FINNAIR GROUP FINANCIAL STATEMENT
FOR THE FINANCIAL PERIOD 1 JANUARY–31 DECEMBER 2008

Cheap flight tickets and expensive fuel undermined profitability

Summary of 2008 key figures

– Turnover rose 3.8% to 2,262.6 million euros (2,180.5 million).
– Passenger traffic grew 7.8% from the previous year; passenger load factor fell 0.3 percentage points to 75.2% (75.5%)
– Unit revenues from flight operations fell 3.5 %; unit costs remained at the previous year's level
– The operating loss was 52.1 million euros (operating profit 141.5 million euros).
– The operational result, i.e. EBIT excluding non-recurring items, capital gains and changes in the fair value of derivatives, was 6.6 million euros (96.6 million), i.e. 0.3 per cent of turnover
– The result before taxes was a loss of 56.4 million euros (138.9 million profit)
– Gearing at the end of the year was –11.6% (–22.5%) and gearing adjusted for leasing liabilities was 63.2% (35.1%)
– Balance sheet cash and cash equivalents totalled 392.1 million euros (540.1 million).
– Equity ratio 38.1% (47.0%)
– Equity per share 6.04 euros (7.70)
– Earnings per share –0.33 euros (1.04)
– Return on capital employed –2.5% (14.2%)

In the financial statement bulletin, figures for 2007 are presented in brackets after the 2008 figures.

President and CEO Jukka Hienonen on the result for the financial year:

The airline industry's profitability weakened rapidly during 2008. We enter the new year 2009 facing the most gloomy outlook for some time. Both passenger and cargo demand fell strongly at the end of last year. Forecasts suggest that the trend will continue this year.

Not all airlines will survive. The industry will experience an unprecedented thinning out. Large mergers and acquisitions have already happened in Europe. Terms of acquisition have shown that many airlines do not in practice have a market value.

Finnair's situation as this relegation battle begins is stronger than many others. The company's balance sheet and cash position are strong and its strategy is working. We are not, however, immune to powerful changes in the market situation.

Corporate customers have cut their travel budgets. To date we have kept our aircraft reasonably full of customers, but at prices that are simply too low. The worldwide crash in cargo demand is also affecting us.

The financial crisis has choked the flow of funding everywhere. For Finnair, this year will be one of large fleet investments and we are working full out to finalise the best possible funding arrangements.

The year just begun will be one of adjustment to the situation in a crisis industry. Our task is to ensure that we survive the rocky road that lies ahead, and it is absolutely necessary to cut our cost structure permanently to a competitive level. Our many competitors have improved the efficiency of their operations and are exerting pressure on us in the market.

The 50 million euro cost-cutting programme initiated last year must be fully implemented. At the same time we are seeking increasing flexibility in our expense structure so that costs can be adjusted according to fluctuations of capacity and demand. If our passenger numbers also begin to fall, we will cut our capacity to the level of healthy demand, and cost reductions must follow.

Market and General Review

In 2008 Finnair's profitability clearly fell from the previous year, despite strong volume growth. The operational result remained weak. The key reasons were record prices for fuel during the year and a sharp decline in average yield per passenger kilometre at the end of the year.

Attempts to increase prices during the spring had a strongly adverse effect on the passenger load factors of Finnair's scheduled flights. A reduction of business travel and a shift to cheaper price classes rapidly undermined the average yield from flight tickets. It was not possible to adjust the cost structure to a corresponding degree. The generally strong second and third quarters suffered from these factors. Declining profitability development continued in the final quarter and sent the operational result clearly into the red.

In 2008 air transport followed the general economic trend, if in a slightly more pronounced way. The early part of the year was a time of strong growth, but development of demand weakened both quantitatively and structurally towards the end of the year.

A study for the full year revealed that revenue passenger kilometres of European airlines (AEA) grew by little more than one per cent from the previous year. Capacity growth was around three per cent. The change from early-year growth figures to late-year declines in traffic volume and capacity was very marked.

Last year Finnair traffic grew clearly more strongly than the European average due to the company's investment in Asia. Finnair's passenger load factor remained, at the previous year's level, however, despite capacity additions.

In 2008 Finnair carried more than 1.3 million passengers in Asian traffic. Asian traffic growth was more than 16 per cent from the previous year. Scheduled passenger traffic overall grew by more than six per cent, and leisure flights by more than 12 per cent. In terms of traffic volumes, Finnair remains a growth company.

Scheduled passenger traffic capacity has already been cut from original plans by nearly ten per cent. The 2009 passenger kilometre capacity will be at least three per cent below the 2008 level. If the present trend in demand continues, capacity cuts will continue.

In leisure traffic, 2008 was a peak year in the business cycle. Due to good demand, Leisure Flights' capacity was increased by 10 per cent. For winter season 2008/09, a wide-bodied aircraft plus crew was leased from Spain for direct, non-stop flights to Phuket, Thailand. As Aurinkomatkat-Suntours managed to sell its own production almost completely at brochure prices without last-minute reductions, the business area's result rose to the best in its history, despite oil prices rising to record levels. Aurinkomatkat's own package tour production, sales and marketing began in Russia.

The price of fuel, which remained at a record high until the autumn, increased Finnair's fuel costs by nearly 26 per cent, despite an effective hedging policy. Lower jet fuel prices, which have fallen from their peak, will reduce fuel costs with delayed effect.

Air cargo traffic on Finnair's Asian flights grew along with increased capacity until September of last year, at which time the worldwide decline in cargo demand that had begun in the spring was also reflected in Finnair's cargo demand in the final quarter. The air cargo market fell by around 20 per cent in the latter part of the year.

The 50 million euro efficiency programme initiated in Finnair Group in May last year has proceeded according to plan. As part of the programme, statutory employer-employee negotiations under the Act on Co-Determination within Undertakings were completed during the second half of the year. The outcome of the negotiations was that around 120 people were made redundant from Finnair Group and more than 3,000 employees will be laid off during this year, mainly for 2–3 weeks. Weakening profitability and capacity cuts require the initiation of a new programme of corresponding magnitude as soon as possible.

Finnair's fleet modernisation is proceeding according to plan. Last year the company acquired two new long-haul traffic Airbus A340 aircraft. This year, the Finnair fleet will receive five new Airbus A330 wide-bodied aircraft, which will replace the Boeing MD-11 aircraft over the next year or so. At the beginning of next year, Finnair will have one of the most modern fleets in the world.

To finance the fleet investment programme, a 248 million euro share issue directed at existing shareholders was arranged in December 2007. In addition, Finnair has secured credit facilities totalling 300 million euros.

Financial Result, 1 October – 31 December 2008

Turnover rose in the final quarter by 2.0 per cent to 580.3 million euros (568.7 million). The Group's operational result, i.e. EBIT excluding non-recurring items, capital gains and changes in the fair value of derivatives, fell by nearly 37 million euros to a loss 12.5 million euros (24.4 million profit). Adjusted operating profit margin was –2.2 per cent (4.3%). The result before taxes was a loss of 60.8 million euros (35.2 million profit). Changes in the fair value of derivatives weakened the final quarter result by 43.8 million euros, but this has no effect on cash flow. The change in value is included in the income statement item "Other expenses'.

In October-December, Finnair's passenger traffic capacity grew 7.3 per cent and revenue passenger kilometres by 10.5 per cent. Asian traffic grew by 13.9 per cent. Passenger load factor for all traffic rose by 2.3 percentage points from the previous year to 76.7 per cent. The amount of cargo carried fell by 13.2 per cent.

In scheduled passenger and leisure traffic, total unit revenues per passenger kilometre fell by 8.5 per cent after demand shifted to cheaper prices classes. Yield per passenger fell by 2.7 per cent. Unit revenues per tonne kilometre for cargo traffic declined by 1.8 per cent. Weighted unit revenues per tonne kilometre for passenger and cargo traffic fell by 4.7 per cent.

Euro-denominated operating expenses, excluding non-recurring items, capital gains and changes in the fair value of derivatives rose during the period by 8.2 per cent. Unit costs of flight operations rose by 5.2 per cent.

Fleet material and service expenses doubled during the final quarter. The item recognised increased service provision as well as excess depreciation of the DC-10 spare parts inventory in connection with the discontinuation of service preparedness for this type of aircraft. In addition, the recognition method for fleet materials and service as well as depreciation was adjusted in the final quarter as a one-off measure for the full year. A six million euro item that had previously been recognised in depreciation was now recognised in fleet materials and service. Excess depreciation on FlyNordic's Boeing MD-80 fleet, which was made in 2007, also contributed to the reduction in depreciation from the previous year.

Other lease payments rose 35.9 per cent, mainly as a result of Airbus A330 capacity leased from Air Europe. The capacity will be used for Phuket leisure flights in the winter season 2008-2009.

Financial Result, 1 January – 31 December 2008

The comparison figures for 2007 include the financial and performance figures of FlyNordic, sold in July 2007, in terms of the first six months of the year.

Turnover in 2008 rose 3.8 per cent to 2,262.6 million euros (2,180.5 million). Comparable turnover growth, excluding FlyNordic, was 5.7 per cent. The Group's operational result, i.e. EBIT excluding non-recurring items, capital gains and changes in the fair value of derivatives fell by around 90 million euros to 6.6 million euros (96.6 million). Adjusted operating profit margin was 0.3 per cent (4.4). The result before taxes was a loss of 56.4 million euros (138.9 million profit) Changes in the fair value of derivatives had a 57.4 million euro weakening effect on the result reported for financial year 2008. Net cash flow from operations fell last year from 301.8 million to 120.2 million euros. Earnings per share for the full year were –0.33 euros (1.04).

In 2008, Finnair carried a total of 8.3 million passengers in scheduled passenger and leisure traffic. Passenger traffic capacity grew 8.3 per cent and revenue passenger kilometres by 7.8 per cent; in Asian traffic alone demand grew by 16.5 per cent. The passenger load factor for traffic overall declined from the previous year by 0.3 percentage points to 75.2 per cent. The amount of cargo carried grew from the previous year by 3.5 per cent.

In Group passenger traffic, total unit revenues per passenger kilometre fell by 4.6 per cent. Yield per passenger rose by 7.7 per cent. Unit revenues per tonne kilometre for cargo traffic rose by 5.4 per cent. Weighted unit revenues per tonne kilometre for passenger and cargo traffic fell by 3.5 per cent.

Euro-denominated operating expenses, excluding non-recurring items, capital gains and changes in the fair value of derivatives rose last year by 9.3 per cent. Unit costs per available tonne kilometre for flight operations remained at last year's level. Fuel costs rose last year by 25.7 per cent. Unit costs, excluding fuel costs, fell by 4.8 per cent. In the comparison, fuel costs also take into account realised hedging gains and losses outside the scope of hedge accounting, which have been recognised in the income statement item 'Other expenses'.

Fleet material and service expenses rose last year by 25.3 per cent. The main reasons for the growth in costs are increased material, tool, engine and component acquisitions resulting for the expansion of Finnair's fleet. Costs have also been increased by the ending of the guarantee periods of some aircraft and a general rise in material and subcontracting prices as well as by service provisions and write-downs of inventories.

A 15.2 per cent rise in package tour production expenses was mainly due to the integration into Aurinkomatkat-Suntours of the St. Petersburg Calypso travel agency and the Estonian Horizon tour operator, acquired in 2007. Volume growth has also increased costs.

Personnel expenses as a whole remained almost at the previous year's level. Salary costs have increased, however, by an average of around five per cent per employee. On the other hand, personnel expenses have not been increased this year to the same degree by profit and incentive bonuses, which in 2007 amounted to around 30 million euros, and last year by more than 11 million euros based mainly on quality and punctuality indicators.

Investment, Financing and Risk Management

Investments in 2008 were 232.8 million euros (326.3 million). The investments included two Airbus A340 wide-bodied aircraft and two Embraer 190 aircraft. Including advance payments, the cash-flow impact of fleet and auxiliary investments was around 160 million euros last year. The cash-flow impact of the new aircraft acquisition programme and auxiliary investments in 2009 will be around 400 million euros and in 2010 more than 300 million euros. The final investment sum will depend on how many of the aircraft are acquired on operational leasing agreements.

Finnair is negotiating operational leasing agreements with various parties in respect of aircraft sale and leaseback arrangements for aircraft to be delivered during 2009.

Balance sheet cash and cash equivalents totalled 392.1 million euros (540.1 million) at the end of the year. The company's cash position has been kept strong because of the investments that lie ahead. In addition to the share issue held at the end of 2007, the company's financial position has been reinforced through credit arrangements.

Agreed, but to date unused credit facilities, total around 300 million euros, including a 60 million dollar credit facility obtained in October from the Nordic Investment Bank (NIB). In addition to this, Finnair has a 250 million euros credit facility from the European Investment Bank and a more than 400 million euro option on the loan-back of employment pension fund reserves from llmarinen Mutual Pension Insurance Company, which both require bank guarantees. Flexibility in financing will also be achieved through a 100 million euro commercial paper programme.

Gearing at year end was –11.6 per cent (–22.5%), i.e. the company was debt-free. Gearing adjusted for leasing liabilities was 63.2 per cent (35.1%). The equity ratio was 38.1% (47.0%).

According to the financial risk management policy approved by Finnair's Board of Directors, the company has hedged 75 per cent of scheduled traffic's jet fuel purchases during the next six months and thereafter for the following 24 months with a decreasing level of hedging. Finnair Leisure Flights price hedges fuel consumption according to its agreed traffic programme within the framework of the hedging policy. Derivatives linked to jet fuel and gasoil prices are mainly used as the fuel price hedging instruments.

Under IFRS rules, a change during a financial quarter in the fair value of derivatives that mature in future is recognised in the Finnair income statement item "Other expenses". The said change in the fair value of derivatives is not realised nor does it have an effect on cash flow; it is a valuation loss in accordance with IFRS reporting practice. In October-December, the change in the fair value of derivatives was –43.8 million euros, whereas in January-December it was –57.4 million euros.

The operational result for January-December includes realised gains on derivatives of 62.8 million euros, which appear mainly in the fuel item of the income statement and partly in the item "Other expenses". The figure includes both foreign exchange and fuel derivatives.

Shareholders' equity includes, as a variable item, the hedging reserve, whose value is directly affected by oil price and foreign exchange rate changes. The impact of the item on the closing date was –110.5 million euros, which includes foreign exchange and fuel derivatives as well as, to lesser degree, other financial items less deferred taxes. In June 2008 the corresponding impact was around +110 million euros, which indicates the strong impact of fuel price volatility on the valuation of hedging items in shareholders' equity.

A weakening of the US dollar against the euro had a positive impact on Finnair's operational result for the whole of 2008 compared to the previous year. Taking foreign exchange hedging into account, the impact is 37 million euros. At the end of December, the degree of hedging for a dollar basket over the following 12 months was 75 per cent.

Shares and Share Capital

Finnair's market value at the end of the year was 626.6 million euros (1,036.6 million) and the closing share price 4.89 euros. During 2008 the highest price for the Finnair Plc share on the NASDAQ OMX Helsinki Stock Exchange was 8.49 euros (14.35), while the lowest price was 3.50 euros (7.51) and the average price 6.10 euros (10.01). Some 64.8 million (37.7 million) of the company's shares, with a value of 395.2 million (377.2 million), were traded on the NASDAQ OMX Helsinki Stock Exchange.

The number of shares recorded in Finnair's Trade Register entry was 128,136,115 at the end of the year. The Finnish State owned 55.8 per cent (55.8%) of Finnair's shares, while 19.5 per cent (21.7%) were held by foreign investors or in the name of a nominee.

A significant change in share ownership took place, when the Icelandic FL Group completely divested their stake in Finnair at the end of March last year. The company's maximum holding of Finnair's shares was around 24 per cent, of which it sold approximately half in December 2007 and the remainder in March 2008. Foreign ownership of Finnair at the end of the year was nearly at the level of the start of the year. As well as FL Group, the only notification was made by the Norwegian company Skagen AS, whose stake in Finnair passed the 1/20 mark in May.

At the beginning of the financial year, Finnair held 151,903 of its own shares, which it had purchased in previous years. Between 1 January and 17 March 2008, Finnair acquired 598,097 of its own shares, on the basis of an authorisation of the Annual General Meeting held on 22 March 2007. On 27 March 2008 the Annual General Meeting granted the Board of Directors new authorisations for a period of up to one year to purchase the company's own shares up to a maximum of 5,000,000 shares and dispose of the company's own shares up to a maximum of 5,500,000 shares. The authorisation applies to shares amounting to less than five per cent of the company's share capital. Under the authorisation, in 2008 Finnair transferred a total of 364,912 of its own shares to individuals within the sphere of the 2007–2009 share bonus scheme as share bonuses payable on the basis of the 2007 result. In 2008, a total of 2,341 shares were returned to the company by those belonging to the share scheme. At the end of 2008, Finnair held 387,429 of its own shares, namely 0.30 per cent of the total number of shares outstanding on the last day of the year.

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

Board of Directors and Senior Management

At the Annual General Meeting held on 27 March 2008, the following former members were elected as members of Finnair Plc's Board of Directors for a term lasting until the end of the next Annual General Meeting: Christoffer Taxell (Chairman), Sigurdur Helgason, Satu Huber, Markku Hyvärinen, Kari Jordan, Ursula Ranin and Veli Sundbäck. In addition, a new member, Pekka Timonen, was elected.

The Annual General Meeting elected as the company's regular auditors Jyri Heikkinen, Authorised Public Accountant, and PricewaterhouseCoopers Oy, Authorised Public Accountants, in which Eero Suomela will serve as the auditor with main responsibility. Tuomas Honkamäki APA and Timo Takalo APA were elected deputy auditors.

Henrik Arle, Finnair's EVP Scheduled Passenger Traffic and Deputy CEO, retired on 31 December 2008. In the same context, changes were made in the Finnair Group organisation and management responsibilities.

The Finnair Group's Chief Financial Officer Lasse Heinonen was appointed Executive Vice President and Finnair's Deputy CEO as of 13 January 2009. Heinonen continues as the Group's CFO. In the new management structure, the business units of Aviation Services report to EVP Heinonen: Northport Oy (ground handling), Finnair Catering Oy and Finnair Technical Services. Heinonen is also in charge of Finnair Cargo Oy and Finnair Cargo Terminal Operations Oy, Finnair Aircraft Finance Oy (fleet management) and Finnair Facilities Management Oy(property services).

As of 1 January 2009, Finnair's President & CEO Jukka Hienonen will lead the Scheduled Passenger Traffic organisation together with the business area's revised management group. SVP Flight Operations Division Veikko Sievänen will serve as the Accountable Manager referred to in the Airline Operator's Certificate (AOC). At the same time, Sievänen was also appointed member of the Group's executive board. SVP Technical Services Kimmo Soini will serve as Accountable Manager for technical areas of responsibility. Operational risk management, which was previously under the authority of Henrik Arle, will be now be under the President & CEO.

SVP Community Relations and Communications Christer Haglund was appointed to the executive board as of 1 March 2008.

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

Personnel

During 2008, the average number of staff employed by the Finnair Group totalled 9,595, which was 1.2 per cent more than a year before. Scheduled Passenger Traffic had 4,254 employees and Leisure Traffic 464 employees. The total number of personnel in technical, catering and ground handling services was 3,650 and in travel services 1,078. A total of 149 people were employed in other functions.

At the end of the year, Finnair Group had around 770 employees outside of Finland, of which 270 worked in sales and customer service duties for Finnair's passenger and cargo traffic. There are a total of 500 employees working for travel agencies and tour operators based in the Baltic states and Russia, and as guides at Aurinkomatkat-Suntours' holiday destinations. Foreign personnel are included in the total number of Group employees.

Full-time staff account for 94 per cent of employees. Around half of part-time staff are employees on partial child-care leave. Some 93 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 was 42 years, with most being between 30 and 50 years of age. More than 20 per cent were over 50 years old and one in ten under 30.

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

The Finnair Group's personnel consists equally of men and women. Of the twelve members of the Finnair Group's executive board, two are women. Two of the eight members of Finnair Plc's Board of Directors are women.

Finnair has collective employment agreements valid until spring 2010 with six labour unions. During spring 2009, negotiations will be held with the Finnish Aviation Union and Finnair's Technical Services personnel on a wage solution for the final year of the agreement.

The pilots' collective employment agreement expired at the end of November and negotiations on a new agreement have been under way since the autumn. The Finnish Airline Pilots' Association (SLL) , which represents Finnair's pilots, initiated industrial action on 24 January 2009 by announcing an overtime ban. According to the announcement, industrial action will continue in the form of one-day strikes beginning 25 February. The most significant points of contention between the employer and employees relate to pension benefits, business management decision-making and working time arrangements.

In June 2008 statutory employer-employee negotiations were initiated under the act on Co-Determination within Undertakings (YT negotiations). The goal of the negotiations was to achieve 25 million euros of savings in personnel expenses, corresponding to around five per cent of total personnel costs. Finnair Cargo Oy and Finnair Cargo Terminal Operations Oy joined the process in November. The YT process was concluded in January this year, covering all personnel groups besides the pilots, in respect of whom YT negotiations are still incomplete.

When the YT negotiations began, the need for personnel reductions was estimated at 500 jobs. Around 120 of these will be implemented as redundancies. The other savings will mainly come from 2–3 week lay-offs affecting more than 3,000 people. In addition, the number of personnel will fall through the ending of around 400 fixed-term employment contracts at the turn of the year or during the spring.

Including social security expenses, around 11.2 million euros in incentive bonuses based on mainly quality indicators are expected to be paid to personnel for 2008. One factor influencing the incentive was a significant improvement in punctuality. The criteria based on the Group result for the personnel profit bonus and the share bonus scheme for key individuals were not fulfilled for 2008, and no incentive payments will be paid.

Fleet changes

Finnair Group's fleet is managed by Finnair Aircraft Finance Oy, which belongs to the Scheduled Passenger Traffic business area. At the end of December, the Finnair Group had a total of 65 aircraft in flight operations. The average age of the Finnair's entire fleet is 6.4 years, and in European traffic around five years.

The European and domestic fleet grew last year by two 100-seat Embraer 190 aircraft. The fleet has a total of 18 Embraer aircraft and 29 Airbus A320 aircraft. Two Airbus A340 aircraft joined Finnair's wide-bodied fleet last year. One Boeing MD-11 aircraft was withdrawn from the fleet in October. Finnair has a total of 11 long-haul aircraft.

The renewal of the wide-bodied fleet will continue with the acquisition of five new Airbus A330-300 long-haul aircraft in 2009 and a further three as minimum in 2010. The Airbus aircraft will replace the six Boeing MD-11 aircraft to be withdrawn from Finnair's fleet by end of March 2010. The one remaining Finnair owned MD-11 will be sold through a purchase agreement with Aeroflot Cargo. The other five MD-11 aircraft are leased and their agreements expire within a year.

The fleet modernisation will harmonise Finnair's scheduled traffic fleet. A reduction of aircraft types will mean a more efficient cost structure due to more simplified crew utilisation and maintenance activities.

In the first quarter of 2009, two new 100-seat Embraer 190 aircraft will join Finnair's fleet. On the other hand, three smaller, Embraer 170, aircraft will be withdrawn from service in 2009 due to weakened demand – two in January and one towards the end of the first half of the year.

The lease agreements of the Boeing 757 aircraft used by Finnair Leisure Flights expire in 2010. The agreements can be continued two times with the current terms for two years at a time. Before the extension decision the company evaluates, what is the most efficient way to operate leisure traffic.

Environment

Finnair takes the environment into consideration in all of its actions and decisions. Finnair's environmental and social responsibility issues are outlined in more detail in the annual report and on the Finnair website.

Last year the EU approved a model for the implementation of emissions trading in air transport starting in 2012. The emissions trading calculation principles take into account the performance undertaken for the fuel consumed. Finnair will strive as part of the community of European airlines to argue successfully that the system should be worldwide and not distort competition in the industry.

Finnair has been systematically modernising its fleet since 1999. The European and domestic traffic's Airbus A320 and Embraer aircraft represent the latest technology. The modern fleet is eco-efficient both in terms of carbon dioxide and noise emissions.

Kati Ihamäki M.Sc.(Econ.) was appointed as Finnair's VP Sustainable Development as of 1 February 2008. Ihamäki's task is to promote the realisation of Finnair's environmental goals in the Group's business operations, such that Finnair is among the leading airlines in environmental activities. The VP Sustainable Development's tasks also include coordinating sustainable development strategy and emissions trading projects as well as integrating environmental issues into Finnair's competitive strategy. Effective interest groups relations and communications are vital for the handling of social and environmental responsibility.

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 scheduled passenger traffic and cargo sales, service concepts, flight operations and activity connected with the procurement and financing of aircraft. Scheduled Passenger Traffic leases to Leisure Traffic the crews and aircraft it requires. The business area consists of the following units and companies: Finnair Scheduled Passenger Traffic, Finnair Cargo Oy, Finnair Cargo Terminal Operations Oy and Finnair Aircraft Finance Oy.

In 2008 the business area's turnover rose by 3.0 per cent to 1,735.7 million euros (1,685.3 million). The operating result was a loss of 30.1 million euros (76.2 million profit).

Scheduled traffic passenger volume in 2008 was around seven million. Scheduled traffic's revenue passenger kilometres grew by 6.5 per cent, while capacity grew by 7.9 per cent, leading to a weakening of passenger load factor by one percentage point to 72 per cent.

In 2008, unit revenues for scheduled passenger traffic fell by 5.1 per cent. In the final quarter, unit revenues fell by 11.7 per cent. A shifting of demand to cheaper price classes contributed to the decline in unit revenues.

Cargo revenues account for a good ten per cent of all Scheduled Passenger Traffic's revenues. Unit revenues for cargo in scheduled traffic rose by 2.4 per cent in 2008. The total amount of cargo carried in scheduled traffic grew by seven per cent. The amount of cargo carried in Asian traffic rose by 14 per cent from the previous year.

The profitability of Finnair's cargo operations was good in 2008. The key reason for the improved performance was the price level, which remained good, as well as an improvement in operational efficiency. In the final quarter, however, cargo demand weakened rapidly and the situation is also expected to continue in the current year due to the global economic situation.

In international scheduled passenger traffic, Finnair has increased its market share compared with its main competitors. In domestic traffic, Finnair's market share has fallen, mainly due to the discontinuation of short routes. This has, however, improved the passenger load factor and profitability.

During 2008, the arrival punctuality of scheduled passenger flights improved slightly the previous year to 80.8 per cent (80.4%). Finnair's flight punctuality was weak in a sector comparison at the beginning of last year. Through many measures, punctuality has again been raised to an excellent level to match the best European airlines.

The operations of the Estonian subsidiary Aero were discontinued at the beginning of 2008 and all seven ATR 72 turbo-prop aircraft were sold. At the same time, this marked the end of Finnair's propeller traffic, which had continued uninterrupted since 1924.

Leisure Traffic

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

Leisure travel enjoyed a peak year in 2008. From Finland 989,000 package tours were made using flights abroad, which was 3.3 per cent more than the previous year. More than 23 per cent of these journeys were made to the Canary Islands. Thailand's share. moreover, has risen to ten per cent. Due to the financial crisis, demand for package tours clearly weakened in the Estonian and Russian markets in the autumn.

Due to good demand, Leisure Traffic's turnover in 2008 rose by 11.0 per cent to 454.6 million euros. The operational result, i.e. adjusted EBIT, improved by 10.3 per cent to an all-time best of 26.7 million euros (24.2 million), which corresponds to 5.9 per cent of turnover. The result was burdened by the start-up costs of Aurinkomatkat's package tour production in Russia as well as the price of jet fuel, which rose to a record high.

In 2008 Finnair Leisure Flights carried over 1.3 million passengers, around ten per cent more than in the previous year. In addition to its own Boeing 757 fleet, Leisure Flights leased from Air Europe a 299-seat Airbus A330 wide-bodied aircraft with crew for flights to Phuket in Thailand for the winter season 2008/09. In the winter season, there were 14 return flights per week to Asia, of which six were with leased capacity.

Available passenger kilometres grew by 9.7 per cent. As the proportion of winter season long-haul traffic grew, performance calculated in revenue passenger kilometres rose by 12.4 per cent from the previous year. Leisure Flights' passenger load factor therefore improved by 2.1 percentage points to 88.1 per cent.

Internet advance sales to consumers of additional services, seat place of a passenger's choice and meals, as well as in-flight sales grew according to set targets.

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

Aurinkomatkat-Suntours has a record year in 2008. Good demand and poor summer weather in Finland was evident in turnover growth, as there was no need to resort to last-minute price reductions to maintain sales. Sales of winter 2008/09 holidays also went well. Aurinkomatkat's passenger number grew by 3.7 per cent from the previous year to 345,000. The utilisation rate and the result rose to record levels. Estonia-based Horizon increased its passenger numbers by over 17 per cent as other tour operators cut back their offerings, but its result was loss-making due to the bankruptcy of the airline Futura.

At the beginning of the year, Aurinkomatkat-Suntours purchased the St. Petersburg travel agency Calypso. The company has been used as a platform and distribution channel for the start-up of Aurinkomatkat's own package production in Russia. In the first summer-winter production season, Aurinkomatkat produced more than 10,000 package tours involving flights abroad, with the utilisation rate at the end of the year rising to 84 per cent. Aurinkomatkat's partner is Rossiya Airlines. Aurinkomatkat's customer satisfaction in Russia is on a good level.

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. Aviation Services' business consists mainly of intra-Group service provision. Of the business area's turnover 24 per cent consists of business outside of the Group.

In 2008 Aviation Services' turnover rose 2.7 per cent to 445.8 million euros. The operational result grew 34 per cent from the previous year's level and was a profit of 13.8 million euros (10.3 million).

The Catering business is the most profitable of the Aviation Services. Operations are divided into meal production and related logistics as well travel retail functions, which include inflight sales plus pre-order services and airport shops in Helsinki, Tampere and Turku. Both business areas increased their turnover and improved their result. In Catering operations, production efficiency was enhanced, while Finnair Catering received new premises at the beginning of last year.

Finnair Technical Services' operational result was a loss in 2008. A nearly three million euro item in credit losses resulting from the bankruptcy of the Gemini Air Cargo customer relationship as well as some inventory write-downs was recognised in the result.

It is important for Finnair Technical Services' long-term functional capacity and profitability that the unit also has customers from outside the Group. At the beginning of 2008, Finnair Technical Services signed a maintenance agreement with Aeroflot until 2016. The value of the agreement is estimated to be around EUR 200 million.

The ground handling company Northport Oy is still loss-making. The quality of ground handling operations has significantly improved, however, from the previous year.

Travel Services

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

Finland Travel Bureau (FTB) and Area are Finland's leading travel agencies, and Estravel, which celebrated the 20th anniversary of its founding in August, is one of the leading travel agencies in the Baltic states. The companies were highly rated in a customer satisfaction survey of business travellers in the Nordic countries.

With FTB having discontinued its own Etumatkat city break production, which had come to the end of its life cycle, the business area's turnover declined in 2008 by 5.3 per cent to 77.9 million euros (82.3 million). In the autumn, the economic downturn was evident as a significant contraction of business travel, which was reflected in the travel agencies' sales and results. The operating result fell to 2.1 million euros (2.9 million).

The travel agencies' distribution is moving to the internet. Online travel agencies have won market share, but Area is Finland's biggest traditional travel agency on the internet. Nearly a quarter of the company's sales comes via the internet. Automation is being used to improve the efficiency of providing corporate travel services.

Estravel, which is part of the FTB Group, is still doing well in the Baltic states. For the first time in these markets, travel was at a lower level last year and margins narrowed. In Estonia the company's market share is 40 per cent.

Travel Services' Amadeus Finland, a provider of travel reservation and information systems to travel agencies, brought to the market many new services relating to companies' and travel agencies' travel management. A hotel booking service was added to the Amadeus reservation system. Growth in the volume of Finns' air travel increased the company's turnover.

Air Traffic Services and Products

In recent years, the Finnair route network has been developed to serve traffic between Europe and Asia passing through Helsinki. At the same time, Finns have been offered efficient and diverse connections to destinations all over the world.

Finnair has a total of 60 direct flights per week to 10 Asian destinations. In June Finnair began direct flights to Seoul, the capital of South Korea. The Seoul route is flown four times per week during the winter. Finnair's other Asian destinations are Bangkok, Delhi, Mumbai, Hong Kong, Nagoya, Osaka, Beijing, Shanghai and Tokyo. The Guangzhou route was discontinued at the end of October. The Guangzhou area is now served by a daily connection with Hong Kong.

Flights covering 45 European and 13 domestic destinations connect into Finnair's Asia network. At the same time, a wide selection of direct connections is offered from Finland to the rest of Europe.

In the early autumn, Finnair began scheduled flights from Helsinki to Yekaterinburg, located in the Urals. The route is flown three times per week with Airbus A319 aircraft and represents Finnair's third scheduled destination in Russia after Moscow and St. Petersburg. Finnair flies the route in cooperation with Ural Airlines. The three-hour flight time and onward connections with short transit times at both ends of the route make the service very competitive in Russia, the Nordic countries and elsewhere in Europe.

Leisure Flights' fleet consists of seven Boeing 757 aircraft. Due to increased demand, Leisure Flights has leased for the current winter season one Airbus A330 wide-bodied aircraft, which flies non-stop to Phuket in Thailand. In the summer season, Leisure Flights flies, in addition to charter flight traffic, certain so-called holiday routes, including Boston and Toronto.

In October Finnair and **one**world alliance partner British Airways began code-sharing flights between Bangkok, Thailand and Sydney, Australia. In December, the frequency of flights to Brussels was increased. From January, Finnair flies 25 times per week to the Belgian capital. A new service that departs Helsinki in the evening and returns from Brussels in the morning is particularly convenient for business travellers between the cities.

Finnair will begin direct flights to Istanbul, Turkey in March 2009. Flights will start on a two flights per week schedule and the flight frequency will double at the end of March. The Istanbul route will provide good connections via Helsinki from Turkey to Scandinavia, the Baltic states and Finnair's Asian network – and back again.

Based on an audit carried out in December, Skytrax rated Finnair a four-star airline on a scale of one to five. Finnair had previously been rated a three-star airline. Skytrax is an international research company which evaluates the world's commercial airlines and their services in great detail.

At the beginning of June 2008, the electronic ticket (e-ticket) was adopted worldwide for all flights. Finnair has been among the leading companies in introducing the e-ticket. Using e-tickets is more economical than using paper tickets.

Finnair's growing international demand has created an increasing need to serve customers in local languages in different marketplaces. At the end of December, Finnair opened websites also in the Spanish, Italian, French, Russian and Chinese languages. Finnair range of languages covers around 3.3 billion people. Finnair now offers an internet booking service in a total of 11 languages. In addition to the new languages, websites are offered in Finnish, Swedish, English, Japanese, Korean and German. Around one fifth of Finnair tickets are currently sold via the internet and this proportion is expected to grow.

Short-term risks and uncertainty factors

The tightening of the financial markets has raised the cost of planned financing higher than was anticipated. The availability of funding has deteriorated, but a lack of sufficient funding is not considered to be a risk during 2009.

The risk in the acquisition of new aircraft is that demand will fall more quickly than capacity can be meaningfully reduced. The lease agreements of Finnair Leisure Flights' seven Boeing 757 aircraft will expire in 2010, at which time the fleet can be optimised according to demand forecasts.

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

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

A deepening of the worldwide recession might reduce demand sharply as well as average yields in passenger and cargo traffic. Due to the short booking horizon, it is difficult to predict demand far into the future. A change of one percentage point in the load factor of scheduled passenger traffic services affects the Group's operating profit by around 15 million euros. A change of one percentage point in the average yield of scheduled passenger traffic services also affects the Group's operating profit by around 15 million euros.

The development of gross domestic product will affect the development of air transport passenger and cargo demand. A weakening of domestic consumer confidence might also have an adverse impact on demand for non-business travel in both leisure and scheduled traffic services.

When examining quarterly earnings development, it is worth noting that Easter, when fewer higher-priced business trips are made, falls this year in the second quarter, when last year it was in the first quarter. The Chinese New Year, moreover, might have a weakening impact on Finnair's demand in the Chinese-language passenger market.

Negotiations on the pilots' collective employment agreement, which ended on 30 November 2008, are under way and present a risk of industrial action. The halting of Finnair's traffic would result in estimated losses of around three million euros per day. In addition, the uncertainty caused by traffic disruptions would also be reflected negatively in demand on the days surrounding the strike.

Outlook

Year 2009 is expected to be a difficult one for financial development of the airline industry. Development will shape industry structures via bankruptcies and mergers. Finnair will closely follow the restructuring of the industry.

Finnair's holds on to its Asia strategy. The long-term goal of scheduled traffic is to grow in services between Europe and Asia, utilising Helsinki as a geographically and logistically ideal transit location. Route network expansion will take place through additions to Finnair's own capacity and through increased cooperation.

Finnair has secured credit facilities totalling around 300 million euros as well as a 250 million credit facility requiring a bank guarantee from the European Investment Bank, plus a more than 400 million euro option on the loan-back of employment pension fund reserves. The financial crisis will be reflected in the financing of Finnair's fleet modernisation primarily via the cost of borrowed capital and the price level of lease agreements.

Finnair's fuel costs are expected to be lower during the current year than last year. The hedging policy practised by Finnair dampens fuel price fluctuations. At the present price level, fuel costs are expected to be over 22 per cent of Finnair's turnover in 2009.

The world economy recession is expected to weaken Finnair's demand and average yields in passenger and cargo traffic in all marketplaces. Gross domestic product in Europe has begun to fall. In the Asian national economies, growth figures have fallen significantly short of earlier forecasts.

In Leisure Traffic, strong demand for winter long-haul trips will be evident in the first quarter. Due to decreasing consumer confidence, demand for leisure trips this coming summer is expected to be clearly weaker than the previous year. Over capacity in the market forces down price level.

Finnair is preparing for capacity cuts throughout its route network as well as for an adjustment of costs during the current year. In 2009 the capacity of Asian traffic and scheduled traffic as a whole will fall, on the basis of decisions made to date, by around three per cent.

In May last year was initiated a 50 million euro productivity improvement programme, in which the portion attributed to savings in personnel costs was around one half.

This programme was implemented in full in 2009. The Group, however, is initiating a new programme of similar magnitude and areas of cost-cutting and efficiency improvement are being actively explored.

The first quarter is expected to remain clearly loss-making. The operational result for the full year will substantially depend on the demand situation and cost development. The outlook for the full year is extremely challenging.

Board of Directors Proposal on the Dividend

The distributable equity of Finnair Plc amounts to 458.7 million euros. The Board of Directors proposes to the Annual General Meeting that no dividend be distributed for 2008.

FINNAIR PLC
Board of Directors

Press conference

Finnair will hold briefings for media representatives (11 a.m.) and analysts (12.30 p.m.) on 5 February 2009. The location is Toimistotorni, Lentäjäntie 3, at Helsinki-Vantaa Airport. Further information and registrations: Hanna-Kaisa Nurmi, tel. +358 9 818 4951 or hanna-kaisa.nurmi@finnair.com.

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FINNAIR GROUP FINANCIAL STATEMENT FOR JANUARY 1 – DECEMBER 31, 2008

KEY FIGURES EUR mill.

	2008	2007	Change	2008	2007	Change
	1 Oct 31 Dec	1 Oct- 31 Dec	%	1 Jan– 31 Dec	1 Jan– 31 Dec	%
Turnover	580.3	568.7	2.0	2 262.6	2 180.5	3.8
Result before depreciation and lease payments, EBITDAR *	28.1	70.6	-60.2	194.3	287.4	-32.4
Lease payments for aircraft	20.8	20.6	1.0	82.6	81.2	1.7
Operating result, EBIT*	-12.5	24.4	-	6.6	96.6	-93.2
Fair value changes of derivatives	-43.8	0.2	-	-57.4	14.5	-
Result from disposal of capital assets	-3.8	6.2	-	-1.3	30.4	-
Operating result, EBIT	-60.1	30.8	-	-52.1	141.5	-
Result for the financial year (share attributable to shareholders of parent company)	-44.1	26.9	-	-42.0	101.6	-
Operating result, EBIT. % of turnover *	-2.2	4.3	-	0.3	4.4	-93.4
EBITDAR, % of turnover *	4.8	12.4	-	8.6	13.2	-34.8
Unit revenues of flight operations c/RTK	68.8	72.2	-4.7	70.1	72.6	-3.5
Unit costs of flight operations c/ATK	45.4	43.1	5.2	43.5	43.5	0.0
Earnings per share EUR (basic)	-0.35	0.27	-	-0.33	1.04	-
Earnings per share EUR (diluted)	-0.35	0.27	-	-0.33	1.04	-
Equity per share EUR	6.04	7.70	-21.6	6.04	7.70	-21.6
Gross investment EUR mill.	13.1	62.00	-	232.8	326.3	-28.7
Gross investment, % of turnover	2.3	10.9	-	10.3	15.0	-
Equity ratio %				38.1	47.0	-18.9
Gearing %				-11.6	-22.5	-
Adjusted gearing %				63.2	35.1	-
Rolling 12-month ROCE %				-2.5	14.2	-
Rolling 12-month ROE %				-4.8	12.9	-

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

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

CALCULATION OF KEY RATIOS

Earnings / share:
Result for the financial year
___
Average number of shares at the end of the financial year, adjusted for share issues

Equity / share:
Shareholders' equity
___
Number of shares at the end of the financial year, adjusted for share issues

Gearing. %:
Net interest-bearing liabilities *100
___
Shareholders' equity + minority interest

Operating result. EBIT :
Operating result excluding the disposal of the capital assets, fair value changes of derivatives and non-recurring items

Shareholders equity = To equity holders of the parent

Return on capital employed.%: (ROCE)
Result before taxes + interest and other financial expenses *100
___
Balance sheet total - non-interest-bearing liabilities (average)

Net interest bearing liabilities:
Interest-bearing liabilities - interest-bearing assets - listed shares

Equity ratio. %:
Shareholders' equity + minority interest *100
___
Balance sheet total - advances received

Return on equity %: (ROE)
Result *100
___
Equity + minority interests (average)

The figures of financial statement report have not been audited.

CONSOLIDATED INCOME STATEMENT (EUR mill.)

	2008	2007	Change	2008	2007	Change
	1 Oct– 31 Dec	1 Oct- 31 Dec	%	1 Jan– 31 Dec	1 Jan– 31 Dec	%
Turnover	**580.3**	**568.7**	**2.0**	**2 262.6**	**2 180.5**	**3.8**
Work used for own purposes and capitalized	0.5	0.6	-16.7	1.6	3.0	-46.7
Other operating income	8.6	11.6	-25.9	27.1	52.8	-48.7
Operating income	**589.4**	**580.9**	**1.5**	**2 291.3**	**2 236.3**	**2.5**
Operating expenses						
Staff costs	143.0	150.1	-4.7	541.0	541.5	-0.1
Fuel	131.3	115.9	13.3	567.9	439.9	29.1
Lease payment for aircraft	20.8	20.6	1.0	82.6	81.2	1.7
Other rental payments	20.8	15.3	35.9	69.3	63.8	8.6
Fleet materials and overhauls	37.7	18.3	106.0	96.1	76.7	25.3
Traffic charges	49.2	42.9	14.7	188.5	177.0	6.5
Ground handling and catering expenses	36.8	36.0	2.2	146.6	154.3	-5.0
Expenses for tour operations	41.4	36.8	12.5	138.9	120.6	15.2
Sales and marketing expenses	27.9	26.4	5.7	103.9	92.0	12.9
Depreciation	22.4	25.6	-12.5	110.2	112.6	-2.1
Other expenses	118.2	62.2	90.0	298.4	235.2	26.9
Total	**649.5**	**550.1**	**18.1**	**2 343.4**	**2 094.8**	**11.9**
Operating result, EBIT	**-60.1**	**30.8**	**-**	**-52.1**	**141.5**	**-**
Financial income	4.1	9.0	-54.4	22.1	17.2	28.5
Financial expenses	-5.1	-4.6	10.9	-26.7	-19.9	34.2
Share of result in associates	0.3	0.0	-	0.3	0.1	-
Result before taxes	**-60.8**	**35.2**	**-**	**-56.4**	**138.9**	**-**
Direct taxes	16.9	-8.2	-	14.6	-36.8	-
Result for financial year	**-43.9**	**27.0**	**-**	**-41.8**	**102.1**	**-**

Earnings per share to shareholders of the parent company	-44.1	26.9		-42.0	101.6	
Minority interest	0.2	0.1		0.2	0.5	
Earnings per share calculated from result attributable to shareholders of the parent company						
Earnings per share EUR (basic)	-0.35	0.27		-0.33	1.04	
Earnings per share EUR (diluted)	-0.35	0.27		-0.33	1.04	

CONSOLIDATED BALANCE SHEET (EUR mill.)

	31 Dec 2008	31 Dec 2007
ASSETS		
Non-current assets		
Intangible assets	48.1	46.6
Tangible assets	1 272.1	1 168.9
Investments in associates	6.1	5.7
Financial assets	21.5	13.8
Deferred tax receivables	49.8	10.4
Total	1 397.6	1 245.4
Short-term receivables		
Inventories	35.1	36.1
Trade receivables and other receivables	231.8	290.1
Investments	373.8	518.6
Cash and bank equivalents	18.3	21.5
Total	659.0	866.3
Non-current Assets held for sale	19.4	34.7
Assets total	**2 076.0**	**2 146.4**
SHAREHOLDERS´ EQUITY AND LIABILITIES		
Capital and reserves attributable to equity holders of the parent company		
Shareholders´equity	75.4	75.4
Other equity	696.3	909.9
Total	771.7	985.3
Minority interest	1.1	1.7
Equity, total	772.8	987.0
Long-term liabilities		
Deferred tax liability	120.6	144.5
Financial liabilities	261.1	269.6
Pension obligations	6.1	15.8
Total	387.8	429.9
Short-term liabilities		
Current income tax liabilities	1.5	12.1
Reserves	61.5	53.6
Financial liabilities	48.5	54.5
Trade payables and other liabilities	803.9	609.3
Total	915.4	729.5
Liabilities total	1 303.2	1 159.4
Shareholders' equity and liabilities, total	**2 076.0**	**2 146.4**

SHAREHOLDERS´EQUITY EUR mill.

Equity attributable to shareholders of parent company										
	Share capital	**Share issue**	**Share premium account**	**Bonus issue**	**Hedging reserve**	**Unrestricted equity**	**Retained earnings**	**Total**	**Minority interests**	**Own equity total**
Shareholders´ equity 1.1.2007	75.4	0.0	20.4	147.7	-21.1	0.0	377.5	**599.9**	1.6	**601.5**
Translation difference							-0.1	-0.1		-0.1
Dividend payment							-8.9	-8.9	-0.4	-9.3
Share issue						244.9	0.0	244.9		244.9
Change in fair value of hedging instruments					47.9			47.9		47.9
Result for the period							101.6	101.6	0.5	102.1
Shareholders´ equity 31.12.2007	75.4	0.0	20.4	147.7	26.8	244.9	470.1	**985.3**	**1.7**	**987.0**

SHAREHOLDERS´EQUITY EUR mill.

Equity attributable to shareholders of parent company										
	Share capital	**Share issue**	**Share premium account**	**Bonus issue**	**Hedging reserve**	**Unrestricted equity**	**Retained earnings**	**Total**	**Minority interests**	**Own equity total**
Shareholders´ equity 1.1.2008	75.4	0.0	20.4	147.7	26.8	244.9	470.1	**985.3**	1.7	**987.0**
Translation difference							0.0	0.0		0.0
Dividend payment							-31.9	-31.9	-0.5	-32.4
Minority change							0.0	0.0	-0.3	-0.3
Purchase of own shares	0.0	0.0	0.0				-4.7	-4.7		-4.7
Assignment of own shares/ Share premium account charges						2.3	0.0	2.3		2.3
Change in fair value of hedging instruments					-137.3			-137.3		-137.3
Result for the period							0.0	-42.0	0.2	-41.8
Shareholders´ equity 31.12.2008	75.4	0.0	20.4	147.7	-110.5	247.2	433.5	**771.7**	**1.1**	**772.8**

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1 Jan – 31 Dec 2008	1 Jan – 31 Dec 2007
Cash flow from operating activities		
Result for the financial year	-41.8	102.1
Operations for which a payment is not included **1)**	117.2	100.0
Interest and other financial expenses	26.7	19.9
Interest income	-18.9	-11.9
Other financial income	-3.2	-5.1
Dividend income	0.0	-0.2
Taxes	-14.6	36.8
Changes in working capital:		
Change in trade and other receivables	-2.7	2.4
Change in inventories	1.0	2.4
Change in accounts payables and other liabilities	39.8	86.4
Interest paid	-13.1	-14.6
Paid financial expenses	-1.3	-2.3
Received interest	15.4	9.6
Received financial income	3.2	0.5
Taxes paid	12.5	-24.2
Net cash flow from operating activities	**120.2**	**301.8**
Cash flow from investing activities		
Sell of subsidiaries, net cash sold	0.0	0.6
Acquisitions of subsidiaries	-3.2	-0.6
Investments in intangible assets	-12.7	-15.4
Investments in tangible assets	-215.3	-346.2
Net change of financial interest bearing assets at fair value through profit and loss	183.1	-205.6
Sales of tangible fixed assets	69.0	65.2
Received dividends	0.0	0.2
Change in non-current receivable	-7.8	1.7
Net cash flow from investing activities	**13.1**	**-500.1**
Cash flow from financing activities		
Loan withdrawals	4.9	95.6
Loan repayments and changes	-50.0	-115.0
Share issue	0.0	244.9
Purchase of own shares	-4.7	0.0
Dividends paid	-31.9	-8.9
Net cash flow from financing activities	**-81.7**	**216.6**
Change in cash flows	**51.6**	**18.3**
Change in liquid funds		
Liquid funds, at beginning	291.8	273.5
Change in cash flows	51.6	18.3
Liquit funds, in the end	**343.4**	**291.8**

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1 Jan – 31 Dec 2008	1 Jan – 31 Dec 2007
Notes to consolidated cash flow statement		
1) Operations for which a payment is not included		
Depreciation	110.2	112.6
Employee benefits	-10.3	6.8
Other adjustments	17.3	-19.4
Total	117.2	100.0
Financial asset at fair value	373.8	518.6
Cash and bank equivalents	18.3	21.5
Short-term cash and cash equivalents in balance sheet	392.1	540.1
Maturing after more than 3 months	-39.6	-222.7
Shares held to trading purposes	-9.1	-25.6
Total in cash flow statement	343.4	291.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. BASIS OF PREPARATION

This consolidated financial statements bulletin has been prepared in accordance with the Ministry of Finance decree of 9 February 2007 on the regular duty to disclose of an issuer of securities, and adhering to Standard IAS 34, Interim Financial Reporting.

2. BASIS OF PREPARATION

The accounting principles are congruent with the international financial reporting standards to be adhered to in the 2008 consolidated financial statements.

The following new standards, changes to standards and the application of interpretations which are perceived to be essential for the Group have been introduced from the beginning of 2008:

IFRIC 11. IFRS 2 – Group and Treasury Share Transactions. The interpretation clarifies the treatment of transactions relating to an entity's own equity instruments or to Group companies in the parent company and in Group companies' financial statements by providing guidance on their classification into share-based transactions payable as shareholders' equity or payable as cash. The interpretation has no impact on the consolidated financial statements.

In addition, the Group has introduced the following amendments to standards that have been issued during 2008:

IAS 39 (Amendment) and IFRS 7 (Amendment). Reclassification of Financial Assets *. The amendment facilitates the reclassification of financial assets from financial assets held for trading purposes or financial assets available-for-sale under certain conditions and only in special situations. In such cases additional disclosures are required in the financial statements. The amendment has been effective as of 1 July 2008. The interpretation has no impact on the consolidated financial statements.

The standards and interpretations published by the IASB to be introduced by the Group in 2009 and 2010 will be discussed in detail in the accounting principles of 2008 financial statements.

3. CRITICAL FINANCIAL STATEMENT ESTIMATES AND ASSUMPTIONS

The preparation of interim reports and the financial statements bulletin requires the company's management to make estimates and assumptions that influence the levels of reported assets and liabilities as well as of revenue and expenses. The estimates and assumptions are based on assumptions and factors of which Finnair's management are currently aware and on management's current decisions and plans. Although management believes that assumptions directed at the future are justified, there is no certainty that the said assumptions will prove to be correct. For this reason, results can be clearly distinguished from assumptions included in statements directed at the future, e.g. due to economic certainty.

4. SEGMENT INFORMATION

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

PRIMARY REPORTING FORMAT - BUSINESS SEGMENT DATA 1 January – 31 December 2008

	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
EUR mill.							
External turnover	1 634.9	447.1	106.8	73.8			2 262.6
Internal turnover	100.8	7.5	339.0	4.1	-451.4		0.0
Turnover	1 735.7	454.6	445.8	77.9	-451.4	0.0	2 262.6
Operating result	-27.6	26.7	10.9	1.8		-63.9	-52.1
Share of results of associated undertakings						0.3	0.3
Financial income						22.1	22.1
Financial expenses						-26.7	-26.7
Income tax						14.6	14.6
Minority interest						-0.2	-0.2
Result for the period							-42.0
Other items							
Investments	196.1	0.5	34.2	0.7	0.0	1.3	232.8
Depreciation	77.4	0,4	30.5	1.5	0.0	0.4	110.2

PRIMARY REPORTING FORMAT - BUSINESS SEGMENT DATA 1 January- 31 December 2007

	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
EUR mill.							
External turnover	1 578.3	403.6	121.0	77.6			2 180.5
Internal turnover	107.0	6.0	312.9	4.7	-430.6		0.0
Turnover	1 685.3	409.6	433.9	82.3	-430.6	0.0	2 180.5
Operating result	79.2	24.2	16.9	2.9		18.3	141.5
Share of results of associated undertakings						0.1	0.1
Financial income						17.2	17.2
Financial expenses						-19.9	-19.9
Income tax						-36.8	-36.8
Minority interest						-0.5	-0.5
Result for the period							101.6
Other items							
Investments	284.6	0.2	37.5	1.5	0.0	2.5	326.3
Depreciation	81.7	0.4	26.0	1.6	0.0	2.9	112.6

TURNOVER

	2008	2007	Change	2008	2007	Change
	1 Oct–31 Dec	1 Oct 31 Dec	%	1 Jan–31 Dec	1 Jan–31 Dec	%
EUR mill.						
Scheduled Passenger Traffic	426.2	427.5	-0.3	1 735.7	1 685.3	3.0
Leisure Traffic	136.8	119.8	14.2	454.6	409.6	11.0
Aviation Services	115.8	113.4	2.1	445.8	433.9	2.7
Travel Services	17.9	20.2	-11.4	77.9	82.3	-5.3
Group eliminations	-116.4	-112.2	3.7	-451.4	-430.6	4.8
Total	**580.3**	**568.7**	**2.0**	**2 262.6**	**2 180.5**	**3.8**

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

	2008	2007	Change	2008	2007	Change
	1 Oct– 31 Dec	1 Oct 31 Dec	 %	1 Jan– 31 Dec	1 Jan– 31 Dec	%c
EUR mill.						
Scheduled Passenger Traffic	-27.6	20.0	-238.0	-30.1	76.2	-139.5
Leisure Traffic	12.1	9.7	24.7	26.7	24.2	10.3
Aviation Services	5.0	3.0	66.7	13.8	10.3	34.0
Travel Services	-1.0	-0.9	11.1	2.1	2.9	-27.6
Unallocated items	-1.0	-7.4	-86.5	-5.9	-17.0	-65.3
Total	**-12.5**	**24.4**	**-151.2**	**6.6**	**96.6**	**-93.2**

EMPLOYEES AVERAGE BY SEGMENT

	2008	2007	Change
	1 Jan– 31 Dec	1 Jan– 31 Dec	 %
Scheduled Passenger Traffic	4 254	4 151	2.5
Leisure Traffic	464	372	24.7
Aviation Services	3 650	3 674	-0.7
Travel Services	1 078	1 129	-4.5
Other functions	149	154	-3.2
Finnair Group Total	**9 595**	**9 480**	**1.2**

SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS

TURNOVER OUTSIDE THE GROUP BY SALES DESTINATION

	2008	2007	Change	2008	2007	Change
	1 Oct- 31 Dec	1 Oct– 31 Dec	 %	1 Jan– 31 Dec	1 Jan– 31 Dec	 %
EUR mill.						
Finland	127.1	111.2	14.3	434.3	419.7	3.5
Europe	210.1	230.6	-8.9	965.8	992.8	-2.7
Asia	191.4	185.9	3.0	710.8	626.3	13.5
North America	15.7	13.7	14.6	67.6	63.2	7.0
Others	36.0	27.3	31.9	84.1	78.5	7.1
Total	**580.3**	**568.7**	**2.0**	**2 262.6**	**2 180.5**	**3.8**

5. MANAGEMENT OF FINANCIAL RISKS

No significant changes have been made to the Group's risk management principles in the reporting period. The objectives and principles of risk management are consistent with information presented in the Group's 2008 Annual Report.
The tables below present the nominal value or the amount and net fair value of derivative contracts used in the Group's hedge accounting.

DERIVATIVE CONTRACTS EUR mill.

Derivative contracts	31 Dec 2008		31 Dec 2007	
Currency derivatives	**Nominal value (EUR mill.)**	**Fair value (EUR mill.)**	**Nominal value (EUR mill.)**	**Fair value (EUR mill.)**
Hedge accounting items				
Forward contracts, Jet Fuel currency hedging	382.7	14.0	267.0	-20.0
Forward contracts, Hedging of Aircraft purchace price	484.7	26.8	463.0	-16.9
Forward contracts, Currency hedging of lease payments	48.4	2.2	56.3	-3.9
Total	**915.8**	**43.0**	**786.3**	**-40.8**
Currency derivatives at fair value through profit or loss				
Operating cash flow hedging (termins)	74.4	3.2	2.7	0.0
Operating cash flow hedging (options)				
Currency call options	12.8	0.2	54.3	0.1
Currency put options	18.8	-0.1	64.5	-0.6
Balance sheet hedging	46.9	-2.3	47.2	-0.6
Total	**152.9**	**1.0**	**168.7**	**-1.1**
Currency derivatives. total	**1 068.8**	**44.0**	**955.0**	**-41.9**
	31 Dec 2008		**31 Dec 2007**	
	Nominal value (tonnes)	**Fair value (EUR mill.)**	**Nominal value (tonnes)**	**Fair value (EUR mill.)**
Commodity derivatives				
Hedge accounting items				
Jet Fuel swaps	591 300	-153.1	562 750	55.3
Commodity derivatives at fair value through profit or loss				
Jet Fuel Forward contracts	71 700	-27.6	11 100	0.6
Gasoil forward contracts	17 000	-5.5	21 900	2.7
Jet differential forward contracts	340 500	6.9	395 000	1.1
Options				
Jet Fuel call options	28 000	0.1	64 500	2.0
Jet Fuel put options	28 000	-8.9	76 000	-0.7
Gasoil call options	47 000	0.0	48 500	3.1
Gasoil put options	63 500	-17.6	86 500	-0.5
Total		**-205.6**		**63.5**
	31 Dec 2008		**31 Dec 2007**	
	Nominal value (EUR mill.)	**Fair value (EUR mill.)**	**Nominal value (EUR mill.)**	**Fair value (EUR mill.)**
Interest rate derivatives				
Cross currency Interest rate swaps				
Hedge accounting items	16.7	-7.3	26.9	-13.6
Cross currency interest rate swaps at fair value through profit or loss	11.7	-6.3	15.4	-10.1
Total	**28.4**	**-13.6**	**42.3**	**-23.7**
Interest rate swaps				
Hedge accounting items	0.0	0.0	0.0	0.0
Interest rate swaps at fair value through profit or loss	20.0	0.1	20.0	1.0
Total	**20.0**	**0.1**	**20.0**	**1.0**
Share derivatives				
Shares				
Call options. share	0.0	0.0	16.1	8.4

6. COMPANY ACQUISITIONS AND SALES

On 23 October 2007, the Group subsidiary Oy Aurinkomatkat - Suntours Ltd Ab signed an agreement by which it purchased a majority shareholding of all three Russian companies belonging to the Calypso Group. 80 per cent of the share stock and control was transferred in January 2008, at which time the company became part of the Finnair Group. The purchase price has been recognised as an investment in shares of 2.5 million euros. An additional purchase price of 0.4 million euros has been paid as agreed for A/S Horizon Travel, which was acquired in the previous financial period.

7. INCOME TAXES

Operational and deferred taxes based on the result have been recognised in the income statement at prevailing tax rates.

8. DIVIDEND PER SHARE

The Annual General Meeting decided on 27 March 2008 to distribute a dividend of 0.25 euros per share. The total dividend was 31.9 million euros, based on the number of shares registered on 1 April 2008. The dividend was paid on 7 April 2008.

9. CHANGE IN INTANGIBLE AND TANGIBLE ASSETS EUR mill.

	31 Dec 2008	31 Dec 2007
Carrying amount at beginning of period	1 250.2	1 067.4
Increases	273.2	326.3
Change in advances	-4.6	35.8
Disposals	-69.0	-66.7
Depreciation	-110.2	-112.6
Carrying amount at end of period	**1 339.6**	**1 250.2**

Proportion of assets held for sale at beginning of period	34.7	7.6
Proportion of assets held for sale at end of period	19.4	34.7

10. INTEREST-BEARING LIABILITIES

In the reported period, Group loans were repaid in accordance with a repayment programme also the bond has been repurchased by 23.0 million euros. The rest of the loan transactions presented in the accounts relate to old secured loans, which owing to their exceptional agreement structure have a net repayment entered gross both as a withdrawal and a repayment.

11. CONTINGENT LIABILITIES EUR mill.

	31 Dec 2008	31 Dec 2007
Other contingent liabilities		
Pledges on own behalf	273.3	263.1
Guarantees on group undertakings	68.0	67.5
Total	**341.3**	**330.6**

Investment commitments for property, plant and equipment on 31 December 2008 totalled 1. 508.9 million euros (31 December 2007: 1.311.1 million euros)

12. LIABILITIES (EUR million)

	31 Dec 2008	31 Dec 2007
Fleet lease payment liabilities	285.9	324.8
Other liabilities	202.5	177.7
Total	**488.4**	**502.5**

13. RELATED PARTY TRANSACTIONS

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

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

14. AIR TRAFFIC 1 January – 31 December 2008

	Total traffic	Europe	North America	Asia	Domestic	Scheduled Traffic Total	Leisure	Cargo
Passengers (1000)	8 270	4 027	155	1 299	1 471	6 951	1 319	
%-change	-4.4	-10.3	10.6	14.9	-13.5	-6.8	10.4	
Cargo and mail (tonnes)	102 144	20 698	7 508	67 447	3 125	98 778	606	102 144
%-change	3.5	-7.6	1.4	14.0	-6.3	7.0	32.0	3.5
Available seat-kilometres mill	29 101	8 425	1 197	12 202	1 392	23 215	5 886	
%-change	8.3	-2.5	8.7	18.6	-5.9	7.9	9.7	
Revenue passenger kilometres	21 896	5 530	1 021	9 340	818	16 708	5 188	
%-change	7.8	-5.5	10.6	16.5	-8.6	6.5	12.4	
Passenger load factor %	75.2	65.6	85.2	76.5	58.8	72.0	88.1	
%-change	-0.3	-2.1	1.5	-1.4	-1.7	-1.0	2.1	
Available tonne-kilometres	4 485							971
%-change	10.1							10.1
Revenue tonne-kilometres mill	2 545							583
%-change	7.6							6.6
Overall load factor %	56.7							60.0 *
%-change	-1.3							-2.0

* Operational calculatory capacity

15. EVENTS AFTER THE REVIEW PERIOD

Events after the end of the financial period are discussed in the report section of the financial statements bulletin.