ANNUAL REPORT 2004

FINNAIR

www.finnair.com/2004

CONTENTS

Concept and design Miltton Oy, Printing house Edita Prima Oy

INFORMATION FOR SHAREHOLDERS

Annual General Meeting

The Finnair Plc Annual General Meeting will be held on 23 March 2005 at 3 p.m. at the Helsinki Fair Center, Messuaukio 1, Congress Wing entrance, Hall C1.

Notice of attendance at the Annual General Meeting must be made by 1 p.m. UTC 21 March 2005 at the latest. Notice of attendance can given either by post to the address Finnair Plc, Share Register HEL-AAC/155, 01053 FINNAIR, by fax to +358 9 818 7603, by telephone to +358 9 818 7637 from Monday to Friday between 6 a.m.-1 p.m. UTC or by e-mail to agm@finnair.com. The letters, facsimiles or e-mails of attendance must have arrived before the above deadline.

Shareholders who are registered with the Finnish Central Securities Depository Ltd (APK) by 11 March 2005 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 Chapter 3a Section 11a 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.

Dividend proposal

The Group´s distributable equity according to the financial statements on 31 December 2004 amounts to 321,601,403.59 euros, while the distributable equity of the parent company comes to 301,972,035,94 euros. The Board of Directors proposes to the Annual General Meeting that a dividend of 0.10 euros per share be distributed, a total of 8,475,921.30 euros, and that the remainder of the distributable equity be carried over as retained earnings.

Financial information

The Company will publish the following financial reports in 2005:

- Interim Report Q1 (1 Jan - 31 Mar 2005)
  12 May 2005 at 9 a.m. (6 a.m. UTC)
- Interim Report Q2 (1 Jan - 30 Jun 2005)
  16 Aug 2005 at 9 a.m. (6 a.m. UTC)
- Interim Report Q3 (1 Jan - 30 Sep 2005)
  10 Nov 2005 at 9 a.m. (7 a.m. UTC)

To order the Annual Report and other publications

The Annual Report 2004 will be published in Finnish and English. To order: fax: +358 9 818 4401 or 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/2004.

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.

CONTACT INFORMATION

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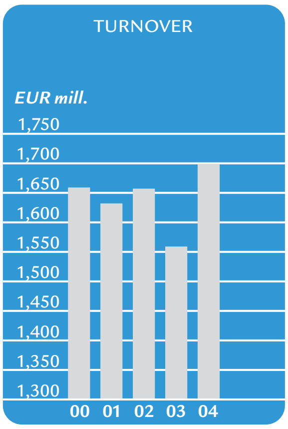
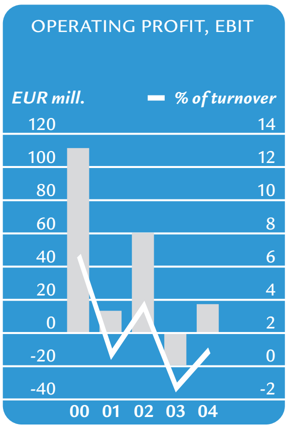
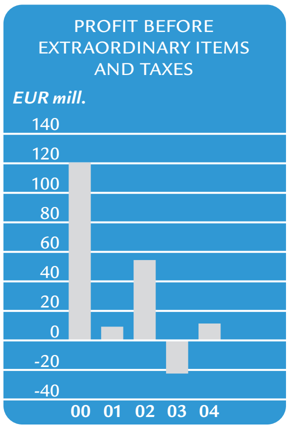
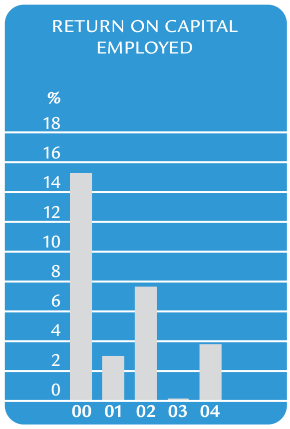
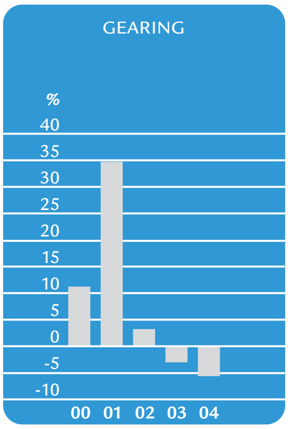
KEY FIGURES

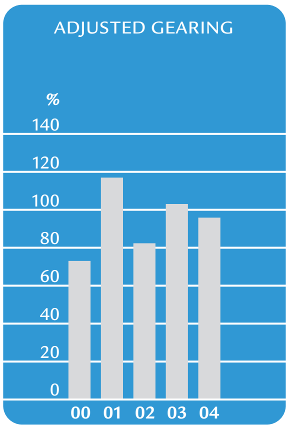


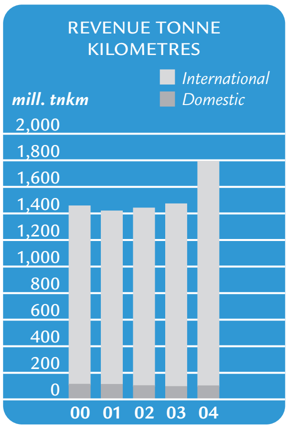


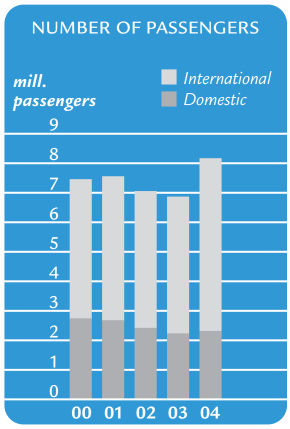








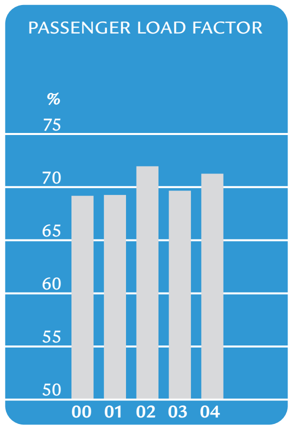




Key figures

		2004	2003	2002	2001	2000*
Turnover	EUR mill.	**1,698**	1,558	1,656	1,631	1,658
EBITDA	EUR mill.	**118**	85	175	145	232
Operating profit	EUR mill.	**17**	-19	60	13	111
Operating profit to turnover	%	**1.0**	-1.2	3.7	0.8	6.7
Profit before extraordinary items and taxes	EUR mill.	**11**	-22	54	9	120
Unit revenues of flight operations c / RTK		**71.1**	80.0	88.1	89.8	92.3
Unit costs of flight operations c / ATK		**51.8**	58.7	63.1	65.8	67.6
Earnings/share	Euro	**0.14**	-0.19	0.43	0.08	0.95
Equity/share	Euro	**7.29**	7.24	7.58	7.22	7.54
Gross capital expenditure	EUR mill.	**115**	82	102	281	247
Interest bearing net debt	EUR mill.	**-34**	-18	20	212	74
Equity ratio	%	**42.7**	44.4	44.3	41.3	42.2
Net debt-to-equity (Gearing)	%	**-5.5**	-2.9	3.1	34.6	11.1
Adjusted Gearing	%	**95.5**	102.7	82	116.6	72.7
Return on capital employed	%	**3.7**	0	7.6	2.9	15.3
Average number of staff		**9,522**	9,981	10,476	10,847	11,051

*Pro forma figures year 2000



FINNAIR IN BRIEF

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, quality of travel-related services, which are operationally the best in Europe and 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.

Values

The values that guide Finnair's operations always put the customer first. Our priorities are continious development, honesty, openness, willingness to take responsibility, fairness and respect for others.

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, as well as 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 on the basis of 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 a 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, which are aircraft noise, engine emissions and waste management.

Dividend policy

It is the aim of Finnair's dividend policy to pay on average at least two thirds 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.

FINNAIR GROUP

SCHEDULED PASSENGER TRAFFIC	LEISURE TRAFFIC	AVIATION SERVICES	TRAVEL SERVICES
Finnair Scheduled Passenger Traffic	Finnair Leisure Traffic	Finnair Technical Services	Finland Travel Burea Ltd. (FTB)
Aero	Oy Aurinkomatkat – Suntours Ltd Ab	Northport Oy (Ground Handling)	A/S Estravel Ltd
flynordic		Finnair Catering Oy	Area Travel Agency Ltd.
Finnair Cargo Oy		Finncatering Oy	Mikkelin Matkatoimisto Oy
Finnair Aircraft Finance Oy		Finnair Facilities Management Oy	Amadeus Finland Oy

STRATEGY SHOWS ITS METTLE

A year ago we were hopeful that by now we might have a gentle tail wind to help us along. But it never came to pass; 2004 was not an easy year. Despite the wind in our faces, we kept our financial health in good shape, however. With our own decisions and actions we have created the foundation for Finnair's vitality into the future.

The industry has long suffered from overcapacity. There have been dozens of bankruptcies in Europe and there are more to come. The fact that the total result of European airlines has not been in profit since 1998 speaks for itself. Particularly in northern skies, last year brought historically hard competition, which led to a collapse in prices. Many airlines' load factors are far below profitability levels. During the last eighteen months, eight new companies have entered our domestic market, of which four have already ceased operating. The chances for those that are left to operate profitability in this market are questionable.

Despite a difficult market climate, our profitability clearly improved from a loss-making 2003, but it still remained modest. Prices fell sharply, but we correspondingly cut unit costs through an uncompromising cost-cutting programme and unyielding effort. With good planning and flexible use of resources we achieved significant productivity improvements within the Group. This environment does not give anything for free. The heaviest burden was the steep rise in the oil price, which devoured our hard-earned savings.

Many of our strategic decisions have proved to be right. We decided to move from defence to attack in spring 2003. Our price reform has given us the necessary flexibility in a competitive situation and has increased our market share. Our budget airline flynordic immediately validated its place in the Scandinavian market in its first year of operation by carrying 725,000 passengers. The concept works. The next step is to continue expanding with new routes.

The expansion of Asian traffic that we initiated in 1999 has shown its strength in recent years. In scheduled passenger traffic one in four euros we earn comes from Asian passenger and cargo business. Our network, which is based on traffic between European and Asian destinations, enables Finnish customers to fly direct to major centres in the Far East. Our chosen strategy has also to a large extent secured the jobs of more than one thousand Finnair employees.

Just before the turn of the year, we passed the eight million passenger mark for the first time in Finnair's history. Growing passenger volumes are indicative both of a recovery in demand for air travel and of customers' confidence in Finnair. Finnair's volume growth and load factor are indisputably among the best in Europe.

Leisure Traffic's result for last year was historically good. Demand for leisure travel and the supply of package tours were in balance. This led to an improvement in the average price as the number of last-minute offers has declined significantly.

The year ended amidst the shocking aftermath of the catastrophe in Southeast Asia. Our organisation began to act immediately to the emergency, from the first moments of this natural disaster. In the Finnair Group there was no lack of volunteers, and thousands of Finnair employees were stretched to their limits. Evacuation was greatly supported by the selfless actions of tour guides and other volunteers in the devastated areas.

The evacuation of thousands of Finns from the areas affected showed our organisation's desire to take care of our customers and act responsibly. Finnair is the airline of the Finns, and that was the basis of our actions when on Boxing Day we began on our own initiative to help those in distress.

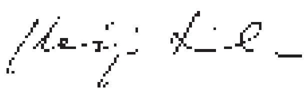
High operational quality has created for Finnair a reputation as Europe's most punctual and reliable airline. Our service has been ranked in various surveys among the absolute elite of European airlines. Product superiority will also be a vital distinguishing factor for us in the future!

During these turbulent times for the airline industry we have been able to renew our fleet. Our five-year programme to acquire 29 Airbus A320 series aircraft was completed in September. The decision made last summer to acquire 12 Embraer E170 aircraft continues the fleet renewal process. The arrival of the new aircraft will reduce the number of types of aircraft we have.

Despite our major investment programmes, the company is virtually debt-free. Our balance sheet and financial position are strong, in contrast with many other airlines around us. This gives us the staying power required in a rapidly changing industry.

Change will continue in our industry and it will require from us a capacity to renew. Improvement in profitability from the present level is the most important short- and mid-term target. An effective strategy and strong corporate image create a solid foundation. I believe that with the recovery in demand and improvements in operational efficiency we have what it takes to achieve a clear improvement in the result during the current year.

I would like to thank our customers and our shareholders for the trust they have shown in our company and also for the valuable contribution of our employees towards the fulfilment of common objectives.



Keijo Suila
President and CEO

Improving profitability from its present level is the key short- and mid-term objective. Finnair's strategy is working. Last year we showed our strengths and I believe in our ability to progress this year, too.

TOP TRAFFIC GROWTH IN EUROPE

Finnair's Scheduled Passenger Traffic division is responsible for regular passenger and cargo traffic. Scheduled Passenger Traffic is the largest of the Group's divisions and it represents 80 per cent of the Group's external turnover. Finnair's scheduled passenger traffic service is based on comprehensive service provision to passengers and cargo customers.

In addition to the scheduled passenger traffic operations which fly under the Finnair brand, the division consists of the Estonian feeder-traffic operator Aero and the Swedish company flynordic, which is applying the budget airline concept in the Scandinavian market. The result of Finnair Aircraft Finance Oy, which manages the Group's aircraft fleet, is reported as a part of the Scheduled Passenger Traffic division's result.

Powerful responses to changes in the operating environment

Air travel has returned to a growth track after years of falling demand. Overcapacity in air transport has resulted, however, in severe price competition and a decline in average prices. Improving profitability has required strict cost discipline.

Enthusiasm for establishing new airlines is evident in the emergence of tens of new companies in European skies alone. The threshold of entry into the business has become lower, as aircraft and professional staff are available on attractive and flexible terms. The challenges set by profitable operations have also led, of course, to a long list of companies which have ceased operating.

The price of fuel represented an unforeseen factor on the cost side during 2004. Finnair's additional fuel bill last year was 55 million euros, despite the implementation of a price hedging policy. Aviation fuel accounts for 12 per cent of Finnair's costs.

The external shocks of the past years and other non-airline industry-related uncertainty factors have unsettled the operating environment. In these conditions, Finnair has created the basis for its chosen operations and solutions. The strategy works and financial health has been cared for.

Consistent, long-term activity in the present conditions requires financial health and an effective strategy, as well as flexibility and an ability to adapt quickly. Finnair has applied these remedies together with its strong brand recognition and reputation for reliability among customers.

In autumn 2003 Finnair moved from defence to offence by reforming its pricing on domestic and European routes. A flight-leg -based pricing system was introduced that has brought more clarity, flexibility and choice for both business and leisure travel. At the same time customers were given the opportunity to select their outbound and inbound flights flexibly in terms of both price and routing. In spring 2004, the new price concept was extended to cover long-haul routes as well.

With the aid of the price reform, Finnair has managed to clearly increase load factors and market share more than other European airlines. Due to the price reform and to overcapacity, the average price has fallen in scheduled passenger traffic by a fifth. In 2004 the fall in the average price halted and in 2005 the average price is expected to remain at the previous year's level.

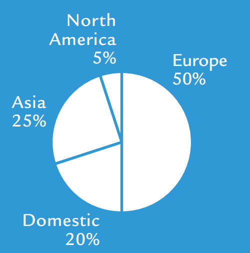
Passenger numbers reach a new record

The strategic expansion in the Scandinavian and Asian markets increased passenger numbers in all areas of scheduled passenger traffic in 2004. Passenger load factors improved right across the network. Growth of demand was the highest among European airlines. The total number of passengers carried by Finnair Group airlines passed the eight million mark for the first time in the company's history.

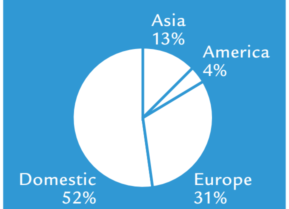
Asian traffic grew in 2004 by more than 40 per cent compared with the previous year. Even if the effects of the SARS epidemic in 2003 are taken into account, the net growth for the year was still 15-20 per cent. Through the addition of a sixth Boeing MD-11 wide-bodied aircraft, traffic was boosted by increasing the flight frequency on the Osaka and Shanghai routes from three to five return flights per week. The next new destination is Guangzhou in China. The route, which Finnair will fly three times a week, will open in September 2005.

Finnair's scheduled passenger flight destinations in Asia are Beijing, Hong Kong and Shanghai in China, Tokyo and Osaka in Japan as well as Bangkok in Thailand and Singapore. Finnair flies to China twice a day and to Japan and Bangkok in Thailand daily. In North America the only all-year-round destination is New York.

DISTRIBUTION OF SCHEDULED TRAFFIC AND CARGO REVENUES



DISTRIBUTION OF PASSENGER SALES IN SCHEDULED TRAFFIC



Finnair is a well known brand. Blue and white colours bring to mind Finnishness and freshness, reliability and punctuality.

New operating models bring profitability and growth

Finnair's Scheduled Passenger Traffic division handles domestic trunk routes, most European traffic and long-haul traffic. For turbo-prop traffic to neighbouring countries, Finnair founded the Estonian subsidiary Aero in 2002. The Nordic countries' leading budget airline flynordic operates in the Scandinavian market. In addition, cooperation enables the Finnair network to be supplemented by domestic and international partners, especially the **one**world alliance.

The Swedish subsidiary flynordic, then named Nordic Airlink, was acquired for the Finnair Group in autumn 2003. All of the company's shares were transferred to Finnair at the beginning of 2004. Finnair has developed flynordic into the leading airline in Scandinavia to apply the new operating model.

flynordic flies from Stockholm Arlanda to Copenhagen, Oslo, Gothenburg, Kiruna, Luleå and Umeå. The next stage of operational expansion will see the opening of new routes from Scandinavia to elsewhere in Europe this year. The network expansion will be achieved mainly with present resources, which will improve the utilisation of the fleet's seven Boeing MD-80 aircraft fleet.

flynordic flies to the main airports of its destination cities. This factor, together with the easy accessibility of flight booking and auxiliary services, has attracted business passengers in particular to flynordic's flights. In 2004 the Swedish state procurement office, after a competitive tender, assigned flynordic to most-favoured status in the travel arrangements of state officials on several routes. In its first year of operation, flynordic carried 725,000 passengers, which was significantly above its target level.

The Estonian subsidiary Aero is a feeder-route company with a lighter cost structure. Aero's operating structure has turned a loss-making sector towards a better direction in terms of profitability. In 2004 Finnair transferred its entire turbo-prop traffic to Aero, which operates the routes with eight ATR 72 aircraft. In Finland its network covers the south of the country. In addition to the Helsinki-Tallinn route, Aero flies from Helsinki to Riga in Latvia and to Vilnius in Lithuania as well as, in the summer, to Kuresaare on the Estonia island of Saaremaa. Aero's domicile is Tallinn, Estonia.

Fleet one of the youngest in Europe

Finnair has renewed half of its 69-strong fleet of aircraft in the past five years. The fleet operated by the Group's airlines is one of the youngest in Europe.

In September 2004, the acquisition of 29 Airbus A320 series aircraft was completed. During the programme, which began five years earlier, Finnair obtained for European and domestic trunk routes three different sizes of aircraft, allowing capacity to be adjusted according to demand on each flight.

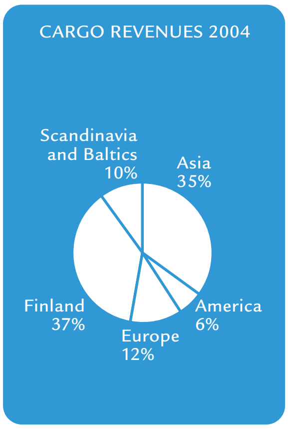
The fleet modernisation continues in September 2005 when the first of twelve E170 aircraft ordered by Finnair is delivered. By the end of the year, four of the new 76-seat aircraft will have arrived, with a further six to come in 2006 and two more in January-February 2007. Finnair has options for eight additional aircraft.

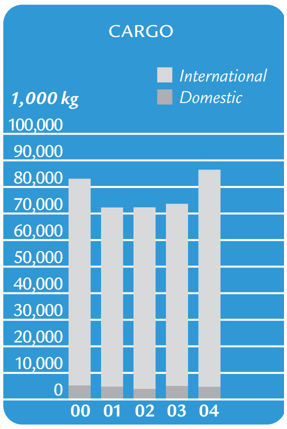
The Brazilian Embraer E170 jet aircraft represents modern aviation technology. It is in terms of passenger comfort equivalent in standard to large passenger aircraft. The Embraers will reduce operating costs in terms of various cost factors, such as operating fees and crew costs. The investment programme will reduce the number of types of aircraft in Finnair's fleet, as the Boeing MD-80 aircraft and the ATR 72 turbo prop aircraft will be withdrawn. Due to new technology, the Embraer's eco-efficiency will also support Finnair's environmentally positive objectives.

Bringing simplicity and comfort to travelling

Finnair set as its target to be the best in a comparison of European airlines' business class service levels in 2005. By listening to and implementing customers' wishes, this target was already achieved in 2004. Tourist class service was also been in the top three in the comparison.

The target in 2005 is to continue the refurbishment of the cabins of the long-haul Boeing MD-11 aircraft. The modernisation work includes the introduction of lie-flat seats in business class, which enable passengers to rest lying down. The new seat design also gives passengers more privacy for rest and working.





Finnair is the first airline in Europe to refurbish the business class cabins of its entire intercontinental fleet. Economy class service is also being improved in long-haul traffic.

Growth in the use of e-tickets and e-business as well as the development of electronic services is increasing flexibility in the handling of travel matters and generating cost-savings for airlines at the same time. More than half of Finnair's scheduled passenger traffic passengers now use e-tickets. In domestic traffic the utilisation rate is already 90 per cent.

In the latest development step in electronic services, Finnair became in October 2004 the first airline in the world to introduce a mobile phone service in which check-in is performed in advance with a text message. The new service quickly became very popular. The service only requires customers to answer the text message before the flight. After receiving confirmation, Finnair sends to the mobile phone a further confirmation message containing the necessary departure gate and seat number information.

Check-in by text message is a new service offered to members of the Finnair Plus frequent-flyer programme. The service allows frequent flyers to go direct to the departure gate, bypassing the normal check-in process. All of Finnair's international flights departing from Helsinki and Stockholm fall with the scope of the check-in message service.

One third of the Finnair Plus frequent-flyer programme's award flights are booked via the internet. A customer relationship management system that is functionally more flexible and more cost-efficient will be introduced in summer 2005.

To improve the use of frequent flyer points and the availability of travel offerings directed at Finnair Plus customers, a new service, Plus Departures, was launched in September 2004. Plus Departures are flight offers to selected scheduled traffic destinations which are varied monthly and which can be purchased with Plus points or a combination of points and money.

Asian traffic accounts for half of cargo traffic

During 2004 the air cargo business recovered slowly from a period of lower demand caused by the crises of previous years. Growth of the Asian market continued strong. Instead, the sector is troubled by demand weighed towards capacity heading from Asia to Europe.

Cargo capacity scaled according to the high demand of the Asian market has created overcapacity in the opposite direction, from Europe to Asia. This has led to a sharp fall in load factor and cargo prices in the sector.

Revenues grew significantly in 2004 from their 2003 level. The strong rise in the price of aircraft fuel was compensated for by separate surcharges, which improved the profitability of operations. Asian traffic accounts for one half of cargo route revenue. Cargo and mail loads on Asian routes grew by a third compared with the previous year.

Most of Finnair's cargo and mail is carried in the holds of passenger aircraft. In developing cargo services, cargo aircraft links to Central Europe and the Persian Gulf area as well as to Asia and North America have been added since autumn 2003 through cooperation with partners. In Europe, Finnair Cargo has cargo aircraft links from Helsinki to Vienna and Luxembourg. In long-haul traffic, the cargo aircraft links are between Dubai, Gothenburg and New York as well as from Helsinki to Hong Kong. In the summer of 2004, cargo aircraft traffic was suspended due to low demand.

Traffic on the Guangzhou route, which opens in September 2005, will allow growth and an expansion of activity to a new market area in Asia. A new cargo aircraft link to China is also being planned.

In 2005 air cargo business will continue to be adversely affected by world-wide overcapacity, but a recovery in the global economy will improve demand. Finnair's cargo revenue is expected to grow due to improving demand and new partnership opportunities.

Finnair's scheduled passenger services recorded the best growth in traffic and load factors in Europe. The long-term decline in average prices was halted at the end of 2004.

The Finnair subsidiaries Aero and flynordic are delivering operational flexibility and new growth in the Baltic region and the Nordic countries.

The logo and corporate image colours of Finnair's Estonian subsidiary Aero are familiar. They exude the same sense of reliability as Finnair. Aero operates as a feeder-traffic company in the Baltic region.

FINNISH DREAMS LEND WINGS TO LEISURE TRAFFIC

Aurinkomatkat-Suntours and Finnair Leisure Flights form a strong combination in the Finnish tourism market. As far as leisure trips are concerned, Finns are accustomed to putting their trust in Finnish service. Aurinkomatkat-Suntours is the market leader in package tour production and Finnair Leisure Flights provides transport for customers of Aurinkomatkat and other tour operators to and from their holiday destinations. The Leisure Traffic division's high brand recognition in the domestic market creates a strong foundation for future development in Finland and in neighbouring countries.

In the last week of 2004, the world was shocked by the natural catastrophe in Southeast Asia. Finnair Leisure Flights acted quickly and, in cooperation with the Group's other units, tour operators and Finnish officials, organised ten evacuation flights and one ambulance flight to carry more than 2,600 Finnish tourists home from the devastated areas.

Although reconstruction in the areas affected by the catastrophe will take years, tourism will continue to be important for the economic recovery of Thailand. In addition to alternative holiday destinations, Aurinkomatkat-Suntours and Finnair Leisure Flights will continue to offer Thai destinations to their customers.

Aurinkomatkat-Suntours

Aurinkomatkat-Suntours enjoyed a record year in 2004. The foundation for growing business was created by the most respected brand in the sector and by product quality based on long experience and continuous renewal. Product development is driven by Aurinkomatkat-Suntours' ability to recognise the Finnish holidaymaker's needs.

The weather in Finland influences demand for holidays in the sun. Uncertain weather in 2004 increased travel demand in the autumn as well as sales of trips for 2005. Aurinkomatkat-Suntours is the market leader in Finland with a market share of more than 35 per cent–measured both by customer volumes and revenue.

Aurinkomatkat-Suntours is a pioneer of sustainable tourism in the sector. Through the Tour Operators Initiative for Sustainable Tourism Development, the company encourages tourism subsectors, such as the hotel business, to adopt environmentally friendly operating practices, and urges tourist destinations to take the requirements of sustainable tourism into account at the planning stage.

Finnair Leisure Flights

The Finns' own leisure flight company carries most Finns to their holidays in the sun – even when the tour operator is some other than the Finnair Group's Aurinkomatkat-Suntours. All significant tour operators in Finland use the services of Finnair Leisure Flights. Finnair Leisure Flights has a market share of around 80 per cent of Finnish package tour traffic. Capacity can be adjusted to annual fluctuations by leasing out additional aircraft in the summer, to the markets where demand is higher.

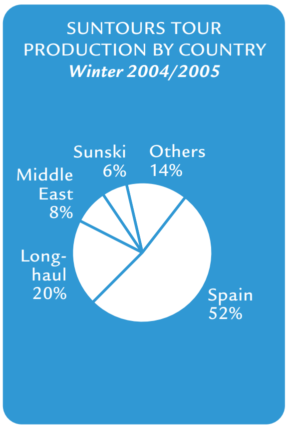
Alongside package tours, sales of individual seats on leisure flights are growing. Electronic business is being developed in this context. Seats are also sold through travel agency chains. A further area of development is sales of additional services during flights.

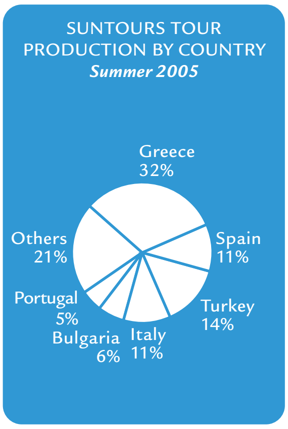
The unit is being developed under the Finnair brand in a more independent direction, whereby product concepts can deviate from scheduled traffic services according to the needs of the holiday passenger. Development work is being carried out in cooperation with tour operators.

Leisure Flights' success is based on its ability to act fast, allowing it to react quickly to changing customer needs. In addition to the operational efficiency programme, profitability is improving due to a favourable market for aircraft leasing.

Finnair Leisure Flights mainly uses as its fleet 227-seat Boeing B757 aircraft, which are ideally suited to leisure traffic. The Finnair fleet of seven aircraft is the most efficiently used B757 fleet in the world.

aurinko matkat





TRAVEL AGENCY SECTOR CREATES NEW SOLUTIONS

The Travel Services division provides travel planning and travel management services via its travel agencies Matkatoimisto Area Oy and Suomen Matkatoimisto Oy. Estonia's largest travel agency chain, Estravel, is a subsidiary of Suomen Matkatoimisto. In Finland, Mikkelin Matkatoimisto Oy is a subsidiary of Matkatoimisto Area. In addition the division includes the travel IT solution and distribution service supplier Amadeus Finland Oy.

The Finnair Group's Matkatoimisto Area and Suomen Matkatoimisto are two of the three biggest travel agency groups in Finland. One of their assets is their strong brand recognition both among Finnish companies and in the leisure travel market.

Earnings model is changing

Changes in the travel sector have also reflected strongly on travel agencies. Since most airlines have discontinued the payment of sales commissions to travel agencies, the sector has had to recreate its earnings model.

The emphasis has moved from acting as intermediaries for standard journeys to sales of travel management and travel consulting services to companies and leisure passengers. Instead of the sales commissions that airlines previously paid, travel agencies' turnover now consists of service fees charged from customers.

Travel agencies have a long tradition of managing companies' travel arrangements. Moreover, the agencies have improved the efficiency of their operations as companies have cut their travel budgets. The development of Internet-based solutions and the increasingly widespread use of e-tickets have led to a decline in the number of travel agency offices. Service has been centralised into telephone service lines, which also create new earnings potential.

Tailored leisure trips represent a growing part of travel agencies' service provision. Hotel bookings, car rentals and planned activities linked to flight journeys increasingly constitute a package assembled by a travel agency. At the same time, the reservation of more simple journeys is done via the Internet services offered by the airlines and the travel agencies.

Processes and systems are developing

The development of travel sales on the Internet is continuing. Amadeus has developed products upon which travel service providers can build their own business sites. Consumers visiting the sites can search for travel options and attractive prices.

The industry realises, however, that the effective digital distribution of travel services is only one of the challenges facing travel agencies. Efficient system solutions to companies' travel needs combined with good customer service will enable travel agencies to create added value for their key customers.

Amadeus Finland has initiated a project aimed at spreading the Internet-based Amadeus Vista user-interface to Finnish travel agencies during 2005. Travel agency staff will be able to use a user-interface which combines all the available international and domestic travel services as well as an enterprise resource planning system ACE.

Travel agencies and their customers will benefit from the increased efficiency generated by centralised systems, from itinerary management to ticket writing. Innovations will focus on the cost-effective provision of new services that will pass added value on to the customer.

Finnair's Swedish subsidiary flynordic complements the Finnair Group's family of airlines. Budget airline flynordic is increasing its market share in the Scandinavian market.

EFFICIENCY BOOST IN SERVICE PROVISION

The Aviation Services division consist of four business units. Northport Oy provides ground handling services, Finnair Catering Oy produces meals for flights and engages in sales activities at airports and on aircraft, and Finnair Technical delivers aircraft maintenance services. Finnair Facilities Management Oy is responsible for managing the Finnair Group's real estate and for providing office services. The units' largest customers are airlines belonging to the Finnair Group. Business done outside the Finnair Group accounts for 25-40 per cent of turnover, however, depending on the unit.

Network airlines have traditionally produced air traffic auxiliary services themselves. The industry has seen the outsourcing of support services during the last 15 years. In Finnair Group, too, the handling of support functions have been transferred to partner companies in recent years.

Finnair believes that its makes more sense to produce within the Group those functions closely connected with air traffic, such as ground handling, catering and technical services. This naturally requires that the services are produced competitively both in terms of price and quality.

Ground handling

The functions of the Finnair Ground Handling business unit were incorporated into an independent company, Northport Oy, on May 1, 2004. Northport Oy handles the passenger services of Finnair and many other airlines as well as the loading of baggage, cargo and mail in connection with aircraft departures and arrivals.

Northport operates either itself or with partners at all of the Finnish airports to which Finnair Group airlines fly. In addition, Northport's FinnHandling provides ground handling services at Arlanda Airport in Stockholm.

The challenge in ground handling is to adapt to increasing competition and falling prices in the Nordic market and also to changing processes in the wake of technological development. Digitalisation increases self-service options and enables the reassessment of resource needs as well as the redeployment of resources.

In 2004 Northport Oy revamped its Helsinki-Vantaa operations. Certain activities were transferred to partner companies and the company's own procedures were enhanced through the use of information systems and the extension of multi-tasking.

In 2003 Finnair began a structural reform programme involving the transfer of ground handling at domestic airports to the responsibility of local entrepreneurs. Functions have now been transferred to external entrepreneurs at all of Northport's domestic airports, except at Tampere and Turku, where operating models have been overhauled.

A further challenge in ground handling activity is to allocate personnel resources efficiently. Traffic volume fluctuates strongly at different times of the day, week and year. Northport's more independent status will improve opportunities for expanding the company's customer base and for providing services more flexibly to different customer segments.

Northport Oy and FinnHandling Ab employ more than 800 people. In addition, the companies have a network of 14 partners providing ground handling services.

Catering

This business area comprises Finnair Catering Oy and its subsidiary Finncatering Oy. Finnair Catering is responsible for the logistics of catering services, for part of meal preparation and for sales that take place at airports and on flights, i.e. trading activities. Finncatering produces meals for leisure flights and for European economy class, and supplies catering products to retail food outlets.

In 2003 structural changes in production were initiated in Finnair Catering and in 2004 their impact became evident as

Aviation Services strengthen Finnair's corporate image. Last year, substantial productivity improvements were achieved in Finnair's technical, catering and ground handling services.

a significant improvement in efficiency. The objective is to enhance production processes and improve operational quality in both catering units by introducing the LEAN production method. Moreover, customers' quality targets have been maintained, which is apparent in the success of customer airlines, particularly the main customer Finnair Scheduled Passenger Traffic, in gaining top ratings in a service survey conducted by the airlines.

In-flight and airport product sales have grown as air travel has increased. Sales activities will be extended to new European routes. An e-commerce site will open on the Internet in summer 2005 to enable passengers to place advance orders for products.

Finnair Catering, like other catering companies, has adapted its production to the airlines' altered market situation. A clear overcapacity is evident in many market areas. Withdrawals from markets and company restructurings within the sector are expected.

Finnair flights have increasingly adopted the practice of loading catering products on to aircraft at Helsinki for both the outward and return legs of the flight. This new practice has made more efficient use of Finnair Catering's production capacity and improved profitability.

Work to reinforce structural changes and competitiveness will continue, and towards this end Finnair Catering Oy concluded a three-year cooperation agreement with the catering sector's market leader LSG Sky Chefs on 20 October 2004. Cost-efficiency has also been sought by concluding procurement cooperation agreements.

Technical services

Finnair Technical's services range from full-scale servicing and overhauls to small, individual repair jobs. The unit provides high quality technical services, primarily for Finnair but also for other airlines, of which the largest customers are Lufthansa Cargo and Aeroflot.

Sales outside the Finnair Group grew in 2004. A new opening is the sale of basic maintenance services for turboprop aircraft to a Chinese airline. Finnair Technical aims to expand sales of its special expertise in a growing market.

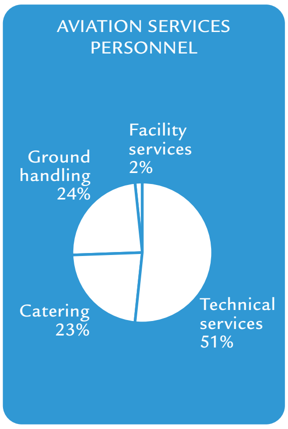
As part of the restructuring of the Finnair Group, Finnair Technical has been developed as a business unit into a distinct profit centre. Structural arrangements advanced further when in spring 2004 a Technical Services unit was established in Finnair Scheduled Passenger Traffic with responsibility for purchasing and optimising the cost of aircraft maintenance operations.

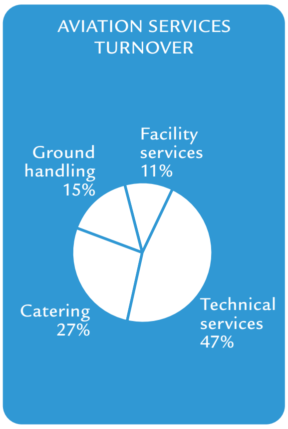
Finnair Technical, in line with Finnair Group's operational efficiency programme, has managed to reduce its unit costs. Further efficiencies will be generated when a comprehensive enterprise resource planning system is introduced between 2004 and 2006. As one element of the efficiency programme, it will also be possible to match labour more effectively to maintenance processes and schedules.

Finnair Facilities Management

Finnair Facilities Management Oy's area of business is real-estate management, development and leasing as well as servicing and maintenance. In addition, the unit provides office services to those occupying the properties. As a new subarea, the unit now incorporates the Procurement Services department, which centralises the joint purchases of the entire Finnair Group.

Facilities under management total around 300,000 square metres. Demand for real-estate and office services is growing strongly in the Helsinki-Vantaa Airport area and in the Aviapolis district near by.

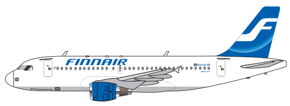


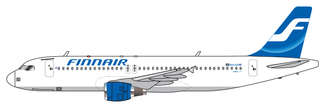


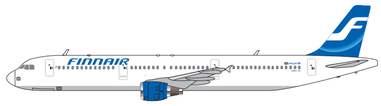
TRAFFIC INFORMATION AND FLEET

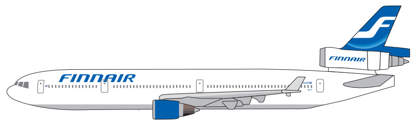
Finnair traffic performance

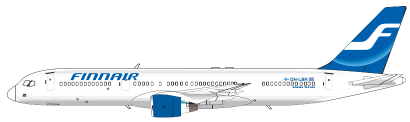
	2004	2003	2002	2001	2000
Flight hours	**196,795**	172,884	172,681	180,863	183,082
Flight kilometres (1,000)	**121,027**	113,892	104,838	107,574	107,379
Available seat kilometres. mill.	**21,907**	18,644	17,785	18,489	18,219
Revenue passenger kilometres. mill.	**15,604**	12,971	12,793	12,796	12,700
Passenger load factor %	**71.2**	69.6	71.9	69.2	69.7
Available tonne kilometres. mill.	**3,162**	2,636	2,491	2,493	2,509
Revenue tonne kilometres. mill.	**1,791**	1,470	1,439	1,417	1,464
Overall load factor %	**56.6**	55.8	57.8	56.8	58.4
Passengers (1,000)	**8,149**	6,849	7,037	7,537	7,542
Cargo and mail (1,000 kg)	**86,245**	73,416	72,084	71,900	82,847

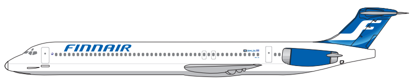

A319


A320

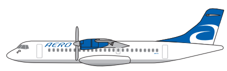

A321


MD-11


B757


MD-82/83


MD-82/83 (flynordic)


ATR72 (Aero)

Finnair Group fleet 31 December 2004

	Seats	Owned	Leased	Total	Average age
A319	123-126	7	4	11	3.2
A320	144	6	6	12	2.4
A321	181	4	2	6	3.9
MD-82/83*	140-156	5	13	18	16.0
ATR72**	68	9	0	9	14.0
MD-11	296	2	4	6	10.9
B757	227	0	7	7	5.6
Total		**33**	**36**	**69**	**8.8**

* Eight of the aircraft are operated by flynordic

** All ATR72 turboprop aircraft are operated by Aero

Finnair has firm orders for 12 and options for eight Embraer E170 aircraft. The planes will be delivered to Finnair between September 2005 and February 2007.

RISK MANAGEMENT IN FINNAIR

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. Finnair's risk management activity is guided by business objectives set by shareholders, finance providers, customers, management, personnel and other important interest groups.

In order to exploit business opportunities Finnair is prepared to take controlled and calculated risks. Meanwhile, no risks are taken in flight safety matters. Risk management and safety thinking are an integral part of Finnair's operating practices and culture as well as its management and supervision procedures.

Finnair strives to anticipate the realisation of risks. The Group's risk management activity includes risk recognition and analysis. Based on this, a range of risk management measures are used, taking into account the optimisation of costs arising from risk management. Administrative means are used to avoid and remove risks, to reduce the probability and impact of risks as well as to spread and transfer risks. As a part of risk management, effective special situation management preparedness has been put in place.

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.

The Group's Chief Financial Officer is responsible for developing the management of financial risks with the assistance of the VP, Group Treasury. SVP, Administration and Personnel Resources is responsible for developing the management of accident risks. The management of flight safety risks is the responsibility of a separately appointed organisation of responsible personnel approved by the authorities. The level of risk management as well as the development and practical application of risk management principles is directed by a risk management steering group and monitored by internal and external auditing.

Finnair's risks are classified into strategic, operational, financial and accident risks. Based on this risk classification, the Group constantly surveys and analyses business risks, determines acceptable risk levels and formulates risk management measures for various risk categories. The Group's subsidiaries and business units have conducted analyses of the most significant risks to which their own business activities are exposed.

Operating environment risks

Demand for passenger and cargo traffic has been most influenced by various unexpected events, such as environmental disasters 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 in the future is the adjustment of fixed costs to fluctuations in demand. Moreover, the company's ability to react quickly in adjusting capacity, routes and costs to correspond to changing demand and economic conditions is also an essential factor in maintaining the company's profitability. During the past few years, several projects have been implemented at Finnair which have increased structural flexibility.

Unexpected events require preparation

Preparing for epidemics is part of Finnair's crisis management planning. Finnair continually and actively monitors developments in the situation with regard to epidemics throughout the world. The company strives to anticipate changes relating to infectious diseases and the resulting changes in customer behaviour and to react quickly to altered circumstances.

If necessary, the development of an epidemic and the measures taken in response are communicated quickly and reliably. The company's air transport capacity is redeployed in regions that are deemed safe. Guidelines are prepared to protect customers and employees.

At the end of 2004, the business impacts of the Southeast Asia tsunami catastrophe were alleviated by capacity and route changes in leisure traffic. The quick evacuation of Finnish tourists showed the ability of Finnair's different units to act quickly and flexibly when faced with unexpected events.

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 changed market situation. Airlines are cutting their prices in order to increase volumes, achieve sufficient cash flow and maintain market share.

Finnair has successfully responded to these challenges by reforming its pricing structure and by permanently reducing its cost structure. Already in autumn 2003, pricing of domestic, Scandinavian and European flights was changed to flight-based pricing determined by management of supply and demand. Finnair's strengths are service quality, an extensive route network as part of the **one**world alliance and the advantages of cooperation acquired through strategic partnerships.

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.

To improve profitability, operations have been shared between the parent company and Estonian subsidiary Aero in traffic between Helsinki and Tallinn as well as on routes within Finland. With the acquisition of a majority shareholding in the Swedish airline flynordic in November 2003, the company is expanding its operations in Scandinavia. flynordic is developing into the leading budget airline in the Nordic countries.

Variation in industry supply and demand also affect the market value of aircraft. Finnair manages the residual value risk related to aircraft ownership by leasing approximately half of the fleet under operative lease agreements of different duration. 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's service punctuality and diverse expertise as well as its detailed specification of technical functions ensure the reliability of flight operations.

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

According to statistics compiled on European network airlines, Finnair was the most punctual airline in Europe in 2004 on the basis of flight arrival punctuality.

Information technology risk

Development of information system solutions demands continuous investment. An IT environment's unmanageability, complexity and inefficiency represent risk factors in a rapidly changing technological landscape. These factors have a direct influence on information technology and security costs. Situational management readiness in case of serious disruptions in data systems and traffic has been improved at Finnair.

Finnair has under way a number of system renewal projects, which aim to simplify, standardise and replace ageing systems. Clarifying the structure will also enable the data security of the IT environment to be maintained more effectively. The ever-increasing provision of services via the Internet demands a new approach to investment in data security solutions.

The careful selection of external agreement partners in IT solutions also reduces the technology risk. The Group has gained access to technological expertise through cooperation between 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 will bring synergy benefits and improve cost-efficiency through economies of scale.

Accident risk

Accident risks can be divided into two main categories: risks that threaten flight safety and risks that threaten corporate security. Accident risk management work is coordinated by the flight safety and corporate security departments.

In Finnair the focus of accident risk management has been on managing risks to the security of flights, individuals and data. Other accident risk areas are property, environment, product, liability and loss of business risks.

In its operations the company must take into account the possibility of various environmental risks. The effect of Finnair's operations on energy consumption, emissions and noise values is monitored activity by the company. Every year Finnair publishes a separate Environmental Report, which includes measures and key figures for the assessment of environmental efficiency.

Principles of financial risk management

The operations of the Finnair Group are by nature international and require significant amounts of capital. This means exposure to risks related to exchange rates, interest rates, credit, liquidity and commodity prices. The policy of the Group is to minimise the negative effect of 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 finance 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.

Foreign exchange risk

The Group's policy is to eliminate the identified foreign exchange risk. Foreign exchange exposure includes balance sheet items in foreign currencies, estimated cash flows for next 12 months and fixed aircraft purchase orders and sales contracts.

At the end of financial year 2004, the majority of the Group's interest-bearing liabilities were denominated in US dollars and euros. The exchange rate risk of the loans was almost fully covered. Around 75% of Group turnover is denominated in euros. The other key foreign sales currencies are the US dollar, the British pound, the Japanese yen, the Chinese yuan and the Swedish crown.

Approximately 30% of the Group's operating costs are denominated in currencies outside the euro zone.

The main purchasing currency is the US dollar, which accounts for almost half of all operating costs denominated in foreign currency. Acquisition of aircraft and their spare parts also takes place mainly in US dollars.

Clearly the biggest foreign currency risk to Finnair arises from the dollar. Significant dollar-denominated operating expenses are aircraft leasing fees and jet fuel purchases. The dollar risk is diminished by sales in dollars and in Asian currencies which correlate strongly with the dollar.

The weakening of the dollar by one per cent – without hedging – increases the annual result by approximately 2.1 million euros. At year end – hedging included – the weakening of the dollar by one per cent improves the result by approximately 0.5 million euros. Respectively, the strengthening of the dollar weakens the result. The aforementioned dollar risk sensitivity analysis includes the Chinese yuan and Hong Kong dollar which have a historical correlation of 100 per cent with the dollar.

Jet fuel price risk in flight operations

Jet fuel swaps and options are used to manage the price risk of jet fuel used in flight operations. The hedging period is up to 24 months. At year end, Finnair had hedged 48% of its jet fuel purchases for the first six months of 2005 and 29% for the second half. The hedging policy varies between scheduled and leisure traffic. Thanks to the change in the contractual structure of leisure traffic, the hedging requirement is lower than before. The jet fuel price risk is shared with the tour operators.

In the financial year 2004, jet fuel used in flight operations accounted for 12% of the Group's operating costs. Fuel costs depend on fluctuations in the oil market and the value of the US dollar.

A rise of ten per cent in the world market price of jet fuel – without hedging – increases annual jet fuel costs by 20 million euros. At year end – hedging included – the ten per cent increase raises costs by 13 million euros.

Interest rate risk

In order to manage interest rate risks, the Group's loans and investments are diversified into fixed and variable interest-rate instruments, yet so that most of the Group's interest-bearing loans have floating interest rates. At the end of financial year 2004, the average interest rate on the Group's interest-bearing loans was 3.35%. The average maturity of Finnair's money market investments is below 12 months.

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 promissory notes and commercial paper issued by conservatively selected companies.

Liquidity risk

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

The Group's liquid assets were 291.4 million euros at the end of financial year 2004. Furthermore, Finnair Plc had the following unused credit facilities at the closing of the accounts: a domestic commercial paper programme of 100 million euros and a committed 200 million euro revolving credit facility. The credit facility contains a financial covenant which is based on adjusted gearing. The covenant level of the adjusted gearing is 175 per cent, at year end the ratio is 95.5%. The maximum level set by the Board of Directors is 140 per cent.

CORPORATE GOVERNANCE

Group structure

The parent company of the Finnair Group is Finnair Plc, which has 18 subsidiaries. The most significant subgroups are Suomen Matkatoimisto Oy, 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 clauses nor any restrictions on voting rights. The company has one series of shares.

Board of Directors

Composition and term of office

The Board of Directors of Finnair Plc consists of a chairman and at least four and at most 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 7 April 2004 the Annual General Meeting of Finnair Plc elected Christoffer Taxell as Chairman of the Board of Directors, and as Members of the Board Kari Jordan (Vice Chairman), Samuli Haapasalo, Markku Hyvärinen, Veli Sundbäck, Helena Terho and Kaisa Vikkula. The Board of Directors' term of office expires at the end of the Annual General Meeting to be held on 23 March 2005. All members of the Board are non-executive and independent as defined in the Finnish rules and regulations.

Duties and meetings

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

The Board of Directors appoints and dismisses the President & CEO and decides on his/her salary. The Board of Directors also appoints and dismisses the deputy to the President & CEO. The Board of Directors selects the members of the Group's Board of Management and decides on their terms of employment, taking into account the guidelines of personnel strategy and remuneration system in accordance with the company's administrative principles. 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 administrative principles.

The Board of Directors is also responsible for ensuring that the openness and fairness referred to in the company's administrative principles 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 and the President & 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. The Board of Directors met ten times in 2004. The average attendance percentage of the members of the Board of Directors at the meetings of the Board was 95.

The President & CEO of Finnair Plc, or a senior member of Finnair Group management nominated by the President and CEO, acts as the presenting officer at meetings of the Board of Directors. The Finnair Group's SVP, Legal Affairs Tero Palatsi acts as secretary to the Board of Directors. The Board of Directors evaluates its working practices regularly.

The Board Charter can be viewed at Finnair Group's Internet site http://www.finnair.com/investor.

Committees

The Board of Directors has established a Salary and Appointments Committee as well as a Audit Committee. The Salary and Appointments Committee consists of Chairman of the Board Christoffer Taxell as well as Members of the Board Kari Jordan and Samuli Haapasalo. President & CEO

Keijo Suila acts as the presenting officer. The committee met three times in 2004.

The Audit Committee consists of Markku Hyvärinen as chairman as well as Helena Terho and Kaisa Vikkula as members. The committee met once in 2004.

The Finnair Group's SVP, Legal Affairs Tero Palatsi acts as secretary to the both committees. The Committee Charters can be viewed at Finnair Group's Internet site http://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 2003 were:

- Chairman's monthly remuneration 3,000 euros/month
- Vice Chairman's monthly remuneration 1,600 euros/month
- Member of the Board's monthly remuneration 1,400 euros/month
- Attendance allowance 200 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 143,400 euros in 2004.

President & CEO and Deputy CEO

Finnair Plc has a President & CEO, whose task is to manage the company's operations according to guidelines and instructions issued by the Board of Directors. The Board of Directors appoints and dismisses the President & CEO and decides on his/her terms of employment. The Board of Directors also appoints and dismisses the Deputy CEO. Finnair Plc's President & CEO is Keijo Suila and its Deputy CEO is EVP & COO Henrik Arle.

President & CEO Keijo Suila was paid a total of 560,104 euros in salary, bonuses and fringe benefits in 2004. EVP & COO Henrik Arle was paid a total of 215,856 euros in salary, bonuses and fringe benefits in 2004.

The President & CEO and the Deputy CEO have the right to retire at the 60 years of age on a full pension of 60 per cent of pensionable salary. The President & CEO's and the Deputy CEO's 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.

Group Management

The Finnair Group has a Group Management. Its Chairman is President & CEO Keijo Suila and its other members are Eero Ahola, Mauri Annala, Henrik Arle, Hannes Bjurström, Christer Haglund, Lasse Heinonen (as of 1 October 2004) Juha Kinnunen, Anssi Komulainen, Tero Palatsi, Petri Pentti (until 17 August 2004), Mika Perho, Tero Vauraste and Jarmo Vilenius

The Group Management meets 8-10 times a year and its tasks include handling of group-wide development projects as well as group-level principles and procedures. In addition, the Board of Management is informed about, among other things, the business plans of sector companies, 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 Group Management are considered in the Board of Directors' Remuneration and Appointments Committee. Decisions are made by the company's Board of Directors. Management incentive bonuses are determined annually based on the company's 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 has been replaced by a share-based incentive plan. The incentive plan is based on the Group's Earnings per Share and on the Group's Return on Capital Employed. The Board of Directors establishes the target levels each year.

Finnair Plc's Management Board

Management Board of Finnair Plc consists of the Group Management and three staff representatives.

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 2004 elected two regular auditors, namely Authorised Accounting Firm PricewaterhouseCoopers Oy and APA Erkki Mäki-Ranta. Erkki Mäki-Ranta died on 24 August 2004. The auditors of Finnair Group subsidiaries are mainly PricewaterhouseCoopers firm auditors or auditors employed by them.

In 2004 the Group's auditors were paid auditing fees totalling 167,000 euros. Finnair Plc also paid auditors 110,000 euros for services (taxation and IFRS consulting) unrelated to the statutory audit of the accounts.

Monitoring and reporting system

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

The company has a risk management steering group, chaired by the President & CEO, whose task is to assess and safeguard the sufficiency, appropriateness and effectiveness of the Group's risk management, monitoring and management processes.

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

Internal auditing assists in verifying the integrity of transactions and the accuracy of information in internal and external accounting and to confirm that controls are exercised effectively, property is maintained and operations are conducted appropriately in accordance with the Group 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 relating to property, interruption, accident and liability have been covered by appropriate insurances.

Governing provisions

Finnair Plc adheres to valid legislation, provisions issued under such legislation and the company's Articles of Association. Furthermore, in its activities Finnair Plc complies with the recommendations of the Helsinki Exchanges, 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, Finnair Plc's permanent insiders include members of the Finnair Plc's Board of Directors, the Managing Director and his deputy, members of the Group Management and auditors, including the auditor of carrying chief responsibility for the firm of auditors. In addition, Finnair Plc's permanent insiders also include individuals working in positions specified by the Board of Directors.

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

The legal affairs department is responsible for the content of the insider guidelines. Compliance with the insider guidelines is monitored by the economics and finance department. The company operates a restriction on trading, which applies to insiders' trading in the company shares or in securities granting entitlement to shares for 14 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 Unioninkatu 32 B and on the company's website at the address http://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 http://www.finnair.com/investor. Finnair Plc's website is published in Finnish and English, as is the printed annual report. The electronic annual report is also published in Swedish.

BOARD OF DIRECTORS 2004

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, Hormos Medical Corp., Nordkalk Corp., Boliden AB, 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.

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

Samuli Haapasalo, b. 1952, LL.M., Director-General at the Ministry of Transport and Communications, Board Member of Finland Post Corporation, Vice Chairman of the Board of The Helsinki Deaconess Institute, Board Member of Finnair Plc since 1999. 0 Finnair shares.

Helena Terho, b. 1948, M.Sc. (Eng.), eMBA, Vice President, Competence Development, Kone Corporation, Member of Advisory Board of Nordea Bank Finland, Board Member of Finnair Plc since 1997. 0 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 Cooperative and Deputy to the President of the Metsäliitto Group; Member of the Supervisory Boards of Finnish Business and Policy Forum (EVA) and the Research Institute of the Finnish Economy (ETLA); Board Member of Julius Tallberg –Kiinteistöt Oyj; Member of the Executive Board of Siemens Oy; Vice Chairman of Finnair Plc since 2003. 0 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; Chairman of the Board of Huhtamäki Oyj, 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; Member of the Management Team of the UN Information and Communication Technology Task Force; Chairman of the Board of the Finland-China Trade Association; Board Member of Finnair Plc since 2004. 0 Finnair shares.

Auditors

Regular auditors
APA Jorma Heikkinen and PricewaterhouseCoopers firm of auditors, APA Eero Suomela as main accountable auditor

Deputy Auditor
APA Jyri Heikkinen, PricewaterhouseCoopers Ltd

GROUP MANAGEMENT DEC 31, 2004

Tero Palatsi, b. 1947, LL.Lic., SVP, Administration and Human Resources, served with Finnair since 1999. 0 Finnair shares, 50,000 options.

Christer Haglund, b. 1959, BA, SVP, Communications, served with Finnair since 2000. 1,000 Finnair shares, 60,000 options.

Keijo Suila, b. 1945, B.Sc.(Econ.), President and CEO, served with Finnair since 1998. 7,100 Finnair shares, 240,000 options.

Henrik Arle, b. 1948, LL.M., Deputy CEO, COO, EVP, Scheduled Passenger Traffic, served with Finnair since 1979. 2,000 Finnair shares, 93,000 options.

Juha Kinnunen, b. 1948, SVP, Cargo, Managing Director, Finnair Cargo Oy, served with Finnair since 1969. 0 Finnair shares, 20,000 options.

Jarmo Vilenius, b. 1950, M.Sc.(Eng.), SVP, Technical Services, served with Finnair since 1973. 54 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. 0 Finnair shares, 35,000 options.

Lasse Heinonen, b. 1968, M.Sc.(Econ), SVP and CFO, served with Finnair since 2004. 0 Finnair shares, 10,000 options.

Mauri Annala, b. 1945, M.Sc.(Econ), EVP, Leisure Traffic and Travel Services, served with Finnair since 1976. 0 Finnair shares, 80,000 options.

Hannes Bjurström, b. 1950, colonel ret., SVP, Flight Operations, served with Finnair since 1999. 0 Finnair shares, 60,000 options.

Tero Vauraste, b. 1967, Lieutenant Senior Grade ret., M.Sc., SVP, Ground Handling, Managing Director, Northport Oy, served with Finnair since 2001. 200 Finnair shares, 25,000 options.

Mika Perho, b. 1959, BBA, SVP, Marketing, served with Finnair since 1985. 268 Finnair shares, 100,000 options.

Eero Ahola, b. 1943, M.Sc.(Econ), SVP, Corporate Business Development and Strategy, served with Finnair since 1970. 0 Finnair shares, 80,000 options.

ON THE ROAD TO SUSTAINABLE, PROFITABLE GROWTH

Finnair plays an important role in its operating areas at home and abroad. For more than 80 years, Finnair's route network has expanded as Finnish society and business life have opened up to the world. More than 170 million passengers have flown on blue and white wings.

Finnair has significant expectations to fulfil in its role in society. 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 is possible only if operations are competitive and profitable in the long term.

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 is why Finnair's business objective is to achieve sustainable, profitable growth.

Air transport - a part of modern society

Finnair also wishes to stimulate discussion on new aspects of air transport and its right to exist.

Efficient transport links and services are a prerequisite of modern 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 40 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 more than a thousand 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 are changing 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 in order to secure sustainable competitiveness and high service quality for the future, too.

Pursuing responsible profitability and a sustainable growth strategy creates 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.

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 conditions for life are not automatically within reach.

No short cut to responsibility

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.

Social responsibility is a fundamental attitude, a way of working and responding to the expectations placed on a company's activities. Finnair aims to belong to the elite in terms of quality, to bear its responsibilities and to act as a good example.

THE CUSTOMER IS THE KEY

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

During 2004 Finnair Group airlines carried more than eight million passengers, of whom 62 per cent were Finns and 38 per cent citizens of other countries. In 2004 the rapidly growing Asian routes accounted for 616,400 passengers, of whom 19 per cent were Finns. During the year Finnair carried 51 per cent more Japanese passengers, who represent an expanding customer group.

Punctual and comfortable travel

Finnair aims to be a quality, reliable and responsible airline. Customer satisfaction in 2004 was again excellent. In a comparison of European airlines, Finnair was ranked first for business class on European routes in the summer of 2004. Finnair was also Europe's most punctual airline (AEA, arrival punctuality).

The continuing fleet renewal programme plays a key role in the service quality experienced by the customer. With modern aircraft and technology, Finnair strives to enhance service efficiency and passenger comfort. Significant steps forward in this respect have been the acquisition of the Airbus A320 fleet and investment in Embraer 170 jet aircraft. A young, modern fleet also delivers a higher level of safety.

Finnair Communications Officer Senja Larsen led Finnish writers on a visit to Nepal to meet girls who are receiving an education with the money collected.

Finnair has participated for a decade now in the UNICEF Change for Good collection. The project has been collecting money for girls' education in Nepal.

Customers' wellbeing and safety

Aviation medical services have developed significantly in Finnair in recent years. Finnair has invested in medical equipment used on aircraft and in the medical training of flight personnel. The standard of medical equipment on long-haul flights is clearly higher than that required by air transport regulations.

Cooperation with the company MedLink World Doctor ensures that advanced special care can, if necessary, be given to a customer who falls ill. MedLink's 24/7 in-flight access means that medical specialists can be contacted during a flight as the situation requires.

The tsunami that struck Indonesia, Sri Lanka and southwestern parts of Thailand on 26 December 2004 caused widespread destruction. Immediately and on its own initiative, Finnair began evacuation measures to repatriate thousands of Finns. In the Finnair Group, thousands of airline and Aurinkomatkat-Suntours employees helped those in distress, both in the affected areas and in Finland. Finnair's experienced and responsive emergency management team as well as its 24-hour preparedness were of great help in constructing an overview of the situation and reacting quickly.

MOTIVATED PERSONNEL ARE THE KEY TO SUCCESS

The goal of Finnair 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.

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

Working in an air transport profession is now and then physically and mentally demanding. 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 a goal-directed human resources strategy. Finnair is increasingly adopting a process-based approach to working, in which the company's and the individual's goals are specified more precisely in terms of performance and expertise.

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. Performance management has been improved and deepened by providing supervisors with effective tools.

High quality basic services are provided to international customers in the customers' own languages. Finnair has, for a long time now, utilised international, professional service personnel on those routes where cultural and language differences are particularly demanding. The need for this is greater in the growing Asian traffic.

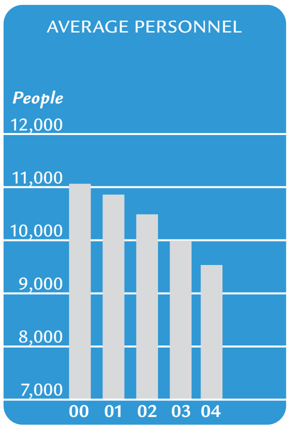
The company's professional, linguistically skilled personnel have received much praise from customers and they have been an important factor in implementing the Asian strategy. Paying due attention to cultural differences is not only a matter of customer service, but also a safety issue.

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.

Common game rules

Finnair requires its employees in their work to conform to high moral and ethical standards. Finnair aspires to an absolutely equal, trouble-free working environment, in which no-one is discriminated against on grounds of gender, conviction, age, skin colour or origin.

During autumn 2004, Finnair has made a close analysis of themes, such as values and strategy, that play a central role in directing its activities. The airline industry has been subjected to enormous change over the last few years. It has been appropriate to consider how the company's present corporate structure and values support the strategy of sustainable, profitable growth in altered circumstances.



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 sit on a working group set up to reformulate values. Interaction has also been sought via internal communications, where there has been a lively debate about values. The Finnair Group will present the revamped values during 2005.

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.

ENVIRONMENTAL WORK IN A SENSITIVE NATURAL ENVIRONMENT

The interaction of air transport and the environment can be significantly enhanced by modern aircraft and technology, high quality environmental management and a corporate culture that respects the environment. Finnair operates amidst the sensitive and unique nature of the North, which requires a quality approach to environmental activity. Finnair, moreover, wishes to be one of Europe's leading airlines in environmental matters.

The milestones of environmental work in 2004 were the decision to acquire a new type of aircraft, the Embraer E170, environmental auditing of the Group's operations, more efficient collection of energy waste, and participation in an air transport MIPS research project (Material Impact Per Service, the use of natural materials in service provision).

Engine emissions, flight noise and waste management the key challenges

A responsible and open environmental policy is a permanent feature of the company's way of doing business. Finnair pays special attention to the most pressing environmental challenges, which are aircraft noise, engine emissions and waste management. These are addressed through investing

Marja West, Anja Sarin and Marja Hirvonen in the Finnair Choir giving a Christmas concert.

Finnair employees are active on the hobby front. Finnair has dozens of clubs and societies of various kinds. The Finnair Choir's Christmas concerts are popular among music lovers year after year.

in an efficient, environmentally sound fleet, developing the effectiveness of the airport environment, training personnel and promoting a highly tuned, value-based environmental philosophy throughout the entire organisation. Partners are required to pay similar attention to environmental matters.

Fleet renewal the cornerstone of environmental work

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. Finnair has, in financially challenging conditions, systematically continued the long-term, environmentally sound modernisation of its fleet. This is only possible, however, if operational profitability is maintained.

The Airbus A320 series aircraft acquisition programme, which was concluded during 2004, and the decision to invest in Embraer E170 aircraft will have a significant impact on Finnair's environmental work. The modern fleet is more efficient and environmentally sound. The CFM-engines of the new Airbus A320 fleet fulfil the future emissions criteria decided upon in autumn 2004, and the aircraft's economic fuel consumption and low carbon dioxide emissions support Finnair's efforts to meet the emissions targets set for air transport.

International guidelines and cooperation

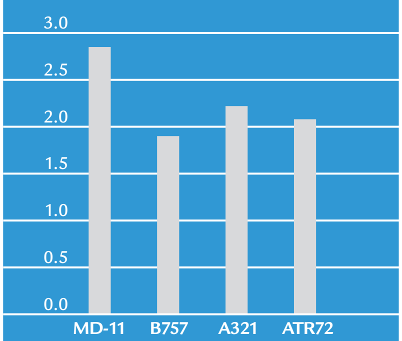
In all its activities Finnair adheres to current environmental legislation and the environmental protection principles of the International Civil Aviation Organisation ICAO. As a member of the International Air Transport Association IATA, the company is also committed to reducing the environmental effects of its operations in an economically reasonable manner without jeopardising air safety. In addition to legislation and international commitments, successful environmental work is based on voluntary action and independent initiative, taking the special features of the local operating environment into account.

Greenhouse gas emissions and waste management the priorities for 2005

Finnair will also be actively involved in improving the management of air transport greenhouse gas emissions during 2005. Decisions made in order to find a fuel-efficient and suitable fleet for Finnair's route network have proved to be correct from an environmental standpoint. Finnair has been able to keep key figures describing environmental efficiency, such as fuel consumption and carbon dioxide emissions per passenger kilometre, at low levels.

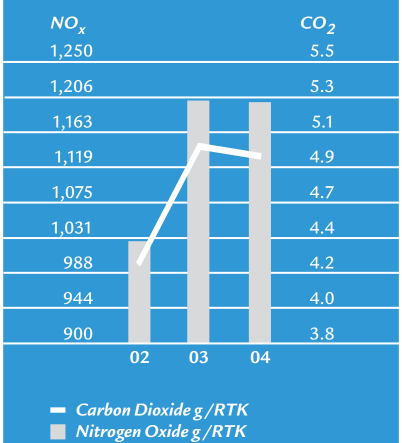
Particular attention will be paid to the quality and quantity of waste during 2005. In terms of future material streams, the company will increasingly select products which are recyclable and which load the environment as little as possible. Priority areas include cabin service and technical services.

FUEL BURN (KG) PER PASSENGER PER 100 KM



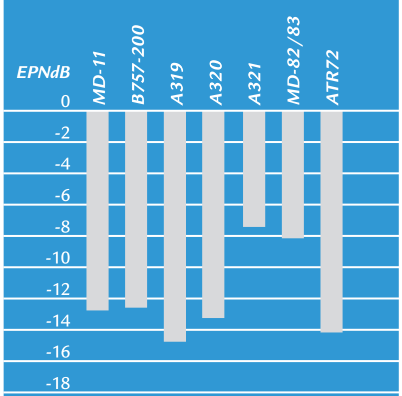
MD-11 Helsinki-Beijing
B757 Helsinki-Las Palmas
A321 Helsinki-Paris
ATR72 Helsinki-Kuusamo

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.

FINANCIAL STATEMENTS 1 JAN–31 DEC 2004

CONTENTS

REPORT BY THE BOARD OF DIRECTORS

General Review

Demand in the sector has recovered from the external shocks of recent years. Average growth in demand for European airlines was more than nine per cent in 2004. Overcapacity has reduced the average price. The price competition prevailing in the Nordic market in particular has undermined airlines' profitability.

Eight new competitors have entered Finnair's domestic market during the last two years. Of these, four have already stopped operating in Finland. Those that remain are not operating profitably in current market conditions.

In the new competitive situation, Finnair moved from defence to attack in autumn 2003. Under its chosen strategy, Finnair achieved strong growth and improved load factors. The pricing reform initiated by Finnair in autumn 2003 sharply increased scheduled traffic demand and passenger load factors. Scheduled traffic demand grew by 26.6 per cent, which is triple the average growth for European airlines. The load factor for scheduled traffic rose 4.6 percentage units, which is the best performance among European airlines.

Growth in demand was boosted by the price reform implemented in September 2003 and strong growth in Asian traffic as well as by the operations in Scandinavia of the flynordic airline (formerly Nordic Airlink), acquired at the end of 2003. The fall in the average price was halted in the final quarter of 2004.

To improve profitability, Finnair continued its 160 million euro operational efficiency programme, which began in spring 2003. The savings achieved were consumed by a steep increase in fuel prices, the impact of which was accentuated in the final quarter. Finnair paid an extra 54.4 million euros in fuel costs compared to 2003.

In September the programme to acquire 29 Airbus A320 series aircraft was completed. In June the company made the decision to place an order for twelve 76-seat Embraer E170 aircraft to meet domestic and European scheduled passenger traffic needs.

Finnair's Leisure Traffic had a successful year in 2004. A rainy summer in Finland stimulated demand for holidays in the sun in the summer and early autumn. The natural catastrophe that took place on Boxing Day in Southeast Asia resulted in rearrangements in leisure travel. Some journeys intended for Southeast Asia were switched from areas affected by the destruction to other destinations in the Canary Islands and South America. The financial impact on the Finnair Group is not significant.

Financial Result

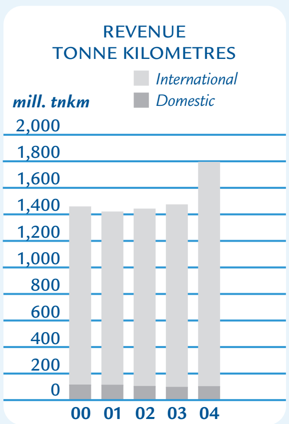
The Group's result after financial items was 11.2 million euros. The corresponding figure for the previous year was -21.7 million euros. Operating profit before depreciation, aircraft leasing payments and capital gains (EBITDAR) improved 25.3 per cent to 195.3 million euros (155.9 million) The EBITDAR margin was 11.5 per cent, compared with 10.0 per cent the previous year.

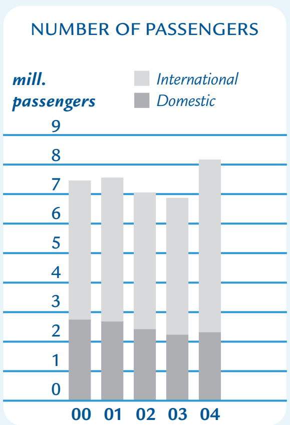
Turnover grew by 9.0 per cent to 1,698.4 million euros. Unit revenues for passenger traffic declined by 10.4 per cent and unit revenues for cargo traffic declined by 11.1 per cent. Unit revenues for traffic overall declined by 11.2 per cent.

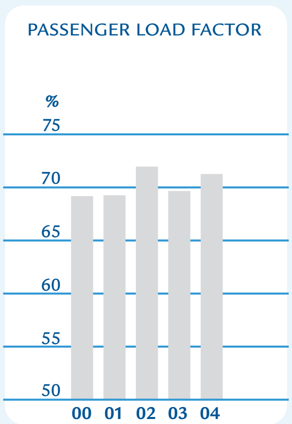
Operating costs rose during the financial year by 5.5 per cent and units cost for flight operations fell by 11.9 per cent. The aim of the operational efficiency programme initiated in spring 2003 is to cut unit costs by at least 15 per cent during 2003–2005. The programme overall has proceeded according to plan and during 2003–2004 around two thirds of the 160 million euro savings were achieved.

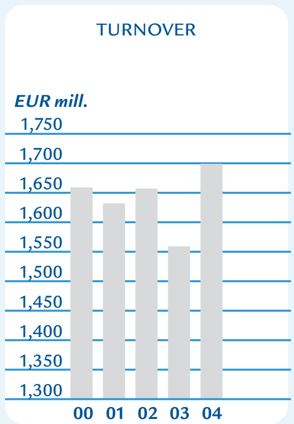
Significant cost increases were in fuel costs, by 34.4 per cent, and in traffic charges, by 22.0 per cent. The largest items contributing to the fall in unit costs were achieved by Finnair's own measures in personnel costs (–22.3%), sales and marketing costs (-16.0%) and, due to aircraft modernisation and changes in traffic mix, fleet maintenance costs (-19.5%).

Personnel costs fell by 6.8 per cent. The decrease in personnel costs was achieved partly by the personnel reduction programme, which cut staff numbers by 1,200 in 2003–2004, and an amendment to Finnair's Pension Fund rules, which meant that the change in pension liability in 2004 was lower than anticipated. The combined effect of the rule amendment









and a change in the Employees' Pension Act is a non-recurring improvement in the result of around 20 million euros. The proportion of the Group's total operating costs accounted for by personnel costs declined to 27.1 per cent, compared with 30.6 per cent in 2003.

Capital gains on sales of fixed assets totalled 12.0 million euros (22.1 million). Return on capital employed was 3.7 per cent (0.0%) and return on equity 2.0 per cent (-2.5%). Earnings per share were 0.14 euros, compared with -0.19 euros the previous year. At the end of the financial year, equity per share was 7.29 euros (7.24).

Investments, financing and risk management

Capital investments excluding advance payments for the financial year totalled 114.5 million euros (82.3 million). Investments include the purchase of two new Airbus A320 series aircraft in February and September 2004. A further two new Airbus A320 aircraft as well as one Boeing MD-11 wide-bodied aircraft were acquired on long-term operational lease agreements.

Operational cash flow, excluding capital gains, was 100.0 million, compared with 59.6 million euros a year earlier. At the end of the financial year, the Group's liquid cash reserves stood at 291.4 million euros and exceeded interest-bearing debt by 34 million euros. The gearing ratio has improved from -2.9 per cent at the beginning of the financial year to -5.5 per cent; adjusted for aircraft leasing obligations, gearing improved to 95.5 per cent (102.7%). The equity ratio is 42.7 per cent (44.4%). The figures are clearly better than the targets set by the Board of Directors.

In May 2004 the company arranged with an international bank syndicate a new five-year unsecured credit facility of 200 million euros, which at the end of the financial year had not been used at all.

In June the company made the decision to acquire twelve 76-seat Embraer E170 aircraft, to be delivered between autumn 2005 and spring 2007, to meet domestic and European traffic needs. In addition, the company has options for eight other Embraer aircraft. The new aircraft will gradually replace the remaining Boeing MD-80 and ATR-72 aircraft. The aircraft acquisition programme will reduce the number of aircraft types in Finnair's fleet.

According to the financial risk management policy approved by the Board of Directors, the company's objective is to hedge more than half of scheduled traffic's aviation fuel purchases during the following six months and thereafter the following 12 months with a decreasing level of hedging.

The trend of the US dollar exchange rate has an impact on the market value of the Group's aircraft fleet. According to calculations at the closing date, book values do not require recognition of impairment losses.

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 revenue.

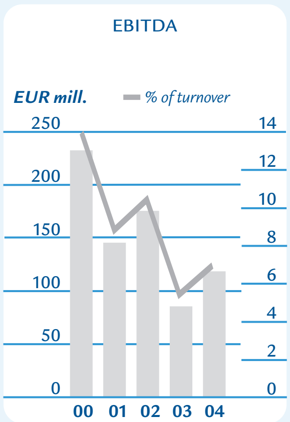
Shares and Share Capital

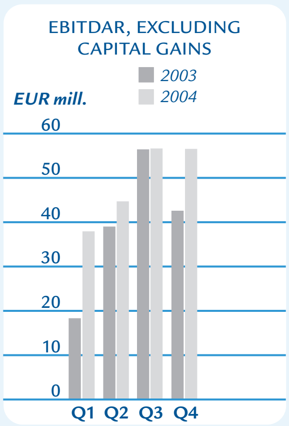
During 2004 the highest price for the Finnair Plc share on the Helsinki Exchanges was 6.57 euros, while the lowest price was 4.46 euros and the average price 5.40 euros. The market value of the company's shares was 471.3 million euros on 31 December 2004. At the beginning of the financial year the market value was 449.1 million euros. During 2004, some 21.3 million (17.8 million) of the company's shares were traded on the Helsinki Exchanges. At the end of the period under review, the Finnish State owned 58.4 per cent of the company's shares, while 18.4 per cent were held by foreign investors or in the name of a nominee.

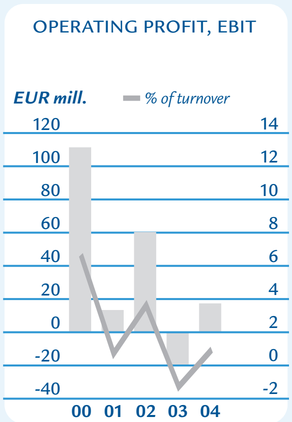
The Annual General Meeting on 7 April 2004 granted the Board of Directors the authority for a period of one year to acquire and transfer a maximum of 4,100,000 of the company's own shares. The authorisation applies to shares amounting to less than five per cent of the company's share capital.

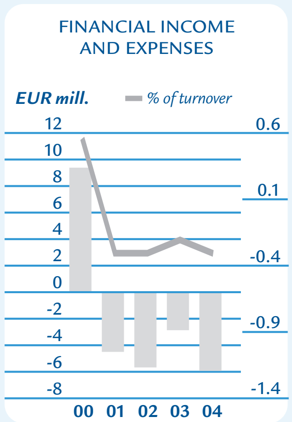
The Board of Directors decided on 18 June 2004 to start purchasing the company's own shares. Acquisitions began on 1 July 2004 and by 31 December 2004 a total of 422,800 shares had been purchased for 2.3 million euros. At the end of the period, therefore, 0.5 per cent of shares were held by the company.

Two series of Finnair Plc option rights are traded on the Main List of the Helsinki Exchanges. Both Series A and Series









B each have 2,000,000 option rights, a total of 4,000,000 units. Trading in Finnair Plc 2000 B option rights (a total of 2,000,000 units) commenced on the Main List of the Helsinki Exchanges on 3 May 2004. During 2004 no option rights were used to subscribe for shares. On 31 December 2004 a total of 3,997,500 option rights were in circulation. These option rights can be used to subscribe for 3,997,500 shares, equivalent to 4.72 per cent of the company's shares.

If all the option certificates in circulation on 31 December 2004 were exchanged for Finnair Plc shares, the Finnish State's holding would be 55.8 per cent. On the basis of the option certificates in circulation on 31 December 2004, the company's share capital could rise by not more than 3,397,875 euros, corresponding to 3,997,500 shares.

On 31 December 2004 the company booked in full a provision for social security expenses arising from Series A and B option rights, a total of 169,000 euros.

Finnair Plc issued a 230 million Finnish mark (38.7 million euro) debenture loan in 1994. In 2004 the debenture loan was converted into shares to the value of 84,094 euros, which corresponds to 13,550 Finnair Plc shares. The Board of Directors of Finnair Plc decided to exercise its right to buy back the debenture loan and on 2 September 2004 the company paid back to debenture holders under the terms of the loan 5.6 million euros of debenture loan capital which had not been converted.

Personnel

During the financial year, the average number of staff employed by the Finnair Group amounted to 9,522 people, which was 4.6 per cent fewer than a year before. At year end the number of Finnair Group personnel was 9,430 (9,675). The decline in staff numbers is a result of measures implemented under the cost-cutting programme as well as the transfer to partners of certain functions, such as ground handling and loading services at domestic airports.

The company has collective labour agreements valid until the end of September 2007 with five labour unions. Discussions with cabin personnel and pilots are ongoing.

The Finnair Group has a profit bonus scheme that allows the employees of the parent company and certain subsidiaries 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. The preconditions for the payment of profit bonus were not fulfilled last year. However, in recognition of the employees' particularly good performance in difficult conditions, the Board of Directors has decided to make a transfer of 0.5 million euros to the Personnel Fund.

The Group also 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 2004 was 2.6 million euros. Provisions totalling 0.4 million euros have been made in the financial statements for bonuses due under the management share bonus scheme.

Board of Directors

The Annual General Meeting held on 7 April 2004 re-elected to the Board of Directors the following: Christoffer Taxell as Chairman and Kari Jordan (Vice Chairman), Samuli Haapasalo, Markku Hyvärinen, Helena Terho and Kaisa Vikkula as members. Veli Sundbäck was elected as a new member. The term of office of Board of Directors lasts until the Annual General Meeting following the Board's election.

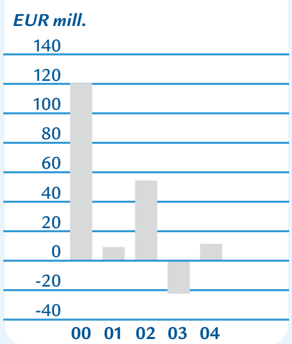
Performance of the Divisions

From the beginning of 2004, a system of four divisional reports has been adopted in external reporting. The reporting divisions are: Scheduled Passenger Traffic, Leisure Traffic, Aviation Services and Travel Services.

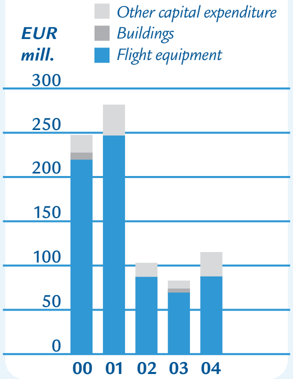
Scheduled Passenger Traffic

This division 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 crews it requires. The division also leases cargo capacity for the use of Finnair Cargo Oy. In 2004 the units belonging to the divisions

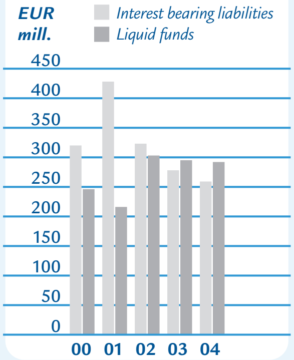
PROFIT BEFORE EXTRA-ORDINARY ITEMS AND TAXES



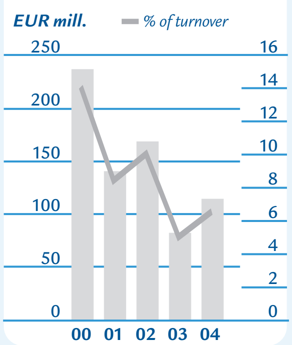
CAPITAL EXPENDITURE (GROSS)



INTEREST BEARING LIABILITIES AND LIQUID FUNDS



OPERATIONAL CASH FLOW



were Finnair Scheduled Passenger Traffic, the feeder airline Aero, the budget airline flynordic, Finnair Cargo Oy and Finnair Aircraft Finance Oy, which manages the Group's fleet.

In financial year 2004 the division's turnover grew 10.9 per cent to 1,265.8 million euros. The operating loss, excluding capital gains, was 26.8 million, compared with a loss of 44.3 million euros a year earlier.

A tight market situation and price competition contributed to a 14.6 per cent decline in unit revenues for scheduled passenger traffic in 2004. The fall in unit revenues was halted in the final quarter.

Demand for Finnair's scheduled traffic grew strongly in 2004. Demand grew by 26.6 per cent over the year as a whole, while capacity grew by 21.1 per cent, leading to a rise in passenger load factor by 4.6 percentage points to 65.1 per cent. The growth of demand and increase in load factor were the highest among European airlines.

Finnair's market share in traffic between Asia and Europe has grown. Finnair's market share fell in domestic traffic following the entry of new competitors into the market. In European traffic, Finnair has maintained its market share.

Scheduled traffic departure punctuality was 89 per cent and again among the best in Europe. In the previous year, departure punctuality was 91 per cent. Arrival punctuality was 90 per cent, which was best in a comparison of European airlines.

The Estonian subsidiary Aero expanded its operations by leasing seven ATR 72 turbo-prop aircraft from Finnair Aircraft Finance Oy in addition to its two existing aircraft. At the same time Finnair transferred its entire turbo-prop traffic in south and central Finland and the Baltic states to be handled by Aero.

The budget airline flynordic has increased its market share in the Scandinavian market. flynordic flies from Stockholm Arlanda to four destinations in Sweden and also to Copenhagen and Oslo. In the next stage, flynordic will open new routes from Scandinavia to elsewhere in Europe. In 2004 flynordic carried 725,000 passengers.

In November 2003, the operations of Nordic East Airlink Ab, which had been acquired by Finnair, were transferred to Finnair's wholly-owned Nordic Airlink Holding Ab, which operates under the name flynordic. Following the transfer, Nordic East Airlink AB will be wound up through bankruptcy proceedings. This measure is due to discrepancies relating to the time before Finnair's ownership and has no impact on flynordic's operations.

Finnair Cargo is responsible for the transport of air freight. In its operations it utilises capacity on Finnair's scheduled passenger and leisure flights as well as Helsinki's gateway status. Additional capacity for cargo routes has also been leased from cargo operators outside the Group.

Unit revenues for cargo traffic declined by 11.1 per cent in 2004. The number of cargo kilos carried increased by 17.4 per cent to 86.2 million kilos. Growth continued to be strong in Asian traffic, where Finnair's Boeing MD-11 long-haul aircraft were utilised. Cargo capacity leased from outside the Group was increased gradually during the autumn, as new cargo routes were opened.

Leisure Traffic

This division 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 continues to be a strong market leader in leisure travel flights, even though more competition has entered the market.

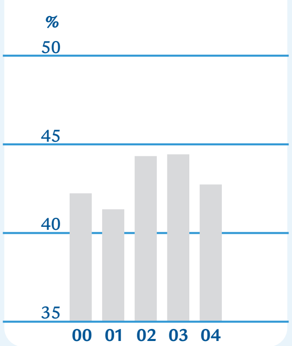
In financial year 2004 the division's turnover grew 8.3 per cent to 354.6 million euros. Unit revenues for Finnair Leisure Flights declined by 2.2 per cent. The division's operating profit improved to 26.8 million euros (16.6 million euros). Growth of demand and fewer last-minute discounts contributed to Leisure Traffic's good result.

Leisure Traffic demand rose by 8.5 per cent at the same time as capacity was increased by 8 per cent. Passenger load factor improved by 0.4 percentage points to 89.1 per cent.

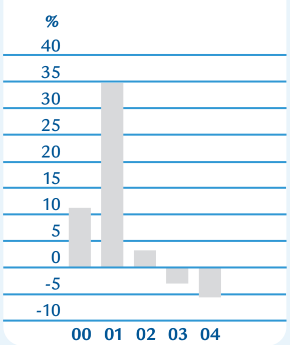
Aviation Services

This division comprises aircraft maintenance services, ground handling and the Group's catering operations as well as property management and services related to Finnair business.

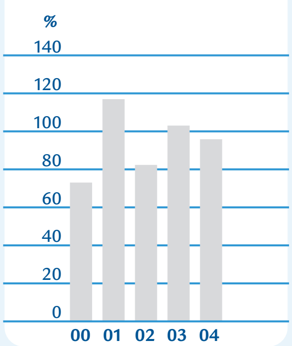
EQUITY RATIO



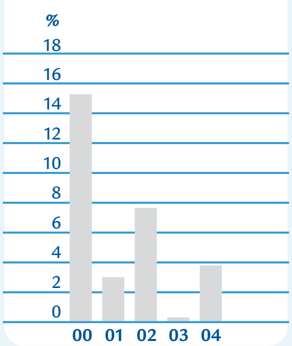
GEARING



ADJUSTED GEARING



RETURN ON CAPITAL EMPLOYED



Aviation Services' turnover was unchanged at 413.3 million euros. The cost-cutting programme and implemented adjustment measures led to an improvement in the division's operating profit, excluding capital gains, to 20.3 million euros (16.5 million euros). Aviation Services have achieved significant improvements in productivity.

The functions of the Finnair Ground Handling business unit were incorporated into an independent company, Northport Oy, on 1 May 2004. Northport Oy has a subsidiary, Finnhandling AB, which operates in Sweden. In cooperation with partners, the company provides ground handling services flexibly and cost-effectively at Stockholm's Arlanda Airport.

Travel Services

The division consists of the Group's domestic and foreign travel agency operations as well as the operations of the reservations systems supplier Amadeus Finland Oy.

The division's turnover grew 4.8 per cent to 91.6 million euros. The increase in turnover was due to growth in demand for travel and travel management services as well as the introduction of service and transaction fees. The division's operating profit was 6.5 million euros (3.5 million).

The travel agency sector has successfully adapted to a new earnings logic since Finnair and several other airlines discontinued the payment of commissions at the end of 2003. The travel agencies have developed new additional services and have organised centralised service centres.

Services and Products

The Finnair route network consists of a comprehensive domestic network as well as an international network that includes more than 40 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.

Long-haul strategy exploits Helsinki's ideal position on flight routes between Asian and Europe. In 2004 the weekly flight frequency on the Osaka and Shanghai routes was increased from three to five. Finnair now flies daily to Japan and twice a day to China. In September 2005, a new route to Canton in China will open with three return flights per week.

Finnair has doubled its number of Asian flights during the last two years. Due to higher passenger volumes, an expanded Asian Terminal was opened at Helsinki-Vantaa Airport at the end of August 2004. To increase passenger comfort, lie-flat seats will be installed in business class of long-haul route Boeing MD-11 wide-bodied aircraft during 2005-2006.

Finnair's European route network is supplemented substantially by partner routes to Central and Southern Europe, providing customers with efficient connections to all significant destinations in Europe. Bilateral cooperation with existing partners has been deepened.

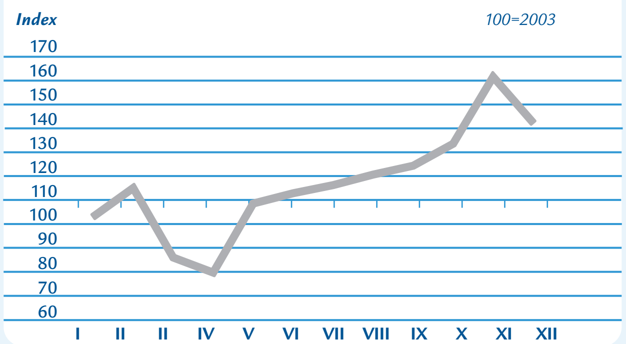
In a new opening, Finnair began code-share cooperation with the Russian airline Aeroflot in the summer of 2004. As a result of this arrangement, capacity and connecting services on the Helsinki and Moscow route will improve. The companies will each continue to fly one return flight per day between the cities, but the agreement provides both companies with a morning and evening connection. Both Finnair and Aeroflot operate with Airbus aircraft.

Cooperation within the **one**world alliance generates both savings and revenue for Finnair. Finnair supplements the other **one**world airlines' capacity in traffic between Europe and the Far East.

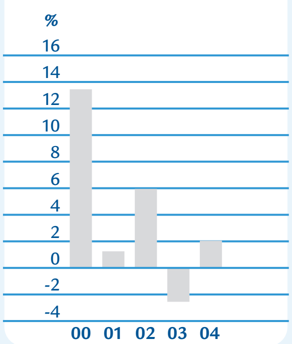
Finnair's electronic services have been developed for both ticket sales and travel-related service needs. On the Internet, Finnair's website is the Finnish travel industry's most popular e-commerce site. The website's services, which received a makeover in February, cover both leisure and business travel. The new services also offer companies the opportunity to manage and report on their travelling electronically.

The electronic ticket, or e-ticket, is in use on all of Finnair's domestic routes, on several European routes and on New York flights. Early in 2004, Finnair also introduced the e-ticket on

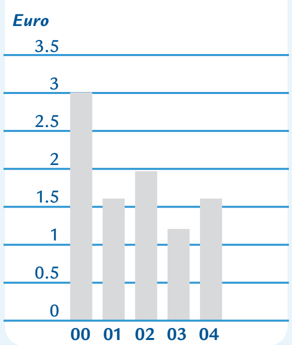
DEVELOPMENT INDEX OF FUEL PRICE 2004



RETURN ON EQUITY



CASH FLOW / SHARE



to its Bangkok, Singapore and Hong Kong routes. In Finland the e-ticket accounts for 90 per cent of all tickets sold. Around 55 per cent of all flight tickets are now sold as e-tickets.

A new service exploiting the e-ticket was first introduced for members of the Finnair Plus frequent-flyer programme. Passengers receive before their flights check-in information automatically in the form of a text message. The passengers only have to accept or reject the offered check-in. Most customers covered by the service are using it, and this is speeding up departure formalities.

Many airlines have cut their in-flight services or have started to charge for them. Based on feedback from customers, the business class catering service on Finnair flights was renewed and diversified. In contrast with competitors, a hot meal is also served in economy class on all flights of more than two hours.

The aim of the changes is to boost competitiveness. Finnair's goal is to provide Europe's best cabin service. This goal was achieved in 2004 when Finnair's business class service was ranked Europe's best in a survey of competitors. Independent evaluations also reveal Finnair's general image to be among the very best in Europe.

Cargo services have been developed by adding cargo links to Central Europe and the Persian Gulf, enabling Finnair to offer efficient logistics chains in intercontinental traffic. The emphasis is on traffic between Europe and Asia. In November Finnair opened a weekly cargo route between Helsinki and Hong Kong.

Introduction of IFRS rules

Finnair's first IFRS financial statement will be for 2005. The key changes to accounting principles relate to pension arrangements, maintenance capitalisation of the Group's own fleet, maintenance provisions for leased aircraft, inventories, goodwill and market value testing, and financial instruments. Finnair will not yet apply hedge accounting IAS 39 standard to financial instruments for 2004. Operational leasing liabilities for Finnair aircraft in IFRS accounting will be treated as off-balance sheet liabilities as they have been in Finnish financial statement practice.

The total sum of shareholders' equity adjustments made for the opening IFRS balance sheet, prepared for the transition date of 1 January 2004, has grown from that announced earlier due to updated pension liability calculations made by the insurance institution. The total sum of the Group's shareholders' equity adjustments reduces shareholders' equity by around 40 million euros. Shareholders' equity improves significantly in terms of pension liability during 2004, because the adjusted IFRS result for 2004 is better than the result according to Finnish financial statement practice. IFRS accounting principles have no substantial impact on the Group's solvency or capital structure.

Finnair will publish its first IFRS financial statement in the interim report for the first quarter of 2005. At the same time the opening IFRS balance sheet prepared for the transition date of 1 January 2004 will be reported. The first official IFRS financial statement will be published for 2005, when the IFRS financial statement for 2004 will be available for comparison.

Short-Term Outlook

Price competition resulting from the market situation in the industry will continue to be intense. Overcapacity in the Finnish and Scandinavian markets will keep airlines' load factors low and create profitability problems for many.

Finnair's strong market position and product superiority are indicative of an effective strategy. The pricing reform introduced in autumn 2003 has proved to be a success in hard competition. The long decline in the average price has been halted and the price level for 2005 is expected to remain at last year's level. The advance booking situation seems encouraging, growth in demand is expected to continue and load factors will be higher than in 2004.

Growth in capacity is expected to be less than five per cent in 2005 and will be directed primarily at Finnair's Asian traffic, through the new Canton route and higher flight frequency in the summer, and at the expansion of flynordic's traffic. flynordic will open new routes in Scandinavia and elsewhere in Europe.

Finnair is preparing for the introduction of twelve new 76-seat Embraer E170 aircraft. The new aircraft will enable capacity to be flexibly allocated according to demand on each route. The Embraer acquisition will replace the Boeing MD-80 and ATR 72 fleet, simplifying the fleet structure over the longer term and generating savings.

Capital investments in 2005 will be less than 100 million euros. The four Embraer E170 aircraft which will join Finnair's fleet between September and December 2005 will be acquired on operational leasing agreements. Investments will include the purchase of equipment required by the new type of aircraft.

The high price of fuel will burden profitability. Cost development is under control and the continuation of the operational efficiency programme will yield savings and new revenue. The long decline in unit costs will slow in 2005 owing to higher fuel costs, the introduction of the Embraer fleet and information technology investments.

The 2005 operational result is expected to be better than the previous year.

FINNAIR PLC
Board of Directors

ACCOUNTING PRINCIPLES

The financial statements of Finnair Oyj and Finnair Group have been prepared in accordance with the Finnish Accounting regulations. The official financial statements have been prepared in euro amounts.

Consolidated Financial Statements

Apart from the Parent Company Finnair Oyj, the consolidated financial statements include all those companies in which the Parent Company holds more than 50% of the votes either directly or indirectly or in which the Group otherwise has control. Subsidiaries acquired during the financial period have been consolidated from the date of their acquisition. Companies in which controlling interest has been given up during the financial year are included in the consolidated financial statements up to the time of relinquishing control.

Inter-company transactions, receivables and debts and the internal distribution of profit were eliminated. Mutual share ownership was eliminated with the acquisition cost method. The elimination difference between the acquisition price of affiliate shares and the equity of the affiliate at acquisition arising in conjunction with elimination was allocated primarily to those asset items which caused the elimination difference and was removed in accordance with the depreciation plan for fixed assets. The unallocated elimination difference, i.e. the consolidated goodwill, was eliminated at the moment of acquisition before year 2003 and after that the goodwill is amortised on a straight-line basis over its expected useful life. To the extent possible, the financial statements of the foreign subsidiaries were harmonised with the principles used by the Group before consolidation. Translation to euros took place at the official rate of exchange on the day the books were closed. The translation differences caused by elimination of equity were treated as adjustment items for consolidated unrestricted equity. Portions of the earnings of companies in which the Group owns from 20–50% of the shares and votes were combined in the consolidated financial statements using the equity method. The portion of the profit for the financial year corresponding to the Group's holding is presented in the share of profits less losses of participating interests. The participating goodwill for the participating interest was entered as a non-recurring expense.

Items Denominated in Foreign Exchange

Receivables, debts and liabilities were translated into euros at the official middle rate on the day the books were closed. Parent company s advance payments made and received were entered in the balance sheet at the rate on the date of payment. Exchange rate differences on trade receivables and payables were treated as adjustments of sales and purchases. Other exchange rate differences on other receivables and payables were entered as exchange rate differences under financial income and expenses. Accumulated exchange rate differences were entered in their entirety in the profit and loss statement.

Derivative Agreements

Interest related to derivative agreements made to hedge against foreign exchange and interest rate risks was entered on an accrual basis as either interest income or expense. Exchange rate differences related to hedging of business operations are included in the operating profit. However, exchange rate differences on separate derivative financial instruments that provided hedging for specific off-balance sheet items and operational business operations were deferred until recognition of the underlying item

The Fuel Price Risk Hedging

The results of using the various hedging instruments were entered on an accrual basis together with the fuel costs.

Fixed Assets and Depreciation

The balance sheet values for fixed assets are based on original acquisition costs less planned depreciation.

Planned depreciation is based on the economic service life of the asset and on the book acquisition cost.

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

- Goodwill on a straight-line bases in five years.
- Buildings between 3–5% of the undepreciated residual value.
- Aircraft and aircraft engines on a straight-line bases as follows:
  - New Airbus A320 family aircraft in 20 years to a residual value of 10%
  - other jet aircraft acquired before as new in 15 years to a residual value of 10%
  - used jet aircraft more than six years old in 10 years to a residual value of 10%
  - turboprop aircraft in 12 years to a residual value of 10%
  - turboprop aircraft acquired as used in 10 years to a residual value of 10%
  - aircraft withdrawn from use on a straight-line basis entirely in the operating time outlined in the fleet renewal plan
- Straight-line depreciation is 10 years for aircraft simulators and five years for computers worth more than 170,000 euros.
- Depreciation of other tangible fixed assets is 23% of the undepreciated residual value.
- Capitalised long-term expenditures are depreciated in 3–10 years, depending on their nature.

Inventories

Inventories comprise the spare parts and materials needed for aircraft repair and maintenance and stocks for customer services. Inventories were evaluated at the average acquisition cost. The value of work in progress includes average salary costs, excluding salary-related costs, used stocks of materials and supplies and subcontracting work

Current Assets

Securities entered under current assets are evaluated at the lower of original acquisition cost or market value.

Leasing

Lease payments for Group aircraft are significant. Annual lease payments are treated as rent expenses. Lease payments due in future years under aircraft lease contracts are presented as off-balance sheet items.

Extraordinary Items

Items included in extraordinary items are typically substantial and one-off by nature. They also deviate from the ordinary course of business operations. Changes in accounting principles and procedures are implemented by using extraordinary items to show the impact on earnings.

Expenditure on Research and Development

Research and development on aircraft, systems and operations is conducted primarily by manufacturers. Research and product development expenditure for marketing and customer service is entered as an annual expense for the year in which it is incurred.

Appropriations

The difference between total and planned depreciation is shown in the balance sheets as appropriations and the change during the financial year in the income statement. In the consolidated balance sheet the appropriations is divided into unrestricted equity and deferred tax liability and in the consolidated income statement into result and deferred tax liability.

Taxes and the Change in Deferred Tax Liability

Estimated taxes on profits for the financial year, adjustments in taxes for previous financial years and the change in deferred taxes were entered in the profit and loss statement as taxes. The deferred tax liability is computed according to the tax rate in effect during the financial year. The balance sheet includes a deferred tax liability due to book gains in connection with sale of flight equipment. This is based on new accounting regulations on deferred tax liabilities caused by timing differences.

Pension Schemes

In the Group's domestic companies mandatory and other pension coverage for personnel has primarily been arranged through the Finnair pension fund and other mandatory pension coverage has been arranged through domestic insurance companies. The Finnair pension fund is a joint fund including the parent company and eight affiliates at the end of the financial year. Both mandatory employment pension coverage and additional pension security are arranged by the fund for the parent company and seven affiliates. Since 1992, the pension fund has no longer accepted employees other than pilots for additional pension coverage.

The Finnair pension fund's pension liability is fully paid up with respect to basic and additional coverage.

Pension fund liabilities are presented in the Notes to the Financial Statements.

The foreign affiliates pension coverage has been arranged according to local legislation and practice.

The retirement age of the CEO, the Group Board of Management members and managing directors of the affiliates varies between 60–65, based on agreements.

Comparability of the Financial Years

The financial years are comparable.

CONSOLIDATED INCOME STATEMENT

	1 Jan 2004– 31 Dec 2004 EUR mill.	1 Jan 2003– 31 Dec 2003 EUR mill.	Note
Turnover	1,698.4	1,557.6	1
Work used for own purposes and capitalised	1.4	3.5	
Other operating income	26.7	40.0	2
Share of profits less losses of participating interests	0.6	0.8	
OPERATING INCOME	1,727.1	1,601.9	
OPERATING EXPENSES			
Materials and services	588.3	493.9	3
Staff costs	462.8	496.8	4
Depreciation	101.4	104.2	5
Other operating expenses	557.6	525.9	6
	-1,710.1	-1,620.8	
OPERATING PROFIT/LOSS	17.0	-18.8	
FINANCIAL INCOME AND EXPENSES	-5.8	-2.8	7
PROFIT BEFORE TAXES	11.2	-21.7	
DIRECT TAXES			
Income taxes from operations	-0.7	-0.9	
Change in deferred tax liability	1.5	6.6	
	0.8	5.7	10
MINORITY SHARE	-0.2	-0.3	
PROFIT/LOSS FOR THE FINANCIAL YEAR	11.8	-16.2	

CONSOLIDATED BALANCE SHEET

	31 Dec 2004 EUR mill.		31 Dec 2003 EUR mill.		Note
ASSETS					
FIXED ASSETS					11
Intangible assets	36.8		28.3		
Tangible assets	865.8		860.2		
Financial assets					
Share in participating interests	3.2		4.5		
Own shares	2.3		-		
Other investments	6.6	914.7	10.8	903.8	
CURRENT ASSETS					
Inventories	47.2		49.2		12
Long-term receivables	14.7		20.9		13
Short-term receivables	209.9		146.9		14
Investments	261.9		276.1		15
Cash and bank equivalents	29.6	563.3	18.2	511.3	16
		1,478.0		1,415.1	
SHAREHOLDERS' EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY					17
Stock capital	72.0		72.0		
Share issue	-		0.0		
Share premium account	5.7		5.7		
Own shares fund	2.3		-		
General reserve	147.7		147.7		
Retained earnings	377.6		404.6		
Profit/loss for the financial year	11.8	617.2	-16.2	613.8	
Capital loan		-		5.7	21
Total equity		617.2		619.5	
MINORITY INTERESTS		1.2		1.2	
LIABILITIES					
Deferred tax liability	110.4		109.8		19
Long-term liabilities	212.0		232.5		20, 23
Short-term liabilities	537.2	859.6	452.1	794.4	22
		1,478.0		1,415.1	

CONSOLIDATED CASH FLOW STATEMENT

	1 Jan 2004– 31 Dec 2004 EUR mill.	1 Jan 2003– 31 Dec 2003 EUR mill.
Business operations		
Operating profit	17	-19
Deprecations	101	104
Change in working capital (net)		
Inventories, increase (-), decrease (+)	2	7
Short-term receivables, increase (-), decrease (+)	-63	2
Non interest bearing short-term liabilities, increase (+), decrease (-)	83	4
Financial income and expenses (net)	-6	-3
Taxes	1	6
Cash flow from operations	135	101
Investments		
Investments in flight equipment	-87	-70
Investments in buildings	0	-1
Other investments	-25	-12
Change in advance payments	-3	3
Capital expenditure, total	-115	-80
Sales of fixed assets	4	37
Cash flow from investments	-110	-43
Financing		
Purchase of own shares	-2	0
Decrease of long-term debts	-26	-53
Long-term receivables, increase (-), decrease (+)	7	-2
Short-term debts, increase (+), decrease (-)	2	2
Increase in shareholders equity	0	0
Dividends	-8	-13
Cash flow of financing	-28	-66
Change in liquid funds increase (+), decrease (-) in statement	-3	-8
Liquid funds at the beginning	294	302
Liquid funds, decrease (-), increase (+) in balance sheet	-3	-8
Liquid funds at the end	291	294

FINNAIR PLC INCOME STATEMENT

	1 Jan 2004– 31 Dec 2004 EUR mill.	1 Jan 2003– 31 Dec 2003 EUR mill.	Note
Turnover	1,357.0	1,284.4	1
Work used for own purposes and capitalised	1.5	3.5	
Other operating income	17.6	36.9	2
OPERATING INCOME	1,376.1	1,324.8	
OPERATING EXPENSES			
Materials and services	504.2	410.6	3
Staff costs	334.0	402.2	4
Depreciation	31.1	91.2	5
Other operating expenses	577.9	468.3	6
	-1,447.3	-1,372.4	
OPERATING PROFIT/LOSS	-71.2	-47.5	
FINANCIAL INCOME AND EXPENSES	16.3	-3.7	7
PROFIT/LOSS AFTER APPROPRIATIONS AND TAXES	-54.9	-51.3	
Extraordinary items	53.3	0.0	
Income taxes from extraordinary items	0.0	0.0	
	53.3	0.0	8
PROFIT/LOSS AFTER EXTRAORDINARY ITEMS	-1.6	-51.3	
Appropriations	0.0	84.9	9
Direct Taxes	-4.0	-10.2	10
PROFIT/LOSS FOR THE FINANCIAL YEAR	-5.6	23.4	

FINNAIR PLC BALANCE SHEET

	31 Dec 2004 EUR mill.		31 Dec 2003 EUR mill.		Note
ASSETS					
FIXED ASSETS					11
Intangible assets	24.4		9.9		
Tangible assets	75.2		84.1		
Finacial assets					
Share in group undertakings	415.8		403.6		
Share in participating interests	2.4		3.2		
Own shares	2.3		-		
Other investments	2.7	522.9	5.9	506.7	
CURRENT ASSETS					
Inventories	42.7		44.4		12
Long-term receivables	209.9		236.1		13
Short-term receivables	277.1		192.5		14
Investments	261.1		275.4		15
Cash and bank equivalents	23.1	813.9	11.8	760.2	16
		1,336.8		1,266.9	
SHAREHOLDERS' EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY					17
Share capital	72.0		72.0		
Share issue	-		0.0		
Share premium account	5.7		5.7		
Own shares fund	2.3		-		
General reserve	147.7		147.7		
Retained earnings	307.6		294.9		
Profit for the finacial year	-5.6	529.7	23.4	543.7	
Capital loan		-		5.7	21
Total equity		529.7		549.4	
ACCUMULATED APPROPRIATIONS		-		0.0	18
LIABILITIES					
Deferred tax liability	3.5		-		19
Long-term liabilities	210.7		231.2		20, 23
Short-term liabilities	592.9	807.1	486.3	717.5	22
		1,336.8		1,266.9	

FINNAIR PLC CASH FLOW STATEMENT

	1 Jan 2004– 31 Dec 2004 EUR mill.	1 Jan 2003– 31 Dec 2003 EUR mill.
Business operations		
Operating profit/loss	-71	-48
Depreciation	31	91
Change in working capital (net)		
Inventories, increase(-), decrease(+)	2	1
Short-term receivables, increase(-), decrease(+)	-85	-27
Non interest bearing short-term liabilities,\n increase(+), decrease(-)	63	24
Finacial income and expenses (net)	16	-4
Extraordinary items	53	0
Taxes	-4	0
Other adjustments	0	4
Cash flow from operations	6	41
Investments		
Investments in flight equipment	-17	-30
Other investments	-36	-16
Change in advance payements	0	-9
Capital expenditure, total	-53	-55
Sales of fixed assets	8	36
Cash flow from investments	-45	-19
Financing		
Purchase of own shares	-2	0
Increase of long-term debts	-23	-46
Long-term receivables,increase (-), decrease (+)	26	7
Short-term debts, increase(+), decrease(-)	44	20
Increase in share holders equity	0	0
Dividends	-8	-13
Cash flow from financing	36	-32
Change in liquid funds		
Increase (+), decrease (-) in statement	-3	-10
Liquid funds in the beginning	287	297
Liquid funds, decrease (-), increase(+) in balance sheet	-3	-10
Liquid funds in the end	284	287

NOTES TO THE FINANCIAL STATEMENTS

		Group		Parent Company	
		Jan–Dec 2004	Jan–Dec 2003	**Jan–Dec 2004**	Jan–Dec 2003
		EUR mill.		EUR mill.	
1.	**Turnover and Operating Profit by Division**				
	Turnover by division				
	Scheduled Passenger Traffic	1,265.8	1,141.7	1,111.2	1,066.2
	Leisure Traffic	354.6	327.3	223.4	214.4
	Aviation Services	413.3	413.3	237.5	280.0
	Travel Services	91.6	87.4	-	-
	Less internal adjustments	-426.9	-412.1	-215.1	-276.2
	Total	**1,698.4**	1,557.6	**1,357.0**	1,284.4
	Distribution of turnover by market areas, as % of turnover				
	Finland	47 %	50 %	46 %	46 %
	Europe	34 %	34 %	35 %	39 %
	Other countries	19 %	16 %	19 %	15 %
	Total	**100 %**	100 %	**100 %**	100 %
	Operating profit by division				
	Scheduled Passenger Traffic	-24.7	-31.8	-63.3	-31.6
	Leisure Traffic	26.8	16.6	13.4	12.9
	Aviation Services	20.3	19.3	-2.8	-1.1
	Travel Services	6.7	3.5	-	-
	Support Services	-12.1	-26.6	-18.6	-27.7
	Total	**17.0**	-18.8	**-71.2**	-47.6
2.	**Other Revenue from Business Operations**				
	Capital gain on flight equipment	2.0	12.5	0.0	12.5
	Capital gain on shares	6.6	0.6	7.0	0.6
	Other items	18.1	26.9	10.6	23.8
	Total	**26.7**	40.0	**17.6**	36.9
3.	**Materials and Services**				
	Materials and supplies for aircraft maintenance and overhaul	21.3	26.8	21.3	26.8
	Ground handling and catering charges	118.1	97.3	140.0	95.4
	Fuel purchases for flight operations	212.6	158.0	201.1	157.1
	Expenses for tour operations	94.0	85.1	-	-
	Aircraft maintenance and overhaul	37.1	37.4	36.6	36.3
	Expenses for data administration	68.3	65.3	68.3	65.3
	Other items	36.9	23.9	36.9	29.8
	Materials and services total	**588.3**	493.9	**504.2**	410.6
4.	**Staff Costs**				
	Wages and salaries	362.7	356.4	259.9	281.6
	Pension costs	67.1	87.7	49.2	73.7
	Other indirect employee costs	33.0	52.7	24.9	47.0
	Total	**462.8**	496.8	**334.0**	402.2
	Salaries of Board of Directors and Managing Directors				
	Administration and managing directors	**1.7**	1.4	**0.7**	0.7
	Personnel on average				
	Scheduled Passenger Traffic	3,839	3,906	3,331	3,438
	Leisure Traffic	325	329	28	28
	Aviation Services	3,928	4,193	2,295	3 142
	Travel Services	1,185	1,269	-	-
	Support Services	245	284	248	258
	Total	**9,522**	9,981	**5,902**	6,866

		Group		Parent Company	
		Jan–Dec 2004	Jan–Dec 2003	**Jan–Dec 2004**	Jan–Dec 2003
		EUR mill.		EUR mill.	
5.	**Depreciation**				
	Planned depreciation in the income statement				
	On goodwill	1.5	0.1	-	-
	On other long-term expenditure	5.8	6.3	4.1	4.6
	On buildings	3.5	3.6	-	-
	On flight equipment	80.9	85.0	21.4	80.2
	On other equipment	9.7	9.2	5.6	6.5
	Total	**101.4**	104.2	**31.1**	91.2
6.	**Other Operating Expenses**				
	Lease payments for aircraft	88.9	92.7	184.6	99.9
	Rents for cargo capacity	15.0	9.5	-	-
	Short-term leases and codeshare expenses	9.3	16.0	34.0	16.0
	Office and other rents	42.7	39.0	40.5	43.9
	Traffic charges	148.2	121.5	132.1	117.8
	Sales and marketing expenses	106.3	107.0	83.1	95.3
	Other items	147.2	140.2	103.6	95.4
	Total	**557.6**	525.9	**577.9**	468.3
7.	**Financial Income and Expenses**				
	Dividends				
	Dividends from Group undertakings	-	-	14.1	0.0
	Dividends from participating interests	-	-	0.5	0.6
	From others	0.6	0.3	0.3	0.2
	Dividends total	**0.6**	0.3	**15.0**	0.8
	Interest income from long-term investments				
	From Group undertakings	-	-	9.4	2.2
	From others	0.0	0.0	0.0	0.0
	Total	**0.0**	0.0	**9.4**	2.2
	Income from long-term investments total	**0.6**	0.4	**24.5**	3.1
	Other interest and financial income				
	Interest income from Group undertakings	-	-	5.7	0.0
	Interest income from others	9.4	9.2	6.5	8.6
	Financial income from others	6.2	9.2	1.1	6.4
	Total	**15.6**	18.4	**13.3**	15.0
	Interest income from long-term investments and other interest and financial income total	**16.2**	18.7	**37.8**	18.1
	Interest and other financial expenses				
	Interest expense to Group undertakings	-	-	-5.2	-2.0
	Interest expense to others	-11.8	-11.4	-11.7	-11.4
	Other financial expenses to others	-10.3	-10.1	-4.5	-8.5
	Total	**-22.1**	-21.5	**-21.4**	-21.8
	Financial income and expense total	**-5.8**	-2.8	**16.3**	-3.7
	Exchange rate gains included in the item interest and financial income	**2.4**	9.0	**1.1**	6.4
	Exchange rate losses included in the item interest and financial expenses	**-3.3**	-9.1	**-3.2**	-8.0
8.	**Extraordinary Items**				
	Received Group contribution	-	-	53.3	0.0
	Total	-	-	**53.3**	0.0

	Group Jan–Dec 2004	Group Jan–Dec 2003	Parent Company Jan–Dec 2004	Parent Company Jan–Dec 2003
	EUR mill.		EUR mill.	
9. Appropriations				
Difference between planned depreciation and depreciation in taxation				
Equipment	-	-	0.0	84.9
Total	-	-	0.0	84.9
10. Direct Taxes				
Income taxes on regular business operations	0.7	0.9	2.0	0.0
Change in deferred tax liabilities	-1.5	-6.6	2.0	10.2
Total	**-0.8**	-5.7	**4.0**	10.2
11. Fixed Assets				
Intangible rights				
Acquisition cost at the beginning	1.8	1.7	-	-
Increases	0.0	0.0	-	-
Book value at the end	1.8	1.8	-	-
Other long-term expenditure				
Acquisition cost at the beginning	54.6	62.3	34.0	37.6
Increases	21.5	4.2	20.0	3.6
Decreases	-8.4	-11.9	-1.4	-7.2
Acquisition cost at the end	67.7	54.6	52.6	34.0
Accumulated planned depreciation from decreases	3.6	11.5	0.0	7.2
Accumulated planned depreciation	-41.6	-50.9	-28.2	-31.3
Book value at the end	29.7	15.3	24.4	9.9
Goodwill				
Acquisition at the beginning	11.3	-	-	-
Increases	-4.2	11.4	-	-
Accumulated plan depreciation	-1.6	-0.1	-	-
Book value at the end	5.4	11.3	-	-
Land				
Acquisition at the beginning	0.8	0.8	-	-
Increases	0.0	0.0	-	-
Decreases	0.0	0.0	-	-
Book value at the end	0.8	0.8	-	-
Buildings				
Acquisition at the beginning	178.5	177.9	-	-
Increases	0.2	0.7	-	-
Decreases	0.0	0.0	-	-
Acquisition at the end	178.8	178.5	-	-
Accumulated planned depreciation from decreases	-	-	-	-
Accumulated planned depreciation	-95.9	-92.5	-	-
Book value at the end	82.8	86.1	-	-
Flight equipment				
Acquisition at the beginning	1,344.4	1,464.8	269.2	1,464.8
Increases	87.0	69.5	16.8	30.1
Decreases	-2.4	-190.0	0.0	-1,225.7
Transfer between asset items	-6.6	-	-	-
Acquisition at the end	1,422.3	1,344.4	285.9	269.2
Accumulated planned depreciation from decreases	8.5	155.5	-	565.9
Accumulated planned depreciation	-707.0	-781.7	-232.3	-776.9
Book value at the end	723.8	718.2	53.6	58.3

	Group		Parent Company	
	Jan–Dec 2004	Jan–Dec 2003	**Jan–Dec 2004**	Jan–Dec 2003
	EUR mill.		EUR mill.	
Accumulated difference between total and planned depreciation	-	-	0.0	123.5
Change in depreciation difference	-	-	0.0	-84.9
Transfer as capital contribution	-	-	-	-38.6
Accumulated difference between total and planned depreciation at the end	-	-	0.0	0.0
Other equipment				
Acquisition at the beginning	216.1	268.7	177.3	229.7
Increases	5.2	6.4	3.3	4.8
Decreases	-6.3	-58.9	-1.9	-57.3
Transfer between asset items	6.6	-	-	-
Acquisition at the end	221.6	216.1	178.7	177.3
Accumulated planned depreciation from decreases	5.0	56.9	-5.6	55.9
Accumulated planned depreciation	-191.4	-238.6	-151.5	-207.4
Book value at the end	35.2	34.5	21.6	25.8
Accumulated difference between total and planned depreciation	-	-	0.0	0.0
Change in depreciation difference	-	-	0.0	0.0
Accumulated difference between total and planned depreciation at the end	-	-	0.0	0.0
In fixed assets the share of machines and equipment in book value	726.9	721.7	55.1	62.4
Advance payments				
Acquisition at the beginning	20.6	23.3	-	23.3
Change	2.5	-2.6	-	-23.3
Book value at the end	23.1	20.6	-	0.0
Financial assets				
Participating interests				
Acquisition at the beginning	4.5	4.2	3.2	3.2
Increases	-1.2	0.3	-0.7	0.0
Book value at the end	3.2	4.5	2.4	3.2
Group companies				
Acquisition at the beginning	-	-	403.6	73.7
Increases	-	-	13.1	330.0
Decreases	-	-	-1.0	0.0
Book value at the end	-	-	415.8	403.6
Other interests and shares				
Acquisition at the beginning	9.6	8.1	5.6	5.5
Increases	0.4	1.9	0.4	0.3
Decreases	-3.7	-0.4	-3.6	-0.2
Book value at the end	6.3	9.6	2.4	5.6
Own shares				
Acquisition at the end	-	-	-	-
Increases	2.3	-	2.3	-
Book value at the end	2.3	-	2.3	-
Loan receivables				
Acquisition at the beginning	1.3	5.3	0.3	5.3
Increases	-	0.9	-	-
Decreases	-1.0	-4.9	0.0	-4.9
Book value at the end	0.3	1.3	0.3	0.3

Insurance values of fixed assets

Balance sheet values of aircraft and spare parts EUR mill.	664.1	653.3
Insurance value EUR mill.	2,018.7	1,879.6
Insurance value USD mill.	2,749.6	2,373.9

Insurance values of Group assets are based on repurchase values.
Insurance values for flight equipment are USD-based.
Repurchase values for other fixed assets are not specified in detail.

Financial assets

Participating interests	Group ownership %	Parent Company ownership %
Suomen Jakelutiet Oy, Helsinki	47.5	-
Amadeus Estonia, Estonia	33.3	-
Toivelomat Oy, Helsinki	48.5	-
Finnish Aviation Academy, Pori	49.5	49.5

Affiliates		
Kiinteistö Oy Aerolan A-talot, Vantaa	100	-
Kiinteistö Oy Aerolan B-talot, Vantaa	100	-
Finnair Cargo Oy, Helsinki	100	100
Amadeus Finland Oy, Helsinki	95	95
Matkatoimisto Oy Area, Helsinki	100	100
Area Baltica Reisiburoo AS, Estonia	100	100
A/S Estravel Ltd, Estonia	72.0	-
Oy Aurinkomatkat - Suntours Ltd Ab, Helsinki	99.1	81.3
Finnair Travel Services Oy, Helsinki	100	100
Finnair Catering Oy, Helsinki	100	100
Finnair Facilities Management Oy, Helsinki	100	100
Finnair Aircraft Finance Ltd, Helsinki	100	100
A/S Aero Airlines, Estonia	49	49
Finncatering Oy, Vantaa	100	-
Norvista Travel Ltd, Canada	100	100
Finnhandling Ab, Sweden	100	-
Nordic Airlink Holding Ab, Sweden	100	100
Mikkelin Matkatoimisto Oy, Mikkeli	51	-
Norvista S.R.L, Italy	100	100
Northport Oy, Helsinki	100	100
Suomen Matkatoimisto Oy, Helsinki	100	100

	Group		**Parent Company**	
	Jan–Dec 2004	Jan–Dec 2003	**Jan–Dec 2004**	Jan–Dec 2003
	EUR mill.		EUR mill.	
Other shares				
Market value of publicly quoted shares	3.5	3.1	2.4	2.2
book value	0.4	0.4	0.1	0.1
difference	3.1	2.7	2.3	2.1
Other financial assets. loan receivables				
From other companies	0.3	1.3	0.3	0.3
12. Inventories				
Materials and supplies	45.5	47.6	41.0	43.0
Work in progress	1.7	1.5	1.7	1.5
Total	**47.2**	49.2	**42.7**	44.5
13 Long-Term Receivables				
Long-term receivables from group undertakings				
Loan receivables	-	-	209.9	236.1
Long-term receivables from others				
Other receivables	14.7	20.9	0.0	0.0
Long-term receivables total	**14.7**	20.9	**209.9**	236.1

	Group		Parent Company	
	Jan–Dec 2004	Jan–Dec 2003	**Jan–Dec 2004**	Jan–Dec 2003
	EUR mill.		EUR mill.	
14. Short-Term Receivables				
Short-term receivables from Group undertakings				
Trade receivables	-	-	35.2	27.5
Prepaid expenses	-	-	56.5	7.0
Other receivables	-	-	0.0	33.6
Total	-	-	91.7	68.1
Short-term receivables from participating interests				
Trade receivables	-	-	0.1	0.0
Prepaid expenses	-	-	0.0	0.0
Total	-	-	0.1	0.0
Short-term receivables from others				
Trade receivables	133.3	103.6	104.1	75.6
Prepaid expenses	69.3	22.1	28.3	12.4
Other receivables	7.2	21.2	52.8	36.4
Total	209.9	146.9	185.2	124.4
Short-term receivables total	**209.9**	146.9	**277.1**	192.5

15. Investments

Marketable securities	**261.9**	276.1	**261.1**	275.4

The difference between market value and activated acquisition cost is not essential.

16. Cash and Bank Equivalents

Cash and bank equivalents comprise funds in Group bank accounts.

17. Equity

Equity	**72.0**	72.0	**72.0**	72.0
Share capital	0.0	0.0	0.0	0.0
Share premium account in the beginnig	5.7	5.6	5.7	5.6
Change	0.0	0.0	0.0	0.0
Share premium account in the end	**5.7**	5.7	**5.7**	5.7
Own shares fund in the beginning	0.0	0.0	0.0	0.0
Change	2.3	0.0	2.3	0.0
Own shares fund in the end	**2.3**	0.0	**2.3**	0.0
Bonus issue	**147.7**	147.7	**147.7**	147.7
Retained earnings in the beginning	388.3	417.3	318.3	307.7
Dividend payment	-8.5	-12.7	-8.5	-12.7
Transfer to own shares fund	-2.3	0.0	-2.3	0.0
Translation difference	0.0	0.0	-	-
Retained earnings in the end	**377.6**	404.6	**307.6**	295.0
Profit for the financial year	11.8	-16.2	-5.6	23.4
Capital loan	0.0	5.7	0.0	5.7
Total equity	**617.2**	619.5	**529.7**	549.5
Distributable equity				
Retained earnings in the beginning	388.3	417.3	318.3	307.7
Dividend payment	-8.5	-12.7	-8.5	-12.7
Translation difference	0.0	0.0	-	-
Transfer to own shares fund	-2.3	0.0	-2.3	0.0
Profit for the financial year	11.8	-16.2	-5.6	23.4
	389.4	388.3	**302.0**	318.3
Voluntary reserves in equity	-67.8	-54.4	-	-
	321.6	333.9	**302.0**	318.3
Voluntary reserves				
Accumulated depriciation difference	91.6	76.4		
Recidental block reserve	0.1	0.2		
	91.7	76.6		
Deferred tax liability of voluntary reserves	-23.8	-22.2		
Total	**67.8**	54.4		

18. Accumulated Appropriations

Accumulated depreciation difference	-	-	0.0	0.0

	Group Jan–Dec 2004	Jan–Dec 2003 EUR mill.	Parent Company Jan–Dec 2004	Jan–Dec 2003 EUR mill.
19. Deferred Tax Liability				
From appropriations	23.8	22.2	-	0.0
Deferred tax receivables caused by timing differences	-8.0	-0.6	-	-0.6
Deferred tax liability caused by timing differences	94.6	88.2	3.5	0.0
Total	**110.4**	109.8	**3.5**	-0.6
20. Long-Term Liabilities				
Loans from financial institutions	179.3	199.6	179.3	199.6
Pension loans	28.0	28.0	28.0	28.0
Other long-term liabilities	4.7	4.9	3.5	3.6
Total	**212.0**	232.5	**210.7**	231.2
Repayment of loans				
Financial year 2005	25.8		25.8	
Financial year 2006	25.9		25.9	
Financial year 2007	26.0		26.0	
Financial year 2008	26.1		26.1	
Financial year 2009	26.2		26.2	
Financial year 2010 -	107.7		106.4	
Total	**237.8**		236.6	

21. Convertible Subordinated Bonds (Capital Loan)

Convertible subordinated bonds of 38,683,223.09 euros were issued on 28 February 1994, with an annual interest rate of seven per cent until 2 September 2004. Thereafter the interest rate would have been five percentage points above the 12 month euribor. The bonds were undated. According to the terms of the bonds, Finnair Plc was entitled, provided that the repayment terms were met, to pay back the principal amount in part or full as of 2 September 2004.

The Board of Directors of Finnair Plc decided to repay the outstanding principal amount of the debenture loan 5,627,567.97 euros to the debenture holders in accordance with the terms and conditions of the debenture loan. The repayment date was 2 September 2004.

The bond issue in question is by nature a capital loan and has the following features in common with this type of credit:
1) Receivables based on the loan are in a less preferential position than other Company commitments,
2) The loan can be repaid only in the event that the Company's restricted equity, computed in accordance with the Parent Company balance sheet and consolidated balance sheet approved for the previous financial year, is fully covered;
3) Annual interest cannot be paid in excess of non-restricted equity on an interest payment date as reported in the accounts of the Company confirmed by the previous Annual General Meeting of Shareholders, or distributable non-restricted equity as reported in consolidated Group accounts for the same period; the payment of interest is in preference to the payment of dividends;
4) The loan is unsecured;
5) The holder of the bond is not entitled to give notice or demand early repayment unless the company is in liquidation.

One debenture with nominal value of 1,681.88 euros was converted to 271 Finnair Plc shares at a nominal price of 0.85 euros each. The conversion price of a share was therefore 6.21 euros. The annual conversion period is from 1 to 31 January and from 1 April to 31 December.

	Group		Parent Company	
	Jan–Dec 2004	Jan–Dec 2003	**Jan–Dec 2004**	Jan–Dec 2003
	EUR mill.		EUR mill.	
22. Short-Term Liabilities				
Liabilities to Group undertakings				
Trade payables	-	-	27.2	26.1
Accruals and deferred income	-	-	10.9	6.5
Other liabilities	-	-	0.0	0.0
Total	-	-	**38.1**	32.5
Liabilities to participating interests				
Trade payables	0.0	0.0	0.6	0.0
Total	**0.0**	0.0	**0.6**	0.0
Liabilities to others				
Loans from financial institutions	25.8	25.8	25.8	25.8
Pension loans	0.0	0.1	0.0	0.0
Advanced received	34.9	29.1	-	-
Trade payables	89.7	79.4	50.0	40.0
Accruals and deferred income	342.4	276.9	297.7	249.0
Other liabilities	44.3	40.9	180.6	139.0
Total	**537.2**	452.1	**554.1**	453.7
Short-term liabilities total	**537.2**	452.1	**592.9**	486.3
Accruals and deferred income				
Unearned air transport revenues and liability for frequent-flyer bonus scheme *)	119.1	98.3	119.1	98.3
Holiday pay reserve	77.7	77.7	59.0	66.2
Other items	145.6	101.0	130.5	91.0
Total	**342.4**	276.9	**308.6**	255.5

*) The item includes a liability of 20.4 million euros for the Finnair Plus frequent-flyer bonus sceheme.
Other items include undue interest and other deferred income for the financial year.

	Group Jan–Dec 2004	Group Jan–Dec 2003	Parent Company Jan–Dec 2004	Parent Company Jan–Dec 2003
23. Pension Liabilities				
Total liability of pension fund	774.7	746.6	707.3	689.9
Mandatory portion covered	-453.8	-417.2	-399.2	-370.8
Non-mandatory benefit covered	-320.9	-329.4	-308.1	-319.1
Uncovered liability of pension fund	**0.0**	0.0	**0.0**	0.0
Liability for pensions paid directly by the companies	0.0	0.0	0.0	0.0
Total	**0.0**	0.0	**0.0**	0.0
24. Guarantees and Contingent Liabilities				
Pledges on own behalf	230.8	255.6	0.5	10.2
Pledges on Group undertakings	0.0	0.6	0.0	0.6
Guarantees on Group undertakings	79.6	42.4	79.6	42.4
Total	**310.4**	298.6	**80.0**	53.2
25. Aircraft Lease Obligations				
Amounts due to be paid				
Financial year 2005	80.9			
Financial year 2006	66.3			
Financial year 2007	52.6			
Financial year 2008	50.0			
Financial year 2009	38.5			
Financial year 2010 -	101.6			
Total	**390.1**			

Aircraft lease payments
The above lease payments comprise unpaid rentals under outstanding operating leases.

Under operating leases the lessee is only obliged to pay rent for the relevant lease term with no liability on termination, the economic risk of ownership remaining with the lessor.

All the obligations are from operating leases.

The parent company has hired its fleet by operational leasing contract from its 100% owned affiliate. Parent company's obligation for these rents is 180.5 million euros for year 2005. Projected lease payments for the future years are determined according to specified internal pricing method. Anticipated lease payments for the year 2006 are 174.3 million euros.

	Group Jan–Dec 2004	Group Jan–Dec 2003	Parent Company Jan–Dec 2004	Parent Company Jan–Dec 2003
	EUR mill.		EUR mill.	
26. Other Lease Obligations				
Other lease obligations	**51.8**	43.5	**24.6**	42.2

27. Disputes and Litigation

During the financial year 2004, no new significant legal proceedings were instituted.

A claim against Finnair and Finnair Cargo Oy for lost cargo is still pending in the District Court of Helsinki. The amount claimed is approximately 0.9 million euros.

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

28 Derivative contracts on 31 December 2004, EUR million

		Nominal value 2004	Fair value	Nominal value 2003
Currency derivatives				
Forward contracts		297.1	-18.4	121.0
Currency options				
Bought		23.5	0.1	27.7
Sold		23.5	-0.3	32.5
Currency swaps		96.0	-41.6	121.6
Interest rate derivatives				
Interest rate options				
Bought		22.0	0.0	23.8
Sold		44.0	-0.6	47.5
Derivative contracts. total		506.2	-60.8	374.0
Other derivative contracts				
Fuel price agreements	tonne	270,900	3.0	161,300
Fuel options				
Bought	tonne	33,000	0.1	0
Sold	tonne	33,000	-0.9	18,000

29. Personnel Fund

A bonus provision of 0.5 million euros has been entered into staff costs.

30. Share Option Scheme for Key Personnel

Finnair Plc year 2000 option scheme

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 scheme for the personnel of Finnair Group. The number of the option 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 option rights confer entitlement to subscribe for a maximum of 4,000,000 shares in Finnair Plc.

The share subscription price in case of option rights A is the trade volume weighted average quotation of the Finnair Plc share in the Helsinki Exchanges between 1 July and 31 August 2000, with an addition of twenty (20) per cent, this is 5.19 euros and in case of option B the trade volume weighted average quotation of the Finnair Plc share in the Helsinki Exchanges between 1 July and 31 August 2001, with an addition of fifteen (15) per cent, this is 5.48 euros. From the share subscription price is deducted, as per each date when the relevant dividend is available for payment, 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 share subscription price 31 December 2004 for option rights A is 4.22 euros and option rights B 5.16 euros.

The subscription period began gradually on 1 May 2003 and 1 May 2004 and it shall end for all warrants on 31 August 2006. The maximum increase in Finnair Plc share capital is 3,400,000 euros. The social security provisions for the share option scheme have been made.

Finnair Plc 2004 share-based incentive scheme

Finnair Group introduced share-based bonuses for key personnel through an option scheme in 2000. When it became apparent in 2004 that continuation of an option scheme in state interest companies was no longer possible, a share-based incentive scheme geared at direct ownership of shares was designed for the Group's key personnel.

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.

The Board of Directors sets the targets for each earnings period annually. The targets will be set on the basis of the economic and/or operational development of the Finnair Group. Meeting the targets set for the earnings period will determine how much of the maximum bonus will be paid out.

A bonus for the 2004 earning period will be paid out if the Finnair Group's earnings per share (EPS) is over 0.10 euros and if return on capital employed (ROCE) is over 3.5%. The bonus will be paid in full if the EPS is at least 0.60 euros and the ROCE at least 8.5%. Between these two values the bonus will be determined in a linear fashion.

Targets set for 2004 do not meet those of the company in the long run. The 2004 criteria take into consideration the special circumstances of the industry.

SHARES AND SHARE CAPITAL

Shares and Share Capital

On 31 December, 2004 the Company's share capital was 72,045,331.05 euros and the total number of issued shares was 84,759,213. Each share has one vote at the Annual General Meeting and the nominal value of the share is 0.85 euros.

The minimum and maximum values of Finnair Plc share capital are 60 million euros and 240 million euros respectively, within the limits of which share capital can be raised or lowered without amending the Articles of Association. The company 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 0.10 euros per share or 71.6% of the earnings per share will be paid for the financial year 2004.

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. The company intends to take into account the Company's earnings trend and outlook, financial situation 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 key Finnair Group 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 subscription period for the A option rights (2,000,000 units) began on 1 May 2003 and for the B option rights (2,000,000 units) on 1 May 2004. The subscription period for all option rights will end on 31 August, 2006.

During the financial year 2004 no new shares were subscribed under the share option scheme. On 31 December 2004 a total of 3,997,500 shares were available for subscription with 3,997,500 option rights. The option rights accounted for 4.72% of the shares and votes.

The Board of Directors of Finnair Plc approved the share-based incentive scheme for the Group's key personnel on 18 June 2004. The plan is presented in the note number 30. The scheme has no influence on the total number of Finnair shares.

Convertible Loans

In February 1994, Finnair Plc issued a perpetual convertible debenture loan for 38,683,223.09 euros (FIM 230 million) on the basis of an authorisation received from the Annual General Meeting of Shareholders in August 1993 and from an Extraordinary Meeting of Shareholders in November 1993. During 2004 share subscriptions from the 1994 debenture loan were executed for 84,094 euros, equivalent to 13,550 shares. The total amount of the outstanding debenture loan was therefore 5,627,567.97 euros. The Board of Directors of Finnair Plc decided to repay the outstanding principal amount of the debenture loan including the interest to the debenture holders in accordance with the terms and conditions of the debenture loan. The repayment date was 2 September 2004.

There were no convertible loans outstanding as of 31 December 2004.

Board of Directors' Authorisation

The Board of Directors of Finnair Plc, on the basis of the Annual General Meeting's decision on 9 April 2004, has the authorisation to decide on the acquisition and transfer of 4,100,000 of its own shares, which is under 5% of the Company's share capital. In 2004, a total of 422,800 shares were purchased under the authorisation, as a result of which the unused authorisation amounted to 3,677,200 shares on 31 December 2004. On 31 December 2004 the purchased shares were still in the Company's holding. The authorisation is valid until 6 April 2005.

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

Government Ownership

At the end of the financial year on 31 December 2004 the Finnish Government owned 58.4% of the Company's shares and votes. On 20 June 1994, Parliament decided to maintain the Government's majority holding and gave its consent to reduce that holding to less than two-thirds. Should the issued option rights be used for the subscription of Finnair Plc shares, the Government's holding would be 55.8%.

Share Ownership by Management

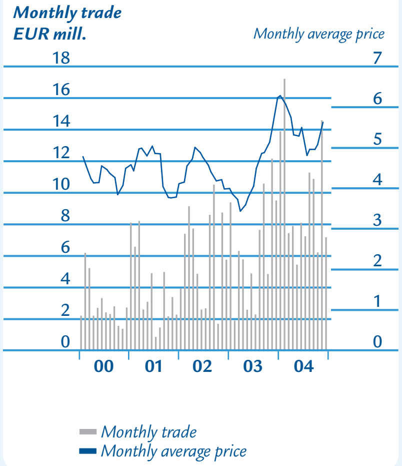
On 31 December 2004, the members of the Company's Board of Directors and the President & CEO owned 11,100 shares, which represents 0.01% of all the shares and votes.

Share Prices and Trading

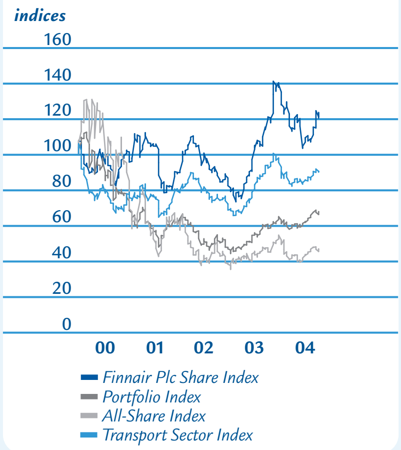
The Finnair Plc share was quoted at 5.56 euros on the Helsinki Exchanges on the last day of the financial year. The total market value of the Company's shares was 471.3 million euros (449.1). The highest trading price during the financial year was 6.57 euros (5.58) and the lowest 4.46 euros (3.20).

A total of 21.3 million shares (17.8) were traded on the Helsinki Exchanges for a value of 114.9 million euros (76.4) during the financial year under review.

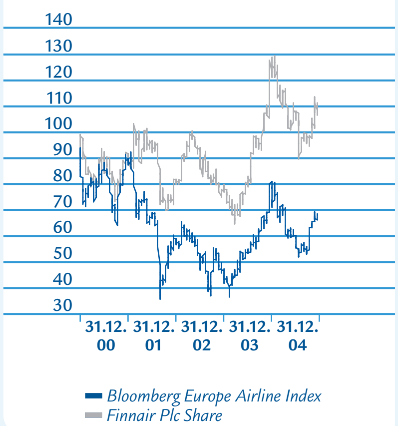
FINNAIR SHARE TRADE DEVELOPMENT AND TRADE 2000–2004



FINNAIR PLC SHARE INDEX AND HELSINKI STOCK EXCHANGE INDICES



SHARE PRICE DEVELOPMENT COMPARED WITH OTHER EUROPEAN AIRLINES



Share-Related Key Figures

		2004	2003	2002	2001	Pro forma 2000
Share-related key figures						
Earnings/share	EUR	0.14	-0.19	0.43	0.08	0.95
Equity/share	EUR	7.29	7.24	7.58	7.22	7.54
Dividend/share	EUR	0.10	0.10	0.15	0.07	0.40
Dividend-to-earnings ratio	%	71.6	-52.2	34.5	83.1	42.2
P/E ratio		39.81	-27.66	8.63	44.52	4.71
P/CEPS		3.5	4.4	1.9	2.4	1.5
Effective dividend yield	%	1.8	1.9	4.0	1.9	9.0
Number of shares and share prices						
Average number of shares adjusted for share issue		84,750,387	84,743,371	84,740,792	84,739,098	84,739,098
Average number of shares adjusted for share issue (with diluted effect)		86,757,963	86,048,385	85,663,479	85,663,479	85,663,479
The number of shares adjusted for share issue at the end of financial year		84,759,213	84,745,663	84,743,163	84,739,098	84,739,098
The number of shares adjusted for share issue at the end of financial year (with diluted effect)		88,756,713	86,048,385	85,665,173	85,663,479	85,663,479
Number of shares end of financial year		84,759,213	84,743,163	84,743,163	84,739,098	84,739,098
Prices adjusted for share issue						
highest	EUR	6.57	5.58	5.10	5.20	4.99
lowest	EUR	4.46	3.20	3.70	3.48	3.65
Market value of share capital 31 Mar/31 Dec	EUR mill.	471	449	318	318	379
No. of shares traded		21,277,418	17,817,180	16,683,820	10,894,673	8,123,712
No. of shares traded as % of average no. of shares	%	25.10	21.02	19.70	12.90	9.60

Shareholders by type as at 31 December 2004

	Number of shares	%	Number of shareholders	%
Public bodies (state, local goverment)	54,930,811	65	42	
Regstered in name of nominee	11,357,571	13	10	
Housholds	5,535,622	7	8,131	93
Financial Institutions	4,473,890	5	49	1
Outside Finland	4,228,276	5	42	
Private companies	3,451,071	4	391	5
Associations	756,590	1	77	1
Not converted to the book entry system	25,590			
Total	**84,759,213**	**100**	**8,742**	**100**

Finnair Plc, acquisation of own shares

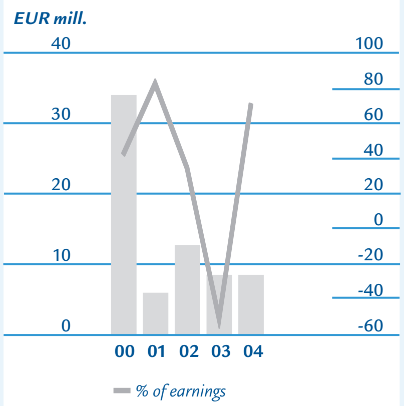
Period	Numbers of shares	Nominal value, EUR	Acquisition value/EUR	Average price/EUR
1 July – 18 August 2004	422,800	359,380	2,275,666	5.38

By 31 December 2004 Finnair Plc holds 422,800 own shares, which represent 0.5% of all shares and votes.

Breakdown of shareholdings as at 31 December 2004

Shares held	Shareholders	Shares
1–100	3,338	163,085
101–1 000	4,103	1,714,721
1 001–10 000	1,137	3,192,886
10 001–100 000	126	3,945,842
100 001–1 000 000	24	7,853,878
1 000 001–	4	56,505,848
Reg in the name of a nominee	10	11,357,571
Not converted to\n the book entry system		25,382
Total	**8,742**	**84,759,213**

DIVIDEND PER YEAR



* The 2004 proposal of the Board of Directors to the AGM

The brokerage firms analysing Finnair

ABN AMRO/Alfred Berg, Steven M. Brooker
Carnegie Investment Bank AB, Finland Branch, Jussi Karhunen
eQ Bank Ltd, Bengt Dahlström
FIM Securities Ltd., Linda Blom
Kaupthing Bank Oyj, Jutta Rahikainen
Mandatum Securities Ltd., Robin Johansson
Opstock Banking, Pekka Spolander
SEB Securities, Kari Paajanen

Largest shareholders as at 31 December 2004

		Number of shares	% of total shares
1. State of Finland		49,510,682	58,41
Odin Norden	3,470,166		
Odin Finland	540,400		
2. Odin Förvaltning AS		4,010,566	4,73
Tapiola Mutual Pension Insurance Company	2,325 000		
Tapiola General Mutual Insurance Company	256,300		
Tapiola Mutal Life Assurance Company	171,200		
Tapiola Corporate Life Insurance Company	110,000		
Tapiola Fund	54,700		
3. Tapiola Group		2,917,200	3,44
Pohjola Insurance Company			
Pohjola Finland Value Fund	132,000		
Pohjola Forte Fund	1,200,000		
Pohjola Interest Share Fund	60,000		
4. Pohjola Group		1,431,200	1,69
5. The Local Government Pension Institution		1,000,000	1,18
OP-Delta Fund	624,500		
OP-Pirkka Fund	55,000		
6. OP Funds		679,500	0,80
7. Fortum Pension Insurance Company		556,020	0,66
8. Sonstock Oy		485,000	0,57
9. Nordea Nordic Fund		457,900	0,54
10. Finnair Plc (own shares)		422,800	0,50
11. Rausanne Oy		411,300	0,49
12. Etera Mutual Pension Insurance Company		401,700	0,47
13. Rannila, Esa		398,800	0,47
Aktia Capital Fund	200,000		
Aktia Secura Fund	85,000		
14. Aktia Funds		285,000	0,34
Alfred Berg Finland Fund	130,850		
Alfred Berg Small Cap Fund	84,900		
Alfred Berg Optimal Fund	54,300		
15. Alfred Berg Funds		27,050	0,32
16 Turku City Fund		261,800	0,31
17. Kaleva Mutual Insurance Company		250,000	0,29
18. Sampo Life Insurance Company		238,807	0,28
19. Seucurity Trading Oy		200,000	0,24
20. Nordea Pension Fund		196,200	0,23
21. Saving Bank Finland Fund		189,800	0,22
Veritas, Pension Insurance Company	105,301		
Veritas, Life Company	21,700		
22. Veritas Group		127,001	0,15
23. Church Central Fund		113,200	0,13
24. Ingman Finance Oy Ab		100,000	0,12
25. EQ Sirius Fund		100,000	0,12
Registered in the name of a nomineee		11,357,571	13,40
Others		8,387,116	9,90
Total		**84,759,213**	**100,00**

BOARD OF DIRECTORS' PROPOSAL ON THE DIVIDEND

The Group's distributable equity according to the financial statements on 31 December 2004 amounts to 321,601,403.59 euros, while the distributable equity of the parent company comes to 301,972,035.94 euros. The Board of Directors proposes to the Annual General Meeting that a dividend of 0.10 euros per share be distributed, a total of 8,475,921.30 euros, and that the remainder of the distributable equity be carried over as retained earnings.

Helsinki, 16 February 2005
The Board of Directors of Finnair Plc

Christoffer Taxell   Kari Jordan   Samuli Haapasalo

Markku Hyvärinen   Veli Sundbäck   Helena Terho   Kaisa Vikkula

Finnair Plc's CEO
Keijo Suila

AUDITORS' REPORT

To the shareholders of Finnair Plc

We have examined the accounts, the financial statements and the administration of Finnair Plc for the financial year 1 January 2004 to 31 December 2004. The financial statements prepared by the Board of Directors and the President and CEO include the review of operations and the statements of profit and loss, the balance sheets and the notes to the financial statements for the Group and the Parent Company. On the basis of our audit, we issue the statement below on the financial statements and the administration.

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 the administration is to examine whether the members of the Board of Directors and the President and CEO of the Parent Company, have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the 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 Accounting Act, of both the Group and the Parent Company's result of operations and the financial position. The financial statements, including those of the Group, can be adopted and the members of the Board of Directors and the President and CEO can be discharged from liability for the period audited by us. The proposal by the Board of Directors concerning disposal of the profit for the financial year complies with the Companies Act.

Helsinki, 1 March 2005

PricewaterhouseCoopers Ltd.
Authorised Public Accountants

Eero Suomela   Jorma Heikkinen
APA   APA

FINANCIAL INDICATORS 2000–2004

		2004	2003	2002	2001	Pro forma 2000
Consolidated income statement						
Turnover	EUR mill.	**1,698**	1,558	1,656	1,631	1,658
- change	%	**9.0**	-6.0	1.6	29.5	-
EBITDA	EUR mill.	**118**	85	175	145	232
- in relations to turnover	%	**7.0**	5.5	10.5	8.9	14.0
Operating profit	EUR mill.	**17**	-19	60	13	111
- in relations to turnover	%	**1.0**	-1.2	3.6	0.8	6.7
Profit before extraordinary items	EUR mill.	**11**	-22	54	9	120
- in relations to turnover	%	**0.7**	-1.4	3.3	0.5	7.2
Profit before taxes	EUR mill.	**11**	-22	54	9	149
- in relations to turnover	%	**0.7**	-1.4	3.3	0.5	9.0
Consolidated balance sheet						
Fixed assets	EUR mill.	**915**	904	958	1,094	1,009
Current assets	EUR mill.	**563**	511	522	414	530
Total assets	EUR mill.	**1,478**	1,415	1,480	1,508	1,539
Shareholders equity and minority interests	EUR mill.	**618**	621	649	618	645
Liabilities	EUR mill.	**860**	794	831	890	894
Total liabilities	EUR mill.	**1,478**	1,415	1,480	1,508	1,539
Gross capital expenditure	EUR mill.	**115**	82	102	281	247
Gross capital expenditure in relation to turnover	%	**6.7**	5.3	6.2	17.2	14.9
Return on equity (ROE)	%	**2.0**	-2.5	5.9	1.2	13.3
Return on capital employed (ROCE)	%	**3.7**	0.0	7.6	2.9	15.3
Average capital employed	EUR mill.	**887**	934	1,008	1,003	893
Increase in share capital	EUR mill.	**0**	0	0	0	1
Dividend for the financial year [1]	EUR mill.	**8**	8	13	6	34
Earnings/share	EUR	**0.14**	-0.19	0.43	0.08	0.95
Earnings/share adjusted for option rights (with dilution effect)	EUR mill.	**0.14**	-0.19	0.43	0.08	0.95
Equity/share	EUR	**7.29**	7.24	7.58	7.22	7.54
Dividend/share [1]	EUR	**0.10**	0.10	0.15	0.07	0.40
Dividend/earnings	%	**71.6**	-52.2	34.5	83.1	42.2
Effective dividend yield	%	**1.80**	1.89	4.00	1.90	9.00
P/CEPS		**3.5**	4.4	1.9	2.4	1.5
Cash flow/share	EUR	**1.6**	1.2	2.0	1.6	2.9
P/E ratio		**39.81**	-27.66	8.63	44.52	4.71
Equity ratio	%	**42.7**	44.4	44.3	41.3	42.2
Net debt-to-equity (Gearing)	%	**-5.5**	-2.9	3.1	34.6	11.1
Adjusted gearing	%	**95.5**	102.7	82.0	116.6	72.7
Interest bearing debt	EUR mill.	**258**	277	322	427	316
Liquid funds	EUR mill.	**291**	294	302	215	245
Net interest bearing debt	EUR mill.	**-34**	-18	20	212	71
- in relations to turnover	%	**-2.0**	-1.1	1.2	13.0	4.3
Net financing income (+) / expenses (-)	EUR mill.	**-6**	-3	-6	-4	9
- in relations to turnover	%	**-0.3**	-0.2	-0.3	-0.3	0.6
Net interest expenses	EUR mill.	**-2**	-2	-5	-4	-2
- in relations to turnover	%	**-0.1**	-0.1	-0.3	-0.3	-0.1
Operational cash flow	EUR mill.	**112**	82	168	138	243
Operational cash flow in relation to turnover	%	**6.6**	5.2	10.2	8.5	14.6
Average number of shares adjusted for the share issue		**84,750,387**	84,743 171	84,740,792	84,739,098	84,739,098
and the number of share at the end of the financial year (with diluted effect) 2)		**86,757,963**	86,048,385	85,663,479	85,663,479	85 663,479
Average number of shares adjusted for the share issue		**84,759,213**	85,745,663	85,743,163	84,739,098	84,739,098
and the number of shares at the end of the financial year (with diluted effect) 2)		**88,756,713**	86,048,385	85,665,173	85,663,479	85,663,479
Personnel on average		**9,522**	9,981	10,476	10,847	11,051

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

1) The dividend for 2004 is a proposal of the Board of Directors to the Annual General Meeting
2) In calculating the diluted figures. the impact of convertible bonds and the year 2000 share option scheme have been included.
The diluted effect has been calculated by the rate of the closing day.

Turnover by sector, EUR mill.

	2004 Q4	Q3	Q2	Q1	2003 Q4	Q3	Q2	Q1
Scheduled Passenger Traffic	332.4	318.0	316.5	298.9	294.0	285.8	277.4	284.5
Leisure Traffic	100.4	80.9	75.2	98.1	89.2	75.7	68.7	93.7
Aviation Services	101.1	103.8	101.2	107.2	106.0	101.4	98.8	107.1
Travel Services	22.2	22.5	24.9	22.0	22.5	21.0	22.2	21.7
Group eliminations	-105.0	-102.4	-108.0	-111.5	-105.7	-98.7	-101.0	-106.7
Finnair Group Total	**451.1**	**422.8**	**409.8**	**414.7**	**406.0**	**385.2**	**366.1**	**400.3**
Previous year	406.0	385.2	366.1	400.3	433.7	404.7	426.9	391.1
Change %	**11.1**	**9.8**	**11.9**	**3.6**	**-6.4**	**-4.8**	**-14.2**	**2.4**

Operating profit excluding capital gains by sector, EUR mill.

	2004 Q4	Q3	Q2	Q1	2003 Q4	Q3	Q2	Q1
Scheduled Passenger Traffic	-5.1	5.5	-6.5	-20.7	-14.9	-2.4	-7.6	-19.4
Leisure Traffic	7.0	7.7	0.4	11.7	7.1	6.6	1.2	1.7
Aviation Services	1.8	6.8	6.3	5.4	5.1	7.5	4.0	-0.1
Travel Services	1.2	1.2	2.3	1.8	1.9	0.7	1.1	-0.2
Group eliminations	0.5	-11.1	-5.3	-5.9	-8.5	-7.1	-8.6	-9.1
Finnair Group Total	**5.4**	**10.1**	**-2.8**	**-7.7**	**-9.3**	**5.3**	**-9.9**	**-27.1**
Previous year	-9.3	5.3	-9.9	-27.1	0.0	-1.9	29.4	-3.0

CALCULATION OF KEY INDICATORS

EBITDAR = Operating profit + depreciation + aircraft lease rentals

EBITDA = Operating profit + depreciation

Return on equity % (ROE) = $\frac{\text{Result before extraordinary items – taxes}}{\text{Equity + minority interests (average at the beginning and end of the financial year)}}$ x 100

Capital employed = Balance sheet total – non interest bearing liabilities

Return on capital employed % (ROCE) = $\frac{\text{Result before extraordinary items + interest and other financial expenses}}{\text{Capital employed (average at the beginning and end of the financial year)}}$ x 100

Earnings/share (Euro) = $\frac{\text{Result before extraordinary items +/- minority share – taxes}}{\text{Adjusted average number of shares during the financial year}}$

Equity/share (Euro) = $\frac{\text{Equity}}{\text{Number of shares at the end of the financial year, adjusted for the share issue}}$

Dividend/earnings % = $\frac{\text{Dividend per share}}{\text{Earnings/share}}$ x 100

Effective dividend yield % = $\frac{\text{Dividend per share}}{\text{Adjusted share price at the end of the financial year}}$ x 100

P/CEPS = $\frac{\text{Share price at the end of the financial year}}{\text{Cash flow from operations per share}}$

Cash flow/share (Euro) = $\frac{\text{Cash flow from operations}}{\text{Adjusted average number of shares during the financial year}}$

P/E ratio = $\frac{\text{Share price at the end of the financial year}}{\text{Earnings/share}}$

Equity ratio in per cent % = $\frac{\text{Equity + minority interests}}{\text{Balance sheet total – advances received}}$ x 100

Gearing % = $\frac{\text{Interest bearing debt – liquid funds}}{\text{Equity + minority interests}}$ x 100

Adjusted gearing % = $\frac{\text{Interest bearing debt + 7 x annual aircraft leasing payments - liquid funds}}{\text{Equity + minority interests}}$ x 100

Operational cash flow = Operating profit + depreciation + financial items + extraordinary items – taxes

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