

# ANNUAL REPORT

1995/1996



# ANNUAL REPORT 1995/1996

72nd financial year



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## INFORMATION TO SHAREHOLDERS

### Annual General Meeting

The Annual General Meeting of Finnair Oy will convene on August 21, 1996 at 3.00 p.m. in the Hotel Inter-Continental Helsinki, Mannerheimintie 46-48, Helsinki.

Shareholders desiring to attend must be registered with the Central Share Register by August 9, 1996.

### Dividend proposal

The Board of Directors of Finnair Oy proposes to the Annual General Meeting that shareholders be paid a dividend for the 1995/96 financial year of FIM 1 per share. The Board proposes that the dividend be paid on August 29, 1996 to those shareholders who were registered on the record, August 26, 1996.

### Interim Report

Finnair Oy will publish one Interim Report for the period April 1 - September 30, 1996, and it will be released on November 29, 1996.

### Investor Relations

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### Annual Report

The Finnair Oy Annual Report is published in Finnish and English.

Copies of the Annual Report can be ordered as follows:  
telephone +358 0 [9] 818 4951  
fax +358 0 [9] 818 4092

(New area code [9] will apply from October 12, 1996)



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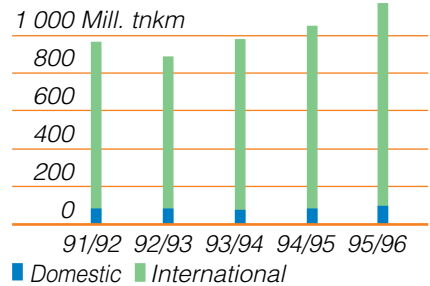
## HIGHLIGHTS

### FINNAIR GROUP

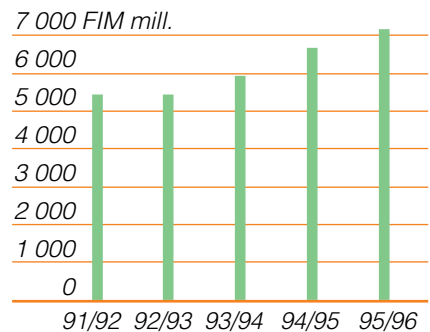
		1995/1996	1994/1995	Change %
Passengers	1 000	5 963	5 432	9.8
Cargo and mail	1 000 kg	60 484	57 564	5.1
Revenue tonne km	mill.	1 192	1 068	11.6
Turnover	FIM mill.	7 182	6 653	7.9
Turnover by sector	FIM mill.			
Flight operations	FIM mill.	6 418	6 011	6.8
Travel agencies	FIM mill.	270	231	16.9
Tour operations	FIM mill.	925	799	15.8
Hotel operations	FIM mill.	211	206	2.3
Other operations	FIM mill.	107	94	13.7
- Internal Group invoicing	FIM mill.	- 750	- 688	8.9
Operating margin	FIM mill.	1 055	945	11.7
Operating margin of turnover	%	14.7	14.2	
Operating profit	FIM mill.	624	522	19.6
Operating profit of turnover	%	8.7	7.8	
Profit before taxes	FIM mill.	533	419	27.2
Profit for the financial year	FIM mill.	372	365	1.9
Earnings/share	FIM	4.56	5.10	- 10.6
Equity/share	FIM	31.74	27.68	14.7
Share price on March 31	FIM	37.7	29.00	30.0
Gross capital expenditures	FIM mill.	567	278	104.0
Interest-bearing liabilities	FIM mill.	2 253	3 185	- 29.3
Equity	FIM mill.	2 590	2 258	14.7
Equity ratio	%	37.9	30.9	
Net debt-to-equity (Gearing)	%	25.3	43.0	
Personnel on average		10 162	9 586	6.0

(USD 1 = FIM 4.63)

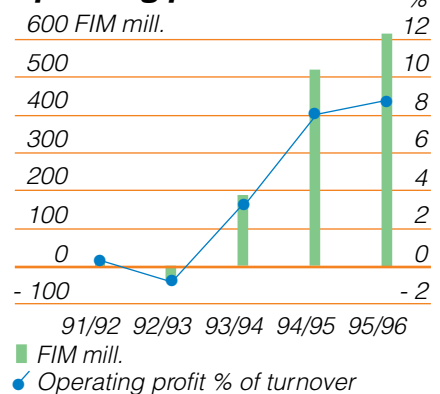
### Revenue tonne kilometres



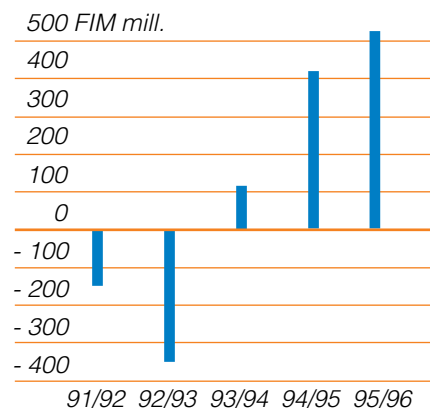
### Turnover



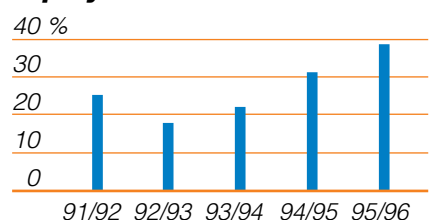
### Operating profit



### Result before incidental items, reserves and taxes



### Equity ratio



# INFORMATION ON FINNAIR OY SHARES AND SHAREHOLDERS

## SHARES AND SHARE CAPITAL

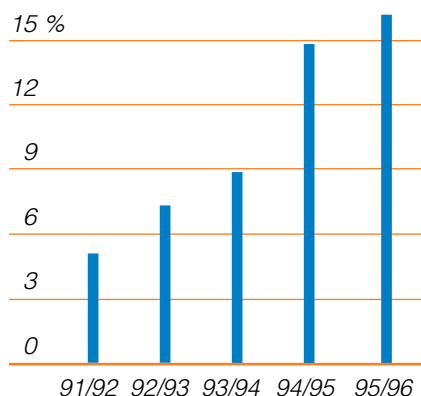
On March 31, 1996, the Company's paid up share capital, entered in the trade register, was FIM 407,922,400 and comprised 81,584,480 shares. Each share has one vote at the Annual General Meeting and its nominal value is FIM 5.

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

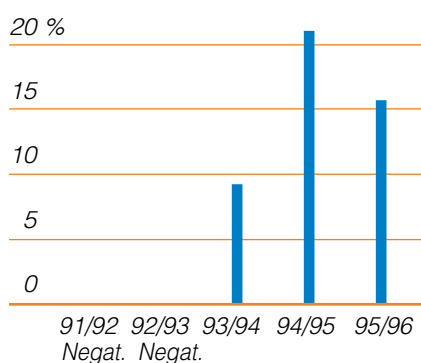
## SHARE QUOTATIONS

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

### Return on investment



### Return on equity



## PAYMENT OF DIVIDEND

The Board of Directors of Finnair Oy proposes to the Annual General Meeting that a dividend of FIM 1 per share, or a total of FIM 81,584,480.00, be paid for the 1995/96 financial year.

## GOVERNMENT OWNERSHIP

At the end of the financial year on March 31, 1996, the Finnish Government owned 60.7% of the Company's shares and votes. On June 20, 1994, Parliament decided to maintain the

Government's majority holding and gave its consent to reduce that holding to less than two-thirds. Should all the convertible bonds in circulation be exchanged for Finnair Oy shares, the Government's holding would be 57.5%.

## CONVERTIBLE BONDS

Finnair Oy has issued two convertible bonds. In February 1992 the Company Board of Directors issued a convertible bond for FIM 150 million on the basis of the authorization it had received at the

## FINNAIR OY SHAREHOLDERS AS AT MARCH 31, 1996

Shareholder	Number of shares	% of shares
Government of Finland	49 510 682	60.69
Neste Corporation	4 031 620	4.94
Pension Insurance Company Ilmarinen Ltd	1 400 000	1.72
Industrial Insurance Company Ltd	1 100 000	1.35
The Local Government Pensions Institution	1 071 500	1.31
Suomi Mutual Life Assurance Company	880 000	1.08
Sampo Insurance Company	719 000	0.88
Otso Loss of Profits Insurance Company Ltd	612 002	0.75
Salama Life Assurance Company Ltd	577 000	0.71
Asko Ltd	313 600	0.38
Registered in the name of a nominee, total	15 103 289	18.51
Other, total	6 265 787	7.68
Total	81 584 480	100.00

## FINNAIR OY SHAREHOLDERS BY TYPE AS AT MARCH 31, 1996

	Number of Sareholders	%	Number of Shares	% of Shares
Public bodies	18	0.25	51 194 434	62.76
Associations	48	0.66	705 239	0.86
Households	6 825	93.26	1 488 290	1.82
Financial institutions and insurance companies	66	0.90	7 155 219	8.77
Companies	347	4.74	5 863 396	7.19
Outside Finland	11	0.15	4 014	0.00
Registered in the name of a nominee	3	0.04	15 103 289	18.51
Book entries, not converted			70 599	0.09
Total	7 318	100.00	81 584 480	100.00

## DIVISION OF FINNAIR OY SHARE OWNERSHIP AS AT MARCH 31, 1996

Shares held	Shareholders	Number of shares	% of Shares
1 - 100	4 409	205 203	0.25
101 - 1 000	2 454	757 560	0.93
1001 - 10 000	366	1 027 053	1.26
10 001 - 100 000	65	2 334 978	2.86
100 001 - 1 000 000	16	4 971 996	6.09
1 000 001 -	5	57 113 802	70.01
Registered in the name of a nominee	3	15 103 289	18.51
Not converted to the book entry securities system		70 599	0.09
Total	7 318	81 584 480	100.00

Annual General Meeting in August 1991. The bond in question will mature in 1999. They can be converted to Company shares as follows: a bond with a nominal value of FIM 1,000 entitles the holder to 54.4 Finnair Oy shares with a nominal value of FIM 5 each. The bonds can be exchanged annually between April 1 and October 30. By March 31, 1996 a total of 104,794,000 in bonds had been converted to 5,304,765 shares. Should all the bonds still unexchanged on March 31, 1996 be converted into shares, the Company's share capital would rise by FIM 12,296,030 to 2,459,206 shares.

In February 1994, the Company's Board of Directors issued a perpetual convertible subordinated bond for FIM 230 million on the basis of authorization received from the Annual General Meeting of Shareholders in August 1993 and from an extraordinary meeting of shareholders in November 1993. The bond in question is by nature a capital loan and

has features comparable to equity items. Bonds can be converted to Company shares as follows: a bond with a nominal value of FIM 10,000 entitles the holder to 271 shares in Finnair Oy with a nominal value of FIM 5 each. The bonds can be converted annually between January 1 and 31 and between April 1 and December 31. By March 31, 1996, a total of FIM 156,550,000 in bonds had been converted to 4,242,505 shares. Should all the bonds still unexchanged on March 31, 1996 be converted to shares, the Company's share capital would rise by FIM 9,952,475, which corresponds to 1,990,495 shares.

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

### SHARE OWNERSHIP BY MANAGEMENT

On March 31, 1996, members of the Company's Supervisory Board and

Board of Directors and the Chief Executive Officer owned 3,519 shares, which represented 0.004% of all the shares and votes.

### SHARE PRICES AND TRADING

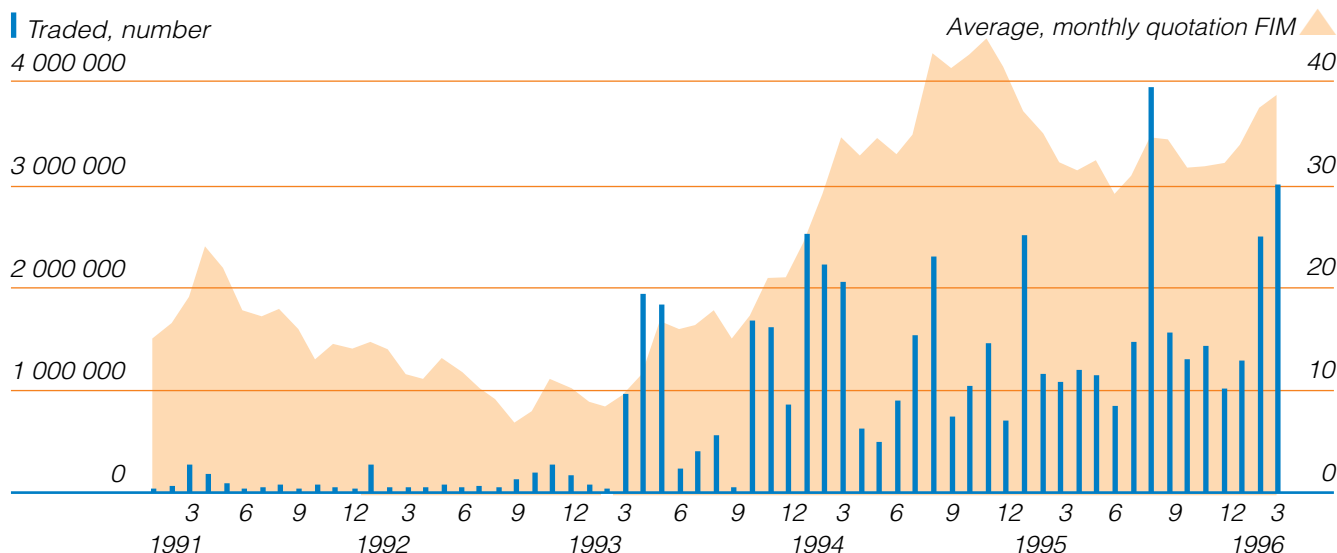
Finnair Oy's share was quoted at FIM 37.70 on the Helsinki Stock Exchange on the last day of the financial year. The market value of the Company's shares was FIM 3,076 million. The highest trading price during the financial year was FIM 39.50 and the lowest FIM 28.30.

A total of 20.8 million shares (14.3) were traded on the Helsinki Stock Exchange for a value of FIM 709.6 million (541.1) during the financial year. The total number of shares traded in the SEAQ system on the London Stock Exchange was 11.2 million. Purchase and sale of a share lot in the SEAQ are treated as two transactions.

### KEY FIGURES AND SHARE PRICES

<b>Key figures</b>		1991/92	1992/93	1993/94	1994/95	1995/96
Earnings/share	FIM	- 3.03	- 6.67	1.92	5.10	4.56
Equity/share	FIM	28.68	21.69	22.72	27.68	31.74
P/E ratio				17.5	5.7	8.3
<b>Number of shares and share prices</b>						
Number of shares adjusted for issue, average		53 223 480	53 223 480	59 509 008	71 649 571	81 584 480
Number of shares adjusted for issue, end of financial year		53 223 480	53 223 480	64 537 260	81 556 420	81 584 480
Number of shares, end of financial year		49 281 000	49 281 000	64 537 260	81 556 420	81 584 480
Prices adjusted for share issue, highest FIM		23.15	12.96	38.00	46.00	39.50
lowest FIM		10.19	5.09	7.87	28.00	28.30
Market value of share capital, March 31 FIM mill.		860	472	2 175	2 365	3 076
Trading of shares	pc.	723 317	1 919 383	15 518 144	14 319 356	20 849 877
Trading as % of average number of shares	%	1.40	3.60	26.10	20.00	25.60

### FINNAIR SHARE QUOTATIONS AND TRADE ON THE HELSINKI STOCK EXCHANGE 1991 -1996



## ADMINISTRATIVE BODIES

### SUPERVISORY BOARD

**Harri Holkeri**

*Chairman*

Member of the Board,  
Bank of Finland

**Felix Björklund**

*Deputy Chairman*

CEO, Karl Fazer Corporation

**Riitta Backas**

Vice President,  
administration and  
personnel, Thomesto Oy

**Markku Hyvärinen**

President  
Sampo Pension  
Insurance Company Ltd.

**Tarja Kautto**

Member of Parliament

**Pekka Kivelä**

M.Sc. (Econ.)

**Markku Koskenniemi**

Managing Director  
Tammerneon Oy

**Jouko K. Leskinen**

President & CEO  
Sampo Group

**Magnus Nordling**

Master of Laws

**Pekka Perttula**

Secretary General  
Centre Party of Finland

**Mikko Pesälä**

Member of Parliament

**Matti Piuhola**

Group Secretary  
Centre party of Finland

**Jaakko Pohjola**

Ministerial Counsellor  
Ministry of Transport  
and Communications

**Virpa Puisto**

Member of Parliament

**Jussi Ranta**

Project Manager, Regional  
Council of South Karelia

**Pertti Salolainen**

Member of Parliament

**Peter Stenlund**

Counsellor for Foreign Affairs  
Ministry for Foreign Affairs

**Ralf Sund**

Secretary General  
The Left-wing Alliance

Personnel representatives

**Veikko Ampuja****Tapani Huovilainen****Aino Laaksonen****Juhani Sinisalo**

### BOARD OF DIRECTORS

**Kalevi Sorsa**

*Chairman*

Member of the Board,  
Bank of Finland

**Ahti Hirvonen**

*Deputy Chairman*

Doctor of Economic  
Sciences, h.c.

**Robert G. Ehrnrooth**

Chairman  
Metra Corporation

**Ari Heiniö**

LL.B., Managing Director  
OY Stockmann AB

**Raimo Hertto**

President  
Rautakirja Oy

**Seppo Härkönen**

Vice President  
Nokia Group

**Jaakko Ihamuotila**

Chairman and CEO  
Neste Corporation

**Eva-Christina Mäkeläinen**

Ambassador  
Embassy of Finland in Vienna

**Antti Potila**

President and CEO  
Finnair Oy

### BOARD OF MANAGEMENT

**Antti Potila**

*Chairman*

President & CEO

**Mauri Annala**

Executive Vice President  
Accounting, Subsidiaries,  
Finnair Catering

**Henrik Arle**

Executive Vice President, CFO  
International Relations,  
Information Management

**Jorma Eloranta**

Executive Vice President  
Operations Division

**Leif Lundström**

Executive Vice President  
Marketing Division

**Jouko Malén**

Executive Vice President  
Technical Division

**Juhani Suomela**

Executive Vice President  
Human Resources and Service Quality

**Henry Johansson**

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

**Nilgün Josipov****Marja Vaitti**

### AUDITORS

**Erkki Mäki-Ranta**

Audit Councillor, AA  
State Audit Office

**Pekka Nikula**

APA  
SVH Coopers & Lybrand Oy

### DEPUTY AUDITORS

**Tauno Haataja**

APA  
SVH Coopers & Lybrand Oy

**Jorma Heikkinen**

Senior Auditor, APA

## REVIEW BY THE CHIEF EXECUTIVE OFFICER

We have reason to be satisfied with performance during the past financial year. Traffic achieved new records, profit increased and the balance sheet was strengthened. This was a reflection of the high level of economic activity, which was in fact restricted to the first half of the financial year. During the winter months growth came to a halt both in Finland and in key markets elsewhere in Europe.

The year was Finnair's first complete financial year when Finland was a member of the EU. Membership had the expected positive impact on air traffic and growth was strongest on European routes. Other international traffic also increased, especially due to expanding transit traffic. Holiday traffic also picked up. In contrast, growth in domestic traffic was more modest and still substantially below the peak figures of previous years.

Growth was spurred by liberalization of European air traffic and the new opportunities it provides. Liberalization has made airlines in peripheral areas of Europe more competitive with respect to Continental European companies. Finnair has been one of the most active in exploiting this potential. Increased traffic via Stockholm and the emergence of Stockholm as a second hub for Finnair flight operations are examples of this trend.

European airlines are still undergoing a process of fairly radical change. Adjusting to the liberalized operating environment and free competition takes time and is a difficult process for many. Tough competition continues to force prices down, while costs are constantly on the rise. Despite growth in demand, cost effectiveness must be improved rapidly if profitability is to be maintained.

Alongside liberalization, two additional trends are evident: the formation of alliances between airlines and the privatization of national carriers. In northern Europe two such groupings are already apparent, one around Lufthansa and the other around British Airways.



The situation in southern Europe is not so good. All airlines in the Mediterranean countries continue to record losses and have resorted to sizeable government subsidies. Alliances have not been formed and privatization cannot proceed before profitability is attained. The constant subsidies paid to competitors are heating up feelings in other companies, which have managed to achieve financial stability through their own efforts.

As a result of growth in traffic, congestion in the European air space has become an increasingly serious problem. The solution would be to combine the present decentralized national air traffic control organizations into an efficient all-European system. At least within the European Union there would be every opportunity for such a system, if only the political will could be found.

In recent years the Finnair Group has put its finances on a sound footing and strengthened its position. Many factors, both external and internal, have contributed to this achievement. However, a realistic assessment indicates that the good performance recorded up to now cannot be expected to continue. On the contrary, growth in demand has fallen off quickly and only vague hopes of an upturn toward the end of the year remain.

It is virtually impossible for airlines to sustain a good level of profitability under present conditions. If there is growth, then productivity can be improved to a considerable extent without hiring additional personnel. But if there is no growth, then restructuring becomes urgent. In this respect Finnair is in the same position as all the other airlines. Changes in demand and prices are immediately reflected in financial performance. That is why it is necessary that internal measures must be taken to increase revenues and to bring down costs now that growth is declining.

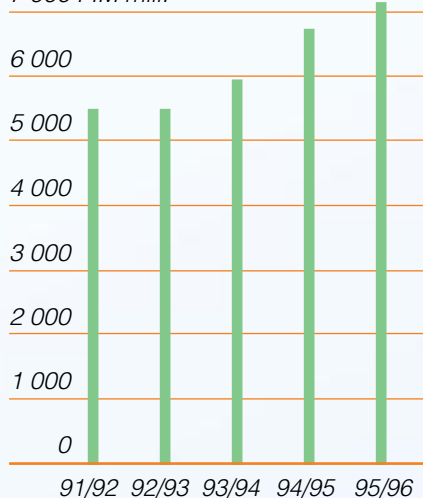
*Antti Potila*

# FINANCIAL STATEMENTS APRIL 1, 1995 TO MARCH 31, 1996

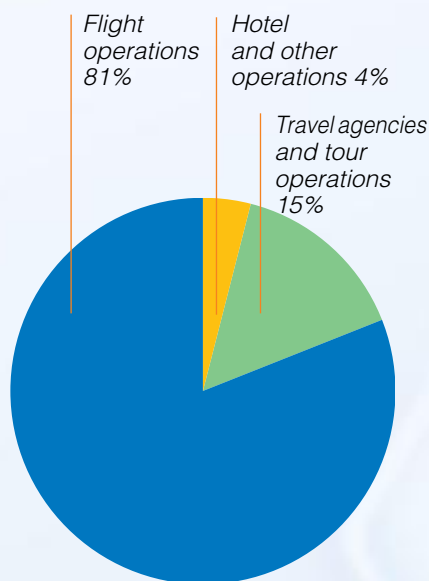
## REPORT ON OPERATIONS BY THE BOARD OF DIRECTORS

### Turnover

7 000 FIM mill.

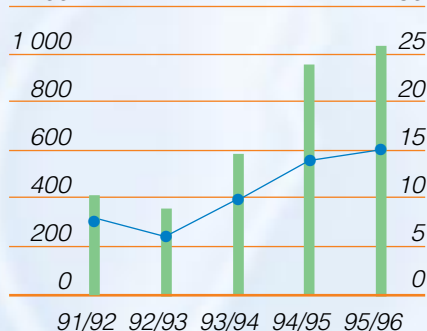


### Turnover by sector



### Operating margin

1 200 FIM mill.



■ FIM mill.

● Operating margin % of turnover

### THE OPERATING ENVIRONMENT

International air traffic continued to grow, as it has for several years. Revenue passenger kilometres in the scheduled passenger traffic of AEA member companies increased by 8% in 1995 and revenue tonne kilometres in cargo traffic by 7%. The passenger load factor improved by 1.1 percentage points to 69.8%. The growth figures were only slightly below those of 1994, when they approached the highest recorded in the last 15 years. Airlines strengthened their finances over the previous year. It is estimated that the combined net earnings of IATA member airlines increased on the previous year, when a profit was shown for the first time after several years of loss.

The Finnair Group's air traffic expanded, in the manner of the previous year, and growth exceeded the average for European airlines. Revenue passenger kilometres for all passenger traffic rose during the financial year by 13% and cargo tonne kilometres went up by 8%. The number of passengers increased by 10%, as in the previous year, and amounted to 5,963,000. The previous peak number of passengers – recorded before the recession – was surpassed during the financial year. Available tonne kilometres were increased by 11% as were passenger kilometres. The overall passenger load factor improved on the previous year by 0.9 percentage points to 68.5% and the overall load factor by 0.4 percentage points to 59.1%. The total number of passengers on holiday flights increased by 17%, while the number in scheduled business class traffic rose by 14%. The total number of passengers in international traffic increased by 13% and in domestic traffic by 5%. The Finnair Group's share of passengers in Finland's international scheduled traffic remained the same as in the previous year, or 65.2%. The combined market share in holiday traffic was 71.5%. This market share declined by 15.4 percentage points on 1994/95, but was still higher than in many previous years.

The travel market in Finland was buoyant during 1995 and overall demand for services rose on the previous year. According to estimates based on accommodation figures from Statistics Finland, the recovery of the domestic market made a significant contribution to the trend, because the number of passengers entering Finland from abroad decreased after the strong growth of previous years. In the accommodation sector, overnights increased by a total of 5% in 1995. Overnights by domestic tourists rose 7%, while those by foreign tourists fell 1%. The greatest decrease was in Swedish and German tourists, while the most growth was contributed by Russia, the UK and Japan. Domestic overnights accounted for 76% of the total. In 1994 overnights by foreign tourists increased 16% and those by domestic tourists 2%. The external value of the Finnish markka increased somewhat compared with the previous year, but declined again in the early months of 1996. Price competition in the tourist sector varied in response to these developments.

Demand for the services of the Finnair Group's Other Sectors is closely linked with the trend in air traffic. Their performance met expectations. Only Tour Operations suffered from overcapacity and from the resulting unhealthy competition.

### TURNOVER AND FINANCIAL PERFORMANCE

Consolidated turnover increased by 7.9% on the previous year and amounted to FIM 7,181.9 million. Operating profit rose by 19.6% and amounted to FIM 623.8 million. Operating profit for the previous year was FIM 521.6 million.

The profit before taxes was FIM 533.1 million compared with FIM 419.0 million in 1994/95. It exceeded the targets set for the entire financial year and can be considered very satisfactory. Nevertheless, the financial results from operations during the second half of the year did not meet expectations.



The operating margin increased by 11.7% and amounted to FIM 1,055.0 million or 14.7% of turnover. The operating margin for the previous year was FIM 944.5 million and 14.2% of turnover.

According to the new accounting practice, the voluntary reserves of Group companies in the consolidated financial statements were divided in the balance sheet between equity and imputed tax liability. In the profit and loss statement the change in voluntary reserves during the financial year was divided between the profit for the financial year and change in imputed tax liability. The information for the previous financial year has been adjusted to ensure comparability. Calculated in this way, the profit for the financial year was FIM 372.2 million compared with FIM 365.3 million for the previous year.

Air transport revenues per tonne kilometre declined by 2.5% on the previous financial year, when they rose by 2%. On average, the Finnish markka strengthened on the previous year in comparison with foreign currencies; this reduced the markka-denominated value of sales transacted in foreign currencies. In comparison with the US dollar, for example, the value of the markka increased during the financial year by an average of 12%, although at the end of the financial year it began to decrease again. The costs of flight operations per tonne kilometre decreased by 4.9%. Fuel prices rose at an unexpectedly rapid rate during the winter season. The average price, including exchange rate fluctuations, peaked in January-March 1996 at a level 16% higher than that of the previous year and thus reduced the profit during the

second half of the year compared with 1994/95.

### CAPITAL EXPENDITURE AND FINANCING

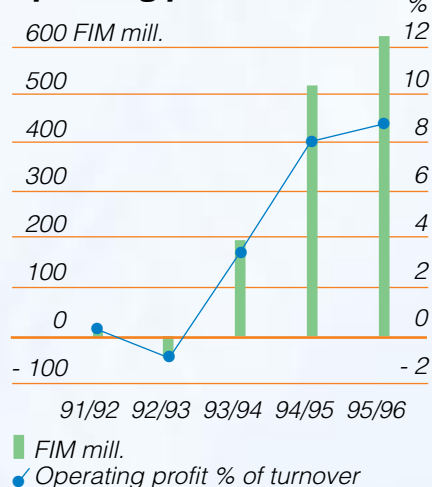
The operational cash flow before capital expenditure was FIM 935 million (825). Consolidated capital expenditure excluding advance payments totalled FIM 567 million (278) and consisted in the main of FIM 424 million (150) for aircraft. During the financial year the Company funded two used MD83 aircraft and one MD82 aircraft out of cash flows and also signed a long-term financial leasing contract for one MD83 aircraft.

The equity ratio at the end of the financial year was 37.9% (30.9%). The balance sheet was strengthened by continued good profitability and significant early repayments of loans. The consolidated net debt decreased from FIM 971 million to FIM 655 million. Liquid funds and interest-bearing current asset receivables were deducted from interest-bearing debt in calculating the net debt. The Board of Directors of Finnair Oy has set a minimum equity ratio of 35% as the target. The gearing ratio fell to 25.3% (43%).

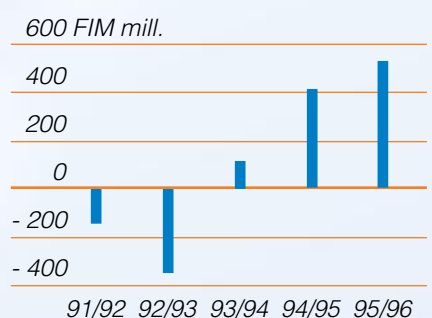
Consolidated net financial expenses declined. They totalled FIM 91 million (103), which was 1.3% of turnover (1.5%). Financial expenses include a non-recurrent expense item of FIM 62.5 million due to early repayment of long-term, fixed-interest loans.

Group liquidity remains strong. A credit facility agreement providing approximately FIM 950 million in unsecured credit for 4-6 years was concluded with an international banking syndicate. It has not yet been used.

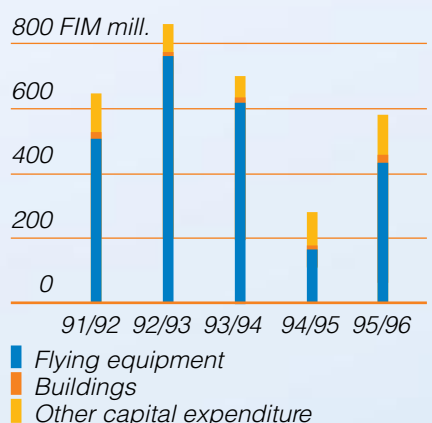
### Operating profit



### Result before incidental items, reserves and taxes



### Capital expenditure



### Turnover

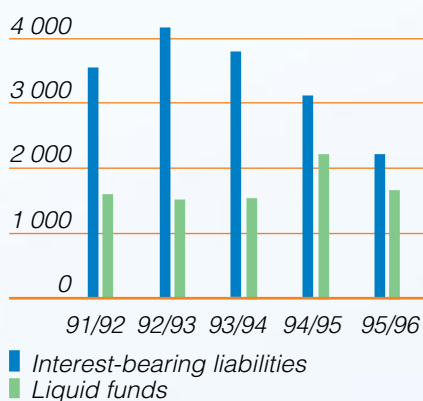
Sector, FIM mill.	1995/96	1994/95	Change %
Flight Operations	6 418.4	6 011.3	6.8
Travel Agencies	269.9	230.9	16.9
Tour Operations	925.4	799.1	15.8
Hotel Operations	210.8	206.1	2.3
Other Sectors	107.1	94.2	13.7
Total	7 931.6	7 341.6	8.0
- Internal invoicing	- 749.7	- 688.3	8.9
Total	7 181.9	6 653.3	7.9

### Operating profit

Sector, FIM mill.	1995/96	1994/95	Change %
Flight Operations	597.9	489.6	22.1
Travel Agencies	15.7	12.2	28.7
Tour Operations	- 0.7	9.8	- 107.1
Hotel Operations	1.5	2.5	- 40.0
Other Sectors	10.7	8.3	28.9
Total	625.1	522.4	19.7
- Internal invoicing	- 1.3	- 0.8	62.5
Total	623.8	521.6	19.6

### Interest-bearing liabilities and liquid funds

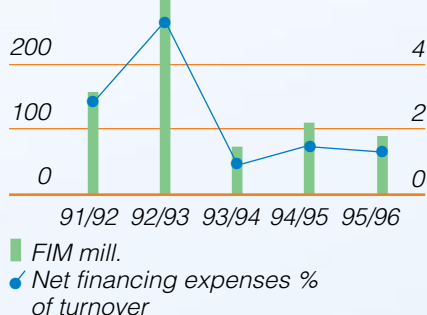
5 000 FIM mill.



### Net financing expenses

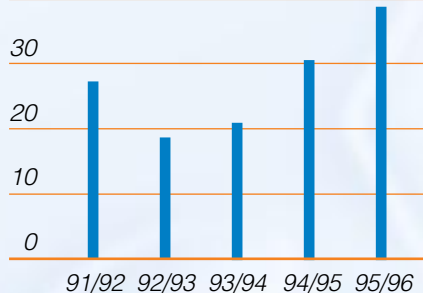
300 FIM mill.

% 6



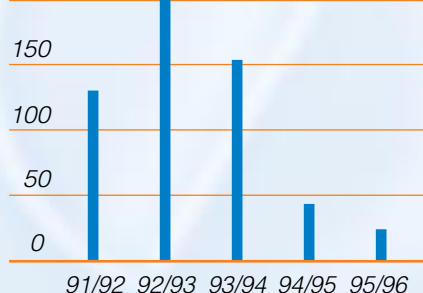
### Equity ratio

40 %



### Net debt-to-equity (Gearing)

200 %



### SHARE CAPITAL AND SHARES

Finnair Oy's share capital at the beginning of the financial year was FIM 407,782,100 and the number of shares was 81,556,420. At the end of the financial year the share capital was FIM 407,922,400 and the number of shares 81,584,480. A total of FIM 516,000 of the 1992 FIM 150 million convertible subordinated bond was converted to shares during the financial year. As a result of conversion, share capital increased by FIM 140,300. No conversions were made during the year from the 1994 FIM 230 million subordinated loan.

The Board of Directors is not at present authorized to carry out a share issue. Additional information on the convertible subordinated bonds appears in the section entitled Information on Finnair Oy Shares and Shareholders on pages 4 and 5 of the Annual Report.

During the financial year 20.8 million shares (14.3) with a trading value of FIM 709.6 million (541.1) were traded on the Helsinki Stock Exchange. The number of shares traded in the SEAQ system on the London Stock Exchange was FIM 11.2 million. The market value of the Company's shares at the end of the financial year was FIM 3,076 million (2,365). At the end of the financial year on March 31, 1996, 18.5% of the Company's shares (15.5) were registered in the name of a nominee. Shareholders numbered 7,318.

The highest trading price for the financial year was FIM 39.50 (46.00) and the lowest 28.30 (28.00). The average price was FIM 34.03 (37.79).

The members of the Company Supervisory Board and Board of Directors and the Chief Executive Officer owned a total of 3,519 shares on March 31, 1996. This represented 0.004% of the total number of shares and votes.

### CHANGES IN THE GROUP STRUCTURE

Through transactions made in May 1995 and March 1996, Finnair ac-

quired a 72% majority holding in Estravel, the leading general travel agency in Estonia.

Measures designed to make the Group structure more coherent were continued during the financial year. The ten foreign travel agencies owned by Finnair were combined into a single chain under the name Norvista. The travel agencies combined in this organization are Finncharter in Toronto, Finnway in New York, Nordisk Reseservice in Stockholm, the Finlandia Travel Service companies in Paris and London, the Estravel companies in Tallinn and the Area travel agencies in Moscow and St. Petersburg. Finnair's own sales offices abroad sell and market all Finnair's scheduled flights while the Norvista travel agencies produce holiday and other package tours.

Tour operators were brought together by establishing a group consisting of Finnair Travel Services Oy (FTS) as the principal company and Oy Aurinkomatkat-Suntours Ltd Ab and Oy Finnmatkat-Finntours Ab. The Top Club package tour department in the Parent Company was combined with the principal company of Finnair Travel Services, which sees to the personnel, financial and data management functions of the companies and to purchasing, hotel selection, passenger ground transport and other services. The FTS companies will continue to function as independent units with their own product names, financial accountability, marketing and advertising. Savings were obtained by combining functions. The number of personnel decreased by approximately 20.

A decision to merge the air traffic subsidiaries Karair oy and Finnavigation Oy and the holding company Aero Oy with the Parent Company was made and the appropriate measures undertaken. However, a complaint has been filed against the Karair oy merger, and the merger process will probably take place after the legal proceedings.

## ADMINISTRATION AND AUDITORS

### Supervisory Board, March 31, 1996

*Members of the Supervisory Board  
and changes during the financial year*

Harri Holkeri, *Chairman*,  
Member of the Board  
of the Bank of Finland

Felix Björklund, *Deputy Chairman*,  
CEO, Karl Fazer Corporation

Riitta Backas,  
Vice President, administration  
and personnel, Thomesto Oy  
Markku Hyvärinen,  
President, Sampo Pension  
Insurance Company Ltd.

Tarja Kautto;  
Member of Parliament

Pekka Kivelä,  
M.Sc. (Econ.)

Markku Koskenniemi,  
Managing director of Tammerneon Oy  
Jouko K. Leskinen,  
President & CEO of the Sampo Group

Magnus Nordling,  
Master of Laws

Pekka Perttula  
Secretary General,  
the Centre Party of Finland  
(as of August 24, 1995)

Mikko Pesälä,  
Member of Parliament  
(as of August 24, 1995)

Matti Piihola,  
Group Secretary,  
the Centre Party of Finland

Jaakko Pohjola,  
Ministerial Counsellor, Ministry of  
Transport and Communications

Virpa Puisto,  
Member of Parliament  
(as of August 24, 1995)

Jussi Ranta,  
Project Manager, the Regional  
Council of South Karelia

Pertti Salolainen,  
Member of Parliament  
(as of August 24, 1995)

Peter Stenlund,  
Councillor for Foreign Affairs  
Ministry for Foreign Affairs

Ralf Sund,  
Secretary General,  
The Left-wing Alliance  
(as of August 24, 1995)

*Personnel representatives  
of the Supervisory Board during  
the financial year*

Veikko Ampuja,  
as of September 19, 1995  
Tapani Huovilainen,  
as of September 19, 1995  
Aino Laaksonen,  
as of September 19, 1995  
Juhani Sinisalo  
as of September 19, 1995

### Board of Directors

*Members of the Board of Directors  
were elected for a three-year term  
from April 1, 1994 to March 31, 1997*

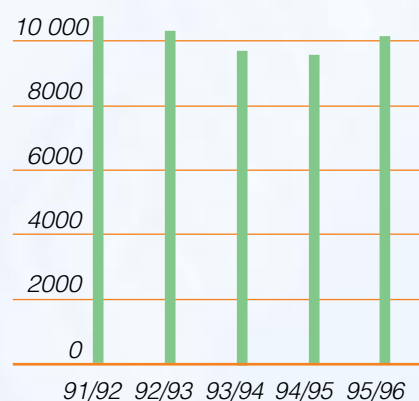
Kalevi Sorsa, *Chairman*,  
Member of the Board  
of the Bank of Finland  
Ahti Hirvonen, *Deputy Chairman*,  
Doctor of Economic Sciences, h.c.  
Robert G. Ehrnrooth,  
Chairman, Metra Corporation  
Ari Heiniö,  
LL.B., Managing Director,  
Oy Stockmann Ab  
Raimo Hertto,  
President, Rautakirja Oy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

### Auditors

*Auditors until the Annual General  
Meeting on August 24, 1995*  
Taisto Hautakangas,  
Authorized Public Accountant,  
SVH Coopers & Lybrand Oy  
Juhani Korpela,  
Secretary General, Ministry  
of Transport and Communications  
Hannu Nieminen,  
Audit Counsellor, State Audit Office  
Pekka Nikula,  
Authorized Public Accountant,  
SVH Coopers & Lybrand Oy  
*Auditors chosen by the Annual  
General Meeting on August 24, 1995*  
Erkki Mäki-Ranta,  
Audit Counsellor, AA  
State Audit Office  
Pekka Nikula,  
Authorized Public Accountant, APA  
SVH Coopers & Lybrand Oy

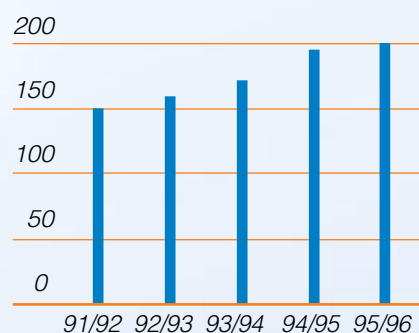
### Personnel on average

12 000 Person



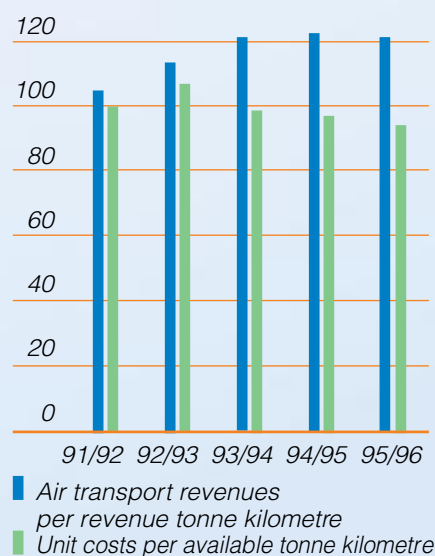
### Available tonne kilometres per person

Available tonne km (1 000) / person



### Development index of unit revenues and costs

Index (Financial year 1990/91 = 100)





## PERSONNEL AND SALARIES

The average number of Group personnel increased during the financial year by 576 on 1994/95 and amounted to 10,162. Parent Company personnel rose by 364 and amounted to 7,943. As a result of significant growth in air traffic, flight personnel were increased by an average of 100 persons, airport, passenger service and cargo personnel by some 150 and aircraft maintenance and overhaul by approximately 70. On the increase in personnel in the Travel Agency sector, approximately 90 persons are employed by travel agencies newly acquired by the Group.

Group personnel costs rose by 8.8%. All seven trade unions represented in the Finnair Group joined the nationwide collective bargaining agreement which will be in effect for a little over two years.

## DEVELOPMENTS IN TRAFFIC POLICY

The main development in this area during the financial year was the conclusion of Open Skies treaties between the USA and nine European countries, including Finland. From Finnair's point of view, the changes in the air traffic treaty between Finland and the USA were positive; there is now greater freedom to fly between the signatory countries and also from other points via Finland to the USA and onto further destinations.

The profitability of Finnair's North American traffic is expected to improve due to the alliance between Finnair and Delta Air Lines, which took effect in October 1995. The Helsinki-New York route will be flown with

Finnair equipment and crews, using the codes of both airlines. Based on the agreement, Delta Air Lines has a seat quota on every flight and flights use the Delta Air Lines terminal in New York. This arrangement provides Finnair customers with numerous convenient connecting flights to destinations in the United States. The agreement also provides for termination of Delta Air Lines own flights to Helsinki, thereby eliminating intermittent overcapacity on the route.

Finnair has made effective use of the new opportunities afforded by the liberalization of European air traffic. The number of additional passengers obtained through liberalization already accounts for a substantial proportion of growth. Travel within the EU accounts for 67% of all Finland's international scheduled air traffic.

Stockholm was developed as a second hub for international traffic. In August 1995 flights from Stockholm to London Gatwick were begun together with Transwede; during the winter season, beginning in November, the service was operated by Finnair. All in all, seven different Finnair destinations in Europe were served via Stockholm.

Lufthansa, with which Finnair has had an alliance since 1991, agreed at the beginning of 1996 on co-operation with SAS. As a result, the terms of the alliance between Lufthansa and Finnair were altered so that the companies no longer provide joint traffic on routes between Germany and Sweden nor market joint services in the Scandinavian countries. However, new joint projects and reciprocal feeder services were developed in traffic between Finland and Germany.

### Average Group personnel by financial year and sector

	1995/96	1994/95	Change in persons
Flight Operations	7 943	7 579	364
Travel Agencies	1 112	967	145
Tour Operations	440	403	37
Hotel Operations	493	478	15
Other Sectors	174	159	15
Total on average	10 162	9 586	576

The Finnish Government renewed and expanded its air traffic treaties with the People's Republic of China, the Republic of Korea and Thailand during the year under review. These agreements will guarantee opportunities for expansion in the rapidly growing traffic between Asia and Europe either immediately or in the future.

Finnair has continued and expanded its agreements with airlines operating in various destination countries in order to serve customers and improve profitability of traffic. The Baltic States are a new geographical region and talks with the rapidly developing airlines of these countries regarding co-operation took place during the year.

#### FLEET

During 1996/97 financial year investments will be on the level of the preceding financial year. Acquisition agreements for eight slightly used MD80 aircraft for the Group's European traffic have been made on the basis of a 1994 decision to modernize the fleet gradually. Three of these aircraft have already been delivered, three will be delivered during the present financial year and two during the 1997/98 financial year. A tentative decision to acquire four Boeing 757 aircraft for holiday traffic has also been made; these would replace the two Airbus 300s. Preparations for selection of a new aircraft family for European traffic have also commenced.

#### OUTLOOK FOR THE 1996/97 FINANCIAL YEAR

Uncertainty concerning future demand has increased. Recent changes in the operating environment indicate that economic growth has slowed significantly both in Finland and in important European markets. Demand for travel services is expected to conform to the trend in the economies of individual countries. Sales abroad offer the greatest potential for growth. In response to the need for more effective operations, the Group's foreign travel agencies were combined to form the Norvista chain.



Norvista's first task will be to increase foreign holiday travel on Finnair's scheduled flights to Finland and via Finland to third countries. No essential changes are forecast in domestic competition.

In view of the changes in the operating environment, the Finnair Group will not increase its overall capacity during the current financial year. No new destinations are planned and existing connections will be improved. Increases in the volume of sales and turnover are expected to remain below the exceptionally good figure of the previous year. On the basis of the outlook for the first two months of the present financial year, financial performance will deteriorate considerably.

FLYING  
FRESH

SAVUTTOMAT LENNOT  
RÖKFRIA FLYG  
SMOKE-FREE FLIGHTS  
NICHTRAUCHERFLÜGE  
БЕЗДЫМНЫЕ ПОЛЕТЫ

FINNAIR

*The World Health Organisation (WHO) and the International Civil Aviation Authority (ICAO) would like to see all airlines switch to non-smoking flights. Finnair is one of the first airlines to follow this recommendation.*

## FINANCIAL STATEMENT PRINCIPLES

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

Inter-company transactions, receivables and debts and the internal distribution of profit were eliminated. Mutual share ownership was eliminated with the acquisition cost method. The elimination difference between the acquisition price of subsidiary shares and the equity of the subsidiary at acquisition arising in conjunction with elimination was allocated primarily to those asset items which caused the elimination difference and was removed in accordance with the depreciation plan for fixed assets. The unallocated elimination difference, i.e. the consolidated goodwill, was eliminated at the moment of acquisition. To the extent possible, the financial statements of the foreign subsidiaries were harmonized with the principles used by the Group before consolidation. Conversion to markkas took place at the official Bank of Finland rate on the day the books were closed. The conversion differences caused by elimination of equity were treated as adjustment items for consolidated unrestricted equity.

Portions of the earnings of companies in which the Group owns from 20-50% of the shares and votes were combined in the consolidated financial statements using the equity method, with the exception of the associat-

ed company Datatelekommunikat-siooni AS, which operates in Estonia. This company was not consolidated because it did not have a significant impact on the consolidated unrestricted equity. The portion of the profit for the financial year corresponding to the Group's holding is presented in the consolidated statement of profit and loss under financial income and expenses. The difference between the acquisition price of shares in the associated company Infa-Hotel and the equity based on the Group holding was capitalized and treated as consolidated goodwill depreciable over a 20-year period. The consolidated goodwill for the other associated companies was entered as a non-recurrent expense.

### ITEMS DENOMINATED IN FOREIGN EXCHANGE

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

### DERIVATIVE AGREEMENTS

Interest related to derivative agreements made to hedge against foreign exchange and interest rate risks was entered on an accrual basis as either interest income or expense. Exchange rate differences were entered as exchange rate differences under financial income and expenses. However, exchange rate differences on separate derivative financial instruments that provided hedging for specific off-balance sheet items were deferred until recognition of the underlying item. The nominal capital of all derivative agreements at the closing of the books was FIM 1,263,8 million.

### FIXED ASSETS AND DEPRECIATION

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

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

- buildings in accordance with the maximum percentages under the Business Taxation Act, 4-7% of the undepreciated residual value
- aircraft and aircraft engines depending on the type so that the straight-line depreciation period for new jet air-

### Exchange rates for the principal foreign currencies

Currency	March 31, 1996	March 31, 1995	Change %
USD	4.6327	4.3361	6.8
DEM	3.1385	3.1405	- 0.1
SEK	0.6917	0.5875	17.7
JPY	0.0435	0.0495	- 12.1
GBP	7.0650	7.0030	0.9
FRF	0.9201	0.8973	2.5
CHF	3.8921	3.8002	2.4
ECU	5.8200	5.6860	2.4
CAD	3.3970	3.0910	9.9

craft is 15 years to a residual value of 10% and for turboprop aircraft 12 years to a residual value of 10% – straight-line depreciation is 10 years for aircraft simulators and five years for computers worth more than FIM 1 million.

– depreciation of other tangible fixed assets is 23% of the undepreciated residual value

– capitalized long-term expenditures are depreciated in 5-10 years, depending on their nature.

The difference between planned and book depreciation was entered in the profit and loss statements of the separate companies as a change in depreciation difference. In the balance sheet the depreciation difference is included in reserves under liabilities. The depreciation difference in the consolidated financial statements was divided in the balance sheet into unrestricted equity and imputed tax liability.

#### **INVENTORIES**

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

#### **CASH AND BANK RECEIVABLES, CURRENT ASSET SECURITIES**

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

#### **LEASING**

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

#### **EXPENDITURE ON RESEARCH AND DEVELOPMENT**

Research and development on aircraft, systems and ground handling is conducted primarily by manufacturers. Any modifications related to capital expenditure developed by the Company are capitalized under the acquisition cost of investment. Group companies do not have separate organizations specializing in technology and product development nor do they otherwise have significant expenditures except in the areas of marketing and customer services. These expenditures are entered as annual expenses.

#### **TAXES AND THE CHANGE IN IMPUTED TAX LIABILITY**

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

#### **PENSION SCHEMES**

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

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

The Finnair Oy pension fund's pension liability is fully paid up with respect to basic and additional coverage except for the compulsory liability deficit of FIM 26.4 million required by the Ministry of Social Affairs and Health. Area Travel Agency's share of the pension fund deficit with respect to additional security was FIM 5.5 million. The Company's liability for pensions paid directly is FIM 29.2 million.

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

Pension fund liabilities are presented in section 28 of the Notes to the Financial Statements.

# PRINCIPLES OF FINANCIAL RISK MANAGEMENT

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

Financial risk management is concentrated in the Treasury Department of the Parent Company, which coordinates operations in the Group and provides various internal banking services such as group accounts and netting services. The Treasury Department implements risk management in accordance with principles approved by the Finnair Board of Directors. In its financial risk management, the Company uses a wide range of hedging instruments and methods such as foreign currency loans, forward contracts, currency and interest swaps, foreign exchange and interest options and futures.

## FOREIGN EXCHANGE RISKS

Some 35% of Group turnover is denominated in currencies other than the Finnish markka. The key foreign currencies are the US dollar, the Swedish krona, the German mark and the Japanese yen. Approximately 35% of the Group's operating costs are denominated in foreign currencies. The main purchasing currency is the US dollar, which accounts for almost half of all operating expenses denominated in foreign exchange. Acquisition of aircraft and the spare parts for them also takes place mainly in US dollars.

The Group's policy is to eliminate the identified foreign exchange risk caused by a foreign currency surplus or deficit. Apart from receivables and payables and other commercial commitments, the estimated 12-month cash flows denominated in foreign exchange are as a rule included in exposed foreign exchange positions. At the end of the 1995/96 financial year 80% of the Group's interest-bearing liabilities were denominated in markkas.

## THE FUEL PRICE RISK IN FLIGHT OPERATIONS

Various hedging instruments such as forward contracts and swaps are used to manage the price risks involved in acquiring fuel for flight operations. Time-wise, hedging is limited in general to less than 12 months. In the 1995/96 financial year fuel used in flight operations accounted for 9% of the Group's operating costs. Fuel costs are dependent on fluctuations in oil markets and the US dollar.

## INTEREST RISKS

In order to manage interest risks, the Group's loans and investments are dispersed into fixed and variable interest-rate instruments so that most of the Group's interest-bearing loans have variable interest rates. Finnair hedges against interest rate changes by investing most of its cash reserves on the money markets for less than 12 months. At the end of the 1995/96 financial year the average interest on the Group's interest-bearing loans was 5.9%.

## CREDIT RISKS

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

## LIQUIDITY RISK

The goal of the Finnair Group is to maintain good liquidity. Liquidity is ensured through cash reserves, liquid money market investments and credit limits. With respect to aircraft acquisitions, the Company's policy is to ensure financing at least 6 months before delivery, for example with promises of loans. The Group's liquid funds were FIM 1.6 billion at the end of the 1995/96 financial year. Moreover, FIM 950 million in unsecured credit limits are available to the Group for four to six years.

At the time the books were closed, the Group had derivative contracts for the following gross amounts:

	<i>FIM million</i>
Foreign exchange forward transactions	525.6
Currency swap contracts	638.2
Interest rate swap contracts	100.0
Total	1 263.8

The nominal values of the derivative contracts presented in the table depict the extent of the hedging employed by the Group and as such do not necessarily indicate the cash flows from them or the credit risks involved.



## CONSOLIDATED PROFIT AND LOSS STATEMENT (FIM 1 000)

	<b>April 1, 1995 - March 31, 1996</b>	<i>April 1, 1994 - March 31, 1995</i>	<i>Change %</i>	<i>Notes</i>
<b>TURNOVER</b>	<b>7 181 904</b>	6 653 316		
Production for Company use	<b>12 644</b>	9 550		
Other revenue from business operations	<b>51 582</b>	7 575		1
<b>TOTAL REVENUE FROM BUSINESS OPERATIONS</b>	<b>7 246 130</b>	6 670 441	8.6	
<b>EXPENSES FROM BUSINESS OPERATIONS</b>				
Materials and supplies				
Purchases during financial year	<b>1 084 636</b>	1 028 405		2
Increase (-) / decrease (+) in inventories	<b>- 16 667</b>	- 694		
Outside services	<b>1 015 348</b>	893 748		3
Personnel expenses	<b>2 202 311</b>	2 023 271		4
Rents and lease payments	<b>534 764</b>	496 689		5
Traffic charges	<b>722 494</b>	690 189		6
Other expenses	<b>648 213</b>	594 311		7
<b>TOTAL</b>	<b>- 6 191 099</b>	- 5 725 919	8.1	
<b>OPERATING MARGIN</b>	<b>1 055 031</b>	944 522	11.7	
<b>DEPRECIATION ON FIXED ASSETS AND OTHER LONG-TERM EXPENDITURE</b>	<b>- 431 228</b>	- 422 913	2.0	8
<b>OPERATING PROFIT</b>	<b>623 803</b>	521 609	19.6	
<b>FINANCIAL INCOME AND EXPENSES</b>	<b>- 90 671</b>	- 102 577	- 11.6	9
<b>PROFIT BEFORE TAXES</b>	<b>533 132</b>	419 032	27.2	
<b>DIRECT TAXES</b>				
Taxes	<b>- 40 626</b>	- 16 605		
Change in imputed tax liability	<b>- 119 712</b>	- 36 893		
	<b>-160 338</b>	- 53 498	199.7	10
<b>MINORITY SHARE</b>	<b>- 561</b>	- 231	142.9	
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>372 233</b>	365 303	1.9	

# CONSOLIDATED BALANCE SHEET (FIM 1 000)

<b>ASSETS</b>	<i>March 31, 1996</i>		<i>% March 31, 1995</i>		<i>%</i>		<i>Notes</i>
<b>FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS</b>							
Intangible assets							8
Intangible rights	8 977			8 795			
Other deferred expenditure	51 665	60 642	0.9	52 573	61 368	0.8	
Tangible assets							8
Land	4 751			4 430			
Buildings	609 094			613 803			
Flight equipment	2 752 611			2 661 722			
Other property	333 747			335 081			
Advance payments	141 668	3 841 871	55.4	114 740	3 729 776	50.3	
Fixed asset securities and other long-term investments							
Shares in affiliated companies	26 271			37 088			11
Other stocks and shares	39 157			38 556			11
Loan receivables	75 138	140 566	2.0	70 402	146 046	2.0	14
<b>VALUE ADJUSTMENTS</b>							
Liability for Company pensions	29 247			28 847			12
Pensions Fund liability deficit	31 952	61 199	0.9	36 623	65 470	0.9	
<b>INVENTORIES AND CURRENT ASSETS</b>							
Inventories							13
Materials and supplies	179 516			167 550			
Other inventories	8 517	188 033	2.7	3 815	171 365	2.3	
Receivables							
Trade receivables	564 590			583 962			14, 30
Deferred receivables	354 689			323 979			14, 15, 30
Other receivables	123 234	1 042 513	15.0	120 521	1 028 462	13.9	14
Investments							
Short-term investments		1 515 495	21.9		2 124 760	28.6	16
Cash and bank receivables		82 576	1.2		89 237	1.2	17
		6 932 895	100.0		7 416 484	100.0	
<b>LIABILITIES</b>							
<b>EQUITY</b>		<i>March 31, 1996</i>		<i>% March 31, 1995</i>		<i>% Notes</i>	
<b>RESTRICTED EQUITY</b>							
Share capital	407 922			407 782			
General reserve	854 321			853 945			
Revaluation fund	88 085	1 350 328		88 085	1 349 812		
<b>UNRESTRICTED EQUITY</b>							
Profit from previous years	867 319			542 484			
Profit for the financial year	372 233	1 239 552		365 303	907 787		
Total equity		2 589 880	37.3		2 257 599	30.4	
<b>MINORITY SHARE</b>							
		1 423			818		
<b>LIABILITIES</b>							
Convertible subordinated bond issue		73 450	1.1		73 450	1.0	21
Subordinated loan		233 481	3.4		266 033	3.6	22
<b>LONG-TERM LIABILITIES</b>							
Convertible bond issue	45 206			45 722			20, 23
Loans from financial institutions	676 573			1 500 664			20
Pension fund loans	1 070 646			1 165 258			20
Imputed tax liability	287 190			167 478			
Other long-term debt	61 199	2 140 814	30.9	66 641	2 945 763	39.7	20
<b>SHORT-TERM LIABILITIES</b>							
Loans from financial institutions	54 600			68 303			20
Pension fund loans	1 885			1 755			
Advance payments received	91 511			97 819			24
Trade payables	430 914			328 448			30
Deferred credits	1 217 797			1 313 925			25
Other short-term debt	97 140	1 893 847	27.3	62 571	1 872 821	25.3	
		6 932 895	100.0		7 416 484	100.0	

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

	1995/96	1994/95
<b>SOURCE OF FUNDS</b>		
Operating margin	1 055 031	944 522
Financial income and expenses (net)	- 79 071	- 102 577
Taxes	- 40 625	- 16 605
<b>Total income financing</b>	<b>935 335</b>	<b>825 340</b>
Disposal of fixed assets	49 373	32 797
Increase in restricted equity	516	576 126
Change in other balance sheet items	- 113	- 5 604
Decrease in working capital <sup>1)</sup>	606 233	-
<b>TOTAL</b>	<b>1 591 344</b>	<b>1 428 659</b>
<b>APPLICATION OF FUNDS</b>		
Investment in flight equipment	424 010	150 426
Investment in buildings	26 220	7 046
Other investments	116 863	120 224
Change in predelivery payments	26 260	-
<b>Total</b>	<b>593 353</b>	<b>277 696</b>
Decrease in long-term liabilities	957 213	624 032
Dividend	40 778	19 361
Increase in working capital <sup>1)</sup>	-	507 570
<b>TOTAL</b>	<b>1 591 344</b>	<b>1 428 659</b>
<sup>1)</sup> <b>Decrease/increase in working capital</b>		
Increase (+) / decrease (-) in current assets	- 601 874	+ 788 280
Increase (+) / decrease (-) in inventories	+ 16 668	+ 550
Less increase (-) / decrease (+) in short-term liabilities	- 21 027	- 281 260
<b>Decrease (-) / increase (+) in working capital</b>	<b>- 606 233</b>	<b>+ 507 570</b>

## FINNAIR OY

### PROFIT AND LOSS STATEMENT (FIM 1 000)

	<i>April 1, 1995 - March 31, 1996</i>	<i>April 1, 1994 - March 31, 1995</i>	<i>Change %</i>	<i>Notes</i>
<b>TURNOVER</b>	<b>6 045 843</b>	5 603 245		
Production for Company use	12 364	9 545		
Other revenue from business operations	80 449	33 679		1
<b>TOTAL REVENUE FROM BUSINESS OPERATIONS</b>	<b>6 138 656</b>	5 646 469	8.7	
<b>EXPENSES FROM BUSINESS OPERATIONS</b>				
Materials and supplies				
Purchases during financial year	1 037 835	973 655		2
Increase (-) / decrease (+) in inventories	- 15 054	- 1 839		
Outside services	660 446	589 138		3
Personnel expenses	1 779 503	1 647 632		4
Rents and lease payments	480 434	442 962		5
Traffic charges	679 027	648 759		6
Other expenses	509 497	477 930		7
<b>TOTAL</b>	<b>- 5 131 688</b>	- 4 778 237	7.4	
<b>OPERATING MARGIN</b>	<b>1 006 968</b>	868 232	16.0	
<b>DEPRECIATION ON FIXED ASSETS AND OTHER LONG-TERM EXPENDITURE</b>	<b>- 407 323</b>	- 398 036	2.3	8
<b>OPERATING PROFIT</b>	<b>599 645</b>	470 196	27.5	
<b>FINANCIAL INCOME AND EXPENSES</b>	<b>- 68 630</b>	- 104 680	- 34.4	9
<b>PROFIT BEFORE INCIDENTAL ITEMS, RESERVES AND TAXES</b>	<b>531 015</b>	365 516	45.3	
<b>INCIDENTAL INCOME</b>				
Received group subsidies	-	45 150	-	
<b>PROFIT BEFORE RESERVES AND TAXES</b>	<b>531 015</b>	410 666	29.3	
<b>CHANGE IN DEPRECIATION DIFFERENCE</b>	<b>- 355 767</b>	- 147 571	-	8
<b>DIRECT TAXES</b>	<b>- 35 200</b>	- 14 012	151.2	10
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>140 048</b>	249 083	- 43.8	

# FINNAIR OY

## BALANCE SHEET (FIM 1 000)

<b>ASSETS</b>	<i>March 31, 1996</i>		<i>% March 31, 1995</i>		<i>%</i>		<i>Notes</i>
<b>FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS</b>							
Intangible assets							8
Intangible rights	<b>8 695</b>				8 593		
Other deferred expenditure	<b>31 284</b>	<b>39 979</b>	<b>0.6</b>		32 831	41 424	0.6
Tangible assets							8
Land	<b>4 280</b>				3 959		
Buildings	<b>602 842</b>				607 308		
Flight equipment	<b>2 749 252</b>				2 658 040		
Other property	<b>275 842</b>				282 909		
Advance payments	<b>141 000</b>	<b>3 773 216</b>	<b>56.6</b>		114 740	3 666 956	51.1
Fixed asset securities and other long-term investments							
Shares in affiliated companies	<b>37 345</b>				36 485		11
Subsidiary shares	<b>41 405</b>				19 404		11
Other stocks and shares	<b>30 439</b>				29 848		11
Loan receivables	<b>115 163</b>	<b>224 352</b>	<b>3.4</b>		115 794	201 531	2.8
<b>VALUE ADJUSTMENTS</b>							12
Liability for Company pensions	<b>12 426</b>				13 602		
Pension Fund liability deficit	<b>22 702</b>	<b>35 128</b>	<b>0.5</b>		22 645	36 247	0.5
<b>INVENTORIES AND CURRENT ASSETS</b>							
Inventories							13
Materials and supplies	<b>155 490</b>				143 419		
Other inventories	<b>5 883</b>	<b>161 373</b>	<b>2.4</b>		2 899	146 318	2.0
Receivables							
Trade receivables	<b>444 251</b>				460 977		14
Deferred receivables	<b>312 117</b>				333 494		14,15
Other receivables	<b>90 629</b>	<b>846 997</b>	<b>12.7</b>		95 093	889 564	12.4
Investments							
Short-term investments		<b>1 515 495</b>	<b>22.8</b>			2 124 760	29.6
Cash and bank receivables		<b>64 192</b>	<b>1.0</b>			73 843	1.0
		<b>6 660 732</b>	<b>100.0</b>			7 180 643	100.0
<b>LIABILITIES</b>							
<b>EQUITY</b>							18
Restricted equity							
Share capital	<b>407 922</b>				407 782		
General reserve	<b>854 321</b>				853 945		
Revaluation fund	<b>88 085</b>	<b>1 350 328</b>			88 085	1 349 812	
Unrestricted equity							
Profit from previous years	<b>353 004</b>				144 699		
Profit for the financial year	<b>140 048</b>	<b>493 052</b>			249 083	393 782	
Total equity		<b>1 843 380</b>	<b>27.7</b>			1 743 594	24.3
<b>RESERVES</b>							
Accelerated depreciation	<b>871 216</b>				515 449		8
Voluntary reserves							
Transitional reserve	<b>144 600</b>	<b>1 015 816</b>	<b>15.3</b>		144 600	660 049	9.2
<b>LIABILITIES</b>							
Convertible subordinated bond issue		<b>73 450</b>	<b>1.0</b>			73 450	1.0
Subordinated loan		<b>233 481</b>	<b>3.5</b>			266 033	3.7
Long-term liabilities							
Convertible bond issue	<b>45 206</b>				45 722		20,23
Loans from financial institutions	<b>676 030</b>				1 500 062		20
Pension fund loans	<b>986 226</b>				1 060 451		20
Other long-term debt	<b>35 128</b>	<b>1 742 590</b>	<b>26.2</b>		36 247	2 642 482	36.8
Short-term liabilities							
Loans from financial institutions	<b>53 069</b>				67 995		20
Trade payables	<b>317 142</b>				241 033		19
Deferred credits	<b>1 079 425</b>				1 193 971		19,25
Other short-term debt	<b>302 379</b>	<b>1 752 015</b>	<b>26.3</b>		292 036	1 795 035	25.0
		<b>6 660 732</b>	<b>100.0</b>			7 180 643	100.0

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

	1995/96	1994/95
<b>SOURCE OF FUNDS</b>		
Operating margin	1 006 968	868 232
Incidental items	–	45 150
Financial income and expenses (net)	- 68 630	- 104 680
Taxes	- 35 200	- 14 012
<b>Total income financing</b>	<b>903 138</b>	<b>794 690</b>
Disposal of fixed assets	46 569	31 283
Increase in restricted equity	516	576 126
Change in other balance sheet items	1 749	18 307
Decrease in working capital*)	603 408	–
<b>TOTAL</b>	<b>1 555 380</b>	<b>1 420 406</b>
<b>APPLICATION OF FUNDS</b>		
Investment in flight equipment	423 330	149 577
Investment in buildings	26 220	7 046
Other investments	106 349	90 652
Change in pre-delivery payments	26 260	–
<b>Total</b>	<b>582 159</b>	<b>247 275</b>
Decrease in long-term liabilities	932 443	593 745
Dividend	40 778	19 361
Increase in working capital*)	–	560 025
<b>TOTAL</b>	<b>1 555 380</b>	<b>1 420 406</b>
*) <b>Decrease/increase in working capital</b>		
Increase (+) / decrease (-) in current assets	- 661 482	+ 783 618
Increase (+) / decrease (-) in inventories	+ 15 054	+ 1 839
Less increase (-) / decrease (+) in short-term liabilities	+ 43 020	- 225 432
<b>Decrease (-) / increase (+) in working capital</b>	<b>- 603 408</b>	<b>+ 560 025</b>

## NOTES TO THE FINANCIAL STATEMENTS

	<b>Group 1995/96 FIM mill.</b>	<i>Group 1994/95 FIM mill.</i>	<b>Parent Company 1995/96 FIM mill.</b>	<i>Parent Company 1994/95 FIM mill.</i>
<b>1. Other revenue from business operations</b>				
Capital gain on flight equipment	33.8	–	33.8	–
Other items	17.8	7.6	46.6	33.7
<b>Total</b>	<b>51.6</b>	<b>7.6</b>	<b>80.4</b>	<b>33.7</b>
Capital gain on flight equipment is the difference between the sale price and the book value after planned depreciation.				
<b>2. Materials and supplies</b>				
Purchases of materials and supplies for aircraft maintenance and overhaul	189.5	175.4	179.8	165.3
Purchases of materials and supplies for passenger services	322.2	305.0	361.7	336.7
Fuel purchases for flight operations	514.4	490.7	496.3	471.7
Other items	58.5	57.3	–	–
<b>Total</b>	<b>1 084.6</b>	<b>1 028.4</b>	<b>1 037.8</b>	<b>973.7</b>
<b>3. Outside services</b>				
Ground handling charges	238.4	231.6	237.7	230.7
Ground service expenses for tour operations	299.5	245.1	–	–
Aircraft maintenance and overhaul	157.8	118.3	125.7	100.6
Expenses for seat reservation systems	89.1	81.3	88.2	80.4
Other items	230.5	217.4	208.8	177.4
<b>Total</b>	<b>1015.3</b>	<b>893.7</b>	<b>660.4</b>	<b>589.1</b>
<b>4. Personnel expenses</b>				
<b>Accrual-based salaries</b>				
Administration and managing directors	4.3	3.6	1.9	1.7
Other	1 662.9	1 538.7	1 332.5	1 245.8
<b>Total</b>	<b>1 667.2</b>	<b>1 542.3</b>	<b>1 334.4</b>	<b>1 247.5</b>
Pay for sick leave	- 34.9	- 28.9	- 30.2	- 25.0
<b>Total</b>	<b>1 632.3</b>	<b>1 513.4</b>	<b>1 304.2</b>	<b>1 222.5</b>
<b>Salary-related expenses</b>				
Mandatory salary-related expenses	242.2	242.4	205.8	207.7
Payments for arrangement of pension security	276.5	223.7	233.4	188.0
Pay for sick leave	34.9	28.9	30.2	25.0
Other items	16.4	14.9	5.9	4.4
<b>Total</b>	<b>570.0</b>	<b>509.9</b>	<b>475.3</b>	<b>425.1</b>
Personnel expenses in the profit and loss statement	2 202.3	2 023.3	1 779.5	1 647.6
Tax values of fringe benefits	23.4	24.9	18.0	20.1
Expenses incurred in the acquisition of fringe benefits are not included in salary-related expenses.				
<b>5. Rents and lease payments</b>				
Lease payments for aircraft	207.1	221.7	207.1	221.7
Short-term leases for aircraft	57.5	26.3	57.5	26.3
Rent for land and premises	145.8	139.5	98.5	91.5
Rent for computer hardware and transmission lines	35.7	27.6	35.5	27.5
Other items	88.6	81.6	81.8	76.0
<b>Total</b>	<b>534.7</b>	<b>496.7</b>	<b>480.4</b>	<b>443.0</b>
<b>6. Traffic charges</b>				
Passenger charges	235.8	253.5	208.7	222.8
Landing charges	238.8	218.7	225.4	208.3
Navigation charges	223.9	204.4	223.8	204.4
Other items	24.0	13.6	21.1	13.3
<b>Total</b>	<b>722.5</b>	<b>690.2</b>	<b>679.0</b>	<b>648.8</b>
<b>7. Other expenses</b>				
Sales and marketing expenses	209.5	180.1	144.0	119.9
Daily allowances, hotel and other travel expenses	143.8	140.8	128.8	127.5
Maintenance of premises excluding rent	62.8	60.9	50.8	47.3
Communication expenses	43.9	42.8	32.3	31.6
Other items	188.2	169.7	153.6	151.6
<b>Total</b>	<b>648.2</b>	<b>594.3</b>	<b>509.5</b>	<b>477.9</b>

	<b>Group 1995/96 FIM mill.</b>	<i>Group 1994/95 FIM mill.</i>	<b>Parent Company 1995/96 FIM mill.</b>	<i>Parent Company 1994/95 FIM mill.</i>
<b>8. Fixed assets and depreciation</b>				
<b>Planned depreciation in the profit and loss statement</b>				
On other long-term expenditure	14.8	18.9	9.3	10.9
On buildings	30.9	32.9	30.7	32.6
On flight equipment	291.4	278.7	290.3	277.6
On other equipment	94.1	92.4	77.0	76.9
<b>Total</b>	<b>431.2</b>	<b>422.9</b>	<b>407.3</b>	<b>398.0</b>
<b>Change in depreciation difference</b>				
Flight equipment	–	–	365.0	153.7
Other equipment	–	–	- 9.2	- 6.1
<b>Total</b>	<b>–</b>	<b>–</b>	<b>355.8</b>	<b>147.6</b>
<b>Intangible assets</b>				
Acquisition cost April 1	8.8	8.6	8.6	8.4
Increases April 1 - March 31	0.2	0.2	0.1	0.2
<b>Book value March 31</b>	<b>9.0</b>	<b>8.8</b>	<b>8.7</b>	<b>8.6</b>
<b>Other long-term expenditure</b>				
Acquisition cost April 1	127.9	104.3	72.8	54.7
Increases April 1 - March 31	14.0	23.6	7.7	18.1
Decreases April 1 - March 31	–	–	–	–
Acquisition cost March 31	141.9	127.9	80.5	72.8
Accumulated planned depreciation March 31	- 90.2	- 75.3	- 49.2	- 40.0
<b>Book value March 31</b>	<b>51.7</b>	<b>52.6</b>	<b>31.3</b>	<b>32.8</b>
<b>Land</b>				
Acquisition cost April 1	4.4	0.7	3.9	0.2
Increases April 1 - March 31	0.3	3.7	0.3	3.7
<b>Book value March 31</b>	<b>4.7</b>	<b>4.4</b>	<b>4.2</b>	<b>3.9</b>
<b>Buildings</b>				
Acquisition cost April 1	973.6	966.6	964.6	957.6
Increases April 1 - March 31	26.2	7.0	26.2	7.0
Decreases April 1 - March 31	–	–	–	–
Acquisition cost March 31	999.8	973.6	990.8	964.6
Accumulated planned depreciation March 31	- 390.7	- 359.8	- 388.0	- 357.3
<b>Book value March 31</b>	<b>609.1</b>	<b>613.8</b>	<b>602.8</b>	<b>607.3</b>
Revaluations included in the acquisition cost of buildings	110.0	110.0	110.0	110.0
<b>Flight equipment</b>				
Acquisition cost April 1	4 700.4	4580.7	4691.8	4572.9
Increases April 1 - March 31	424.0	150.4	423.3	149.6
Decreases April 1 - March 31	- 41.8	- 30.7	- 41.8	- 30.7
Acquisition cost March 31	5 082.6	4 700.4	5 073.3	4 691.8
Accumulated planned depreciation March 31	- 2 330.0	- 2 038.7	- 2 324.1	- 2 033.8
<b>Book value March 31</b>	<b>2 752.6</b>	<b>2 661.7</b>	<b>2 749.2</b>	<b>2 658.0</b>
Accumul. difference between total and planned depreciation April 1	–	–	484.7	331.0
Change in the depreciation difference April 1 - March 31	–	–	365.0	153.7
Accumul. difference between total and planned depreciation March 31	–	–	849.7	484.7
<b>Other equipment</b>				
Acquisition cost April 1	946.3	857.8	794.5	729.1
Increases April 1 - March 31	98.2	91.9	74.7	65.7
Decreases April 1 - March 31	- 7.5	- 3.4	- 4.8	- 0.3
Acquisition cost March 31	1 037.0	946.3	864.4	794.5
Accumulated planned depreciation March 31	- 703.3	- 611.2	- 588.6	- 511.6
<b>Book value March 31</b>	<b>333.7</b>	<b>335.1</b>	<b>275.8</b>	<b>282.9</b>
Accumul. difference between total and planned depreciation April 1	–	–	30.7	36.8
Decrease in depreciation difference April 1 - March 31	–	–	- 9.2	- 6.1
Accumulated difference between total and planned depreciation March 31	–	–	21.5	30.7
Share of machines and equipment in book value March 31	3 031.5	2 939.8	3 001.1	2 912.0
<b>Predelivery payments</b>				
Acquisition cost April 1	114.7	114.7	114.7	114.7
Increases April 1 - March 31	27.0	–	26.3	–
Acquisition cost March 31	141.7	114.7	141.0	114.7
Accumulated planned depreciation March 31	–	–	–	–
<b>Book value March 31</b>	<b>141.7</b>	<b>114.7</b>	<b>141.0</b>	<b>114.7</b>



	<b>Group 1995/96 FIM mill.</b>	<i>Group 1994/95 FIM mill.</i>	<b>Parent Company 1995/96 FIM mill.</b>	<i>Parent Company 1994/95 FIM mill.</i>
<b>Insurance values of fixed assets</b>				
Balance sheet values of aircraft and spare engines	2 749.3	2 451.5	2 749.3	2 451.5
Insurance value FIM	4 975.9	4 848.5	4 975.9	4 848.5
Insurance value USD	1 074.1	1 118.2	1 074.1	1 118.2
Insurance values of Group assets are based on repurchase values. Insurance values for flight equipment are USD-based. Repurchase values for other fixed assets were not specified in detail.				
<b>Tax values of fixed assets</b>				
Buildings	466.9	474.9	454.0	460.9
Affiliated company shares	37.3	37.3	37.3	36.5
Subsidiary shares	–	–	80.3	26.8
Other stocks and shares	33.9	34.5	24.4	10.5
<b>Total</b>	<b>538.1</b>	<b>546.7</b>	<b>596.0</b>	<b>534.7</b>

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

## 9. Financial income and expenses

Dividends	0.3	–	16.5	–
Profit shares	–	–	–	4.7
Share of affiliated company profit <sup>1)</sup>	- 10.8	4.9	–	–
Interest income on long-term investments	8.3	11.7	8.3	11.7
Interest income on short-term investments	133.8	116.7	128.7	111.7
Interest income from Group companies	–	–	2.8	3.3
Exchange rate fluctuations				
– realized exchange rate gains	2.1	49.2	1.9	49.1
– unrealized exchange rate gains	17.9	95.1	17.9	95.1
– realized exchange rate losses	- 14.3	- 42.3	- 14.3	- 42.1
– unrealized exchange rate losses	- 4.8	- 55.7	- 4.8	- 55.7
Total exchange rate difference in the profit and loss statement	0.9	46.3	0.7	46.4
Interest expenses	- 240.9	- 231.6	- 233.7	- 222.8
Interest expenses to Group companies	–	–	- 10.7	- 11.0
Other expenses on liabilities	- 4.4	- 19.3	- 3.3	- 17.4
Other financial expenses	14.7	- 4.0	14.7	- 4.0
Value adjustments on investments	7.4	- 27.3	7.4	- 27.3
<b>Financial expenses, net in profit and loss statement</b>	<b>- 90.7</b>	<b>- 102.6</b>	<b>- 68.6</b>	<b>- 104.7</b>

<sup>1)</sup> Includes an adjustment to the difference between the equity portion of affiliated Companies and the balance sheet values of shares.

## 10. Taxes

Taxes from previous years	–	–	–	–
Taxes for the financial year	40.6	16.6	35.2	14.0
Change in imputed tax liability	119.7	36.9	–	–
<b>Taxes in the profit and loss statement</b>	<b>160.3</b>	<b>53.5</b>	<b>35.2</b>	<b>14.0</b>

## 11. Fixed asset securities and other long-term investments

<b>Affiliated Companies</b>	<i>Number of shares</i>	<i>Group ownership %</i>	<i>Parent Company ownership %</i>	<i>Nominal value of shares FIM1 000</i>	<i>Group book value FIM 1 000</i>	<i>Profit/loss for financial year FIM 1 000</i>	<i>Group share of equity FIM 1 000</i>	<i>Closing date</i>
AO Infa-Hotel, Russia	9 633 400	49.0	49.0	SUR 9 633	36 057	N.A.	7 644	<sup>1)</sup>
Finnish American International Trade Inc., USA	1 000	20.0	20.0	USD 100	429	- 1 079	305	Dec. 31,95
Suomen Jakelutiet Oy	15	47.5	–	15	15	454	316	Dec. 31,95
Amadeus Estonia	98	33.3	–	EEK 98	38	18	42	Dec. 31,95
Toivelomat Oy	500	48.3	–	500	50	227	566	Mar. 31,96
Finland Vakanties Westerman B.V., Holland	200	50.0	50.0	NLG 20	860	- 414	585	Mar. 31,96
Remaining business value (Infa-Hotel)					–	–	16 813	
<b>Total</b>					<b>37 449</b>	<b>- 794</b>	<b>26 271</b>	

<sup>1)</sup> Separate calculation 31 March, 1996

<b>Subsidiary shares</b>	Number of shares	Group ownership %	Parent company ownership %	Nominal value of shares FIM 1 000	Group book value FIM 1 000	Profit/loss for financial year FIM 1 000	Equity FIM1 000	Closing date
Aero O/Y	300	100.0	100.0	30	30	3 454	3 479	Mar. 31,96
Kiinteistö Oy Aerolan A-talot	7 500	100.0	–	75	1 320	–	223	Mar. 31,96
Kiinteistö Oy Aerolan B-talot	200	100.0	100.0	200	200	–	153	Mar. 31,96
Kiinteistö Oy Malminlento	100	100.0	–	10	10	–	10	Mar. 31,96
Amadeus Finland Oy	190	95.0	95.0	190	1 900	4 315	6 437	Mar. 31,96
Area Travel Agency Ltd	216 000	100.0	75.0	2 160	7 136	2 805	5 470	Mar. 31,96
Area Baltica								
Reisibüroo AS, Estonia	850	100.0	100.0	EEK 850	400	- 318	11	Dec. 31,95
ZAO Norvista, Russia	10	100.0	100.0	–	10	- 104	- 103	Dec. 31,95
A/S Estravel Ltd., Estonia	9 110	72.0	72.0	911	1 666	76	885	Mar. 31,96
A/S Estravel - Narva Ltd., Estonia	3 000	51.0	–	EEK 153	60	- 110	- 6	Mar. 31,96
BMR Balti								
Meidiareklaami AS, Estonia	100	100.0	–	EEK 10	4	–	4	Mar. 31,96
Oy Aurinkomatkat - Suntours Ltd Ab	2 902	96.7	–	1 451	1 351	4 170	5 705	Mar. 31,96
Finlandia Travel Agency Ltd., UK	46 680	93.4	93.4	GBP 47	144	199	851	Mar. 31,96
Finlandia Agence de Voyages S.A.R.L., France	98	93.4	–	FRF 48	40	35	128	Mar. 31,96
Finnair Travel Services Oy	50 000	100.0	100.0	5 000	5 980	186	6 820	Mar. 31,96
Finnaviation Oy	13 500	100.0	100.0	13 500	10 440	106	12 332	Mar. 31,96
Finn catering Oy	4 470	100.0	100.0	3 464	6 094	337	5 992	Mar. 31,96
Norvista Travel Ltd., Canada	1 000	100.0	100.0	CAD 1	4	4	96	Mar. 31,96
Oy Finnmatkat - Finntours Ab	150	100.0	100.0	150	590	113	277	Mar. 31,96
Finnway Inc., USA	200	100.0	100.0	USD 400	10	83	- 558	Mar. 31,96
Karair oy	63 375	100.0	100.0	951	1 825	- 124	833	Mar. 31,96
Karair Ab, Sweden	100	100.0	45.0	SEK 100	80	–	80	Mar. 31,96
Mikkelin Matkatoimisto Oy	1 224	51.0	–	122	163	60	773	Mar. 31,96
Nordic - Hotel Oy	24 000	100.0	100.0	2 400	2 837	37	3 240	Mar. 31,96
Norvista Travel AB, Sweden	1 260	100.0	100.0	SEK 126	600	17	863	Mar. 31,96
Safin Oy	1	100.0	–	1	1	–	7	Mar. 31,96
Finland Travel Bureau Ltd	297 035	98.6	98.6	2 970	6 533	9 985	15 657	Mar. 31,96
<b>Total</b>					<b>49 428</b>	<b>25 326</b>	<b>69 659</b>	
./. subsidiary shares owned by subsidiaries					- 8 023			
<b>Parent Company, total</b>					<b>41 405</b>			

<b>Other shares</b>	Number of shares	Group ownership %	Parent company ownership %	Nominal value of shares FIM 1 000	Group book value FIM 1 000
Amadeus Marketing S.A., Spain	8 507	4.7	4.7		3 827
Finnlandhaus GmbH, Germany	1	4.4	5.6	DEM 100	119
Polygon Insurance Company Ltd.	644 500				9 460
Sampo Insurance Company	45 399	0.3	0.3		2 459
Central Share Register of Finland Cooperative	4				280
Helsinki Stock Exchange Cooperative	1				170
Oy TEN-MAR Fastighets Ab	728	12.4	10.9		2 227
Asunto Oy Joensuun Kirkkokatu 21	228		–		610
Asunto Oy Koitere Bostads Ab, Laivanvarustajankatu 4	3				864
Asunto Oy Mannerheimintie 100	59	1.4	1.4		137
Asunto Oy Metsätorppa, Kauppalaantie 48	63	4.4	4.4		131
Asunto Oy Neitsytpolku 9	70				470
Asunto Oy Neitsytpolku 11	65				1 016
Asunto Oy Octavus, Mannerheimintie 84	8	6.5	6.5		250
Asunto Oy Peter, Raatimiehenkatu 4	8				435
Asunto Oy Pietarinkatu 11	7				508
Asunto Oy Pietarinkatu 12	70				696
Asunto Oy Tenholantie 4	912	9.1	9.1		152
Kiinteistö Oy Citykulma	8 861		–		349
Kiinteistö Oy Heikintori	1 640	1.5	–		233
Kiinteistö Oy Lentäjätie 1	2 804	19.5	19.5		5 846
Kiinteistö Oy Tapiolan Säästötammi	237		–		807
Vicksol S.A., Spain	1				3 121
Sita Telecommunications Holding N.V					613
Other companies with a book value of less than FIM 100,000					822
Telephone company shares	1 746				3 555
<b>Total</b>					<b>39 157</b>

<b>Loan receivables included in other long-term investments of the Parent Company, FIM mil.</b>	<b>1995/96</b>	<b>1994/95</b>
From Group companies	41.2	45.9
From other companies	74.0	69.9
<b>Total</b>	<b>115.2</b>	<b>115.8</b>

	<b>Group 1995/96 FIM mill.</b>	<i>Group 1994/95 FIM mill.</i>	<b>Parent Company 1995/96 FIM mill.</b>	<i>Parent Company 1994/95 FIM mill.</i>
<b>12. Value adjustment under assets</b>				
Liability for pensions paid directly by the companies	29.2	28.8	12.4	13.6
Compulsatory liability deficit of the pension funds	26.5	26.4	22.7	22.6
Uncovered liability of the pension funds	5.5	10.2	–	–
<b>Total</b>	<b>61.2</b>	<b>65.4</b>	<b>35.1</b>	<b>36.2</b>
<b>13. Inventories</b>				
Inventories were evaluated at average acquisition cost.				
<b>14. Receivables from Group companies</b>				
Loans receivable	–	–	41.2	45.9
Trade receivables	–	–	125.7	113.9
Deferred receivables	–	–	15.5	47.8
<b>Total</b>	<b>–</b>	<b>–</b>	<b>182.4</b>	<b>207.6</b>
<b>15. Deferred receivables</b>				
Leasing payments made in advance	52.2	65.9	52.2	65.9
Other items	302.5	258.1	259.9	267.6
<b>Total</b>	<b>354.7</b>	<b>324.0</b>	<b>312.1</b>	<b>333.5</b>
Other items include undue interest and other deferred receivables for the financial year.				
<b>16. Short-term investments</b>				
The investments include certificates of deposit, commercial papers and bonds.				
<b>17. Cash and bank receivables</b>				
Cash and bank receivables comprise funds in Group bank accounts.				
<b>18. Changes in equity</b>				
<b>Restricted equity</b>				
Share capital at the beginning of the financial year	407.8	322.7	407.8	322.7
Conversion of convertible subordinated bond	–	21.2	–	21.2
Conversion of bonds	0.1	3.9	0.1	3.9
Share issue	–	60.0	–	60.0
Share capital at the end of the financial year	407.9	407.8	407.9	407.8
Revaluation fund	88.1	88.1	88.1	88.1
General reserve April 1	853.9	362.9	853.9	362.9
Issue premium	0.4	491.0	0.4	491.0
<b>Total restricted equity at the end of the financial year</b>	<b>1 350.3</b>	<b>1 349.8</b>	<b>1 350.3</b>	<b>1 349.8</b>
<b>Unrestricted equity</b>				
Unrestricted equity at the beginning of the financial year	907.8	561.8	393.8	164.1
Dividend payment	- 40.7	- 19.4	- 40.7	- 19.4
Change in translation differences	0.3	–	–	–
Profit for the financial year	372.2	365.3	140.0	249.1
<b>Total unrestricted equity at the end of the financial year</b>	<b>1 239.6</b>	<b>907.7</b>	<b>493.1</b>	<b>393.8</b>
<b>Total equity at the end of the financial year</b>	<b>2 589.9</b>	<b>2 257.5</b>	<b>1 843.4</b>	<b>1 743.6</b>
<b>Distributable equity</b>				
Unrestricted equity	1239.6	907.7		
Voluntary reserves in unrestricted equity	- 738.5	- 502.4		
<b>Distributable equity 31 March</b>	<b>501.1</b>	<b>405.3</b>		
<b>Voluntary reserves 31 March</b>				
Accumulated depreciation	871.2	515.4		
Transitional reserve	154.5	154.5		
	1025.7	669.9		
Imputed tax liability of voluntary reserves	- 287.2	- 167.5		
<b>Voluntary reserves in unrestricted equity 31 March</b>	<b>738.5</b>	<b>502.4</b>		
<b>19. Liabilities to Group Companies</b>				
Trade payables	–	–	54.8	65.7
Deferred credits	–	–	3.0	5.8
Other short-term liabilities	–	–	209.1	231.5
<b>Total</b>	<b>–</b>	<b>–</b>	<b>266.9</b>	<b>303.0</b>

## 20. Long-term liabilities

### Repayment of long-term loans

Financial year	1996/97	1997/98	1998/99	1999/2000	2000/01	2001-	Total
FIM mill.	53.1	52.3	92.7	240.3	46.1	1618.1	2102.6

## 21. Convertible subordinated bonds

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

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

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

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

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

The holder of the bond is entitled to convert the bond to shares before repayment.

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

By March 31, 1996 bonds worth FIM 156,550,000 had been converted to 4,242,505 shares, after which the amount of the convertible bond is FIM 73,450,000.

Should all the unconverted bonds on March 31, 1996 be exchanged for shares, the Company's share capital would increase by FIM 9,952,475, which is the equivalent of 1,990,495 shares.

## 22. Subordinated loan

During the financial year 1990/91 Finnair took a perpetual undated subordinated loan of 21 billion Japanese yen on the Japanese capital market. A repayment of JPY 15.5 billion was made on the loan in May 1994.

The lender is in a less preferential position than the other creditors although he is in a more preferential position than the holders of the convertible subordinated bond (see Note 21).

## 23. Convertible bonds

A convertible bond of FIM 150,000,000 was issued on March 13, 1992.

The maturity is from 1992 to 1999 and the annual interest rate on the loan is 11.25%.

In conversion to shares, one FIM 1,000 bond is the equivalent of 54.4 shares in Finnair Oy with a nominal value of FIM 5 each. The computed conversion price of a share is therefore FIM 18.38. The annual conversion period is April 1 to October 30.

By March 31, 1996 convertible bonds worth FIM 104,794,000 had been exchanged for 5,304,765 shares, after which the amount of the convertible bond is FIM 45,206,000.

Should all the unconverted bonds on March 31, 1996 be exchanged for shares, the Company's share capital would rise by FIM 12,296,030, which is the equivalent of 2,459,206 shares.

## 24. Advance payments

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

	<b>Group 1995/96 FIM mill.</b>	<i>Group 1994/95 FIM mill.</i>	<b>Parent Company 1995/96 FIM mill.</b>	<i>Parent Company 1994/95 FIM mill.</i>
<b>25. Deferred credits</b>				
Unearned air transport revenues and liability for frequent flyer bonus systems <sup>1)</sup>	491.6	442.4	491.6	442.4
Holiday pay reserve	308.2	283.3	255.7	232.5
Other items	418.0	588.2	332.1	519.1
Total	1217.8	1313.9	1079.4	1194.0

<sup>1)</sup> FIM 96.3 million in unused airline tickets from at least two years ago was entered as turnover. The items includes a liability of FIM 27.5 million for the Finnair Plus Frequent Flyer Bonus System. Other items include undue interest and other deferred credits for the financial year.

## 26. Other short-term debts

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

## 27. Aircraft lease payments

Financial year	1996/97	1997/98	1998/99	1999/2000	2000/2001	2001-	Total
FIM mill.	208.2	206.6	207.1	159.7	143.4	209.6	1 134.6

The above lease payments comprise unpaid rentals under outstanding finance leases (FIM 829.4 million) and operating leases (FIM 305.2 million). With respect to certain of the finance leases, Finnair Oy has paid in advance, or made a respective deposit, either all or a portion of the future lease payments, including the agreed purchase option payment. As at March 31, 1996, the present value of the maximum remaining finance lease payments, including the agreed purchase option payments, was FIM 959.3 million. The table of the Finnair Group fleet is on page 35 of this annual report.

Under operating leases, unlike finance leases, Finnair Oy is only obliged to pay rent for the relevant lease term with no liability on termination, the economic risk of ownership remaining with the lessor. Under finance leases, Finnair Oy pays rentals to cover the finance costs and has an option to purchase the relevant aircraft and bears the residual value risk. Therefore, Finnair Oy may be subject to certain additional payments arising on the termination of the relevant finance leases, depending on the future resale value of the aircraft. No provisions have been made by Finnair Oy for any such payments, as these risks cannot, in Finnair's opinion, be quantified. Should the future market value of an aircraft held on a finance lease be higher than its agreed purchase option value, Finnair Oy would realize a profit on its resale after the end of the relevant lease period.

	<b>Group 1995/96 FIM mill.</b>	<b>Group 1994/95 FIM mill.</b>	<b>Parent Company 1995/96 FIM mill.</b>	<b>Parent Company 1994/95 FIM mill.</b>
<b>28. Pension liabilities</b>				
Total liability of pension funds	2 656.4	2 443.7	2 434.4	2 239.3
Mandatory portion covered	- 1 208.0	- 1 059.2	- 1 057.3	- 923.9
Non mandatory benefit covered	- 1 416.4	- 1 347.9	- 1 354.4	- 1 292.8
Uncovered liability of pension funds	32.0	36.6	22.7	22.6
Liability for pensions paid directly by the companies	29.2	28.8	12.4	13.6
Liability included in other long-term liabilities	61.2	65.4	35.1	36.2
<b>29. Securities pledged and guarantees given</b>				
Parent company pledges on behalf of subsidiaries	-	4.0	-	4.0
Parent company guarantees on behalf of subsidiaries	209.8	180.2	209.8	180.2
Pledges and mortgages for own commitments	672.0	1032.9	669.4	1032.9
Total securities pledged and guarantees given	881.8	1217.1	879.2	1217.1
<b>30. Receivables from affiliated companies and liabilities to affiliated companies</b>				
Loans receivable	0.5	-	0.5	-
Trade receivables	1.7	1.0	0.8	0.9
Deferred receivables	5.1	4.8	5.1	4.8
Total	7.3	5.8	6.4	5.7
<b>Liabilities to affiliated companies</b>				
Trade payables	0.1	0.1	-	-
Total	0.1	0.1	-	-

# PROPOSAL BY THE BOARD OF DIRECTORS CONCERNING DISPOSAL OF THE PROFIT

The Group's total unrestricted equity according to the consolidated balance sheet on March 31, 1996 was	FIM	1 239 552 055.77
The distributable unrestricted equity is	FIM	501 063 561.77
The Parent Company Finnair Oy's unrestricted equity according to the balance sheet on March 31, 1996 is	FIM	493 051 777.08
The distributable unrestricted equity :		
- Profits retained from previous financial years	FIM	353 003 986.63
- Profit for the financial year April 1, 1995 - March 31, 1996	FIM	140 047 790.45
Total	FIM	493 051 777.08
The Board proposes to the Annual General Meeting that a dividend of 20%, which is FIM 1.00 per share, be paid on the share capital from the retained profits	FIM	81 584 480.00
Retained in the profit and loss account	FIM	411 467 297.08

Helsinki, June 14, 1996

## THE BOARD OF DIRECTORS OF FINNAIR OY

Kalevi Sorsa

Ahti Hirvonen                      Robert G. Ehrnrooth

Ari Heiniö                              Raimo Hertto

Seppo Härkönen                      Jaakko Ihamuotila

Eva-Christina Mäkeläinen              Antti Potila

## AUDITORS' REPORT

### to the shareholders of Finnair Oy

We have examined the accounts, the financial statements and the administration of Finnair Oy for the financial year April 1, 1995 to March 31, 1996. The financial statements prepared by the Board of Directors and the President include the review of operations and the statements of profit and loss, the balance sheets and the notes to the financial statements for the Group and the Parent Company. On the basis of our audit, we issue the statement below on the financial statements and the administration.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation.

The purpose of our audit of the administration is to examine whether the members of the Supervisory Board, the Board of Directors and the President have legally complied with the rules of the Companies Act.

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

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

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

Helsinki, June 18, 1996

Pekka Nikula                      Erkki Mäki-Ranta  
APA                                      AA

## STATEMENT OF THE SUPERVISORY BOARD

At its meeting held today, the Supervisory Board of Finnair Oy has examined the financial statements of the Parent Company and of the Group and the Auditors' Report for the financial year April 1, 1995 - March 31, 1996. The Supervisory Board has decided to recommend that the Annual General Meeting approve the financial statements of the Parent Company and the Group and that the profit shown in the Balance Sheet be disposed of in the manner proposed by the Board of Directors.

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

The terms of service on the Supervisory Board of  
Mr. Harri Holkeri,  
Ms. Tarja Kautto,  
Mr. Pekka Kivelä,  
Mr. Magnus Nordling,  
Mr. Pekka Perttula and  
Mr. Jaakko Pohjola  
are due to expire at the Annual General Meeting.

Helsinki, June 20, 1996

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

# REVIEW OF FINNAIR GROUP SECTORS



## SECTORS

In addition to flight operations, the Finnair Group's sectors include travel agencies, tour operations, hotel and restaurant operations, catering, and travel information and distribution system functions. The Group comprises 12 domestic and 10 foreign companies and two property companies.

Significant changes were made in the Group structure during the year under review. The programme to eliminate overlapping in package tours begun in spring 1994 was completed by combining Oy Aurinkomatkat - Suntours Ltd, Oy Finnmatkat - Finntours Ab and Top Club, which has previously been part of the Parent Company, into a single administrative unit, Finnair Travel Service.

Finnair's ten travel agencies operating abroad were combined into a single organization called Norvista. The function of the Norvista travel agencies is mainly to increase foreign holiday travel to Finland and via Finland to third countries, for example Russia, the Baltic States and Scandinavia.

A decision was made to merge the air transport subsidiaries Karair oy and Finnaviation Oy and the holding company Aero Oy with the Parent Company and the measures necessary for implementation were undertaken. Completion of the Karair oy merger will depend, however, on the eventual court ruling concerning it.

## FLIGHT OPERATIONS

Apart from the Parent Company Finnair, flight operations were conducted by Finnaviation Oy and Karair oy. The subsidiaries mainly provided service on domestic routes and on a few short international routes to neighbouring countries with Saab 340 and ATR72 turboprop equipment.

Finnair's flight operations are Finland's international visiting card. The Company's blue and white colours are regularly visible at 45 destinations outside Finland. Charter flights operate to more than 60 destinations. The network of domestic routes serving 21 cities and towns in Finland is one of the densest in the world in relation to population.

A decision was made during the financial year to merge Finnaviation and Karair with the Parent Company. The Parent Company has already handled air traffic planning and marketing for the entire Group. The financial management functions of the subsidiaries were integrated and a common accounting system was introduced during the financial year. The maintenance and overhaul functions of the subsidiaries were combined into a single organization with responsibility for maintenance of the entire turboprop fleet.

After the new flight numbering system was introduced at the beginning of the summer timetable period, only two flights were still flown with Finnaviation codes and three with Karair codes.

## FINNAIR-GROUP

### FINNAIR OY

Parent Company  
Airline

### Other airlines

Finnaviation Oy  
Karair oy

### Travel Agencies

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

### Tour Operators

Finnair Travel  
Services Oy

- Oy Aurinkomatkat -  
Suntours Ltd Ab
- Oy Finnmatkat -  
Finntours Ab
- Top Club

### Hotel Operations

Nordic-Hotel Oy

- Hotel  
Inter-Continental  
Helsinki
- Hotel Strand  
Inter-Continental  
Helsinki
- Hotel Savoy  
Moscow

### Other Sectors

Amadeus Finland Oy  
Finn catering Oy  
Real Estate  
companies  
Other companies



## AIR TRAFFIC CAPACITY AND SALES

Growth in international air traffic continued in 1995. The number of revenue passenger kilometres in the passenger traffic of AEA (Association of European Airlines) members increased by 8%. The growth in tonne kilometres was also 8%.

Finnair also carried a record number of passengers during the year under review – almost six million. The increase in revenue passenger kilometres was 13% over the previous year and substantially above the international growth rate.

A new record was also set in cargo transport. The number of cargo tonne kilometres flown increased by 8% and a total of 60.5 million kilos of cargo was carried.

Growth in the number of passengers was considerably faster in international traffic than in domestic traffic. In fact, the number of passengers in domestic traffic fell short of the peak of previous years, despite the growth achieved. Finnair's prospects for growth would still appear to be in international traffic and sales abroad.

On December 17, 1995 Finnair carried its one hundred millionth passenger.

The passenger load factor in international scheduled traffic rose by 1.4 percentage points to 67.5%, in



### Financial performance and personnel, flight operations

	1995/96	1994/95	Change %
Turnover FIM mill.	<b>6 418.4</b>	6 011.3	6.8
Operating profit FIM mill.	<b>597.9</b>	489.6	22.1
Personnel/change in persons	<b>7 943</b>	7 579	364

### Total Group available capacity and revenue tonne and passenger kilometres, 1995/96

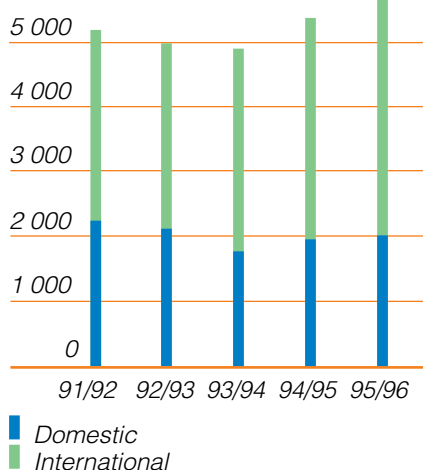
	Tonne kilometres mill.				Passenger kilometres			
	Available	Change %	Revenue	Change %	Available	Change %	Revenue	Change %
Scheduled traffic								
International	1 615	14	936	17	11 696	17	7 893	19
Domestic	179	6	81	6	1 694	3	919	6
Total	1 794	13	1 017	16	13 390	15	8 812	18
Charter traffic	223	-6	175	-7	2 284	-6	1 921	-6
Total traffic	2 017	11	1 192	12	15 674	11	10 733	13



### Number of passengers

1 000 passengers

6 000



domestic traffic by 1.5 percentage points to 54.2% and in all traffic, including charter flights, by 0.9 percentage points to 68.5%.

The number of passengers increased most in European and Far Eastern traffic. Growth in Europe was 17.1%. Flights were added to Brussels, London, the Baltic States, Warsaw, Prague, Budapest, Vienna, Munich, Milan, Zurich and Geneva. Additional flights were also introduced between Vaasa and Stockholm.

A new summer destination was Bergen via Stockholm, which was expressly requested by the Company's US and Japan districts.

The number of passengers in Far Eastern traffic increased by a good 20%, which was more than any other traffic sector. Inauguration of the new direct twice weekly service to Osaka on April 19, 1995 contributed here. Marketing of the route included decorating the aircraft with huge 'Moomin' figures, which proved a great success in public relations and also be-

came popular at other airports, especially charter flight destinations.

Finnair's market share of Finland's international air traffic, including charter flights, was approximately 70%.

Only minor changes were made in domestic traffic during the year under review. Flights were, however, increased to some destinations in northern Finland.

Financial performance and the relative profitability of flight operations improved on the previous year.

### FLEET

Implementation of a decision made in November 1994 to modernize the fleet in the next few years by replacing 17 DC9 aircraft with new MD80 aircraft from the same manufacturer began in 1995/96.

The decision to acquire the first three slightly used MD80 aircraft was made in April 1995. Two of these aircraft were obtained from Transwede, the Company's Swedish partner. The first MD83 aircraft was delivered to Finnair

### Group passenger and cargo traffic and load factors, 1995/96

	Passenger traffic		Load factor		Cargo and mail		Overall load factor	
	Passengers	Change %	%	Change %-p.	1 000 kg	Change %	%	Change %-p.
Scheduled traffic								
International	3 261 879	16.4	67.5	1.4	53 660	6.8	58.0	1.3
Domestic	2 050 172	4.7	54.2	1.5	5 766	- 1.2	45.1	- 0.1
Total	5 312 051	11.6	65.8	1.6	59 426	5.9	56.7	1.2
Charter traffic	650 478	- 3.1	84.1	- 0.4	1 058	- 27.5	78.5	- 1.0
Total traffic	5 962 529	9.8	68.5	0.9	60 484	5.1	59.1	0.4

in October 1995 and the second in April 1996. The third MD80 series aircraft turned over to Finnair at the beginning of November was an MD82 obtained from Marine Midland Business Loans Incorporated.

In August, the Company agreed with a group of sellers represented by GiroCredit Bank of Austria on the acquisition of one MD83 aircraft. The aircraft will be delivered to the Company in April 1997. In September an agreement was made with Tombo Aviation Netherland B.V., a subsidiary of Mitsui & Company of Japan, for the purchase of three MD83 aircraft. The first of these will be delivered to Finnair in October 1996 and the second in November. The third will arrive in October 1997. A financial leasing contract was also concluded with Credit Lyonnais/PK Airfinance for one MD83 aircraft.

The Company also agreed in May 1995 with Australian Aircraft Sales (N.S.W.) Pty Limited to sell the five oldest DC9 aircraft. According to the terms of the sale, the DC9-41 aircraft manufactured in 1974 were delivered to the buyer between the beginning of November 1995 and April 15, 1996. At the request of the buyer, the sale price was not made public. It did, however, exceed the book value of the aircraft.

According to the price information published by assessors of used aircraft, the values of DC9 aircraft in good condition vary from USD 1.5 million to USD 5.0 million and the values of MD80 aircraft less than ten years old vary between USD 14 million and USD 28 million.



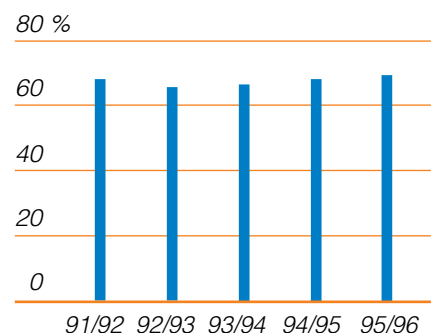
During the year under review the Company also agreed to lease its first wide-body aircraft, that is all four DC-10s, to the French airline Air Liberté on a long-term contract.

Air Liberté uses the aircraft on scheduled and charter flights to islands in the Caribbean and to the French island of Réunion. The maintenance of the aircraft during the lease is performed by Finnair. The agreement will yield the Company approximately FIM 140 million annually.

Three DC10 aircraft were delivered to the French company during the year under review. The final one will be delivered in mid-June 1996, thereby concluding an era of more than 20 years in Finnish aviation history.

*Finnair has carried out the world's first heavy maintenance on an MD11 aircraft. The aircraft was Finnair's OH-LGA, which was the first MD11 in the world to enter commercial service. It had accumulated 17,868 flight hours prior to the maintenance.*

**Passenger load factor**

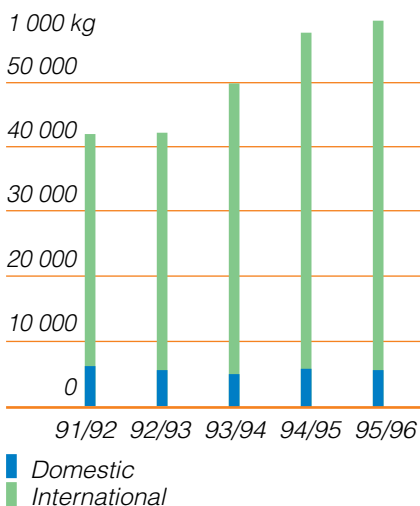


**Aircraft used in Finnair Group traffic, May 31, 1996**

Aircraft	Number	Owned	Financial leasing	Operating leasing	Average age
MD11	4	4			3.7
Airbus A300	2		2		9.5
MD82	10	5	4	1	7.6
MD83	8	3	2	3	6.9
MD87	3	3			8.0
DC9-51	12	12			18.1
ATR 72	6	5	1		5.7
Saab 340	7	2	4	1	7.7
<b>Total</b>	<b>52</b>	<b>34</b>	<b>13</b>	<b>5</b>	<b>9.5</b>



**Cargo and mail**



During these two decades the aircraft carried nearly eight million passengers to various parts of the world and under a wide range of conditions.

Finnair does not plan to use the DC 10 aircraft in its own traffic after the lease expires. It will operate its own wide-body traffic with MD11 aircraft.

Finnair has also decided to modernize its holiday traffic fleet. The Company's Board of Directors authorized management to negotiate acquisition of four new Boeing 757 aircraft to meet the needs of holiday traffic.

The Boeing 757 aircraft would ensure the Company the best and most economical fleet to meet the needs of expanding holiday traffic and a changing competitive environment. Delivery of the first Boeing 757s could be made within a year of the order. They are intended to replace the two Airbus A300 aircraft acquired in 1986.

**LIBERALIZATION OF AIR TRAFFIC AND CO-OPERATION BETWEEN AIRLINES**

Effective use has been made of the new opportunities provided by the deregulation of European air traffic. The number of additional passengers obtained through

deregulation already comprises a substantial proportion of growth. Travel within the EU accounts for 67% of Finland's total international scheduled traffic.

It was feared that at least in the beginning the so-called Schengen treaty, which took effect at the end of March 1995, would cause congestion and slow transit traffic at several European airports. This did not happen, and movement was not inhibited even during the transition phase. The treaty eliminates border formalities between the seven EU signatories. The Schengen area forms an entity with respect to passports and customs that has a single external frontier. Finland intends to join the treaty. Joining will bring new requirements for passport and customs formalities at the Helsinki-Vantaa Gateway Terminal, which is scheduled for completion in the autumn.

The main event in this area during the financial year was the conclusion in Summer 1995 of Open Skies treaties between the USA and nine European states, including Finland. The Commission of the European Union was of the opinion that it is authorized to make treaties on behalf of the member states. As a result, criticism from the Commission was initially keen, although it eventually subsided. From Finnair's point of view the changes in the air traffic treaty between Finland and the USA were positive, and provided greater scope to fly both between the two countries and from other points via Finland to the USA and from there on to further destinations. The Finnish Government renewed and expanded its air traffic treaties during the year under review with the People's Republic of China, the Republic of Korea and Thailand. These agreements guarantee opportunities to expand traffic either immediately or in the near future, especially in the rapidly growing traffic between Asia and Europe.

For the past few years, airlines providing worldwide services have built up alliances through holdings and agreements. This trend continued during the year under review. The German national carrier Lufthansa, with which Finnair has had an alliance since 1991, concluded a number of

new alliances in America and Africa. Moreover, Lufthansa and SAS formed an alliance which took effect at the beginning of 1996. As a result, the alliance between Lufthansa and Finnair was altered so that the companies no longer provide joint traffic on routes between Germany and Sweden nor market joint services in the Scandinavian countries. However, agreement was reached on new joint projects and the development of reciprocal feeder services in traffic between Finland and Germany.

Stockholm was developed as a second hub for international traffic. In August 1995 a Stockholm-London Gatwick service was inaugurated together with Transwede; during the winter season, beginning in November, the service was operated by Finnair. All in all, seven different Finnair destinations in Europe were served via Stockholm.

The profitability of Finnair's North American traffic is expected to improve due to the alliance between Finnair and Delta Air Lines, which took effect in October 1995. The Helsinki-New York route will be flown with Finnair equipment and crews using the codes of both airlines. Based on the agreement, Delta Air Lines has a seat quota on every flight. Flights use the Delta Air Lines terminal in New York. This arrangement offers Finnair customers with access to numerous convenient connecting flights to destinations in the United States. The agreement also provides for termination of Delta Air Lines' own flights to Helsinki, thereby eliminating intermittent overcapacity on the route.

Finnair has continued and expanded its agreements with airlines operating in various destination countries to serve customers and improve the profitability of traffic. The Baltic States are a new geographical region and talks regarding co-operation took place during the year with the rapidly developing airlines in these countries.

### **ENVIRONMENTAL POLICY AND PROTECTION**

In its environmental policy, Finnair pursues the goals of the IATA, which



comprise minimization of the environmental impact of air traffic in an economically sensible manner and without jeopardizing flight or occupational safety.

Finnair has established an environmental organization to monitor developments in environmental legislation and technology related to air traffic and to implement and apply them in its own operations.

The economy of the fuel used in aircraft and emissions from engines along with the noise produced are key factors in planning for modernization of the fleet. Moreover, emissions from aircraft maintenance and overhaul into the atmosphere and waste water are constantly monitored.

During the year under review, replacement of most of the DC10 and DC9-41 aircraft with more environmentally sound MD11s and MD80s has reduced emissions and noise from air traffic.

Emissions of solvents into the air from repair shops have been further reduced and dichloromethane-free

*A new pallet transporter has been purchased for Finnair Cargo at Helsinki Airport to handle the increasing volume of cargo.*





## TRAVEL AGENCIES

Area Travel Agency Ltd and Finland Travel Bureau Ltd are the Group's full service travel agencies.

Development of the Group's own international travel agency network was continued by combining the ten travel agencies operating abroad into a single organization known as Norvista. The function of the Norvista travel agencies is to produce Finnair-based tours to Finland and via Finland to other countries and also local services.

Finnair's own foreign agencies sell and market all products based on Finnair's scheduled flights. Norvista agencies produce competitive holiday and other package tours.

The most recent addition to the Norvista chain is Estravel, the largest general travel agency in Estonia, in which Finnair acquired a majority holding in May 1995. Total sales of Estravel, which was founded in 1988, amount to some FIM 65 million and it has a staff of 80.

Total annual sales by Norvista travel agencies are expected to rise to FIM 250 million when the projected expansions have been completed.

According to the Association of Finnish Travel Agents, sales by Finnish travel agencies reached the 1989 level in 1995. After several years of decline, sales rose in 1995 to a total of FIM 7.4 billion. The peak year for the travel agency sector in Finland was in 1990, when sales amounted to FIM 8.2 billion.

Business travel continued to grow last year and a slight turn for the better also occurred in holiday travel to southerly destinations. According to statistics from the Association of Finnish Travel Agents, the combined sales of the 16 leading business travel agencies amounted to FIM 4.0 billion or 54% of total travel agency sales. The share of business travel rose by one percentage point.

The Association expects that growth in business- and other work-related travel will decline. Leisure-time travel will probably grow at a faster rate than business travel as the end of the



*The three-tier system has been introduced to improve services to the members in the Finnair Plus frequent flier programme.*

paint removers have been tested. Regular inspections of waste water from repair shops are also made.

In ground equipment, fitting of tractors and luggage trucks with diesel catalytic converters continued.

Separation of office paper from other paper was undertaken at all workplaces. Biological waste collection also began and the results were encouraging.

To promote waste recycling, it was also decided to expand the catering facilities. Construction has already begun and waste treatment equipment acquired. Completion of new facilities will permit e.g. efficient recovery of aluminium cans.

century approaches. Turnover by Finnair's Travel Agency Sector increased significantly and the financial results improved on the following year.

**TOUR OPERATIONS**

Development and consolidation of Tour Operations were completed by the end of November 1995 by combining the Oy Aurinkomatkat - Sun-tours Ltd Ab, Oy Finnmatkat - Finntours Ab and Top Club product names into a single administrative unit, Finnair Travel Services (FTS). The Sun-tours, Finntours and Top Club product names will, however, remain and they will continue to function as independent marketing and profit centres.

Consolidation of operations will permit the profit centres to handle growing volumes of business with the same resources. For example FTS purchases hotel services for 350,000 holiday-makers annually. This will otherwise improve the efficiency and competitiveness of the Finnair Group in the package tour market.

Demand for package tours abroad increased last year by more than 10 per cent. Elimination of the charter



flight tax contributed to recovery, while the effect of VAT, which replaced it, was smaller.

A total of 650,000 package tours abroad were made by charter flights from Finland last year. Despite growth, the peak figure of 1.2 million charter



PIKA (express) TAX-FREE is a new telephone service for busy passengers. Passengers can pick up their purchases at the new Stardust perfume Shop in the international terminal at Helsinki Airport.



# Norvista

Finnair's Travel Agencies abroad have been linked under the name Norvista.

**Travel Agency Sector, financial performance and personnel**

	1995/96	1994/95	Change %
Turnover, FIM mill.	269.9	230.9	16.9
Operating profit, FIM mill.	15.7	12.2	28.7
Personnel/change in persons	1 112	967	145

**Tour Operations, financial performance and personnel**

	1995/96	1994/95	Change %
Turnover, FIM mill.	925.4	799.2	15.8
Operating profit, FIM mill.	- 0.7	9.8	- 107.1
Personnel/change in persons	440	403	37



The Finnair home page in the Internet: <http://www.finnair.fi>



## HOTEL OPERATIONS

The year under review was one of expansion for Nordic-Hotel Oy, which engages in hotel and restaurant operations.

In February 1996, the 35-room 'Gateway' hotel was opened in premises rented from the Civil Aviation Administration at Helsinki-Vantaa Airport. The hotel was very popular from the outset and proved its worth.

During the spring three new restaurants run by Nordic-Hotel Gateway operations were also opened at the airport. Nordic-Hotel has a contract with the Civil Aviation Administration to provide restaurant, conference and rest facilities in the Helsinki-Vantaa Gateway Terminal, which is to be opened in October 1996. Sales at the airport restaurant complex are expected to be the largest in Finland.

Nordic-Hotel also revived a tradition by reopening the 250-seat Töölönranta Restaurant, at one of the most beautiful sites in the centre of Helsinki, after a nine year break. Nordic-Hotel continues to operate the restaurant in Finlandia Hall, although it has terminated operations at the Opera House. Nordic-Hotel Oy has two leased hotel properties in the centre of Helsinki. One of the properties, Hotel Inter-Continental, which comprise 553 rooms and restaurant and conference facilities, is owned by Finnair Oy, and the other, the Strand Inter-Continental which comprises 200 rooms and restaurant facilities, is owned by Oy Metra Ab. Both hotels are franchises of the international Inter-Continental hotels chain.

Safin Oy, a subsidiary for sales of hotel-sector consulting services, is wholly owned by Nordic-Hotel. Finnair Oy also has a minority share of 49% in AO Infa-Hotel, which owns the Savoy Hotel in Moscow. Finnair is responsible for the operational management of this hotel and for personnel training.

The financial performance of the Hotel Sector declined on the previous year, which was due to a significant drop in revenues from the Savoy Hotel in Moscow.



*Helsinki Cup 96, a soccer tournament for 9-19 year olds, brings over 800 teams to Helsinki from almost 30 countries.*

flight passengers recorded in 1990 is still remote. FTS's share of the present package tour market is approximately 50%.

During the past winter season, 65% of the Suntours and Finntours package tours were made to Spain, with the Canary Islands being the most frequent destination. The individual shares of other countries accounted for seven per cent or less. In the summer demand for holiday tours was more evenly distributed. Greece was the most popular with some 37%, followed by Turkey 18%, Spain 11% and Italy 10%.

Wide fluctuations in supply and tough price competition have been typical of the tours sector, and this has in general meant rather low profitability, except for a few years. The increase in supply during the past financial year was again considerable, and price competition was unhealthy at times.

Turnover generated by the Group's Tour Operations Sector increased by 16%. The profit from operations declined from the exceptionally good level of the previous year. Operations showed a loss. The Sector showed a profit after essential financial incomes and before incidental items.

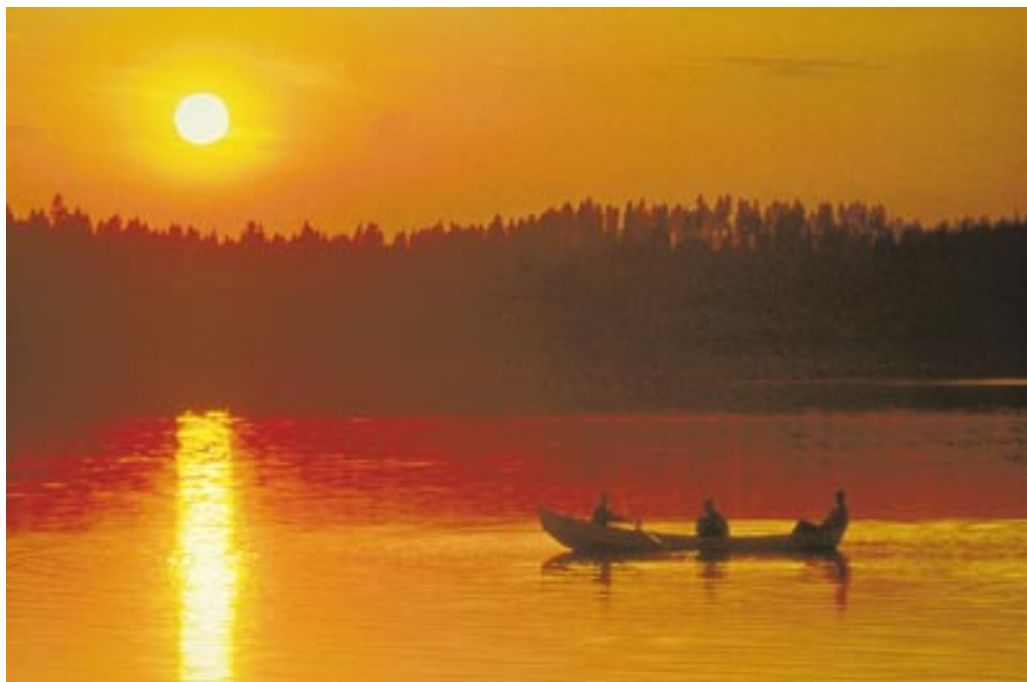


## OTHER SECTORS

Other Sectors include two important companies. Finncatering Oy provides mainly cold servings for flights and also bakery goods, prepared foods, frozen foods, lunch and banquet services. Amadeus Finland Oy is responsible in Finland for the development and updating of an information and distribution system founded by international airlines.

Finncatering Oy is an independent company in the Finnair Catering profit centre. Growth in the number of charter flight passengers substantially increased the number of in-flight servings compared with the previous year, as did the re-establishment of free food and beverage service on domestic flights. Bakery operations also increased for the second consecutive year.

Integration with System One, the other large system, made Amadeus internationally the world's largest reservation and distribution system. Its services are used by 36,000 travel agencies throughout the world with a total of more than 156,000 terminals. In Finland Amadeus has more than 2,100 terminals in over 460 agencies. Revenues from reservations made via the Amadeus system accounted for some 40% of total sales during the financial year and growth on the previous year was 10%. Producer fees rose 42%. Growth was primarily due to single ticket revenues and to the VR-Group Ltd. (Finnish Railways),



which joined the system in the autumn. The greatest relative growth was achieved in operating fees for travel agency systems.

Amadeus Estonia, of which Amadeus Finland owns 35%, officially began operations on July 1, 1995. The main shareholder (60%) is Estonian Air, and Amadeus Estonia purchases all services related to telecommunications, installations and technical support from Amadeus Finland. Financial performance for Other Sectors also improved on the previous year.



*Finnair Culture Tours include a performance of Tannhäuser at the 1996 Savonlinna Opera Festival.*

### **Hotel Operations, financial performance and personnel**

	1995/96	1994/95	Change %
Turnover, FIM mill.	<b>210.8</b>	206.1	2.3
Operating profit, FIM mill.	<b>1.5</b>	2.5	- 40.0
Personnel/change in persons	<b>493</b>	478	15

### **Other Sectors, financial performance and personnel**

	1995/96	1994/95	Change %
Turnover, FIM mill.	<b>107.1</b>	94.2	13.7
Operating profit, FIM mill.	<b>10.7</b>	8.3	28.9
Personnel/change in persons	<b>174</b>	159	15

## KEY FIGURES

		1991/92	1992/93	1993/94	1994/95 <sup>1)</sup>	1995/96 <sup>1)</sup>
<b>CONSOLIDATED FINANCIAL RESULTS</b>						
Turnover	FIM mill.	5 442	5 456	5 941	6 653	7 182
- change	%	-2.7	0.3	8.9	12.0	7.9
Operating margin	FIM mill.	405	351	588	945	1 055
- in relation to turnover	%	7.4	6.4	9.9	14.2	14.7
Operating profit	FIM mill.	11	-40	189	522	624
- in relation to turnover	%	0.2	-0.7	3.2	7.8	8.7
Net financial expenses	FIM mill.	161	310	69	103	91
- in relation to turnover	%	3.0	5.7	1.2	1.5	1.3
Profit before incidental items	FIM mill.	- 150	- 349	120	419	533
<b>CONSOLIDATED BALANCE SHEET</b>						
Fixed assets and other long-term investments	FIM mill.	3 744	4 031	4 132	3 937	4 043
Value adjustments	FIM mill.	45	37	43	66	61
Inventories	FIM mill.	207	191	171	171	188
Current assets	FIM mill.	2 388	2 395	2 454	3 242	2 641
<b>Total assets</b>	FIM mill.	6 384	6 654	6 800	7 416	6 933
Share capital	FIM mill.	246	246	323	408	408
Other equity and minority holding	FIM mill.	1 282	909	1 144	1 850	2 183
Liabilities	FIM mill.	4 856	5 499	5 333	5 158	4 342
<b>Total liabilities</b>	FIM mill.	6 384	6 654	6 800	7 416	6 933
Gross investment less advance payments	FIM mill.	632	854	699	278	567
Return on equity (ROE)	%	negat.	negat.	8.7	21.2	15.4
Return on investment (ROI)	%	5.2	7.2	8.7	15.1	15.7
Increase in share capital	FIM mill.	-	-	76	85	-
Dividend from the financial year <sup>2)</sup>	FIM mill.	-	-	19	41	82
Earnings/share	FIM	-3.03	-6.67	1.93	5.10	4.56
Equity/share	FIM	28.68	21.69	22.72	27.68	31.74
Dividend/share <sup>2)</sup>	FIM	-	-	0.30	0.50	1.00
Equity ratio 1	%	24.4	17.5	21.8	30.9	37.9
Equity ratio 2 <sup>3)</sup>	%	-	-	25.2	31.9	39.0
Net debt-to-equity 1 (Gearing)	%	127.9	225.8	153.6	43.0	25.3
Net debt-to-equity 2 (Gearing) <sup>3)</sup>	%	-	-	119.3	38.5	21.8
Interest-bearing debt	FIM mill.	3 532	4 127	3 792	3 185	2 253
Liquid funds	FIM mill.	1 577	1 519	1 539	2 214	1 598
Net interest-bearing debt	FIM mill.	1 955	2 608	2 253	971	655
- in relation to turnover	%	35.9	47.8	37.9	14.6	9.1
Net financing expenses	FIM mill.	161	310	69	103	91
- in relation to turnover	%	3.0	5.7	1.2	1.5	1.3
Net interest expenses	FIM mill.	71	87	139	103	99
- in relation to turnover	%	1.3	1.6	2.3	1.6	1.4
Income financing	FIM mill.	233	35	514	825	935
Income financing of turnover	%	4.3	0.6	8.6	12.4	13.0
Average number of shares adjusted for the share issue		53 223 480	53 223 480	59 509 008	71 649 571	81 584 480
Number of shares adjusted for the share issue at the end of the financial year		53 223 480	53 223 480	64 537 260	81 556 420	81 584 480
Number of shares corresponding to share capital at end of the financial year		49 281 000	49 281 000	64 537 260	81 556 420	81 584 480
P / E ratio		-	-	17.44	5.69	8.26
<b>Personnel</b>						
on average		10 788	10 324	9 721	9 586	10 162
Finnair Oy		7 950	7 714	7 257	7 132	7 486

<sup>1)</sup> The voluntary reserves during the financial years 1994/95 and 1995/96 has been altered so that the voluntary reserves of Group Companies were divided in the balance sheet between equity and imputed tax liability. In the profit and loss statement, the change in voluntary reserves during the financial year was divided between the profit for the financial year and the change in imputed tax liability. The index figures for 1991/92, 1992/93 and 1993/94 have not been changed.

<sup>2)</sup> The proposal of the Board of Directors to the Annual General Meeting.

<sup>3)</sup> Includes a convertible subordinated loan which is by nature a so called capital loan.

## FORMULAS FOR RATIOS (THE GROUP)

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

## SUBSIDIARIES

	Total sales (FIM 1 000) 1995/96	Change %	Turnover (FIM 1 000) 1995/96	Change %	Personnel March 31 1996 1995	Finnair Oy holding % <sup>1)</sup>
<b>Finnaviation Oy</b>						
Air transport						
Paavo Turtiainen, Managing Director	164 648	+ 8	164 648	+ 9	176 194	100.0
<b>Karair oy</b>						
Air transport						
Pekka Välimäki, Managing Director	207 918	- 19	207 918	- 19	258 266	100.0
<b>Area Travel Agency Ltd</b>						
Complete travel agency services						
Timo Mannermaa, Managing Director	966 038	+11	96 653	+9	399 397	100.0
<b>Area Baltica Reisibüroo AS, Estonia</b>						
Advertising agency						
Juhani Pelanne, Managing Director	355	- 87	34	- 89	0 3	100.0
<b>ZAO Norvista, Russia</b>						
Complete travel agency services						
Tuula Hyvönen, Managing Director	4 812	- 20	499	- 7	16 8	100.0
<b>Estravel AS, Estonia</b>						
Complete travel agency services						
Aivo Takis, Managing Director	65 248	-	8 769	-	80 0	72.0
<b>Estravel - Narva AS, Estonia</b>						
Complete travel agency services						
Aleksandr Tsherepkov, Managing Director	1 000	-	126	-	9 8	51.0
<b>BMR Balti Meediareklaami AS, Estonia</b>						
Advertising agency						
Tiiu Raidma, Managing Director	510	-	510	-	3 0	100.0
<b>Finlandia Agence de Voyages S.A.R.L., France</b>						
Complete travel agency services						
Leena Uurala, Managing Director	17 727	+28	3 165	+82	11 10	93.4
<b>Finlandia Travel Agency Ltd., UK</b>						
Complete travel agency services						
Jussi Lahtinen, Managing Director	59 966	+23	7 514	+13	26 22	93.4
<b>Mikkelin Matkatoimisto Oy</b>						
Complete travel agency services						
Airi Koljonen, Managing Director	18 903	- 7	1 997	- 13	7 6	51.0
<b>Norvista Travel AB, Sweden</b>						
Complete travel agency services						
Billy Carlsson, Managing Director	13 419	+13	2 204	+24	10 10	100.0
<b>Finland Travel Bureau Ltd.</b>						
Complete travel agency services						
Carl Nyberg, Managing Director	1 351 538	+10	148 942	+16	563 536	98.6
<b>Oy Aurinkomatkat - Suntours Ltd Ab</b>						
Tour operations						
Timo Heinonen, Managing Director	600 179	+22	600 179	+22	237 206	96.7
<b>Finnair Travel Services Oy</b>						
Support services for tour operations						
Timo Heinonen, Managing Director	31 993	+128	30 909	+120	96 66	100.0
<b>Oy Finnmatkat - Finntours Ab</b>						
Tour operations						
Timo Heinonen, Managing Director	341 876	+23	282 476	+1	142 124	100.0
<b>Norvista Travel Ltd., Canada</b>						
Tour operations						
Jyrki Eriksson, Managing Director	11 220	- 9	7 432	- 38	8 5	100.0
<b>Finnway Inc., USA</b>						
Tour operations						
Anneli Karppinen, Managing Director	19 669	-	4 409	-	9 4	100.0
<b>Nordic - Hotel Oy</b>						
Hotel and restaurant services						
Olof Jurva, Managing Director	210 785	+3	210 785	+6	505 488	100.0
<b>Finn catering Oy</b>						
Catering operations						
Leo Eerikas, Managing Director	47 745	+16	47 745	+17	124 119	100.0
<b>Amadeus Finland Oy</b>						
Automated distribution and information system for the travel industry						
Kari Koli, Managing Director	56 900	+11	56 900	+11	37 32	95.0
<b>Real estate companies</b>	1 966	+1	1 966	+1	1 1	100.0
<b>TOTAL</b>	4 194 415	+12	1 885 780	+8	2 717 2 505	

<sup>1)</sup> Direct or indirect

## ADDRESSES

New area codes [ ]  
in Finland will apply  
from October 12, 1996

### **FINNAIR OY HEADQUARTERS:**

Tietotie 11 A  
Helsinki-Vantaa Airport  
P.O.Box 15  
01053 Finnair  
Finland  
telephone +358 0 [9] 81 881  
fax +358 0 [9] 818 4401

### **FINNAIR OY SUBSIDIARIES:**

#### **Amadeus Finland Oy**

Dagmarinkatu 4  
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telephone +358 0 [9] 818 799  
fax +358 0 [9] 490 427

#### **AREA Travel Agency Ltd.**

Päivärinnankatu 1  
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telephone +358 0 [9] 818 383  
fax +358 0 [9] 818 3245

#### **Finland Travel Bureau Ltd.**

Kaivokatu 10 A  
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telephone +358 0 [9] 18 261  
fax +358 0 [9] 612 1547

#### **Finnair Travel Services Oy**

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P.O.Box 275  
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fax +358 0 [9] 818 7818

#### **Finnaviation Oy**

Teknikontie  
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fax +358 0 [9] 818 5179

#### **Finn catering Oy**

Valimokuja 2  
P.O.Box 38  
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Finland  
telephone +358 0 [9] 821 200  
fax +358 0 [9] 821 175

#### **Karair oy**

Lentäjätie 1 B  
P.O. Box 101  
01531 Vantaa  
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telephone +358 0 [9] 81 881  
fax +358 0 [9] 870 1906

#### **Mikkelin Matkatoimisto Oy**

Porrassalmenkatu 23  
50100 Mikkeli  
Finland  
telephone +358 55 [15] 367 333  
fax +358 55 [15] 365 005

#### **Nordic Hotel Oy**

Hotel Inter-Continental Helsinki  
Mannerheimintie 46  
00260 Helsinki  
Finland  
telephone +358 0 [9] 40 551  
fax +358 0 [9] 405 5255

#### **Norvista**

(Estravel AS)  
Suur-Karja 15  
Box 3727  
EE-0090 Tallinn  
Estonia  
telephone +372 6 266200  
fax +372 6 266202

#### **Norvista**

(Finlandia Agence de Voyages  
S.A.R.L.)  
19, Rue de Choiseul  
75002 Paris  
France  
telephone +33 1 49 24 05 97  
fax +33 1 40 17 05 00

#### **Norvista**

(Finlandia Travel Agency Ltd.)  
227 Regent Street  
London W1R 8PD  
England  
telephone +44 171 409 7333  
fax +44 171 409 0553 / 408 0932

#### **Norvista**

(Finncharter Ltd.)  
20 York Mills Road,  
Suite 402  
North York, ON M2P 2C2  
Canada  
telephone +1 416 222 0740  
fax +1 416 222 5004

#### **Norvista**

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Fatburgs Kvarngatan 10  
PB 38183  
10064 Stockholm  
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telephone +46 8 720 3330  
fax +46 8 720 4092

#### **Oy Aurinkomatkat - Suntours Ltd Ab**

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#### **Oy Finnmatkat - Finntours Ab**

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# FINNAIR GROUP AIR TRANSPORT

## FINNAIR OY, KARAIR OY AND FINNAVIATION OY

	1991/92	1992/93	1993/94	1994/95	1995/96
<b>SCHEDULED INTERNATIONAL TRAFFIC</b>					
Flight hours	67 923	69 158	71 118	84 301	100 130
Flight kilometres	42 672 000	42 379 000	45 550 000	52 474 000	62 250 000
Available seat kilometres	6 550 003 000	7 044 568 000	7 914 545 000	10 021 335 000	11 696 404 000
Revenue passenger kilometres	3 784 330 000	3 937 948 000	4 811 651 000	6 617 674 000	7 892 862 000
Passenger load factor	57.8	55.9	60.8	66.0	67.5
Available tonne kilometres	926 541 000	978 052 000	1 136 434 000	1 413 745 000	1 614 600 000
Revenue tonne kilometres	467 178 000	482 351 000	610 242 000	802 337 000	936 039 000
Overall load factor	50.4	49.3	53.7	56.8	58.0
Passengers	1 812 696	1 857 737	2 144 340	2 802 980	3 261 879
Cargo (1 000 kg)	29 732	28 943	35 621	43 335	45 920
Mail (1 000 kg)	4 523	5 724	6 718	6 932	7 740
Seats available per a/c	160	173	178	193	190
Seats occupied per a/c	92	97	108	127	128
Load capacity available, kg per a/c	21 712	23 079	24 949	26 942	26 207
Load utilization, kg per a/c	10 948	11 382	13 397	15 290	15 193
<b>SCHEDULED DOMESTIC TRAFFIC</b>					
Flight hours	48 168	48 215	44 759	45 185	45 787
Flight kilometres	19 690 000	19 789 000	18 393 000	18 293 000	18 612 000
Available seat kilometres	1 827 554 000	1 807 657 000	1 647 980 000	1 648 074 000	1 693 606 000
Revenue passenger kilometres	916 635 000	875 725 000	818 313 000	869 019 000	918 509 000
Passenger load factor	50.2	48.4	49.7	52.7	54.2
Available tonne kilometres	192 831 000	190 633 000	169 798 000	170 045 000	179 462 000
Revenue tonne kilometres	81 366 000	77 814 000	72 890 000	77 452 000	80 928 000
Overall load factor	42.2	40.8	42.9	45.5	45.1
Passengers	2 188 243	2 050 828	1 864 355	1 957 498	2 050 172
Cargo (1 000 kg)	4 838	4 316	4 248	4 624	4 608
Mail (1 000 kg)	547	732	898	1 214	1 158
Seats available per a/c	95	93	91	92	93
Seats occupied per a/c	48	45	45	48	50
Load capacity available, kg per a/c	9 793	9 633	9 232	9 296	9 817
Load utilization, kg per a/c	4 132	3 932	3 963	4 234	4 427
<b>CHARTER TRAFFIC</b>					
Flight hours	25 937	22 945	18 359	14 767	16 356
Flight kilometres	18 370 000	16 403 000	12 956 000	10 006 000	11 000 000
Available seat kilometres	4 930 272 000	4 157 932 000	3 594 812 000	2 426 299 000	2 284 557 000
Revenue passenger kilometres	4 319 259 000	3 568 793 000	3 122 078 000	2 048 929 000	1 921 114 000
Passenger load factor	87.6	85.8	86.8	84.4	84.1
Available tonne kilometres	489 817 000	411 019 000	355 604 000	236 391 000	223 448 000
Revenue tonne kilometres	403 041 000	331 953 000	289 956 000	187 981 000	175 445 000
Overall load factor	82.3	80.8	81.5	79.5	78.5
Passengers	1 234 986	1 084 479	911 158	671 287	650 478
Cargo (1 000 kg)	3 751	2 971	2 654	1 424	1 009
Mail (1 000 kg)	57	70	29	35	49
Seats available per a/c	268	253	277	242	208
Seats occupied per a/c	235	218	241	205	175
Load capacity available, kg per a/c	26 664	25 058	27 447	23 625	20 313
Load utilization, kg per a/c	21 940	20 237	22 380	18 787	15 950
<b>TOTAL AIR TRANSPORT</b>					
Flight hours	142 028	140 318	134 236	144 253	162 273
Flight kilometres	80 732 000	78 571 000	76 899 000	80 773 000	91 862 000
Available seat kilometres	13 307 829 000	13 010 157 000	13 157 337 000	14 095 708 000	15 674 567 000
Revenue passenger kilometres	9 020 224 000	8 382 466 000	8 752 042 000	9 535 622 000	10 732 485 000
Passenger load factor	67.8	64.4	66.5	67.6	68.5
Available tonne kilometres	1 609 189 000	1 579 704 000	1 661 836 000	1 820 181 000	2 017 510 000
Revenue tonne kilometres	951 585 000	892 118 000	973 088 000	1 067 770 000	1 192 412 000
Overall load factor	59.1	56.5	58.6	58.7	59.1
Passengers	5 235 925	4 993 044	4 919 853	5 431 765	5 962 529
Cargo (1 000 kg)	38 321	36 230	42 523	49 383	51 537
Mail (1 000 kg)	5 127	6 526	7 645	8 181	8 947

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

The previous financial years were converted to make them comparable.

# SCHEDULED FLIGHT DESTINATIONS 1996



Mariehamn

## DEFINITIONS FOR FINNAIR GROUP AIR TRANSPORT

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

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

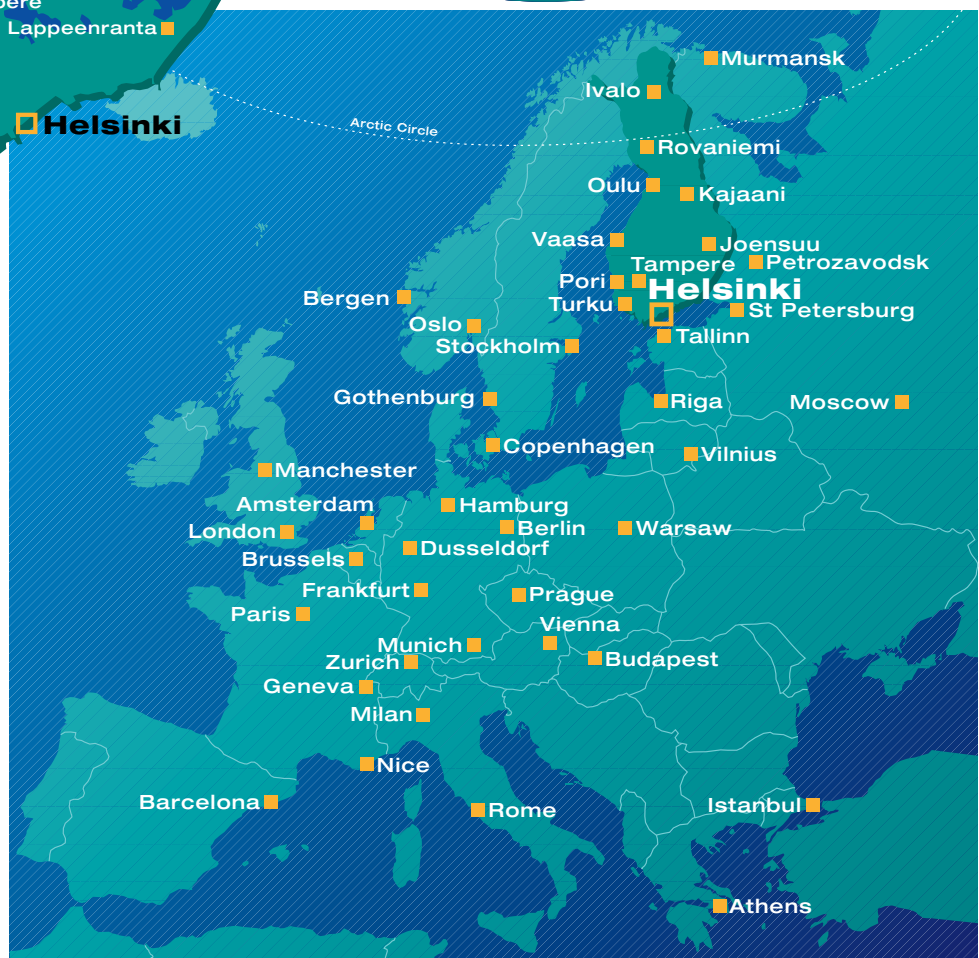
**Passenger load factor %:**  
share of revenue passenger kilometres of available passenger kilometres

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

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

**Weight load factor %:**  
share of revenue tonne kilometres of available tonne kilometres (passenger, cargo and mail)

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





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