

Finnair Group

*Interim Report
1 January – 30 June 2010*



Sector recovering

- Recovering fastest in Asia and slowest in Europe
- Sector profit forecast for current year 2.5 billion dollars
- Ash cloud adversely affected European airlines in particular; 30 million euros of direct losses for Finnair
- Passenger demand returned to growth
- Business travel picked up clearly, except in Finland
- Cargo demand is growing strongly, particularly in Asia
- Improved price level

Finnair's profitability clearly improved

- ✈ Strong improvement in demand and average price in second quarter; turnover rose by 10.8%
- ✈ Operational loss 13.6 million euros, loss of 30 mill. euros caused by the ash crisis
- ✈ Cargo clearly profitable
- ✈ Efficiency programme reduced unit costs by 6.4%
- ✈ Unit revenues in scheduled traffic improved by 5.8%
- ✈ Passenger load factor is good
- ✈ Cash flow from operations now positive
- ✈ Balance sheet and cash position remain strong
- ✈ Service quality on a high level

Significant openings into new markets

- Finnair and Air Berlin start co-operation as of November
 - Significant opening into the highest purchasing power market in Europe
 - Air Berlin to become **oneworld** member in 2012
- Kingfisher's membership in **oneworld** opens up huge Indian market for Finnair
- Cooperation between members in North Atlantic traffic approved by the authorities
- Cooperation with Japan Airlines expands to European internal flights
- Flybe new partner in feeder traffic, potential for extended co-operation

Operational result improved

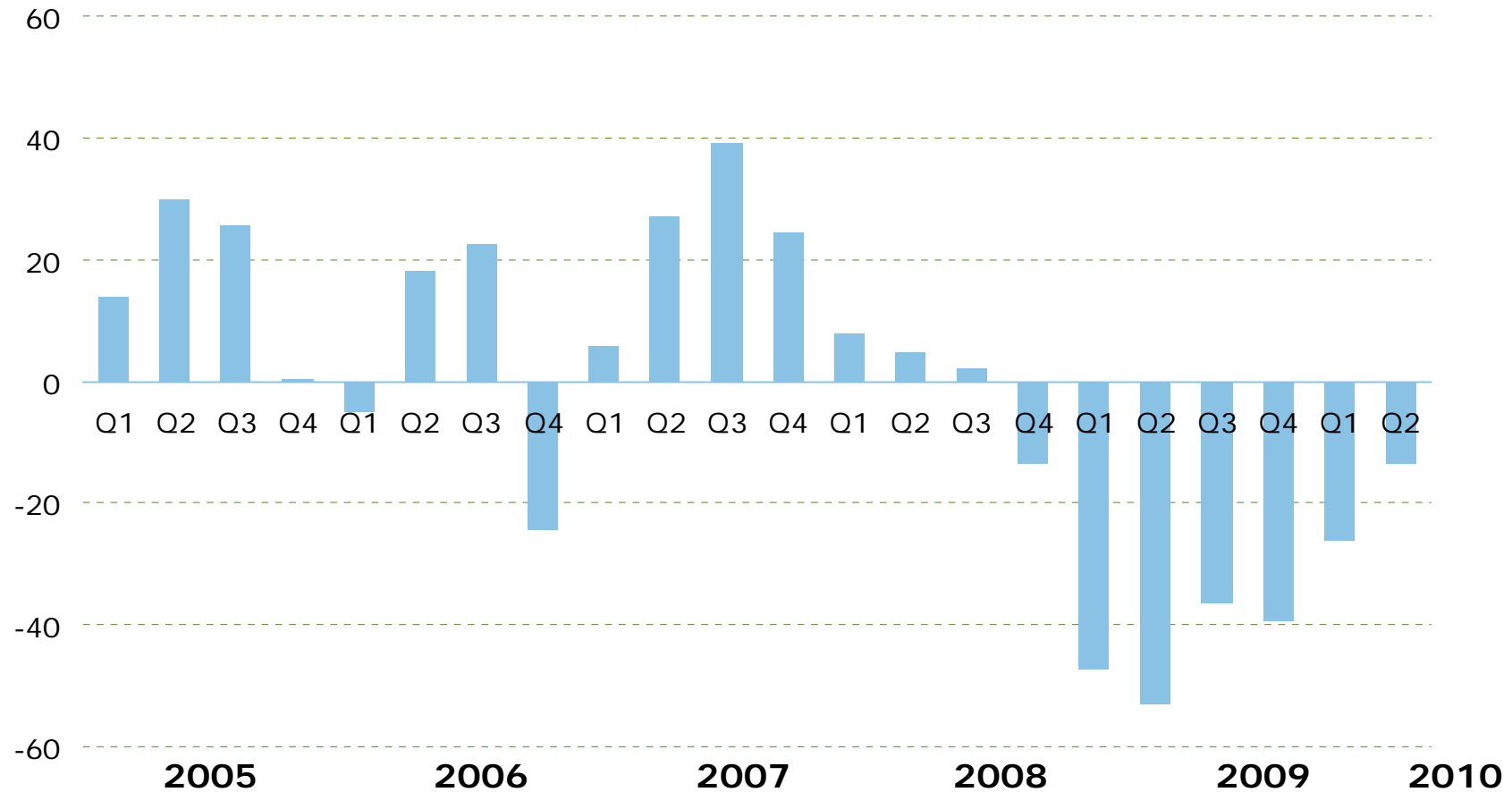
		Q2/10	Q2/09	Change %
Turnover	mill. euro	473,5	427,4	10,8
Operational expenses	mill. euro	495,8	485,1	2,2
Adjusted EBITDAR*	mill. euro	32,5	-4,9	-
Adjusted EBIT* i.e. Operational result	mill. euro	-13,6	-53,2	-
One off items/ capital gains	mill. euro	1,1	0,2	-
Changes in fair value of derivatives and exchange rates in fleet overhauls	mill. euro	-20,8	24,2	-
Operating profit/loss (EBIT)	mill. euro	-33,3	-28,8	-
Profit before tax	mill. euro	-37,9	-31,6	-

*excl. capital gains, changes in fair value of derivatives and exchange rates in fleet overhauls and non recurring items

A better profitability trend

EBIT per quarter*

MEUR



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

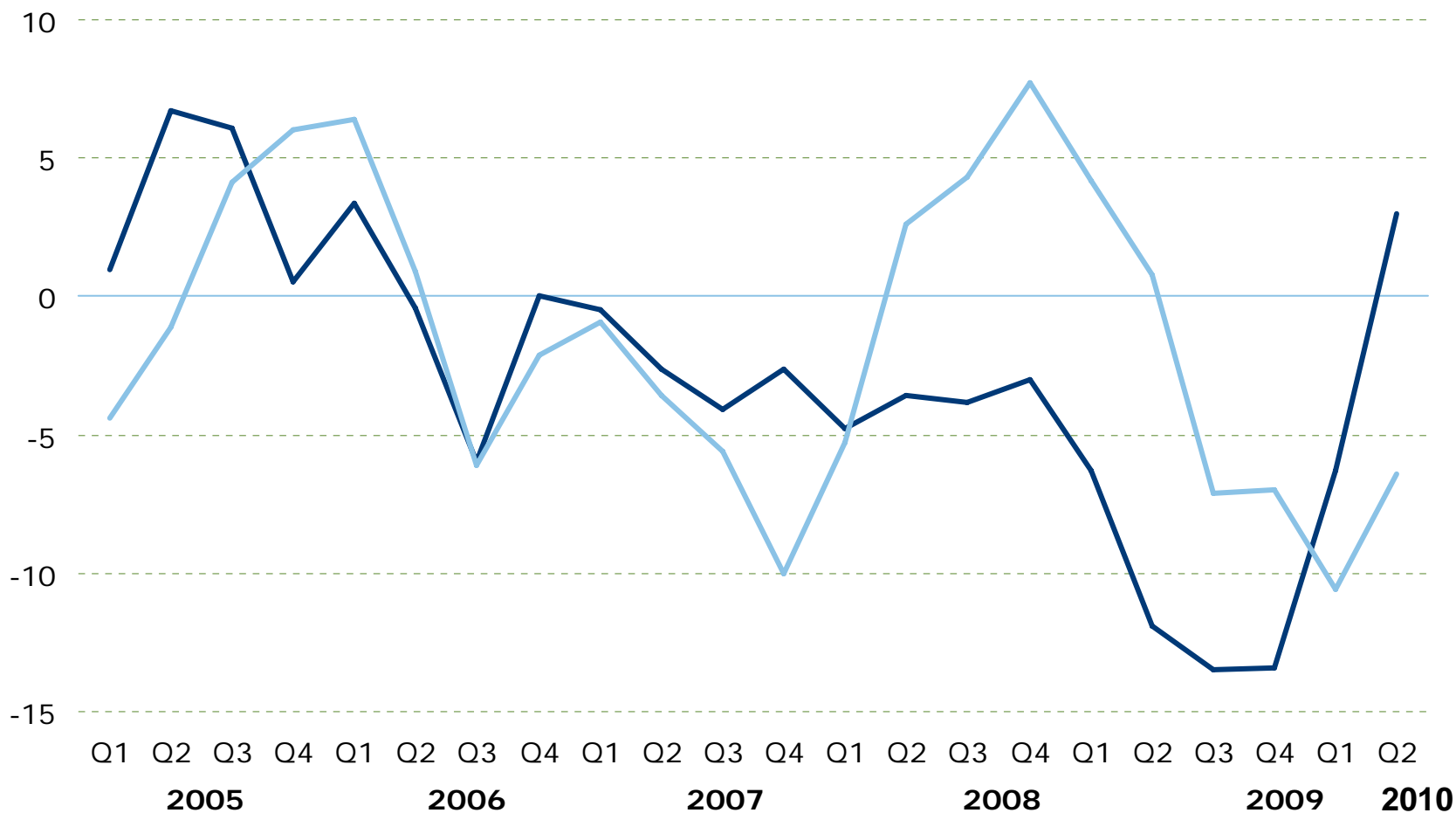


Positive trend in unit revenues and cost development

Change YoY
%

— Yield (EUR/RTK)

— Unit costs (EUR/RTK)

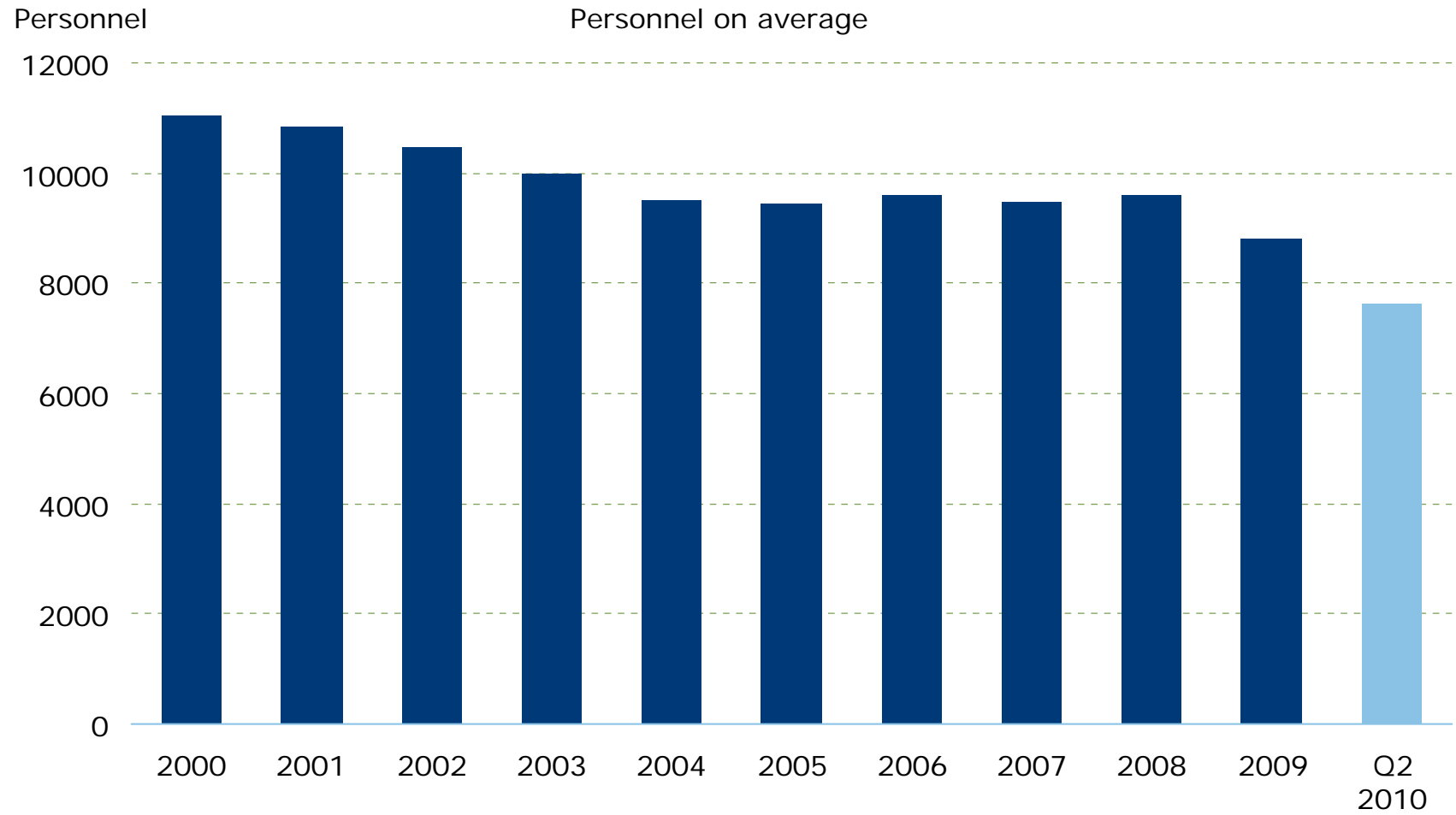


Efficiency program lowered unit costs

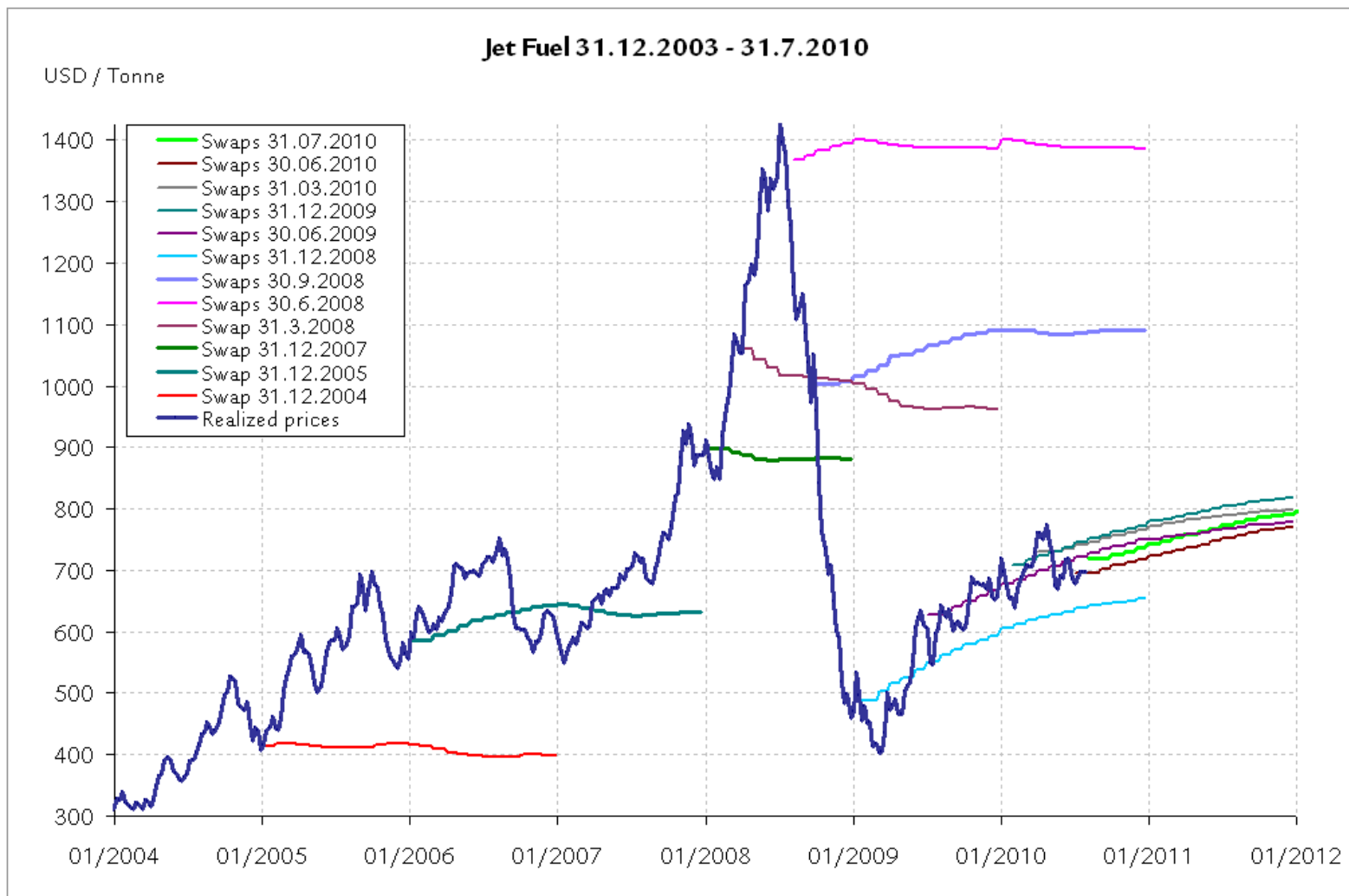
		Q2/10	Q2/09
Unit costs of flight operations*	c/RTK	-6,4%	-0,1%
Unit costs of flight operations* excl. fuel	c/RTK	-3,3%	+2,4%
Personnel expenses	c/RTK	-10,6%	-3,1%
Fuel costs	c/RTK	-14,9%	-6,4%
Traffic charges	c/RTK	+6,6%	+2,5%
Ground handling and catering	€/psgr.	+7,5%	-5,7%
Sales and marketing	€/psgr.	+21,6%	-5,6%
Aircraft lease payments and depreciation	c/RTK	-11,2%	+25,4%
Other costs*	c/RTK	-1,5%	1,7%

* excluding fair value changes of derivatives and non-recurring items
RTK = Revenue Tonne Kilometre

Improved productivity



Polttoaineen hinta nousussa



Finnair's long-haul fleet grows

- ✈ Harmonised Airbus long-haul fleet, average age 2.5 years
- ✈ Later this year one more A330 aircraft and at turn of year two more A340 aircraft. Next year a total of 15 long-haul Airbus aircraft
- ✈ Five new Airbus A321ER aircraft for leisure traffic 2013-14
- ✈ Last MD-11 aircraft were sold; one is used in Finnair's cargo traffic

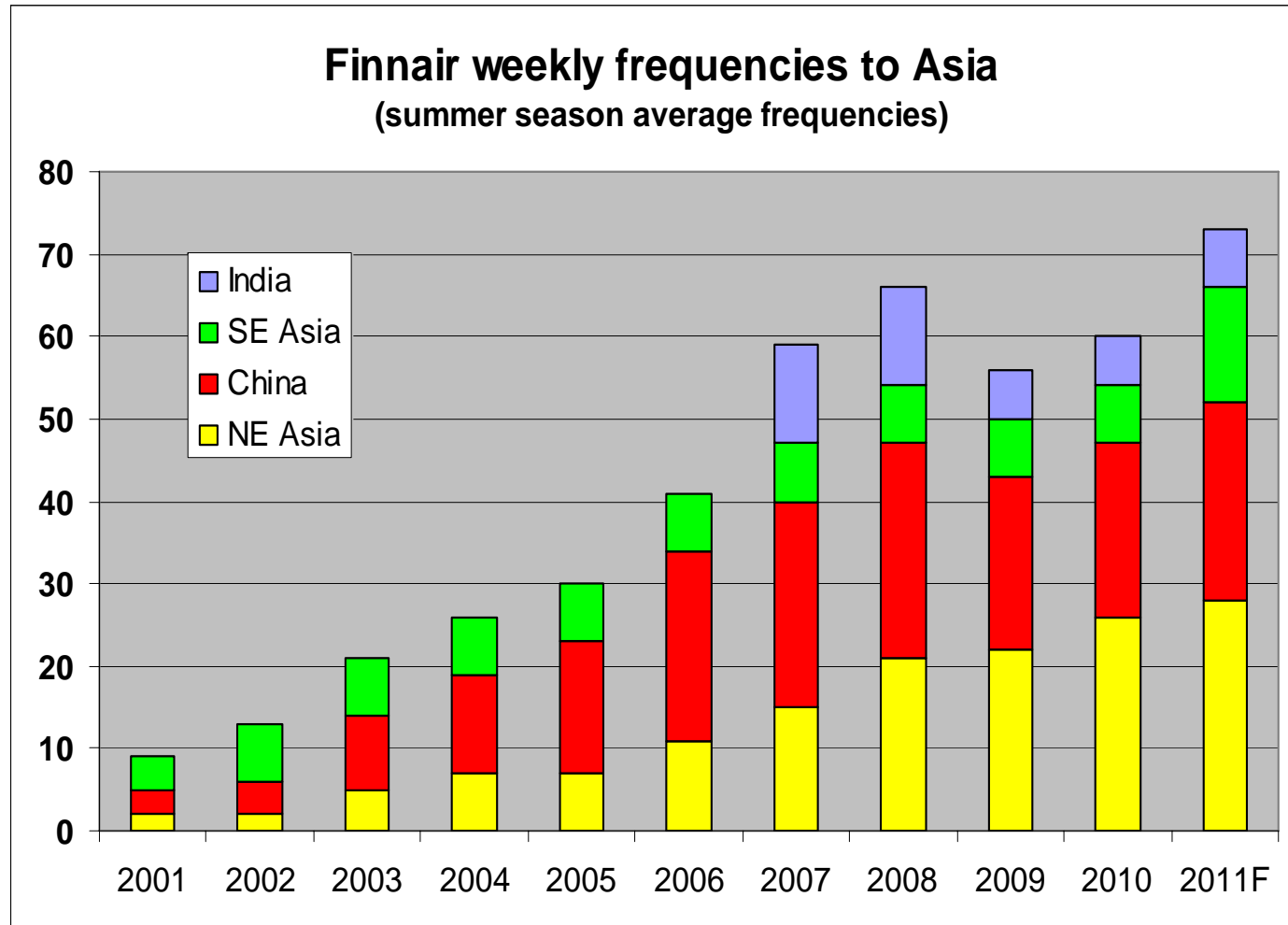
Strong growth in traffic

- ⊖ January-July traffic performance
 - Scheduled traffic +5%
 - Passenger load factor +4%-points
 - Asian traffic +12%
 - Business class in Asian traffic +40%
 - Business class share of long-haul traffic 11%
 - Cargo +37 %

Asian demand good

- Double-digit growth figures
- Finnair's market share in Asian traffic rose by 12%
- Asian revenues clearly above European revenues
- New openings next year
 - Daily direct flight to Singapore next spring
 - Weekly frequencies to Hong Kong up from 7 to 12
 - In spring, additional flights to present Asian destinations
- After planned capacity increases Finnair is flying over 70 weekly flights to Asia
- Encouraging start on cargo aircraft routes to Seoul and Hong Kong

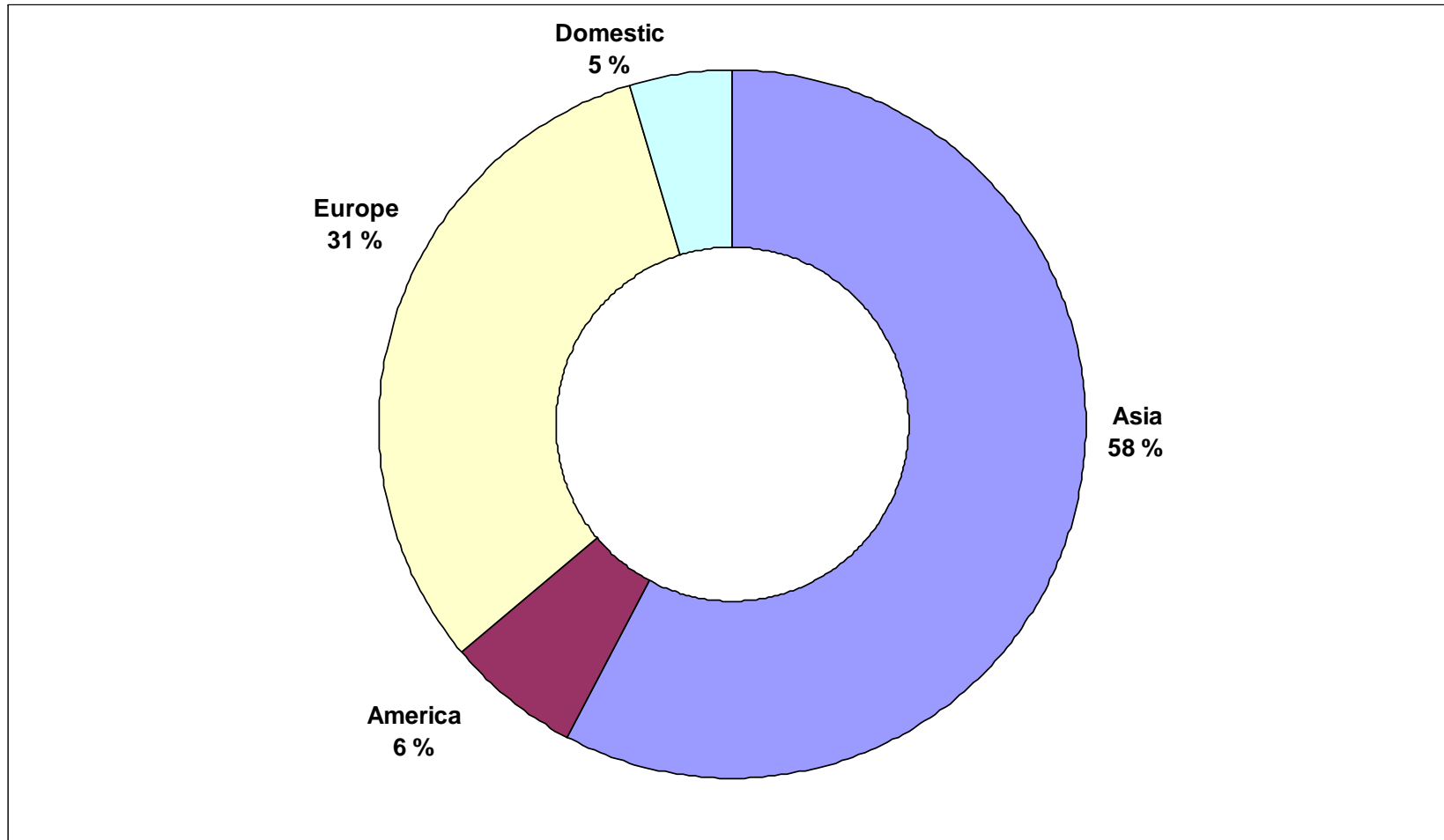
More frequencies to Asia



Summer peak season frequencies per week

Asian traffic clearly the biggest category

Geographical distribution of Finnair scheduled traffic



Revenue passenger kilometres Jan-Jun 2010

Funding secured

- Funding ensured for the final part of the investment program
- Cash reserves more than 570 mill. euros
- Funding sources totalling over 500 mill. euros
 - 1 A330 in Q4 probably operational lease
 - Loan-back of TyEL pension fund reserves, 330 mill. euros remaining
 - Unused credit facility of 200 mill. euros signed in June
- Cash flow from operations turned to positive
- In addition, 200 million euro commercial paper programme, of which 46 in use

Cash flow improved in Q2

Cash flow statement

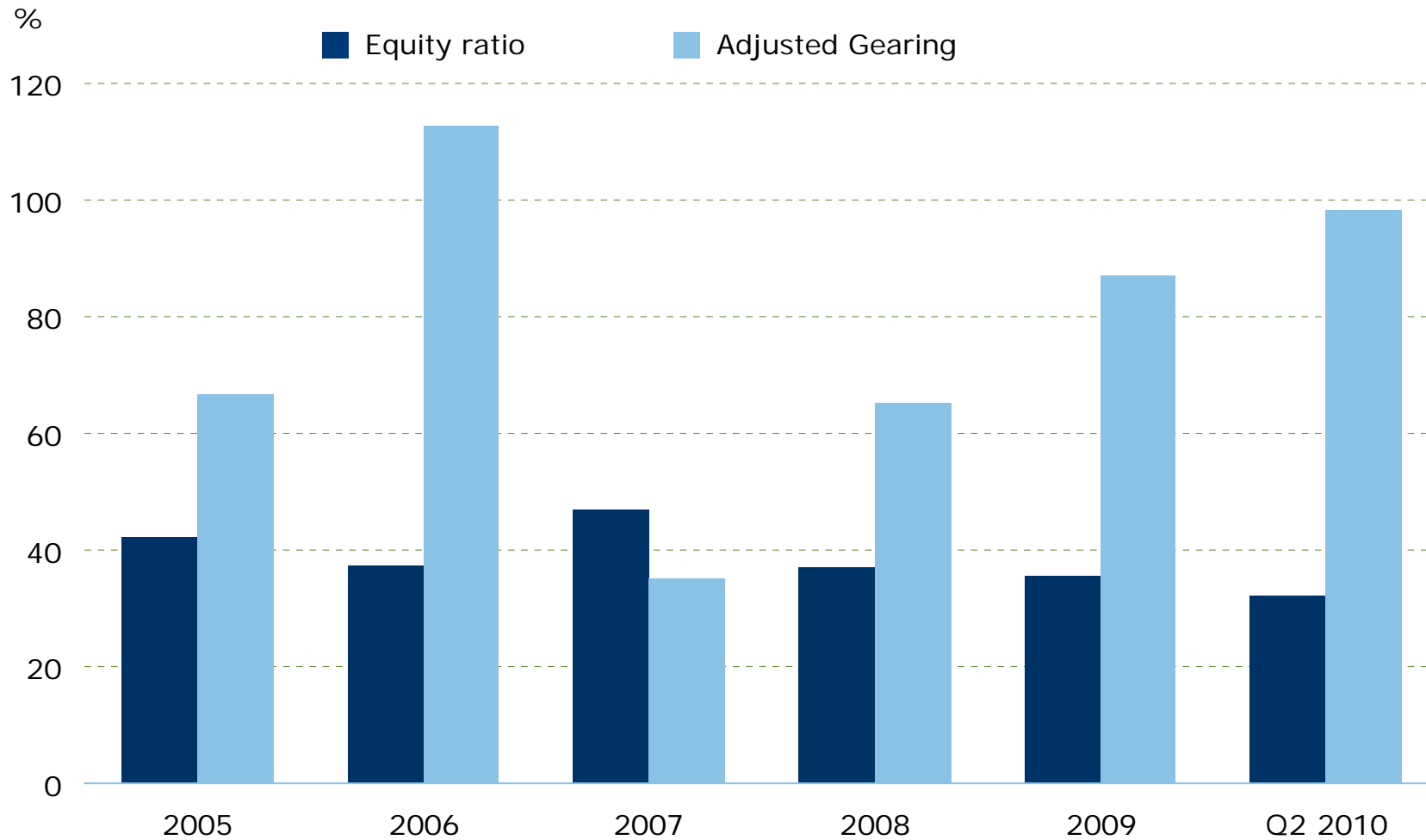
		Q2/2010	Q2/2009
Cash flow from operations	mill. euro	+20	-42
Investments and sale of assets	mill. euro	-53	-175
Grossinvestments *	mill. euro	-74	-200
Change of advances and others	mill. euro	+21	+25
Cash flow from financing	mill. euro	+79	+108
Liquid funds at the beginning	mill. euro	523	375
Change in liquid funds	mill. euro	+46	-109
Liquid funds at the end	mill. euro	569	266

* incl. financial interest bearing assets at fair value

** incl. A330 aircraft lease arrangement

Strong balance sheet

Equity ratio and adjusted gearing



Changes in management

- Lasse Heinonen continues as Deputy CEO, line responsibility for Aviation Services and Cargo
- Erno Hildén as CFO, also in charge of Finnair Aircraft Finance
- Ville Iho as SVP operations, for the time being in charge of Resource Management
- Manne Tiensuu as new SVP Human Resources
- Ari Kuutschin as Managing Director of Northport Oy
- VP Sales Petri Schaaf, VP Flight Operations Markku Malmipuro and VP Cabin Service Kati Lehesmaa as well as representation of all personnel groups

Thank You!



Prerequisites for better second half

- Capacity grows by nearly five per cent
- Strengthening of demand and average price continues as business travel increases
- New routes in August to Stockholm Bromma and Stuttgart
- Leisure travel picking up
- Cargo demand continues to be strong
- Efficiency measures continue, impact depends partly on early-autumn collective agreement solutions
- Positive result expected for second half of the year

Appendices



Operational result improved

		Q1- Q2/10	Q1- Q2/09	Change %
Turnover	mill. euro	955,0	943,1	1,3
Operational expenses	mill. euro	1006,9	1052,4	-4,3
Adjusted EBITDAR*	mill. euro	52,5	-6,2	-
Adjusted EBIT* i.e. Operational result	mill. euro	-39,9	-100,5	-
One off items/ capital gains	mill. euro	1,1	0,0	-
Changes in fair value of derivatives and exchange rates in fleet overhauls	mill. euro	-20,4	47,6	-
Operating profit/loss (EBIT)	mill. euro	-59,2	-52,9	-
Profit before tax	mill. euro	-67,3	-56,4	-

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

Segment results*

Mill. euro	Q2/2010	Q2/2009
Airline Business	-10,6	-47,4
Aviation Services	2,3	-0,2
Travel Services	-1,6	-2,8
Unallocated items	-3,7	-2,8
Total	-13,6	-53,2

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

Segment results*

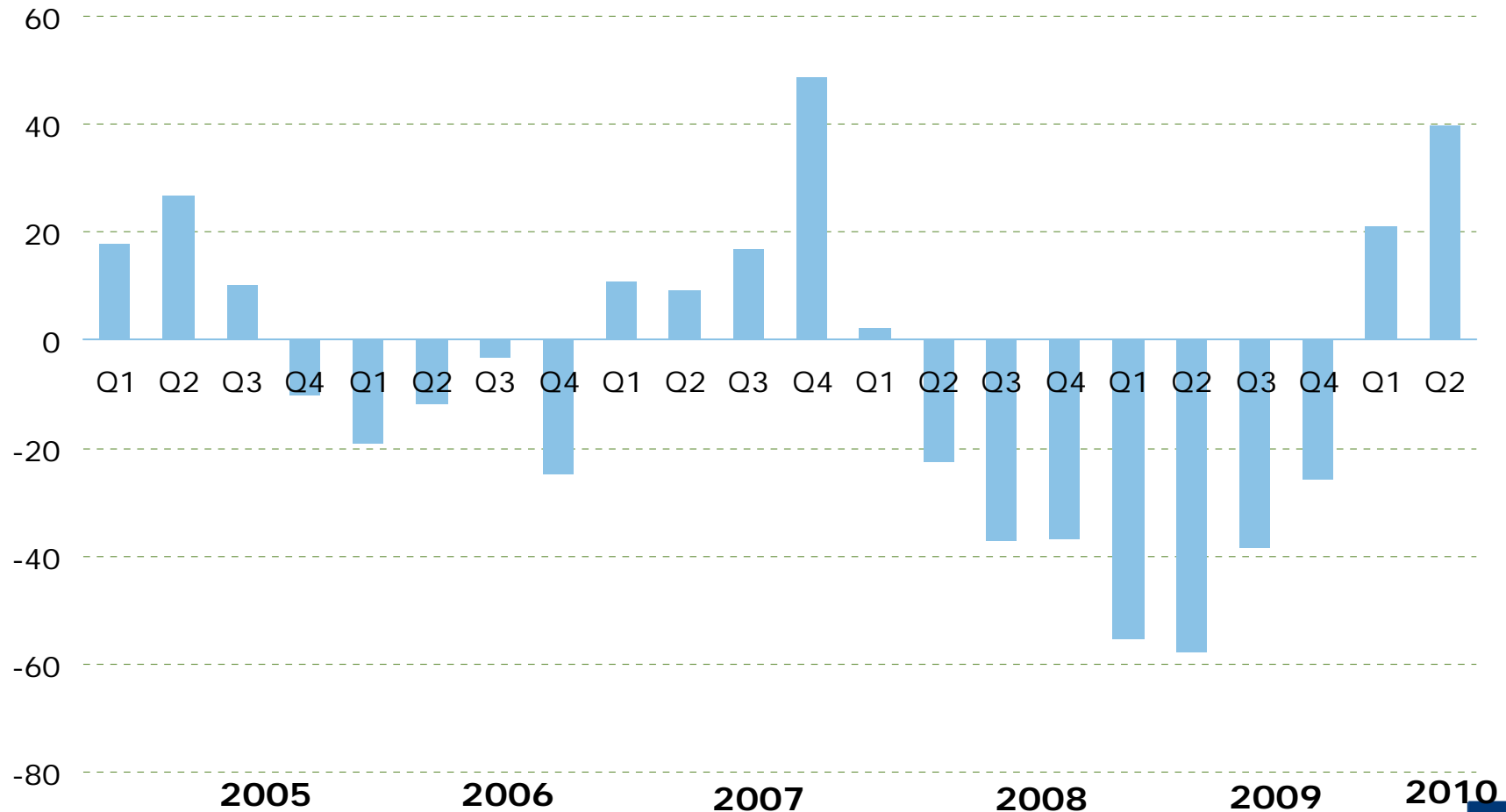
Mill. euro	Q1-Q2/10	Q1-Q2/09
Airline Business	-35,2	-91,2
Aviation Services	3,9	2,1
Travel Services	-1,2	-5,1
Unallocated items	-7,4	-6,3
Total	-39,9	-100,5

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

Trend in profitability turned

Change in EBIT per quarter*

MEUR



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

Cash flow improved in H1

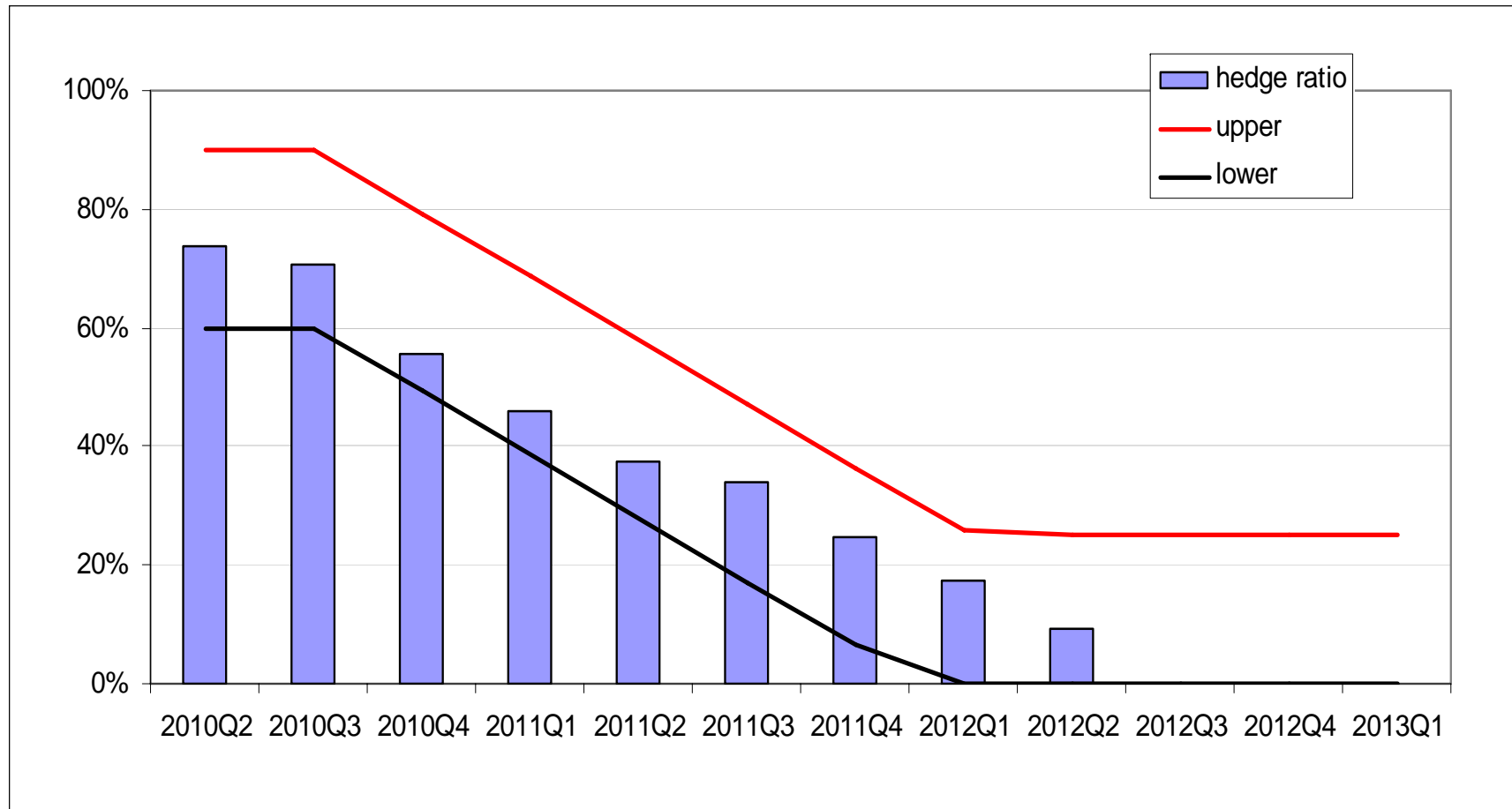
Cash flow statement

		Q1-Q2/10	Q1-Q209
Cash flow from operations	mill. euro	+2	-115
Investments and sale of assets	mill. euro	-77	-304
Grossinvestments *	mill. euro	-143	-328
Change of advances and others	mill. euro	+66	+24
Cash flow from financing	mill. euro	+37	+293
Liquid funds at the beginning	mill. euro	607	392
Change in liquid funds	mill. euro	-38	-126
Liquid funds at the end	mill. euro	569	266

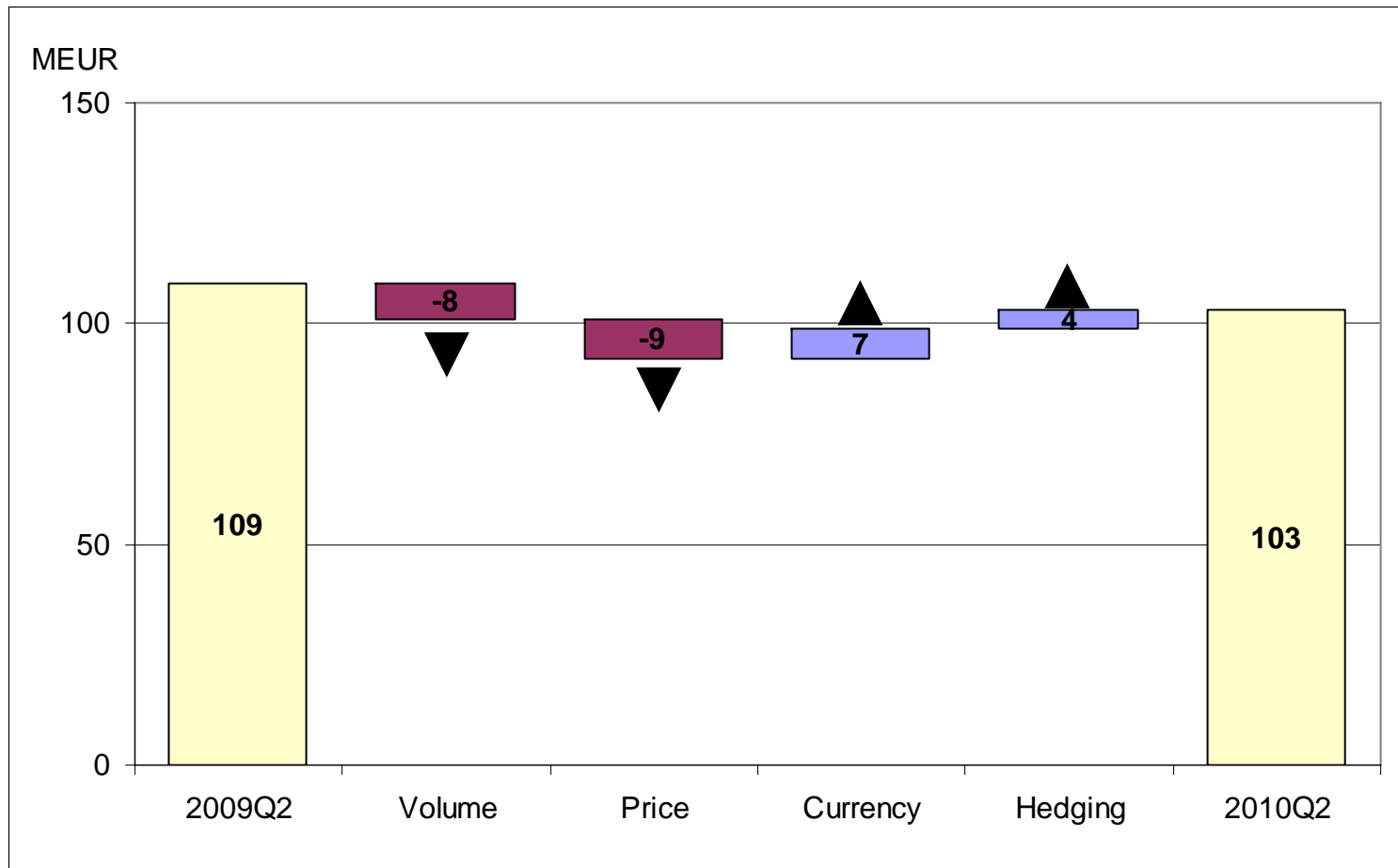
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** incl. A330 aircraft lease arrangement

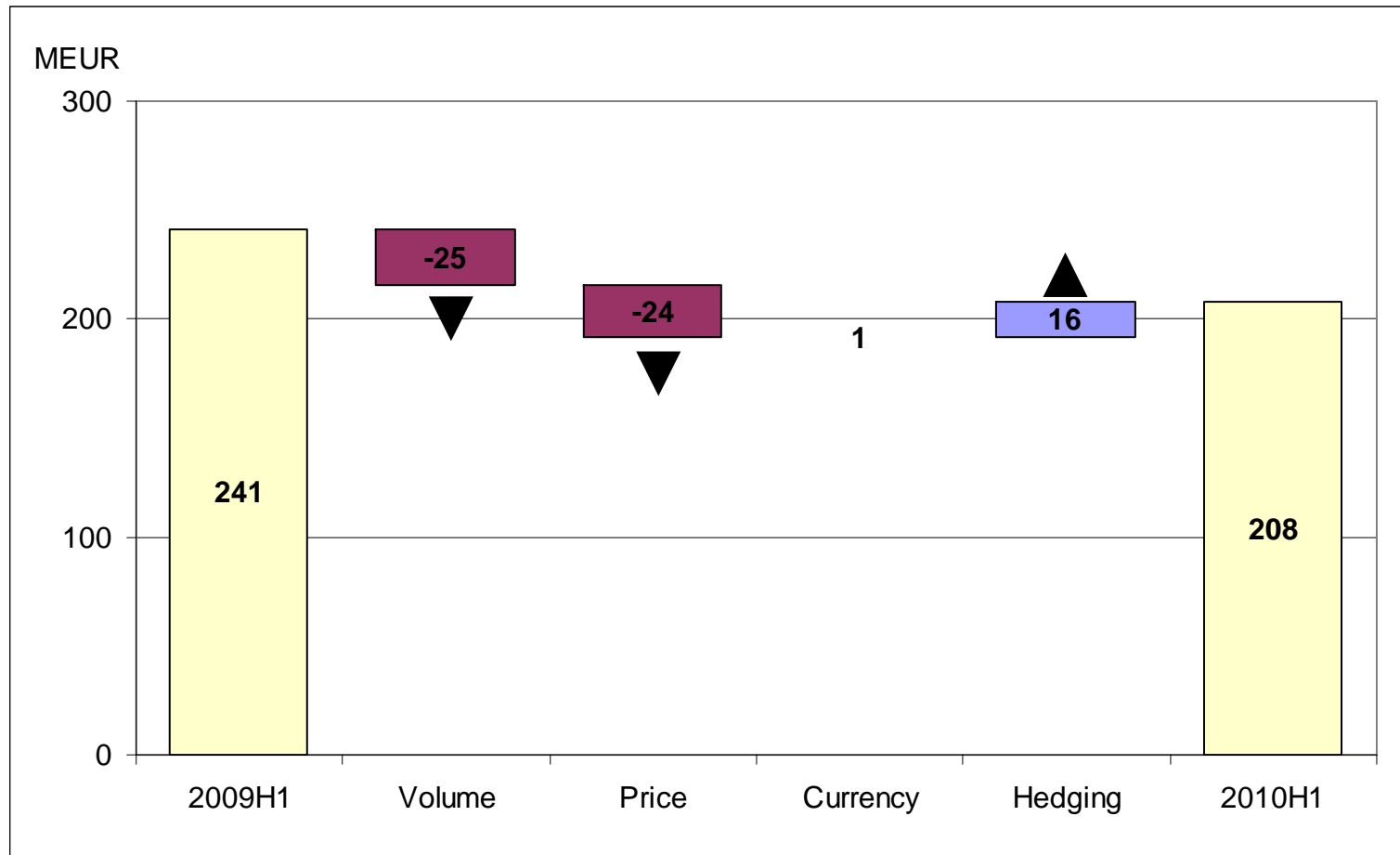
Finnair has a rolling hedging policy



Fuel cost change in Q2

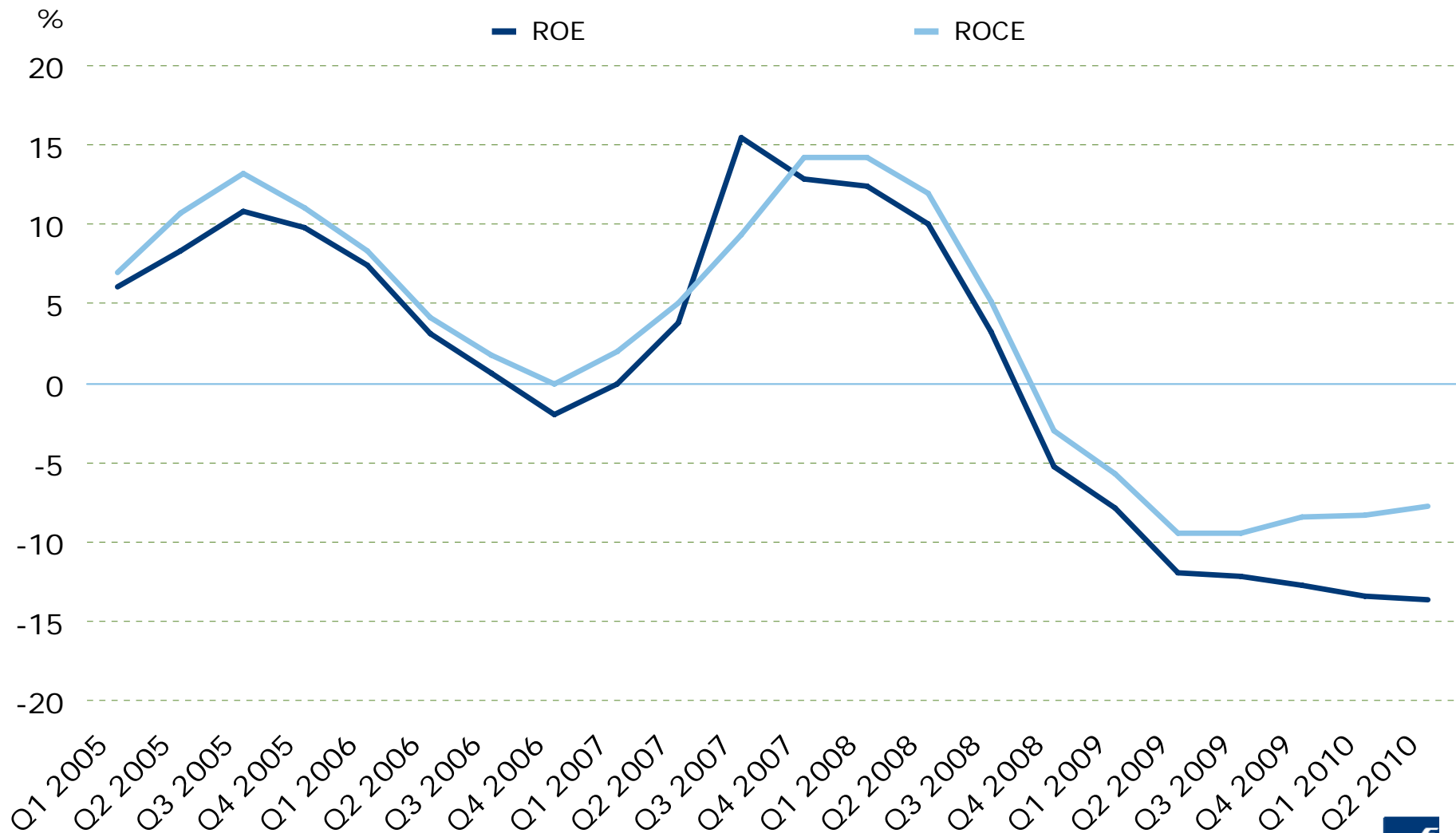


Fuel cost change in H1

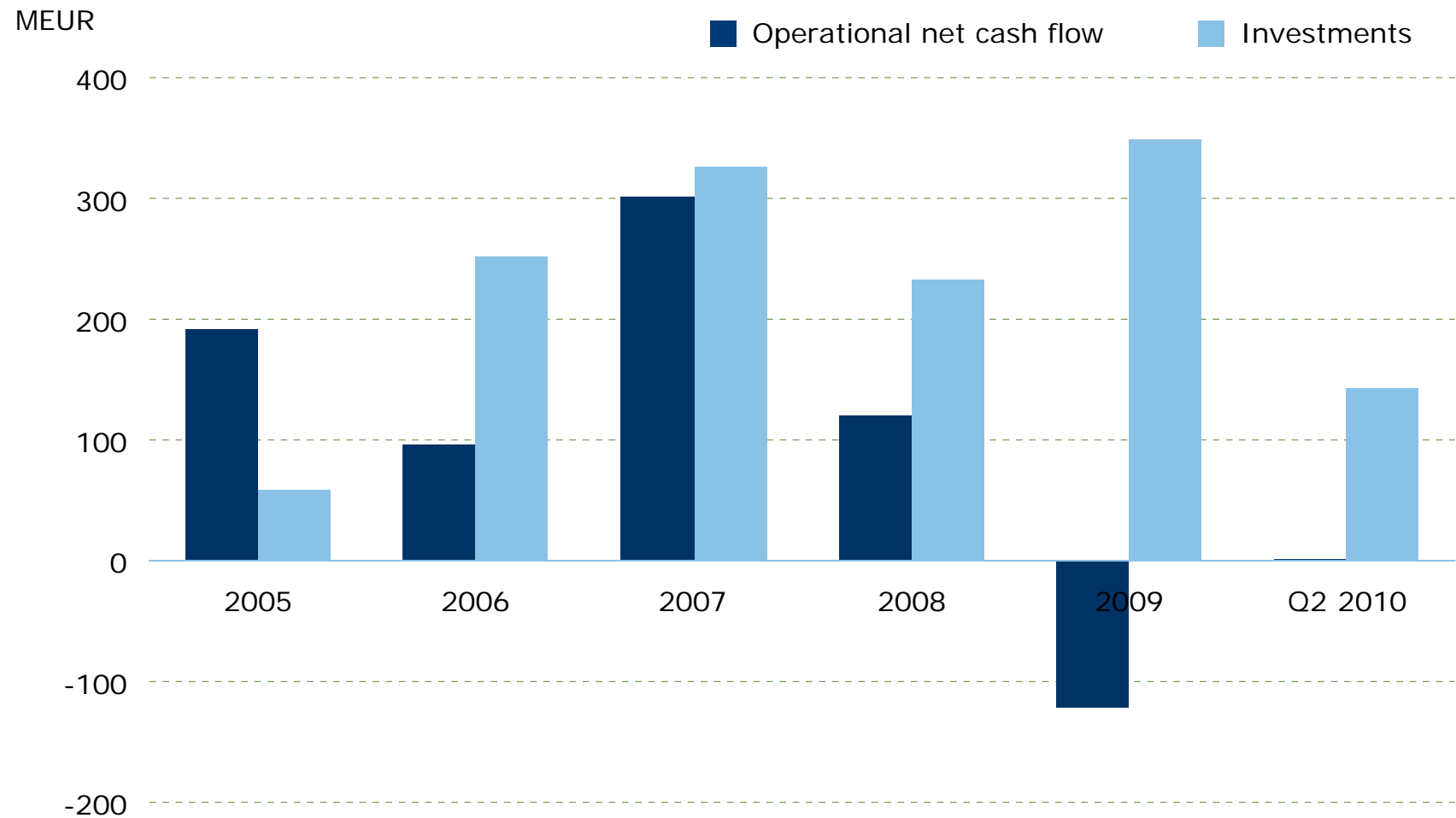


ROE and ROCE

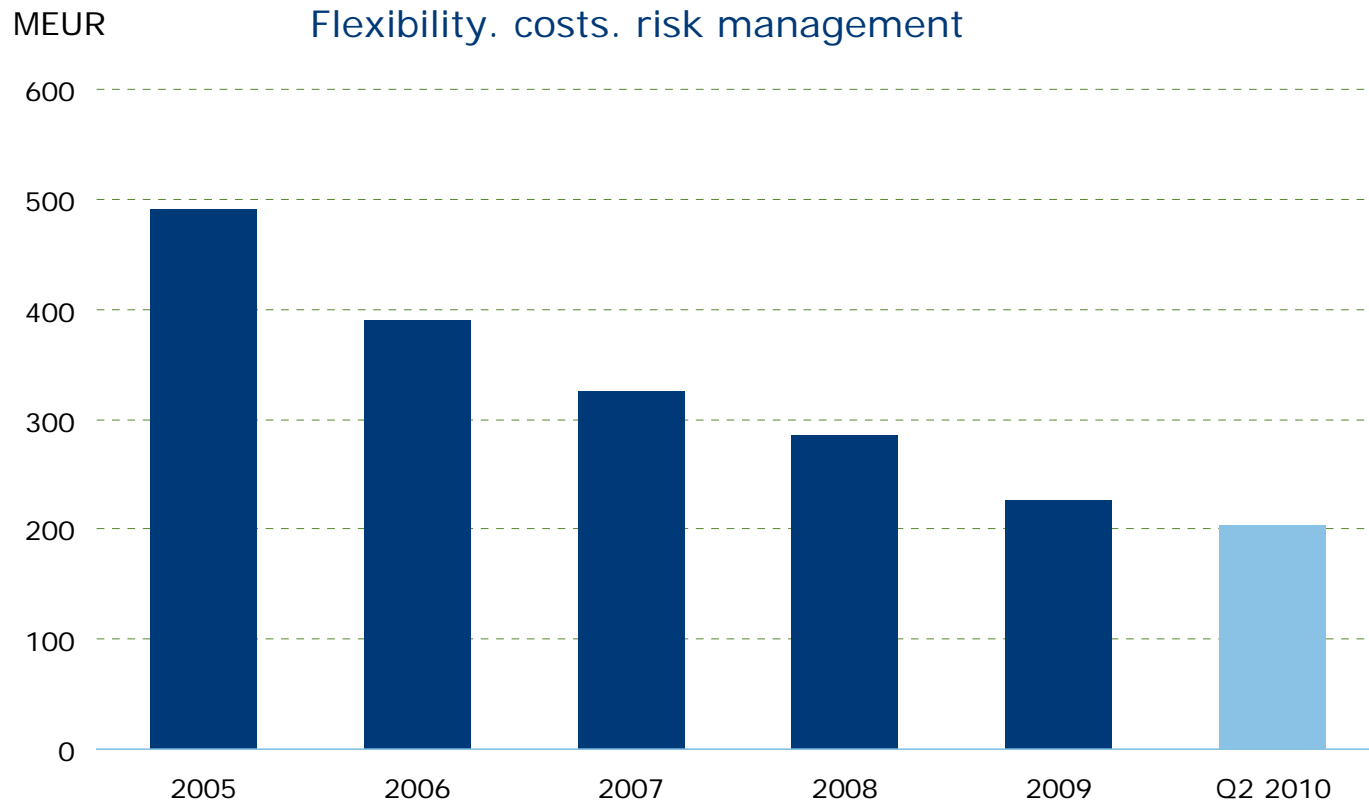
Rolling 12 months



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 2010 would have been 98.1%

Emissions trading raises questions

- ⊕ EU begins air transport emissions trading unilaterally in 2012
- ⊕ Free emissions rights to be received by each airline for 2012-2020 will be based on this year's revenue tonne kilometres
- ⊕ Risk of changing ground rules exists
- ⊕ Finnair has supplied the necessary documentation to TraFi
- ⊕ Current emissions trading model will increase carbon leakage risk and jeopardise EU competitiveness
- ⊕ Finnair supports sector-specific emissions trading which is global and does not distort competition

Finnair's strategy working

- ✈ Asia-Europe strategy based on Via Helsinki concept is working; geographical advantage a lasting competitive advantage
- ✈ Growing affluence in Asia presents huge growth potential
- ✈ Passenger numbers have grown from 0.3 million in 2001, to over 1.1 million in 2009
- ✈ Finnair's Asian traffic accounted for 3.7% of Finland's GDP growth in 2002–2007
- ✈ Created more than 4,000 jobs in Finnair alone
- ✈ 8,000 new jobs by 2015
- ✈ Without Asian strategy, company would be only half of present size
- ✈ Modern fleet
- ✈ Indicators show operational and service quality at a high level

Towards future growth

- **Customers of the future** will increasingly come from Asia
- **Strategy update** and supporting reforms during the spring – main strategy will not change
- **Competitiveness** based on excellent product and efficient operations
- **Group structure** focused on core functions in order to achieve flexibility, partners supplement network and service provision
- **Working together with personnel**, to reach joint objectives
- **Sustainable development** creates added value for environment-conscious customers

Finnair Financial Targets

"Sustainable value creation"

Operating profit (EBIT)	EBIT margin at least 6% => over 120 mill. €
EBITDAR	EBITDAR margin at least 17% => over 350 mill. €
Economic profit	To create positive value over pretax WACC of 8.25%
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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