

## Cost-cutting measures dampen loss

### Summary of the third-quarter 2009 key figures

- Turnover fell 21.8% to 436.9 million euros (558.7 million)
- Passenger traffic declined 10.8% in passenger kilometres from the previous year, passenger load factor fell 0.2 percentage points to 79.6% (79.8%)
- Unit revenues from flight operations per tonne kilometre fell by 13.5% and unit costs decreased by 1.0%.
- The operating loss was 24.1 million euros (25.5 million loss)
- The operational result, i.e. EBIT excluding capital gains, non-recurring items and changes in the fair value of derivatives, was a loss of 36.4 million euros (2.1 million profit)
- The result before taxes was a loss of 28.0 million euros (23.0 million loss)
- Gearing at the end of September was 34.6% (-8.7%) and gearing adjusted for leasing liabilities was 97.1% (51.1%)
- Balance sheet cash and cash equivalents at the end of September totalled 304.4 million euros (374.0 million).
- Equity ratio 38.5% (46.2%)
- Equity per share 6.73 euros (7.54)
- Earnings per share -0.16 euros (-0.15)
- Return on capital employed -9.5% (+5.5%)
- Operational punctuality of flights 90.3% (80.2%)

In this interim report, figures for 2008 are presented in brackets after the figures for the current year.

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

Third quarter result was in line with our predictions, even though it did not meet, by any means, our targets.

Turnover declined further by more than 20 per cent. The structure of demand has not essentially changed from the early part of the year. Clearly lower demand for business travel and the consequent decline in the average price have cut revenues by more than a fifth. Aircraft are flying with fairly reasonable passenger load factors, but the steep fall in the average price is eroding profitability. We have adjusted to falling demand by cutting capacity. Adjustment to the fall in price level, in contrast, has been less effective.

The weakening of profitability has been slowed, however, through purposeful cost-cutting measures. Stabilisation agreements covering Technical Services, Cabin Service and Catering have played a key role and also serve as an excellent example to other units and personnel groups.

We do not expect any rapid change in demand structure. Only the fall in cargo demand has ceased, even though cargo prices remain low. In leisure traffic, the winter will be highly challenging.

The implementation of Finnair's restructuring, under preparation since the spring, began in August. Finnair's Executive Board is committed to implementing the change. On 7 August 2009, I resigned from my post with six months notice, but I too am fully involved in implementing the restructuring project.

Finnair still has a long way to go before its corporate structures and the operating conditions they create are sustainably competitive. The company's foundations are still stronger than many of its competitors, but a small domestic market requires the implementation of the company's chosen Europe-Asia strategy at the price levels obtainable in an internationally competitive market.

Finnair's Asian strategy has proved to be very valuable, especially now in the midst of the recession. Our domestic market is now suffering from a poor demand and price levels. I am pleased, that the downturn in the domestic market has partly been compensated with new corporate deals in other market places. The traffic between Europe and Asia already counts for over 50 per cent of the revenues in Finnair's scheduled traffic.

In the economic downturn, Finnair's Asian strategy has proved to be particularly important. The domestic market suffered from weak demand and price levels. It is satisfying to note that new corporate agreements in other markets have offset to some extent the decline in domestic demand. Europe-Asia traffic already accounts for over 50 per cent of Finnair's scheduled traffic revenue.

## **Market and General Review**

The strongly negative development of demand in air traffic during the first half of the year eased in the third quarter. The result level for the sector remains negative, however, and the International Air Transport Association IATA has doubled its estimate of the total loss for the sector to 11 billion dollars this year.

The Finnair Group's turnover fell in the third quarter by more than 20 per cent. Falling demand has affected both scheduled passenger and leisure traffic. The decline in demand for business travel demand has stabilised at a lower level, but overcapacity in the sector is continuing to keep ticket prices low, irrespective of the customer segment. The sharp fall in cargo demand has halted, but overcapacity has lowered the price level further.

Thanks to capacity cuts, the passenger load factor for scheduled passenger flights has, however, remained at a good level. In leisure traffic, in contrast, it has fallen.

To strengthen the balance sheet, the company issued in September a 120 million euro hybrid bond, which will reduce the level of gearing. Compared with the sector, however, Finnair's gearing is moderate.

In response to rapidly weakened profitability, Finnair has initiated during the last 15 months efficiency programmes totalling 200 million euros to improve profitability. In the programmes, around 120 million euros of targeted savings are directed at personnel costs. The goal is to achieve with personnel organisations additional stabilisation agreements, which would reduce unit costs through flexibility in conditions of employment. At the same time, structural reforms are also needed and partnerships will be sought in a number of business areas.

As part of the efficiency programme and business development, Finnair has under way an organisational change by which operations will be centralised, production planning improved, and capacity and profitable use of resources enhanced.

## **Financial Result, 1 July – 30 September 2009**

Turnover fell in the third quarter by 21.8 per cent to 436.9 million euros (558.7 million). The Group's operational result, i.e. EBIT excluding capital gains, non-recurring items and changes in the fair value of derivatives, was a loss of 36.4 million euros (2.1 million profit). Adjusted operating profit margin was -8.3 per cent (+0.4). The result before taxes was a loss of 28.0 million euros (-23.0 million)

A 3.7 million euro item improving the third quarter result has been recognised for changes in the fair value of derivatives. The corresponding item last year weakened the reported result by 26.1 million euros. The strong volatility is due to fluctuations in the market price of fuel. Changes in the fair value of derivatives have no effect on cash flow.

In July–September, Finnair's passenger traffic capacity was cut by 10.6 per cent and revenue passenger kilometres declined by 10.8 per cent. In Asian traffic, revenue passenger kilometres fell by 12.7 per cent and leisure traffic performance by 17.3 per cent. The passenger load factor for traffic overall declined from the previous year by 0.2 percentage points to 79.6 per cent. The amount of cargo carried fell by 8.5 per cent.

In scheduled passenger and leisure traffic, total unit revenues per passenger kilometre fell by 10.4 per cent. Yield per passenger fell by 11.3 per cent. Unit revenues per tonne kilometre for cargo traffic declined by 37.0 per cent. Weighted unit revenues for passenger and cargo traffic fell by 13.5 per cent.

Euro-denominated operating costs fell during the period by 15.0 per cent as turnover contracted by 21.8 per cent, which weakened operational profitability significantly. Unit costs of flight operations decreased by 1.0 per cent. The impact of initiated efficiency programmes on the third quarter result was around 30 million euros. Cumulatively, the efficiency programmes have yielded around 70 million euros in savings this year.

Fuel costs fell in the third quarter by 28.4 per cent from July–September the previous year, partly due to a fall in the price of fuel, partly to reduced fuel consumption. Fuel costs per tonne kilometre flown fell by 14.8 per cent. In the comparison, realised gains and losses on fuel derivatives and foreign exchange have also been recognised as fuel costs.

In addition to fuel costs, other cost items dependent on the level of operations – traffic charges, ground handling and catering costs as well as marketing and package tour production expenses – fell due to a significant reduction in passenger and cargo volumes. ‘Other lease payments’ rose by 22.6 per cent due to the leasing of capacity in terms of cooperation flights.

The acquisition of three new Airbus A330 aircraft in the early part of the year is evident as increased depreciation. Aircraft lease payments declined by 13.5 per cent due to changes in foreign exchange rates.

The sale and lease-back of certain properties and one spare engine yielded capital gains of 31.2 million euros. During the period, furthermore, impairments totalling 22.6 million were made on items connected with the disposal of Boeing 757 aircraft, inventories and fixed assets in connection with the withdrawal of MD-11 aircraft, and two Embraer aircraft made available for sale. The impairment recognition also includes a provision resulting from declaration of intent in terms of pilots’ pensions. Net of the impairments, capital gains and non-recurring items totalled 8.6 million euros in the third quarter.

## **Financial Result, 1 January – 30 September 2009**

Turnover fell in January–September by 17.7 per cent to 1,380 million euros (1,676.8 million). The Group’s operational result, excluding capital gains, changes in the fair value of derivatives and non-recurring arrangement expenses, fell to a loss of 140.8 million euros (14.5 million profit). Adjusted operating profit margin was –10.2 per cent (+0.9). The result before taxes was a loss of 88.3 million euros (0.2 million loss).

Changes in the fair value of derivatives had a 51.3 million euro improvement effect on the result reported for the first nine months of the year. The corresponding item for the previous year weakened the reported result by 13.6 million euros.

In January–September, Finnair’s passenger traffic capacity contracted by 7.8 per cent and revenue passenger kilometres fell by 6.4 per cent. Asian traffic declined by 9.2 per cent. The passenger load factor rose 1.1 percentage points from the previous year to 75.9 per cent. The amount of cargo carried fell by 17.4 per cent from the previous year.

In the Group’s passenger traffic, total unit revenues per passenger kilometre fell by 12.5 per cent. Yield per passenger fell by 10.0 per cent. Unit revenues per tonne kilometre for cargo traffic declined by 30.1 per cent. Weighted unit revenues for passenger and cargo traffic fell by 12.5 per cent.

Euro-denominated operating costs fell during the period by 8.6 per cent as turnover contracted by 17.7 per cent. Unit costs per available tonne kilometre for flight operations rose by 0.8 per cent. ‘Other lease payments’ were 26.0 per cent higher than a year earlier, mainly due to an Air European Airbus A330 aircraft, leased to Leisure Flights in the first quarter, and to the leasing of capacity in terms of cooperation flights.

In the third quarter, operational cash flow picked up and was slightly positive. Net cash flow for the first nine months was clearly negative, however, at -114.2 million euros.

Earnings per share for January–September amounted to -0.51 euros (0.02).

## **Investment, Financing and Risk Management**

Balance sheet cash and cash equivalents at the end of September totalled 304.4 million euros (374.0 million). Gearing at the end of September was 34.6 per cent (-8.7). Gearing adjusted for leasing liabilities was 97.1 per cent (51.1). The equity ratio was 38.5 per cent (46.2). Finnair's solidity remains good in comparison with the sector.

In the third quarter, investments totalled 11.3 million euros (74.9 million). Including advance payments, the cash-flow impact of fleet and auxiliary investments was 333 million euros in January–September and is estimated to be 400 million euros for the full year.

In terms of 2010, the aim is to reduce the level of investment from an original 300 million euros by, among other things, relaxing the acquisition schedule for new wide-bodied aircraft.

A long-term TyEL pension fund loan amounting to 20 million euros was raised during the third quarter. During the first nine months, a total of 105 million euros of this funding source has been raised. To release capital, in August–September Finnair made sale and leaseback agreements for certain properties located in the area of Helsinki-Vantaa Airport, as well as for one Airbus A330 aircraft spare engine. The cash-flow impact of the agreements totalled around 90 million euros.

In the third quarter, Finnair issued a 120 million euro hybrid bond, which was oversubscribed. At the closing date, the hybrid bond reduced adjusted gearing by 15.7 percentage points. The impact of the hybrid bond in terms of interest-bearing assets has not been taken into account in calculating gearing, because the cash impact of the bond will not be realised until the final quarter. The increase in assets will lower gearing by an additional 13.8 percentage points.

In addition to the implemented financing agreement, Finnair has a credit support of 160 mill. euros from the export credit institutions of the Airbus owner states. Calyon bank has been mandated to arrange the financing. In addition, Finnair has 250 million euro credit facility from the European Investment Bank and an option of a loan-back of employment pension fund reserves from Ilmarinen Mutual Pension Insurance Company amounting to around 330 million euros, both of which require a bank guarantee.

Finnair has agreed an as yet unused 200 million euro syndicated credit facility, intended as reserve financing. Financial flexibility is also achieved through a 200 million euro short-term commercial paper programme, of which 101 million euros was in use at the end of the period.

According to the financial risk management policy approved by Finnair's Board of Directors, the company has hedged 71 per cent of scheduled traffic's jet fuel purchases during the next six months and thereafter for the following 24 months with a decreasing level of hedging. Finnair's charter traffic price-hedges fuel consumption according to a traffic programme agreed with tour operators within the framework of the hedging policy. Derivatives linked to jet fuel and gasoil prices are mainly used as the fuel price hedging instruments.

A change during a financial quarter in the fair value of derivatives that mature in future is recognised in the Finnair income statement item. The change in question is a valuation result in accordance with IFRS reporting practice which has not been realised. It has no cash-flow impact, nor is it included in the operational result. In January–September, the change in the fair value of derivatives was +51.3 million euros (-13.6 million), and in the third quarter +3.7 million euros (-26.1 million).

The operational result for January–September includes realised losses on derivatives of 58.7 million euros, which appear in the fuel item of the income statement. In the third quarter, the losses were 15.9 million euros. The figure includes both foreign exchange and fuel derivatives.

Shareholders' equity includes a fair value fund related to hedge accounting, the value of which is affected by changes in the oil price and foreign exchange rates. The size of the item on the closing date was -54.3 million euros, which includes foreign exchange and fuel derivatives as well as, to lesser degree, other financial items.

Thanks to currency hedging, the strengthening of the US dollar in relation to the euro compared with the previous year did not significantly influence Finnair's operational result for the first nine months of the year. At the end of September, the degree of hedging for a dollar basket over the next 12 months was 70 per cent.

Value increase in shares of Norwegian Air Shuttle had impact of approximately nine million euro, after deferred taxes, on Finnair's equity. Finnair holds more than five per cent of the shares of Norwegian Air Shuttle.

## **Shares and Share Capital**

Finnair's market value at the end of September on the NASDAQ OMX Helsinki Stock Exchange was 530.5 million euros (517.7 million) and the closing price of the Finnair Plc share was 4.14 euros. During the period January–September, the highest price for the Finnair Plc share was 5.24 (8.49) euros, while the lowest price was 3.52 (3.95) euros and the average price 4.30 (6.32) euros. Some 8.8 million (57.7 million) of the company's shares, with a value of 37.7 million euros (365.0 million), were traded.

The total number of Finnair shares at the end of September was 128,136,115. The Finnish State owned 55.8 per cent (55.8%) of Finnair's shares, while 18.0 per cent (17.7%) were held by foreign investors or in the name of a nominee.

On 30 September 2009, Finnair held 387,429 of its own shares (treasury shares), representing 0.3 per cent of the total number of the company's shares.

## Organisational Change

As part of its operational efficiency programme, Finnair changed the structure of its Group organisation. The objective of the change currently under way is to centralise the Group's scheduled traffic and leisure flight operations into an integrated organisation under the President & CEO of Finnair Plc and also to achieve closer cooperation between operations and Group Administration.

Finnair's business activities are now divided into five operational entities: Sales & Marketing, Operations, Customer Service, Travel Services and Aviation Services. The support functions are Economics and Finance, Human Resources Management, Communications and Public Affairs, Resource Management, Business Development and Legal Affairs.

In the new structure, Sales & Marketing will be led by Mika Perho, Operations by Erno Hilden, Customer Service by Timo Riihimäki and Travel Services by Kaisa Vikkula. The Resources Management will be led by Ville Iho.

Aviation Services, comprising Finnair Catering, Finnair Technical Services and the ground handling company Northport Oy, as well as the cargo companies belonging to Airline Business, will continue within Deputy CEO Lasse Heinonen's area of responsibility.

The change aims to achieve better customer service, sales growth, and more efficient use of fleet and personnel in order to improve profitability. The reorganisation of operations will clarify areas of responsibility and generate cost savings.

Administrative support functions, such as Information Management, Human Resources Management and Financial Management will be centralised in Group Administration. Moreover, Resources Management and Long-Term Operational Planning will be transferred to become part of Group Administration.

The organisational change came into force on 1 October 2009. The reorganisation is expected reduce the need for personnel by around 200 employees.

Through the change, scheduled and leisure traffic will no longer be one of the Finnair Group's externally reporting business areas. As of 1 October 2009, the primary segments according to IFRS reporting will be: Airline Business, Aviation Services and Travel Services. Finnair's scheduled and charter traffic, cargo business and the fleet company Finnair Aircraft Finance are included in the Airline Business segment. Aurinkomatkat-Suntours is part of Travel Services. The result for the full year will be reported according to the new segment division.

## Senior Management

President & CEO Jukka Hienonen announced his resignation on 7 August 2009. Hienonen will leave company at the latest after his six months period of notice.

Changes took place in Finnair Plc's Executive Board. The Executive Board comprises, in addition to the President & CEO, Deputy CEO and Chief Financial Officer Lasse Heinonen, SVP Communications and Public Affairs Christer Haglund, SVP Operations Erno Hilden, SVP Resources Management Ville Iho, SVP Human Resources Anssi Komulainen, SVP Sales & Marketing Mika Perho, SVP Customer Service Timo Riihimäki and SVP Travel Services Kaisa Vikkula.

SVP Erno Hilden will also serve as the Accountable Manager referred to in the Airline Operator's Certificate (AOC).

The Board of Management includes, in addition to the members of the Executive Board, Northport Oy's Managing Director Jukka Hämäläinen, Senior Vice President of Finnair's catering operations Kristina Inkiläinen, and Managing Director of Finnair's cargo companies Antero Lahtinen.

## Personnel

In the period January–September, the average number of Finnair Group employees was 8,980 (9,614), which was 6.6 per cent less than a year earlier. Most of the reduction consisted of fixed-term contract personnel whose employment relationship ended during the last 12 months, but redundancies have also been made as part of a personnel reduction programme.

Scheduled Traffic had 3,965 employees and Leisure Traffic 486 employees. The total number of personnel in technical, catering and ground handling services was 3,435 and in travel services 950. A total of 144 people were employed in other functions.

Finnair has collective employment agreements valid until spring 2010 with four personnel organisations, namely the Finnish Aviation Employees Association (SLV), the Finnish Flight Attendants' Association (SLSY), the Finnair White-Collar Employees Association (FYT) and the Finnair Engineers' Association (FIRY). Collective employment agreements with the Finnish Aviation Union (IAU) and the Finnair Technical Employees' Association expired on 30 September 2009, because no agreement could be reached on a pay rise adjustment under the agreements. Negotiations are continuing to reach new collective agreements with both organisations.

The pilots' collective employment agreement expired at the end of November 2008 and negotiations on a new agreement have been under way since autumn of last year. These negotiations continue. The most significant points of contention between the employer and the Finnish Airline Pilots' Association (SLL), which represents the pilots, relate to pension benefits, the employer's managerial prerogative, working time arrangements and the amount of leisure to be agreed in the collective agreement.

Statutory employer-employee negotiations (YT negotiations) aimed at reducing personnel expenses also continued in the third quarter in different units within Finnair. The objective is to conclude in all business units stabilisation agreements by which flexibilities would be agreed to improve productivity.



To date, stabilisation agreements with personnel organisations have been agreed in Finnair Technical Services, the Cabin Service Department and Finnair Catering. The agreements include an additional bonus model which allows for the return of savings made as the operational result improves. With the aid of the agreements, a total of nearly 30 million euros of the 70 million euro savings target will be achieved by the end of 2010. Stabilisation measures have not yet been agreed with the pilots, among others. The pilots' share of the savings target is around 20 million euros.

In other units, new YT negotiations to achieve the 15 per cent, namely 70 million euro, targeted savings in personnel costs set earlier will take place during the autumn. The programme also includes personnel reductions arising from the organisational change.

The number of travel agency personnel has been reduced by 12 per cent from September last year, i.e. by 156 people. In addition, 4-9 week lay-offs of the entire workforce are under way.

The Finnair Group's efficiency measures cover all employees in the form of temporary lay-offs and other individual cuts in earnings. Through workforce reduction measures, the number of Finnair Group personnel had fallen by the end of September by more than 1,000 employees compared with the previous year.

## **Fleet Changes**

The Finnair Group's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair. At the end of September, the Finnair Group had a total of 68 aircraft in flight operations. The average age of Finnair's entire fleet is around six years.

Four new Airbus A330-300 aircraft joined Finnair's wide-bodied fleet in the first and second quarters. No aircraft acquisitions were made in the third quarter. On the other hand, one additional new Airbus A330-300 aircraft will be acquired in the final quarter. Finnair currently has a total of 12 long-haul aircraft.

A further three Airbus A330 aircraft, two in the first quarter and one in the final quarter, will be acquired in 2010. The remaining three Boeing MD-11 aircraft will be withdrawn from Finnair's fleet by the end of March 2010. Two Airbus wide-bodied aircraft are ordered for 2012-2013, with the final delivery timetable still to be confirmed.

Next spring, as part of the harmonisation of its fleet structure, Finnair will withdraw from service three of its Leisure Traffic Boeing 757-200 aircraft. Finnair will retain four Boeing 757 aircraft, which the company plans to withdraw from service in 2012 at the latest.

## **Environment and Social Responsibility**

Finnair takes the environment into consideration in all of its actions and decisions.

Finnair has been systematically modernising its fleet since 1999. A modern fleet loads the environment less in terms of carbon dioxide and noise emissions. The

modernisation of the long-haul fleet currently under way will have a significant impact on the amount of emissions.

Last year the EU approved a model for the implementation of emissions trading in air transport starting in 2012. Finnair will strive as part of the community of European airlines to argue successfully for the system to be worldwide and not distort competition in the sector.

Finnair is actively involved in environmental cooperation work with interest groups. In addition, Finnair has already been reporting on its environmental impact in the international Carbon Disclosure Project (CDP) for three years now.

## **Business Area Development in the Third Quarter**

The primary segment reporting of the Finnair Group's financial statements is based on business areas. The division of the business areas changed on 1 October 2009. The change has been described in more detail in the section Organisational Change. As of 1 October 2009, the reporting business areas will be: Airline Business, Aviation Services and Travel Services.

The third quarter has still been reported according to the old business area division: Scheduled Traffic, Leisure Traffic, Aviation Services and Travel Services.

### **Scheduled Traffic**

This business area is responsible for scheduled passenger traffic and cargo sales, service concepts, flight operations and activity connected with the procurement and financing of aircraft. Scheduled 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, Finnair Cargo Oy, Finnair Cargo Terminal Operations Oy and Finnair Aircraft Finance Oy.

The business area's turnover fell in the third quarter by 22.0 per cent to 348.2 million euros (446.4 million). The operational result was a loss of 34.1 million euros (-4.7 million).

More than 1.7 million passengers travelled on scheduled flights in the period July–September, representing a decline of nearly 14 per cent from the previous year. Scheduled Passenger Traffic revenue passenger kilometres fell from the previous year by eight per cent as capacity contracted by more than nine per cent, which improved the scheduled traffic passenger load factor by 1.1 percentage points to 79.3 per cent.

On Finnair's route network, capacity cuts have been made by reducing the number of flights on European and Asian routes. On the other hand, European summer destinations were again opened this summer, but with fewer seats. Finnair made three additional flights per week to Tokyo and New York in the summer months. The Tokyo route is operated daily and New York ten times per week.

In 2009 scheduled traffic capacity in passenger kilometres will be, with the present traffic programme, nearly ten per cent lower than last year. The reduction of capacity

has weakened the Finnair fleet's average daily utilisation rate, measured in flying hours, by around 15 per cent.

During the third quarter, scheduled flight unit revenues per passenger kilometre declined by 12.3 per cent. The main reason for the weak price development was a general reduction in business travel.

During January–September, the arrival punctuality of scheduled flights improved by 10.1 percentage points from the previous year to 90.3 per cent (80.2). Finnair's punctuality is one of the best among European airlines.

Cargo revenues account for around ten per cent of all scheduled traffic revenues. The profitability of Finnair's cargo business weakened quickly in the early part of the year worldwide due to the adverse global economic climate. Unit revenues for cargo declined by 37.0 per cent in July–September. On Finnair flights, the amount of cargo kilos carried fell by 8.5 per cent.

Finnair's cargo companies have made major adjustments to their operations. The terminal company in particular has managed to reduce personnel resources to match falling cargo volumes. Profitability is undermined, however, by the weak correspondence of unit costs with the downward trend in unit revenues.

### **Leisure Traffic**

This business area consists of Finnair's leisure flight operations plus the Aurinkomatkat-Suntours package tour company and its subsidiaries, the Estonian tour operator Horizon Travel and the St. Petersburg Calypso travel agency, as well as the Finnish takeOFF brand, which focuses on youth travel. Aurinkomatkat-Suntours is Finland's largest tour operator, with a market share of more than 37 per cent. Finnair Leisure Flights enjoys strong market leadership in leisure travel flights and all of Finland's largest tour operators are its customers. For their package tour production, tour operators buy the flight series they need to holiday destinations for the summer and winter seasons.

Leisure Traffic's turnover fell in the third quarter by 20.4 per cent to 74.6 million euros (93.7 million). The business area's operational profit was 5.9 million euros (6.0 million).

In the third quarter, Finnair Leisure Flights carried 247,000 passengers, 28.2 per cent fewer than a year earlier. Performance calculated in passenger kilometres fell by 23.7 per cent. Leisure Flights' passenger load factor fell by 6.9 percentage points compared with the previous year to 81.3 per cent.

The economic recession and uncertainty are evident in consumer behaviour and in package tour sales. Trips are purchased closer to the travel date. In August–September, tour operators had to sell a larger proportion of their trips with last-minute discounts, which was evident in weakened profitability. Tour operators cut their tour production for the summer by around ten per cent from the previous year. In Estonia, the package tour market has nearly halved. In Russia, Aurinkomatkat's sales are growing, even though demand for holiday trips has clearly fallen.

Aurinkomatkat-Suntours and Finnair Leisure Flights prepared in advance for the weakening of demand by adjusting their summer season production significantly from the previous year's level. Leisure Flights was able to compensate for loss of revenue caused by a reduction in package tour volume by selling seats on holiday route flights, by in-flight sales, through temporary lay-offs of Finnair personnel and as result of the lower price for jet fuel compared with the previous year.

Sales of holiday trips for next winter season have started off at a clearly more leisurely rate compared with the record demand of last winter. Tour operator capacity cuts will weaken the daily utilisation rates of the Boeing 757 aircraft used on leisure flights in the latter part of the year. Winter flights to Phuket, Thailand will be operated direct using Finnair's Airbus 330-300 wide-bodied aircraft. The aircraft has a Comfort class.

### **Aviation Services**

This business area comprises aircraft maintenance services, ground handling and the Group's catering operations. In addition, most of 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.

Aviation Services' turnover fell in the third quarter by 11.8 per cent to 95.8 million euros (108.6 million). The decline was mainly due to the fall in Finnair's flight traffic volume. The operational result weakened by 6.6 million euros to a loss of 4.7 million euros (1.9 million profit).

The stabilisation agreement reached in Finnair Technical Services in August will increase its unit cost competitiveness, which enabled a 20 million euro three-year maintenance agreement to be made with the leisure flight airline Condor. Work aimed at converting Finnair Technical Services into a separate company is under way.

Finnair Catering's turnover has fallen as passenger numbers have declined. The unit has implemented adjustment measures by which labour has been dimensioned to the level of demand for meals. A stabilisation agreement was also reached with white-collar workers in Finnair Catering.

The turnover of ground handling services company Northport Oy has declined due to the lower number of flights. The level of fixed costs has raised unit costs.

### **Travel Services**

The business area consists of the Group's travel agencies, Matkatoimisto Area, Finland Travel Bureau (FTB) and its subsidiary Estravel, which operates in the Baltic states, as well as Amadeus Finland Oy, which integrates travel agency systems and sells travel reservation systems.

Aviation Services' turnover fell in the period July-September by 28.4 per cent to 13.1 million euros (18.3 million). The operational result fell to a loss of 0.5 million euros (1.3 million profit).

Most of the Finnair travel agencies' sales comes from business travel. Business-based travel is expected to fall by 30–40 per cent from the previous year. The economic situation has also influenced to some extent the travel of private consumers. Trips are bought on the internet and price is the key factor in the purchasing decision.

Area, FTB and Estravel have adjusted their cost structure to the new market situation. Service locations have been cut, personnel reduced and development projects focused on developing electronic services as well as enhancing and automating processes. The savings will be evident as an improved financial performance in the latter part of the year.

## Air Traffic Services and Products

In the summer season, Finnair has a total of 55 direct flights per week to nine Asian destinations. Finnair's Asian destinations are Bangkok, Delhi, Hong Kong, Nagoya, Osaka, Beijing, Shanghai, Seoul and Tokyo. In the winter season, there are 57 weekly flights to these Asian destinations.

Flights covering 33 European and 11 domestic destinations connect into Finnair's Asian network. At the same time, a wide selection of direct connections is offered from Finland to the rest of Europe.

In long-haul traffic, Finland began to fly daily to Delhi in mid-September. The daily flights will continue until the end of January. Thereafter, Delhi will be served by six flights per week. In June–September, Finnair flew to Tokyo daily instead of its normal four flights per week schedule, and to New York ten times per week.

In July Finnair launched a user-friendly service by which companies can produce for themselves an environmental report on their overall travel. The environmental report tool has been added to Finnair's brand experience website <http://feel.finnair.com>. On the site, one can easily compare the environmental impact of flight routes when flying via different stopover airports.

In August Finnair centralised its traffic and customer service in Helsinki-Vantaa's Terminal 2, where **oneworld** and Finnair's other cooperation partner airlines are also located. Helsinki-Vantaa Airport therefore adopted the international practice in which one departs on a flight and returns from a trip according to which terminal one's own airline operates in. At the same time, the division into domestic and international terminals has ended.

At the beginning of October, Finnair increased its range of languages on its websites, adding Norwegian, Danish and Polish.

In the coming winter season, Finnair will use in its leisure traffic - in addition to Boeing 757 aircraft - also Airbus A330-300 wide-bodied aircraft. The 271-seat aircraft will fly non-stop leisure flights from Helsinki to Phuket in Thailand 3-4 days a week from November to April. Last winter, an Airbus A330-200 aircraft leased from outside the Group was used for the corresponding leisure flight series, six days per week.

In addition to leisure traffic, the Airbus A330-300 aircraft will also be used on Finnair's scheduled flights to New York, Delhi, Nagoya and Osaka, as a result of which the aircraft has a 42-seat business class section. On leisure flights, business class is called Comfort class, which offers, in addition to lie-flat seats, a more comprehensive service than economy class.

## **Short-term Risks and Uncertainty Factors**

Globally, the airline industry is one of the sectors most sensitive to cyclical changes in economic conditions. The development of GDP and international trade strongly affect the development of air transport passenger and cargo demand. A weakening of domestic consumer confidence also has an adverse impact on demand for non-business travel in both leisure and scheduled traffic services. The financial difficulties of customers will increase the bad debt risk in the future. Due to the short booking horizon in passenger and cargo traffic, it is difficult to forecast demand far into the future.

A change of one percentage point in the passenger load factor affects the Group's operating profit by approximately 15 million euros. A change of one per cent in the average yield of passenger traffic services also affects the Group's operating result by approximately 15 million euros.

The tightening of the financial markets has raised the cost of planned financing higher than was anticipated. The financial crisis will be reflected in the financing of Finnair's fleet modernisation primarily via the cost of borrowed capital and the price level of lease agreements.

A risk in the acquisition of new aircraft is that weak demand will not enable the aircraft to be operated fully and profitably next year.

Fuel costs constitute around one fifth of the Group's costs and are one of the most significant uncertainty factors where costs are concerned. Foreign exchange rate changes also represent a risk. Finnair provides against fuel price and foreign exchange rate volatility by entering into option and future contracts. The rising cost of hedging arrangements also poses a risk.

The hedging policy practised by Finnair dampens fuel price fluctuations. Finnair's more than 70 per cent hedging level over the next six months will slow the transfer of the benefit of the fall in market price of jet fuel to the company's fuel costs. Finnair's relative competitive position in terms of costs is also influenced by competitors' fuel price hedging policies. The company's main competitors adhere to the same principles as Finnair in their hedging policies.

## **Outlook**

The decline in air cargo demand has levelled off. It is still premature, however, to project a sustainable strengthening of demand. Cargo demand is dependent on industrial investments and the durable consumer goods market.

There are signs in the sector that the decline in travel demand is coming to an end, but overcapacity will not allow significant or wide-ranging increases in prices. A pick-up in business travel will require a clear change in global economic conditions. In addition, volume growth will not automatically guarantee an improvement in price levels.

Finnair's scheduled traffic suffers from low unit revenues. Passenger load factors are at a satisfactory level, but ticket prices remain weak. Adjustment measures to lower unit costs will continue in all units. A return to profitability, however, will require the full implementation of efficiency programmes.

In Finnair Group the goal is to achieve efficiency measures totalling around 200 million euros, of which more than half are already being implemented. Savings in personnel expenses include personnel reductions, temporary lay-offs, outsourcing of operations, and flexibilities in conditions of employment agreed with personnel organisations. No agreement has yet been reached on, among other things, the 20 million euros savings target for pilots.

The goal is to reduce unit costs to correspond with falling average yields. As part of the programme, the Group will also continue the structural change initiated in August, which will produce savings and new, more efficient operating practices.

The implementation of the Europe-Asia strategy will be purposefully continued. The aim of changing the Group structure and optimising production is to achieve competitiveness in the provision of services.

Through the traffic programme now being implemented, Finnair's scheduled traffic capacity for the whole of 2009 will fall by ten per cent compared with the previous year.

Finnair's fuel costs are expected to be lower this year than last due to reduced fuel consumption, a fall in fuel prices and the improved fuel economy of aircraft. At the present price level and hedging policy, fuel costs this year are expected to be around 24 per cent of Finnair's turnover.

Demand for package tours in the coming winter season is expected to be lower than last year. To avoid a weakening of price level due to oversupply, Aurinkomatkat-Suntours has adjusted its capacity, and Finnair Leisure Flights its flight programme, to correspond with weakened demand.

The operational result for the second half of the year will be clearly negative, but less than for the first half. As previously guided, the operational result for the full year is also expected to remain clearly negative.

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Finnair Plc  
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Christer Haglund

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# FINNAIR GROUP INTERIM REPORT FOR JANUARY 1 –SEPTEMBER 30, 2009

## KEY FIGURES EUR mill.

|                                                                              | 2009         | 2008         | Change | 2009         | 2008         | Change | 2008         |
|------------------------------------------------------------------------------|--------------|--------------|--------|--------------|--------------|--------|--------------|
|                                                                              | 1 Jul-30 Sep | 1 Jul-30 Sep | %      | 1 Jan-30 Sep | 1 Jan-30 Sep | %      | 1 Jan-31 Dec |
| Turnover                                                                     | 436.9        | 558.7        | -21.8  | 1 380.0      | 1 676.8      | -17.7  | 2 255.8      |
| Profit before depreciation and lease payments, EBITDAR *                     | 11.8         | 47.0         | -      | 1.7          | 150.9        | -      | 188.5        |
| Lease payments for aircraft                                                  | 17.9         | 20.7         | -13.5  | 56.1         | 61.8         | -9.2   | 82.6         |
| Operational profit, EBIT*                                                    | -36.4        | 2.1          | -      | -140.8       | 14.5         | -      | 0.8          |
| Fair value changes of derivatives                                            | 3.7          | -26.1        | -      | 51.3         | -13.6        | -      | -57.4        |
| Profit from disposal of capital assets                                       | 8.6          | -1.5         | -      | 8.6          | 2.5          | -      | -1.3         |
| Operating profit, EBIT                                                       | -24.1        | -25.5        | -      | -80.9        | 3.4          | -      | -57.9        |
| Profit for the period (share attributable to shareholders of parent company) | -20.7        | -17.8        | -      | -65.4        | -1.3         | -      | -46.3        |
| Operating profit. EBIT, % of turnover *                                      | -8.3         | 0.4          | -      | -10.2        | 0.9          | -      | 0.0          |
| EBITDAR, % of turnover *                                                     | 2.7          | 8.4          | -      | 0.1          | 9.0          | -      | 8.4          |
| Unit revenues of flight operations c/RTK                                     | 58.4         | 67.5         | -13.5  | 61.7         | 70.5         | -12.5  | 70.1         |
| Unit costs of flight operations c/ATK                                        | 42.4         | 42.8         | -1.0   | 43.2         | 42.9         | 0.8    | 43.5         |
| Earnings per share EUR (basic)                                               | -0.16        | -0.15        | -      | -0.51        | 0.02         | -      | -0.36        |
| Earnings per share EUR (diluted)                                             | -0.16        | -0.15        | -      | -0.51        | 0.02         | -      | -0.36        |
| Equity per share EUR                                                         | 6.73         | 7.54         | -10.7  | 6.73         | 7.54         | -10.7  | 5.87         |
| Gross investment EUR mill.                                                   | 11.3         | 74.9         | -      | 338.8        | 219.7        | -      | 232.8        |
| Gross investment,% of turnover                                               | 2.6          | 13.4         | -      | 24.6         | 13.1         | -      | 10.3         |
| Equity ratio %                                                               |              |              |        | 38.5         | 46.2         |        | 36.9         |
| Gearing % **)                                                                |              |              |        | 34.6         | -8.7         |        | -12.0        |
| Adjusted gearing % **)                                                       |              |              |        | 97.1         | 51.1         |        | 65.1         |
| Rolling 12-month ROCE %                                                      |              |              |        | -9.5         | 5.5          |        | -3.0         |
| Rolling 12-month ROE %                                                       |              |              |        | -12,2        | 3,6          |        | -5,3         |

\* Excluding capital assets, fair value changes of derivatives and non-recurring items.

Unit costs of flight operations c / ATK = Operating expenses (excluding fair value changes of derivatives and non-recurring items) of Scheduled Traffic business area and Leisure Flights business unit / ATK of Group.

\*\*) The effect of hybrid bond has not taken into account with calculating the gearing %.

In connection with the adoption of IAS 1 standard 1.1.2009 the figures of the statement of comprehensive income have been reported in the appendix 15 and the correspondence of the previous year's figures has been made.

## CALCULATION OF KEY RATIOS

### Earnings / share:

Profit for the period

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 non-recurring items

Shareholders equity = To equity holders of the parent

### 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 \*100

Equity + minority interests (average)

The figures of interim report have not been audited.

## CONSOLIDATED INCOME STATEMENT (EUR mill.)

|                                            | 2009             | 2008            | Change       | 2009             | 2008            | Change       | 2008             |
|--------------------------------------------|------------------|-----------------|--------------|------------------|-----------------|--------------|------------------|
|                                            | 1 Jul-<br>30 Sep | 1 Jul<br>30 Sep | %            | 1 Jan-<br>30 Sep | 1 Jan<br>30 Sep | %            | 1 Jan-<br>31 Dec |
| <b>Turnover</b>                            | <b>436.9</b>     | <b>558.7</b>    | <b>-21.8</b> | <b>1 380.0</b>   | <b>1 676.8</b>  | <b>-17.7</b> | <b>2 255.8</b>   |
| Work used for own purposes and capitalized | 0.6              | 0.5             | 20.0         | 1.5              | 1.1             | 36.4         | 1.6              |
| Other operating income                     | 3.2              | 4.3             | -25.6        | 11.1             | 13.5            | -17.8        | 20.9             |
| Profit from disposal *)                    | 31.2             | 0.0             | -            | 31.2             | 5.0             | -            | 6.2              |
| <b>Operating income</b>                    | <b>471.9</b>     | <b>563.5</b>    | <b>-16.3</b> | <b>1 423.8</b>   | <b>1 696.4</b>  | <b>-16.1</b> | <b>2 284.5</b>   |
| <b>Operating expenses</b>                  |                  |                 |              |                  |                 |              |                  |
| Staff costs                                | 118.7            | 129.3           | -8.2         | 370.5            | 398.0           | -6.9         | 538.6            |
| Fuel                                       | 108.0            | 150.9           | -28.4        | 349.1            | 415.3           | -15.9        | 557.6            |
| Lease payment for aircraft                 | 17.9             | 20.7            | -13.5        | 56.1             | 61.8            | -9.2         | 82.6             |
| Other rental payments                      | 16.3             | 13.3            | 22.6         | 61.1             | 48.5            | 26.0         | 69.3             |
| Fleet materials and overhauls              | 21.8             | 21.4            | 1.9          | 73.2             | 64.7            | 13.1         | 96.1             |
| Traffic charges                            | 43.9             | 48.6            | -9.7         | 131.1            | 139.3           | -5.9         | 188.5            |
| Ground handling and catering expenses      | 30.7             | 38.1            | -19.4        | 94.2             | 109.8           | -14.2        | 146.6            |
| Expenses for tour operations               | 25.9             | 27.4            | -5.5         | 96.7             | 97.5            | -0.8         | 138.9            |
| Sales and marketing expenses               | 14.3             | 23.7            | -39.7        | 54.8             | 75.1            | -27.0        | 102.9            |
| Depreciation                               | 30.3             | 28.6            | 5.9          | 86.4             | 79.0            | 9.4          | 105.1            |
| Other expenses                             | 49.3             | 59.4            | -17.0        | 160.2            | 187.9           | -14.7        | 251.3            |
| <b>Operational expenses total</b>          | <b>477.1</b>     | <b>561.4</b>    | <b>-15.0</b> | <b>1 533.4</b>   | <b>1 676.9</b>  | <b>-8.6</b>  | <b>2 277.5</b>   |
| <b>Operational profit. EBIT</b>            | <b>-36.4</b>     | <b>2.1</b>      | <b>-</b>     | <b>-140.8</b>    | <b>14.5</b>     | <b>-</b>     | <b>0.8</b>       |
| Fair value changes of derivatives          | 3.7              | -26.1           | -114.2       | 51.3             | -13.6           | -            | -57.4            |
| Non-recurring items                        | -22.6            | -1.5            | -            | -22.6            | -2.5            | -            | -7.5             |
| <b>Total expenses</b>                      | <b>496.0</b>     | <b>589.0</b>    | <b>-15.8</b> | <b>1 504.7</b>   | <b>1 693.0</b>  | <b>-11.1</b> | <b>2 342.4</b>   |
| <b>Operating profit EBIT</b>               | <b>-24.1</b>     | <b>-25.5</b>    | <b>-</b>     | <b>-80.9</b>     | <b>3.4</b>      | <b>-</b>     | <b>-57.9</b>     |
| Financial income                           | 2.7              | 5.4             | -50.0        | 6.7              | 18.0            | -62.8        | 22.1             |
| Financial expenses                         | -6.6             | -2.9            | 127.6        | -14.1            | -21.6           | -34.7        | -26.7            |
| Share of result in associates              | 0.0              | 0.0             | -            | 0.0              | 0.0             | -            | 0.3              |
| <b>Profit before taxes</b>                 | <b>-28.0</b>     | <b>-23.0</b>    | <b>-</b>     | <b>-88.3</b>     | <b>-0.2</b>     | <b>-</b>     | <b>-62.2</b>     |
| Direct taxes                               | 7.3              | 5.2             | -            | 23.0             | -1.1            | -            | 16.1             |
| <b>Profit for the period</b>               | <b>-20.7</b>     | <b>-17.8</b>    | <b>-</b>     | <b>-65.3</b>     | <b>-1.3</b>     | <b>-</b>     | <b>-46.1</b>     |

|                                                                                                                   |       |       |  |       |      |  |       |
|-------------------------------------------------------------------------------------------------------------------|-------|-------|--|-------|------|--|-------|
| Earnings per share to shareholders of the parent company profit of the period                                     | -20.7 | -17.8 |  | -65.4 | -1.3 |  | -46.3 |
| Minority interest profit of the period                                                                            | 0.0   | 0.0   |  | 0.1   | 0.0  |  | 0.2   |
|                                                                                                                   |       |       |  |       |      |  |       |
| <b>Earnings per share calculated from profit of the period attributable to shareholders of the parent company</b> |       |       |  |       |      |  |       |
| Earnings per share EUR (basic)                                                                                    | -0.16 | -0.15 |  | -0.51 | 0.02 |  | -0.36 |
| Earnings per share EUR (diluted)                                                                                  | -0.16 | -0.15 |  | -0.51 | 0.02 |  | -0.36 |

\*) Is not included in the operational profit. EBIT.

After the adoption of IFRIC 13, Customer Loyalty Programmes', (Finnair-Plus program), the correspondence of turnover, marketing expenses and deferred taxes of the previous year income statement has been made.

The fleet materials and overhauls expenses and depreciation has been adjusted to correspondence to the recognition method of the current year so that depreciation has been decreased 6.3 million euros in period Q1-Q3/ 2008 and 1.9 million euros in period Q3/2008. The correspondence values have been increased to fleet materials and overhaul expenses.

From other expenses has been transferred to fuel expenses the effect of fair value changes of derivatives as follows:  
 Q3/2009 7.7 EUR mill. Q1-Q3/2009 55.9 EUR mill.  
 Q3/2008 -7.3 EUR mill. Q1-Q3/2008 -21.3 EUR mill. Q1-Q4/2008 -10.3 EUR mill.

## CONSOLIDATED BALANCE SHEET (EUR mill.)

|                                                                                  | 30 Sep 2009    | 30 Sep 2008    | 31 Dec 2008    | 1 Jan 2008     |
|----------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| <b>ASSETS</b>                                                                    |                |                |                |                |
| <b>Non-current assets</b>                                                        |                |                |                |                |
| Intangible assets                                                                | 44.3           | 47.7           | 48.1           | 46.6           |
| Tangible assets                                                                  | 1 457.2        | 1 242.7        | 1 272.1        | 1 168.9        |
| Investments in associates                                                        | 5.8            | 5.8            | 6.1            | 5.7            |
| Financial assets                                                                 | 21.1           | 21.5           | 21.5           | 13.8           |
| Deferred tax receivables                                                         | 63.6           | 19.9           | 57.7           | 16.7           |
| Total                                                                            | 1 592.0        | 1 337.6        | 1 405.5        | 1 251.7        |
| <b>Short-term receivables</b>                                                    |                |                |                |                |
| Inventories                                                                      | 30.2           | 37.6           | 35.1           | 36.1           |
| Trade receivables and other receivables                                          | 335.5          | 358.5          | 231.8          | 287.3          |
| Investments                                                                      | 299.1          | 357.7          | 373.8          | 518.6          |
| Cash and bank equivalents                                                        | 5.3            | 16.3           | 18.3           | 21.5           |
| Total                                                                            | 670.1          | 770.1          | 659.0          | 863.5          |
| Non-current Assets held for sale                                                 | 19.4           | 35.3           | 19.4           | 34.7           |
| <b>Assets total</b>                                                              | <b>2 281.5</b> | <b>2 143.0</b> | <b>2 083.9</b> | <b>2 149.9</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>                                      |                |                |                |                |
| <b>Capital and reserves attributable to equity holders of the parent company</b> |                |                |                |                |
| Shareholders' equity                                                             | 75.4           | 75.4           | 75.4           | 75.4           |
| Other equity                                                                     | 784.7          | 866.2          | 674.0          | 891.8          |
| Total                                                                            | 860.1          | 941.6          | 749.4          | 967.2          |
| Minority interest                                                                | 0.7            | 0.8            | 1.1            | 1.7            |
| Equity, total                                                                    | 860.8          | 942.4          | 750.5          | 968.9          |
| <b>Long-term liabilities</b>                                                     |                |                |                |                |
| Deferred tax liability                                                           | 105.7          | 149.1          | 120.6          | 144.5          |
| Financial liabilities                                                            | 436.0          | 242.8          | 261.1          | 269.6          |
| Pension obligations                                                              | 0.0            | 2.2            | 6.1            | 15.8           |
| Total                                                                            | 541.7          | 394.1          | 387.8          | 429.9          |
| <b>Short-term liabilities</b>                                                    |                |                |                |                |
| Current income tax liabilities                                                   | 0.0            | 0.0            | 1.5            | 8.2            |
| Reserves                                                                         | 59.9           | 53.3           | 61.5           | 0.0            |
| Financial liabilities                                                            | 177.4          | 51.9           | 48.5           | 54.5           |
| Trade payables and other liabilities                                             | 641.7          | 701.3          | 834.1          | 688.4          |
| Total                                                                            | 879.0          | 806.5          | 945.6          | 751.1          |
| Liabilities total                                                                | 1 420.7        | 1 200.6        | 1 333.4        | 1 181.0        |
| <b>Shareholders' equity and liabilities. total</b>                               | <b>2 281.5</b> | <b>2 143.0</b> | <b>2 083.9</b> | <b>2 149.9</b> |

After the adoption of IFRIC 13, Customer Loyalty Programmes', (Finnair-Plus program), the correspondence of deferred credits, equity and deferred taxes of the previous year reported balance sheet has been made.

## CONSOLIDATED CASH FLOW STATEMENT

| EUR mill.                                                                             | 1 Jan – 30 Sep<br>2009 | 1 Jan –30 Sep<br>2008 | 1 Jan – 30 Dec<br>2008 |
|---------------------------------------------------------------------------------------|------------------------|-----------------------|------------------------|
| <b>Cash flow from operating activities</b>                                            |                        |                       |                        |
| Profit for the period                                                                 | -65.3                  | -1.3                  | -46.1                  |
| Operations for which a payment is not included <b>1)</b>                              | 39.4                   | 83.3                  | 174.6                  |
| Interest and other financial expenses                                                 | 14.1                   | 21.6                  | 26.7                   |
| Interest income                                                                       | -6.5                   | -14.8                 | -18.9                  |
| Other financial income                                                                | -0.1                   | -3.2                  | -3.2                   |
| Dividend income                                                                       | -0.1                   | 0.0                   | 0.0                    |
| Taxes                                                                                 | -23.0                  | 1.1                   | -16.1                  |
| Changes in working capital:                                                           |                        |                       |                        |
| Change in trade and other receivables                                                 | 16.4                   | -50.2                 | -2.7                   |
| Change in inventories                                                                 | 1.0                    | -1.5                  | 1.0                    |
| Change in accounts payables and other liabilities                                     | -83.2                  | 40.1                  | -11.8                  |
| Interest paid                                                                         | -9.0                   | -9.6                  | -13.1                  |
| Paid financial expenses                                                               | -0.7                   | -3.5                  | -1.3                   |
| Received interest                                                                     | 5.7                    | 10.8                  | 15.4                   |
| Received financial income                                                             | 0.1                    | 3.2                   | 3.2                    |
| Taxes paid                                                                            | -3.0                   | -5.8                  | 12.5                   |
| <b>Net cash flow from operating activities</b>                                        | <b>-114.2</b>          | <b>70.2</b>           | <b>120.2</b>           |
| <b>Cash flow from investing activities</b>                                            |                        |                       |                        |
| Acquisitions of subsidiaries                                                          | 0.0                    | -3.2                  | -3.2                   |
| Investments in intangible assets                                                      | -4.9                   | -6.2                  | -12.7                  |
| Investments in tangible assets                                                        | -328.2                 | -199.8                | -215.3                 |
| Net change of financial interest bearing assets at fair value through profit and loss | -27.1                  | 123.6                 | 183.1                  |
| Net Change of shares classified as available for sale                                 | 6.2                    | 18.9                  | 0.0                    |
| Sales of tangible fixed assets                                                        | 57.4                   | 64.8                  | 69.0                   |
| Received dividends                                                                    | 0.1                    | 0.0                   | 0.0                    |
| Change in non-current receivable                                                      | 0.4                    | -7.7                  | -7.8                   |
| <b>Net cash flow from investing activities</b>                                        | <b>-296.1</b>          | <b>-9.6</b>           | <b>13.1</b>            |
| <b>Cash flow from financing activities</b>                                            |                        |                       |                        |
| Loan withdrawals                                                                      | 345.1                  | 3.7                   | 4.9                    |
| Loan repayments and changes                                                           | -43.4                  | -51.3                 | -50.0                  |
| Purchase of own shares                                                                | 0.0                    | -4.7                  | -4.7                   |
| Dividends paid                                                                        | 0.0                    | -31.9                 | -31.9                  |
| <b>Net cash flow from financing activities</b>                                        | <b>301.7</b>           | <b>-84.2</b>          | <b>-81.7</b>           |
| <b>Change in cash flows</b>                                                           | <b>-108.6</b>          | <b>-23.6</b>          | <b>51.6</b>            |
| <b>Change in liquid funds</b>                                                         |                        |                       |                        |
| Liquid funds, at beginning                                                            | 343.4                  | 291.8                 | 291.8                  |
| Change in cash flows                                                                  | -108.6                 | -23.6                 | 51.6                   |
| <b>Liquid funds, in the end</b>                                                       | <b>234.8</b>           | <b>268.2</b>          | <b>343.4</b>           |

## CONSOLIDATED CASH FLOW STATEMENT

| EUR mill.                                                | 1 Jan – 30 Sep<br>2009 | 1 Jan – 30 Sep<br>2008 | 1 Jan – 31 Dec<br>2008 |
|----------------------------------------------------------|------------------------|------------------------|------------------------|
| <b>Notes to consolidated cash flow statement</b>         |                        |                        |                        |
| <b>1) Operations for which a payment is not included</b> |                        |                        |                        |
| Depreciation                                             | 96.5                   | 81.5                   | 110.2                  |
| Employee benefits                                        | -12.7                  | -13.7                  | -10.3                  |
| Fair value changes of derivatives                        | -51.3                  | 13.6                   | 57.4                   |
| Other adjustments                                        | 6.9                    | 1.9                    | 17.3                   |
| Total                                                    | 39.4                   | 83.3                   | 174.6                  |
| Financial asset at fair value                            | 299.1                  | 357.7                  | 373.8                  |
| Liquid funds                                             | 5.3                    | 16.3                   | 18.3                   |
| Short-term cash and cash equivalents in balance sheet    | 304.4                  | 374.0                  | 392.1                  |
| Maturing after more than 3 months                        | -66.7                  | -99.1                  | -39.6                  |
| Shares held to trading purposes                          | -2.9                   | -6.7                   | -9.1                   |
| Total in cash flow statement                             | 234.8                  | 268.2                  | 343.4                  |

## SHAREHOLDERS' EQUITY EUR mill.

| Equity attributable to shareholders of parent company      |               |                       |             |                 |                     |                        |                   |              |                                          |             |                  |
|------------------------------------------------------------|---------------|-----------------------|-------------|-----------------|---------------------|------------------------|-------------------|--------------|------------------------------------------|-------------|------------------|
|                                                            | Share capital | Share premium account | Bonus issue | Hedging reserve | Unrestricted equity | Translation difference | Retained earnings | Total        | Minority interests<br>Minority interests | Hybrid bond | Own equity total |
| <b>Shareholders' equity 1.1.2008</b>                       | 75.4          | 20.4                  | 147.7       | 26.8            | 244.9               | -0.1                   | 452.1             | <b>967.2</b> | 1.7                                      | 0.0         | <b>968.9</b>     |
| Dividend payment                                           |               |                       |             |                 |                     |                        | -31.9             | -31.9        | -0.6                                     | 0.0         | -32.5            |
| Minority change                                            |               |                       |             |                 |                     |                        | 0.0               | 0.0          | -0.3                                     | 0.0         | -0.3             |
| Purchase of own shares                                     | 0.0           | 0.0                   |             |                 |                     |                        | -4.7              | -4.7         |                                          | 0.0         | -4.7             |
| Assignment of own shares/<br>Share premium account charges |               |                       |             |                 | 2.1                 |                        | 0.8               | 2.9          |                                          | 0.0         | 2.9              |
| <b>Shareholders equity related to owners 30.9.2008</b>     | 75.4          | 20.4                  | 147.7       | 26.8            | 247.0               | -0.1                   | 416.3             | <b>933.5</b> | <b>0.8</b>                               | <b>0.0</b>  | <b>934.3</b>     |
| Statement of comprehensive income                          |               |                       |             | 9.1             |                     | 0.3                    | -1.3              | 8.1          | 0.0                                      | 0.0         | 8.1              |
| <b>Shareholders' equity 30.9.2008</b>                      | 75.4          | 20.4                  | 147.7       | 35.9            | 247.0               | 0.2                    | 415.0             | <b>941.6</b> | <b>0.8</b>                               | <b>0.0</b>  | <b>942.4</b>     |

## SHAREHOLDERS' EQUITY EUR mill.

| Equity attributable to shareholders of parent company  |               |                       |             |                 |                     |                        |                   |              |                                          |              |                  |
|--------------------------------------------------------|---------------|-----------------------|-------------|-----------------|---------------------|------------------------|-------------------|--------------|------------------------------------------|--------------|------------------|
|                                                        | Share capital | Share premium account | Bonus issue | Hedging reserve | Unrestricted equity | Translation difference | Retained earnings | Total        | Minority interests<br>Minority interests | Hybrid bond  | Own equity total |
| <b>Shareholders' equity 1.1.2009</b>                   | 75.4          | 20.4                  | 147.7       | -110.5          | 247.2               | 0.0                    | 369.2             | <b>749.4</b> | 1.1                                      | 0.0          | <b>750.5</b>     |
| Dividend payment                                       |               |                       |             |                 |                     |                        | 0.0               | 0.0          | -0.5                                     | 0.0          | -0.5             |
| Purchase of own shares                                 | 0.0           | 0.0                   |             |                 |                     |                        | 0.0               | 0.0          |                                          | 0.0          | 0.0              |
| <b>Shareholders equity related to owners 30.9.2009</b> | 75.4          | 20.4                  | 147.7       | -110.5          | 247.2               |                        | 369.2             | <b>749.4</b> | <b>0.6</b>                               | <b>0.0</b>   | <b>750.0</b>     |
| Hybrid bond                                            |               |                       |             |                 |                     |                        |                   |              |                                          | 119.4        | 119.4            |
| Statement of comprehensive income                      |               |                       |             | 56.2            |                     | 0.5                    | -65.4             | -8.7         | 0.1                                      | 0.0          | -8.6             |
| <b>Shareholders' equity 30.9.2009</b>                  | 75.4          | 20.4                  | 147.7       | -54.3           | 247.2               | 0.5                    | 303.8             | <b>740.7</b> | <b>0.7</b>                               | <b>119.4</b> | <b>860.8</b>     |

## SHAREHOLDERS' EQUITY EUR mill.

| Equity attributable to shareholders of parent company |               |                       |             |                 |                     |                        |                   |              |                                          |             |                  |
|-------------------------------------------------------|---------------|-----------------------|-------------|-----------------|---------------------|------------------------|-------------------|--------------|------------------------------------------|-------------|------------------|
|                                                       | Share capital | Share premium account | Bonus issue | Hedging reserve | Unrestricted equity | Translation difference | Retained earnings | Total        | Minority interests<br>Minority interests | Hybrid bond | Own equity total |
| <b>Shareholders' equity 1.1.2008</b>                  | 75.4          | 20.4                  | 147.7       | 26.8            | 244.9               | -0.1                   | 470.2             | <b>985.3</b> | 1.7                                      | 0.0         | <b>987.0</b>     |
| Change of accounting principle (IFRIC 13)             |               |                       |             |                 |                     |                        | -18.1             | -18.1        | 0.0                                      | 0.0         | -18.1            |
| <b>Adjusted' equity 1.1.2008</b>                      | 75.4          | 20.4                  | 147.7       | 26.8            | 244.9               | -0.1                   | 452.1             | <b>967.2</b> | 1.7                                      | <b>0.0</b>  | <b>968.9</b>     |

# NOTES TO THE CONSOLIDATED INTERIM REPORT

## 1. BASIS OF PREPARATION

This consolidated interim report has been prepared according to the International (IAS) Standard 34: Interim Financial Reporting which has been introduced in the EU.

## 2. ACCOUNTING PRINCIPLES

The accounting principles adhered to in the interim report are consistent with the principles adhered to in the 2008 consolidated financial statements, excluding the changes listed below.

The following new standards, changes to standards and the application of interpretations which are perceived to be essential for the Group have been introduced from the beginning of 2009:

- *IFRIC 13. Customer Loyalty Programmes*. The interpretation clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The group operates loyalty programmes as defined by the interpretation (Finnair-Plus program) in the scheduled traffic segment. After the adoption of the interpretation the correspondence of deferred credits, equity and deferred taxes of the previous year reported balance sheet and turnover, marketing expenses and deferred credits of the previous year income and loss statement has been made.

- *IFRIC 13*. The effect of Customer Loyalty Programmes to profit and loss statement and balance sheet of year 2008 have been reported in the interim report Q1/2009.

- *IAS 1 (Revised). 'Presentation of Financial Statements'*. The revised standard is aimed at improving users' ability to analyse and compare the information given in financial statements by separating changes in equity of an entity arising from transactions with owners from other changes in equity. Non-owner changed in equity will be presented in the statement of comprehensive income. The group has been reported the income statement and statement of comprehensive income and made the correspondence of the previous year income statement and statement of the comprehensive income according to the IAS 1 (Revised).

- *IFRS 8. 'Operating Segments'*. The new standard replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments reported by the group will also in the future be the same as the business segments under IAS 14. The reported operating segments are the same as under IAS 14 business segments and they correspond the internal reporting.

- *Amendment to IAS 23. 'Borrowing Costs'*. The amended standard requires an entity to capitalise borrowing costs directly attributable to a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will commence capitalisation of borrowing cost related to such undertakings as well as projects to be accounted for under the stage of completion method embarked in 2009. Such Borrowing Costs are expected to be most in the Scheduled Traffic segment. So far, there have not been the Borrowing Costs according to IAS 23 standard.

## 3. CRITICAL FINANCIAL STATEMENT ESTIMATES AND ASSUMPTIONS

The preparation of interim reports requires the company's management to make estimates and assumptions that influence the levels of reported assets and liabilities as well as of revenue and expenses. Realised results might differ from these estimates.

In connection with the preparation of this interim report, the significant estimates made by management relating to the consolidated accounting principles and the key uncertainty factors are the same as those applied in the 2008 annual financial statements.

## 4. SEGMENT INFORMATION

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

## PRIMARY REPORTING FORMAT - BUSINESS SEGMENT DATA 1 January – 30 September 2009

|                                             | Scheduled Passenger Traffic | Leisure Traffic | Aviation Services | Travel Services | Group eliminations | Unallocated items | Group   |
|---------------------------------------------|-----------------------------|-----------------|-------------------|-----------------|--------------------|-------------------|---------|
| EUR mill.                                   |                             |                 |                   |                 |                    |                   |         |
| External turnover                           | 967.0                       | 298.5           | 71.6              | 42.9            |                    |                   | 1 380.0 |
| Internal turnover                           | 64.0                        | 4.3             | 238.6             | 2.1             | -309.0             |                   | 0.0     |
| Turnover                                    | 1 031.0                     | 302.8           | 310.2             | 45.0            | -309.0             | 0.0               | 1 380.0 |
| Operating profit                            | -152.1                      | 10.8            | 22.5              | -2.9            |                    | 40.8              | -80.9   |
| Share of results of associated undertakings |                             |                 |                   |                 |                    | 0.0               | 0.0     |
| Financial income                            |                             |                 |                   |                 |                    | 6.7               | 6.7     |
| Financial expenses                          |                             |                 |                   |                 |                    | -14.1             | -14.1   |
| Income tax                                  |                             |                 |                   |                 |                    | 23.0              | 23.0    |
| Minority interest                           |                             |                 |                   |                 |                    | -0.1              | -0.1    |
| Result for the period                       |                             |                 |                   |                 |                    |                   | -65.4   |
| Other items                                 |                             |                 |                   |                 |                    |                   |         |
| Investments                                 | 322.1                       | 0.2             | 15.3              | 0.8             | 0.0                | 0.4               | 338.8   |
| Depreciation                                | 72.7                        | 0.2             | 20.4              | 0.7             | 0.0                | 2.5               | 96.5    |

## PRIMARY REPORTING FORMAT - BUSINESS SEGMENT DATA 1 January- 30 September 2008

|                                             | Scheduled Passenger Traffic | Leisure Traffic | Aviation Services | Travel Services | Group eliminations | Unallocated items | Group   |
|---------------------------------------------|-----------------------------|-----------------|-------------------|-----------------|--------------------|-------------------|---------|
| EUR mill.                                   |                             |                 |                   |                 |                    |                   |         |
| External turnover                           | 1 228.5                     | 311.9           | 79.3              | 57.1            |                    |                   | 1 676.8 |
| Internal turnover                           | 75.5                        | 5.9             | 250.7             | 2.9             | -335.0             |                   | 0.0     |
| Turnover                                    | 1 304.0                     | 317.8           | 330.0             | 60.0            | -335.0             | 0.0               | 1 676.8 |
| Operating profit                            | -3.1                        | 14.6            | 7.8               | 3.2             |                    | -19.1             | 3.4     |
| Share of results of associated undertakings |                             |                 |                   |                 |                    | 0.0               | 0.0     |
| Financial income                            |                             |                 |                   |                 |                    | 18.0              | 18.0    |
| Financial expenses                          |                             |                 |                   |                 |                    | -21.6             | -21.6   |
| Income tax                                  |                             |                 |                   |                 |                    | -1.1              | -1.1    |
| Minority interest                           |                             |                 |                   |                 |                    | 0.0               | 0.0     |
| Result for the period                       |                             |                 |                   |                 |                    |                   | -1.3    |
| Other items                                 |                             |                 |                   |                 |                    |                   |         |
| Investments                                 | 182.5                       | 0.1             | 36.2              | 0.4             | 0.0                | 0.5               | 219.7   |
| Depreciation                                | 56.8                        | 0.3             | 22.4              | 1.0             | 0.0                | 1.0               | 81.5    |

## TURNOVER

|                             | 2009         | 2008         | Change       | 2009           | 2008           | Change       | 2008           |
|-----------------------------|--------------|--------------|--------------|----------------|----------------|--------------|----------------|
|                             | 1 Jul–30 Sep | 1 Jul–30 Sep | %            | 1 Jan–30 Sep   | 1 Jan–30 Sep   | %            | 1 Jan–31 Dec   |
| EUR mill.                   |              |              |              |                |                |              |                |
| Scheduled Passenger Traffic | 348.2        | 446.4        | -22.0        | 1 031.0        | 1 304.0        | -20.9        | 1 728.9        |
| Leisure Traffic             | 74.6         | 93.7         | -20.4        | 302.8          | 317.8          | -4.7         | 454.6          |
| Aviation Services           | 95.8         | 108.6        | -11.8        | 310.2          | 330.0          | -6.0         | 445.8          |
| Travel Services             | 13.1         | 18.3         | -28.4        | 45.0           | 60.0           | -25.0        | 77.9           |
| Group eliminations          | -94.8        | -108.3       | -12.5        | -309.0         | -335.0         | -7.8         | -451.4         |
| <b>Total</b>                | <b>436.9</b> | <b>558.7</b> | <b>-21.8</b> | <b>1 380.0</b> | <b>1 676.8</b> | <b>-17.7</b> | <b>2 255.8</b> |



## OPERATING PROFIT EXCLUDING THE DISPOSAL OF THE CAPITAL ASSETS AND FAIR VALUE CHANGES OF DERIVATIVES AND NON-RECURRING ITEMS

|                             | 2009             | 2008           | Change   | 2009             | 2008            | Change   | 2008             |
|-----------------------------|------------------|----------------|----------|------------------|-----------------|----------|------------------|
|                             | 1 Jul–<br>30 Sep | 1 Jul<br>30Sep | %        | 1 Jan–<br>30 Sep | 1 Jan<br>30 Sep | %        | 1 Jan–<br>31 Dec |
| EUR mill.                   |                  |                |          |                  |                 |          |                  |
| Scheduled Passenger Traffic | -34.1            | -4.7           | -        | -140.3           | -7.1            | -        | -35.9            |
| Leisure Traffic             | 5.9              | 6.0            | -        | 14.3             | 14.6            | -2.1     | 26.7             |
| Aviation Services           | -4.7             | 1.9            | -        | -2.6             | 8.8             | -        | 13.8             |
| Travel Services             | -0.5             | 1.3            | -        | -2.9             | 3.1             | -        | 2.1              |
| Unallocated items           | -3.0             | -2.4           | 25.0     | -9.3             | -4.9            | 89.8     | -5.9             |
| <b>Total</b>                | <b>-36.4</b>     | <b>2.1</b>     | <b>-</b> | <b>-140.8</b>    | <b>14.5</b>     | <b>-</b> | <b>0.8</b>       |

## EMPLOYEES AVERAGE BY SEGMENT

|                             | 2009             | 2008             | Change      |
|-----------------------------|------------------|------------------|-------------|
|                             | 1 Jan–<br>30 Sep | 1 Jan–<br>30 Sep | %           |
| Scheduled Passenger Traffic | 3 965            | 4 254            | -6.8        |
| Leisure Traffic             | 486              | 456              | 6.6         |
| Aviation Services           | 3 435            | 3 658            | -6.1        |
| Travel Services             | 950              | 1 095            | -13.2       |
| Other functions             | 144              | 151              | -4.6        |
| <b>Finnair Group. Total</b> | <b>8 980</b>     | <b>9 614</b>     | <b>-6.6</b> |

## SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS

### TURNOVER OUTSIDE THE GROUP BY SALES DESTINATION

|               | 2009            | 2008             | Change       | 2009             | 2008             | Change       | 2008             |
|---------------|-----------------|------------------|--------------|------------------|------------------|--------------|------------------|
|               | 1 Jul<br>30 Sep | 1 Jul–<br>30 Sep | %            | 1 Jan–<br>30 Sep | 1 Jan–<br>30 Sep | %            | 1 Jan–<br>31 Dec |
| EUR mill.     |                 |                  |              |                  |                  |              |                  |
| Finland       | 66.4            | 90.3             | -26.5        | 260.2            | 306.7            | -15.2        | 432.8            |
| Europe        | 203.6           | 256.4            | -20.6        | 602.2            | 752.7            | -20.0        | 962.5            |
| Asia          | 135.6           | 180.8            | -25.0        | 414.2            | 517.4            | -19.9        | 708.8            |
| North America | 16.3            | 21.8             | -25.2        | 41.2             | 51.9             | -20.6        | 67.6             |
| Others        | 15.0            | 9.4              | 59.6         | 62.2             | 48.1             | 29.3         | 84.1             |
| <b>Total</b>  | <b>436.9</b>    | <b>558.7</b>     | <b>-21.8</b> | <b>1 380.0</b>   | <b>1 676.8</b>   | <b>-17.7</b> | <b>2 255.8</b>   |

## 5. MANAGEMENT OF FINANCIAL RISKS

No significant changes have been made to the Group's risk management principles in the reporting period. The objectives and principles of risk management are consistent with information presented in the Group's 2008 Annual Report.

The tables below present the nominal value or the amount and net fair value of derivative contracts used in the Group's hedge accounting.

## DERIVATIVE CONTRACTS EUR mill.

| Derivative contracts                                                          | 30 Sep 2009                  |                           | 30 Sep 2008                  |                           | 31 Dec 2008                  |                           |
|-------------------------------------------------------------------------------|------------------------------|---------------------------|------------------------------|---------------------------|------------------------------|---------------------------|
|                                                                               | Nominal value<br>(EUR mill.) | Fair value<br>(EUR mill.) | Nominal value<br>(EUR mill.) | Fair value<br>(EUR mill.) | Nominal value<br>(EUR mill.) | Fair value<br>(EUR mill.) |
| <b>Currency derivatives</b>                                                   |                              |                           |                              |                           |                              |                           |
| Hedge accounting items                                                        |                              |                           |                              |                           |                              |                           |
| Forward contracts. Jet Fuel<br>currency hedging                               |                              |                           |                              |                           |                              |                           |
| Forward contracts. Hedging<br>of Aircraft purchase price                      | 310.5                        | -9.3                      | 380.0                        | 7.2                       | 382.7                        | 14.0                      |
| Fair value hedging                                                            | 493.0                        | 3.2                       | 406.8                        | 10.1                      | 425.8                        | 26.4                      |
| Cash flow hedging                                                             | 0.0                          | 0.0                       | 63.1                         | -0.2                      | 58.9                         | 0.4                       |
| Forward contracts. Currency<br>hedging of lease payments                      | 28.8                         | -1.0                      | 49.1                         | 1.4                       | 48.4                         | 2.2                       |
| <b>Total</b>                                                                  | <b>832.3</b>                 | <b>-7.1</b>               | <b>899.0</b>                 | <b>18.4</b>               | <b>915.8</b>                 | <b>43.0</b>               |
| Currency derivatives at fair<br>value through profit or loss                  |                              |                           |                              |                           |                              |                           |
| Operating cash flow hedging<br>(forward contracts)                            | 76.3                         | -0.3                      | 60.1                         | 3.4                       | 74.4                         | 3.2                       |
| Operational cash flow<br>hedging (options)                                    |                              |                           |                              |                           |                              |                           |
| Call options                                                                  | 13.0                         | 0.3                       | 20.4                         | 0.3                       | 12.8                         | 0.2                       |
| Put options                                                                   | 13.0                         | -0.4                      | 19.4                         | -0.1                      | 18.8                         | -0.1                      |
| Balance sheet hedging<br>(forward contracts)                                  | 88.1                         | -1.2                      | 67.4                         | 0.4                       | 46.9                         | -2.3                      |
| <b>Total</b>                                                                  | <b>190.4</b>                 | <b>-1.6</b>               | <b>167.3</b>                 | <b>4.0</b>                | <b>152.9</b>                 | <b>1.0</b>                |
| <b>Currency derivatives. total</b>                                            | <b>1 022.7</b>               | <b>-8.7</b>               | <b>1 066.3</b>               | <b>22.4</b>               | <b>1 068.8</b>               | <b>44.0</b>               |
|                                                                               | 30 Sep 2009                  |                           | 30 Sep 2008                  |                           | 31 Dec 2008                  |                           |
|                                                                               | Nominal value<br>(tonnes)    | Fair value<br>(EUR mill.) | Nominal value<br>(tonnes)    | Fair value<br>(EUR mill.) | Nominal value<br>(tonnes)    | Fair value<br>(EUR mill.) |
| <b>Commodity derivatives</b>                                                  |                              |                           |                              |                           |                              |                           |
| Hedge accounting items                                                        |                              |                           |                              |                           |                              |                           |
| Jet Fuel swaps                                                                | 549 600                      | -67.4                     | 602 800                      | 52.0                      | 591 300                      | -153.1                    |
| Commodity derivatives at fair<br>value through profit or loss                 |                              |                           |                              |                           |                              |                           |
| Jet Fuel Forward contracts                                                    | 75 700                       | -3.4                      | 69 200                       | -5.3                      | 71 700                       | -27.6                     |
| Gasoil forward contracts                                                      | 0                            | 0.0                       | 28 500                       | 0.5                       | 17 000                       | -5.5                      |
| Jet differential forward<br>contracts                                         | 151 000                      | 5.8                       | 460 500                      | 1.1                       | 340 500                      | 6.9                       |
| Options                                                                       |                              |                           |                              |                           |                              |                           |
| Jet Fuel call options                                                         | 69 750                       | 1.3                       | 45 000                       | 2.0                       | 28 000                       | 0.1                       |
| Jet Fuel put options                                                          | 80 250                       | -1.4                      | 45 000                       | -3.9                      | 28 000                       | -8.9                      |
| Gasoil call options                                                           | 0                            | 0.0                       | 64 000                       | -2.9                      | 47 000                       | 0.0                       |
| Gasoil put options                                                            | 0                            | 0.0                       | 78 500                       | 0.0                       | 63 500                       | -17.6                     |
| <b>Total</b>                                                                  |                              | <b>-65.1</b>              |                              | <b>43.4</b>               |                              | <b>-205.6</b>             |
|                                                                               | 30 Sep 2009                  |                           | 30 Sep 2008                  |                           | 31 Dec 2008                  |                           |
|                                                                               | Nominal value<br>(EUR mill.) | Fair value<br>(EUR mill.) | Nominal value<br>(EUR mill.) | Fair value<br>(EUR mill.) | Nominal value<br>(EUR mill.) | Fair value<br>(EUR mill.) |
| <b>Interest rate derivatives</b>                                              |                              |                           |                              |                           |                              |                           |
| <b>Cross currency Interest rate<br/>swaps</b>                                 |                              |                           |                              |                           |                              |                           |
| Hedge accounting items                                                        | 7.0                          | -3.8                      | 18.6                         | -3.8                      | 16.7                         | -7.3                      |
| Cross currency interest rate<br>swaps at fair value through<br>profit or loss | 7.8                          | -4.5                      | 12.4                         | -4.5                      | 11.7                         | -6.3                      |
| <b>Total</b>                                                                  | <b>14.7</b>                  | <b>-8.4</b>               | <b>31.0</b>                  | <b>-8.3</b>               | <b>28.4</b>                  | <b>-13.6</b>              |
| <b>Interest rate swaps</b>                                                    |                              |                           |                              |                           |                              |                           |
| Hedge accounting items                                                        | 0.0                          | 0.0                       | 0.0                          | 0.0                       | 0.0                          | 0.0                       |
| Interest rate swaps at fair<br>value through profit or loss                   | 20.0                         | -0.3                      | 20.0                         | 0.7                       | 20.0                         | 0.1                       |
| <b>Total</b>                                                                  | <b>20.0</b>                  | <b>-0.3</b>               | <b>20.0</b>                  | <b>0.7</b>                | <b>20.0</b>                  | <b>0.1</b>                |

|                          |     |     |      |     |     |     |
|--------------------------|-----|-----|------|-----|-----|-----|
| <b>Share derivatives</b> |     |     |      |     |     |     |
| Shares                   |     |     |      |     |     |     |
| Call options, share      | 0.0 | 0.0 | 15.4 | 0.0 | 0.0 | 0.0 |

## 6. COMPANY ACQUISITIONS AND SALES

Group subsidiary Oy Aurinkomatkat - Suntours Ltd Ab purchased in March 2009 the entire share stock of Toivelomat Oy and since that the company has been consolidated as a Group subsidiary in the interim report.

## 7. INCOME TAXES

Income taxes have been entered in the income statement using the tax rates that will be applied to the expected total profit for the year.

## 8. DIVIDEND PER SHARE

The Annual General Meeting on 26 March 2009 decided not to distribute a dividend for financial year 2008.

## 9. CHANGE IN INTANGIBLE AND TANGIBLE ASSETS EUR mill.

|                                         | 30 Sep 2009    | 30 Sep 2008    | 31 Dec 2008    |
|-----------------------------------------|----------------|----------------|----------------|
| Carrying amount at beginning of period  | 1 339.6        | 1 250.2        | 1 250.2        |
| Fixed asset investments                 | 341.6          | 241.7          | 273.2          |
| Change in advances                      | -5.7           | -13.6          | -4.6           |
| Disposals                               | -58.1          | -64.8          | -69.0          |
| Depreciation                            | -96.5          | -87.8          | -110.2         |
| <b>Carrying amount at end of period</b> | <b>1 520.9</b> | <b>1 325.7</b> | <b>1 339.6</b> |

|                                                           |      |      |      |
|-----------------------------------------------------------|------|------|------|
| Proportion of assets held for sale at beginning of period | 19.4 | 34.7 | 34.7 |
| Proportion of assets held for sale at end of period       | 19.4 | 35.3 | 19.4 |

## 10. INTEREST-BEARING LIABILITIES

In the first nine months of 2009 Group loans were repaid in accordance with a repayment programme. During the nine months of 2009 the loan withdrawals were 345.3 million euros, the part of short-term loans was 99.4 million euros. The rest of the loan transactions presented in the accounts relate to old secured loans, which owing to their exceptional agreement structure have a net repayment entered gross both as a withdrawal and a repayment.

## 11. CONTINGENT LIABILITIES EUR mill.

|                                     | 30 Sep 2009  | 30 Sep 2008  | 31 Dec 2008  |
|-------------------------------------|--------------|--------------|--------------|
| <b>Other contingent liabilities</b> |              |              |              |
| Pledges on own behalf               | 440.0        | 268.3        | 273.3        |
| Guarantees on group undertakings    | 82.9         | 67.5         | 68.0         |
| <b>Total</b>                        | <b>522.9</b> | <b>335.8</b> | <b>341.3</b> |

Investment commitments for property, plant and equipment on 30 September 2009 totalled 1. 200.0 million euros (31 December 2008: 1. 508.9 million euros)

## 12. LIABILITIES (EUR million)

|                                 | 30 Sep 2009  | 30 Sep 2008  | 31 Dec 2008  |
|---------------------------------|--------------|--------------|--------------|
| Fleet lease payment liabilities | 221.9        | 301.5        | 285.9        |
| Other liabilities               | 148.2        | 201.5        | 202.5        |
| <b>Total</b>                    | <b>370.1</b> | <b>503.0</b> | <b>488.4</b> |

## 13. RELATED PARTY TRANSACTIONS

Related party transactions are presented in Finnair's 2008 Annual Report. There have been no substantial changes after the closing date.

Transactions and open balances with associated undertakings were of very minor significance in the reporting period.

## 14. AIR TRAFFIC 1 January – 30 September 2009

|                                | Total traffic | Europe | North America | Asia   | Domestic | Scheduled Traffic Total | Leisure | Cargo  |
|--------------------------------|---------------|--------|---------------|--------|----------|-------------------------|---------|--------|
| Passengers (1000)              | 5 690         | 2 830  | 129           | 866    | 998      | 4 824                   | 866     |        |
| %-change                       | -8.9          | -8.3   | 13.5          | -10.2  | -9.3     | -8.4                    | -11.8   |        |
| Cargo and mail (tonnes)        | 64 608        | 13 614 | 4 671         | 42 400 | 2 056    | 62 741                  | 881     | 64 608 |
| %-change                       | -17.4         | -13.2  | -15.8         | -18.7  | -10.8    | -17.1                   | 213.6   | -17.4  |
| Available seat-kilometres mill | 20 018        | 5 886  | 1 031         | 8 093  | 920      | 15 929                  | 4 089   |        |
| %-change                       | -7.8          | -8.2   | 15.1          | -12.3  | -12.8    | -9.4                    | -0.6    |        |
| Revenue passenger kilometres   | 15 189        | 3 935  | 854           | 6 303  | 546      | 11 637                  | 3 552   |        |
| %-change                       | -6.4          | -7.6   | 13.5          | -9.2   | -12.6    | -7.5                    | -2.6    |        |
| Passenger load factor %        | 75.9          | 66.9   | 82.8          | 77.9   | 59.3     | 73.1                    | 86.9    |        |
| %-change                       | 1.1           | 0.4    | -1.2          | 2.7    | 0.1      | 1.6                     | -1.8    |        |
| Available tonne-kilometres     | 3 000         |        |               |        |          |                         |         | 645    |
| %-change                       | -10.6         |        |               |        |          |                         |         | -11.2  |
| Revenue tonne-kilometres mill  | 1 728         |        |               |        |          |                         |         | 367    |
| %-change                       | -9.1          |        |               |        |          |                         |         | -18.1  |
| Overall load factor %          | 57.6          |        |               |        |          |                         |         | 56.9 * |
| %-change                       | 1.0           |        |               |        |          |                         |         | -4.8   |

\* Operational calculatory capacity

## 15. ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive income include the unrealisable change in the fair value of the hedging instruments of the hedge accounting items which has earlier recognised straight in the hedging reserve of the shareholders' equity and the translation difference.

|                                                         | 2009         | 2008         | Change | 2009         | 2008         | Change | 2008          |
|---------------------------------------------------------|--------------|--------------|--------|--------------|--------------|--------|---------------|
|                                                         | 1 Jul-30 Sep | 1 Jul-30 Sep | %      | 1 Jan-30 Sep | 1 Jan-30 Sep | %      | 1 Jan-31 Dec  |
| <b>Profit for the period</b>                            | <b>-20.7</b> | <b>-17.8</b> | -      | <b>-65.3</b> | <b>-1.3</b>  | -      | <b>-46.1</b>  |
| <b>Other comprehensive income items</b>                 |              |              |        |              |              |        |               |
| Translation differences                                 | 0.1          | 0.1          | -      | 0.5          | 0.3          | -      | 0.1           |
| Fair value change of hedging instruments after taxes    | 9.2          | -2.4         |        | 11.9         | -14.1        |        | -13.7         |
| - Taxes                                                 | -3.2         | 0.9          |        | -4.2         | 5.0          |        | 4.8           |
| Change in fair value of hedging instruments after taxes | -1.5         | -70.7        | -      | 44.3         | 23.2         | -      | -123.6        |
| - Taxes                                                 | 0.5          | 24.8         |        | -15.5        | -8.2         |        | 43.4          |
| <b>Other comprehensive income items. total</b>          | <b>7.8</b>   | <b>-73.0</b> | -      | <b>56.7</b>  | <b>9.4</b>   | -      | <b>-137.2</b> |
| <b>Comprehensive income for the financial period</b>    | <b>-12.9</b> | <b>-90.8</b> | -      | <b>-8.6</b>  | <b>8.1</b>   | -      | <b>-183.3</b> |

|                                                                                                |       |       |  |      |     |  |        |
|------------------------------------------------------------------------------------------------|-------|-------|--|------|-----|--|--------|
| Earnings per share to shareholders of the parent company of the comprehensive income statement | -12.9 | -90.8 |  | -8.7 | 8.1 |  | -183.5 |
| Earnings per share to minority of the parent company of the comprehensive income statement     | 0.0   | 0.0   |  | 0.1  | 0.0 |  | 0.2    |

## 16. EVENTS AFTER THE REVIEW PERIOD

There have not been other remarkable events after the closing date as told in the interim report.