



# Welcome!

Finnair Plc  
Annual General Meeting 2019





*FINNELL*

## **1. OPENING OF THE MEETING**

**Jouko Karvinen, Chairman of the Board of Directors**



- 2. Calling the Meeting to order**
- 3. Election of persons to scrutinise the minutes and to supervise the counting of votes**
- 4. Recording the legality of the Meeting**



- 5. Recording the attendance at the Meeting and adoption of the list of votes**
- 6. Presentation of the annual accounts including the consolidated annual accounts, the report of the Board of Directors and the auditor's report for the year 2018**
  - Review by the Chief Executive Officer
    - Review of the corporate sustainability targets
  - Review of the company's remuneration policy by the by the Chairman of the People and Compensation Committee
  - Auditor's report

A man with short brown hair, wearing a dark blue suit jacket over a white button-down shirt, is seated in a white modern chair. He is smiling and looking towards the camera. His hands are clasped in his lap. The background is a light, neutral-toned wall with some architectural lines.

# **CEO'S REVIEW**

## **Topi Manner**

# Finnair continued to grow in 2018

**Capacity\***

**+14.8%**

**Revenue  
scheduled cargo  
tonne kilometres**

**+11.5%**

**Passengers**

**13.3 milj.  
+11.6%**

**Customer  
satisfaction\***

**48  
+1**



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\* Measures by Available Seat Kilometres

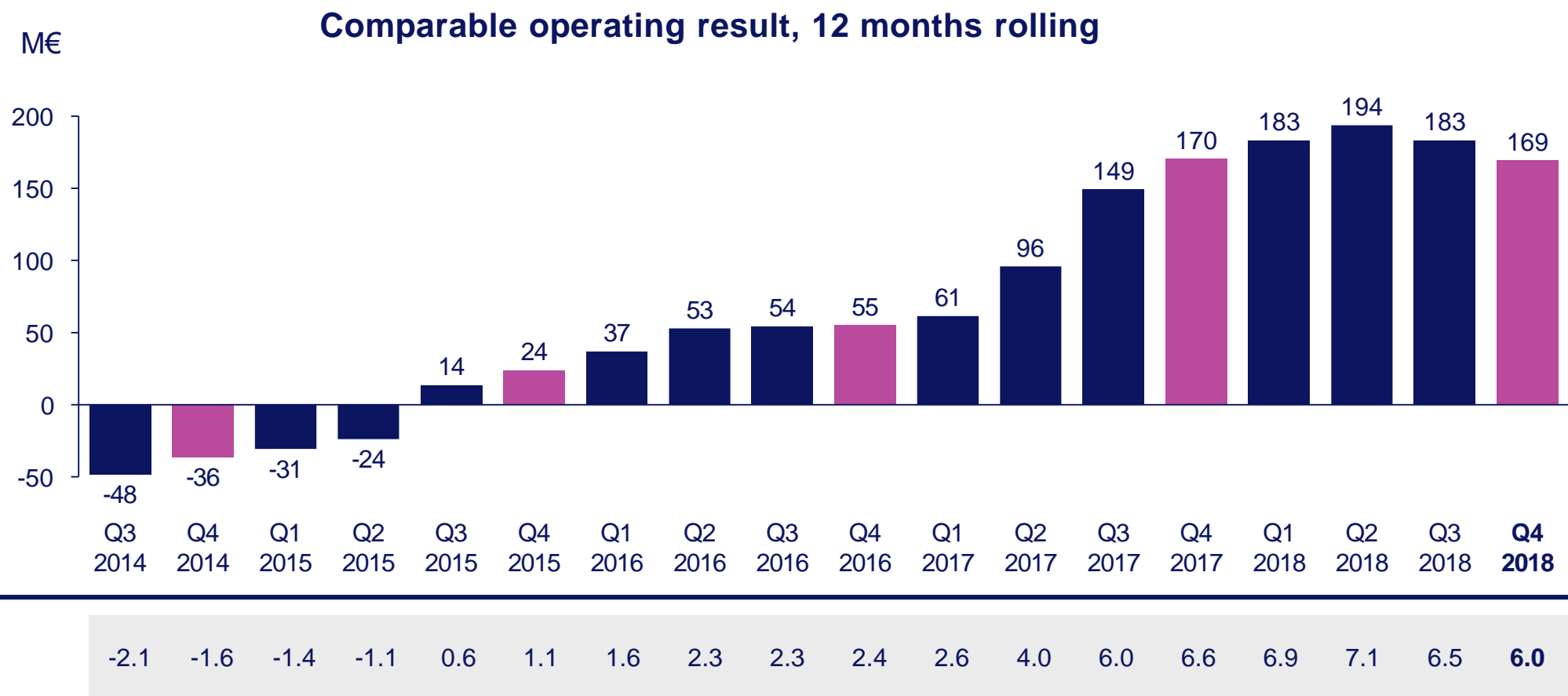
\*\* NPS = Net Promoter Score

# Income statement

in mill. EUR	2018	2017	Change %
<b>Revenue</b>	<b>2 834.6</b>	<b>2 568.4</b>	<b>10.4</b>
Other operating income	73.7	77.0	-4.2
<b>Operating expenses</b>			
Staff costs	-433.4	-423.3	2.1
Fuel costs	-581.0	-472.2	23.1
Other rents	-154.9	-157.9	-1.9
Aircraft materials and overhaul	-169.1	-165.7	2.0
Traffic charges	-300.8	-266.5	12.9
Ground handling and catering expenses	-256.9	-252.2	1.9
Expenses for tour operations	-113.4	-100.5	12.9
Sales and marketing expenses	-92.4	-85.8	7.7
Other expenses	-330.9	-285.1	16.1
<b>Comparable EBITDAR</b>	<b>475.4</b>	<b>436.2</b>	<b>9.0</b>
Lease payments for aircraft	-155.0	-136.6	13.4
Depreciation and impairment	-151.1	-129.2	16.9
<b>Comparable operating result</b>	<b>169.4</b>	<b>170.4</b>	<b>-0.6</b>

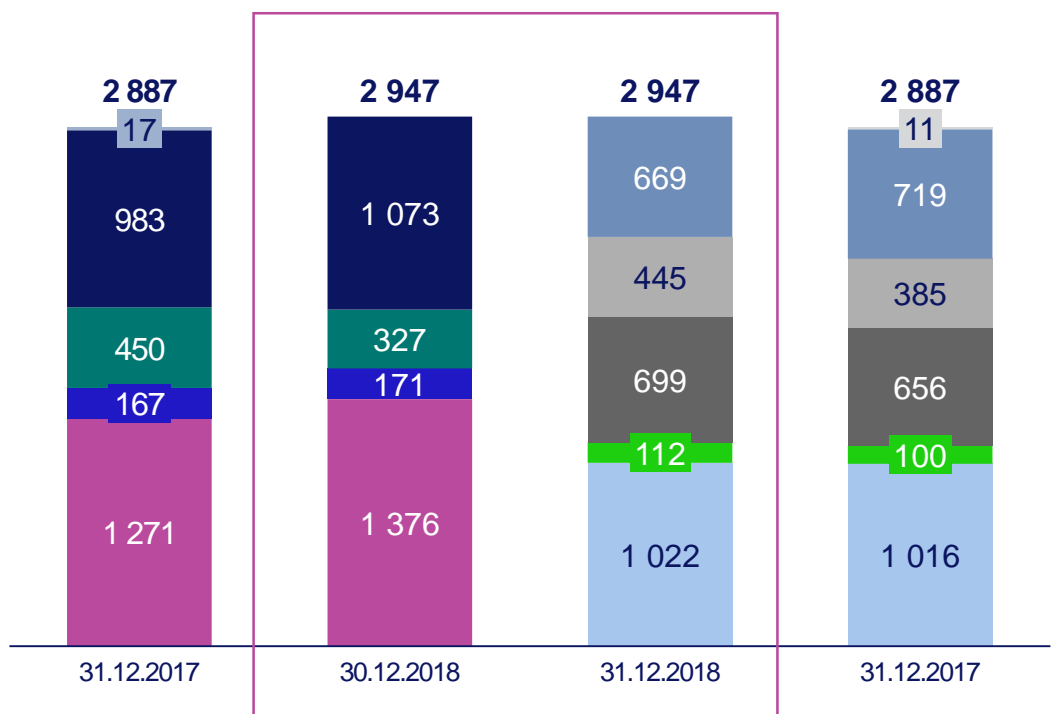


# Comparable operating result close to last year's level

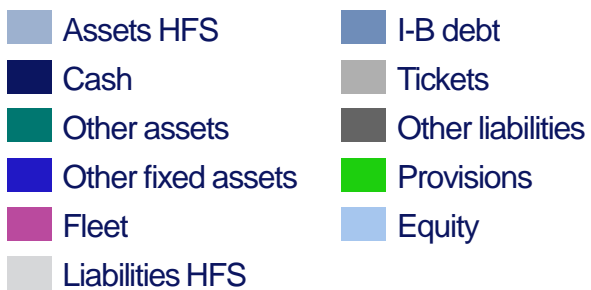




# Healthy balance sheet supports future investments



- Equity ratio 34.7%
- Adjusted gearing 67.2%
- Strong cash position





# Corporate responsibility in Finnair



# Responsibility is the foundation of our operations

Providing connectivity from Finland to RoW one of our key responsibilities

FOCUS AREA	TARGETS AND INDICATORS	PERFORMANCE 2018	PERFORMANCE 2017
Environmental responsibility	17% reduction in CO2 emissions/RTK 2013–2020, cumulative compared to year 2013	-8.1	-9.4
	Reduction in CO2 emissions/ASK	-2.5	-3.2
Social responsibility	Punctuality at least 89%	79.7	83.2
	Customer satisfaction, NPS increase on the previous year, long-term target level 60	48	47
	WeTogether@Finnair Personnel Experience overall grade of at least 3.75 on scale 1–5	3.77 / 5	3.78 / 5
	Absences due to illness decrease from the previous year	4.24	4.22
	LTIF (Lost-time injury frequency) of less than 14.8	11.7	15.6
Ethical business conduct	Code of Conduct awareness grade in WeTogether@Finnair survey at least 4 on scale 1–5	4.24 / 5	4.22 / 5

# Responsibility is long-term and concrete work

Sustainability report  
2018 published  
online at  
[company.finnair.com](https://company.finnair.com)



## FLIGHT SAFETY

Safety is always  
#1 priority.

Finnair the safest in  
JACDEC's survey.



## WASTE REDUCTION

Target to reduce by  
50% use of plastic  
and food waste in our  
services by the end of  
2022.



## EQUALITY

New Equality and  
non-discrimination  
plan.

Finnair ranked in the  
top among Finnish  
companies in equality.



## ETHICAL BUSINESS CONDUCT

Ethics helpline.

IATA Resolution against  
modern slavery and  
human trafficking signed  
and own statement on  
this topic published.

# Finnair reports taxes in a transparent manner

- In accordance with international agreements, Finnair's income is taxed in Finland.
- Taxable activities outside Finland are limited.
- The tax footprint has been published in Finnair's Sustainability Report.

	2018			2017		
Direct taxes payable, EUR million	Finland*	Other countries	Total	Finland*	Other countries	Total
Employer contributions	2.7	2.3	5.0	3.3	2.1	5.3
Property taxes	0.9	0.0	0.9	0.4	0.0	0.4
Other taxes	2.2	0.1	2.2	1.4	0.1	1.4
Public subsidies received	-1.7	0.0	-1.7	-2.1	0.0	-2.1
<b>Taxes included in direct operating expenses and subsidies in total</b>	<b>4.1</b>	<b>2.3</b>	<b>6.4</b>	<b>2.9</b>	<b>2.1</b>	<b>5.1</b>
Income taxes payable*	25.9	0.0	25.9	20.1	0.0	20.1
<b>Total direct taxes payable</b>	<b>30.0</b>	<b>2.3</b>	<b>32.3</b>	<b>23.0</b>	<b>2.1</b>	<b>25.1</b>

\* Income taxes payable are tax expenses recorded based on the taxable result, which has partly been utilised against confirmed tax losses. Figures from 2017 include also taxes of an acquired subsidiary during the time it was already part of Finnair group.

	2018			2017		
Indirect taxes collected for the financial year, EUR million	Finland*	Other countries	Total	Finland	Other countries*	Total
Value added taxes, sales	107.0	0.9	107.9	90.4	1.0	91.5
Value added taxes, purchases	136.9	5.1	142.0	118.8	4.9	123.8
<b>Value added taxes, net</b>	<b>-29.9</b>	<b>-4.2</b>	<b>-34.1</b>	<b>-28.4</b>	<b>-3.9</b>	<b>-32.3</b>
Withholding taxes on wages and salaries and other indirect taxes	100.0	2.8	102.8	92.6	2.5	95.1
Excise taxes	0.5	0.0	0.5	0.4	0.1	0.5
<b>Total</b>	<b>70.5</b>	<b>-1.4</b>	<b>69.2</b>	<b>64.6</b>	<b>-1.4</b>	<b>63.2</b>

\* Figures from 2017 include also an acquired subsidiary during the time it was already part of Finnair group.



# **What next? Sustainable, profitable growth**



# Asian strategy is our stable cornerstone

Asian strategy  
built in the past  
20 years – from  
1 to 21 long-haul  
aircraft



New destinations  
and more flights  
to Asia

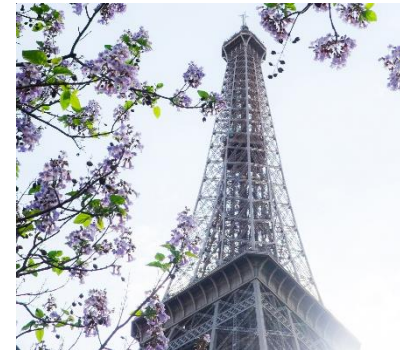
Sapporo

Hong Kong and  
Osaka



Growth in Europe  
and North-  
America:

- Los Angeles
- Punta Cana
- Hannover,  
Bologna,  
Bordeaux,  
Porto,  
Trondheim

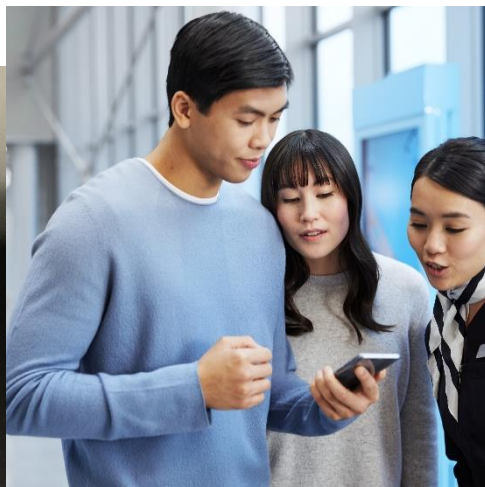


Competition is  
increasing

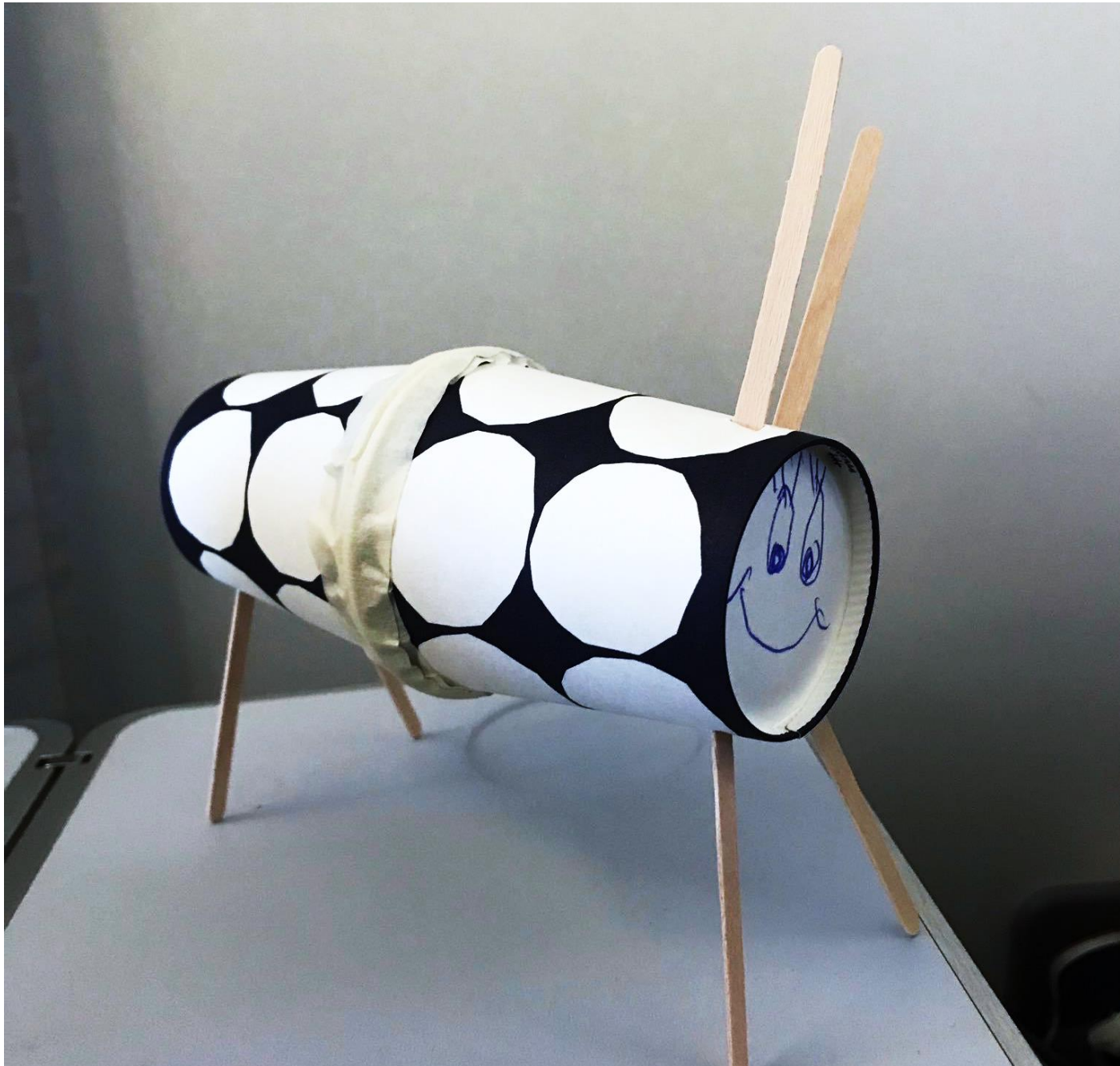


Important to  
increase  
efficiency and  
productivity by  
better use of  
technology





**Small size is an  
advantage with  
smart  
digitalisation**



## How to create more magical moments?

- Finnair employees create customer experience
- Culture of trust
- Employee wellbeing
- Need for experiences by personnel and customers



**Thank you!**  
**Questions?**





# **REVIEW OF THE COMPANY'S REMUNERATION POLICY**

Jaana Tuominen,  
Chairman of the People and  
Remuneration Committee

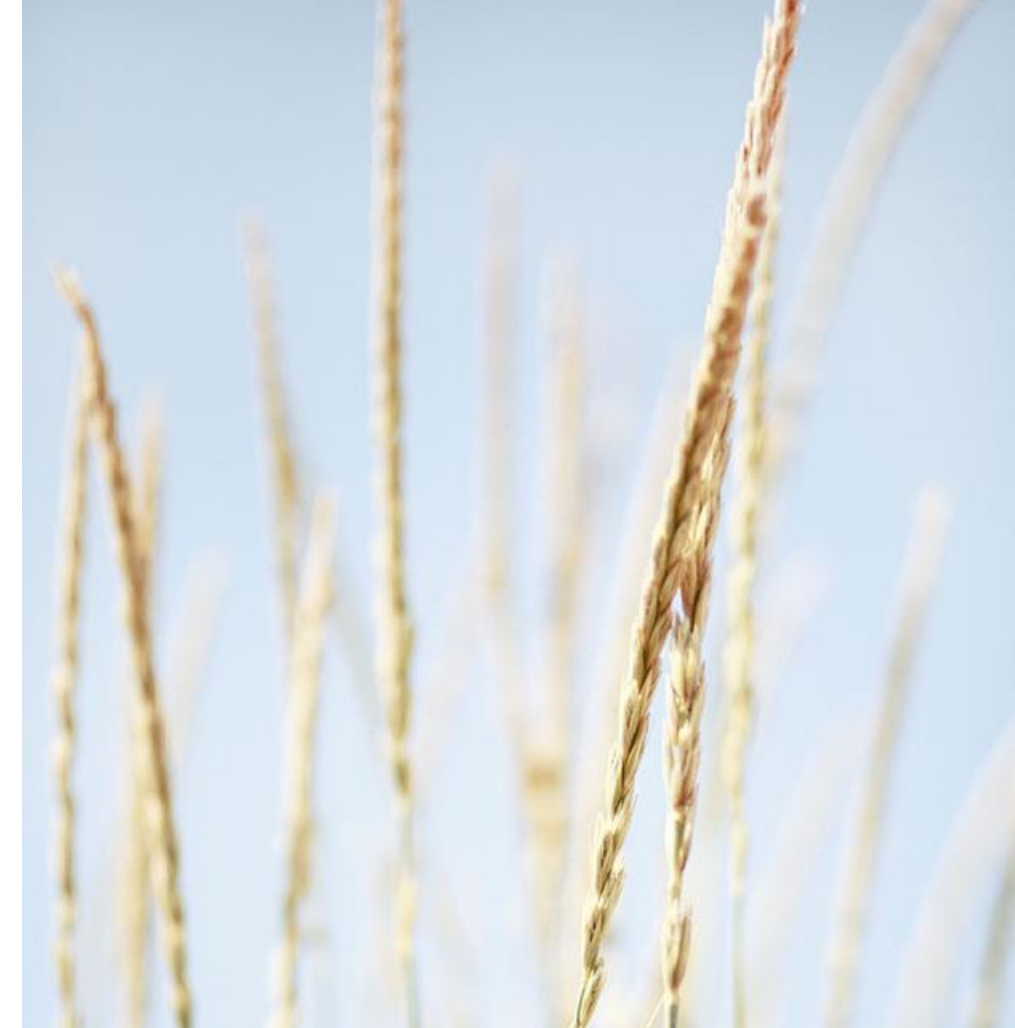
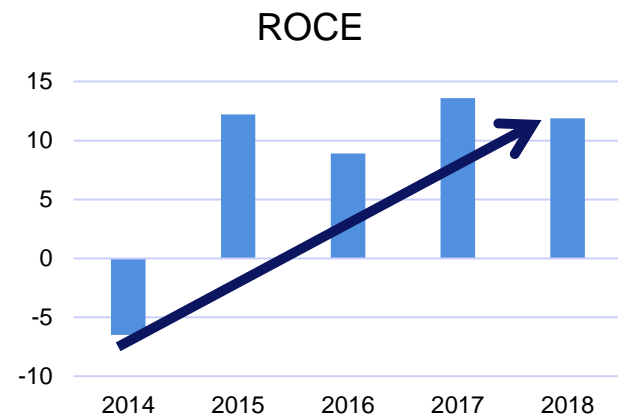
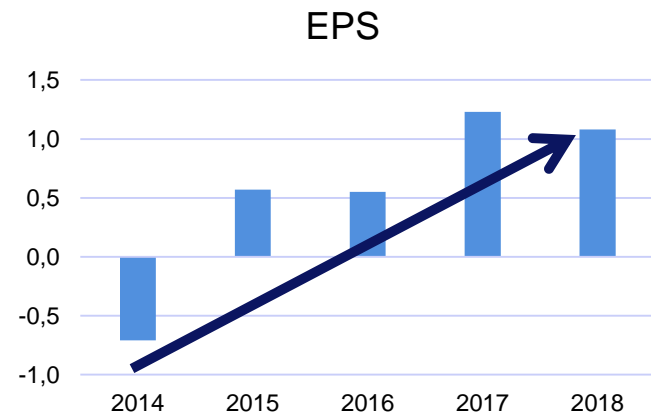
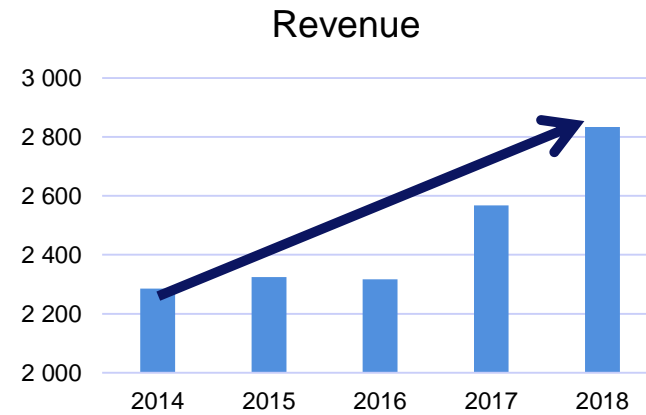
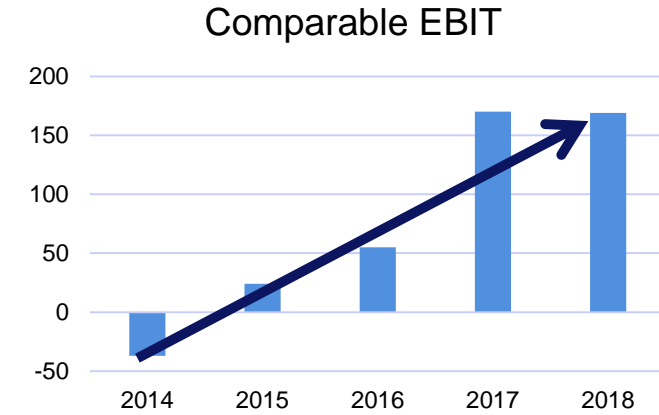


# Finnair principles of total compensation

	CEO	Executive Board	Personnel
Base Salary	Base salary €62,000/month Fixed monthly salary (including phone, car and medical insurance benefits)	Average base salary €18,000/month Fixed monthly salary (including phone, car and medical insurance benefits)	Depending on employee group, defined in CLAs
Short Term Incentives (STI)	Target 30% of base salary	Target 30% of base salary	For those eligible: Target 0-25% of base salary
Long Term Incentives (LTI)	Target 20% of base salary	Target 20% of base salary	Personnel Fund (based on EBIT%) FlyShare - Share Savings Plan
Variable pay cap	Variable pay (STI + LTI) capped at 120% of annual base salary		
Supplementary Pension	None	Defined contribution (10% of TyEI salary) Applies to two EB members	Defined benefit (2 100 active employees) Defined contribution (140 active employees)
Other Benefits	According to normal company policy		
Notice period and severance pay	6 + 6 months	Maximum of 6 + 12 months	According to law or CLA

More detailed information can be found in 2018 remuneration statement.

# Performance of financial metrics used in variable compensation plans at Finnair (past 5 years)



## Variable compensation during 2018 – CEO and Executive Board

	Paid during 2018		Earned, to be paid during 2019	
	STI based on H2 2017	LTI based on 2015-2017	STI based on 2018	LTI based on 2016-2018
Pekka Vauramo	153 keur (24% of base salary)	356 keur (55% of base salary)	65 keur (17% of base salary*)	None due to end of service contract
Pekka Vähähyppä (interim CEO 4.9.-31.12.)	None paid during interim CEO period	None paid during interim CEO period	Share of STI payout earned during interim period = 23 keur	Share of LTI payout earned during interim period = 17 keur
Executive Board (average)	51 keur (23% of base salary)	97 keur (43% of base salary)	40 keur (18% of base salary)	111 keur (51% of base salary)

\*Pro-rated based on time in service during year.



## Variable compensation during 2018 - Personnel

	Paid during 2018			Earned, to be paid during 2019	
	Personnel Fund based on 2017	FlyShare based on 2015-2016	Extra reward based on 2017 and turnaround	Personnel Fund based on 2018	FlyShare based on 2016-2017
Personnel	6.7 meur	1.6 meur	12 meur	6.8 meur	1.2 meur

Additionally some employee groups are eligible for Finnair's STI and LTI plans.



**Thank you!**

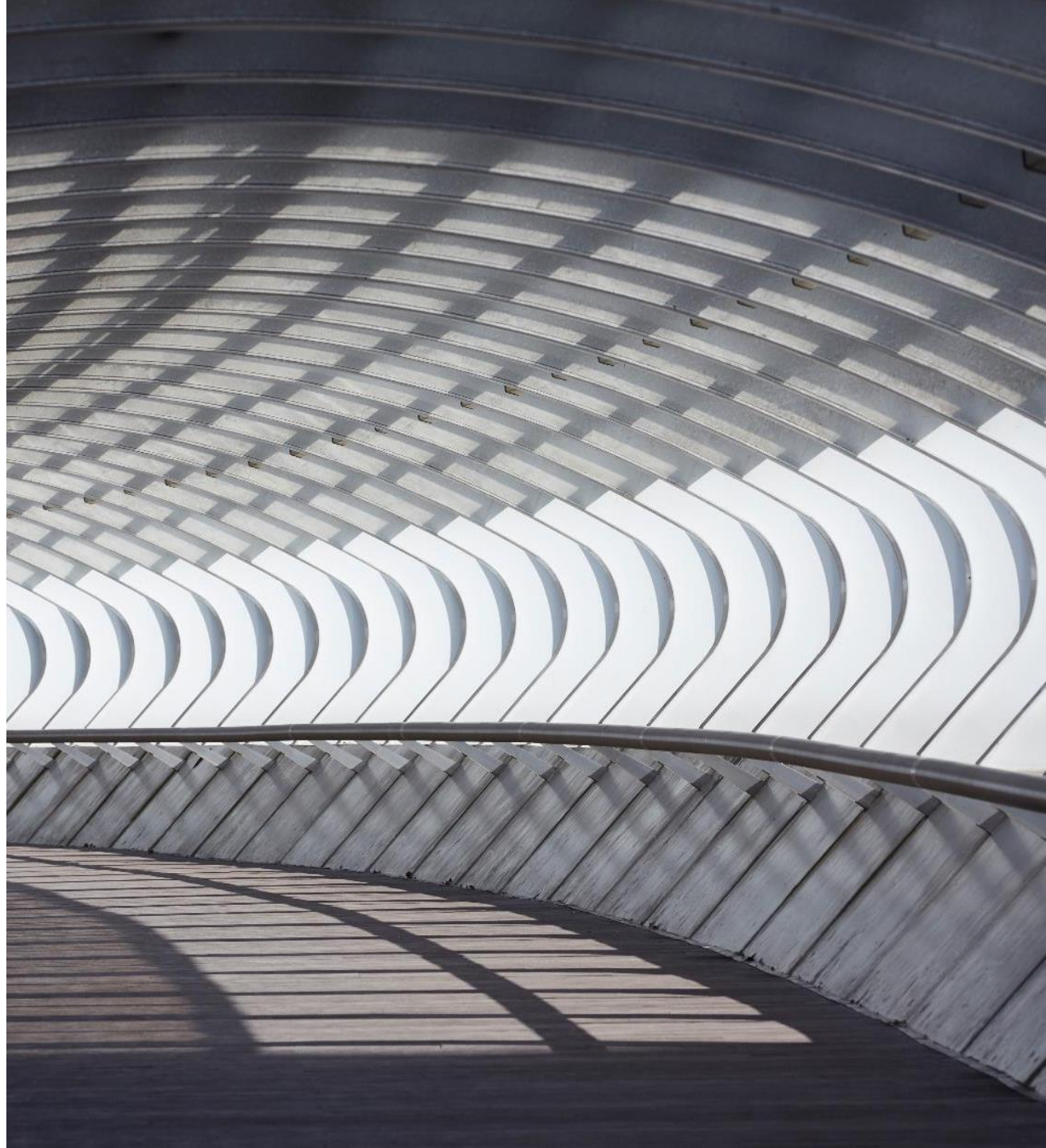


# Auditor's Report 2018

## Annual General Meeting of Finnair Oyj

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Mikko Nieminen**  
APA, Engagement Leader





# Audit 2018

## Scope of the Audit

- Consolidated financial statements
- Parent company financial statements

## Group audit scope

- We focused on the parent company and three most significant subsidiaries
- Our group audit scope has covered most of the Groups revenues, assets and liabilities

## Key Audit Matters

- Deferred revenues on ticket sales
- Aircraft maintenance provision
- Defined employee benefit plans







## To the Annual General Meeting of Finnair Oyj

### In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 14th February 2019

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

Mikko Nieminen  
Authorised Public Accountant (KHT)

## **7. Adoption of the annual accounts including the consolidated annual accounts**

## **8. Resolution on the use of the profit shown on the balance sheet and the payment of dividend**

- The Board of Directors proposes to the General Meeting that a dividend of EUR 0.274 per share be paid based on the balance sheet adopted for the financial period ended on 31 December 2018. The dividend shall be paid to a shareholder who on the dividend record date 22 March 2019 is registered as a shareholder in the company's shareholders' register held by Euroclear Finland Ltd. The Board of Directors proposes that the dividend be paid on 2 April 2019.



## **9. Resolution on the discharge of the members of the Board of Directors and the CEOs from liability**





# **Review by the Shareholders' Nomination Board**

**Minna Pajumaa  
Chairman**



## 10. Resolution on the remuneration of the members of the Board of Directors

- The Shareholders' Nomination Board did not make a proposal for the remuneration payable to the members of the Board of Directors.
- The State of Finland, representing approximately 55.8 percent of the company's shares and votes, has notified the Shareholders' Nomination Board and the company that it proposes to the Annual General Meeting that the annual remuneration of the members of the Board of Directors shall remain unchanged and be the following:
  - Chairperson €61,200;
  - Vice Chairperson €32,400;
  - Chairpersons of the Audit Committee and People and Remuneration Committee €32,400, where these individuals are neither the Chairperson nor the Vice Chairperson of the Board of Directors; and
  - Other members of the Board of Directors €30,000 per year.



- Each member's fee for a meeting of the Board of Directors or its Committee would be 600 euros when the meeting takes place in the member's country of residence and 2,400 euros for other meetings. For telephone meetings, the fee would be 600 euros.
- The members would be entitled to reimbursement of reasonable travel and representation expenses in accordance with the company's general expenses policy.
- In addition, it is proposed that the members and their spouses would be entitled to discounted travel on the company's flights in accordance with the company's discount ticket policy regarding the Board of Directors.
- During this spring, the State will assess the conditions for the long-term renewal of the Board of Directors' remuneration so that the changes could be introduced at the Annual General Meeting of 2020.



## **11. Resolution on the number of members of the Board of Directors**

- The Shareholders' Nomination Board proposes that the number of members of the Board of Directors would be confirmed as eight (8).

## **12. Election of the Chairperson and other members of the Board of Directors**

## Candidates for re-election



COLM BARRINGTON  
b. 1946, MA (Econ).



MONTIE BREWER  
b. 1957, BA (Business  
Administration)



MENGMENG DU  
b. 1980, M.Sc. (Econ),  
M.Sc. (Information science)



JOUKO KARVINEN  
(Chairman)  
b. 1957, M. Sc. (Tech.)



HENRIK KJELLBERG  
b. 1971, MSc. (Economics)



JAANA TUOMINEN  
b. 1960, M. Sc. (Eng.).

## New candidates



TIINA ALAHUHTA-KASKO  
b. 1981, M. Sc. (Econ.),  
CEMS MIM

**Relevant work history:** President & CEO of a Finnish design company Marimekko Corporation since 2016. The company's President between 2015-2016, as Chief Operating Officer (COO) and Member of Management Group between 2014-2015, as Chief Marketing Officer (CMO) and Member of Management Group between 2012-2015, and as Head of PR/PR Manager between 2005-2012.

**Other responsibilities:** -



JUKKA ERLUND  
b. 1974, M. Sc. (Econ.),  
eMBA

**Relevant work history:** Executive Vice President, CFO, of a Finnish trading sector company Kesko since 2011. Kesko Food Ltd's Vice President for Finance between 2010-2011, Kesko Corporation's Vice President, Corporate Controller between 2007-2010, and Kesko Corporation's Corporate Business Controller between 2004-2007.

**Other responsibilities:** The Chair of the Tax and Economic Policy Committee of Finnish Commerce Federation, the member of the Economy and Tax Committee of Confederation of Finnish Industries EK, and member of the Supervisory Board of Varma Mutual Pension Insurance Company.

## 13. Resolution on the remuneration of the auditor

In accordance with the Audit Committee's recommendation, the Board of Directors proposes that the auditors' fees be paid according to the auditors' reasonable invoice.

## 14. Election of the auditor

In accordance with the Audit Committee's recommendation, the Board of Directors proposes that PricewaterhouseCoopers Oy, a firm of authorised public accountants, be re-elected as the auditor of the company for the term of office ending at the end of the next Annual General Meeting. PricewaterhouseCoopers Oy has announced that Markku Katajisto, APA, would be acting as the principal auditor.







## **15. Authorising the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of own shares**

- The Board of Directors proposes that the Annual General Meeting would authorize the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the company's own shares as follows.
- The number of own shares to be repurchased and/or accepted as pledge shall not exceed 5,000,000 shares, which corresponds to approximately 3.9 per cent of all the shares in the company. Only the unrestricted equity of the company can be used to repurchase own shares on the basis of the authorisation.
- Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market.
- The Board of Directors decides how own shares will be repurchased and/or accepted as pledge. Own shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase).
- Own shares may be repurchased and/or accepted as pledge in order to, inter alia, develop the capital structure of Finnair, to finance or carry out acquisitions, investments or other business transactions, or in order to use the shares as part of Finnair's incentive and remuneration schemes.
- The authorisation would be effective for a period of 18 months from the resolution of the General Meeting and it would cancel the authorisation given by the General Meeting on 20 March 2018 to decide on the repurchase and/or acceptance as pledge of own shares.

## **16. Authorising the Board of Directors to decide on the disposal of the company's own shares**

- The Board of Directors proposes that the Annual General Meeting would authorize the Board of Directors to decide on the disposal of own shares held by the company as follows.
- The number of shares to be disposed based on the authorisation shall not exceed 5,000,000 shares, which corresponds to approximately 3.9 per cent of all the shares in the company. The Board of Directors decides on all the conditions of the disposals, including to whom, at what price and in which manner the company's shares are disposed. The disposals may also be made in deviation from the shareholders' pre-emptive rights for a weighty financial reason, such as using the shares to develop the company's capital structure, to finance or carry out acquisitions, investments or other business transactions, or in order to use the shares as part of Finnair's incentive and remuneration schemes.
- The authorisation would be effective for a period of 18 months from the resolution of the General Meeting and it would cancel the authorisation given by the General Meeting on 20 March 2018 to decide on the disposal of the company's own shares.



## **17. Authorising the Board of Directors to decide on donations for public-benefit purposes.**

The Board of Directors proposes that the Board of Directors be authorized to decide on donations up to an aggregate maximum of €250,000 for charitable or corresponding purposes and that the Board be authorized to determine the recipients, purposes and other terms and conditions of the donations. The donations can be made in one or multiple installments. The authorization would be effective until the next Annual General Meeting.

## **18. Forfeiture of the shares entered in a joint book-entry account and of the rights attached to such shares**

- Finnair Plc entered the company's shares into the book-entry system in 1993. The company has opened a joint book-entry account (the "Joint Account") on behalf of those shareholders whose shares have not been registered in the book-entry system.
- The Board of Directors proposes that the Annual General Meeting of Finnair Plc decides, in accordance with Chapter 3, Section 14 a, subsection 3 of the Finnish Companies Act, on the forfeiture of the rights to all the shares entered in the Joint Account as well as the rights attached to such shares, where the shares have not been requested to be registered in the book-entry system in accordance with Chapter 6, Section 3 of the Act on the Book-Entry System and Settlement Activities prior to the decision by the Annual General Meeting.
- In addition to the shares, the rights attached to such shares, such as undrawn dividend, are forfeited. Once the decision has been made, the provisions applicable to treasury shares held by the company will apply to the forfeited shares.
- The number of shares of Finnair Plc entered in the Joint Account as at 15 February 2019 was 16,703. The number of the shares may decrease if requests for the registration of shares entered in the Joint Account and the rights attached to such shares are made before the Annual General Meeting has decided on the forfeiture of the shares and the rights attached to such shares.



## **19. Closing of the Meeting**



# Thank you!

