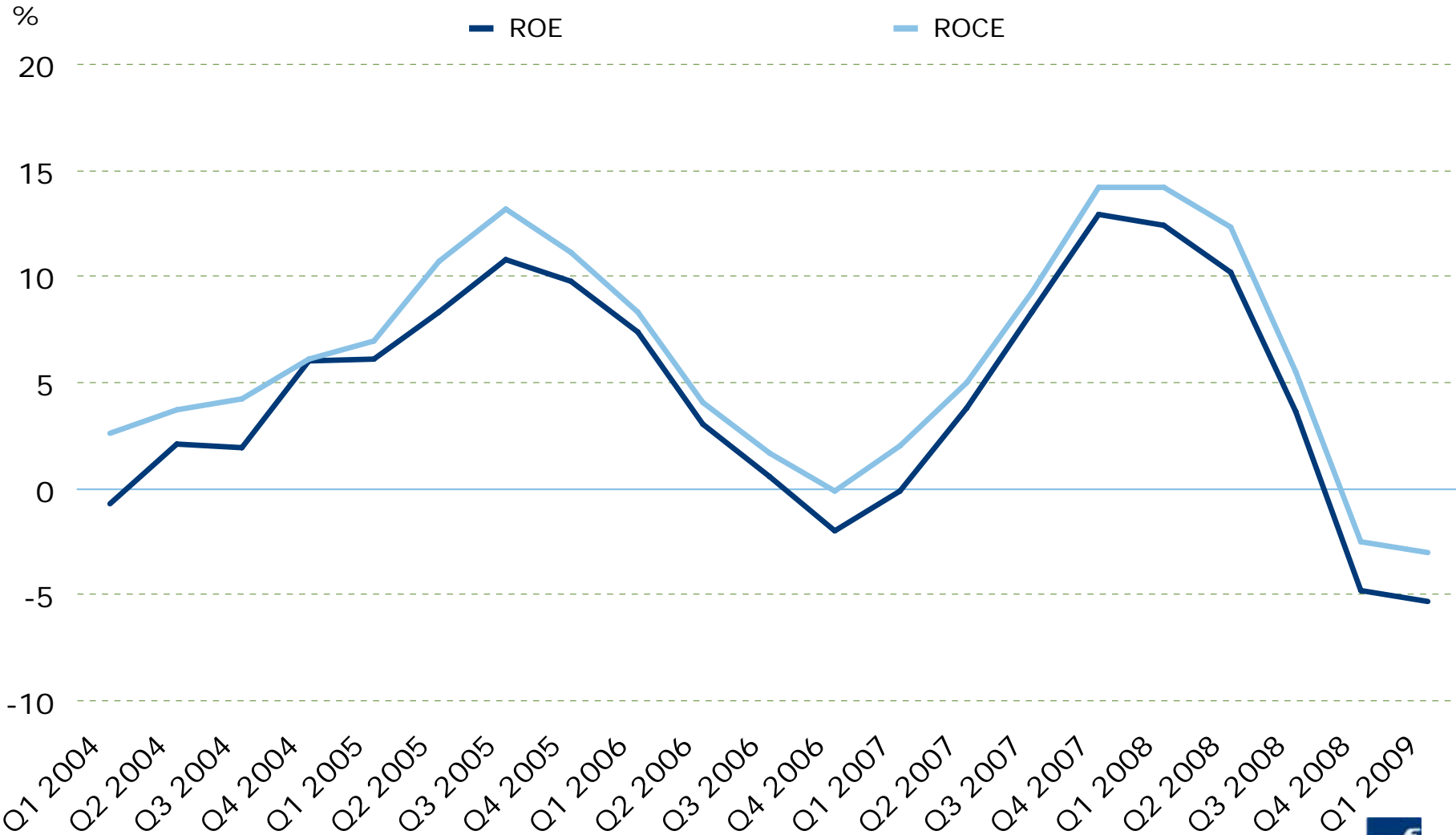
Segment results*

Mill. euro	Q1/2009	Q1/2008
Scheduled Passenger Traffic	-50.3	-3.7
Leisure Traffic	5.5	11.1
Aviation Services	2.3	2.5
Travel Services	-1.5	0.4
Unallocated items	-3.5	-2.5
Total	-47.5	7.8

* Operating profit, excluding capital gains, fair value changes of derivatives and non restructuring items

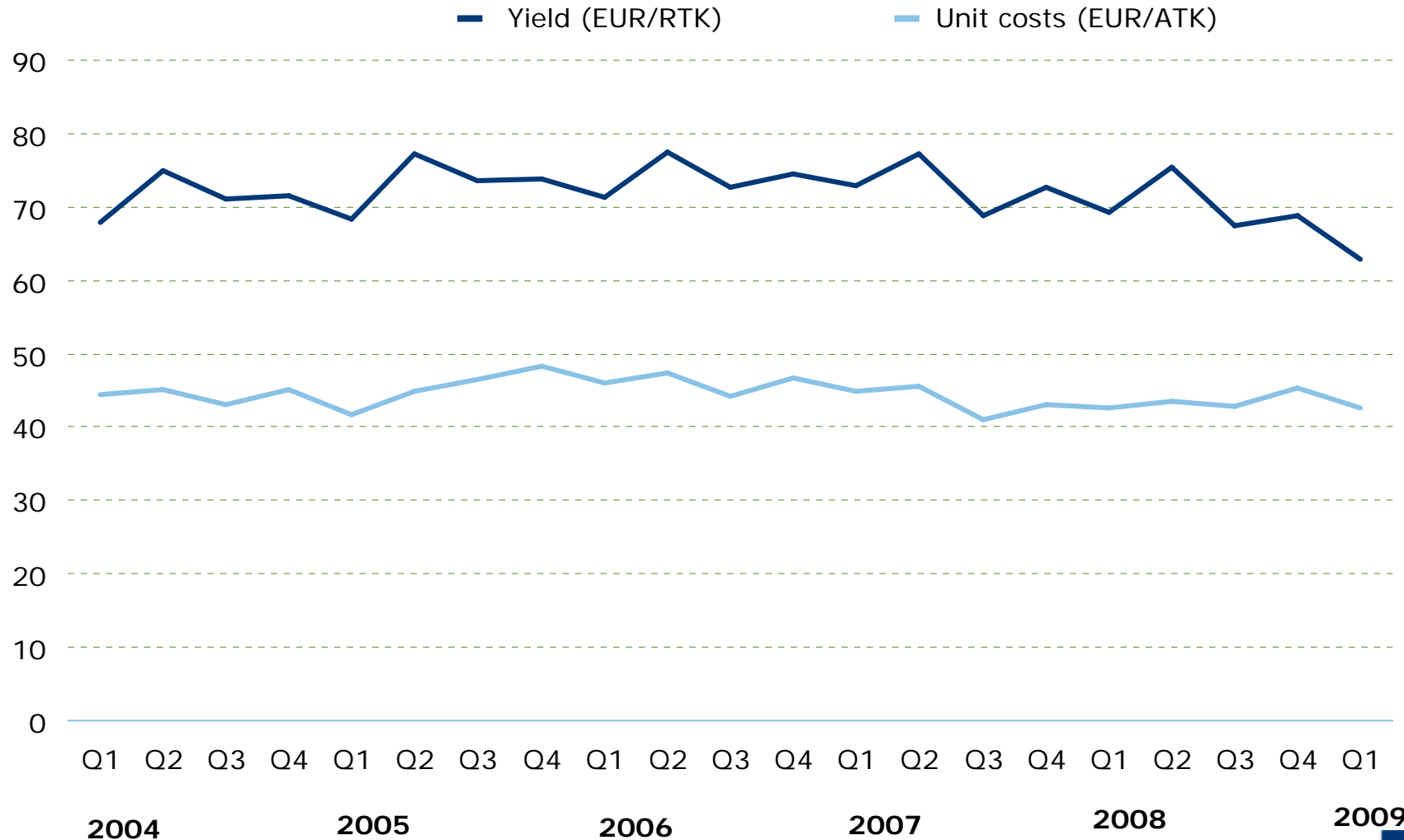
ROE and ROCE

Rolling 12 months

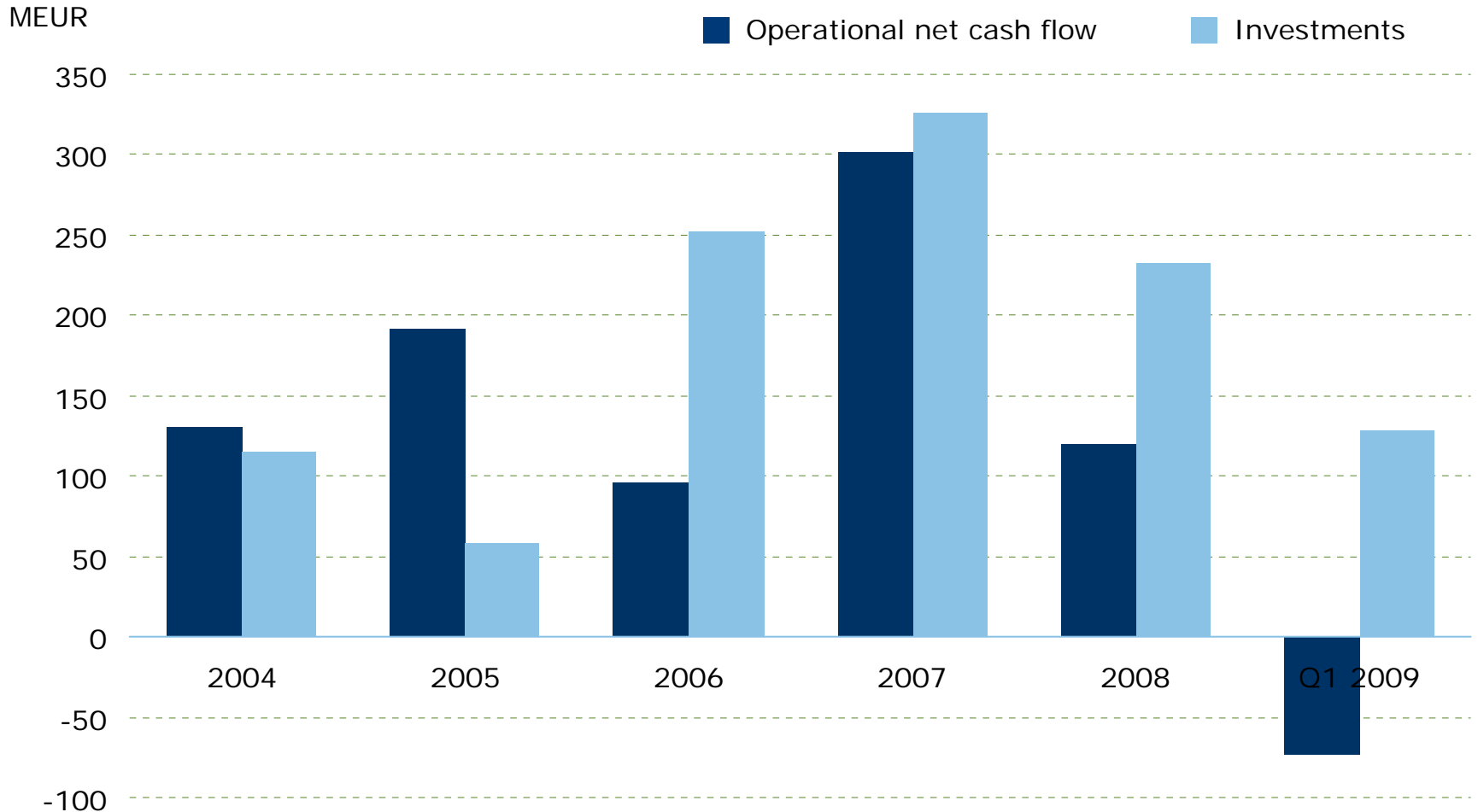


Average yield and costs

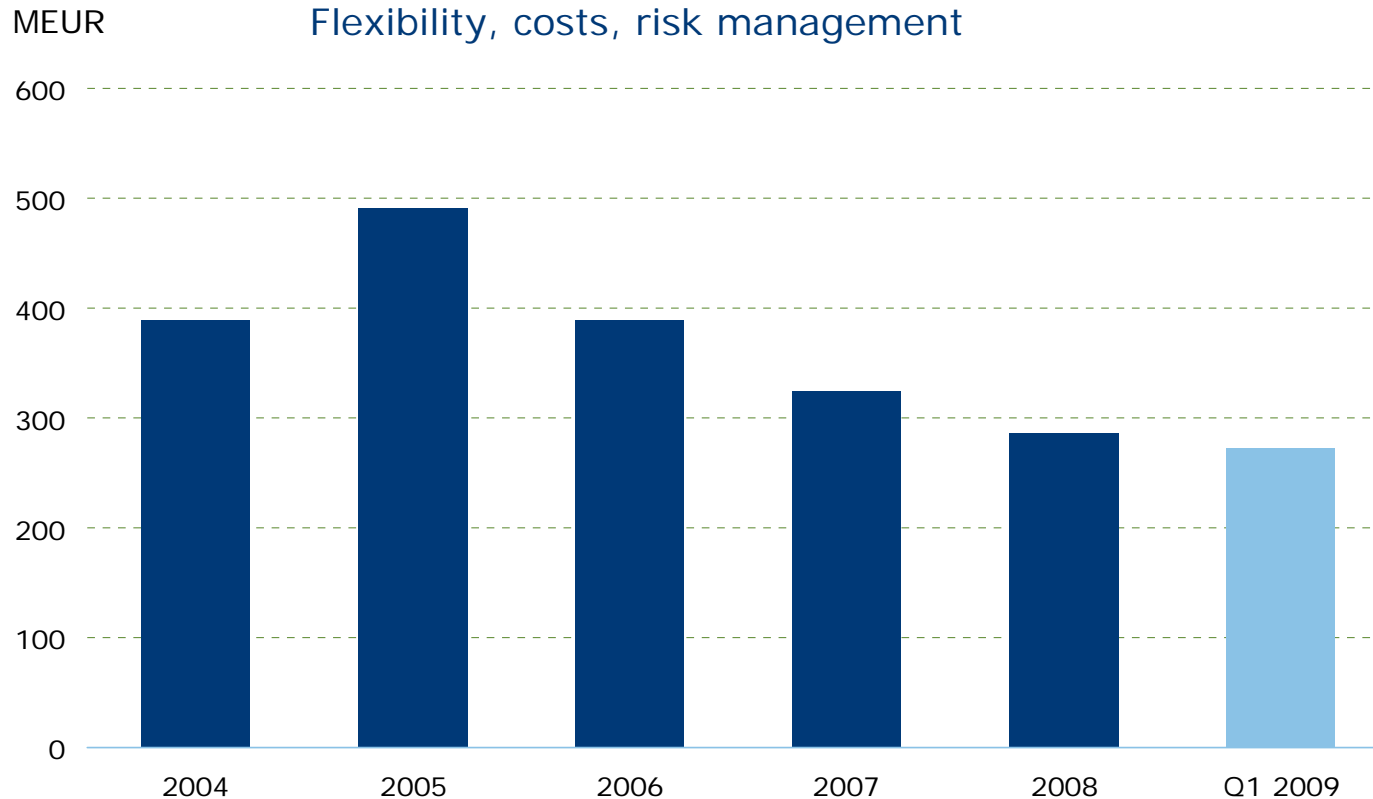
EUR c/RTK & EUR c/ATK



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 2009 would have been 91,5%

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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