FINNAIR

FC 7312

MB
E/S
013621

ANNUAL REPORT

1996 / 1997

ANNUAL REPORT 1996/1997

73rd financial year

CONTENTS

FINNAIR

INFORMATION TO SHAREHOLDERS

Annual General Meeting

The Annual General Meeting of Finnair Oy will convene on August 21, 1997 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. by August 11, 1997. 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 June 11, 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 August 18, 1997.

Dividend proposal

The Board of Directors of Finnair Oy proposes to the Annual General Meeting that shareholders be paid a dividend for the 1996/97 financial year of FIM 1 per share. The Board proposes that the dividend be paid on August 29. 1997. to those shareholders who were registered on the record, August 26, 1997.

Financial Information

The Annual Report is published in August and is available in Finnish and English.

During the financial year 1997/98, Finnair Oy will publish one Interim Report for the period April 1 - September 30, 1997, and it will be released on November 28, 1997.

These reports can be ordered from Finnair Oy,
telephone +358 (9) 818 4951,
fax +358 (9) 818 4092

Addresses

Finnair Head Office
Tietotie 11 A, Helsinki Airport
telephone + 358 (9) 818 81

Mail address
Finnair
P.O.Box 15
01053 Finnair, Finland

Corporate Communications
Usko Määttä, Director
telephone +358 (9) 818 4970
fax +358 (9) 818 4098

Investor Relations
Petri Pentti, Assistant Vice President
telephone +358 (9) 818 4950
fax +358 (9) 818 4092

Internet http://www.finnair.fi

Covers:
The Finnish national bird whooper, *Cygnus, cygnus*, photographed in Inari, Lapland, May 10,1997 by Matti Kolho.

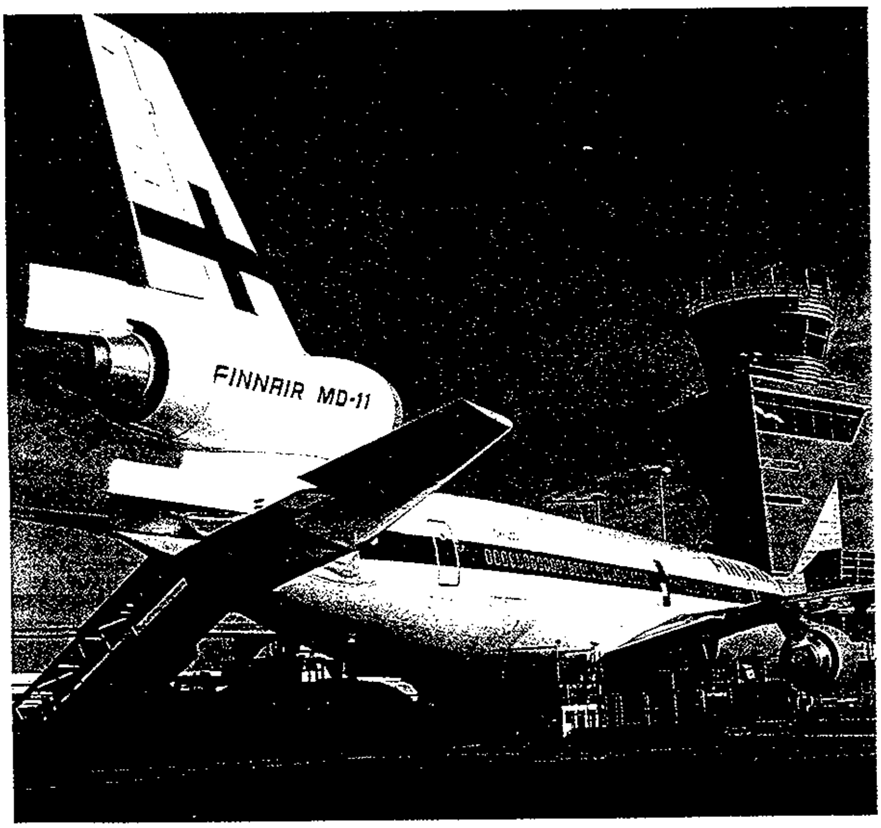
Recyclable product with low emission during production. Printed by Oy Edita Ab July 1997, Helsinki, Finland

F.C 7312 m.B O.P 013402

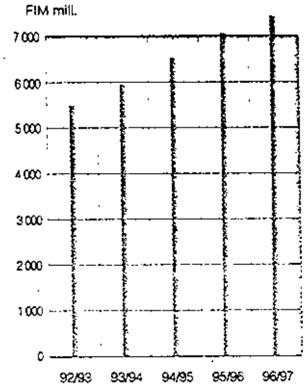
HIGHLIGHTS

FINNAIR GROUP		*1996/1997*	*1995/1996*	*Change %*
Passengers	*1 000*	6 280	5 963	5.3
Cargo and mail	*1 000 kg*	66 668	60 484	10.2
Revenue tonne km	*mill.*	1 254	1 192	5.1
Turnover	*FIM mill.*	7 403	7 186	3.0
Operating margin	*FIM mill.*	784	1 055	- 25.7
Operating margin of turnover	%	10.6	14.7	
Operating profit	*FIM mill.*	326	624	- 47.8
Operating profit of turnover	%	4.4	8.7	
Profit before incidental items and taxes	*FIM mill.*	310	533	- 41.8
Profit for the financial year	*FIM mill.*	323	372	- 13.2
Earnings/share	*FIM*	2.48	4.56	- 45.6
Equity/share	*FIM*	33.54	31.74	5.7
Share price on March 31	*FIM*	36.9	37.7	- 2.1
Gross capital expenditure	*FIM mill.*	1 055	567	86.1
Interest-bearing liabilities	*FIM mill.*	1 676	2 253	- 25.6
Equity	*FIM mill.*	2 752	2 590	6.3
Equity ratio	%	41.7	37.9	
Net debt-to-equity (Gearing)	%	12.8	25.3	
Return on investment (ROI)	%	9.4	15.7	
Personnel on average		10 533	10 105	4.2

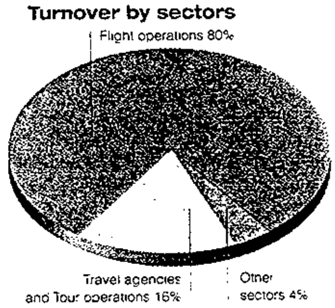
(USD 1 = FIM 4.99)



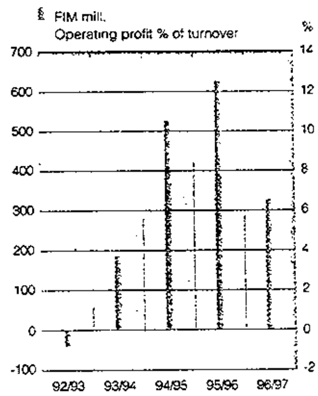
Turnover



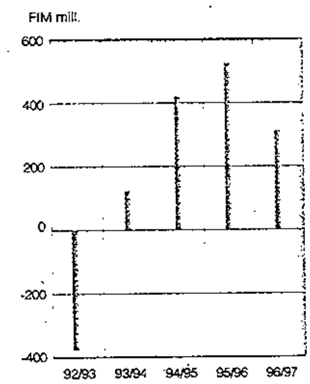
Turnover by sectors



Operating profit



Result before incidental items and taxes



INFORMATION ON FINNAIR OY SHARES AND SHAREHOLDERS

SHARES AND SHARE CAPITAL

On March 31, 1997, the Company's paid up share capital, entered in the trade register, was FIM 410,265,090 and comprised 82,053,018 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 Oy's share capital are FIM 300 million and FIM 1,200 million, within the limits of which the share capital can be raised or lowered without amending the Articles of Association. The Company's shares were converted to the book entry securities system in June 1993.

SHARE QUOTATIONS

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

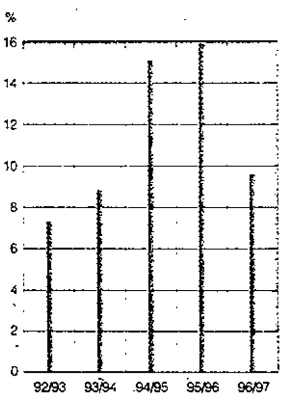
PAYMENT OF DIVIDEND

The Board of Directors of Finnair Oy proposes to the Annual General Meeting that a dividend of FIM 1 per share, or a total of FIM 82,053,018 be paid for the 1996/97 financial year.

GOVERNMENT OWNERSHIP

At the end of the financial year on March 31, 1997, the Finnish Government owned 60.3% of the Company's shares and votes. On June 20, 1994, Parliament decided to maintain the Government's majority holding and gave its consent to reduce that holding to less than two-thirds. Should all the convertible bonds in circulation be exchanged for Finnair Oy shares, the Government's holding would be 57.5%.

Return on investment



CONVERTIBLE BONDS

Finnair Oy has issued two convertible bonds. In March 1992 the Company Board of Directors issued a convertible bond for FIM 150 million on the basis of the authorization it had received at the Annual General Meeting in August 1991. The bond in question will mature in 1999. The bonds can be converted to Company shares as follows: a bond with a nominal value of FIM 1,000 entitles the holder to 54.4 Finnair Oy shares with a nominal value of FIM 5 each. The bonds can be exchanged annually between April 1 and October 30. By March 31, 1997 a total of 113,407,000 in bonds had been converted to 5,773,303 shares. Should all the bonds still unexchanged on March 31, 1997 be converted into shares, the Company's share capital would rise by FIM 9,953,295 which corresponds to 1,990,659 shares.

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

FINNAIR OY SHAREHOLDERS AS AT MARCH 31,1997

Shareholder	*Number of shares*	*% of shares*
Government of Finland	49 510 682	60.34
Pension Insurance Company Ilmarinen Ltd	2 235 000	2.72
The Local Government Pensions Institution	1 121 500	1.37
Industrial Insurance Company Ltd	1 100 000	1.34
Neste Corporation	1 097 620	1.34
Pension-Varma Mutual Insurance Company	966 800	1.18
Suomi Mutual Life Insurance Company	880 000	1.07
Salama Life Insurance Company	843 000	1.03
Otso Loss of Profits Insurance Company Ltd	612 002	0.75
Alfred Berg Investment Fund	609 600	0.74
Registered in the name of a nominee, total	14 305 417	17.43
Other, total	8 771 397	10.69
Total	82 053 018	100.00

DIVISION OF FINNAIR OY SHARE OWNERSHIP AS AT MARCH 31,1997

Shares held	*Shareholders*	*Number of shares*	*% of shares*
1 - 100	4 100	191 487	0.23
101 - 1 000	2 564	861 857	1.05
1001 - 10 000	453	1 209 468	1.48
10 001 - 100 000	72	2 882 548	3.52
100 001 - 1 000 000	24	7 476 696	9.11
1 000 001 -	5	55 064 802	67.11
Registered in the name of a nominee	6	14 305 417	17.43
Not converted to the book entry securities system		60 743	0.07
Total	7 224	82 053 018	100.00

FINNAIR OY SHAREHOLDERS BY TYPE AS AT MARCH 31,1997

	Number of shareholders	*%*	*Number of shares*	*% of shares*
Public bodies	28	0.39	55 051 493	67.09
Associations	46	0.64	610 592	0.74
Households	6 756	93.52	1 810 919	2.21
Financial instit. and insurance comp.	59	0.82	7 207 687	8.79
Companies	308	4.26	2 950 537	3.60
Outside Finland	21	0.29	55 630	0.07
Registered in the name of a nominee	6	0.08	14 305 417	17.43
Book entries, not converted			60 743	0.07
Total	7 224	100.00	82 053 018	100.00

be converted to Company shares as follows: a bond with a nominal value of FIM 10,000 entitles the holder to 271 shares in Finnair Oy with a nominal value of FIM 5 each. The bonds can be converted annually between January 1 and 31 and between April 1 and December 31. By March 31, 1997, a total of FIM 156,550,000 in bonds had been converted to 4,242,505 shares. Should all the bonds still unexchanged on March 31, 1997 be converted to shares, the Company's share capital would rise by FIM 9,952,475, which corresponds to 1,990,495 shares.

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

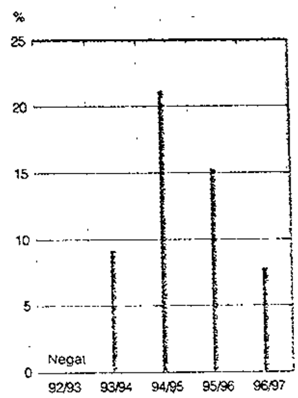
SHARE OWNERSHIP BY MANAGEMENT

On March 31, 1997, members of the Company's Supervisory Board and Board of Directors and the Chief Executive Officer owned 2,424 shares, which represented 0.003 % of all the shares and votes.

SHARE PRICES AND TRADING

Finnair Oy's share was quoted at FIM 36.90 on the Helsinki Stock Exchange on the last day of the financial year. The market value of the Company's shares was FIM 3.028 million (3.076). The highest trading price during the financial year was FIM 40.00 (39.50) and the lowest FIM 30.30 (28.30).

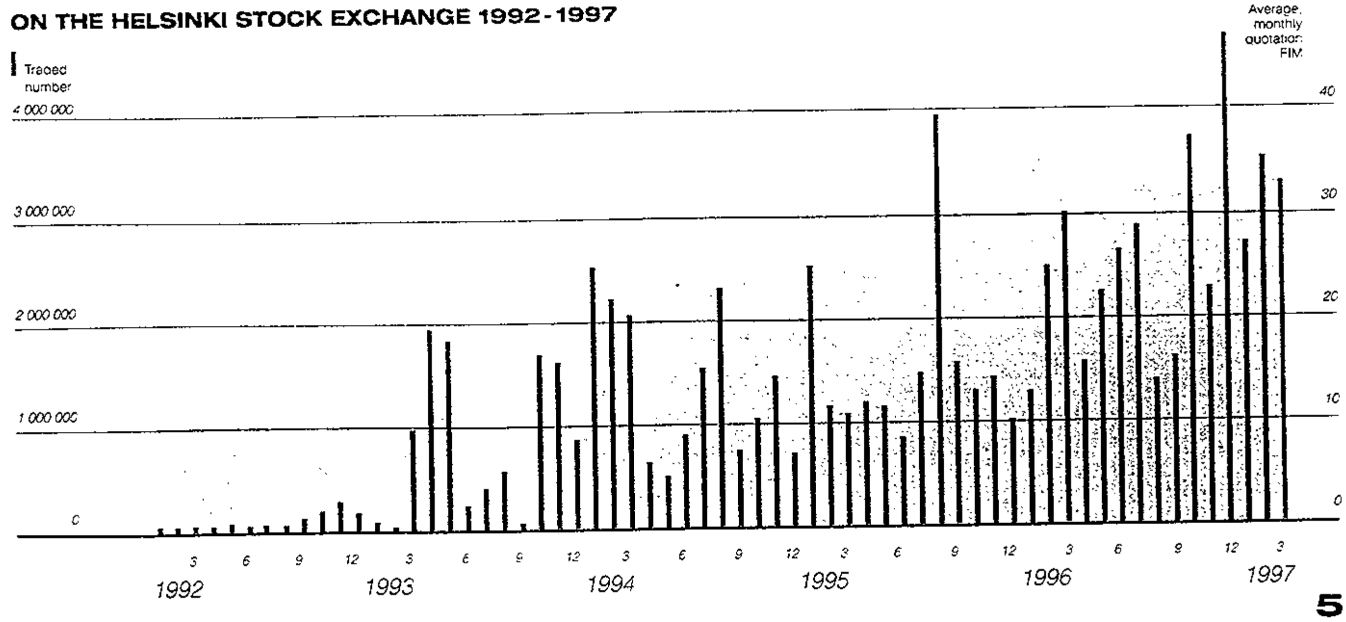
A total of 32.7 million shares (20.8) were traded on the Helsinki Stock Exchange for a value of FIM 1,126.2 million (709.6) during the financial year. The total number of shares traded in the SEAQ system on the London Stock Exchange was 23.3 million (11.2).



KEY FIGURES AND SHARE PRICES

Key figures		*1992/93*	*1993/94*	*1994/95*	*1995/96*	***1996/97***
Earnings/share	FIM	- 6.67	1.93	5.10	4.56	2.48
Equity/share	FIM	21.69	22.72	27.68	31.74	33.54
P/E ratio			17.4	5.7	8.3	14.9
Number of shares and share prices						
Number of shares adjusted for issue, average		53 223 480	59 509 008	71 649 571	81 584 480	82 053 018
Number of shares adjusted for issue, end of financial year		53 223 480	64 537 260	81 556 420	81 584 480	82 053 018
Number of shares, end of financial year		49 281 000	64 537 260	81 556 420	81 584 480	82 053 018
Prices adjusted for share issue,	highest FIM	12.96	38.00	46.00	39.50	40.00
	lowest FIM	5.09	7.87	28.00	28.30	30.30
Market value of share capital, March 31	FIM mill.	472	2 175	2 365	3 076	3 028
Trading of shares	pc.	1 919 383	15 518 144	14 319 356	20 849 877	32 667 714
Trading as % of average number of shares	%	3.60	26.10	20.00	25.60	39.81

FINNAIR OY SHARE QUOTATIONS AND TRADE ON THE HELSINKI STOCK EXCHANGE 1992-1997



ADMINISTRATIVE BODIES APRIL 1,1997

SUPERVISORY BOARD

Markku Hyvärinen
Chairman
President,
Sampo Pension
Insurance Company Ltd.

Felix Björklund
Deputy Chairman
CEO,
Karl Fazer Corporation

Riitta Backas
Vice President,
Thomesto Oy

Tarja Kautto
Member of Parliament

Pekka Kivelä
M.Sc. (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 Parliament

Matti Piuhola
Group Secretary,
Centre Party of Finland

Jaakko Pohjola
Ministerial Counsellor, Ministry of Transport and Communications

Virpa Puisto
Member of Parliament

Jussi Ranta
Project Manager,
Regional Council of South Karelia

Pertti Salolainen
Ambassador,
Embassy of Finland in London

Peter Stenlund
Counsellor for Foreign Affairs,
Ministry for Foreign Affairs

Ralf Sund
Secretary General,
The Left-wing Alliance

Iiro Viinanen
President, Chairman of the Boards,
The Pohjola Group

Personnel representatives
Tapani Huovilainen
Markku Kaukanen
Aino Laaksonen
Juhani Sinisalo

BOARD OF DIRECTORS

Harri Holkeri
Chairman
Member of the Board,
Bank of Finland

Jaakko Ihamuotila
Deputy Chairman
Chairman & CEO,
Neste Corporation

Robert G. Ehrnrooth
Chairman,
Metra Corporation

Ari Heiniö
LL.B., Managing Director,
OY Stockmann AB

Raimo Hertto
President,
Rautakirja Oy

Seppo Härkönen
President,
Finnish Foreign Trade Association

Eva-Christina Mäkeläinen
Ambassador,
Embassy of Finland in Vienna

Antti Potila
President and CEO,
Finnair Oy

Helena Terho
Quality Director,
Kone Corporation

BOARD OF MANAGEMENT

Antti Potila
Chairman
President and CEO

Mauri Annala
Executive Vice President,
Accounting, Subsidiares,
Finnair Catering

Henrik Arle
Executive Vice President,
Financing, International Relations,
Information Management

Jorma Eloranta
Executive Vice President,
Operations Division

Leif Lundström
Executive Vice President,
Marketing Division

Jouko Malén
Executive Vice President,
Technical Division

Juhani Suomela
Executive Vice President,
Human Resources and Service Quality

Henry Johansson **Nilgün Josipov** **Marja Vaitti**
have been invited to the meetings of the Board of Management as representatives of the personnel.

AUDITORS

Erkki Mäki-Ranta
Audit Councillor, AA,
State Audit Office

Pekka Nikula
Authorized Public Accountant, APA,
SVH Coopers & Lybrand Oy

DEPUTY AUDITORS

Tauno Haataja
APA

Jorma Heikkinen
Senior Auditor, APA

REVIEW BY THE CHIEF EXECUTIVE OFFICER

The past financial year was a satisfactory one with respect to traffic. A new record was achieved in the number of passengers. In relative terms, scheduled domestic traffic and charter traffic recorded the fastest growth. Despite the growth the number of passengers in domestic traffic, however, still remained below the peak reached seven years ago. Growth in international traffic was modest. In contrast, the volume of cargo grew rapidly. The operating profit was considerably below that of 1995/96. The balance sheet structure, however, was strengthened.

The year 1996/97 was a significant year primarily because the Company undertook a more active programme of expansion into new markets. There are several reasons for this, the most important of which are the transformation of the market brought about by liberalization of European air traffic and the opportunities arising from it.

For decades our country's location on the periphery of Europe has meant that other European airlines have been able to carry passengers from Finland to their own hubs and further on to third countries. Finnair, however, has not had a similar right to take passengers from their hubs and fly them to third countries. Liberalization has now created an opportunity and action has been taken to exploit it.

The most natural focus for expansion has been Sweden, and we have begun to build up a second hub for our traffic in Stockholm. We are co-operating in this effort with several other airlines.

Our Company is already well known in Sweden. The busy Helsinki-Stockholm route provides a solid foundation for building up a hub and Stockholm is a gateway to Western Europe. Stockholm is also a major centre for business and culture in the northern part of our continent. The future will determine how successful we are in building up our Stockholm traffic. From the very outset, we have felt that Finnair was a welcome addition to the Swedish market.

The achievements of the past financial year were offset by a declining trend in financial performance, which gives cause for concern. This phenomenon was already apparent during the first part of the financial year. A slump occurred in the Finnish economy in spring 1996, and its effects were also visible in demand for air transport services. Growth in the important countries of Europe was also modest, and demand did not pick up until the beginning of 1997.

The number of passengers increased by 5.3 %, compared with the 10 % of the previous two financial years. Apart from the slower rate of growth, stiff competition and especially the rise in jet fuel prices had a negative effect on operational results. The fuel bill for the entire year was up by some FIM 150 million from 1995/96 even though the increase in consumption was modest. Writeoffs of bad debts were exceptionally large due to the bankruptcies of two Spanish airlines which had purchased technical services from Finnair.

Programme 2, a special action plan aimed at increased profitability, was initiated. The goal is to achieve a significant improvement in the Group's financial performance by year 2000.

A decision to sell the Company's hotel operations was made during the year under review. The strategy according to which the Company invested in quality hotel operations to support its air traffic because such capacity was not available on the main market is no longer relevant. The capital freed from the hotel sector can now be used to meet the needs of air traffic.

At the beginning of the financial year a decision was made to acquire four Boeing 757 aircraft for the Company's charter traffic. The first of the aircraft will be available for service in autumn 1997. Lengthy preparations for selection of a new aircraft type for the Company's European traffic and for placement of the basic order culminated at the end of the financial year when the Company requested bids for 12 aircraft from the principal manufacturers. The selection was made in June 1997 and deliveries are scheduled to begin in early 1999.

Alliance structures between airlines change rapidly. The globalization of air traffic is in the offing, in other words the emergence of groupings composed of large worldwide airlines. Smaller airlines will seek to join those groupings that best serve their interests. It is very likely that co-operation within these alliances will become closer over the years and also lead to changes in ownership; otherwise, the benefits of such restructuring will remain limited.

Competition in the Nordic countries has evolved into a contest between two groups of airlines. Alongside SAS, a group composed of Finnair, the Norwegian Braathens SAFE and the Danish Maersk Air and also the Swedish Transwede, Estonian Air and Lithuanian Airlines has taken shape. The market shares of these two groupings within the Nordic countries and between them are approximately the same.

Finnair must also review its other alliances in response to the changing market.

With respect to the future, our Company is now undergoing a crucial period of change. This process includes improvements in flight operations and profitability, development of the Stockholm hub, renewal of the fleet, and most importantly, new forms of international co-operation. A new framework is being constructed for our Company. We are creating an airline for the 21st century.

Our starting position is strong. The Company's financial situation is sound and demand for the services we offer is growing. The Finnish economy is expanding, and recovery is visible elsewhere in Europe. It is only realistic, however, to bear in mind that success does not depend on volume alone, but also on profitability. Intense competition combined with our efforts to enter new markets make achievement of improved profitability a demanding task. It is, nevertheless, our goal.

Antti Potila

FINANCIAL STATEMENTS APRIL 1, 1996 TO MARCH 31, 1997

REPORT ON OPERATIONS BY THE BOARD OF DIRECTORS

The Finnair Group's air traffic increased during the year under review in terms of both the number of passengers and the volume of cargo. Operational profitability declined, although the financial results were improved by major non-recurring items. The balance sheet structure was strengthened and the Company's position with respect to financing remained stable.

During the year under review the Company merged its subsidiaries Finnaviation Oy and Karair oy - both operators of turboprop fleets- with the Parent Company, and divested its hotel operations.

A programme aimed at the acquisition of a new type of aircraft primarily for European traffic began at the end of the year.

Now that the liberalization of European air traffic is complete, the Company has taken steps to exploit the new opportunities available to it and to benefit from co-operation with other airlines.

Despite more intense international competition, our aim is an improvement in financial results for the current financial year compared with 1996/97.

THE MARKET

Despite a minor downturn in the Finnish economy, demand for domestic air transport services increased during 1996. In contrast, visits by foreign travellers to Finland declined after the strong growth of recent years. The decline began during the first half of 1996 and was apparent from the fact that growth in the number of passengers in international scheduled traffic stopped almost entirely while growth in domestic and charter traffic picked up substantially.

Liberalization of European air traffic and Finland's EU membership have increased interest on the part of foreign airlines in the Finnish market. They have put more capacity on the market and intensified price competition. Finnair has responded by increasing its traffic abroad, especially through the hub established in Stockholm. Co-operation between airlines has also contributed significantly to this process, and the Company now serves most of the key destinations in Europe, North America and the Far East as well. Finnair has arrangements of this kind with more than 10 airlines.

Finnair's market share in Finland's international scheduled traffic decreased, while growth was recorded both in Sweden and elsewhere in Scandinavia. Alliances between airlines have become a noteworthy factor. In recent years leasing of transport capacity among airlines has expanded rapidly on the basis of the code sharing principle, according to which one airline leases a quota of seats and cargo space from another airline. The lessee sells the quota with its own code and based on its own pricing, and assumes the financial risk.

In 1996/97, the total number of passengers carried by the Finnair Group rose by 5.3% and the number of revenue passenger kilometres by 2.5%. Because of a small (1.6%) increase in available passenger kilometres, the passenger load factor improved on the previous year by 0.6 percentage points to 69.0%. The number of passengers in international scheduled traffic rose only 2%, while growth for the previous financial year was 16%. The slower growth was due to reductions on the previous year in available capacity in Far Eastern and Middle Eastern traffic. The number of passengers carried in North Atlantic traffic dropped 6%, in the Far East 2% and in the Middle East 40%. The growth in European traffic was 4%. The number of passengers in domestic traffic increased by 9% compared with 5% for the previous year. Charter traffic increased by 10% compared with a 3% decrease for the previous year. Growth in cargo traffic picked up on the previous year and amounted to 10%. To meet the growth in demand for long-haul cargo traffic and to offset the Company's own shortage of cargo transport equipment, capacity was purchased from foreign air freight carriers.

During the financial year 1996/97, Finnair's share of the number of passengers in Finland's international scheduled traffic was 62.7% compared with 65.2% the previous year. The market share of holiday traffic during the calendar year 1996, including charter flights and holiday routes, was approximately 75% compared with 73% during the previous year.

Relatively strong overall growth continued throughout 1996 in European air traffic. The number of passengers carried by AEA member companies in scheduled international traffic rose by 7%. The passenger load factor improved by 0.3 percentage points and was 70.4%. The growth in cargo traffic was 4%.

CHANGES IN THE GROUP STRUCTURE

As part of a programme to consolidate Group structure, the subsidiary Aero O/Y was merged with the Parent Company on August 20, 1996 and the carriers Finnaviation Oy on September 2, 1996 and Karair oy on October 22, 1996.

Hotel operations were divested on December 31, 1996 when the Company sold a 60% holding in Nordic-Hotel Oy, to Arctia Ltd, a subsidiary to Alko Group Ltd, a specialist in the sector. The restructuring process included the sale of the Finnair-owned Hotel Inter-Continental property to a property company in which Alko Group Ltd has a 41% holding, the Finnair Oy pension fund a 40% holding and Metra Oy Ab a 19% holding.

Turnover

Sector, FIM mill.	***1996/97***	*1995/96*	*Change %*
Flight Operations	**6 491.2**	6 420.2	1.1
Travel Agencies	**292.0**	270.6	7.9
Tour Operations	**1 050.8**	926.3	13.4
Other Sectors	**314.8**	318.4	- 1.1
Total	**8 148.8**	7 935.6	2.7
- Internal adjustments	**- 745.6**	- 749.7	- 0.5
Total	**7 403.2**	7 185.8	3.0

Operating profit

Sector, FIM mill.	***1996/97***	*1995/96*	*Change %*
Flight Operations	**302.9**	597.9	- 49.3
Travel Agencies	**5.6**	15.7	- 64.3
Tour Operations	**0.3**	- 0.7	142.9
Other Sectors	**15.8**	12.2	29.5
Total	**324.6**	625.1	- 48.1
- Internal adjustments	**1.5**	- 1.3	
Total	**326.1**	623.8	- 47.7

The above-mentioned property company also acquired the Hotel Strand Inter-Continental property, which was owned by the Metra Corporation. Nordic-Hotel Oy is continuing its business operations under the new ownership arrangements by leasing the hotel premises from the property company. The Töölönranta Restaurant property was also acquired from Finnair by Nordic-Hotel Oy.

On December 31, 1996 Finnair established Finnair Gateway Ravintolat Oy, a restaurant sector subsidiary. The new subsidiary will continue the restaurant operations at Helsinki-Vantaa Airport previously conducted by Nordic-Hotel Oy.

FINANCIAL PERFORMANCE

Consolidated turnover increased by 3.0% on the previous year and amounted to FIM 7,403.2 million. Operating costs rose 8.4%. The operating profit declined by 47.7% and amounted to FIM 326.1 million. The profit before extraordinary items and taxes was FIM 310.4 million and the profit for the financial year was FIM 322.8 million. The operating profit for the previous year was FIM 623.8 million. The profit before extraordinary items and taxes was FIM 533.1 million and the profit for the financial year FIM 372.2 million. On the basis of the market situation and cost trend at the beginning of the year, a decline in the financial results from operations in comparison with the previous year could already be foreseen.

The Parent Company financial statements include gains from the sale of fixed assets totalling FIM 344.1 million. They mainly comprise gains from the sale of aircraft, the Hotel Inter-Continental property and shares in Nordic-Hotel Oy. After a non-recurring depreciation of FIM 135.5 million on A300 Airbus aircraft acquired by the Company was made in the Parent Company financial statements, the balance sheet values of aircraft correspond to their market values. The value of the shares and receivables for the Infa Hotel located in Moscow, which total FIM 42.3 million, were entered as expenses. In excess of planned depreciation, depreciation in fixed assets of FIM 204.1 million, the maximum allowed under the Business Taxation Act, was made in the form of a change in depreciation difference. The depreciation difference in the consolidated financial statements was divided between imputed tax liability and unrestricted shareholders' equity.

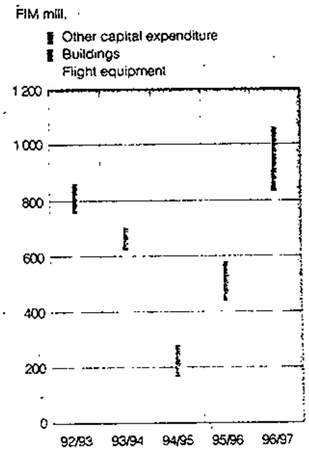
Air transport revenues per tonne kilometre declined by 2 % on the previous financial year. There was no change on the previous year in the unit costs of air transport per available tonne kilometre. The rise in fuel costs for air traffic had a significant effect on the cost trend and the financial results. The financial results were also reduced by FIM 35.5 million in write offs arising from the bankruptcies of two foreign airlines that were maintenance service customers of Finnair. Fuel costs rose by 29% and FIM 150 million on the previous year. The average rise in costs was 26%. An average increase of 7.5% in the US dollar against the Finnish markka was a contributing factor.

The financial results for the Group's individual sectors conformed with those for the Group as a whole. The figures for hotel operations and for Finnair Gateway Ravintolat Oy (airport restaurants) were included under other sectors. Since they did not operate for the entire financial year, the figures are not entirely comparable with those for 1995/96.

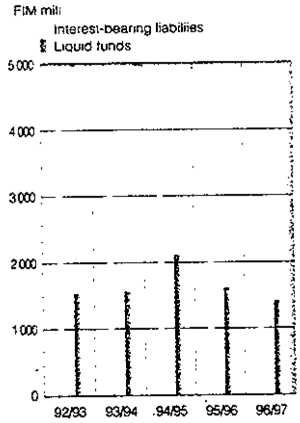
CAPITAL EXPENDITURE

Total Group capital expenditure less advance payments amounted to FIM 1,055 million (567). Acquisitions of aircraft, including spare parts and equipment, totalled FIM 811 million (424). They comprise purchase of two Finnair operated Airbus A300 aircraft previously under financial leases and the acquisition costs of five MD-82/83 aircraft, two of which had previously been on lease to the Company. One of the MD-82 aircraft acquired is leased out to a foreign airline until the end of October 1997. One DC-10 aircraft and one DC-9-41 were sold. The total number of aircraft used by the Company increased by two in comparison with 1995/96 before the end of the financial year and stood at 54. Capital expenditure on building projects totalled FIM 78 million (26) and included an extension to the cargo terminal and a new logistic center for the Technical Division. Both projects are currently under construction. Capital expenditure on other fixed assets totalled FIM 166 million (117).

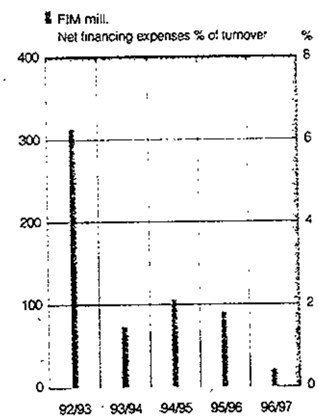
Capital expenditure *(gross)*



Interest-bearing liabilities and liquid funds



Net financing expenses



FINANCING

The operational cash flow before capital expenditure was FIM 905 million (816). Aircraft acquired during the financial year were purchased out of cash flow.

The equity ratio at the end of the financial year was 41.7% (37.9%). A decline in liabilities and sales of fixed assets contributed to the stronger balance sheet. The consolidated net debt was FIM 353 million (655). Interest-bearing current asset receivables and liquid assets were deducted from interest-bearing debt in calculating the net debt. The gearing ratio fell to 12.8% (25.3%).

Net financial expenses decreased. They amounted to FIM 16 million (91) and were 0.2% of turnover (1.3%).

Group liquidity remains strong. In addition, a credit facility agreement providing approximately FIM 1000 million in unsecured credit for 4-6 years was concluded during the past financial year with an international banking syndicate. This facility has not yet been used.

SHARE CAPITAL AND SHARES

Finnair Oy's share capital totalled FIM 407,922,400 at the beginning of the financial year and the number of shares was 81,584,480; at the end of the year the figures were FIM 410,265,090 and 82,053,018. A total of FIM 8,613,000 of the 1992 convertible subordinated bond for FIM 150 million was converted to shares during the financial year. As a result of the conversion, the share capital was increased by FIM 2,342,690. No conversions were made during the year from the 1994 FIM 230 million subordinated loan. The Board of Directors is not currently authorized to effect a share issue.

During the financial year 32.7 million shares (20.8) with a trading value of FIM 1,126.2 million (709.6) were traded on the Helsinki Stock Exchange. The number of shares traded in the SEAQ system on the London Stock Exchange was 23.3 million (11.2). The market value of the Company's shares at the end of the financial year was FIM 3,028 million (3,076). On March 31, 1997, 17.4% (18.5%) of the Company's shares were registered in the name of a nominee. Shareholders numbered 7,224 (7,318).

The highest trading price for the financial year was FIM 40.00 (39.50), the lowest FIM 30.30 (28.30) and the average price FIM 34.47 (34.03).

The members of the Company Supervisory Board and Board of Directors and the Chief Executive Officer held a total of 2,424 shares on March 31, 1997. This figure represented 0.003% of the total number of shares and votes.

CHANGES IN THE ADMINISTRATION

The Annual General Meeting of Finnair Oy on August 21, 1996, re-elected five of the six members of the Supervisory Board due to resign. Magnus Nordling, resigned and Iiro Viinanen, was elected. The previous auditors were re-elected.

At its meeting on March 21, 1997, the Supervisory Board appointed Harri Holkeri the new chairman of the Finnair Oy Board of Directors and elected Helena Terho to the Board of Directors. Both Kalevi Sorsa, past chairman of the Board, and Ahti Hirvonen resigned. Markus Hyvärinen was elected the new chairman of the Supervisory Board from April 1, 1997.

PERSONNEL AND SALARIES

Growth in air traffic and maintenance of a high standard of service created a need to increase personnel in functions closely related to air transport. Group personnel at the end of the financial year totalled 10,364, which represents an increase of 151 persons on the previous year. Parent Company personnel numbered 8,319. Due to changes in the Group structure, the numbers of personnel are not entirely comparable with the figures for the previous year.

Group personnel costs totalled FIM 2,254.8 million for an increase on the previous year of 2.4%. Personnel costs accounted for 30.5% of turnover as opposed to 30.6% the previous year.

OUTLOOK FOR THE 1997/98 FINANCIAL YEAR

Growth in demand for air transport services is expected to continue during the current financial year on at least the level of the previous year. The number of passengers carried in both domestic and international traffic during the first months of the current financial year have been substantially higher than those for the previous year. The overall operating environment supports this trend. Steady growth is forecasted for the Finnish economy. Private consumption has picked up substantially and consumer confidence in the economic recovery has strengthened. Surveys show that an increasing number of consumers are also planning greater use of travel services. Traffic will also be increased by expansion of the Stockholm hub.

Plans are for an overall increase in available capacity of only four per cent measured in passenger kilometres. The aim is to curb the rise in costs and improve capacity utilization. The most significant increases will take place in Europe, as traffic in Stockholm is expanded.

Financial results are greatly dependent on the volume and cost trend, for competition prevents increased earnings through price hikes. Numerous measures are being taken to improve the profitability of operations through changes of a permanent nature. The measures will be directed broadly on increasing the net revenue from sales, improving operational productivity and efficiency, and rationalizing administration. They will be implemented within the framework of a three-year programme.

A concerted effort to improve the standard of service and quality will also con-

Average Group personnel by financial year and sector

	1996/97	*1995/96*	*Change*
Flight Operations	**8 267**	7 907	360
Travel Agencies	**1 177**	1 105	72
Tour Operations	**461**	428	33
Other Sectors	**628**	665	- 37
Total on average	**10 533**	10 105	428

The average personnel figures were adjusted only for part-time personnel.

tinue. Expansion at Helsinki-Vantaa Airport, both completed and in progress, and improved facilities for cargo traffic will substantially upgrade operating conditions for customers and the Company's own air traffic and significantly improve prospects for transit traffic.

Improvement in the financial results from operations compared with 1996/97 is the goal for the current financial year. Turnover is expected to increase, although it will be affected by divestment of hotel operations and also by change in competitive picture in duty-free sales. Capital expenditure will remain below the level of the previous year and is expected to total approximately FIM 500 million. It will include purchase of one aircraft currently leased to the Company.

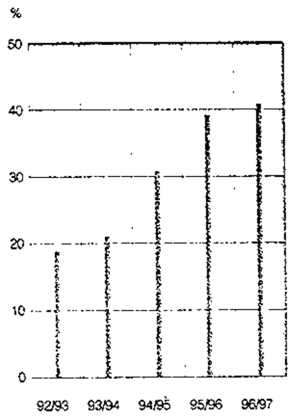
Finnair requested bids from two aircraft manufacturers – Airbus and Boeing – for 12 new aircraft to replace the DC-9s scheduled for gradual retirement. The decision to select 12 Airbus aircraft was made on June13, 1997 and delivery of the new aircraft is scheduled to begin in 1999.

As a result of the liberalization of air traffic in Europe, major changes have taken place in the Group's operating environment. The opportunities afforded by these changes are being actively exploited. These developments also call for a review and clarifying of the Company's international co-operation.

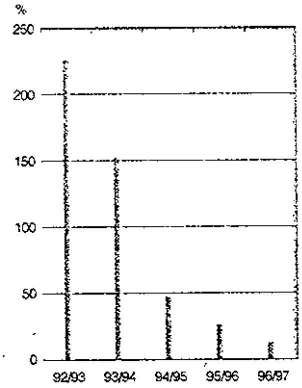
Exchange rates for the principal foreign currencies

Currency	***March 31, 1997***	*March 31, 1996*	*Change %*
USD	**4.9947**	4.6327	7.8
DEM	**2.9660**	3.1385	- 5.5
SEK	**0.6573**	0.6917	- 5.0
JPY	**0.0404**	0.0435	- 7.2
GBP	**8.1340**	7.0650	15.1
FRF	**0.8799**	0.9201	- 4.4
CHF	**3.4189**	3.8921	- 12.2
ECU	**5.7650**	5.8200	- 0.9
CAD	**3.6380**	3.3970	7.1

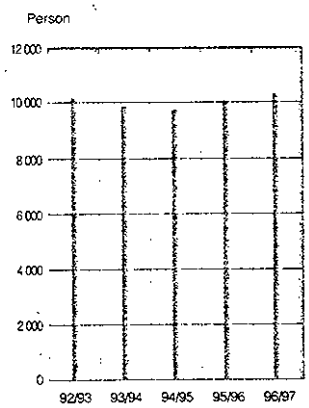
Equity ratio



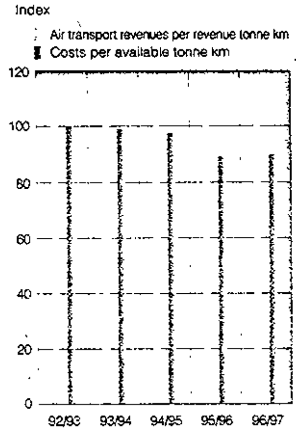
Net debt-to-equity
(Gearing)



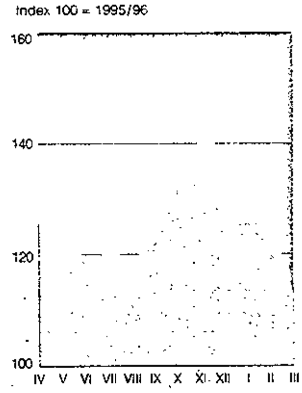
Personnel on average



Development index of unit revenues and costs



Development index of fuel price *(1996/97)*



FINANCIAL STATEMENT PRINCIPLES

Apart from the Parent Company Finnair Oy, 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 subsidiary shares and the equity of the subsidiary 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 official Bank of Finland rate on the day the books were closed. The translation differences caused by elimination of equity were treated as adjustment items for consolidated unrestricted equity.

Portions of the earnings of companies in which the Group owns from 20-50% of the shares and votes were combined in the consolidated financial statements using the equity method. The portion of the profit for the financial year corresponding to the Group's holding is presented in the consolidated statement of profit and loss under financial income and expenses. The consolidated goodwill for the other associated companies was entered as a non-recurring expense.

ITEMS DENOMINATED IN FOREIGN EXCHANGE

Receivables, debts and liabilities were translated into markkas at the official Bank of Finland rate on the day the books were closed. Advance payments made and received were entered in the balance sheet at the rate on the date of payment. Exchange rate differences related to business operations were treated as adjustments of sales and purchases. Exchange rate differences related to hedging for financial and foreign 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 depending on the type so that the straight-line depreciation period for new jet aircraft is 15 years to a residual value of 10% and for turboprop aircraft 12 years to a residual value of 10%. The depreciation period for used jet aircraft more than six years old is 10 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 reserves under liabilities. The depreciation difference in the consolidated financial statements was divided in the balance sheet into unrestricted equity and imputed 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.

CASH AND BANK RECEIVABLES, CURRENT ASSET SECURITIES

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

LEASING

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

EXPENDITURE ON RESEARCH AND DEVELOPMENT

Research and development on aircraft, systems and operating 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 IMPUTED TAX LIABILITY

Estimated taxes on profits for the financial year, adjustments in taxes for previous financial years and imputed taxes were entered in the profit and loss statement as taxes. The imputed tax liability is computed according to the tax rate in effect during the financial year.

PENSION SCHEMES

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

The Finnair Oy pension fund is a joint fund including the Parent Company and six subsidiaries. Both mandatory employment pension coverage and additional pension security are arranged by the fund for the Parent Company and two subsidiaries. Since 1991, the pension fund has no longer accepted employees other than pilots for additional pension coverage.

The Finnair Oy pension fund's pension liability is fully paid up with respect to basic and additional coverage except for the compulsory liability deficit of FIM 20.5 million required by the Ministry of Social Affairs and Health. Area Travel Agency's share of the pension fund deficit with respect to additional security was FIM 2.9 million. The Company's liability for pensions paid directly is FIM 17.6 million.

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

Pension fund liabilities are presented in sections 12 and 28 of the Notes to the Financial Statements.

CONSOLIDATED PROFIT AND LOSS STATEMENT (FIM 1 000)

	April 1,1996 - March 31,1997	April 1,1995 - March 31,1996	Change %	Notes
TURNOVER	**7 403 238**	7 185 848		
Production for Company use	**13 469**	12 644		
Other revenue from business operations	**79 603**	51 582		1
TOTAL REVENUE FROM BUSINESS OPERATIONS	**7 496 310**	7 250 074	3.4	
EXPENSES FROM BUSINESS OPERATIONS				
Materials and supplies				
Purchases during financial year	**1 284 901**	1 084 636		2
Increase (-), decrease (+) in inventories	**- 14 089**	- 16 667		
Outside services	**1 087 882**	1 015 348		3
Personnel expenses	**2 254 823**	2 202 311		4
Rents and lease payments	**565 803**	534 764		5
Traffic charges	**788 554**	722 494		6
Other expenses	**744 798**	652 157		7
	- 6 712 672	- 6 195 043	8.4	
OPERATING MARGIN	**783 638**	1 055 031	- 25.7	
DEPRECIATION ON FIXED ASSETS AND OTHER LONG-TERM EXPENDITURE	**- 457 503**	- 431 228	6.1	8
OPERATING PROFIT	**326 135**	623 803	- 47.7	
FINANCIAL INCOME AND EXPENSES	**- 15 734**	- 90 671	- 82.6	9
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES	**310 401**	533 132	- 41.8	
EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income	**285 198**	–		
Extraordinary expenses	**- 166 109**	–		
	119 089	–		31
PROFIT BEFORE TAXES	**429 490**	533 132	- 19.4	
DIRECT TAXES				
Taxes for the financial year	**- 51 522**	- 40 626		
Change in imputed tax liability	**- 54 436**	- 119 712		
	- 105 958	- 160 338	- 33.9	10
MINORITY SHARE	**- 691**	- 561	23.1	
PROFIT FOR THE FINANCIAL YEAR	**322 841**	372 233	- 13.3	

CONSOLIDATED BALANCE SHEET (FIM 1 000)

ASSETS	March 31,1997		%	March 31,1996		%	Notes
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS							
Intangible assets							8
Intangible rights	8 612			8 977			
Other deferred expenditure	50 994	59 606	0.9	51 665	60 642	0.9	
Tangible assets							8
Land	4 751			4 751			
Buildings	413 149			609 094			
Flight equipment	3 070 950			2 752 611			
Other property	340 946			333 747			
Advance payments	113 817	3 943 613	58.9	141 668	3 841 871	55.4	
Fixed assets securities and other long-term investments							
Shares in affiliated companies	1 893			26 271			11
Other stocks and shares	35 560			39 157			11
Loan receivables	5 206	42 658	0.7	75 138	140 566	2.0	14
VALUE ADJUSTMENTS							
Liability for Company pensions	17 593			29 247			
Pension fund liability deficit	23 452	41 045	0.6	31 952	61 199	0.9	
INVENTORIES AND CURRENT ASSETS							
Inventories							13
Materials and supplies	195 784			179 516			
Other inventories	6 338	202 122	3.0	8 517	188 033	2.7	
Receivables							
Trade receivables	589 722			564 590			14, 30
Deferred receivables	371 861			354 689			14,15, 30
Other receivables	124 564	1 086 147	16.2	123 234	1 042 513	15.0	14
Investments							
Short-term investments		1 193 326	17.8		1 515 495	21.9	16
Cash and bank receivables		129 719	2.0		82 576	1.2	17
		6 698 236	100.0		6 932 895	100.0	

LIABILITIES	March 31,1997		%	March 31,1996		%	Notes
EQUITY							18
Restricted equity							
Share capital	410 265			407 922			
General reserve	860 591			854 321			
Revaluation fund	–	1 270 856		88 085	1 350 328		
Unrestricted equity							
Profit from previous years	1 158 020			867 319			
Profit for the financial year	322 841	1 480 861		372 233	1 239 552		
Total equity		2 751 717	41.1		2 589 880	37.3	
MINORITY SHARE		1 694			1 423		
LIABILITIES							
Convertible subordinated bond issue		73 450	1.1		73 450	1.1	21
Subordinated loan		229 600	3.4		233 481	3.4	22
Long-term liabilities							
Convertible bond issue	36 593			45 206			20, 23
Loans from financial institutions	431 222			676 573			20
Pension fund loans	699 229			1 070 646			20
Imputed tax liability	341 626			287 190			
Other long-term debt	41 045	1 549 715	23.1	61 199	2 140 814	30.9	20
Short-term liabilities							
Loans from financial institutions	72 480			54 600			20
Pension fund loans	110			1 885			
Advance payments received	102 335			91 511			24
Trade payables	530 298			430 914			30
Deferred credits	1 253 670			1 217 797			25
Other short-term debt	133 167	2 092 060	31.2	97 140	1 893 847	27.3	
		6 698 236	100.0		6 932 895	100.0	

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

	1996/97	1995/96
BUSINESS OPERATIONS		
Funds from operations		
Operating margin	**783 638**	1 055 031
Financial income and expenses (net)	**- 15 734**	- 79 071
Extraordinary items	**242 989**	0
Taxes	**- 105 958**	- 160 338
	904 935	815 622
CHANGE IN WORKING CAPITAL		
Inventories, increase (-), decrease (+)	**- 14 089**	- 16 668
Current receivables, increase (-), decrease (+)	**- 43 634**	- 14 051
Non interest-bearing short-term liabilities, increase (+), decrease (-)	**+ 182 379**	+ 34 953
	124 656	4 234
CASH FLOW FROM OPERATIONS	**1 029 591**	819 856
Investments		
Investment in flight equipment	**- 810 705**	- 424 010
Investment in buildings	**- 78 044**	- 26 220
Other investments	**- 166 256**	- 116 863
Change in predelivery payments	**27 851**	- 26 260
Capital expenditures, total	**- 1 027 154**	- 593 353
Sales of fixed assets	**372 383**	49 373
Cash flow of investments	**- 654 771**	- 543 980
Long-term receivables, increase (-), decrease (+)	**+ 69 932**	- 4 736
Cash flow before financing	**444 752**	271 140
FINANCING		
Increase of long-term debts	**17 130**	0
Decrease of long-term debts	**- 591 956**	- 833 231
Short-term debts, increase (+), decrease (-)	**+ 16 104**	- 13 573
Dividends	**- 81 584**	- 40 778
Restricted equity, increase (+), decrease (-)	**- 79 472**	+ 516
Cash flow of financing	**- 719 778**	- 887 066
Change in liquid funds, increase (+), decrease (-) in statement	**- 275 026**	- 615 926
Liquid funds, April 1	**1 598 071**	2 213 997
Liquid funds, increase (+), decrease (-) in balance sheet	**- 275 026**	- 615 926
Liquid funds, March 31	**1 323 045**	1 598 071

FINNAIR OY
PROFIT AND LOSS STATEMENT (FIM 1 000)

	April 1,1996 - March 31,1997	*April 1,1995 - March 31,1996*	*Change %*	*Notes*
TURNOVER	**6 307 381**	6 047 611		
Production for Company use	**13 469**	12 364		
Other revenue from business operations	**100 367**	80 449		1
TOTAL REVENUE FROM BUSINESS OPERATIONS	**6 421 217**	6 140 424	4.6	
EXPENSES FROM BUSINESS OPERATIONS				
Materials and supplies				
Purchases during financial year	**1 285 011**	1 037 835		2
Increase (-), decrease (+) in inventories	**- 38 561**	- 15 054		
Outside services	**676 925**	660 446		3
Personnel expenses	**1 881 887**	1 779 503		4
Rents and lease payments	**511 804**	480 434		5
Traffic charges	**769 548**	679 027		6
Other expenses	**590 819**	511 265		7
	- 5 677 433	- 5 133 456	10,6	
OPERATING MARGIN	**743 784**	1 006 968	- 26,1	
DEPRECIATION ON FIXED ASSETS AND OTHER LONG-TERM EXPENDITURES	**- 435 611**	- 407 323	6,9	8
OPERATING PROFIT	**308 173**	599 645	- 48,6	
FINANCIAL INCOME AND EXPENSES	**5 624**	- 68 630	- 108,2	9
PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES	**313 797**	531 015	- 40,9	
EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income	**291 811**	–		
Extraordinary expenses	**- 177 709**	–		
	114 102	–		31
PROFIT BEFORE RESERVES AND TAXES	**427 899**	531 015	- 19,4	
CHANGE IN DEPRECIATION DIFFERENCE	**- 204 085**	- 355 767	–	8
TAXES	**- 45 051**	- 35 200	28.0	10
PROFIT FOR THE FINANCIAL YEAR	**178 763**	140 048	27,6	

FINNAIR OY
BALANCE SHEET (FIM 1 000)

ASSETS	March 31,1997		%	March 31,1996		%	Notes
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS							
Intangible assets							8
Intangible rights	8 415			8 695			
Other deferred expenditure	40 723	49 138	0.8	31 284	39 979	0.6	
Tangible assets							8
Land	4 280			4 280			
Buildings	407 609			602 842			
Flight equipment	3 070 950			2 749 252			
Other property	289 316			275 842			
Advance payments	113 817	3 885 972	60.5	141 000	3 773 216	56.6	
Fixed assets securities and other long-term investments							
Shares in affiliated companies	2 189			37 345			11
Subsidiary shares	48 079			41 405			11
Other stocks and shares	25 987			30 439			11
Loan receivables	9 342	85 597	1.3	115 163	224 352	3.4	14
VALUE ADJUSTMENTS							12
Liability for Company pensions	16 755			12 426			
Pension fund liability deficit	18 427	35 182	0.5	22 702	35 128	0.5	
INVENTORIES AND CURRENT ASSETS							
Inventories							13
Materials and supplies	193 898			155 490			
Other inventories	6 036	199 934	3.1	5 883	161 373	2.4	
Receivables							
Trade receivables	440 162			444 251			14
Deferred receivables	326 369			312 117			14, 15
Other receivables	101 409	867 940	13.5	90 629	846 997	12.7	14
Investments							
Short-term investments		1 193 326	18.6		1 515 495	22.8	16
Cash and bank receivables		110 374	1.7		64 192	1.0	17
		6 427 463	100.0		6 660 732	100.0	

LIABILITIES	March 31,1997		%	March 31,1996		%	Notes
EQUITY							18
Restricted equity							
Share capital	410 265			407 922			
General reserve	860 591			854 321			
Revaluation fund	–	1 270 856		88 085	1 350 328		
Unrestricted equity							
Profit from previous years	411 467			353 004			
Profit for the financial year	178 763	590 230		140 048	493 052		
Total equity		1 861 086	29.0		1 843 380	27.7	
RESERVES							
Accelerated depreciation	1 075 301			871 216			8
Voluntary reserves							
Other reserve	144 600	1 219 901	19.0	144 600	1 015 816	15.3	
LIABILITIES							
Convertible subordinated bond issue		73 450	1.1		73 450	1.1	21
Subordinated loan		229 600	3.6		233 481	3.5	22
Long-term liabilities							
Convertible bond issue	36 593			45 206			20, 23
Loans from financial institutions	429 736			676 030			20
Pension fund loans	668 429			986 226			20
Other long-term debt	35 263	1 170 021	18.2	35 128	1 742 590	26.2	20
Short-term liabilities							
Loans from financial institutions	71 991			53 069			20
Trade payables	368 637			317 142			19
Deferred credits	1 150 362			1 079 425			19, 25
Other short-term debt	282 415	1 873 405	29.0	302 379	1 752 015	26.3	19, 26
		6 427 463	100.0		6 660 732	100.0	

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

	1996/97	1995/96
BUSINESS OPERATIONS		
Funds from operations		
Operating margin	**743 784**	1 006 968
Financial income and expenses (net)	**5 624**	- 68 630
Extraordinary items	**249 602**	0
Taxes	**- 45 051**	- 35 200
	953 959	903 138
CHANGE IN WORKING CAPITAL		
Inventories, increase (-), decrease (+)	**- 38 561**	- 15 054
Current receivables, increase (-), decrease (+)	**- 20 944**	+ 42 566
Non interest-bearing short-term liabilities, increase (+), decrease (-)	**+ 102 470**	- 28 094
	42 965	- 582
CASH FLOW FROM OPERATIONS	**996 924**	902 556
Investments		
Investment in flight equipment	**- 814 405**	- 423 330
Investment in buildings	**- 64 862**	- 26 220
Other investments	**- 146 377**	- 106 349
Change in predelivery payments	**27 183**	- 26 260
Capital expenditure, total	**- 998 461**	- 582 159
Sales of fixed assets	**338 368**	46 569
Cash flow of investments	**- 660 093**	- 535 590
Long-term receivables, increase (-), decrease (+)	**+ 105 821**	+ 631
Cash flow before financing	**442 652**	367 597
FINANCING		
Increase of long-term debts	**23 904**	0
Decrease of long-term debts	**- 600 408**	- 931 324
Short-term debts, increase (+), decrease (-)	**+ 18 921**	- 14 927
Dividends	**- 81 584**	- 40 778
Restricted equity, increase (+), decrease (-)	**- 79 472**	+ 516
Cash flow of financing	**- 718 639**	- 986 513
Change in liquid funds, increase (+), decrease (-) in statement	**- 275 987**	- 618 916
Liquid funds, April 1	**1 579 687**	2 198 603
Liquid funds, increase (+), decrease (-) in balance sheet	**- 275 987**	- 618 916
Liquid funds, March 31	**1 303 700**	1 579 687

NOTES TO THE FINANCIAL STATEMENTS

	Group 1996/97 FIM mill.	Group 1995/96 FIM mill.	Parent Company 1996/97 FIM mill.	Parent Company 1995/96 FIM mill.
1. Other revenue from business operations				
Capital gain on flight equipment	59.1	33.8	59.1	33.8
Other items	20.5	17.7	41.3	46.6
Total	79.6	51.6	100.4	80.4

Capital gain on flight equipment is the difference between the sale price and the book value after planned depreciation.

	Group 1996/97 FIM mill.	Group 1995/96 FIM mill.	Parent Company 1996/97 FIM mill.	Parent Company 1995/96 FIM mill.
2. Materials and supplies				
Purchases of materials and supplies for aircraft maintenance and overhaul	210.2	189.5	225.9	179.8
Purchases of materials and supplies for passenger services	361.5	322.2	404.1	361.7
Fuel purchases for flight operations	663.7	514.4	655.0	496.3
Other items	49.5	58.6	–	–
Total	1 284.9	1 084.6	1 285.0	1 037.8
3. Outside services				
Ground handling charges	252.6	238.4	252.1	237.7
Ground service expenses for tour operations	371.0	299.5	–	–
Aircraft maintenance and overhaul	159.1	157.8	144.2	125.7
Expenses for seat reservation systems	102.0	89.1	101.2	88.2
Other items	203.3	230.5	179.5	208.8
Total	1 087.9	1 015.3	676.9	660.4
4. Personnel expenses				
Accrual-based salaries				
Administration and managing directors	4.1	4.3	2.0	1.9
Other	1 790.6	1 662.8	1 493.1	1 332.5
Total	1 794.7	1 667.2	1 495.0	1 334.4
Pay for sick leave	- 36.4	- 34.9	- 33.8	- 30.2
Total	1 758.3	1 632.3	1 461.3	1 304.2
Salary-related expenses				
Mandatory salary-related expenses	226.0	242.2	198.1	205.7
Payments for arrangement of pension security	220.5	276.5	182.7	233.4
Pay for sick leave	36.4	34.9	33.8	30.2
Other items	13.7	16.4	6.0	5.9
Total	496.5	570.0	420.6	475.3
Personnel expenses in the profit and loss statement	2 254.8	2 202.3	1 881.9	1 779.5
Tax values of fringe benefits	23.0	23.4	18.2	18.0

Expenses incurred in the acquisition of fringe benefits are not included in salary-related expenses.

	Group 1996/97 FIM mill.	Group 1995/96 FIM mill.	Parent Company 1996/97 FIM mill.	Parent Company 1995/96 FIM mill.
5. Rents and lease payments				
Lease payments for aircraft	205.4	207.1	205.4	207.1
Short-term leases for aircraft	88.4	57.5	88.3	57.5
Rent for land and premises	146.3	145.8	99.6	98.6
Rent for computer hardware and transmission lines	32.7	35.7	32.2	35.6
Other items	93.0	88.6	86.2	81.8
Total	565.8	534.8	511.8	480.4
6. Traffic charges				
Passenger charges	246.9	235.8	233.6	208.7
Landing charges	260.5	238.8	255.0	225.4
Navigation charges	256.8	223.9	256.8	223.8
Other items	24.3	24.0	24.1	21.1
Total	788.6	722.5	769.5	679.0

	Group 1996/97 FIM mill.	Group 1995/96 FIM mill.	Parent Company 1996/97 FIM mill.	Parent Company 1995/96 FIM mill.
7. Other expenses				
Sales and marketing expenses	222.9	209.5	155.6	144.0
Daily allowances, hotel and other travel expenses	146.7	143.8	136.9	128.8
Maintenance of premises excluding rent	60.4	62.8	55.4	50.8
Communications expenses	52.1	44.0	39.1	32.3
Other items	224.8	188.2	166.7	153.6
Bad debts	38.0	3.9	36.9	1.8
Total	744.8	652.2	590.8	511.3
8. Fixed assets and depreciation				
Planned depreciation in the profit and loss statement				
On other long-term expenditure	13.0	14.8	9.0	9.3
On buildings	29.6	30.9	29.4	30.7
On flight equipment	311.6	291.3	311.2	290.3
On other equipment	103.3	94.1	86.0	77.0
Total	457.5	431.2	435.6	407.3
Change in depreciation difference				
Flight equipment	–	–	213.3	365.0
Other equipment	–	–	- 9.2	- 9.2
Total	–	–	204.1	355.8
Intangible assets				
Acquisition cost April 1	9.0	8.8	8.7	8.6
Increases April 1 - March 31	0.1	0.2	0.1	0.1
Decreases April 1 - March 31	- 0.4	–	- 0.4	–
Book value March 31	8.6	9.0	8.4	8.7
Other long-term expenditure				
Acquisition cost April 1	141.9	127.9	80.6	72.8
Increases April 1 - March 31	25.7	14.0	18.5	7.7
Decreases April 1 - March 31	- 13.4	–	–	–
Accumulated planned depreciation April 1- March 31 from decreases	- 14.1			
Acquisition cost March 31	140.1	141.9	99.0	80.6
Accumulated planned depreciation March 31	- 89.1	- 90.2	- 58.2	- 49.3
Book value March 31	51.0	51.7	40.7	31.3
Land				
Acquisition cost April 1	4.7	4.4	4.3	4.0
Increases April 1 - March 31	–	0.3	–	0.3
Decreases April 1 - March 31	–	–	–	–
Book value March 31	4.7	4.7	4.3	4.3
Buildings				
Acquisition cost April 1	999.8	973.6	990.9	964.6
Increases April 1 - March 31	79.6	26.2	66.3	26.2
Decreases April 1 - March 31	- 245.9	–	- 232.2	–
Accumulated planned depreciation April 1 - March 31 from decreases	- 54.7	–	- 54.7	–
Acquisition cost March 31	778.9	999.8	770.3	990.9
Accumulated planned depreciation March 31	- 365.7	- 390.7	- 362.8	- 388.0
Book value March 31	413.1	609.1	407.6	602.8
Revaluations included in the acquisition cost of buildings	–	110.0	–	110.0
Flight equipment				
Acquisition cost April 1	5 082.6	4 700.4	5 073.3	4 691.8
Increases April 1 - March 31	810.7	424.0	814.4	423.3
Decreases April 1 - March 31	- 46.0	- 41.8	- 46.0	- 41.8
Accumulated planned depreciation April 1 - March 31 from decreases	- 142.9	–	- 142.9	–
Acquisition cost March 31	5 704.4	5 082.6	5 698.9	5 073.3
Accumulated planned depreciation March 31	- 2 633.5	- 2 330.0	- 2 627.9	- 2 324.1
Book value March 31	3 070.9	2 752.6	3 070.9	2 749.3
Accumulated difference between total and planned depreciation April 1	–	–	849.7	484.8
Increase in the depreciation difference April 1 - March 31	–	–	213.3	365.0
Difference between total and planned depreciation March 31	–	–	1 063.0	849.7

	Group 1996/97 FIM mill.	Group 1995/96 FIM mill.	Parent Company 1996/97 FIM mill.	Parent Company 1995/96 FIM mill.
Other equipment				
Acquisition cost April 1	1 037.0	946.3	864.5	794.5
Increases April 1 - March 31	135.3	98.2	101.6	74.7
Decreases April 1 - March 31	- 24.8	- 7.5	- 2.1	- 4.8
Accumulated planned depreciation April 1 - March 31 from decreases	- 34.1	–	–	–
Acquisition cost March 31	1 113.5	1 037.0	964.0	864.5
Accumulated planned depreciation March 31	- 772.5	- 703.3	- 674.7	- 588.6
Book value March 31	340.9	333.7	289.3	275.8
Accumulated difference between total and planned depreciation April 1	–	–	21.5	30.7
Decrease in the depreciation difference April 1 - March 31	–	–	- 9.2	- 9.2
Accumulated difference between total and planned depreciation March 31	–	–	12.3	21.5
Share of machines and equipment in book value March 31	3 381.6	3 031.5	3 331.9	3 001.1
Predelivery payments				
Acquisition cost April 1	141.7	114.7	141.0	114.7
Increases April 1 - March 31	–	26.9	–	26.3
Decreases April 1 - March 31	- 27.9	–	- 27.2	–
Aquisition cost March 31	113.8	141.7	113.8	141.0
Accumulated planned depreciation March 31	–	–	–	–
Book value March 31	113.8	141.7	113.8	141.0
Insurance values of fixed assets				
Balance sheet values of aircraft and spare engines	3 070.9	2 752.6	3 070.9	2 749.3
Insurance value FIM	6 221.8	4 975.9	6 221.8	4 975.9
Insurance value USD	1 245.7	1 074.1	1 245.7	1 074.1

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

	Group 1996/97 FIM mill.	Group 1995/96 FIM mill.	Parent Company 1996/97 FIM mill.	Parent Company 1995/96 FIM mill.
Tax values of fixed assets				
Buildings	357.2	466.9	346.3	453.9
Affiliated company shares	1.4	37.3	1.4	37.3
Subsidiary shares	–	–	63.1	80.3
Other stocks and shares	28.5	33.9	19.1	24.4
Total	387.1	538.1	429.9	596.0

For foreign companies the book value has been used as the tax value and it has also been used for domestic companies when the tax value has not been separately defined.

	Group 1996/97 FIM mill.	Group 1995/96 FIM mill.	Parent Company 1996/97 FIM mill.	Parent Company 1995/96 FIM mill.
9. Financial income and expenses				
Dividends from Group companies	–	–	24.0	15.9
Dividends from other companies	0.4	0.3	0.3	0.6
Share of affiliated company profit	- 1.1	- 10.8	–	–
Interest income on long-term investments	11.4	8.3	11.2	8.3
Interest income on short-term investments	78.8	133.8	74.1	128.7
Interest income from Group companies	–	–	2.6	2.8
Exchange rate differences				
- realized exchange rate gains	17.7	2.1	17.3	1.9
- unrealized exchange rate gains	2.4	18.0	2.4	18.0
- realized exchange rate losses	- 0.7	- 14.3	- .6	- 14.2
- unrealized exchanged rate losses	- 7.7	- 4.8	- 7.7	- 4.8
Total exchange rate differences in the profit and loss statement	11.7	0.9	11.3	0.8
Interest expenses	- 107.0	- 240.9	- 103.0	- 233.7
Interest expenses to Group companies	–	–	- 5.8	- 10.7
Other expenses on liabilities	- 2.4	- 4.4	- 2.1	- 3.3
Other financial expenses	- 7.8	14.7	- 7.3	14.7
Value adjustments on investments	0.3	7.4	0.3	7.4
Financial expenses, net in profit and loss statement	- 15.7	- 90.7	5.6	- 68.6
10. Taxes				
Taxes from previous years	–	–	–	–
Taxes for the financial year	51.6	40.6	45.1	35.2
Change in imputed tax liability	54.4	119.7	–	–
Taxes in the profit and loss statement	106.0	160.3	45.1	35.2

11. Fixed asset securities and other long-term investments

Affiliated Companies	*Number of shares*	*Group ownership %*	*Parent Company ownership %*	*Nominal value of shares FIM 1 000*	*Group book value FIM 1 000*	*Profit/loss of financial year FIM 1 000*	*Group share of equity FIM 1 000*	*Closing date*
AO Infa - Hotel, Russia	9 633 400	49.0	49.0	SUR 9 633	–	N.A.	N.A.	Dec. 31,96
Nordic-Hotel Oy	9 600	40.0	40.0	960	1 760	- 2 015	490	Mar. 31,97
Finnish American International Trade Inc., USA	1 000	20.0	20.0	USD 100	429	- 125	303	Dec. 31,96
Suomen Jakelutiet Oy	15	47.5	–	15	15	342	478	Dec. 31,96
Amadeus Estonia	98	33.3	–	EEK 98	39	18	46	Dec. 31,96
Toivelomat Oy	500	48.3	–	500	50	20	575	Mar. 31,97
Total					2 293	- 1 761	1 893	

Subsidiary shares	*Number of shares*	*Group ownership %*	*Parent Company ownership %*	*Nominal value of shares FIM 1 000*	*Group book value FIM 1 000*	*Profit/loss of financial year FIM 1 000*	*Equity FIM 1 000*	*Closing date*
Kiinteistö Oy Aerolan A-talot	7 500	100.0	100.0	75	1 320	–	223	Mar. 31,97
Kiinteistö Oy Aerolan B-talot	200	100.0	100.0	200	200	–	154	Mar. 31,97
Malmilento Oy	5 000	100.0	100.0	500	500	416	916	Mar. 31.97
Amadeus Finland Oy	190	95.0	95.0	1 900	1 900	6 357	8 794	Mar. 31,97
Area Travel Agency Ltd	400 000	100.0	100.0	4 000	8 976	1 225	6 376	Mar. 31,97
Area Baltica Reisibüroo AS, Estonia	850	100.0	100.0	EEK 850	400	37	48	Dec. 31,96
ZAO Norvista, Russia	10	100.0	100.0	–	10	- 33	- 137	Dec. 31,96
A/S Estravel Ltd, Estonia	9 110	72.0	72.0	911	1 666	736	1 668	Mar. 31,97
BMR Balti Meediareklaami AS, Estonia	100	72.0	–	EEK 10	4	–	4	Mar. 31,97
Oy Aurinkomatkat - Suntours Ltd Ab	2 912	97.1	79.3	1 456	1 356	2 551	5 256	Mar. 31.97
Finlandia Travel Agency Ltd, UK	50 000	100.0	96.7	GBP 50	222	246	1 228	Mar. 31,97
Finlandia Agence de Voyages S.A.R.L., France	499	99.8	99.8	FRF 50	39	12	134	Mar. 31,97
Finnair Travel Services Oy	50 000	100.0	100.0	5 000	5 980	193	7 013	Mar. 31,97
Finncatering Oy	4 470	100.0	100.0	3 464	6 094	4 464	10 456	Mar. 31,97
Norvista Travel Ltd, Canada	1 000	100.0	100.0	CAD 1	4	4	106	Mar. 31,97
Oy Finnmatkat - Finntours Ltd Ab	150	100.0	100.0	150	590	1 035	1 312	Mar. 31,97
Finnway Inc., USA	200	100.0	100.0	USD 400	10	7	- 595	Mar. 31,97
Karair Ab, Sweden	100	100.0	100.0	SEK 100	80	–	81	Mar. 31,97
Business Flight Center Oy	5	100.0	100.0	1	1	–	1	Mar. 31,97
Mikkelin Matkatoimisto Oy	1 224	51.0	–	122	163	131	537	Mar. 31,97
Finnair Gateway Ravintolat Oy	10 000	100.0	100.0	10 000	10 000	38	10 038	Mar. 31,97
Norvista Travel AB, Sweden	1 260	100.0	100.0	SEK 126	600	15	835	Mar. 31,97
Norvista S.R.L., Italy		100.0	100.0	ITL 1 700 000	504	–	505	Mar. 31,97
Norvista GmbH, Germany		100.0	100.0	DEM 300	931	- 33	857	Mar. 31,97
Kuopion Matkatoimisto Oy	750	100.0	–	150	800	- 178	1 048	Mar. 31,97
Varkauden Matkatoimisto Oy	1 128	69.6	–	56	696	244	487	Mar. 31,97
Suomen Matkatoimisto Oy	300 642	99.8	99.8	3 006	6 899	9 542	16 163	Mar. 31,97
Group total					49 946	27 009	73 506	
./. subsidiary shares owned by subsidiaries					- 1 867			
Parent Company total					48 079			

Other shares	*Number of snares*	*Group ownership %*	*Parent Company ownership %*	*Nominal value of shares FIM 1 000*	*Group book value FIM 1 000*
Finnlandhaus GmbH, Germany	1	4.4	5.6	DEM 100	119
Polygon Insurance Company Ltd.	644 500				9 460
Sampo Insurance Company	1 394				271
Finnish Central Securities Depository Ltd	4				280
Helsinki Stock Exchange Cooperative	20 000				170
Oy TEN-MAR Fastighets Ab	854	12.8	10.9		2 227
Helsinki Halli Oy	12				1 200
Golfsarfvik	1				105
Asunto Oy Joensuun Kirkkokatu 21	228				610
Asunto Oy Koitere Bostads Ab, Laivanvarustajankatu 4	3				864
Asunto Oy Mannerheimintie 100	59	1.4	1.4		137
Asunto Oy Metsätorppa, Kauppalantie 48	63	4.4	4.4		131
Asunto Oy Neitsytpolku 9	70				471
Asunto Oy Neitsytpolku 11	65				1 016
Asunto Oy Octavus, Mannerheimintie 84	8	6.5	6.5		250
Asunto Oy Peter, Raatimiehenkatu 4	8				435
Asunto Oy Pietarinkatu 11	7				508

Other shares	Number of shares	Group ownership %	Parent Company ownership %	Nominal value of shares FIM 1 000	Group book value FIM 1 000
Asunto Oy Pietarinkatu 12	70				696
Asunto Oy Tenholantie 4	912	9.1	9.1		152
Asunto Oy Pehesaari	506				1 144
Kiinteistö Oy Citykulma	8 861				349
Kiinteistö Oy Heikintori	1 640	1.5			234
Kiinteistö Oy Lentäjäntie 1	2 804	19.5	19.5		5 846
Kiinteistö Oy Tapiolan Säästötammi	237				807
Vicksol S.A., Spain	25				3 121
Sita Telecommunications Holding N.V					613
Other companies with a book value of less than FIM 100,000					932
Telephone company shares	1 601				3 413
Total					35 560

Loan receivables included in other long-term investment of the Parent Company, FIM mill.	1996/97	1995/96
From Group companies	4.7	41.2
From other companies	4.6	74.0
Total	9.3	115.2

	Group 1996/97 FIM mill.	1995/96 FIM mill.	Parent Company 1996/97 FIM mill.	1995/96 FIM mill.
12. Value adjustments under assets				
Liability for pensions paid directly by the companies	17.6	29.2	16.8	12.4
Compulsory liability deficit of the pension funds	20.5	26.4	18.4	22.7
Uncovered liability of the pension funds	3.0	5.5	–	–
Total	41.0	61.2	35.2	35.1

13. Inventories
Inventories were evaluated at average acquisition cost.

14. Receivables from Group companies				
Loans receivable	–	–	4.7	41.2
Trade receivables	–	–	104.1	125.7
Deferred receivables	–	–	1.3	15.6
Total	–	–	110.0	182.4

15. Deferred receivables				
Leasing payments made in advance	38.6	52.2	38.6	52.2
Other items	333.3	302.5	287.8	259.9
Total	371.9	354.7	326.4	312.1

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

16. Short-term investments
The investments include certificates of deposit, commercial papers and bonds.

17. Cash and bank receivables
Cash and bank receivables comprise funds in Group bank accounts.

18. Change in equity				
Restricted equity				
Share capital at the beginning of the financial year	407.9	407.8	407.9	407.8
Conversion of convertible subordinated bond	–	–	–	–
Conversion of bonds	2.3	0.1	2.3	0.1
Share issue	–	–	–	–
Share capital at the end of the financial year	410.3	407.9	410.3	407.9
Revaluation fund	–	88.1	–	88.1
General reserve April 1	854.3	853.9	854.3	853.9
Issue premium	6.3	0.4	6.3	0.4
Total restricted equity at the end of the financial year	1 270.9	1 350.3	1 270.9	1 350.3
Unrestricted equity				
Unrestricted equity at the beginning of the financial year	1 239.6	907.8	493.1	393.8
Dividend payment	- 81.6	- 40.8	- 81.6	- 40.8
Change in translation differences	0.1	0.3		
Profit for the financial year	322.8	372.2	178.8	140.0
Total unrestricted equity at the end of the financial year	1 480.9	1 239.6	590.2	493.1
Total equity at the end of the financial year	2 751.7	2 589.9	1 861.1	1 843.4

Distributable equity	Group 1996/97 FIM mill.	1995/96 FIM mill.	Parent Company 1996/97 FIM mill.	1995/96 FIM mill.
Unrestricted equity	1 480.9	1 239.6		
Voluntary reserves in unrestricted equity	- 878.5	- 738.5		
Distributable equity March 31	602.4	501.1		
Voluntary reserves March 31				
Accumulated depreciation	1 075.5	871.2		
Transitional reserve	144.6	154.5		
	1 220.1	1 025.7		
Imputed tax liability of voluntary reserves	- 341.6	- 287.2		
Voluntary reserves in unrestricted equity 31 March	878.5	738.5		
19. Liabilities to Group Companies				
Trade payables	–	–	17.1	54.8
Deferred credits	–	–	3.3	3.0
Other short-term liabilities	–	–	155.5	209.1
Other long-term liabilities			0.1	–
Total	–	–	175.9	266.9

20. Long-term liabilities

Repayment of long-term loans

Financial year	1997/98	1998/99	1999/2000	2000/01	2001/02	2002 -	Total
FIM mill.	72.5	79.5	236.6	45.9	38.9	1069.3	1542.7

21. Convertible subordinated bonds

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

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

By March 31, 1997 bonds worth FIM 156,550,000 had been converted to 4,242,505 shares, after which the amount of the convertible bond is FIM 73,450,000. Should all the unconverted bonds on March 31, 1997 be exchanged for shares, the Company's share capital would increase by FIM 9,952,475, which is the equivalent of 1,990,495 shares.

22. Subordinated loan

During the financial year 1990/91 Finnair 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 lender is in a less preferential position than the other creditors although he is in a more preferential position than the holders of the convertible subordinated bond (see Note 21).

23. Convertible bonds

A convertible bond of FIM 150,000,000 was issued on March 13, 1992. The maturity is from 1992 to 1999 and the annual interest rate on the loan is 11.25%. In conversion to shares, one FIM 1,000 bond is the equivalent of 54.4 shares in Finnair Oy with a nominal value of FIM 5 each. The computed conversion price of a share is therefore FIM 18.38.
The annual conversion period is April 1 to October 30.

By March 31, 1997 convertible bonds worth FIM 113,407,000 had been exchanged for 5,773,303 shares, after which the amount of the convertible bond is FIM 36,593,000.
Should all the unconverted bonds on March 31, 1997 be exchanged for shares, the Company's share capital would rise by FIM 9,953,295, which is the equivalent of 1,990,659 shares.

24. Advance payments

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

25. Deferred credits

	Group 1996/97 FIM mill.	Group 1995/96 FIM mill.	Parent Company 1996/97 FIM mill.	Parent Company 1995/96 FIM mill.
Unearned air transport revenues and liablity for frequent flyer bonus system*)	500.7	491.6	500.7	491.6
Holiday pay reserve	321.9	308.2	288.9	255.7
Other items	431.1	418.0	360.8	332.1
Total	1 253.7	1 217.8	1 150.4	1 079.4

*) FIM 97,2 million in unused airline tickets from at least two years ago was entered as turnover.
The item includes a liability of FIM 34,5 million for the Finnair Plus Frequent Flyer Bonus System.
Other items include undue interest and other deferred credits for the financial year.

26. Other short-term debts

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

27. Aircraft lease payments

Financial year	1997/98	1998/99	1999/00	2000/01	2001/02	2002 -	Total
FIM mill.	145.0	145.5	95.8	78.6	58.3	20.9	544.1

The above lease payments comprise unpaid rentals under outstanding finance leases (FIM 292.3 million) and operating leases (FIM 251.8 million). With respect to certain of the finance leases, Finnair Oy has paid in advance, or made a respective deposit, either all or a portion of the future lease payments, including the agreed purchase option payment.
As at March 31, 1997, the present value of the maximum remaining finance lease payments, including the agreed purchase option payments, was FIM 441.2 million.
The table of the Finnair Group fleet is on page 33 of this annual report.

Under operating leases, unlike finance leases, Finnair Oy is only obliged to pay rent for the relevant lease term with no liability on termination, the economic risk of ownership remaining with the lessor.
Under finance leases, Finnair Oy pays rentals to cover the finance costs, has an option to purchase the relevant aircraft at an agreed price, and bears the residual value risk. Therefore, Finnair Oy may be subject to certain additional payments arising on the termination of the relevant finance leases, depending on the future resale value of the aircraft.
No provisions have been made by Finnair Oy for any such 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 Oy would realize a profit on its resale after the end of the relevant lease period.

28. Pension liabilities

	Group 1996/97 FIM mill.	Group 1995/96 FIM mill.	Parent Company 1996/97 FIM mill.	Parent Company 1995/96 FIM mill.
Total liability of pension fund	2 700.9	2 656.4	2 529.6	2 434.4
- Mandatory portion covered	- 1 294.8	- 1 208.0	- 1 168.1	- 1 057.3
Non-mandatory benefit covered	- 1 382.7	- 1 416.4	- 1 343.0	- 1 354.4
Uncovered liability of pension fund	23.5	32.0	18.4	22.7
Liability for pensions paid directly by the companies	17.6	29.2	16.8	12.4
Liability included in other long-term liabilities	41.0	61.2	35.2	35.1

29. Securities pledged and guarantees given

Parent Company guarantees on behalf of subsidiaries	138.5	209.7	138.5	209.7
Pledges and mortgages for own commitments	307.6	672.0	306.7	669.4
Total securities pledged and guarantees given	446.1	881.8	445.2	879.2

30. Receivables from affiliated companies and liabilites to affiliated companies

Receivables from affiliated companies				
Loans receivable	0.5	0.5	–	–
Trade receivables	0.7	1.7	0.3	0.8
Deferred receivables	–	5.1	–	5.1
Total	1.2	7.4	0.3	5.9
Liabilites to affiliated companies				
Trade payables	1.9	0.1	1.0	–
Total	1.9	0.1	1.0	–

31. Extraordinary income and expenses

	Group 1996/97 FIM mill.	1995/96 FIM mill.	Parent Company 1996/97 FIM mill.	1995/96 FIM mill.
Extraordinary income				
Gains on sale of shares	62.1	–	61.9	–
Gains on sale of buildings	223.1	–	223.1	–
Gains of merger	–	–	6.8	–
Extraordinary income, total	285.2	–	291.8	–
Extraordinary expenses				
Infa, depreciation of shares	- 24.5	–	- 36.1	–
Infa, bad debt of receivables	- 6.2	–	- 6.2	–
Airbus, depreciation	- 135.5	–	- 135.5	–
Extraordinary expenses, total	- 166.1	–	- 177.7	–
Total	119.1	–	114.1	–

32. Disputes and litigation

In 1993 Finnair Oy, which was already the parent company of Karair oy, bought out most of Karair oy's other shareholders and thereby increased its holding in the company to 96.4 per cent of the shares and 97.6 per cent of the voting rights provided by the shares. Finnair subsequently exercised its right of redemption and on December 1,1993 deposited FIM 305,460 in the Uusimaa Provincial Cashier's Office as security for redemption of the 1,697 Karair oy shares which had not yet been relinquished for this purpose. Finnair Oy is of the opinion that on completion of the redemption process stipulated in the Companies Act, it became the owner of all the Karair oy shares still untransferred at the moment the redemption price was deposited. A court of law granted permission to merge the two companies and Karair oy was merged with Finnair Oy on October 22, 1996.

There is a dispute about the lawfulness of the above-mentioned measures pending between Finnair Oy and certain plaintiffs who are holders of Karair oy shares.

There is a case before the Helsinki District Court in which two shareholders demand revocation and amendment or nullification of the decision to approve the financial statements, to the extent relevant, made at the Annual General Meeting of Finnair Oy on August 25, 1994. According to the plaintiff's claim, the value of the subsidiary shares in the financial statements is incorrect.

The case has not yet been resolved.

One of the above plaintiffs had demanded confirmation in the Vantaa District Court that the company owns 12 shares in Karair oy. The claim was accepted on February 2, 1997 and an appeal is pending before the Helsinki Court of Appeals.

The other of the above mentioned shareholders is demanding a higher price for his share in Karair oy through arbitration.

The price offered and accepted by a trustee on behalf of unknown sharenolders is FIM 180.

The arbitration process has not been completed.

Finnair Oy's subsidiaries Oy Aurinkomatkat-Suntours Ltd Ab and Oy Finnmatkat-Finntours Ab face litigation regarding payment of guides. Applicability of the travel agency sector wage settlement to foreign staff is at issue here.

33. 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 35 % of Group turnover is denominated in currencies other than the Finnish markka.

The key foreign currencies are the US dollar, the Swedish krona, the German mark and the Japanese yen.

Approximately 35 % of the Group's operating costs are denominated in foreign currencies.

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 1996/97 financial year 83% 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 1996/97 financial year fuel used in flight operations accounted for 11% 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 1996/97 financial year the average interest on the Group's interest-bearing loans was 5.0%.

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 1.3 billion at the end of the 1996/97 financial year.
Moreover, FIM 1 000 million in unsecured credit limits are available to the Group for four to six years.

Derivative contracts March 31, 1997, FIM mill.

Currency derivatives	*Nominal value*	*Fair value*
Forward contracts	481.6	0.5
Currency swaps	584.9	- 18.0
Interest rate derivatives		
Intererest rate options	200.0	- 0.3
Forward rate derivatives	30.0	0.4
Derivative contracts, total	1 296.5	- 17.4

The nominal values of the derivative contracts presented in the table depict the extent of the hedging employed by the Group and as such do not necessarily indicate the cash flows from them or the credit risks involved.
Closed forward contracts are also included in nominal values.
Fair values are based on market valuation on the date of reporting for the instruments which are publicly traded.
Other instruments have been valued based on net present values of future cash flows.
A valuation model has been used to estimate the fair values of options.

34. Personnel fund
On June 14, 1996, the Company Board of Directors made a decision concerning the incentive bonus scheme for the 1996/97 financial year. Company employees established a personnel fund which was registered on August 23, 1996.
The financial statements do not include a bonus because two of the three criteria for payment were not met.

PROPOSAL BY THE BOARD OF DIRECTORS CONCERNING DISPOSAL OF THE PROFIT

The Group's total unrestricted equity according to the consolidated balance sheet on March 31, 1997 was	FIM	1 480 861 577,12
The distributable unrestricted equity is	FIM	602 394 222,23
The Parent Company Finnair Oy's unrestricted equity according to the balance sheet on March 31,1997 is	FIM	590 230 437,84
The distributable unrestricted equity:		
- Profits retained from previous financial years	FIM	411 467 297,08
- Profit for the financial year April 1,1996 - March 31,1997	FIM	178 763 140,76
Total	FIM	590 230 437,84
The board proposes to the Annual General Meeting that a dividend of 20%, which is FIM 1.00 per share, be paid on the share capital from the retained profits	FIM	82 053 018,00
Retained in the profit and loss account	FIM	508 177 419,84

Helsinki, June 13, 1997

THE BOARD OF DIRECTORS OF FINNAIR OY

Harri Holkeri

Jaakko Ihamuotila
Ari Heiniö
Seppo Härkönen
Antti Potila

Robert G. Ehrnrooth
Raimo Hertto
Eva-Christina Mäkeläinen
Helena Terho

AUDITORS' REPORT

to the shareholders of Finnair Oy

We have examined the accounts, the financial statements and the administration of Finnair Oy for the financial year April 1,1996 to March 31,1997.
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, June 17,1997

Pekka Nikula
APA

Erkki Mäki-Ranta
AA

STATEMENT OF THE SUPERVISORY BOARD

At its meeting held today, the Supervisory Board of Finnair Oy has examined the financial statements of the Parent Company and of the Group and the Auditors' Report for the financial year April 1,1996 - March 31,1997. 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. Riitta Backas,
Mr. Markku Koskenniemi,
Mr. Jouko K. Leskinen,
Mr. Matti Piuhola,
Mr. Jussi Ranta and
Mr. Ralf Sund
are due to expire at the Annual General Meeting.

Helsinki, June 19,1997

Markku Hyvärinen

Felix Björklund	Riitta Backas
Tarja Kautto	Pekka Kivelä
Markku Koskenniemi	Jouko K. Leskinen
Pekka Perttula	Mikko Pesälä
Matti Piuhola	Jaakko Pohjola
Virpa Puisto	Jussi Ranta
Pertti Salolainen	Peter Stenlund
Ralf Sund	Iiro Viinanen

REVIEW
OF FINNAIR GROUP SECTORS

Consolidation of the Finnair Group structure continued during the financial year. Flight operations were combined in their entirety with the Parent Company in September-October 1996 through mergers of Finnaviation Oy and Karair oy. On December 31, 1996 during the year under review, hotel operations were divested and a new company was set up for restaurant operations at Helsinki-Vantaa Airport. The Finnair Group comprised the following sectors at the end of the financial year: flight operations, travel agencies, tour operations, catering, travel information and distribution system functions, and restaurants.

FLIGHT OPERATIONS

Air Transport

Finnair's flight operations serve 45 destinations outside Finland. The number of charter flight destinations varies between the summer and winter traffic seasons: the destinations total more than 60. Finnair's routes serve 21 cities in Finland and the network formed by these routes is one of the world's most comprehensive in relation to population.

International traffic, including scheduled international and charter traffic, account for 90% of total revenue tonne kilometres and for 83% of the air traffic revenues. Domestic traffic accounts for 10% of the revenue tonne kilometres and for 17% of the air traffic revenues. The structure of domestic traffic departs significantly from that of international traffic with respect to flight length and aircraft used. This also affects the ratio between revenue tonne kilometres and revenue.

Some 50 % of the air transport services are sold in Finland, 30 % elsewhere in Europe, 10 % in Asia and 10 % in North America.

Fleet

Apart from aircraft used in its own flight operations, the Company has a leasing contract for a DC-10 aircraft. The contract expires in 1999. The aircraft is leased to the French airline Air Liberté. One of the three DC-10 aircraft owned by the Company was sold during the past financial year and another was sold at the beginning of the current financial year. The third DC-10 aircraft was sold in May 1997. Repairs and maintenance for these aircraft are performed by the Finnair Technical Division on the basis of a long-term agreement. One MD-83 aircraft has also been leased to the Spanish airline Spanair until the end of October 1997.

Co-operation between airlines and air traffic policy

Co-operation between airlines known as code-sharing has increased significantly in recent years both within the European Union and in North Atlantic traffic through worldwide alliances. Finnair has also taken part in this development. Code-sharing means sharing capacity either by purchasing seats from another airline or through an exchange whereby the non-operating party is entitled to use its own codes and flight numbers on the aircraft of the 'operating' airline. Through co-operation of this kind Finnair has been able to

Finnair's Goodbuy! prices are the latest and most economical way to reach destinations in Europe.

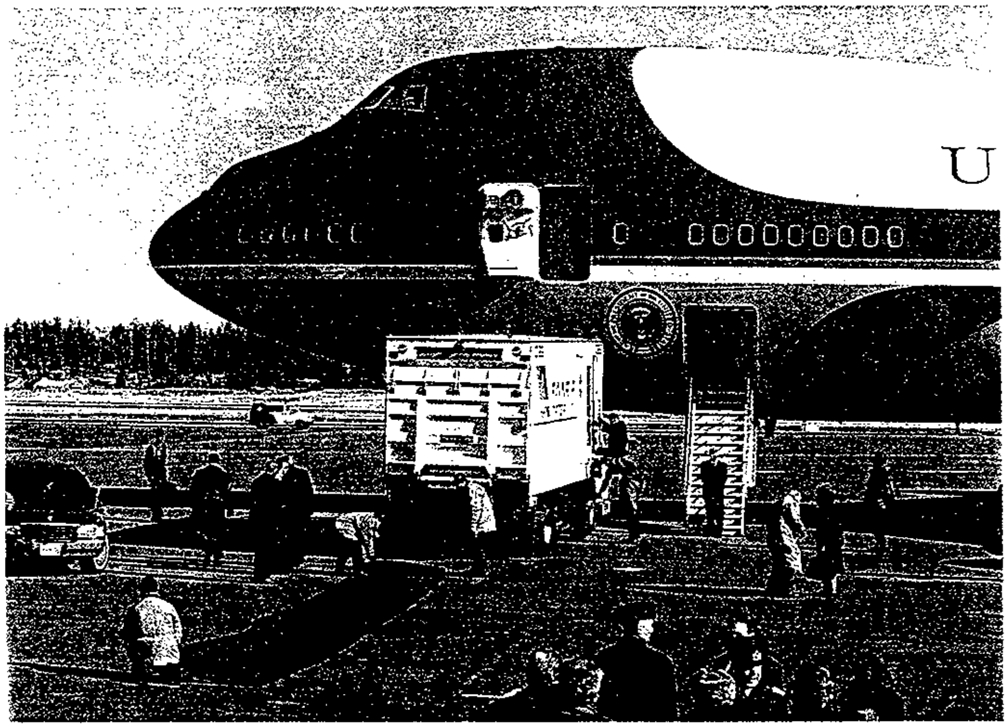
FINNAIR GROUP

FINNAIR OY
Parent Company
Flight operations

Travel agencies
Area Travel Agency Ltd
Finland Travel Bureau Ltd
Norvista Group

Tour operations
Finnair Travel Services Oy
- Oy Aurinkomatkat - Suntours Ltd Ab
- Oy Finnmatkat - Finntours Ab
- Top Club

Other sectors
Amadeus Finland Oy
Finncatering Oy
Finnair Gateway Ravintolat Oy
Real estate companies
Other companies



The "Air Force One" at Helsinki Airport during the summit meeting between President Clinton and President Yeltsin in March 1997.

expand its range of destinations and offer its passengers more flights. Finnair's code-share flights are all on specific routes and are therefore not part of more extensive alliances.

During the financial year Finnair concluded code-sharing agreements for example with Estonian Air and Lithuanian Airways and thus improved its prospects in the Baltic region. Closer co-operation with Delta Airlines was achieved with a code-sharing agreement for the New York-Boston route. Service to Geneva has been maintained through a code-sharing arrangement with Sabena via Brussels after Finnair discontinued its flights to Geneva. Finally, a code-sharing agreement was made with Israeli El Al for the Helsinki-Tel Aviv route, with El Al as the operating party. There was discussion of co-operation with other European airlines during the spring of 1997 to explore the prospects for further code-sharing at the beginning of summer 1997.

A concerted effort to develop Stockholm as Finnair's secondary hub continued. During the winter season Finnair began co-operation with Alitalia on the Stockholm-Milan route, with Sabena on the Stockholm-Brussels route and with Maersk Air on the Stockholm-Billund route. Also, the long-awaited connection from Oulu to Stockholm was inaugurated in March 1997. During the 1996/97 financial year, Finnair served a total of 14 destinations from Stockholm, including destinations in Finland. With respect to both traffic and financial performance, the Swedish capital has become a crucial hub for Finnair through which the airline carries a large number of passengers annually to and from various destinations in Europe. Further development of the Stockholm hub is also being planned with summer 1997 in mind.

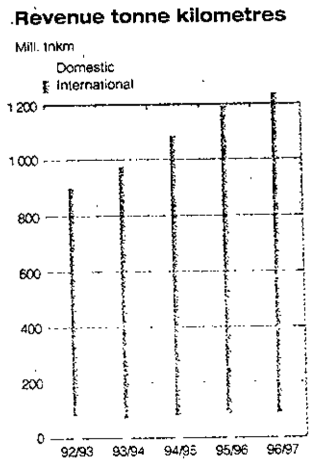
Liberalization of domestic traffic within the EU, which took effect on April 1, 1997,

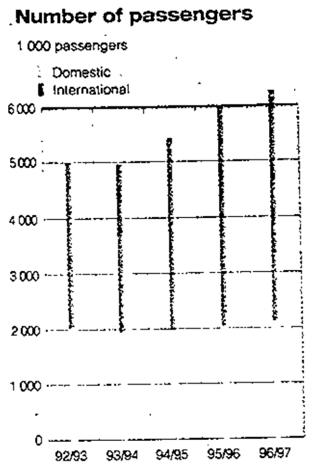
Group passenger and cargo traffic and load factors, 1996/97

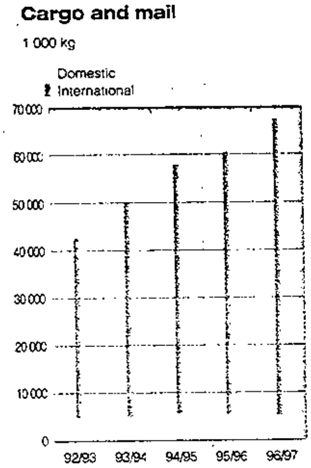
	Passenger traffic				*Cargo and mail*		*Overall load factor*	
	Passenger	*Change %*	*Load factor %*	*Change %-p.*	*1 000 kg*	*Change %*	*%*	*Change %-p.*
Scheduled traffic								
International	3 330 676	2.1	67.4	- 0.1	59 838	11.5	57.6	- 0.4
Domestic	2 230 951	8.8	56.5	2.3	5 606	- 2.8	45.0	- 0.1
Total	5 561 627	4.7	66.0	0.2	65 444	10.1	56.2	- 0.4
Charter traffic	718 241	10.4	85.1	1.0	1 224	15.7	78.7	0.2
Total traffic	6 279 868	5.3	69.0	0.6	66 668	10.2	58.9	- 0.2

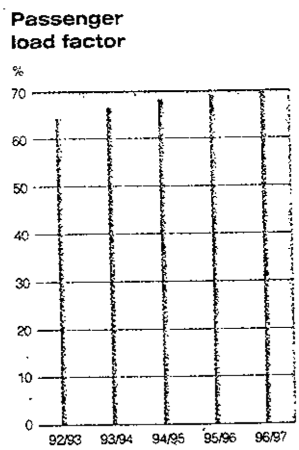
Group available capacity and revenue tonne and passenger kilometres 1996/97

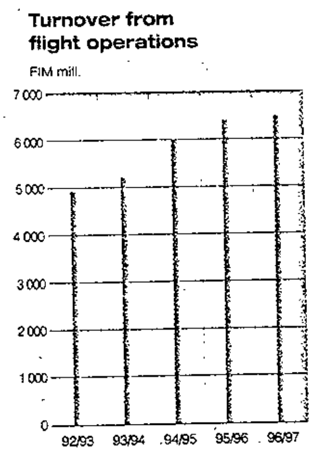
	Tonne kilometres mill.				*Passenger kilometres mill.*			
	Available	*Change %*	*Revenue*	*Change %*	*Available*	*Change %*	*Revenue*	*Change %*
Scheduled traffic								
International	1 680	4.1	967	3.3	11 612	- 0.7	7 828	- 0.8
Domestic	195	8.7	88	8.4	1 769	4.5	1 000	8.8
Total	1 875	4.5	1 055	3.7	13 381	- 0.1	8 828	0.2
Charter traffic	253	13.1	199	13.3	2 550	11.6	2 170	13.0
Total traffic	2 128	5.5	1 254	5.1	15 931	1.6	10 998	2.5

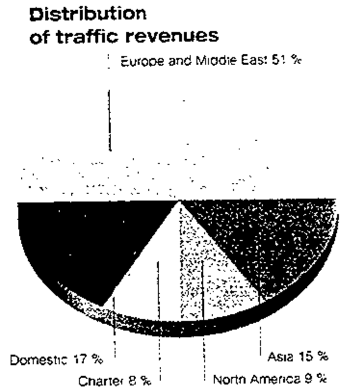












Financial performance and personnel, flight operations

	1996/97	*1995/96*	*Change*
Turnover, FIM mill.	**6 491.2**	6 420.2	1.1 %
Operating profit, FIM mill.	**302.9**	597.9	- 49.3 %
Personnel/change in persons	**8 267**	7 907	360

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

Aircraft used in Finnair Group traffic, May 31,1997

Aircraft	*Number*	*Owned*	*Financial leasing*	*Operating leasing*	*Average age*
MD-11	4	4			4.9
Airbus A300	2	2			10.7
MD-82	10	5	3	2	8.7
MD-83	11	7	2	2	8.4
MD-87	3	3			9.2
DC-9-51	12	12			19.2
ATR 72	6	5	1		6.9
Saab 340	6	2	4		9.4
Total	54	40	10	4	10.6

New staff uniforms were introduced on April 1, 1997.

that is the opening of 'cabotage' traffic, will not appreciably alter Finland's position with respect to traffic policy. It should be born in mind that limited cabotage has been possible within the EU since the third air transport package took effect on January 1, 1993.

PERSONNEL AND SERVICE

At the beginning of the financial year, quality management was assigned to the Human Resources Division. By linking human resources and service quality in this manner both can be developed more coherently in the future.

Personnel

In autumn 1995 all parties to Finnair Oy's labour-management agreements entered into an overall settlement between national federations concerning economic, employment and labour market policy. These agreements will be in effect until the end of January 1998.

Efforts were made during the financial year to find new forms of co-operation between the Company and personnel groups. Co-operation aimed at development of a far-reaching and realistic personnel policy based on values shared by the Company and its personnel was started. The significance of personnel to the Company's success will be emphasized.

Finnair quality

Finnair quality consists of safety, punctuality and good customer service. Finnair is committed to adopt the flight safety practices required by the JAR-OPS 1 pan-European aviation regulations. The Company will also start development of a quality system. In the initial stage of the process, the quality system will be introduced to the extent required by the aviation authorities. The system will eventually be extended so that all the Company's key functions are competitive.

Punctuality

Punctuality was developed systematically in all divisions. As a result, the Company became one of the most punctual airlines in Europe during the financial year. This improvement is based on ensuring the punctuality and precision of operative processes, on making the traffic programme less vulnerable to disruption, on technical departure reliability and the overall capacity to handle daily traffic.

Customer service quality

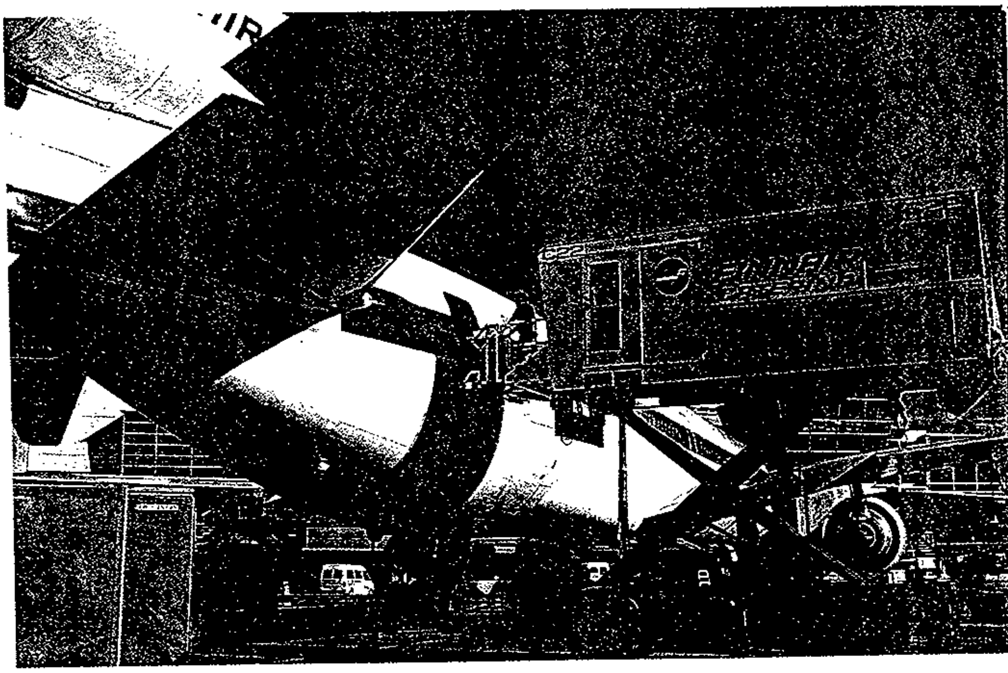
A customer service training programme known as the 'Service Puzzle' was completed. The training dealt with interaction along the entire service chain. During the last two years 1540 Finnair employees in service positions attended the training and 91 seminars were held. The training programme reached the front line of customer service at airports and on flights. Trainers from the Finnair customer service ranks also received coaching.

The groundwork required for improvement of service quality was carried out in each division. A working group representing a cross section of the Company organization made preparations for extensive projects to develop service concepts and improve quality in all service functions. One of the main aims of the effort was to improve the European Business Class with respect to both the consept and the service itself.

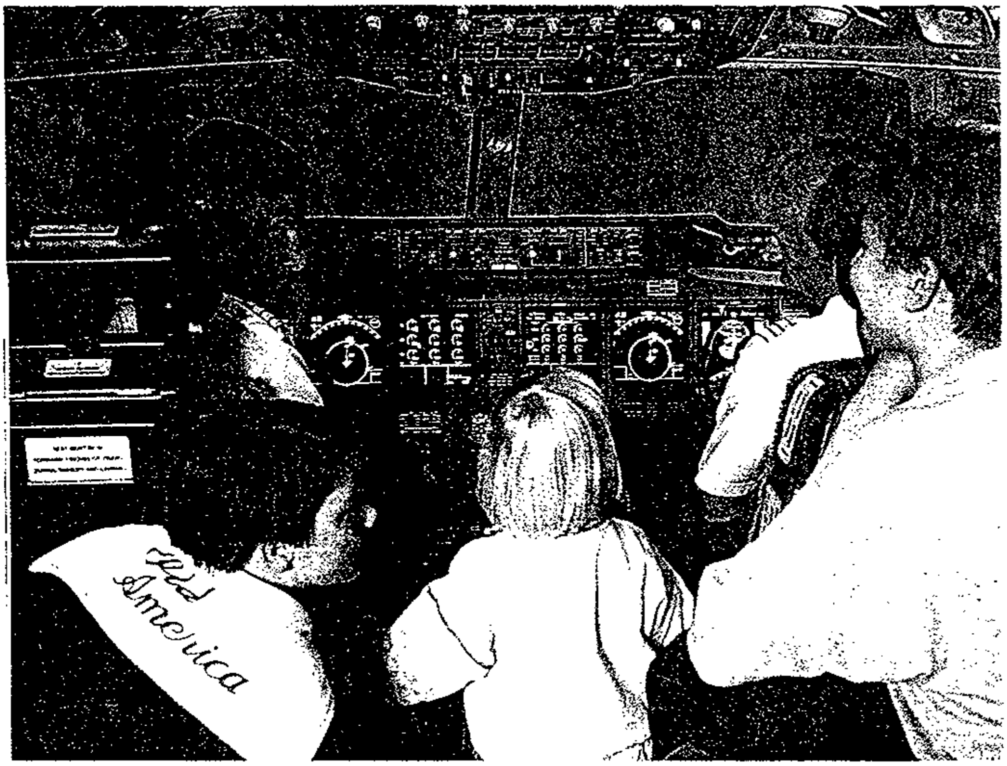
Changes in the competitive environment influenced service planning. Catering will be adapted to individual routes, thus providing the basis for simultaneous improvements in cost effectiveness and service efficiency.

Training provided by the Finnair Training Center

Finnair flights and service functions require a high standard of professional knowledge and a substantial amount of specialist expertise in several areas, including flight operations, aircraft maintenance and service functions. Professional training at Finnair is supervised by the Training Center. The civil aviation authorities also ensure that a high standard of professionalism is actually realized. Special organizations in each division implement training. During 1996 a substantial increase in both basic and advanced professional training was achieved; the main personnel groups affected were pilots, flight attendants and stewards, aircraft mechanics and ground service personnel.



Apart from actual skills and knowledge, training for supervisory personnel has emphasized the significance of team work and appropriate attitudes and the importance of co-operation in developing supervisory-level operations and eventually the service processes as well.



AN ACTION PLAN FOR MAINTAINING PROFITABILITY

A seven-point action plan known as 'Programme 2' was announced in February 1997. This programme seeks to improve the Company's financial performance by FIM 500 million during the next three years through structural changes. Programme 2 is a crucial element in efforts to sustain operational profitability as international competition becomes more intense.

By means of this programme, Finnair will attempt to exert a permanent long-term effect on profitability. The constantly changing environment for air traffic requires a sound basic structure and the ability to adapt quickly to changes taking place in the Company's markets.

The programme seeks both to increase revenues and reduce costs. Benefit will be sought from all expertise that contributes to earnings. Expenditures will also be subjected to extensive restructure; every function and the costs generated by it will be examined.

As Finnair's basic organization functions efficiently, personnel cuts do not have priority. Nevertheless, the Company must develop new modes of operation. Growth must be assured as far as possible with present staff. The Group's annual personnel costs amount to over FIM 2 billion.

Considerable investment will be made in the Finnair service standard in the future, too. A high standard of service is one of the Company's key resources.

Financial control and monitoring will be improved to ensure correct allocation of resources. Distribution costs – a major cost item in air traffic – and the optimization of revenues will be monitored. Commission contracts with travel agencies and marketing fee systems will also be reviewed.

Programme 2 will focus attention on operational planning for air traffic. Flight schedules and shifts will be arranged so that crews and aircraft are in the right place at the right time. The annual costs caused by delays are substantial. The processes involved in individual functions will also be examined. Job descriptions and the time spent in performing various functions will be subject to continuous review. Prices for internal services will be set.

The choice of aircraft for European traffic will have a significant effect on costs and revenues. Special attention will be given to the uniformity of equipment and to reduction of the number of aircraft types.

ENVIRONMENTAL PROTECTION - PRINCIPLES AND PROGRAMMES

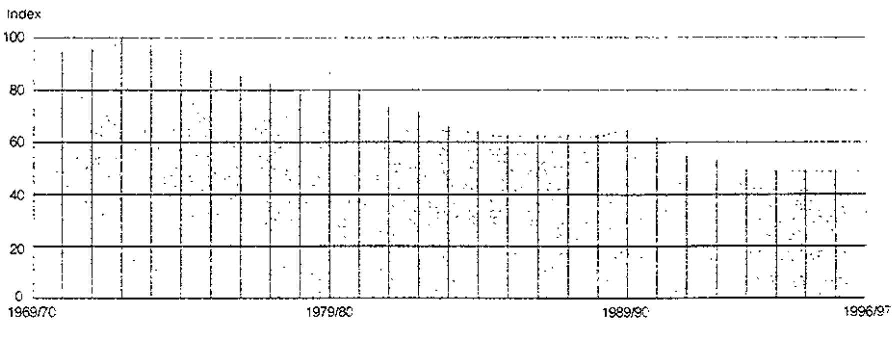
Environmental, health and safety factors are an integral part of Finnair operations and concern every employee on a daily basis. Finnair recognizes its responsibility for protection of its operating environment and the related laws and regulations in its operations.

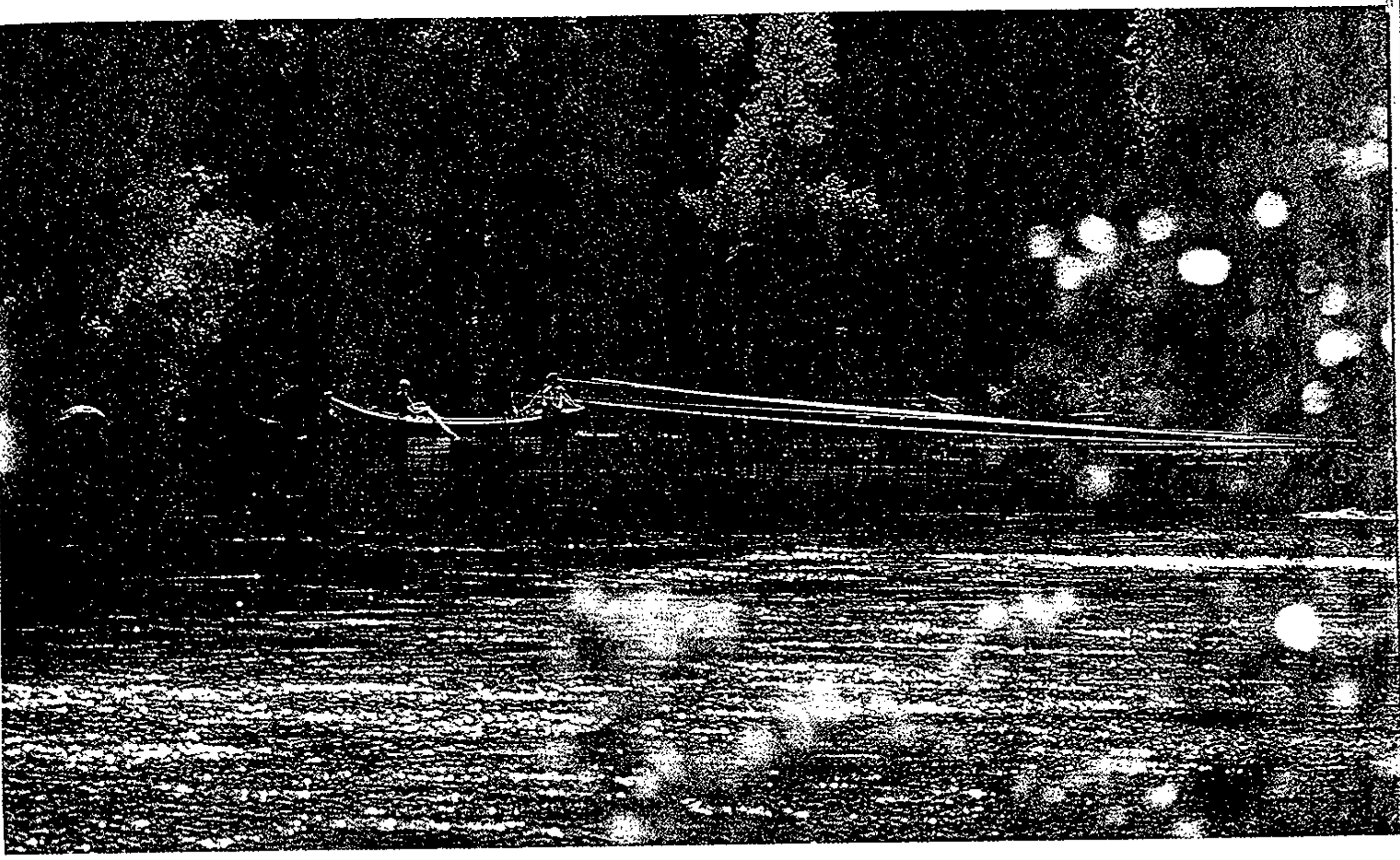
As a member of the IATA, Finnair recognizes the key role played by the ICAO in developing and setting environmental regulations for aviation. Through its environmental policy, Finnair is committed to the IATA goal of minimizing the environmental impact of its operations in an economically feasible manner without jeopardizing flight or occupational safety.

Finnair is committed to efficiency in its energy consumption and use of water and other natural resources, and places special priority on the conservation of non-renewable natural resources. The level of emissions, energy consumption and volume of waste in relation to air transport operations will be reduced. The most hazardous sub-

Development of fuel consumption in Finnair air traffic, 1969/70 - 1996/97

Litres per/available tonne kilometre (1969/70=100)





stances will be replaced whenever this is a reasonable alternative. Reuse and recycling will be increased.

In its choice of materials, processes and equipment, Finnair will minimize the risk to customers, employees and the environment. Finnair is committed to constant reassessment of the risk posed to the environment by its operations and is prepared when necessary to alter its methods. With respect to pressures for changes regarding environmental protection in its aircraft and other equipment, Finnair considers the following conditions necessary:
- the change must be technically feasible
- the change must make sense in both operational and economic terms
- the benefit to the environment must be incontestable.

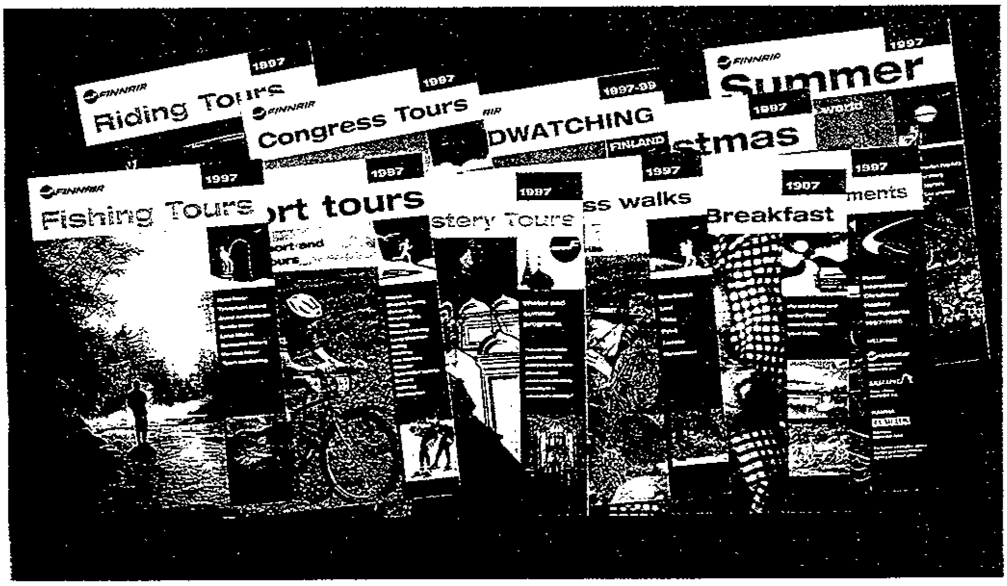
Finnair recognizes the problems caused by aircraft noise in its operating environment and focuses special attention on this factor in selecting aircraft. Finnair also considers it important to recognize that aircraft noise is a significant regional factor in the vicinity of airports and that more effective consideration should be given to it in land-use planning.

The most significant decision with respect to environmental protection in the 1996/97 financial year was to acquire Boeing 757 aircraft for the Company's holiday traffic. These aircraft meet the environmental regulations of the ICAO with respect to noise and emissions by a considerable margin. It was also decided to fit the aircraft with systems to make in-flight waste sorting more efficient.

A decision was made to modernize the washing line at the engine repair facilities; this will reduce the volumes of hazardous organic solvents released into the air. The results of extensive tests at the aircraft repair facilities with dichlorine-methane-free paint removal agents were encouraging.

An agreement concerning the recycling of used tyres was reached and the collection of aluminium cans for reuse began. A new washing line for utensils used in in-flight catering was opened. The new line increases the reuse of waste and reduces the volume of waste delivered to sanitary fills. The problems caused by odour were also alleviated.

*The first of four **Boeing 757** aircraft ordered for holiday traffic will be delivered to the Company in September 1997 and the second in October. Service to southern holiday destinations with the new aircraft will begin in October 1997. Finnair will take delivery of the third Boeing 757 in February 1998 and the fourth in April. The Boeing 757s seat a maximum of 238 passengers. To increase passenger comfort, Finnair is limiting the number of seats to 219.*



Package tours designed for customers with special leisure-time interests have been increased substantially in recent years. Information on these tours is also available on Finnair's Internet pages.

Travel agencies, financial performance and personnel

	1996/97	*1995/96*	*Change*
Turnover, FIM mill.	**292.0**	270.6	7.9 %
Operating profit, FIM mill.	**5.6**	15.7	- 64.3 %
Personnel/change in persons	**1 177**	1 105	72

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

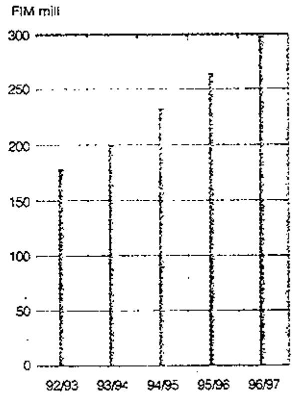
TRAVEL AGENCIES

The largest of the Group's full service travel agencies are Area Travel Agency Ltd and Finland Travel Bureau Ltd. They account for approximately 90% of the turnover in the entire sector. The Group also includes ten smaller travel agencies operating in Finland and abroad. The travel agencies operating abroad are combined under the Norvista organization. Their purpose is to produce Finnair-based tours to Finland and via Finland to other countries. They also produce local services. Outside Finland Finnair's own offices sell and market all products based on scheduled Finnair flights. Norvista's offices provide competitive holiday and other package tours. The operations of the Norvista chain are still in the development stage. Once development is complete, operations are expected to generate total sales of around FIM 250 million.

In 1996 Finland Travel Bureau Ltd acquired Kuopion Matkatoimisto Oy, the majority of Varkauden Matkatoimisto Oy and the business operations of Karhula and Hamina agencies, which formerly belonged to Onni Vilkas Oy. Pertti Pirskanen, who formerly served in an executive capacity at the Kuopio and Varkaus travel agencies, was appointed the new managing director of Finland Travel Bureau Ltd on August 1, 1996. He succeeded Carl Nyberg, who retired.

Area Travel Agency and Finland Travel Bureau offer diverse services and expertise related to business and leisure

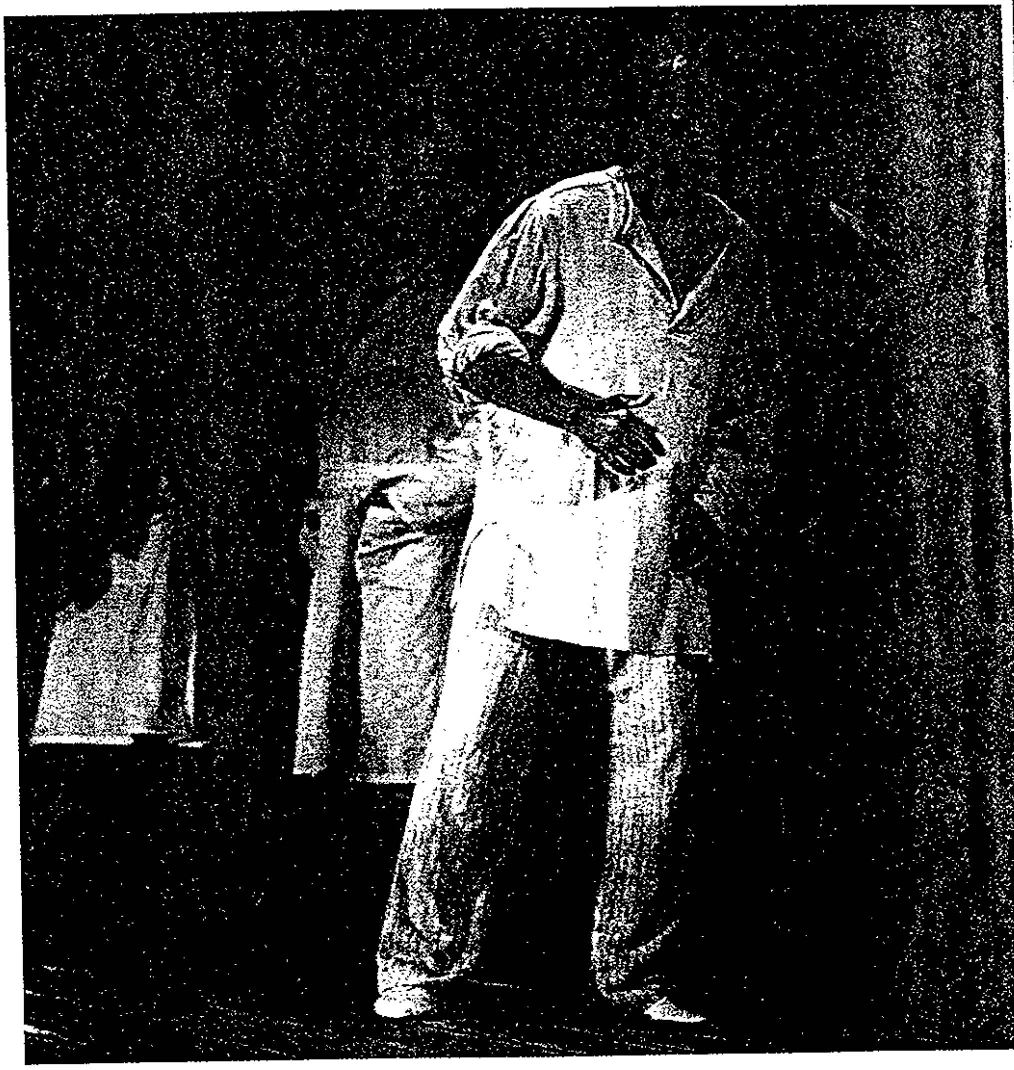
Turnover from Travel agency sector



travel. Business travel accounts for some 80% of total sales and holiday tours for around 20%. Sales are divided approximately as follows: air travel some 70%, package tours 15%, hotels 10% and ship travel 5%.

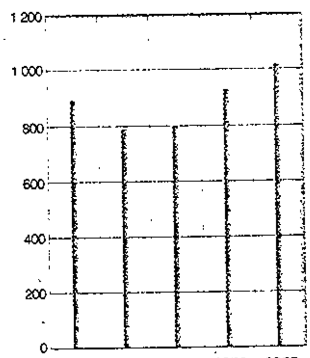
The status of travel agencies and the nature of their work is changing as the rapid development of information technology makes new information and booking systems available. In 1996 Finland Travel Bureau invested in development of a new type of business travel centre. The goal is to enhance the advisory nature of business travel operations and to support it with a diverse range of technical development. This new operational model was applied at business travel centres in the Company's headquarters and the Pitäjämäki district of Helsinki, at Spektri Trio in Espoo and at the Turku World Trade Center.

Growth in business travel slowed during the past financial year while holiday travel picked up considerably. Leisure travel is expected to grow more rapidly than business travel toward the end of this century.



TOUR OPERATIONS

Suntours and Finntours are the Group's domestic tour operators. These and the tour organizer Top Club operate under Finnair Travel Services (FTS). In addition, the Group includes one small tour operator in the United States and one in Canada, both of which are part of the Norvista chain.



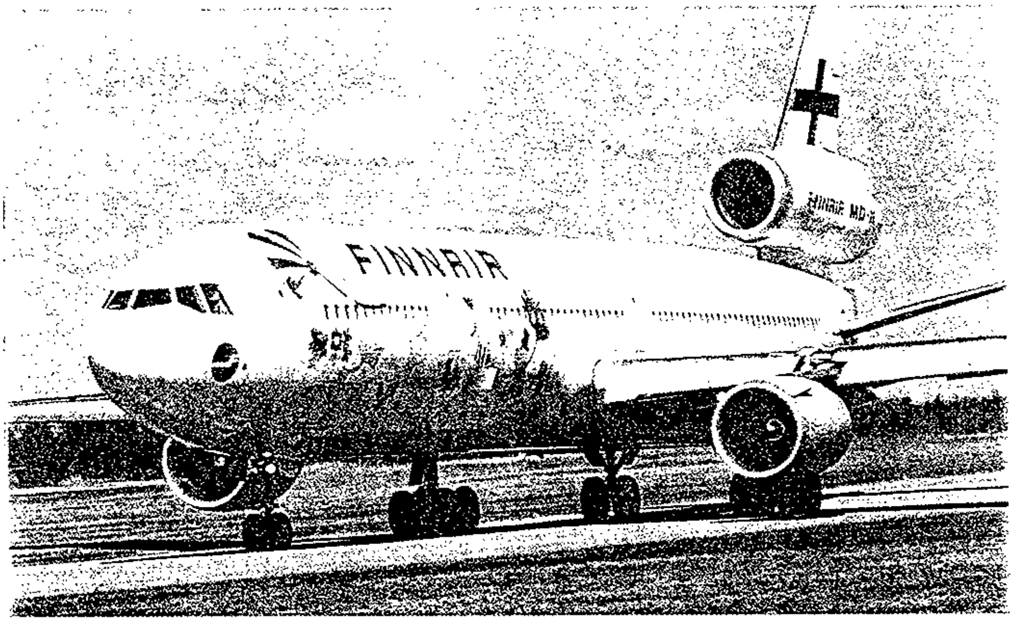
In 1996, some 800,000 tours were made from Finland on charter flights. Growth on the previous year was 12 %. The number of passengers still fell considerably short of the 1989 peak, when there were 1.2 million passengers. In the financial year 1996/97 tour organizers operating under Finnair Travel Services provided tours for a total of 380,000 passengers. Growth on the previous financial year was 13 %. Growth is expected to pick up during the 1997/98 financial year and rise to around 15%.

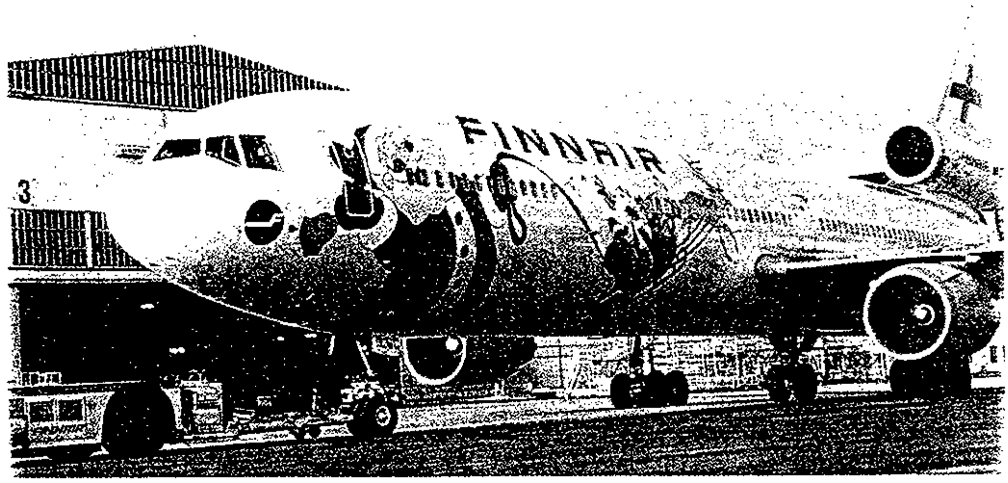
The range of cultural tours offered in summer 1997 includes the world premiere of Einojuhani Rautavaara's opera 'Aleksis Kivi' at the Savonlinna Opera Festival

Tour operations, financial performance and personnel

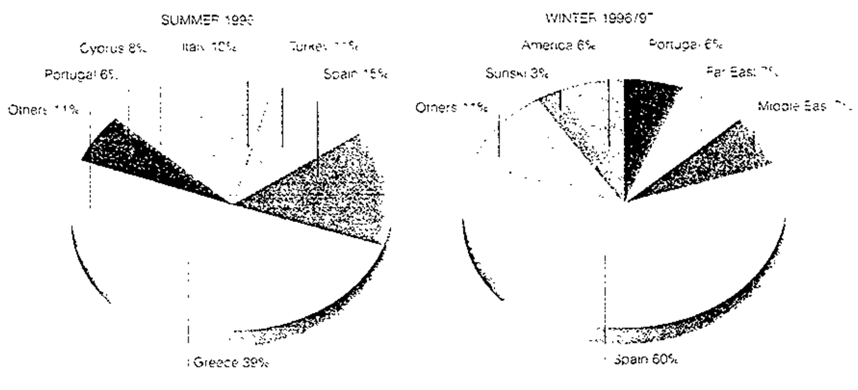
	1996/97	*1995/96*	*Change*
Turnover, FIM mill.	**1 050.8**	926.3	13.4 %
Operating profit, FIM mill.	**0.3**	- 0.7	142.9 %
Personnel/change in persons	**461**	428	33

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





Tour production by country (Suntours and Finntours)



The market share of FTS tour organizers is around 50%. The remainder is held almost entirely by the three major tour operators: the Swedish Nordpool group (Fritidsresor and Hassen Matkat), a British-owned Swedish group SLG (Tjäreborg and Spies) and the Turkish Tursem group (Kymppi-Matkat).

The FTS tour operators serve approximately 200 destinations. They offer nearly 1000 hotels abroad and overnights total around four million annually. Their nine sales outlets account for 45% of the tours and the remaining 55% are handled by 400 travel agencies.

Finnair Travel Services purchased air transport services from Parent Company Finnair worth FIM 513 million during the year under review. The tour operators' passenger load factor on flights was 98%. The market in the sector is very susceptible to change. Our own tour organizers are essential, especially when adjusting to excess air transport capacity and ensuring employment in Finland.

OTHER SECTORS

Other sectors include Amadeus Finland Oy, Finncatering Oy, Nordic-Hotel Oy for the period April 1 - December 31, 1996 and Finnair Gateway Ravintolat Oy as of January 1, 1997.

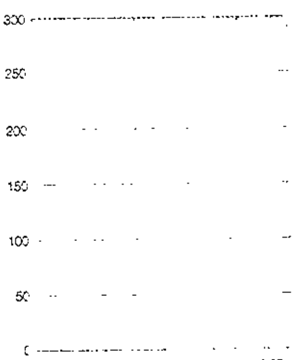
Amadeus Finland Oy is responsible in Finland for the development and updating of an information and distribution system founded by international airlines. Amadeus preserved its leading position as the world's largest booking system. Revenues from bookings account for 44% of Amadeus Finland Oy's total sales and operating fees for travel agency systems, equipment sales and leasing account for the remainder. Turnover during the past financial year was FIM 61 million. Competition between booking systems is intense and new equipment spreads rapidly; constant investment in development is therefore required.

Other sectors, financial performance and personnel

	1996/97	*1995/96*	*Change*
Turnover, FIM mill	**314.8**	318.4	-1.1 %
Operating profit, FIM mill.	**15.8**	12.2	29.5 %
Personnel/change in persons	**628**	665	-37

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

Turnover from Other sectors



Finncatering Oy mainly produces cold servings for flights and also bakery goods, prepared foods, frozen foods and lunch and banquet products. Its turnover during the past financial year was FIM 53 million.

Nordic-Hotel Oy and Finnair Gateway Ravintolat Oy (airport restaurants) operated for only part of the financial year. As a result, the combined turnover of the sectors declined.

In June 1997, the Company chose ***the Airbus 320 series*** *as the new aircraft type for its European traffic. The aircraft chosen are the 126-seater A319, the A320 with 153 seats and the A321 with 188 seats. Twelve Airbus aircraft have been ordered and the contract also includes options on an additional 24. Delivery will begin in 1999.*

KEY FIGURES

		1992/93	1993/94	1994/95[1]	1995/96[1]	**1996/97[1]**
Consolidated financial results						
Turnover	FIM mill.	5 456	5 941	6 653	7 186	7 403
- change	%	0.3	8.9	12.0	8.0	3.0
Operating margin	FIM mill.	351	588	945	1 055	784
- in relation to turnover	%	6.4	9.9	14.2	14.7	10.6
Operating profit	FIM mill.	- 40	189	522	624	326
- in relation to turnover	%	- 0.7	3.2	7.8	8.7	4.4
Net financial expenses	FIM mill.	310	69	103	91	16
- in relation to turnover	%	5.7	1.2	1.5	1.3	0.2
Profit before incidental items and taxes	FIM mill.	- 349	120	419	533	310
- in relation to turnover	%	- 6.4	2.0	6.3	7.4	4.2
Profit before taxes	FIM mill.	- 367	120	419	533	429
- in relation to turnover	%	- 6.7	2.0	6.3	7.4	5.8
Consolidated balance sheet						
Fixed assets and other long-term investment	FIM mill.	4 031	4 132	3 937	4 043	4 046
Value adjustments	FIM mill.	37	43	66	61	41
Inventories	FIM mill.	191	171	171	188	202
Current assets	FIM mill.	2 395	2 454	3 242	2 641	2 409
Total assets	FIM mill.	6 654	6 800	7 416	6 933	6 698
Share capital	FIM mill.	246	323	408	408	410
Other equity and minority holding	FIM mill.	909	1 144	1 850	2 183	2 343
Liabilities	FIM mill.	5 499	5 333	5 158	4 342	3 945
Total liabilities	FIM mill.	6 654	6 800	7 416	6 933	6 698
Gross investment less advance payments	FIM mill.	854	699	278	567	1 055
Gross investment in relation to turnover	%	15.6	11.8	4.2	7.9	14.3
Return on equity (ROE)	%	negat.	8.7	21.2	15.4	7.7
Return on investment (ROI)	%	7.2	8.7	15.1	15.7	9.4
Increase in share capital	FIM mill.	–	76	85	–	2
Dividend for the financial year[2]	FIM mill.	–	19	41	82	82
Earnings/share	FIM	- 6.67	1.93	5.10	4.56	2.48
Equity/share	FIM	21.69	22.72	27.68	31.74	33.54
Dividend/share[2]	FIM	–	0.30	0.50	1.00	1.00
Dividend/earnings	%	–	15.53	9.81	21.92	40.27
Effective dividend yield	%	–	0.89	1.72	2.65	2.71
Equity ratio	%	17.5	21.8	30.9	37.9	41.7
Net debt-to-equity (Gearing)	%	225.8	153.6	43.0	25.3	12.8
Interest-bearing debt	FIM mill.	4 127	3 792	3 185	2 253	1 676
Liquid funds	FIM mill.	1 519	1 539	2 214	1 598	1 323
Net interest-bearing debt	FIM mill.	2 608	2 253	971	655	353
- in relation to turnover	%	47.8	37.9	14.6	9.1	4.8
Net financing expenses	FIM mill.	310	69	103	91	16
- in relation to turnover	%	5.7	1.2	1.5	1.3	0.2
Net interest expenses	FIM mill.	87	139	103	99	17
- in relation to turnover	%	1.6	2.3	1.6	1.4	0.2
Operational cash flow[3]	FIM mill.	35	514	825	816	905
Operational cash flow in relation to turnover	%	0.6	8.6	12.4	11.4	12.2
Average number of shares adjusted for the share issue		53 223 480	59 509 008	71 649 571	81 584 480	82 053 018
Number of shares adjusted for the share issue at the end of the financial year		53 223 480	64 537 260	81 556 420	81 584 480	82 053 018
Number of shares corresponding to share capital at the end of the financial year		49 281 000	64 537 260	81 556 420	81 584 480	82 053 018
P/E ratio		–	17.44	5.69	8.26	14.86
Personnel, on average		10 259	9 677	9 539	10 105	10 533

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

1) The voluntary reserves during the financial years 1994/95, 1995/96 and 1996/97 have been altered so that the voluntary reserves of Group Companies were divided in the balance sheet between equity and imputed tax liability. In the profit and loss statement, the change in voluntary reserves during the financial year was divided between the profit for the financial year and the change in imputed tax liability. The index figures for 1992/93 and 1993/94 have not been changed.

2) The proposal of the Board of Directors to the Annual General Meeting.

3) The 1996/97 operational cash flow includes the impact of imputed tax liability and the previous year was restated accordingly.

FORMULAS FOR RATIOS

Return on equity % (ROE)	=	$\dfrac{\text{Result before incidental items - taxes}}{\text{Equity + minority holding (average at the beginning and end of the financial year)}} \times 100$
Return on investment % (ROI)	=	$\dfrac{\text{Result before incidental items + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average at the beginning and end of the financial year)}} \times 100$
Earnings / share (FIM)	=	$\dfrac{\text{Result before incidental items + / - minority holding - taxes}}{\text{Average number of shares during the financial year, adjusted for the share issue}}$
Equity / share (FIM)	=	$\dfrac{\text{Equity}}{\text{Number of shares at the end of the financial year, adjusted for the share issue}}$
Equity ratio, %	=	$\dfrac{\text{Equity + minority holding}}{\text{Balance sheet total - advances received}} \times 100$
Net debt-to-equity, (Gearing), %	=	$\dfrac{\text{Net interest-bearing debt - liquid funds}}{\text{Equity + minority holdings}} \times 100$
Dividend / earnings %	=	$\dfrac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Effective dividend yield %	=	$\dfrac{\text{Dividend per share}}{\text{Share price at the end of the financial year, adjusted for the share issue}} \times 100$
P/E Ratio	=	$\dfrac{\text{Final trading price at the end of the financial year}}{\text{Earnings per share}}$

SUBSIDIARIES

	Total sales (FIM 1 000) 1996/97	Change %	Turnover (FIM 1 000) 1996/97	Change%	Personnel March 31 1997	Personnel March 31 1996	Finnair Oy holding % (direct or indirect)
Malmilento Oy Survey flights Pekka Välimäki, Managing Director	3 005	–	3 005	–	–	–	100.0
Area Travel Agency Ltd Complete travel agency services Timo Mannermaa, Managing Director	1 064 955	+10	103 605	+ 7	427	399	100.0
Area Baltica Reisibüroo AS, Estonia Complete travel agency services Tuula Hyvönen, Managing Director	–	–	–		–	–	100.0
ZAO Norvista, Russia Complete travel agency services Tuula Hyvönen, Managing Director	9 640	+ 100	935	+ 87	17	16	100.0
Estravel AS, Estonia Complete travel agency services Aivo Takis, Managing Director	79 994	+ 23	10 939	–	98	80	72.0
BMR Balti Meediareklaami AS, Estonia Advertising agency Tiia Raidma, Managing Director	1 494	+193	1 494	–	11	3	72.0
Finlandia Agence de Voyages S.A.R.L., France Complete travel agency services Leena Uurala, Managing Director	22 302	÷ 26	3 805	+ 20	7	11	99.8
Finlandia Travel Agency Ltd, UK Complete travel agency services Antero Lahtinen, Dep. Managing Director	88 915	÷ 48	9 250	÷ 23	27	26	100.0
Mikkelin Matkatoimisto Oy Complete travel agency services Heleena Mutanen, Managing Director	20 027	+ 6	2 097	- 26	10	7	51.0
Norvista Travel AB, Sweden Complete travel agency services Billy Carlsson, Managing Director	14 074	+ 5	3 650	+ 66	9	10	100.0
Finland Travel Bureau Ltd Complete travel agency services Pertti Pirskanen, Managing Director	1 414 626	+ 5	147 104	- 1	573	563	99.8
Kuopion Matkatoimisto Oy Complete travel agency services Pertti Pirskanen, Managing Director	46 656	–	5 775		45	–	100.0
Varkauden Matkatoimisto Oy Complete travel agency services Leena Torvinen, Managing Director	12 848	–	1 348		14	–	69.6
Oy Aurinkomatkat - Suntours Ltd Ab Tour operations Timo Heinonen, Managing Director	715 117	+ 19	672 258	+ 12	242	237	97.1
Finnair Travel Services Oy Support services for tour operations Timo Heinonen, Managing Director	80 190	+ 151	76 035	+ 146	102	96	100.0
Oy Finnmatkat - Finntours Ltd Ab Tour operations Timo Heinonen, Managing Director	314 773	- 8	294 089	+ 4	139	142	100,0
Norvista Travel Ltd, Canada Tour operations Jyrki Eriksson, Managing Director	9 546	- 15	1 494	- 80	4	8	100,0
Norvista Ltd, USA Tour operations Anneli Karppinen, Managing Director	26 087	–	6 893	–	15	9	100.0
Norvista S.R.L., Italy Complete travel agency services Marisa Impellizeri, Managing Director	8 355	–	1 504	–	3	–	100,0
Norvista Reisen GmbH, Germany Complete travel agency services Merja Pollok, Managing Director	2 007	–	2 007	–	7	–	100.0
Finnair Gateway Ravintolat Oy Hotel and restaurant services Anssi Komulainen, Managing Director	15 324	–	15 324	–	164	–	100,0
Finncatering Oy Catering operations Leo Eerikas, Managing Director	52 791	+ 11	52 791	+ 11	126	124	100,0
Amadeus Finland Oy Automated distribution and information systems for the travel industry Kari Koli, Managing Director	61 119	+ 7	61 119	+ 7	39	37	95.0
Real estate companies	1 966	÷ 0	1 966	÷ 0	1	1	100.0
TOTAL	4 065 811	+ 13	1 478 487	+ 13	2 080	1 769	

ADDRESSES

FINNAIR OY HEADQUARTERS

Tietotie 11 A
Helsinki-Vantaa Airport
P.O.Box 15
01053 Finnair
Finland
telephone +358 9 81 881
fax +358 9 818 4401

FINNAIR OY SUBSIDIARIES

Amadeus Finland Oy
Dagmarinkatu 4
P.O.Box 278
00101 Helsinki
Finland
telephone +358 9 818 799
fax +358 9 490 427

Area Travel Agency Ltd
Päivärinnankatu 1
P.O. Box 6
00251 Helsinki
Finland
telephone +358 9 818 383
fax +358 9 818 3245

Finland Travel Bureau Ltd
Kaivokatu 10 A
P.O. Box 319
00101 Helsinki
Finland
telephone +358 9 18 261
fax +358 9 612 1547

Finnair Gateway Ravintolat Oy
Helsinki-Vantaa Airport
01530 Vantaa
Finland
telephone +358 9 818 3606
fax +358 9 818 3609

Finnair Travel Services Oy
Dagmarinkatu 4
P.O.Box 275
00101 Helsinki
Finland
telephone +358 9 818 787
fax +358 9 818 7818

Finncatering Oy
Valimokuja 2
P.O.Box 38
01511 Vantaa
Finland
telephone +358 9 8700 250
fax +358 9 8700 2515

Kuopion Matkatoimisto Oy
Kauppakatu 22
70100 Kuopio
Finland
telephone +358 17 265 6100
fax +358 17 265 6101

Mikkelin Matkatoimisto Oy
Porrassalmenkatu 23
50100 Mikkeli
Finland
telephone +358 15 321 100
fax +358 15 321 1010

Oy Aurinkomatkat - Suntours Ltd Ab
Dagmarinkatu 4
P.O.Box 287
00101 Helsinki
Finland
telephone +358 9 12 331
fax +358 9 818 7008

Oy Finnmatkat - Finntours Ab
Dagmarinkatu 4
P.O. Box 840
00101 Helsinki
Finland
telephone +358 9 175 344
fax +358 9 818 7280

Varkauden Matkatoimisto Oy
Ahiströminkatu 8
78250 Varkaus
Finland
telephone +358 17 551 0511
fax +358 17 551 0555

NORVISTA OFFICES

AMSTERDAM
Norvista B.V.
Danny Ostendorf, Managing Director
World Trade Center
Schiphol Boulevard 185
1118 BG Schiphol Airport
telephone +31-20-316 4023
fax +31-20-316 4030

FRANKFURT
Norvista Reisen GmbH
Merja Pollok, Managing Director
Karlstrasse 12
D-60329 Frankfurt/M
telephone +49-69-24 29 7730
fax +49-69-24 29 7790

LONDON
Norvista
Antero Lahtinen, Dep. Managing Director
227 Regent Street
London W1R 8PD
telephone +44-171-409 7333
fax +44-171-409 0553 or 408 0932

MILAN
Norvista S.R.L.
Marisa Impellizeri, Managing Director
Via Larga 2
20122 Milan
telephone +39-2-8901 0294,-95
fax +39-2-8901 0297

NEW YORK
Norvista Ltd
Anneli Karppinen, Managing Director
228 East 45th Street
New York, NY 10017
telephone +1-212-818 1198
fax +1-212-818 0585

PARIS
Norvista
Leena Uurala-Corbion, Managing Director
19 Rue de Choiseul
75002 Paris
telephone +33-1-49 24 0597
fax +33-1-40 17 0500

RIGA
Norvista
Laila Auzenberga, Managing Director
Kr.Barona 13/15, Astrides House
Riga
telephone +371-7-217617
fax +371-7-287977

RUSSIA
ZAO Norvista
Tuula Hyvönen, Managing Director

St.Petersburg
Marja Rissanen, Office Manager
Hotel Astoria, Boljshaja Morskaja 39
190000 St.Petersburg
telephone +7-812- 210 5081
fax +7-812-210 5084

Moscow
Satu-Johanna Oksanen, Office Manager
Spiridonevskij Pereulok 5 kv 5
103 104 Moscow
telephone +7-095-290 6683
fax +7-095-956 0763

STOCKHOLM
Norvista Travel AB
Billy Carlsson, Managing Director
Box 38 183 (Fatburs kvarngatan 10)
100 64 Stockholm
telephone +46-8-720 3330
fax +46-8-720 4092

TALLINN
Estravel
Aivo Takis, Managing Director
BOX 3727 (Suur-Karja 15)
EE-0090 Tallinn
telephone +372-6-266 200
fax +372-6-266 202

TORONTO
Norvista Ltd
Jyrki Eriksson, Managing Director
20 York Mills Road, Suite 402
Toronto, North York, ONT M2P2C2
telephone +1-416-222 0740
fax +1-416-222 5004

FINNAIR GROUP
AIR TRANSPORT

	1992/93	1993/94	1994/95	1995/96	**1996/97**
SCHEDULED INTERNATIONAL TRAFFIC					
Flight hours	69 158	71 118	84 301	100 130	102 215
Flight kilometres	42 379 000	45 550 000	52 474 000	62 250 000	63 450 000
Available seat kilometres	7 044 568 000	7 914 545 000	10 021 335 000	11 696 404 000	11 612 462 000
Revenue passenger kilometres	3 937 948 000	4 811 651 000	6 617 674 000	7 892 862 000	7 827 823 000
Passenger load factor	55.9	60.8	66.0	67.5	67.4
Available tonne kilometres	978 052 000	1 136 434 000	1 413 745 000	1 614 600 000	1 680 417 000
Revenue tonne kilometres	482 351 000	610 242 000	802 337 000	936 039 000	967 191 000
Overall load factor	49.3	53.7	56.8	58.0	57.6
Passengers	1 857 737	2 144 340	2 802 980	3 261 879	3 330 676
Cargo (1 000 kg)	28 943	35 621	43 335	45 920	51 618
Mail (1 000 kg)	5 724	6 718	6 932	7 740	8 220
SCHEDULED DOMESTIC TRAFFIC					
Flight hours	48 215	44 759	45 185	45 787	47 523
Flight kilometres	19 789 000	18 393 000	18 293 000	18 612 000	19 131 000
Available seat kilometres	1 807 657 000	1 647 980 000	1 648 074 000	1 693 606 000	1 769 312 000
Revenue passenger kilometres	875 725 000	818 313 000	869 019 000	918 509 000	999 617 000
Passenger load factor	48.4	49.7	52.7	54.2	56.5
Available tonne kilometres	190 633 000	169 798 000	170 045 000	179 462 000	195 015 000
Revenue tonne kilometres	77 814 000	72 890 000	77 452 000	80 928 000	87 708 000
Overall load factor	40.8	42.9	45.5	45.1	45.0
Passengers	2 050 828	1 864 355	1 957 498	2 050 172	2 230 951
Cargo (1 000 kg)	4 316	4 248	4 624	4 608	4 657
Mail (1 000 kg)	732	898	1 214	1 158	949
CHARTER TRAFFIC					
Flight hours	22 945	18 359	14 767	16 356	17 832
Flight kilometres	16 403 000	12 956 000	10 006 000	11 000 000	12 269 000
Available seat kilometres	4 157 932 000	3 594 812 000	2 426 299 000	2 284 557 000	2 549 558 000
Revenue passenger kilometres	3 568 793 000	3 122 078 000	2 048 929 000	1 921 114 000	2 170 417 000
Passenger load factor	85.8	86.8	84.4	84.1	85.1
Available tonne kilometres	411 019 000	355 604 000	236 391 000	223 448 000	252 681 000
Revenue tonne kilometres	331 953 000	289 956 000	187 981 000	175 445 000	198 817 000
Overall load factor	80.8	81.5	79.5	78.5	78.7
Passengers	1 084 479	911 158	671 287	650 478	718 241
Cargo (1 000 kg)	2 971	2 654	1 424	1 009	1 189
Mail (1 000 kg)	70	29	35	49	35
TOTAL AIR TRANSPORT					
Flight hours	140 318	134 236	144 253	162 273	167 570
Flight kilometres	78 571 000	76 899 000	80 773 000	91 862 000	94 850 000
Available seat kilometres	13 010 157 000	13 157 337 000	14 095 708 000	15 674 567 000	15 931 332 000
Revenue passenger kilometres	8 382 466 000	8 752 042 000	9 535 622 000	10 732 485 000	10 997 857 000
Passenger load factor	64.4	66.5	67.6	68.5	69.0
Available tonne kilometres	1 579 704 000	1 661 836 000	1 820 181 000	2 017 510 000	2 128 113 000
Revenue tonne kilometres	892 118 000	973 088 000	1 067 770 000	1 192 412 000	1 253 716 000
Overall load factor	56.5	58.6	58.7	59.1	58.9
Passengers	4 993 044	4 919 853	5 431 765	5 962 529	6 279 868
Cargo (1 000 kg)	36 230	42 523	49 383	51 537	57 464
Mail (1 000 kg)	6 526	7 645	8 181	8 947	9 204

DEFINITIONS FOR FINNAIR GROUP AIR TRANSPORT

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

Revenue passenger kilometres
Number of revenue passengers carried, multipled by the number of kilometres flown*

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

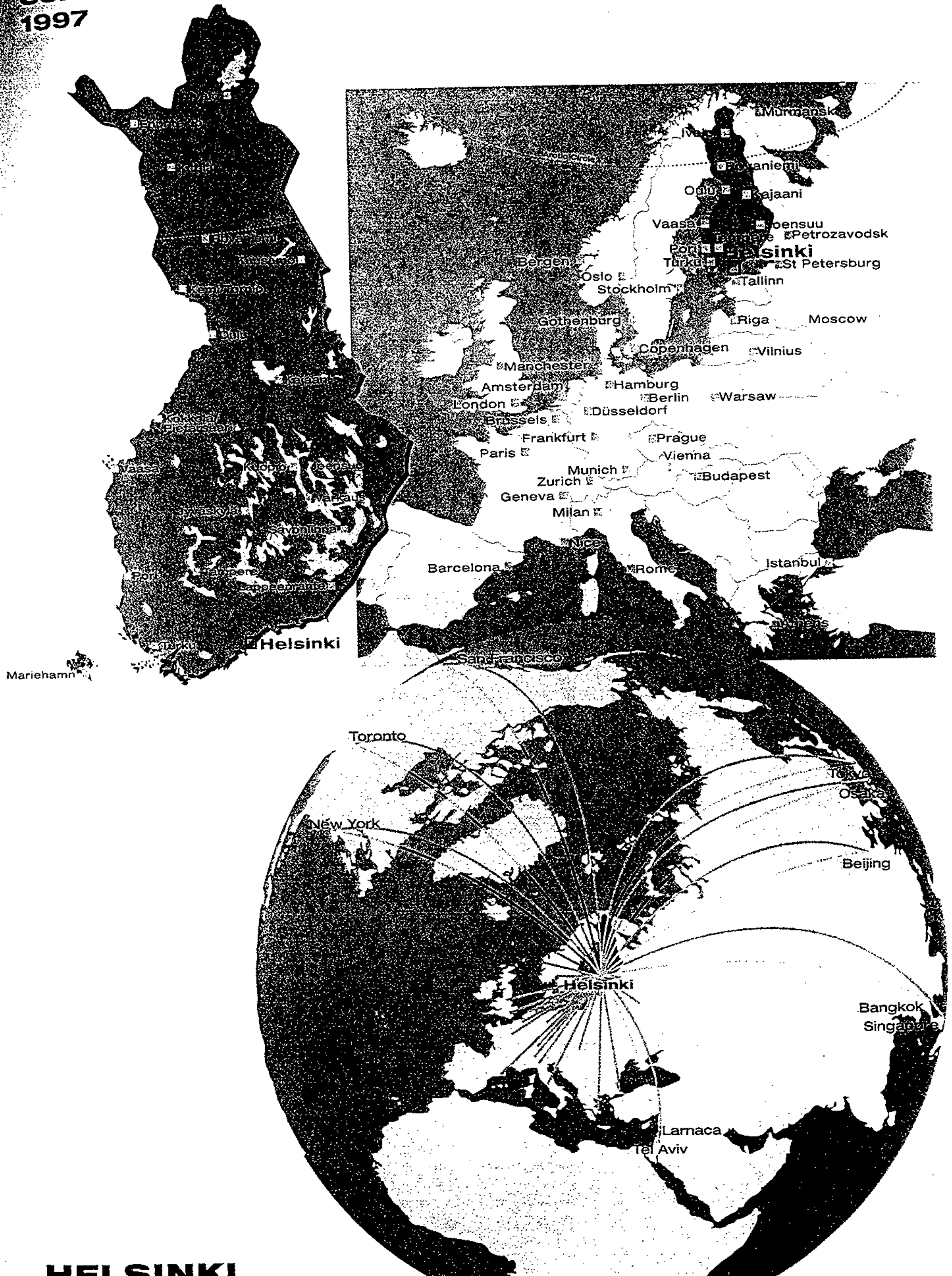
Available tonne kilometres
Number of tonnes of capacity available for carriage of passengers, cargo and mail, multiplied by number of kilometres flown*

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

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

** Kilometres flown are based on IATA Great Circle distances.*

SCHEDULED FLIGHT DESTINATIONS 1997



HELSINKI GATEWAY

FINNAIR

ANNUAL REPORT
1996 / 1997