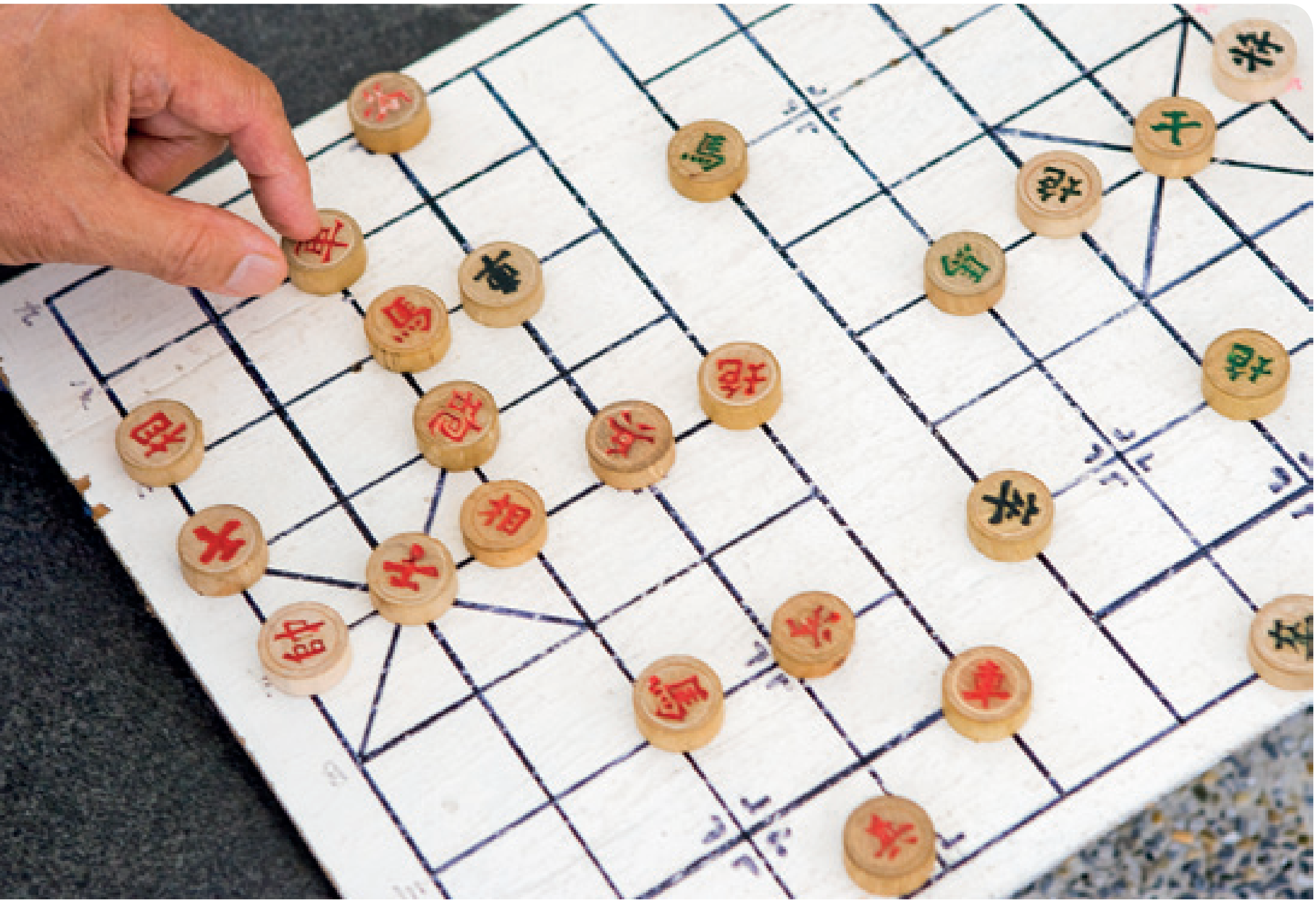
Financial Report 2010

FINNAIR

oneworld

Group Report 2010 www.finnair.com/group



Financial Report

CONTENTS

Finnair Group Key Figures

KEY FIGURES

		2010	2009	2008
Turnover	EUR mill.	2,023	1,838	2,256
Operational result, EBIT [1]	EUR mill.	-5	-171	1
Operational result, EBIT [1] % of turnover	%	-0.2	-9.3	0.0
Operating profit, EBIT	EUR mill.	-13	-115	-58
Result before taxes	EUR mill.	-33	-125	-62
Unit revenues on flight operations	c/RTK	70.3	67.2	75.8
Unit costs on flight operations	c/RTK	70.2	74.3	76.6
Unit costs on flight operations	c/ATK	45.6	43.6	43.4
Earning per share	EUR	-0.24	-0.76	-0.36
Equity per share	EUR	6.67	6.45	5.87
Gross investment	EUR mill.	183	348	233
Interest-bearing net debt	EUR mill.	238	221	-90
Equity ratio	%	36.2	34.2	36.9
Gearing	%	27.8	26.8	-12.0
Adjusted gearing	%	79.6	90.0	65.1
Return on capital employed (ROCE)	%	-0.4	-7.8	-3.0
Average number of employees		7,578	8,797	9,595

[1] Excluding capital gains, changes in fair value of derivatives, changes in the exchange rates of overhauls and non-recurring items.

FINNAIR GROUP FLEET 31 DECEMBER 2010

	Seats	Total	Owned	Leased	Average age
Airbus A319	123	11	7	4	9.2
Airbus A320	159	12	6	6	8.4
Airbus A321	196	6	4	2	9.9
Airbus A330	271–297	8	4	4	1.0
Airbus A340	269	6	5	1	7.0
Boeing B757	227	4	0	4	13.0
Embraer 170	76	6	2	4	4.9
Embraer 190	100	10	6	4	3.1
Total		63	34	29	6.7

FINNAIR'S TRAFFIC DATA 2006–2010

		2010	2009	2008	2007	2006
Flight hours		202,244	207,178	232,389	228,487	211,813
Flight kilometres	1,000	135,609	139,835	155,300	147,094	133,890
Available seat kilometres	million	25,127	26,260	29,101	26,878	23,846
Revenue passenger kilometres	million	19,222	19,935	21,896	20,304	17,923
Passenger load factor	%	76.5	75.9	75.2	75.5	75.2
Available tonne kilometres	million	3,808	3,920	4,485	4,074	3,602
Revenue tonne kilometres	million	2,471	2,298	2,545	2,365	2,100
Overall load factor	%	64.9	58.6	56.7	58.0	58.3
Passengers	1,000	7,139	7,433	8,270	8,653	8,792
Cargo and mail	1,000 kg	123,154	89,234	102,144	98,684	93,807

Board of Directors' Report for the Financial year 1 January–31 December 2010

MARKET AND GENERAL REVIEW

2010 began in conditions of lower demand and price levels than the previous year. Cargo demand had already resumed growth in late 2009, which was reflected in improving cargo prices during spring 2010. Passenger demand picked up during the first quarter.

Structurally, Finnair progressed in line with the general development of the sector. The positive development of unit revenue in Finnair's scheduled traffic was stronger, however, than the rest of the sector, owing to a change in the structure of demand. Business travel demand rose quickly in traffic between Europe and Asia.

Nearly all of European air traffic was affected by the ash cloud that followed the volcanic eruption in Iceland in April–May. Around 100,000 flights were cancelled due to flight restrictions over the course of a week. Finnair, too, suffered significant losses due to the traffic chaos.

In addition, Finnair's traffic was disrupted by a ten-day long strike by cabin staff in December. Without the traffic disruptions experienced, Finnair's financial year 2010 would have been profitable.

Last year Finnair implemented many efficiency measures, which helped production costs to rise more slowly compared to turnover. Profitability improved from the deep loss of the previous year, but is still far from the company's financial targets.

The focus of Finnair's air transport is centred even more than before on Europe-Asia traffic. In addition to the company's own production, Finnair is seeking in European and domestic feeder traffic to add new production options in order to reduce unit costs and increase flexibility.

Finnair's vision was updated during the spring. The company's objective is to become the leading airline in the Nordic countries and to be the most desired option in traffic between Asia and Europe. Finnair's visual identity was also renewed to correspond with the sharpened strategy. This work will continue with a renewal of service identity, supported by a development of management culture.

The first stage of the long-haul traffic fleet modernisation has been completed. This current year and the next will be characterised by a lower level of investment. The European Airbus A320 fleet, used for scheduled and leisure flights, will receive new aircraft from 2013 and the next additions to the long-haul fleet will take place from 2014. By then, the Finnair Group's operational profitability must be significantly strengthened. This requires goal-oriented measures in the field of cost efficiency.

Finnair has lost market share in the leisure flight market. The goal is to win this market share back using both own production and capacity leased from outside the Group. Package tour demand will pick up with a delay after the recession, but signs of recovery are already visible.

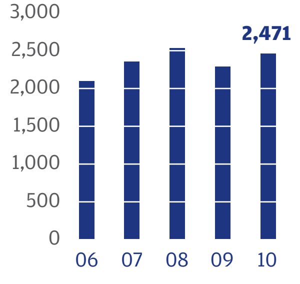
Cargo developed strongly in 2010, the recovery having begun in 2009. Finnair took advantage of Asia's strengthening cargo market by launching a regular cargo traffic route to Hong Kong, Seoul and New York. Even during the cabin staff strike, cargo was flown on some long-haul passenger aircraft.

FINANCIAL RESULT, 1 JANUARY–31 DECEMBER 2010

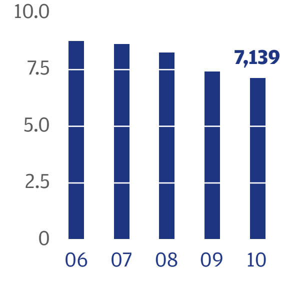
The increase in turnover was due mainly to improved unit revenue in all categories of passenger and cargo traffic as well as volume growth calculated in tonne-kilometres. Cargo traffic volume was increased by dedicated cargo aircraft traffic launched in May 2010.

Profitability improved significantly as operational costs remained nearly unchanged, despite 10% growth in turnover. Profitability was adversely affected by the volcanic eruption in Iceland, which led to the spread of an ash cloud that halted air traffic for a week, and by a 10-day strike by cabin staff, which resulted in the cancellation of most of Finnair's flights. The negative impact of

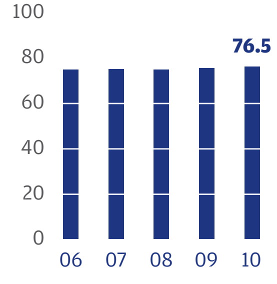
Revenue tonne kilometers
Mill. tnkm



Number of passengers
Mill. passengers



Passenger load factor
%



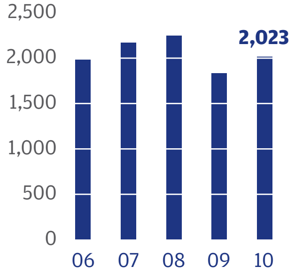
FINANCIAL KEY FIGURES IN JANUARY–DECEMBER 2010			
Key figure, EUR million	2010	2009	Change %
Consolidated turnover	2,023.3	1,837.7	10.1
Operational result *)	-4.7	-171.1	-
Operational expenses	2,050.7	2,028.4	1.1
Result before taxes	-33.0	-124.6	73.5
Net operational cash flow	61.1	-120.6	-
Earnings per share, EUR	-0.24	-0.76	-

*) Excluding capital gains, changes in the fair value of derivatives, changes in the exchange rates of overhauls, and non-recurring items.

DEVELOPMENT OF TRAFFIC VOLUMES AND UNIT REVENUE IN JANUARY–DECEMBER 2010	
Key Performance Indicator (KPI)	Change %
Available seat-kilometres (all traffic)	-4.3
Revenue passenger kilometres (all traffic)	-3.6
Revenue passenger kilometres (Asian scheduled traffic)	7.9
Passenger load factor (all traffic), 76.5%	0.6 % points
Available tonne-kilometres (all traffic)	-2.9
Revenue tonne-kilometres (all traffic)	7.6
Cargo carried, change	38.0
Unit costs per available tonne-kilometre	4.6
Passenger traffic, unit revenue per revenue passenger-kilometre	9.9
Cargo traffic, unit revenue per tonne-kilometre	18.8
Passenger and cargo traffic, weighted unit revenue per tonne-kilometre	3.4
Passenger traffic, unit revenue per passenger	10.4

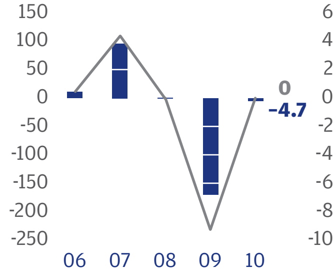
Turnover

EUR mill.



EBIT *

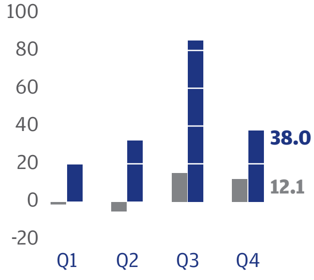
EUR mill.



* Excluding capital gains, changes in fair value of derivatives, changes in the exchange rates of overhauls and non-recurring items.

EBITDAR*

EUR mill.



* Excluding capital gains, changes in fair value of derivatives, changes in the exchange rates of overhauls and non-recurring items.

the ash crisis on the operational result was around 30 million euros and direct losses caused by the strike totalled 25 million euros. Both items are included in the operational result.

Personnel expenses fell clearly more than production volume, as a result of temporary lay-offs, redundancies and stabilisation agreements concluded with personnel groups. Personnel expenses were also lowered by outsourcing of loading and cargo warehousing operations, which did, however, increase ground handling expenses.

Fuel costs fell, partly due to lower consumption and partly due to reduced hedging losses.

Fleet materials and supplies as well as maintenance costs rose by just over 30% mainly due to the increase of engine maintenance and redelivery over-hauls of the aircraft.

INVESTMENT, FINANCING AND RISK MANAGEMENT

At the end of December, balance sheet cash and cash equivalents totalled 526.9 million euros (607.4 million). Gearing stood at 27.8% (26.8). Gearing adjusted for leasing liabilities was 79.6% (90.0). The equity ratio was 36.2% (34.2). Finnair's solidity is good in comparison with the sector.

Investments in January–December totalled 183.5 million euros (347.6) and the projection for 2011 is approximately 50 million euros.

In 2009 Finnair entered into a finance leasing arrangement of around 165 million euros to finance three Airbus A330 aircraft. This was backed by the export credit institutions of the Airbus owner states. Within the framework of the financing arrangement, Finnair acquired one wide-bodied aircraft in December 2009 and two at the beginning of 2010. The aircraft are recognised in Finnair's balance sheet. The third of the A330 aircraft acquired in 2010 was sold and leased back for Finnair's use.

Finnair has the option of a loan-back of employment pension fund reserves from Ilmarinen Mutual Pension Insurance Company amounting to around 380 million euros, the withdrawal of which requires a bank guarantee.

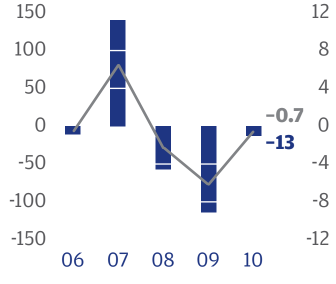
In addition, Finnair renewed in June 2010 for three years a 200 million euro syndicated credit facility, intended as reserve financing, which has not been used to date. Financial flexibility is also achieved through a 200 million euro short-term commercial paper programme, which at the closing date was completely unused.

According to the financial risk management policy approved by Finnair's Board of Directors, the company has hedged 75% of scheduled traffic's jet fuel purchases during the next six months and thereafter for the following 18 months with a decreasing level of hedging. In Finnair's charter traffic, fuel consumption is price hedged in accordance with a traffic programme agreed with tour operators within the framework of the hedging policy. Derivatives linked to jet fuel and gasoil prices are mainly used as the fuel price hedging instruments.

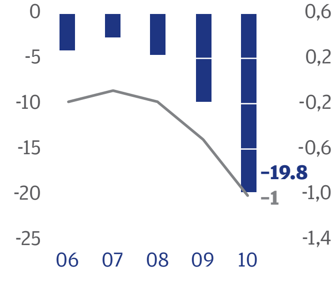
The change during the financial year in the fair value of derivatives that mature in the future, as well as the change in the exchange rates of foreign exchange-denominated engine overhaul provisions are recognised in Finnair's income statement. The change in question is a valuation result in accordance with IFRS reporting practice which has not been realised; it has no cash-flow impact, nor is it included in the operational result. During the year, the change in the fair value of derivatives and in the foreign exchange rates of overhaul provisions, amounted to -6.4 million euros (+55.5).

The operational result for January–December includes realised losses of 24.5 million euros (133.7 loss) on derivatives resulting from fuel price hedging, which appear in the fuel item of the income statement. The figure includes both foreign exchange and fuel derivatives. In the final quarter operational result, realised losses amount to 3.0 million euros.

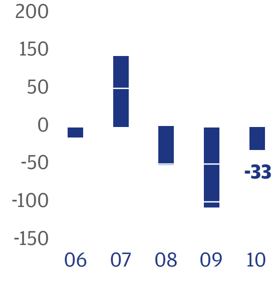
Operational profit, EBIT
EUR mill.
% of turnover



Financial income and expences
EUR mill.
% of turnover



Result before taxes
EUR mill.



Shareholders' equity includes a fair value fund related to hedge accounting, the value of which is affected by changes in the oil price and foreign exchange rates. The size of the item on the closing date was 35.2 million euros (-25.2), after deferred taxes, which includes foreign exchange and fuel derivatives as well as, to a lesser degree, other financial items.

A strengthening of the US dollar in relation to the euro had a negative effect of 11 million euros on Finnair's operational result in 2010. At the end of December, the degree of hedging for a dollar basket over the following 12 months was 71 per cent. A significant proportion of Finnair's sales takes place in currencies other than euros, in which case a weakening of the euro generally has a positive impact on revenues.

A rise in value of Norwegian Air Shuttle shares in 2010 had a positive impact on Finnair's shareholders' equity of around 1.5 million euros after deferred taxes. Finnair owns just over 5% of Norwegian Air Shuttle shares.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

At the Annual General Meeting held on 31 March 2010, the following former members were elected as members of Finnair Plc's Board of Directors for a term lasting until the end of the next Annual General Meeting: Christoffer Taxell (Chairman), Elina Björklund, Sigurdur Helgason, Satu Huber, Ursula Ranin, Veli Sundbäck and Pekka Timonen. In addition, a new member, Harri Sailas, was elected.

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

President & CEO Jukka Hienonen relinquished his duties as President & CEO on 31 January 2010. Mika Vehviläinen M.Sc.(Econ) became Finnair's new President & CEO on 1 February 2010. Vehviläinen joined Finnair on 5 January 2010 from his position as Chief Operating Officer of Nokia Siemens Networks.

Timo Riihimäki, who served as Senior Vice President, Customer Service, resigned from the company and was succeeded as of 10 May 2010 by Anssi Komulainen, formerly Senior Vice President, Human Resources. Manne Tiensuu MA (Psych.), who was appointed as the new Senior Vice President, Human Resources, assumed his duties on 1 October 2010.

The Finnair Group's General Counsel Sami Sarelius was appointed to Finnair Plc's Executive Board as of 20 August 2010. Sarelius also acts as secretary to Finnair Plc's Board of Directors and Executive Board.

Finnair's Executive Board was restructured as of 1 September 2010. Deputy Chief Executive Officer Lasse Heinonen continues to deputise for Finnair Plc's President & CEO and he has line responsibility for Finnair's cargo operations, technical services, catering functions, and land and real-estate services.

Erno Hildén, formerly Senior Vice President Operations, became the Group's Chief Financial Officer. He is also responsible for the Group's fleet management company, Finnair Aircraft Finance Oy. Ville Iho moved to become Senior Vice President, Operations.

After the financial year, two changes took place in the Executive Board. Gregory Kaldahl assumed the position of Senior Vice President, Resource Management on 11 January 2011. Kaldahl was formerly employed by United Airlines. Senior Vice President, Public Affairs and Corporate Communications Christer Haglund will leave Finnair to join another company in mid-April.

Changes also took place in subsidiaries and in the Finnair Group's Board of Management.

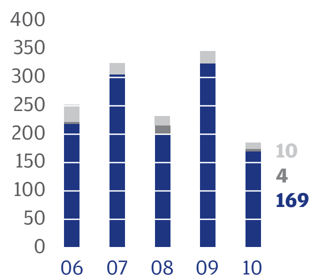
Capital expenditure (gross)

EUR mill.

Other capital expenditure

Buildings

Flight equipment

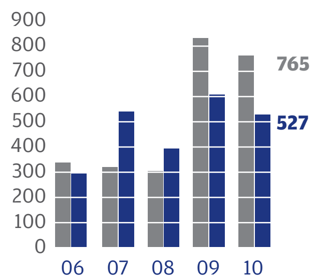


Interest bearing liabilities and liquid funds

EUR mill.

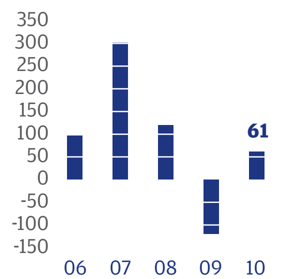
Interest bearing liabilities

Liquid funds



Cash flow from operating activities

EUR mill.



Managing Director Jukka Hämäläinen of Northport Oy left the company on 31 July 2010. Ari Kuutschin, who moved to his new post from Finnair Group's Human Resources Administration, became Northport Oy's new Managing Director as of 1 August 2010.

The Finnair Group's Board of Management comprises, in addition to the members of Finnair Plc's Executive Board, Senior Vice President Catering Kristina Inkiläinen Northport Oy's Managing Director Ari Kuutschin, Senior Vice President Cargo Antero Lahtinen and Senior Vice President Technical Services Kimmo Soini.

The Finnair Group's Board of Management was expanded from the beginning of June. In addition to the current members, Vice President Sales Petri Schaaf, Vice President Flight Operations Markku Malmipuro and Vice President Cabin Service Department Kati Lehesmaa were also appointed as members. In addition, representatives of all personnel organisations became permanent members of the Board of Management. Previously, membership of personnel representatives on the Board of Management had alternated between the various personnel organisations.

Following the changes in operational functions, Ville Iho serves as the Accountable Manager referred to in the Airline Operator's Certificate.

Aurinkomatkat-Suntours' President & CEO Jukka Salama retired on 31 December 2010. Appointed to replace him as Managing Director was Aurinkomatkat's Commercial Director Tuomo Meretniemi, who took up the post on 1 January 2011.

A Corporate Governance Statement and a review of management salaries and remuneration principles are presented in the Corporate Governance section of the Financial Report.

PERSONNEL

During 2010, the Finnair Group had an average number of 7,578 employees, which was 13.9% less than a year earlier. The Airline Business segment had 3,524 employees. The total number of personnel in technical, catering and ground handling services was 2,685 and in travel services 1,110. A total of 259 people were employed in other functions. At the end of 2010, the Finnair Group had 7,616 employees, which was 329 fewer than a year earlier.

Of the Finnair Group's employees, there were around 750 working abroad at the end of the year, of which 250 worked in sales and customer service tasks in Finnair's passenger and cargo traffic and 500 worked in the service of travel agencies and tour operators based in the Baltic countries and Russia, and as guides at Aurinkomatkat-Suntours' holiday destinations. Foreign personnel are included in the total number of Group employees.

Full-time staff account for 95% of employees. Around half of part-time staff were employees on partial child-care leave. 96.5% of staff were employed on a permanent basis. The average age of employees was 44 years. Employees over 50 years of age accounted for 28% of personnel and seven per cent of employees were under 30 years of age.

Employees' average number of years in service was 17. 39% of Finnair personnel have been employed by the Group for more than 20 years and 12% have served for more than 30 years.

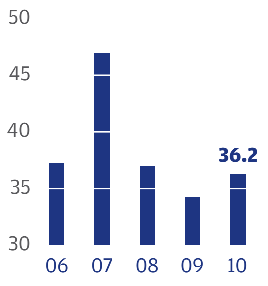
Of the Finnair Group's personnel, 53% are women and 47% are men. Three of the eight members of Finnair Plc's Board of Directors are women.

In June 2010, one-year agreements valid until 31 May 2011 were concluded with the Finnair Engineers' Association (FIRY) and the Finnair White-Collar Employees' Association (FYT). Also in June 2010, a two-year agreement valid until 31 May 2012 was concluded with the Finnair Technical Employees' Association. A pay rise connected with the agreement will be decided during spring 2011.

The collective agreement of the Finnish Aviation Employees' Association (SLV) is valid until 30 April 2011 and the agreement of the Finnish Airline Pilots' Association (SLL) is valid until 30 November 2011.

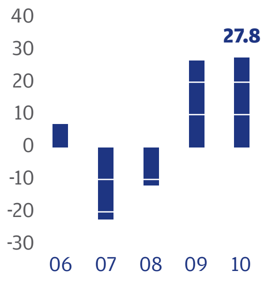
Equity ratio

%



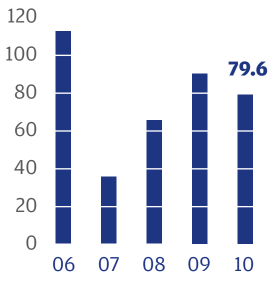
Gearing

%



Adjusted gearing

%



The collective agreement of the Finnish Aviation Union (IAU), which represents ground handling staff and some technical personnel, expired at the end of August. The IAU held a two-day strike of technical personnel in October. A new three-year collective agreement was signed, which halted the industrial action.

The collective agreement relating to cabin staff ended in April 2010. In negotiations initiated in February with the Finnish Cabin Crew Union (SLSY), no agreement was reached; the SLSY launched in December a 10-day strike, which halted most of Finnair's flight operations. The strike ended with the parties entering into a three-year collective agreement.

Stabilisation agreements reached with personnel organisations in 2009 in Finnair Technical Services and the Cabin Service Department expired at the end of 2010. The stabilisation agreements restrained growth in personnel costs.

Savings measures in other personnel groups have been implemented through temporary lay-offs and other individual cuts in earnings. The number of employees in the travel agencies has been reduced to adjust operations to meet the structural change in the sector since 2008.

The ending of the stabilisation agreements requires new adjustment measures to keep personnel costs under control. In Finnair's technical services companies, negotiations covering all employees and based on the Act on Cooperation Within Undertakings will be initiated, aimed at structural savings corresponding to a reduction of an estimated 450 jobs. The move relates to an adjustment requirement arising from changes that have occurred in the business environment for aircraft overhauls.

During 2010, Group management and personnel representatives have endeavoured to identify suitable working practices to improve Finnair's management and operating culture. Bilateral discussions between employees and management has been promoted by the Forward Together [Nokka nousuun] campaign.

Incentive bonuses for 2010, based mainly on quality indicators and including social security costs, are expected to be paid to personnel and key individuals to the sum of around 17 million euros, of which collective incentives will account for around 13 million euros. Incentives in accordance with the share-based bonus scheme will be around 800,000 euros. The criteria based on the Group's result for the personnel profit bonus were not fulfilled for 2010, and no incentive payments under the scheme will be paid to the Personnel Fund.

FLEET CHANGES

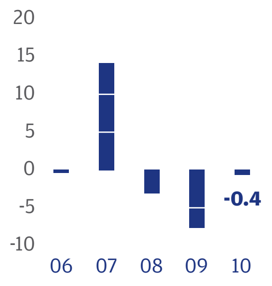
The Finnair Group's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair Plc. At the end of 2010, the Finnair Group had a total of 63 passenger aircraft in its own flight operations. The average age of Finnair's entire fleet is just under seven years, making it one of the most modern fleets in the world.

Two new Airbus A330-300 aircraft joined Finnair's wide-bodied fleet in early 2010 and one more in the final quarter. At the turn of the year, Finnair's fleet was further supplemented by two Airbus A340-300 aircraft, after which Finnair has a total of 15 aircraft in long-haul traffic. The latest A340-300 aircrafts were acquired on flexible lease agreements of approximately four years' duration. Most of the long-haul aircraft are less than two years old.

As part of the harmonisation of its fleet structure, last spring Finnair withdrew from service three Boeing 757-200 aircraft leased to leisure traffic, ordered five new Airbus A321ER aircraft and extended the lease period of its four remaining Boeing 757 aircraft. The remaining four Boeing 757s will be withdrawn in connection with the arrival of the new A321ERs in 2013 and 2014. Finnair was the first airline to order from Airbus the version equipped with wing-

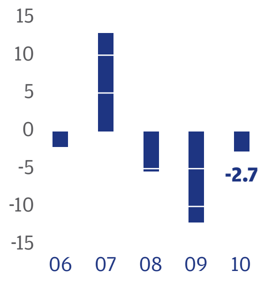
Return on capital employed

%



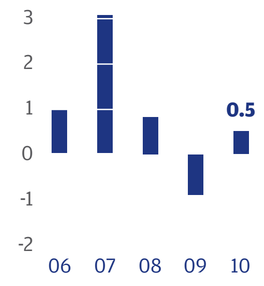
Return on equity

%



Cash flow/share

EUR



tip sharklets, which improve aircraft dynamics and fuel economy.

The last long-haul traffic Boeing MD-11 aircraft was withdrawn from Finnair's passenger traffic in February 2010. Finnair converted the two MD-11 aircraft in its ownership into cargo aircraft and sold them in July 2010 to the US leasing company Neff Air. Ownership of the aircraft will be transferred in the first half of this year. The transaction is not expected to have any significant impact on Finnair's result.

Finnair Aircraft Finance also increased the number of Embraer E170 aircraft leased out from the Group from two to four by leasing in May two E170 aircraft to Kenya Airways on a four-year agreement. One E170 aircraft was sold at the end of last year to the company Alterhein Realco AG. Ownership of the aircraft will be transferred in the spring 2011.

ENVIRONMENT AND CORPORATE RESPONSIBILITY

Finnair wishes to be the choice of the environmentally and quality aware passenger. That's why Finnair takes social, financial and environmental responsibility into consideration in all of its actions and decisions.

Finnair has been systematically modernising its fleet since 1999. The first stage of the long-haul traffic fleet modernisation was completed in the final quarter. Finnair currently flies with one of the most modern fleets in the world. In addition, emissions as well as consumption of energy and materials are minimised through operational measures both on the ground and in the air.

Last spring, Finnair published new substantial emissions targets for 2017. The objective is to reduce emissions by 24% per seat between 2009 and 2017. Emissions have already been substantially reduced, so the total emissions reduction from 1999 to 2017 will be 41% per passenger seat.

Air transport emissions trading will begin in the European Union in 2012. The scheme will apply to all flights arriving and departing from EU airports. In EU emissions trading, the level of rights to be allocated free of charge as well as Finnair's share arising from this remain open. Moreover, the rules for the second emissions trading period 2013–2020 have not yet been finally determined, which is adversely affecting preparations for emissions trading in the company. Finnair has delivered an acceptable authentication plan to the authorities. In cooperation with various actors in the sector, Finnair endorses the establishment of a worldwide emissions trading scheme, which would not distort competition in the sector.

Finnair participates actively in corporate responsibility work and in discussions with its interest groups. Finnair has reported its sustainable development principles and indicators in accordance with the international Global Reporting Initiative (GRI) guidelines for two years now. The 2009 report was ranked in the best category, Class A. This year, Finnair also reported for the fourth time the environmental impact of its operations in the international Carbon Disclosure Project (CDP).

Finnair supports the International Air Transport Association IATA's vision of zero-emission flying in 2050.

BUSINESS AREA DEVELOPMENT

The primary segment reporting of the Finnair Group's financial statements is based on business areas. As of 1 October 2009, the reporting business areas are Airline Business, Aviation Services and Travel Services.

Airline Business

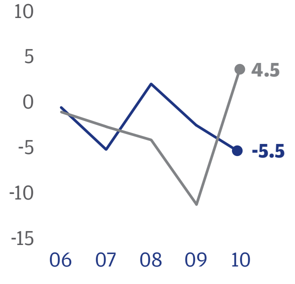
This business area is responsible for scheduled passenger and charter traffic as well as cargo business, service concepts, flight operations and

Unit revenue and cost

Change % from previous year

■ Unit revenue, c/RTK

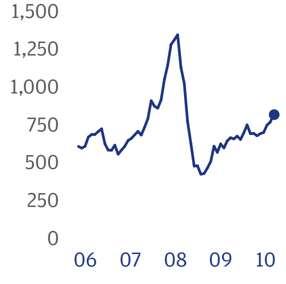
■ Unit cost, c/RTK



Jet Fuel market price
(Jet Fuel NWE CIF Cargoes) 2006–2010

USD/tonne

■ Jet Fuel, CIF NWE



AIRLINE, BUSINESS AREA'S KEY FIGURES IN 2010

Key figure, EUR million	2010	2009	Change %
Segment turnover	1,740.4	1,537.9	13.2
Operational result *)	1.9	-161.4	-

*) Excluding capital gains, changes in the fair value of derivatives, changes in the exchange rates of overhauls, and non-recurring items.

DEVELOPMENT OF TRAFFIC VOLUMES AND UNIT REVENUE IN 2010

Key Performance Indicator (KPI)	Change %
Total passengers (scheduled and leisure flights), 7.1 million	-4.0
Scheduled traffic passengers, 6.2 million	-0.9
Available seat-kilometres (scheduled traffic)	1.0
Revenue passenger kilometres (scheduled traffic)	2.5
Revenue passenger kilometres (Asian scheduled traffic)	7.9
Passengers (Asian scheduled traffic), 1.2 million	7.4
Passenger load factor (scheduled traffic), 74.5%	1.1 % points
Passenger traffic unit revenue per revenue passenger kilometre	9.3
Leisure flight passengers, 0.9 million	-21.0
Available seat-kilometres (leisure flights)	-24.5
Revenue passenger kilometres (leisure flights)	-23.4
Passenger load factor (all traffic), 86.8%	1.2 % points
Cargo carried, 123.1 million kilos	38.0
Cargo traffic unit revenue per tonne-kilometre	18.8

AVIATION SERVICES, BUSINESS AREA'S KEY FIGURES IN 2010

Key figure, EUR million	2010	2009	Change %
Segment turnover	429.0	421.3	1.8
Operational result *)	8.1	7.3	11.0

*) Excluding capital gains, changes in the fair value of derivatives, changes in the exchange rates of overhauls, and non-recurring items.

TRAVEL SERVICES, (TOUR OPERATORS AND TRAVEL AGENCIES) BUSINESS AREA'S KEY FIGURES IN 2010

Key figure, EUR million	2010	2009	Change %
Segment turnover	316.9	346.5	-8.5
Operational result *)	0.0	-4.3	-

*) Excluding capital gains, changes in the fair value of derivatives, changes in the exchange rates of overhauls, and non-recurring items.

activity connected with the procurement and financing of aircraft. The Airline Business segment comprises the Sales & Marketing, Operations, Customer Service and Resources Management units as well as the subsidiaries Finnair Cargo Oy, Finnair Cargo Terminal Operations Oy, Finnair Aircraft Finance Oy and, from the beginning of 2010, Finnair Flight Academy Oy.

Significantly improved unit revenue in scheduled traffic as well as volume growth in cargo contributed positively to higher turnover. Profitability was improved from the previous year's deep loss by implemented efficiency measures. Profitability was adversely affected, on the other hand, by the week-long stoppage of air traffic as a result of the volcanic ash crisis in April and by the cabin staff strike that took place in December. The business area's result for the year has been unprofitable compared to the previous years.

Growth in business travel demand from the second quarter contributed to the changes in unit revenue. Unit revenue growth was strongest in Asian traffic, where the growth of business travel demand was also most evident. In domestic traffic, the price level has been at nearly the previous year's level.

Growth in business travel demand has been clearly stronger than growth in overall demand. The proportion of business-class travellers in scheduled traffic is just under 6%, in Asian traffic more than 11%. Growth in demand is coming mainly from outside Finland.

Cargo revenues account for just over 12% of the Airline Business segment's total revenues. Cargo demand from Asia to Europe has grown rapidly. Finnair is seeking to take advantage of strong growth in cargo traffic.

Regular freighter service, initiated in May from Helsinki to Hong Kong and Seoul, and in the latter part of the year to New York, has contributed to the sharp increase in cargo volume. Cargo operations were clearly in profit during 2010. Due to strong demand, cargo was flown on passenger aircraft, even during the cabin staff strike.

Owing to increased cargo demand, Finnair Cargo Oy, the subsidiary responsible for the Finnair Group's cargo operations, is exploring the possibility of participating in a venture aimed at starting intercontinental cargo aircraft traffic from Helsinki. The US company Neff Capital Management LLC is planning to set up a cargo flight company in Finland. Finnair Cargo is considering a minority shareholding in the company.

In terms of international scheduled passenger traffic, Finnair's market share is around 50% in flights departing from Finland. The market share of Asian flights in particular has grown compared with Finnair's main competitors. In domestic traffic, Finnair has increased capacity to respond to tighter competition.

Due to major traffic irregularities at the beginning of the year, the arrival punctuality of scheduled flights in 2010 weakened from the previous year by 4.5 percentage points to 82.2% (86.7). After the difficulties of the turn of year, the punctuality trend clearly improved.

Leisure flight capacity was cut by more than 20% in connection with fleet harmonisation, when in spring 2010 the Boeing 757 fleet, which is used on leisure flights, was reduced by three aircraft.

Finnair's market share in Finland's charter flight traffic has fallen, because a number of tour operators have increased use of their Group companies' aircraft in the Finnish market. The goal is to win this market share back using own production and capacity leased from outside the Group.

Aviation Services

This business area comprises aircraft maintenance services, ground handling services and the Group's catering operations. In addition, the Group's property holdings, the procurement of office services, and the management and maintenance of properties related to the Group's operational activities also belong to the Aviation Services business area. Aviation Services' business consists mainly of intra-Group service provision. Of the business area's turnover, one quarter consists of business outside of the Group.

Growth of external turnover in the Aviation Services segment is dependent on growth of the proportion of operations outside the Finnair Group. Turnover rose slightly from 2009 and profitability improved due to operational efficiencies, stabilisation agreements reached with personnel as well as redundancies and temporary lay-offs.

The business area's positive operating result arises mainly in catering operations, which are the most profitable of the Aviation Services. Catering operations are divided into meal production and related logistics as well as travel retail functions, which include inflight sales, preorder services and airport shops in Helsinki, Tampere and Turku.

Finnair Catering's turnover has fallen due to changes in service concept, the terminal renovation at Helsinki-Vantaa, and the reduction of leisure flights; profitability has, however, remained at a satisfactory level. The unit has implemented adjustment measures in which labour has been adjusted to altered demand. Approximately 35% of the Catering's turnover comes from outside the Finnair Group.

Finnair Technical Services was divided at the beginning of 2010 into two subsidiaries, Finnair Technical Services Oy and Finnair Engine Services Oy. The companies' turnover grew. A significant part of this growth came from higher turnover outside the Finnair Group. The proportion of turnover outside the Finnair Group is just over 26%.

Finnair Technical Services' operational result in 2010 was unprofitable, although less so than the previous year. The loss arises above all in labour-intensive Finnair Technical Services Oy, which focuses on aircraft maintenance and repair activity.

The competitiveness of Finnair's maintenance services in the international aircraft maintenance market is weak, and as a result the order book for future overhauls is low. To adjust operations, negotiations under the Act of Cooperation Within Undertakings, covering all 1,600 employees, will be initiated in Finnair's technical services companies with the objective of achieving structural savings corresponding to a reduction of 450 jobs.

The ground handling company Northport Oy is still unprofitable, although profitability improved in 2010. Adjustment measures to improve operational profitability will continue.

Travel Services
(tour operators and travel agencies)

This business area consists of the Group's tour operators, i.e. Aurinkomatkat-Suntours as well as its Estonian subsidiary Horizon Travel and the subsidiary Calypso, operating in St. Petersburg, and also the travel agencies Matkatoimisto Area, Finland Travel Bureau (FTB) and its subsidiary Estravel, operating in the Baltic states. In addition, the business area includes Amadeus Finland Oy, a provider of travel agency software and solutions.

Finland's package tour market contracted last year by 2% to 945,000 package tours. Due to the long advance booking period, a pick-up in the economy influences package tour demand with a delay. The average price of tours fell by 2%.

An unusually long and warm summer contributed to reducing demand for beach holidays. In April, the volcanic eruption in Iceland cancelled flights for a week. Extra costs arose from the care and repatriation of passengers stranded at holiday destinations. The strike of Finnair cabin staff had an adverse effect on Aurinkomatkat-Suntours' sales, even though nearly all leisure flights were flown.

The proportion of leisure trips accounted for by internet business is growing and half of Aurinkomatkat's sales takes place online. Aurinkomatkat sold 290,000 package tours. In Finland, the average price of package tours produced by Aurinkomatkat rose, but the company's market share declined, measured in passenger numbers, to 32% and, measured in total sales, to 35%. The recession reduced demand for package tours in the St. Petersburg and Estonian subsidiaries. Due to adjustment, however, operational loss of the Russian operations was halved.

In December, the leisure travel activities of Finland Travel Bureau and Matkatoimisto Area were moved in a transfer of business to Aurinkomatkat. Overlapping functions were removed by combining the sales and production organisations. The number of personnel was reduced by 45.

International online travel agencies have rapidly won a third of Finland's flight ticket market, which has tightened competition and reduced service fees.

After a two-year downturn, business travel began to recover in the autumn. Competition, however, exerted downward pressure on service fees. The volcanic ash cloud week in April and industrial action in a number of airlines disrupted customers' travel and resulted in additional costs to travel agencies.

Cost competitiveness was improved by increased automation and by raising work productivity. Personnel reductions and structural solutions resulted in non-recurring expenses of around five million euros.

Finnair's travel agencies were successful in winning a number of significant customer relationships among both large and medium-sized companies. In the Baltic countries, too, the sales of the Finnair Group's travel agencies resumed growth. Due to flexible and effective adjustment measures, profit development in the Baltic countries was strong.

SERVICES AND PRODUCTS IN AIR TRAVEL

At the end of 2010, Finnair had a total of 65 scheduled flights per week from Helsinki to nine Asian destinations. Finnair's Asian destinations are Bangkok, Delhi, Hong Kong, Nagoya, Osaka, Beijing, Shanghai, Seoul and Tokyo. Finnair has a total of 20 flights per week to three Japanese destinations. At the turn of the year, Finnair increased the number of its direct flights to Seoul, Nagoya, Osaka and Delhi. Finnair also flies a daily long-haul service to New York.

Next summer, Finnair will fly a record number of 74 flights per week to 10 Asian cities: to Hong Kong 12 flights per week, and daily to Tokyo, Osaka, Nagoya, Seoul, Beijing, Shanghai, Bangkok and the reopened Singapore route. There will be six flights per week to Delhi.

Scheduled flights covering 38 European and 9 domestic destinations connect into Finnair's Asian network. At the same time, a wide selection of direct connections is offered from Finland to the rest of Europe. In August, Finnair opened a new connection from Helsinki to Bromma Airport in Stockholm. The route is served by three flights per day. The new flights particularly serve business travel directed from Sweden to Finland. The route from Helsinki to Stuttgart, served by ten flights per week, also reopened in August.

In May, flight passengers selected Finnair as the best Northern European airline in a survey conducted by the independent Skytrax research centre. The **one**world alliance was ranked in the Skytrax survey as the world's best airline alliance for the seventh time. In December, the Global Traveler magazine, directed at US travellers, ranked **one**world as the best airline alliance, based on a survey of its readers.

In May, Brussels Airport awarded Finnair a prize for punctuality. In September, moreover, Finnair was selected the best airline in China, when the Chinese magazine Voyage, directed at business and luxury travellers, presented Finnair with its 2010 Travel Brand Award.

The Finnair Plus frequent-flyer programme was updated at the beginning of 2010 to enable the more versatile use of points. In addition to travel-related services, points can also be used, for example, to purchase design products at the online Finnair Plus Shop and to make charity donations, for example to the Finnish Children's Clinics Association and for the good of the Baltic Sea. Over the course of a year's cooperation, more than six million Finnair Plus points have already been donated to the Finnish Family Clinics Association.

In the spring, service was revamped on Finnair flights. From June, part of the economy class meal and drinks service became more varied and at the same time partly required payment.

In December, Finnair announced to renew the entire visual and service identity in line with its Vision 2020 plan, which was published last spring. The visual reform covers the company logo, aircraft livery and cabin look as well as uniforms and service areas.

The service identity renewal will be launched this year. This will include a reform of service principles from the standpoint of customer expectations, based on individuality and design thinking. Finnair wishes to respond to customer needs and expectations with open-minded and innovative solutions. The travel experience will be developed into an enjoyable, easy and fresh package.

Frequent flyers will be offered reliable and easy-to-use services that make business travel efficient and enjoyable. Leisure travellers will receive a price-competitive product, which can be supplemented by the quality additional services they need.

Baggage guidelines were also revised at the beginning of September. The maximum baggage allowance in economy class was increased while at the same time the number of free baggage items was restricted to one. The free baggage weight and item allowances of business class customers, Finnair Plus Platinum, Gold and Silver members, **one**world tier members and buyers of the most expensive economy class tickets are greater.

As of September, leisure flight passengers have been able to check in on the internet for flights departing from Helsinki.

In September, Finnair opened a revised emissions calculator on its website. The calculator is the only one in the world to be based on quarterly updated actual cargo, passenger and fuel consumption figures. Calculations are certified by PWC. Other calculators are based on averages and assumptions.

Finnair has been a pioneer in the utilisation of social media. Finnair's corporate blog, launched last year, has had more than half a million readers and Finnair's Facebook page, which opened in March 2010, has around 40,000 friends. The Facebook page has proved to be an efficient, interactive customer communications channel in exceptional circumstances, for example.

In October, Finnair chose, from over 5,200 applicants, four Quality Hunters, who for two months travelled with Finnair and observed quality on flights, at airports and at the destinations themselves. The Quality Hunters described their experiences in their blogs at the address www.finnair.com/rethinkquality. The Rethink Quality website was visited by a total of nearly 600,000 readers from 189 countries during a three-month period.

During the past years focus in Finnair's communication has been on international media in order to create brand awareness cost efficiently. These measures generate monthly approximately 500 articles, in addition to the normal news flow, in international media. Last year, these Finnair stories reached a record circulation of almost 40 billion potential readers in print and on-line media.

In December, Finnair opened at Helsinki Airport the Silver Wings Lounge, refurbished according to the new visual identity. The substantial refurbishment and enlargement gives the lounge premises over 60% more space, enabling customers' individual needs to be better taken into account. The lounge facilities can be used by Finnair Plus Platinum, Gold and Silver cardholders, **one**world Emerald and Sapphire cardholders and Finnair business class passengers.

At the beginning of 2011, Finnair launched onto the market, in cooperation with Diners Club Finland, a new kind of credit card, combining a Finnair Plus membership card and a Diners Club credit card. When customers use the card, they earn, irrespective of their Finnair Plus tier, from two to three Finnair Plus points per euro paid with the card everywhere in the world. The card also grants access, free of charge, to more than 300 Diners Club airport lounges. Finnair Plus Gold and Platinum tier members receive the card free of charge and with no annual fee. A MasterCard option is also available.

COOPERATION WITH OTHER AIRLINES

Cooperation with the **one**world alliance was active during 2010. The alliance has deepened cooperation between members and pursued joint visibility. The **one**world alliance was again chosen as the best alliance in the Globe Traveller magazine's annual survey of its readers.

Last year the alliance gained a new CEO and relocated its head office from Vancouver to New York.

The **one**world alliance, of which Finnair has been a member for over 10 years, received approval in July for its North Atlantic cooperation from both the EU Commission and the US Department of Transport. The approval means that Finnair, American Airlines, British Airways, Iberia and Royal Jordanian can extend their cooperation in flights across the North Atlantic. The decision is significant, particularly in terms of competition between alliances.

Germany's second largest airline, Air Berlin, and the **one**world airline alliance have agreed that the airline will become a member of the alliance in 2012. Finnair and Air Berlin also concluded a codeshare agreement in traffic between Germany and Finland, and later in Finnair's Asian traffic. The enhancement of the cooperation is expected to strengthen Finnair's market position in traffic between Germany and Asia.

The Indian Kingfisher Airlines' joining of the **one**world alliance next year will expand Finnair's connections in India and will bring to **one**world 58 new Indian destinations.

In October, Finnair announced that it will extend its codeshare cooperation with American Airlines in the summer traffic season 2011, when American Airlines begins flights from Helsinki to Chicago. The route will be flown daily during the summer traffic season. Codeshare routes between Asia and Australia will also be initiated in 2011 with the Australian **one**world airline Qantas.

In September 2010, Finnair Plc and Finncomm Oy signed a preliminary agreement firstly on the purchase of a 20% minority interest in Finnish Commuter Airlines Oy (FCA), which practises Finncomm's air traffic operations, and secondly on the acquisition of the entire share stock of the companies that own the Finncomm Group's 12 ATR aircraft.

It is the parties' intention to find, in addition to Finnair, external investors in FCA. Negotiations between the parties on the detailed conditions of the corporate arrangement are under way. The objective is to complete the negotiations during the first quarter of 2011.

Finnair and Finncomm will continue their cooperation in domestic and Baltic region feeder traffic.

SHORT-TERM RISKS AND UNCERTAINTY FACTORS

Globally, the airline industry is one of the sectors most sensitive to cyclical changes in economic conditions. The development of GDP, investment and international trade has a strong impact on air transport passenger and cargo demand.

Due to the short booking horizon in passenger and cargo traffic, it is difficult to forecast demand far into the future. Unexpected external shocks such as the spring 2010 volcanic ash cloud crisis can rapidly affect the development of air transport demand.

A change of one percentage point in the passenger load factor affects the Group's operating result by just under 15 million euros. A change of one per cent in the average yield of passenger traffic services also affects the Group's operating result by slightly less than 15 million euros.

Fuel costs constitute just over 20% of the Group's costs and. Two of the most significant uncertainty factors where costs are concerned for the Group include prices and exchange rate changes. Finnair protects itself against fuel price and foreign exchange rate volatility by entering into option and future contracts for hedging purposes. A rise in the cost of hedging arrangements also poses a risk.

A 10% change in the world market price of fuel affects Finnair's operating result on an annual basis by around 18 million euros after hedging. A 10% change in the euro-dollar exchange rate affects Finnair's operating result on an annual basis by around 21 million euros after hedging. The market price of fuel in euros has risen from last year by 34%.

The hedging policy practised by Finnair dampens fuel price fluctuations. Finnair's relative competitive position in terms of costs is also influenced by competitors' fuel price hedging policies. The company's main competitors adhere to the same principles as Finnair in their hedging policies.

OUTLOOK

Air travel and cargo demand is expected to continue to be strong in Finnair's market areas due to the strengthening of national economies and subsequent export industry growth. The demand base provides an opportunity to improve unit revenue from the previous year.

Package tour demand is expected to return to the level that preceded the recession, but a new foreign tour operator means that competition in the market will intensify.

Finnair's passenger traffic capacity is expected to grow in 2011 by over 10% from last year. Growth will be directed almost entirely at Asian traffic, where Finnair will increase its capacity by more than 20%. The level of seat-kilometres in scheduled traffic is expected to grow and leisure flight capacity is expected to fall slightly.

SHARE-RELATED KEY FIGURES

		2010	2009	2008
Earnings/share	EUR	-0.24	-0.76	-0.36
Equity/share	EUR	6.67	6.45	5.87
Dividend/share	EUR	0.00	0.00	0.00
Dividend-to-earnings ratio	%	0.0	0.0	0.0
P/E ratio		-21.09	-4.93	-13.46
P/CEPS		10.6	-4.0	5.2
Effective dividend yield	%	0.0	0.0	0.0

NUMBER OF SHARES AND SHARE PRICES

		2010	2009	2008
Average number of shares adjusted for share issue	pcs	128,136,115	128,136,115	127,969,796
Average number of shares adjusted for share issue (with diluted effect)	pcs	128,136,115	128,136,115	127,969,796
The number of shares adjusted for share issue at the end of financial year	pcs	128,136,115	128,136,115	127,969,796
The number of shares adjusted for share issue at the end of financial year (with diluted effect)	pcs	128,136,115	128,136,115	127,969,796
Number of shares, end of the financial year	pcs	128,136,115	128,136,115	128,136,115
Trading price highest	EUR	5.72	5.24	8.49
Trading price lowest	EUR	3.61	3.52	3.50
Market value of share capital Dec. 31	EUR mill.	646	481	627
No. of shares traded	pcs	27,299,521	13,846,917	64,783,468
No. of shares traded as % of average no. of shares	%	21.30	10.80	50.55

Finnair aims to maximise total revenue, which is expected to maintain the passenger load factor at the previous year's level or to reduce it slightly. Unit revenue is expected to be at last year's level.

Finnair's fuel costs in the current year are projected to be higher than last year due to capacity increases and more expensive fuel.

The consolidation trend in the sector is expected to continue in Europe. Finnair is assessing its own role in developments and is seeking to take advantage of the best options from a shareholder perspective. Developing the cooperation network will strengthen Finnair's market position.

The impact of the cabin staff strike on bookings as well as seasonal fluctuation in demand will be reflected in the first quarter operational result, which is expected to be unprofitable. Turnover is expected to grow by more than 10% and the operational result for the full year is expected to be profitable.

FINNAIR PLC LARGEST SHAREHOLDERS AS AT 31 DECEMBER, 2010

		Number of shares	%	Changes 2010
1	State of Finland; Office of Counsil of State	71,515,426	55.8	0
2	Skagen Global Verdipapirfonds (I-II-III-Vekst)	6,815,105	5.3	-346,643
3	Local Government Pensions Institution	5,017,724	3.9	-579,957
4	Ilmarinen Mutual Pension Insurance Co	3,025,564	2.4	0
5	OP Funds	2,650,000	2.1	1,054,276
6	Odin Norden & Odin Finland	2,534,529	2.0	-249,443
7	Tapiola Insurance Company Group	2,276,444	1.8	0
8	Suomi Mutual Life Insurance Company	2,125,000	1.7	-1,409,701
9	State Pension Fund	2,100,000	1.6	0
10	Nordea Funds	1,568,522	1.2	136,200
11	Etera Mutual Pension Insurance Company	687,198	0.5	287,198
12	Fourton Fokus Finland Fund	631,700	0.5	631,700
13	Varma Mutual Pension Insurance Company	600,000	0.5	0
14	Finnair Plc Staff Fund	563,600	0.4	283,189
15	Mandatum Life Insurance Company	508,815	0.4	-1,891,185
16	Fennia Pension Insurance Company	500,000	0.4	395,000
17	SEB Gyllenberg Funds	559,954	0.4	257,050
18	Finnair Plc (own shares)	410,187	0.3	22,758
19	City of Turku, Claim Fund	341,407	0.3	0
20	Norvestia Plc	337,733	0.3	103,346
21	Taaleritehdas Arvo Markka Osake Fund	300,000	0.2	300,000
22	Evli Suomi Fund	258,288	0.2	258,288
23	Veritas Pension Insurance Company	239,389	0.2	239,389
24	Pohjola Insurance Company	216,668	0.2	0
25	Ingman Finance Oy Ab	200,000	0.2	0
26	FIM Fenno Fund	191,900	0.1	191,900
27	City of Turku	170,498	0.1	-148,636
28	SR Danske Funds	158,345	0.1	-65,369
29	Pharmacy Pension Fund	145,000	0.1	145,000
30	Finnair Pension Fund	136,842	0.1	0
31	Mattila Rauno	124,200	0.1	121,200
32	Kotimaa Saving Bank Fund	121,700	0.1	0
33	Aro Olavi Sakari	110,000	0.1	0
34	Head Invest	100,000	0.1	100,000
35	Kamprad Ingvar	100,000	0.1	0
	Nominee registered	9,839,403	7.7	-1,162,747
	Others	10,954,974	8.5	
	Total	**128,136,115**	100.0	

SHAREHOLDERS BY TYPE AT 31 DECEMBER 2010

	Number of shares	Shares, %	Number of shareholders	Shareholders, %
Public bodies	86,912,211	67.8	19	0.0
Registered in the name of nominee	9,839,403	7.7	10	0.0
Outside Finland	9,635,211	7.5	62	1.0
Households	9,136,071	7.1	12,095	95.0
Financial institutions	8,095,832	6.3	33	0.0
Private companies	3,298,140	2.6	533	4.0
Associations	1,199,449	0.9	63	0.0
Not converted into the book entry system	19,798	0.0	0	0.0
Total	**128,136,115**	**100.0**	**12,815**	**100.0**

BREAKDOWN OF SHARES AT 31 DECEMBER 2010

Number of shares	Number of shares	Shares, %	Number of shareholders	Shareholders, %
1–200	574,989	0	6,193	48
201–1 000	2,383,826	2	4,513	35
1 001–10 000	5,215,150	4	1,925	15
10 001–100 000	3,476,193	3	137	1
100 001–1 000 000	7,970,711	6	25	0
1 000 001–>	98,656,045	77	12	0
Registered in the name of nominee	9,839,403	8	10	0
Not converted into the book entry system	19,798	0	-	-
Total	**128,136,115**	**100**	**12,815**	**100**

ACQUISITION AND DELIVERY OF OWN SHARES AND RETURNS OF SHARES

Period	Number of shares	Acquisition value, EUR	Average price, EUR
2004	422,800	2,275,666.49	5.38
2005	-37,800	-209,838.54	5.55
2005	150,000	1,516,680.00	10.11
2006	-383,097	-2,056,847.88	5.37
2007	0	0.00	0
2008	235,526	1,538,956.35	6.53
2009	0	0.00	0
2010	22,758	114,719.52	5.04
31 Dec 2010	**410,187**	**3,179,335.94**	**7.75**

SHARES AND SHAREHOLDERS

Shares and share capital

On 31 December 2010, the number of Finnair shares entered in the Trade Register was 128,136,115. Each share has one vote at the Annual General Meeting. On 31 December 2010, the registered share capital was 75,442,904.30 euros.

Share listing

Finnair Oyj's shares are listed on the NASDAQ OMX Helsinki Stock Exchange.

Dividend policy

The aim of Finnair's dividend policy is to pay on average at least one third of the earnings per share as a dividend during an economic cycle. The company aims to take into account the company's earnings trend and outlook, financial situation and capital needs for any given period.

Share-based bonus scheme for key individuals

On 4 February 2010, the Board of Directors of Finnair Plc approved a share-based bonus scheme for key individuals for the period for 2010–2012. The bonus scheme is outlined in Note 26. The scheme does not affect the total number of shares. The level of bonus is linked to the Finnair Group's financial development.

Board of Directors' authorisations

The Annual General Meeting on 31 March 2010 granted the Board of Directors an authorisation to acquire the company's own shares up to a maximum 5,000,000 shares. The authorisation is valid until 30 September 2011. In addition, the Annual General Meeting authorised the Board of Directors to decide on a share issue in which the shares issued are the own shares acquired by the company. The share issue authorisation applies to a maximum of 5,000,000 shares and is valid until 31 May 2013, and the authorisation cancels a corresponding authorisation given by the Annual General Meeting on 27 March 2008. In 2010 Finnair did not acquire nor dispose of its own shares by virtue of the authorisations.

At the end of 2010, Finnair held 410,187 of its own shares, namely 0.30% of the total number of shares outstanding on the last day of the year. During 2010, a total of 22,758 shares were returned to the company in connection with the company's 2007–2009 share bonus scheme; shares transferred to participants for the 2007 performance period were returned, because conditions relating to the employment relationships of the recipients were not fulfilled.

The Board of Directors has no other valid authorisations, such as authorisations to issue convertible bonds or option rights.

Government ownership

At the end of the financial year, on 31 December 2010, the Finnish Government owned 55.8% of the company's shares and votes. On 20 June 1994, the Finnish Parliament, while giving its consent to reduce the Government's holding to less than two-thirds, decided that the Government must own more than half of Finnair Plc's shares.

Share ownership by management

On 31 December 20010, members of the company's Board of Directors and the President & CEO owned 78,362 shares, representing 0.06% of all shares and votes.

Share price development and trading

On the last day of the financial year, the Finnair Plc share was quoted at 5.04 euros on the NASDAQ OMX Helsinki Stock Exchange. On 31 December 2010, the market value of the company's shares was 645.8 million euros (480.5). During 2010 the highest price for the Finnair Plc share was 5.72 euros (5.24), while the lowest price 3.61 euros (3.52) and the average price 4.49 euros (4.15). During the financial year 2010, 27.3 million shares (13.8), with a value of 122.5 million euros (57.5), were traded on the NASDAQ OMX Helsinki Stock Exchange.

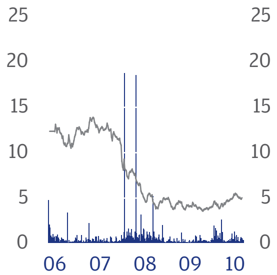
BOARD OF DIRECTORS' PROPOSAL ON THE DIVIDEND

The distributable equity of Finnair Plc amounts to 339.4 million euros. The Board of Directors proposes to the Annual General Meeting that no dividend be distributed for 2010.

FINNAIR PLC
Board of Directors

Finnair share trade development and trade 2006–2010, Monthly average price, EUR

- Monthly average price
- Monthly trade, mill. pcs



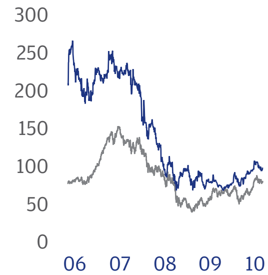
Finnair Plc Share Index and NASDAQ OMX Helsinki indices

- Finnair Plc share
- Industrial Index
- OMX-Helsinki-Benchmark-Index
- All-share Index

Index 1 Jan 2006=100

Share price development compared with other European airlines

- Finnair Plc
- Bloomberg Europe Airline Index



Index 1 Jan 2006=100

Financial Indicators 2008–2010

		2010	2009	2008
Turnover	EUR mill.	2,023	1,838	2,256
- change	%	10.1	-18.5	3.5
Operational result, EBIT	EUR mill.	-5	-171	1
- in relation to turnover	%	-0.2	-9.3	0.0
Operating profit/loss, EBIT	EUR mill.	-13	-115	-58
- in relation to turnover	%	-0.7	-6.3	-2.6
Profit before taxes	EUR mill.	-33	-125	-62
- in relation to turnover	%	-1.6	-6.8	-2.8
Consolidated balance sheet				
Non-current assets	EUR mill.	1,514	1,596	1,405
Short-term receivables	EUR mill.	827	842	659
Non-current assets held for sale	EUR mill.	71	19	19
Assets total	EUR mill.	2,412	2,457	2,084
Shareholders equity and minority interests	EUR mill.	853	825	750
Liabilities, total	EUR mill.	1,558	1,632	1,333
Shareholders' equity and liabilities, total	EUR mill.	2,412	2,457	2,084
Gross capital expenditure	EUR mill.	183	348	233
Gross capital expenditure in relation to turnover	%	9.1	18.9	10.3
Return on equity (ROE)	%	-2.7	-12.1	-5.3
Return on capital employed (ROCE)	%	-0.4	-7.8	-3.0
Average capital employed	EUR mill.	1,636	1,353	1,179
Dividend for the financial year *)	EUR mill.	0	0	0
Earnings/share	EUR	-0.24	-0.76	-0.36
Earnings/share adjusted for option rights (with diluted effect)	EUR	-0.24	-0.76	-0.36
Result / share (number of shares at the end of financial year)	EUR	-0.24	-0.76	-0.36
Equity/share	EUR	6.67	6.45	5.87
Dividend/share *)	EUR	0.00	0.00	0.00
Dividend/earnings	%	0.0	0.0	0.0
Effective dividend yield	%	0.0	0.0	0.0
P / CEPS		10.6	-4.0	5.2
Cash flow/share	EUR	0.5	-0.9	0.9
P/E ratio		-21.09	-4.93	-13.46
Equity ratio	%	36.2	34.2	36.9
Net debt-to-equity (Gearing)	%	27.8	26.8	-12.0
Adjusted Gearing	%	79.6	90.0	65.1
Interest bearing debt	EUR mill.	765	829	302
Liquid funds	EUR mill.	527	607	392
Net interest bearing debt	EUR mill.	238	221	-90
- in relation to turnover	%	11.7	12.0	-4.0
Net financing income (+) / expenses (-)	EUR mill.	-20	-10	-5
in relation to turnover	%	-1.0	-0.5	-0.2
Net interest expenses	EUR mill.	-16	-6	2
- in relation to turnover	%	-0.8	-0.3	0.1
Operational cash flow	EUR mill.	61	-121	120
Operational cash flow in relation to turnover	%	3.0	-6.6	5.3
Average number of shares adjusted for the share issue	number of	128,136,115	128,136,115	127,969,796
Average number of shares at the end of the financial year (with diluted effect)	number of	128,136,115	128,136,115	127,969,796
Number of shares adjusted for the share issue at the end of the financial year	number of	128,136,115	128,136,115	127,969,796
Number of shares at the end of the financial year\n (with diluted effect)	number of	128,136,115	128,136,115	127,969,796
Number of shares at the end of the financial year	number of	128,136,115	128,136,115	128,136,115
Personnel on average		7,578	8,797	9,595

The number of personnel are averages and adjusted for part-time employees.
*)) The dividend of year 2010 is a proposal of the Board of Directors to the Annual General Meeting.

Calculation of Key Indicators

EBITDAR = Operating profit + depreciation + aircraft lease rentals

Operating profit from operations = Operating profit excluding capital gains, changes in the fair value of derivatives, changes in the exchange rate of overhauls and non-recurring items

Return on equity in per cent (ROE) =
$$\frac{\text{Result}}{\text{Equity + non-controlling interest (average of beginning and end of financial year)}} \times 100$$

Capital employed = Balance sheet total – non interest bearing liabilities

Return on capital employed, in per cent (ROCE) =
$$\frac{\text{Result before taxes + interest and other financial expenses}}{\text{Capital employed (average of beginning and end of financial year)}} \times 100$$

Earnings per share, (euro) =
$$\frac{\text{Result for financial year}}{\text{Adjusted average number of shares during the financial year}}$$

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

Dividend per earnings in per cent =
$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

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

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

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

Price per earnings =
$$\frac{\text{Share price at the end of the financial year}}{\text{Earnings per share}}$$

Equity ratio, % =
$$\frac{\text{Equity + non-controlling interest}}{\text{Balance sheet total – advances received}} \times 100$$

Gearing, % =
$$\frac{\text{Interest bearing liabilities– liquid funds}}{\text{Equity + non-controlling interest}} \times 100$$

Adjusted gearing, % =
$$\frac{\text{Interest bearing liabilities +7 x annual aircraft leasing payments-liquid funds}}{\text{Equity + non-controlling interest}} \times 100$$

IFRS Financial Statements 1 January–31 December 2010

CONTENTS

Consolidated Income Statement

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009	Note
Turnover	**2,023.3**	**1,837.7**	3
Work used for own purposes and capitalized	8.7	4.7	6
Other operating income	20.1	47.8	7
Materials and services	-940.7	-912.4	8
Employee benefit expense	-446.2	-487.9	9
Depreciation and imparment	-118.7	-132.8	10
Other operating expenses	-559.8	-472.0	11
Operating profit/loss	**-13.3**	**-114.9**	
Financial income	6.5	8.9	12
Financial expenses	-26.3	-18.7	13
Share of result in associates	0.1	0.1	18
Profit/loss before taxes	**-33.0**	**-124.6**	
Income taxes	10.2	29.4	14
Profit/loss for financial year	**-22.8**	**-95.2**	
Profit attributable to:			
Owners of the parent	-23.0	-95.3	
Non-controlling interest	0.2	0.1	
Earnings per share from profit attributable to shareholders of the parent company			
Earnings per share (diluted and undiluted)	-0.24	-0.76	15

The notes 1–39 form an essential part of the financial statements.

Consolidated Statement of Comprehensive Income

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Profit/loss for the financial year	**-22.8**	**-95.2**
Other comprehensive income		
Currency translation differences	-0.5	0.5
Change in available-for-sale financial assets after taxes	1.5	12.0
Change in fair value of hedging instruments after taxes	58.9	73.3
Other comprehensive income, total	**59.9**	**85.8**
Comprehensive income for the financial year	**37.1**	**-9.4**
Attributable to:		
Owners of the parent	36.9	-9.5
Non-controlling interest	0.2	0.1

The notes 1–39 form an essential part of the financial statements.

Consolidated Balance Sheet

EUR mill.	31 Dec 2010	31 Dec 2009	1 Jan 2009	Note
ASSETS				
Non-current assets				
Intangible assets	38.6	46.1	48.1	16
Tangible assets	1,406.6	1,469.0	1,272.1	17
Investments in associates	7.6	8.3	6.1	18
Receivables	13.6	20.5	21.5	19
Deferred tax receivables	48.0	52.1	70.2	20
	1,514.4	**1,596.0**	**1,418.0**	
Short-term receivables				
Inventories	47.5	36.8	35.1	21
Trade receivables and other receivables	252.3	197.5	231.8	22
Other financial assets	485.4	582.9	373.8	23
Cash and cash equivalents	41.5	24.5	18.3	24
	826.7	**841.7**	**659.0**	
Non-current assets held for sale	70.7	19.4	19.4	5
Total assets	**2,411.8**	**2,457.1**	**2,096.4**	
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	75.4	75.4	75.4	
Other equity	777.1	748.3	638.4	
	852.5	**823.7**	**713.8**	
Non-controlling interests	**0.8**	**0.9**	**1.1**	
Total equity	**853.3**	**824.6**	**714.9**	25
Long-term liabilities				
Deferred tax liability	103.3	99.1	120.6	20
Interest bearing liabilities	677.7	637.4	261.1	29
Pension obligations	2.5	0.0	6.1	27
Provisions	72.6	59.0	57.0	28
	856.1	**795.5**	**444.8**	
Short-term liabilities				
Current income tax liabilities	0.3	0.0	1.5	14
Provisions	27.8	53.0	52.6	28
Interest bearing liabilities	98.5	201.8	48.5	29
Trade payables and other liabilities	575.8	582.2	834.1	30
	702.4	837.0	936.7	
Total liabilities	**1,558.5**	**1,632.5**	**1,381.5**	
Total equity and liabilities	**2,411.8**	**2,457.1**	**2,096.4**	

The notes 1–39 form an essential part of the financial statement.

Consolidated Cash Flow Statement

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Cash flow from operating activities		
Profit/-loss for the financial year	-22.8	-95.2
Transactions of a non-cash nature [1)]	108.0	74.7
Interest and other financial expenses	26.3	18.7
Interest income	-6.2	-8.6
Other financial income	-0.2	-0.2
Dividend income	-0.1	-0.1
Taxes	-10.2	-29.4
Changes in working capital:		
Change in trade and other receivables	-20.0	32.7
Change in inventories	5.8	-1.7
Change in accounts payables and other liabilities	0.4	-103.7
Interest paid	-19.1	-12.7
Other financial expenses paid	-3.7	-2.3
Received interest icome	4.7	7.0
Received financial income	0.1	0.2
Taxes paid	-1.9	0.0
Net cash flow from operating activities	**61.1**	**-120.6**
Cash flow from investing activities		
Acquisition of subsidiaries	-0.1	0.0
Investments in intangible assets	-5.2	-9.4
Investments in tangible assets [4)]	24.6	-316.1
Net change of financial interest bearing assets at fair value through profit or loss [2)]	112.0	-295.8
Net change of shares classified as available for sale	1.6	0.0
Sales of tangible fixed assets	10.8	61.9
Received dividends	0.1	0.1
Change in non-current receivables	6.9	-1.6
Net cash flow from investing activities	**150.7**	**-560.9**
Cash flow from financing activities		
Loan withdrawals	49.5	611.1
Loan repayments	-219.4	-129.5
Hybrid bond, interest / capital	-10.8	119.4
Purchase of own shares	0.0	0.0
Dividends paid	0.0	0.0
Net cash flow from financing activities	**-180.7**	**601.0**
Change in cash flows	**31.1**	**-80.5**
Change in liquid funds		
Liquid funds, at the beginning	262.9	343.4
Change in cash flows	31.1	-80.5
Liquid funds, in the end [3)]	**294.0**	**262.9**

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

Notes to consolidated cash flow statement:
[1] Transactions of a non-cash nature:

EUR mill.	2010	2009
Depreciation	118.7	132.8
Employee benefits	7.0	-11.0
Fair value changes of derivatives	6.4	-55.5
Other adjustments	-24.1	8.4
	108.0	**74.7**

[2] Net change in of financial interest bearing assets at fair value through at fait valueprofit or loss maturing after more than 3 months including changes in fair value.

[3] Financial assets include cash and bank equivalents and investments, which have been told in the separate accounts of the balance sheet. The balancing of the cash flow final assets below:

EUR mill.	2010	2009
Balance sheet item (short-trem)		
Other financial assets	485.4	582.9
Cash and bank equivalents	41.5	24.5
Short-term cash and cash equivalents in balance sheet	526.9	607.4
Maturing after more than 3 months	-206.7	-318.7
Shares available for sale	-26.2	-25.8
Total	**294.0**	**262.9**

[4] The A330 aircraft leasing arrangement is not included.

Cash and cash equivalents encompass cash and bank deposits as well as other highly liquid financial assets whose term to maturity is a maximum of three months. Such items are e.g. certificate of deposits and commercial papers. Balance sheet items are itemised in notes 21 and 22.

The notes 1–39 form an essential part of the financial statements.

Consolidated Statement of Changes in Equity

Equity attributable to owners of the parent												
EUR mill.	Share capital	Share premium account	Bonus issue	Fair value reserve	Unre-stricted equity	Transla-tion dif-ference	Retained earnings	Total	Non-con-trolling interest	Hybrid bond	Hybrid bond interest	Total
Shareholders' equity 1.1.2009	**75.4**	**20.4**	**147.7**	**-110.5**	**247.2**	**0.0**	**369.2**	**749.4**	**1.1**	**0.0**	**-**	**750.5**
Change of accounting principle							-35.6	-35.6	0.0	0.0	-	-35.6
Adjusted equity 1.1.2009	**75.4**	**20.4**	**147.7**	**-110.5**	**247.2**	**0.0**	**333.6**	**713.8**	**1.1**	**0.0**	**-**	**714.9**
Dividend payment							0.0	0.0	-0.3		-	-0.3
Share-based payment expense								0.0	0.0		-	0.0
Shareholders' equity related to owners 31.12.2009	**75.4**	**20.4**	**147.7**	**-110.5**	**247.2**	**0.0**	**333.6**	**713.8**	**0.8**	**0.0**	**-**	**714.6**
Hybrid bond								0.0		119.4		119.4
Profit for the period							-95.3	-95.3	0.1			-95.2
Consolidated statement of comprehensive income												
Cash flow hedges												
Change in fair value of hedging instruments				173.0				173.0				173.0
Change in fair value of hedging instruments, net of tax (note 20)				-45.0				-45.0				-45.0
Recognised in income statement (note 25)				-74.0				-74.0				-74.0
Net of tax from Recognised in income statement (note 20)				19.2				19.2				19.2
Recognised in balance sheet				0.2				0.2				0.2
Net of tax from Recognised in balance sheet (note 20)				-0.1				-0.1				-0.1
Change in fair value in available-for-sale financial assets				16.2				16.2				16.2
Net of tax of Change of fair value in available-for-sale financial assets				-4.2				-4.2				-4.2
Currency translation difference						0.5		0.5				0.5
Comprehensive income for the financial year	0.0	0.0	0.0	85.3	0.0	0.5	-95.3	-9.5	0.0	0.0	-	-9.4
Shareholders equity 31.12.2009	**75.4**	**20.4**	**147.7**	**-25.2**	**247.2**	**0.5**	**238.3**	**704.3**	**0.9**	**119.4**	**-**	**824.6**

Equity attributable to owners of the parent

EUR mill.	Share capital	Share premium account	Bonus issue	Fair value reserve	Unre-stricted equity	Transla-tion dif-ference	Retained earnings	Total	Non-con-trolling interest	Hybrid bond	Hybrid bond interest	Total
Shareholders' equity 1.1.2010	**75.4**	**20.4**	**147.7**	**-25.2**	**247.2**	**0.5**	**238.3**	**704.3**	**0.9**	**119.4**	**-**	**824.6**
Dividend payment							0.0	0.0	-0.3		-	-0.3
Hybrid bond interest								0.0			-10.8	-10.8
Net of tax in Hybrid bond interest								0.0			2.8	2.8
Share-based payment expense							-0.1	-0.1	0.0		-	-0.1
Shareholders' equity related to owners 31.12.2010	**75.4**	**20.4**	**147.7**	**-25.2**	**247.2**	**0.5**	**238.2**	**704.2**	**0.6**	**119.4**	**-8.0**	**816.2**
Profit for the period							-23.0	-23.0	0.2			-22.8
Consolidated statement of comprehensive income												
Cash flow hedges												
Change in fair value of hedging instruments				108.3				108.3				108.3
Change in fair value of hedging instruments, net of tax (note 20)				-28.2				-28.2				-28.2
Recognised in income statement (note 25)				-28.7				-28.7				-28.7
Net of tax from Recognised in income statement (note 20)				7.5				7.5				7.5
Recognised in balance sheet				0.0				0.0				0.0
Net of tax from Recognised in balance sheet (note 20)				0.0				0.0				0.0
Change in fair value in available-for-sale financial assets				2.0				2.0				2.0
Net of tax of Change in fair value in available-for-sale financial assets				-0.5				-0.5				-0.5
Currency translation difference						-0.5		-0.5				-0.5
Comprehensive income for the financial year	0.0	0.0	0.0	60.4	0.0	-0.5	-23.0	36.9	0.2	0.0	0.0	37.1
Shareholders equity 31.12.2010	**75.4**	**20.4**	**147.7**	**35.2**	**247.2**	**0.0**	**215.2**	**741.1**	**0.8**	**119.4**	**-8.0**	**853.3**

The notes 1–39 form an essential part of the financial statements.

Notes to the Financial Statement

1. BASIC INFORMATION ABOUT THE COMPANY

The Finnair Group engages in worldwide air transport operations and supporting services. The Group's operations are divided into the Airline Business, Aviation Services and Travel Services business areas. The Group's parent company is Finnair Plc, which is domiciled in Helsinki at the registered address Tietotie 11 A, Vantaa. The parent company is listed on the NASDAQ OMX Helsinki Stock Exchange. The Board of Directors of Finnair Plc has approved these financial statements for publication at its meeting on 3 February 2011. Under Finland's Companies Act, shareholders have the option to accept or reject the financial statements in the Annual General meeting of the shareholders, which will be held after the publication of the financial statements.

2. ACCOUNTING PRINCIPLES

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

BASIS OF PREPARATION

Finnair Plc's consolidated financial statements for 2010 have been prepared according to the International Financial Reporting Standards (IFRS) and in their preparation the IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on 31 December 2010 have been followed. International Financial Reporting Standards are meant to be the standards accepted for application in the EU and interpretations issued about them in accordance with the procedure laid down in Finnish law and provisions issued by virtue thereof in the EU Regulation (EC) No.1606/2002. The notes to the consolidated financial statements also comply with Finnish accounting and corporate law.

The 2010 consolidated financial statements have been prepared based on original acquisition costs, except for financial assets recognisable through profit and loss at fair value, financial assets which are available-for-sale, and derivative contracts, which have been valued at fair value. Financial statement data is presented in millions of euros, rounded to the nearest one hundred thousand euros.

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

PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

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

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

NON-CONTROLLING INTEREST AND
TRANSACTIONS WITH NON-CONTROLLING INTEREST

Non-controlling interest is presented in the balance sheet separately from liabilities and the parent company's shareholders' equity as it is its own item as part of shareholders' equity. Presented in the income statement is the distribution of profit for the financial year to the parent company's shareholders and non-controlling interest. Non-controlling interest' accrued losses are recognised in the consolidated balance sheet even when the amount of the investment turns out to be negative. Before recognising this, the Group defines if it's responsible for this loss to non-controlling interest. If this kind of obligation exists, the loss is recognised up to the amount of investment.

The Group applies the same accounting principles to transactions made with non-controlling interest as with shareholders. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity.

ASSOCIATED UNDERTAKINGS

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

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

TRANSLATION OF FOREIGN CURRENCY ITEMS

Items included in each subsidiary's financial statements are valued in the foreign currency that is the main currency of operating environment of each subsidiary ("operational currency"). The consolidated financial statements have been presented in euros, which is the parent company's operational and presentation currency. The income statements and Balance Sheets of foreign subsidiaries have been translated into euros using following principles:

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

Translation differences of shareholders' equity items arising from eliminations of the acquisition cost of foreign subsidiaries are recognised in consolidates comprehensive Income statement. When a foreign subsidiary is sold, these translation differences are recognised in the income statement as part of the overall profit or loss arising from the sale. Translation differences that have arisen since the IFRS transition date are presented as a separate item in comprehensive statement when preparing the consolidated financial statements.

Goodwill arising from foreign acquisitions is treated as a foreign exchange asset of the foreign unit and is translated into euros using the exchange rate on the closing date.

DERIVATIVE CONTRACTS AND HEDGE ACCOUNTING

According to its risk management policy, Finnair Group uses foreign exchange, interest rate and commodity derivatives to reduce the exchange rate, interest rate and commodity risks which arise from group's balance sheet items, currency denominated purchase contracts, anticipated currency denominated purchases and sales as well as future jet fuel purchases.

The derivatives are initially recognised in the balance sheet at original acquisition cost (fair value) and thereafter are subsequently valued at fair value in each financial statement and interim report. Derivative instruments are valued in the balance sheet at fair value, which is determined as the value at which the instrument could be exchanged between knowledgeable, willing and independent parties, with no compulsion in the sales situation to sell or buy. The fair values of derivatives are determined as follows:

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

Gains and losses arising from changes in the fair value are presented in the financial statements according to the original classification of the derivative. Gains and losses on derivatives qualifying for hedge accounting are recognised in accordance with the underlying asset being hedged. Derivative contracts are designated at inception as future cash flows hedges, hedges of binding purchase contracts (cash flow hedges or fair value hedges) or as derivatives not meeting the hedge accounting criteria or to which hedge accounting is not applied (economic hedges). Hedging of the fair value of the net investment of foreign units or embedded derivatives have not been used. Hedging of fixed rate foreign exchange loans has ended during year 2010.

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

The Finnair Group implements the IFRS hedge accounting principles in the hedging of future cash flows (cash flow hedging). Principles are applied to the price and foreign currency risk of jet fuel, price risk of electricity, foreign currency risk of aircraft lease payments and aircraft purchases.

Fair value hedging is implemented in respect of firm orders for new aircraft. These binding purchase agreements are treated under IFRS as firm commitments in which fair value changes of hedged part arising from foreign currency movements are recognised in the balance sheet as an asset item and corresponding gains or losses recognised through profit and loss. Similarly the fair value of instruments hedging these purchases is presented in the balance sheet as a liability or receivable and the change in fair value is recognised through profit and loss.

The change in the fair value of effective portion of derivative instruments that fulfil the terms of cash flow hedging are entered directly in the fair value reserve of other comprehensive income to the extent that the requirements for the application of hedge accounting have been fulfilled. The gains and losses recognised in fair value reserve are transferred to the income statement in the period in which the hedged item is entered in the income statement. When an instrument acquired for the hedging of cash flow matures or is sold or when the criteria for hedge accounting are no longer fulfilled, the gain or loss accrued from hedging instruments remain in equity until the forecast transaction takes place. However, if the forecast hedged transaction is no longer expected to occur, the gain or loss accrued in equity is released immediately to the income statement.

The effectiveness of hedging is tested on a quarterly basis. The effective portion of hedging is recognised in the fair value reserve of other comprehensive income, from which it is transferred to the income statement when the hedged item is realised or, in terms of investments, as an acquisition cost adjustment.

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

The Finnair Group uses jet fuel swaps (forward contracts) and options in hedging the price risk of jet fuel. Changes in the fair value of jet fuel hedging derivatives are recognised directly in the fair value reserve of other comprehensive income in respect of derivatives defined as cash-flow hedges that fulfil the requirements of IFRS hedge accounting. Accrued gains and losses on derivatives recognised in shareholders' equity are recognised in the income statement as income or expenses for the financial period in which the hedged item is recognised in the income statement. If a forecasted cash flow is no longer expected to occur, the accrued gains and losses reported in the shareholder's equity are presented directly as other income and expenses for the financial period. Changes in the fair value of derivative contracts, so far as the IFRS hedge accounting criteria are not fulfilled, are presented in other operating income and expenses during their term to maturity.

The Finnair Group uses electricity derivative contracts in hedging the price risk of electricity. The electricity price risk hedges are recognised as cash flow hedges. Changes in the fair value of derivatives defined as cash-flow hedging in accordance with IFRS are posted directly to the fair value reserve of other comprehensive income. The recognised change in fair value is posted to income statement at the period time as the hedged transaction. Changes in the fair value of hedges outside hedge accounting (which do not fulfil IFRS hedge accounting criteria) are recognised in other operating expenses over the tenor time of the derivative.

The change in the fair value of derivatives not qualifying for hedge accounting and which are arranged to hedge operational cash flow are recognised in the income statement item other operating expenses. Changes in the fair value of interest rate derivatives not qualifying for hedge accounting are recognised in the income statement's financial income and expenses.

PRINCIPLE OF REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of services and goods in the ordinary course of the group activities. Revenue is shown net of discounts granted, returns and indirect taxes, among other things. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below.

Airline Business sales are recognised as revenue when the flight is flown in accordance with the flight traffic programme. The recognition as revenue of unused flight tickets is based on the expiry dates of the tickets.

Finnair Plus 'Customer Loyalty Programme offers to customers a possibility to use earned loyalty points to acquire services or goods from the Group's supply of services. The consideration receivable from the customer is allocated between the components of the arrangement using fair values. The arrangement is a multiple-element arrangement and the revenue is recognised partly when the original acquisition is purchased and the rest when the accrued points are used to acquire a service or a good.

Revenue from services is recognised as revenue in the financial period in which the services are provided for the customer. Revenue from the sale of goods is recognised when significant risks and rewards of owning the goods are transferred to the buyer. In such cases the Group has no longer any supervision of control over the products. If the sale include both service and goods they are recognised at the moment the service is provided for the customer.

Aviation Services' sales are recognised as revenue when the service is completely performed. Travel Services' sales are recognised as revenue when the service has been conveyed.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividend income

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

OPERATING PROFIT

The IAS 1 Presentation of Financial Statements standard does not define the concept 'operating profit'. The Group has defined it as follows: operating profit is the net sum that is formed from turnover plus other operating income, less purchase costs adjusted by change in inventories of work in progress as well as costs arising from production for own use, less costs, depreciation and possible impairment losses arising from employee benefits as well as other operating expenses. All income statement items other than those mentioned above are presented below the operating profit. Translation differences and changes in fair values of derivatives are included in operating profit if they arise from items related to business operations; otherwise they are recognised in financial items.

INCOME TAXES

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. A deferred tax liability or asset is calculated for all temporary differences between accounting and taxation using the tax rates prescribed at the closing date.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The largest temporary differences arise from sales of tangible assets, depreciation, revaluations of derivative contracts, defined-benefit pension schemes, unused tax losses, and valuations at fair value made in connection with acquisitions. Deferred tax is not recognised for subsidiaries' undistributed earnings where it is probable that the difference will not reverse in the foreseeable future.

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity of different taxable entities where there is an intention to settle the balance on a net basis.

PUBLIC GRANTS

Public grants, for example government aid for simulator training, have been recognised in other operating income. Public grants that the Group may receive, for example, for fixed asset acquisitions are recognised as a reduction in original acquisition cost. Grants are recognised in the form of smaller depreciations over the useful life of the asset.

TANGIBLE ASSETS

Tangible assets consist mainly of aircrafts and buildings. Tangible assets are recognised in the balance sheet when the financial benefit is longer than one year, in acquisition cost, including the direct costs arising from the acquisition. The aircrafts' (body, engines and heavy maintenance) acquisition cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of aircrafts. If the criteria is met when purchasing, building or producing a tangible asset, the direct borrowing cost are capitalised as part of the asset. Tangible assets are valued at original acquisition cost less accumulated depreciation and write-downs.

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

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

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

- Buildings, 50 years from time of acquisition to a residual value of 10% or 3–7 % of expenditure residue
- Aircraft and their engines: on a straight-line basis as follows:
  - Airbus A320 family aircraft, over 20 years to a residual value of 10%
  - Embraer fleet aircraft, over 20 years to a residual value of 10%
  - New A330 family aircraft, over 18 years to a residual value of 10%
  - New A340 family aircraft, over 15 years to a residual value of 10%
  - used jet aircraft more than six years old, over 10 years to a residual value of 10%
  - new turboprop aircraft, over 12 years to a residual value of 10%
  - turboprop aircraft acquired as used, over 10 years to a residual value of 10%
  - aircraft to be withdrawn from use, fully on a straight-line basis according to their useful life outlined in the fleet modernisation plan
- Heavy maintenance of aircraft, on a straight-line basis during the maintenance period
- Embraer components, over 20 years to a residual value of 10%
- Airbus components, over 15 years to a residual value of 10%
- Flight simulators are depreciated as per the corresponding type of aircraft
- Other tangible assets, 23% of the diminishing balance

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

Ordinary repair and maintenance expenditure is recognised as an expense in the financial period in which it arises. Expenditure of modernisation and improvement projects that are significant in size (mainly aircraft modifications) are capitalised in the balance sheet if it is probable that an additional financial reward will arise to the Group in the future and the acquisition cost is defined definitely. The carrying amount of the replaced part is derecognised.

Depreciation of a tangible fixed asset is discontinued when the tangible fixed asset is classified as being held for sale.

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

INTANGIBLE ASSETS

Separately acquired intangible assets are shown at historical acquisition cost. The acquisition cost includes the direct costs arising from the acquisition. Depreciation and impairment of intangible assets are based on the following expected economic lifetimes:

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Research and development expenditure

Research and development on aircraft, systems and operations is conducted primarily by the manufacturers. Research and product development expenditure relating to marketing and customer service is recognised as an expense at the time at which it is incurred because the capitalization criterion will not fill. Expenses are included in the consolidated income statement in a cost item according to the nature of the expense.

Development expenditure on IT-systems and buildings are recognised in the balance sheet as an intangible asset when it is probable that the development project will succeed both commercially and technically and the project expenses can be reliably assessed. The Group has not recognised any development expenditure for those as intangible assets.

Computer software

Computer software maintenance yearly costs and expenditure on the research stage of software projects are recognised as expenses at the time they are incurred. Software projects' minor development costs, moreover, are not capitalised; they are recognised as an expense.

User rights and licences acquired for IT software are presented in the category intangible rights and in other respects in other intangible assets. Acquired user rights and licences are entered in the balance sheet at acquisition cost, plus the costs of making the licence and software ready for use. Capitalised expenses are depreciated over a useful life of 3–8 years.

Other intangible assets

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

NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

Non-current assets held for sale or disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and sale is considered highly probable.

Immediately before classification, assets held for sale or assets and liabilities of disposal groups are valued at the lower of the carrying amount or their fair value less cost of sale. Depreciation of these assets is discontinued at the moment of classification.

LEASE AGREEMENTS

The Group is the lessee

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

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

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

The Group is the lessor

The agreements where the Group is the lessor are accounted for as other leases, when the risks and rewards of ownership are not transferred to the lessee. The assets are included in the tangible assets and they are depreciated during their useful life. Depreciation is calculated using the same principles as the other tangible assets. Revenue is recognised in income statement as other revenue over the term of the lease.

Sale and leaseback

Sale and leaseback consist of sale and leaseback of the same asset. The lease-payments and selling price are related and they are negotiated as a whole. The type of lease agreement defines how the lease is handled.

If the result is a financial lease: the selling price exceeding the book value at the balance sheet is not recognised as revenue at the time of selling but during the lease period.

If the result is a different lease: the sales profit or loss is recognised in the income statement if the selling price is at fair value, if not, the profit or loss is recognise in the income statement during the expected useful life and in relation to lease-payments.

IMPAIRMENT

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

The recoverable amount is the higher of the asset item's fair value, less the cost arising from sale, and its value in use. Value in use is meant as the expected future net cash flows obtainable from the said asset item or cash generating unit, discounted to their present value. An impairment loss is recognised when the carrying amount of an asset item is greater than the recoverable amount. The impairment loss is recognised in the income statement. The impairment loss is reversed if a change in conditions has occurred and the recoverable amount of the asset has changed since the date when the impairment loss was recognised. The impairment loss is not reversed, however, by more than that which the carrying amount of the asset would be without the recognition of the impairment loss. Impairment losses recognised for goodwill are not cancelled under any circumstances.

INVENTORIES

Group inventories include the aircraft spare parts, catering items and work in progress related to overhaul of aircrafts. Inventories are asset items that are intended for sale in the normal course of business, are handled in the production process for sale or are raw materials or supplies intended for consumption in the production process.

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

TRADE RECEIVABLES

In trade receivables are recognised assets received on an accrual basis for the products and services of the company's operations. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade receivables are classified as current assets while the collection is expected in one year.

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

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

FINANCIAL ASSETS

In the Group, financial assets have been classified according to the IAS 39 standard "Financial Instruments: Recognition and Measurement" into the following categories: financial assets at fair value through profit or loss (assets held for trading), held-to-maturity investments, loans and other receivables, as well as available-for-sale financial assets. The classification is made on the basis of the purpose of the acquisition of the financial assets in connection with the original acquisition. All purchases and sales of financial assets are recognised on the trade date.

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

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

Investments which do not have a maturity date and which date of sales has not been decided are classified as available-for-sale financial assets. Available-for-sale financial assets are presented in the balance sheet in short-term financial assets. A change in the fair value of available-for-sale financial assets is recognised in the fair value reserve of other comprehensive income, from which it is transferred to the income statement in connection with a sale.

Unquoted shares are valued in the Finnair Group at their acquisition price in the absence of a reliable fair value.

Loan receivables and other receivables are recognised at amortised cost using the effective interest method. Loans and other receivables include trade receivables, deferred charges, other long term receivables and security deposits for aircraft operational lease agreements.

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

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

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value on the basis of the original consideration received. Transactions costs have been included in the original book value of the financial liabilities. Thereafter, all financial liabilities are valued at amortised cost using the effective interest method or at fair value through profit or loss. Financial liabilities are included in long- and short-term liabilities and they can be interest-bearing or non-interest-bearing. Loans that are due for payment within 12 months are presented in short-term liabilities. Foreign currency loans are valued at the mid-market exchange rate on the closing date and translation differences are recognised in financial items.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The Group's fixed rate USD-denominated aircraft financing loans have been hedged with long-term cross currency interest rate swaps. Fixed rate derivative contracts and their corresponding loans form a hedging relationship. The derivative contracts in question are valued at fair value. Change of the fair value is recognised in the fair value reserve of other comprehensive income. Correspondingly, loans in the hedging relationship are valued at the amortised cost. Hedging of fixed rate foreign exchange loans has ended during year 2010.

Other USD-denominated loans and their corresponding variable interest derivative contracts are valued at fair value and the change in fair value is recognised in the income statement's financial items. Euro-denominated loans and bonds are valued at amortised cost.

Derecognition of financial liabilities takes place when Group has filled the contractual obligations.

Fair values of financial liabilities are based on discounted cash flows. Interest rate arises from risk free portion and company risk premium. Fair value of finance lease contracts is evaluated by discounting cash flows with interest, which complies with interest from other similar lease contracts. Other than derivative receivables are in balance sheet at their original value, because discounting them is irrelevant considering short maturity. Accounts payable and other loans are recognised at their original value, because discounting them is irrelevant considering short maturity.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has reliably estimated impact on the estimated future cash flows of the financial asset or group of financial assets.

The criteria the group uses to determine that there is objective evidence of an impairment loss are:

- Significant financial distress of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower's financial distress, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of active market for specific financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash reserves and short-term bank deposits whose term to maturity is a maximum of three months. Foreign exchange-denominated items have been converted into euros using the mid-market exchange rates on the closing date.

SHAREHOLDERS' EQUITY

The nominal value of shares has been recognised in the share capital before an amendment to the Articles of Association registered on 22 March 2007.

Share issue gains that arose in 1997–2006 have been recognised in the share premium account, less transaction expenses, reduced by tax effect, relating to increases in share capital. Additionally, costs of the company's share-based payments are recognised in the share premium account as per the IFRS 2 standard. Possible gains from the sale of treasury shares, reduced by tax effect, have been recognised in the share premium account before the new Companies Act came into effect on 1 September 2006 Gains from the sale of treasury shares that take place after the change in legislation are recognised, reduced by tax effect, in the invested unrestricted equity fund.

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

The share issue gain from the 2007 share issue, less transaction expenses and tax, has been recognised in the invested unrestricted equity fund.

The fair value reserve includes changes in the fair value of derivative instruments used in cash-flow hedging, less deferred taxes and presented in comprehensive income.

Retained earnings include profit from previous financial years, less dividends distributed and acquisitions of own shares. Changes in accounting principles and errors are also recognised in the results of previous financial years.

The translation differences are the exchange rates in connection of consolidation of the foreign companies and the will presented in comprehensive income.

A hybrid bond on equity terms is recognised in shareholders' equity (after equity belonging to shareholders). The bond has no maturity date, but the company has the right to redeem it 4 years after the date of issue. The hybrid bond is unsecured and is in a weaker preference position than promissory notes. Its preference position is, however, better than other items listed in the company's shareholders' equity. A holder of a hybrid bond note has no shareholder rights, nor does the bond dilute the ownership of the company's shareholders. The bond is entered originally in the accounts at fair value. Transactions expenses have been included in the original carrying amount of the bond.

DIVIDEND

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

TREASURY STOCK (OWN SHARES)

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

EMPLOYEE BENEFITS

Pension liabilities

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

The Group's foreign sales offices and subsidiaries have various pension schemes that comply with the local rules and practices of the countries in question. All of the most significant pension schemes are defined-contribution schemes. The statutory pension cover of the employees of the Group's Finnish companies has been handled by a Finnish pension insurance company. The pension cover is a defined-contribution scheme. The pension schemes of the parent company's President & CEO and members of the Board of Management as well as those of the managing directors of subsidiaries has been handled by a Finnish pension insurance company has been handled by a Finnish pension insurance company, and the retirement age under these schemes is on average 63 years. All of these pension schemes are also defined-contribution schemes.

Other voluntary pension cover of the employees has been handled by Finnair Plc Pension Fund, as defined-benefit, where the pension cover and unemployment pensions are defined.

Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Other post-employment benefits

All post employment benefits, excluding pensions, are defined-contribution benefits.

SHARE-BASED PAYMENTS

The Group operates a number of share-based compensation plans, under which the entity receives services from employees as consideration for share-based bonuses or bonuses derived from share value.

Share-based compensations earned during the financial year, which are meant for the employees' commitment, are recognised over the setting period. The recognised amount is derived from share fair value and presented in employee benefit expense with a corresponding liability.

The yearly cash paid share price based bonus is recognised, according to the share fair value, directly to employee benefit expense with a corresponding liability until the day it is paid.

PROVISIONS AND CONDITIONAL LIABILITIES

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

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

The Group is obliged to surrender leased aircraft at a certain maintenance standard. To fulfil these maintenance obligations the Group recognises heavy maintenance provisions. The basis for the provision is flight hours flown during the maintenance period.

Conditional liability is an obligation related to the result of a past event. The realization for the obligation depends on events which are not depending of the Groups activities. Obligations that do not probably require payment or the amount is not reliably defined are also recognised as conditional liabilities. Conditional liabilities are presented in notes.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of financial statements requires the use of estimates and assumptions relating to the future, and the actual outcomes may differ from the estimates and assumptions made. In addition, discretion has to be exercised in applying the accounting principles of the financial statements. Estimates are based on management's best view on the closing date. Possible changes in estimates and assumptions are entered into the accounts in the financial period during which the estimates and assumptions are adjusted and in all subsequent financial periods. The main items requiring management discretion are as follows: impairment testing and deferred taxes.

Impairment testing

The recoverable amounts of cash generating units have been determined in calculations based on value in use. The preparation of these calculations requires the use of estimates. Estimates are based on budgets and forecasts, which inherently contain some degree of uncertainty. The main uncertainty factors in calculations are the USD/EUR exchange rate, unit revenue and estimated sales volumes. Further information on impairment testing is presented in Note 16 and 17.

Deferred taxes

Utilising deferred taxes, arising particularly from losses, requires a management assessment of the future trend of business operations. Further information on deferred taxes is presented in Note 20.

Critical judgements in applying the entity's accounting policies

In preparing the financial statements, the management makes decisions concerning the choice of interpretations and how they are adopted, especially when there is optional ways of presenting, valuing or entering the items. The main items requiring management discretion is the Group's Airline Business related lease agreement definition: financial lease contra other lease. Those cases where the management has made a judgement that risks and rewards of ownership belong to the Group the lease is handled as a financial lease otherwise as an other lease.

APPLICATION OF NEW AND AMENDED IFRS STANDARDS AND IFRIC INTERPRETATIONS

The IASB has published the following standards and interpretations. In 2010 or earlier adopted has followed in financial statements 2010. The group has decided not to adopt those standards and interpretations which will be mandatory in 2011 or later. The group has not early adopted these standards, but will adopt them in later periods.

In preparing these interim financial statements, the group has followed the same accounting policies as in the annual financial statements for 2009 except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2010:

- **IFRS 3 (Revised), Business Combinations.** The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The revised standard will affect the accounting of all business combinations from 1 January 2010. The interpretation does not have an impact on the consolidated financial statements.
- **IAS 27 (Revised), Consolidated and Separate Financial Statements.** The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.
- **IFRIC 12, Service Concession Arrangements.** The interpretation applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The interpretation does not have an impact on the consolidated financial statements
- **IFRIC 15, Agreements for the Construction of Real Estate.** The interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction should be recognised. This interpretation does not have any impact on the group's financial statements.
- **IFRIC 16, Net Investment in a Foreign Operation.** IFRIC 16 clarifies the accounting for the hedge of a net investment in a foreign operation in an entity's consolidated financial statements. It eliminates the possibility of an entity applying hedge accounting for a hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The interpretation does not have an impact on the consolidated financial statements.
- **IFRIC 17, Distribution of non-cash assets to owners.** The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable The interpretation does not have an impact on the consolidated financial statements.
- **IFRIC 18, Transfers of Assets from Customers.** The interpretation clarifies the requirements of IFRS standards for agreements in which an entity receives from a customer an item of property, plant and equipment or cash to be invested in an item that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The interpretation does not have an impact on the consolidated financial statements.
- **IFRIC 9 and IAS 39 (Amendment), Reassessment of embedded derivatives on reclassification.** The amendments to IFRIC 9 and IAS 39 clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. The amendments do not have an impact on the consolidated financial statements.
- **IAS 39 (Amendment), Financial instruments: Recognition and measurement – Eligible Hedged Items.** The amendment prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The amendment does not have a material impact on the consolidated financial statements.

- **IFRS 2 (Amendment), Share-based Payment – Group Cash-settled Share-based Payment Transactions.** The amendment to IFRS 2 clarifies that an entity that receives goods or services from its suppliers must apply IFRS 2 even though the entity has no obligation to make the required share-based cash payments. The interpretation does not have an impact on the consolidated financial statements.

IASB published changes to 12 standards or interpretations in April 2009 as part of the annual Improvements to IFRSs project, which were adopted by the group in 2010. The following presentation includes the most relevant changes to the group:

- **IFRS 2 (Amendment), Scope of IFRS 2 – Share-based Payment.** The amendment is to confirm that in addition to business combinations as defined by IFRS 3 (revised) 'Business combinations', contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2, 'Share-based payment'. The amendments do not have a material impact on the consolidated financial statements.
- **IFRS 5 (Amendment), Non-current Assets Held for Sale and Discontinued Operations.** The amendment clarifies that IFRS 5, 'Non-current assets held for sale and discontinued operations', specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The amendments do not have a material impact on the consolidated financial statements.
- **IFRS 8 (Amendment), Operating Segments.** Minor textual amendment to the standard, and amendment to the basis for conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. The amendments do not have a material impact on the consolidated financial statements.
- **IAS 1 (Amendment), Presentation of Financial Statements.** The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The amendments do not have a material impact on the consolidated financial statements.
- **IAS 7 (Amendment), Statement of Cash Flows.** The amendment is to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendments do not have a material impact on the consolidated financial statements.
- **IAS 17 (Amendment), Leases.** The amendment deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17. The amendments do not have a material impact on the consolidated financial statements.
- **IAS 18 (Amendment), Revenue.** Additional guidance added to the appendix to IAS 18 Revenue regarding the determination as to whether an entity is acting as a principal or an agent. The amendments do not have a material impact on the consolidated financial statements.
- **IAS 36 (Amendment), Impairment of Assets.** The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined in IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by IFRS 8). The amendments do not have a material impact on the consolidated financial statements.
- **IAS 38 (Amendment), Intangible Assets.** The amendment clarifies the requirements under IFRS 3 (2008) regarding accounting for intangible assets acquired in a business combination. The amendments do not have a material impact on the consolidated financial statements.
- **IAS 38 (Amendment), Intangible Assets.** The amendment clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. The amendments do not have a material impact on the consolidated financial statements.
- **IAS 39 (Amendment), Financial Instruments: Recognition and Measurement.** The amendment clarifies that pre-payment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk should be considered closely related to the host debt contract The amendments do not have a material impact on the consolidated financial statements.
- **IAS 39 (Amendment), Financial Instruments: Recognition and Measurement.** The amendment to the scope exemption in paragraph 2(g) of IAS 39 to clarify that: (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; (b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions. The amendments do not have a material impact on the consolidated financial statements.
- **IAS 39 (Amendment), Financial Instruments: Recognition and Measurement.** The amendment clarifies when to recognise gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The amendments do not have a material impact on the consolidated financial statements.
- **IFRIC 9 (Amendment), Reassessment of Embedded Derivatives.** The amendment to the scope paragraph of IFRIC 9 clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture. The amendments do not have a material impact on the consolidated financial statements.

- **IFRIC 16 (Amendment), Hedges of a net investment in a foreign operation.** The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. Management is assessing the impact of these changes on the financial statements of the group.

The following new standards, interpretations and amendments to existing standards and interpretations issued during the year 2010 will be adopted by the group in 2011:

- **IAS 24 (Revised), Related Party Disclosures.** The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. It achieves this balance by requiring disclosure about these transactions only if they are individually or collectively significant. The Group will adopt the revised standard in its 2011 financial statements. The interpretation does not have an impact on the consolidated financial statements.
- **IAS 32 (Amendment), Financial Instruments: Presentation – Classification of Rights Issues.** he amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group will adopt the amendment in its 2011 financial statements. The interpretation does not have an impact on the consolidated financial statements.
- **IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments.** The interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor. IFRIC 19 requires a gain or loss to be recognised in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. The amount of the gain or loss recognised in profit or loss will be the difference between the carrying value of the financial liability and the fair value of the equity instruments issued. The Group will adopt the interpretation in its 2011 financial statements. The interpretation does not have an impact on the consolidated financial statements.
- **IFRIC 14 (Amendment), Prepayments of a Minimum Funding Requirement.** The amendment is aimed at correcting an unintended consequence of IFRIC 14. As a result of the interpretation, entities are in some circumstances not permitted to recognise some prepayments for minimum funding contributions as an asset. The amendment remedies this unintended consequence by requiring prepayments in appropriate circumstances to be recognised as assets. The Group will adopt the amendment in its 2011 financial statements. The interpretation does not have an impact on the consolidated financial statements.

IASB published changes to 7 standards or interpretations in July 2010 as part of the annual Improvements to IFRSs project, which will be adopted by the group in 2011. The following presentation includes the most relevant changes to the group. The changes are still subject to endorsement by the European Union:

- **IFRS 3 (Amendments), a) Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS b) Measurement of non-controlling interests c) Un-replaced and voluntarily replaced share-based payment awards.** a) Clarifies that the amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 32, 'Financial instruments: Presentation', and IAS 39, 'Financial instruments: Recognition and measurement', that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). b) The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS c) The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including unreplaced and voluntarily replaced share-based payment awards. Management is assessing the impact of these changes on the financial statements of the group.
- **IFRS 7 (Amendment), Financial instruments: Financial statement disclosures.** The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. [Management is assessing the impact of these changes on the financial statements of the group. **IAS 1 (Amendment), Presentation of financial statements – statement of changes in equity.** Clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. [Management is assessing the impact of these changes on the financial statements of the group.
- **IAS 27 (Amendment), Consolidated and separate financial statements.** Clarifies that the consequential amendments from IAS 27 made to IAS 21, 'The effect of changes in foreign exchange rates', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when IAS 27 is applied earlier. Management is assessing the impact of these changes on the financial statements of the group.
- **IAS 34 (Amendment), Interim financial reporting.** The change provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around:

· The circumstances likely to affect fair values of financial instruments and their classification;
· Transfers of financial instruments between different levels of the fair value hierarchy;
· Changes in classification of financial assets; and
· Changes in contingent liabilities and assets.

Management is assessing the impact of these changes on the financial statements of the group.

- **IFRIC 13 (Amendment), Customer loyalty programmes.** The meaning of 'fair value' is clarified in the context of measuring award credits under customer loyalty programs. Management is assessing the impact of these changes on the financial statements of the group.

The following standards, interpretations and amendments will be adopted in 2012 or later:

- **IFRS 9, Financial Assets – Classification and Measurement.** The standard represents the first milestone in the IASB's planned replacement of IAS 39. It addresses classification and measurement of financial assets. The next steps involve reconsideration and re-exposure of the classification and measurement requirements for financial liabilities, impairment testing methods for financial assets, and development of enhanced guidance on hedge accounting. The Group will probably adopt the standard in its 2013 financial statements. However, the standard is still subject to EU endorsement. Management is currently assessing the impact of the standard on the financial statements of the group. The group is yet to assess IFRS 9's full impact.
- **IFRS 9, Financial Liabilities – Classification and Measurement.** The second part of IFRS 9 was published in October 2010. It complements previously issued IFRS 9, 'Financial instruments' to include guidance on financial liabilities. The accounting and presentation for financial liabilities shall remain the same except for those financial liabilities for which fair value option is applied. The Group will probably adopt the standard in its 2013 financial statements. However, the standard is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.
- **IFRS 7 (Amendment), Disclosures - Transfers of financial assets.** The amendment adds disclosure requirements related to risk exposures derived from transferred assets. Additional disclosures, where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, are required. The amendment can increase the disclosures in the notes to financial statements in the future. The Group will adopt the standard in its 2012 financial statements. However, the standard is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.
- **IAS 12 (Amendment).** Currently IAS 12 requires an entity to estimate, which part of the carrying value of an item measured at fair value is recovered through use (for example, rental income) and which part through sale (capital gain). The amendment introduces a rebuttable presumption that certain assets measured at fair value are recovered entirely by sale. Presumption applies to deferred tax arising from investment properties, property, plant and equipment or intangible assets that are measured using the fair value model or revaluation model. The Group will adopt the standard in its 2012 financial statements. However, the standard is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.

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

These financial statements do not contain all of the parent company's financial statement information under the Finnish Accounting Act, but they can be obtained at the internet address www.finnairgroup.com.

3. SEGMENT INFORMATION

Annual information

Segment information is presented according to the Group's business segment division. Business segments are based on the Group's internal organisational structure and financial reporting of management. The business segments are Airline Business, Aviation Services and Travel Services. The Airline Business segment is responsible for sales, service concepts, flight operations and functions related to the procurement and financing of aircraft. In 2010 the units belonging the Airline Business segment were Finnair scheduled route and leisure traffic, Finnair Cargo Oy and Finnair Cargo Terminal Operations as well as Finnair Aircraft Finance Oy, which manages the Group's fleet and Finnair Flight Academy Oy. The Aviation Services segment comprises aircraft maintenance services, ground handling and the Group's catering operations as well as real-estate management and facility services for Finnair's operational premises. In 2010 the following companies belonged to the Aviation Services business segment:Finnair Technical Services Oy, Finnair Engine Services Oy, Finnair Catering Oy, Finncatering Oy, Finnair Facilities Management Oy and Northport Oy. The Travel Services segment consists of the Group's domestic and foreign travel agency operations as well as tour operations and the operations of the reservations systems supplier Amadeus Finland Oy. In 2010 the following companies belonged to the Travel Services business segment: Package tour companies Oy Aurinkomatkat Suntours Ltd Ab, Matkayhtymä Oy, Toivelomat Oy, OU Horizon Travel, Calypso, Finland Travel Bureau Ltd, Matkatoimisto Oy Area and A/S Estravel. Pricing between segments takes place at market price. Unattributable items include tax and financial items as well as items common to the whole company.

Business segment data 1 Jan—31 Dec 2010

EUR mill.	Airline Business	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
External turnover	1,594.6	113.2	315.5			2,023.3
Internal turnover	145.8	315.8	1.4	-463.0		0.0
Turnover	1,740.4	429.0	316.9	-463.0	0.0	2,023.3
Operating profit	-7.9	10.5	-2.3		-13.6	-13.3
Share of results of associated undertakings					0.1	0.1
Financial income					6.5	6.5
Financial expenses					-26.3	-26.3
Income tax					10.2	10.2
Non-controlling interest					-0.2	-0.2
Profit for the financial year						-23.0
Depreciation	99.1	16.4	1.8	0.0	1.4	118.7

Business segment data 1 Jan—31 Dec 2009

EUR mill.	Airline Business	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
External turnover	1,387.2	105.8	344.7			1,837.7
Internal turnover	150.7	315.5	1.8	-468.0		0.0
Turnover	1,537.9	421.3	346.5	-468.0	0.0	1,837.7
Operating profit	-182.1	29.8	-4.3		41.7	-114.9
Share of results of associated undertakings					0.1	0.1
Financial income					8.9	8.9
Financial expenses					-18.7	-18.7
Income tax					29.4	29.4
Non-controlling interest					-0.1	-0.1
Profit for the financial year						-95.3
Depreciation	99.3	30.6	1.3	0.0	1.6	132.8

Employees (average) by segment

	1 Jan—31 Dec 2010	1 Jan—31 Dec 2009
Airline Business	3,524	3,925
Aviation Services	2,685	3,347
Travel Services	1,110	1,289
Other operations	259	236
Total	7,578	8,797
Employees at end of year	7,616	7,945

4. ACQUIRED BUSINESSES

During the financial year the Group didn’t have any acquired businesses.

5. ASSET ITEMS SOLD AND NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale

In the Airline Business segment the following have been classified as available for sale: two MD 11 aircraft and one Embraer 170 aircraft, because the sum corresponding to their carrying amount will accrue from the sale of the assets instead of operational use. The company management has decided on the divestment during 2011. The aircrafts to be sold are for sale in their present condition on the industry's general and customary terms and conditions. The aircrafts and engines are not depreciated from the time of classification.

No impairments totalling have been recognised for the fleet in 2010, as the asset was valued at selling prices less costs of sale.

The book value of the non-current assets held for sale

EUR mill.	31 Dec 2010	31 Dec 2009
Aircraft	70.7	19.4
Total	**70.7**	**19.4**

6. PRODUCTION FOR OWN USE

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Component production	2.8	2.6
Heavy maintenance	5.9	2.1
Total	**8.7**	**4.7**

7. OTHER OPERATING INCOME

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Capital gains on sales of tangible fixed assets	6.1	32.9
Rental income	4.5	4.0
Others	9.5	10.9
Total	**20.1**	**47.8**

Other operating income includes puplic grants amounting to 2,2 million euros (3.4). The rest consists of several items, none of which are individually significant.

8. MATERIALS AND SERVICES

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Materials and services		
Materials and supplies for aircraft maintenance	51.7	42.0
Ground handling and catering charges	172.9	130.2
Fuels for flight operations	431.7	450.3
Expenses for tour operations	120.0	131.1
Aircraft maintenance and service	75.5	62.2
Data administration services	37.1	43.8
Other items [1]	51.8	52.8
Total	**940.7**	**912.4**

Other operating expenses do not include research and development expenses.

[1] Consists of several items, none of which are individually significant.

9. EMPLOYEE BENEFIT EXPENSES

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Employee benefit expenses		
Wages and salaries	358.9	393.5
Pension expenses	70.1	76.9
Other social expenses	17.2	17.5
Total	**446.2**	**487.9**

Personnel expenses included recognition a non-recurring personnel restructurig provision of 2.1 million euros for as agreed in the Group's statutory employer-employee negotiations during 2010 (3.3).

Salaries and bonuses of Chief Executive Officer and Members of the Board of Directors

EUR	Total	Fixed salary	Other bonuses	Share-based bonus
Chief Executive Officer				
Jukka Hienonen until 31 January 2010	129,014	46,271	82,743	0
Mika Vehviläinen starting from 1 February 2010	652,786	582,767	70,019	
Deputy Chief Executive Officer				
Lasse Heinonen	337,610	254,909	82,701	0
Members of the Board of Directors				
Christoffer Taxell	69,600	69,600		
Kari Jordan	11,100	11,100		
Elina Björklund	36,600	36,600		
Sigurdur Helgason	44,400	44,400		
Satu Huber	37,200	37,200		
Ursula Ranin	38,400	38,400		
Harri Sailas	29,700	29,700		
Veli Sundbäck	36,600	36,600		
Pekka Timonen	37,800	37,800		

The share-based bonuses of the Group Management can be found in Note 26 and the principles of the other bonuses in the corporate governance.

Personnel incentive scheme

The Group operates an incentive scheme based on a balanced scorecard, defined separately for each business unit, which covers most of the Finnair Group's employees. The total amount of bonuses in 2010 was 16.3 million euros (5.1).

Transfer to Personnel Fund

The Finnair Group has a profit bonus scheme, which allows employees to participate in a profit bonus payable on the basis of the Group's result and return on capital employed. A profit bonus is paid into a Personnel Fund, which is obliged to invest part of the bonus in Finnair Plc's shares. Other staff costs does not include any profit bonus (0.0).

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Social expenses		
Pension expenses – defined contribution schemes	63.1	70.5
Pension expenses – defined-benefit schemes, voluntary	7.0	6.4
Other social expenses	17.2	17.5
Total	**87.3**	**94.4**

Management pension benefits

The pension schemes of the parent company's President & CEO and members of the Board of Management as well as those of the managing directors of subsidiaries has been arrangend through Finnish pension insurance company and the average retirement age is 63. All of the management pension schemes are defined-contribution schemes.

10. DEPRECIATION AND IMPAIRMENT

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Depreciation of tangible fixed assets		
Buildings	2.5	3.4
Aircraft	97.8	109.8
Other equipment	7.3	8.4
	107.6	121.6
Depreciation of intangible assets		
Other intangible assets	11.1	10.2
Impairment		
Goodwill	0.0	1.0
Total	**118.7**	**132.8**

11. OTHER OPERATING EXPENSES

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Other operating expenses		
Lease payments for aircraft	63.1	74.4
Rental of cargo capacity	0.7	2.9
Other rental of flight capacity	45.1	42.9
Office and other rents	42.6	35.6
Traffic charges	188.5	171.1
Sale and marketing expenses	83.7	77.2
IT expenses and booking fees	35.8	29.2
Other items [1]	100.3	38.7
Total	**559.8**	**472.0**

[1] Includes fair value changes of derivatives -0,1 million euro (-55.5). Consists of several items, none of which are individually significant.

The auditor's fees are included in the other items as follows:

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Auditor's fees		
PricewaterhouseCoopers Oy		
- Auditor's fees	0.2	0.2
- Tax advising	0.2	0.2
- Other fees	0.1	0.0
Total	**0.5**	**0.4**
Others	0.2	0.2

12. FINANCIAL INCOME

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Interest income		
Interest income from financial assets classified as held for trading	6.2	8.6
Other interest income	0.0	0.0
	6.2	8.6
Dividend income	0.1	0.1
Exchange gains, net	0.1	0.2
Other financial income	0.1	0.0
Total	**6.5**	**8.9**

13. FINANCIAL EXPENSES

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Interest expenses		
Interest expenses on financial liabilities recognised at fair value through profit and loss	0.2	0.7
Interest expenses for financial liabilities valued at amortised acquisition cost	16.9	11.7
Interest on finance leases	5.5	2.6
	22.6	15.0
Exchange losses, net	0.0	2.0
Other financial expenses	3.7	1.7
Total	**26.3**	**18.7**

Effectiveness testing of the Group's hedge accounting found that both cash flow and fair value hedging are efficient. Thus, as in the comparison year 2009, no inefficiency is included in financial items for 2010. Financial income includes an identical amount of profits and losses for fair value hedging instruments and for hedging items resulting from the hedged risk.

14. INCOME TAXES

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Taxes for the financial year		
Tax based on taxable income of the financial year	0.3	0.0
Tax based on taxable income of the previous year	-0.4	4.0
Deferred taxes	-10.1	-33.4
Total	**-10.2**	**-29.4**

The tax expense included in the consolidated income statement differs in the following way from the theoretical sum obtained by using the tax rate (26%) of the Group's home country, Finland:

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Result before taxes	-33.0	-124.6
Taxes calculated using the Finnish tax rate	8.6	32.4
Different tax rates of foreign subsidiaries	0.1	0.1
Share of result in associated undertakings	0.0	0.0
Tax-free income	-0.5	-0.7
Nondeductible expenses	-0.2	-0.2
Other temporary differences adjustment	-0.4	1.8
Tax based on taxable income of the previous year	0.4	-4.0
Deferred taxes from loss	2.2	0.0
Income taxes, total	**10.2**	**29.4**
Effective tax rate	30.8%	23.6%

15. EARNINGS PER SHARE

The undiluted earnings per share figure is calculated by dividing the profit for the financial year attributable to the parent company's shareholders by the weighted average number of shares outstanding during the financial year. When calculating the earnings per share adjusted by dilution, the weighted average of the number of shares takes into account the diluting effect resulting from changing into shares all potentially diluting shares. The fair value of the share is based on the weighted average price of the shares in trading.

EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Result for the financial year	-23.0	-95.3
Interest of Hybrid Bond	-8.0	-1.9
Weighted average number of shares, 1000 pcs	128,136	128,136
Undiluted and diluted earnings per share, EUR	-0.24	-0.76

Dividend
The dividend has not been paid in 2010 and in 2009. The Board of Directors proposes to the Annual General Meeting that dividend from financial year 2010 will not be paid.

16. INTANGIBLE ASSETS

Financial statement 31 Dec 2009				
EUR mill.	Connections fees	Systems	Goodwill	Total
Acquisition cost				
Acquisition cost 1 Jan 2009	2.0	114.0	3.7	119.7
Additions	0.0	13.6		13.6
Subsidiary acquisitions			0.0	0.0
Disposals	-0.1	-4.3	0.0	-4.4
Acquisition cost 31 Dec 2009	1.9	123.3	3.7	128.9
Accumulated depreciation and impairment				
Accumulated depreciation and impairment 1 Jan 2009	0.0	-71.6	0.0	-71.6
Depreciation		-10.2	-1.0	-11.2
Accumulated planned depreciation of disposals		0.0	0.0	0.0
Accumulated depreciation and impairment 31 Dec 2009	0.0	-81.8	-1.0	-82.8
Book value 31 Dec 2009	**1.9**	**41.5**	**2.7**	**46.1**
Book value 1 Jan 2009	2.0	42.4	3.7	48.1

Financial statement 31 Dec 2010				
EUR mill.	Connections fees	Systems	Goodwill	Total
Acquisition cost				
Acquisition cost 1 Jan 2010	1.9	123.3	3.7	128.9
Additions	0.0	5.1		5.1
Subsidiary acquisitions			0.0	0.0
Disposals	0.0	-8.7	0.0	-8.7
Acquisition cost 31 Dec 2010	1.9	119.7	3.7	125.3
Accumulated depreciation and impairment				
Accumulated depreciation and impairment 1 Jan 2010	0.0	-81.8	-1.0	-82.8
Depreciation		-11.1	0.0	-11.1
Accumulated planned depreciation of disposals		7.2		7.2
Accumulated depreciation and impairment 31 Dec 2010	0.0	-85.7	-1.0	-86.7
Book value 31 Dec 2010	**1.9**	**34.0**	**2.7**	**38.6**
Book value 1 Jan 2010	1.9	41.5	2.7	46.1

For impairment the goodwill is recognised both in Airline Business and Traves Services segments. The goodwill for Airline Business is 0.5 million euros and the goodwill for Travel Services is 2.2 million euros. The cashflows used for impairment are fair value based in both segments. The expected three years cashflows are based on management approved forecasts. After that period the cashflows are extrapolated by using 2% growth factor. Note 17 includes more information about Airline Business impairment testing.

Travel Servivces' goodwill is allocated to cash-generating units for the purpose of impairment testing. In the goodwill of Horizon business operations the discount rate used is 10%. In the goodwill of Calypso business operations the discount rate after tax used is 15%. The discount rate is determinated for risks based on business operations and enviroment.

Based on low value of goodwill, the impact of changes on variables in value determination for impartment are not essential.

After impairment testing year 2009 it was found that 1.0 million euro impairment losses of Calypso goodwill has been recognised.

17. TANGIBLE ASSETS

Financial statement 31 Dec 2009						
EUR mill.	Land	Buildings	Aircraft	Other equipment	Advances	Total
Acquisition cost						
Acquisition cost 1 Jan 2009	1.7	208.9	1,444.8	267.6	104.1	2,027.1
Additions	0.0	0.2	325.6	72.5	0.6	398.9
Disposals	-1.0	-52.9	-14.1	-1.0	-23.0	-92.0
Acquisition cost 31 Dec 2009	0.7	156.2	1,756.3	339.1	81.7	2,334.0
Accumulated depreciation and impairment						
Accumulated depreciation and impairment 1 Jan 2009	**0.0**	**-109.7**	**-428.1**	**-217.2**	**0.0**	**-755.0**
Depreciation		-3.4	-109.8	-8.4		-121.6
Accumulated depreciation for a held-for-sale asset item			0.0			0.0
Accumulated planned depreciation of disposals		9.1	1.9	0.6		11.6
Accumulated depreciation and impairment 31 Dec 2009	0.0	-104.0	-536.0	-225.0	0.0	-865.0
Book value 31 Dec 2009	**0.7**	**52.2**	**1,220.3**	**114.1**	**81.7**	**1,469.0**
Book value 1 Jan 2009	1.7	99.2	1,016.7	50.4	104.1	1,272.1

Financial statement 31 Dec 2010						
EUR mill.	Land	Buildings	Aircraft	Other equipment	Advances	Total
Acquisition cost						
Acquisition cost 1 Jan 2010	0.7	156.2	1,756.3	339.1	81.7	2,334.0
Additions	0.0	4.5	168.7	5.7	0.3	179.2
Disposals	0.0	0.0	-19.7	-8.5	-62.6	-90.8
Transfer to a held-for-sale asset item			-202.9			-202.9
Acquisition cost 31 Dec 2010	0.7	160.7	1,702.4	336.3	19.4	2,219.5
Accumulated depreciation and impairment						
Accumulated depreciation and impairment 1 Jan 2010	0.0	-104.0	-536.0	-225.0	0.0	-865.0
Depreciation		-2.5	-97.8	-7.3		-107.6
Accumulated depreciation for a held-for-sale asset item			151.6			151.6
Accumulated planned depreciation of disposals		0.0	0.5	7.6		8.1
Accumulated depreciation and impairment 31 Dec 2010	0.0	-106.5	-481.7	-224.7	0.0	-812.9
Book value 31 Dec 2010	**0.7**	**54.2**	**1,220.7**	**111.6**	**19.4**	**1,406.6**
Book value 1 Jan 2010	0.7	52.2	1,220.3	114.1	81.7	1,469.0

As surety for liabilities in 2010 is the carrying amount of aircraft pledged, namely 658.2 million euros (704.6).
Other equipment includes office equipment, furnishings, cars and transportation vehicles used at airports.

Impairment test

The impairment test of the aircrafts based on the fair value and value-in-use has been done on the closing date. The test based on value-in-use did not cause any need for impairment.

The recoverable amount of a CGU is determined based on value-in-use calculations and the Groups' own assumptions. These calculations use pre-tax cash flow projections based on financial profit and financial budgets approved by management covering years 2011–2013. After that the EBITDA are expected to grow of 4% yearly 2014–2017. As the residual value the estimated value of aircrafts in 2017 is used. The fair values of aircrafts are based on bulletins of two independent aircraft valuators.

The key assumptions used for value-in-use calculations are as follows:
WACC after taxes 8.00% (8.25%)
EUR USD 1.32 exchange rate

	2011	2012	2013
Fuel, USD/ton	867	885	889
Yield (eurcent/RPK) change, %	1.3%	0.1%	0.6%
Load factor, %	76.2%	77.4%	77.6%

The value-in-use calculation is sensitive to all material key assumptions. The most sensitives are load factor and yield (eurocent/RPK) after those the fuel price and exchange rate EUR/USD.

The decrease of load factor by 1.2% in the whole period under review will decrease the recoverable amount so that is equal to carrying amount for the asset. The decrease of yield by 1.5% in the whole period under review will decrease the recoverable amount so that is equal to the carrying amount for the asset. The average fuel price increase by 4.5% decrease the recoverable amount so that it would equal the carrying amount.

The value-in-use calculation of aircraft is sensitive to USD exchange rate, the USD strenghtening of 10% will decrease the recoverable amount so that the impairment should be made. Howewer USD strenghtening of 10% will increase the fair value of aircrafts, determined by the aircraft valuators, above the carrying amount of aircrafts .

Financial lease arrangements

Tangible assets include assets acquired under financial leases the corresponding depreciation are included in the income statement depreciation.

Financial statement 31 Dec 2009			
EUR mill.	Buildings	Machinery and vehicles	Total
Acquisition cost 31 Dec 2009	24.0	94.4	118.4
Accumulated depreciation	-7.2	-14.1	-21.3
Book value	**16.8**	**80.3**	**97.1**
	2010	2011–2014	2015–
Lease payments	11.2	46.1	89.6
Discounting	2.3	11.2	39.8
Net present value	8.9	34.9	49.8

Financial statement 31 Dec 2010			
EUR mill.	Buildings	Machinery and vehicles	Total
Acquisition cost 1 Jan 2010	24.0	94.4	118.4
Additions	4.2	135.0	139.2
	0.0	-0.7	-0.7
Acquisition cost 31 Dec 2010	28.2	228.7	256.9
Accumulated depreciation and impairment 1 Jan 2010	-7.2	-14.1	-21.3
Depreciation	-1.3	-10.7	-12.0
Accumulated depreciation and impairment 31 Dec 2010	-8.5	-24.8	-33.3
Book value	**19.7**	**203.9**	**223.6**
	2011	2012–2015	2016–
Lease payments	22.5	85.9	174.7
Discounting	5.6	17.3	59.2
Net present value	16.9	68.6	115.5

Buildings in financial lease arrangements are depreciated to the in plan 6–21 years and other equipment is depreciated according to the plan in 5–12 years. Aircrafts are depreciated according to the plan in 18 years. In the financial year and in the comparison period no variable rents from financial leases have been recognised.

18. HOLDINGS IN ASSOCIATED UNDERTAKINGS

The Group's share of the result, asset items and liabilities of associated companies, none of which are publicly listed, is presented below:

EUR mill.	31 Dec 2010	31 Dec 2009
At the beginning of the financial year	8.3	6.2
Shares of results	0.1	0.0
Additions, capital loan	0.0	2.4
Disposals	-0.8	-0.3
At the end of the financial year	7.6	8.3

Information on the Group's associated undertakings

Financial statement 31 Dec 2009

	Domicile	Assets	Liabilities	Turnover	Profit/Loss	Holding %
Amadeus Estonia	Estonia	0.7	0.2	0.6	0.2	33.25
Finnish Aircraft Maintenance Oy	Finland	9.4	8.0	12.4	0.1	46.30
Kiinteistö Oy Lentäjäntie 1	Finland	31.2	23.0	1.4	0.0	28.33
Kiinteistö Oy Lentäjäntie 3	Finland	10.6	8.8	0.5	0.0	39.12
Total		**51.9**	**40.0**	**14.9**	**0.3**	

Financial statement 31 Dec 2010

	Domicile	Assets	Liabilities	Turnover	Profit/Loss	Holding %
Amadeus Estonia	Estonia	0.6	0.2	0.7	0.1	33.25
Finnish Aircraft Maintenance Oy	Finland	9.4	7.6	12.6	0.2	46.30
Kiinteistö Oy Lentäjäntie 1	Finland	32.6	22.8	1.5	0.0	28.33
Total		**42.6**	**30.6**	**14.8**	**0.3**	

The carrying amount of associated companies on 31 December 2010 or 31 December 2009 does not include goodwill.

Amadeus Finland's holding in Amadeus Estonia ensures the provision of consistent products and services to Finnish companies operating in Estonia as well as in Finland and helps increase cooperation between Estonia travel agencies and Finnish travel service providers. Finnair Plc and Finncomm Airlines have established a company Finnish Aircraft Maintenance Oy, which is been specialized to regional class aircraft maintenance services.

19. RECEIVABLES, LONG-TERM

EUR mill.	31 Dec 2010	31 Dec 2009
Loan receivables	0.2	0.2
Other receivables	13.4	20.3
Total	**13.6**	**20.5**

Financial year 31 Dec 2009			
EUR mill.	Loan receivables	Other receivables	Total
At the beginning of the financial year	0.2	21.3	21.5
Additions	0.0	0.0	0.0
Disposals	0.0	-1.0	-1.0
At the end of the financial year	**0.2**	**20.3**	**20.5**

Financial year 31 Dec 2010			
EUR mill.	Loan receivables	Other receivables	Total
At the beginning of the financial year	0.2	20.3	20.5
Additions	0.0	0.0	0.0
Disposals	0.0	-6.9	-6.9
At the end of the financial year	**0.2**	**13.4**	**13.6**

Other receivables are lease collateral for aircraft operational lease agreements.

Balance sheet values correspond best to the sum which is the maximum amount of credit risk, excluding the fair value of guarantees, in the event that other contractual parties are not able to fulfil their obligations relating to financial instruments. There are no significant concentrations of credit risk relating to receivables. The fair values of receivables are presented in Note 32.

20. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred taxes during 2009:

EUR mill.	1 Jan 2009	Recognised in the income statement	Recognised in shareholders' equity	31 Dec 2009
Deferred tax assets				
Employee benefits	1.6	-1.6	0.0	0.0
Confirmed losses	3.7	16.7	0.0	20.4
Finance leasing	2.1	-0.9	0.0	1.2
Revenue recognition	0.2	0.0	0.0	0.2
Capitalisation of overhead expenses	0.1	0.0	0.0	0.1
Heavy maintenance allocations	2.6	-0.5	0.0	2.1
Engine maintenance allocations	12.5	-2.4	0.0	10.1
Other temporary differences	0.7	2.2	0.0	2.9
Finnair Plus	7.9	-1.6	0.0	6.3
Valuation of derivates at fair value	38.8	0.0	-30.0	8.8
Total	**70.2**	**11.9**	**-30.0**	**52.1**
Deferred tax assets that can be used after more than 12 months	13.6			11.2
Deferred tax liabilities				
Accumulated depreciation difference	23.2	-20.8	0.0	2.4
Gains from sale of tangible fixed assets	96.3	-0.8	0.0	95.5
Employee benefits	0.0	1.2	0.0	1.2
Other temporary differences	1.1	-1.1	0.0	0.0
Total	**120.6**	**-21.5**	**0.0**	**99.1**
Deferred tax liabilities payable after more than 12 months	119.5			97.9

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

Changes in deferred taxes during 2010:				
EUR mill.	1 Jan 2010	Recognised in the income statemen	Recognised in shareholders' equity	31 Dec 2010
Deferred tax assets				
Employee benefits	0.0	0.6	0.0	0.6
Confirmed losses	20.4	8.9	0.0	29.3
Hybrid bond, interest	0.0	0.0	2.8	2.8
Finance leasing	1.2	-0.1	0.0	1.1
Revenue recognition	0.2	-0.1	0.0	0.1
Capitalisation of overhead expenses	0.1	0.0	0.0	0.1
Heavy maintenance allocations	2.1	-0.5	0.0	1.6
Engine maintenance allocations	10.1	-5.2	0.0	4.9
Other temporary differences	2.9	-0.1	0.0	2.8
Finnair Plus	6.3	-1.6	0.0	4.7
Valuation of derivates at fair value	8.8	0.0	-8.8	0.0
Total	**52.1**	**1.9**	**-6.0**	**48.0**
Deferred tax assets that can be used after more than 12 months	11.2			15.4
Deferred tax liabilities				
Accumulated depreciation difference	2.4	0.0	0.0	2.4
Gains from sale of tangible fixed assets	95.5	-7.7	0.0	87.8
Hybrid bond, interest	0.0	0.7	0.0	0.7
Employee benefits	1.2	-1.2	0.0	0.0
Valuation of derivates at fair value	0.0	0.0	12.4	12.4
Total	**99.1**	**-8.2**	**12.4**	**103.3**
Deferred tax liabilities payable after more than 12 months	97.9			90.1

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

If the foreign subsidiaries would pay out all retaining earnings as dividend to the parent company it will cause 0.3 EUR million tax effect (0.3).

The utilizsation of the deferred tax asset is based on the budgeted future taxable profits during the next three years.

21. INVENTORIES

EUR mill.	31 Dec 2010	31 Dec 2009
Materials and supplies	41.4	28.6
Work in progress	6.1	8.2
Total	**47.5**	**36.8**

The cost of inventories recognised as expense and included in materials and supplies amounted to 51.7 million euros.

In the financial year 0.1 million euros is recognised based on the difference between a carrying value and net realisable value (0.1). This has been booked in materials and supplies for aircraft maintenance, Note 8.

The carrying amount of inventories recognised at fair value is 5.0 million euros (4.6). Inventories have not been pledged for Group liabilities.

22. TRADE RECEIVABLES AND OTHER RECEIVABLES

EUR mill.	31 Dec 2010	31 Dec 2009
Trade receivables	96.7	85.7
Receivables from associated undertakings	0.1	0.3
Prepaid expenses and accrued income	53.6	54.3
Receivables based on derivative contracts	82.4	38.7
Other receivables	19.5	18.5
Total	**252.3**	**197.5**

Age distribution of trade receivables	31 Dec 2010	31 Dec 2009
Not overdue	92.7	77.6
Overdue less than 60 days	2.1	5.6
Overdue more than 60 days	1.9	2.5
Total	**96.7**	**85.7**

Debt losses from trade receivables
The Group has recognised during the financial year credit losses from trade receivables of 1.1 million euros (1.0).

The receivables not overdue and overdue do not consist any big credit risk, because of good distribution of customer basis.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

23. OTHER FINANCIAL ASSETS, SHORT-TERM

EUR mill.	31 Dec 2010	31 Dec 2009
Commercial papers and certificates	421.1	499.8
Funds	38.1	37.3
Long-term deposits	0.0	20.0
Listed shares	24.9	22.9
Unlisted shares	1.3	2.9
Total	**485.4**	**582.9**

Ratings of counterparties	31 Dec 2010	31 Dec 2009
Better than A	250.5	287.4
A	57.1	151.4
BBB	29.9	24.9
BB	5.0	5.0
Unrated	142.9	114.2
Total	**485.4**	**582.9**

Listed foreign shares are valued to closing quotation and mid-market exchange rates on the closing date. During years 2010 and 2009 there have not been any acquisitions or sales in listed shares which are classified as available for sale investments. Therefore the change in the value is caused by changes in rates/prices.

In Note 31. is told about investing of Group's short term asset and about group risk management policy.

IFRS classification and fair values of financial assets are presented in Note 32.

24. CASH AND CASH EQUIVALENTS

EUR mill.	31 Dec 2010	31 Dec 2009
Cash and bank deposits	9.6	9.2
Short-term bank deposits	31.9	15.3
Total	**41.5**	**24.5**

Items include cash and bank deposits realized on demand. Foreign currency cash and bank deposits have been valued at mid-market exchange rates on the closing date. The reconciliation of cash and cash equivalents is illustrated in notes of consolidated cash flow statement.

25. EQUITY-RELATED INFORMATION

	Number of registered shares	Share capital, EUR	Share premium account, EUR	Unrestricted equity, EUR	Hybrid bond, EUR
1 Jan 2009	128,136,115	75,442,904.30	20,407,351.01	247,147,811.83	0.00
Hybrid bond					119,385,964.10
31 Dec 2009	128,136,115	75,442,904.30	20,407,351.01	247,147,811.83	119,385,964.10
31 Dec 2010	**128,136,115**	**75,442,904.30**	**20,407,351.01**	**247,147,811.83**	**119,385,964.10**

	Number of own shares	Price, EUR	Average price, EUR
1 Jan 2009	387,429	3,064,616.42	7.91
Acquisition of own shares	0	0.00	0.00
Disposal of own shares	0	0.00	0.00
31 Dec 2009	387,429	3,064,616.42	7.91
Acquisition of own shares	0	0.00	0.00
Disposal of own shares	0	0.00	0.00
Shares returned to company	22,758	114,719.52	5.04
31 Dec 2010	**410,187**	**3,179,335.94**	**7.75**

All issued shares are fully paid.

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

RESERVES INCLUDED IN SHAREHOLDERS' EQUITY

Share premium account
Share issue gains arising during 1997–2006 have been recognised in the share premium account, less transaction expenses and the profit for disposal of own shares less taxes.

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

Translation difference
The translation differences include translation differences arising from the translation of foreign units' financial statements.

Unrestricted equity
2007 Share issue less transaction expenses have been recognised in the unrestricted equity.

Fair value reserve
Fair value reserve includes the fair value of derivative instruments used in cash flow hedging and changes in fair values of available for sale financial assets, less deferred tax.

Fair value reserve		
EUR mill.	31 Dec 2010	31 Dec 2009
Jet fuel price hedging	30.1	-34.7
Jet fuel currency hedging	9.2	-3.0
Hedging of lease payments	0.6	-0.6
Electricity price hedging	1.4	0.0
Available for sale financial assets	6.3	4.3
Deferred tax asset (liability)	-12.4	8.8
Total	**35.2**	**-25.2**

Maturity dates of fair values recognised in the hedging reserve:							
EUR mill.	2011	2012	2013	2014	2015	Later	Total
Jet fuel price hedging	19.6	10.4	0.1				30.1
Jet fuel currency hedging	7.1	2.1					9.2
Hedging of lease payments	0.5	0.1					0.6
Electricity price hedging	0.9	0.4	0.1				1.4
Hedging of firm aircraft purchase orders	0.0						0.0
Loans hedging	0.0						0.0
Available for sale financial assets	6.3					0.0	6.3
Deferred tax asset (liability)	-8.9	-3.4	-0.1	0.0	0.0	0.0	-12.4
Total	**25.5**	**9.6**	**0.1**	**0.0**	**0.0**	**0.0**	**35.2**

Derivatives in income statement

During 2010, 28.7 million euros (74.0) has been recognised from the fair value reserve as an increase in expenses in the income statement. Of this, 30.2 million euros (76.9) is an adjustment of fuel expenses, -1.3 million euros (-2.9) an adjustment of aircraft lease expenses and -0.2 million euros an adjustment of electricity expenses.

Finnair hedges against price fluctuation with derivatives based on its risk management policy. Hedge accounting is not or can not be applied to all hedging relationships. For this fuel purchases hedging outside IFRS hedge accounting, -5.7 million euros (56.8) was realised and recognised as an adjustment to fuel expenses and 1.3 million euros (-6.3) in other operating expenses in the income statement during 2010.

Sensitivity analysis of the fair value reserve

If the price of Jet fuel CIF NWE had been 10 per cent higher, the balance of the reserve would have been 35.5 million euros (28.0) higher. Correspondingly, a 10 per cent weaker Jet fuel CIF NWE price would have reduced the reserve by 35.5 million euros (28.0). In terms of the US dollar, a 10 per cent weaker level would have lowered the balance of the fair value reserve by 36.2 million euros (32.5) and a 10 per cent stronger dollar would have had a positive impact of 36.2 million euros (32.5). In terms price of electricity, a 10 per cent weaker level would have lowered the balance of the fair value reserve by 0.7 million euros and a 10 per cent higher price level would have had a positive impact of 0.7 million euros. The effect of change in interests to the fair value reserve in own equity is not essential. The enclosed sensitivity figures do not take into account any change in deferred tax liability (tax assets).

Own shares

The acquisition cost of own shares held by the Group is included in own shares. For further information on the share bonus scheme see Note 26. Total amount of the acquisition cost of own shares held by the Group is 3.1 million euros.

Hybrid bond

Shareholders' equity (after equity belonging to shareholders) includes a 120 million euro hybrid bond issued in 2009. The bond coupon is 9 per cent per year. The bond has no maturity date, but the company has the right to redeem it 4 years after the date of issue. The hybrid bond is unsecured and in a weaker preference position than promissory notes. A holder of hybrid bond notes has no shareholder rights.

Finnair Plc's distributable equity	
EUR mill.	31 Dec 2010
Retained earnings at the end of financial year	113.7
Unrestricted equity	250.3
Result for the financial year	-24.6
Distributable equity total	**339.4**

26. SHARE-BASED PAYMENTS

The Group has share-based personnel bonus schemes.

Finnair Plc's share-based bonus scheme 2010–2012
The Board of Directors of Finnair Plc approved a share-based bonus scheme for 2010–2012 on 4 February 2010. In the share bonus scheme, key individuals have the possibility of receiving company shares and cash for a three-year performance period according to how financial targets set for the performance period have been achieved. The scheme has two elements with equal targets.

The Board of Directors decides annually the financial targets to be set for each performance period. Achieving the targets set for the performance period determines how large a proportion of the maximum bonus and of the incentive based on the acquisition of Finnair shares will be paid. In a three-year period, the total of the share bonuses, however, can be at most the sum corresponding to three years' gross earnings.

For the 2010 performance period, the share bonus criteria were: return on capital employed (ROCE) 0–4% and earnings before depreciation, aircraft leasing payments and capital gains (EBITDAR) 112–212 million euros. Between these values the bonus is determined linearly. ROCE and EBITDAR have the same weighting.

Share-based bonus:
Shares are earned annually in the period 2010–2012 and paid in spring 2013. At the same time, a cash bonus intended for payment of taxes is paid, amounting to 1.5 times the value of the shares at the time of payment. After the payment of shares, there is a three-year embargo on their sale.

Incentive bonus based on the purchase of shares:
If key individuals belonging to the share bonus scheme purchase Finnair Plc shares during 2010–2012, they will be paid a cash incentive bonus in the spring of the year following the acquisitions. The incentive bonus will equal the proportion of the value of the shares, acquired by the key individual, corresponding to the percentage fulfilment of set targets. This bonus will be supplemented by a cash sum, which in most cases will correspond to taxes and tax-related payments arising to key individuals from the receipt of their bonus. In anysingle year of the performance period the number of shares acquisition taken into account is at most half of the key individual's share bonus allocation, i.e. the number of shares that they key individual can at most receive as a share bonus for the year in question. The size of the cash bonus is determined as follows: number of shares acquired by key individual x the company's share price at the time of payment x the target realisation percentage x 2.5.

Shares bonuses and incentives based on share acquisitions have been recognised for 2010 to the sum of 834,000 euros based on the share price at the end of the financial year. The amount is presented in the income statement item Wages and salaries, note 9. The financial targets of the schemes were realised 31 %.

Share bonus allocations granted, maximum number of shares	2010
For performance period	
President & CEO	48,723
Deputy CEO	27,842
Other members of the Executive Board (7)	139,207
Members of the Board of Directors	0
Other key personnel	426,211
Total granted	**641,983**

Finnair Plc's share-based incentive scheme 2007—2009

The Board of Directors of Finnair Plc approved a share bonus scheme 2007–2009 on 22 March, 2007. In the share bonus scheme, key individuals had the possibility of receiving shares as bonus for a three-year performance period according to how targets set for the performance period have been achieved. In addition, the proportion payable as cash is 1.5 times the value of the shares.

For the 2009 performance period, share bonus criterias were: EPS 0–0.50 euros and ROCE 4–10%. The Board of Directors allocated total of 531,569 shares to key personnel in 2009. While the criterias were not fulfilled, no share-based payments were booked for 2009.

27. PENSION LIABILITIES

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

The Group's foreign sales offices and subsidiaries have various pension schemes that comply with the local rules and practices of the countries in question. All of the most significant pension schemes are defined-contribution schemes. The statutory pension cover of the employees of the Group's Finnish companies has been arranged in a Finnish pension insurance company. The pension cover is a defined-contribution scheme. The pension schemes of the parent company's President & CEO and members of the Board of Management as well as those of the managing directors of subsidiaries are arranged in a pension insurance company and the retirement age under these agreements is in average 63 years. These pension schemes are also defined-contribution schemes. Other (voluntary) pension cover of the Group's domestic companies has been arranged in Finnair Plc's Pension Fund, in which the pension schemes are defined-benefit schemes. These schemes determine pension cover benefits and disability compensation. All of the Group's post-retirement benefits are defined-contribution benefits.

Defined-benefit pension schemes

EUR mill.	1 Jan—31 Dec 2010	1 Jan—31 Dec 2009
Items recognised in the income statement		
Current service costs for financial year	7.2	8.5
Interest costs	15.8	16.4
Expected return on plan assets gain	-20.2	-20.2
Net acturial gain (-) / loss (+) recognised in year	-0.2	0.0
Past service cost-vested benefits	4.4	1.7
Total, included in personnel expenses	**7.0**	**6.4**

The actual return of plan assets was 39.5 million euros in year 2010 (50.3).

Items recognised in the balance sheet

EUR mill.	31 Dec 2010	31 Dec 2009
Present value of funded obligations	310.9	311.6
Fair value of scheme assets	-371.2	-353.9
	-60.3	-42.3
Present value of unfunded obligations	0.0	0.0
Unrecognised net actuarial gains / losses (-)	62.8	37.8
Unrecognised costs based on past service	0.0	0.0
Net liability	**2.5**	**-4.5**
Presented provisions	0.0	0.0
Net liability presented in balance sheet	**2.5**	**-4.5**

The balance sheet pension liabilities for 2010 of 2.5 million euros and pension receivables for 2009 4.5 million euros does not include within it any items outside the Pension Fund.

Pension scheme assets include Finnair Plc shares with a fair value of 0.7 million euros (0.5) and a buildings used by the Group with a fair value of 38.0 million euros (37.8).

Changes in plan assests

EUR mill.	31 Dec 2010	31 Dec 2009
Fair value of plan assets at 1 January	353.9	339.7
Expected return on plan assets	20.2	20.2
Acturial gain (loss) on plan assets	20.1	-2.4
Contributions	0.0	17.0
Settlements	0.2	0.0
Benefits paid	-23.2	-20.6
Fair value of plan assets at 31 December	**371.2**	**353.9**

Plan assets are comprised as follows

%	31 Dec 2010	31 Dec 2009
Listed shares	21.7	19.0
Debt instruments	49.5	56.0
Property	18.6	18.0
Other	10.2	7.0
Total	**100.0**	**100.0**

Net liability reconciliation statement

EUR mill.	31 Dec 2010	31 Dec 2009
At the beginning of the financial year	-4.5	6.1
Total expenses, presented above	7.0	6.4
Paid contributions	0.0	-17.0
At the end of the financial year	**2.5**	**-4.5**

Defined-benefit schemes: principal actuarial assumptions

	31 Dec 2010	31 Dec 2009
Discount rate %	4.75%	5.25%
Expected rate of return on assets %	5.25%	5.75%
Annual rate of future salary increases %	2.0%	3.5%
Future pension increases %	2.1%	2.1%
Estimated remaining years of service	14	14

Amounts relating to defined benefit obligation and plan assets

EUR mill.	31 Dec 2010	31 Dec 2009
Present value of defined benefit obligation	310.9	311.6
Fair value of plan assets	-371.2	-353.9
Surplus (-) / Deficit (+)	-60.3	-42.3
Experience adjustments on plan assets	20.1	-2.4
Experience adjustments on plan liabilities	-5.1	-18.6

28. PROVISIONS

EUR mill.	Restructuring provision	Maintenance provisions	Total
Long-term			
Provisions at 1 January 2010	-	59.0	59.0
Increase	-	13.6	13.6
Decrease	-	0.0	0.0
Total	0.0	72.6	72.6
Current			
Provisions at 1 January 2010	3.3	49.7	53.0
Increase	2.1	21.3	23.4
Decrease	-1.8	-46.8	-48.6
Total	3.6	24.2	27.8
Total 31 Dec 2010	**3.6**	**96.8**	**100.4**

EUR mill.	Restructuring provision	Maintenance provisions	Total
Long-term			
Provisions at 1 January 2009	-	57.0	57.0
Increase	-	2.0	2.0
Decrease	-	0.0	0.0
Total	0.0	59.0	59.0
Current			
Provisions at 1 January 2009	2.4	50.2	52.6
Increase	3.3	18.3	21.6
Decrease	-2.4	-18.8	-21.2
Total	3.3	49.7	53.0
Total 31 Dec 2009	**3.3**	**108.7**	**112.0**

In financial year 2010, the Group has recognised personnel restructuring provision 2.1 million euros (3.3).

The Group is obliged to surrender leased aircraft at a certain maintenance standard. To fulfil these maintenance obligations the Group has recognised heavy maintenance and engine maintenance provisions. The basis for a provision is flight hours flown during the maintenance period. Long-term provisions are expected to be used by 2018.

29. INTEREST-BEARING LIABILITIES

EUR mill.	31 Dec 2010	31 Dec 2009
Interest-bearing liabilities		
Long-term		
Bank loans	-381.2	-441.0
Bonds	-100.0	-100.0
Finance lease liabilities	-184.8	-85.7
Total	**-666.0**	**-626.7**
Non-interest-bearing liabilities		
Long-term		
Pension liabilities	-3.0	-4.7
Other	-8.7	-6.0
Total	-11.7	-10.7
Total	**-677.7**	**-637.4**

EUR mill.	31 Dec 2010	31 Dec 2009
Interest-bearing liabilities		
Current		
Cheque account facilities	-0.1	-0.1
Bank loans	-69.5	-62.8
Finance lease liabilities	-16.2	-7.9
Commercial papers	0.0	-119.2
Other loans	-12.7	-11.8
Total	**-98.5**	**-201.8**

Maturity dates of interest-bearing financial liabilities 31 Dec 2010

EUR mill.	2011	2012	2013	2014	2015	Later	Total
Bank loans, fixed interest	-14.4	-79.7	0.0	0.0	0.0	0.0	-94.1
Bank loans, variable interest	-54.4	-70.8	-54.1	-32.0	-32.0	-113.3	-356.6
Bonds, variable interest	0.0	-100.0	0.0	0.0	0.0	0.0	-100.0
Finance lease liabilities	-16.2	-15.9	-16.5	-16.5	-16.6	-119.3	-201.0
Other loans	-12.8	0.0	0.0	0.0	0.0	0.0	-12.8
Interest-bearing liabilities total	**-97.8**	**-266.4**	**-70.6**	**-48.5**	**-48.6**	**-232.6**	**-764.5**
Payments from currency derivatives	-537.2	-183.7	-47.9	-155.1	0.0	0.0	-923.9
Income from currency derivatives	545.2	231.8	47.2	164.6	0.0	0.0	988.8
Commodity derivatives	-33.9	-7.1	-0.7	-0.1	0.0	0.0	-41.8
Trade payables and other liabilities	-575.8	0.0	0.0	0.0	0.0	0.0	-575.8
Interest payments	-15.2	-11.5	-7.0	-4.9	-3.7	-6.2	-48.5
Total	**-714.7**	**-236.9**	**-79.0**	**-44.0**	**-52.3**	**-238.8**	**-1,365.7**

Maturity dates of interest-bearing financial liabilities 31 Dec 2009

EUR mill.	2010	2011	2012	2013	2014	Later	Total
Bank loans, fixed interest	-131.2	-2.4	0.0	0.0	0.0	0.0	-133.6
Bank loans, variable interest	-50.8	-62.5	-147.6	-53.1	-31.7	-143.7	-489.4
Bonds, variable interest	0.0	0.0	-100.0	0.0	0.0	0.0	-100.0
Finance lease liabilities	-7.9	-7.7	-7.9	-8.2	-7.7	-54.2	-93.6
Other loans	-11.9	0.0	0.0	0.0	0.0	0.0	-11.9
Interest-bearing liabilities total	**-201.8**	**-72.6**	**-255.5**	**-61.3**	**-39.4**	**-197.9**	**-828.5**
Payments from currency derivatives	-775.8	-141.9	-39.2	-13.6	-155.1	0.0	-1,125.6
Income from currency derivatives	786.5	139.1	39.2	13.6	152.7	0.0	1,131.1
Commodity derivatives	-32.0	1.8	0.9	0.0	0.0	0.0	-29.3
Trade payables and other liabilities	-582.2	0.0	0.0	0.0	0.0	0.0	-582.2
Interest payments	-15.5	-12.7	-9.0	-5.8	-4.7	-9.4	-57.1
Total	**-820.8**	**-86.3**	**-263.6**	**-67.1**	**-46.5**	**-207.3**	**-1,491.6**

Bank loans include long-term currency and interest rate swaps that hedge USD-denominated aircraft financing loans. Interest rate re-fixing period in variable interest loans is 3 or 6 month.

The currency mix of interest-bearing long-term liabilities (including cross currency interest rate swaps) is as follows:		
EUR mill.	31 Dec 2010	31 Dec 2009
EUR	660.4	726.4
USD	104.1	102.1
	764.5	**828.5**

Weighted average effective interest rates on interest-bearing long-term liabilities		
	31 Dec 2010	31 Dec 2009
	2.0%	2.6%

Interest rate re-fixing period of interest-bearing liabilities		
	31 Dec 2010	31 Dec 2009
Up to 6 months	96.6%	88.2%
6–12 months	0.0%	8.0%
1–5 years	0.0%	1.0%
More than 5 years	3.4%	2.8%
Total	**100.0%**	**100.0%**

Finance lease liabilities

Minimum lease payments		
EUR mill.	31 Dec 2010	31 Dec 2009
Up to 1 year	22.5	11.2
1–5 years	85.9	46.1
More than 5 years	174.7	89.6
Total	**283.1**	**146.9**
Future financial expenses	82.1	53.3

Present value of minimum lease payment		
EUR mill.	31 Dec 2010	31 Dec 2009
Up to 1 year	16.9	8.9
1-5 years	68.6	34.9
More than 5 years	115.5	49.8
Total	**201.0**	**93.6**
Total of financial lease liabilities	**201.0**	**93.6**

30. TRADE PAYABLES AND OTHER LIABILITIES

EUR mill.	31 Dec 2010	31 Dec 2009
Advances received	52.9	44.5
Trade payables	43.1	52.3
Accured liabilities	443.7	410.2
Liabilities based on derivative contracts	15.7	62.0
Other liabilities	20.4	13.2
Total	**575.8**	**582.2**

Significant items in accrued liabilities:

EUR mill.	31 Dec 2010	31 Dec 2009
Unflown air transport revenues	123.8	127.6
Holiday pay reserve	75.0	79.5
Other items	244.9	203.1
Total	**443.7**	**410.2**

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

31. MANAGEMENT OF FINANCIAL RISKS

RISK MANAGEMENT IN FINNAIR

Principles of financial risk management

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

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

In the risk management of foreign exchange, interest rate and jet fuel positions, and electricity price risk, the company uses different derivative instruments, such as forward contracts, swaps and options. Derivatives are designated at inception as hedges for future cash flows (cash flow hedges), hedges for firm orders (hedges of the fair value of firm commitments) or as financial derivatives not qualifying for hedge accounting (economic hedges). In terms of the hedging of future cash flows (cash flow hedging), the Finnair Group implements, in accordance with IAS 39 hedge accounting principles, foreign exchange hedging of lease payments and aircraft purchases, hedging of jet fuel price and foreign exchange risks and hedging of electricity price risk. Hedging of fixed rate foreign exchange loans has ended during year 2010.

Fuel price risk in flight operations

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

Finnair hedges against jet fuel price fluctuations using gasoil and jet fuel forward contracts and options. As the underlying asset of jet fuel derivatives, the Jet Fuel CIF Cargoes NWE index is used, because around 65 per cent of Finnair's fuel purchase contracts are based on the benchmark price index for North and West Europe jet fuel deliveries.

Finnair applies the principle of time-diversification in its fuel hedging for Scheduled Passanger traffic, which makes up 90 per cent of the risk. The hedging horizon according to the risk management policy is two years. Under the risk management policy, hedging must be increased in each quarter of the year so that the hedge ratio for Finnair's Scheduled Passenger Traffic for the first six months is more than 60 per cent and so that thereafter a lower hedge ratio applies for each period. By allocating the hedging, the fuel cost per period is not as low as the spot-based price when prices fall, but when spot prices rise the fuel cost rises more slowly. Finnair hedges the fuel price risk of Leisure traffic according to own policy, at least 60 per cent of the jet fuel consumption is hedged.

In terms of the accounting, the fuel hedges are recognised in Finnair in two different ways. In terms of the fuel consumption of Finnair, the first approximately 40 percentage points per period are treated in accounting as cash-flow hedging in accordance with IAS 39 hedge accounting principles.

Changes in the fair value of derivatives defined as cash-flow hedging in accordance with IAS 39 are posted directly to the fair value reserve included in equity. The change in fair value recognised in the equity hedging reserve is posted to income statement at the period time as the hedged transaction. Changes in the fair value of hedges outside hedge accounting – which do not fulfil IAS 39 hedge accounting criteria – are recognised in other operating expenses over the tenor time of the derivative.

At the end of the financial year, scheduled passenger traffic had hedged 75 per cent of its fuel purchases for the first six months of 2011 and 60 per cent for the second half of the year. The charter traffic has hedged 60 per cent of its fuel purchases for the remaining winter season and 60 per cent of its purchases for the coming summer season. At the end of the financial year charter traffic has no jet fuel price or exchange rates price clauses with tour operators.

In the financial year 2010, fuel used in flight operations accounted for 21,3 per cent compared to the Group's turnover. At the end of the financial year, the forecast for 2011 is somewhat over one fifth. On the closing date, a 10 per cent rise in the market price of jet fuel – excluding hedging activity calculated using scheduled passenger traffic's forecasted flights for 2010 – increases annual fuel costs by an estimated 47 million euros. On the closing date – taking hedging into account – a 10 per cent rise in fuel lowers operating profit by around 17 million euros. Situation as at 31 December represents well the mean of a calendar year.

Electricity price risk

The costs of electricity are less than one per cent of the Finnair Group's costs but due to the high volatility the price risk is hedged. The Group applies the principle of time-diversification in its electricity price risk hedging. The hedging horizon is six years.

In terms of the accounting, the electricity hedges are recognised as cash flow hedges. Changes in the fair value of derivatives defined as cash-flow hedging in accordance with IAS 39 are posted directly to the fair value reserve included in equity. The change in fair value recognised in the equity hedging reserve is posted to income statement at the period time as the hedged transaction. Changes in the fair value of hedges outside hedge accounting – which do not fulfil IAS 39 hedge accounting criteria – are recognised in other operating expenses over the tenor time of the derivative.

Foreign exchange risk

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

The risk management policy divides the foreign exchange position into two parts, a profit and loss position and an investment position. The profit and loss position consists of dollar-denominated fuel purchases and leasing payments, sales revenue generated in a number of different currencies, and also foreign exchange-denominated money market investments and loans. The investment position includes dollar-denominated aircraft investments.

Finnair applies the principle of time-diversification in its foreign exchange hedging. The hedging horizon according to the risk management policy is two years. The hedge ratio of the foreign exchange position is determined as the reduction of the overall risk of the position using the value-at-risk method. Under the risk management policy, hedges must be added to the profit and loss position in each half of the year so that the hedge ratio for the first six months is more than 60 per cent and so that thereafter the hedge ratio declines for each period.

The investment position includes all foreign exchange-denominated aircraft investments for which a binding procurement contract has been signed. According to the risk management policy, at least half of the investments recognised in the balance sheet must be hedged after the signing of a firm order. New hedges in investment position will be made as IAS 39 fair value hedge of a firm commitment.

Around 63 per cent of Group turnover is denominated in euros. The most important other foreign sales currencies are the Japanese yen, the Swedish crown, the Chinese yuan, the British pound and the US dollar. Approximately one third of the Group's operating costs are denominated in foreign currencies. The most important purchasing currency is the US dollar, which accounts for approximately one fourth of all operating costs. Significant dollar-denominated expense items are aircraft leasing payments and fuel costs. The largest investments, the acquisition of aircraft and their spare parts, also take place mainly in US dollars.

At the end of financial year, Finnair hedged 82 per cent of its profit and loss items for the first six months of 2011 and 56 per cent for the second half of the year. On the closing date a 10 per cent strengthening of the dollar against the euro – without hedging – has a negative impact on the annual result of around 62 million euros. On the closing date – taking hedging into account – a 10 per cent strengthening of the dollar weakens the result by around 20 million euros. In the above numbers, the dollar risk includes also the Chinese yuan and the Hong Kong dollar, whose historical correlation with the dollar is high. Situation as at 31 December represents well the mean of a calendar year.

Interest rate risk

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

In Finnair Group the interest rate risk is measured using the interest rate re-fixing period. If necessary, interest rate derivatives are used to adjust the interest rate re-fixing period. According to the risk management policy, the mandate for the investment portfolio's interest rate re-fixing period is 0–12 months and for interest-bearing liabilities 0–24 months. On the closing date the investment portfolio's interest rate re-fixing period was 3 months and for interest-bearing liabilities 9 months. On the closing date a one percentage point rise in interest rates increases the annual interest income of the investment portfolio about 3.9 million euros and the interest expenses of the loan portfolio about 4.2 million euros. Situation as at 31 December represents well the mean of a calendar year.

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 risk management policy of counterparty risk limits, only with financially sound domestic and foreign banks, financial institutions and brokers. Liquid assets are also invested, within company spesific limits, in bonds and commercial papers issued by conservatively selected companies. This way risk towards single counterparties are not significant. Change in fair value of groups loans rise from changes in FX and interest, not from credit risk. Groups' maximum exposure to credit risk is other financial assets presented at note 23, cash and cash equivalent presented in note 24 and trade receivables presented in note 22.

Liquidity risk

The goal of the Finnair Group is to maintain good liquidity. Liquidity is ensured by cash reserves, bank account limits, liquid money market investments and committed credit facilities. With respect to aircraft acquisitions, the company's policy is to secure financing, for example through committed loans, at a minimum of 6 months before delivery. Counterparties of groups' long term loans are solid financial institutions with good reputation.

The Group's liquid assets were 527 EUR million at the end of financial year 2010. Finnair Plc has a domestic commercial paper programme of 200 million euros, which was unsed on the closing date. In addition, Finnair has a 200 million euro committed credit facility unused. The 200 million euros credit facility includes a finance covenant based on adjusted gearing. The covenant level of adjusted gearing is 175 per cent, while at the closing date the figure was 79.6 per cent. The maximum level set by the Board of Directors is 140 per cent.

Capital management

The aim of the Group's capital management is, with the aid of an optimum capital structure, to support business operations by ensuring normal operating conditions and to increase shareholder value with the best possible return being the goal. An optimum capital structure also ensures lower capital costs. The capital structure is influenced for example via dividend distribution and share issues. The Group can vary and adjust the level of dividends paid to shareholders or the amount of capital returned to them or the number of new shares issued, or can decide on sales of asset items in order to reduce debt. It is the aim the Finnair's dividend policy to pay on average at least one third of the earnings per share as dividend during an economic cycle.

The development of the Group's capital structure is monitored continuously using adjusted gearing. When calculating adjusted gearing, adjusted interest-bearing net debt is divided by the amount of shareholders' equity. The Group's adjusted gearing at the end of 2010 was 79.6 per cent (86.9).

32. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

EUR mill.	Hedge accounting items	Financial assets at fair value through profit and loss	Available for sale financial assets	Loans and receivables	Valued at allocated acquisition cost	Fair value
31 Dec 2010						
Financial assets						
Receivables				13.6		13.6
Other financial assets		459.3				459.3
Trade receivables and other receivables				165.5		165.5
Derivatives	67.4	19.3				86.7
Listed shares			24.9			24.9
Unlisted shares			1.3			1.3
Cash and cash equivalents				41.5		41.5
Total						**792.8**
Financial liabilities						
Interest bearing liabilities		2.7			560.8	563.5
Finance lease liabilities					201.0	201.0
Derivatives	10.7	10.8				21.5
Trade payables and other liabilities					669.2	669.2
Fair value total						**1,455.2**
Book value total						**1,455.2**

EUR mill.	Hedge accounting items	Financial assets at fair value through profit and loss	Available for sale financial assets	Loans and receivables	Valued at allocated acquisition cost	Fair value
31 Dec 2009						
Financial assets						
Receivables				20.5		20.5
Other financial assets		557.1				557.1
Trade receivables and other receivables				158.8		158.8
Derivatives	18.4	20.3				38.7
Listed shares			22.9			22.9
Unlisted shares			2.9			2.9
Cash and cash equivalents				24.5		24.5
Total						**825.4**
Financial liabilities						
Interest bearing liabilities		7.1			721.2	728.3
Finance lease liabilities					93.6	93.6
Derivatives	60.6	7.8				68.4
Trade payables and other liabilities					643.1	643.1
Fair value total						**1,533.4**
Book value total						**1,533.4**

Calculated tax liabilities are not presented in this note. Group has 103.3 million euros (99.1) of calculated tax liabilities in its balance sheet. In this note interest rate derivatives (currency and interest-rate swaps) are included in derivatives. In other notes they are included in bank loans. The item other financial assets mainly includes USD-denominated security deposits for leased aircraft. Trade payables and other liabilities include trade payables, deferred expenses, pension obligations as well as other interest-bearing and non-interest-bearing liabilities.

The valuation principles of financial assets and liabilities are outlined in the accounting principles.

Fair value hierarchy of financial assets and liabilities valued at fair value

Fair values at the end of the reporting period				
EUR mill.	31 Dec 2010	Level 1	Level 2	Level 3
Assets valued at fair value				
Financial assets at fair value through profit and loss				
Securities held for trading	459.3	38.1	421.2	
Derivatives held for trading				
Interest rate swaps	2.7		2.7	
- of which in fair value hedge accounting				
Currency forwards	35.4		35.4	
- of which in cash flow hedge accounting	30.8		30.8	
Commodity derivatives	48.6		43.9	4.7
- of which in cash flow hedge accounting	36.6		36.6	
Financial assets available-for-sale				
Share investments	24.9	24.9		
Total	**570.9**	**63.0**	**503.2**	**4.7**
Liabilities valued at fair value				
Financial liabilities recognised at fair value through profit and loss				
Derivatives held for trading				
Interest rate swaps	4.2		4.2	
- of which in cash flow hedge accounting				
Currency forwards	10.5		10.5	
- of which in cash flow hedge accounting	5.5		5.5	
Commodity derivatives	6.8		5.2	1.6
- of which in cash flow hedge accounting	5.2		5.2	
Total	**21.5**		**19.9**	**1.6**

During the financial year no significant transfers took place between fair value hierarchy Levels 1 and 2.

The fair values of hierarchy Level 1 are based fully on quoted (unadjusted) prices in active markets of the same assets and liabilities.

The fair values of Level 2 instruments are based to a significant extent on input data other than the quoted prices included in Level 1, but however on data that are observable either directly (price) or indirectly (derived from price) for the said asset or liability.

The fair values of Level 3 instruments on the other hand are based on asset or liability input data that are not based on observable market information (unobservable inputs), rather to a significant extent on confirmations supplied by counterparties based on generally accepted valuation models.

The fair value hierarchy level to which a certain item valued at fair value is classified in its entirety is determined in accordance with the requirements of IFRS 7 based on the lowest level of input significant to the overall fair value of the said item. The significance of the input data has been assessed in its entirety in relation to said item valued at fair value.

Reconciliation of financial assets and liabilities valued at fair value according to Level 3

Fair value at the end of the reporting period	Recognised at fair value through profit and loss		Available-for-sale Share investments	Total
EUR mill.	Securities held for trading	Derivatives held for trading		
Opening balance	**-**	**0.3**	**-**	**0.3**
Profits and losses in income statement, total		2.8		2.8
In comprehensive income	-	-	-	-
Purchases (and sales)	-	-	-	-
Settlements (and issues)	-	-	-	-
Transfers to and from Level 3	-	-	-	-
Closing balance		**3.1**		**3.1**
Total profits and losses recognised for the period for assets held at the end of the reporting period				
In other operating income and expenses		3.1		3.1

During the financial year, no transfers took place to or from fair value hierarchy Level 3 in the fair value levels of financial assets and liabilities. According to management estimates, the changing of input data used in determining the fair value of financial instruments valued at Level 3 to some other possible alternative assumption would not significantly change the fair value of items valued at fair value in Level 3, given the relatively small amount of the said assets and liabilities.

33. SUBSIDIARIES

	Group ownership %
Finnair Cargo Oy, Helsinki	100.00
Finnair Cargo Terminal Operations Oy, Helsinki	100.00
Amadeus Finland Oy, Helsinki	95.00
Matkatoimisto Oy Area, Helsinki	100.00
A/S Estravel Ltd, Estonia	72.02
Back Office Services Estonia Oü	100.00
Oy Aurinkomatkat - Suntours Ltd Ab, Helsinki	100.00
Toivelomat Oy, Helsinki	100.00
OOO Aurinkomatkat, Russia	100.00
Calypso World of Travel, Russia	80.00
Matkayhtymä Oy, Helsinki	100.00
Horizon Travel Oü, Estonia	95.00
FTS Financial Services Oy, Helsinki	100.00
Finnair Catering Oy, Helsinki	100.00
Finnair Facilities Management Oy, Helsinki	100.00
Finnair Aircraft Finance Oy, Helsinki	100.00
Finnair Technical Services Oy, Helsinki	100.00
Finnair Engine Services Oy, Helsinki	100.00
Finnair Flight Academy Oy, Helsinki	100.00
Finncatering Oy, Vantaa	100.00
Northport Oy, Helsinki	100.00
Finland Travel Bureau Ltd., Helsinki	100.00

34. OTHER LEASE AGREEMENTS

The Group is the lessee

Minimum rental payments for irrevocable lease agreements are as follows:	Aircraft		Buildings		Machinery and vehicles	
EUR mill.	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
less than a year	70.2	60.6	18.5	17.6	6.1	6.5
1–2 years	62.2	51.8	17.4	17.3	9.5	5.0
2–3 years	45.4	41.2	16.5	16.8	6.6	13.7
3–4 years	29.9	25.4	16.1	16.1	8.1	0.1
4–5 years	27.2	16.6	13.4	15.5	0.0	0.0
more than 5 years	47.4	30.9	137.6	148.2	0.0	0.0
Total	**282.3**	**226.5**	**219.5**	**231.5**	**30.3**	**25.3**

The Group has leased premises as well as aircraft and other fixed assets with irrevocable lease agreements. These agreements have different levels of renewal and other index-linked terms and conditions. The Group has leased 32 aircraft on leases of different lengths.

The Group is the lessor

Minimum rental payments for irrevocable lease agreements are as follows:	Aircraft		Premises	
EUR mill.	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
less than a year	7.0	3.8	1.3	1.3
1–2 years	7.0	3.9	0.9	1.0
2–3 years	7.0	3.9	0.5	0.6
3–4 years	5.2	3.9	0.5	0.2
4–5 years	3.9	3.9	0.4	0.2
more than 5 years	15.5	19.4	1.0	0.1
Total	**45.6**	**38.8**	**4.6**	**3.4**

The Group has leased premises as well as aircraft with irrevocable lease agreements. These agreements have different levels of renewal and other index-linked terms and conditions. The Group has leased 4 aircraft on leases of different lengths.

35. GUARANTEES, CONTINGENT LIABILITIES AND DERIVATIVES

EUR mill.	31 Dec 2010	31 Dec 2009
Other pledges given on own behalf	593.4	680.0
Guarantees on behalf of Group undertakings	65.5	78.1
Guarantees on behalf of others	2.6	3.3
Total	**661.5**	**761.4**

EUR mill.	31 Dec 2010	31 Dec 2009
Investment commitments	**1,100.0**	**1,100.0**

Above mentioned investment commitments includes firm aircraft orders and is based on prices and exhange rates as at 31 Dec 2010. The total amount committed to firm orders fluctuates between the placing of an order and the delivery of the aircraft mainly due to changes in exhange rates, as all of the company's aircraft orders are denominated in U.S. dollars, as well as due to the escalation clauses included in airline purhase agreements. Therefore, the total amount presented herein should not be relied as being a maximum or minimum commitment by the company. The final amount of the commitment in relation to each aircraft is only known at the time of the delivery of each aircraft.

Derivatives	Nominal value	Positive fair values	Negative fair values	Fair net value	Nominal value	Positive fair values	Negative fair values	Fair net value
EUR mill.	31 Dec 2010	31 Dec 2010	31 Dec 2010	31 Dec 2010	31 Dec 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009
Currency derivatives								
Hedge accounting items (forward contracts):								
Jet fuel currency hedging	324.2	12.7	-3.4	9.3	299.1	4.7	-7.7	-3.0
Hedging of aircraft acquisitions								
Fair value hedging	297.4	17.1	-1.7	15.4	491.0	11.2	-4.1	7.1
Cash flow hedging	0.0			0.0	0.0			0.0
Hedging of lease payments	42.8	1.0	-0.4	0.6	36.2	0.3	-0.9	-0.6
Total	**664.4**	**30.8**	**-5.5**	**25.3**	**826.3**	**16.2**	**-12.7**	**3.5**
Items outside hedge accounting:								
Operational cash-flow hedging (forward contracts)	160.8	1.0	-4.8	-3.8	214.8	2.3	-1.4	0.9
Operational cash-flow hedging (options)								
Call options	37.8	0.0	0.0	0.0	0.0			0.0
Put options	33.0	0.0	-0.2	-0.2	0.0			0.0
Balance sheet hedging (forward contracts)	92.8	3.6	0.0	3.6	90.0	2.0	-0.1	1.9
Total	**324.4**	**4.6**	**-5.0**	**-0.4**	**304.8**	**4.3**	**-1.5**	**2.8**
Total	**988.8**	**35.4**	**-10.5**	**24.9**	**1,131.1**	**20.5**	**-14.2**	**6.3**

A change in the fair value of currency derivatives in hedge accounting is recognised in the hedging reserve of shareholders' equity, from where it is offset in the result against the hedged item. This is recognised as cash flow hegding. Exceptions to this are firm commitment hedges of aircraft purchases qualifying for hedge accounting, whose fair value changes of hedged part arising from foreign currency movements is recognised in the balance sheet as an asset item and any corresponding gains or losses recognised through profit and loss. Similarly the fair value of instruments hedging these purchases are presented in the balance sheet as a liability or receivable and the change in fair value is recognised through profit and loss. This is recognised as fair value hedging. A change in the fair value of operational cash flow hedging outside hedge accounting is recognised in the income statement's other operating income and expenses, and a change in fair value of balance sheet hedges is recognised in financial items.

Commodity derivatives	Nominal value, tonnes	Positive fair values EUR mill.	Negative fair values EUR mill.	Fair net value EUR mill.	Nominal value, tonnes	Positive fair values EUR mill.	Negative fair values EUR mill.	Fair net value EUR mill.
EUR mill.	31 Dec 2010	31 Dec 2010	31 Dec 2010	31 Dec 2010	31 Dec 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009
Hedge accounting items:								
Jet fuel forward contracts	547,350	35.3	-5.2	30.1	538,600	13.4	-48.1	-34.7
	Nominal value, MWh				Nominal value, MWh			
Electricity derivatives	127,402	1.3	0.0	1.3	0			0.0
	Nominal value, tonnes				Nominal value, tonnes			
Commodity derivatives at fair value through profit and loss:								
Jet fuel forward contracts	101,750	6.6	0.0	6.6	48,400	1.1	-0.4	0.7
Gasoil forward contracts	0			0.0	0			0.0
Jet differential forward contracts	22,000	0.6	0.0	0.6	120,500	4.3	0.0	4.3
Options								
Call options, jet fuel	83,750	4.7	0.0	4.7	68,000	0.8	0.0	0.8
Put options, jet fuel	162,750	0.0	-1.6	-1.6	80,500	0.2	-0.6	-0.4
Call options, gasoil	0			0.0	0			0.0
Put options, gasoil	0			0.0	0			0.0
	Nominal value, MWh				Nominal value, MWh			
Electricity derivatives	39,157	0.1	0.0	0.1				
Total		**48.6**	**-6.8**	**41.8**		**19.8**	**-49.1**	**-29.3**

The effective portion of a change in the fair value of commodity derivatives in hedge accounting is recognised in the hedging reserve of shareholders' equity, from where it is offset against the hedged item when expired. A change in the fair value of commodity derivatives outside hedge accounting is recognised in the income statement other operating expenses. Realised gains and losses are instead recognised against the hedged item. The jet differential is the price difference between jet fuel and gasoil.

Interest rate derivatives	Nominal value, tonnes	Positive fair values EUR mill.	Negative fair values EUR mill.	Fair net value EUR mill.	Nominal value, tonnes	Positive fair values EUR mill.	Negative fair values EUR mill.	Fair net value EUR mill.
EUR mill.	31 Dec 2010	31 Dec 2010	31 Dec 2010	31 Dec 2010	31 Dec 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009
Cross currency interest rate swaps								
Hedge accounting items	0.0			0.0	4.7	5.0	-7.6	-2.6
Cross currency interest rate swaps at fair value through profit and loss	2.6	2.7	-3.9	-1.2	6.9	7.5	-11.3	-3.8
Total	**2.6**	**2.7**	**-3.9**	**-1.2**	**11.6**	**12.5**	**-18.9**	**-6.4**
Interest rate swaps								
Hedge accounting items	0.0			0.0	0.0			0.0
Interest rate swaps at fair value through profit and loss	25.0	0.0	-0.3	-0.3	20.0	0.0	-0.2	-0.2
Total	**25.0**	**0.0**	**-0.3**	**-0.3**	**20.0**	**0.0**	**-0.2**	**-0.2**

The Group's fixed-interest USD-denominated aircraft financing loans have been hedged with long-term cross currency interest rate swaps. The recognition practice of these items is outlined in the accounting principles.

EUR mill.	31 Dec 2010	31 Dec 2009
Ratings of counterparties		
Better than A	66.9	34.8
A	17.1	5.5
BBB		
BB		
Unrated		
Total	**84.0**	**40.3**

36. RELATED PARTY TRANSACTIONS

The following transactions have taken place with related parties:

EUR mill.	2010	2009
Sales of goods and services		
Associated undertakings	0.5	4.8
Management	-	-
Purchases of goods and services		
Associated undertakings	1.2	2.3
Management	-	-
Receivables and liabilities		
Receivables from associated undertakings	0.1	0.3
Liabilities to associated undertakings	0.0	0.3

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

The consolidated financial statements do not contain any open receivable or liability balances with managemnet.

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

Guarantees and other commitments made on behalf of related parties are presented in Note 35.

The employee benefits of management are presented in Note 9. No loans have been granted to management personnel.

37. CHANGE OF ACCOUNTING PRINCIPLE

The company recognises the maintenance obligations related to leased aircraft engines as for the airframes. The changes for the 2009 figures are shown below.

Consolidated Balance Sheet	
EUR mill.	1 Jan 2009
Deferred tax receivables	12.5
Own equity	-35.6
Provisions	48.1

Changes of consolidated Income statement	
EUR mill.	31 Dec 2009
Fleet materials and overhaul	9.1
Operation profit (EBIT)	9.1
Direct taxes	-2.4
Profit for the period	6.7

Consolidated Balance Sheet	
EUR mill.	31 Dec 2009
Deferred tax receivables	10.1
Own equity	-28.9
Provisions	39.0

38. DISPUTES AND LITIGATION

Only cases of which the interest is 500,000 euros or more and that are not insured, are reported.

On 31 December 2010 the following disputes were pending:

Transpert Oy has presented to Finnair appr. 600,000 euro damage compensation claim following the termination of a subcontracting agreement. Finnair has disputed the claim. The case is pending in the Helsinki Court of Appeals.

39. EVENTS AFTER THE CLOSING DATE

Arja Suominen has been appointed Finnair's Senior Vice President, Corporate Communications and Corporate Responsibility and also member of Finnair's Executive Board and Board of Management as of 14 March 2011.

40. PARENT COMPANY'S FINANCIAL FIGURES

The figures presented below are not IFRS figures.

FINNAIR PLC INCOME STATEMENT		
EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Turnover	1,608.1	1,546.0
Production for own use	0.0	2.6
Other operating income	8.3	10.4
OPERATING INCOME	**1,616.4**	**1,559.0**
OPERATING EXPENSES		
Materials and services	876.4	826.2
Personnel expenses	249.0	361.8
Depreciation	7.7	30.7
Other operating expenses	629.2	587.7
	-1,762.3	-1,806.4
OPERATING PROFIT/LOSS	**-145.9**	**-247.4**
FINANCIAL INCOME AND EXPENSES	-5.3	6.9
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS	-151.2	-240.5
Extraordinary items	114.4	184.9
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	-36.8	-55.6
Direct taxes	12.2	12.3
PROFIT/LOSS FOR THE FINANCIAL YEAR	**-24.6**	**-43.3**

FINNAIR PLC BALANCE SHEET				
EUR mill.	31 Dec 2010		31 Dec 2009	
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	18.6		32.0	
Tangible assets	2.8		90.5	
Investments				
Holdings in Group undertakings	489.7		406.4	
Holdings in associated companies	2.5		5.4	
Other investments	1.0	514.6	0.9	535.2
CURRENT ASSETS				
Inventories	-		32.0	
Long-term receivables	83.4		289.1	
Short-term receivables	786.0		485.6	
Marketable securities	516.0		595.3	
Cash and bank equivalents	4.1	1,389.5	4.4	1,406.4
		1,904.1		**1,941.6**
LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	75.4		75.4	
Share premium account	24.7		24.7	
General reserve	147.7		147.7	
Fair value reserve	34.8		-24.7	
Unrestricted equity	250.4		250.4	
Retained earnings	113.8		186.0	
Profit/loss for the financial year	-24.6	622.2	-43.3	616.2
ACCUMULATED APPROPRIATIONS		-		-
LIABILITIES				
Deferred tax liability	12.2		8.5	
Long-term liabilities	364.0		400.6	
Short-term liabilities	905.7	1,281.9	916.3	1,325.4
		1,904.1		**1,941.6**

FINNAIR PLC		
EUR mill.	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Cash flow from operating activities		
Profit/loss before extraordinary items	-151.2	-240.5
Adjustments:		
Depreciation	7.7	30.7
Operations for which a payment is not included	6.4	55.5
Financial income and expenses	5.4	6.9
Cash flow before change in working capital	-131.7	-147.4
Change in working capital		
Change in trade and other receivables	8.5	30.0
Change in inventories	0.0	-2.0
Change in accounts payables and other liabilities	30.8	9.9
Cash flow before financial items and taxes	-92.4	-109.5
Intrest paid and other paid financial expences	-20.5	21.0
Received interest income and other financial income	4.7	-27.9
Taxes paid	-0.1	0.0
Cash flow from operating activities (A)	**-108.3**	**-116.4**
Cash flow from investing activities		
Investments in tangible and intangible assets	-5.8	-31.0
Sales of tangible and intangible assets	0.0	7.0
Loans granted	-31.6	-211.5
Payment of loan receivables	26.3	39.3
Other investments	0.1	0.0
Cash flow from investing activities (B)	**-11.0**	**-196.2**
Cash flow from financing activities		
Short term loan withdrawals	0.0	0.0
Short term loan repayments	-28.4	-22.7
Long term loan withdrawals	48.6	490.8
long term loan repayments	-165.4	-87.3
Dividends paid	0.0	0.0
Paid Group contributions	0.0	0.0
Received Group contributions	184.9	151.6
Cash flow from financing activities (C)	**39.7**	**532.4**
Change in cash flows (A+B+C)	**-79.6**	**219.8**
Liquid funds at the beginning	599.7	379.9
Liquid funds in the end	520.1	599.7

Board of Directors' Proposal on the Dividend

Finnair Plc's distributable equity according to the financial statements on 31 December 2010 amounts to 339,450,278.87 euros.

The Board of Directors proposes to the Annual General Meeting that no dividend shall be paid and the loss for the fiscal year to be transferred against retained earnings.

Signing of the Report of the Board of Directors and the Financial Statements

Helsinki, 3 February 2011

The Board of Directors of Finnair Plc

Christoffer Taxell	Harri Sailas	Elina Björklund
Sigurdur Helgason		Ursula Ranin
Veli Sundbäck	Satu Huber	Pekka Timonen

Mika Vehviläinen
President & CEO of Finnair Plc

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF FINNAIR PLC

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Finnair Oyj for the year ended 31 December, 2010. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

OTHER OPINIONS

We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, 21 February 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant

Jyri Heikkinen
Authorised Public Accountant

Corporate Governance Statement

GENERAL PRINCIPLES

Governing provisions

Finnair Plc adheres to the Articles of Association and the Finnish Companies Act as well as the rules and regulations for listed companies issued by NASDAQ OMX Helsinki Exchanges. Furthermore, the Finnair Group complies with the Finnish Corporate Governance Code for listed companies (2010), excluding recommendations 28–30, as Finnair Plc's Board of Directors does not have a Nomination Committee referred to in these recommendations. A committee set by the Annual General Meeting prepares a proposal for the Annual General Meeting on Members of the Board and their remunerations.

The Corporate Governance Code is publicly available on the website of the Finnish Securities Market Association at the address www.cgfinland.fi. The Corporate Governance Statement is presented separately here and the Annual Report contains a reference to this statement.

ANNUAL GENERAL MEETING AND EXERCISING OF VOTING RIGHTS

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

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

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

BOARD OF DIRECTORS

Composition and term of office

The Board of Directors of Finnair Plc consists of a chairman and of four to seven other 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 Deputy Chairman from among its members.

On 31 March 2010 the Annual General Meeting of Finnair Plc elected the following persons as Members of the Board:

- Christoffer Taxell, former Government Minister, LLM, b. 1948 (Chairman)
- Sigurdur Helgason, MBA, b. 1946
- Satu Huber, Managing Director of the Tapiola Pension Ltd., M.Sc. (Econ.), b. 1958
- Harri Sailas, President and CEO of Ilmarinen Mutual Pension Insurance Company, MSc (Econ), b. 1951 (Deputy Chairman)
- Ursula Ranin, M.Sc. (Econ.), LLM, b. 1953
- Veli Sundbäck, LLM, b. 1946
- Pekka Timonen, Director-General of the Prime Minister's Office Ownership Steering Department, LLD, b. 1960
- Elina Björklund, VP Marketing Fiskars Home, M.Sc. (Econ.), b. 1970

All Members of the Board are independent of the company. Members of the Board are also independent of the company's significant shareholders, excluding Pekka Timonen, who is in the service of the Finnish Government, Finnair Plc's largest shareholder. The Board of Directors' term of office expires at the end of the next Annual General Meeting.

Personal details of the Members of the Board can be viewed on the Finnair Group's website.

Tasks and description of activities

The Board of Directors represents the company and all of its shareholders. The Board of Directors must act in the interests of the company and its shareholders and handle its tasks prudently, basing its actions on the best information and expertise reasonably available to it.

The Board of Directors approves the company's strategy and is responsible for arranging its financial monitoring and risk management. The Board of Directors approves the main principles of the management and governance systems necessary for implementing its tasks and appoints the senior management responsible for them. In addition, the Board of Directors decides on the convening of the Annual General Meeting, prepares the matters to be dealt with at the Annual General Meeting and is 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 and terms of employment. The Board of Directors also appoints and dismisses the deputy to the President & CEO. The Board of Directors selects the members of Finnair Group's senior management and decides on their terms of employment, taking into account the company's human resources strategy guidelines and remuneration schemes. The Board of Directors is responsible for ensuring that the company's accounts, budget monitoring system, internal auditing and risk management are arranged in accordance with the company's corporate governance.

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

The company is represented by the Chairman of the Board and the company's President & CEO as well as the Deputy CEO each separately, by two Members of the Board of Directors together, and by those individuals to whom the Board of Directors has conferred the right to represent the company, together with a Member of the Board or another individual entitled to represent the company. The company's powers of procuration are decided by the Board of Directors.

The board of Directors met 11 times during 2010. The average attendance of the Members of the Board of Directors at the meetings was 96.6 per cent.

The President & CEO of Finnair Plc or a senior member of the Finnair Group's management nominated by him acts as the presiding officer at meetings of the Board of Directors. The Finnair Group's General Counsel Sami Sarelius acts as secretary to the Board of Directors. The Board of Directors evaluates its working practices regularly.

The charter of the Board of Directors can be viewed on the Finnair Group's website.

Committees

The Board of Directors has a Compensation and Appointments Committee and an Audit Committee. The Compensation and Appointments Committee consists of Chairman of the Board, Mr. Christoffer Taxell and of members Mr. Board Pekka Timonen, Mr. Harri Sailas and Mrs. Ursula Ranin. The Compensation and Appointments Committee's main task is, among other things, to prepare the decisions of the Board of Directors compensation and appointments matters relating to the company's President & CEO and the Group's other senior management as well as the principles and practices relating to the compensation of the company's personnel. The committee met three times during 2010. Members' attendance at the meetings was 100 per cent. The charter of the Compensation and Appointments Committee can be viewed on the Finnair Group's website.

The Audit Committee consists of Veli Sundbäck (Chairman), and of members Sigurdur Helgason, Satu Huber and Elina Björklund. The Audit Committee's main task is, among other things, to monitor the financial statements reporting process and to monitor that internal controls and risk management have been appropriately arranged, and to assess compliance with laws and regulations within the Group. The committee met three times during 2010. Members' attendance at the meetings was 100 per cent.

The charter of the Audit Committee can be viewed on the Finnair Group's website.

The Finnair Group's General Counsel Sami Sarelius acts as secretary to both committees.

CORPORATE MANAGEMENT AND GROUP STRUCTURE

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. President & CEO Jukka Hienonen relinquished his duties as President & CEO on 31 January 2010. Mika Vehviläinen M.Sc.(Econ), b. 1961 became Finnair's new President & CEO on 1 February 2010. Vehviläinen joined Finnair on 5 January 2010 from his position as Chief Operating Officer of Nokia Siemens Networks.

The Deputy CEO is Lasse Heinonen, b. 1968.

Finnair's Executive Board and Group Structure

Business and subsidiaries are grouped into three operational areas: Airline Business, Travel Services and Aviation Services. Airline Business is further divided into Sales & Marketing, Operations and Customer Service. Travel Services consists of the Group's travel agencies, tour operators and distribution companies. Aviation Services includes ground handling operations, technical services and catering activities. The support functions in Group Administration are Economics and Finance, Human Resources Management, Communications and Community Relations, Resource Management, Assurance Services and Legal Affairs.

Finnair Plc's Executive Board meets around 20 times per year (22 times during 2010) and its tasks include to decide upon group-wide development projects as well as group-level principles and procedures. In addition, the Executive Board handles, among other things, the business plans of the Group and sector companies, financial performance, and prepares matters to be dealt with by Finnair Plc's Board of Directors. The Executive Board also acts as the Group's risk management steering group.

At the end of year 2010, the Executive Board is the following: President & CEO 2010 Mika Vehviläinen, Deputy CEO Lasse Heinonen, Chief Financial Officer Erno Hildén, SVP Operations Ville Iho, SVP Sales & Marketing Mika Perho, SVP Communications and Community Relations Christer Haglund, SVP Human Resources Manne Tiensuu, SVP Customer Service Anssi Komulainen, SVP Travel Services Kaisa Vikkula, SVP and General Counsel Sami Sarelius and as of 11 January 2011, SVP of the Resource Management Unit Gregory Kaldahl.

During 2010 there were the following changes in the Executive Board:
Timo Riihimäki, who served as Senior Vice President, Customer Service, resigned from the company and was succeeded as of 10 May 2010 by Anssi Komulainen, formerly Senior Vice President, Human Resources. Manne Tiensuu MA (Psych.), who was appointed as the new Senior Vice President, Human Resources, assumed his duties on 1 October 2010.

The Finnair Group's General Counsel Sami Sarelius was appointed to Finnair Plc's Executive Board as of 20 August 2010. Sarelius also acts as secretary to Finnair Plc's Board of Directors and Executive Board.

Finnair's Executive Board was restructured as of 1 September 2010. Deputy Chief Executive Officer Lasse Heinonen continued to deputise for Finnair Plc's President & CEO and he has line responsibility for Finnair's cargo operations, technical services, catering functions, and land and real-estate services.

Erno Hildén, formerly Senior Vice President Operations, became the Group's Chief Financial Officer. He is also responsible for the Group's fleet management company, Finnair Aircraft Finance Oy. Ville Iho moved to become Senior Vice President, Operations.

After the financial year, two changes took place in the Executive Board. Gregory Kaldahl assumed the position of Senior Vice President, Resource Management on 11 January 2011. Kaldahl was formerly employed by United Airlines. Senior Vice President, Public Affairs and Corporate Communications Christer Haglund will leave Finnair to join another company in mid-April.

Ville Iho serves as the Accountable Manager referred to in the Airline Operator's Certificate.

Finnair Group's Management Board

Changes also took place in the Finnair Group's Management Board. The Finnair Group's Management Board was expanded from the beginning of June. In addition to the current members, Vice President Sales Petri Schaaf, Vice President Flight Operations Markku Malmipuro and Vice President Cabin Service Department Kati Lehesmaa were also appointed as members. In addition, all personnel organisations were given a permanent seat in the Management Board. Previously, membership of personnel representatives on the Management Board had alternated between the various personnel organisations. Also, Managing Director Jukka Hämäläinen of Northport Oy left the company on 31 July 2010. Ari Kuutschin, who moved to his new post from Finnair Group's Human Resources Administration, became Northport Oy's new Managing Director as of 1 August 2010.

The Finnair Group's Management Board in 2010 comprised, in addition to members of the Finnair Plc's Executive Board:
Ari Kuutschin, SVP Ground Handling, Managing Director of Northport Oy
Kristina Inkiläinen, SVP Catering, Managing Director of Finnair Catering Oy
Antero Lahtinen, SVP Cargo, Managing Director of Finnair Cargo Oy and Finnair Cargo Terminal Operations Oy
Kimmo Soini, SVP Technical Services, Managing Director of Finnair Technical Services Oy and Finnair Engine Services Oy
Petri Schaaf, VP Sales
Markku Malmipuro, VP Flight Operations
Kati Lehesmaa, VP Cabin Service
Kristian Rintala, Airbus-pilot, Chairman of the Finnish Air Line Pilots' Association
Esa Suokas, HR Advisor, Representative of the Finnish Aviation Union
Mauri Haapanen, Superintendent, Chairman of the Finnair Technical Employees Association
Mika Tirkkonen, NCC OPS Controller, representative of the Finnair Senior White Collar Workers Association
Virpi Leppänen, Expert, Sales Supervising, Chairman of the Finnish Lentovirkailijat Association
Hannu Juppi, Manager, Chairman of the Finnair Engineers Association
Esa Heimonen, Purser, Chief Shop Steward of the Finnish Flight Attendants' Association, SLSY

The Management Board meets around eight times per year (six times in 2010). The Management Board is informed about, among other things, the business plans and financial performance of the Group and it discusses, among other things, significant changes and development projects affecting personnel.

Corporate governance of subsidiaries

The Members of the Boards of Directors are selected from individuals belonging to Finnair Group management and from representatives proposed by personnel groups. The key tasks of the Boards of Directors of subsidiaries are strategy preparation, approving operational plans and budgets, and deciding on investments and commitments within the scope of instructions issued by the Board of Directors of Finnair Plc.

REMUNERATION

Remuneration of the Board of directors

The Annual General Meeting decides annually the remuneration and other financial benefits of the Board of Directors and its committees. The remuneration of the Board of Directors and its committees is paid in cash. Members of the Board of Directors do not belong to the company's share incentive scheme nor other incentive schemes.

The annual remuneration and meeting compensation decided by the Annual General Meeting for Members of the Board of Directors in 2010 were:

- Chairman's annual remuneration, 61,200 euros
- Deputy Chairman's annual remuneration, 32,400 euros
- Member of the Board's annual remuneration, 30,000 euros
- Meeting compensation to a Member of the Board residing in Finland, 600 euros per meeting of the Board of Directors and its committees
- Meeting compensation to a Member of the Board residing abroad, 1,200 euros per meeting of the Board of Directors and its committees

The Members of 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 staff tickets in accordance with Finnair Plc's staff ticket rules.

The remunerations paid to the Board of Directors are outlined in Note 9 to the financial statements. Up-to-date information on the Finnair shares owned by Members of the Board is available from Euroclear Finland Oy's NetSire service.

Remuneration of President & CEO, Executive Board and key individuals

The earnings of the President & CEO, Executive Board and management consist of a monthly salary and an incentive bonus as well as long-term share-based incentive schemes. Based on preparatory work of the Compensation and Appointments Committee, Finnair Plc's Board of Directors decides on the remuneration and other financial benefits of the President & CEO and the Members of the Executive Board who are responsible for the company's business areas as well as the criteria of the Group's incentive schemes for key individuals and the performance and share bonuses payable. The target bonus level as a percentage of the total salary has in 2010 been 16% and the maximum bonus level 40%. Information on the bonuses of the President & CEO and Deputy CEO is outlined in Note 9 to the financial statements as well as in a separate remuneration statement, which can be viewed in Finnair Group's website.

Around 70 key individuals of the Group belong to the 2010–2012 share-based incentive scheme, where the objective is to commit key individuals to the Finnair Group and to offer them a competitive incentive based on share ownership. The rewards of the scheme are based on Finnair Plc's financial and operational success as well as on a rise in the value of the company. Finnair Plc's Board of Directors decides on the target levels annually. The share bonuses are subject to sales restrictions. More information on share-based bonuses is given in Note 26 to the financial statements. Up-to-date information on the Finnair shares owned by members of the Executive Board is available from Euroclear Finland Oy's NetSire service.

The pension schemes of Finnair Plc's President & CEO and Members of the Executive Board as well as those of the managing directors of subsidiaries are individual schemes, and the retirement ages under these schemes vary from 60 to 65 years. All of the management pension schemes are defined-contribution schemes. Pension liabilities are outlined in Note 27 to the financial statements.

Other benefits of the President & CEO's employment

Up to the end of 2010, the President & CEO's other benefits were as follows:

President & CEO accumulates pension in accordance with the Employees' Pensions Act. In addition, the President & CEO is entitled to a supplementary pension scheme. The retirement age under this scheme is 63 years. Annual payment is 20 per cent of the base salary for December in the preceding financial period multiplied by 12.5. The policy right is fully vested after each payment is made, provided that the duration of the employment relationship exceeds 48 months.

Both parties to the contract are entitled to terminate the contract with no special justifications. Notice of termination on the company's part is twelve (12) months and on the President & CEO's part six (6) months.

The annual salary of President & CEO Mika Vehviläinen is EUR 579,000.

A DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE FINANCIAL REPORTING PROCESS

Financial reporting is a process of data recording, period close activities, consolidation and reporting. Most of the data recording and period close activities of Finnair Group companies are carried out in the Group's centralized Shared Service Centre in cooperation with business unit controllers, whereas consolidation and group reporting is performed in a separate group accounting unit reporting directly to the Finnair Group CFO. Most of the significant financial reporting items originate from the parent company or from the subsidiary which manages the fleet. The Finnair Group applies the international financial reporting standards.

Financial reporting controls aim to provide reasonable assurance that the information of interim reports and year-end reports are correct and that they have been prepared in accordance with legislation, applicable accounting standards and other requirements for listed companies. In the Finnair Group, the financial reporting risks are managed through an interrelated process of five subareas: internal control environment, risk recognition and assessment, control activities, information and communication, and monitoring.

The internal control environment consists of the Group's roles, responsibilities and documented internal control principles as well as the Group's values and ethics. Roles and responsibilities are in accordance with the Finnish Companies Act, the Finnish Corporate Governance Code and also with the organisational structure of the Finnair Group. Internal control principles in the Finnair Group are documented in Group reporting guidelines, the Self Assessment Tool, Treasury Policy, Procurement Policy, Credit Policy and Data Security Principles.

Risk recognition and assessment is carried out at all organisational levels of the Finnair Group. In addition to this, Internal Auditing in cooperation with external auditors, Shared Service Centre and business unit controllers, evaluates the most significant financial reporting risks related to main processes, such as revenue recognition, purchasing, payroll, investments, treasury, IT and disclosure processes, and in co-operation with external auditors tests identified key controls to determine whether the controls are effective enough to manage these risks. Based on this, a financial statement risk analysis report is prepared twice a year under the direction of Internal Auditing and the results are reported to the Audit Committee.

The most significant evaluated risks in respect of financial reporting are managed through control activities in companies, business areas and processes. The business unit controllers as well as the Shared Service Centre play an important role in performing control activities. Through the self-assessment tool, all major business units report the key controls and the performance of these key controls. Key control activities, such as balancings, trend analyses and system controls have been defined through facilitated workshops.

Information regarding control requirements is communicated through guidelines, policies and procedures. Through the self-assessment tool, unit management communicates adherence to these requirements to Group Accounting. Internal Auditing reports the results of its work regularly to the Audit Committee. The results of the Audit Committee's control work, in the form of observations, recommendations and proposed decisions and measures, are continuously reported to the Board of Directors.

Monitoring to ensure the effectiveness of internal control over financial reporting is conducted by the Board of Directors, the Audit Committee, the President & CEO, the Executive Board, Internal Auditing, subsidiaries and business units. Monitoring includes the follow-up of monthly financial reports in relation to budgets and targets, the follow up of the self-assessment reports of the Group's companies and business areas, as well as a review of results from internal audits performed by Internal Auditing or the group's external auditors.

Internal control

Most of the company's operational activity is based on official regulations and supervision, and responsibility for complying with these rests with nominated postholders approved by the authorities. In addition, the most important supervision responsibilities relate to economics, finance and information security. The company has internal control guidelines, according to which each unit or function manager must arrange internal control of his/her own unit and organization.

Internal auditing

Internal auditing work is employed to verify 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's objectives. Internal Auditing also participates in the auditing of Finnair Plc subsidiaries' accounts in collaboration with External Auditing. The Internal Auditing priorities are determined in accordance with the Group's risk management strategy.

AUDITING

The company has two auditors and their two deputies elected by the Annual General Meeting. The auditor and his or her deputy must be auditors approved by the Central Chamber of Commerce, or an auditing agency approved by the Central Chamber of Commerce. The term of office of the auditors shall end at the closing of the first Annual General Meeting following their election.

Finnair Plc's Annual General Meeting in 2010 elected as the company's auditors Authorised Public Accountants PricewaterhouseCoopers Oy, Principal Auditor APA Eero Suomela and APA Jyri Heikkinen, and as deputy auditors APA Tuomas Honkamäki and APA Timo Takalo. The auditors of Finnair Group subsidiaries are mainly PricewaterhouseCoopers auditing firms or auditors employed by them. Auditing fees paid to auditors amounted to 194,000 euros in 2010. Auditors were also paid 283,000 euros in 2010 for services (e.g. for VAT advice, system consulting and emission trade calculation) unrelated to auditing.

INSIDER ADMINISTRATION

The Finnair Group's insiders are divided into permanent insiders and temporary insiders in accordance with the Securities Market Act. Permanent insiders are further divided into those entered in a public insider register and those entered in a non public company-specific insider register.

Finnair Plc's permanent insiders include members of Finnair Plc's Board of Directors, the President & CEO and his Deputy, the direct subordinates of the President & CEO, as well as the auditors, including the auditing firm's auditor with chief responsibility for the company.

The permanent company-specific insiders also include some other managers and white-collar workers in accordance with their job descriptions. Temporary insiders are individuals who receive insider information during the performance of some assignment (project). These individuals are entered into a non-public company-specific insider register, namely a project-specific register.

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 30 days before the declaration of financial results.

Finnair Plc's insider register is maintained by Euroclear Finland Ltd. The public insiders and their up-to-date shareholdings can be viewed at Euroclear Finland's premises in Helsinki, Finland at the address Urho Kekkosen katu 5 C and on Finnair Group's website.

Risk Management in Finnair

Risk management in Finnair is part of the Group's management activity and is directed primarily at risks that threaten the fulfillment of the Group's business short and long-term objectives. To exploit business opportunities, Finnair is prepared to assume managed and considered risks, taking the company's risk-bearing capacity into account. In flight safety matters, Finnair's objective is to minimise risks.

In Finnair, risk management means a systematic and predictive way of recognising, analyzing and managing the opportunities and threats associated with operations. Continuity plans have been prepared in case of the realization of risks, particularly as far as strategic and significant financial risks are concerned.

The Board of Directors and the President & CEO 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 President & CEO is responsible for ensuring that risk management is in other respects appropriately organised. The Senior Vice Presidents of the business units and the Managing Directors of subsidiaries are responsible for risk management in their own areas of responsibility.

Organisation of risk management

Finnair Plc's Executive Board, which acts as a risk management steering group, assesses and directs risk management in the Finnair Group. The company's internal auditing coordinates the reporting of risk management as well as adherence to the specified operating model.

The Operational Risk Management Department, which operates under Finnair Plc's Quality Manager, as specified in the Airline Operator's Licence, regularly audits and assesses the company's own and subcontractors' actions that impact on flight safety.

Finnair's quality system is IOSA certified*. The IOSA programme is an evaluation method, required by IATA, for airlines' operational management and monitoring systems. Auditing based on IOSA certification assesses whether the airline's quality control systems fulfil both IOSA and international aviation regulation standards.

Management of risks relating to loss or damage is divided into two main areas: flight safety and corporate security. Development work in these areas is coordinated by the flight safety department and the corporate security unit.

Operating environment risks

Globally, the airline industry is one of the sectors most sensitive to cyclical changes in economic conditions. The development of GDP, investment and international trade has a strong impact on air transport passenger and cargo demand. Due to the short booking horizon in passenger and cargo traffic, it is difficult to forecast demand far into the future.

Unexpected external shocks such as the spring 2010 volcanic ash cloud crisis can rapidly affect the development of air transport demand. The previous years' trend has clearly indicated that competitiveness in the air transport sector depends on how flexibly the company can react and adapt to surprising events, changes in demand and a constantly changing competitive environment. The company has plans of action to minimise the operational impacts arising to air transport from various external disruptive factors.

One element of Finnair's aircraft residual value risk management is to acquire part of the aircraft through operating lease agreements of different durations. Operating lease agreements have been made especially for narrow-body fleet, where the turnover rate is greater than for wide-body aircraft. The leasing of aircraft provides an opportunity for the flexible dimensioning of capacity in the medium and long term.

Market risk

The air transport business is sensitive to both cyclical and seasonal changes. Competition in the sector is intense and the market situation is continually changing. Predominant overcapacity in the airline industry has reduced average ticket prices over an extended period.

Finnair constantly makes market situation analyses and actively monitors its own reservation intake as well as competitors' changes in pricing and capacity. Finnair is able to react quickly to pricing changes that take place in the market by utilising its advanced optimisation systems.

Finnair is growing in markets in which its brand is not as well known as in its traditional domestic market. This presents a challenge in marketing communications to highlight Finnair's competitive advantages.

A change of one percentage unit in the average price level of scheduled passenger traffic services affects the Group's operating profit by approximately 16 million euros. Correspondingly a change of one percentage unit in the load factor of passenger traffic services also affects the Group's operating profit by approximately 19 million euros.

Operational risk

Finnair's operations are based on a rigorous flight safety culture, which is maintained through continuous and long-term flight safety work. The company has prepared an operational safety policy, for which the company's Senior Vice President, Operations is responsible for implementing. Every employee and subcontractor working directly or indirectly with the flight operations must undertake to comply with the policy.

When operational decisions are made, flight safety always has the highest priority in relation to other factors that influence decision-making. Flight safety is an integral mechanism of all activities as well as a required way of operating not only for the company's own personnel, but also for subcontractors.

The main principle of flight safety work is non-punitive reporting of deviations in the way intended by the Aviation Act and the company's guidelines. The purpose of reporting is to find reasons, not to assign blame, as well as to identify predictively the risks of the future. The company, however, does not tolerate wilful acts contrary to guidelines, methods or prescribed working practices. Decision-making not directly related to operations must also support the company's objective of achieving and maintaining a high level of flight safety.

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, exceptional weather conditions 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 (NCC) 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, the arrival punctuality of Finnair's flights in 2010 was 82.2%.

Authorities and the environment

An airline registered in the European Union can operate freely within the entire area of the Union. To date Finland, like other European countries, has been accustomed to negotiating bilateral operating agreements with countries outside the European Union.

In the 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 will actively strive to influence the parties who negotiate operating rights and Siberian overflight permits in order to safeguard its interests.

The European Union has decided to include air transport in the carbon dioxide emissions trading scheme (ETS) from 2012. Air transport within the EU will be subject to emissions trading as will flights departing from and arriving in the EU. This will have a particular impact on the competitive situation of intercontinental air transport. If non-EU states do not become part of the emissions trading scheme, this will give a competitive advantage to airlines whose hubs are outside the EU. Companies will be able to offer market routing changes such that emissions trading will burden them less than the EU airlines or not at all. A trade war may also be possible if non-EU countries do not accept the EU emissions trading rules. Finnair has successfully delivered the monitoring and reporting plan on its own emissions to the Finnish authorities and has also taken part in the preparation of national legislation. In addition, Finnair has also actively lobbied for a global emissions trading agreement.

Finnair has been active in environmental and social responsibility issues for a long time. Social responsibility and environmental issues are reported annually in a report according to Global Reporting Initiative (GRI) guidelines, by the company's participation in the Carbon Disclosure project, and through active interest group communications. The GRI report includes, in addition to social and financial responsibility indicators, lots of information on the effects of operations on energy consumption, emissions, waste amounts and noise values. The task of Finnair's Vice President Sustainable Development is to promote the realization of Finnair's corporate sustainability goals in the Group's business operations, in such a way that Finnair is among the leading airlines in terms of environmental activity and sustainable development. Transparent interest group cooperation is particularly important in order to be fully aware of the impact of legislation on operations and to meet the growing interest and demands of stakeholders.

Risk of loss or damage

Risk management in this area encompasses, for example, risks to flights, people, information, property and the environment as well as liability and loss-of-business risks, and insurance cover. The priority in the management of risks relating to loss or damage is on risk prevention, but the company prepares for any possible emergence of risks with plans, effective situation management preparedness and insurance. Aircraft and other significant fixed assets are comprehensively insured at fair value. The amount of insurance cover for aviation liability risks exceeds the minimum levels required by law.

Accident risk

The management of occupational health and safety is diverse and challenging, because the Finnair Group's operations are spread across many fields of business. Occupational safety risks are known to be high in precisely those areas – services, food industry, heavy aircraft maintenance, warehousing and transport – of which Finnair's operations principally consist. Also Finnair's wide subcontractor network in operational environments creates a challenge for occupational safety.

The development of occupational safety is long-term work and Finnair's goal is to minimize the number of accidents and have a high level of safety culture. Developing occupational safety is part of the everyday work of line organization and the responsibility of every employee.

Means of improving occupational safety include identifying and evaluating occupational health and safety hazards and systematic action implementation in the workplace. Also corrective action is done by studying and learning near-misses and accidents. Developing is focused in tools, working conditions, processes and way of action. Personnel are well prepared for every kind of threat, accident and incident situations. This is assured with training and drills. Common rules in safety practices are shared interest for Finnair and the company's wide subcontractor network.

Telecommunications and information technology risk

The diverse use of information technology in support of operations has increased and there is greater emphasis on the importance of the availability of information. Systems' vulnerability and the development of new global threats represent a risk factor in a networked operating environment. Finnair is continually developing its information security and situation-management preparedness for serious disruptions to information systems and telecommunications. Such preparations have a direct impact on information technology and data security costs.

Developing information system solutions and the IT environment requires continuous investment. Careful selection of external partners in IT solutions also reduces the technology risk.

The coordination of the Group's information system architecture as well as its IT purchases and strategies have been centralized in the Group's information management department. This brings synergy benefits and improves cost efficiency.

Principles of financial risk management

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

The management of financial risks is based on the risk management policy approved by the Board of Directors, which specifies the minimum and maximum levels permitted for each type of risk. Financial risk management is directed and supervised by the Financial Risk Steering Group. The implementation of financial risk management practice has been centralised in the Finnair Group's Finance Department.

In its management of foreign exchange, interest rate and jet fuel positions the company uses different derivative instruments, such as forward contracts, swaps and options.

Financial risks have been described in more detail in Note 31 of the Notes to the Financial Statements.

* IOSA = IATA Operational Safety Audit
IATA = The International Air Transport Association

Stock Exchange releases and Investor News in 2010

December 2010

31 Dec 2010	FINNAIR SELLS ONE EMBRAER 170 AIRCRAFT
23 Dec 2010	GREGORY KALDAHL BECOMES FINNAIR'S SVP RESOURCES MANAGEMENT
20 Dec 2010	Finnair renews its identity in line with its vision
14 Dec 2010	FINNAIR TECHNICAL SERVICES CONCLUDES MAINTENANCE CONTRACT WITH URAL AIRLINES
09 Dec 2010	CABIN CREW STRIKE ENDS
08 Dec 2010	FINNAIR CONTINUES NEGOTIATIONS ON FINNCOMM OWNERSHIP ARRANGEMENTS
08 Dec 2010	FINNAIR PLC SHAREHOLDERS' NOMINATION COMMITTEE
08 Dec 2010	FINNISH COMPETITION AUTHORITY LAUNCHES INVESTIGATION WITHIN FINNAIR CATERING INTO PRICE COOPERATION OF AIRPORT SHOPS
08 Dec 2010	FINNAIR'S TRAFFIC GREW IN NOVEMBER
08 Dec 2010	FINNAIR STRIVING ACTIVELY FOR A SOLUTION IN CABIN STAFF DISPUTE
08 Dec 2010	FINNAIR'S MONTHLY TRAFFIC REPORT WILL BE RELEASED AT 2 PM
06 Dec 2010	Finnish Cabin Crew Union reject settlement proposal, strike continues

November 2010

30 Nov 2010	FINNAIR CONSIDERS STRUCTURAL CHANGES
30 Nov 2010	PROFIT WARNING: CABIN STAFF STRIKE EXPECTED TO TURN FINNAIR'S FULL-YEAR OPERATIONAL RESULT INTO A LOSS
30 Nov 2010	CABIN STAFF NEGOTIATIONS ENDED WITHOUT RESULT AND STRIKE BEGINS
26 Nov 2010	FINNAIR'S FINANCIAL REPORTING SCHEDULE FOR 2011
26 Nov 2010	Cabin staff strike threat next week
16 Nov 2010	FINNISH FLIGHT ATTENDANTS' ASSOCIATION (SLSY) THREATENS TO BEGIN STRIKE ON 30 NOVEMBER 2010
10 Nov 2010	Finnair to open daily route to Gdansk
09 Nov 2010	FINNAIR´S BUSINESS CLASS TRAVEL GROWS

October 2010

28 Oct 2010	FINNAIR GROUP INTERIM REPORT 1 JANUARY–30 SEPTEMBER 2010
26 Oct 2010	Finnair's traffic returning to normal
24 Oct 2010	FINNISH AVIATION UNION TO BEGIN STRIKE TOMORROW
13 Oct 2010	TUOMO MERETNIEMI TO BE AURINKOMATKAT'S MANAGING DIRECTOR
13 Oct 2010	FINNAIR GROUP TRAVEL AGENCIES' LEISURE TRAVEL OPERATIONS TO MERGE
11 Oct 2010	FINNISH AVIATION UNION THREATENS STRIKE
07 Oct 2010	FINNAIR SCHEDULED TRAFFIC'S UNIT REVENUE ROSE AS DEMAND STRENGTHENED

September 2010

09 Sept 2010	FINNAIR PLC HAS SIGNED A PRELIMINARY AGREEMENT ON A CORPORATE TRANSACTION WITH FINNCOMM OY
09 Sept 2010	FINNAIR AND FINNCOMM AIRLINES CONTINUE THEIR COOPERATION
07 Sept 2010	FINNAIR'S ASIAN TRAFFIC AND CARGO CONTINUE TO GROW

August 2010

19 Aug 2010	SAMI SARELIUS TO JOIN FINNAIR'S EXECUTIVE BOARD
06 Aug 2010	RESTRUCTURING IN FINNAIR'S EXECUTIVE BOARD
06 Aug 2010	FINNAIR GROUP INTERIM REPORT 1 JANUARY–30 JUNE 2010
05 Aug 2010	GROWTH IN FINNAIR'S ASIAN TRAFFIC AND CARGO FIGURES
04 Aug 2010	FINNAIR TO STRENGTHEN COOPERATION IN DOMESTIC FEEDER TRAFFIC

July 2010

29 July 2010	FINNAIR TO EXPAND ITS LONG-HAUL FLEET
28 July 2010	FINNAIR HAS SOLD TWO BOEING MD-11 AIRCRAFT
27 July 2010	Finnair and Air Berlin to cooperate in Europe-Asia traffic
26 July 2010	CHANGE OF MANAGING DIRECTOR AT NORTHPORT OY
15 July 2010	Finnair's position in Asia strengthens - more flights to Hong Kong

08 July 2010	APPOINTMENT IN FINNAIR MANAGEMENT
07 July 2010	SIGNIFICANT GROWTH IN FINNAIR'S ASIAN TRAFFIC – UNIT REVENUES ON THE RISE
01 July 2010	Finnair's growth in Asia continues, Singapore newest destination

June 2010

28 June 2010	200 million euro revolving credit facility for Finnair
18 June 2010	FINNAIR AND AUTHORITIES AGREE ASH COMPENSATION ISSUE
10 June 2010	FINNAIR TO ORDER FIVE EXTENDED-RANGE AIRBUS AIRCRAFT FOR ITS EUROPEAN TRAFFIC
09 June 2010	PROFIT WARNING: FINNAIR'S APRIL–JUNE LOSS PROJECTED TO BE LOWER THAN EXPECTED
08 June 2010	FINNAIR'S SCHEDULED TRAFFIC GREW 16 PER CENT, CARGO 30 PER CENT
07 June 2010	Finnair opens fast route to the heart of Stockholm

May 2010

21 May 2010	FINNAIR LEASES TWO EMBRAER 170 AIRCRAFT TO KENYA AIRWAYS
10 May 2010	Finnair to renew its service product
10 May 2010	FINNAIR'S INCENTIVE SCHEME FOR KEY INDIVIDUALS
10 May 2010	Anssi Komulainen becomes Finnair's SVP, Customer Service
10 May 2010	VOLCANIC ASH AFFECTED FINNAIR'S APRIL TRAFFIC FIGURES
06 May 2010	Finnair's Vision 2020: No. 1 in the Nordic countries, the most desired option in Asian traffic
05 May 2010	Finnair Group to strengthen its leisure travel sales organisation
03 May 2010	Finnair Technical Services concludes a Full Component Support Contract with A J Walter Aviation

April 2010

29 Apr 2010	Finnair to begin cargo flights on Seoul and Hong Kong routes
28 Apr 2010	FINNAIR GROUP INTERIM REPORT 1 JANUARY–31 MARCH 2010
23 Apr 2010	FINNAIR SUFFERS LOSSES OF 20 MILLION EUROS; COMPANY OPPOSES STATE SUPPORT FOR AIRLINES
16 Apr 2010	AIR TRAFFIC STANDSTILL CAUSING TWO MILLION EURO LOSSES PER DAY
07 Apr 2010	FINNAIR'S SCHEDULED PASSENGER TRAFFIC GROWS
01 Apr 2010	A significant agreement reached on Finnair pilots' efficiency measures

March 2010

31 March 2010	Finnair Technical Services concludes a Component Support Agreement with Novair
31 March 2010	DECISIONS OF FINNAIR PLC'S ANNUAL GENERAL MEETING 2010
19 March 2010	Finnair's emissions to decline by 41 per cent from 1999 to 2017
18 March 2010	Finnair's Annual Report offers interesting writers and fashion of the future
16 March 2010	FINNAIR'S FINANCIAL REPORT 2009 HAS BEEN PUBLISHED
09 March 2010	A SMALL PICK-UP IN EUROPEAN AND ASIAN TRAFFIC
03 March 2010	NOTICE TO THE ANNUAL GENERAL MEETING

February 2010

16 Feb 2010	**one**world companies expand their cooperation in trans-Atlantic traffic
12 Feb 2010	Finnair explores possibility of cargo operations
09 Feb 2010	FINNAIR'S SCHEDULED TRAFFIC PICKS UP SLIGHTLY
05 Feb 2010	FINNAIR GROUP FINANCIAL STATEMENT 1 JANUARY–31 DECEMBER 2009
01 Feb 2010	PROPOSALS OF THE SHAREHOLDERS' NOMINATION COMMITTEE ON THE COMPOSITION AND REMUNERATION OF THE BOARD OF DIRECTORS OF FINNAIR PLC

January 2010

21 Jan 2010	INTERIM INFORMATION ACCORDING TO FINNAIR'S RENEWED SEGMENTATION
12 Jan 2010	Illegal strike and European weather problems cost Finnair 12 million euros
08 Jan 2010	FINNAIR'S BUSINESS CLASS DEMAND STRENGTHENS IN ASIAN TRAFFIC

The Brokerage Firms Analysing Finnair Stock

ABG Sundal Collier, Copenhagen
Lars Heindorff

Carnegie Investment Bank, Helsinki
Timo Heinonen

Danske Markets/Danske Bank, Helsinki
Panu Laitinmäki

FIM Bank, Helsinki
Jaakko Tyrväinen

Goldman-Sachs, London
Hugo Scott-Gall

Handelsbanken, Helsinki
Pekka Mikkonen

Nordea Bank, Helsinki
Pasi Väisänen

Pohjola Bank, Helsinki
Jari Räisänen

The Royal Bank of Scotland RBS, London
Andrew Lobbenberg

SEB Enskilda, Helsinki
Jutta Rahikainen

Swedbank, Helsinki
Bengt Dahlström

Information for Shareholders

Annual general meeting

The Annual General Meeting of Finnair Plc will be held on 24 March 2011 at 3 pm at the Helsinki Fair Centre, Messuaukio 1, Congress Wing Entrance. Notice of attendance at the Annual General Meeting (AGM) must be given at the latest by 10 am on 21 March 2011. Notice of attendance can be given through Finnair's website at www.finnair.com/agm, by post to the address Finnair Plc, Registry of Shareholders, HEL-AAC/5, FI-01053 FINNAIR, by fax to +358 9 818 4092, by telephone from Monday to Friday between 9am-4pm to +358 9 818 7637 or by e-mail to agm@finnair.com. Letters, faxes or e-mails regarding notice of attendance must have arrived before the period of notice of attendance ends. Each shareholder who is registered on 14 March 2011 in the Company's register of shareholders maintained by the Euroclear Finland Oy has the right to participate in the AGM. A holder of nominee registered shares is advised to request without delay necessary instructions regarding the registration in the shareholder's register of the company, the issuing of proxy documents and registration for the general meeting from his/her custodian bank. The account management organization of the custodian bank will register a holder of nominee registered shares, who wants to participate in the general meeting, to be temporarily entered into the shareholders' register of the company at the latest on 21 March 2011 at10 a.m.

AGM 2011 – Important dates

14 March 2011	Record date
21 March 2011	Last day to give notice of attendance
24 March 2011	AGM date

Board of directors' proposal on the dividend

According to the financial statements on 31 December 2010, the distributable equity of Finnair Plc amounts to 339.4 million euros. The Board of Directors proposes to the Annual General Meeting that no dividend shall be distributed for 2010.

Financial information

In 2011, interim reports will be published in Finnish, Swedish and English:
Q1-2011 on 28 April 2011 at 9 a.m.
Q2-2011 on 5 August 2011 at 9 a.m.
Q3-2011 on 27 October 2011 at 9 a.m.

Ordering the annual report

The Annual Review 2010 will be published in print in Finnish, Swedish and English and the Financial Report 2010 in Finnish and in English.

To order:
tel: +358 9 818 4904,
e-mail: post@finnair.com

Electronic Annual Report and Electronic Financial Report

The Electronic Annual Report 2010 will be published on the internet in Finnish, Swedish and English and Electronic Financial Report 2010 will be published in Finnish and English at the address www.finnair.com/group.

Change of address

Shareholders are kindly requested to report changes of address to the custodian of their book-entry account.

Contact Information

Finnair Oyj
Helsinki-Vantaa Airport
Tietotie 11 A
FI-01053 Finnair
Tel. +358 9 81 881
www.finnair.com
www.finnair.com/group

Senior Vice President
Public Affairs and
Corporate Communications
Arja Suominen
Tel. +358 9 818 4007
arja.suominen@finnair.com

CFO
Erno Hildén
Tel. +358 9 818 8550
erno.hilden@finnair.com

Investor Relations
Kati Kaksonen
Tel. +358 9 818 2780
Fax + 358 9 818 4092
investor.relations@finnair.com