FINNAIR GROUP INTERIM REPORT JANUARY 1 – SEPTEMBER 30, 2006

Turnover grew, profitability weakened

Summary of third quarter key figures July 1 – September 30, 2006

– Turnover rose 7.4% to 515.4 million euros
– Passenger traffic grew 14.0% from the previous year, passenger load factor rose 2.9 percentage points to 78.2%
– Unit revenues from flight operations fell by 2.6%, unit costs by 4.7%
– Operating profit was 14.7 million euros (32.1 million)
– Operating profit excluding capital gains, non-recurring arrangement expenses and changes in the fair value of derivatives, i.e. operating profit on operations, fell to 22.5 million euros (25.7 million)
– Profit after financial items was 13.5 million euros (36.2 million)
- Gearing at the end of September was 9.7% (-17.6%) and gearing adjusted for leasing liabilities was 108.0 % (74.2 %)
– Balance sheet cash and cash equivalents totalled 295.6 million euros (367.1 million)
– Equity ratio 38.9% (41.7%)
– Equity per share 7.18 euros (8.10)
– Earnings per share 0.11 euros (0.30)
– Return on capital employed 1.7% (13.2%)
– The adjusted EBIT for the full year is expected to be in profit, but clearly below the previous year's level

President and CEO Jukka Hienonen on the interim result

The third quarter result was lacklustre and reflects the entire year's financial performance. To secure the possibility of success for our core operations we have introduced structural changes, which have their price.

During this year and next, personnel numbers will be cut in support functions and some operations will be outsourced and restructured. These measures will create a foundation for improving profitability in future. The trend in unit costs is now moving in the right direction.

The Asian market forms a unique opportunity for Finnair. Travel markets in the Asia are growing with two-digit figures. We want to take our share of growth and we have every possibility to do so if we manage to develop our competitiveness as planned.

To secure the growth available to us, we need additional resources for flight operations. We are already negotiating in good time with personnel organisations to create sensible labour terms and sound profitability. In this respect, the agreement that ended the October labour dispute will serve as a good starting point.

Customers value our services. Finnair's business class service has been rated number one in Europe by independent surveys. This is evident in a growth of business class demand both in Europe and in long-haul traffic. At the same time, overall demand is growing in double-digit figures.

Due to our favourably developing gateway network and improving cost structure, I expect a clearly more positive financial performance next year.

General Review

The airline industry is experiencing a period of growing demand. Finnair's traffic grew by 14 per cent in the third quarter. The travel market has grown fastest in internal Asian traffic and in traffic between Asia and Europe.

Finnair has exploited the growing demand for Asia-Europe traffic by increasing capacity to Japan and China. Asian traffic grew by nearly 40 per cent. Helsinki-Vantaa is an excellent gateway airport for those travelling from Asian cities to European destinations that have no direct intercontinental connection. Third quarter traffic growth was derived precisely from such traffic.

The European route network has been expanded to correspond better to increasing demand. Moreover, the growing number of destinations in Europe is continually providing new alternatives for Finnish customers.

Flexible use of the fleet based on demand allows better allocation of capacity and has clearly improved passenger load factors.

Price and market share competition in domestic and European traffic has continued, even though a couple of competitors discontinued their services during the spring and summer. Average prices of flight tickets have fallen on short- and medium-haul journeys. In long-haul traffic, on the other hand, the average price is still rising.

Travel in business class has picked up after several years of decline. This is apparent particularly on Asian flights, but is also reflected in European traffic.

The fall in the world market price of oil is positive news for the airline industry. The price trend will eventually be reflected in fuel costs, improving profitability. Finnair hedges on a rolling basis more than 60 per cent of its fuel consumption for the following six months.

Finnair is implementing a structural change with the purpose of focusing on core operations in scheduled and leisure traffic. In scheduled traffic the priority is adapting operations expressly to the needs of Asia-Europe traffic. The aim of the operational efficiency measures is to achieve annual savings of 80 million euros.

Some 670 jobs will be cut from the Finnair Group's administrative and support functions during this year and next. The structural change resulted in arrangement costs of 15 million euros the second quarter. In addition, the two-day strike by cabin staff in October caused losses of around 10 million euros, which will be recognised in the fourth quarter result.

Work aimed at obtaining staff on competitive terms, to exploit the opportunities granted by Asian traffic in particular, will continue. This year two long-haul traffic aircraft have been added to Finnair's fleet. Similarly, in 2007-2008 the long-haul fleet will be expanded by two new aircraft each year with the aim of increasing long-haul traffic capacity. A prerequisite for capacity growth, however, is that the cost structure develops in the planned manner.

Financial Result, 1 July – 30 September 2006

Turnover rose 7.4 per cent and was 515.4 million euros. The Group's operating profit on operations, excluding capital gains, non-recurring arrangement expenses and changes in the fair value of derivatives, fell to 22.5 million euros (25.7 million). Adjusted EBIT margin was 4.4 per cent (5.4%). The result after financial items was a profit of 13.5 million euros (36.2 million). Changes in the fair value of derivatives weakened the third quarter result by 7.9 million euros, but this has no effect on cash flow.

In July-September, passenger traffic capacity rose 9.7 per cent and demand grew 14.0 per cent, while Asian traffic alone rose by 39.1 per cent. Passenger load factor rose 2.9 percentage points from the previous year to a record 78.2 per cent. The quantity of cargo carried grew by 9.8 per cent.

In scheduled passenger and leisure traffic, total unit revenues per passenger kilometre fell by 1.4 per cent. Yield per passenger rose by 8.2 per cent. Unit revenues for cargo traffic declined by 4.5 per cent. Weighted unit revenues for passenger and cargo traffic fell by 2.6 per cent.

Euro-denominated operating costs rose during the period by 11.6 per cent. Unit costs for flight operations fell by 4.7 per cent. Unit costs, excluding fuel costs, fell by 10.0 per cent.

Fuel costs increased in the third quarter by around 25 million euros compared to the previous year, i.e. by 31.9 per cent. Relative to flight performance (euros per available tonne kilometre) the increase was 15.5 per cent.

The 40.0 per cent rise in the item 'Other expenses' was mainly due to a change in the fair value of derivatives. Derivatives are used chiefly for smoothing the strong fluctuations in the price of aircraft fuel. Under IFRS rules, a change in the fair value of derivatives that mature in future is recognised in the item 'Other expenses' during the quarter. The change in the fair value of derivatives is not a realised hedging loss nor does it have an effect on cash flow. The item is a valuation loss based on IFRS rules. In July-September the fair value of Finnair's derivatives fell as a result of a fall in the price of aviation fuel.

Earnings per share for the quarter amounted to 0.11 euros (0.30). Equity per share at the end of September stood at 7.18 euros (8.10).

Financial Result, 1 January – 30 September 2006

Turnover rose 7.0 per cent and was 1,490.3 million euros. The Group's operating profit excluding capital gains, changes in the fair value of derivatives and arrangement expenses fell to 35.6 million euros (69.7 million). Adjusted EBIT margin was 2.4 per cent (5.0). The result after financial items was a profit of 11.6 million euros (89.9 million).

Passenger traffic capacity grew in January-September by 3.9 per cent and demand by 8.3 per cent. Passenger load factor rose 3.1 percentage points from the previous year to 76.1 per cent. The quantity of cargo carried grew by 5.2 per cent.

In scheduled passenger and leisure traffic, total unit revenues per passenger kilometre rose by 0.7 per cent. Yield per passenger rose by 5.3 per cent. Unit revenues per tonne kilometre for cargo traffic rose by 2.3 per cent. Weighted unit revenues for passenger and cargo traffic rose by 0.3 per cent.

Euro-denominated operating costs rose in the early part of the year by 12.2 per cent. Relative to flight performance, unit costs of flight operations rose by 3.6 per cent. Unit costs, excluding fuel costs, fell by 2.3 per cent.

Earnings per share for January-September amounted to 0.07 euros (0.74).

Investment, financing and risk management

In January-September 2006, investments totalled 195.1 million euros (38.9 million). The cash-flow impact of investments in January-September, including advance payments, was 149.3 million euros. The investment programme for new aircraft in 2006 and 2007 is more than 250 million euros in both years.

In August, Finnair signed a 50 million euro credit facility for aircraft financing. At the end of September, the Group had balance sheet cash and cash equivalents amounting to 295.6 million euros, in addition to which there was a total of 300 million euros in unused committed credit facilities.

Operational net cash flow was 23.4 million euros, compared with 122.9 million euros a year earlier. Gearing has risen from -17.6 per cent at the end of September 2005 to 9.7 per cent this year. Gearing adjusted for leasing liabilities was 108.0 per cent (74.2%). The equity ratio fell by 2.8 percentage points from the corresponding point in the previous year to stand at 38.9 per cent. The key figures are better than the targets set by the Board of Directors.

According to the financial risk management policy approved by Finnair's Board of Directors, the company has hedged 62 per cent of scheduled traffic's aviation fuel purchases during the next six months and thereafter for the following 30 months with a decreasing level of hedging. In the third quarter Finnair has adjusted its hedging policy so that the hedging horizon for aviation fuel has been lengthened from two to three years. Finnair Leisure Flights has price hedged 78 per cent of the fuel consumption of its agreed traffic programme for the winter season.

Derivatives linked to the aviation fuel price are mainly used as the fuel price hedging instrument. Due to the lengthening of the hedging horizon and derivatives market efficiency differences, Finnair also uses other oil derivatives.

A weakening of the US dollar against the euro has a positive impact on Finnair's operational result. At the end of September, the degree of hedging for a dollar basket over the next 12 months was 71 per cent.

Shares and Share Capital

During the period January-September 2006, the highest quotation for the Finnair Plc share on the Helsinki Stock Exchange was 15.00 euros, while the lowest quotation was 10.01 euros and the average quotation 12.53 euros. On 30 September 2006, the share price was 12.89 euros and market value of the company's shares was 1,121.8 million euros. At the beginning of the financial year the market value was 1,039.9 million euros. During the period January-September 2006, 26.2 million (21.3 million) of the company's shares were traded on the Helsinki Stock Exchange. At the end of the period under review, the Finnish State owned 56.1 per cent of the company's shares, while 34.5 per cent were held by foreign investors or in the name of a nominee.

At the beginning of the financial year, the company's registered share capital was 73,783,496.05 euros and the number of issued shares was 86,804,113. In January-September 2006, Series A options were exercised to subscribe for 785,725 new shares and Series B options were exercised to subscribe for 1,166,520 new shares. Following the subscriptions, the share capital stood at 75,080,239.90 euros on 30 September 2006 and total number of issued shares was 88,329,694; 362,664,40 euros, corresponding to 426,664 shares, was recognised in the share issue on 30 September 2006. The subscription period with 2000 A and 2000 B option rights expired on 31 August 2006, and 225 A options and 130 B options remained unexercised.

On 23 March 2006 the Annual General Meeting authorised the Board of Directors for a period of one year to purchase the company's own shares up to a maximum of 3,500,000 shares and dispose of the company's own shares up to a maximum of 3,650,000 shares. The authorisation is valid until 22 March 2007.

Under the authorisation, the company transferred 383,097 shares to key individuals in April 2006 as part of a share bonus scheme. The criteria of share bonus scheme for 2006 is not expected to be met.

The company has not purchased new shares by virtue of the authorisation. On 30 September 2006, therefore, an amount corresponding to 3,500,000 shares remained unexercised in terms of the purchase authorisation, and an amount corresponding to 3,266,903 shares remained unexercised in terms of the transfer authorisation. At the beginning of the financial year, the company owned 535,000 of its own shares, and on 30 September 2006 the company held 151,903 shares, whose acquisition price was a total of 1,525,660.07 euros at an average price of 10.04 euros.

Personnel

In the period January-September, the average number of staff employed by the Finnair Group amounted to 9,708 people, which was 2.6 per cent more than a year before. The number of scheduled passenger traffic personnel grew in the early part of the year by 8.1 per cent. The increase has been directed at the Flight Operations Group. The number of personnel in other business areas has declined or remained as before. The trend is in accordance with the Finnair Group's restructuring plan.

Scheduled Passenger Traffic had an average of 4,194 employees and Leisure Traffic 333 employees in the early part of the year. The total number of personnel in technical, catering and ground handling services was 3,814 and in travel services 1,141. A total of 226 people were employed in other functions. Around 300 staff were employed in foreign units, where they were mainly engaged in sales and customer service tasks related to passenger and cargo traffic.

The company has collective employment agreements valid at least until 30 September 2007 with six labour unions and with pilots until May 2008.

Finnair has announced as a target the cutting of 670 jobs in Finnair Technical Services and in administrative support functions by the end of 2007. The statutory employer-employee procedure relating to the company's target ended in late June and an agreement on the reduction of jobs has been mainly reached during the autumn. The reduction will be implemented in administrative and property services functions through the merger and outsourcing of units. A reduction of personnel numbers by 300 in Finnair Technical Services will take place through retirement solutions and redundancies.

Attempts have been made to introduce flexibility into the terms and conditions of employment of pilots and cabin staff in order to increase the efficient use of labour. In negotiations with cabin staff and pilots, around 20 million euros in savings are being sought. Finnair's aim was to recruit 500 cabin attendants by next spring. The Finnish Flight Attendants' Association (SLSY) did not accept Finnair's aim of recruiting new employees under the terms of Finnair's collective employment agreement, but applying the salary provisions of the sector's national collective bargain agreement, and the association began a two-day strike on 19 October 2006.

According to an agreement concluded under the guidance of the national conciliator, Finnair's collective employment agreement will be applied to the recruitment and employment terms of new cabin staff for the duration of the current agreement period. The current collective employment agreement is valid until 30 September 2007.

Changes to the current collective employment agreement were agreed that improved the efficiency of the cabin staff's work. The scheduling of cabin staff's work and free days was improved and restrictions relating to work and rest periods on long-haul routes were abolished. Cost savings were obtained in the selection of crew hotels.

Cost-cutting negotiations between Finnair and cabin staff will continue at once and an attempt will be made to agree the remaining savings targets by 15 November 2006. The parties will begin collective employment agreement negotiations in November 2006 at the latest.

Fleet changes

Finnair Group's fleet is managed by Finnair Aircraft Finance Oy, which belongs to the Scheduled Passenger Traffic business area. The fleet had 70 aircraft on 30 September 2006. The average age of the fleet is 8.3 years. The average age of the fleet in European traffic is 3.8 years. Finnair has at its disposal the most modern fleet in European air traffic, which brings both cost savings and eco-efficiency.

Finnair's parent company discontinued the use of the Boeing MD-80 type of aircraft at the beginning of July. This type of aircraft will continue to be used by Finnair's Swedish subsidiary FlyNordic.

The Embraer aircraft acquisition programme, which began in autumn 2005, continues. To date, nine 76-seat Embraer 170 aircraft have been acquired for Finnair's fleet. The programme will continue in the latter part of this year and next year with the delivery of six 100-seat 190 models. Finnair also has options for four additional aircraft.

The Estonian subsidiary Aero AS operates with seven ATR 72 aircraft. A decision has been made to sell four aircraft. The sale will take place by next spring.

In December 2005 Finnair decided to commit to growth in Asian traffic by acquiring 12 new Airbus A340/A350 wide-bodied aircraft by 2014. In addition, there are four options for both types of aircraft.

Airbus Industrie has announced that it will revise the design of the A350, which will delay the introduction of this type of aircraft also as far as Finnair is concerned. On completion, the A350 aircraft would be more economic and have a higher level of performance. Airbus is expected to announce production schedule for A350 model by the end of the year. In terms of compensation for the delay in the aircraft, negotiations between Finnair and Airbus will seek a solution by the end of the year that safeguards the smooth continuity of Finnair's operations.

In December 2005 Finnair acquired a seventh Boeing MD-11 wide-bodied aircraft for the needs of long-haul traffic. The capacity brought by the aircraft provided cover for the maintenance shutdowns caused by conversion work on the six other MD-11 aircraft during the winter and spring. The additional capacity was brought fully into use in May 2006.

In July the first Airbus A340 aircraft, which was purchased second hand, was introduced into Asian traffic. During 2007-2008 two new A340 aircraft per year will be acquired for Finnair's long-haul fleet.

During this and next year, winglets will be fitted to the seven Boeing 757-200 aircraft used by Finnair Leisure Flights. They improve an aircraft's aerodynamics and thus reduce fuel consumption and emissions. Fuel consumption will fall approximately by an estimated four per cent.

In spring 2006 three lease agreements of Leisure Flights' seven Boeing 757 aircraft were renewed on clearly more favourable terms. The agreements of the other four aircraft had already been renewed.

Performance of the Divisions

The primary segment reporting of the Finnair Group's financial statements is based on business areas. The reporting business areas are Scheduled Passenger Traffic, Leisure Traffic, Aviation Services and Travel Services.

Scheduled Passenger Traffic

This business area is responsible for sales of scheduled passenger traffic and cargo, service concepts, flight operations and activity connected with the procurement and financing of aircraft. Scheduled Passenger Traffic leases to Leisure Traffic the crews and aircraft it requires. The business area consists of the following units and companies: Finnair Scheduled Passenger Traffic, Aero Airlines, FlyNordic, Finnair Cargo Oy and Finnair Aircraft Finance Oy.

In July-September the business area's turnover grew 9.9 per cent to 401.9 million euros. The operating profit on operations was 20.3 million euros (20.1 million).

Demand for Finnair's Scheduled Passenger Traffic grew by 22.5 per cent in the third quarter, while capacity grew by 15.3 per cent, leading to an improvement in passenger load factor by 4.5 percentage points to 76.5 per cent.

Unit revenues for scheduled passenger traffic declined by 4.6 per cent in July-September. In addition to a general fall in the price level, the decline in unit revenues was also affected by growth of the relative share of long-haul traffic in traffic as a whole. In long-haul traffic, passenger kilometre-based unit revenue is lower than in European and domestic traffic. In long-haul traffic, however, average prices rose. The price level in European and domestic traffic, on the other hand, fell from the previous year's level.

Unit revenues for cargo declined by 7.3 per cent in July-September. The total quantity of cargo carried in scheduled traffic grew by 13.5 per cent. The quantity of cargo carried in Asian traffic grew by 31.5 per cent from the previous year.

In international scheduled traffic, Finnair has maintained its market share relative to its main competitors. In domestic traffic, the market share of Finnair has fallen slightly during the current year. Finnair has reduced domestic traffic capacity significantly in order to maintain profitability.

The profitability of Finnair's Swedish subsidiary FlyNordic has been improved by discontinuing unprofitable routes and by transferring capacity to more profitable leisure traffic. FlyNordic's operating result in the third quarter was in profit.

During the first nine months of the year, the arrival punctuality of scheduled passenger flights fell by 3.3 per cent to 85.8 per cent (89.1%), but remained among the best in Europe, even so.

Leisure Traffic

This business area consists of Finnair Leisure Flights as well as 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. Finnair Leisure Flights also enjoys a strong market leadership in leisure travel flights, even though more competition has entered the market.

In July-September, Finnair Leisure Flights' performance as calculated in passenger kilometres was 10.8 per cent lower than a year earlier. Capacity was reduced by 9.8 per cent, so Leisure Flights' passenger load factor declined by one percentage point to 85.7 per cent. For the summer season, two Leisure Flights aircraft had been leased to an English charter company. In the third quarter, Aurinkomatkat-Suntours sold more travel packages than in the corresponding period last year, but overcapacity in the sector reduced price levels and weakened profitability.

The business area's turnover fell during the third quarter by 5.6 per cent to 90.7 million euros. Operating profit on operations was, however, at the previous year's level and was 8.2 million euros (8.5 million).

For the coming winter season, Finnair has agreed fixed prices with tour operators and provided for the fuel risk with price hedging in accordance with the Group's financial policy.

Aviation Services

This business area comprises aircraft maintenance services, ground handling and the Group's catering operations. In addition, the Group's property holdings, office services and the management and maintenance of properties related to the Group's operational activities are also functions of the Aviation Services business area.

Aviation Services' turnover rose by 3.3 per cent to 101.6 million euros in July-September. The operating result on operations declined, however, to a loss of 4.4 million euros (7.9 million profit). Finnair Technical Services and Northport Oy were the loss-making operations in the Aviation Services.

At the beginning of 2006, Finnair Technical Services initiated a competitiveness project which will review the entire organisation and attempt to make operations more profitable by specialisation, improving processes and operating models. At the same time, operations for which there is no commercial justification will be discontinued.

Finnair Technical Services' personnel numbers will be cut by around 300 in 2006-2007. The reduction will be implemented through various pension solutions, outsourcing of functions and redundancies.

The ground handling company Northport Oy expanded its operations to Oslo's Gardemoen Airport as of October 1st 2006. A subsidiary will be run with a light cost and administration structure. Northport´s subsidiary is also operating at Stockholm's Arlanda Airport.

As part of the Finnair Group's restructuring and profitability improvement, opportunities for the reorganisation of Northport Oy and its subsidiaries are being investigated. Various ownership and partnership options for the company or its parts are being explored.

Travel Services

This business area consists of the Group's domestic and foreign travel agency operations - including Finland Travel Bureau, Estravel and Area – as well as the operations of the travel reservations systems supplier Amadeus Finland Oy.

The business area's turnover fell 9.3 per cent to 20.4 million euros and operating profit on operations was 1.0 million euros (1.9 million). The decline in operating profit resulted mainly from pressure on service fees caused by tight competition in the travel agency sector as well as the discontinuation of sales commissions paid by travel providers and airlines.

Through a business transaction completed at the end of June, Area sold to Finland Travel Bureau (FTB) its operating points that specialise in leisure travel. Area will focus on providing these services on the internet and via its telephone service as well as on business travel. FTB will continue as a full-service travel department store. FTB's city destination package tour production was transferred to Aurinkomatkat-Suntours. As a result of the arrangements, personnel numbers in the travel agencies will be reduced by around 70 people.

Flight Traffic Services and Products

Finnair is increasingly an airline engaged in traffic between Europe and Asia, and nearly half of scheduled passenger traffic revenue is linked to Asia traffic. Finnair has 40 flight connections a week to ten Asian destinations. To China alone, the company flies one hundred flights a month.

Finnair's entire route network, which benefits from Helsinki's ideal location on flight routes between Asia and Europe, has been built primarily to serve this type of traffic. Flights covering 15 domestic and 40 European destinations connect into Finnair's Asia network.

Growing passenger streams between Europe and Asia have created the basis for opening new routes in Europe. The expansion of the European network also provides an excellent service to Finnish customers, who can utilise Finnair's morning-evening concept in their European connections.

Growth in Finnair's Asian traffic will continue strongly also in the future. New destinations, Nagoya in Japan and New Delhi in India, were opened in June and October respectively. Next spring a new route will be opened to Kuala Lumpur in Malaysia. Finnair's present destinations in Asia, in addition to Nagoya and Delhi, are Bangkok, Hong Kong, Guangzhou, Osaka, Beijing, Singapore, Shanghai and Tokyo.

The type of aircraft used in long-haul traffic is mainly the wide-bodied Boeing MD-11. The cabins of the wide-bodied fleet were refurbished and new lie-flat seats were fitted in business class at the beginning of the year. In the summer, the first Airbus A340 wide-bodied aircraft was taken into use. Finnair's business class highly rated in many independent surveys.

A fleet consisting of aircraft of different sizes allows routes and flights to be added to the route network flexibly as the demand base varies. In Europe, five new destinations, serving local demand as well as the needs of Asian traffic, were opened this summer. The new destinations are Edinburgh, Geneva, Kiev, Krakow and Pisa/Florence. Flight frequencies on the St. Petersburg and Warsaw routes were increased.

Next year Bucharest, Ljubljana and Lisbon will be added to the European network. In addition, the Madrid and Manchester flights will fly direct, without an intermediate stop in Stockholm. Following this change, all significant connecting flights for traffic between Europe and Asia will be flown without intermediate stops.

Events occurring after the third quarter

On 19-20 October 2006, the Finnish Flight Attendants' Association (SLSY) held a strike in opposition to Finnair's plans to recruit new flight attendants under the terms of Finnair's collective employment agreement, but applying the salary provisions of the national collective employment agreement. Due to the two-day strike, Finnair cancelled over 500 flights, on which more than 40,000 people had reserved seats. The strike's impact on the fourth quarter profit is estimated to be around 10 million euros.

Finnair has signed a letter of intent with YIT Kiinteistötekniikka Oy by which responsibility for Finnair's real-estate and facilities management services will be transferred to YIT's responsibility for the next five years. Overall, the value of contract is more than 40 million euros. Around 50 Finnair Facilities Management employees will be transferred to YIT's service under existing their terms of employment from the beginning of 2007. Finnair-owned properties will not be transferred in the arrangement.

Future prospects

Finnair is developing more and more into an airline engaged in Europe-Asia traffic. In the second half of 2006, Asian traffic will grow by more than 30 per cent and growth is also expected to continue at a similar rate next year, when two new Airbus A340 aircraft join Finnair's long-haul fleet in the second quarter.

The majority of passengers on Finnair's Asian flights connect to the company's European network. Growth in Asian traffic is therefore strongly reflected also in demand for European traffic, which together with the more flexible use of capacity is improving the passenger load factors of European flights.

In domestic and European traffic, competition for market shares remains intense and flight ticket prices are still falling, although long-haul ticket prices are rising. Overall, unit revenues in scheduled passenger traffic are falling, because the relative proportion of long-haul traffic, characterised by lower unit revenues, is growing.

Productivity improvements will be pursued through operational rationalisation and structural changes. Measures to boost competitiveness will be directed particularly at administrative functions and flight operation support services, but a more flexible cost and operating structure will also be sought in flight operations. The unit costs of all cost groups, excluding fuel costs, have fallen.

Personnel will be added in the area of expanding flight operations, while job numbers will be reduced in support operations. An essential issue where growth in Asian traffic is concerned is to make more efficient use of flight personnel. Finnair will safeguard planned Asian growth by releasing resources from other traffic categories and by utilising the working time efficiency measures agreed in savings agreement.

The profit impact of solutions relating to the restructuring programme currently underway will be mainly felt in 2007 and will create, together with the stable development of fuel prices, a basis for a significant improvement in the result next year. The 80 million euro savings will be fully evident in 2008.

The adjusted EBIT for 2006 is expected to be in profit, but clearly below the previous year's level.

FINNAIR PLC
Board of Directors

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FINNAIR GROUP INTERIM REPORT FOR JANUARY 1 - SEPTEMBER 30, 2006

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting and applies the accounting principles used in the annual financial statements for the financial period 2005. The interim report includes the condensed financial statements from the reported period. The income taxes are entered in accordance with the estimated average tax rate for the whole financial year.

KEY FIGURES EUR mill.

	2006	2005	Change	2006	2005	Change	2005
	1 July– 30 Sep	1 July– 30 Sep	%	1 Jan– 30 Sep	1 Jan– 30 Sep	%	1 Jan – 31 Dec
Turnover	515.4	479.7	7.4	1 490.3	1 392.5	7.0	1 871.1
Profit before depreciation and lease payments, EBITDAR *	69.8	71.0	-1.7	178.9	204.2	-12.4	249.3
Lease payments for aircraft	22.2	22.3	-0.4	68.0	67.0	1.5	88.5
Operating profit, EBIT*	22.5	25.7	-12.5	35.6	69.7	-48.9	70.1
Fair value changes of derivatives	-7.9	5.8	-	-7.4	14.0	-	4.5
Profit from disposal of capital assets	0.1	0.6	-83.3	2.0	2.4	-16.7	7.3
Operating profit, EBIT	14.7	32.1	-54.2	15.0	86.1	-82.6	81.9
Profit for the financial year (share attributable to shareholders of parent company)	10.3	26.4	-61.0	6.7	64.3	-89.6	61.4
Operating profit, EBIT, % of turnover *	4.4	5.4	-18.5	2.4	5.0	-52.3	3.7
EBITDAR, % of turnover *	13.5	14.8	-8.5	12.0	14.7	-18.1	13.3
Unit revenues of flight operations c/RTK	72.9	74.8	-2.6	73.9	73.7	0.3	72.2
Unit costs of flight operations c/ATK	44.2	46.4	-4.7	45.8	44.2	3.6	45.3
Earnings per share EUR (basic)	0.11	0.31	-64.5	0.07	0.76	-90.8	0.73
Earnings per share EUR (diluted)	0.11	0.30	-63.3	0.07	0.74	-90.5	0.71
Equity per share EUR	7.18	8.10	-11.4	7.18	8.10	-11.4	7.73
Gross investment EUR mill.	76.1	8.0	-	195.1	38.9	401.5	57.5
Gross investment, % of turnover	14.8	1.7	-	13.1	2.8	368.6	3.1
Equity ratio %				38.9	41.7	-6.7	42.2
Gearing %				9.7	-17.6	-155.1	-25.1
Adjusted gearing %				108.0	74.2	45.6	66.8
Rolling 12-month ROCE %				1.7	13.2	-87.1	11.1
Rolling 12-month ROE %				0.6	10.8	-94.4	9.8

* Excluding capital gains, fair value changes of derivatives and reorganization express.
Unit costs of flight operations c / ATK = Operating expenses (excluding fair value changes of derivatives) of Scheduled Traffic business area and Leisure Flights business unit / ATK of Group.

CALCULATION OF KEY RATIOS

Earnings / share:

Profit for the financial year
___
Average number of shares at the end of the financial year, adjusted for share issues

Equity / share:

Shareholders' equity
___
Number of shares at the end of the financial year, adjusted for share issues

Gearing, %:

Net interest-bearing liabilities *100
___
Shareholders' equity + minority interest

Operating profit, EBIT :

Operating profit excluding the disposal of the capital assets and fair value changes of derivatives

Shareholders equity = To equity holders of the parent
The figures of interim report have not been audited.

Return on capital employed,%: (ROCE)

Profit before taxes + interest and other financial expenses *100
___
Balance sheet total - non-interest-bearing liabilities (average)

Net interest bearing liabilities:

Interest-bearing liabilities - interest-bearing assets - listed shares

Equity ratio, %:

Shareholders' equity + minority interest *100
___
Balance sheet total - advances received

Return on equity %: (ROE)

Result before extraordinary items – taxes *100
___
Equity + minority interests (average)

INCOME STATEMENT EUR mill.

	2006	2005	Change	2006	2005	Change	2005
	1 July– 30 Sep	1 July– 30 Sep	%	1 Jan– 30 Sep	1 Jan– 30 Sep	%	1 Jan – 31 Dec
Turnover	**515.4**	**479.7**	**7.4**	**1 490.3**	**1 392.5**	**7.0**	**1 871.1**
Work used for own purposes and capitalized	1.6	1.5	6.7	2.0	5.0	-60.0	11.3
Other operating income	4.1	4.7	-12.8	17.1	20.0	-14.5	31.8
Operating income	**521.1**	**485.9**	**7.2**	**1 509.4**	**1 417.5**	**6.5**	**1 914.2**
Operating expenses							
Staff costs	122.2	120.8	1.2	376.6	358.1	5.2	495.8
Fuel	105.1	79.7	31.9	285.2	208.5	36.8	292.7
Lease payment for aircraft	22.2	22.3	-0.4	68.0	67.0	1.5	88.5
Other rental payments	18.3	18.5	-1.1	58.3	51.5	13.2	69.2
Fleet materials and overhauls	26.4	24.1	9.5	75.3	61.4	22.6	82.6
Traffic charges	43.9	40.4	8.7	123.0	118.1	4.1	159.1
Ground handling and catering expenses	34.5	35.6	-3.1	102.7	101.0	1.7	134.0
Expenses for tour operations	23.9	23.2	3.0	81.0	74.0	9.5	102.0
Sales and marketing expenses	23.2	24.6	-5.7	64.9	66.8	-2.8	95.5
Depreciation	25.1	23.0	9.1	75.3	67.5	11.6	90.7
Other expenses	61.6	41.6	48.1	184.1	157.5	16.9	222.2
Total	**506.4**	**453.8**	**11.6**	**1 494.4**	**1 331.4**	**12.2**	**1 832.3**
Operating profit EBIT	**14.7**	**32.1**	**-54.2**	**15.0**	**86.1**	**-82.6**	**81.9**
Financial income	2.9	5.8	-50.0	7.6	16.6	-54.2	20.1
Financial expenses	-4.1	-1.7	141.2	-11.1	-12.8	-13.3	-14.6
Share of result in associates	0.0	0.0	-	0.1	0.0	-	0.1
Profit before taxes	**13.5**	**36.2**	**-62.7**	**11.6**	**89.9**	**-87.1**	**87.5**
Direct taxes	-3.3	-9.6	-	-4.3	-24.7	-	-25.5
Profit for financial year	**10.2**	**26.6**	**-61.7**	**7.3**	**65.2**	**-88.8**	**62.0**

Earnings per share to shareholders of the parent company	10.3	26.4		6.7	64.3		61.4
Minority interest	-0.1	0.2		0.6	0.9		0.6
Earnings per share calculated from profit attributable to shareholders of the parent company							
Earnings per share EUR	0.11	0.31		0.07	0.76		0.73
Earnings per share EUR (diluted)	0.11	0.30		0.07	0.74		0.71

BALANCE SHEET EUR mill.

	30 Sep 2006	30 Sep 2005	31 Dec 2005
ASSETS			
Non-current assets			
Intangible assets	46.2	41.5	44.6
Tangible assets	984.1	850.4	844.4
Investments in associates	3.0	3.1	3.1
Financial assets	16.1	16.8	17.7
Deferred tax receivables	28.2	25.9	17.5
Total	1 077.6	937.7	927.3
Short-term receivables			
Inventories	41.4	45.2	45.1
Trade receivables and other receivables	269.5	337.8	247.6
Investments	258.4	331.4	391.7
Cash and bank equivalents	37.2	35.7	26.7
Total	606.5	750.1	711.1
Assets total	**1 684.1**	**1 687.8**	**1 638.4**
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent company			
Shareholders´equity	75.5	72.5	73.8
Other equity	560.4	610.8	598.6
Total	635.9	683.3	672.4
Minority interest	1.6	1.9	1.6
Equity, total	637.5	685.2	674.0
Long-term liabilities			
Deferred tax liability	118.9	136.8	125.8
Financial liabilities	293.4	219.7	214.9
Pension obligations	7.5	15.3	12.7
Total	419.8	371.8	353.4
Short-term liabilities			
Current income tax liabilities	12.5	26.9	20.1
Financial liabilities	63.4	55.2	52.7
Trade payables and other liabilities	550.9	548.7	538.2
Total	626.8	630.8	611.0
Liabilities total	1 046.6	1 002.6	964.4
Shareholders' equity and liabilities, total	**1 684.1**	**1 687.8**	**1 638.4**

CASH FLOW STATEMENT

EUR mill.	1 Jan - 30 Sep 2006	1 Jan - 30 Sep 2005	1 Jan -31 Dec 2005
Cash flow from operating activities			
Profit for the financial year	7.3	65.2	62.0
Operations for which a payment is not included **1)**	65.7	67.3	91.7
Interest and other financial expenses	11.1	12.6	14.6
Interest income	-6.9	-5.8	0.0
Other financial income	-0.7	-10.5	-12.0
Dividend income	0.0	-0.1	-0.3
Taxes	4.3	24.7	25.5
Changes in working capital:			
Change in trade and other receivables	-40.3	-75.2	-18.5
Change in inventories	3.8	1.3	1.3
Change in accounts payables and other liabilities	1.6	43.2	33.5
Interest paid	-7.7	-7.1	-9.5
Paid financial expenses	-2.4	-5.5	-1.5
Received interest	6.1	5.7	0.0
Received financial income	0.0	7.1	7.0
Taxes paid	-18.5	0.0	-2.0
Net cash flow from operating activities	**23.4**	**122.9**	**191.8**
Cash flow from investing activities			
Sell of subsidiarys, net of cash sold	0.0	0.0	3.5
Investments in intangible assets	-9.0	-10.5	-16.1
Investments in tangible assets	-209.6	-39.1	-57.7
Net change of financial interest bearing assets at fair value through profit and loss	65.8	-7.1	-30.2
Sales of tangible fixed assets	1.9	0.9	2.8
Received dividens	0.0	0.1	0.3
Change in non-current receivable	1.6	-1.7	-2.6
Net cash flow from investing activities	**-149.3**	**-57.4**	**-100.0**
Cash flow from financing activities			
Loan withdrawals and changes	108.4	11.9	11.0
Loan repayments	-19.9	-13.6	-19.0
Purchase of own shares	0.0	-0.9	-1.5
Sales own shares	0.0	0.2	0.2
Optio right to own shares	6.0	3.3	12.6
Share premium account changes	0.0	1.7	2.3
Dividends paid	-21.8	-8.5	-8.5
Net cash flow from financing activities	**72.7**	**-5.9**	**-2.9**
Change in cash flows	**-53.2**	**59.6**	**88.9**
Change in liquid funds			
Liquid funds. at beginning	339.4	250.5	250.5
Change in cash flows	-53.2	59.6	88.9
Liquit funds, in the end	**286.2**	**310.1**	**339.4**

EUR mill.	1 Jan - 30 Sep 2006	1 Jan - 30 Sep 2005	1 Jan -31 Dec 2005
Notes to cash flow statement			
1) Operations for which a payment is not included			
Depreciation	75.3	67.5	90.7
Employee benefits	-5.3	5.2	2.6
Other adjustments	-4.3	-5.4	-1.6
Total	65.7	67.3	91.7
Financial asset at fair value	258.4	331.4	391.7
Cash and bank equivalents	37.2	35.7	26.7
Short-term cash and cash equivalents in balance sheet	295.6	367.1	418.4
Shares held to trading purposes	-4.1	-8.9	-7.9
Maturing after more than 3 months	-5.3	-48.1	-71.1
Total in cash flow statement	286.2	310.1	339.4

SHAREHOLDERS´EQUITY EUR mill.

Equity attributable to shareholders of parent company									
	Share capital	**New issue**	**Share premium account**	**Bonus issue**	**Hedging reserve**	**Retained earnings**	**Total**	**Minority interests**	**Own equity total**
Share-holders´ equity 1.1.2005	72.1	0.0	5.7	147.7	-9.9	359.5	**575.1**	**1.2**	**576.3**
New issue shares							0.0		0.0
Translation difference						-0.1	-0.1		-0.1
Dividend payment						-8.5	-8.5	-0.2	-8.7
Purchase of own shares						-0.9	-0.9		-0.9
Sales of own shares						0.2	0.2		0.2
Optio right to own shares	0.4		2.9				3.3		3.3
Share premium account changes						1.7	1.7		1.7
Change in fair value of hedging instruments					48.2		48.2		48.2
Profit for the period						64.3	64.3	0.9	65.2
Share-holders´ equity 30.9.2005	72.5	0.0	8.6	147.7	38.3	416.2	**683.3**	**1.9**	**685.2**

SHAREHOLDERS´EQUITY EUR mill.

Equity attributable to shareholders of parent company									
	Share capital	**New issue**	**Share premium account**	**Bonus issue**	**Hedging reserve**	**Retained earnings**	**Total**	**Minority interests**	**Own equity total**
Share-holders´ equity 1.1.2006	73.8	0.6	18.3	147.7	20.9	411.1	**672.4**	1.6	**674.0**
New issue shares	1.3	-0.3	4.4				5.4		5.4
Share premium account changes			-2.3			2.1	-0.2		-0.2
Translation difference						-0.4	-0.4		-0.4
Purchase of minority interest						-0.1	-0.1	-0.2	-0.3
Dividend payment						-21.8	-21.8	-0.4	-22.2
Optio right to own shares							0.0		0.0
Change in fair value of hedging instruments					-26.1		-26.1		-26.1
Profit for the period						6.7	6.7	0.6	7.3
Share-holders´ equity 30.9.2006	75.1	0.3	20.4	147.7	-5.2	397.6	**635.9**	**1.6**	**637.5**

SEGMENT INFORMATION

The business segments, Scheduled Passenger Traffic, Leisure Traffic, Aviation Services and Travel Services are the primary reporting format. The geographical segments, Finland, Europe, Asia, North America and Others, make up the secondary reporting format. Segment information is based on the corresponding information reported in the financial statement 2005.

PRIMARY REPORTING FORMAT - BUSINESS SEGMENT DATA 1 January - 30 September 2006

	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
EUR mill.							
External turnover	1 067.4	279.7	80.3	62.9			1 490.3
Internal turnover	79.6	2.8	221.0	3.2	-306.6		0.0
Turnover	1 147.0	282.5	301.3	66.1	-306.6	0.0	1 490.3
Operating profit	38.4	14.9	-19.9	2.1		-20.5	15.0
Share of results of associated undertakings						0.1	0.1
Financial income						7.6	7.6
Financial expenses						-11.1	-11.1
Income tax						-4.3	-4.3
Minority interest						-0.6	-0.6
Result for the period							6.7
Other items							
Investments	167.1	0.7	24.6	0.9	0.0	1.8	195.1
Depreciation	52.8	0.2	19.0	1.1	0.0	2.2	75.3

PRIMARY REPORTING FORMAT - BUSINESS SEGMENT DATA 1 January- 30 September 2005

	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group elimina tions	Unallocated items	Group
EUR mill.							
External turnover	975.2	277.3	74.9	65.1			1 392.5
Internal turnover	82.5	2.6	221.5	3.6	-310.2		0.0
Turnover	1 057.7	279.9	296.4	68.7	-310.2	0.0	1 392.5
Operating profit	56.8	15.8	24.0	5.2		-15.7	86.1
Share of results of associated undertakings						0.0	0.0
Financial income						16.6	16.6
Financial expenses						-12.8	-12.8
Income tax						-24.7	-24.7
Minority interest						-0.9	-0.9
Result for the period							64.3
Other items							
Investments	21.6	0.0	15.5	0.7	0.0	1.1	38.9
Depreciation	47.2	0.1	17.0	1.2	0.0	2.0	67.5

TURNOVER

	2006	2005	Change	2006	2005	Change	2005
	1 July–30 Sep	1 July–30 Sep	%	1 Jan–30 Sep	1 Jan – 30 Sep	%	1 Jan – 31 Dec
EUR mill.							
Scheduled Passenger Traffic	401.9	365.8	9.9	1 147.0	1 057.7	8.4	1 407.9
Leisure Traffic	90.7	96.1	-5.6	282.5	279.9	0.9	387.3
Aviation Services	101.6	98.4	3.3	301.3	296.4	1.7	400.9
Travel Services	20.4	22.5	-9.3	66.1	68.7	-3.8	91.2
Group eliminations	-99.2	-103.1	-3.8	-306.6	-310.2	-1.2	-416.2
Total	**515.4**	**479.7**	**7.4**	**1 490.3**	**1 392.5**	**7.0**	**1 871.1**

OPERATING PROFIT EXCLUDING GAINS ON SALES OF FIXED ASSETS, FAIR VALUE CHANGES OF DERIVATIVES AND ARRANGEMENT EXPENSES

	2006	2005	Change	2006	2005	Change	2005
	1 July–30 Sep	1 July–30 Sep	%	1 Jan–30 Sep	1 Jan – 30 Sep	%	1 Jan – 31 Dec
EUR mill.							
Scheduled Passenger Traffic	20.3	20.1	1.0	37.5	55.0	-31.8	34.3
Leisure Traffic	8.2	8.5	-3.5	15.1	15.8	-4.4	20.3
Aviation Services	-4.4	7.9	-155.7	-9.4	23.7	-139.7	25.5
Travel Services	1.0	1.9	-47.4	2.2	5.2	-57.7	8.1
Unallocated items	-2.6	-12.7	-79.5	-9.8	-30.0	-67.3	-18.1
Total	**22.5**	**25.7**	**-12.5**	**35.6**	**69.7**	**-48.9**	**70.1**

AVERAGE PERSONNEL

	2006	2005	Change
	1 Jan – 30 Sep	1 Jan – 30 Sep	%
Scheduled Passenger Traffic	4 194	3 880	8.1
Leisure Traffic	333	330	0.9
Aviation Services	3 814	3 843	-0.8
Travel Services	1 141	1 179	-3.2
Other functions	226	233	-3.0
Finnair Group Total	**9 708**	**9 465**	**2.6**

SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS

TURNOVER OUTSIDE THE GROUP BY SALES DESTINATION

	2006	2005	Change	2006	2005	Change	2005
	1 July–30 Sep	1 July–30 Sep	%	1 Jan–30 Sep	1 Jan – 30 Sep	%	1 Jan – 31 Dec
EUR mill.							
Finland	101.7	124.9	-18.6	324.4	356.6	-9.0	475.3
Europe	245.0	234.4	4.5	716.7	685.2	4.6	916.7
Asia	137.2	96.5	42.2	347.1	254.8	36.2	361.0
North America	23.3	20.0	16.5	52.8	53.7	-1.7	65.7
Others	8.2	3.9	110.3	49.3	42.2	16.8	52.4
Total	**515.4**	**479.7**	**7.4**	**1 490.3**	**1 392.5**	**7.0**	**1 871.1**

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS EUR mill.

	30 Sep 2006	30 Sep 2005	31 Dec 2005
Other contingent liabilities			
Pledges on own behalf	244.9	255.9	260.1
Pledges on own behalf of subsidiaries	0.0	0.0	0.0
Guarantees on group undertakings	409.4	80.4	414.2
Guarantees on others	0.0	0.0	0.0
Total	**654.3**	**336.3**	**674.3**
Aircraft lease obligations	426.7	439.9	490.9
Total	**1 081.0**	**776.2**	**1 165.2**

Derivative contracts	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
	30 Sep 2006	**30 Sep 2006**	**30 Sep 2005**	**30 Sep 2005**	**31 Dec 2005**	**31 Dec 2005**
Currency derivatives						
Forward contracts	628.0	-3.6	565.2	19.7	640.7	23.7
Currency options						
Bought	15.8	0.1	0.0	0.0	0.0	0.0
Sold	15.8	0.0	0.0	0.0	0.0	0.0
Currency swaps	71.1	-24.8	93.7	26.7	91.5	-23.8
Interest rate derivativies						
Interest rate swaps	20.0	0.8	20.0	0.1	20.0	0.4
Interest rate options						
Bought	0.0	0.0	24.9	0.0	25.4	0.0
Sold	0.0	0.0	49.8	-0.2	50.9	-0.1
Total	**750.6**	**-27.6**	**753.6**	**46.3**	**828.6**	**0.3**
Other derivative contracts						
Fuel price agreements (tonnes)	549 200	-8.0	392 300	44.6	423 500	8.8
Fuel options (tonnes)						
Bought	31 500	0.9	24 000	3.1	12 000	0.2
Sold	63 000	-0.6	24 000	-0.2	12 000	-0.1

AIR TRAFFIC 1 January – 30 September 2006

	Total traffic	**Europe**	**North America**	**Asia**	**Domestic**	**Scheduled Traffic Total**	**Leisure**	**Cargo**
Passengers (1000)	6 754	3 480	113	666	1 536	5 794	960	
%-change	4.9	9.5	-13.3	28.5	-0.1	8.0	-10.6	
Cargo and mail (tonnes)	69 553	17 344	6 214	34 743	2 889	61 190	251	69 553
%-change	5.2	-7.9	-0.9	22.4	-6.3	8.2	-14.1	5.2
Available seat-kilometres mill	17 804	5 983	879	5 720	1 336	13 919	3 885	
%-change	3.9	0.6	-19.7	26.6	-6.3	7.2	-6.5	
Revenue passenger kilometres	13 554	4 106	748	4 520	765	10 139	3 415	
%-change	8.3	11.1	-16.1	29.2	-1.3	14.4	-6.5	
Passenger load factor %	76.1	68.6	85.0	79.0	57.3	72.8	87.9	
%-change	3.1	6.5	3.6	1.6	2.9	4.6	-0.1	
Available tonne-kilometres	2 683							644
%-change	5.7							19.1
Revenue tonne-kilometres mill	1 575							364
%-change	9.2							11.7
Overall load factor %	58.7							56.4 *
%-change	1.9							-6.2

* Operational calculatory capacity