Consolidated Income Statement

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

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

Consolidated Statement of Comprehensive Income

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

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

Consolidated Balance Sheet

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

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

Consolidated Cash Flow Statement

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

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

Notes to consolidated cash flow statement:

[1] Transactions of a non-cash nature:

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

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

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

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

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

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

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

Consolidated Statement of Changes in Equity

Equity attributable to owners of the parent

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

Equity attributable to owners of the parent

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

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

Notes to the Financial Statement

1. BASIC INFORMATION ABOUT THE COMPANY

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

2. ACCOUNTING PRINCIPLES

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

BASIS OF PREPARATION

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

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

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

PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

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

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

NON-CONTROLLING INTEREST AND
TRANSACTIONS WITH NON-CONTROLLING INTEREST

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

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

ASSOCIATED UNDERTAKINGS

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

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

TRANSLATION OF FOREIGN CURRENCY ITEMS

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

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

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

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

DERIVATIVE CONTRACTS AND HEDGE ACCOUNTING

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

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

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

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

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

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

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

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

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

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

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

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

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

PRINCIPLE OF REVENUE RECOGNITION

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

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

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

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

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

Interest income

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

Dividend income

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

OPERATING PROFIT

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

INCOME TAXES

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

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

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

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

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

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

PUBLIC GRANTS

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

TANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

INTANGIBLE ASSETS

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

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

Goodwill

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

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

Research and development expenditure

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

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

Computer software

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

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

Other intangible assets

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

NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

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

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

LEASE AGREEMENTS

The Group is the lessee

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

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

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

The Group is the lessor

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

Sale and leaseback

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

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

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

IMPAIRMENT

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

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

INVENTORIES

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

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

TRADE RECEIVABLES

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

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

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

FINANCIAL ASSETS

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

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

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

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

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

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

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

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

FINANCIAL LIABILITIES

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

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

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

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

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

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

Impairment of financial assets

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

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

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

CASH AND CASH EQUIVALENTS

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

SHAREHOLDERS' EQUITY

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

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

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

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

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

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

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

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

DIVIDEND

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

TREASURY STOCK (OWN SHARES)

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

EMPLOYEE BENEFITS

Pension liabilities

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

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

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

Profit-sharing and bonus plans

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

Other post-employment benefits

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

SHARE-BASED PAYMENTS

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

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

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

PROVISIONS AND CONDITIONAL LIABILITIES

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

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

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

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

SEGMENT REPORTING

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

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

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

Impairment testing

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

Deferred taxes

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

Critical judgements in applying the entity's accounting policies

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

APPLICATION OF NEW AND AMENDED IFRS STANDARDS AND IFRIC INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SEGMENT INFORMATION

Annual information

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

Business segment data 1 Jan—31 Dec 2010

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

Business segment data 1 Jan–31 Dec 2009

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

Employees (average) by segment

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

4. ACQUIRED BUSINESSES

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

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

Non-current assets held for sale

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

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

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

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

6. PRODUCTION FOR OWN USE

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

7. OTHER OPERATING INCOME

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

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

8. MATERIALS AND SERVICES

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

Other operating expenses do not include research and development expenses.

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

9. EMPLOYEE BENEFIT EXPENSES

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

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

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

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

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

Personnel incentive scheme

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

Transfer to Personnel Fund

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

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

Management pension benefits

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

10. DEPRECIATION AND IMPAIRMENT

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

11. OTHER OPERATING EXPENSES

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

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

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

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

12. FINANCIAL INCOME

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

13. FINANCIAL EXPENSES

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

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

14. INCOME TAXES

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

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

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

15. EARNINGS PER SHARE

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

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

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

16. INTANGIBLE ASSETS

Financial statement 31 Dec 2009

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

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

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

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

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

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

17. TANGIBLE ASSETS

Financial statement 31 Dec 2009

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

Financial statement 31 Dec 2010

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

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

Impairment test

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

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

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

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

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

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

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

Financial lease arrangements

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

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

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

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

18. HOLDINGS IN ASSOCIATED UNDERTAKINGS

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

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

Information on the Group's associated undertakings

Financial statement 31 Dec 2009

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

Financial statement 31 Dec 2010

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

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

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

19. RECEIVABLES, LONG-TERM

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

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

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

Other receivables are lease collateral for aircraft operational lease agreements.

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

20. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred taxes during 2009:

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

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

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

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

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

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

21. INVENTORIES

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

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

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

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

22. TRADE RECEIVABLES AND OTHER RECEIVABLES

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

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

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

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

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

23. OTHER FINANCIAL ASSETS, SHORT-TERM

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

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

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

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

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

24. CASH AND CASH EQUIVALENTS

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

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

25. EQUITY-RELATED INFORMATION

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

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

All issued shares are fully paid.

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

RESERVES INCLUDED IN SHAREHOLDERS' EQUITY

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

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

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

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

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

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

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

Derivatives in income statement

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

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

Sensitivity analysis of the fair value reserve

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

Own shares

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

Hybrid bond

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

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

26. SHARE-BASED PAYMENTS

The Group has share-based personnel bonus schemes.

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

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

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

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

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

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

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

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

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

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

27. PENSION LIABILITIES

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

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

Defined-benefit pension schemes

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

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

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

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

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

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

Plan assets are comprised as follows		
%	31 Dec 2010	31 Dec 2009
Listed shares	21.7	19.0
Debt instruments	49.5	56.0
Property	18.6	18.0
Other	10.2	7.0
Total	**100.0**	**100.0**

Net liability reconciliation statement

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

Defined-benefit schemes: principal actuarial assumptions

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

Amounts relating to defined benefit obligation and plan assets

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

28. PROVISIONS

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

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

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

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

29. INTEREST-BEARING LIABILITIES

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

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

Maturity dates of interest-bearing financial liabilities 31 Dec 2010

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

Maturity dates of interest-bearing financial liabilities 31 Dec 2009

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

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

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

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

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

Finance lease liabilities

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

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

30. TRADE PAYABLES AND OTHER LIABILITIES

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

Significant items in accrued liabilities:

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

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

31. MANAGEMENT OF FINANCIAL RISKS

RISK MANAGEMENT IN FINNAIR

Principles of financial risk management

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

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

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

Fuel price risk in flight operations

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

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

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

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

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

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

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

Electricity price risk

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

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

Foreign exchange risk

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

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

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

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

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

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

Interest rate risk

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

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

Credit risk

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

Liquidity risk

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

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

Capital management

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

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

32. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33. SUBSIDIARIES

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

34. OTHER LEASE AGREEMENTS

The Group is the lessee

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

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

The Group is the lessor

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

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

35. GUARANTEES, CONTINGENT LIABILITIES AND DERIVATIVES

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

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

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

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

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

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

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

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

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

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

36. RELATED PARTY TRANSACTIONS

The following transactions have taken place with related parties:		
EUR mill.	2010	2009
Sales of goods and services		
Associated undertakings	0.5	4.8
Management	-	-
Purchases of goods and services		
Associated undertakings	1.2	2.3
Management	-	-
Receivables and liabilities		
Receivables from associated undertakings	0.1	0.3
Liabilities to associated undertakings	0.0	0.3

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

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

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

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

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

37. CHANGE OF ACCOUNTING PRINCIPLE

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

Consolidated Balance Sheet

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

Changes of consolidated Income statement

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

Consolidated Balance Sheet

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

38. DISPUTES AND LITIGATION

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

On 31 December 2010 the following disputes were pending:

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

39. EVENTS AFTER THE CLOSING DATE

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

40. PARENT COMPANY'S FINANCIAL FIGURES

The figures presented below are not IFRS figures.

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

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

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

Board of Directors' Proposal on the Dividend

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

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

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

Helsinki, 3 February 2011

The Board of Directors of Finnair Plc

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

Mika Vehviläinen
President & CEO of Finnair Plc

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF FINNAIR PLC

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

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

OTHER OPINIONS

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

Helsinki, 21 February 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant

Jyri Heikkinen
Authorised Public Accountant