Finnair Group

Annual Report

1 January – 31 December 2006

2006: A year for restructuring

- Scheduled Passenger Traffic transforming to meet Asian traffic demands
- Labour negotiations to cut 670 jobs
- 80 million euro restructuring plan
- Technical Division heavily loss-making
- Negotiations with cabin crew to develop employment terms resulted in strike
- Agreement on more flexible employment conditions reached after strike
- Facilities management outsourced, ownership or partnership options explored for Northport

Annual result burdened by fuel price and restructuring expenses

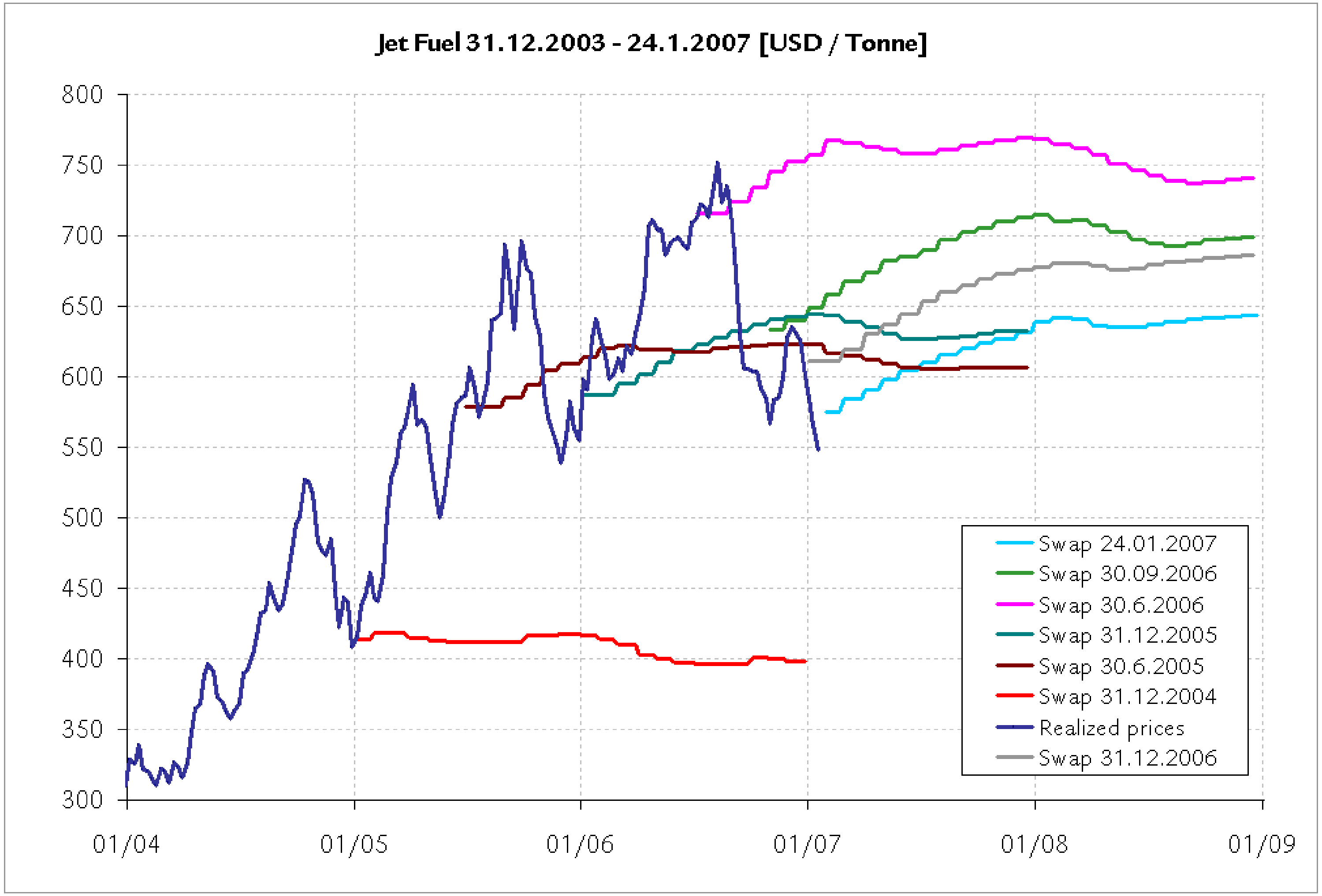
	2006	2005	Change %
Turnover mill. €	1989.6	1971.1	6.3
EBITDAR	206.8	249.3	-17.0
EBIT excl. capital gains, fair values changes of derivatives and reorganization expenses	11.2	70.1	-84.0
Capital gains	2.0	7.3	-
Fair value changes of derivatives	-8.8	4.5	-
Operating profit/loss (EBIT)	-10.8	81.9	-
Profit after financial items	-14.7	87.5	-

Fuel bill up by almost 100 MEUR

- 2003: 10.2% of turnover
- 2004: 12.5% of turnover
- 2005: 15.6% of turnover
- 2006: 19.4% of turnover
- 2007: >19% of turnover at current price level and planned traffic growth

Finnair scheduled traffic has hedged 63% of its fuel purchases for the next six months, thereafter for the following 30 months with a decreasing level. Finnair leisure flights hedged 80% of traffic programme's consumption.

Jet fuel derivatives declining slowly



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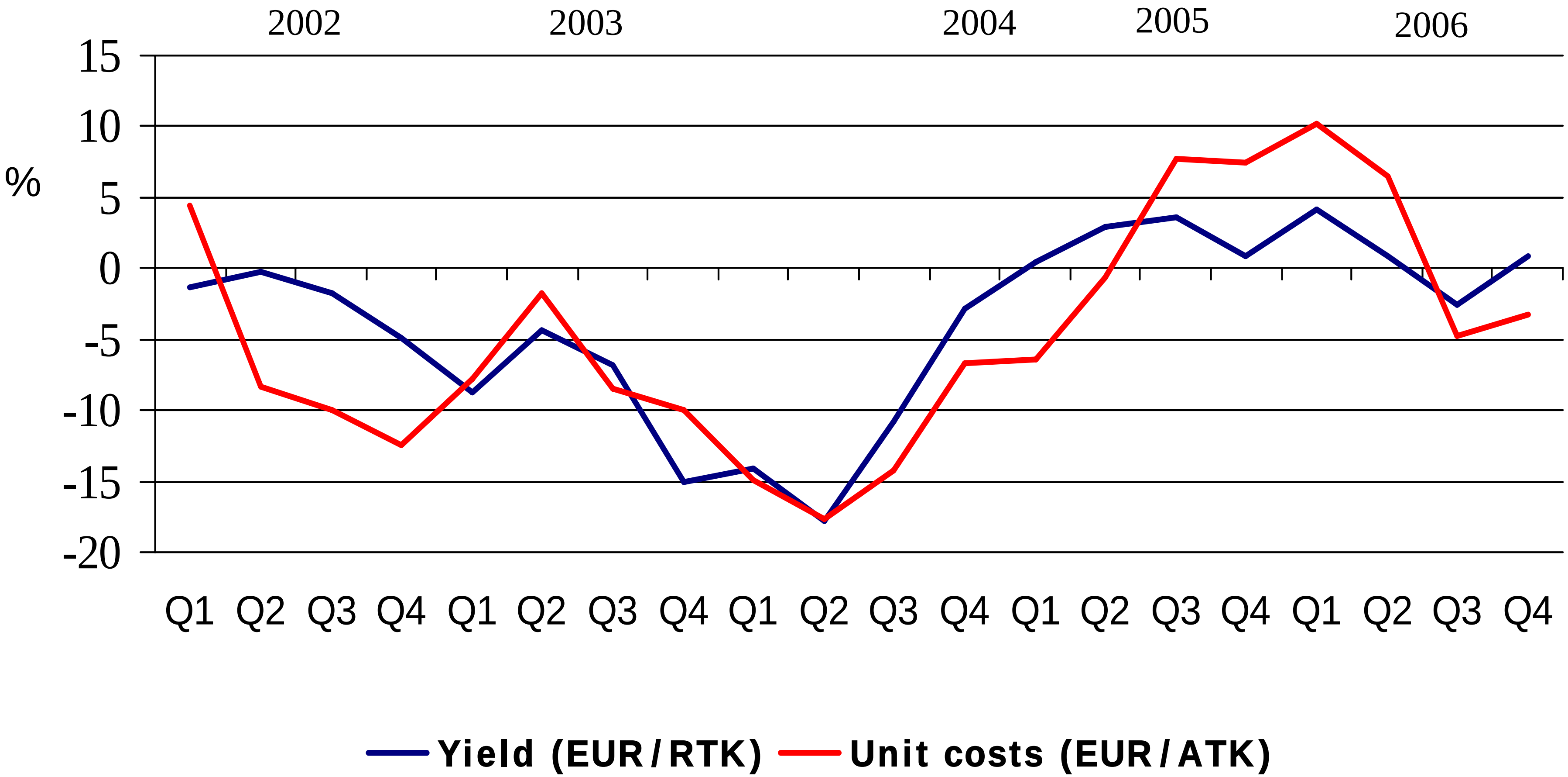
Last quarter burdened by Support Services and strike

	Q4/2006	Q4/2005	Change %
Turnover mill. €	499.3	478.6	4.3
EBITDAR	27.9	45.1	-38.1
EBIT excl. capital gains, fair values changes of derivatives and reorganization expenses	-24.4	0.4	-
Capital gains	0.0	4.9	-
Fair value changes of derivatives	-1.4	-9.5	-85.3
Operating profit/loss (EBIT)	-25.8	-4.2	-
Profit after financial items	-26.3	-2.4	-

Unit cost adaptation continues

Change YoY

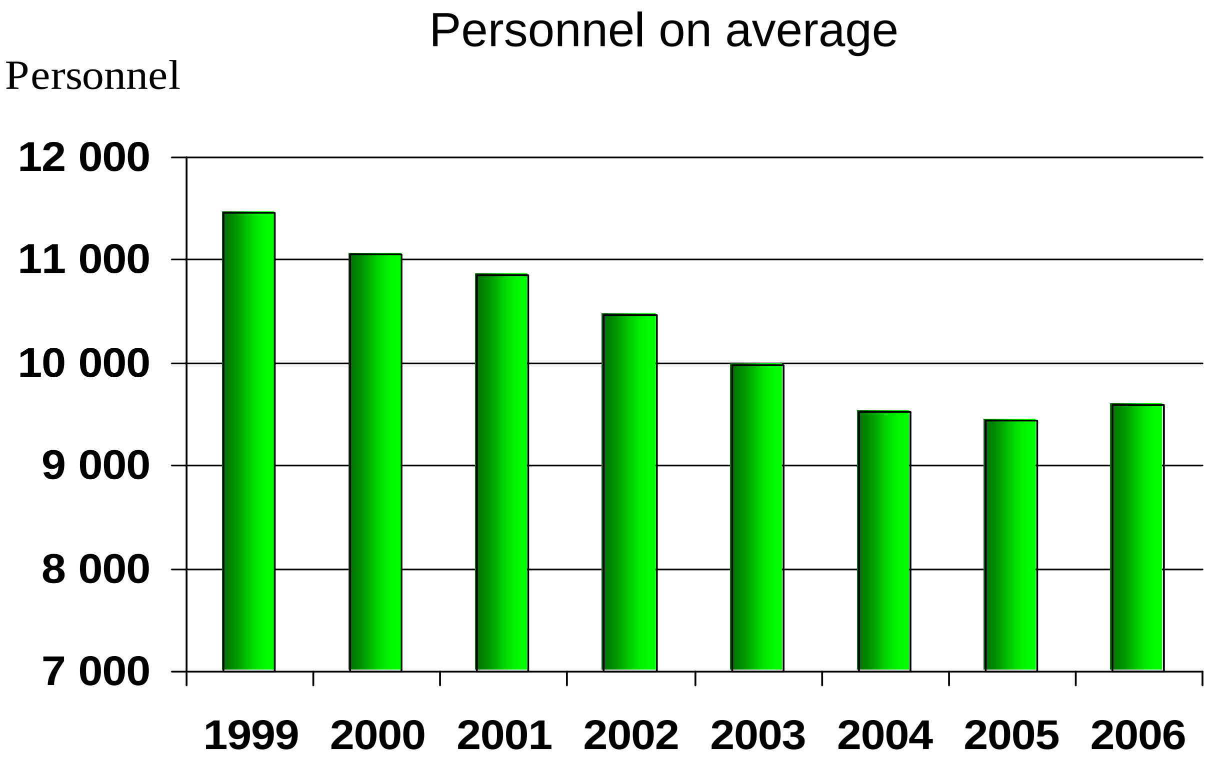


Unit costs continue to fall

	Q4/2006	Q1-Q4/2006
Unit costs of flight operations* c/ATK	-3,2%	+1,8 %
Unit costs of flight operations excl. fuel* c/ATK	-6,9%	-3,5 %
Personnel expenses c/ATK	-19,4%	-4,1 %
Fuel costs c/ATK	+11,3%	+24,1 %
Traffic charges c/ATK	-10,7%	-3,9 %
Ground handling and catering €/passenger	+3,0%	-1,0 %
Sales and marketing €/passenger	-6,8%	-7,9 %
Aircraft lease payments and depreciation c/ATK	+7,0%	+1,9 %
Other costs c/ATK	+0,7%	-3,1 %

* excluding fair value changes of derivatives
ATK = Available Tonne Kilometre

Operations systematically rationalised, Asian growth requires more personnel



Group continues to have strong liquidity

Cash flow January-December

CASH FLOW STATEMENT (EUR mill.)	2006	2005
Cash flow from operations	96	192
Investments and sale of assets	-228	-100
Cash flow from financing	66	-3
Change in liquid funds	-66	89
Liquid funds at the beginning	339	250
Liquid funds at the end	273	339

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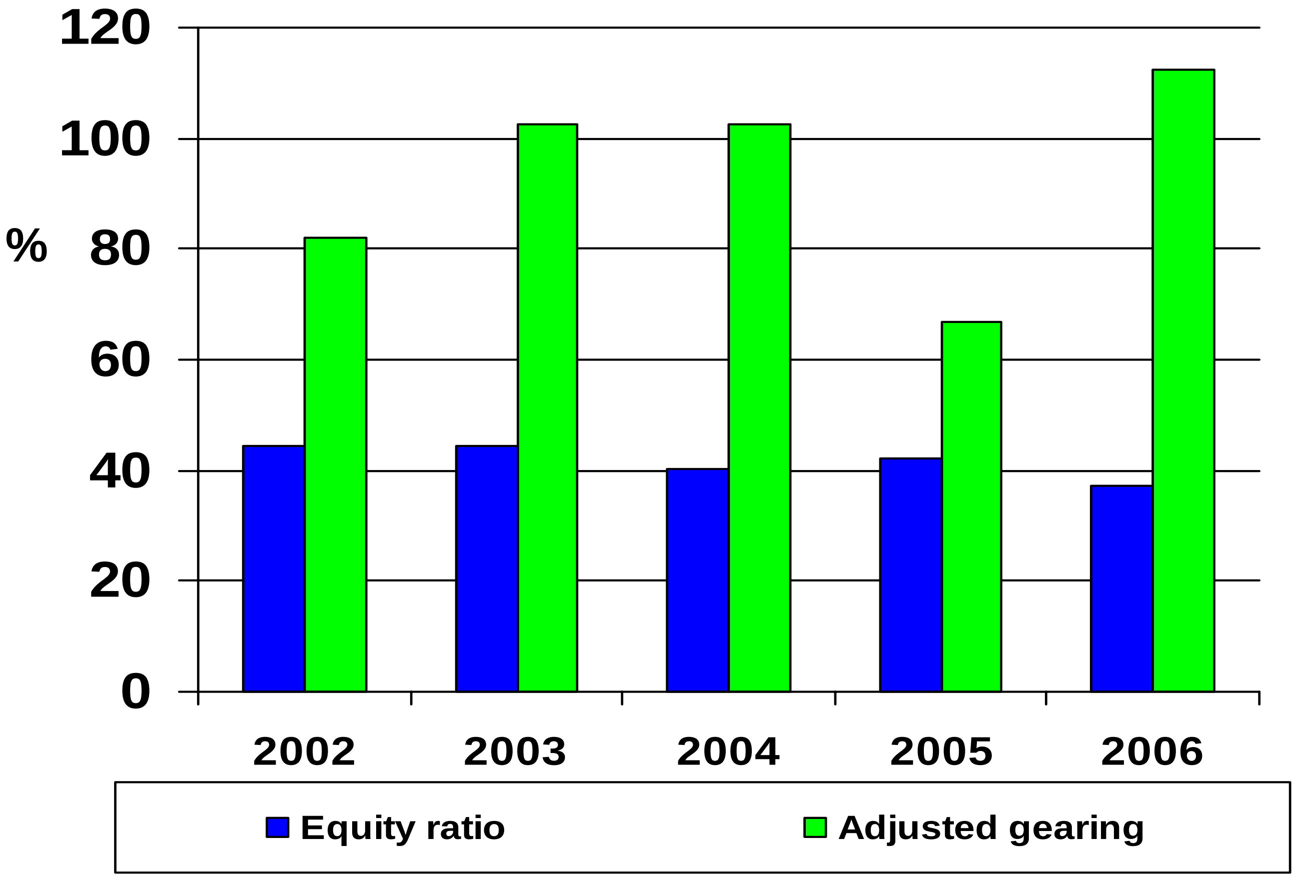
Balance sheet positioned for investments

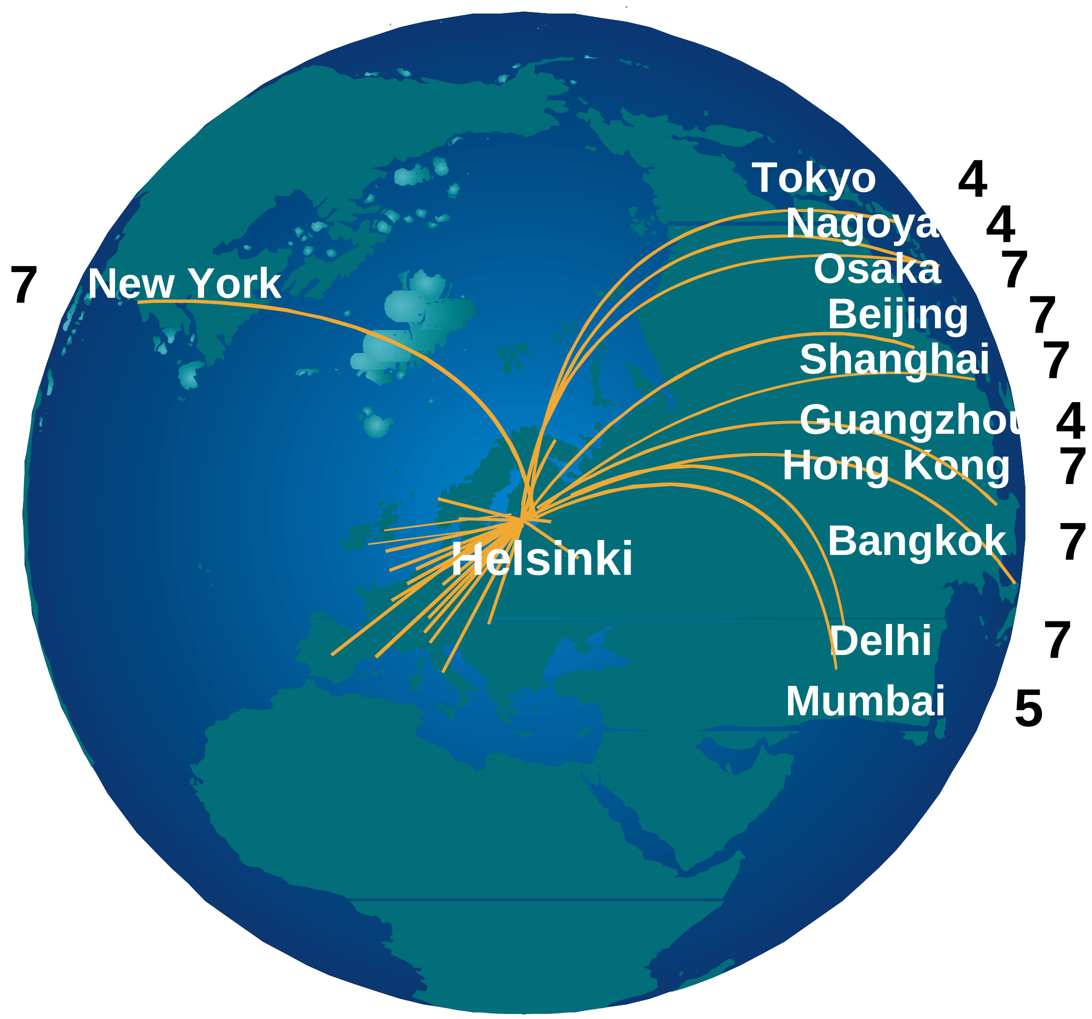
Equity ratio and adjusted gearing



Expansion to Asia continues

- Demand in 2006 grew 27.3 %, passenger numbers 25.7 %, cargo 19.4 %
- New route to Delhi opened in October. This year sees Indian traffic quadrupled, new destination Mumbai.
- This summer 59 flights a week to Asia
- Capacity will grow by 30% this year

Long-haul network – summer 2007



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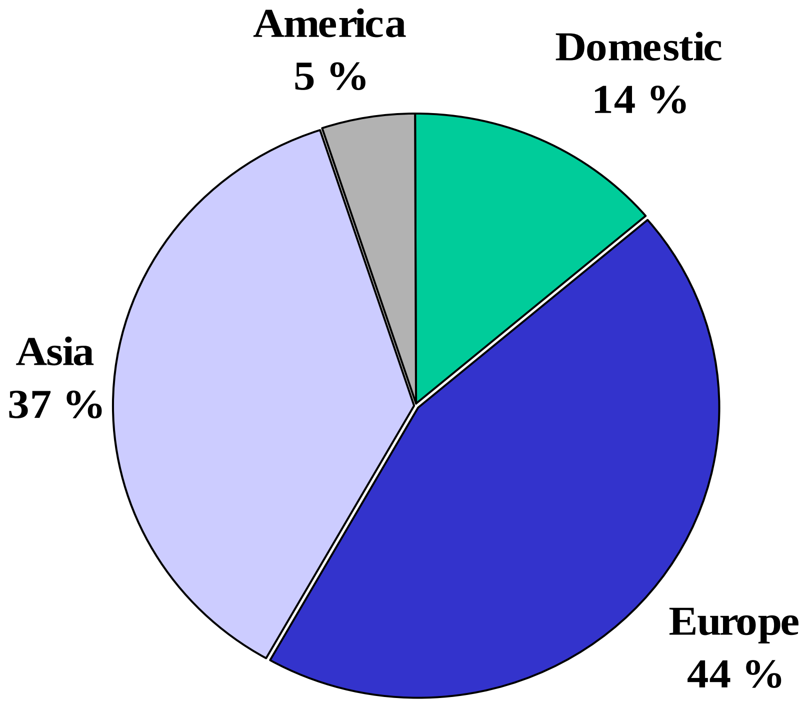
Finnair transforming to Europe-Asia airline

- This year two new aircraft for long haul traffic
- Competitive operating terms a necessity
- Focus on more frequencies to existing destinations
- New feeder lines in European network
- Demand remains strong at a higher price level
- Market share continues to increase, Finnair's Asian sales have, for example, increased by 70% in Sweden

Over a third of revenue from Asia

Scheduled traffic passenger and cargo revenues Q1-Q4/2006
(Finnair Oyj)



Most modern European fleet

- Average age of European fleet below four years
- New Embraer 170/190 aircraft increase flexibility and load factors, decrease costs and are eco-efficient
- A total of ten smaller and one larger Embraer in fleet, nine larger aircraft coming
- A fleet of eight wide-bodied aircraft
- Two new Airbus A340 aircraft annually 2007-2008

Assesments for future development

- 80 MEUR savings from restructuring programme can be seen this year, fully evident in 2008
- Fleet renewal continues
- Flexible capacity => load factors improve further
- Unit costs development on track
- Current price of oil boosting positive result development
- Good conditions for significant improvement in financial performance

Future outlook

- Strong focus on Asian traffic continues
- Technical Divisions competitiveness project
- New aircraft for long-haul fleet, agreement with Airbus Industrie on the final straight
- Most modern European fleet
- Employment contract negotiations in 2007-2008
- New Asia Terminal completed in 2009

Emissions trading for air traffic

- EU air traffic accounts for only 0.5% of all CO_2 emissions in the world
- Finnair in favour of emissions trading principles
- EU proposal sets airlines at somewhat unequal footings depending on route network structure
- Should be global
- Competitively neutral
- Investments already made in new technology should be taken into account
- Open emissions trading

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Customers can already make environmental choices when flying

- Choose an airline with a modern fleet
- Fly in the right direction all the way, without unnecessary stopovers
- Avoid large, congested airports

=> By making these choices, fuel consumption and emissions can drop by at best 30%!

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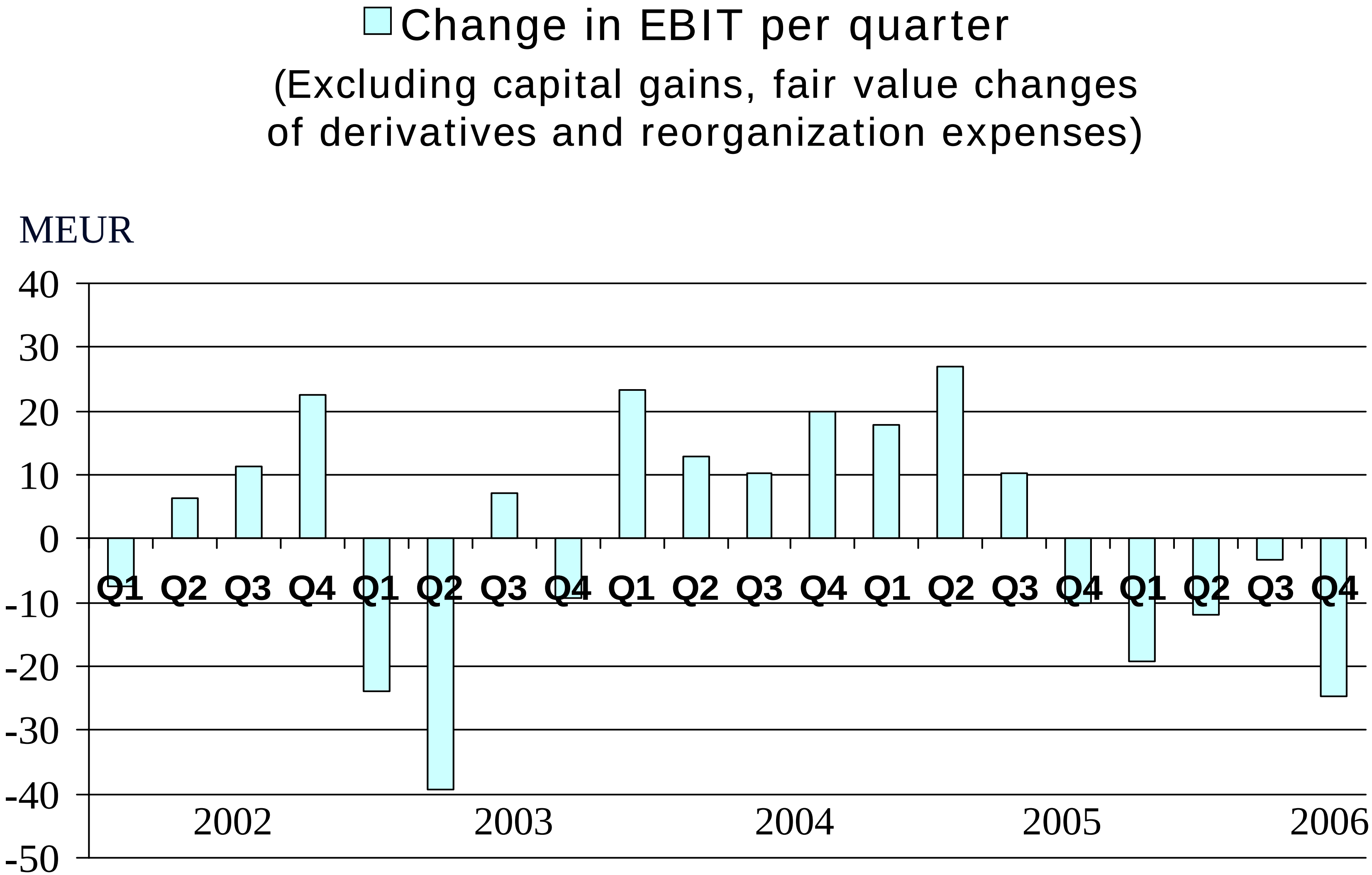
Appendices

A year for restructuring



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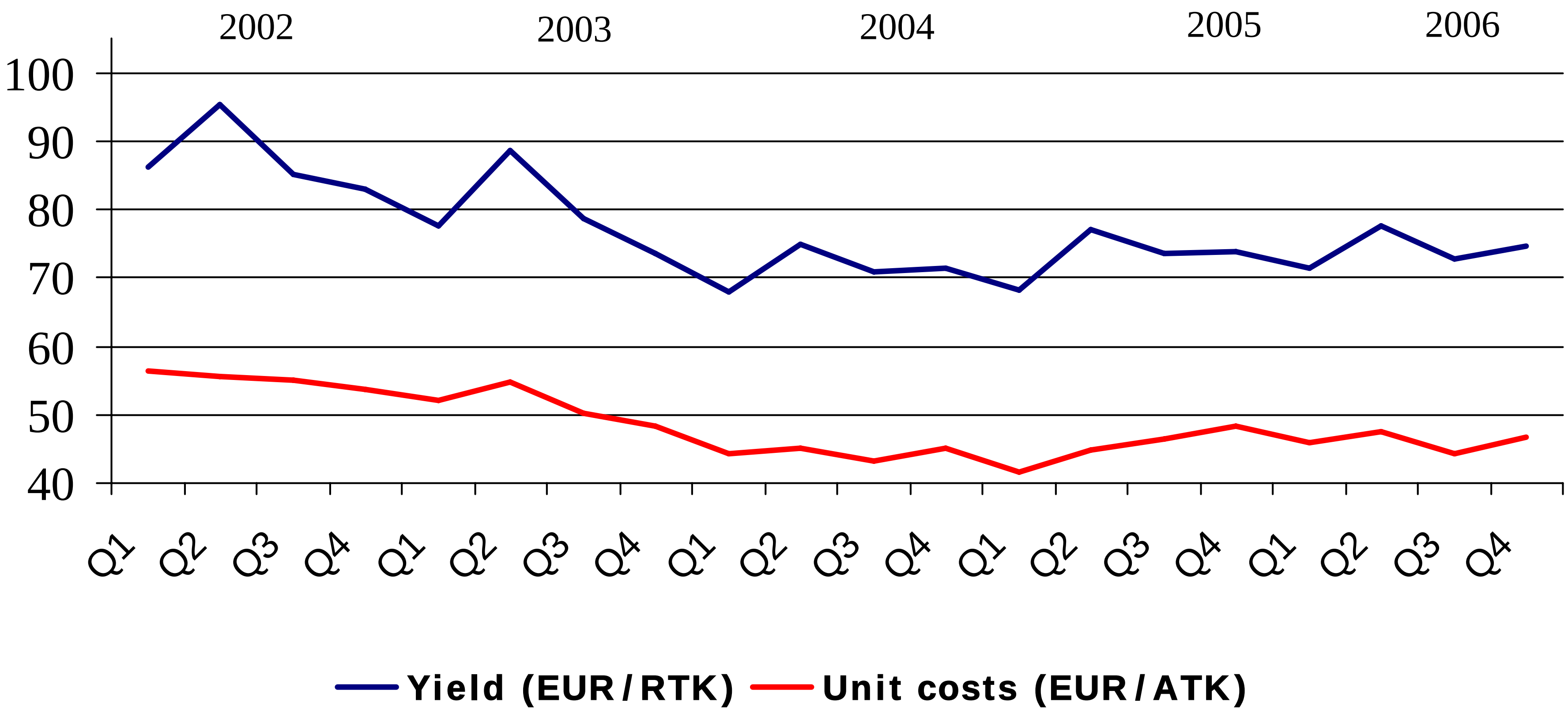
Average yield and costs

EUR c/RTK & EUR c/ATK



Development of Group Business Areas 2006

Excluding capital gains, fair value changes of Derivatives and reorganization expenses

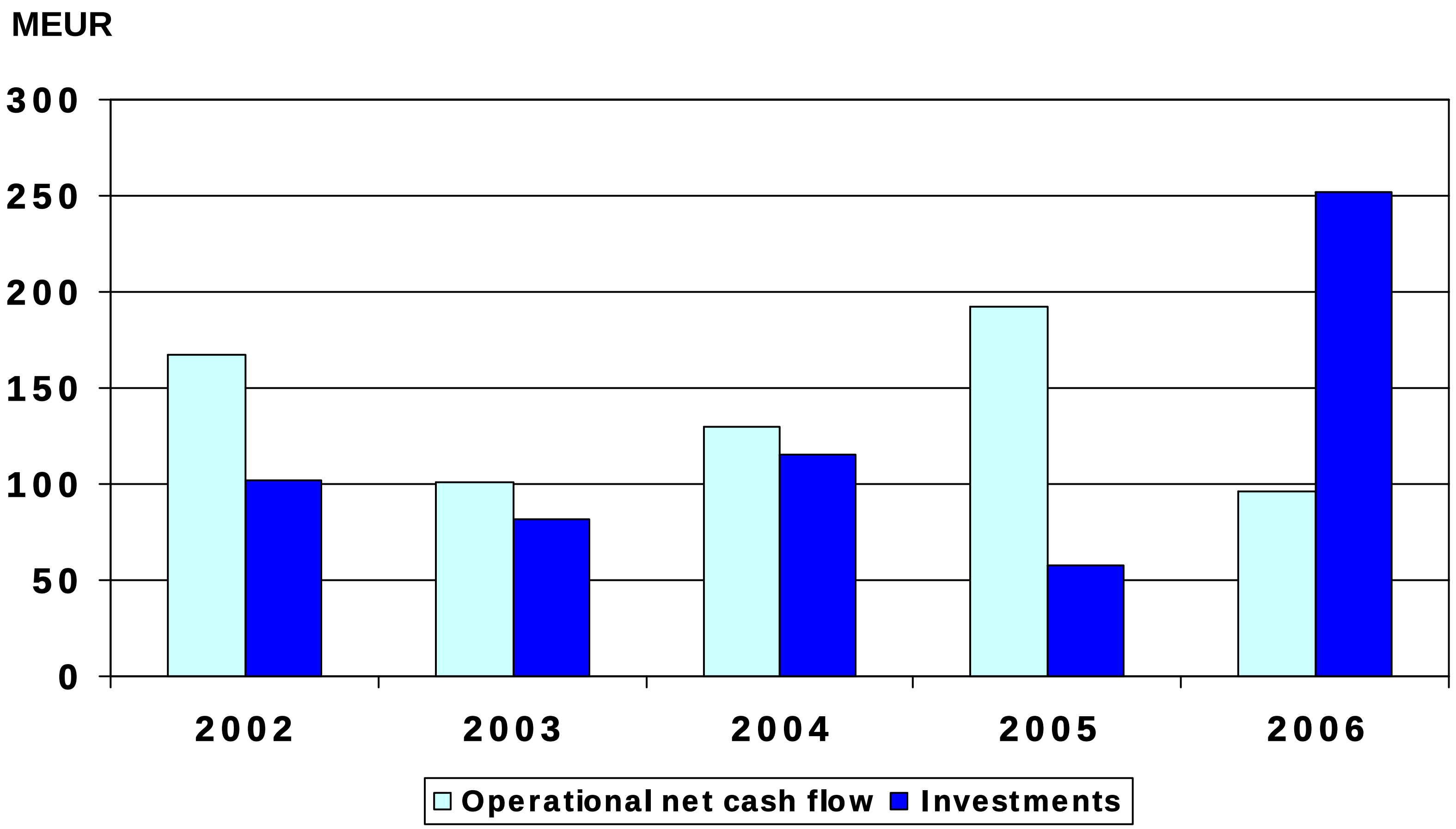
	2006	2005
	Q1-Q4	Q1-Q4
MEUR		
Scheduled Passenger Traffic	28,6	34,3
Leisure Traffic	18,6	20,3
Aviation Services	-24,5	25,5
Travel Services	2,3	8,1
Unallocated items	-13,8	-18,1
Total	**11,2**	**70,1**

Development of Group Business Areas Q4´06

Excluding capital gains, fair value changes of Derivatives and reorganization expenses

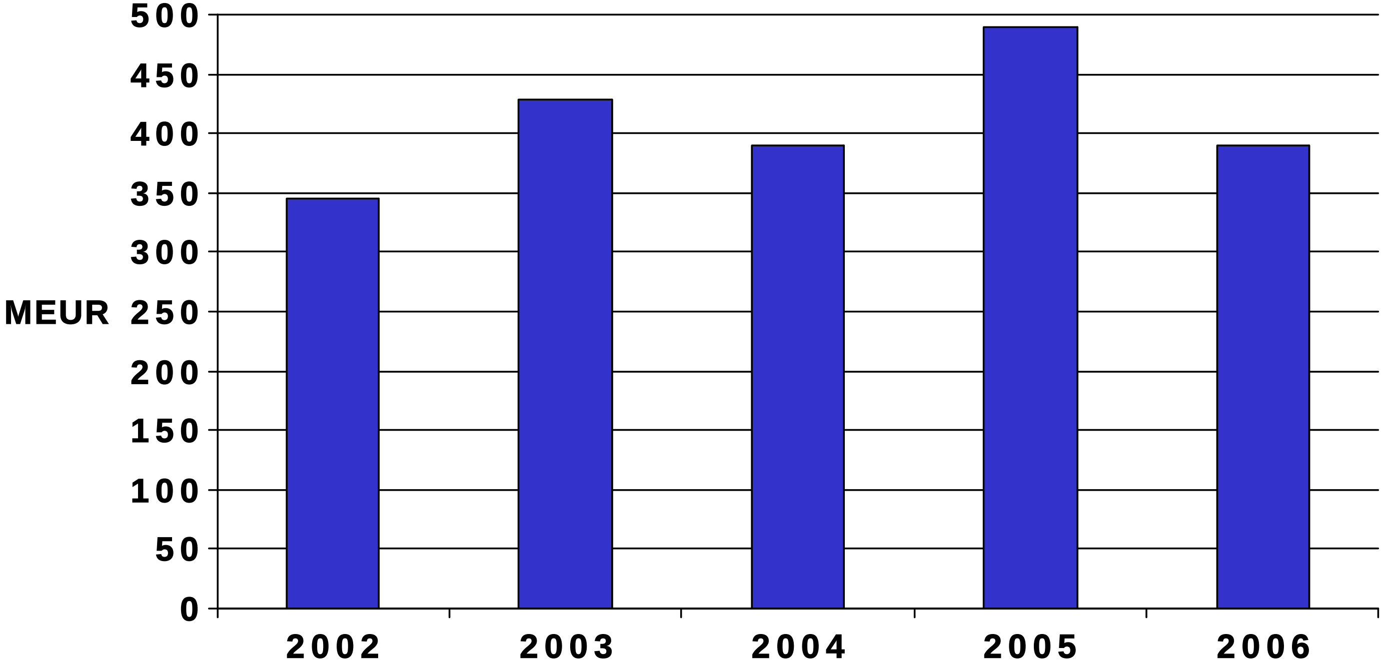
	2006	2005
	Q4	Q4
MEUR		
Scheduled Passenger Traffic	-8.9	-20.7
Leisure Traffic	3.5	4.5
Aviation Services	-15.1	1.8
Travel Services	0.1	2.9
Unallocated items	-4.0	11.9
Total	**-24.4**	**0.4**

Investments and cash flow from operations



Aircraft operating lease liabilities

Flexibility, costs, risk management



On 31 December all leases were operating leases. If capitalised using the common method of multiplying annual aircraft lease payments by seven, the adjusted gearing on 31 December 2006 would have been 112,3%

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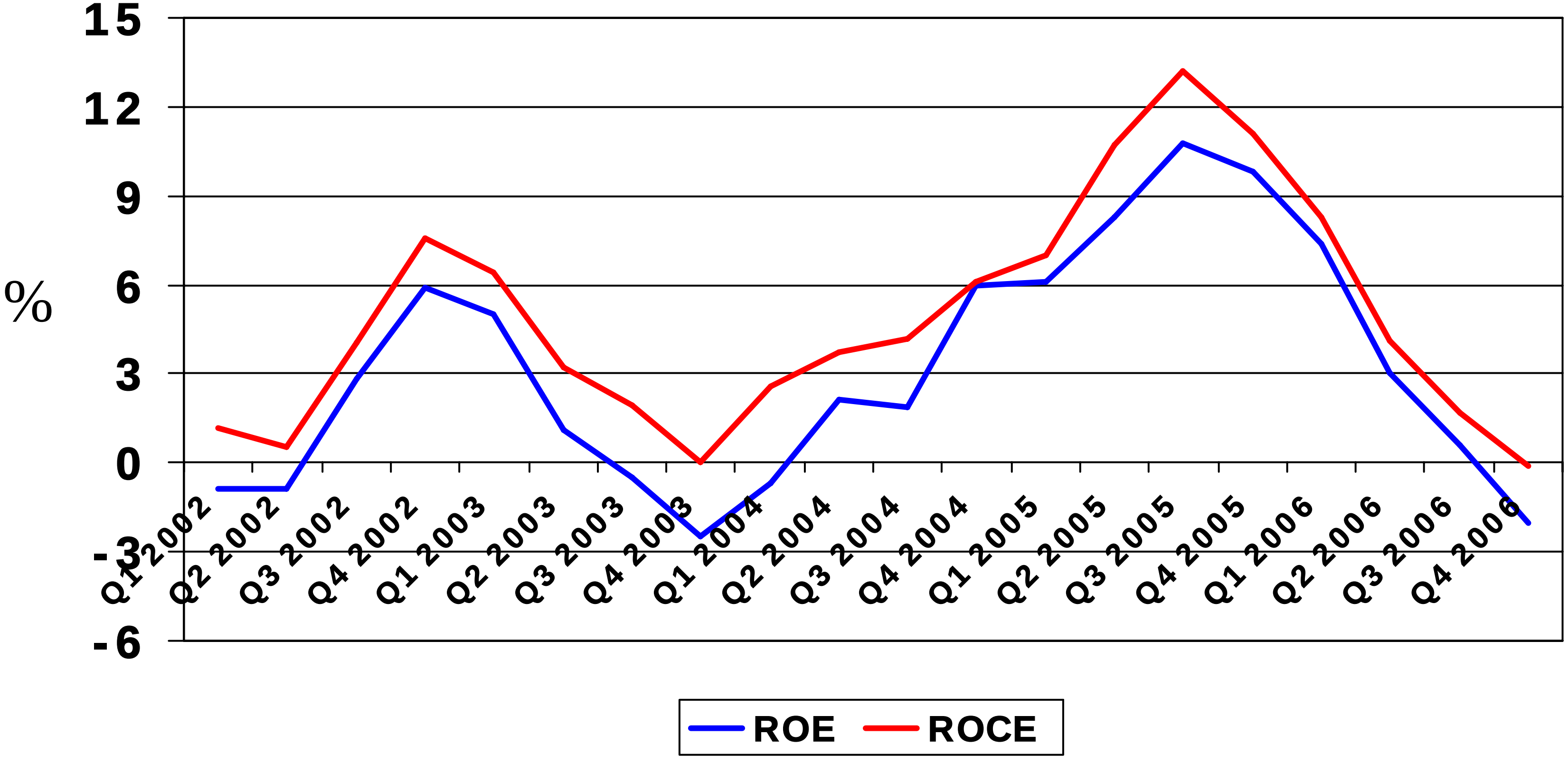
ROE and ROCE

Rolling 12 months



Finnair Financial Targets
”Sustainable value creation”

Operating profit (EBIT)	EBIT margin at least **6%** => **110-120 mill. €** in the coming few years
EBITDAR	EBITDAR margin at least **17%** => **over 300 mill. €** in the coming few years
Economic profit	To **create positive value** over pretax WACC of 8%
Adjusted Gearing	Gearing adjusted for aircraft lease liabilities not to exceed **140 %**
Pay out ratio	Minimum **one third** of the EPS

Finnair's Financial Targets

Description of targets

Operating profit (EBIT)	Turnover + other operating revenues – operating costs
EBITDAR	Result before depreciation, aircraft lease payments and capital gains
Economic profit	Operating profit EBIT – Weighted Average Cost of Capital
Adjusted Gearing	(Interest bearing debt + 7*Aircraft lease payments – liquid funds) / (Equity + minority interests)
Pay out ratio	Dividend per share / Earnings per share

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