FINANCIAL REPORT

CONTENTS

BOARD OF DIRECTORS` REPORT FOR THE FINANCIAL YEAR, 1 JAN–DEC 2006

GENERAL REVIEW

The year under review was one of restructuring in Finnair. The company's main business area, international scheduled passenger traffic, has been shaped by conditions dictated by growing Asian traffic. Changes in organisational and personnel structures have been aimed at focusing operations particularly on scheduled passenger traffic between Europe and Asia. Growing Asian traffic is increasing travel demand on European routes, too.

In 2006 European airlines' scheduled passenger traffic grew more than five per cent and financial performance was better than in previous years. Finnair's scheduled passenger traffic grew overall by more than 13 per cent and Asian traffic by nearly 30 per cent. Due to the trend in fuel prices and Group restructuring, the operational result was modest and the result for the quarter was in the red, however.

In the early part of the year, turnover developed favourably, even though the average price of flight tickets declined by 2-3 per cent. Simultaneously, fuel costs rose strongly, placing a heavy burden on operating costs.

Finnair Technical Services' result was adversely affected not only by non-recurring arrangement expenses but also by some financially unprofitable external maintenance contracts. Moreover, Finnair Scheduled Passenger Traffic's replacement of its Boeing MD-80 aircraft with an Embraer fleet resulted in transition costs. More extensive maintenance than planned on two wide-bodied aircraft increased costs at Finnair Technical Services. The Aircraft Heavy Maintenance unit was under-utilised and the year was heavily loss-making.

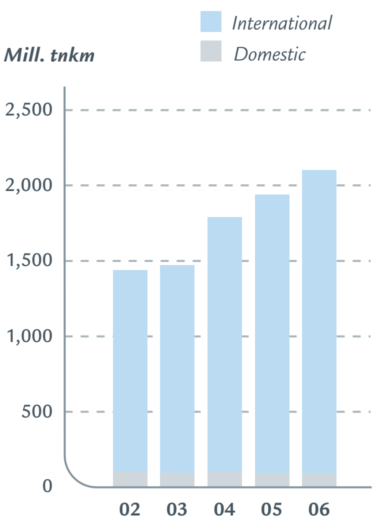
In the second quarter, a restructuring programme was initiated with the aim of finding 80 million euros of annual savings starting in 2008 as well as long-term cost competitiveness. Over 15 million euros in non-recurring expenses for restructuring were recognised in the second quarter, including a 10 million euro provision for personnel reductions and an impairment of more than five million euros on Finnair Technical Services' inventories. In a statutory employer-employee procedure, a reduction of 670 jobs by the end of 2007 was agreed. Most of the reductions will take place in Finnair Technical Services and administrative support functions.

Negotiations have been conducted with flight personnel to develop terms and conditions of employment to correspond with Finnair's present traffic structure. Finnair's goal of hiring 500 new employees for cabin work under the national collective employment agreement led to a dispute with the Finnish Flight Attendants' Association SLSY, which organised a two-day strike at the end of October. The strike had a negative impact on the result of more than 10 million euros. In negotiations held after the strike, an agreement was reached on more flexible conditions of employment and, among other things, on the establishment of a group that will focus on long-haul flights.

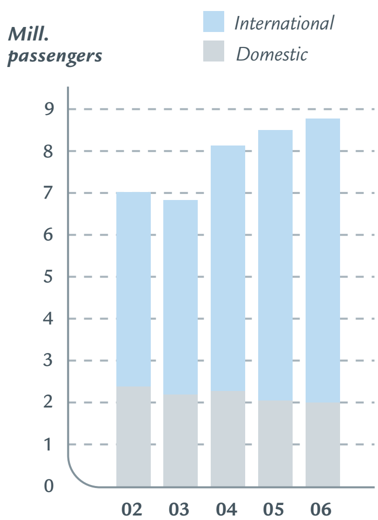
Finnair's fleet has been modernised by discontinuing the oldest types of aircraft and by acquiring additional new aircraft. The present fleet will enable the company to reduce operating costs and improve passenger load factors. The fleet modernisation is evident in increased depreciation and lease payments.

The postponement by Airbus of production decisions caused uncertainty in the production schedule of the A350 type of aircraft, which Finnair has ordered by

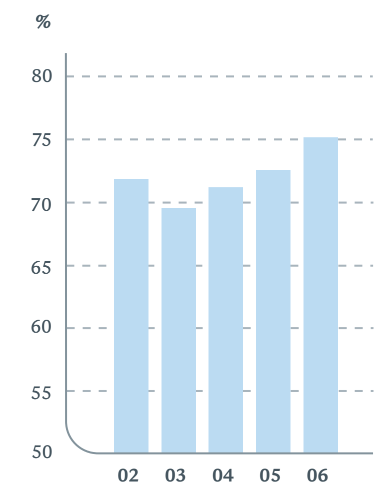
REVENUE TONNE KILOMETERS



NUMBER OF PASSENGERS



PASSENGER LOAD FACTOR



2012–15. A decision by Airbus to begin production of the aircraft would also have confirmed the production schedule of the aircraft ordered by Finnair. We expect to conclude to negotiations with Airbus in the near future and confirm a plan for aircraft acquisitions during a transition period.

At the end of November 2006, the EU and Russia agreed to discontinue gradually, from 2010 to 2013, the charging of royalty fees for traffic overflying Russia. Finnair currently pays Russia more than 20 million euros for flights that fly over Russia on its Japanese and Chinese routes.

FINANCIAL RESULT, 1 JANUARY – 31 DECEMBER 2006

Turnover rose 6.3 per cent and was 1,989.6 million euros. The Group's operational result, i.e. EBIT excluding capital gains, changes in the fair value of derivatives and arrangement expenses, i.e. the operating result on operations, fell to 11.2 million euros (70.1 million). Adjusted EBIT margin was 0.6 per cent (3.7). The result before taxes was -14.7 million euros (87.5 million). A result weakening instalment of 8.8 million euros from changes in the fair value of derivatives was registered into the result for the entire year, but it does not have an effect on cash flow.

In 2006 passenger traffic capacity grew 3.5 per cent and demand grew 7.1 per cent. Passenger load factor rose 2.5 percentage points from the previous year to 75.2 per cent. The quantity of cargo carried grew by 4.0 per cent.

In scheduled passenger and leisure traffic, total unit revenues per passenger kilometre rose by 1.4 per cent. Yield per passenger rose by 7.5 per cent. Unit revenues per tonne kilometre for cargo traffic declined by 1.6 per cent. Weighted unit revenue for passenger and cargo traffic rose by 0.4 per cent.

In 2006 euro-denominated operating costs were 10.4 per cent higher than the previous year. Relative to flight performance, unit costs of flight operations rose by 1.8 per cent. Unit costs, excluding fuel costs, fell by 3.5 per cent. Finnair's fuel costs in 2006 were more than 90 million euros, i.e. 31.5 per cent, higher than in 2005 and the share of fuel in the Group turnover was 19.4 per cent (15.6).

Earnings per share for the full year amounted to -0.16 euros (0.73). Equity per share at the end of December 2006 amounted to 6.77 euros, compared with 7.73 euros the year before.

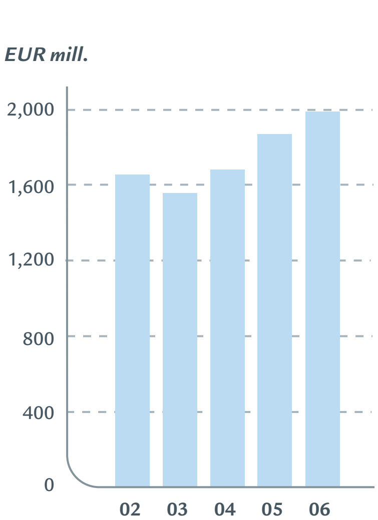
INVESTMENT, FINANCING AND RISK MANAGEMENT

Investments in 2006 totalled 252.2 million euros (57.5 million), including one Airbus A340 wide-bodied aircraft, six Embraer 170 aircraft, one Embraer 190 aircraft and an Embraer 170 flight simulator. Including advance payments, the cash flow impact of investments was –227.7 million euros. The investment programme for new aircraft in 2007 and 2008 is more than 300 million euros in both years.

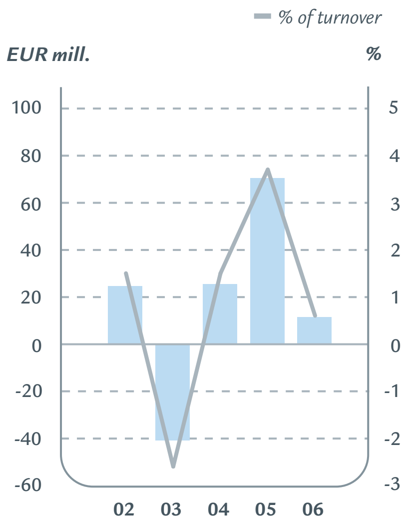
In June and August, Finnair signed two 50 million euro credit facilities for aircraft financing. In June, Finnair also issued a 100 million euro bond. At the end of the year, the Group had balance sheet cash and cash equivalents amounting to 294.3 million euros, in addition to which there was a total of 300 million euros in unused committed credit facilities.

Operational net cash flow was 95.8 million euros, compared with 191.8 million euros a year earlier. Gearing has risen from -25.1 per cent at the beginning of the year to 7.1 per cent at the end of the year.

TURNOVER

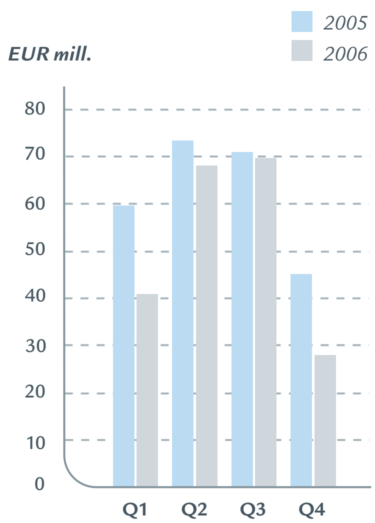


EBIT*



* Excluding capital gains, fair value changes of derivatives and arragement expenses

EBITDAR*



* Excluding capital gains, fair value changes of derivatives and arragement expenses

Gearing adjusted for leasing liabilities was 112.8 per cent (66.8%). In addition to internal financing, the considerable fleet modernisation will require external capital provisional financing. Different options for confirming the capital structure are being explored. The equity ratio fell by 5.0 percentage points from the corresponding point in the previous year to stand at 37.2 per cent.

According to the financial risk management policy approved by Finnair's Board of Directors, the company has hedged 63 per cent of scheduled traffic's jet fuel purchases during the next six months and thereafter for the following 30 months with a decreasing level of hedging. At the end of 2006 Finnair adjusted its hedging policy so that the hedging horizon for jet fuel was lengthened from two to three years. Finnair Leisure Flights has price hedged around 80 per cent of the fuel consumption of its agreed traffic programme for the coming season.

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

Under IFRS rules, a change during the financial period in the fair value of derivatives that mature in future is recognised in the Finnair income statement item 'Other expenses'. It is a valuation loss in accordance with IFRS reporting practice and not a realised hedging loss nor does it have an effect on cash flow. In 2006 the change in the fair value of derivatives was -8.8 million euros.

A weakening of the US dollar against the euro has a positive impact on Finnair's operational result. At the end of December, the degree of hedging for a dollar basket over the following 12 months was 66 per cent.

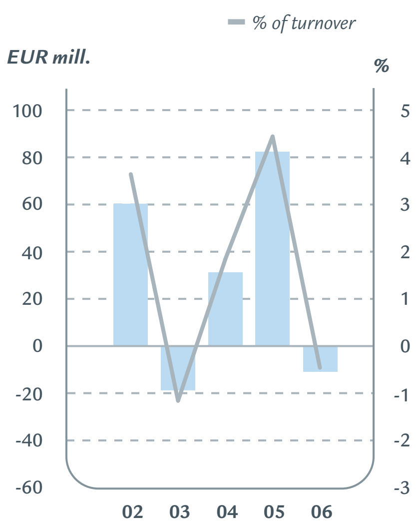
Finnair's investments, financing and risk management are outlined in more detail in the Notes to the Financial Statements.

SHARES AND SHARE CAPITAL

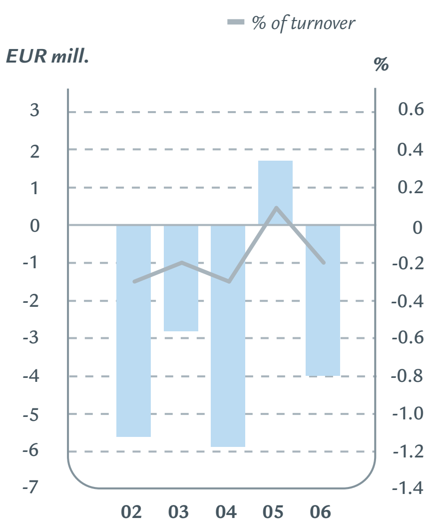
On 31.12.2006 the market value of the company was 1,101.5 million euros (1,039.9 million) and the closing price was 12.41 euros. During 2006 the highest price for the Finnair Plc share on the Helsinki Stock Exchange was 15.00 euros (12.15), while the lowest price was 10.01 euros (5.56) and the average price 12.50 euros (8.56). During 2006, some 30.0 million (32.2 million) of the company's shares, with a value of 374.6 million euros (276.0 million), were traded on the Helsinki Stock Exchange. At the end of the period under review, the Finnish State owned 55.8 per cent (57.0%) of the company's shares, while 33.5 per cent (29.1%) were held by foreign investors or in the name of a nominee.

At the beginning of the financial period, the company held 535,000 of its own shares, which it had purchased in previous years. On 23 March 2006 the Annual General Meeting authorised the Board of Directors for a period of one year to purchase the company's own shares up to a maximum of 3,500,000 shares and dispose of the company's own shares up to a maximum of 3,650,000 shares. The authorisation applies to shares amounting to less than five per cent of the company's share capital. Under the authorisation, the company transferred 383,097 shares to key individuals on 19 April 2006 as part of a share bonus scheme for key individuals. The company did not make further purchases of own shares in 2006. On 31 December 2006 the company held a total of 151,903 own shares, i.e. 0.2 per cent of all shares.

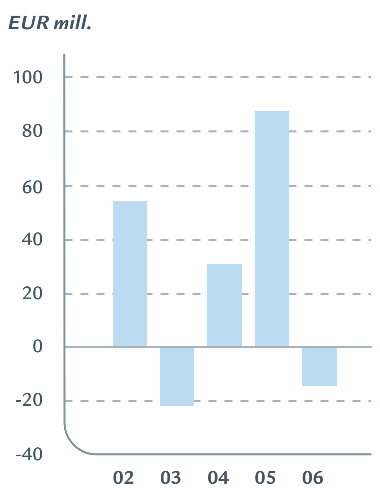
OPERATING PROFIT, EBIT



FINANCIAL INCOME AND EXPENSES



RESULT BEFORE TAXES



Two series of Finnair Plc option rights were traded on the Main List of the Helsinki Stock Exchange. At the beginning of the financial period, 396,394 Series A 2000 options were in circulation and 816,150 Series B 2000 options. The options were removed from the Helsinki Stock Exchange list on 31 August 2006, when the subscription for shares with the options ended and the options expired. Between 1 January and 31 August 2006, 396,169 new shares were subscribed for with Series A options and 816,020 new shares with Series B options, a total of 1,212,189 new shares. The subscription ratio was 1:1. A total of 355 options were not exercised. After the registration of the new shares, Finnair Plc's registered share capital on 31 December 2006 was 75,442,904.30 euros (73,783,496.05) and the total number of shares was 88,756,358 (86,804,113).

A more detailed account of the share and share capital can be found in the Shares and Shares Capital section of the Financial Report.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

At the Annual General Meeting held on 23 March 2006, the following former members were elected as Members of the Board of Directors until the end of the next Annual General Meeting: Christoffer Taxell (Chairman), Markku Hyvärinen, Kari Jordan, Veli Sundbäck and Helena Terho. In addition, Kalevi Alestalo, Satu Huber and Ursula Ranin were elected as new members.

PricewaterhouseCoopers Oy, Authorised Public Accountants, was elected as the company's regular auditor, Principal Auditor APA Eero Suomela with APA Jyri Heikkinen and Matti Nykänen APA and Tuomas Honkamäki APA as deputy auditors.

Jukka Hienonen, appointed to succeed President and CEO Keijo Suila, who retired on 31 December 2005, began as President and CEO of Finnair Plc on 1 January 2006. Before joining Finnair, Hienonen was Executive Vice President of Stockmann Oyj Abp with responsibility for the department stores group.

EVP Scheduled Passenger Traffic Henrik Arle was appointed Deputy CEO of Finnair Plc as of 1 January 2006. At the same time Arle was appointed Finnair Plc's Accountable Manager, as specified in the Airline Operator's Licence.

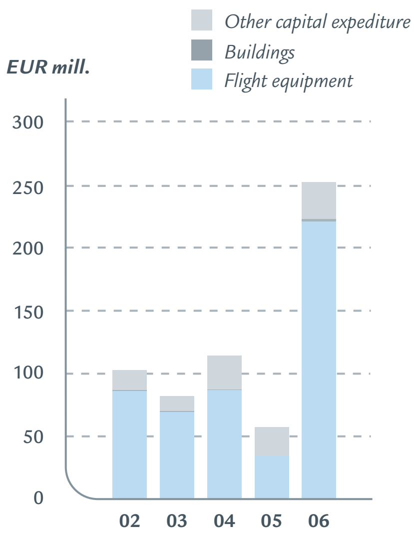
There were changes in the Group's Management. SVP Technical Services Jarmo Vilenius moved to become Managing Director of Finnair Facilities Management as of 15 January 2006. The new SVP Technical Services is Kimmo Soini, who transferred to the post from his role as Scheduled Passenger Traffic's VP Technical Services.

SVP Leisure and Travel Services Mauri Annala retired on 1 March 2006. Kaisa Vikkula Doc(Econ) was appointed to replace him. She had been a member of Finnair's Board of Directors since 2003. Vikkula left her Board position on 16 February 2006.

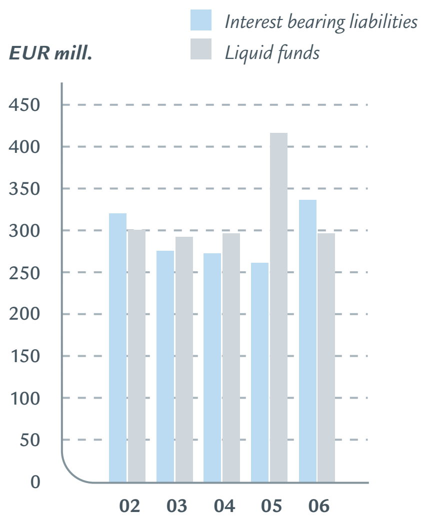
Finnair's SVP, Administration and Human Resources Tero Palatsi resigned from Finnair on 15 February 2006. The duties of Senior Vice President, Human Resources were handled by VP Ari Kuutschin until 31 January 2007. As of 1 February 2007, the Senior Vice President, Human Resources is Anssi Komulainen, who moved to the position from his duties as Managing Director of Finnair Catering Oy. Kristina Inkiläinen has been appointed to replace Komulainen as Managing Director of Finnair Catering Oy and SVP, Catering as of 30 April 2007. Inkiläinen was formerly Managing Director of Select Service Partner Finland Oy.

Finnair's Legal Counsel Sami Sarelius was appointed Vice President and

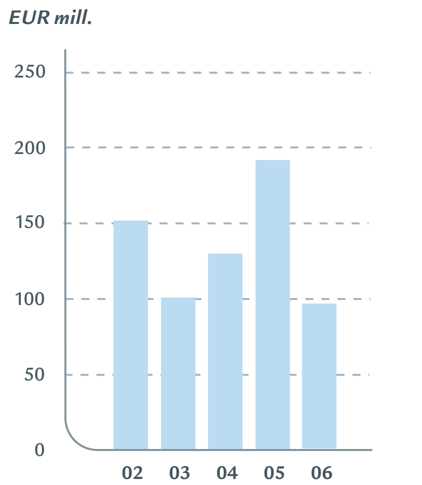
CAPITAL EXPENDITURE (GROSS)



INTEREST BEARING LIABILITIES AND LIQUID FUNDS



CASH FLOW FROM OPERATING ACTIVITIES



General Counsel as of 1 February 2007. He will also act as secretary to the company's Board of Directors and Board of Management.

At the beginning of 2006, senior management working was rearranged, so that the Finnair Plc's Executive Board comprises, in addition to President and CEO Jukka Hienonen, Deputy CEO Henrik Arle, Chief Financial Officer Lasse Heinonen, Senior Vice President, Human Resources Anssi Komulainen (as of 1 February 2007), SVP, Leisure Traffic and Travel Services Kaisa Vikkula, SVP, Commercial Division Mika Perho and SVP, Finnair Technical Services Kimmo Soini.

In addition to the Executive Board, the Board of Management comprises SVP, Communications Christer Haglund, SVP, Flight Operations Hannes Bjurström, Finnair Cargo Oy's Managing Director Antero Lahtinen, Northport Oy's Managing Director Tero Vauraste and Finnair Catering Oy's Managing Director Kristina Inkiläinen (as of 30 April 2007) and four personnel representatives.

Finnair's Corporate Governance is outlined in more detail in the Corprorate Governance section section of the Financial Report.

PERSONNEL

During 2006, the average number of staff employed by the Finnair Group totalled 9,598, which was 1.6 per cent more than a year before. Scheduled Passenger Traffic had 4,114 employees and Leisure Traffic 343 employees. The total number of personnel in technical, catering and ground handling services was 3,771 and in travel services 1,145. A total of 225 people were employed in other functions.

The number of Scheduled Passenger Traffic personnel grew in the early part of the year by 5.9 per cent. The increase has occurred in Flight Operations, particularly for the needs of growing Asian traffic. The number of personnel in other business areas has declined or remained as before. The trend is in accordance with the Finnair Group's restructuring plan.

Foreign units had around 800 employees, of whom 300 work mainly in sales and customer service duties related to Finnair's passenger and cargo traffic. There are a total of 500 employees working for the Swedish airline FlyNordic, the Estonian airline Aero, the Estravel travel agency chain, which operates in the Baltic states, and as guides at Aurinkomatkat-Suntours' holiday destinations. Foreign personnel are included in the total number of Group employees.

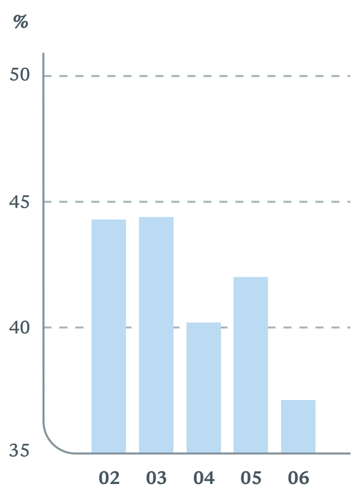
Of Finnair Group personnel, half are women and half are men. The proportion of women in management positions, for example in department manager roles, is growing. There are two women members on the Finnair Group's Board of Management. Three of the eight members of Finnair Plc's Board of Directors are women.

Full-time staff account for 91 per cent of employees. Around half of part-time staff are employees on partial child-care leave. Some 92 per cent of staff are employed on a permanent basis. Seasonal staff are included among those on fixed-term contracts. The average age of employees is 43 years, with most being between 30 and 50 years of age. More than 20 per cent are over 50 years old and one in ten are under 30.

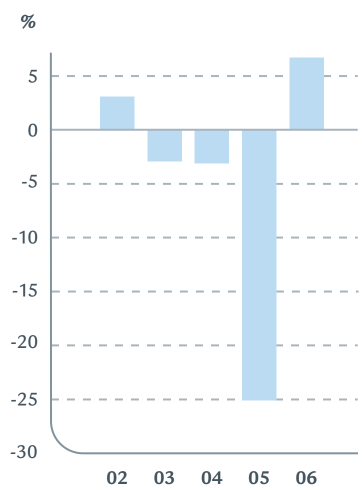
Employees' average length of service is 14 years. One third of Finnair's personnel have been in the service of Group for more than 20 years. Nearly half of these have been employed for more than 30 years.

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

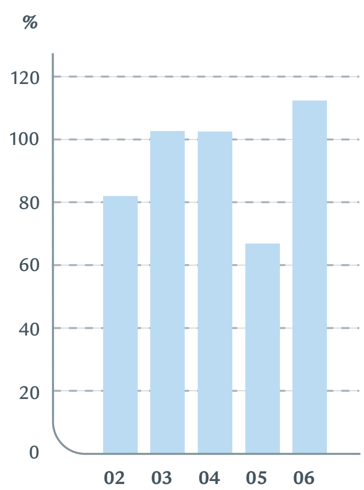
EQUITY RATIO



GEARING



ADJUSTED GEARING



In May 2006, Finnair announced a target of cutting 670 jobs, mainly in Finnair Technical Services as well as administrative support functions by the end of 2007. A statutory employer-employee negotiation procedure related to this took place in May-June 2006 and an agreement on the reduction of jobs was reached in September. The reduction has already been implemented in administrative and property services functions through the merger and outsourcing of units. A reduction of personnel numbers by 300 in Finnair Technical Services will take place mainly through early-retirement solutions.

More flexible terms and conditions of employment have been negotiated with pilots and cabin staff to make more efficient use of labour. Around 20 million euros of annual savings will be sought through more flexible procedures. Agreement on the issue has been reached with cabin staff and the agreement with pilots is expected in the near future.

At the end of October, the Finnish Flight Attendants' Association SLSY, which represents cabin staff, organised a two-day strike in response to Finnair's plans to hire 500 cabin attendants by summer 2007 on terms according to the national collective employment agreement.

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

Changes to the current collective employment agreement were agreed that improve the efficiency of the cabin staff's work. The scheduling of cabin staff's working and free days was improved and restrictions relating to working and rest periods on long-haul routes were unwound, for example by establishing a group focusing on long-haul flights. Savings will also be made in crew hotel costs.

Incentive bonuses amounting to nearly 3 million euros are expected to be paid to personnel for 2006. The financial result for 2006 did not fulfil the terms of the share bonus scheme for key individuals nor conditions for the payment of a profit bonus to the Personnel Fund.

FLEET CHANGES

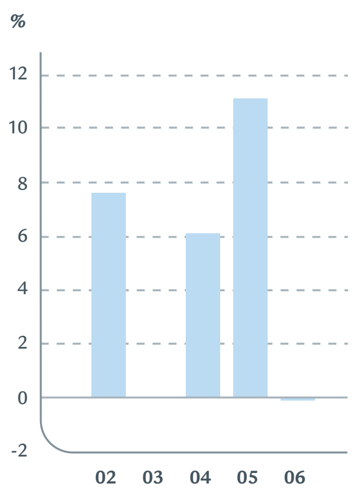
Finnair Group's fleet is managed by Finnair Aircraft Finance Oy, which belongs to the Scheduled Passenger Traffic business area. On 31 December 2006, the Finnair fleet had 72 aircraft. The average age of the entire fleet was 8.3 years. In European traffic, the average age of the fleet is approximately four years. Finnair has at its disposal the most modern fleet in European air traffic, which brings both cost savings and eco-efficiency.

Finnair's parent company discontinued the use of the Boeing MD-80 type of aircraft at the beginning of July. This type of aircraft will continue to be used by Finnair's Swedish subsidiary FlyNordic. The Estonian subsidiary Aero AS operates with seven ATR 72 aircraft. A decision has been made to sell four aircraft. The aim is to sell the aircraft by spring 2007.

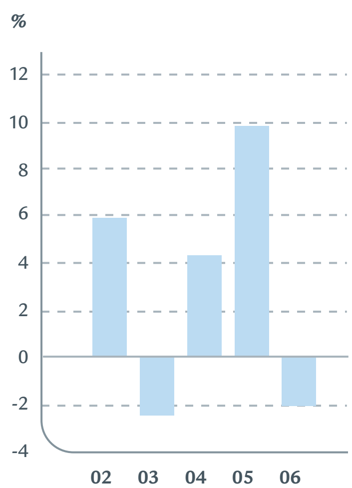
The Embraer aircraft acquisition programme, which began in autumn 2005, continues. The number of Embraer aircraft ordered to date is 20, of which ten are the 76-seat 170 model and ten the 100-seat 190 model. At the end of the year, all ten 170 model aircraft and the first Embraer 190 had been delivered to Finnair. During 2007, five more Embraer 190s will arrive, and the remaining four will be delivered in 2008-09, two each year.

For the growing needs of Asian traffic, Finnair bought its first Airbus A340 aircraft in July 2006. The aircraft was purchased pre-owned. In addition, long-haul traffic

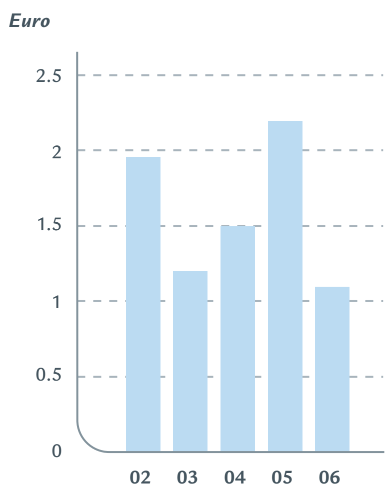
RETURN ON CAPITAL EMPLOYED



RETURN ON EQUITY



CASH FLOW / SHARE



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

In March 2006 Finnair agreed an order for nine new Airbus A350 wide-bodied aircraft plus four options. After Finnair's order decision, Airbus announced that it would revise the design of the A350. This will delay the introduction of this type of aircraft by Finnair, with the first A350 aircraft arriving in 2014. The redesigned A350 aircraft, when completed, will be a more economic and higher performance model than originally planned. The terms of acquisition take into account the fact that Finnair made the order before the Airbus decision to redesign the A350.

At the beginning of 2007, negotiations between Finnair and Airbus will lead to agreement on a fleet modernisation programme that will alleviate the inconvenience to the continuity of Finnair's operations caused by the delay in the A350 production schedule. The agreement allows for the fact that the delay in the production schedule is not due to Finnair.

Finnair has also ordered four Airbus A340-wide-bodied aircraft and has options for four more. The ordered aircraft will be delivered to Finnair in 2007–08.

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

By the end of 2007, winglets will be fitted to all seven Boeing 757 aircraft used by Finnair Leisure Flights. They improve an aircraft's aerodynamics and thus reduce fuel consumption and emissions. Fuel consumption falls by an estimated four per cent.

ENVIRONMENT

At the end of 2006, the EU announced a proposal for extending emissions trading to air transport around the turn of the decade. The emissions trading calculation principles take into account the benefit produced for the fuel consumed. As it will only apply to airlines operating in the area of the EU, the scheme distorts competition in the industry.

Finnair has been renewing its fleet systematically since 1999. The Airbus A320 and Embraer aircraft families used in European and domestic traffic represent the newest technology. The modern fleet is eco-efficient both in regard to carbon dioxide and noise emissions.

Finnair takes the environment into consideration in all its operations and decision-making. Finnair environmental matters are presented in more detail in the Annual Report and on the Finnair website.

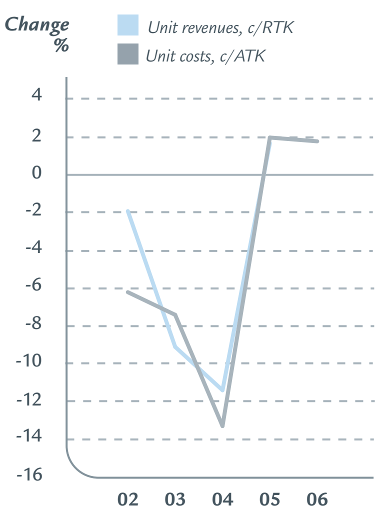
PERFORMANCE OF BUSINESS AREAS

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

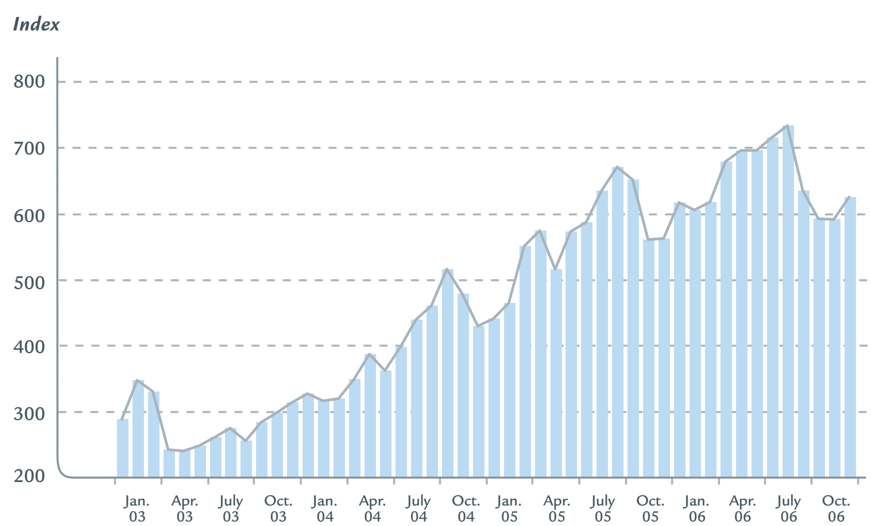
SCHEDULED PASSENGER TRAFFIC

This business area is responsible for sales of scheduled passenger traffic and cargo, service concepts, flight operations and activity connected with the procurement

UNIT REVENUES AND COSTS



JET FUEL MARKET PRICE (CIF NWE)
2003–2006, USD/TONNE



and financing of aircraft. Scheduled Passenger Traffic leases to Leisure Traffic the crews and aircraft it requires. The business area consists of the following units and companies: Finnair Scheduled Passenger Traffic, Aero Airlines, FlyNordic, Finnair Cargo Oy and Finnair Aircraft Finance Oy.

In 2006 the business area's turnover rose by 8.1 per cent to 1,522.1 million euros. The adjusted EBIT i.e. operational result was 28.6 million euros (34.3 million).

Finnair Scheduled Passenger Traffic carried more than 7.5 million passengers in 2006. Demand for Finnair's Scheduled Passenger Traffic grew by 13.3 per cent, while capacity grew by 7.2 per cent, leading to an improvement in passenger load factor by 3.9 percentage points to 71.6 per cent.

Unit revenues for scheduled passenger traffic fell 2.0 per cent in 2006. In addition to a general fall in price levels, growth of the relative share of long-haul traffic in scheduled traffic as a whole also contributed to the decline in unit revenues. In long-haul traffic, passenger kilometre-based unit revenue is lower than in European and domestic traffic. In long-haul traffic, however, average prices rose from the previous year. The price level in European traffic was nearly the same as in 2005. In domestic traffic, on the other hand, the decline in prices continued.

Unit revenues for cargo declined by 1.6 per cent in 2006. The total quantity of cargo carried in scheduled passenger traffic grew by 6.7 per cent. The quantity of cargo carried in Asian traffic increased 19.4 per cent from the previous year.

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

The operating result of Finnair's Swedish subsidiary FlyNordic was in profit for the last two quarters of 2006. FlyNordic's profitability has been improved by transferring capacity from scheduled traffic to more profitable leisure traffic. The full-year's result, however, is a loss.

During 2006, the arrival punctuality of scheduled passenger flights fell by 3.6 percentage points to 84.4 per cent (88.0%). Even so, Finnair's punctuality is still among the best in Europe.

LEISURE TRAFFIC

This business area consists of Finnair Leisure Flights as well as the Aurinkomatkat-Suntours package tour company, which is the biggest in its field in Finland, with a market share of more than 39 per cent. Finnair Leisure Flights also enjoys a strong market leadership in leisure travel flights. The company has ten tour operators as customers.

In 2006 Finnair Leisure Flights carried more than 1.2 million passengers. Performance calculated in passenger kilometres was 7.2 per cent lower than a year earlier. Capacity was reduced by 7.4 per cent, so the passenger load factor of leisure flights remained nearly at the previous year's level, at 87.4 per cent. For the summer season 2006, two Leisure Flights aircraft had been leased to an English charter company.

Aurinkomatkat-Suntours' passenger numbers grew five per cent in 2006 to more than 340,000 passengers. Overcapacity in the sector reduced price levels and increased sales of loss-making last-minute departures, thus weakening profitability compared to the previous year. In terms of the result, however, the year was the third best in Aurinkomatkat-Suntours' history. Aurinkomatkat-Suntours reached an agreement on the purchase Estonia's second biggest tour operator, Oü Horizon Travel. The company increases Aurinkomatkat's tour capacity by more than five per cent. The finalisation of the deal still awaits the approval of the competition authority.

Owing to fuel surcharges collected from tour operators, the business area's 2006 turnover remained at the previous year's level, at 386.8 million euros. The adjusted EBIT i.e. operational result was a profit of 18.6 million euros (20.3 million), a decline of 8.4 per cent.

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

AVIATION SERVICES

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

In 2006 Aviation Services' turnover rose 1.6 per cent to 407.5 million euros. The adjusted EBIT i.e. operational result declined by 50 million euros, however, and was clearly loss-making, i.e. –24.5 million euros (25.5 million). The business area's loss is derived from Finnair Technical Services and Northport Oy; catering operations are profitable.

Most of the over 15 million euros in arrangement expense provisions made in the second quarter of 2006 were designated for Aviation Services, particularly Finnair Technical Services. Finnair Technical Services also has some unprofitable maintenance contracts for non-Group customers, the most significant part of which it was able to cancel during 2006.

The utilisation of the Aircraft Heavy Maintenance unit in particular has been low, and operations have been loss-making. Activity at the Aircraft Heavy Maintenance unit will be clearly better than the previous year in spring 2007.

At the beginning of 2006, Finnair Technical Services initiated a competitiveness project which examined the entire organisation's revenue and cost structure. The goal is to return the business to profitability by specialising and by developing processes and operating models. At the same time, operations for which there is no commercial justification will be discontinued.

Finnair Technical Services' personnel numbers will be cut by around 300 in 2006–07. The reduction will be implemented through various pension solutions, outsourcing of functions and redundancies.

The ground handling company Northport Oy expanded its operations to Oslo's Gardemoen Airport. A subsidiary, which has a light cost and administration structure, started operating in Oslo on 1 October 2006. Early-stage costs and operational challenges have been connected with the start-up of operations. A Northport subsidiary is also operating at Stockholm's Arlanda Airport.

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

At the end of 2006, Finnair signed an agreement with YIT Kiinteistötekniikka Oy by which responsibility for Finnair's real-estate and facilities management services transferred to YIT for the next five years. Overall, the value of the contract is more than 40 million euros. Around 50 Finnair Facilities Management employees transferred to YIT's service under their existing terms of employment at the beginning of 2007. Group-owned properties were not transferred in the arrangement.

TRAVEL SERVICES

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

In 2006, the business area's turnover fell 4.2 per cent to 87.4 million euros and the adjusted EBIT i.e. operational result was 2.3 million euros (8.1 million). The sharp decline in adjusted EBIT resulted mainly from pressure on service fees caused by tight competition in the travel agency sector as well as the discontinuation of sales commissions paid by travel providers and airlines. The result includes non-recurring items relating to company arrangements and efficiency measures.

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

FTB, Area and Amadeus Finland have brought to the market a network service with which customers can tailor for themselves a travel package from the offerings of different service providers.

FLIGHT TRAFFIC SERVICES AND PRODUCTS

Finnair is increasingly an airline engaged in traffic between Europe and Asia, and nearly half of scheduled passenger traffic revenue is linked to Asian traffic. From spring 2007, Finnair will have a total of 59 flight connections per week to ten Asian destinations. To China alone, the company will fly more than 100 flights per month.

Finnair's entire route network, which benefits from Helsinki's ideal location on flight routes between Asia and Europe, has been built particularly to serve this type of traffic. Flights covering 15 domestic and 40 European destinations connect into Finnair's Asia network. At the same time, a wide selection of direct connections are offered within Finland and from Finland to the rest of Europe.

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

In spring 2007 Finnair's Asian route network will be revised so that all destinations are served by direct flights, with no intermediate stops. The objective is to fly daily to as many Asian destinations as possible, so that business passengers are offered as competitive a product as possible. Product improvement also increases average revenues.

From spring 2007 the daily destinations will be Bangkok, Delhi, Hong Kong, Osaka, Beijing and Shanghai. In addition, Finnair will fly to Guangzhou in China and to Tokyo and Nagoya in Japan. In December 2006 Finnair doubled its traffic to Tokyo from two to four flights per week. A new destination, Mumbai in India, will open in spring 2007 with five flights per week. As a consequence of the rearrangement, the route from Bangkok to Singapore will be discontinued and the planned opening of the Kuala Lumpur route abandoned.

The type of aircraft used in long-haul traffic is mainly the wide-bodied Boeing MD-11. The cabins of the wide-bodied fleet were refurbished and new lie-flat seats were fitted in business class at the beginning of 2006. Feedback from customers has been very positive. In the summer, Finnair's first Airbus A340 wide-bodied aircraft was taken into use. Finnair's business class has been highly rated in many independent surveys, and especially the sale of long-haul business class is growing strong.

A fleet consisting of aircraft of different sizes allows routes and flights to be added to the route network flexibly as the demand base varies. In Europe, five new destinations, serving local demand as well as the needs of Asian traffic, were opened in summer 2006. The new destinations were Edinburgh, Geneva, Kiev, Krakow and Pisa/Florence. Flight frequencies on the St. Petersburg and Warsaw routes were increased.

Routes to Bucharest, Gdansk, Ljubljana, Lisbon and Nuremberg will be opened in 2007. In addition, the Madrid and Manchester flights will fly direct, without an a stop-over in Stockholm. The changes mean that all European routes will be served by non-stop flights.

Finnair Leisure Flights carries the customers of ten tour operators to 66 holiday destinations in 33 countries. In addition, flights only can be purchased on the internet to dozens of Leisure Flights' destinations, the latest addition being Phuket in Thailand.

Leisure Flights' fleet consists of seven Boeing 757 aircraft and Airbus capacity leased from Scheduled Passenger Traffic. At the beginning of 2007, Leisure Flights launched extra services that customers can pay for. Before their trip, customers can order on the internet a special meal or a more spacious seating place, for example. Child passengers have their own meal service.

FUTURE PROSPECTS

The success of Finnair's core business, international scheduled passenger traffic, is based on the fastest connection between Europe and Asia. For this reason, the company's investments are focused on ensuring the growth of Asian traffic. Fleet acquisitions in the coming years will be aimed at improving competitiveness in long-haul traffic directed to Asia and in European feeder traffic.

Finnair is developing more and more into an airline engaged in Europe-Asia traffic. In 2007 Asian traffic capacity will grow by 30 per cent when two new Airbus A340 aircraft join Finnair's long-haul fleet in the second quarter. Further standardisation of the fleet will increase profitability.

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

In domestic and European traffic, competition for market share will remain tight. Ticket prices are expected to remain at the previous year's level in domestic and European traffic, but to rise in long-haul traffic. Overall, unit revenues in scheduled passenger traffic are however falling, because the relative proportion of long-haul traffic, characterised by lower unit revenues, is growing.

Productivity improvements, cost savings and pruning of loss-making operations will be sought through operational rationalisation and restructuring. The competitiveness project initiated in Finnair Technical Services is focusing particularly on the line maintenance and aircraft heavy maintenance units. Of Technical Services' four units, the operations of these units are loss-making. As far as ground handling services company Northport is concerned, possible ownership or partnership arrangements are under consideration.

Personnel will be added in the area of expanding flight operations, while job numbers will be reduced in support operations. It is essential for growth in Asian traffic to make more efficient use of flight personnel and to attain a flexible cost and operating structure in flight operations.

The profit impact of the 80 million euro restructuring programme currently under way will be fully evident in 2008, but a large proportion of the savings will also become apparent in 2007. If the development of fuel prices remains stable, this will create a basis for significant improvement in the operational result in 2007.

BOARD OF DIRECTORS PROPOSAL ON THE DIVIDEND

The distributable equity of Finnair Plc amounts to 270.8 million euros. The Board of Directors proposes to the Annual General Meeting that a dividend of 0.10 euros per share (0.25) be distributed, a total of 8.9 million euros, and that the remainder of the distributable equity be carried over as retained earnings.

FINNAIR PLC
Board of Directors

IFRS FINANCIAL STATEMENTS 1 JAN–31 DEC 2006

CONTENTS

CONSOLIDATED INCOME STATEMENT

EUR mill.	1 Jan 2006– 31 Dec 2006	1 Jan 2005– 31 Dec 2005	Note
Turnover	**1,989.6**	**1,871.1**	3
Work used for own purposes and capitalized	3.7	11.3	5
Other operating income	17.9	31.8	6
Other operating expenses	-1,917.2	-1,741.6	7
Depreciation and imparment	-104.8	-90.7	8
Operating profit	**-10.8**	**81.9**	
Financial income	11.0	20.1	9
Financial expenses	-15.0	-14.6	10
Share of result in associates	0.1	0.1	15
Profit/loss before taxes	**-14.7**	**87.5**	
Income taxes	1.7	-25.5	11
Profit/loss for financial year	**-13.0**	**62.0**	
Earnings per share to shareholders of the parent company	-13.6	61.4	
Minority interest	0.6	0.6	
Earnings per share calculated from profit attributable to shareholders of the parent company			
Earnings per share	-0.16	0.73	12
Earnings per share EUR (diluted)	-0.16	0.71	12

The Notes to the Financial Statements on pages 19–59 are an essential part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

EUR mill.	31 Dec 2006	31 Dec 2005	Note
ASSETS			
Non-current assets			
Intangible assets	47.5	44.6	13
Tangible assets	1,012.3	844.4	14
Investments in associates	5.6	3.1	15
Receivables	15.4	17.7	16
Deferred tax receivables	27.1	17.5	17
	1,107.9	**927.3**	
Short-term receivables			
Inventories	38.5	45.1	18
Trade receivables and other receivables	211.8	247.6	19
Other financial assets	268.6	391.7	20
Cash and bank equivalents	25.7	26.7	21
	544.6	**711.1**	
Non-current assets held for sale	7.6	0.0	4
Assets total	**1,660.1**	**1,638.4**	
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Equity attributable to shareholders of parent company			
Shareholders´equity	75.4	73.8	
Other equity	524.5	598.6	
	599.9	672.4	
Minority interest	1.6	1.6	
Equity, total	601.5	674.0	22
Long-term liabilities			
Deferred tax liability	115.7	125.8	17
Interest bearing liabilities	286.9	214.9	26
Pension obligations	7.0	12.7	24
	409.6	353.4	
Short-term liabilities			
Current income tax liabilities	3.0	20.1	11
Reserves	10.0	0.0	25
Interest bearing liabilities	56.6	52.7	26
Trade payables and other liabilities	579.4	538.2	27
	649.0	611.0	
Liabilities Total	**1,058.6**	**964.4**	
Shareholders' equity and liabilities, total	**1,660.1**	**1,638.4**	

The Notes to the Financial Statements on pages 19–59 are an essential part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1 Jan 2006–31 Dec 2006	1 Jan 2005–31 Dec 2005
Cash flow from operating activities		
Profit/loss for the financial year	-13.0	62.0
Operations for which a payment is not included [1]	100.2	91.7
Interest and other financial expenses	15.0	14.6
Interest income	-9.1	0.0
Other financial income [2]	-1.8	-12.0
Dividend income	-0.1	-0.3
Taxes	-1.7	25.5
Changes in working capital:		
Change in trade and other receivables	10.2	-18.5
Change in inventories	6.7	1.3
Change in accounts payables and other liabilities	13.4	33.5
Interest paid	-11.0	-9.5
Paid financial expenses	-3.4	-1.5
Received interest income	9.9	0.0
Received financial income	1.6	7.0
Taxes paid	-21.1	-2.0
Net cash flow from operating activities	**95.8**	**191.8**
Cash flow from investing activities		
Sale of subsidiaries, net of cash sold [3]	0.0	3.5
Investments in intangible assets	-12.6	-16.1
Investments in tangible assets	-273.0	-57.7
Net change of financial interest bearing assets at fair value through profit or loss [4]	53.2	-30.2
Sales of tangible fixed assets	2.3	2.8
Received dividends	0.1	0.3
Change in non-current receivables	2.3	-2.6
Net cash flow from investing activities	**-227.7**	**-100.0**
Cash flow from financing activities		
Loan withdrawals	108.3	11.0
Loan repayments	-25.9	-19.0
Purchase of own shares	0.0	-1.5
Sales own shares	0.0	0.2
Option right to own shares	5.4	12.6
Share premium account changes	0.0	2.3
Dividends paid	-21.8	-8.5
Net cash flow from financing activities	**66.0**	**-2.9**
Change in cash flows	**-65.9**	**88.9**
Change in liquid funds		
Liquid funds, at the beginning	339.4	250.5
Change in cash flows	-65.9	88.9
Liquid funds, in the end [5]	**273.5**	**339.4**

The cash flow statement analyses changes in the Group's cash and cash equivalents during the financial year. The cash flow statement has been divided according into the IAS 7 standard in operating, investing and financing cash flows.

CONSOLIDATED CASH FLOW STATEMENT

Notes to consolidated cash flow statement:

1) Operations for which a payment is not included

EUR mill.	2006	2005
Depreciation	104.8	90.7
Employee benefits	-2.8	2.6
Finance lease	-5.0	-4.9
Other adjustments	3.2	3.3
	100.2	**91.7**

2) Fair value changes of shares reconised at Financial assets at fair value through profit or loss are eliminated from cash flow from operating activities. Shares reconised at Financial assets as fair value through profit or loss are itemised in Notes 20 and 29.

3) The Group has disposed of its real-estate companies Kiinteistöosakeyhtiö Aerola A- ja B- talot in 2005. Information about the assets, liabilities, and cash and cash equivalents of the companies are presented in the Notes to the income statement, in Note 4.

4) Net change of financial interest bearing assets at fair value through profit or loss maturing after more than 3 months.

5) Cash and cash equivalents include cash and other liquid assets, which are presented in the balance sheet in separate accounts. A reconciliation of the cash flow statement's cash and cash equivalents with the balance sheet figures is presented below:

Balance sheet item		
Investments	268.6	391.7
Cash and bank equivalents	25.7	26.7
Short-term cash and cash equivalents in balance sheet	294.3	418.4
Shares held for trading purposes	-2.9	-7.9
Maturing after more than 3 months	-17.9	-71.1
Total	273.5	339.4

Cash and cash equivalents encompass cash and bank deposits as well as other highly liquid financial assets whose term to maturity is a maximum of three months. Such items are e.g. certificate of deposits and commercial papers. Balance sheet items are itemised in Notes 20 and 21.

The Notes to the Financial Statements on pages 19 - 59 are an essential part of these consolidated financial statements.

SHAREHOLDERS' EQUITY

Equity attributable to shareholders of parent company

EUR mill.	Share capital	New issue	Share premium-account	Bonus issue	Hedging reserve	Retained earnings	Total	Minority interests	Total
Shareholders' equity 1 Jan 2005	**72.1**	**0.0**	**5.7**	**147.7**	**-9.9**	**359.5**	**575.1**	**1.2**	**576.3**
Translation difference						0.0	0.0		0.0
Dividend payment						-8.5	-8.5	-0.2	-8.7
Change in fair value of hedging instruments					30.8		30.8		30.8
Purchase of own shares						-1.5	-1.5		-1.5
Sales of own shares						0.2	0.2		0.2
Option right to shares	1.7		10.3				12.0		12.0
Option right to shares, new issue		0.6					0.6		0.6
Share premium account changes			2.3				2.3		2.3
Profit for the period						61.4	61.4	0.6	62.0
Shareholders' equity 31 Dec 2005	**73.8**	**0.6**	**18.3**	**147.7**	**20.9**	**411.1**	**672.4**	**1.6**	**674.0**

Equity attributable to shareholders of parent company

EUR mill.	Share capital	New issue	Share premium-account	Bonus issue	Hedging reserve	Retained earnings	Total	Minority interests	Total
Shareholders' equity 1 Jan 2006	**73.8**	**0.6**	**18.3**	**147.7**	**20.9**	**411.1**	**672.4**	**1.6**	**674.0**
Translation difference						0.3	0.3		0.3
Purchase of minority interest						-0.6	-0.6	-0.2	-0.8
Dividend payment						-21.8	-21.8	-0.4	-22.2
Change in fair value of hedging instruments					-42.0		-42.0		-42.0
Option right to shares	1.6	-0.6	4.4				5.4		5.4
Share premium account changes			-2.3			2.1	-0.2		-0.2
Profit/loss for the period						-13.6	-13.6	0.6	-13.0
Shareholders' equity 31 Dec 2006	**75.4**	**0.0**	**20.4**	**147.7**	**-21.1**	**377.5**	**599.9**	**1.6**	**601.5**

The Notes to the Financial Statements on pages 19–59 are an essential part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIC INFORMATION ABOUT THE COMPANY

Finnair Group engages in worldwide air transport operations and supporting services. The Group's operations are divided into the Scheduled Passenger Traffic, Leisure Traffic, Aviation Services and Travel Services business areas.The Group's parent company is Finnair Plc, which is domiciled in Helsinki at the registered address Tietotie 11 A. The parent company is listed on the Helsinki Stock Exchange. In addition, its shares are also traded in the SEAQ system of the London Stock Exchange.The Board of Directors of Finnair Plc has approved these financial statements for publication at its meeting on 5 February 2007. Under Finland's Companies Act, shareholders have the option to accept or reject the financial statements in a meeting of shareholders, which will be held after the publication of the financial statements.

2. ACCOUNTING PRINCIPLES

The accounting principles of the consolidated financial statements are presented below. The accounting principles have been followed in the periods presented in the consolidated financial statements unless otherwise stated.

BASIS OF PREPARATION

Finnair Plc's consolidated financial statements for 2006 have been prepared according to the International Financial Reporting Standards (IFRS) and in their preparation the IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on 31 December 2006 have been followed. By International Financial Reporting Standards is meant the standards accepted for application in the EU and interpretations issued about them in accordance with the procedure laid down in Finnish law and provisions issued by virtue thereof in the EU Regulation (EC) No.1606/2002. The notes to the consolidated financial statements also comply with Finnish accounting and corporate law.

The 2006 consolidated financial statements have been prepared based on original acquisition costs, except for financial assets recognisable through profit and loss at fair value, financial assets which are available-for-sale, and derivative contracts, which have been valued at fair value. Combinations of Group operations have taken place before 2004 and goodwill in respect of these corresponds to the carrying amount of the previous financial statement, which has been used as the assumed acquisition cost under IFRS. Financial statement data is presented in millions of euros, rounded to the nearest one hundred thousand euros.

The preparation of financial statements in accordance with IFRS standards requires Group management to make certain estimates and to exercise discretion in applying the accounting principles. Information about the discretion exercised by management in applying the accounting principles followed by the Group and that which has most impact on the figures presented in the financial statements has been presented in the item "ACCOUNTING PRINCIPLES THAT REQUIRE MANAGEMENT DISCRETION AND MAIN UNCERTAINTY FACTORS RELATING TO ESTIMATES".

PRINCIPLES OF CONSOLIDATION SUBSIDIARIES

Finnair Plc's consolidated financial statements include the parent company Finnair Plc and all its subsidiaries. As subsidiaries are deemed to be those companies in which the parent company directly or indirectly owns more than 50% of the votes or in which it otherwise exercises the right to determine the company's financial and business policies in order to benefit from its activities.

The book value of shares in undertakings included in consolidation has been eliminated using the acquisition cost method. Subsidiaries that have been acquired are consolidated from the date on which the Group has acquired control, and subsidiaries that have been disposed of are no longer consolidated from the date that control ceases. All of the Group's internal transactions, receivables, liabilities and unrealised gains as well as internal distribution of profit are eliminated in the consolidated financial statements. Unrealised losses are not eliminated in the event that a loss results from impairment. The financial statements of subsidiaries have been amended to correspond with the accounting principles in use within the Group.

BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL

Business combinations involving entities under common control are handled in the accounts on the basis of original acquisition costs, because these acquisitions are not included in the area of application of the IFRS 3 standard Business Combinations, in which case acquired assets and liabilities are not valued at fair value. In acquisitions of minority interests, the difference between the acquisition cost and the acquired shareholder's equity is recognised directly shareholders' equity.

ASSOCIATED UNDERTAKINGS

Associated undertakings are undertakings in which the Group generally has 20–50% of the votes or in which the Group has significant influence but in which it does not exercise control.

Holdings in associated undertakings have been included in the consolidated financial statements by the equity method. The Group's share of earnings after the time of acquisition is recognised in the income statement. If the Group's share of the loss of an associated undertaking exceeds the book value of the investment, the investment is entered in the balance sheet at zero value unless the Group has incurred obligations on behalf of the associated undertaking. Unrealised gains between the Group and associated undertakings have been eliminated to the extent of the Group's holding. The Group's share of an associated undertaking includes goodwill arising from its acquisition. Associated undertakings' financial statements have been converted to correspond with the accounting principles in use in the Group.

MINORITY INTEREST

Minority interest is presented in the balance sheet separately from liabilities and the parent company's shareholders' equity as its own item as part of shareholders' equity. In the income statement is presented the distribution of profit for the financial year to the parent company's shareholders and minority interest. Minority interest of accrued losses are recognised in the consolidated financial statements up to a maximum of the amount of the investment.

TRANSLATION OF FOREIGN CURRENCY ITEMS

Items included in each subsidiary's financial statements are valued in the foreign currency that is the main currency of operating environment of each subsidiary ("operational currency"). The consolidated financial statements have been presented in euros, which is the parent company's operational and presentation currency.

Monetary items denominated in foreign currency, except for advances paid and received, have been translated into the operating currency using the mid-market exchange rates on the closing date. Advance payments made and received are entered at the exchange rate of the operating currency on the date of payment. Non-monetary items have been translated into the operating currency using the exchange rate on the date of the transaction. Translation differences on operations are included in the income statement's operating profit, and translation differences on foreign currency loans are included in financial items.

The income statements and balance sheets of foreign subsidiaries have been translated into euros using the exchange rates on the closing date. Translation differences of shareholders' equity items arising from eliminations of the acquisition cost of foreign subsidiaries are recognised in shareholders' equity. When a foreign subsidiary is sold, these translation differences are recognised in the income statement as part of the overall profit or loss arising from the sale. Translation differences that have arisen since the IFRS transition date are presented as a separate item in shareholder's equipment when preparing the consolidated financial statements.

Goodwill arising from foreign acquisitions is treated as a foreign exchange asset of the foreign unit and is translated into euros using the exchange rate on the closing date.

DERIVATIVE CONTRACTS AND HEDGE ACCOUNTING

According to its financial policy, the Finnair Group uses foreign exchange, interest rate and commodity derivatives to reduce the exchange rate, interest rate and commodity risks which arise from its balance sheet items, foreign exchange purchase contracts, anticipated purchases and sales as well as future jet fuel purchases.

The derivatives are recognised at the time they are made in the balance sheet at original acquisition cost and are subsequently valued at fair value in each financial statement and interim report. Gains and losses arising from changes in the fair value are presented in the financial statements according to the original classification of the derivative. Gains and losses on derivatives qualifying for hedge accounting are recognised in accordance with the underlying asset being hedged. Derivative contracts are designated at inception as hedges for future cash flows and binding purchase contracts (cash flow hedges or fair value hedges) or as derivatives not meeting the hedge accounting criteria or to which hedge accounting is not applied (economic hedges). Hedging of the fair value of the net investment of foreign units or embedded derivatives have not been used.

At the inception of hedge accounting, the Finnair Group documents the relationship between the hedged item and the hedging instrument as well as the Group's risk management objectives and the strategy for the inception of hedging. The Group documents and assesses, at the inception of hedging and at least in connection with each financial statements, the effectiveness of hedge relationships by examining the capacity of the hedging instrument to offset changes in the fair value of the hedged item or changes in cash flows. The values of derivatives in a hedging relationship are presented in the balance sheet item short–term financial asset and liabilities.

The Finnair Group implements in accordance with IAS 39 hedge accounting principles the hedging of future cash flows (cash flow hedging) in terms of the price and foreign currency risk of jet fuels as well as foreign currency hedging of lease payments and aircraft purchases.

Fair value hedging is implemented in Finnair in respect of firm orders for new Airbus aircrafts. These binding purchase agreements are treated under IAS 39 as firm commitments whose fair value is recognised in the balance sheet as an asset item and any corresponding gains or losses recognised through profit and loss. Similarly the fair value of instruments hedging these purchases are presented in the balance sheet as a liability or receivable and the change in fair value is recognised through profit and loss.

The change in the fair value of effective portion of derivative instruments that fulfil the terms of cash flow hedging are entered directly in a hedging reserve in equity to the extent that the requirements for the application of hedge accounting have been fulfilled. The gains and losses recognised in equity are transferred to the income statement in the period in which the hedged item is entered in the income statement. When an instrument acquired for the hedging of cash flow matures or is sold or when the criteria for hedge accounting are no longer fulfilled, the gain or loss accrued from hedging instruments remain in equity until the forecast transaction takes place. However, if the forecast hedged transaction is not longer expected to occur, the gain or loss accrued in equity is released immediately to the income statement.

The effectiveness of hedging is tested on a quarterly basis. The effective portion of hedging is recognised in the hedging reserve of shareholders' equity, from which it is transferred to income statement when the hedged item is realised or, in terms of investments, as an acquisition cost adjustment.

To hedge the interest rate and foreign exchange risks of foreign currency loans the Finnair Group uses foreign exchange and interest-rate swap contracts. The translation difference arising from foreign exchange and interest–rate swap contracts that fulfil the conditions of hedge accounting is recognised concurrently against the translation difference arising from the loan, while other changes in fair value are recognised in terms of the effective portion in the hedging reserve of shareholders' equity. Interest income and expenses are recognised in financial income and expenses.

The Finnair Group concludes jet fuel swaps (forward contracts) and options in order to even out future price fluctuations in jet fuel purchases. Changes in the fair value of jet fuel hedging derivatives are recognised directly in the hedging reserve in respect of derivatives defined as cash-flow hedges that fulfil the requirements of IAS 39 hedge accounting. Accrued gains and losses on derivatives recognised in shareholders' equity are recognised in the income statement as income or expenses for the financial period in which the hedged item is recognised in the income statement. If a forecasted cash flow is no longer expected to occur, the accrued gains and losses reported in the shareholder's equity are presented directly as other income and expenses for the financial period. Changes in the fair value of derivative contracts, in so far as the IAS 39 hedge accounting criteria are not fulfilled, are presented in other operating income and expenses during their term to maturity.

The change in the fair value of derivatives not qualifying for hedge accounting and which are arranged to hedge operational cash flow are recognised in the income statement item other operating expenses. Changes in the fair value of interest rate derivatives not qualifying for hedge accounting are recognised in the income statement's financial income and expenses.

PRINCIPLE OF REVENUE RECOGNITION

Revenue from services is recognised as revenue in the financial period in which the services are provided for the customer. Revenue from the sale of goods is recognised when significant risks and rewards of owning the goods are transferred to the buyer. In such cases the Group has no longer any supervision of control over the products.

Scheduled Passenger Traffic and Leisure Traffic sales are recognised as revenue when the flight is flown in accordance with the flight traffic programme. Aviation Services' sales are recognised as revenue when the service is completely performed. Travel Services' sales are recognised as revenue when the service has been conveyed. Discounts granted and indirect taxes, among other things, are deducted from sales as adjustment items.

The recognition as revenue of unused flight tickets is based on the expiry dates of the tickets.

Interest income

Interest income is recognised by the effective yield method.

Dividend income

Dividend income is recognised when the company has acquired a legal right to receive the dividends.

INCOME TAXES

The tax item in the consolidated income statement comprises tax based on taxable income for the financial year, adjustments to taxes of previous financial years and the change in deferred taxes.

A deferred tax liability or asset is calculated for all temporary differences between accounting and taxation using the tax rates prescribed at the closing date.

The largest temporary differences arise from sales of tangible assets, depreciation, revaluations of derivative contracts, defined-benefit pension schemes, unused tax losses, and valuations at fair value made in connection with acquisitions. Deferred tax is not recognised for subsidiaries' undistributed earnings where it is probable that the difference will not reverse in the foreseeable future.

A deferred tax asset is recognised to the extent that it will probably be available to taxable profit of future financial years, against which the deductible temporary difference can be utilised.

The Group's main business takes place in Finland. Taxes based on taxable income for the financial year have been calculated with a tax rate of 26 per cent. Taxes based on the taxable income of foreign subsidiaries for the financial year have been calculated at tax rates of 0 – 26 per cent.

PUBLIC GRANTS

Public grants, for example government aid for simulator training, have been recognised in turnover. Public grants that Group may receive, for example, for fixed asset acquisitions are recognised as a reduction in original acquisition cost. Grants are recognised in the form of smaller depreciations over the useful life of the asset. The Group has not received during the financial year or the comparison period any public grants for fixed asset acquisitions. During the financial year, grants amounting to 1.6 million euros (previous financial year 1.5 million euros) have been recognised in turnover.

TANGIBLE FIXED ASSETS

Tangible fixed assets are recognised in the balance sheet when the financial benefit is longer than one year, in acquisition cost, including the direct costs arising from the acquisition. Tangible fixed assets are valued at original acquisition cost less accumulated depreciation and write-downs.

Aircraft and their engines as well as flight simulators are depreciated on a straight-line basis over their expected useful lives. The acquisition cost of aircraft is allocated to the aircraft fuselage, engines and heavy maintenance and these are depreciated as separate assets. Residual value depreciations are made for buildings and other fixed assets. Land areas are not depreciated.

Other equipment includes office equipment, furnishings, cars and transportation vehicles used at airports.

Depreciation is calculated using the following principles, depending on the type of asset:

- Buildings, 3-5% of their undepreciated residual value
- Aircraft and their engines: on a straight-line basis as follows:
  - new Airbus A320 family aircraft, over 20 years to a residual value of 10%
  - new Embraer fleet aircraft, over 20 years to a residual value of 10%
  - other jet aircraft acquired earlier as new, over 15 years to a residual value of 10%
  - used jet aircraft more than six years old, over 10 years to a residual value of 10%
  - new turboprop aircraft, over 12 years to a residual value of 10%
  - turboprop aircraft acquired as used, over 10 years to a residual value of 10%
  - aircraft to be withdrawn from use, fully on a straight-line basis according to their useful life outlined in the fleet modernisation plan
- Heavy maintenance of aircraft, on a straight-line basis during the maintenance period

- Embraer components, over 15 years to a residual value of 10%
- Airbus components, over 15 years to a residual value of 10%
- Flight simulators are depreciated as per the corresponding type of aircraft
- Depreciation of other tangible fixed assets, 23% of the undepreciated residual value

The residual values and estimated useful lives of assets are adjusted at each closing date and if they differ significantly from previous estimates, the depreciation periods and residual values are changed accordingly.

Ordinary repair and maintenance expenditure is recognised as an expense in the financial period in which it arises. Expenditure of modernisation and improvement projects that are significant in size (mainly aircraft modifications) are capitalised in the balance sheet if it is probable that an additional financial reward will arise to the Group in future. Modernisation and improvement projects are depreciated on a straight-line basis over their expected useful lives.

Depreciation of a tangible fixed asset is discontinued when the tangible fixed asset is classified as being held for sale in accordance with IFRS 5 standard Non-Current Assets Held for Sale and Discontinued Operations.

Gains arising from the disposal and withdrawal from use of tangible fixed assets are included in the income statement in the item other operating income, and losses in the item other operating expenses.

INTANGIBLE ASSETS

Intangible fixed assets are recognised in the balance sheet, when the financial benefit is longer than one year, at acquisition cost, including the direct costs arising from the acquisition. Depreciation and impairment of intangible assets are based on the following expected economic lifetimes:

Goodwill	impairment testing
Computer programmes	3–8 years
Other intangible assets, depending on their nature	3–10 years

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the subsidiary, associated undertaking or joint venture acquired after 1 January 2004.

Goodwill is tested annually for possible impairment. For this purpose goodwill has been allocated to cash generating units. Annual impairment testing is performed on the basis of discounted cash flows. This method is based on expected cash flows that have been updated by revenue growth rate and the cost of capital. If the present value of the expected future operational cash flow of some business operation is lower than the corresponding balance sheet value that includes goodwill, the impairment is recognised as an expense in the income statement.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development on aircraft, systems and operations is conducted primarily by the manufacturers. Research and product development expenditure relating to marketing and customer service is recognised as an expense at the time at which it is incurred. Expenses are included in the consolidated income statement in a cost item according to the nature of the expense.

Development expenditure is recognised in the balance sheet as an intangible asset when it is probable that the development project will succeed both commercially and technically and the project expenses can be reliably assessed. The Group has no capitalisable development expenditure.

COMPUTER SOFTWARE

Computer software maintenance costs and expenditure on the research stage of software projects are recognised as expenses at the time they are incurred. Software projects' minor development costs, moreover, are not capitalised; they are recognised as an expense.

User rights and licences acquired for IT software are presented in the category intangible rights and in other respects in other intangible assets. Acquired user rights and licences are entered in the balance sheet at acquisition cost, plus the costs of making the licence and software ready for use. Capitalised expenses are depreciated over a useful life of 3 - 8 years.

OTHER INTANGIBLE ASSETS

Other intangible assets, such as e.g. patents, trademarks and licences, are valued at acquisition cost less recognised depreciation and impairment. Intangible assets are depreciated on a straight-line basis over 3–10 years.

NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

Non-current assets or asset groups and their related liabilities (disposal groups) that have a high probability of being sold within a year of classification are classified as assets held for sale.

Immediately before classification, assets held for sale or assets and liabilities of disposal groups are valued according to the IFRS standards applicable to them. From the moment of classification, assets held for sale (or disposal groups) are valued at the lower of the carrying amount or their fair value less cost of sale. Depreciation of these assets is discontinued at the moment of classification.

LEASE AGREEMENTS

THE GROUP IS THE LESSEE

Tangible fixed asset lease agreements where a substantial part of the risks and rewards of ownership are transferred to the Group are classified as finance leases. The asset item acquired with a finance lease is entered at the start of the agreement as an asset in the balance sheet at the lower of the fair value of the leased property and the present value of the minimum lease payments. A corresponding sum is recognised as a financial asset. The lease payments payable are allocated between finance expenses and debt reduction. The corresponding rental obligations, net of finance charges, are included in other long-term interest-bearing liabilities. Financing interest is recognised in the income statement during the lease so as to achieve a constant interest rate on the finance balance outstanding in each financial period. Asset items leased under a finance lease are depreciated over the shorter of the asset's useful life and the term of the lease.

Tangible fixed asset-related lease agreements where a substantial part of the risks and rewards of ownership are retained by the lessor are classified as other leases. Payments made under other leases are charged to the income statement over the term of the lease.

The operating lease liabilities under other leases of Finnair Group aircraft have been treated as rental expenses in the income statement. Lease payments due in future years under agreements are presented in the notes to the financial statements.

IMPAIRMENT

On every closing date the Group reviews asset items for any indication of impairment losses. If there are such indications, the amount recoverable from the said asset item is assessed. The recoverable amount is also assessed for the following asset items irrespective of whether there are indications of impairment: goodwill and intangible assets which have an indefinite useful life. The need for impairment is examined on the cash generating unit level.

The recoverable amount is the higher of the asset item's fair value, less the cost arising from disposal, and its value in use. By value in use is meant the expected future net cash flows obtainable from the said asset item or cash generating unit, discounted to their present value. The value of the recoverable amount of financial assets is either the fair value or the present value of expected future cash flows discounted at the original effective interest rate. An impairment loss is recognised when the carrying amount of an asset item is greater than the recoverable amount. The impairment loss is recognised in the income statement. The impairment loss is reversed if a change in conditions has occurred and the recoverable amount of the asset has changed since the date when the impairment loss was recognised. The impairment loss is not reversed, however, by more than that which the carrying amount of the asset would be without the recognition of the impairment loss. Impairment losses recognised for goodwill are not cancelled under any circumstances, neither are impairment losses on equity investments classified as available for sale financial assets cancelled through profit and loss. From receivables included according to IAS 39 in the allocated acquisition price, interest income is recovered after impairment using the interest rate that has been used as the discount rate when calculating the impairment.

INVENTORIES

Inventories are asset items that are intended for sale in the normal course of business, are handled in the production process for sale or are raw materials or supplies intended for consumption in the production process.

Inventories are valued at the lower of their acquisition cost and probable net realisable value. Acquisition cost is determined using the average cost method. The acquisition cost of inventories includes all acquisition-related costs, production costs and other costs that have arisen from the transfer of the inventory item to the location and space where the item is situated at the time of inspection. The production costs of inventories also include a systematically allocated proportion of variable and fixed production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the costs required to complete the product and selling expenses.

TRADE RECEIVABLES

In trade receivables are recognised assets received on an accrual basis for the products and services of the company's operations. Trade receivables are valued at their original carrying amounts on the closing date, provided that they are not considered receivables held for trading purposes.

When the Group has objective evidence that uncertainty is attached to the collection of trade receivables, then they are valued at their lower probable fair value. Public financial problems that indicate that a customer is going into bankruptcy, significant financial restructuring or substantial delays in payments are examples of objective evidence that might cause trade receivables to be valued at probable fair value. Impairment of trade receivables is recognised in other operating expenses.

Trade receivables denominated in foreign currency are valued at the exchange rate on the closing date.

LOANS

Initially loans are valued at their original value. Loans that are due for payment within 12 months are presented in short-term liabilities. Foreign currency loans are valued at the mid-market exchange rate on the closing date and translation differences are recognised in financial items.

The Group's fixed-interest USD-denominated aircraft financing loans have been hedged with long-term cross currency interest rate swaps. Fixed-interest derivative contracts and their corresponding loans form a hedging relationship. The derivative contracts in question are valued at fair value; the difference of allocated acquisition cost and fair value is recognised in the shareholder's equity hedging reserve. Correspondingly, loans in the hedging relationship are valued at the allocated acquisition cost.

USD-denominated loans and their corresponding variable interest derivative contracts are valued at fair value, and the change in fair value is recognised in the income statement's financial items. Euro-denominated loans and bonds are valued at allocated acquisition cost.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

From the beginning of 2005 the Group's financial assets have been classified according to the IAS 39 standards "Financial Instruments: Recognition and Valuation" into the following categories: financial assets at fair value through profit or loss (assets held for trading), held-to-maturity investments, loans and other receivables. The classification is made on the basis of the purpose of the acquisition of the financial assets in connection with the original acquisition. All purchases and sales of financial assets are recognised on the trade date.

The financial asset category recognised at fair value through profit or loss includes assets held for trading purposes and assets measured at fair value through profit or loss on initial recognition. Financial assets at fair value through profit and loss have mainly been acquired to obtain a gain from short-term changes in market prices. All those derivatives that do not fulfil the conditions for the application of hedge accounting are classified as Financial assets at fair value through profit and loss and are valued in each financial statement at fair value. Realised and unrealised gains and losses arising from changes in fair value are recognised in the income statement (either in other operating income and expenses or in financial items) in the period in which they arise. Financial assets at fair value through profit and loss as well as those maturing within 12 months are included in current assets.

Held-to-maturity investments are financial assets not belonging to derivative contracts which mature on a specified date and which a company has the firm intent and ability to hold to maturity. They are valued at allocated acquisition cost and they are included in long-term assets. On the closing date the Group had no assets belonging to the said group.

On the closing date all the Group's investments are in the category financial assets at fair value through profit and loss. Group financial assets on the closing date consist of money market deposits, certificate of deposits and commercial papers, Finnish Government bonds as well as unquoted shares.

Finnair Group assesses on each closing date whether there is any objective evidence that the value of a financial asset item or group of items has been impaired. If there is objective evidence that an impairment loss has arisen for loans and other receivables entered at allocated acquisition cost in the balance sheet or for held-to-maturity investments, the size of the loss is determined as the difference the book value of the asset item and the present value of expected future cash flows of the said financial asset item discounted at the original effective interest rate. The loss is recognised through profit and loss.

Financial liabilities are recognised at fair value on the basis of the original consideration received. Transactions costs have been included in the original carrying amount of the financial liabilities. Later, all financial liabilities are valued at allocated acquisition cost using the effective yield method or at fair value through profit or loss. Financial liabilities are included in long- and short-term liabilities and they can be interest-bearing or non-interest-bearing.

Unquoted shares are valued in Finnair Group at their acquisition price in the absence of a reliable fair value.

Other financial assets and liabilities are valued at fair value. Other financial assets include trade receivables, prepaid expenses and accrued income and other long-term receivables such as loan receivables, other shares and holdings and aircraft lease guarantee deposits. Other financial liabilities include trade payables as well as accrued liabilities and deferred income.

Derecognition of financial assets takes place when the Group has lost a contractual right to receive the cash flows or when it has transferred substantially the risks and rewards outside the Group.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash reserves and short-term bank deposits whose term to maturity is a maximum of three months. Foreign exchange-denominated items have been converted into euros using the mid-market exchange rates on the closing date.

DERIVATIVE INSTRUMENTS

Derivative instruments are valued in the balance sheet at fair value, which is determined as the value at which the instrument could be exchanged between knowledgeable, willing and independent parties, with no compulsion in the sales situation to sell or buy. The fair values of derivatives are determined as follows:

The fair values of all derivatives are calculated using the exchange rates, interest rates, volatilities and commodity price quotations on the closing date. The fair values of currency forward contracts are calculated at the present value of future cash flows. The fair values of currency options are calculated using generally accepted option valuation models. The fair values of interest rate swap contracts are calculated at the present value of future cash flows. The fair values of interest rate and currency swap contracts are calculated at the present value of future cash flows. The fair values of interest rate options are calculated using generally accepted option valuation models. The fair values of commodity contracts are calculated at the present value of future cash flows. The fair value of commodity options are calculated using generally accepted option valuation models.

SHAREHOLDERS' EQUITY

The nominal value of shares is recognised in the share capital.

At the end of the financial year, the nominal value of paid but as yet unregistered shares is recognised in the share issue account.

Share issue gains arising after the Companies Act of 1997 have been recognised in the share premium account, less transaction expenses, reduced by tax effect, relating to increases in share capital. Additionally, costs of the company's share-based payments are recognised in the share premium account as per the IFRS 2 standard. Possible gains from the sale of treasury stock are also recognised, reduced by tax effect, in the share premium account.

Gains from share issues arising before 1997 have been recognised in the general reserve.

The hedging reserve includes changes in the fair value of derivative instruments used in cash-flow hedging, less deferred taxes.

Retained earnings include profit from previous financial years, less dividends distributed and acquisitions of own shares. In connection with the sale of own shares (treasury stock) the original acquisition cost is returned to retained earnings. Under the IAS 8 standard, changes in accounting principles and errors are also recognised in the results of previous financial years.

DIVIDEND

The dividend liability to the company's shareholders is recognised as a liability in the consolidated financial statements when a meeting of shareholders has decided on the dividend distribution.

TREASURY STOCK (OWN SHARES)

When the company or its subsidiaries have acquired their own shares, the company's shareholders' equity is deducted by an amount consisting of the consideration paid less transaction costs after taxes unless the own shares are cancelled. No gain or loss is entered in the income statement for the sale, issue or cancellation of own shares; the consideration received is presented as a change of shareholders' equity.

EMPLOYEE BENEFITS

PENSION LIABILITIES

Pension schemes are classified as defined-benefit and defined-contribution schemes. Payments made into defined-contribution pension schemes are recognised in the income statement in the period to which the payment applies. In defined-benefit pension schemes, obligations are calculated using the projected unit credit method. Pension expenses are recognised as an expense over the employees' period of service based on calculations made by authorised actuaries. Actuarial gains and losses are recognised in the income statement over the employees' average remaining term of service to the extent that they exceed the greater of the following: 10% of pension obligations or 10% of the fair value of assets. When calculating the present value of pension obligations the interest rate on government securities is used as the discount rate. The terms to maturity of government securities approximate to the terms to maturity of the related pension liabilities.

The Group's foreign sales offices and subsidiaries have various pension schemes that comply with the local rules and practices of the countries in question. All of the most significant pension schemes are defined-contribution schemes. As of 1 July 2005 the statutory pension cover of the employees of the Group's Finnish companies has been arranged in a Finnish pension insurance company. The pension cover is a defined-contribution scheme. The pension schemes of the parent company's President & CEO and members of the Board of Management as well as those of the managing directors of subsidiaries are individual schemes, and the retirement ages under these schemes vary from 60 to 65 years. All of these pension schemes are also defined-contribution schemes.

Up to 30 June 2005 the statutory pension cover of the employees of the Group's Finnish companies was arranged in Finnair Plc's Pension Fund. Other (voluntary) pension cover has been arranged in Finnair Plc's Pension Fund, in which the pension schemes are entirely defined-benefit schemes. These schemes specify pension benefits, disability compensation, post-retirement health-care and life insurance benefits as well as benefits paid in connection with the termination of employment.

OTHER POST-EMPLOYMENT BENEFITS

All of the Group's post-employment benefits are defined-contribution benefits.

SHARE-BASED PAYMENTS

The Group has applied the IFRS 2 standard (Share-based Fees) to all share-based transactions payable as equity in which the equity instruments have been granted after 7 November 2002 and to which no right has arisen before 1 January 2005. In the financial year, the Group had two share-based schemes, namely the 2000 option scheme, which ended on 31 August 2006, and the 2004 share bonus scheme. In respect of the option scheme, an arrangement according to the previous reporting practice has been followed and the options are not recognised as an expense. In respect of the share bonus scheme, the IFRS 2 standard has been followed.

In the option scheme, key individuals who have been granted share options can subscribe for Finnair Plc shares at a price which is based on the weighted average price of the shares on the Helsinki Exchanges in the time period specified in the option scheme. The subscription price is lowered by the amount of dividends decided on after the end of the determination period of the subscription price and before the subscription of shares. When shares are subscribed for with the share options, the shareholders' equity is credited with the payment made, less transaction costs.

In the share bonus scheme, key individuals have the possibility to receive as a bonus both company shares and cash amounting to 1.5 times the share bonus for a three-year performance period according to how targets set for the performance period have been achieved. The Board of Directors decides annually the targets to be set. The targets are determined on the basis of the Group's financial and/or operational development. Achieving the targets set for the performance period determines how large a proportion of the maximum bonus will be paid. The fair value of the granted shares on the date they are granted is recognised in personnel expenses and as an increase in shareholders' equity during the financial period according to how the degree of fulfilment of the targets is assessed. The cash bonus is recognised on the basis of the fair value of the shares at each point in time in personnel expenses and as a liability. The expense impact on the period in question is allocated in the interim reports. Own shares for the share bonus system have been acquired in the market, so the granting of these shares does not dilute share ownership.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as the result of a past event, the fulfilment of the payment obligation is probable, and a reliable estimate of the amount of the obligation can be made. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as an asset item when it is in practice certain that the compensation will be received. Provisions are valued at the net present value of the expenses required to cover the obligation. The discount factor used when calculating present value is selected so that it describes the market view at the time of examination of the time value of the money and the risk relating to the obligation.

Restructuring provisions are recognised when the Group has prepared a detailed restructuring plan and has begun to implement the plan or has announced it will do so. A restructuring plan must include at least the following information: the operations affected, the main operating points affected, the workplace locations, working tasks and estimated number of the people who will be paid compensation for the ending of their employment, the likely costs and the date of implementation of the plan.

SEGMENT REPORTING

Segment information is presented according to the Group's business and geographical segment division. The Group's primary form of segment reporting is according to business segments. Business segments are based on the Group's internal organisational structure and financial reporting of management. The business segments are Scheduled Passenger Traffic, Leisure Traffic, Aviation Services and Travel Services.

The Scheduled Passenger Traffic segment is responsible for sales, service concepts, flight operations and functions related to the procurement and financing of aircraft. Scheduled Passenger Traffic leases to the Leisure Traffic division the flight crews it requires. In 2006 the units belonging the Scheduled Passenger Traffic segment were Finnair Scheduled Passenger Traffic, the feeder airline Aero As, the budget airline FlyNordic Ab, Finnair Cargo Oy and Finnair Aircraft Finance Oy, which manages the Group's fleet.

The Leisure Traffic segment consists of Finnair Leisure Flights and the package tour company Aurinkomatkat-Suntours.

The Aviation Services segment comprises aircraft maintenance services, ground handling and the Group's catering operations as well as real-estate management and facility services for Finnair's operational premises. In 2006 the following companies belonged to the Aviation Services business segment: Finnair Catering Oy, Finncatering Oy, Finnair Facilities Management Oy and Northport Oy.

The Travel Services segment consists of the Group's domestic and foreign travel agency operations as well as the operations of the reservations systems supplier Amadeus Finland Oy. In 2006 the following companies belonged to the Travel Services business segment: Finland Travel Bureau Ltd, Matkatoimisto Oy Area and Mikkelin Matkatoimisto Oy.

Pricing between segments takes place at the going market price.

The assets and liabilities of segments are business items which the segment uses in its business operations or which on sensible grounds are attributable to the segments. Unattributable items include tax and financial items as well as items common to the whole company. Investments consist of increases in tangible fixed assets and intangible assets which are used in more than one financial year.

Although the Group's four business segments are managed from Finland, they operate in five geographical areas: Finland, Europe, Asia, North America and Others.

The turnover of the geographical segments is presented according to sales destination, and assets according to the location of the asset.

ACCOUNTING PRINCIPLES REQUIRING MANAGEMENT DISCRETION AND THE MAIN UNCERTAINTY FACTORS RELATING TO ESTIMATES

The preparation of financial statements requires the use of estimates and assumptions relating to the future, and the actual outcomes may differ from the estimates and assumptions made. In addition, discretion has to be exercised in applying the accounting principles of the financial statements. Estimates are based on management's best view on the closing date. Possible changes in estimates and assumptions are entered into the accounts in the financial period during which the estimates and assumptions are adjusted and in all subsequent financial periods. The main items requiring management discretion are as follows: impairment testing and deferred taxes.

IMPAIRMENT TESTING

The recoverable amounts of cash generating units have been determined in calculations based on value in use. The preparation of these calculations requires the use of estimates. Estimates are based on budgets and forecasts, which inherently contain some degree of uncertainty. The main uncertainty factors in calculations are the USD/EUR exchange rate, unit revenue and estimated sales volumes. Further information on impairment testing is presented in Note 13.

DEFERRED TAXES

Utilising deferred taxes, arising particularly from losses, requires a management assessment of the future trend of business operations. Further information on deferred taxes is presented in Note 17.

APPLICATION OF NEW OR AMENDED IFRS STANDARDS

The IASB has announced the following interpretations, standards and amendments made to them that were not in effect on 31 December 2006. Their dates of entry into effect and the Group's estimate of the impact of their introduction are as follows:

IAS 1 Amendment – Presentation of Financial Statements - Capital Disclosures	1 Jan 2007	1)
IFRS 7, Financial instruments: Disclosures in financial statements	1 Jan 2007	2)
IFRS 8, Operating segments	1 Jan 2009	3)
IFRIC 7, Financial reporting in hyperinflationary economies	1 Mar 2006	4)
IFRIC 8, Scope of IFRS 2	1 May 2006	5)
IFRIC 9, Reassessment of Embedded Derivatives	1 Jun 2006	6)
IFRIC 10, Interim Financial Reporting and Impairment	1 Nov 2006	7)
IFRIC 11, IFRS 2 – Group and Treasury Share Transactions	1 Mar 2007	8)
IFRIC 12, Service Concession Arrangements	1 Jan 2008	9)

1) IAS 1 Amendment – Presentation of Financial Statements - Capital Disclosures (in effect for financial periods beginning on or after 1 January 2007). After the amendment, IAS 1 requires the presentation of information on an entity's capital levels, and the management thereof, during the financial period. The Group considers that the new IAS 1 provisions will impact mainly on disclosures in the Group's future financial statements.

2) IFRS 7 Financial Instruments: Disclosures Presented in Financial Statements (in effect for financial periods beginning on or after 1 January 2007). IFRS 7 requires the presentation of wider disclosures on the significance of financial instruments for the entity's financial position and result. The standard requires the presentation of qualitative and quantitative information on the entity's vulnerability to risks arising from financial instruments and it contains minimum requirements for disclosures relating to credit, liquidity and market risks. In addition, it contains a requirement for the presentation of a sensitivity analysis in respect of market risk. The Group considers that the introduction of IFRS 7 will impact mainly on disclosures in the Group's future financial statements, such as in the presentation of market risk sensitivities.

3) FRS 8 Operating Segments (in effect for financial periods beginning on or after 1 January 2009). IFRS 8 requires the specification of operational segments based on the company's internal reporting, which senior management regularly uses when deciding on the distribution of resources to segments and when evaluating their activities. The standard requires a statement in the disclosures on how the company specifies its operating segments and on the products and services from which each segment derives its turnover. The new standard is expected to increase the amount of the Group's disclosures.

4) IFRIC 7 Financial Reporting in Hyperinflationary Economies (in effect for financial periods beginning on or after 1 March 2006). IFRIC 7 clarifies the requirements regarding the restatement of comparison data, when an entity identifies the existence of hyperinflation in the currency in which the entity's financial statements are presented. In addition, IFRIC 7 clarifies how comparison data for deferred taxes should be treated in an opening balance sheet. The Group considers that the interpretation will have no impact on Group reporting in the present Group structure.

5) IFRIC 8 Scope of IFRS 2 (in effect for financial periods beginning on or after 1 May 2006). IFRIC 8 applies to arrangements where an entity grants equity instruments and the identifiable consideration given appears to be less than the fair value of the equity instruments granted. In such situations an assessment must be made as to whether the arrangement belongs within the scope of IFRS 2. The Group considers that the new interpretation will have no impact on the Group's future financial statements.

6) IFRS 9 Reassessment of Embedded Derivatives (in effect for financial periods beginning on or after 1 June 2006). IFRIC 9 requires that an entity must assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the original cash flows. The Group currently considers that this interpreta-ion will have no impact on the Group's financial statements, because no Group company has changed the terms of contracts referred to by the interpretation.

7) IFRIC 10 Interim Financial Reporting and Impairment (in effect for financial periods beginning on or after 1 November 2006). IFRIC 10 prohibits an entity from reversing, at a later closing date, an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The Group considers that the new interpretation will have no impact on the Group's future financial statements.

8) IFRIC 11 Group and Treasury Share Transactions (in effect for financial periods beginning on or after 1 March 2007). IFRIC 11 applies to share-based transactions according to the IFRS 2 standard involving an entity's own equity instruments or equity instruments of another company of the same Group. The Group considers that the new interpretation will have no substantial impact on the Group's future financial statements.

9) IFRS 12 Service Concession Arrangements (in effect for financial periods beginning on or after 1 January 2008). The interpretation specifies how contracts granted to private operators by a government or other body for the supply of public services, such as roads, energy distribution or hospitals, should be treated in accounting. The Group considers that the new interpretation will have no impact on the Group's future financial statements.,

A copy of the consolidated financial statements can be obtained at the internet address www.finnair.com or from the head office of the Group's parent company at the address Tietotie 11 A, Vantaa. The full financial statements containing the financial statements of both the Group and the parent company can be obtained from the head office of the Group's parent company at the address Tietotie 11 A, Vantaa.

These financial statements do not contain all of the parent company's financial statement information under the Finnish Accounting Act.

3. SEGMENT INFORMATION

ANNUAL INFORMATION

Segment information is presented according to the Group's business and geographical segment division. The Group's primary form of segment reporting is according to business segments. Business segments are based on the Group's internal organisational structure and financial reporting of management. The business segments are Scheduled Passenger Traffic, Leisure Traffic, Aviation Services and Travel Services. Pricing between segments takes place at fair value. The assets and liabilities of segments are such business items which the segment uses in its business operations or which on sensible grounds are attributable to the segments. Unallocated items include tax and financial items as well as items common to the whole company. Investments consist of increases in tangible and intangible assets which are used in more than one financial year. Although the Group's four business segments are managed from Finland, they operate in five geographical areas: Finland, Europe, Asia, North America and Others. The turnover of the geographical segments is presented according to sales destination, and assets, liabilities, depreciation and investments according to their location.

Primary reporting format - business segment data 1 Jan –31 Dec 2006

EUR mill.	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
External turnover	1,415.0	382.9	108.8	82.9		0.0	1,989.6
Internal turnover	107.1	3.9	298.7	4.5	-414.2		0.0
Turnover	1,522.1	386.8	407.5	87.4	-414.2	0.0	1,989.6
Operating profit	28.6	18.4	-34.9	2.3		-25.2	-10.8
Share of results of associated undertakings						0.1	0.1
Financial income						11.0	11.0
Financial expenses						-15.0	-15.0
Income tax						1.7	1.7
Minority interest						-0.6	-0.6
Profit/loss for the financial year							-13.6
Segment assets	1,120.4	72.1	267.2	63.5	-189.6	320.9	1,654.5
Holdings in associated undertakings						5.6	5.6
Assets, total	1,120.4	72.1	267,2	63.5	-189.6	326.5	1,660.1
Segment liabilities	556.2	71.2	103.2	48.4	-163.7	443.3	1,058.6
Other items							
Investments	216.3	0.7	32.3	1.4	0.0	1.5	252.2
Depreciation	71.8	0.2	28.3	1.6	0.0	2.9	104.8

Primary reporting format - business segment data 1 Jan –31 Dec 2005

EUR mill.	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
External turnover	1,296.9	383.7	104.2	86.3		0.0	1,871.1
Internal turnover	111.0	3.6	296.7	4.9	-416.2		0.0
Turnover	1,407.9	387.3	400.9	91.2	-416.2	0.0	1,871.1
Operating profit	37.6	20.3	29.3	8.1		-13.4	81.9
Share of results of associated undertakings						0.1	0.1
Financial income						20.1	20.1
Financial expenses						-14.6	-14.6
Income tax						-25.5	-25.5

EUR mill.	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group elimi- nations	Un- allocated items	Group
Minority interest						-0.6	-0.6
Profit for the financial year							61.4
Segment assets	953.7	74.8	270.4	64.4	-160.6	432.6	1,635.3
Holdings in associated undertakings						3.1	3.1
Assets, total	953.7	74.8	270.4	64.4	-160.6	435.7	1,638.4
Segment liabilities	421.4	86.2	105.0	46.0	-106.1	411.9	964.4
Other items							
Investments	26.8	0.1	27.8	0.9	0.0	1.9	57.5
Depreciation	62.5	0.2	23.7	1.6	0.0	2.7	90.7

Employees (average) by segment	1 Jan –31 Dec 2006	1 Jan –31 Dec 2005
Scheduled Passenger Traffic	4,114	3,884
Leisure Traffic	343	336
Aviation Services	3,771	3,816
Travel Services	1,145	1,178
Other operations	225	233
Total	**9,598**	**9,447**
Employees at end of year	9,703	9,661

Secondary reporting format - geographical segments

Turnover outside the Group by sales segment EUR mill.	1 Jan –31 Dec 2006	1 Jan –31 Dec 2005
Finland	436.7	475.3
Europe	936.5	916.7
Asia	482.0	361.0
North America	66.4	65.7
Others	68.0	52.4
Total	**1,989.6**	**1,871.1**

Segment assets according to country of location

EUR mill.	31 Dec 2006	31 Dec 2005
Finland	1,418.7	1,259.8
Europe	69.2	68.2
Asia	30.8	30.8
North America	2.0	2.0
Others	2.5	2.5

EUR mill.	31 Dec 2006	31 Dec 2005
Group eliminations	-189.6	-160.6
Unallocated items	326.5	435.7
Total	**1,660.1**	**1,638.4**

Segment liabilities according to country of location

EUR mill.	31 Dec 2006	31 Dec 2005
Finland	698.3	595.2
Europe	54.1	44.9
Asia	22.4	14.4
North America	1.9	1.9
Others	2.3	2.2
Group eliminations	-163.7	-106.1
Unallocated items	443.3	411.9
Total	**1,058.6**	**964.4**

Capital expenditure by country of location

EUR mill.	1 Jan –31 Dec 2006	1 Jan–31 Dec 2005
Finland	249.4	57.0
Europe	2.8	0.5
Asia	0.0	0.0
North America	0.0	0.0
Others	0.0	0.0
Unallocated items	0.0	0.0
Total	**252.2**	**57.5**

QUARTAL INFORMATION

Consolidated income statemet

EUR mill.	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2005	Q2 2005	Q3 2005	Q4 2005
Turnover	480.3	494.6	515.4	499.3	443.4	469.4	479.7	478.6
Production for own use	0.1	0.3	1.6	1.7	3.5	0.8	1.5	6.3
Other operating income	5.7	7.3	4.1	0.8	5.8	8.7	4.7	11.8
Operating income	**486.1**	**502.2**	**521.1**	**501.8**	**452.7**	**478.9**	**485.9**	**496.7**
Operating expenses								
Personnel expenses	123.6	130.8	122.2	131.6	118.2	119.1	120.8	134.6
Fuel	89.3	90.8	105.1	99.8	59.7	69.1	79.7	84.2
Lease payments for aircraft	22.6	23.2	22.2	22.8	23.2	21.5	22.3	21.5
Other rental payments	20.8	19.2	18.3	22.4	16.7	16.3	18.5	17.7
Fleet materials and overhauls	25.8	23.1	26.4	25.3	22.1	15.2	24.1	21.1
Traffic charges	38.7	40.4	43.9	38.9	35.9	41.8	40.4	41.0
Ground handling and catering expenses	33.2	35.0	34.5	36.7	32.3	33.1	35.6	33.0

EUR mill.	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2005	Q2 2005	Q3 2005	Q4 2005
Expenses for tour operations	34.2	22.9	23.9	30.5	30.4	20.4	23.2	28.0
Sales and marketing expenses	16.9	24.8	23.2	26.4	17.3	24.9	24.6	28.7
Depreciation and impairment	23.4	26.8	25.1	29.5	22.5	22.0	23.0	23.2
Other expenses	62.8	59.7	61.6	63.7	55.7	60.2	41.6	67.8
Total	**491.3**	**496.7**	**506.4**	**527.6**	**434.0**	**443.6**	**453.8**	**500.9**
Operating profit	**-5.2**	**5.5**	**14.7**	**-25.8**	**18.7**	**35.3**	**32.1**	**-4.2**
Financial income	2.7	2.0	2.9	3.4	3.8	7.0	5.8	3.5
Financial expenses	-2.7	-4.3	-4.1	-3.9	-5.1	-6.0	-1.7	-1.8
Share of result of associated companies	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Profit/loss before taxes	**-5.2**	**3.3**	**13.5**	**-26.3**	**17.4**	**36.3**	**36.2**	**-2.4**
Income taxes	1.4	-2.4	-3.3	6.0	-5.2	-9.9	-9.6	-0.8
Profit/loss for the financial year	**-3.8**	**0.9**	**10.2**	**-20.3**	**12.2**	**26.4**	**26.6**	**-3.2**
Share attributable to parent company's shareholders	-4.0	0.4	10.3	-20.3	11.5	26.4	26.4	-2.9
Minority interests	0.2	0.5	-0.1	0.0	0.7	0.0	0.2	-0.3
Earnings per share calculated from profit attributable to shareholders of the parent company								
Basic earnings per share, EUR/share	-0.05	0.01	0.11	-0.23	0.14	0.31	0.31	-0.03
Diluted earnings per share, EUR/share	-0.05	0.01	0.11	-0.23	0.13	0.30	0.30	-0.03

Comparison year figures have been converted to correspond with the presentation practice of the year ended.

Consolited balance sheet

ASSETS EUR mill.	31 Mar 2006	30 Jun 2006	30 Sep 2006	31 Dec 2006	31 Mar 2005	30 Jun 2005	30 Sep 2005	31 Dec 2005	31 Dec 2004
Non-current assets									
Intangible assets	47.6	50.5	46.2	47.5	38.3	40.0	41.5	44.6	36.8
Tangible assets	887.2	933.9	984.1	1,012.3	865.8	865.5	850.4	844.4	871.5
Holdings in associated companies	3.2	2.9	3.0	5,6	3.2	3.1	3.1	3.1	3.2
Other financial assets	17.1	16.2	16.1	15.4	15.8	17.5	16.8	17.7	17.3
Deferred tax assets	22.5	26.5	28.2	27.1	27.2	26.1	25.9	17.5	15.7
	977.6	1,030.0	1,077.6	1,107.9	950.3	952.2	937.7	927.3	944.5
Current assets									
Inventories	47.0	40.3	41.4	38.5	47.6	47.3	45.2	45.1	46.7
Trade receivables and other receivables	286.9	274.9	269.5	211.8	246.8	276.9	337.8	247.6	206.6
Other financial assets	278.8	324.4	258.4	268.6	280.9	322.6	331.4	391.7	268.2
Cash and cash equivalents	27.9	41.7	37.2	25.7	46.5	28.5	35.7	26.7	29.5
	640.6	681.3	606.5	544.6	621.8	675.3	750.1	711.1	551.0
Non-current assets held for sale				7.6					
Assets, total	**1,618.2**	**1,711.3**	**1,684.1**	**1,660.1**	**1,572.1**	**1,627.5**	**1,687.8**	**1,638.4**	**1,495.5**

Consolited balance sheet									
SHAREHOLDERS' EQUITY AND LIABILITIES	31 Mar	30 Jun	30 Sep	31 Dec	31 Mar	30 Jun	30 Sep	31 Dec	31 Dec
EUR mill.	2006	2006	2006	2006	2005	2005	2005	2005	2004
Equity attributable to shareholders of parent company									
Share capital	74.4	75.0	75.5	75.4	72.1	72.1	72.5	73.8	72.1
Other equity	568.9	565.6	560.4	524.5	528.4	572.1	610.8	598.6	503.0
	643.3	640.6	635.9	599.9	600.5	644.2	683.3	672.4	575.1
Minority interest	1.5	1.9	1.6	1.6	1.7	1.7	1.9	1.6	1.2
Shareholders' equity, total	**644.8**	**642.5**	**637.5**	**601.5**	**602.2**	**645.9**	**685.2**	**674.0**	**576.3**
Non-current liabilities									
Deferred tax liabilities	123.6	124.1	118.9	115.7	132.4	141.4	136.8	125.8	116.4
Financial liabilities	207.6	299.7	293.4	286.9	227.5	225.1	219.7	214.9	229.9
Pension obligations	9.8	7.6	7.5	7.0	7.0	5.5	15.3	12.7	9.9
	341.0	431.4	419.8	409.6	366.9	372.0	371.8	353.4	356.2
Current liabilities									
Trade payables and other liabilities	0.0	8.3	12.5	3.0	5.1	6.5	26.9	20.1	0.2
Provisions	0.0	0.0	0.0	10.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities	53.3	58.1	63.4	56.6	73.2	50.3	55.2	52.7	49.3
Trade payables and other liabilities	579.1	571.0	550.9	579.4	524.7	552.8	548.7	538.2	513.5
	632.4	637.4	626.8	649.0	603.0	609.6	630.8	611.0	563.0
Liabilities, total	**973.4**	**1,068.8**	**1,046.6**	**1,058.6**	**969.9**	**981.6**	**1,002.6**	**964.4**	**919.2**
Shareholders' equity and liabilities, total	**1,618.2**	**1,711.3**	**1,684.1**	**1,660.1**	**1,572.1**	**1,627.5**	**1,687.8**	**1,638.4**	**1,495.5**

Segment information

Turnover by quarter								
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EUR mill.	2006	2006	2006	2006	2005	2005	2005	2005
Scheduled Passenger Traffic	352.8	392.3	401.9	375.1	324.6	367.3	365.8	350.2
Leisure Traffic	109.4	82.4	90.7	104.3	101.8	82.0	96.1	107.4
Aviation Services	102.2	97.5	101.6	106.2	100.6	97.4	98.4	104.5
Travel Services	22.6	23.1	20.4	21.3	21.9	24.3	22.5	22.5
Group eliminations	-106.7	-100.7	-99.2	-107.6	-105.5	-101.6	-103.1	-106.0
Total	**480.3**	**494.6**	**515.4**	**499.3**	**443.4**	**469.4**	**479.7**	**478.6**

Operating profit excluding the disposal of the capital assets fair value changes of derivatives and arragement expenses by quarter								
EUR mill.	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2005	Q2 2005	Q3 2005	Q4 2005
Scheduled Passenger Traffic	-4.5	21.7	20.3	-8.9	9.7	25.2	20.1	-20.7
Leisure Traffic	5.9	1.0	8.2	3.5	4.9	2.4	8.5	4.5
Aviation Services	-3.5	-1.5	-4.4	-15.1	5.2	10.6	7.9	1.8
Travel Services	0.3	0.9	1.0	0.1	1.3	2.0	1.9	2.9
Unallocated items	-3.3	-3.9	-2.6	-4.0	-7.1	-10.2	-12.7	11.9
Total	**-5.1**	**18.2**	**22.5**	**-24.4**	**14.0**	**30.0**	**25.7**	**0.4**

4. ASSET ITEMS SOLD

The sold asset items did not fulfil the characteristics of discontinued operations nor the criteria of assets held for sale.

Net assets and liabilities of sold operations		
EUR mill.	2006	2005
Cash and cash equivalents	0.0	0.1
Intangible assets	0.0	0.1
Tangible fixed assets	0.0	0.8
Loans	0.0	-0.8
Total	0.0	0.2
Capital gain	0.0	3.5
Consideration, total	0.0	3.7
Paid cash and cash equivalents	0.0	3.6
Cash and cash equivalents of disposed subsidiary	0.0	-0.1
Net cash flow of disposal	0.0	3.5

Non-current assets held for sale

Four ATR 72 aircraft have been classified as non-current assests held for sale in the scheduled passenger traffic segment.The company will receive the book value of these aircraft from sale instead of operational usage. The sale will occur during spring 2007. The aircraft can be sold as they are and in normal conditions.The depreciations have ended.

EUR mill.	31 Dec 2006	31 Dec 2005
ATR 72, Aircrafts, 4 pc	6.7	0.0
ATR 72, Engines, 8 pc	0.9	0.0
Total	**7.6**	**0.0**

5. PRODUCTION FOR OWN USE

EUR mill.	1 Jan–31 Dec 2006	1 jan–31 Dec 2005
Component production	0.6	1.8
Heavy maintenance	3.1	9.5
Total	**3.7**	**11.3**

6. OTHER OPERATING INCOME

EUR mill.	1 Jan–31 Dec 2006	1 Jan–31 Dec 2005
Capital gains on sales of tangible fixed assets	2.3	3.6
Capital gain from shares	0.0	0.2
Sale of subsidiarys net of cash sold	0.0	3.5
Rental income	9.2	7.5
Others	6.4	17.0
Total	**17.9**	**31.8**

Other operating income includes frequent-flyer income of 5.3 million euros (5.4 million euros in 2005). The rest consists of several items, none of which are individually significant.

7. OTHER OPERATING EXPENSES

EUR mill.	1 Jan–31 Dec 2006	1 Jan–31 Dec 2005
Materials and services	838.7	709.8
Personnel costs	508.2	495.8
Other costs	570.3	536.0
Total	**1,917.2**	**1,741.6**
Breakdown of expense categories		
Materials and services		
Materials and supplies for aircraft maintenance	46.2	27.7
Ground handling and catering charges	139.4	134.0
Fuel for flight operations	385.0	292.7
Expenses for tour operations	111.5	102.0
Aircraft maintenance and servicing	54.4	55.0
Data administration services	55.5	57.9
Other items*)	46.7	40.5
Total	**838.7**	**709.8**

Owing to the ending of maintenance preparedness for certain types of aircraft, the Group recognised an impairment of 5.2 million euros in the inventories of Finnair Technical Services. This non-recurring item has been recognised in materials and supplies for aircraft maintenance expenses.

Other operating expenses do not include research and development expenses.

*) Consists of several items, none of which are individually significant.

EUR mill.	1 Jan–31 Dec 2006	1 Jan–31 Dec 2005
Personnel expenses		
Wages and salaries	397.7	386.8
Pension expenses	73.4	65.6
Other social expenses	37.1	43.4
Total	**508.2**	**495.8**

Personnel expenses include recognition a non-recurring arrangement expense of 10.0 million euros for the implementation of retirement and other solutions agreed in the Group's statutory employer-employee negotiations during 2006. The item is divided into salaries and pension expenses.

Salaries and bonuses of Chief Executive Officer and Members of the Board of Directors , EUR	Salary	Share bonus
Chief Executive Officer		
Jukka Hienonen	473,565	758,901
Deputy Chief Executive Officer		
Henrik Arle	271,591	523,380
Members of the Board of Directors		
Christoffer Taxell	49,000	
Kari Jordan	30,000	
Satu Huber	19,700	
Markku Hyvärinen	27,100	
Veli Sundbäck	27,100	
Helena Terho	26,600	
Kalevi Alestalo	20,200	
Ursula Ranin	20,700	

Further information on the share-based bonuses of the President and CEO and Members of the Board of Directors can be found in Note 23.

Personnel incentive scheme
The Group operates an incentive scheme based on a balanced scorecard, defined separately for each business unit, which covers most of Finnair Group's employees. The total amount of bonuses in 2006 was 2.8 million euros (previous year 9.8 million euros).

Transfer to Personnel Fund
The Finnair Group has a profit bonus scheme, which allows employees to participate in a profit bonus payable on the basis of the Group's result and return on capital employed. A profit bonus is paid into a Personnel Fund, which is obliged to invest part of the bonus in Finnair Plc's shares. Other staff costs include 0.0 million euros of profit bonus (previous year 7.6 million euros).

EUR mill.	1 Jan–31 Dec 2006	1 Jan–31 Dec 2005
Social expenses		
Pension expenses - defined contribution schemes	63.3	48.6
Pension expenses - defined-benefit schemes, statutory	0.0	8.3
Pension expenses - defined-benefit schemes, voluntary*)	9.6	8.2
Other defined-benefit expenses	0.5	0.5
Other social expenses	37.1	43.4
Total	**110.5**	**109.0**

*) In 2006 pension expenses were increased by a recognition of non-recurring arrangement expenses amounting to 2.9 million euros.

Management pension benefits
The pension schemes of the parent company's President & CEO and members of the Board of Management as well as those of the managing directors of subsidiaries are individual schemes, and the retirement age under these agreements varies from 60 to 65 years. All of the management pension schemes are defined-contribution schemes.

EUR mill.	1 Jan–31 Dec 2006	1 Jan–31 Dec 2005
Other operating expenses		
Lease payments for aircraft	90.8	88.5
Rental of cargo capacity	18.0	18.6
Other rental of flight capacity	20.3	17.9
Office and other rents	42.4	32.7
Traffic charges	161.9	159.1
Sales and marketing expenses	91.3	95.5
Other items*)	145.6	123.7
Total	**570.3**	**536.0**

*) Consists of several items, none of which are individually significant.

8. DEPRECIATION AND IMPAIRMENT

EUR mill.	1 Jan–31 Dec 2006	1 Jan–31 Dec 2005
Depreciation of tangible fixed assets		
Buildings	5.6	5.4
Aircraft	81.3	69.0
Other equipment	8.5	8.3
	95.4	82.7
Depreciation of intangible assets		
Other intangible assets	9.4	8.0
	9.4	8.0
Total	**104.8**	**90.7**

The additional depreciation 2.0 million euros has been made in the outgoing flight equipment.

9. FINANCIAL INCOME

EUR mill.	1 Jan–31 Dec 2006	1 Jan–31 Dec 2005
Interest income	9.4	8.0
Dividend income	0.0	0.3
Exchange gains	1.6	11.5
Other financial income	0.0	0.3
Total	**11.0**	**20.1**

10. FINANCIAL EXPENSES

EUR mill.	1 Jan–31 Dec 2006	1 Jan–31 Dec 2005
Interest expenses		
Interest on bank loans	11.2	9.6
Interest on finance leases	1.0	1.3
	12.2	10.9
Exchange losses	1.8	2.8
Other financial expenses	1.0	0.9
Total	**15.0**	**14.6**

11. INCOME TAXES

Taxes for financial year and previous years		
EUR mill.	1 Jan–31 Dec 2006	1 Jan–31 Dec 2005
Tax based on taxable income of financial year	3.0	22.1
Taxes for previous years	0.0	2.2
Deferred taxes	-4.7	1.2
Total	**-1.7**	**25.5**
The tax expense included in the consolidated income statement differs in the following way from the theoretical sum obtained by using the tax rate (26%) of the Group's home country, Finland:		
Profit before taxes	-14.7	87.5
Taxes calculated using the Finnish tax rate	3.8	-22.8
Different tax rates of foreign subsidiaries	0.3	0.0
Share of result in associates	0.0	0.0
Tax-free income	0.0	-0.1
Nondeductible expenses	-0.6	-0.4
Deferred taxes from loss	-1.8	0.0
Taxes for the previous financial year	0.0	-2.2
Income taxes, total	**1.7**	**-25.5**
Effective tax rate	11.7%	29.1%

12. EARNINGS PER SHARE

The undiluted earnings per share figure is calculated by dividing the profit for the financial year attributable to the parent company's shareholders by the weighted average number of shares outstanding during the financial year. When calculating the earnings per share adjusted by dilution, the weighted average of the number of shares takes into account the diluting effect resulting from changing into shares all potentially diluting shares. The Group has had share options which have a diluting effect when the subscription price of the options is lower than the fair value of the share because with the funds obtained from the exercising of the options the Group could not issue the same number of shares at fair value. The fair value of the share is based on the weighted average price of the shares in trading.

EUR mill.	1 Jan - 31 Dec 2006	1 Jan - 31 Dec 2005
Profit/loss for the financial year	-13.6	61.4
Weighted average number of shares, 1,000s	87,764	84,245
Undiluted earnings per share, EUR	-0.16	0.73
When calculating diluted earnings per share the number of shares is adjusted for the effect of convertible loans, share options and own shares.		
Profit/loss for the financial year	-13.6	61.4
Weighted average number of shares, 1,000s	87,764	87,719
Effect of share options*)	0	-673
Weighted average number of shares, diluted 1 000s	87,764	87,046
Diluted earnings per share, EUR	-0.16	0.71

*) At the beginning of the financial year the Group had in effect an option scheme, which ended on 31 August 2006. The dilution effect of the option scheme has not been taken into account when calculating the dilution-affected earnings per share, because the dilution effect would have reduced the loss per share of continuing operations. As the option scheme has ended during 2006, the option scheme will no longer have a dilution effect in future financial statements.

Dividend

The dividend paid was 21.8 million euros (0.25 euros per share) in 2006 and 8.5 million euros (0.10 euros per share) in 2005. The Board of Directors proposes to the Annual General Meeting that a dividend of 0.10 euros per share be distributed, i.e. a total of 8.9 million euros. These financial statements do not include the proposed dividend distribution liability.

13. INTANGIBLE ASSETS

Financial statement 31 Dec 2005 EUR mill.	Connections fees	Systems	Goodwill	Total
Acquisition cost				
Acquisition cost 1 Jan 2005	1.7	67.7	7.1	76.5
Additions		16.2		16.2
Disposals		-0.8		-0.8
Transfers between items		3.0	-3.1	-0.1
Acquisition cost 31 Dec 2005	1.7	86.1	4.0	91.8
Accumulated depreciation and impairment				
Accumulated depreciation and impairment 1 Jan 2005		-38.0	-1.7	-39.7
Depreciation		-8.1		-8.1
Accumulated planned depreciation of disposals		0.6		0.6
Accumulated depreciation and impairment 31 Dec 2005	0.0	-45.5	-1.7	-47.2
Book value 31 Dec 2005	**1.7**	**40.6**	**2.3**	**44.6**
Book value 1 Jan 2005	**1.7**	**29.7**	**5.4**	**36.8**

Financial statement 31 Dec 2006 EUR mill.	Connections fees	Systems	Goodwill	Total
Acquisition cost 1 Jan 2006	1.7	86.1	4.0	91.8
Additions		12.6		12.6
Disposals		-0.8		-0.8
Transfers between items		0.3	0.0	0.3
Acquisition cost 31 Dec 2006	1.7	98.2	4.0	103.9
Accumulated depreciation and impairment				
Accumulated depreciation and impairment 1 Jan 2006	0.0	-45.5	-1.7	-47.2
Depreciation		-9.4		-9.4
Accumulated planned depreciation of disposals		0.2		0.2
Accumulated depreciation and impairment 31 Dec 2006	0.0	-54.7	-1.7	-47.2
Book value 31 Dec 2006	**1.7**	**43.5**	**2.3**	**47.5**
Book value 1 Jan 2006	**1.7**	**40.6**	**2.3**	**44.6**

Goodwill allocated to the Scheduled Passenger Traffic segment is 2.3 million euros. After impairment testing it was found that no impairment losses needed to be recognised. In impairment testing, the recoverable amount has been determined based on value in use. Cash flow forecasts are based on management-approved budgets and forecasts, which cover a five-year period. The discount rate used is 8.5%. The main assumption in budgets and forecasts is 2% growth.

In the view of management a growth forecast percentage should be used as the most sensitive variable in value determination. The growth forecast used is 2% and is below the industry average for the operations in question. On the basis of a sensitivity analysis based on the growth forecast, if the growth rate were to be 10% below the management forecast, even so no requirement for an impairment recognition would arise in the Group.

If the discount rate used were to grow by 10%, even so no requirement for an impairment recognition would arise in the Group.

Even if both sensitivity analysis factors were realised, no requirement for an impairment recognition would arise in the Group.

Based on sensitivity analyses made by the company's management, management considers that no grounds are perceptible that would require an impairment of goodwill.

14. TANGIBLE FIXED ASSETS

Financial statement 31 Dec 2005 EUR mill.	Land	Buildings	Aircraft	Other equipment	Advances	Total
Acquisition cost						
Acquisition cost 1 Jan 2005	0.8	187.0	1,422.4	230.3	23.1	1,863.6
Additions	1.0	0.2	34.4	5.7	16.4	57.7
Disposals	-0.1	-1.4	-9.6	-3.6		-14.7
Transfers between items			7.9	-5.2		2.7
Acquisition cost 31 Dec 2005	1.7	185.8	1,455.1	227.2	39.5	1,909.3

Financial statement 31 Dec 2005						
EUR mill.	Land	Buildings	Aircraft	Other equipment	Advances	Total
Accumulated depreciation and impairment						
Accumulated depreciation and impairment 1 Jan 2005	0.0	-97.0	-704.7	-188.1		-989.8
Depreciation		-5.4	-69.0	-8.3		-82.7
Accumulated planned depreciation of disposals		0.7	5.0	1.9		7.6
Accumulated depreciation and impairment 31 Dec 2005	0.0	-101.7	-768.7	-194.5	0.0	-1,064.9
Book value 31 Dec 2005	**1.7**	**84.1**	**686.4**	**32.7**	**39.5**	**844.4**
Book value 1 Jan 2005	**0.8**	**90.0**	**717.7**	**42.2**	**23.1**	**873.8**

Financial statement 31 Dec 2006						
EUR mill.	Land	Buildings	Aircraft	Other equipment	Advances	Total
Acquisition cost						
Acquisition cost 1 Jan 2006	1.7	185.8	1,455.1	227.2	39.5	1,909.3
Additions	0.0	1.9	221.1	16.6	34.7	274.3
Disposals	0.0	0.0	-9.1	-1.7	-1.3	-12.1
Transfers between items				-0.3		-0.3
Transfer to a held-for-sale asset item			-37.4			-37.4
Acquisition cost 31 Dec 2006	1.7	187.7	1,629.7	241.8	72.9	2,133.8
Accumulated depreciation and impairment						
Accumulated depreciation and impairment 1 Jan 2006	0.0	-101.7	-768.7	-194.5	0.0	-1,064,9
Depreciation		-5.6	-81.3	-8.5		-95,4
Accumulated planned depreciation of disposals		0.0	37.4	1.4		38.8
Accumulated depreciation and impairment 31 Dec 2006	0.0	-107.3	-812.6	-201.6	0.0	-1,121.5
Book value 31 Dec 2006	**1.7**	**80.4**	**817,1**	**40.2**	**72.9**	**1,012.3**
Book value 1 Jan 2006	**1.7**	**84.1**	**686.4**	**32.7**	**39.5**	**844.4**

The remaining undepreciated part of the acquisition costs of machinery and equipment included in the Group's tangible fixed assets amounts to 828.6 million euros on 31 December 2006 (2005: 690.8 million euros). As surety for liabilities in 2006 is the carrying amount of aircraft pledged, namely 219.0 million euros (in 2005 the carrying amount was 232.3 million euros).

Other equipment includes office equipment, furnishings, cars and transportation vehicles used at airports.

Finance lease arrangements			
Tangible fixed assets include assets acquired under finance leases:			
Financial statement 31 Dec 2005			
EUR mill.	Buildings	Other equipment	Total
Acquisition cost 31 Dec 2005	8.2	8.7	16.9
Accumulated depreciation	-2.0	-3.5	-5.5
Book value	**6.2**	**5.2**	**11.4**
	2006	2007-2010	2011-
Lease payments	4.9	12.8	4.2
Discounting	1.1	2.3	0.6
Net present value	3.8	10.5	3.6
Financial statement 31 Dec 2006			
EUR mill.	Buildings	Other equipment	Total
Acquisition cost 31 Dec 2006	8.2	8.7	16.9
Accumulated depreciation	-3.0	-5.2	-8.2
Book value	**5.2**	**3.5**	**8.7**
	2007	2008-2011	2012-
Lease payments	4.9	9.6	3.0
Discounting	0.8	2.3	0.4
Net present value	4.1	7.3	2.6

Buildings in finance leasing arrangements are depreciated according to plan over 6-11 years and other equipment is depreciated according to plan over 5 years. In the financial year and in the comparison period no variable rents from finance leases have been recognised.

15. HOLDINGS IN ASSOCIATED UNDERTAKINGS

The Group's share of the result, asset items and liabilities of associated companies, none of which are publicly listed, is presented below:		
EUR mill.	31 Dec 2006	31 Dec 2005
At beginning of the financial year	3.1	3.2
Shares of results	0.1	0.1
Additions	2.7	0.0
Disposals	-0.3	-0.2
At end of the financial year	**5.6**	**3.1**

Information on the Group's associated undertakings						
Financial statement 31 Dec 2005	Domicile	Assets	Liabilities	Turnover	Operating profit/ loss	Holding (%)
Suomen Jakelutiet Oy	Finland	0.8	0.1	0.4	0.1	47.50
Toivelomat Oy	Finland	0.3	0.1	0.3	0.0	48.30
Amadeus Estonia	Estonia	0.5	0.1	0.8	0.3	33.25
Total		**1.6**	**0.3**	**1.5**	**0.4**	

Financial statement 31 Dec 2006	Domicile	Assets	Liabilities	Turnover	Operating profit/ loss	Holding (%)
Suomen Jakelutiet Oy	Finland	0.8	0.1	0.3	0.1	47.50
Toivelomat Oy	Finland	0.4	0.1	0.3	0.1	48.30
Amadeus Estonia	Estonia	0.6	0.1	0.8	0.2	33.25
Kiinteistö Oy Lentäjäntie 1	Finland	36.2	28.1	0.1	0.0	28.33
Kiinteistö Oy Lentäjäntie 3	Finland	11.7	9.8	0.1	0.0	39.12
Total		**49.7**	**38.2**	**1.6**	**0.4**	

The carrying amount of associated companies on 31 December 2006 and 31 December 2005 does not include goodwill.

Aurinkomatkat-Suntours' associated company Toivelomat Oy operates in Finnair Group as a provider of support services in three sectors: in transporting forwarding services of certain Group companies, in counting coins accumulated on Finnair flights and as a field representative at airports. Amadeus Finland's holding in Amadeus Estonia ensures the provision of consistent products and services to Finnish companies operating in Estonia as well as in Finland and helps increase cooperation between Estonian travel agencies and Finnish travel service providers. Amadeus Finland's associated company Suomen Jakelutiet Oy produces the Finnish Hotel Reservations system as well as travel agency network services for hotel sales.

16. RECEIVABLES, LONG-TERM

EUR mill.	31 Dec 2006	31 Dec 2005
Loan receivables	0.3	0.3
Other receivables	15.1	17.4
Total	**15.4**	**17.7**

Financial year 31 Dec 2005	Loan receivables	Other receivables	Own shares*)	Total
At beginning of the financial year	0.3	14.7	2.3	17.3
Additions	0.0	2.7	0.0	2.7
Disposals	0.0	0.0	-2.3	-2.3
At end of the financial year	**0.3**	**17.4**	**0.0**	**17.7**

Other receivables are lease collateral for aircraft operational lease agreements.

Financial year 31 Dec 2006	Loan receivables	Other receivables	Total
At beginning of financial year	0.3	17.4	17.7
Additions	0.0	0.0	0.0
Disposals	0.0	-2.3	-2.3
At end of financial year	**0.3**	**15.1**	**15.4**

Other receivables are lease collateral for aircraft operational lease agreements.

The fair value of receivables is presented in Note 29.

*) The Group has applied the IAS 32 and IAS 39 standards since 1 January 2005, after which the acquisition cost of own shares has been deducted from asset items.

17. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred taxes during 2005:				
EUR mill.	1 Jan 2005	Recognised in the income statement	Recognised in shareholders' equity	31 Dec 2005
Deferred tax assets				
Employee benefits	3.7	0.7	0.0	4.4
Confirmed losses	1.5	1.1	0.0	2.6
Depreciation of tangible fixed assets	2.2	0.1	0.0	2.3
Finance leasing	2.2	-0.3	0.0	1.9
Revenue recognition	0.3	0.0	0.0	0.3
Capitalisation of overhead expenses	0.0	0.0	0.0	0.0
Heavy maintenance allocations	4.9	0.8	0.0	5.7
Other temporary differences	0.9	-0.6	0.0	0.3
Total	**15,7**	**1.8**	**0.0**	**17.5**
Deferred tax assets that can be used after more than 12 months	14.8			15.0
Deferred tax liabilities				
Accumulated depreciation difference	26.6	1.3	0.0	27.9
Gains from sale of tangible fixed assets	87.7	0.8	0.0	88.5
Capitalisation of overhead expenses	0.3	-0.1	0.0	0.2
Recognition at fair value	0.0	0.9	0.0	0.9
Other temporary differences	1.8	0.0	0.0	1.8
Valuation of derivates at fair value	0.0	0.0	6.5	6.5
Total	**116.4**	**2.9**	**6.5**	**125.8**
Deferred tax liabilities payable after more than 12 months	116.3			118.2

No deferred tax liability is recognised for undistributed profits of Finnish subsidiaries and associated companies, because in most cases these profits will be transferred to the company without tax consequences.

Deferred tax assets that can be used after more than 12 months:				
EUR mill.	1 Jan 2006	Recognised in the income statement	Recognised in shareholders' equity	31 Dec 2006
Deferred tax assets				
Employee benefits	4.4	1.1	0.0	5.5
Confirmed losses	2.6	1.9	0.0	4.5
Depreciation of tangible fixed assets	2.3	-0.4	0.0	1.9
Finance leasing	1.9	-0.4	0.0	1.5
Revenue recognition	0.3	-0.1	0.0	0.2
Capitalisation of overhead expenses	0.0	0.4	0.0	0.4
Heavy maintenance allocations	5.7	-0.3	0.0	5.4
Other temporary differences	0.3	0.0	7.4	7.7
Total	**17.5**	**2.2**	**7.4**	**27.1**

EUR mill.	1 Jan 2006	Recognised in income statement	Recognised in shareholders' equity	31 Dec 2006
Deferred tax assets that can be used after more than 12 months	15.0			18.2
Deferred tax liabilties				
Accumulated depreciation difference	27.9	-3.0	0.0	24.9
Gains from sale of tangible fixed assets	88.5	0.5	0.0	89.0
Capitalisation of overhead expenses	0.2	-0.1	0.0	0.1
Recognition at fair value	0.9	-0.9	0.0	0.0
Other temporary differences	1.8	1.0	-1.1	1.7
Valuation of derivates at fair value	6.5	0.0	-6.5	0.0
Total	**125.8**	**-2.5**	**-7.6**	**115.7**
Deferred tax liabilities payable after more than 12 months	118.2			114.2

No deferred tax liability is recognised for undistributed profits of Finnish subsidiaries and associated companies, because in most cases these profits will be transferred to the company without tax consequences.

If the foreign subsidiaries pay out all retaining earnings as dividend to the parent company, it will cause 0.2 million euros tax effect (0.1).

The deferred tax asset for losses is based on the utilisation of taxable profit over the next three years, based on a budget prepared by the company's management.

18. INVENTORIES

EUR mill.	31 Dec 2006	31 Dec 2005
Materials and supplies	36.3	43.8
Work in progress	2.2	1.3
Total	**38.5**	**45.1**

In the financial period an expense of 7.2 million euros was recognised, equivalent to the sum by which the carrying amount of inventories was reduced to correspond with their net realisable value (0.2 million euros in 2005). The portion recognised as an expense in 2006 has been presented in materials and supplies for aircraft maintenance, Note 7.

The carrying amount of inventories recognised at fair value is 5.5 million euros (6.0 million euros in 2005). Inventories have not been pledged for Group liabilities.

19. TRADE RECEIVABLES AND OTHER RECEIVABLES

EUR mill.	31 Dec 2006	31 Dec 2005
Trade receivables	141.6	148.9
Receivables from associated undertakings	0.3	0.1
Prepaid expenses and accrued income	34.6	76.6
Other receivables	35.3	22.0
Total	**211.8**	**247.6**

Credit loss on trade receivables
The Group has recognised during the financial year credit losses from trade receivables of 0.5 million euros (3.8 million euros in 2005).

Essential items included in prepaid expenses and accrued income:		
EUR mill.	31 Dec 2006	31 Dec 2005
Financial instruments	2.9	38.2
Pension expense allocations	5.0	4.7
Interest income	5.4	7.3
Others	21.3	26.4
Total	**34.6**	**76.6**

Balance sheet values correspond best to the sum which is the maximum amount of the credit risk, excluding the fair value of collateral, in cases where the other parties to the agreement are unable to fulfil their obligations in relation to financial instruments. Receivables do not contain significant concentrations of credit risk. Other items included in prepaid expenses and accrued income consists of several items, none of which are individually significant.

The fair value of receivables is presented in Note 29.

20. OTHER FINANCIAL ASSETS, SHORT-TERM

Financial assets at fair value through profit and loss		
EUR mill.	31 Dec 2006	31 Dec 2005
Deposits, commercial papers and certificates of deposit, and government bonds	265.7	383.8
Listed shares	0.0	3.6
Unlisted shares	2.9	4.3
Total	**268.6**	**391.7**

The fair value of financial assets at fair value through profit or loss is presented in Note 29.

21. CASH AND CASH EQUIVALENTS

EUR mill.	31 Dec 2006	31 Dec 2005
Cash and bank deposits	25.7	26.7

Items included in cash and cash equivalents mature in maximum of 3 months. Foreign currency cash and bank deposits have been valued at mid-market exchange rates on the closing date.

22. EQUITY-RELATED INFORMATION

	Number of shares	Number of registered shares	Share capital, EUR	Share issue, EUR	Share premium account, EUR
1 Jan 2005	84,336,413	84,759,213	72,045,331.05	0.00	5,729,534.85
Option subscriptions	2,044,900	2,044,900	1,738,165.00	-	10,249,196.58
Disposal of own shares	37,800	-	-	-	-
Acquisition of own shares	-150,000	-	-	-	-
1 Jan 2006	86,269,113	86,804,113	73,783,496.05	629,047.60	15,978,731.43
Share subscriptions	-	-	-	1,030,360.65	4,428,619.58
Share registrations	1,952,245	1,952,245	1,659,408,25	-1,659,408.25	-
Disposal of own shares	383,097			-	4,280,839.40
31 Dec 2006	**88,604,455**	**88,756,358**	**75,442,904.30**	**0.00**	**24,688,190.41**

	Number of own shares	Price	Average price
1 Jan 2006	535,000	3,582,507.95	6.70
Disposal of own shares	-383,097	-2,056,847.88	5.37
Acquisition of own shares	0	0.00	0.00
31 Dec 2006	**151,903**	**1,525,660.07**	**10.04**

Share capital
The nominal value of shares is 0.85 euros. According to the Articles of Association, the Group's minimum and maximum share capital are 60 million euros and 240 million euros. The share capital entered in the Trade Register 31 December 2006 was 75,442,904.30 euros corresponding to 88,756,358 shares.

Obligation to redeem clause
The Articles of Association have no obligation to redeem clause.

RESERVES INCLUDED IN SHAREHOLDERS' EQUITY
Share issue
At the end of the financial year, the nominal value of paid but as yet unregistered shares is recognised in the share issue account.

Share premium account
Share issue gains arising after the Companies Act of 1997 have been recognised in the share premium account, less transaction expenses.

General reserve
Gains from share issues arising before Companies Act of 1997 have been recognised in the general reserve.

Translation differences
The translation differences reserve includes translation differences arising from the translation of foreign units' financial statements.

Hedging reserve
The hedging reserve includes the fair values of derivative instruments used in cash-flow hedging, less deferred taxes.

Hedging reserve		
EUR mill.	31 Dec 2006	31 Dec 2005
Jet fuel price hedging	-12.8	11.6
Jet fuel currency hedging	-8.2	9.4
Hedging of lease payments	-1.9	2.8
Hedging of firm aircraft purchase orders	-6.9	5.5
Loans hedging	0.2	-1.0
Deferred tax asset (liability)	8.5	-7.4
Total	**-21.1**	**20.9**

Maturity dates of fair values recognised in the hedging reserve							
EUR mill.	2007	2008	2009	2010	2011	Later	Total
Jet fuel price hedging	-8.3	-4.4	-0.1				-12.8
Jet fuel currency hedging	-5.9	-2.0	-0.3				-8.2
Hedging of lease payments	-2.0	0.1					-1.9
Hedging of firm aircraft purchase orders	-7.1	0.2					-6.9
Loans hedging	0.1	0.1					0.2
Deferred tax asset	6.7	1.7	0.1				8.5
Total	**-16.5**	**-4.3**	**-0.3**	**0.0**	**0.0**	**0.0**	**-21.1**

In respect of the shareholders' equity hedging reserve, 17.2 million euros has been recognised in the income statement as a reduction in expenses and -0.5 million euros in the balance sheet as an acquisition cost adjustment in the period 1 Jan–31 Dec 2006.

Finnair Plc's distributable equity	31 Dec 2006
Retain earnings at beginning of financial year	295.7
Dividend distribution	-21.7
Own shares	-2.2
Loss for the financial year	-1.0
Distributable equity total	**270.8**

Own shares
The acquisition cost of own shares held by the Group is included in own shares. During 2006 the Group transferred 383,097 shares as part of the 2005 share bonus scheme. For further information on the share bonus scheme see Note 23. The total acquisition cost of own shares held by the Group is 1.5 million euros.

23. SHARE-BASED PAYMENTS

The Group had two share-based personnel incentive schemes.

Finnair Plc's Option Scheme 2000

The Annual General Meeting on 24 August 2000 approved a proposal by the Board of Directors to issue share options to key individuals of Finnair Group. The share options are intended to form part of an incentive and commitment programme for key individuals of Finnair Group. The number of the option rights was 4,000,000. Of the share options, 2,000,000 were marked with the letter A and 2,000,000 with the letter B. The options entitled their holders to subscribe for Finnair Plc shares, and the subscription ratio was 1:1. Subscription for shares ended on 31 August 2006. During the subscription period, a total of 3,999,645 shares were subscribed for with the 4,000,000 options.

The share subscription price in case of options A was the trade volume weighted average quotation of the Finnair Plc share on the Helsinki Stock Exchange between 1 July and 31 August 2000, plus twenty (20) per cent, i.e. 5.19 euros, and in case of options B the trade volume weighted average quotation of the Finnair Plc share on the Helsinki Stock Exchange between 1 July and 31 August 2001, plus fifteen (15) per cent, i.e. 5.48 euros. From the share subscription price was deducted, as per the date of record of each dividend distribution, the amount of dividend distributed after the beginning of the period for determination of the subscription price but before the date of the share subscription. The dividend-adjusted subscription price on 31 August 2006 with options A was 3.87 euros and with options B 4.81 euros.

The subscription period for shares with the options began in stages on 1 May 2003 and on 1 May 2004 and it ended for all options on 31 August 2006. As a consequence of the subscriptions, Finnair Plc's share capital increased by a total 3,399,698.25 euros.

The options were granted before 7 November 2002. The options have not been recognised as an expense in accordance with the relief permitted by IFRS standard 'Share-based payments'. Moreover, disclosures according to the standard are not presented.

In the financial year 2006, a total of 1,212,189 new shares were subscribed for with share options.

Finnair Plc's Option Scheme 2004

The Board of Directors of Finnair Plc approved a share bonus scheme on 18 June 2004. In the share bonus scheme, key individuals have the possibility of receiving shares as bonus for a three-year performance period according to how targets set for the performance period have been achieved. In addition, the proportion payable as cash is 1.5 times the value of the shares.

The Board of Directors decides annually the targets to be set for each performance period. The targets are determined on the basis of the Finnair Group's financial development. Achieving the targets set for the performance period determines how large a proportion of the maximum bonus will be paid.

For the 2004 performance period, share bonuses amounting to 9% of the maximum bonuses were paid, i.e. the share-based portion totalled 37,800 shares (6.30 euros/share). For the 2005 performance period, share bonuses amounting to 86% of the maximum bonuses were paid, i.e. the share-based portion totalled 383,097 shares (12.20 euros/share). By a decision of the Board of Directors, for the 2006 performance period a bonus is payable if the Finnair Group's earnings per share (EPS) exceeds 0.50 euros and the return on capital employed (ROCE) is more than 6%. The bonus is payable in full if EPS is at least 1.00 euro and ROCE at least 12%. Between these values the bonus is determined according to a separate table. The Board of Directors allocated 429,000 shares to key individuals in 2006. At the time of granting, the fair value of a share was 12.20 euros.

The targets for share bonus system were not achieved in 2006 and no share bonuses will be paid for the 2006 performance period. There are no share-based payable liabilities in the financial statements.

Share-based allocations granted to management 2004-2006

	Year 2004 Number of shares	Share component EUR	Cash component EUR	Total EUR
President and CEO	24,882	303,560	455,341	758,901
Deputy President and CEO	18,735	219,275	328,912	548,186
Members of the Board of Directors	0	0	0	0

24. PENSION OBLIGATIONS

Pension schemes are classified as defined-benefit and defined-contribution schemes. Payments made into defined-contribution pension schemes are recognised in the income statement in the period to which the payment applies. In defined-benefit pension schemes, obligations are calculated using the projected unit credit method. Pension expenses are recognised as an expense over the employees' period of service based on calculations made by authorised actuaries. Actuarial gains and losses, in terms of the portion exceeding a certain limit, are recognised over the employees' average term of service. When calculating the present value of pension obligations the interest rate on government securities is used as the discount rate. The terms to maturity of government securities approximate substantially to the terms to maturity of the related pension liabilities.

The Group's foreign sales offices and subsidiaries have various pension schemes that comply with the local rules and practices of the countries in question. All of the most significant pension schemes are defined-contribution schemes. The statutory pension cover of the employees of the Group's Finnish companies has been arranged in a Finnish pension insurance company. The pension cover is a defined-contribution scheme. The pension schemes of the parent company's President & CEO and members of the Board of Management as well as those of the managing directors of subsidiaries are individual schemes, and the retirement age under these agreements varies from 60 to 65 years. These pension schemes are also defined-contribution schemes. Other (voluntary) pension cover of the Group's domestic companies has been arranged as a rule in Finnair Plc's Pension Fund, in which the pension schemes are defined-benefit schemes. These schemes determine pension cover benefits, disability compensation, post-employment health-care and life insurance benefits as well as employment severance benefits. All of the Group's post-retirement benefits are defined-contribution benefits.

Defined-benefit pension schemes		
Items recognised in the balance sheet EUR mill.	31 Dec 2006	31 Dec 2005
Present value of funded obligations	374.5	346.5
Fair value of scheme assets	-392.6	-370.0
	-18.1	-23.5
Present value of unfunded obligations	0.0	0.0
Unrecognised net actuarial gains / losses (-)	28.1	36.2
Unrecognised costs based on past service	0.0	0.0
Presented provisions	-3.0	0.0
Net liability presented in balance sheet	**7.0**	**12.7**

The balance sheet pension liability for 2006 of 10.0 million euros (previous year 12.7 million) does not include within it any items outside the Pension Fund. Of the balance sheet pension liability on 31 December 2006, three million euros has been presented in connection with the provision (Note 25).

Pension scheme assets include Finnair Plc shares with a fair value of 1.2 million euros (1.1 million euros in 2005) and a building used by the Group with a fair value of 16.3 million euros (10.9 million euros in 2005).

Items recognised in the income statement EUR mill.	31 Dec 2006	31 Dec 2005
Current service costs for financial year	8.8	23.9
Interest costs	15.6	39.1
Expected return on plan assets	-18.4	-38.0
Past service cost-rested benefits	3.6	-0.3
Adjustment item from compolsory TEL Foundations	0.0	-8.2
Total, included in personnel expenses	**9.6**	**16.5**
Net liability reconciliation statement		
At beginning of financial year	12.7	9.8
Total expenses, presented above	9.6	16.5
Paid contributions	-12.3	-13.6
At end of financial year	**10.0**	**12.7**

Defined-benefit schemes: principal actuarial assumptions	31 Dec 2006	31 Dec 2005
Discount rate	4.5%	5.0%
Expected rate of return on assets	5.6%	5.0%
Annual rate of future salary increases	4.0%	3.0%
Future pension increases	2.1%	2.3%
Estimated remaining years of service	15	17

25. PROVISIONS

As a result of statutory employer-employee negotiations completed within the Group, it was decided to reduce about 670 jobs through early retirement solutions and redundancies.

In financial year 2006, the Group has recognised a non-recurring personnel restructuring provision totalling 10.0 million euros.

Restructuring provision EUR mill.	
Provisions at 31 Dec 2005	0.0
Increase	10.0
Decrease	0.0
Provisions at 31 Dec 2006	10.0
EUR mill.	31 Dec 2006
Short-term provisions	10.0
Total	**10.0**

The result impact of the provision has been recognised in personnel expenses, with 3.0 million euros being recognised in pension expenses for retirement packages and 7.0 million euros in salary expenses for redundancy compensation.

The result impact of the provision in 2006 has mainly been attributed to the Aviation Services segment.
It is assumed that the provision will be realised entirely during 2007.
In the previous year, the Group had no provisions according to the IAS 37 standard.

26. INTEREST-BEARING LIABILITIES

Interest-bearing liabilities EUR mill. **Long-term**	31 Dec 2006	31 Dec 2005
Bank loans	142.8	168.3
Bonds	100.0	0.0
Pension loans	28.0	28.0
Finance lease liabilities	9.9	14.1
Other loans	0.0	0.0
Total	**280.7**	**210.4**
Non-interest-bearing liabilities		
Long-term		
Pension liabilities	6.2	4.5
Total	**286.9**	**214.9**
Interest-bearing liabilities		
Current		
Cheque account facilities	0.2	1.0
Bank loans	26.0	25.9
Finance lease liabilities	4.1	3.8
Other loans	26.3	22.0
Total	**56.6**	**52.7**

Maturity dates of interest-bearing financial liabilities	2007	2008	2009	2010	2011	Later	Total
Bank loans, fixed interest	21.7	21.7	21.7	12.2	16.5	38.2	132.0
Bank loans, variable interest	4.3	4.5	4.5	4.6	3.6	15.3	36.8
Bonds, variable interest						100.0	100.0
Finance lease liabilities	4.1	4.2	1.3	0.9	0.9	2.6	14.0
Pension loans						28.0	28.0
Other loans	26.5						26.5
Total	**56.6**	**30.4**	**27.5**	**17.7**	**21.0**	**184.1**	**337.3**

Bank loans include long-term currency and interest rate swaps that hedge USD-denominated aircraft financing loans. Interest rate re-fixing period in variable interest loans is 3 or 6 months.

The currency mix of interest-bearing liabilities is as follows:	2006	2005
EUR	285.2	212.5
USD	52.1	50.6
Total	**337.3**	**263.1**

Weighted average effective interest rates on interest-bearing liabilities	2006	2005
	4.7%	3.6%

Finance lease liabilities		
Minimum lease payments EUR mill.	31 Dec 2006	31 Dec 2005
Up to 1 year	4.9	4.9
1–5 years	9.6	12.8
More than 5 years	3.0	4.2
Total	**17.5**	**21.9**
Future financial expenses	3.5	4.0
Finance lease liabilities - Present value of minimum lease payment EUR mill.	31 Dec 2006	31 Dec 2005
Up to 1 year	4.1	3.8
1–5 years	7.3	10.5
More than 5 years	2.6	3.6
Total	**14.0**	**17.9**
Finance lease liabilities, total	**14.0**	**17.9**

27. TRADE PAYABLES AND OTHERS LIABILITIES

EUR mill.	31 Dec 2006	31 Dec 2005
Advances received	41.3	39.5
Trade payables	106.4	98.9
Other accured liabilities	378.3	342.0
Liabilities based on derivative contracts	0.0	5.2
Other accured liabilities	53.4	52.6
Total	**579.4**	**538.2**

Significant items in other accrued liabilities:	31 Dec 2006	31 Dec 2005
Unearned air transport revenues	130.4	117.2
Holiday pay reserve	76.8	71.9
Other	171.1	152.9
Total	**378.3**	**342.0**

Other accrued liabilities consists of several items, none of which are individually significant.

28. MANAGEMENT OF FINANCIAL RISKS

RISK MANAGEMENT IN FINNAIR

Principles of financial risk management

The nature of Finnair Group's business operations exposes the company to foreign exchange, interest rate, credit and liquidity, and jet fuel price risks. The Group's policy is to limit the uncertainty caused by such risks on cash flow, financial performance and equity.

The management of financial risks is based on the risk management policy approved by Finnair's Board of Directors in October 2006, which specifies the minimum and maximum levels permitted for each type of risk (the new policy replaced the previous policy, dating from 2004). Financial risk management is directed and supervised by the Financial Risk Steering Group. Practical implementation of financial policy and risk management have been centralised in the parent company's finance department.

In its management of foreign exchange, interest rate and jet fuel positions the company uses different derivative instruments, such as forward contracts, swaps and options. Derivatives are designated at inception as hedges for future cash flows (cash flow hedges), hedges for firm orders (hedges of the fair value of firm commitments) or as financial derivatives not qualifying for hedge accounting (economic hedges). In terms of the hedging of future cash flows (cash flow hedging), Finnair Group implements, in accordance with IAS 39 hedge accounting principles, hedging of fixed rate foreign exchange loans, foreign exchange hedging of lease payments and aircraft purchases, and hedging of jet fuel price and foreign exchange risks. In addition, hedging of firm commitment is used for aircraft investments.

Jet fuel price risk in flight operations

Jet fuel price risk means the cash flow and financial performance uncertainty arising from jet fuel price fluctuations.

Finnair hedges against jet fuel price fluctuations using gasoil and jet fuel forward contracts and options. As the underlying asset of jet fuel derivatives, the Jet Fuel CIF Cargoes NWE index is used, because around 70% of Finnair's fuel purchase contracts are based on the benchmark price index for Northwest Europe jet fuel deliveries.

Finnair applies the principle of time-diversification in its jet fuel hedging. The hedging horizon according to the new financial policy is three years. Under the financial policy, hedging must be increased in each quarter of the year so that the hedge ratio for Finnair's Scheduled Passenger Traffic for the first six months is more than 60% and so that thereafter a lower hedge ratio applies for each period. By allocating the hedging, the jet fuel cost per period is not as low as the spot-based price when prices fall, but when spot prices rise the jet fuel cost rises more slowly.

In accounting jet fuel hedges are recognised in Finnair in two different ways. In terms of the jet fuel consumption of Finnair, the first approximately 40 percentage points are treated in accounting as cash-flow hedging in accordance with IAS 39 hedge accounting principles. Changes in the fair value of derivatives defined as cash-flow hedging in accordance with IAS 39 are posted directly to the hedging reserve included in equity. The change in fair value recognised in the equity hedging reserve is posted to income statement at the same period as the hedged transaction. Changes in the fair value of hedges outside hedge accounting – which do not fulfil IAS 39 hedge accounting criteria – are recognised in other operating expenses over the time of the derivative.

At the end of financial year, Scheduled Passenger Traffic had hedged 63% of its jet fuel purchases for the first six months of 2007 and 42% for the second half of the year. Leisure Traffic has hedged 79% of its jet fuel purchases for the remaining winter season and 64% of its purchases for the coming summer season. In 2007 Leisure Traffic has no price clauses with tour operators similar to those agreed in previous years.

In the financial year 2006, jet fuel used in flight operations accounted for 19% of the Group's turnover. At the end of the financial year, the forecast for 2007 is over 19%. On the closing date, a ten per cent rise in the market price of jet fuel – excluding hedging activity calculated using Scheduled Passenger Traffic's forecasted flights for 2007 – increases annual jet fuel costs by an estimated 34 million euros. On the closing date – taking hedging into account – a ten per cent rise in fuel lowers operating profit by around 18 million euros.

Foreign exchange risk

Foreign exchange risk means the cash flow and financial performance uncertainty arising from exchange rate fluctuations. Finnair Group's foreign exchange risk arises mainly from fuel and aircraft purchases and aircraft leasing payments.

The new financial policy divides the foreign exchange position into two parts, a profit and loss position and an investment position. The profit and loss position consists of dollar-denominated fuel purchases and leasing payments, sales revenue in a number of different currencies, and also foreign exchange-denominated money market investments and loans. The investment position includes dollar-denominated aircraft investments.

Finnair applies the principle of time-diversification in its foreign exchange hedging. The hedging horizon according to the new financial policy is two years. The hedge ratio of the foreign exchange position is determined as the reduction of the overall risk of the position using the value-at-risk method. Under the financial policy, hedges must be added to the profit and loss position in each half of the year so that the hedge ratio for the first six months is more than 60% and so that thereafter the hedge ratio declines for each period. In addition, Finnair hedges foreign exhange risk exceeding two years as far as hedging the currency risk of jet fuel is concerned (IAS-39 cash flow hedging).

The investment position includes all foreign exchange-denominated aircraft investments for which a firm order has been signed. According to the financial policy, at least half of the investments recognised in the balance sheet must be hedged after the signing of a firm order.

Around 68% of Group turnover is denominated in euros. The most important other foreign sales currencies are the Swedish crown, the Japanese yen, the Chinese yuan, the US dollar and the British pound.

Approximately 40% of the Group's operating costs are denominated in foreign currencies. The most important purchasing currency is the US dollar, which accounts for 30% of all operating costs. Significant dollar-denominated expense items are aircraft leasing payments and fuel costs. The largest investments, the acquisition of aircraft and their spare parts, also take place mainly in US dollars.

At the end of financial year, Scheduled Passenger Traffic had hedged 78% of its profit and loss items for the first six months of 2007 and 63% for the second half of the year. On the closing date a 10% strengthening of the dollar against the euro – without hedging – has a negative impact on the annual result of around 40 million euros. On the closing date – taking hedging into account – a 10% strengthening of the dollar weakens the result by around 13 million euros. In the above sensitivity estimates, the dollar risk includes also the Chinese yuan and the Hong Kong dollar, whose historical correlation with the dollar is over 95%.

Interest rate risk

Interest rate risk means the cash flow and financial performance uncertainty arising from interest rate fluctuations.

In Finnair Group the interest rate risk is measured using the interest rate re-fixing period. If necessary, interest rate derivatives are used to adjust the interest rate re-fixing period. According to the new financial policy, the mandate for the investment portfolio's interest rate re-fixing period is 0-12 months and for interest-bearing liabilities 0-24 months. On the closing date the investment portfolio's interest rate re-fixing period was 2 months and for interest-bearing liabilities 8 months. On the closing date a one percentage point rise in interest rates increases the annual interest income of the investment portfolio by more than 2 million euros and the interest expenses of the loan portfolio by less than 2 million euros.

Credit risk

The Group is exposed to counterparty risk when investing its cash reserves and in using derivative instruments. The credit risk is managed by making contracts, within the framework of counterparty risk limits, only with financially sound domestic and foreign banks, financial institutions and brokers. Liquid assets are also invested in bonds and commercial paper issued by conservatively selected companies.

Liquidity risk

The goal of Finnair Group is to maintain good liquidity. Liquidity is ensured by cash reserves, bank account limits, liquid money market investments and committed credit facilities. With respect to aircraft acquisitions, the company's policy is to secure financing, for example through committed loans, at a minimum of 6 months before delivery.

The Group's liquid assets were 294.3 million euros at the end of financial year 2006. Finnair Plc has a domestic commercial paper programme of 100 million euros, of which 95 million euros wasn't used on the closing date. In addition, Finnair has a 200 million euro committed credit facility. The credit facility includes a finance covenant based on adjusted gearing. The covenant level of adjusted gearing is 175%, while at the closing date the figure was 112.3%. The maximum level set by the Board of Directors is 140%.

29. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR mill.	31 Dec 2006 Book value	31 Dec 2006 Fair value	31 Dec 2005 Book value	31 Dec 2005 Fair value
Financial assets				
Receivables	15.4	15.4	17.7	17.7
Financial assets at fair value through profit and loss	265.7	265.7	387.4	387.4
Trade receivables and other receivables	211.8	211.8	247.6	247.6
Commodity derivatives	0.0	0.0	8.9	8.9
Currency derivatives	0.0	0.0	23.7	23.7
Unlisted shares	2.9	2.9	4.3	4.3
Cash and cash equivalents	25.7	25.7	26.7	26.7
Total	**521.5**	**521.5**	**716.3**	**716.3**
Financial liabilities				
Bank loans	142.9	144.2	170.4	170.4
Bonds	100.0	100.0	0.0	0.0
Pension loans	28.0	28.0	28.0	28.0
Finance lease liabilities	14.0	14.0	17.9	17.9
Commodity derivatives	18.2	18.2	0.0	0.0
Currency derivatives	21.2	21.2	0.0	0.0
Interest rate derivatives	24.9	24.9	23.8	23.8
Trade payables and other liabilities	593.7	593.7	598.5	598.5
Total	**942.9**	**944.2**	**838.6**	**838.6**

Interest rate derivatives (currency and interest-rate swaps) are included in bank loans, in other Notes. The item receivables mainly includes USD-denominated security deposits for leased aircraft.

Trade payables and other liabilities include: trade payables, deferred expences, pension obligations, tax liabilities based on taxable income for the period as well as other interest-bearing and non-interest-bearing liabilities.

The valuation principles of financial assets and liabilities are outlined in the accounting principles.

30. SUBSIDIARIES

Group companies	Group ownership %
Finnair Cargo Oy, Helsinki	100.00
Amadeus Finland Oy, Helsinki	95.00
Matkatoimisto Oy Area, Helsinki	100.00
Area Baltica Reisiburoo AS, Estonia	100.00
A/S Estravel Ltd, Estonia	72.02
Oy Aurinkomatkat - Suntours Ltd Ab, Helsinki	100.00
Finnair Travel Services Oy, Helsinki	100.00
Finnair Catering Oy, Helsinki	100.00
Finnair Facilities Management Oy, Helsinki	100.00
Finnair Aircraft Finance Oy, Helsinki	100.00
A/S Aero Airlines, Estonia *)	49.00
Finncatering Oy, Vantaa	100.00
Norvista Travel Ltd, Canada	100.00
Finnhandling Ab, Sweden	100.00
Northport Oy, Helsinki	100.00
Nordic Airlink Holding Ab, Sweden	100.00
Mikkelin Matkatoimisto Oy, Mikkeli	100.00
Finland Travel Bureau Ltd., Helsinki	100.00

*) A/S Aero Airlines has been combined as a Group company because the Finnair Group exercises control in the Board of Directors.

31. OTHER LEASE AGREEMENTS

The Group is the lessee

Minimum rental payments for irrevocable lease agreements are as follows:

EUR mill.	Aircraft 31 Dec 2006	Aircraft 31 Dec 2005	Others 31 Dec 2006	Others 31 Dec 2005
less than a year	79.3	95.8	27.3	23.9
1–2 years	78.2	80.5	24.1	21.4
2–3 years	68.2	78.0	18.3	18.0
3–4 years	51.4	66.8	15.0	14.6
4–5 years	43.8	52.9	13.7	12.1
more than 5 years	68.9	116.9	82.3	78.6
Total	**389.8**	**490.9**	**180.8**	**168.6**

The Group has leased premises as well as aircraft and other fixed assets with irrevocable lease agreements. These agreements have different levels of renewal and other index-linked terms and conditions. The Group has leased 36 aircraft on leases of different lengths.

32. GUARANTEES, CONTINGENT LIABILITIES AND DERIVATIVES

EUR mill.	31 Dec 2006	31 Dec 2005
Other pledges given on own behalf	236.9	260.1
Pledges on behalf of Group undertakings	0.0	0.0
Guarantees on behalf of Group undertakings	536.3	414.2
Guarantees on behalf of others	0.0	0.0
Total	**773.2**	**674.3**

EUR mill.	2007	2008 -	Total
Investment commitments	242.9	215.8	458.7

Investment commitments are for agreed aircraft acquisitions. Of the above investment commitments, prepayments amounting to 72.9 million euros have already been made.

The Group announced on 7 December 2005 that it will acquire 9 new Airbus A350 wide-bodied aircraft. Due to redesign work, Airbus is unable to deliver these aircraft according to the original schedule and negotiations on a new contract are underway. The acquisition commitments for these aircraft have not been included in the above sum. The value of the order at list prices is more than one billion euros.

Derivatives EUR mill.	Nominal value 31 Dec 2006	Fair value 31 Dec 2006	Nominal value 31 Dec 2005	Fair value 31 Dec 2005
Currency derivatives				
Hedge accounting items:				
Jet fuel currency hedging	260.2	-8.2	168.5	9.4
Hedging of aircraft purchases	324.7	-9.1	191.6	5.5
Hedging of lease payments	63.8	-1.9	55.2	2.8
Total	**648.6**	**-19.2**	**415.3**	**17.7**
Currency derivatives at fair value through profit or loss:				
Operating cash flow hedging	26.7	-1.3	107.5	4.7
Balance sheet hedging	94.1	-0.6	117.9	1.3
Total	**120.9**	**-2.0**	**225.4**	**6.0**

In accordance with IAS 39, a change in the fair value of currency derivatives in hedge accounting is recognised in the hedging reserve of shareholders' equity, from where it is offset in the result against the hedged item. Exceptions to this are firm commitment hedges of aircraft purchases qualifying for hedge accounting, whose recognition practice is outlined in the accounting principles. A change in the fair value of operational cash-flow hedging is recognised in the income statement's other operating expenses, and a change in fair value of balance sheet hedges is recognised in financial items.

	Nominal value tonnes 31 Dec 2006	Fair value EUR mill.	Nominal value tonnes 31 Dec 2005	Fair value EUR mill.
Commodity derivatives				
Hedge accounting items:				
Jet fuel forward contracts	510,400	-12.8	351,800	11.6
Commodity derivatives at fair value through profit and loss				
Jet fuel forward contracts	79,300	-5.1	71,700	-2.8
Jet differential forward contracts	112,500	0	0	0.0
Options				
Call options, jet fuel	35,000	0.3	12,000	0.2
Put options, jet fuel	70,000	-0.5	12,000	-0.1
Call options, gasoil	9,000	0.0	0	0,0
Put options, gasoil	18,000	0.0	0	0.0
Total		**-18.2**		**8.9**

The effective portion of a change in the fair value of commodity derivatives in hedge accounting is recognised in the hedging reserve of shareholders' equity, from where it is offset against the hedged item. A change in the fair value of commodity derivatives outside hedge accounting is recognised in the income statement item other operating expenses. The jet differential is the price difference between jet fuel and gasoil.

EUR mill.	Nominal value 31 Dec 2006	Fair value	Nominal value 31 Dec 2005	Fair value
Interest rate derivatives				
Cross currency interest rate swaps at fair value through profit and loss				
Hedge accounting items	42.5	-15.2	61.4	-14.2
Interest rate swaps at fair value through profit and loss	22.1	-10.7	30.1	-9.6
Total	**64.7**	**-25.9**	**91.5**	**-23.8**
Interest rate swaps				
Hedge accounting items	0.0	0.0	0.0	0.0
Interest rate swaps at fair value through profit and loss	20.0	1.0	20.0	0.4
Total	**20.0**	**1.0**	**20.0**	**0.4**

The Group's fixed-interest USD-denominated aircraft financing loans have been hedged with long-term cross currency interest rate swaps. The recognition practice of these items is outlined in the accounting principles.

33. RELATED PARTY TRANSACTIONS

The following transactions have taken place with related parties:		
Sales of goods and services, EUR mill.	2006	2005
Subsidiaries	276.1	228.3
Associated undertakings	0.0	0.0
Management	0.0	0.0
Purchases of goods and services, EUR mill.	2006	2005
Subsidiaries	391.5	381.9
Associated undertakings	0.0	0.0
Management	0.0	0.0

Sales of goods and services executed with related parties correspond in nature to transactions carried out with independent parties.

The consolidated financial statements do not contain any open receivable or liability balances with related parties. The financial statements of separate companies contain receivable and liability relationships between subsidiaries and between the parent company and subsidiaries.

No credit losses from related party transactions have been recognised in the final year or the comparison year.

Guarantees and other commitments made on behalf of related parties are presented in Note 32.

The employee benefits of management are presented in Note 7. No loans have been granted to management personnel.

34. DISPUTES AND LITIGATION

On 31 December 2006 the following material disputes were pending:

Transpert Oy has presented Finnair with appr. 600,000 euro damage compensation claim following the termination of a subcontracting agreement. Finnair has disputed the claim. The case is pending in the Helsinki District Court and Helsinki Appelate Court.

A damage compensation claim raised year 2000 against Finnair Plc and Finnair Cargo Oy for lost cargo is still pending in the Helsinki Appelate Court. The amount claimed is approximately 1 million euros.

No provisions have been made for disputes or litigation.

35. EVENTS AFTER THE CLOSING DATE

The following significant events have taken place in Finnair Group after the closing date:

Finnair has outsourced real-estate and facilities services to YIT. Finnair has signed an agreement with YIT Kiinteistötekniikka Oy by which responsibility for handling Finnair's real-estate and facilities management services has been transferred to YIT for the next five years. Overall, the value of the contract is more than 40 million euros. The total area of the properties is more than 300,000 square metres and they are located mainly in the vicinity of Helsinki-Vantaa Airport. According to the agreement, around 50 Finnair Facilities Management employees were transferred to the service of YIT under their existing conditions of employment on 1 January 2007. Finnair-owned properties were not transferred in the arrangement. As part of a restructuring programme and to improve profitability, Finnair is examining opportunities to reorganise its ground handling company Northport Oy and its subsidiaries. Various ownership and partnership options for the whole company or parts thereof are being explored. Ground handling services are not part of the airline's core business. Both real-estate and facilities services as well as ground handling operations are reported in the Group's Aviation Services segment.

Oy Aurinkomatkat-Suntours Ltd Ab has acquired Öu Horizon Travel, Estonia's second biggest tour operator. Subject to a review by the competition authorities, Horizon Travel will become an Aurinkomatkat subsidiary from the beginning of 2007. A press release on the acquisition was issued on 22 December 2006.

36. PARENT COMPANY'S FINANCIAL FIGURES

Finnair Plc's complete financial statements can be viewed on the Finnair Group's website at the address www.finnair.fi/group.

The figures presented below are not IFRS figures.

FINNAIR PLC INCOME STATEMENT		
EUR mill.	1 Jan 2006– 31 Dec 2006	1 Jan 2005– 31 Dec 2005
Turnover	1,587.9	1,494.6
Production for own use	0.6	0.8
Other operating income	11.5	14.4
OPERATING INCOME	1,600.0	1,509.8
OPERATING EXPENSES		
Materials and services	708.5	577.1
Personnel expenses	356.8	343.6
Depreciation	27.7	22.5
Other operating expenses	587.4	563.5
	-1,680.4	-1,506.7
OPERATING PROFIT/ LOSS	-80.4	3.1
FINANCIAL INCOME AND EXPENSES	5.0	7.4
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS	-75.4	10.5
Extraordinary items	74.8	2.0
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	-0.6	12.5
Direct taxes	-0.4	-5.6
PROFIT/LOSS FOR THE FINANCIAL YEAR	-1.0	6.9

FINNAIR PLC BALANCE SHEET				
EUR mill.	31 Dec 2006		31 Dec 2005	
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	36.0		33.8	
Tangible assets	87.9		77.7	
Investments				
Holdings in Group undertakings	442.2		430.7	
Holdings in associated companies	2.4		2.4	
Own shares	0.0		0.0	
Other investments	1.0	569.5	1.2	545.8
CURRENT ASSETS				
Inventories	34.6		41.7	
Long-term receivables	161.1		191.6	
Short-term receivables	402.5		261.0	
Marketable securities	262.6		381.2	
Cash and bank equivalents	16.8	877.6	24.7	900.2
		1,447.1		**1,446.0**
LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	75.4		73.8	
Share issue	0.0		0.6	
Share premium account	20.4		16.0	
Own shares fund	0.0		0.0	
General reserve	149.8		147.7	
Fair value reserve	-14.6		15.5	
Retained earnings	274.0		288.9	
Profit/loss for the financial year	-1.0	504.0	6.9	549.4
ACCUMULATED APPROPRIATIONS		-		-
LIABILITIES				
Deferred tax liability	7.6		11.9	
Long-term liabilities	274.8		199.9	
Short-term liabilities	660.7	943.1	684.8	896.6
		1,447.1		**1,446.0**

FINNAIR PLC CASH FLOW STATEMENT		
EUR mill.	1 Jan 2006– 31 Dec 2006	1 Jan 2005– 31 Dec 2005
Business operations		
Operating profit/loss	-80.4	3.1
Opetations for which a payment is not included (depreciations)	27.7	22.5
Changes in working capital (net):		
Inventories, increase (-), decrease (+)	7.1	1.0
Short-term receivables, increase (-), decrease (+)	-136.6	17.9
Non interest bearing short-term liabilities, increase (+), decrease (-)	-2.3	30.6
Financial income and expenses (net)	5.0	7.4
Extraordinary items	74.8	2.0
Taxes	-0.4	-5.6
Cash flow from operations	**-105.1**	**78.9**
Investments		
Investments in flight equipment	-20.9	-17.2
Other investments	-31.1	-33.8
Change in advance payments	0.0	0.0
Capital expenditure, total	-52.0	-51.0
Sales of assets	0.4	5.6
Cash flow from investments	**-51.6**	**-45.4**
Cash flow before financing	**-156.7**	**33.5**
Financing		
Increase of long-term debts	70.6	0.3
Long-term receivables, increase (+), decrease (-)	30.6	18.2
Short-term debts, increase (+), decrease (-)	-26.6	56.6
Purchase of own shares	0.0	-1.5
Sales of own shares	0.0	0.2
Increase/Decrease in shareholders' equity	-28.1	10.1
Option rights to shares	5.5	12.6
Divident payment	-21.8	-8.5
Cash flow from financing	**30.2**	**88.0**
Change in liquid funds		
increase (+), decrease (-) in statement	**-126.5**	**121.5**
Liquid funds in the beginning	**405.9**	**284.4**
Liquid funds, decrease (-), increase (+) in balance sheet	**-126.5**	**121.5**
Liquid funds in the end	**279.4**	**405.9**

BOARD OF DIRECTORS´PROPOSAL ON THE DIVIDEND

Finnair Plc´s distributable equity according to the financial statements on 31 December 2006 amounts to 270,774,959.26 euros. The Board of Directors proposes to the Annual General Meeting that a dividend of 0.10 euros per share be distributed, a total of 8,860,445.50 euros, and that the remainder of the distributable equity be carried over as retained earnings.

Signing of the Report of the Board of Directors and the Financial Statements

Helsinki, 5 February 2007
The Board of Directors of Finnair Plc

Christoffer Taxell	Kari Jordan	Kalevi Alestalo
Satu Huber	Markku Hyvärinen	Ursula Ranin
Veli Sundbäck	Helena Terho	

Jukka Hienonen
President & CEO of Finnair Plc

AUDITORS´ REPORT

To the shareholders of Finnair Plc

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Finnair Plc for the period 1.1. – 31.12.2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies' Act.

Helsinki, 16 February 2007

PricewaterhouseCoopers Ltd.
Authorised Public Accountants

Eero Suomela Authorised Public Accountant	Jyri Heikkinen Authorised Public Accountant

SHARES AND SHAREHOLDERS

Shares and Share Capitala

On 31 December 2006 the company's share capital was 75,442,904.30 euros, representing 88,756,358 shares. Each share has one vote at the Annual General Meeting and its nominal value is EUR 0.85. During 2006 1,952,245 new shares, subscribed for with options, were entered in the Trade Register.

The minimum and maximum amounts of Finnair Plc share capital are 60 million euros and 240 million euros respectively, within the limits of which the share capital can be raised or lowered without amending the Articles of Association. The company's shares were added to the book-entry securities system in June 1993.

Share Quotations

Finnair Plc shares are quoted on the Helsinki Stock Exchange. Since January 1995, they have also been traded on the SEAQ (Stock Exchange Automatic Quotation) system of the London Stock Exchange.

Dividend Policy and the Payment of Dividend

The Board of Directors of Finnair Plc proposes to the Annual General Meeting that a dividend of 0.10 euros per share, which is -64.4 % of the earnings per share, be paid for the financial year 1 January–31 December 2006.

The aim of Finnair's dividend policy is to pay on average at least one-third of the earnings per share as dividend during an economic cycle, taking into account the company's earnings trend and outlook, financing position and capital needs for any given period.

Incentive Schemes for Key Personnel

The Annual General Meeting on 24 August 2000 approved a proposal by the Board of Directors to issue share options to key individuals of the Finnair Group. The share options were intended to form part of an incentive and commitment scheme for key individuals of the Group.

The number of share options issued was 4,000,000. Each option granted its holder the right to subscribe for one Finnair Plc share. The share subscription period for the A option rights (2,000,000 units) commenced on 1 May 2003 and for the B option rights (2,000,000 units) on 1 May 2004.

Subscription of shares with all options ended on 31 August 2006 and the options expired.

Options were exercised to subscribe for 1,212,189 shares between 1 January and 31 August 2006. During the subscription period, 1 May 2003 to 31 August 2006, options were exercised to subscribe for a total of 3,999,645 shares. A total of 355 options were not exercised.

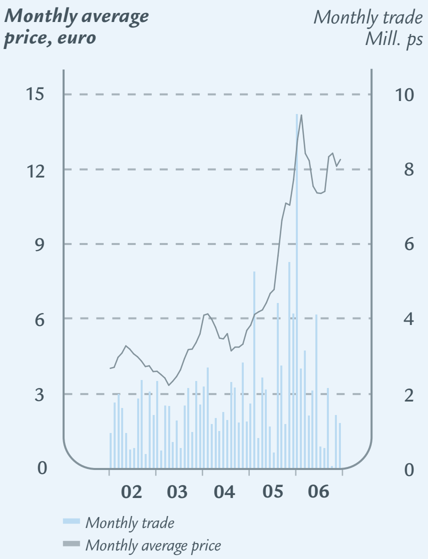
On 18 June 2004, Finnair Plc's Board of Directors approved a share bonus scheme directed at key individuals of the Group. Details of the scheme are presented in Note 23 of this annual report. The scheme does not affect the total number of shares. As part of the share bonus scheme, the company transferred 37,800 shares to key individuals under an authorisation granted by the 2005 Annual General Meeting on 23 March 2005, and 383,097 shares under an authorisation granted by the 2006 Annual General Meeting on 23 March 2006.

Board of Directors' Authorisations

The Board of Directors of Finnair Plc has the authority, granted by the Annual General Meeting on 23 March 2006 to acquire 3,500,000 of its own shares, which is less than 5% of the company's share capital, and to transfer a maximum of 3,650,000 of its own shares. The authorisation is valid until 22 March 2007.

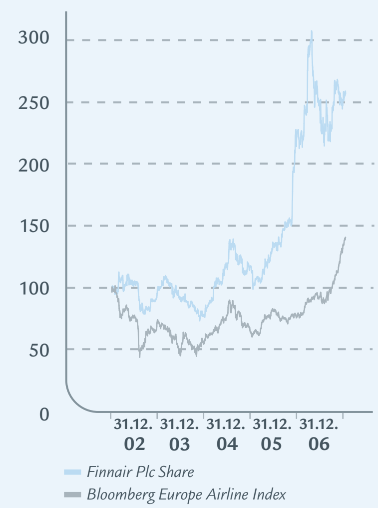
Under the authorisation, the company transferred 383,097 shares to key individuals as part of the share bonus scheme. The company has not purchased new shares under the authorisation in 2006. On 31 December 2006, therefore, an amount corresponding to 3,500,000 shares remained unexercised in terms of the purchase author-

FINNAIR SHARE TRADE DEVELOPMENT AND TRADE 2002–2006



FINNAIR PLC SHARE INDEX AND HELSINKI STOCK EXCHANGE INDICES

SHARE PRICE DEVELOPMENT COMPARED WITH OTHER EUROPEAN AIRLINES



isation and an amount corresponding to 3,266,903 shares remained unexercised in terms of the transfer authorisation.

On 31 December 2006 the company held a total of 151,903 own shares, representing 0.17% of all shares.

The Board of Directors has no other authorisations, such as authorisations for share issues or for the issuing of convertible bonds or share options.

Government Ownership

At the end of the financial year, on 31 December 2006, the Finnish Government owned 55.8% of the company's shares and votes. On 20 June 1994, the Finnish Parliament, while giving its consent to reduce the Government's holding to less than two-thirds, decided that the Government must own more than half of Finnair Plc's shares.

Share Ownership by Management

On 31 December 2006, members of the company's Board of Directors and the President & CEO owned 22,082 shares, representing 0.02% of all shares and votes.

Share Prices and Trading

On the last day of the financial year, the Finnair Plc share was quoted at 12.41 euros on the Helsinki Stock Exchange. The market value of the company's shares was 1.101.5 million euros (1,039.9 million). The highest trading price during the financial year was 15.00 euros (12.15) and the lowest 10.01 euros (5.56).

A total of 30.0 (32.2) million shares, with a total value of 374.6 (276.0) million euros were traded on the Helsinki Stock Exchange during 2006.

Shareholders by type as at 31 December 31 2006

	Number of shares	Shares, %	Number of shareholders	Shareholders, %
Public bodies (state, local goverment)	52,274,361	59	16	
Registered in the name of nominee	27,353,156	31	11	
Households	3,336,168	4	6,704	95
Outside Finland	2,412,673	3	42	1
Financial Institutions	1,990,526	2	15	
Private companies	863,008	1	229	3
Associations	503,744		61	1
Not converted into the book entry system	22,722			
Total	**88,756,358**	**100**	**7,078**	**100**

Breakdown of shareholdings as at 31 December 31 2006

Number of shares	Shareholders	%	Shares	%
1–199	3,871	55	248,359	
200–200	757	11	151,400	
201–10,000	2,360	33	2,713,779	3
10,001–100,000	62	1	1,849,212	2
100,001–1,000,000	14		3,536,548	4
1,000,001–>	3		52,881,182	60
Reg in the name of a nominee	11		27,353,156	31
Not converted into the book entry system			22,722	
Total	**7,078**	**100**	**88,756,358**	**100**

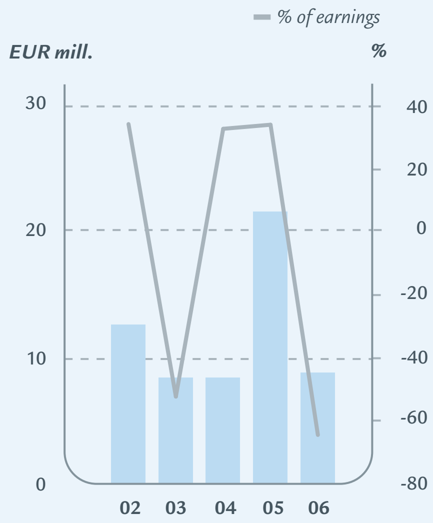
Finnair Plc, acquisition and delivery of own shares

Period	Number of shares	Nominal value, EUR	Acquisition value/EUR	Average price/EUR
1 Jul – 18 Aug 2004	422,800	359,380	2,275,666.49	5.38
12 Apr 2005	-37,800	32,130	-209,838.54	5.55
1 Sep – 30 Dec 2005	150,000	127,500	1,516,680.00	10.11
19 Apr 2006	-383,097	325,632	-2,056,847.88	5.37
	151,903		**1,525,660.07**	**10.04**

Finnair Plc largest shareholders as at 31 December 2006	Number of shares	% of total - shares
1. State of Finland	49,510,682	55.78
2. Odin Norden	2,156,566	2.43
3. Tapiola Mutual Pension Insurance Company	1,525,000	1.72
4. Swedbank	666,321	0.75
5. Nordea Norsic Small Cap Fund	363,738	0.41
6. OP Finland Fund	353,800	0.40
7. Fennial Mutual Pension Insurance Company	350,000	0.39
8. Ilmarinen	286,700	0.32
9. Aktia Capital Fund	281,300	0.32
10. Neste Oil Pension Fund	236,620	0.27
11. FIM Fenno Fund	158,100	0.18
12. Finnair Plc (own shares)	151,903	0.17
13. EQ Small Giants Fund	130,000	0.15
14. Etera Mutual Pension Insurance company	125,000	0.14
15. OP Finland fund	122,000	0.14
16. Finnair Pension Fund	94,738	0.11
17. Norvestia Plc	94,579	0.11
18. Dutch Nordic Insurance Ltd	85,800	0.10
19. Ingman Finance Oy Ab	80,000	0.09
20. Niemistö, Kari	80,000	0.09
21. Ikano Investment Ltd	76,000	0.09
22. Gyllenberg Finlandia Fund	70,800	0.08
23. YLE Finnish Broadcasting Company's Pension Fund	63,000	0.07
24. Kamprad Ingvar	56,200	0.06
25. Leimark Invest Oy Ab	50,000	0.06
Registered in the name of a nominee*)	27,294,085	30.75
Others	4,293,426	4.84
Total	**88,756,358**	**100.00**

*) Registered in the name of a nominee
22.12.2006 FL Group flagged that it had passed the 1/5 limit: ownership 19,893,238 shares (22.41%)
22.12.2006 Straumur - Burdaras flagged that it had passed the 1/20 limit: ownership 243,443 shares (0.27%)

DIVIDEND PER YEAR



* The 2006 proposal of the Board of Directors to the AGM

Share-Related Key Figures		2006	2005	2004	2003	2002
Earnings/share	EUR	-0.16	0.73	0.30	-0.19	0.43
Equity/share	EUR	6.77	7.73	6.97	7.24	7.58
Dividend/share	EUR	0.10	0.25	0.10	0.10	0.15
Dividend-to-earnings ratio	%	-64.4	34.3	33.0	-52.2	34.5
P/E ratio		-79.91	16.43	18.36	-27.66	8.63
P/CEPS		11.4	5.3	3.6	4.4	1.9
Effective dividend yield	%	0.8	2,1	1.8	1.9	4.0

Number of shares and share prices						
Average number of shares adjusted for share issue	pc	87,764,483	85,349,921	84,750,387	84,743,371	84,740,792
Average number of shares adjusted for share issue (with diluted effect)	pc	87,764,483	88,150,441	86,757,963	86,048,385	85,663,479
The number of shares adjusted for share issue at the end of financial year	pc	88,756,358	87,544,169	84,759,213	84,745,663	84,743,163
The number of shares adjusted for share issue at the end of financial year(with diluted effect)	pc	88,756,358	88,756,713	88,756,713	86,048,385	85,665,173
Number of shares, end of the financial year	pc	88,756,358	86,804 ,113	84,759,213	84,743,163	84,743,163
Trading price highest	EUR	15.00	12.15	6.57	5.58	5.10
Trading price lowest	EUR	10.01	5.56	4.46	3.20	3.70
Market value of share capital Dec. 31	EUR mill.	1,102	1,040	471	449	318
No. of shares traded	pc	29,965,410	32,242,125	21,277,418	17,817,180	16,683,820
No. of shares traded as % of average no. of shares	%	33.76	37.14	25.10	21.02	19.70

FINANCIAL INDICATORS 2002–2006

		IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002
Turnover	EUR mill.	1,990	1,871	1,683	1,558	1,656
- change	%	6.3	11.2	8.0	-6.0	1.6
EBITDA	EUR mill.	96	173	135	85	175
- in relation to turnover	%	4.8	9.2	8.0	5.5	10.5
Operating profit from operations	EUR mill.	11	70	25	-41	24
- in relation to turnover	%	0.6	3.7	1.5	-2.6	1.5
Operating profit	EUR mill.	-11	82	31	-19	60
- in relation to turnover	%	-0.5	4.4	1.8	-1.2	3.6
Profit before extraordinary items	EUR mill.	-15	88	31	-22	54
- in relation to turnover	%	-0.7	4.7	1.8	-1.4	3.3
Profit before taxes	EUR mill.	-15	88	31	-22	54
- in relation to turnover	%	-0.7	4.7	1.8	-1.4	3.3
Consolidated balance sheet						
Non-current assets	EUR mill.	1,108	927	947	904	958
Short-term receivables	EUR mill.	544	711	553	511	522
Non-current assets held for sale	EUR mill.	8	0	0	0	0
Assets total	EUR mill.	1,660	1,638	1,500	1,415	1,480
Shareholders equity and minority interests	EUR mill.	601	674	591	621	649
Liabilities, total	EUR mill.	1,059	964	909	794	831
Shareholders' equity and liabilities, total	EUR mill.	1,660	1,638	1,500	1,415	1,480
Gross capital expenditure	EUR mill.	252	58	115	82	102
Gross capital expenditure in relation to turnover	%	12.7	3.1	6.8	5.3	6.2
Return on equity (ROE)	%	-2.0	9.8	4.3	-2.5	5.9
Return on capital employed (ROCE)	%	-0.1	11.1	6.1	0.0	7.6
Average capital employed	EUR mill.	938	901	881	934	1,008
Increase in share capital	EUR mill.	1	2	0	0	0
Dividend for the financial year[1)]	EUR mill.	9	22	8	8	13
Earnings/share	EUR	-0.16	0.73	0.30	-0.19	0.43
Earnings/share adjusted for option rights (with diluted effect)	EUR	-0,16	0.71	0.30	-0.19	0.43
Equity/share	EUR	6.77	7.73	6.97	7.24	7.58
Dividend/share[1)]	EUR	0.10	0.25	0.10	0.10	0.15
Dividend/earnings	%	-64.4	34.3	33.0	-52.2	34.5
Effective dividend yield	%	0.8	2.1	1.8	1.9	4.0
P / CEPS		11.4	5.3	3.6	4.4	1.9
Cash flow/share	EUR	1.1	2.2	1.5	1.2	2.0
P/E ratio		-79.91	16.43	18.36	-27.66	8.63
Equity ratio	%	37.2	42.2	40.2	44.4	44.3
Net debt-to-equity (Gearing)	%	7.1	-25.1	-3.1	-2.9	3.1
Adjusted Gearing	%	112.8	66.8	102.5	102.7	82.0
Interest bearing debt	EUR mill.	337	263	274	277	322
Liquid funds	EUR mill.	294	418	298	294	302
Net interest bearing debt	EUR mill.	43	-155	-24	-18	20
- in relation to turnover	%	2.0	-8.3	-1.1	-1.1	1.2
Net financing income (+) / expenses (-)	EUR mill.	-4	6	-1	-3	-6
in relation to turnover	%	-0.2	0.3	-0.1	-0.2	-0.3
Net interest expenses	EUR mill.	-3	-3	-3	-2	-5
- in relation to turnover	%	-0.2	-0.2	-0.2	-0.1	-0.3
Operational cash flow	EUR mill.	96	192	130	101	152
Operational cash flow in relation to turnover	%	4.7	10.3	7.7	6.5	9.2
Average number of shares adjusted for the share issue	number of	87,764,483	85,349,921	84,750,387	84,743,371	84,740,792
Average number of shares at the end of the financial year (with diluted effect)	number of	87,764,483	88,150,441	86,757,963	86,048,385	85,663,479
Number of shares adjusted for the share issue at the end of the financial year	number of	88,756,358	87,544,169	84,759,213	84,745,663	84,743,163
Number of shares at the end of the financial year (with diluted effect)	number of	88,756,358	88,756,713	88,756,713	86,048,385	85,665,173
Personnel on average		9,598	9,447	9,522	9,981	10,476

The number of personnel are averages and adjusted for part-time employees.

1) The dividend is a proposal of the Board of Directors to the Annual General Meeting

CALCULATION OF KEY INDICATORS

EBITDAR	=	Operating profit + depreciation + aircraft lease rentals
EBITDA	=	Operating profit + depreciation
Operating profit from operations	=	Operating profit excluding capital gains and changes in fair value of derivatives and arragement expenses
Return on equity in per cent (ROE)	=	Result before extraordinary items - taxes / Equity + minority interests (average of beginning and end of financial year) x 100
Capital employed	=	Balance sheet total - non interest bearing liabilities
Return on capital employed in per cent (ROCE)	=	Result before extraordinary items + interest and other financial expenses / Capital employed (average of beginning and end of financial year) x 100
Earnings per share (euro)	=	Result before extraordinary items + / - minority interests - taxes / Adjusted average number of shares during the financial year
Equity per share (euro)	=	Equity / Number of shares at the end of the financial year, adjusted for the share issue
Dividend per earnings in per cent	=	Dividend per share / Earnings per share x 100
Effective dividend yield in per cent	=	Dividend per share / Adjusted share price at the end of the financial year x 100
P/CEPS	=	Share price at the end of the financial year / Cash flow from operations per share
Cash flow per share (euro)	=	Cash flow from operations / Adjusted average number of shares during the financial year
Price per earnings	=	Share price at the end of the financial year / Earnings per share
Equity ratio in per cent	=	Equity + minority interests / Balance sheet total - advances received x 100
Gearing, %	=	Interest bearing debt - liquid funds / Equity + minority interests x 100
Adjusted gearing, %	=	Interest bearing debt + 7 x annual aircraft leasing payments - liquid funds / Equity + minority interests x 100

CORPORATE GOVERNANCE

Group Structure

The parent company of the Finnair Group is Finnair Plc, which has 18 subsidiaries. The most significant subgroups are Finland Travel Bureau Ltd, Finnair Catering Oy and Northport Oy. Other notable subsidiaries are Matkatoimisto Oy Area, Aurinkomatkat-Suntours Ltd Ab, Finnair Aircraft Finance Oy and Finnair Cargo Oy. The Finnair Group's airlines are, in addition to the parent company, Aero Airlines AS and the Swedish company Nordic Airlink Holding AB. The Finnair Group's 22 business units and subsidiaries are organised into four business areas: Scheduled Passenger Traffic, Leisure Traffic, Aviation Services and Travel Services.

Annual General Meeting and exercising of voting rights

Ultimate authority in Finnair Plc is exercised by the company's shareholders at the Annual General Meeting. The Annual General Meeting is convened by the company's Board of Directors. In accordance with the Companies Act, the Annual General Meeting decides on, among other things, the following matters:

- the number, election and remuneration of the Board of Directors
- the number, election and remuneration of the auditors
- the approval of the financial statements
- the distribution of dividends
- the amendment of the Articles of Association.

The Articles of Association of Finnair Plc do not contain any redemption clauses nor any restrictions on voting rights. The company has one series of shares.

Board of Directors

Composition and term of office

The Board of Directors of Finnair Plc consists of a chairman and at least four and at most seven members. The Annual General Meeting elects the Chairman and the Members of the Board of Directors for one year at a time. The Board of Directors elects a Vice Chairman from among its members.

On 23 March 2006 the Annual General Meeting of Finnair Plc elected Christoffer Taxell as Chairman of the Board of Directors, and as Members of the Board Kari Jordan (Vice Chairman), Kalevi Alestalo, Markku Hyvärinen, Satu Huber, Ursula Ranin, Veli Sundbäck and Helena Terho. All Members of the Board are from outside the company and independent of the company. Kalevi Alestalo is in the service of the Finnish Government, Finnair Plc's largest shareholder. The Board of Directors' term of office expires at the end of the Annual General Meeting to be held on 22 March 2007.

Duties and meetings

The Board of Directors is responsible for the company's operations and finances, it convenes the Annual General Meeting and it prepares the matters to be dealt with at the Annual General Meeting. The Board of Directors is also responsible for implementing the decisions of the Annual General Meeting.

The Board of Directors appoints and dismisses the President & CEO and decides on his/her salary. The Board of Directors also appoints and dismisses the deputy to the President & CEO. The Board of Directors selects the members of the Group's senior management and decides on their terms of employment, taking into account the personnel strategy guidelines and remuneration system in accordance with the company's corporate governance. The Board of Directors is responsible for ensuring that the company's accounts, budget monitoring systems and risk management are arranged in accordance with the company's corporate governance.

The Board of Directors is also responsible for ensuring that the openness and fairness referred to in the company's corporate governance are implemented in the information given in the company's financial statements.

The company is represented by the Chairman of the Board and the company's President & CEO as well as the deputy CEO each separately, by two Members of the Board of Directors together, and by those individuals to whom the Board of Directors has conferred the right to represent the company, together with a Member of the Board or another individual entitled to represent the company. The company's powers of procuration are decided by the Board of Directors.

The Board of Directors meets on average 8–10 times per year. In 2006 Board of Directors had 11 meetings, of which two were telephone conferences. The average attendance of the Members of the Board of Directors at the meetings of the Board was 90 per cent.

The President & CEO of Finnair Plc, or a senior member of Finnair Group management nominated by the President & CEO, acts as the presiding officer at meetings of the Board of Directors. The Finnair Group's Vice President and General Counsel Sami Sarelius acts as secretary to the Board of Directors. The Board of Directors evaluates its working practices regularly.

The charter of the Board of Directors can be viewed on the Finnair Group's website http://www.finnair.fi/group.

Committees

The Board of Directors has established a Remuneration and Appointments Committee and an Audit Committee. The Remuneration and Appointments Committee consists of Chairman of the Board Christoffer Taxell as well as Members of the Board Kalevi Alestalo, Kari Jordan and Ursula Ranin. President & CEO Jukka Hienonen acts as the presiding officer. The committee met six times in 2006.

Audit Committee consists of Markku Hyvärinen (Chairman) and members Satu Huber, Veli Sundbäck and Helena Terho. President & CEO Jukka Hienonen acts as the presiding officer. The committee met twice in 2006.

The Finnair Group's Vice President and General Counsel Sami Sarelius acts as secretary to both committees.

The charters of the committees can be viewed on the Finnair Group's website http://www.finnair.fi/group.

Remuneration and other benefits

The monthly remuneration and attendance allowances decided by the Annual General Meeting for Members of the Board of Directors in 2006 were:

- Chairman's monthly remuneration, 3,500 euros/month
- Vice Chairman's monthly remuneration, 2,000 euros/month
- Member of the Board's monthly remuneration, 1,800 euros/month
- Attendance allowance, 500 euros/meeting/person

The Members of the Board of Directors are entitled to a daily allowance and compensation for travel expenses in accordance with Finnair Plc's general travel rules. In addition, Members of the Board of Directors have a limited right to use ID tickets in accordance with Finnair Plc's ID ticket rules.

The members of Finnair Plc's Board of Directors were paid monthly remuneration and attendance allowances totalling 220,400 euros in 2006.

President & CEO and Deputy CEO

Finnair Plc has a President & CEO, whose task is to manage the company's operations according to guidelines and instructions issued by the Board of Directors. The Board of Directors appoints and dismisses the President & CEO and decides on his/her terms of employment. The Board of Directors also appoints and dismisses the deputy to the CEO. In 2006 Finnair Plc's President & CEO was Jukka Hienonen and the Deputy CEO was Henrik Arle.

President & CEO Jukka Hienonen was paid a salary of 458,805 euros and fringe benefits of 14,760 euros in 2006. Deputy CEO Henrik Arle was paid a salary of 260,071 euros and fringe benefits of 11,520 euros in 2006. Under a share bonus scheme, 24,882 shares were transferred to the President & CEO and 17,160 shares to the Deputy CEO in 2006. The total taxation value of the share and cash portions of the President & CEO's incentive bonus, based on the market value of the shares, is 758,901 euros and the taxation value of the Deputy CEO's incentive bonus is 523,380 euros. The shares bonuses are covered by restrictions on sales.

The President & CEO and the Deputy CEO have the right to retire at the 60 years of age on a full pension of 60 per cent of pensionable salary. The President & CEO's and the Deputy CEO's service contracts may be terminated with a period of notice of six months. In addition to salary for the period of notice, they are entitled to severance compensation equivalent to 12 months' salary if their employment is terminated for reasons independent of them.

Changes in the company's management in 2006 and early 2007

Jukka Hienonen MSc(Econ) began as Finnair Plc's President & CEO on 1 January 2006 after President & CEO Keijo Suila retired at the end of 2005. Before joining Finnair, Hienonen was Executive Vice President of Stockmann Oyj Abp with responsibility for the department stores group.

EVP Scheduled Passenger Traffic Henrik Arle LLM was appointed Deputy CEO of Finnair Plc as of 1 January 2006. At the same time Arle was appointed Finnair Plc's Accountable Manager, as specified in the Airline Operator's Certificate.

There were changes in the Finnair Plc's Executive Board at the beginning of 2006. SVP Technical Services Jarmo Vilenius moved to become Managing Director of Finnair Facilities Management as of 15 January 2006. The new SVP Technical Services is Kimmo Soini, who transferred to the post from his role as Scheduled Passenger Traffic's VP Technical Services.

SVP Leisure and Travel Services Mauri Annala retired on 1 March 2006. Kaisa Vikkula Doc(Econ) was appointed to replace him. She had been a member of Finnair's Board of Directors since 2003. Vikkula left her Board position on 16 February 2006.

Finnair's SVP, Administration and Human Resources Tero Palatsi resigned from Finnair on 15 February 2006. The duties of SVP, Human Resources were handled by VP Ari Kuutschin until 31 January 2007. As of 1 February 2007, the SVP, Human Resources is Anssi Komulainen, who moved to the position from his duties as Managing Director of Finnair Catering Oy and SVP, Catering. Kristina Inkiläinen has been appointed to replace Komulainen as Managing Director of Finnair Catering

Oy and SVP, Catering as of 30 April 2007. Inkiläinen was formerly Managing Director of Select Service Partner Finland Oy.

Finnair's General Counsel Sami Sarelius was appointed Vice President and General Counsel of the company as of 1 February 2007. He will also act as secretary to the company's Board of Directors and Board of Management.

The work of management was reorganised at the beginning of 2006. Finnair Plc's strategic management is the responsibility the company's Executive Board, which comprises the heads of key business units.

Finnair Plc's Executive Board

Finnair Plc's Executive Board meets approximately 20 times a year and its tasks include the handling of Group-wide development projects as well as Group-level principles and procedures. In addition, the Executive Board is informed about, among other things, the business plans of the Group and sector companies, financial performance, and matters to be dealt with by Finnair Plc's Board of Directors, in the preparation of which it participates.

The Executive Board includes: President & CEO Jukka Hienonen (Chairman) and members Deputy CEO Henrik Arle, Chief Financial Officer Lasse Heinonen, SVP Commercial Division Mika Perho, SVP Human Resources Anssi Komulainen, SVP Leisure Traffic and Travel Services Kaisa Vikkula and SVP Technical Operations Kimmo Soini.

Finnair Group Board of Management

In addition to the Executive Board, the Board of Management comprises SVP Communications Christer Haglund, SVP Flight Operations Hannes Bjurström, Finnair Cargo Oy's Managing Director Antero Lahtinen, Northport Oy's Managing Director Tero Vauraste and Finnair Catering Oy's Managing Director Kristina Inkiläinen (as of 30 April 2007) plus four personnel representatives, namely Hannu Juppi, Markku Kaukanen, Mauri Koskenniemi and Juhani Sinisalo. The Board of Management is informed about, among other things the business plans and financial performance of the Group and sector companies. Also, investments within the authority limits of CEO are decided in The Board of Management. The Board of Management meets approximately ten times per year.

Corporate Governance of Subsidiaries

The members of the boards of directors of the most significant subsidiaries are selected from individuals belonging to Finnair Group management and from representatives proposed by personnel groups. The key tasks of the boards of directors of subsidiaries are strategy preparation, approving the operational plan and budget, and deciding on investments and commitments within the limits of instructions issued by the Board of Directors of Finnair Plc.

Share Option Scheme for Key Individuals

Matters relating to the remuneration scheme of key individuals are prepared in the Board of Directors' Remuneration and Appointments Committee. Decisions are made by the company's Board of Directors. Management incentive bonuses are determined annually based on the company's adjusted EBIT (i.e. excluding capital gains and fair value changes of derivatives), return on capital employed, business-unit quality and process indicators as well as personal performance appraisals. The bonus can be equivalent at most to four months' basic salary.

The 2000 and 2001 option scheme included around 120 key individuals of the Group. The subscription period for shares ended on 31 August 2006. The 2004–2006 share bonus scheme included around 50 key individuals of the Group. The number of granted shares in the share bonus scheme is based on return on capital employed and earnings per share, whose target levels are decided annually by the Board of Directors. The shares bonuses are covered by restrictions on sales.

Auditors and Monitoring

Auditors

The company has at least two and at most four auditors elected by the Annual General Meeting. The auditors' term ends at the conclusion of the Annual General Meeting following the meeting of their election. At least one of the auditors must be an authorised public accountant or an authorised public accounting firm approved by the Central Chamber of Commerce.

Finnair Plc's Annual General Meeting in 2006 elected two regular auditors for the company: Authorised Public Accountants PricewaterhouseCoopers Oy, Principal Auditor APA Eero Suomela and APA Jyri Heikkinen. APA Matti Nykänen and APA Tuomas Honkamäki of PricewaterhouseCoopers Oy were elected deputy auditors. The auditors of Finnair Group subsidiaries are mainly PricewaterhouseCoopers auditing firms or auditors employed by them.

Auditing fees paid to auditors in Finland and abroad totalled 208,000 euros in 2006. Finnair Plc also paid auditors 81,000 euros for services (e.g. tax advice and SAP system audit) unrelated to the statutory audit of the accounts.

Monitoring and reporting system

The principal task of the statutory audit is to verify that the financial statements give accurate and sufficient information about the Group's result and financial position for the financial year. The auditors report their findings to the Board of Directors once per year and submit an auditors' report to company's shareholders in connection with the annual financial statements.

Finnair Plc's Executive Board, which acts as a risk management steering group, assesses and safeguards the sufficiency, appropriateness and effectiveness of the Group's risk management, monitoring and management processes.

The Board of Directors of Finnair Plc has approved principles of internal monitoring, which are applied within the Group. Internal Auditing is responsible for fulfilling the monitoring and auditing obligation laid down in the Companies Act.

Internal auditing work is employed to verify the integrity of transactions and the accuracy of information in internal and external accounting, and to confirm that controls are exercised effectively, property is maintained, and operations are conducted appropriately in accordance with the Group's objectives. Internal Auditing also participates in the auditing of Finnair Plc subsidiaries' accounts in collaboration with External Auditing. The Internal Auditing priorities are determined in accordance with the Group's risk management strategy.

The fulfilment of financial targets is monitored by a system of Group-wide reporting. The reporting encompasses realised data and up-to-date forecasts for a rolling 12-month period. The accumulation of financial added value is monitored monthly in an internal reporting process. The Group's traffic performance is published in a monthly Stock Exchange Bulletin.

Risks arising from operations in relation to property, interruption, accident and liability have been covered by appropriate insurances.

Governing provisions

Finnair Plc adheres to valid legislation, provisions issued under such legislation and the company's Articles of Association. Furthermore, in its activities Finnair Plc complies with the recommendations, published in 2003, on the administration and management of listed companies, as well as insider rules.

Company insiders

The Finnair Group's insiders are divided into permanent insiders and temporary insiders in accordance with the Securities Market Act.

Permanent insiders are further divided into those entered in a public insider register and those entered in a non-public company-specific insider register.

Temporary insiders are individuals who receive insider information during the performance of some assignment (project). These individuals are entered into a non-public company-specific insider register, namely a project-specific register.

Finnair Plc's permanent insiders include members of the Finnair Plc's Board of Directors, the President & CEO and his Deputy, the direct subordinates of the President & CEO, as well as the auditors, including the auditing firm's auditor with chief responsibility for the company.

Permanent company-specific insiders include the personnel representatives participating in the work of Finnair's Executive Board; the managing directors of Amadeus Finland Oy, Matkatoimisto Oy Area, Finland Travel Bureau Ltd, Oy Aurinkomatkat - Suntours Ltd Ab, Finnair Travel Services Oy, Finnair Facilities Management Oy and Finnair Aircraft Finance Oy; the secretaries of Finnair's CEO and CFO; Finnair's lawyers and internal auditors; Finnair's financial communications staff as well as the Economics and Finance Department's vice presidents, assistant vice presidents, finance managers, economics managers, and the financial management and supervision planning manager; the vice presidents of Finnair's Commercial Division and the Vice President Leisure Flights; the department managers dealing with employment affairs and HR services; and other individuals separately designated by Finnair's CEO for entry in the register.

The Board of Directors of Finnair Plc has approved Finnair Plc's insider guidelines, which contain guidelines for permanent and project-work insiders and specify the organisation and procedures of the company's insider controls. The company's insider guidelines have been distributed to all insiders.

The Legal Affairs Department is responsible for the content of the insider guidelines. Compliance with the insider guidelines is monitored by the Economics and Finance Department. The company operates a restriction on trading, which applies to insiders' trading in the company shares or in securities granting entitlement to shares for 30 days before the declaration of financial results.

Finnair Plc's insider register is maintained by Finnish Central Securities Depository Ltd. The up-to-date details of public insiders' share and option holdings can be viewed at Finnish Central Securities Depository Ltd's premises in Helsinki at the address Urho Kekkosen katu 5 C and on Finnair's website at the address www.finnairgroup.com/en.

Corporate Governance update

The Finnair Corporate Governance section is updated regularly and can be viewed on the company's website at the address www.finnairgroup.com/en. Finnair Plc's website is published in Finnish and English. The printed and electronic Annual Reports are published in Finnish, Swedish and English.

RISK MANAGEMENT

RISK MANAGEMENT AT FINNAIR

Risk management at Finnair is part of the Group's management activity and is directed primarily at risks that threaten the fulfilment of the Group's business objectives. To exploit business opportunities, Finnair is prepared to assume managed and considered risks, taking the company's risk-bearing capacity into account. In contrast, in flight safety matters, for example, Finnair does not take risks.

In Finnair, risk management means a systematic and predictive way of analysing and managing the opportunities and threats associated with operations. Risks are classified into strategic, operational, financial and accident risks. Risk management methods have been standardised for the recognition and classification of the Finnair Group's risks.

Organisation of risk management

The Board of Directors and the President & CEO are responsible for the Group's risk management strategy and principles as well as for the management of risks that threaten the fulfilment of strategic objectives. The President & CEO is responsible for ensuring that risk management is in other respects appropriately organised. The Senior Vice Presidents of the business units and the Managing Directors of subsidiaries are responsible for risk management in their own areas of responsibility.

Finnair Plc's Executive Board, which acts as a risk management steering group, assesses and directs risk management in Finnair Group. The company's internal auditing coordinates the reporting of risk management as well as adherence to a specified operating model.

The Flight Safety and Quality Departments, which operate under Finnair Plc's Accountable Manager, as specified in the Airline Operator's Licence, regularly audit the company's own and subcontractors' actions that impact on flight safety.

Operating environment risks

Demand and the price level of passenger and cargo traffic have been influenced most by global economic cycles, competition in the industry as well as various unexpected events, such as terrorism, environmental accidents and epidemics. The company has plans of action to minimise the operational impacts arising to air transport from various external disruptive factors.

The current trend clearly indicates that competitiveness in the air transport sector depends on how flexibly the company can react and adapt to unexpected events, changes in demand and a constantly changing competitive environment.

A critical factor for operational flexibility is the adjustment of fixed costs to fluctuations in demand. Moreover, the company's ability to react quickly in adjusting capacity, routes and costs to correspond to changing demand and economic and security conditions is also an essential factor in maintaining the company's profitability. In recent years Finnair has implemented, and has under way, a number of projects that have increased structural flexibility.

The European Union has a made proposal that air transport should join the emissions trading system as of 2011. Finnair considers emissions trading as a good starting point for controlling the environmental impact of air transport. The emissions trading scheme under the proposal is not considered to pose a significant financial risk to Finnair, due, among other things, to the company's environmentally positive fleet.

Finnair will defend its operating rights

An airline registered in the European Union can operate freely within the entire area of the Union. To date Finland, like other European countries, has been accustomed to negotiating bilateral operating agreements with countries outside the European Union.

In future, regulation at the European Union level will bring the negotiation of aviation agreements between countries inside and outside the European Union under the European Commission. Existing bilateral operating agreements will remain in force in the new situation.

As a negotiating party the Union is stronger than an individual country and thus can strengthen the position of European airlines when negotiating operating rights. In some cases this may have an adverse impact on Finnair and may weaken the company's competitive position in relation to other European airlines. Finnair will actively strive to influence the parties who negotiate operating rights in order to safeguard its interests.

The company's operations are subject to legislative changes, to regulations and to changes in airport charges and taxes both on a national and an international level. The company actively monitors possible changes and strives to influence them via airline industry bodies, such as IATA and the Association of European Airlines (AEA).

Market risk

The air transport business is sensitive to both cyclical and seasonal changes. Competition in the sector is intense and the market situation is continually changing, which has reduced average ticket prices over an extended period. Airlines are cutting their prices in order to increase volumes, achieve sufficient cash flow and maintain market share.

Finnair constantly makes market situation analyses and actively monitors competitors' changes in pricing and capacity. Finnair is able to react quickly to pricing changes that take place in the market by utilising its advanced yield management systems for passenger and cargo traffic.

A change of one percentage point in the average price level of scheduled passenger traffic services affects the Group's operating profit by more than 10 million euros. Correspondingly a change of one percentage point in the load factor of scheduled passenger traffic services also affects the Group's operating profit by more than 10 million euros.

Finnair manages the residual value risk related to aircraft ownership by leasing approximately half of the aircraft belonging to its fleet under operating lease agreements of different durations. The leasing of aircraft also provides an opportunity for flexible capacity control in the short and long term.

Reliability of flight operations

Reliability is an essential prerequisite for operating successfully in the airline industry. The air transport business, however, is exposed to various disruptive factors, such as delays, exceptional weather conditions and strikes. As well as their impact on operational and service quality, air traffic delays also increase costs.

Finnair invests continually in the overall quality and punctuality of its operational activities. The Network Control Centre (NCC) brings together all the critical parties for flight operations, thus enabling the most effective overall solutions to be implemented. Finnair Technical's service punctuality and diverse expertise as well as its detailed specification of technical functions ensure the reliability of flight operations.

Furthermore, in operational activities the contribution of partners and interest groups is essential. Finnair monitors the quality of external suppliers within the framework of standards specified in advance and through regulations prescribed for flight operations.

According to statistics compiled on European network airlines, the arrival punctuality of Finnair's flights declined in 2006 compared with previous years. The company is still among the best airlines in European for punctuality, however.

In relation to Asian traffic, the transfer of passengers and goods from one flight to another at Helsinki-Vantaa Airport is increasing, in the short term, the risk of delays, owing to the airport's space restrictions. The completion of a new terminal extension in September 2009 will help the situation considerably.

Risk of loss or damage

Management of risks relating to loss or damage is divided into two main areas: flight safety and corporate security. Development work in these areas is coordinated by the flight safety department and the corporate security unit. Risk management in this area encompasses, for example, risks to flights, people, information, property and the environment as well as liability and loss-of-business risks, and insurance cover. The priority in the management of risks relating to loss or damage is on risk prevention, but the company prepares for any possible emergence of risks through effective situation-management preparedness and insurance. Aircraft and other significant fixed assets are insured at fair value at least. The amount of insurance cover for aviation liability risks exceeds the minimum levels required by law.

Finnair actively monitors the effects of the company's operations on energy consumption, emissions and noise values. Finnair publishes annually a separate Environmental Report, which includes measures and key figures for the assessment of environmental efficiency.

Operational risk

Finnair's operations are based on a rigorous flight safety culture, which is maintained through continuous and long-term flight safety work. The company has prepared an operational safety policy, for which the company's Vice President, Flight Permits and Operating Licences is responsible for implementing. Every subcontractor working directly or indirectly with the Group's employees or flight operations must undertake to comply with the policy.

When operational decisions are made, flight safety always has the highest priority in relation to other factors that influence decision-making. Flight safety is an integral mechanism of all activities as well as a required way of operating not only for the company's own personnel, but also for subcontractors.

The main principle of flight safety work is non-punitive reporting of incidents in the way intended by the Aviation Act and the company's guidelines. The purpose of reporting is to find reasons, not to assign blame. The company, however, does not tolerate wilful acts contrary to guidelines, methods or prescribed working practices. Decision-making not directly related to operations must also support the company's objective of achieving and maintaining a high level of flight safety.

Finnair is IOSA*) registered. The IOSA programme is an evaluation method for airlines' operational management and control systems. The audit which is the basis of IOSA registration states that an airline's operations fulfil the requirements of the IOSA standard.

Accident risk

The management of occupational health and safety is diverse and challenging, because the Finnair Group's operations are spread across many fields of business. Occupational safety risks are known to be high in precisely those areas – services, food industry, heavy aircraft maintenance, warehousing and transport – of which Finnair's operations principally consist.

The development of occupational safety is long-term work, and Finnair's goal is zero accidents. The investment in occupational safety made during 2006 has led to a positive trend in terms of accident frequency in nearly all of the Finnair Group's business units.

Means of improving occupational safety include identifying and evaluating safety hazards in the workplace and preventing accidents and hazardous situations. All reported incidents and accidents are investigated.

Telecommunications and technical risk

The diverse use of information technology in support of operations is increasing. Systems vulnerability and the development of new global threats represent a risk factor in a networked operating environment. Finnair is continually developing its information security and situation-management preparedness for serious disruptions to information systems and telecommunications. Such preparations have a direct impact on information technology and data security costs.

Developing information system solutions and the IT environment requires continuous investment. Careful selection of external partners in IT solutions also reduces the technology risk. The Group has gained access to technological expertise through, for example, cooperation with IBM.

Principles of financial risk management

The nature of the Finnair Group's business operations exposes the company to foreign exchange, interest rate, credit and liquidity, and fuel price risks. The policy of the Group is to minimise the negative effect of such risks on cash flow, financial performance and equity.

The management of financial risks is based on the risk management policy approved by the Board of Directors, which specifies the minimum and maximum levels permitted for each type of risk. Financial risk management is directed and supervised by the Financial Risk Steering Group. The implementation of financial risk management practice has been centralised in the Finnair Group's Finance Department.

In its management of foreign exchange, interest rate and jet fuel positions the company uses different derivative instruments, such as forward contracts, swaps and options.

Financial risks have been described in more detail in Note 28 of the Notes to the Financial Statements.

*) IOSA = IATA Operational Safety Audit
IATA = The International Air Transport Association

STOCK EXCHANGE RELEASES IN 2006

5 Jan 2006	Announcement pursuant to Securities Act Chapter 2, Section 9
5 Jan 2006	Announcement pursuant to Securities Act Chapter 2, Section 10
10 Jan 2006	Finnair passenger figure reaches new record
11 Jan 2006	Appointments in Finnair Group Management
19 Jan 2006	Share subscriptions with the Finnair 2000 A and 2000 A warrants, increase in share capital and listing of shares
26 Jan 2006	Boost for Finnair's St Petersburg schedules
8 Feb 2006	Finnair took off with strong growth
16 Feb 2006	Finnair Group Financial Statement 1 January – 31 December 2005, Finnair tripled its result
16 Feb 2006	SVP Human Resources resigns from Finnair
28 Feb 2006	Three new members to Finnair Board of Directors
28 Feb 2006	Notice of the Annual Shareholders` Meeting 2006
2 March 2006	Update on Stock Exchange Announcements of 4 and 5 January 2006 made pursuant to Securities Market Act Chapter 2, Sections 9 and 10
2 March 2006	Update on Stock Exchange Announcements of 4 and 5 January 2006 made pursuant to Securities Market Act Chapter 2, Sections 9 and 10
7 March 2006	Finnair launches Airbus era in long-haul traffic
8 March 2006	Finnair Asian traffic grew by a quarter
20 March 2006	Rolls-Royce engines for Finnair's new aircraft
23 March 2006	Decisions of Finnair Plc's Annual General Meeting 2006
27 March 2006	Finnair´s ground handling subsidiary Northport Expands to Norway
30 March 2006	Finnair believes in long-term growth strategy
4 Apr 2006	Announcement pursuant to Securities Act Chapter 2, Section 10
5 Apr 2006	Eleventh destination in Asia Finnair launches flights to Kuala Lumpur
10 Apr 2006	Passenger load factor up 2.4 points in Finnair Scheduled Traffic
19 Apr 2006	Reward from the Finnair Plc Share Ownership plan 2004/ earning period 2005
26 Apr 2006	Changes in Tampere Airport ground handling
5 May 2006	Finnair Group Interim Report 1 January–31 March 2006, First quarter weak, as expected
5 May 2006	Personnel reductions in Finnair's support functions, additions in Flight Operations
9 May 2006	Finnair load factors record high
11 May 2006	Share subscriptions with the Finnair 2000 A and 2000 B warrants, increase in share capital and listing of shares
31 May 2006	Finnair Group restructures its travel agency networks
8 June 2006	Finnair Asian traffic up over 20 per cent
15 June 2006	Finnair has emitted a hundred million euro bond
26 June 2006	Share subscriptions with the Finnair 2000 A and 2000 B warrants, increase in share capital and listing of shares
27 June 2006	Agreement reached in Finnair Plc personnel reductions
28 June 2006	Change in circumstances referred to in announcements pursuant to Securities Markets Act Chapter 2, Section 9
30 June 2006	Northport withdraws from Tampere Airport
5 July 2006	More european destinations, Finnair launches direct flights to Ljubljana in April

10 July 2006	Finnair Scheduled Traffic grew by 13.4% in June
17 July 2006	Finnair has ensured its Asian fleet expansion
19 July 2006	Lisbon returns to Finnair´s route network
25 July 2006	Finnair´s Leisure Fligths frendlier to the environment
3 Aug 2006	Finnair begins training with Embraer simulator
4 Aug 2006	Appointment in Finnair Travel Service Oy
4 Aug 2006	Aero to discontinue flights to Mariehamn
4 Aug 2006	Finnair to launch scheduled service to Bucharest
8 Aug 2006	Finnair Group Interim Report 1 January–30 June 2006, Low price level and restructuring costs weigh on result for first six months of year
9 Aug 2006	Huge growth for Finnair
17 Aug 2006	Share subscriptions with the Finnair 2000 A and 2000 B warrants, increase in share capital and listing of shares
25 Aug 2006	Finnair´s Swedish subsidiary FlyNordic improves its profitability
31 Aug 2006	Finnair´s Asian traffic to grow by 30 per cent; additional flights on Delhi route
8 Sept 2006	Finnair Scheduled Traffic grew over 20 percent, Asian traffic by 40 percent
8 Sept 2006	Nuremberg added to Finnair network
12 Sept 2006	Matkatoimisto Oy Area bought the shares of the minority shareholders in Mikkelin Matkatoimisto Oy
26 Sept 2006	Finnair doubles number of Tokyo flights
10 Oct 2006	Finnair Scheduled Passenger Traffic grew by 20 percent
16 Oct 2006	Finnair to outsource real-estate and facilities services to YIT
17 Oct 2006	Share subscriptions with the Finnair 2000 A and 2000 B warrants, increase in share capital and listing of shares
17 Oct 2006	Finnair to hire 500 cabin attendants under National Collective Agreement
17 Oct 2006	Finnair preparing for illegal strike
25 Oct 2006	Strike expenses 10 million euros, profit estimate downgraded
26 Oct 2006	Finnair looks into reorganising ground services
7 Nov 2006	Finnair Group Interim Report 1 January–30 September 2006, Turnover grew, profitability weakened
8 Nov 2006	Finnair Scheduled Traffic up 7,6 per cent
13 Nov 2006	Finnair Technical Services signs maintenance contract with KLM
14 Nov 2006	Erno Hildèn appointed VP Finnair Leisure Flights
15 Nov 2006	Finnair concludes cost-saving negotiations with cabin staff
16 Nov 2006	Finnair Technical Services signs maintenance contract with LOT
21 Nov 2006	Finnair Technical Services and Finncomm Airlines sign long maintenance agreement
24 Nov 2006	Finnair´s financial reporting schedule 2007
24 Nov 2006	Positive development in Siberian overflight payments
29 Nov 2006	Finnair orders more Embraer 190 aircraft
8 Dec 2006	Danish state chooses Finnair for Chinese flights
11 Dec 2006	Finnair passed eight million milestone in passenger numbers
15 Dec 2006	Announcement pursuant to Securities Markets Act Chapter 2, section 10: FL Group Holding in Finnair exceeds 20 per cent
18 Dec 2006	Correction to December 15, 2007 publised Announcement pursuant to Securities Markets Act Chapter 2, section 10: FL Group Holding in Finnair exceeds 20 per cent section 10: FL group holding in Finnair exceeds 20 per cent
22 Dec 2006	Aurinkomatkat-Suntours acquires Estonian Horizon Travel
29 Dec 2006	Announcement pursuant to Securities Markets Act Chapter 2, Section 10

All Stock Exchange Releases can be found on the Finnair Group website www.finnair.com.
Stock Stock Exchange Releases relating to the purchase of own shares can be found at the same address.

THE BROKERAGE FIRMS ANALYSING FINNAIR EQUITY

ABN Amro, London
Andrew Lobbenberg

Carnegie Investment Bank AB, Finnish branch
Jussi Karhunen

eQ Pankki
Bengt Dahlström

E. Öhman J:or Fondkommission AB
Lauri Pietarinen

FIM Securities
Olli Kähkönen

Handelsbanken
Maria Wikström

Kaupthing Bank Oyj
Mika Mikkola

Mandatum & Co
Robin Johansson

Opstock Pankkiiriliike
Pekka Spolander

SEB Enskilda
Jutta Rahikainen

CONTACT INFORMATION

Head Office
Helsinki-Vantaa Airport
Tietotie 11 A, FI-01053 FINNAIR
Tel. +358 9 81 881
www.finnair.com
www.finnairgroup.com

Senior Vice President
Corporate Communications
Christer Haglund
Tel. +358 9 818 4007
fax +358 9 818 4092
christer.haglund@finnair.com

Senior Vice President and CFO
Lasse Heinonen
Tel. +358 9 818 4950
fax +358 9 818 4092
lasse.heinonen@finnair.com

Director, Investor Relations
Taneli Hassinen
Tel. +358 9 818 4976
fax +358 9 818 4092
taneli.hassinen@finnair.com

Investor Relations
Tel. +358 9 818 4951
fax +358 9 818 4092
investor.relations@finnair.com