

**Welcome to Finnair Plc's  
Annual General Meeting 2016**

***FINNAIR***



# **1. Opening of the Meeting**

**Chairman of the Board of Directors  
Klaus W. Heinemann**



Honorable shareholders, ladies and gentlemen,

I would like to warmly welcome you to Finnair's Annual General Meeting. It is a pleasure to see you here in such great number.

2015 was a turnaround year for Finnair, when we achieved a series of minor victories. It was important that, after several loss-making years, we achieved a positive result. It goes to show that the savings measures taken have generated the desired results, and that our performance is moving in the right direction.

Therefore, I would like to take this opportunity to extend a warm thank you to the personnel for a job well done and excellent implementation in the transition to the Airbus 350 era.



Some of you shareholders may be wondering why Finnair, despite its profitable result, is not distributing dividend. Finnair's Board carefully considered the possibility of declaring a dividend for 2015, but decided against it because of the still very modest profitability, Finnair's material investment commitments for 2016/17 and the significant global political and financial headwind experienced during the first 3 month of this financial year. Finnair's Board will consider the re-introduction of a dividend for 2016 if the current positive financial performance trend leads to a more substantial and stable profit during this financial year.



Last year, I reflected briefly on the consolidation among airlines and its national significance. Airlines continued to form alliances last year – and will continue to do so in the future. At the same time, compelling examples are emerging of how smaller airlines and national airports have benefitted from these alliances.

Due to an enhanced network impact, the passenger numbers of smaller airlines and their home airports have grown, which is naturally beneficial for the nation as a whole. A compelling example of this kind of positive network impact from consolidation is Dublin Airport, whose passenger amount grew last year by 15 per cent, to a new record. Therefore, in my opinion, it is warranted to consider how we could foster the growth of the hub and Finnair to the benefit of entire Finland.



During the past year, on the Board of Directors, we have discussed several matters which are aimed at building a foundation for Finnair's growth and the future of the company. One of the key decisions made was to stay with the so-called two-bank structure, and the subsequent decisions to increase transfer traffic capacity in Europe by rolling out larger aircraft and increasing seats in our current narrow-body fleet. Following the introduction of the Airbus 350 aircraft, we have also reflected on how to best tap into the growing Asian markets, that is, where to open new routes.

In defining our strategy, we have reflected on what kind of airline Finnair wants to be. We cannot compete with the low-cost carriers on price, and therefore our decision is to focus on the customer experience. We want to offer our customers a unique Nordic experience. This means delivering all our passengers, and business class in particular, a product and service which represents in its own way the best product and service experience in our industry.



In order to reach our goals in terms of customer experience and growth, Finnair reformed its structure at the beginning of this month so that these concerns are now at the core of our operations. We believe that the new structure will contribute to speeding up growth.

However, quality is not only in our hands, as the customer forms an image of the service of an airline on the basis of the smoothness of the whole customer experience. Therefore our cooperation with our hub, Helsinki Airport, plays a key role also in this respect. The airport has previously functioned quite smoothly. However, now it is experiencing turbulence, as the airport is being expanded to prepare for growth.

It is absolutely paramount during the transitional years that cooperation between Finnair and the airport operator, Finavia, is smooth and accommodating to the customers' overall experience. Seamless customer experience can only be created by close cooperation and attention to customer views.



The ongoing expansion presents a threat, but it is also an opportunity. We must be able to join forces with the airport to find a way to emerge from the transition as the winner. Helsinki Airport plays a crucial role in Finnair's customer experience and therefore in the company's success.

At the same time, Finnair has an equally crucial role in building the future of Helsinki Airport. We both must succeed, since without the other – there is no other – at least in the present extent. If Finnair for any reason were not to succeed and were to shrink, no other airline would step in its place, since there are enough hubs in Europe already. There is no such thing as a world-class hub airline without a world-class hub airport – the service and product delivery of a hub airline vitally depends on its hub airport's ability to match such standard.





The present expansion of the airport is unavoidable. It is also equally unavoidable that the expansion by Finavia is completed in a manner that disrupts the customer flows as little as possible, in order that the reputation of Helsinki Airport as a smooth connecting airport is not jeopardised.

The future of the two of us also has a major impact on travelling and commerce in the whole of Finland.

Ladies and gentlemen,

We acknowledge our responsibility at Finnair, and seek growth which is beneficial for all Finns one way or another.

**Thank you**



- 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 2015**
  - Review by the Chief Executive Officer



CEO's review  
Pekka Vauramo



# Finnair's new Executive Board



**Pekka Vauramo**  
CEO



**Eija Hakakari**  
Human Resources



**Katri Harra-Salonen**  
CDO  
21.3. onwards



**Ville Iho**  
Strategy and  
resource  
management



**Juha Järvinen**  
Commercial



**Piia Karhu**  
Customer  
Experience



**Sami Sarelius**  
Legal



**Jaakko Schildt**  
Operations  
16.8. onwards



**Arja Suominen**  
Communications  
and corporate  
responsibility



**Pekka Vähähyppä**  
CFO



## 2015 was a turnaround year

Revenue

**2 324 M€**

**+ 1,7 %**

Operational profit

**23,7 M€**

- Record number of 10.3 million passengers
- Good result performance from Travel Services
- Ancillary revenue grew markedly and was over 100 M€



## 2015 was a turnaround year

Operating result

**121,7 M€**

Adjusted gearing

**45,8 %**

Net cash flow from  
operating activities

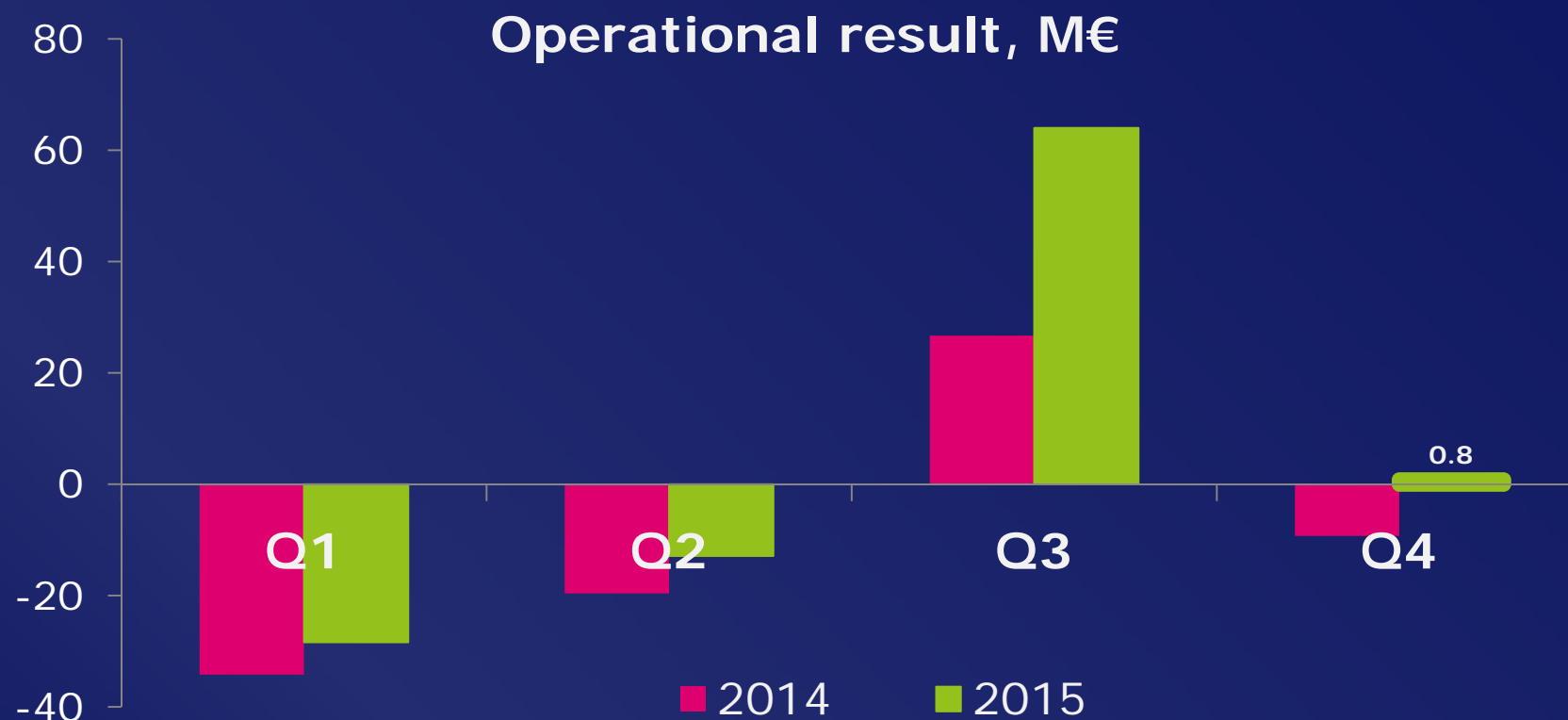
**171,0 M€**

- Cash funds and Equity increased
- Strong balance sheet supports investments



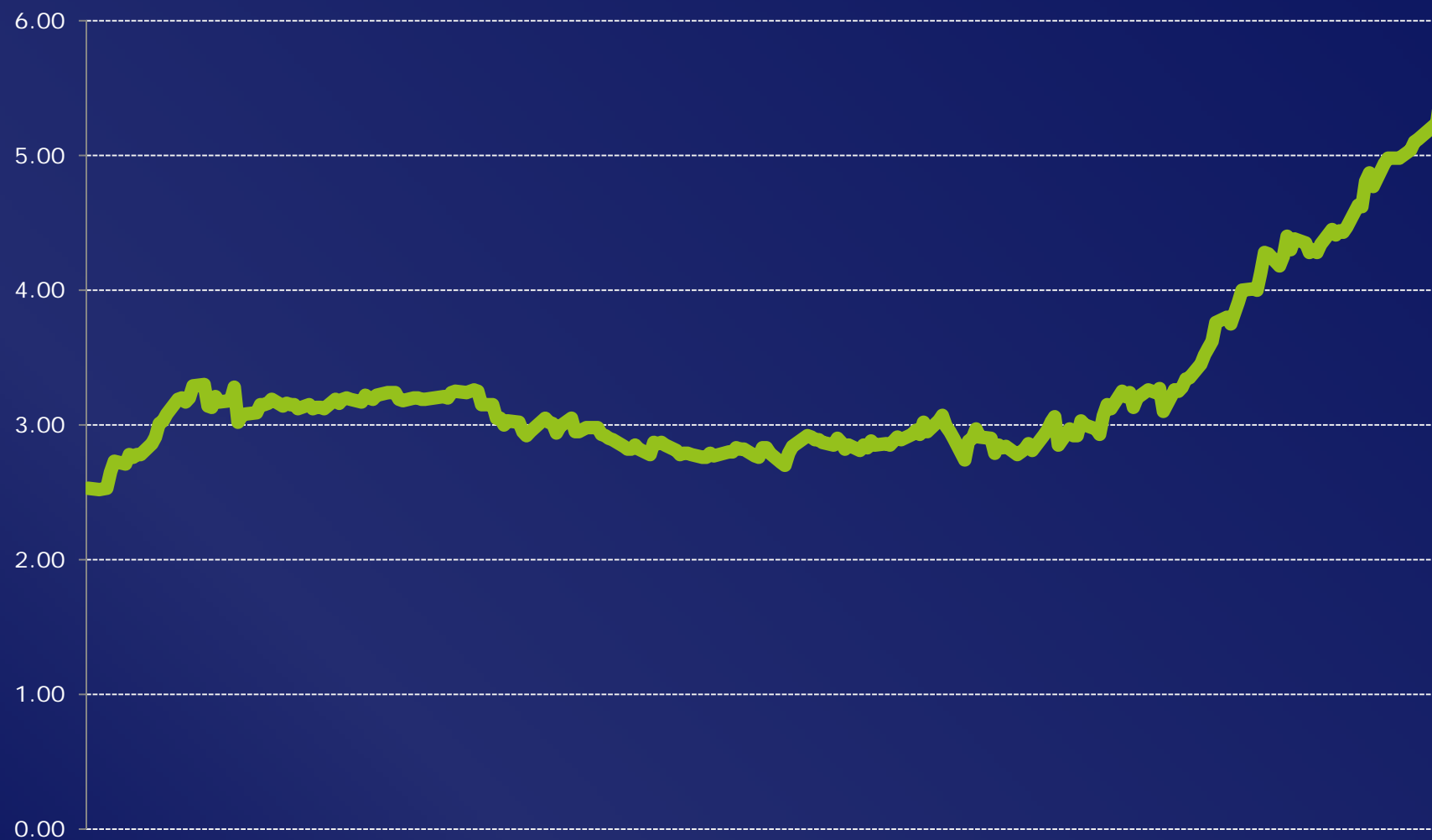


# 2015 was a turnaround year





# Share price more than doubled





However, most important was the  
change in atmosphere



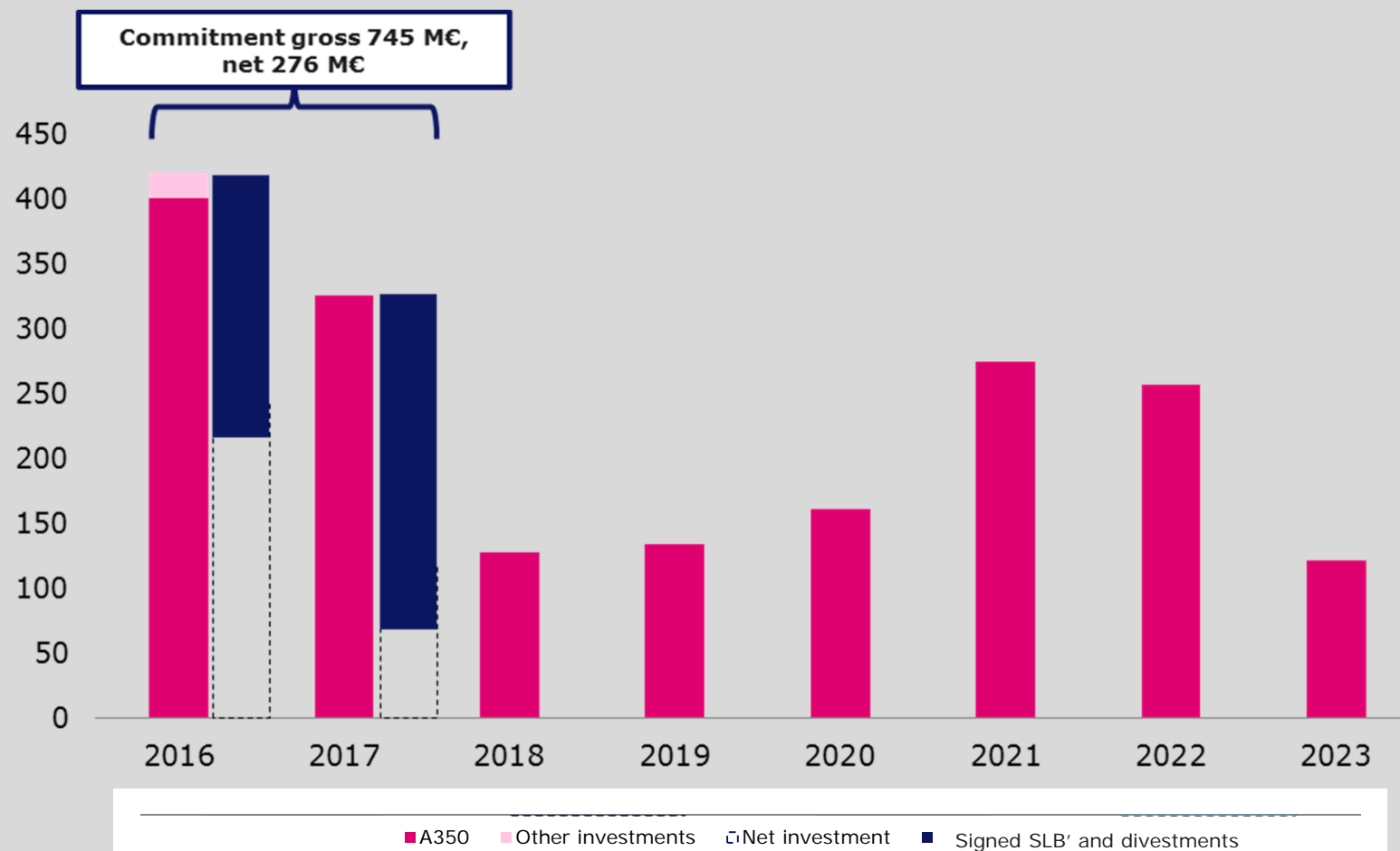
# **Finnair's new values**

Commitment to care

Simplicity

Courage

# Largest investment program of all times





**Requirements for success:**  
**Cost consciousness**  
**Growth**



# Objectives

- Doubling Asian traffic: Fukuoka and Guangzhou
- Increasing capacity in long haul and European feeder traffic
- Developing customer experience



**How are we developing the Finnair  
customer experience?**





# Unique Nordic Experience





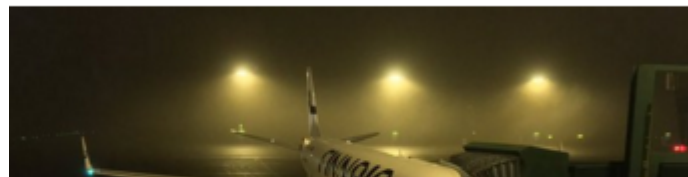
**FORK** @FORKofficial

37 mins ago

France, we are on our way! #forktour  
#acappella #champagne #becausewecan  
#itsnoonsomewhere @FinnairSuomi



ached another flying milestone. This little Embraer  
me on my 50th flight! @Finnair



**Suvi Pousi** @Supatus

Feb 25

@FinnairSuomi Kiitos.Semmonen palaute  
lapsiltamme,että ruoka(lihapullat ja  
muussi).Oli herrrrkullista!Söivät  
KAIKEN!Nam!☺



**Arconics** @Arconics

Mar 4

Want! @FinnairSuomi Business Class  
) New York - Helsinki #avgeek  
bit.lv/21bf9Lw by @OneMileatTime

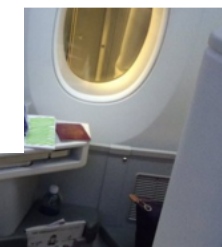


**Sanna Rokala** @sannarokala

Mar 8 · Vantaa

Iso kiitos @FinnairSuomi hienosti hoidetusta  
korvaavasta laukusta hajonneen  
tilalle...#finnair #asiakaspalvelu

Ofinnair was  
ervice spot on



**Pekka Vauramo** @pekkavau

Feb 27

Thanks @TwiMika ! I will pass this to her. I  
am sure she will be delighted! @Finnair  
@FinnairSuomi

**Mika** 🙏 @TwiMika

Dear @Finnair @FinnairSuomi  
@pekkavau never net such a nice and  
helpful stewardess like Ms. A. Rautaoja  
on my flight from ICN to HEL! :)))



**Arinen** @Anskuukkel

@FinnairSuomi Olin ekaa kertaa  
lentokoneessa viime vuoden joulukuussa.  
Olimme menossa Liettua, Vilnaan.  
Henkilökunta huomaavaisia.



**Janne M** @JanneMerilainen

1 day ago · Oulu

Kiitos @FinnairSuomi ja sen #cabincrew  
sekä erityisesti N. Yliruikka erinomaisesta  
huolenpidosta. #sinivalkoisinsiivin  
#illaksikotiin

antto beapilot retweeted



**Matt Long** @LandLopers

3 days ago

Finnair Business Class – Everything You Need To Know  
landlopers.com/2016/03/10/fin... #travel #Luxury  
#Finland #aviation



4



3



*FINNAIR*



**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 Annual General Meeting that no dividend is paid based on the balance sheet adopted for the year 2015.

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



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

- The Shareholders' Nomination Board proposes to the General Meeting that the annual remunerations of the members of the Board of Directors would be the following:
  - Chairperson 61,200 euros per year;
  - Vice Chairperson 32,400 euros per year;
  - Chairpersons of the Audit Committee and Compensation and Nomination Committee 32,400 euros per year, where these individuals are neither the Chairperson nor the Vice Chairperson of the Board; and
  - other members 30,000 euros per year.



- **The Nomination Board further proposes**
  - to the General Meeting that 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 Board members would be entitled to reimbursement of reasonable travel and representation expenses in accordance with the company's general expenses policy.
  - The Nomination Board also proposes to the General Meeting that Board 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.



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

- The Shareholders' Nomination Committee proposes that the number of members of the Board of Directors would be confirmed at seven.

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

- The Shareholders' Nomination Committee proposes
  - Maija-Liisa Friman
  - Klaus W. Heinemann (Chairman)
  - Jussi Itävuori
  - Gunvor Kronman
  - Jaana Tuominen
  - Nigel Turner
  - Jouko Karvinen



## New Member



## Jouko Karvinen

born 1957, M.Sc. (Tech.)

- CEO of Stora Enso Oyj between 2007 and 2014.
- From 2002 to 2006 CEO of the Medical Division of Royal Philips
- Several executive positions within ABB Asea Brown Boveri Ltd.
- Member of the Board of Nokia Oyj and SKF AB, Member of Foundation and Supervisory Boards of IMD business school, Lausanne, Switzerland, and Member of International Advisory Board of Komatsu Corporation of Japan.





**Maija-Liisa  
Friman**



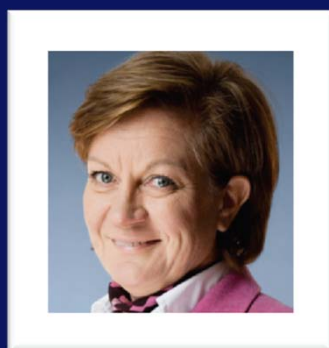
**Klaus W.  
Heinemann**



**Jussi  
Itävuori**



**Gunvor  
Kronman**



**Jaana  
Tuominen**



**Nigel  
Turner**



**Jouko  
Karvinen**



### **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 Authorised Public Accountants PricewaterhouseCoopers Oy, which has announced that APA Mikko Nieminen would be acting as the principal auditor, be elected as the auditor of the company for the term of office ending at the end of the next Annual General Meeting.



## 14. Election of the auditor

- Finnair organized a thorough tender process in the autumn. All Big Four audit companies participated.
- Various criteria for auditor selection were applied: for example, the auditor's experience in the aviation industry, experience of and approach to forthcoming IFRS changes, the use of ICT-based audit tools and technologies, and an assessment of the audit team's competencies and proactiveness.
- Many members of Finnair management participated in the assessment together with the AC.
- After careful consideration, the AC recommended to the BoD that PwC continue as the auditor.
- Mr Mikko Nieminen has been Finnair's Principal Auditor from 2012, and therefore he has three more years before his mandatory rotation.
- .



## **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 authorise the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the company's own shares.

The amount 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.



## **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 authorise the Board of Directors to decide on the disposal of own shares held by the company.

The amount 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.

## **17. Closing of the Meeting**

**Thank you for participating!**

***FINNAIR***