financials

FINNAIR

Financial report 2011

Contents

Correction to the ownership of the freight airline NGA (Nordic Global Airlines) mentioned on pages 3, 9, 12 and 44 in the Financial Report 2011:

Nordic Global Airlines Ltd is a Finnish freight airline established in 2011. It is owned by American companies Neff Capital Management LLC (20% shareholding) and Daken Capital Partners LLC (29% shareholding), both of which are investment companies of American Neff family, and Finnair (40% shareholding) and Ilmarinen Mutual Pension Insurance Company (11% shareholding). The company operates cargo flights with two leased MD 11 aircraft owned by Neff Capital Management. Finnair apologizes the mistake.

Finnair in 2011

Finnair is one of the most innovative, safest and longest-operating airlines in the world. The airline specialises in flights between Asia and Europe, and its vision is to be the number one airline in the Nordic countries and the most desired option in Asian traffic. Finnair also strives to be among the three largest operators in transit traffic between Asia and Europe involving transfers during the trip. The growing Asian markets, fast flight connections and competitiveness form the foundation of Finnair's growth strategy. In 2011, Finnair took significant steps in the implementation of its strategy and the development of its operations.

Asian strategy. Finnair offers the fastest connections between Asia and Europe, with more than 200 route pairs. A new route to Singapore began operating in May. Finnair's other destinations in Asia are Tokyo, Osaka, Nagoya, Hong Kong, Beijing, Shanghai, Seoul, Bangkok and Delhi.

Japan's natural disaster and the Arab spring. The destructive earthquake and tsunami in Japan as well as unrest in the Middle East and North Africa weakened Finnair's result in 2011.

Chongqing. Finnair announced that it would begin operating flights to Chongqing in May of 2012 as the first European airline. Chongqing is the largest and fastest-growing city in China, making it a significant destination for the implementation of Finnair's Asian strategy.

140 m €

Structural reform. In August, Finnair published a structural reform and savings programme whose goal is to cut annual expenses permanently by EUR 140 million by 2014 in order to improve the competitiveness of the company.

Best in Northern Europe. The World Airline Awards recognised Finnair as the best Northern European airline in 2011. Readers of the American travel magazine Travel + Leisure voted Finnair the second best airline in Europe.

New affordable prices. In November, Finnair changed the pricing of its domestic and Scandinavian flights. The goal of these new prices is to make flying a more attractive alternative for all customer groups.

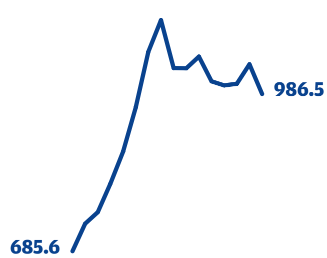
Partnership strategy. In August, Finnair and British airline Flybe established a new carrier Flybe Nordic, whose objective is to grow into the leading regional airline in the Nordic and Baltic countries. The freight airline NGA, a joint venture of Finnair, Neff Capital Management and Ilmarinen, began its flights in the summer.

Biofuel flight. In July, Finnair flew its first biofuel flight. At that time, the flight to Amsterdam was the world's longest flight made with biofuel. Finnair wants to find ecologically, financially and socially sustainable fuel solutions, and this flight brought Finnair toward more sustainable flying.

Innovative. Airlinetrends.com, which analyses consumer trends in the industry, chose Finnair as one of the top five most innovative airlines in the world. Finnair was also recognised at the European Excellence Awards with awards for its Rethink Quality and Angry Birds projects.

Jet Fuel market price development 2010–2011

USD/tonnes



Expensive jet fuel. The high price of fuel weakened Finnair's profitability in 2011. The price of oil rose nearly 50% over the course of the year.

Better service. Finnair's customer satisfaction, the punctuality of flights and the speed of baggage handling improved. In addition, the Finnair Lounge at Helsinki Airport was awarded as the world's best. Finnair wants to take care of its customers and give them peace of mind at all stages of their journey.

New look. Finnair continued to transform its identity, a process which began in 2010. The airline's cabin crew began using their new uniforms in December. In addition to the new uniforms, the transformation includes the previously renewed company logo, aircraft livery and the look of the cabins.

President and CEO's review

Finnair has a clear strategy and we are determined to implement it in the most effective way possible: We aim to double our turnover in Asian operations by 2020 and become the leader in the Nordic countries. Achieving these goals depends on our ability to remain competitive. With this in mind, we set a clear target for ourselves in 2011 to reduce annual operating costs by 140 million euros by 2014. We have also decided to pursue strategic partnerships in various areas of operation.

STRUCTURAL CHANGES VITAL TO ENSURE FUTURE VITALITY

By mid-2011 it had become obvious that Finnair has to carry out a significant structural change in order to end its loss-making cycle and build the Finnair of the future according to its strategy. In August 2011, we published an extensive restructuring and cost-reduction programme with the aim of restoring the company's vitality and enabling future growth. The change is necessary and inevitable. In the second half of the year we optimised our operations in many ways: Together with the aircrew, we agreed upon solutions to improve productivity, optimised our route network and the use of our fleet as well as renegotiated aircraft leasing agreements. As a result of the optimised use of the fleet, we can give up several short-haul planes. In addition to this, we have identified several other targets for cost reduction and optimisation.

While the implementation of the new cost reduction measures progressed as planned in 2011, their impact on the result for the year remained relatively minor. We expect to realise the majority of the planned savings in 2012 and the remainder by the end of 2013. We are currently exploring our options to find a cost-efficient solution for equipment and engine maintenance, identify prospective catering partners and establish a joint venture for European narrow-body traffic.

SEEKING GROWTH IN ASIA AND THE NORDIC REGION

Our strategy is to focus on increasing our Asian traffic and pursue leadership in the Nordic countries in cooperation with a strong partner network. As a small company we can no longer do everything by ourselves. Competition in our industry has intensified to the extent that the continuous development of both cost competitiveness and quality require specialisation and large-scale cooperation.

The most significant step taken in 2011 as part of our partnership strategy was establishing the Nordic regional airline Flybe Nordic in partnership with the British airline Flybe. We also launched a partnership with Swissport, a leading ground service provider, in late 2011. The initial experiences from both partnerships have been encouraging and we are confident they will prove useful as we look for a partner to resolve the cost problems of European routes and expand in the Nordic countries.

In conjunction with publishing our result for the 2011 financial year, we announced plans to establish a cost-effective partnership company to operate our loss-making European traffic. We are investigating the possibility of transferring the entire narrow-body fleet, or part thereof, to the new company. We are initiating discussions with potential partners and staff regarding the alternatives for implementing these changes.

No company can achieve leadership simply by cutting costs. In recognition of this, we have focused on our future growth and improved the quality of our operations further. In May 2011 we launched our Singapore route and in May 2012 we will open the Chongqing route. Finnair's customer satisfaction, punctuality and the speed of baggage handling continued to improve in 2011 and we were among the leading network carriers in these areas. This was a great achievement from our personnel, which has continued to show their full commitment to customer service even amid the restructuring. The Finnair employees deserve a warm thank you for their excellent work. I also want to thank our partners, customers and shareholders for their cooperation and trust over the past year.

OPERATING ENVIRONMENT REMAINS CHALLENGING

The year 2011 was eventful for Finnair also in terms of the operating environment. Propelled by strong growth in Asian traffic, our turnover increased by nearly 12 per cent in 2011 to reach EUR 2,300 million. As in recent years, a number of circumstances beyond our control – the natu-

ral disaster in Japan, the Arab Spring, flooding in Thailand, rising fuel costs, increased capacity in the airline industry, intensifying competition in Europe and uncertain global economic prospects – had a negative effect on our profitability. In spite of the growth in turnover and the cost reduction measures implemented by the company, Finnair's full year result was negative for the fourth straight year.

The start of the year 2012 has been shadowed by continued global economic uncertainty and, unlike during earlier recessions in Western economies, oil prices have remained high due to strong growth in developing countries and the prevailing political situation in the Middle East. Nevertheless, Finnair has set a clear direction for itself and our strategy is a compass for us all. Developing Asian markets create new business opportunities for us and we are committed to renewing Finnair in order to take full advantage of these opportunities to benefit all of our stakeholders. I believe that our strategy, clear goals and strong company culture will help us surpass the difficult and painful change. Together, we are now building the Finnair of the future.

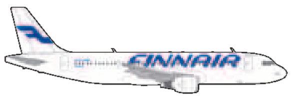
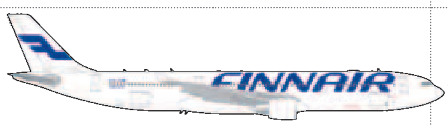
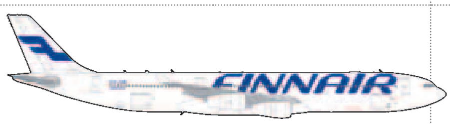
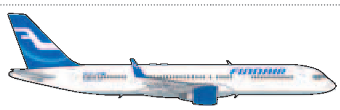
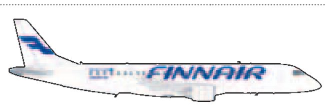
Mika Vehviläinen
President and CEO
Finnair Plc

Finnair key figures

EUR mill.		1-12/ 2011	1-12/ 2010	Change %
Turnover and result				
Turnover	EUR mill.	2,257.7	2,023.3	11.6
Operational result, EBIT*	EUR mill.	-60.9	-4.7	-
Operational result, % of turnover	per cent	-2.7	-0.2	
Operating result, EBIT	EUR mill.	-87.8	-13.3	-
EBITDAR	EUR mill.	139.6	176.6	-21.0
Result before taxes	EUR mill.	-111.5	-33.0	-
Net result	EUR mill.	-87.5	-22.8	-
Balance sheet and cash flow				
Equity ratio	per cent	32.6	36.2	-3.6,%-p
Net gearing	per cent	43.3	27.8	15.5,%-p
Adjusted gearing	per cent	108.4	79.6	28.8,%-p
Gross investment	EUR mill.	203.9	183.5	11.1
Return on capital employed (ROCE)	per cent	-5.2	-0.4	-4.8,%-p
Return on equity (ROE)	per cent	-10.9	-2.7	-8.2,%-p
Net cash flow from operating activities	EUR mill.	50.8	76.0	-33.2
Share				
Share price at end of the year	EUR	2.30	5.04	-54.4
Earnings per share (EPS)	EUR	-0.75	-0.24	-
Traffic data, unit costs and revenue				
Passengers	thousand people	8,013	7,139	12.2
Available seat kilometres (ASK)	mill.	29,345	25,127	16.8
Revenue passenger kilometres (RPK)	mill.	21,498	19,222	11.8
Passenger load factor (PLF)	per cent	73.3	76.5	-3.2,%-p
Unit revenue per available seat kilometre (RASK)	cents/ASK	6.0	6.2	-3.1
Unit revenue per revenue passenger kilometre, yield	cents/RPK	7.24	7.11	1.8
Unit cost per available seat kilometre (CASK)	cents/ASK	6.4	6.6	-2.7
CASK excluding fuel	cents/ASK	4.7	5.0	-6.1
Available tonne kilometres (ATK)	mill.	4,571	3,808	20.0
Revenue tonne kilometres (RTK)	mill.	2,823	2,471	14.2
Cargo and mail	tonnes	145,883	123,154	18.5
Cargo traffic unit revenue per revenue tonne kilometre	cents/RTK	27	26	3.1
Overall load factor	per cent	61.8	64.9	-3.1,%-p
Number of flights	pcs	78,916	74,195	6.4
Personnel				
Average number of employees		7,467	7,578	-1.5

* Operational result: Operating result excluding changes in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves, non-recurring items and capital gains.

Finnair fleet 31.12.2011

	Seats	Quantity	Own*	Leased	Average age
Airbus A319 	105-138	11	7	4	9.5
Airbus A320 	111-159	12	6	6	8.7
Airbus A321 	136-196	6	4	2	10.1
Airbus A330 	297/271/263	8	7	1	1.4
Airbus A340 	270/269	7	5	2	8.2
Boeing B757 	227	4	0	4	13.2
Embraer 170 	76	5	1	4	5.3
Embraer 190 	100	12	8	4	3
Total		65	38	27	7

* Includes three finance leased Airbus 330 aircraft. In November 2011, Finnair announced that it will reduce its fleet by discontinuing the lease agreements of four Airbus A320-series aircraft from autumn 2012 onwards. In addition Finnair announced in February 2012 that it will sublease four Embraer 170 aircrafts to Estonian Air from Q1 2012 onwards.

Board of Directors' Report

MARKETS AND GENERAL OVERVIEW

Global airline traffic has changed significantly in recent years, and similar structural change is happening in the industry as has already been faced by many other industries. Typical for this change process are market liberalisation, increasing competition, overcapacity, consolidation, alliances and specialisation. The global consolidation of the industry is predicted to continue. Finnair aims to make use of the opportunities created by this development.

Finnair's strategy is to focus on increasing our Asian traffic and pursue leadership in the Nordic countries in cooperation with a strong partner network. The significance of the partner network will be emphasized even more, because a small company can no longer do everything by itself. Competition in the industry has intensified so that the continuous development of both cost competitiveness and quality require specialisation and large-scale cooperation.

The year 2011 was marked by high oil prices and increased capacity in the market. In the early 2011, the industry was getting ready for expected growth in the markets, due to which supply increased more rapidly than demand. The competitive situation thus became very tough. As the global economy weakened, the competitive situation continued to get even tighter, which affected both passenger and cargo traffic.

The impact of the cabin crew strike in December 2010 on demand was still felt at the beginning of the year. The seasonally weak start of the year was also affected by the shocking catastrophe in Japan in March, and as a result particularly the demand from Europe to Japan decreased significantly. Despite this, Finnair continued its daily flights to Japan. The demand from Japan to Europe recovered rapidly but travel from Europe to Japan during the rest of the year was weaker than in the previous year. Annually on average 70 per cent of passangers in our Japan flights originate from Japan.

The strong capacity growth in air traffic stabilised in the second quarter due to high oil prices, the uncertainty in the global economy, the disaster in Japan as well as the disturbances in the Middle East and Northern Africa. However, Finnair was able to increase its market share in the traffic between Asia and Europe on the routes it operates. Business travel and the demand for business class also developed positively during the first half of the year.

The growth in demand slowed down in the second half of the year due to the uncertainty in the global economy. Increasing macro-economic instability led to a weaker than expected development of business travel and weakened the profitability of cargo traffic. Due to overcapacity in the package tours markets, the operational result of our package tours subsidiary Aurinkomatkat exceptionally showed a loss. The high price of oil and the disturbances at the start of the year also weakened the profitability of the company for the whole year, due to which Finnair's operational result for 2011 showed a 60.9 million euro loss.

STRATEGY IMPLEMENTATION

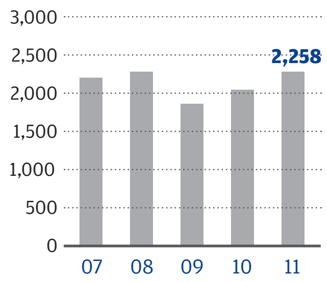
In 2011, Finnair focused on optimising operations, growth and service quality in line with our vision to be the number one carrier in the Nordics. The opening of the Singapore route and the preparations of the Chongqing route to be opened in May 2012 are steps toward the envisaged doubling of the turnover of Asian operations by 2020.

In order to improve cost competitiveness, Finnair will focus on its core activities in future, and build an even stronger partnership network around itself. In aviation services, the company's baggage handling and apron services were transferred to Swissport. Finnair also explores options to find a cost-efficient solution for equipment and engine maintenance and investigates possible partnering opportunities and structural solutions in Catering.

The strategic focus of Finnair's airline traffic is on the traffic between Asia and Europe, and for this reason, in addition to increasing the Asian traffic, the company aims to develop alternative ways for producing the company's own narrow

Turnover

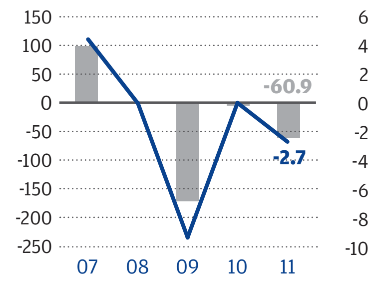
EUR mill.



Operational result, EBIT*

EUR mill.

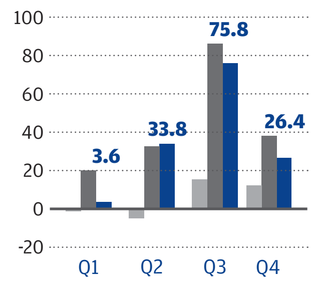
% of turnover



EBITDAR*

EUR mill.

2009 2010 2011



* Operating result excluding changes in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves, non-recurring items and capital gains.

body traffic in order to reduce the unit costs of European and domestic traffic and to increase flexibility. Finnair is aiming at a leading position as a Nordic operator in cooperation with its partners in order to produce additional value for its shareholders and customers.

In order to promote these strategic aims, Finnair acquired Finnish Commuter Airlines Oy (FCA) together with Flybe UK in July. The acquisition of FCA was carried out by establishing a new company, Flybe Nordic, of which Flybe owns 60 per cent and Finnair 40 per cent. The new company began its operations in August after receiving approval from the Competition Authority. Flybe as a majority shareholder is responsible for the company's operational activities and management. The aim is to make Flybe Nordic a strong regional airline in the Nordic and Baltic countries, which will complement Finnair's network by acting as a cost-effective feeder traffic platform for the company's international flights.

In addition to the Flybe arrangement, Finnair, Neff Capital Management LLC and Ilmarinen established a cargo traffic joint venture Nordic Global Airlines Ltd (NGA) in March. The company began to operate cargo traffic with the MD11 aircraft fleet at the beginning of August.

In 2011, Finnair continued to implement its comprehensive identity renewal. One of the central areas is the renewal of Finnair's service identity, the practical matters for which were started in the first quarter of the year. Through the service identity renewal, Finnair meets the needs and expectations of customers with broad-minded and innovative solutions and offers customers peace of mind during all stages of travel.

Finnair's cabin crew began using their new uniforms in December. In addition to the uniforms, Finnair renewed the company logo, aircraft livery and the look of the cabins. The visual identity reform has now been implemented for the most part.

STRUCTURAL REFORM AND SAVINGS PROGRAMME

In 2011, it became obvious that Finnair would have to carry out a substantial structural change in order to meet the needs of the changing aviation landscape. The company has to break its loss-making cycle so that it can build the Finnair of the future according to its strategy. After careful strategic work and extensive industry comparison, Finnair announced in August that it aims to reduce its annual costs permanently by 140 million euros by 2014. The transformation and cost reduction programme focuses particularly on improving the profitability of short-haul flights in the tightened competitive environment. In order to improve cost competitiveness, the company focuses on its core activities and building an even stronger partnership network around itself.

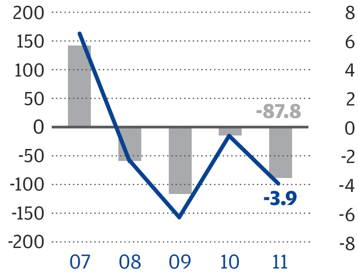
According to the company's estimates, the biggest cost reductions will be achieved in personnel and maintenance costs, as the share of both of these is approximately a quarter of the overall target. The share of sales and distribution costs is approximately 15 per cent and the share of IT, fleet and ground handling costs amounts to approximately 30 per cent of the overall reduction target.

Finnair reduced its overhead costs by streamlining administration and optimising procurement, marketing and distribution activities. The company aims to further reduce procurement costs through centralised management.

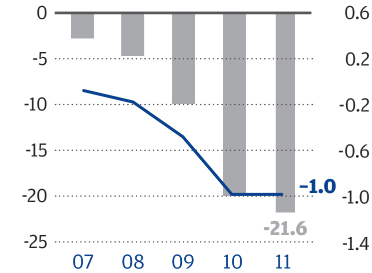
In the aviation services, the company's baggage handling and apron services were transferred to Swissport. The company also explores options to find a cost-efficient solution for equipment and engine maintenance and investigates possible partnering opportunities and structural solutions for Catering.

In November, Finnair introduced new pricing categories for domestic and Scandinavian flights. The purpose of the new price categories is to attract new customer segments and make flying a more attractive alternative in regional traffic. For enabling the new pricing scheme, the company began to optimize the size and utilisation of its fleet. The capacity of the A32S fleet is also being increased through new cabin configurations. Moreover, Finnair announced that it is looking

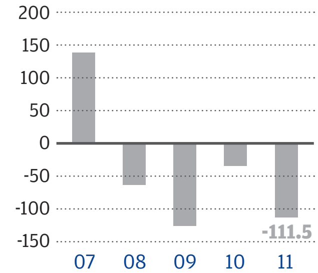
Operating profit, EBIT
EUR mill.
■ % of turnover



Financial income and expenses
EUR mill.
■ % of turnover



Result before taxes
EUR mill.



for alternative production platforms in order to reduce the unit costs of European and domestic traffic and to increase flexibility. New solutions that improve productivity were also agreed upon with the aircrew.

During 2011, the company developed Uraportti, a concept to help Finnair personnel find employment as quickly as possible when it is necessary to reduce staff. Significant changes in the company's operations, deeper alliances and an increase in cost-effectiveness in all operations are required in order to achieve the planned cost reductions. These measures mean big changes to the company's personnel, and staff cuts cannot be avoided.

In 2011, approximately 10 million euros of the set 140 million euro reduction target in annual costs by 2014 were achieved. The cost reductions that require structural changes are estimated to be implemented mainly in 2012, while the overall target is estimated to be reached by the end of 2013.

Both Finnair's Board of Directors and the company's management are committed to Finnair's structural change and to the company's development so that Finnair can face the industry's competitive challenges.

SIGNIFICANT NEAR TERM RISKS AND UNCERTAINTIES

Due to the short booking horizon in passenger and cargo traffic, long-term forecasting is difficult. In addition to operational activities, Finnair's result is largely affected by the development of the market price of fuel, as fuel costs are among the biggest expense items, in addition to personnel costs. The result is also affected by exchange-rate fluctuations of the US dollar and the Japanese yen against the euro. Fuel, aircraft leasing and spare part costs are dollar-denominated, whereas the yen is an important income currency due to the large scale of Japanese business operations.

The company protects itself against the risks of currency, interest rate and jet fuel positions by using different derivative instruments, such as forward contracts, swaps and options, according to the risk management policy verified by the Board of Directors.

The Flybe collaboration has gotten off to a good start, but there are certain risks related to achieving the targeted strategic goals. The company's medium-term goal is to become the market leader in regional aviation in the Nordic countries and Baltic States. However, the market is competitive, price competition in regional aviation is aggressive and there are alternative forms of travel available. The company must be cost competitive and reach potential customers in order to achieve its strategic objectives. Majority owner Flybe is responsible for the management and development of the company's operations.

The cost savings and structural change programme initiated by the company has inherent risks related to the content and the scheduling of the programme: The Company must implement an adequate amount of structural changes along with development, partnership and cost reduction measures as scheduled in order to improve the profitability as expected.

Finnair's operations are associated with a number of strategic, economic and operational risks and these have been described in more detail on pages 59-60 and 77.

SEASONALITY AND SENSITIVITIES IN BUSINESS OPERATIONS

Due to the seasonality of the airline business, Finnair turnover and profit are generally clearly at their lowest in the first quarter and at their highest in the third quarter of the year. The growing proportional share of Asian traffic increases seasonal fluctuation due to destination-specific seasons in Asian leisure and business travel.

One-percentage-point change in the passenger load factor or the average yield in passenger traffic has an effect of approximately 15 million euros on the group's operating result. One-percentage-point change in the unit cost of scheduled passenger traffic has an effect of approximately 17 million euros on the operating result.

Fuel costs are a significant cost-related uncertainty factor in Finnair's business operations. A 10-per-cent change in the world market price of fuel has an effect of approximately 18 million euros on Finnair's operating result at annual level, taking hedging into account. A 10-per-cent change in the euro-dollar exchange rates has an effect of approximately 21 million euros on Finnair's operating result at annual level, taking hedging into account.

OUTLOOK FOR 2012

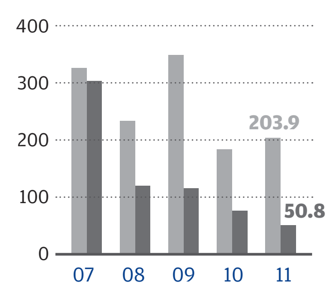
The continuing uncertainty in the world economy, the seasonal fluctuation in demand as well as continued high price of fuel are reflected in the operational result of first half of the year, which

Capital expenditure and net cash flow

EUR mill.

Capital expenditure

Net cash flow

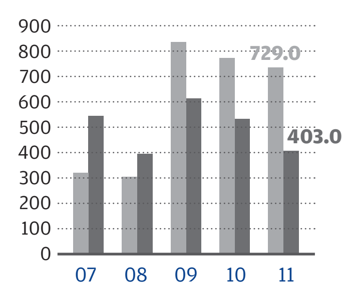


Interest bearing liabilities and liquid funds

EUR mill.

Interest bearing liabilities

Liquid funds

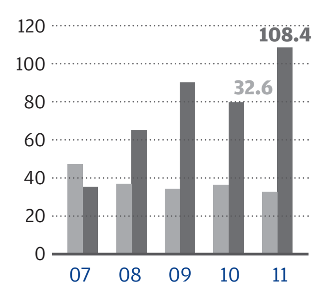


Equity ratio and adjusted gearing

%

Equity ratio

Adjusted gearing



is estimated to be clearly loss-making.

Finnair's passenger traffic capacity in its current structure and form is estimated to grow by around 5 per cent in 2012. The growth will come mainly from Asian traffic, where Finnair will increase capacity by opening a new route to Chongqing in May.

Finnair's fuel costs are estimated to be significantly higher in 2012 compared to the previous year due to increased capacity and high price of fuel.

Cost reductions of 80 million euros out of the total target of 140 million euros are estimated to be achieved by the end of 2012. The realisation of the cost reductions will mainly take place during the second half of the year.

FINANCIAL RESULT 1 JANUARY–31 DECEMBER 2011

In 2011, the turnover of Finnair Group was 2,257.7 million euros (2 023.3 million euros in 2010). The operational result, which refers to the operating result excluding non-recurring items, capital gains and the change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves, totalled -60.9 million euros (-4.7). The operating result amounted to -87.8 million euros (-13.3). The result before taxes was -111.5 million euros (-33.0) and the net result was -87.5 million euros (-22.8).

Finnair's result includes the change in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves that took place during the year but will fall due later. This is an unrealised valuation result based on the IFRS financial reporting standard, where the result has no cash flow effect and which is not included in the operational result. Changes in the fair value of derivatives and in the value of foreign currency denominated fleet maintenance reserves impaired the reported full year by -2.4 million euros (-6.4).

The euro-denominated operational costs for the full year were 2,335.6 (2,050.7) million euros. Fuel costs, including price and currency hedging, rose by 28.6 per cent, amounting to 555.2 million euros (431.7). The euro-denominated market price of fuel has risen by nearly 50 per cent from the previous year. Personnel costs were 455.4 million euros (438.8). Other rental costs were 128 million euros (88.0). The item includes rental payments for capacity bought from other airlines, which share has grown markedly due to the increased use of leased capacity.

The net cash flow from operating activities for the full year amounted to 50.8 million euros (76.0). The return on capital employed for 12 months was -5.2 per cent (-0.4) and the return on equity was -10.9 per cent (-2.7).

BALANCE SHEET 31 DECEMBER 2011

At the end of the accounting period, the balance sheet cash funds amounted to 49.5 million euros (41.5). The Group's balance sheet totalled 2,357 million euros (2,411.8 million euros on 31 December 2010). Shareholders' equity was 752.5 million euros (853.3), which is 5.89 euros per share (6.67). The Equity attributable to Group's shareholders was 751.8 million euros (852.5).

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 30 million euros (35.2), after deferred taxes, and it includes foreign exchange and fuel derivatives as well as, to a lesser degree, other items.

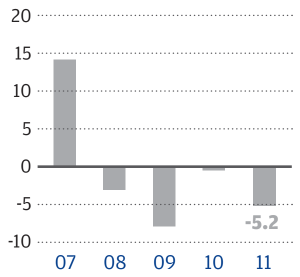
CASH FLOW AND FINANCIAL POSITION

The net cash flow from operating activities amounted to 50.8 million euros in 2011 (76.0 in 2010). The cash flow before financing activities was 14.0 million euros (226.7). The change in cash flow is related to investments made in 2011. Financial expenses for the whole year were 30.6 million euros (26.3) and the financial income amounted to 9.0 million euros (6.5).

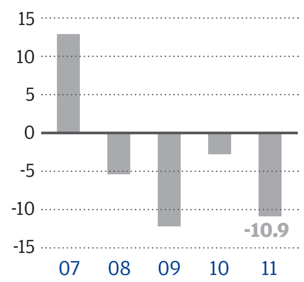
Advance payments related to fixed asset investments were 6.5 million euros (19.4). At the end of the financial year, the interest-bearing debt amounted to 729.3 million euros (764.5). The equity ratio was 32.6 per cent (36.2) and gearing was 43.3 per cent (27.8). The adjusted gearing was 108.4 per cent (79.6).

The Group's liquid assets stood at 403.3 million euros (526.6) at the year-end. In addition to liquid assets, Finnair has the option of a loan-back of employment pension fund reserves from Ilmarinen Mutual Pension Insurance Company amounting to approximately 380 million euros. The use of this option requires a bank guarantee. In addition, Finnair renewed a 200 million euro syndicated three-year credit facility in June 2010 that is intended as reserve financing and has not been used to date. Financial flexibility is also achieved through a 200 million euro short-term commer-

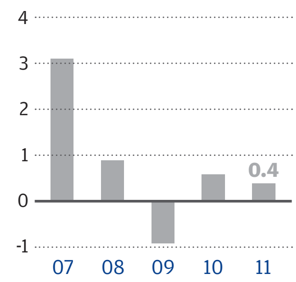
Return on capital employed, ROCE
%



Return on equity, ROE
%



Cash flow/share
EUR



cial paper programme, of which 10 million euros was in use at the closing date.

CAPITAL EXPENDITURE

The capital expenditure, excluding advance payments, totalled 203.9 million (183.5) in 2011. Fleet investments in 2011 totalled around 190 million, of which around 104 million is related to the ATR 72 planes purchased in connection with the Flybe Nordic arrangement and leased to Flybe. In 2010, Finnair's fleet investments totalled 168.7 million. Investments in 2012 are estimated to total around 70 million.

FLEET

The Finnair Group's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of Finnair Plc. At the end of December 2011, Finnair Group had a total of 65 aircraft in flight operations. The average age of Finnair's entire fleet is just over seven years.

During 2011, in connection with the Flybe Nordic arrangement, Finnair purchased nine ATR 72 aircrafts from Finnish Commuter Airlines (FCA) and continues to lease them back to Flybe. The fleet investment totalled around 104 million. Furthermore, the deal included delivery agreements of three ATR 72 aircraft, two of which were delivered during the last quarter of 2011. The third ATR 72 aircraft will be delivered at the end of 2012. The last two MD11 aircraft and one Embraer 170 aircraft were sold during 2011.

The deliveries of Airbus 350 XWB aircraft are estimated to start at the beginning of 2015 at the earliest. The final delivery schedule is still unclear and Finnair is analysing alternative solutions in order to minimise the effect of possible delays in deliveries. Some of the aircraft will replace the A340 aircraft currently in use in long-haul traffic. Finnair has the possibility to adjust the size of its fleet flexibly according to demand and outlook due to its lease agreements with different durations.

BUSINESS AREA DEVELOPMENT

The segment reporting of Finnair Group's financial statements is based on business area. 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 sales, customer service and service concepts, flight operations and activity connected with the procurement and financing of aircraft. The Airline Business segment comprises the Sales & Marketing, Operations, Customer Service and Resources Management functions as well as the subsidiaries Finnair Cargo Oy, Finnair Cargo Terminal Operations Oy, Finnair Flight Academy Oy and Finnair Aircraft Finance Oy.

The year 2011 began with strong growth in air travel, which was slowed down already in March after the tsunami in Japan. In the second half of the year the growth was also negatively impacted by the weakening of the global economy.

In 2011, Finnair traffic measured in revenue passenger kilometres rose by approximately 11.8 per cent, and the overall capacity showed a year-on-year increase of 16.8 per cent. Asian traffic capacity measured in available seat kilometres grew by 27.8 per cent and traffic measured in revenue passenger kilometres by 17.6 per cent, mainly boosted by the Singapore route opened in May.

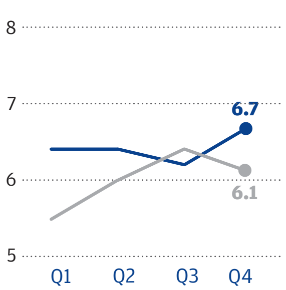
Business travel showed a significant growth in early 2011. However, growth of business travel demand slowed down markedly during the last quarter, particularly in Finland, while travel from Asia to Europe continued to grow, especially in business class. In Asian traffic, the overall load factor was impaired due to the increase in capacity, which was also reflected in the full year unit revenues: Finnair's unit revenue per available seat kilometre (RASK) declined by 3.1 per cent, while the unit revenue per revenue passenger kilometre (RPK yield) showed a slight year-on-year improvement of 1.8 per cent.

Corporate sales grew significantly particularly outside Finland and showed a year-on-year increase of 25 per cent. The growth was mainly from Asian sales, which grew almost 50 per cent. Corporate sales growth was strongest in Singapore, Korea, Hong Kong, China and Japan. Global corporate sales accounted for 25 per cent of total scheduled traffic revenue.

In addition to overcapacity, the leisure traffic operations were impacted by the changes in the political situation in the Arab world. Some trips to Tunisia and Egypt during the winter season had to be cancelled or transferred to other destinations. April's rains in Southern Thailand and the November–December flooding in Bangkok reduced travel to Thailand. The full year capacity decrease in leisure traffic results mainly from the fact that from the beginning of the sum-

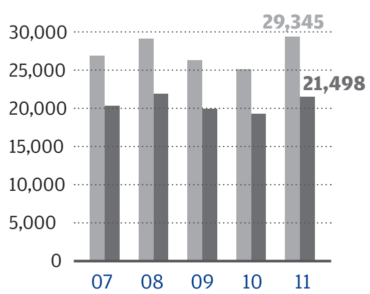
Unit revenue and cost (cents/ASK)

Unit revenue, RASK
Unit cost, CASK



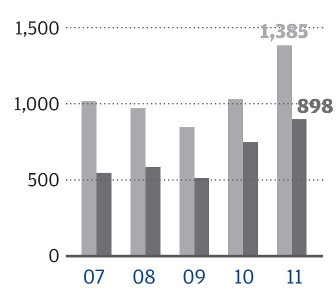
Available seat kilometres and revenue passenger kilometres (ASK & RPK)

ASK
RPK



Available tonne kilometres and revenu tonne kilometres, cargo (ATK & RTK)

ATK
RTK



mer season, some of the previous leisure flights have been operated as scheduled services. The overall capacity of these flights has not changed substantially from last year.

Cargo flights started in 2010 continued and expanded during 2011 in cooperation with the Nordic Global Airlines and World Airways. In the last quarter, cargo flights were operated to Hong Kong, Seoul, Shanghai, New York, Mumbai and Frankfurt. Mainly due to increased cargo operations, Finnair Cargo's overall capacity grew by 20 per cent compared to the previous year. Increasing economic uncertainty slowed growth in cargo demand and impaired load factors in the latter part of the year.

Finnair Cargo's cooperation with World Airways will end until further notice beginning in March 2012 due to decreased demand.

At the end of 2011, Finnair's market share was 5.4 per cent (5.4 per cent) on operated route pairs in scheduled traffic between Europe and Asia. Finnair's market share of flights departing from Finland was 46 per cent.

The arrival punctuality of Finnair's flights in 2011 improved from the previous year: 85.1 per cent (80.8 per cent) of all flights arrived on schedule, and 86.1 per cent (82.2 per cent) of scheduled flights arrived on schedule.

Air Traffic Services and Products

Route Network

During its summer season beginning in March, Finnair flew a record 74 flights per week to 10 Asian cities. Finnair offered the fastest connections between Europe and Asia, with more than 200 route pairs. Singapore was opened as a new destination in May. A direct service to Chicago from Helsinki was also available during the summer on the flights of **one**world partner American Airlines.

Finnair and its **one**world alliance partner Qantas began code share flights from Helsinki via Bangkok to Sydney in February. Codeshare flights from Helsinki via Singapore to Melbourne, Brisbane, Perth, Adelaide and Sydney began in May, when Finnair began daily flights to Singapore.

Flights to Malaga, Nice and Toronto, previously leisure flight services, were changed to scheduled services during the summer season. During the winter season, Finnair began scheduled service to Dubai in the United Arab Emirates.

Finnair's and Flybe's cooperation flights in the Nordic countries began with Flybe's new route network at the start of the winter season. Flybe aims to provide service to markets that do not yet have flight service by opening new regional routes and flights.

In July, Finnair announced that it would open routes to Chongqing in China. Finnair is the first airline to open direct scheduled flights from Europe to Chongqing. The flights begin in May 2012.

Other Renewals and Services

In November, Finnair introduced new affordable prices for domestic and Scandinavian flights. Return flights to domestic destinations up to Oulu and to Stockholm are available starting at 69 euros. Return flights to Copenhagen are available starting at 79 euros. The goal of these new prices is to attain new passenger groups and make flying a more attractive alternative for all customer groups.

At the beginning of the year, Finnair launched onto the market, in cooperation with Diners Club Finland, a combined Finnair Plus membership card and a Diners Club credit card. The cooperation allows Finnair Plus members to accumulate points faster than before with daily purchases, thereby making it easier to achieve membership benefits.

In the beginning of March, Finnair launched a service environment for mobile phone users, combining travel-related services, instructions and tips in one place. The service environment can be found at m.finnair.com.

Awards

The World Airline Awards recognised Finnair as the best North European airline of 2011 at the Paris Air Show. The World Airline Awards™ is based on the Skytrax World Airline Survey, renowned in the aviation industry and widely known as the only global and independent customer satisfaction survey measuring the operations of airlines. Readers of the American travel magazine Travel + Leisure voted Finnair the second best airline in Europe and the 12th best airline in the world.

In late 2011, Finnair and Helsinki Airport employed seven Quality Hunters, whose task was to travel in Europe, Asia and the United States for seven weeks, looking into factors affecting the quality of flight travel and in this manner develop the services offered by Finnair and Helsinki Airport.

Finnair won two European Excellence Awards with its Rethink Quality and Angry Birds projects.

Finnair's Rethink Quality project from 2010 won the award in the Travel and Tourism category,

TRAFFIC DATA

		2011	2010	2009	2008	2007
Passengers	1,000	8,013	7,139	7,433	8,270	8,653
Available seat-kilometers	million	29,345	25,127	26,260	29,101	26,878
Revenue passenger kilometers	million	21,498	19,222	19,934	21,896	20,304
Passenger load factor	%	73.3	76.5	75.9	75.2	75.5
Cargo tonnes total	1,000 kg	145,883	123,154	89,234	102,144	98,684
Available tonne-kilometers*	million	1,385	1,029	848	971	1,019
Revenue tonne-kilometers	million	898	749	512	583	547
Cargo load factor*	%	65	73	60	60	54

* Operational calculatory capacity

- Available tonne-kilometers: Number of tonnes of capacity for carriage of passengers, cargo and mail multiplied by kilometres flown
- Revenue tonne-kilometers: Total revenue load consisting of passengers, cargo and mail multiplied by kilometres flown

while Finnair's Angry Birds Asian Challenge mobile gaming tournament on a Helsinki–Singapore flight last September won the Event category. The MTL Communications Awards, arranged by the Finnish Association of Marketing Communication Agencies, also awarded the Rethink Quality campaign with the top prize in the Business to Consumer series.

In September 2011 Finnair also won a Silver Euro Effie award in recognition of its Local Heroes marketing campaigns in Manchester, England and Düsseldorf, Germany. The campaigns, utilising local notable personalities and aimed at business travellers flying to Asia, far exceeded company targets and increased Finnair's brand awareness and supported sales growth in two of its key growing European markets. Finnair is the first Finnish company to win an Effie.

The American Global Traveler Magazine for business travellers named **one**world as the Best Airline Alliance in 2011. The honorary title was bestowed to **one**world based on a reader survey for the second year in a row. The members of the **one**world airline alliance include American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan Airlines, LAN, Malév Hungarian Airlines, Mexicana, Qantas, Royal Jordanian and S7. In 2012, the Indian Kingfisher, German Airberlin and Malaysia Airlines will also join the alliance.

Aviation Services

This business area consists of aircraft maintenance services, ground handling and the Group's catering operations. In addition, most of 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 comes from outside the Group.

Catering business is the most profitable of the Aviation Services. Operations are divided into meal production and related logistics as well as travel retail functions.

Finnair Technical Services went through restructuring, as the company decided to discontinue the heavily loss-making aircraft base maintenance service offered to external customers and to focus on line maintenance of the company's own aircraft. Employee consultations within Finnair Technical Services were completed at the end of March 2011. By the end of 2011, the workforce of these functions had been reduced by 86. The total reduction of 431 positions will be fully effective during the first quarter of 2012.

Finnair is exploring options to find a cost-efficient solution for equipment and engine maintenance and investigates possible partnering opportunities and structural solutions in Catering. In ground operations, the company's baggage handling and apron services were transferred to Swissport.

Travel Services (Tour Operators And Travel Agencies)

This business area consists of the tour operator Aurinkomatkat-Suntours and its subsidiaries operating in Estonia and Russia as well as the business travel agencies Matkatoimisto Area and Finland Travel Bureau (FTB) and FTB's subsidiary Estravel, which operates in the Baltic countries. Amadeus Finland produces travel sector software and solutions. Aurinkomatkat serves leisure travellers, offering its customers package tours, tailored itineraries, flight and hotel packages, flights, and cruises, as well as golf, sailing and skiing holidays.

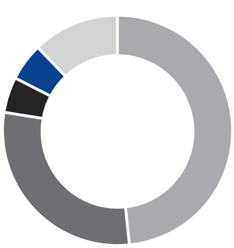
The overcapacity in the Finnish package tour market continued throughout the year, significantly weakening profitability of travel services. In addition to overcapacity, the package tour operations throughout the year were impacted by the changes in the political situation in the Arab world. Some trips to Tunisia and Egypt during the winter season had to be cancelled or transferred to other destinations. April's rains in Southern Thailand and the November–December flooding in Bangkok reduced travel to Thailand.

Aurinkomatkat's Russian operations remained loss making. Aurinkomatkat's subsidiaries operating in Russia will cease their operations during the first half of 2012. The non-recurring cost items related to the shutdown of the Russian operations encumbered the operational result of Travel Services in the last quarter of 2011. Package tour operations in Estonia were profitable.

Aurinkomatkat's market share in Finland increased almost two percentile units (33.7%) and customer satisfaction remained at a very high level. According to a recent survey by Taloustutkimus Oy, Aurinkomatkat is Finland's most popular and reliable tour operator.

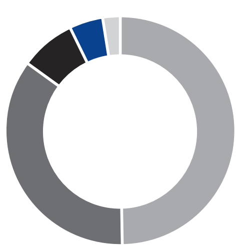
Traffic structure

Asia 48.5% Europe 29.2%
Domestic 4.9% North Atlantic 5.3%
Leisure 12.1%



Distribution of passenger revenue

Asia 49.8% Europe 35.2%
Domestic 7.9% North Atlantic 4.6%
Leisure 2.5%



Jet Fuel market price (Jet Fuel NWE CIF Cargoes) 2005–2011

USD/tonne

Jet Fuel, CIF NWE

BUSINESS AREA DEVELOPMENT

Airline Business

		1-12/ 2011	1-12/ 2010	Change %
Turnover and result				
Turnover	EUR mill.	1,970.5	1,740.4	13.2
Operational result, % of turnover	%	-1.8	0.1	
Operational result, EBIT	EUR mill.	-35.6	1.9	
Employees				
Average number of employees		3,565	3,524	1.2

Aviation Services

		1-12/ 2011	1-12/ 2010	Change %
Turnover and result				
Turnover	EUR mill.	424.1	429.0	-1.1
Operational result, % of turnover	%	1.8	1.9	
Operational result, EBIT	EUR mill.	7.8	8.1	-4.5
Employees				
Average number of employees		2,619	2,685	-2.5

Travel Services (Tour Operators And Travel Agencies)

		1-12/ 2011	1-12/ 2010	Change %
Turnover and result				
Turnover	EUR mill.	321.9	316.9	1.6
Operational result, % of turnover	%	-4.0	-	
Operational result, EBIT	EUR mill.	-12.8	0.0	
Employees				
Average number of employees		980	1,110	-11.7

Business travel demand in Finland developed as anticipated during the early part of the year, but took a downturn in the last quarter due to the uncertain economic situation in Europe. However, the result of the business travel agencies was clearly in the black due to improvements in productivity and new product launches.

The financial development of the business segments is also described in the notes to the financial statements in Section 3, Segment Information.

EVENTS AFTER THE REVIEW PERIOD

On 9 February 2012, in connection with the publication of its financial statement, Finnair publishes its plan aimed to end the loss-making cycle of European traffic and establish a cost-effective partnership company for this traffic. The company announced its plans to transfer either some or all of its narrow-body fleet to the future company. The company will immediately begin discussions concerning the implementation alternatives with prospective partners and the staff.

On 3 February 2012, Finnair announced an agreement on the sublease of four Embraer 170 aircraft to Estonian Air. The sublease opportunity is in part made possible by Finnair's continued work on network optimization and rationalization, and the company achieves considerable savings with the agreement.

GROUP STRUCTURE

The companies that are part of the Finnair Group are presented in the notes to the financial statements in Section 33, Operating Subsidiaries.

GOVERNANCE

Finnair Plc's Annual General Meeting held on 24 March 2011 selected the following persons to the Board of Directors for a term lasting until the end of the next Annual General Meeting: Harri Sailas as the Chairman of the Board, and Elina Björklund, Sigurður Helgason, Satu Huber, Ursula Ranin, Veli Sundbäck and Pekka Timonen as members. Harri Kerminen was elected to the Board of Directors as a new member. Minister Christoffer Taxell who acted as the Chairman of the Board 1 January – 24 March 2011 resigned from his position in the Annual General Meeting held on 24 March 2011.

CHANGES IN COMPANY MANAGEMENT

During 2011, Finnair announced the following changes in its Executive Board: On 11 January 2011, Gregory Kaldahl joined Finnair as Senior Vice President, Resources Management. He is also a member of Finnair's Executive Board and the Management Board. On 14 March 2011, Arja Suominen was appointed Senior Vice President, Communications and Corporate Responsibility, as well as member of Finnair's Executive Board and the Management Board. Christer Haglund, Senior Vice President, Communications, resigned from his position at Finnair on 15 April 2011, and Finnair Group's Deputy Chief Executive Officer Lasse Heinonen resigned from his position at Finnair on 15 May 2011.

PERSONNEL

During 2011, Finnair had an average number of 7,467 employees, which was 1.5 per cent less than a year earlier. The Airline Business segment had 3,565 employees. The total number of personnel in technical, catering and ground handling services was 2,619 and in travel services 980. A total of 303 people were employed in other functions. At the end of 2011, Finnair had 7,458 employees, which is 158 fewer than a year earlier. Of the Group's employees, there were around 700 working abroad at the end of the year, 200 of whom worked in sales and customer service tasks in Finnair's passenger and cargo traffic, and 500 of whom worked in the service of travel agencies and tour operators based in the Baltic countries and Russia, and as guides at the Aurinkomatkat holiday destinations. Foreign personnel are included in the total number of Group employees. Full-time staff account for 95 per cent of employees. 96 per cent of staff was employed on a permanent basis. The average age of the employees was 44 years. Employees over 50 years of age accounted for somewhat over 30 per cent, while 7 per cent of employees were less than 30 years of age. The employees' average number of years in service was 16. Employees having worked for the Finnair Group for over 20 years accounted for 43 per cent of the staff, while 14 per cent have worked for the Group for over 30 years. Of the Finnair Group's personnel, 54 per cent are women and 46 per cent are men.

Three of the eight members of Finnair Plc's Board of Directors are women and five are men.

The collective labour agreement with FPA representing pilots ended on 30 November 2011, and a new agreement was made on 13 December 2011. The agreement includes several items aiming to improve the productivity of work and achieve cost savings. Finnair and the Finnish Cabin Crew Union (SLSY) agreed on measures aiming to achieve cost savings and improve the productivity of work during the validity period of the current collective labour agreement. The savings are part of Finnair's cost savings programme, which aims to achieve a reduction of 140 million euros in the yearly costs. Other labour agreements were continued according to national frame agreement terms.

In 2011, Finnair carried out employee consultation discussions with staff representatives in several of its functions, including Finance, HR, IT and the airline's marketing organisation. The estimated workforce reduction in these functions totalled approximately 155 positions. In Finnair's Technical Services companies, negotiations covering all employees, based on the Act on Co-operation within undertakings, were carried out. By the end of 2011, the workforce of these functions had been reduced by 86. The total reduction of 431 positions will be fully effective during the first quarter of 2012.

Incentive bonuses for 2011, 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 4.6 million euros. The criteria for incentives in accordance with the share-based bonus scheme were not met for 2011, and no incentive payments will be paid. The criteria based on the Group's result for the personnel profit bonus were not fulfilled for 2011 either, and no incentive payments under the scheme will be paid to the Personnel Fund.

CORPORATE RESPONSIBILITY

In April 2011, Finnair published its report for 2010, based on the international Global Reporting Initiative, in a more extensive form than previously. Finnair started reporting in accordance with the GRI principles as one of the first airlines in the world; the published report was Finnair's third report on corporate responsibility as a whole.

The Carbon Disclosure Project's (CDP) report on the Nordic countries for 2011 set Finnair clearly above all other airlines from the Nordic countries. CDP is responsible for the only global climate change reporting system in the world. The report praises Finnair's actions that have enabled it to significantly reduce its greenhouse gas emissions, improve its reporting and identify the strategic business risks related to climate change. In particular, Finnair was highlighted due to its biofuel trials and the significant emission reductions achieved by its travel agencies.

Since 1999, Finnair has reduced its emissions per seat by one quarter. The company is committed to further emission reductions of 24 per cent per seat from 2009 levels by 2017. The final goal is carbon-neutral flight operations. In striving to reach this goal, the company follows a strategy divided into four sectors: technological development, improvement of its operations, development of infrastructure and support of the global emissions trading scheme.

SHARES AND SHAREHOLDERS

Shares and share capital

On 31 December 2011, 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 2011, the registered share capital was 75,442,904.30 euros.

Share listing

Finnair Plc'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 the Group's key individuals for the period of 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 Finnair Group's financial development. The scheme encourages key individuals to purchase Finnair shares.

Board of Directors' authorisations

The Annual General Meeting on 31 March 2010 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. The authorisation cancelled a corresponding authorisation given by the Annual General Meeting on 27 March 2008. By virtue of the authorisation, Finnair has not acquired or disposed of its own shares.

At the end of 2011, Finnair held 410,187 of its own shares, namely 0.32% of the total number of shares outstanding on the last day of the year.

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 2011, 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.

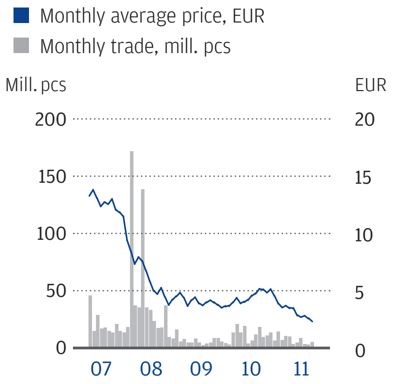
Share ownership by management

On 31 December 2011, the members of the company's Board of Directors and the CEO owned 73,598 shares, representing 0.05% of all shares and votes.

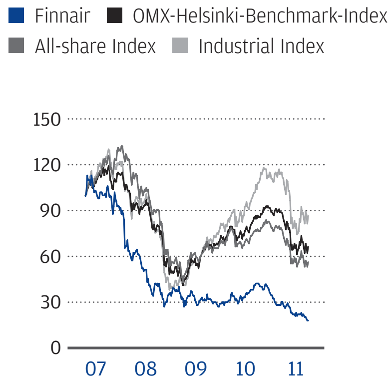
Share price development and trading

On the last day of the financial year, the Finnair Plc share was quoted at 2.30 euros on the NASDAQ OMX Helsinki Stock Exchange. On 31 December 2011, the market value of the company's shares was 294.7 million euros (645.8). During 2011, the highest price for the Finnair Plc share was 5.37 euros (5.72), while the lowest price was 2.30 euros (3.61) and the average price 3.62 euros (4.49). During the financial year 2011, 21.4 million shares (27.3) with a value of 77.5 million euros (122.5) were traded on the NASDAQ OMX Helsinki Stock Exchange.

Finnair share price development and trading

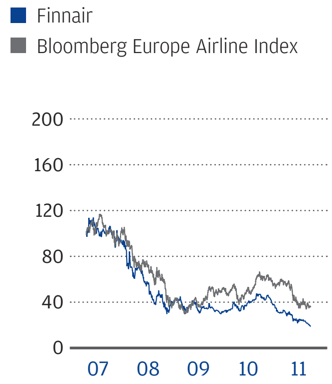


Finnair Plc Share Index and NASDAQ OMX Helsinki indices



Index 1 Jan 2007=100

Share price development compared with other European airlines



Index 1 Jan 2007=100

Shares and shareholders

FINNAIR PLC LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2011

		Number of shares	%	Changes 2011
1	State of Finland; Office of Counsil of State	71,515,426	55.8	0
2	Skagen Global Funds	6,678,639	5.2	-136,466
3	Local Government Pensions Institution	5,664,148	4.4	646,424
4	Ilmarinen Mutual Pension Insurance Co	3,025,564	2.4	0
5	OP Funds	2,500,000	2.0	-150,000
6	Tapiola Insurance Company Group	2,276,444	1.8	0
7	State Pension Fund	2,100,000	1.6	0
8	Alfred Berg Funds	1,898,502	1.5	1,898,502
9	Suomi Mutual Life Insurance Company	1,460,000	1.1	-665,000
10	Veritas Pension Insurance Company	1,439,800	1.1	1,200,411
11	Evli Funds	894,129	0.7	635,841
12	Etera Mutual Pension Insurance Company	632,272	0.5	-54,926
13	SEB Gyllenberg Funds	628,216	0.5	68,262
14	Varma Mutual Pension Insurance Company	600,000	0.5	0
15	Finnair Plc Staff Fund	563,308	0.4	-292
16	Mandatum Life Insurance Company	505,683	0.4	-3,132
17	Fennia Pension Insurance Company	500,000	0.4	0
18	Taaleritehdas Arvo Markka Osake Fund	500,000	0.4	200,000
19	Nordea Funds	443,283	0.3	-1,125,239
20	Finnair Plc (own shares)	410,187	0.3	0
	Nominee registered	8,897,499	6.9	-941,904
	Others	15,003,015	11.7	
	Total	**128,136,115**	**100.0**	

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
2011	0	0.00	0.00
31 December 2011	**410,187**	**3,179,335.94**	**7.75**

SHAREHOLDERS BY TYPE AT 31 DECEMBER 2011

	Number of shares	%	Number of shareholders	%
Public bodies	89,108,143	69.5	22	0.2
Households	10,735,840	8.4	13,377	95.2
Financial institutions	8,902,417	6.9	33	0.2
Registered in the name of a nominee	8,897,499	6.9	9	0.1
Outside Finland	6,877,037	5.4	58	0.4
Private companies	2,764,895	2.2	506	3.6
Associations	831,045	0.6	52	0.4
Not converted into the book entry system	19,239	0.0	-	-
Total	**128,136,115**	**100.0**	**14,057**	**100.0**

BREAKDOWN OF SHARES AT 31 DECEMBER 2011

	Number of shares	%	Number of shareholders	%
1–200	631,450	0.5	6,665	47.4
201–1,000	2,710,650	2.1	5,081	36.1
1,001–10,000	5,608,083	4.4	2,097	14.9
10,001–100,000	4,108,926	3.2	168	1.2
100,001–1,000,000	9,458,980	7.4	26	0.2
1,000,001–	96,701,288	75.5	11	0.1
Registered in the name of nominee	8,897,499	6.9	9	0.1
Not converted into the book entry system	19,239	0	-	-
Total	**128,136,115**	**100.0**	**14,057**	**100.0**

NUMBER OF SHARES AND SHARE PRICES

		2011	2010	2009
Average number of shares adjusted for share issue	pcs	128,136,115	128,136,115	128,136,115
Average number of shares adjusted for share issue (with diluted effect)	pcs	128,136,115	128,136,115	128,136,115
The number of shares adjusted for share issue at the end of the year	pcs	128,136,115	128,136,115	128,136,115
The number of shares adjusted for share issue at the end of the year (with diluted effect)	pcs	128,136,115	128,136,115	128,136,115
Number of shares, end of the financial year	pcs	128,136,115	128,136,115	128,136,115
Trading price highest	EUR	5.37	5.72	5.24
Trading price lowest	EUR	2.30	3.61	3.52
Market value of share capital Dec 31	EUR mill.	295	646	481
No. of shares traded	pcs	21,422,076	27,299,521	13,846,917
No. of shares traded as % of average no. of shares	%	16.72	21.31	10.80

SHARE-RELATED KEY FIGURES

		2011	2010	2009
Earnings/share	EUR	-0.75	-0.24	-0.76
Equity/share	EUR	5.89	6.67	6.45
Dividend/share	EUR	0.00	0.00	0.00
Dividend-to-earnings ratio	%	0.0	0.0	0.0
P/E ratio		-3.07	-21.09	-4.93
P/CEPS		5.8	8.5	-4.0
Effective dividend yield	%	0.0	0.0	0.0

Financial indicators 2009–2011

		2011	2010	2009
INCOME STATEMENT				
Turnover	EUR mill.	2,258	2,023	1,838
change	%	11.6	10.1	-18.5
Operational result, EBIT	EUR mill.	-61	-5	-171
in relation to turnover	%	-2.7	-0.2	-9.3
Operating profit/loss, EBIT	EUR mill.	-88	-13	-115
in relation to turnover	%	-3.9	-0.7	-6.3
Net financing income (+) / expenses (-)	EUR mill.	-22	-20	-10
in relation to turnover	%	-1.0	-1.0	-0.5
Net interest expenses	EUR mill.	-14	-16	-6
in relation to turnover	%	-0.6	-0.8	-0.3
Profit before taxes	EUR mill.	-111	-33	-125
in relation to turnover	%	-4.9	-1.6	-6.8
BALANCE SHEET				
Consolidated balance sheet				
Non-current assets	EUR mill.	1,621	1,514	1,596
Short-term receivables	EUR mill.	736	827	842
Non-current assets held for sale	EUR mill.	0	71	19
Assets total	EUR mill.	2,357	2,412	2,457
Shareholders equity and non-controlling interests	EUR mill.	747	853	825
Liabilities, total	EUR mill.	1,610	1,558	1,632
Shareholders' equity and liabilities, total	EUR mill.	2,357	2,412	2,457
Gross capital expenditure	EUR mill.	204	183	347
Gross capital expenditure in relation to turnover	%	9.0	9.1	18.9
Average capital employed	EUR mill.	1,550	1,636	1,353
Dividend for the financial year*	EUR mill.	0	0	0
Interest bearing debt	EUR mill.	729	765	829
Liquid funds	EUR mill.	403	527	607
Net interest bearing debt	EUR mill.	326	238	221
in relation to turnover	%	14.4	11.7	12.0
KEY INDICATORS				
Earnings/share	EUR	-0.75	-0.24	-0.76
Earnings/share adjusted for option rights (with diluted effect)	EUR	-0.75	-0.24	-0.76
Result / share (number of shares at the end of financial year)	EUR	-0.75	-0.24	-0.76
Equity/share	EUR	5.89	6.67	6.45
Dividend/share*	EUR	0.00	0.00	0.00
Dividend/earnings*	%	0.0	0.0	0.0
Cash flow from operating activities/share	EUR	0.4	0.6	-0.9
P/E ratio		-3.07	-21.09	-4.93
Equity ratio	%	32.6	36.2	34.2
Net debt-to-equity (Gearing)	%	43.3	27.8	26.8
Adjusted Gearing	%	108.4	79.6	90.0
Return on equity (ROE)	%	-10.9	-2.7	-12.1
Return on capital employed (ROCE)	%	-5.2	-0.4	-7.8
CASH FLOW				
Operational cash flow	EUR mill.	51	76	-115
Operational cash flow in relation to turnover	%	2.2	3.7	-6.3
PERSONNEL				
Personnel on average		7,467	7,578	8,797

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

* The dividend of year 2011 is a proposal of the Board of Directors to the Annual General Meeting.

Calculation of key indicators

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

Consolidated income statement

EUR mill.	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010	Note
Turnover	**2,257.7**	**2,023.3**	3
Work used for own purposes and capitalized	3.1	8.7	6
Other operating income	11.0	20.1	7
Materials and services	-1,092.1	-940.7	8
Employee benefit expense	-477.0	-446.2	9
Depreciation and imparment	-130.6	-118.7	10
Other operating expenses	-659.9	-559.8	11
Operating profit/loss	**-87.8**	**-13.3**	
Financial income	9.0	6.5	12
Financial expenses	-30.6	-26.3	13
Share of result in associates and joint ventures	-2.1	0.1	18
Profit/loss before taxes	**-111.5**	**-33.0**	
Income taxes	24.0	10.2	14
Profit/loss for financial year	**-87.5**	**-22.8**	
Profit attributable to:			
Owners of the parent	**-87.7**	**-23.0**	
Non-controlling interest	**0.2**	**0.2**	
Earnings per share from profit attributable to shareholders of the parent company			
Earnings per share (diluted and undiluted)	-0.75	-0.24	15

Consolidated statement of comprehensive income

EUR mill.	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Profit/loss for the financial year	**-87.5**	**-22.8**
Other comprehensive income		
Currency translation differences	-0.2	-0.5
Change in available-for-sale financial assets after taxes	-9.9	1.5
Change in fair value of hedging instruments after taxes	4.7	58.9
Other comprehensive income, total	**-5.4**	**59.9**
Comprehensive income for the financial year	**-92.9**	**37.1**
Attributable to:		
Owners of the parent	-93.1	36.9
Non-controlling interest	0.2	0.2

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

Consolidated balance sheet

EUR mill.	31 Dec 2011	31 Dec 2010	Note
ASSETS			
Non-current assets			
Intangible assets	32.3	38.6	16
Tangible assets	1,468.2	1,406.6	17
Investments accounted for using the equity method	13.7	7.6	18
Receivables	32.1	13.6	19
Deferred tax receivables	75.2	48.0	20
	1,621.5	**1,514.4**	
Short-term receivables			
Inventories	48.9	47.5	21
Trade receivables and other receivables	283.3	252.3	22
Other financial assets	353.8	485.4	23
Cash and cash equivalents	49.5	41.5	24
	735.5	**826.7**	
Non-current Assets Held for Sale	0.0	70.7	5
Total assets	**2,357.0**	**2,411.8**	
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	75.4	75.4	
Other equity	676.4	777.1	
	751.8	**852.5**	
Non-controlling interests	**0.7**	**0.8**	
Total equity	**752.5**	**853.3**	25
Long-term liabilities			
Deferred tax liability	98.5	103.3	20
Interest bearing liabilities	516.0	677.7	29
Pension obligations	0.0	2.5	27
Provisions	86.9	72.6	28
	701.4	**856.1**	
Short-term liabilities			
Current income tax liabilities	0.0	0.3	14
Provisions	46.0	27.8	28
Interest bearing liabilities	229.9	98.5	29
Trade payables and other liabilities	627.2	575.8	30
	903.1	702.4	
Total liabilities	**1,604.5**	**1,558.5**	
Total equity and liabilities	**2,357.0**	**2,411.8**	

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

Consolidated cash flow statement

EUR mill.	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Cash flow from operating activities		
Profit/-loss for the financial year	-87.5	-22.8
Transactions of a non-cash nature [1)]	148.9	122.9
Interest and other financial expenses	30.6	26.3
Interest income	-7.5	-6.2
Other financial income	-1.4	-0.2
Dividend income	0.0	-0.1
Taxes	0.0	-10.2
Changes in working capital	-15.3	-13.8
Interest paid	-19.7	-19.1
Other financial expenses paid	-5.2	-3.7
Received interest icome	5.6	4.7
Received financial income	2.3	0.1
Taxes paid	0.0	-1.9
Net cash flow from operating activities [5)]	**50.8**	**76.0**
Cash flow from investing activities		
Acquisition of subsidiaries	0.0	-0.1
Acquisition of associates and joint ventures	-8.3	-
Investments in intangible assets	-5.3	-5.2
Investments in tangible assets [4)]	-145.0	24.6
Net change of financial interest bearing assets at fair value through profit or loss [2)]	70.8	112.0
Net change of shares classified as available for sale	0.2	1.6
Sales of tangible fixed assets	60.1	10.8
Received dividends	0.1	0.1
Change in non-current receivables	-9.4	6.9
Net cash flow from investing activities	**-36.8**	**150.7**
Cash flow from financing activities		
Loan withdrawals	34.1	49.5
Loan repayments	-76.8	-234.3
Hybrid bond, interest/capital	-10.8	-10.8
Net cash flow from financing activities	**-53.5**	**-195.6**
Change in cash flows	**-39.5**	**31.1**
Change in liquid funds		
Liquid funds, at the beginning	294.0	262.9
Change in cash flows	-39.5	31.1
Liquid funds, in the end [3)]	**254.5**	**294.0**

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.	2011	2010
Depreciation	130.6	118.7
Employee benefits	15.2	7.0
Fair value changes of derivatives	2.4	6.4
Other adjustments	0.7	-9.2
	148.9	**122.9**

[2] Net change of financial interest bearing assets maturing after more than three 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 is presented below:

EUR mill.	2011	2010
Balance sheet item (short-trem)		
Other financial assets	353.8	485.4
Cash and bank equivalents	49.5	41.5
Short-term cash and cash equivalents in balance sheet	403.3	526.9
Maturing after more than 3 months	-135.9	-206.7
Shares available for sale	-12.9	-26.2
Total	**254.5**	**294.0**

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

[5] The paid items related to financial lease agreements 2010 have been classified so that they are part of financing activities cash flow instead of operating activities cas flow.

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 statement.

Consolidated statement of changes in equity

Equity attributable to owners of the parent company

EUR mill.	Share capital	Share premium account	Bonus issue	Fair value reserve	Unres-tricted equity	Trans-lation difference	Retained earnings	Hybrid bond	Total	Non-controlling interest	Total
Shareholders' equity 1 Jan 2011	**75.4**	**20.4**	**147.7**	**35.2**	**247.2**	**0.0**	**207.2**	**119.4**	**852.5**	**0.8**	**853.3**
Dividend and Share-based payments							0.6	0.0	0.6	-0.3	0.3
Hybrid bond interest							-8.2		-8.2		-8.2
Shareholders' equity related to owners 31 Dec 2011	**75.4**	**20.4**	**147.7**	**35.2**	**247.2**	**0.0**	**199.6**	**119.4**	**844.9**	**0.5**	**845.4**
Profit for the period							-87.7		-87.7	0.2	-87.5
Consolidated statement of comprehensive income											
Cash flow hedges											
Change in fair value of hedging instruments				4.7					4.7		4.7
Change in fair value in available-for-sale financial assets				-9.9					-9.9		-9.9
Currency translation difference						-0.2			-0.2		-0.2
Comprehensive income for the financial year	0.0	0.0	0.0	-5.2	0.0	-0.2	-87.7	0.0	-93.1	0.2	-92.9
Shareholders equity 31 Dec 2011	**75.4**	**20.4**	**147.7**	**30.0**	**247.2**	**-0.2**	**111.9**	**119.4**	**751.8**	**0.7**	**752.5**

Equity attributable to owners of the parent company

EUR mill.	Share capital	Share premium account	Bonus issue	Fair value reserve	Unres-tricted equity	Trans-lation dif-ference	Retained earnings	Hybrid bond	Total	Non-controlling interest	Total
Shareholders' equity 1 Jan 2010	**75.4**	**20.4**	**147.7**	**-25.2**	**247.2**	**0.5**	**238.3**	**119.4**	**823.7**	**0.9**	**824.6**
Dividend and Share-based payments							-0.1		-0.1	-0.3	-0.4
Hybrid bond interest							-8.0		-8.0		-8.0
Shareholders' equity related to owners 31 Dec 2010	**75.4**	**20.4**	**147.7**	**-25.2**	**247.2**	**0.5**	**230.2**	**119.4**	**815.6**	**0.6**	**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				58.9					58.9		58.9
Change in fair value in available-for-sale financial assets				1.5					1.5		1.5
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	0.0	36.9	0.2	37.1
Shareholders equity 31 Dec 2010	**75.4**	**20.4**	**147.7**	**35.2**	**247.2**	**0.0**	**207.2**	**119.4**	**852.5**	**0.8**	**853.3**

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

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 8 February 2012. 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. By International Financial Reporting Standards is meant the standards accepted for application in the EU and interpretations issued about them in accordance with the procedure laid down in Finnish law and provisions issued by virtue thereof in the EU Regulation (EC) No.1606/2002. The notes to the consolidated financial statements also comply with Finnish accounting and corporate law.

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 impairment item of 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 its own item as part of shareholders' equity. In the income statement is presented the distribution of profit for the financial year to the parent company's shareholders and non-controlling interest. Non-controlling interest' accrued losses are recognised in the consolidated balance sheet even when 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.

ASSOCIATES AND JOINT VENTURES

Associates are companies 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. Companies were the Group has joint control are joint ventures. Holdings in associates and joint ventures 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 a company 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 company. Unrealised gains between the Group and the companies have been eliminated to the extent of the Group's holding. The Group's share of a company includes goodwill arising from its acquisition. The companies' 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 s 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.

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.

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 income statement when the hedged item is realised or, in terms of investments, as an acquisition cost adjustment.

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.

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.

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 he 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 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 an 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 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 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 asset.

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 an other 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. By value in use is meant the expected future net cash flows obtainable from the said asset item or cash generating unit, discounted to their present value. 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.

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 and the retirement age under these schemes is on average 63 years. 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, valueting 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 Group the lease is handled as a financial lease otherwise as other lease.

APPLICATION OF NEW AND AMENDED IFRS STANDARDS AND IFRIC INTERPRETATIONS

The IASB has published the following standards and interpretations. In 2011 or earlier adopted has followed in financial statements 2011. The group has decided not to adapt those standards and interpretations which will be mandatory in 2012 or later. The group has not early adopted these standards, but will adopt them in later periods.

In preparing these financial statements, the group has followed the same accounting policies as in the annual financial statements for 2010 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 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 change does not have a material impact on the consolidated financial statements.

- **IFRS 7 (amendment) Financial instruments** Disclosures The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have a material impact on the consolidated financial statements.
- **IAS 27 (amendment) Consolidated and separate financial statements** The amendment 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. The amendment does not have a material impact on the consolidated financial statements.
- **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.

  The amendment does not have a material impact on the consolidated financial statements.
- **IFRIC 13 (amendment) Customer loyalty programmes** The meaning of 'fair value' is clarified in the context of measuring award credits under customer loyalty programs. The amendment does not have a material impact on the consolidated financial statements.

The following new standards, interpretations and amendments to existing standards and interpretations issued during the year 2011 will be adopted by the group in 2012:

- **IFRS 7 (amendment) Financial instruments** Disclosures – Derecognition This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Earlier application subject to EU endorsement is permitted. The Group will adopt the amendment in its 2012 financial statements. However, the amendment is still subject to EU endorsement.

The following standards, interpretations and amendments will be adopted in 2013 or later:

- **IFRS 10 Consolidated financial statements** The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Sets out the accounting requirements for the preparation of consolidated financial statements. The Group will probably adopt the standard in its 2013 financial statements. However, the standard is still subject to EU endorsement.
- **IFRS 11 Joint arrangements** IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group will probably adopt the standard in its 2013 financial statements. However, the standard is still subject to EU endorsement
- **IFRS 12 Disclosures of interests in other entities** IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will probably adopt the standard in its 2013 financial statements. However, the standard is still subject to EU endorsement.
- **IFRS 13 Fair value measurement** IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group will probably adopt the standard in its 2013 financial statements. However, the standard is still subject to EU endorsement.
- **IAS 28 (revised 2011)** Associates and joint ventures IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The Group will probably adopt the standard in its 2013 financial statements. However, the standard is still subject to EU endorsement.
- **IAS 1 (amendment) Presentation of financial statement – other comprehensive income** The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group will probably adopt the standard in its 2013 financial statements. However, the standard is still subject to EU endorsement.
- **IAS 19 (amendment) Employee benefits** These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The Group will probably adopt the standard in its 2013 financial statements. However, the standard is still subject to EU endorsement.
- **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.

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 2011 the units belonging the Airline Business segment were Finnair air 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 2011 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 2011 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, OOO Aurinko, 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 2011

	Airline Business	Aviation Services	Travel Services	Group eliminations	Unallocated items	Group
External turnover	1,822.9	114.2	320.6			2,257.7
Internal turnover	147.6	309.9	1.3	-458.8		0.0
Turnover	1,970.5	424.1	321.9	-458.8	0.0	2,257.7
Operating profit	-44.6	-11.2	-12.8		-19.2	-87.8
Share of results of associates and joint ventures					-2.1	-2.1
Financial income					9.0	9.0
Financial expenses					-30.6	-30.6
Income tax					24.0	24.0
Non-controlling interest					-0.2	-0.2
Profit for the financial year						-87.7
Depreciation and imparment	102.2	24.6	2.7	0.0	1.1	130.6

Business segment data 1 Jan–31 Dec 2010

	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 associates and joint ventures					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

Employees (average) by segment

	1.1.–31.12.2011	1.1.–31.12.2010
Airline Business	3,562	3,524
Aviation Services	2,619	2,685
Travel Services	980	1,110
Other operations	303	259
Total	7,467	7,578
Employees at end of year	7,458	7,616

4. ACQUIRED BUSINESSES

During the financial year the Group did not acquire any 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 had been classified as available for sale as at 31 Dec 2010: two MD 11 aircraft and one Embraer 170 aircraft, because the sum corresponding to their carrying amount would accrue from the sale of the assets instead of operational use. The company management had decided on the divestment, which took place 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 impairment was recognised for the fleet in 2011, as the asset was valued at selling prices less cost to sale.

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

	31 Dec 2011	31 Dec 2010
Aircraft	-	70.7
Total	**-**	**70.7**

6. PRODUCTION FOR OWN USE

	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Component production	2.1	2.8
Heavy maintenance	1.0	5.9
Total	**3.1**	**8.7**

7. OTHER OPERATING INCOME

	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Capital gain/ loss on sales of tangible fixed assets	-3.0	6.1
Rental income	4.4	4.5
Others	9.6	9.5
Total	**11.0**	**20.1**

Other operating income includes public grants amounting to 2.0 million euros (2.2). The rest consists of several items, none of which are individually significant.

8. MATERIALS AND SERVICES

	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Materials and services		
Materials and supplies for aircraft maintenance	54.7	51.7
Ground handling and catering charges	195.8	172.9
Fuels for flight operations	555.2	431.7
Expenses for tour operations	131.2	120.0
Aircraft maintenance and service	67.6	75.5
Data administration services	37.2	37.1
Other items	50.4	51.8
Total	**1,092.1**	**940.7**

Other items do not include research and development expenses and they consists of several items, none of which are individually significant.

9. EMPLOYEE BENEFIT EXPENSES

	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Employee benefit expenses		
Wages and salaries	375.1	358.9
Pension expenses	73.3	70.1
Other social expenses	28.6	17.2
Total	**477.0**	**446.2**

Personnel expenses included recognition a non-recurring personnel restructurig provision of 21.5 million euros for as agreed in the Group's statutory employer-employee negotiations (2.1).

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				
Mika Vehviläinen	777,953	611,650	166,303	0
Deputy Chief Executive Officer				
Lasse Heinonen until 15 May 2011	559,596	128,580	431,016	0
Members of the Board of Directors				
Christoffer Taxell until 24 March 2011	17,700	17,700		
Harri Sailas	61,800	61,800		
Elina Björklund	43,800	43,800		
Sigurður Helgason	43,200	43,200		
Satu Huber	37,200	37,200		
Harri Kerminen starting from 24.March.2011	28,500	28,500		
Ursula Ranin	37,200	37,200		
Veli Sundbäck	38,400	38,400		
Pekka Timonen	38,400	38,400		

The share-based bonuses of the Group Management can be found in Note 26 and the principles of the other bonuses in a separate Renumeration statement on pages 80–81.

Personnel incentive scheme

The Group operates an incentive scheme defined separately for each business unit, which covers most of the Finnair Group's employees. The total amount of bonuses was 4.6 million euros (16.3).

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).

	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Social expenses		
Pension expenses - defined contribution schemes	68.9	63.1
Pension expenses - defined-benefit schemes, voluntary	4.4	7.0
Other social expenses	28.6	17.2
Total	**101.9**	**87.3**

Management pension benefits

The pension schemes of the parent company's President and 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 established after 1 October 2009 are defined-contribution schemes. The pension insurance payments for these schemes totalled 0.6 million euros (0.7).

10. DEPRECIATION AND IMPAIRMENT

	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Depreciation of tangible fixed assets		
Buildings	2.5	2.5
Aircraft	100.9	97.8
Other equipment	16.0	7.3
	119.4	107.6
Depreciation of intangible assets		
Other intangible assets	9.7	11.1
Impairment		
Goodwill	1.5	0.0
Total	**130.6**	**118.7**

Impairment loss against Russian operations for Travel Services due to ending of operations is recognised.

11. OTHER OPERATING EXPENSES

	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Other operating expenses		
Lease payments for aircraft	69.9	63.1
Rental of cargo capacity	14.5	0.7
Other rental of flight capacity	71.6	45.1
Office and other rents	41.9	42.6
Traffic charges	211.6	188.5
Sale and marketing expenses	93.3	83.7
IT expenses and booking fees	40.1	35.8
Other items [1)]	117.0	100.3
Total	**659.9**	**559.8**

[1)] Includes fair value changes of derivatives -2,0 million euro (-0.1). Consists of several items, none of which are individually significant.

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

	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Auditor's fees		
PricewaterhouseCoopers Oy		
Auditor's fees	0.2	0.2
Tax advising	0.1	0.2
Other fees	0.1	0.1
Total	**0.4**	**0.5**
Others	0.2	0.2

12. FINANCIAL INCOME

	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Interest income		
Interest income from financial assets classified as held for trading	6.5	6.2
Other interest income	2.0	0.0
	8.5	**6.2**
Dividend income	0.1	0.1
Exchange gains, net	0.0	0.1
Other financial income	0.4	0.1
Total	**9.0**	**6.5**

13. FINANCIAL EXPENSES

	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Interest expenses		
Interest expenses on financial liabilities recognised at fair value through profit and loss	0.1	0.2
Interest expenses for financial liabilities valued at amortised acquisition cost	15.4	16.9
Interest on finance leases	6.9	5.5
	22.4	**22.6**
Exchange losses, net	2.7	0.0
Other financial expenses	5.5	3.7
Total	**30.6**	**26.3**

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 2010, no inefficiency is included in financial items for 2011. 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

	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Taxes for the financial year		
Tax based on taxable income of the financial year	-0.1	-0.3
Tax based on taxable income of the previous year	-5.2	0.4
Deferred taxes	29.3	10.1
Total	**24.0**	**10.2**

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. The deferred tax balances have been remeasured using the effective rate that apply starting from January 2012 (24.5%).

	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Result before taxes	-111.5	-33.0
Taxes calculated using the Finnish tax rate	29.0	8.6
Impact of change in tax rate from loss	-1.7	-
Re-measurement of deferred tax, change in tax rate	0.9	-
Different tax rates of foreign subsidiaries	-0.9	0.1
Share of result in associates and joint ventures	0.5	0.0
Tax-free income	0.0	-0.5
Nondeductible expenses	0.2	-0.2
Other temporary differences adjustment	-2.8	-0.4
Tax based on taxable income of the previous year	-0.7	0.4
Deferred taxes from loss	-0.5	2.2
Income taxes, total	**24.0**	**10.2**
Effective tax rate	21.5%	30.8%

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.

	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Result for the financial year	-87.7	-23.0
Interest of Hybrid Bond	-8.2	-8.0
Weighted average number of shares, 1000pcs	127,726	127,726
Undiluted and diluted earnings per share, EUR	-0.75	-0.24

Dividend

The dividend has not been paid in 2010. The Board of Directors proposes to the Annual General Meeting that no dividend should be paid from financial year 2011.

16. INTANGIBLE ASSETS

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	-8.7	0.0	-8.7
Disposals	1.9	119.7	3.7	125.3
Acquisition cost 31 Dec 2010				
Accumulated depreciation and impairment	0.0	-81.8	-1.0	-82.8
Accumulated depreciation and impairment 1 Jan 2010		-11.1	0.0	-11.1
Depreciation		7.2		7.2
Accumulated planned depreciation of disposals	0.0	-85.7	-1.0	-86.7
Accumulated depreciation and impairment 31 Dec 2010				
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

Financial statement 31 Dec 2011				
EUR mill.	Connections fees	Systems	Goodwill	Total
Acquisition cost				
Acquisition cost 1 Jan 2011	1.9	119.7	3.7	125.3
Additions	0.0	5.6		5.6
Disposals	0.0	-27.0	0.0	-27.0
Acquisition cost 31 Dec 2011	1.9	98.3	3.7	103.9
Accumulated depreciation and impairment				
Accumulated depreciation and impairment 1 Jan 2011	0.0	-85.7	-1.0	-86.7
Depreciation	-0.3	-9.4	-1.5	-11.2
Accumulated planned depreciation of disposals		26.3		26.3
Accumulated depreciation and impairment 31 Dec 2011	-0.3	-68.8	-2.5	-71.6
Book value 31 Dec 2011	**1.6**	**29.5**	**1.2**	**32.3**
Book value 1 Jan 2011	1.9	34.0	2.7	38.6

For impairment the goodwill is recognised both in Airline Business and Travel Services segments. The goodwill for Airline Business is 0.5 million euros and the goodwill for Travel Services is 0.7 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 For Travel Services impairment loss due to ending of operations against Russian operations is recognised. Travel Services' goodwill is allocated to Horizon business operations and the discount rate used is 10%. 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.

17. TANGIBLE ASSETS

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

Financial statement 31 Dec 2011						
EUR mill.	Land	Buildings	Aircraft	Other equipment	Advances	Total
Acquisition cost						
Acquisition cost 1 Jan 2011	0.7	160.7	1,702.4	336.3	19.4	2,219.5
Additions	0.0	0.3	190.5	4.3	1.1	196.2
Disposals	0.0	-0.6	-68.0	-44.7	-14.0	-127.3
Acquisition cost 31 Dec 2011	0.7	160.4	1,824.9	295.9	6.5	2,288.4
Accumulated depreciation and impairment						
Accumulated depreciation and impairment 1 Jan 2011	0.0	-106.5	-481.7	-224.7	0.0	-812.9
Depreciation		-2.6	-100.9	-15.9		-119.4
Accumulated planned depreciation of disposals		0.7	-58.9	170.3		112.1
Accumulated depreciation and impairment 31 Dec 2011	0.0	-108.4	-641.5	-70.3	0.0	-820.2
Book value 31 Dec 2011	**0.7**	**52.0**	**1,183.4**	**225.6**	**6.5**	**1,468.2**
Book value 1 Jan 2011	0.7	54.2	1,220.7	111.6	19.4	1,406.6

The carrying amount of aircraft 832.4 million euros (658.2) is pledged as surely for liabilities. Other equipment includes office equipment, furnishings, cars and transportation vehicles used at airports.

Impairment test

The aircrafts carrying amount was tested against their fair value. At the closing date the fair value less cost to sell was higher than their carrying amount. The aircraft market prices are defined in U.S Dollars, if the dollar is weakened by 1.5 % it would require impairment testing based on value-in-use.

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 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

Financial statement 31 Dec 2011

EUR mill.	Buildings	Machinery and vehicles	Total
Acquisition cost 1 Jan 2011	28.2	228.7	256.9
Additions	0.0	3.8	3.8
Disposals	0.0	0.0	0.0
Acquisition cost 31 Dec 2011	28.2	232.5	260.7
Accumulated depreciation and impairment 1 Jan 2011	-8.5	-24.8	-33.3
Depreciation	-1.4	-11.2	-12.6
Accumulated depreciation and impairment 31 Dec 2011	-9.9	-36.0	-45.9
Book value	**18.3**	**196.5**	**214.8**

	2012	2013–2016	2017–
Lease payments	24.0	89.6	128.7
Discounting	6.7	21.5	24.8
Net present value	17.3	68.1	103.9

Buildings in financial lease arrangements are depreciated according to the plan in 6–21 years and other equipment in 5–12 years. Aircrafts are depreciated according to the plan in 18 years. A cheap purchase option is included in the three Airbus A330 finance lease contracts. The option will be excercised at the termination of the contracts. In the financial year and in the comparison period no variable rents from financial leases have been recognised.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group's share of the result, asset items and liabilities of associates and joint ventures (none of which are publicly listed) is presented below:

EUR mill.	31 Dec 2011	31 Dec 2010
At the beginning of the financial year	7.6	8.3
Shares of results	-2.1	0.1
Additions	8.2	0.0
Disposals	0.0	-0.8
At the end of the financial year	**13.7**	**7.6**

Information on the Group's associates and joint ventures

Financial statement 31 Dec 2010

EUR mill.	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**	

Financial statement 31 Dec 2011

EUR mill.	Domicile	Assets	Liabilities	Turnover	Profit/Loss	Holding %
Amadeus Estonia	Estonia	0.6	0.3	0.7	0.1	33.25
Finnish Aircraft Maintenance Oy	Finland	9.6	7.6	14.0	0.7	46.30
Nordic Global Airlines Oy	Finland	2.0	2.0	7.1	-1.1	40.00
Flybe Nordic	Sweden	32.3	24.7	36.8	-5.2	40.00
Kiinteistö Oy Lentäjäntie 1	Finland	28.6	20.6	1.4	0.0	28.33
Total		**73.1**	**55.2**	**60.0**	**-5.5**	

The carrying amount of associates on 31 December 2011 or 31 December 2010 does not include goodwill. The goodwill for joint ventures amounted 4.4 million euros on 31 December 2011.

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. Finnish Aircraft Maintenance Oy, owned by Finnair Plc and Flybe UK, is specialised to regional calss aircraft maintenance services. Flybe Nordic, owned by Finnair Plc and Flybe UK, is a regional airline operating in the Nordic countries and the Baltic states.

19. RECEIVABLES, LONG-TERM

EUR mill.	31 Dec 2011	31 Dec 2010
Loan receivables	10.2	0.2
Pension assets	7.5	0.0
Other receivables	14.4	13.4
Total	**32.1**	**13.6**

Financial year 31 Dec 2010

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

Financial year 31 Dec 2011

EUR mill.	Loan receivables	Other receivables	Pension assets	Total
At the beginning of the financial year	0.2	13.4	0.0	13.6
Additions	10.0	1.0	7.5	18.5
Disposals	0.0	0.0	0.0	0.0
At the end of the financial year	**10.2**	**14.4**	**7.5**	**32.1**

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 2010:

EUR mill.	1 Jan 2010	Recognised in the income statement	Recognised in the shareholder's 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
Other temporary differences	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.

Changes in deferred taxes during 2011:

EUR mill.	1 Jan 2011	Recognised in the income statement	Recognised in the shareholder's equity	31 Dec 2011
Deferred tax assets				
Employee benefits	0.6	-0.6	0.0	0.0
Confirmed losses	29.3	35.1	0.0	64.4
Hybrid bond, interest	2.8	-2.8	0.0	0.0
Finance leasing	1.1	0.0	0.0	1.1
Revenue recognition	0.1	0.0	0.0	0.1
Capitalisation of overhead expenses	0.1	0.5	0.0	0.6
Heavy maintenance allocations	1.6	-0.6	0.0	1.0
Engine maintenance allocations	4.9	-2.6	0.0	2.3
Other temporary differences	2.8	-0.1	0.0	2.7
Finnair Plus	4.7	-1.7	0.0	3.0
Valuation of derivates at fair value	0.0	0.0	0.0	0.0
Total	**48.0**	**27.2**	**0.0**	**75.2**
Deferred tax assets that can be used after more than 12 months	15.4			10.8
Deferred tax liabilities				
Accumulated depreciation difference	2.4	0.1	0.0	2.5
Gains from sale of tangible fixed assets	87.8	-4.0	0.0	83.8
Hybrid bond, interest	0.7	0.0	0.0	0.7
Employee benefits	0.0	1.8	0.0	1.8
Valuation of derivates at fair value	12.4	0.0	-2.7	9.7
Total	**103.3**	**-2.1**	**-2.7**	**98.5**
Deferred tax liabilities payable after more than 12 months	90.1			90.9

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. If the foreign subsidiaries would pay out all retaining earnings as dividend to the parent company it will cause 0.4 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 2011	31 Dec 2010
Materials and supplies	41.4	41.4
Work in progress	7.5	6.1
Total	**48.9**	**47.5**

The cost of inventories recognised as expense and included in materials and supplies amounted to 54.7 milloin euros. In the financial year -2.0 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 6.1 million euros (5,0). Inventories have not been pledged for Group liabilities.

22. TRADE RECEIVABLES AND OTHER RECEIVABLES

EUR mill.	31 Dec 2011	31 Dec 2010
Trade receivables	116.0	96.7
Receivables from associates and joint ventures	4.4	0.1
Prepaid expenses and accrued income	47.3	53.6
Receivables based on derivative contracts	100.1	82.4
Other receivables	15.5	19.5
Total	**283.3**	**252.3**

Age distribution of trade receivables	31 Dec 2011	31 Dec 2010
Not overdue	108.8	92.7
Overdue less than 60 days	2.8	2.1
Overdue more than 60 days	4.4	1.9
Total	**116.0**	**96.7**

Debt losses from trade receivables

The Group has recognised during the financial year credit losses from trade receivables of 1.0 million euros (1.1). 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 2011	31 Dec 2010
Commercial papers and certificates	307.3	421.1
Funds	33.6	38.1
Long-term deposits	0.0	0.0
Listed shares	11.8	24.9
Unlisted shares	1.1	1.3
Total	**353.8**	**485.4**

Ratings of counterparties	31 Dec 2011	31 Dec 2010
Better than A	172.6	250.5
A	29.3	57.1
BBB	9.9	29.9
BB	5.0	5.0
Unrated	137.0	142.9
Total	**353.8**	**485.4**

Listed foreign shares are valued to closing quotation and mid-market exchange rates on the closing date. During years 2011 and 2010 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. Investing of Group's short term asset and group risk management policy are described in more detail in note 31. IFRS classification and fair values of financial assets are presented in Note 32.

24. CASH AND CASH EQUIVALENTS

EUR mill.	31 Dec 2011	31 Dec 2010
Cash and bank deposits	11.9	9.6
Short-term bank deposits	37.6	31.9
Total	**49.5**	**41.5**

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 2010	128,136,115	75,442,904.30	20,407,351.01	247,147,811.83	119,385,964.10
31 Dec 2011	**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 2010/31 Dec 2011	**410,187**	**3,179,335.94**	**7.75**

All issued shares are fully paid. The share has no niminal value.

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 2011	31 Dec 2010
Jet fuel price hedging	21.1	30.1
Jet fuel currency hedging	22.9	9.2
Hedging of lease payments	2.8	0.6
Electricity pricehedging	-0.3	1.4
Available for sale financial assets	-6.8	6.3
Deferred tax asset (liability)	-9.7	-12.4
Total	**30.0**	**35.2**

Maturity dates of fair values recognised in the hedging reserve							
EUR mill.	2012	2013	2014	2015	2016	Later	Total
Jet fuel price hedging	24.6	-3.4	-0.1				21.1
Jet fuel currency hedging	13.2	9.7					22.9
Hedging of lease payments	2.3	0.5					2.8
Electricity pricehedging	-0.1	-0.1	-0.1				-0.3
Available for sale financial assets	-6.8					0.0	-6.8
Deferred tax asset (liability)	-8.1	-1.6	0.0	0.0	0.0	0.0	-9.7
Total	**25.1**	**5.1**	**-0.2**	**0.0**	**0.0**	**0.0**	**30.0**

Derivatives in income statement

During 2011, -51.2 million euros (28.7) has been recognised from fair value reserve as a decrease in expenses in the income statement. Of this, -52.2 million euros (30.2) is an adjustment of fuel expenses, 0.9 million euros (-1.3) an adjustment of aircraft lease expenses and 0,1 million euros (-0,2) 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, -24.3 million euros (-5.7) was realised and recognised as an adjustment to fuel expenses and 6.9 million euros (1.3) in other operating expenses in the income statement during 2011.

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 40.7 million euros (35.5) higher. Correspondingly, a 10 per cent weaker Jet fuel CIF NWE price would have reduced the reserve by 40.7 million euros (35.5). In terms of the US dollar, a 10 per cent weaker level would have lowered the balance of the fair value reserve by 41.9 million euros (36.2) and a 10 per cent stronger dollar would have had a positive impact of 41.9 million euros (36.2). In terms price of electricity, a 10 per cent weaker level would have lowered the balance of the fair value reserve by 0.4 million euros (0.7) and a 10 per cent higher price level would have had a positive impact of 0.4 million euros (0.7). 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 3.2 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 2011
Retained earnings at the end of financial year	89.2
Unrestricted equity	250.3
Result for the financial year	-75.4
Distributable equity total	**264.1**

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.

For the 2011 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) 193–293 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 any single 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% in 2010.

Shares bonuses have been recognised for 2011 to the sum of 991,300 euros based on the share price at the end of the 2010 financial year. The amount is presented in the income statement item Wages and salaries, Note 9. The financial targets of the schemes were not realised for year 2011. The recognision for year 2011 is based on 2010 results.

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**

Share bonus allocations granted, maximum number of shares	2011
For performance period	
President & CEO	48,723
Deputy CEO	-
Other members of the Executive Board (9)	187,929
Members of the Board of Directors	0
Other key personnel	426,001
Total granted	**662,653**

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 2011	1 Jan–31 Dec 2010
Items recognised in the income statement		
Current service costs for financial year	5.8	7.2
Interest costs	14.2	15.8
Expected return on plan assets gain	-19.0	-20.2
Net acturial gain (-) / loss (+) recognised in year	-1.8	-0.2
Past service cost-vested benefits	5.2	4.4
Total, included in personnel expenses	**4.4**	**7.0**

The actual return of plan assets was -10.1 million euros in year 2011 (39.5).

Items recognised in the balance sheet

EUR mill.	31 Dec 2011	31 Dec 2010
Present value of funded obligations	309.4	310.9
Fair value of scheme assets	-352.9	-371.2
	-43.5	-60.3
Present value of unfunded obligations	0.0	0.0
Unrecognised net actuarial gains (+) / losses (-)	36.0	62.8
Unrecognised costs based on past service	0.0	0.0
Net liability/asset	**-7.5**	**2.5**
Presented provisions	0.0	0.0
Net liability/asset presented in balance sheet	**-7.5**	**2.5**

The balance sheet pension asset for 2011 of 7.5 million euros (-2.5) does not include within it any items outside the Pension Fund. Pension scheme assets include Finnair Plc shares with a fair value of 0.3 million euros (0.7) and a buildings used by the Group with a fair value of 32.4 million euros (38.0).

Changes in plan assets		
EUR mill.	31 Dec 2011	31 Dec 2010
Fair value of plan assets at 1 January	371.2	353.9
Expected return on plan assets	19.1	20.2
Acturial gain (loss) on plan assets	-29.2	20.1
Contributions	14.4	0.0
Settlements	0.0	0.2
Benefits paid	-22.6	-23.2
Fair value of plan assets at 31 December	**352.9**	**371.2**

Plan assets are comprised as follows		
%	31 Dec 2011	31 Dec 2010
Listed shares	17.6	21.7
Debt instruments	53.7	49.5
Property	18.3	18.6
Other	10.4	10.2
Total	**100.0**	**100.0**

Net liability/asset reconciliation statement		
EUR mill.	31 Dec 2011	31 Dec 2010
Net liability at the beginning of the financial year	2.5	-4.5
Total expenses, presented above	4.4	7.0
Paid contributions	-14.4	0.0
At the end of the financial year	**-7.5**	**2.5**

Defined-benefit schemes: principal actuarial assumptions		
EUR mill.	31 Dec 2011	31 Dec 2010
Discount rate %	4.75%	4.75%
Expected rate of return on assets %	5.25%	5.25%
Annual rate of future salary increases %	3.0%	2.0%
Future pension increases %	2.1%	2.1%
Estimated remaining years of service	13	14

Amounts relating to defined benefit obligation and plan assets					
EUR mill.	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
Present value of defined benefit obligation	309.4	310.9	311.6	324.20	352.9
Fair value of plan assets	-352.9	-371.2	-353.9	-339.70	-389.5
Surplus (-) / Deficit (+)	-43.5	-60.3	-42.3	-15.5	-36.6
Experience adjustments on plan assets	-29.2	20.1	-2.5	-66.00	-5.5
Experience adjustments on plan liabilities	-4.2	-5.1	-18.6	-36.1	-30

28. PROVISIONS

EUR mill.	Restructuring provision	Maintenance provisions	Total
Long-term			
Provisions at 1 January 2010	-	59.0	59.0
Change	-	13.6	13.6
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 2011	0.0	72.6	72.6
Change	-	14.3	14.3
Total	0.0	86.9	86.9
Current			
Provisions at 1 January 2011	3.6	24.2	27.8
Increase	17.1	28.9	46.0
Decrease	-3.6	-24.2	-27.8
Total	17.1	28.9	46.0
Total 31 Dec 2011	**17.1**	**115.8**	**132.9**

The personnel restructuring provision is part of the structural change which is ongoing.

The Group is obliged to surrender leased aircraft at a certain maintenance standard. To fulfil these maintenance obligations the Group has recognised airframe heavy maintenance, engine maintenance and engine life limited part provisions. The basis for a provision is flight hours flown during the maintenance period and the estimated price of the flight hour. Long-term provisions are expected to be used by 2019.

29. INTEREST-BEARING LIABILITIES

EUR mill.	31 Dec 2011	31 Dec 2010
Interest-bearing liabilities		
Long-term		
Bank loans	-326.3	-381.2
Bonds	0.0	-100.0
Finance lease liabilities	-173.1	-184.8
Total	**-499.4**	**-666.0**
Non-interest-bearing liabilities		
Long-term		
Pension liabilities	0.0	-3.0
Other	-16.6	-8.7
Total	-16.6	-11.7
Total	**-516.0**	**-677.7**

EUR mill.	31 Dec 2011	31 Dec 2010
Interest-bearing liabilities		
Current		
Cheque account facilities	0.0	-0.1
Bank loans	-91.4	-69.5
Bonds	-100.0	
Commercial papers	-10.0	0.0
Finance lease liabilities	-16.2	-16.2
Other loans	-12.3	-12.7
Total	**-229.9**	**-98.5**

Maturity dates of interest-bearing financial liabilities 31 Dec 2011

EUR mill.	2012	2013	2014	2015	2016	Later	Total
Bank loans, fixed interest	-10.5	-10.5	-40.8	-18.0	0.0	0.0	-79.8
Bank loans, variable interest	-80.9	-56.6	-41.4	-33.4	-33.4	-92.2	-337.9
Bonds, variable interest	-100.0	0.0	0.0	0.0	0.0	0.0	-100.0
Commercial papers	-10.0						-10.0
Finance lease liabilities	-16.2	-16.5	-16.4	-16.6	-17.3	-106.3	-189.3
Other loans	-12.3	0.0	0.0	0.0	0.0	0.0	-12.3
Interest-bearing liabilities total	**-229.9**	**-83.6**	**-98.6**	**-68.0**	**-50.7**	**-198.5**	**-729.3**
Payments from currency derivatives	-519.1	-276.2	-162.7	0.0	0.0	0.0	-958.0
Income from currency derivatives	546.2	291.0	178.0	0.0	0.0	0.0	1,015.2
Commodity derivatives	23.8	-3.4	-0.2	0.0	0.0	0.0	20.2
Trade payables and other liabilities	-627.2	0.0	0.0	0.0	0.0	0.0	-627.2
Interest payments	-13.2	-10.0	-6.4	-4.5	-3.2	-3.9	-41.2
Total	**-819.4**	**-82.2**	**-89.9**	**-72.5**	**-53.9**	**-202.4**	**-1,320.3**

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**

Bank loans include one long-term currency and interest rate swap that hedge one loan. Interest rate re-fixing period in variable interest loans is 3 or 6 months.

The currency mix of interest-bearing long-term liabilities (including cross currency interest rate swaps) is as follows:		
EUR mill.	31 Dec 2011	31 Dec 2010
EUR	637.1	660.4
USD	92.2	104.1
	729.3	**764.5**

Weighted average effective interest rates on interest-bearing long-term liabilities		
EUR mill.	31 Dec 2011	31 Dec 2010
	2.9%	2.0%

Interest rate re-fixing period of interest-bearing liabilities		
EUR mill.	31 Dec 2011	31 Dec 2010
Up to 6 months	86.0%	96.6%
6–12 months	0.0%	0.0%
1–5 years	10.9%	0.0%
More than 5 years	3.1%	3.4%
Total	**100.0%**	**100.0%**

Finance lease liabilities

Minimum lease payments		
EUR mill.	31 Dec 2011	31 Dec 2010
Up to 1 year	24.0	22.5
1–5 years	89.6	85.9
More than 5 years	128.7	174.7
Total	**242.3**	**283.1**

Future financial expenses	53.0	82.1

Present value of minimum lease payment		
EUR mill.	31 Dec 2011	31 Dec 2010
Up to 1 year	17.3	16.9
1–5 years	68.1	68.6
More than 5 years	103.9	115.5
Total	**189.3**	**201.0**

Total of financial lease liabilities	**189.3**	**201.0**

30. TRADE PAYABLES AND OTHER LIABILITIES

EUR mill.	31 Dec 2011	31 Dec 2010
Advances received	46.5	52.9
Trade payables	60.1	43.1
Accrued liabilities	501.0	443.7
Liabilities based on derivative contracts	0.0	15.7
Other liabilities	19.6	20.4
Total	**627.2**	**575.8**

Significant items in accrued liabilities:		
EUR mill.	31 Dec 2011	31 Dec 2010
Unflown air transport revenues	178.5	123.8
Holiday pay reserve	70.0	75.0
Other items	252.5	244.9
Total	**501.0**	**443.7**

Other 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, hedging of jet fuel price and foreign exchange risks and hedging of electricity price risk and as hedges of the fair value of firm commitment aircraft purchases.

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 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 2012 and 58 per cent for the second half of the year. The Leisure 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 Leisure Traffic has no jet fuel price or exchange rates price clauses with tour operators.

In the financial year 2011, fuel used in flight operations accounted for one fourth compared to the Group's turnover. At the end of the financial year, the forecast for 2012 is somewhat over one fourth. 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 2012 – increases annual fuel costs by an estimated 55 million euros. On the closing date – taking hedging into account – a 10 per cent rise in fuel lowers operating profit by around 26 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 60 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 two thirds 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 third 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 80 per cent of its profit and loss items for the first six months of 2012 and 67 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 72 million euros. On the closing date – taking hedging into account – a 10 per cent strengthening of the dollar weakens the result by around 21 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 7 months. On the closing date a one percentage point rise in interest rates increases the annual interest income of the investment portfolio about 3.4 million euros and the interest expenses of the loan portfolio about 4.9 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 403 EUR million at the end of financial year 2011. Finnair Plc has a domestic commercial paper programme of 200 million euros, of which 10 EUR million was used 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 108.4 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 2011 was 108.4 per cent (79.6).

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 2011						
Financial assets						
Receivables				32.1		32.1
Other financial assets		340.9				340.9
Trade receivables and other receivables				182.3		182.3
Derivatives	81.7	19.3				101.0
Listed shares			11.8			11.8
Unlisted shares			1.1			1.1
Cash and cash equivalents				49.5		49.5
Total						**718.7**
Financial liabilities						
Interest bearing liabilities		0.2			527.5	527.7
Finance lease liabilities					189.3	189.3
Derivatives	10.1	8.1				18.2
Trade payables and other liabilities					770.8	770.8
Fair value total						1,506.0
Book value total						**1,506.0**

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				165.3		165.3
Derivatives	67.4	19.5				86.9
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					563.5	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**

Calculated tax liabilities are not presented in this note. Group has 98,5 million euros (103.3) 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 2011	Level 1	Level 2	Level 3
Assets valued at fair value				
Financial assets at fair value through profit and loss				
Securities held for trading	340.9	33.6	307.3	
Derivatives held for trading				
Currency and interest rate swaps	0.2		0.2	
- of which in fair value hedge accounting				
Currency derivatives	71.6		71.6	
- of which in cash flow hedge accounting	26.2		26.2	
Commodity derivatives	29.4		29.4	0,0
- of which in cash flow hedge accounting	29.3		29.3	
Financial assets available-for-sale				
Share investments	11.8	11.8		
Total	**453.9**	**45.4**	**408.5**	**0.0**
Liabilities valued at fair value				
Financial liabilities recognised at fair value through profit and loss				
Derivatives held for trading				
Interest rate swaps	0.8		0.8	
- of which in cash flow hedge accounting				
Currency derivatives	8.3		8.3	
- of which in cash flow hedge accounting	0.5		0.5	
Commodity derivatives	9.1		9.1	
- of which in cash flow hedge accounting	8.6		8.6	
Total	**18.2**		**18.2**	**0,0**

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	**-**	**3.1**	**-**	**3.1**
Profits and losses in income statement, total		3.1		3.1
In comprehensive income	-	-	-	-
Purchases (and sales)	-	-	-	-
Settlements (and issues)	-	-	-	-
Transfers to and from Level 3	-	-	-	-
Closing balance		**0.0**		**0.0**
Total profits and losses recognised for the period for assets held at the end of the reporting period				
In other operating income and expenses		0.0		0.0

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. OPERATING 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, Estonia	100.00
Oy Aurinkomatkat - Suntours Ltd Ab, Helsinki	100.00
Toivelomat Oy, Helsinki	100.00
OOO Aurinkomatkat, Russia	100.00
OOO Aurinko (Calypso World of Travel), Russia	100.00
Matkayhtymä Oy, Helsinki	100.00
Horizon Travel Oü, Estonia	100.00
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
EPL Aircraft Lease Three Oy, Helsinki	100.00
EPL Aircraft Lease Four Oy, Helsinki	100.00
EPL Aircraft Lease Five Oy, Helsinki	100.00
Finncomm Finance Three Oy, Helsinki	100.00
Finncomm Finance Four Oy, Helsinki	100.00
Finncomm Finance Five Oy, Helsinki	100.00
Finncomm Finance Six Oy, Helsinki	100.00
Finncomm Finance Seven Oy, Helsinki	100.00
Finncomm Finance Eight Oy, 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 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
less than a year	65.8	70.2	20.6	18.5	11.7	6.1
1-2 years	48.7	62.2	19.4	17.4	10.4	9.5
2-3 years	32.6	45.4	17.8	16.5	9.7	6.6
3-4 years	29.9	29.9	16.3	16.1	8.9	8.1
4-5 years	22.0	27.2	15.9	13.4	3.1	0.0
more than 5 years	29.7	47.4	156.8	137.6	0.0	0.0
Total	**228.7**	**282.3**	**246.8**	**219.5**	**43.8**	**30.3**

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 27 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 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
less than a year	20.7	7.0	1.3	1.3
1-2 years	20.7	7.0	1.0	0.9
2-3 years	18.9	7.0	1.0	0.5
3-4 years	17.5	5.2	0.9	0.5
4-5 years	12.4	3.9	0.9	0.4
more than 5 years	11.8	15.5	10.0	1.0
Total	**102.0**	**45.6**	**15.1**	**4.6**

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 15 aircraft on leases of different lengths.

35. GUARANTEES, CONTINGENT LIABILITIES AND DERIVATIVES

EUR mill.	31 Dec 2011	31 Dec 2010
Other pledges given on own behalf	757.7	593.4
Guarantees on behalf of Group undertakings	72.5	65.5
Guarantees on behalf of others	1.8	2.6
Total	**832.0**	**661.5**

EUR mill.	31 Dec 2011	31 Dec 2010
Investment commitments	**1,000.0**	**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 US 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 2011	31 Dec 2011	31 Dec 2011	31 Dec 2011	31 Dec 2010	31 Dec 2010	31 Dec 2010	31 Dec 2010
Currency derivatives								
Hedge accounting items (forward contracts):								
Jet fuel currency hedging	373.5	23.3	-0.4	22.9	324.2	12.7	-3.4	9.3
Hedging of aircraft acquisitions								
Fair value hedging	330.0	26.2	-1.0	25.2	297.4	17.1	-1.7	15.4
Cash flow hedging	0.0			0.0	0.0			0.0
Hedging of lease payments	45.7	2.8	0.0	2.8	42.8	1.0	-0.4	0.6
Total	**749.2**	**52.3**	**-1.4**	**50.9**	**664.4**	**30.8**	**-5.5**	**25.3**
Items outside hedge accounting:								
Operational cash-flow hedging (forward contracts)	187.2	11.0	-2.3	8.7	160.8	1.0	-4.8	-3.8
Operational cash-flow hedging (options)								
Call options	109.7	4.0	-1.6	2.4	37.8	0.0	0.0	0.0
Put options	162.5	0.4	-2.6	-2.2	33.0	0.0	-0.2	-0.2
Balance sheet hedging (forward contracts)	78.8	3.6	0.0	3.6	92.8	3.6	0.0	3.6
Total	**538.2**	**19.0**	**-6.5**	**12.5**	**324.4**	**4.6**	**-5.0**	**-0.4**
Total	**1,287.4**	**71.3**	**-7.9**	**63.4**	**988.8**	**35.4**	**-10.5**	**24.9**

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.

	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.
	31 Dec 2011	31 Dec 2011	31 Dec 2011	31 Dec 2011	31 Dec 2010	31 Dec 2010	31 Dec 2010	31 Dec 2010
Commodity derivatives								
Hedge accounting items:								
Jet fuel forward contracts	537,400	29.3	-8.2	21.1	547,350	35.3	-5.2	30.1
	Nominal value, MWh				Nominal value, MWh			
Electricity derivatives	113,223	0.0	-0.3	-0.3	127,402	1.3	0.0	1.3
	Nominal value, tonnes				Nominal value, tonnes			
Commodity derivatives at fair value through profit and loss:								
Jet fuel forward contracts	13,400	0.1	-0.6	-0.5	101,750	6.6	0.0	6.6
Gasoil forward contracts	0	0	0	0	0			0.0
Jet differential forward contracts	0	0	0	0	22,000	0.6	0.0	0.6
Options								
Call options, jet fuel	240,600	7.8		7.8	83,750	4.7	0.0	4.7
Put options, jet fuel	481,200		-7.8	-7.8	162,750	0.0	-1.6	-1.6
	Nominal value, MWh				Nominal value, MWh			
Electricity derivatives	26,352	0.0	-0.1	-0.1	39,157	0.1	0.0	0.1
Total		**37.2**	**-17.0**	**20.2**		**48.6**	**-6.8**	**41.8**

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.

	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 2011	31 Dec 2011	31 Dec 2011	31 Dec 2011	31 Dec 2010	31 Dec 2010	31 Dec 2010	31 Dec 2010
Interest rate derivatives								
Cross currency interest rate swaps								
Cross currency interest rate swaps at fair value through profit and loss	27.0	0.2		0.2	2.6	2.7	-3.9	-1.2
Total	**27.0**	**0.2**	**0.0**	**0.2**	**2.6**	**2.7**	**-3.9**	**-1.2**
Interest rate swaps								
Interest rate swaps at fair value through profit and loss	25.0	0.0	-0.8	-0.8	25.0	0.0	-0.3	-0.3
Total	**25.0**	**0.0**	**-0.8**	**-0.8**	**25.0**	**0.0**	**-0.3**	**-0.3**

	31 Dec 2011	31 Dec 2010
Ratings of counterparties		
EUR Mill.		
Better than A	60.8	66.9
A	25.5	17.1
BBB	-	-
BB	-	-
Unrated	-	-
Total	**86.3**	**84.0**

36. RELATED PARTY TRANSACTIONS

The following transactions have taken place with related parties:

EUR mill.	2011	2010
Sales of goods and services		
Associates and joint ventures	5.1	0.5
Management	-	-
Purchases of goods and services		
Associates and joint ventures	25.5	1.2
Management	-	-
Receivables and liabilities		
Receivables from associates and joint ventures	4.4	0.1
Liabilities to associates and joint ventures	4.1	0.0

Sales of goods and services executed with related parties correspond in nature to transactions carried out with independent parties.
The consolidated financial statements do not contain any open receivable or liability balances with management. 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

No change of accounting principle has taken place during 2010 or 2011.

38. DISPUTES AND LITIGATION

Finnair reports only cases of which the interest is 500,000 euros or more and that are not insured.
On 31 December 2011 there were no such disputes pending.

39. EVENTS AFTER THE CLOSING DATE

There have not been other remarkable events after closing date as told in the Board of Director’s report.

40. PARENT COMPANY'S FINANCIAL FIGURES

The figures presented below are not IFRS figures.

FINNAIR PLC INCOME STATEMENT		
EUR mill.	1 Jan -31 Dec 2011	1 Jan -31 Dec 2010
Turnover	1,800.7	1,608.1
Production for own use	0.0	0.0
Other operating income	7.3	8.3
OPERATING INCOME	**1,808.0**	**1,616.4**
OPERATING EXPENSES		
Materials and services	977.2	876.4
Personnel expenses	286.1	249.0
Depreciation	6.3	7.7
Other operating expenses	732.8	629.2
	-2,002.4	-1,762.3
OPERATING PROFIT/ LOSS	**-194.4**	**-145.9**
FINANCIAL INCOME AND EXPENSES	-6.1	-5.3
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS	-200.5	-151.2
Extraordinary items	105.0	114.4
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	-95.5	-36.8
Direct taxes	20.0	12.2
PROFIT/LOSS FOR THE FINANCIAL YEAR	**-75.5**	**-24.6**

FINNAIR PLC BALANCE SHEET

EUR mill.	31 Dec 2011		31 Dec 2010	
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	15.0		18.6	
Tangible assets	2.3		2.8	
Investments				
Holdings in Group undertakings	489.7		489.7	
Holdings in associated companies	25.5		2.5	
Other investments	1.0	533.5	1.0	514.6
CURRENT ASSETS				
Inventories	-		-	
Long-term receivables	242.7		83.4	
Short-term receivables	583.1		786.0	
Marketable securities	390.3		516.0	
Cash and bank equivalents	6.4	1,222.5	4.1	1,389.5
		1,756.0		**1,904.1**
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	28.1		34.8	
Unrestricted equity	250.4		250.4	
Retained earnings	89.2		113.8	
Profit/loss for the financial year	-75.5	540.0	-24.6	622.2
ACCUMULATED APPROPRIATIONS		-		-
LIABILITIES				
Deferred tax liability	9.1		12.2	
Long-term liabilities	215.4		364.0	
Short-term liabilities	991.5	1,216.0	905.7	1,281.9
		1,756.0		**1,904.1**

FINNAIR PLC CASH FLOW STATEMENT

EUR mill.	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Cash flow from operating activities		
Profit /loss before extraordinary items	-200.5	-151.2
Adjustments:		
Depreciation	6.3	7.7
Operations for which no payment is included	2.4	6.4
Financial income and expenses	11.5	5.4
Change in working capital	152.7	39.3
Intrest paid and other paid financial expences	-23.1	-20.5
Received interest income and other financial income	18.1	4.7
Taxes paid	0.0	-0.1
Cash flow from operating activities	**-32.6**	**-108.3**
Cash flow from investing activities		
Investments in associates and joint ventures	-6.9	0.0
Investments in tangible and intangible assets	-2.2	-5.8
Sales of tangible and intangible assets	0.0	0.0
Change in long-term receivables	-159.3	-5.3
Received dividend	5.4	0.0
Other investments	-16.0	0.1
Cash flow from investing activities	**-179.0**	**-11.0**
Cash flow from financing activities		
Loan withdrawals	10.5	48.6
Loan repayments and changes	-36.7	-193.8
Dividends paid	0.0	0.0
Received Group contributions	114.4	184.9
Cash flow from financing activities	**88.2**	**39.7**
Change in cash flows	**-123.4**	**-79.6**
Liquid funds at the beginning	520.1	599.7
Change in cash flows	-123.4	-79.6
Liquid funds in the end	396.7	520.1

Board of Directors' proposal on the dividend

Finnair Plc's distributable equity according to the financial statements on 31 December 2011 amounts to 264,073,135.74 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, 8th February 2012

The Board of Directors of Finnair Plc

Harri Sailas	Elina Björklund	Sigurður Helgason
Satu Huber	Harri Kerminen	Ursula Ranin
Veli Sundbäck		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, 2011. 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 1 March 2012

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant

Corporate Governance Statement 2011

APPLICABLE RULES AND REGULATIONS

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 Exchange. Furthermore, the Finnair Group complies without exception to the Finnish Corporate Governance Code for listed companies published in 2010. This corporate governance statement has been prepared in accordance with recommendation 54 of the Finnish Corporate Governance Code for listed companies. The Corporate Governance Code is publicly available on the website of the Securities Market Association's website at www.cgfinland.fi.

The statement has been reviewed by Finnair's Board of Directors and prepared as a separate report from the Board of Directors' Report. Finnair's auditing firm, PricewaterhouseCoopers, has verified that the description of the main features of the internal control and risk management related to the financial reporting process contained herein is consistent with the financial statements.

For more information on Finnair's governance see the company's website www.finnairgroup.com under the Investors section. The Renumeration statement is on pages 80-81.

BOARD OF DIRECTORS

The duties of the Board

The Board represents all shareholders of Finnair and strives to advance their interests and those of the company. The Board is responsible for the administration of the company and for arranging the operations of the company in an adequate manner. The Board's shall ensure that the controls regarding Finnair's accounting and managing of funds and other assets, and other risk management are adequately arranged. Finnair's Board of Directors has confirmed for itself a written charter defining the Board's status, tasks and the meeting procedures.

In particular, the Board's duties and tasks include:

- to ensure that the company is managed according to sound business principles and that the reporting, controls and risk management are adequate;
- to appoint and dismiss the President and CEO and the Deputy CEO, if any, and to determine their compensations and other material terms of their contracts;
- after consultation with the President and CEO to appoint and dismiss the executive officers reporting to the President and CEO and to determine their compensations;
- to establish the organisational structure at the group's executive level;
- to approve the company's strategy and to oversee its implementation;
- to approve the group's annual business plan and budget and to oversee the performance of the same;
- to establish and regularly evaluate the principles in respect of the group's personnel policies including those related to compensation, and in particular approve structures and target settings for the company's short and long-term incentive programs;
- to approve the Group's Investment Guidelines;
- to determine the President and CEO's mandate for short-term borrowing, and to decide upon long-term borrowing and to decide upon investments in aircraft or in other material fixed assets or upon acquisition of equity interests in other entities, which alone, or when aggregated with other investments or acquisitions in or of the same or similar assets or entities exceeds the President and CEO's mandate as set out in the Group's Investment Guidelines from time to time;
- to decide upon establishing subsidiary companies and upon material changes affecting the same, and upon disposal of property or other material fixed assets, to the corresponding extent that investments in such fixed assets would be decided upon by the Board, as well as upon mortgaging of property and aircraft as security for payment of loan, and to decide upon granting of security for the fulfilment of obligations of third parties or those of the subsidiary companies.

The Board's charter is available on Finnair's website in its entirety at www.finnairgroup.com under the Investors section. The Board evaluates its work annually.

Members of the Board in 2011

The Members of the Board selected by the 2011 Annual General Meeting are Harri Sailas (Chairman), Elina Björklund, Sigurður Helgason, Satu Huber, Harri Kerminen, Ursula Ranin, Veli Sundbäck (Vice chairman) and Pekka Timonen. Until the end of the 2011 Annual General Meeting, Christoffer Taxell acted as the Chairman of the Board. See the table on page 75 for the personal information regarding the Members of the Board.

The Members' independence from the company

All Members of the Board are independent of the company. The Members of the Board are also independent of the significant shareholders of the company with the exception of Pekka Timonen, who is employed by Finnair Plc's largest shareholder, the Finnish State.

The Board's activities during the financial period 2011

In 2011, the Board met nine times (six meetings with the composition chosen by the 2011 AGM and three meetings with the composition chosen by the 2010 AGM). See the table on page 75 for information on the Board Members' participation in the meetings during 2011.

COMMITTEES OF THE BOARD

Two permanent committees assist the Board in its work: the Audit Committee and the Compensation and Appointments Committee. The Board appoints Committee members and chairmen from amongst Members of the Board, and the term of office of the Committees is the same as the Board's term of office.

The Board has confirmed the written charters for the Committees. The committees report on their work regularly to the Board.

Audit Committee

The Audit Committee's main tasks include the monitoring of the financial statements reporting process, the financial reporting process and the effectiveness of the company's internal monitoring, internal auditing and the risk management systems, and to make proposals to the AGM on the auditor and the auditor's compensation. The members of the Audit Committee must be sufficiently qualified to carry out the tasks required by the Committee. Additionally, at least one member must have expertise especially in management accounting, accounting or auditing of the accounts. The charter of the Committee is available on Finnair's website in its entirety at www.finnairgroup.com under the Investors section.

The members of the Audit Committee of the Board post the 2011 AGM are Veli Sundbäck (Chairman), Sigurður Helgason, Satu Huber and

BOARD OF DIRECTORS IN 2011

Name	Personal Information	Participation in Board meetings in 2011	Participation in Committee meetings in 2011
Harri Sailas	Chairman of the Board since 24 March 2011 Member of the Board since 2010 B. 1951, M.Sc. (Econ.) Main occupation: President and CEO of Ilmarinen Mutual Pension Insurance Company Committee membership: Compensation and Appointments Committee	8/9	5/5
Elina Björklund	Member of the Board since 2009 B. 1970, M.Sc. (Econ.) Main occupation: Partner, BletBI Advisors Committee membership: Audit Committee	9/9	3/3
Sigurður Helgason	Member of the Board since 2007 B. 1946, MBA Main occupation: Chairman of the Board of Directors of the Icelandair Group Committee membership: Audit Committee	8/9	3/3
Satu Huber	Member of the Board since 2006 B. 1958, M.Sc. (Econ.) Main occupation: Managing Director of the Tapiola Pension Ltd Committee membership: Audit Committee	9/9	3/3
Harri Kerminen	Member of the Board since 24 March 2011 B. 1951, M.Sc. (Tech.), MBA Main occupation: President and CEO of Kemira Plc Committee membership: Compensation and Appointments Committee	6/6	4/4
Ursula Ranin	Member of the Board since 2006 B. 1953, LL.M., MSc (Econ) Committee membership: Compensation and Appointments Committee	8/9	4/5
Veli Sundbäck	Vice chairman of the Board since 24 March 2011 Member of the Board since 2004 B. 1946, LL.M. Committee membership: Audit Committee	8/9	3/3
Pekka Timonen	Member of the Board since 2008 B. 1960, LL.D. Main occupation: Director General of the Prime Minister's Office's Ownership Steering Department Committee membership: Compensation and Appointments Committee	9/9	5/5

MEMBERS OF THE BOARD UNTIL THE END OF THE 2011 ANNUAL GENERAL MEETING

Name	Personal Information	Participation in Board meetings in 2011	Participation in Committee meetings in 2011
Christoffer Taxell	Chairman of the Board between 2003–March 24 2011 B. 1948, LLM Committee membership: Compensation and Appointments Committee	3/3	1/1

More information on the Members of the Board is available on Finnair's website at www.finnairgroup.com under the Investors section.

Elina Björklund. In 2011, the Audit Committee met three times. See the table above for information on the Committee members' participation in the meetings during 2011.

Compensation and Appointments Committee

The Compensation and Appointments Committee's main task is, among other things, to prepare the decisions of the Board of Directors on compensation and appointments matters relating to the company's President and CEO and the Group's other senior management, as well as the policies and practices relating to the compensation of the company's personnel. The charter of the Committee can be viewed on Finnair's website in its entirety at www.finnairgroup.com under the Investors section.

The members of the Compensation and Appointments Committee of the Board post the 2011 AGM are Harri Sailas (Chairman), Harri Kerminen, Ursula Ranin and Pekka Timonen. In 2011, the Compensation and Appointments Committee met five times. See the table above for information on the Committee members' participation in the meetings during 2011.

SHAREHOLDERS' NOMINATION COMMITTEE

In accordance with the proposal of the Ownership Steering Department in Prime Minister's Office, representing the Finnish State, the 2011 AGM decided to appoint Nomination Committee to prepare proposals concerning the Members of the Board and their compensation to be put to the next AGM. The Nomination Committee must submit its proposal to the company's Board of Directors by 1 February 2012.

Representatives from the three largest shareholders are elected to the Nomination Committee, which will also include the Chairman of the Board as an expert member. The three shareholders with the largest share of votes out of all shares of the company on November 1 prior to the AGM shall have the right to appoint the members representing the shareholders. In 2011, the three largest shareholders at the beginning of November were the Finnish State, Local Government Pensions Institution and Skagen Global Verdipapirfond. Jarmo Väisänen, Robin Backman and Michael Gobitschek acted as members of the Nomination Committee. The committee elected Jarmo Väisänen as its chairman from among its members. Harri Sailas, the Chairman of the Board, acts as an expert member of the Nomination Committee.

PRESIDENT AND CEO

Finnair Plc has a President and CEO whose task is to manage the company's operations in accordance with the Companies Act and the guidelines and instructions issued by the Board of Directors. Mika Vehviläinen, M.Sc. (Econ.), b. 1961, acts as Finnair's President and CEO.

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 centralised Shared Service Centre in cooperation with business unit controllers, whereas consolidation and group reporting are 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 that owns 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 identification and assessment, control activities, information, 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. The 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. The internal control principles in the Finnair Group are documented in the Group reporting guidelines, the Self Assessment Tool, Treasury Policy, Procurement Policy, Credit Policy and Data Security Principles.

Risk identification and assessment are 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 cooperation 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 related to financial reporting are managed through different control activities related to the accuracy of the financial information in companies, business areas and processes. The business area controllers as well as the Shared Service Centre play an important role in performing the control activities. Through the Self Assessment Tool, all business areas report the key controls and the performance of these key controls.

Information regarding control requirements is communicated through guidelines, policies and procedures. Through the Self Assessment Tool, the management of business areas 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 regularly reported to the Board of Directors.

The monitoring to ensure the effectiveness of internal control over financial reporting is conducted by the Board of Directors, the Audit Committee, the President and CEO, the Executive Board, Internal Auditing, subsidiaries and business areas. The 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 the results from internal audits performed by Internal Auditing and the Group's external auditors.

Internal Control

Most of the company's operational activity is based on official regulations and supervision, and the responsibility for complying with these rests on persons approved by the authorities. Other essential supervision responsibilities are related to economics, financing 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 organisation.

Internal Auditing

Internal auditing verifies the integrity of transactions, the accuracy of information in internal and external accounting and ensures that the 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 auditors. The Internal Auditing priorities are determined in accordance with the Group's risk management strategy.

Risk management in Finnair

Risk management in Finnair is part of corporate management and is directed primarily at risks that threaten the fulfilment of its short-term and long-term objectives. To exploit business opportunities, Finnair is prepared to assume managed and considered risks within the limits of its risk-bearing capacity. In flight safety matters, Finnair's objective is to minimise risks.

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

The company's Board of Directors and President and CEO are responsible for the company's risk management strategy and principles as well as for the management of risks that threaten the fulfilment of strategic objectives. The President and 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 entire Finnair Group. The company's internal auditing coordinates the reporting of risk management as well as adherence to the specified operating model.

The company's 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 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. The IOSA certification audit assesses whether the airline's quality control systems fulfil both IOSA and international aviation regulation standards.

Management of risks related 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, long-term forecasting is difficult.

Unexpected external shocks, such as natural disasters, can rapidly affect air transport demand. 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 clearly defined processes for minimising operational impacts arising in air transport from various external disruptive factors.

In order to minimise the residual value risk related to owning aircraft, Finnair has acquired part of the aircraft fleet through operating lease agreements of different durations. Operating lease agreements have been signed 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.

RISKS RELATED TO STRATEGY IMPLEMENTATION AND MARKETS

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

Finnair constantly makes market 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.

In addition to operational activities, Finnair's result is largely affected by the development of the market price of fuel, as fuel costs are among the biggest expense items, in addition to personnel costs. The result is also affected by exchange-rate fluctuations of the US dollar and the Japanese yen against the euro. Fuel, aircraft leasing and spare part costs are dollar-denominated, whereas the yen is an important income currency due to the large scale of Japanese business operations.

The Flybe collaboration has gotten off to a good start, but there are certain risks related to achieving the targeted strategic goals. The company's medium-term goal is to become the market leader in regional aviation in the Nordic countries and Baltic States. Price competition in regional aviation is aggressive and there are alternative forms of travel available. The company must be cost competitive and reach potential customers in order to achieve its strategic objectives. Majority owner Flybe is responsible for the management and development of the company's operations.

The extensive cost savings and structural change programme initiated by the company has inherent risks related to the content and scheduling of the programme: the company must implement an adequate amount of structural changes, along with development, partnership and cost reduction measures as scheduled, in order to improve the profitability as expected.

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 this 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.

Main principles in flight safety work include 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 future risks predictively. 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 the prerequisite for operating successfully in the airline industry. However, the air transport business is exposed to various external disruptive factors and delays. 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 main processes related to Finnair's operational activities taking place at Helsinki Airport have been specified in collaboration with airport service company Finavia, while the operational activities at Helsinki Airport are managed centrally from the Hub Control Center. The aim is to ensure the operability of the processes in all circumstances through a joint management concept. The operability of the processes is monitored using process indicators and a monitoring system.

The Network Control Center is in charge of Finnair's global operating environment. The quality of production and passenger flows are predicted and monitored and factors that are critical to the network's reliability are identified in order to ensure the reliability of the network. Finnair Technical's and service subcontractors' service punctuality, diverse expertise and detailed specification of technical functions ensure the reliability of flight operations.

In operational activities, the contribution of partners and interest groups is also 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 all Finnair's flights in 2011 was 85.1%.

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 negotiated bilateral operating agreements with countries outside the European Union. In the long term, 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. Finnair will actively strive to influence the parties negotiating the operating rights and Siberian overflight permits in order to safeguard its interests.

The European Union has decided to include airline traffic in the carbon dioxide emissions trading scheme (ETS) from 2012 onwards. Airline traffic within the EU as well as flights departing from or arriving in EU countries are subject to emissions trading. This will affect the competitive situation of intercontinental air traffic in particular, increasing the risks European airlines are exposed to and causing them to incur additional costs, thus enhancing competition. It is also necessary to be prepared for the countermeasures targeted at airlines of the EU countries, if non-EU countries oppose EU emissions trading. Finnair estimates that in the current form and at the current price level, the additional costs caused by emissions trading will amount to approximately 5 million euros in 2012. However, the costs are estimated to increase substantially in the coming years.

Finnair has provided the authorities with its own emissions monitoring and verification plan and has also been actively involved in the preparation of national legislation. Furthermore, Finnair has participated in promoting the implementation of a global emissions trading agreement at various forums.

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 interest group meetings. 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 company aims to be among the world's leading airlines in terms of environmental and social responsibility issues, too. In the company's view, it is important to discuss the impacts of the amendments of the law freely and, on the other hand, to meet the growing interest and demands of stakeholders in social responsibility issues as well.

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 related to loss or damage is on risk prevention, but the company is also prepared 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 Finnair's operations are spread across many fields of business. Occupational safety risks are known to be high precisely in those areas – services, food industry, heavy aircraft maintenance, warehousing and transport – of which Finnair's operations principally consist. Finnair's wide subcontractor network in operational environments also creates a challenge for occupational safety.

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

Means of improving occupational safety include identifying and evaluating occupational health and safety hazards and the systematic implementation of improvement measures. Corrective actions are also carried out on the basis of the study of near-misses and accidents. Developing is focused on tools, working conditions, processes and way of action. The personnel must also be sufficiently well prepared for every kind of threat, accident and incident situation. This is ensured with training and drills. Due to Finnair's wide subcontractor network, many operating processes are shared between different companies according to contractual obligations and shared rules.

INFORMATION SYSTEMS

Functional, reliable information systems with up-to-date technology are central in Finnair's business operations. Critical systems include, among other things, various production control and customer relationship management systems.

Risks related to information systems can affect data security, data confidentiality, integrity or availability as well as the reliability of the data and compliance with regulations in these systems. They can be divided into physical risks (fire, sabotage, hardware failure) and logical risks (data security, personnel, software bugs). Finnair has prepared separate continuity plans for systems that are critical for the company.

The development of information system solutions and the IT environment requires continuous investment. Carefully selected external IT partners also reduce technology risks.

The coordination of Finnair's information system architecture, IT purchases, airline applications and strategies has been centralised in the company's information management department. This brings synergy benefits and improves cost-efficiency.

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The nature of Finnair's business operations exposes the company to foreign exchange, interest rate, credit and liquidity and fuel price risks. The company's policy is to minimise the negative effect of such risks on cash flow, financial performance and equity. The development of Finnair's capital structure is monitored regularly through adjusted gearing. The management of financial risks is based on the risk management policy approved by Finnair's 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, and the practical implementation of financial risk management has been centralised in the company's Finance Department. In the management of foreign exchange, interest rate and jet fuel positions, the company uses different derivative instruments, such as forward contracts, swaps and options.

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

Remuneration Statement

REMUNERATION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Annual General Meeting decides annually the remuneration of the Board of Directors and its committees. The election and remuneration of the Members of the Board are prepared by the Nomination Committee formed by the representatives of the largest shareholders in accordance with the proposal of the Prime Minister's Office's Ownership Steering Department. 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 or other incentive schemes.

The annual remuneration and meeting compensation decided by the 2011 Annual General Meeting for Members of the Board of Directors 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 residing in Finland 600 euros and to a member residing abroad 1,200 euros per meeting of the Board and its Committee.

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

REMUNERATION OF THE PRESIDENT AND CEO AND THE MANAGEMENT

Remuneration principles and the decision-making procedure

Based on the 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 and CEO and the Members of the Executive Board. The Board of Directors also decides the criteria and payment of the Group's incentive schemes for key individuals. The remuneration of the President and CEO, Executive Board and the management

Remuneration of Finnair Plc's Board of Directors for 2011 (euros):

Member	Fixed remuneration	Meeting compensations	Staff ticket taxable income	Total
Björklund Elina	30,000	13,800	1,536	45,336
Helgason Sigurður	30,000	13,200	422	43,622
Huber Satu	30,000	7,200		37,200
Kerminen Harri (from 24 March 2011)	22,500	6,000		28,500
Ranin Ursula	30,000	7,200	1,142	38,342
Sailas Harri	54,000	7,800	1,509	63,309
Sundbäck Veli	31,800	6,600	2,862	41,262
Taxell Christoffer (until 24 March 2011)	15,300	2,400	922	18,622
Timonen Pekka	30,000	8,400	3,024	41,424
				357,617

Salary and remuneration paid to the President and CEO's in 2011 (euros):

Base salary and perquisites	Short-term incentive bonus	Long-term incentive bonus
611,650	94,303	72,000

Salaries and remuneration paid to other Executive Board Members in 2011 (euros):

Base salary and perquisites	Short-term incentive bonus	Long-term incentive bonus	Special bonuses*
1,632,140	317,731	61,562	1,299,549

* Special bonuses totalling 2,773,143 euros were paid to 18 key individuals on 15 February 2011. The share of the special bonuses for six of the Executive Board members 31.12.2011 is reported above. Special bonuses were based on the decision made by Finnair Plc's Board of Directors in 2009. The purpose of these one-time bonuses was to commit Executive Board members and certain other key individuals to the company during the transfer period related to the President and CEO change (between autumn 2009 and year 2011) and to ensure the continuity of Finnair's operations.

The salaries and remuneration are reported based on payments made in 2011. Executive Board Members' salaries and remunerations are reported based on the Executive Board's composition at year-end 2011.

consist of a monthly salary, a short-term incentive bonus and a long-term share-based incentive.

The President and CEO's and Executive Board members' salary and remuneration

In 2011, Mika Vehviläinen acted as the President and CEO of Finnair Plc.

Based on his service contract the President and CEO Mika Vehviläinen is entitled to housing, car and telephone benefits. The taxable values of these benefits are included in the base salary and perquisites stated above. In 2011, the taxable value of the housing benefit was 23,607 euros (for the period 28 January–31 December 2011), the taxable value of the telephone benefit was 240 euros, and the taxable value of the car benefit was 11,041 euros in 2011.

Termination of the President and CEO service contract and severance pay

Both parties to the service contract are entitled to terminate the service contract without cause. The term of notice is twelve (12) months for the company and six (6) months for the President and CEO.

In the event that the company terminates the service contract, the President and CEO is paid a severance pay corresponding to total salary for twelve (12) months in addition to the salary for the notice period.

Short-term incentive bonus

The management's short-term incentive bonus is determined on the basis of targets set bi-annually by the Board of Directors. The executives' targets are based 50% on the business targets at Finnair level and 50% on the targets of the business area for which the executive is responsible. The management's short-term incentive bonus corresponds at target level to 20% and at maximum level to 40% of the annual base salary. In addition to this, the final amount of the incentive bonus is adjusted by Finnair's result factor, multiplying the personal bonus by a factor of 0.5 to 1.5, depending on the company's financial result. The result for the Finnair multiplier was 0.5 for H1 2011 and 0.53 for H2 2011.

Long-term incentive scheme

The share-based incentive scheme for key individuals for 2010–2012

On February 4, 2010 Finnair Plc's Board of Directors approved a share-based incentive scheme for the years 2010–2012. In the share incentive scheme, key individuals have the possibility of receiving company's shares and cash for a three-year earning period according to how the annual financial targets have been achieved. The scheme has two elements: a share incentive paid in shares and cash, and a purchasing incentive paid in cash. The incentives have the same earning criteria.

The objective of the scheme is to commit key individuals to Finnair and to offer them a competitive incentive based on share ownership. The rewards of the scheme are based on Finnair Plc's financial success as well as on the company's increase in value. The scheme also encourages the key individuals to acquire Finnair Plc shares, which in turn aligns the goals of the key individuals, the company and its shareholders.

Finnair Plc's Board of Directors annually decides on the group of key individuals entitled to the incentive scheme and the individuals' maximum share allocation. The value of the total incentive, including both incentives payable in shares and cash and purchasing incentives paid in cash, cannot exceed the individual's aggregate annual base pay during 2010–2012 earned in the Finnair group.

The scheme currently covers approximately 70 persons, and their combined share allocation for 2011 was 662,653 shares.

INCENTIVES PAID IN SHARES AND CASH

The earning period for the incentive paid in share and cash is 2010–2012. The financial targets of the scheme, as well as the target outcomes, are set and verified annually. The number of shares earned is calculated after each financial year and equals the individual's maximum share allocation multiplied by the targets' attainment percentages. The shares earned during 2010-2012 vest in spring 2013, whereupon also a cash reward is paid, equaling 1,5 times the value of shares at the time of payment. The cash reward is intended to cover to recipient's income tax resulting from the share incentive. The shares received as an incentive are subject to a three-year disposal ban.

The financial targets of the long-term share incentive scheme were not met in 2011 and therefore the incentives for 2011 will not be realized in 2013.

PURCHASING INCENTIVE

If a key individual belonging to the share incentive scheme purchases Finnair Plc's shares during 2010–2012, he or she will receive a cash incentive in the spring of the year following the share purchases.

Shares must be purchased between 1 January and 31 August and must still be in the possession of the individual at the time of payment. The incentive equals the proportion of the value of the shares acquired by the key individual that corresponds to the attainment percentage of the annual targets of the Share Incentive Scheme. This incentive is supplemented by a further cash payment, which in most cases corresponds to taxes and tax-related payments arising from the receipt of the incentive. Under the scheme, in each financial year the number of shares that are taken into account is at capped at 50% of the key individual's share incentive allocation. Share purchases that exceed this maximum amount as well as shares which have not accrued a purchasing incentive, will be taken into account the following year. For example, the shares purchased in 2011 will be taken into account in 2012 share purchases, because the 2011 targets were not met and consequently no purchasing incentive accrued in 2011. For each year under the scheme, the purchasing incentive is determined as follows: the number of shares acquired and taken into account by the key individual x the company's share price at the time of payment x the target realisation percentage x 2.5.

For the 2011 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) 193–293 million euros. Between these values the bonus was determined linearly. ROCE and EBITDAR had the same weighting.

Pension Benefits

The pension schemes of Finnair Plc's President and CEO and Members of the Executive Board are individual schemes, and the retirement ages under these schemes vary from 62 to 65 years.

All of the management's supplementary pension schemes that have been entered into after 1 October 2009 are defined-contribution schemes.

President and CEO's Pension

The President and CEO accumulates pension in accordance with the Employees' Pensions Act. In addition, the President and CEO is entitled to a supplementary, collective defined-contribution pension scheme. The retirement age under this scheme is 63 years. The supplementary pension is determined by the accruals of annual payments. The annual payment is calculated as follows: (20% * December 2011 monthly base salary) *12.5. If the President and CEO's term has lasted over 48 months, the supplementary pension becomes vested.

More information regarding compensation and pension schemes in Finnair can be found in Finnair Plc's Financial Statements for 2011 under notes 9. "Employees benefit expenses", 26. "Share-based payments" and 27. "Pension liabilities".

Stock Exchange Releases 2011

January	
03.01.2011	Finnair Agrees on sale and lease back of its newest Airbus aircraft
07.01.2011	Finnair's Asian traffic grew by 8 per cent last year
19.01.2011	Finnair considers participating in cargo aircraft venture
31.01.2011	Sanna Ahonen to become Finnair's VP, Corporate Development
February	
01.02.2011	SVP Communications Christer Haglund to leave Finnair
01.02.2011	Proposals of the shareholders' nomination committee on the composition and remuneration of the Board of Directors of Finnair Plc.
04.02.2011	Finnair Group Financial statement 1 January–31 December 2010
04.02.2011	Finnair plans structural changes in technical services subsidiaries
09.02.2011	Finnair's Asian traffic strengthens and cargo volume grow
18.02.2011	Arja Suominen to be Finnair's SVP Corporate Communications
25.02.2011	Invitation to the Annual General Meeting of Finnair Plc.
March	
02.03.2011	Deputy Chief Executive Officer Lasse Heinonen to leave Finnair
03.03.2011	Finnair's Annual Report 2010 has been published
08.03.2011	Finnair's long-haul traffic grows
15.03.2011	Negotiations on Finncomm Airlines' ownership arrangements progress
24.03.2011	Japan, Middle East and North Africa crises will impact negatively on Finnair's results
24.03.2011	Decisions of the Annual General Meeting 2011 of Finnair Plc.
30.03.2011	Finnair to participate in new cargo airline venture
31.03.2011	Finnair Technical Services' cooperation negotiations ended
April	
08.04.2011	March 2011 Traffic Performance
08.04.2011	Finnair supplements previously published March traffic performance release
28.04.2011	Finnair Group Interim Report January 1- March 31, 2011
May	
09.05.2011	April 2011 Traffic Performance
31.05.2011	Finnair Technical Services' warehousing operations to Suomen Transval Oy
June	
07.06.2011	May 2011 Traffic Performance
07.06.2011	Finnair Cargo offering more freighter capacity to Shanghai and New York together with World Airways
July	
01.07.2011	Finnair and Flybe to set up Flybe Nordic and acquire Finnish Commuter Airlines
01.07.2011	Flybe and Finnair reveal joint vision for Nordic passengers following acquisition of Finnish Commuter Airlines
05.07.2011	Finnair to open route to China's largest city, Chongqing
07.07.2011	June 2011 Traffic Performance
August	
01.08.2011	Competition authorities approved Flybe and Finnair acquisition of Finnish Commuter Airlines
05.08.2011	Finnair Group Interim Report January 1–June 30, 2011
08.08.2011	July 2011 Traffic Performance
18.08.2011	Flybe and Finnair complete the acquisition of Finnish Commuter Airlines
September	
08.09.2011	August 2011 Traffic Performance
October	
07.10.2011	Monthly traffic performance data - September 2011
07.10.2011	Finnair estimates it will not reach profitability in the second half of 2011
21.10.2011	Finnair Financial Calendar
27.10.2011	Finnair Group Interim Report January 1–September 30, 2011
November	
08.11.2011	October 2011 Traffic Performance
29.11.2011	Finnair optimizes its narrow body fleet
December	
08.12.2011	November 2011 Traffic Performance

Information for the shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Finnair Plc is held on 28 March 2012, at 15:00 at the Helsinki Exhibition & Convention Centre at the address Messuaukio 1, Helsinki, Finland. The reception of persons who have registered for the meeting and the distribution of voting tickets will commence at 14.00. Coffee is served before the commencement of the AGM.

THE NOTICE TO CONVENE THE AGM

The notice to convene the AGM and the proposals of the Board of Directors to the AGM will be published as a stock exchange release and on Finnair's corporate website. The notice will contain the agenda for the AGM. Shareholders are entitled to having an issue put on the Annual General Meeting's agenda, provided that such an issue requires a decision by the Annual General Meeting according to the Finnish Companies Act, and provided that they request it in writing in due time to be included in the notice.

THE RIGHT TO PARTICIPATE IN THE AGM

Each shareholder who is registered on 16 March 2012 in the Company's register of shareholders maintained by the Euroclear Finland Oy has the right to participate in the AGM.

REGISTRATION FOR THE AGM

The shareholder who wants to participate in the general meeting and exercise their voting right can register to the meeting at the latest on 23 March 2012 at 10 a.m. Registration can be done:

- In the internet at http://www.finnairgroup.com,
- By e-mail to: agm@finnair.com,
- By phone from Monday to Friday at 9.00–16.00 in the number: +358 20 770 6866,
- By fax: +358 9818 4092
- By mail to: Finnair Plc, Register of shareholders HEL-AAC/ 05, 01053 FINNAIR.

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 23 March 2012 at 10 a.m.

AGM 2012 – IMPORTANT DATES

16 March 2012 Record date
23 March 2012 at 10 a.m. EEt Deadline for giving notice of attendance
28 March 2011 at 2 p.m. EEt the reception of persons registered to the AGM begins and at 3 p.m. EEt the AGM begins.

BOARD OF DIRECTORS' PROPOSAL ON DIVIDEND

According to the financial statements on 31 December 2011, the distributable equity of Finnair Plc. amounts to 264.1 million euros. The Board of Directors proposes to the Annual General Meeting that no dividend shall be distributed for 2011.

FINANCIAL INFORMATION IN 2012

In 2012, interim reports will be published as follows:

- Q1 on Friday 27 April 2012
- Q2 on Friday 10 August 2012
- Q3 on Friday 26 October 2012

Financial report, financial statements and interim reports are published in Finnish and English. The material is available on the company website. Shareholders can subscribe or unsubscribe for the releases at www.finnairgroup.com

SILENT PERIOD

Finnair's silent period starts three weeks prior to publishing of its interim financials and four weeks prior to publishing of annual financial results. Finnair will not comment on its business or meet with capital market representatives during that period.

CHANGES IN CONTACT INFORMATION

Euroclear Finland Ltd maintains a list of Company shares and shareholders. Shareholders who wish to make changes to their personal and contact information are kindly asked to contact their own account operator directly. Finnair cannot make these changes.

ASSESSMENTS REGARDING FINNAIR AS AN INVESTMENT OBJECT

According to information held by Finnair, at least the following analysts publish investor analyses of the company: Goldman Sachs, Carnegie Investment Bank, Evli Bank, FIM, Nordea and Pohjola Bank. Finnair does not accept any responsibility for the views or opinions expressed by the analysts.

Board Of Directors 2011

Harri Sailas

b. 1951, M.Sc. (Econ), President and CEO of Ilmarinen Mutual Pension Insurance Company; Member of the Board of Directors of the Central Chamber of Commerce of Finland; Chairman of the Board of the Finnish Pension Alliance TELA; Member of the Board of Pohjola Bank Plc. and Chairman of the Board of Aalto-University Properties Ltd. Chairman of Finnair Group's Board since 2011, member of the Board since 2010.

Elina Björklund

b. 1970, M.Sc. (Econ), Partner, BletBI Advisors. Fiskars Home/Iittala Group 2004-2010 holding several senior leadership positions; independent entrepreneur, finance consultation and training in 2001–2004; Deputy CEO and chief analyst of Merita Securities Ltd in 1995–1999. Member of the Board of the Art and Design City Helsinki Oy in 2006–2008 and Member of the Board of Marimekko Plc. since 2011. Member of Finnair Group's Board since 2009.

Sigurður Helgason

b. 1946, MBA, Chairman of the Board of Directors of Icelandair Group since August 2009. President and CEO of Icelandair 1985–2005; Member of the IATA board of Govenors 2004–2005; Chairman of the Icelandair Childrens Travel Fund since 2005; Member of the Board of The Einar Jonsson Art Museum and Chairman of the Friends of Vatnajökull National Park Foundation. Member of Finnair Group's Board since 2007.

Satu Huber

b. 1958, M.Sc. (Econ), Managing Director of the Tapiola Pension Ltd; Member of the Board of YIT Plc and the Finnish Cultural Foundation; Member of the National Emergency Supply Agency and Member of the National Expert Group on Capital Market Strategy. Member of Finnair Group's Board since 2006.

Current information on the Board of Directors and share ownership can be found at www.finnair.com/group.

Harri Kerminen

b. 1951, M.Sc. (Tech.), MBA, President and CEO of Kemira Plc and Chairman of the Business and Strategic Management Boards. Member of the Board of CEFIC; Chairman of the Board of Chemical Industry Federation of Finland; Chairman of the Board of Finpro ry and Member of the Board of Confederation of Finnish Industries EK. Member of Finnair Group's Board since 2011.

Ursula Ranin

b. 1953, LL.M., B.Sc. (Econ). In the service of Nokia Corporation 1984–2005, incl. General Counsel 1994–2005, Secretary of the Group Executive Board 1992–2005 and Secretary of the Board of Directors 1996–2005. Member of the Board of UPM-Kymmene since 2006. Member of Finnair Group's Board since 2006.

Veli Sundbäck

b. 1946, LL.M., Executive Vice President and Member of the Board of Nokia 1996–2008, in the Ministry for Foreign Affairs 1969–1996, Secretary of State at the Ministry for Foreign Affairs 1993–1996; Chairman of the Board of Vaaka Partners; Chairman of the Board of the John Nurminen Foundation; Member of the Board of the Finnish National Theatre; Chairman of Board of Huhtamäki Plc 1995–2005. Vice Chairman of Finnair Group's Board since 2011, member of the Board since 2004.

Pekka Timonen

b. 1960, LL.D. Director-General of the Prime Minister's Office Ownership Steering Department since 2007. Teaching and research positions at the University of Helsinki 1984–2001; Secretary-General of the Ministry of Trade and Industry's Foreign Ownership Committee 1990–1991; Ministerial Advisor in the Ownership Policy Unit since 2001; Member of Finnair Group's Board since 2008.

Finnair Group's Executive Board 2011

From left: Gregory Kaldahl, Erno Hildén, Kaisa Vikkula, Anssi Komulainen, Mika Vehviläinen, Manne Tiensuu, Sami Sarelius, Arja Suominen, Ville Iho and Mika Perho.

Mika Vehviläinen

b. 1961, MSc (Econ.), Finnair Plc's President and CEO, in Finnair's service since 2010. Vehviläinen previously worked for Nokia, ultimately as Chief Operating Officer of Nokia Siemens Networks.

Erno Hildén

b. 1971, MSc (Econ.), CFO, Member of the Executive Board, in Finnair's service since 1997. Hilden's previous posts include VP for Finnair Leisure Flights business unit and various business development posts in Finnair corporate management. Prior to his present position he was Finnair Plc's COO.

Ville Iho

b. 1969, MSc (Technology), COO, Member of the Executive Board, in Finnair's service since 1998. Iho previously held various posts in Finnair Oyj's Scheduled Traffic. Prior to his present position he was Finnair Plc's SVP Resources Management.

Gregory Kaldahl

b. 1957, BS (Education), SVP Resources Management, Member of the Executive Board, in Finnair's service since 2011. Kaldahl previously worked for several airlines. His latest position was VP, Resource Planning for United Airlines.

Anssi Komulainen

b. 1964, BA, SVP Customer Service, Member of the Executive Board, in Finnair's service 1989–1999 and since 2001. Komulainen has worked in various management posts in the restaurant sector as well as in Finnair Catering's service, ultimately as its Managing Director and SVP Catering. His latest position was SVP, Human Resources.

Current information on the Group's Executive Board and share ownership can be found at www.finnair.com/group.

Mika Perho

b. 1959, BA, SVP Commercial Division, Member of the Executive Board, in Finnair's service since 1985. Perho has held management posts in Finnair sales and marketing.

Sami Sarelius

b. 1971, LLM, Vice President and General Counsel, Member of the Executive Board, in Finnair's service since 1998.

Arja Suominen

b. 1958, MA, e-MBA, SVP Corporate Communications and Corporate Responsibility, Member of the Executive Board, in Finnair's service since 14 March 2011. Suominen previously worked for Nokia, mainly in mainly in communications positions, ultimately as Nokia's Vice President, Global Media Relations.

Manne Tiensuu

b. 1970, MPsych, Senior Vice President, Human Resources, Member of the Executive Board, in Finnair's service since 2010. Tiensuu previously worked for Glaston Oyj and Nokia Oyj.

Kaisa Vikkula

b. 1960, D. Sc. (Econ), SVP Travel Services, Member of the Executive Board, in Finnair's service since 2006. Vikkula previously worked in the finance and capital markets, as an investor relations and communications director for Partek Plc and Managing Director of Mascus Ltd.

Contact Information

Finnair Oyj
Helsinki-Vantaa Airport
Tietotie 11 A
FI-01053 Finnair
Tel. +358 9 818 81
www.finnair.com
www.finnairgroup.com

Chief Financial Officer
Erno Hilden
Tel. +358 9 818 8550
erno.hilden@finnair.com

Director, Investor Relations and Financial Communications
Mari Reponen
Tel. +358 9 818 4054
mari.reponen@finnair.com

Investor Relations Officer
Kati Kaksonen
Tel. +358 9 818 2780
kati.kaksonen@finnair.com
investor.relations@finnair.com