

FINNAIR-GROUP INTERIM REPORT

April 1 - September 30, 2000

SECOND QUARTER OPERATIONAL RESULT CLEARLY BETTER THAN THE YEAR BEFORE

Financial result July 1 - September 30, 2000

Group operating profit excluding profit from the sale of fixed assets improved from EUR 3.5 million to EUR 25.7 million. This significant improvement in profitability stemmed primarily from changes in the route network and the cessation of flights to unprofitable destinations, as well as strong development in yield combined with the cost cutting measures resulting from the FinSmart program.

Group turnover increased by 6.0 per cent from the previous year. The positive development in yield for flight operations continued during the second quarter of the financial year. Air transport revenues per revenue tonne kilometre rose by 5.6 per cent and by 10.1 per cent per revenue passenger kilometre. Excluding currency rate movements, air transport revenues per revenue passenger kilometre rose by 7.9 per cent.

Fuel costs increased 43.5 per cent compared with the previous year. Fuel costs account for about 11 per cent of all the Group's operating costs.

The change in operating costs excluding fuel costs and divested business activities amounted to -2.3 per cent. Unit costs on flight operations per available tonne kilometre fell by 0.3 per cent, but excluding fuel costs they fell by 4.2 per cent. Group operating costs fell by 0.2 per cent.

The second quarter result includes book gains totalling EUR 12.5 million (II/1999 EUR 0.5 million). The gain from the sale of two MD-80 aircraft amounted to EUR 10.9 million.

Earnings per share for the period July - September was EUR 0.38, compared with EUR -0.02 the year before.

Accounting principles have been changed since the beginning of the financial year so that EUR 0.6 million in positive exchange rate differences related to the hedging of business operations are included in the operating profit. Exchange rate hedging has previously been presented under financial items.

Financial result April 1 - September 30, 2000

Group operating profit excluding profit from the sale of fixed assets in the period April - September 2000 almost trebled, amounting to EUR 57.8 million (I-II 1999 EUR 20.9 million).

Turnover increased by 4.4 per cent, to EUR 823.1 million. Excluding divested business operations, the increase in turnover amounted to 7.3 per cent.

Operating costs fell by 0.3 per cent, but when fuel costs are excluded, they fell by 3.9 per cent. Fuel costs rose between April and September by 47.9 per cent. Profit before taxes amounted to EUR 96.1 million (I-II 1999, EUR 30.2 million).

Profit from the sale of fixed assets amounted to EUR 35.7 million. The biggest items included the sale of the entire stock of Oy Finnmatkat-Finntours Ab in April and the profit from the sale of three MD-80 aircraft. In the previous year the profit from the sale of fixed assets amounted to EUR 8.6 million.

Earnings per share amounted to EUR 0.85, whereas the year before the figure was EUR 0.24. Equity per share was EUR 7.41, compared with EUR 6.34 the year before.

GROUP DIVISIONAL PERFORMANCE APRIL - SEPTEMBER 2000

Flight Operations

Turnover on flight operations increased by 5.7 per cent, amounting to EUR 759.9 million. Air transport revenues per revenue tonne kilometre rose by 4.8 per cent. Affecting the significant increase in yield were the introduction of price increases, a strengthening of certain leading currencies and an increase in business class travel. Yield rose in all traffic areas. Passenger transport revenues increased by 8.5 per cent.

Strong economic improvement has continued in all the main market areas, which is manifest in the rise in cargo earnings of 17.9 per cent. The abolition of duty free sales within the European Union has again had a negative effect on results, to the tune of almost EUR 5 million.

Unit costs on flight operations per available tonne kilometre rose by 4.0 per cent, though if fuel costs are excluded they fell by 2.5 per cent. Operating profit on flight operations excluding sales profits rose by 75.2 per cent over the previous year, amounting to EUR 55.6 million.

The financial figures for Flight Operations include those for scheduled passenger transport, leisure traffic and cargo operations as well as aircraft maintenance, ground services and Group catering activities.

Other operations

Turnover for Tour operation fell by 28.2 per cent, mainly as a result of the sale of Oy Finnmatkat-Finntours Ab, which took place in April 2000, and because of the reduction in services offered compared with the previous year. In the period April - September, the number of passengers using Finnair Group travel organizers fell by 37 per cent. The operating profit on tour operations amounted to EUR 0.1 million, which was the same as for the year before.

Turnover in the Travel Agency sector fell by 0.3 per cent. Operating profit improved by EUR 0.1 million to EUR 2.5 million. The division consists of the Group's domestic and overseas travel agency operations as well as Amadeus Finland Oy, the global reservations systems agency in Finland. We have been able to maintain the level of profitability despite the reduction in commissions and our work on developing electronic web commerce.

As part of our new distribution strategy during 2000 Finnair Oyj has sold off those travel agencies belonging to its Norvista chain in the United States, Sweden, the Baltic states and Russia. We are also considering disposing of parts of the chain in certain European countries.

Air traffic trends and the market

Since the beginning of the financial year Finnair has carried out an important strategic change, mainly affecting long haul traffic. Unprofitable routes were cut and frequencies to profitable destinations were added. This change has resulted in improvements in capacity utilization levels and profitability in many traffic areas.

In terms of passenger numbers Finnair has lost a small amount of market share in its main market areas but at the same time we have been able to raise our market share in business travel.

Revenue passenger kilometres for traffic overall declined during April - September by 6.3 per cent, whereas available passenger kilometres fell by 6.9 per cent. Cabin factor improved by 0.4 percentage points to 70.4 per cent. The main reason for the reduction in capacity was the cessation of the Osaka, San Francisco and Toronto routes.

The total number of passengers fell by 4.9 per cent. The number of passengers in scheduled traffic declined by 7.2 per cent, but in leisure traffic the corresponding increase was 6.3 per cent. Revenue passenger kilometres for scheduled traffic fell by 11.7 per cent but grew by 6.3 per cent for leisure traffic. The growth in business class travel on scheduled international routes amounted to 2.3 per cent, whereas tourist class travel went down by 8.7 per cent. The proportion of business class travel on scheduled international routes has risen by 1.9 percentage points, to 22.6 per cent.

Despite the significant reduction in capacity on long haul routes the number of cargo kilos carried increased by 11.8 per cent. Revenue tonne kilometres for all traffic fell by 1.7 per cent, while available tonne kilometres fell by 2.5 per cent, which resulted in an improvement in load factor of 0.4 percentage points, to 58.3 per cent.

Finnair remains yet again one of the most punctual of European airlines. Punctuality on scheduled flights for April - September rose from the previous year's 87.3 per cent to 90.1 per cent.

Capital expenditure and financing

Capital expenditure excluding advance payments for April - September amounted to a total of EUR 117.6 million. The figure for the corresponding period the year before was EUR 118.3 million. Capital spending on aircraft amounted to EUR 103.7 million. This included one Airbus A321 and one A319 type aircraft as well as modifications. Capital spending on buildings amounted to EUR 2.3 million, whilst spending on other capital assets amounted to EUR 11.6 million.

The Group balance sheet remains strong. Net cash flow on business operations excluding book gains amounted to EUR 99.2 million, whereas the year before it had been EUR 75.2 million. At the end of the period, interest bearing debt amounted to EUR 325 million and liquid assets were worth EUR 216 million. The gearing ratio at the end of September was 17.4 per cent and the equity ratio was 42.0 per cent, whereas at the end of the previous financial year it had been 42.1 per cent.

Shares and share capital

The highest price for the Finnair Oyj share on the Helsinki Stock Exchange in the April - September period was EUR 4.74 and the lowest was EUR 3.97. The market value of the company's shares on September 30, 2000 was EUR 338.9 million. The market value at the beginning of the financial year was EUR 334.7 million. During the April - September period 3.7 million shares were traded on the Helsinki Stock Exchange (6.7 million). At the end of the period under review the Finnish government owned 58.4 per cent of the company's shares, while the proportion owned by foreign investors or held in the name of a nominee was 18.7 per cent.

The Annual General Meeting of Finnair Oyj on August 24th, 2000 decided to convert the company's share capital to be denominated in euros. At the same time it was decided to raise the share capital through a bonus issue from EUR 71,260,465.91 to EUR 72,028,233.30. Thereafter, the nominal value of a company share is EUR 0.85.

The AGM also accepted the Board of Directors' proposal to grant stock options to key Finnair Group personnel. The option scheme is intended as part of an incentive and commitment programme for key Group personnel. The number of option certificates in the scheme is 4,000,000. Each certificate is valid for one Finnair Oyj share. The subscription period for shares with the stock options will begin in stages on May 1st, 2003 and May 1st, 2004 and will end for all certificates on August 31st, 2006.

Personnel and administration

The number of personnel of the Finnair Group on September 30, 2000 was 10,945, which was 732 fewer than the year before. The number of staff at the parent company, Finnair Oyj, at the end of the review period was 8,958, meaning 453 fewer than a year earlier. The average number of Group personnel was 4.6 per cent lower than a year before. Excluding divested businesses, the average number of personnel was 2.0 per cent lower. As a result of structural reorganization, the staff of Oy Finnmatkat-Finntours Ab and Finnair Gateway Ravintolat Oy are no longer included within the Group's personnel, in contrast to the comparison year.

Personnel costs amounted to EUR 230.7 million, which was a decrease of 4.1 per cent from the previous year. Productivity of flight operator Finnair Oyj's staff as defined by available tonne kilometres per employee rose by 1.8 per cent during the corresponding period.

Jarmo Vilenius took over as head of Finnair's technical division on September 1st, 2000, and Hannes Bjurström has been head of the Flight Operations division since October 1st 2000.

On August 24th, 2000 the Annual General Meeting decided to alter the company articles of association so that in future its financial year should correspond to the calendar year. The decision means that the financial year that began on April 1st, 2000 will in fact be only nine months long.

Products and services

In a joint study of customer satisfaction Finnair's service during the summer season was rated the best among the European airlines. General satisfaction among customers with their journey was the highest both for business and tourist class.

At the present time we have eight of the new Airbus A320 type aircraft in operation. By the end of 2001 we shall acquire another four planes, in addition to which the company has placed an order for six Airbus A320s to be delivered between 2002 and 2003. Two of the new Airbuses, delivered during the summer, were painted in the well publicised new Finnair corporate livery.

Finnair and the Finnish TietoEnator company have created a paperless total travel management service, which is based on Finnair's electronic MultiFLYe season ticket system. At the moment, the MultiFLYe service is available for all domestic flights as well as the Stockholm route. The service will be expanded in the near future to include other major cities in neighbouring countries.

SysOpen is to supply Finnair with the eGate system for airline passengers, based on radio frequency identification technology. eGate is an automatic check-in service, which will speed up progress to the aircraft for passengers with electronic tickets.

Sonera and Finnair have begun cooperation which will eventually make it possible to book and pay for an air ticket and pass through check-in via mobile communication devices. The service will include a real time flight monitoring service for Finnair passengers.

In August, Finnair inaugurated the joint Mobile Competence Center in Helsinki for the oneworld alliance.

It is the aim of the Internet based Online Travel Portal Limited, set up by Finnair and eight other European airlines, to rapidly become a leading

European electronic travel services agency. Operations will be started up during 2001.

In October, Finnair announced that next year it would be setting up a Finnish Internet-based travel agency in conjunction with the international Amadeus company, which supplies systems for travel service distribution, booking and data handling.

For the third time in four years, the Finnair wine cellar has been voted the best in the 12th survey of airline wine cellars conducted by Business Traveller magazine.

In one year to October 2000, the Finnair Plus frequent flyer programme increased by approximately 45,000 members. At the moment there are some 306,000 members covered by the scheme.

Cooperation with other airlines

At the end of October, Finnair began daily code share flights between Toronto and London Heathrow with its **oneworld** alliance partner, British Airways. Toronto is the first long haul code share destination for Finnair and British Airways. Up till now, the airlines have been cooperating on code share in Europe, between Finland and Great Britain, Sweden and England and from London to Lisbon, for example.

Seat booking on flights by Finnair's partner Golden Air will become easier, since in future the company will buy all its booking, flight control and optimization systems services from Finnair. Golden Air will also participate in Finnair's Internet products, such as the electronic MultiFLYe season tickets for corporate customers. Golden Air flies from Helsinki to a total of nine destinations in Finland.

Short term outlook

The operational result for the nine month financial year, which will close at the end of the calendar year, is expected to show a considerable improvement over the corresponding period during the previous year. Finnair's determination to improve the profitability of its route network will continue, as will its efforts to raise capacity utilization levels.

In addition to its operating results, the profits from the sale of fixed assets during the financial year are expected to amount to about EUR 60.6 million. In addition to the sale of the four MD-80 aircraft already announced, the company will sell two MD-87 aircraft during November and December.

Finnair has leased back for its own use three of the six aircraft sold during the financial year, for a period of three years. At the end of their leases these aircraft will be replaced by Airbus A320 type aeroplanes. These lease agreements increase Finnair's flexibility to adapt to changes in demand whilst ensuring that the MD-80 aircraft are disposed of in a controlled manner.

Finnair has hedged about half of its fuel purchases until the end of the first quarter of 2001, after which about a third has been hedged until the autumn.

Air traffic demand is expected to expand in all sectors. Next year, Finnair's overall traffic supply in terms of tonne kilometres will grow by about 5 per cent. Supply will increase particularly in European traffic and leisure traffic. In conjunction with its alliance and other cooperating partners Finnair will also open several new code-share routes.

The Group's financial management and organisation structure will be overhauled so that for the next year operational activities will take place within business units and subsidiaries which are being set up, and which will form six business areas. A new Group management team is to be set up which will replace the Management Board of the present Finnair Oyj parent company. The aim is to create transparency, cost-effectiveness and earnings responsibility, and thereby better meet the expectations of customers, shareholders and personnel.

Helsinki, November 23rd 2000
Finnair Oyj
Board of Directors

President and CEO Keijo Suila comments on the interim report:

"The direction is good and our strategy is working as we expected," says Finnair's president and CEO Keijo Suila. "We have adjusted our output to match healthy demand, which has enabled us to lower our production costs despite massive increases in fuel prices.

We have pruned away loss-making operations, which manifests itself in the rather modest volume trends. I am not concerned about this because in the key segments we have maintained our position.

We shall return to volume growth next year after this period of adjustment. Our utilization levels are still extremely low and we shall be able to exploit our growth opportunities largely from our current resources. For 2002 we are planning a noticeable increase in capacity, particularly in our long haul traffic."

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT (EUR Mill.)

	2000	1999	Change	2000	1999	Change	1999/00
	1.7.-30.9.	1.7.-30.9.	%	1.4.-30.9.	1.4.-30.9.	%	1.4.-31.3.
Turnover	408.9	385.6	6.0	823.1	788.2	4.4	1 592.9
Work used for own purposes and capitalized	0.9	1.5	-39.9	1.3	2.0	-35.0	3.0
Other operating income	15.6	4.8	225.7	41.4	14.0	195.7	42.3
Share of profits less losses of participating	0.2	0.1	74.0	0.3	0.1	200.0	0.2
Operating income	425.6	392.0	8.6	866.1	804.3	7.7	1 638.4
Operating expenses							
Staff costs	113.6	118.0	-3.8	230.7	240.5	-4.1	453.6
Fuel	42.9	29.9	43.5	80.6	54.5	47.9	134.5
Lease payments for aircraft and other rents	50.9	31.7	60.6	87.5	62.1	40.8	113.5
Materials and overhaul for aircraft	14.3	14.7	-2.5	29.7	33.6	-11.7	69.7
Traffic charges	28.5	30.2	-5.7	58.0	59.6	-2.8	119.2
Ground handling and catering charges	32.9	33.3	-1.3	65.5	65.1	0.6	119.8
Expenses for tour operations	17.5	24.1	-27.2	34.6	45.7	-24.4	103.9
Sales and marketing expenses	21.0	33.8	-38.0	49.9	64.0	-22.0	130.0
Depreciation	27.8	25.0	11.1	53.8	48.0	12.1	114.9
Other expenses	38.0	47.3	-19.7	82.5	101.7	-18.9	229.5
Total	387.3	388.0	-0.2	772.6	774.8	-0.3	1 588.6
Operating profit	38.2	4.0	855.8	93.4	29.5	216.8	49.8
Financial income and expenses	0.8	-4.1	-119.9	2.7	0.7	269.8	6.7
Profit before extraordinary items and taxes	39.0	-0.1		96.1	30.2	217.9	56.5
Extraordinary items	0.0	0.0		0.0	0.0		28.5
Profit before taxes	39.0	-0.1		96.1	30.2	217.9	85.0
Direct taxes	-6.9	-1.6	333.6	-23.9	-10.0	138.6	-25.0
Minority share	-0.2	0.0		-0.2	-0.1	51.7	-0.2
Profit for the financial year	32.0	-1.7		72.1	20.1	258.6	59.7
Key figures							
Operating profit in relation to turnover %	9.3	1.0		11.4	3.7		3.1
Earnings/share EUR	0.38	-0.02		0.85	0.24		0.37
1 EUR = 5.94573 FIM							

BALANCE SHEET (EUR Mill.)

	30.9.2000	30.9.1999	31.3.2000
Fixed assets			
Intangible assets	24.4	23.3	23.3
Tangible assets	945.7	831.0	891.6
Financial assets	9.2	7.7	7.5
Total	979.2	861.9	922.4
Current assets			
Inventories	54.2	49.4	52.8
Long-term receivables	2.8	4.0	3.0
Short-term receivables	264.4	249.1	249.5
Investments	193.6	151.5	153.1
Cash and bank equivalents	22.3	21.0	15.4
Total	537.3	474.8	473.8
Assets total	1 516.5	1 336.7	1 396.2
Shareholders equity	627.6	537.3	577.0
Minority interests	0.5	0.5	0.6
Deferred tax liabilities	102.1	96.6	102.0
Long-term liabilities	276.8	162.0	160.5
Short-term liabilities	509.3	540.3	556.1
Total liabilities	1 516.5	1 336.7	1 396.2
Key figures			
Equity/share EUR	7.41	6.34	6.81
Gross investment (Mill. EUR)	117.6	118.2	251.8
Gross investment, % of turnover	14.3	15.0	15.8

Equity ratio %	42	41.1	42.1
Gearing %	17.4	14.8	19.4

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS (EUR Mill.)

	30.9.2000	Fair value	30.9.1999	31.3.2000
Pension liabilities				
Total liability of pension fund	590.4		553.3	575.7
Uncovered liability of pension fund	0.2		1.0	0.5
Liability for pensions paid directly by the companies	2.2		2.7	2.3
Liability included in long term liabilities	2.4		3.7	2.8
Other contingent liabilities				
Pledges on own behalf	255.7		40.6	156.3
Guarantees on group undertakings	32.2		38.4	40.5
Guarantees on others	0.2		0.0	0.0
Aircraft lease obligations	267.2		265.7	262.9
Total	555.3		344,7	459,7
Derivative contracts				
Currency derivatives				
Forward contracts	272.7	5.9	165,0	203,0
Currency options				
Bought	100.4	2.6	37.6	58.6
Sold	109.6	-1.5	0.6	64.9
Currency swaps	188.6	20.1	70.4	140.0
Interest rate derivatives				
Interest rate options				
Bought	51.1	1.0	51.1	51.1
Total	722.4	28.1	324.7	517.7
Other derivative contracts				
Fuel price agreements (tonnes)	221 000	9.4	28 800	95 000

The figures in this review have not been audited.

TURNOVER BY SECTOR (EUR Mill.)

	2000	1999	Change	2000	1999	Change %	1999/00
	1.7.-30.9.	1.7.-30.9.	%	1.4.-30.9.	1.4.-30.9.		1.4.-31.3.
Flight operations	376.6	354.0	6.4	759.9	718.7	5.7	1 431.2
Travel agencies	22.7	20.9	8.9	46.7	46.9	-0.3	93.7
Tour operations	39.2	54.2	-27.6	77.5	107.9	-28.2	262.8
Total	438.5	429.0	2.2	884.1	873.5	1.2	1 787.6
- less internal adjustments	-29.6	-43.3	-31.6	-61.0	-85.3	-28.5	-194.7
Group turnover	408.9	385.6	6.0	823.1	788.2	4.4	1 592.9

OPERATING PROFIT BY SECTOR (EUR Mill.)

	2000	1999	Change %	2000	1999	Change %	1999/00
	1.7.-30.9	1.7.-30.9.		1.4.-30.9.	1.4.-30.9.		1.4.-31.3.
Flight operations	35.1	5.7	515.6	90.0	31.7	183.8	49.3
Travel agencies	1.1	0.7	60.4	2.5	2.4	5.1	4.7
Tour operations	1.2	-0.3	-497.5	0.1	0.1	-7.5	0.1
Total	37.4	6.2	503.3	92.6	34.2	170.8	54.1
- less internal adjustments	0.8	-2.2	-135.1	0.6	-4.8	-111.9	-4.6
Participating interests	0.2	0.0		0.3	0.1	171.0	0.2
Total	38.2	4.0	855.0	93.4	29.5	216.6	49.8

AVERAGE PERSONNEL

	2000	1999	1999/00
	1.4.-30.9.	1.4.-30.9.	1.4.-31.3.00
Flight operations	9 229	9 681	9 502
Travel agencies	1 495	1 444	1 451
Tour operations	377	509	509
Total	11 101	11 634	11 462

AIR TRANSPORT 1.4.-30.9.2000

	1) Total traffic	Europe	North Atlantic	Asia	Domestic	2) Leisure	3) Leased out
Passengers (1000)	3 814	1 580	99	124	1 287	724	
Change %	-4.9	-3.8	-27.8	-15.1	-8.2	6.3	
Cargo (1000 kg)	41 151	16 181	13 284	8 473	2 409	804	
Change %	11.8	1.3	37.5	8.8	-5.4	-4.6	
Available Seat Kilometres, mill	8 600	3 351	756	1 018	1 098	2 377	298
Change %	-6.9	0.0	-39.3	-19.9	-3.5	6.7	12.3
Revenue Pass. Kilometres, mill	6 053	1 919	655	817	596	2 066	298
Change %	-6.3	-1.0	-31.5	-18.4	-3.7	6.3	12.3
Available Tonne Kilometres, mill	1 214	409	207	223	126	249	29
Change %	-2.5	-2.1	-15.5	0.9	-2.5	7.4	13.8
Revenue Tonne Kilometres, mill.	708	192	139	138	52	187	29
Change %	-1.7	-0.7	-8.2	-5.1	-3.8	6.2	13.8
Cabin factor %	70.4	57.3	86.6	80.3	54.3	86.9	100.0
Change %-points	0.4	-0.6	9.8	1.5	-0.1	-0.3	0.0
Overall load factor %	58.3	46.9	67.1	62.1	41.7	74.8	100.0
Change %-points	0.4	0.7	5.3	-3.9	-0.6	-0.9	0.0

1) Total traffic figures exclude capacity leased out.

2) Leisure traffic includes charter flights and comparable scheduled flights.

3) Capacity leased out includes Finnair operated code share flights for other airlines. This capacity is recorded as sales in the other airline's accounts, whereas for Finnair flight operations they represent available capacity and lease income.

