Annual Report

1998/1999

FINNAIR

CONTENTS

Finnair

FINNAIR´S BUSINESS

Finnair provides air travel, cargo and related services which are competitive in terms of quality and price.

VALUES

Finnair values are customer friendliness and the constant desire for improvement, honesty and openness, responsibility, fairness and a respect for others.

PROFITABILITY

Finnair's long term aim is steady growth in profitability. This will ensure its membership among the elite of airlines whilst making it an attractive investment.

SAFETY

Safety and security are always at the forefront in Finnair´s activities ranging from technical support and passenger and cargo handling to every aspect of flight operations.

PARTNERS

Finnair is a competent and reliable partner, bringing considerable added value.

STAFF

Our staff provide a high standard of service for our customers, are thoroughly competent and professional and highly motivated.

THE ENVIRONMENT

Finnair systematically analyses the environmental implications of air traffic and works constantly to minimize environmental effects.

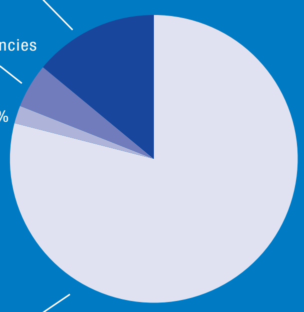
THE FUTURE

Finnair wants to be the best airline in Northern Europe and the most punctual and highly respected among European airlines for its passenger service.

FINNAIR

Finnair highlights

Turnover by sector



Finnair group

	1998/1999 FIM	1997/1998 FIM	Change %	1998/1999 EUR
Turnover, mill.	**8 883.3**	8 593.6	3.4	**1 494.1**
Operating profit, mill.	**426.6**	607.8	-29.8	**71.7**
Operating profit of turnover, %	**4.8**	7.1		
Profit before extraordinary items and taxes, mill.	**433.7**	626.7	-30.8	**72.9**
Earnings / share	**3.81**	6.11		**0.64**
Equity / share	**40.59**	39.31		**6.83**
Gross capital expenditure, mill.	**1 308.6**	878.6		**220.0**
Interest-bearing net debt, mill.	**139.0**	-174.0		**23.4**
Equity ratio, %	**47.6**	46.5		
Net debt-to-equity (Gearing), %	**4.0**	-5.4		
Return on investment, %	**11.4**	15.9		
Personnel on average	**11 264**	10 706	5.2	

FIM 1 = USD 0.187

The year in brief

- Finnair, one of the world's oldest airlines, became 75 years old on November 1st 1998.
- In December 1998, Finnair decided to join the worldwide **one**world™ alliance. Finnair will become a member of the alliance in September 1999.
- Keijo Suila took over as new Chief Executive Officer and President on January 1 1999. His predecessor, Antti Potila, retired.
- Finnair's transition to using Airbus aircraft became apparent in Finland in February 1999, when the first Airbus A321 aircraft began scheduled service.
- A five week long strike by Finnish Civil Aviation Administration air traffic controllers in February and March 1999 caused Finnair considerable financial losses.

Report by the Chief Executive Officer

For Finnair the past year has in many ways been replete with change. After a good start, growth tailed off during the second half and the financial year ended with a difficult emergency situation brought on by the strike by Civil Aviation Administration air traffic controllers.

Finnair's profitability fell while operating costs rose far faster than revenues. Operating costs were pushed up by expensive collective labour agreements and extra operational expenses. These were caused by a major increase in capacity and the switch to new Airbus aircraft and technology, which tied up an exceptional amount of resources for training.

Group financial performance can be regarded as satisfactory, but the downward trend is very worrying and poses a major challenge. During the financial year, the already prolonged growth in the volume of international air traffic continued. Passenger numbers for the AEA, the Association of European Airlines, increased in 1998 by an average of 6.5 %. During its financial year Finnair exceeded this average until the strike, which began in February 1999.

The industry in general was characterized by a serious decline in punctuality and an erosion of yield, i.e. a fall in average revenues per passenger. Combined earnings for the AEA airlines fell by 20 % in 1998.

The globalization of the customer base and the liberalization and stiffening of competition gave added incentive to the airlines to move towards closer and more extensive cooperation. Finnair chose the **one**world alliance, one of the leading global alliances, which we joined in December 1998.

Finnair counts among the most important and positive developments of the past year the robust demand in European and domestic traffic, the fact that it has maintained its share of the domestic market despite the tightening competition, its membership of the **one**world alliance and the initiation of the fleet renewal process which will see the eventual withdrawal of MD-80 and DC-9 aircraft types in favour of the Airbus A320 family of planes.

The direction in many areas during the year was, however, unsatisfactory. Of most concern were the sharp decline in profitability accompanied by rising operational expenses, the fall in productivity and the deterioration in punctuality. The air traffic controllers' strike seriously restricted traffic for almost six weeks. Countermeasures taken during the strike helped the company to reduce the damage to a lower level than it had feared.

The deterioration in air navigation services in Europe can be seen from the AEA's punctuality figures, which show an enormous increase in delays of about 40 % compared with 1997. For Finnair this past winter season was unsatisfactory as far as punctuality was concerned and the company was tipped from its previous pride of place, although its placing for the whole year was still a respectable third.

The tour operations and travel agency sectors showed a positive trend, with growth in both sales and profitability.

During the financial year the company reappraised its goals and strategy, during which it made a critical analysis of Finnair's status, its strengths and the challenges it faces. We have defined our goals; We want to be the best airline in the Northern Europe, growing profitably. We wish to be the most punctual and respected for providing the best service in Europe. We have set out the key strategic areas by which to achieve these goals, and they are:

- dominance of our domestic market in Finland
- market leadership in international traffic to and from Finland and in gateway traffic passing through Finland
- strengthening of our strong market position in Stockholm
- benefiting from the synergies of alliance.

If we are to be successful in the above areas we have to be highly competitive in our production costs. The sharp rise in our operating costs last year sapped that competitiveness and profitability at an alarming rate and in fact it is one of our primary objectives in the new financial year to halt this trend. We have launched a new programme, "FinSmart", as an extension of the earlier “Programme 2“ with the aim of improving profitability and competitiveness by changing our working methods and structures. Many of the improvements introduced so far give us encouragement in this task.

Our best resource is a skilled organization working to achieve a common goal. The various employee groups within the company have worked with the management to define these values on which to base a corporate culture for Finnair. With a set of common values and a more unified corporate culture we can work towards improving the cooperative ability of the organization beyond the limits. A highly motivated workforce is a guarantee of better service and competitiveness.

The outlook for the new financial year contains many uncertainties. This is also reflected in the significant worsening in financial performance of our competitors. The competitive climate will remain at least as hot as it has to date. Russia’s economic problems, the war in Kosovo and political tensions in Turkey reflect directly on demand. The abolition of tax free sales will leave a major dent in Finnair’s earnings. The rise in fuel prices will raise operating costs.

On the other hand we firmly believe in a positive trend in our main market areas. We know that we can greatly improve efficiency through our operations. We are keeping capacity growth moderate. We are rationalizing our route network by eliminating the unprofitable ones. We are particularly emphasizing quality of service and passenger comfort in Business Class. Our cooperation with our alliance partners will bring concrete results during the year.

Among the important events of the year, of course, was the change of Chief Executive Officer on January 1 1999, when my predecessor Antti Potila retired. He was CEO for the greater part of the financial year and gave me his invaluable support when the watch changed. In this regard I want once again record my thanks to Antti Potila for his valuable work for the company and for his support for me, his successor. This past year has been one full of challenge for the company’s personnel. Our increased services, sometimes to beyond our realistic resources, demanded a considerable stretch from them. Learning the new technology was a broad-ranging challenge for a large proportion of our staff as we began the changeover to the new fleet. The strike at the end of the financial year required daily adjustment to the crisis situation. Our staff deserves a huge vote of thanks for all that extra stretching.

And finally our thanks to you who pay our salaries. More than seven million customers gave their vote of confidence to Finnair last year by choosing us for their transport needs. We have earned much praise in the opinion surveys, but we are also aware of the absolute necessity of making constant improvements in order to continue earn that praise in the future.

Keijo Suila

Flying high
for the new millennium

The start of the new millennium and the adoption of the single European currency will affect us in many ways. We at Finnair have been prepared for these changes for years. We see the new millennium as a great challenge.


2000

Ready for 2000
beating the bug in good time

The transition to the year 2000 is an especially huge challenge for a service and transport firm which depends on information technology. For Finnair it is a question of guaranteeing its systems so that air transport is safe, the comfort of passengers is not impaired and the quality of service is maintained.

Finnair began its Year 2000 project in 1996, the aim being to make sure that systems, service and the entire commercial operation continue to run smoothly through the change of the millennium.

Finnair's 300-odd data systems have been inspected. Of these, more than 100 required modification or replacement. By 31 March 1999, 94 per cent of this work had been completed. As far as business operations are concerned all the critical systems are already Y2K proof.

Necessary changes of workstations and systems testing will be carried out by 30 June 1999. Computer-linked machinery and equipment, such as electricity, water, lifts, security and alarm systems, will be tested by 30 September 1999.

Trouble-free air transport is dependent on numerous equipment and systems suppliers. The leading aircraft manufacturers, Boeing, McDonnell Douglas and Airbus began preparing for the millennium transition as far back as 1992, and they have already carried out the necessary changes to their aircraft.

Finnair is involved in the project by the international airlines association, IATA, to resolve at a central level the Y2K resilience of the world's airports, airspace control, customs and other services essential to the airlines. Finnish airports and regional flight control were checked for Y2K protection in April 1999.

The total work input of Finnair's Year 2000 project amounts to about 25 man-years and the overall cost of the project is about FIM 20 million.

The Y2K problem concerns the entire international aviation industry. In order to eliminate public uncertainty, the entire industry is working together, and there is a free and open exchange of information.

The euro

At the beginning of 1999, eleven European countries, Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain, formed the single currency European Monetary Union (EMU). This meant that they were committed to adopting the euro as their common currency, to which the currencies of the member states were tied at a fixed rate.

The transition to the euro will take place in stages. Finnair has also drawn up its own timetable by which the airline will move over to the euro.

The euro was included as one of the invoicing and payment currencies at Finnair on January 1, 1999. The Finnair Group will switch over from the Finnish markka to the euro for its primary accounting and internal billing at the turn of the 2001 financial year.

PRICING

From January 1, 1999, Finnair has quoted fares and accepted payments in euros or in local currency according to customer choice.

The transition from the markka to euro based tariffs will take place as follows:

Freight tariffs have been expressed in euros since April 1st 1999.

Air ticket tariffs will be expressed in euros from March 15th, 2001.

Charter tariffs will be expressed in euros during the 2001/2002 winter season.

Since the beginning of 1999 Finnair has issued air tickets against either euros or local currency according to the customers' wishes. At the same time, the reservation system moved over to quoting fares in both local currency and euros. Tickets charged in euros can be paid for by credit card in countries belonging to the currency union.

REPORTING AND ACCOUNTS

Finnair has adopted the recommendations of the Helsinki Exchange (HEX) in its financial reporting. The figures for the 1998/99 financial year are also published in euros. The company will move over to the euro in its quarterly reports in 1999/2000, when the results for the first quarter will be published exclusively in euros.

Finnair will adopt euro denominated accounting in selected areas of its bookkeeping even before the company as a whole moves over to euro accounting. One of the first to do so will be the technical group's materials handling system, which will use the euro from summer 1999.

Shares on the HEX exchange have been denominated in euros since January 1st 1999. Finnair will pay its dividend in euros for the first time for the financial year 1999/2000, in other words, in August 2000.

The cost to Finnair of moving over to the euro is about FIM 10 million.

Air traffic expands
competition gets tougher

Strong economic growth fuelled air traffic growth particularly in western Europe and the United States. This was also reflected in Finnair's passenger numbers which increased by 5 per cent over the previous year.

Growth was, however, restricted by economic problems mainly in the Far East and Russia and also by the five-week strike by Finnish air traffic controllers. Without the strike, Finnair's passenger numbers would have risen by about 7 per cent.

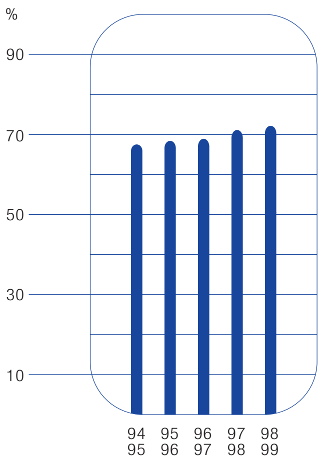
The financial year was marked by increasing competition both on domestic and international routes. Foreign companies have added to supply on Finnish routes, while Finnair has developed its international route network, particularly its Stockholm traffic.

INTERNATIONAL SCHEDULED TRAFFIC

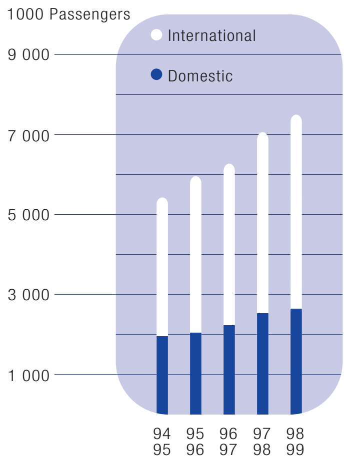
Intercontinental scheduled traffic continued to grow, with passenger numbers increasing by an average of 3.9 % over the previous year and the passenger load factor increasing to 74.9 % (73.8 % in the previous year). The primary reason was the favourable economic climate in western countries.

On the other hand the Asian economies were unfavourable, which was reflected on all Finnair's Far East routes. The only route on which holiday passengers made up for the shortfall in other kinds of travel was Helsinki-Bangkok. Overall, the Atlantic routes maintained their passenger numbers at the previous year's level, although both the downturn in the Russian economy and the Balkan crisis, which

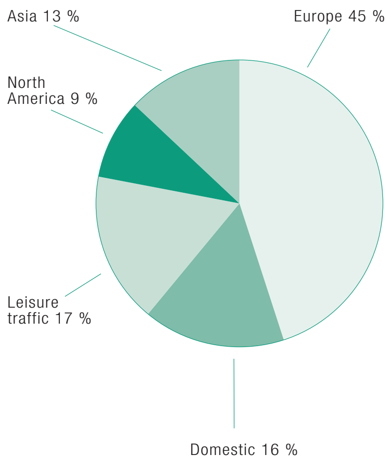
Passenger load factor



Number of passengers



Distribution of air traffic revenues



occasionally affected Russian travelling habits, led to a clear decline in passenger volumes between Russia and the United States. Finnair's share of this travel has been about 15 per cent.

European scheduled traffic grew steadily, with passenger numbers rising by an average of 5.4 %. In particular, there was considerable growth in passenger numbers on the Helsinki - London, Brussels and Stockholm routes. The big new Airbus aircraft will ease capacity problems especially on the London and Brussels routes.

As far as international scheduled traffic was concerned, the air traffic controllers' strike affected flights between Finland and nearby destinations the most. Of these, the flights to Tallinn were closed completely for the duration of the strike. At the same time a new partnership between SAS and Maersk, working in conjunction with Estonia Air, went hard to work on building up connections between Estonia and the rest of the world.

OUR SECOND HOME IN STOCKHOLM

Another route to suffer from the strike was Helsinki-Stockholm. On the other hand, Finnair greatly developed its Stockholm hub, from which the airline flew to 16 European cities, including four in Finland. Research shows that Finnair is almost as well known in Stockholm as SAS. This high profile was enhanced by Finnair's status as an official partner for Stockholm in its year as cultural city of Europe in 1998. The Stockholm strategy and the route network are now being purposefully developed on the basis of the **one**world™ alliance and the Qualiflyer partnership.

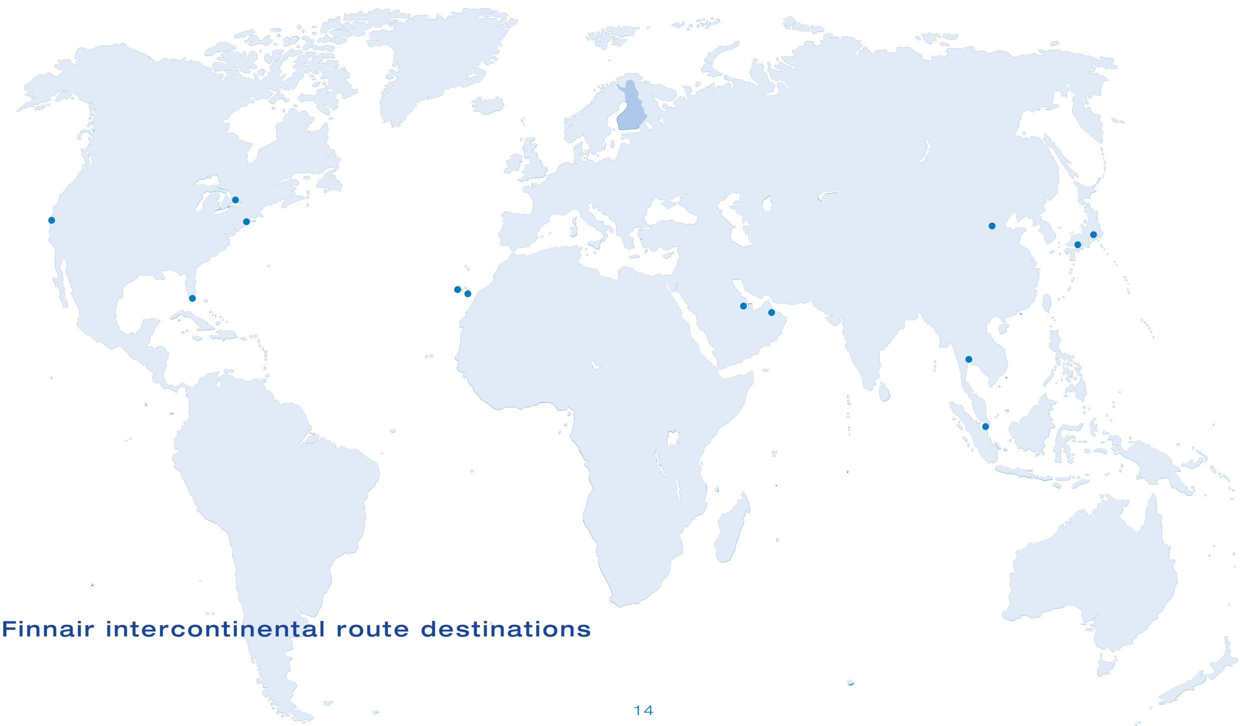
Ahead in the world with **one**world

Airline passengers like to get from place to place as effortlessly as possible, with no unnecessary waiting, queues or detours. The response of the airlines to this challenge is networking. Through close coopera-tion they are endeavouring to provide the kind of service that enables the entire journey, from the is-suing of the ticket to the check-in desk and through to the waiting plane, to flow as smoothly as possible.

Finnair, too, is seeking to provide ever-better service by joining the worldwide **one**world alliance, which was set up in September 1998 by American Airlines, British Airways, Canadian Airlines, Cathay Pacific and Qantas.

From September 1999, Finnair passengers will be able to take full advantage of the **one**world route network, which covers 648 destinations in 140 countries. Finnair's own network supplements this global web, bringing an important Nordic dimension to other custo-mers of this alliance. For example, the needs of the whole alliance will be taken into account in developing the routes feeding through Finnair's Stockholm hub.

Membership of the alliance adds enormously to the benefits enjoyed by frequent flyer programme members. Finnair Plus members will gain points for flights on all the airlines in the alliance, entitling them to move up to Gold or Silver frequent flyer status. In addition, the alliance is expanding access to lounge facilities all around the world. Finnair will gain considerably greater visibility and marketing resources as a result of the partnership. In the long term the aim is to achieve the cost benefits that come from joint purchases and common systems development.



Finnair intercontinental route destinations

Finnair Plus
is growing fast

The popularity of the Finnair Plus frequent flyer programme has increased enormously, with the number of members rising by more than 25 per cent during the financial year. There are now 250,000 regular customers with Finnair Plus cards, of whom 175,000 reside in Finland and 75,000 beyond this country's borders.

The dramatic growth derives from the expansion of air traffic generally as well as the prodigious effort that has gone into developing the Finnair Plus programme. During the year the number of partners in the programme increased by 8, so that by the end of the financial year you could earn Finnair Plus points on flights by 12 different airlines. You could also score points with four hotel and three car hire chains. Seven other partners were also involved.

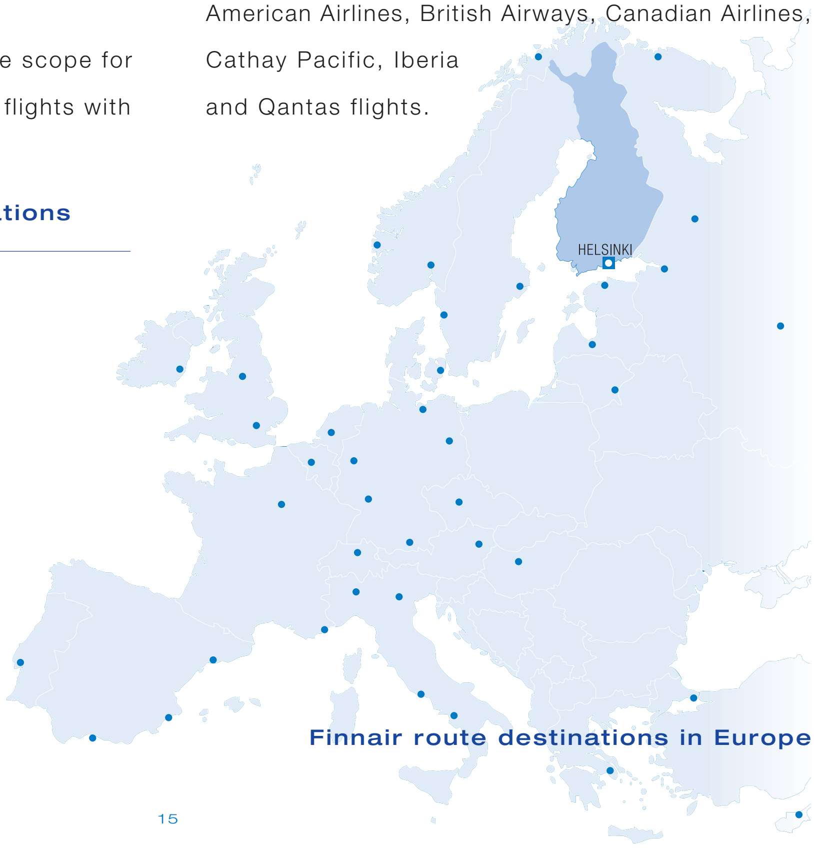
At the same time we increased the scope for using Plus points. You can now buy free flights with them, use them as part payment for flights, get an upgrade or pay for partner services with them. During the financial year nine new agreements for using the points were signed.

Finnair Plus rewards frequent flyers in three levels. All customers may apply for the basic Plus card. To obtain a Silver level card you need to have earned 50,000 plus points or flown 15 return flights with Finnair during the year. The Gold level requires the accumulation of 100,000 points or 35 return Finnair flights during the twelve month tracking period.

The frequent flyer programme will get a major boost in September 1999 when Finnair joins the **one**world alliance. It will then be possible to earn points for raising your Finnair Plus frequent flyer status from all the other airlines in the alliance, namely American Airlines, British Airways, Canadian Airlines, Cathay Pacific, Iberia and Qantas flights.

Finnair international route destinations (including leisure flights) 98/99:

ALICANTE	LARNACA	SAN FRANSISCO
AMSTERDAM	LAS PALMAS	SHARJAH
ATHENS	LISBON	SINGAPORE
BAHRAIN	LONDON	ST. PETERSBURG
BANGKOK	MALAGA	STOCKHOLM
BARCELONA	MANCHESTER	TALLINN
BEIJING	MILAN	TENERIFE
BERGEN	MOSCOW	TOKYO
BERLIN	MUNICH	TORONTO
BRUSSELS	MURMANSK	TROMSO
BUDAPEST	NAPLES	VERONA
COPENHAGEN	NEW YORK	VIENNA
DUBLIN	NICE	VILNIUS
DUSSELDORF	OSAKA	ZURICH
FORT LAUDERDALE	OSLO	
FRANKFURT	PARIS	
FUNCHAL	PETROZAVODSK	
GOTHENBURG	PRAGUE	
HAMBURG	RIGA	
ISTANBUL	ROME	



Finnair route destinations in Europe

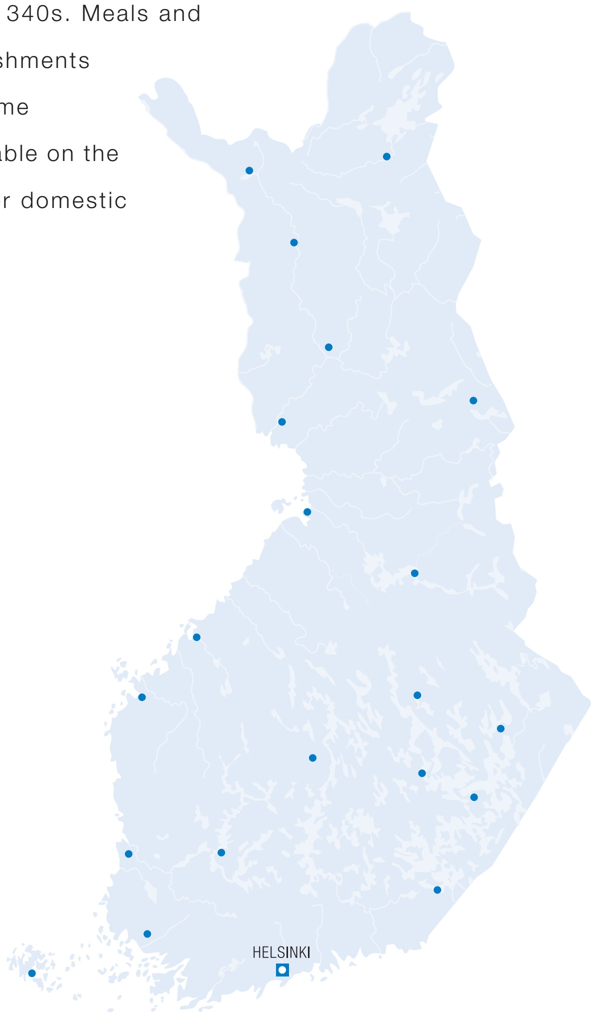
Domestic traffic
new services, better aircraft

Domestic passenger numbers were increasing by 13% on average prior to the air traffic controllers' strike. About 60 % of expected income was lost during the action. The fall in passenger numbers was slightly lower because what flights were flown were significantly fuller than normal. A total of 2.6 million passengers flew on domestic routes, an increase of 4.1 % over the previous year.

Services on domestic routes were greatly improved during the year. The company acquired three 66 seater ATR 72 aircraft to replace its fleet of 34 seat Saab 340s. Meals and refreshments became available on the longer domestic flights. Capacity on the most important domestic route, between Helsinki and Oulu, was increased by an extra return flight and by the introduction of the company's first, 170 seat Airbus A321.

Passenger growth was particularly evident on holiday flights to Lapland. Much was done to improve domestic scheduled flights, by offering new services which were aggressively priced and specially packaged in order to improve passenger figures during the quieter periods. A ticket-free travel system is among the new improvements, the first trials of this MultiFLYe system being carried out on the Helsinki-Oulu route.

Competition on domestic routes changed in January 1998 when SAS bought Air Botnia, which operates low volume domestic routes. Before the takeover, Air Botnia's market share of Finnish traffic was 3.7 per cent and remained below 4 per cent at the end of Finnair's financial year. The new situation has not led to domestic price competition.



Finnair domestic route destinations 98/99:

ENONTEKIÖ	KEMI/TORNIO	MARIEHAMN	TURKU
HELSINKI	KITTILÄ	OULU	VAASA
IVALO	KOKKOLA/PIETARSAARI	PORI	VARKAUS
JOENSUU	KUOPIO	ROVANIEMI	
JYVÄSKYLÄ	KUUSAMO	SAVONLINNA	
KAJAANI	LAPPEENRANTA	TAMPERE	

During the year the European Union drew attention to airport fees and proposed that fees for domestic traffic be raised to the same level as for overseas flights. At present, airport charges for domestic routes are about 60 per cent cheaper than for overseas flights. The increases pose a threat to the viability of certain routes. Other cost pressures during the year have already resulted in price rises for domestic flights of almost 10 per cent.

TIMETABLES BY MOBILE PHONE

In terms of mobile phone use and Internet connections, Finland is a world leader, so it is natural that Finnair too, should try to make as effective use of the new technology as possible.

During the last financial year Finnair became the first airline in the world to introduce a service allowing customers to receive text messages on their mobile phones, telling them not just the flight timetables but the actual departure and arrival times. Finnair Plus customers can also check their latest points tally as well as getting the latest Plus offers by mobile phone.

For timetable information, customers use the relevant international codes to tap in the name of the airport and airline plus the date. The message is passed on to our timetable service where the query is processed and the information sent back as a text message. The service also works abroad, as long as the local telecom operator provides text messaging.

TICKET-FREE FLIGHTS BY INTERNET

During the last financial year, Finnair also moved its ticket-free flight system onto the Internet. MultiFLYe is a system designed for business, which provides electronic season tickets for travel between two destinations in Finland. Now it is possible to handle your own seat reservations and cancellations from your own computer terminal via the Internet.

Instead of getting a ticket the customer is given a credit card sized MultiFLYe card with a personal number. This even allows them to check in at the departure gate as long as they are only carrying hand luggage. The card provides access to the booking system and also allows customers to check their card account information in real time.

Finnair believes it is important to develop its mobile phone and Internet services, which is why it is upgrading its seat reservation system to enable passengers to book their flights by text message over their mobile telephones.

Quality and the environment
-priorities for catering

CATERING

Finnair Catering is a profit centre within the company and is concerned with catering and tax free sales. Its sales during the last financial year reached FIM 813 million, of which catering accounted for FIM 448 million and tax free sales FIM 365 million. Sales increased by 7 per cent over the previous year.

The Catering unit is responsible for the planning, provision and constant improvement of in-flight meals services and supplies. During the financial year, Finnair increased the number of weekly menus on its international flights from three to four. The choice of meals on northern Finnish domestic flights was also increased. Finnair service earned international praise during the year, when readers of Business Traveller magazine voted our white wine as the best being served by any airline in the world.

Sorting and recycling of waste are among the most difficult environmental challenges facing airline catering departments. Finnair's extensive efforts in this direction included increasing the number of staff in the sorting department. In addition to Finnair´s own flights the Catering unit handles catering services for 16 other airlines flying into Helsinki. There are no other companies in Helsinki providing aircraft catering services.

TAX FREE

Finnair sells tax free products at nine airports in Finland and on international flights apart from the shorter routes near Finland. Half of sales are generated by the shops and half on board the aircraft.

As a result of the pre-ordering service, in-flight sales expanded considerably during the financial year. Passengers may now order their tax free purchases in advance on all holiday flights and most scheduled routes. They pay for their purchases by credit card and find their shopping bag ready and waiting for them in their seat on their return flight. As much as a fifth of Finnair's tax free sales are now ordered in advance. The system is being gradually phased in on all Finnair overseas flights.

The European Union will to abolish tax free sales throughout the community in a decision that will reduce Finnair's profit by an estimated FIM 80 million and lower sales by more than FIM 200 million a year.

Clear growth in leisure flights

In addition to its scheduled route fleet, Finnair also has aircraft dedicated only to leisure traffic. Finnair's leisure flights department is responsible for selling capacity on these aircraft.

Clients of the leisure flights department are the Finnish package tour organizers, who annually buy up almost the entire available aircraft capacity. At the same time the risk of selling seats is taken on by the tour operators.

Air traffic revenue for Finnair leisure flights has increased strongly in recent years. During the past financial year it increased by 12 per cent to FIM 1.2 billion.

The biggest clients of the leisure flights department are the Finnair subsidiaries Suntours and Finntours, who together account for about two thirds of the department's entire sales. These operators fly exclusively with Finnair planes. Also clients of the leisure flights department are Fritidsresor and Hassen Matkat, which are part of the Thomson group, and Tjäreborg and Spies, which belong to the Airtours group.

Leisure flights operated four Boeing 757s and two MD-83 aircraft during the financial year. In addition, an MD-80 is used for leisure flights at weekends. A further two MD-11s are used for winter traffic. The company received its fifth Boeing 757 in April 1999.

During the past financial year, Finnair flew 750,000 passengers to overseas destinations. The most popular places in winter are the Canary Islands, to which 32 flights a week were flown during the height of the season. The level of utilization of the Boeing 757 aircraft was exceptionally high. During the financial year the aircraft flew an average of almost 14 hours a day, exceeding 16 hours a day during the winter season.

Finnair leisure flights run to a total of 80 destinations, with traffic being split between charter flights and scheduled leisure flights. You can buy individual tickets for the latter from any travel agency through the normal seat reservation system. Scheduled leisure flights began five years ago when the European Union abolished the restrictions on air traffic. During the past financial year the volume of scheduled leisure flights reached the level of charter flights.

With Finnair switching its leisure flights from the wide-bodied planes to the smaller Boeing 757, its aircraft were obliged to make refuelling stops on the long-haul routes. This made it possible to create new routes since it is possible to fly to more destinations from the interim airports. This makes for considerable savings in crew costs and makes route operations more flexible.

Finnair aircraft have accounted for about 90 per cent of Finnish leisure flights in recent years. When British firms Thomson and Airtours start flying from Finland to Spain during the winter season, Finnair's market share will fall to 70 - 75 per cent. This will allow us to transfer the MD-80 aircraft used for leisure traffic to scheduled routes.

Package tours
increasing in popularity

Finnair subsidiaries Suntours and Finntours organize package tours from Finland to the traditional beach holiday resorts of the Mediterranean and the Canary Islands. They also arrange trips further afield as well as to many of the major European cities and the ski resorts of the Alps. During the last financial year they flew almost 450,000 passengers to about 200 destinations around the world.

Suntours, Finntours and Top Club operate under the Finnair Travel Services Oy (FTS) company. Top Club provides mainly individual city holidays. These companies have a combined share of about 50 per cent of the Finnish package tour market. Almost all of the flights arranged by FTS are flown by Finnair planes.

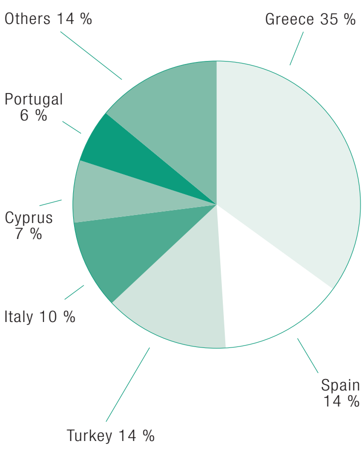
Turnover for package tours has risen steadily in Finland in recent years. The strong economy has favoured holiday travel. However, the trend was broken last year, when the total number of passengers declined by about 2 per cent. This came about from a surplus of supply in the industry which culminated in the bankruptcy of one travel operator.

Passenger numbers for FTS grew during the 1998/99 financial year by about 7 per cent, while combined sales for FTS increased during the same period by 14 per cent to almost FIM 1.5 billion. Profitability rose slightly from the year before.

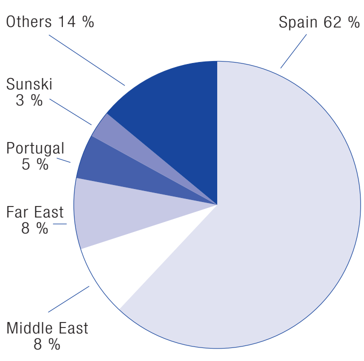
More than 35 per cent of package tours from Finland each year are destined for Spain. Greece accounts for about 15 per cent while other places take less than 10 per cent each. During the winter season the Canary Islands are the choice of more than 50 per cent of all passengers.

Competition in the package tour market has stiffened in recent years. British travel operators Airtours (Tjäreborg and Spies) and Thomson (Fritidsresor and Hassen Matkat) have each placed an aircraft in Helsinki to fly holidaymakers out to southern destinations. This has also led to increased competition on fares.

Tour production by country Summer 1998
(Suntours and Finntours)



Tour production by country Winter 1998/99
(Suntours and Finntours)



Finnair's travel service subsidiaries appear in the marketplace under their own names and with different profiles. Suntours is Finland's biggest travel operator with about 32 per cent of the market. It is a traditional "southern tours" arranger and has expanded faster than Finnair's package tour companies. Finntours is profiled as a slightly younger tour operator and has a market share of 17 %. Top Club, which organizes individual city holidays is considerably smaller than Suntours or Finntours, which concentrate on traditional holiday destinations.

FTS is constantly improving its own net-based information and reservation systems. The Internet home pages of these companies currently provide sources of information about their services. The next step will be to enable customers to book and pay for their trips via the Internet.

FTS travel operators employ 180 people in Finland and about 250 more abroad. Suntours has 5 sales offices in Finland, Finntours has 3 and Top Club 1. FTS sells more than 40 per cent of its package trips through its own outlets, Finnair's Area and Finland Travel Bureau travel agencies sell slightly more than 20 per cent and other travel agencies sell just under 40 per cent. During the last financial year FTS flights were filled to 98 per cent capacity.

Travel agencies in transition

Finnair's travel agencies are an important distribution channel for the group and a point of contact for the changing travel needs of our passengers. The market share in Finland for Finnair subsidiaries Finland Travel Bureau Ltd. and Area Travel Agency Ltd. is about 45 per cent, while the group also has a number of smaller agencies around Finland as well as the Norvista chain of agencies operating abroad.

The combined sales for Finnair travel agencies increased last year by 7 per cent. Finland Travel Bureau increased by 9 per cent and Area Travel Agency by 7 per cent. Finland Travel Bureau is Finland's biggest travel agency, with a market share of about 25 per cent of the market.

Combined net sales for travel agencies in Finland during 1998 amounted to about FIM 8 billion, which was slightly less than 10 per cent more than for the year before. The ten biggest travel agencies account for about 80 per cent of the industry's sales, while the remaining fifth is shared among some 300 travel agencies.

A strike by air traffic controllers in February 1999 ate a considerable portion of travel agency growth during the financial year. Without it the industry estimates that growth would have been about 12 per cent.

Finland Travel Bureau and Area Travel Agency are full service travel agencies although they tend towards business travel, where they have a market share of about 50 per cent. They account for about 40 per cent of tailor-made travel and about the same proportion of the holiday travel agency business.

Finland Travel Bureau and Area Travel Agency handle about 50 per cent of Finnair's air ticket sales in Finland, while Finnair flights account for about 40 per cent of Group´s total travel agency sales.

Finland Travel Bureau is also Finland's largest incoming travel agency. An increasing share of incoming clients are foreign companies which organize incentive trips and which expect fully comprehensive travel service packages from their travel agencies. Foreign guests invited by Finnish firms are also increasingly keeping the incoming travel agencies occupied.

During the financial year Area Travel Agency and Finland Travel Bureau invested in the new ACE operational control system, aimed at improving both customer service and labour productivity. Both travel agencies will adopt the system in June 1999. The cost of the upgrade programme will be several million Finnish markka, which includes renewal of almost 500 workstations.

There were no fundamental changes in the competitive climate in Finland during the year. The merger of Travek with MatkaKaleva created a travel agency to compete with Area Travel Agency for the position of the second biggest in the country.

As with the airlines, travel agencies too have been building world-wide alliances. Both Finland Travel Bureau and Area Travel Agency belong to the American Express Travel Service chain. Three other important chains, BTI, Rosenblut and Carlson Wagon Lits are also represented in Finland through local travel agencies.

CHALLENGES FOR THE FUTURE

There are three important challenges facing the future of Finnair's travel agencies. Consumer needs and expectations are becoming increasingly individual, with rising demand for tailored tours that include an added range of services to suit customer requirements. All age groups are seeking more personal services, from sporting young people to pensioners seeking cultural experiences.

Secondly, the rapid advance of information technology is making more flexible and comprehensive services possible. The travel seller is gradually becoming the travel industry consultant. The role of the computer has changed from that of office tool to programmed data bank. The sale of travel through the Internet is a challenge which the agencies are combating by supplying an increasing array of expert services.

Thirdly, the decline in sales commissions has to be made up for by greater efficiency. On the other hand, the travel agency must provide clients with the kind of added value for which they are prepared to pay an extra service charge.

AMADEUS

Finnair owns 95 per cent of Amadeus Finland Oy, the Finnish subsidiary of the world's largest travel reservation system. Amadeus Finland Oy markets travel information and distribution systems. In addition it provides training and various kinds of support for producers and users of travel services. The majority of Finnish travel agencies use the Amadeus system.

Amadeus Finland Oy derives its income from terminal rentals and reservation fees. Amadeus has cut back considerably on actual sales of equipment to travel agencies since this is not in keeping with its business philosophy.

Amadeus Finland Oy's turnover during the financial year amounted to FIM 67.7 million, which was about the same level as the year before.

NORVISTA

Norvista is a chain of Finnair travel agencies and tour organizers operating abroad. Its aim is to sell Finland as a travel destination, by way of Finnair flights, to foreign customers. The Norvista chain consists of 10 subsidiaries, of which two are in North America and the rest in Europe. It has 13 offices.

Sales by the Norvista chain for the financial year reached about FIM 320 million, representing an increase over the previous year of about one per cent. The air traffic controllers' strike slowed growth considerably. There are about 200 people employed by Norvista companies.

Leisure travel to Finland is clearly on the increase and Norvista believes that charter travel to Finland will continue to grow strongly, particularly with Finland's presidency of the EU beginning in the summer of 1999. Between 3,000 and 4,000 journalists and about 20,000 conference delegates are expected to arrive in this country during its presidency, to whom the agencies will be offering leisure opportunities here.

New air cargo terminal
is biggest in the Nordic countries

Finnair Cargo hauls two thirds of Finland's international air cargo and approximately 7% of Finnair´s air transport revenues.

Economic problems in Asia and Russia had a negative effect on Finnair Cargo operations. On the other hand, the strong US dollar led to dramatically increased demand on the North Atlantic routes as European firms increasingly directed their sales towards the United States. Because of this, Finnair Cargo cancelled its cargo route to Singapore and transferred the cargo aircraft for its Finland - USA routes. The other target area is China, where cargo volumes have increased significantly.

In Europe, Finnair cargo aircraft fly four times a week to London and three times to Germany. Finnair Cargo makes deliberate use of Helsinki-Vantaa airport's Gateway concept for its operations.

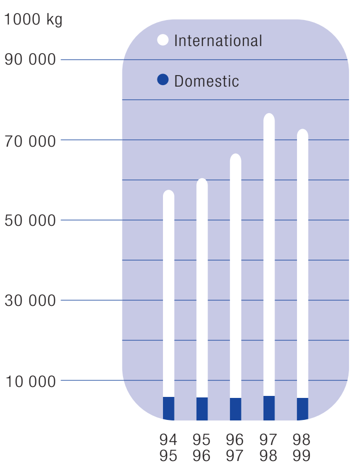
Air cargo actually spends only 20 per cent of its time in the air and about 80 per cent on the ground, which is why, in the early 1990s, Finnair began developing its cargo logistics and at the same time decided to construct an extensive and efficient cargo centre at Helsinki-Vantaa airport. The final phase of this expansion work came into service in April 1998. With a total surface area of 36,000 square metres the terminal is now the largest of its kind in the Nordic countries. It is open 24 hours a day, every day of the year, providing cargo services and customs facilities in the same premises.

Finnair Cargo's ground services include a road feeder to Russia. The company operates 18 regular runs a week from Helsinki-Vantaa airport to St. Petersburg and Moscow. The reasons for using road feeders include the scarcity of suitable aircraft, difficulties in obtaining flight permits, and flexibility and security.

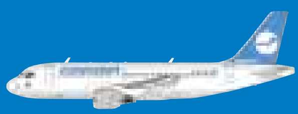
Finnair has four cargo aircraft on lease; one Airbus A300, two Boeing 727s and a Boeing 747. Cargo is also carried on all the airline's regular flights. The move over to Airbus A320s brought considerable benefits. Only containers are used on the new planes, which considerably speeds up loading and off-loading.

During the financial year Finnair Cargo also worked to create a net based service concept, introducing an Internet booking system for express cargo services, for example. Customers can also use the Internet to follow the progress of their cargo in real time.

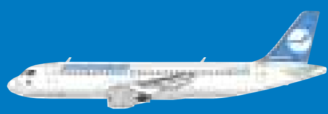
Cargo and mail



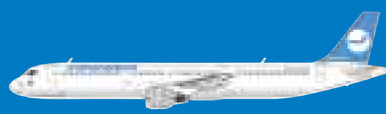
Passenger comfort
key words in fleet policy



A319
120 seats



A320
153 seats

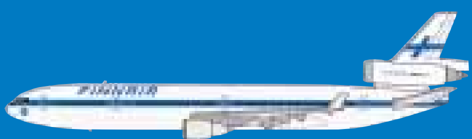


A321
178 seats

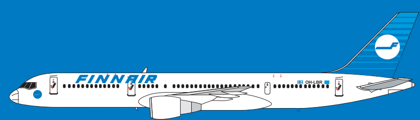
DC-9-51
122 seats

MD-82, MD-83
140-156 seats

Finnair´s latest aircraft and brand new business class seats provide the spacious comfort of your own sofa.

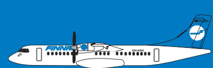


MD-11
312-407 seats



B757-200
219 seats

MD-87
112 seats



ATR 72
66 seats

THE FLEET

The biggest fleet upgrade programme in Finnair's history became apparent for the first time in February 1999 when the first Airbus A321 went into service. Finnair has signed a contract to buy a total of 12 aircraft of the new Airbus A320 family aircraft, with an option to take an additional 24 aircraft. Finnair will take delivery of the first four on firm order in 1999, with four more arriving in 2000 and a further four joining us by autumn 2001.

Eventually Airbus aircraft will replace the entire fleet of 37 DC-9s and MD-80s which we were operating when the upgrade programme began. The effect of this programme will be to reduce the average age of our aircraft over the next three years to below 10 years. The first two Airbuses were purchased for cash, and they are worth more than FIM 300 million each.

CAPACITY INCREASING

We had three objectives in choosing these aircraft; modernizing the fleet, reducing the number of types in service and increasing capacity.

The new generation Airbuses are more environmentally friendly and provide for greater passenger comfort than the earlier generation of DC-9s and MD-80 series of planes. The Airbuses are more spacious both for the passengers and their luggage.

Passenger comfort is in a class of its own on Airbus A320 series aircrafts. There is considerably more space in the cabin, particularly for hand luggage. Video displays keep passengers entertained and informed. A special innovation is the panoramic camera, which relays images from outside the plane. Cabin service has also been improved by introducing more but half-sized service trolleys.

We shall be reducing type diversity by replacing the DC-9s and MD-80s with one new type. As for turboprop aircraft, Finnair will discontinue its Saab SF 340s and replace them with three ATR 72s, of which we previously had six. As a result of these measures we shall reduce the range of types in our fleet from seven to five. This reduction will bring savings in the use of crews and in training, testing, maintenance and spare parts.

Upgrading the fleet means gradually increasing the number of seats we have to offer. The 178 seat Airbus A321s will provide about 20 per cent more capacity than the largest of the MD-80s, and they will go into service on the most crowded of our European and domestic routes.

Customer service is constantly enhanced in all fleet. During 1999 Finnair will rewamp service concept on its wide-body aircraft used on long-haul routes. The changes, which will substantially increase service and passenger comfort, will gradually be introduced to other aircraft, too.

At the end of the financial year Finnair had 47 jet aircraft in service, of which the company owned 31 while 16 were leased. Finnair owns 8 of its ATR 72 turboprop aircraft and leases one. In addition, Finnair owns two Airbus A300-B4s which are leased out to Great Britain. Finnair is responsible for servicing and technical support during the period of the contract.

SERVICE AND MAINTENANCE

Finnair's service and maintenance idea is to know the aircraft operated as thoroughly as possible. Finnair is able to carry out all the normal servicing and maintenance it requires for its fleet.

During the financial year the company continued the modification of the Flight Management System for its fleet of MD-80s. The last aircraft was upgraded in April 1999 and now the entire fleet is equipped with a system capable of taking on the demands of the 21st century. In all, the work consisted of modifying 24 aircraft over a period of two and a half years.

Besides its own aircraft, Finnair maintained planes, engines and components for more than hundred customers during the financial year. The most important maintenance contract last year was signed with Lufthansa Cargo for its MD-11 freighter aircraft.

In addition to its jet aircraft fleet, Finnair performs maintenance for a dozen or more types of turboprop aircraft operating in Finland.

The total budget for servicing and maintenance in the last financial year was FIM 1.3 billion, of which outside invoicing accounted for FIM 300 million. Finnair employs about 2,350 technical staff.

Fleet used by Finnair in its own traffic, June 1999

AIRCRAFT	Number	Owned	Financial leasing	Operating leasing	Average age
A321-211	2	2			0,4
B757-200	5			5	1,2
MD-11	4	4			6,9
MD-82/83	22	10	2	10	10,6
MD-87	3	3			11,3
DC-9-51	10	10			20,9
ATR 72	9	8	1		8,5
TOTAL	55	37	3	15	10,7

Staff development for supreme quality

The success of every flight is the outcome of the reliable and seamless teamwork that unites dozens of professionals. Indeed, the characteristic that connects every member of Finnair's staff is professionalism and the commitment to absolute, reliable quality.

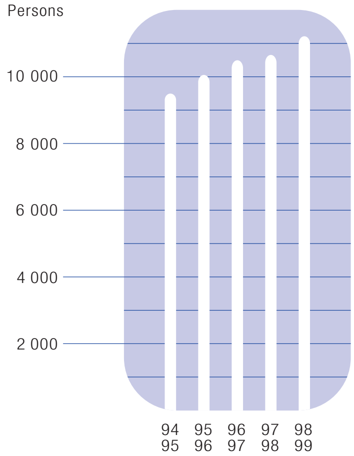
Finnair quality means safety, punctuality and excellent customer service. Quality assurance, constant gauging of the reliability of the operational chain coupled with genuinely customer-friendly improvements in service and a user-friendly customer service itself, form the main thrust of our quality policy, by which Finnair can ensure competitiveness in these areas. And the fulfilment of that common quality policy depends on the support of our staff policy.

Finnair defined its personnel strategy at the beginning of 1999 in a joint undertaking involving the company's management and various organizational levels and staff bodies. The strategy lays out the general guidelines for staff improvements and covers personnel planning, staff procurement, maintenance of professional skills and working capabilities, competence development work incentives and remunerations, management and supervisory working practices, and matters relating to cooperation.

In 1998 the company began an extensive process of charting out its system of values. These were summarised under the themes of customer-friendliness, constant improvement, honesty, openness, a sense of responsibility, fairness and respect for others. A large group of representatives from various staff bodies was involved in this process. The process of implanting these values into the organization started at the beginning of 1999, with the entire staff of the company taking part in the programme. The purpose of the value process is to develop Finnair's corporate culture so that it supports as well as possible the attainment of its operational goals and creates a positive working atmosphere.

Internal communications made a dramatic leap forward with the extensive improvements to the company's internal intranet system during

Group personnel on average



the financial year. The information necessary for various tasks is becoming increasingly available via the intranet, whilst all offices now have access to up-to-date communications. Employees can read the staff handbook, obtain information on internal services provided by the health centre or how to order communications equipment as easily as they can find out about operational instructions for various departments, either from their own workstations or at the common net access points.

Finnair's corporate image in Finland is strong as an employer too. The company was proclaimed by students in 1998 as the most sought after work place in Finland. And team spirit was considerably strengthened during the year when the entire staff took part in the Finnair 75th anniversary celebrations and the company's commemorative volume was also published.

STAFF STRUCTURE

The parent company employed 9,038 persons during the 1998/99 financial year, of whom 8 per cent were on temporary contracts and 2 per cent were part-time workers. 43 per cent were women and 57 per cent were men.

TRAINING

Finnair's aviation activities and smooth customer services require the special competence of numerous professions. Finnair Training Center is a special institution owned by the company which trains professional pilots, supervisors and other staff. Finnair training also covers technical personnel, marketing and cabin service and the college also provides type-training for pilots. During the last financial year, the training hours amounted to about 457,400 (358 500).

Finnair has suffered in the past couple of years from a shortage of pilots, which traces its roots back to the dramatic drop in passenger numbers during the early 1990s, which in turn led to cutbacks in pilot training. Professional pilot training capacity was increased during the financial year and now 40 professional pilots a year are qualifying at the Finnair professional flight training center in Pori.

Easing the burden,
our choices for helping the environment

Transport puts burdens on the environment, and aviation is no exception. We at Finnair have systematically analyzed these burdens and made constant efforts to minimize them.

Finnair set up its environmental organization in 1991 to monitor Finnair's effects on the environment and develop ways to reduce their impact. At the same time the organization ensures that Finnair operates according to the environmental principles of the International Airline Transport Association, IATA, the environmental regulations issued by ICAO, the International Civil Airlines Organization, as well as local regulations.

INVESTING IN NEW FLIGHT EQUIPMENT

Our primary concern in choosing the engines for our new Airbus aircraft was to minimize noise, emissions and fuel consumption. Airbus aircraft consume on average, 20 % less fuel and correspondingly cause 20 % less carbon dioxide emissions than similar sized MD-80 aircraft. Nitrogen emissions are also considerably lower than those from MD-80s.

Stressing environmental needs, we opted for engines with double annular combustion chambers, which, although more expensive in terms of maintenance and fuel costs, is justified as far as environmental burden is concerned.

One of the most significant environmental investment decisions taken during the last financial year involved fitting "hush kit" engine noise reducing equipment to the DC-9 –50 aircraft. This will bring the noise level of these aircraft down to meet new noise requirements effective from 2001. The upgrade also reduces noise inside the rear of the passenger cabin. The first installation took place during the financial year and the entire project, covering ten aircraft, will be completed by the late spring of 2000. This will cost a total of FIM 100 million.

BETTER RECYCLING FOR CATERING

Another important area for environmental improvement is Finnair's Catering division, which gained the readiness for ISO 14001 environmental certification during the year.

We have been able to reduce the amount of unsorted waste during the financial year by separating it more carefully and recycling it more thoroughly. The aim is to cut the amount of unsorted waste by a further 30 per cent and lower the amount of waste water by 10 per cent by 2001. At the same time we are moving towards more environmentally friendly packaging and tableware.

The renewal of the aircraft fleet also helps us to achieve our environmental goals for unsorted waste, because the Boeing 757s are equipped with highly advanced waste sorting and compressing equipment, as do the new Airbus A320 family aircraft.

TAKING CARE OF WASTE WATER

The 1998/1999 winter was especially severe in Finland so a lot of de-icing fluid was used. This led to a slight increase in the waste water burden.

Other environmental burden came from catering processes, aircraft lavatories and aircraft maintenance.

We endeavoured to reduce the overall environmental effects of our catering service and maintenance activities in 1998 by favouring water-based processes over the use of solvents. Finnair also pays strict attention to the waste water effluents from its repair shops by cleaning them in three treatment plants.

The water authority granted Finnair a permission during the financial year to continue to conduct cadmium-containing water from its plating plant into the sewer, subject to the conditions set out in the permit. Finnair accounts for a few per cent of the cadmium burden in the Helsinki municipal waste water treatment plant.

THE MOST IMPORTANT ENVIRONMENTAL CHALLENGES FACING AVIATION ARE:

- aircraft engine emissions
- aircraft noise
- volatile organic compound emissions to the atmosphere
- waste water discharges at airports
- catering waste
- aircraft engine fuel consumption
- energy consumption by facilities

Financial Statements
April 1, 1998 to March 31, 1999

Financial statements April 1, 1998 to March 31, 1999

Report by the Board of Directors

Despite some exceptional disturbances in our operating environment, the objectives for the financial year were achieved and, in the circumstances, the results can be regarded as satisfactory.

The financial result from flight operations weakened from the preceding year. Other Group operations, however, saw improved results.

The trend towards groupings of airlines into alliances continued amid competition among the airlines. Finnair has signed up as a member of the **one**world alliance founded by five of the world's leading airlines and has also forged a number of other cooperation agreements with other airlines. Competition in Finnish air transport has stiffened. A foreign owned airline has increased its supply and expanded its operations in Finland, without significantly increasing its market share, however. Finnair has benefited from the new opportunities ushered in by the liberalization of air transport and has also strenghtened its international position by expanding its traffic and raising its market share outside Finland.

Travel industry growth in Finland was weakened partly by a strike by Finnish Civil Aviation Administration air traffic controllers in February and March of 1999 and partly by economic difficulties in Far Eastern and Russian markets. These factors reflected in particular on sales of domestic and Far Eastern travel.

The growth in traffic demand continues into the current 1999/2000 financial year. Underlying this are the expectations of continued growth in the Finnish economy and consumer demand and a gradual recovery in the Asian economies. Accelerating price and market-share competition between the airlines and alliances is also contributing to traffic growth. Profitability trends are increasingly dependent on cost-effectiveness. The company is continuing the efficiency and structural change programme that it began in previous years in order to improve productivity.

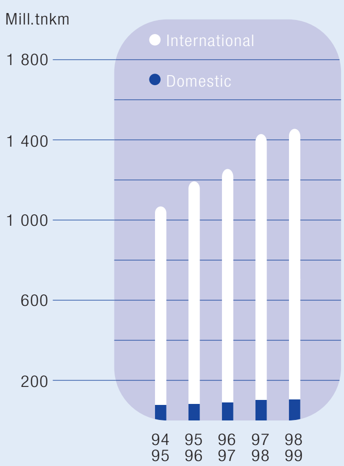
Air traffic performance trends and market situation

The number of passenger kilometres flown as scheduled traffic by members of the AEA (Association of European Airlines) increased during calendar year 1998 by an average of 9 % over the previous year. The number of cargo tonne kilometres flown fell by 1 %. The average load factor for passenger transport fell by 0.4 percentage points to 71.6 per cent.

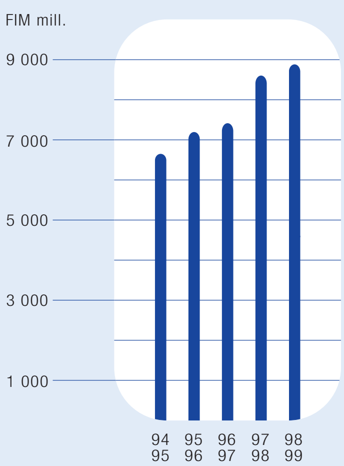
The growth in Finnish air traffic slowed during the financial year compared to the year before. Passenger numbers for all Finnair Group traffic rose by 5 %. Growth in the previous year had been 13 %. The combined volume for cargo and mail fell by 5 % from the previous year, when it still grew by 15 %. Revenue passenger kilometres increased by 5 %. The revenue cargo tonne kilometres fell by 11 %. The passenger load factor improved by 1.1 percentage points over the previous year to 72.3 %.

The air traffic controllers' labour dispute began on February 1, 1999 and lasted for more than five weeks. Traffic was completely restored to timetable about a week after the end of the actual strike. During the dispute, about 80 % of of international scheduled flights were flown, while leisure traffic was almost completely unaffected, but as far as domestic traffic was concerned, only a few northern Finnish routes were flown. During the dispute, passenger numbers for all traffic for February were 25 % down on the previous year and 11 % lower in March. The drop in passenger numbers was felt mainly on domestic traffic, which fell by 60 % in February and 23 % in March from the year before. It is estimated that without the strike,

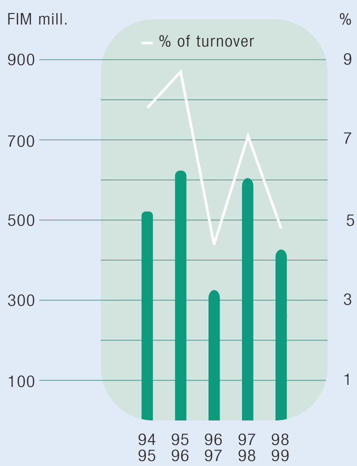
Revenue tonne kilometres



Turnover



Operating profit



passenger numbers and passenger kilometres flown by all traffic would have risen by more than 7 %.

Finnair's market share of Finnish international scheduled passenger traffic fell during the summer season of 1998 by 3 percentage points from the previous year, to 57 %. Market share for the 1998/99 winter season remained at the previous year's level of 57 %. Finnair has correspondingly increased its supply and market share abroad.

The 1998 summer season fall in market share occurred in European traffic, which fell by 3 percentage points to 53 %, but market share of winter traffic in 1998/99 rose by 1 percentage point from the previous year to 55 %. Finnair has a large market share of long-haul traffic, which includes North Atlantic and Far Eastern regions. Market share during the summer 1998 traffic season rose by 1 percentage point to 93 %. During the winter traffic season it fell by just under 1 per cent to 92 %. Finnair still maintains a formidable market share of domestic traffic, with 95 %. Some flights on short and low density domestic routes are flown by subcontractors on Finnair's behalf. These flights have been undertaken by the Swedish companies Flying Enterprise AB and Golden Air Flyg AB.

In leisure traffic, which includes charter flights and scheduled so-called holiday routes, market share rose considerably during the 1998 summer season, by 5 per centage points to 91 %. During the winter season, market share remained almost unchanged from the year before, at 82 %.

Financial results

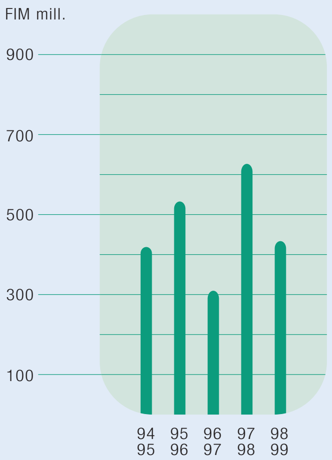
Turnover for the financial year amounted to FIM 8,883.3 million. Turnover for the corresponding period the year before was FIM 8,593.6 million. Turnover increased by 3.4 %, whereas the increase for the previous year was 8.8 %. Operating costs rose by 5.5, compared with 6.2 % the previous year. Operating profit was FIM 426.6 million, having been FIM 607.8 million the year before. Profit for the financial year was FIM 343.3 million, whereas the previous year it had been FIM 509.7 million.

Other revenue from business operations amounted to FIM 145.9 million. This included gains of FIM 70.1 million from the sale of flight equipment and FIM 33.7 million from the sale of shares in the company called Sita Telecommunications Holding N.V. Extra-ordinary items included FIM 20 million in compensation for contractual changes relating to an earlier subsidiary company sale. In the previous year, other revenue from business operations amounted to FIM 168.3 million, which included FIM 142.3 million in profit from the sale of flight equipment.

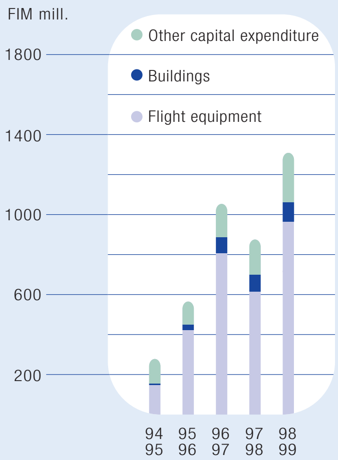
Air transport revenues per tonne kilometre rose 0.4 % while operating costs per available tonne kilometre rose 1.0 % from the previous year.

The most important operating expenses to affect revenues were Group personnel costs, which rose by 8.5 % and FIM 203.3 million from the year before. Staff costs accounted for 30.1 % of operating costs, compared with 29.3 % the previous year. Leasing charges for aircraft rose by 51 % and FIM 103 million because of sale and leaseback arrangements implemented at the end of the previous financial year and during the past financial year. The purpose of this procedure was to strengthen the company's cash flow and to finance purchases of new aircraft, as well as ensuring at an early stage the sale of technologically older aircraft. On the other hand, fuel costs fell by 19 % and FIM 132.7 million. During the review period the price of jet fuel in Finnish markka was 19 % cheaper on average than in the preceding year. The price of fuel is tied to the US dollar exchange rate, which was

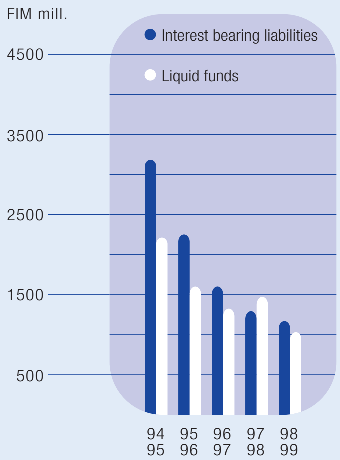
Profit before extra-ordinary items and taxes



Capital expenditure



Interest bearing liabilities and liquid funds



on average 0.8 % lower in relation to the Finnish markka than during the previous year.

The labour dispute by Finnish Civil Aviation Administration air traffic controllers is estimated to have cost about FIM 110-120 million in lost revenues and an eventual loss of profits of FIM 45-50 million. Because of structural and operational adjustments to flights which were initiated during the dispute, the financial losses remained lower than initially estimated, but they were nevertheless considerable.

A project called Programme 2 for improving the financial performance of flight operations was begun in 1997. The aim of this is to implement over a three year period the operational and structural measures needed to increase earnings, reduce costs, make more efficient use of capacity and improve customer service so as to achieve a FIM 500 million improvement in results. The programme has progressed according to plan and the goals set for the structural measures during the financial year were achieved.

Development of group sectors

Turnover for flight operations increased by 2.3 % but operating profit fell by 34.4 % from the year before. Turnover for other Group sectors grew significantly more than for flight operations and financial performance improved.

In the circumstances, the financial performance of the travel agency sector can be regarded as favourable. Turnover increased by 9.9 % and operating profit 32.4 %. During the financial year a significant change occurred in travel agency finances and the pricing of services when the airlines lowered the sales commission they pay to travel agencies. Some of the loss of income has been transferred directly for the customer, who uses the services, to pay. The decline in sales commissions will in future require the travel agencies to make constant efforts to improve efficiency. Rapid advances in information technology are creating new, competing distribution channels, and the travel agencies will be forced to adjust their operations to changing circumstances in order to be able to exploit these.

Turnover on tour operations increased by 14.2 % and operating profit increased considerably from the previous year. Competition in the package tour market is changing. The industry is currently in the throes of structural change and concentration. Some foreign tour operators have introduced their own transport capacity onto the Finnish market, which has already increased price competition. Thus a fundamental improvement in competitiveness in leisure traffic will be necessary if the Group is to maintain its market share of flight operations.

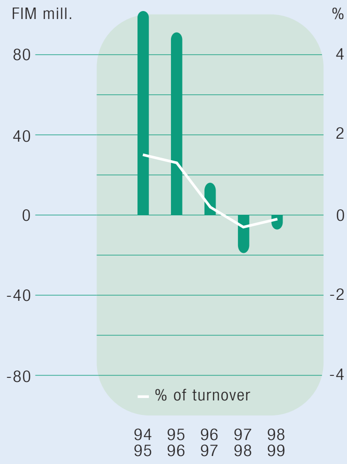
Important companies belonging to the other sector are Finnair Gateway Restaurant Oy, Amadeus Finland Oy and Finncatering Oy. Combined turnover increased by 10.1 % and operating profit improved by 23.3 % from the previous year.

Capital expenditure

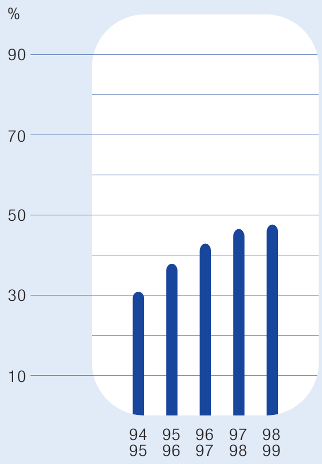
A major programme to integrate and renew the aircraft fleet was set in motion during the financial year. The result of this investment programme will be to reduce the number of aircraft types, make more effective use of the fleet and save on operating costs.

Total Group capital expenditure excluding advance payments amounted to FIM 1,308.6 million (878.6). Aircraft purchases, including spare parts, equipment and modification work amounted to FIM 966.8 million and consisted of two Airbus A321s and three ATR 72s. Capital spending on buildings amounted to FIM 94.9 million (84.0) and other fixed assets FIM 247.0 million (178.1).

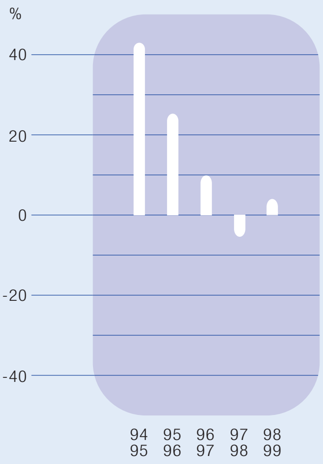
Net financing expenses



Equity ratio



Net debt-to-equity (Gearing)



Two MD-80 aircraft and four Saab 340s were sold. The MD-80s were then leased back on sale and leaseback terms.

Financing

Operational cash flow before capital expenditure was FIM 891.0 million (1,013.0).

Equity ratio at the end of the financial year was 47.6 % (46.5 %). Interest bearing net debt for the Group was FIM 139.0 million. The previous year, liquid assets were FIM 174.0 million greater than interest bearing debt. Net debt to equity (gearing) was 4.0 % (-5.4 %).

Net financial income was FIM 7.2 million (18.9) more than financial costs, which was 0.1 % of turnover (0.2 %).

Group liquidity remained strong. In March 1999 the company signed with 13 European banks for a USD 250 million credit facility to be used in the long term financial arrangements for aquiring the Airbus A320 family of planes.

Share capital and shares

Share capital of Finnair Oyj at the beginning of the financial year was FIM 413,982,415 and the number of shares was 82,796,483. At the end of the financial year, share capital stood at FIM 423,695,490 and the number of shares was 84,739,098.

During the financial year a total of FIM 28,354,000 of a 1992 convertible bond of FIM 150 million was converted for shares. As a result, the share capital was raised by FIM 7,711,740.

A total of FIM 14,770,000 of a 1994 FIM 230 million convertible subordinated bond was converted for shares during the financial year, as a result of which, share capital was increased by FIM 2,001,335.

The Board of Directors has no current authority to raise share capital further.

During the financial year, 20.1 million (21.1) shares were traded on the Helsinki Stock Exchange to a value of FIM 772.0 million (895.1). The market value of the Company's shares at the end of the financial year was FIM 2,444 million (4,471). At the end of the financial year on 31 March 1999, 17.6 % of the Company's shares were registered in the name of a nominee (21.5). The number of shareholders totalled 8,478 (6,599).

The highest trading price for a share was FIM 59.50 (56.00), and the lowest FIM 26.40 (34.00) and the average price was FIM 38.46 (42.50).

Members of the Supervisory Board and the Board of Directors and the President and CEO owned a total of 13,328 shares on 31 March 1999, which was 0.016 % (0.008) of the entire stock and voting rights.

The Annual General Meeting of Finnair Oyj on 20 August 1998 declared a dividend for the 1997/98 financial year of FIM 2.25 per share.

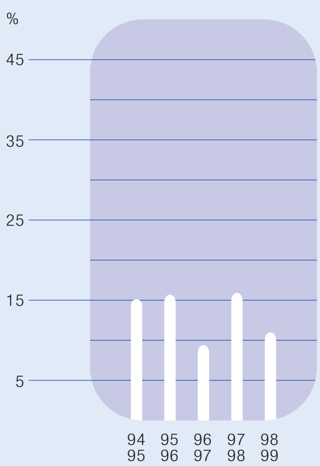
Changes to the administration

Antti Potila, who had been President and CEO since 1987, retired on 31 December 1998 and simultaneously resigned from the Board of Directors. Mr Keijo Suila, B.Sc(Econ), who joined the Company on August 1st 1998 was elected as President and CEO and took up the post on January 1st 1999.

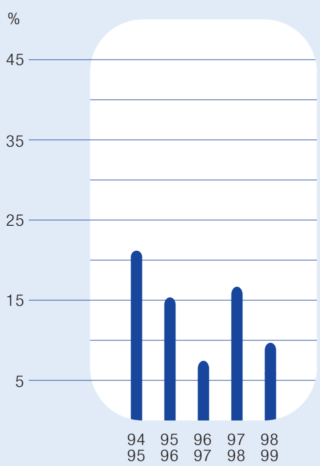
The Annual General Meeting of Finnair Oyj on 20th August 1998 elected Peter Heinström to the Supervisory Board to replace Peter Stenlund and journalist Aino Suhola to replace managing director Matti Piuhola, who had requested to resign. Other members of the Supervisory Board and previous auditors who were due for re-election were elected again.

The Board of Supervisors appointed Samuli Haapasalo, Ministerial Counsellor, to the Board of Directors as a new member, from January 1st 1999. At the same time Jaakko Pohjola, Ministerial Counsellor, resigned from the Supervisory Board.

Return on investment



Return on equity



Development index of fuel price 1998/99

Personnel

The average personnel of the Group during the financial year was 11,264, which was 558 more than the year before. Personnel of the parent company increased by 465 to an average of 9,038. The significant staff increases occurred in duties closely related to traffic but the extensive fleet renewal project also tied up more of the workforce in training and technical tasks. A number of projects were carried out at the same time, such as the introduction of the new Airbus A321, MD-80 modification work, noise damping and other modifications to the DC-9s, the expansion of the ATR 72 fleet and related acquisition of used aircraft, as well as the phasing out of the Saab 340 aircraft and the retraining of personnel.

Two year collective labour contracts signed with the trade unions in conjunction with a national incomes policy agreement will expire in 2000. In contrast to the previous financial year the requirements for distributing profit bonuses to the staff were not met. A contract dispute with pilots of turboprop aircraft erupted as a result of efforts to standardize labour contracts following the merger of the Karair oy and Finnaviation Oy companies. This dispute intermittently disrupted the regularity of domestic flights until November 1998.

The environment

In environmental matters, Finnair conforms to the environmental principles of the International Air Transport Association, IATA and the environmental regulations issued by the International Civil Aviation Organization, ICAO, as well as local laws. During the financial year the decision was taken to fit noise reduction equipment to DC-9 aircraft. This will be carried out on 10 planes by the summer of 2000. The total cost of this work will be about FIM 100 million. As a result of this project the external noise level as well as noise inside the rear passenger cabin will fall to meet the tightening demands set by the ICAO. The choice of engines for the Company's new Airbus A320 planes was based on the best environmental technology available.

Finnair's catering division became eligible for registration with the ISO 14001 environmental programme during the year. Waste sorting and recycling have reduced the volume of unsorted waste. The aim is to further reduce the amount of unsorted waste by 30 % and waste water by 10 % by the year 2001.

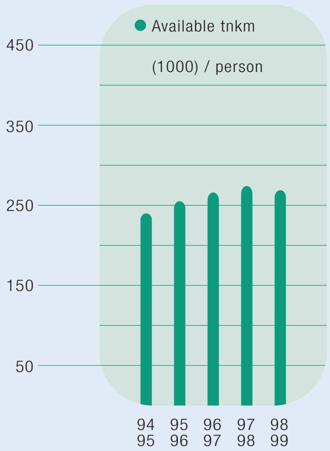
Adopting the euro

The euro came into effect as an additional unit of billing and payment on January 1, 1999. The transition to the euro will take place in phases, with tickets being priced in euros from March 15th, 2001 and package tours during the winter season of 2001/02. Primary accounting and internal billing will move over to the euro from April 1st 2001. The recommendations of the Helsinki Stock Exchange will be observed in all public financial reporting, and from now on all sums in annual and interim reports will be denominated only in euros.

Year 2000 and computer systems

All of the Company's roughly 300 computer systems have been inspected and it was found that about 100 required modification or replacement measures. By the end of the financial year 90 % of the necessary measures had been carried out. All the most important business systems are already Y2K proof. It is planned that all unfinished information technology measures will be carried out by September 1999. Finnair began working on the millennium problem in 1996. It is estimated that the overall work will require 25 man-years and cost a total of about FIM 20 million. The situation has tied up the Company's data management resources so completely that it has hindered our own

Productivity of personnel in flight operations



Average Group personnel by financial year and sector

	1998/99	1997/98	Change persons
Flight operations	**9 038**	8 573	465
Travel agencies	**1 351**	1 297	54
Tour operations	**518**	499	19
Other sectors	**357**	337	20
Total	**11 264**	10 706	558

computer system development work, and thereby our efforts to improve efficiency.

The entire aviation industry and not just the airlines, is required to come up with a wide-ranging survey and other measures to solve the problem issues. For their part, the leading aircraft manufacturers have already made the necessary modifications to their planes. The International Air Transport Association, IATA, has taken on the task of clarifying at central level the effects of the Y2K transition on the world's airports, airspace management, and other services important for air transport services. The task has proven more difficult than expected and more effective measures will be necessary to resolve the issue. The situation at Finnish airports and in regional air traffic control was scrutinised in April 1999. Finnair has been taking part in the IATA work.

Prospects for the 1999/2000 financial year

Growth prospects are satisfactory mainly in European, domestic and leisure traffic, and growth expectations are supported by economic growth in the European countries and increases in transport supply. The expansion in domestic and leisure traffic is expected to continue, given the growth predictions for the Finnish economy and consumer demand. Trends in Far Eastern traffic are still being affected by economic problems in Asia and growth is likely to be modest, although there have been signs of a gradual recovery. Transit traffic between the USA and Russia accounts for a significant portion of Finnair's North Atlantic business. Growth expectations, however, cannot be supported by any signs of improvement in the Russian economy. Overall traffic supply in terms of passenger kilometres is estimated to increase by between 5 %.

Operations in the current financial year have begun briskly, with the market situation in air transport in a state of immense ferment. The alliances are developing their own internal working methods and common systems. In the new financial year, Finnair is devoting a great deal of its resources to the joint projects and training required for the **one**world alliance. From the beginning of September the services offered by the alliance will become available to Finnair customers too, when cooperation between American Airlines, British Airways, Canadian Airlines, Cathay Pacific Airways, Iberia and Qantas enters its implementation phase. For its part, Finnair will be strengthening its **one**world network in northern Europe.

Capital expenditure will be higher than in previous years, rising to FIM 1,400 million. Three of the Airbus A320 type aircraft on order for the fleet renewal programme will be delivered during the financial year, while the necessary extensive training for flight and technical personnel for the new planes will continue. Meanwhile, two DC-9s and one MD-80 will be retired from the fleet according to plan. One ATR 72 will be taken over as company property on the expiry of its current lease. In addition, technical modifications will be carried out on the company's MD-80 and DC-9 aircraft.

The financial results for flight operations are expected to weaken during the 1999/2000 financial year, as a result of factors affecting the entire industry, such as an expected rise in fuel prices and continuing economic problems in certain traffic areas. Finnair's results will be affected by the abolition of tax free sales in the European Union, the Russian economy and the political situation in certain holiday destinations. Group depreciation and financial costs will increase as a result of capital expenditure. Measures to improve profitability will include moves towards greater efficiency and structural changes.

In April 1999, after the financial year had ended, the company sold its remaining 40 % stake in the hotel and catering company Nordic-Hotel Oy. The sale followed an earlier decision to relinquish hotel business in order to free up capital for investment in aircraft.

Turnover and operating profit per sector

	Turnover, FIM mill. 1998/99	1997/98	Change %	Operating profit, FIM mill. 1998/99	1997/98	Change %
Flight operations	7 816.1	7 641.8	2.3	371.1	565.6	- 34.4
Travel agencies	471.4	428.9	9.9	20.0	15.1	32.4
Tour operations	1 442.5	1 263.5	14.2	11.8	1.7	>100
Other sectors	214.4	194.7	10.1	25.4	20.6	23.3
Total	9 944.4	9 529.0	4.4	428.2	603.1	-29.0
Less internal adjustments	- 1 061.1	- 935.4	13.4	- 1.7	1.9	
Participating interests				0.1	2.9	
Total	8 883.3	8 593.6	3.4	426.6	607.8	-29.8

Financial statement principles

The financial statements have been prepaired in accordance with the new Finnish Accounting regulations which came into force on December 31, 1997. In all essential respects these enable the use of International Accounting Standard (IAS) principles.

Apart from the Parent Company Finnair Oyj, the consolidated financial statements include all those companies in which the Parent Company holds more than 50% of the votes either directly or indirectly.

Inter-company transactions, receivables and debts and the internal distribution of profit were eliminated. Mutual share ownership was eliminated with the acquisition cost method. The elimination difference between the acquisition price of affiliate shares and the equity of the affiliate at acquisition arising in conjunction with elimination was allocated primarily to those asset items which caused the elimination difference and was removed in accordance with the depreciation plan for fixed assets. The unallocated elimination difference, i.e. the consolidated goodwill, was eliminated at the moment of acquisition. To the extent possible, the financial statements of the foreign subsidiaries were harmonized with the principles used by the Group before consolidation. Translation to markkas took place at the middle rate of exchange and euros at a fixed conversion rate on the day the books were closed. The translation differences caused by elimination of equity were treated as adjustment items for consolidated 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 Group's holding is presented in the consolidated statement of profit and loss. The consolidated goodwill for the other participating interest was entered as a non-recurring expense.

Items denominated in foreign exchange

Receivables, debts and liabilities were translated into markkas at the official middle rate of exchange and euros at a fixed conversion rate on the day the books were closed. Parent Company's 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 currencies 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 hedge against 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. However, exchange rate differences on separate derivative financial instruments that provided hedging for specific off-balance sheet items were deferred until recognition of the underlying item.

Fixed assets and depreciation

The balance sheet values for fixed assets are based on original acquisition costs less planned depreciation.

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 on a straight-line bases as follows:
  - New Airbus A320 aircraft aquired during the financial year in 20 years to a residual value of 10 %.
  - aquired before as new aircraft in 15 years to a residual value of 10%.
  - used jet aircraft more than six years old in 10 years to a residual value of 10%.
  - turboprop aircraft in 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.

- 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 booked depreciation was entered in the profit and loss statements of the separate companies as a change in depreciation difference. In the balance sheet the depreciation difference is included in the accumulation of appropriations under liabilities. The depreciation difference in the consolidated financial statements was divided in the balance sheet into unrestricted equity and deferred tax liability.

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 includes average salary costs, excluding salary-related costs, used stocks of materials and supplies and subcontracting work

Current assets

Securities entered under current assets are evaluated at the lower of original acquisition cost or market value.

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.

Turnover

Apart from trade discounts and sales taxes, adjustements to gross sales, which previously were included in turnover, have now been presented in other operating expenses according to the new accounting regulations. With respect to these items, the accounting periods have been made comparable.

Expenditure on research and development

Research and development on aircraft, systems and operations is conducted primarily by manufacturers. Company development ventures related to aircraft and other fixed assets are capitalized at acquisition cost and depreciated over the period for which they are current. Research and product development expenditure for marketing and customer service is entered as an annual expense for the year in which it is incurred.

Taxes and the change in deferred tax liability

Estimated taxes on profits for the financial year, adjustments in taxes for previous financial years and the change in deferred taxes were entered in the profit and loss statement as taxes. The deferred tax liability is computed according to the tax rate in effect during the financial year. Deferred tax liability due to timing differences is recorded in the notes to the financial statements and has not been taken into account when calculating the key figures.

Pension schemes

In the Group’s domestic companies mandatory and other pension coverage for personnel has primarily been arranged through the Finnair pension fund and other mandatory pension coverage has been arranged through domestic insurance companies.

The Finnair pension fund is a joint fund including the Parent Company and six affiliates. Both mandatory employment pension coverage and additional pension security are arranged by the fund for the Parent Company and two affiliates. Since 1992, the pension fund has no longer accepted employees other than pilots for additional pension coverage.

The Finnair pension fund’s pension liability is fully paid up with respect to basic and additional coverage except for the compulsory liability deficit required by the Ministry of Social Affairs and Health. Pension fund liabilities are presented in the Notes to the Financial Statements.

The foreign affiliates pension coverage has been arranged according to local legislation and practise.

The retirement age of the CEO and the managing directors of the affiliates vary between 60-65, based on agreements.

Consolidated profit and loss statement

	FIM mill. April 1, 1998 - March 31, 1999	**EUR mill. April 1, 1998 - March 31, 1999**	FIM mill. April 1, 1997 - March 31, 1998	EUR mill. April 1, 1997 - March 31, 1998	Notes
Turnover	**8 883.3**	**1 494.1**	8 593.6	1 445.3	1
Work used for own purposes and capitalized	**11.8**	**2.0**	11.4	1.9	
Other operating income	**145.9**	**24.5**	168.3	28.3	2
Share of profits less losses of participating interests	**0.1**	**0.0**	2.9	0.5	
OPERATING INCOME	**9 041.1**	**1 520.6**	8 776.1	1 476.0	
OPERATING EXPENSES					
Materials and services	**2 655.6**	**446.6**	2 640.0	444.0	3
Staff costs	**2 595.5**	**436.5**	2 392.2	402.3	4
Depreciation	**546.2**	**91.9**	502.5	84.5	5
Other operating expenses	**2 817.2**	**473.8**	2 633.6	442.9	6
	-8 614.5	**-1 448.9**	-8 168.3	-1 373.8	
OPERATING PROFIT	**426.6**	**71.7**	607.8	102.2	
FINANCIAL INCOME AND EXPENSES	**7.2**	**1.2**	18.9	3.2	7
PROFIT BEFORE EXTRAORDINARY ITEMS	**433.7**	**72.9**	626.7	105.4	
Extraordinary items	**20.0**	**3.4**	3.6	0.6	8
PROFIT BEFORE TAXES	**453.7**	**76.3**	630.3	106.0	
DIRECT TAXES					10
Income taxes	**-107.4**	**-18.1**	-119.1	-20.0	
Change in deferred tax liabilitiy	**-1.9**	**-0.3**	-0.5	-0.1	
	-109.3	**-18.4**	-119.6	-20.1	
MINORITY SHARE	**-1.2**	**-0.2**	-1.0	-0.2	
PROFIT FOR THE FINANCIAL YEAR	**343.3**	**57.7**	509.7	85.7	

Consolidated balance sheet

ASSETS	FIM mill. March 31, 1999		EUR mill. March 31, 1999		FIM mill. March 31, 1998		EUR mill. March 31, 1998		Notes
FIXED ASSETS									11
Intangible assets	**124.1**		**20.9**		93.8		15.8		
Tangible assets	**4 563.5**		**767.5**		3 980.4		669.5		
Financial assets									
Shares in participating interests	**5.0**		**0.8**		4.9		0.8		
Other investments	**38.0**	**4 730.6**	**6.4**	**795.6**	39.1	4 118.2	6.6	692.6	
CURRENT ASSETS									
Inventories	**273.2**		**45.9**		236.3		39.7		12
Long-term receivables	**26.0**		**4.4**		33.1		5.6		13
Short-term receivables	**1 334.9**		**224.5**		1 280.7		215.4		14
Investments	**948.0**		**159.4**		1 317.0		221.5		15
Cash and bank equivalents	**83.8**	**2 665.7**	**14.1**	**448.3**	154.1	3 021.2	25.9	508.1	16
		7 396.3		**1 244.0**		7 139.4		1 200.8	
SHAREHOLDERS' EQUITY AND LIABILITIES									
SHAREHOLDERS´ EQUITY									17
Share capital	**423.7**		**71.3**		414.0		69.6		
Share premium account	**33.5**		**5.6**		0.0		0.0		
General reserve	**882.8**		**148.5**		882.8		148.5		
Retained earnings	**1 722.3**		**289.7**		1 399.1		235.3		
Profit for the financial year	**343.3**	**3 405.6**	**57.7**	**572.8**	509.7	3 205.7	85.7	539.2	
Capital loan		**34.1**		**5.7**		48.9		8.2	21
Total equity		**3 439.7**		**578.5**		3 254.6		547.4	
MINORITY INTERESTS		**2.6**		**0.4**		2.1		0.4	
LIABILITIES									
Deferred tax liabilities	**344.1**		**57.9**		342.1		57.5		19
Long-term liabilities	**822.9**		**138.4**		1 122.3		188.8		20,22,24
Short-term liabilities	**2 787.1**	**3 954.0**	**468.8**	**665.0**	2 418.2	3 882.6	406.7	653.0	23
		7 396.3		**1 244.0**		7 139.4		1 200.8	

Consolidated cash flow statement

	FIM mill. April 1, 1998 - March 31, 1999	**EUR mill. April 1, 1998 - March 31, 1999**	FIM mill. April 1, 1997 - March 31, 1998	EUR mill. April 1, 1997 - March 31, 1998
Business operations				
Operating profit	**427**	**72**	608	102
Depreciation	**546**	**92**	503	85
Change in working capital (net)				
Inventories, increase(-), decrease(+)	**-37**	**-6**	-34	-6
Short-term receivables, increase(-),decrease(+)	**-54**	**-9**	-195	-33
Non interest bearing short-term liabilities, increase(+), decrease(-)	**208**	**35**	327	55
Financial income and expenses (net)	**7**	**1**	19	3
Extraordinary items	**20**	**3**	4	1
Taxes	**-109**	**-18**	-120	-20
Cash flow from operations (net)	**1 007**	**169**	1 112	187
Investments				
Investments in flight equipment	**-967**	**-163**	-617	-104
Investments in buildings	**-95**	**-16**	-84	-14
Other investments	**-247**	**-42**	-178	-30
Change in advance payments	**-83**	**-14**	-113	-19
Capital expenditure, total	**-1391**	**-234**	-991	-167
Sales of fixed assets	**232**	**39**	417	70
Cash flow of investments	**-1 159**	**-195**	-575	-97
Cash flow before financing	**-152**	**-26**	537	90
Financing				
Decrease of long-term debts	**-292**	**-49**	-307	-52
Long-term receivables, increase(-), decrease(+)	**0**	**0**	0	0
Short-term debts, increase(+), decrease(-)	**162**	**27**	-1	0
Dividends	**-186**	**-31**	-82	-14
Decrease of capital loan	**-15**	**-2**	-25	-4
Other equity, increase(+), decrease(-)	**43**	**7**	26	4
Cash flow of financing	**-287**	**-48**	-389	-65
Change in liquid funds, increase(+), decrease(-) in statement	**-439**	**-74**	148	25
Liquid funds, April 1	**1 471**	**247**	1 323	223
Liquid funds, decrease(-), increase(+) in balance sheet	**-439**	**-74**	148	25
Liquid funds, March 31	**1 032**	**174**	1 471	247

Finnair Oyj
Profit and loss statement

	FIM mill. April 1, 1998 - March 31, 1999	**EUR mill. April 1, 1998 - March 31, 1999**	FIM mill. April 1, 1997 - March 31, 1998	EUR mill. April 1, 1997 - March 31, 1998	Notes
Turnover	**7 812.2**	**1 313.9**	7 635.4	1 284.2	1
Work used for own purposes and capitalized	**11.8**	**2.0**	11.4	1.9	
Other operating income	**146.3**	**24.6**	167.6	28.2	2
OPERATING INCOME	**7 970.3**	**1 340.5**	7 814.4	1 314.3	
OPERATING EXPENSES					
Materials and services	**2 072.3**	**348.5**	2 112.3	355.3	3
Staff costs	**2 271.5**	**382.0**	2 097.5	352.8	4
Depreciation	**522.6**	**87.9**	483.6	81.3	5
Other operating expenses	**2 732.9**	**459.6**	2 555.8	429.9	6
	-7 599.4	**-1 278.1**	-7 249.2	-1 219.2	
OPERATING PROFIT	**370.9**	**62.4**	565.2	95.1	
FINANCIAL INCOME AND EXPENSES	**22.4**	**3.8**	37.8	6.4	7
PROFIT BEFORE EXTRAORDINARY ITEMS	**393.3**	**66.1**	602.9	101.4	
Extraordinary items	**20.0**	**3.4**	3.6	0.6	8
PROFIT BEFORE APPROPRIATIONS AND TAXES	**413.3**	**69.5**	606.6	102.0	
Appropriations	**-6.6**	**-1.1**	-1.4	-0.2	9
Direct taxes	**-94.7**	**-15.9**	-112.5	-18.9	10
PROFIT FOR THE FINANCIAL YEAR	**312.0**	**52.5**	492.7	82.9	

Finnair Oyj
Balance sheet

ASSETS	FIM mill. March 31, 1999		EUR mill. March 31, 1999		FIM mill. March 31, 1998		EUR mill. March 31, 1998		Notes
FIXED ASSETS									11
Intangible assets	**95.3**		**16.0**		78.4		13.2		
Tangible assets	**4 502.4**		**757.3**		3 921.8		659.6		
Financial assets									
Share in group undertakings	**50.7**		**8.5**		51.4		8.6		
Other investments	**37.6**	**4 686.1**	**6.3**	**788.1**	36.3	4 087.9	6.1	687.5	
CURRENT ASSETS									
Inventories	**270.7**		**45.5**		234.2		39.4		12
Long-term receivables	**23.9**		**4.0**		30.9		5.2		13
Short-term receivables	**1 079.8**		**181.6**		1 019.7		171.5		14
Investments	**948.0**		**159.4**		1 317.0		221.5		15
Cash and bank equivalents	**66.0**	**2 388.5**	**11.1**	**401.7**	130.7	2 732.6	22.0	459.6	16
		7 074.6		**1 189.9**		6 820.4		1 147.1	

SHAREHOLDERS'S EQUITY AND LIABILITIES									
SHAREHOLDERS´ EQUITY									17
Share capital	**423.7**		**71.3**		414.0		69.6		
Share premium account	**33.5**		**5.6**		0.0		0.0		
General reserve	**882.8**		**148.5**		882.8		148.5		
Retained earnings	**814.6**		**137.0**		508.2		85.5		
Profit for the financial year	**312.0**	**2 466.5**	**52.5**	**414.8**	492.7	2 297.7	82.9	386.4	
Capital loan		**34.1**		**5.7**		48.9		8.2	21
Total equity		**2 500.6**		**420.6**		2 346.6		394.7	
ACCUMULATED APPROPRIATIONS		**1 227.9**		**206.5**		1 221.3		205.4	18
LIABILITIES									
Long term liabilities	**806.9**		**135.7**		1 102.6		185.4		20,22,24
Short-term liabilities	**2 539.1**	**3 346.0**	**427.0**	**562.8**	2 149.9	3 252.5	361.6	547.0	23
		7 074.6		**1 189.9**		6 820.4		1 147.1	

Finnair Oyj
Cash flow statement

	FIM mill. April 1, 1998 - March 31, 1999	EUR mill. April 1, 1998 - March 31, 1999	FIM mill. April 1, 1997 - March 31, 1998	EUR mill. April 1, 1997 - March 31, 1998
Business operations				
Operating profit	371	62	565	95
Depreciation	523	88	484	81
Change in working capital (net)				
Inventories, increase(-), decrease(+)	-37	-6	-34	-6
Short-term receivables, increase(-),decrease(+)	-60	-10	-152	-26
Non interest bearing short-term liabilities, increase(+), decrease(-)	225	38	279	47
Financial income and expenses (net)	22	4	38	6
Extraordinary items	20	3	4	1
Taxes	-95	-16	-112	-19
Cash flow from operations (net)	970	163	1 071	180
Investments				
Investments in flight equipment	-967	-163	-617	-104
Investments in buildings	-95	-16	-84	-14
Other investments	-208	-35	-151	-25
Change in advance payments	-83	-14	-113	-19
Capital expenditure, total	-1 353	-228	-964	-162
Sales of fixed assets	232	39	413	69
Cash flow of investments	-1 121	-189	-551	-93
Cash flow before financing	-151	-25	520	87
Financing				
Decrease of long-term debts	-289	-49	-293	-49
Long-term receivables, increase(-), decrease(+)	1	0	0	0
Short-term debts, increase(+), decrease(-)	164	28	-3	0
Dividends	-186	-31	-82	-14
Decrease of capital loan	-15	-2	-25	-4
Other equity, increase(+), decrease(-)	43	7	26	4
Cash flow of financing	-282	-47	-376	-63
Change in liquid funds, increase(+), decrease(-) in statement	-434	-73	144	24
Liquid funds, April 1	1 448	243	1 304	219
Liquid funds, decrease(-), increase(+) in balance sheet	-434	-73	144	24
Liquid funds, March 31	1 014	171	1 448	243

Notes to the financial statements

	Group FIM mill. 1998/99	Group FIM mill. 1997/98	Parent Company FIM mill. 1998/99	Parent Company FIM mill. 1997/98
1. Turnover by division				
Flight operations	**7 816.1**	7 641.8	**7 812.2**	7 635.4
Travel agencies	**471.4**	428.9	**-**	-
Tour operations	**1 442.5**	1 263.5	**-**	-
Other operations	**214.4**	194.7	**-**	-
- Less internal adjustments	**-1 061.1**	-935.4	**-**	-
Total	**8 883.3**	8 593.6	**7 812.2**	7 635.4
Distribution of turnover by market areas, as % of turnover				
Finland	**45.00 %**	41.00 %	**38.00 %**	34.00 %
Europe	**41.00 %**	38.00 %	**46.00 %**	43.00 %
Other countries	**14.00 %**	21.00 %	**16.00 %**	23.00 %
Total	**100.00 %**	100.00 %	**100.00 %**	100.00 %
2. Other revenue from business operations				
Capital gain on flight equipment	**70.1**	142.3	**70.1**	142.3
Other items	**75.8**	26.0	**76.1**	25.3
Total	**145.9**	168.3	**146.3**	167.6
3. Materials and services				
Materials and consumables				
Materials and supplies for aircraft maintenance and overhaul	**248.5**	271.0	**248.5**	271.0
Purchases of materials and supplies for passenger services	**449.5**	425.2	**504.0**	472.6
Fuel purchases for flight operations	**566.8**	699.5	**566.6**	698.8
Other items	**44.8**	39.3	**-**	-
Change in inventories	**-36.9**	-34.1	**-36.5**	-34.3
Total	**1 272.7**	1 400.9	**1 282.5**	1 408.2
Outside services				
Ground handling charges	**285.0**	290.2	**285.0**	290.2
Ground service expenses for tour operations	**557.4**	437.3	**-**	-
Aircraft maintenance and overhaul	**184.2**	161.1	**184.2**	161.0
Expenses for data administration	**163.9**	138.8	**157.4**	133.4
Other items	**192.4**	211.7	**163.2**	119.6
Total	**1 382.9**	1 239.1	**789.8**	704.2
Materials and services total	**2 655.6**	2 640.0	**2 072.3**	2 112.3
4. Staff costs				
Wages and salaries	**2 006.3**	1 863.6	**1 746.8**	1 622.0
Pension costs	**318.6**	258.2	**286.2**	230.8
Payment of employee bonus into the personnel fund	**-**	24.0	**-**	24.0
Other indirect employee costs	**270.6**	246.4	**238.5**	220.7
Total	**2 595.5**	2 392.2	**2 271.5**	2 097.5
Salaries of Board of Directors and Managing Directors				
Administration and managing directors	**7.1**	5.4	**3.3**	2.1
Personnel on average				
Flight operations	**9 038**	8 573	**9 038**	8 573
Travel agencies	**1 351**	1 297	**-**	-
Tour operations	**518**	499	**-**	-
Other operations	**357**	337	**-**	-
Total	**11 264**	10 706	**9 038**	8 573
5. Depreciation				
Planned depreciation in the profit and loss statement				
On other long-term expenditure	**24.9**	16.5	**18.4**	13.6
On buildings	**30.7**	26.5	**30.5**	26.3
On flight equipment	**377.3**	354.5	**377.3**	354.5
On other equipment	**113.3**	105.0	**96.4**	89.1
Total	**546.2**	502.5	**522.6**	483.6

	Group FIM mill. 1998/99	Group FIM mill. 1997/98	Parent Company FIM mill. 1998/99	Parent Company FIM mill. 1997/98
6. Other operating expenses				
Lease payments for aircraft	**307.8**	204.4	**307.8**	204.4
Short-term leases for aircraft	**248.7**	172.7	**248.7**	172.7
Rents	**267.6**	240.7	**223.4**	198.2
Traffic charges	**648.5**	659.0	**648.5**	659.0
Sales and marketing expenses	**639.2**	688.2	**728.8**	784.9
Other items	**705.3**	668.6	**575.7**	536.6
Total	**2 817.2**	2 633.6	**2 732.9**	2 555.8
7. Financial income and expenses				
Dividends				
Dividends from group undertakings			**25.4**	28.2
Dividends from participating interests	**0.2**	-	**-**	-
From others	**0.4**	1.2	**0.3**	0.2
Dividends total	**0.7**	1.2	**25.7**	28.4
Interest income from long-term investments				
From group undertakings			**0.3**	0.2
Interest income from others	**7.8**	5.6	**7.8**	5.6
Total	**7.8**	5.6	**8.1**	5.8
Income from long-term investments total	**8.5**	6.8	**33.8**	34.2
Other interest and financial income				
Interest income from group undertakings			**0.9**	0.4
Interest income from others	**78.4**	71.8	**73.4**	66.6
Financial income from others	**10.1**	26.6	**9.6**	26.1
Total	**88.5**	98.3	**83.9**	93.1
Interest income from long-term investments and other interest and financial income, total	**97.0**	105.1	**117.7**	127.3
Value adjustments of investments				
Value adjustments of marketable securities	**0.5**	-1.1	**0.5**	-1.1
Total	**0.5**	-1.1	**0.5**	-1.1
Interest and other financial expenses				
Interest expense to group undertakings			**-7.0**	-5.9
Interest expense to others	**-52.4**	-69.5	**-51.6**	-67.7
Other financial expenses to others	**-37.9**	-15.7	**-37.2**	-14.9
Total	**-90.3**	-85.2	**-95.8**	-88.5
Financial income and expense total	**7.2**	18.9	**22.4**	37.8
Exchange rate gains are included in the item interest and financial income	**9.9**	26.6	**9.6**	26.1
Exchange rate losses are included in the item interest and financial expenses	**-28.8**	-10.5	**-28.5**	-10.4
8. Extraordinary items				
Extraordinary income, received compensation	**20.0**	-	**20.0**	-
Extraordinary income, Infa, refunded bad debts	**-**	7.3	**-**	7.3
Extraordinary expenses, write-off of option payment	**-**	-3.6	**-**	-3.6
Total	**20.0**	3.6	**20.0**	3.6
9. Appropriations				
Difference between planned depreciation and depreciation in taxation				
Buildings			**2.7**	-
Equipment	**-**	-	**-9.4**	-146.0
Increase (-)/decrease (+) in untaxed reserves	**-**	-	**-**	144.6
Total	**-**	-	**-6.6**	-1.4
10. Taxes				
Income taxes on extraordinary items	**5.6**	1.0	**5.6**	1.0
Income taxes on regular business operations	**101.8**	118.1	**89.1**	111.5
Change in deferred tax liabilities	**1.9**	0.5	**-**	-
Total	**109.3**	119.6	**94.7**	112.5

	Group FIM mill. 1998/99	Group FIM mill. 1997/98	Parent Company FIM mill. 1998/99	Parent Company FIM mill. 1997/98
11. Fixed assets				
Intangible rights				
Acquisition cost April 1	**8.6**	8.6	**8.4**	8.4
Increases April 1 - March 31	**0.6**	-	**0.6**	-
Book value March 31	**9.2**	8.6	**9.0**	8.4
Other long-term expenditure				
Acquisition cost April 1	**183.8**	140.1	**141.8**	99.0
Increases April 1 - March 31	**63.9**	50.7	**43.3**	42.9
Decreases April 1 - March 31	**-9.2**	-0.2	**-8.5**	-
Accumulated planned depreciation April 1 - March 31 from decreases	**-3.5**	-6.7	**-3.5**	-
Acquisition cost March 31	**235.0**	183.8	**173.1**	141.8
Accumulated planned depreciation March 31	**-120.1**	-98.7	**-86.8**	-71.9
Book value March 31	**114.9**	85.1	**86.3**	70.0
Land				
Acquisition cost April 1	**4.8**	4.8	**4.3**	4.3
Increases April 1 - March 31	**0.0**	-	**-**	-
Decreases April 1 - March 31	**-**	-	**-**	-
Book value March 31	**4.8**	4.8	**4.3**	4.3
Buildings				
Acquisition cost April 1	**836.1**	778.9	**827.8**	770.4
Increases April 1 - March 31	**95.0**	84.2	**94.9**	84.0
Decreases April 1 - March 31	**-3.3**	-26.4	**-3.3**	-26.4
Acumulated planned depreciation April 1 - March 31 from decreases	**0.0**	-0.6	**0.0**	-0.2
Acquisition cost March 31	**927.8**	836.1	**919.4**	827.8
Accumulated planned depreciation March 31	**-422.4**	-391.7	**-419.4**	-388.9
Book value March 31	**505.4**	444.4	**500.0**	438.9
Accumulated difference between total and planned depreciation April 1	**-**	-	**68.4**	0.0
Increase in the depreciation difference April 1- March 31	**-**	-	**-2.7**	68.4
Accumulated difference between total and planned depreciation March 31	**-**	-	**65.7**	68.4
Flight equipment				
Acquisition cost April 1	**5 541.4**	5 704.4	**5 541.4**	5 698.9
Increases April 1 - March 31	**966.8**	616.5	**966.8**	616.5
Decreases April 1 - March 31	**-218.2**	-384.9	**-218.2**	-384.9
Accumulated planned depreciation April 1 - March 31 from decreases	**-62.4**	-394.7	**-62.4**	-389.1
Acquisition cost March 31	**6 227.5**	5 541.4	**6 227.5**	5 541.4
Accumulated planned depreciation March 31	**-2 908.1**	-2 593.3	**-2 908.1**	-2 593.3
Book value March 31	**3 319.4**	2 948.1	**3 319.4**	2 948.1
Difference between total and planned depreciation April 1			**1 147.1**	1 063.0
Increase in the depreciation difference April 1 - March 31			**13.6**	84.1
Difference between total and planned depreciation March 31	**-**	-	**1 160.6**	1 147.1
Other equipment				
Acquisition cost April 1	**1 219.2**	1 113.5	**1 067.7**	964.0
Increases April 1 - March 31	**183.5**	122.9	**163.1**	105.1
Decreases April 1 - March 31	**-2.3**	-2.2	**-1.3**	-1.4
Accumulated planned depreciation April 1 - March 31 from decreases	**-15.9**	-14.9	**-15.9**	-
Acquisition cost March 31	**1 384.5**	1 219.2	**1 213.6**	1 067.7
Accumulated planned depreciation March 31	**-960.0**	-862.6	**-844.3**	-763.8
Book value March 31	**424.5**	356.6	**369.2**	303.9
Accumulated difference between total and planned depreciation April 1	**-**	-	**5.8**	12.3
Decrease in the depreciation difference April 1 - March 31	**-**	-	**-4.2**	-6.5
Accumulated difference between total and planned depreciation March 31	**-**	-	**1.6**	5.8
Share of machines and equipment in book value March 31	**3 697.4**	3 264.2	**3 657.3**	3 221.4
Advance payments				
Acquisition cost April 1	**226.6**	113.8	**226.6**	113.8
Increases April 1 - March 31	**82.9**	112.8	**82.9**	112.8
Book value March 31	**309.5**	226.6	**309.5**	226.6
Insurance values of fixed assets				
Balance sheet values of aircraft and spare engines			**3 319.4**	2 948.1
Insurance value FIM			**6 887.9**	7 082.9
Insurance value USD			**1 244.4**	1 263.5

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

Financial assets	Numer of shares	Group ownership %	Parent Company ownership %	Group book value FIM 1000	Profit / loss of financial year FIM 1000	Group share of equity FIM 1000	Closing date
Participating interests							
Nordic Hotel Oy, Helsinki	9 600	40.00	40.00	1 760	-490	2 603	Dec.31, 98
Finnish American International Trade Inc., USA	1 000	20.00	20.00	429	-347	494	Dec.31, 98
Suomen Jakelutiet Oy, Helsinki	15	47.50	-	15	362	863	Dec.31, 98
Amadeus Estonia, Viro	98	33.25	-	39	421	392	Dec.31, 98
Toivelomat Oy, Helsinki	500	48.30	-	50	84	639	Mar. 31, 99
Total				2 293	30	4 991	
Affiliates							
Kiinteistö Oy Aerolan A-talot	7 500	100.00	100.00	1 320	0	223	Mar. 31, 99
Kiinteistö Oy Aerolan B-talot	200	100.00	100.00	200	0	154	Mar. 31, 99
Malmilento Oy	5 000	100.00	100.00	500	179	1 474	Mar. 31, 99
Amadeus Finland Oy	190	95.00	95.00	1 900	7 563	14 057	Mar. 31, 99
Area Travel Agency Ltd	650 000	100.00	100.00	11 476	4 780	13 947	Mar. 31, 99
Area Baltica Reisibüroo AS, Estonia	850	100.00	100.00	400	1	0	Mar. 31, 99
ZAO Norvista, Russia	10	100.00	-	10	-406	-3 124	Mar. 31, 99
A/S Estravel Ltd, Estonia	9 110	72.02	72.02	1 666	1 165	2 628	Mar. 31, 99
Eastern Holding		72.02	-	15	0	15	Mar. 31, 99
BMR Ärireklaami Oü, Estonia	100	72.02	-	4	67	-55	Mar. 31, 99
Oy Aurinkomatkat - Suntours Ltd Ab	2 913	97.07	79.27	1 358	10 500	17 789	Mar. 31, 99
Finlandia Travel Agency Ltd, UK	50 000	100.00	96.68	222	78	1 500	Mar. 31, 99
Finlandia Agence de Voyages S.A.R.L., France	499	99.80	99.80	39	41	202	Mar. 31, 99
Finnair Travel Services Oy	50 000	100.00	100.00	5 980	254	7 199	Mar. 31, 99
Finncatering Oy	4 470	100.00	100.00	6 094	6 200	13 543	Mar. 31, 99
Norvista Travel, Canada	1 000	100.00	100.00	4	3	112	Mar. 31, 99
Oy Finnmatkat - Finntours Ab	150	100.00	100.00	590	3 354	4 647	Mar. 31, 99
Norvista Ltd, USA	200	100.00	100.00	10	5	-642	Mar. 31, 99
Karair Ab, Sweden	100	100.00	100.00	80	0	0	Mar. 31, 99
Business Flight Center Oy	5	100.00	100.00	1	0	0	Mar. 31, 99
Mikkelin Matkatoimisto Oy	1 224	51.00	-	163	225	1 131	Mar. 31, 99
Finnair Gateway Ravintolat Oy	10 000	100.00	100.00	10 000	5 018	16 253	Mar. 31, 99
Norvista Travel AB, Sweden	1 260	100.00	100.00	600	-79	777	Mar. 31, 99
Norvista S.R.L, Italy		100.00	100.00	504	7	429	Mar. 31, 99
Norvista GmbH, Germany		100.00	100.00	931	-20	836	Mar. 31, 99
Norvista B.V., Netherlands	40	100.00	100.00	108	0	-72	Mar. 31, 99
Kuopion Matkatoimisto Oy	750	99.80	-	800	7	1 276	Mar. 31, 99
Varkauden Matkatoimisto Oy	1 290	79.62	-	798	97	576	Mar. 31, 99
Finland Travel Bureau Ltd.	300 896	99.90	99.90	6 923	8 972	19 811	Mar. 31, 99
Group total				52 697	48 012	114 689	
./. affiliate shares owned by affiliates				-1 993			
Parent Company total				50 704			
Other shares							
Polygon Insurance Company Ltd	644 500			9 460			
Sampo Insurance Company	1 686			271			
OKR-Issuers Co-operative	6			120			
HEX Ltd, Helsinki Stock and Derivatives Exchange, Clearing House	24 400			170			
Helsinki Telephone Corporation	5 195			328			
Oy TEN-MAR Fastighets Ab	854	12.79	10.90	2 227			
Helsinki Halli Oy	18			1 260			
Golfsarfvik	1			105			
Asunto Oy Joensuun Kirkkokatu 21	228			610			
Asunto Oy Koitere Bostads Ab, Laivanvarustajankatu 4	3			864			
Asunto Oy Mannerheimintie 100	59	1.36	1.36	137			
Asunto Oy Metsätorppa, Kauppalantie 48	63	4.38	4.38	131			
Asunto Oy Neitsytpolku 9	70			471			
Asunto Oy Neitsytpolku 11	65			1 016			
Asunto Oy Octavus, Mannerheimintie 84	8	6.50	6.50	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	9.12	9.12	152			
Asunto Oy Pehesaari	506			1 144			
Kiinteistö Oy Citykulma	8 861			349			
Kiinteistö Oy Heikintori	1 640	1.50		234			
Kiinteistö Oy Lentäjäntie 1	2 804	19.50	19.50	5 846			
Kiinteistö Oy Tapiolan Säästötammi	237			807			
Kiinteistö Oy Lentoasemakiinteistöt				1 368			
Sita Telecommunications Holding N.V	527 846			437			
Other companiess with a book value of less than FIM 100,000				879			
Telephone company shares	4 254			3 408			
Total				33 681			

	Group FIM mill. 1998/99	Group FIM mill. 1997/98	Parent Company FIM mill. 1998/99	Parent Company FIM mill. 1997/98
Other financial assets, loan receivables				
From Group companies			**4.5**	4.6
From participating interest	**0.5**	0.5	**-**	-
From other companies	**3.8**	4.7	**3.8**	4.3
Total	**4.3**	5.2	**8.3**	8.9
12. Inventories				
Materials and supplies	**263.5**	227.5	**261.0**	225.5
Work in progress	**9.7**	8.7	**9.7**	8.7
Total	**273.2**	236.3	**270.7**	234.2
13. Long-term receivables				
Long term receivables from others				
Trade receivables	**0.6**	-	**-**	-
Prepaid expenses	**0.1**	-	**-**	-
Other receivables	**25.3**	33.1	**23.9**	30.9
Total	**26.0**	33.1	**23.9**	30.9
14. Short-term receivables				
Short-term receivables from group undertakings				
Trade receivables	**-**	-	**123.6**	107.0
Prepaid expenses	**-**	-	**1.5**	4.9
Other receivables	**-**	-	**-**	7.8
Total	**-**	-	**125.1**	119.6
Short-term receivables from participating interests				
Trade receivables	**0.1**	0.2	**0.0**	0.1
Prepaid expenses	**0.0**	0.0	**-**	0.0
Total	**0.1**	0.2	**0.0**	0.1
Short-term receivables from others				
Trade receivables	**660.2**	680.8	**379.6**	393.5
Prepaid expenses	**324.5**	277.7	**279.7**	229.6
Other receivables	**350.1**	321.9	**295.4**	276.9
Total	**1 334.8**	1 280.5	**954.7**	900.0
Short-term receivables total	**1 334.9**	1 280.7	**1 079.8**	1 019.7
15. Investments				
Marketable securities	**948.0**	1 317.0	**948.0**	1 317.0
The difference between market value and activated acquisition cost is not essential.				
16. Cash and bank equivalents				
Cash and bank equivalents comprise funds in Group bank accounts.				
17. Equity				
Share capital, April 1	**414.0**	410.3	**414.0**	410.3
Conversion of convertible subordinated bond	**2.0**	3.3	**2.0**	3.3
Conversion of convertible bonds	**7.7**	0.4	**7.7**	0.4
Share capital, March 31	**423.7**	414.0	**423.7**	414.0
Capital paid in excess of par value, April 1	**0.0**	-	**0.0**	-
Share premium	**33.4**	0.0	**33.4**	0.0
Capital paid in excess of par value, March 31	**33.5**	0.0	**33.5**	0.0
General receve, March 31	**882.8**	882.8	**882.8**	882.8
Retained earnings, April 1	**1 908.9**	1 480.9	**1 000.8**	590.2
Dividend payment	**-186.3**	-82.1	**-186.3**	-82.1
Translation difference	**-0.3**	0.3	**-**	-
Retained earnings, March 31	**1 722.3**	1 399.1	**814.6**	508.2
Profit for the financial year	**343.3**	509.7	**312.0**	492.7
Capital loan, March 31 and April 1	**34.1**	48.9	**34.1**	48.9
Total equity	**3 439.7**	3 254.6	**2 500.6**	2 346.6
Distributable equity				
Retained earnings, April 1	**1 908.9**	1 480.9		
Dividend payment	**-186.3**	-82.1		
Translation difference	**-0.3**	0.3		
Profit for the financial year	**343.3**	509.7		
	2 065.6	1 908.9		
Voluntary reserves in equity	**-884.7**	-879.7		
	1 180.9	1 029.1		
Voluntary reserves				
Accumulated depreciation difference	**1 228.1**	1 221.5		
Recidental block reserve	**0.7**	0.4		
	1 228.8	1 221.9		
Deferred tax liability of voluntary reserves	**-344.1**	-342.1		
Total	**884.7**	879.7		

	Group FIM mill. 1998/99	1997/98	Parent Company FIM mill. 1998/99	1997/98
18. Accumulated appropriations				
Accumulated depreciation difference	**-**	-	**1 227.9**	1 221.3
19. Deferred tax liability				
Deferred tax liability, April 1	**342.1**	341.6	**-**	-
Changes	**1.9**	0.5	**-**	-
Deferred tax liability in balance sheet, March 31	**344.1**	342.1	**-**	-
Deferred tax liability caused by timing differences	**236.6**	217.0	**236.6**	217.0
20. Long-term liabilities				
Subordinated loan	**245.0**	233.8	**245.0**	233.8
Loans from financial institutions	**66.4**	300.8	**65.7**	298.8
Pension loans	**485.7**	554.6	**472.3**	539.0
Other long-term liabilities	**25.9**	33.1	**24.0**	31.0
Total	**822.9**	1 122.3	**806.9**	1 102.6
Repayment of loans				
Financial year 2000/2001	**89.0**		**85.8**	
Financial year 2001/2002	**98.2**		**95.0**	
Financial year 2002/2003	**65.4**		**62.2**	
Financial year 2003/2004	**65.4**		**62.2**	
Financial year 2004 -	**504.9**		**501.7**	
Total	**822.9**		**806.9**	

21. Convertible subordinated bonds (Capital loan)

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.

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 Oyj 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 Oyj share on the Helsinki Stock Exchange exceeds the computed conversion price by 40 per cent for the period specified in the terms.

One debenture with a nominal value of FIM 10,000 can be converted to 271 Finnair Oyj 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, 1999 bonds worth FIM 195,890,000 had been converted to 5,308,619 shares, after which the amount of the convertible bond is FIM 34,110,000. Should all the unconverted bonds on March 31, 1999 be exchanged for shares, the Company's share capital would increase by FIM 4,621,905 which is the equivalent of 924,381 shares.

22. Subordinated loan

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

	Group FIM mill. 1998/99	Group FIM mill. 1997/98	Parent Company FIM mill. 1998/99	Parent Company FIM mill. 1997/98
23. Short-term liabilities				
Liabilities to group undertakings				
Trade payables	**-**	-	**23.5**	16.0
Accruals and deferred income	**-**	-	**6.5**	4.4
Other liabilites	**-**	-	**243.1**	179.6
Total	**-**	-	**273.1**	200.1
Liabilities to participating interests				
Trade payables	**1.2**	2.4	**1.1**	2.3
Other liabilities	**1.3**	-	**1.3**	-
Total	**2.5**	2.4	**2.4**	2.3
Liabilities to others				
Loans from financial institutions	**233.4**	71.2	**232.9**	69.2
Pension loans	**-**	0.0	**-**	-
Advances received	**168.8**	142.3	**-**	-
Trade payables	**517.0**	523.2	**296.6**	313.9
Accruals and deferred income	**1 571.1**	1 350.5	**1 460.2**	1 253.2
Other liabilities	**294.3**	328.5	**273.8**	311.2
Total	**2 784.6**	2 415.8	**2 263.5**	1 947.5
Short-term liabilities total	**2 787.1**	2 418.2	**2 539.1**	2 149.9
Accruals and deferred income				
Unearned air transport revenues and liability for frequent flyer bonus system*	**741.7**	574.7	**741.7**	574.7
Holiday pay reserve	**369.8**	345.1	**330.8**	308.6
Other items	**459.5**	430.7	**394.2**	374.3
Total	**1 571.1**	1 350.5	**1 466.7**	1 257.6

*) FIM 105,9 million in unused airline tickets from at least two years ago was entered as turnover. The item includes a liability of FIM 74,6 million for the Finnair Plus Frequent Flyer Bonus System. Other items include undue interest and other deferred income for the financial year.

	Group 1998/99	Group 1997/98	Parent Company 1998/99	Parent Company 1997/98
24. Pension liabilities				
Total liability of pension fund	**3 151.8**	2 842.1	**2 955.3**	2 663.9
-mandatory portion covered	**-1 623.6**	-1 426.9	**-1 465.6**	-1 288.0
Non-mandatory benefit covered	**-1 519.1**	-1 400.0	**-1 481.5**	-1 362.2
Uncovered liability of pension fund	**9.1**	15.2	**8.1**	13.7
Liability for pensions paid directly by the companies	**16.2**	17.9	**15.8**	17.3
Liability included in other long-term liabilities	**25.3**	33.1	**23.9**	30.9
25. Guarantees and contingent liabilities				
Pledges on own behalf	**233.5**	223.2	**232.6**	222.3
Guarantees on group undertakings	**232.6**	157.9	**232.6**	157.9
Total	**466.1**	381.0	**465.1**	380.1
26. Aircraft lease obligations				
Amounts due to be paid				
Financial year 1999/2000			**343.3**	
Financial year 2000/2001			**275.6**	
Financial year 2001/2002			**313.2**	
Financial year 2002/2003			**206.5**	
Financial year 2003/2004			**172.8**	
Financial year 2004 -			**226.6**	
Total			**1 538.0**	

Aircraft lease payments

The above lease payments comprise unpaid rentals under outstanding finance leases (FIM 220.3 million) and operating leases (FIM 1,317.7 million). With respect to certain of the finance leases, Finnair Oyj has made a deposit corresponding to the agreed purchase option payment. As at March 31, 1999, the present value of the maximum remaining finance lease payments, including the agreed purchase option payments, was FIM 210.8 million.

Under operating leases, unlike finance leases, Finnair Oyj 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 Oyj pays rentals to cover the finance costs, has an option to purchase the relevant aircraft at an agreed price, and bears the residual value risk. Therefore, Finnair Oyj 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 Oyj for any such payments, 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 Oyj would realize a profit on its resale after the end of the relevant lease period.

27. Disputes and legal proceedings

Disputes concerning the approval of the financial statements and the ownership of Karair oy shares referred to in the previous annual report are still pending.

The Company has lodged an appeal with the county administrative court of Uusimaa concerning a decision by the Helsinki district customs board with regard to excise taxes for the 1995 tax year. Proceedings have been adjourned at the request of the Helsinki district customs board until the end of September 1999.

28. Principles of financial risk management

The operations of the Finnair Group are by nature very international and require significant amounts of capital. This means exposure to risks related to exchange rates, interest rates, credit, liquidity and raw material prices. It is the policy of the Group to minimize the negative effect of such risks on cash positions, financial performance and equity.

Financial risk management is concentrated in the Treasury Department of the Parent Company, which co-ordinates operations in the Group and provides various internal banking services such as group accounts and netting services. Financial risk management is based on risk management policy approved by the Finnair Board of Directors, which beside hedging activities enables the keeping of open foreign exchange and interest positions within the framework of set risk limits. In its financial risk management, the Company uses a wide range of hedging instruments and methods such as foreign currency loans, forward contracts, currency and interest swaps, foreign exchange and interest options and futures.

Foreign exchange risks

Some 75 % of Group turnover is denominated in euros. The key foreign currencies are the US dollar, the Swedish krona, the British pound and the Japanese yen. Approximately 25 % of the Group's operating costs are denominated in currencies outside EMU area. The main purchasing currency is the US dollar, which accounts for almost half of all operating expenses denominated in foreign exchange. Acquisition of aircraft and the spare parts for them also takes place mainly in US dollars.

The Group's policy is to eliminate the identified foreign exchange risk caused by a foreign currency surplus or deficit. Apart from receivables and payables and other commercial commitments, the estimated 6-12-month cash flows denominated in foreign exchange are as a rule included in exposed foreign exchange positions. At the end of the 1998/99 financial year the majority of the Group's interest-bearing liabilities were denominated in markkas.

The fuel price risk in flight operations

Various hedging instruments such as forward contracts and swaps are used to manage the price risks involved in acquiring fuel for flight operations. Time-wise, hedging is limited in general to less than 12 months. In the 1998/99 financial year fuel used in flight operations accounted for 7 % of the Group's operating costs. Fuel costs are dependent on fluctuations in oil markets and the US dollar.

Interest risks

In order to manage interest risks, the Group's loans and investments are dispersed into fixed and variable interest-rate instruments so that most of the Group's interest-bearing loans have variable interest rates. Finnair hedges against interest rate changes by investing most of its cash reserves on the money markets for less than 12 months. At the end of the 1998/99 financial year the average interest on the Group's interest-bearing loans was 4.0 %.

Credit risks

The Group is exposed to credit risks in investing its cash reserves and in using derivative instruments. Credit risks are managed by making contracts within the framework of credit risk limits only with leading domestic and foreign banks, financial institutions and brokers. Cash is also invested in interest bearing securities issued by selected companies.

Liquidity risk

The goal of the Finnair Group is to maintain good liquidity. Liquidity is ensured through cash reserves, account limits, liquid money market investments and credit limits. With respect to aircraft acquisitions, the Company's policy is to ensure financing at least 6 months before delivery, for example with promises of loans. The Group's liquid funds were FIM 1.0 billion at the end of the 1998/99 financial year. Moreover the Parent company has following unutilized standby credit facilities:

USD 250 mill. for general financing needs,

USD 250 mill. for financing the acquisition of Airbus A320 family.

In addition the company has a domestic commercial paper programme of EUR 100 mill.

Derivative contracts March 31, 1999, FIM Mill.		Nominal value	Fair value
Currency derivatives			
Forward contracts		872.2	20.0
Currency options			
Bought		428.9	18.1
Sold		134.9	-7.0
Currency swaps		654.0	18.8
Interest rate derivatives			
Interest rate options			
Bought		304.0	-6.3
Derivative contracts, total		2 394.0	43.6
Other derivative contracts			
Fuel price agreements	tonnes	36 000	-3.2

29. Personnel fund

The criteria for payment of profit bonus to the personnel fund were not met.

Proposal by the Board of Directors concerning disposal of the profit

The Group's distributable equity according to the financial statements on March 31, 1999 was FIM 1,180,880,249.10 and the Parent Company Finnair Oyj's distributable equity was FIM 1,126,534,875.65.

The Board of Directors proposes to the Annual General Meeting that a dividend of FIM 1.50 per share, totalling FIM 127,108, 647 be paid. The rest of the distributable equity will be carried over to retained earnings.

Helsinki, 11 June 1999

The Board of Directors of Finnair Oyj

Harri Holkeri
Robert G. Ehrnrooth
Ari Heiniö
Raimo Hertto
Eva-Christina Mäkeläinen
Jaakko Ihamuotila
Samuli Haapasalo
Seppo Härkönen
Helena Terho

Statement of the Supervisory Board

At its meeting held today, the Supervisory Board of Finnair Oyj has examined the financial statements of the Parent Company and of the Group and the Auditors' Report for the financial year April 1, 1998 - March 31, 1999. 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 Ms. Tarja Kautto, Mr. Pekka Kivelä, Mr. Pekka Perttula, Ms. Sirpa Pietikäinen and Mr. Iiro Viinanen are due to expire at the Annual General Meeting. In addition Mr Jaakko Pohjola resigned from the Supervisory Board on December 31st 1998.

Helsinki, 17 June 1999

Markku Hyvärinen
Riitta Backas
Tarja Kautto
Markku Koskenniemi
Pekka Perttula
Sirpa Pietikäinen
Jussi Ranta
Aino Suhola
Iiro Viinanen
Felix Björklund
Peter Heinström
Pekka Kivelä
Jouko K. Leskinen
Mikko Pesälä
Virpa Puisto
Pertti Salolainen
Ralf Sund

Auditors' report

to the shareholders of Finnair Oyj

We have examined the accounts, the financial statements and the administration of Finnair Oyj for the financial year April 1, 1998 to March 31, 1999. 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 financial statements and the administration.

We have conducted the audit in accordance with Finnish Standards on Auditing.Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Supervisory Board, the Board of Directors and the President have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the Group and the Parent company's results of operations and the financial position. The financial statements, including those of the Group, can be adopted and the members of the Supervisory Board and the Board of Directors and the President can be discharged from liability for the period audited by us.

The proposal by 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, 16 June 1999

Pekka Nikula	Erkki Mäki-Ranta
APA	AA

Key figures 1994/95 - 1998/99

		1994/95	1995/96	1996/97	1997/98 1)	**1998/99**
Consolidated profit and loss statement						
Turnover	FIM Mill.	6 653	7 186	7 403	8 594	**8 883**
- change	%	12.0	8.0	3.0	16.1	**3.4**
Operating profit	FIM Mill.	522	624	326	608	**427**
- in relation to turnover	%	7.8	8.7	4.4	7.1	**4.8**
Profit before extraordinary items	FIM Mill.	419	533	310	627	**434**
- in relation to turnover	%	6.3	7.4	4.2	7.3	**4.9**
Profit before taxes	FIM Mill.	419	533	429	630	**454**
- in relation to turnover	%	6.3	7.4	5.8	7.3	**5.1**
Consolidated balance sheet						
Fixed assets	FIM Mill.	3 937	4 043	4 046	4 118	**4 731**
Long-term receivables	FIM Mill.	66	61	41	33	**25**
Inventories	FIM Mill.	171	188	202	236	**273**
Other current assets	FIM Mill.	3 242	2 641	2 409	2 752	**2 367**
Total assets	FIM Mill.	7 416	6 933	6 698	7 139	**7 396**
Share capital	FIM Mill.	408	408	410	414	**424**
Other equity and minority interest 2)	FIM Mill.	1 850	2 183	2 417	2 843	**3 019**
Liabilities 2)	FIM Mill.	5 158	4 342	3 871	3 883	**3 954**
Total liabilities	FIM Mill.	7 416	6 933	6 698	7 139	**7 396**
Gross investment less advance payments	FIM Mill.	278	567	1 055	879	**1 308**
Gross investment in relation to turnover	%	4.2	7.9	14.3	10.2	**14.7**
Return on equity (ROE)	%	21.2	15.4	7.5	16.7	**9.7**
Return on investment (ROI)	%	15.1	15.7	9.4	15.9	**11.4**
Increase in share capital	FIM Mill.	85	-	2	4	**10**
Dividend for the financial year 3)	FIM Mill.	41	82	82	186	**127**
Earnings / share	FIM	5.10	4.56	2.48	6.11	**3.81**
Equity / share	FIM	27.68	31.74	34.43	39.31	**40.59**
Dividend / share	FIM	0.50	1.00	1.00	2.25	**1.50**
Dividend / earnings	%	9.8	21.9	40.3	36.8	**39.3**
Effective dividend yield	%	1.7	2.7	2.7	4.2	**5.2**
Equity ratio	%	30.9	37.9	42.9	46.5	**47.6**
Net debt-to-equity (Gearing)	%	43.0	25.3	9.9	-5.4	**4.0**
Interest bearing debt	FIM Mill.	3 185	2 253	1 602	1 297	**1 170**
Liquid funds	FIM Mill.	2 214	1 598	1 323	1 471	**1 032**
Net interest bearing debt	FIM Mill.	971	655	279	-174	**139**
- in relation to turnover	%	14.6	9.1	3.8	-2.0	**1.6**
Net financing income (+) / expenses (-)	FIM Mill.	-103	-91	-16	19	**7**
- in relation to turnover	%	-1.5	-1.3	-0.2	0.2	**0.1**
Net interest expenses	FIM Mill.	-103	-99	-17	8	**34**
- in relation to turnover	%	-1.6	-1.4	-0.2	0.1	**0.4**
Operational cash flow 4)	FIM Mill.	825	816	905	1 013	**891**
Operational cash flow in relation to turnover	%	12.4	11.4	12.2	11.8	**10.0**
Average number of shares adjusted for the share issue	pc.	71 649 571	81 584 480	82 053 018	82 796 483	**84 739 098**
Number of shares adjusted for the share issue at the end of the financial year	pc.	81 556 420	81 584 480	82 053 018	82 796 483	**84 739 098**
Number of shares corresponding to share capital at the end of the financial year	pc.	81 556 420	81 584 480	82 053 018	82 796 483	**84 739 098**
P/E ratio		5.69	8.26	14.86	8.83	**7.56**
Personnel on average		9 539	10 105	10 533	10 706	**11 264**

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

1) The figures for financial year 1997/98 have been changed to be comparable with the figures for 1998/99 financial year.
2) Due to the change in the Companies Act, the convertible subordinated bonds have been entered as a post in equity when calculating the key figures for 1998/99, 1997/98 and 1996/97. During previous years, (1994/95 and 1995/96) financial statements the convertible subordinated bonds were included in liabilities. Figures for previous years have not been changed.
3) The proposal of the Board of Directors to the Annual General Meeting
4) The 1998/99 operational cash flow includes the impact of deferred tax liability and the financial years 1995/96, 1996/97 and 1998/99 were restated accordingly.

Formulas for ratios

Return on equity %
$$= \frac{\text{Result before extraordinary items - taxes}}{\text{Equity + minority interests (average at the beginning and end of the financial year)}} \times 100$$

Return on investment %
$$= \frac{\text{Result before extraordinary items + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average at the beginning and end of the financial year)}} \times 100$$

Earnings / share
$$= \frac{\text{Result before extraordinary items +/- minority holding - taxes}}{\text{Average number of shares during the financial year, adjusted for the share issue}}$$

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

Equity ratio %
$$= \frac{\text{Equity + minority interests}}{\text{Balance sheet total - advances received}} \times 100$$

Net debt-to-equity (Gearing) %
$$= \frac{\text{Interest bearing debt - liquid funds}}{\text{Equity+ minority interests}} \times 100$$

Dividend / earnings %
$$= \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Effective dividend yield %
$$= \frac{\text{Dividend per share}}{\text{Adjusted share price at the end of the financial year, adjusted for the share issue}} \times 100$$

P/E Ratio
$$= \frac{\text{Final trading price at the end of the financial year}}{\text{Earnings per share}}$$

The deferred tax liability caused by timing differences is shown in notes to the financial statements and has not been taken into account when calculating the key figures.

Finnair air transport

	1997/98	**1998/99**	Change %
INTERCONTINENTAL			
Flight hours	17 155	**17 086**	-0.4
Flight kilometres (1000)	13 553	**13 599**	0.3
Available seat kilometres, mill.	4 197	**4 239**	1.0
Revenue passenger kilometres, mill.	3 095	**3 174**	2.5
Passenger load factor %	73.7	**74.9**	1.1
Available tonne kilometres, mill.	816	**834**	2.1
Revenue tonne kilometres, mill.	535	**519**	-3.0
Overall load factor %	65.6	**62.3**	-3.3
Passengers (1000)	448	**465**	3.9
Cargo (1000 kg)	34 155	**31 733**	-7.1
Mail (1000 kg)	1 425	**1 412**	-0.9
EUROPE			
Flight hours	78 538	**79 042**	0.6
Flight kilometres (1000)	44 858	**44 928**	0.2
Available seat kilometres, mill.	5 480	**5 621**	2.6
Revenue passenger kilometres, mill.	2 968	**3 169**	6.7
Passenger load factor %	54.2	**56.4**	2.2
Available tonne kilometres, mill.	687	**712**	3.6
Revenue tonne kilometres, mill.	305	**322**	5.4
Overall load factor %	44.5	**45.3**	0.8
Passengers (1000)	2 644	**2 786**	5.4
Cargo (1000 kg)	23 196	**22 098**	-4.7
Mail (1000 kg)	7 375	**8 390**	13.8
DOMESTIC			
Flight hours	49 157	**51 980**	5.7
Flight kilometres (1000)	19 955	**20 866**	4.6
Available seat kilometres, mill.	1 957	**2 068**	5.6
Revenue passenger kilometres, mill.	1 138	**1 189**	4.5
Passenger load factor %	58.1	**57.5**	-0.6
Available tonne kilometres, mill.	220	**236**	7.0
Revenue tonne kilometres, mill.	100	**105**	5.1
Overall load factor %	45.3	**44.5**	-0.8
Passengers (1000)	2 527	**2 631**	4.1
Cargo (1000 kg)	4 911	**4 389**	-10.6
Mail (1000 kg)	1 129	**1 250**	10.7
SCHEDULED			
Flight hours	144 850	**148 108**	2.2
Flight kilometres (1000)	78 366	**79 393**	1.3
Available seat kilometres, mill.	11 635	**11 928**	2.5
Revenue passenger kilometres, mill.	7 202	**7 532**	4.6
Passenger load factor %	61.9	**63.1**	1.3
Available tonne kilometres, mill.	1 724	**1 782**	3.3
Revenue tonne kilometres, mill.	941	**946**	0.6
Overall load factor %	54.6	**53.1**	-1.5
Passengers (1000)	5 619	**5 883**	4.7
Cargo (1000 kg)	62 262	**58 220**	-6.5
Mail (1000 kg)	9 929	**11 053**	11.3
LEISURE			
Flight hours	34 116	**39 233**	15.0
Flight kilometres (1000)	24 574	**28 125**	14.5
Available seat kilometres, mill.	5 806	**6 056**	4.3
Revenue passenger kilometres, mill.	5 218	**5 466**	4.7
Passenger load factor %	89.9	**90.3**	0.4
Available tonne kilometres, mill.	626	**646**	3.2
Revenue tonne kilometres, mill.	486	**502**	3.3
Overall load factor %	77.7	**77.8**	0.1
Passengers (1000)	1 447	**1 501**	3.7
Cargo (1000 kg)	4 511	**3 560**	-21.1
Mail (1000 kg)	26	**36**	41.5

DEFINITIONS FOR AIR TRANSPORT

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

Available seat kilometres:
Total number of seats available, multiplied by the number of kilometres flown*

Revenue tonne kilometres:
Total tonnage of revenue load carried (passengers, cargo and mail), multiplied by kilometres flown*

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

Passenger load factor %:
Share of revenue passenger kilometres of available passenger kilometres

Overall load factor %:
Share of revenue tonne kilometres of available tonne kilometres (passenger,cargo and mail)

* Kilometres flown are based on IATA Great Circle distances.

TOTAL TRAFFIC	1994/95	1995/96	1996/97	1997/98	**1998/99**
Flight hours	144 253	162 273	167 570	178 966	**187 341**
Flight kilometres (1000)	80 773	81 862	94 850	102 940	**107 518**
Available seat kilometres, mill.	14 095	15 674	15 931	17 442	**17 985**
Revenue passenger kilometres, mill.	9 535	10 732	10 997	12 420	**12 999**
Passenger load factor %	67.6	68.5	69.0	71.2	**72.3**
Available tonne kilometres, mill.	1 820	2 017	2 128	2 351	**2 429**
Revenue tonne kilometres, mill.	1 067	1 192	1 253	1 428	**1 450**
Overall load factor %	58.7	59.1	58.9	60.7	**59.7**
Passengers (1000)	5 431	5 962	6 279	7 067	**7 385**
Cargo (1000 kg)	49 383	51 537	57 464	66 773	**61 780**
Mail (1000 kg)	8 181	8 947	9 204	9 955	**11 089**

Information on Finnair Oyj shares and shareholders

Shares and share capital

On March 31, 1999, the Company's paid up share capital, entered in the trade register, was FIM 423,695,490 and comprised 84,739,098 shares. Each share has one vote at the Annual General Meeting and its nominal value is FIM 5.

The minimum and maximum values of Finnair Oyj'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 securities system in June 1993.

Share quotations

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

Payment of dividend

The Board of Directors of Finnair Oyj proposes to the Annual General Meeting that a dividend of FIM 1.50 per share, or a total of FIM 127,108,647 be paid for the 1998/99 financial year.

Government ownership

At the end of the financial year on March 31, 1999, the Finnish Government owned 58.4 % 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 Oyj shares, the Government's holding would be 57.8 %.

Convertible bonds

In February 1994, the Company's Board of Directors issued a perpetual convertible subordinated bond for

Shareholder groups as at March 31, 1999

	Shares Number of shares	%	Shareholders Number of shareholders	%
Public bodies	57 186 136	67	33	
Registered in the name of a nominee	14 911 997	18	6	
Financial institutions and insurance companies	6 387 197	8	47	1
Households	3 896 263	5	7 957	94
Companies	1 995 243	2	356	4
Associations	307 345		48	1
Outside Finland	16 287		31	
Not converted to the book entry securities system	38 630			
Total	84 739 098	100	8 478	100

Breakdown of shareholdings as at March 31, 1999

Shares held	Shareholders	Number of shares
1-100	3 778	183 285
101-1 000	3 780	1 536 146
1 001-10 000	808	2 272 413
10 001-100 000	75	2 072 022
100 001-1 000 000	26	7 197 003
1 000 001-	5	56 527 602
Registered in the name of a nominee	6	14 911 997
Not converted to the book entry securities system		38 630
Total	8 478	84 739 098

The following banks and brokerage firms are known to have prepared an investment analysis on Finnair: Alfred Berg, London • Aros Securities, Helsinki • Chevreux de Virieu Nordic, London • Conventum, Helsinki • Credit Suisse First Boston, London • Daiwa Securities, London • Den Danske Bank, Copenhagen • Deutsche Morgan Grenfell, Frankfurt • Dresdner Kleinwort Benson, London • Enskilda Securities, Helsinki • Evli Securities, Helsinki • Impivaara Securities, London • Merita Securities, Helsinki • Nykredit Markets, Oslo • SG Securities, London

Key figures and share prices

		1994/95	1995/96	1996/97	1997/98	1998/99
Earnings / share	FIM	5.10	4.56	2.48	6.11	3.81
Equity / share	FIM	27.68	31.74	34.43	39.31	40.59
P/E ratio		5.69	8.26	14.86	8.83	7.56
Number of shares and share prices						
Number of shares adjusted for issue, average	pc.	71 649 571	81 584 480	82 053 018	82 796 483	84 739 098
Number of shares adjusted for issue, end of financial year	pc.	81 556 420	81 584 480	82 053 018	82 796 483	84 739 098
Number of shares, end of financial year	pc.	81 556 420	81 584 480	82 053 018	82 796 483	84 739 098
Prices adjusted for share issue highest	FIM	46.00	39.50	40.00	56.00	59.50
lowest	FIM	28.00	28.30	30.30	34.00	26.40
Market value of share capital, March 31	FIM mill.	2 365	3 076	3 028	4 471	2 444
Trading of shares	pc.	14 319 356	20 849 877	32 667 714	21 061 343	20 073 817
Trading as % of average number of shares	%	20.00	25.56	39.81	25.43	23.68

FIM 230 million on the basis of authorization received from the Annual General Meeting of Shareholders 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 Oyj 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, 1999, a total of FIM 195,890,000 in bonds had been converted to 5,308,619 shares. Should all the bonds still unexchanged on March 31, 1999 be converted to shares, the Company's share capital would rise by FIM 4,621,905, which corresponds to 924,381 shares.

Share ownership by management

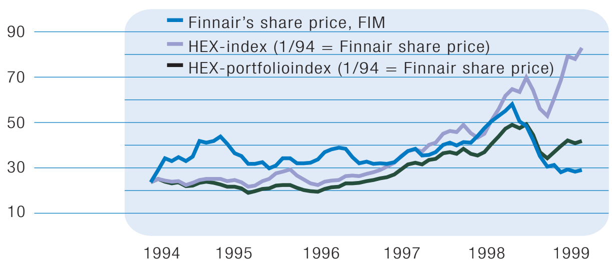
On March 31, 1999, members of the Company's Supervisory Board and Board of Directors and the Chief Executive Officer owned 13,328 shares, which represented 0.016 % of all the shares and votes.

Share prices and trading

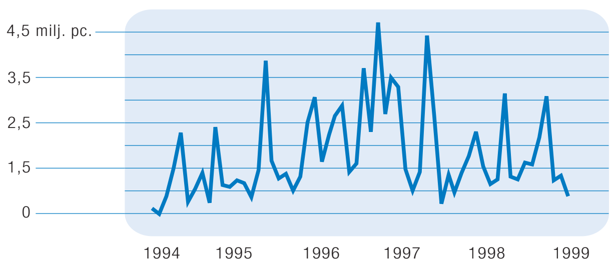
Finnair Oyj's share was quoted at FIM 28.84 on the Helsinki Exchanges on the last day of the financial year. The market value of the Company's shares was FIM 2,444 million (4,471). The highest trading price during the financial year was FIM 59.50 (56.00) and the lowest FIM 26.40 (34.00).

A total of 20.1 million shares (21.1) were traded on the Helsinki Exchanges for a value of FIM 772 million (895) during the financial year.

Share price development compared with HEX-index



Monthly share trade at Helsinki Exchanges



Largest shareholders as at March 31, 1999

Shareholder	Number of shares	% of shares
Government of Finland	49 510 682	58.43
Sampo Group, total	3 228 046	3.81
Industrial Insurance Company Ltd	1 100 000	
Otso Loss of Profits Insurance Company Ltd	720 802	
Varma-Sampo Mutual Pension Insurance Company	388 542	
Sampo Life Insurance Company	353 807	
Sampo Enterprise Insurance Company	250 345	
Sampo Insurance Company Ltd	200 000	
Insurance Company of Finland Ltd	166 550	
Kaleva Mutual Insurance Company	48 000	
The Local Government Pensions Institution	2 534 900	2.99
Pension Insurance Company Ilmarinen	2 190 600	2.59
Neste Pension Foundation	1 191 420	1.41
Pohjola Life Assurance Company	900 000	1.06
Suomi Mutual Life Assurance Company	880 000	1.04
Tapiola Group, total	759 000	0.90
Tapiola General Mutual Insurance Company	256 300	
Tapiola Mutual Pension Insurance Company	221 500	
Tapiola Mutual Life Assurance Company	171 200	
Tapiola Corporate Life Insurance Company	110 000	
Dreadnought Finance Oy	410 000	0.48
Merita Optima Mutual Fund	290 000	0.34
Palcmills Oy	272 200	0.32
Merita Fennia Mutual Fund	241 800	0.29
Puolimatka Rauno	205 800	0.24
ABB Pension Fund	200 000	0.24
Rausanne Oy	148 900	0.18
Seaman's Pension Fund	141 800	0.17
Merita Life Assurance Ltd	138 800	0.16
Aktia Capital	125 200	0.15
Mutual Insurance Company Pension-Fennia	116 058	0.14
Registered in the name of a nominee	14 911 997	17.60
Others	6 341 895	7.48
Total	84 739 098	100.00

Corporate governance

Finnair is managed in conformity with the Finnish Companies Act and the Articles of Association of the Corporation. The administrative bodies of the Corporation are the Supervisory Board, the Board of Directors and the President. The annual stockholders' meeting holds ultimate authority within the Corporation. It is the primary duty of the stockholders' meeting to pass resolutions on the profit and loss account and the distribution of the dividend, to elect members to the Supervisory Board of the Corporation and the auditors and their deputies, and to resolve on any increase or decrease in share capital and on any changes to the Articles of Association.

THE SUPERVISORY BOARD

The Supervisory Board shall consist of at least 12 and not more than 18 members. Members of the Supervisory Board shall be elected by the Annual General Meeting of the Corporation for periods of three years at a time. Election must take into account the distribution of the Corporation's stock holdings. One third of the members of the Supervisory Board shall resign every year. The Supervisory Board shall elect one of its members as its Chairman and one as Deputy Chairman.

It is the duty of the Supervisory Board to see that the affairs of the Corporation are managed in accordance with sound business principles and with due attention to profitability, and in conformity with the provisions of the Articles of Association and the resolutions of the stockholders' meetings. The Supervisory Board shall determine within the limits specified in the articles of Association the number of members of the Board of Directors and shall elect the Chairman and members of that Board, and determine their remuneration. The Supervisory Board shall appoint and dismiss the President and determine his or her salary.

Board of Management

KEIJO SUILA, b. 1945, BSc (Econ), President and CEO, empl. since 1998.

MAURI ANNALA, b. 1945 MSc (Econ), EVP, Accounting, Subsidiaries, Finnair Catering, empl.since 1976.

HENRIK ARLE, b. 1948, LL.M, EVP, CFO, Financing, International Relations, Information Management, empl. since 1979.

The Supervisory Board shall submit a statement to the Annual General Meeting concerning the final profit and loss account and auditors' report for the parent company and the Group, and shall convene the stockholders' meeting. The stockholders' meeting shall determine the remuneration for the members of the Supervisory Board. The Supervisory Board convened five times during the last financial year.

THE BOARD OF DIRECTORS

The Board of Directors consists of a Chairman and at least four but not more than eight members. The Supervisory Board shall elect the chairman and members of the Board of Directors before the end of March for a term of three years at a time. The Board of Directors shall elect one of its members as vice-chairman.

The Board of Directors shall carry responsibility as defined in the Companies Act for managing the operations and finances of the Corporation. It is the duty of the Board of Directors to prepare those matters to be dealt with at the meetings of the stockholders and the Supervisory Board, and to ensure that the resolutions of the stockholders meetings and the Supervisory Board are carried out. It is also the duty of the Board of Directors to appoint and dismiss those executive officers of the Corporation whose appointment and dismissal has not been assigned to the Supervisory Board, and shall also determine their remuneration.

The Board of Directors shall be responsible for ensuring the appropriate supervision of the accounts and management of the financial resources of the Corporation. The Board of Directors is also responsible for ensuring that the final accounts for the Corporation contain sufficient and accurate information. The Board of Directors shall confer and rescind rights to sign on behalf of the Corporation.

JORMA ELORANTA, b.1947, captain, EVP, Operations Division, empl. since 1972.

JOUKO MALÉN, b. 1940, MSc (Aeronautical Eng), EVP, Technical Division, empl. since 1971.

JUHANI SUOMELA, b. 1946, Secondary School Graduate, EVP, Human Resources and Service Quality, empl. since 1974.

The Board of Directors convenes once a month, on average, during the year. The total sum of salaries, bonuses and fringe benefits paid to the Board of Directors and the President during the 1998/99 financial year amounted to FIM 3.04 million.

PRESIDENT AND THE BOARD OF MANAGEMENT

Under the Articles of Association it is the duty of the President to manage the Corporation and attend to its day-to-day administration. The President shall make sure that the resolutions of the stockholders meetings, the Supervisory Board and Board of Directors are carried out. The President is the chairman of the Board of Management. Members of the Board of Management are selected from among the senior management of the Corporation. Representatives of the staff are also invited to meetings of the Board of Management. It is the duty of the members of the Board of Management to promote the interests of their own areas of responsibility and to report to the President.

Mr Keijo Suila has been the President of Finnair Oyj since the beginning of 1999.

As of August 1, 1999 responsibilities at Finnair's Marketing were divided between two Senior Vice Presidents. Eero Ahola will be responsible for commercial planning, traffic planning, brand/service concepts, commercial automation, frequent traveller programmes, alliance cooperation in marketing and ground services.

Mika Perho will be responsible for sales in Finland and abroad as well as marketing communications. Both persons will be members of the Board of Management.

AUDITORS

AUDITORS PROPER:

SVH PricewaterhouseCoopers Oy, APA Pekka Nikula

AA Erkki Mäki-Ranta

DEPUTY AUDITORS:

SVH PricewaterhouseCoopers Oy, APA Tauno Haataja

APA Jorma Heikkinen

SUPERVISORY BOARD

Markku Hyvärinen, Chairman, Deputy Managing Director, Varma-Sampo

Felix Björklund, Deputy Chairman

Riitta Backas, MSc (Econ.), Lääketeollisuus ry (Pharmaceutical Industry)

Peter Heinström, Party Secretary, The Swedish People´s Party

Tarja Kautto, Member of Parliament

Pekka Kivelä, MSc (Econ.)

Markku Koskenniemi,Managing Director, Tammerneon Oy

Jouko K. Leskinen, President & CEO, Sampo Group

Pekka Perttula, Secretary General, Centre Party of Finland

Mikko Pesälä, Member of European Parliament

Sirpa Pietikäinen, Member of Parliament

Virpa Puisto, Member of Parliament

Jussi Ranta, Member of Parliament

Pertti Salolainen, Ambassador, Embassy of Finland in London

Aino Suhola, journalist

Ralf Sund, Secretary General, The Left-wing Alliance

Iiro Viinanen, President, Pohjola Group Insurance Corporation

Personnel representatives

Henry Johansson, Arto Yli-Pentti, Juhani Sinisalo, Marja Vaitti

HARRI HOLKERI, b. 1937, MSc (Pol), Counsellor of State, Chairman of the Board of Directors, Member of the Board of the Bank of Finland 1978-1997, Chairman of the Board of Helsinki Telephone Company Ltd, Member of the Board of Directors of Finnair since 1997.

JAAKKO IHAMUOTILA, b. 1939, MSc (Eng), Mining Counsellor, Deputy Chairman of the Board of Directors, Executive Director and Member of the Board of Fortum Corporation, Chairman of the Board of Asko Oy, Member of the Supervisory Board of Pohjola Group Insurance Corporation, Member of the Supervisory Board of Merita Bank Ltd, Member of the Board of Directors of Finnair since 1988.

ROBERT G. EHRNROOTH, b. 1939, LisSc(Econ), Chairman of the Board of Metra Corporation, Member of the Board of Fiskars Oyj Abp, Member of the Board of Directors of Finnair since 1992.

SAMULI HAAPASALO, b. 1952, LL.M, counsellor at the Ministry of Transport and Communications; head of steering committee on business ownership, Member of the Board of Directors of Finnair since 1999.

ARI HEINIÖ, b. 1945, LL.M., Managing Director and Member of the Board of Directors of Stockmann plc, Member of the Supervisory Board of Alma Media Oyj and Merita Bank Ltd, Member of the Board of Metsä Tissue Corporation and Sampo Insurance Company, Member of the Board of Directors of Finnair since 1994.

RAIMO HERTTO, b. 1938, MSc (Econ), Commercial Counsellor, Managing Dircector of Rautakirja Oy 1987-1998, Member of the Board of Onninen Oy, Member of the Board of Directors of Finnair since 1994.

SEPPO HÄRKÖNEN, b. 1948, MSc (Pol), President of the Finnish Foreign Trade Association, Chairman of the Board of Talentum Oyj, Member of the Board of Directors of Finnair since 1994.

EVA-CHRISTINA MÄKELÄINEN, b. 1935, DrPhil., Ambassador to Greece (1980-85) and to Denmark (1985-90), Director General of the Protocol Department of the Ministry for Foreign Affairs, Ambassador to Austria and Slovenia, simultaneously Permanent Representative to the United Nations Organizations in Vienna (1995-98), Member of the Board of Directors of Finnair since 1994.

HELENA TERHO, b. 1948, MSc (Eng), eMBA, Senior Vice President, Quality, Kone Corporation, Member of the Board of National Emergency Supply Agency, Member of the Board of Directors of Finnair since 1997.

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Information to shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Finnair Oyj will convene on August 25, 1999 at 3.00 p.m. in the Hotel Inter-Continental Helsinki, Mannerheimintie 46-48, Helsinki.

Shareholders desiring to attend must be registered with the Finnish Central Securities Depository Ltd (APK) by August 20, 1999. Shareholders whose shares have not been transferred to the book-entry securities system may also attend the AGM on condition that such shareholders were registered in the Company´s shareholder register before 11 June, 1993. In such a case, shareholders must at the AGM present their share certificates or other evidence that their shareholding rights have not been transferred to the book-entry system.

Shareholders wishing to attend the AGM must notify the Company by 23 August, 1999.

DIVIDEND PROPOSAL

The Board of Directors of Finnair Oyj proposes to the Annual General Meeting that shareholders be paid a dividend for the 1998/99 financial year of FIM 1.50 per share. The Board of Directors proposes that the dividend be paid on September 6, 1999 to those shareholders who were registered on the record on August 30, 1999.

FINANCIAL INFORMATION

In addition to this Annual Report three interim reports will be published during the financial year April 1, 1999 - March 31, 2000: one covering the first three months of the financial year during week 34, one covering the first six months during week 47 and one covering the first nine months during week 8 in February, 2000.

The Annual report and the Interim reports are available in Finnish and English and can be ordered from Finnair´s head office, tel. + 358 9 818 4951, fax + 358 9 818 4092 or internet, www.finnair.com.

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