



UBF £18

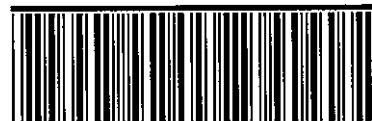
COMPANIES HOUSE 24/06/95

UBF 718

004971

A N N U A L R E P O R T

1993/1994



A34 *AZNRICII* 294
COMPANIES HOUSE 24/06/95

 **FINNAIR**
1923 - 1993

CONTENTS

| | |
|--|----|
| HIGHLIGHTS | 2 |
| REVIEW BY THE CHIEF EXECUTIVE OFFICER | 3 |
| ADMINISTRATIVE BODIES | 4 |
| FINANCIAL STATEMENTS | 5 |
| Review of Operations by the Board of Directors | 5 |
| Consolidated Profit and Loss Statement | 14 |
| Consolidated Balance Sheet | 15 |
| Consolidated Statement of Source and Application of Funds | 16 |
| Finnair Oy Profit and Loss Statement | 17 |
| Finnair Oy Balance Sheet | 18 |
| Finnair Oy Statement of Source and Application of Funds | 19 |
| Financial Statement Principles | 20 |
| Notes to the Financial Statements | 21 |
| Key Figures | 27 |
| Formulas for Ratios | 28 |
| Proposal by the Board of Directors to the Annual General Meeting | 29 |
| Auditors' Report | 29 |
| Statement of the Supervisory Board | 30 |
| SUBSIDIARIES | 31 |
| FINNAIR GROUP AIR TRANSPORT | 32 |

INFORMATION FOR SHAREHOLDERS

Annual General Meeting

The Annual General Meeting of Finnair Oy will convene on August 25, 1994 at 4.00 p.m. in the Hotel Inter-Continental Helsinki, Mannerheimintie 46-48, Helsinki.

Interim Reports

Finnair Oy will publish one interim report for the period April 1 - September 30, 1994 of the 1994/95 financial year, and it will be released in November 29, 1994.

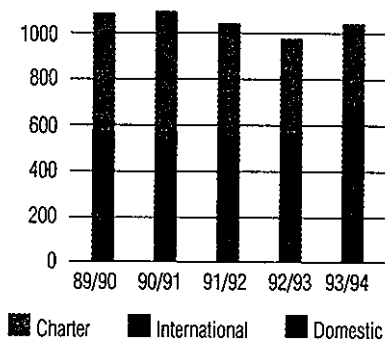


ANNUAL REPORT
1993/1994

70th financial year

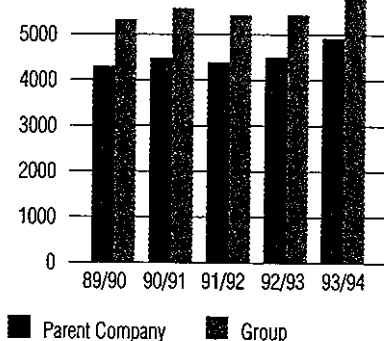
Revenue tonne kilometres 1989/90–1993/94

Mill. tkm



Turnover 1989/90–1993/94

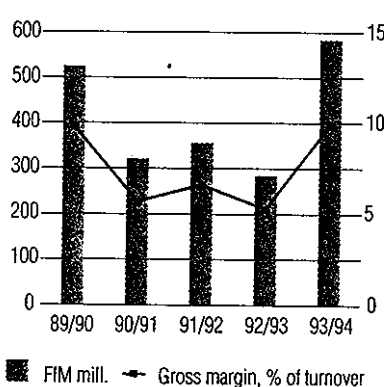
FIM mill.



Gross margin 1989/90–1993/94

FIM mill.

Gross margin %



HIGHLIGHTS

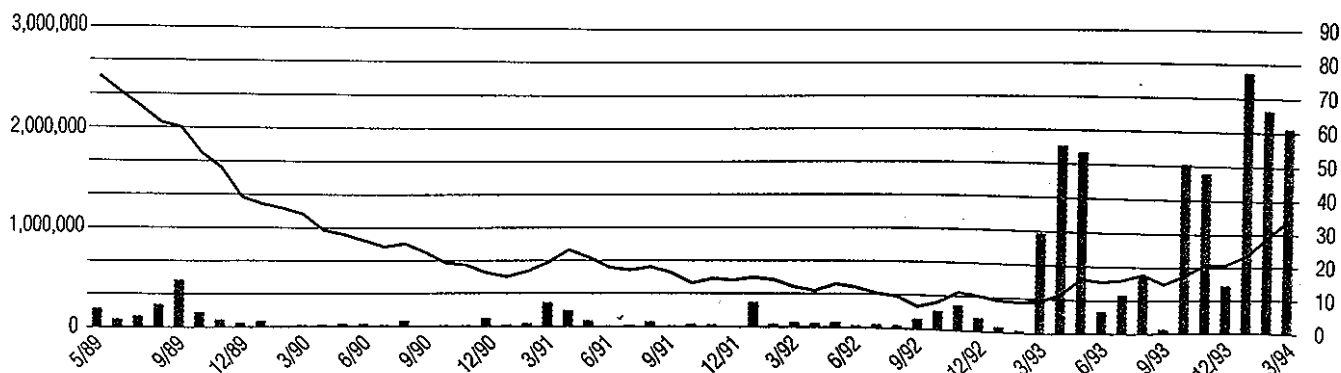
FINNAIR GROUP

| | | 1993/94 | 1992/93 | Change % |
|---------------------------------------|-------------|---------|---------|----------|
| Revenue tonne km | (mill.) | 1,039 | 971 | 7.0 |
| Passengers | (1000) | 4,920 | 4,993 | -1.5 |
| Cargo and mail | (1000 kg) | 50,168 | 42,756 | 17.3 |
| Turnover | (FIM mill.) | 5,892 | 5,456 | 8.0 |
| Turnover by sector | | | | |
| Flight operations | (FIM mill.) | 5,311 | 4,856 | 9.4 |
| Travel agency operations | (FIM mill.) | 199 | 181 | 9.9 |
| Tour operations | (FIM mill.) | 779 | 899 | -13.3 |
| Hotel operations | (FIM mill.) | 169 | 136 | 24.3 |
| Other sectors | (FIM mill.) | 88 | 76 | 15.8 |
| Internal invoicing, the Group | (FIM mill.) | -653 | -692 | -5.6 |
| Gross margin | (FIM mill.) | 582 | 285 | 104.2 |
| Gross margin | (%) | 9.9 | 5.3 | |
| Operating profit/loss | (FIM mill.) | 183 | -105 | |
| Result after financial items | (FIM mill.) | 113 | -415 | |
| Profit/loss for the financial year | (FIM mill.) | 146 | -81 | |
| Earnings/share | (FIM) | 1.92 | -6.67 | |
| Equity/share | (FIM) | 22.71 | 21.69 | |
| Share quotations as at March 31 (FIM) | | 33.70 | 9.40 | |
| Gross investment | (FIM mill.) | 699 | 854 | -18.1 |
| Interest-bearing liabilities | (FIM mill.) | 3,791 | 4,127 | -8.1 |
| Equity | (FIM mill.) | 943 | 600 | 57.2 |
| Equity ratio | (%) | 21.8 | 17.5 | |
| Personnel in average | | 9,721 | 10,324 | |

Finnair share quotations and trade on the Helsinki Stock Exchange 1989 – 1994

Traded, number

Quotation FIM



REVIEW BY THE CHIEF EXECUTIVE OFFICER

The past financial year was one of special significance for Finnair, as November 1, 1993 marked the 70th anniversary of its founding. Few airlines can match such long experience, which spans virtually the entire history of commercial aviation.

Our satisfaction in celebrating this jubilee was enhanced by the financial results for the year; a profit was shown after three years of losses.

These positive results were achieved despite the fact that the Finnish economic recession reached its bottom and the number of passengers was smaller than in the previous year. Only a few other European airlines were successful in making it into the black.

Implementation of the programme for the liberalization of air traffic in Europe is proceeding apace. The EEA agreement made Finland an integral part of this programme. Airlines in the EEA area will now be able to plan their traffic freely and set their capacities and prices at the level they desire.

As a sequel to liberalization, there is a worldwide trend to privatize national airlines in which governments normally have majority holdings. Due to their accumulated losses, many companies are in serious financial straits, so much so that large government subsidies have been necessary

to keep them solvent. Such subsidies distort the market, and free, healthy competition in European traffic will remain a long way off for years to come, despite deregulation.

The favourable developments apparent in our company's financial performance were due to the combined effects of many factors.

Revenues were boosted in particular by sales abroad. Long-haul routes experienced the most growth; both the passenger and the cargo capacity of the new MD-11 aircraft could be put to more effective use than expected. A crucial increase in profitability was also achieved on these routes.

The profitability of domestic traffic also improved, although the number of passengers continued to drop. Supply was brought into line with demand and costs were lowered by measures that increased productivity.

Demand for tours declined. The market share of charter flights was increased to a high level and excess capacity was leased abroad to other operators.

The Technical Division was able to reduce its unit costs, and improved competitiveness supported successful sales of services to other companies. Sale of training services by the Flight Operations Division to other airlines also increased encouragingly.

There was a concerted effort to reduce operating costs during the financial year. This also meant substantial reductions in personnel, some of which involved giving notice. The programme succeeded, and the consensus that prevailed was crucial to its implementation.

The costs of financing during the year were reduced by exchange rate gains due to strengthening of the Finnish markka.

The near future looks brighter than before. Demand has begun to increase, and the Company's competitive efficiency has gradually improved. Our strategic choices - at least to date - would appear to have been correct. The position of Finland and Helsinki as a centre for northern Europe is growing stronger.

Many threats, however, are evident, and thus caution is required. We must attempt to keep the Company flexible in order to meet the keen competition and fast pace of change in a liberalized market. Persistence in our efforts to improve profitability will be essential.

Antti Potila

ADMINISTRATIVE BODIES

(APRIL 1, 1994)

SUPERVISORY BOARD

Harri Holkeri
Chairman

Member of the Board of the Bank of Finland

Felix Björklund
Deputy Chairman
CEO
Karl Fazer Corporation

Claes Andersson
Member of Parliament

Satu Hassi
Member of Parliament

Markku Hyvärinen
Secretary General of the
Finnish Social Democratic
Party

Pekka Kivelä
Secretary General
of the Coalition Party

Markku Koskenniemi
Managing Director
of Tammerneon

Jaakko Lassila
Doctor of Economic Sciences

Ritva Laurila
Member of Parliament

Magnus Nordling
CEO
Otso Loss of Profits Insurance Co.

Seppo Pelttari
Member of Parliament

Matti Piuhola
Group Secretary of the Centre
Party of Finland

Jaakko Pohjola
Ministerial Counsellor
Ministry of Transport
and Communications

Jussi Ranta
Member of Parliament

Olli Rehn
Member of Parliament

Peter Stenlund
M.A. (Soc.Sc.), Secretary General
of the Swedish Peoples' Party

Personnel Representatives

Sirpa-Mari Jämsänen

Rainer Hakala

Eeva Similä

Olavi Uotila

BOARD OF DIRECTORS

Kalevi Sorsa
Chairman

Member of the Board of the Bank of Finland

Ahti Hirvonen
Deputy Chairman
Doctor of Economic Sciences, h.c.

Robert G. Ehrnrooth
Managing Director
EffJohn Oy Ab

Ari Heiniö
LL.B., Managing Director
Stockmann

Raimo Hertto
President
Rautakirja Oy

Seppo Härkönen
Vice-President
The Finnish Foreign Trade Assc.

Jaakko Ihmuotila
Chairman & CEO
Neste Corporation

Eva-Christina Mäkeläinen
Chief of Protocol, Ambassador,
Ministry of Foreign Affairs

Antti Potila
President & CEO
Finnair Oy

BOARD OF MANAGEMENT

Antti Potila
Chairman
President & CEO

Mauri Annala
Executive Vice-President
Coordination of Strategic
Planning, Special Projects,
Internal Auditing, Subsidiaries
and Finnair Catering

Henrik Arle
Executive Vice-President
CFO
Staff

Pertti Laine
Executive Vice-President
Operations Division

Lelf Lundström
Executive Vice-President
Marketing Division

Jouko Malén
Executive Vice-President
Technical Division

Oiva Rajasammal
Executive Vice-President
International Relations and
Traffic Politics

Jaakko Rautakorpi
Executive Vice-President
Human Resources

Pekka Kainulainen, Veikko Ampuja and Antti Lehto have been invited to the meetings of the Board of Management as representatives of the personnel.

AUDITORS

Hannu Nieminen
Audit Councillor,
State Audit Office

Antti Helenius
Authorized Public Accountant,
Salmi, Virkkunen & Helenius

Juhani Korpela
Secretary General
Ministry of Transport and
Communications

Sauli Pyyluoma
Managing Director
Regional Press Association

Pär Stenbäck
Secretary General,
Nordic Council of Ministers

Ulf Sundqvist
Advisor, M.Sc. (Pol.)

Iikka Suominen
Director of Alko Ltd

DEPUTY AUDITORS

Erkki Mäki-Ranta
Audit Councillor

Tauno Haataja
Authorized Public Accountant

Pertti Parmanne
Secretary for Economic Affairs

FINANCIAL STATEMENTS

APRIL 1, 1993 - MARCH 31, 1994

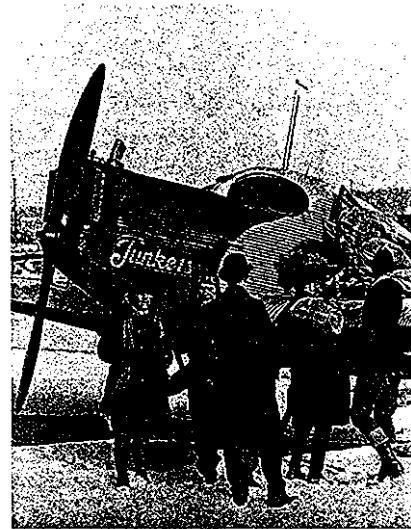
REVIEW OF OPERATIONS BY THE BOARD OF DIRECTORS

THE OVERALL CLIMATE FOR OPERATIONS

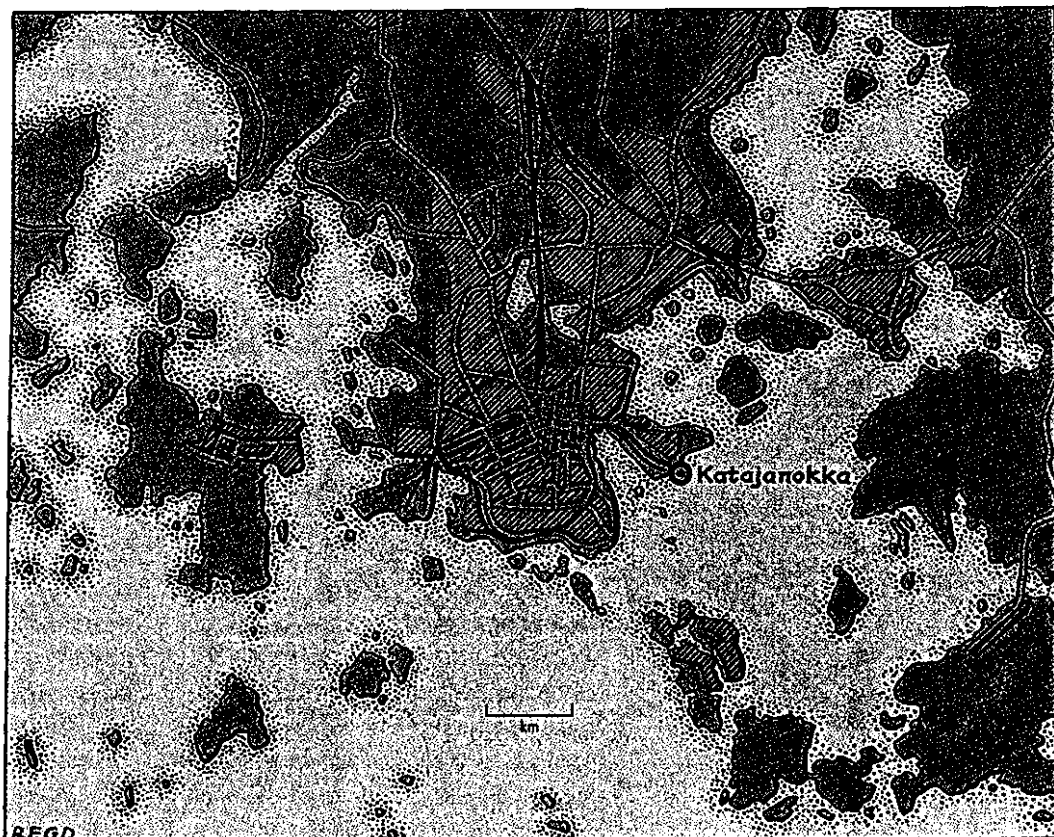
Air traffic worldwide increased during 1993. Statistics compiled by the International Air Traffic Association (IATA) show a 6% rise in passenger traffic and a 10% increase in cargo. Passenger traffic operated by members of the Association of European Airlines (AEA) increased 7.5% and cargo traffic 7%. Despite the growth recorded, the profitability of air traffic did not rise appreciably. According to the preliminary IATA estimate, the sequence of losses that began with the Gulf War in 1990-1991 continued during 1993 for the fourth consecutive year. This is mainly a consequence of price competition between airlines. According to IATA calculations, the unit yield on air transport declined by more than 7% in 1993. Unit costs were reduced by an estimated 6% on the previous year.

Although the recession in Finland reached its low point during the year under review, the travel sector began to show signs of recovery. Travel to Finland from abroad began to increase. Thanks to favourable exchange rates, Finland has become a more attractive destination. Intensified marketing abroad has also begun to produce results. The decline in domestic demand came to a halt during the 1993/94 winter season; in contrast, there was a sharp drop in demand for tours.

The deficit on Finland's travel balance decreased substantially during 1993 according to preliminary data published by the Bank of Finland. The deficit fell to FIM 2.1 billion from a high of FIM 6 billion in 1990.

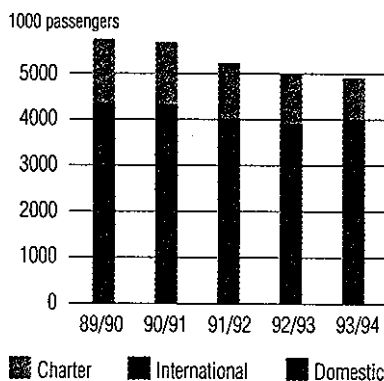


Junkers F-13 operating the special "ice air mail" from the coastal city Turku to Stockholm in March 1926.

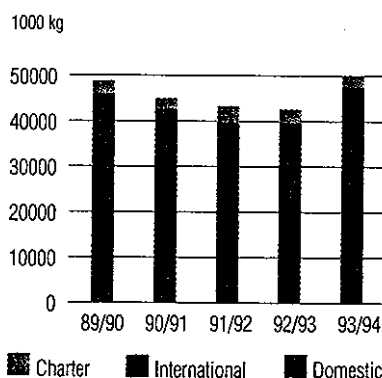


Katajanokka - one of the flying bases in the Helsinki area 1923-36.

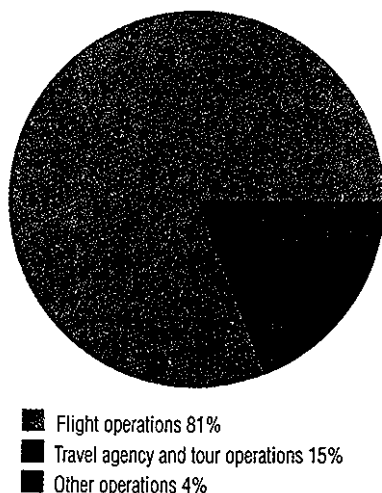
Number of passengers 1989/90-1993/94



Cargo and mail 1989/90-1993/94



Turnover by sector 1993/94



OPERATIONS AND TURNOVER

Flight operations

The number of passengers carried by the Finnair Group was down 1.5% on the previous year. The volume of scheduled international traffic increased throughout the financial year. In contrast, charter and domestic traffic did not pick up until the second half of the financial year. Revenue passenger kilometres rose 3% while cargo revenue tonne kilometres increased by as much as 33%. Mail and cargo transport accounted for 10% of total air transport revenues as opposed to 9% the previous year. Considerable success was achieved in bringing supply into line with demand. The overall passenger load factor increased by 1.2 percentage points to 70.1%. The rise was 5 percentage points to 72.6% in long-haul traffic, 4.6 percentage points to 50.5% in European traffic and 1.2 percentage points to 49.7% in domestic traffic.

The Finnair Group maintained its share of the passengers in Finland's international traffic at the level of the previous year; the figure was 64%. The market share for charter traffic rose and amounted to 84% (71%).

The number of passengers in international traffic rose 24% in the Far Eastern sector, 15% in the European and 16% in the North Atlantic. Part of the 16% decline in charter passengers can be attributed to a shift to scheduled traffic. Growth in aircraft leasing abroad, however, offset the decline in charter traffic. Rapid growth in cargo traffic caused intermittent shortages in capacity which were met by leasing flights from foreign airlines. Domestic air traffic supply was reduced to conform with demand. The goal was to improve the profitability reduced by the recession while maintaining a high standard of service. Available passenger kilometres in do-

mestic traffic were reduced by an average of 9% during the financial year. Substantial cuts were made during the summer season and at Christmas in response to low demand. At other times turboprop aircraft were flown more than usual, as they offer the advantages of lower transport capacity and greater economy. In contrast, traffic to northern Finland was increased during the winter season, and even wide-body DC-10 aircraft were used at times. Thanks to these measures, the domestic passenger load factor rose and financial performance improved on the previous year.

Finnair has consistently sought to increase cooperation with other airlines. On the basis of an agreement made with the German national airline Lufthansa in 1991, connections with Finnair flights via Germany have improved and feeder traffic between the two airlines has increased. The costs of ground handling and catering services have been reduced through joint arrangements. Similar forms of cooperation have been developed with Transwede, a Swedish airline, and the results have been encouraging. Finnair, Lufthansa and Transwede have also agreed on joint use of terminal 2 at Stockholm-Arlanda, on coordination of schedules and on performance of terminal functions. Joint projects with two airlines, the Danish Maersk Air and the Norwegian Braathens S.A.F.E., are being planned; the aim is to secure connections for Finnair customers primarily on domestic traffic in the other Nordic countries.

In March 1994 the Company took delivery of the last of the four MD-11 aircraft ordered in 1987-1989. At present the Company has no binding aircraft orders. One DC-10 left the fleet immediately after the end of the financial year when its lease expired.

The prospects for replacing the Company's wide-body MD-11s and DC-10s with smaller wide-body aircraft were surveyed during the finan-

cial year. Considering the number of passengers and volumes of cargo in the Company's long-haul service, and the range of the aircraft, and taking into account the investment required for changeover and the necessary staff training, the Company decided that it would obviously be more economical to continue with the present fleet. Replacement of the older medium-haul, two-engine aircraft with new units will be considered in a separate project which aims at reaching a decision during the 1994/95 financial year.

Other sectors

All sectors of the Finnair Group are closely linked with marketing of the services of the Parent Company Finnair Oy and with production of the ancillary services included in air travel. Sales and financial results for these sectors depend heavily on Parent Company operations. Increased demand for travel services in Finland had a positive impact on sales by hotel operations and travel agencies. Hotel turnover was also increased by expansion of related restaurant services. Because of the decline in holiday travel in the form of charter traffic, sales by tour operators decreased. Adjustment and restructuring were undertaken in the Group's subsidiaries in 1991, when the market began to deteriorate. As a consequence of these efforts and the improved market situation, the results for different sectors began to improve on those for previous years.

GROUP STRUCTURAL CHANGES

Finnair Travel Services Oy, a new company, was set up in the Group. The Group will handle the production, finances and administration of the tour operators Oy Aurinkomatkat-Suntours Ltd Ab and Oy Finnmatkat-Finntours Ltd Ab. Combining these functions will significantly reduce overlapping by tour operators and improve both efficiency and economy. The Company began operations on February 28, 1994.

The Finnair subsidiary Nordic-Hotel Oy set up a subsidiary named Safin Oy for sales of hotel-sector consulting services.

Suomen Matkatoimisto Oy (Finland Travel Bureau Ltd) acquired the entire stock of Finnway Inc., a travel agency operating in the United States. The previous holding was 50%.

At the beginning of the financial year Finnair Oy owned 95% of the shares in Karair oy and 100% of those in Finnaviation Oy. With a view to a possible merger with these two com-

Finnair Group air traffic, April 1, 1993 - March 31, 1994

| Scheduled traffic | Revenue tonne km | | Revenue pass. km | | Passenger | | Cargo and mail | |
|-------------------|------------------|-------|------------------|-------|-----------|-------|----------------|-------|
| | Million | % | Million | % | 1,000 | % | 1,000 kg | % |
| International | 610 | 26.5 | 4,812 | 22.2 | 2,144 | 15.4 | 42,339 | 22.1 |
| Domestic | 73 | -6.3 | 818 | -6.6 | 1,864 | -9.1 | 5,146 | 2.0 |
| Total | 683 | 22.0 | 5,630 | 17.0 | 4,009 | 2.6 | 47,485 | 19.6 |
| Charter | 356 | -13.5 | 3,595 | -13.5 | 911 | -16.0 | 2,683 | -11.8 |
| Total traffic | 1,039 | 7.0 | 9,225 | 2.8 | 4,920 | -1.5 | 50,168 | 17.3 |

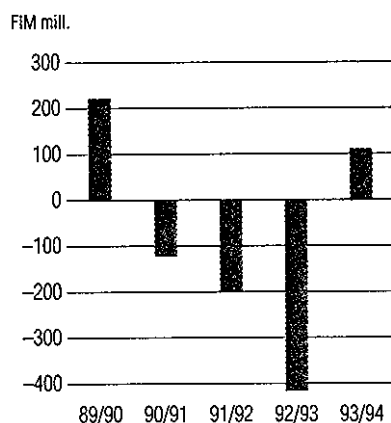
Finnair Group fleet on March 31, 1994

| Aircraft | Number | Owned | Leased |
|------------|--------|-------|--------|
| MD-11 | 4 | 4 | - |
| DC-10-30 | 5 | 3 | 2 |
| A300B4 | 2 | - | 2 |
| MD-82/83 | 14 | 4 | 10 |
| MD-87 | 3 | 3 | - |
| DC-9-41/51 | 17 | 17 | - |
| ATR 72 | 6 | 5 | 1 |
| Saab 340 | 6 | 2 | 4 |
| Total | 57 | 38 | 19 |

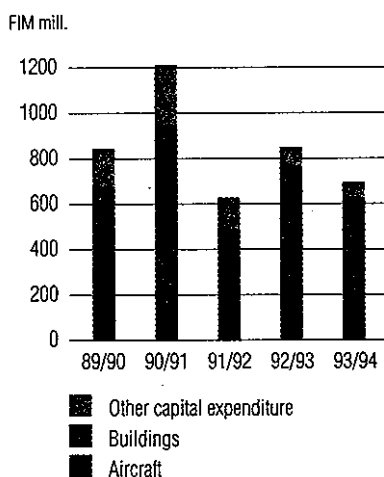
Finnair Group turnover by sector

| Turnover by sector | 1993/1994 FIM million | 1992/1993 FIM million | Change % |
|---------------------------------|--------------------------|--------------------------|-------------|
| Finnair Oy (Parent Company) | 4,930 | 4,513 | 9 |
| Subsidiaries, flight operations | 381 | 343 | 11 |
| Subsidiaries, travel agencies | 199 | 181 | 10 |
| Subsidiaries, tour operations | 779 | 899 | -13 |
| Subsidiaries, hotel operations | 169 | 136 | 24 |
| Subsidiaries, other sectors | 88 | 76 | 16 |
| Finnair Group total | 6,545 | 6,148 | 7 |
| less internal invoicing | -653 | -692 | -6 |
| Finnair Group turnover | 5,892 | 5,456 | 8 |

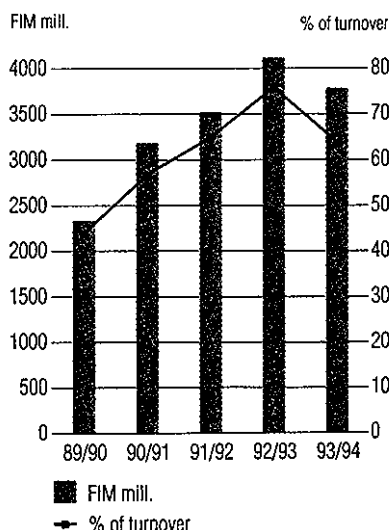
Result after financial items 1989/90–1993/94



Capital expenditure 1989/90–1993/94



Interest-bearing liabilities 1989/90–1993/94



panies, Finnair Oy's Board of Directors offered to buy out the other shareholders. It was decided to redeem those shares which could not be acquired through voluntary sales in the order prescribed by the Companies Act. The measures required by law were carried out during the financial year.

In other Group operations, the production facilities of the catering department of Finnccatering Oy and Finnair were combined. Finnccatering Oy will remain a separate company.

FINANCIAL PERFORMANCE

Group performance improved during the financial year and the budgeted targets were exceeded. The consolidated financial statements show a profit of FIM 146 million (-81 million).

Group turnover rose 8% and amounted to FIM 5,892 million. Operating expenses rose 3%. The gross margin was up by 104% and amounted to FIM 582 million and 9.9% of turnover. The gross margin for the previous year was FIM 285 million and 5.3% of turnover.

The result after financial items was FIM 113 million as opposed to FIM -415 million the previous year. Apart from very successful sales abroad, cargo traffic and leasing of excess capacity, other adjustment of operations to the market situation has yielded good results thanks to savings and greater efficiency. Air transport revenues less sales adjustment items increased 9% and other revenues 12%. Total income of FIM 250 million from aircraft leasing, representing growth of 75% on the previous year, and revenues of FIM 273 million from sales of repair and maintenance services, representing growth of 48% on the previous year, contributed significantly to the increase in income and improvement in financial performance.

Depreciation was made in ac-

cordance with the long-term plan. Financial income and expenses include a gain of FIM 69 million due to exchange rate fluctuations. A loss of FIM 226 million was sustained the previous year. The full exchange rate differences are entered in the financial results.

Programmes to make operations more efficient and economical and to reduce outlays for staff and other operations were implemented. Costs were reviewed by more than 20 working groups which included both experts and representatives of employee organizations. More than 100 people took part in the work of these groups. Efforts emphasized functions and cost items on which it is possible to exert a direct effect. Goals were set for monitoring. The estimated costs savings were in the range of FIM 50 million. Furthermore, as a consequence of the reorganization and rationalization of domestic airports, marketing and sales functions, aircraft loading was turned over to outside contractors at nine airports and four sales offices were closed. Work on improvements in airport functions was continued.

Similar measures have been carried out by subsidiaries over a period of several years.

CAPITAL EXPENDITURE AND FINANCING

Group capital expenditure totalled FIM 699 million, with the Parent Company accounting for FIM 677 million. Investment in aircraft amounted to FIM 620 million and comprised acquisition of one MD-11 and spare parts and equipment. Other outlays for fixed assets were unusually small in comparison with previous years.

The Group's financial position strengthened. Interest-bearing liabilities totalled FIM 3,791 million (4,127) and 64% (75%) of turnover. Net debt in the Group, which takes into account FIM 1,539 million (1,519) in liquid

funds deducted from interest-bearing liabilities, declined from FIM 2,608 million to FIM 2,252 million.

In February 1994 the Company issued an undated convertible subordinated bonds for FIM 230 million. The Company's obligation to pay interest and the right to repayment of the principal are contingent on the existence of distributable funds. The Company also strengthened its financial position in September-October 1993 through a share issue that collected FIM 107.6 million in new capital.

The net debt-to-equity ratio declined during the financial year and was 154% (226%). If the convertible subordinated bonds are regarded as equity, the figure is 119%. The equity ratio rose during the financial year and was 21.8% (17.5%). With the convertible subordinated bonds regarded as equity, the figure would be 25.2%.

Net financing expenses decreased considerably. The main reason was the strengthening of the Finnish markka during the financial year, which resulted in foreign exchange gains of FIM 69 million (-226) for the Group. Net financing expenses were FIM 69 million (310). Actual net interest expenses rose from FIM 87 million to FIM 139 million and were 2.4% (1.6%) of turnover. The rise in net interest expenses was due primarily to a sizeable decrease in Finnish interest rates, which in turn reduced Group interest income.

After the end of the financial year, in April 1994, the Company drew USD 80 million from the USD 330 million credit facility for financing aircraft arranged on the Euromarkets in 1990. In May 1994 JPY 15.5 billion were repaid on the perpetual undated subordinated loan for JPY 21 billion arranged in 1990. In order to finance repayment with the most economical credit, syndicated loans of USD 31 million and JPY 4.3 billion were arranged. These arrangements will not affect the Group's net liabilities.

SHARE CAPITAL, SHARES AND SHAREHOLDERS

Finnair Oy's share capital at the end of the financial year was FIM 322,686,300 divided into 64,537,260 shares with a nominal value of FIM 5 each. Finnair Oy shares were included in the book-entry system on June 11, 1993.

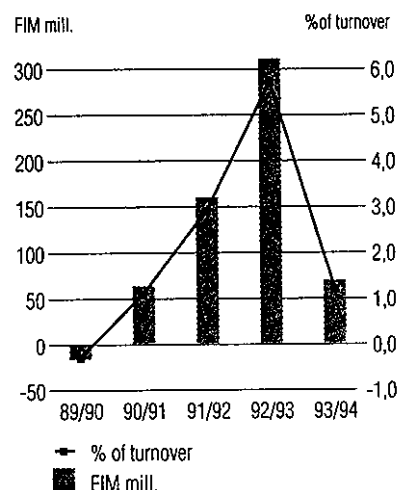
Members of the Company's Supervisory Board and Board of Directors and the Chief Executive Officer own a total of 3,157 shares, which represent 0.005% of the total number of shares and votes.

The share capital rose by a total of FIM 76,281,300 during the financial year; the number of shares rose by 15,256,260. The increase in share capital accumulated from conversion of the bond issued by the Company in 1992 was FIM 22,500,250; the number of shares rose by 4,500,050. Moreover, Finnair Oy's Annual General Meeting decided on August 19, 1993 to increase share capital with a share issue waiving pre-emptive rights as the issue was directed at shareholders and the public. The issue was carried out between September 6 and October 8, 1993 and was fully subscribed. Share capital increased by FIM 53,781,050 in the issue and the number of shares rose by 10,756,210.

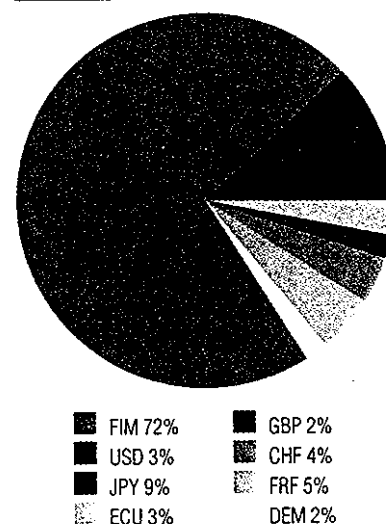
Other equity increased by FIM 67,500,750 in connection with conversion of bonds, including the excess above par value, and by FIM 53,781,050 in a share issue. The total increase was FIM 121,281,800.

On August 19, 1993 the Annual General Meeting of Finnair Oy decided to authorize the Board of Directors to issue convertible or warrant bonds denominated in Finnish markka or foreign exchange on loan and subscription terms providing for a maximum increase in the Company's share capital of FIM 70 million. According to the authorization, the Board of Directors can decide when issuing the convertible or warrant bonds to waive the

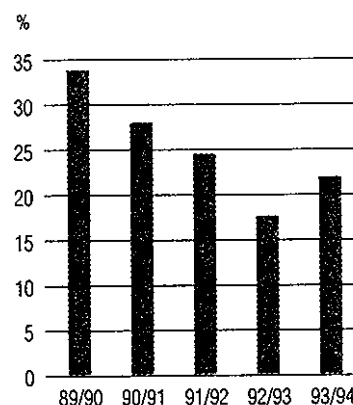
Financing expenses, net 1989/90-1993/94

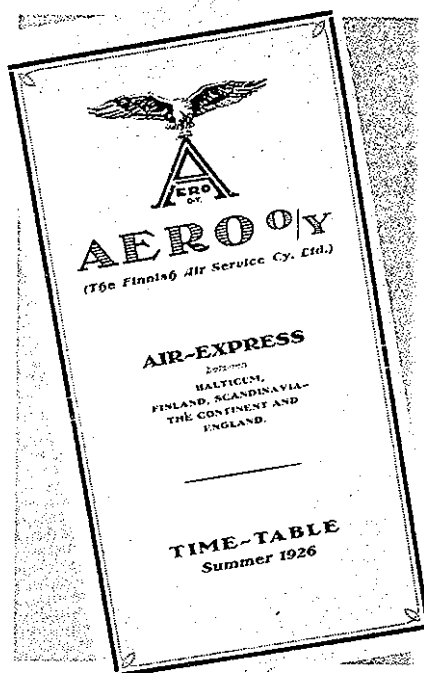


Long-term debt by currency, March 31, 1994



Equity ratio 1989/90-1993/94





Cover of Aero's first timetable published for the 1926 summer season.

pre-emptive rights of shareholders, provided that the Company has a weighty economic reason for such action, that is financing of noteworthy capital expenditure, improving solvency or securing other conditions essential to operations. The preferential rights of shareholders could be waived for a maximum increase in share capital of FIM 50 million and 10 million shares on the basis of these authorizations. On November 30, 1993, an extraordinary meeting of

Finnair Oy shareholders decided to amend the authorization so that the Board of Directors could also issue the bonds mentioned above in the form of a capital loan, the interest on which would be paid from distributable Group and Parent Company equity before a dividend. Payment of the interest and dividend may not exceed distributable funds.

The Finnair Board of Directors decided on the basis of the authorization received from the Annual General Meeting to waive the pre-emptive rights of shareholders and direct convertible subordinated bonds of FIM 230 million at shareholders and the public for the period February 28 - March 4, 1994. The loan was required to finance acquisition of the MD-11 aircraft delivered in March 1994. Interest on the loan for the first 11 interest periods is a fixed 7.0% per annum; the rate for succeeding interest periods will be 5 percentage points above the 12-month Helibor. The loan is undated. One debenture with a nominal value of FIM 10,000 can be converted to 271 Finnair Oy shares with a nominal value of FIM 5 each. The computed conversion price of the share is FIM 36.90. Finnair Oy's share capital can be increased by a maximum of 31,165,000 shares through conversion of debentures; the number of shares will increase by a maximum of 6,233,000.

The loan was subscribed in full before the end of the subscription period and is in the nature of a capital loan, although it was entered in the balance sheet as a liability. The equity ratio has been calculated in two ways so that convertible subordinated bonds were also treated as equity.

Prices of Finnair Oy shares in trading on the Helsinki Stock Exchange:

| | 1993/94 | 1992/93 |
|-----------------------|-------------|------------|
| Min. quotation, FIM | 8.50 | 5.50 |
| Max. quotation, FIM | 38.00 | 14.00 |
| Aver. quotation, FIM | 21.89 | 9.58 |
| Shares traded, number | 15,518,144 | 1,919,383 |
| Shares traded, FIM | 339,740,824 | 18,389,377 |

At the end of the financial year 4.18% of the Company's shares were registered in the name of a nominee. Shareholders totalled 7,865.

ADMINISTRATION

Administrative reform

The extraordinary meeting of Finnair Oy shareholders on November 30, 1993 approved an amendment of the articles of association according to which some authority was transferred from the Supervisory Board to the Board of Directors.

The functions of the Supervisory Board were amended so that it will henceforth only advise the Board of Directors in matters of far-reaching significance such as noteworthy expansion or contraction of Company operations, financially significant investment or other essential changes in Company activity. Decision-making power in such matters was shifted to the Board of Directors. Decisions concerning changes in the Company organization and in the appointment of directors other than the chief executive officer were also shifted from the Supervisory Board to the Board of Directors.

According to the new articles of association, the Board of Directors

Finnair shareholders as at March 31, 1994

| Shareholders | Number of shares | % of shares |
|--|------------------|-------------|
| Government of Finland | 46,800,682 | 72.52 |
| Neste Corporation | 5,731,620 | 8.88 |
| Industrial Insurance Company Ltd | 1,092,906 | 1.69 |
| Sampo Insurance Company | 885,953 | 1.37 |
| OP-Delta (mutual fund) | 847,000 | 1.31 |
| Alfred Berg Finland Unit Trust | 635,000 | 0.98 |
| Otso Loss of Profits Insurance Company Ltd | 612,002 | 0.95 |
| Kansallis-Income Unit Trust | 384,200 | 0.60 |
| Asko Oy | 363,600 | 0.56 |
| Pension Insurance Company Ilmarinen Ltd | 176,558 | 0.27 |
| Other shareholders (7.855) | 7,007,739 | 10.87 |
| Total | 64,537,260 | 100.00 |

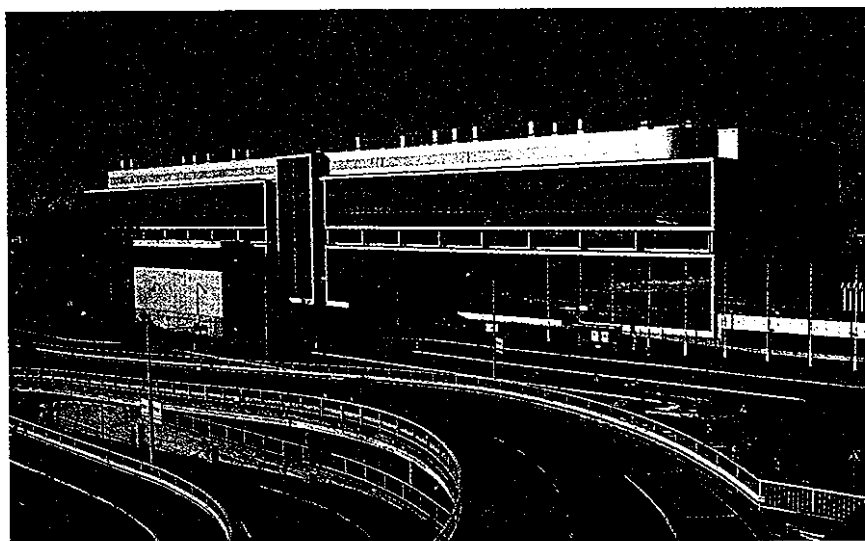
now comprises the chairman and at least four and at most eight other members. Previously the Board of Directors comprised the chairman and at least two and at most five other members. The number of auditors was changed so that there are now at least four and at most seven. The previous figures were at least five and at most ten.

The reformed administration of Finnair Oy was introduced on April 1, 1994. A new administrative body is the internal Board of Management to which the Company Board of Directors appoints the members; they include the chief executive officer and the other directors responsible for principal corporate functions. This Board of Management replaces the former Management Group. The chief executive officer also invites three personnel representatives to the meetings, in accordance with prior practice. This Board assists the chief executive officer in matters falling under his sphere of authority.

The Company's head office was moved from the city to the Helsinki-Vantaa Airport in January 1994.

The Supervisory Board until March 31, 1994

Kalevi Sorsa, Member of the Board of the Bank of Finland (Chairman)
Ahti Hirvonen, Ph.D. (h.c.), (Deputy Chairman)
Claes Andersson, Member of Parliament
Felix Björklund, CEO of Karl Fazer Corporation
Satu Hassi, Member of Parliament
Harri Holkeri, Member of the Board of the Bank of Finland
Markku Hyvärinen, Secretary General of the Finnish Social Democratic Party
Pekka Kivelä, Secretary General of the Coalition Party
Markku Koskenniemi, Managing Director of Tammerneon
Jaakko Lassila, Ph.D.



The new office building for Finnair's Marketing and Flights Operations Divisions and for the Civil Aviation Administration at the Helsinki-Vantaa Airport.

Ritva Laurila, Member of Parliament
Magnus Nordling, CEO of Otso Loss of Profits Insurance Co. Ltd.
Seppo Pelttari, Member of Parliament
Matti Piihola, Group Secretary of the Centre Party of Finland
Jaakko Pohjola, Ministerial Counsellor, the Ministry of Transport and Communications
Jussi Ranta, Member of Parliament
Olli Rehn, Member of Parliament
Peter Stenlund, M.A.(Soc.Sc.), Secretary General of the Swedish Peoples' Party

Personnel representatives of the Supervisory Board

Sirpa-Mari Jämsänen
Tapani Kautto
Eeva Similä
Olavi Uotila

Board of Directors until March 31, 1994

Antti Potila, President and CEO of Finnair Oy (Chairman)
Henrik Arle, Executive Vice President, CFO, Staff, Finnair Oy
Robert G. Ehrnrooth, Managing Director of EffJohn Oy Ab
Aatos Erkko, Chairman of the Board of Sanoma Corporation (resigned from the Board of Finnair Oy on October 12, 1993)

Jaakko Ihmuotila, Chairman and CEO of Neste Corporation
Leif Lundström, Executive Vice President, Marketing Division, Finnair Oy

Auditors

Auditors elected by the Annual General Meeting on August 19, 1993
Hannu Nieminen, Audit Councillor, State Audit Office
Antti Helenius, Authorized Public Accountant, Salmi, Virkkunen & Helenius Oy
Juhani Korpela, Secretary General, the Ministry of Transport and Communications
Sauli Pyyluoma, Managing Director of Regional Press Association
Pär Stenbäck, Secretary General, Nordic Council of Ministers
Ulf Sundqvist, Advisor, M.Sc. (Pol.)
Ilkka Suominen, Director of Alko Ltd

Changes in the operative organization

Finnair International and Finnair North were combined on April 1, 1993 to form a single marketing division, and Leif Lundström was appointed to head it. The group was also assigned responsibility for traffic planning.

PERSONNEL AND SALARIES

Finnair Group personnel averaged 9,721 during the financial year and Parent Company personnel 7,257. The number of Group personnel was down by 603 on the previous year and that of the Parent Company by 457. Group personnel at the end of the financial year totalled 9,408 and that of the Parent Company 6,993.

Group salaries totalled FIM 1,369 million, down 1.6% from the previous year. Parent Company salaries were FIM 1,112 million, down 0.9%. The increased value of salaries paid abroad in Finnish markka reduced the decline.

Financial year agreements for 1993/94 and 1994/95 were made between the Company and its personnel organizations. The organizations agreed to support the Company in implementing the strategic programme to improve Company profitability approved by the Supervisory Board on February 18, 1993.

Apart from cuts in staff, savings in labour costs were achieved with short-term layoffs, temporary changes in employment contracts and rearrangements of holidays to reduce the number of summer replacements hired.

The 1993 amendment to the pension fund statutes limiting non-man-

datory benefits continued to reduce salary-related expenses during the financial year. Pension fund contributions by employers were also reduced by the fund's return on investments. The contribution transferred to the pension fund totalled FIM 96 million and represented 7.0% of salaries. The transfer of the previous year was FIM 102 million and 7.3% of salaries.

ENVIRONMENTAL PROTECTION

In its flight operations the Finnair Group observes the environmental policy goals of the International Air Transport Association; the harmful impact of air traffic is to be minimized in a financially sound way without jeopardizing flight and work safety.

Revised and more stringent environmental legislation took effect in Finland at the beginning of 1994 to meet the requirements of the European Union. Environmental regulations in air traffic pertain especially to emissions and reductions in them. At Finnair, implementation of environmental regulations and development of measures has been organized into groups composed of experts from various subareas.

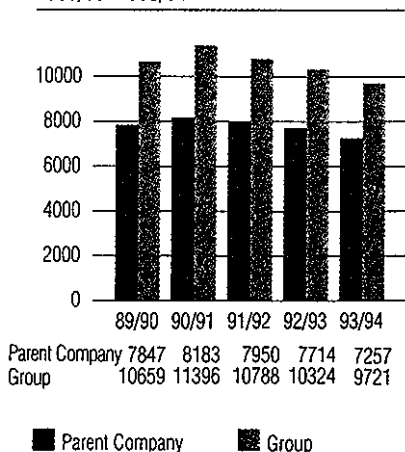
The Company's ground equipment has changed over from diesel fuel and light fuel oil to reformulated fuel, which means sizeable reductions

in emissions of hydrocarbons and carbon monoxide. The washing processes used in aircraft maintenance have been changed and new solvents can now be used. At the beginning of 1994, the use of freon in washing aircraft electronic components was terminated.

During the financial year Finnair joined the five-year research programme initiated by the Ministry of Trade and Industry. The programme seeks ways to conserve energy and reduce emissions. For air traffic, modelling and estimating of aircraft emissions has been approved as the goal of the research. The volume of emissions generated and their distribution both geographically and in various layers of the atmosphere can be calculated by means of the model. The impact of maintenance on emission volumes will also be studied.

In order to reduce noise disturbance, running engines in reverse on landing was terminated two years ago in flight operations at Helsinki-Vantaa Airport. Increased use of turboprop aircraft in domestic traffic has cut down on fuel consumption and the noise level in comparison with jet aircraft. Overall, emissions from air traffic represent a minor portion - some 1-2 per cent - of total traffic emissions.

Personnel in average
1989/90-1993/94



Personnel in average

| SECTOR | 1993/94 | 1992/93 | Change |
|--|--------------|---------------|-------------|
| Parent Company Finnair Oy, flight operations | 7,257 | 7,714 | -457 |
| Subsidiaries, flight operations | 440 | 462 | -22 |
| Subsidiaries, travel agencies | 971 | 994 | -23 |
| Subsidiaries, tour operations | 440 | 502 | -62 |
| Subsidiaries, hotel operations | 463 | 487 | -24 |
| Other sectors, total | 150 | 165 | -15 |
| Finnair Group, total | 9,721 | 10,324 | -603 |



In March 1994 the Company took delivery of the last of the four MD-11 aircraft ordered in 1987-1989.

OUTLOOK FOR THE 1994/95 FINANCIAL YEAR

An upturn in domestic demand for air transport has now occurred after four consecutive years of decline, although significant growth is still not expected. Demand for Finnair services has shifted outside Finland over a short time span. The improved outlook will provide an opportunity to increase available capacity for scheduled international destinations.

Deregulation of competition between airlines began when the agreement on the European Economic Area took effect on January 1, 1994. At the outset the "second package", which still contains restrictive regulations, will be applied. When the "third package" takes effect, probably in July 1994, airlines will have complete freedom to carry passengers between their home country and another EEA country, and also between other EEA countries. All price controls will be lifted. Regulations will continue to pre-

vent unhealthy competition. Difference between scheduled and charter traffic is diminishing. The EEA agreement will provide the Finnair Group with greater latitude in selecting destinations and combining them within the economic area, thereby making it possible to carry more foreign passengers as well. Liberalization may also mean considerably more intense price and other competition.

The Finnair Group's capacity in scheduled international traffic will be increased overall by 9% on the previous year. The increase in North Atlantic traffic will be some 10%, in European traffic 7% and in Far Eastern traffic 10%. Growth of capacity in international traffic has been affected by new destinations and additional flights to Beijing and San Francisco.

Manchester, Vilnius and Petrozavodsk are new destinations. As a result of the EEA agreement, Stockholm is becoming a hub via which flights will start to Oslo and to Manchester,

Berlin and Stuttgart as well. Operations at Stockholm airport have been moved to new premises at the Arlanda 2 terminal.

Domestic capacity will be adapted to demand, with an increase in the average capacity utilization of aircraft as the aim. Centralized traffic planning and flexible use of different aircraft will provide good prospects for overall optimization of traffic.

Charter traffic is expected to decline somewhat further. Aircraft capacity will be leased out, as in the previous year. Several new lease agreements had already been signed by the beginning of the current financial year.

Employment agreements covering the entire current financial year have been made with all employee organizations. Salary increases and other arrangements will conform on the whole with national settlements.

Capital expenditure will remain low, for no aircraft were on order at the beginning of the financial year. Liabilities will continue to decline and the financing situation will remain good.

During the current financial year, the Company intends to decide on the types of future narrow-body aircraft and on a programme for acquiring them. Although the capital expenditure involved is substantial, implementation will not begin until the end of the decade, and acquisition will take place over a period of several years. Aircraft can also be leased, which would mean a reduced need for financing.

The target for financial performance during the current year is a further improvement in Group profits. Price competition between airlines, however, has increased on the liberated market and is distorted by the large subsidies received by many airlines. Nevertheless, the international competitiveness of the Finnair Group has improved.

CONSOLIDATED PROFIT AND LOSS STATEMENT (FIM 1,000)

| | | April 1, 1993- March 31, 1994 | % | April 1, 1992- March 31, 1993 | % | Change % |
|---|--------|----------------------------------|-------|----------------------------------|-------|----------|
| TURNOVER | | 5,892,131 | 100.0 | 5,456,153 | 100.0 | 8.0 |
| OPERATING EXPENSES | | | | | | |
| Materials and supplies | (1) | 1,061,229 | | 1,011,968 | | |
| Salaries | (2) | 1,368,780 | | 1,391,249 | | |
| Salary-related expenses | (3) | 373,226 | | 321,904 | | |
| Rents and lease payments | (4,24) | 635,515 | | 570,800 | | |
| Outside services | (5) | 1,372,678 | | 1,390,488 | | |
| Other operating expenses | (6) | 488,130 | | 485,136 | | |
| Production for Company use and deferred expenditure | | - 10,029 | | - 16,416 | | |
| Change in inventories | | 20,629 | | 16,082 | | |
| | | - 5,310,158 | 90.1 | - 5,171,211 | 94.7 | 2.7 |
| GROSS MARGIN | | 581,973 | 9.9 | 284,942 | 5.3 | 104 |
| PLANNED DEPRECIATION ON | | | | | | |
| Buildings | | 34,687 | | 45,954 | | |
| Flight equipment | | 260,910 | | 230,144 | | |
| Other property | | 88,095 | | 93,430 | | |
| Other deferred expenditure | | 15,688 | | 20,898 | | |
| | | - 399,380 | 6.8 | - 390,426 | 7.2 | 2.3 |
| OPERATING PROFIT/LOSS | | 182,593 | 3.1 | - 105,484 | - 1.9 | - |
| FINANCIAL INCOME AND EXPENSES (7) | | | | | | |
| Interest income | | 140,522 | | 193,896 | | |
| Dividends | | 6,912 | | 12,469 | | |
| Other financial income | | 121,281 | | 204,470 | | |
| Interest expenses | | - 279,125 | | - 281,346 | | |
| Other financial expenses | | - 52,007 | | - 430,498 | | |
| Other expenses on liabilities | | - 6,737 | | - 8,644 | | |
| | | - 69,154 | 1.2 | - 309,653 | 5.7 | - 77.7 |
| RESULT AFTER FINANCIAL ITEMS | | 113,439 | 1.9 | - 415,137 | - 7.6 | - |
| NON-OPERATING INCOME AND EXPENSES (8) | | | | | | |
| Gain on disposal of flight equipment | | - 467 | | 53,428 | | |
| Other income | | 6,843 | | 14,632 | | |
| Other expenses | | - 344 | | - 2,206 | | |
| | | 6,032 | 0.1 | 65,854 | 1.2 | - 90.8 |
| RESULT BEFORE INCIDENTAL ITEMS | | 119,471 | 2.0 | - 349,283 | - 6.4 | - |
| INCIDENTAL ITEMS | | - | - | - 17,971 | 0.3 | -100.0 |
| RESULT BEFORE FINAL APPROPRIATIONS AND TAXES | | 119,471 | 2.0 | - 367,254 | - 6.7 | - |
| DEPRECIATION DIFFERENCE (14) | | 31,863 | 0.5 | 80,324 | 1.5 | - 60.3 |
| CHANGES IN RESERVES | | | | | | |
| Inventory reserve | | - | | 48,698 | | |
| Bad debt reserve | | - | | 21,632 | | |
| Operating reserve | | - | | 296,229 | | |
| Other reserve | | - | | - 154,462 | | |
| | | - | - | 212,097 | 3.9 | -100.0 |
| TAXES (9) | | - 5,498 | 0.1 | - 6,045 | 0.1 | - 9.0 |
| MINORITY SHARE | | - 57 | 0.0 | - 2 | 0.0 | > 100 |
| PROFIT/LOSS FOR THE FINANCIAL YEAR | | 145,779 | 2.4 | - 80,880 | - 1.4 | - |

The numbers in brackets refer to the "Notes to the Financial Statements" on pages 21-26.

CONSOLIDATED BALANCE SHEET (FIM 1,000)

| ASSETS | | March 31, 1994 | | % | March 31, 1993 | | % |
|--|------|----------------|-----------|-------|----------------|-----------|-------|
| CURRENT ASSETS | | | | | | | |
| Cash and bank receivables | | 129,416 | | | 170,848 | | |
| Accounts receivable | | 464,888 | | | 431,742 | | |
| Short-term deposits | (11) | 1,409,174 | | | 1,348,284 | | |
| Advance payments | | 14,167 | | | 16,641 | | |
| Deferred receivables | (12) | 340,709 | | | 339,374 | | |
| Other funds | | 95,825 | 2,454,179 | 36.1 | 88,257 | 2,395,146 | 36.0 |
| INVENTORIES (13) | | | | | | | |
| Spare parts, materials and supplies | | 162,030 | | | 185,812 | | |
| Other inventories | | 8,785 | 170,815 | 2.5 | 5,591 | 191,403 | 2.9 |
| FIXED ASSETS (14) | | | | | | | |
| Predelivery payments | | 114,739 | | | 169,765 | | |
| Land | | 680 | | | 680 | | |
| Buildings under construction | | — | | | 2,932 | | |
| Buildings | | 639,664 | | | 795,908 | | |
| Flight equipment | | 2,489,624 | | | 2,102,483 | | |
| Other property | | 315,074 | | | 342,886 | | |
| Stocks and shares | (27) | 72,550 | | | 72,457 | | |
| Other deferred expenditure | | 44,023 | | | 51,406 | | |
| Accumulated difference between planned and book depreciation | | 367,879 | 4,044,233 | 59.5 | 399,742 | 3,938,259 | 59.1 |
| OTHER LONG-TERM INVESTMENT | | | | | | | |
| Loans receivable | | | 87,372 | 1.3 | | 91,770 | 1.4 |
| | | | | | | 37,458 | 0.6 |
| VALUE ADJUSTMENTS (15) | | | 40,219 | 0.6 | | | |
| | | | 6,796,818 | 100.0 | | 6,654,036 | 100.0 |
| | | | | | | | |
| LIABILITIES | | March 31, 1994 | | % | March 31, 1993 | | % |
| LIABILITIES | | | | | | | |
| Short-term debt | | | | | 306,886 | | |
| Accounts payable | | 329,198 | | | 66,064 | | |
| Advance payments | (16) | 73,831 | | | 961,342 | | |
| Deferred credits | (17) | 1,095,504 | | | 73,015 | | |
| Repayment of long-term debt | | 40,814 | | | 52,218 | 1,459,525 | 21.9 |
| Other short-term debt | | 52,214 | 1,591,561 | 23.4 | | | |
| Long-term debt (19) | | | | | | | |
| Loans from financial institutions | | 1,053,778 | | | 1,280,279 | | |
| Convertible bond issue | (20) | 59,999 | | | 150,000 | | |
| Pension Fund loans | | 1,403,609 | | | 1,683,112 | | |
| Other long-term debt | (25) | 41,638 | 2,559,024 | 37.6 | 39,194 | 3,152,585 | 47.5 |
| Subordinated loan | (21) | | 950,111 | 14.0 | | 886,833 | 13.3 |
| Convertible subordinated bond issue(22) | | | 230,000 | 3.4 | | | |
| RESERVES | | | | | | | |
| Accumulated difference between planned and book depreciation | | 367,879 | | | 399,742 | | |
| Other reserve | | 154,462 | 522,341 | 7.7 | 154,462 | 554,204 | 8.3 |
| | | | 575 | 0.0 | | 631 | 0.0 |
| MINORITY SHARE | | | | | | | |
| EQUITY (23) | | | | | | | |
| Restricted equity | | | | | 246,405 | | |
| Share capital | | 322,686 | | | 88,085 | | |
| Revaluation fund | | 88,085 | | | 241,633 | | |
| General reserve | | 362,915 | | | 576,123 | | |
| Total restricted equity | | 773,686 | | | | | |
| Unrestricted equity | | | | | 105,015 | | |
| Profit from previous years | | 23,741 | | | 80,880 | | |
| Profit/loss for the financial year | | 145,779 | | | 24,135 | 600,258 | 9.0 |
| Total unrestricted equity | | 169,520 | 943,206 | 13.9 | | | |
| | | | 6,796,818 | 100.0 | | 6,654,036 | 100.0 |

The numbers in brackets refer to the "Notes to the Financial Statements" on pages 21-26.

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

| | 1993/94 | | 1992/93 | |
|-------------------------------------|----------|-----------|-----------|-----------|
| SOURCE OF FUNDS | | | | |
| Gross margin | 581,973 | | 284,942 | |
| Other income/expenditure | 6,499 | 588,472 | 12,427 | 297,369 |
| Financial income and expenses (net) | - 69,154 | | - 309,653 | |
| Taxes | - 5,498 | - 74,652 | - 6,046 | - 315,699 |
| Income financing | | 513,820 | | - 18,330 |
| Disposal of fixed assets | | 137,226 | | 170,824 |
| Convertible subordinated bond issue | | 230,000 | | — |
| Increase in long-term liabilities | | 19,768 | | 897,484 |
| Increase in restricted equity | | 197,563 | | — |
| Decrease in working capital *) | | 125,792 | | 87,352 |
| Total | | 1,224,169 | | 1,137,330 |

APPLICATION OF FUNDS

| | | | | |
|---------------------------------------|----------|-----------|----------|-----------|
| Investment in aircraft | 620,178 | | 762,584 | |
| Investment in buildings | 10,176 | | 6,588 | |
| Other investments | 68,689 | | 84,599 | |
| Change in predelivery payments | - 55,026 | 644,017 | - 66,967 | 786,804 |
| Change in other long-term investments | | - 4,398 | | 19,540 |
| Repayment of long-term liabilities | | 581,789 | | 338,958 |
| Change in value adjustments | | 2,761 | | - 7,972 |
| Total | | 1,224,169 | | 1,137,330 |

| | | | | |
|-------------------------------------|---|---------|---|--------|
| *) Change in working capital | | | | |
| Change in current assets | + | 59,033 | + | 7,051 |
| Change in inventories | - | 20,588 | - | 16,049 |
| ./ Change in short-term liabilities | - | 164,237 | - | 78,354 |
| Change in working capital | - | 125,792 | - | 87,352 |

FINNAIR OY PROFIT AND LOSS STATEMENT (FIM 1,000)

| | | April 1, 1993- March 31, 1994 | % | April 1, 1992- March 31, 1993 | % | Change % |
|---|--------|----------------------------------|-------------|----------------------------------|--------------|---------------|
| TURNOVER | | 4,929,884 | 100.0 | 4,513,329 | 100.0 | 9.2 |
| OPERATING EXPENSES | | | | | | |
| Materials and supplies | (1) | 1,003,964 | | 973,602 | | |
| Salaries | (2) | 1,112,022 | | 1,121,656 | | |
| Salary-related expenses | (3) | 285,254 | | 247,589 | | |
| Rents | (4,24) | 551,549 | | 522,426 | | |
| Outside services | (5) | 1,045,231 | | 987,224 | | |
| Other operating expenses | (6) | 368,322 | | 336,521 | | |
| Production for Company use and deferred expenditure | | - 10,005 | | - 15,207 | | |
| Change in inventories | | 20,670 | | 17,089 | | |
| | | <u>- 4,377,007</u> | <u>88.8</u> | <u>- 4,190,900</u> | <u>92.9</u> | <u>4.4</u> |
| GROSS MARGIN | | 552,877 | 11.2 | 322,429 | 7.1 | 71.5 |
| PLANNED DEPRECIATION ON | | | | | | |
| Buildings | | 34,423 | | 45,661 | | |
| Flight equipment | | 259,724 | | 228,814 | | |
| Other property | | 74,947 | | 80,361 | | |
| Other deferred expenditure | | 9,158 | | 15,419 | | |
| | | <u>- 378,252</u> | <u>7.7</u> | <u>- 370,255</u> | <u>8.2</u> | <u>2.2</u> |
| OPERATING PROFIT/LOSS | | 174,625 | 3.5 | - 47,826 | - 1.1 | - |
| FINANCIAL INCOME AND EXPENSES | (7) | | | | | |
| Interest income | | 137,856 | | 188,466 | | |
| Dividends | | 6,902 | | 12,457 | | |
| Other financial income | | 121,280 | | 204,431 | | |
| Interest expenses | | - 279,772 | | - 299,863 | | |
| Other financial expenses | | - 51,936 | | - 429,431 | | |
| Other expenses on liabilities | | - 5,325 | | - 8,321 | | |
| | | <u>- 70,995</u> | <u>1.4</u> | <u>- 332,261</u> | <u>7.4</u> | <u>- 78.6</u> |
| RESULT AFTER FINANCIAL ITEMS | | 103,630 | 2.1 | - 380,087 | - 8.5 | - |
| NON-OPERATING INCOME AND EXPENSES | (8) | | | | | |
| Gain on disposal of flight equipment | | - 467 | | 53,428 | | |
| Other income | | 8,517 | | 16,410 | | |
| Other expenses | | - 10,130 | | - 10,416 | | |
| | | <u>- 2,080</u> | <u>0.0</u> | <u>59,422</u> | <u>1.3</u> | <u>-103.5</u> |
| RESULT BEFORE INCIDENTAL ITEMS | | 101,550 | 2.1 | - 320,665 | - 7.2 | - |
| INCIDENTAL ITEMS | | - | 0.0 | - 2,130 | 0.0 | - |
| RESULT BEFORE FINAL APPROPRIATIONS AND TAXES | | 101,550 | 2.1 | - 322,795 | - 7.2 | - |
| DEPRECIATION DIFFERENCE | (14) | 31,863 | 0.6 | 80,324 | 1.8 | - 60.3 |
| RECEIVED GROUP SUBSIDY | | 15,150 | 0.3 | 10,900 | 0.2 | 39.0 |
| GIVEN GROUP SUBSIDY | | - | 0.0 | - 26,800 | 0.6 | - |
| CHANGE IN RESERVES | | | | | | |
| Inventory reserve | | - | | 45,326 | | - |
| Bad debt reserve | | - | | 16,500 | | - |
| Operating reserve | | - | | 266,600 | | - |
| Other reserve | | - | | - 144,600 | | - |
| | | <u>-</u> | <u>0.0</u> | <u>183,826</u> | <u>4.1</u> | <u>-</u> |
| TAXES | (9) | - 4,315 | 0.1 | - 5,967 | 0.1 | - 27.7 |
| PROFIT/LOSS FOR THE FINANCIAL YEAR | | <u>144,248</u> | <u>2.9</u> | <u>- 80,512</u> | <u>- 1.8</u> | <u>-</u> |

The numbers in brackets refer to the "Notes to the Financial Statements" on pages 21-26.

FINNAIR OY BALANCE SHEET (FIM 1,000)

| ASSETS | | March 31, 1994 | | % | March 31, 1993 | | % |
|--|------|----------------|-----------|-------|----------------|-----------|-------|
| CURRENT ASSETS | | (10) | | | | | |
| Cash and bank receivables | | 114,810 | | | 159,209 | | |
| Accounts receivable | | 357,527 | | | 314,885 | | |
| Short-term deposits | (11) | 1,408,794 | | | 1,347,902 | | |
| Advance payments | | 422 | | | 364 | | |
| Deferred receivables | (12) | 327,242 | | | 328,217 | | |
| Other funds | | 95,754 | 2,304,549 | 34.9 | 88,037 | 2,238,614 | 34.3 |
| INVENTORIES | | (13) | | | | | |
| Spare parts, materials and supplies | | 136,375 | | | 161,311 | | |
| Other inventories | | 8,105 | 144,480 | 2.2 | 3,839 | 165,150 | 2.5 |
| FIXED ASSETS | | (14) | | | | | |
| Predelivery payments | | 114,739 | | | 169,765 | | |
| Land | | 209 | | | 209 | | |
| Buildings under construction | | — | | | 2,932 | | |
| Buildings | | 632,896 | | | 788,920 | | |
| Flight equipment | | 2,485,653 | | | 2,098,032 | | |
| Other property | | 270,166 | | | 298,888 | | |
| Stocks and shares, subsidiaries | (27) | 19,398 | | | 18,723 | | |
| Stocks and shares, other companies | (27) | 63,742 | | | 63,489 | | |
| Other deferred expenditure | | 21,479 | | | 27,345 | | |
| Accumulated difference between planned and book depreciation | | 367,879 | 3,976,161 | 60.3 | 399,742 | 3,868,045 | 59.3 |
| OTHER LONG-TERM INVESTMENT | | | | | | | |
| Loans receivable | (10) | | 153,163 | 2.3 | | 238,784 | 3.7 |
| VALUE ADJUSTMENTS | (15) | | 17,185 | 0.3 | | 11,055 | 0.2 |
| | | | 6,595,538 | 100.0 | | 6,521,648 | 100.0 |
| LIABILITIES | | | | | | | |
| LIABILITIES | | | | | | | |
| Short-term debt | (18) | | | | | | |
| Accounts payable | | 241,941 | | | 218,487 | | |
| Deferred credits | (17) | 1,001,881 | | | 907,076 | | |
| Repayment of long-term debt | | 38,215 | | | 70,346 | | |
| Other short-term debt | | 287,566 | 1,569,603 | 23.8 | 329,451 | 1,525,360 | 23.4 |
| Long-term debt | (19) | | | | | | |
| Loans from financial institutions | | 1,053,116 | | | 1,279,516 | | |
| Convertible bond issue | (20) | 59,999 | | | 150,000 | | |
| Pension fund loans | | 1,265,299 | | | 1,528,607 | | |
| Other long-term debt | (25) | 17,185 | 2,395,599 | 36.3 | 11,055 | 2,969,178 | 45.5 |
| Subordinated loan | (21) | | 950,111 | 14.4 | | 886,833 | 13.7 |
| Convertible subordinated bond issue | (22) | | 230,000 | 3.5 | | — | 0.0 |
| RESERVES | | | | | | | |
| Accumulated difference between planned and book depreciation | | 367,879 | | | 399,742 | | |
| Other reserve | | 144,600 | 512,479 | 7.8 | 144,600 | 544,342 | 8.3 |
| EQUITY | | (23) | | | | | |
| Restricted equity | | | | | | | |
| Share capital | | 322,686 | | | 246,405 | | |
| Revaluation fund | | 88,085 | | | 88,085 | | |
| General reserve | | 362,915 | | | 241,633 | | |
| Total restricted equity | | 773,686 | | | 576,123 | | |
| Unrestricted equity | | | | | | | |
| Profit from previous years | | 19,812 | | | 100,324 | | |
| Profit/loss for the financial year | | 144,248 | | | -80,512 | | |
| Total unrestricted equity | | 164,060 | 937,746 | 14.2 | 19,812 | 595,935 | 9.1 |
| | | 6,595,538 | 100.0 | | 6,521,648 | 100.0 | |

The numbers in brackets refer to the "Notes to the Financial Statements" on pages 21-26.

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

| | 1993/94 | | 1992/93 | |
|---|----------|-----------|-----------|-----------|
| SOURCE OF FUNDS | | | | |
| Gross margin | 552,877 | | 322,429 | |
| Other income/expenditure | 13,538 | 566,415 | - 12,036 | 310,393 |
| Financial income and expenses (net) | - 70,995 | | - 332,261 | |
| Taxes | - 4,315 | - 75,310 | - 5,967 | - 338,228 |
| Income financing | | 491,105 | | - 27,835 |
| Disposal of fixed assets | | 134,988 | | 170,442 |
| Decrease of other long-term investments | | 85,622 | | — |
| Convertible subordinated bond issue | | 230,000 | | — |
| Increase in long-term liabilities | | 4,109 | | 891,022 |
| Increase in restricted equity | | 197,563 | | — |
| Decrease in working capital *) | | 31,108 | | 47,795 |
| Total | | 1,174,495 | | 1,081,424 |

APPLICATION OF FUNDS

| | | | | |
|---|----------|-----------|----------|-----------|
| Investment in aircraft | 619,472 | | 761,818 | |
| Investment in buildings | 10,176 | | 6,588 | |
| Other investments | 47,201 | | 68,704 | |
| Change in predelivery payments | - 55,026 | 621,823 | - 66,967 | 770,143 |
| Increase in other long-term investments | | - | | 145,784 |
| Increase in value adjustments | | 6,130 | | 1,130 |
| Repayment of long-term liabilities | | 546,542 | | 164,367 |
| Increase in working capital *) | | - | | - |
| Total | | 1,174,495 | | 1,081,424 |

| | | | | |
|-------------------------------------|---|--------|---|--------|
| *) Change in working capital | | | | |
| Change in current assets | + | 65,935 | + | 29,943 |
| Change in inventories | - | 20,670 | - | 17,089 |
| ./ Change in short-term liabilities | - | 76,373 | - | 60,649 |
| Change in working capital | - | 31,108 | - | 47,795 |

FINANCIAL STATEMENT PRINCIPLES

The financial statements were drafted in accordance with those regulations of the Bookkeeping Act in effect before January 1, 1993. The regulations of the new Bookkeeping Act will be applied during the financial year which began on April 1, 1994.

The consolidated financial statements include all companies in which the Parent Company owns more than 50 per cent of the votes, either directly or indirectly.

Inter-company transactions have been eliminated. Changes in the Group structure are explained in the Review of Operations by the Board of Directors, under the heading "Group Structural Changes".

The Group's share in the profit of the affiliated companies (Group ownership 20-50%) is FIM 6.8 million. This is included under financial items in the profit and loss statement and was taken into account in computing the key figures.

The balance sheet shows the original acquisition cost of shares in the affiliated companies.

The consolidated financial statements were drawn up using the purchase method.

ITEMS DENOMINATED IN FOREIGN EXCHANGE

Receivables, debts and liabilities were evaluated in the balance sheet at the official Bank of Finland rate on the day the books were closed. The accumulated exchange differences were entered in their entirety in the profit and loss statement.

DERIVATIVE AGREEMENTS

In order to provide hedging for long-term liabilities denominated in foreign exchange, currency and interest rate swap agreements have been made. Interest involved in these agreements has been shown in the financial statements according to the accruals method, and presented under the heading net interest expenses. Trading in foreign currency related to the agreements was evaluated according to the rate on the day the books were closed and the net evaluations are presented in the balance sheet as adjustment items on loans.

RESEARCH AND PRODUCT DEVELOPMENT

Such expenditures are not significant in the Group's sectors and are recorded as annual expense.

Aircraft manufacturers conduct most of the research and development on flight equipment and technology.

FIXED ASSETS AND DEPRECIATION

The balance sheet values of fixed assets are based on the original depreciated acquisition costs with the exception of buildings, whose value includes an appreciation of FIM 110 million.

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

- buildings in accordance with the maximum percentages under the Business Taxation Act, 4-7% of the undepreciated residual value

- aircraft and aircraft engines depending on the type so that the straight-line depreciation period for new jet aircraft is 15 years to a residual value of 10% and for turboprop aircraft 12 years to a residual value of 10%
- straight-line depreciation for aircraft simulators is 10 years
- depreciation of computers worth more than FIM 1 million, straight-line depreciation in five years
- depreciation of other tangible fixed assets is 23% of the undepreciated residual value
- capitalized long-term expenditures are depreciated in 5-10 years.

The difference between planned and book depreciation was entered in the balance sheet.

PENSION SCHEMES

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

Mandatory pension liabilities were covered in full with the exception of the liability deficit required by the Ministry of Social Affairs and Health. Uncovered pension liability from non-mandatory pension coverage in the Finnair Oy pension fund amounts to FIM 7.7 million. The Karair oy pension fund has a liability deficit of FIM 2.6 million which will be eliminated if the amendment to the regulations now under consideration by the Ministry of Social Affairs and Health is approved.

The contribution to the pension fund is entered as a pension expense under salary-related expenses in the financial statements. It represents the difference between all pension fund expenses such as pensions paid, change in the actuarial pension liability, compensations arising from liability distribution payable to the Central Pension Security Institute and other pension fund expenses on the one hand, and other income, such as return on investments, on the other. Return on pension fund investments totalled FIM 176.1 million.

The exchange rates for the principal foreign currencies were as follows:

| | March 31, 1994 | March 31, 1993 |
|-----|----------------|----------------|
| USD | 5.4678 | 5.8711 |
| CAD | 3.9510 | 4.6890 |
| GBP | 8.1140 | 8.7740 |
| DEM | 3.2700 | 3.6320 |
| CHF | 3.8641 | 3.9234 |
| FRF | 0.9574 | 1.0711 |
| SEK | 0.6980 | 0.7572 |
| JPY | 0.05329 | 0.05092 |
| ECU | 6.3100 | 7.0400 |

NOTES TO THE FINANCIAL STATEMENTS

| | Group | | Parent Company | |
|---|------------------|----------------|-----------------------|----------------|
| | 1993/94 | 1992/93 | 1993/94 | 1992/93 |
| | FIM mill. | FIM mill. | FIM mill. | FIM mill. |
| 1. MATERIALS AND SUPPLIES | | | | |
| Purchases of materials and supplies for aircraft maintenance and overhaul | 141.7 | 113.5 | 120.1 | 102.5 |
| Purchases of materials and supplies for passenger services | 287.2 | 326.7 | 287.0 | 323.0 |
| Fuel purchases for flight operations | 561.7 | 518.7 | 539.7 | 498.2 |
| Other items | 70.6 | 53.1 | 57.1 | 49.9 |
| Total | 1,061.2 | 1,012.0 | 1,003.9 | 973.6 |
| 2. ACCRUAL-BASED SALARIES | | | | |
| Administration and managing directors | 5.7 | 6.1 | 1.8 | 1.8 |
| Others | 1,389.8 | 1,409.3 | 1,132.2 | 1,139.8 |
| Total | 1,395.5 | 1,415.4 | 1,134.0 | 1,141.6 |
| Pay for sick leave | - 26.7 | - 24.2 | - 22.0 | - 19.9 |
| Salaries in the profit and loss statement | 1,368.8 | 1,391.2 | 1,112.0 | 1,121.7 |
| Expenses incurred in the acquisition of fringe benefits and their tax values are not included in salaries. | | | | |
| 3. SALARY-RELATED EXPENSES | | | | |
| Mandatory salary-related expenses | 178.6 | 130.4 | 153.8 | 109.3 |
| Payment for arrangement of pension security | 109.2 | 111.6 | 80.1 | 82.6 |
| Pay for sick leave | 26.6 | 24.2 | 22.0 | 19.9 |
| Other items | 58.8 | 55.7 | 29.4 | 35.8 |
| Total | 373.2 | 321.9 | 285.3 | 247.6 |
| 4. RENTS AND LEASE PAYMENTS | | | | |
| Lease payments for aircraft | 263.7 | 247.2 | 263.7 | 247.2 |
| Short-term leases for aircraft | 26.2 | 35.9 | 26.2 | 35.9 |
| Rent for land and premises | 121.4 | 116.1 | 79.1 | 76.3 |
| Charges for seat reservation systems | 72.5 | 34.5 | 72.5 | 34.5 |
| Rent for computer hardware and transmission lines | 43.3 | 56.3 | 41.9 | 54.3 |
| Other items | 108.4 | 80.8 | 68.1 | 74.2 |
| Total | 635.5 | 570.8 | 551.5 | 522.4 |
| At the end of the financial year Finnair Oy had 19 leased aircraft, of which 13 were acquired on long-term financial leasing arrangements. According to the terms of the financial leasing agreements, the Company has fixed call options both during the lease and at the end. Should the market values of aircraft leased in this manner be less than the redemption values, the Company would sustain a loss in conjunction with resale. | | | | |
| 5. OUTSIDE SERVICES | | | | |
| Airport and passenger service charges | 659.1 | 609.0 | 620.9 | 576.1 |
| Ground handling charges | 244.4 | 224.2 | 243.9 | 223.5 |
| Ground service expenses for tour operations | 227.1 | 320.9 | — | — |
| Aircraft maintenance and overhaul | 95.2 | 91.5 | 89.9 | 86.6 |
| Other items | 146.9 | 144.9 | 90.5 | 101.0 |
| Total | 1,372.7 | 1,390.5 | 1,045.2 | 987.2 |
| 6. OTHER OPERATING EXPENSES | | | | |
| Sales and marketing expenses | 160.5 | 177.0 | 122.6 | 112.2 |
| Daily allowances, hotel and other travel expenses | 117.2 | 112.3 | 106.3 | 96.6 |
| Maintenance of premises excluding rent | 61.3 | 64.8 | 54.2 | 53.3 |
| Communications expenses | 44.8 | 41.2 | 34.6 | 28.1 |
| Other items | 104.3 | 89.8 | 50.6 | 46.1 |
| Total | 488.1 | 485.1 | 368.3 | 336.5 |

| | Group | | Parent Company | |
|---|------------------|-----------|-----------------------|-----------|
| | 1993/94 | 1992/93 | 1993/94 | 1992/93 |
| | FIM mill. | FIM mill. | FIM mill. | FIM mill. |
| 7. FINANCIAL INCOME AND EXPENSES | | | | |
| Interest income | 140.5 | 193.9 | 137.8 | 188.4 |
| Dividends | 6.9 | 12.4 | 6.9 | 12.5 |
| Interest expenses | - 279.1 | - 281.3 | - 279.8 | - 299.9 |
| Other expenses on liabilities | - 6.7 | - 8.6 | - 5.3 | - 8.3 |
| Realized exchange rate gains | 119.3 | 71.1 | 119.3 | 71.2 |
| Unrealized exchange rate gains | 2.0 | 133.4 | 2.0 | 133.3 |
| Realized exchange rate losses | - 19.5 | - 8.8 | - 19.4 | - 7.7 |
| Unrealized exchange rate losses | - 32.6 | - 421.7 | - 32.5 | - 421.7 |
| Total exchange rate difference in the profit and loss statement | 69.2 | - 226.0 | 69.4 | - 224.9 |
| Net financial expenses in the profit and loss statement | - 69.2 | - 309.6 | - 71.0 | - 332.2 |

8. OTHER INCOME AND EXPENSES

| | | | | |
|--------------------------|-------|-------|--------|--------|
| Gain on sale of aircraft | - 0.5 | 53.4 | - 0.5 | 53.4 |
| Other income | 6.8 | 14.6 | 8.5 | 16.4 |
| Other expenses | - 0.3 | - 2.2 | - 10.1 | - 10.4 |
| Total | 6.0 | 65.8 | - 2.1 | 59.4 |

Gain on sale of aircraft is the difference between the sale price and the book value after planned depreciation.

9. TAXES

| | | | | |
|--|-------|-----|-------|-------|
| Taxes from previous years | - 1.7 | 3.4 | 2.1 | - 4.1 |
| Taxes for financial year | 7.2 | 2.6 | - 6.4 | - 1.9 |
| Taxes in the profit and loss statement | 5.5 | 6.0 | - 4.3 | - 6.0 |

10. RECEIVABLES FROM GROUP COMPANIES

| | | | | |
|--------------------------------|--|--|-------|-------|
| In current assets | | | 101.6 | 86.0 |
| In other long-term investments | | | 65.8 | 147.0 |
| Total | | | 167.4 | 233.0 |

11. SHORT-TERM INVESTMENTS

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

12. DEFERRED RECEIVABLES

| | | | | |
|----------------------------------|-------|-------|-------|-------|
| Leasing payments made in advance | 81.2 | 116.7 | 81.2 | 116.7 |
| Other items | 259.5 | 222.7 | 246.0 | 211.5 |
| Total | 340.7 | 339.4 | 327.2 | 328.2 |

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

13. INVENTORIES

Inventories were evaluated at the average acquisition cost. Management of the duty-free stock of alcoholic beverages was transferred to an outside contractor. The balance sheet value of inventories has therefore decreased.

14. FIXED ASSETS

| | | | | |
|--|---------|---------|---------|---------|
| At the beginning of the financial year | 3,938.3 | 3,672.8 | 3,868.0 | 3,585.2 |
| Increase | 699.0 | 853.8 | 676.9 | 837.1 |
| Decrease | - 225.6 | - 231.7 | - 222.4 | - 217.8 |
| Planned depreciation | - 399.4 | - 390.4 | - 378.2 | - 370.3 |
| Change in the depreciation difference | 31.9 | 33.8 | 31.9 | 33.8 |
| At the end of the financial year | 4,044.2 | 3,938.3 | 3,976.2 | 3,868.0 |

Predelivery payments in fixed assets include FIM 109.6 million call option payments made in advance related to financial leasing agreements. Fixed assets include an FIM 110 million appreciation for a hotel building made during the 1982/83 financial year.

| | Group | | Parent Company | |
|---|------------------|-----------|-----------------------|-----------|
| | 1993/94 | 1992/93 | 1993/94 | 1992/93 |
| | FIM mill. | FIM mill. | FIM mill. | FIM mill. |
| Insurance values of fixed assets | | | | |
| Balance sheet value of aircraft and spare engines | 2,292.6 | 1,931.8 | 2,292.6 | 1,931.8 |
| Insurance value FIM | 5,984.4 | 5,788.3 | 5,984.4 | 5,788.3 |
| Insurance value USD | 1,094.5 | 985.9 | 1,094.5 | 985.9 |

Insurance values for aircraft are USD-based.

Repurchase values for other fixed assets were not determined in detail.

| | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Tax values of fixed assets | | | | |
| Buildings | 505.6 | 741.7 | 492.1 | 731.4 |
| Subsidiary shares | — | — | 17.2 | 17.0 |
| Other stocks and shares | 23.2 | 17.6 | 10.2 | 6.7 |
| Total | 528.8 | 759.3 | 519.5 | 755.1 |

15. VALUE ADJUSTMENTS UNDER ASSETS

| | | | | |
|---|-------------|-------------|-------------|-------------|
| Liability for pensions paid directly by the companies | 23.7 | 22.5 | 11.6 | 11.0 |
| Compulsory pension fund liability deficit | 6.4 | — | 5.6 | — |
| Portion of pension funds liability uncovered | 10.1 | 15.0 | — | — |
| Total | 40.2 | 37.5 | 17.2 | 11.0 |

16. ADVANCE PAYMENTS

Liabilities mainly comprise advance payments by customers for hotel and ground services.

17. DEFERRED CREDITS

| | | | | |
|---------------------------------|----------------|--------------|----------------|--------------|
| Unearned air transport revenues | 435.5 | 330.8 | 435.5 | 330.8 |
| Holiday pay reserve | 248.2 | 254.5 | 205.8 | 207.9 |
| Other items | 411.8 | 376.0 | 360.6 | 368.4 |
| Total | 1,095.5 | 961.3 | 1,001.9 | 907.1 |

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

18. LIABILITIES TO GROUP COMPANIES

| | | |
|---------------------------|-------|-------|
| In short-term liabilities | 297.7 | 353.3 |
|---------------------------|-------|-------|

19. LONG-TERM LIABILITIES

Distribution of long-term Group loans by currency at the rate on the day the books were closed, March 31, 1994:

| | | | | | | | | | |
|------------|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| Currency | FIM | DEM | FRF | CHF | GBP | ECU | JPY | USD | Total |
| Percentage | 72 | 2 | 5 | 4 | 2 | 3 | 9 | 3 | 100.0 |

Repayment of long-term loans:

| | | | | | | | |
|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------|
| Financial year | 1994/95 | 1995/96 | 1996/97 | 1997/98 | 1998/99 | 1999 - | Total |
| FIM mill. | 40.8 | 68.5 | 70.9 | 65.5 | 129.3 | 3,363.8 | 3,738.8 |

Receivables, debts and liabilities were evaluated in the balance sheet at the Bank of Finland's rate on the day the books were closed. Accumulated exchange rate differences were entered in their entirety in the profit and loss statement.

19% of the Group's long-term loans have floating interest rate and 37% are Finnish pension loans for which the minimum interest is approved by the Ministry of Social Affairs and Health. The remaining 44% have fixed interest rate. The Group has altered the foreign exchange and interest rate position of some loans by making currency and interest rate swap agreements. The nominal capital involved in these agreements at the closing of the books was FIM 1,895 million.

20. CONVERTIBLE BOND

The convertible bond of FIM 150,000,000 was subscribed in full and paid up on March 31, 1993. The maturity is from 1992 to 1999 and the interest rate on the loan is 11.25%. During the financial year FIM 90,001,000 were converted to shares; the remaining amount of the convertible bond is FIM 59,999,000. 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. Finnair Oy's share capital can be increased by FIM 16,319,725 through conversion and the number of shares can thus be increased by a maximum of 3,263,945.

21. SUBORDINATED LOAN

During the financial year 1990/91 Finnair took a perpetual undated subordinated loan denominated in Japanese yen on the Japanese capital market. The lender is in a less preferential position than the other creditors although he is in a more preferential position than the holders of the convertible subordinated bond (see section 22). Finnair Oy repaid JPY 15.5 billion of the loan in May 1994, after the end of the financial year.

22. CONVERTIBLE SUBORDINATED BONDS

The convertible subordinated bonds of FIM 230,000,000, with an interest rate of 7% until the year 2004, were subscribed in their entirety and paid up on March 31, 1994. The bonds are undated. It has been proposed that regulations concerning capital loans that are comparable to equity items under the present legislation be added to the Companies Act. 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 (and enjoy equal preference with other similar Company's loans intended to strengthen equity);
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 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.
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 receivership.

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 FIM 36.90. The conversion right takes effect on May 2, 1994 and ends 14 days before conclusion of the loan period. The annual conversion period is January 1 to January 31 and April 1 to December 31.

Finnair Oy's share capital can be increased by a maximum of FIM 31,165,000 through conversion of debentures and the number of shares can be increased by a maximum of 6,233,000.

| | Group | | Parent Company | |
|--|------------------|--------------|-----------------------|--------------|
| | 1993/94 | 1992/93 | 1993/94 | 1992/93 |
| | FIM mill. | FIM mill. | FIM mill. | FIM mill. |
| 23. CHANGES IN EQUITY | | | | |
| Restricted equity | | | | |
| Share capital at the beginning of the financial year | 246.4 | 246.4 | 246.4 | 246.4 |
| Conversion of bonds | 22.5 | — | 22.5 | — |
| Share issue | 53.8 | — | 53.8 | — |
| Share capital at the end of the financial year | 322.7 | 246.4 | 322.7 | 246.4 |
| Revaluation fund | 88.1 | 88.1 | 88.1 | 88.1 |
| General reserve | 241.6 | 241.6 | 241.6 | 241.6 |
| Issue premium | 121.3 | — | 121.3 | — |
| Total restricted equity at end of financial year | 773.7 | 576.1 | 773.7 | 576.1 |
| Unrestricted equity | | | | |
| Unrestricted equity at the beginning of the financial year | 24.1 | 104.5 | 19.8 | 100.3 |
| Conversion difference | -0.4 | 0.5 | — | — |
| Profit/loss for the financial year | 145.8 | -80.9 | 144.2 | -80.5 |
| Total unrestricted equity at end of the financial year | 169.5 | 24.1 | 164.0 | 19.8 |
| Total equity at the end of the financial year | 943.2 | 600.3 | 937.7 | 595.9 |

24. AIRCRAFT LEASE PAYMENTS

| Financial year | 1994/95 | 1995/96 | 1996/97 | 1997/98 | 1998/99 | 1999 - | Total |
|-------------------------|---------|---------|---------|---------|---------|--------|---------|
| FIM mill. (falling due) | 233.5 | 230.8 | 228.4 | 209.5 | 182.1 | 392.4 | 1,476.7 |

Lease payments comprise FIM 1,036.1 million in payments related to financial leasing arrangements and FIM 440.6 in payments for operating leases.

| | Group 1993/94 FIM mill. | 1992/93 FIM mill. | Parent Company 1993/94 FIM mill. | 1992/93 FIM mill. |
|---|-------------------------------|----------------------|--|----------------------|
| 25. PENSION LIABILITIES | | | | |
| Total pension fund liability | 2,313.2 | 2,224.9 | 2,124.2 | 2,049.1 |
| Mandatory portion covered | - 971.1 | - 874.6 | - 855.5 | - 793.9 |
| Non-mandatory benefit covered | - 1,325.4 | - 1,335.3 | - 1,263.1 | - 1,255.2 |
| Portion of pension funds liability uncovered | 16.7 | 15.0 | 5.6 | — |
| Liability for pensions paid directly by companies | 23.5 | 22.4 | 11.6 | 11.1 |
| Liability included in other long-term liabilities | 40.2 | 37.4 | 17.2 | 11.1 |

26. SECURITIES PLEDGED AND GUARANTEES GIVEN

| | | | | |
|---|---------|---------|---------|---------|
| Parent Company pledges on behalf of subsidiaries | 72.0 | 72.0 | 72.0 | 72.0 |
| Parent Company guarantees on behalf of subsidiaries | 165.3 | 146.4 | 165.3 | 146.4 |
| Parent Company guarantees on behalf of others | — | 1.0 | — | 1.0 |
| Pledges and mortgages for own commitments | 1,091.4 | 1,198.4 | 1,088.6 | 1,198.4 |
| Total securities pledged and guarantees given | 1,328.7 | 1,417.8 | 1,325.6 | 1,417.8 |

27. HOLDINGS IN OTHER COMPANIES

| SUBSIDIARY SHARES | Number of shares | Group ownership % | Parent Company ownership % | Nominal value of the shares (FIM 1,000) | Book value (FIM 1,000) |
|---|---------------------|----------------------|----------------------------------|---|------------------------------|
| Aero O/Y | 300 | 100.0 | 100.0 | 30 | 30 |
| Kiinteistö Oy Aerolan A-talot (real estate company) | 7,500 | 100.0 | — | 75 | 1,320 |
| Kiinteistö Oy Aerolan B-talot | 200 | 100.0 | 100.0 | 200 | 200 |
| Amadeus Finland Oy | 95 | 95.0 | 95.0 | 950 | 950 |
| Area Travel Agency Ltd | 54,000 | 100.0 | — | 540 | 5,030 |
| Area Baltica Reisibüro AS, Estonia | 850 | 100.0 | — | EEK 850 | 377 |
| Closed-end limited company Area, Russia | 10 | 100.0 | — | RBL 5 | — |
| Oy Aurinkomatkat-Suntours Ltd Ab | 2,902 | 96.5 | — | 1,451 | 2,542 |
| Finlandia Travel Agency Ltd, England | 46,680 | 93.4 | 93.4 | GBP 47 | 144 |
| Finlandia Agence de Voyages S.A.R.L., France | 98 | 93.4 | — | FRF 48 | 48 |
| Finnair Travel Services Oy | 1,000 | 100.0 | 100.0 | 100 | 100 |
| Finnaviation Oy | 13,500 | 100.0 | 100.0 | 13,500 | 10,440 |
| Finn catering Oy | 1,696 | 100.0 | 100.0 | 1,314 | 1,794 |
| Finncharter Ltd, Canada | 1,000 | 100.0 | 100.0 | CAD 1 | 4 |
| Oy Finnmatkat-Finntours Ltd Ab | 150 | 100.0 | 100.0 | 150 | 590 |
| Finnway Inc., USA | 200 | 97.0 | — | USD 97 | 297 |
| Karair Ab, Sweden | 100 | 100.0 | 45.0 | SEK 100 | 80 |
| Karair oy, Finland | 63,375 | 100.0 | 100.0 | 951 | 1,820 |
| Mikkelin Matkatoimisto Oy (travel bureau) | 408 | 51.0 | — | 41 | 41 |
| Nordic-Hotel Oy | 16,000 | 100.0 | 100.0 | 1,600 | 1,237 |
| Nordisk Reseservice Ab, Sweden (travel bureau) | 1,260 | 97.0 | — | SEK 122 | 36 |
| Safin Oy | 100 | 100.0 | — | 1 | 1 |
| Finland Travel Bureau Ltd | 73,034 | 97.0 | 97.0 | 730 | 2,053 |
| Total | | | | | 19,398 |

MINORITY SHARES IN OTHER COMPANIES

| | Group | | Parent Company | |
|--|------------|---------------------------|----------------|---------------------------|
| | Ownership% | Book value (FIM 1,000) | Ownership% | Book value (FIM 1,000) |
| Amadeus Marketing S.A., Spain | 4.1 | 3,827 | 4.1 | 3,827 |
| Finnlandhaus GmbH, Germany | 5.6 | 119 | 5.6 | 119 |
| Finland Vakanties Westerman B.V., the Netherlands | 48.5 | 43 | — | — |
| Finnish American International Trade Inc., USA | 20.0 | 429 | 20.0 | 429 |
| Infra-Hotel, joint venture, Russia | 49.0 | 36,057 | 49.0 | 36,057 |
| Polygon Insurance Company Ltd | 2.5 | 6,637 | 2.5 | 6,637 |
| Sampo Insurance Company | 0.3 | 2,448 | 0.3 | 1,979 |
| Central Share Register of Finland Cooperative | | 280 | | 280 |
| The Helsinki Stock Exchange Cooperative | | 170 | | 170 |
| Oy TEN-MAR Fastighets Ab | 10.9 | 2,226 | 10.9 | 1,983 |
| Asunto Oy Heikkiläntalo, Tampere (housing corporation) | 4.4 | 240 | 4.4 | 240 |
| Asunto Oy Joensuun Kirkkokatu 21 | | 610 | | — |
| Asunto Oy Koitere Bostads Ab, Laivanvarustajankatu 4 | | 864 | | 864 |
| Asunto Oy Mannerheimintie 100 | 1.4 | 137 | 1.4 | 137 |
| Asunto Oy Metsätorppa, Kauppalaantie 48 | 4.4 | 131 | 4.4 | 131 |
| Asunto Oy Neitsytpolku 9 | | 470 | | 470 |
| Asunto Oy Neitsytpolku 11 | | 1,016 | | 1,016 |
| Asunto Oy Octavus, Mannerheimintie 84 | 6.5 | 250 | 6.5 | 250 |
| Asunto Oy Peter, Raatimiehenkatu 4 | | 435 | | 435 |
| Asunto Oy Pietarinkatu 11 | | 508 | | 508 |
| Asunto Oy Pietarinkatu 12 | | 696 | | 696 |
| Asunto Oy Tenholantie 4 | 9.1 | 152 | 9.1 | 152 |
| Kiinteistö Oy Citykulma (real estate company) | 8.2 | 349 | | — |
| Kiinteistö Oy Heikintori | | 234 | | — |
| Kiinteistö Oy Lentäjätie 1 | 19.5 | 5,846 | 19.5 | 5,846 |
| Kiinteistö Oy Tapiolan Säästötammi | 2.9 | 807 | | — |
| Vicksol S.A., Spain | | 3,121 | | — |
| Other companies with a book value of less than FIM 100,000 | | 799 | | 430 |
| Telephone company shares | | 3,688 | | 1,086 |
| Total | | 72,550 | | 63,742 |

KEY FIGURES

| FINNAIR GROUP | | 1989/90 | 1990/91 | 1991/92 | 1992/93 | 1993/94 |
|--|-----------|---------|---------|---------|---------|--------------------|
| Turnover | FIM mill. | 5,343 | 5,591 | 5,442 | 5,456 | 5,892 |
| Turnover, growth | % | 8 | 5 | -3 | 0 | 8 |
| Gross margin | FIM mill. | 524 | 321 | 356 | 285 | 582 |
| Gross margin, of turnover | % | 9.8 | 5.7 | 6.6 | 5.3 | 9.9 |
| Financial expenses, net ¹⁾ | FIM mill. | -17 | 63 | 159 | 310 | 69 |
| Financial expenses of turnover | % | -0.3 | 1.1 | 2.9 | 5.7 | 1.2 |
| Result before incidental items ²⁾ | FIM mill. | 263 | -87 | -148 | -349 | 119 |
| Return on investment | % | 10.8 | 4.1 | 5.1 | 7.2 | 8.7 |
| Return on equity | % | 13.9 | negat. | negat. | negat. | 8.7 |
| Dividends | FIM mill. | 25 | — | — | — | 19 ⁶⁾ |
| Current assets | FIM mill. | 2,081 | 2,009 | 2,388 | 2,395 | 2,454 |
| Inventories | FIM mill. | 186 | 206 | 207 | 191 | 171 |
| Fixed assets ³⁾ | FIM mill. | 3,140 | 3,808 | 3,673 | 3,938 | 4,044 |
| Other long-term investment | FIM mill. | 66 | 67 | 72 | 92 | 88 |
| Value adjustments | FIM mill. | 25 | 25 | 46 | 38 | 40 |
| Total assets | FIM mill. | 5,499 | 6,116 | 6,386 | 6,654 | 6,797 |
| Liabilities | FIM mill. | 3,651 | 4,427 | 4,857 | 5,499 | 5,331 |
| Value adjustments | FIM mill. | 34 | — | — | — | — |
| Share capital | FIM mill. | 246 | 246 | 246 | 246 | 323 |
| Other equity, reserves ³⁾ and minority holding | FIM mill. | 1,568 | 1,443 | 1,283 | 909 | 1,143 |
| Total liabilities | FIM mill. | 5,499 | 6,116 | 6,386 | 6,654 | 6,797 |
| Interest-bearing liabilities | FIM mill. | 2,343 | 3,193 | 3,532 | 4,127 | 3,791 |
| Liquid funds | FIM mill. | 1,223 | 1,186 | 1,577 | 1,519 | 1,539 |
| Equity ratio 1 | % | 33.7 | 27.9 | 24.4 | 17.5 | 21.8 |
| Equity ratio 2 | % | — | — | — | — | 25.2 |
| Net debt-to-equity 1 | % | 62 | 119 | 128 | 226 | 154 |
| Net debt-to-equity 2 | % | — | — | — | — | 119 |
| Interest-bearing liabilities of turnover | % | 43 | 57 | 65 | 75 | 64 |
| Gross investment less advances | FIM mill. | 850 | 1,216 | 632 | 854 | 699 |
| Income financing | FIM mill. | 559 | 279 | 235 | 35 | 514 |
| Income financing of turnover | % | 10.5 | 5.0 | 4.3 | 0.6 | 8.7 |
| Increase in share capital | FIM mill. | — | — | — | — | 76 |
| Earnings/share ⁴⁾ | FIM | 4.55 | -1.94 | -3.03 | -6.67 | 1.92 |
| Equity/share ⁴⁾ | FIM | 34.05 | 31.63 | 28.68 | 21.69 | 22.71 |
| Dividend/share | FIM | 0.46 | — | — | — | 0.30 ⁵⁾ |
| Aver. number of shares adjusted for the share issue | 1000 | 53,223 | 53,223 | 53,223 | 53,223 | 59,509 |
| Number of shares adjusted for the share issue at end of the financial year | 1000 | 53,223 | 53,223 | 53,223 | 53,223 | 64,537 |
| Number of shares corresponding to share capital at end of the financial year | 1000 | 49,281 | 49,281 | 49,281 | 49,281 | 64,537 |
| P/E ratio | | 6.4 | — | — | — | 17.5 |
| Share quotations (adjusted for the share issue) | | | | | | |
| highest | FIM | 71.39 | 37.04 | 23.15 | 12.96 | 38.00 |
| lowest | FIM | 29.17 | 12.04 | 10.19 | 5.09 | 7.87 |
| average | FIM | 55.53 | 19.25 | 16.13 | 8.87 | 19.36 |
| Market value of share capital, as at March 31 | FIM mill. | 1,552 | 1,109 | 860 | 472 | 2,175 |
| Trading in Finnair Oy shares | 1000 | 1,461 | 585 | 723 | 1,919 | 15,518 |
| % of average share capital | % | 3.0 | 1.2 | 1.5 | 3.9 | 26.1 |
| Personnel, average ⁵⁾ | | 10,659 | 11,396 | 10,788 | 10,324 | 9,721 |
| – employed by Finnair Oy | | 7,847 | 8,183 | 7,950 | 7,714 | 7,257 |

- ¹⁾ Exchange rate differences were booked in the profit and loss statement with the exception of unrealized exchange rate differences accrued on long-term loans, which are included under value adjustments in the balance sheet as follows:

| | | March 31, 1990 | March 31, 1991 | March 31, 1992 | March 31, 1993 | March 31, 1994 |
|-------------------|-----------|----------------|----------------|----------------|----------------|----------------|
| under assets | FIM mill. | — | — | — | — | — |
| under liabilities | FIM mill. | 33.5 | — | — | — | — |

- ²⁾ In calculating the profit, account has been taken of that part of the gain on sales of flight equipment by which the sale price has exceeded the book value according to planned depreciation.
- ³⁾ The accumulated difference between book and planned depreciation is included in the figures (see the corresponding figures in the balance sheet).
- ⁴⁾ Earnings/share were computed for the average share issue adjusted number of shares and equity/share for the share issue adjusted number of shares at the end of the financial year.
- ⁵⁾ Includes also short-term personnel.
- ⁶⁾ Proposal by the Board of Directors.

The Group share (holdings of 20-50%) of the affiliated company results was taken into account in computing the ratios.

FORMULAS FOR RATIOS (THE GROUP)

| | | | |
|---------------------------------|---|--|-------|
| Return on investment % | = | $\frac{\text{Result before incidental items} + \text{interest and other financial expenses}}{\text{Balance sheet total} - \text{non-interest bearing liabilities}^*)}$ | x 100 |
| | | ^{*)} Average at the beginning and end of the financial year | |
| Return on equity % | = | $\frac{\text{Result before incidental items} - \text{taxes}}{\text{Equity and reserves} + \text{minority holding}^*)}$ | x 100 |
| | | ^{*)} Average at the beginning and end of the financial year | |
| Equity ratio 1, % | = | $\frac{\text{Equity and reserves} + \text{minority holding}}{\text{Balance sheet total} - \text{advances received}}$ | x 100 |
| Equity ratio 2, % | = | $\frac{\text{Equity and reserves} + \text{minority holding} + \text{convertible subordinated bonds}}{\text{Balance sheet total} - \text{advances received}}$ | x 100 |
| Net debt-to-equity 1, % | = | $\frac{\text{Interest-bearing liabilities} - \text{liquid funds}}{\text{Equity} + \text{minority holdings} + \text{reserves}}$ | x 100 |
| Net debt-to-equity 2, % | = | $\frac{\text{Interest-bearing liabilities} - \text{convertible subordinated bonds} - \text{liquid funds}}{\text{Equity} + \text{minority holdings} + \text{reserves} + \text{convertible subordinated bonds}}$ | x 100 |
| Income financing, % of turnover | = | $\frac{\text{Gross margin} - \text{financial expenses} + \text{other income and expenses} - \text{taxes}}{\text{Turnover}}$ | x 100 |
| Earnings/share (FIM) | = | $\frac{\text{Result before incidental items} \pm \text{minority holding} - \text{taxes}}{\text{Average number of shares during the financial year}}$ | |
| Equity/share (FIM) | = | $\frac{\text{Equity and reserves}}{\text{Number of shares at the end of the financial year}}$ | |
| P/E Ratio | = | $\frac{\text{Share quotation at the end of the financial year}}{\text{Earnings/share}}$ | |

PROPOSAL BY THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

The Group's unrestricted equity on March 31, 1994 was FIM 169,520,094.95, according to the financial statements.

The profit of the Parent Company Finnair Oy was FIM 144,248,181.57. The profit retained from previous years totalled FIM 19,812,296.13. Unrestricted equity is FIM 164,060,477.70.

The share capital is FIM 322,686,300 and the number of shares 64,537,260, all of which are eligible for dividends.

New shares obtained by converting bonds to shares after April 1, 1994 entitle the bearer to a dividend for the financial year during which conversion was effected.

The Board of Directors proposes to the Annual General Meeting that a dividend of 6% of the share capital be paid from profits, that is FIM 0.30 per share, for a total of FIM 19,361,178.

Helsinki, June 9, 1994

THE BOARD OF DIRECTORS OF FINNAIR OY

Kalevi Sorsa

Ahti Hirvonen

Ari Heiniö

Seppo Härkönen

Eva-Christina Mäkeläinen

Robert G. Ehrnrooth

Raimo Hertto

Jaakko Ihamuotila

Antti Potila

AUDITORS' REPORT

We have examined the financial statements, accounts and administration of Finnair Oy and of the Finnair Group for the financial year from April 1, 1993 to March 31, 1994 to the extent required by good auditing practice.

The undersigned Antti Helenius has performed the supervisory auditing for the financial year in question.

Parent Company

The financial statements, which show a profit of FIM 144,248,181.57 were drawn up in accordance with the regulations in force.

We recommend

approval of the Profit and Loss Statement and the Balance Sheet,

releasing the Members of the Board of Directors and of the Supervisory Board and the President from personal liability for the financial year to which our audit pertains and

disposal of the profit for the financial year in the manner called for in the Annual Report of the Board of Directors.

The Group

The consolidated financial statements were drawn up in accordance with the regulations in force. The consolidated unrestricted equity was calculated in the manner stipulated by the law.

We recommend

that the Consolidated Profit and Loss Statement and the Balance Sheet be approved.

Vantaa, June 20, 1994

Hannu Nieminen

Antti Helenius, APA

Sauli Pyyluoma

Ulf Sundqvist

Juhani Korpela

Pär Stenbäck

Ilkka Suominen

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, 1993 - March 31, 1994. The Supervisory Board has decided to recommend that the Annual General Meeting approve the finan-

cial statements of the Parent Company and the Group and that the profit shown in the Balance Sheet be disposed of in the manner proposed by the Board of Directors.

The Supervisory Board states that its decisions and instructions have been followed and that it has received the information it deems

necessary from the Company Board of Directors and the President.

The terms of service on the Supervisory Board of Mr. Claes Andersson, Mr. Markku Koskenniemi, Mr. Jaakko Lassila, Mr. Matti Piuhola and Mr. Jussi Ranta are due to expire at the Annual General Meeting.

Helsinki, June 21, 1994

Harri Holkeri

| | |
|-----------------|--------------------|
| Felix Björklund | Claes Andersson |
| Satu Hassi | Markku Hyvärinen |
| Pekka Kivelä | Markku Koskenniemi |
| Jaakko Lassila | Ritva Laurila |
| Magnus Nordling | Seppo Peltari |
| Matti Piuhola | Jaakko Pohjola |
| Jussi Ranta | Olli Rehn |
| Peter Stenlund | |

SUBSIDIARIES

| | Total sales 1993/94 | | Turnover 1993/94 | | Personnel March 31 | | Finnair holding % ¹⁾ |
|---|---------------------|-----------|------------------|-----------|--------------------|--------------|---------------------------------|
| | FIM 1,000 | Change % | FIM 1,000 | Change % | 1994 | 1993 | |
| Finnaviation Oy Air transport Paavo Turtiainen, Managing Director | 132,512 | -5 | 126,313 | -5 | 184 | 193 | 100.0 |
| Karair oy Air transport Pekka Välimäki, Managing Director | 267,314 | +22 | 254,784 | +21 | 251 | 256 | 100.0 |
| Area Travel Agency Ltd Complete travel agency services Timo Mannermaa, Managing Director | 751,281 | +11 | 75,127 | +11 | 376 | 391 | 100.0 |
| Area Baltica Reisibüro AS, Estonia Complete travel agency services Tuula Hyvönen, Managing Director | 698 | — | 698 | — | 4 | — | 100.0 |
| Closed-end Limited Company Area, Russia Complete travel agency services Tuula Hyvönen, Managing Director | 1,142 | — | 1,142 | — | 9 | — | 100.0 |
| Finlandia Agence de Voyages S.A.R.L., France Complete travel agency services Leena Uurala, Managing Director | 9,208 | — | 4,715 | — | 5 | 2 | 93.4 |
| Finlandia Travel Agency Ltd, England Complete travel agency services Antero Lahtinen, Managing Director | 51,672 | +8 | 6,618 | -16 | 20 | 20 | 93.4 |
| Mikkelin Matkatoimisto Oy Complete travel agency services Airi Koljonen, Managing Director | 21,005 | -2 | 2,497 | +9 | 13 | 15 | 51.0 |
| Nordisk Reseservice Ab, Sweden Complete travel agency services Billy Carlsson, Managing Director | 12,809 | -14 | 2,708 | -25 | 11 | 11 | 97.0 |
| Finland Travel Bureau Ltd Complete travel agency services Carl Nyberg, Managing Director | 1,040,836 | +9 | 105,230 | +7 | 518 | 530 | 97.0 |
| Oy Aurinkomatkat-Suntours Ltd Ab Tour operations Timo Heihonen, Managing Director | 508,514 | -16 | 491,573 | -16 | 213 | 292 | 96.5 |
| Finnair Travel Services Oy Support services for tour operations Jukka Salama, Managing Director | 1,709 | — | 1,709 | — | 63 | — | 100.0 |
| Oy Finnmatkat-Finntours Ltd Ab Tour operations Kaj Horsma, Managing Director | 280,660 | -11 | 270,538 | -10 | 126 | 163 | 100.0 |
| Finncharter Ltd, Canada Tour operations Christina Colliander, Managing Director | 17,373 | +17 | 15,035 | +15 | 2 | 2 | 100.0 |
| Finnway Inc., USA²⁾ Tour operations Bernard Westerman, Managing Director | — | — | — | — | 5 | — | 97.0 |
| Nordic-Hotel Oy Hotel and restaurant services Olof Jurva, Managing Director | 189,172 | +22 | 165,043 | +22 | 482 | 471 | 100.0 |
| Safin Oy Hotel consulting services Olof Jurva, Managing Director | 3,756 | — | 3,756 | — | — | — | 100.0 |
| Finn catering Oy Catering operations Leo Eerikas, Managing Director | 45,198 | -7 | 35,680 | -8 | 111 | 129 | 100.0 |
| Amadeus Finland Oy Automated distribution and information systems for the travel industry Risto Tuomela, Managing Director | 51,375 | +47 | 49,988 | +44 | 30 | 22 | 95.0 |
| Aero O/Y Holding company | — | — | — | — | — | — | 100.0 |
| Real estate companies | 1,850 | — | 1,850 | — | 1 | 1 | 100.0 |
| TOTAL | 3,388,084 | +2 | 1,615,004 | -1 | 2,424 | 2,498 | |

¹⁾ Direct or indirect

²⁾ Group company from January 1, 1994, included only in the Consolidated Balance Sheet.

FINNAIR GROUP AIR TRANSPORT

(FINNAIR OY, KARAIR OY AND FINNAVIATION OY)

| | 1989/90 | 1990/91 | 1991/92 | 1992/93 | 1993/94 |
|--|----------------|----------------|----------------|----------------|----------------|
| SCHEDULED INTERNATIONAL TRAFFIC | | | | | |
| Flight hours | 65,102 | 69,226 | 67,923 | 69,158 | 71,118 |
| Flight kilometres | 39,406,000 | 41,580,000 | 42,672,000 | 42,379,000 | 45,550,000 |
| Available seat kilometres | 5,999,385,000 | 6,368,252,000 | 6,550,003,000 | 7,044,568,000 | 7,914,545,000 |
| Revenue passenger kilometres | 3,778,195,000 | 3,807,029,000 | 3,784,330,000 | 3,937,948,000 | 4,811,651,000 |
| Passenger load factor | 63.0 % | 59.8 % | 57.8 % | 55.9 % | 60.8 % |
| Available tonne kilometres | 874,123,000 | 909,748,000 | 926,541,000 | 978,052,000 | 1,136,434,000 |
| Revenue tonne kilometres | 482,074,000 | 481,277,000 | 467,178,000 | 482,351,000 | 610,242,000 |
| Overall load factor | 55.1 % | 52.9 % | 50.4 % | 49.3 % | 53.7 % |
| Passengers | 1,905,846 | 1,917,417 | 1,812,696 | 1,857,737 | 2,144,340 |
| Cargo (1,000 kg) | 34,634 | 32,661 | 29,732 | 28,943 | 35,621 |
| Mail (1,000 kg) | 5,125 | 4,564 | 4,523 | 5,724 | 6,718 |
| Seats available per a/c | 161 | 160 | 160 | 173 | 178 |
| Seats occupied per a/c | 101 | 96 | 92 | 97 | 108 |
| Load capacity available, kg per a/c | 22,182 | 21,879 | 21,712 | 23,079 | 24,949 |
| Load utilization, kg per a/c | 12,234 | 11,575 | 10,948 | 11,382 | 13,397 |
| SCHEDULED DOMESTIC TRAFFIC | | | | | |
| Flight hours | 44,481 | 46,462 | 48,168 | 48,215 | 44,759 |
| Flight kilometres | 17,616,000 | 19,169,000 | 19,690,000 | 19,789,000 | 18,393,000 |
| Available seat kilometres | 1,629,742,000 | 1,852,751,000 | 1,827,554,000 | 1,807,657,000 | 1,647,980,000 |
| Revenue passenger kilometres | 949,701,000 | 967,501,000 | 916,635,000 | 875,725,000 | 818,313,000 |
| Passenger load factor | 58.3 % | 52.2 % | 50.2 % | 48.4 % | 49.7 % |
| Available tonne kilometres | 175,917,000 | 196,022,000 | 192,831,000 | 190,633,000 | 169,798,000 |
| Revenue tonne kilometres | 84,651,000 | 85,728,000 | 81,366,000 | 77,814,000 | 818,313,000 |
| Overall load factor | 48.1 % | 43.7 % | 42.2 % | 40.8 % | 42.9 % |
| Passengers | 2,460,260 | 2,407,277 | 2,188,243 | 2,050,828 | 1,864,355 |
| Cargo (1,000 kg) | 5,738 | 5,023 | 4,838 | 4,316 | 4,248 |
| Mail (1,000 kg) | 439 | 398 | 547 | 732 | 898 |
| Seats available per a/c | 94 | 99 | 95 | 93 | 91 |
| Seats occupied per a/c | 55 | 51 | 48 | 45 | 45 |
| Load capacity available, kg per a/c | 10,120 | 10,226 | 9,793 | 9,633 | 9,232 |
| Load utilization, kg per a/c | 4,839 | 4,472 | 4,132 | 3,932 | 3,963 |
| CHARTER TRAFFIC | | | | | |
| Flight hours | 31,744 | 32,413 | 25,937 | 22,945 | 18,359 |
| Flight kilometres | 21,824,000 | 22,212,000 | 18,370,000 | 16,403,000 | 12,956,000 |
| Available seat kilometres | 5,211,598,000 | 5,316,775,000 | 4,930,272,000 | 4,157,932,000 | 3,594,812,000 |
| Available tonne kilometres | 514,349,000 | 522,637,000 | 489,817,000 | 411,019,000 | 355,604,000 |
| Passengers | 1,389,715 | 1,363,498 | 1,234,986 | 1,084,479 | 911,158 |
| Cargo (1,000 kg) | 2,892 | 2,381 | 3,751 | 2,971 | 2,654 |
| Mail (1,000 kg) | 68 | 49 | 57 | 70 | 29 |
| Seats available per a/c | 239 | 239 | 268 | 253 | 277 |
| Load capacity available, kg per a/c | 23,568 | 23,529 | 26,664 | 25,058 | 27,447 |
| TOTAL AIR TRANSPORT | | | | | |
| Flight hours | 141,327 | 148,101 | 142,028 | 140,318 | 134,236 |
| Flight kilometres | 78,846,000 | 82,961,000 | 80,732,000 | 78,571,000 | 76,899,000 |
| Available seat kilometres | 12,840,725,000 | 13,537,778,000 | 13,307,829,000 | 13,010,157,000 | 13,157,337,000 |
| Revenue passenger kilometres * | 9,939,494,000 | 10,091,305,000 | 9,631,237,000 | 8,971,605,000 | 9,224,776,000 |
| Passenger load factor | 77.4 % | 74.5 % | 72.4 % | 69.0 % | 70.1 % |
| Available tonne kilometres | 1,564,389,000 | 1,628,407,000 | 1,609,189,000 | 1,579,704,000 | 1,661,836,000 |
| Revenue tonne kilometres * | 1,081,074,000 | 1,089,642,000 | 1,038,361,000 | 971,184,000 | 1,038,736,000 |
| Overall load factor | 69.1 % | 66.9 % | 64.5 % | 61.5 % | 62.5 % |
| Passengers | 5,755,821 | 5,688,192 | 5,235,925 | 4,993,044 | 4,919,853 |
| Cargo (1,000 kg) | 43,264 | 40,065 | 38,321 | 36,230 | 42,523 |
| Mail (1,000 kg) | 5,632 | 5,011 | 5,127 | 6,526 | 7,645 |

* Charter traffic, available

FLIGHT DESTINATIONS 1994



DEFINITIONS TO THE FINNAIR GROUP AIR TRANSPORT

Available seat kilometres:

total number of seats available for passengers, multiplied by number of kilometres flown *

Revenue passenger kilometres:

number of revenue passengers carried, multiplied by number of kilometres flown *

Passenger load factor:

percentage of total passenger seats actually utilized

Available tonne kilometres:

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

Revenue tonne kilometres:

total tonnage of revenue load carried, multiplied by number of kilometres flown *

Overall load factor:

percentage of total available capacity utilized (passenger, cargo and mail)

* Kilometres flown are based on IATA Great Circle distances.



