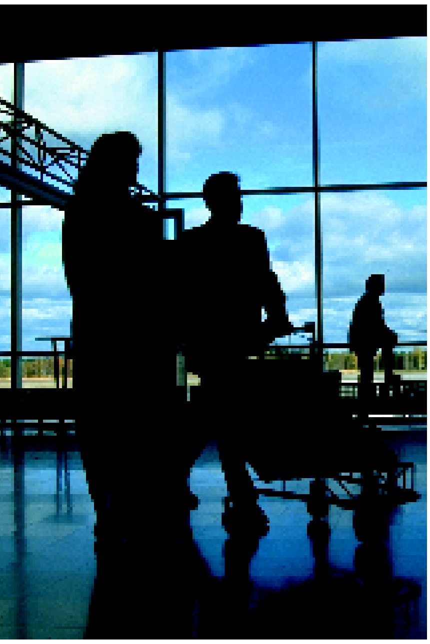
FINNAIR 75
Time flies

ANNUAL REPORT 1997/1998

ANNUAL REPORT 1997/1998

74th financial year



CONTENTS

INFORMATION TO SHAREHOLDERS

Annual General Meeting

The Annual General Meeting of Finnair Oyj will convene on August 20, 1998 at 3.00 p.m. in the Hotel Inter-Continental Helsinki, Mannerheimintie 46-48, Helsinki.

Shareholders desiring to attend must be registered with the Finnish Central Securities Depository Ltd. by August 14, 1998. Shareholders whose shares have not been transferred to the book-entry securities system may also attend the AGM on condition that such shareholders were registered in the Company´s shareholder register before 11 June, 1993. In such a case, shareholders must at the AGM present their share certificates or other evidence that their shareholding rights have not been transferred to the book-entry system.

Shareholders wishing to attend the AGM must notify the Company by 17 August, 1998.

Dividend proposal

The Board of Directors of Finnair Oyj proposes to the Annual General Meeting that shareholders be paid a dividend for the 1997/98 financial year of FIM 1.75 per share. The Board of Directors proposes that the dividend be paid on August 28, 1998 to those shareholders who were registered on the record, August 25, 1998.

Financial Information

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

During the financial year 1998/99, Finnair Oyj will publish one interim report for the period April 1- September 30, 1998, and it will be released on November 27, 1998.

These reports can be ordered from Finnair Oyj, telephone +358 (9) 818 4951, fax +358 (9) 818 4092, e-mail: investor.relations.finnair.fi

Finnair’s annual reports and interim reports, as well as other financial information and press releases can be accessed through Internet: www.finnair.fi

Addresses

For further information about Finnair Group, please contact:

Finnair Head Office
Tietotie 11 A, FIN-01053 Finnair
telephone + 358 (9) 818 81

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

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

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

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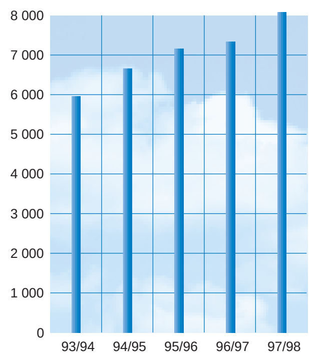
HIGHLIGHTS

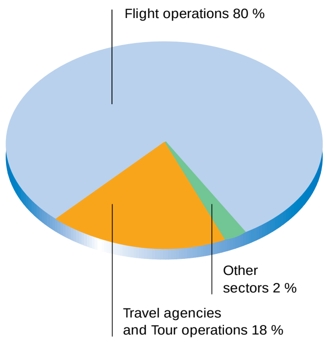
FINNAIR GROUP		*1997/1998*	*1996/1997*	*Change %*
Passengers	1 000	7 067	6 280	12.5
Cargo and mail	1 000 kg	76 730	66 668	15.1
Revenue tonne km	mill.	1 428	1 254	13.9
Turnover	FIM mill.	8 057.6	7 403.2	8.8
Turnover by sector				
Flight operations	FIM mill.	7 030.3	6 491.2	8.3
Travel agencies	FIM mill.	349.9	292.0	19.8
Tour operations	FIM mill.	1 203.6	1 050.8	14.5
Other sectors	FIM mill.	194.7	314.8	- 38.2
- Less internal adjustments	FIM mill.	- 720.9	- 745.6	- 3.3
Operating margin	FIM mill.	1 107.5	783.6	41.3
Operating margin of turnover	%	13.7	10.6	
Operating profit	FIM mill.	605.0	326.1	85.5
Operating profit of turnover	%	7.5	4.4	
Profit before extraordinary items and taxes	FIM mill.	626.7	310.4	101.9
Profit for the financial year	FIM mill.	509.7	322.8	57.9
Earnings/share	FIM	6.11	2.48	
Equity/share	FIM	39.31	34.43	
Share price on March 31	FIM	54.00	36.90	
Gross capital expenditure	FIM mill.	878.6	1 055.1	
Interest bearing liabilities	FIM mill.	1 297.0	1 602.0	
Equity	FIM	3 254.6	2 825.2	
Equity ratio	%	46.5	42.9	
Net debt-to-equity (Gearing)	%	- 5.4	9.9	
Personnel on average	persons	10 706	10 533	1.6

(USD 1 = FIM 5.6)

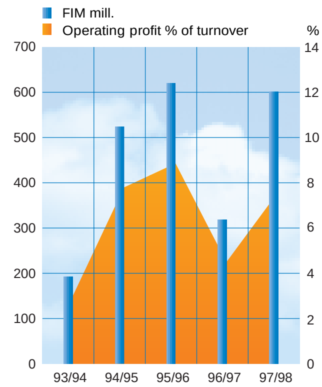
Turnover



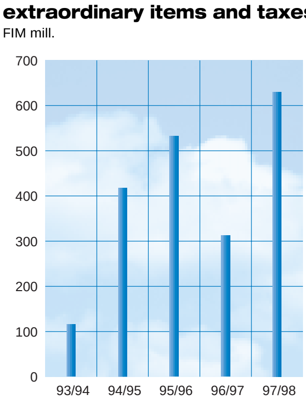
Turnover by sector



Operating profit

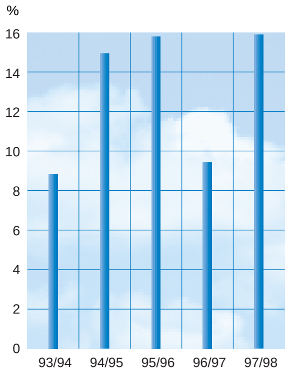


Profit before extraordinary items and taxes

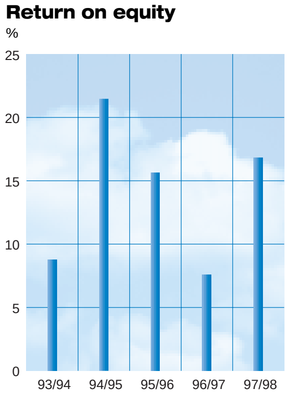


INFORMATION ON FINNAIR OYJ SHARES AND SHAREHOLDERS

Return on investment



Return on equity



SHARES AND SHARE CAPITAL

On March 31, 1998, the Company's paid up share capital, entered in the trade register, was FIM 413,982,415 and comprised 82,796,483 shares. Each share has one vote at the Annual General Meeting and its nominal value is FIM 5.

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

SHARE QUOTATIONS

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

PAYMENT OF DIVIDEND

The Board of Directors of Finnair Oyj proposes to the Annual General Meeting that a dividend of FIM 1.75 per share, or a total of FIM 144,893,845.25 be paid for the 1997/98 financial year.

GOVERNMENT OWNERSHIP

At the end of the financial year on March 31, 1998, the Finnish Government owned 59.8 % of the Company's shares and votes. On June 20, 1994, Parliament decided to maintain the Government's majority holding and gave its consent to reduce that holding to less than two-thirds. Should all the convertible bonds in circulation be exchanged for Finnair Oyj shares, the Government's holding would be 57.5%.

CONVERTIBLE BONDS

Finnair Oyj 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 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 Oyj shares with a nominal value of FIM 5 each. The bonds can be exchanged annually between April 1 and October 30. By March 31, 1998 a total of FIM 114,834,000 of bonds had been converted to 5,850,921 shares. Should all the bonds still unexchanged on March 31, 1998 be converted into shares, the Company's share capital would rise by FIM 9,565,150 to 1,913,030 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

Finnair Oyj shareholders as at March 31, 1998

Shareholder	*Number of shares*	*% of shares*
Goverment of Finland	49 510 682	59.80
Sampo Group	2 799 697	3.38
Pension Insurance Company Ilmarinen Ltd	2 235 000	2.70
Pohjola Group	1 723 000	2.08
Neste Group	1 097 620	1.33
The Local Government Pensions Institute	1 005 900	1,21
Tapiola Incurance Company Ltd	549 400	0.66
Pension-Varma	531 700	0.64
Merita Fennia Mutual Fund	261 800	0.32
Finnish National Fund for Research and Development	225 000	0.27
Registered in the name of a nominee total	17 814 124	21.52
Other, total	5 042 560	6.10
Total	82 796 483	100.00

Division of Finnair Oyj share ownership as at March 31, 1998

Shares held	*Shareholders*	*Number of shares*	*% of shares*
1-100	3 858	180 740	0.22
101-1 000	2 296	730 499	0.88
1 001-10 000	342	897 558	1.08
10 001-100 000	72	2 489 991	3.01
100 001-1 000 000	19	5 688 496	6.87
1 000 001-	5	54 949 202	66.37
Registered in the name of a nominee	7	17 814 124	21.52
Book entries, not converted		45 873	0.06
Total	6 599	82 796 483	100.00

Finnair Oyj shareholders by type as at March 31, 1998

	Number of shareholders	*%*	*Number of shares*	*% of shares*
Public bodies	33	0.50	52 365 615	63.25
Associations	44	0.67	439 402	0.53
Households	6 200	93.95	1 564 572	1.89
Financial institutions and insurance companies	56	0.85	8 802 954	10.63
Companies	231	3.50	1 703 956	2.06
Outside Finland	28	0.42	59 987	0.07
Registered in the name of a nominee	7	0.11	17 814 124	21.52
Book entries, not converted			45 873	0.06
Total	6 599	100.00	82 796 483	100.00

a nominal value of FIM 10,000 entitles the holder to 271 shares in Finnair Oyj with a nominal value of FIM 5 each. The bonds can be converted annually between January 1 and 31 and between April 1 and December 31. By March 31, 1998, a total of FIM 181,120,000 in bonds had been converted to 4,908,352 shares. Should all the bonds still unexchanged on March 31, 1998 be converted to shares, the Company's share capital would rise by FIM 6,623,240, which corresponds to 1,324,648 shares.

For more detailed information on the convertible bonds, see sections 22 and 24 of the Notes to the Financial Statements.

SHARE OWNERSHIP BY MANAGEMENT

On March 31, 1998, members of the Company's Supervisory Board and Board of Directors and the Chief Executive Officer owned 6,447 shares, which represented 0.008 % of all the shares and votes.

SHARE PRICES AND TRADING

Finnair Oyj's share was quoted at FIM 54.00 on the Helsinki Stock Exchange on the last day of the financial year. The market value of the Company's shares was FIM 4,471.0 million (3,028.0).

The highest trading price during the financial year was FIM 56.00 (40.00) and the lowest FIM 34.00 (30.30).

A total of 21.1 million shares (32.7) were traded on the Helsinki Stock Exchange for a value of FIM 895.1 million (1,126.2) during the financial year.

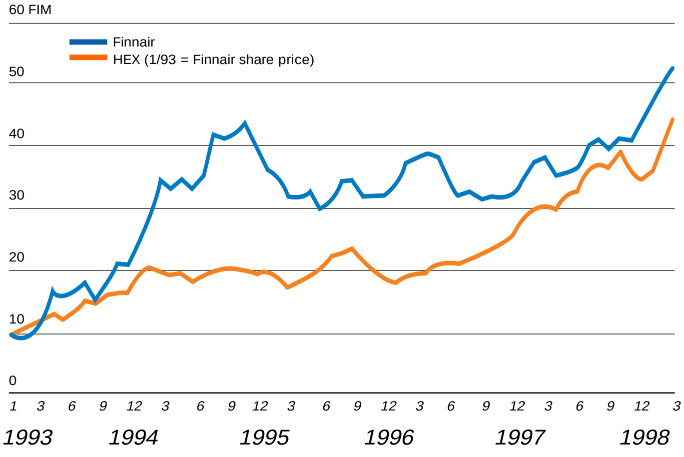
EQUITY ANALYSIS

The following banks and brokerage firms are known to have prepared investment analysis on Finnair:
Alfred Berg
Aros Securities
Arctos Securities Ltd
Daiwa Institute of Research Europe Ltd.
Dresdner Kleinwort Benson
Den Danske Bank
Deutsche Morgan Grenfell
Enskilda Securities
Handelsbanken
Impivaara Securities Ltd
Merita Securities
NatWest Securities
Opstock Securities Ltd
Protos Stock brokers
Postipankki Ltd

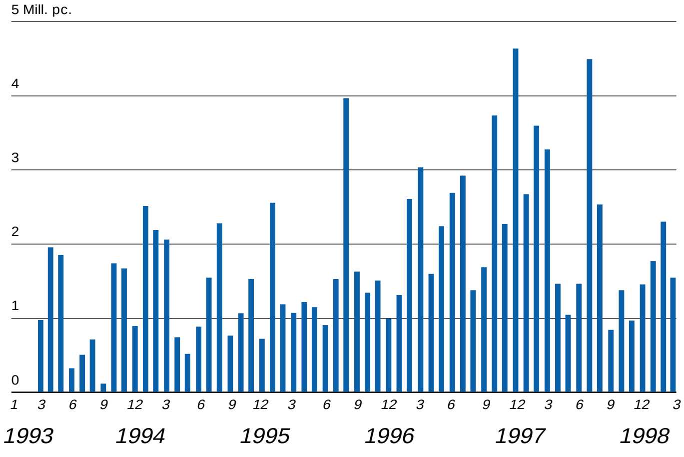
Key figures and share prices

Key figures		*1993/94*	*1994/95*	*1995/96*	*1996/97*	***1997/98***
Earnings/share	FIM	1.93	5.10	4.56	2.48	6.11
Equity/share	FIM	22.72	27.68	31.74	34.43	39.31
P/E ratio		17.44	5.69	8.26	14.86	8.83
Number of shares and share prices						
Number of shares adjusted for share issue, average		59 509 008	71 649 571	81 584 480	82 053 018	82 796 483
Number of shares adjusted for share issue, end of financial year		64 537 260	81 556 420	81 584 480	82 053 018	82 796 483
Number of shares, end of financial year		64 537 260	81 556 420	81 584 480	82 053 018	82 796 483
Prices adjusted for share issue, highest	FIM	38.00	46.00	39.50	40.00	56.00
lowest	FIM	7.87	28.00	28.30	30.30	34.00
Market value of share capital, March 31	FIM mill.	2 175	2 365	3 076	3 028	4 471
Trading of shares	pc.	15 518 144	14 319 356	20 849 877	32 667 714	21 061 343
Trading as % of average number of shares	%	26.10	20.00	25.56	39.81	25.43

Finnair Oyj share price development compared with HEX-index



Finnair Oyj share trade on the Helsinki Stock Exchange



ADMINISTRATIVE BODIES
APRIL 1,1998

SUPERVISORY BOARD

Markku Hyvärinen
Chairman
President,
Sampo Pension
Insurance Company Ltd.

Felix Björklund
Deputy Chairman
CEO,
Karl Fazer Corporation

Riitta Backas
Vice President, administration and personnel, Thomesto Oy

Tarja Kautto
Member of Parliament

Pekka Kivelä
M.Sc. (Econ.)

Markku Koskenniemi
Managing Director,
Tammerneon Oy

Jouko K. Leskinen
President & CEO,
Sampo Group

Pekka Perttula
Secretary General,
Centre Party of Finland

Mikko Pesälä
Deputy Speaker
of Parliament

Sirpa Pietikäinen
Member of Parliament

Matti Piuhola
Managing Director
PoliCon

Jaakko Pohjola
Ministerial Counsellor, Ministry
of Transport and Communications

Virpa Puisto
Member of Parliament

Jussi Ranta
Development Director,
Regional Council of South Karelia

Pertti Salolainen
Ambassador,
Embassy of Finland in London

Peter Stenlund
Counsellor for Foreign Affairs,
Ministry for Foreign Affairs

Ralf Sund
Secretary General,
The Left-wing Alliance

Iiro Viinanen
President, Chairman of the Boards,
Pohjola Group Insurance Corporation

Personnel representatives

Antti Lehto

Markku Kaukanen

Aino Laaksonen

Juhani Sinisalo

BOARD OF DIRECTORS

Harri Holkeri
Chairman
Member of the Board,
Counsellor of state

Jaakko Ihamuotila
Deputy Chairman
Chairman and CEO,
Neste Group

Robert G. Ehrnrooth
Chairman,
Metra Corporation

Ari Heiniö
LL.B., Managing Director,
Stockmann Plc

Raimo Hertto
Commercial Counsellor

Seppo Härkönen
President,
Finnish Foreign Trade Association

Eva-Christina Mäkeläinen
Ambassador,
Embassy of Finland in Vienna

Antti Potila
President and CEO,
Finnair Oyj

Helena Terho
Senior Vice President,
Quality, Kone Corporation

BOARD OF MANAGEMENT

Antti Potila
Chairman
President and CEO

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

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

Jorma Eloranta
Executive Vice President,
Operations Division

Leif Lundström
Executive Vice President,
Marketing Division

Jouko Malén
Executive Vice President,
Technical Division

Juhani Suomela
Executive Vice President,
Human Resources and Service Quality

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

AUDITORS

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

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

DEPUTY AUDITORS

Tauno Haataja
APA

Jorma Heikkinen
Senior Auditor, APA

REVIEW BY THE CHIEF EXECUTIVE OFFICER

Vigorous economic growth in Finland was reflected directly in demand for our Company's services. Growth was boosted by exploiting the opportunities provided by liberalization of air traffic outside Finland, mainly in Sweden. The number of passengers carried by our Company during the past financial year was 12.5% greater than that of the previous year and exceeded seven million. Growth was also above the European average.

Price competition on the liberalized markets increased and prices fell. Interest on the part of competitors in the Finnish market rose and also extended to domestic traffic.

Our Company's resources were in intense utilization. The number of revenue tonne kilometres increased by 13.9% on the previous year.

Finnair Group's turnover rose 8.8% and financial performance was decidedly better than that of the previous year.

The rapid process of structural change in international air traffic continued. Constant formation and reformation of alliances between airlines are an indication of this trend. Changes are taking place in both the European and the global arena. Airlines are combining into an increasingly small number of large groupings and are attempting to offer their customers the widest and most competitive range of services possible and to reduce costs through co-operation.

These alliances are in the initial stages of development. Airlines are still groping to find their way and the results are confused to some extent. Customers find it impossible to keep up with the new structures that are constantly emerging. The authorities monitor the situation closely and set conditions of their own.

However, as liberalization of air traffic proceeds, the integration of airlines into ever larger entities will be both natural and necessary. Every effort is being made to better market positions and increase efficiency. Customers operating on a global scale must be provided with global services. Even the largest individual airlines will be unable to do this on their own.

In the United States, where companies are being combined in a single country, a great deal of progress in this direction has already been made. There, too, however, the process of concentration is continuing. Integration in Europe has been slower, for combining companies in different countries is difficult for many reasons. It has proved necessary to be content with co-operation, which is by nature weaker and of shorter duration than integration through ownership. The trend, however, is still towards ever larger, globally operating groups of airlines.

Free competition is an indisputable advantage to customers. The desire on the part of airlines for growth will ensure sufficient capacity, if only demand will keep pace. Traffic can be planned more and more freely on business terms, without being excessively constrained by national frontiers. Competition will keep prices in line. As integration proceeds, competition will be more between global groupings and less between individual companies.

Structural change and integration towards greater internationalization and larger entities are also taking place in the travel agency and tours sectors. Travel agencies are developing more independent operations and are consequently moving away from their traditional function as brokers of services. Customers will be willing to pay for the added value provided by these new operations. For tour organizers, integration will provide opportunities to offer a wider range of products and to reduce the costs of production. The formation of hotel chains and concentration into international groupings will go even further.

Demand for air traffic and related services will grow in response to rising standards of living and global economic growth. Efficient air traffic is essential for such growth. Liberalization of air traffic will continue as part of the overall liberalization of international trade.

The international competitiveness of air traffic based in Finland is now reasonably high. The aviation infrastructure in Finland is in good condition and does not require external support. We must, however, continue to adapt our internal culture and to perceive the business and service nature of operations more clearly. The shift from an internal orientation based on personnel to an external one based on customers must continue. Despite all the changes taking place, the special features of air traffic, in particular the unconditional insistence on safety and on strict observance of the rules required by it, must always be born in mind.

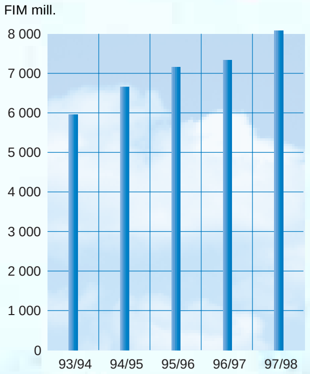
To serve its customers in the best possible way and to preserve its competitiveness, Finnish commercial aviation must also play an active role in the process of international integration. Thanks to the experience of 75 years, the high professional standards of our personnel and the strong financial position of our airline, the prospects for achieving this goal are good.

Antti Potila

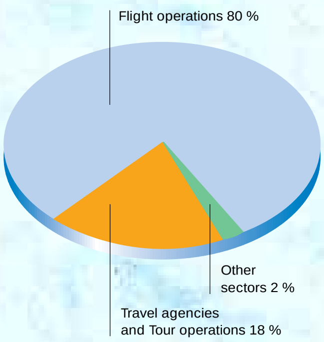
FINANCIAL STATEMENTS APRIL 1,1997 TO MARCH 31,1998

REPORT ON OPERATIONS BY THE BOARD OF DIRECTORS

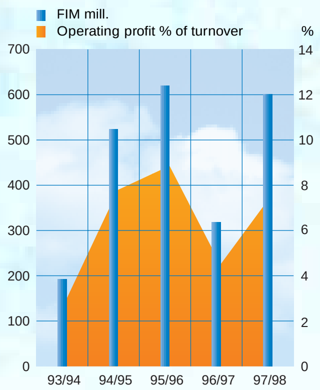
Turnover



Turnover by sector



Operating profit



The year 1997/98 was a good year for the Finnair Group; financial results improved substantially over the previous year. Demand for air transport services increased in all sectors and Company resources were fully utilized. Operating costs grew more slowly than revenues. The balance sheet structure strengthened and liquidity continued to improve.

Demand has continued to grow during the current financial year, although at a slower pace. Competition for customers will increase, and this will be reflected in profits. Programme 2, a three year programme which aims at improved performance, will be continued.

The nature of competition is changing. Foreign airlines are providing significantly more capacity to and from Finland and are also expanding into the country's internal traffic. Finnair has in turn strengthened its international position by exploiting the opportunities provided by liberalization of air traffic in order to increase its traffic abroad. The Company has also formed a number of new alliances with other airlines.

Thanks to the financial performance of the past year, the conditions for payment of the employee bonus were met. The bonus of FIM 24 million will be paid into the personnel fund. The Board of Directors decided also to pay a special bonus of the same amount directly to Parent Company personnel. The bonuses were entered in the profit and loss statement under expenses and amounted to FIM 55.2 million, including salary-related expenses.

The Board of Directors proposes to the Annual General Meeting a dividend of FIM 1.75 per share. The previous year the dividend paid was FIM 1.00.

THE MARKET SITUATION

Finnish air traffic picked up considerably on the previous year, and growth in traffic volumes exceeded the European average. The number of passengers carried by the Finnair Group rose by 12.5% and passenger kilometres by 12.9%. The volume of cargo rose by 15.1%. The passenger load factor improved by 2.2 percentage points to 71.2%.

The trend in European air traffic during 1997 was favourable. The number of passenger kilometres recorded by AEA (Association of European Airlines) member airlines rose by an average of 9.3% in scheduled traffic and the number of cargo tonne kilometres by 5.2%. The average passenger load factor rose by 2.0 percentage points to 72.0%.

Thanks to an above average rate of growth, Finnair's market share of the combined traffic of European airlines rose on the previous year.

Liberalization of European air traffic has greatly intensified competition on the Finnish market. Finnair's market share of the number of passengers in Finland's international scheduled traffic during summer season declined from the previous year by 3.8 percentage points and was 60.0%. The decline slowed during the 1997/98 winter season, towards the end of the financial year. The share was 57.4%, which was 3.7 percentage points below the figure for the previous financial year. Finnair has responded by increasing its available capacity and market share abroad, particularly in Stockholm traffic.

The increase in leisure traffic was substantial and Finnair achieved substantial growth in market share. The market share during the 1997 summer season rose by 10.8 percentage points to 86.2% and that during the winter season by 23.6 percentage points to 83.2%.

Competition in air traffic is being altered by the many alliances between airlines. Structural changes are also taking place in other sectors of the travel industry; the goals are internationalization and larger corporate entities. This trend is apparent in the operations of travel agencies, tour operators and the hotel business. Alliances between airlines are formed mainly around large international airlines; smaller airlines seek to join them. For the time being, the efforts of previous years to arrange mergers and form truly large companies have not born fruit. Alliances have proved an effective response to competition; member airlines gain access to worldwide markets without losing their independence. They have not, however, been consolidated and the situation remains in flux. Alongside extensive alliances, airlines have leased capacity to each other on a smaller scale through code-sharing. In code-sharing, one airline leases an agreed quota of cabin or cargo space from another. The airline acquiring the space then prices and sells it, using its own codes and flight numbers.

On February 27, 1998, talks initiated by Finnair with British Airways led to an alliance. In terms of international passenger traffic, British Airways is the world's leading airline. It provides services to more than 160 destinations in 83 countries around the world. Finnair's previous alliance with Lufthansa in passenger traffic was ended by joint decision of the companies.

At the end of the financial year, Finnair had code-share agreements with 14 airlines according to which it sells seats on its own routes and 9 agreements in which the Company buys seat capacity. These agreements generated revenues from seats sold of FIM 209.3 million, which was 3.5% of air transport revenues. Expenses incurred in leasing seats from other airlines amounted to FIM 104.5 million.

FINANCIAL RESULTS

Finnair Group turnover for the financial year totalled FIM 8,057.6 million compared with FIM 7,403.2 million for the previous year. Turnover increased by 8.8%. Operating expenses rose by 6.2%. The operating profit was FIM 605.0 million compared with FIM 326.1 million the previous year. The profit before extraordinary items and taxes was FIM 626.7 million and the profit for the financial year FIM 509.7 million. The profit before extraordinary items and taxes for the previous year was FIM 310.4 million and the profit for the financial year FIM 322.8 million.

Other revenues from operations totalled FIM 168.3 million and included gains on sales of fixed assets of FIM 142.3 million from the sale of aircraft. During the previous year other revenue from operations totalled FIM 79.6 million and included FIM 59.1 million in gains from the sale of aircraft.

Group personnel expenses rose by 8.1%. They comprise incentive pay including salary-related expenses of FIM 55.2 million paid to Parent Company employees; FIM 24.0 million of the amount will be paid into the personnel fund. Fuel costs rose by 5.4%. The average price of jet fuel in Finnish markka during the period under review was down 4.4% less on the previous year. The US dollar rose 13.6% on average against the markka compared to the previous year, and fuel prices are tied to the dollar.

Costs incurred from traffic charges declined by 16.5% on the previous year. The decline was due to alteration in the accounting method for passenger charges included in traffic charges. The charge to passengers departing in Finland was separated from the prices of both domestic and foreign scheduled traffic. It is now paid directly to the Finnish Civil Aviation Administration. As a result of the change in procedure, the passenger charges for the past financial year entered in the financial statements amounted to only FIM 47.1 million as opposed to FIM 246.9 million for the previous year. Comparison with the previous year must take into account that the change reduces both turnover and expenses by the same amount. Considering the increase in the number of passengers and the increases in the passenger charge, both the revenues and the expenses for the financial year would have been some FIM 265.0 million greater based on the earlier procedure.

Turnover from flight operations per revenue tonne kilometre declined by 4.9%. The operating costs per available tonne kilometre declined by 5.8% on the previous year. Excluding the change in accounting method for passenger charges, respective changes would have been - 1.4% and -1.6%.

The Company's management started a programme at the beginning of the financial year aimed at improving annual financial performance by FIM 500.0 million over a three-year period. The project is called Programme 2 and it is a continuation of the previous restructuring programme which has now been completed. Programme 2 seeks to increase revenues, lower costs, use capacity more efficiently and improve customer service. It also includes improvements in financial control and monitoring.

The targets for the first year of Programme 2 were reached at the end of the financial year. Improvements were made in the return on capital, financial results and value added. Productivity - the number of passengers carried per employee - exceeded the targets for the first year of the programme. Most of the effects were achieved by optimizing distribution costs and revenues. The programme includes improvements in the systems for production planning, distribution and control. The effects of these efforts will be most apparent during the second half of the programme.

Financial results for all Group sectors improved on the previous year and conform to the trend in Parent Company operations.

CAPITAL EXPENDITURE

Group capital expenditure including spare parts and equipment less advance payments amounted to FIM 878.6 million (FIM 1,055.1 million). Aircraft acquisitions totalled FIM 616.5 million (FIM 810.7 million) and comprised redemption of three MD-82 and one SAAB 340 aircraft previously held under a financial leasing contract and the purchase of one used MD-83 aircraft. Two DC-10s and four MD-82s were sold. The latter were re-leased on the sale and lease back principle. By the end of the financial year, the Company was using 57 aircraft – three more than in the previous year. Expenditure on building projects totalled FIM 84.0 million (FIM 78.0 million) and on other fixed assets FIM 178.1 million (FIM 166.3 million).

Three Boeing 757s leased for leisure traffic were delivered. A fourth was delivered in May 1998. The Company has also agreed on leasing a fifth Boeing 757 as of April 1999.

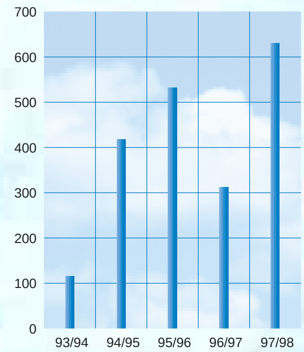
In June 1997, a significant decision was made to replace the Company's DC-9 and MD-80 aircraft with the new Airbus A320 family. The basic order is for 12 aircraft, which will be delivered in 1999-2001. The value of the order is approximately FIM 2.2 billion. The agreement also includes options for later delivery on an additional 24 aircraft of the same type.

FINANCING

The operational cash flow before capital expenditure was FIM 1,013.2 million (FIM 904.9 million).

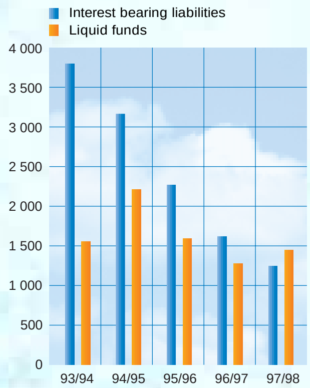
The equity ratio at the end of the financial year was 46.5% (42.9%). The Group had no interest bearing net debt, as liquid assets exceeded interest bearing debt by FIM 174.2 million. The net debt for the previous financial year was FIM 279.4 million. Net debt-to-equity (gearing) dropped to -5.4% (9.9%).

Profit before extraordinary items and taxes
FIM mill.



Capital expenditure *(gross)*
FIM mill.

Interest bearing liabilities and liquid funds
FIM mill.

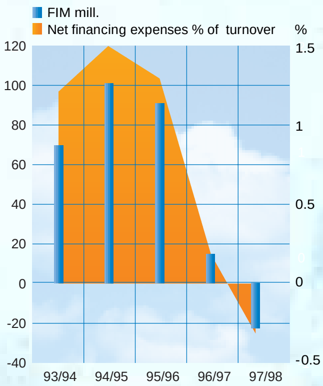


Turnover and operating profit per sector

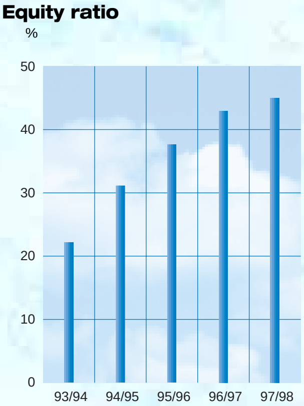
	Turnover, FIM mill.			*Operating profit, FIM mill.*		
	1997/98	*1996/97*	*Change %*	***1997/98***	*1996/97*	*Change %*
Flight operations	**7 030.3**	6 491.2	8.3	**565.7**	302.9	86.8
Travel agencies	**349.9**	292.0	19.8	**15.1**	5.6	169.6
Tour operations	**1 203.6**	1 050.8	14.5	**1.7**	0.3	466.7
Other sectors	**194.7**	314.8	- 38.2	**20.6**	15.8	30.4
Total	**8 778.5**	8 148.8	7.7	**603.1**	324.6	85.7
- Less internal adjustments	**- 720.9**	- 745.6	- 3.3	**1.9**	1.5	26.7
Total	**8 057.6**	7 403.2	8.8	**605.0**	326.1	85.5

The decline in turnover from 'Other sectors' is the result of the termination of hotel operations by the Company.

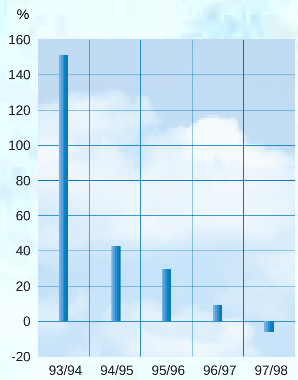
Net financing expenses



Equity ratio



Net debt-to-equity
(Gearing)



Net financial income was FIM 21.8 million or 0.3% of turnover. Net financial expenses for the previous year were FIM 15.7 million or 0.2% of turnover. Group liquidity remained strong. In addition, an agreement providing an unsecured credit limit of USD 250 million or approximately FIM 1.4 billion for seven years was made with an international banking syndicate in December 1997. So far the facility has not been used.

SHARE CAPITAL AND SHARES

The share capital of Finnair Oyj at the beginning of the financial year was FIM 410,265,090 and the number of shares 82,053,018. Share capital at the end of the financial year was FIM 413,982,415 and the number of shares 82,796,483.

A total of FIM 1,427,000 of the 1992 FIM 150.0 million convertible bond was converted during the financial year. As a result, the share capital was increased by FIM 388,090.

A total of FIM 24,750,000 of the 1994 FIM 230.0 million convertible subordinated bond was converted during the financial year. As a result, the share capital was increased by FIM 3,329,235. If all holders of the bonds exercise their conversion right, the number of Finnair shares will increase by 1,324,648 and the share capital by FIM 6,623,240. The Board of Directors is not at present authorized to effect a share issue.

A total of 21.1 million shares (32.7 million) with an exchange value of FIM 895.1 million (FIM 1,126.2 million) were traded on the Helsinki Stock Exchange during the financial year. The market value of the Company's shares at the end of the financial year was FIM 4,471.0 million (FIM 3,028.0 million). At the end of the financial year on March 31, 1998, 21.5% of the Company's shares were registered in the name of a nominee (17.4%). The number of shareholders was 6,599 (7,224).

The highest trading price of a Finnair share for the financial year was FIM 56.00 (FIM 40.00), the lowest FIM 34.00 (FIM 30.30) and the average rate FIM 42.50 (FIM 34.47).

The members of the Supervisory Board and the Board of Directors and the President and CEO owned a total of 6,447 shares on March 31, 1998, which amounted to 0.008% of the number of shares and the voting rights.

CHANGES IN THE ADMINISTRATION

On August 21, 1997, the Annual General Meeting of Finnair Oyj re-elected six members of the Supervisory Board who were due to resign. Sirpa Pietikäinen was elected as new member of the Supervisory Board.

As President & CEO Antti Potila has announced that he will retire at the end of 1998, the Supervisory Board chose Keijo Suila as the new President & CEO. The appointment will take effect on January 1, 1999.

PERSONNEL AND SALARIES

Group personnel totalled 10,836 at the end of the financial year, which represents an increase of 472 persons on the previous year. Parent Company personnel numbered 8,696. The most important increases in personnel were due to grow in operations and were mainly in traffic-related functions.

Consolidated personnel expenses, including the bonus, amounted to FIM 2,436.7 million. Growth on the previous year was 8.1%. Personnel expenses accounted for 30.2% of turnover as opposed to 30.5% for the previous year when no separate bonus was paid.

Two-year collective agreements based on the nationwide incomes policy settlement were signed with the trade unions in December 1997. Commercial pilots remained outside the agreement. A contract dispute with pilots of turboprop aircraft arose from efforts to standardize working conditions after the merger of Karair oy and Finnaviation Oy. The situation resulted in open conflict at the beginning of March 1998; turboprop traffic was interrupted for nearly three days and industrial action continued until mid-May. Contract disputes with pilots of jet aircraft also led to flight cancellations in April 1998, after the end of the financial year. The cancellations continued until agreement was reached. The disputes with the turboprop pilots were still not resolved in May 1998. Both a national and a regional conciliator have assisted the parties in seeking a settlement.

A number of quality targets were also agreed in conjunction with the incomes policy settlement; their elaboration continues in various working groups. The targets concern a wide range of subjects, of which more efficient overall traffic planing and more effective rhythms of working time and leisure time were central concerns.

Growth in traffic has surpassed estimates and resulted in a need for more pilots and basic pilot training. Training for professional pilots at the Finnair Flight Training Center in Pori was increased during the financial year with the aim of training 35-40 pilots annually. Experienced pilots are also sought from outside the Company. Some 25-30 pilots are required annually merely to replace those who retire.

Acquisition of the Boeing 757s and the Airbus 319-321 deliveries, which will begin in the spring of 1999, are already requiring extensive training for pilots and other personnel and will continue to do so over the next few years. A major programme of professional training for employees working in customer service has also started and training for marketing and sales staff has been increased.

ENVIRONMENT

Finnair is committed in its environmental protection efforts to the goals of the IATA (the International Air Transport Association). The Company works continuously to reduce the environmental impact of its operations to the extent economically feasible and without jeopardizing the safety and health of either passengers or employees. Information about the environmental impact of operations is collected continuously and used in decision-making.

The decisions to acquire new aircraft are of considerable importance with respect to environmental impact. Thanks to their new technology, the Boeing 757 and Airbus 320 aircraft included in the acquisitions will meet strict environmental criteria for years to come. The washing line at the engine repair shop has been renovated and the process of obtaining ISO 14001 environmental management certification for Finnair Catering has begun. The Company will publish a separate environmental report in conjunction with the annual report.

OUTLOOK FOR THE 1998/99 FINANCIAL YEAR

The trend in the Finnish economy is expected to remain favourable, although the rate of growth may slow down. Demand for air traffic services depends directly on economic growth. In Europe and in the other main sectors for air traffic, economic growth is expected to continue on the average level of recent years with the exception of the Far East, where developments in Japan will be of greatest significance to the number of passengers using Finnair services. Slower economic growth in Japan may lead to a decline in travel from there to Europe. As travel on the Thailand and Singapore routes depends more on customers from Finland and Europe, the economic problems of those two countries will not be reflected as much in Finnair's flight operations.

Substantial increases in available air traffic and a significant intensification of price competition during the 1998 summer season will be the principle effects in the Finnish market of the fundamental changes that have occurred in the competitive situation. Traffic covered by the alliance between Finnair and British Airways will be fully operational and service between Helsinki, Stockholm and Manchester will be increased. The distribution of traffic and schedules will be improved to serve customers more effectively. Increases will be also be made in other traffic, in some cases together with other airlines. Traffic provided by Finnair and its partners will grow in Europe by some 7% and in domestic traffic by some 15%. Traffic provided by competitors may grow by at least the same amount. Sales by tour operations indicate growth of some 15% for the 1998 summer season; 60% of production for the summer had already been sold in May.

The new financial year has started favourable and the operating environment as a whole is conducive to satisfactory results. Implementation of Programme 2, a three year programme which aims at improved performance, will continue at full force. However, because of tough competition, Finnair's financial results for the current year may fall short of those for 1997/98.

Capital expenditure during the current financial year will total some FIM 1,300 million. In connection with aircraft modernization, the first two Airbus A321 aircraft will be delivered in spring 1999, and a simulator for the new aircraft will be obtained for flight training. Renovation of the cockpits of MD-80 aircraft, which are part of the present fleet, was begun in 1996 and will finish in January 1999. Investment in aircraft will total some FIM 900 million, investment in building some FIM 100 million and other investment in fixed assets some FIM 300 million. The extensive training of the flight and technical staff required by the new type of aircraft will generate significant costs, tie down work force and call for temporary arrangements during the training period.

The problems with information systems that may be caused by the beginning of the new millennium have aroused a great deal of discussion. The issue involves more than the readiness of airlines. The systems used at airports and in traffic control and other related functions must also operate together with air traffic. A working group set up by the IATA initially charted the situation in autumn 1997. Finnair has joined the IATA's Year 2000 Interest Group, which is making a through investigation of the modifications needed in information systems to accommodate the new millennium. As far as Finnair's own application are concerned, a good one-third of the changes required have already been made, and the goal is to complete 90 per cent by the end of this year. Year 2000 efforts are occupying a significant amount of the Company's information management resources. This will cause extra expenses and limit the scope for other development of information systems.

Finland's membership in EMU (the EU's Economic and Monetary Union) and introduction of the single currency will also cause extensive modifications of information systems. Finnair intends to observe the same transition stages and timing as other major Finnish companies and international airlines.

Airlines will begin to implement the planned reductions in travel agency commissions in 1998. This will force travel agencies to consider new measures to stabilize their finances. In the short term, the measures may lead to service charges for customers, because commissions account for the major part of travel agency turnover.

The decision regarding termination of duty-free sales in the EU area has been made and will take effect on July 1, 1999. This decision will result in a significant deterioration of financial results, estimated at FIM 80 million over the entire financial year. Measures related to termination and its consequences must be decided during the second half of the current financial year, in connection with plans for the following year and drafting of the annual budget.

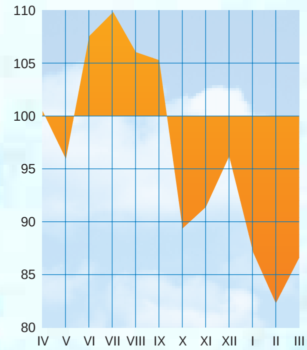
Substantial investment by the Finnish Civil Aviation Administration to expand Helsinki-Vantaa Airport and improve the standard of service have been successful and have made the airport one of the leading facilities in Europe. This has contributed substantially to the satisfaction of Finnair customers and increased staff motivation. The Civil Aviation Administration has several new building projects under way at the airport.

Average Group personnel by financial year and sector

	1997/98	*1996/97*	*Change persons*
Flight operations	**8 573**	8 267	306
Travel agencies	**1 297**	1 177	120
Tour operations	**499**	461	38
Other sectors	**337**	628	- 291
Total on average	**10 706**	10 533	173

The average figures for personnel have been adjusted for part-time employees only.
The decrease in the number of employees in Other sectors is due to termination of hotel operations.

Development index of fuel price (1997/98)
Index 100 = 1996/97



FINANCIAL STATEMENT PRINCIPLES

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

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

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

ITEMS DENOMINATED IN FOREIGN EXCHANGE

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

DERIVATIVE AGREEMENTS

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

TURNOVER

The passenger charges previously included in fares, posted under turnover and traffic charges, and paid to different nation´s aviation authorities have been treated since the beginning of the financial year as a transitional item in the balance sheet. With respect to these items, the accounting periods are not comparable.

FIXED ASSETS AND DEPRECIATION

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

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

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

- Aircraft and aircraft engines depending on the type so that the straight-line depreciation period for new jet aircraft is 15 years to a residual value of 10% and for turboprop aircraft 12 years to a residual value of 10%. The depreciation period for used jet aircraft more than six years old is 10 years to a residual value of 10%.

- Straight-line depreciation is 10 years for aircraft simulators and five years for computers worth more than FIM 1 million.

Exchange rates of principal foreign currencies in the financial statements

Currency	***March 31, 1998*** *average rate*	*March 31, 1997 average rate*	*Change %*
USD	5.6059	4.9947	12.2
DEM	3.0350	2.9660	2.3
SEK	0.7037	0.6573	7.1
JPY	0.0420	0.0404	4.0
GBP	9.4010	8.1340	15.6
FRF	0.9055	0.8799	2.9
CHF	3.6825	3.4189	7.7
ECU	6.0300	5.7650	4.6
CAD	3.9420	3.6380	8.4

- Depreciation of other tangible fixed assets is 23% of the undepreciated residual value.

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

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

The resolved transitional reserve has been used to cover the acquisition costs of fixed assets.

INVENTORIES

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

CURRENT ASSETS

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

LEASING

Lease payments for Group aircraft are significant. Annual lease payments are treated as rent expenses. Lease payments due in future years under aircraft lease contracts are presented as off-balance sheet items in section 28 of the Notes to the Financial Statements.

EXPENDITURE ON RESEARCH AND DEVELOPMENT

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

TAXES AND THE CHANGE IN IMPUTED TAX LIABILITY

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

PENSION SCHEMES

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

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

The Finnair pension fund's pension liability is fully paid up with respect to basic and additional coverage except for the compulsory liability deficit required by the Ministry of Social Affairs and Health.

Pension fund liabilities are presented in sections 13 and 29 of the Notes to the Financial Statements.

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

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

CONSOLIDATED PROFIT AND LOSS STATEMENT (FIM 1 000)

	April 1,1997 - March 31,1998	*April 1,1996 - March 31,1997*	*Notes*
TURNOVER	**8 057 584**	7 403 238	
Production for Company use	**11 361**	13 469	
Other revenue from business operations	**168 302**	79 603	1
TOTAL REVENUE FROM BUSINESS OPERATIONS	**8 237 247**	7 496 310	
EXPENSES FROM BUSINESS OPERATIONS			
Materials and supplies			
Purchases during financial year	**1 400 905**	1 284 901	2
Increase (-), decrease (+) in inventories	**- 34 144**	- 14 089	
Outside services	**1 215 737**	1 087 882	3
Personnel expenses	**2 436 704**	2 254 823	4
Rents and lease payments	**632 081**	565 803	5
Traffic charges	**659 046**	788 554	6
Other expenses	**819 423**	744 798	7
	- 7 129 752	- 6 712 672	
OPERATING MARGIN	**1 107 495**	783 638	
Depreciation on fixed assets and other long-term expenditure	**- 502 527**	- 457 503	8
OPERATING PROFIT	**604 968**	326 135	
Financial income and expenses	**21 758**	- 15 734	9
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES	**626 726**	310 401	
EXTRAORDINARY INCOME AND EXPENSES			
Extraordinary income	**7 264**	285 198	
Extraordinary expenses	**- 3 646**	- 166 109	
	3 618	119 089	10
PROFIT BEFORE TAXES	**630 344**	429 490	
DIRECT TAXES			
Taxes for the financial year	**- 119 135**	- 51 522	
Change in imputed tax liability	**- 499**	- 54 436	
	- 119 634	- 105 958	11
Minority share	**- 982**	- 691	
PROFIT FOR THE FINANCIAL YEAR	**509 727**	322 841	

CONSOLIDATED BALANCE SHEET (FIM 1 000)

ASSETS		*March 31,1998*		*March 31,1997*	*Notes*
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS					
Intangible assets					12
Intangible rights	8 612		8 612		
Other long-term expenses	85 144	**93 756**	50 994	59 606	
Tangible assets					12
Land	4 751		4 751		
Buildings	444 389		413 149		
Flight equipment	2 948 056		3 070 950		
Other property	356 596		340 946		
Advance payments	226 629	**3 980 421**	113 817	3 943 613	
Fixed assets securities and other long-term investments					12
Shares in affiliated companies	4 866		1 893		
Other stocks and shares	33 967		35 560		
Loan receivables	5 168	**44 001**	5 206	42 658	31
VALUE ADJUSTMENTS					13
Liability for Company pensions	17 853		17 593		
Pension Fund liability deficit	15 217	**33 070**	23 452	41 045	
INVENTORIES AND CURRENT ASSETS					
Inventories					14
Materials and supplies	227 142		195 784		
Other inventories	9 124	**236 266**	6 338	202 122	
Receivables					
Trade receivables	681 023		589 722		31
Deferred receivables	398 634		371 861		16
Other receivables	201 039	**1 280 696**	124 564	1 086 147	
Investments					
Short-term investments		**1 317 037**		1 193 326	17
Cash and bank receivables		**154 113**		129 719	18
		7 139 360		6 698 236	

LIABILITIES		*March 31,1998*		*March 31,1997*	
EQUITY					19
Restricted equity					
Share capital	413 982		410 265		
General reserve	882 870	**1 296 852**	860 591	1 270 856	
Unrestricted equity					
Profit from previous years	1 399 149		1 158 020		
Profit for the financial year	509 727	**1 908 876**	322 841	1 480 861	
Capital loan		**48 880**		73 450	22
Total equity		**3 254 608**		2 825 167	
MINORITY INTEREST		**2 139**		1 694	
LIABILITIES					
Subordinated loan		**233 800**		229 600	23
Long-term liabilities					21
Convertible bond issue	–		36 593		24
Loans from financial institutions	300 827		431 222		
Pension fund loans	554 630		699 229		
Imputed tax liability	342 125		341 626		
Other long-term debt	33 070	**1 230 652**	41 045	1 549 715	29
Short-term liabilities					
Loans from financial institutions	71 193		72 480		24
Pension fund loans	27		110		
Advance payments received	142 582		102 335		25
Trade payables	525 607		530 298		31
Deferred credits	1 542 316		1 253 670		26
Other short-term debt	136 436	**2 418 161**	133 167	2 092 060	
		7 139 360		6 698 236	

CONSOLIDATED CASH FLOW STATEMENT (FIM 1 000)

	1997/98	1996/97
BUSINESS OPERATIONS		
Funds from operations		
Operating margin	**1 107 494**	783 638
Financial income and expenses (net)	**21 758**	- 15 734
Extraordinary items	**3 618**	242 989
Taxes	**- 119 634**	- 105 958
	1 013 236	904 935
CHANGE IN WORKING CAPITAL		
Inventories, increase (-), decrease (+)	**- 34 144**	- 14 089
Current receivables, increase (-), decrease (+)	**- 194 549**	- 43 634
Non interest bearing short-term liabilities, increase (+), decrease (-)	**+ 327 158**	+ 182 379
	98 465	124 656
Cash flow from operations	**1 111 701**	1 029 591
INVESTMENTS		
Investment in flight equipment	**- 616 506**	- 810 705
Investment in buildings	**- 84 034**	- 78 044
Other investments	**- 178 057**	- 166 256
Change in advance payments	**- 112 813**	27 851
Capital expenditures, total	**- 991 410**	- 1 027 154
Sales of fixed assets	**416 660**	372 383
Cash flow of investments	**- 574 750**	- 654 771
Long-term receivables, increase (-), decrease (+)	**+ 38**	+ 69 932
Cash flow before financing	**536 989**	444 752
FINANCING		
Increase of long-term debts	**0**	17 130
Decrease of long-term debts	**- 331 458**	- 591 956
Short-term debts, increase (+),decrease (-)	**- 1 369**	+ 16 104
Dividends	**- 82 053**	- 81 584
Restricted equity, increase (+), decrease (-)	**+ 25 996**	- 79 472
Cash flow of financing	**- 388 884**	- 719 778
Change in liquid funds, increase(+), decrease (-)in statement	**+ 148 105**	- 275 026
Liquid funds, April 1	**1 323 045**	1 598 071
Liquid funds, increase (+), decrease (-) in balance sheet	**+ 148 105**	- 275 026
Liquid funds, March 31	**1 471 150**	1 323 045

FINNAIR OYJ PROFIT AND LOSS STATEMENT (FIM 1 000)

	April 1,1997 - March 31,1998	*April 1,1996 - March 31,1997*	*Notes*
TURNOVER	**7 023 904**	6 307 381	
Production for Company use	**11 361**	13 469	
Other revenue from business operations	**167 643**	100 367	1
TOTAL REVENUE FROM BUSINESS OPERATIONS	**7 202 908**	6 421 217	
EXPENSES FROM BUSINESS OPERATIONS			
Materials			
Purchases during financial year	**1 408 189**	1 285 011	2
Increase (-), decrease (+) in inventories	**- 34 270**	- 38 561	
Outside services	**738 423**	676 925	3
Personnel expenses	**2 138 376**	1 881 887	4
Rents and lease payments	**590 028**	511 804	5
Traffic charges	**658 974**	769 548	6
Other expenses	**654 438**	590 819	7
	- 6 154 158	- 5 677 433	
OPERATING MARGIN	**1 048 750**	743 784	
Depreciation on fixed assets and other long-term expenditure	**- 483 581**	- 435 611	8
OPERATING PROFIT	**565 169**	308 173	
Financial income and expenses	**37 779**	5 624	9
PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES	**602 948**	313 797	
EXTRAORDINARY INCOME AND EXPENSES			
Extraordinary income	**7 264**	291 811	
Extraordinary expenses	**- 3 646**	- 177 709	
	3 618	114 102	10
PROFIT BEFORE RESERVES AND TAXES	**606 566**	427 899	
Change in depreciation difference	**- 146 009**	- 204 085	8
Change in voluntary reserves	**144 600**	–	
Taxes	**- 112 488**	- 45 051	11
PROFIT FOR THE FINANCIAL YEAR	**492 669**	178 763	

FINNAIR OYJ BALANCE SHEET (FIM 1 000)

ASSETS		March 31,1998		March 31,1997	Notes
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS					
Intangible assets					12
Intangible rights	8 415		8 415		
Other long-term expenses	69 969	**78 384**	40 723	49 138	
Tangible assets					12
Land	4 280		4 280		
Buildings	438 935		407 609		
Flight equipment	2 948 057		3 070 950		
Other property	303 899		289 316		
Advance payments	226 629	**3 921 800**	113 817	3 885 972	
Fixed asset securities and other long-term investments					12
Shares in affiliated companies	2 189		2 189		
Subsidiary shares	49 202		48 079		
Other stocks and shares	27 392		25 987		
Loan receivables	8 883	**87 666**	9 342	85 597	12, 15
VALUE ADJUSTMENTS					13
Liability for Company pensions	17 275		16 755		
Pension fund liability deficit	13 669	**30 944**	18 427	35 182	
INVENTORIES AND CURRENT ASSETS					
Inventories					14
Materials and supplies	225 479		193 898		
Other inventories	8 725	**234 204**	6 036	199 934	
Receivables					15
Trade receivables	500 589		440 162		31
Deferred receivables	349 981		326 369		16
Other receivables	169 129	**1 019 699**	101 409	867 940	
Investments					
Short-term investments		**1 317 037**		1 193 326	17
Cash and bank receivables		**130 684**		110 374	18
		6 820 418		6 427 463	

LIABILITIES		March 31,1998		March 31,1997	Notes
EQUITY					19
Restricted equity					
Share capital	413 983		410 265		
General reserve	882 870	**1 296 853**	860 591	1 270 856	
Unrestricted equity					
Profit from previous years	508 177		411 467		
Profit for the financial year	492 669	**1 000 846**	178 763	590 230	
Capital loan		**48 880**		73 450	22
Total equity		**2 346 579**		1 934 536	
RESERVES					
Accelerated depreciation	1 221 310		1 075 301		12
Voluntary reserves					
Other reserve	–	**1 221 310**	144 600	1 219 901	
LIABILITIES					
Subordinated loan		**233 800**		229 600	23
Long-term liabilities					21
Convertible bond issue	–		36 593		24
Loans from financial institutions	298 763		429 736		
Pension fund loans	539 021		668 429		
Other long-term debt	31 025	**868 809**	35 263	1 170 021	20, 29
Short-term liabilities					20
Loans from financial institutions	69 178		71 991		24
Trade payables	332 261		368 637		20, 31
Deferred credits	1 436 819		1 150 362		20, 26
Other short-term debt	311 662	**2 149 920**	282 415	1 873 405	20, 27
		6 820 418		6 427 463	

FINNAIR OYJ CASH FLOW STATEMENT (FIM 1 000)

	1997/98	1996/97
BUSINESS OPERATIONS		
Funds from operations		
Operating margin	**1 048 750**	743 784
Financial income and expenses (net)	**37 779**	5 624
Extraordinary items	**3 618**	249 602
Taxes	**- 112 488**	- 45 051
	977 659	953 959
CHANGES IN WORKING CAPITAL		
Inventories, increase (-), decrease (+)	**- 34 270**	- 38 561
Current receivables, increase (-), decrease (+)	**- 151 758**	- 20 944
Non interest bearing short-term liabilities, increase (+) decrease (-)	**+ 279 328**	+ 102 470
	93 300	42 965
Cash flow from operations	**1 070 959**	996 924
INVESTMENTS		
Investment in flight equipment	**- 616 506**	- 814 405
Investment in buildings	**- 84 034**	- 64 862
Other investments	**- 150 779**	- 146 377
Change in advance payments	**- 112 813**	27 183
Capital expenditure, total	**- 964 132**	- 998 461
Sales of fixed assets	**412 948**	338 368
Cash flow of investments	**- 551 184**	- 660 093
Long-term receivables, increase (-), decrease (+)	**+ 459**	+ 105 821
Cash flow before financing	**520 234**	442 652
FINANCING		
Increase of long-term debts	**0**	23 904
Decrease of long-term debts	**- 317 344**	- 600 408
Short-term debts, increase (+), decrease (-)	**- 2 812**	+ 18 921
Dividends	**- 82 053**	- 81 584
Restricted equity, increase (+), decrease (-)	**+ 25 996**	- 79 472
Cash flow of financing	**- 376 213**	- 718 639
Change in liquid funds, increase (+), decrease (-) in statement	**+144 021**	- 275 987
Liquid funds, April 1	**1 303 700**	1 579 687
Liquid funds, increase (+), decrease (-) in balance sheet	**+ 144 021**	- 275 987
Liquid funds, March 31	**1 447 721**	1 303 700

NOTES TO THE FINANCIAL STATEMENTS

	Group 1997/98 FIM mill.	*Group 1996/97 FIM mill.*	***Parent Company 1997/98 FIM mill.***	*Parent Company 1996/97 FIM mill.*
1. Other revenue from business operations				
Capital gain on flight equipment	142.3	59.1	142.3	59.1
Other items	26.0	20.5	25.3	41.3
Total	168.3	79.6	167.6	100.4

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

	Group 1997/98 FIM mill.	*Group 1996/97 FIM mill.*	***Parent Company 1997/98 FIM mill.***	*Parent Company 1996/97 FIM mill.*
2. Materials and supplies				
Purchases of material and supplies for aircraft maintenance and overhaul	248.2	210.2	248.2	225.9
Purchases of material and supplies for passenger services	413.9	361.5	461.2	404.1
Fuel purchases for flight operations	699.5	663.7	698.8	655.0
Other items	39.3	49.5	–	–
Total	1 400.9	1 284.9	1 408.2	1 285.0
3. Outside services				
Ground handling charges	290.2	252.6	290.2	252.1
Ground service expenses for tour operations	437.3	371.0	–	–
Aircraft maintenance and overhaul	161.1	159.1	161.0	144.2
Expenses for seat reservation system	93.2	102.0	93.8	101.2
Other items	233.9	203.3	193.4	179.5
Total	1 215.7	1 087.9	738.4	676.9
4. Personnel expenses				
Accrual-based salaries				
Administration and managing directors	5.4	4.1	2.1	2.0
Other	1 895.2	1 790.6	1 656.1	1 493.1
Total	1 900.5	1 794.7	1 658.2	1 495.0
Pay for sick leave	- 36.9	- 36.4	- 36.1	- 33.8
Total	1 863.6	1 758.3	1 622.0	1 461.3
Salary-related expenses				
Mandatory salary-related expenses	241.0	226.0	220.7	198.1
Payments for arrangement of pension security	258.2	220.5	230.8	182.7
Payment of employee bonus into the personnel fund	24.0	–	24.0	–
Pay for sick leave	36.9	36.4	36.1	33.8
Other items	13.0	13.7	4.7	6.0
Total	573.1	496.5	516.3	420.6
Personnel expenses in the profit and loss statement	2 436.7	2 254.8	2 138.4	1 881.9
Tax values of fringe benefits	26.4	23.0	21.3	18.2

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

	Group 1997/98 FIM mill.	*Group 1996/97 FIM mill.*	***Parent Company 1997/98 FIM mill.***	*Parent Company 1996/97 FIM mill.*
5. Rents and lease payments				
Lease payments for aircraft	204.4	205.4	204.4	205.4
Short-term leases for aircraft	172.7	88.4	172.7	88.3
Rent for land and premises	136.8	146.3	98.7	99.6
Rent for computer hardware transmission lines	35.7	32.7	35.6	32.2
Other items	82.5	93.0	78.7	86.2
Total	632.1	565.8	590.0	511.8
6. Traffic charges				
Passenger charges	47.1	246.9	47.1	233.6
Landing charges	287.3	260.5	287.2	255.0
Navigation charges	286.8	256.8	286.7	256.8
Other items	38.0	24.3	37.9	24.1
Total	659,0	788.6	659.0	769.5
7. Other expenses				
Sales and marketing expenses	252.0	222.9	173.4	155.6
Daily allowances, hotel and other travel expenses	173.6	146.7	166.6	136.9
Maintenance of premises excluding rents	61.4	60.4	55.2	55.4
Communication expenses	64.2	52.1	48.5	39.1
Other items	268.2	262.8	210.7	203.7
Total	819.4	744.8	654.4	590.8

	Group 1997/98 FIM mill.	*Group 1996/97 FIM mill.*	**Parent Company 1997/98 FIM mill.**	*Parent Company 1996/97 FIM mill.*
8. Depreciation on fixed assets and other long-term expenditure				
Planned depreciation in the profit and loss statement				
On other long-term expenditure	16.5	13.0	13.6	9.0
On buildings	26.5	29.6	26.3	29.4
On flight equipment	354.5	311.6	354.5	311.2
On other equipment	105.0	103.3	89.1	86.0
Total	502.5	457.5	483.6	435.6
A more detailed breakdown is shown in section 12.				
Change in depreciation difference				
Flight equipment			152.5	213.3
Other equipment			- 6.5	- 9.2
Total			146.0	204.1
9. Financial income and expenses				
Dividends from Group companies	–	–	28.2	24.0
Dividends from other companies	1.2	0.4	0.2	0.3
Share of affiliated company profit	2.9	- 1.1	–	–
Interest income on long-term investments	5.6	11.4	5.6	11.2
Interest income on short-term investments	71.8	78.8	66.6	74.1
Interest income from Group companies	–	–	0.6	2.6
Exchange rate difference				
– realized exchange rate gains	15.6	17.7	15.2	17.3
– unrealized exchange rate gains	11.0	2.4	11.0	2.4
– realized exchange rate losses	- 5.4	- 0.7	- 5.3	- 0.6
– unrealized exchange rate losses	- 5.1	- 7.7	- 5.1	- 7.7
Total exchange rate differences in the profit and loss statement	16.1	11.7	15.8	11.3
Interest expenses	- 69.5	- 107.0	- 67.7	- 103.0
Interest expenses to Group companies	–	–	- 5.9	- 5.8
Other expenses on liabilities	- 4.4	- 2.4	- 4.2	- 2.1
Other financial expenses	- 0.8	- 7.8	- 0.3	- 7.3
Value adjustments on investments	- 1.1	0.3	- 1.1	0.3
Financial expenses, net in profit and loss statement	21.8	- 15.7	37.8	5.6
10. Extraordinary income and expenses				
Extraordinary income				
Infa, refunded bad debts	7.3		7.3	
Gains on sale of shares	–	62.1	–	61.9
Gains on sale of buildings	–	223.1	–	223.1
Gains of merger	–	–	–	6.8
Extraordinary income, total	7.3	285.2	7.3	291.8
Extraordinary expenses				
Write-off of option payment	- 3.6		- 3.6	
Infa, depreciation of shares	–	- 24.5	–	- 36.1
Infa, bad debt of receivables	–	- 6.2	–	- 6.2
Airbus, depreciation	–	- 135.5	–	- 135.5
Extraordinary expenses, total	- 3.6	- 166.1	- 3.6	- 177.7
Total	3.6	119.1	3.6	114.1
11. Taxes				
Taxes from previous year	- 0.8	0.0	- 0.8	–
Taxes for the financial year	119.9	51.6	113.2	45.1
Change in imputed tax liability	0.5	54.4	–	–
Taxes in the profit and loss statement	119.6	106.0	112.5	45.1
12. Fixed assets				
Intangible assets				
Acquisition cost April 1	8.6	9.0	8.4	8.7
Increases April 1 - March 31	–	0.1	–	0.1
Decreases April 1 - March 31	–	- 0.4	–	- 0.4
Book value March 31	8.6	8.6	8.4	8.4
Other long-term expenditure				
Acquisition cost April 1	140.1	141.9	99.0	80.6
Increases April 1 - March 31	50.7	25.7	42.9	18.5
Decreases April 1 - March 31	- 0.2	- 13.4	–	0.0
Accumulated planned depreciation April 1 - March 31 from decreases	- 6.7	- 14.1	–	–
Acquisition cost March 31	183.8	140.1	141.8	99.0
Accumulated planned depreciation March 31	- 98.7	- 89.1	- 71.9	- 58.2
Book value March 31	85.1	51.0	70.0	40.7

	Group 1997/98 FIM mill.	*Group 1996/97 FIM mill.*	**Parent Company 1997/98 FIM mill.**	*Parent Company 1996/97 FIM mill.*
Land				
Acquisition cost April 1	4.8	4.8	4.3	4.3
Book value March 31	4.8	4.8	4.3	4.3
Buildings				
Acquisition cost April 1	778.9	999.8	770.4	990.9
Increases April 1 - March 31	84.2	79.6	84.0	66.3
Decreases April 1 - March 31	- 26.4	- 245.9	- 26.4	- 232.2
Accumulated planned depreciation April 1 - March 31 from decreases	- 0.6	- 54.7	- 0.2	- 54.6
Acquisition cost March 31	836.1	778.9	827.8	770.4
Accumulated planned depreciation March 31	- 391.7	- 365.7	- 388.9	- 362.8
Book value March 31	444.4	413.1	438.9	407.6
Flight equipment				
Acquisition cost April 1	5 704.4	5 082.6	5 698.9	5 073.3
Increases April 1 - March 31	616.5	810.7	616.5	814.4
Decreases April 1 - March 31	- 384.9	- 46.0	- 384.9	- 46.0
Accumulated planned depreciation April 1 - March 31 from decreases	- 394,7	- 142.9	- 389.1	- 142.9
Acquisition cost March 31	5 541.4	5 704.4	5 541.4	5 698.9
Accumulated planned depreciation March 31	- 2 593.3	- 2 633.5	- 2 593.3	- 2 627.9
Book value March 31	2 948.1	3 070.9	2 948.1	3 070.9
Difference between total and planned depreciation April 1	–	–	1063.0	849.7
Increase in the depreciation difference April 1 - March 31	–	–	152.5	213.3
Difference between total and planned depreciation March 31	–	–	1 215.5	1 063.0
Other equipment				
Acquisition cost April 1	1 113.5	1 037,0	964.0	864.5
Increases April 1 - March 31	122.9	135,3	105.1	101.6
Decreases April 1 - March 31	- 2.2	- 24,8	- 1.4	- 2.1
Accumulated planned depreciation April 1 - March 31 from decreases	- 14.9	- 34.1	–	–
Acquisition cost March 31	1 219,2	1 113.5	1 067.7	964.0
Accumulated planned depreciation March 31	- 862,6	- 772.5	- 763.8	- 674.7
Book value March 31	356.6	340.9	303.9	289.3
Accumulated difference between total and planned depreciation April 1	–	–	12.3	21.5
Decrease in the depreciation difference April 1 - March 31	–	–	- 6.5	- 9.2
Accumulated difference between total and planned depreciation March 31	–	–	5.8	12.3
Share of machines and equipment in book value March 31	3 264.2	3 381.6	3 221.4	3 331.9
Predelivery payments				
Acquisition cost April 1	113.8	141.7	113.8	141.0
Increases April 1 - March 31	112.8	–	112.8	–
Decreases April 1 - March 31	–	- 27.9	–	- 27.2
Book value March 31	226.6	113.8	226.6	113.8
Insurance values of fixed assets				
Balance sheet values of aircraft and spare engines	2 948.1	3 070.9	2 948.1	3 070.9
Insurance value FIM	7 082.9	6 221.8	7 082.9	6 221.8
Insurance value USD	1 263.5	1 245.7	1 263.5	1 245.7

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

Tax values of fixed assets				
Buildings	316.4	357.2	305.9	346.3
Affiliated company shares	2.8	1.4	2.2	1.4
Subsidiary shares	–	–	62.5	63.1
Other stocks and shares	27.1	28.5	21.3	19.1
Total	346.4	387.1	391.9	429.9

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

Fixed asset securities and other long-term investments

Affiliated companies	Number of shares	Group ownership %	Parent Company ownership %	Nominal value of shares 1 000	Group book value FIM 1 000	Profit / loss of financial year FIM 1 000	Group share of equity FIM 1 000	Closing date
Nordic Hotel Oy	9 600	40.00	40.00	960	1 760	5 772	2 799	Dec. 31,97
Finnish American International Trade Inc., USA	1 000	20.00	20.00	USD 100	429	893	524	Dec. 31,97
Suomen Jakelutiet Oy	15	47.50	–	15	15	450	691	Dec. 31,97
Amadeus Estonia	98	33.25	–	EEK 98	39	404	253	Dec. 31,97
Toivelomat Oy	500	48.30	–	500	50	49	599	Mar. 31,98
Total					2 293	7 567	4 866	

Subsidiary shares	Number of shares	Group ownership %	Parent Company ownership %	Nominal value of shares 1 000	Group book value FIM 1 000	Profit / loss of financial year FIM 1 000	Equity FIM 1 000	Closing date
Kiinteistö Oy Aerolan A-talot	7 500	100.00	100.00	75	1 320	0	223	Mar. 31,98
Kiinteistö Oy Aerolan B-talot	200	100.00	100.00	200	200	0	154	Mar. 31,98
Malmilento Oy	5 000	100.00	100.00	500	500	379	1 295	Mar. 31,98
Amadeus Finland Oy	190	95.00	95.00	1 900	1 900	7 700	11 494	Mar. 31,98
Area Travel Agency Ltd	500 000	100.00	100.00	5 000	9 976	2 991	9 167	Mar. 31,98
Area Baltica Reisibüroo AS, Estonia	850	100.00	100.00	EEK 850	400	–	49	Dec. 31,97
ZAO Norvista, Russia	10	100.00	100.00	–	10	- 730	- 886	Dec. 31,97
A/S Estravel Ltd, Estonia	9 110	72.02	72.02	911	1 666	1 439	1 760	Mar. 31,98
BMR Balti Meediareklaami AS, Estonia	100	72.02	–	EEK 10	4	- 125	- 87	Mar. 31,98
Oy Aurinkomatkat - Suntours Ltd Ab	2 912	97.07	79.27	1 456	1 356	4 132	9 389	Mar. 31,98
Finlandia Travel Agency Ltd, UK	50 000	100.00	96.68	GBP 50	222	79	1 498	Mar. 31,98
Finlandia Agence de Voyages S.A.R.L., France	499	99.80	99.80	FRF 50	39	23	160	Mar. 31,98
Finnair Travel Services Oy	50 000	100.00	100.00	5 000	5 980	282	7 295	Mar. 31,98
Finncatering Oy	4 470	100.00	100.00	3 464	6 094	4 933	11 366	Mar. 31,98
Norvista Travel Ltd, Canada	1 000	100.00	100.00	CAD 1	4	2	117	Mar. 31,98
Oy Finnmatkat - Finntours Ab	150	100.00	100.00	150	590	1 662	1 984	Mar. 31,98
Norvista Ltd, USA	200	100.00	100.00	USD 400	10	13	- 655	Mar. 31,98
Karair Ab, Sweden	100	100.00	100.00	SEK 100	80	–	81	Mar. 31,98
Business Flight Center Oy	5	100.00	100.00	1	1	–	1	Mar. 31,98
Mikkelin Matkatoimisto Oy	1 224	51.00	–	122	163	166	978	Mar. 31,98
Finnair Gateway Ravintolat Oy	10 000	100.00	100.00	10 000	10 000	2 394	12 432	Mar. 31,98
Norvista Travel AB, Sweden	1 260	100.00	100.00	SEK 126	600	7	901	Mar. 31,98
Norvista S.R.L, Italy	170 000	100.00	100.00	ITL1 700 000	504	- 100	423	Mar. 31,98
Norvista GmbH, Germany	600	100.00	100.00	DEM 300	931	- 25	852	Mar. 31,98
Norvista B.V., Netherlands	40	100.00	100.00	NLG 1	108	- 179	- 72	Mar. 31,98
Kuopion Matkatoimisto Oy	750	99.80	–	150	800	221	1 269	Mar. 31,98
Varkauden Matkatoimisto Oy	1 290	79.62	–	56	798	73	478	Mar. 31,98
Suomen Matkatoimisto Oy	300 663	99.80	99.80	3 006	6 914	7 325	14 453	Mar. 31,98
Group total					51 170	32 663	86 119	
./. subsidiary shares owned by subsidiaries					- 1 968			
Parent Company total					49 202			

Other shares	Number of shares	Group ownership %	Parent Company ownership %	Group book value FIM1 000
Polygon Insurance Company Ltd	644 500			9 460
Vakuutusosakeyhtiö Sampo	1 686			271
OKR-Liikkeenlaskijat Osuuskunta	6			120
HEX Ltd, Helsinki Stock and Derivatives Exchange, Clearing House	24 400			170
Helsingin Puhelin Oyj	5 195			328
Oy TEN-MAR Fastighets Ab	854	12.79	10.90	2 227
Helsinki Halli Oy	18			1 260
Golfsarfvik	1			105
Asunto Oy Joensuun Kirkkokatu 21	228			610
Asunto Oy Koitere Bostads Ab, Laivanvarustajankatu	3			864
Asunto Oy Mannerheimintie 100	59	1.36	1.36	137
Asunto Oy Metsätorppa, Kauppalantie 48	63	4.38	4.38	131
Asunto Oy Neitsytpolku 9	70			471
Asunto Oy Neitsytpolku 11	65			1 016
Asunto Oy Octavus, Mannerheimintie 84	8	6.50	6.50	250
Asunto Oy Peter, Raatimiehenkatu 4	8			435
Asunto Oy Pietarinkatu 11	7			508
Asunto Oy Pietarinkatu 12	70			696
Asunto Oy Tenholantie 4	912	9.12	9.12	152
Asunto Oy Pehesaari	506			1 144
Kiinteistö Oy Citykulma	8 861			349
Kiinteistö Oy Heikintori	1 640	1.50		234
Kiinteistö Oy Lentäjäntie 1	2 804	19.50	19.50	7 201
Kiinteistö Oy Tapiolan Säästötammi	237			807

	Number of shares	Group ownership %	Parent Company ownership %	Group book value FIM1 000
Sita Telecommunications Holding N.V				613
Other companies with a book value of less than FIM 100 000				908
Telephone company shares	4 254			3 501
Total				33 967

Loan receivables included in other long-term investments of the Parent Company, FIM mill.

	1997/98	*1996/97*
From Group companies	4.6	4.7
From other companies	4.3	4.6
Total	8.9	9.3

13. Value adjustments under assets

	Group 1997/98 FIM mill.	*Group 1996/97 FIM mill.*	***Parent Company 1997/98 FIM mill.***	*Parent Company 1996/97 FIM mill.*
Liabilities for pension paid directly by the companies	17.9	17.6	17.3	16.8
Compulsory liability deficit of the pension funds	15.2	20.5	13.7	18.4
Uncovered liability of the pension funds	–	3.0	–	–
Total	33.1	41.0	30.9	35.2

14. Inventories

Inventories were evaluated at average acquisition cost.

15. Receivables from Group companies

Loans receivable			4.6	4.7
Trade receivables			107.0	104.1
Deferred receivables			4.9	1.3
Other receivables			7.8	–
Total			124,3	110.0

16. Deferred receivables

Leasing payments made in advance	–	38.6	–	38.6
Other items	398.6	333.3	350.0	287.8
Total	398.6	371.9	350.0	326.4

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

17. Short-term investments

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

18. Cash and bank receivables

Cash and bank receivables comprise funds in Group bank accounts.

19. Changes in equity

Restricted equity				
Share capital at the beginning of the financial year	410.3	407.9	410.3	407.9
Conversion of convertible subordinated bond	3.3	–	3.3	–
Conversion of convertible bonds	0.4	2.3	0.4	2.3
Share capital at the end of the financial year	414.0	410.3	414.0	410.3
General reserve April 1	860.6	854.3	860.6	854.3
Issue premium	22.3	6.3	22.3	6.3
Total restricted equity at the end of the financial year	1 296.9	1 270.9	1 296.9	1 270.9
Unrestricted equity				
Unrestricted equity at the beginning of the financial year	1 480.9	1 239.6	590.2	493.1
Dividend payment	- 82.1	- 81.6	- 82.1	- 81.6
Change in translation differences	0.3	0.1	–	–
Profit for the financial year	509.7	322.8	492.7	178.8
Total unrestricted equity at the end of the financial year	1 908.9	1 480.9	1 000.8	590.2
Capital loan	48.9	73.5	48.9	73.5
Total equity at the end of the financial year	3 254.6	2 825.2	2 346.6	1 934.5
Distributable equity				
Unrestricted equity	- 908.9	1 480.9		
Voluntary reserves in unrestricted equity	- 879.7	- 878.5		
Distributable equity March 31	1 029.1	602.4		
Voluntary reserves March 31				
Accumulated depreciation difference	1 221.5	1 075.5		
Residental block reserve	0.4	–		
Transitional reserve	–	144.6		
	1 221.9	1 220.1		
Imputed tax liability of voluntary reserves	- 342.1	- 341.6		
Voluntary reserves in unrestricted equity March 31	879.7	878.5		

20. Liabilities to Group Companies

	Parent Company 1997/98 FIM mill.	*Parent Company 1996/97 FIM mill.*
Trade payables	16.0	17.1
Deferred credits	4.4	3.3
Other short-term liabilities	179.6	155.5
Other long-term liabilities	0.1	0.1
Total	200.2	175.9

21. Long-term liabilities

Repayment of long-term loans

Financial year	***1998/99***	*1999/00*	*2000/01*	*2001/02*	*2002/03*	*2003-*	*Total*
FIM mill.	71.2	233.1	35.4	32.8	0.0	870.0	1 242.5

22. Convertable subordinated bonds (Capital loan)

Convertible subordinated bonds of FIM 230,000,000 were issued on February 28,1994, with an annual interest rate of 7 per cent until the year 2004. Thereafter, the interest rate will be five percentage points above the 12-month Helibor. The bonds are undated.

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

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

According to the terms of the bonds, Finnair Oyj is entitled, provided that the repayment terms are met, to pay back the principal in part or in full as of September 2, 2004, and also from the beginning of the loan period whenever the price of a Finnair Oyj share on the Helsinki Stock Exchange exceeds the computed conversion price by 40 per cent for the period specified in the terms. 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 Oyj shares at a nominal price of FIM 5 each. The computed conversion price of a share is therefore FIM 36.90. The annual conversion period is January 1 to January 31 and April 1 to December 31.

By March 31, 1998 bonds worth FIM 181,120,000 had been converted to 4,908,352 shares, after which the amount of the convertible bond is FIM 48,880,000. Should all the unconverted bonds on March 31, 1998 be exchanged for shares, the Company's share capital would increase by FIM 6,623,240 which is the equivalent of 1,324,648 shares.

23. Subordinated loan

During the financial year 1990/91 Finnair took a perpetual undated subordinated loan of 21 billion Japanese yen on the Japanese capital market. A repayment of JPY 15.5 billion was made on the loan in May 1994. The lenders are in a less preferential position than the other creditors although they are in a more preferential position than the holders of the convertible subordinated bond (see Note 22).

24. 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 Oyj 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, 1998 convertible bonds worth FIM 114,834,000 had been exchanged to 5,850,921 shares, after which the amount of the convertible bond is FIM 35,166,000. Should all the unconverted bonds on March 31, 1998 be exchanged for shares, the Company's share capital would rise by FIM 9,565,150, which is the equivalent of 1,913,030 shares.

25. Advance payments

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

26. Deferred credits

	Group 1997/98 FIM mill.	*Group 1996/97 FIM mill.*	***Parent Company 1997/98 FIM mill.***	*Parent Company 1996/97 FIM mill.*
Unearned air transport revenues and liability for frequent flyer bonus system*)	574.7	500.7	574.7	500.7
Holiday pay reserve	345.1	321.9	308.6	288.9
Other items	622.5	431.1	553.5	360.8
Total	1 542.3	1 253.7	1 436.8	1 150.4

*) FIM 100,0 million in unused airline tickets from at least two years ago was entered as turnover. The item includes a liability of FIM 51,0 million for the Finnair Plus Frequent Flyer Bonus System. Other items include undue interest and other deferred credits for the financial year.

27. Other short-term debts

The item includes among other things short term borrowings from Group companies.

28. Aircraft lease payments

Financial year	*1998/99*	*1999/00*	*2000/01*	*2001/02*	*2002/03*	*2003-*	*Total*
FIM mill.	296.6	267.8	208.5	259.0	152.0	270.4	1 454.3

The above lease payments comprise unpaid rentals under outstanding finance leases (FIM 292.3 million) and operating leases (FIM 1 162.0 million). With respect to certain of the finance leases, Finnair Oyj has made a deposit corresponding to the agreed purchase option payment.
As at March 31, 1998, the present value of the maximum remaining finance lease payments, including the agreed purchase option payments, was FIM 269.8 million. The table of the Finnair Group fleet is on page 33 of this annual report.
Under operating leases, unlike finance leases, Finnair Oyj is only obliged to pay rent for the relevant lease term with no liability on termination, the economic risk of ownership remaining with the lessor.
Under finance leases, Finnair Oyj pays rentals to cover the finance costs, has an option to purchase the relevant aircraft at an agreed price, and bears the residual value risk.
Therefore, Finnair Oyj may be subject to certain additional payments arising on the termination of the relevant finance leases, depending on the future resale value of the aircraft.
No provisions have been made by Finnair Oyj for any such payments, as these risks cannot, in Finnair's opinion, be quantified. Should the future market value of an aircraft held on a finance lease be higher than its agreed purchase option value, Finnair Oyj would realize a profit on its resale after the end of the relevant lease period.

29. Pension liabilities	***Group 1997/98 FIM mill.***	*Group 1996/97 FIM mill.*	***Parent Company 1997/98 FIM mill.***	*Parent Company 1996/97 FIM mill.*
Total liability of pension fund	2 842.1	2 700.9	2 663.9	2 529.6
- mandatary portion covered	- 1 426.9	- 1 294.8	- 1 288.0	- 1 168.1
Non-mandatory benefit covered	- 1 400.0	- 1 382.7	- 1 362.2	- 1 343.0
Uncovered liability of pension fund	15.2	23.5	13.7	18.4
Liability for pensions paid directly by the companies	17.9	17.6	17.3	16.8
Liability included in other long-term liabilities	33.1	41.0	30.9	35.2
30. Securities pledged and guarantees given				
Parent Company guarantees on behalf of subsidiaries	157.9	138.5	157.9	138.5
Pledges and mortgages for own commitments	223.2	307.6	222.3	306.7
Total securities pledged and guarantees given	381.0	446.1	380.1	445.2
31. Receivables from affiliated companies and liabilities to affiliated companies				
Reseivables from affiliated companies				
Loans receivable	0.5	0.5	–	–
Trade receivables	0.2	0.7	0.1	0.3
Deferred receivables	0.0	0.0	0.0	–
Total	0.7	1.2	0.1	0.3
Liabilities to affiliated companies				
Trade payables	2.4	1.9	2.3	1.0
Total	2.4	1.9	2.3	1.0

32. Disputes and litigation

In its ruling of May 12,1995, the Helsinki District Court rejected a suit brought by two shareholders calling for repeal or amendment of the necessary parts of the decision to approve the financial statements taken on August 25, 1994 by the Finnair Oyj Annual General Meeting or for nullification of the decision.
The plaintiffs have stated their dissatisfaction with the district court ruling.

In its ruling of December 4,1997, the Helsinki Court of Appeal overturned the decision of the Vantaa District Court in which the latter had confirmed that the former Karair oy shareholder and plaintiff in the lower court owns 12 Karair oy shares. Permission to appeal to a higher court is being sought.

The decision of a court of arbitration regarding the price of one Karair oy share is being appealed in the Helsinki District Court.

33. Principles of financial risk management

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

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

Foreign exchange risks

Some 35 % of Group turnover is denominated in currencies other than the Finnish markka.
The key foreign currencies are the US dollar, the Swedish krona, the German mark and the Japanese yen.
Approximately 35 % of the Group's operating costs are denominated in foreign currencies.
The main purchasing currency is the US dollar, which accounts for almost half of all operating expenses denominated in foreign exchange. Acquisition of aircraft and the spare parts for them also takes place mainly in US dollars.
The Group's policy is to eliminate the identified foreign exchange risk caused by a foreign currency surplus or deficit.
Apart from receivables and payables and other commercial commitments, the estimated 6-12-month cash flows denominated in foreign exchange are as a rule included in exposed foreign exchange positions.
At the end of the 1997/98 financial year 91 % 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 1997/98 financial year fuel used in flight operations accounted for 10 % 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 1997/98 financial year the average interest on the Group's interest-bearing loans was 4.8 %.

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 risks
The goal of the Finnair Group is to maintain good liquidity.
Liquidity is ensured through cash reserves, account limits, liquid money market investments and credit limits. With respect to aircraft acquisitions, the Company's policy is to ensure financing at least 6 months before delivery, for example with promises of loans. The Group's liquid funds were FIM 1.5 billion at the end of the 1997/98 financial year. Moreover, FIM 1.4 billion in unsecured credit limits are available to the Group for seven years.

Derivative contracts March 31, 1998, FIM Mill.

Currency derivatives	*Nominal value*	*Fair value*
Forward contracts	1 039.4	4.9
Currency options	349.4	19.0
Currency swaps	661.9	- 7.7
Interest rate derivatives		
Interest rate options	200.0	- 0.1
Forward rate derivatives	40.0	- 0.5
Total	2 290.7	15.6
Other derivative contracts		
Fuel price agreements (tonnes)	129 900	

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

Fair values are based on market valuation on the date of reporting for the instruments which are publicly traded. Other instruments have been valued based on net present values of future cash flows. A valuation model has been used to estimate the fair values of options.

34. Personnel fund
The financial statements include a bonus of FIM 24 million which will be paid into the personnel fund.

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 31,1998 was	FIM	1 908 875 655.73
The distributable unrestricted equity is	FIM	1 029 125 826.47
The Parent Company Finnair Oyj's unrestricted equity according to the balance sheet on March 31,1998 is	FIM	1 000 846 295.25
The distributable unrestricted equity:		
– Profits retained from previous financial years	FIM	508 177 419.84
– Profit for the financial year April 1,1997 - March 31,1998	FIM	492 668 875.41
Total	FIM	1 000 846 295.25

The Board of Directors proposes to the Annual General Meeting that a dividend of FIM 1.75 per share be paid on 82 796 483 shares from the retained profits	FIM	144 893 845.25
Retained in the profit and loss account	FIM	855 952 450.00

Helsinki, June 12,1998

THE BOARD OF DIRECTORS OF FINNAIR OYJ

Harri Holkeri

Jaakko Ihamuotila	Robert G. Ehrnrooth
Ari Heiniö	Raimo Hertto
Seppo Härkönen	Eva-Christina Mäkeläinen
Antti Potila	Helena Terho

AUDITORS' REPORT

to the shareholders of Finnair Oyj

We have examined the accounts, the financial statements and the administration of Finnair Oyj for the financial year April 1,1997 to March 31,1998.
The financial statements prepared by the Board of Directors and the President include the review of operations and the statements of profit and loss, the balance sheets and the notes to the financial statements for the Group and the Parent Company.
On the basis of our audit, we issue the statement below on the financial statements and the administration.

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

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

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

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

Helsinki, June 17,1998

Pekka Nikula	Erkki Mäki-Ranta
APA	AA

STATEMENT OF THE SUPERVISORY BOARD

At its meeting held today, the Supervisory Board of Finnair Oyj has examined the financial statements of the Parent Company and of the Group and the Auditors' Report for the financial year April 1,1997 - March 31,1998. The Supervisory Board has decided to recommend that the Annual General Meeting approve the financial statements of the Parent Company and the Group and that the profit shown in the Balance Sheet be disposed of in the manner proposed by the Board of Directors.

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

The terms of service on the Supervisory Board of
Mr. Felix Björklund,
Mr. Markku Hyvärinen,
Mr. Mikko Pesälä
Ms. Virpa Puisto,
Mr. Pertti Salolainen and
Mr. Peter Stenlund are due to expire at the Annual General Meeting

Helsinki, June 18,1998

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

REVIEW OF FINNAIR GROUP SECTORS

FLIGHT OPERATIONS

As a result of the sectoral reorganization effected in recent years, Group flight operations are now concentrated almost entirely in the Parent Company, Finnair Oyj. Only one other company is engaged in flight operations. This is Malmilento Oy, which specializes in ore prospecting. Turnover from all flight operations during the past financial year was FIM 7,030.3 million, of which Malmilento Oy accounted for FIM 6.4 million.

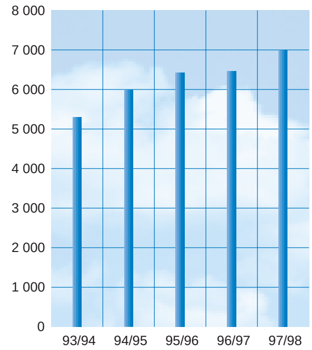
The flight operations of Finnair are more diverse than those of international airlines in general. Within a single organization, the Company engages in a wide range of international scheduled traffic, both geographically and operationally, carries a rather large number of passengers on a dense network of routes in Finland, and provides charter traffic.

Finnair's international scheduled traffic serves 45 destinations outside Finland. Domestic traffic serves 22. The number of destinations for charter flights varies between the summer and winter traffic seasons; some 60 individual destinations are served. North American traffic accounted for 3% of the total number of passengers, European and Middle Eastern traffic for 46%, Far Eastern traffic for 4%, domestic traffic for 36% and charter traffic for 11%. North Atlantic and Far Eastern traffic accounted for more than 80% of cargo. International, including international scheduled and charter traffic, accounted for 84% of total air transport revenues. Domestic traffic accounted for 16%.

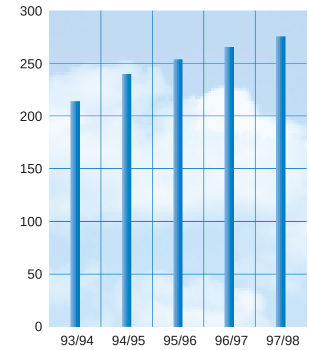
A far-reaching process of liberalization in European air traffic began in 1994. In July of that year the 'third package' of the European Union took effect. In practice, this package eliminates all factors concerning market access and pricing that restrict competition in air traffic. On April 1, 1997, the 'right of cabotage' took effect; this enables airlines to provide domestic air transport service in the other treaty countries. To date, Finnair has taken advantage of liberalization especially in the Nordic countries, by establishing a hub at Stockholm's Arlanda Airport; 55 daily flights serving 18 European destinations were operated through Arlanda during the past financial year. Finnair accounts for approximately one quarter of the total flights at Arlanda Airport, which must be considered a large proportion.

At the beginning of the present financial year on April 1, 1998, Finnair adopted the new European Joint Aviation Requirements (JAR-OPS 1) and thus obtained a JAR-based Air Operator's Certificate for commerical aviation. The aviation Authority has approved Finnair's new Operations Manual, quality system and quality assurance organization. The new Joint Aviation Requirements were published by JAA (Joint Aviation Authorities), a consortium of 27 European aviation authorities. Airlines, aircraft manufacturers and employee organizations have taken part in the preparation of these requirements, which was a difficult and time-consuming process. The implementation of the new requirements is regarded as a considerable achievement for air traffic. Airline operators will particularly benefit from the intro

Turnover from flight operations
FIM mill.



Productivity of personnel in flight operations
Available tnkm (1 000) / person



Finnair Group

FINNAIR OYJ
Parent Company
Flight operations

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

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

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

the Company itself. Quality with regard to the punctuality of traffic and customer service is assured by the consistency and efficiency of the Company's own service chain.

FLEET

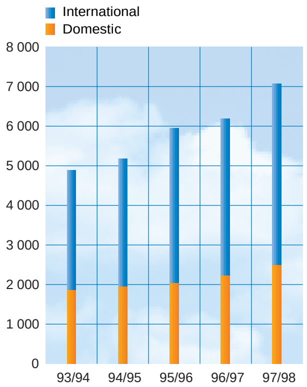
Apart from the aircraft used in its own operations, the Company owns two 317-seat Airbus A300-B4s, which are leased to the United Kingdom. Finnair is responsible for the maintenance and technical support of the aircraft for the duration of the lease. The lease is for five years, and is generating important revenues for Finnair. The Company does not plan to use these aircraft in its own traffic after expiration of the lease. As part of plans to modernize its fleet, Finnair has decided to lease a fifth Boeing 757, which will be flown with 219 seats. This aircraft will enter service in April 1999. Two 185-seat A321s of the 12 new Airbus A320 family aircraft ordered by the Company will be delivered in January-February 1999.

TRAVEL AGENCIES

Area Travel Agency Ltd and Finland Travel Bureau Ltd are the largest full-service travel agencies in the Group. They account for some 40% of total sales in the sector in Finland. In addition, the Group engages in travel agency operations in 13 countries outside Finland through the Norvista Travel chain. The chain was established in 1996 from travel agencies then owned by Finnair Oyj, Finland Travel Bureau Ltd and Area Travel Agency Ltd. Its major focus of activities is to generate

Number of passengers

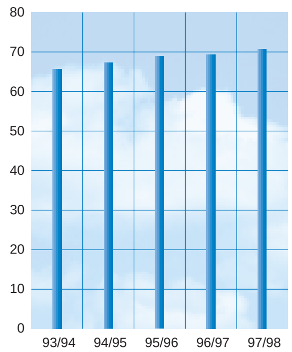
1 000 passengers



duction of quality assurance systems to flight operations. At Finnair, the determination and planning of the measures necessitated by the JAR-OPS 1 requirements began in 1995. In practice, the quality system defines the procedures involved in main operative functions and specifies the means to ensure their implementation. The system encompasses various aspects of quality with respect to flight safety and the Company's own service targets. Flight safety is based on uncompromising implementation of the operative guidelines issued by aviation authorities and by

Passenger load factor

%



Flight operations, financial performance and personnel

	1997/98	*1996/97*	*Change*
Turnover, FIM mill.	**7 030.3**	6 491.2	8.3 %
Operating profit, FIM mill.	**565.7**	302.9	86.8 %
Personnel	**8 573**	8 267	306 persons

Air transport performance 1997/98

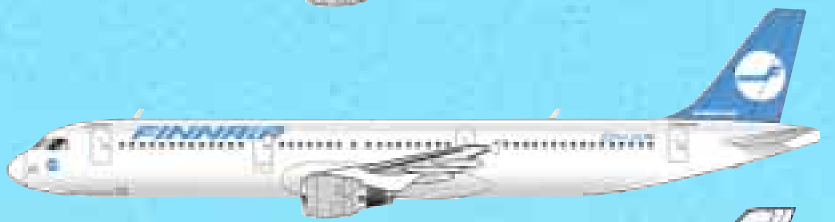
	International	*Domestic*	*Charter*	*Total*
Passengers (1000)	3 781	2 527	759	7 067
Change % to previous year	13.5	13.3	5.7	12.5
Cargo and mail (1000 kg)	69 001	6 040	1 689	76 730
Change % to previous year	15.3	7.8	38.0	15.1
Available passenger kilometres (mill.)	12 891	1 958	2 593	17 442
Change % to previous year	11.0	10.7	1.7	9.5
Revenue passenger kilometres (mill.)	9 025	1 138	2 256	12 419
Change % to previous year	15.3	13.9	3.9	12.9
Available tonne kilometres (mill.)	1 868	219	262	2 349
Change % to previous year	11.2	12.0	3.9	10.4
Revenue tonne kilometres (mill.)	1 122	100	206	1 428
Change % to previous year	16.0	14.2	3.9	13.9
Cabin factor %	70.0	58.1	87.0	71.2
Change %-p. to previous year	2.6	1.6	1.9	2.2
Overall load factor	60.0	45,9	78.7	60.8
Change %-p. to previous year	2.4	0.9	0.0	1.9

FLEET

ON ORDER

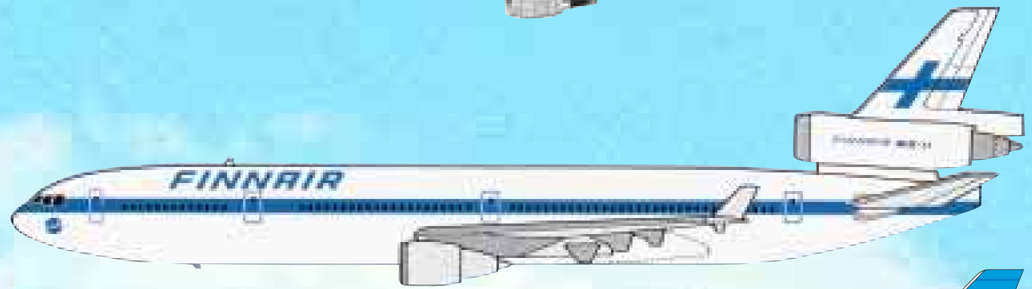
A319
Number of seats 126

A320
Number of seats 153

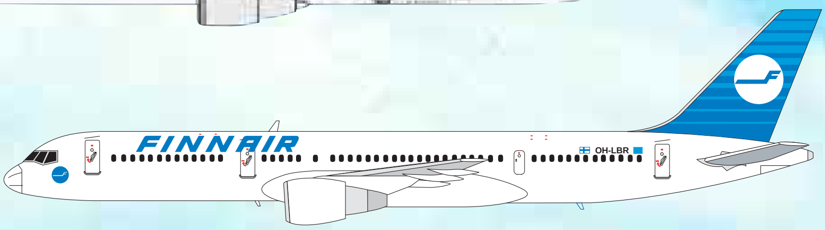


A321
Number of seats 188

IN USE



MD-11
Number of seats 318-366

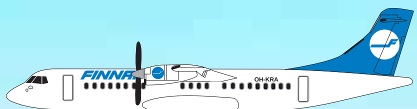


B757-200
Number of seats 219

MD-82, MD-83
Number of seats 140 -156

MD-87
Number of seats 112

DC-9-51
Number of seats 122



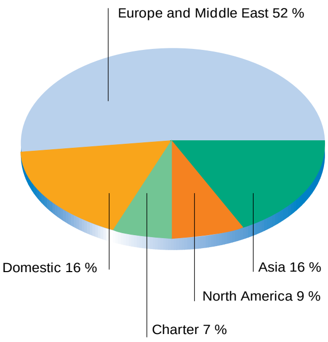
ATR 72
Number of seats 66

SAAB SF-340
Number of seats 34

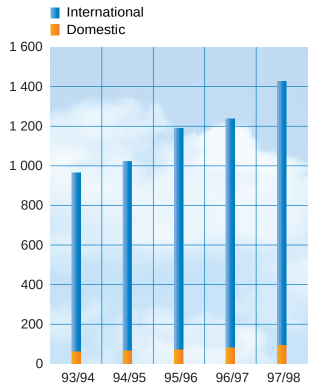
Fleet used by the Finnair Group in its own traffic, May 31,1998

Aircraft	*Number*	*Owned*	*Financial leasing*	*Operating leasing*	*Average age*
MD-11	4	4			5.9
B757-200	4			4	0.4
MD-82	10	3	2	5	9.7
MD-83	12	7		5	9.4
MD-87	3	3			10.2
DC-9-51	12	12			20.2
ATR 72	6	5	1		7.9
Saab SF-340	6	3	3		10.4
Total	57	37	6	14	10.9

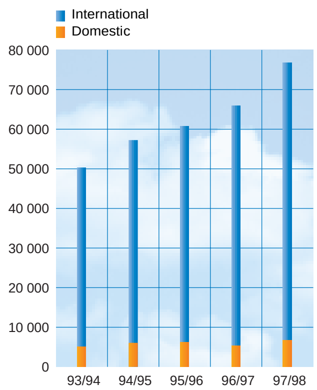
Distribution of air traffic revenues



Revenue tonne kilometres
Mill. tnkm



Cargo and mail
1 000 kg



As a result of its new extension in November 1997, the cargo terminal at Helsinki Airport is now the biggest air cargo terminal in the Nordic region.

new leisure travel to northern Europe, mainly to Finland, Sweden, Russia and the Baltic region.

The Norvista Travel chain operates tours only based on Finnair flights and its goal is to become Northern Europe's leading tour operator in its target area. Political changes in the former Soviet Union have significantly increased tourism to the region in question, and this has facilitated achievement of the targets.

Total sales by the Norvista Travel chain exceeded FIM 330 million and staff numbered 202 persons. Rapid growth in sales is expected to continue in the future. Joint purchases of services and booking functions will increase cost effectiveness and thus improve the competitiveness of the agencies.

The travel agency market is undergoing considerable change. Reductions in the commissions paid to producers, a rising volume of direct sales, and changes in the nature of travel agency functions as end-users gain access to booking information and are able to make their own reservations, and the conversion of commissions to service charges will transform the sector in the near future. For these and other reasons, Finland Travel Bureau Ltd and Area Travel Agency Ltd have begun preparation for introduction of a new generation travel agency system. The new operational control system for the travel sector will guarantee travellers and client companies a higher standard of service. The travel agencies are working together in this effort to guarantee a better bargaining position and to reduce costs. ICSAT of Belgium was chosen as the system supplier and ACE will be the new system . ICSAT is the market leader in its sector. The new operational control system is a response to the challenges of the coming millennium and its features represent the latest achievements in information technology. The new system is scheduled for introduction in both companies at the end of 1998.

In addition to the new operational control system,

investments have also been made in other technology for the sector. Finland Travel Bureau Ltd is involved in development of a web-based comprehensive tour management system, which will put the tour booking process on line . Rapid advances in technology will permit a new kind of distribution system in the travel industry and transform conventional roles. Although on-line sales in the travel sector are still a minor factor, rapid growth is expected.

TOUR OPERATIONS

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

Travel agencies, financial performance and personnel

	1997/98	*1996/97*	*Change*
Turnover, FIM mill.	**349.9**	292.0	19.8 %
Operating profit, FIM mill.	**15.1**	5.6	169.6 %
Personnel	**1 297**	1 177	120 pers.

Tour operations, financial performance and personnel

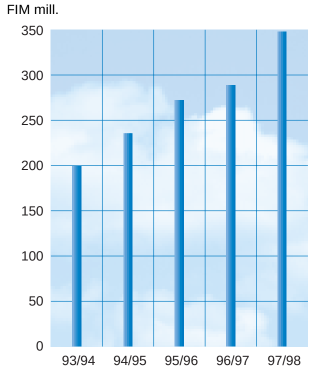
	1997/98	*1996/97*	*Change*
Turnover, FIM mill.	**1 203.6**	1 050.8	14.5 %
Operating profit, FIM mill.	**1.7**	0.3	466.7 %
Personnel	**499**	461	38 pers.

Other sectors, financial performance and personnel

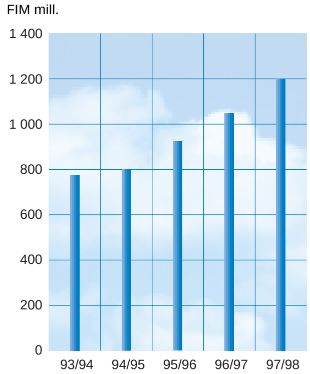
	1997/98	*1996/97*	*Change*
Turnover, FIM mill.	**194.7**	314.8	- 38.2 %
Operating profit, FIM mill.	**20.6**	15.8	30.4 %
Personnel	**337**	628	-291 pers.

The numbers of personnel are averages and are adjusted for part-time employees. The decline in turnover from Other sectors was caused by divestment of hotel operations.

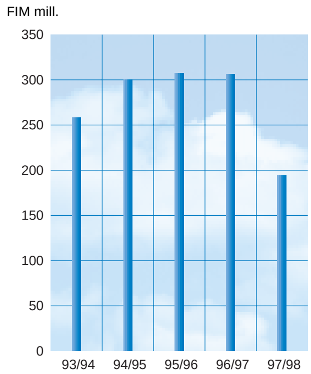
Turnover from Travel agency sector



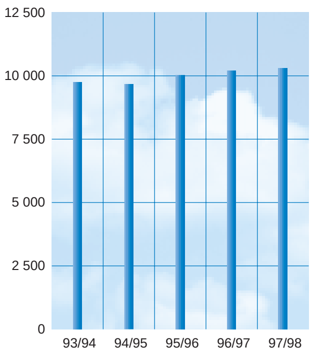
Turnover from Tour operations



Turnover from Other sectors



Personnel on average
Persons



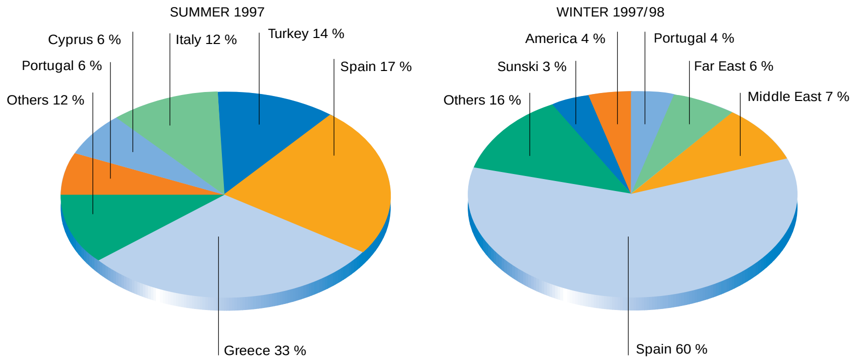
In 1997, some 860,000 tours were made from Finland on charter flights. Growth on the previous year was 8%. Growth is expected to slow during 1998 to approximately 5%. Organizers operating under FTS provided tours to a total of 415,000 passengers during the 1997/98 financial year. Growth on the previous financial year was 9%.

FTS tour organizers offered tours to more than 200 destinations. The number of hotels available outside Finland is approximately 1000 and the number of overnights nearly five million. The nine FTS outlets accounted for 43% of sales and 400 travel agency outlets for the remaining 57%.

Finnair Travel Services purchased FIM 585 million in air transport services from the Parent Company Finnair during the year under review. The passenger load factor for tour organizers on charter flights was 97%.

During the financial year, substantial changes took place in the tour sector. The Turkish-owned Kymppi-Matkat, which had a market share of some 10%, went bankrupt in autumn 1997. At the beginning of 1998, the Thompson Travel Group, the largest tour organizer in the UK, acquired the Swedish Fritidsresor Group, which included Fritidsresor and Hassen Matkat in Finland.

Tour production by country (Suntours and Finntours)



HELSINKI GATEWAY

Long-distance destinations 1998

Seasonal service

98 Stockholm

OFFICIAL AIRLINE

FINNAIR

At present, the Finnish tour market is dominated by three groups, the largest of which are the FTS organizers. The second largest is the Thompson Travel Group (Fritidsresor and Hassen Matkat) and the third is Airtours Group, the second largest in the UK, which owns the Scandinavian Leisure Group (Tjäreborg and Spies). Competition for market shares in Finland will probably intensify due to the UK groups. In addition, tougher competition on the tour market throughout the Nordic countries and increased travel in Europe will have an impact on the availability of hotel capacity at holiday destinations such as the Canary Islands.

OTHER SECTORS

The key companies in Other sectors are Amadeus Finland Oy, Finncatering Oy and Finnair Gateway Oy. There are also a couple of real estate companies and a foreign advertising agency.

As the national marketing company for the international Amadeus, Amadeus Finland Oy is responsible for marketing of information and distribution systems, training, and support and takes the needs of both producers and service users into account. Amadeus has preserved its leading position as the world's largest booking system. Booking revenues account for 48% of Amadeus Finland Oy's total sales. The remainder is generated from operating fees and equipment leases

Finnair has won two prestigious awards for wines served on board; Decanter magazine's "Best Business Class Wine List 1997" and Business Traveler magazine's "Best Celler in the Sky 1997". Business Traveler magazine has awarded Finnair in 1998 for the best white wine, Domaine Laroche Chablis Les Fourchames 1994, 1er Cru and for the second best champagne, Laurent Perrier Grand Siècle La Cuvée Brut NV.

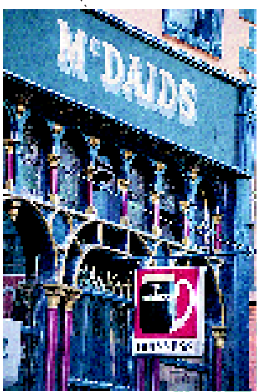
for the travel agency systems. Turnover amounted to FIM 68 million during the past financial year. The share of Amadeus in Finland during the past year remained nearly constant, although competition is definitely on the rise.

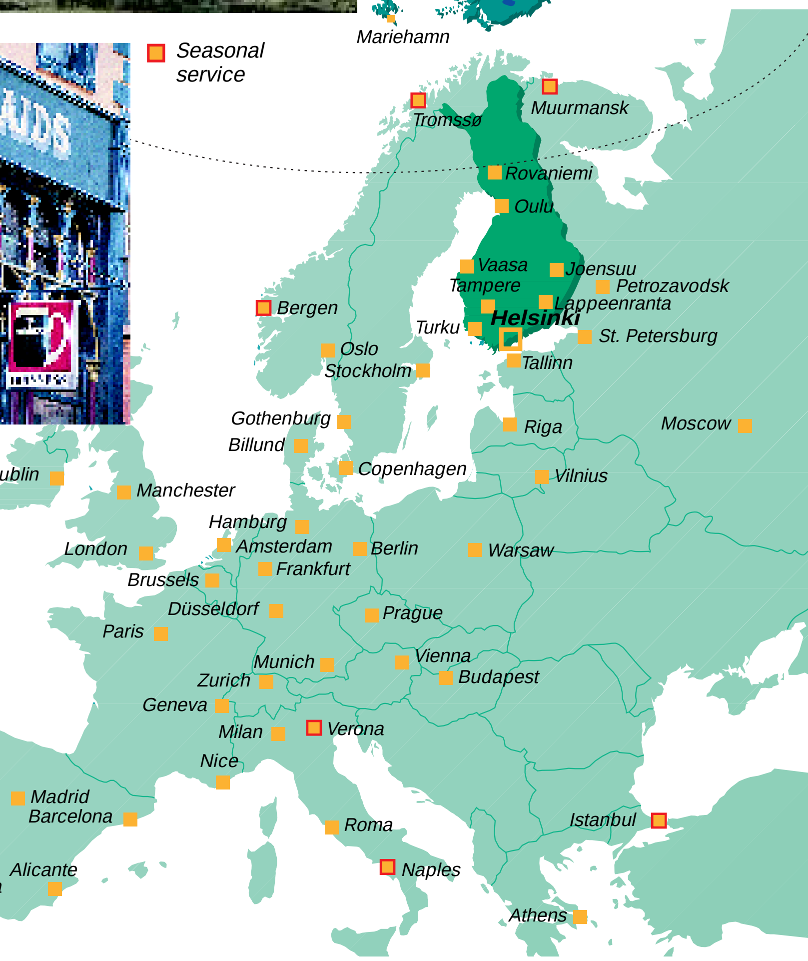
Finncatering Oy is a multi-sector, food industry company in the food sectors with operations in four areas: bakery, catering and banquets. In addition to airlines, its clientele includes restaurants, hotels, institutional kitchens and private persons.

Turnover during the past financial year rose by a good 8% and amounted to FIM 57 million. Growth was affected primarily by an increase in sales of portions to be served on flights.

Finnair Gateway Restaurants Oy is engaged in cafe, restaurant and congress operations at Helsinki-Vantaa Airport. 1997/98 was the first complete year of operations for the company. Turnover amounted to more than FIM 66 million. Restaurant services at Helsinki Airport were ranked the best among the 62 airports covered by an international survey.

In spring 1998 British Airways and Finnair agreed on extensive cooperation.
Both airlines together aim to be a genuine choise in the Nordic region.





Flight destinations in Finland and Europe 1998

KEY FIGURES

		1993/94	1994/95[1)]	1995/96[1)]	1996/97[1)]	**1997/98[1)]**
Consolidated profit and loss statement						
Turnover	FIM mill.	5 941	6 653	7 186	7 403	8 058
- change	%	8.9	12.0	8.0	3.0	8.8
Operating margin	FIM mill.	588	945	1 055	784	1 107
- in relation to turnover	%	9.9	14.2	14.7	10.6	13.7
Operating profit	FIM mill.	189	522	624	326	605
- in relation to turnover	%	3.2	7.8	8.7	4.4	7.5
Profit before extraordinary items and taxes	FIM mill.	120	419	533	310	627
- in relation to turnover	%	2.0	6.3	7.4	4.2	7.8
Profit before taxes	FIM mill.	120	419	533	429	630
- in relation to turnover	%	2.0	6.3	7.4	5.8	7.8
Consolidated balance sheet						
Fixed assets and other long-term investments	FIM mill.	4 132	3 937	4 043	4 046	4 118
Value adjustments	FIM mill.	43	66	61	41	33
Inventories	FIM mill.	171	171	188	202	236
Current assets	FIM mill.	2 454	3 242	2 641	2 409	2 752
Total assets	FIM mill.	6 800	7 416	6 933	6 698	7 139
Share capital	FIM mill.	323	408	408	410	414
Other equity, reserves and minority holding	FIM mill.	1 144	1 850	2 183	2 417	2 843
Liabilities[2)]	FIM mill.	5 333	5 158	4 342	3 871	3 883
Total liabilities	FIM mill.	6 800	7 416	6 933	6 698	7 139
Gross investment less advance payment	FIM mill.	699	278	567	1 055	879
Gross investment in relation to turnover	%	11.8	4.2	7.9	14.3	10.9
Return on equity (ROE)	%	8.7	21.2	15.4	7.5	16.7
Return on investment (ROI)	%	8.7	15.1	15.7	9.4	15.9
Increase in share capital	FIM mill.	76	85	–	2	4
Dividend for the financial year[3)]	FIM mill.	19	41	82	82	145
Earnings / share	FIM	1.93	5.10	4.56	2.48	6.11
Equity / share	FIM	22.72	27.68	31.74	34.43	39.31
Dividend / share	FIM	0.30	0.50	1.00	1.00	1.75
Dividend / earnings	%	15.5	9.8	21.9	40,3	28.6
Effective dividend yield	%	0.9	1.7	2.7	2.7	3.2
Equity ratio	%	21.8	30.9	37.9	42.9	46.5
Net debt-to-equity (Gearing)	%	153.6	43.0	25.3	9.9	- 5.4
Interest bearing debt	FIM mill.	3 792	3 185	2 253	1 602	1 297
Liquid funds	FIM mill.	1 539	2 214	1 598	1 323	1 471
Net interest bearing debt	FIM mill.	2 253	971	655	279	- 174
- in relation to turnover	%	37.9	14.6	9.1	3.8	- 2.2
Net financing income (+) / expenses (-)	FIM mill.	- 69	- 103	- 91	- 16	22
- in relation to turnover	%	- 1.2	- 1.5	- 1.3	- 0.2	0.3
Net interest expenses	FIM mill.	-139	- 103	- 99	- 17	8
- in relation to turnover	%	- 2.3	- 1.6	- 1.4	- 0.2	0.1
Operating cash flow[4)]	FIM mill.	514	825	816	905	1 013
Operating cash flow in relation to turnover	%	8.6	12.4	11.4	12.2	12.6
Average number of shares adjusted for the share issue	pc.	59 509 008	71 649 571	81 584 480	82 053 018	82 796 483
Number of shares adjusted for the share issue at the end of the financial year	pc.	64 537 260	81 556 420	81 584 480	82 053 018	82 796 483
Number of shares corresponding to share capital at the end of the financial year	pc.	64 537 260	81 556 420	81 584 480	82 053 018	82 796 483
P/ E ratio		17.44	5.69	8.26	14.86	8.83
Personnel, on average		9 677	9 539	10 105	10 533	10 706

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

1) The voluntary reserves during the financial years 1994/95, 1995/96, 1996/97 and 1997/98 have been altered so that the voluntary reserves of Group Companies were divided in the balance sheet between equity and imputed tax liability. In the profit and loss statement, the change in voluntary reserves during the financial year was divided between the profit for the financial year and the change -in inputed tax liability. The index figures for 1993/94 have not been changed.

2) Due to the change in the Companies Act, the convertible subordinated bonds have been entered as a post in equity when calculating the key figures for 1997/98 and 1996/97. During previous years' (1993/94, 1994/95 and 1995/96) financial statements the convertible subordinated bonds were included in liabilities.

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

4) The 1997/98 operational cash flow includes the impact of imputed tax liability and the financial years 1995/96 and 1996/97 were restated accordingly.

Formulas for ratios

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

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

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

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

Equity ratio % = $\dfrac{\text{Equity + minority holding}}{\text{Balance sheet total - advances received}}$ x 100

Net debt-to-equity (Gearing) % = $\dfrac{\text{Interest bearing debt - liquid funds}}{\text{Equity + minority holdings}}$ x 100

Dividend / earnings % = $\dfrac{\text{Dividend per share}}{\text{Earnings per share}}$ x 100

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

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

SUBSIDIARIES

	Total sales (FIM 1 000) 1997/98	Change %	Turnover (FIM 1 000) 1997/98	Change %	Personnel March 31 1998	1997	Finnair Group holding %
TRAVEL AGENCIES							
Finland Travel Bureau Ltd. Pertti Pirskanen, Managing Director	1 614 105	14	169 407	15	605	573	99.8
Area Travel Agency Ltd Timo Mannermaa, Managing Director	1 208 918	14	112 527	9	441	427	100.0
Estravel AS, Estonia Aivo Takis, Managing Director	114 183	43	14 207	30	95	98	72.0
Kuopion Matkatoimisto Oy Pertti Pirskanen, Managing Director	88 919	91	11 120	93	43	45	99.8
Finlandia Travel Agency Ltd, UK Antero Lahtinen, Dep. Managing Director	85 481	- 4	11 353	23	27	27	100.0
ZAO Norvista, Russia Anneli Karppinen, Managing Director	46 541	383	3 909	318	20	17	100.0
Finlandia Agence de Voyages S.A.R.L., France Leena Uurala-Corbion, Managing Director	26 447	19	3 839	1	13	7	99.8
Varkauden Matkatoimisto Oy Leena Eräntie, Managing Director	26 026	103	2 459	82	14	14	79.6
Mikkelin Matkatoimisto Oy Heleena Mutanen, Managing Director	22 193	11	2 232	6	9	10	51.0
Norvista Travel AB, Sweden Billy Carlsson, Managing Director	14 074	0	4 348	19	14	9	100.0
Norvista S.R.L., Italy Marisa Impellizzeri, Managing Director	12 141	45	3 885	158	5	3	100.0
Norvista B.V., Netherlands Danny Ostendorf, Managing Director	10 157	–	3 358	–	5	4	100.0
Norvista Reisen GmbH, Germany Merja Pollok, Managing Director	7 282	263	7 282	263	6	7	100.0
TOUR OPERATIONS							
Oy Aurinkomatkat - Suntours Ltd Ab Jukka Salama, Director	812 618	14	762 408	13	261	242	97.1
Oy Finnmatkat - Finntours Ab Mikko Pietarinen, Director	378 590	20	350 652	19	141	139	100.0
Finnair Travel Services Oy Timo Heinonen, Managing Director	84 000	5	80 345	6	104	102	100.0
Norvista Ltd, USA Tarja Ruuska, Managing Director	33 742	29	8 741	27	13	15	100.0
Norvista Travel Ltd, Canada Jyrki Eriksson, Managing Director	10 248	7	1 405	- 6	4	4	100.0
OTHER SECTORS							
Amadeus Finland Oy Automated distribution and information systems for the travel industry Kari Koli, Managing Director	68 118	11	68 118	11	42	39	95.0
Finnair Gateway Ravintolat Oy Hotel and restaurant services Anssi Komulainen, Managing Director	66 242	332	66 242	332	164	164	100.0
Finncatering Oy Catering operations Leo Eerikas, Managing Director	57 103	8	57 103	8	121	126	100.0
Malmilento Oy Survey flights Pekka Välimäki, Managing Director	6 415	113	6 415	113	–	–	100.0
Real estate companies	1 983	1	1 983	1	1	1	100.0
BMR Balti Meediareklaami AS, Estonia Advertising agency Tiia Raidma, Managing Director	1 283	- 14	1 283	- 14	10	11	72.0
	4 796 809	18	1 754 621	19	2 158	2 084	

FINNAIR GROUP AIR TRANSPORT

	1993/94	1994/95	1995/96	1996/97	**1997/98**
SCHEDULED INTERNATIONAL TRAFFIC					
Flight hours	71 118	84 301	100 130	102 215	111 968
Flight kilometres	45 550 000	52 474 000	62 250 000	63 450 000	70 611 000
Available seat kilometres	7 914 545 000	10 021 335 000	11 696 404 000	11 612 462 000	12 890 491 000
Revenue passenger kilometres	4 811 651 000	6 617 674 000	7 892 862 000	7 827 823 000	9 024 728 000
Passenger load factor %	60.8	66.0	67.5	67.4	70.0
Available tonne kilometres	1 136 434 000	1 413 745 000	1 614 600 000	1 680 417 000	1 868 040 000
Revenue tonne kilometres	610 242 000	802 337 000	936 039 000	967 191 000	1 121 680 000
Overall load factor %	53.7	56.8	58.0	57.6	60.0
Passengers	2 144 340	2 802 980	3 261 879	3 330 676	3 781 060
Cargo (1000 kg)	35 621	43 335	45 920	51 618	60 194
Mail (1000 kg)	6 718	6 932	7 740	8 220	8 807
SCHEDULED DOMESTIC TRAFFIC					
Flight hours	44 759	45 185	45 787	47 523	49 157
Flight kilometres	18 393 000	18 293 000	18 612 000	19 131 000	19 955 000
Available seat kilometres	1 647 980 000	1 648 074 000	1 693 606 000	1 769 312 000	1 957 863 000
Revenue passenger kilometres	818 313 000	869 019 000	918 509 000	999 617 000	1 138 167 000
Passenger load factor %	49.7	52.7	54.2	56.5	58.1
Available tonne kilometres	169 798 000	170 045 000	179 462 000	195 015 000	218 500 000
Revenue tonne kilometres	72 890 000	77 452 000	80 928 000	87 708 000	100 202 000
Overall load factor %	42.9	45.5	45.1	45.0	45.9
Passengers	1 864 355	1 957 498	2 050 172	2 230 951	2 527 051
Cargo (1000 kg)	4 248	4 624	4 608	4 657	4 911
Mail (1000 kg)	898	1 214	1 158	949	1 129
CHARTER TRAFFIC					
Flight hours	18 359	14 767	16 356	17 832	17 841
Flight kilometres	12 956 000	10 006 000	11 000 000	12 269 000	12 374 000
Available seat kilometres	3 594 812 000	2 426 299 000	2 284 557 000	2 549 558 000	2 593 467 000
Revenue passenger kilometres	3 122 078 000	2 048 929 000	1 921 114 000	2 170 417 000	2 255 793 000
Passenger load factor %	86.8	84.4	84.1	85.1	87.0
Available tonne kilometres	355 604 000	236 391 000	223 448 000	252 681 000	262 517 000
Revenue tonne kilometres	289 956 000	187 981 000	175 445 000	198 817 000	206 492 000
Overall load factor %	81.5	79.5	78.5	78.7	78.7
Passengers	911 158	671 287	650 478	718 241	758 871
Cargo (1000 kg)	2 654	1 424	1 009	1 189	1 670
Mail (1000 kg)	29	35	49	35	19
TOTAL TRANSPORT					
Flight hours	134 236	144 253	162 273	167 570	178 966
Flight kilometres	76 899 000	80 773 000	91 862 000	94 850 000	102 940 000
Available seat kilometres	13 157 337 000	14 095 708 000	15 674 567 000	15 931 332 000	17 441 821 000
Revenue passenger kilometres	8 752 042 000	9 535 622 000	10 732 485 000	10 997 857 000	12 418 688 000
Passenger load factor %	66.5	67.6	68.5	69.0	71.2
Available tonne kilometres	1 661 836 000	1 820 181 000	2 017 510 000	2 128 113 000	2 349 057 000
Revenue tonne kilometres	973 088 000	1 067 770 000	1 192 412 000	1 253 716 000	1 428 374 000
Overall load factor %	58.6	58.7	59.1	58.9	60.8
Passengers	4 919 853	5 431 765	5 962 529	6 279 868	7 066 982
Cargo (1000 kg)	42 523	49 383	51 537	57 464	66 775
Mail (1000 kg)	7 645	8 181	8 947	9 204	9 955

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 number of kilometres flown*

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

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

FINNAIR'S 75th ANNIVERSARY NOVEMBER 1,1998

Finnair, which is celebrating its 75th anniversary this year, is one of the world's oldest airlines. The document founding Aero O/Y was signed in Helsinki, on September 12, 1923. The Company was entered in the Trade Register on October 9 and the decision to start flight operations was made at the first meeting of shareholders on November 1. This is also regarded as the official founding date of the Company.

Aero O/Y was founded by Consul Bruno Otto Lucander, who had served as managing director of Finland Spedition-Central Ab since 1918 and obtained experience in air traffic as a result. The other founding members of Aero were the businessmen Gustaf Snellman and Fritiof Åhman. The Company's share capital was FIM 500,000, which was increased on December 12, of the same year by FIM 1,000,000.

TAKEOFF AND LANDING AT KATAJANOKKA

Service from Helsinki to Tallinn was inaugurated with a Junkers F13 aircraft on March 20, 1924. The aircraft was a single-engine monoplane equipped with a closed-in cabin and seating four passengers. The crew comprised the pilot and a mechanic.

Aero was based in the waterfront district of Katajanokka in Helsinki, so the Junkers aircraft used skis in winter and pontoons in summer. Flights to Stockholm began in the summer of 1924. Because neither Stockholm nor Helsinki had a real airport, these aircraft were also fitted with pontoons.

From Stockholm there was a train connection to Gothenburg, and from there flights to Copenhagen, Oslo and London. Aero's Tallinn route also offered a connection to Königsberg, from where travellers proceeded to Berlin by train. Thus the current alliances between airlines originate from those early days.

During its first year of operations, Aero carried 269 passengers. All of them would fit in a single wide-body, 350-seat MD-11 aircraft of the type flown today, with room left for some of the following year's passengers.

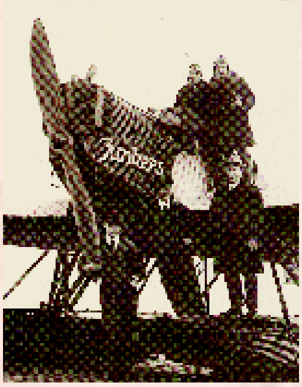
A REAL AIRPORT

Aero wanted land airports, but in a country of 60,000 lakes there was not much enthusiasm for building them. The first civilian airport was opened at Artukainen in Turku in September 1935. The opening of the Bromma Airport in Stockholm in May 1936 also increased pressure to build a similar facility in Helsinki.

Helsinki's Malmi Airport was inaugurated in May 1938, although flights were already using the facility in 1936. Aero's last seaplane flight from Katajanokka in Helsinki to Lindarängen in Stockholm was made in December 1936. From then on the fleet was equipped with wheels and Aero was at last operating on land. The fleet comprised Junkers 52/53s aircraft and Dragon Rapides.

A STATE-OWNED COMPANY

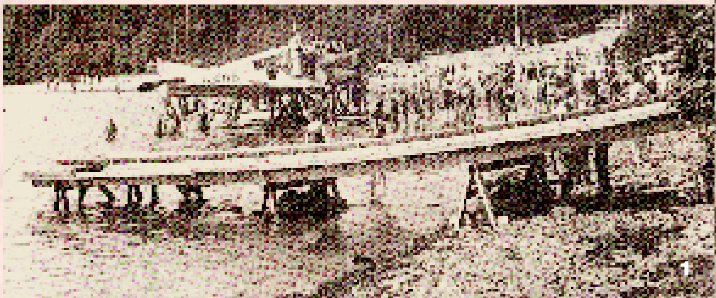
After the war, Aero entered a new era. It was obvious that a private company could not handle neither the substantial acquisitions of aircraft that would have to be made nor the rising costs of operations. In 1946, the Finnish Government obtained a majority holding in Aero. The remaining 30 per cent of the shares were divided between private shareholders, which were mainly companies. Share ownership changed little until Finnair shares were first quoted on the Helsinki Stock Exchange in 1989.



Aero´s first aircraft was a Junkers F13, D-335, "Regenpfeifer". Bruno Lucander (standing, right) and the pilots Hans Lindenberg (left) and Gunnar Lihr (right).

STEWARDESSES BRING SERVICE

The Douglas DC-3 became the new aircraft type after the war; hundreds of them were available from US Army surplus in Europe. As the DC-3 was the most modern aircraft available after the war, Aero made the same choice as many other airlines.



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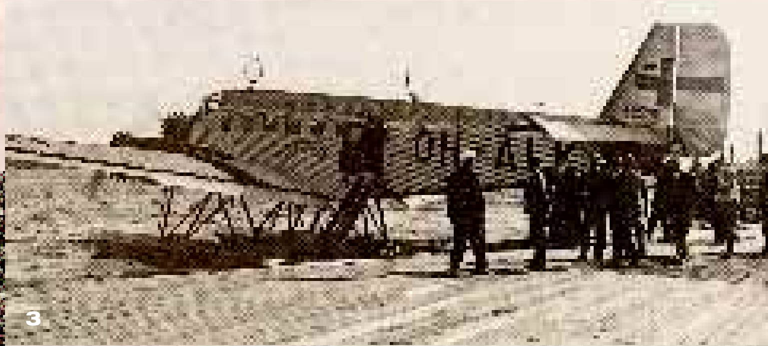

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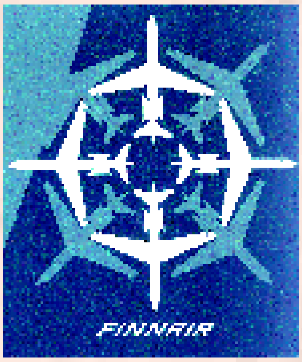

Picture describing air traffic with Caravelle jet aircraft in spring 1960.

Aircraft over the years:

1. Junkers F13, D-506, “Bergflik”, 1925.
2. Junkers F13, K-SALE, “Spatz”, 1928.
3. Junkers Ju 52/3m, OH-ALK, “Sampo”, 1932.
4. Junkers Ju 52/3m, OH-ALL, “Kaleva”, 1936
5. DC-3, OH-LCA, “Sotka”, 1946.
6. Convair 440-40, OH-LRF, 1957.
7. Caravelle, OH-LEA, “Sinilintu” 1960.
8. Super Caravelle, OH-LSE, “Lahti”, 1964.
9. DC-8-62CF, OH-LFR “Paavo Nurmi”, 1969.

In conjunction with inauguration of DC-3 service, Aero also began to use the name Finnish Air Lines on its aircraft. In June the Company’s first stewardesses began work. During the summer soft drinks were served. When the weather cooled, consommé and meat pies were included. By 1948 lunch consisted of frankfurters and potato salad.

When the Company celebrated its 25th anniversary in 1948 it had a total of 267 employees. These included 12 pilots, 11 co-pilots, 11 radio operators and 11 stewardesses. Nearly 61,000 passengers were carried.

1952 was a significant year for both Aero and all of Finland. The Helsinki Olympics boosted the number of passengers and in 1952 Aero carried more than 100,000 for the first time. The Company also obtained a new home base when Helsinki’s Seutula Airport was opened. Aero moved all its flights there in October.

PRESSURIZED CABINS

The Convair aircraft introduced in 1953 were the Company’s first to have pressurized cabins and a modern fuselage constructi-on, engines and systems. Aero began to use the name Finnair in its marketing during the spring of that year.

The Convair meant expansion of the number of destinations with scheduled service. In October 1953 service to Paris was inaugurated and in September 1954 to London. In February 1956, Finnair was the first western airline to start flights to Moscow after the war. The number of destinations with scheduled service in Finland also increased, and by 1957 the domestic route network was already one of the most comprehensive in Europe.

FINLAND ENTERS THE JET ERA

At the end of the 1950s, jet aircraft were still not widely used. The Caravelle was the first commercial aircraft equipped with jet engines and designed for short and medium-range flights. In the spring of 1960, Finnair was the first of the smaller airlines to enter the jet era and the first company in the world to operate jet aircraft with two men in the cockpit instead of three.

The Caravelle differed completely from Finnair’s previous aircraft. Its two Rolls-Royce jet engines propelled the aircraft at a speed of 800 kilometres per hour. The cabin was extremely quiet. The first-class menu varied daily and included wine. Cold meals were served in tourist class.

Finnair’s original version of the aircraft seated 16 in first class and 57 in tourist class. Service


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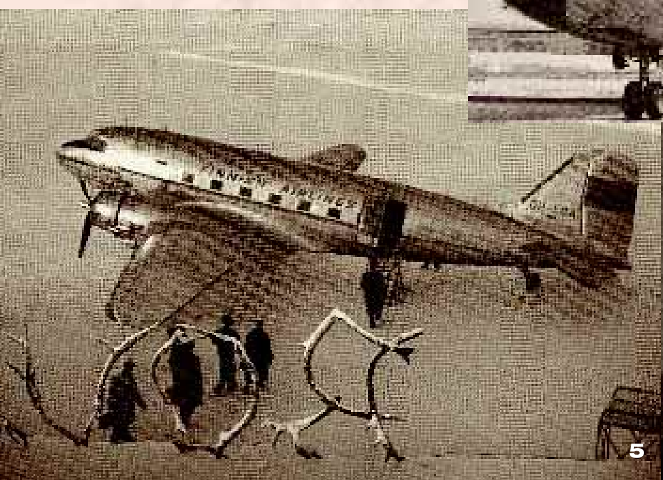
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to many European destinations was inaugurated with the aircraft.

CHARTER FLIGHTS TO THE SOUTH OF EUROPE

Caravelle aircraft provided Finnair with an opportunity to engage in charter traffic. At the end of the 1950s, the Company's charter operations were restricted by an IATA regulation that prohibited member companies from providing charter flights for tours.

In 1961 Finnair founded Polar-Air Oy to handle its charter flights and transferred these operations a year later to Karair, in which the Company acquired a holding entitling it to a majority of the votes. In spring 1962 Caravelles flew a series of charter flights to Tenerife, Palma de Mallorca and Rimini. Thus Finnair had brought its European traffic into the jet era. The Company was one of the first airlines to use jet aircraft in its European charter traffic.

NEW SECTORS AND SERVICE TO THE UNITED STATES

Super Caravelles entered service in August 1964. They were soon flying to Milan, Hamburg, Amsterdam, Paris, Stockholm, Frankfurt, Gothenburg, Copenhagen, Luxembourg, Barcelona and Malaga. By 1967, 95 per cent of the Company's scheduled traffic was handled with jet aircraft.

As air traffic increased, the Government began work on a new Helsinki Airport in autumn 1966. Seutula Airport was opened in spring 1969 and in 1977 the name was changed to Helsinki-Vantaa.

At the beginning of 1968, Finnair announced a new trademark and officially changed the Company's name to Finnair. It was also taking the big step over the Atlantic.

In January 1966, Finnair opened an office in New York. In November, two four-engine Douglas DC-8 aircraft were ordered. These passenger aircraft were designed for especially long-range service. In the version for scheduled traffic the first-class section carried 16 passengers and the tourist section 124. Flights from Helsinki via Copenhagen and Amsterdam to New York began in May 1969.

Finnair obtained its first wide-body aircraft, a DC-10-30, at the beginning of 1975. DC-10-30 service to North America began at the end of March. The first DC-9s had been flying on domestic routes since 1971.

TO THE FAR EAST

In 1983, Finnair was the first and only airline in the world to fly between Western Europe and Tokyo non-stop, with a DC-10 equipped with an extra fuel tank. The flight time was 13 hours, via the North Pole. In 1991 Finnair received the right to fly direct to Tokyo across Siberia. This shortened the one-way journey by about three hours.

In 1988, direct service between Helsinki and Beijing was inaugurated. This was the first non-stop connection by a Western European airline between Europe and China.

In December 1990, Finnair was the first airline in the world to take delivery of an MD-11 passenger aircraft and also the first in the world to start commercial flights with this type.

On December 7, 1995, the all-time number of passengers carried by Finnair reached 100 million.

SAFE AND PUNCTUAL

In the 1990s, Finnair has become known both for good service and as one of the world's safest and most punctual airlines. In 1997, Decanter, the world's most renowned wine publication, rated the wines served in Finnair's business class as the world's best. This award can be regarded as the best ever received by Finnair for its wines.

The American magazine Business Traveller rated Finnair's wine cellar as the best of any airline in July of the same year. Since 1979, the Company has had the right to use the Chaîne des Rôtisseurs shield, which is awarded only to top restaurants. This distinction was granted on the basis of the high standard of Finnair's meal service.

Today's international 'Euro-Finn' flies to 60 holiday destinations. Finnair's scheduled routes serve 45 destinations, of which the most distant are New York, Miami, San Francisco and Toronto in North America and Singapore and Bangkok in the Far East. Flights to Tokyo, Beijing and Osaka are flown non-stop, across Siberia.

In Finland, Finnair has 22 destinations. The network of routes in Finland is one of the most comprehensive in the world with respect to population density.

LIBERALIZATION AND INTERNATIONALIZATION OF AIR TRAFFIC

The past decade for Finnair has been one of internationalization and co-operation. Amendments to the EEA´s (European Economic Association) regulations in 1994 allowed airlines to carry passengers between intermediate and final destinations on international flights for the first time. Finnair has been one of the most active European airlines in making use of the opportunities provided by liberalization. Finnair has alliances with nearly twenty airlines, the most important of which is British Airways.

Building of the Stockholm hub has become an important factor in operations during recent years. Finnair already accounts for 25 per cent of the traffic at Stockholm's Arlanda Airport. Service is provided to 18 destinations from the capital of our western neighbour and there are 55 flights daily.

Helsinki-Vantaa Airport, Finnair's home base, is the best in Europe according to an IATA survey completed in 1998 and the second in the world after Singapore. Gateway travel via Helsinki has also made a significant contribution to Finnair operations in the 1990s.

The company logo has changed over the years.

ADDRESSES

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

FINNAIR OYJ SUBSIDIARIES

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

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

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

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

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

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

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

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

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

Malmilento Oy
Tietotie 11 A
FIN-01530 Vantaa, Finland
Telephone + 358 9 818 81
fax + 358 9 818 6803

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

Varkauden Matkatoimisto Oy
Ahlströminkatu 8
FIN-78250 Varkaus, Finland
telephone + 358 17 551 0511
fax + 358 17 551 0555

NORVISTA OFFICES

AMSTERDAM
Norvista B.V.
World Trade Center
Schiphol Boulevard 185
1118 BG Schiphol Airport
telephone +31 20 316 4023
fax +31 20 316 4030

DUBLIN
Norvista
Main Terminal, Arrivals Hall,
Dublin Airport, Dublin
telephone + 353 1 844 6565
fax + 353 1 844 6557

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

LONDON
Norvista
227 Regent Street
London W1R 8PD
telephone +44 171 409 7333
fax +44 171 409 0553 or 408 0932

MILAN
Norvista Srl
Via Larga 2
I-20122 Milan
telephone +39 2 8901 0294,-95
fax +39 2 8901 0297

MOSCOW
ZAO Norvista
Myasnitskaya 35
10100 Moscow
telephone + 7 095 204 1630
fax + 7 095 204 1380

NEW YORK
Norvista Inc.
228 East 45th Street
New York, NY 10017
telephone + 1 212 818 1198
fax + 1 212 818 0585

PARIS
Norvista
19 Rue de Choiseul
F-75002 Paris
telephone + 33 1 49 24 0597
fax + 33 1 40 17 0500

RIGA
Norvista
Kr.Barona 13/15, Astrides House
LV-1011 Riga
telephone + 371 7 217617
fax + 371 7 287977

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

ST. PETERSBURG
ZAO Norvista
Ul.Kazanskaya 44 (former ul. Plekhanova)
190031 St. Petersburg
telephone + 7 812 326 1850,-1856,-1857
fax + 7 812 326 1858

TALLINN
Estravel AS
BOX 3727 (Suur-Karja 15)
EE-0090 Tallinn
telephone +372 6 266 200
fax + 372 6 266 202

TORONTO
Norvista Ltd
20 York Mills Road, Suite 402
Toronto, North York, ON M2P2C2
telephone + 1 416 222 0740
fax + 1 416 222 5004

VILNIUS
Norvista
2 Gediminas Street
LT-2000 Vilnius
telephone + 370 2 225 803
fax + 370 2 225 810

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