

Financial Statement 1 Jan – 31 Dec 2010

FINNAIR



A turn to growth in the sector

- Demand in passenger and cargo traffic turned up
- Business travel has clearly picked up
- Moderate capacity growth, load factors on healthy level
- Sector's profit forecast for this year 9 billion dollars, profit margin still only 1.5%
- Price level has improved, but is still below the 2008 level
- Modest growth and considerable capacity additions to be expected for 2011



Clear improvement in profitability, the result still in red

- Profitability improved remarkably, but the result still in red
- Demand and unit revenues improved, turnover up by 10%
- Cash flow from operations improved 182 meur
- Operational result 5 meur loss, last quarter 7 meur loss
- Ash and strike caused 55 meur damage (included in the operational result)
- Efficiency programme and stabilization agreements reduced performance-based unit costs
- Scheduled traffic unit revenues improved 9% in Europe-Asia traffic due to increased business travel
- Cash flow from operations clearly strengthened
- Cargo business has improved rapidly and is clearly profit-making



Ash and strikes caused damage

- The ash crisis disturbed widely air traffic in Europe and caused 30 meur damage to Finnair
- Ground workers strike disturbed traffic in October and resulted in a collective agreement not in line with the targets set
- Cabin crew strike in December caused direct damage of 25 meur, reflecting on Q1 demand
- Flexibility elements still weak in terms of collective agreements, productivity improvements challenging to achieve



Profitability improved

		2010	2009	Change %
Turnover	mill. euro	2,023.3	1,837.7	10.1
Operational expenses	mill. euro	2,050.7	2,028.4	1.1
Adjusted EBITDAR*	mill. euro	176.6	21.2	-
Operational result *	mill. euro	-4.7	-171.1	-
One off items/ capital gains	mill. euro	-2.2	0.7	-
Changes in fair value of derivatives and exchange rates in fleet overhauls	mill. euro	-6.4	55.5	-
Operating profit/loss (EBIT)	mill. euro	-13.3	-114.9	-
Profit before tax	mill. euro	-33.0	-124.6	-

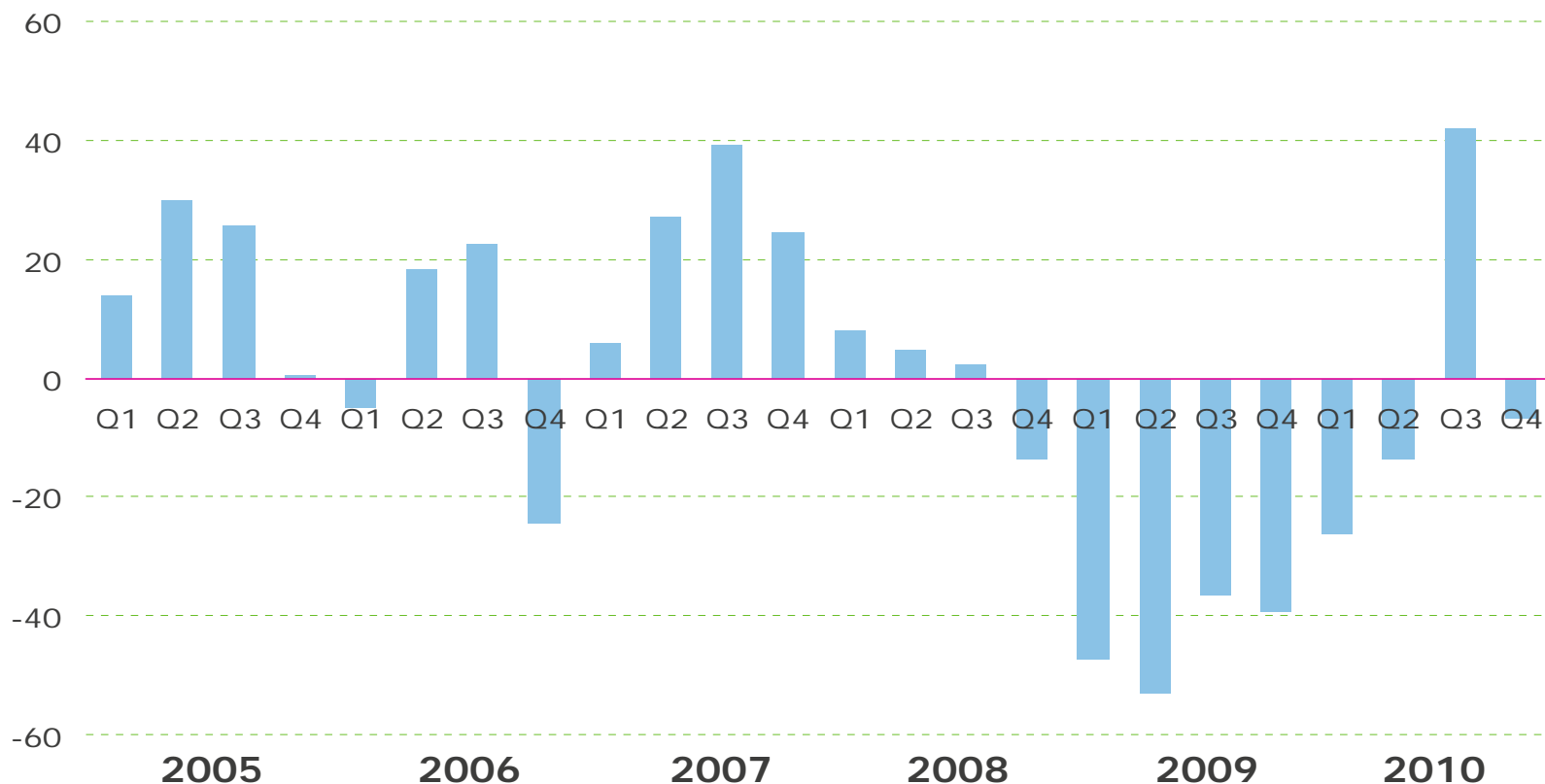
*excl. capital gains. fair values changes of derivatives and non recurring items

One record quarter was not enough



EBIT per quarter*

MEUR



FINNAIR

**excl. capital gains. fair value changes of derivatives and non recurring items*

Cash flow improved clearly



Cash flow statement

		2010	2009
Cash flow from operations	mill. euro	+61	-121
Investments and sale of assets	mill. euro	-99	-265
Grossinvestments **	mill. euro	-183	-348
Change of advances and others	mill. euro	+84	+83
Cash flow from financing	mill. euro	-42	+601
Liquid funds at the beginning	mill. euro	607	392
Change in liquid funds	mill. euro	-80	+215
Liquid funds at the end *	mill. euro	527	607

* incl. financial interest bearing assets at fair value

** incl. A330 aircraft lease arrangement

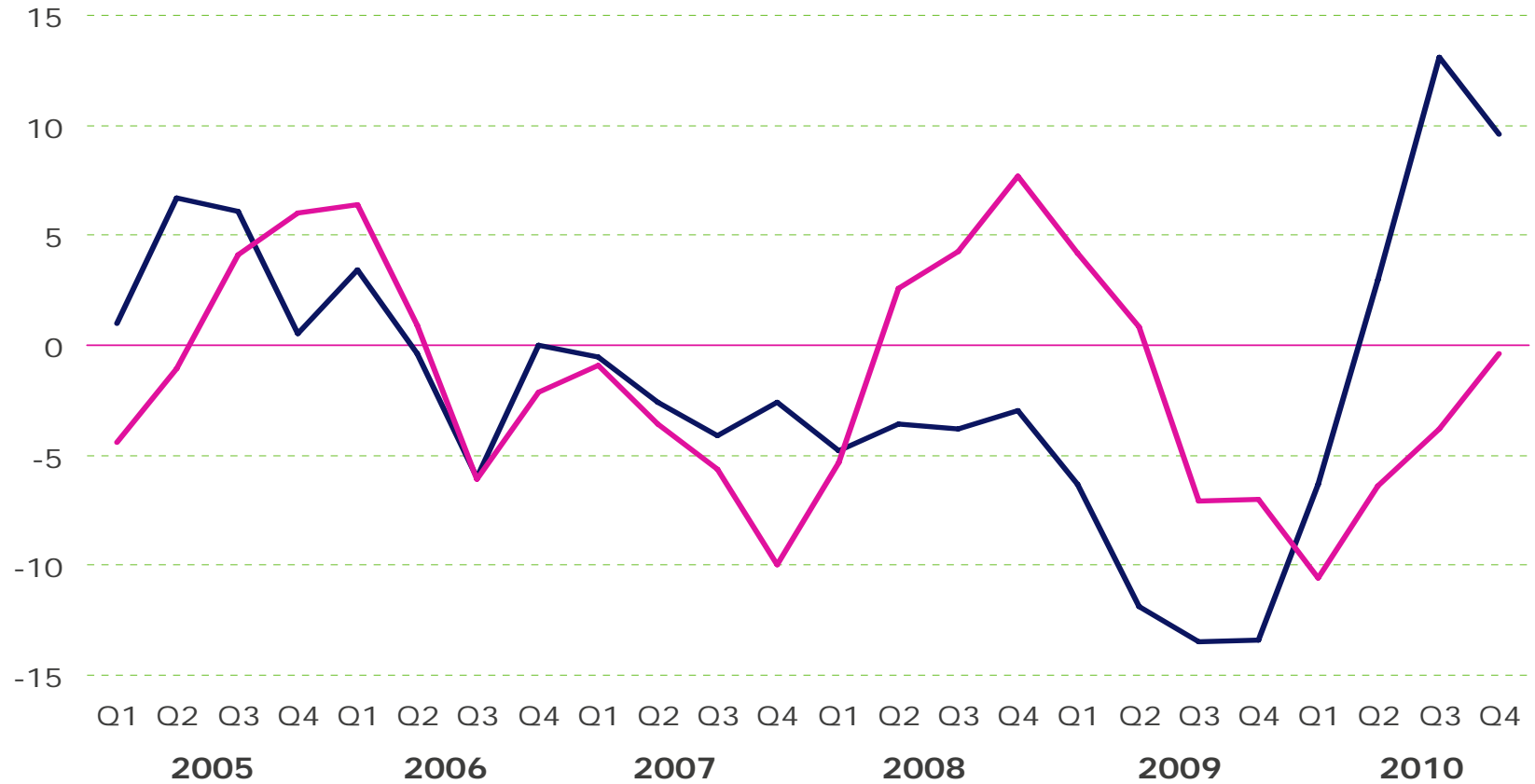
Unit revenue and cost development



Change YoY
%

— Yield (EUR/RTK)

— Unit costs (EUR/RTK)





Efficiency measures lowered unit costs

		2010	Q4/10
Unit costs of flight operations*	c/RTK	-5.5%	-0,4%
Unit costs of flight operations* excl. fuel	c/RTK	-3.6%	-0,5%
Personnel expenses	c/RTK	-12.8%	-0.8%
Fuel costs	c/RTK	-10.8%	-0.1%
Traffic charges	c/RTK	+2.4%	+6.2%
Ground handling and catering	€/psgr.	+1.1%	+0.2%
Sales and marketing	€/psgr.	+14.6%	+0.8%
Aircraft lease payments and depreciation	c/RTK	-9.9%	-13.2%
Other costs*	c/RTK	-1.4%	+3.1%

* excluding fair value changes of derivatives and non-recurring items
RTK = Revenue Tonne Kilometre



Restructuring plans for technical subsidiaries

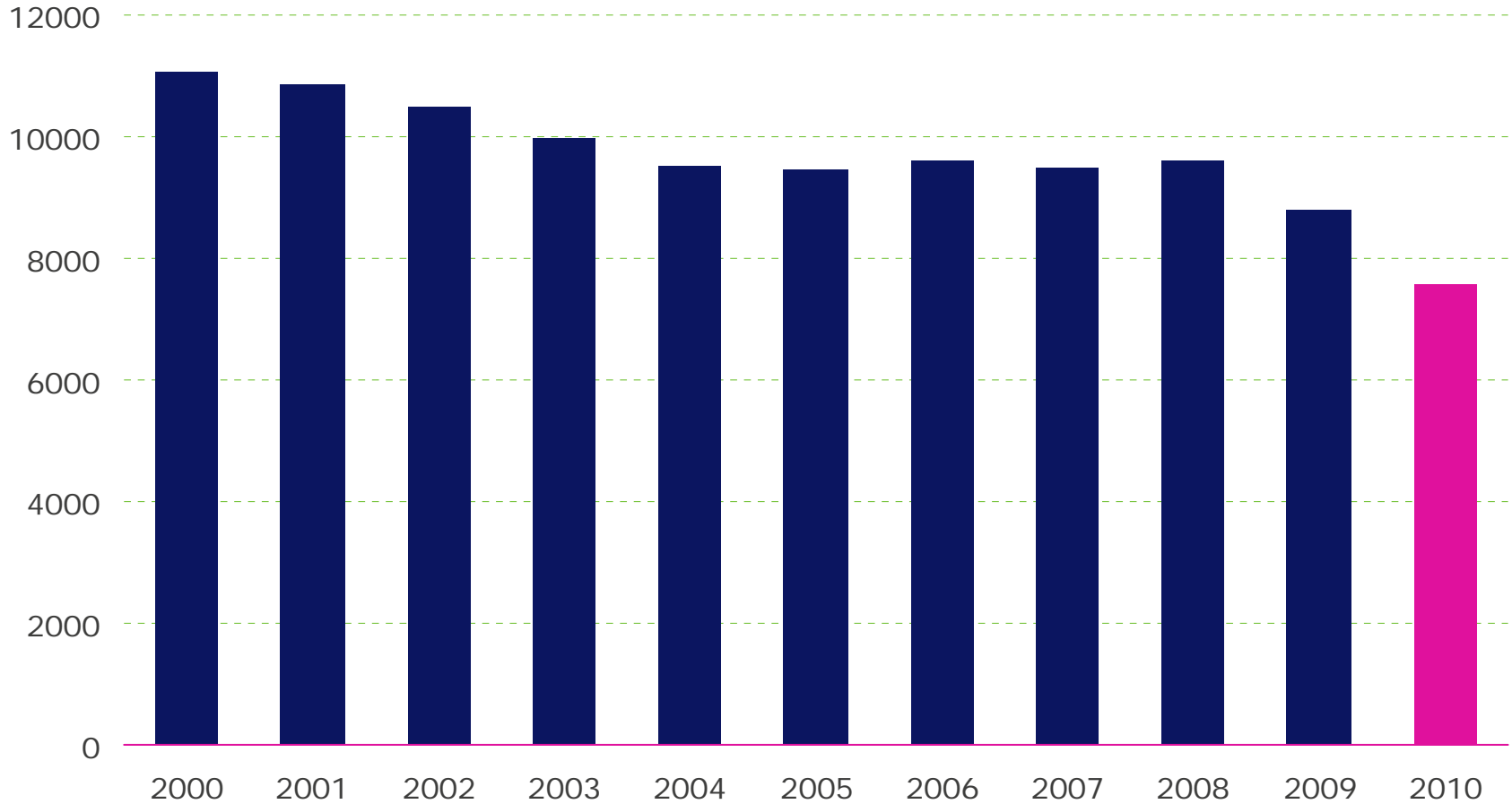
- Restructuring line-maintenance, heavy maintenance, engine and component support
- Not enough cost-competitiveness in the subsidiaries resulting in need to reduce external work
- Focus on taking care of Finnair's own fleet
- Need to reduce 450 jobs
- Co-operation negotiations with personnel on basis, effects, alternatives and measures of the reduction
- Total number of staff 1 600 in the technical subsidiaries



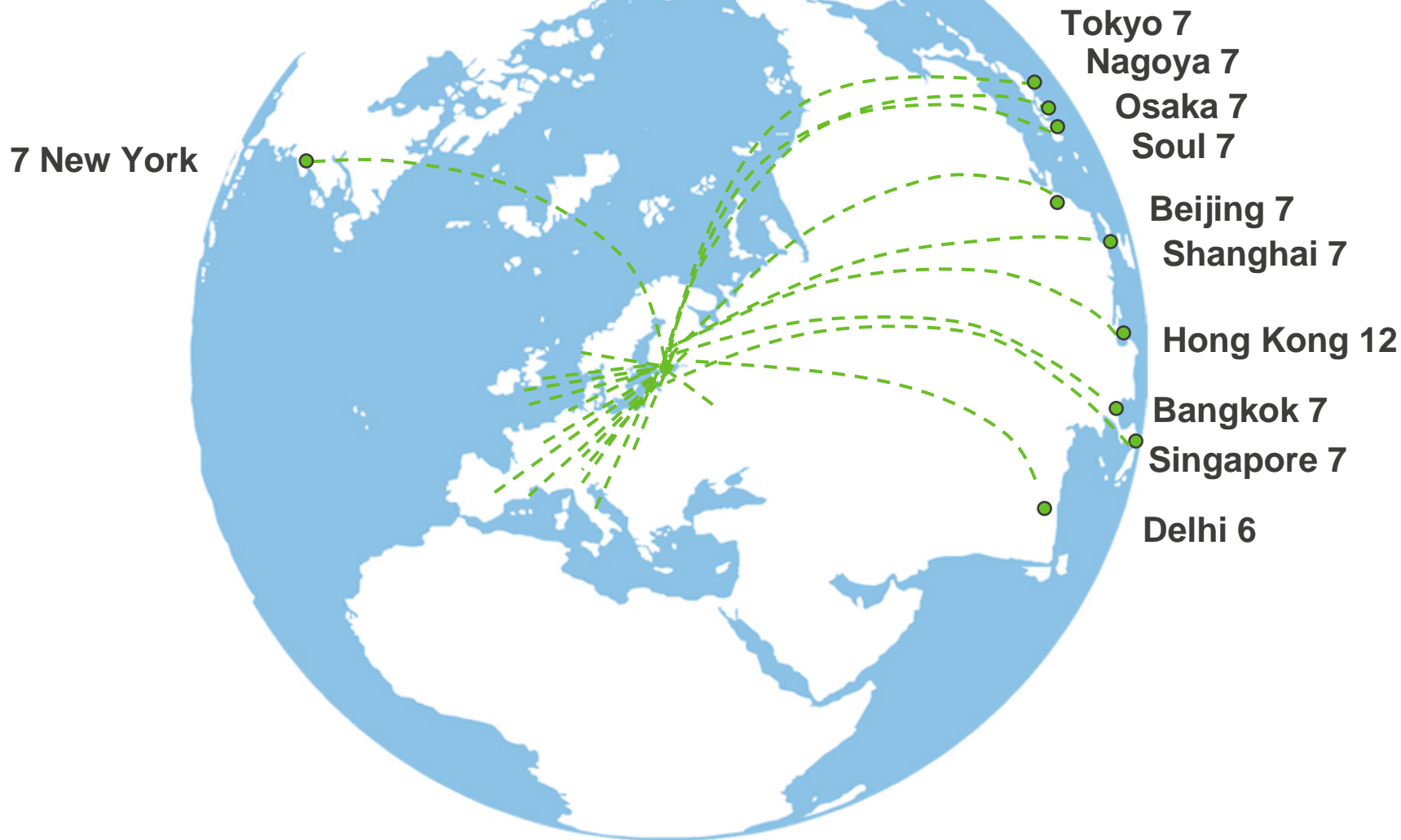
Headcount in decline

Personnel

Personnel on average

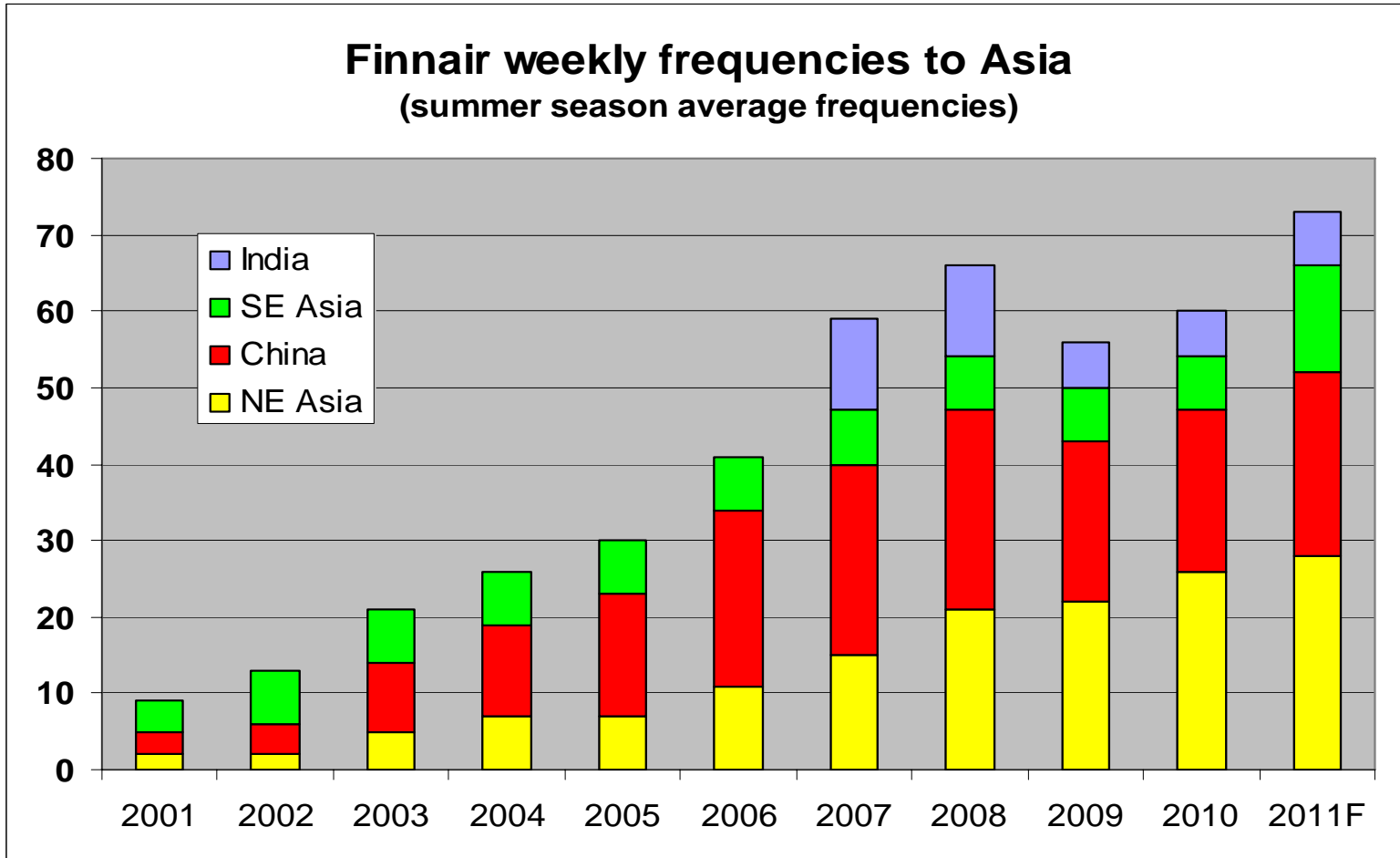


74 weekly departures to Asia in summer 2011





Boost in Asian traffic

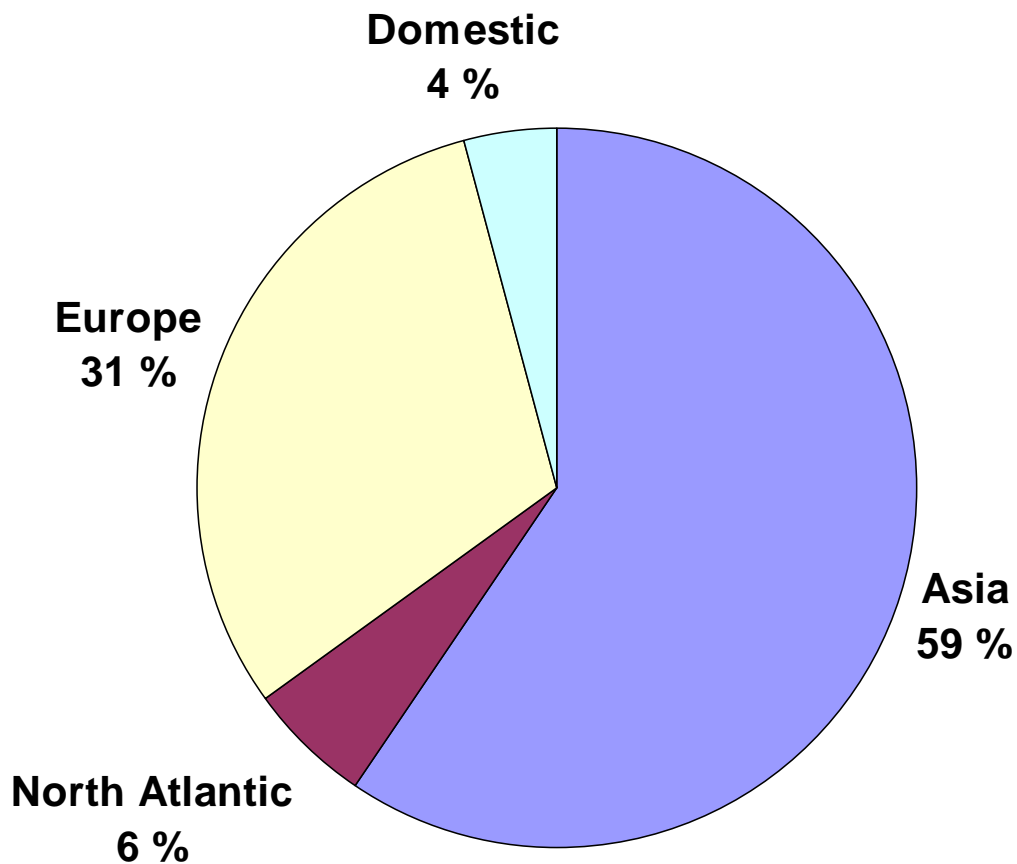


Summer 2011 peak season frequencies per week



Asian traffic Finnair's corner stone

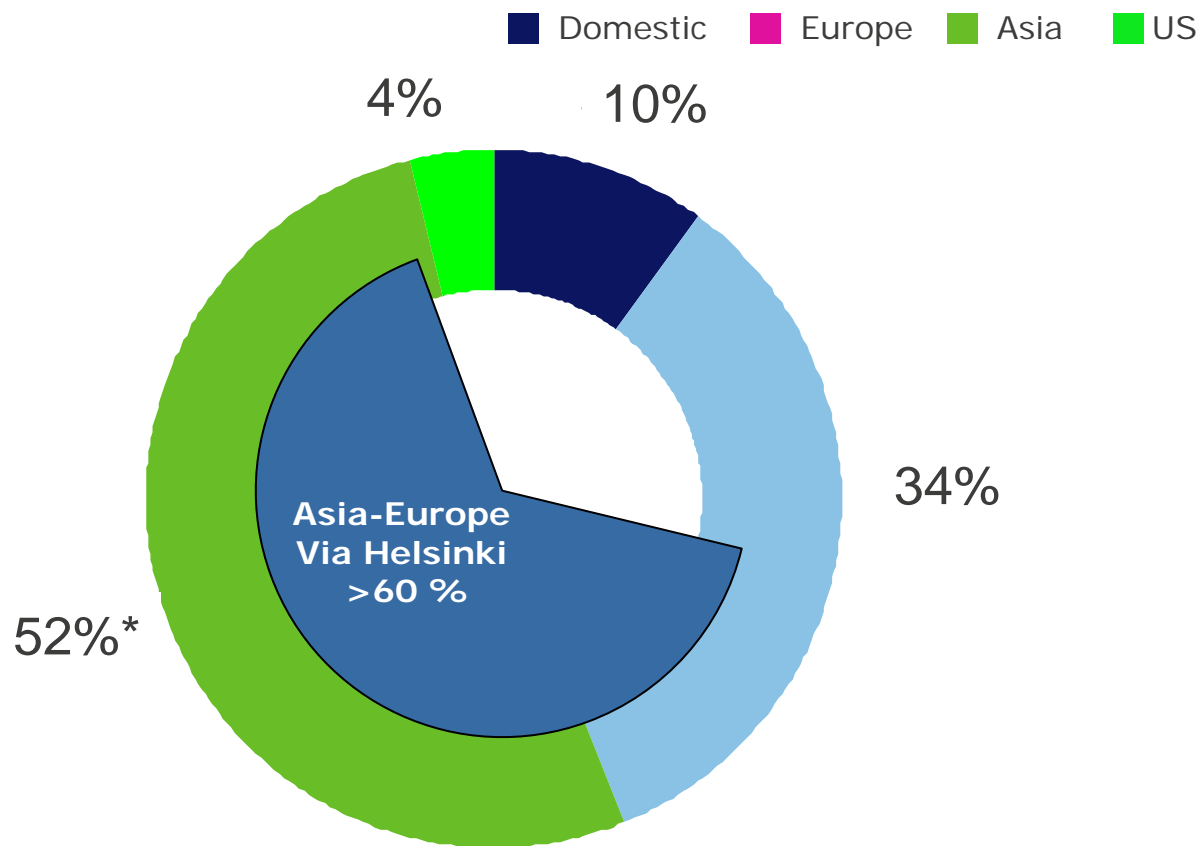
Geographical distribution in scheduled traffic





Majority of Finnair's revenues comes from Europe–Asia traffic

Distribution of passenger and cargo revenues in scheduled traffic (Q4/10)





Finnair's long-haul fleet grows

- Harmonised Airbus long-haul fleet, average age less than 7 years
- Today the last A340 aircraft to join the fleet
- This year a total of 15 long-haul Airbus aircraft
- Five new Airbus A321ER aircraft for leisure traffic 2013-14
- 11+8 new generation Airbus A350XWB in 2014-16

Fuel consumption and emission index *			
Boeing MD-11	Airbus A340	Airbus A330	Airbus A350
100	89	80	69

*) Per seat



Harmonised fleet

Airbus A340/A330

- Long haul
- 15 aircraft
 - 270 seats



Airbus A319/A320/A321

- Mid haul
- 29 aircraft
 - 105-196 seats

Embraer 170/190

- Feeder traffic
- 15+3 aircraft
 - 76-100 seats





Traffic performance in 2010

Total 2010 traffic

- Total passenger traffic -3.6%
- Scheduled traffic +2.5%
- Passenger load factor +1,1 %-points
- Asian traffic +7.9%
- Asian traffic business class +27%,
corporate sales increased by 70% in Asia
- Business class demand of total scheduled 11%
- Cargo +38%

Year-on-year comparison



Coverage and efficiency through partnerships

- Air Berlin – co-operation between Germany, Finland and beyond
- American Airlines – new co-operation between Chicago and Helsinki
- Kingfisher – providing connections within India
- Qantas/Jetstar – opening Australia and New Zealand
- Finncomm Airlines – provides short-haul feeder connections
- Cargo joint-venture under a study – new freighter capacity from Helsinki to long-haul destinations



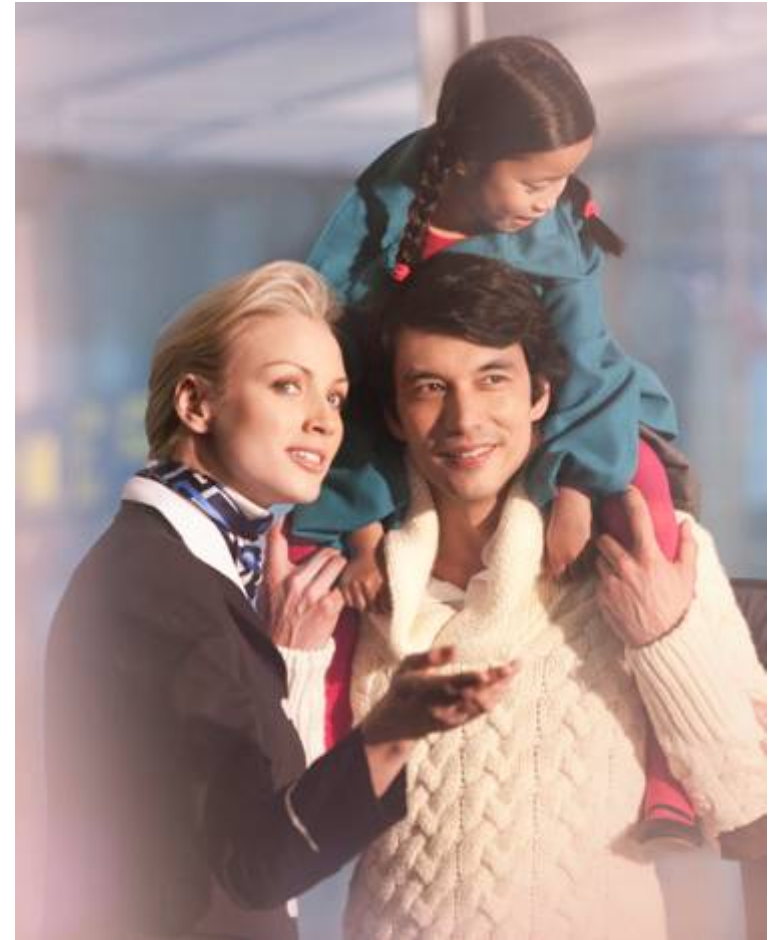
Outlook for the year 2011

- Total capacity growth over 10%, Asian traffic by over 20%
- Better demand and yield due to increased business travelling
- Unit costs will reduction rate will level off due to the ending of stabilisation agreements and more expensive fuel
- Leisure travel returns after recession
- Cargo demand remains strong, new opportunities
- Structural changes and efficiency measures continue
 - *Productivity increases*
 - *Network efficiencies*
 - *Restructuring business and developing processes*
- The first quarter clearly loss-making
- The full year result is expected to be positive



Finnair's vision 2020

- Finnair's vision is to be number one in the Nordic countries
- The most desired option in Asian traffic, in the transit traffic between Asia and Europe among the three largest
- Significance of Scandinavia as part of domestic market is growing
- From India to North America a natural expansion direction
- Our growth strategy is based on cost-competitiveness, our success factors are quality, freshness and creativity





Thank you!



Q4 results

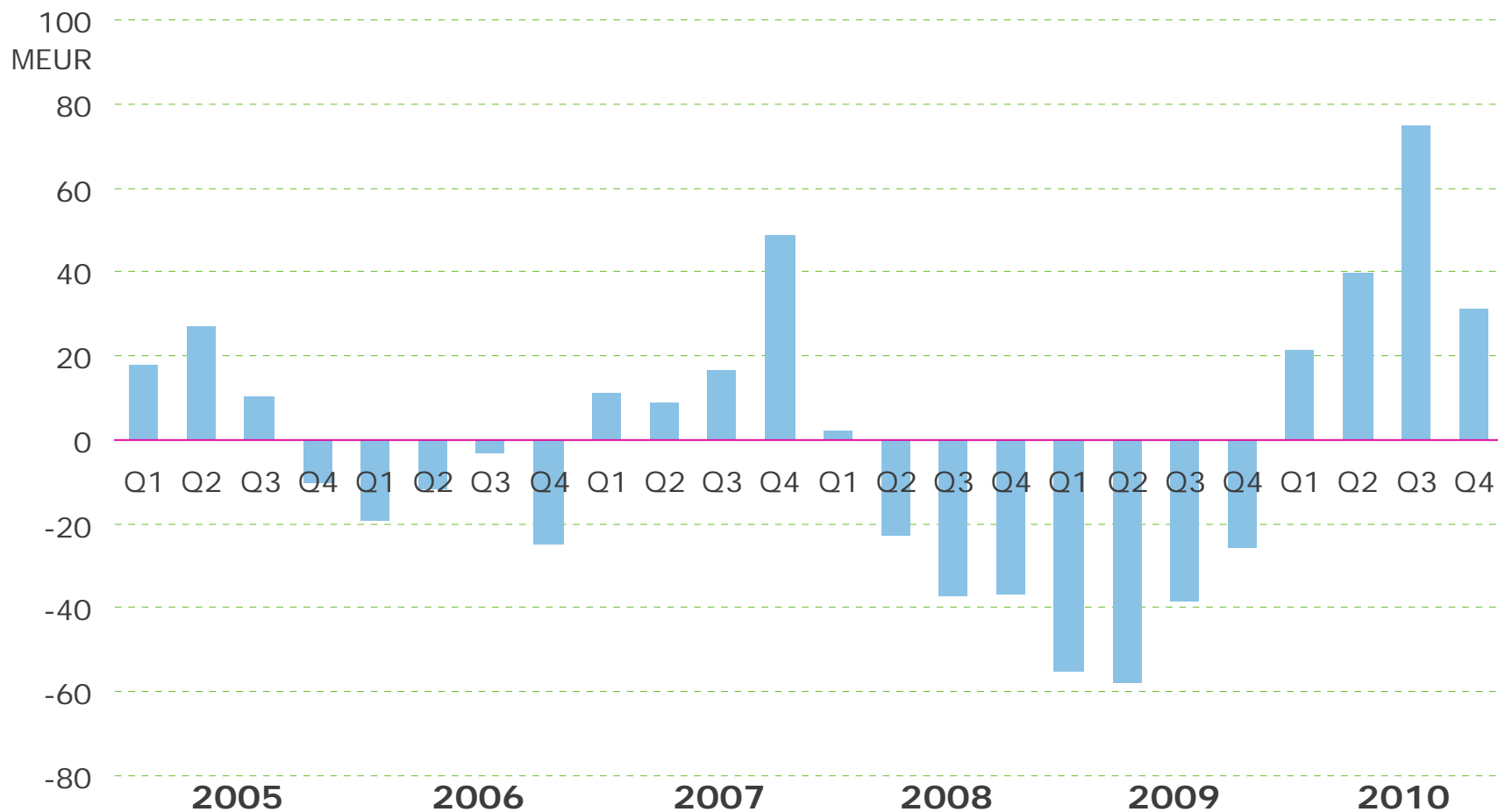
		Q4/10	Q4/10	Change %
Turnover	mill. euro	516,9	457,7	12,9
Operational expenses	mill. euro	529,9	502,4	5,5
Adjusted EBITDAR*	mill. euro	38,0	12,1	-
Adjusted EBIT* i.e. Operational result	mill. euro	-6,7	-37,7	-
One off items/ capital gains	mill. euro	-3,6	-7,9	-
Changes in fair value of derivatives and exchange rates in fleet overhauls	mill. euro	5,6	4,2	-
Operating profit/loss (EBIT)	mill. euro	-4,7	-41,4	-
Profit before tax	mill. euro	-9,6	-43,7	-

*excl. capital gains, changes in fair value of derivatives and exchange rates in fleet overhauls and non recurring items

Trend in profitability



Change in EBIT per quarter*



**excl. capital gains, fair value changes of derivatives and non recurring items*



Segment results* Q4

Mill. euro	Q4/2010	Q4/2009
Airline Business	-8,1	-45,4
Aviation Services	1,4	9,9
Travel Services	2,1	1,2
Unallocated items	-2,1	-3,4
Total	-6,7	-37,7

* Operating profit. excluding capital gains, fair value changes of derivatives and non restructuring items



Segment results* January–December

Mill. euro	Q1-Q4/10	Q1-Q4/09
Airline Business	1,9	-161,4
Aviation Services	8,1	7,3
Travel Services	0,0	-4,3
Unallocated items	-14,7	-12,7
Total	-4,7	-171,1

* Operating profit. excluding capital gains, fair value changes of derivatives and non restructuring items



Cash flow improved in Q4

Cash flow statement

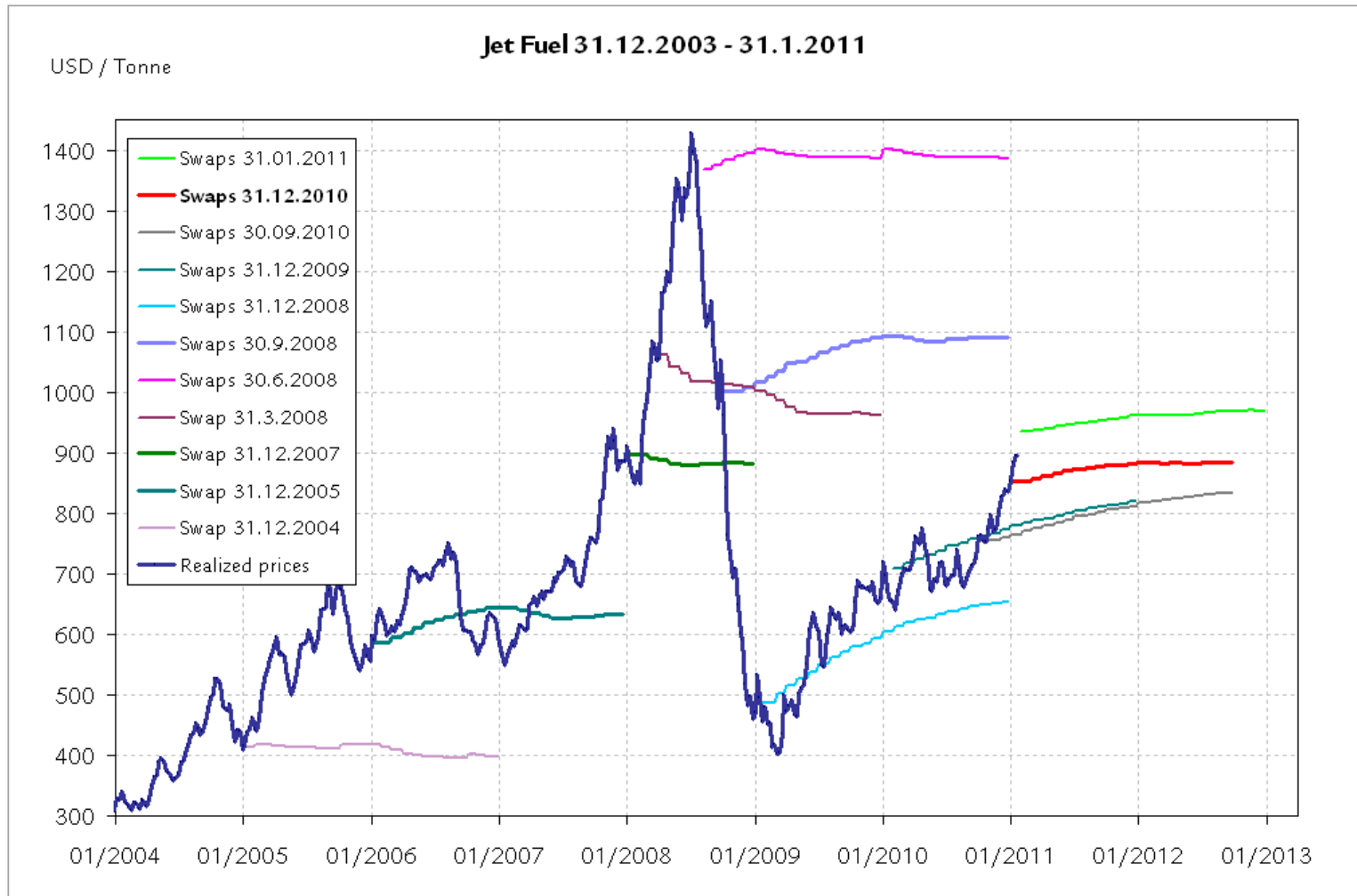
		Q4/2010	Q4/2009
Cash flow from operations	mill. euro	+13	-7
Investments and sale of assets	mill. euro	+26	+10
Grossinvestments **	mill. euro	-27	-9
Change of advances and others	mill. euro	+53	+19
Cash flow from financing	mill. euro	-51	+300
Liquid funds at the beginning	mill. euro	539	304
Change in liquid funds	mill. euro	-12	+303
Liquid funds at the end *	mill. euro	527	607

* incl. financial interest bearing assets at fair value

** incl. A330 aircraft lease arrangement

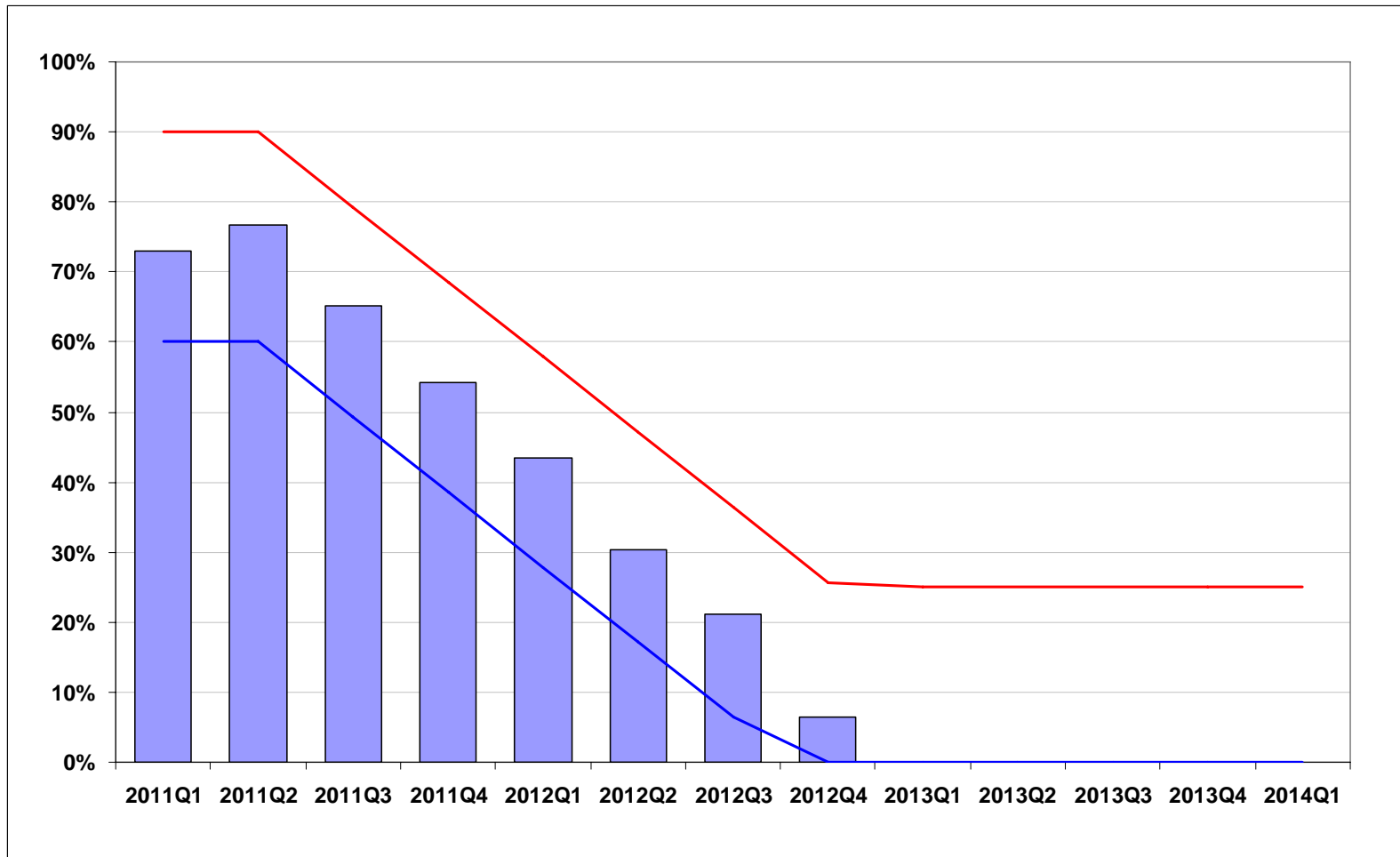


Fuel price on rise



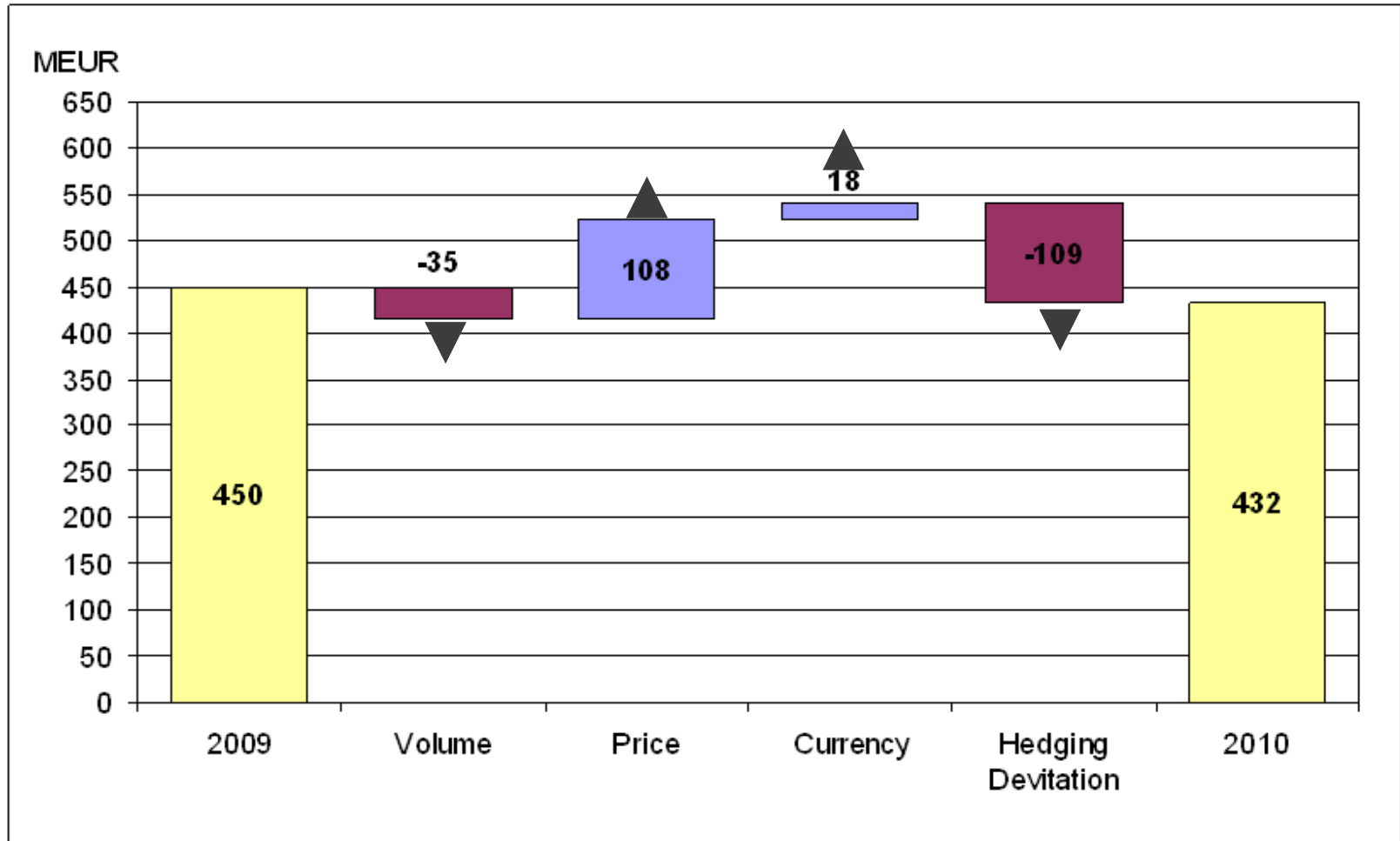


Rolling hedging policy



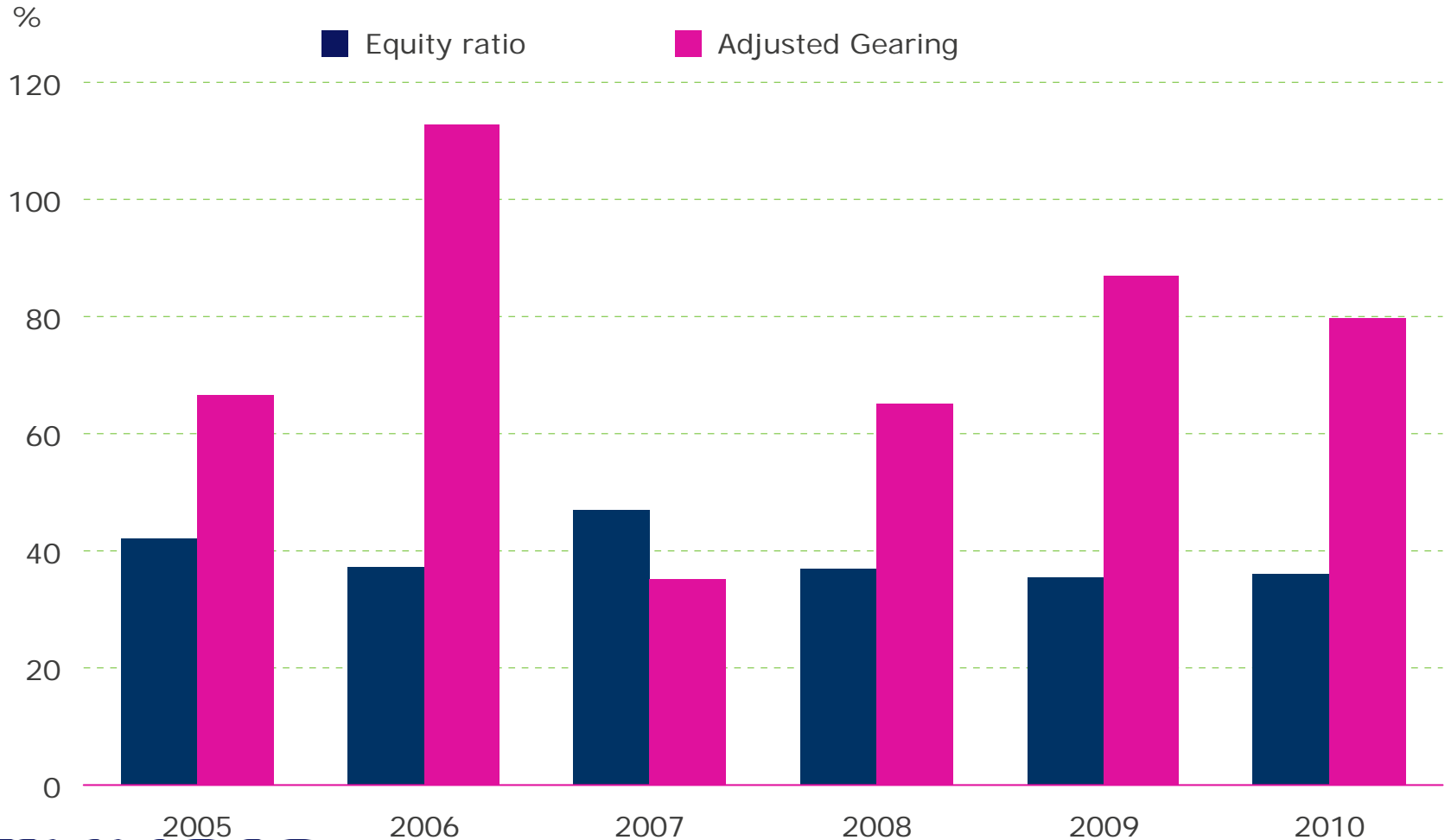


Hedging in 2010



Strong balance sheet

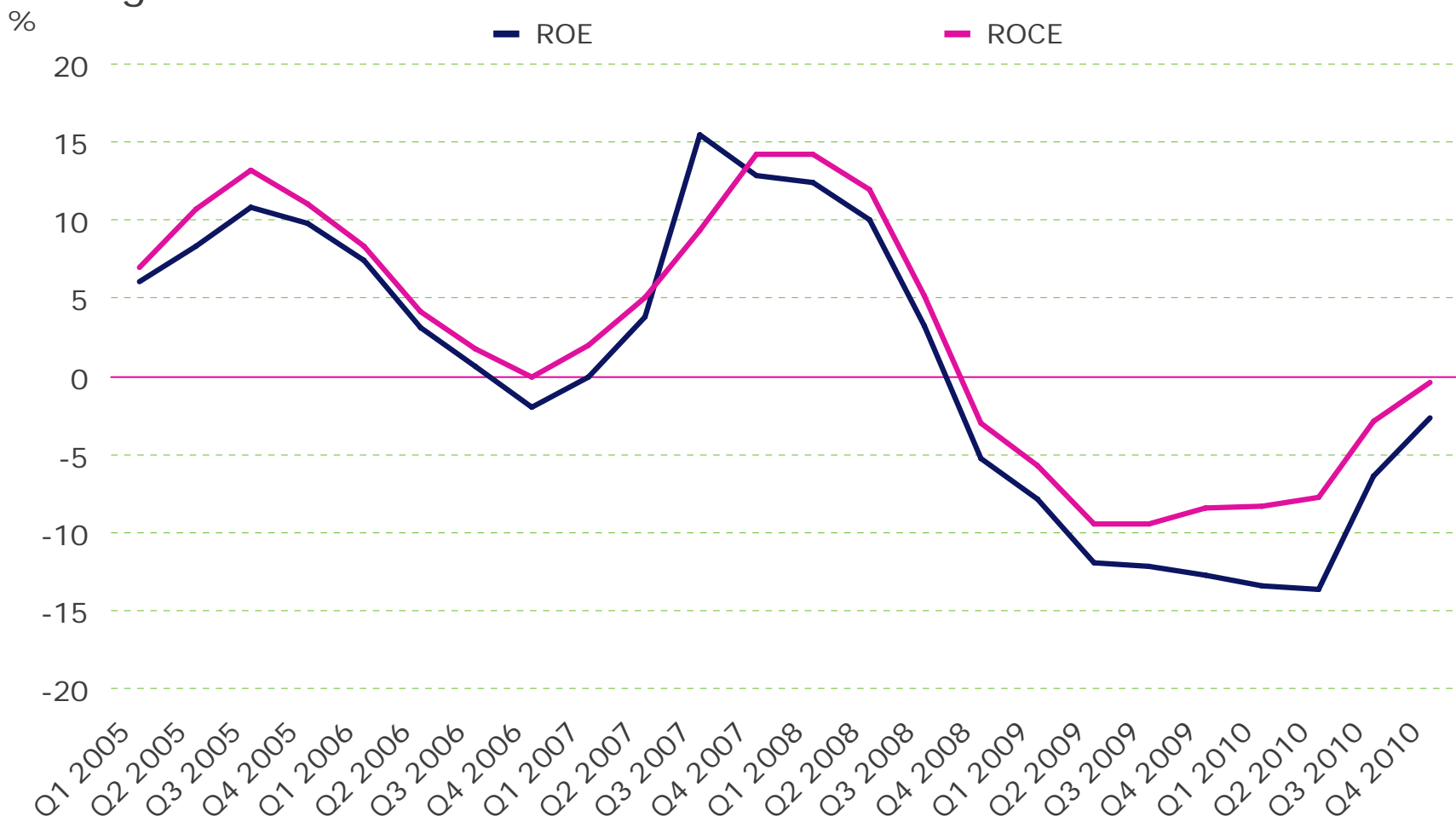
Equity ratio and adjusted gearing





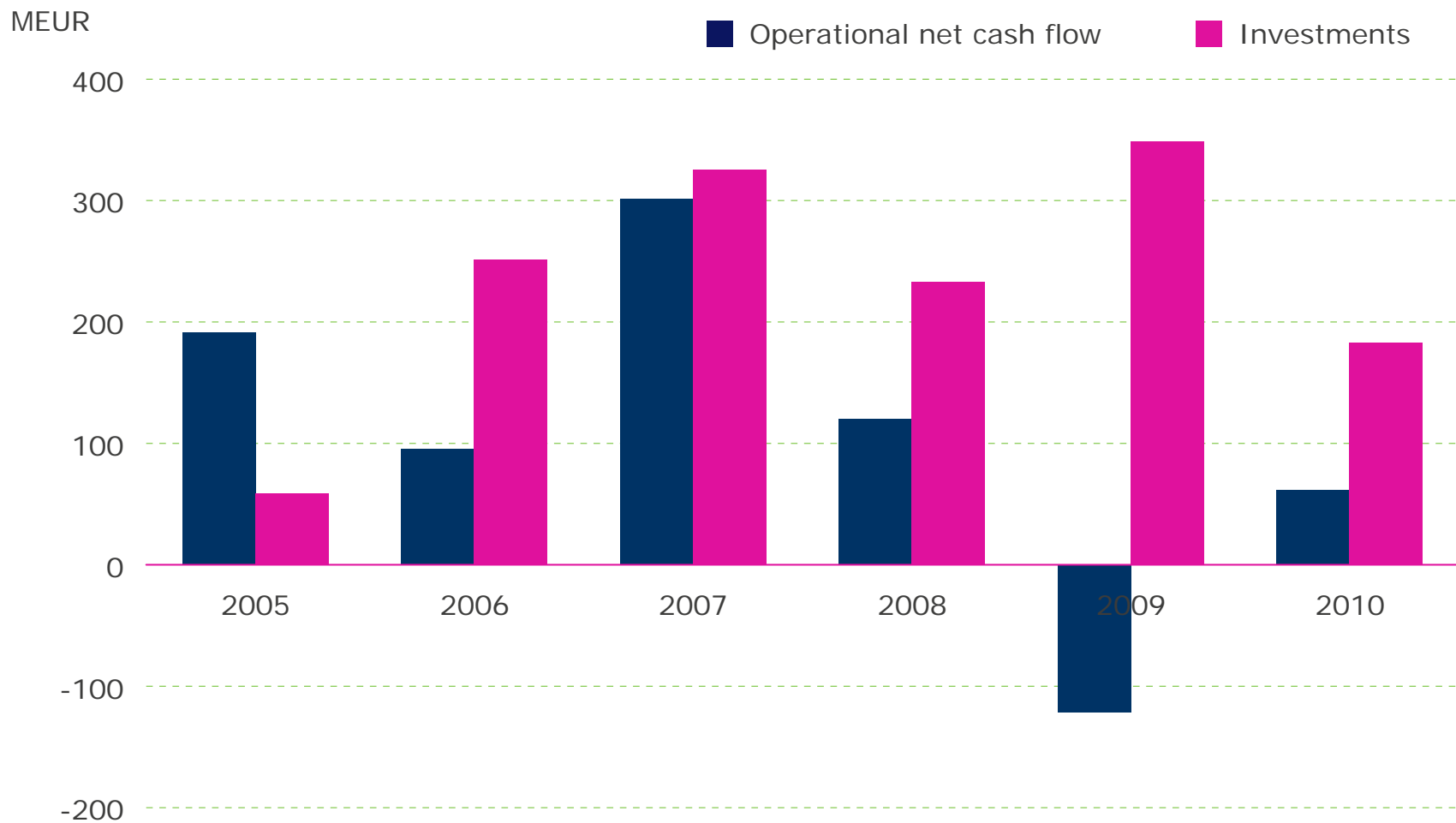
ROE and ROCE

Rolling 12 months



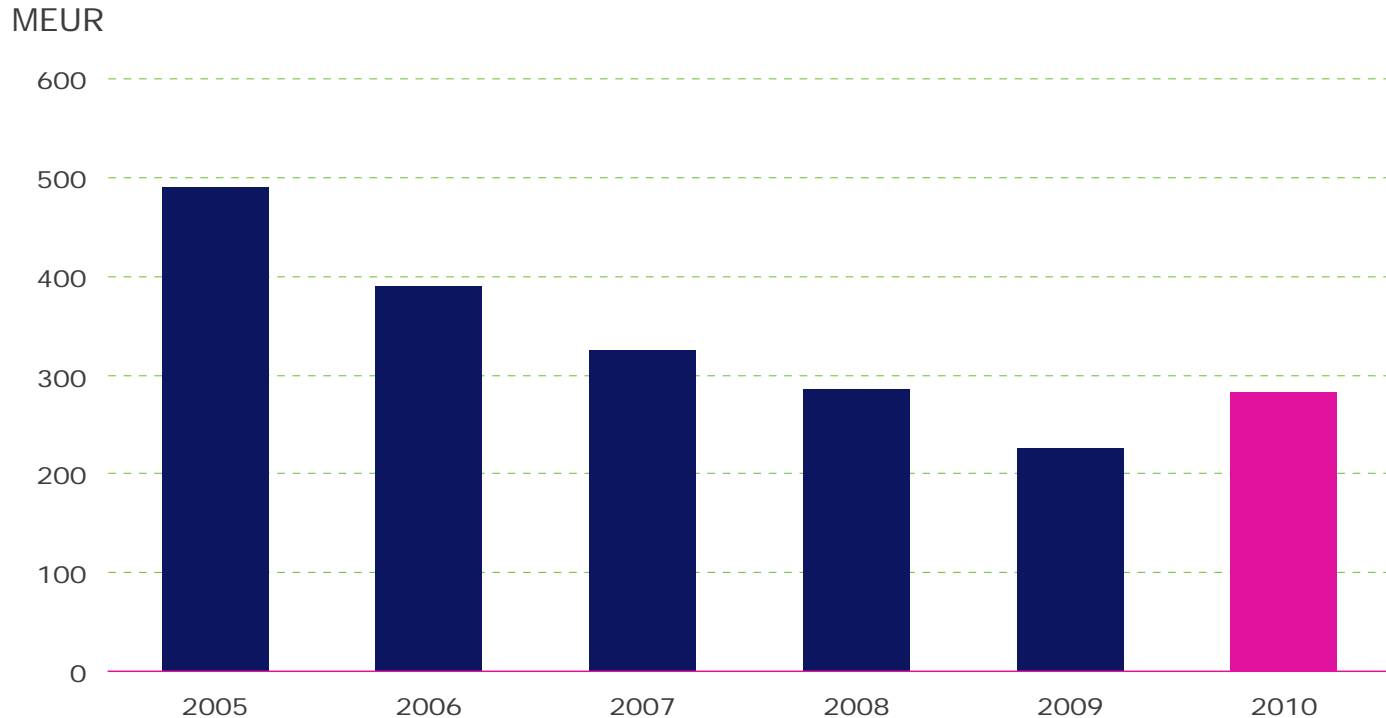


Investments and cash flow from operations





Aircraft operating lease liabilities



On 31 December all leases were operating leases. If capitalised using the common method of multiplying annual aircraft lease payments by seven, the adjusted gearing on 31 December 2010 would have been 79.6%



Finnair Financial Targets

"Sustainable value creation"

Operating profit (EBIT)	EBIT margin at least 6% => over 120 mill. €
EBITDAR	EBITDAR margin at least 17% => over 350 mill. €
Economic profit	To create positive value over pretax WACC of 8.25%
Adjusted Gearing	Gearing adjusted for aircraft lease liabilities not to exceed 140 %
Pay out ratio	Minimum one third of the EPS