FINNAIR GROUP INTERIM REPORT 1 JANUARY - 30 SEPTEMBER 2007

# Efficiency measures improved profitability

## Summary of the third quarter's key figures

**– Turnover rose 5.8% to 545.2 million euros, turnover excluding impact of FlyNordic, sold in July, rose 10.9%**
**– Passenger traffic grew 10.8%, passenger load factor fell 1.0 percentage point to 77.3%**
**– Unit revenues from flight operations fell by 5.2%, unit costs fell by 7.7%**
**– Operating profit i.e. EBIT, was 59.9 million euros (14.7 million)**
**– Operational result, i.e. EBIT excluding capital gains and changes in the fair value of derivatives, was 39.2 million euros (22.5 million)**
**– Profit before taxes was 55.9 million euros (13.5 million).**
**– Gearing at the end of the third quarter was 17.7% (9.7%) and gearing adjusted for leasing liabilities was 103.3% (108.0%)**
**– Balance sheet cash and cash equivalents at the end of the period totalled 257.1 million euros (295.6 million)**
**– Equity ratio 37.5% (38.9%)**
**– Equity per share 7.68 euros (7.18)**
**– Earnings per share 0.44 euros (0.11)**
**– Return on capital employed 9.3% (1.7%)**

Comparisons of key figures have been made against the third quarter of 2006, which still include FlyNordic numbers.
The interim report's traffic performance comparison figures are actual traffic performance figures from 2006, while in order to facilitate comparison the traffic performance figures of FlyNordic, sold in July, have been eliminated from the monthly published traffic figures for the period July-September 2006.

## President and CEO Jukka Hienonen on the interim result:

World air transport has kept pace well with the development of the world economy. Despite the rise in fuel price traffic numbers have grown on all continents. The growth of demand has been particularly strong in Asia and South America. Finnair's growth comes from Europe-Asia traffic. We come in fourth in this segment, right after the big players.

Thanks to Finnair's efficiency programme launched last year, we are in a better result-making condition which is reflected in the figures for the third quarter and the whole year. The implementation of the growth strategy and fine-tuning of our engine have required flexibility from both the core of the Group as well as all sides of it. The weeding of our cost structure is part of the continuous rationalisation of our operations and focus on the essential.

Our recently published vision tells of our commitment to growth and profitability. Finnair has in its hands the keys to its success with the help of which we can realise our goal of becoming the airline of choice for quality and environmentally conscious air travellers in intercontinental traffic in the Northern Hemisphere.

It is a joy to publish such a result on Finnair's 84th birthday; it is much needed for the coming investments. We have a long, distinguished history, but it does not guarantee our success tomorrow. This success needs to be built every day. We are in a position to expect the best operating result of the new millennium so far this year.

## Market and General Review

In the first nine months of the year, Finnair's development has been better than the average for European network airlines in terms of both traffic growth and profitability improvement. In Europe-Asia traffic, Finnair is among the ten most significant operators, and is fourth among European airlines in terms of capacity.

During this year, global air traffic has grown by around six per cent from the previous year. The air traffic growth in Asia, where economic growth is boosting the development of the continent, has been particularly strong. Finnair's traffic overall grew in January-September by more than 14 per cent and scheduled passenger traffic by more than 20 per cent – in the third quarter even more strongly.

Finnair's Asian traffic grew in the early part of the year by 30 per cent, while European airlines' Asian traffic grew on average by 3.5 per cent. Finnair's objective is continued growth to Asian destinations. Finnair's vision is to develop into the most desired intercontinental airline of the northern hemisphere.

In the third quarter, capacity was increased particularly by two new long-haul Airbus A340 aircraft entered into traffic in June. The long-haul fleet renewal is proceeding according to schedule. Next year, another two new Airbus wide-bodied aircraft will join Finnair's fleet, marking the beginning of the Boeing MD-11 aircraft replacement investments. The intention is to arrange a rights issue in order to partially finance the investments.

In the early part of the year, four new 100-seat Embraer 190 jet aircraft have been acquired for European traffic. At the same time, four of the Estonian subsidiary Aero's ATR 72 turboprop aircraft have been sold.

In the third quarter, unit revenues for Finnair's air traffic fell due to a change of traffic structure. Unit revenues were also burdened by new openings and capacity increases in Europe and Asia, to which flights were sold with a more aggressive pricing. At the same time, despite record high fuel prices, unit costs of air traffic fell more strongly than unit revenues, which improved the profitability of scheduled passenger traffic.

It has been possible to reduce the cost level of air traffic through the more efficient use of fleet and by improving the productivity of personnel. In terms of functions supporting air traffic, significant cost savings have been achieved in Finnair Technical Services, where operational productivity has been improved through competitiveness projects. Costs of ground handling activity rose from the third quarter of last year, particularly due to the start-up of operations in Norway. In September, a memorandum of understanding on the sale of the Norwegian and Swedish ground handling operations was signed with the Menzies Aviation Plc.

The 80 million euro efficiency programme on annual savings initiated in May last year has proceeded according to plan. More than half of the programme's impact will be seen this year, while the full impact on the result will be evident next year.

The punctuality of Finnair's flights has been lower this year than last, although there has been some improvement towards the end of the year. Last summer, delays were caused by increased traffic in relation to the capacity of Helsinki-Vantaa Airport. Baggage problems were caused, among other things, by the perceived terrorist threat in the UK, which overextended baggage streams at European airports.

Air cargo traffic on Finnair's Asian flights has grown due to an increase in capacity. Average prices have fallen, particularly due to overcapacity in the Scandinavian market. Towards the autumn, cargo demand has increased and the fall in average prices has levelled off.

The agreement made in July for the sale of Finnair's Swedish subsidiary FlyNordic to Norwegian Air Shuttle was finalised during the autumn. As a result of the deal, Finnair acquired five per cent of Norwegian's shares and an option to increase its ownership to ten per cent. In the third quarter, a non-recurring item improving the operating profit by around 14 million euros was recognised for the deal. In addition, cooperation between Finnair and Norwegian was agreed upon.

## Financial Result, 1 July – 30 September 2007

Turnover rose in the third quarter by 5.8 per cent to 545.2 million euros (515.4 million) Turnover excluding FlyNordic from comparison year increased by 10.9%. The Group's operational result, i.e. operating profit excluding capital gains, changes in the fair value of derivatives and non-recurring arrangement expenses rose to 39.2 million euros (22.5 million). Adjusted operating profit margin was 7.2 per cent (4.4). Profit before taxes was 55.9 million euros (13.5 million).

Result includes 17.3 million euros (0.1 million) in capital gains and non-recurring items. The most significant of these consists of a capital gain on the sale of FlyNordic, the net impact of which on operating profit is 14.1 million euros. In addition, the figure includes capital gains arising from the sale of one ATR 72 turboprop aircraft and the engine of one Boeing MD-80 aircraft. In non-recurring items, negative contributions were made by additional depreciation of Boeing MD-80 aircraft owned by Finnair Aircraft Finance but used by FlyNordic as well as amortisation of goodwill for FlyNordic.

Changes in the fair value of derivatives improved the third quarter result by 3.4 million euros, but this has no effect on cash flow.

In July-September, the Finnair Group's passenger traffic capacity rose by more than 12.2 per cent and demand grew 10.8 per cent; demand in Asian traffic alone rose by 31.5 per cent. Passenger load factor fell by 1.0 percentage points compared with the previous year to 77.3 per cent. In terms of cargo, 5.9 per cent more was carried than in July-September last year. The most significant growth area for cargo traffic is Asia.

In Group passenger traffic, total unit revenues per passenger kilometre fell 5.9 per cent. Yield per passenger rose by 11.8 per cent. Unit revenues per tonne kilometre for cargo traffic declined by 2.4 per cent. Weighted unit revenue for passenger and cargo traffic fell 5.2 per cent, mainly due to a change of traffic structure.

Euro-denominated operating costs rose during the period by 1.2 per cent. Operating costs, eliminated by Flynordic Q3 2006, increased by 6.6 per cent. Unit costs for flight operations, on the other hand, fell by 7.7 per cent. The most significant change from the third quarter of the previous year is the item ‘Fleet materials and overhauls’, which fell by 35.6%. One of the main factors was lower maintenance costs resulting from new aircraft in the fleet. In addition, there were subcontracting costs in the comparison year, which did not exist this year. The most significant reason for the reduction of the item ‘Other expenses’ is last year’s change in the fair value of derivatives.

Fuel costs rose in the third quarter overall by 10.8 per cent, but per available tonne kilometre fell by 2.0 per cent Unit costs, excluding fuel costs, fell by 9.5 per cent.

Earnings per share for the quarter amounted to 0.44 euros (0.11). The main factors in the Group’s profit improvement were the improved results of the Scheduled Passenger Traffic business area, Finnair Catering and Finnair Technical Services.

## Financial Result, 1 January – 30 September 2007

Turnover rose in January-September by 8.2 per cent to 1,611.8 million euros (1,490.3 million euros). The Group’s operational result, i.e. EBIT excluding capital gains, non-recurring arrangement costs and changes in the fair value of derivatives, rose to 72.2 million euros (35.6 million). Adjusted operating profit margin was 4.5 per cent (2.4). Profit before taxes was 103.7 million euros (11.6 million euros).

Changes in the fair value of derivatives improved the result for the first nine months by 14.3 million euros, but this has no effect on cash flow.

In January-September, the passenger traffic capacity rose by more than 12.2 per cent and demand grew 11.9 per cent; demand in Asian traffic alone rose by 30.9 per cent. The passenger load factor was at the previous year’s level, 75.9 per cent. The amount of cargo carried grew from the previous year by 2.4 per cent.

In Group passenger traffic, total unit revenues per passenger kilometre fell 1.5 per cent. Yield per passenger rose by 11.1 per cent. In cargo traffic, unit revenues per tonne kilometre fell 5.4 per cent due to strong price competition and a change of traffic structure. Weighted unit revenues for passenger and cargo traffic fell by 1.4 per cent.

Euro-denominated operating costs rose during the period by 3.5 per cent. Operating costs, eliminated by Flynordic, increased by 5.9 per cent. Unit costs for flight operations fell by 4.6 per cent. Fuel costs increased in January-September by 13.6 per cent as a whole, but per available tonne kilometre only by 0.8 per cent. Unit costs, excluding fuel costs, fell by 6.2 per cent.

Earnings per share for January-September amounted to 0.84 euros (0.07).

Any comparison should also take into consideration the fact that 15 million euros of non-recurring expenses relating to the restructuring programme were recognised in the second quarter of last year, which is evident in cumulative operating expenses. In the comparison of operational result, restructuring expenses have been eliminated.

## Investment, financing and risk management

Investments in January-September totalled 264.3 million euros (195.1 million) and included, among other things, two Airbus A340 wide-bodied aircraft as well as three Embraer 190 aircraft for European traffic. Including advance payments, the cash flow impact of investments was -225.7 million euros. During the final quarter, a further two Embraer 190 aircraft will arrive.

In 2008 the gross investments will exceed 300 million euros. The forecast for 2009 is more than 400 million euros including potential leasing solutions. The financing solution for Airbus A330 aircraft between direct leasing and debt financing remains open, so the level of investment realisable in the balance sheet is not yet known.

At the end of September, the Group had balance sheet cash and cash equivalents amounting to 257.1 million euros, in addition to which there was a total of 250 million euros in unused committed credit facilities.

Operational net cash flow in January-September was 168.7 million euros, compared with 23.4 million euros a year earlier. Gearing increased from 7.1 per cent at the beginning of the year to 17.7.per cent at the end of September, and gearing adjusted for leasing liabilities decreased from 112.8 per cent to 103.3. per cent. The equity ratio has remained at the previous year's level and was 37.5 per cent.

As part of the financing of the investment programme and to strengthen the capital structure, it is the intention to arrange a share offering (rights issue) for existing shareholders. This offering has been prepared in cooperation with Danske Markets and UBS Investment Bank. An Extraordinary Shareholders Meeting will be convened on 21 November 2007 to decide on the granting of share offer authorisations to the company's Board of Directors. The aim is to implement the share offering during the final quarter of this year. In respect of Finnair's largest shareholder, the Finnish State, the Government has submitted a proposal to Parliament for an appropriation up to a maximum of 139 million euros, the use of which would maintain the State's ownership at its current level.

The leasing agreements of the seven Boeing 757 aircraft used by Leisure Flights have been renewed on more favourable financial terms, which results in as lower aircraft leasing costs.

This year, sale and leaseback agreements have been made for two Embraer 190 aircraft, one in the second quarter and one, in progress, in the fourth quarter. The lease agreements are Japanese Operating Leases, which include the right to repurchase when the leasing term of approximately ten years expires.

According to Finnair's financial risk management policy, the hedging horizon for jet fuel is three years. Due to derivatives market efficiency differences, Finnair also uses other oil derivatives as fuel price hedging instruments in addition to derivatives linked to the price of jet fuel.

Within the framework of the hedging policy, the company has hedged around 66 per cent of scheduled traffic's jet fuel purchases during the first six months, 42 per cent during the next six months, and thereafter for the following 18 months with a decreasing level of hedging. Finnair Leisure Flights has price hedged 60 per cent of the fuel consumption of its agreed traffic programme for the coming winter season.

Under IFRS rules, a change during the financial period in the fair value of fuel- and foreign currency-related derivatives that mature in future is recognised in the Finnair income statement item 'Other expenses'. The change in the fair value of derivatives is not a realised hedging gain nor does it have an effect on cash flow; it is a valuation gain in accordance with IFRS reporting practice. During the third quarter, the change in the fair value of derivatives was 3.4 million euros, and in January-September 14.3 million euros.

During the early part of the year, a weakening of the US dollar against the euro has had a positive impact on Finnair's operational result of around five million euros, taking foreign currency hedging into account. At the end of September, the degree of hedging for a dollar basket over the next 12 months was 63 per cent.

## Shares and Share Capital

Finnair's market value on 30 September 2007 was 1,038.4 million euros (1,138.6 million) and the closing share price 11.70 euros. During the period January-September, the highest price for the Finnair Plc share on the Helsinki Stock Exchange was 14.35 (15.00) euros, while the lowest price was 10.86 (10.01) euros and the average price 12.86 (12.53) euros. During the first nine months of the year, some 13.8 million (26.4 million) of the company's shares, with a value of 177.5 million euros (330.6 million), were traded on the Helsinki Stock Exchange. At the end of the period under review, the Finnish State owned 55.8 per cent (56.1) of Finnair's shares, while 32.9 per cent (34.5) were held by foreign investors or in the name of a nominee.

Finnair's share capital on 30 September 2007 was 75,442,904.30 euros and the number of issued shares was 88,756,358.

At the beginning of the financial period, Finnair held 151,903 of its own shares, which it had purchased in previous years. On 22 March 2007 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 to dispose of the company's own shares up to a maximum of 3,651,903 shares. The authorisation applies to shares amounting to less than five per cent of the company's share capital. The company has not acquired nor disposed of its own shares in the period

1 January–30 September 2007, and on 30 September 2007 the company held a total of 151,903 own shares, i.e. 0.17 per cent of all shares.

## Changes in Senior Management

Jukka Hämäläinen, who was earlier Managing Director of Servisair Oy, began as Managing Director of the Finnair's Group's ground handling company Northport Oy and as member of the Finnair Group's Board of Management on 13 August 2007. He succeeds Tero Vauraste, who resigned on 31 May 2007.

Veikko Sievänen, who has earlier served as Chief Pilot and Boeing MD-11 Fleet Captain, was appointed Senior Vice President, Flight Operations Division and member of the Board of Management on 1 November 2007. Captain Sievänen has also been approved as Post Holder, Flight Operations, by the Finnish Aviation Authorities. He succeeds Hannes Bjurström, who resigned his duties on 31 October 2007.

Taru Keronen began as Managing Director of Matkatoimisto Oy Area on 1 October 2007. He joined Area from his previous post as Managing Director of Eckerö Line. Area's present Managing Director, Juhani Suomela, will act as a senior adviser until the end of the year, when he will retire.

## Personnel

During the first nine months of the year, the Finnair Group had an average number of 9,534 employees, which was 1.8 per cent fewer than a year earlier. Scheduled Passenger Traffic had 4,145 employees and Leisure Traffic 372 employees. The total number of personnel in technical, catering and ground handling services was 3,730 and in travel services 1,129. A total of 158 people were employed in other functions.

In January-September, personnel expenses rose 3.9 per cent. Salaries rose by 4.1 per cent and pension contributions by 14.1 per cent due to a higher pension insurance contribution class. In July-September, personnel expenses rose by 5.6 per cent from the third quarter of the previous year. A 3.5 million euro provision for personnel incentive bonuses resulting from improved profitability contributed to the rise. Comparable personnel expenses per available tonne kilometre fell 7.2 per cent in the third quarter.

During October, Finnair agreed with five labour unions on new collective employment agreements, which will run until spring 2010. The salary rises agreed in the collective employment agreement negotiations will impose pressure to improve productivity, particularly on those business units operating in labour-intensive sectors.

The nominal salary increases contained in the agreements are on average 4-5 per cent for the coming 12 months and 3-4 per cent for the next 12 month period. The agreements include accommodations on matters relating to workforce flexibility as well as incentive pay models.

The collective employment agreement with cabin personnel is still open. The present agreement with pilots expires at the end of April 2008.

## Fleet changes

Finnair Group's fleet is managed by Finnair Aircraft Finance Oy, which belongs to the Scheduled Passenger Traffic business area. On 30 September 2007, Finnair Group airlines had a total of 63 aircraft in service. The average age of the Finnair Scheduled Passenger Traffic's entire fleet was 5.8 years. In European traffic, the average age of the fleet is around four years. Finnair has at its disposal the most modern fleet in European air traffic, which brings both cost savings and eco-efficiency.

Finnair's long-haul fleet consists of three Airbus A340 aircraft and seven Boeing MD-11 aircraft. The MD-11 aircraft will be replaced with twin-engine Airbus A330 wide-bodied aircraft by the spring 2010 utilizing model change rights in September 2007. The Boeing MD-11 aircraft will be withdrawn from Finnair's ranks in 2008-10 as their lease agreements expire. It has been agreed that two aircraft owned by Finnair will be sold to Aeroflot Cargo. The aircraft will be transferred to their new owner in autumn 2008 and summer 2009.

The long-haul fleet renewal programme includes orders for two Airbus A340 aircraft for 2008 and seven Airbus A330 aircraft for 2009–10 as well as options for three more. Through the programme, the Finnair long–haul fleet can be increased from the present ten aircraft to 15 aircraft by the end of the decade.

In 2014-16, new technology A350XWB aircraft will also be acquired. Finnair has placed firm orders for 11 of this type of aircraft and has options for four more.

The Embraer aircraft acquisition programme, which began in autumn 2005, continues. The number of Embraer aircraft ordered is 20, of which ten are the 76-seat 170 model and ten the 100-seat 190 model. All ten Embraer 170 aircraft and five Embraer 190s have already been delivered to Finnair. During the current year, one more Embraer 190 will arrive, and the remaining four will be delivered in 2008-2009, two each year.

After the withdrawal of the MD-11 aircraft, the company's scheduled passenger traffic fleet will consist solely of modern Airbus A320, A330 and A340 aircraft as well as Embraer 170 and 190 aircraft.

The commonality of the fleet will boost the efficiency of crew utilisation and maintenance work. The lower fuel consumption of the new aircraft will bring savings and cut emissions. The fleet renewal will create a good framework for lowering operating costs and improving profitability. The total value of confirmed aircraft orders is around two billion euros.

Winglets have been fitted to the Boeing 757 aircraft used by Finnair Leisure Flights. The modification has improved the aircraft's aerodynamics and consequently reduced fuel consumption and emissions by five per cent.

One of the ATR 72 turboprop aircraft used by the Estonian subsidiary Aero Airlines AS was sold in July, for which a capital gain was recognised in the third quarter. Aero will continue operating with three ATR 72 aircraft until early 2008, when the remaining ATR aircraft will be sold and Aero's operations in their present form will be discontinued.

## Performance of business areas

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 Traffic

This business area is responsible for sales of scheduled passenger traffic and cargo, service concepts, flight operations, and 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 AS, Finnair Cargo Oy, Finnair Aircraft Finance Oy, and FlyNordic up to end of the second quarter.

In July-September the business area's turnover grew 7.6 per cent to 432.6 million euros. The operational result, i.e. adjusted EBIT, improved 41.9 per cent to 28.8 million euros (20.3 million).

Scheduled Passenger Traffic's profitability clearly improved in the third quarter, despite a fall in unit revenues. The improvement in profitability was due above all to more efficient flight operations following changes made in the Asian network and the efficiency measures agreed with flight personnel. In addition, the improved operational efficiency of internal service providers facilitates a lower price level. Moreover, the strengthening of the euro against the US dollar has improved the profitability of Finnair Scheduled Passenger Traffic.

In the third quarter, Scheduled Passenger Traffic's capacity, measured in passenger kilometres, grew 15.4 per cent and demand by 0.2 percentage points more, so passenger load factor remained at the previous year's level, 76.7 per cent. Alongside additions to Asian traffic, the European fleet's seat renewal implemented last spring and a capacity swap between the Boeing 757 and the Airbus A320 fleet agreed with Leisure Flights contributed to the strong growth in capacity. Scheduled Passenger Traffic carried more than 1.8 million passengers in July-September. During the entire early part the year, nearly six million passengers were carried on scheduled flights.

Unit revenue for scheduled passenger traffic declined by 8.1 per cent in July-September compared with the previous year. Eliminating the impact of FlyNordic, which was sold in July, from the comparison year, unit revenue fell 6.7 per cent. The fall in unit revenue resulted from weaker unit revenue in European traffic as well as from growth in the relative share of long-haul traffic. On long flights, passenger kilometre-based unit revenue and costs are lower than on the shorter European and domestic flights. The average distance flown on European routes has also grown.

In international scheduled traffic, Finnair has increased its market share by several percentage points. Finnair has a nearly 60 per cent market share in travel departing from Finland. In marketing, particular attention is now being directed at international corporate customers outside Finland's borders.

During January-September, the arrival punctuality of scheduled passenger flights fell by 4.8 per cent to 81.0 per cent (85.8). Punctuality has been reduced by technical faults affecting Boeing MD-11 and Embraer aircraft. Delays have also been caused by the Helsinki-Vantaa Airport terminal's capability of handling the increased passenger and baggage streams of Europe-Asia traffic during extension work, which will be completed in 2009. Special attention will be directed at production planning and supervision by improving processes and cooperation between units.

At the end of June, Finnair sold its Swedish subsidiary FlyNordic to Norwegian Air Shuttle. The deal was confirmed at the end of July and follow-up formalities were finalised at the end of October. The deal was implemented as a share swap through which Finnair gained a more than five per cent ownership of Norwegian Air Shuttle. In addition, Finnair acquired share options which, if exercised, would increase its ownership to around ten per cent by the end of 2008. In the third quarter, a non-recurring items improving the operating profit by around 14 million euros was recognised for the deal.

Finnair and Norwegian Air Shuttle have also agreed to deepen cooperation between the companies. Norwegian Air Shuttle's Scandinavian route network will be linked to Finnair's increasing Asian connections, which will mean, for example, that growing demand in Asia for tours of the Nordic countries and Central Europe can be satisfied better.

The total amount of cargo carried in scheduled traffic grew by 5.9 per cent in the third quarter. Leased cargo capacity has been reduced in North American traffic. The amount of cargo carried in Asian traffic increased 18.2 per cent from the previous year.

Unit revenues for cargo in scheduled traffic declined 5.9 per cent in the third quarter as a result of a fall in prices due to overcapacity in the Nordic market. The demand and price level for cargo have turned for the better during the autumn. Strong cargo demand in the Indian market is also a positive factor.

## Leisure Traffic

This business area consists of Finnair Leisure Flights as well as the Aurinkomatkat-Suntours package tour group, which is the biggest in its field in Finland with a market share of 37 per cent. Finnair Leisure Flights also enjoys a strong market leadership in leisure travel flights. The business area's clientele consists of Finland's leading tour operators and private customers.

In July-September, Finnair Leisure Flights carried nearly 317,500 passengers. Performance calculated in passenger kilometres was 8.5 per cent less than a year earlier and capacity was reduced by 2.1 per cent, so the passenger load factor of Leisure Flights declined 5.6 percentage points from the previous year's level to 80.1 per cent. The result, however, remained at the previous year's level.

Package tour sales fell in Finland from the previous summer, as tour operators reduced their capacity in order to avoid significant discounts on last-minute sales. Unsold trips affect the tour operators', not the charter airline's, revenues, but are evident in the airline as a fall in passenger load factor.

The contraction of the Leisure Flights' capacity was due to the final fitting of winglets to the Boeing 757 fleet as well as a capacity optimisation agreed with Finnair Scheduled Passenger Traffic in the cross-use of Boeing 757 and Airbus A320 fleets. Southern European scheduled traffic destinations favoured by tourists have been flown with 227-seat Boeing 757 leisure flight aircraft and, correspondingly, Airbus A320 aircraft, with less seats, have been used by Leisure Flights for smaller Mediterranean destinations. Demand was also affected by foreign-owned travel operators' increased use of their own airlines in the Finnish market. Finnair Leisure Flights' capacity was cut to meet demand which led to a slight fall in Finnair Leisure Flights' market share in the summer season.

The third quarter capacity of Aurinkomatkat-Suntours was nearly ten per cent lower than the previous year. Passenger load factor rose 1.2 percentage points to 97.3 per cent and profitability improved correspondingly. For the summer, Aurinkomatkat-Suntours launched a new youth travel brand, takeOFF. The company sold more than 6,000 package tours. Aurinkomatkat's new Estonian subsidiary is growing strongly. During January-September, Horizon sold over a third more tours than in the corresponding period the previous year. The Aurinkomatkat-Suntours Group's winter season 2007/2008 sales are ahead of the previous year.

The business area's turnover in the third quarter was 90.1 million euros (90.7 million). The operating profit was 7.8 million euros (8.2 million).

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

In October, Aurinkomatkat-Suntours made an agreement to acquire the Russian travel agency and tour operator Calypso. Calypso is the St. Petersburg area's leading travel agency for VIP travel and tailored itineraries, and it has its own tour operator business. The aim is to finalise the deal by the end of the year. Calypso will organise the foreign travel of around 15,000 customers this year. The Calypso Group has 60 employees.

## Aviation Services

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

In July-September, turnover for Aviation Services rose by 8.2 per cent to 109.9 million euros (101.6 million). The operational result improved by 7.3 million euros and was a profit of 2.7 million euros (4.6 million loss).

At the beginning of 2006, Finnair Technical Services initiated a competitiveness project in which the entire organisation's revenue and cost structure was examined. The goal is to achieve profitable business operations through specialisation and by developing processes and operating models. Operations for which there is no commercial justification will be discontinued. As a result of operational efficiencies, Finnair Technical Services' operational result in January-September was in profit, even though the third quarter was slightly loss-making.

Finnair Technical Services has received new clients outside the Group, which is expected to increase external turnover towards the end of the year. Utilisation of the Aircraft Heavy Maintenance unit has increased and profitability improved, but the unit is still loss-making.

Around 300 jobs will be cut in Finnair Technical Services by the end of the year. The reduction will be implemented mainly through various early retirement solutions and outsourcing of functions, in a manner agreed upon earlier. A significant proportion of these employment relationships has already ended.

All of the units of ground handling company Northport Oy operated at a loss in July-September. Northport Oy expanded its operations also to Oslo's Gardemoen Airport in October 2006. Operational profitability has not developed in line with objectives.

As part of the Finnair Group's structural change and profitability improvement, it has been decided to sell Northport Oy's Swedish and Norwegian subsidiary to Menzies Aviation. Improvements in efficiency will continue in the Helsinki unit under Northport's new management.

The profitability of Catering operations has improved from the previous year. The efficiency of production processes has been improved and traffic growth has also increased demand for catering products. In addition to basic operations, additional revenue has been generated from expanded advance sales in connection with long-haul flights and increased sales on European flights. Moreover, the product range has been expanded to special meals ordered by passengers in advance. Adjustments to the Tax Free Plus shops' product range as well as sales campaigns have also increase turnover and improved customer satisfaction.

Finnair Catering will receive new premises at Helsinki-Vantaa Airport at the beginning of 2008. The subsidiary Finncatering moved to new premises a year ago.

## Travel Services

This business area consists of the Group's domestic and foreign travel agencies, including Finland Travel Bureau (FTB), its subsidiary Estravel which operates in the Baltic countries, and Matkatoimisto Area, as well as the operations of the travel reservations systems supplier Amadeus Finland Oy.

In the third quarter, the business area's turnover fell 6.9 per cent to 19.0 million euros (20.4 million). The decline was due to a down-sizing of FTB's own package tour production. Sales via the internet doubled from the previous year. Customers have given a good reception to the opportunity to tailor their leisure trips themselves on the internet. The internal restructuring of Area and FTB implemented last year and the merger of operating locations situated in various localities into an FTB distribution network are beginning to be evident in improved financial performance. As a result of efficiency measures, Travel Services' operating profit improved in the third quarter by 44.4 per cent to 1.3 million euros (0.9 million).

## Air Traffic Services and Products

Finnair is focusing on traffic between Europe and Asia, offering efficient and diverse connections from Finland to the world. Nearly half of scheduled traffic revenue is linked to Asian traffic. Finnair has a total of 59 non-stop flight connections per week to ten Asian destinations.

A new destination, Mumbai in India, was opened in June 2007 with five flights per week. In June 2008 Finnair will begin direct flights to Seoul, the capital of South Korea. The route will be operated with five flights a week.

Finnair's long-haul strategy exploits Helsinki's ideal location on flight routes between Asia and Europe. A terminal extension at Helsinki-Vantaa Airport intended to service Asian traffic in particular will open in 2009. Flights covering 50 European and 14 domestic destinations connect into Finnair's Asia network. At the same time, a wide selection of direct connections are offered from Finland to the rest of Europe. New, all-year-round destinations are Bucharest, Lisbon and Ljubljana.

In July American Airlines, Finnair and three other **one**world airlines – Iberia, Malév and Royal Jordanian – applied for antitrust immunity (ATI) from the United States' Department of Transport (DOT) in respect of Trans-Atlantic traffic. The **one**world partners wish to expand their cooperation in, among other things, traffic and route planning, marketing, pricing, frequent-flyer schemes, cargo transportation, and information and distribution systems.

In their bilateral cooperation, Finnair and American Airlines have had a valid antitrust immunity agreement in the United States since 2002. This is reflected, for example, in common pricing, increased onward connections between Finland and the USA, and improved airport services.

Finnair Leisure Flights carries the customers of ten tour operators to 66 holiday destinations in 33 countries. In addition, there are flights that can only be purchased on the internet to dozens of Leisure Flights' destinations. Growth in Asian travel is also reflected in Leisure Flights. Next winter season, Leisure Flights will operate 12 weekly flights to Asia, including daily flights to Thailand. A new winter destination is Krabi in Thailand.

The Leisure Flights' fleet consists of seven Boeing 757 aircraft and Airbus capacity leased from Scheduled Passenger Traffic. At the beginning of 2007, Finnair Leisure Flights launched additional services that customers can pay for via the internet before their trip. Customers can, for example, order various meal options or make arrangements for special baggage. The range of additional services will be expanded during the latter part of the year.

## Vision 2017

In October, Finnair published its long-term vision, which envisaged the company's future for the decade ahead. The company's objective is to become the airline of choice for quality and environmentally conscious air travellers in intercontinental travel in the northern hemisphere. Finnair also aims to be an attractive investment for shareholders.

The vision specifies scheduled traffic between Europe and Asia, and between North American and Asia, as the key growth areas, because number of the shortest routes between these continents passes over Scandinavia and offer Helsinki-Vantaa Airport a natural role as a transit point. Traffic on these axes is expected to develop strongly in the coming years. The anticipated opening of Russian air traffic in future will present opportunities to supplement the network.

The intention of Finnair and Finavia is to develop Helsinki-Vantaa so that changing aircraft at the airport offers a travel experience in itself as well as basic services. The reliable image of Finnair and Finland in the world is a strength in a changing environment.

With its present fleet programme, Finnair's long-haul fleet can be increased to over 20 wide-bodied aircraft by 2017. Finnair's total passenger numbers can rise from the present nine million to over 20 million, with clearly over three million passengers a year in long-haul traffic. The aim of the fleet modernisation is to create a fleet that is as modern, economic and environmentally positive as possible.

Finnair wants to be a responsible world citizen that takes the environment into consideration in everything it does. Finnair supports the International Air Transport Association IATA's target towards zero-emissions air transport. Decreasing the environmental load of air transport will facilitate growth in air travel also in the future.

Finnair considers that the significance of Asian airlines in intercontinental traffic will grow and that consolidation in the sector will continue. For Finnair, the most interesting future cooperation candidates are to be found among the Asian **one**world airline partners. The main goals for Finnair are improved connections and customer service while increasing value for shareholders.

Finnair's other core business area is Leisure Traffic. The aim is to expand package tour and charter operations from the Finnish market into the Baltic Sea area, particularly the Baltic States and Russian market.

The Finnair brand's success factors will also be based in future on strong expertise and good networking. The value generated for a Finnish airline's customers is based on safety, freshness, creativity and Finnishness, which are positive, differentiating qualities.

## Short-term risks and uncertainty factors

Fuel costs constitute approximately one fifth of the Group's total costs and are one of the most significant uncertainty factors where costs are concerned. The price of oil has been at a record high during the autumn. For the rest of the year, the degree of hedging of more than 70 per cent will dampen any short-term fluctuation in the result, but if the present development continues, fuel costs for 2008 will grow more than operational performance.

Finnair has opened new routes to Asia and has increased capacity on existing routes. The new route openings and increases may weaken average load factors and prices in the short term.

Negotiations for Cabin personnel's collective employment agreement, due at the end of September, are still continuing. The agreement with pilots expires on 30 April 2008.

## Outlook

In its strategy, Finnair is strongly committed to Europe-Asia traffic. The objective is to increase traffic utilising Helsinki's favourable location on flight routes between the continents. Finnair offers a significant number of the shortest connections between Europe and Asia. At least half of travellers require at least one connecting flight, because they have no direct connection between the European and Asia destinations in question.

According to Finnair's new ten-year vision published in October, traffic streams between North America and Asia will also offer Finnair a growth opportunity in future. Number of the shortest connections also between these continents also passes over Scandinavia.

The world market price of oil has been at a record high this autumn. This is not expected to have significant impact for the rest of the year, but the rise will be reflected in fuel cost from 2008 onwards. Expensive fuel underlines how significant it is that Finnair has committed itself to acquiring a more energy-efficient fleet.

The fleet modernisation is expected to proceed according to plan, so that an additional one Embraer 190 will enter European and domestic service at the end of the year, and two more next year. In addition, two Airbus A340 long-haul aircraft will join the fleet in 2008.

In collaboration with the organising banks, Finnair is contemplating a share offering (rights issue) to existing shareholders in order to partially finance the fleet investments and to strengthen the capital structure. On 21 November 2007, an Extraordinary Shareholders Meeting will be convened to decide on the arrangement of the share offering as well as the authorisation of the Board of Directors to implement the share offering.

Finnair's Asian traffic is expected to continue growing at a rapid pace. New openings will continue to burden load factors to some extent, but less than before. The trend in unit revenues is expected to continue to decline, although more gently than in the third quarter.

Improvements in operational efficiency will continue throughout the Finnair Group in accordance with the 80 million euro programme initiated last year. Most of the workforce reductions will be implemented by the end of the year. More than half of the savings will be delivered this year and the full impact will be evident next year. The operational result for 2007 is expected to exceed 70 million euros. The result for the last quarter is expected to be profitable.

FINNAIR PLC
Board of Directors

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# FINNAIR GROUP INTERIM REPORT FOR JANUARY 1 –SEPTEMBER 30, 2007

The interim report has been prepared in accordance with accounting and valuation principles of IFRS standards, but all requirements of IAS 34 has not been followed to full extend.

## KEY FIGURES EUR mill.

| | 2007 1 July- 30 Sep | 2006 1 July- 30 Sep | Change % | 2007 1 Jan– 30 Sep | 2006 1 Jan– 30 Sep | Change % | 2006 1 Jan– 31 Dec |
|---|---|---|---|---|---|---|---|
| Turnover | 545.2 | 515.4 | 5.8 | 1 611.8 | 1 490.3 | 8.2 | 1 989.6 |
| Profit before depreciation and lease payments, EBITDAR * | 88.0 | 69.8 | 26.1 | 216.8 | 178.9 | 21.2 | 206.8 |
| Lease payments for aircraft | 19.8 | 22.2 | -10.8 | 60.6 | 68.0 | -10.9 | 90.8 |
| Operating profit. EBIT* | 39.2 | 22.5 | 74.2 | 72.2 | 35.6 | 102.8 | 11.2 |
| Fair value changes of derivatives | 3.4 | -7.9 | - | 14.3 | -7.4 | - | -8.8 |
| Profit from disposal of capital assets | 17.3 | 0.1 | - | 24.2 | -13.2 | - | -13.2 |
| Operating profit, EBIT | 59.9 | 14.7 | - | 110.7 | 15.0 | - | -10.8 |
| Profit for the financial year (share attributable to shareholders of parent company) | 39.6 | 10.3 | - | 74.7 | 6.7 | - | -13.6 |
| | | | | | | | |
| Operating profit. EBIT, % of turnover * | 7.2 | 4.4 | - | 4.5 | 2.4 | 87.5 | 0.6 |
| EBITDAR, % of turnover * | 16.1 | 13.5 | - | 13.5 | 12.0 | 12.0 | 10.4 |
| Unit revenues of flight operations c/RTK | 68.9 | 72.7 | -5,2 | 72.8 | 73.8 | -1.4 | 74.0 |
| Unit costs of flight operations c/ATK | 40.9 | 44.3 | -7.7 | 43.7 | 45.8 | -4.6 | 46.0 |
| Earnings per share EUR (basic) | 0.44 | 0.11 | - | 0.84 | 0.07 | - | -0.16 |
| Earnings per share EUR (diluted) | 0.44 | 0.11 | - | 0.84 | 0.07 | - | -0.16 |
| Equity per share EUR | 7.68 | 7.18 | 7.0 | 7.68 | 7.18 | 7.0 | 6.77 |
| Gross investment EUR mill. | 19.7 | 76.1 | - | 264.3 | 195.1 | 35.5 | 252.2 |
| Gross investment, % of turnover | 3.6 | 14.8 | - | 16.4 | 13.1 | - | 12.7 |
| Equity ratio % | | | | 37.5 | 38.9 | - | 37.2 |
| Gearing % | | | | 17.7 | 9.7 | - | 7.1 |
| Adjusted gearing % | | | | 103.3 | 108.0 | - | 112.8 |
| Rolling 12-month ROCE % | | | | 9.3 | 1.7 | - | -0.1 |
| Rolling 12-month ROE % | | | | 8.3 | 0.6 | - | -2.0 |

* Excluding capital assets, fair value changes of derivatives and reorganization expenses.
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, fair value changes of derivatives and reorganization expenses

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)

## CONSOLIDATED INCOME STATEMENT (EUR mill.)

| | 2007 1 July–30 Sep | 2006 1 July-30 Sep | Change % | 2007 1 Jan–30 Sep | 2006 1 Jan–30 Sep | Change % | 2006 1 Jan–31 Dec |
|---|---|---|---|---|---|---|---|
| **Turnover** | **545.2** | **515.4** | **5.8** | **1 611.8** | **1 490.3** | **8.2** | **1 989.6** |
| Work used for own purposes and capitalized | 1.1 | 1.6 | -31.3 | 2.4 | 2.0 | 20.0 | 3.7 |
| Other operating income | 26.1 | 4.1 | 536.6 | 42.7 | 17.1 | 149.7 | 17.9 |
| **Operating income** | **572.4** | **521.1** | **9.8** | **1 656.9** | **1 509.4** | **9.8** | **2 011.2** |
| **Operating expenses** | | | | | | | |
| Staff costs | 129.1 | 122.2 | 5.6 | 391.4 | 376.6 | 3.9 | 508.2 |
| Fuel | 116.5 | 105.1 | 10.8 | 324.0 | 285.2 | 13.6 | 385.0 |
| Lease payment for aircraft | 19.8 | 22.2 | -10.8 | 60.6 | 68.0 | -10.9 | 90.8 |
| Other rental payments | 16.0 | 18.3 | -12.6 | 48.5 | 58.3 | -16.8 | 80.7 |
| Fleet materials and overhauls | 17.0 | 26.4 | -35.6 | 58.4 | 75.3 | -22.4 | 100.6 |
| Traffic charges | 46.0 | 43.9 | 4.8 | 134.1 | 123.0 | 9.0 | 161.9 |
| Ground handling and catering expenses | 39.1 | 34.5 | 13.3 | 118.3 | 102.7 | 15.2 | 139.4 |
| Expenses for tour operations | 25.0 | 23.9 | 4.6 | 83.8 | 81.0 | 3.5 | 111.5 |
| Sales and marketing expenses | 19.1 | 23.2 | -17.7 | 65.6 | 64.9 | 1.1 | 91.3 |
| Depreciation | 33.5 | 25.1 | 33.5 | 88.5 | 75.3 | 17.5 | 104.8 |
| Other expenses | 51.4 | 61.6 | -16.6 | 173.0 | 184.1 | -6.0 | 247.8 |
| **Total** | **512.5** | **506.4** | **1.2** | **1 546.2** | **1 494.4** | **3.5** | **2 022.0** |
| **Operating profit EBIT** | **59.9** | **14.7** | **-** | **110.7** | **15.0** | **-** | **-10.8** |
| Financial income | 2.0 | 2.9 | -31.0 | 8.2 | 7.6 | 7.9 | 11.0 |
| Financial expenses | -6.0 | -4.1 | 46.3 | -15.3 | -11.1 | 37.8 | -15.0 |
| Share of result in associates | 0.0 | 0.0 | - | 0.1 | 0.1 | - | 0.1 |
| **Profit before taxes** | **55.9** | **13.5** | **-** | **103.7** | **11.6** | **-** | **-14.7** |
| Direct taxes | -16.1 | -3.3 | - | -28.6 | -4.3 | - | 1.7 |
| **Profit for financial year** | **39.8** | **10.2** | **-** | **75.1** | **7.3** | **-** | **-13.0** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Earnings per share to shareholders of the parent company | 39.6 | 10.3 | | 74.7 | 6.7 | | -13.6 |
| Minority interest | 0.2 | -0.1 | | 0.4 | 0.6 | | 0.6 |
| | | | | | | | |
| **Earnings per share calculated from profit attributable to shareholders of the parent company** | | | | | | | |
| Earnings per share EUR | 0.44 | 0.11 | | 0.84 | 0.07 | | -0.16 |
| Earnings per share EUR (diluted) | 0.44 | 0.11 | | 0.84 | 0.07 | | -0.16 |

# CONSOLIDATED BALANCE SHEET (EUR mill.)

| | 30 Sep 2007 | 30 Sep 2006 | 31 Dec 2006 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 47.0 | 46.2 | 47.5 |
| Tangible assets | 1 163.2 | 984.1 | 1 012.3 |
| Investments in associates | 5.7 | 3.0 | 5.6 |
| Financial assets | 14.3 | 16.1 | 15.4 |
| Deferred tax receivables | 18.1 | 28.2 | 27.1 |
| Total | 1 248.3 | 1 077.6 | 1 107.9 |
| **Short-term receivables** | | | |
| Inventories | 39.8 | 41.4 | 38.5 |
| Trade receivables and other receivables | 307.6 | 269.5 | 211.8 |
| Investments | 231.8 | 258.4 | 268.6 |
| Cash and bank equivalents | 26.6 | 37.2 | 25.7 |
| Total | 605.8 | 606.5 | 544.6 |
| Non-current Assets held for sale | 11.2 | 0.0 | 7.6 |
| **Assets total** | **1 865.3** | **1 684.1** | **1 660.1** |
| **SHAREHOLDERS´ EQUITY AND LIABILITIES** | | | |
| **Capital and reserves attributable to equity holders of the parent company** | | | |
| Shareholders´ equity | 75.4 | 75.4 | 75.4 |
| Other equity | 605.1 | 560.5 | 524.5 |
| Total | 680.5 | 635.9 | 599.9 |
| Minority interest | 1.6 | 1.6 | 1.6 |
| Equity. total | 682.1 | 637.5 | 601.5 |
| **Long-term liabilities** | | | |
| Deferred tax liability | 118.7 | 118.9 | 115.7 |
| Financial liabilities | 313.6 | 293.4 | 286.9 |
| Pension obligations | 11.8 | 7.5 | 7.0 |
| Total | 444.1 | 419.8 | 409.6 |
| **Short-term liabilities** | | | |
| Current income tax liabilities | 23.1 | 12.5 | 3.0 |
| Reserves | 4.9 | 0.0 | 10.0 |
| Financial liabilities | 70.3 | 63.4 | 56.6 |
| Trade payables and other liabilities | 630.8 | 550.9 | 579.4 |
| Total | 729.1 | 626.8 | 649.0 |
| Liabilities related to long-term asset items held for sale | 10.0 | 0.0 | 0.0 |
| Liabilities total | 1 183.2 | 1 046.6 | 1 058.6 |
| **Shareholders' equity and liabilities, total** | **1 865.3** | **1 684.1** | **1 660.1** |

## SHAREHOLDERS´EQUITY EUR mill.

| Equity attributable to shareholders of parent company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **New issue** | **Share pre-mium account** | **Bonus issue** | **Hedging reserve** | **Retained earnings** | **Total** | **Minority interests** | **Own equity total** |
| **Shareholders´ equity 1.1.2006** | 73.8 | 0.6 | 18.3 | 147.7 | 20.9 | 411.1 | **672.4** | 1.6 | **674.0** |
| Optio right to own 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 |
| Minority purchases | | | | | | -0.1 | -0.1 | -0.2 | -0.3 |
| Dividend payment | | | | | | -21.8 | -21.8 | -0.4 | -22.2 |
| 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 |
| **Shareholders´ equity 30.9.2006** | 75.1 | 0.3 | 20.4 | 147.7 | -5.2 | 397.6 | **635.9** | **1.6** | **637.5** |

## SHAREHOLDERS´EQUITY EUR mill.

| Equity attributable to shareholders of parent company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **New issue** | **Share pre-mium account** | **Bonus issue** | **Hedging reserve** | **Retained earnings** | **Total** | **Minority interests** | **Own equity total** |
| **Shareholders´ equity 1.1.2007** | 75.4 | 0.0 | 20.4 | 147.7 | -21.1 | 377.5 | **599.9** | 1.6 | **601.5** |
| Translation difference | | | | | | -0.3 | -0.3 | | -0.3 |
| Dividend payment | | | | | | -8.9 | -8.9 | -0.4 | -9.3 |
| Optio right to shares | 0.0 | 0.0 | 0.0 | | | | 0.0 | | 0.0 |
| Change in fair value of hedging instruments | | | | | 15.1 | | 15.1 | | 15.1 |
| Profit for the period | | | | | | 74.7 | 74.7 | 0.4 | 75.1 |
| **Shareholders´ equity 30.9.2007** | 75.4 | 0.0 | 20.4 | 147.7 | -6.0 | 443.0 | **680.5** | **1.6** | **682.1** |

# CONSOLIDATED CASH FLOW STATEMENT

| EUR mill. | 1 Jan – 30 Sep 2007 | 1 Jan – 30 Sep 2006 | 1 Jan – 31 Dec 2006 |
|---|---|---|---|
| | | | |
| **Cash flow from operating activities** | | | |
| Profit for the financial year | 75.1 | 7.3 | -13.0 |
| Operations for which a payment is not included **1)** | 79.8 | 65.7 | 100.2 |
| Interest and other financial expenses | 15.3 | 11.1 | 15.0 |
| Interest income | -8.1 | -6.9 | -9.1 |
| Other financial income | -0.1 | -0.7 | -1.8 |
| Dividend income | 0.0 | 0.0 | -0.1 |
| Taxes | 28.6 | 4.3 | -1.7 |
| Changes in working capital: | | | |
| Change in trade and other receivables | -86.3 | -40.3 | 10.2 |
| Change in inventories | -1.3 | 3.8 | 6.7 |
| Change in accounts payables and other liabilities | 87.9 | 1.6 | 13.4 |
| Interest paid | -10.5 | -7.7 | -11.0 |
| Paid financial expenses | -2.5 | -2.4 | -3.4 |
| Received interest | 6.3 | 6.1 | 9.9 |
| Received financial income | 0.1 | 0.0 | 1.6 |
| Taxes paid | -15.6 | -18.5 | -21.1 |
| **Net cash flow from operating activities** | **168.7** | **23.4** | **95.8** |
| | | | |
| **Cash flow from investing activities** | | | |
| Acquisitions of subsidiaries | -0.6 | 0.0 | 0.0 |
| Investments in intangible assets | -15.2 | -9.0 | -12.6 |
| Investments in tangible assets | -264.3 | -209.6 | -273.0 |
| Net change of financial interest bearing assets at fair value through profit and loss | 12.6 | 65.8 | 53.2 |
| Sales of tangible fixed assets | 40.7 | 1.9 | 2.3 |
| Received dividends | 0.0 | 0.0 | 0.1 |
| Change in non-current receivable | 1.1 | 1.6 | 2.3 |
| **Net cash flow from investing activities** | **-225.7** | **-149.3** | **-227.7** |
| | | | |
| **Cash flow from financing activities** | | | |
| Loan withdrawals and changes | 85.1 | 108.4 | 108.3 |
| Loan repayments | -43.8 | -19.9 | -25.9 |
| Optio right to shares | 0.0 | 6.0 | 5.4 |
| Dividends paid | -8.9 | -21.8 | -21.8 |
| **Net cash flow from financing activities** | **32.4** | **72.7** | **66.0** |
| | | | |
| **Change in cash flows** | **-24.6** | **-53.2** | **-65.9** |
| | | | |
| **Change in liquid funds** | | | |
| Liquid funds, at beginning | 273.5 | 339.4 | 339.4 |
| Change in cash flows | -24.6 | -53.2 | -65.9 |
| **Liquit funds, in the end** | **248.9** | **286.2** | **273.5** |

# CONSOLIDATED CASH FLOW STATEMENT

| EUR mill. | 1 Jan – 30 Sep 2007 | 1 Jan – 30 Sep 2006 | 1 Jan – 31 Dec 2006 |
|---|---|---|---|
| **Notes to consolidated cash flow statement** | | | |
| **1)** Operations for which a payment is not included | | | |
| Depreciation | 88.5 | 75.3 | 104.8 |
| Employee benefits | -4.8 | -5.3 | -2.8 |
| Finance lease | -3.7 | -3.7 | -5.0 |
| Other adjustments | -0.2 | -0.6 | 3.2 |
| Total | 79.8 | 65.7 | 100.2 |
| | | | |
| Financial asset at fair value | 231.8 | 258.4 | 268.6 |
| Cash and bank equivalents | 25.3 | 37.2 | 25.7 |
| Short-term cash and cash equivalents in balance sheet | 257.1 | 295.6 | 294.3 |
| Shares held to trading purposes | -2.9 | -4.1 | -2.9 |
| Maturing after more than 3 months | -5.3 | -5.3 | -17.9 |
| Total in cash flow statement | 248.9 | 286.2 | 273.5 |

# 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, are the secondary reporting format. Segment information will based on the corresponding information reported in the financial statement.

## PRIMARY REPORTING FORMAT - BUSINESS SEGMENT DATA 1 January – 30 Sep 2007

| | Scheduled Passenger Traffic | Leisure Traffic | Aviation Services | Travel Services | Group eliminations | Unallocated items | Group |
|---|---|---|---|---|---|---|---|
| EUR mill. | | | | | | | |
| External turnover | 1 179,0 | 285,1 | 89.0 | 58.7 | | | 1 611.8 |
| Internal turnover | 78.8 | 4.7 | 231.5 | 3.4 | -318.4 | | 0.0 |
| Turnover | 1 257.8 | 289.8 | 320.5 | 62.1 | -318.4 | 0.0 | 1 611.8 |
| Operating profit | 63.4 | 14.5 | 8.5 | 3.8 | | 20.5 | 110.7 |
| Share of results of associated undertakings | | | | | | 0.1 | 0.1 |
| Financial income | | | | | | 8.2 | 8.2 |
| Financial expenses | | | | | | -15.3 | -15.3 |
| Income tax | | | | | | -28.6 | -28.6 |
| Minority interest | | | | | | -0.4 | -0.4 |
| Result for the period | | | | | | | 74.7 |
| | | | | | | | |
| Other items | | | | | | | |
| Investments | 237.2 | 0.8 | 23.3 | 0.8 | 0.0 | 2.2 | 264.3 |
| Depreciation | 64.7 | 0.3 | 19.8 | 1.1 | 0.0 | 2.6 | 88.5 |

## PRIMARY REPORTING FORMAT - BUSINESS SEGMENT DATA 1 January- 30 Sep 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 |

## TURNOVER

| | 2007 | 2006 | Change | 2007 | 2006 | Change | 2006 |
|---|---|---|---|---|---|---|---|
| | 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 | 432.6 | 401.9 | 7.6 | 1257.8 | 1 147.0 | 9.7 | 1522.1 |
| Leisure Traffic | 90.1 | 90.7 | -0.7 | 289.8 | 282.5 | 2.6 | 386.8 |
| Aviation Services | 109.9 | 101.6 | 8.2 | 320.5 | 301.3 | 6.4 | 407.5 |
| Travel Services | 19.0 | 20.4 | -6.9 | 62.1 | 66.1 | -6.1 | 87.4 |
| Group eliminations | -106.4 | -99.2 | 7.3 | -318.4 | -306.6 | 3.8 | -414.2 |
| **Total** | **545.2** | **515.4** | **5.8** | **1611.8** | **1 490.3** | **8.2** | **1 989.6** |

## OPERATING PROFIT EXCLUDING THE DISPOSAL OF THE CAPITAL ASSETS AND FAIR VALUE CHANGES OF DERIVATIVES AND REORGANIZATION EXPENSES

| | 2007 | 2006 | Change | 2007 | 2006 | Change | 2006 |
|---|---|---|---|---|---|---|---|
| | 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 | 28.8 | 20.3 | 41.9 | 56.2 | 37.5 | 49.9 | 28.6 |
| Leisure Traffic | 7.8 | 8.2 | -4.9 | 14.5 | 15.6 | -7.1 | 18.6 |
| Aviation Services | 2.7 | -4.6 | -158.7 | 7.3 | -9.4 | -177.7 | -24.5 |
| Travel Services | 1.3 | 0.9 | 44.4 | 3.8 | 2.1 | 81.0 | 2.3 |
| Unallocated items | -1.4 | -2.3 | -39.1 | -9.6 | -10.2 | -5.9 | -13.8 |
| **Total** | **39.2** | **22.5** | **74.2** | **72.2** | **35.6** | **102.8** | **11.2** |

## EMPLOYEES AVERAGE BY SEGMENT

| | 2007 | 2006 | Change |
|---|---|---|---|
| | 1 Jan–30 Sep | 1 Jan–30 Sep | % |
| Scheduled Passenger Traffic | 4 145 | 4 194 | -1.2 |
| Leisure Traffic | 372 | 333 | 11.7 |
| Aviation Services | 3 730 | 3 814 | -2.2 |
| Travel Services | 1 129 | 1 141 | -1.1 |
| Other functions | 158 | 226 | -30.1 |
| **Finnair Group Total** | **9 534** | **9 708** | **-1.8** |

## SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS

## TURNOVER OUTSIDE THE GROUP BY SALES DESTINATION

| | 2007 | 2006 | Change | 2007 | 2006 | Change | 2006 |
|---|---|---|---|---|---|---|---|
| | 1 July-<br>30 Sep | 1 July–<br>30 Sep | % | 1 Jan–<br>30 Sep | 1 Jan–<br>30 Sep | % | 1 Jan–<br>31 Dec |
| EUR mill. | | | | | | | |
| Finland | 99.0 | 101.7 | -2.7 | 308.5 | 324.4 | -4.9 | 436.7 |
| Europe | 246.8 | 245.0 | 0.7 | 762.2 | 716.7 | 6.3 | 936.5 |
| Asia | 164.9 | 137.2 | 20.2 | 440.4 | 347.1 | 26.9 | 482.0 |
| North America | 21.3 | 23.3 | -8.6 | 49.5 | 52.8 | -6.3 | 66.4 |
| Others | 13.2 | 8.2 | 61.0 | 51.2 | 49.3 | 3.9 | 68.0 |
| **Total** | **545.2** | **515.4** | **5.8** | **1 611.8** | **1 490.3** | **8.2** | **1 989.6** |

## AIR TRAFFIC 1 January – 30 Sep 2007

| | Total traffic | Europe | North America | Asia | Domestic | Scheduled Traffic Total | Leisure | Cargo |
|---|---|---|---|---|---|---|---|---|
| Passengers (1000) | 6 704 | 3 581 | 108 | 838 | 1 288 | 5 815 | 889 | |
| %-change | 4.0 | 12.9 | -4.6 | 25.8 | -16.1 | 6.0 | -7.3 | |
| Cargo and mail (tonnes) | 71 125 | 16 085 | 5 586 | 41 696 | 2 498 | 65 865 | 352 | 71 125 |
| %-change | 2.4 | -7.3 | -10.1 | 18.9 | -13.5 | 7.1 | 40.0 | 2,4 |
| Available seat-kilometres mill | 19 978 | 6 716 | 856 | 7 532 | 1 107 | 16 211 | 3 767 | |
| %-change | 14.7 | 19.8 | -2.7 | 31.8 | -17.2 | 19.8 | -3.0 | |
| Revenue passenger kilometres | 15 171 | 4 646 | 713 | 5 912 | 680 | 11 952 | 3 219 | |
| %-change | 14.3 | 21.4 | -4.6 | 30.9 | 11.2 | 21.3 | -5.7 | |
| Passenger load factor % | 75.9 | 69.2 | 83.3 | 78.5 | 61.4 | 73.7 | 85.5 | |
| %-change | -0.2 | 0.9 | -1.7 | -0.5 | 4.2 | 0.9 | -2.4 | |
| Available tonne-kilometres | 3 024 | | | | | | | 936 |
| %-change | 14.2 | | | | | | | 43,8 |
| Revenue tonne-kilometres mill | 1 752 | | | | | | | 393 |
| %-change | 12.7 | | | | | | | 6,9 |
| Overall load factor % | 57.9 | | | | | | | 42,0 * |
| %-change | -0.8 | | | | | | | -14,5 |

* Operational calculatory capacity

## CONTINGENT LIABILITIES AND DERIVATE CONTRACTS EUR mill.

| | 30 Sep 2007 | 30 Sep 2006 | 31 Dec 2006 |
|---|---|---|---|
| **Other contingent liabilities** | | | |
| Pledges on own behalf | 282.8 | 244.9 | 236.9 |
| Guarantees on group undertakings | 662.3 | 409.4 | 536.3 |
| **Total** | **905.1** | **654.3** | **773.2** |
| Fleet lease payment liabilities | 333.2 | 426.7 | 389.8 |
| Other liabilities | 181.9 | 167.2 | 180.8 |
| **Total** | **1 420.2** | **1 248.2** | **1 343.8** |

## CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS EUR mill.

| Derivative contracts | 30 Sep 2007 | | 30 Sep 2006 | | 31 Dec 2006 | |
|---|---|---|---|---|---|---|
| **Currency derivatives** | **Nominal value (EUR mill.)** | **Fair value (EUR mill.)** | **Nominal value (EUR mill.)** | **Fair value (EUR mill.)** | **Nominal value (EUR mill.)** | **Fair value (EUR mill.)** |
| Hedge accounting items | | | | | | |
| Forward contracts, Jet Fuel currency hedging | 254.3 | -17.1 | 235.9 | -0.7 | 260.2 | -8.2 |
| Forward contracts, Hedging of Aircraft purchase price | 424.8 | -15.0 | 216.9 | -0.7 | 324.7 | -9.1 |
| Forward contracts. Currency hedging of lease payments | 62.6 | -3.2 | 48.5 | -1.1 | 63.8 | -1.9 |
| **Total** | **741.7** | **-35.3** | **501.3** | **-2.5** | **648.6** | **-19.2** |
| Currency derivatives at fair value through profit or loss | | | | | | |
| Operating cash flow hedging | 0.0 | 0.0 | 37.9 | -0.8 | 26.7 | -1.3 |
| Balance sheet hedging | 77.6 | -1.3 | 88.8 | -0.3 | 94.1 | -0.6 |
| Currency call options | 28.2 | 0.0 | 15.8 | 0.1 | 0.0 | 0.0 |
| Currency put options | 28.2 | -0.5 | 15.8 | 0.0 | 0.0 | 0.0 |
| **Total** | **134.0** | **-1.8** | **158.3** | **-1.0** | **120.9** | **-2.0** |
| **Currency derivatives, total** | **875.7** | **-37.1** | **659.6** | **-3.5** | **769.5** | **-21.2** |
| | **30 Sep 2007** | | **30 Sep 2006** | | **31 Dec 2006** | |
| | **Nominal value (tonnes)** | **Fair value (EUR mill.)** | **Nominal value (tonnes)** | **Fair value (EUR mill.)** | **Nominal value (tonnes)** | **Fair value (EUR mill.)** |
| **Commodity derivatives** | | | | | | |
| Hedge accounting items | | | | | | |
| Jet Fuel swaps | 538 000 | 17.5 | 450 700 | -3.1 | 510 400 | -12.8 |
| | | | | | | |
| Commodity derivatives at fair value through profit or loss | | | | | | |
| Jet Fuel Forward contracts | 9 400 | 0.3 | 98 500 | -4.9 | 79 300 | -5.1 |
| Gasoil forward contracts | 38 400 | 1.7 | 0 | 0.0 | 0 | 0.0 |
| Jet differential forward contracts | 333 000 | 1.8 | 0 | 0.0 | 112 500 | 0.0 |
| Options | | | | | | |
| Jet Fuel call options | 28 500 | 2.0 | 31 500 | 0.9 | 35 000 | 0.3 |
| Jet Fuel put options | 57 000 | -0.7 | 63 000 | -0.6 | 70 000 | -0.5 |
| Gasoil call options | 51 000 | 3.3 | 0 | 0.0 | 9 000 | 0.0 |
| Gasoil put options | 99 000 | -0.8 | 0 | 0.0 | 18 000 | 0.0 |
| **Total** | | **25.1** | | **-7.7** | | **-18.2** |
| | **30 Sep 2007** | | **30 Sep 2006** | | **31 Dec 2006** | |
| | **Nominal value (EUR mill.)** | **Fair value (EUR mill.)** | **Nominal value (EUR mill.)** | **Fair value (EUR mill.)** | **Nominal value (EUR mill.)** | **Fair value (EUR mill.)** |
| **Interest rate derivatives** | | | | | | |
| **Cross currency Interest rate swaps** | | | | | | |
| Hedge accounting items | 30.3 | -13.6 | 46.9 | -14.4 | 42.5 | -15.2 |
| Cross currency interest rate swaps at fair value through profit or loss | 17.1 | -10.2 | 24.2 | -10.3 | 22.1 | -10.7 |
| **Total** | **47.4** | **-23.8** | **71.1** | **-24.7** | **64.7** | **-25.9** |
| | | | | | | |
| **Interest rate swaps** | | | | | | |
| Hedge accounting items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest rate swaps at fair value through profit or loss | 20.0 | 1.0 | 20.0 | 0.8 | 20.0 | 1.0 |
| **Total** | **20.0** | **1.0** | **20.0** | **0.8** | **20.0** | **1.0** |
| **Share derivatives** | | | | | | |
| Shares | | | | | | |
| Call options, share | 16.6 | 3.2 | 0.0 | 0.0 | 0.0 | 0.0 |