

1994 / 1995

ANNUAL REPORT



ANNUAL REPORT 1994/1995

71st financial year



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INFORMATION TO SHAREHOLDERS

Annual General Meeting

The Annual General Meeting of Finnair Oy will convene on August 24, 1995 at 3.00 p.m. in the Hotel Inter-Continental Helsinki, Mannerheimintie 46-48, Helsinki.

Shareholders desiring to attend must be registered with the Central Share Register by August 14, 1995.

Dividend proposal

The Board of Directors of Finnair Oy proposes to the Annual General Meeting that shareholders be paid a dividend for the 1994/95 financial year of FIM 0.50 per share. The Board proposes that the dividend be paid on September 5, 1995 to those shareholders who were registered on the record, August 30, 1995.

Interim Report

Finnair Oy will publish one interim report for the period April 1-September 30, 1995, and it will be released on November 29, 1995.

Investor Relations

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Assistant Vice President
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Annual Report

The Finnair Oy Annual Report is published in Finnish, with translations in Swedish and English. Copies of the Annual Report can be ordered as follows: telephone +358 0 818 4951 fax +358 0 818 4092

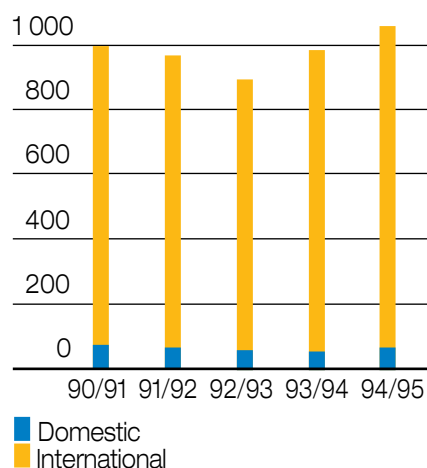
HIGHLIGHTS

FINNAIR GROUP

		1994/95	1993/94	Change %
Passengers	1 000	5 432	4 920	10
Cargo and mail	1 000 kg	57 564	50 168	15
Revenue tonne km	mill.	1 068	973	10
Total revenue				
from business operations	FIM mill.	6 670	5 958	12
Revenue from business operations by sector				
Flight operations	FIM mill.	6 055	5 379	13
Travel agencies	FIM mill.	233	199	17
Tour operations	FIM mill.	801	779	3
Hotel operations	FIM mill.	212	179	18
Other operations	FIM mill.	95	88	8
- Internal Group invoicing	FIM mill.	- 726	- 666	9
Operating margin	FIM mill.	945	588	61
Operating margin of revenue				
from business operations	%	14.2	9.9	
Operating profit	FIM mill.	522	189	177
Profit before incidental items, reserves and taxes	FIM mill.	419	120	249
Profit from the financial year	FIM mill.	255	146	75
Earnings/share	FIM mill.	5.39	1.93	179
Equity/share	FIM mill.	29.73	22.72	31
Share price March 31.	FIM mill.	29.0	33.7	- 14
Gross capital expenditures	FIM mill.	281	699	- 60
Interest-bearing liabilities	FIM mill.	3 185	3 792	- 16
Equity	FIM mill.	1 755	944	86
Equity ratio	%	33.1	21.8	
Personnel on average		9 586	9 721	- 1

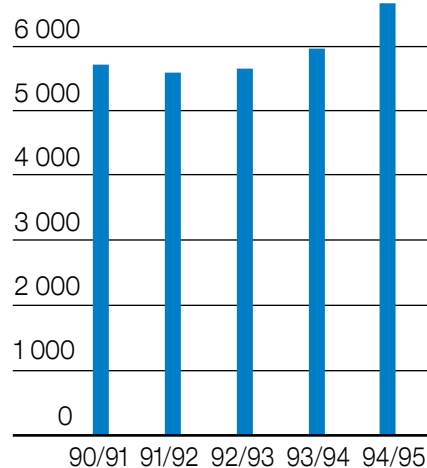
Revenue tonne kilometres

Mill. tnkm



Revenue from business operations

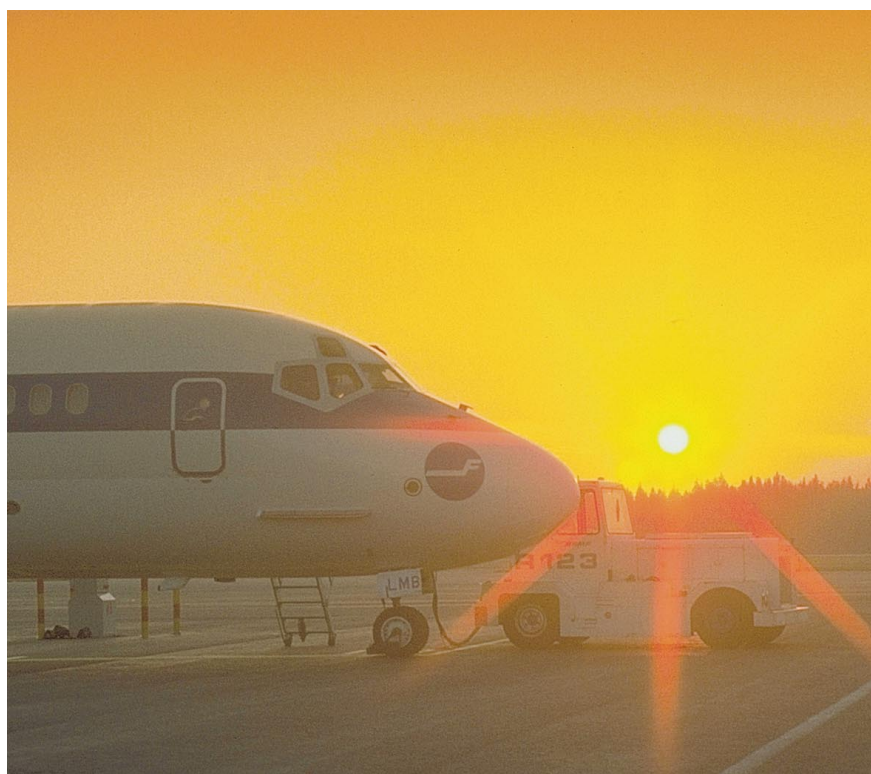
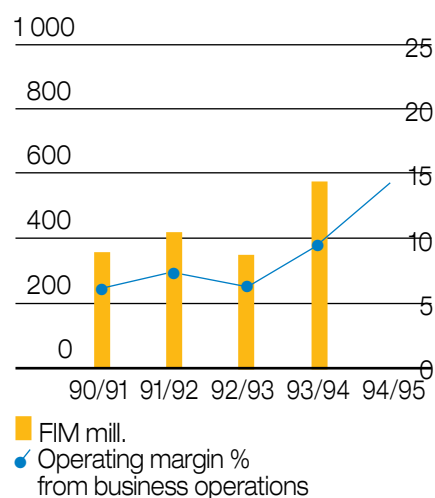
FIM mill.



Operating margin

FIM mill.

Operating margin %



INFORMATION ON FINNAIR OY SHARES AND SHAREHOLDERS

SHARES AND SHARE CAPITAL

On March 31, 1995, the Company's paid up share capital, entered in the trade register, was FIM 407,782,100, and comprised 81,556,420 shares. Each share has one vote at the Annual General Meeting. The nominal value of a share is FIM 5.

The minimum and maximum values of Finnair Oy's share capital are FIM 300 million and FIM 1,200 million, within the limits of which the share capital can be raised or lowered without amending the Articles of Association. The Company's shares were converted to the book entry security system in June 1993.

SHARE QUOTATIONS

Finnair Oy's shares are quoted on the Helsinki Stock Exchange. Since January 1995, the shares have also been traded in the SEAQ (Stock Exchange Automatic Quotation) system on the London Stock Exchange.

GOVERNMENT OWNERSHIP

On March 31, 1995, the Finnish Government owned 60.7% of the Company's shares and votes. On June 20, 1994, Parliament decided to maintain the Government's majority holding and gave its consent to reduce that holding to less than two-thirds. Should all the convertible bonds in circulation be exchanged for Finnair Oy shares, the Government's holding would be 57.5%.

CONVERTIBLE BONDS

Finnair Oy has issued two convertible bonds. The Company Board of Directors issued a convertible bond for FIM 150 million in February 1992 on the basis of the authorization it had received at the Annual General Meeting in August 1991. The bond in question will mature in 1999. The bonds can be converted to Company shares as follows: a bond with a nominal value of FIM 1000 entitles the holder to 54.4 Finnair Oy shares with a nominal value of FIM 5 each. The bonds can be

exchanged annually between April 1 and October 30. By March 31, 1995, a total of FIM 104,278,000 in bonds had been converted to 5,276,705 shares. Should all the unexchanged bonds on March 31, 1995 be converted to shares, the Company's share capital would rise by FIM 12,436,380, which corresponds to 2,487,276 shares.

In February 1994, the Company Board of Directors issued a perpetual convertible subordinated bond for FIM 230 million on the basis of authorization received from the Annual General Meeting in August 1993 and from an extraordinary Meeting of Shareholders in November 1993. The bond in question is by nature a capital loan and has features comparable to equity items. Bonds can be converted to Company shares as follows: a bond with a nominal value of FIM 10,000 entitles the holder to 271 shares in Finnair Oy with a nominal value of FIM 5 each. The bonds can be converted annually between January 1 and 31 and between April 1 and December 31. By March 31, 1995, a total of FIM 156,550,000 in bonds had been converted to 4,242,505 shares. Should all the unexchanged bonds on March 31, 1995 be converted to shares, the Company's share capital would rise by FIM 9,952,475, which corresponds to 1,990,495 shares.

For more detailed information on the convertible bonds, see sections 21 and 23 of the Notes to the Financial Statements.

SHARE OWNERSHIP BY MANAGEMENT

On March 31, 1995, members of the Company's Supervisory Board and Board of Directors and the Chief Executive Officer owned 3,519 shares, which represented 0.004% of all the shares and votes.

SHARE PRICES AND TRADING

Finnair Oy's share was quoted at FIM 29.00 on the Helsinki Stock Exchange on the last day of the financial year. The market value of the Company's shares was FIM 2,365 million. The highest trading price during the financial year was FIM 46.00 and the lowest FIM 28.00.

A total of 14.3 million shares were sold on the Helsinki Stock Exchange (15.5) during the financial year for a value of FIM 541.1 million (339.7). Shares have been traded after the share issue in January-February 1995 in the SEAQ system on the London Stock Exchange, where the volume was 2.3 million. Purchase and sale of a share lot in the SEAQ are treated as two deals.

FINNAIR OY SHAREHOLDERS AS AT MARCH 31, 1995

Shareholder	Number of shares	% of shares
Government of Finland	49 510 682	60.71
Neste Corporation	5 731 620	7.03
Industrial Insurance Company Ltd	1 112 500	1.36
The Local Government Pensions Institution	960 500	1.18
Sampo Insurance Company	719 000	0.88
Otso Loss of Profits Insurance Company Ltd	612 002	0.75
Pension Insurance Company Ilmarinen Ltd	610 500	0.75
Alfred Berg Finland Unit Trust	591 862	0.73
OP-delta (mutual fund)	415 000	0.51
Asko Ltd	363 600	0.45
Registered in the name of a nominee, total	12 598 770	15.45
Other, total	8 330 384	10.20
Total	81 556 420	100.00

DIVISION OF FINNAIR OY SHARE OWNERSHIP AS AT MARCH 31,1995

Shares held	Shareholders	Number of shares	%
1 - 100	4 691	218 793	0.27
101 - 1 000	2 534	789 049	0.97
1 001 - 10 000	437	1 257 624	1.54
10 001 - 100 000	82	2 655 884	3.26
100 001 - 1 000 000	24	7 582 487	9.30
1 000 001 -	3	56 354 802	69.10
Total	7 771	68 858 639	84.43
Registered in the name of a nominee		12 598 770	15.45
Not converted to book-entry securities systems		99 011	0.12
Total		81 556 420	100.00

KEY FIGURES AND SHARE PRICES

Key figures		1990/91	1991/92	1992/93	1993/94	1994/95
Earnings/share	FIM	- 1.94	- 3.03	- 6.67	1.93	5.39
Equity/share	FIM	31.63	28.68	21.69	22.72	29.73¹⁾
Dividend/share	FIM	-	-	-	0.30	0.50²⁾
P/E ratio	FIM	-	-	-	17.50	5.40

Number of shares and share prices

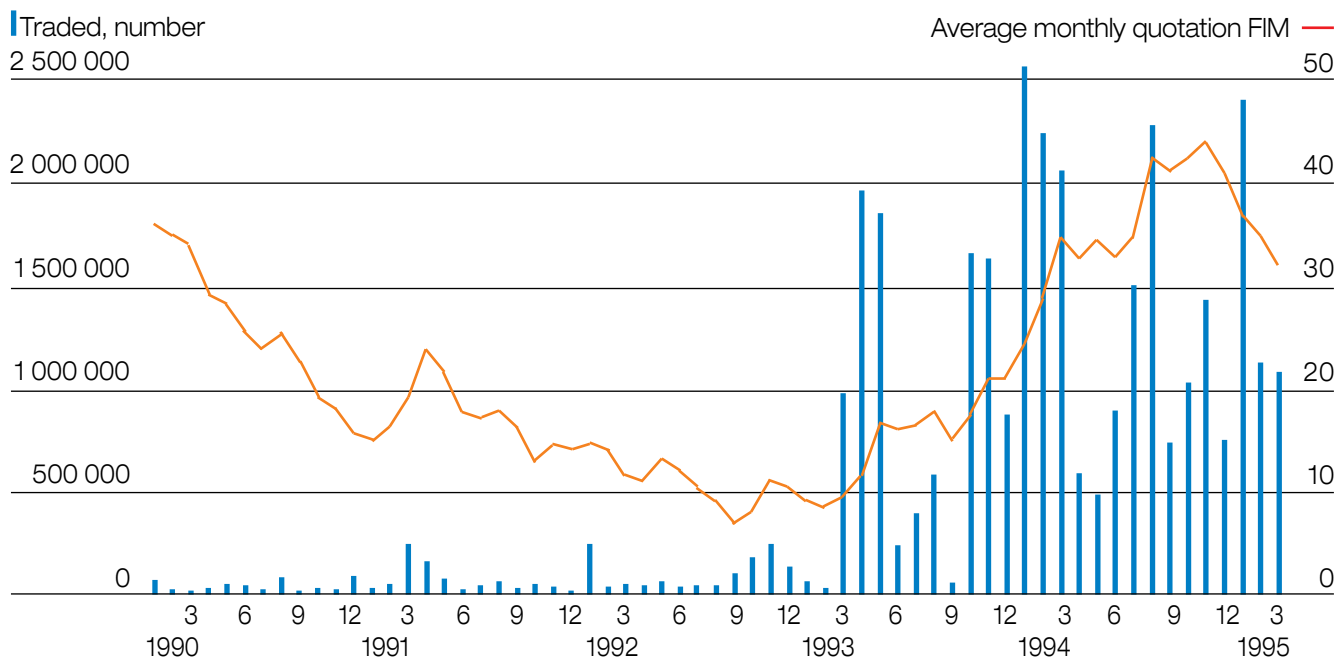
Number of shares adjusted for issue, average		53 223 480	53 223 480	53 223 480	59 509 008	71 649 571	
Number of shares adjusted for issue, end of financial year		53 223 480	53 223 480	53 223 480	64 537 260	81 556 420	
Number of shares, end of financial year		49 281 000	49 281 000	49 281 000	64 537 260	81 556 420	
Prices adjusted for share issue	highest	FIM	37.04	23.15	12.96	38.00	46.00
	lowest	FIM	12.04	10.19	5.09	7.87	28.00
	average	FIM	19.25	16.13	8.87	19.36	37.79
Market value of share capital, March 31	FIM mill.	1 109	860	472	2 175	2 365	
Trading of shares ³⁾	pc.	584 939	723 317	1 919 383	15 518 144	14 319 356	
as % of average number of shares	%	1.10	1.40	3.60	26.10	20.00	

1) The imputed tax liability is FIM 167.5 million of reserves per March 31,1995. When taken into account, the figure in question is FIM 27.68.

2) Proposal by the Board of Directors to the Annual General Meeting

3) Trading on the Helsinki Stock Exchange. In January-March 1995 2 278 515 shares were traded in the SEAQ system on the London Stock Exchange. Purchase and sale of a share lot in the SEAQ are treated as two deals.

FINNAIR SHARE QUOTATIONS AND TRADE ON THE HELSINKI STOCK EXCHANGE 1990 - 1995



ADMINISTRATIVE BODIES

SUPERVISORY BOARD

Harri Holkeri

Chairman

Member of the Board, Bank of Finland

Felix Björklund

Deputy Chairman
CEO
Karl Fazer Corporation

Pekka Kivelä

M.Sc. (Econ.)

Magnus Nordling

Master of Laws

Jaakko Pohjola

Ministerial Counsellor
Ministry of Transport
and Communications

Personnel representatives

Sirpa-Mari Jämsänen**Riitta Backas**

Vice President
administration and
personnel, Thomesto Oy

Markku Koskenniemi

Managing Director
Tammerneon Oy

Pekka Padatsu

President
Kehäyhtiöt Oy

Jussi Ranta

Regional Planning Engineer
Regional Council
of South Karelia

Tapani Kautto**Markku Hyvärinen**

Secretary General
Finnish Social
Democratic Party

Ritva Laurila

Member of European
Parliament

Seppo Pelttari

Member of European
Parliament

Olli Rehn

Member of European
Parliament

Eeva Similä**Tarja Kautto**

Member of Parliament

Jouko K. Leskinen

President & CEO
Sampo Group

Matti Piuhola

Group Secretary
Centre Party of Finland

Peter Stenlund

Special Adviser to
the Minister for European
Affairs and Foreign Trade

Olavi Uotila

BOARD OF DIRECTORS

Kalevi Sorsa

Chairman

Member of the Board, Bank of Finland

Ahti Hirvonen

Deputy Chairman
Doctor of Economic
Sciences, h.c.

Seppo Härkönen

Vice President
Nokia Group

Robert G. Ehrnrooth

Managing Director
EffJohn Oy Ab

Jaakko Ihamuotila

Chairman & CEO
Neste Corporation

Ari Heiniö

LL.B., Managing Director
OY Stockmann AB

Eva-Christina Mäkeläinen

Ambassador
Embassy of Finland in Vienna

Raimo Hertto

President
Rautakirja Oy

Antti Potila

Chairman & CEO
Finnair Oy

BOARD OF MANAGEMENT

Antti Potila

Chairman

President & CEO

Mauri Annala

Executive Vice President
Coordination of Strategic
Planning, Special Projects,
Internal Audits, Subsidiaries
and Finnair Catering

Jouko Malén

Executive Vice President
Technical Division

Henrik Arle

Executive Vice President
CFO
Staff

Oiva Rajasammal

Executive Vice President
International Relations
and Traffic Politics

Pertti Laine

Executive Vice President
Operations Division

Jaakko Rautakorpi

Executive Vice President
Human Resources

Leif Lundström

Executive Vice President
Marketing Division

Pekka Kainulainen, Veikko Ampuja and Antti Lehto

have been invited to the meetings of the Board of Management as representatives of the personnel

AUDITORS

Hannu Nieminen

Audit Councillor
State Audit Office

Pekka Nikula

Authorized Public
Accountant, Salmi,
Virkkunen & Helenius

Juhani Korpela

Secretary General
Ministry of Transport
and Communications

Taisto Hautakangas

Authorized Public
Accountant, Salmi,
Virkkunen & Helenius

DEPUTY AUDITORS

Erkki Mäki-Ranta

Audit Councillor

Tauno Haataja

Authorized Public
Accountant

REVIEW BY THE CHIEF EXECUTIVE OFFICER

RECOVERY IN EUROPE

Business has picked up and growth in air traffic has resumed, bringing improvements in performance with it.

The airlines of northern Europe have already succeeded in making their operations profitable. In southern Europe losses remain large, and companies will not survive them without considerable subsidies. This will distort competition for years to come.

European air traffic has been deregulated. Although the final restrictions will be not lifted for a couple of years, the freedom already achieved is great. Airlines can themselves choose what routes they fly within Europe and determine their own fares. Efforts to take advantage of this new freedom, however, have made a slow start. In this respect, Finnair is among the first.

There has been a lively debate in Brussels concerning whether the EU countries should turn their rights to negotiate with third countries outside the EU over to Brussels, or whether the present bilateral approach, where each member country acts separately, should be retained. So far, sufficient cause for Finland to abandon its negotiating rights has not been established. On the contrary, the risk that a small country's interests would be overshadowed by those of larger countries has been considered too great. During the recession, airlines had to concentrate on making internal adjustments. This was the only way results could be achieved with adequate speed. Now that profitability has been restored, projects aimed at co-operation or merger have resumed. Decisions have in fact been taken. Interest has now shifted to southern Europe and how companies in that region will solve their problems.

Alongside deregulation of air traffic, and to a large extent because of it, airline privatization is also proceeding. However, progress will require that the airlines in question are healthy and profitable.

A PROFITABLE YEAR

The past financial year was on the whole satisfactory for the Company. The strong growth in demand that began the previous year continued. Passenger traffic increased by 10% and cargo traffic by even more. As usual, the winter season was slower than the summer one.

Growth in traffic occurred in all sectors, although the highest figure was recorded in international traffic. Membership of the European Union, deregulation of European air traffic and fruitful co-operation with Lufthansa encouraged traffic, particularly in the direction of Europe. As a travel destination, Finland interests foreigners more than before. Transit traffic has also increased steadily.

The importance of international traffic in the Company's operations has increased steadily. The fact that domestic traffic, which is itself an important aspect of operations, accounted for only 15% of all air transport revenues during the past financial year is indicative of this trend.

The Company's competitive efficiency was good, thanks to a large extent to the relatively low value of the Finnish markka. Measures aimed at adjusting to demand and cutting costs carried out in previous years have brought results.

Reform of the Company's administration has proved a success. A strong Board of Directors comprising outside experts and a Supervisory Board that emphasizes control and supervision in its work is a model that suits Finnair well.

The share issue effected in January and directed at foreign and domestic investors brought a large number of new shareholders to the Company and strengthened the capital structure. Interest among foreign investors was greater than expected. At the end of the financial year approximately 16% of the Company's shares were held by foreigners. Trading in Finnair shares on the Helsinki Stock Exchange has increased considerably.

The Group's profit and loss statement indicates satisfactory financial performance. Profit exceeded the target set at the beginning of the year and solvency rose substantially. Nevertheless, there is reason to bear in mind that there were years in the recent past when the Company sustained sizeable losses.

The performance-linked bonus promised to domestic Parent Company personnel was paid in full and included in costs for the financial year. The Board of Directors proposes a larger dividend for shareholders than in the previous year.

A HOPEFUL OUTLOOK FOR THE FUTURE

Prospects remain relatively good, even though there are sufficient dangers as well.

Economic growth will continue and travel sector demand will increase as a result. The deregulated European market will offer new opportunities, and we in fact aim to strength our own marketing and concentrate on improving customer service. We also seek maximum benefit from co-operation with other airlines.

The basic decisions concerning our fleet have been made and implementation of the programme has begun. The variety of aircraft in the fleet will already decrease significantly during the present financial year.

The standard of service at our home field, Helsinki-Vantaa Airport, has improved greatly thanks to construction projects undertaken by the Finnish Civil Aviation Administration in recent years, and it will continue to improve.

Several projects are now under way to increase the efficiency of operations in both the Parent Company and the subsidiaries.

Co-operation with Lufthansa has been successful. It will be developed further by taking into account the partner's other co-operation.

The strengthening of the Finnish markka, however, has already reduced the Company's competitive efficiency. Finnish labour is more expensive, and the interest of foreign airlines in the Finnish market has increased accordingly. Exchange rate fluctuations may have a rapid and unexpected impact on competitiveness in the future, too.

We can, however, look to the future with hope. There are many threats, but also new opportunities. But no matter what form our operations take in the future, we must make every effort to maintain customer confidence in the Company.

In conclusion, I would like to thank the personnel of the entire Finnair Group for their contribution to our successful year and for a job well done.

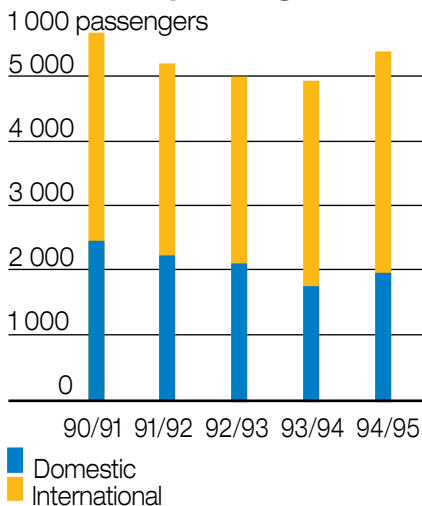
Antti Potila

REVIEW OF FINNAIR GROUP SECTORS



A high standard of expertise, an up-to-date fleet in good condition and a professional personnel guarantee a success as competition intensifies.

Number of passengers



SECTORS AND TARGETS

The Group comprises a total of 23 functioning subsidiaries, owned either directly or indirectly. There are seven foreign companies and two property companies. The Group's main sectors are flight operations, travel agencies, tour operations and hotel operations. Catering for air traffic and information and distribution systems for the travel industry are other key sectors operating as independent companies.

All of the Finnair Group's sectors are closely related to the marketing of the Parent Company's air traffic services and to the production of the ancillary services included in air transport. Sales and financial results for these sectors depend heavily on the operations of the Parent Company.

The Finnair Group has a strong foundation for competitive operation in all its sectors. Flight operations account for a good 80% of Group turnover. The Group has the high standard of expertise essential for operating in this field, as well as a professional staff, an up-to-date fleet in good condition and an efficient, geographically comprehensive sales network.

The Group's goal is to preserve a high level of competitiveness and thereby maintain its strong market position in Finland. The basic premise is that Finnair Oy will continue operations as an independent Finnish airline. Co-operation with other airlines has proved beneficial and to some extent even necessary. Such co-operation will continue and increase as need emerges in the operating environment. The Group structure will be developed to ensure a flexible response to changing conditions and the requirements of operations.

FLIGHT OPERATIONS

Group airlines

Group flight operations are the function of the Parent Company Finnair Oy and the subsidiaries Karair oy and Finnaviation Oy. The Parent Company is responsible for the planning and marketing of all air traffic and leases aircraft to the subsidiaries at the market price. Karair oy operates with ATR 72 and Finnaviation Oy with Saab 340 turboprop aircraft, primarily in Finland and on some international routes to neighbouring countries. According to the current plan, these subsidiaries will eventually be merged with the Parent Company. The financial administrations were combined and a joint accounting system was introduced at the beginning of April 1995. Maintenance and repair functions are also to be combined into a single organization that will perform maintenance for the entire turboprop fleet. These aircraft are crucial to the Group's domestic traffic, for they account for some 60% of the landings, 40% of the passengers and 35% of the air transport revenues. On short routes with low passenger loads, the Parent Company's heavy jet aircraft would be much less economical than turboprop equipment.

Air traffic capacity and sales

The worldwide trend in air traffic has been strong. Revenue passenger kilometres in all scheduled passenger traffic operated by members of the Association of European Airlines (AEA) increased by 9% in 1994 and revenue tonne kilometres by 11.1%. The increase in available passenger capacity was only around 5% and as a result the load factor in international scheduled traffic rose by 2.4 percentage points to 68.6%. These growth figures are almost the highest

Total available capacity and sales in 1994/95

	Available tonne km Mill.	Change %	Revenue tonne km Mill.	Change %	Share of total traffic %	Over all load factor %	Change %-points
International scheduled	1 414	24.4	802	31.5	78	56.7	3.5
Domestic scheduled	170	0.1	78	6.3	9	45.4	2.6
Total scheduled	1 584	21.2	880	28.8	87	55.5	3.3
Charter	236	- 33.5	188	- 35.2	13	79.5	- 2.0
Total traffic	1 820	9.5	1 068	9.7	100	58.7	0.1

recorded during the last 15 years. The most growth was recorded in the South Atlantic 19%, the Far East 12%, the Middle East 10% and Europe around 10%. Thanks to the upward trend in sales, airlines improved their financial performance significantly and estimates indicate that the 1994 combined financial results for IATA member airlines were in the black for the first time in five years.

Revenue passenger kilometres for the entire Finnair Group increased by 9% during the financial year and cargo tonne kilometres by 13%. The number of passengers increased by 10% after five years of decline, in contrast to the previous year, when there was still a decrease of 1.5%. A fundamental change in the structure of air traffic was effected by converting a large part of the charter traffic to scheduled traffic. Thus, comparison of the various forms of traffic with the figures for the previous year - with the exception of domestic traffic - does not give a reliable picture of developments. Overall available capacity in tonne kilometres was increased by around 10%. Sales also increased by approximately 10%. The load factor for all traffic was 58.7%, which is on the level of the previous year. The passenger load factor rose by 1.1 percentage points on the previous year to 67.6%. International scheduled traffic rose to 78% of all revenue tonne kilometres.

In the number of passengers the corresponding share is 52%. Charter flights to 11 destinations were converted to scheduled flights, mainly in Europe. The destinations included the Canary Islands, mainland Spain and Portugal. Combined revenue tonne kilometres in international scheduled and charter traffic rose 10%. Scheduled service to Petrozavodsk, Vilnius and

Air transport of fragile goods and shipments requiring speedy delivery has increased.

Passenger and cargo traffic 1994/95

	Revenue pass.km mill.	Change %	Pass. 1 000	Change %	Pass. of total traffic %	Pass. load factor %	Change %-points	Cargo and mail 1 000 kg	Change %
International scheduled	6 618	37.5	2 803	30.7	52	66.0	5.2	50 267	18.7
Domestic scheduled	869	6.2	1 958	5.0	36	52.7	3.0	5 838	13.4
Total scheduled	7 487	33.0	4 761	18.8	88	64.2	5.3	56 105	18.2
Charter	2 049	- 33.4	671	- 26.3	12	84.4	- 2.4	1 459	- 45.6
Total traffic	9 536	9.0	5 432	10.4	100	67.6	1.1	57 564	14.7

Total Group air transport revenues and the distribution in 1994/95

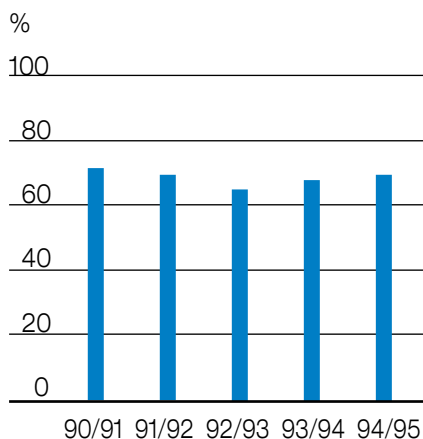
(before leasing revenue from aircraft and sales adjustment items)

	FIM	Change %	Share of total%
Passenger traffic			
International scheduled traffic	3 715	19.5	65
Domestic scheduled traffic	872	11.8	15
Charter flights	533	- 25.5	9
Cargo and mail	630	16.7	11
Total traffic	5 750	11.8	100



More gifts and souvenirs have been added to complete the assortment of traditional goods sold on board.

Passenger load factor



to Manchester via Stockholm was inaugurated at the beginning of the 1994 summer season and service to Nice and a cargo flight to Cologne during the winter season. Additional flights were provided to Beijing, San Francisco, Toronto, Moscow and London. Minor increases in domestic service were made, primarily to northern Finland.

The combined number of passengers in international scheduled traffic and charter traffic rose by 13.7% and business class travel in scheduled traffic by 33%. The Finnair Group's market share of passengers in Finland's international scheduled traffic increased on the previous financial year by 1.7 percentage points to 65.2%. Although the growth in traffic was solid, adjustment to the fast pace of change caused some problems, which were reflected in a decline in service capacity and in less punctual traffic.

Total revenues from aircraft leasing, including payment for maintenance, totalled FIM 200 million. International scheduled traffic accounted for a good 90% of the revenues from cargo and mail transport. Fifty-three per cent of total sales, including leasing revenue from aircraft, took place in Finland and the remaining forty-seven per cent abroad.

Financial results from flight operations

Thanks to the favourable trend in sales, the financial results from flight operations improved substantially on the previous year. Revenues from business operations rose by 13%. The operating profit was FIM 489.6 million.

Revenue per revenue tonne kilometre rose by 2% on the previous financial year when the corresponding increase was 7%. Fluctuations in exchange rates have had a significant impact on the trend in revenue. The Finnish markka strengthened during the financial year compared with the major currencies, and this has lowered the markka value of sales transacted in foreign exchange. The value of the US dollar compared with the Finnish markka declined by an average of 13% on the previous financial year. Unit costs per available tonne kilometre fell by 2%. However, fast growth in traffic accelerated the rise in costs towards the end of the financial year.

Fleet

At the beginning of the financial year the Group fleet decreased by one DC-10 aircraft. The aircraft was leased to the Company in September 1988 and the lease terminated in April 1994. It was replaced at the very

Group flight operations, financial performance and personnel

	1994 /95	1993/94	Change
Revenue from business operations, FIM million	6 055.1	5 378.8	13%
Operating profit, FIM million	489.6	187.8	161%
Personnel	7 579	7 697	-118 person

Finnair Group fleet, March 31, 1995

Aircraft	Number	Owned	Financial leasing	Operating leasing	Average age in years
MD-11	4	4			2.7
DC-10-30	4	3		1	18.8
Airbus A300	2		2		8.6
MD-87	3	3			7.1
MD-83	5	1	2	2	7.3
MD-82	9	3	4	2	6.8
DC-9-51	12	12			17.1
DC-41	5	5			20.8
ATR 72	6	5	1		4.8
Saab 340	6	2	4		7.3
Total	56	38	13	5	10.8

end of the previous financial year by a new MD-11 aircraft acquired by the Company.

The entire ATR 72 fleet was used by Karair oy and the Saab 340 fleet by Finnaviation Oy. Capacity utilization of aircraft improved during the financial year on the previous year as a result of growth in the Company's own traffic and extensive leasing of aircraft to other airlines. A maximum of nine aircraft were leased to other airlines.

To comply with the aviation authorities' noise limitations, Finnair will have to phase out its DC-9 -aircraft by the year 2002, depending on their age, unless they are modified to meet the new standards. In some European countries traffic charges are already higher for these aircraft than for similar, more modern ones.

After a thorough review covering several aircraft types, the Company decided to replace its oldest aircraft, the DC-9, with newer used MD-80s. Finnair already has 17 aircraft of this type, a high standard of expertise, professional staff, spare parts, tools and training equipment. Conversion to an entirely new type would have entailed major investment for the transition and personnel training on a large scale. The decision made will standardize the Company's fleet and also provide the flexibility needed for new decisions when they prove

necessary. Contracts for acquisition of three MD-80 aircraft were already made in April 1995. The aircraft in question are 2-5 years old. An agreement was made in May 1995 to sell all five DC-9-41 aircraft with deliveries to the buyer taking place between November 1995 and April 1996.

General deregulation of air traffic

The European Economic Area (EEA), which took effect on January 1, 1994, committed Finland to a programme for the liberalization of European air traffic. The programme has increased the latitude of airlines in choosing destinations and combining them within the EEA and thus increased the numbers of foreign passengers carried. The 'third package' of the European Union, which took effect in July 1994, freed air traffic in practice from all restrictions concerning access to markets and fares. Finnair has taken advantage of this opportunity by establishing a hub at Stockholm-Arlanda Airport together with the German national airline Lufthansa and the Swedish airline Transwede. The hub will serve traffic from Sweden to destinations elsewhere in Europe. Progress in deregulation of air traffic has thus far improved Finnair's operating environment and shown that small airlines have their own market



Several charter flights were operated as scheduled flights in the winter season.

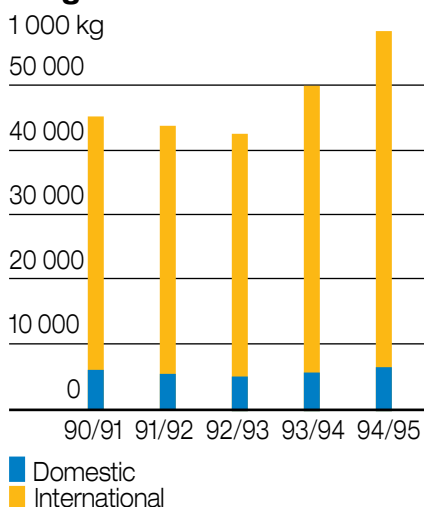
Finnair opened the new route Helsinki - Osaka on April 19, 1995. The route was operated in the beginning with DC-10 aircraft, which was decorated with Moomin characters ever so popular in Japan.





Continuous personnel training and fleet modernization will guarantee a success in the future.

Cargo and mail



niches alongside larger companies. The final restrictions on air traffic in Europe will be eliminated gradually by 1997. Finland became a member of the European Union on January 1, 1995, and the Union's regulations on air traffic will be applied in the future. Despite liberalization, there are still numerous regulations on actual operations. On many routes infrastructural factors such as congestion at airports and the restrictions posed by air traffic control systems are becoming an obstacle to free competition. Bilateral agreements between countries govern air traffic outside the European Union and the European Economic Area. Finland has agreements of this kind with 44 countries and Finnair provides service to 30 of the countries covered by them. They include the United States, Russia, Japan, Thailand, China and Singapore. The agreements will allow Finnair to increase its traffic to many growing intercontinental markets between Europe and Asia and the United States, using the advantageous location of Helsinki-Vantaa airport as a hub for transit traffic.

The growth in such traffic has been especially strong from the United States to Russia and elsewhere in the territory of the former Soviet Union. Some 60% of the long-haul traffic is transit by nature. In March 1995 Finland and the United States negotiated an agreement with far-reaching effects on deregulation of air traffic. The agreement entitles Finnish airlines to open routes to any cities between the countries, to fly to the United States via third countries and to provide connections to further destinations beyond the United States. U.S. airlines already had similar rights with respect to Finland.

Co-operation and competition between airlines

Despite the competition between airlines, agreements regarding co-operation and purchase of services have been made between many companies to increase efficiency and achieve economies. Finnair's most important and extensive partner is Lufthansa, with which a co-operation agreement was signed in 1991. On the basis of this agreement, Finnair's connections via Germany have improved and feeder traffic between the two airlines has increased. Costs have been reduced with joint arrangements regarding ground handling and catering services. Airlines have also increasingly entered into 'code-sharing' agreements; these allow one airline to lease a quota of another airline's air transport capacity at an agreed price or allow it to use its own flight designator on a partner airline's flights. The lessee company markets and prices the leased capacity itself. Apart from Lufthansa, Finnair has agreements of this kind with Austrian Airlines, Iberia, Air China and Air Canada, and co-operates closely with Transwede, Maersk Air and Braathens S.A.F.E.

Alongside traditional forms of price and other competition, various incentive systems to encourage customer loyalty are becoming widespread in competition among airlines. The frequent flyer programmes that originated in the United States are an example. Finnair introduced Finnair Plus

– its own incentive programme – in May 1992. By March 31, 1995, over 100,000 members had joined. Members collect points by flying Finnair and by using the Group's hotels and the services of certain other partners. In September 1994 an agreement was made with Lufthansa according to which points collected from Finnair flights could be used on Lufthansa flights and visa versa. When members have earned a certain number of points they are entitled to a free flight or other prizes. Points collected through the system are valid for two years, after which they can no longer be exchanged for a prize. Determination of the monetary value of commitments arising from the incentive programmes has proved problematic for airlines; the points collected can be used in a number of ways and the resulting liability for the companies is difficult to measure. The opportunities for collecting and using points are diversifying rapidly.

Flight operations and environmental protection

A group composed of experts from various areas has been set up to monitor the Finnair Group's compliance with environmental regulations and to devise further measures. Finnair pursues the IATA goals of minimizing the environmental impact of air traffic in a financially sound manner and without jeopardizing either flight or work safety.

At present it is not possible to predict the nature of future emission and noise norms with complete certainty. The International Civil Aviation Organization (ICAO) and the European Union are in the process of drafting the relevant regulations. Finnair has taken existing environmental norms into account in deciding which types of aircraft it will acquire. The MD-80 aircraft which the Company has decided to acquire meet the present requirements set by aviation authorities with respect to both emissions and noise. In the event that environmental norms become more stringent, a modification kit that significantly reduces noise and emission values is available for MD-80 engines.



On June 1, 1994, a noise abatement plan which reduces the noise disturbance caused by night traffic in the vicinity of Helsinki-Vantaa Airport took effect, and Finnair immediately adapted its flight operations accordingly. As a result, the noise values for the Company's night traffic in nearby residential areas are now low. More effective use of turboprop aircraft and additional MD-11 aircraft combined with reduced use of DC-10s have lowered emissions from air traffic.

Other measures taken during the financial year to reduce the environmental impact of air traffic include the use of exterior paints with low-solvent content and the adoption of methods which significantly reduce emissions of chlorinated hydrocarbons from the grease removal process. The first catalytic converters have been installed on the diesel engines of ground equipment. Since 1977, the volume of thermal energy used in maintenance and repairs has been cut by 60%. In catering, a separate recycling system for waste food, cooking oil and various types of bat-

The Finnish summer offers many cultural events, like Savonlinna Opera Festival. The growing cultural tourism has brought new challenges as regards the flight frequencies and demand for high quality.



More diversified station services are required to meet the needs of the different groups of passengers.

teries has been put into effect. Card-board, paper and glass are now sorted for recycling. Suitability for recycling, minimization of disposable products and environmentally sound materials are taken into account in planning services.

TRAVEL AGENCIES

Area Travel Agency Ltd., Finland Travel Bureau Ltd. and Finlandia Travel Agency Ltd. in the UK are Group companies offering complete travel services. Their operations cover sales of all travel services, both domestic and international.

Area's travel agency subsidiaries are Mikkelin Matkatoimisto Oy in Finland, Reisibüro Area Baltica AS in Tallinn, Estonia, and Closed-end Limited Company Area in St. Petersburg. Nordisk Reseservice Aktiebolaget in Sweden is one of Finland Travel Bureau Ltd's subsidiaries. Finlandia Travel Agency has a subsidiary in France, Finlandia Agence de Voyages S.A.R.L. In May 1995 Finnair acquired a majority holding in Estravel, the leading travel

agency in Estonia. Founded in 1988, Estravel has turnover of FIM 40 million and employs a staff of 66. Finnair's goal with this acquisition is to increase sales of its products on the growing market comprising Estonia, Latvia, Lithuania and the entire Baltic area. The Finnair Group accounts for an estimated 40% of travel agency sales in Finland.

The results from operations improved on the previous year and revenue from business operations increased by 17%. The operating profit was FIM 11.4 million, as opposed to an operating loss for the previous year. According to preliminary estimates, the number of foreign tourists visiting Finland increased by some 20% in summer 1994. Travel by Finns outside Finland increased by an estimated 3% in 1994. According to a study made by Suomen Matkailun Kehitys Oy for the Finnish Tourist Board, half of the businesses in the travel sector expect the economic upturn to continue and further improvement in profitability during 1995.

The general international trend towards further deregulation justifies increased marketing abroad and investment in product development. In particular, efforts to benefit from the growing volume of travel in the area of the former Soviet Union near Finland are in order. Foreign marketing and sales organizations are a key factor in achieving this goal. The intention is to develop the foreign travel agencies owned by the Parent Company Finnair Oy into a marketing chain under the Company's Marketing Division.

TOUR OPERATIONS

Tour operators produce a comprehensive product including transport, accommodation and related services. The Group's tour operators are Oy Aurinkomatkat-Suntours Ltd Ab, Oy Finnmatkat-Finntours Ab, Finncharter Ltd., Canada, Finnway Inc.,

Group travel agencies, financial performance and personnel

	1994/95	1993/94	Change
Revenue from business operations, FIM mill.	233.5	199.1	17%
Operating profit FIM mill.	11.4	- 0.2	
Personnel	967	971	- 4 person

U.S.A. and Finnair Travel Services Oy, which is responsible for the production, finances and administration of Suntours and Finntours.

According to plan, the activities of Tour Operations will be further concentrated so that Finnair Travel Services Oy will act as the principal company in the Division. The Division would include Oy Aurinkomatkat-Suntours Ab and Oy Finnmatkat-Finntours Ltd Ab as separate companies and Top Club, which is part of the Parent Company, as part of the Division's principal company. No changes are planned for the product names of the above tour operators. They will also act as independent marketing units and profit centres. The plan does not include any changes in the number of personnel. Concentration of operations will improve overall efficiency and increase the competitiveness of the Finnair Group on the tour market.

The results from operations improved on the previous year and revenue from business operations increased by 3%. The operating profit was FIM 9.8 million, as opposed to a loss for the previous year. Tours made from Finland and back during 1994 totalled 510,000; companies in the Finnair Group sold approximately 50% of them. The number of tours was nearly the same as in the previous year, but less than half of the peak figure in 1990, when 1.2 million tours were made. Sales of tours began to pick up in the 1994/95 winter season after five years of decline and the supply offered in summer 1995 has been increased on the previous year. Termination of the FIM 200 charter flight tax at the end of 1994 contributed to the upturn. Spain and the Canary Islands accounted for some 35% of the tours, Greece for 20% and Turkey for 15%. There is now an extensive selection of tours with destinations outside Europe. The nature of tours as a comprehensive product is changing.



In-flight passenger service requires continual development and awareness of preferences of a variety of passenger groups.

Since the 1994 summer season, customers have been able to buy transport separately, without hotel and other services, in accordance with the practice observed in EEA countries. The difference between charter and scheduled flights is also disappearing. Further reforms will be effected by legislation concerning package tours and package tour operators that will take effect on July 1, 1995. The changes brought by the new laws will improve the position of the buyer, especially with respect to cancellation and loss, and will increase the guarantees for tours required of organizers.



Various soft toys sold on board are popular souvenirs.

Group tour operations, financial performance and personnel

	1994/95	1993/94	Change
Revenue from business operations, FIM mill.	801.1	779.0	3%
Operating profit, FIM mill.	9.8	- 4.0	
Personnel	403	440	- 37 person



The popularity of weekend tours and other short holidays to European cities has increased.



HOTEL OPERATIONS

Hotel and restaurant operations are handled by Nordic-Hotel Oy, a wholly owned Finnair Oy subsidiary. The company leases two hotel properties; one of which is the Hotel Inter-Continental Helsinki owned by the Parent Company Finnair Oy and comprising 553 rooms and restaurant and meeting facilities, and the other the Strand Inter-Continental Hotel, comprising 200 rooms and restaurant and meeting facilities and owned by Oy Metra Ab. The hotels are part of the international Inter-Continental Hotels chain via a franchise agreement. Nordic-Hotel Oy also operates the Gateway restaurants in premises leased from the Civil Aviation Administration at the international and domestic terminals of Helsinki-Vantaa Airport and has already agreed with the Civil Aviation Administration on operation of the restaurant service, congress and rest facilities to be housed in the new central terminal now under construction. The company also operates the restaurants in the new Helsinki Opera House and Finlandia Hall. Nordic-Hotel Oy fully owns Safin Oy, a subsidiary for sales of hotel-sector consulting services. Finnair Oy also has a 49% holding in Infahotel Oy, which owns the Hotel Savoy in Moscow. Finnair is responsible for the operational management of the hotel and for personnel training.

The result from operations improved on the previous year and revenue from business operations rose by 18%. The operating profit was FIM 2.5 million. In recent years hotel operations have suffered from both the economic recession and especially from the excess of hotel service capacity in metropolitan Helsinki and the resulting price competition. In 1994 there was an increase of 5% in total registered overnights in Finland. The growth was mainly due to overnights by foreign

Group hotel operations, financial performance and personnel

	1994/95	1993/94	Change
Revenue from business operations, FIM mill.	211.6	179.4	18%
Operating profit, FIM mill.	2.5	1.2	111%
Personnel	478	463	15 person

travellers, which increased 16%. Over-nights by domestic travellers increased 2%. During the past two years, the financial performance of Group hotel operations has begun to improve. Along with recovery in the travel sector, rapid expansion and an overall increase in the external restaurant operations have contributed to the upturn. Plans also include construction of a 250-seat restaurant on Töölönlahti Bay in Helsinki during 1996.

OTHER SECTORS

Other sectors include two important companies. Finncatering Oy provides mainly cold servings for air traffic and also bakery goods, prepared foods, frozen foods, lunch and banquet services. Production was increased during the year in response to growth in air traffic. Marketing of catering services outside the Company on an experimental basis was also begun. With respect to production facilities, Finncatering Oy is part of the Finnair catering department, although it operates as a separate company.

The other company, Amadeus Finland Oy, is responsible in Finland for the development and updating of an information and distribution system founded by international airlines. Finnair Oy owns 95% of the Finnish company. There are more than 100,000 travel agencies and airline offices using the Amadeus system throughout the world and the number is increasing rapidly. In Finland, Amadeus has more than 2,000 user terminals. Approximately two million tickets are written on them annually. The producers bear 60% of the costs of Amadeus and the travel agencies 40%.



Check-in procedures are made quicker by the use of modern computer technology.

As a whole, the Amadeus system is an extensive network of travel sector information, booking and distribution services, which contains the timetables of more than 700 airlines. Reservations can be made on the flights of more than 360 airlines. It also offers information on private hotels and hotel chains, and includes a total of 50,000 hotels. Without an extensive joint effort by the travel sector worldwide, a system of this kind, which significantly improves operations, marketing and customer service, would not have been possible. In Finland, Amadeus is developed in close co-operation with users.

The result from other operations improved on the previous year and revenue from business operations increased by 8%. The operating profit was FIM 8.3 million.



Passenger telephone calls through satellite is available on MD-11 aircraft.

The Group's other sectors, combined financial performance and total personnel

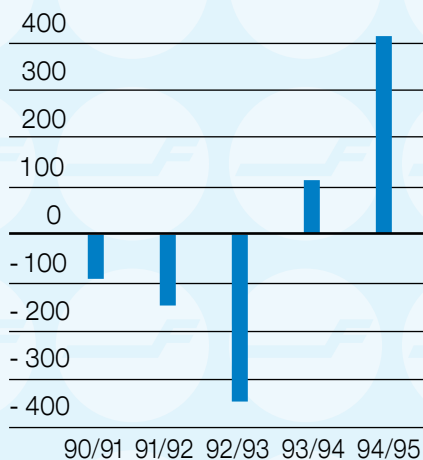
	1994/95	1993/94	Change
Revenue from business operations, FIM mill.	94.7	87.5	8%
Operating profit, FIM mill.	8.3	3.9	115%
Personnel	159	150	9 person

FINANCIAL STATEMENTS APRIL 1, 1994 TO MARCH 31, 1995

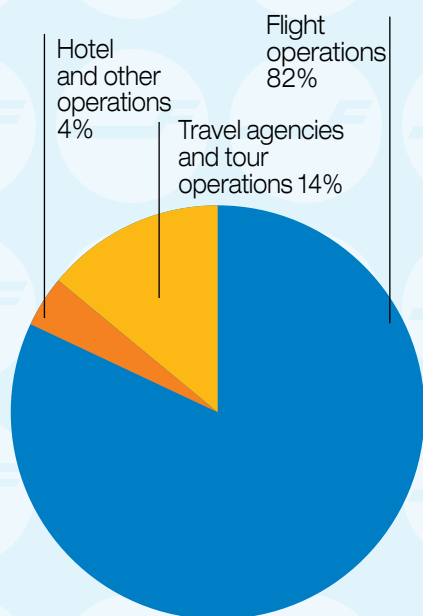
REPORT ON OPERATIONS BY THE BOARD OF DIRECTORS

Result before incidental items, reserves and taxes

FIM mill.



Revenue from business operations by sector



OPERATING ENVIRONMENT

1994 was a good year overall for the travel business and represented a definite improvement on the previous year. Recovery on the domestic market accelerated demand for travel services and growth in sales. There was an upturn in travel by Finns in Finland and from Finland to destinations abroad after five years of recession. The volume of foreign travel to Finland was especially high in summer 1994, with estimated growth of around 20%. Overnights in the accommodation sector increased by 5% in Finland during 1994. Overnights by foreign travellers increased 16% and by domestic 2%. The rise in the external value of the Finnish markka since the beginning of 1995 has reduced Finland's competitiveness as a travel destination.

The international trend in air traffic has been good. Revenue passenger kilometres in all scheduled passenger service provided by AEA member airlines increased by 9% in 1994 and revenue tonne kilometres in cargo traffic by 11%. The load factor in international passenger traffic rose by 2.4 percentage points to 68.6%. The growth figures for traffic were almost the highest recorded during the past 15 years. The most growth was recorded in the South Atlantic 19%, the Far East 12%, the Middle East 10% and Europe around 10%. Thanks to the upward trend in sales, airlines improved their financial performance significantly and the combined finan-

cial results for IATA airlines were in the black in 1994 for the first time in five years.

The trend in Finnair Group air traffic conformed closely to the European average. Revenue passenger kilometres for all passenger traffic increased during the financial year by 9% and cargo tonne kilometres by 13%. The number of passengers increased by 10% after five years of decline; there was a drop of 1.5% during the previous year. A fundamental change in the structure of air traffic was effected by converting a large part of the charter traffic to scheduled traffic. Thus, comparison of the various forms of traffic with the figures for the previous year – with the exception of domestic traffic – does not give a reliable picture of developments. The passenger load factor rose by 1.1 percentage points on the previous year to 67.6%.

The combined number of passengers in international scheduled and charter traffic rose 13.7%; the 33% increase in business travel was particularly encouraging. The Finnair Group's market share of passengers in Finland's international scheduled traffic increased on the previous financial year by 1.7 percentage points to 65.2%.

The European Union's 'third package', which took effect in July 1994, freed air traffic from virtually all restrictions concerning access to markets and fares. Progress in deregulation of air traffic has thus far improved Finnair's operating environment and shown

Group revenue from business operations and operating profit by sector, FIM mill.

	Revenue from business operations			Operating profit		
	1994/95	1993/94	Change %	1994/95	1993/94	Change %
Flight operations	6 055.1	5 378.8	13	489.6	187.8	161
Travel agencies	233.5	199.1	17	11.4	- 0.2	
Tour operations	801.1	779.0	3	9.8	- 4.0	
Hotel operations	211.6	179.4	18	2.5	1.2	111
Other sectors	94.7	87.5	8	8.3	3.9	115
Total	7 396.0	6 623.7	12	521.6	188.6	177
- Internal invoicing	- 725.6	- 665.7	9			
Total	6 670.4	5 958.0	12	521.6	188.6	177

that small airlines have their own market niches alongside larger companies.

REVENUE FROM BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

Financial performance in all Group sectors during the financial year was substantially better than that of the previous year, and surpassed the budgeted figures. The consolidated financial statements show a profit of FIM 254.6 million, as opposed to FIM 146.3 million for the previous year. The profit before incidental items, reserves and taxes was FIM 419.0 million, as opposed to FIM 119.9 million for the previous year.

Consolidated revenue from business operations rose by 12% on the previous year and amounted to FIM 6,670.4 million. Operating costs rose by 7%. The operating margin rose by 61% and amounted to FIM 944.5 million. It was 14.2% of the revenue from business operations. The operating margin for the previous year was FIM 588.0 million and 9.9%. In the European operating environment such performance can be considered excellent and the result achieved very satisfactory.

Strengthening of the external value of the Finnish markka has been reflected in unit revenues. Revenue per revenue tonne kilometre rose 2% on the previous financial year, when the corresponding increase was 7%. Exchange rate fluctuations have reduced the value in Finnish markkas of sales denominated in foreign exchange. For example the value of the US dollar in relation to the markka declined by an average of 13% on the previous financial year. The unit costs per available tonne kilometre fell by 2%. However, at the end of the financial year rapid growth in traffic began to accelerate the rise in costs.

The financial statements include some exceptional items which affect performance. A total of FIM 117.9 million in unused flight tickets from previous years, which are at least two years old, was entered as turnover. An entry of FIM 19.7 million in free flights provided on the basis of the Finnair

Plus frequent flyer programme reduced turnover. Parent Company salary and salary-related expenses include a bonus for participation in the cost-reduction programmes and related measures of previous years. The bonus was paid to the Parent Company's domestic personnel on May 31, 1995, and was based on performance for the financial year. It amounted to FIM 50 million; salary-related expenses totalled FIM 14.9 million. Apart from planned depreciation, FIM 147.6 million in additional depreciation permitted under the Business Taxation Act was made.

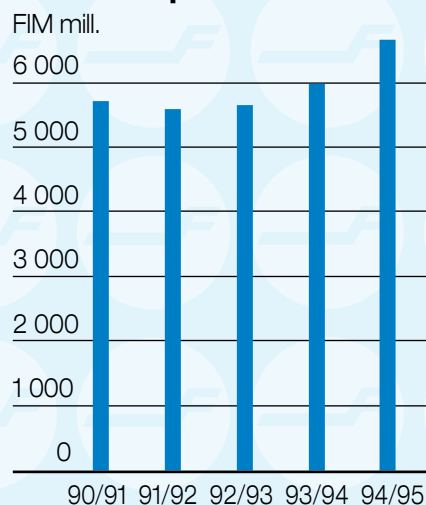
CAPITAL EXPENDITURE AND FINANCING

Capital expenditure by the Group was FIM 281 million (699). The Parent Company accounted for FIM 247 million (677). Outlays for flight equipment were FIM 150 million (620) and they comprise only modifications to flight equipment, spare parts and equipment. Other capital expenditure on fixed assets was also minor.

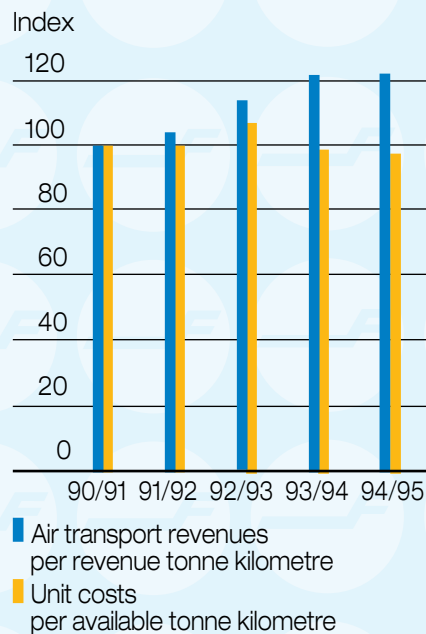
Further significant improvements occurred in the Group's financial position. The equity ratio at the end of the financial year was 33.1%, which is 11.3 percentage points higher than that at the end of the previous year. If the convertible subordinated bonds are regarded as equity the figure was 34.2% (25.2%). The favourable trend was due to improved profitability, conversion of bonds to shares and the share issue carried out in January-February 1995, from which Finnair obtained FIM 405.3 million in new capital. The net debt-to-equity ratio declined correspondingly, and was 40.0% (153.6%). If the convertible subordinated bonds are regarded as equity the figure was 35.9% (119.3%). The Board of Directors has previously set strengthening of the Parent Company balance sheet as a goal. In addition to the directed share issue, this goal has been supported by the decision, how the narrow-body fleet will be modernized.

The Group's net financial expenses rose. The main reason for this was the rise in long-term domestic interest rates, which occasioned unrealized valuation losses on current asset se-

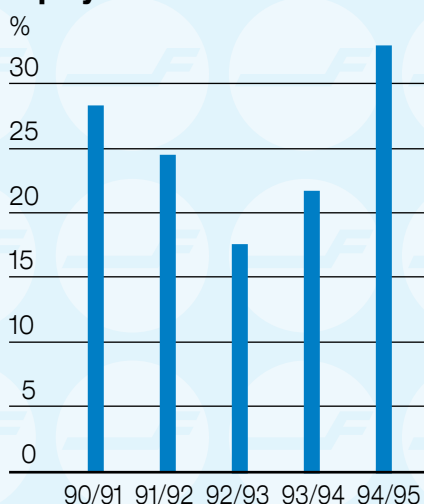
Revenue from business operations



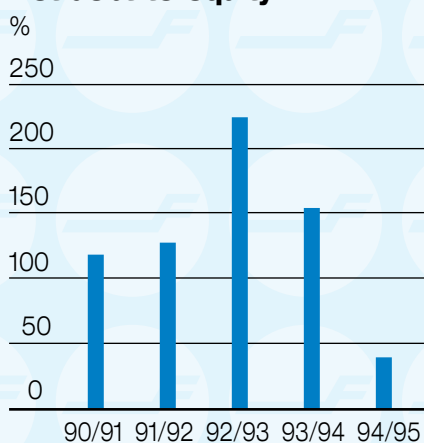
Development index of unit revenues and costs



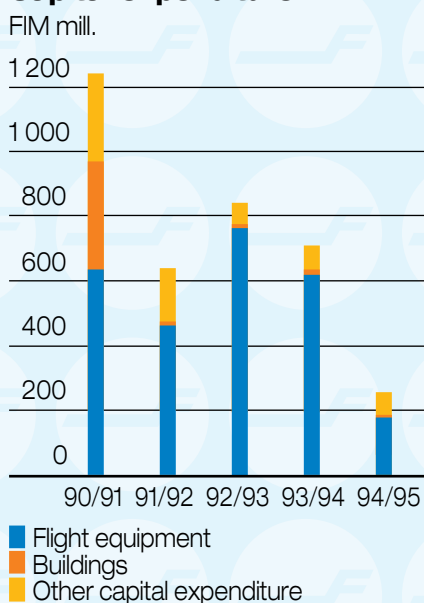
Equity ratio



Net debt-to-equity



Capital expenditure



curities totalling FIM 27.3 million. Due to the strengthening of the Finnish markka, FIM 46 million (69) in exchange rate gains was entered. The net financial expenses were FIM 103 million (69), which was 1.5% of revenue from business operations (1.2%). Actual net interest expenses declined from FIM 139 million to FIM 103 million, which was 1.5% of revenue from business operations (2.4%).

Total interest-bearing liabilities declined by FIM 607 million. The Group's net debt declined from FIM 2,253 million to FIM 971 million. Liquid funds and interest-bearing current asset receivables of FIM 2,214 million (1,539) were deducted from interest-bearing debt in calculating the net debt.

In April 1994, Finnair Oy drew USD 80 million from the USD 330 million credit facility for financing aircraft arranged on the Euromarkets in 1990. The last MD-11 aircraft delivered to the Company in March 1994 was financed with the loan. In May 1994 JPY 15.5 billion were repaid on the perpetual undated subordinated loan for JPY 21 billion arranged in 1990. In order to finance repayment with more economical credit, syndicated loans of USD 31 million and JPY 4.3 billion were arranged in May 1994. These arrangements did not affect the Group's net liabilities.

SHARE CAPITAL AND SHARES

Finnair's share capital at the beginning of the financial year was FIM 322,686,300 and the number of shares was 64,537,260. At the end of the financial year the share capital amounted to FIM 407,782,100 and the number of shares was 81,556,420. FIM 14,277,000 of the FIM 150 million convertible bond issued in 1992 were exchanged for shares during the financial year. As a result of conversion, the share capital was increased by FIM 3,883,275. FIM 156,550,000 of the FIM 230 million convertible subordinated bond of 1994 was exchanged for shares during the financial year. As a result of conversion, the share capital was increased by FIM 21,212,525. On the basis of authorization given by the Annual General Meeting of Finnair Oy

on August 25, 1994, the Board of Directors effected a directed share issue with which the share capital was increased by FIM 60,000,000. The weighty reasons required for waiving the pre-emptive rights of shareholders were the need to strengthen the balance sheet structure, the financing necessary for replacement of aircraft and the need to expand the Company's ownership base in a manner that would increase trading of the share on the stock exchange and also create the foundation for accumulating equity in the future. Domestic and international investors were offered a total of 12,000,000 shares at a price of FIM 35 share, in accordance with the maximum number of shares provided by the authorization. The issue was subscribed in full. As a result of the issue, the holding of the Finnish Government was reduced to 60.7%. Should all the convertible bonds in circulation be exchanged for shares in Finnair Oy, the holding of the Finnish Government would decline to 57.5%. On June 20, 1994, Parliament decided to maintain the Government's majority holding and gave its consent to reduce that holding to less than two-thirds.

The Board of Directors has no further authorization after the directed share issue. For additional information on the convertible bonds see the section entitled "Information on Finnair Oy shares and shareholders" in the annual report on pages 4 and 5.

A total of 14.3 million shares (15.5) with a value of FIM 541.1 million (339.7) was traded on the Helsinki Stock Exchange. The shares have also been traded in the SEAQ system of the London Stock Exchange since the directed issue. The market value of the Company's shares at the end of the financial year was FIM 2,365 million (2,175). At the end of the financial year on March 31, 1995 15.5% of the Company's shares were registered in the name of a nominee. The total number of shareholders was 7,771.

The maximum share quotation during the financial year was FIM 46.00 (38.00), the minimum FIM 28.00 (8.50) and the average FIM 37.79 (21.89).

On March 31, 1995, the members of the Supervisory Board and the Board of Directors and the Chief Executive Officer owned a total of 3,519 shares, which represented 0.004% of all the shares and votes.

ADMINISTRATION AND AUDITORS

Supervisory Board

Members of the Supervisory Board and changes during the financial year

Harri Holkeri, Member of the Board of the Bank of Finland (Chairman)
 Felix Björklund, CEO, Karl Fazer Corporation (Deputy Chairman)
 Claes Andersson, Member of Parliament, until April 13, 1995*
 Satu Hassi, Member of Parliament, until August 25, 1994
 Markku Hyvärinen, Secretary General, Finnish Social Democratic Party
 Pekka Kivelä, M.Sc. (Econ.)
 Markku Koskenniemi, Managing Director, Tammerneon Oy
 Jaakko Lassila, Ph.D., until August 25, 1994
 Ritva Laurila, Member of European Parliament
 Magnus Nordling, Master of Laws
 Seppo Pelttari, Member of European Parliament
 Matti Piihola, Group Secretary, Centre Party of Finland
 Jaakko Pohjola, Ministerial Counsellor, Ministry of Transport and Communications
 Jussi Ranta, Regional Planning Engineer, Recional Council of South Karelia
 Olli Rehn, Member of European Parliament
 Peter Stenlund, Special Adviser the Minister for European Affairs and Foreign Trade
 Riitta Backas, Vice President, administration and personnel, Thomesto Oy, since August 25, 1994
 Tarja Kautto, Member of Parliament, since August 25, 1994
 Jouko K. Leskinen, President & CEO, Sampo Group, since August 25, 1994
 Pekka Padatsu, President, Kehäyhtiöt Oy, since August 25, 1994

* Claes Andersson resigned on April 13, 1995 after membership in the Finnish Government.

Personnel representatives of the Supervisory Board during the financial year

Sirpa-Mari Jämsänen
 Tapani Kautto
 Eeva Similä
 Olavi Uotila

Board of Directors

Members of the Board of Directors April 1, 1994 - March 31, 1997

Kalevi Sorsa, Member of the Board of the Bank of Finland (Chairman)
 Ahti Hirvonen, Doctor of Economic Sciences, h.c. (Deputy Chairman)
 Robert G. Ehrnrooth, Managing Director, EffJohn Oy Ab
 Ari Heiniö, Managing Director, OY Stockmann AB
 Raimo Hertto, President, Rautakirja Oy
 Seppo Härkönen, Vice President Corporate Communications, Nokia Group
 Jaakko Ihamuotila, Chairman & CEO, Neste Corporation
 Eva-Christina Mäkeläinen, Ambassador, Embassy of Finland in Vienna
 Antti Potila, Chairman & CEO, Finnair Oy

Auditors

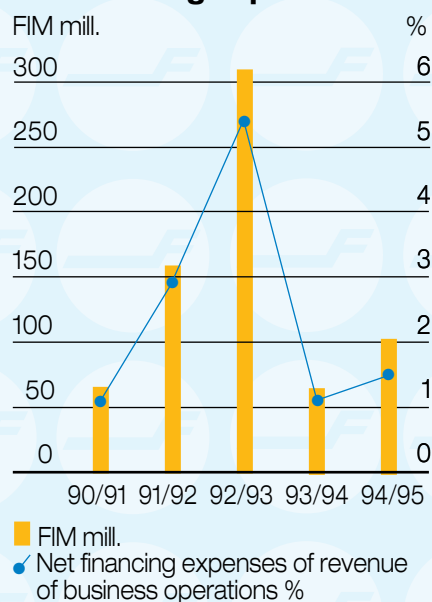
Auditors until Annual General Meeting on August 25, 1994

Juhani Korpela, Secretary General, Ministry of Transport and Communications
 Hannu Nieminen, Audit Counsellor, State Audit Office
 Sauli Pyyluoma, Managing Director, Regional Press Association
 Pär Stenbäck, Secretary General, Nordic Council of Ministers
 Ulf Sundqvist, Advisor, M.Sc. (Pol.)
 Ilkka Suominen, Director, Alko Ltd.
 Antti Helenius, Authorized Public Accountant, Salmi, Virkkunen & Helenius Oy

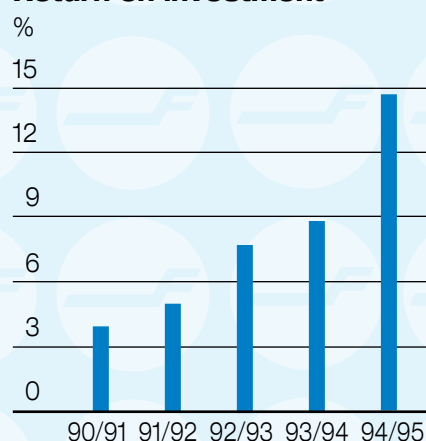
Auditors elected by the Annual General Meeting on August 25, 1994

Taisto Hautakangas, Authorized Public Accountant, Salmi, Virkkunen & Helenius Oy
 Juhani Korpela, Secretary General, Ministry of Transport and Communications
 Hannu Nieminen, Audit Counsellor, State Audit Office
 Pekka Nikula, Authorized Public Accountant, Salmi, Virkkunen & Helenius Oy

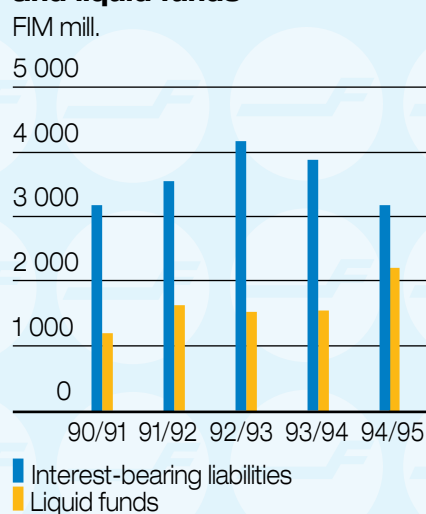
Net financing expenses



Return on investment



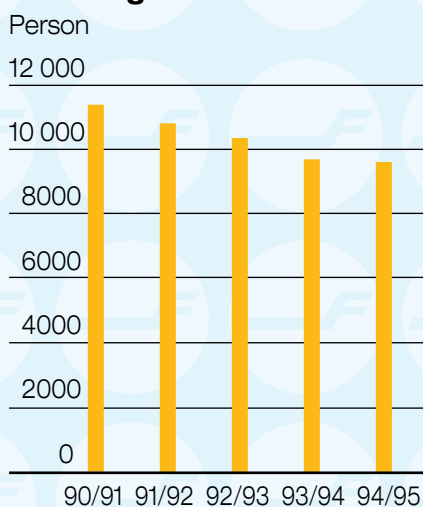
Interest-bearing liabilities and liquid funds



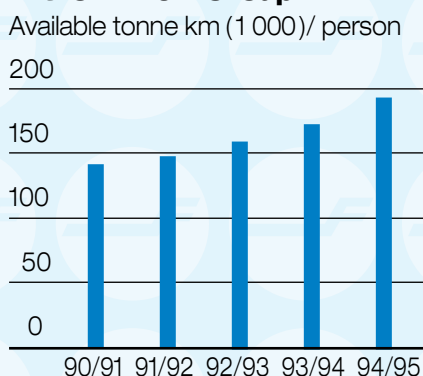


Hospitality and friendliness as well as professional skill welcome you on board.

Personnel in average



Available tonne kilometres per person in the Finnair Group



PERSONNEL AND SALARIES

The average number of Group personnel declined during the financial year by 135 on the previous year and totalled 9,586. Parent Company personnel declined by 125 and totalled 7,132. As a result of substantial growth in operations, additional personnel were, however, hired during the second half of the financial year so that Group personnel at the end of the financial year numbered 237 more than at the end of the previous financial year and Parent Company personnel 164 more.

Salary expenses rose by 10.0%. The Parent Company paid its domestic employees a bonus of FIM 50 million tied to financial performance on the basis of agreements made for the 1991/92 and 1992/93 financial years as a reward for supporting the Company's strategic programmes, including cost cuts. The amount was divided equally among personnel. Without the bonus paid to domestic Parent Company employees, salaries rose by 6.4%. It should also be born in mind that the payroll for the year of comparison was lower than usual, due to the cost cuts. Salary-related expenses increased by 53.7%, due to growth in the contribution to the pension fund and in the holiday pay reserve.

All seven collective agreements concerning Finnair Oy are for one year, and terminate on March 31, 1996. The wage increases in the agreements are on the general level of other service sector settlements made during this round of bargaining. The agreements do not have provisions for salaries based on financial performance.

The Company together with its employee organizations has initiated a project concerning development of working hours based on provisions of the collective agreements. The needs of both employees and production and their reconciliation are the starting points for the project. Due to the nature of flight operations, the volume of work varies greatly by month, week, day and even hour. The project will examine models for working hours that take the most effective account possible of fluctuations in production, the needs of customer service and competitive efficiency, as well as the use of labour in accordance with the law and agreements.

An exceptionally broad range of staff training was provided during the financial year. Training for commercial pilots was increased at the Pori Aviation Institute and the necessary training for specific aircraft types was given to new pilots hired by the Group's airlines who had received basic flight training in previous years. Other training has extensively covered the professions and duties of various groups beginning with the management and supervisory level, as well as aspects that support and improve customer service in particular.

ENVIRONMENTAL PROTECTION

On June 1, 1994, a noise abatement plan which will reduce the noise disturbance caused by night traffic in the vicinity of Helsinki-Vantaa Airport took effect, and Finnair immediately adapted its flight operations accordingly. As a result, the noise values for the Company's night traffic in nearby residential areas are now low. More efficient

Average Group personnel by financial year and sector

	1994/95	1993/94	Change in persons
Flight operations	7 579	7 697	- 118
Travel agencies	967	971	- 4
Tour operations	403	440	- 37
Hotel operations	478	463	15
Other sectors	159	150	9
Total on average	9 586	9 723	- 135

At the end of the financial year on March 31, 1995, Group personnel totalled 9 654 and Parent Company personnel 7 157.

use of turboprop aircraft and additional MD-11 aircraft combined with reduced use of DC-10s have lowered emissions for air traffic.

Other measures taken during the financial year to reduce the environmental impact of air traffic include the use of exterior paints with low-solvent content and significant reductions in the chlorinated hydrocarbon emissions generated in the grease removal process through the adoption of alternative methods. The first catalytic converters have been installed on the diesel engines of ground equipment. Suitability for recycling, minimization of disposable products and environmentally sound materials are taken into account in planning services.

OUTLOOK FOR THE 1995/96 FINANCIAL YEAR

The positive trend in the travel sector is expected to continue during the financial year. According to forecasts, the prospects for the Finnish economy are relatively good and household disposable income is expected to rise and thus increase demand for travel services. Travel by foreigners to Finland has grown rapidly during the last two years. Favourable exchange rates have been a contributing factor. At present, strengthening of the Finnish markka is weakening our country's competitive position as an economical destination.

The Finnair Group's total available capacity in passenger traffic will rise a good 3% on the previous year as planned. The main increase will be in Far Eastern traffic, where flights to Osaka, Japan were begun in April 1995 and flights to New Delhi are scheduled to begin in the autumn. There will be no noteworthy changes in North American traffic. In European traffic, service to Bergen, Norway, a new destination, began in April 1995, and flights to several European cities will be added. Domestic traffic will be increased moderately, in conformance with demand. The emphasis will be on northern Finland.

The travel agency network was expanded; in May 1995 Finnair acquired a majority holding in Estravel, the leading travel agency in Estonia. Founded in 1988, Estravel has turnover of FIM 40 million and employs a staff of 66. Finnair's goal with this acquisition is to increase sales of its products on the growing market comprising Estonia, Latvia, Lithuania and the entire Baltic area.

The competitive situation in air traffic is changing. In Europe, major co-operation projects between airlines are under way; their impact on the market situation will not be immediately apparent. However, it is likely that they will alter the market situation and intensify competition. As a result of the rapid growth in traffic, congestion in the air space and at airports is again becoming a worldwide problem; it will reduce the punctuality and service standard of air traffic and cause additional costs. In summer 1994 the Civil Aviation Administration initiated construction work on the first stage of Helsinki-Vantaa Airport's central terminal, which will connect the present domestic and international terminals. Construction of this stage will be completed in spring 1996. The passenger capacity at the international terminal will then rise by some 20%, which is sufficient to preserve a good international standard of terminal functions at the airport.

Continued growth in Group turnover is forecast, although the pace will be slower than that of the previous financial year. With respect to financial performance, it is expected that at least the level of profitability achieved during the past financial year will be retained. There are already clear signs of accelerated increases in costs. Various cost pressures face air traffic worldwide, at the same time as the fare level continues to decline. Personnel in functions directly related to production will be increased. Production costs, however, must be kept on a competitive level and therefore growth accommodated by increasing productivity.

In accordance with the decision to modernize its fleet, Finnair signed contracts in April 1995 for acquisition of three MD-80 aircraft, which are 2-5 years old, at a total price of approximately FIM 300 million. The five oldest DC-9 aircraft were sold in May 1995, with deliveries of four aircraft scheduled during the current financial year. Building and other investment will total FIM 200 million.

FINANCIAL STATEMENT PRINCIPLES

The new regulations of the Finnish Bookkeeping Act were applied in drafting the financial statements for the past financial year. The figures for previous years, including the key ratios, have been converted accordingly.

THE EXTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PRINCIPLES USED IN CONSOLIDATION

No changes in comparison with the previous financial year were made in the Group structure. In addition to the Parent Company Finnair Oy, the consolidated financial statements include all those companies in which the Parent Company exercises more than 50% of the votes, either directly or indirectly.

Inter-company transactions have been eliminated. Mutual share ownership was eliminated with the acquisition cost method. The financial statements of foreign subsidiaries were brought into line with the Group's accounting principles before consolidation. Conversion to Finnish markkas took place at the official Bank of Finland rate on the day the books were closed. The conversion differences caused by elimination of equity were treated as adjustment items for consolidated unrestricted equity.

Portions of the earnings of companies in which the Group owns from 20-50% of the shares and votes were combined in the consolidated financial statements using the equity method. The portion of the profit for the financial year corresponding to the share of ownership is presented in the consolidated statement of profit and loss under financial income and expenses. In the consolidated balance sheet the acquisition cost of these companies and the consolidated unrestricted equity were adjusted for the net value accumulated since acquisition.

ITEMS DENOMINATED IN FOREIGN EXCHANGE

Receivables, debts and liabilities were translated into markkas at the official Bank of Finland rate on the day the books were closed. Advance payments made and received were entered in the balance sheet at the rate on the date of payment. Exchange rate differences related to business operations were treated as adjustments of sales and purchases. Exchange rate differences related to hedging for financial and foreign currency positions were entered as exchange rate differences under financial income and expenses. Accumulated exchange rate differences were entered in their entirety in the profit and loss statement.

DERIVATIVE AGREEMENTS

Interest related to derivative agreements made to provide hedging for foreign exchange and interest rate risks was entered on an accrual basis

as either interest income or expense. Exchange rate differences were entered as exchange rate differences under financial income and expenses. Exchange rate differences on separate derivative financial instruments hedging specific off-balance sheet commitments are, however, deferred until recognition of the underlying commitment. The nominal capital of all derivative agreements at the closing of the books was FIM 2,268.2 million.

FIXED ASSETS AND DEPRECIATION

The balance sheet values for fixed assets are based on original acquisition costs less planned depreciation except for buildings, whose value includes an appreciation of FIM 110 million made during the 1982/83 financial year.

Planned depreciation is based on the economic service life of the asset and on the book acquisition cost. Depreciation is calculated with the following principles, depending on the type of asset:

- buildings in accordance with the maximum percentages under the Business Taxation Act, 4-7% of the undepreciated residual value
- aircraft and aircraft engines depending on the type so that the straight-line depreciation period for new jet aircraft is 15 years to a residual value of 10% and for turboprop aircraft 12 years to a residual value of 10%
- straight line depreciation is 10 years for aircraft simulators and five years for computers worth more than FIM 1 million

The exchange rates for the principal foreign currencies:

Currency	March 31, 1995	March 31, 1994	Change %
USD	4.3361	5.4678	- 20.7
DEM	3.1405	3.2700	- 4.0
SEK	0.5875	0.6980	- 15.8
JPY	0.0495	0.0532	- 7.0
GBP	7.0030	8.1140	- 13.7
FRF	0.8973	0.9574	- 6.3
CHF	3.8002	3.8641	- 1.7
ECU	5.6860	6.3100	- 9.9
CAD	3.0910	3.9510	- 21.8

- depreciation of other tangible fixed assets is 23% of the undepreciated residual value
- capitalized long-term expenditures are depreciated in 5-10 years, depending on their nature.

The difference between planned and book depreciation was entered in the profit and loss statement as a change in the depreciation difference. In the balance sheet the depreciation difference is included in reserves under liabilities.

INVENTORIES

Inventories comprise the spare parts and materials needed for aircraft repair and maintenance and stocks for customer services. Inventories were evaluated at the average acquisition cost. The value of work in progress, which amounts to around FIM 3 million, includes average salary costs excluding salary-related costs, used stocks of materials and supplies and subcontracting work.

CASH AND BANK RECEIVABLES, CURRENT ASSET SECURITIES

Securities entered under current assets are evaluated at the lower of original acquisition cost or market value. Valuation differences are entered as financial income or expenses.

LEASING

Lease payments for Group aircraft are significant. Annual lease payments are treated as rent expenses. Lease payments due in future years under aircraft lease contracts are presented as off balance sheet items in section 27 of the Notes to the Financial Statements.

PENSION SCHEMES

In the Group's domestic companies mandatory and other pension coverage for personnel has primarily been arranged through the Company's own pension funds, the Finnair Oy pension fund and the Karair oy pension fund. Other mandatory pension coverage has also been arranged through domestic insurance companies.



MD-80 aircraft has been chosen to replace DC-9 fleet for European traffic. Finnair has already 17 of these aircraft in its fleet.

The Finnair Oy pension fund is a joint fund including the Parent Company and six subsidiaries. Both mandatory employment pension coverage and additional pension security are arranged by the fund for the Parent Company and two subsidiaries.

The uncovered pension liability for the combined basic pension coverage and additional benefits accounts for FIM 36.6 million of the pension funds' pension liabilities; the mandatory liability deficit under the regulations of the Ministry of Social Affairs and Health accounts for FIM 26.4 million of this amount.

Because of changes in the coverage requirements of the Ministry of Social Affairs and Health, which took effect at the end of 1994, some of the liability for Finnair Oy's additional pension security has excess coverage. Under the previous regulations, these funds could have been used to cover the mandatory pension liability. The excess coverage for additional pension security arose when Finnair Oy and its employee organizations agreed as part of the Company's savings programme to voluntarily relinquish some of their pension benefits in order to

reduce their employer companies' salary-related costs. On this basis, the regulations governing the Pension Fund's additional pension security were amended on March 31, 1993, for example by raising the retirement age. The liability for additional pension coverage decreased as a result by FIM 370 million. The reduction in the liability for additional pension coverage was spread out over five years, in accordance with deferral regulations based on actuarial calculations. Consequently, the contributions to the Pension Fund needed to cover the liability related to additional pension security will be low up to 1997.

The Companies' liability for pensions paid directly is FIM 28.8 million.

The retirement ages of the managing directors of the Parent Company and its subsidiaries vary between 60-65 years, based on agreements.

Pension fund liabilities are presented in Note 28.

CONSOLIDATED PROFIT AND LOSS STATEMENT (FIM 1 000)

	April 1, 1994 - March 31, 1995	April 1, 1993 - March 31, 1994	Change %	Notes
Turnover	6 653 316	5 941 144		
Production for company use	9 550	10 029		
Other revenue from business operations	7 575	6 843		1
TOTAL REVENUE FROM BUSINESS OPERATIONS	6 670 441	5 958 016	12.0	
EXPENSES FROM BUSINESS OPERATIONS				
Materials and supplies				
Purchases during financial year	1 028 405	1 006 446		2
Increase(-) / decrease (+) in inventories	- 694	20 629		
Outside services	893 748	841 849		3
Personnel expenses	2 023 271	1 707 093		4
Rents and lease payments	496 689	539 432		5
Traffic charges	690 189	659 078		6
Other expenses	594 311	595 484		7
TOTAL	- 5 725 919	- 5 370 011	6.6	
OPERATING MARGIN	944 522	588 005	60.6	
DEPRECIATION ON FIXED ASSETS AND OTHER LONG -TERM EXPENDITURE	- 422 913	- 399 380	5.9	8
OPERATING PROFIT	521 609	188 625	176.5	
FINANCIAL INCOME AND EXPENSES	- 102 577	- 68 678	49.4	9
PROFIT BEFORE INCIDENTAL ITEMS, RESERVES AND TAXES	419 032	119 947	249.3	
CHANGE IN DEPRECIATION DIFFERENCE TAXES	- 147 570	31 863	-	8
MINORITY SHARE	- 16 605	- 5 498	202.0	10
MINORITY SHARE	- 231	- 57	> 300.0	
PROFIT FOR THE FINANCIAL YEAR	254 626	146 255	74.1	

CONSOLIDATED BALANCE SHEET (FIM 1 000)

ASSETS	March 31,1995		%	March 31,1994		%	Notes
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS							
Intangible assets							8
Intangible rights	8 795			8 630			
Other deferred expenditure	52 573	61 368	0.8	47 892	56 522	0.8	
Tangible assets							8
Land	4 430			680			
Buildings	613 803			639 664			
Flight equipment	2 661 722			2 820 672			
Other property	335 081			339 405			
Advance payments	114 740	3 729 776	50.3	114 740	3 915 161	57.6	
Fixed asset securities and other long-term investments							
Shares in affiliated companies	37 088			37 157			11
Other stocks and shares	38 556			35 962			11
Loan receivables	70 402	146 046	2.0	87 372	160 491	2.4	14
VALUE ADJUSTMENTS							12
Liability for Company pensions	28 847			26 164			
Pension Fund liability deficit	36 623	65 470	0.9	16 720	42 884	0.6	
INVENTORIES AND CURRENT ASSETS							
Inventories							13
Materials and supplies	167 550			162 030			
Other inventories	3 815	171 365	2.3	8 785	170 815	2.5	
Receivables							
Trade receivables	583 962			464 888			14
Deferred receivables	323 979			340 709			14, 15
Other receivables	120 521	1 028 462	13.9	109 992	915 589	13.5	14
Investments							
Short-term investments		2 124 760	28.6		1 409 174	20.7	16
Cash and bank receivables		89 237	1.2		129 416	1.9	17
		7 416 484	100.0		6 800 052	100.0	
LIABILITIES	March 31,1995		%	March 31,1994		%	Notes
EQUITY							18
Restricted equity							
Share capital	407 782			322 686			
General reserve	853 945			362 915			
Revaluation fund	88 085	1 349 812		88 085	773 686		
Unrestricted equity							
Profit from previous years	150 728			23 834			
Profit for the financial year	254 626	405 354		146 255	170 089		
Total equity		1 755 166	23.7		943 775	13.9	
MINORITY SHARE		818			575		
RESERVES							
Accelerated depreciation	515 449			367 879			8
Voluntary reserves							
Other reserve	154 462	669 911	9.0	154 462	522 341	7.7	
LIABILITIES							
Convertible subordinated bond issue		73 450	1.0		230 000	3.4	21
Subordinated loan		266 033	3.6		950 111	14.0	22
Long-term liabilities							
Convertible bond issue	45 722			59 999			20, 23
Loans from financial institutions	1 500 664			1 053 778			20
Pension fund loans	1 165 258			1 403 609			20
Other long-term debt	66 641	2 778 285	37.5	44 303	2 561 689	37.6	20
Short-term liabilities							
Loans from financial institutions	68 303			38 636			20
Pension fund loans	1 755			2 178			
Advance payments received	97 819			73 831			24
Trade payables	328 448			329 198			
Deferred credits	1 313 925			1 095 504			25
Other short-term debt	62 571	1 872 821	25.2	52 214	1 591 561	23.4	
		7 416 484	100.0		6 800 052	100.0	

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS (FIM 1 000)

	1994/95	1993/94
SOURCE OF FUNDS		
Operating margin	944 522	588 005
Financial income and expenses (net)	- 102 577	- 68 678
Taxes	- 16 605	- 5 498
Total income financing	825 340	513 829
Disposal of fixed assets	32 797	137 226
Increase in restricted equity	576 126	197 563
Change in other balance sheet items	- 5 604	1 628
Decrease in working capital*)	-	125 792
TOTAL	1 428 659	976 038
APPLICATION OF FUNDS		
Investment in flight equipment	150 426	620 178
Investment in buildings	7 046	10 176
Other investments	120 224	68 689
Change in predelivery payments	-	- 55 026
Total	277 696	644 017
Decrease in long-term liabilities	624 032	332 021
Dividend	19 361	-
Increase in working capital*)	507 570	-
TOTAL	1 428 659	976 038
*) Decrease/increase in working capital		
Increase(+)/decrease(-) in current assets	+ 788 280	+ 59 033
Increase(+)/decrease(-) in inventories	+ 550	- 20 588
Less increase(-) / decrease(+) in short-term liabilities	- 281 260	- 164 237
Decrease(-) / increase(+) in working capital	+ 507 570	- 125 792

FINNAIR OY PROFIT AND LOSS STATEMENT (FIM 1 000)

	April 1,1994-March 31,1995	April 1,1993-March 31,1994	Change %	Notes
Turnover	5 603 245	4 956 257		
Production or Company use	9 545	10 005		
Other revenue from business operations	33 679	30 456		1
TOTAL REVENUE FROM BUSINESS OPERATIONS	5 646 469	4 996 718	13.0	
EXPENSES FROM BUSINESS OPERATIONS				
Materials and supplies				
Purchases during financial year	973 655	946 838		2
Increase(+) / decrease(-) in inventories	- 1 839	20 670		
Outside services	589 138	552 588		3
Personnel expenses	1 647 632	1 369 938		4
Rents and lease payments	442 962	472 312		5
Traffic charges	648 759	620 893		6
Other expenses	477 930	462 682		7
TOTAL	- 4 778 237	- 4 445 921	7.5	
OPERATING MARGIN	868 232	550 797	57.6	
DEPRECIATION ON FIXED ASSETS AND OTHER LONG-TERM EXPENDITURE	- 398 036	- 378 252	5.2	8
OPERATING PROFIT	470 196	172 545	172.5	
FINANCIAL INCOME AND EXPENSES	- 104 680	- 70 995	47.4	9
PROFIT BEFORE INCIDENTAL ITEMS, RESERVES AND TAXES	365 516	101 550	259.9	
INCIDENTAL INCOME				
Received group subsidies	45 150	15 150	198.0	
PROFIT BEFORE RESERVES AND TAXES	410 666	116 700	251.9	
CHANGE IN DEPRECIATION DIFFERENCE TAXES	- 147 571	31 863	-	8
	- 14 012	- 4 315	224.7	10
PROFIT FOR THE FINANCIAL YEAR	249 083	144 248	72.7	

FINNAIR OY BALANCE SHEET (FIM 1 000)

ASSETS	March 31, 1995		%	March 31, 1994		%	Notes
FIXED ASSETS AND OTHER LONG TERM INVESTMENTS							
Intangible assets							8
Intangible rights	8 593			8 410			
Other deferred expenditure	32 831	41 424	0.6	25 617	34 027	0.5	
Tangible assets							8
Land	3 959			209			
Buildings	607 308			632 896			
Flight equipment	2 658 040			2 816 700			
Other property	282 909			294 449			
Advance payments	114 740	3 666 956	51.1	114 740	3 858 994	58.5	
Fixed asset securities and other long-term investments							
Shares in affiliated companies	36 485			36 486			11
Subsidiary shares	19 404			19 398			11
Other stocks and shares	29 848			27 257			11
Loan receivables	115 794	201 531	2.8	153 163	236 304	3.6	14
VALUE ADJUSTMENTS							12
Liability for Company pensions	13 602			11 593			
Pension Fund liability deficit	22 645	36 247	0.5	5 592	17 185	0.3	
INVENTORIES AND CURRENT ASSETS							
Inventories							13
Materials and supplies	143 419			136 375			
Other inventories	2 899	146 318	2.0	8 104	144 479	2.2	
Receivables							
Trade receivables	460 977			357 527			14
Deferred receivables	333 494			327 664			14, 15
Other receivables	95 093	889 564	12.4	95 754	780 945	11.8	14
Investments							
Short-term investments		2 124 760	29.6		1 408 794	21.4	16
Cash and bank receivables		73 843	1.0		114 810	1.7	17
		7 180 643	100.0		6 595 538	100.0	
LIABILITIES	March 31, 1995		%	March 31, 1994		%	Notes
EQUITY							18
Restricted equity							
Share capital	407 782			322 686			
General reserve	853 945			362 915			
Revaluation fund	88 085	1 349 812		88 085	773 686		
Unrestricted equity							
Profit from previous years	144 699			19 812			
Profit for the financial year	249 083	393 782		144 248	164 060		
Total equity		1 743 594	24.3		937 746	14.2	
RESERVES							
Accelerated depreciation	515 449			367 879			8
Voluntary reserves							
Other reserve	144 600	660 049	9.2	144 600	512 479	7.8	
LIABILITIES							
Convertible subordinated bond issue		73 450	1.0		230 000	3.5	21
Subordinated loan		266 033	3.7		950 111	14.4	22
Long-term liabilities							
Convertible bond issue	45 722			59 999			20, 23
Loans from financial institutions	1 500 062			1 053 116			20
Pension Fund loans	1 060 451			1 265 299			20
Other long-term debt	36 247	2 642 482	36.8	17 185	2 395 599	36.3	20
Short-term liabilities							
Loans from financial institutions	67 995			38 215			20
Trade payables	241 033			241 941			19
Deferred credits	1 193 971			1 001 881			19, 25
Other short-term debt	292 036	1 795 035	25.0	287 566	1 569 603	23.8	19, 26
		7 180 643	100.0		6 595 538	100.0	

FINNAIR OY STATEMENT OF SOURCE AND APPLICATION OF FUNDS (FIM 1 000)

	1994/95	1993/94
SOURCE OF FUNDS		
Operating margin	868 232	550 797
Incidental items	45 150	15 150
Financial income and expenses (net)	- 104 680	- 70 995
Taxes	- 14 012	- 4 315
Total income financing	794 690	490 637
Disposal of fixed assets	31 283	135 456
Increase in restricted equity	576 126	197 563
Change in other balance sheet items	18 307	79 492
Decrease in working capital*	-	31 108
TOTAL	1 420 406	934 256
APPLICATION OF FUNDS		
Investment in flight equipment	149 577	619 472
Investment in buildings	7 046	10 176
Other investments	90 652	47 201
Change in predelivery payments	-	- 55 026
Total	247 275	621 823
Decrease in long-term liabilities	593 745	312 433
Divided	19 361	-
Increase in working capital*	560 025	-
TOTAL	1 420 406	934 256
* Decrease/increase in working capital		
Increase (+)/decrease (-) in current assets	+ 783 618	+ 65 935
Increase (+)/decrease (-) in inventories	+ 1 839	- 20 670
Less increase (-)/decrease (+) in short-term liabilities	- 225 432	- 76 373
Decrease (-)/increase (+) in working capital	+ 560 025	- 31 108

NOTES TO THE FINANCIAL STATEMENTS

	Group 1994/95 FIM mill.	1993/94 FIM mill.	Parent Company 1994/95 FIM mill.	1993/94 FIM mill.
1. Other revenue from business operations				
Capital gain on flight equipment	–	- 0.5	–	- 0.5
Other items	7.6	7.3	33.7	30.9
Total	7.6	6.8	33.7	30.4
Capital gain on flight equipment is the difference between the sale price and the book value after planned depreciation.				
2. Materials and supplies				
Purchases of materials and supplies for aircraft maintenance and overhaul	175.4	130.9	165.3	120.1
Purchases of materials and supplies for passenger services	305.0	265.9	336.7	287.1
Fuel purchases for flight operations	490.7	561.6	471.7	539.6
Other items	57.3	48.0	–	–
Total	1 028.4	1 006.4	973.7	946.8
3. Outside services				
Ground handling charges	231.6	244.5	230.7	243.9
Ground service expenses for tour operations	245.1	253.9	–	–
Aircraft maintenance and overhaul	118.3	95.3	100.6	89.9
Expenses for seat reservation systems	81.3	73.4	80.4	72.5
Other items	217.4	174.7	177.4	146.3
Total	893.7	841.8	589.1	552.6
4. Personnel expenses				
Accrual-based salaries				
Administration and managing directors	3.6	3.1	1.7	1.8
Other	1 538.7	1 398.0	1 245.8	1 132.2
Total	1 542.3	1 401.1	1 247.5	1 134.0
Pay for sick leave	-28.9	-25.7	-25.0	-22.0
Total	1 513.4	1 375.4	1 222.5	1 112.0
Salary-related expenses				
Mandatory salary-related expenses	242.4	182.5	207.7	153.7
Payments for arrangement of pension security	223.7	111.0	188.0	80.1
Pay for sick leave	28.9	25.7	25.0	22.0
Other items	14.9	12.5	4.4	2.1
Total	509.9	331.7	425.1	257.9
Personnel expenses in the profit and loss statement	2 023.3	1 707.1	1 647.6	1 369.9
Tax values of fringe benefits	24.9	22.1	20.1	17.9
Expenses incurred in the acquisition of fringe benefits are not included in salary-related expenses.				
5. Rents and lease payments				
Lease payments for aircraft	221.7	263.7	221.7	263.7
Short-term leases for aircraft	26.3	26.2	26.3	26.2
Rent for land and premises	115.3	121.4	91.5	79.1
Rent for computer hardware and transmission lines	27.6	31.3	27.5	31.3
Other items	105.8	96.8	76.0	72.0
Total	496.7	539.4	443.0	472.3
6. Traffic charges				
Passenger charges	253.5	241.5	222.8	213.1
Landing charges	218.7	1 99.1	208.3	189.7
Navigation charges	204.4	205.8	204.4	205.7
Other items	13.6	12.6	13.3	12.3
Total	690.2	659.0	648.8	620.8
7. Other expenses				
Sales and marketing	180.1	178.6	119.9	122.6
Daily allowances, hotel and other travel expenses	140.8	134.6	127.5	123.3
Maintenance of premises excluding rent	60.9	62.9	47.3	50.2
Communication expenses	42.8	45.7	31.6	34.7
Other items	169.7	173.7	151.6	131.9
Total	594.3	595.5	477.9	462.7

	Group 1994/95 FIM mill.	1993/94 FIM mill.	Parent Company 1994/95 FIM mill.	1993/94 FIM mill.
8. Fixed assets and depreciation				
Planned depreciation in the profit and loss statement				
On other long-term expenditure	18.9	17.5	10.9	11.0
On buildings	32.9	34.7	32.6	34.4
On flight equipment	278.7	260.9	277.6	259.7
On other equipment	92.4	86.3	76.9	73.1
Total	422.9	399.4	398.0	378.2
Change in depreciation difference				
Flight equipment	153.7	- 30.2	153.7	- 30.2
Other equipment	- 6.1	- 1.6	- 6.1	- 1.6
Total	147.6	- 31.8	147.6	- 31.8
Intangible assets				
Acquisition cost April 1	8.6	8.6	8.4	8.4
Increases April 1 - March 31	0.2	-	0.2	-
Book value March 31	8.8	8.6	8.6	8.4
Other long-term expenditure				
Acquisition cost April 1	98.9	86.6	54.7	47.3
Increases April 1 - March 31	23.6	12.7	18.1	7.7
Decreases April 1 - March 31	-	- 0.4	-	- 0.3
Acquisition cost March 31	122.5	98.9	72.8	54.7
Accumulated planned depreciation March 31	- 69.9	- 51.0	- 40.0	- 29.1
Book value March 31	52.6	47.9	32.8	25.6
Land				
Acquisition cost April 1	0.7	0.7	0.2	0.2
Increases April 1 - March 31	3.7	-	3.7	-
Book value March 31	4.4	0.7	3.9	0.2
Buildings				
Acquisition cost April 1	966.6	1 091.1	957.6	1 082.1
Increases April 1 - March 31	7.0	10.2	7.0	10.2
Decreases April 1 - March 31	0.0	- 134.7	0.0	- 134.7
Acquisition cost March 31	973.6	966.6	964.6	957.6
Accumulated planned depreciation March 31	- 359.8	- 326.9	- 357.3	- 324.7
Book value March 31	613.8	639.7	607.3	632.9
Revaluations included in the acquisition cost of buildings	110.0	110.0	1 10.0	110.0
Flight equipment				
Acquisition cost April 1	4 580.7	3 962.9	4 572.9	3 955.8
Increases April 1 - March 31	150.4	620.2	149.6	619.5
Decreases April 1 - March 31	- 30.7	- 2.4	- 30.7	- 2.4
Acquisition cost March 31	4 700.4	4 580.7	4 691.8	4 572.9
Accumulated planned depreciation March 31	- 2 038.7	- 1 760.0	- 2 033.8	- 1 756.2
Book value March 31	2 661.7	2 820.7	2 658.0	2 816.7
Difference between total and planned depreciation April 1	331.0	361.2	331.0	361.2
Change in the depreciation difference April 1 - March 31	153.7	- 30.2	153.7	- 30.2
Accumulated difference between total and planned depreciation March 31	484.7	331.0	484.7	331.0
Other equipment				
Acquisition cost April 1	857.8	798.6	729.1	687.3
Increases April 1 - March 31	91.5	61.9	65.7	42.4
Decreases April 1 - March 31	- 3.4	- 2.7	- 0.3	- 0.6
Acquisition cost March 31	945.9	857.8	794.5	729.1
Accumulated planned depreciation March 31	- 610.8	- 518.4	- 511.6	- 434.7
Book value March 31	335.1	339.4	282.9	294.4
Accumulated difference between total and planned depreciation April 1	36.8	38.4	36.8	38.4
Decrease in depreciation difference April 1 - March 31	- 6.1	- 1.6	- 6.1	- 1.6
Accumulated difference between total and planned depreciation March 31	30.7	36.8	30.7	36.8
Share of machines and equipment in book value March 31	2 937.0	3 104.5	2 912.0	3 084.5

	Group 1994/95 FIM mill.	1993/94 FIM mill.	Parent Company 1994/95 FIM mill.	1993/94 FIM mill.
Predelivery payments				
Acquisition cost April 1	114.7	169.7	114.7	169.7
Decreases April 1 - March 31	-	- 55.0	-	- 55.0
Acquisition cost March 31	114.7	114.7	114.7	114.7
Accumulated planned depreciation March 31	-	-	-	-
Book value March 31	114.7	114.7	114.7	114.7

Insurance values of fixed assets

Balance sheet values of aircraft and spare engines	2 451.5	2 623.7	2 451.5	2 623.7
Insurance value FIM	4 848.5	5 984.4	4 848.5	5 984.4
Insurance value USD	1 118.2	1 094.5	1 118.2	1 094.5

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

Tax values of fixed assets

Buildings	474.9	505.6	460.9	492.1
Affiliated company shares	37.3	37.2	36.5	36.5
Subsidiary shares	-	-	26.8	17.2
Other stocks and shares	34.5	23.2	10.5	10.2
Total	546.7	566.0	534.7	556.0

For foreign companies the book value was used as the tax value.

9. Financial income and expenses

Dividends	-	-	4.7	6.9
Share of affiliated company profit	4.9	7.3	-	-
Interest income on long-term investments	11.7	19.8	11.7	19.7
Interest income on short-term investments	116.7	117.5	111.7	112.2
Interest income from Group companies	-	-	3.3	6.0
Exchange rate fluctuations				
- realized exchange rate gains	49.2	119.3	49.1	119.3
- unrealized exchange rate gains	95.1	2.0	95.1	2.0
- realized exchange rate losses	- 42.3	- 19.5	- 42.1	- 19.5
- unrealized exchange rate losses	- 55.7	- 32.5	- 55.7	- 32.5
Total exchange rate differences in the profit and loss statement	46.3	69.3	46.4	69.3
Interest expenses	- 231.6	- 276.2	- 222.8	- 263.5
Interest expenses to Group companies	-	-	- 11.0	- 16.3
Other expenses on liabilities	- 19.3	- 6.4	- 17.4	- 5.3
Other financial expenses	- 4.0	-	- 4.0	-
Value adjustments on investments	- 27.3	-	- 27.3	-
Financial expenses, net in profit and loss statement	- 102.6	- 68.7	- 104.7	- 71.0

10. Taxes

Taxes from previous years	-	- 1.7	-	- 2.1
Taxes for the financial year	16.6	7.2	14.0	6.4
Taxes in the profit and loss statement	16.6	5.5	14.0	4.3

Voluntary reserves

Tax liability on voluntary reserves	38.6	38.6		
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11. Fixed asset securities and other long-term investments

Affiliated Companies	Number of shares	Group ownership %	Parent company ownership %	Nominal value FIM 1 000	Book value FIM 1 000	Group share of profit/loss for financial year FIM 1 000	Group share of equity 1 000 mk	Closing date
Infa - Hotel, Russia	9 633 400	49.0	49.0	SUR 9 633	36 057	4 689	17 348	Mar. 31,95
Finnish American International Trade Inc., USA	1 000	20.0	20.0	USD 100	361	- 123	366	Dec. 31,94
Suomen Jakelutiet Oy	15	47.5	-	15	70	45	70	Dec. 31,94
Amadeus Estonia	98	33.3	-	EEK 98	39	-	-	Dec. 31,94
Toivelomat Oy	500	48.2	-	500	23	102	455	Mar. 31,95
Finland Vacanties Westerman B.V., Holland	200	48.5	-	NLG 20	538	168	549	Mar. 31,95
Total					37 088	4 881	18 788	

Subsidiary shares	Number of shares	Group ownership %	Parent company ownership %	Nominal value FIM 1 000	Book value FIM 1 000	Profit/loss of financial year FIM 1 000	Equity FIM 1 000	Closing date
Aero O/Y	300	100.0	100.0	30	30	0	24	Mar. 31,95
Kiinteistö Oy Aerolan A-talot	7 500	100.0	-	75	1 320	0	223	Mar. 31,95
Kiinteistö Oy Aerolan B-talot	200	100.0	100.0	200	200	0	154	Mar. 31,95
Kiinteistö Oy Malminlento	100	100.0	-	10	10	0	10	Mar. 31,95
Amadeus Finland Oy	95	95.0	95.0	950	950	558	2 322	Mar. 31,95
Area Travel Agency Ltd.	54 000	100.0	-	540	5 030	259	1 315	Mar. 31,95
Area Baltica Reisibüro AS, Estonia	850	100.0	-	-	377	- 4	373	Dec. 31,94
Closed-end Limited Company Area, Russia	10	100.0	-	-	-	- 32	-	Dec. 31,94
Oy Aurinkomatkat - Suntours Ltd Ab	2 902	96.7	-	1 451	1 351	1 019	5 436	Mar. 31,95
Finlandia Travel Agency Ltd., UK	46 680	93.4	93.4	GBP 47	144	135	626	Mar. 31,95
Finlandia Agence de Voyages S.A.R.L., France	98	93.4	-	FRF 48	41	35	93	Mar. 31,95
Finnair Travel Services Oy	1 000	100.0	100.0	100	100	653	754	Mar. 31,95
Finnaviation Oy	13 500	100.0	100.0	13 500	10 440	809	12 226	Mar. 31,95
Finn catering Oy	1 696	100.0	100.0	1 314	1 794	540	5 656	Mar. 31,95
Finncharter Ltd., Canada	1 000	100.0	100.0	CAD 1	4	6	84	Mar. 31,95
Oy Finnmatkat - Finntours Ab	150	100.0	100.0	150	590	203	764	Mar. 31,95
Finnway Inc., USA	200	97.0	-	USD 97	1 370	- 141	- 600	Mar. 31,95
Karair oy	63 375	100.0	100.0	951	1 825	881	2 795	Mar. 31,95
Karair Ab, Sweden	100	100.0	45.0	SEK 100	80	0	80	Mar. 31,95
Mikkelin Matkatoimisto Oy	408	51.0	-	-	41	260	633	Mar. 31,95
Nordic-Hotel Oy	16 000	100.0	100.0	1 600	1 237	112	1 987	Mar. 31,95
Nordisk Reseservice Ab, Sweden	1 260	97.0	-	-	36	280	736	Mar. 31,95
Safin Oy	100	100.0	-	1	1	-	8	Mar. 31,95
Finland Travel Bureau Ltd.	73 035	97.0	97.0	730	2 054	812	4 918	Mar. 31,95
Total					29 025	6 385	40 617	

Other shares	Number of shares	Group ownership %	Parent Company ownership %	Nominal value FIM 1 000	Book value FIM 1 000
Amadeus Marketing S.A., Spain	8 507	4.7	4.7	-	3 827
Finnlandhaus GmbH, Germany	-	4.4	4.4	DEM 100	119
Polygon Insurance Company Ltd.	-	-	-	-	9 460
Sampo Insurance Company	45 709	0.3	0.3	-	2 505
Central Share Register of Finland Cooperative	4	-	-	-	280
Helsinki Stock Exchange Cooperative	-	-	-	-	170
Oy TEN-MAR Fastighets Ab	854	12.4	10.9	-	2 227
Asunto Oy Joensuun Kirkkokatu 21	228	-	-	-	610
Asunto Oy Koitere Bostads Ab, Laivanvarustajankatu 4	3	-	-	-	864
Asunto Oy Mannerheimintie 100	59	1.4	1.4	-	137
Asunto Oy Metsätorppa, Kauppalantie 48	63	4.4	4.4	-	131
Asunto Oy Neitsytpolku 9	70	-	-	-	470
Asunto Oy Neitsytpolku 11	65	-	-	-	1 016
Asunto Oy Octavus, Mannerheimintie 84	8	6.5	6.5	-	250
Asunto Oy Peter, Raatimiehenkatu 4	8	-	-	-	435
Asunto Oy Pietarinkatu 11	7	-	-	-	508
Asunto Oy Pietarinkatu 12	70	-	-	-	696
Asunto Oy Tenholantie 4	912	9.1	9.1	-	152
Kiinteistö Oy Citykulma	8 861	-	-	-	349
Kiinteistö Oy Heikintori	1 640	1.5	-	-	233
Kiinteistö Oy Lentäjätie 1	2 804	19.5	19.5	-	5 846
Kiinteistö Oy Tapiolan Säästötammi	237	-	-	-	807
Vicksol S.A., Espanja	1	-	-	-	3 121
Other companies with a book value of less than FIM 100,000	-	-	-	-	689
Telephone company shares	1 578	-	-	-	3 654
Total					38 556

Loan receivables included in other long-term investments of the Parent Company	1994/95	1993/94
From Group companies	45.9	65.8
From other companies	69.9	87.4
	115.8	153.2

12. Value adjustments under assets

	Group 1994/95 FIM mill.	1993/94 FIM mill.	Parent Company 1994/95 FIM mill.	1993/94 FIM mill.
Liability for pensions paid directly by the companies	28.8	26.2	13.6	11.6
Compulsory liability deficit of the pension funds	26.4	6.5	22.6	5.6
Uncovered liability of the pension funds	10.2	10.2	-	-
Total	65.4	42.9	36.2	17.2

13. Inventories

Inventories were evaluated at average acquisition cost.

14. Receivables from Group companies

Loans receivable	-	-	45.9	65.8
Trade receivables	-	-	113.9	80.8
Deferred receivables	-	-	47.8	20.8
Total	-	-	207.6	167.4

15. Deferred receivables

Leasing payments made in advance	65.9	81.2	65.9	81.2
Other items	258.1	259.5	267.6	246.4
Total	324.0	340.7	333.5	327.6

Other items include undue interest and other deferred receivables for the financial year.

16. Short-term investments

The investments include certificates of deposit, commercial papers and bonds.

17. Cash and bank receivables

Cash and bank receivables comprise funds in Group bank accounts.

18. Changes in equity

Restricted equity

Share capital at the beginning of the financial year	322.7	246.4	322.7	246.4
Conversion of convertible subordinated bond	21.2	-	21.2	-
Conversion of bonds	3.9	22.5	3.9	22.5
Share issue	60.0	53.8	60.0	53.8
Share capital at the end of the financial year	407.8	322.7	407.8	322.7
Revaluation fund	88.1	88.1	88.1	88.1
General reserve April 1	362.9	241.6	362.9	241.6
Issue premium	491.0	121.3	491.0	121.3
Total restricted equity at the end of the financial year	1 349.8	773.7	1 349.8	773.7

Unrestricted equity

Unrestricted equity at the beginning of the financial year	170.1	23.8 ¹⁾	164.1	19.8
Dividend payment	- 19.4	-	- 19.4	-
Profit for the financial year	254.6	146.3 ¹⁾	249.1	144.2
Total unrestricted equity at the end of the financial year	405.3	170.1	393.8	164.0
Total equity at the end of the financial year	1 755.1	943.8	1 743.6	937.7

¹⁾ The items include the Group's share of the results and equity of the affiliated companies that were not taken into account in the 1993/94 consolidated financial statements.

19. Liabilities to Group Companies

Trade payables	-	-	65.7	44.8
Deferred credits	-	-	5.8	14.4
Other short-termed liabilities	-	-	231.5	238.5
Total	-	-	303.0	297.7

20. Long-term liabilities

Repayment of long-term loans

Financial year	1995/96	1996/97	1997/98	1998/99	1999/2000	2000 -	Total
FIM mill.	68.0	70.5	73.9	114.3	423.8	2301.8	3052.3

37 % of the Group's long-term loans have floating interest rates and 36% are Finnish pension loans for which the minimum interest is approved by the Ministry of Social Affairs and Health. The remaining 27% have fixed interest rates.

21. Convertible subordinated bonds

The convertible subordinated bonds of FIM 230,000,000 were issued on February 28, 1994, with an annual interest rate of 7 per cent until the year 2004.

Thereafter, the interest rate will be five percentage points above the 12-month Helibor.

The bonds are undated. It has been proposed that regulations be introduced to the Companies Act under which capital loans are made comparable to equity items.

The bond issue in question is by nature a capital loan and has the following features in common with this type of credit:

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

According to the terms of the bonds, Finnair Oy is entitled, provided that the repayment terms are met, to pay back the principal in part or in full as of September 2, 2004, and also from the beginning of the loan period whenever the price of a Finnair Oy share on the Helsinki Stock Exchange exceeds the computed conversion price by 40 per cent for the period specified in the terms. The holder of the bond is entitled to convert the bond to shares before repayment.

One debenture with a nominal value of FIM 10,000 can be converted to 271 Finnair Oy shares at a nominal price of FIM 5 each. The computed conversion price of a share is therefore FIM 36.90. The annual conversion period is January 1 to January 31 and April 1 to December 31.

By March 31, 1995 bonds worth FIM 156,550,000 had been converted to 4,242,505 shares, after which the amount of the convertible bond is FIM 73,450,000. Should all the unconverted bonds on March 31, 1995 be exchanged for shares, the Company's share capital would increase by FIM 9,952,475, which is the equivalent of 1,990,495 shares.

22. Subordinated loan

During the financial year 1990/91 Finnair Oy took a perpetual undated subordinated loan of 21 billion Japanese yen on the Japanese capital market. The lender is in a less preferential position than the other creditors although he is in a more preferential position than the holders of the convertible subordinated bond (see Note 21). A repayment of JPY 15.5 billion was made on the loan in May 1994.

23. Convertible bonds

A convertible bond of FIM 150,000,000 was issued on March 13, 1992. The maturity is from 1992 to 1999 and the annual interest rate on the loan is 11.25 per cent. In conversion to shares, one FIM 1,000 bond is the equivalent of 54.4 shares in Finnair Oy with a nominal value of FIM 5 each.

The computed conversion price of a share is therefore FIM 18.38. The annual conversion period is April 1 to October 30.

By March 31, 1995 convertible bonds worth FIM 104,278,000 had been exchanged for 5,276,705 shares, after which the amount of the convertible bond is FIM 45,722,000.

Should all the unconverted bonds on March 31, 1995 be exchanged for shares, the Company's share capital would rise by FIM 12,436,380, which is the equivalent of 2,487,276 shares.

24. Advance payments

Advance payments in liabilities mainly comprise advance payments by customers for hotel and ground services.

25. Deferred credits

	Group 1994/95 FIM mill.	1993/94 FIM mill.	Parent Company 1994/95 FIM mill.	1993/94 FIM mill.
Unearned air transport revenues	442.4	435.5	442.4	435.5
Holiday pay reserve	283.3	252.1	232.5	205.8
Other items	588.4	407.9	519.1	360.5
Total	1 314.1	1 095.5	1 194.0	1 001.8

Other items include undue interest and other deferred credits for the financial year.

26. Other short-term debts

The item includes among other things liabilities to the Group companies.

27. Aircraft lease payments

Financial year	1995/96	1996/97	1997/98	1998/99	1999/2000	2000 -	Total
FIM mill.	205.3	201.4	186.6	64.9	131.6	234.4	1 124.2

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

With respect to certain of the finance leases, Finnair Oy has paid in advance, or made a respective deposit, either all or a portion of the future lease payments, including the agreed purchase option payment.

As at March 31, 1995, the present value of the maximum remaining finance lease payments, including the agreed purchase option payments, was FIM 874.3 million.

The table of the Finnair Group fleet is on page 10 of this annual report.

Under operating leases, unlike finance leases, Finnair Oy is only obliged to pay rent for the relevant lease term with no liability on termination, the economic risk of ownership remaining with the lessor. Under finance leases, Finnair Oy pays rentals to cover the finance costs, has an option to purchase the relevant aircraft and bears the residual value risk. Therefore, Finnair Oy may be subject to certain additional payments arising on the termination of the relevant finance leases, depending on the future resale value of the aircraft.

No provisions have been made by Finnair Oy for any such payment, as these risks cannot, in Finnair's opinion, be quantified. Should the future market value of an aircraft held on a finance lease be higher than its agreed purchase option value, Finnair Oy would realize a profit on its resale after the end of the relevant lease period.

28. Pension liabilities

	Group 1994/95 FIM mill.	1993/94 FIM mill.	Parent Company 1994/95 FIM mill.	1993/94 FIM mill.
Total liability of pension funds	2 443.7	2 313.2	2 239.3	2 124.2
Mandatory portion covered	- 1 059.2	- 976.9	- 923.9	- 855.5
Non mandatory benefit covered	- 1 347.9	- 1 319.8	- 1 292.8	- 1 263.1
Uncovered liability of pension funds	36.6	16.5	22.6	5.6
Liability for pensions paid directly by the companies	28.8	26.4	13.6	11.6
Liability included in other long-term liabilities	65.4	42.9	36.2	17.2

29. Securities pledged and guarantees given

Parent Company pledges on behalf of subsidiaries	4.0	82.9	4.0	82.9
Parent Company guarantees on behalf of subsidiaries	180.2	165.3	180.2	165.3
Pledges and mortgages for own commitments	1 035.5	1 091.4	1 032.9	1 088.6
Total securities pledged and guarantees given	1 219.7	1 339.6	1 217.1	1 336.8

PROPOSAL BY THE BOARD OF DIRECTORS CONCERNING DISPOSAL OF THE PROFIT

The Group's unrestricted equity according to the consolidated balance sheet on March 31, 1995 is FIM 405,353,472.65.

The Parent Company Finnair Oy's unrestricted equity according to the balance sheet on March 31, 1995 is FIM 393,782,196.63.

The distributable unrestricted equity is FIM 393,782,196.63, the share capital FIM 407,782,100.00 and the number of shares entitled to a dividend 81,556,420.

The Board of Directors proposes to the Annual General Meeting that a dividend of 10% on share capital totalling FIM 40,778,210.00 and amounting to FIM 0.50 per share be paid from profits and that the remaining portion of distributable profit be retained in the profit and loss account.

Helsinki, June 13, 1995

THE BOARD OF DIRECTORS OF FINNAIR OY

Kalevi Sorsa

Ahti Hirvonen

Ari Heiniö

Seppo Härkönen

Eva-Christina Mäkeläinen

Robert G. Ehrnrooth

Raimo Hertto

Jaakko Ihamuotila

Antti Potila

AUDITORS' REPORT

to the shareholders of Finnair Oy

We have examined the accounts, the financial statements and the administration of Finnair Oy for the financial year April 1, 1994 to March 31, 1995.

The financial statements prepared by the Board of Directors and the President include the review of operations and the statements of profit and loss, the balance sheets and the notes to the financial statements for the Group and the Parent Company. On the basis of our audit, we issue the statement below on the annual accounts and the administration.

The undersigned Pekka Nikula has performed the supervisory audit for the financial year in question.

The accounts and the principles used in drawing up the financial statements and their content and method of presentation have been examined to the extent required by good auditing practice.

The audit of the administration has shown that the actions of the Supervisory Board, the Board of Directors and the President are in conformity with the Companies Act.

The financial statements were drafted in accordance with the Finnish Bookkeeping Act and the other rules and regulations concerning the drafting of financial statements. The financial statements provide the true and fair view referred to in the Bookkeeping Act regarding the results of the operations and the financial position of the Group and the Parent Company.

The financial statements, including those of the Group, can be approved.

The members of the Supervisory Board and of the Board of Directors and the President can be released from personal liability for the financial year to which our audit pertains.

The proposal of the Board of Directors concerning disposal of the profit for the financial year complies with the Companies Act.

We have examined the interim report published during the financial year. In our opinion it was drafted in accordance with the relevant regulations.

Helsinki, June 16, 1995

Hannu Nieminen

Pekka Nikula

APA

Juhani Korpela

Taisto Hautakangas

APA

STATEMENT OF THE SUPERVISORY BOARD

At its meeting held today, the Supervisory Board of Finnair Oy has examined the financial statements of the Parent Company and of the Group and the Auditors' Report for the financial year April 1, 1994 - March 31, 1995.

The Supervisory Board has decided to recommend that the Annual General Meeting approve the financial statements of the Parent Company and the Group and that the profit shown in the Balance Sheet be disposed of in the manner proposed by the Board of Directors.

The Supervisory Board states that its decisions and instructions have been followed and that it has received the information it deems necessary from the Company Board of Directors and the President.

The terms of service on the Supervisory Board of

Mr. Felix Björklund,
Mr. Markku Hyvärinen,
Ms. Ritva Laurila,
Mr. Pekka Padatsu,
Mr. Seppo Pelttari and
Mr. Peter Stenlund

are due to expire at the Annual General Meeting.

Helsinki, June 21, 1995

Harri Holkeri

Felix Björklund
Markku Hyvärinen
Pekka Kivelä
Ritva Laurila
Magnus Nordling
Seppo Pelttari
Jaakko Pohjola
Olli Rehn

Riitta Backas
Tarja Kautto
Markku Koskenniemi
Jouko K. Leskinen
Pekka Padatsu
Matti Piuhola
Jussi Ranta
Peter Stenlund

KEY FIGURES

		1990/91	1991/92	1992/93	1993/94	1994/95
CONSOLIDATED FINANCIAL RESULTS						
Revenue from business operations	FIM mill.	5 705	5 567	5 590	5 958	6 670
change	%	3.6	- 2.4	0.4	6.6	12.0
Operating margin	FIM mill.	355	405	351	588	945
in relation to revenue						
from business operations	%	6.2	7.3	6.3	9.9	14.2
Operating profit	FIM mill.	- 23	11	- 40	189	522
in relation to revenue						
from business operations	%	- 0.4	0.2	- 0.7	3.2	7.8
Net financial expenses	FIM mill.	68	161	310	69	103
in relation to revenue						
from business operations	%	1.2	2.9	5.5	1.2	1.5
Profit before incidental items	FIM mill.	- 91	- 150	- 349	120	419
in relation to revenue						
from business operations	%	- 1.6	- 2.7	- 6.2	2.0	6.3
CONSOLIDATED BALANCE SHEET						
Fixed assets and other long-term investments	FIM mill.	3 871	3 744	4 030	4 132	3 937
Value adjustments	FIM mill.	38	45	37	43	66
Inventories	FIM mill.	206	207	191	171	171
Current assets	FIM mill.	2 009	2 388	2 395	2 454	3 242
Total assets	FIM mill.	6 124	6 384	6 654	6 800	7 416
Share capital	FIM mill.	246	246	246	323	408
Other equity, reserves and minority holding	FIM mill.	1 438	1 282	909	1 144	2 018
Liabilities	FIM mill.	4 440	4 856	5 499	5 333	4 990
Total liabilities	FIM mill.	6 124	6 384	6 654	6 800	7 416
Gross investment less advance payments	FIM mill.	1216	632	854	699	281
Return on equity (ROE)	%	neg.	neg.	neg.	8.7	20.7
Return on investment (ROI)	%	4.1	5.2	7.2	8.7	14.7
Increase in share capital	FIM mill.	-	-	-	76	85
Dividend for the financial year	FIM mill.	-	-	-	19	41 ¹⁾
Earnings/share	FIM	- 1.94	- 3.03	- 6.67	1.93	5.39
Equity/share	FIM	31.63	28.68	21.69	22.72	29.73 ²⁾
Dividend/share	FIM	-	-	-	0.30	0.50 ¹⁾
Equity ratio 1	%	27.8	24.4	17.5	21.8	33.1
Equity ratio 2	%	-	-	-	25.2	34.2
Net debt-to-equity 1	%	119.1	127.9	225.8	153.6	40.0
Net debt-to-equity 2	%	-	-	-	119.3	35.9
Interest-bearing debt	FIM mill.	3 193	3 532	4 127	3 792	3 185
Liquid funds	FIM mill.	1 186	1 577	1 519	1 539	2 214
Net interest-bearing debt	FIM mill.	2 007	1 955	2 608	2 253	971
in relation to revenue						
from business operations	%	35.2	35.1	46.7	37.8	14.6
Net financing expenses	FIM mill.	68	161	310	69	103
in relation to revenue						
from business operations	%	1.2	2.9	5.5	1.2	1.5
Net interest expenses	FIM mill.	21	71	87	139	103
in relation to revenue						
from business operations	%	0.4	1.3	1.6	2.3	1.5
Personnel						
on average	person	11 396	10 788	10 324	9 721	9 586
Finnair Oy	person	8 183	7 950	7 714	7 257	7 132

1) The proposal of the Board of Directors to the Annual General Meeting

2) The imputed tax liability from reserves as at March 31, 1995 is FIM 167.5 million. If taken into account, the index figure is FIM 27.68.

The financial statements were drafted according to the regulations of the new Finnish Bookkeeping Act. All the comparison years were converted accordingly and for this reason there may be minor departures from the respective figures for previous years.

FORMULAS FOR RATIOS (THE GROUP)

Return on equity %	=	$\frac{\text{Result before incidental items - taxes}}{\text{Equity and reserves + minority holding}^*}$	x 100
		* average at the beginning and end of the financial year	
Return on investment %	=	$\frac{\text{Result before incidental items + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities}^*}$	x 100
		*) average at the beginning and end of the financial year	
Earnings/share (FIM)	=	$\frac{\text{Result before incidental items +/- minority holding - taxes}}{\text{Average number of shares during the financial year, adjusted for the share issue}}$	
Equity/share (FIM)	=	$\frac{\text{Equity and reserves}}{\text{Number of shares at the end of the financial year, adjusted for the share issue}}$	
Equity ratio 1, %	=	$\frac{\text{Equity and reserves + minority holding}}{\text{Balance sheet total - advances received}}$	x 100
Equity ratio 2, %	=	$\frac{\text{Equity and reserves + minority holding + convertible subordinated bonds}}{\text{Balance sheet total - advances received}}$	x 100
Net debt-to-equity 1, %	=	$\frac{\text{Net interest-bearing debt}}{\text{Equity + minority holdings + reserves}}$	x 100
Net debt-to-equity 2, %	=	$\frac{\text{Net interest-bearing debt - convertible subordinated bonds}}{\text{Equity + minority holdings + reserves + convertible subordinated bonds}}$	x 100
P/E Ratio	=	$\frac{\text{Final trading price at the end of the financial year}}{\text{Earnings/share}}$	

SUBSIDIARIES

	Total sales (FIM 1 000)	Change %	Revenue from business oper. (FIM 1 000)	Change %	Personnel March 31		Finnair Oy holding % ¹⁾
	1994/95		1994/95		1995	1994	
Finnaviation Oy							
Air transport							
Paavo Turtiainen, Managing Director	151 827	+ 15	151 827	+ 19	1 94	184	100.0
Karair oy							
Air transport							
Pekka Välimäki, Managing Director	256 794	- 4	256 794	+ 1	266	251	100.0
Area Travel Agency Ltd.							
Complete travel agency services							
Timo Mannerman, Managing Director	872 847	+ 16	89 073	+ 19	397	376	100.0
Area Baltica Reisibüro AS, Estonia							
Complete travel agency services							
Tuula Hyvönen, Managing Director	2 751	> 100	307	- 56	3	4	100.0
Closed-end Limited Company Area, Russia							
Complete travel agency services							
Tuula Hyvönen, Managing Director	5 995	> 100	535	- 53	8	9	100.0
Finlandia Agence de Voyages S.A.R.L., France							
Complete travel agency services							
Leena Uurala, Managing Director	13 842	+ 50	3 126	- 34	10	5	93.4
Finlandia Travel Agency Ltd., UK							
Complete travel agency services							
Antero Lahtinen, Managing Director	48 869	- 5	6 636	- 3	22	20	93.4
Mikkelin Matkatoimisto Oy							
Complete travel agency services							
Airi Koljonen, Managing Director	20 257	- 4	2 465	- 1	6	13	51.0
Nordisk Reseservice Ab, Sweden							
Complete travel agency services							
Billy Carlsson, Managing Director	11 926	- 7	2 127	- 21	10	11	97.0
Finland Travel Bureau Ltd.							
Complete travel agency services							
Carl Nyberg, Managing Director	1 228 506	+ 18	129 260	+ 23	536	518	97.0
Oy Aurinkomatkat - Suntours Ltd Ab							
Tour operations							
Timo Heinonen, Managing Director	493 345	- 3	493 345	+ 0	206	213	96.7
Finnair Travel Services Oy							
Support services for tour operations							
Jukka Salama, Managing Director	14 023	> 100	14 023	> 100	66	63	100.0
Oy Finnmatkat - Finntours Ab							
Tour operations							
Kaj Horsma, Managing Director	278 441	- 1	278 441	+ 3	124	126	100.0
Finncharter Ltd., Canada							
Tour operations							
Christina Colliander, Managing Director	12 319	- 29	12 319	- 18	5	2	100.0
Finnway Inc., USA							
Tour operations							
Anneli Karppinen, Managing Director	13 008	-	2 941	-	4	5	97.0
Nordic-Hotel Oy							
Hotel and restaurant services							
Olof Jurva, Managing Director	204 143	+ 8	204 143	+ 16	488	482	100.0
Safin Oy							
Hotel consulting services							
Olof Jurva, Managing Director	7 505	-	7 505	-	-	-	100.0
Finn catering Oy							
Catering operations							
Leo Eerikas, Managing Director	41 291	- 9	41 291	+ 16	119	111	100.0
Amadeus Finland Oy							
Automated distribution and information systems for the travel industry							
Risto Tuomela, Managing Director	51 460	-	51 490	+ 3	32	30	95.0
Aero O/Y							
Holding company	-	-	-	-	-	-	100.0
Real estate companies	1 942	+ 5	1 942	+ 5	1	1	100.0
TOTAL	3 731 091	+ 10	1 749 560	+ 8	2 497	2 424	

1) Direct or indirect

FINNAIR GROUP AIR TRANSPORT

FINNAIR OY, KARAIR OY AND FINNAVIATION OY

	1990/91	1991/92	1992/93	1993/94	1994/95
SCHEDULED INTERNATIONAL TRAFFIC					
Flight hours	69 226	67 923	69 158	71 118	84 301
Flight kilometres	41 580 000	42 672 000	42 379 000	45 550 000	52 474 000
Available seat kilometres	6 368 252 000	6 550 003 000	7 044 568 000	7 914 545 000	10 021 335 000
Revenue passenger kilometres	3 807 029 000	3 784 330 000	3 937 948 000	4 811 651 000	6 617 674 000
Passenger load factor	59.8	57.8	55.9	60.8	66.0
Available tonne kilometres	909 748 000	926 541 000	978 052 000	1 136 434 000	1 413 745 000
Revenue tonne kilometres	481 277 000	467 178 000	482 351 000	610 242 000	802 337 000
Overall load factor	52.9	50.4	49.3	53.7	56.8
Passengers	1 917 417	1 812 696	1 857 737	2 144 340	2 802 980
Cargo (1 000 kg)	32 661	29 732	28 943	35 621	43 335
Mail (1 000 kg)	4 564	4 523	5 724	6 718	6 932
Seats available per a/c	160	160	173	178	193
Seats occupied per a/c	96	92	97	108	127
Load capacity available, kg per a/c	21 879	21 712	23 079	24 949	26 942
Load utilization, kg per a/c	11 575	10 948	11 382	13 397	15 290
SCHEDULED DOMESTIC TRAFFIC					
Flight hours	46 462	48 168	48 215	44 759	45 185
Flight kilometres	19 169 000	19 690 000	19 789 000	18 393 000	18 293 000
Available seat kilometres	1 852 751 000	1 827 554 000	1 807 657 000	1 647 980 000	1 648 074 000
Revenue passenger kilometres	967 501 000	916 635 000	875 725 000	818 313 000	869 019 000
Passenger load factor	52.9	50.2	48.4	49.7	52.7
Available tonne kilometres	196 022 000	192 831 000	190 633 000	169 798 000	170 045 000
Revenue tonne kilometres	85 728 000	81 366 000	77 814 000	72 890 000	77 452 000
Overall load factor	43.7	42.2	40.8	42.9	45.5
Passengers	2 407 277	2 188 243	2 050 828	1 864 355	1 957 498
Cargo (1 000 kg)	5 023	4 838	4 316	4 248	4 624
Mail (1 000kg)	398	547	732	898	1 214
Seats available per a/c	99	95	93	91	92
Seats occupied per a/c	51	48	45	45	48
Load capacity available, kg per a/c	10 226	9 793	9 633	9 232	9 296
Load utilization, kg per a/c	4 472	4 132	3 932	3 963	4 234
CHARTER TRAFFIC					
Flight hours	32 413	25 937	22 945	18 359	14 767
Flight kilometres	22 212 000	18 370 000	16 403 000	12 956 000	10 006 000
Available seat kilometres	5 316 775 000	4 930 272 000	4 157 932 000	3 594 812 000	2 426 299 000
Revenue passenger kilometres	4 728 068 000	4 319 259 000	3 568 793 000	3 122 078 000	2 048 929 000
Passenger load factor	88.9	87.6	85.8	86.8	84.4
Available tonne kilometres	522 637 000	489 817 000	411 019 000	355 604 000	236 391 000
Revenue tonne kilometres	433 126 000	403 041 000	331 953 000	289 956 000	187 981 000
Overall load factor	82.9	82.3	80.8	81.5	79.5
Passengers	1 363 498	1 234 986	1 084 479	911 158	671 287
Cargo (1 000kg)	2 381	3 751	2 971	2 654	1 424
Mail (1 000 kg)	49	57	70	29	35
Seats available per a/c	239	268	253	277	242
Seats occupied per a/c	213	235	218	241	205
Load capacity available, kg per a/c	23 529	26 664	25 058	27 447	23 625
Load utilization, kg per a/c	19 500	21 940	20 237	22 380	18 787
TOTAL AIR TRANSPORT					
Flight hours	148 101	142 028	140 318	134 236	144 253
Flight kilometres	82 961 000	80 732 000	78 571 000	76 899 000	80 773 000
Available seat kilometres	13 537 778 000	13 307 829 000	13 010 157 000	13 157 337 000	14 095 708 000
Revenue passenger kilometres	9 502 598 000	9 020 224 000	8 382 466 000	8 752 042 000	9 535 622 000
Passenger load factor	70.2	67.8	64.4	66.5	67.6
Available tonne kilometres	1 628 407 000	1 609 189 000	1 579 704 000	1 661 836 000	1 820 181 000
Revenue tonne kilometres	1 000 131 000	951 585 000	892 118 000	973 088 000	1 067 770 000
Overall load factor	61.4	59.1	56.5	58.6	58.7
Passengers	5 688 192	5 235 925	4 993 044	4 919 853	5 431 765
Cargo (1 000 kg)	40 065	38 321	36 230	42 523	49 383
Mail (1 000 kg)	5 011	5 127	6 526	7 645	8 181

A part of charter traffic was converted to scheduled traffic during the 1994/95 financial year.

In contrast to previous years, revenue passenger kilometres, revenue tonne kilometres and load factors are given for charter traffic.

The previous financial years were converted to make them comparable to 1994/95.

FLIGHT DESTINATIONS 1995



DEFINITIONS FOR FINNAIR GROUP AIR TRANSPORT

Available seat kilometres:
total number of seats available for passengers, multiplied by the number of kilometres flown*

Revenue passenger kilometres:
number of revenue passengers carried, multiplied by the number of kilometres flown*

Passenger load factor:
percentage of total passenger seats actually utilized

Available tonne kilometres:
number of tonnes of capacity available for carriage of passengers, cargo and mail, multiplied by number of kilometres flown*

Revenue tonne kilometres:
total tonnage of revenue load carried, multiplied by the number of kilometres flown*

Overall load factor:
percentage of total available capacity utilized (passenger, cargo and mail)

* Kilometres flown are based on IATA Great Circle distances.

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