Annual report 2000

FINNAIR

Contents

Information for shareholders

Annual General Meeting

The Annual General Meeting of Finnair will take place on April 19th 2001 at 3 o'clock p.m. at Helsingin Messukeskus, Messuaukio 1, congress entrance, hall C1.

Notice of attendance at the Annual General Meeting must be made by April 17th 2001 at the latest at 3 o'clock p.m., either in writing to Finnair Oyj, Pääkassa ACA/14, 01053 FINNAIR, by telephone to +358 (0)9 818 4945 and +358 (0)9 818 4946 or by e-mail to elina.haapamaki @finnair.com.

Shareholders are entitled to attend the AGM if they were registered with the Finnish Central Securities Depository Ltd (APK) by April 9th 2001 at the latest. Any shareholder is entitled to attend the Annual General Meeting who is entered in the register of shareholders kept by the Finnish Central Securities Depository Ltd on April 9th 2001, or who is a holder of shares entered in the administrative register, who on the aforementioned date is temporarily entered in the register of shareholders in the manner specified in section 3a, § 11 a of the Companies Act. 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 register of shareholders before June 11th 1993. In this case, the shareholder must present their share certificates at the AGM, or provide an explanation of why their shareholding rights have not yet been transferred to the book-entry system.

Dividend proposal

The Board of Directors of Finnair will propose to the Annual General Meeting that a dividend of 0,40 euros per share be paid to shareholders for the financial year ending on December 31 2000. The dividend will be paid on May 2nd 2001 to those shareholders who were registered in the Company's register of shareholders on the reference date of April 24th 2001.

Financial information

The Annual General Meeting of August 24th 2000 decided that in future Finnair's financial year should coincide with the calendar year. The Company will publish the following financial reports in 2001:

January - March interim report	22 May 2001
January - June interim report	23 Aug. 2001
January - September interim report	22 Nov. 2001

To order the Annual Report and other publications

The Annual Report is published in Finnish and English. To order, tel. +358 (0)9 818 4921, fax +358 (0)9 818 4090.

The Annual Report, interim reports and Stock Exchange bulletins are also available on the company's web site at **www.finnair.com**

Change of address

Shareholders are kindly requested to report any changes of address to the Finnish Central Securities Depository Ltd. where shareholders' book-entry accounts are kept.

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Salient events of the financial year

Finnair achieved its operational goals for 2000, becoming Europe's best airline for service and punctuality.

Finnair announces foundation of its new airline in Estonia. A licence for flight operations has been applied for in the name of Aero. Application for registration for the Aero Airlines AS limited company has been lodged with the Estonian Authorities.

Finnair Group's financial management and management structure are reorganized. From the beginning of 2001 operations are to be divided into six business divisions, in order to promote clarity and improve benchmarking and transparency of operations.

Finnair develops eGate in cooperation with SysOpen. The system is intended to enable automatic check-in.

Finnair and Amadeus set up a joint Internet travel agency in Finland. The travel agency is to begin operating in 2001.

The Annual General Meeting agrees to change the financial year to match the calendar year from 2001.

Finnair is awarded as the "Best Cellar in the Sky." For the third time, Finnair's wine cellar is chosen as the best for an airline, by America's Business Traveller magazine.

Finnair places a further order for six Airbus A320 type aircraft, to be delivered between February 2002 and February 2003. Three Airbus aeroplanes were delivered to the company during the financial year.

Sonera and Finnair agree on cooperation on developing wireless travel services, such as check-in and seat reservation via mobile text message.

Finnair unveils its revamped trademark, designed to express safety, reliability, Finnishness and freshness.

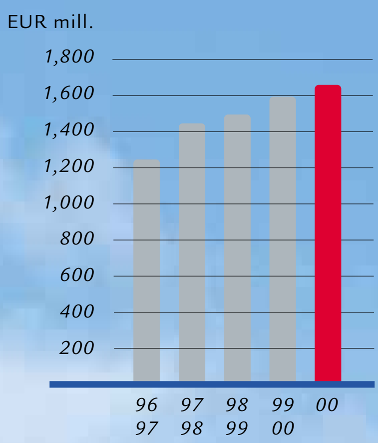
Finnmatkat is sold to the Fritidsresor group. Finnair and the purchaser sign a long term leisure flight agreement.

Finnair sells six MD-80 aircraft, three of which are leased back for the company's own use for the next few years.

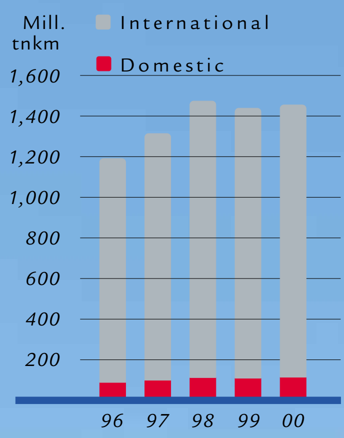
Finnair sets up Online Travel Portal Ltd, an Internet based travel agency, in collaboration with eight other European airlines.

Finnair inaugurates the oneworld Mobile Competence Center in Helsinki.

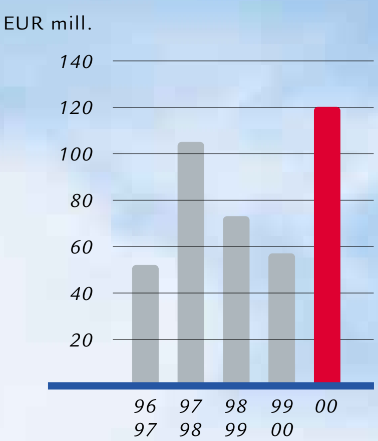
Turnover



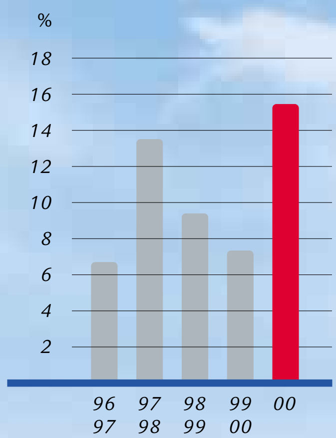
Revenue tonne kilometres



Profit before extraordinary items and taxes



Return on capital employed



Finnair Group key figures

		2000*	1999/2000	1998/99	1997/98	1996/97
Turnover	EUR Mill.	1 658	1 593	1 494	1 445	1245
Operating profit	EUR Mill.	111	50	72	102	55
Operating profit to turnover	%	6.7	3.1	4.8	7.1	4.4
Profit before extraordinary items and taxes	EUR Mill.	120	57	73	105	52
Earnings/share	Euro	0.95	0.37	0.65	1.03	0.42
Equity/share	Euro	7.60	6.81	6.36	6.61	5.79
Gross capital expenditure	EUR Mill.	247	252	220	148	177
Interest bearing net debt	EUR Mill.	74	112	23	-29	47
Equity ratio	%	42.6	42.1	44.4	46.5	42.9
Net debt-to-equity (Gearing)	%	11.5	19.4	4.3	-5.4	9.9
Return on capital employed	%	15.3	9.1	11.7	15.9	9.4
Average number of staff		11 051	11 462	11 264	10 706	10 533

*proforma figures year 2000

Finnair in brief

Most experienced in Northern Skies
Finnair's vision is to be the leading service brand specializing in air traffic and related services in Northern Europe.

Superior quality
Finnair's aim is to provide the most highly regarded quality of travel related services, which are operationally the best in Europe and which are the most desirable choice for the customer.

Market leader
Finnair is the market leader in air transport out of and into Finland as well as in the gateway traffic through Finland. Other units of the Group offer flight and travel related services.

Values
The values that guide Finnair's operations always put the customer first. Our priorities are constant development, honesty, openness, willingness to take responsibility, fairness and respect for others.

Profitable growth
Finnair's business objective is to achieve profitable growth, market leadership in air traffic into and out of Finland and a stronger position in the growing northern European travel market.

Competition strategy
Finnair's competition strategy is based on its high quality of service, its status as one of the most punctual airlines in the industry and its comprehensive, continually expanding route network via its alliance partnerships. Finnair is safeguarding its strong competitive position by increasing its route connexions, by making effective use of various distribution channels and by developing its services.

Capable partner
Finnair is determined to be a capable and active partner that provides added value for its associates.

Finnair is an expert on the Nordic dimension within the **one**world alliance. It is the aim of Finnair to consolidate its position by being a pioneer as well as a developer and user of new technology, as well as being a beneficiary of the synergies offered by the alliance.

Finnair is actively acquiring new cooperation partners in order to ensure constant development and to achieve a high standard and expanding supply of services.

Preferred choice
Finnair's aim is to be the most desirable, reliable and friendly choice for its customers. Finnair is systematically developing its service concepts on the basis of feedback from its customers. New technology enables us to provide an increasingly personal and comprehensive service for our clients.

Professional personnel
A professionally skilled, motivated and committed work force is an asset that Finnair values highly. We actively work to promote job satisfaction as well as staff capabilities in a rapidly changing work environment. A management culture of reward underpins our personnel strategy.

Environmental strategy
A responsible and open environmental policy is a permanent feature of the company's way of doing business. We pay active attention to the most pressing environmental challenges, which are aircraft noise, engine emissions and waste management.

Dividend policy
It is the aim of Finnair's dividend policy to pay on average at least one third of the earnings per share as dividend during an economic cycle. We try to take into account the company's profit trends and earnings outlook as well as its financial situation and capital requirements for any given period.

Adaptation brings a good result

In terms of both earnings and operations the financial year just ended has been a success. Our customers rank Finnair's products and services as the best in Europe, while since the autumn of 1999 our earnings trend has been consistently positive.

In line with its strategy, Finnair concentrated during the financial year on making far reaching structural and operational changes. For us the year 2000 was one of adaptation, during which we succeeded in cutting back operational expenses and turning around our profit trends to show a clear rise, despite the considerable increase in fuel costs. What was decisive was that we adjusted our output to correspond to healthy demand.

Our final accounts demonstrate that our strategic direction has been both correct and unavoidable. Our operating profit increased compared with the previous corresponding period, and given the circumstances we can regard the profit as a good one.

New Structure Brings Efficiency

Finnair's goal is to make its operations more effective, so as to meet the expectations of its clients, its owners and its staff. The new Group organization and financial management model will afford us better opportunities for developing and expanding our business operations, either through our own resources or in cooperation with strategic partners. The new business areas consist of business units and subsidiaries which have their own business logic, goals and remuneration principles. Profit responsibility goes deeper within the organization, which makes for better benchmarking and transparency.

Besides financial responsibility, the challenge has been to develop a system of seamless cooperation between the business divisions. The objective is to ensure flexible operating processes whilst cutting out those activities which don't bring added value, by the end of the current financial year. We already prepared for this last year by sifting through all our internal operating methods. The aim is to create and develop those growth areas that can build earnings growth and increased value for the Group.

A Capable Pioneer

During the financial year we have successfully continued to develop travel related electronic services and solutions. Finnair is an active pioneer in exploiting new technologies and we are constantly developing new services for the market. The eFinnair idea is reflected in all our activities by reinforcing our service image and adding to customer satisfaction.

We have done a great deal of work in keeping with Finnair's strategy and defined those objectives and areas in which we want to be the best and in which we intend to invest. Finnair wishes to be the most highly esteemed airline for its quality and the most desired choice as a supplier of travel related services. In this we were highly successful during the past financial year. In a joint study of customer satisfaction among European airlines we emerged for the first time as number one, and yet again as the most punctual airline in Europe. In a study published in early 2001, Finnair was rated as the best service brand on the Finnish market. This acknowledgement shows that we are moving in the right direction and motivates our personnel to further improve our customer service.

During the financial year our reforms also extended to the brand, and as part of our brand overhaul we updated our visual appearance and our logo. Safety, reliability, Finnishness and freshness are the key, distinguishing factors which research has shown are what both our Finnish and international customers appreciate in our service.

Finnair has become firmly established as a high quality northern European airline, which, because of both its expertise and its status, is a desired partner. For Finnair's operations, alliance co-operation mean better customer service, cost savings and a worldwide profile.

A Year of Organic Growth

Cost pressures in the airline environment are continuing to increase and the Company's attention is focusing ever more rigorously on profitability. In this respect, Finnair has been a pioneer and direction indicator for many other airlines. Our aim is to be better than our chief competitors in terms of operating costs. Our capacity utilization is still exceptionally low and we can go a long way in using present resources to exploit our growth opportunities.

Finnair will continue on its chosen strategic path in 2001 and will invest in profitable growth. We believe the trend in demand will continue as before and that business travel in particular will increase. The benefits of our new operating model will already begin to show during this financial year.

The extensive programme of investment in new equipment will increase and the fleet overhaul will reinforce our image as a high quality airline. We are planning significant volume growth in our long distance traffic for 2002. The boost in our capacity will also allow us to make daily flights to key destinations in the Far East and Asia, which will be a useful service for business passengers.

Our Finnair staff are extremely willing to do their best and they have the ability to improve Finnair's operations. They are determined to work for the better service of our customers and to keep costs in check. The structural overhaul has required constant renewal and extra effort and I certainly wish to express my warmest thanks to our staff for their excellent work.

Keijo Suila

New financial administration and management structure promotes development

The Finnair development project is designed to ensure constant improvement in the company's competitiveness, productivity and profitability. The project aims at achieving a EUR 100 million profit after financial items for the 2002 financial year. The overhaul of Finnair's organizational structure will make the company more responsive to change, improve transparency and allow for more flexible and efficient operations in a shifting competitive environment. The other major development project of the financial year concentrated on cost management and safeguarding our competitive ability.

The new management structure

During 2000 Finnair's structural development project (FIRA) was completed, the purpose of which was to clarify the company's structures and profit responsibilities and improve transparency and operational benchmarking as well as management and monitoring of operations. FIRA consisted of 11 business-unit specific projects in which all the activities of each unit were reviewed.

The result of FIRA's preparatory work was to create a new organizational structure for the Group which came into effect at the beginning of 2001. It was approved by the Finnair Board of Directors and the Supervisory Board in November 2000. The centralized organization based on operations was dismantled and organizational hierarchies were pruned out. Operations were divided up into six business areas along with their business units and subsidiaries.

The new business areas are Scheduled Passenger Traffic, Leisure Traffic, Cargo, Aviation Services, Travel Services and Support Services. In the new financial year some of Finnair's activities will be carried out by the new subsidiaries, which are Finnair Cargo Oy, Finnair Catering Oy and Finnair Facilities Management Oy.

The Group's property assets, management and maintenance of properties related to operational activities, and office services are concentrated under the Finnair Facilities Management company, which belongs to the Support Services business area. Functions that serve the Group's business activities, such as data administration and various financial and staff management services, also come under the Support Services division.

Financial management and profit responsibility for the business areas

Finnair's new organization and the de-centralization of its financial administration will promote the growth and internationalization of the company over the long term. The business areas will be managed as their own entities and will have their own objectives. Each business unit will also have its own business strategy, management team and its own remuneration principles.

It will become simpler to compare operations and it will be easier to identify various areas for development. In future it will be possible to calculate operational profit and return on capital employed for each business area and each business unit, because each unit will be responsible for the capital invested in its operations as well as for the return on it.

In order to monitor true profitability we are developing accounting systems and placing accounting responsibility with the business units. The activities of each business area will be assessed according to the yardsticks appropriate to it.

Cost management

Effective cost management will be necessary in order to ensure future profitability and growth. It is part of Finnair's strategy to ensure that those measures which improve cost-effectiveness are not allowed to impair the company's standard of service or punctuality, in both of which Finnair has achieved the number one position in Europe.

Last year, Finnair continued with the FinSmart programme, which is a major development project designed to improve cost management and ensure competitiveness. Last year, special attention was paid to pruning out unprofitable routes and improving yield on passenger seats, as well as personnel cost management.

Our route network strategy was successful in cutting available flights by five per cent, which improved yield and overall profitability. As a result of the projects undertaken, Finnair's staff costs fell last year.

There are almost a hundred projects aimed at improving the Group's operations. The purpose of these projects is to make the business units' responsibilities clearer and to enhance transparency. Some of these projects have already been concluded, whilst some will be completed in 2002 at the latest.

Development prospects for 2001

The new financial management and administrational structure lays the groundwork for overhauling the business areas this year. The areas have drawn up business plans and budgets for this year in accordance with the new structure, and Finnair will be concentrating on phasing in these new structures and systems. Staff will be given extensive training to be able to respond to the new tasks and objectives.

Two important new development projects will be initiated in 2001. The creation of a personnel data system will improve both skill management and leadership at Finnair and the business areas. By developing corporate security we shall improve occupational safety at Finnair as well as centralizing fire, environmental and data security.

The primary development projects of 2000

Development of corporate identity, customer strategies, services and distribution channels.

Development of operations and improvement of profitability.

Development of capacity management and network structure.

Development of Group structure and organization.

Development of corporate culture and incentive and remuneration systems.

THE NEW BUSINESS AREAS FROM JANUARY 1ST 2001

Business Area	Units and companies belonging to the area	Activities and responsibilities	Turnover and number of staff
Scheduled Passenger Traffic **Director in charge** **Henrik Arle**	• Scheduled Passenger Traffic • Feeder Traffic • Aero Airlines AS • Malmilento Oy	• Domestic and international scheduled flights • Route planning, product development, marketing and cooperation with other airlines	Turnover about EUR 1,170 million Number of staff 3,650
Leisure Traffic **Director in charge** **Mauri Annala**	• Leisure Flights • Oy Aurinkomatkat-Suntours Ltd Ab	• Flight sales to package tour operators belonging to the Group and to other international travel chains • Package tour operations	Turnover about EUR 310 million Number of staff approx. 350
Cargo **Director in charge** **Mikko Kuntola**	• Finnair Cargo Oy	• Makes use of Finnair's route network, leisure traffic and Helsinki's Gateway status for the purpose of cargo transport	Turnover about EUR 125 million Number of staff approx. 400
Aviation Services **Directors in charge** **Jarmo Vilenius** **(Technical Services)** **Kari Palomäki** **(Ground Operations)**	• Finnair Technical Services • Finnair Ground Handling • Finnair Catering Oy • Finncatering Oy	• Sale of aircraft maintenance services and ground handling services, catering, and retail and wholesale activities	Turnover about EUR 500 million Number of staff approx. 4,700

Business Area	Units and companies belonging to the area	Activities and responsibilities	Turnover and number of staff
Travel Services **Director in charge** **Mauri Annala**	• Finland Travel Bureau Ltd. (SMT) • Area Travel Agency Ltd. • Amadeus Finland Oy • Kuopion Matkatoimisto Oy • Varkauden Matkatoimisto Oy • Mikkelin Matkatoimisto Oy • Norvista chain	• Travel agency services, booking and data management systems and related training and back-up services	Turnover about EUR 110 million Number of staff approx. 1,500
Support Services managed by Group Administration	• Data management • Personnel and Financial Services Centre • Finnair Travel Services Oy • Finnair Facilities Management Oy	• Data management, financial and human resources services • Group properties management and maintenance of properties related to operational activities and office services	Turnover about EUR 85 million Number of staff approx. 450
Group Administration **Directors in charge** **Eero Ahola** **(Group strategic planning and development of e-commerce)** **Tero Palatsi** **(Personnel and Administration and Human Resources)** **Petri Pentti** **(Economics and Finance)**		• Strategic planning, financial administration, personnel matters, risk management, legal affairs and communications	Number of staff approx. 70

Alliances boost competitiveness

As the global economy expands, so air travel increases. Heavier air traffic and congested air space raise costs for all airlines. Alliances make available the kinds of services and network which no airline can provide alone although the demand for these is growing worldwide. By belonging to the **one***world alliance, Finnair enhances its opportunities for providing even better service for its customers.*

The volume of air traffic has grown worldwide at an average rate of 4% a year. The most powerful volume growth has been in those areas where the economy has also grown strongly. In future, growth will be greatest in traffic within Asia and between Europe and Asia.

Annual volume growth within North America and Europe has been 2–3%, whereas in Asia it has been as much as 4–6%.

Finnair invests especially in Asia

The most powerful growth region for Finnair at the moment is Asia, as result of the continent's economic growth and increased business travel. Finnair has increased the number of weekly flights to the most popular destinations of Beijing and Bangkok and stopped the low-profit route to Osaka.

The Baltic region offers a small but rapidly burgeoning market for air traffic. Helsinki is a popular changeover point for travellers from the Baltic countries, especially from Estonia to North America and Europe. Finnair will develop its Baltic services both for onward-bound and local passengers.

Air traffic costs are rising

Fuel prices have added to the cost of flying. Airlines have to some extent succeeded in hedging against general price increases by resorting to the futures market. Official tariffs and airport fees are also increasing around the world.

An EU Commission ruling came into effect in 2001 by which traffic fees are to be the same for both domestic and international flights. As a result of this, such fees will rise in Finland, which will be directly reflected in the price of a domestic airline ticket.

Finnair has been able to adjust to the higher level of costs, which is evident from the fact that revenues from flight operations have grown faster than costs.

Towards a common European airspace

The joint Association of European Airlines, AEA, has long campaigned to unite the fragmented national air traffic management organizations of Europe into a single, extensive entity that extends beyond national borders. Air traffic control would thus be a matter of pan European cooperation, and it should be better able to deal with air traffic congestion. Eurocontrol, which Finland joined on January 1st 2001, is managing this unification process.

European air traffic development is also hampered by takeoff and landing restrictions at congested airports. The EU Commission has considered changing the takeoff and landing regulations so that airlines can trade amongst themselves for these slots. However, despite the fact that slots would be reserved for small and medium-sized airlines, this solution would probably penalize these very companies.

We shall, however, partially overcome flight path congestion only when navigation technology makes it possible for, and the EU permits, us to fly more directly above the present air lanes.

Alliances in Finnair's strategy

Alliances are becoming an important factor in airline operations. Finnair forged its first alliance as far back as 1924 when it still worked under the name of Aero O/Y.

Finnair joined the **one**world alliance on September 1st 1999. Global alliances such as **one**world are permanent entities, even though airlines may come and go within them. Membership is important, however, if we are to provide a comprehensive service. Indeed, belonging to alliances is an important business strategy option for Finnair.

Customers benefit from oneworld

oneworld is a worldwide alliance of airlines. There are 31 airlines in the **one**world alliance, of which eight, including their 23 subsidiaries, are full members, working together to offer their customers an ever better array of services. The **one**world alliance network covers 565 destinations in 133 countries. It offers special packages for passengers at reduced prices, such as round-the-world trips. Passengers need only check in once when they fly with one of the alliance's airlines, even if they have to change planes on the way. Key customer schemes are also linked to the alliance, so Finnair Plus members can earn points when they fly on any airline belonging to **one**world, for example.

Membership of **one**world brings numerous benefits to Finnair. It provides the company with worldwide exposure through advertising and expands our markets. Through the alliance Finnair is able to offer customers the kinds of services which we would be unable to provide alone. Joint purchases can be made within **one**world so as to reduce costs. The alliance operates according to Best Practice principles, so that we work together to find the best working methods. This enables the members to learn from one another and find the expertise within the alliance to improve their operations.

The oneworld Mobile Competence Center is set up in Finland

As an exploiter of and pioneer in new technologies, Finnair is able to bring its own special expertise to the alliance. The **one**world Mobile Competence Center has been set up in Helsinki in order to take care of the development of wireless operations within **one**world. The Center was founded in Finland because of the country's extensive technological prowess in this area.

This year the alliance has set up the **one**world Management Company in Canada with a mandate to improve **one**world's operations. The company's personnel are responsible for the various sub-sectors of **one**world operations. Maunu von Lueders has been appointed the first director of **one**world from Finland and Finnair, from March 1st 2001.

Code share augments the alliance

Finnair has a total of eight code share partners outside the **one**world alliance. The most important of these are Swissair and Sabena. In principle, the purpose and benefits of code share cooperation, which is restricted to certain routes, are the same as with the alliances, both for passengers and the airlines.

oneworld

oneworld serves globally

Destinations	566
Countries	133
Passengers	200 million
Revenue passenger kilometres (mill.)	462 133
Lounges more than	340
Employees	274 000
Fleet	1 847

oneworld companies

Aer Lingus
American Airlines
British Airways
Cathay Pacific
Finnair
Iberia
LanChile
Qantas

Other partners

Air China
Air Littoral
Crossair
Deutsche BA
Golden Air
Lithuanian Airlines
LOT Polish Airlines
Luxair
Sabena
Swissair
TAP Air Portugal

DESTINATIONS

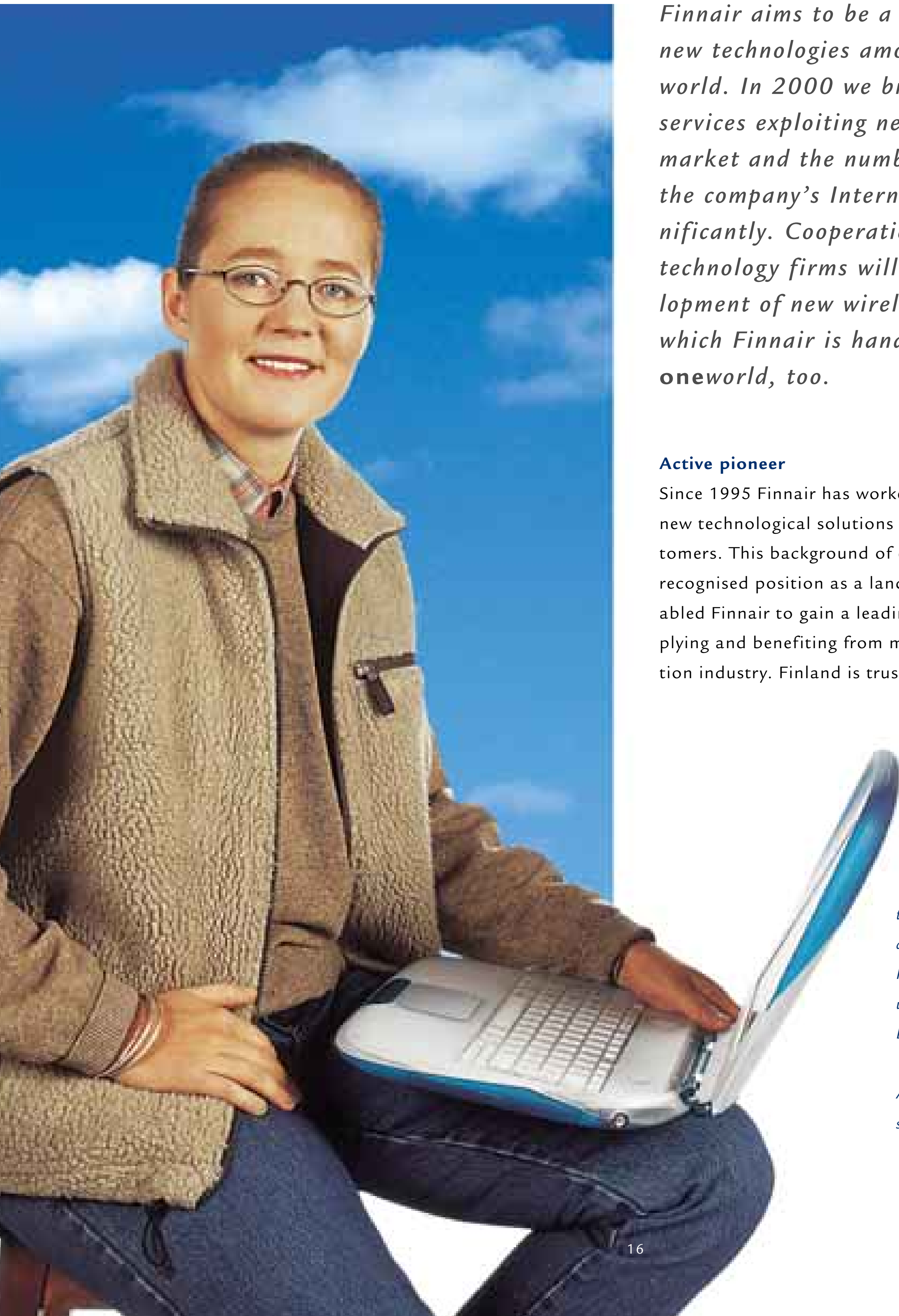
International destinations

Amsterdam
Bangkok
Barcelona
Beijing
Berlin
Brussels
Budapest
Copenhagen
Dublin
Düsseldorf
Frankfurt
Gothenburg
Hamburg
Lakselv
London
Madrid
Manchester
Milan
Moscow
Murmansk
Munich
New York
Oslo
Paris
Prague
Riga
Singapore
Stockholm
St. Petersburg
Tallinn
Tokyo
Toronto
Vienna
Vilnius
Warsaw
Zürich

Domestic destinations

Enontekiö
Helsinki
Ivalo
Joensuu
Jyväskylä
Kajaani
Kemi
Kittilä
Kokkola
Kuopio
Kuusamo
Lappeenranta
Mariehamn
Oulu
Pietarsaari
Rovaniemi
Tampere
Turku
Vaasa

A FRONT RANK AIRLINE WITH NEW TECHNOLOGY



Finnair aims to be a leading exploiter of new technologies among the airlines of the world. In 2000 we brought a number of services exploiting new technologies to market and the number of people using the company's Internet services grew significantly. Cooperation with prestigious technology firms will speed up the development of new wireless services, an area which Finnair is handling on behalf of **one***world, too.*

Active pioneer

Since 1995 Finnair has worked actively to make use of new technological solutions for the service of its customers. This background of experience and Finland's recognised position as a land of high technology have enabled Finnair to gain a leading position in developing, applying and benefiting from mobile solutions for the aviation industry. Finland is trusted as a pioneer within

"I fly between Kuusamo and Helsinki three times a week. Last autumn during check-in they told me about Finnair's ticketless flights, and now I usually fly ticket-free," says Managing Director Miia Porkkala of Ruka Center. "The ticketless flight is really handy. All I have to do is book on the net and show my Plus card at the gate."

oneworld and in fact it is responsible for the wireless web commerce project on behalf of the alliance.

New technology makes clear cost savings possible, allowing us to prune out superfluous labour stages and equipment from our customer services. In addition, new direct sales channel applications will generate extra sales, whilst unsold seats can be marketed actively, for example. Furthermore, new technology above all makes things easier and faster for the customer, which enhances customer loyalty and Finnair's competitive edge.

Rapid development

The number of people using Finnair's Internet services grew considerably during 2000. By the end of the year there were almost 100,000 visitors a week to the Finnair site. This growth stemmed from the introduction of new services for different target groups, such as the Internet ticket office (www.finnair.com/reservations), Ticketless Flights and the new Finnair Plus extranet services. During the financial year Finnair signed several cooperation agreements with major technology companies for the development of new services. Among these new partners are SysOpen and TietoEnator.

Finnair's goal is to achieve more than EUR 30 million in turnover via internet based channels in 2001. We shall be increasing personalized services aimed at particular target groups during the financial year. In collaboration with our partners we shall be bringing new travel booking, check-in and electronic travel related services to the market.

1999

MultiFLYe
Electronic serial ticket for business users

WAP services
Finnair becomes world's first airline to introduce WAP services

2000

www.finnair.fi/akkilahdot
Last-minute flight sales by Internet

Ticketless Flights
A Finnair Plus card, credit card or ID card with photo is all you need

Wireless LAN connexion for lounges
Wireless Internet connexion at Helsinki-Vantaa airport and Stockholm

Flight up-dates by mobile phone
The Zed TravelT service reduces queuing times at the airport

Paperless travel
Electronic travel booking, travel and travel-expense management

Automatic check-in
eGate speeds up check-in for account customers

Coming soon

The Electronic Travel Agency
Connexions all around the world from this travel portal set up by nine airlines

Virtual Travel Agency for Finland
All the services of a travel agency on the Internet

Check in by mobile phone
even before you arrive at the airport

Wireless Seat Reservation
Choose your seat by mobile phone

Personalized services during the flight
Order special services for your own personal comfort

Internet-type services during the flight

In-flight Office Services
Separate cabin area for office use

Finnair is making flying easier, quicker and more enjoyable.

Finnair cares for the environment in everything it does

Finnair adheres strictly to its environmental principles, which are: we anticipate events, we acknowledge effects on the environment, we openly supply information, we obey regulations and commitments.

Finnair's environmental policy is being constantly updated to respond to the requirements set for environmental activities. We invest in environmental protection, favouring the best technologies for the environment, taking into account safety, economic and occupational safety factors.

We closely follow industry developments when planning our environmental activities. Finnair is actively involved in the environmental bodies of the Association of European Airlines (AEA) and the international organization IATA. Staff are given environmental training alongside their other training.

Regular, continual reporting

A number of Finnair operations are subject to authorization as regards environmental protection and we send reports on these regularly and precisely to the environmental authorities. Among the operations requiring permits are those which generate solvent emissions and hazardous waste in the workshops and surface coatings for aircraft parts. Finnair reports on its emissions annually, in environmental reports and environmental bulletins.

Environmental activities enhanced

Finnair has improved its environmental efficiency by replacing its medium range MD-80 aircraft with those of the Airbus 320 type. In choosing the engines for the Airbus 320s, Finnair has committed itself to low nitrogen-dioxide technology. This will have a beneficial effect on air quality particularly in the vicinity of Helsinki-Vantaa Airport during hours of peak congestion.

Finnair completed an EU funded research and development project on heavy metals in collaboration with several of the industry's research institutes. The results of the project were used in the development of waste water treatment processes in the aircraft basic maintenance hangar and the surface coating shop.

Finnair improved the handling of Catering division waste during the financial year. Special waste collecting trolleys were introduced extensively in passenger cabins, which make effective sorting possible. In addition Finnair has made a more thorough chart of waste streams from the technical areas.

During the financial year the Finnair technical department drew up an operating manual detailing instructions, procedures and organizations in the event of a major accident, as required by the centre for chemical regulations and safety measures.

Maintenance in line with sustainable development

Our aircraft have been subject to an abnormal amount of painting as a result of changes in the Finnair livery. However, we have managed to keep any increase in solvent emissions to a reasonable level by timing repainting to coincide with major servicing, when they would have been repainted anyway.

Finnair keeps equipment and parts in working order for as long as possible with careful, pre-emptive servicing. We can thus keep costs low over the whole life-span whilst sparing the environment. We also pay attention to the energy "balance sheet" of aircraft and their equipment, the maintenance processes and their environmental considerations.

Tightening environmental legislation

Our operations are subject to increasingly stringent environmental legislation. In 1996 a 20% reduction was agreed for aircraft nitrogen dioxide emissions, and a further tightening of 16% was agreed in 1998. This will come into force for the first production versions of new engine types after December 31, 2003. In addition, Finnair is closely following developments in local and regional environmental requirements in order to be able to predict their effects on its own activities.

Finnair's primary environmental activities

Performance-related reduction of emissions and noise through fleet renewal

Reduction of emissions by staying on schedule

Development of environmentally economical cost accounting

Implementation of environmental management system ISO 14001 in the company's technical facilities

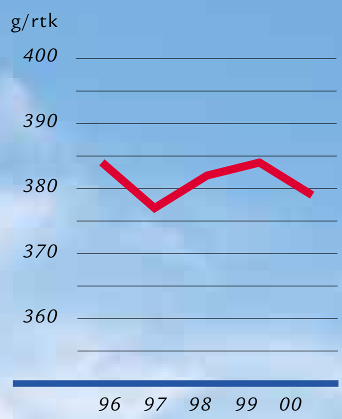
Plotting of waste water and solvent emissions and waste quantities for the purposes of environmental permit renewal

Improvement of electronic waste collection and recycling to meet future requirements

Drawing up a "balance sheet" for cadmium levels in waste water

More comprehensive charting of environmental risks

The ratio of fuel consumption to revenue tonne kilometres



The ratio of nitrogen oxides to revenue tonne kilometres

Staff take part in finnair improvements

The change in Finnair's structure to an organization based on business units has also altered the job profiles of many of its staff, as well as the working methods of the units. Staff are being trained in various ways to meet the demands of the new organization.

Numerous staff projects were carried out at Finnair during the financial year. The process of improving the corporate culture which began in 1998 reached the stage where its values were adopted as part of the everyday working life of Finnair staff.

Internal communications were improved and overhauled during the financial year. Also during the year we developed new ways of working to make for better interaction, such as the CEO's online debates on the intranet.

The challenge for 2001 is to overhaul the personnel strategy to correspond to the new organizational structure and working methods. The Group's administration will be cut back by setting up a special centre consisting of the personnel and financial functions to serve the various units of Finnair. In addition we shall set up an integrated staff data base to aid with recruiting, training and development.

Training

In line with the changeover to a business-unit type organization, a financial education programme is to be targeted at the staff. The training began in February 2001 with supervisors and will later be extended to other personnel with profit responsibilities.

Brand training for Finnair's new corporate image and brand values began in December 2000. The purpose of this training is to get every Finnair staff member who deals with customers to embrace and and put into effect our core brand values in their own work. These core brand values have been defined as safety, reliability, Finnishness and freshness.

One of the most important of the new Finnair training projects is the Sky School, which is aimed at promising future managers. The goal of this course, which lasts for more than a year, is to train some 150-200 Finnair staffers over a five year period. Trainees are tutored in such subjects as strategic and economic thinking and customer strategies and they are also given a thorough grounding in the Finnair operating environment.

The staff bonus systems

There are two different bonus systems in operation at Finnair. The entire staff apart from the management board members are covered by the profit bonus scheme, and the amount of money paid into the personnel fund depends on the company's profits, the return on employed capital and staff costs in relation to turnover. The fulfilment of each of these criteria earns one third of the payable profit bonus. The profit bonus is the same size for all employees.

In addition to the profit bonus scheme there is also an incentive bonus scheme, with rewards for staying within budget, punctuality, capacity utilization, unit revenue and development discussions. The incentive bonus scheme will be further developed to motivate and reward staff for achieving the goals entailed in the new organizational structure.

During the financial year Finnair set up a share option scheme designed to encourage key personnel and ensure their commitment to the Finnair Group.

Maintaining job capability

The well-being of the staff plays an important role in the quality of Finnair's activities. The staff welfare programme is designed to prevent job disability and eliminate sick leave and accidents.

A cornerstone of the welfare programme is a health survey which assesses an employee's current job capability and the factors affecting it. A personal occupational health programme is drawn up for every staff member, covering exercise, living habits and where necessary, any rehabilitation measures.

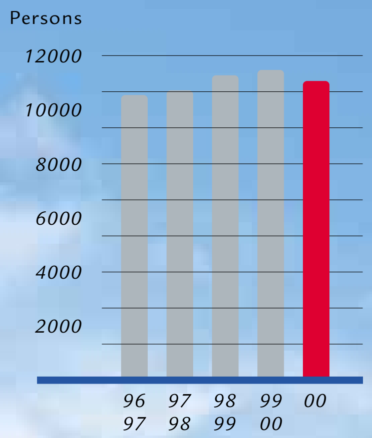
Opportunities for employees to make use of the various occupational health services improved with the addition of psychiatric, physiatric and special medical services to the general medical services available.

We also provide support for staff training and self-study, and various other benefits are also available for employees.

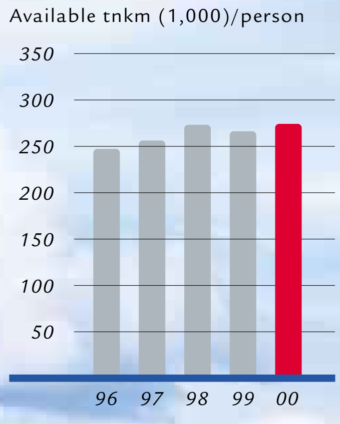
Company safety

During 2001 the units responsible for company safety will be amalgamated into a single body. The new Company Safety Unit will be responsible for corporate safety in its various forms, such as occupational and fire safety, data security and physical corporate safety.

Personnel on average, Finnair Group



Productivity of personnel in flight operations



Scheduled passenger traffic

Scheduled Passenger Traffic supports the company's objective of providing high quality services for various customer groups, in accordance with Finnair's strategy. The profitability of scheduled operations is based on an updated route network strategy, customer oriented strategies, operational efficiency and effective use of alliance resources.

The market situation

During 2000 the positive development in the global economy was evident in the growth in air traffic. Competition for air passengers, especially major clients has been taking place mainly between the alliances. **one**world has been successful in this competition.

During the financial year, Finnair flew regular scheduled flights to 35 international and 20 domestic destinations. The company's share of its own primary market, namely flights from Finland to Europe, has been retained, even though route changes were made during the financial year which reduced productive volume. However, the overhaul of the route network and the increase in the number of flights to the stronger destinations raised the number of business and account passengers in particular. The number of passengers using Business Class on international flights during 2000 increased by 3.7 per cent and their share has risen to 25.4 per cent.

Overhaul of the route network

During the financial year Finnair reorganized its long distance route network, so that the unprofitable Toronto, Osaka and San Francisco flights were terminated whilst those to Beijing, Bangkok and Singapore were stepped up. As a result of the overhaul more effective use is being made of crews and aircraft, utilization rates have risen and unit costs have fallen.

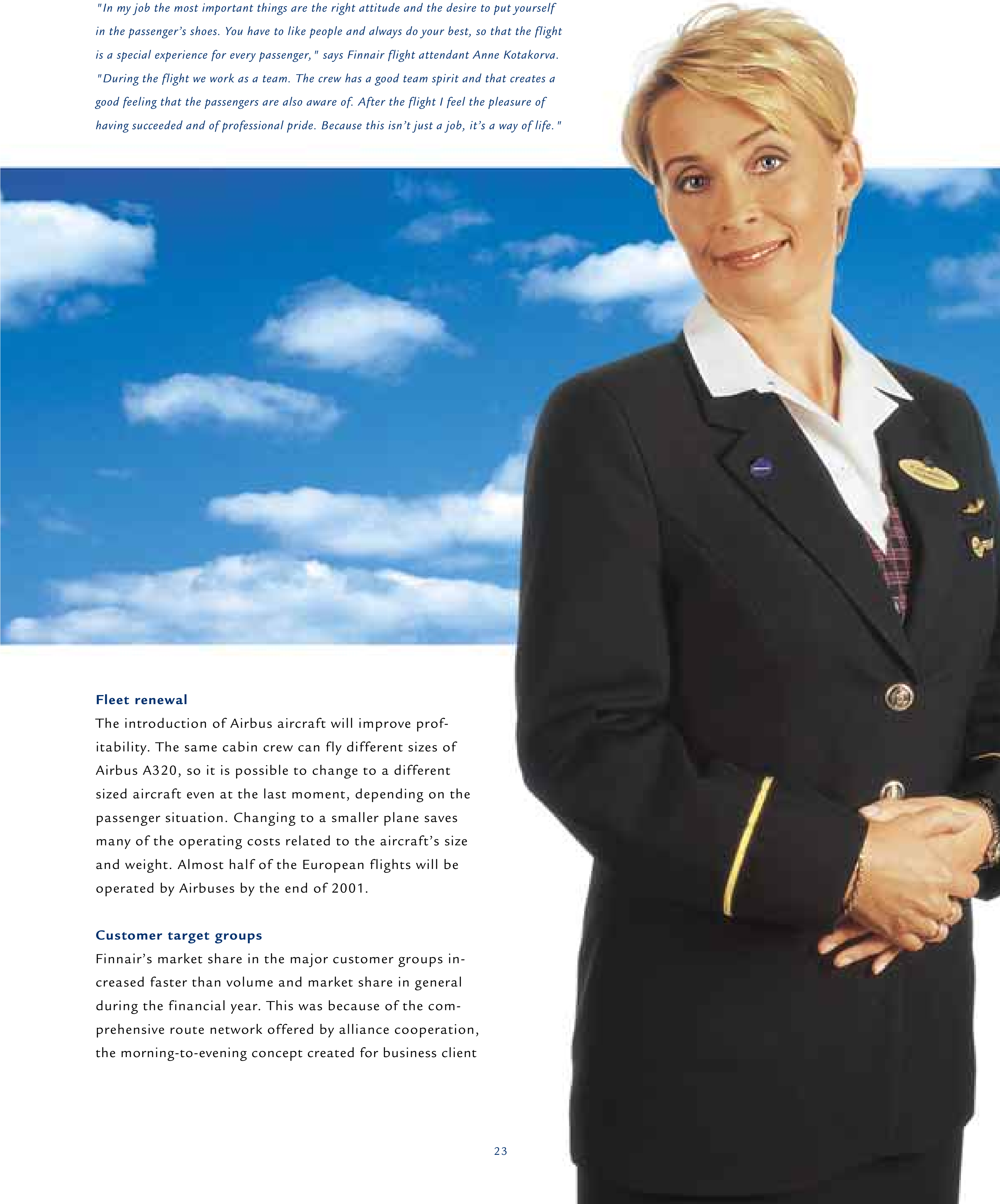
The more frequent flights to the key destinations of Asia have resulted in improved services for business and account customers in particular. New Business Class seats, entertainment systems and catering have been welcomed by long-haul passengers.

For its European traffic Finnair has developed the morning-evening concept, popular with the domestic market, for strong new destinations such as Berlin and Munich. At the same time, with the growth in Finnish passenger numbers, those routes which went via Stockholm have been pruned and changed into direct flights. The Airbus A320 type aircraft used on European flights have increased passenger comfort significantly.

At home, Finnair has concentrated on those destinations which require at least the capacity of ATR 72 aircraft. To an increasing extent, shorter flights than this have been taken over by Finnair's partner Golden Air.

Business area	Business units and companies belonging to the area	Activities and responsibilities	Turnover and number of staff
Scheduled Passenger Traffic Director-in-charge Henrik Arle	• Scheduled Passenger Traffic • Feeder Traffic • Aero Airlines AS • Malmilento Oy	• Scheduled domestic and international passenger traffic • Route Planning, product development, marketing and cooperation with other airlines.	Turnover approx. EUR 1,170 million Number of staff 3,650

"In my job the most important things are the right attitude and the desire to put yourself in the passenger's shoes. You have to like people and always do your best, so that the flight is a special experience for every passenger," says Finnair flight attendant Anne Kotakorva. "During the flight we work as a team. The crew has a good team spirit and that creates a good feeling that the passengers are also aware of. After the flight I feel the pleasure of having succeeded and of professional pride. Because this isn't just a job, it's a way of life."



Fleet renewal

The introduction of Airbus aircraft will improve profitability. The same cabin crew can fly different sizes of Airbus A320, so it is possible to change to a different sized aircraft even at the last moment, depending on the passenger situation. Changing to a smaller plane saves many of the operating costs related to the aircraft's size and weight. Almost half of the European flights will be operated by Airbuses by the end of 2001.

Customer target groups

Finnair's market share in the major customer groups increased faster than volume and market share in general during the financial year. This was because of the comprehensive route network offered by alliance cooperation, the morning-to-evening concept created for business client needs and the information we gained from the customer monitoring system. The travel agencies have maintained their position as important travel distribution channels. Travel agencies accounted for about 85% of Finnair's air ticket sales in the Finnish market place.

Finnair is developing and offering new, quick and effortless ways to book and pay for flights. For example, last year we inaugurated the Internet Travel Agency and the www.finnair.fi/akkilahdot quick-departure service. By using various new distribution channels we are aiming for the direct contact which our customers want as well as savings in costs and resources in Finnair's own operations.

The Finnair account customer scheme is exceptionally extensive in coverage because it combines the customer benefits of the **one**world alliance with the advantages of the marketing cooperation with the Qualiflyer group. The number of active members of the Finnair Plus scheme grew by 18% during 2000.

Aero Airlines AS

Finnair is setting up a subsidiary in Estonia called Aero Airlines AS. The process of founding the new company and acquiring the operating licence is expected to reach a positive conclusion in the early part of 2001. The purpose of Aero is to serve as a significant airline within the Baltic region and from Estonia to Finland. When Estonia joins the European Union it will also fly to other parts of the EU and Scandinavia. It will operate with Finnair's ATR 72 aircraft.

Outlook for the next few years

If the economic trend in the company's main market area continues the amount of available flights will go up by approx. 4% in 2001. Tighter internal cooperation between alliance members, pricing in conformity with competition regulations and the convergence of account customer schemes, among other things, will allow the customers a greater opportunity to compare services.

Finnair is creating ever more personalized services for its account and Business Class passengers. The fleet renewal will continue, the fleet being augmented during 2001 with four new Airbus A320 aircraft. The fourth MD-11 will be transferred to scheduled traffic in the winter of 2002 and the number of Far Eastern flights will be increased.

Staff training and the benefits of new technologies will become apparent in service processes and better customer service as well as improvements in passenger comfort. Developments in customer administration will increase passenger yield.

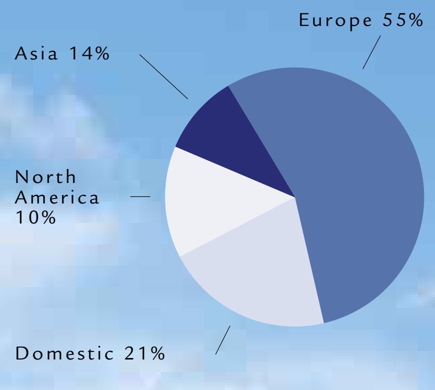
Finnair 2000

Sofie study, best customer service from a European airline in both Business and Tourist class (IATA)

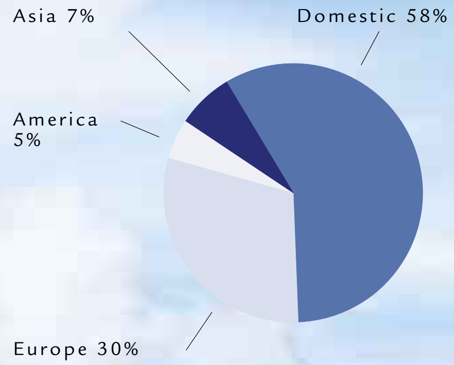
Most punctual European airline (AEA figures)

Best Cellar in the Sky (Business Traveller magazine award)

Distribution of scheduled traffic revenues



Distribution of passenger sales in scheduled traffic



Leisure traffic

The Leisure traffic business area consists of two business units, one dealing with leisure flight activities, the other for package tour operations and sales. The success of these units on the market depends on efficiency and constant improvements in service. Leisure traffic clients are tour organizers and companies, associations and travel agencies. Suntours, which is Finland's biggest tour operator,is responsible for tour operations and plays a significant role in Finnair's leisure traffic strategy. Its activities are constantly being strengthened and improved.

The market

Economic growth, along with a greater appreciation of leisure time, are having a positive effect on demand for holiday travel. Increases in fuel prices and the strengthening of the dollar during 2000 had a negative impact on profitability for companies in the industry. Concentration in the package tour sector has continued within Europe. The package tour companies reduced their supply for the Finnish market and cut out sales of unprofitable last-minute flights.

Leisure Flights

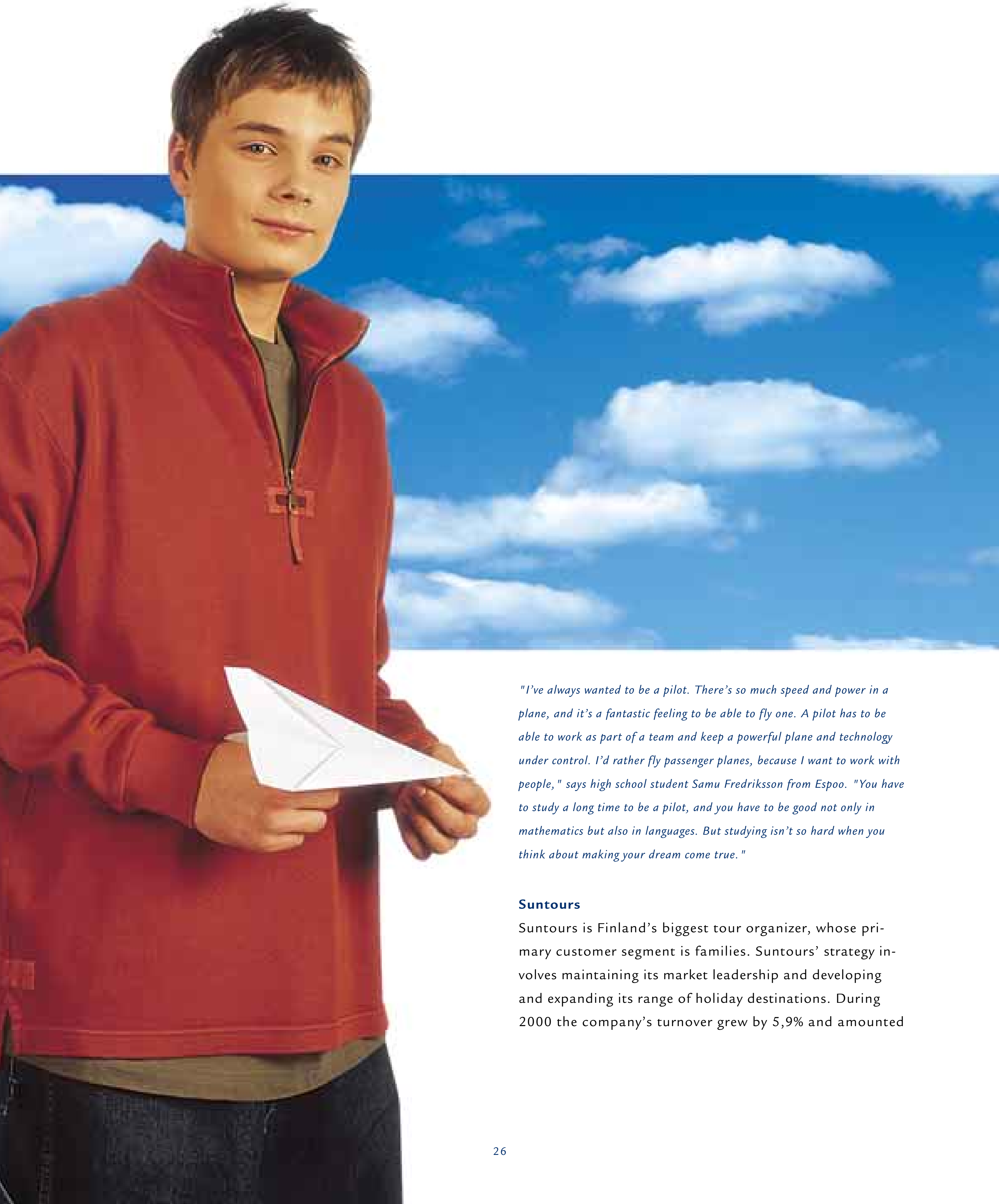
During the summer season of 2000 Finnair's market share of leisure flights increased by more than ten percentage points to about 90 per cent. During the winter 2000/2001 period the market share fell from the previous year as a result of the long distance route reorganization which took place at the end of the financial year.

Leisure flights are carried out in the main by leased Boeing B757 aircraft, whose utilization rates have been shown to be among the most efficient by world standards. Availability of leisure flights was reduced when MD-11 capacity was transferred to the long-haul routes.

The biggest clients of the Leisure Flights unit are the Finnair Group's Oy Aurinkomatkat-Suntours Ltd Ab, Finnmatkat, Fritidsresor and Hassen Matkat, which belong to the Thomson group, and Tjäreborg and Spies-Matkat which belong to the Scandinavian Leisure Group. Turnover for the unit in 2000 amounted to EUR 204 million, of which about half was generated by sales to the Finnair Group's Suntours company. The number of staff was 35.

Leisure and charter flights were flown to 60 destinations. A new destination was the holiday resort of Liberia in Costa Rica. At the end of the financial year the unstable situation in the Middle East resulted in route changes and it was necessary to cancel some flights. The Florida flights were also cancelled.

Business area	Business units and companies belonging to the area	Activities and responsibilities	Turnover and number of staff
Leisure Traffic Director-in-charge Mauri Annala	• Leisure flights • Oy Aurinkomatkat–Suntours Ltd Ab	• Flight sales to package tour operators belonging to the Group as well as to domestic and international travel agency chains • Package tours	Turnover approx. EUR 310 million Number of staff approx. 350



"I've always wanted to be a pilot. There's so much speed and power in a plane, and it's a fantastic feeling to be able to fly one. A pilot has to be able to work as part of a team and keep a powerful plane and technology under control. I'd rather fly passenger planes, because I want to work with people," says high school student Samu Fredriksson from Espoo. "You have to study a long time to be a pilot, and you have to be good not only in mathematics but also in languages. But studying isn't so hard when you think about making your dream come true."

Suntours

Suntours is Finland's biggest tour organizer, whose primary customer segment is families. Suntours' strategy involves maintaining its market leadership and developing and expanding its range of holiday destinations. During 2000 the company's turnover grew by 5,9% and amounted to EUR 169 million. The number of staff was 260. During the 2000 financial year Suntours arranged tours to about 130 winter and summer holiday destinations.

In line with other travel agencies Suntours adjusted its capacity, as a result of which the number of passengers fell by 3%. Despite this Suntours' market share rose by 2% to 36% at the beginning of 2001.

Suntours has been an active participant in the worldwide Tour Operators' Initiative for Sustainable Tourism project, the aim of which is to ensure that holiday travel remains possible in the future too.

During the past financial year a review of holiday destinations was begun in accordance with an environmental inspection list drawn up by the initiative. Analysis of holiday destinations will continue in 2001.

Changes in the business area

In April 2000 Finnair sold Finnmatkat Oy to Thomson International Holidays Finland Oy. At the beginning of 2001 Finnair Travel Services Oy's (FTS) Top Club operations were sold to Suomen Matkatoimisto which is owned by Finnair.

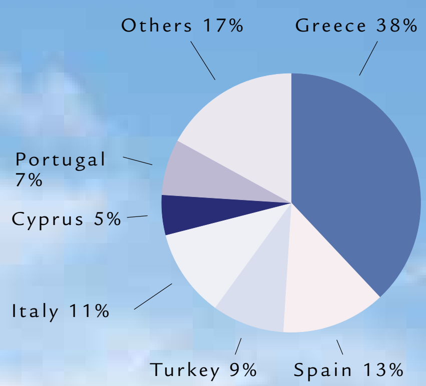
At the beginning of 2001 FTS will belong to the Group's Support division, with responsibility for the financial management of Suntours, among other things, as well as for the accounting for Finnair Cargo Oy and Finnair Facilities Management Oy.

Future prospects

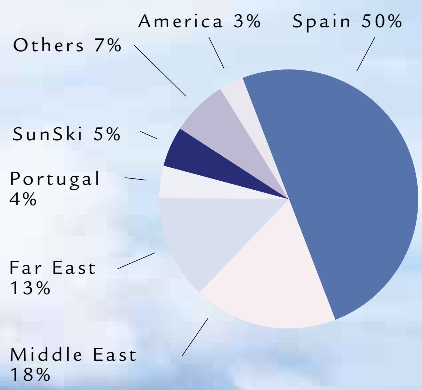
Demand for holiday traffic is expected to remain at the same level as last year. With the elimination of overcapacity and a stabilization in the world market price for oil, profitability is expected to improve.

In the new financial year Suntours will be concentrating on developing and exploiting electronic services. The aim is to continue customer relations management and the development of individual services. Internet services will continue to be made more comprehensive and during the course of the current financial year it will be possible to offer customers the opportunity to book holiday trips in real time over the Internet.

Suntours tour production by country (summer 2000)



Suntours tour production by country (winter 2000/01)



Cargo

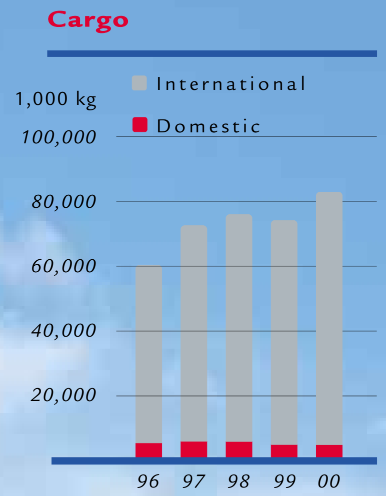
The Cargo business area concentrates its efforts in the strategically important Baltic region, on improving its service and on product development. The division helps customers worldwide by making use of Finnair's and oneworld's route networks. In addition the Cargo business area is helping to develop new types of express and rapid delivery systems in cooperation with other service providers.

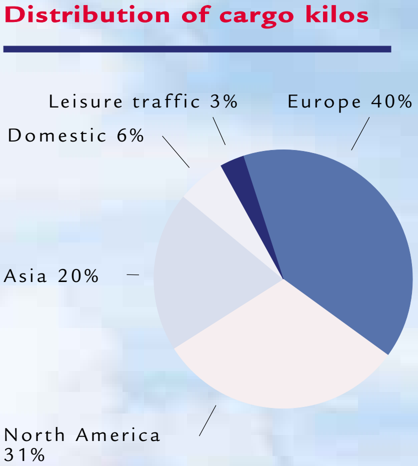
The market

The outlook for the cargo market worldwide is favourable, with annual growth of about 6%. With the revival of the Asian economies and as companies develop their logistical arrangements this growth is expected to accelerate. Technological developments and the shortening lifespan of products have had a positive effect on the market situation.

Air freight growth within Europe has slowed down as a result of internal price competition among other forms of transport. Demand for air cargo out of Scandinavia is expected to increase for the North American market, where Finnair's strength is its supply of suitable carrying capacity.

Despite the growth, competition in the market has tightened. The purchasing volume of the major corporate customers has increased, as has their influence. Air freight service suppliers are required to provide faster and better services in terms of price and quality than previously.





Business area	Business units and companies belonging to the area	Activities and responsibilities	Turnover and number of staff
Cargo Director-in-charge Mikko Kuntola	• Finnair Cargo Oy	• Makes use of Finnair's scheduled route network, leisure traffic and Helsinki's Gateway position for the purposes of cargo transport	Turnover about EUR 125 million Number of staff approx. 400

Events during the financial year

Demand for Finnair Cargo continued strongly throughout the financial year and the number of kilos carried increased by 9.3%. Contributing to this were the growth in the overall market, the rise in exports from Finland and the successful expansion into the southern Swedish market. Finnair Cargo has a significant share of the Finnish air cargo market. Finnair Cargo accounts for about 58% of the Finnish air freight market.

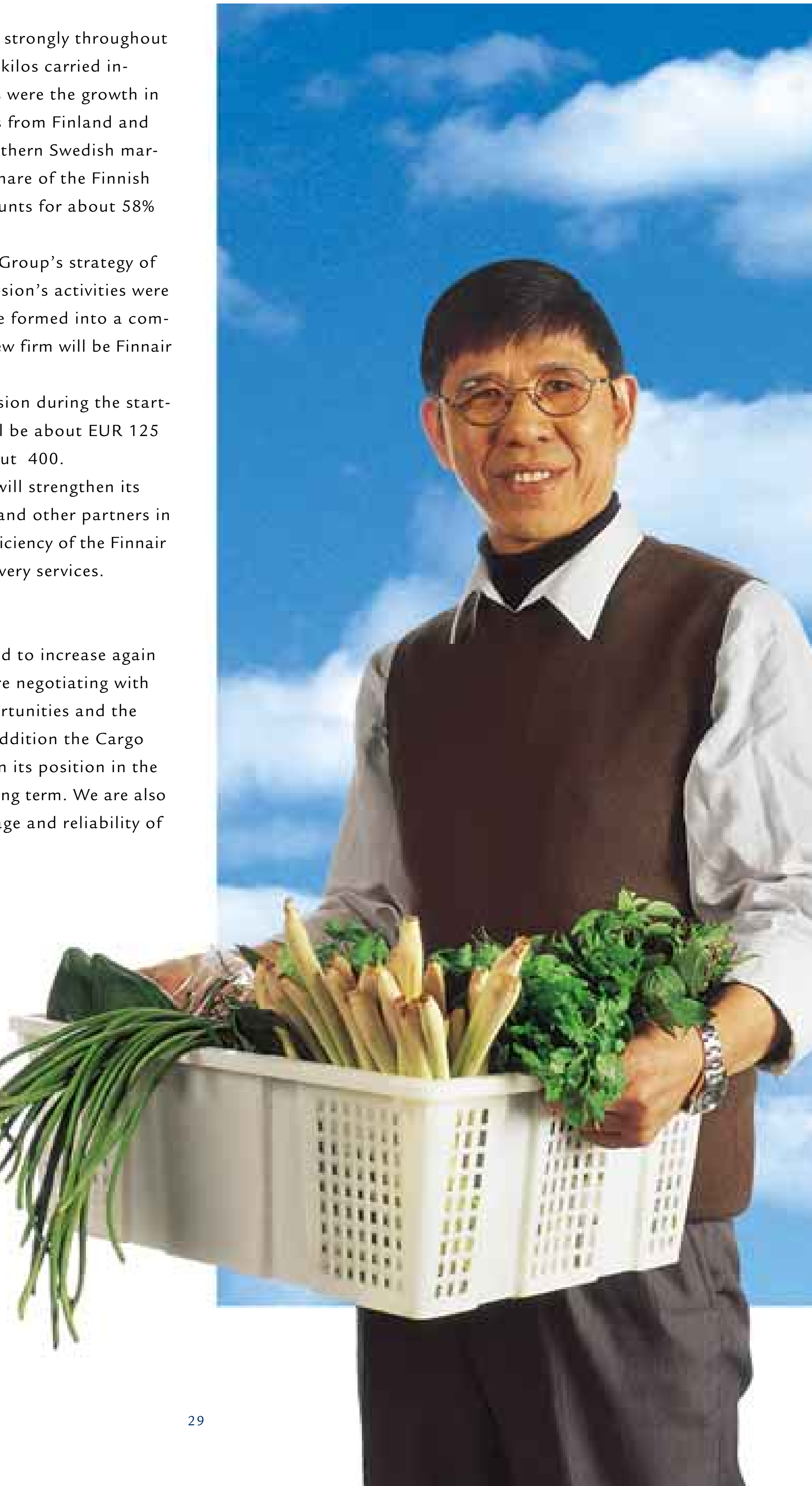
In accordance with the Finnair Group's strategy of business development, the Cargo division's activities were reorganized and its operations will be formed into a company during 2001. The name of the new firm will be Finnair Cargo Oy.

The annual turnover of the division during the start-up phase of the new organization will be about EUR 125 million and it will have a staff of about 400.

In addition the Cargo division will strengthen its cooperation with its subcontractors and other partners in order to improve the coverage and efficiency of the Finnair courier service and other express delivery services.

Future prospects

Demand for Cargo services is expected to increase again during the 2001 financial year. We are negotiating with several partners on cooperative opportunities and the opening up of new cargo routes. In addition the Cargo division is endeavouring to strengthen its position in the Far East and Baltic regions over the long term. We are also working to improve the speed, coverage and reliability of air freight services.



"Exotic, Hot, and Fresh picked. Every week fifty to seventy crates marked like this fly in Finnair Cargo's cold hold from Thailand to Helsinki. On Monday evening local time the fresh produce is loaded into the plane, and on Tuesday it's already in my shop," says grocer Tran Van Hien at his Vii Voan grocery store in the Hakaniemi district of Helsinki. "I have been using Finnair's cargo services for 13 years, and I've never had to make a single complaint."

Aviation services

Finnair Aviation Services activities consist of Finnair Technical Services, Finnair Ground Handling and Finnair Catering, all of which are independent business units. Finnair is by far the largest customer of each unit. The Aviation Services business area endeavours to provide a high standard of service at a cost-effective price. The unit plays an important role in reinforcing Finnair's customer service image.

The market

During 2000 the manufacturers of aircraft and engines strengthened their position as suppliers of technical maintenance services on a global level. Although this trend has narrowed the market share for airlines and independent service suppliers it has had no effect on the activities of the Finnair Technical Services business unit.

There have been no major changes in the Ground Services customer base. Concentration within the industry has continued in Europe, which may also have an effect in Finland.

The market for the Catering unit's services has remained almost unchanged. The most important change has been the spread of low cost meal-free flights, whose growing popularity may affect demand for in-flight meals over the long term. Retail sales by Finnair fell by 30% as a result of the ending of sales of taxed goods on internal EU flights.

Finnair Technical Services

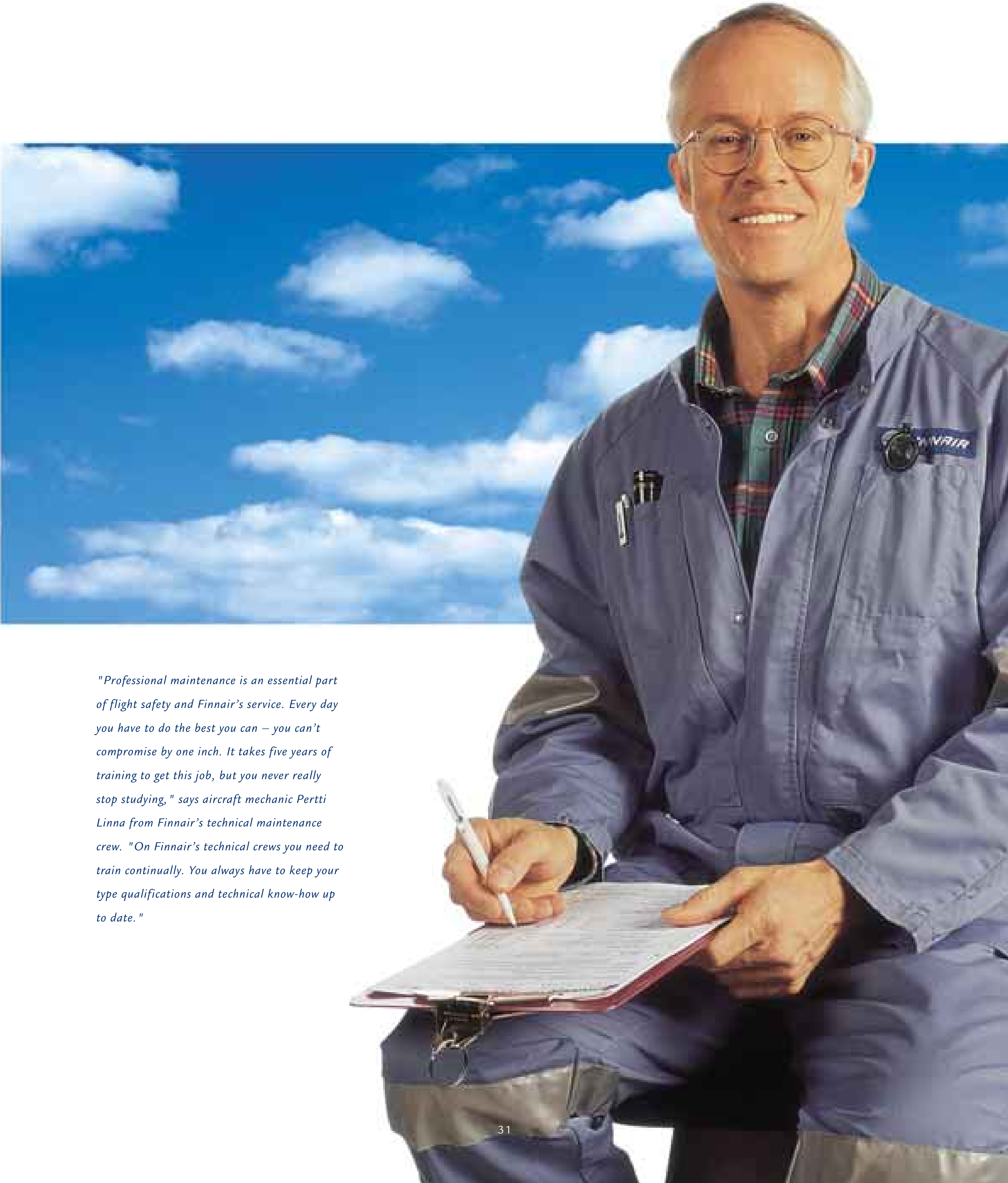
The business of Finnair's Technical Services unit is to sell a high standard of technical services primarily to Finnair and then to other airlines. Finnair is the biggest client of the Technical Services unit, accounting for about 75% of its turnover. In 2000 Finnair Technical Services made a turnover of EUR 250 million, and its work force was 2,400 strong.

The Technical Services unit offers a range of services from exhaustive maintenance and repair work down to tiny, individual repair jobs. The majority of clients buy a complete maintenance package. Finnair Technical Services strength lies in its flexibility and its familiarity with its clients at various levels. Various follow-up studies have resulted in excellent testimonials for the Technical Services unit in this respect.

Finnair Ground Handling

Finnair Ground Handling offers support for passenger services, load planning and aircraft stowage and unloading, both for Finnair and for other airlines. As the new organization gets under way, Finnair's share accounts for almost 90 per cent of the approximately EUR 125 million turnover. The unit employs about 1,300 people.

Business area	Business units and companies belonging to the area	Activities and responsibilities	Turnover and number of staff
Aviation Services Director Jarmo Vilenius (Technical Services) Director Kari Palomäki (Ground Operations)	• Finnair Technical Services • Finnair Ground Handling • Finnair Catering Oy • Finncatering Oy	Sale of aircraft maintenance services and ground services, catering and retail and wholesale trading	Turnover approx. EUR 500 million Number of staff approx. 4,700



"Professional maintenance is an essential part of flight safety and Finnair's service. Every day you have to do the best you can – you can't compromise by one inch. It takes five years of training to get this job, but you never really stop studying," says aircraft mechanic Pertti Linna from Finnair's technical maintenance crew. "On Finnair's technical crews you need to train continually. You always have to keep your type qualifications and technical know-how up to date."

"Getting new ideas for in-flight meals and developing them is always a challenge. You have to serve a tasty meal on a small tray and make sure it stays fresh in demanding conditions," says chef Tarja Aaltola, who is responsible for planning cold meals at Finnair Catering. "Whenever possible our ideas are based on seasonal themes and Finnish ingredients, for example Helsinki's City of Culture menus. And the meal is crowned by the selection from our stellar wine cellar!"

The STORM project, which was begun in 2000 to improve efficiency and make optimal use of resources has proceeded according to plan and in keeping with the savings targets laid down. The project will continue during the current financial year and its benefits will be evident in full from 2001 onwards. Independent studies have shown that the quality and punctuality of the Ground Handling unit's services have improved compared with the previous financial year.

Finnair Catering

Finnair Catering plans, delivers and markets to airlines those services which add pleasure and comfort to a flight. The Catering unit is responsible for retail sales on Finnair flights and it also has sales outlets at Finnish airports.

On January 1st 2001 Finnair Catering was made into a company and an independent business unit. Sales by Finnair Catering Oy and Finncatering Oy, which supplies the meals for leisure flights, amount to about EUR 125 million, of which outside sales account for 42%. Catering services account for about 14 per cent of outside sales, while retail accounts for about 86 per cent. The unit employs in average 944 people.

According to international travel surveys, Finnair's meals services rate among the best among European airlines. Finnair Catering supplied 4.1 million in-flight meals during last year.

Outlook for the future

During 2001 the Aviation Services business area will concentrate particularly on optimizing cost levels, developing processes and on resource allocation. A further goal will be to foster customer-oriented thinking within the entire organization.

The renewal of the Finnair fleet will be evident in the operations of the Technical Services unit in 2001 as well. The Technical Services unit will be able to provide the same kind of comprehensive services for the Airbus aircraft as it has until now for the older types of aircraft. In the future servicing and maintenance of MD-80 and DC-9 aircraft in Europe will decline, whereas Airbus maintenance will increase significantly.

The outlook for the Technical Services unit is favourable. Airlines have accelerated the rate at which they are renewing their fleets, partly as a result of official regulations, so that much more modification work will have to be carried out over the next two years than previously.

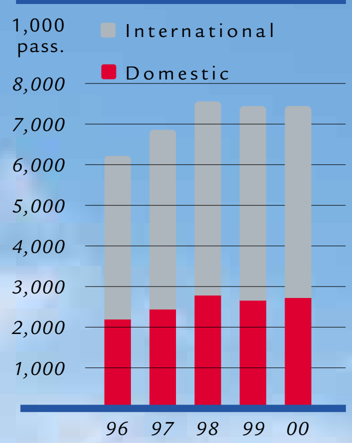
The Finnair Technical Services unit is looking for new partners in order to be able to gain optimal benefit from the special expertise of all parties involved.

Finnair Ground Handling services are being assisted by new technological applications such as Ticket Free Flights and eGate, which speed up check-in and improve passenger flow management. We are also developing various Internet and WAP applications and automated systems for check-in for the benefit of customers.

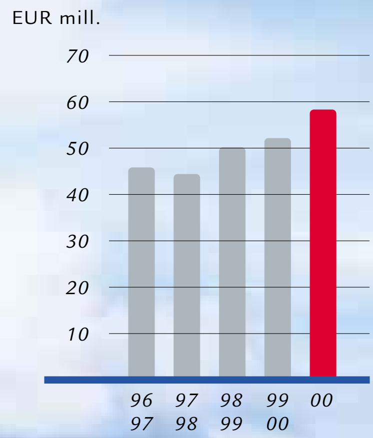
The outlook for the Finnair Catering unit for 2001 is better than for the previous year. Air passenger purchasing power is increasing and tax free sales are expected to turn upwards.

The enormous changes that have taken place in the market have stabilized and new business avenues are starting up. We shall be opening a shop for tax-paid goods for arriving passengers in the baggage reclaim hall at Helsinki-Vantaa airport and the taxed goods sales on leisure flights which began in 2000 will be expanded. Alcohol wholesale for restaurants will be developed. It is expected that the changes in the passenger stream at Helsinki-Vantaa airport resulting from the Schengen agreement will produce higher retail sales.

Number of passengers



Technical services to other airlines



Travel services

*"I travel on business for almost one hundred days a year, and Ioften fly to the Far East. So when I'm on holiday, flying isn't the first thing I have in mind. But I do fly for short holidays with my family or to play golf," says Tom Karlsson, a Finnair Plus Platinum card holder and Marketing Manager of Lohja Paper (UPM Kymmene). "With Finnair and the **one**world alliance I can go where I want – including into the lounges. And thanks to Area for always making convenient travel arrangements."*

It is the task of the Travel Services division to provide added value for our customers by offering comprehensive services in the travel field. The travel agencies underpin the Group's objective of strengthening its position in the growing travel market of Northern Europe.

The most important companies belonging to Finnair's Travel Services division are Suomen Matkatoimisto Oy (SMT), Matkatoimisto Oy Area and the travel booking systems supplier Amadeus Finland Oy. SMT and Area represent the American Express Travel Service chain in Finland, which is the world's most comprehensive international chain of travel agencies. The market share of the Group's travel agencies operating in Finland is over 30%.

Finnair has continued to divest itself of sections of the international Norvista chain, a process which began during the past financial year, in order to concentrate on developing its own network abroad.

The Market

Business travel grew by about 12% in Finland during 2000. Companies are continuing to concentrate their travel related purchasing and travel management services are being out-sourced in order to save time and money.

The travel agencies of the Finnair Group are pioneers in the electronic trading of travel, especially as users of Internet-based applications for travel planning, booking and follow-up.

Suomen Matkatoimisto

Suomen Matkatoimisto, Finland Travel Bureau Ltd., is Finland's biggest travel agency, and is specialized in business travel, specialized travel and leisure trips. Business travel accounts for 60 per cent of sales. Business travel clients are the major Finnish export companies and some 7,000 SMEs. During the last financial year Suomen Matkatoimisto (SMT) bought the Estonian Estravel travel agency chain from the parent company and its operations were fused with those of the SMT group. As a result of the purchase, Suomen Matkatoimisto's operations expanded into all of the Baltic countries as well as Russia.

Another area of competence chosen by SMT is individual travel, and it is developing strong concepts and brands for this purpose, such as à la carte tours. To back this up the business activities and skills of Top Club were transferred to SMT at the beginning of 2001.

Total sales by Suomen Matkatoimisto increased during 2000 by 3% and amounted to EUR 327 million.

The Area Travel Agency

Matkatoimisto Area (Area travel agency) offers its corporate clients all-in travel management and consultation services and also makes use of Internet-technology in the creation of these services. The client-base consists in the main of Finnish export companies, international companies working in Finland and public sector bodies. For the consumer, Area acts as agent for several package tour operators and also designs tailor-made travel packages itself for individual travellers.

During the financial year an electronic Internet web site was inaugurated for consumers (www.area.com). The service augments traditional sales and its technical implementation also makes it possible to exploit digital television and mobile Internet applications.

As part of the strategic Area 2005 project a set of values were drawn up for Area and several development ventures were instituted to improve efficiency. A personnel incentive programme has also been developed for Area, which is intended to come into effect during 2001. Juhani Suomela took over as managing director of Area from January 1st 2000.

Total sales by Area increased during 2000 by 9.3% and amounted to EUR 248 million.

Amadeus Finland

Finnair owns 95% of Amadeus Finland, which is the Finnish distributor of the services of the world's largest supplier of travel booking systems, Amadeus Global Travel Distribution. Amadeus Finland offers travel agencies comprehensive reservation and data management systems and their related training and support services as well as data network solutions. The company has a market share of more than 95%.

Amadeus Finland works in cooperation with travel agencies and software houses to offer booking functionality for corporate travel management solutions.

A New Virtual Travel Agency

During the financial year Finnair announced that it was setting up a worldwide Internet based travel agency, in collaboration with Global Amadeus. In future, Internet users will be able to book and pay for their airline tickets, hotel accommodation and car rentals, for example, via this virtual travel agency. Package tours, sea cruises and special travel offers will also be available.

Business area	Business units and companies belonging to the area	Activities and responsibilities	Turnover and number of staff
Travel Services Director-in-charge Mauri Annala	• Finland Travel Bureau Ltd. (SMT) • Area Travel Agency Ltd. • Amadeus Finland Oy • Kuopion Matkatoimisto Oy • Varkauden Matkatoimisto Oy • Mikkelin Matkatoimisto Oy • Norvista chain	• Travel agency services, booking and data management services and their related training and support services	Turnover EUR about 110 million Number of staff approx. 1,500

Year 2000	Amadeus Finland Oy	Finland Travel Bureau Ltd.	Area Travel Agency Ltd.
Turnover MEUR	11.9	47.7	23.1
Average number of staff	43	700	450

Financial statements
April 1 - December 31, 2000

Contents

Report by the Board of Directors for the financial year April 1st – December 31st 2000

General Review

The Annual General Meeting of Finnair held in August 2000 agreed to change the financial year to coincide with the calendar year from the beginning of 2001, so the financial year just ended is only nine months long. Finnair's operating profitability took a turn for the better during the autumn of 1999 and the earnings trend since then has continued favourably throughout the last financial year despite the enormous increase in fuel costs.

The Company carried out significant changes to its route network during the financial year and successfully adjusted its transport capacity to better correspond to healthy demand, and at the same time the growth in operating costs was clearly below the growth in earnings.

The financial performance of European airlines last year was patchy. Airlines have suffered from considerable increase in fuel costs. The significant increase in capacity utilization and the positive development in unit earnings on the other hand, helped to improve profitability for some companies.

Finnair achieved its operational goals for 2000 by being the best European airline in terms of customer service and punctuality. The Company was Europe's most punctual airline in 1999, too. The number of minutes delayed fell by about a third from 1999 and the punctuality of scheduled flights rose to 87.9% (84.5%). The goal for improving capacity utilization was not achieved.

The Group's financial control and management structure was reorganized on January 1st 2001. Since the beginning of this year, operations have been carried out within business units and subsidiary companies, which are formed into six business areas. The primary objectives for the current year are to stabilize the new structure, achieve cost-efficiency and develop operations whilst continuing with the work of harmonizing the fleet.

Financial Result

Turnover for the nine month financial year increased by 5.5 per cent to EUR 1,259.3 million (EUR 1,194.1 million). For comparison we are using figures for the corresponding period of the previous financial year. The financial summary for the 1996-2000 presented on page 64 of the Annual Report also includes pro forma figures for calendar year 2000.

Group operating profit was EUR 122.0 million (EUR 61.1 million) and the profit for the financial year was EUR 88.7 million (EUR 39.6 million). The operating profit excluding profit from the sale of fixed assets was EUR 62.5 million (EUR 29.6 million).

Other earnings on operations included profit from the sale of fixed assets to the total sum of EUR 59.6 million. The profit from the sale of the entire share holding in Oy Finnmatkat-Finntours Ab, which took place in April 2000, amounted to EUR 16.2 million, whilst the total profit from the sale of six MD-80 aircraft amounted to EUR 42.7 million. Profit from the sale of fixed assets during the previous year amounted to EUR 31.5, which included EUR two million for the sale of aircraft.

Operating costs increased by 3.2 per cent (8.0%). Operating costs, excluding fuel costs, decreased by 1.1 per cent. Fuel costs increased by 55.2 per cent, or EUR 49.7 million. Their proportion of the Group's operating costs rose to 11.5 per cent, whereas the previous year they accounted for 7.7 per cent of costs. Fuel prices are tied to the US dollar, which was 16 per cent higher on average in relation to the Finnish markka during the financial year than the year before.

EUR 10.7 million in positive exchange rate differences related to the hedging of business operations are included in the operating profit. Exchange rate hedging has previously been presented under financial items.

Personnel costs fell by 4.0 per cent from the year before and their share of the Group's total operating costs fell to 28.0 per cent, compared with 30.1 per cent during the previous financial year.

Finnair leased back three of the six MD-80 aircraft which it sold during the financial year, for a period of three years. The increased number of leased aircraft and the higher rate for the dollar meant that leasing expenses rose by 37.4 per cent. The leasing agreements which have been made afford Finnair greater flexibility in adjusting to fluctuations in demand and also allow for the controlled run-down of the MD-80 fleet.

Despite the investment in three new Airbus A320 type aircraft, depreciation increased by only 8.3 per cent, as a result of the above mentioned sale of MD-80 aircraft.

Earnings per share amounted to EUR 1.05 (EUR 0.47). At the end of the financial year equity per share was EUR 7.60 (EUR 6.57). Return on capital employed was 15.2 per cent, which clearly exceeds the estimated weighted average cost of capital (WACC 8.0%).

Trends for the Group Divisions

Flight Operations

The financial figures for Flight Operations for the last financial year cover scheduled passenger traffic, leisure traffic, cargo operations and also aircraft maintenance services, ground handling services and the Group's catering operations. From the beginning of 2001 our financial reporting will follow the new Group structure based on six business areas.

Turnover on Flight Operations increased by 7.4 per cent to EUR 1,159.3 million. Operating profit on flight operations excluding book gains rose by 87 per cent and amounted to EUR 56.5 million (EUR 30.3 million). The increase in turnover and operating profit is affected by the renewal of revenue accounting policy for unused flight tickets since the beginning of the financial year.

Air transport earnings per revenue tonne kilometre rose by 5.1 per cent and yield per passenger kilometre went up by 8.1 per cent. The rise in unit revenues was affected by fare increases, the strengthening of certain major currencies and the growth in Business Class travel. Unit revenues increased in all transport sectors. Passenger transport revenues increased by 3.3 per cent.

Membership of the **one**world alliance and cooperation with other airlines strenghtens Finnair's position in terms of increased revenues, cost savings, optimized capacity and timetables as well as increased market coverage and customer loyalty.

The good growth in the Finnish economy and in our main markets can also be seen from the growth in cargo revenues of 21.0 per cent.

Unit costs for flight operations per available tonne kilometre rose by 4.3 per cent, but if fuel costs are excluded they fell by 0.3 per cent.

The abolition of duty free sales within the European Union which occurred in July, 1999 again had a negative effect on revenues of approximately EUR 1 million.

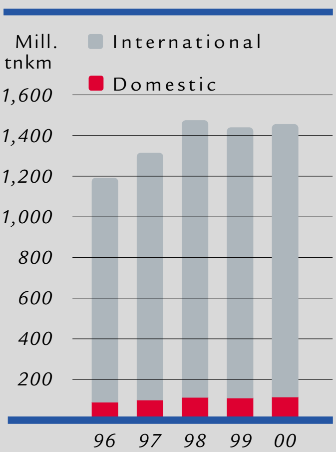
Other Operations

Turnover on Package Tour operations fell by 29.6 per cent, mainly as a result of the sale of Oy Finnmatkat-Finntours Ab, which took place in April 2000, and the cutback in capacity compared with the previous year. The number of passengers handled by Finnair Group travel organizers fell by 16 per cent in the period April - December. Finland's largest travel agency, Aurinkomatkat, which belongs to the Group, increased its market share to about 36 per cent. The operating profit on package tour business amounted to EUR 0.7 million (EUR 0.2 million).

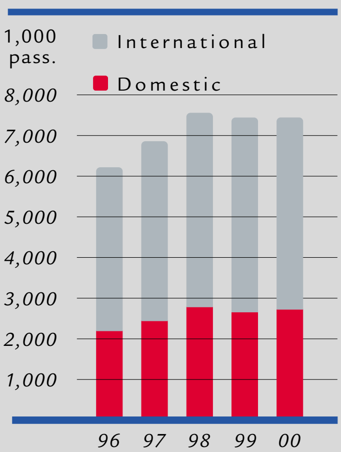
Turnover on travel agency business rose by 0.2 per cent. Operating profit decreased by EUR 0.7 million to EUR 3.1 million. The business area consists of the Group's domestic and overseas travel agency operations as well as those of the travel booking systems supplier Amadeus Finland Oy. We have been able to maintain profitability levels despite the reduction in commission fees and the work being done on developing e-commerce services.

As part of its new distribution channel strategy, Finnair sold the overseas units of its Norvista travel agency chain operating in the United States, Sweden and Germany during 2000.

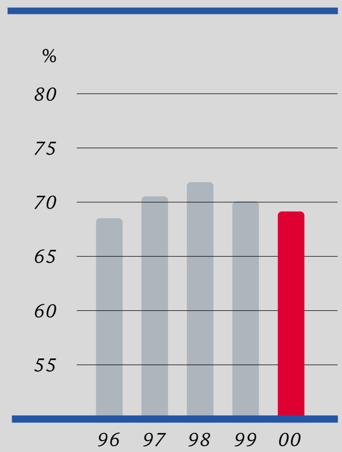
Revenue tonne kilometres



Number of passengers



Cabin factor



Air Traffic Trends and the Market

The number of passenger kilometres flown by members of AEA, the Association of European Airlines, on scheduled international flights increased by an average of 7.5 per cent during 2000. The number of cargo tonne kilometres rose by 6.5 per cent. Average capacity utilization for passenger transport increased by 2.2 percentage points to 73.5 per cent.

In spring 2000, at the beginning of the financial year, Finnair carried out a major strategic change, which mainly concerned long-haul traffic, which cut out unprofitable routes and increased the number of flights on the profitable routes. This change led to improved utilization rates and profitability, particularly in North American and Far Eastern traffic. However, the overall goal of achieving a significant increase in capacity utilization was not attained.

The number of revenue passenger kilometres for all traffic declined by 4.4 per cent in the period April - December, whereas available passenger kilometres fell by 5.0 per cent. The main reason for the reduction in capacity was the cessation of scheduled flights to Osaka, San Francisco and Toronto. Passenger utilization improved by 0.4 percentage units to 69.4 per cent.

The total number of passengers fell by 4.2 per cent. The number of passengers on scheduled flights fell by 6.0 per cent, whereas leisure traffic increased by 4.5 per cent. Revenue passenger kilometres fell for scheduled traffic by 7.7 per cent, but increased in leisure traffic by 1.6 per cent. The growth in the number of passengers using Business Class on international scheduled flights amounted to 1.0 per cent, whereas Tourist Class travel declined by 6.8 per cent. The proportion of Business Class travel on international scheduled flights has risen to 25 per cent.

Despite the significant reduction in long distance capacity the volume of cargo kilos carried increased by 9.3 per cent. The Company also leased much more outside cargo capacity than it did in the previous year. The number of revenue tonne kilometres for all traffic fell by 0.4 per cent, while available tonne kilometres fell by 0.1 per cent, which resulted in a reduction in overall capacity utilization by 0.2 percentage points to 57.9 per cent.

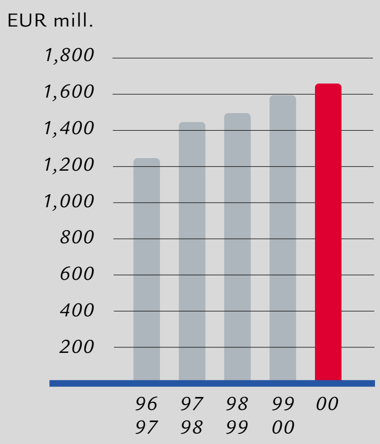
The Company's share of its own primary market area, that is, scheduled traffic from Finland to Europe, remained virtually unchanged, although it did increase by almost ten percentage points in leisure traffic during the 2000 summer season. The market share for leisure traffic fell during the winter 2000/2001 season as a result of the reorganization of the scheduled long distance routes.

Investment and Finance

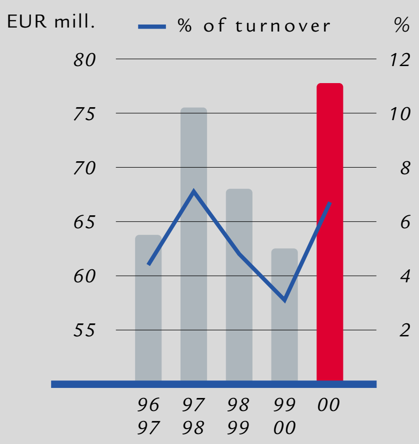
Investments excluding advance payments during the financial year amounted to a total of EUR 184.8 million. During the corresponding period the year before they amounted to EUR 189.9 million. Aircraft investments amounted to EUR 161.4 million. These investments included the purchase of one Airbus A321 and two A319 type aircraft. Investments in buildings amounted to EUR 3.8 million, whilst investments in other fixed assets totalled EUR 19.6 million.

The Group's balance sheet remains robust. Cash flow on operations excluding profit on divestments totalled EUR 165.9 million, whereas the previous year it was EUR 110.2

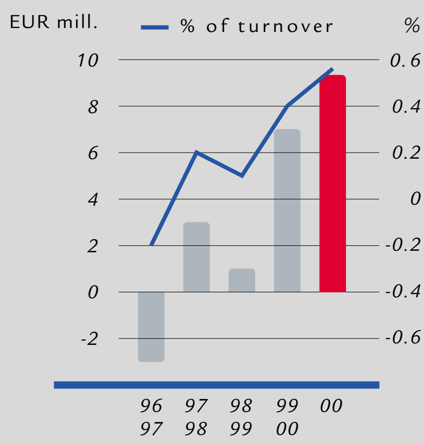
Turnover



Operating profit



Financial income and expenses



million. At the end of the financial year the Group had interest bearing net debt of EUR 74 million and aircraft lease liabilities of EUR 239 million. The gearing ratio was 11.5 per cent, while the equity ratio was 42.6 per cent, compared with 42.1 per cent at the end of the previous financial year.

Group liquidity remained good. Finnair Oyj also had at its disposal a 250 million US dollar denominated general unsecured credit facility, which will expire at the end of 2004.

Shares and Share Capital

The Annual General Meeting of Finnair Oy on August 24th 2000 agreed to convert the Company's share capital to euros. At the same time it was decided to increase the share capital through a capitalization issue from EUR 71,260,465.91 to EUR 72,028,233.30. Following this, the new nominal value of the Company's share is EUR 0.85.

The Annual General Meeting also approved the proposal of the Board of Directors to issue share option rights for key Finnair Group personnel. These share option rights are intended to form part of an incentive scheme for key personnel. The number of option certificates available is 4,000,000 and each certificate is valid for one Finnair Oyj share. The share subscription period for the share options will begin in stages, on May 1st 2003 and May 1st 2004, and will end for all options on August 31st 2006.

Personnel

The number of staff employed by the Finnair Group on 31st December 2000 was 10,985, or 401 fewer than a year before. The average number of Group personnel was 4.8 per cent less than during the previous year. As a result of the reorganization, the staff of Oy Finnmatkat-Finntours Ab and Finnair Gateway Ravintolat Oy are no longer included among Group personnel, contrary to the comparison year.

Staff productivity, as defined by available tonne kilometres per person in flight operations, rose by 3.3 per cent from the previous year.

The Company has existing labour contracts in force with all the relevant labour unions. In terms of wage increases, the contracts follow the national collective agreements.

For the first time, an incentive pay scheme, covering parts of the personnel, was in force for the financial year beginning on April 1st 2000. The aim of the scheme is to boost profitability and cost effectiveness and also to improve customer service through better traffic punctuality.

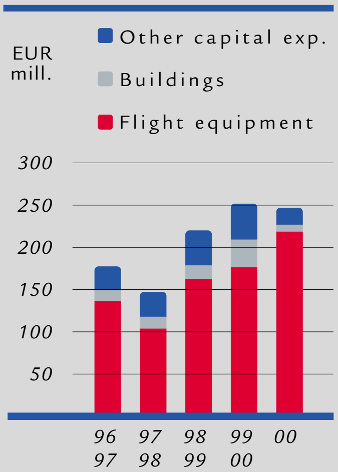
The company also overhauled its profit bonus scheme during the financial year beginning on April 1st 2000, which enables the entire staff to participate in the bonus which is paid on the basis of the Company's results, its return on invested capital and personnel costs. The profit bonus is paid into the personnel fund, which is committed to investing a fifth of this profit bonus in Finnair Oyj shares.

The period for which these bonuses are to be paid will end on March 31st 2001, but a bonus provision of EUR 6.2 million has been entered into the final account.

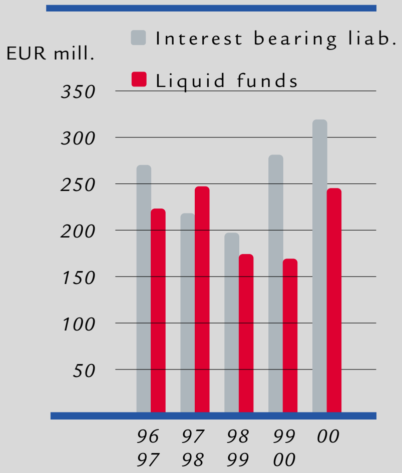
Administration

The Annual General Meeting of August 24th 2000 agreed to alter the Company's Articles of Association so that from the beginning of 2001 the financial year would coincide with the calendar year.

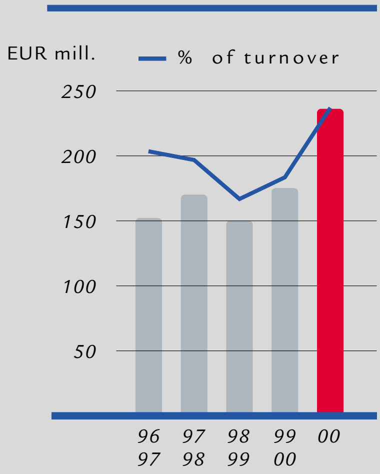
Capital expenditure (GROSS)



Interest bearing liabilities and liquid funds



Operational cash flow



Member of Parliament Tytti Isohookana-Asunmaa was elected as a new member of the Supervisory Board for a period of three years, as was organization secretary Elisa Pelkonen for the period ending in 2002. Other members of the Supervisory Board whose terms were due for expiry, and the previous auditors were re-elected.

The Articles of Association were changed so that the Board of Directors should consist of a Chairman and at least four but no more than six members instead of the previous seven. At the same time, the term of office for the Board of Directors was changed to coincide with the financial year. For the year 2001 the Supervisory Board elected Counsellor of State Harri Holkeri as Chairman of the Board of Directors, whilst Matti Alahuhta, managing director, Robert G. Ehrnrooth, Chairman of the Board, Samuli Haapasalo, Director General, Ari Heiniö, managing director, Seppo Härkönen, managing director, and Helena Terho, quality control manager, were elected as members of the Board.

The members of the Group's Management Board and their reorganized duties from the beginning of 2001 are presented on page 69 of the Annual Report.

Products and Services

Finnair's service during the summer was ranked as the best in a joint comparison of customer satisfaction with European airlines. The general satisfaction of passengers was the highest both for Business and Tourist classes.

During the financial year Finnair initiated a comprehensive project to reform its corporate identity. The Company's visual appearance will be harmonized globally with the cornerstones of the Finnair brand, namely, safety, reliability, Finnishness and freshness. The work is proceeding in stages and will be visible everywhere, such as in the corporate trademark, in communications, on the aircraft, in the lounges and uniforms and in the eating utensils.

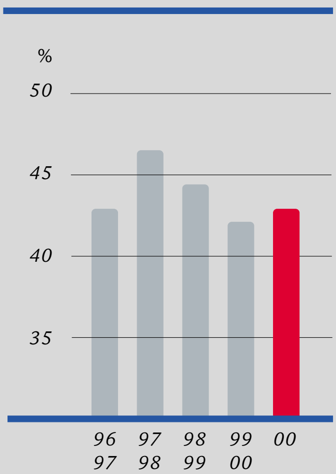
At the end of the financial year there were eight aircraft of the new Airbus A320 family in service with the Company. By the end of 2001, four more will be acquired. The Company has placed an order for a further seven of this type of aircraft to be delivered during 2002 and 2003.

During 2000 the number of people using Finnair's Internet services increased significantly. By the end of the year almost 100,000 customers were visiting the Finnair web site every week. This growth stemmed from the introduction of new services targeted at different customer segments. Among these were the Internet ticket office, the Ticketless Flights scheme and the new Finnair Plus extranet services. During the financial year Finnair signed several cooperation agreements with major technology companies to develop new types of services. Among the new cooperation firms are SysOpen and TietoEnator.

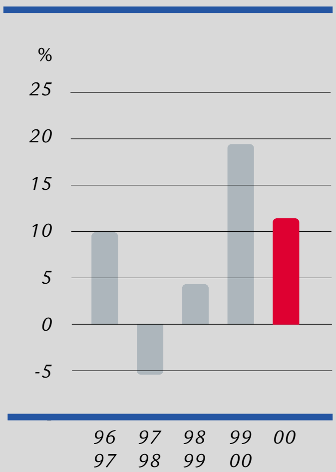
The aim of the Internet based electronic travel agency, Online Travel Portal Limited, set up by Finnair and eight other European airlines, is to rise rapidly to become a leading European electronic distributor of travel services. It will begin operating during 2001.

In October, Finnair announced that it would be setting up a Finnish Internet based virtual travel agency during 2001, in collaboration with the international Amadeus company, which supplies distribution, booking and data systems for travel services.

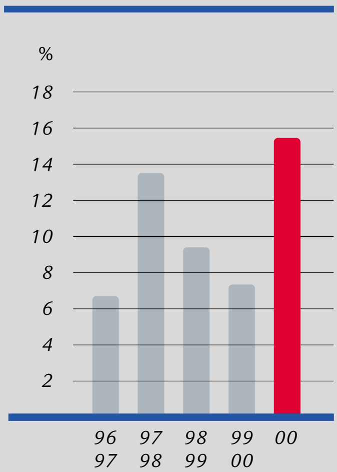
Equity ratio



Net debt-to-equity (Gearing)



Return on capital employed



Cooperation With Other Airlines

At the end of October, Finnair inaugurated daily code share flights with its **one**world partner British Airways between Toronto and London Heathrow. Toronto is the first long-haul code share route for Finnair and British Airways. Until now the companies have operated code share flights in traffic in Europe between Finland and Great Britain, Sweden and Great Britain as well as on flights from London to Lisbon, for example.

In August Finnair inaugurated the joint **one**world alliance Mobile Competence Center in Helsinki.

Seat reservation for Finnair's partner Golden Air's flights will be made easier when Golden Air buys all its booking and flight control and optimization services from Finnair. Golden Air is also included in Finnair's Internet services, such as the electronic MultiFLYe season ticket for corporate clients. In Finland, Golden Air flies to a total of nine destinations from Helsinki.

Setting Up An Airline In Estonia

At the end of the year Finnair started preparations for setting up an airline in Estonia and obtaining a civil aviation licence. The goal of the company, "Aero Airlines AS" will be to act as a major air traffic operator in the Baltic region and from Estonia to Finland. The objective eventually will be to operate elsewhere as well, within the EU and in Scandinavia. It would be technically possible to begin operations by the autumn of 2001 at the earliest.

Environmental Matters

During the financial year the environmental management system ISO 14001 began to be implemented in the Company's technical operations. Finnair observes the environmental regulations of ICAO, the international civil aviation organization, as well as local regulations. The Company is an active participant in the environmental work of the international air traffic association, IATA, and the association of European airlines, the AEA.

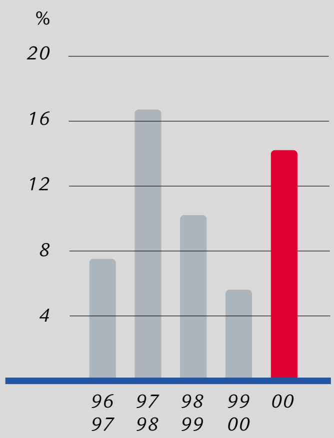
During the financial year Finnair bought three aircraft of the A320 family for its fleet, and chose their engines on the basis of the most environmentally friendly technology. Despite the greater than usual use of paint involved in changing the livery of aircraft it was possible to keep the increase in solvent emissions to a moderate level.

The Short Term Outlook

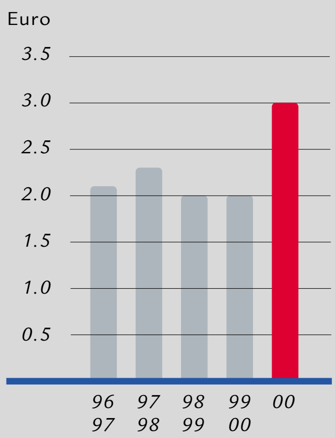
The goal for the year 2001 is to consolidate the new Group structure. At the same time the efforts to make internal working processes more effective will proceed. One of the primary operating goals is to make better use of existing resources, including the fleet.

The slowdown in economic growth, particularly in the United States but also in some Asian countries will affect industrial production and consumer demand. European growth, however, is expected to continue almost unchanged. Finnair's goal is to continue with the more effective use of capacity, which began during the past financial year.

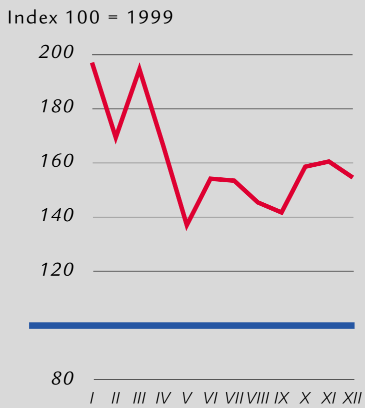
Return on equity



Cash flow/share



Development index of fuel price 2000



In terms of tonne kilometres, overall transport capacity is expected to grow by 1 - 2 per cent during 2001. Capacity will be increased particularly in European traffic. In collaboration with its alliance and other partners Finnair will also open up several new code share routes.

The operative result is expected to improve further. The biggest threat to this trend is the price of fuel, which remains high despite the reduction during the past few months. Finnair has hedged almost half of its fuel purchases until the autumn of 2001, after which it has hedged against about a fifth until the end of the first quarter of 2002.

Capital investments for the 2001 financial year are estimated to be about EUR 275 million, which includes the acquisition of four Airbus A320 aircraft. The Company will continue the phased disposal of its MD-80 aircraft. At the end of the year 2001, two Boeing B757 aircraft will be leased for the leisure traffic to substitute the MD-11 aircraft, which will be used in scheduled long-haul traffic.

The New Group Financial Control and Management Structure

As a result of the preparatory work carried out during 2000, the Board of Directors of Finnair Oyj decided in November to reform the Group's financial control and management structure from January 1st 2001. The Group's operational activities will be carried out by business units and subsidiaries, which will be formed into six business areas. These new business areas are Scheduled Passenger Traffic, Leisure, Cargo, Aviation Services, Travel Services and Support Services.

A new Group management team was set up at the beginning of 2001 to replace the management board of the parent company Finnair Oyj. At the same time the Board of Directors decided to set up three new subsidiary companies, which are due to begin operations during 2001. The new companies are Finnair Cargo Oy, Finnair Catering Oy and Finnair Facilities Management Oy.

The purpose of the new management system is to build added financial value by creating clearer and more independent business units, which will have their own management teams, business logic, goals and principles of remuneration. The aim too, is to carry profit responsibility deeper within the organization by improving benchmarking for operations as well as transparency. Each business area and business unit will also be responsible for the capital employed in its operations as well as for the return on it.

Finnair's goal is to further improve its operations to meet the expectations of its clients, its owners and its personnel. The new Group organization and financial management model affords us better opportunities to develop our operations and expand, either through our own resources or in collaboration with strategic partners. Tougher competition within the industry means that only a sufficiently flexible and efficient organization can respond quickly enough to the new challenges.

Financial statement principles

The financial statements of Finnair Oyj and Finnair Group have been prepaired in accordance with the new Finnish Accounting regulations which came into force on December 31, 1997. In all essential respects these enable the use of International Accounting Standard (IAS) principles. The official financial statements, which have been delivered to the Trade Register, have been prepaired in Finnish markka amounts.

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. Subsidiaries acquired during the financial period have been consolidated from the date of their acquisition. Companies in which controlling interest has been given up during the financial year are included in the consolidated financial statements up to the time of relinquishing control.

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

Items denominated in foreign exchange

Receivables, debts and liabilities were translated into markkas at the official middle rate and euros at a fixed conversion rate on the day the books were closed. Parent company´s advance payments made and received were entered in the balance sheet at the rate on the date of payment. Exchange rate differences on trade receivables and payables were treated as adjustments of sales and purchases. Other exchange rate differences on other receivables and payables 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 related to hedging of business operations are included in the operating profit. However, exchange rate differences on separate derivative financial instruments that provided hedging for specific off-balance sheet items and operational business operations were deferred until recognition of the underlying item.

The fuel price risk hedging

The results of using the various hedging instruments was entered on a accrual basis together with the fuel costs.

Fixed assets and depreciation

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

Planned depreciation is based on the economic service life of the asset and on the book acquisition cost.

Depreciation is calculated with the following principles, depending on the type of asset:

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

• Aircraft and aircraft engines on a straight-line bases as follows:

- New Airbus A320 family aircraft in 20 years to a residual value of 10 %
- other jet aircraft acquired before as new in 15 years to a residual value of 10%
- used jet aircraft more than six years old in 10 years to a residual value of 10%
- turboprop aircraft in 12 years to a residual value of 10%
- turboprop aircraft acquired as used in 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 EUR 170 000
- 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.

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.

Extraordinary items

Items included in extraordinary items are typically substantial and one-off by nature. They also deviate from the ordinary course of business operations. Changes in accounting principles and procedures are implemented by using extraordinary items to show the impact on earnings.

Expenditure on research and development

Research and development on aircraft, systems and operations is conducted primarily by manufacturers. Research and product development expenditure for marketing and customer service is entered as an annual expense for the year in which it is incurred.

Appropriations

The difference between total and planned depreciation is shown in the balance sheets as appropriations and the change during the financial year in the income statement. In the consolidated balance sheet the appropriations is divided into unrestricted equity and deferred tax liability and in the consolidated income statement into result and deferred tax liability.

Taxes and the change in deferred tax liability

Estimated taxes on profits for the financial year, adjustments in taxes for previous financial years and the change in deferred taxes were entered in the profit and loss statement as taxes. The deferred tax liability is computed according to the tax rate in effect during the financial year. The balance sheet includes a deferred tax liability due to book gains in connection with sale of flight equipment. This is based on new accounting regulations on deferred tax liabilities caused by timing differences.

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 four affiliates at the end of the financial year. Both mandatory employment pension coverage and additional pension security are arranged by the fund for the Parent Company and two affiliates. Since 1992, the pension fund has no longer accepted employees other than pilots for additional pension coverage.

The Finnair pension fund's pension liability is fully paid up with respect to basic and additional coverage. Pension fund liabilities are presented in the Notes to the Financial Statements.

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

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

Comparability of the financial years

The following items reflects the comparability

- The length of the financial year, nine months
- the sold companies Oy Finnmatkat-Finntours Ab and Gourmet Nova Finland Oy
- the change of the accounting principle concerning the exchange rate differences related to hedging of business operations, which are now included in the operating profit.

Consolidated income statement

	EUR Mill. April 1, 2000 December 31, 2000	EUR Mill. April 1, 1999 March 31, 2000	Notes
Turnover	1 259.3	1 592.9	1
Work used for own purposed and capitalized	2.0	3.0	
Other operating income	71.9	42.3	2
Share of profits less losses of participating interests	0.5	0.2	
OPERATING INCOME	1 333.7	1 638.4	
OPERATING EXPENSES			
Materials and services	401.5	497.3	3
Staff costs	339.7	453.6	4
Depreciation	83.0	114.9	5
Other operating expenses	387.5	522.8	6
	-1 211.6	-1 588.6	
OPERATING PROFIT	122.0	49.8	
FINANCIAL INCOME AND EXPENSES	3.1	6.7	7
PROFIT BEFORE EXTRAORDINARY ITEMS	125.1	56.5	
Extraordinary items	0.0	40.1	
Income taxes from extraordinary items	0.0	-11.6	
	0.0	28.5	8
PROFIT BEFORE TAXES	125.1	85.0	
DIRECT TAXES			10
Income taxes from operations	-27.8	-20.7	
Change in deferred tax liability	-8.3	-4.3	
	-36.1	-25.0	
MINORITY SHARE	-0.3	-0.2	
PROFIT FOR THE FINANCIAL YEAR	88.7	59.7	

Consolidated balance sheet

	EUR Mill. December 31, 2000		EUR Mill. March 31, 2000		Notes
ASSETS					
FIXED ASSETS					11
Intangible assets	23.8		23.3		
Tangible assets	970.5		891.6		
Financial assets					
Share in participating interests	1.9		1.4		
Other investments	12.7	1 008.8	6.1	922.4	
CURRENT ASSETS					
Inventories	56.1		52.8		12
Long-term receivables	0.1		3.0		13
Short-term receivables	228.7		249.5		14
Investments	225.7		153.1		15
Cash and bank equivalents	19.2	529.8	15.4	473.8	16
		1 538.6		1 396.2	
SHAREHOLDERS' EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY					17
Share capital	72.0		71.3		
Share premium account	5.6		5.6		
General reserve	147.7		148.5		
Retained earnings	324.5		286.2		
Profit for the financial year	88.7	638.5	59.7	571.3	
Capital loan		5.7		5.7	21
Total equity		644.3		577.0	
MINORITY INTERESTS		0.6		0.6	
LIABILITIES					
Deferred tax liability	110.3		102.0		19
Long-term liabilities	246.2		156.0		20,23
Short-term liabilities	537.2	893.7	560.7	818.7	22
		1 538.6		1 396.2	

Consolidated cash flow statement

	EUR Mill. April 1, 2000 December 31, 2000	EUR Mill. April 1, 1999 March 31, 2000
Business operations		
Operating profit	122	50
Deprecations	83	115
Change in working capital (net)		
Inventories, increase(-), decrease (+)	-3	-7
Short-term receivables, increase(-), decrease(+)	21	-25
Non interest bearing short-term liabilities, increase(+), decrease(-)	31	26
Financial income and expenses (net)	3	7
Extraordinary items		28
Taxes	-31	-25
Cash flow from operations	226	169
Investments		
Investments in flight equipment	-161	-176
Investments in buildings	-4	-33
Other investments	-20	-42
Change in advance payments	-25	-13
Capital expenditure, total	-209	-264
Sales of fixed assets	45	23
Cash flow from investments	-164	-242
Financing		
Decrease of long-term debts	96	23
Long-term receivables, increase(-), decrease(+)	-5	0
Short-term debts, increase(+), decrease(-)	-55	66
Dividends	-21	-21
Decrease of capital loan	0	0
Other equity, increase(+), decrease(-)	0	0
Cash flow from financing	15	68
Change in liquid funds		
Increase (+), decrease (-) in statement	76	-5
Liquid funds, April 1	169	174
Liquid funds, decrease (-), increase(+) in balance sheet	76	-5
Liquid funds Dec 31/March 31	245	169

Finnair Oyj
Income statement

	EUR Mill. April 1, 2000 December 31, 2000	EUR Mill. April 1, 1999 March 31, 2000	Notes
Turnover	1 147.9	1 408.3	1
Work used for own purposed and capitalized	2.0	3.0	
Other operating income	70.6	46.2	2
OPERATING INCOME	1 220.4	1 457.6	
OPERATING EXPENSES			
Materials and services	349.9	390.3	3
Staff costs	299.8	395.9	4
Depreciation	80.2	110.8	5
Other operating expenses	376.4	513.9	6
	-1 106.4	-1 410.9	
OPERATING PROFIT	114.0	46.7	
FINANCIAL INCOME AND EXPENSES	17.4	11.8	7
PROFIT BEFORE EXTRAORDINARY ITEMS	131.4	58.5	
Extraordinary items	0.0	40.1	
Income taxes from extraordinary items	0.0	-11.6	
	0.0	28.5	8
PROFIT BEFORE APPROPRIATIONS AND TAXES	131.4	86.9	
Appropriations	22.0	6.9	9
Direct taxes	-45.0	-24.1	10
PROFIT FOR THE FINANCIAL YEAR	108.5	69.7	

Finnair Oyj
Balance sheet

	EUR Mill. December 31, 2000		EUR Mill. March 31, 2000		Notes
ASSETS					
FIXED ASSETS					11
Intangible assets	18.0		18.1		
Tangible assets	956.6		877.9		
Financial assets					
Share in group undertakings	7.6		7.1		
Other investments	12.9	995.2	6.3	909.5	
CURRENT ASSETS					
Inventories	55.8		52.6		12
Long-term receivables	0.0		2.7		13
Short-term receivables	201.1		201.4		14
Investments	225.7		153.1		15
Cash and bank equivalents	16.1	498.7	11.7	421.4	16
		1 493.9		1 330.9	
SHAREHOLDERS' EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY					17
Share capital	72.0		71.3		
Share premium account	5.6		5.6		
General reserve	147.7		148.5		
Retained earnings	176.6		128.3		
Profit for the financial year	108.5	510.5	69.7	423.4	
Capital loan		5.7		5.7	21
Total equity		516.2		429.1	
ACCUMULATED APPROPRIATIONS		177.6		199.7	18
LIABILITIES					
Deferred tax liability	59.0		44.1		19
Long-term liabilities	245.5		154.8		20, 23
Short-term liabilities	495.5	800.1	503.2	702.1	22
		1 493.9		1 330.9	

Finnair Oyj
Cash flow statement

	EUR Mill. April 1, 2000 December 31, 2000	EUR Mill. April 1, 1999 March 31, 2000
Business operations		
Operating profit	114	47
Depreciation	80	111
Change in working capital (net)		
Inventories, increase(-), decrease (+)	-3	-7
Short-term receivables, increase(-), decrease(+)	0	-20
Non interest bearing short-term liabilities, increase(+), decrease(-)	49	16
Financial income and expenses (net)	17	12
Extraordinary items	0	28
Taxes	-40	-20
Cash flow from operations	167	167
Investments		
Investments in flight equipment	-160	-173
Investments in buildings	-4	-33
Other investments	-18	-35
Change in advance payments	-25	-13
Capital expenditure, total	-206	-255
Sales of fixed assets	46	22
Cash flow from investments	-161	-232
Financing		
Decrease of long-term debts	103	20
Long-term receivables, increase(-), decrease(+)	-5	0
Short-term debts, increase(+), decrease(-)	-56	60
Dividends	-21	-21
Decrease of capital loan	0	0
Other equity, increase(+), decrease(-)	0	0
Cash flow from financing	20	59
Change in liquid funds		
Increase (+), decrease (-) in statement	77	-6
Liquid funds, April 1	165	171
Liquid funds, decrease (-), increase(+) in balance sheet	77	-6
Liquid funds Dec 31/March 31	242	165

Notes to financial statements

	Group		Parent Company	
	April–Dec. 2000	April 1999–March 2000 EUR Mill.	**April–Dec. 2000**	April 1999–March 2000 EUR Mill.
1. Turnover and operating profit by division				
Flight operations	1 159.3	1 431.2	1 147.9	1 408.3
Travel agencies	70.3	93.7	-	-
Tour operations	127.9	262.8	-	-
- Less internal adjustments	-98.2	-194.7	-	-
Total	**1 259.3**	1 592.9	**1 147.9**	1 408.3
Distribution of turnover by market areas, as % of turnover				
Finland	51.00 %	52.00 %	47.00 %	47.00 %
Europe	38.00 %	36.00 %	41.00 %	40.00 %
Other countries	11.00 %	12.00 %	12.00 %	13.00 %
Total	**100.00 %**	100.00 %	**100.00 %**	100.00 %
Operating profit by division				
Flight operations	116.1	49.3	114.0	46.7
Travel agencies	3.1	4.7	-	-
Tour operations	0.7	0.0	-	-
- Less internal adjustments	1.6	-4.5	-	-
Participating interests	0.5	0.2	-	-
Total	**122.0**	49.8	**114.0**	46.7
2. Other revenue from business operations				
Capital gain on flight equipmento	44.0	2.1	42.7	6.1
Capital gain on shares	15.5	28.9	15.9	28.9
Other items	12.3	11.3	12.0	11.3
Total	**71.9**	42.3	**70.6**	46.2
3. Materials and services				
Materials and supplies for aircraft maintenance and overhaul	31.2	39.9	31.2	39.9
Purchases of materials and supplies for passenger services	46.7	68.7	55.4	78.5
Fuel purchases for flight operations	139.7	134.8	139.6	134.8
Change in inventories	-3.3	-6.8	-3.3	-7.0
Ground handling charges	43.7	51.1	43.7	51.1
Expenses for tour operations	54.5	103.9	-	-
Aircraft maintenance and overhaul	35.3	29.9	35.3	29.9
Expenses for data administration	23.8	30.5	23.0	28.6
Other items	30.0	45.4	25.1	34.6
Materials an services total	**401.5**	497.3	**349.9**	390.3
4. Staff costs				
Wages and salaries	264.6	355.6	232.4	309.0
Pension costs	47.1	53.7	42.8	47.8
Other indirect employee costs	27.9	44.3	24.7	39.1
Total	**339.7**	453.6	**299.8**	395.9
Salaries of Board of Directors and Managing Directors				
Administration and managing directors	0.8	1.0	0.4	0.5
Personnel on average				
Flight operations	9 167	9 502	8 974	9 214
Travel agencies	1 484	1 451	-	-
Tour operations	368	509	-	-
Total	**11 019**	11 462	**8 974**	9 214
5. Depreciation				
Planned depreciation in the income statement				
On other long-term expenditure	4.7	5.8	3.9	4.8
On buildings	4.3	5.9	4.3	5.8
On flight equipment	59.5	81.8	59.5	81.8
On other equipment	14.5	21.4	12.5	18.3
Total	**83.0**	114.9	**80.2**	110.8
6. Other operating expenses				
Lease payments for aircraft	42.2	56.8	42.2	56.8
Short-term leases for aircraft	53.4	56.7	53.4	56.7
Rents	33.5	44.5	27.9	37.4
Traffic charges	88.5	119.2	88.5	119.2
Sales and marketing expenses	82.6	122.6	89.1	143.9
Other items	87.3	123.0	75.3	99.9
Total	**387.5**	522.8	**376.4**	513.9

	Group April–Dec. 2000	Group April 1999–March 2000 EUR Mill.	Parent Company April–Dec. 2000	Parent Company April 1999–March 2000 EUR Mill.
7. Financial income and expenses				
Dividends				
Dividends from group undertakings	-	-	15.3	6.7
Dividends from participating interests	0.4	0.1	0.4	-
From others	0.1	0.1	0.0	0.0
Dividends total	0.5	0.1	15.7	6.7
Interest income from long-term investments				
From group undertakings	-	-	0.0	0.0
From others	1.0	2.3	1.0	2.3
Total	**1.0**	2.3	**1.0**	2.3
Income from long-term investments total	**1.4**	2.5	**16.8**	9.0
Other interest and financial income				
Interest income from group undertakings	-	-	0.3	0.2
Interest income from others	7.8	7.0	7.4	6.0
Financial income from others	6.6	14.4	6.6	14.4
Total	**14.4**	21.4	**14.3**	20.7
Interest income from long-term investments and other interest and financial income, total	**15.9**	23.8	**31.0**	29.7
Value adjustments of investments				
Value adjustments of marketable securities	0.4	-1.1	0.4	-1.1
Total	**0.4**	-1.1	**0.4**	-1.1
Interest and other financial expenses				
Interest expense to group undertakings	-	-	-1,0	-1,1
Interest expense to others	-10.2	-10.3	-10.2	-10.2
Other financial expenses to others	-2.9	-5.8	-2.8	-5.6
Total	**-13.2**	-16.0	**-14.0**	-16.9
Financial income and expense total	**3.1**	6.7	**17.4**	11.8
Exchange rate gains included in the item interest	**6.6**	14.4	**6.6**	14.4
and financial income relating to business operations	-	8.1	-	8.1
Exchange rate losses included in the item interest and financial expenses	**-2.1**	-4.5	**-2.1**	-4.4
8. Extraordinary items				
Extraordinary income, unused flight tickets	**-**	40.1	-	40.1
Income taxes on extraordinary items	-	-11.6	-	-11.6
Received group contribution	0.4	-	-	-
Paid group contribution	-0.4	-	-	-
Total	0.0	28.5	-	28.5
9. Appropriations				
Difference between planned depreciation and depreciation in taxation				
Buildings			0.3	0.4
Equipment	**-**	-	21.7	6.4
Increase(-)/decrease(+) in untaxed reserves	**-**	-	-	-
Total	-	-	**22.0**	6.9
10. Direct taxes				
Income taxes on regular business operations	27.8	20.7	30.0	19.8
Change in deferred tax liabilities	8.3	4.3	15.0	4.3
	36.1	25.0	**45.0**	24.1
11. Fixed assets				
Intangible rights				
Acquisition cost April 1	1.7	1.5	1.6	1.5
Increases April 1 - Dec. 31 / April 1 - March 31	0.1	0.1	0.1	0.1
Book value Dec. 31/ March 31	**1.8**	1.7	**1.7**	1.6
Other long-term expenditure				
Acquisition cost April 1	47.2	39.5	35.9	29.1
Increases April 1 - Dec. 31 / April 1 - March 31	5.6	8.8	3.7	6.8
Decreases April 1 - Dec. 31 / April 1 - March 31	-1.0	-1.2	0.0	0.0
Acquisition cost Dec. 31/ March 31	**51.8**	47.2	**39.6**	35.9
Accumulated planned depreciation April 1 - Dec.31/ April 1 - March 31 from decreases	0.5	-0.3	0.0	0.0
Accumulated planned depreciation Dec.31/ March 31	-30.3	-25.3	-23.3	-19.4
Book value Dec. 31/ March 31	**22.0**	21.6	**16.3**	16.5

	Group April–Dec. 2000	Group April 1999–March 2000 EUR Mill.	Parent Company April–Dec. 2000	Parent Company April 1999–March 2000 EUR Mill.
Land				
Acquisition cost April 1	0.8	0.8	0.7	0.7
Increases April 1 - Dec. 31 / April 1 - March 31	-	-	-	-
Decreases April 1 - Dec. 31 / April 1 - March 31	-	-	-	-
Book value Dec. 31/ March 31	**0.8**	0.8	**0.7**	0.7
Buildings				
Acquisition cost April 1	177.1	156.0	175.7	154.6
Increases April 1 - Dec. 31 / April 1 - March 31	3.8	33.4	3.8	33.4
Decreases April 1 - Dec. 31 / April 1 - March 31	0.0	-12.3	0.0	-12.3
Accumulated planned depreciation April 1 - Dec.31/ April 1 - March 31 from decreases	0.0	0.0	0.0	0.0
Acquisition cost Dec. 31/ March 31	180.9	177.1	179.5	175.7
Accumulated planned depreciation Dec.31/ March 31	-81.2	-76.9	-80.7	-76.4
Book value Dec. 31/ March 31	**99.7**	100.2	**98.9**	99.3
Accumulated difference between total and planned depreciation April 1	-	-	10.6	11.0
Change in depreciation difference	-	-	-0.3	-0.4
Accumulated difference between total and planned planned depreciation Dec.31/ March 31	-	-	**10.3**	10.6
Flight equipment				
Acquisition cost April 1	1 205.2	1 047.4	1 202.3	1 047.4
Increases April 1 - Dec. 31 / April 1 - March 31	161.4	176.4	160.1	173.4
Decreases April 1 - Dec. 31 / April 1 - March 31	-43.8	-6.5	-43.8	-6.5
Accumulated planned depreciation April 1 - Dec.31/ April 1 - March 31 from decreases	-71.0	-12.1	-71.0	-12.1
Acquisition cost Dec. 31/ March 31	1 251.8	1 205.2	1 247.5	1 202.3
Accumulated planned depreciation Dec.31/ March 31	-547.4	-558.9	-547.4	-558.9
Book value Dec. 31/ March 31	**704.4**	646.3	**700.1**	643.4
Accumulated difference between total and planned depreciation April 1			188.9	195.2
Change in depreciation difference			-21.7	-6.3
Accumulated difference between total and planned planned depreciation Dec.31/ March 31	-	-	**167.2**	188.9
Other equipment				
Acquisition cost April 1	260.9	232.9	230.1	204.1
Increases April 1 - Dec. 31 / April 1 - March 31	13.4	31.3	11.4	26.3
Decreases April 1 - Dec. 31 / April 1 - March 31	-3.1	-3.3	-1.0	-0.4
Acquisition cost Dec. 31/ March 31	271.2	260.9	240.5	230.1
Accumulated planned depreciation April 1 - Dec.31/ April 1 - March 31 from decreases	0.9	0.0	0.0	0.0
Accumulated planned depreciation Dec.31/ March 31	-195.8	-181.4	-172.8	-160.3
Book value Dec. 31/ March 31	**76.3**	79.5	**67.6**	69.8
Accumulated difference between total and planned depreciation April 1	-	-	0.2	0.3
Change in depreciation difference	-	-	0.0	-0.1
Accumulated difference between total and planned depreciation Dec.31/ March 31	-	-	**0.1**	0.2
Share of machines and equipment in book value Dec.31/ March 31	**772.0**	621.9	**764.4**	710.0
Advance payments				
Acquisition cost April 1	64.7	52.1	64.7	52.1
Increases April 1 - Dec. 31 / April 1 - March 31	24.6	12.6	24.6	12.6
Book value Dec. 31/ March 31	**89.3**	64.7	**89.3**	64.7
Financial assets				
Participating interests				
Acquisition cost April 1	1.4	0.8	0.7	0.4
Increases April 1 - Dec. 31 / April 1 - March 31	0.5	0.2	0.0	0.0
Transfers between items April 1 - Dec.31/ April 1 - March 31	0.0	0.7	0.0	0.7
Decreases April 1 - Dec. 31 / April 1 - March 31	0.0	-0.3	0.0	-0.4
Book value Dec. 31/ March 31	**1.9**	1.4	**0.7**	0.7
Group companies				
Acquisition cost April 1	-	-	7.1	8.5
Increases April 1 - Dec. 31 / April 1 - March 31	-	-	1.2	0.3
Transfers between items April 1 - Dec.31/ April 1 - March 31	-	-	0.0	-0.7
Decreases April 1 - Dec. 31 / April 1 - March 31	-	-	-0.6	-1.0
Book value Dec. 31/ March 31	-	-	**7.6**	7.1

	Group		Parent Company	
	April–Dec. 2000	April 1999–March 2000 EUR Mill.	**April–Dec. 2000**	April 1999–March 2000 EUR Mill.
Other interests and shares				
Acquisition cost April 1	5.4	5.7	4.3	4.6
Increases April 1 - Dec. 31 / April 1 - March 31	1.4	1.0	1.4	1.0
Decreases April 1 - Dec. 31 / April 1 - March 31	-0.1	-1.3	-0.1	-1.3
Book value Dec. 31/ March 31	**6.7**	5.4	**5.6**	4.3
Loan receivables				
Acquisition cost April 1	0.7	0.7	1.4	1.4
Increases April 1 - Dec. 31 / April 1 - March 31	5.3	0.0	5.3	0.0
Decreases April 1 - Dec. 31 / April 1 - March 31	-0.1	0.0	-0.1	-0.1
Book value Dec. 31/ March 31	**6.0**	0.7	**6.6**	1.4

Insurance values of fixed assets		
Balance sheet values of aircraft and spare parts	704.4	646.3
Insurance value EUR	2 399.3	1 498.3
Insurance value USD	2 232.5	1 431.3

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

Financial assets

Participating interests	Group ownership %	Parent Company ownership %
Gourmet Nova Finland Oy, Helsinki	40.00	40.00
Suomen Jakelutiet Oy, Helsinki	47.50	-
Amadeus Estonia, Viro	33.25	-
Toivelomat Oy, Helsinki	48.53	-

Affiliates		
Kiinteistö Oy Aerolan A-talot, Vantaa	100.00	100.00
Kiinteistö Oy Aerolan B-talot, Vantaa	100.00	100.00
Malmilento Oy, Helsinki	100.00	100.00
Amadeus Finland Oy, Helsinki	95.00	95.00
Matkatoimisto Oy Area, Helsinki	100.00	100.00
Area Baltica Reisiburoo AS, Estonia	100.00	100.00
ZAO Norvista, Russia	72.20	-
A/S Estravel Ltd, Estonia	72.02	-
Eastern Holding, Estonia	72.02	-
Oy Aurinkomatkat - Suntours Ltd Ab, Helsinki	97.07	79.30
Finlandia Travel Agency Ltd, UK	100.00	96.68
Finlandia Agence de Voyages S.A.R.L., France	99.80	99.80
Finnair Travel Services Oy, Helsinki	100.00	100.00
Finnair Catering Oy, Helsinki	100.00	100.00
Finnair Facilities Management Oy, Helsinki	100.00	100.00
Finnair Aerosystems Oy, Helsinki	100.00	100.00
Finnair Cargo Oy, Helsinki	100.00	100.00
Aero Airlines, Estonia	100.00	100.00
Finncatering Oy, Vantaa	100.00	100.00
Norvista Travel Ltd, Canada	100.00	100.00
Norvista Ltd, USA	100.00	100.00
Karair Ab, Sweden	100.00	100.00
Business Flight Center Oy, Vantaa	100.00	100.00
Oscar Aircraft Leasing Corp. Inc. *	100.00	100.00
November Aircraft Leasing Corp. Inc*	100.00	100.00
Mikkelin Matkatoimisto Oy, Mikkeli	51.00	-
Norvista S.R.L, Italy	100.00	100.00
Norvista B.V., Netherlands	100.00	100.00
Kuopion Matkatoimisto Oy, Kuopio	99.80	-
Varkauden Matkatoimisto Oy, Varkaus	79.62	-
Suomen Matkatoimisto Oy, Helsinki	99.99	99.99

* Special purpose vehicles (for securing receivables)

	Group		Parent Company	
	April–Dec. 2000	April 1999–March 2000 EUR Mill.	**April–Dec. 2000**	April 1999–March 2000 EUR Mill.
Other shares				
Market value of publicly quoted shares	12.1	31.9	9.8	31.8
book value	0.6	0.5	0.2	0.5
difference	**11.6**	31.3	**9.6**	31.3
Other financial assets, loan receivables				
from Group companies	-	-	0.6	0.7
From participating interests	-	0.1	-	-
From other companies	6.0	0.7	6.0	0.7
Total	**6.0**	0.7	**6.6**	1.4
12. Inventories				
Materials and supplies	54.1	50.5	53.9	50.3
Work in progress	2.0	2.3	1.9	2.3
Total	**56.1**	52.8	**55.8**	52.6
13. Long-term receivables				
Long-term receivables from others				
Loan receivables	0.1	0.1	-	-
Prepaid expenses	0.0	0.2	-	-
Other receivables	0.0	2.8	-	2.7
Total	**0.1**	3.0	-	2.7
14. Short-term receivables				
Short-term receivables from group undertakings				
Trade receivables	-	-	15.1	20.5
Prepaid expenses	-	-	0.3	0.9
Total	-	-	15.4	21.4
Short-term receivables from participating interests				
Trade receivables	0.1	0.0	0.0	0.0
Prepaid expenses	0.0	0.1	-	-
Total	0.1	0.1	0.0	0.0
Short-term receivables from others				
Trade receivablest	100.8	141.9	61.2	81.8
Prepaid expenses	44.5	52.0	40.9	48.3
Other receivables	83.3	55.5	83.6	49.9
Total	228.7	249.4	185.6	180.0
Short-term receivables total	**228.7**	249.5	**201.1**	201.4
15. Investments				
Marketable securities	**225.7**	153.1	**225.7**	153.1

The difference between market value and activated acquisition cost is not essential

16. Cash and bank equivalents

Cash and bank equivalents comprise funds in Group bank accounts.

17. Equity				
Share capital April 1	71.3	71.3	71.3	71.3
Bonus issue	0.8	0.0	0.8	0.0
Share capital Dec. 31/ March 31	**72.0**	71.3	**72.0**	71.3
Share premium	**5.6**	5.6	**5.6**	5.6
General reserve April 1	148.5	148.5	148.5	148.5
Bonus issue	0.8	0.0	0.8	0.0
General reserve Dec. 31/ March 31	**147.7**	148.5	**147.7**	148.5
Retained earnings April 1	345.9	307.6	198.0	149.7
Dividend payment	-21.4	-21.4	-21.4	-21.4
Translation difference	0.0	-0.1	-	-
Retained earnings Dec. 31/ March 31	**324.5**	286.2	**176.6**	128.3
Profit for the financial year	**88.7**	59.7	**108.5**	69.7
Capital loan	**5.7**	5.7	**5.7**	5.7
Total equity	**644.3**	577.0	**516.2**	429.1

	Group		Parent Company	
	April–Dec. 2000	April 1999–March 2000 EUR Mill.	**April–Dec. 2000**	April 1999–March 2000 EUR Mill.
Distributable equity				
Retained earnings April 1	345.9	307.6	198.0	149.7
Dividend payment	-21.4	-21.4	-21.4	-21.4
Translation difference	0.0	-0.1	-	-
Profit for the financial year	88.7	59.7	108.5	69.7
	413.2	345.9	**285.1**	198.0
Voluntary reserves in equity	**-126.3**	-141.9	-	-
	286.9	204.0	**285.1**	198.0
Voluntary reserves				
Accumulated depriciation difference	177.6	199.7		
Recidental block reserve	0.2	0.1		
	177.9	199.8		
Deferred tax liability of voluntary reserves	-51.6	-57.9		
Total	**126.3**	141.9		
18. Accumulated appropriations				
Accumulated depreciation difference	-	-	**177.6**	199.7
19. Deferred tax liability				
From appropriations	51.6	57.9	-	-
Deferred tax liability caused by timing differences	58.7	44.1	59.0	44.1
Total	**110.3**	102.0	**59.0**	44.1
20. Long-term liabilities				
Loans from financial institutions	181.1	83.7	181.1	83.6
Pension loans	61.4	69.4	60.8	68.5
Other long-term liabilities	3.7	2.9	3.6	2.7
Total	**246.2**	156.0	**245.5**	154.8
Repayment of loans				
Financial year 2001	48.7		48.7	
Financial year 2002	23.0		23.0	
Financial year 2003	20.2		20.2	
Financial year 2004	26.0		26.0	
Financial year 2005	20.2		20.2	
Financial year 2006 -	162.5		161.8	
Total	**300.7**		**300.0**	

21. Convertible subordinated bonds (Capital loan)

Convertible subordinated bonds of FIM 230,000,000 were issued on February 28, 1994, with an annual interest rate of 7 per cent until the year 2004. Thereafter the interest rate will be five percentage points above the 12-mont Euribor. 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 restricted equity, computed in accordance with the Parent Company balance sheet and consolidated balance sheet approved for the previous financial year, is fully covered;
3. Annual interest cannot be paid in excess of non-restricted equity on an interest payment date as reported in the accounts of the Company confirmed by the previous Annual General Meeting of Shareholders, or distributable non-restricted equity as reported in consolidated Group accounts for the same period; the payment of interest is in preference to the payment of dividends.
4. The loan is unsecured;
5. The holder of the bond is not entitled to give notice or demand early repayment unless the Company is in liquidation.

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

One debenture with nominal value of FIM 10,000 can be converted to 271 Finnair Oyj shares at a nominal price of 0.85 euros each. The computed Conversion price of a share is therefore 6.21 euros. The annual conversion period is January 1 to January 31 and April 1 to December 31. By December 31, 2000 bonds worth FIM 195.890.000 had been converted to 5,308,619 shares, after which the amount of the convertible bond is FIM 34,110,000. Should all the unconverted bonds on December 31, 2000 be exchanged for shares, the Company's share capital would increase by 785,723.85 euros which is the equivalent of 924,381 shares.

	Group April–Dec. 2000	Group April 1999–March 2000 EUR Mill.	Parent Company April–Dec. 2000	Parent Company April 1999–March 2000 EUR Mill.
22. Short-term liabilities				
Liabilities to group undertakings				
Trade payables	-	-	1.9	1.6
Accruals and deferred income	-	-	0.4	1.5
Other liabilities	-	-	33.6	35.2
Total	-	-	36.0	38.4
Liabilities to participating interests				
Trade payables	0.2	0.5	0.2	0.5
Total	0.2	0.5	0.2	0.5
Liabilities to others				
Loans from financial institutions	48.7	68.1	48.7	68.1
Pension loans	0.0	0.0	-	-
Advanced received	24.8	24.2	-	-
Trade payables	110.2	106.5	79.2	59.4
Accruals and deferred income	261.3	264.8	241.4	242.6
Other liabilities	91.9	96.6	90.0	94.2
Total	537.0	560.2	459.3	464.3
Short-term liabilities total	**537.2**	560.7	**495.5**	503.2
Accruals and deferred income				
Unearned air transport revenues and liability for frequent flyer bonus system*)	90.7	120.1	90.7	120.1
Holiday pay reserve	56.9	64.3	51.3	57.9
Other items	113.7	80.4	99.9	66.2
Total	**261.3**	264.8	**241.9**	244.2

*) The item includes a liability of EUR 19,2 Million for the Finnair Plus Frequent Flyer Bonus System.
Other items include undue interest and other deferred income for the financial year.

	Group April–Dec. 2000	Group April 1999–March 2000	Parent Company April–Dec. 2000	Parent Company April 1999–March 2000
23. Pension liabilities				
Total liability of pension fund	608.0	575.7	568.9	540.1
Mandatory portion covered	-326.4	-304.0	-294.1	-274.4
Non-mandatory benefit covered	-281.6	-271.2	-274.8	-265.2
Uncovered liability of pension fund	**0.0**	0.5	**0.0**	0.5
Liability for pensions paid directly by the companies	0.0	2.3	0.0	2.2
	0.0	2.8	**0.0**	2.7
24. Guarantees and contingent liabilities				
Pledges on own behalf	277.8	156.3	277.7	156.1
Guarantees on group undertakings	32.1	40.5	32.1	40.5
Guarantees on others	0.2	-	0.2	-
Total	**310.2**	196.8	**310.0**	196.6

The Parent Company has capitalized during the last five years buildings for EUR 63,5 million for which the VAT- deductions EUR 11,5 million has been made. In case the buildings are sold or being used for nondeductible purpose the VAT-amount shall be repaid

	Group April–Dec. 2000	Group April 1999–March 2000	Parent Company April–Dec. 2000	Parent Company April 1999–March 2000
25. Aircraft lease obligations				
Amounts due to be paid				
Financial year 2001			72.3	
Financial year 2002			51.1	
Financial year 2003			44.2	
Financial year 2004			34.0	
Financial year 2005			7.0	
Financial year 2006 -			10.4	
Total			**238.9**	

Aircraft lease payments

The above lease payments comprise unpaid rentals under outstanding finance leases (EUR 18,9 million) and operating leases (EUR 220 million). With respect to certain of the finance leases, Finnair Oyj has made a deposit corresponding to the agreed purchase option payment.

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 Oyi pays rentals to cover the finance costs, has on option to purchase the relevant aircraft at an agreed price, and bears the residual 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. EUR 5 million provision has been made into income statement to cover this risk. Should the future market value of an aircraft held on a finance lease be higher than this agreed purchase option value, Finnair Oyj would realize a profit on its resale after the end of the relevant lease period.

	Group April–Dec. 2000	Group April 1999–March 2000	Parent Company April–Dec. 2000	Parent Company April 1999–March 2000
26. Other lease obligations				
Other lease obligations	**14.6**	3.8	**14.6**	3.8

27. Disputes and litigation

Finnair Oyj was not granted the permit for an appeal to the Supreme Court in the dispute concerning the redemption of Karair oy shares. Consequently, and in order to finalize the redemption dispute, the matter has been brought to arbitration as provided for in the Companies Act

28. Principles of financial risk management

The operations of the Finnair Group are by nature very international and require significant amounts of capital. This means exposure to risks related to exchange rates, interest rates, credit, liquidity and raw material prices. It is the policy of the Group to minimize the negative effect of such risks on cash positions, financial performance and equity. Financial risk management is concentrated in the Treasury Department of the Parent Company, which co-ordinates operations in the Group and provides various internal banking services such as group accounts and netting services. Financial risk management is based on risk management policy approved by the Finnair Board of Directors, which beside hedging activities enables the keeping of open foreign exchange and interest positions within the framework of set risk limits. In this financial risk management, the Company uses a wide range of hedging instruments and methods such as foreign loans, forward contracts, currency and interest swaps, foreign exchange and interest options and futures..

Foreign exchange risks

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

The Group's policy is to eliminate the identified foreign exchange risk caused by a foreign currency surplus or deficit. Apart from receivables and payables and other commercial commitments, the estimated 6-12 month cash flows denominated in foreign exchange are as a rule included in exposed foreign exchange positions. At the end of the 2000 financial year the majority of the Group's interest-bearing liabilities were denominated in euro and US dollar.

Fuel price risks in flight operations

Fuel price risk management is based on risk management policy approved by the Board of Directors. Various hedging instruments such as forward contracts and swaps are used to manage the price risks. Finnair has hedged almost half of its fuel purchases until autumn 2001, after which it has hedged about a fifth until the end of the first quarter 2002. Time-wise, hedging is limited in general to less than 12 months. In the 2000 financial year fuel used in flight operations accounted for 11.5% of the Group's operating costs. Fuel costs are dependent on fluctuations in oil markets and the US dollar.

Interest rate risks

In order to manage interest rate 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 fixed interest rates. Finnair hedges against interest rate changes by investing most of the cash reserves on the money markets for less than 12 months. At the end of the 2000 financial year the average interest on the Group's interest-bearing loans was 4.75%.

Credit risks

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

Liquidity risk

The goal of the Finnair Group is to maintain good liquidity. Liquidity is ensured through cash reserves, account limits, liquid money market investments and credit limits. With respect to aircraft acquisition, 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 EUR 245 million at the end of the 2000 financial year. Moreover the Parent company has following credit facilities:

USD 250 mill. For general financing needs, USD 230 mill. is still unused
USD 250 mill. For financing the acquisition of Airbus A320 family, approx. USD 170 mill. is still unused
In addition the company has a domestic commercial paper program of EUR 100 mill.

Derivative contracts December 31, 2000 EUR mill.

Currency derivatives		**Nominal value**	**Fair value**
Forward contracts		311.1	-6.2
Currency options			
Bought		89.0	1.4
Sold		115.7	-3.5
Currency swaps		206.1	11.5
Interest rate derivatives			
Interest rate options			
Bought		51.1	0.6
Derivative contracts, total		**773.0**	**3.9**
Other derivative contracts			
Fuel price agreements	tonnes	202 600	-5.9

29. Personnel fund

The period for which this bonus is to be paid will end on March 31st 2001, but a bonus provision of EUR 2,5 million has been entered into the final account

30. Share option scheme for key personnel

The Annual General Meeting on August 24, 2000 approved the proposal by the Board of Directors to issue share option rights for key personnel of the Finnair Group. The share option rights are intended to form part of the incentive program for the personnel of Finnair Group. The number of the option rights to be issued is 4,000,000. Of the option rights 2,000,000 will be marked with the letter A and 2,000,000 with the letter B. The option rights entitle to subscribe for a maximum of 4,000,000 shares in Finnair Oyj. The share subscription price shall be in case of option rights A the trade volume weighted average quotation of the Finnair Oyj share in the Helsinki Exchanges between July 1and August 31, 2000, nevertheless always at least the trade volume weighted average quotation of the share on June 7, 2000, with an addition of twenty (20) per cent, this is EUR 5,19 and in case of option B the trade volume weighted average quotation of the Finnair Oyj share in the Helsinki Exchanges between July 1 and August 31, 2001, nevertheless always at least the trade volume weighted average quotation of the share on June 7, 2000, with an addition of fifteen (15) per cent. From the share subscription price shall, as per each date when the relevant dividend is available for payment, be deducted the amount of dividend distributed after the beginning of the period for determination of the subscription price but before the date of the share subscription. The subscription period shall begin gradually on May 1, 2003 and May 1, 2004 and it shall end for all warrants on August 31, 2006. In case of option rights A the subscription period however does not begin before the average two year earnings per share exceeds by 20 per cent the earnings per share rectified of exceptional entries for the accounting period which ended on march 31, 2000. In case of option rights B the subscription period however does not begin before the average three year earnings per share exceeds by 25 per cent the earnings per share rectified of exceptional entries for the accounting period which ended on March 31, 2000. Should the above key figure not be attained due to a corporate acquisition, arrangement or some other comparable significant change, the Board of Directors shall estimate the fulfillment of objectives without those significant changes. The maximum increase in Finnair Oyj share capital is the equivalent nominal amount of 4,000,000 new shares.
No social security provisions have been made by Finnair Oyj for the share option scheme.

Information on Finnair Oyj shares and shareholders

Shares and share capital

On March 31, 2000, the Company's paid up share capital, entered in the trade register, was EUR 71.3 million and comprised 84,739,098 shares. Each share has one vote at the Annual General Meeting and its nominal value is EUR 0,85. The Annual General Meeting convening on August 24, 2000 decided that the share capital is redenominated in euros and that the share capital is increased from EUR 71 260 465.91 to EUR 72 028 233.30 through an EUR 767 767.39 bonus issue.

The minimum and maximum values of Finnair Oyj's share capital are EUR 60 million and EUR 240 million, within the limits of which the share capital can be raised or lowered without amending the Articles of Association. The Company's shares were converted to the book entry securities system in June 1993.

Share quotations

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

Dividend policy and payment of dividend

The Board of Directors of Finnair Oyj proposes to the Annual General Meeting that a dividend of EUR 0,40 per share or 38,2 % of the earnings per share will be paid for the 2000 financial year.

It is Finnair's dividend policy to pay out at least a third of the earnings per share as dividend during an economic cycle. Finnair aims to take into account the company's earnings trend and outlook, financial situation and capital needs for any given period.

Largest shareholders as at December 31, 2000

		Number of shares	% of shares
1	Government of Finland	49 510 682	58.43
	Odin Norden	7 817 566	
	Odin Finland	528 000	
2	Odin Förvaltning AS	8 345 566	9.85
3	Pension Insurance Company Ilmarinen	2 451 400	2.89
4	The Local Goverment Pensions Company	2 206 900	2.60
	Tapiola General Mutual Insurance Company	256 300	
	Tapiola Mutual Pension Insurance Company	1 287 700	
	Tapiola Mutual Life Assurance Company	171 200	
	Tapiola Corporate Life Insurance Company	110 000	
5	Tapiola Group total	1 825 200	2.15
	Industrial Insurance Company Ltd	1 100 000	
	Sampo Life Insurance Company	238 807	
6	Sampo Group total	1 338 807	1.58
7	Pohjola Life Assurance Company	900 000	1.06
8	Suomi Mutual Life Assurance Company	880 000	1.04
9	Nesteen Pension Foundation	664 420	0.78
10	Rausanne Oy	411 300	0.49
11	Dreadnought Finance Oy	410 000	0.48
12	Palkkiyhtymä Oy	272 200	0.32
13	Mutual Insurance Company Pension-Fennia	266 058	0.31
	Placeringsfonden Aktia Capital	155600	
	Placeringsfonden Aktia Folkhälsan	7200	
	Placeringsfonden Aktia Secura	100000	
14	Aktia total	262 800	0.31
15	Wip Small Titans Fund	175 000	0.21
16	Conventum Finland Mutual Fund	170 200	0.20
17	LEL Employment Pension Fund	141 800	0.17
18	Phoenix Mutual Fund	115 000	0.14
19	Sanoma WSOY Oyj	112 099	0.13
	Registered in the name of a nominee	7 398 423	8.73
	Others	6 881 243	8.12
	Total	**84 739 098**	**100.00**

Share option scheme for key personnel

The Annual General Meeting on August 24,2000 approved the proposal by the Board of Directors to issue share option rights for key personnel of the Finnair Group. The share option rights are intended to form part of the incentive program for the key personnel of Finnair Group. The number of the option rights to be issued is 4,000,000.The option rights entitle to subscribe for a maximum of 4,000,000 shares in Finnair Oyj. The subscription period shall begin gradually on May 1, 2003 and May 1, 2004 and it shall end for all warrants on August 31, 2006. The option rights account for 4,72 % of the shares and votes.

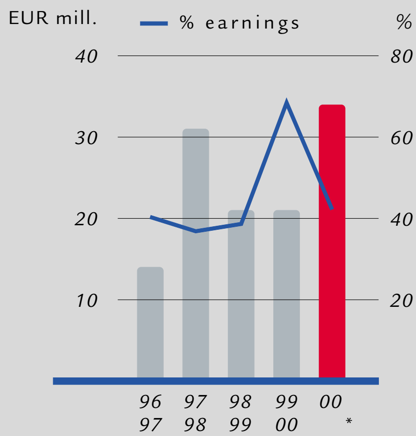
Convertible bonds

In February 1994, the Company's Board of Directors issued a perpetual convertible subordinated bond for FIM 230 million on the basis of authorization received from the Annual General Meeting of Shareholders in August 1993 and from an extraordinary meeting of shareholders in November 1993. The bond in question is by nature a capital loan and has features comparable to equity items. Bonds can be converted to Company shares as follows: a bond with a nominal value of FIM 10,000 entitles the holder to 271 shares in Finnair Oyj with a nominal value of EUR 0,85 each. The bonds can be converted annually between January 1 and 31 and between April 1 and December 31. By December 31, 2000, a total of FIM 195,890,000 in bonds had been converted to 5,308,619 shares. Should all the bonds still unexchanged on December 31, 2000 be converted to shares, the Company's share capital would rise by EUR 785,723.85, which corresponds to 924,381 shares.

The following banks and brokerage firms are known to have prepared an investment analysis on Finnair:

Alfred Berg, Abn Amro Equities, London, BT Alex. Brown International, London, Carnegie Finland, Conventum, Helsinki, Credit Suisse First Boston, London, Danske Securities, Copenhagen, Enskilda Securities, Helsinki, Impivaara Securities, London, Merita Securities, Helsinki, Morgan Stanley Dean Witter, London, Opstock, Helsinki

Dividend



* The proposal of the Board of Directors to the AGM

Government ownership

At the end of the financial year on December 31, 2000, the Finnish Government owned 58.4 % of the Company's shares and votes. On June 20, 1994, Parliament decided to maintain the Government's majority holding and gave its consent to reduce that holding to less than two-thirds. Should all the convertible bonds in circulation be exchanged for Finnair Oyj shares, the Government's holding would be 55,2 %.

Share ownership by management

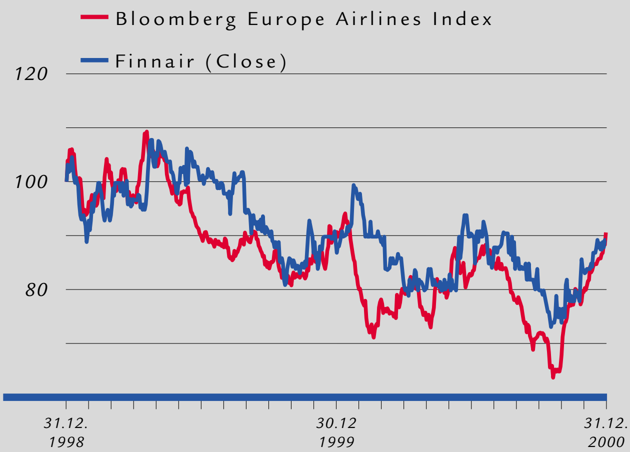
On December 31, 2000, members of the Company's Supervisory Board and Board of Directors and the Chief Executive Officer owned 33,628 shares, which represented 0.04 % of all the shares and votes.

Share prices and trading

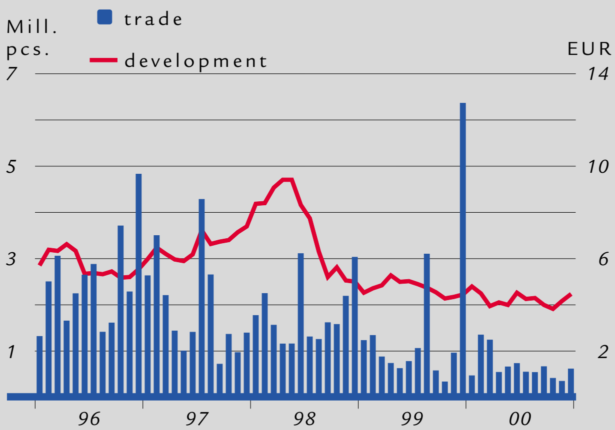
Finnair Oyj's share was quoted at EUR 4,47 on the Helsinki Exchanges on the last day of the financial year. The market value of the Company's shares was EUR 378,8 million (335). The highest trading price during the financial year was EUR 4,74 (5,49) and the lowest EUR 3.65 (3,95). During year 2000 The highest trading price was EUR 4,99 and the lowest EUR 3.65.

A total of 5,1 million shares were traded on the Helsinki Exchanges for a value of EUR 21,3 million during the financial year and during the year 2000 8,1 million shares (17,4) for value of EUR 34,7 million (81).

Share price development compared with other European airlines (31.12.1998=100)



Share price development and trade 1996-2000



Shareholders by type as at December 31, 2000

	Number of shares	%	Number of share-holders	%
Public bodies	56 921 717	67	22	
Outside Finland	8 365 923	10	38	
Registered in the name of a nominee	7 398 423	9	8	
Financial institutions and insurance companies	4 185 565	5	28	
Households	4 676 883	6	7 820	94
Companies	2 749 768	3	349	4
Associations	407 694		52	1
Not converted to the book entry securities system	33 125			
Total	**84 739 098**	**100**	**8 317**	**100**

Breakdown of shareholdings as at December 31, 2000

Shares held	Shareholders	Number of shares
1- 100	3 464	166 475
101- 1 000	3 735	1 546 243
1 001- 10 000	997	2 843 965
10 001- 100 000	89	2 398 635
100 001- 1 000 000	18	5 977 984
1 000 001-	6	64 374 248
Registered in the name of a nominee	8	7 398 423
Not converted to the book entry securities system		33 125
Total	**8 317**	**84 739 098**

Key figures and share prices

		Proforma 2000	1999/00	1998/99	1997/98	1996/97
Earnings/share	euro	0.95	0.37	0.65	1.03	0.42
Equity/share	euro	7.60	6.81	6.36	6.61	5.79
Dividend/share	euro	0.40	0.25	0.25	0.38	0.17
Dividend/earnings	%	42.2	68.4	38.6	36.8	40.3
P/E ratio		4.71	10.71	7.43	8.83	14.86
P/CEPS		1.5	2.0	2.4	4.0	2.9
Effective dividend yield	%	9.0	6.4	5.2	4.2	2.7
Number of shares and share prices						
Number of shares adjusted for issue, average		84 739 098	84 739 098	84 739 098	82 796 483	82 053 018
Number of shares adjusted for issue, end of financial year		84 739 098	84 739 098	84 739 098	82 796 483	82 053 018
Number of shares, end of financial year		84 739 098	84 739 098	84 739 098	82 796 483	82 053 018
Prices adjusted for share issue,	highest euro	4.99	5.49	10.00	9.41	6.73
	lowest euro	3.65	3.95	4.44	5.72	5.10
Market value of share capital, Dec. 31 / Mar. 31	EUR	379	335	411	752	509
Trading of shares	pc.	8 123 712	17 449 998	20 073 817	21 061 343	32 667 714
Trading as % of average number of shares	%	9.59	20.59	23.68	25.43	39.81

Proposal by the board of directors

The Group's distributable equity according to the financial statements on December 31, 2000 was EUR 286,877,397.51 and the Parent Company Finnair Oyj's distributable equity was EUR 285,134,707.32

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0,40 per share, totaling EUR 33,895,639.20, be paid. The rest of the distributable equity will be carried over to retained earnings.

Helsinki, 6. March 2001

The Board of Directors of Finnair Oyj

Harri Holkeri	Seppo Härkönen
Matti Alahuhta	Robert G. Ehrnrooth
Samuli Haapasalo	Ari Heiniö
Helena Terho	

Statement of the supervisory board

At the 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 2000 – December 31, 2000. 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 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 Chief Executive Officer.

The terms od service on the Supervisory Board of Mr. Felix Björklund, Mr. Markku Hyvärinen, Mr. Peter Heinström, Mr. Juha Korkeaoja, Ms. Virpa Puisto and Mr. Pertti Salolainen.

Helsinki, 13. March 2001

Markku Hyvärinen	Felix Björklund
Riitta Backas	Peter Heinström
Tytti Isohookana-Asunmaa	Matti Kankare
Tarja Kautto	Juha Korkeaoja
Markku Koskenniemi	Jouko K. Leskinen
Elisa Pelkonen	Pekka Perttula
Sirpa Pietikäinen	Virpa Puisto
Jussi Ranta	Pertti Salolainen
Ralf Sund	Iiro Viinanen

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, 2000 to December 31, 2000. The financial statements prepared by the Board of Directors and the President and CEO 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 statement 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 and CEO 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, including those of the Group, can be adopted and the members of the Supervisory Board and the Board of Directors and the President and CEO 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 Company Act.

Helsinki, 9. March 2001

Pekka Nikula	Erkki Mäki-Ranta
APA	AA

KEY FIGURES 1996-/97 - 2000

		Proforma 2000	**4-12/2000**	1999/2000	1998/99	1997/98	1996/97
Consolidated income statement							
Turnover	EUR Mill.	**1 658**	**1 259**	1 593	1 494	1 445	1 245
- change	%	**-**	**-20.9**	6.6	3.4	16.1	3.0
EBITDA	EUR Mill.	**232**	**205**	165	164	187	132
- in relation to turnover	%	**14.0**	**16.3**	10.3	11.0	12.9	10.6
Operating profit	EUR Mill.	**111**	**122**	50	72	102	55
- in relation to turnover	%	**6.7**	**9.7**	3.1	4.8	7.1	4.4
Profit before extraordinary items	EUR Mill.	**120**	**125**	57	73	105	52
- in relation to turnover	%	**7.2**	**9.9**	3.5	4.9	7.3	4.2
Profit before taxes	EUR Mill.	**149**	**125**	85	75	106	72
- in relation to turnover	%	**9.0**	**9.9**	5.3	5.0	7.3	5.8
Consolidated balance sheet							
Fixed assets	EUR Mill.	**1 009**	**1 009**	925	800	698	688
current assets	EUR Mill.	**530**	**530**	471	444	503	439
Total assets	EUR Mill.	**1 539**	**1 539**	1 396	1 244	1 201	1 127
Shareholders equity and minorty interests	EUR Mill.	**650**	**650**	577	539	548	476
Liabilities	EUR Mill.	**889**	**889**	819	705	653	651
Total liabilities	EUR Mill.	**1 539**	**1 539**	1 396	1 244	1 201	1 127
Gross capital expenditure	EUR Mill.	**247**	**185**	252	220	148	177
Gross capital expenditure in relation to turnover	%	**14.9**	**14.7**	15.8	14.7	10.2	14.3
Return on equity (ROE)	%	**13.4**	**14.6**	5.6	10.2	16.7	7.5
Return on capital employed (ROCE)	%	**15.3**	**15.2**	9.1	11.7	15.9	9.4
Average capital employed	EUR Mill.	**893**	**909**	797	751	755	780
Increase in share capital	EUR Mill.	**1**	**1**	0	2	1	0
Dividend for the financial year 1)	EUR Mill.	**34**	**34**	21	21	31	14
Earnings/share	EUR	**0.95**	**1.05**	0.37	0.65	1.03	0.42
Earnings/share (with diluted effect)	EUR	**0.94**	**1.04**	0.36	0.65	-	-
Equity/share	EUR	**7.60**	**7.60**	6.81	6.36	6.61	5.79
Dividend/share	EUR	**0.40**	**0.40**	0.25	0.25	0.38	0.17
Dividend/earnings	%	**42.2**	**38.2**	68.4	38.6	36.8	40.3
Effective dividend yield	%	**9.0**	**9.0**	6.4	5.2	4.2	2.7
P/CEPS		**1.5**	**1.7**	2.0	2.4	4.0	2.9
Cash flow/share	EUR	**3.0**	**2.7**	2.0	2.0	2.3	2.1
P/E ratio		**4.71**	**4.27**	10.71	7.43	8.83	14.86
Equity ratio	%	**42.6**	**42.6**	42.1	44.4	46.5	42.9
Net debt-to-equity (Gearing)	%	**11.5**	**11.5**	19.4	4.3	-5.4	9.9
Interest bearing debt	EUR Mill.	**319**	**319**	281	197	218	270
Liquid funds	EUR Mill.	**245**	**245**	169	174	247	223
Net interest bearing debt	EUR Mill.	**74**	**74**	112	23	-29	47
- in relation to turnover	%	**4.5**	**5.9**	7.1	1.6	-2.0	3.8
Net financing income (+) / -expenses (-)	EUR Mill.	**9**	**3**	7	1	3	-2.6
- in relation to turnover	%	**0.6**	**0.2**	0.4	0.1	0.2	-0.2
Net interest expenses	EUR Mill.	**-2**	**-1**	-1	6	1	-2.8
- in relation to turnover	%	**-0.1**	**-0.1**	-0.1	0.4	0.1	-0.2
Operational cash flow	EUR Mill.	**230**	**172**	175	150	170	152
Operational cash flow in relation to turnover	%	**13.9**	**13.7**	11.0	10.0	11.8	12.2
Average number of shares adjusted for the share issue and the number of share at the end of the financial year	pc.	**84 739 098**	**84 739 098**	84 739 098	84 739 098	82 796 483	82 053018
Average number of shares adjusted for the share issue and the number of shares at the end of the financial year (with diluted effect) 3)	pc.	**85 663 479**	**85 663 479**	85 663 479	85 663 479	86 034 161	86 034172
Personnel on average		**11 051**	**11 019**	11 462	11 264	10 706	10 533

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

1) The dividend for 2000 is a proposal of the Board of Directors to the Annual General Meeting
2) The deferred tax liability caused by timing differences has been taken into account when calculating the key figures for financial years 2000 1999/2000 and 1998/1999. It has not been taken into account in previous year's key figures.
3) Only the effect of the convertible bonds have been calculated, because the subscription price of option rights exceeds the market price of Finnair Oyj shares.

Formulas for ratios

EBITDA	=	Operating profit + depreciation
Return on equity % (ROE)	=	$\frac{\text{Result before extraordinary items – taxes}}{\text{Equity + minority interests (average at the beginning and end of the financial year)}} \times 100$
Capital employed	=	Balance sheet total – non interest bearing liabilities
Return on capital employed % (ROCE)	=	$\frac{\text{Result before extraordinary items + interest and other financial expenses}}{\text{Capital employed (average at the beginning and end of the financial year)}} \times 100$
Earnings / share (Euro)	=	$\frac{\text{Result before extraordinary items +/- minority share– taxes}}{\text{Adjusted average number of shares during the financial year}}$
Equity / share (Euro)	=	$\frac{\text{Equity}}{\text{Number of shares at the end of the financial year, adjusted for the share issue}}$
Dividend earnings %	=	$\frac{\text{Dividend per share}}{\text{Earnings / share}} \times 100$
Effective dividend yield %	=	$\frac{\text{Dividend per share}}{\text{Adjusted share price at the end of the financial year}} \times 100$
P/CEPS	=	$\frac{\text{Share price at the end of the financial year}}{\text{Cash flow from operations per share}}$
Cash flow / share (Euro)	=	$\frac{\text{Cash flow from operations}}{\text{Adjusted average number of shares during the financial year}}$
P/E ratio	=	$\frac{\text{Share price at the end of the financial year}}{\text{Earnings / share}}$
Equity ratio %	=	$\frac{\text{Equity + minority interests}}{\text{Balance sheet total – advances received}} \times 100$
Net debt-to-equity %	=	$\frac{\text{Interest bearing debt – liquid funds}}{\text{Equity + minority interests}} \times 100$
Operational cash flow	=	Operating profit + depreciation + financial items + extraordinary items - taxes

Turnover by quarter 2000 EUR Mill.

	Q4	Q3	Q2	Q1
Flight operations	399.4	376.6	383.3	351.2
Travel agencies	23.6	22.7	24.0	23.5
Tour operations	50.4	39.2	38.3	81.2
Total	**473.4**	**438.5**	**445.6**	**455.9**
Less internal adjustments	-37.2	-29.6	-31.4	-57.0
Group turnover	**436.2**	**408.9**	**414.2**	**398.8**

Turnover by quarter 1999 EUR Mill.

	Q4	Q3	Q2	Q1
Flight operations	361.2	354.0	364.8	296.1
Travel agencies	23.3	20.9	26.1	25.6
Tour operations	73.7	54.2	53.7	71.4
Total	**458.2**	**429.0**	**444.5**	**393.1**
Less internal adjustments	-52.4	-43.3	-42.0	-53.6
Group turnover	**405.9**	**385.6**	**402.6**	**339.5**

Operating profit by quarter 2000 EUR Mill.

	Q4	Q3	Q2	Q1
Flight operations	26.1	35.1	54.9	-12.4
Travel agencies	0.5	1.1	1.4	1.0
Tour operations	0.6	1.2	-1.1	-0.1
Total	**27.3**	**37.4**	**55.3**	**-11.6**
Less internal adjustments	1.1	0.8	-0.2	0.2
Participating interest	0.2	0.2	0.1	0.1
Group operating profit	**28.6**	**38.2**	**55.2**	**11.3**

Operating profit by quarter 1999 EUR Mill.

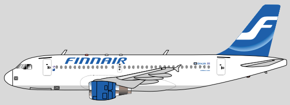
	Q4	Q3	Q2	Q1
Flight operations	30.1	5.7	26.0	-6.6
Travel agencies	1.4	0.7	1.7	0.3
Tour operations	0.1	-0.3	0.4	0.5
Total	**31.5**	**6.2**	**28.1**	**-5.8**
Less internal adjustments	0.0	-2.2	-2.6	-0.6
Participating interest	0.0	0.0	0.1	0.2
Group operating profit	**31.6**	**4.0**	**25.5**	**-6.6**

FINNAIR AIR TRANSPORT

	2 000	1 999	1 998	1 997	1 996
North Atlantic					
Flight hours	5 632	6 867	7 981	7 878	8 226
Flight kilometres (1000)	4 544	5 617	6 448	6 477	6 659
Available seat kilometres, mill.	1 448	1 946	1 888	1 971	2 062
Revenue seat kilometres, mill.	1 128	1 420	1 432	1 528	1 590
Cabin factor %	77.9	73.0	75.8	77.5	77.1
Available tonne kilometres, mill.	388	410	419	351	367
Revenue tonne kilometres, mill.	256	251	260	217	220
Overall load factor %	66.0	61.2	62.0	61.7	59.8
Passengers (1000)	171	208	215	221	228
Cargo (1000 kg)	25 414	18 958	19 378	15 041	11 198
Asia					
Flight hours	8 739	9 242	9 650	9 942	9 282
Flight kilometres (1000)	6 780	7 233	7 503	7 665	7 117
Available seat kilometres, mill.	2 056	2 295	2 331	2 459	2 241
Revenue seat kilometres, mill.	1 590	1 742	1 741	1 791	1 601
Cabin factor %	77.3	75.9	74.7	72.8	71.4
Available tonne kilometres, mill.	422	403	419	408	388
Revenue tonne kilometres, mill.	264	263	271	275	245
Overall load factor %	62,3	65.3	64.7	67.3	63.1
Passengers (1000)	240	257	248	253	225
Cargo (1000 kg)	16 273	14 704	15 265	17 503	13 802
Europe					
Flight hours	87 874	84 029	80 261	90 104	83 946
Flight kilometres (1000)	51 049	47 781	45 474	59 204	49 525
Available seat kilometres, mill.	6 550	6 171	5 711	7 808	7 183
Revenue seat kilometres, mill.	3 470	3 431	3 120	5 124	4 453
Cabin factor %	53.0	56,0	54.6	65.6	62.0
Available tonne kilometres, mill.	803	766	724	945	850
Revenue tonne kilometres, mill.	352	347	320	507	434
Overall load factor %	43.9	45.3	44.2	53.6	51.0
Passengers (1000)	2 890	2 926	2 770	3 166	2 849
Cargo (1000 kg)	33 349	31 989	31 457	32 136	28 621
Domestic					
Flight hours	46 811	51 223	49 169	48 702	46 783
Flight kilometres (1000)	20 294	20 742	20 274	19 906	18 887
Available seat kilometres, mill.	2 353	2 195	2 179	1 917	1 734
Revenue seat kilometres, mill.	1 279	1 210	1 246	1 100	983
Cabinfactor %	54.4	55.1	57.2	57.4	56,7
Available tonne kilometres, mill.	273	250	247	215	193
Revenue tonne kilometres, mill.	112	107	110	97	86
Overall load factor %	41.1	42.6	44.3	44.9	44.7
Passengers (1000)	2 725	2 659	2 785	2 442	2 196
Cargo (1000 kg)	5 031	5 061	5 998	6 082	5 569
Scheduled total					
Flight hours	149 056	151 361	147 061	156 626	148 237
Flight kilometres (1000)	82 666	81 374	79 699	93 252	82 189
Available seat kilometres, mill.	12 407	12 608	12 110	14 156	13 222
Revenue seat kilometres, mill.	7 467	7 802	7 539	9 544	8 627
Cabin factor %	60.2	61.9	62.3	67.4	65.2
Available tonne kilometres, mill.	1 886	1 829	1 809	1 919	1 798
Revenue tonne kilometres, mill.	985	967	960	1 095	984
Overall load factor %	52.2	52.9	53.1	57.1	54.8
Passengers (1000)	6 027	6 050	6 018	6 082	5 498
Cargo (1000 kg)	80 067	70 712	72 098	70 763	59 189
Leisure traffic					
Flight hours	34 026	36 217	39 828	18 627	17 198
Flight kilometres (1000)	24 712	26 113	28 321	12 958	11 844
Available seat kilometres, mill.	5 812	5 825	6 122	2 752	2 641
Revenue seat kilometres, mill.	5 127	5 114	5 557	2 379	2 240
Cabin factor %	88.2	87.8	90.8	86.4	84.8
Available tonne kilometres, mill.	623	627	654	277	247
Revenue tonne kilometres, mill.	470	472	514	219	207
Overall load factor %	75.4	75.3	78.6	79.1	83.8
Passengers (1000)	1 412	1 387	1 534	771	714
Cargo (1000 kg)	2 780	3 418	3 852	1 755	1 159
Total traffic					
Flight hours	**183 083**	**187 578**	**186 888**	**175 253**	**165 435**
Flight kilometres (1000)	**107 378**	**107 487**	**108 021**	**106 211**	**94 033**
Available seat kilometres, mill.	**18 219**	**18 433**	**18 232**	**16 908**	**15 862**
Revenue seat kilometres, mill.	**12 594**	**12 916**	**13 096**	**11 922**	**10 867**
Cabin factor %	**69.1**	**70.1**	**71.8**	**70.5**	**68.5**
Available tonne kilometres, mill.	**2 509**	**2 455**	**2 463**	**2 196**	**2 045**
Revenue tonne kilometres, mill.	**1 455**	**1 439**	**1 474**	**1 314**	**1 191**
Overall load factor %	**58.0**	**58.6**	**59.8**	**59.8**	**58.3**
Passengers (1000)	**7 438**	**7 437**	**7 552**	**6 853**	**6 212**
Cargo (1000 kg)	**82 847**	**74 131**	**75 950**	**72 518**	**60 348**

Fleet March 31, 2001

Aircraft in service with Finnair´s own traffic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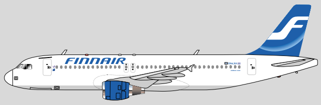
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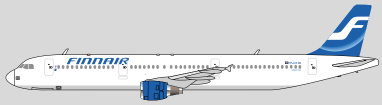
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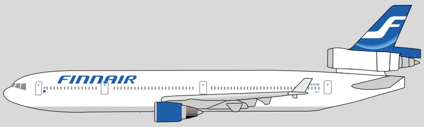
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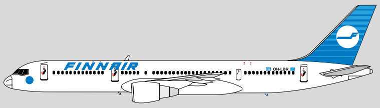
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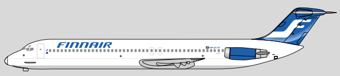
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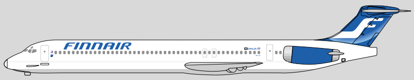
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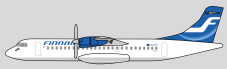

ATR 72

Fleet March 31, 2001

In addition to the aircraft mentioned in the table, Finnair owns two Airbus A300s and twoSaab 340s. These planes have been leased out and not expected to return to Finnair´s service. The book value of aircraft owned by Finnair at the end of the financial year on December 31, 2000 was EUR 622,6 million. The company´s estimate of fleet´s market value on December 31, 2000 was EUR 808,9 million.

Ten ordered aircraft of the Airbus A320 family, will be delivered to Finnair between May 2001 and February 2003. Two Boeing B757 aircraft will be leased for the leisure traffic to substitute the MD-11 aircraft, which will be used in scheduled long-haul traffic.

Aircraft March 31, 2001

	Seat	Total	Owned	Leased	Average age
A319	126	4	4		1.0
A320	150	1	1		0.1
A321	181	4	4		1.5
MD-82/83	141-157	21	4	17	12.1
DC-9-51	122	10	10		22.6
ATR-72	68	9	9		10.2
MD-11	309-407	4	4		8.7
B757	227	5		5	3.0
Total		58	36	22	10.9

Corporate governance

Finnair's administrative bodies are the Supervisory Board, the Board of Directors and the Chief Executive Officer (CEO). The Company is managed in accordance with the Finnish Companies Act, the Company's Articles of Association and the Company's administrative principles.

Ultimate authority lies with the Company's shareholders, who exercise this authority at the Annual General Meeting. The primary duties of the Annual General Meeting are to approve the profit and loss account and the distribution of dividends, elect members to the Supervisory Board, select the auditors and their deputies, and pass resolutions on any increase or decrease in the share capital and on any other changes to the Articles of Association.

The Supervisory Board

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

It is the duty of the Supervisory Board to ensure that the affairs of the Company are managed in accordance with sound business principles and with due attention to profitability, and in accordance with the provisions of the Articles of Association and the resolutions of the Annual General Meeting. The Supervisory Board shall select the Chairman and members of the Board of Directors and shall determine their remuneration.

The Board of Supervisors shall appoint and dismiss the CEO and determine his or her salary.

The Supervisory Board shall submit a statement to the Annual General Meeting concerning the final profit and loss account and the auditor's report on the parent company and the Group, and shall convene the AGM. The AGM shall determine the remuneration for the Board of Supervisors. The Supervisory Board convened twice during the past financial year.

The Board of Directors

The Board of Directors shall consist of a Chairman and at least four but not more than six members. The Supervisory Board shall elect the chairman and Board members for one year at a time. The Board of Directors shall elect its vice-chairman from among its members. The Board of Directors is responsible for the Company's operations and finances and shall prepare those matters which are to be dealt with by the Annual General Meeting and the meetings of the Supervisory Board. It is the duty of the Board of Directors to ensure that the decisions of the AGM and the Supervisory Board are carried out.

It is the duty of the Board of Directors to elect the members of the board of management and to determine their terms of employment. In this regard the Board of Directors shall take into account the guidelines laid down in the personnel strategy and the remuneration system, which shall accord with the Company's administrative principles.

The Board of Directors shall ensure the Company's accounts, budget monitoring system, internal auditing and risk management are arranged in accordance with the stipulations of the Company's administrative principles.

The Board of Directors shall ensure that the openness and fairness referred to in the Company's principles of administration are carried out in practice in the presentation of the Company's profit and loss information.

The Board of Directors shall confer and rescind any right to sign on behalf of the Company.

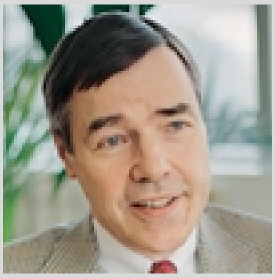
Board of Management

Keijo Suila, b. 1945, BSc (Econ), President and CEO, served with Finnair since 1998.

Eero Ahola, b. 1943, MSc (Econ), SVP, strategic planning and development of electronic commerce, served with Finnair since 1970.

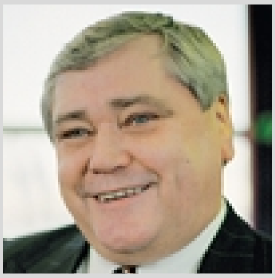
Mauri Annala, b. 1945, MSc (Econ), EVP, leisure traffic and travel services, served with Finnair since 1976.

Henrik Arle, b. 1948, LL.M., EVP, deputy CEO, scheduled passenger traffic. Served with Finnair since 1979.



Hannes Bjurström, b. 1950, SVP, operations, served with Finnair since 1999.

Christer Haglund, b. 1959, VP, communications, served with Finnair since 2000.



Mikko Kuntola, b.1941, VP, cargo, served with Finnair since 1988.

Tero Palatsi, b. 1947, lic. law, SVP, personnel, administration and human reources, served with Finnair since 1999.

Kari Palomäki, 1945, SVP, catering and ground handling, served with Finnair since 1967.

Petri Pentti, b. 1962, MSc (Econ), SVP and CFO, economics and finance, served with Finnair since 1989.

Mika Perho, b. 1959, SVP, marketing, served with Finnair since 1985.

Jarmo Vilenius, b.1950, SVP, technical services, served with Finnair since 1973.

The Board of Directors shall convene once a month on average during the year.

During the financial year the total sum of salaries, bonuses and fringe benefits paid to the Board of Directors and the CEO amounted to approximately EUR 0.4 million.

The CEO and the board of management

The CEO shall be the chairman of the Group's board of management and the members of that board shall be selected from among the senior managers of the Company. Staff representatives shall also be invited to the meetings of the management board.

Members of the management board shall be responsible for the development and supervision of their own business divisions.

The CEO shall ensure that the decisions of the AGM, the Supervisory Board and the Board of Directors are carried out.

Since 1999 Keijo Suila has been Finnair Oyj's President and CEO.

Auditors

Regular auditors

SVH PricewaterhouseCoopers Oy
APA Pekka Nikula

AA Erkki Mäki-Ranta

Deputy Auditors

SVH PricewaterhouseCoopers Oy
APA Tauno Haataja

APA Jorma Heikkinen

Supervisory Board

Markku Hyvärinen, *chairman, deputy CEO, Varma-Sampo*
Felix Björklund, *vice-chairman, MSc (Econ)*
Riitta Backas, *MSc (Econ), Lääketeollisuus ry (Pharmaceutical Industry)*
Peter Heinström, *party secretary*
Tytti Isohookana-Asunmaa, *member of parliament*
Matti Kankare, *party secretary*
Tarja Kautto, *member of parliament*
Juha Korkeaoja, *member of parliament*
Markku Koskenniemi, *managing director, Tammerneon Oy*
Jouko K. Leskinen, *LL.M.*
Elisa Pelkonen, *Secretary General*
Pekka Perttula, *Secretary General*
Sirpa Pietikäinen, *member of parliament*
Virpa Puisto, *member of parliament*
Jussi Ranta, *member of parliament*
Pertti Salolainen, *ambassador*
Ralf Sund, *Secretary General*
Iiro Viinanen, *MSc (Eng)*

Personnel representatives

Olli Nurminen
Juhani Sinisalo
Leena Valkama
Arto Yli-Pentti

Board of Directors

Harri Holkeri, b. 1937, MSc (Pol), counsellor of state, Chairman of the Board, member of the Board of the Bank of Finland 1978-97, Member of the Finnair Board of Directors since 1997.

Seppo Härkönen, b. 1948, MSc (Pol), managing director Finpro Oy, Chairman of board of Talentum Oyj, Member of the Finnair Board of Directors since 1994.

Matti Alahuhta, b.1954, Dr. technology, managing director, Nokia Mobile Phones, Member of the Finnair Board of Directors since 2001.

Robert G. Ehrnrooth, b. 1939, LisSc (Econ), chairman of Metra Oyj board, member of board of Fiskars Oyj Abp, Member of the Finnair Board of Directors since 1990.

Samuli Haapasalo, b. 1952, LL.M., senior official at the Ministry of Transport and Communications, Member of the Finnair Board of Directors since 1999.

Ari Heiniö, b. 1945, LL.M., member of boards of Metsä Tissue Oyj and Sampo Insurance Co., member of supervisory boards of Alma Median Oyj and Merita Bank, Member of the Finnair Board of Directors since 1994.

Helena Terho, b. 1948, MSc (Eng), eMBA, SVP, Quality, Kone Corporation, member of Board of National Energency Supply Agency, Member of the Finnair Board of Directors since 1997.

Definitions and concepts

AEA
The association of European Airlines

ASK, Available Seat Kilometres
The total number of seats available for passengers, multiplied by numbers of kilometres flown

ATK, Available Tonne Kilometres
The total number of tonnes of capacity available for carriage of passengers and cargo, multiplied by number of kilometres flown.

Code share
A mutual agreement between two or more airlines by which a marketing carrier, which buys seats from an operating carrier, has a right to use its own flight number on a code share route. With the agreement the marketing carrier gets the right to sell and write tickets with its own flight numbers, and publish code share route numbers in its timetables and reservation systems, thus increasing its supply to its customers.

FinSmart
A development programme focusing on cost control and competitiveness with the aim to achieve a result of EUR 100 million after financial items in 2002

FIRA
A project for improving organizational structure.

IATA
International Air Transport Association

ICAO
International Civil Aviation Organization.

ISO 14001
International environmental standard

Overall load factor %
Percentage share of revenue tonne kilometres of available tonne kilometres

Passenger load factor %
Percentage share of revenue passenger kilometres of available seat kilometres

RPK, Revenue Passenger Kilometres
The number of paying passengers, multiplied by number of kilometres flown

RTK, Revenue Tonne Kilometres
The total tonnage of revenue load carried (passengers and cargo), multiplied by number of kilometres flown

STORM
A project to improve efficiency and make optimal use of resources in Finnair Ground Handling

Yield
Unit revenues: Average amount of traffic revenue received per RPK or per RTK

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Printing house: Edita Ltd
Repro: MainDoMain
Copy: Eera Finland
Layout: SEK & GREY
Photographs: Juha-Pekka Laakio,
Jukka Male, Fennopress

NORDIC ENVIRONMENTAL LABEL
441 002
Printed matter