A NEW SILK ROAD

ANNUAL REVIEW 2005

www.finnair.com/2005

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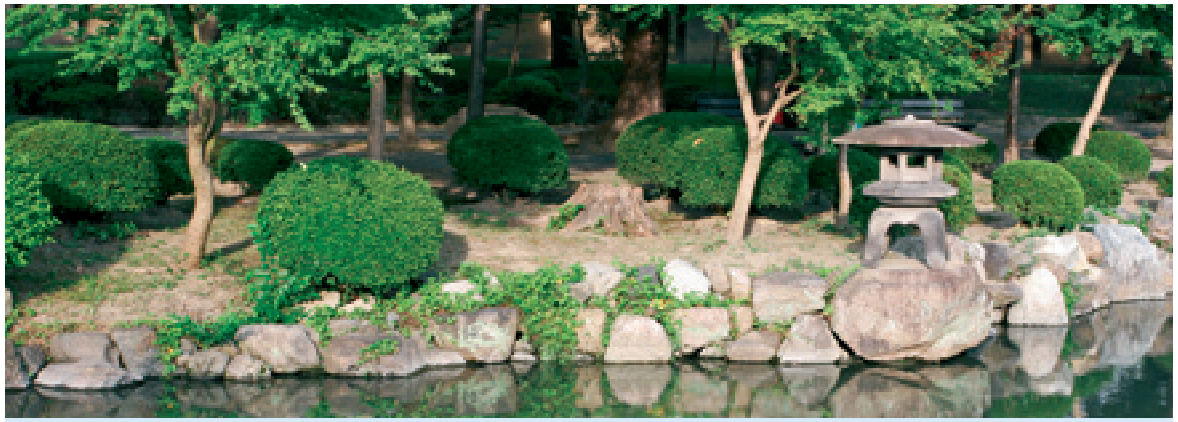

THE NEW SILK ROAD

Finnair's success story in Asian traffic continues. The company offers via Helsinki over 4,500 connections per week between Europe and Asia. Last year over 700,000 passengers took advantage of these connections. Flights will be increased to existing destinations and one or two new destinations added each year; in 2006 flights will begin to Nagoya in Japan and Delhi in India. The opening of one new Asian route increases the network with over 80 new connections.

As a market area, Asia presents huge opportunities both for Finnair and its customers. Traffic between Asia and Europe is growing at seven per cent per year. Finnair offers the fastest and shortest links between the continents.

Eastern traffic has been a success for Finnair, so Asia has been chosen as the theme of this annual report. Through pictures, words and figures we will explain how the company has created a new Silk Road.

www.finnairgroup.com

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Images: Katja Turunen

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INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The Finnair Plc Annual General Meeting will be held on 23 March 2006 at 3 pm at the Helsinki Fair Center, Messuaukio 1, congress wing entrance, hall C1.

Notice of attendance at the Annual General Meeting must be made by 1pm GMT 21 March 2006 at the latest. Notice of attendance can given either by post to the address Finnair Plc, Share Register HEL-AAC/6, 01053 FINNAIR, by fax to +358 (0)9 818 7603, by telephone to +358 (0)9 818 7637 from Monday to Friday between 7am-2pm GMT or by e-mail to yhtiokokous@finnair.com. The letters, facsimiles or e-mails of attendance must have arrived before the last time of notice.

Shareholders who are registered with the Finnish Central Securities Depository Ltd (APK) by 13 March 2006 at the latest, or who are holders of shares entered in the administrative register and who on the aforementioned date are temporarily entered in the register of shareholders in the manner specified in section 3a § 11 a of the Companies Act, are entitled to attend the AGM. Shareholders whose shares have not been transferred to the book-entry securities system may also attend the AGM on condition that such shareholders were registered in the Company's register of shareholders before 11 June 1993. In this case, the shareholder must present their share certificates at the AGM, or provide an explanation of why their shareholding rights have not yet been transferred to the book-entry system.

BOARD OF DIRECTORS' PROPOSAL ON THE DIVIDEND

The Group´s distributable equity according to the financial statements on December 31, 2005 ammounts to 352.6 million euros, while the distributable equity of the parent company comes to 311.3 million euros.

The Board of Directors proposes to the Annual General Meeting that a dividend of 0.25 euros per share be distributed, a total of 21.7 million euros, and that the remainder of the distributable equity be carried over as retained earnings.

FINANCIAL INFORMATION IN 2006

The Annual Report 2005 will be published in Finnish, Swedish and English at the week 9 in 2006.

Interim Report Q1 (1Jan–31Mar 2006) 5 May 2006
at 9 a.m. (6 a.m. UTC)
Interim Report Q2 (1Jan–30Jun 2006) 8 Aug 2006
at 9 a.m. (6 a.m. UTC)
Interim Report Q3 (1Jan–30Sep 2006) 7 Nov 2006
at 9 a.m. (7 a.m. UTC)

ORDERING THE ANNUAL REPORT

The Annual Report 2005 will be published in Finnish, Swedish and English. To order: fax: +358 9 818 4401, e-mail: post@finnair.com

ELECTRONIC ANNUAL REPORT

The Annual Report is published on the Internet in Finnish, Swedish and English at the address www.finnair.com/2005.

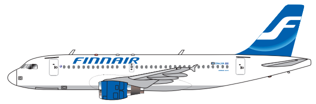
CHANGE OF ADDRESS

Shareholders are kindly requested to report any changes of address to the Finnish Central Securities Depository Ltd. where shareholders' book-entry accounts are kept.

TRAFFIC INFORMATION AND FLEET

FINNAIR TRAFFIC PERFORMANCE

	2005	2004	2003	2002	2001
Flight hours	**202,070**	196,795	172,884	172,681	180,863
Flight kilometres (1000)	**125,410**	121,027	113,892	104,838	107,574
Available seat kilometres. mill.	**23,038**	21,907	18,644	17,785	18,489
Revenue passenger kilometres. mill.	**16,735**	15,604	12,971	12,793	12,796
Passenger load factor %	**72.6**	71.2	69.6	71.9	69.2
Available tonne kilometres. mill.	**3,400**	3,162	2,636	2,491	2,493
Revenue tonne kilometres. mill.	**1,940**	1,791	1,470	1,439	1,417
Overall load factor %	**57**	56.6	55.8	57.8	56.8
Passengers (1000)	**8,517**	8,149	6,849	7,037	7,537
Cargo and mail (1000 kg)	**90,242**	86,245	73,416	72,084	71,900



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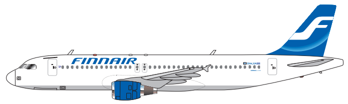

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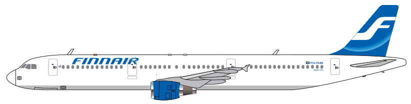

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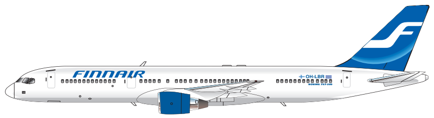

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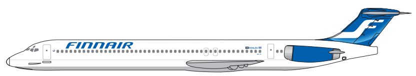
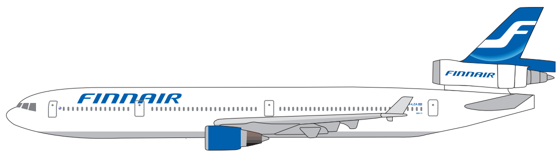


MD-82/83

FINNAIR GROUP FLEET 31 DECEMBER 2005

	Seat	Owned	Leased	Total	Average age
A319	123–126	7	4	11	4.2
A320	144	6	6	12	3.4
A321	181	4	2	6	4.9
MD-82/83*	140–156	6	8	14	17.3
ATR72**	68	8	0	8	14.8
MD-11	296	2	5	7	11.5
B757	227	0	7	7	6.6
Embraer 170	76	0	4	4	0.2
Total		**33**	**36**	**69**	**8.8**



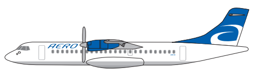
MD-11

MD-82/83 (FlyNordic)


Embraer 170

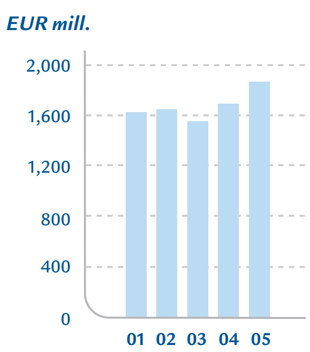
* Nine aircraft of the MD-80 fleet is operated by a fully owned subsidiary FlyNordic
** The ATR 72 fleet is operated by a fully owned subsidiary Aero

The average age of the fleet in operation of Scheduled Traffic on 31 December 2005 was 4.4 years.
The average age of the entire fleet of Finnair Group is 8.8. years.

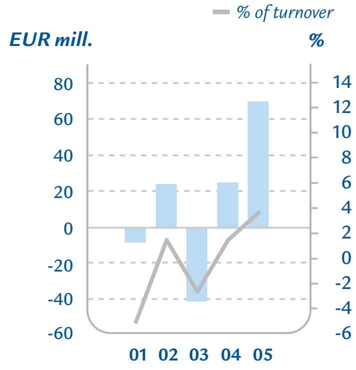

ATR72 (Aero)

KEY FIGURES 2005

TURNOVER

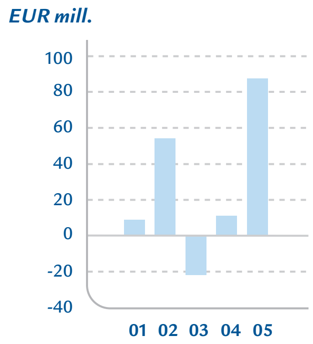


ADJUSTED EBIT *

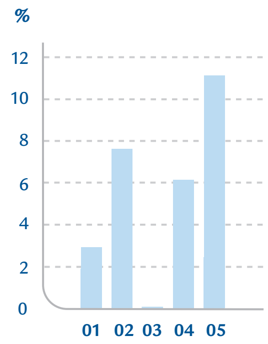


* Excluding capital gains and fair value changes of derivatives

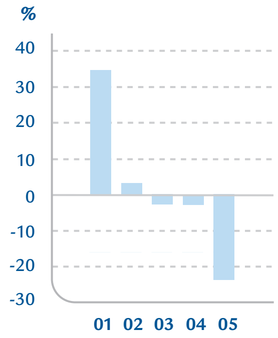
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES



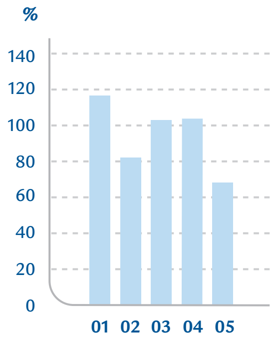
RETURN ON CAPITAL EMPLOYED



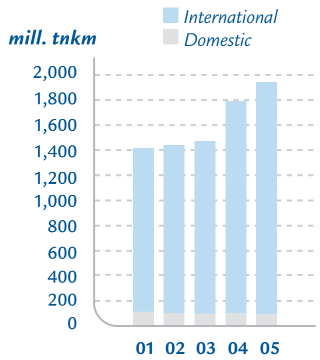
GEARING



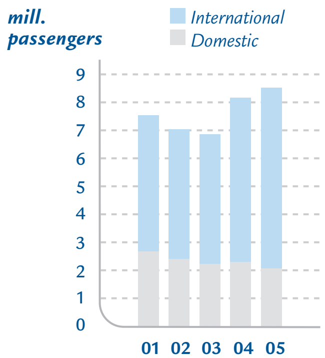
ADJUSTED GEARING



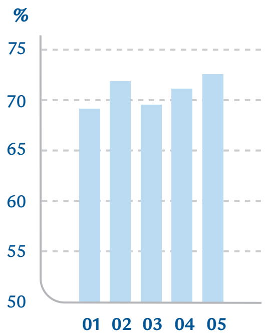
REVENUE TONNE KILOMETRES



NUMBER OF PASSENGERS



PASSENGER LOAD FACTOR



KEY FIGURES

		2005	2004	2003	2002	2001
Turnover	EUR mill	**1,871**	1,683	1,558	1,656	1,631
Adjusted, EBIT*	EUR mill	**70**	25	-41	24	-8
Operating profit, EBIT	EUR mill	**82**	31	-19	60	13
Operating profit to turnover	%	**4.4**	1.8	-1.2	3.6	0.8
Profit before extraordinary items and taxes	EUR mill	**88**	31	-22	54	9
Unit revenues of flight operations, c/RTK		**72.2**	71.0	80.1	88.1	89.8
Unit costs of flight operations, c/ATK		**52.0**	50.7	58.6	63.1	65.8
Earnings per share	Euro	**0.73**	0.30	-0.19	0.43	0.08
Equity per share	Euro	**7.73**	6.97	7.24	7.58	7.22
Gross investment	EUR mill	**58**	115	82	102	281
Interest bearing net debt	EUR mill	**-155**	-24	-18	20	212
Equity ratio	%	**42.2**	40.2	44.4	44.3	41.3
Net-debt-to equity (Gearing)	%	**-25.1**	-3.1	-2.9	3.1	34.6
Adjusted gearing	%	**66.8**	102.5	102.7	82.0	116.6
Return on capital emplyeed ROCE %	%	**11.1**	6.1	0.0	7.6	2.9
Average number of staff		**9,447**	9,522	9,981	10,476	10,847

* Excluding capital gains and fair value changes of derivatives

FINNAIR IN BRIEF

FINNAIR GROUP

SCHEDULED PASSENGER TRAFFIC

Finnair Scheduled Passenger Traffic
Aero Airlines As
Nordic Airlink Holding Ab / FlyNordic
Finnair Cargo Oy
Finnair Aircraft Finance Oy

LEISURE TRAFFIC

Finnair Leisure Traffic
Oy Aurinkomatkat – Suntours Ltd Ab

AVIATION SERVICES

Finnair Technical Services
Northport Oy (Ground Handling)
Finnair Catering Oy
Finncatering Oy
Finnair Facilities Management Oy

TRAVEL SERVICES

Finland Travel Bureau Ltd. (FTB)
A/S Estravel Ltd
Area Travel Agency Ltd.
Mikkelin Matkatoimisto Oy
Amadeus Finland Oy
Finnair Travel Services Oy

BEST IN NORTHERN SKIES

Finnair's goal is to be the leading Northern European aviation service enterprise.

EUROPEAN EXCELLENCE

Finnair's aim is to provide the most highly regarded and quality travel-related services, which are operationally the best in Europe and which are the most desirable choice for the customer.

MARKET LEADER

Finnair is the market leader in air transport to and from Finland as well as in gateway traffic through Finland.

BRAND

The brand values have been extended into dimensions that communicate the kind of airline that Finnair wishes to be and for what the airline is known. Finnair's brand values are safety, Finnishness, freshness and developing. They are timeless and distinguish Finnair from competitors.

VALUES

Finnair's values, which were updated in September 2005, are a functioning work community, continuous development, customer orientation and profitability. The purpose of the updated values is to lend support to the choices and decisions that Finnair employees make in their daily work.

SUSTAINABLE, PROFITABLE GROWTH

Finnair's business objective is to achieve sustainable and profitable growth. Geographical expectations are placed on the growing Asian, Scandinavian and Baltic markets.

COMPETITION STRATEGY

Finnair's competition strategy is based on its high quality of service, its status as one of the most punctual airlines in the industry and its comprehensive, continually expanding route network via its alliance partnerships. Finnair is safeguarding its strong competitive position by making effective use of various distribution channels and by developing its services.

CAPITALISING ON E-BUSINESS

Finnair will improve its competitiveness and cost efficiency by taking advantage of the possibilities e-business offers in its internal and external processes as well as in e-commerce and customer service.

CAPABLE PARTNER

Finnair is determined to be a capable and active partner that provides added value for its associates. Finnair is an expert on the Nordic dimension within the **one**world alliance. It is Finnair's aim to consolidate its position by being a pioneer as well as a developer and user of new technology, in addition to being a beneficiary of the synergies offered by the alliance.

PREFERRED CHOICE

Finnair's aim is to be the most desirable, safe, reliable and friendly choice for its customers. Finnair is systematically developing its service concepts based on feedback from its customers. New technology enables us to provide an increasingly personal and comprehensive service for our clients.

PROFESSIONAL PERSONNEL

A professionally skilled, motivated and committed work force is an asset that Finnair values highly. We actively work to promote job satisfaction as well as staff capabilities in a rapidly changing work environment. A management culture of reward underpins our personnel strategy.

CORPORATE AND SOCIAL RESPONSIBILITY

Finnair recognises its role as responsible partner in the society and the communities where it is operating. A responsible and open environmental policy is a permanent feature of the company's way of doing business. We pay active attention to the most pressing environmental challenges.

DIVIDEND POLICY

It is the aim of Finnair's dividend policy to pay on average at least one third of the earnings per share as dividend during an economic cycle.

FINANCIAL TARGETS

The basis for setting financial targets is that the company produces added financial value. The target is met if the six per cent operating profit margin and 17 per cent EBITDAR ratio are surpassed.

REVIEW BY THE PRESIDENT AND CEO

IN GOOD FINANCIAL SHAPE FOR THE FUTURE

The beginning of the millennium has been an exceptional time for air transport. Powerful external changes and structural tensions in the sector came as a surprise to most airlines. Many descended into chronic difficulties, some even went bankrupt. Size proved to be no safeguard for many companies. On the contrary.

Mammoth, slow-moving icons of aviation found themselves burdened with inflexible structures, crippled by intense competition created by overcapacity. Harsh restructuring measures were initiated in many companies. Often too late, however.

In Finnair we began operational efficiency and productivity improvement measures at a stage when air transport and the economy were rising steeply. In 1999 we discontinued unprofitable routes and turned our gaze to Asia.

We purposefully began to increase our traffic to China, Thailand and Japan. We saw that China's economy was on the threshold of a boom and that the market was opening up to travel. We negotiated additional rights to open routes to new destinations. We created the Silk Road of the new millennium.

Our Asia strategy helped Finnair survive through difficult years while at the same time providing a solid platform for future growth.

During the strong fluctuations in demand of recent years, price competition promoted by overcapacity and the recent rise in fuel costs, we have nurtured our competitiveness and financial health.

Sustainable profitability and healthy growth have guided our decisions, which in the hardest years were truly difficult amidst massive cost-cutting programmes and reductions in staff. But we were able to implement even major changes in a controlled way, without endangering operational or service quality.

In 2005 we have reported a financial performance that also is on the right track from the standpoint of the targets we set in autumn 2001. Behind the clear improvement in profitability has been good growth in demand both in the Nordic area and in Asian traffic. We have been able to transfer most of the rise in fuel prices into our ticket prices.

Through persistent, goal-directed work, Finnair has secured its position in the European elite - if performance is measured by service quality and financial health.

Airlines are part of a value chain in which they are fundamentally important. Several other links in the value chain, from aircraft construction to leasing activity and from oil companies to airports operate in an environment of limited competition, which is strongly reflected in the costs and profitability of airlines.

Despite the many external pressures, we in Finnair have tried to best of our ability to adapt to a transformed operating environment and to the new conditions that prevail in the industry. We have made independent decisions to safeguard our future and to ensure our success.

This is my final review as President and CEO. I am handing over the responsibility of managing Finnair to my successor Jukka Hienonen and I am retiring from my post. I am leaving Finnair in a good, if wistful, frame of mind. I would like to thank the shareholders for the confidence they have shown towards Finnair, even in uncertain circumstances. At the same time, I thank the company's employees for their resilience during a period of enormous change.

Keijo Suila
President and CEO

President and CEO Keijo Suila retired 31 December 2005.

REVIEW BY THE NEW PRESIDENT AND CEO

Jukka Hienonen was appointed President and CEO 1 January 2006.

DEAR SHAREHOLDER

For Finnair, 2005 was a success. Following the retirement of President and CEO Keijo Suila at the end of the year, I would like to take this opportunity on behalf of Finnair employees and shareholders to thank him for his long-term, excellent work performed in difficult circumstances. Finnair today is among the best airlines in terms of financial and operational key figures.

Competition in the airline industry continues to be intense. The industry is still burdened by high overcapacity and an adjustment will be required before a worldwide recovery in the sector can take place. The rise in the price of fuel over the last three years and falling ticket prices represent a problematic equation for airlines. Finnair has decided to come through this situation as one of the winners.

We will seek growth where the conditions to operate profitably exist. Traffic between Asia and Europe is expected to grow by around seven per cent a year far into the future. Finnair's Asian traffic is already growing at double that rate and our market share in the Eastern market in rising.

Finnair's air transport hub at Helsinki-Vantaa Airport has an excellent location. The shortest route from Europe to Asia passes over Finland, and Helsinki is the first EU capital city encountered when flying from Asia to Europe. Finnair's route network of nearly 50 international destinations is useful for those passengers for whom no direct connection exists between their place of departure and their destination. An uncongested airport ensures fast flight changes and our location delivers the shortest possible flying time.

Finnair's balance sheet is strong and we are a debt-free company. We are implementing an extensive investment programme, which this year will already make Finnair's scheduled traffic fleet the most modern in Europe. In the next few years we will be modernising our long-haul fleet. Soon we will be flying on scheduled traffic routes with two types of aircraft: with modern short-range Embraer aircraft and a medium- and long-range Airbus fleet. The fuel efficiency of our aircraft is competitive and environmental emissions the lowest possible.

The Finnair of the future wants to maintain its position as Europe's most punctual airline. In air transport, safety is the foundation for all operations and in this area we make no compromises. Finnair's service is unquestionably among best in the industry. We will continue to take excellent care of our customers and offer better products than our competitors both in business and leisure travel.

To our shareholders we aim to be a responsibly managed company that maintains its financial performance, a company that exhibits high expertise and a way of operating that inspires trust. Finnair is one of Finland's most interesting employers and we, as Finnair employees, are genuinely proud of our company.

I have taken over the leadership of a financially sound company and challenging market conditions lie before us. The airline industry is a dynamic, fascinating field of business, which is growing worldwide. In a competitive environment, every gain must be hard won; results must be earned through work, expertise and trust. We want to develop Finnair as a strong international company that has roots in Finland and a global reach. We will take our customers there - and bring them home for the evening!

Jukka Hienonen
President and CEO

THE BRAND SAFEGUARDS THE FUTURE

For more than 80 years Finnair has played a key role in Finnish society. Trust earned through decades of experience is a solid foundation for those facts and images that are crystallised in the Finnair brand. The Finnair brand's basic values are safety, Finnishness, freshness and development.

Like every brand, the Finnair brand rests on three main supporting pillars: recognition, respect and significance. A strong brand distinguishes a company from its competitors and is closely linked to its financial performance and future competitiveness.

Brand development is long-term, systematic work to which every Finnair employee contributes.

"Customer contacts continually create millions of moments of truth in which one's actions cannot be guided by some externally dictated nonsense. Brand values must be internalised because then acting according to them becomes deep-rooted," explains SVP Commercial Division Mika Perho.

"The brand makeover performed in autumn 2005 is an evolution; a total overhaul was conducted in 1999. This time we didn't delve into basic issues but checked whether the brand values corresponded to our current market situation and our operating environment. The brand is really a continuously moving process," says Perho.

BEST IN NORTHERN SKIES, EUROPEAN EXCELLENCE

"Best in northern skies, European excellence" is Finnair's vision, which is fulfilled through the company's strategy, internal values and brand. Corporate values guide internal activity, brand values external activity.

"Brand values represent the company's strategic intent. We cannot dictate what is in a customer's head, but we can set targets and work in every way to fulfil them," adds Mika Perho.

Internally efficient and effective processes, an anticipation of situations and a competitive price-quality ratio build Finnair's brand on a daily basis. The Finnair brand was not created by minimum performance but by legendary stories in which Finnair employees succeeded in surpassing their own and customers' expectations.

The brand shows its power when a customer expressly wishes to fly with Finnair and not any other airline. A strong brand also helps to get through difficult times. A long-lasting, enduring brand requires the constant monitoring of quality.

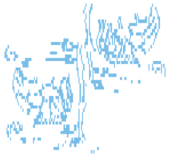
"The Finnair brand is monitored with various indicators and surveys. The price level of products also tells us something about the brand," says Perho.

Finnair's brand values have been opened into dimensions, which tell us what kind of airline we want to be and what we are known for: Safety, Finnishness, freshness and development. These are our unique strengths and their maintenance and development require constant care and work. They stand the test of time, tell us apart from our competitors and create a strong foundation to build future growth on.

A brand valued by customers creates a sustainable base for future growth, increases sales over the longer term and promotes operational development. It is often said that a good brand presells the product. Every dimension of Finnair's brand is present in every customer contact.

FINNAIR'S BRAND VALUES

- Safety
- Finnishness
- Freshness
- Development



Osaka, Hep 5 Shopping Centre, 15 August 2005 2.35 p.m. Osaka is one of Japan's oldest cities and it is crammed with historic sites. A newer attraction is the Hep 5 Shopping Centre, which is very popular with the young.

1. DID YOU KNOW?

China is the world's sixth largest economic power and at its present rate of growth it will pass USA in 30–40 years. The country is the world's third largest exporter and importer after the USA and Germany.

Source: The Confederation of Finnish Industries (EK)

FINNAIR TODAY AND IN THE FUTURE

FINNAIR TODAY

Finnair is on a strong growth track. Profitable growth has been supported by goal-directed cost control and productivity improvements in line with the company's strategy. An important driver of development has been strongly growing Asian traffic. Finnair offers the most direct route from Europe to many destinations in Asia.

As a result of correct choices and resolute work, Finnair has gained a position as one of Europe's leading airlines. A high-quality, efficient route network, comfortable and punctual travel as well as friendly, expert service are values with which Finnair is often connected. Blue and white wings have served as a bridge builder between Finland and the world since 1923.

Finnair today has over 9,000 employees. The Group has, including Aero and FlyNordic, a fleet of 70 aircraft. The fleet has been modernised since the turn of the millennium with the arrival of Airbus A320 series and Embraer 170/190 series aircraft and is now the most modern in Europe. In 2005 these aircraft flew more than 200,000 hours and carried over eight million customers. The passenger load factor was 73 per cent. For flight punctuality, Finnair has been year after year number one in Europe.

Finnair is a more significant operator than its size suggests and is an expert developer and pioneer of the aviation industry. Finnair representatives are active members in the aviation industry's international forums. In the body responsible for developing flight safety, for example, Finnair's expertise is strongly represented. Furthermore, the Finnair subsidiary Aurinkomatkat-Suntours is an active member of a UN-led project that is developing operating models for sustainable tourism.

FINNAIR IN THE FUTURE

Finnair's goal is to be the best airline in northern skies and a leading European provider of travel services.

Finnair's strategy has proved to be effective in years past. Sound finances and sustainable competitiveness provide a solid foundation for the future.

Finnair's competition strategy is based on high quality of service, a status as one of the most punctual airlines in the industry and a comprehensive, continually expanding route network via alliance partnerships. Finnair is safeguarding its strong competitive position by making effective use of various distribution channels and by developing its services.

Travel between Asia and Europe is growing at an annual rate of seven per cent. The number of passengers on Finnair's Asian routes is growing twice as fast. The company is responding to increasing demand by expanding its wide-bodied fleet and adding new routes. Finnair will open one to two new routes every year on its Asian network and increase the frequency of flights to its present destinations. In this way the modern Silk Road connecting Asia and Northern Europe will be reinforced through carefully considered steps.

Finnair and Helsinki offer the fastest route between Asia and Europe, which is an exceptional asset in the airline industry's ever intensifying competitive climate.

"Best in northern skies, European excellence" is Finnair's vision, which will be fulfilled through the company's strategy, internal values and brand.

FINNAIR'S BUSINESS OBJECTIVE IS SUSTAINABLE AND PROFITABLE GROWTH

Finnair's competition strategy is based on high quality of service, a status as one of the most punctual airlines in the industry and a comprehensive, continually expanding route network via alliance partnerships. Finnair is strengthening its competitive position by making effective use of various distribution channels and by developing new services.

For business success, the company's main competitive assets are a modern and efficient fleet, reliable and cost-effective operational support services, cost discipline and an environmentally positive outlook. Finnair aim's to create the most interesting products and services in its field of business.

Departure of AY087

As part of its growth and expansion in Asian traffic, Finnair opened a route to Guangzhou in China on 4 September 2005. Finnair flies from Helsinki to Guangzhou on Tuesdays, Fridays and Sundays, and from Guangzhou to Helsinki on Mondays, Wednesday and Saturdays. Our example flight AY087 departed from Helsinki on 22 November at 5 p.m. and arrived in Guangzhou the following morning after a flight of 9 hours and 20 minutes.

A. FLEET

As a financial sound company, Finnair has been able during the last few years to modernise its fleet at a rapid rate. Its modern fleet is cost efficient and environmentally positive. In terms of its modernity, Finnair's fleet is first rate on both a European and world scale and it will ensure the company's future competitiveness.

In September Finnair was among the first airlines to accept delivery of the Brazilian-made 76-seat Embraer 170 aircraft. During the next two years, a total of 16 Embraer will be delivered to Finnair.

In 2004 Finnair brought to a conclusion its Airbus fleet modernisation. The Airbus A320 series and the Embraer aircraft have replaced the Boeing MD-80 aircraft, which will be decommissioned by summer 2006.

In December 2005 Finnair announced that it will update its long-haul fleet by 2012. The Boeing MD-11 series aircraft, which has served the company well, will gradually be replaced by new Airbus A340 and A350 series wide-bodied aircraft, the first of which will join the fleet in 2006.

AY087

AY087 was flown with the latest Boeing MD-11 to be acquired, registration number OH-LGG. The MD-11 is well suited to Asian traffic, because it can carry 300 passengers and up to 25,000 kilos of cargo. Cargo is an important part of Finnair's Asian strategy.
OH-LGG carried 243 passengers and their baggage, plus 23,600 kilos of cargo. The passenger load factor was 86 per cent. The average passenger load factor in Asian traffic is 80 per cent.

B. PRODUCT SUPERIORITY

Finnair must be able in every situation to offer its customers competitive products and services. The product and service package is made up of numerous inter-dependent factors. For the customer, the travel experience generally begins when the journey is booked and ends with a punctual arrival after a comfortable flight. In between the customer may, for example, use Finnair's e-services and lounge facilities, and will enjoy, of course, the in-flight meals, drinks and entertainment services.

AY087

The outcome of product superiority is a satisfied and loyal customer. The services and routes offered by Finnair have proved their effectiveness. This is indicated by continually growing passenger numbers and market shares. Helsinki is an efficient gateway between Europe and Asia. Finnair is naturally the best choice for an increasing number of customers.

C. ROUTE PLANNING

Finnair has purposefully increased the number of its Asian flights since 1999 and now the company has more than 80 flights a week between Asia and Europe. Due to the Helsinki gateway, the number of route pairs is many times this amount. In future, too, Finnair will be among the first companies to open new competitive routes to the strongly growing Asian market.

AY087

Finnair flies to Guangzhou three times a week. Guangzhou is situated on the Pearl River Delta, which is one of China's biggest industrial areas. Around 40 million people live in the region, and one third of China's exports pass through it. Finnair was one of the first airlines to open links between Europe and Guangzhou.

D. FUEL

Fuel costs, which have grown due to the higher price of jet fuel, have a significant impact on Finnair's profitability. During 2005 Finnair's fuel costs rose to nearly 300 million euros, which is 15 per cent of the company's turnover. Fuel costs will also grow in the near future despite Finnair's policy of price hedging.

AY087

On its flight from Helsinki to Guangzhou, the Boeing MD-11 consumes 87 tonnes fuel, which cost the company 47,850 euros. The Airbus A350 aircraft, which Finnair ordered in December 2005 and will join the fleet in 2011, consume a third less fuel than the MD-11s.

E. THE FINNAIR BRAND

Finnair is one of the world's oldest airlines. Since its founding, customers have come to know Finnair as a quality, blue and white airline. Safety, Finnishness, Freshness and Development are unique strengths which customers value and which are present in every customer contact. They are the cornerstones of the Finnair brand and they contribute to generating sales and achieving growth targets.

AY087

As they step into the aircraft for their Guangzhou flight, the passengers sense the brightness and freshness of the cabin. Friendly, expert staff wish them welcome. The refurbished business class with its lie-flat seats make travelling an enjoyable experience. In-flight services and meals match the strong Finnair brand image that the customers have encountered in Finnair's advertising and service promises.

F. EFFICIENT SUPPORT SERVICES

Efficient, quality support services are key factors in the service chain of a successful company. Quality, satisfying catering is part of the Finnair brand, while expert maintenance and technical services keep the aircraft in peak condition and efficient use. Flexible ground handling services ensure that flights remain on schedule and that passengers are looked after well even at the busiest times.

AY087

On the Helsinki-Guangzhou route 486 meals, 750 cups of coffee and 1,500 drinks are served. Over the years, international surveys have rated Finnair's catering among the elite of the airline industry. Finnair is widely known, among other things, for its excellent selection of wines. Every meal and drink served contributes to creating the Finnair brand.

Owing to efficient, expert maintenance, the OH-LGG flies on average 15 hours per day. Ten man hours are used to maintain the OH-LGG for every hour of flying time. The aircraft is checked before every flight. More fundamental maintenance measures of differing scales are performed at monthly, six-monthly and five-yearly intervals. In the most fundamental servicing measure, every single component of the aircraft is inspected.

G. PERSONNEL

A professionally skilled, motivated and committed work force is an asset that Finnair values highly. The company has more than 9,000 employees, of whom 2,150 are flight personnel: 650 pilots and 1,500 cabin staff.

Every employee plays a key role in producing customer satisfaction, building the Finnair brand and ensuring safety. Finnair actively works to promote the job satisfaction and competence of staff in a rapidly changing operating environment.

AY087

Hundreds of people participate in the planning of the Helsinki-Guangzhou flight as well as in sales, customer service and other practical duties. Expertise and conscientious work are decisive factors in the efficiency of the service chain. For the customer, the most visible role is played by the cabin crew, which consist of 12 staff on the Guangzhou flight. Two of the staff are native-born Chinese, to ensure that the largest customer group can be served in its own mother tongue.

Osaka, Dotonbori, 15 August 2005 8.00 p.m. Osaka is one of Japan's biggest cities and is the most important finance and cultural centre in western Japan. Osaka's harbour area has been the economic area's gateway to the world for over 1,400 years.

NEW SILK ROAD LED TO RECORD YEAR

Planning of flight routes, flight scheduling and aircraft acquisition require long-term work. Finnair has succeeded in the overall management of these elements; the company's scheduled traffic grew by ten per cent in 2005. Of the Finnair Group's 8.5 million passengers, Scheduled Passenger Traffic's share was a record seven million.

The biggest success factor was Finnair's effective Asian strategy. The growing Eastern market, moreover, will continue to increase Finnair's Asian traffic significantly in the future. The subsidiaries Aero and FlyNordic are also delivering growth in the Baltic region and the Nordic countries.

2. DID YOU KNOW?

Last year, major international companies established in China 700 new research and development centres. In the next few years, China will become the world's largest producer of electronics and information products.

Source: EK

Finnair's Scheduled Passenger Traffic is responsible for regular passenger and cargo traffic as well as passenger service on aircraft. The business area's tasks also include route network planning, fleet management and cooperation with other airlines. As the Group's largest business area, Scheduled Passenger Traffic accounts for 80 per cent of Finnair's turnover.

Scheduled Passenger Traffic has more than 60 destinations in Finland and throughout the world. Half of revenue comes from European traffic, while domestic traffic represents one fifth. Asian traffic accounted for one quarter of Scheduled Passenger Traffic's passenger and cargo revenue in 2005. Travel between Asia and Europe is continually increasing; the huge continent offers Finnair enormous growth potential.

In Scheduled Passenger Traffic, 2005 was marked by strong growth in traffic and turnover. Asian traffic expanded to Guangzhou, to which only two other European airlines fly in addition to Finnair. At the end of 2005, a decision was made to acquire 12 new Airbus wide-bodied aircraft. A significant change in Finnair's fleet took place with the introduction of Embraer aircraft in autumn 2005.

EUROPEAN EXCELLENCE

The popularity of air travel continued to rise in 2005, which encourages confidence in the future of the sector. Intense price competition resulting from overcapacity in air traffic has continued. The biggest challenge to profitability in 2005, however, came from a steep increase in the price of fuel.

Finnair's competitiveness was top class by international standards. Scheduled Passenger Traffic's profitability has been improved by lowering unit costs. In addition, the average price of Finnair's flight tickets rose slightly after falling for several years.

During 2005 Finnair achieved new records in passenger traffic. Passenger traffic demand in revenue passenger kilometres grew in 2005 by ten per cent and passenger load factor rose 2.6 percentage points. The trend was better than the average for European airlines.

ROUTE STRATEGY PAYS OFF

Finnair's chosen passenger traffic strategy continued to show its effectiveness in 2005. The Asian and Scandinavian growth strategies have proved to be successful. Finnish and international companies are continually increasing their investments in Asia and this has boosted demand.

Finnair has a unique position compared with its European competitors, because it offers the shortest and fastest connections between Asia and Europe. Flying via Helsinki is the most direct route to Southeast Asia - for example, to China and Japan. A wide range of destinations and optimised timetables mean that Helsinki-Vantaa Airport is a natural stopping point for passengers flying between Asia and Europe.

FINNAIR SCHEDULED PASSENGER TRAFFIC:

- Finnair Scheduled Passenger Traffic
- Aero Airlines AS
- Nordic Airlink Holding AB/FlyNordic
- Finnair Cargo Oy
- Finnair Aircraft Finance Oy

Photograph: Exel/Mikko Harma

NORDIC WALKING FOR THE CHINESE

The Finnish technology company Exel manufactures composite sports equipment and industrial profiles. Exel is best known for its Nordic Walker® poles, ski poles and floorball sticks.

Exel is expanding its operations and is now targeting the Asian market, where there is enormous growth potential. In Southern China, the company is building a factory, which will produce industrial fibre profiles for international customers as well as Nordic walking poles, primarily for local consumers.

In cooperation with the China Institute of Sports Science, Exel aims to sell its products in China. The company, moreover, is the International Ski Federation's exclusive supplier of poles in China. Japan, too, is an emerging market for Exel's Nordic walking poles.

Exel's ambitious goal is to stimulate enthusiasm for Nordic walking among the Chinese.

"If only one per cent of Chinese took up Nordic walking as a form of exercise, this would triple the number of enthousiasts in the world", says Aki Karihtala, Senior Vice President, Sport division.

Finnair's comprehensive Asian route network, with its direct flights, will play its part in serving the Exel expansion project.

Nearly 30 million journeys are already made each year between Asia and Europe, and this figure is growing at an annual rate of seven per cent. Passenger kilometre capacity in Finnair's Asian scheduled traffic grew by 15.5 per cent in 2005 and demand by 16.8 per cent. Finnair has achieved a significant market share on the routes that it flies. In the Asian travel market there is still great scope for growth. Finnair will continue in future years to purposefully strengthen the Asian route network by increasing the number of flights to present destinations and by opening one to two new routes per year.

Currently, Finnair's Asian scheduled traffic routes are Beijing, Guangzhou, Shanghai and Hong Kong in China, and Tokyo and Osaka in Japan. Finnair also flies to Bangkok and Singapore. In summer 2006 a third Japanese route, to Nagoya, will open and in November Finnair will begin direct scheduled flights to Delhi, the capital of India. In addition to China, India is one of the fastest growing business and leisure travel designations.

NEW AIRBUS AIRCRAFT FOR ASIAN ROUTES

Due to the strong growth in Asian traffic, Finnair will acquire 12 new Airbus wide-bodied aircraft for its long-haul fleet. Of the aircraft, nine are A350s and three are A340s. The A350 is a completely new type of aircraft, which will be introduced to Finnair's scheduled traffic in 2011. The current Boeing MD-11 aircraft will be withdrawn from the Finnair fleet by spring 2012. The A340 aircraft will arrive in 2007-2008 to serve the busy Asian routes.

The acquisition of the Airbus aircraft represents the biggest fleet modernisation in Finnair's history and reflects Finnair's confidence and commitment to its Asian growth strategy.

During the last six years Finnair has renewed over half of its fleet. The fleet used by Finnair Scheduled Passenger Traffic is also one of the most modern in Europe, which considerably enhances passenger comfort as well as the economy and environmentally positive attributes of the aircraft. For example, the A350-900 will consume a third less fuel per passenger than its predecessor, the Boeing MD-11.

The streamlining of the fleet will lower maintenance and operating costs. For example, the same crew will be able to fly both long-haul and European flights. Maintenance preparedness can at the same time be restricted to fewer types of aircraft.

In 2012 Finnair Scheduled Passenger Traffic will be operating only three types of aircraft. Long-haul traffic will be served by wide-bodies Airbus aircraft. The European and domestic fleet will consist of narrow-bodied Airbus A320 series aircraft and Embraer 170/190 aircraft.

EMBRAER ERA BEGAN

The Brazilian Embraer aircraft joined the Finnair flight for the first time in autumn 2005. Finnair decided to acquire 12 Embraer aircraft in spring 2004 and ordered four more in autumn 2005. The first four of the aircraft were taken into service by the end of 2005. By autumn 2007, Finnair will have a total of 16 Embraers in its fleet. Finnair also has options for ordering four additional aircraft. Of the ordered aircraft, ten are 76-seat Embraer 170s and six are the larger 100-seat 190 model.

The Embraer's first scheduled flight was from Helsinki to Oslo on 1 October 2005. During 2006 the aircraft will fly to a number of domestic destinations as well as, among other places, to Stockholm, Oslo and Hamburg in Europe. The latest Embraer destinations to be announced are Krakow, Kiev and Geneva, which will open during 2006.

The Embraer aircraft represent the latest aviation technology. The aircraft has an advantage in terms of operating costs, because it consumes less fuel than older types of aircraft. Moreover, progress will be made in environmental friendliness, because compared with other types of aircraft the Embraer's carbon dioxide and nitrogen oxide emissions are low. The Embraer aircraft match the larger passenger jets in terms of passenger comfort.

The new aircraft will be assigned to routes on which demand does not require the use of larger aircraft. The aircraft, which have less than 100 seats, also allow new routes to be opened profitably. Asian flight passengers can now be offered connecting flights to new European destinations. By summer 2006, the Embraer aircraft will replace the Boeing MD-80 fleet in Finnair's services.

PASSENGER COMFORT AT A HIGH LEVEL

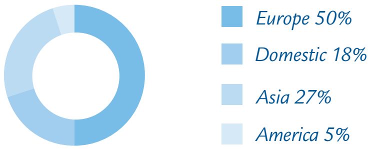
In comparisons of airlines, Finnair's service is rated top class. Finnair systematically gathers feedback from its customers in order to improve its service.

High-quality cabin service is also a key element of Finnair's brand and product superiority. For this reason, Finnair's flights serve quality meals and drinks, tailored according to the length of the flight. In-flight service is an important competitive factor for Finnair.

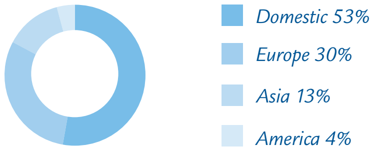
For many years now, Finnair has been Europe's most punctual airline as well as the airline that cancels fewest flights. This is one of the quality factors most valued by customers.

In winter 2006, the business class seats of all of Finnair's wide-bodied aircraft will be renewed. Finnair will be the first airline in the Nordic countries to bring lie-flat seats to its intercontinental fleet, which will boost competitiveness.

DISTRIBUTION OF SCHEDULED TRAFFIC AND CARGO REVENUES

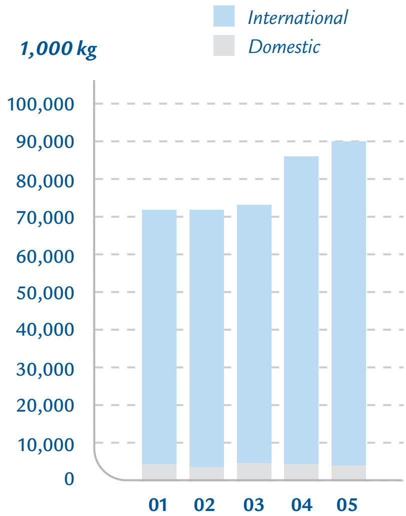


DISTRIBUTION OF PASSENGER SALES IN SCHEDULED TRAFFIC



CARGO REVENUES 2005

CARGO



The development of electronic services has enabled consumers to make their travel plans more flexibly and has also brought cost savings to airlines at the same time. Significantly more than half of flight tickets sold by Finnair in Finland were sold via the internet. Most of Finnair's scheduled traffic passengers use the e-ticket, with the figure in Finland being more than 90 per cent.

FLYNORDIC AND AERO PLAY STRONG SUPPORTING ROLES

The Finnair Group's budget airline FlyNordic strengthened its position in the Scandinavian market during 2005. One of FlyNordic's most important competitive advantages is its use of the main airports of its destination cities. The easy accessibility of flight reservation and auxiliary services is an essential part of the concept, which has also attracted many business passengers to the flights.

FlyNordic's operations grew to new record levels in 2005; a total of 1.2 million passengers were carried on the company's flights, which is 62 per cent more than the previous year. FlyNordic flies in cooperation with Sterling and Norwegian Airshuttle airlines to a total of 21 destinations.

The Estonian subsidiary Aero, which focuses on Southern Finland and Baltic traffic, also achieved record figures in 2005, when Finnair transferred the handling of its Southern Finland traffic to the airline. In international traffic, as well as the Helsinki-Tallinn route, Aero flies from Helsinki to Riga in Latvia and to Vilnius in Lithuania. It also flies in the summer to Kuresaare on the Estonia island of Saaremaa. The airline carried a total of 760,000 passengers.

SCHEDULED PASSENGER TRAFFIC IN FIGURES 2005

- Number of flights: 98,319
- Scheduled Passenger Traffic's turnover (mill. euros): 1,408
- Number of destinations: 64
- New destinations in 2005: 3
- FlyNordic new openings in 2005: 15
- Asian traffic growth: 16.8%

CARGO TRAVELS ON A MODERN SILK ROAD

The logistics services offered by Finnair Cargo are based mainly on sales of freight capacity on Finnair's scheduled traffic aircraft. Cargo is carried mainly on wide-bodied Boeing MD-11 aircraft, which can hold 25 tonnes of cargo in addition to the passenger load. The company also leases cargo aircraft capacity according to need and acts as the operator of the Helsinki cargo terminal.

Finnair Cargo has cargo links to more than 30 countries. An essential part of the company's strategy is to focus on developing the Helsinki Gateway; all of the company's long-haul traffic cargo passes through the Helsinki terminal. More than half of the cargo carried on wide-bodied aircraft is transit cargo, which continues via Helsinki to other parts of the world. The introduction of a new information system during 2006 will boost the efficiency of Finnair Cargo's procedures and diversify logistics services.

Growth in cargo traffic between Europe and Asia offers very promising prospects for Finnair Cargo. For example, the volume of goods brought from China in 2005 grew more than 30 per cent compared with the previous year. The opening of the Guangzhou route in September 2005 has allowed fast connections to China's leading industrial area.

Kyoto, Railway Station, 17 August 2005 9.25 a.m. The geisha tradition is still strong in the former capital city of Japan. Young geishas are trained according to ancient tradition to be skilled in art, playing music, song, conversation and customs.

3. DID YOU KNOW?

Around 40,000 science and technology growth companies are operating in China's 53 national high technology development centres. These employ as many people as there are inhabitants of Finland.

Source: The Embassy of China in Helsinki

ACTIVE HOLIDAYS POPULAR IN LEISURE TRAFFIC

Aurinkomatkat-Suntours is the market leader in its sector and a pioneer of Finnish leisure travel. Finnair Leisure Flights, the preferred carrier of Finnish holidaymakers, flies 700,000 Finns each year around the world, on trips ranging from city breaks to beach holidays in distant lands. Half of these travellers are Aurinkomatkat customers. Activity and theme trips are growing in popularity.

One in three Finnish package tours is arranged by Aurinkomatkat-Suntours. The company's success is based on high quality and a strong brand as well as decades of experience as the trusted tour operator of the Finns. An organisation with the ability to act fast enables production structures to be changed when necessary. In a world where surprises are commonplace, a tour operator must be able to implement flexible solutions and make quick decisions for the customer's benefit.

Passengers are buying trips to new, exotic destinations and are increasingly opting for active holidays. Many, however, still long for the traditional sun holiday and favour familiar holiday destinations.

COMPETITIVENESS REQUIRES DIVERSITY

Last year, demand for Aurinkomatkat's services grew by six per cent. Brazil and Cuba, which are among Aurinkomatkat's new destinations, were more popular with customers. The popularity of Southeast Asia has grown steadily and Aurinkomatkat has diversified its programme there. Interest in countries of the Balkan region has also increased substantially. Romania, Croatia and Montenegro, for example, have joined Bulgaria, a long-time favourite.

Aurinkomatkat has Finland's widest range of products, of which the most important remains the beach holiday. The popularity of long-haul destinations is continually growing, however, and new locations are being added to the selection all the time. A host of active and theme holidays, in which opportunities to engage in favourite pursuits play a central role, have been created to fulfil travellers' leisure-time interests. The Aurinkomatkat brands SunSki, SunSail and SunGolf have focused on offering holidays centred on certain activities. SunGolf, for example, has proven to be a fast-growing product.

LONG-STANDING REPUTATION FOR RELIABILITY

The reliability acquired through more than four decades of experience is one of Aurinkomatkat's most important assets. Customers avoid uncertainties and prefer to rely on a tour operator they know to be safe, one that will care for its customers in all circumstances.

The easy accessibility of travel products has become an increasingly key competitive advantage. The role of electronic business has grown steadily alongside the travel industry's traditional sales channels. Currently more than 15 per cent of Aurinkomatkat's annual sales are made via the internet.

FINNAIR LEISURE FLIGHTS IS THE PREFERRED CARRIER OF THE FINNS

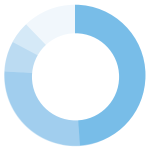
Finnair Leisure Flights produces charter and leisure flight services mainly for tour operators. Its strategy is to strengthen its role as an international leisure flight operator and to use Finnair Leisure Traffic's fleet effectively.

Finnair has a fleet of seven Boeing 757 aircraft, which are used solely for leisure traffic needs. In addition to this, the capacity of scheduled flights is utilised to allow changing needs to be fulfilled and the range of destinations to be expanded.

The Leisure Flights service concept has been developed to meet new trends in travel behaviour. In a tighter competitive climate, Finnair Leisure Flights has increased the number of leisure traffic seats to popular destinations and has developed its range of destinations in cooperation with tour operators. In future Leisure Flights aims to sell tailored additional services via the internet.

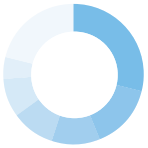
In summer 2005, the company's five-year cooperation with the German TUI Group ended. Even so, Finnair Leisure Flights' market share in Finland is nearly 70 per cent.

SUNTOURS TOUR PRODUCTION BY COUNTRY
WINTER 2005/2006



Spain 49%
Long-haul 27%
Middle East 7%
SunSki 5%
Others 12%

SUNTOURS TOUR PRODUCTION BY COUNTRY
SUMMER 2006



Greece 29%
Turkey 15%
Spain 11%
Italy 10%
Bulgaria 9%
Long-haul 5%
Others 21%

LEISURE TRAFFIC IN FIGURES 2005

- Aurinkomatkat-Suntours' turnover (mill. euros): 240
- No. of trips sold by Aurinkomatkat: 326,223
- Leisure Flights' turnover (mill. euros): 246
- No. of passengers carried on Leisure Flights: 1,392,400

A SHORT BREAK OR OFF TO THE ENDS OF THE EARTH?

Consumption habits change slowly in the travel sector, but new trends in travellers' preferences are perceptible. Group travel in its traditional form is declining. Travellers now feel that it is more important to act independently and they often have clear views on what they want from a holiday. Customers now tend to select from package tours the elements that suit their plans best.

It is increasingly common for travellers to divide their vacation time into several periods. Different destinations are favoured in summer than in winter. Activity and weekend breaks are also arranged throughout the year. The number of two- and three-week holidays is falling slightly.

The popularity of long-haul holidays to new, exotic destinations is rising steadily. Various active holidays represent another growth area. Hiking trips to the Alps, for example, are now part of Aurinkomatkat's product range.

4. DID YOU KNOW?

Guangzhou, a city of ten million people, is located on the Pearl River Delta. The area is one of the world's fastest developing and largest centres of industrial production. Finnair flies to Guangzhou three times a week.

TRAVEL SERVICES GO ELECTRONIC

Finnair's Travel Services business area provides travel planning and travel management services. The travel agencies Area and Finland Travel Bureau, which are owned by the Finnair Group, are among the three largest travel agencies in Finland. Amadeus Finland, a supplier of reservation systems technology to the travel sector, is developing new solutions for the changing distribution market.

The rapid technological development that has taken place in the travel sector in recent years has impacted on travel agencies' operations and practices, particularly in the sale of journeys to consumers. Independent action has increased in the purchase of leisure trips. Various options are actively searched, compared and bought via the internet. Travel agencies play a more prominent role when the destinations are further afield or if the journeys require a lot of planning.

In corporate travel, the travel agencies have managed to retain their strong position well. Corporate sales in Finland are highly concentrated, as up to 90 per cent of the market is controlled by four operators. The challenge for travel agencies both in the consumer and corporate sphere is to develop electronic services and travel management systems.

The financial administration units of Area and Finland Travel Bureau were merged and incorporated in autumn 2004. The arrangement has worked well and has generated cost savings.

One of the most prominent events in the travel sector in Finland in 2005 was the bankruptcy of the Töölön Matkatoimisto travel agency. The disappearance of a major player from the market clearly increased the sales of Area, FTB and other travel agencies.

AREA UPDATES ITS IDENTITY

Area Travel Agency's largest business area is the provision of travel management and consulting services to companies. In addition, the company produces and arranges trips for consumers, and organises group and activity holidays. Around three quarters of turnover comes from business travel services and the remainder from private travel and tailored package tours.

Area, which acts as an agent for several tour operators and airlines, has an office network covering the whole of Finland as well as business travel centres in the largest towns and cities. Mikkelin Matkatoimisto Oy is a subsidiary of Area.

The value of corporate travel sales in Finland totals around 650 million euros a year, of which Area's share is around one fifth. In corporate travel the challenge continues to be tighter competition and a weakening of the sector's profitability. Area's goals are cost leadership among business travel agencies and market leadership in the sale of leisure trips.

In 2005 Area's turnover grew slightly compared to the previous year. A contact centre was developed to provide better, multi-channel service. The company is delivering to customers new electronic solutions that facilitate self-service. This enables more efficient use of the travel agency network, which in turn yields cost savings.

In 2005 Area received a new visual image, which communicates the company's identity as an e-business travel agency.

FTB GROWS IN FINLAND AND THE BALTIC STATES

Finland Travel Bureau's services include the arrangement of business trips as well as a comprehensive range of group, conference, sport and package tours. FTB's subsidiary Estravel is the largest travel agency in the Baltic states, with operations in Estonia, Latvia and Lithuania.

THE TRAVEL SERVICES BUSINESS AREA COMPRISES:

- Area Travel Agency Ltd
- Finland Travel Bureau Ltd (FTB)
- AS Estravel Ltd (FTB's subsidiary)
- Amadeus Finland Oy
- Mikkelin Matkatoimisto (Area's subsidiary)
- Finnair Travel Services Oy (travel agency financial administration)

TRAVEL SERVICES IN FIGURES 2005

- Area's turnover (mill. euros): 21
- Trips sold in Area: 313,000
- FTB's turnover (mill. euros): 62
- No. of customers travelling via FTB: 450,502
- Amadeus Finland's turnover (mill. euros): 11

In addition to an extensive service network and comprehensive services, Finland Travel Bureau's strengths are product names that focus on certain fields, such as Etumatkat, a city-break specialist, à la carte, which offers tailored holidays, and Merilinja, a cruise trip programme. Finland Travel Bureau has more than 30,000 regular customers.

Business trips account for around one half of FTB's sales, although the proportion represented by leisure time travel is expected to continue to grow. The company's total sales in 2005 were around 300 million euros. Of this figure, actual turnover, namely the proportion accounted for by services and products produced by FTB, is around one fifth.

Finland Travel Bureau has maintained is profitability by keeping its cost level moderate and by developing electronic services. FTB is aiming for modest but constant growth in Finland and the Baltic region. Incoming travel, namely travel directed to Finland, is continually growing in significance and is creating new business in the country. On the business travel side, growth opportunities are to found particularly in Russia.

AMADEUS TECHNOLOGY RESPONDS TO CHANGES IN DISTRIBUTION

Amadeus Finland has strengthened its position in Finland as an implementer of comprehensive information technology solutions for travel agencies. In line with the updated corporate image of Amadeus International, greater emphasis is being placed on Amadeus Finland's role as a travel sector technology partner that has the ability to develop various options for the changing needs of both established and new operators, from the sale of trips to financial management.

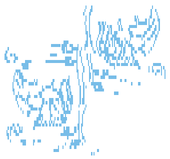
One of Amadeus Finland's most important tasks is to gather all the information produced by travel providers into one system, through which travel agencies and providers of travel services can manage their products worldwide. As old systems are decommissioned, airlines also have a need for new information technology. Finnair, for example, has introduced Altéa Plan, Amadeus' new seat management system.

In recent years the basis for traditional distribution activity has had to be re-examined as direct internet delivery has become more widespread. Systems are required to be flexible as sales channels diversify. Amadeus solutions allow systems to be managed flexibly, because Amadeus' advanced technical platform is able to support different business models and is not tied to a traditional distribution model.

5. DID YOU KNOW?

Guangzhou, Hong Kong and Macao form a powerful economic triangle, with a combined population of around 40 million. A third of China's exports pass through this region.

Hong Kong, Pacific Shopping Mall, 11 June 2005 1.20 p.m. Hong Kong, with its 260 islands and 7 million inhabitants, is a pulsating trading centre both for keen tourists and major international companies.



Guangzhou, Beijing Lu shopping street, 13 June 2005 5.15 p.m. Serious shopping is under way.
The Beijing Lu shopping street is only 300 metres long, but it has clothes to suit every taste.

6. DID YOU KNOW?

Japan is the world's second biggest economy and the spending power of its people is one of the highest in the world. An indication of the size of the market is given by the fact that Japan's Gross National Product is still three times bigger than that of rapidly growing China.

In terms of total turnover, Japan is Finland's third largest trading partner from outside Europe after the USA and China.

Source: The Ministry for Foreign Affairs of Finland

SUPPORT SERVICES CREATE NEW MARKETS

The Aviation Services business area forms a diverse service chain that has a key influence on Finnair's brand and overall service quality. Aviation Services embraces ground handling, catering functions and technical services.

Business units that support flight operations have assumed an active role in creating new forms of service and customer relationships. The biggest customers of the Aviation Services business area are Finnair Group airlines, but the proportion of turnover accounted for by customers outside the Finnair Group is growing all the time.

The outsourcing of support services has become commonplace throughout the airline industry, and some of Finnair's support functions have also been entrusted to partners.

SMOOTH CONNECTIONS THE MISSION OF GROUND HANDLING

Northport Oy is responsible for the passenger services of Finnair and many other airlines as well as the loading of baggage and cargo in connection with aircraft departures and arrivals. Each year around 80,000 aircraft "turnarounds" are handled and every one of them has an important role in an airline's overall service efficiency.
Northport and its partners operate at all the domestic airports served by Finnair. A subsidiary, FinnHandling, provides ground handling services at Arlanda Airport in Stockholm.

Ground handling's task is to take care of check-in, lounge services and aircraft embarkation at departure gates. At the same time, baggage sorting and loading are performed, as well as balance calculations for each flight. In addition, meeting arriving aircraft, directing passengers to connecting flights and transferring baggage are also part of ground handling work. The efficiency of these services has a decisive impact on ensuring that customer satisfaction is maintained and flights operate on schedule.

MULTI-TASKING BOOSTS COMPETITIVENESS

In Finland Northport Oy operates, in addition to Helsinki-Vantaa Airport, at 15 locations, where services are provided mainly in cooperation with partner companies. Northport's market share in Finland is around 70 per cent, depending on the airport. The biggest customer is Finnair, but services are also provided to numerous other airlines.

The restructuring process of recent years, with its many partnership arrangements, has improved the company cost-effectiveness considerably. The employees' training in multi-tasking skills has resulted in sensible job descriptions and contributed to a more flexible provision of services than before. The new service models have kept customer satisfaction and punctuality at a high level.

Together with the market situation, the huge fluctuation in the need for services according to the season of the year, day of the week and time of the day presents a challenge. At Helsinki-Vantaa Airport, for example, up to a third of passengers departing each day are served in a one and a half hour period during the morning peak.

REFINING QUALITY AND PLANS FOR EXPANSION

In 2005 Northport focused on refining the restructuring programme implemented in previous years and on promoting quality issues. Profitability has been systematically improved. The overall level of costs for

FINNAIR GROUP AVIATION SERVICES:
- Northport Oy is responsible for ground handling services
- Finnair Catering Oy handles meal services on aircraft and in airports
- Finnair Technical Services provides aircraft maintenance services
- Finnair Facilities Management Oy is responsible for real-estate management

NORTHPORT OY:
- Turnover in 2005 (mill. euros): 70
- Market share in Finland: 70%
- Turnarounds in year: 80,000
- No. of employees: 800

the year was around two million euros lower than the previous year. The absolute number of turnarounds declined in 2005 and the general price level of the handling market fell slightly due to the airlines' cost pressures.

In autumn 2005, Northport made organisational changes to support the company's expansion strategy. The Finnish market is limited, so growth opportunities are based on geographical expansion, concluding network agreements and new products. In addition, serving transit passengers offers new development opportunities, particularly in long-haul traffic.

TECHNICAL SERVICES' GOOD REPUTATION ATTRACTS CUSTOMERS

Finnair Technical Services performs both full-service maintenance and repair operations as well as individual repairs for Finnair and other airlines. A reputation earned through professional, quality and reliable services is bringing new customer relationships to the company.

In addition to quality, Finnair Technical Services' strengths are fast delivery times, flexibility and service tailored to customers' needs. The company has the capacity to repair and service the airframes and engines of several types of aircraft.

MOST INTERESTING DIRECTION FOR GROWTH IS EAST

Finnair is Technical Services' most important customer, but the unit is increasingly cooperating with other airlines. External customers account for around one third of turnover. The main goal is to build a strong position in the growing Asian and Russian markets. The unit's successful cooperation with Aeroflot will help open doors towards the East.

A number of significant agreements were concluded in 2005 through an active sales effort. Essential issues for the competitiveness of Finnair Technical Services are keeping its level of service high and remaining a pioneer as a technical expert of new types of aircraft.

FINNAIR TECHNICAL SERVICES

- Turnover in 2005 (EUR million): 202
- No. of employees: 1,800
- No. of aircraft types serviced: 8

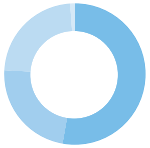
TECHNICAL EXPERTISE HAS EXPORT POTENTIAL

Finnair Technical Services' business is growing. High-quality, expert maintenance keeps Finnair's fleet of aircraft in first-class condition and in efficient use. The provision of maintenance services to other airlines is also a rapidly growing area of business.

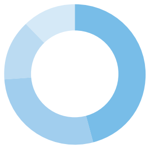
Finnair Technical Services sells its wide-ranging maintenance expertise to around 20 airlines. In recent years, the volume of the Finnair Group's external maintenance services has risen sharply and new markets are opening all the time. In Russia and Asia there are numerous airlines for whom Finnair's expertise and reliable maintenance is an attractive option.

One of Finnair Technical Services' most important external customers is Aeroflot Cargo. Cooperation covers line maintenance, equipment repair and airframe maintenance of the company's DC-10 cargo aircraft, i.e. in practice all maintenance except for the engines. Maintenance is performed at the aircraft's home base at Frankfurt-Hahn Airport in Germany, where Finnair Technical Services has its own staff.

AVIATION SERVICES PERSONNEL



AVIATION SERVICES TURNOVER



The airline industry will expand in future, which will also increase demand for maintenance services. On the other hand, modernised fleets will reduce the need for maintenance and repairs. The competitive climate for aircraft maintenance is relatively stable, because the investments required by the sector restrict the start-up of new companies.

In connection with the introduction of the new Embraer aircraft, Finnair Technical Services has applied a new model for line maintenance based on the LEAN concept. Modelling is being used to try to develop processes taking the whole of line maintenance activity into account. The new operating model will improve productivity.

FINNAIR CATERING STANDS OUT TO ITS ADVANTAGE

Finnair Catering produces meal services for flight passengers and is also responsible for sales that take place in airports and on aircraft, namely travel retail operations. A subsidiary, Finncatering Oy, has specialised in preparing meals for economy class and leisure traffic flights. Each year more than seven million passengers are served through Finnair Catering's logistics centre.

The food and drinks service has a strong role in building an airline's brand. The overall service connected with catering produces added value that enables Finnair to stand out from its competitors. For example, Finnair is perceived as a quality airline as a result of the wines it serves. A number of research surveys have shown that Finnair's catering service is one of top three among European airlines. Finnair Catering's goal is to be the best service provider in its field in Europe.

Around 80 per cent of Finnair Catering's revenue comes from Finnair's Scheduled Passenger Traffic business area. Finnair's image as a quality provider of catering services sets high standards for catering operations, which the company has succeeded in maintaining. At the same time services must be produced at a competitive price. This equation requires innovation in catering operations and an ability to constantly create new product concepts.

SALES AT AIRPORTS GROW

The competitiveness of catering operations is based on a wide product range and efficient management of many work stages. The LEAN production method, aimed at reorganising and enhancing the efficiency of working practices, was introduced in 2005 within both Finnair Catering and Finncatering.

Although the average price of products fell in 2005, profitability stayed at a satisfactory level. An increasing part of Finnair Catering's operations and earnings is connected with the travel retail side of the business. This activity includes, among other things, sales that take place in airports and on aircraft. Finnair Catering has three tax-free shops at Helsinki-Vantaa Airport.

Catering operations worldwide are faced with a challenging situation, because inflight catering has been reduced. Quality airlines still trust in the added value brought by catering. In future, the trend will be towards personalising catering according to customers' preferences.

FINNAIR CATERING OY + FINNCATERING OY

- Meals prepared / day: 15,800
- Turnover 2005 (mill. euros): 125
- Employees: 890
- Cups of coffee served / year: 11,500,000

Guangzhou, Pot and Porcelain Room, 13 June 2005 4.15 p.m. Guangzhou is called the City of Flowers. It has a humid climate that allows flowers to bloom all year round. Beautiful flower themes are also reproduced in the local handicrafts.

SUSTAINABLE GROWTH IS PROFITABLE

A glittering history is no guarantee of future success. Today and in the future, Finnair must be able to meet the growing, diverse needs of Finnish and international customers. This will be possible only if operations are competitive and profitable in the long term.

7. DID YOU KNOW?

Nearly 30,000 large and medium-sized industrial companies are operating in China. Of these around 7,000 have science and technology research units in the country.

Source: The Embassy of China in Helsinki

For over 80 years, Finnair's route network has expanded as Finnish society and business life have opened up to the world. In that time, more than 200 million passengers have flown on blue and white wings.

A comprehensive route network, an efficient fleet and expert personnel are also the cornerstones of future activity. Development must take place, however, in harmony with the surrounding society and environment. That's why Finnair's business objective is sustainable, profitable growth.

AIR TRANSPORT - A PART OF MODERN SOCIETY

Efficient transport links and services are a prerequisite of modern Western society. Finnair, with its highly efficient and extensive route network, is an important part of the structure and competitiveness of Finnish society. Direct links to nearly 50 international and 16 domestic destinations, plus 60 leisure flight destinations constitute an exceptionally diverse route network.

Air transport in Finland is the only form of public transport that does not need taxpayers' support. Finnair, indeed, finances a significant part of Finland's air transport infrastructure and generates for society tax revenues as well as financial profit.

Finnair directly employs more than 9,000 people, and indirectly thousands more, in different parts of Finland and the world. Rapidly growing Asian traffic has provided work for thousands of Finnair employees.

COMPETITION THE ENGINE OF SUSTAINABLE DEVELOPMENT

Only a financially competitive company has what it takes to fulfil its social obligations. Air transport is an extremely competitive sector in which operating conditions change very quickly. Surprising, unforeseen events can, in a instant, present the entire industry with new challenges.

Over the years, Finnair has had to make painful decisions to preserve the company's viability and to secure sustainable competitiveness and high service quality for the future, too.

Pursuing responsible profitability and a sustainable growth strategy has created the financial health that enables future investments to be made. Taking the demands of sustainable development more widely into account in air transport and tourism is a guiding principle in Finnair's decision-making. A large-scale, environmentally positive fleet renewal programme began in 1999 and will continue into the next decade.

NO SHORT CUT TO RESPONSIBILITY

The charitable partnership of Finnair and UNICEF over the last ten years is indicative of Finnair's desire to make a tangible impact in areas where the prerequisites for life are not automatically within reach.

Environmentally sustainable well-being is also important to Finnair. Finnair supports the Finnish Association for Nature Conservation's waterways protection project, which aims to prevent the eutrophication of the Baltic Sea by reducing the loading of Finland's coastal waters, internal waterways and rivers. During the waterways protection project, a teaching pack will be produced for schools. Finnair and the Finnish Association for Nature Conservation want to ensure that millions of people can enjoy in future, too, the unspoilt, beautiful nature of the Baltic region.

Finnair's reputation as a high quality and responsible Finnish operator is the result of many years of goal-directed work. Operating successfully is a challenge even during periods of steady growth, to say nothing of the turbulence encountered during the external shocks of recent years.

Corporate social responsibility is fundamental attitude and a way of working. Finnair bears its responsibility for tomorrow, and the goals of sustainable growth also extend our own activities more widely, into the surrounding society.

TAKING CARE OF THE CUSTOMER

Open, honest treatment of customers and expert, friendly service underlie the operations of a reliable, punctual airline. Finnair must in every situation also do all it can to promote safety and passenger comfort.

Finnair is a quality, reliable and punctual airline. Finnair surveys customers' satisfaction with flight travel on a daily basis. As in 2004, customer satisfaction remained on a high level. Customers value in particular Finnair's business class service, but European economy class is also highly rated in comparison with competitors.

Aviation medical services have developed significantly in Finnair in recent years. The standard of medical equipment and flight personnel's medical expertise on long-haul flights is clearly higher than that required by air transport regulations. Due to cooperation between the international MedLink World Doctor enterprise and Finnair, passengers who fall ill during a flight can be given advanced medical care, if necessary.

Guangzhou, Shamian Island, morning dance, 13 June 2005 10.45 a.m. The Pearl River (Zhu Jiang), which flows through Guangzhou, contributes to the throbbing life of the city. Relaxing traditions such as morning dances are appropriate in this growing metropolis.

A MODERN FLEET SAVES THE ENVIRONMENT

Finnair takes environmental perspectives into account in all its activities. In this way, the company ensures sustainable, profitable growth also from an ecological standpoint. Finnair operates within the fragile, unique nature of the North, which requires a high standard of environmental activity.

In 2005 the international debate on climate change and the role of air transport gained impetus. Due to the global nature of air transport and to ensure common game rules for operating, Finnair considers it important that targets and measures to reduce air transport emissions apply to airlines all over the world.

The average age of the Finnair fleet is only 4.4 years. As a result of its advanced technology and light structures, a modern fleet saves fuel and reduces emissions. Economic flying methods and direct route selection mean that the environment is being taken into account better than ever before.

INTERNATIONAL GUIDELINES AND COOPERATION

In all its activities Finnair adheres to current environmental legislation and the environmental protection principles of the International Civil Aviation Organisation ICAO. As a member of the International Air Transport Association IATA, the company is also committed to reducing the environmental effects of its operations in an economically reasonable way without jeopardising air safety. In addition to legislation and international commitments, the well-being of the environment requires, even so, that the airline engage in its own active work.

TOWARDS EUROPE'S MOST ECO-EFFICIENT FLEET

International air traffic is forecast to grow further in the future. In terms of competitiveness and the environment, it is therefore important to operate with a fleet that loads the environment to the minimum possible extent. A modern fleet is the fastest, most effective way to reduce environmental impacts. The artificial taxes and fees proposed in the public debate would impose a burden on airlines and in reality would put a brake on environmentally positive investments.

Finnair has systematically continued its fleet modernisation programme. The company announced in December 2005 that it will replace its present Boeing MD-11 long-haul fleet with Airbus A340 and A350 aircraft by spring 2012. The kerosene consumption of these types of aircraft is nearly 30 per cent lower than on the Boeing MD-11s. At the same time, the emissions from the new aircraft are also lower.

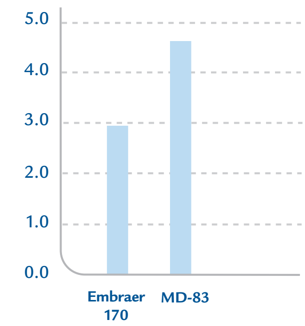
By next summer, Finnair will have one of the most modern fleets in Europe when the Embraer 170 aircraft replace the Boeing MD-80s. Of the Airbus A320 series aircraft used on European trunk routes, most were built during the current decade and their engines also fulfil future emissions criteria. The fleet's economic fuel consumption and low carbon dioxide emissions support Finnair's efforts to meet the emissions targets set for air transport.

ENVIRONMENTAL WORK ON AND OFF THE GROUND

In 2006 the greenhouse emissions of Finnair's aircraft will fall further as the fleet is modernised with the 76-seat Embraer 170 and the 100-seat Embraer 190 aircraft. Key figures describing environmental efficiency, such as fuel consumption and carbon dioxide emissions per passenger kilometre, will improve.

Finnair Technical Services, which carries out aircraft maintenance and repairs, was granted a new environmental permit in December 2005. The Technical Services area is facing a major buildings project as work on an eighth aircraft hangar begins. In the design of the hangar, special attention has been paid to, among other things, energy saving solutions. The ground equipment used by Finnair is also being modernised with the acquisition of low-emission vehicles.

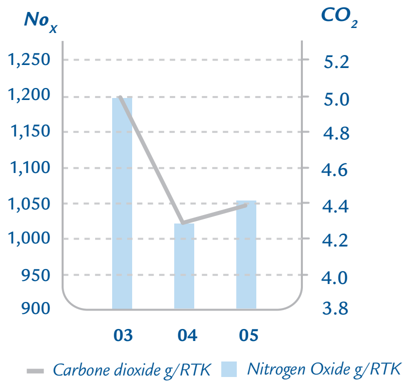
FUEL BURN (KG) PER PASSENGER PER 100 KM



Embraer 170 Helsinki-Manchester
MD-83 Helsinki-Manchester

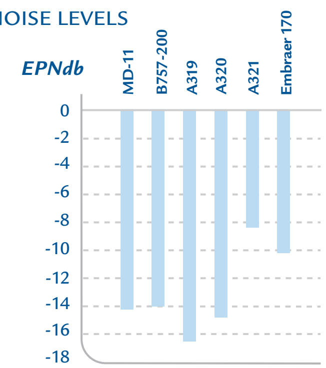
Burn calculated for 76 passengers in both aircraft types.

NITROGEN OXIDE AND CARBON DIOXIDE EMISSIONS



Nitrogen oxide (NO_x) and carbon dioxide (CO_2) emissions in air traffic in relation to tonne kilometres (RTK).

NOISE LEVELS



Margin of Finnair aircraft types measured at three different points to ICAO Chapter 3 noise certification limits.

Noise levels of all Finnair aircraft types are lower than ICAO limits.

Macao, 12 June 2005 10 a.m. Like Hong Kong, Macao is a Special Administrative Region of China. Macao, which has a population of around half a million, is known, among other things, for its textile, electronics and toy industries. It is located 60 km from Hong Kong and 150 km from Guangzhou.

MOTIVATED PERSONNEL THE KEY TO SUCCESS

The goal of Finnair's human resources management is to support the sustainable, profitable growth strategy of the entire Group. The starting point is a management approach that encourages the development of employees' performance, expertise and well-being in work. Finnair's operating principles are based mainly on recommendations for ethical behaviour issued by the International Air Transport Association IATA.

PRICELESS EVERYDAY VALUES

In autumn 2005, Finnair's values were updated to correspond with the present changed operating environment. The values lend support to the choices and decisions that Finnair employees make in their daily work.

Finnair values are a functioning work community, continuous development, customer orientation and profitability. The values are depicted as a triangle, as they influence one another.

TEAM PLAY DEVELOPS SURE TOUCH

A functioning work community is one in which an encouraging atmosphere prevails. Employees understand their organisation's basic task, management supports success and common game rules are followed in an open atmosphere.

A functioning work community is inspired to continuous development, which gives rise to the right expertise. Solid professionalism is the foundation of Finnair's operations and something of which employees are proud. Finnair employees have the courage to modernise and a desire to strive to be the best. Knowledge and skills are shared openly in the work community.

SATISFIED CUSTOMERS GENERATE PROFITS

Expertise is evident in the customer orientation of services. Finnair employees are easy to work with, because they keep their promises and actively seek to improve in every aspect of their work.

Profits arise from satisfied and loyal customers. Finnair's profitability will guarantee operational continuity and viability also in the future.

Finnair operates in an industry in which expert, motivated staff are exceptionally important for a company's success. The company requires from its staff loyalty and a commitment to set objectives.

Working in air transport professions is physically and mentally demanding now and then. Safeguarding, maintaining and developing well-being both in the long and short term are the key tasks and challenges of human resources management.

MANAGEMENT OF KEY SKILLS THE OBJECTIVE

Finnair implements an active human resources strategy. Work objectives and skills requirements of both units and individuals are determined based on set performance targets.

In 2004 the company initiated an extensive payroll and work-time management reform project, which aims to standardise target setting and performance measurement within the Group's different units. The work of supervisors has been improved by developing management working practices and tools.

Finnair has for a long time now utilised Asian service personnel on Asian routes, where this is required by cultural and language differences. In this way, international customers are offered high-level services in their own languages, which has been of absolute importance in implementing the Asian strategy. Paying due attention to cultural differences is not only a matter of customer service, but also a safety issue.

Safeguarding the safety of personnel and customers is fundamental to Finnair's operations. Safety is part of Finnair's culture and the everyday life of each employee. Every Finnair employee has a duty in their work to adhere to an uncompromising safety philosophy.

FINNAIR'S VALUES:

- Profitability
- Customer orientation
- Continuous development
- Functioning work community

COMMON GAME RULES

Finnair requires its employees in their work to conform to high moral and ethical standards. Finnair strives for absolute equality and a working environment free of harassment. No-one is discriminated against for reasons of gender, religious or political conviction, age, race, skin colour or origin.

During autumn 2005, the company has made a close analysis of its values and strategy, the themes that play a central role in directing Finnair's operations. The airline industry has been subjected to enormous change in recent years. That is why it has been appropriate to consider how the company's present corporate culture and values support the strategy of sustainable, profitable growth under altered conditions. A common understanding about objectives and working practices will become a key success factor in an intensely competitive climate.

Representatives of the employer and employees sat on a working group set up to reformulate values. Interaction was also encouraged through internal communications, where values were the subject of lively debate. In autumn 2005, updated values were presented and introduced in all of the Finnair Group's business units.

WE BORROW THE WORLD FROM OUR CHILDREN

The raw materials of any holiday trip are environment and culture. Tourism brings to travel destinations income, employs vast numbers of people, helps preserve historical attractions, cultural sites and local fauna, and promotes interaction between different cultures. Unconsidered and uncontrolled tourism, however, can spoil a holiday destination's environment, exhaust natural resources, disturb the natural wildlife and offend the local population.

Since 1999 Aurinkomatkat-Suntours has been implementing a programme whose goal is to make leisure travel sustainable. For a tour operator this is sensible from a business perspective, because no-one wants to travel to a spoiled environment or witness a myriad of social problems. The future of our tourism is dependent on the state of the environment, culture and society at holiday destinations.

Aurinkomatkat-Suntours' staff are trained to take the challenges of sustainable tourism into account. Contractual partners in destination countries are also offered training and information. Before their journey, all customers receive a destination booklet giving practical advice on how, as tourists, they can protect the nature and local culture of their holiday destination.

COOPERATION AMONG COMPETITORS

Aurinkomatkat-Suntours is actively involved in establishing the Tour Operator Initiative for Sustainable Tourism Development (TOI), a joint project of UNESCO, the UN's environment project UNEP, the WTO (World Tourism Organisation) and tour operators. Competing tour operators have thus combined their energies with UN organisations to safeguard the future of their business.

In collaboration with the Global Reporting Initiative (GRI), the joint project has prepared for the tour operator sector its own sustainable development reporting indicators. In addition, pilot projects to develop sustainable tourism have been initiated at Side in Turkey, Punta Cana in the Dominican Republic, Agadir in Morocco and the Itacare area in Brazil. Tools for the sustainable management of tour operators' production chains have also been prepared.

The TOI has produced a guidebook on sustainable hotel management for the accommodation sector in collaboration with the Centre for Environmental Leadership in Business. The book has been distributed to 30,000 hotels worldwide. In addition, the TOI has published an instruction booklet on sustainable tourism for marine and coastal area as well as a handbook on the integration of sustainable tourism into tour operators' activities.

AURINKOMATKAT-SUNTOURS KNOWS ITS RESPONSIBILITIES

Aurinkomatkat-Suntours has signed a commitment to fight against the sexual abuse of children. The company has a clause in all of its hotel agreements stating that the agreement can be terminated if the hotel permits child sex trade in its area.

Aurinkomatkat-Suntours also employs a 35-point sustainable tourism check-list when making agreements with hotels. The check-list is used to gather information, among other things, about ownership structure, environmental programmes, management of water, waste, wastewater and energy, procurement policy and community relationships. The list has been used to prepare an environmental classification, and 'drop ratings' for hotels were published for the first time in the Winter 2005-2006 brochure and on the company's website.

BOARD OF DIRECTORS AND AUDITORS 2005

FROM LEFT TO RIGHT:

Kaisa Vikkula, b. 1960, D.Sc.(Econ.), Board Member of Finnair Plc since 2003. 2,000 Finnair shares.

Veli Sundbäck, b. 1946, LL.M., Member of the Nokia Group Executive Board; Senior Vice President, Corporate Relations and Responsibility, Nokia Corporation; Secretary of State at the Ministry for Foreign Affairs 1993–1995; Member of the Executive Committee of the Board of the Confederation of Finnish Industries, Vice Chairman of the Board of the Technology Industries of Finland, Vice Chairman of the Board of the International Chamber of Commerce, Finnish section; Chairman of the Board of the Finland-China Trade Association; Chairman of the Board of Huhtamäki Oy 1999–2005; Board Member of Finnair Plc since 2004. 0 Finnair shares.

Helena Terho, b. 1948, M.Sc. (Eng.), eMBA, Vice President, Competence Development, Kone Corporation, Board Member Kemira Grow How since 2005, Board Member of Finnair Plc since 1997. 0 Finnair shares.

Christoffer Taxell, b. 1948, LL.M., Chancellor of Åbo Akademi University; Chairman of the Boards of the Confederation for Finnish Industries, Åbo Akademi University Foundation and Organisation Föreningen Konstsamfundet; Board Member of Raisio Group Plc, Sampo Plc, Stockmann Plc, Nordkalk Corp., Cidron International Plc, Finnish Business and Policy Forum (EVA), the Research Institute of Finnish Economy (ETLA), Chairman of the Board of Finnair Plc since 2003. 2,000 Finnair shares.

Markku Hyvärinen, b. 1948, Deputy CEO of Varma Mutual Pension Insurance Company, Deputy Chairman of the Board of Mutual Insurance Company Kaleva, Board Member of If Skadeförsäkring Holding AB (publ.), Member of Finnair Supervisory Board 1992–1997, Chairman of Finnair Supervisory Board 1997–2003, Board Member of Finnair Plc since. 0 Finnair shares.

Kari Jordan, b. 1956, B.Sc. (Econ), President and CEO of Metsäliitto-Yhtymä; Board Member of Neste Oil Oyj and Julius Tallberg -Kiinteistöt Oyj; Member of Working Committee EK, Member of Working Committee and Vice Chairman of Metsäteollisuus ry; Member of the Supervisory Boards of Finnish Business and Policy Forum (EVA) and the Research Institute of the Finnish Economy (ETLA); Vice Chairman of Finnair Plc since 2003. 0 Finnair shares.

AUDITORS

Regular auditor
APA **Jyri Heikkinen** and PricewaterhouseCoopers firm of auditors

Deputy Auditors
APA **Matti Nykänen** and APA **Tuomas Honkamäki**, PricewaterhouseCoopers Ltd

GROUP MANAGEMENT 31.12.2005

Hannes Bjurström, b. 1950, colonel ret., SVP, Flight Operations, served with Finnair since 1999. 900 Finnair shares, 0 options.

Eero Ahola, b. 1943, M.Sc.(Econ), SVP, Corporate Business Development and Strategy, served with Finnair since 1970. 0 Finnair shares, 0 options.

Keijo Suila, b. 1945, B.Sc.(Econ.), President and CEO, served with Finnair since 1998. 10,250 Finnair shares, 60,000 options.

Jarmo Vilenius, b. 1950, M.Sc.(Eng.), SVP, Technical Services, served with Finnair since 1973. 954 Finnair shares, 80,000 options.

Anssi Komulainen, b. 1964, M.Sc., SVP, Catering, Managing Director, Finnair Catering Oy, served with Finnair 1989-1999 and again since 2001. 1,350 Finnair shares, 10,000 options.

Lasse Heinonen, b. 1968, M.Sc.(Econ), SVP and CFO, served with Finnair since 2004. 1,000 Finnair shares, 7,033 options.

Henrik Arle, b. 1948, LL.M., Deputy CEO, COO, EVP, Scheduled Passenger Traffic, served with Finnair since 1979. 3,575 Finnair shares, 63,000 options.

Antero Lahtinen, b. 1949, SVP, Cargo, Managing Director, Finnair Cargo Oy, served with Finnair since 1973. 0 Finnair shares, 0 options.

Mauri Annala, b. 1945, M.Sc.(Econ), EVP, Leisure Traffic and Travel Services, served with Finnair since 1976. 1,350 Finnair shares, 45,000 options.

Tero Palatsi, b. 1947, LL.Lic., SVP, Administration and Human Resources, served with Finnair since 1999. 1,575 Finnair shares, 20,000 options.

Mika Perho, b. 1959, BBA, SVP, Commercial Division, served with Finnair since 1985. 1,618 Finnair shares, 2,500 options.

Christer Haglund, b. 1959, BA, SVP, Communications, served with Finnair since 2000. 2,350 Finnair shares, 7,000 options.

Tero Vauraste, b. 1967, Lieutenant Senior Grade ret., M.Sc., SVP, Ground Handling, Managing Director, Northport Oy, served with Finnair since 2001. 1,100 Finnair shares, 0 options.

A NEW SILK ROAD

FINANCIAL REPORT 2005

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FINNAIR

FINANCIAL REPORT

CONTENTS

BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR, 1 JAN - 31 DEC 2005

GENERAL REVIEW

The positive trend in profitability continued in 2005. Strong growth in demand, an increase in average prices and an improvement in productivity through operational efficiency and cost-cutting measures strengthened Finnair's profitability significantly.

Air transport in 2005 was marked by a growing demand for flight travel and higher fuel prices. In Europe the competition for market share continued as new companies entered the market. In the USA most of the major airlines were operating under Chapter 11 of the US Bankruptcy Code. Asian airlines focused on increasing traffic on flights within the continent. Traffic between Europe and Asia grew seven per cent.

The strong rise in fuel prices that began early in the year halted the decline in average flight and cargo prices. In the second and third quarters, the average price of air tickets rose four to five per cent. Tighter competition towards the end of the year, on the other hand, dampened the rise in the average price.

Finnair's Asian traffic grew almost 17 per cent. In September 2005 a new destination was added with the opening of flights to Guangzhou in China. Finnair will continue to increase its capacity in traffic between Asia and Europe. In December 2005 the company announced that 12 new long-haul aircraft would be acquired by the year 2014.

The passenger numbers of the Finnair-owned budget airline FlyNordic grew in line with expectations. The company carried nearly 1.2 million passengers in 2005. The price trend in the Swedish market, however, has been weaker than expected and fuel costs have been increasing, so FlyNordic's result remained in the red.

Sales of leisure flights developed favourably during 2005, even if sales in the final months of the year were a little lower than the previous year. A surcharge resulting from the rise in fuel prices has affected demand for leisure travel to some extent.

FINANCIAL RESULT, 1 JANUARY - 30 DECEMBER 2005

Turnover rose 11.2 per cent and was 1,871.1 million euros. The Group's operating profit, excluding capital gains and fair value changes of derivatives, grew to 70.1 million euros (25.2 million). Adjusted operating profit margin was 3.7 per cent (1.5%). The result after financial items clearly improved and was 87.5 million euros (30.6 million).

In 2005 passenger traffic capacity grew 5.1 per cent and demand grew 7.2 per cent. Load factor rose from the previous year by 1.4 percentage points to 72.6 per cent. The quantity of cargo carried grew by 4.5 per cent.

In scheduled passenger and leisure traffic, unit revenues per passenger kilometre rose by 3.2 per cent. Unit revenues for cargo traffic declined by 5.0 per cent. Total unit revenues for passenger and cargo traffic rose by 1.8 per cent.

Operating costs in euros rose during the period by 9.2 per cent. Unit costs of flight operations rose by 2.4 per cent. Eliminating fuel costs and gains from hedging of future cash flow, units costs fell by 1.5 per cent.

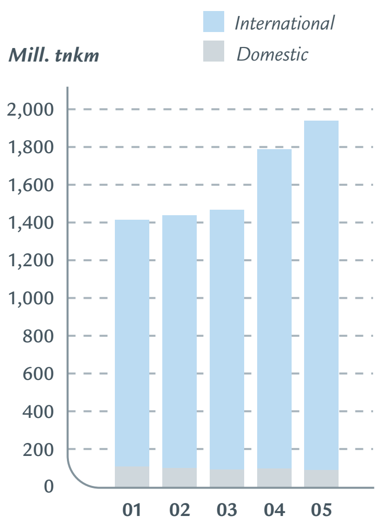
Capital gains on asset sales totalled 7.3 million euros (5.8 million).

Earnings per share for the financial year rose to 0.73 euros (0.30). Equity per share at the end of December amounted to 7.73 euros, compared with 6.97 euros the year before.

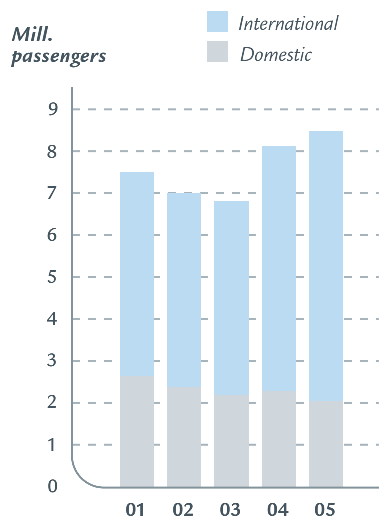
INVESTMENT, FINANCING AND RISK MANAGEMENT

In 2005 capital investment excluding advance payments totalled 57.5 million euros (114.5

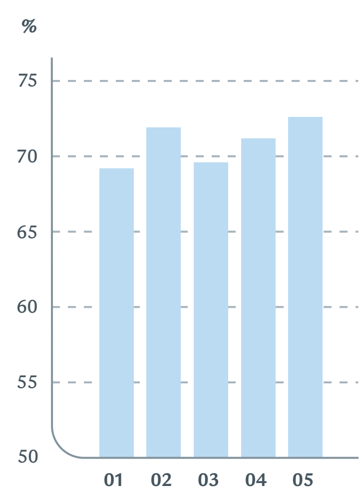
REVENUE TONNE KILOMETERS



NUMBER OF PASSENGERS



PASSENGER LOAD FACTOR



million) and included information system investments and technical equipment. Investment during the fourth quarter totalled 18.6 million euros (14.0 million euros).

Operational net cash flow was 191.8 million euros, compared with 129.5 million euros a year earlier. At the end of December, the Group's liquid cash reserves exceeded interest-bearing debt by 155.3 million euros. Gearing has dropped from -3.1 per cent at the beginning of the financial year to -25.1 per cent. Gearing adjusted for leasing liabilities was 66.8 per cent (102.5%). The equity ratio rose from the previous year by nearly two percentage points to stand at 42.2 per cent. Key figures are clearly better than the targets set by the Board of Directors.

At the end of December, the Group had liquid cash reserves of 418.4 million euros, in addition to which there is a total of 200 million euros in unused committed loan facilities.

Risk management at Finnair is a part of the Group's management, directed primarily at risks that threaten the fulfilment of the Group's business objectives. In order to exploit business opportunities Finnair is prepared to take controlled and calculated risks. Meanwhile, no risks are taken in flight safety matters.

Finnair's risks are classified into strategic, operational, financial and accident risks. The Board of Directors and the Chief Executive Officer are responsible for the Group's risk management strategy and principles as well as for the management of risks that threaten the fulfilment of strategic objectives. The Executive and Senior Vice Presidents of business units and Managing Directors of subsidiary companies are responsible for risk management in their areas of responsibility.

In accordance with a financial risk management policy approved by Finnair's Board of Directors, the company has hedged 60 per cent of scheduled traffic jet fuel purchases for the first half of 2006 and 40 per cent for the rest of the current year, and thereafter for the following 12 months with a decreasing level of hedging. With the hedging implemented in 2005, the adjusted jet fuel price was around 500 dollars per tonne.

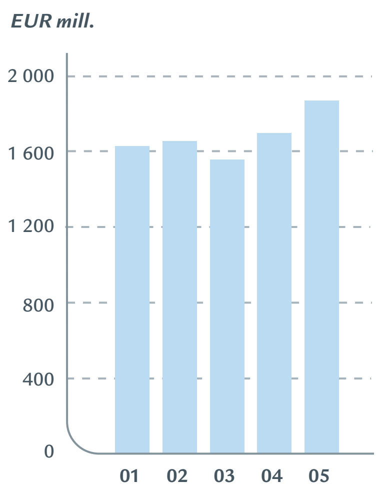
The weakening of the US dollar against the euro has a positive impact on Finnair's operational result and strengthening has a negative impact, because the company has more dollar-linked costs than revenues.

SHARES AND SHARE CAPITAL

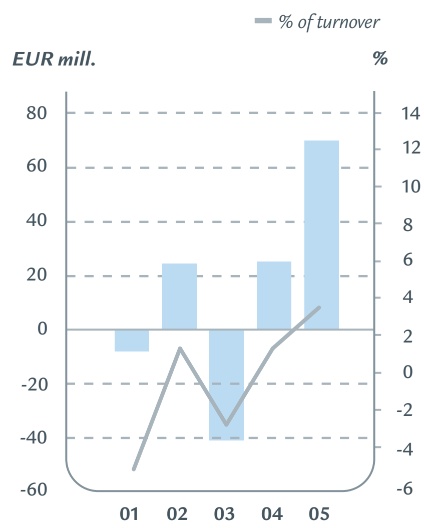
The company's market capitalisation grew 121 per cent, namely by 568.6 million euros from the previous year to 1,039.9 million euros on 31 December 2005. At the beginning of the financial year the market value was 471.3 million euros. During 2005 the highest price for the Finnair Plc share on the Helsinki Stock Exchange was 12.15 euros (6.57), while the lowest price was 5.56 euros (4.46) and the average price 8.56 euros (5.40). During the financial year, some 32.2 million (21.3 million) of the company's shares were traded on the Helsinki Stock Exchange. At the end of the financial year, the Finnish State owned 57.0 per cent (58.4) of the company's shares, while 29.1 per cent (18.4) were held by foreign investors or in the name of a nominee.

At the beginning of the financial period the company held 422,800 of its own shares, which it purchased in 2004. On 23 March 2005 the Annual General Meeting authorised the Board of Directors for a period of one year to purchase the company's own shares up to a maximum of 3,500,000 shares and dispose of the company's own shares up to a maximum of 3,922,800 shares. The authorisation applies to shares amounting

TURNOVER

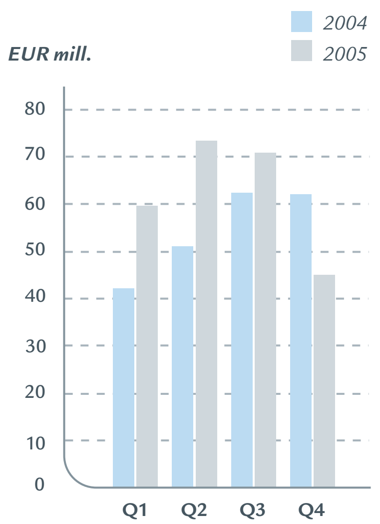


EBIT*



* *Excluding capital gains and fair value changes of derivatives*

EBITDAR*



* *Excluding capital gains and fair value changes of derivatives*

to less than five per cent of the company's share capital. Under the authorisation, in April 2005 the company transferred a total of 37,800 shares to key personnel as part of a share bonus scheme for key personnel. The Board of Directors decided on 15 August 2005 to initiate the purchase of a maximum of 500,000 of its own shares. The purchase of the shares began on 1 September 2005, and by 31 December 2005 a total of 150,000 shares had been purchased. On 31 December 2005 the company held a total of 535,000 own shares, i.e. 0.6 per cent of all shares.

Two series of Finnair Plc option rights are traded on the Main List of the Helsinki Stock Exchange. At the beginning of the financial period 1,997,500 Series A 2000 options were in circulation and 2,000,000 Series B 2000 options. During 2005 1,601,106 Series A options were exercised to subscribe for 1,601,106 new shares and 1,183,850 Series B options were exercised to subscribe for 1,183,850 new shares, i.e. a total of 2,784,956 new shares. Of the new shares subscribed for by virtue of the above-mentioned options, 2,044,900 shares had been entered in the Trade Register by 31 December 2005. Finnair Plc's registered share capital on 31 December 2005 was 73,783,496.05 (72,045,331.05) euros and the total number of shares was 86,804,113 (84,759,213). Of the shares subscribed for during 2005 by virtue of the above-mentioned options, 740,056 shares were unregistered on 31 December 2005 and were entered in a share issue.

If all the option rights in circulation on 31 December 2005 were exchanged for Finnair Plc shares, the Finnish Government's holding would be 55.8 per cent. On the basis of share options that remain unexercised, the company's share capital can rise by a maximum of 1,030,662.40 euros, corresponding to 1,212,544 shares, which is 1.39 per cent of the company's shares.

PERSONNEL

During 2005, the average number of staff employed by the Finnair Group amounted to 9,447, which was 0.8 per cent fewer than a year before. Scheduled Passenger Traffic had 3,884 employees and Leisure Traffic 336 employees. The total number of personnel in technical, catering and ground handling services was 3,816 and in travel services 1,178. A total of 233 people were employed in other operations. Around 400 staff are employed in foreign units and they are engaged mainly in commercial duties.

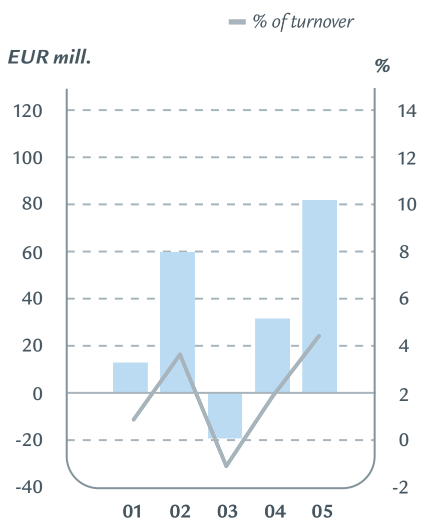
Of Finnair Group personnel, half are women and half are men. The proportion of women in management positions, for example in department manager roles, is growing. Finnair Plc's seven-strong Board of Directors has had two women members since 2003. The first in Finnair's history woman has been appointed to the Management Group as of 1 March 2006.

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 permanent basis. Seasonal staff are included among those on fixed-term contracts. The average age of employees is 43 years, with most being from 30 to 50 years of age. More than 20 per cent are over 50 years old and one in ten are under 30.

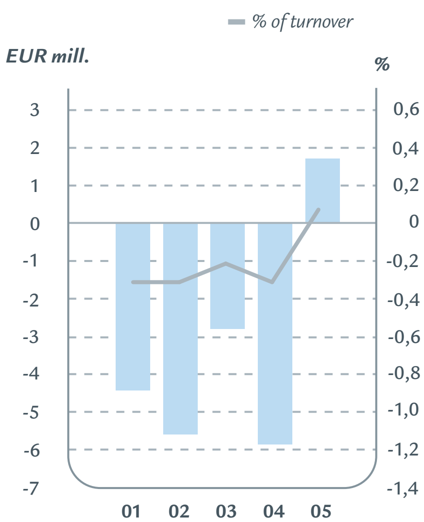
Employees' average length of service is 14 years. One third of Finnair's personnel have been in the service of Group for more than 20 years. Nearly half of these have been employed for more than 30 years.

Staff receive an average of five days of training per year. More than 300,000 euros was spent on activities aimed at maintaining the working capacity of employees as well as on recreational and hobby activities. Job satisfaction is measured regularly on a unit

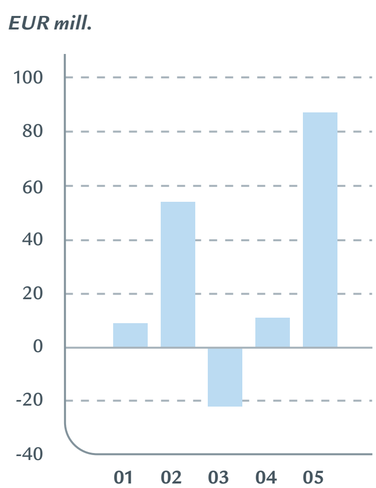
OPERATING PROFIT, EBIT



FINANCIAL INCOME AND EXPENSES



PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES



level. An index measuring the well-being in work of Group employees moved in a positive direction during 2005. This has been the unbroken trend since autumn 2002.

The Group has formulated an updated equality plan for 2005-2006. The purpose of the plan is to promote the implementation of equality in the Finnair Group.

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

On 1 July 2005, the Finnair Pension Fund transferred the management of the Finnair Group's employer pension liabilities under the Employees' Pension Act (TEL) to Ilmarinen Mutual Pension Insurance Company, in accordance with an agreement signed on 22 June 2004. The TEL pension liabilities and obligations transferred to Ilmarinen were covered by assets totalling 491.8 million euros. The Finnair Pension Fund still continues to provide voluntary supplementary pension insurance.

A change in the rules of the Finnair Pension Fund and changes in pension legislation were taken into account by Finnair in 2004. In 2004 and 2005 Finnair's pension expenses have been exceptionally low compared with the long-term annual level. The positive impact on pension expenses for 2004 was felt particularly in the final quarter of the year. In 2006 pension expenses will reach normal levels.

For 2005 a 7.6 million euro provision has been recognised for profit bonus based on the Group's financial performance and payable to Finnair's Personnel Fund.

MANAGEMENT

The Annual General Meeting held on 23 March 2005 re-elected the following members to the Finnair Board of Directors: as Chairman, Minister Christoffer Taxell and as members Director General Samuli Haapasalo, Deputy CEO Markku Hyvärinen, President and CEO Kari Jordan, Senior Vice President Veli Sundbäck, Vice President Helena Terho and D.Sc. (Econ) Kaisa Vikkula.

Samuli Haapasalo submitted his resignation from membership of Finnair Plc's Board of Directors on 22 June 2005 on being appointed Director General of Finavia.

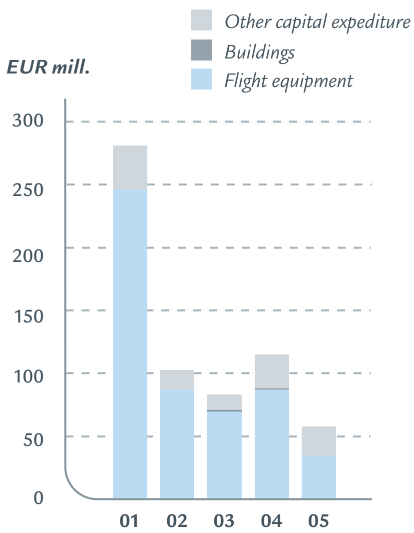
The Annual General Meeting appointed as regular auditors APA Jyri Heikkinen and PricewaterhouseCoopers firm of auditors and as deputy auditors APA Matti Nykänen and APA Tuomas Honkamäki.

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

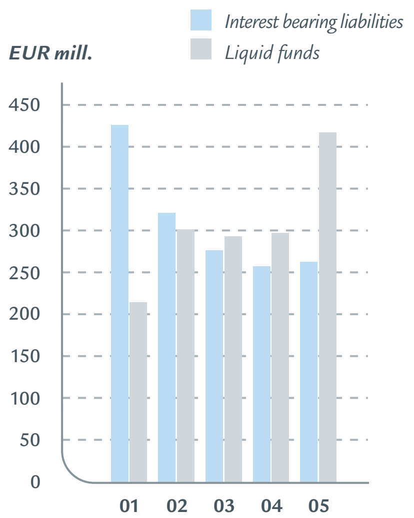
EVP Scheduled Passenger Traffic, LL.M. Henrik Arle was appointed Deputy CEO starting 1 January 2006. New arrangements have also been made at Finnair regarding the position of Accountable Manager. The Accountable Manager is responsible for the Airline Operator's Certificate and other operating licences granted by the authorities. Starting 1 January 2006, Finnair Plc's Accountable Manager is Deputy CEO Arle.

In 2006 changes took place in Finnair's Management Group when SVP Corporate Business Development and Strategy Eero Ahola retired on 31 December 2005. SVP Technical Services Jarmo Vilenius moved to become Managing Director of Finnair Facilities Management as of 15 January 2006. The new SVP Technical Services is Kimmo Soini, who transferred to the post from his role as Scheduled Passenger Traffic's VP Technical Operations.

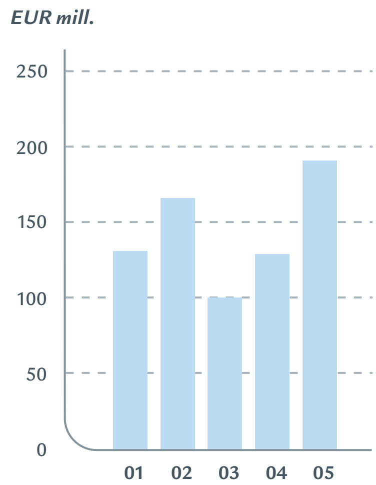
CAPITAL EXPENDITURE (GROSS)



INTEREST BEARING LIABILITIES AND LIQUID FUNDS



CASH FLOW FROM OPERATING ACTIVITIES



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

Finnair SVP Administration and Human Resources Tero Palatsi has resigned from Finnair. As of 15 February 2006, Palatsi's duties have been taken over temporarily by VP HR-Services Ari Kuutchin.

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. The Scheduled Passenger Traffic business area leases to Leisure Traffic the crews and aircraft it requires for its operations. The division consists of the following units and companies: Finnair Scheduled Passenger Traffic, Aero Airlines, FlyNordic, Finnair Cargo Oy and Finnair Aircraft Finance Oy. The Scheduled Passenger Traffic business area's Marketing Division became the Commercial Division on 1 August 2005.

In 2005 the business area's turnover rose by 12.1 per cent to 1,407.9 million euros. Adjusted operating profit was 34.3 million euros (-5.5 million).

Demand for Finnair's scheduled traffic grew by 10 per cent last year while capacity grew by 5.8 per cent, which resulted in the passenger load factor rising 2.6 percentage points to 67.7 per cent.

Unit revenues for scheduled passenger traffic improved 0.7 per cent in 2005. Average prices rose in all types of traffic.

Owing to the tight competitive situation, unit revenues for cargo traffic fell by 5.0 per cent. The number of cargo kilos carried grew by 4.5 per cent. The number of cargo kilos carried in Asian traffic grew by 12.9 per cent.

Finnair's market share in traffic between Asia and Europe has grown further as a result of increased capacity and new destinations. In international traffic, Finnair has maintained its market share relative to its main competitors.

In 2005, the arrival punctuality of scheduled traffic flights was 88 percent (90%). As in previous years, Finnair is Europe's top airline for arrival punctuality.

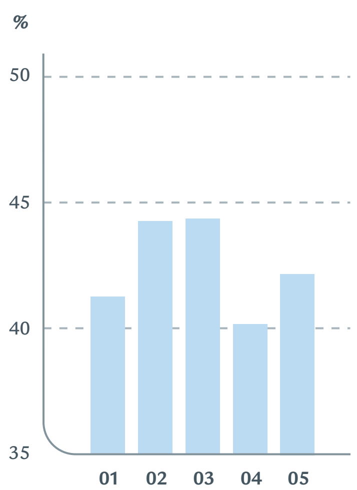
LEISURE TRAFFIC

This business area consists of Finnair Leisure Flights as well as the Aurinkomatkat-Suntours package tour company, which is the biggest in its field in Finland with a market share of more than 35 per cent. Finnair Leisure Flights also enjoys a strong market leadership in leisure travel flights, even though more competition has entered the market.

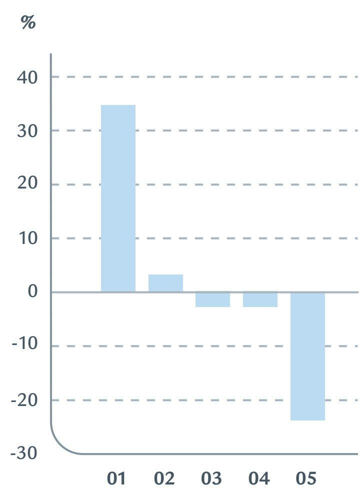
The business area's turnover grew last year by 9.2 per cent to 387.3 million euros. Summer-season demand was better than the previous year, while late in the year demand was slightly below last year's level. The business area's adjusted operating profit was 20.3 million euros (24.8 million).

Finnair Leisure Flights evacuated 2,600 tourists from the devastation caused by the 2004 Boxing Day tsunami in Southeast Asia

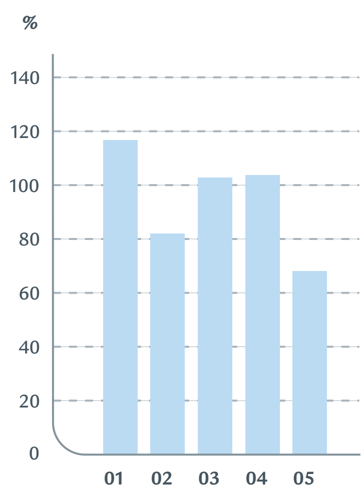
EQUITY RATIO



GEARING



ADJUSTED GEARING



The disaster interrupted flight series for a couple of weeks at the start of 2005.

The lease agreements of four Boeing 757 aircraft used in leisure traffic were renewed at the beginning of April 2005. The new agreements were concluded on more favourable terms and have contributed to reducing the unit costs of leisure flights and to strengthening competitiveness in the leisure flight market. Compared with the earlier agreements, the saving totals more than five million euros per year.

Following the positive resolution of new aircraft lease agreements and terms of employment agreements with flight personnel, Finnair is preparing to incorporate its leisure traffic operations into a separate company.

To boost capacity utilisation, Finnair Leisure Flights operated from the UK with two Boeing B757 aircraft on behalf of Air Scandic during the 2005 summer season. Cooperation with Air Scandic ended in September 2005 after the company encountered financial difficulties. In view of the scope of the operation, no substantial costs arise from the ending of cooperation. The remaining flights were flown to the end of the agreement period in cooperation with tour operator Excel Aviation/Air Atlanta UK. This arrangement will also continue in 2006.

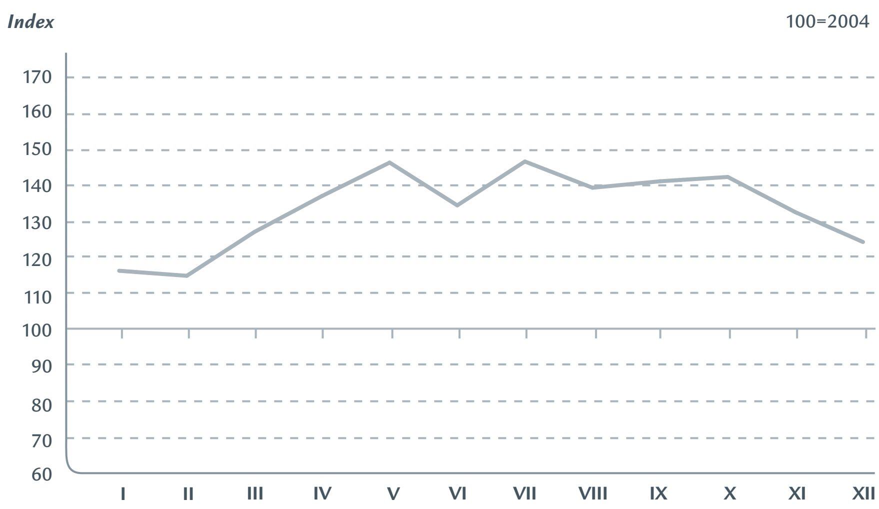
In 2005 demand for leisure traffic grew by 1.2 per cent, while capacity grew by 3.3 per cent. The passenger load factor was 87.3 per cent.

AVIATION SERVICES

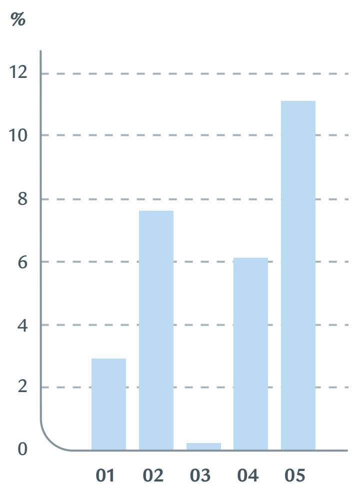
This business area comprises aircraft maintenance services, ground handling and the Group's catering operations. The Aviation Services business area also includes the Group's property holdings, the management and maintenance of properties relating to the Group's operational activities as well as office services.

Aviation Services' turnover fell by 1.6 per cent to 400.9 million euros owing to a fall in the price level of services provided. The business area's adjusted operating profit,

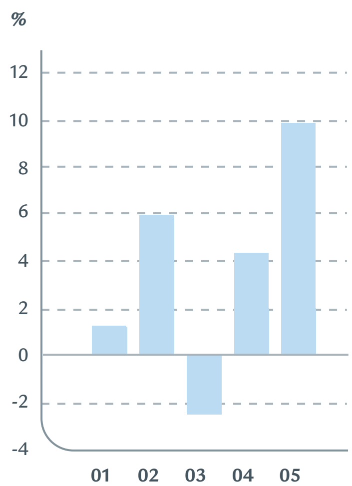
DEVELOPMENT INDEX OF FUEL PRICE 2005



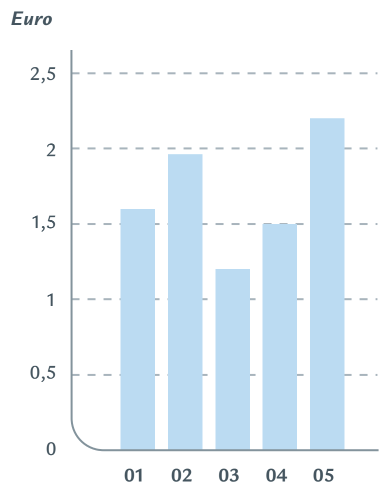
RETURN ON CAPITAL EMPLOYED



RETURN ON EQUITY



CASH FLOW / SHARE



excluding capital gains, improved to 25.5 million euros (21.4 million).

The increase in operating profit is the result of implemented productivity improvement measures. In a number of Aviation Services functions, operations are being improved using the LEAN process concept.

At the beginning of 2006, Finnair Technical Services initiated a competitiveness project which will review the entire organisation and attempt to make operations more cost-efficient by improving processes and operating models.

Finnair Technical Services has concluded a number of significant new customer agreements. Of the business area's turnover, sales outside the Group have risen to around one third and this year totalled more than 50 million euros.

TRAVEL SERVICES

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

The business area's turnover was 91.2 million euros (91.6 million) and adjusted operating profit was 8.1 million euros (6.3 million). Turnover has remained flat; although business travel picked up towards the end of the year, competition between travel agencies has reduced the level of service fees. The business area's operating profit, however, improved slightly from the previous year due to cost cutting.

The bankruptcy of the travel agency Töölön Matkatoimisto in spring 2005 resulted in a credit loss of 2.6 million euros for the Finnair Group. At the same time, however, the Finnair Group's travel agencies won new business.

During the last three years the Finnair Group's travel agencies have successfully adopted a new earnings logic as airlines have abandoned the payment of sales commissions. The process of adaptation and productivity improvement is continuing, however. Finland Travel Bureau announced in January 2006 that it will begin statutory employer-employee negotiations with around 40 employees.

SERVICES AND PRODUCTS

The Finnair route network consists of a comprehensive domestic network as well as an international network that includes more than 50 destinations, of which ten are on long-haul routes. Finnair's success in European scheduled passenger traffic is based on the morning-evening concept favoured by business passengers.

The long-haul strategy exploits Helsinki's ideal position on flight routes between Asia and Europe. Finnair has purposefully increased the number of its Asian flights since 1999. In early September 2005, a new route was opened between Helsinki and Guangzhou in China. Finnair will fly to the new destination three times a week. Finnair already flies more than twice a day to China and daily to Bangkok and Japan.

Asian traffic will also grow in future. A new destination, Nagoya in Japan, will open in June 2006 and Delhi in India in November. In Europe, five new destinations, which will serve the needs of both local demand and Asian traffic, will open by next summer. The new destinations are Edinburgh, Geneva, Kiev, Krakow and Florence. Flight frequencies on the St. Petersburg and Warsaw routes will be increased.

The type of aircraft used in long-haul traffic is the wide-bodied Boeing MD-11. The wide-bodied fleet is being expanded to satisfy growing Asian traffic demand in the next few years. The cabins of the wide-bodied fleet will be refurbished by summer 2006 and new lie-flat seats will be installed in business class.

The first four of ten new Embraer 170 aircraft being acquired by Finnair joined the fleet at the end of the year. The new Embraers have 76 seats and conform in terms of travel comfort to the standard of large passenger jet aircraft.

The electronic ticket, or e-ticket, is already in use on all of Finnair's domestic routes, on several European routes and on long-haul flights. Over 60 per cent of all flight tickets are now sold as e-tickets.

The **one**world alliance will be strengthened by Japan Airlines, Malev of Hungary and Royal Jordanian, which have applied for membership. **one**world is an alliance of financially sound airlines.

ADOPTION OF IFRS REPORTING PRACTICE AND CHANGE OF RECOGNITION PRINCIPLES

On 29 April 2005, Finnair published both annual and quarterly comparative data for the Group's 2004 income statement, balance sheet, cash flow statement and key figures as well as segment-specific key figures and new accounting principles according to the IFRS reporting standards.

For Finnair the most significant changes arising from the introduction of IFRS compared with the Finnish Accounting Standards (FAS) were an improvement in the result for 2004 and a reduction in shareholders' equity.

More detailed transition data can be found in material published on Finnair's website, www.finnair.com/investor.

The adoption of IFRS accounting principles will affect the result and shareholders' equity for 2005 particularly through changes in the fair value of financial derivatives (IAS 32 and 39). Operational cash flow is hedged by derivatives, which are recognised in the accounts in two different ways.

On the one hand, income from approved derivatives within the sphere of hedge accounting is recognised in the income statement only when it is realised and the timing of the impact of derivatives income on the result coincides with the ending of the hedged risk. On the other hand, income realised from derivatives outside hedge accounting as well as the change in fair value of the derivatives portfolio are recognised in the income statement item "other expenses". Forward contracts used for hedging jet fuel purchases and USD currency risk represent the most significant part of the derivatives portfolio.

Hedge accounting dampens the effect on Finnair's result of changes in the market value of derivatives. In 2005 the effect of changes in the market value of derivatives outside hedge accounting was to reduce other expenses and improve the operating profit by 4.5 million euros. Key figures also present the operating profit excluding capital gains and fair value changes of derivatives. The operating profit adjusted in this way (70.1 million euros) describes the operational result.

The recognition practice for the passenger taxes of Finnair's subsidiaries FlyNordic and Aero was changed in the third quarter of the year and thereafter so that the passenger fees collected by the airlines and transferred to the airport holder no longer appear in the airlines' income statements. The change has reduced traffic charges in the latter part of the year and correspondingly other revenue and turnover. The figures for the comparison year have been adjusted to correspond to the new recognition practice.

FUTURE PROSPECTS

The stable and sound long-term development of Finnair will continue, even though this year competition in European traffic will tighten and price levels will come under pressure. The price of fuel is expected to remain at the present high level.

Higher fuel costs will increase pressure to raise ticket prices also in 2006 but the tight competitive situation will ultimately determine whether price rises are possible. At the current price level of jet fuel, fuel costs are expected to be around 20 per cent of turnover in 2006. In 2005 fuel costs were equivalent to 15.6 per cent of turnover. The company has hedged 60 per cent of scheduled traffic jet fuel purchases for the early part of the year and 40 per cent for the rest of the year, and thereafter for the following 12 months with decreasing level of hedging. In leisure traffic, fuel surcharges are applied according to an agreement between tour operators and Finnair.

Growth in demand and the improvement of load factors is expected to continue during 2006. Capacity increases will be directed to Asia traffic. The arrival of the Embraer 170 aircraft to Finnair's fleet, which began in late 2005, will bring flexibility to capacity management and replace the Boeing MD-80 aircraft in the parent company's services by summer 2006. The introduction of the Embraer aircraft, which have fewer than 100 seats, means that seat capacity in Europe and Finland may fall slightly, thus improving the load factor in this traffic segment. The new technology will also improve eco-efficiency.

A seventh long-haul traffic Boeing MD-11 aircraft began operating in January 2006. In the winter season, the capacity brought by the new aircraft will be used to cover for withdrawals of aircraft for maintenance related to the refurbishment of the wide-bodied fleet's cabins. The increased capacity will be in operational use in spring 2006. Finnair aims to introduce an eighth long-haul aircraft in summer 2006.

In December 2005 Finnair decided to commit to growth in Asian traffic by acquiring 12 new Airbus A340/A350 wide-bodied aircraft by 2014. One or two new destinations will be opened in Finnair's Asia network each year and flight frequency to current destinations will be increased.

Work to improve competitiveness will continue in all business areas. Finnair is implementing an operational efficiency programme in which processes are improved to enhance their cost-efficiency and productivity. Particular attention will be paid to the competitiveness of units that provide support services to flight operations. The introduction of Embraer for Boeing MD-80 aircraft currently under way will result in a short-term weakening of productivity in flight operations due to crew transition training.

In leisure traffic, the rise in fuel prices and operating environment risks have led customers to delay the decisions to travel and which also complicates forecasting the future development of the leisure travel business.

Competition will intensify to some extent in the Northern European market and will exert pressure on the development of average prices. Asian traffic is expected to grow by more than ten per cent and the level of average prices to remain good.

The ratio of fuel costs to turnover has risen from 13 per cent to 19 per cent, so profitability in the first quarter will fall short of last year's level. The result for the full year is expected to be clearly in profit.

THANKS TO PRESIDENT AND CEO KEIJO SUILA

The Finnair Plc Board of Directors wishes to extend the warmest thanks to President and CEO Keijo Suila who retired at the end of 2005 for his significant work for ensuring the success of the company in historically difficult times. Under his leadership Finnair has claimed its position in the European airline elite. One of the most significant accomplishments has been the determined realisation of the Asian strategy based on sustainable, profitable growth. "Best in northern skies, a European excellence" is President and CEO Suila's timeless vision for Finnair.

BOARD OF DIRECTORS' PROPOSAL ON THE DIVIDEND

The Group´s distributable equity amounts to 352.6 million euros, while the distributable equity of the parent company comes to 311.3 million euros. The Board of Directors proposes to the Annual General Meeting that a dividend of 0.25 euros per share (0.10) be distributed, a total of 21.7 million euros euros, and that the remainder of the distributable equity be carried over as retained earnings. The proposed dividend is equivalent to over one third of the earnings per share and is thus in line with Finnair's dividend policy.

FINNAIR PLC
Board of Directors

IFRS FINANCIAL STATEMENTS 1 JAN–31 DEC 2005

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CONSOLIDATED INCOME STATEMENT

EUR mill.	1 Jan 2005– 31 Dec 2005	1 Jan 2004– 31 Dec 2004	Note
Turnover	**1,871.1**	**1,682.9**	3
Work used for own purposes and capitalized	11.3	1.4	5
Other operating income	31.8	24.0	6
Other operating expenses	-1,741.6	-1,573.2	7
Depreciation and impairment	-90.7	-104.1	8
Operating profit	**81.9**	**31.0**	
Financial income	20.1	22.5	9
Financial expenses	-14.6	-23.5	10
Share of result in associates	0.1	0.6	15
Profit before taxes	**87.5**	**30.6**	
Income taxes	-25.5	-4.8	11
Profit for financial year	**62.0**	**25.8**	
Earnings per share to shareholders of the parent company	61.4	25.6	
Minority interest	0.6	0.2	
Earnings per share calculated from profit attributable to shareholders of the parent company			
Earnings per share EUR	0.73	0.30	12
Earnings per share EUR (diluted)	0.71	0.30	12

The notes form an essential part of the financial statements.

CONSOLIDATED BALANCE SHEET

EUR mill.	31 Dec 2005	31 Dec 2004	Note
ASSETS			
Non-current assets			
Intangible assets	44.6	36.8	13
Tangible assets	844.4	873.8	14
Investments in associates	3.1	3.2	15
Financial assets	17.7	17.3	16
Deferred tax receivables	17.5	15.7	17
	927.3	946.8	
Short-term receivables			
Inventories	45.1	46.7	18
Trade receivables and other receivables	247.6	209.0	19
Investments	391.7	268.2	20
Cash and bank equivalents	26.7	29.6	21
	711.1	553.5	
Assets total	**1,638.4**	**1,500.3**	
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Equity attributable to shareholders of parent company			
Shareholders´equity	73.8	72.1	
Other equity	598.6	517.7	
	672.4	589.8	
Minority interest	1.6	1.2	
Equity, total	674.0	591.0	22
Long-term liabilities			
Deferred tax liability	125.8	116.4	17
Financial liabilities	214.9	229.9	26
Pension obligations	12.7	9.9	24
	353.4	356.2	
Short-term liabilities			
Current income tax liabilities	20.1	0.2	
Financial liabilities	52.7	49.3	26
Trade payables and other liabilities	538.2	503.6	27
	611.0	553.1	
Liabilities, total	**964.4**	**909.3**	
Shareholders' equity and liabilities, total	**1,638.4**	**1,500.3**	

The notes form an essential part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1 Jan 2005– 31 Dec 2005	1 Jan 2004– 31 Dec 2004
Cash flow from operating activities		
Profit for the financial year	62.0	25.8
Operations for which a payment is not included [1)]	91.7	80.6
Interest and other financial expenses	14.6	23.6
Other financial income [2)]	-12.0	-6.3
Dividend income	-0.3	-0.3
Taxes	25.5	4.8
Changes in working capital:		
Change in trade and other receivables	-18.5	-61.9
Change in inventories	1.3	1.9
Change in accounts payables and other liabilities	33.5	78.2
Interest paid trade payablest	-9.5	-11.8
Paid financial expenses	-1.5	-10.3
Received interest	7.0	5.2
Taxes paid	-2.0	0.0
Net cash flow from operating activities	**191.8**	**129.5**
Cash flow from investing activities		
Sell of subsidiarys, net of cash sold [3)]	3.5	0.0
Investments in intangible assets	-16.1	-19.1
Investments in tangible assets	-57.7	-93.9
Investments in other non-current investments	0.0	-0.4
Net change of financial interest bearing assets at fair value through profit or loss [4)]	-30.2	12.1
Sales of associated companies [3)]	0.0	0.7
Sales of tangible fixed assets	2.8	2.2
Received dividends	0.3	0.3
Change in non-current receivable	-2.6	7.1
Net cash flow from investing activities	**-100.0**	**-91.0**
Cash flow from financing activities		
Loan withdrawals	11.0	9.4
Loan repayments	-19.0	-27.9
Purchase of own shares	-1.5	-2.3
Sales own shares	0.2	0.0
Option right to own shares	12.6	0.0
Share-based payment expense	2.3	0.0
Dividends paid	-8.5	-8.5
Net cash flow from financing activities	**-2.9**	**-29.3**
Change in cash flows	**88.9**	**9.2**
Change in liquid funds		
Liquid funds, at the beginning	250.5	241.3
Change in cash flows	88.9	9.2
Liquid funds, in the end [5)]	**339.4**	**250.5**

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

CONSOLIDATED CASH FLOW STATEMENT

Notes to consolidated cash flow statement		
1) Operations for which a payment is not included		
EUR mill.	2005	2004
Depreciation	90.7	104.1
Employee benefits	2.6	-27.4
Other adjustments	-1.6	3.9
	91.7	**80.6**

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

3) The Group has disposed of its real-estate companies in 2005 and an associated company, Gourmet Nova, in March 2004. Information about the assets, liabilities, and cash and cash equivalents of the companies are presented in the notes to the income statement, in item 4.

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

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

Balance sheet item		
Financial assets at fair value	391.7	268.2
Cash and bank equivalents	26.7	29.6
Short-term cash and cash equivalents in balance sheet	418.4	297.8
Shares held for trading purposes	-7.9	-6.3
Maturing after more than 3 months	-71.1	-41.0
Total	339.4	250.5

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

Cash and cash equivalents have been changed to correspond with the above definition at the beginning and end of 2004.

SHAREHOLDERS' EQUITY

Equity attributable to shareholders of parent company

EUR mill.	Share capital	New issue	Share premium account	Bonus issue	Hedging reserve	Own shares fund	Retained earnings	Capital loan	Total	Minority interests	Total
Shareholders equity 1 Jan 2004	**72.1**		**5.6**	**147.7**	**0.0**	**0.0**	**348.3**	**5.7**	**579.4**	**1.2**	**580.6**
New issue of shares	0.0		0.1						0.1		0.1
Translation difference									0.0		0.0
Changes of tax basis							-1.1		-1.1		-1.1
Dividend payment							-8.5		-8.5	-0.2	-8.7
Capital loan repayment								-5.7	-5.7		-5.7
Purchase of own shares						2.3	-2.3		0.0		0.0
Profit for the period							25.6		25.6	0.2	25.8
Shareholders equity 31 Dec 2004	**72.1**		**5.7**	**147.7**	**0.0**	**2.3**	**362.0**	**0.0**	**589.8**	**1.2**	**591.0**
Change in the Companies Act						-2.3			-2.3		-2.3
Adoption of IAS 32 and 39 standards					-9.9		-2.5		-12.4		-12.4
Adjusted own equity 1 Jan 2005	**72.1**		**5.7**	**147.7**	**-9.9**	**0.0**	**359.5**	**0.0**	**575.1**	**1.2**	**576.3**

Equity attributable to shareholders of parent company

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIC INFORMATION ABOUT THE COMPANY

The Finnair Group engages in worldwide air transport operations and supporting services. The Group's operations are divided into the Scheduled Passenger Traffic, Leisure Traffic, Aviation Services and Travel Services business areas.

The Group's parent company is Finnair Plc, which is domiciled in Helsinki at the registered address Tietotie 11 A. The parent company is listed on the Helsinki Exchanges. In addition, its shares are also traded in the SEAQ system of the London Stock Exchange.
The Board of Directors of Finnair Plc has approved these financial statements for publication at its meeting on 15 February 2006. Under Finland's Companies Act, shareholders have the option to accept or reject the financial statements in a meeting of shareholders, which will be held after the publication of the financial statements. The meeting has also the option of changing the financial statements.

2. ACCOUNTING PRINCIPLES

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

BASIS OF PREPARATION

Finnair Plc's consolidated financial statements for 2005 have been prepared for the first time according to the International Financial Reporting Standards (IFRS) and in their preparation the IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on 31 December 2005 have been followed. By International Financial Reporting Standards is meant the standards accepted for application in the EU, and interpretations issued about them, in accordance with the procedure laid down in Finnish law and provisions issued by virtue thereof in the EU Regulation (EC) No.1606/2002. The notes to the consolidated financial statements also comply with Finnish accounting and corporate law.

During 2005 Finnair Group has adopted the IFRS reporting practice and has applied in connection with this the IFRS 1 standard (First-Time Adoption of IFRS Financial Reporting Standards). The transition date is 1 January 2004, except for standards IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Valuation). In terms of these, after the change made in March 2004 to IAS 39 and applied by Finnair Group in its 2005 financial statements, comparative data according to this standard do not need to be prepared for 2004. In presenting financial instruments that fall within the area of application of IAS 32 and 39, Finnish reporting practice has therefore been applied in the 2004 comparative data. Differences resulting from the adoption of IFRS standards have been presented in reconciliation calculations, which are included in item 36 of the notes to the financial statements. Comparative data for 2004 have been changed, with the exception of financial instruments, to comply with IFRS standards.

The 2005 consolidated financial statements have been prepared based on original acquisition costs, except for financial assets recognisable through profit and loss at fair value, financial assets which are available-for-sale, and derivatives contracts, which have been valued at fair value. Combinations of Group operations have taken place before 2004 and goodwill in respect of these corresponds to the carrying amount of the previous financial statement, which has been used as the assumed acquisition cost under IFRS. Financial statement data is presented in millions of euros.

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

PRINCIPLES OF CONSOLIDATION SUBSIDIARIES

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

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

ASSOCIATED UNDERTAKINGS

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

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

MINORITY INTEREST

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

TRANSLATION OF FOREIGN CURRENCY ITEMS

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

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

The income statements and balance sheets of foreign subsidiaries have been translated into euros using the exchange rates on the closing date. Translation differences of shareholders' equity items arising from eliminations of the acquisition cost of foreign subsidiaries are recognised in shareholders' equity. When a foreign subsidiary is sold, these translation differences are recognised in the income statement as part of the overall profit or loss arising from the sale. Translation differences that arose before 1 January 2004 are recognised in retained earnings in accordance with the relief permitted by the IFRS 1 standard in connection with the adoption of IFRS. Since the transition date, translation difference arising in the preparation of the consolidated financial statements are presented as a separate item in shareholders' equity.

DERIVATIVES CONTRACTS AND HEDGE ACCOUNTING

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

The derivatives are recognised at the time they are made in the balance sheet at original acquisition cost and are subsequently valued at fair value in each financial statement and interim report. Gains and losses on derivatives qualifying for hedge accounting are recognised in accordance with the underlying asset being hedged. Derivatives contracts are designated at inception as hedges for future cash flows and binding purchase contracts (cash flow hedges) or as financial derivatives not meeting the hedge accounting criteria (economic hedges). The valuation principles of the fair value of derivatives is presented in note 29.

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

The Finnair Group implements in accordance with IAS 39 hedge accounting principles the hedging of future cash flows (cash flow hedging) in terms of the price and foreign currency risk of jet fuel as well as foreign currency hedging of leasing fees and aircraft purchases. Hedging of the fair value of the net investments of foreign units was not used at the closing date. Neither were embedded derivatives in use on the closing date or during the financial year.

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

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

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

The Finnair Group concludes jet fuel swaps (forward contracts) and options in order to even out future price fluctuations in jet fuel purchases. The changes in the fair value of jet fuel derivatives that fulfill the terms of IAS-39 hedge accounting principles are entered directly in hedging reserve in equity. The gains and losses recognized in equity are transferred to the income statement in the period in which the hedged item is entered in the income statement. If a forecast transaction is no longer expected to occur, any gain or loss is released immediately to the income statement. Ineffective portion of fair value change of derivatives is presented in other operating income and expense.

Fair value changes of derivatives hedging future cash flows (for which IAS-39 hedge accounting is not applied) are presented in other operating income and expense. Fair value changes of interest rate derivatives (for which IAS-39 hedge accounting is not applied) are presented in financial items.

PRINCIPLE OF REVENUE RECOGNITION

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

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

Interest income

Interest income is recognised by the effective yield method.

Dividend income

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

INCOME TAXES

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

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

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

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

The Group main business takes place in Finland. Taxes based on taxable income for the financial year have been calculated with a tax rate of 26 per cent.Taxes based on income taxable for financial year 2004 have been calculated in Finland at a tax rate of 29 per cent. Taxes based on the taxable income of foreign subsidiaries for the financial year have been calculated at tax rates of 0 - 26 per cent.

Depreciation difference and voluntary reserves have been divided in the consolidated balance sheet into shareholders' equity and deferred tax liability. Under the Finnish Companies Act, the portion calculated for shareholders' equity is not included in distributable equity.

PUBLIC GRANTS

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

TANGIBLE FIXED ASSETS

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

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

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

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

- Buildings, 3–5 % of their undepreciated residual value
- Aircraft and their engines: on a straight-line basis as follows:
  - new Airbus A320 family aircraft, over 20 years to a residual value of 10%
  - other jet aircraft acquired earlier as new, over 15 years to a residual value of 10%
  - used jet aircraft more than six years old, over 10 years to a residual value of 10%
  - new turboprop aircraft, over 12 years to a residual value of 10%
  - turboprop aircraft acquired as used, over 10 years to a residual value of 10%
  - aircraft to be withdrawn from use, fully on a straight-line basis according to their useful life outlined in the fleet modernisation plan
- Heavy maintenance of aircraft, on a straight-line basis during the maintenance period
- Embraer components, over 15 years to a residual value of 10%
- Airbus components, over 15 years to a residual value of 10%
- Flight simulators are depreciated as per the corresponding type of aircraft
- Depreciation of other tangible fixed assets, 23% of the undepreciated residual value

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

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

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

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

INTANGIBLE ASSETS

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

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

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the subsidiary, associated undertaking or joint venture acquired after 1 January 2004. Goodwill from the combination of operations acquired prior to 1 January 2004 corresponds to the carrying amount according to the previous financial statement standards, which has been used as the assumed acquisition cost. The classification or handling in the financial statements of these acquisitions has not been adjusted when preparing the Group's opening IFRS balance sheet. The Finnair Group has made no company acquisitions after 1 January 2004.

Goodwill is tested annually for possible impairment. For this purpose, goodwill has been allocated to cash generating units. If the expected present value of future operational cash flow of some business operation is lower than the carrying amount including goodwill, the impairment is recognised as an expense in the income statement.

The Finnair Group has allocated in the financial statements part of the goodwill arising in an acquisition before 31 December 2005 to the acquired company's intangible asset items, which are depreciated on a straight-line basis over their economic life.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development on aircraft, systems and operations is conducted primarily by the manufacturers. Research and product development expenditure relating to marketing and customer service is recognised as an expense at the time at which it is incurred. Expenses are included in the Group's income statement in a cost item according to the nature of the expense. Development expenditure is recognised in the balance sheet as an intangible asset when it is probable that the development project will succeed both commercially and technically and the project expenses can be reliably assessed. The Group has no capitalisable development expenditure.

COMPUTER SOFTWARE

Computer software maintenance costs and expenditure on the research stage of software projects are recognised as expenses at the time they are incurred. Software projects' minor development costs, moreover, are not capitalised; they are recognised as an expense. User rights and licences acquired for IT software are presented in the category intangible rights and in other respects in other intangible assets. Acquired user rights and licences are entered in the balance sheet at acquisition cost, plus the costs of making the licence and software ready for use. Capitalised expenses are depreciated over a useful life of 3 - 8 years.

OTHER INTANGIBLE ASSETS

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

LEASE AGREEMENTS

THE GROUP IS THE LESSEE

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

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

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

IMPAIRMENT

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

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

An impairment test required by the transition standard has been made for goodwill applying IAS 36 to IFRS standards on the transition date 1 January 2004.

INVENTORIES

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

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

TRADE RECEIVABLES

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

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

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

BORROWING COSTS

Borrowing costs are recognised as an expense for the period during which they arise.

LOANS

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

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has applied the IAS 39 standard (amended 2004) "Financial Instruments: Recognition and Valuation" from 1 January 2005. In 2004 financial assets and liabilities have been valued in accordance with Finnish reporting practice (see Note 37). From the beginning of 2005 the Group's financial assets have been classified according to the standard into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and other receivables, and other financial assets. The classification is made on the basis of the purpose of the acquisition of the financial assets in connection with the original acquisition. All purchases and sales of financial assets are recognised on the trade date.

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

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

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

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

The fair value of other financial assets and liabilities is assumed to correspond approximately to their carrying amount due to their short maturity or because their fair values cannot be easily determined. Other financial assets include trade receivables, prepaid expenses and accrued income and other long-term receivables such as loan receivables, other shares and holdings and aircraft lease guarantee deposits. Other financial liabilities include trade payables as well as accrued liabilities and deferred income.

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash reserves, short-term bank deposits and other short-term, highly liquid investments, whose term to maturity is a maximum of three months.

SHAREHOLDERS' EQUITY

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

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

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

The revaluation reserve includes a fair value reserve for available-for-sale investments and a hedge reserve for derivatives used in cash-flow hedging.

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

DIVIDEND

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

TREASURY STOCK (OWN SHARES)

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

EMPLOYEE BENEFITS

PENSION LIABILITIES

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

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

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

On the transition date to IFRS standards on 1 January 2004 all actuarial gains and losses have been recognised in the opening shareholders' equity according to the relief permitted by the IFRS 1 standard. Actuarial gains and losses arising thereafter have been recognised in the income statement over the employees' average remaining term of service to the extent that they exceed the greater of the following: 10% of pension obligations or 10% of the fair value of assets.

OTHER POST-EMPLOYMENT BENEFITS

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

SHARE-BASED PAYMENTS

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

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

In the share bonus scheme, key individuals have the possibility to receive as a bonus both company shares and money for a three-year performance period according to how targets set for the performance period have been achieved. The Board of Directors decides annually the targets to be set. The targets are determined on the basis of the Group's financial development (note 23). Achieving the targets set for the performance period determines how large a proportion of the maximum bonus will be paid. The fair value of the granted shares on the date they are granted is recognised in personnel expenses and as an increase in shareholders' equity during the financial period according to how the degree of fulfilment of the targets is assessed. The monetary bonus is recognised on the basis of the fair value of the shares at each point in time in personnel expenses and as a liability. The expense impact on the period in question is allocated in the interim reports. Own shares for the share bonus system have been acquired in the market, so the granting of these shares does not dilute share ownership.

PROVISIONS

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

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

SEGMENT REPORTING

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

The Scheduled Passenger Traffic segment is responsible for sales, service concepts, flight operations and the procurement and financing of aircraft. Scheduled Passenger Traffic leases to the Leisure Traffic division the flight crews it requires. In 2005 the units belonging the Scheduled Passenger Traffic segment were Finnair Scheduled Passenger Traffic, the feeder airline Aero As, the budget airline FlyNordic, Finnair Cargo Oy and Finnair Aircraft Finance Oy, which manages the Group's fleet.

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

The Aviation Services segment comprises aircraft maintenance services, ground handling and the Group's catering operations as well as real-estate management and facility services for Finnair's operational premises. In 2005 the following companies belonged to the Aviation Services business segment: Finnair Catering Oy, Finncatering Oy, Finnair Facilities Management Oy and Northport Oy.

The Travel Services segment consists of the Group's domestic and foreign travel agency operations as well as the operations of the reservations systems supplier Amadeus Finland Oy. In 2005 the following companies belonged to the Travel Services business segment: The most significant subgroups are Finland Travel Bureau Ltd, Matkatoimisto Oy Area and Finnair Catering Oy.

Pricing between segments takes place at the going market price.

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

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

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

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

The preparation of financial statements requires the use of estimates and assumptions relating to the future, and the actual outcomes may differ from the estimates and assumptions made. In addition, discretion has to be exercised in applying the accounting principles of the financial statements.

IMPAIRMENT TESTING

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

APPLICATION OF NEW OR AMENDED IFRS STANDARDS

The IASB has announced the following interpretations, standards and amendments made to them that were not in effect on 31 December 2005. Their dates of entry into effect and the Group's estimate of the impact of their introduction are as follows:

IAS 1 Amendment - Capital disclosures	1 Jan 2007	1)
IAS 19 Amendment - Employee benefits	1 Jan 2006	2)
IAS 21 Amendment - Net investment in a Foreign operation	1 Jan 2006	3)
IAS 39 Amendment - Hedging of forecast intragroup	1 Jan 2006	4)
IAS 39 Amendment - Fair value option	1 Jan 2006	5)
IAS 39 and IFRS 4 Amendment - Insurance contracts	1 Jan 2006	6)
IFRS 6 - Exploration for and evaluation of mineral resources	1 Jan 2006	7)
IFRS 7 - Financial instruments: Disclosures	1 Jan 2007	8)
IFRIC 4 - Determining whether an arrangement contains a lease	1 Jan 2006	9)
IFRIC 5 - Rights to interests arising from decommissioning, restoration and environmental funds	1 Jan 2006	10)
IFRIC 6 - Recycling fee liabilities	1 Jan 2006	11)
IFRIC 7 - Financial reporting in hyperinflationary economies	1 March 2006	12)
IFRIC 8 - Scope of IFRS 2	1 May 2006	13)

1) Impact on disclosures
2) Impact on disclosures, because the accounting practice in terms in terms of actuarial gains and losses is not changed
3) No substantial impact
4) No impact, because the method is enabled but not applied
5) No substantial impact on the classification or valuation of financial assets
6) Not applicable, because the Group has no insurance contracts according to the standard
7) Not applicable, because the Group does not engage in the exploration of mineral resources
8) Impact on disclosures
9) The Group is currently evaluating the impact of the interpretation on current arrangements
10) Not applicable to the business of the Group
11) Not applicable to the business of the Group
12) Not applicable to the business of the Group
13) No substantial impact

The EU has not yet approved for use the following standards: IAS 21, IFRIC 7 and IFRIC 8.

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

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

3. SEGMENT INFORMATION

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

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

EUR mill.	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group elimina-tions	Un-allocated items	Group
External turnover	1,296.9	383.7	104.2	86.3		0.0	1,871.1
Internal turnover	111.0	3.6	296.7	4.9	-416.2		0.0
Turnover	1,407.9	387.3	400.9	91.2	-416.2	0.0	1,871.1
Operating profit	37.6	20.3	29.3	8.1		-13.4	81.9
Share of results of associated undertakings						0.1	0.1
Financial income						20.1	20.1
Financial expenses						-14.6	-14.6
Income tax						-25.5	-25.5
Minority interest						-0.6	-0.6
Profit for the financial year							61.4
Segment assets	953.7	74.8	270.4	64.4	-160.6	432.6	1,635.3
Holdings in associated undertakings						3.1	3.1
Assets, total	953.7	74.8	270.4	64.4	-160.6	435.7	1,638.4
Segment liabilities	421.4	86.2	105.0	46.0	-106.1	411.9	964.4
Other items							
Investments	26.8	0.1	27.8	0.9	0.0	1.9	57.5
Depreciation	62.5	0.2	23.7	1.6	0.0	2.7	90.7

Primary reporting format - business segment data 1 Jan–31 Dec 2004

EUR mill.	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group elimina-tions	Un-allocated items	Group
External turnover	1,147.6	351.0	98.5	85.8			1,682.9
Internal turnover	108.6	3.6	308.9	5.8	-426.9		0.0
Turnover	1,256.2	354.6	407.4	91.6	-426.9		1,682.9
Operating profit	-3.5	24.8	21.6	6.5		-18.4	31.0
Share of results of associated undertakings						0.6	0.6
Financial income						22.5	22.5
Financial expenses						-23.5	-23.5

EUR mill.	Scheduled Passenger Traffic	Leisure Traffic	Aviation Services	Travel Services	Group elimina-tions	Un-allocated items	Group
Income tax						-4.8	-4.8
Minority interest						-0.2	-0.2
Profit for the financial year							25.6
Segment assets	905.6	70.6	298.4	76.0	-159.6	306.1	1,497.1
Holdings in associated undertakings						3.2	3.2
Assets, total	905.6	70.6	298.4	76.0	-159.6	309.3	1,500.3
Segment liabilities	318.1	84.1	99.4	63.4	-31.1	375.4	909.3
Other items							
Investments	78.2	0.3	25.0	1.5	0.0	9.5	114.5
Depreciation	74.9	0.2	33.2	1.9	0.0	-6.1	104.1

Employees (average) by segment		
	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Scheduled Passenger Traffic	3,884	3,839
Leisure Traffic	336	325
Aviation Services	3,816	3,928
Travel Services	1,178	1,185
Other operations	233	245
Total	**9,447**	**9,522**
Employees at end of year	9,661	9,430

Secondary reporting format - geographical segments		
Turnover outside the Group by sales segment EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Finland	475.3	445.1
Europe	916.7	824.4
Asia	361.0	298.9
North America	65.7	57.1
Others	52.4	57.4
Total	**1,871.1**	**1,682.9**

Segment assets according to country of location		
EUR mill.	31 Dec 2005	31 Dec 2004
Finland	1,259.8	1,295.3
Europe	68.2	40.8
Asia	30.8	10.0
North America	2.0	2.7
Others	2.5	1.8

EUR mill.	31 Dec 2005	31 Dec 2004
Group eliminations	-160.6	-159.6
Unallocated items	435.7	309.3
Total	**1,638.4**	**1,500.3**

Segment liabilities according to country of location		
EUR mill.	31 Dec 2005	31 Dec 2004
Finland	595.2	525.4
Europe	44.9	31.7
Asia	14.4	4.1
North America	1.9	0.3
Others	2.2	3.5
Group eliminations	-106.1	-31.1
Unallocated items	411.9	375.4
Total	**964.4**	**909.3**

Capital expenditure by country of location		
EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Finland	57.0	101.1
Europe	0.5	3.9
Asia	0.0	0.0
North America	0.0	0.0
Others	0.0	0.0
Unallocated items	0.0	9.5
Total	**57.5**	**114.5**

4. ASSET ITEMS SOLD

In October 2005 the Group sold the real estate companies Kiinteistöosakeyhtiö Aerola A-talot and B-talot for 3.7 million euros. A capital gain of 3.5 million euros was recognised. In March 2004 the Group sold its associated undertaking Gourmet Nova. The capital gain before taxes was 6.3 million euros. The asset items sold did not fulfil the characteristics of discontinued operations nor the criteria for classification as held for sale.

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

Net assets and liabilities of sold operations		
EUR mill.	2005	2004
Cash and cash equivalents	0.1	-
Intangible assets	0.1	-
Tangible fixed assets	0.8	-
Loans	-0.8	-
Total	0.2	-
Capital gain	3.5	6.3
Consideration, total	3.7	6.3
Paid cash and cash equivalents	3.6	6.8

EUR mill.	2005	2004
Cash and cash equivalents of disposed subsidiary	-0.1	-
Balance sheet value of disposed associated undertaking		-0.5
Net cash flow of disposal	3.5	6.3

5. PRODUCTION FOR OWN USE

EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Component production	1.8	1.4
Heavy maintenance	9.5	0.0
Total	**11.3**	**1.4**

6. OTHER OPERATING INCOME

EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Capital gains on sales of tangible fixed assets	3.6	5.5
Capital gain from shares	0.2	0.3
Sell of subsidiarys net of cash sold	3.5	0.0
Rental income	7.5	5.9
Others	17.0	12.3
Total	**31.8**	**24.0**

Other operating income includes frequent-flyer income of 5.3 million euros (5.4 million euros in 2004). The rest consists of several items, none of which are individually significant.

7. OTHER OPERATING EXPENSES

EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Materials and services	709.8	608.3
Personnel expenses	495.8	435.5
Other expenses	536.0	529.4
Total	**1,741.6**	**1,573.2**
Breakdown of expense categories		
Materials and services		
Materials and supplies for aircraft maintenance	27.7	21.3
Ground handling and catering charges	134.0	129.0

EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Fuels for flight operations	292.7	212.5
Expenses for tour operations	102.0	94.0
Aircraft maintenance and servicing	55.0	46.3
Data administration services	57.9	68.4
Other items *	40.5	36.8
Total	**709.8**	**608.3**

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

Personnel expenses		
Wages and salaries	386.8	362.7
Pension expenses	65.6	39.7
Other social expenses	43.4	33.1
Total	**495.8**	**435.5**
Salaries and bonuses of Chief Executive Officer and Members of the Board of Directors, EUR		
Chief Executive Officer		
Keijo Suila	831,202	
Deputy Chief Executive Officer		
Henrik Arle	243,866	
Members of the Board of Directors		
Chiristoffer Taxell	45,055	
Kari Jordan	27,300	
Samuli Haapasalo up to 22 Jun 2005	12,255	
Markku Hyvärinen	25,200	
Veli Sundbäck	23,800	
Helena Terho	25,049	
Kaisa Vikkula	25,200	

Personnel incentive scheme

The Group operates an incentive scheme based on a balanced scorecard, defined separately for each business unit, which covers most of the Finnair Group's employees. The total amount of bonuses in 2005 was 9.8 million euros (previous year 2.6 million euros).

Transfer to Personnel Fund

The Finnair Group has a profit bonus scheme, which allows employees to participate in a profit bonus payable on the basis of the Group's result and return on capital employed. A profit bonus is paid into a Personnel Fund, which is obliged to invest part of the bonus in Finnair Plc's shares. Other staff costs include 7.6 million euros of profit bonus (previous year 0.5 million euros).

EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Social expenses		
Pension expenses - defined contribution schemes	48.6	41.7
Pension expenses - defined-benefit schemes, statutory	8.3	17.9
Pension expenses - defined-benefit schemes, voluntary *	8.2	-20.0
Other defined-benefit expenses	0.5	0.1
Other social expenses	43.4	33.1
Total	**109.0**	**72.8**

* The level of pension expenses for 2004 was lowered by a change in the Pension Fund rules and an amendment to the Employee Pensions Act. The combined effect of the rule change and the amendment of the Employee Pensions Act was a non-recurring improvement in the result of more than 20 million euros.

Management pension benefits

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

EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Other operating expenses		
Lease payments for aircraft	88.5	88.9
Rental of cargo capacity	18.6	15.0
Other rental of flight capacity	17.9	9.3
Office and other rents	32.7	37.8
Traffic charges	159.1	148.4
Sales and marketing expenses	95.5	107.8
Other items *	123.7	122.2
Total	**536.0**	**529.4**

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

8. DEPRECIATION AND IMPAIRMENT

EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Depreciation of tangible fixed assets		
Buildings	5.4	3.5
Aircraft	69.0	80.9
Other equipment	8.3	12.4
	82.7	96.8
Depreciation of intangible assets		
Goodwill	0.0	1.5
Other intangible assets	8.0	5.8
	8.0	7.3
Total	**90.7**	**104.1**

The Group has re-assessed the useful life of aircraft heavy maintenance. As a result of re-assessment the maintenance intervals of Airbus aircraft were lengthened. Depreciations of heavy maintenance reduced as a result of the re-assessment by 1.0 million euros compared to the earlier practice. The depreciation period of flight simulators has been changed to match the depreciation period of the corresponding aircraft. In the comparison year, an additional depreciation of 5 million euro was made for the fleet.

9. FINANCIAL INCOME

EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Interest income	8.0	9.3
Dividend income	0.3	0.6
Gains from sales of shares of the associated companies	0.0	6.3

EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Foreign exchange gains	0.5	2.4
Fair value changes of financial assets at fair value through profit or loss	5.1	0.0
Fair value changes of currency derivatives	5.9	0.0
Other financial income	0.3	3.9
Total	**20.1**	**22.5**

10. FINANCIAL EXPENSES

EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Interest expenses		
Interest on bank loans	9.6	11.8
Interest on finance leases	1.3	1.5
	10.9	**13.3**
Foreign exchange losses	0.4	3.2
Fair value changes of financial assets at fair value through profit or loss	0.4	0.0
Fair value changes of currency derivatives	2.0	0.0
Other financial expenses	0.9	7.0
Total	**14.6**	**23.5**

Foreign exchange gains and losses included in consolidated income statement		
EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Fuels for flight operations	3.1	-6.4
Lease payment for aircraft	-0.3	-2.7
Other expenses	10.5	0.0
Net financial items	5.5	-1.0
Total	**18.8**	**-10.1**

11. INCOME TAXES

Taxes for financial year and previous years		
EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Tax based on taxable income of financial year	22.1	0.2
Taxes for previous years	2.2	0.5
Deferred taxes	1.2	4.1
Total	**25.5**	**4.8**

The tax expense included in the consolidated income statement differs in the following way from the theoretical sum obtained by using the tax rate (26%) of the Group's home country Finland:		
EUR mill.	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Profit before taxes	87.5	30.6
Taxes calculated using the Finnish tax rate	-22.8	-8.9
Different tax rates of foreign subsidiaries	0.0	0.1
Share of result in associates	0.0	-0.1
Tax-free income	-0.1	0.0
Nondeductible expenses	-0.4	-5.1
Deferred tax expense / tax asset resulting from reduction of Finnish tax rate	0.0	9.2
Use of previously unrecognised tax losses	0.0	0.5
Taxes for the previous financial year	-2.2	-0.5
Income taxes, total	**-25.5**	**-4.8**
Effective tax rate	29.1%	15.6%

12. EARNINGS PER SHARE

The undiluted earnings per share figure is calculated by dividing the profit for the financial year attributable to the parent company's shareholders by the weighted average number of shares outstanding during the financial year.

When calculating the earnings per share adjusted by dilution, the weighted average of the number of shares takes into account the diluting effect resulting from changing into shares all potentially diluting shares. The Group has had share options which have a diluting effect when the subscription price of the options is lower than the fair value of the share because with the funds obtained from the exercising of the options the Group could not issue the same number of shares at fair value. The fair value of the share is based on the weighted average price of the shares in trading.

	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Profit for the financial year, EUR mill.	61.4	25.6
Weighted average number of shares, 1000s	84,245	84,328
Undiluted earnings per share, EUR	0.73	0.30
When calculating diluted earnings per share the number of shares is adjusted for the effect of convertible loans, share options and own shares.		
Profit for the financial year	61.4	25.6
Weighted average number of shares, 1000s	88,150	86,758
Effect of convertible loan	0	0
Effect of share options	-673	0
Effect of own shares	-431	-211
Weighted average number of shares, diluted 1000s	87,046	86,547
Diluted earnings per share, EUR	0.71	0.30

A convertible bond has been paid off in full on 2 September 2004.

The Finnair Group introduced the IAS 32 and IAS 39 standards on 1 January 2005. As a result of the introduction of the standards the company has valued financial instruments at fair value. The introduction of the standards has been estimated to have an effect of 0.08 euros on undiluted earnings per share and 0.08 euros on the diluted earnings per share, as stated in the accounting principles. In the introduction of IAS 32 and IAS 39 standards no comparison data has been changed to correspond with the IAS 32 and IAS 39 standards.

Dividend

The dividend paid in 2005 and 2004 was 8.5 million euros (0.10 euros per share). The Board of Directors proposes to the Annual General Meeting that a dividend of 0.25 euros per share be paid, i.e. a total of 21.7 million euros. These financial statements do not include this dividend distribution liability.

13. INTANGIBLE ASSETS

Financial statement 31 Dec 2004 EUR mill.	Connection fees	Others	Goodwill	Total
Acquisition cost				
Acquisition cost 1 Jan 2004	1.7	54.6	11.3	67.6
Additions		21.4		21.4
Disposals		-8.3	-4.2	-12.5
Acquisition cost 31 Dec 2004	1.7	67.7	7.1	76.5
Accumulated depreciation and impairment				
Accumulated depreciation and impairment 1 Jan 2004		-35.7	-0.1	-35.8
Depreciation		-5.9	-1.6	-7.5
Accumulated planned depreciation of disposals		3.6		3.6
Accumulated depreciation and impairment 31 Dec 2004	0.0	-38.0	-1.7	-39.7
Book value 31 Dec 2004	**1.7**	**29.7**	**5.4**	**36.8**
Book value 1 Jan 2004	**1.7**	**15.3**	**11.3**	**28.3**

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

Other intangible assets consist mainly of computer programs.

Goodwill allocated to the Scheduled Passenger Traffic segment is 2.3 million euros. After impairment testing it was found that no impairment losses need be recognised. Goodwill has been re-allocated on 31 December 2005 to the segment's asset-restricted intangible assets. In impairment testing, the recoverable amount has been determined based on value in use. Cash flow forecasts are based on management-approved budgets and forecasts, which cover a five-year period. The discount rate used is 8.5%. The main assumption in budgets and forecasts is 11% growth in passenger numbers and 0% growth in unit revenue.

14. TANGIBLE FIXED ASSETS

Financial statement 31 Dec 2004 EUR mill.	Land	Buildings	Aircraft	Other equipment	Advances	Total
Acquisition cost						
Acquisition cost 1 Jan 2004	0.8	186.7	1,344.4	224.8	20.6	1,777.3
Additions		0.3	87.0	5.2	2.5	95.0
Disposals			-2.4	-6.3		-8.7
Transfers between items			-6.6	6.6		0.0
Acquisition cost 31 Dec 2004	0.8	187.0	1,422.4	230.3	23.1	1,863.6
Accumulated depreciation and impairment						
Accumulated depreciation and impairment 1 Jan 2004		-92.5	-626.1	-181.7		-900.3
Depreciation		-4.5	-80.9	-11.4		-96.8
Accumulated planned depreciation of disposals			2.3	5.0		7.3
Accumulated depreciation and impairment 31 Dec 2004	0.0	-97.0	-704.7	-188.1	0.0	-989.8
Book value 31 Dec 2004	**0.8**	**90.0**	**717.7**	**42.2**	**23.1**	**873.8**
Book value 1 Jan 2004	**0.8**	**94.3**	**720.8**	**34.5**	**20.6**	**871.0**

Financial statement 31 Dec 2005 EUR mill.	Land	Buildings	Aircraft	Other equipment	Advances	Total
Acquisition cost						
Acquisition cost 1 Jan 2005	0.8	187.0	1,422.4	230.3	23.1	1,863.6
Additions	1.0	0.2	34.4	5.7	16.4	57.7
Disposals	-0.1	-1.4	-9.6	-3.6		-14.7
Transfers between items			7.9	-5.2		2.7
Acquisition cost 31 Dec 2005	1.7	185.8	1,455.1	227.2	39.5	1,909.3
Accumulated depreciation and impairment						
Accumulated depreciation and impairment 1 Jan 2005	0.0	-97.0	-704.7	-188.1	0.0	-989.8
Depreciation		-5.4	-69.0	-8.3		-82.7
Accumulated planned depreciation of disposals		0.7	5.0	1.9		7.6
Accumulated depreciation and impairment 31 Dec 2005	0.0	-101.7	-768.7	-194.5	0.0	-1,064.9
Book value 31 Dec 2005	**1.7**	**84.1**	**686.4**	**32.7**	**39.5**	**844.4**
Book value 1 Jan 2005	**0.8**	**90.0**	**717.7**	**42.2**	**23.1**	**873.8**

The remaining undepreciated part of the acquisition costs of machinery and equipment included in the Group's tangible fixed assets amounts to 690.8 million euros on 31 December 2005 (2004: 726.9 million euros).

As surety for liabilities in 2005 is the carrying amount of aircraft pledged, namely 232.3 million euros (in 2004 the carrying amount was 243.9 million euros).

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

Finance lease arrangements			
Tangible fixed assets include assets acquired under finance leases:			
Financial statement 31 Dec 2004			
EUR mill.	Buildings	Other equipment	Total
Acquisition cost 31 Dec 2004	8.2	8.7	16.9
Accumulated depreciation	-1.0	-1.7	-2.7
Book value	**7.2**	**7.0**	**14.2**
	2005	2006-2009	2010-
Lease payments	4.9	16.5	5.4
Discounting	1.3	3.0	1.0
Net present value	3.6	13.5	4.4
Financial statement 31 Dec 2005			
	Buildings	Other equipment	Total
Acquisition cost 31 Dec 2005	8.2	8.7	16.9
Accumulated depreciation	-2.0	-3.5	-5.5
Book value	**6.2**	**5.2**	**11.4**
	2006	2007–2010	2011–
Lease payments	4.9	12.8	4.2
Discounting	1.1	2.3	0.6
Net present value	3.8	10.5	3.6

15. HOLDINGS IN ASSOCIATED UNDERTAKINGS

The Group's share of the result, asset items and liabilities of associated companies, none of which are publicly listed, is presented below:		
EUR mill.	31 Dec 2005	31 Dec 2004
At beginning of financial year	3.2	3.3
Shares of results	0.1	0.6
Disposals	-0.2	-0.7
At end of financial year	**3.1**	**3.2**

Information on the Group's associated undertakings

Financial statement 31 Dec 2004 EUR mill.	Domicile	Assets	Liabilities	Turnover	Operating profit/-loss	Holding (%)
Suomen Jakelutiet Oy	Finland	0.8	0.1	0.1	0.1	47.50
Toivelomat Oy	Finland	0.5	0.1	0.3	0.0	48.30
Amadeus Estonia	Estonia	0.5	0.1	0.3	0.1	33.25
Total		**1.8**	**0.3**	**0.7**	**0.2**	

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

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

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

16. OTHER FINANCIAL ASSETS, LONG-TERM

	31 Dec 2005	31 Dec 2004
Loan receivables	0.3	0.3
Other receivables	17.4	14.7
Own shares	0.0	2.3
Total	**17.7**	**17.3**

Financial year 31 Dec 2004	Loan receivables	Other receivables	Own shares	Total
At beginning of financial year	1.3	14.7	2.3	18.3
Additions	0.0	0.0	0.0	0.0
Disposals	-1.0	0.0	0.0	-1.0
At end of financial year	0.3	14.7	2.3	17.3

Other receivables are security deposits related to aircraft operational lease agreements.

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

Other receivables are security deposits related aircraft operational lease agreements.

The fair value of receivables is presented in note 29.

17. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred taxes during 2004:

EUR mill.	1 Jan 2004	Recognised in the income statement	Recognised in shareholders' equity	31 Dec 2004
Deferred tax assets				
Employee benefits	11.9	-7.9	-0.3	3.7
Confirmed losses	1.3	0.2	0.0	1.5
Depreciation of tangible fixed assets	0.0	2.2	0.0	2.2
Finance leasing	2.7	-0.3	-0.2	2.2
Revenue recognition	2.5	-2.2	0.0	0.3
Capitalisation of overhead expenses	0.0	0.0	0.0	0.0
Heavy maintenance allocations	2.7	2.8	-0.6	4.9
Credit loss	1.4	-1.4	0.0	0.0
Other temporary differences	0.5	0.4	0.0	0.9
Total	**23.0**	**-6.2**	**-1.1**	**15.7**
Deferred tax assets that can be used after more than 12 months	20.2			14.8
Deferred tax liabilities				
Accumulated depreciation difference	22.2	4.4	0.0	26.6
Gains from sale of tangible fixed assets	95.3	-7.6	0.0	87.7
Capitalisation of overhead expenses	0.1	0.2	0.0	0.3
Recognition at fair value	0.0	0.0	0.0	0.0
Other temporary differences	0.9	0.9	0.0	1.8
Valuation of derivates at fair value	0.0	0.0	0.0	0.0
Total	**118.5**	**-2.1**	**0.0**	**116.4**
Deferred tax liabilities payable after more than 12 months	110.9			116.3

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

Changes in deferred taxes during 2005:				
EUR mill.	1 Jan 2005	Recognised in the income statement	Recognised in shareholders' equity	31 Dec 2005
Deferred tax assets				
Employee benefits	3.7	0.7	0.0	4.4
Confirmed losses	1.5	1.1	0.0	2.6
Depreciation of tangible fixed assets	2.2	0.1	0.0	2.3
Finance leasing	2.2	-0.3	0.0	1.9
Revenue recognition	0.3	0.0	0.0	0.3
Capitalisation of overhead expenses	0.0	0.0	0.0	0.0
Heavy maintenance allocations	4.9	0.8	0.0	5.7
Other temporary differences	0.9	-0.6	0.0	0.3
Total	**15.7**	**1.8**	**0.0**	**17.5**
Deferred tax assets that can be used after more than 12 months	14.8			15.0
Deferred tax liabilities				
Accumulated depreciation difference	26.6	1.3	0.0	27.9
Gains from sale of tangible fixed assets	87.7	0.8	0.0	88.5
Capitalisation of overhead expenses	0.3	-0.1	0.0	0.2
Recognition at fair value	0.0	0.9	0.0	0.9
Other temporary differences	1.8	0.0	0.0	1.8
Valuation of derivates at fair value	0.0	0.0	6.5	6.5
Total	**116.4**	**2.9**	**6.5**	**125.8**
Deferred tax liabilities payable after more than 12 months	116.3			118.2

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

18. INVENTORIES

EUR mill.	31 Dec 2005	31 Dec 2004
Materials and supplies	43.8	45.0
Work in progress	1.3	1.7
Total	**45.1**	**46.7**

In the financial period an expense of 0.2 million euros was recognised, equivalent to the sum by which the carrying amount of inventories was reduced to correspond with their net realisable value (0.8 million euros in 2004). The carrying amount of inventories recognised at fair value is 6.0 million euros (5.3 million euros 2004). Inventories have not been pledged for Group liabilities.

19. TRADE RECEIVABLES AND OTHER RECEIVABLES

EUR mill	31 Dec 2005	31 Dec 2004
Trade receivables	148.9	133.3
Receivables from associated undertakings	0.1	0.0
Prepaid expenses and accrued income	76.6	62.6
Other receivables	22.0	13.1
Total	**247.6**	**209.0**

Credit loss on trade receivables
The Group has recognised during the financial year credit losses from trade receivables of 3.8 million euros (0.5 million euros in 2004).

Essential items included in prepaid expenses and accrued income:		
EUR mill	31 Dec 2005	31 Dec 2004
Financial instruments	38.2	1.7
Pension expense allocations	4.7	9.2
Interest income	7.3	7.3
Others	26.4	44.4
Total	**76.6**	**62.6**

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

The fair value of receivables is presented in note 29.

20. OTHER FINANCIAL ASSETS, SHORT-TERM

Financial assets at fair value through profit or loss		
EUR mill.	31 Dec 2005	31 Dec 2004
Deposits, commercial papers, certificates of deposit, and government bonds	383.8	261.9
Listed shares	3.6	0.4
Unlisted shares	4.3	5.9
Total	**391.7**	**268.2**

Financial assets at fair value through profit or loss are presented in note 29.

21. CASH AND CASH EQUIVALENTS

EUR mill.	31 Dec 2005	31 Dec 2004
Cash and bank deposits	**26.7**	**29.6**

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

22. EQUITY-RELATED INFORMATION

	Number of registered shares	Share capital, EUR	Share issue	Share issue, EUR	Share premium account, EUR
1 Jan 2004	84,743,163	72,031,688.55	2,500	2,125.00	5,656,958.35
Option subscriptions	2,500	2,125.00	-2,500	-2,125.00	-
Debenture swaps	13,550	11,517.50	-	-	72,576.50
31 Dec 2004	84,759,213	72,045,331.05	-	-	5,729,534.85
Option subscriptions	2,044,900	1,738,165.00	-	-	7,471,442.00
Disposal of own shares			-	-	28,301.46
Share issue			740,056	629,047.60	2,749,453.12
31 Dec 2005	**86,804,113**	**73,783,496.05**	**740,056**	**629,047.60**	**15,978,731.43**

	Number of own shares	Price	Average price
1 Jan 2004			
Acquisition of own shares	422,800	2,275,666.49	5.38
31 Dec 2004	422,800		
Disposal of own shares	-37,800	-209,838.54	5.55
Acquisition of own shares	150,000	1,516,680.00	10.11
31 Dec 2005	535,000	3,582,507.95	6.70

Share capital
The nominal value of shares is 0.85 euros per share. According to the Articles of Association, the Group's minimum and maximum share capital are 60 million euros and 240 million euros. The share capital entered in the Trade Register was 73,783,496.05 euros. If all the options in circulation were used to subscribe for Finnair Plc shares, the share capital would rise to 75,443,206.05 euros, corresponding to 88,756,713 shares.

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

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

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

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

Revaluation reserve
The revaluation reserve includes a fair value reserve for available-for-sale investments and a hedge fund for derivative instruments used in cash-flow hedging.

EUR mill.	1 Jan–31 Dec 2005
Change in equity hedge reserve	
Changes in value of derivatives	41.6
Jet fuel hedges matured	29.7
Lease payment heddges matured during year	-0.3
Aircraft payment hedges matured during year	-0.1
Loan hedges matured during year	0.0

During the year, values changes of hedge accounting items amounting to 41.6 million euros have been recognised in the equity hedge reserve. During the year, 29.4 million euros from the hedge reserve has been recognised on the income statement in the same row with the hedged item.

Distributable equity EUR mill.	31 Dec 2005
Retain earnings at beginning of financial year	359.5
Revaluation reserve	20.9
Dividend distribution	-8.5
Own shares	-1.3
Translation difference	0.0
Profit for the financial year	61.4
Total	**432.0**
Voluntary provisions in shareholders' equity	-79.4
Distributable equity	**352.6**
Voluntary provisions	
Accumulated depreciation difference	107.3
Residential building reserve	0.0
	107.3
Deferred tax liability of voluntary provisions	-27.9
Total	**79.4**

Own shares

The acquisition cost of own shares held by the Group is included in own shares. During 2005 the Group purchased in the market 150,000 shares at a total price of 1.5.million euros and disposed of 37,800 shares at a total price of 0.2 million euros. The total acquisition cost of own shares held by the Group is 3.6 million euros.

23. SHARE-BASED PAYMENTS

The Group has two share-based incentive schemes for personnel.

Finnair Plc's option scheme 2000

The Annual General Meeting on 24 August 2000 approved the proposal by the Board of Directors to issue share option rights for key personnel of the Finnair Group. The share option rights are intended to form part of the incentive and commitment scheme for the personnel of the Finnair Group. The number of options rights issued is 4,000,000. Of the option rights 2,000,000 are marked with the letter A and 2,000,000 with the letter B.

The share subscription price in case of option rights A is the trade volume weighted average quotation of the Finnair Plc share on the Helsinki Exchanges between 1 July and 31 August 2000, with an addition of twenty (20) per cent, namely 5.19 euros, and in case of option B the trade volume weighted average quotation of the Finnair Plc share on the Helsinki Exchanges between 1 July and 31 August 2001, with an addition of fifteen (15) per cent, namely 5.48 euros. From the share subscription price is deducted, as per the date of record of each dividend distribution, the amount of dividend distributed after the beginning of the period for determination of the subscription price but before the date of the share subscription.

The subscription period began in stages on 1 May 2003 and 1 May 2004 and it shall end for all warrants on 31 August 2006. The Finnair Plc share capital may rise by a maximum of 3,400,000 euros as a result of subscriptions. The social security provisions for the share option scheme have been made.

Options were been granted prior to 7 November 2002. These options have not been recognised as an expense according to the relief permitted by IFRS 2 standard "Share-based payments". Neither have disclosures according to the standard been made.

At the end of the financial period, the number of options outstanding was 1,212,544, as consequence of which the company's share capital can rise by 1,030,662,40 euros.

Finnair Plc's share-based incentive scheme 2005

The Board of Directors of Finnair Plc approved the share-based incentive scheme on 18 June 2004. In the share-based incentive scheme key personnel have the opportunity to receive company shares as a bonus for three one year earnings periods, depending on whether targets set for the earnings period have been met. In addition, the proportion payable as cash is 1.5 times the value of the shares.

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

A bonus for the 2005 earning period will be paid out if the Finnair Group's earnings per share (EPS) is over 0.30 euros and if return on capital employed (ROCE) is over 5.0%. The bonus will be paid in full if the EPS is at least 0.90 euros and the ROCE at least 10.0%. Between these two values the bonus will be determined in a linear fashion. The company's Board of Directors has allocated 425,000 shares to key personnel. The fair value of each share at the time of granting was 6.40 euros.

In the financial statements, share-based liabilities payable totalled 9.5 million euros. In the financial year a total of 9.5 million euros has been recognised as an expense.

Options/share based incentive allocations granted to management	Year 2000 number of option	Number of shares	Shares, share component (EUR)	Shares, cash component (EUR)	Total shares (EUR)
Chief Executive Officer	60,000	30,030	192,192	463,010	655,202
Deputy Chief Executive Officer	63,000	17,160	109,824	264,577	374,401
Members of the Board of Directors	0	0	0	0	0

24. PENSION LIABILITIES

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

The Group's foreign sales offices and subsidiaries have various pension schemes that comply with the local rules and practices of the countries in question. All of the most significant pension schemes are defined-contribution schemes. As of 1 July 2005 the statutory pension cover of the employees of the Group's Finnish companies has been arranged in a Finnish pension insurance company. The pension cover is a defined-contribution scheme. The pension schemes of the parent company's President & CEO and members of the Board of Management as well as those of the managing directors of subsidiaries are individual schemes, and the retirement age under these agreements varies from 60 to 65 years. These pension schemes are also defined-contribution agreements. Up to 30 June 2005 the statutory pension cover of the Group's Finnish companies was handled in Finnair Plc's pension fund. Other (voluntary) pension cover has been arranged in Finnair Plc's Pension Fund, in which the pension schemes are defined-benefit schemes. The pension cover specified in these schemes relates to pension benefits, disability compensation, post-employment health-care and life insurance benefits as well as employment severance benefits. All of the Group's post-retirement benefits are defined-contribution benefits.

Defined-benefit pension schemes Items recognised in the balance sheet EUR mill.	31 Dec 2005	31 Dec 2004
Present value of funded obligations	346.5	797.4
Fair value of scheme assets	-370.0	-794.6
	-23.5	2.8
Present value of unfunded obligations	0.0	0.0
Unrecognised net actuarial gains / losses (-)	36.2	0.5
Unrecognised costs based on past service	0.0	6.5
Net liability presented in balance sheet	12.7	9.8

The balance sheet pension liability for 2004 of 9.9 million euros includes items outside the Pension Fund totalling 0.1 million euros.

Pension scheme assets include Finnair Plc shares with a fair value of 1.1 million euros (0.5 million euros in 2004) and buildings used by the Group with a fair value of 10.9 million euros (77.7 million euros in 2004).

Items recognised in the income statement EUR mill.	2005	2004
Current service costs for financial year	23.9	25.2
Interest costs	39.1	40.4
Expected return on plan assets gain	-38.0	-35.6
Past service cost-rested benefits	-0.3	-32.1
Adjustment item from compolsory TEL foundations	-8.2	0.0
Total, included in personnel expenses	16.5	-2.1
Net liability reconciliation statement		
At beginning of financial year	9.8	37.3
Total expenses, presented above	16.5	-2.1
Paid contributions	-13.6	-25.4
At end of financial year	**12.7**	**9.8**

Defined-benefit schemes: principal actuarial assumptions		
	31 Dec 2005	31 Dec 2004
Discount rate %	5.0%	5.0%
Expected rate of return on assets %	5.0%	4.8%
Annual rate of future salary increases %	3.0%	3.0%
Future pension increases %	2.3%	2.1%
Estimated remaining years of service	17	17

25. PROVISIONS

The Group has no provisions according to the IAS 37 standard.

26. INTEREST-BEARING LIABILITIES

Interest-bearing liabilities **Long-term** EUR mill.	31 Dec 2005	31 Dec 2004
Bank loans	168.3	179.3
Pension loans	28.0	28.0
Finance lease liabilities	14.1	17.9
Other loans	0.0	0.0
	210.4	**225.2**
Non-interest-bearing liabilities		
Long-term		
Pension liabilities	4.5	4.7
Interest-bearing liabilities, total	**214.9**	**229.9**

Interest-bearing liabilities		
Current	31 Dec	31 Dec
EUR mill.	2005	2004
Cheque account facilities	1.0	0.6
Bank loans	25.9	25.8
Finance lease liabilities	3.8	3.6
Other loans	22.0	19.3
Total	**52.7**	**49.3**

Maturity dates of interest-bearing financial liabilities	2006	2007	2008	2009	2010	Later
Bank loans, fixed interest	16.8	17.1	17.1	17.1	7.5	
Bank loans, variable interest	9.1	9.2	9.3	9.4	14.0	67.6
Finance lease liabilities	3.8	4.1	4.2	1.4	0.9	3.5
Pension loans						28.0
Other loans	23.0					
Total	**52.7**	**30.4**	**30.6**	**27.9**	**22.4**	**99.1**
Current liabilities: Maturing within 12 months						52.7
Non-current liabilities: Maturing after 12 months						210.4

Most of the Group's financial liabilities are short-term or on variable interest, so their carrying amount is not deemed to differ substantially from their fair value. The fair value of long-term liabilities excluding repayments is 212.7 million euros and carrying amount 210.4 million euros. The Group's financial liabilities include long-term currency and interest rate swaps that hedge USD-denominated aircraft financing loans.

The currency mix of interest-bearing long-term liabilities is as follows:	2005
EUR	212.5
USD	50.6
Total	**263.1**

Weighted average effective interest rates on interest-bearing long-term liabilities 31 Dec 2005	
Bank loans	3.6%

The Group's fixed-interest USD-denominated aircraft financing liabilities have been hedged with long-term currency and interest rate swap contracts. The difference of the nominal and fair value of the fixed-interest derivative contracts is recognised in the equity hedge reserve, and the loans which are the underlying asset are recognised at their nominal value. A change of fair value of variable-interest derivative contracts and the loans corresponding to them is recognised in the income statement's financial items. The foreign exchange risk of variable-interest USD loans is covered by short-term currency derivatives.

Finance lease liabilities		
Minimum lease payments EUR mill.	31 Dec 2005	31 Dec 2004
Up to 1 year	4.9	4.9
1 - 5 years	12.8	16.5
More than 5 years	4.2	5.4
Total	**21.9**	**26.8**
Future financial expenses	4.0	5.3
Finance lease liabilities - Present value of minimum lease payment EUR mill.	31 Dec 2005	31 Dec 2004
Up to 1 year	3.8	3.6
1 - 5 years	10.5	13.5
More than 5 years	3.6	4.4
Total	**17.9**	**21.5**
Finance lease liabilities, total	17.9	21.5

27. TRADE PAYABLES AND OTHERS LIABILITIES

EUR mill.	31 Dec 2005	31 Dec 2004
Advances received	39.5	34.9
Trade payables	98.9	89.7
Other accrued liabilities	342.0	333.7
Liabilities based on derivative contracts	5.2	20.8
Other liabilities	52.6	24.5
Total	**538.2**	**503.6**

Significant items in other accrued liabilities	31 Dec 2005	31 Dec 2004
Unearned air transport revenue	117.2	119.1
Holiday pay reserve	61.6	59.0
Other	163.2	155.6
Total	**342.0**	**333.7**

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

28. MANAGEMENT OF FINANCIAL RISKS

RISK MANAGEMENT IN FINNAIR

Principles of financial risk management

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

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

In its management of foreign exchange, interest rate and jet fuel positions the company uses different derivative instruments, such as forward contracts, swaps and options. Derivatives are designated at inception as hedges for future cash flows and binding purchase contracts (cash flow hedges) or as financial derivatives not qualifying for hedge accounting (economic hedges). Foreign currency hedging of the price and foreign currency risk of jet fuel, lease payments and aircraft purchases as well as hedging of fixed-interest foreign currency loans is implemented as cash flow hedging according to IAS 39 hedge accounting principles.

Jet fuel price risk in flight operations

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

Finnair hedges against jet fuel price fluctuations solely with jet fuel forward contracts and options, whose underlying asset is Jet Fuel CIF Cargoes NWE. Around 70% of Finnair's jet fuel purchase contracts are based on this benchmark price index of Northern and Western Europe jet fuel deliveries. Crude oil and gasoil derivatives are not used at present.

In its jet fuel hedging, Finnair follows the time-diversification principle and a two-year hedging period. Under the risk management policy, hedging must be increased in each quarter of the year so that the degree of hedging for scheduled traffic (Finnair Plc's scheduled traffic, Aero & FlyNordic) is more than 50% the next six months. By allocating the hedging, the jet fuel cost per period is not as low as the spot-based price when prices fall, but when spot prices rise the jet fuel cost rises more slowly.

Jet fuel hedges are recognised in Finnair in two different ways. In terms of the jet fuel consumption of Finnair's scheduled traffic, the first approximately 35 percentage points are treated in accounting as a cash-flow hedging in accordance with IAS 39 hedge accounting principles. The fair value change recognised in equity (hedging reserve) is transferred to the income statement in the same period in which the hedged item is entered in the income statement. Fair value changes of hedges not qualifying for IAS-39 hedge accounting criteria are recognised in the operating profit's other income and expenses also during their term to maturity. The sensitivity figures presented below include both hedge recognition types.

At the end of financial year, scheduled traffic had hedged 60% of its jet fuel purchases for the first six months of 2006 and 41% for the second half of the year. Due to a current agreement with tour operators, leisure traffic did not separately hedge its jet fuel purchases on the closing date. A price clause in the said agreement protects Leisure Traffic's operating profit from significant rises in jet fuel price.

In the financial year 2005, jet fuel used in flight operations accounted for 16.0% of the Group's operating costs. On the closing date a ten per cent rise in the market price of jet fuel increases - excluding hedging activity calculated using scheduled traffic's forecast number of flights for 2006 - annual fuel costs by an estimated 33 million euros. On the closing date - taking hedging into account - a ten per cent rise in fuel increases costs by around 17 million euros.

Foreign exchange risk

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

The Group's policy is to reduce the foreign exchange risk affecting cash flow for the next 12 months to an acceptable level. In addition Finnair hedges risk that exceeds 12 months in terms of binding purchase agreements for aircraft (IAS 39 cash-flow hedging) and fuel purchases (IAS 39 cash-flow hedging).

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

Approximately 35% of the Group's operating costs are denominated in foreign currencies. The most important purchasing currency is the US dollar, which accounts for 65% all operating costs denominated in foreign currency. Significant dollar-denominated expense items are aircraft leasing payments and jet fuel costs. The largest capital investments, the acquisition of aircraft and their spare parts, also take place mainly in US dollars.

On the closing date, a 10 per cent weakening of the dollar against the euro – without hedging – has a positive impact on the result of 32 million euros. On the closing date – taking hedging into account – a 10 per cent weakening of the dollar improves the result by around 3 million euros. A strengthening of the dollar correspondingly weakens the result. In the above sensitivity estimates, the dollar risk includes the substantial sales currencies the Chinese yuan and the Hong Kong dollar, whose historical correlation with the dollar is over 95 per cent.

Interest risk

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

In Finnair Group the interest rate risk is measured using the interest rate re-fixing time. If necessary, interest rate derivatives are used for to adjust the interest rate re-fixing time. The mandate for the investment portfolio's interest rate re-fixing time is 0 -12 months and for interest-bearing liabilities 12 - 24 months. On the closing date the investment portfolio's interest rate re-fixing time was 0 -12 months and for interest-bearing liabilities 12 - 24 months. On the closing date a one percentage point rise in interest rates increases the annual interest income of the investment portfolio by 3.2 million euros and the interest expenses of the loan portfolio by 0.5 million euros. At the end of financial year 2005, the average interest rate on the Group's interest-bearing loans was 3.6%.

Credit risk

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

Liquidity risk

The goal of the Finnair Group is to maintain good liquidity. Liquidity is ensured by cash reserves, bank account limits, liquid money market investments and committed credit facilities. In terms of aircraft purchases, the company's policy is to secure the sources of finance minimum six months prior to delivery.

The Group's liquid assets were 418.4 million euros at the end of financial year 2005. In addition, Finnair Plc had the following unused credit facilities on the closing date: a domestic commercial paper programme of 100 million euros and a committed EUR 200 million credit limit. The credit limit facility includes a finance covenant based on adjusted gearing. The covenant level of adjusted gearing is 175%, while at the closing date the figure was 66.8%. The maximum level set by the Board of Directors is 140 per cent.

FOREIGN EXCHANGE RISK		
Currency derivatives	31 Dec 2005	31 Dec 2005
EUR mill.	Nominal value	Fair value
Hedge accounting items:		
Hedging of jet fuel currency	168.5	9.4
Hedging of aircraft purchases	191.6	5.5
Hedging of lease payments	55.2	2.8
Total	**415.3**	**17.7**
Items outside hedge accounting:		
Cash-flow hedging	107.5	4.7
Balance sheet hedging	117.9	1.3
Total	**225.4**	**6.0**

The fair value changes of derivates that fulfil the terms of IAS-39 hedge accounting principles are entered directly in hedging reserve of equity. The gains and losses recognized in equity are transferred to the income statement in the period in which the hedged item is entered in the income statement. If a forecast transaction is no longer expected to occur any gain or loss is released immediately to the income statement. Fair value changes of derivatives hedging future cash flows (for which IAS-39 hedge accounting is not applied) are presented in profit and loss in other operating expenses and the fair value changes of derivatives hedging balance sheet (for which IAS-39 hedge accounting is not applied) are presented in the financial items.

JET FUEL PRICE RISK IN FLIGHT OPERATIONS		
	31 Dec 2005	31 Dec 2005
EUR mill.	Nominal value	Fair value
Hedge accounting items:		
Jet fuel forward contracts (tonnes)	351,800	11.6
Items outside hedge accounting:		
Jet fuel forward contracts (tonnes)	71,700	-2.8
Jet fuel options (tonnes)		
Bought	12,000	0.2
Sold	12,000	-0.1

Fair value changes of commodity derivatives in hedge accounting are recognised in the equity hedging reserve from where it is offset against the hedged item.

Fair value changes of commodity derivatives outside hedge accounting are recognised in the income statement item other operating expenses.

INTEREST RATE RISK

The Group's fixed-interest USD-denominated aircraft financing liabilities have been hedged with long-term currency and interest rate swap contracts. The difference of the nominal and fair value of the fixed-rate derivative contracts is recognised in the equity hedging reserve, and the aircraft financing loans which are the underlying asset are recognised at their nominal value.

Fair value changes of variable-interest derivatives and the underlying loans are presented in the profit and loss in financial items.

The foreign exchange risk of variable-interest USD loans is covered by short-term currency derivatives.

The carrying amounts of interest-bearing liabilities (bank loans, pension loans) - including long-term currency and interest rate swap contracts the loans - were divided on 31 December 2005 by currency as follows:

Currency EUR mill.	
EUR	193.6
USD	50.6
Total	**244.2**

Currency and interest rate swap contracts 31 Dec 2005 EUR mill.	Nominal value	Fair value
Hedge accounting items:	61.4	-14.2
Items outside hedge accounting:	30.1	-9.6
Total	**91.5**	**-23.8**

Maturity dates of fair values recognised in the hedging reserve:	2006	2007	2008	2009	2010	Later	Total
Jet fuel price hedging	9.2	2.2	0.2				11.6
Jet fuel currency hedging	7.7	1.7					9.4
Currency hedging of lease payments	2.8						2.8
Currency hedging of aircraft purchases	5.7	-0.2					5.5
Currency and interest rate swap contracts	-0.3	-0.2	-0.2	-0.1	-0.1	-0.1	-1.0
							28.3

The currency and interest rate swap contracts in hedge accounting are recognised in terms of exchange rate differences identically with the hedged loans. Of the -14.2 million euro fair value of derivative contracts, -13.2 million euros has been recognised in the income statement of 2005 and earlier financial years in the same row with the hedged loan. On the closing date -1.0 million euros had been recognised in the equity hedging reserve.

VALUATION PRINCIPLE OF FINANCIAL INSTRUMENTS

Derivate instruments are measured at fair value, which is determined as the value at which an asset could be exchanged, or a liability settled, between knowledgeable, willing and independent parties in an unforced transaction on both sides. The value of these derivatives is determined as follows:

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

The fair value of commodity options are calculated using generally accepted option valuation models.

29. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial assets		
	2005	2005
EUR mill.	Book value	Fair value
Other financial assets	17.7	17.7
Financial assets at fair value through profit or loss	391.7	391.7
Trade receivables and other receivables	247.6	247.6
Commodity derivatives	8.9	8.9
Foreign exchange derivatives	23.7	23.7
Cash and cash equivalents	26.7	26.7
Total	**716.3**	**716.3**
Financial liabilities		
Bank loans *	170.4	170.4
Pension loans	28.0	28.0
Finance lease liabilities	17.9	17.9
Interest-rate derivatives	23.8	23.8
Trade payables and other liabilities	598.5	598.5
Total	**838.6**	**838.6**

* Interest-rate derivatives (currency and interest-rate swap contracts) are included in bank loans in other notes.

Trade payables and other liabilities include: trade payables, accrued expenses and deferred income, pension obligations and current tax as well as other interest-bearing and non-interest-bearing liabilities.

Valuation principles of financial assets and liabilities:
Investments are classified into two groups, namely financial assets held for trading purposes and financial assets held-to-maturity. The purpose of assets held for trading is to produce a gain in the short term and they are presented as part of current investments. Held-to-maturity investments are intended to be held until the maturity date and they are reported as part of non-current investments. On the closing date all the Group's investments are in the category held for trading purposes. Investments held for trading purposes are value at fair value using the market prices on the closing date and the present value of cash flows method. Unrealised and realised gains and losses arising from changes in the fair value of investments are recognised in the income statement's financial income and expenses.

All financial liabilities are valued at allocated acquisition cost or fair value cost through profit and loss using the effective interest method.

All derivatives are classified as held for trading purposes and are valued at fair value. The most important valuation principles of derivatives are described in note 28 Financial risks.

The fair value of other financial assets and liabilities is assumed to correspond approximately to their carrying amount due to their short maturity or because their fair values cannot be reliably determined.

30. SUBSIDIARIES

Group companies	Group ownership %
Finnair Cargo Oy, Helsinki	100.00
Amadeus Finland Oy, Helsinki	95.00
Matkatoimisto Oy Area, Helsinki	100.00
Area Baltica Reisiburoo AS, Estonia	100.00
A/S Estravel Ltd, Estonia	72.02
Oy Aurinkomatkat - Suntours Ltd Ab, Helsinki	99.13
Finnair Travel Services Oy, Helsinki	100.00
Finnair Catering Oy, Helsinki	100.00
Finnair Facilities Management Oy, Helsinki	100.00
Finnair Aircraft Finance Oy, Helsinki	100.00
A/S Aero Airlines, Estonia *	49.00
Finncatering Oy, Vantaa	100.00
Norvista Travel Ltd, Canada	100.00
Finnhandling Ab, Sweden	100.00
Northport Oy, Helsinki	100.00
Nordic Airlink Holding Ab, Sweden	100.00
Mikkelin Matkatoimisto Oy, Mikkeli	51.00
Finland Travel Bureau Ltd., Helsinki	100.00

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

31. OTHER LEASE AGREEMENTS

The Group is the lessee

Minimum rental payments for irrevocable lease agreements are as follows:

EUR mill.	Aircraft 31 Dec 2005	Aircraft 31 Dec 2004	Others 31 Dec 2005	Others 31 Dec 2004
less than a year	95.8	80.9	12.3	12.6
1 - 2 years	80.5	66.3	10.5	13.3
2 - 3 years	78.0	52.6	7.4	11.5
3 - 4 years	66.8	50.0	6.0	7.9
4 - 5 years	52.9	38.5	5.9	6.6
more than 5 years	116.9	101.6	0.0	0.0
Total	**490.9**	**389.9**	**42.1**	**51.8**

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

32. GUARANTEES AND CONTINGENT LIABILITIES

EUR mill.	31 Dec 2005	31Dec 2004	
Other pledges given on own behalf	260.1	230.8	
Pledges on behalf of Group undertakings	0.0	0.0	
Guarantees on behalf Group undertakings	414.2	79.6	
Guarantees on behalf of others	0.0	0.0	
Total	**674.3**	**310.4**	
	2006	2007 -	Total
Investment commitments	**185.9**	**109.2**	**295.0**

Investment commitments are for agreed aircraft acquisitions. The Group announced on 7 December 2005 that it will acquire 12 new Airbus wide-bodied aircraft. Preliminary agreements have been signed for the acquisition of the aircraft, but the final contracts of sale have not yet been signed. The acquisition commitments for the new Airbuses have not been included in the above sum. The value of the order is estimated to be more than one billion euros.

Derivative contracts 31 Dec 2005 EUR mill.	Nominal value 31 Dec 2005	Fair value	Nominal value 31 Dec 2004	Fair value
Currency derivatives				
Forward contracts	640.7	23.7	297.1	-18.4
Currency options				
Bought	0.0	0.0	23.5	0.1
Sold	0.0	0.0	23.5	-0.3
Currency swaps	91.5	-23.8	96.0	-41.6
Interest rate derivatives				
Forward contracts	20.0	0.4	0.0	0.0
Currency options				
Bought	25.4	0.0	22.0	
Sold	50.9	-0.1	44.0	
Derivative contracts, total	**828.6**	**0.3**	**506.2**	**-60.8**
Other derivative contracts				
Jet fuel forward contracts, tonne	423,500	8.8	270,900	3.0
Jet fuel options				
Bought, tonne	12,000	0.2	33,000	0.1
Sold, tonne	12,000	-0.1	33,000	-0.9

33. RELATED PARTY TRANSACTIONS

The following transactions have taken place with related parties:		
Sales of goods and services, EUR mill.	2005	2004
Subsidiaries	228.3	206.4
Associated undertakings	0.0	0.0
Management	0.0	0.0
Purchases of goods and services, EUR mill.		
Subsidiaries	381.9	350.6
Associated undertakings	0.1	0.0
Management	0.0	0.0

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

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

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

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

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

34. DISPUTES AND LITIGATION

On 31 December 2005 the following significant disputes were pending:

The bankrupt's estate of Flying Finn Oy has raised an action for recovery against Finnair based on Sections 5 and 10 of the Act on Recovery into a Bankruptcy. An action demands that total of 373,539.50 euros be returned to the bankrupt's estate. Finnair has disputed the demand. The case is pending in the Helsinki District Court.

Transpert Oy has presented Finnair with a 500,000 euro damage compensation claim following the termination of a subcontracting agreement. Finnair has disputed the claim.

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

A DVT (deep-vein thrombosis) claim raised against the company in Australia is still pending. Finnair Plc has not been informed of the amount of the claim.

No provisions have been made for disputes or litigation.

35. EVENTS AFTER THE CLOSING DATE

No events of greater importance have taken place at Finnair Plc after the closing date.

36. TRANSFER TO IFRS FINANCIAL STATEMENTS

As stated in note 2, these are the Finnair Group's first financial statements prepared according to IFRS principles. The adoption of IFRS reporting has changed the reported financial statement calculations, the notes to the financial statements as well as the accounting principles in comparison with previous financial statements. The accounting principles presented in the notes have been applied to the financial year that ended on 31 December 2005, the comparison financial year that ended on 31 December 2004 and the opening IFRS balance sheet dated 1 January 2004 (the Group's transition date to IFRS reporting, excluding standards IAS 32 and IAS 39. On 29 April 2005 Finnair Plc published a separate bulletin Effects of the Transition to IFRS Reporting Standards, which presents a financial statement according to IFRS principles at 31 December 2004 and an opening IFRS balance sheet for the transition date 1 January 2004. Before the adoption of IFRS standards, the Finnair Group's financial statements were prepared according to Finnish Accounting Standards (FAS).

RECONCILIATION STATEMENT BETWEEN FAS INCOME STATEMENT AND IFRS INCOME STATEMENT

EUR mill.	FAS published 1 Jan–31 Dec 2004	FAS changes	FAS comparable 1 Jan–31 Dec 2004	IFRS adjustments	IFRS 1 Jan–31 Dec 2004	Note
Turnover	**1,698.4**	**-9.6**	**1,688.8**	**-5.9**	**1,682.9**	A
Production for own use	1.4	0.0	1.4	0.0	1.4	
Other operating income	26.7	-2.6	24.1	-0.1	24.0	B
Share of result of associated companies	0.6	0.0	0.6	-0.6	0.0	E
Operating expenses	-1,608.7	12.2	-1,596.5	23.3	-1,573.2	C
Depreciation and impairment	-101.4	0.0	-101.4	-2.7	-104.1	D
Operating profit	**17.0**	**0.0**	**17.0**	**14.0**	**31.0**	
Financial income	16.2	0.0	16.2	6.3	22.5	F
Financial expenses	-22.0	0.0	-22.0	-1.5	-23.5	G
Share of result of associated companies	0.0	0.0	0.0	0.6	0.6	E
Profit before taxes	**11.2**	**0.0**	**11.2**	**19.4**	**30.6**	
Income taxes	0.8	0.0	0.8	-5.6	-4.8	H
Profit for the financial year	**12.0**	**0.0**	**12.0**	**13.8**	**25.8**	
Share attributable to parent company's shareholders	11.8	0.0	11.8	13.8	25.6	
Minority interests	0.2	0.0	0.2	0.0	0.2	

RECONCILIATION STATEMENT BETWEEN FAS BALANCE SHEET AND IFRS BALANCE SHEET

EUR mill.	FAS 31 Dec 2004	IFRS adjustments	IFRS 31 Dec 2004	Note
ASSETS				
Non-current assets				
Intangible assets	36.8	0.0	36.8	I
Tangible assets	865.8	8.0	873.8	J
Holdings in associated companies	3.2	0.0	3.2	K
Other financial assets	23.6	0.0	23.6	
Deferred tax assets	0.0	21.2	21.2	L
Total	**929.4**	**29.2**	**958.6**	
Current assets				
Inventories	47.2	-0.5	46.7	M
Trade receivables and other receivables	209.9	-0.9	209.0	N
Other financial assets	261.9	0.0	261.9	
Cash and cash equivalents	29.6	0.0	29.6	
Total	**548.6**	**-1.4**	**547.2**	
Assets, total	**1,478.0**	**27.8**	**1,505.8**	

EUR mill.	FAS 31 Dec 2004	IFRS adjustments	IFRS 31 Dec 2004	Note
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity attributable to shareholders of parent company				
Share capital	72.1	0.0	72.1	
Other equity	545.1	-26.3	518.8	O
	617.2	-26.3	590.9	
Minority interest	1.2	0.0	1.2	O
Shareholders' equity, total	**618.4**	**-26.3**	**592.1**	
Non-current liabilities				
Deferred tax liabilities	110.4	10.4	120.8	P
Pension obligations	0.0	9.9	9.9	Q
Interest-bearing liabilities	207.3	17.9	225.2	R
Non-interest-bearing liabilities	4.7	0.0	4.7	
	322.4	38.2	360.6	
Current liabilities				
Interest-bearing liabilities	45.7	3.6	49.3	R
Trade payables and other liabilities	491.5	12.3	503.8	S
	537.2	15.9	553.1	
Liabilities, total	**859.6**	**54.1**	**913.7**	
Shareholders' equity and liabilities, total	**1,478.0**	**27.8**	**1,505.8**	

ADDITIONAL INFORMATION ON THE RECONCILIATION STATEMENTS

COMPARABILITY

In 2005 the Group has changed its accounting practice to conform with IFRS and for this reason the 2004 figures according the Finnish accounting practice have been converted to be comparable with IFRS. The changes have not influenced the operating profit presented, but net sales, other income and varies expense classes.

A) TURNOVER

In IFRS reporting, turnover relating to real-estate is reported in other operating income, which has reduced turnover during financial year 2004 by 5.9 million euros.

B) OTHER OPERATING INCOME

Other operating income in IFRS is smaller mainly for the reason that in Finnish accounting practice other income includes profit of 6.3 million euros from the sale of associated companies' shares during financial year 2004. In IFRS reporting, profits from available-for-sale shares are reported in the group financial income after the operating profit. Profit on the sale of associated companies' shares have realised a total of 6.3 million euros in Q1/2004. The inclusion of turnover relating to real-estate in other operating income increases it by 5.9 million euros during 2004. As the result of a sale and lease-back agreement a finance lease has arisen on the basis of which sales revenue exceeding the carrying amount is recognised as revenue during the period of the lease. Other operating income includes 0.2 million euros of revenue recognition in financial year 2004.

C) OPERATING EXPENSES

Personnel expenses

Under Finnish accounting practice Group pension liabilities have been recognised according to local rules. Insurance premiums relating to pensions and Pension Fund contributions are treated as an annual expense such that the pension liability under Finnish accounting practice has been covered in full. The overall liability of the Pension Fund and the covering thereof has been presented in the notes to the financial statements. With the adoption of IFRS reporting, an additional liability has been recognised in respect of all defined-benefit pension schemes. The effect of IFRS practice has reduced personnel expenses during financial year 2004 by 27.6 million euros and a recognition of expenses in respect of the share bonus scheme in Q4/2004 has increased personnel expenses by 0.2 million euros.

Other rental payments

The reduction in other rental payments mainly results from sale and lease-back agreements and lease agreements that are treated in IFRS reporting as finance leases. Under Finnish accounting practice, rental expenses recognised on the basis of these agreements amounted to 4.9 million euros during 2004. In IFRS reporting these costs have been divided into interest costs, which have been presented in financial items, and capital costs, which increase finance lease liabilities in the balance sheet on the transition date. In financial year 2004 these costs reduce debt.

Fleet materials and overhauls

The company has previously recognised large-scale maintenance of own aircraft as an expense in the month the maintenance is performed. In IFRS, in connection with the acquisition of aircraft, the heavy maintenance component and the projected and completed heavy maintenance of old aircraft is capitalised separately from the value of the fuselage. Maintenance capitalisation is depreciated on a straight-line basis during the maintenance period. The change of recognition practice has already been made in Finnish accounting practice in 2004, for which reason IFRS practice and FAS practice are convergent. The company has recognised large-scale maintenance of leased aircraft as an expense in the month the maintenance is performed. In IFRS maintenance expenses are allocated over the maintenance period in terms of an aircraft's fuselage and engines. Owing to the change of recognition practice, the fleet's material procurement and overhaul expenses have grown by 9.1 million euros during financial year 2004

Sales and marketing expenses

The change in marketing expenses results from a difference in allocation practice in IFRS reporting and FAS reporting. The effect is to reduce marketing expenses by 0.2 million euros during financial year 2004.

D) DEPRECIATION

In IFRS, sale and lease-back of ground equipment as well as certain real-estate lease agreements have been interpreted as finance leases. In IFRS these sold assets and real-estate covered by lease agreements have been returned to the balance sheet. On the basis of these agreements, depreciation has grown by 2.7 million euros during financial year 2004.

E) SHARE OF ASSOCIATED COMPANIES' RESULTS

In Finnish reporting practice, shares of associated companies' results net of taxes are included in operating profit. In IFRS reporting, shares of associated companies' results before taxes are reported after operating profit and the corresponding tax share in taxes.

F) FINANCIAL INCOME

Net gains from available-for-sale shares

In IFRS reporting realised net gains in connection with the sale of available-for-sale shares are presented as a separate item in the financial income. In Finnish accounting practice they were presented in other operating income. In 2004 financial income includes a net gain from the sale of associated companies of 6.3 million euros, which has been realised in Q1/2004.

Financial income	FAS 1 Jan–31 Dec 2004	IFRS adjustments	IFRS 1 Jan–31 Dec 2004
Interest income	9.3	0.0	9.3
Dividend income	0.6		0.6
Net gains from sale of associated companies	0.0	6.3	6.3
Other financial income	6.3		6.3
Total	**16.2**	**6.3**	**22.5**

G) FINANCIAL EXPENSES

In IFRS practice, interest paid of 1.5 million euros on finance lease liabilities has also been recognised in financial expenses during financial year 2004.

	FAS 1 Jan–31 Dec 2004	IFRS adjustments	IFRS 1 Jan–31 Dec 2004
Interest expenses	-11.7	-1.5	-13.2
Other financial expenses	-10.3		-10.3
Total	**-22.0**	**-1.5**	**-23.5**

H) INCOME TAXES

In the transition to IFRS recognition practice a share of deferred tax has been recognised for all items adjusted, and its effect during financial year 2004 is a 5.6 million euro deterioration in the result.

I) INTANGIBLE ASSETS

GOODWILL

Under Finnish accounting practice, goodwill has been calculated as the difference of the acquisition price and the subsidiary's shareholders' equity at the time of acquisition, which is attributed to those asset items of the subsidiary from which the difference is considered to result. In IFRS reporting, the assets and liabilities of an acquired subsidiary are valued at fair value at the time of acquisition. All of the company's goodwill consists of subsidiaries acquired before 1 January 2004. Acquisition cost calculations have not been adjusted, because no difference has arisen between IFRS reporting and Finnish accounting practice. Goodwill impairment testing will be conducted annually based on a unit's recoverable amount. In financial year 2004 there was no need for goodwill write off due to impairment testing.

J) TANGIBLE FIXED ASSETS

Increases of 16.9 million euros at the transition date of 1 January 2004 result from sale and lease-back and other finance leases and decreases of 6.1 million euros from depreciation of large-scale maintenance capitalisation. On the closing date their effect was 8.0 million euros.

K) HOLDINGS IN ASSOCIATED COMPANIES

IFRS reporting of associated companies' balance sheet values conforms with Finnish accounting practice. An investment on the date of acquisition is recognised at the acquisition cost.

L) DEFERRED TAX ASSETS

Under Finnish accounting practice, deferred tax assets are reconciled with deferred tax liabilities. In IFRS reporting, part of the deferred tax assets do not fulfil the right of set-off against deferred tax liabilities according to IAS 12, and they have been presented as a deferred tax asset in the balance sheet. Their effect is to increase deferred tax assets in the balance sheet on 1 January 2004 by 8.6 million euros and on 31 December 2004 by 7.8 million euros. Another increase of deferred tax assets by 19.6 million euros in the transition to IFRS reporting results from temporary differences related to defined-benefit pension liabilities, maintenance capitalisation and maintenance allocation. At the closing date their effect was 13.4 million euros.

M) INVENTORIES

In IFRS reporting a certain proportion of overhead costs is capitalised in inventories in respect of production for own use and work in progress. In Finnish accounting practice fixed overhead costs have not been capitalised in inventories. In IFRS reporting the value of inventories is based on an asset's net realisable value while in Finnish accounting practice an obsolescence deduction is made if necessary. The effect of IFRS practice at 1 January 2004 has been to increase the value of inventories by 0.3 million euros and at the closing date to reduce their value by 0.5 million euros.

N) TRADE RECEIVABLES AND OTHER RECEIVABLES

The reduction in trade receivables and other receivables results mainly from the different treatment of marketing expenses in IFRS practice and Finnish accounting practice. In IFRS reporting certain marketing expenses are recognised directly as an expense, while in Finnish accounting practice they have been allocated according to the expenditure for income principle. The IFRS recognition practice has lowered the value of prepaid expenses and accrued income on the opening balance sheet by 1.1 million euros and at the closing date by 0.9 million euros.

O) SHAREHOLDERS' EQUITY

EUR mill.	Share capital	Share premium account	General reserve	Own shares	Retained earnings	Capital loan	Total
Shareholders' Equity 31 December 2003, FAS	**72.0**	**5.6**	**147.7**		**388.3**	**5.7**	**619.3**
Impact of transfer to IFRS							
Maintenance capitalisation					-6.1		
Maintenance allocations					-3.0		
Pension obligations					-37.4		
Finance leasing					-9.2		
Others					-0.7		
Deferred taxes					16.4		
Shareholders' equity, parent company's shareholders	72.0	5.6	147.7		348.3	5.7	579.3
Minority interest							1.2
Shareholders' equity 1 January 2004, IFRS							**580.5**
Translation differences					0.0		0.0
Dividend distribution					-8.5		-8.5
New issue	0.1						0.1
Capital loan						-5.7	-5.7
Purchase of own shares				2.3	-2.3		0.0
Other changes		0.1					0.1

	Share capital	Share premium account	General reserve	Own shares	Retained earnings	Capital loan	Total
Profit for the financial year					25.6		25.6
Shareholders' equity, parent company's shareholders	72.1	5.7	147.7	2.3	363.1	0.0	590.9
Minority interest							1.2
Shareholders' equity 31 December 2004, IFRS							**592.1**

P) DEFERRED TAX LIABILITIES

The netting of deferred tax assets and liabilities under Finnish accounting practice has been cancelled. In IFRS reporting deferred tax assets are recognised in long-term receivables and correspondingly deferred tax liabilities have grown. The change in recognition practice has increased deferred tax liabilities by 8.6 million on transferring to IFRS reporting. Another 3.2 million euros of deferred tax liabilities on transferring to IFRS reporting results from temporary differences related to maintenance allocations and inventories.

Q) PENSION OBLIGATIONS

Under Finnish accounting practice, Group pension liabilities have, as a rule, been recognised according to local rules. On transferring to IFRS reporting, an additional liability has been recognised in respect of all defined-benefit pension schemes. Finnair has exercised the option granted by IFRS 1 to recognise the accrued actuarial gains and losses of all pension schemes in the transition date balance sheet. On transferring to IFRS reporting, pension obligations grew by 37.5 million, to stand at the end of the financial year at 9.9 million euros.

R) INTEREST-BEARING AND OTHER LIABILITIES

In IFRS reporting certain finance leases, mainly sale-and-repurchase agreements and some other leases have been recognised in the balance sheet, and they increase interest-bearing long-term liabilities on the transition date by 24.9 million euros and at 31 December 2004 by 21.5 million euros.

S) TRADE PAYABLES AND OTHER LIABILITIES

The increase in trade payables and other liabilities on transferring to IFRS is mainly due to defined-benefit pension schemes, maintenance allocations and a finance lease arising as a result of sale and repurchase agreement, based on which the sales revenue exceeding the carrying amount is recognised as revenue over the lease period.

An increase in accrued expenses and deferred income has been recognised, and the impact on the transition date in terms of maintenance allocations is 3.0 million euros and in terms of allocated sales income 1.1 million euros. The corresponding items at the end of the financial year are 11.4 million euros for maintenance allocations and 0.9 million euros for allocated sales income. Defined-benefit pensions schemes have been presented as a separate item in the balance sheet.

After the bulletin Effects of the Transition to IFRS Reporting Standards of 29 April 2005, a change in the tax rate of IFRS adjustments amounting to 1.1 million euros has been recognised by reducing tax assets and correspondingly the retained earnings of the previous year. After the transition bulletin, deferred taxes attributable to the same tax recipient have been netted in accordance with IAS 12, paragraph 71 and stood at 5.2 million euros on 1 January 2004 and 4.4 million euros on 31 December 2004. At the same time, on 31 December 2004, a change in the tax rate of IFRS adjustments amounting to 1.1 million euros has been recognised by reducing deferred tax assets and correspondingly the retained earnings of the previous year.

After the transition bulletin, for long-term financial assets at 31 December 2004, 6.3 million euros in listed and unlisted shares has been transferred to short-term financial assets.

RECONCILIATION STATEMENT OF EFFECTS OF INTRODUCING THE IAS 32 AND IAS 39 STANDARDS

Finnair adopted the IAS 32 and IAS 39 reporting practices on 1 January 2005, at which time the recognition practice for a number of financial items changed. The negative fair value of derivatives qualifying for IAS 39 hedge accounting, 13.4 million euros, was recognised in financial liabilities and the equity hedge reserve was reduced by the same sum. Other negative differences between fair value and Finnish reporting practice were recognised, namely 3.3 million euros to financial liabilities; retained earnings decreased by 2.5 million euros, reduced by a tax liability, and correspondingly deferred tax assets grew by 0.8 million euro.

37. PARENT COMPANY'S FINANCIAL FIGURES

The figures presented below are not IFRS figures.

FINNAIR PLC INCOME STATEMENT		
EUR mill.	1 Jan 2005– 31 Dec 2005	1 Jan 2004– 31 Dec 2004
Turnover	1,494.6	1,357.0
Production for own use	0.8	1.5
Other operating income	14.4	17.6
OPERATING INCOME	1,509.8	1,376.1
OPERATING EXPENSES		
Materials and services	577.1	504.2
Personnel expenses	343.6	334.0
Depreciation	22.5	31.1
Other operating expenses	563.5	577.9
	-1,506.7	-1,447.2
OPERATING PROFIT/ - LOSS	3.1	-71.2
FINANCIAL INCOME AND EXPENSES	7.4	16.3
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS	10.5	-54.9
Extraordinary items	2.0	53.3
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	12.5	-1.6
Direct taxes	-5.6	-4.0
PROFIT/LOSS FOR THE FINANCIAL YEAR	6.9	-5.6

FINNAIR PLC BALANCE SHEET				
EUR mill.	31 Dec 2005		31 Dec 2004	
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	33.8		24.4	
Tangible assets	77.7		75.2	
Investments				
Holdings in Group undertakings	430.7		415.8	
Holdings in associated companies	2.4		2.4	
Own shares	0.0		2.3	
Other investments	1.2	545.8	2.7	522.9
CURRENT ASSETS				
Inventories	41.7		42.7	
Long-term receivables	191.6		209.9	
Short-term receivables	261.0		277.1	
Marketable securities	381.2		261.1	
Cash and bank equivalents	24.7	900.2	23.1	813.9
		1,446.0		**1,336.8**
LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	73.8		72.0	
Share issue	0.6		-	
Share premium account	16.0		5.7	
Own shares fund	0.0		2.3	
General reserve	147.7		147.7	
Fair value reserve	15.5		0.0	
Retained earnings	288.9		307.6	
Profit/loss for the financial year	6.9	549.4	-5.6	529.7
ACCUMULATED APPROPRIATIONS				
LIABILITIES				
Deferred tax liability	11.9		3.5	
Long-term liabilities	199.9		210.7	
Short-term liabilities	684.8	896.6	592.9	807.1
		1,446.0		**1,336.8**

Finnair Plc distributable assets, EUR mill.	
Retain earnings at the beginning of the financial year	298.4
Dividend distribution	-8.5
Own shares and IAS 32/39	-1.1
Fair value reserve	15.6
Profit for the financial year	6.9
Total	**311.3**

BOARD OF DIRECTORS' PROPOSAL ON THE DIVIDEND

The Group's distributable equity according to the financial statements on 31 December 2005 amounts to 352,565,811.72 euros, while the parent company's distributable equity totals 311,291,840.17 euros. The Board of Directors proposes to the Annual General Meeting that a dividend of 0.25 euros per share be distributed, a total of 21,701,028.25 euros, and that the remainder of the distributable equity be carried over as retained earnings.

Signing of the Report of the Board of Directors and the financial statements

Helsinki, 15 February 2006

Christoffer Taxell   Kari Jordan

Markku Hyvärinen   Veli Sundbäck   Helena Terho   Kaisa Vikkula

Jukka Hienonen
President & CEO of Finnair Plc

AUDITORS´ REPORT

To the shareholders of Finnair Plc

We have audited the accounting records, the financial statements and the administration of Finnair Plc for the period 1 January–31 December 2005. The Board of Directors and the Managing Director have prepared the report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that include the parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

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

Consolidated financial statements

In our opinion the consolidated financial statements give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Parent company's financial statements and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of distributable funds is in compliance with the Companies' Act.

Helsinki, 3 March 2006

PricewaterhouseCoopers Ltd.
Authorised Public Accountants

Eero Suomela
APA

Jyri Heikkinen
APA

SHARES AND SHARE CAPITAL

Shares and Share Capital

The registered share capital of the Company on 31 December 2005 was 73,783,496.05 euros, consisting of 86,804,113 shares. 740,056 shares, amounting to 629,047.60 euros, which had been subscribed with share option rights, were booked in new issue of shares on 31 December 2005. These shares were registered in the trade register on 19 January 2006. Each share has one vote at the Annual General Meeting. The nominal value of the share is 0.85 euros.

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

Share Quotations

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

Dividend Policy and the Payment of Dividend

The Board of Directors of Finnair Plc proposes to the Annual General Meeting that a dividend of 0,25 euros per share, which is 34.3 % of the earnings per share, will be paid for the financial year 1 January - 31 December 2005.

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

Incentive Schemes for Key Personnel

The Annual General Meeting on 24 August 2000 approved the proposal by the Board of Directors to issue share option rights to key personnel of the Finnair Group. The share option rights are intended to form part of an incentive and commitment scheme for Finnair Group key personnel.

The number of the share option rights issued was 4,000,000. Each option grants an entitlement to subscribe for one Finnair Plc share. The share subscription period for the A option rights (2,000,000 units) commenced on 1 May 2003 and for the B option rights (2,000,000 units) on 1 May 2004. The share subscription period for all option rights will end on 31 August 2006.

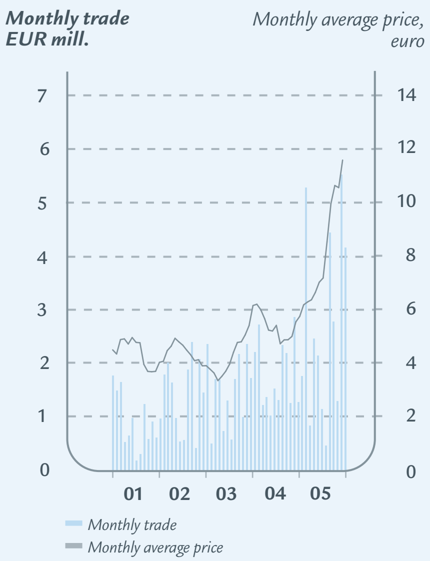
During the financial year 2003 there were 2,500 shares subscribed with option rights, during the financial year 2004 there were no new shares subscribed with option rights and during the financial year 2005 there were 2,784,956 shares subscribed with option rights. On 31 December 2005 a total of 1,212,544 shares were available for subscription with 1,212,544 option rights. The option rights accounted for 1.4 % of the shares and votes.

The Board of Directors of Finnair Plc approved a share-based incentive scheme for the Group's key personnel on 18 June 2004. The scheme is presented in the note number 23. The scheme has no influence on the total number of Finnair shares. Based on an authorization given by the Annual General Meeting on 23 March 2005 the Company, as a part of the share-based incentive scheme, delivered 37,800 shares to the key personnel in April 2005.

Board of Directors' Authorization

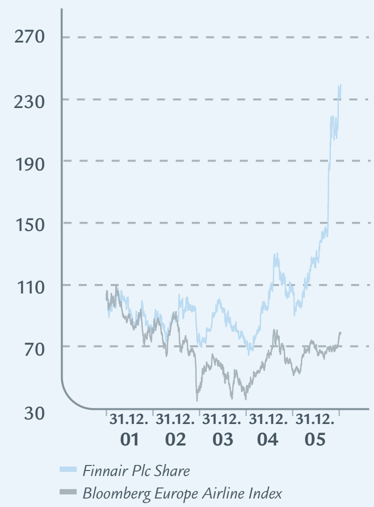
The Board of Directors of Finnair Plc, based on the Annual General Meeting's resolution on 23 March 2005, has the authorization to decide on the acquisition of the maximum of

FINNAIR SHARE TRADE DEVELOPMENT AND TRADE 2001–2005



FINNAIR PLC SHARE INDEX AND HELSINKI STOCK EXHANGE INDICES

SHARE PRICE DEVELOPMENT COMPARED WITH OTHER EUROPEAN AIRLINES



3,500,000 of its own shares, which is less than 5% of the Company's share capital as well as to decide on the transfer of the maximum of 3,922,800 of its own shares. The authorization is valid until 22 March 2006.

Based on the authorization, as part of the share-based incentive scheme of the key personnel, the Company delivered 37,800 shares to the key personnel in April 2005.

Based on the authorization the Company, beginning on 1 September 2005, by 31 December 2005, acquired the total of 150,000 of its own shares. The unused authorization to acquire own shares amounted to 3,350,000 shares on 31 December 2005.

On 31 December 2005 the Company owned in total 535,000 of its own shares, which is 0,6% of the shares. Of the own shares 422,800 shares had been acquired during the financial year 2004.

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

Government Ownership

At the end of the financial year on 31 December 2005 the Finnish Government owned 57.0% of the Company's shares and votes. On 20 June 1994, Parliament, simultaneously with giving its consent to reduce the Government's holding below two-thirds, decided that the Government shall maintain a majority share holding in Finnair Plc. Should the issued share option rights be used for the subscription of Finnair Plc shares, the Government's holding would be 55.8%.

Share Ownership by Management

On 31 December 2005, the Members of the Company's Board of Directors and the President & CEO owned in total 14,250 shares, which represents 0.02% of all the shares and votes.

Share Prices and Trading

The Finnair Plc share was quoted at 11.98 euros on the Helsinki Exchanges on the last day of the financial year. The total market value of the Company's shares was 1,039.9 million euros (471.3). The highest trading price during the financial year was 12.15 euros (6.57) and the lowest 5.56 euros (4.46).

A total of 32.2 million shares (21.3) were traded on the Helsinki Exchanges for a value of 276.0 million euros (114.9) during the financial year 2005.

Shareholders by type as at December 31, 2005

	Number of shares	%	Number of shareholders	%
Public bodies (state, local goverment)	52,540,911	61	27	
Registered in the name of a nominee	16,614,504	19	11	
Outside Finland	8,641,650	10	36	1
Households	3,542,519	4	7,128	94
Financial Institutions	2,656,758	3	35	1
Private companies	2,005,171	2	257	3
Associations	778,275	1	68	1
Not converted into the book entry system	24,325			
Total	**86,804,113**	**100**	**7,562**	**100**

Finnair Plc, acquisition and delivery of own shares

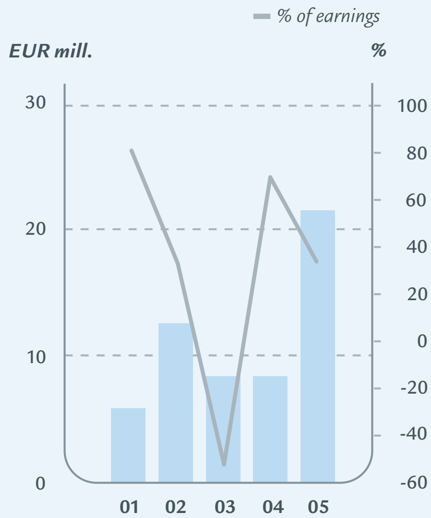
Period	Number of shares	Nominal value/EUR	Acquisition value/EUR	Average price/EUR
1 Jul–18 Aug 2004	422,800	359,380	2,275,666.49	5.38
12 Apr 2005	-37,800	32,130	-209,838.54	5.55
1 Sep–31 Dec 2005	150,000	127,500	1,516,680.00	10.11
	535,000		**3,582,507.95**	**6.70**

Breakdown of shareholdings as at December 31, 2005

Number of shares	Shareholders	Shares
1 - 100	3,185	154,086
101 - 10 000	4,266	3,461,953
10 001 - 100 000	80	2,516,282
100 001 - 1 000 000	16	4,818,886
1 000 000 -	4	59,214,077
Reg in the name of a nominee	11	16,614,504
Not converted into the book entry system		24,325
Total	**7,562**	**86,804,113**

Finnair Plc largest shareholders as at 31 December, 2005		Number of shares	% of total shares	Changes on 31 Dec 2004
1	State of Finland	49,510,682	57.04	0
2	Burdaras	5,047,795	5.82	5,047,795
3	Odin Norden	3,456,166	3.98	-554,400
4	Tapiola Group	2,113,500	2.43	-803,700
5	OP Funds	832,300	0.96	152,800
6	Pohjola Funds	693,600	0.8	-737,600
7	Finnair Plc (own shares)	535,000	0.62	112,200
8	Neste Oil Pension Fund	448,620	0.52	-107,400
9	S-Stock Oy	273,000	0.31	-212,000
10	Kaleva Mutual Insurance Company/Mandatum	250,000	0.29	0
11	Ilmarinen Mutual Pension Insurance Co	224,200	0.26	224,200
12	FIM Fenno Fund	215,600	0.25	215,600
13	Aktia Capital Fund	200,300	0.23	-84,700
14	Saving Bank Finland Fund	194,100	0.22	4,300
15	EQ Small Giants Fund	179,000	0.21	79,000
16	Fennial Mutual Pension Fund	113,400	0.13	113,400
17	Ingman Finance Oy Ab	100,000	0.12	0
18	Veritas Pension Insurance Company	100,000	0.12	-27,001
19	Finnair Pension Fund	94,738	0.11	0
20	Nordea Pension Fund	89,100	0.1	-107,100
	Registered in the name of a nominee	16,614,504	19.14	5,256,933
	Not converted into the book entry system	24,325	0.03	-1,057
	Others	5,494,183	6.33	
	Total	**86,804,113**	**100**	**2,044,900**

DIVIDEND PER YEAR



* The 2005 proposal of the Board of Directors to the AGM

Share-Related Key Figures		2005	2004	2003	2002	2001
Earnings/share	EUR	0.73	0.30	-0.19	0.43	0.08
Equity/share	EUR	7.73	6.97	7.24	7.58	7.22
Dividend/share	EUR	0.25	0.10	0.10	0.15	0.07
Dividend-to-earnings ratio	%	34.3	33.0	-52.2	34.5	83.1
P/E ratio		16.43	18.36	-27.66	8.63	44.52
P/CEPS		5.3	3.6	4.4	1.9	2.4
Effective dividend yield	%	2.1	1.8	1.9	4.0	1.9

Number of shares and share prices						
Average number of shares adjusted for share issue	pc	85,349,921	84,750,387	84,743,371	84,740,792	84,739,098
Average number of shares adjusted for share issue (with diluted effect)	pc	88,150,441	86,757,963	86,048,385	85,663,479	85,663,479
Number of shares adjusted for share issue at the end of the financial year	pc	87,544,169	84,759,213	84,745,663	84,743,163	84,739,098
Number of shares adjusted for share issue at the end of the financial year (with diluted effect)	pc	88,756,713	88,756,713	86,048,385	85,665,173	85,663,479
Number of shares, end of the financial year	pc	86,804,113	84,759,213	84,743,163	84,743,163	84,739,098
Trading price, highest	EUR	12.15	6.57	5.58	5.10	5.20
Trading price, lowest	EUR	5.56	4.46	3.2	3.70	3.48
Market value of share capital Dec. 31	EUR mill.	1,040	471	449	318	318
No. of shares traded	pc	32,242,125	21,277,418	17,817,180	16,683,820	10,894,673
No. of shares traded as % of average no. of shares	%	37.14	25.10	21.02	19.70	12.90

FINANCIAL INDICATORS 2001-2005

		IFRS 2005	IFRS 2004	FAS 2003	FAS 2002	FAS 2001
Turnover	EUR mill.	1,871	1,683	1,558	1,656	1,631
- change %		11.2	8.0	-6.0	1.6	29.5
EBITDA	EUR mill.	173	135	85	175	145
- in relation to turnover	%	9.2	8.0	5.5	10.5	8.9
Operating profit	EUR mill.	82	31	-19	60	13
- in relation to turnover	%	4.4	1.8	-1.2	3.6	0.8
Profit before extraordinary items	EUR mill.	88	31	-22	54	9
- in relation to turnover	%	4.7	1.8	-1.4	3.3	0.5
Profit before taxes	EUR mill.	88	31	-22	54	9
- in relation to turnover	%	4.7	1.8	-1.4	3.3	0.5
Consolidated balance sheet						
Non-current assets	EUR mill.	927	947	904	958	1,094
Short-term receivables	EUR mill.	711	553	511	522	414
Assets total	EUR mill.	1,638	1,500	1,415	1,480	1,508
Shareholders equity and minority interests	EUR mill.	674	591	621	649	618
Liabilities, total	EUR mill.	964	909	794	831	890
Shareholders' equity and liabilities, total	EUR mill.	1,638	1,500	1,415	1,480	1,508
Gross capital expenditure	EUR mill.	58	115	82	102	281
Gross capital expenditure in relation to turnover	%	3.1	6.8	5.3	6.2	17.2
Return on equity (ROE)	%	9.8	4.3	-2.5	5.9	1.2
Return on capital employed (ROCE)	%	11.1	6.1	0.0	7.6	2.9
Average capital employed	EUR mill.	901	881	934	1,008	1,003
Increase in share capital	EUR mill.	2	0	0	0	0
Dividend for the financial year	EUR mill.	22	8	8	13	6
Earnings/share	EUR	0.73	0.30	-0.19	0.43	0.08
Earnings/share adjusted for option rights (with diluted effect)	EUR	0.71	0.30	-0.19	0.43	0.08
Equity/share	EUR	7.73	6.97	7.24	7.58	7.22
Dividend/share [1)]	EUR	0.25	0.10	0.10	0.15	0.07
Dividend/earnings	%	34.3	33.0	-52.2	34.5	83.1
Effective dividend yield	%	2.1	1.8	1.9	4.0	1.9
P / CEPS		5.3	3.6	4.4	1.9	2.4
Cash flow/share	EUR	2.2	1.5	1.2	2.0	1.6
P/E ratio		16.43	18.36	-27.66	8.63	44.52
Equity ratio	%	42.2	40.2	44.4	44.3	41.3
Net debt-to-equity (Gearing)	%	-25.1	-3.1	-2.9	3.1	34.6
Adjusted Gearing	%	66.8	102.5	102.7	82.0	116.6
Interest bearing debt	EUR mill.	263	274	277	322	427
Liquid funds	EUR mill.	418	298	294	302	215
Net interest bearing debt	EUR mill.	-155	-24	-18	20	212
- in relation to turnover	%	-9.0	-1.1	-1.1	1.2	13.0
Net financing income (+) / expenses (-)	EUR mill.	6	-1	-3	-6	-4
in relation to turnover	%	0.3	-0.1	-0.2	-0.3	-0.3
Net interest expenses	EUR mill.	-3	-3	-2	-5	-4
- in relation to turnover	%	-0.2	-0.2	-0.1	-0.3	-0.3
Operational cash flow	EUR mill.	192	130	101	152	140
Operational cash flow in relation to turnover	%	10.3	7.7	6.5	9.2	8.6
Average number of shares adjusted for share issue	number of	85,349,921	84,750,387	84,743,371	84,740,792	84,739,098
Average number of shares adjusted for share issue (with diluted effect)	number of	88,150,441	86,757,963	86,048,385	85,663,479	85,663,479
Number of shares adjusted for share issue at the end of the financial year	number of	87,544,169	84,759,213	84,745,663	84,743,163	84,739,098
Number of shares adjusted for share issue at the end of the financial year (with diluted effect)	number of	88,756,713	88,756,713	86,048,385	85,665,173	85,663,479
Personnel on average		9,447	9,522	9,981	10,476	10,847

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

[1)] The dividend for 2005 is a proposal of the Board of Directors to the Annual General Meeting

CALCULATION OF KEY INDICATORS

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

CORPORATE GOVERNANCE

Group structure

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

Annual General Meeting and exercising of voting rights at the Annual General Meeting

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

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

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

Board of Directors

Composition and term of office

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

On 23 March 2005 the Annual General Meeting of Finnair Plc elected Christoffer Taxell as Chairman of the Board of Directors, and as Members of the Board Samuli Haapasalo, Markku Hyvärinen, Kari Jordan, Veli Sundbäck, Helena Terho and Kaisa Vikkula. All members of the Board are independent and from outside the company. The Board of Directors' term of office expires at the end of the Annual General Meeting to be held on 23 March 2006.

Samuli Haapasalo resigned from the Board on 22 June 2005 following his appointment as Director General of the Finavia.

Duties and meetings

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

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

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

The company's business name is signed by the Chairman of the Board of Directors, the President and CEO and the deputy CEO each separately or two members of the Board of Directors together. The Board of Directors grants and revokes rights to sign the business name as well as powers of procuration. The holders of powers of procuration sign the business name two together or each separately with one member of the Board of Directors.

The Board of Directors meets on average 8-10 times per year. In 2005, the Board of Directors held 13 meetings, of which three were conducted as conference calls. The average attendance percentage of the members of the Board of Directors at the meetings of the Board was 95.

The President and CEO of Finnair Plc, or a senior member of Finnair Group management nominated by the President and CEO, acts as the presiding officer at meetings of the Board of Directors. The Finnair Group's SVP, Administration and Human Resources acted as secretary to the Board of Directors in 2005. The Board of Directors evaluates its working practices regularly.

The Charter of the Board of Directors can be viewed at Finnair Group's Internet site www.finnair.com/investor.

Committees

The Board of Directors has established a Salary and Appointments Committee as well as an Audit Committee. The Salary and Appointments Committee consisted of Chairman of the Board Christoffer Taxell as well as Members of the Board Kari Jordan and Samuli Haapasalo (until 22 June 2005). President and CEO Keijo Suila acted as the presiding officer. The committee met twice in 2005.

The Audit Committee consists of Markku Hyvärinen as chairman as well as Helena Terho and Kaisa Vikkula as members. President and CEO Keijo Suila acts as the presiding officer. The committee met twice in 2005. The Finnair Group's SVP, Administration and Human Resources acted as secretary to the both committees. The Committee

Charters can be viewed at Finnair Group's Internet site www.finnair.com/investor.

Remuneration and other benefits

The monthly remuneration and attendance allowances decided by the Annual General Meeting for Members of the Board of Directors in 2005 were:

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

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

The members of Finnair Plc's Board of Directors were paid monthly remuneration and attendance allowances totalling 183,860 euros in 2005.

Chief Executive Officer and Deputy Chief Executive Officer

Finnair Plc has a Chief Executive Officer, whose task is to manage the company's operations according to guidelines and instructions issued by the Board of Directors. The Board of Directors appoints and dismisses the Chief Executive Officer and decides on his terms of employment. The Board of Directors also appoints and dismisses the Deputy Chief Executive Officer. In 2005, Finnair Plc's Chief Executive Officer was President and CEO Keijo Suila and the Deputy Chief Executive Officer was Henrik Arle, EVP Scheduled Passenger Traffic. Jukka Hienonen succeeded Keijo Suila as the company's President and CEO on 1 January 2006.

President and CEO Keijo Suila was paid a total of 831,203 euros in salary, bonuses and fringe benefits in 2005. EVP Henrik Arle was paid a total of 243,866 euros in salary, bonuses and fringe benefits in 2005.

President and CEO Keijo Suila retired on 31 December 2005. Jukka Hienonen took over as Finnair Plc's President and CEO on 1 January 2006. Before joining Finnair, Hienonen was Executive Vice President of Stockmann Oyj Abp with responsibility for the department stores group. EVP Scheduled Passenger Traffic, Mr Henrik Arle was appointed Deputy CEO as of 1 January 2006.

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

Management Group

Until the end of 2005 the Finnair Group had a Management Group consisting of President and CEO Keijo Suila (Chairman) and members Eero Ahola, Mauri Annala, Henrik Arle, Hannes Bjurström, Christer Haglund, Lasse Heinonen, Juha Kinnunen (until 31 January 2005), Anssi Komulainen, Antero Lahtinen (as of 1 May 2005), Tero Palatsi, Mika Perho, Tero Vauraste and Jarmo Vilenius.

The Management Group meets 8-10 times a year and its tasks include the handling of Group-wide development projects as well as Group-level policies and procedures. In addition, the Management Group is kept informed about, among other things, the Group's and business area companies' business plans, financial performance as well as matters to be dealt with by Finnair Plc's Board of Directors, in the preparation of which it participates.

Matters relating to the remuneration scheme of members of the Management Group are considered in the Board of Directors' Salary and Appointments Committee. Decisions are made by the company's Board of Directors. Management incentive bonuses are determined annually based on the company's earnings per share, business-unit quality and process indicators as well as personal performance appraisals. The bonus can be equivalent at most to four months' basic salary.

The option scheme for Group key personnel was replaced in 2004 by a share-based incentive scheme. The incentive scheme is based on earnings per share and return on capital employed, whose target levels are established by the Board of Directors annually.

Finnair Plc's Management Board

Management Board of Finnair Plc consists of the above-mentioned Senior Vice Presidents of business areas and key business units plus three employee representatives.

Changes in the Management Group after 31 December 2005

The position of Finnair's Accountable Manager has been redefined. The Accountable Manager is responsible for the Airline Operator's Certificate and other operating licences granted by the authorities. As of 1 January 2006, Finnair Plc's Accountable Manager is EVP Scheduled Passenger Traffic, Deputy CEO Henrik Arle.

Changes took place in the Management Group following the retirement of Eero Ahola, SVP Corporate Strategy and Business Development, on 31 December 2005. Jarmo Vilenius, SVP Finnair Technical Services, SVP Finnair Facilities Management as of 16 January 2006. Kimmo Soini has been appointed SVP Finnair Technical Services.

Finnair SVP Administration and Human Resources Tero Palatsi resigned from Finnair as of 15 February 2006. SVP Leisure and Travel Services Mauri Annala will retire on 1 March 2006 and will be succeeded by Kaisa Vikkula. Ms Vikkula resigned from Finnair Plc's Board of Directors on 16 February 2006.

The number of members in the Management Group was reduced as of 1 January 2006. The members of the current Management Group are President and CEO Jukka Hienonen (chairman), Deputy CEO Henrik Arle, CFO Lasse Heinonen, SVP Commercial Division Mika Perho, SVP Finnair Technical Services Kimmo Soini, SVP Leisure and Travel Services Kaisa Vikkula.

Corporate governance of subsidiaries

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

Auditors and monitoring

Auditors

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

Finnair Plc's Annual General Meeting in 2005 elected two regular auditors, namely Authorised Accounting Firm PricewaterhouseCoopers Oy and APA Jyri Heikkinen. APA Matti Nykänen and APA Tuomas Honkamäki were elected as deputy auditors. The auditors of Finnair Group subsidiaries are mainly PricewaterhouseCoopers firm auditors or auditors employed by them.

In 2005 the Group's auditors were paid auditing fees totalling 225,000 euros. Finnair Plc also paid auditors 45,000 euros for services (taxation and IFRS consulting) unrelated to the statutory auditing of the accounts.

Monitoring and reporting system

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

The company has a Risk Management Steering Group, chaired by the President and CEO, whose task is to assess and ensure that the Group's risk management, monitoring and management processes are sufficient, appropriate and effective.

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

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

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

Risks arising from operations in relation to property, disruption, damage and liability risks have been covered by appropriate insurances.

Governing provisions

Finnair Plc adheres to valid legislation, provisions issued under such legislation and the company's Articles of Association. Furthermore, in its activities Finnair Plc complies with the recommendations of the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers on the administration and management of listed companies as well as insider rules.

Company insiders

According to the Securities Markets Act, the Finnair Group's insiders are divided into permanent and temporary insiders.

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

Temporary insiders are individuals who receive insider information during the implementation of some specific task (project). They are entered into the non-public company-specific register, namely a project-specific subregister.

Finnair Plc's permanent, public insiders include members of the Finnair Plc's Board of Directors, the Chief Executive Officer and his deputy, those who report directly the Chief Executive Officer, and auditors, including the auditor of carrying chief responsibility for the firm of auditors.

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

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

The legal affairs department is responsible for the content of the insider guidelines. Compliance with the insider guidelines is monitored by the economics and finance department. The company operates a restriction on trading, which applies to insiders' trading in the company shares or in securities granting entitlement to shares for 30 days before the declaration of financial results.

Finnair Plc's insider register is maintained by Finnish Central Securities Depository Ltd. Up-to-date details of insiders' shareholdings can be viewed at Finnish Central Securities Depository Ltd's premises in Helsinki at the address Urho Kekkosen katu 5 C and on the company's website at the address www.finnair.com/investor.

Corporate Governance update

The Finnair Corporate Governance section is updated regularly and can be viewed on the company's website at the address www.finnair.com/investor. Finnair Plc's website is published in Finnish and English. The printend and the electronic annual report as well as the interim reports are also published in Swedish.

RISK MANAGEMENT

Risk management in Finnair is a Group management responsibility. Risk management measures are directed primarily at risks that threaten the fulfilment of the Group's business objectives. To exploit business opportunities Finnair is prepared to take controlled and calculated risks. In contrast, in flight safety matters Finnair takes no risks.

Finnair's risks are classified into strategic, operational, financial and accident risks. The Board of Directors and the Chief Executive Officer are responsible for the Group's risk management strategy and principles as well as for the management of risks that threaten the fulfilment of strategic objectives. The Senior Vice Presidents of business units and the Managing Directors of subsidiary companies are responsible for risk management in their areas of responsibility.

Operating environment risks

Demand for passenger and cargo traffic has been influenced most by competition in the industry as well as various unexpected events, such as terrorism, environmental accidents and epidemics. The current trend clearly indicates that competitiveness in the air transport sector depends on how flexibly the company can react and adapt to unexpected events, changes in demand and to a changing competitive environment.

A critical factor for operational flexibility is the adjustment of fixed costs to fluctuations in demand. Moreover, the company's ability to react quickly in adjusting capacity, routes and costs to correspond to changing demand as well as economic and security conditions is also an essential factor in maintaining the its profitability. During the past few years, Finnair has implemented several projects that have increased structural flexibility, and more of these are planned for the future .

Preparing for epidemics is part of Finnair's crisis management planning. Finnair actively monitors and continuously analyses the situation with regard to epidemics throughout the world. The company takes various measures to prepare itself for any worsening of the situation.

Finnair will defend its operating rights

An airline domiciled in the European Union can operate freely within the entire area of the Union. To date Finland, like other European countries, has negotiated bilateral operating agreements with countries outside the European Union.

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

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

The company's operations are subject to legislative changes, to regulations and to changes in airport charges and taxes on both national and international levels. Possible changes are actively monitored by the company and an effort made to influence them via airline industry bodies, such as the International Air Transport Association (IATA) and the Association of European Airlines (AEA).

Market risk

The air transport business is sensitive to both cyclical and seasonal changes. Competition in the sector is intense and the decline in average ticket prices has been considerable due to over-capacity and the continually changing market situation. Airlines are cutting their prices in order to increase volumes, achieve sufficient cash flow and maintain market share.

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

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

Reliability of flight operations

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

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

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

According to statistics compiled on European network airlines, Finnair was the most punctual airline in Europe in 2005 on the basis of flight arrival punctuality.

Risk of loss or damage

Management of risks relating to loss or damage is divided into two main areas: flight safety and corporate security. Development work in these areas is coordinated by the flight safety and corporate security departments. Risk management in this area encompasses, for example, risks to flights, people, information, property and the environment as well as liability and loss-of-business risks, and insurance cover. The priority in the management of risks relating to loss or damage is on risk prevention, but the company prepares for any possible emergence of risks through effective situation-management preparedness and insurance.

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

Operational risk

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

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

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

Accident risk

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

The frequency of work-related accidents resulting in at least 4 days' incapacity was in Finnair Group around 30 accidents per million working hours. During 2005 one work-related accident resulted in a fatality; a Finnair Technical Services' aircraft mechanic died during a technical check of an aircraft cargo hold.

The vision of occupational safety activity is zero accidents, towards which the company is progressing with unit-level intermediate targets. Means of improving occupational safety include identifying and evaluating safety hazards in the workplace and preventing accidents and hazardous situations. Emphasis is also placed on the investigation of hazardous situations and accidents.

Information technology risk

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

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

The coordination of the Group's information system architecture as well as its IT purchases and strategies has been centralised in the Group's information management department. This brings synergy benefits and improves cost-efficiency through economies of scale.

Principles of financial risk management

The nature of the Finnair Group's business operations exposes the company to foreign exchange, interest rate, credit and liquidity, and fuel price risks. The Group's policy is to limit the uncertainty caused by such risks on cash flow, financial performance and equity. Financial risk management is based on the risk management policy approved by the Board of Directors in November 2004, which defines acceptable minimum and maximum levels for each type of risk. Financial risk management is directed and supervised by the Financial Risk Steering Group. Practical implementation of financial policy and risk management have been centralised in the parent company's treasury department.

In its management of foreign exchange, interest rate and jet fuel positions the company uses a wide range of hedging instruments and methods, such as forward contracts, swaps and options.

Financial risks have been described in more detail in note 28 of the Notes to the financial statements.

STOCK EXCHANGE RELEASES IN 2005

Stock exchange releases in 2005

23 Dec 2005	Finnair's financial reporting schedule 2006
14 Dec 2005	Finnair scheduled traffic increased by 12.1 per cent
7 Dec 2005	Finnair commits to growth with long-haul fleet modernisation
5 Dec 2005	Straumur-Burdaras Investment Bank holding in Finnair has exceeded ten per cent
2 Dec 2005	Finnair renews European and domestic fleet
30 Nov 2005	Finnair and Japan Airlines agree on code-sharing starting December
29 Nov 2005	Finnair launches route between Helsinki and Delhi
22 Nov 2005	Malév invited to join oneworld alliance
17 Nov 2005	Share subscriptions with the Finnair 2000 A and 2000 B warrants, increase in share capital and listing of shares
17 Nov 2005	HSE: Finnair Oyj: shares subscribed with option rights
16 Nov 2005	Aurinkomatkat's Timo Heinonen to retire
10 Nov 2005	Finnair Group interim report 1 January - 30 September 2005, a strongly profitable third quarter
9 Nov 2005	Passenger load factor up 3.5 points in Finnair scheduled traffic
25 Oct 2005	Important partner for Finnair - Japan Airlines seeks to join oneworld
12 Oct 2005	Finnair scheduled traffic up nearly ten percent
11 Oct 2005	Share subscriptions with the Finnair 2000 A and 2000 B warrants,
11 Oct 2005	HSE: Finnair Oyj: shares subscribed with option rights
6 Oct 2005	Finnair adds capacity to Asian traffic
3 Oct 2005	Notification of a change in ownership in accordance with chapter 2, section 9 of the securities market
3 Oct 2005	Finnair sells apartment buildings close to Helsinki-Vantaa airport
23 Sept 2005	Finnair places order for Embraer simulator

7 Sept 2005	Finnair demand and load factors up
26 Aug 2005	New US maintenance contract for Finnair Technical Services
23 Aug 2005	The Board of Directors of Finnair Plc approved acquisition of its own shares
23 Aug 2005	Share subscriptions with the Finnair 2000 A and 2000 B warrants, increase in share capital and listing of shares
23 Aug 2005	HSE: Finnair Oyj: shares subscribed with option rights
16 Aug 2005	Finnair Group interim report 1 January - 30 June 2005
11 Aug 2005	Finnair to begin direct flights to Nagoya
10 Aug 2005	Robust growth continues for Finnair
2 Aug 2005	Finnair Technical Services signs maintenance contract with Air New Zealand
26 July 2005	Finnair to open fourth Italian destination Tuscany
20 July 2005	Finnair to launch flights to Geneva in summer 2006
13 July 2005	Finnair demand remains strong
12 July 2005	Finnair flies direct to Krakow
6 July 2005	Finnair Marketing Division becomes Commercial Division
6 July 2005	Fast connections to Asia Finnair to launch direct flights between Edinburgh and Helsinki
1 July 2005	Management of Finnair's TEL pension liabilities has been transferred to Ilmarinen Mutual Pension Insurance Company
1 July 2005	Gemini Air Cargo Component and APU maintenance to Finnair Technical Services
1 July 2005	Correction concerning the press release on Finnair Technical Services maintenance support contract. The worth of contract is in excess of 8 million euros annually, below the correct press release
23 June 2005	Share subscriptions with the Finnair 2000 A warrants, increase in share capital and listing of shares
23 June 2005	HSE: Finnair Oyj: shares subscribed with option rights
22 June 2005	Jukka Näräkkä to be Managing Director of Finland Travel Bureau
17 June 2005	Jukka Hienonen to be Finnair's president and CEO
8 June 2005	Robust growth in Finnair's Asian traffic
26 May 2005	Share subscriptions with the Finnair 2000 A warrants
26 May 2005	HSE: Finnair Oyj: shares subscribed with option rights
12 May 2005	Finnair Group interim report 1 January - 31 March 2005
11 May 2005	Finnair Scehduled Traffic grew by 8.2%
2 May 2005	Martinair's heavy maintenance checks to Finnair Technical Services
29 Apr 2005	Effects of the transition to IFRS reporting standards
22 Apr 2005	Finnair to release effects of transition to IFRS reporting standards
19 Apr 2005	Expensive fuel increases leisure flight prices
13 Apr 2005	Finnair Asian traffic grew by a third
12 Apr 2005	Reward from the Finnair Plc share ownership plan 2004
11 Apr 2005	Finnair simplifies its fleet structure
6 Apr 2005	Share subscriptions with the Finnair 2000 A warrants, increase in share capital and listing of shares
6 Apr 2005	HSE: Finnair Plc: subscription of shares with option rights
24 March 2005	Finnair cabin attendant strike avoided
23 March 2005	Finnair share subscription with Finnair 2000 A warrants
23 March 2005	Finnair President and CEO Keijo Suila to retire
23 March 2005	Demand for Finnair continues strong
23 March 2005	Decisions of Finnair Plc's Annual General Meeting 2005
9 March 2005	Finnair's growth in Asia continues, load factor improved
8 March 2005	Possible cabin crew strike postponed
1 March 2005	Notice of the Annual Shareholders' Meeting 2005
23 Feb 2005	flynordic and Sterling to cooperate

18 Feb 2005	Antero Lahtinen named as new Managing Director for Finnair Cargo Oy
17 Feb 2005	Finnair Group financial statement 1 January - 31 December 2004
17 Feb 2005	Burdaras Hf holding in Finnair has exceeded five per cent
9 Feb 2005	Finnair traffic and load factor continue up
17 Jan 2005	Finnair to see a result-improving pension liability change
12 Jan 2005	Finnair passenger numbers reach record heights

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

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