



FINNAIR - GROUP

Interim Report 1 Jan – 31 March 2002

A slight loss on operations

- Turnover 389.2 million euros (Q1/2001: 420.1 million)
- Profit before depreciations, leasing payments and capital gains (EBITDAR) 41.5 million euros (48.4 million)
- Operating loss 2.6 million euros (operating profit 14.7 million)
- Profit after financial items -4.7 million euros (15.2 million)
- Positive cash flow
- Equity per share 7.24 euros (7.71)
- Earnings per share -0.05 euros (0.11)

Financial Result, Jan 1- Mar 31, 2002

The Group's result for the first quarter, after financial items but excluding capital gains, was -5.1 million euros (Q1/ 2001: 4.9 million euros). The result before depreciations, aircraft leasing payments and capital gains (EBITDAR) was 41.5 million euros (48.4 million). Turnover fell by 7.4 per cent to 389.2 million euros.

Operating costs fell by 4.7 per cent. Fuel costs went down by 21.0 per cent, with the price of oil turning downwards during the first quarter. Because of the lower level of operations and the cost cutting measures introduced, the costs for ground handling and catering fell by 20.6 per cent.

Capital gains amounted to 0.4 million euros. The previous year, capital gains came to 10.3 million euros.

Earnings per share came to -0.05 euros, whereas the year before, the figure was 0.11 euros. Equity per share at the end of March amounted to 7.24 euros, compared with 7.71 euros the year before.

General Review

The adjustments in capacity and the route network which were implemented after the terrorist attacks of September 2001, as well as the effects of a 115 million euro cost-cutting programme, were already visible in the final quarter of 2001 as well as the first quarter of the current year, 2002.

Demand for business class travel continued weak even at the beginning of this year, but advance bookings indicate, that a recovery can be expected. During the beginning of the year, the passenger load factor for all traffic improved significantly, by 3.8 percentage points to 72.6 per cent. A new area of focus is scheduled Asian traffic, where capacity was raised by almost a third.

Scheduled Passenger Traffic

This division is responsible for sales, service concepts, flight operations and the procurement and financing of aircraft. The division is also leasing out aircraft and crews required by the Leisure Traffic division. The Scheduled Passenger Traffic division also sells cargo capacity to the Group's Cargo division.

Turnover for the Scheduled Passenger Traffic division fell by 5.8 per cent to 278.6 million euros. The operating loss was 2.9 million euros (operating profit, 18.1 million euros).

The trend in earnings from scheduled passenger travel was particularly weak in business class and North American traffic. Demand for business class travel declined in the company's primary market area, Europe, by 20.3 per cent. The stiffer competition which resulted from over-capacity had the further effect of reducing demand for business class travel, leading to a fall in unit revenues for scheduled passenger traffic of 9.2 per cent.

Leisure Traffic

This division consists of the leisure flight operations unit and the Aurinkomatkat-Suntours, package tour company, which is the biggest in its field in Finland, with a market share of more than 35 per cent. Aurinkomatkat has increased its market share since the beginning of the year.

Turnover for the Leisure Traffic division fell by 14.9 per cent to 79.9 million euros. The operating loss was 3.3 million euros (0.4 million euros). Earnings per revenue passenger kilometre, or unit earnings, for the division remained unchanged.

The fall in turnover for the division resulted from a significant cutback in available capacity following the September terrorist attacks and the transfer of wide-bodied aircraft capacity to scheduled passenger traffic.

Cargo Traffic

Finnair's Cargo Traffic operations are based primarily on making use of Finnair's scheduled passenger traffic network and leisure traffic as well as Helsinki's gateway position for the transport of air cargo. If necessary, capacity is also leased from freight operators outside the Group.

Turnover for the Cargo Traffic division fell by 1.7 per cent to 28.1 million euros. The operating loss was 0.2 million euros (1.1 million euros).

The Finnair Cargo Traffic division has continued to adjust its available capacity by leasing about 37 per cent less capacity from outside the Group than the year before.

Aviation Services

This division comprises aircraft maintenance services, ground services and the Group's catering operations.

Turnover for Aviation Services fell by 5.2 per cent to 110.5 million euros. The operating profit was 3.8 million euros (1.3 million euros).

The decline in customer volume for the division showed up as reduced volume, but the cost cutting measures meant that profitability improved from the year before.

Travel Services

The division consists of the Group's domestic and foreign travel agency operations as well as the operations of the reservations systems supplier Amadeus Finland Oy.

Turnover for the Travel Services division rose by 4.0 per cent to 23.4 million euros. Operating profit was 0.6 million euros (1.0 million euros). The decline in corporate business travel and other cutbacks in travel costs have weakened profitability for the division.

Support Services

Those functions which support Group business operations, such as data management and various financial and personnel management services, come under the Support Services division. In addition, the Group's property holdings and the management and maintenance of properties relating to the Group's operational activities, as well as office services, are functions of this division.

Turnover for Support Services fell by 5.4 per cent to 22.9 million euros. Turnover is made up primarily of sales to other units of the Group. The operating loss was 0.6 million euros (-5.1 million euros).

Volume Trends and the Market for Flight Operations

Between January and March (inclusive) 2002, Finnair strengthened its position in the main markets and customer segments for its scheduled passenger traffic. Thanks to the new long haul traffic strategy, passenger numbers for scheduled Asian traffic increased by 36.0 per cent at the beginning of 2002, while the passenger

load factor rose to 83.7 per cent. The passenger load factor for North American traffic improved by 13.1 percentage points as a result of cutbacks in capacity. The passenger load factor and volume trend was weakest for domestic and leisure traffic.

During the first quarter, the number of Finnair's revenue passenger kilometres rose by 5.4 per cent for scheduled passenger traffic, but fell by 17.3 per cent for leisure traffic. Revenue passenger kilometres for all traffic fell by 5.2 per cent, whilst available passenger kilometres fell by 10.2 per cent. The passenger load factor rose from 68.8 per cent to 72.6 per cent.

In the January-March (inclusive) period, the total number of passengers fell by 7.8 per cent. The number of scheduled passengers fell by 5.5 per cent, while leisure passengers declined by 18.5 per cent. The number of business class passengers using international scheduled traffic fell by 18.7 per cent, but there was growth in tourist class of 7.6 per cent. The proportion of business class travel in international travel has fallen by 5.4 percentage points to 23.7 per cent.

The number of cargo kilos carried fell by 9.3 per cent. Revenue tonne kilometres for all traffic fell by 5.7 per cent, whereas available tonne kilometres fell by 7.7 per cent, which led to an increase in the overall load factor of 1.2 percentage points to 58.5 per cent.

Punctuality for scheduled passenger traffic in the January-March period was 84.7 per cent (84.3). Finnair has maintained its position as one of Europe's most punctual airlines.

Investment and Financing

Capital investments excluding advance payments for January-March (incl.) totalled 17.0 million euros. In the previous corresponding period they came to 63.2 million euros. Capital investments do not include purchase of aeroplanes, because all three of the new Airbus A320 planes have been acquired on long-term operational leasing contracts.

Leasing arrangements provide the company considerably more flexibility in reducing its financial requirements.

Operational cash flow, excluding capital gains and extraordinary items, came to 19.7 million euros, having been 24.6 million euros a year previously. At the end of March the Group had net debt of 173 million euros. The gearing ratio was 28.2 per cent and the equity ratio was 41.2 per cent, whereas a year previously it was 42.7 per cent.

At the end of March, the Group had liquid cash reserves of 222 million euros, in addition to which, there was a total of 231 million euros in unused committed loan facilities.

Shares and Share Capital

During the first quarter the highest rate for the Finnair Oyj share on the Helsinki Stock Exchange was 4.69 euros, whilst the lowest was 3.70 euros and the average rate was 4.22 euros. The total market value of the company's shares on March 31, 2002 was 384.7 million euros. At the beginning of the financial year the market value was 317.8 million euros. In the January to March (incl.) period 4.8 million (4.9 million) of the company's shares were traded on the Helsinki Stock

Exchange. At the end of the period under review, the government of Finland owned 58.4 per cent of the company's shares, whilst 18.5 per cent were held by foreign investors or in the name of a nominee.

If all the convertible debentures and option certificates in circulation on March 31, 2002 were converted into Finnair Oyj shares, the Finnish government's holding would amount to 55.2 per cent. On the basis of the unconverted debentures and option certificates in circulation on March 31, 2002, the company's share capital could rise by not more than 4,185,723.85 euros, corresponding to 4,924,381 shares.

Personnel

In the January-March (incl.) period, the average number of staff employed by the Finnair Group amounted to 10,453 people, which was 271 fewer than a year before.

The company has labour contracts with all the labour unions representing its employees, which are valid until the beginning of 2003, apart from with the pilots' union. A contract was signed in June 2001 with this union, which will run until January 2005 and which aims to increase productivity even further.

Management

The Annual General Meeting of April 11, 2002 decided to reduce the number of members of the Supervisory Board from eighteen to thirteen.

The new members of the Supervisory Board are: Markku Hyvärinen, Felix Björklund, Riitta Backas, Peter Heinström, Tytti Isohookana-Asunmaa, Matti Kankare, Tarja Kautto, Juha Korkeaoja, Markku Koskenniemi, Jouko K. Leskinen, Sirpa Pietikäinen, Jussi Ranta and Aulis Ruuth.

Services and Products

The emphasis of Finnair's long haul strategy has shifted to Asian traffic, where Finnair has a geographical advantage in travel between Asia and Europe. The number of weekly Asian flights was increased to the existing destinations of Beijing and Bangkok and a new route was opened to Hong Kong. Finnair also has the right to carry passengers between Hong Kong and Bangkok. During 2002, the capacity in Asian traffic will increase by more than 30 per cent.

The route network was fine-tuned in March at the beginning of the summer schedule season. Traffic between Helsinki and Dublin was altered to become daily and direct. A fourth daily flight was added between Helsinki and Paris. Domestic transport capacity was adjusted for reasons of profitability and at the same time, traffic from Vaasa and Kokkola to Stockholm was terminated.

Finnair's associate company, Aero Airlines AS, began traffic between Helsinki and Tallinn at the end of March, using one ATR72 aeroplane. In the next few years Aero's role in Baltic-region traffic will be increased.

As electronic tickets become more common, a number of ways to ease travel have been adopted. Automatic check-in machines have been installed at Helsinki-Vantaa and Stockholm-Arlanda airports, as

well as more eGate automatic departure gates, for passengers who travel a lot.

Cooperation With Other Airlines

Other oneworld alliance airlines besides Finnair have also committed themselves to continue and deepen their mutual cooperation in order to strengthen the alliance. Finnair and American Airlines applied to the United States transport ministry for anti-trust protection, which, if granted will allow the companies to harmonize their timetables and pricing. This would benefit the two companies' codeshare agreement and also have advantages for the oneworld alliance.

Finnair and another oneworld partner, British Airways, are expanding their cooperation from May, which will allow Finnair to expand its route network via London to South Africa and provide additional new destinations in Canada.

Finnair and SN Brussels Airlines, the successor to the Belgian Sabena airline, will begin cooperation at the beginning of the summer on flights between Helsinki and Brussels. All flights between the cities will carry flight numbers for both the airlines. The partnership will allow Finnair to sell flights with its own route numbers on SN Brussels Airlines' planes from Helsinki via Brussels to Italy, France and Switzerland.

The Short Term Outlook

The general economic trend is expected to improve towards the end of the year. Advance bookings indicate a gradually improving demand. The successful launch of the company's new Asian strategy has also improved the outlook for passenger load factor in the European traffic. The operational result for the entire financial year is expected to be positive.

In the autumn of 2001, Finnair initiated a 115 million euro cost cutting programme. Almost half of the savings measures were aimed at personnel costs. The implementation of the cost-cutting programme and developing further the corporate structure, with focus on the core areas, continue to be internal priorities.

At the beginning of the year, three new Airbus A320s joined the Finnair fleet, in addition to two Boeing B757s for use in leisure traffic. The Airbus fleet will be further increased in the autumn with two new aircraft. By the end of 2002 the fleet will consist of a total of 17 Airbus and by the end of next year the number of Airbuses will be 22. At the same time, DC-9s and MD-80s will gradually be reduced.

The overall capacity for scheduled passenger traffic, in terms of passenger kilometres, will be reduced by almost 3 per cent during 2002 compared with the year before. During 2002 capacity on Asian routes will increase by more than 30 per cent, in line with the new long haul strategy. The biggest cutbacks will fall in European, North Atlantic and domestic traffic. Available capacity for European traffic will be reduced by about 11 per cent during 2002. Leisure traffic will be reduced by about 8 per cent.

The objective is not to increase the passenger volumes on the expense of a healthy yield. By focusing on

higher passenger load factors and implementing the cost-cutting programme, the company expects to improve the profitability and safeguard its financial health.

FINNAIR OYJ
Board of Directors

President and CEO Keijo Suila on the financial result:

"One of the toughest times of the industry are now behind us. At Finnair the situation is well in hand, our

strategy is working and we can look ahead with confidence.

The gradual recovery in demand is continuing and in our main markets a turn for the better can be seen in both business travel as well as in air cargo. I am particularly delighted with the vigorous takeoff of our Asian expansion. Our savings programme is also proceeding as planned.

If the current development continues, we have good reason to expect a positive operational result for this financial year."

FINNAIR OYJ
Christer Haglund
Vice President, Corporate Communications

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KEY FIGURES (Mill. EUR)

	2 002 1Jan-31March	2 001 1Jan-31March	Change %	2001 1Jan-31Dec
Turnover	389,2	420,1	-7,4	1 631,0
EBITDAR *	41,5	48,4	-14,3	195,6
EBITDA *	24,4	30,0	-18,7	123,9
EBIT*	-3,1	4,4		-8,2
Profit from the disposal of capital assets	0,4	10,3	-96,1	21,5
Profit for financial year	-4,1	9,2		7,1

* Profit from the disposal of capital assets excluded

Operating profit in relation to turnover %	-0,7	3,5		0,8
Earnings/share EUR	-0,05	0,11		0,08
Equity/share EUR	7,24	7,71		7,29
Gross investment (Mill. EUR)	17,0	63,2		281,0
Gross investment, % of turnover	4,4	15,1		17,2
Equity ratio %	41,2	42,7		41,7
Gearing %	28,2	18,9		34,3

CONSOLIDATED FINANCIAL STATEMENT INCOME STATEMENT (Mill. EUR)

	2002 1Jan-31March	2001 1Jan-31March	Change %	2001 1Jan-31Dec
Turnover	389,2	420,1	-7,4	1631,0
Work used for own purposes and capitalized	0,7	0,5	40,0	2,4
Other operating income	6,7	12,3	-45,5	46,7
Share of profits less losses of particip. interests	-0,5	0,2	-350,0	0,2
Operating income	396,1	433,2	-8,6	1680,3
Operating expenses				
Staff costs	122,3	121,2	0,9	482,5
Fuel	42,2	53,4	-21,0	193,0
Lease payments for aircraft and other rents	36,2	41,3	-12,3	149,5
Materials and overhaul for aircraft	20,8	19,5	6,7	86,3
Traffic charges	29,3	30,0	-2,3	122,1
Ground handling and catering charges	24,4	30,7	-20,6	120,8
Expenses for tour operations	23,8	23,5	1,3	73,8
Sales and marketing expenses	22,1	21,7	1,8	110,3
Depreciation	27,4	25,6	7,0	132,1
Other expenses	50,2	51,5	-2,6	196,6
Total	398,7	418,5	-4,7	1 667,0
Operating profit	-2,6	14,7	-117,7	13,3
Financial income and expenses	-2,1	0,5		-4,5
Profit before taxes	-4,7	15,2	-130,9	8,9
Direct taxes	0,6	-6,0		-1,4
Minority share	0,0	-0,1		-0,3
Profit for financial year	-4,1	9,2	-144,6	7,1

CONSOLIDATED BALANCE SHEET (Mill. EUR)

	31March2002	31March2001	31Dec2001
Fixed assets			
Intangible assets	22,0	25,1	23,2
Tangible assets	994,8	989,9	1 053,8
Financial assets	17,3	14,8	16,8
Total	1 034,2	1 029,8	1 093,8
Current assets			
Inventories	56,4	56,4	55,3
Long-term receivables	17,7	0,1	12,3
Short-term receivables	182,6	280,4	132,1
Investments	187,0	164,1	194,2
Cash and bank equivalents	34,7	21,5	20,5
Total	478,3	522,6	414,3
Assets total	1 512,5	1 552,4	1 508,1
Shareholders equity	613,4	653,4	617,5
Minority interests	0,7	0,6	0,8
Deferred tax liabilities	97,0	113,9	100,2
Long-term liabilities	293,6	246,9	296,3
Short-term liabilities	507,8	537,5	493,3
Total liabilities	1 512,5	1 552,4	1 508,1

CONSOLIDATED CASH FLOW STATEMENT (Mill. EUR)

	2002 1Jan-31March	2001 1Jan-31March	2001 1Jan-31Dec
Business operations			
Operating profit	-2,6	14,7	13,3
Depreciation	27,4	25,7	132,1
Change in working capital (net)	-4,2	-44,8	-7,8
Financial income and expenses (net)	-2,1	0,5	-4,5
Taxes	0,7	-6	-1,4
Cash flow from operations	19,2	-9,9	131,8
Investments			
Investments total	28,1	-74,4	-261,4
Sales of fixed assets	3,6	27,9	44,8
Cash flow from investments	31,7	-46,5	-216,6
Financing			
Change of long-term debts	-6,0	4,3	40,0
Change of long-term receivables	-5,5	-0,1	-12,5
Change of short-term debts	-32,5	-7,1	61,0
Dividends	0,0	0,0	-33,9
Cash flow from financing	-44,0	-2,9	54,6
Change in liquid funds	6,9	-59,3	-30,2
Liquid funds, at the beginning	214,7	244,9	244,9
Liquid funds in balance sheet	6,9	-59,3	-30,2
Liquid funds, in the end	221,7	185,6	214,7

The figures in this review have not been audited.

FIGURES BY SECTOR

TURNOVER (Mill. EUR)				OPERATING PROFIT (Mill. EUR)		
	2002 Q1	2001 Q1	Change %	2002 Q1	2001 Q1	Change %
Scheduled Passenger Traffic	278,6	295,9	-5,8	-2,9	18,1	
Leisure Traffic	79,9	93,9	-14,9	-3,3	0,4	
Cargo	28,1	28,6	-1,7	-0,2	-1,1	
Aviation Services	110,5	116,6	-5,2	3,8	1,3	
Travel Services	23,4	22,5	4,0	0,6	1,0	
Support Services	22,9	24,2	-5,4	-0,6	-5,1	
Less internal adjustments	-154,2	-161,7	-4,6			
Finnair Group Total	389,2	420,1	-7,4	-2,6	14,7	-117,7

AVERAGE PERSONNEL

	2002	2001	Change %
Scheduled Passenger Traffic	3 600	3 580	0,6
Leisure Traffic	324	341	-5,0
Cargo	409	411	-0,5
Aviation Services	4 269	4 458	-4,2
Travel Services	1 332	1 441	-7,6
Support Services	519	493	5,3
Finnair Group total	10 453	10 724	-2,5

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS (Mill. EUR)

	2002 31March	Fair- value	2001 31March	2001 31Dec
Pension liabilities				
Total liability of pension fund	673,0		609,6	658,0
Uncovered liability of pension fund	0,0		0,0	0,0
Liability for pensions paid directly by the companies	0,0		0,0	0,0
Pension liabilities, incl. In long-term liabilities	0,0		0,0	0,0
Other contingent liabilities				
Pledges on own behalf	359,8		288,4	356,7
Pledges on own behalf of subsidiaries	0,6		0,0	0,6
Guarantees on group undertakings	35,8		31,1	35,4
Guarantees on others	0,0		0,2	0,0
Aircraft lease obligations	308,4		243,9	181,0
Total	704,6		563,6	573,8
Derivative contracts				
Currency derivatives				
Forward contracts	83,6	-0,3	292,0	151,4
Currency options	130,3	0,1	284,3	153,7
Currency swaps	220,8	25,2	208,3	228,9
Interest rate derivatives				
Interest rate options				
Bought	103,2	0,0	51,1	51,1
Total	537,9	25,1	835,5	585,2
Other derivative contracts				
Fuel price agreements (tonnes)	47 700	0,8	158 700	98 100
Fuel options (tonnes)	128 850	2,3	24000	110 850

AIR TRAFFIC 1Jan - 31March 2002

	Total traffic	Europe	North America	Asia	Domestic	Leisure	Cargo
Passengers (1000)	1 710	636	30	87	684	272	
%-change	-7,8	-3,4	-4,1	36,0	-10,7	-18,5	
Cargo and mail (tonnes)	17 269	6 287	1 681	4 393	992	424	3 492
%-change	-9,3	-8,1	-12,1	24,0	-25,3	-47,5	-24,3
Available seat-kilometres mill	4 392	1 466	245	672	621	1 388	
%-change	-10,2	-13,5	-19,1	30,1	-8,2	-18,4	
Revenue passenger kilometres	3 189	783	197	562	347	1 300	
%-change	-5,2	-0,5	-3,4	34,4	-9,2	-17,3	
Available tonne-kilometres	602	180	50	128	72	152	21
%-change	-7,7	-13,5	-11,8	38,7	-7,6	-17,8	-38,0
Revenue tonne-kilometres mill	352	78	29	81	30	118	16
%-change	-5,7	-1,3	-6,7	30,5	-9,5	-18,2	-32,1
Passenger load factor %	72,6	53,4	80,2	83,7	55,9	93,6	
%-change	3,8	7,0	13,1	2,7	-0,6	1,2	
Overall load factor %	58,5	43,4	57,6	63,0	42,3	77,9	79,2
%-change	1,2	5,4	3,1	-3,9	-0,9	-0,4	6,9