Finnair Group

Interim Report

1 January – 30 June 2009

A Sector in Crisis

- Passenger and cargo demand clearly below last year
- Average prices low due to 30-40 per cent reduction in business travel
- Overcapacity slowly being removed
- Huge losses for second quarter, September will show whether business travel will start to recover
- Fall in cargo demand has levelled off
- Cash and financial position becoming critical for airlines
- IATA's loss forecast for this year slumps to nine billion dollars

Finnair's result in line with the sector

- Net sales declined in the second quarter by more than 20 per cent
- Operational loss 56.9 million euros, result before taxes -35,3 million euros
- Price level weakened in April-June by more than 18 per cent
- Passenger load factor remained good
- Scheduled Passenger Traffic's profitability clearly loss-making
- Costs adjusted in line with falling volume, no ability so far to compensate falling price level
- Of efficiency programme totalling 200 million euros, more than half is being implemented, 120 million euros of savings in personnel costs
- Market share in Asian traffic has grown
- Balance sheet position remains strong
- Punctuality and customer satisfaction are on a high level

New structure to improve clarity and efficiency

- New structure for Finnair Group from beginning of October
- Scheduled traffic and leisure traffic will merge
- Support functions within Group Administration: Financial Management, Resource Management, Business Development, HR, IT and Legal Affairs
- Route network and resources (fleet, personnel) will be coordinated centrally, partial optimisation reduced
- Overlaps removed

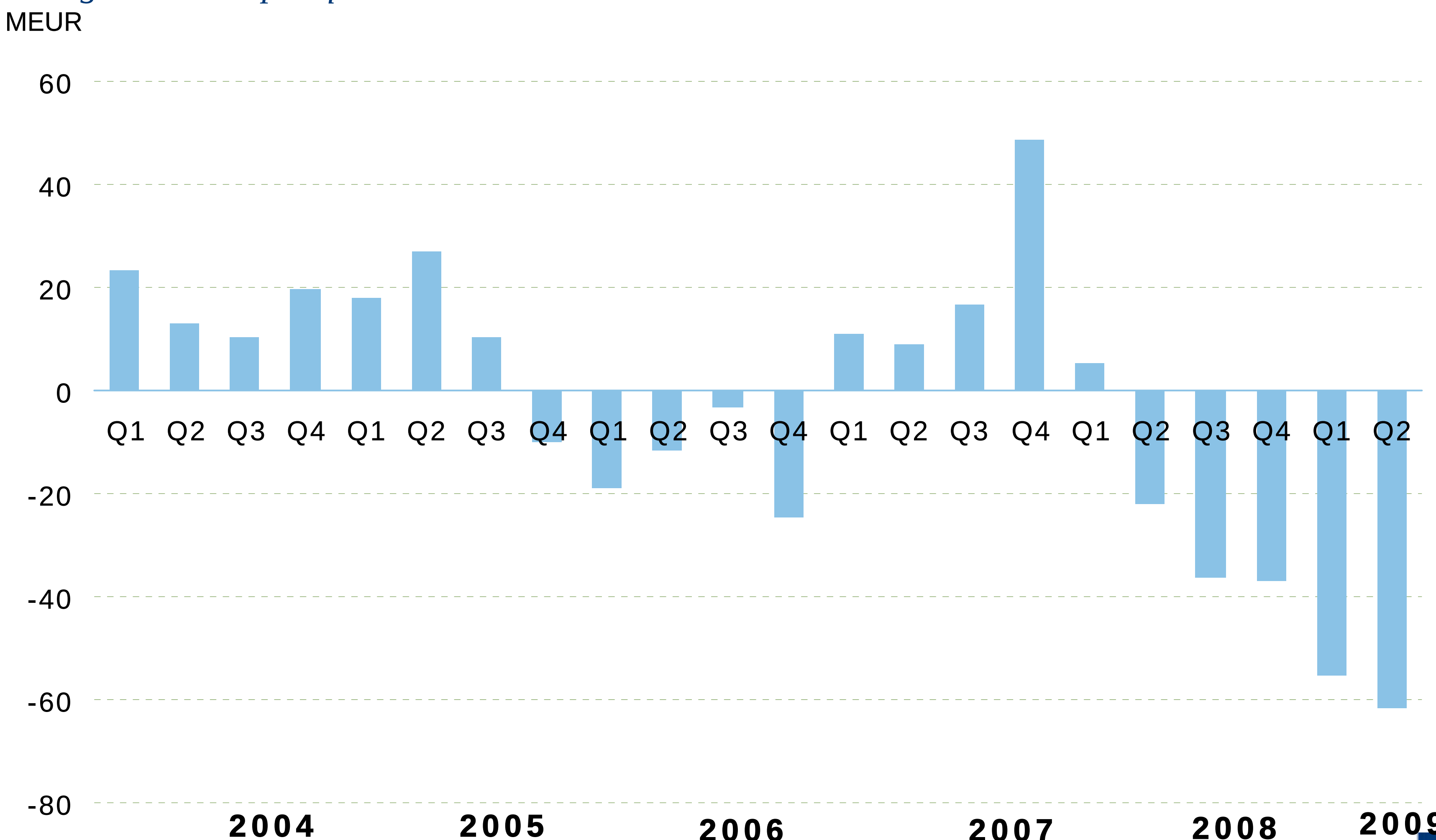
Poor operational result

		Q2/09	Q2/08	Change %
Turnover	mill. euro	**427.4**	545.2	-21.6
Adjusted EBITDAR*	mill. euro	**-8.6**	49.5	-
Adjusted EBIT* i.e. Operational result	mill. euro	**-56.9**	4.6	-
One off items/ capital gains	mill. euro	**0.2**	2.9	-
Fair value changes of derivatives	mill. euro	**24.2**	12.6	-
Operating profit/loss (EBIT)	mill. euro	**-32.5**	20.1	-
Profit before tax	mill. euro	**-35.3**	18.5	-

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

Negative trend in profitability expected to level off

Change in EBIT per quarter*



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

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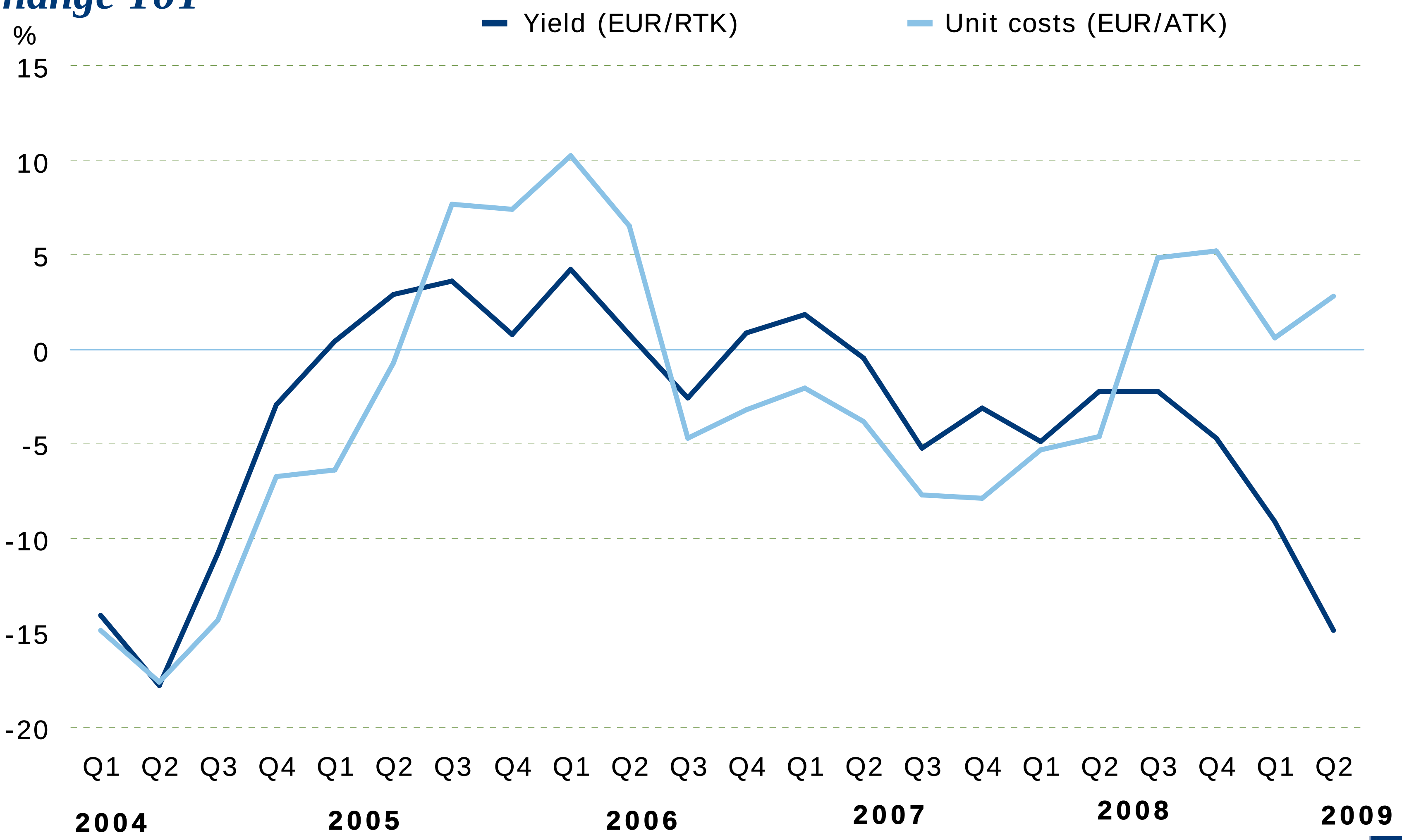
Unit costs not in parity with declining revenues

Change YoY



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Unit costs in the biggest components adjusted in line with volume drop, not price drop

		Q2/09	Q2/08
Unit costs of flight operations*	c/ATK	**+2,8%**	-4,6%
Unit costs of flight operations* excl. fuel	c/ATK	**+5,6%**	-10,4%
Personnel expenses	c/ATK	**-0,9%**	-8,7%
Fuel costs**	c/ATK	**-4,3%**	+14,1%
Traffic charges	c/ATK	**+4,8%**	-5,5%
Ground handling and catering	€/psgr.	**-4,8%**	+21,2%
Sales and marketing	€/psgr.	**-8,3%**	+2,4%
Aircraft lease payments and depreciation	c/ATK	**+28,2%**	-13,6%
Other costs*	c/ATK	**+8,1%**	-12,4%

* excluding fair value changes of derivatives and restructuring items

** includes realized fuel and currency hedging outside hedge accounting

ATK = Available Tonne Kilometre

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200 million euro efficiency programmes

- Programmes totalling 200 million euros under way
- Targets amounting to more than 100 million euros identified
- 100 million euro result impact this year; 100 million euros next year
- Savings in personnel costs total 120 million euros
  - 600 fewer employees than last year, more than 6,000 subject to temporary lay-offs
- Key efficiency areas:
  - Organisational reform will bring increase efficiency by centralising functions
  - Scheduled traffic capacity cut by over 8% v. 2008
  - Improvement of network cost-efficiency
- Stabilisation agreement in Finnair Technical Services will bring around 14 million in savings
- Statutory employer-employee ‘YT’ negotiations lie ahead

Finnair Technical Services' stabilisation agreement

- Agreed with all five personnel organisations
- Planned savings of around 14 million euros
- Working time flexibilities
- Resources directed better at available work
- Will enable new customer relationships outside the Group
- Agreement includes performance-based bonus model for 2010-13

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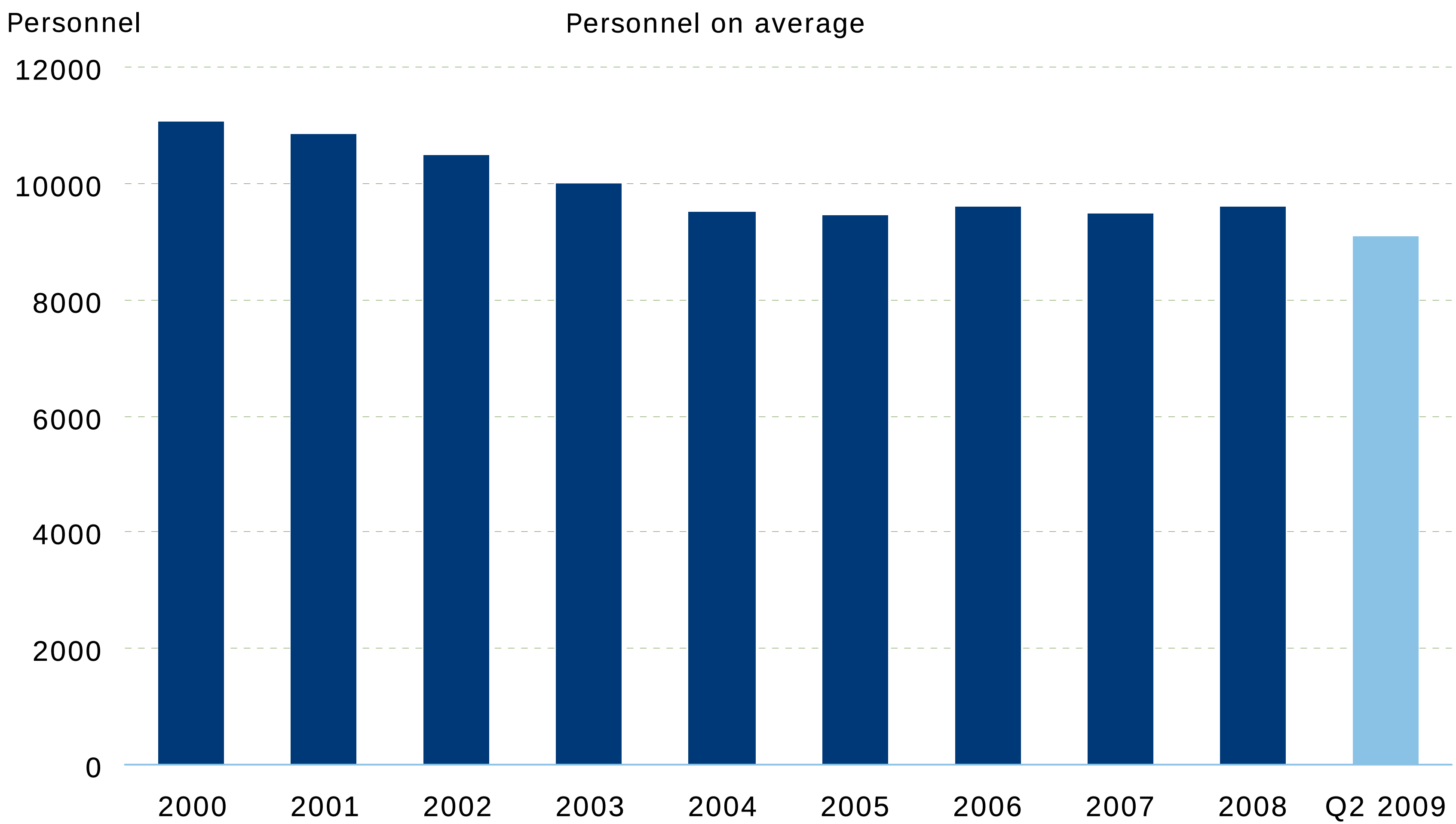
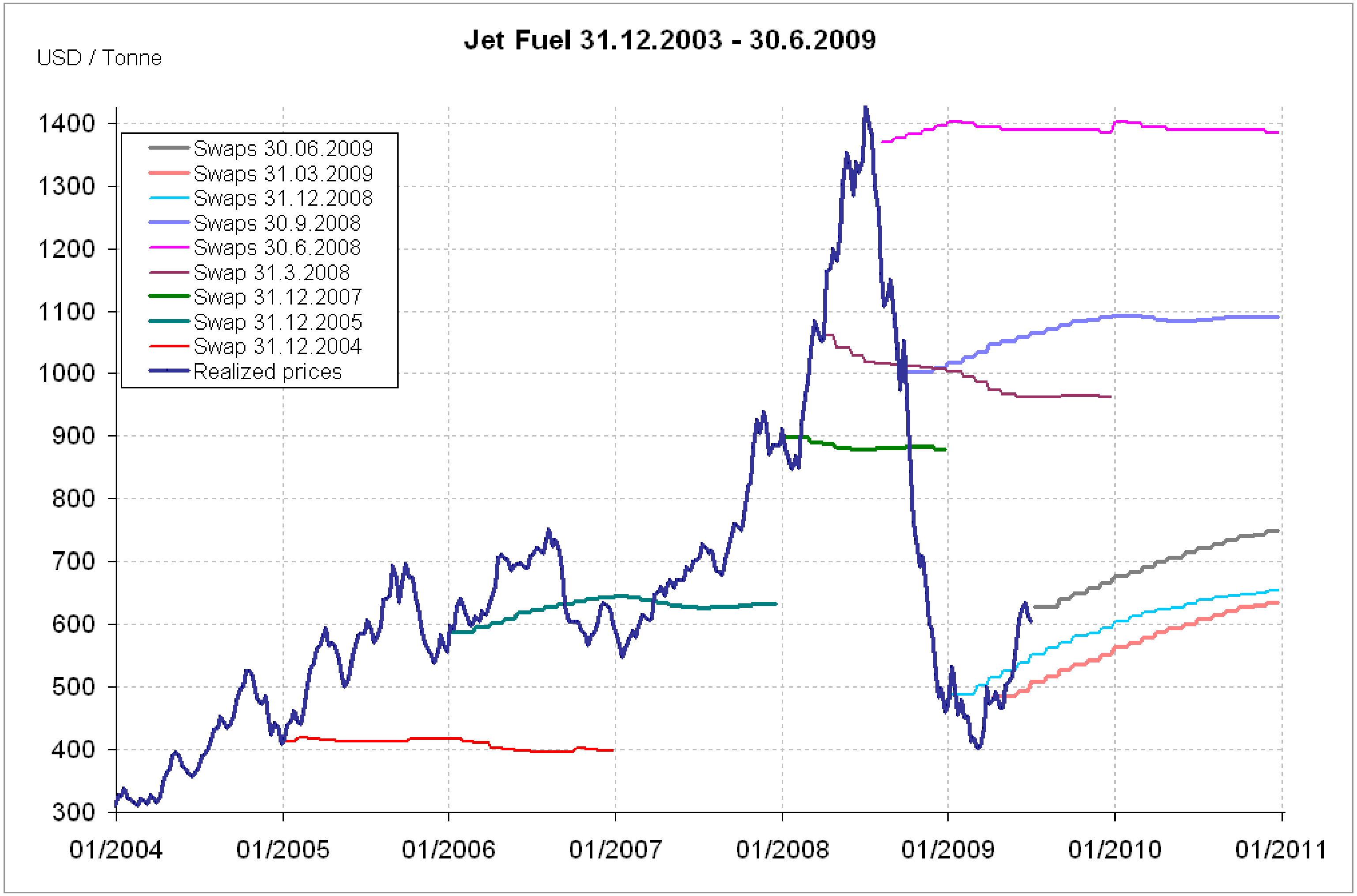
Number of staff declining in 2009



Hedges above the spot price



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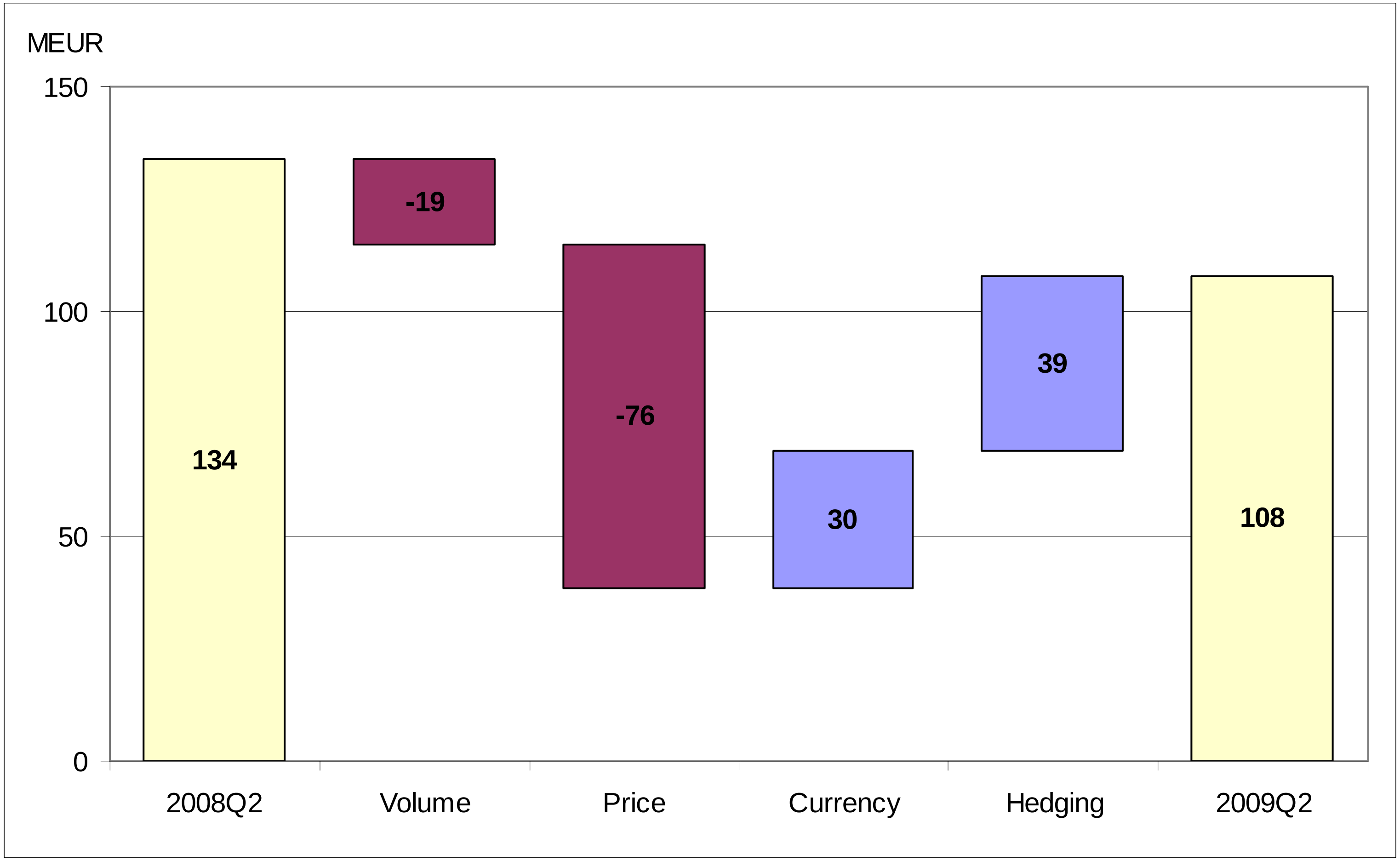
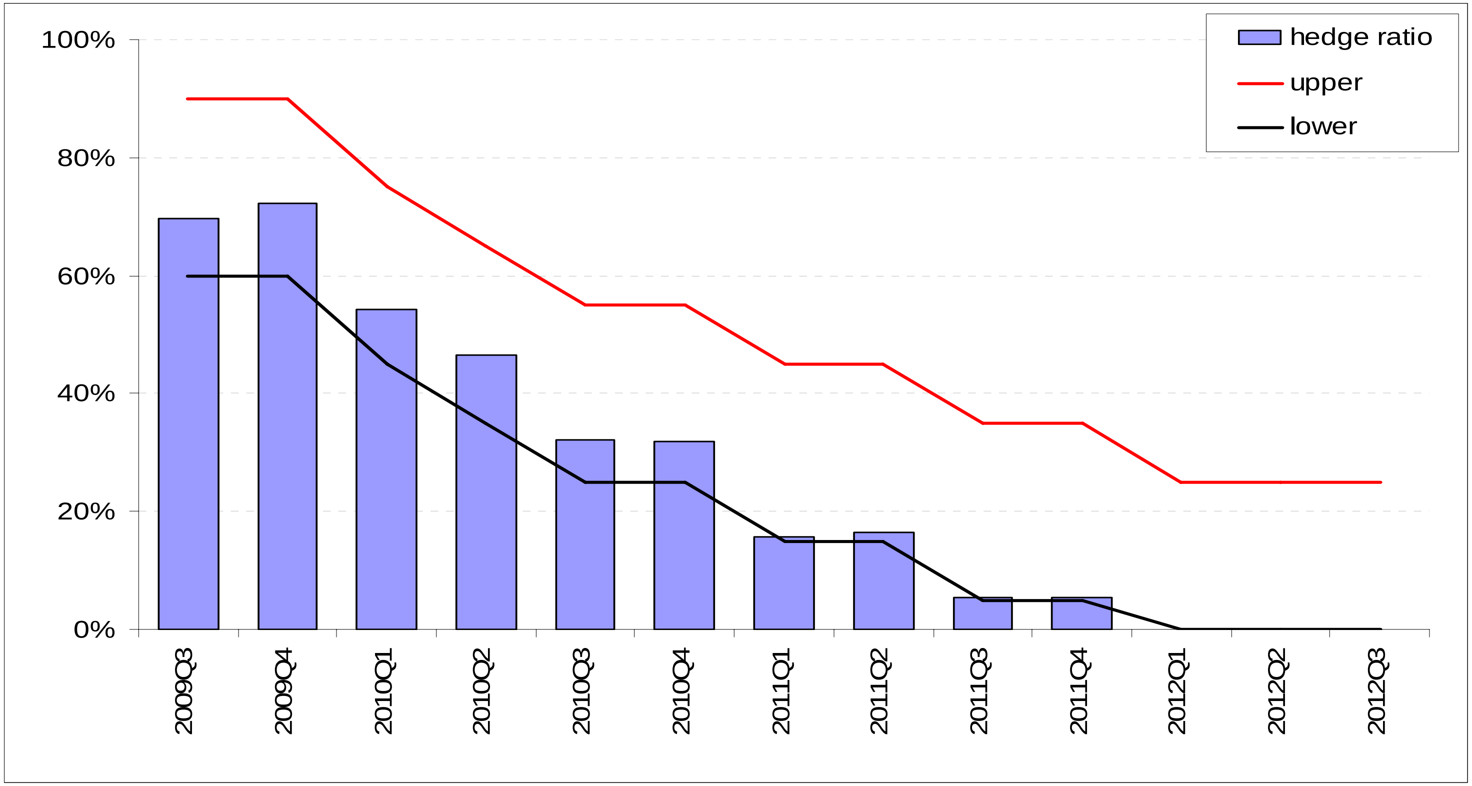
Change in fuel costs in Q2



Finnair continues its hedging policy



Fuel costs 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: ~24% of turnover

Finnair scheduled traffic has hedged 71% of its fuel purchases for the next six months, thereafter for the following 24 months with a decreasing level.

Investments made mainly in H1

Cash flow statement

		Q1-Q2/2009	Q1-Q2/2008
Cash flow from operations	mill. euro	**-115**	87
Investments and sale of assets	mill. euro	**-304**	-109
Investments	mill. euro	**-328**	-145
Change of advances and others	mill. euro	**+24**	+36
	mill. euro		
Cash flow from financing	mill. euro	**293**	-81
Liquid funds at the beginning	mill. euro	**392**	540
Change in liquid funds	mill. euro	**-126**	-103
Liquid funds* at the end	mill. euro	**266**	437

*incl. financial interest bearing assets at fair value

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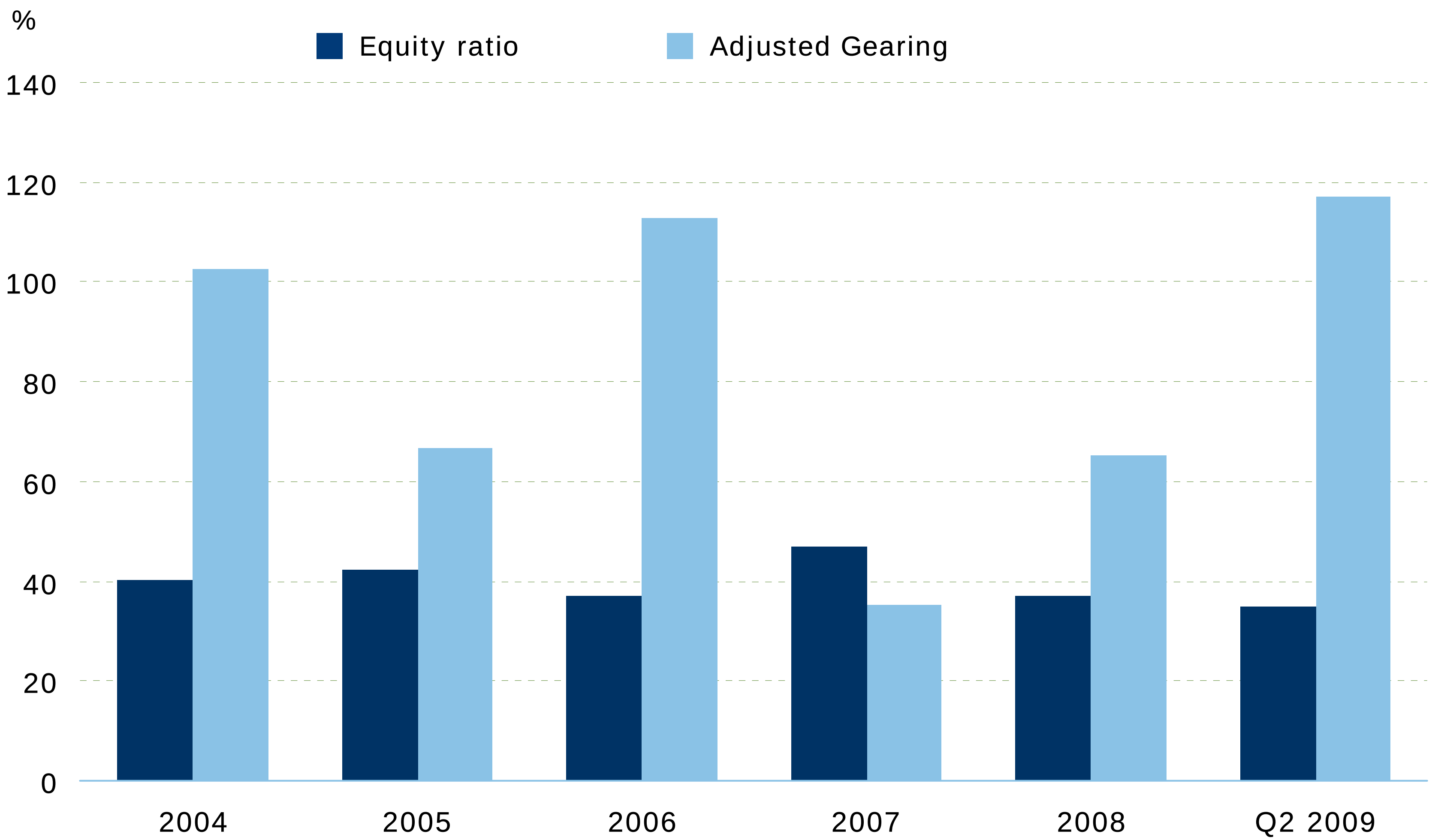
Balance sheet still strong

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 Embraer orders postponed

- Total capex of over €400m in 2009 and less than €300m in 2010

*) Yhteensä neljälle E190-koneelle tehty myynti-takaisinvuokrausjärjestely

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Funding secured until spring 2010

- Funding of Finnair investment programme ensured for this year
- Aim is to relax investment schedule
- Cash reserves 266 million euros
- Funding sources total more than 400 million euros
  - European Investment Bank – 250 million euros
  - Export Credit Agencies
  - Sale and lease-back of properties – 90 million euros
- In addition, credit facilities requiring a bank guarantee
  - Loan-back of TyEL pension fund reserves – 350 million euros remaining
- Agreed, but unused credit facilities – 200 million euros
- 200 million euro commercial paper programme

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Finnair's full year clearly loss-making

- Passenger and cargo traffic prices will remain at a low level
- Bottom expected to be reached; September will show whether business travel and cargo demand will recover
- Efficiency programme and structural change will be implemented
- Funding for investments arranged for this year
- Aim is to relax investment schedule
- Fleet arrangements will be decided on soon
- Second half of year better than first, but third quarter and full year clearly loss-making

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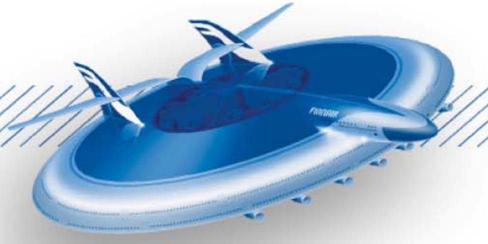
Appendices



*Segment results**

Mill. euro	Q2/2009	Q2/2008
Scheduled Passenger Traffic	**-55.9**	1.3
Leisure Traffic	**2.9**	-2.5
Aviation Services	**-0.2**	4.4
Travel Services	**-0.9**	1.4
Unallocated items	**-2.8**	0.0
Total	**-56.9**	**4.6**

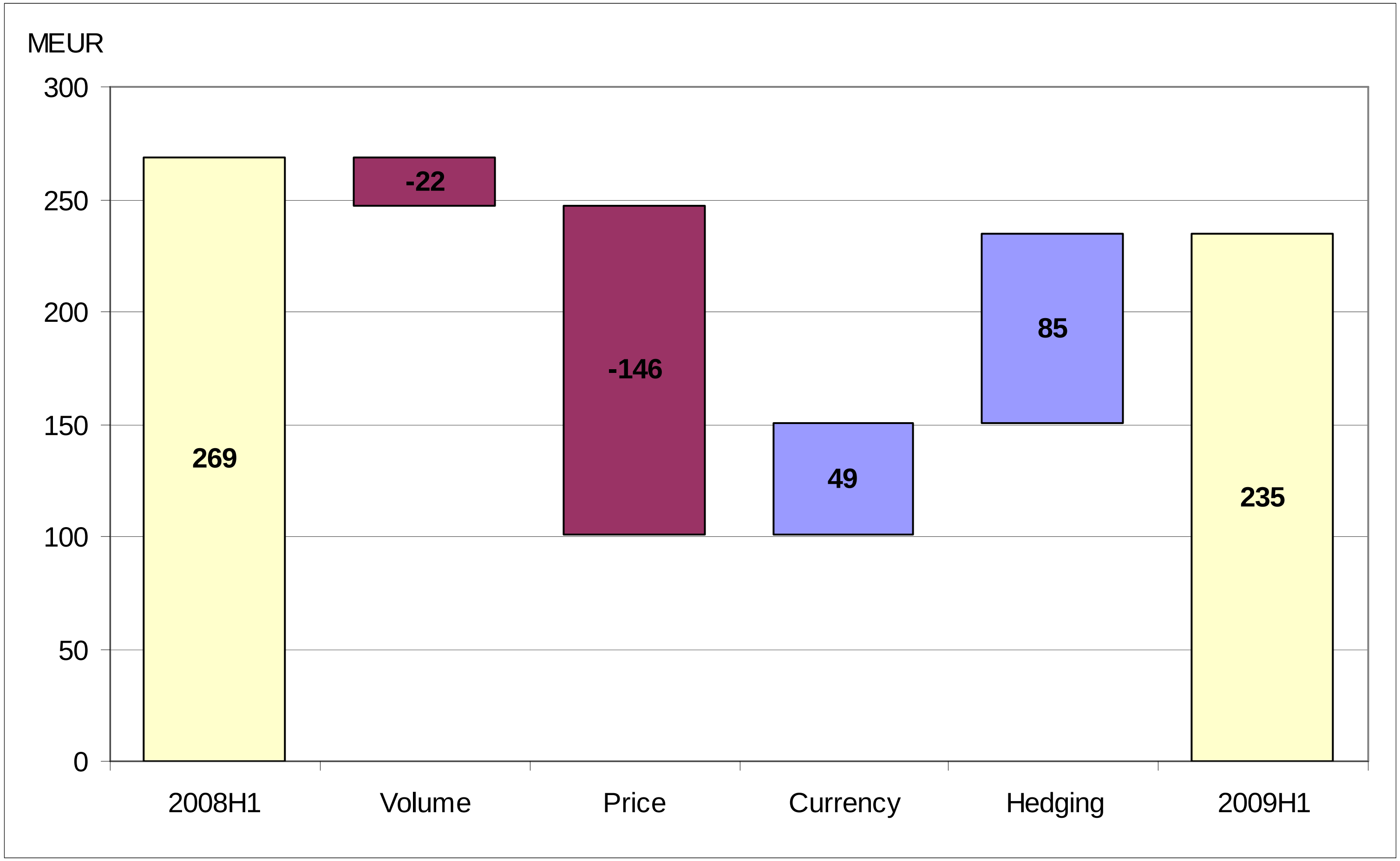
* Operating profit, excluding capital gains, fair value changes of derivatives and non restructuring items

*Segment results**

Mill. euro	Q1-Q2/2009	Q1-Q2/2008
Scheduled Passenger Traffic	**-106.2**	-2.4
Leisure Traffic	**8.4**	8.6
Aviation Services	**2.1**	6.9
Travel Services	**-2.4**	1.8
Unallocated items	**-6.3**	-2.5
Total	**-104.4**	**12.4**

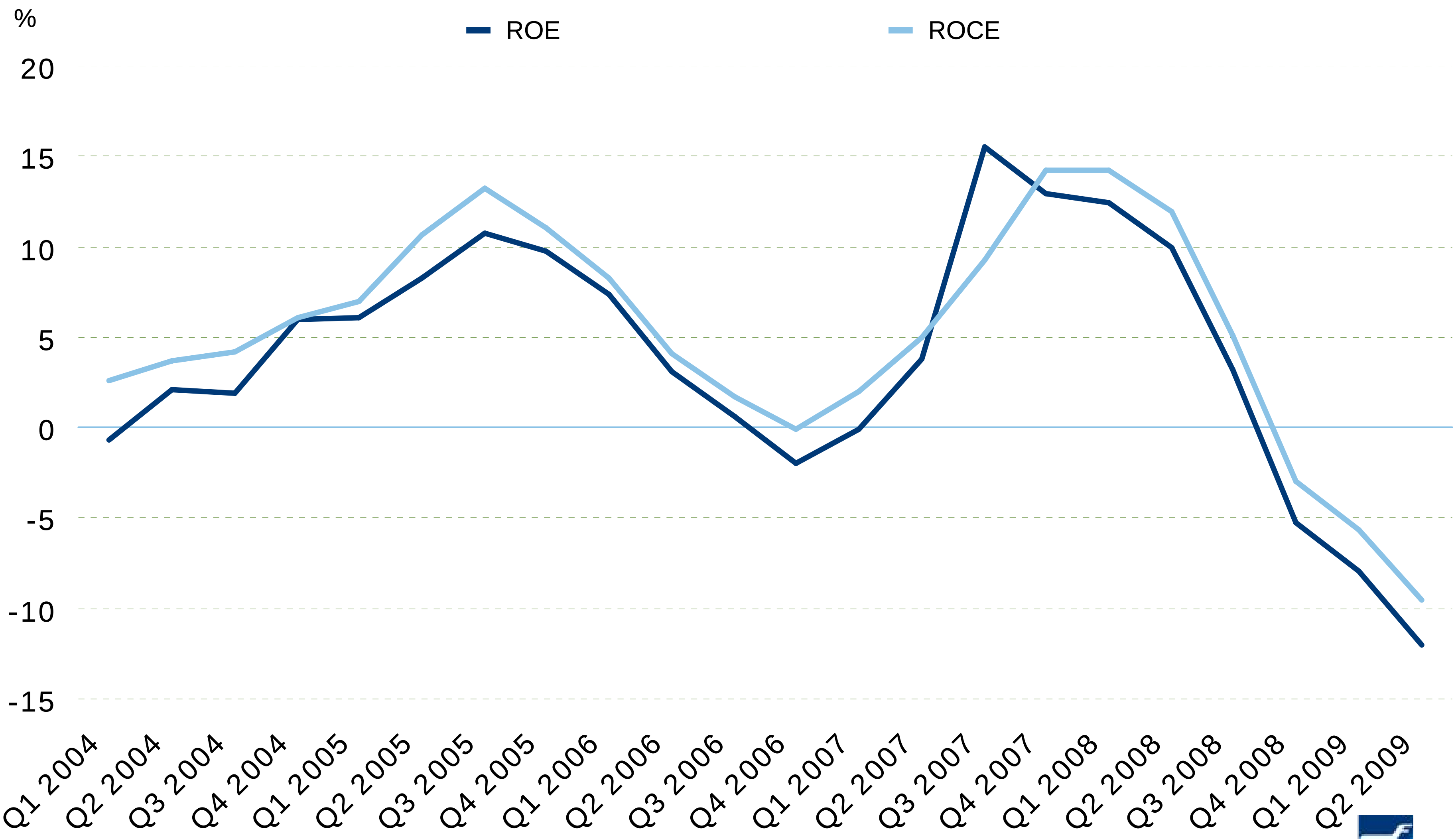
* Operating profit, excluding capital gains, fair value changes of derivatives and non restructuring items

Change in fuel costs in H1



ROE and ROCE

Rolling 12 months



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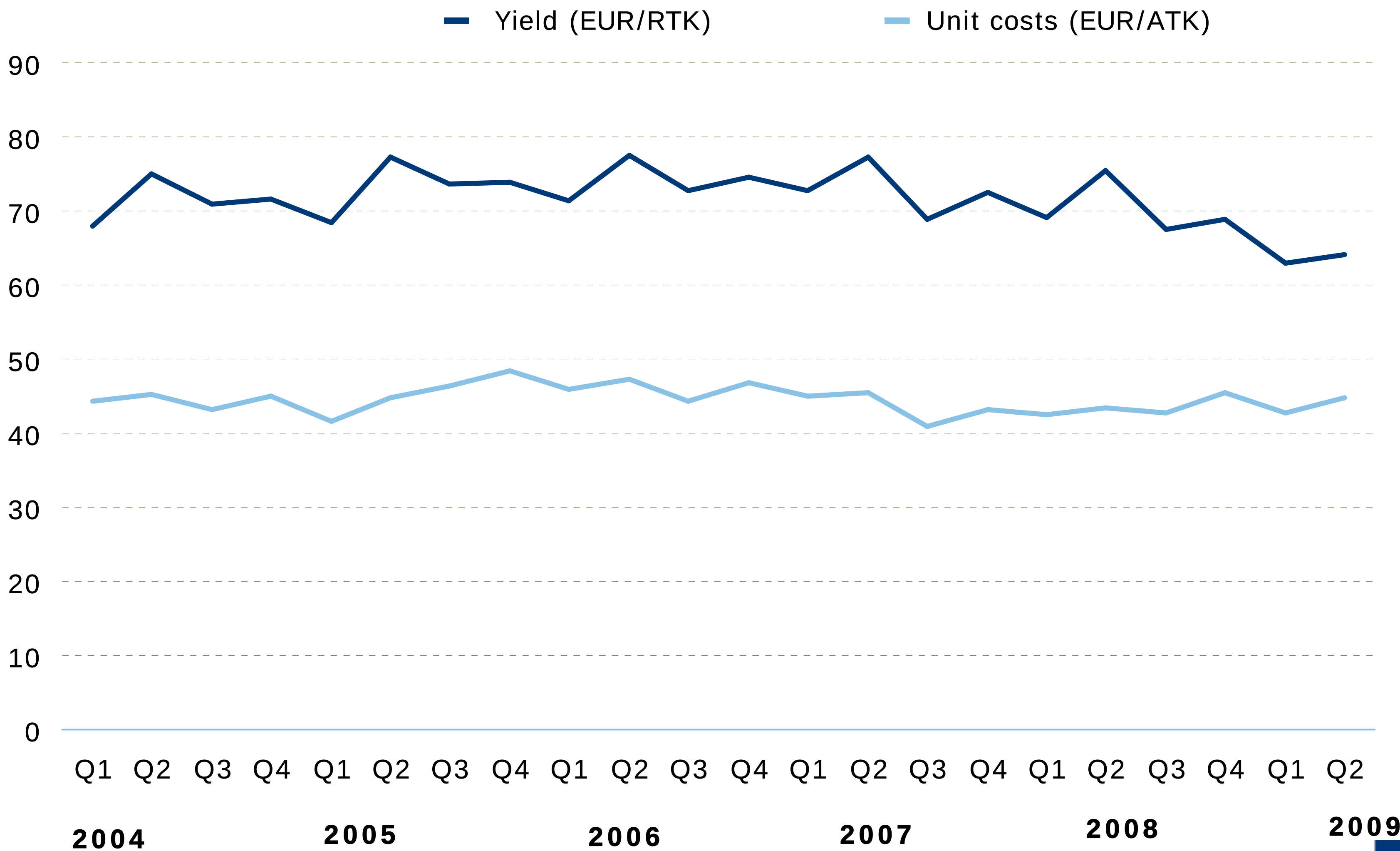
Average yield and costs

EUR c/RTK & EUR c/ATK



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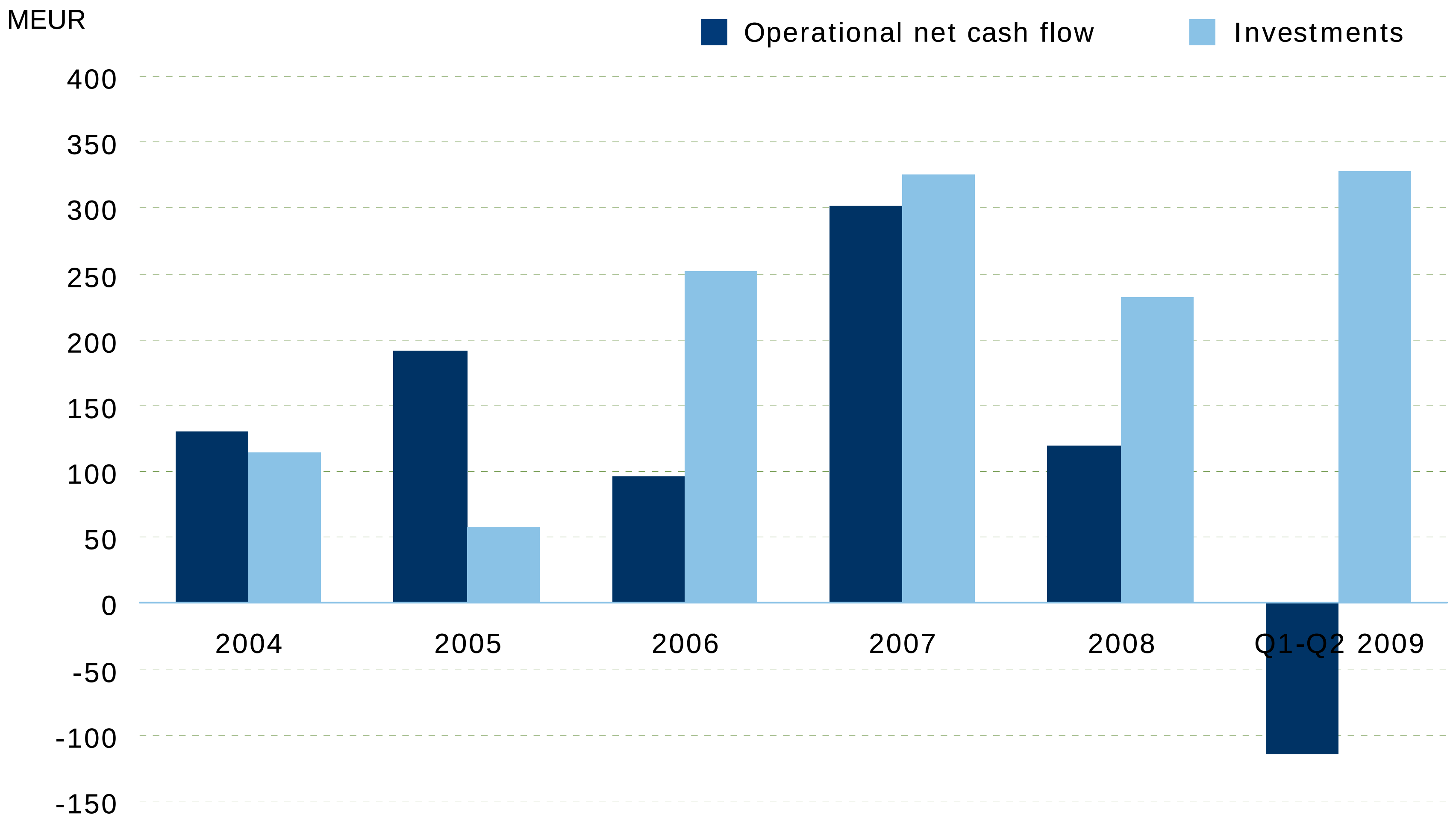
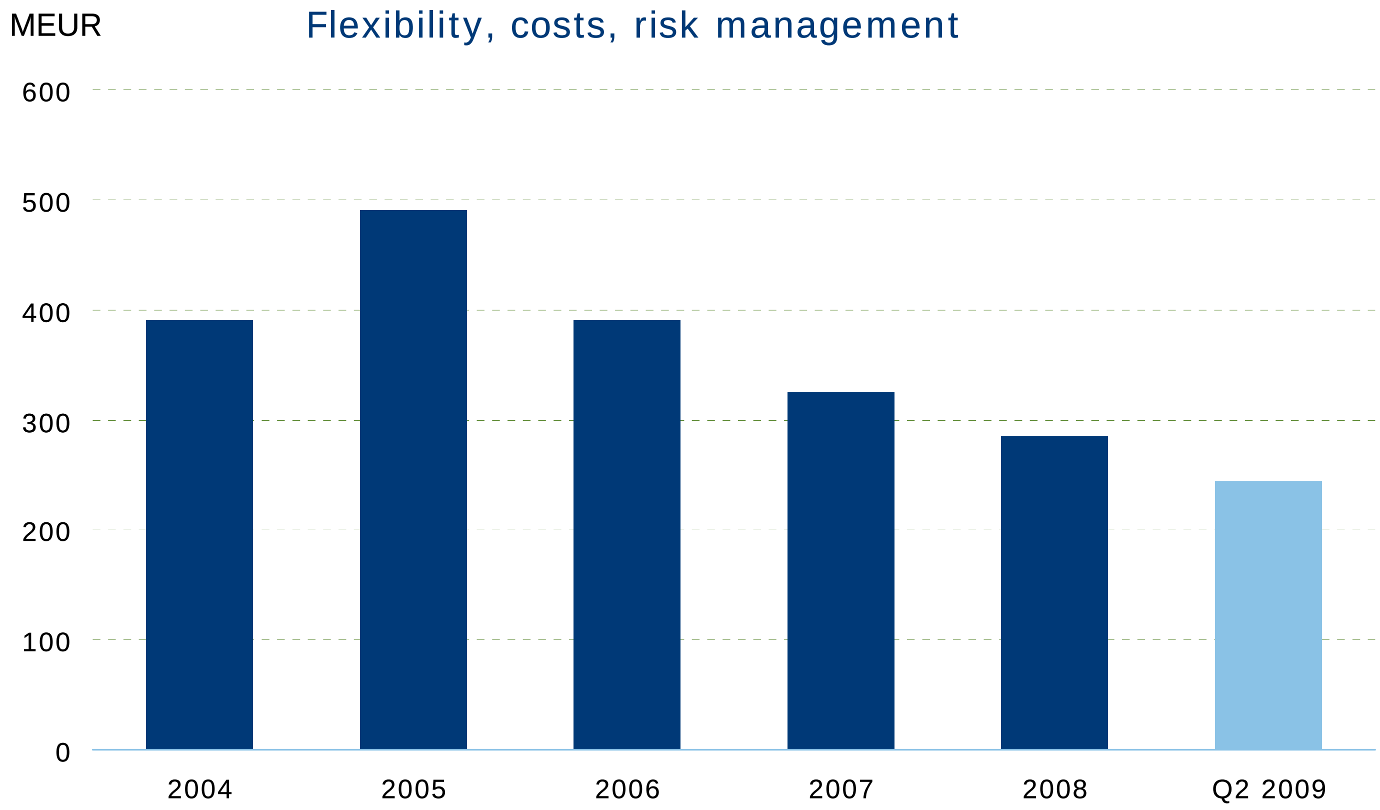
Investments and cash flow from operations



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 2009 would have been 117,1%

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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

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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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