

Strong cash flow and solid balance sheet facilitate future investments

Summary of 2007 key figures

- Turnover rose 9.6 per cent to 2,180.5 million euros (1989.6); turnover, excluding impact of FlyNordic, sold in July, rose 12.2%
- Passenger traffic grew 6.6% from the previous year, passenger load factor rose 0.4 percentage points to 75.5% (75.1%)
- Unit revenues from flight operations fell by 1.9%, unit costs fell by 5.4%
- Operating profit was 141.5 million euros (operating loss 10.8 million euros).
- Operational result, i.e. EBIT excluding capital gains, non-recurring arrangement expenses and changes in the fair value of derivatives, was 96.6 million euros (11.2 million) i.e 4.4% of turnover
- Result before taxes was 138.9 million euros (14.7 million loss).
- Gearing at the end of the year was -22.5% (7.1%) and gearing adjusted for leasing liabilities was 35.1% (112.8%)
- Balance sheet cash and cash equivalents at the end of the year totalled 540.1 million euros (294.3 million)
- Equity ratio 47.0% (37.2%)
- Equity per share 7.70 euros (6.77)
- Earnings per share 1.04 euros (-0.14)
- Return on capital employed 14.2% (-0.1%)

Comparisons of key figures have been made with 2006 figures, which include results for FlyNordic. Figures for 2006 are presented in brackets after the 2007 figures.

The financial statement's traffic performance comparison figures are actual traffic performance figures from 2006, whilst in order to facilitate comparison the traffic performance figures of FlyNordic, sold at the end in July 2007, have been eliminated from the monthly published traffic figures for the period July-September 2006.

President and CEO Jukka Hienonen on the annual result:

Our hard work last year delivered a good result that we are proud of. During 2006 we laid a solid foundation for the improvement of profitability and the price was evident in the result as substantial one-off cost items. We entered 2007 in good shape and Finnair's profitability improved in every quarter. The generally lacklustre, or even loss-making, final quarter was relatively speaking the best of all.

We filled our aircraft with passengers and cargo. Load factors were at record highs, even though we increased capacity considerably. We worked really hard in the domestic market as well as in Europe and Asia. From the late summer and early

autumn there was downward pressure on average prices due to new route openings, but the situation recovered towards the end of the year.

The price of oil reached a record high at the end of the year, crossing the 100 dollar a barrel mark. The euro-dollar exchange rate lightened fuel costs, together with other dollar-denominated expenses. Fuel costs will remain high and we will adjust our competitiveness accordingly.

We will focus in future on ensuring that our fleet operates better in our new, more demanding operating model. The complexity of Europe-Asia traffic is more challenging than managing local traffic. We will seek to maintain our place among the Europe's most punctual network carriers.

Finnair's demand situation is currently good, both in leisure and scheduled traffic. The solid result shows that Finnair is in good shape, but further guidance in the present uncertain world economy would be too adventurous.

Market and General Review

2007 was a year of profitable growth in the Finnair Group. Finnair traffic grew clearly more strongly than the European average and the company's profitability improved significantly.

Passenger kilometres of member airlines of the Association of European airlines AEA grew on average by five per cent in 2007. The biggest growth in passenger numbers occurred in European internal traffic as well as on medium-haul flights to destinations outside Europe.

The focus of growth in long-haul traffic was traffic between Europe and South America. In Asian traffic, European airlines' capacity was at the 2006 level. Passenger numbers rose by 0.5 million, of which around half was an increase brought by growth in Finnair's Asian traffic.

In Europe-Asia traffic Finnair is among the ten most significant operators. Finnair's market share is fourth biggest among European airlines in Europe-Asia traffic. Finnair's objective is to continue growth to Asian destinations and its vision is to become the airline of choice for long-haul travel in the northern hemisphere.

Last year, Finnair carried more than 1.1 million passengers in Asian traffic. Asian traffic growth was more than 30 per cent from the previous year. Scheduled passenger traffic overall grew by nearly 20 per cent, and including leisure flights Finnair's traffic performance grew by 13 per cent.

Capacity was increased by acquiring two long-haul Airbus A340 aircraft in June. The long-haul traffic fleet modernisation is proceeding on schedule. This year, two new Airbus wide-bodied aircraft will join Finnair's fleet, marking the beginning of the Boeing MD-11 aircraft replacement investments. Five new 100-seat Embraer 190 jet aircraft were acquired for European traffic.

To finance the fleet investment programme, a 248 million euro share issue directed at existing shareholders was arranged in November-December.

Unit revenues for Finnair's air traffic fell due to a change of traffic structure. Unit revenues were also burdened by new route openings that took place in the summer and a capacity increase in Europe-Asia traffic, which led to flights being sold with more aggressive pricing. Towards the end of 2007, the fall in unit revenues levelled off as expected.

Despite record fuel prices, unit costs for air traffic have continued to fall in line with targets and more strongly than unit revenues, which has improved the profitability of air traffic. Key factors in the decline of unit costs were more efficient fleet utilisation and an improvement in staff productivity.

In terms of functions supporting air traffic, significant cost savings have been achieved, for example, in Finnair Technical Services, where operational productivity has been improved through a competitiveness project. Costs of ground handling activity rose from 2006, particularly due to the start-up of operations in Norway. In the final quarter of last year, ground handling operations in Norway and Sweden were sold.

The efficiency programme initiated in May 2006, which aims to cut costs by 80 million euros per year, has proceeded according to plan. About 50 million euros of the programme's impact is evident in the 2007 result, weighted toward the second half of the year. The full impact on profit will be obtained in 2008.

Of seven collective employment agreements, six were renewed in October-November. Negotiations to renew the collective employment agreement of pilots, which ends in the spring, are under way.

The punctuality of European airlines fell last year. The punctuality of Finnair's flights last year was also lower than the previous year. Last summer, delays were caused by increased traffic in relation to the capacity of Helsinki-Vantaa Airport. The number of delayed flights in December was also exceptionally high. In terms of baggage, problems were caused, among other things, by the perceived terrorist threat in the UK, which overextended baggage streams at European airports.

Air cargo traffic on Finnair's Asian flights grew due to an increase in capacity. Average prices fell, particularly on the Scandinavian market, due to overcapacity after Asian companies opened cargo routes from Sweden. In the latter half of the year, cargo demand increased and the fall in average prices levelled off.

The agreement made in July on the sale of Finnair's Swedish subsidiary FlyNordic to Norwegian Air Shuttle was finalised in the autumn. As a result of the deal, Finnair acquired five per cent of Norwegian's shares and an option to increase its ownership to ten per cent. In the third quarter, a non-recurring item improving the operating profit by around 14 million euros was recognised for the deal. In addition, deepening of cooperation between Finnair and Norwegian was agreed.

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.

The Group's package tour operator, Aurinkomatkat-Suntours expanded last year with company acquisitions in the Baltic states and Russia.

Financial Result, 1 October – 31 December 2007

Turnover rose in the final quarter by 13.9 per cent to 568.7 million euros (499.3 million). The Group's operational result, i.e. EBIT excluding capital gains, non-recurring arrangement expenses and changes in the fair value of derivatives, improved by nearly 50 million euros to 24.4 million euros (24.4 million loss). Adjusted operating margin was 4.3 per cent (-4.9%). The result before taxes was a profit of 35.2 million euros (26.3 million loss). Changes in the fair value of derivatives improved the final quarter result by 0.2 million euros, but this has no effect on cash flow.

In October-December, Finnair's passenger traffic capacity grew 14.1 per cent and revenue passenger kilometres by 17.5 per cent; Asian traffic grew 37.7 per cent. Passenger load factor for all traffic rose by 2.2 percentage points from the previous year to 74.4 per cent. The quantity of cargo carried grew by 13.1 per cent.

Due to growth in long-haul traffic, total unit revenues per passenger kilometre in scheduled passenger and leisure traffic fell by 3.7 per cent. FlyNordic eliminated unit revenues declined 1.2 per cent. Yield per passenger rose by 9.9 per cent. Unit revenues per tonne kilometre for cargo traffic declined by 3.7 per cent. Weighted unit revenues for passenger and cargo traffic fell by 3.1 per cent.

Euro-denominated operating costs rose during the period by 4.3 per cent. Unit costs for flight operations fell by 7.9 per cent. Fuel costs rose by 16.1 per cent in the final quarter. Excluding fuel costs, unit costs fell by 10.8 per cent.

Personnel expenses rose by 14.1 per cent partly due to incentive bonus provisions made as a result of a significant improvement in profit, with recognitions weighted towards the final quarter.

Profitability improved in all business areas compared with the final quarter of 2006. The final quarter of the year is general less active than the middle quarters but, due to the 80 million euros efficiency programme implemented in Finnair, profitability improved towards year end. The profitability difference is partly due to the fact that the comparison year's result was burdened by an illegal strike by cabin staff as well as low utilisation of the Aircraft Heavy Maintenance unit in the final quarter of 2006. A significant proportion of Finnair Cargo's full-year profit arose specifically in October-December.

Financial Result, 1 January – 31 December 2007

Turnover rose 9.6 per cent to 2,180.5 million euros (1989.6 million). The Group's operational result, i.e. EBIT excluding capital gains, changes in the fair value of derivatives and arrangement expenses, rose to 96.6 million euros (11.2 million). Adjusted operating margin was 4.4 per cent (0.6). The result before taxes was a profit of 138.9 million euros (14.7 million loss). Changes in the fair value of derivatives improved the result for the full year by 14.5 million euros, but this has no effect on cash flow.

In 2007, Finnair's passenger traffic capacity grew 12.7 per cent and revenue passenger kilometres by 13.3 per cent; Asian traffic grew 32.6 per cent. In European traffic, revenue passenger kilometres grew more modestly due to the sale of FlyNordic in July. In the second half of the year, FlyNordic was no longer included in the Finnair Group's traffic performance figure. Passenger load factor rose 0.4 percentage points from the previous year to 75.5 per cent. The amount of cargo carried grew by 5.2 per cent.

Due to growth in long-haul traffic, total unit revenues per passenger kilometre in scheduled passenger and leisure traffic fell by two per cent. FlyNordic eliminated unit revenues declined one per cent. Yield per passenger rose by 8.3 per cent. Unit revenues per tonne kilometre for cargo traffic declined by 3.1 per cent. Weighted unit revenues for passenger and cargo traffic fell by 1.9 per cent.

In 2007 euro-denominated operating costs were 3.7 per cent higher than the previous year. Relative to traffic performance, unit costs for flight operations fell 5.4 per cent, and excluding fuel costs 7.4 per cent. Finnair's fuel costs in 2007 totalled 440 million euros, some 55 million euros, i.e. 14.3 per cent higher than in 2006. Fuel costs were equivalent to 20.2 per cent (19.4) of the Group's turnover.

Personnel expenses rose in 2007 by 6.6 per cent partly due to incentive bonus provisions made as a result of a significant improvement in profit as well as a higher pension insurance contribution class. The underlying total of salaries paid has grown by around 14 million euros, i.e. nearly four per cent.

Leasing payments fell by more than ten per cent, as leasing agreements of three Boeing 757 aircraft used by Leisure Flights were renegotiated on more favourable financial terms and also due to weakening of USD. The agreements of four other leisure flight aircraft were renewed in 2006. The fall in the item "Other rental payments" is due to a reduction in passenger seats and cargo space leased from other airlines as well as fewer equipment rentals.

The item "Fleet materials and overhauls" fell 23.8 per cent from 2006. One important factor was a fall in overhaul costs due to new aircraft. In addition, in the comparison year, particularly in the final quarter, there were excess depreciations of the spare part inventory as well as subcontracting costs, of which there were none in 2007.

Depreciation and traffic charges have risen by around nine per cent as a consequence of new aircraft and increased traffic. In addition, in depreciation a non-recurring item of 4.5 million euros for the goodwill of FlyNordic as well as excess depreciation for the Boeing MD-80 fleet, owned by Finnair Aircraft Finance and used by FlyNordic has

been recognised. The change in the fair value of derivatives has been recognised in the item "Other expenses".

Ground handling and catering expenses rose by 10.7 per cent due to a growth in passenger numbers, particularly in long-haul traffic business class, which has increased its catering expenses. Package tour production costs grew 8.9 per cent, because customers have moved to an increasing extent to more expensive categories of hotel.

Earnings per share for the full year amounted to 1.04 euros (-0.14). Equity per share at the end of the year was 7.70 euros (6.77).

Any comparison should also take into consideration the fact that more than 15 million euros of non-recurring expenses relating to the restructuring programme were recognised in the second quarter of 2006, which is evident in cumulative operating expenses. In the comparison of the operational result, restructuring expenses have been eliminated.

Investment, financing and risk management

Investments in 2007 rose to 326.3 million euros (252.2 million), as a substantial modernisation programme of the wide-bodied fleet was initiated. The investments include two Airbus A340 wide-bodied aircraft and five Embraer 190 aircraft. Including advance payments, the cash flow impact of fleet and auxiliary investments was around 300 million euros in 2007. The cash flow impact of the new aircraft acquisition programme and auxiliary investments in 2008 will be around 250 million and in 2009 more than 400 million euros. The final investment sum will depend on how many of the aircraft are acquired on operational leasing agreements.

A share issue directed at existing shareholders was implemented in December and it strengthened the company's cash reserves by 243.8 million euros. The cash will be used mainly for future aircraft acquisitions. The funds have been invested temporarily in commercial paper and bank certificates of deposit whose maturity is less than 12 months. At the end of the year, the Group had balance sheet cash and cash equivalents amounting to 540.1 million euros, in addition to which there was a total of 250 million euros in unused committed credit facilities.

Operational net cash flow was 317.5 million euros, compared with 95.8 million euros a year earlier. Due to an improvement in cash flow from operations and the share issue, gearing fell from 7.1 per cent at the beginning of the year to a debt-free position, namely -22.5 per cent at the end of the year. Gearing adjusted for leasing liabilities was 35.1 per cent (112.8%). The equity ratio correspondingly rose from the previous year by 9.8 percentage points to stand at 47.0 per cent.

The income statement's financial items include an item that improves the result by around five million euros, which is the accounting valuation of the Norwegian Air Shuttle share options owned by Finnair. If Finnair exercise the options by the end of 2008, its holding in Norwegian will rise to more than ten per cent.

According to the financial risk management policy approved by Finnair's Board of Directors, the company has hedged 70 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. 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 instrument.

Under IFRS rules, a change during the financial period in the fair value of fuel- and foreign currency-related 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 a realised hedging gain nor does it have an effect on cash flow; it is a valuation gain in accordance with IFRS reporting practice. In 2007 the change in the fair value of derivatives was +14.5 million euros.

When compared to previous year, a weakening of the US dollar against the euro had a positive impact on Finnair's operational result of around fifteen million euros, taking foreign currency hedging into account. At the end of December, the degree of hedging for a dollar basket over the following 12 months was 57 per cent.

Finnair's investments, financing and risk management are outlined in more detail in the Financial Report section of the annual report, which will be published in the week commencing the 10 March 2007.

Shares and Share Capital

Finnair's market value at the end of the year was 1,036.6 million euros (1,101.5 million) and the closing share price was 8.09 euros. During 2007 the highest price for the Finnair Plc share on the Helsinki Stock Exchange was 14.35 euros (15.00), while the lowest price was 7.51 euros (10.01) and the average price 10.01 euros (12.50). The fall in the price at the end of the year was also influenced by the separation of the subscription right from the share. Some 37.7 million (30.0 million) of the company's shares, with a value of Euros 377.2 million (374.6 million), were traded on the Helsinki Stock Exchange.

Finnair arranged a share issue November 29 -December 17, 2007. In the share issue, 39,379,757 new shares were offered to the company's shareholders for subscription in proportion to their existing shareholdings. In the share issue, for every nine subscription rights, shareholders were entitled to subscribe for four new shares at a price of 6.30 euros per share. All of the shares offered in the issue were subscribed and paid for. The new shares were entered in the Trade Register in December 2007, after which the number of shares recorded in Finnair's trade register entry was 128,136,115 at the end of the year. The registered share capital was 75,442,904.30 euros. The Finnish State owned 55.78 per cent (55.78%) of Finnair's shares, while 21.72 per cent (34.5%) were held by foreign investors or in the name of a nominee.

At the beginning of the financial year, Finnair held 151,903 of its own shares, which it had purchased in previous years. The Annual General Meeting held on 22 March 2007 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 3,651,000 shares. The authorisation applies to shares amounting to less than five per cent of the company's share capital. In 2007 Finnair did not acquire nor dispose of its own shares. At the end of the year, Finnair held 151,903 of its own shares, namely 0.12 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 22 March 2007, 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), Kalevi Alestalo, Satu Huber, Markku Hyvärinen, Kari Jordan, Ursula Ranin and Veli Sundbäck. In addition, a new member, Sigurdur Helgason, was elected.

PricewaterhouseCoopers Oy, Authorised Public Accountants, were elected as the company's regular auditors: Eero Suomela, Authorised Public Accountant, as auditor with main responsibility, and Jyri Heikkinen APA; Tuomas Honkamäki APA and Timo Takalo APA as deputy auditors.

Anssi Komulainen, began as SVP Human Resources on 1 February 2007. He moved to the post from his duties as Managing Director of Finnair Catering Oy. In his place, Kristina Inkiläinen was appointed Managing Director of Finnair Catering Oy and SVP, Catering as of 30 April 2007.

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

Tero Vauraste, Managing Director of the Group's ground handling company Northport Oy, resigned from his post on 31 May 2007. He was succeeded as Managing Director of the company by Jukka Hämäläinen as of 13 August 2007.

SVP Flight Operations Hannes Bjurström resigned from the company on 1 November 2007. He was succeeded by Veikko Sievänen, who previously served as Finnair's Chief Pilot.

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

Personnel

During 2007, the Finnair Group had an average number of 9,480 (9,598) employees, which was 1.2 per cent fewer than a year earlier. Scheduled Passenger Traffic had 4,151 employees and Leisure Traffic 372 employees. The total number of personnel in technical, catering and ground handling services was 3,674 and in travel services 1,129. A total of 154 people were employed in other functions.

As part of an 80 million euro efficiency programme, Finnair announced in May 2006 a target of cutting 670 jobs, mainly in Finnair Technical Services and in administrative support functions by the end of 2007. The reductions according to the programme have been for the most part implemented. The number of personnel in group administration and support functions was cut by a third. The number of personnel in other business areas has declined or remained as before. The number of personnel in Leisure Traffic rose by 8.5 per cent due to company acquisitions abroad. Because of traffic growth, an additional 210 flight personnel were employed.

At the end of the year, Finnair Group had around 750 employees outside of Finland, of which 250 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 92 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 is 42 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 13 years. 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.

Of Finnair Group personnel, half are women and half are men. Of the twelve members of the Finnair Group's Board of Management, two are women. Two of the eight members of Finnair Plc's Board of Directors are women.

During October-November, Finnair agreed with six labour unions new collective employment agreements, which will run until spring 2010. The salary increases agreed in the collective employment agreements impose pressures to continue improving productivity, especially in labour-intensive business units.

According to the agreement, salaries will rise in the first year by 4-5 per cent and in the second year by 3-4 per cent. Improvements were also agreed in flexibility of labour as well as the introduction of performance-related remuneration models. The pilots' current collective employment agreement will expire at the end of April 2008. Negotiations on a new collective employment agreement have already begun.

Incentive bonuses, including social expenses, amounting to about 13 million euros are expected to be paid to personnel for 2007, and about 10 million euros in profit bonus into the Personnel Fund. Reserves for incentives under the share bonus scheme for key individuals, totalling about 9 million euros, have also been made. The total sum of all incentives is about 32 million euros.

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 the year the Finnair Group had a total of 63 aircraft in flight operations. The average age of the Finnair Scheduled Passenger Traffic's entire fleet was 5.9 years. In European traffic, the average age of the fleet is 4.3 years. Finnair has at its disposal the most modern fleet in European air traffic, which brings both cost savings and eco-efficiency.

Finnair's long-haul fleet consists of three Airbus A340 aircraft and seven Boeing MD-11 aircraft. The MD-11 aircraft will be replaced with twin-engine Airbus A330 wide-bodied aircraft by spring 2010. Five Boeing MD-11 aircraft will be withdrawn from Finnair's ranks in 2008-2010 as their leasing agreements expire. Agreements to sell the two aircraft in Finnair's ownership to Aeroflot Cargo have been made and they will transfer to their new owner in autumn 2008 and in summer 2009.

Because the selling price of the MD-11 aircraft exceeds their book value, depreciation for their remaining time of use has been reduced so that no significant capital gains on the sales arise at the end of the period. Due to the change, monthly depreciation up to the time of the withdrawal of the MD-11 aircraft will be around 0.7 million euros lower compared with the previous depreciation programme.

The long-haul fleet modernisation programme includes an order for two Airbus A340 aircraft for 2008 and an order for eight Airbus A330 aircraft for 2009-2010, as well as options for two more. Through the programme, the Finnair long-haul fleet can be increased from the present ten aircraft to 15 aircraft by the end of the decade.

In 2014-2016, Finnair will acquire new technology A350XWB aircraft. Finnair has placed firm orders for 11 of this type of aircraft and has options for four more.

The Embraer aircraft acquisition programme, which began in autumn 2005, continues. The number of Embraer aircraft ordered is 20, of which ten are the 76-seat 170 model and ten the 100-seat 190 model. All ten Embraer 170 aircraft as well as six Embraer 190s have already been delivered to Finnair. In 2008 will come two more Embraer 190s and in 2009 a further two. Finnair also has options for six additional Embraer aircraft.

After the withdrawal of the MD-11 aircraft, the company's scheduled passenger traffic fleet will consist solely of modern Airbus A320, A330 and A340 aircraft as well as Embraer 170 and 190 aircraft.

The total value of the planned aircraft acquisitions is around two billion euros, which also includes supporting investments, such as maintenance hangars as well as spare engines and parts.

The fleet renewal will create a good framework for lowering operating costs and improving profitability. The commonality of the fleet will boost the efficiency of crew utilisation and maintenance work. The lower fuel consumption of the new aircraft will bring savings and cut emissions.

Winglets have been fitted to the seven Boeing 757 aircraft used by Finnair Leisure Flights. The modification has improved the aircraft's aerodynamics and consequently reduced fuel consumption and emissions by five per cent.

Four of the ATR 2007 turboprop aircraft used by the Estonian subsidiary Aero Airlines AS were sold in summer 2007, for which a capital gain was recognised in the second and third quarters. Aero's traffic was discontinued on 6 January 2008. The remaining ATR aircraft have been sold and a capital gain will be recognised in the first half of the current year.

Environment

In 2007 the EU prepared two different models for the implementation of emissions trading in air traffic starting in 2012. The emissions trading calculation principles take into account the performance undertaken for the fuel consumed. Finnair will respond positively to the emissions trading principles and 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.

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

Kati Ihamäki MSc(Econ) has been appointed as Finnair's VP, Sustainable Development as of 1 February 2008. Her task will be to promote the realisation of Finnair's environmental goals in the Group's business operations, such that Finnair can be among the leading airlines in environmental activities. She will also be responsible for coordinating environmental strategy and emissions trading projects as well as for integrating environmental issues into Finnair's competitive strategy.

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 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 and Finnair Aircraft Finance Oy. The Swedish subsidiary FlyNordic, sold in July 2007, is included for a six-month period, and the Estonian subsidiary Aero Airlines, whose operations were

discontinued on 6 January 2008, is included in the 2007 figures for the whole of the year.

In 2007 the business area's turnover grew by 10.7 per cent to 1,685.3 million euros (1,522.1 million). The operational result, i.e. adjusted EBIT, was 76.2 million euros (28.6 million).

Scheduled Passenger Traffic carried nearly 7.5 million passengers in 2007. Scheduled Passenger Traffic's revenue passenger kilometres grew by 18.5 per cent, while capacity grew by 16.3 per cent, leading to an improvement in passenger load factor by 1.3 percentage points to 72.9 per cent.

Unit revenues for scheduled passenger traffic fell 4.6 per cent in 2007. FlyNordic eliminated unit revenues declined 3.8 per cent. Growth of the relative share of long-haul traffic in scheduled traffic as a whole 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. In domestic traffic, on the other hand, the decline in price levels continued.

Cargo revenues account for a good ten per cent of all Scheduled Passenger Traffic's revenues. Unit revenues for cargo declined by 3.1 per cent in 2007. The total amount of cargo carried in scheduled passenger traffic grew by 5.2 per cent. The amount of cargo carried in Asian traffic rose by 24.5 per cent from the previous year.

Finnair Cargo Oy's profitability improved significantly in 2007. One key reason for the profit improvement was the significant cut in July 2007 of cargo capacity leased externally.

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

During 2007, the arrival punctuality of scheduled passenger flights fell by four percentage points to 80.4 per cent (84.4%). The weakening of punctuality has resulted particularly from the increasing complexity of the company's network structure. Finnair is still among the ten most punctual European airlines and one of the best network companies. Special attention will be directed at production planning and supervision by improving processes and cooperation between units.

At the end of July 2007, Finnair sold its Swedish subsidiary FlyNordic to Norwegian Air Shuttle AS. Finnair and Norwegian Air Shuttle have also agreed to deepen cooperation between the companies. The goal is that Norwegian Air Shuttle's Scandinavian route network will be linked to Finnair's increasing Asian connections, whereby growing demand in Asia for tours of the Nordic countries and Central Europe can be satisfied better.

Leisure Traffic

This business area consists of Finnair Leisure Flights and the Aurinkomatkat-Suntours package tour company as well as its Estonian subsidiary Horizon Travel and the 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 has a strong market leadership in leisure travel flights. The company has ten tour operators as customers. The tour operators buy for their use and at their own risk the flight series they wish to holiday destinations either for the summer or winter season.

In 2007 Finnair Leisure Flights carried nearly 1.2 million passengers. Tour operators cut their capacity due to overcapacity the previous year, which meant that performance calculated in passenger kilometres was 1.4 per cent less than a year earlier. Growth of long-haul destinations increased revenue passenger kilometres by 0.3 per cent, so the passenger load factor for leisure flights fell 1.4 percentage points to 86.0 per cent.

Internet sales to consumers of mere aircraft seats to holiday destinations grew strongly. In the winter season, there were 12 return flights a week to Asia. Winglets were fitted to the Boeing 757 fleet used by Leisure Flights. These reduced fuel consumption by five per cent and compensated to some degree the effect on profitability of rising fuel prices. Due to efficiency measures and sales of additional services, Leisure Flights' result was very good.

Aurinkomatkat-Suntours' passenger numbers declined by three per cent in 2007 to around 335,000 passengers. Price levels remained good, however, particularly in the case of winter long-haul trips. The result improved significantly from the previous year and was clearly in profit. In 2007 Aurinkomatkat-Suntours purchased Estonia's second biggest, and strongly growing, tour operator Oü Horizon Travel. The company exceeded the profit targets set for it. At the turn of the year, Aurinkomatkat-Suntours bought the St. Petersburg travel agency and tour operator Calypso AS. The company is known for its quality tours and tailored VIP trips.

In 2007, turnover rose by 5.9 per cent to 409.6 million euros. The operational result, i.e. adjusted EBIT, improved by 30.1 per cent to 24.2 million euros (18.6 million).

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 2007 Aviation Services' turnover rose 6.5 per cent to 433.9 million euros. The operational result, i.e. adjusted EBIT, improved by 34.8 million euros and was a profit

of 10.3 million euros (24.5 million loss). The business area's units have managed to improve their profitability significantly.

The Catering business is the most profitable of the Aviation Services. Finnair Technical Services' profitability improved significantly from the previous year, and the unit broke even. In 2006 Finnair Technical Services was heavily loss-making.

In the years 2006–2007, Finnair Technical Services implemented a competition project that examined the whole organisation's business models as well as its revenue and cost structure. Business profitability has improved by developing work processes and operating models and by specialising only in maintenance services for certain aircraft types in which Finnair Technical Services has special expertise. At the same time, operations for which there is no commercial justification have been discontinued. Maintenance preparedness for types of aircraft that Finnair no longer flies has been mostly discontinued.

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 end of 2007 it was agreed, among other things, that Technical Services would handle overhauls of the Russian airline Aeroflot Cargo's Boeing MD-11 fleet. The value of the eight-year contract is more than EUR 200 million euros.

Around 300 jobs were cut from Technical Services in the period 2006–2007. The reduction was implemented through various pension solutions, outsourcing of functions and redundancies. Only a small proportion of the reductions were in the line maintenance important for daily maintenance of aircraft.

The ground handling services company Northport Oy is still loss making, but the sale of loss-making subsidiaries in Sweden and Norway alleviated Northport's losses. These foreign operations were sold to the international ground handling group Menzies Aviation.

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.

The business area's net sales in 2007 fell by 5.8 per cent to 82.3 million euros (87.4 million), but the operational result, i.e. adjusted EBIT, rose to 2.9 million euros (2.3 million).

The Finnair Group's travel agencies, Finland Travel Bureau (FTB) and Area, are among the leading travel agencies in Finland. With the product's life cycle waning, FTB has discontinued the guided city breaks to European destinations produced under the name Etumatkat. The reduction in sales is evident as a fall in turnover.

Travel agencies' distribution is moving rapidly to the internet. Electronic sales doubled in 2007. Automation is being used to improve the efficiency of providing corporate

travel services. Area is a pioneer among the traditional travel agencies in electronic services. FTB has implemented a structural change programme to adapt the office network and to improve functions and profitability.

Estravel again met with success in the Baltic states. In Estonia the company's market share is 37 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. Increased travel by Finns is boosting the company's turnover.

Air Traffic Services and Products

Finnair has focused on traffic between Europe and Asia, offering Finns efficient and diverse connections to the world. More than half of scheduled traffic revenue is linked to Asian traffic. Finnair has a total of 61 direct flights per week to ten Asian destinations.

A new Asian destination, Mumbai in India, was opened in June 2007 with five flights per week. In June 2008 the flight frequency to Mumbai will rise to six, and at the same time Finnair will begin direct flights to the South Korean capital Seoul. The route will be flown five times per week. Other Asian destinations are Bangkok, Beijing, Delhi, Guangzhou, Hong Kong, Nagoya, Osaka, Shanghai and Tokyo.

Finnair's long-haul strategy exploits Helsinki's ideal location on flight routes between Asia and Europe. This competitive advantage also gives rise to the Via Helsinki concept, a collaborative effort of Finnair and Finavia, which means the shortest possible route, efficient and uncongested transit connections, new kinds of airport services, and making travelling a pleasant experience.

A terminal extension at Helsinki-Vantaa Airport intended to service Asian traffic in particular will open in 2009. Flights covering 45 European and 13 domestic destinations connect into Finnair's Asia network. At the same time, a wide selection of direct connections are offered from Finland to the rest of Europe. In spring 2007, Finnair opened new, all-year-round destinations, namely Bucharest, Lisbon and Ljubljana.

In July American Airlines, Finnair and three other European **oneworld** airlines - Iberia, Malév and Royal Jordanian - applied for antitrust immunity (ATI) from the United States' Department of Transport (DOT). The **oneworld** partners wish to expand their cooperation in, among other things, traffic and route planning, marketing, pricing, frequent-flyer schemes, cargo transportation, and information and distribution systems.

In their bilateral cooperation, Finnair and American Airlines have had a valid antitrust immunity agreement since 2002. This is reflected, for example, in common pricing, increased onward connections between Finland and the USA, and improved airport services.

Finnair Leisure Flights carries the customers of ten tour operators to 66 holiday destinations in 33 countries. In addition, flights alone can be purchased on the

internet to dozens of Leisure Flights' destinations. Growth in Asian travel is also reflected in Leisure Flights. In the winter season, Leisure Flights will operate 12 weekly flights to Asia, including daily flights to Thailand. A new winter destination was Krabi in Thailand.

The Leisure Flights' fleet consists of seven Boeing 757 aircraft and Airbus capacity leased from Scheduled Passenger Traffic. At the beginning of 2007, Finnair Leisure Flights launched additional services that customers can pay for via the internet before their trip. Customers can, for example, order various meal options, choose a certain seat, or make arrangements for special baggage.

New seats with a slimmer structure have been fitted in the Airbus A320 and A321 aircraft mainly used in European traffic. The new seats have been designed so that leg room is not reduced, even though the seat spacing has been shortened. The seat renewal increased by 15 the number of seats in each of the 18 aircraft, while the weight of the aircraft was reduced by 1,200 kilos, thus enhancing fuel efficiency.

From December 2007 Finnair has, in cooperation with the insurance company AIG, offered passengers the opportunity to buy travel cancellation and interruption insurance from the website when booking flight tickets. Initially the service is being offered to customers who buy their trips in Finland, Germany and the UK. The goal is to offer the service in future in all of those markets where a Finnair ticket can be bought on the internet.

Finnair's Vision 2017

In October 2007, Finnair published its long-term vision, which outlined the company's future for ten years ahead. The company's objective is to offer customers the fastest flight connections in intercontinental traffic in the northern hemisphere. At the same time, Finnair aims to provide Finns with diverse connections to destinations all over the world. Finnair wishes to be the airline of choice for quality and environmentally conscious air travellers. Finnair also aims to be an attractive investment for shareholders.

The vision specifies scheduled traffic between Europe and Asia, and between North American and Asia, as the key growth areas, because the shortest routes between these continents pass over Scandinavia. Finnair expects traffic on these axes to grow strongly in the coming years. The opening of Russian air traffic in future will present opportunities to supplement the network.

In the vision, Helsinki-Vantaa Airport will play a natural role as a transit location. The intention of Finnair and Finavia is to develop Helsinki-Vantaa so that, in addition to basic services, changing aircraft at the airport becomes a travel experience in itself. The reliable image of Finnair and Finland in the world is a strength in a changing environment.

With its present fleet programme, Finnair's long-haul fleet can be increased to over 20 wide-bodied aircraft by 2017. Finnair's total passenger numbers can rise from the present nine million to over 20 million, and to clearly over three million passengers in

long-haul traffic. The aim of the fleet modernisation is to create a fleet that is as modern, economic and environmentally positive as possible.

Finnair wants to be a responsible world citizen that takes the environment into consideration in everything it does. Finnair supports the International Air Transport Association IATA's target towards zero-emissions air transport. Decreasing the environmental load of air transport will facilitate growth in air travel also in the future.

Finnair considers that the significance of Asian airlines in intercontinental traffic will grow and that consolidation among airlines will continue. For Finnair, the most interesting future cooperation candidates are to be found among the quality Asian **oneworld** airline partners. The main goal for Finnair is to improve connections and services offered to customers while increasing value for shareholders.

Leisure Traffic is also part of Finnair's core business. The aim is to expand package tour and charter operations from the Finnish market into the Baltic Sea area, particularly the Baltic states and Russian market.

The Finnair brand's success factors will continue to be based in future on strong expertise and good networking. The value generated for a Finnish airline's customers will be based on safety, freshness, creativity and Finnishness, which are positive, differentiating qualities.

Short-term risks and uncertainty factors

Fuel costs constitute approximately one fifth of the Group's total costs and are one of the most significant uncertainty factors where costs are concerned. The price of oil has been at a record high during recent months. A degree of hedging in excess of 70 per cent and US dollar's relationship to the euro will dampen the influence of the oil price, but if the present trend continues, fuel costs will increase faster than operational performance.

A weakening in general economic conditions may slow growth of air travel.

Negotiations to renew the collective employment agreement of pilots, which ends on 30 April 2008, are under way.

Outlook

The success of Finnair's 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.

In 2008 Asian traffic capacity will grow by more than 20 per cent when two new Airbus A340 aircraft join Finnair's long-haul fleet in the second and third quarters. A harmonised fleet will mean a more efficient cost structure due to more simplified crew utilisation and maintenance activities.

The majority of passengers on Finnair's Asian flights connect to the company's European network. Growth in Asian traffic will therefore be reflected also in demand for European traffic.

The price of fuel is expected to remain high and to exert pressure for ticket price increases whenever the market situation permits. Based on current fuel prices, fuel costs are expected to be over 22 per cent of the turnover in 2008.

Demand is expected to be good in the early part of the year, but a change in passenger preference from group travel to individual travel will also bring the making of reservations closer to the travel date. In terms of the timing of profit development, it is worth noting that Easter, when fewer higher-priced business trips are made, falls this year in the first quarter, when last year it was in the second quarter. In Leisure Traffic, strong demand for winter long-haul trips will be evident.

It is expected that the predicted slower growth in the global economy will have less impact on air traffic between Europe and Asia than on the development in certain other traffic areas.

Personnel will be increased to meet the needs of growing traffic. The salary increases agreed in the collective employment agreements will exert pressure to continue improving productivity. The profit impact of the 80 million restructuring programme implemented in 2006–2007 will be evident in full this year.

Board of Directors Proposal on the Dividend

The distributable equity of Finnair Plc amounts to 511.0 million euros. The Board of Directors proposes to the Annual General Meeting that a dividend of 0.25 euros (0.10) per share be distributed, and that the remainder of the distributable equity be carried over as retained earnings. No dividend will be paid for own shares held by Finnair.

FINNAIR PLC
Board of Directors

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FINNAIR GROUP FINANCIAL STATEMENT FOR JANUARY 1 – DECEMBER 31, 2007

KEY FIGURES EUR mill.

	2007	2006	Change	2007	2006	Change
	1 Oct– 31 Dec	1 Oct– 31 Dec	%	1 Jan– 31 Dec	1 Jan– 31 Dec	%
Turnover	568.7	499.3	13.9	2 180.5	1 989.6	9.6
Profit before depreciation and lease payments. EBITDAR *	70.6	27.9	-	287.4	206.8	39.0
Lease payments for aircraft	20.6	22.8	-9.6	81.2	90.8	-10.6
Operating profit, EBIT*	24.4	-24.4	-	96.6	11.2	-
Fair value changes of derivatives	0.2	-1.4	-	14.5	-8.8	-
Profit from disposal of capital assets	6.2	0.0	-	30.4	-13.2	-
Operating profit, EBIT	30.8	-25.8	-	141.5	-10.8	-
Profit for the financial year (share attributable to shareholders of parent company)	26.9	-20.3	-	101.6	-13.6	-
Operating profit, EBIT, % of turnover *	4.3	-4.9	-	4.4	0.6	-
EBITDAR, % of turnover *	12.4	5.6	-	13.2	10.4	26.8
Unit revenues of flight operations c/RTK	72.2	74.5	-3.1	72.6	74.0	-1.9
Unit costs of flight operations c/ATK	43,1	46,8	-7,9	43,5	46,0	-5,4
Earnings per share EUR (basic and diluted)	0.27	-0.21	-	1.04	-0.14	-
Result per share EUR **	-	-	-	0.79	-0.15	-
Equity per share EUR	10.07	-	-	10.07	-	-
Equity per share EUR **	7.70	6.77	13.7	7.70	6.77	13.7
Gross investment EUR mill.	62.0	57.1	-	326.3	252.2	29.4
Gross investment, % of turnover	10.9	11.4	-	15.0	12.7	-
Equity ratio %				47.0	37.2	-
Gearing %				-22.5	7.1	-
Adjusted gearing %				35.1	112.8	-
Rolling 12-month ROCE %				14.2	-0.1	-
Rolling 12-month ROE %				12.9	-2.0	-

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

** Number of shares at the end of financial year.

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

CALCULATION OF KEY RATIOS

Earnings / share:

Profit for the financial year

Weighted average number of shares,
adjusted for share issues

Equity / share:

Shareholders' equity

Number of shares at the end of the financial year,
adjusted for share issues

Gearing, %:

Net interest-bearing liabilities *100

Shareholders' equity + minority interest

Operating profit, EBIT :

Operating profit excluding the disposal of the capital assets,
fair value changes of derivatives and non restructuring items

Shareholders equity = to equity holders of the parent
The figures of financial statement have not been audited.

Return on capital employed,%: (ROCE)

Profit before taxes + interest and other financial expenses *100

Balance sheet total - non-interest-bearing liabilities (average)

Net interest bearing liabilities:

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

Equity ratio, %:

Shareholders' equity + minority interest *100

Balance sheet total - advances received

Return on equity %: (ROE)

Result *100

Equity + minority interests (average)

CONSOLIDATED INCOME STATEMENT (EUR mill.)

	2007	2006	Change	2007	2006	Change
	1 Oct- 31 Dec	1 Oct- 31 Dec	%	1 Jan- 31 Dec	1 Jan- 31 Dec	%
Turnover	568.7	499.3	13.9	2 180.5	1 989.6	9.6
Work used for own purposes and capitalized	0.6	1.7	-64.7	3.0	3.7	-18.9
Other operating income	11.6	0.8	-	54.3	17.9	-
Operating income	580.9	501.8	15.8	2 237.8	2 011.2	11.3
Operating expenses						
Staff costs	150.1	131.6	14.1	541.5	508.2	6.6
Fuel	115.9	99.8	16.1	439.9	385.0	14.3
Lease payment for aircraft	20.6	22.8	-9.6	81.2	90.8	-10.6
Other rental payments	15.3	22.4	-31.7	63.8	80.7	-20.9
Fleet materials and overhauls	18.3	25.3	-27.7	76.7	100.6	-23.8
Traffic charges	42.9	38.9	10.3	177.0	161.9	9.3
Ground handling and catering expenses	36.0	36.7	-1.9	154.3	139.4	10.7
Expenses for tour operations	36.8	30.5	20.7	120.6	111.5	8.2
Sales and marketing expenses	26.4	26.4	0.0	92.0	91.3	0.8
Depreciation	25.6	29.5	-13.2	114.1	104.8	8.9
Other expenses	62.2	63.7	-2.4	235.2	247.8	-5.1
Total	550.1	527.6	4.3	2 096.3	2 022.0	3.7
Operating profit EBIT	30.8	-25.8	-	141.5	-10.8	-
Financial income	9.0	3.4	164.7	17.2	11.0	56.4
Financial expenses	-4.6	-3.9	17.9	-19.9	-15.0	32.7
Share of result in associates	0.0	0.0	-	0.1	0.1	-
Profit before taxes	35.2	-26.3	-	138.9	-14.7	-
Direct taxes	-8.2	6.0	-	-36.8	1.7	-
Profit for financial year	27.0	-20.3	-	102.1	-13.0	-

Earnings per share to shareholders of the parent company	26.9	-20.3		101.6	-13.6	
Minority interest	0.1	0.0		0.5	0.6	
Earnings per share calculated from profit attributable to shareholders of the parent company						
Earnings per share EUR (basic and diluted)	0.27	-0.21		1.04	-0.14	

CONSOLIDATED BALANCE SHEET (EUR mill.)

	31 Dec 2007	31 Dec 2006
ASSETS		
Non-current assets		
Intangible assets	46.6	47.5
Tangible assets	1 168.9	1 012.3
Investments in associates	5.7	5.6
Financial assets	13.8	15.4
Deferred tax receivables	13.2	27.1
Total	1 248.2	1 107.9
Short-term receivables		
Inventories	36.1	38.5
Trade receivables and other receivables	287.3	211.8
Investments	518.6	268.6
Cash and bank equivalents	21.5	25.7
Total	863.5	544.6
Non-current Assets held for sale	34.7	7.6
Assets total	2 146.4	1 660.1
SHAREHOLDERS´ EQUITY AND LIABILITIES		
Capital and reserves attributable to equity holders of the parent company		
Shareholders´ equity	75.4	75.4
Other equity	909.9	524.5
Total	985.3	599.9
Minority interest	1.7	1.6
Equity, total	987.0	601.5
Long-term liabilities		
Deferred tax liability	143.4	115.7
Financial liabilities	269.6	286.9
Pension obligations	15.8	7.0
Total	428.8	409.6
Short-term liabilities		
Current income tax liabilities	12.1	3.0
Reserves	0.0	10.0
Financial liabilities	54.5	56.6
Trade payables and other liabilities	664.0	579.4
Total	730.6	649.0
Liabilities total	1 159.4	1 058.6
Short-term liabilities	2 146.4	1 660.1

SHAREHOLDERS' EQUITY EUR mill.

Equity attributable to shareholders of parent company									
	Share capital	Share issue	Share premium account	Bonus issue	Hedging reserve	Retained earnings	Total	Minority interests	Own equity total
Shareholders' equity 1.1.2006	73.8	0.6	18.3	147.7	20.9	411.1	672.4	1.6	674.0
Optio right to own shares	1.6	-0.6	4.4				5.4		5.4
Share premium account changes			-2.3			2.1	-0.2		-0.2
Translation difference						0.3	0.3		0.3
Purchase of minority intrest						-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
Profit for the period						-13.6	-13.6	0.6	-13.0
Shareholders' equity 31.12.2006	75.4	0.0	20.4	147.7	-21.1	377.5	599.9	1.6	601.5

SHAREHOLDERS' EQUITY EUR mill.

Equity attributable to shareholders of parent company										
	Share capital	Share issue	Share premium account	Bonus issue	Hedging reserve	Un-restricted equity	Re-tained 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						0.0	-0.1	-0.1		-0.1
Dividend payment						0.0	-8.9	-8.9	-0.4	-9.3
Share issue	0.0	0.0	0.0			244.9	0.0	244.9		244.9
Change in fair value of hedging instruments					47.9			47.9		47.9
Profit for the period						0.0	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

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1 Jan – 31 Dec 2007	1 Jan – 31 Dec 2006
Cash flow from operating activities		
Profit for the financial year	102.1	-13.0
Operations for which a payment is not included 1)	112.3	100.2
Interest and other financial expenses	19.9	15.0
Interest income	-11.9	-9.1
Other financial income	-5.1	-1.8
Dividend income	-0.2	-0.1
Taxes	36.8	-1.7
Changes in working capital:		
Change in trade and other receivables	2.4	10.2
Change in inventories	2.4	6.7
Change in accounts payables and other liabilities	89.8	13.4
Interest paid	-14.6	-11.0
Paid financial expenses	-2.3	-3.4
Received interest	9.6	9.9
Received financial income	0.5	1.6
Taxes paid	-24.2	-21.1
Net cash flow from operating activities	317.5	95.8
Cash flow from investing activities		
Acquisitions of subsidiaries	-0.6	0.0
Investments in intangible assets	-15.4	-12.6
Investments in tangible assets	-346.2	-273.0
Net change of financial interest bearing assets at fair value through profit and loss	-205.6	53.2
Sales of tangible fixed assets	65.2	2.3
Received dividends	0.2	0.1
Change in non-current receivable	1.7	2.3
Net cash flow from investing activities	-500.7	-227.7
Cash flow from financing activities		
Loan withdrawals and changes	95.6	108.3
Loan repayments	-115.0	-25.9
Share issue	244.9	0.0
Optio right to shares	0.0	5.4
Dividends paid	-8.9	-21.8
Net cash flow from financing activities	216.6	66.0
Change in cash flows	33.4	-65.9
Change in liquid funds		
Liquid funds, at beginning	273.5	339.4
Change in cash flows	33.4	-65.9
Liquid funds, in the end	306.9	273.5

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1 Jan – 31 Dec 2007	1 Jan – 31 Dec 2006
Notes to consolidated cash flow statement		
1) Operations for which a payment is not included		
Depreciation	114.1	104.8
Employee benefits	6.8	-2.8
Finance lease	-4.9	-5.0
Other adjustments	-3.7	3.2
Total	112.3	100.2
Financial asset at fair value	518.6	268.6
Cash and bank equivalents	21.5	25.7
Short-term cash and cash equivalents in balance sheet	540.1	294.3
Shares held to trading purposes	-3.0	-2.9
Maturing after more than 3 months	-223.5	-17.9
Fair value adjustment of shares available for sale	-6.7	0.0
Total in cash flow statement	306.9	273.5

ADDITIONAL INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS BULLETIN

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.

2. ACCOUNTING PRINCIPLES

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 2007:

- IFRS 7 Financial Instruments; Disclosures in the Financial Statements as well as amendments to the IAS 1 Standard: Presentation of Financial Statements - Capital Disclosures. IFRS 7 calls for new disclosures on financial instruments. The standard has no impact on the classification or valuation of the Group's financial instruments.
- IFRIC 9 Reassessment of Embedded Derivatives. The interpretation requires that an entity must assess whether contracts contain an embedded derivative that must be separated from the host contract and accounted for as a derivative.

These new, introduced standards and interpretations have no substantial impact on reporting in the income statement, balance sheet and notes.

The following interpretations are compulsory in 2007, but they have no significance for the Group:

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.
- IFRIC 8 Scope of IFRS 2.

3. 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 be based on the corresponding information reported in the financial statement.

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 profit	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	4.4	114.1

PRIMARY REPORTING FORMAT - BUSINESS SEGMENT DATA 1 January- 31 December 2006

	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
EUR mill.							
External turnover	1 415.0	382.9	108.8	82.9			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
Result for the period							-13.6
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

TURNOVER

	2007	2006	Change	2007	2006	Change
	1 Oct– 31 Dec	1 Oct– 31 Dec	%	1 Jan– 31 Dec	1 Jan– 31 Dec	%
EUR mill.						
Scheduled Passenger Traffic	427.5	375.1	14.0	1 685.3	1 522.1	10.7
Leisure Traffic	119.8	104.3	14.9	409.6	386.8	5.9
Aviation Services	113.4	106.2	6.8	433.9	407.5	6.5
Travel Services	20.2	21.3	-5.2	82.3	87.4	-5.8
Group eliminations	-112.2	-107.6	4.3	-430.6	-414.2	4.0
Total	568.7	499.3	13.9	2 180.5	1 989.6	9.6

OPERATING PROFIT EXCLUDING THE DISPOSAL OF THE CAPITAL ASSETS AND FAIR VALUE CHANGES OF DERIVATIVES AND NON RESTRUCTURING ITEMS

	2007	2006	Change	2007	2006	Change
	1 Oct– 31 Dec	1 Oct– 31 Dec	%	1 Jan– 31 Dec	1 Jan– 31 Dec	%
EUR mill.						
Scheduled Passenger Traffic	20.0	-9.0	-322.2	76.2	28.6	166.4
Leisure Traffic	9.7	3.1	212.9	24.2	18.6	30.1
Aviation Services	3.0	-15.0	-120.0	10.3	-24.5	-142.0
Travel Services	-0.9	0.2	-550.0	2.9	2.3	26.1
Unallocated items	-7.4	-3.7	100.0	-17.0	-13.8	23.2
Total	24.4	-24.4	-200.0	96.6	11.2	762.5

EMPLOYEES AVERAGE BY SEGMENT

	2007	2006	Change
	1 Jan– 31 Dec	1 Jan– 31 Dec	%
Scheduled Passenger Traffic	4 151	4 114	0.9
Leisure Traffic	372	343	8.5
Aviation Services	3 674	3 771	-2.6
Travel Services	1 129	1 145	-1.4
Other functions	154	225	-31.6
Finnair Group Total	9 480	9 598	-1.2

SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS

TURNOVER OUTSIDE THE GROUP BY SALES DESTINATION

	2007	2006	Change	2007	2006	Change
	1 Oct– 31 Dec	1 Oct– 31 Dec	%	1 Jan– 31 Dec	1 Jan– 31 Dec	%
EUR mill.						
Finland	111.2	112.3	-1.0	419.7	436.7	-3.9
Europe	230.6	219.8	4.9	992.8	936.5	6.0
Asia	185.9	134.9	37.8	626.3	482.0	29.9
North America	13.7	13.6	0.7	63.2	66.4	-4.8
Others	27.3	18.7	46.0	78.5	68.0	15.4
Total	568.7	499.3	13.9	2 180.5	1 989.6	9.6

4. COMPANY ACQUISITIONS AND SALES

In January 2007, the Group's subsidiary Oy Aurinkomatkat-Suntours Ltd Ab acquired all the shares of Oy Matkayhtymä AB, and in April 2007, 95 per cent of the shares of the Estonian company Horizon Travel A/S. The company acquisitions have no substantial impact on the figures of the consolidated interim report. The gross investment in the shares was 0.6 million euros.

On 30 June 2007 the final contract of sale was signed with Norwegian Air Shuttle on the sale of the shares of the Group's subsidiary FlyNordic. The transaction was completed on 30 July 2007. The selling price was paid in the form of new shares of Norwegian Air Shuttle ASA as well as options which can be exercised to redeem additional shares.

On 23 October 2007, Oy Aurinkomatkat-Suntours - Suntours Ltd Ab signed an agreement by which it purchased a majority shareholding of all three Russian companies belonging to the Calypso Group. The deal was finalised in January 2008.

On 2 November 2007, Northport Oy signed an agreement with Menzies Aviation Plc on the sale of Northport Oy's ground handling operations in Sweden and Norway.

5. INTEREST-BEARING LIABILITIES

During the second quarter of 2007, the Group's subsidiary Finnair Aircraft Finance Oy raised a new long-term loan from Nordea in order to finance the Group's aircraft fleet investment programme, which is currently under way. The secured constant repayment loan was raised for 10 years. The capital of the loan is 49.5 million euros and three E170 aircraft were lodged as security. Finnair pension fund loan 28.0 million euros has totally paid in December. The remaining loan withdrawals 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.

6. SHARE ISSUE

In the final quarter of 2007, Finnair arranged a share issue in which shareholders could subscribe for four new shares for every nine shares held. The subscription price was 6.30 euros per share. The money raised in the share issue increased shareholders' equity by 244.9 million euros. The change in shareholders' equity takes into account expenses and deferred tax related to them.

7. CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS EUR mill.

	31 Dec 2007	31 Dec 2006
Other contingent liabilities	263.1	236.9
Pledges on own behalf	633.9	536.3
Total	897.0	773.2
Fleet lease payment liabilities	324.8	389.8
Other liabilities	177.7	180.8
Total	1 399.5	1 343.8

Investment commitments for tangible fixed assets at 31 December 2007 totalled 1,311.1 million euros (31 December 2006 458.7 million euros)

Derivative contracts	31 Dec 2007		31 Dec 2006	
	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	26.9	-13.6	42.5	-15.2
Cross currency interest rate swaps at fair value through profit or loss	15.4	-10.1	22.1	-10.7
Total	42.3	-23.7	64.7	-25.9
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	0.9	20.0	1.0
Total	20.0	0.9	20.0	1.0
Share derivatives				
Options				
Call option, shares	16.1	8.4	0.0	0.0

8. AIR TRAFFIC 1 January – 31 December 2007

	Total traffic	Europe	North America	Asia	Domestic	Scheduled Traffic Total	Leisure	Cargo
Passengers (1000)	8 653	4 486	140	1 131	1 701	7 458	1 195	
%-change	-1.6	-0.3	-2.1	27.1	-15.6	-1.2	-3.7	
Cargo and mail (tonnes)	98 684	22 393	7 401	59 165	3 335	92 294	459	98 684
%-change	5.2	-3.7	-9.0	24.5	-13.5	11.5	23.2	5.2
Available seat-kilometres mill	26 878	8 641	1 102	10 292	1 479	21 514	5 365	
%-change	12.7	10.9	-3.2	31.8	-15.8	16.3	0.3	
Revenue passenger kilometres	20 304	5 855	923	8 018	894	15 689	4 615	
%-change	13.3	11.3	-2.1	32.6	-10.4	18.5	-1.4	
Passenger load factor %	75.5	67.8	83.8	77.9	60.5	72.9	86.0	
%-change	0.4	0.3	0.9	0.5	3.6	1.3	-1.4	
Available tonne-kilometres	4 074							1 019
%-change	13.1							30.0
Revenue tonne-kilometres mill	2 365							547
%-change	12.6							9.8
Overall load factor %	58.0							53.7 *
%-change	-0.2							-9.9

* Operational calculatory capacity

9. EVENTS AFTER THE REVIEW PERIOD

On 23 October 2007, 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. The deal was finalised in January 2008.

The opening of a new catering building, owned by the Finnair Pension Fund, will take place in February 2008. As the agreement in question is of a long-term nature, it will be recognised as a finance leasing agreement in accordance with IFRS.