

Finnair Group

*Interim Report
1 January – 30 September 2010*



Cautious growth in the sector

- Demand has gradually returned during this year
- Business travel has clearly picked up
- Capacity has increased less quickly than demand, so load factors have improved
- Sector's profit forecast for current year 9 billion dollars
- Price level has improved from last year, but is still below the 2008 level
- Next year, growth is expected to increase less quickly and capacity additions to accelerate

For Finnair, a historically good quarter

- First profitable quarter after seven successive loss-making quarters
- Demand and unit revenues improved in the third quarter, turnover up 26.2%
- Operational result, 41.9 million euros, in January-September 2.0 million euros
- Efficiency programme reduced unit costs by 3.8%, in first nine months 7.1%
- Scheduled traffic unit revenues improved 23.5% in Europe-Asia traffic due to increased business travel
- Passenger load factor is good
- Cargo is clearly profit-making
- Cash flow from operations clearly positive
- Strong balance sheet and cash position

Operational result improved

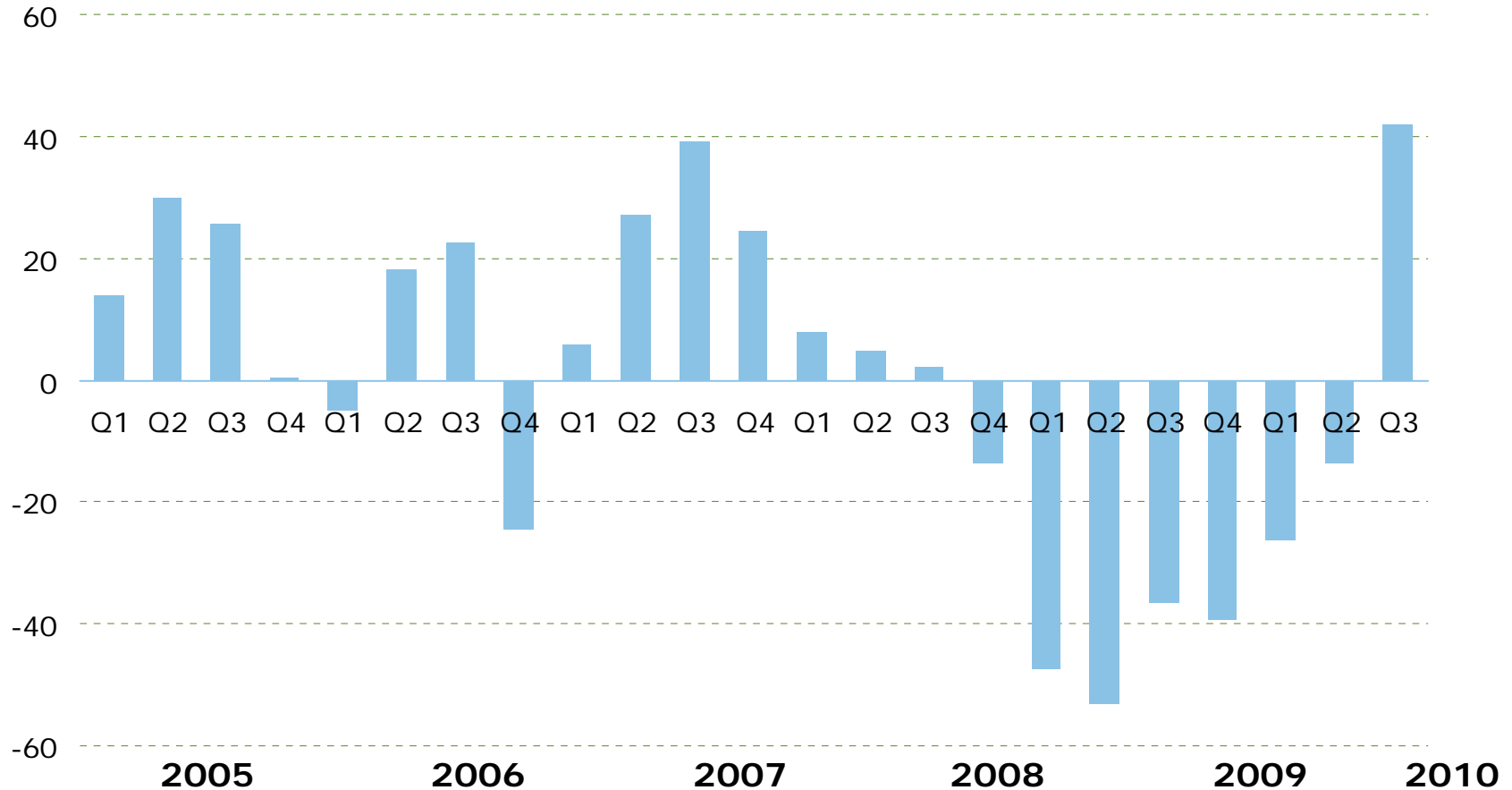
		Q3/10	Q3/09	Change %
Turnover	mill. euro	551,4	436,9	26,2
Operational expenses	mill. euro	513,9	473,6	8,5
Adjusted EBITDAR*	mill. euro	86,1	15,3	-
Adjusted EBIT* i.e. Operational result	mill. euro	41,9	-32,9	-
One off items/ capital gains	mill. euro	0,3	8,6	-
Changes in fair value of derivatives and exchange rates in fleet overhauls	mill. euro	8,4	3,7	-
Operating profit/loss (EBIT)	mill. euro	50,6	-20,6	-
Profit before tax	mill. euro	43,9	-24,5	-

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

A record quarter after seven loss-making quarters

EBIT per quarter*

MEUR



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

Positive trend strengthened in unit revenues and cost development

Change YoY
%

— Yield (EUR/RTK)

— Unit costs (EUR/RTK)



Efficiency program lowered unit costs

		Q3/10	Q3/09
Unit costs of flight operations*	c/RTK	-3,8%	-8,0%
Unit costs of flight operations* excl. fuel	c/RTK	-3,6%	-2,5%
Personnel expenses	c/RTK	-18,3%	+1,5%
Fuel costs	c/RTK	-4,6%	-20,3%
Traffic charges	c/RTK	-0,8%	+0,7%
Ground handling and catering	€/psgr.	+1,3%	-2,2%
Sales and marketing	€/psgr.	+43,8%	-32,8%
Aircraft lease payments and depreciation	c/RTK	-17,2%	+13,8%
Other costs*	c/RTK	+2,5%	-4,9%

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

Headcount shrinks



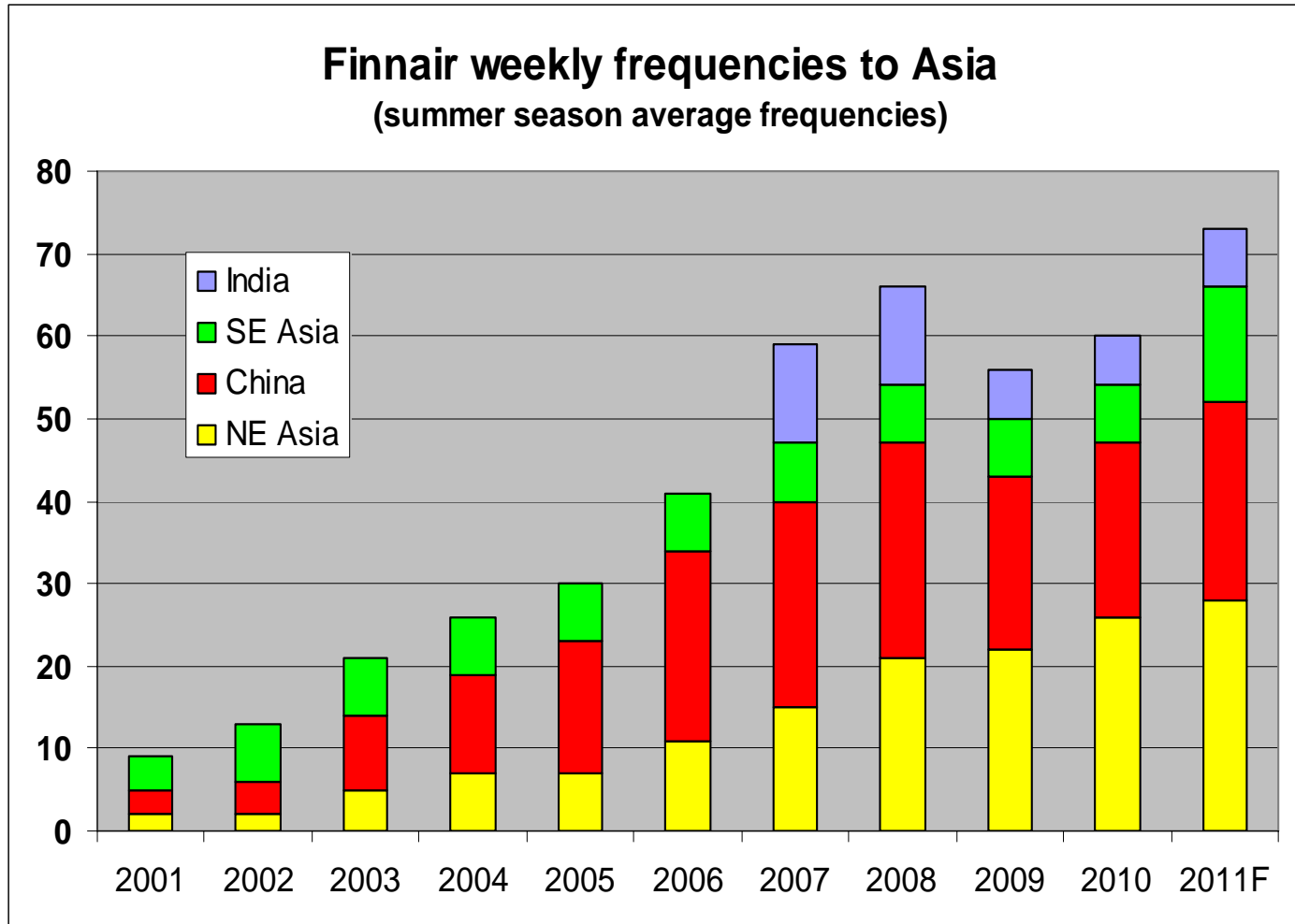
Finnair's long-haul fleet grows

- ✈ Harmonised Airbus long-haul fleet, average age less than three 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 2012-13
- ✈ Last MD-11 aircraft were sold; one is used in Finnair's cargo traffic

Asian strategy stands up

- Finnair's market share in Asian traffic 6%
- Asian revenues clearly above European revenues
- In August, sales in Japan greater than in Finland
- 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
- Cargo traffic rising strongly and with an improving price level

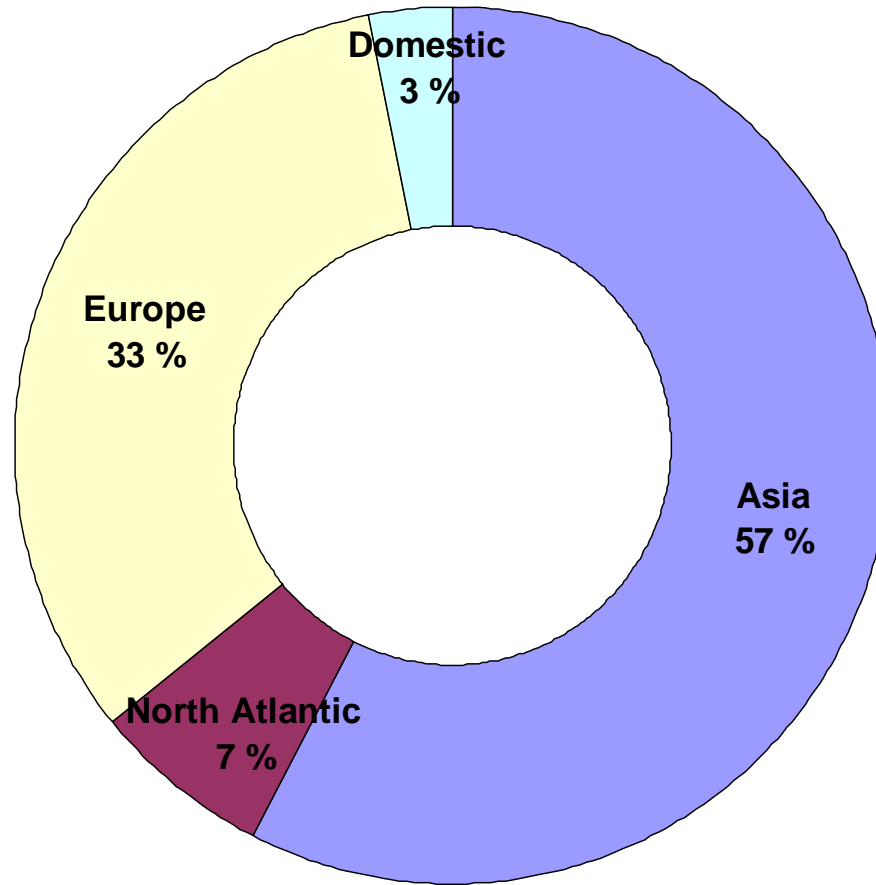
Consistent growth in Asian traffic



Summer peak season frequencies per week

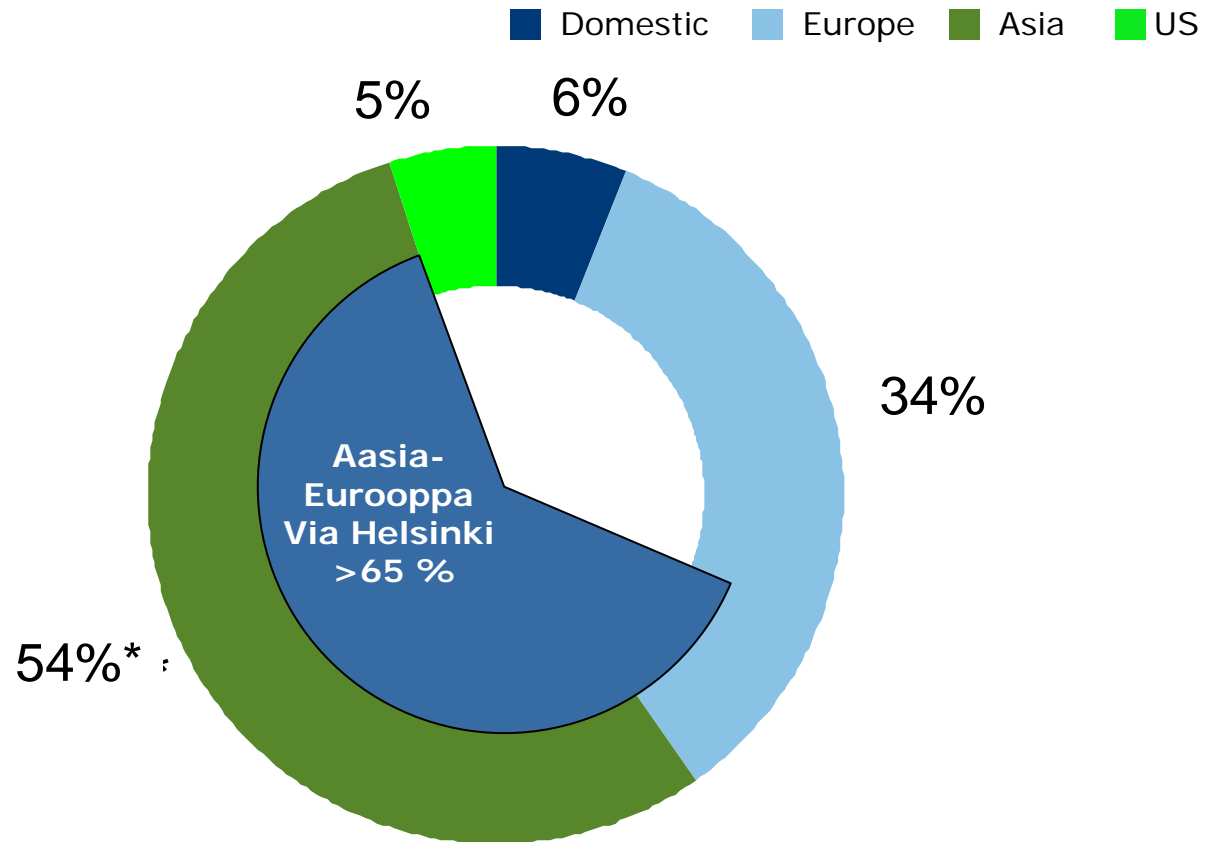
Asian traffic Finnair's corner stone

Geographical distribution in scheduled traffic



Majority of Finnair's revenues comes from Europe-Asia traffic

Distribution of passenger and cargo revenues in scheduled traffic Jul-Sep 10



* Cargo revenues represent 17% of Asian revenues

Funding secured

- Funding ensured for the final part of the investment program
- Cash reserves 540 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 Q3

Cash flow statement

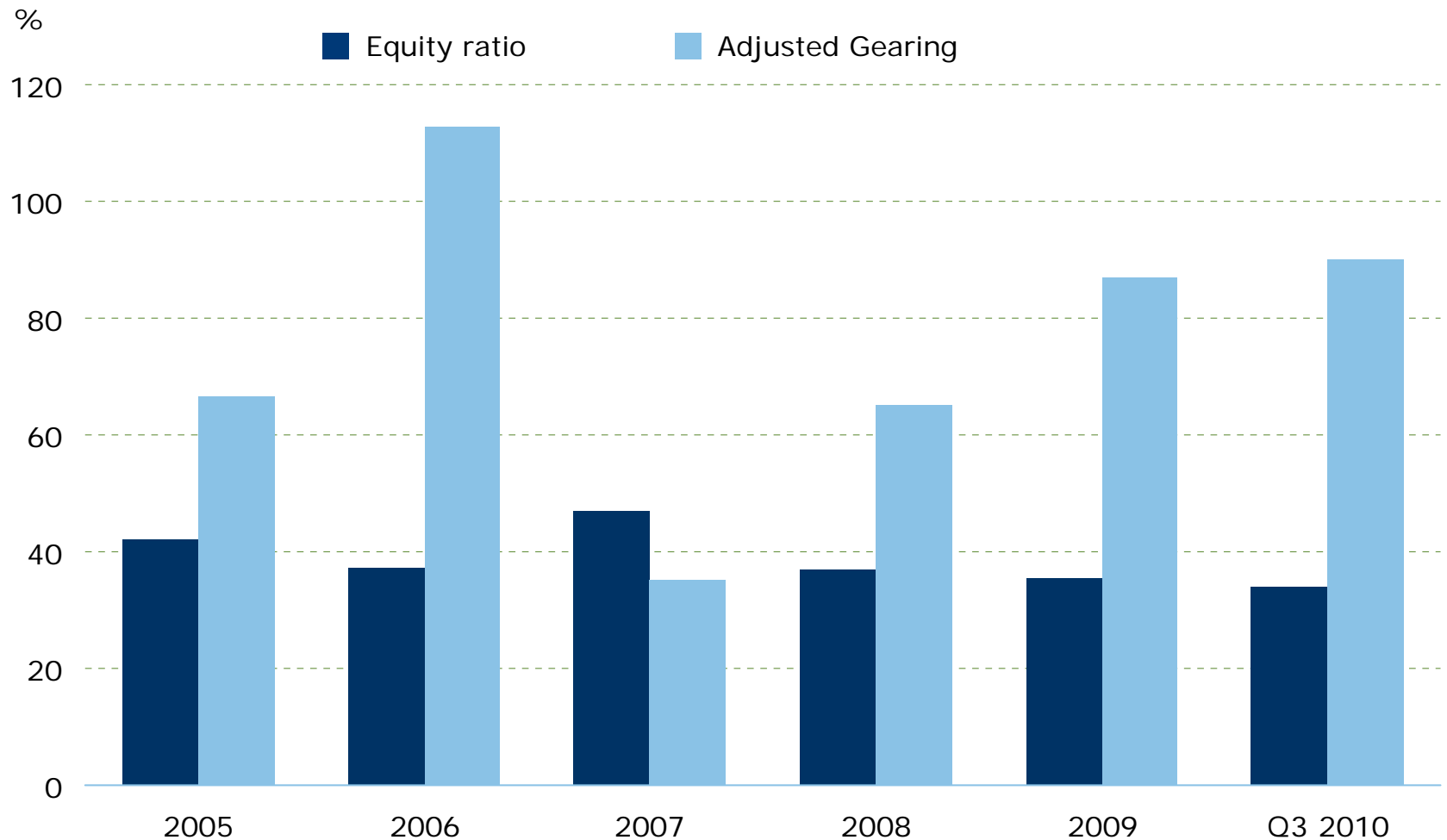
		Q3/2010	Q3/2009
Cash flow from operations	mill. euro	+46	+1
Investments and sale of assets	mill. euro	-48	+29
Grossinvestments **	mill. euro	-13	-11
Change of advances and others	mill. euro	-35	+40
Cash flow from financing	mill. euro	-28	+8
Liquid funds at the beginning	mill. euro	569	266
Change in liquid funds	mill. euro	-30	+38
Liquid funds at the end *	mill. euro	539	304

* incl. financial interest bearing assets at fair value

** incl. A330 aircraft lease arrangement

Strong balance sheet after investments

Equity ratio and adjusted gearing



Full year result in black figures

- Capacity will grow by nearly five per cent
- Strengthening of demand and average price will continue as business travel increases
- Increased unit costs will undermine profitability
- Leisure travel picking up
- Cargo demand continues to be strong
- Efficiency measures will continue, impact will also depend partly on early-autumn collective agreement solutions
- Final quarter weaker than third
- The operational result for the full year is expected to be in profit

Appendices



Strong growth in traffic

- January-August traffic performance
 - Scheduled traffic +4%
 - Passenger load factor +2%-points
 - Asian traffic +11%
 - Business class in Asian traffic +34%
 - Business class share of long-haul traffic 11%
 - Cargo +38 %

Operational result in January-September slightly on black

		Q1- Q3/10	Q1- Q3/09	Change %
Turnover	mill. euro	1506,4	1380,0	9,2
Operational expenses	mill. euro	1520,8	1526,0	-0,3
Adjusted EBITDAR*	mill. euro	138,6	9,1	-
Adjusted EBIT* i.e. Operational result	mill. euro	2,0	-133,4	-
One off items/ capital gains	mill. euro	1,4	8,6	-
Changes in fair value of derivatives and exchange rates in fleet overhauls	mill. euro	-12,0	51,3	-
Operating profit/loss (EBIT)	mill. euro	-8,6	-73,5	-
Profit before tax	mill. euro	-23,4	-80,9	-
*excl. capital gains. fair values changes of derivatives and non recurring items				

Segment results* Q3

Mill. euro	Q3/2010	Q3/2009
Airline Business	45,2	-24,8
Aviation Services	2,8	-4,7
Travel Services	-0,9	-0,4
Unallocated items	-5,2	-3,0
Total	41,9	-32,9

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

Segment results* January–September

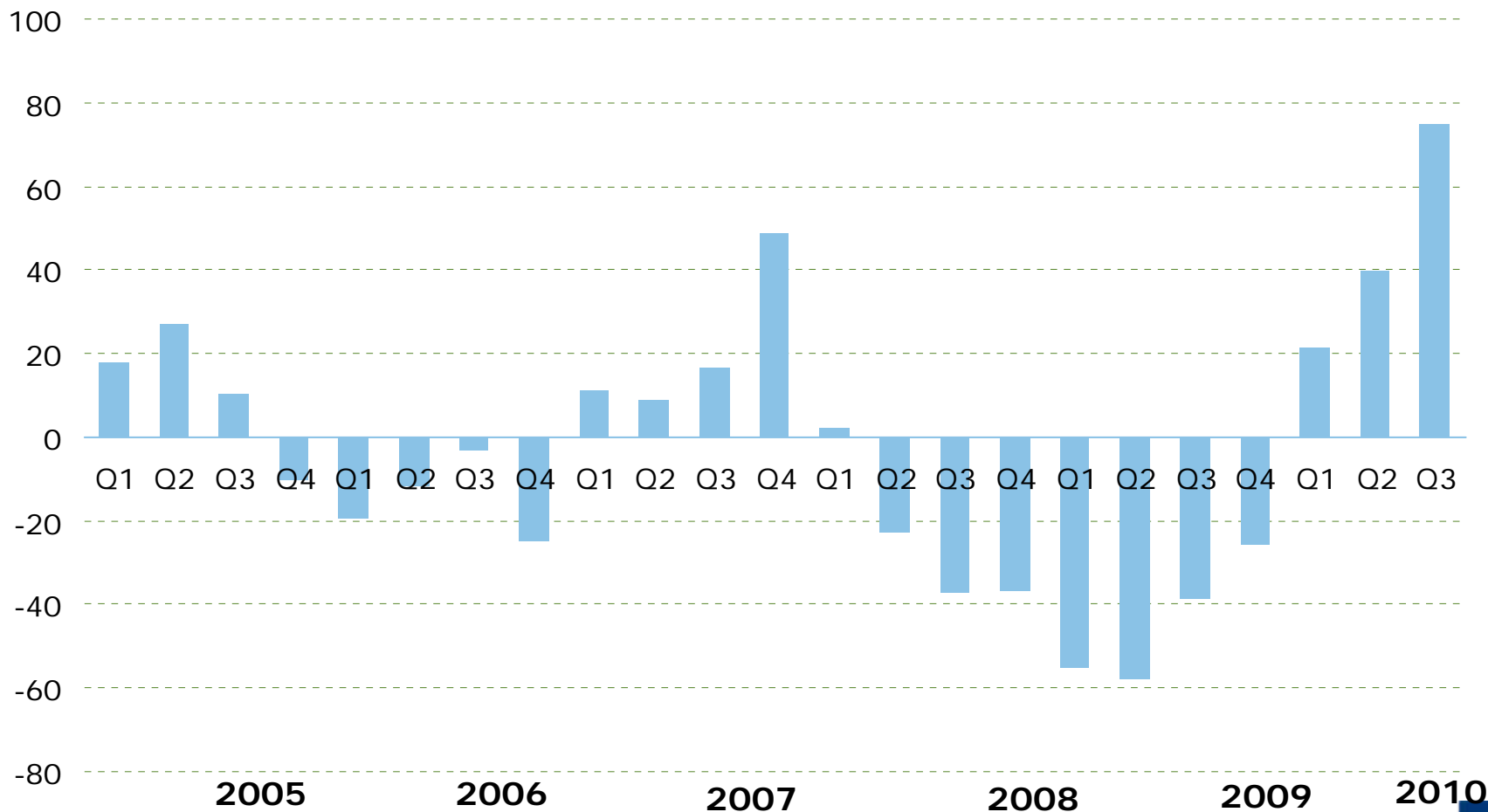
Mill. euro	Q1-Q3/10	Q1-Q3/09
Airline Business	10,0	-116,0
Aviation Services	6,7	-2,6
Travel Services	-2,1	-5,5
Unallocated items	-12,6	-9,3
Total	2,0	-133,4

* 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 January-September

Cash flow statement

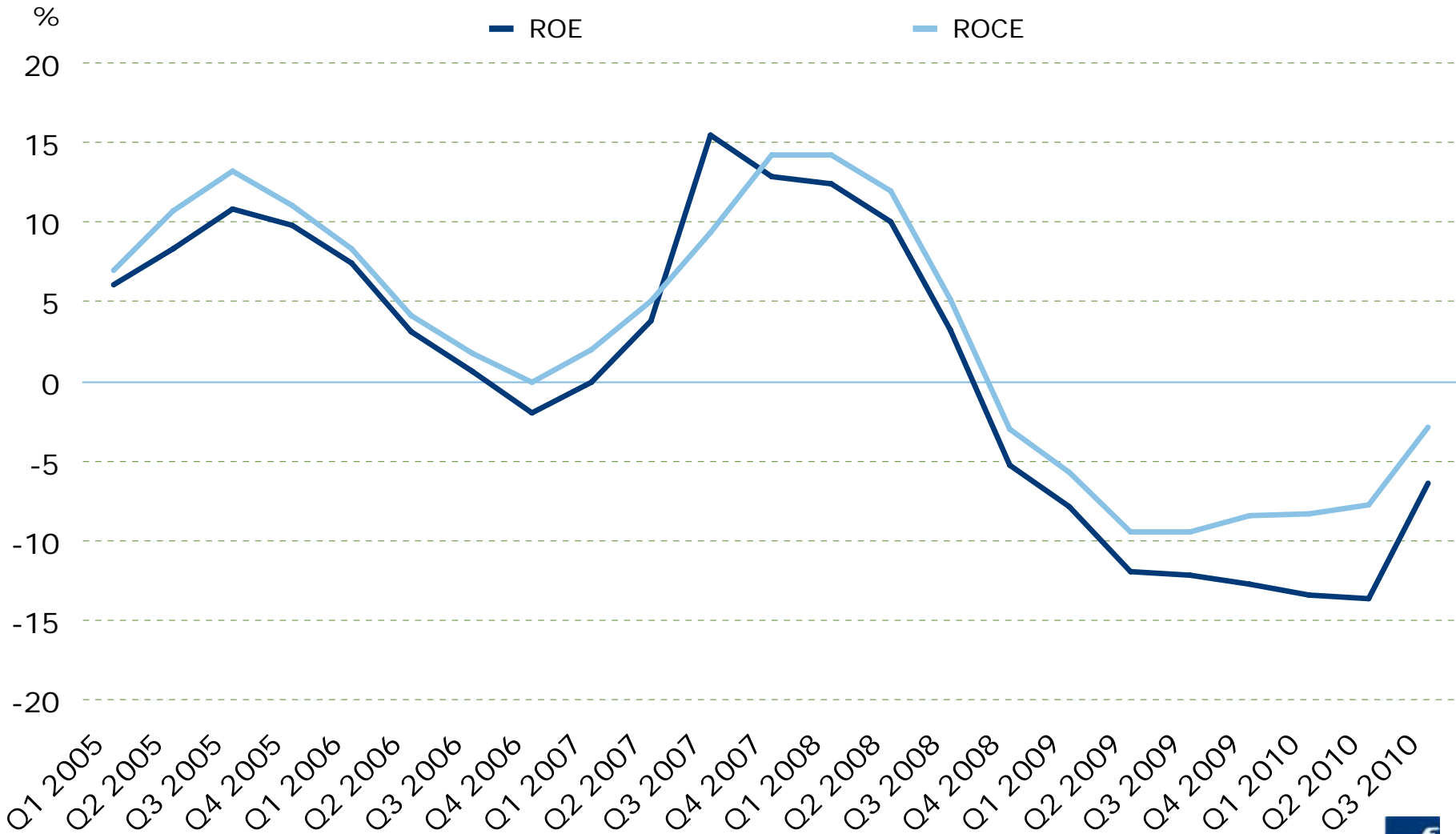
		Q1-Q3/10	Q1-Q3/09
Cash flow from operations	mill. euro	+48	-114
Investments and sale of assets	mill. euro	-125	-275
Grossinvestments **	mill. euro	-156	-338
Change of advances and others	mill. euro	+31	+63
Cash flow from financing	mill. euro	+9	+301
Liquid funds at the beginning	mill. euro	607	392
Change in liquid funds	mill. euro	-68	-88
Liquid funds at the end *	mill. euro	539	304

* incl. financial interest bearing assets at fair value

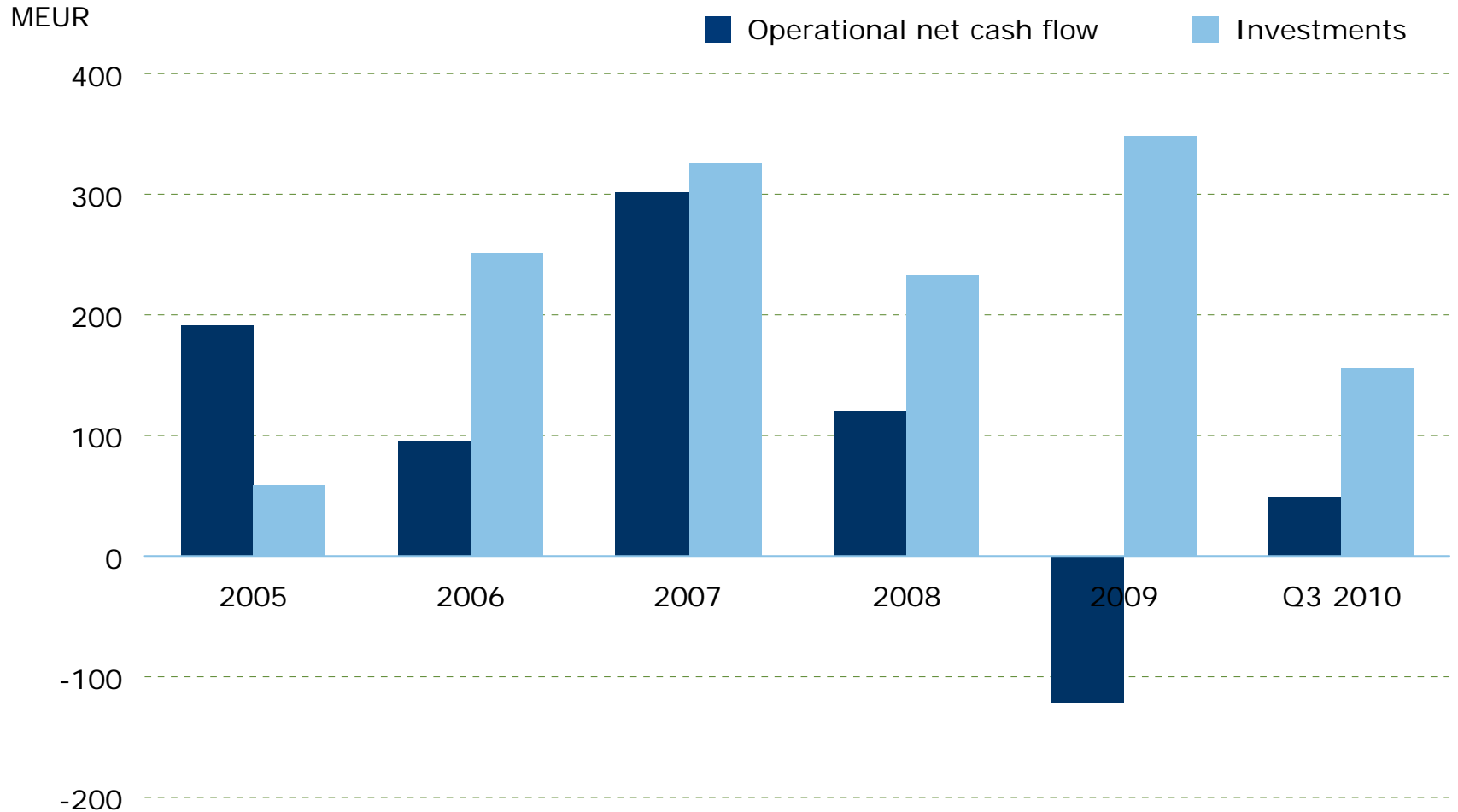
** incl. A330 aircraft lease arrangement

ROE and ROCE

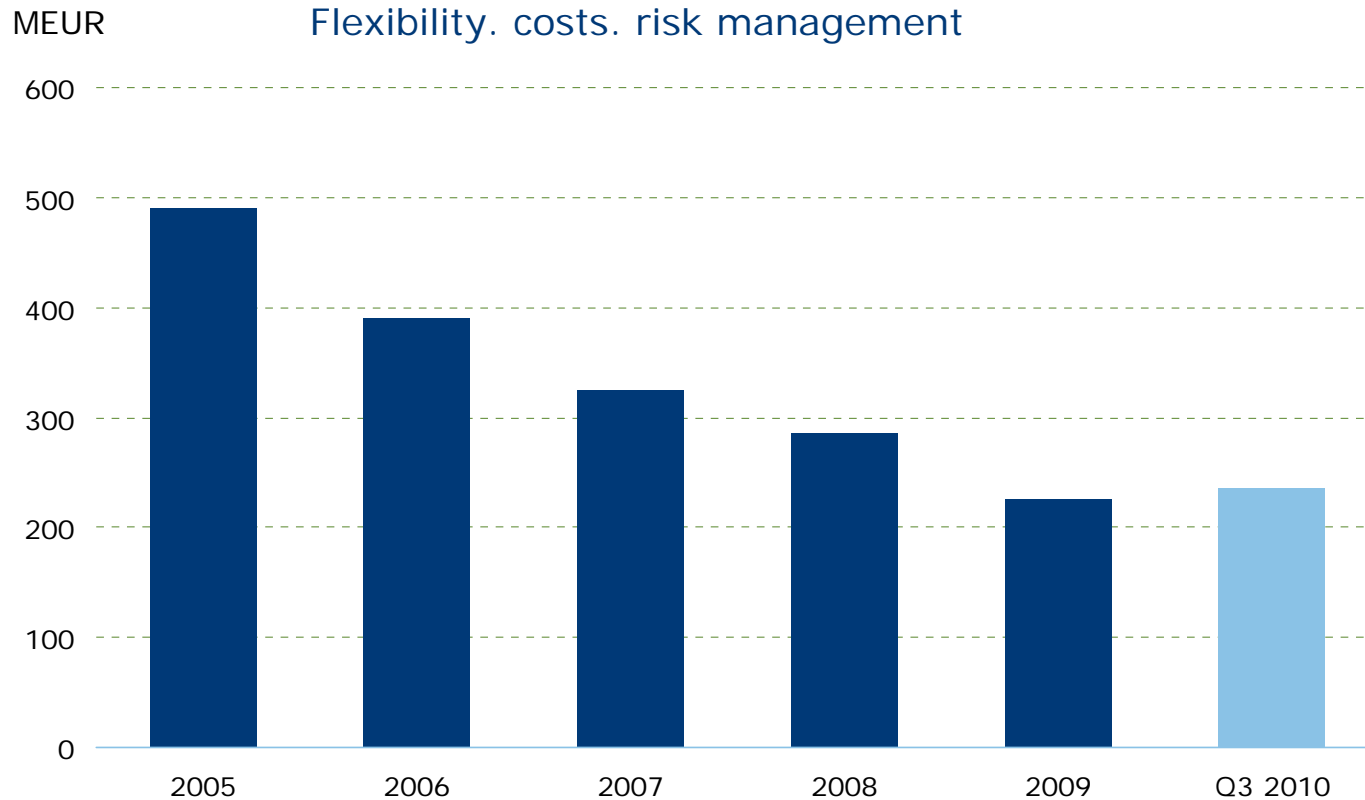
Rolling 12 months



Investments and cash flow from operations

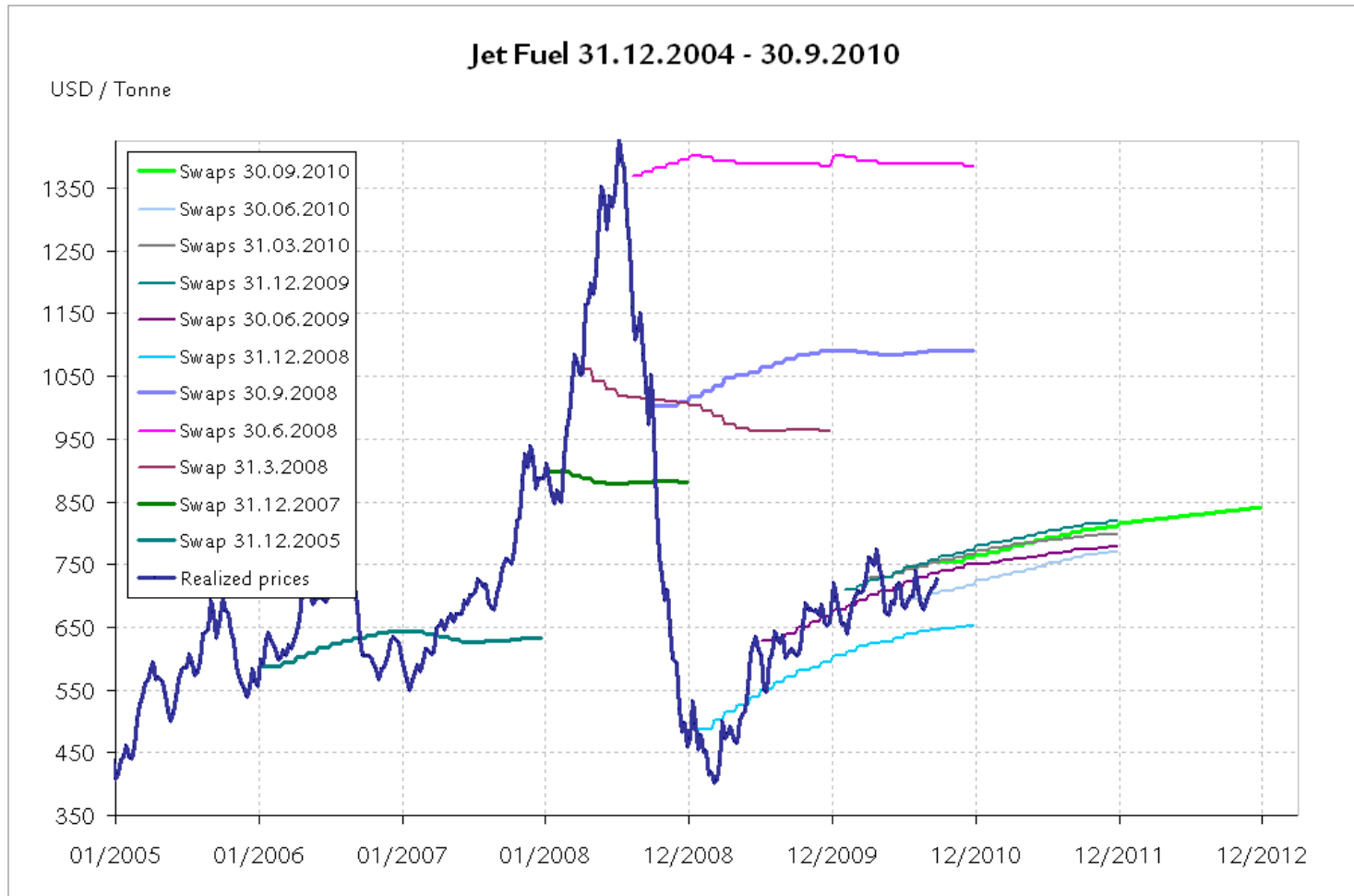


Aircraft operating lease liabilities

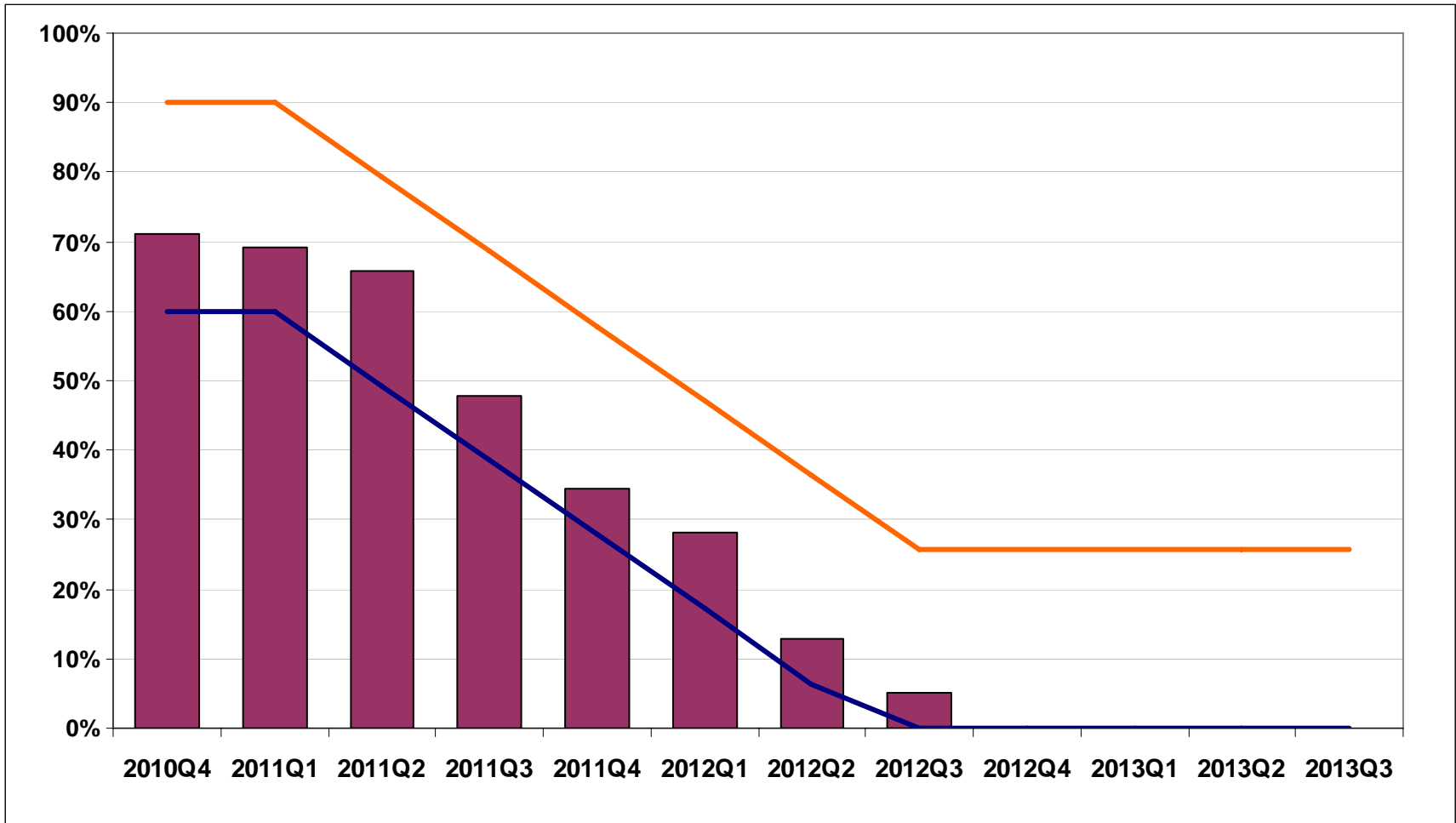


On 30 September all leases were operating leases. If capitalised using the common method of multiplying annual aircraft lease payments by seven, the adjusted gearing on 30 September 2010 would have been 90.0%

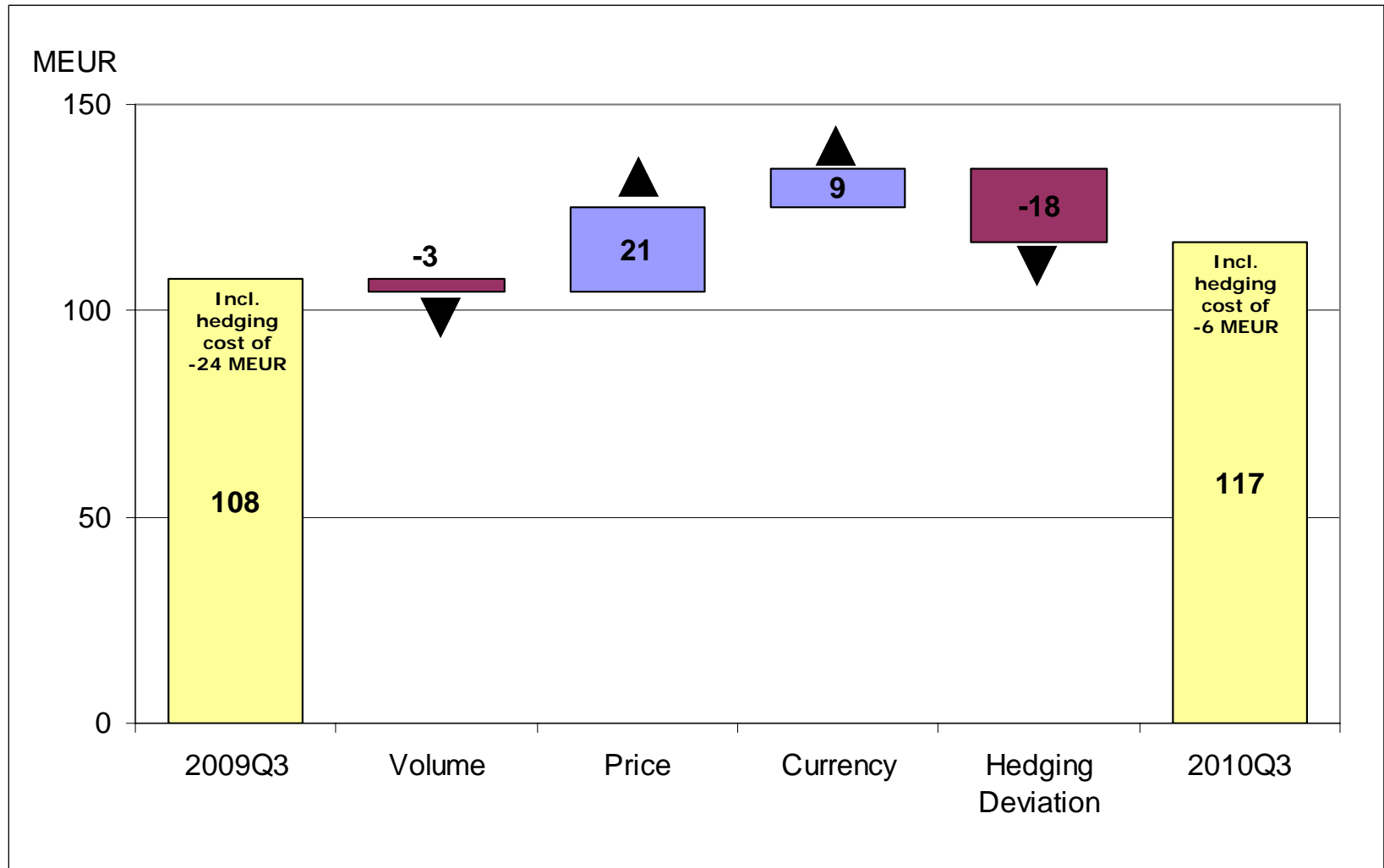
Fuel price development levels off



Finnair has a rolling hedging policy



Fuel cost change in Q3



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

www.finnair.com/group

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

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

