

FINNAIR PLC ANNUAL GENERAL MEETING 27 MARCH 2013

Mr. Harri Sailas, Chairman of the Board of Directors, opening words

Honorable shareholders, ladies and gentlemen,

You are warmly welcome to Finnair Annual General Meeting. When we met here last year, Finnair's structural change and savings program had only started. We were able to present to you the targets as outlined in our strategy, and thoughts on how we would start to seek the savings.

During the second half of 2012 the projects that were in planning phase in the first part of the year matured for implementation, and the savings began to be realized faster than anticipated. The structural change has not been easy, however, but it has demanded hard work from the entire Finnair personnel, and a determined leadership from the leadership team towards the Finnair of the future. Thanks to this work and changes that were partly painful Finnair achieved the first milestone in its transformation journey: It rose to profitability for the first time since 2007.

This has given the Board of Directors a strong faith in that the chosen strategy is the right one, and that the Finnair leadership team has good possibilities to build a Finnair that is not just able to survive but is also successful – provided that we in a determined manner continue the work that has started so well.

A profitable financial result is a fair achievement, also considering the fact that the European aviation business really did not have a tailwind behind it in 2012. Several European airlines went bankrupt last year, and in our neighboring countries the national airlines in the Baltics are fighting for their survival, and our Nordic competitor SAS barely escaped bankruptcy after dramatic negotiations.

I could almost claim that after such turbulence, a national airline as small as Finnair should not exist anymore. But we are alive, and we are actually quite strong. At the same time, it fair to ask where would we be, if the cuts and changes Finnair has made had not been implemented?

The results have not been created without hard work and sacrifices. A part Finnair team has unfortunately lost their jobs due to this necessary and inevitable change. We strive to support their re-employment with our Career Gate mode, and the first experiences from this model have been positive.



Amidst the changes we have also kept it clear in our minds that a sustainable success requires more than just cost cutting. It is key to keep our eye on the market even during difficult times. It is key to keep the customer in mind at all times, and seek for more sales. Finnair's Sales and Marketing showed its strength during last year: with a renewed market pricing strategy, ancillary services and effective marketing we managed to increase our sales despite the fact that the gloomy economic situation in Europe impacted business travel. Thanks to Finnair's excellent and competent personnel, customer satisfaction did not falter in the middle of all turbulence, but it has stayed at the same good level as before. In many quality measures, Finnair has actually improved its performance.

It is positive to see that consumers have continued to travel and even more positive to see that they often chose Finnair as their airline. Ville Iho, the deputy CEO will discuss these themes further in his presentation.

Now that Finnair has achieved a profitable year, the company transfers 4.8 million euro to its personnel fund. The personnel fund is one of the ways to reward the personnel for the improved result. We however continue to develop the rewarding systems; Finnair Board of Directors has decided on and announced the launch of an employee share savings plan for the personnel. This share savings plan complements the rewarding that takes place through the personnel fund. We believe it is a motivating model and we want to give the Finnair employees the possibility to become shareholders in their own company with favorable terms. Finnair also wants to discuss with its personnel about other possible incentive systems, where the interest of both the company, you, dear shareholders as well as the interests of the Finnair employees are aligned.

We have re-evaluated the long term incentive systems for the company's executive board and key individuals as the previous long-term incentive program ended at the end of last year, as announced in connection with Finnair's last result announcement. The new plan that we announced then is in line with the statement by the Cabinet Committee on Economic Policy regarding the remuneration of executive management and key individuals in state-owned companies in Finland and we also believe it will be rewarding, if the company is able to succeed in meeting its targets.

Dear shareholders,

The change at Finnair and in the whole industry in Europe has only begun. Our target is to build a strong Finnair that continues its flight through this turbulence. A solid foundation for this work was built last year, and on that foundation Finnair can continue building its future. The work is in progress, and it needs to continue uninterrupted. The Finnair leadership team, which Mika Vehviläinen has successfully and with vision led for the past three years, is strong.



The company however needs a CEO to guide the company forward in the chosen route. When the Finnair Board received the information on Vehviläinen's resignation, we started intensively working on recruiting the successor. The recruitment process has been well received, and we have several highly interesting candidates. It is my pleasure to announce that we have proceeded well in our discussions and we believe we are able to announce the new CEO within the coming weeks. With the new CEO at helm, Finnair will continue to implement the jointly created strategy with full passion and commitment.

In these changes, the company and its personnel will continue to need to step out of their comfort zone. We should see this as an opportunity to experience and create something new. I believe strongly that Finnair now is building its possibilities to participate, when needed, as a strong player in the on-going consolidation in the industry. Finnair will not be left aside or thrown around.

For this reason, Finnair is strongly investing in its future, and looks eagerly forward to the moment when the first wide body Airbus 350 aircraft will join the Finnair fleet. Our current estimate is that this in 2015. Finnair's long-haul fleet will experience major renewal in the years following 2015. With the fleet renewal, we can secure customer satisfaction, high quality service, and more fuel efficient flying. We can increase our sales and on the other hand decrease our relative costs, and thus succeed in the tough race where also our competitors are continuously renewing themselves.

The fleet renewal is a significant investment that we must finance. That is why we work hard to increase our profitability, so that we can be an attractive partner at the loan and leasing market. Our aim is to find effective financing solutions to these fleet investments.

Recently the minister in charge of ownership policy of our main shareholder, the State of Finland, has proposed that the State could in connection of a possible partnership arrangement decrease its stake at Finnair. According to the process, such dilution of state ownership would proceed in two stages; first, the Parliament needs to approve the possible decrease of ownership to below 50%, and following that, a government decision would be needed on using this mandate.

Minister Hautala has stressed that Finnair is not for sale, but the intention is to give Finnair room for strategic maneuvers. I believe it is good that the state evaluates its ownership from a long term strategic view point and with the company's – and at the same with Finland's – best interests in mind. The target for us Finns should be to develop a sustainable and vital Finnair, but also securing good air connections from Finland and to Finland. We do not want to be secluded.



Dear ladies and gentlemen,

Last year was Mika Vehviläinen's third and at the same time final year as Finnair CEO. When we look at the number of changes and the leaps the company has taken in these years, it is easy to agree with his words: A year in an airline corresponds to seven years elsewhere.

During these three years, Finnair's change has gotten off to a good start. The thanks for this are due to Mika Vehviläinen, but also to the strong and competent leadership team he has built. Mika did a very good job as a CEO, at times in very difficult situations and under pressure. On behalf of the Board of Directors, I want to extend my warm thanks to him for this. Mika Vehviläinen leaves Finnair in a condition, which places his successor in a good position to continue the company's change and growth.

But thanks are due also to all those Finnair employees, to whom Finnair is more than just another company; it is a part of their lives and they are strongly committed and attached to the company. This has been easy to sense always, but especially this year, as we celebrate Finnair's 90 years of history, that essence of being a part of the Finnair team is very tangible.

As I now am about to leave the Finnair Board myself, I want to thank you, Dear shareholders, for the patience that you have shown. This patience is today rewarded with a dividend, if you so decide. I also want to thank all those at Finnair, whom I have learned to know during my years at the Board. I strongly believe that Finnair has a future, thanks to you, if you together and with an open mind continue to strive for growth and sustainable profitability. It is with this trust in my heart that I give up my position to my successor.

Thank you!