



FINNAIR PLC

Listing of EUR 200,000,000 Capital Securities

The Capital Securities were issued in denominations of EUR 20,000

On 3 September 2020 (the “**Issue Date**”), Finnair Plc (the “**Issuer**” or the “**Company**”) issued capital securities with an aggregate nominal amount of EUR 200,000,000 (the “**Capital Securities**”) mainly to certain institutional investors based on an authorisation given by the Issuer’s Board of Directors on 17 August 2020. The Capital Securities were issued in denominations of EUR 20,000. The Capital Securities were offered for subscription through a book-building procedure in a minimum amount of EUR 100,000 that was carried out on 26 August 2020 (the “**Offering**”). This listing prospectus (the “**Prospectus**”) contains information on the Offering and the Capital Securities. The Prospectus has been prepared solely for the purpose of admission to listing of the Capital Securities on Nasdaq Helsinki Ltd (the “**Helsinki Stock Exchange**”) and does not constitute any offering of the Capital Securities.

The Capital Securities constitute unsecured and subordinated obligations of the Issuer. Each Capital Security bears interest on its outstanding principal amount (i) from (and including) the Issue Date to (but excluding) 3 September 2023 (the “**Step-up Date**”) at a fixed rate of 10.250 per cent per annum payable annually in arrears on 3 September in each year and commencing on 3 September 2021 and (ii) from (and including) the Step-up Date to (but excluding) the final redemption of the Capital Securities, at the Prevailing Fixed Interest Rate (as defined in the “*Terms and Conditions of the Capital Securities*”), as further described in Clause 5 (*Interest*) of the “*Terms and Conditions of the Capital Securities*”. **Payment of interest on the Capital Securities may be indefinitely deferred at the option of the Issuer, except under certain circumstances, as described in Clause 6 (*Interest Payment and Deferral*) of the “*Terms and Conditions of the Capital Securities*”.** The Capital Securities have no maturity date, and the Issuer is not under an obligation to repay the Capital Securities at any specified date. The Issuer has the right to redeem the Capital Securities in whole, but not in part, on the Step-up Date, on a date falling no more than three (3) months before the Step-up Date or on any Interest Payment Date (as defined in the “*Terms and Conditions of the Capital Securities*”) thereafter and may also, at its option, redeem the Capital Securities in whole, but not in part, upon the occurrence of certain events, including a Tax Event, Accounting Event, Replacing Capital Event, Corporate Restructuring Event, Withholding Tax Event and Clean-up Call Option Event, each as defined and further described in Clause 7 (*Redemption and Purchase*) of the “*Terms and Conditions of the Capital Securities*”. In addition, the Issuer may at its option, upon the occurrence of a change of control, redeem all, but not some only, of the Capital Securities.

Application has been made for the Capital Securities to be admitted to trading on the official list of Nasdaq Helsinki Ltd (the “**Helsinki Stock Exchange**”) (the “**Listing**”), and the Listing is expected to take place on or about 8 September 2020 under the trading code “FIASJ1025023”.

The validity of this Prospectus expires upon Listing. The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Prospectus is no longer valid.

Besides filing this Prospectus with the Finnish Financial Supervisory Authority (“**FIN-FSA**”) and the application to the Helsinki Stock Exchange, neither the Issuer nor the Joint Lead Managers (as defined hereafter) have taken any action, nor will they take any action to render the public offer of the Capital Securities in any jurisdiction or their possession, or the distribution of this Prospectus or any other documents relating to the Capital Securities admissible in any other jurisdiction than Finland requiring special measures to be taken for the purpose of public offer.

The Capital Securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state of the United States. The Capital Securities may not be offered, sold, pledged or otherwise transferred directly or indirectly within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)), except to a person who is not a U.S. Person (as defined in Regulation S) in an offshore transaction pursuant to Regulation S. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Capital Securities within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act.

The Issuer or the Capital Securities have not been assigned any credit ratings at the request or with the co-operation of the Issuer in the rating process.

Investment in the Capital Securities involves significant risks. The Capital Securities may not be suitable for all investors. Prospective purchasers of the Capital Securities should ensure that they understand the nature of the Capital Securities and the extent of their exposure to risks and that they consider the suitability of the Capital Securities as an appropriate investment in light of their own circumstances, experience and financial condition. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Capital Securities are discussed under “*Risk Factors*”.

Joint Lead Managers

Citigroup

Nordea

OP

IMPORTANT INFORMATION

This Prospectus has been drawn up in accordance with the Regulation (EU) 2017/1129 of the European Parliament and of the Council, as amended (the “**Prospectus Regulation**”), the Commission Delegated Regulation (EU) 2019/979, the Commission Delegated Regulation (EU) 2019/980, in application of the Annexes 8 and 16 thereof, the Finnish Securities Market Act (14.12.2012/746, as amended) (the “**Finnish Securities Market Act**”) and the regulations and guidelines of the FIN-FSA. The FIN-FSA, which is the competent authority for the purposes of the Prospectus Regulation and relevant implementing measures in Finland has approved the Prospectus (journal number FIVA 3/02.05.04/2020) but assumes no responsibility for the correctness of the information contained herein. The FIN-FSA has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval shall not be considered as an endorsement of the qualities of the Capital Securities nor the Issuer. This Prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of the Prospectus Regulation.

In this Prospectus, “**Finnair**”, the “**Finnair Group**” and the “**Group**” refer to Finnair Plc and its subsidiaries and associated companies, on a consolidated basis. All references to the “**Issuer**” and the “**Company**” refer to Finnair Plc.

This Prospectus should be read in conjunction with all documents which are deemed to be incorporated herein by reference and shall be read and construed on the basis that such documents are incorporated and form part of this Prospectus. See “*Information Incorporated by Reference*”.

Citigroup Global Markets Limited, Nordea Bank Abp and OP Corporate Bank plc (jointly the “**Joint Lead Managers**”) have acted exclusively for Finnair as the arrangers and lead managers of the Offering. The Joint Lead Managers are not acting for anyone else in connection with the Offering and will not be responsible to anyone other than Finnair for providing the protections afforded to their respective clients nor for providing any advice in relation to the Offering or the contents of this Prospectus.

Potential investors should rely only on the information contained in this Prospectus, including information incorporated by reference into this Prospectus. Neither Finnair nor the Joint Lead Managers have authorised any person to provide any information or to give any statements not contained in or not consistent with this Prospectus and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer and the Joint Lead Managers. The Joint Lead Managers have not independently verified information contained herein. The Joint Lead Managers assume no responsibility, for the accuracy or completeness of the information in this Prospectus and, accordingly, disclaim to the fullest extent permitted by law, any and all liability which they might otherwise be found to have in respect of this Prospectus or any such statement. Neither the delivery of this Prospectus nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of Finnair since the date of this Prospectus or that the information herein is correct as of any time subsequent to the date of this Prospectus and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by Finnair or the Joint Lead Managers as to the future. However, if a fault or omission is discovered in this Prospectus before the Listing and such fault or omission may be of material importance to investors, this Prospectus shall be supplemented in accordance with the Prospectus Regulation. Unless otherwise stated, any estimates with respect to market development relating to the Group or its industry are based upon the reasonable estimates of the Company’s management.

In making an investment decision, each investor should rely on their examination, analysis and enquiry of Finnair and the terms and conditions of the Capital Securities, including the risks and merits involved. None of Finnair, the Joint Lead Managers, and any of their respective affiliated parties or representatives, has made or is making any representation to any offeree or subscriber of the Capital Securities regarding the legality of the investment by such person. Investors (in conjunction with their advisors, if applicable) should make their independent assessment of the legal, tax, business, financial and other consequences of an investment in the Capital Securities.

This Prospectus has been prepared solely in connection with the listing of the Capital Securities on the Helsinki Stock Exchange. It does not constitute an offer of securities for sale, or a solicitation of an offer to buy any securities, anywhere in the world.

The distribution of this Prospectus may, in certain jurisdictions, be restricted by law, and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. No actions have been taken to register or qualify the Capital Securities, or otherwise to permit a public offering of the Capital Securities. Finnair and the Joint Lead Managers expect persons into whose possession this Prospectus comes to inform themselves of and observe all such restrictions. Neither Finnair nor the Joint Lead Managers accept any legal responsibility for any violation by any person, whether or not a prospective purchaser of the Capital Securities is aware of such restrictions. In particular the Capital Securities may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into the United States, Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, South Africa or any other jurisdiction in which it would not be permissible to offer the Capital Securities and this Prospectus may not be sent to any person in the aforementioned jurisdictions.

This Prospectus has been prepared in English only. In accordance with Article 7 of the Prospectus Regulation, a summary has been prepared in English and translated into Finnish. Save for the Company’s audited consolidated financial statements as at and for the financial year ended 31 December 2019 incorporated by reference into this Prospectus, no part of this Prospectus has been audited.

The Offering and the Capital Securities are governed by Finnish law and any dispute arising in relation to the Offering and the Capital Securities shall be settled exclusively by Finnish courts in accordance with Finnish law.

MiFID II product governance / Retail clients, professional clients and eligible counterparties target market:

Solely for the purposes of each manufacturer’s product governance requirements set forth in Directive 2014/65/EU (as amended, “**MiFID II**”), the manufacturers have made a target market assessment in respect of the Capital Securities, and have concluded that the target group for the Capital Securities is:

Type of client: Clients that are eligible counterparties, professional clients and retail clients, each as defined in MiFID II.

Knowledge and experience: Clients that are (i) informed investors, having one or more of the following characteristics: (a) average knowledge of the relevant financial products (an informed investor can make an informed investment decision based on the offering documentation, together with knowledge and understanding of the specific risk factors/risks highlighted with them only), or (b) some financial industry experience, or (ii) advanced investors, having one or more of the following characteristics: (x) good knowledge of the relevant financial products and transactions, or (y) financial industry experience or accompanied by professional investment advice or included in a discretionary portfolio service.

Financial situation with a focus on the ability to bear losses: Clients that have the ability bear losses of up to 100 per cent of the capital invested in the Capital Securities.

Risk tolerance: Financial ability and willingness to put the entire capital invested at risk. Clients investing in the Capital Securities are willing to take more risk than deposit savings and do not require a fully guaranteed income or return profile.

Investment objective: Clients whose investment objective is to generate growth of the invested capital and have a long-term investment horizon.

Furthermore, the manufacturers have made an assessment as to the negative target market and concluded that the negative target market for the Capital Securities is clients that seek full capital protection or full repayment of the amount invested, are fully risk averse/have no risk tolerance or need a fully guaranteed income or fully predictable return profile.

The manufacturers have made an assessment as to the distribution strategy for the Capital Securities, and have concluded that (i) all channels for distribution to eligible counterparties and professional clients are appropriate; and (ii) the following channels for distribution of the Capital Securities to retail clients are appropriate – investment advice, portfolio management, non-advised sales and pure execution services, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable. Any person subsequently offering, selling or recommending the Capital Securities (a “distributor”) should take into consideration the manufacturers’ target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable.

CONTENTS

IMPORTANT INFORMATION	II
SUMMARY	1
TIIVISTELMÄ	6
RISK FACTORS.....	11
RESPONSIBILITY REGARDING THE PROSPECTUS	37
INFORMATION DERIVED FROM THIRD PARTY SOURCES	37
AVAILABILITY OF THE PROSPECTUS.....	37
NO CREDIT RATING	37
FORWARD-LOOKING STATEMENTS.....	37
NO INCORPORATION OF WEBSITE INFORMATION.....	38
CONTROLLING SHAREHOLDER	38
TAXATION	38
OTHER INFORMATION.....	39
TERMS AND CONDITIONS OF THE CAPITAL SECURITIES	40
OVERVIEW OF THE OFFERING AND THE CAPITAL SECURITIES	55
INFORMATION ABOUT THE ISSUER	58
GENERAL INFORMATION ABOUT THE ISSUER.....	58
HISTORY AND DEVELOPMENT	59
RECENT EVENTS	60
OPERATING ENVIRONMENT	63
ORGANISATIONAL STRUCTURE.....	66
BUSINESS OVERVIEW	67
FINANCIAL INFORMATION AND OTHER INFORMATION	73
SUMMARY OF RECENT DISCLOSURES	78
BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS	82
ARRANGEMENTS WITH THE JOINT LEAD MANAGERS	89
LEGAL MATTERS.....	89
INFORMATION INCORPORATED BY REFERENCE	90
DOCUMENTS ON DISPLAY AND AVAILABLE INFORMATION.....	90

SUMMARY

Introduction and Warnings

This summary contains all the sections required by the Prospectus Regulation to be included in a summary for this type of securities and issuer. This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor.

An investor investing in the securities could lose all or part of the invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under applicable law, have to bear the costs of translating the Prospectus before legal proceedings are initiated. Finnair assumes civil liability in respect of this summary including translation thereof only if it is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the securities.

The contact details of the Issuer are as follows:

Issuer:	Finnair Plc
Address:	Tietotie 9 A, FI-01053 Vantaa, Finland
Telephone:	+358 600 081 881
Business code:	0108023-3
Legal entity identifier (LEI):	213800SB6EOB8SSK9W63

The details of the Capital Securities are as follows:

ISIN:	FI4000441860
Name:	FIASJ1025023

This Prospectus has been approved by the FIN-FSA as the competent authority under the Prospectus Regulation on 4 September 2020.

The identity and contact details of the competent authority, the FIN-FSA, approving the Prospectus are as follows:

Authority:	Financial Supervisory Authority
Address:	P.O. Box 103, FI-00101 Helsinki, Finland
Telephone:	+358 9183 51
Email address:	kirjaamo@finanssivalvonta.fi.

Key Information on the Issuer

Who Is the Issuer of the Securities?

General

The business name of the Issuer is Finnair Plc and it is domiciled in Helsinki, Finland. The Issuer is registered with the Finnish Trade Register under business identity code 0108023-3 and legal entity identifier code (LEI) 213800SB6EOB8SSK9W63. The Issuer is a public limited liability company incorporated in Finland and operating under Finnish law.

Principal Activities

Finnair is the flag carrier of, and the largest airline in, Finland. Finnair's route network connects Europe, Asia and North America through its hub at Helsinki Airport. Finnair specialises in the transportation of passenger and cargo traffic between Asia and Europe, and also offers package tours under its Aurinkomatkat-Suntours and Finnair Holidays brands. During 2019, Finnair served 21 long-haul destinations in Asia, eight destinations in North America and over 100 destinations in Europe, totalling over 20,000 origin-destination city pairs.

During second quarter of 2020, Finnair operated a minimum network of only approximately 3 per cent of its capacity due to the COVID-19 pandemic compared to the same period in 2019 (measured in Available Seat Kilometres (ASK)). As at the date of this Prospectus, in response to the restrictions on air travel due to the COVID-19 pandemic, Finnair is flying 80–100 one-way flights per day to domestic, European and Asian destinations. Finnair will continue adjusting the amount of flights according to demand as the year progresses depending on the development of the pandemic and travel restrictions. Finnair currently expects to operate approximately 20 per cent of the amount of flights in September compared to September 2019, but the amount of flights depends on the development of travel restrictions and demand.

Major Shareholders

As at the date of this Prospectus, the State of Finland (acting through the Prime Minister's Office) holds 55.9 per cent of the shares in the Issuer. Accordingly, the State of Finland has control over the Issuer as referred to in Chapter 2, Section 4 of the Finnish Securities Market Act (746/2012, as amended). The Issuer is not aware of any other shareholders owning more than five per cent of the issued and outstanding share and votes in the Issuer based on the information available to Issuer at the date of this Prospectus.

Key Managing Directors and Statutory Auditors

The members of the Board of Directors of the Issuer are Jouko Karvinen (Chairman), Colm Barrington (Vice Chairman), Tiina Alahuhta-Kasko, Montie Brewer, Mengmeng Du, Jukka Erlund, Henrik Kjellberg, Maija Strandberg and Jaana Tuominen.

The Issuer's Executive Board consists of Topi Manner, Nicklas Ilebrand, Johanna Karppi, Ole Orvér, Tomi Pienimäki, Sami Sarelius, Jaakko Schildt, Mika Stirkkinen and Arja Suominen.

The Issuer's statutory auditor is KPMG Oy Ab, Authorized Public Accountant Firm, with Kirsi Jantunen, Authorized Public Accountant as the auditor with principal responsibility. The Issuer's consolidated financial statements for the financial year ended 31 December 2019 have been audited by Authorised Public Accountants PricewaterhouseCoopers Oy, with Markku Katajisto, Authorised Public Accountant, as the auditor with principal responsibility.

What Is the Key Financial Information Regarding the Issuer?

The selected historical key financial information presented below has been derived from Finnair's unaudited consolidated Half-year Report as at and for the six months ended 30 June 2020, including the unaudited comparative consolidated financial information as at and for the six months ended 30 June 2019, as well as audited consolidated financial statements as at and for the financial year ended 31 December 2019, including the unaudited restated comparative consolidated financial information for the financial year ended 31 December 2018.

As of 1 January 2019, Finnair adopted the new IFRS 16 Leases standard using the full retrospective method. From the same date, Finnair also changed its accounting principles relating to treatment of aircraft components, including cabin components and frame overhauls, so that different components are depreciated based on their economic useful lives or during their maintenance period. Previously, overhauls had been booked as expenses when they occurred. Finnair also changed its accounting principles for leased aircraft, so that a provision is recognised following the same principle that Finnair applies to the maintenance of its owned aircraft. Finnair also made certain structural changes in its income statement, balance sheet and cash flow reporting line items. Finnair's financial reporting for the financial year ended 31 December 2018 has been restated to reflect these new reporting practices.

The following table sets forth the key figures of Finnair for the dates and periods indicated:

	As at and for the six months ended 30 June		As at and for the year ended 31 December	
	2020	2019	2019	2018
	(unaudited)		(audited)	(unaudited) (restated)
(EUR in millions, unless otherwise indicated)				
KEY FIGURES				
Operating result	-266.8	30.3	160.0	256.3
Interest-bearing net debt	1,028.2	674.3	621.0	706.7
Gearing, %	106.3	75.2	64.3	76.9

Net cash flow from operating activities	-597.2	325.0	564.5	503.6
Net cash flow from investing activities	194.8	-217.2	-513.2	-202.6
Net cash flow from financing activities	670.6	-120.9	-225.4	-289.2

The aim of Finnair's dividend policy is to pay on average at least one third of the earnings per share as a dividend over an economic cycle. The Issuer intends to take into account its earnings trend and outlook, financial situation and capital need for any given period. Due to the COVID-19 pandemic, in accordance with the proposal of the Board of Directors, the shareholders resolved in the Annual General Meeting of Finnair on 29 May 2020 that no dividend be paid based on the balance sheet adopted for the year 2019.

What Are the Key Risks That Are Specific to the Issuer?

- The effect of the COVID-19 pandemic in the markets in which Finnair operates has adversely affected, and is expected to continue to adversely affect, the demand for Finnair's services. In addition, general macroeconomic developments may have a material adverse impact on the demand for airline services, including Finnair's services.
- The airline industry is characterised by low profit margins with limited cost manoeuvrability, exposing Finnair to the risks of decreased profitability and liquidity.
- Variations in the price of jet fuel affect Finnair's operating expenses, and hedging transactions related to fuel prices may prove to increase costs in relation to the prevailing market price.
- Complaints or appeals concerning the state aid decision connected to the State of Finland's participation in Finnair's rights offering, or other transactions involving Finnair and the State of Finland, may result in additional costs for Finnair and materially and adversely affect Finnair's financial and liquidity position.
- Changes to the bilateral agreements or the trade relationship between the EU and non-EU countries may result in limitations to Finnair's flight routes or increase payments associated with such routes.
- Finnair may not be able to successfully implement its strategy, or its strategy may prove to be misaligned in relation to prevailing market conditions or changes in the industry.
- Finnair may be unable to achieve the expected benefits from its cost adjustment and efficiency program.
- Finnair may not achieve its goals in future negotiations regarding the terms of collective labour agreements of its unionised work groups or in negotiations concerning adjustment measures due to the weakened demand situation, exposing it to the risk of strikes and other work-related disruptions.
- Finnair is exposed to the residual value risk, and also to the risk of impairment in the value of its aircraft.
- The amount of indebtedness that Finnair currently has and which it may incur in the future could lead to the breach of financing covenants, or limited access to additional capital and liquidity.

Key Information on the Securities

What Are the Main Features of the Securities?

The Capital Securities constitute unsecured and subordinated obligations of the Issuer. The Capital Securities are dematerialised securities registered in the Finnish book-entry system maintained by Euroclear Finland Ltd. The ISIN of the Capital Securities is FI4000441860. The currency of the Capital Securities is the euro. The Capital Securities were issued in denominations of EUR 20,000 and the aggregate nominal amount of the issued Capital Securities is EUR 200,000,000. The number of issued Capital Securities is 10,000.

The Capital Securities are undated securities with no specified maturity date. The Issuer is not required to redeem the Capital Securities at any time and they are not redeemable on demand of the Holders (as defined in the Terms and Conditions of the Capital Securities) of the Capital Securities. Interest accrues on the Capital Securities and may only become payable in accordance with terms and conditions of the Capital Securities. The Issuer may, in its sole discretion, except under certain circumstances, as described in the terms and conditions of the Capital Securities, elect to defer any interest payment which would otherwise be due. The Holders of the Capital Securities exercise their right of decision by attending a noteholders' meeting or participating in a written decision making procedure.

In the event of a voluntary or involuntary liquidation, a bankruptcy or a company reorganisation of the Issuer (unless previously redeemed), the rights of the Holders of the Capital Securities to payments of the principal amount of the Capital Securities, Accrued Interest and any other amounts due in respect of the Capital Securities rank and will rank: (i) junior in right of payment to the payment of any present or future claims of all

unsubordinated creditors of the Issuer; (ii) junior in right of payment of all creditors of the Issuer in respect of all subordinated indebtedness of the Issuer which by their terms as at their original issue date are expressed to rank, or pursuant to applicable Finnish law rank, senior to Capital Securities; (iii) *pari passu* with all other existing capital securities issued by the Issuer prior to the date of issue of the Capital Securities; (iv) *pari passu* without any preference among themselves; (v) at least *pari passu* with any future outstanding capital securities of the Issuer; and (vi) in priority to payments to holders of all classes of share capital of the Issuer in their capacity as such holders and any other obligation of the Issuer expressed by its terms as at its original issue date to rank, or pursuant to applicable Finnish law rank, junior to the Capital Securities.

Capital Securities are freely transferable after having been registered into the respective book-entry account.

Where Will the Securities Be Traded?

Application has been made to have the Capital Securities listed on the Helsinki Stock Exchange.

What Are the Key Risks That Are Specific to the Securities?

- Capital Securities are deeply subordinated obligations of the Issuer which increases their Holders' credit risk in respect of the Issuer.
- Capital Securities are perpetual and there are no events of default or cross default under the Capital Securities.
- The Capital Securities contain no limitation on issuing additional debt or granting of security.
- The Issuer has the right to defer interest payments indefinitely unless certain events occur.
- There is a risk of early redemption at the option of the Issuer or following the occurrence of a Tax Event, Accounting Event, Change of Control, Withholding Tax Event, Corporate Restructuring Event, a Clean-up Call Option Event or a Replacing Capital Event.

Key Information on the Offer of Securities to the Public and Admission to Trading on a Regulated Market

Under Which Conditions and Timetable Can I Invest in This Security?

The Capital Securities were offered for subscription through a book-building procedure in a minimum amount of EUR 100,000 that was carried out on 26 August 2020. The Capital Securities were not, and will not be, offered to the public. The Capital Securities were issued on 3 September 2020. Application has been made for the Capital Securities to be admitted to trading on the official list of the Helsinki Stock Exchange, and the Listing is expected to take place on or about 8 September 2020.

The Capital Securities may be registered on behalf of the Holders on book-entry accounts and transfers of Capital Securities may only be effected through, and title thereto will only pass upon, registration and transfer in such book-entry accounts.

In connection with the Offering, the Issuer expects to pay approximately a total of EUR 2.3 million in fees and expenses. No fees or other payments will be charged to the investor by the Issuer. Account operators may charge fees in accordance with their price lists for the subscription and opening and maintaining of the book-entry account or other custody system and for custody of the Capital Securities.

Why Is This Prospectus Being Produced?

This Prospectus is being produced in order to enable further financing and to meet the existing and future financing requirements of the Issuer. The aggregate net proceeds to the Issuer from the Offering, after deduction of the fees and expenses payable by the Issuer, will be approximately EUR 197.7 million. The proceeds have, on or about the issue date, been and/or will shortly thereafter be used for the financing of the redemption of the Issuer's existing capital securities.

Material Interests

The interests of the Joint Lead Managers are normal business interests in the financial markets.

The Joint Lead Managers and other entities within the same group and/or their respective affiliates have performed, and may in the future perform, advisory, consulting and/or banking services for Finnair in the ordinary course of

their business for which they have received, or will receive, customary fees and expenses. In addition, the Joint Lead Managers also acted as dealer managers in a tender offer relating to the Issuer's capital securities issued in 2015. Furthermore, certain of the Joint Lead Managers or their respective affiliates have acted and may in the future act as arrangers or lenders under certain facility agreements of Finnair for which they have received, or will receive, customary fees and expenses. The Joint Lead Managers and their respective affiliates may hold long or short positions, and may trade or otherwise effect transactions, for their own account or the accounts of their customers, in debt or equity securities of the Issuer.

TIIVISTELMÄ

Johdanto ja varoitukset

Tämä tiivistelmä sisältää kaikki ne osiot, jotka kyseessä olevasta arvopaperista ja sen liikkeeseenlaskijasta tulee esittää Euroopan parlamentin ja neuvoston asetuksen (EU) 2017/1129 ("Esiteasetus") mukaisesti. Tätä tiivistelmää tulee lukea esitteen johdantona. Sijoittajan tulee perustaa päätöksensä sijoittaa arvopapereihin esitteeseen kokonaisuutena.

Arvopapereihin sijoittava sijoittaja voi menettää kaiken tai osan sijoitetusta pääomasta. Jos tuomioistuimessa pannaan vireille esitteeseen sisältyviä tietoja koskeva kanne, kantajana toimiva sijoittaja voi sovellettavan lainsäädännön mukaan joutua ennen oikeudenkäynnin vireillepanoa vastaamaan esitteen käännskustannuksista. Finnair vastaa siviilioikeudellisesti tästä tiivistelmästä vain, jos tiivistelmä luettuna yhdessä esitteen muiden osien kanssa on harhaanjohtava, epätarkka tai epä johdonmukainen tai jos tiivistelmässä ei luettuna yhdessä esitteen muiden osien kanssa anneta keskeisiä tietoja sijoittajien auttamiseksi, kun he harkitsevat sijoittamista arvopapereihin.

Liikkeeseenlaskijan yhteystiedot ovat seuraavat:

Liikkeeseenlaskijan nimi:	Finnair Oyj
Osoite:	Tietotie 9 A, 01053 Vantaa, Suomi
Puhelinnumero:	+358 600 081 881
Yritys- ja yhteisötunnus:	0108023-3
Oikeushenkilötunnus (LEI-tunnus):	213800SB6EOB8SSK9W63

Arvopaperia koskevat tiedot ovat seuraavat:

ISIN:	FI4000441860
Arvopaperin nimi:	FIASJ1025023

Finanssivalvonta on toimivaltaisena viranomaisena hyväksynyt esitteen Esiteasetuksen mukaisesti 4.9.2020.

Toimivaltaisen viranomaisen eli Finanssivalvonnan, joka hyväksyy tämän esitteen, yhteystiedot ovat seuraavat:

Viranomainen:	Finanssivalvonta
Osoite:	PL 103, 00101 Helsinki, Suomi
Puhelinnumero:	+358 9183 51
Sähköpostiosoite:	kirjaamo@finanssivalvonta.fi.

Keskeisiä tietoja liikkeeseenlaskijasta

Kuka on arvopapereiden liikkeeseenlaskija?

Yleistä

Liikkeeseenlaskijan rekisteröity toiminimi on Finnair Oyj ja sen kotipaikka on Helsinki. Liikkeeseenlaskija on rekisteröity Patentti- ja rekisterihallituksen ylläpitämään kaupparekisteriin y-tunnuksella 0108023-3 ja oikeushenkilötunnuksella (LEI) 213800SB6EOB8SSK9W63. Liikkeeseenlaskija on julkinen osakeyhtiö, joka on perustettu Suomessa ja siihen sovelletaan Suomen lakia.

Pääasiallinen toiminta

Finnair on Suomen kansallinen ja Suomen suurin lentoyhtiö. Finnairin reittiverkosto yhdistää Euroopan, Aasian ja Pohjois-Amerikan sen liikenteen solmukohtana toimivan Helsinki-Vantaan lentoaseman kautta. Finnair on erikoistunut Aasian ja Euroopan väliseen matkustaja- ja rahtiliikenteeseen, ja lisäksi se tarjoaa matkapalveluja Aurinkomatkat-Suntours ja Finnair Holidays -tuotemerkkien alla. Vuonna 2019 Finnairilla oli 21 kaukolentokohdetta Aasiassa, kahdeksan Pohjois-Amerikassa ja yli 100 kohdetta Euroopassa, eli yhteensä yli 20 000 kaupunkien välistä reittiä lähtö- ja kohdekentän perusteella laskettuna.

Vuoden 2020 toisella neljänneksellä Finnair operoi COVID-19-pandemian johdosta minimiverkostoa, joka käsitti vain noin 3 prosenttia sen kapasiteetista vuoden 2019 vastaavaan ajanjaksoon verrattuna (tarjotuilla henkilökilometreillä (ASK) mitattuna). Tämän Esitteen päivämääränä COVID-19-pandemian johdosta lentoliikenteelle asetettujen rajoitusten seurauksena Finnair lentää 80–100 yhdensuuntaista lentoa päivässä kotimaan, Euroopan ja Aasian kohteisiin. Finnair jatkaa lentojen määrän sopeuttamista kysynnän mukaisesti loppuvuotta kohden ottaen huomioon pandemiatilanteen ja matkustusrajoitusten kehityksen. Finnairin tämän hetkisenä tarkoituksena on lentää syyskuussa noin 20 prosenttia lentojen määrästä vuoden 2019 syyskuuhun verrattuna. Toteutunut lentojen määrä riippuu kuitenkin matkustusrajoitusten ja kysynnän kehityksestä.

Suurimmat osakkeenomistajat

Suomen valtio, valtioneuvoston kanslian edustamana, omisti tämän Esitteen päivämääränä yhteensä 55,9 prosenttia Liikkeeseenlaskijan ulkona olevista osakkeista. Näin ollen Suomen valtiolla on arvopaperimarkkinalain (746/2012, muutoksineen) 2 luvun 4 §:n mukainen määräysvalta Liikkeeseenlaskijassa.

Liikkeeseenlaskijan tiedossa ei ole muita osakkeenomistajia, jotka omistaisivat enemmän kuin viisi prosenttia Finnairin liikkeeseen lasketuista ja ulkona olevista osakkeista perustuen tietoihin, jotka ovat Finnairin saatavilla tämän esitteen päivämääränä.

Johdon avainhenkilöt ja tilintarkastaja

Liikkeeseenlaskijan hallitukseen kuuluvat Jouko Karvinen (hallituksen puheenjohtaja), Colm Barrington (varapuheenjohtaja), Tiina Alahuhta-Kasko, Montie Brewer, Mengmeng Du, Jukka Erlund, Henrik Kjellberg, Maija Strandberg ja Jaana Tuominen.

Liikkeeseenlaskijan johtoryhmään kuuluvat Topi Manner, Nicklas Ilebrand, Johanna Karppi, Ole Orvér, Tomi Pienimäki, Sami Sarelius, Jaakko Schildt, Mika Stirkkinen ja Arja Suominen.

Liikkeeseenlaskijan lakisääteinen tilintarkastaja on tilintarkastusyhteisö KPMG Oy Ab, KHT Kirsi Jantusen toimiessa päävastuullisena tilintarkastajana. Liikkeeseenlaskijan konsernitilinpäätöksen 31.12.2019 päätyneeltä tilikaudelta on tilintarkastanut tilintarkastusyhteisö PricewaterhouseCoopers Oy, KHT Markku Katajisto päävastuullisena tilintarkastajana.

Mitä ovat liikkeeseenlaskijaa koskevat keskeiset taloudelliset tiedot?

Alla esitettävät valikoidut historialliset keskeiset taloudelliset tiedot ovat peräisin Finnairin tilintarkastamattomasta konsernin puolivuositarkastuksesta 30.6.2020 päätyneeltä kuuden kuukauden jaksolta, sisältäen tilintarkastamattomat vertailutiedot 30.6.2019 päätyneeltä kuuden kuukauden jaksolta sekä tilintarkastetusta konsernitilinpäätöksestä 31.12.2019 päätyneeltä tilikaudelta, sisältäen tilintarkastamattomat oikaistut vertailutiedot 31.12.2018 päätyneeltä tilikaudelta.

Finnair on 1.1.2019 alkaen soveltanut uutta IFRS 16 Vuokrasopimukset -standardia käyttäen täysin takautuvaa menettelyä. Finnair on lisäksi muuttanut lentokoneen komponenttien, kuten matkustamon osien ja rungon huoltojen, laskentaperiaatteita niin, että eri komponentit poistetaan niiden taloudellisen käyttöiän tai huoltojakson aikana. Aikaisemmin huoltokustannukset on kirjattu kuluksi niiden syntymishetkellä. Finnair muutti lisäksi vuokrattujen lentokoneiden huoltojen varauskäytäntöä siten, että varaus kirjataan samalla periaatteella kuin omistettujen koneiden huolloista. Finnair on myös muuttanut tuloslaskelman, taseen ja rahavirtalaskelman esitystapaa. Finnairin taloudellinen raportointi 31.12.2018 päätyneeltä tilikaudelta on oikaistu vastaamaan näitä uusia raportointiperiaatteita.

Seuraavassa taulukossa esitetään Finnairin keskeisiä tunnuslukuja ilmoitettuina päivinä ja ajanjaksoina:

30.6. ja 30.6. päätynyt kuuden kuukauden jakso			31.12. ja 31.12. päätynyt vuosi	
2020 2019			2019	2018
(tilintarkastamaton)			(tilintarkastettu)	(tilintarkasta- maton)
(miljoonaa euroa, ellei toisin ilmoitettu)			(oikaistu)	
TALOUDELLISET TUNNUSLUVUT				
Liiketulos	-266,8	30,3	160,0	256,3
Korollinen nettovelka	1 028,2	674,3	621,0	706,7

Nettovelkaantumisaste, %	106,3	75,2	64,3	76,9
Liiketoiminnan nettorahavirta	-597,2	325,0	564,5	503,6
Investointien nettorahavirta	194,8	-217,2	-513,2	-202,6
Rahoituksen nettorahavirta	670,6	-120,9	-225,4	-289,2

Finnairin osinkopolitiikan tavoitteena on maksaa suhdannesykin aikana keskimäärin vähintään kolmasosa osakekohtaisesta tuloksesta osinkoina. Liikkeeseenlaskija pyrkii ottamaan huomioon osingonjaossa sen kulloisenkin tuloskehityksen ja näkymät, rahoitustilanteen ja pääomatarpeet. COVID-19 pandemian johdosta, Finnairin yhtiökokous päätti 29.5.2020 hallituksen esityksen mukaisesti, että vuodelta 2019 vahvistetun taseen perusteella ei jaeta osinkoa.

Mitkä ovat liikkeeseenlaskijaan liittyvät olennaiset riskit?

- COVID-19-pandemian seuraukset markkinoilla, joilla Finnair toimii, ovat vaikuttaneet ja niiden odotetaan jatkossakin vaikuttavan haitallisesti Finnairin palvelujen kysyntään. Lisäksi makrotalouden yleisellä kehityksellä voi olla olennaisen haitallinen vaikutus lentoliikennepalvelujen, mukaan lukien Finnairin palvelujen, kysyntään.
- Alhaiset katteet ja rajoitettu kulujen hallittavuus ovat luonteenomaisia lentoliikennealalla, mikä altistaa Finnairin riskeille kannattavuuden ja maksuvalmiuden laskusta.
- Lentopetrolin hintavaihtelut vaikuttavat Finnairin liiketoimintakuluihin ja polttoaineen hintoihin liittyvät suojaukset voivat kasvattaa kustannuksia suhteessa vallitsevaan markkinahintaan.
- Valitukset tai muutoksenhakuvaatimukset valtiontukipäätöksestä liittyen Suomen valtion osallistumiseen Finnairin merkintäoikeusantiin tai muihin toimiin, joissa Suomen valtio ja Finnair ovat osapuolina, voisivat aiheuttaa lisäkustannuksia Finnairille ja vaikuttaa olennaisesti ja haitallisesti Finnairin maksuvalmiuteen.
- Muutokset kahdenvälisissä sopimuksissa tai kauppasuhteissa Euroopan unionin ja kolmansien maiden välillä voivat johtaa Finnairin lentoreittejä koskeviin rajoituksiin tai nostaa niihin liittyviä maksuja.
- Finnair ei välttämättä onnistu toteuttamaan strategiaansa tai sen strategia voi osoittautua virheelliseksi suhteessa vallitsevaan markkinatilanteeseen tai toimialan muutoksiin.
- Finnair ei välttämättä pysty saavuttamaan sen kustannussäästö- ja tehostamistoimenpiteistä odotettavia hyötyjä.
- Finnair ei välttämättä saavuta tavoitteitaan neuvoteltaessa sen järjestäytyneitä työntekijöitä koskevien työehtosopimusten ehdoista taikka heikentyneen kysyntätilanteen vuoksi suunnitelluista sopeutustoimista, mikä altistaa sen lakkojen ja työliitännäisten muiden häiriöiden riskille.
- Finnair on alttiina jäännösarvoriskille ja lentokoneiden arvon alentumiselle.
- Finnairin nykyinen ja tulevaisuudessa mahdollisesti kerrytetty velkaantuneisuus voi johtaa taloudellisten kovenanttien rikkoutumiseen tai rajoittaa uuden pääoman saatavuutta ja maksuvalmiutta.

Keskeiset tiedot arvopapereista

Mitkä ovat arvopapereiden keskeiset ominaisuudet?

Arvopaperit ovat Liikkeeseenlaskijan vakuudettomia ja alisteisia sitoumuksia ("Velkakirjat" tai "Velkakirjalaina"). Velkakirjat rekisteröidään Euroclear Finland Oy:n ylläpitämään arvo-osuusjärjestelmään eikä niistä anneta fyysisiä velkakirjoja. Velkakirjojen ISIN on FI4000441860. Velkakirjojen valuutta on euro. Velkakirjojen yksikkökoko on 20.000 euroa ja niiden yhteenlaskettu nimellisarvo on 200.000.000 euroa. Velkakirjoja lasketaan liikkeeseen yhteensä 10.000 kappaletta.

Velkakirjalainalla ei ole määriteltyä eräpäivää. Liikkeeseenlaskija ei ole velvollinen lunastamaan Velkakirjalainaa eivätkä velkakirjalainan haltijat voi vaatia Liikkeeseenlaskijaa lunastamaan Velkakirjalainaa. Velkakirjojen haltijoille maksetaan korkoa vain Velkakirjalainan ehtojen mukaisesti. Liikkeeseenlaskijalla on yksinomainen oikeus lykätä koron maksua Velkakirjalainan ehtojen mukaisesti. Velkakirjojen haltijat käyttävät Velkakirjalainaan liittyvää päätösvaltaansa velkakirjalainan haltijoiden kokouksessa tai kirjallisessa päätöksentekomenettelyssä.

Jos Liikkeeseenlaskija asetetaan tai määrätään selvitystilaan, konkurssiin tai yrityssaneeraukseen (ellei Velkakirjoja ole aiemmin lunastettu), Velkakirjojen haltijoiden oikeudet Velkakirjojen pääomaan, kertyneeseen korkoon tai muihin Velkakirjoihin liittyviin maksuihin ovat etusijajärjestyksessä suhteessa muihin Liikkeeseenlaskijan omaisuuteen kohdistuviin oikeuksiin nähden: (i) alisteinen suhteessa Liikkeeseenlaskijan

kaikkiin muihin velkoihin, joiden etusijajärjestyksestä ei ole määrätty; (ii) alisteinen suhteessa muihin Liikkeeseenlaskijan alisteisiin velkoihin nähden, joiden alkuperäisissä ehdoissa on määrätty, tai ne ovat Suomen lain nojalla, etusijaisia suhteessa Velkakirjalainaan; (iii) sama etuoikeusjärjestys suhteessa Liikkeeseenlaskijan olemassa olevien vakuudettomien ja alistettujen velkakirjojen kanssa, joiden liikkeeseenlaskupäivä on ollut ennen Velkakirjojen liikkeeseenlaskupäivää; (iv) sama etuoikeusjärjestys Velkakirjojen keskinäisessä suhteessa; (v) vähintään sama etuoikeusjärjestys Liikkeeseenlaskijan tulevaisuudessa liikkeeseen laskettavien vastaavien velkakirjalainojen kanssa; ja (vi) etusijainen suhteessa Liikkeeseenlaskijan kaikkien osakelajien osakkeenomistajille maksettaviin sitoumuksiin nähden ja kaikkiin niihin Liikkeeseenlaskijan sitoumuksiin nähden, joiden ehdoissa on määrätty niiden olevan tai ne ovat Suomen lain nojalla alisteisia Velkakirjalainaan nähden.

Velkakirjat ovat vapaasti vaihdettavissa sen jälkeen, kun ne ovat rekisteröity arvo-osuustilille.

Missä arvopapereilla tullaan käymään kauppaa?

Velkakirjojen ottamisesta kaupankäynnin kohteeksi pörssilistalle on tehty hakemus Nasdaq Helsinki Oy:öön ("Helsingin pörssi").

Mitkä ovat arvopapereihin liittyvät keskeiset riskit?

- Velkakirjat ovat Liikkeeseenlaskijan vahvasti alistettuja sitoumuksia, mikä lisää Liikkeeseenlaskijan luottoriskiä Velkakirjojen haltijoille.
- Velkakirjat ovat eräpäivättömiä ja Velkakirjoihin ei liity eräännyttämisperusteita tai ristiin eräännyttämistä.
- Liikkeeseenlaskijan velkaantuneisuutta tai vakuuden antamista ei ole rajoitettu.
- Liikkeeseenlaskijalla on oikeus lykätä Velkakirjojen koron maksamista rajattomasti paitsi tiettyjen tapahtumien tapahduttua.
- Riski siitä, että Liikkeeseenlaskija valitsee lunastaa Velkakirjat ennaikaisesti tai "Tax Event", "Accounting Event", "Change of Control", "Withholding Tax Event", "Corporate Restructuring Event", "Clean-up Call Option Event" tai "Replacing Capital Event" –tapahtumien jälkeen.

Keskeiset tiedot arvopapereiden yleisölle tarjoamisesta ja kaupankäynnin kohteeksi ottamisesta

Mitkä ovat arvopapereihin sijoittamisen edellytykset ja aikataulu?

Velkakirjat tarjottiin merkittäviksi book-building -menettelyssä 26.8.2020 ja vähimmäismerkintänä oli 100.000 euroa. Velkakirjoja ei ole tarjottu, eikä tulla tarjoamaan, yleisölle. Velkakirjat laskettiin liikkeeseen 3.9.2020. Velkakirjojen ottamisesta kaupankäynnin kohteeksi Helsingin Pörssin pörssilistalle on jätetty hakemus ja Helsingin Pörssin odotetaan ottavan Velkakirjat kaupankäynninkohteeksi 8.9.2020 alkaen.

Velkakirjat voidaan rekisteröidä haltijan nimiin arvo-osuustilille ja Velkakirjat ja niiden omistusoikeus on siirrettävissä ja omistusoikeus merkittävässä vain arvo-osuustilin kautta.

Liikkeeseenlaskijan arvio sille Velkakirjojen liikkeeseenlaskusta aiheutuvista kustannuksista on 2,3 miljoonaa euroa. Liikkeeseenlaskija ei veloita palkkioita tai muita maksuja sijoittajalta. Tilinhoitajayhteisöt voivat veloittaa oman hinnoittelunsa mukaisia palkkioita merkinnästä, tilien avaamisesta, tilien ylläpitämisestä tai muista Velkakirjojen hallintaan liittyvistä järjestelyistä.

Miksi tämä Esite on laadittu?

Tämä Esite on laadittu Liikkeeseenlaskijan lisärahoituksen sekä tulevien että nykyisten rahoitustarpeiden mahdollistamiseksi. Liikkeeseenlaskijan arvio liikkeeseenlaskusta kerättävien varojen nettomäärästä, kulujen ja palkkioiden vähennysten jälkeen, on noin 197,7 miljoonaa euroa. Liikkeeseenlaskijan Velkakirjalainasta saamat varat käytettiin ja/tai käytetään pian Velkakirjalainan liikkeeseenlaskun jälkeen Liikkeeseenlaskijan olemassa olevan velkakirjalainan lunastamiseen.

Olennaiset intressit

Pääjärjestäjien intressit ovat tavanomaiset liiketaloudelliset intressit rahoitusmarkkinoilla.

Pääjärjestäjät ja niiden kanssa samaan konserniin kuuluvat yhtiöt ja/tai niiden lähipiiriyhtiöt ovat kukin tarjonneet ja saattavat tulevaisuudessa tarjota Finnairille neuvonanto-, konsultointi- tai pankkipalveluita osana tavanomaista liiketoimintaansa, josta ne ovat saaneet, tai tulevat saamaan, tavanomaiset palkkiot ja kulukorvaukset. Lisäksi Pääjärjestäjät toimivat myös takaisinostotarjouksen järjestäjinä vuonna 2015 liikkeeseen laskettujen arvopaperien takaisinostotarjouksessa. Lisäksi tietyt Pääjärjestäjät tai niiden lähipiiriin kuuluvat tahot ovat toimineet ja voivat tulevaisuudessa toimia järjestäjinä tai lainanantajina tietyissä Finnairin rahoitussopimuksissa, joista ne ovat saaneet, tai tulevat saamaan, tavanomaiset palkkiot ja kulukorvaukset. Pääjärjestäjät tai niiden lähipiiriyhtiöt saattavat pitää pitkiä tai lyhyitä positioita, ja käydä muutoin kauppaa tai muutoin tehdä transaktioita Liikkeeseenlaskijan velka- tai päämainstrumenteilla sekä omaan, että asiakkaidensa lukuun.

RISK FACTORS

Investors considering investment in the Capital Securities should carefully review the information contained in this Prospectus and, in particular, the risk factors described below. Factors possibly affecting an investment decision are also discussed elsewhere in this Prospectus. Each of the risk factors described herein are specific to Finnair and/or the Issuer, as well as the structure of the Capital Securities, as applicable, and should one or more of the risk factors materialise, it may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects and, thereby, on the Issuer's ability to fulfil its obligations under the Capital Securities as well as the market price and value of the Capital Securities. As a result, investors may lose part or all of their investments. This description is based on information and values known and assessed at the time of preparing this Prospectus, and, therefore, the description of the risk factors is not necessarily exhaustive. The risks involved in an investment in the Capital Securities are not limited to the factors identified below and in addition, Finnair faces many of the risks inherent to the airline industry and additional risks and uncertainty factors that are unknown or regarded as minor at the present time may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects and, thereby, on the Issuer's ability to fulfil its obligations under the Capital Securities as well as the market price and value of the Capital Securities. All investors should make their own evaluations of the risks associated with an investment in the Capital Securities and consult their own professional advisers if they consider it necessary.

The risk factors are presented below in the following five categories:

- A. Risks Relating to the Airline Industry;*
- B. Regulatory Risks;*
- C. Risks Relating to Finnair's Business Operations;*
- D. Risks Relating to Finnair's Financing; and*
- E. Risks Relating to the Capital Securities.*

Within each category, the risk estimated to be the most material on the basis of an overall evaluation of the criteria set out in the Prospectus Regulation is presented first. However, the order in which the risk factors are presented after the first risk factor in each category is not intended to reflect either the relative probability or the potential impact of their materialisation. The order of presentation of the categories does not represent any evaluation of the materiality of the risks within that category, when compared to risks in another category.

In addition to the risks and uncertainties described herein, risks and uncertainties that are currently unknown or considered immaterial may have a material adverse effect on Finnair's business or on the market price of the Capital Securities.

A. Risks Relating to the Airline Industry

- 1. *The effect of the COVID-19 pandemic in the markets in which Finnair operates has adversely affected, and is expected to continue to adversely affect, the demand for Finnair's services. In addition, general macroeconomic developments may have a material adverse impact on the demand for airline services, including Finnair's services.***

As at the date of this Prospectus, the recent spread of the novel coronavirus ("COVID-19") has resulted in a number of restrictive and preventive measures imposed by public authorities as well as private organisations around the world to curb the spread of the virus. In addition to the severe shock caused to the global economy in general, many of these measures have also had a particularly severe effect on airlines due to their specific negative impact on passengers' ability or willingness to travel by air. Such measures have included, among others, travel bans and social distancing measures as well as cancellations of business conferences, live entertainment and sports events. This has resulted in a sudden and material reduction in the demand for Finnair's services, as well as a significant increase in cancelled bookings. This, in turn, had a significant adverse effect on Finnair's performance in first half of 2020, during which Finnair experienced a 61.0 per cent reduction in passenger volume, a 56.8 per cent reduction in revenue and a comparable operating loss of EUR 265.4 million. In order to adjust its operations to the prevailing conditions, Finnair operated less than 3 per cent of its budgeted capacity during the second quarter of 2020. Finnair has also introduced significant cost adjustment initiatives, including temporary layoffs, affecting all of its Finland-based personnel. The Issuer has been gradually adding back frequencies and routes to its network, starting in July, when Finnair operated approximately 25 per cent of the amount of flights compared to July 2019. In September, Finnair currently expects the amount of flights to be approximately 20 per cent compared to

September 2019. In the view of the Issuer's management, the recovery of air traffic to pre-COVID-19 levels will progress in stages in accordance with the development of the COVID-19 pandemic and general economic conditions. In the view of the Issuer's management, the recovery of airline traffic to pre-crisis levels is most likely not a matter of months, but rather will likely take 2–3 years. However, the pace of recovery cannot be assessed at this stage, and the demand may be different for long-haul and short-haul flights. If demand in the markets in which Finnair operates does not recover fully to pre-COVID-19 levels within the timeline that management currently expects, it may lead to a more long-lasting overcapacity. See also “– *Competition in the airline industry is intense and new market entrants could disrupt Finnair's competitive environment*” below.

The uncertainty concerning the scope and duration of travel restrictions could reduce demand for air travel. The COVID-19 pandemic may also have long-term negative effects on air travel demand due to potential changes in travellers' perception of the air travel experience and a general reluctance to travel by air. Additional restrictions or other measures that dissuade people from travelling by air may also be introduced in the future as a result of the COVID-19 pandemic, prolonging the negative effects of the COVID-19 pandemic on Finnair's business. Personal health precautions such as the temperature screening of passengers, limiting passengers' movement within the cabin during flights, the mandatory wearing of protective masks or other measures introduced at airports or on flights may make the air travel experience more burdensome for passengers. This may result in lower demand even after the improvement of macroeconomic factors that would normally support consumer spending, and consequently impact the demand for air travel. The COVID-19 pandemic could also reduce the demand for air travel as a result of the increasing adoption of virtual and teleconferencing tools to replace business travel, or due to the perceived uncertainty relating to the current pandemic or other similar health threats in the future. See also “– *Finnair is exposed to the risk of significant losses from natural events, pandemics or health epidemics and weather-related events, influencing air travel and flight-related incidents, and airline insurance may become too difficult or expensive to obtain*” below. These factors could have long-term or permanent negative effects on air travel demand, and consequently could lead to a slower recovery once travel restrictions are lifted.

Due to the COVID-19 pandemic, and the consequent significant decrease in demand and revenues, Finnair may accumulate significant losses, and thus deferred tax assets. Deferred tax liabilities of EUR 64.3 million as at 31 December 2019 decreased to deferred tax assets of EUR 37.7 million as at 30 June 2020 mainly due to a significant taxable loss caused by the COVID-19 pandemic. The total eventual tax loss for the year 2020 will expire within 10 years and Finnair expects that this can be used against its future taxable results based on the management's estimates and forecasts, which inherently contain some degree of uncertainty. Finnair did not have confirmed tax losses at the end of 2019. There can, however, be no assurance that Finnair would be able to use future losses to offset future taxation. Should the COVID-19 pandemic lead to further long-term adverse effects on macroeconomic developments in general or the operational environment for air travel in particular, the Company may not be able to generate sufficient taxable income to use the accrued losses fully, in part, or at all.

In addition, the demand for air transportation is generally driven by macroeconomic factors, as there has historically been a strong correlation between air travel and the development of macroeconomic factors such as GDP. Due to this correlation, aviation is an industry which is highly sensitive to global economic cycles and reacts quickly to external disruptions, seasonal variations and economic trends. These developments have been reinforced by the severe shock to the global economy caused by the COVID-19 pandemic, which has resulted in a significant deterioration of macroeconomic conditions in the markets in which Finnair operates. Further adverse developments in macroeconomic conditions, such as a prolonged economic recession or depression, deterioration in business or consumer confidence, fluctuations in currency rates, changing customer preferences or employment levels, lower availability of credit, rising interest rates or inflation or changes in taxation may have an adverse impact on private consumption, and consequently the demand for air travel. In particular, as Finnair has a strategy focused on Asia, a further slow-down or stagnation of economic growth and consumer spending power in Asian economies, or if those economies should experience extended periods of slow or stagnant growth, the demand for Finnair's services may remain at low levels or decrease. Any increased uncertainty in macroeconomic conditions resulting from the COVID-19 pandemic or otherwise may have a negative adverse effect on the demand for air travel and air freight services and result in additional costs, which may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

Finnair's estimates regarding the impact of the COVID-19 pandemic on its business, financial condition, results of operations and future prospects, as well as its estimates regarding the expected recovery of the airline traffic have been made based on the information available to the management of the Issuer as at the date of this Prospectus. Any statements regarding future events involve inherent risks, uncertainties and assumptions, both general and specific, and the risk exists that the predictions, forecasts, projections, plans and other forward-looking statements would prove to be inaccurate. As at the date of this Prospectus, the duration of the COVID-19 pandemic

and its future impact on the aviation industry, and Finnair in particular, cannot be accurately predicted, and the overall situation remains highly fluid, making it nearly impossible to judge the pandemic's impact on Finnair's business, financial condition, results of operations and future prospects.

2. *The airline industry is characterised by low profit margins with limited short-term cost manoeuvrability, exposing Finnair to the risks of decreased profitability and liquidity.*

The entire airline industry, and scheduled passenger service in particular, is characterised by low profit margins and high fixed costs. The direct costs of operating any particular flight do not vary significantly with the number of passengers or the amount of cargo carried and, therefore, a relatively small change in the number of passengers, amount of cargo carried or in the fare pricing or traffic mix could lead to a disproportionate fall in profitability, as fixed costs generally cannot be reduced on short notice. Especially in the event of a sudden and significant decrease in revenues, fixed costs offset much of the savings achieved through capacity reductions. Due to the COVID-19 pandemic, Finnair's revenue decreased by 56.8 per cent during the first half of 2020 compared to the first half of 2019, but due to the short-term inelasticity of certain cost items, Finnair's operating expenses decreased by only 36.7 per cent.

This condition has been exacerbated by aggressive pricing by low cost airlines, which in turn has had the effect of driving down fares in general. Additionally, the costs of over-flight rights, airport services, transit and take-off/landing fees as well as security charges represent a significant part of Finnair's variable operating cost base. When flights are being operated, these costs can be reduced only to a limited extent, if at all, and there is no assurance that such costs would not increase in the future, especially in proportion to reduced revenues. It is also possible that security regulations worldwide could be further tightened and personal health precautions enhanced, and that charges or other costs arising from these measures could increase further.

Finnair constantly reviews its operations and is actively seeking efficiency improvement initiatives. The adequacy and ultimate success of Finnair's initiatives to control costs and improve productivity are not known at this time and cannot be assured. Moreover, whether these initiatives will be adequate or successful depends largely on factors beyond Finnair's control, notably the overall industry environment, including passenger demand, unit revenues and industry capacity growth and jet fuel prices as well as the legal and regulatory environment. An increase in the price of any of the above-mentioned charges, or the failure to successfully implement cost-efficiency initiatives may result in decreased profitability due to higher costs in relation to revenues, which may also have an adverse impact on Finnair's liquidity position.

Any sudden decrease in future revenues, and inability to adjust costs to respond to decreases or persistent slumps in demand may have an adverse impact on Finnair's profitability and liquidity, which may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

3. *Variations in the price of jet fuel affect Finnair's operating expenses, and hedging transactions related to fuel prices may prove to increase costs in relation to the prevailing market price.*

In addition to the operational activities and market conditions, the fuel price development has a significant impact on Finnair's results, as fuel costs are Finnair's largest variable expense item. Jet fuel costs represented 23 per cent of Finnair's operating costs¹ in 2019 and 19.3 per cent in the first half of 2020, the latter being affected by the COVID-19 pandemic and the reduction in operated flights. Fuel price fluctuations may result in increased uncertainty around Finnair's financial performance and cash flow. Jet fuel prices have historically fluctuated widely, and the volatility in the oil market has reached extreme levels due to the sudden decrease in demand due to the COVID-19 pandemic. As at the date of this Prospectus, cuts in production and revival of demand has enabled an oil price rebound from the lowest levels. However, any increased supply or decreased demand could again put downward pressure on oil prices.

The residual impact of jet fuel price fluctuations is determined by the hedges in use at a given point in time. Under normal circumstances, Finnair's fuel purchases are hedged for 24 months forward on a rolling basis, and the percentage of estimated fuel consumption that is hedged decreases towards the end of the hedging period. Under

¹ Operating expenses including depreciation and impairment and excluding items affecting comparability.

normal circumstances, the hedging ratios for the first six months are between 60 and 90 per cent. Due to the COVID-19 pandemic, Finnair has made a temporary amendment in its hedging policy until 31 December 2020, setting out the hedging ratio between 0 and 90 per cent for the first six months. The hedging ratios vary significantly depending on the capacity and demand. As a result, the hedging ratios are variable and may be subject to material changes as the capacity and demand development forecasts are updated. Finnair's hedging policy may not however always prove to be appropriate in relation to market prices, and fluctuations in fuel prices are not reflected directly in Finnair's result. Consequently, there remains a risk that fluctuations in fuel prices may result in Finnair bearing the expenses of the hedging without receiving any benefits in the form of reduced risk exposure. During the first half of 2020, flight cancellations caused by the COVID-19 pandemic resulted in lower than expected volumes of fuel consumption, making Finnair's hedges partially ineffective. During the same time, the market price of jet fuel was also lower than in the comparison period, impacted by both the reduced global demand due to the COVID-19 pandemic and the oil price war between Saudi Arabia and Russia. Finnair's fuel costs, including hedging results and emissions trading costs, decreased by 45.6 per cent mainly due to COVID-19 related capacity cuts. As a result, volume related decline was partially netted-off by fuel price (including the impact of currencies and hedging).

The Issuer's management believes that fluctuations in jet fuel prices are expected to continue in the future beyond the current crisis. Finnair's ability to pass on the increased costs of jet fuel to its customers by increasing fares is limited by the competitive nature of the airline industry as discussed in "*– Competition in the airline industry is intense and new market entrants could disrupt Finnair's competitive environment*" below. Finnair's jet fuel costs are also subject to foreign exchange rate risk as international prices for jet fuel are denominated in U.S. dollars. In addition to these market-related developments, external factors such as weather-related events, natural disasters, political disruptions or wars involving oil-producing countries, changes in governmental policy concerning jet fuel production, transportation or marketing, changes in jet fuel production capacity, environmental concerns, pandemics or health threats similar or comparable to the COVID-19 pandemic, volatility in the financial markets concerning spot prices and futures contracts concerning oil and other macroeconomic factors impacting the demand for oil products may result in unexpected fuel supply shortages and fuel price increases in the future. Increasing jet fuel costs and disruptions in fuel supplies and inappropriate hedging policies in relation to changes in market prices may result in increased expenses, which may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

4. *Geopolitical tensions and political uncertainty may have a material adverse effect on the demand for air travel and may impact Finnair's ability to operate certain routes.*

Factors such as geopolitical uncertainty, the threat of trade wars, the threat of terrorism and other potential external disruptions may significantly affect the demand for air travel and air freight and consequently Finnair's operations. Geopolitical tensions - such as the economic sanctions from the United States and the European Union (the "EU") against Russia and the continuing trade tensions between the United States and China - may continue to have an adverse effect on the global economic environment. The economic tensions between the United States and China, together with the current megatrend of the transition of economic and political power towards developing countries (see section "*Information about the Issuer – Operating Environment – Megatrends – Shift in Economic and Political Focus from the United States and Europe to Developing Countries*"), may affect the aviation industry as a whole, but Finnair in particular given the strong presence Finnair has in the Asian market. Potentially increasing protectionism in the political environment may also hinder the market access required for the implementation of Finnair's growth strategy.

The United Kingdom (the "UK") left the EU effective from 1 February 2020 with a negotiated treaty on the withdrawal of the UK from the EU, including a transition period until 31 December 2020, during which the EU's current rules and regulations will remain in force. As at the date of this Prospectus, it is uncertain whether the UK and the EU will reach an agreement before the end of the transition period, or what the terms of any such agreement would be, especially considering the current allocation and focus of governmental and administrative resources towards combating the COVID-19 pandemic has required. The Issuer's management believes that one of the possible consequences is that the traffic rights of British and European airlines regarding flights between and via the UK and the EU will be reduced. Such reduction of traffic rights may require Finnair to reduce its flight offering, and further, as flights are often booked months in advance, the unforeseeable situation after 31 December 2020 may require Finnair to adjust its flights and routes which it has already sold, as well as amend the terms of cooperation with current UK-based oneworld™ alliance partners.

Any increased political uncertainty or escalation of geopolitical tensions may lead to disruptions to Finnair's operations. Such disruptions may result in increased costs of operations and lead to a negative impact on the

demand for air travel and freight services, all of which may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

5. *The development of the airline industry is sensitive to changes in general economic conditions, which may lead to uncertainty in estimating required investments and result in the volatility of future operating results.*

The development of the airline industry has historically been correlated to macroeconomic developments, making the industry sensitive to general business conditions as well as to slow or moderate economic growth and private consumption trends. Airline fares and passenger demand have fluctuated significantly in the past and may fluctuate significantly in the future. The Company is not able to predict future market conditions with certainty, or the fares that it may be able to charge. As discussed in the section entitled "*Information about the Issuer – Operating Environment*", Finnair may have to make decisions on, or regarding, significant fleet investments years before price- and quality-conscious travellers make their purchase decisions. Furthermore, aircraft delivery times may take years, which means that airlines must plan their business for the long term, often at least 10 years ahead. Considering the forward-looking investment schedule of Finnair and the sensitivity of the airline industry to general business conditions, there can be no assurance that Finnair is able to correctly estimate the amount of investment required to deliver its services, potentially resulting in an excess or a shortage of aircraft and other equipment.

Since travel, especially leisure travel, is a discretionary consumer expense, the current downturn in economic growth in Europe and the slowing growth in the Asian economies resulting from the COVID-19 pandemic and related restrictive measures by governments to curb its spread have had the effect of reducing demand for air travel within Europe and to more distant destinations. Since a large part of Finnair's sales comes from traffic flows between Europe and Asia, the reduced demand in the European and Asian markets has a significant effect on Finnair's profitability and financial condition. The effects of the COVID-19 pandemic have been unusually broad, covering both large geographical areas and several different business sectors, with the ultimate effects likely to be even more pronounced if the lower level of economic activity persists for a longer period of time as a result of the COVID-19 pandemic or otherwise.

Demand for Finnair's services from passengers, in particular leisure travellers, varies over the course of the year, which causes Finnair's quarterly results to fluctuate. Further, the growing proportional share of Asian traffic in Finnair's network increases this seasonal fluctuation, due to destination-specific seasons in Asian leisure and business travel. In line with Finnair's strategy of a special regional focus on Asia, the business operations of Finnair are increasingly dependent on the economic conditions and demand for air travel to and from Asia. Given the strategic focus on Asia, should the growth in Asian economies slow down further or become stagnant for an extended period of time, the demand for Finnair's services may remain at low levels or decrease, which could have a negative impact on Finnair's business and financial condition.

Any prolonged or significant weakness of the world economy, a further downturn in economic growth or persistent slow growth in European or Asian economies may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

6. *Competition in the airline industry is intense and new market entrants could disrupt Finnair's competitive environment.*

Finnair operates within a highly competitive industry. The Issuer's management believes that, with the growth of the industry, Finnair's competitors have not just changed, but competition has also intensified. Capacity increases and product improvements among Finnair's existing or new competitors may have an impact on the demand for, and yield of, Finnair's services. Competition in the sector is intense and the market situation is continuously changing as new entrants and/or alliances expand, the industry participants consolidate and airline companies form marketing or operational alliances, which might gain competitive advantage over Finnair's oneworld™ alliance or joint businesses.

The balance between supply and demand can shift to either direction in a short period of time. In the passenger transportation business, network carriers such as Finnair are exposed to competition on non-stop itineraries between individual cities, as well as on one-stop itineraries, since passengers can choose from a number of different connecting options, especially in the long-haul markets. Prior to the COVID-19 pandemic, Norwegian Air Shuttle ASA ("**Norwegian**") was the main competitor within Finnair's domestic (Finnish) market. The competitive landscape following the financial difficulties experienced by Norwegian is more difficult to predict. Within the European short-haul and medium-haul markets, Finnair has competed with a number of traditional flag carriers as

well as low-fare and charter airlines, such as Norwegian, SAS, Lufthansa, Air Baltic and Air France-KLM. Within the long-haul market to Asia, Finnair has mainly competed with a number of traditional flag carriers, such as Lufthansa and Air France-KLM, and with a number of Middle Eastern and Asian carriers. Further, Finnair is also subject to intense competition in its cargo business both from large, established air cargo companies as well as from smaller providers that operate only a few aircraft and offer a limited range of services. Any capacity increase or product improvement by Finnair's main competitors may have a material adverse effect on Finnair's competitive position and revenues, and require adjustments of expenses and increasing price competition, which may adversely impact the Company's profitability. The restructurings of airlines that may be undertaken due to the COVID-19 pandemic may result in further intensified competition through, among others, more aggressive pricing.

In addition, the Issuer's management believes that the middle class in many Asian countries is growing and Asian airlines are expected to expand their operations to intercontinental flights (see section *"Information about the Issuer – Operating Environment – Megatrends – Shift in Economic and Political Focus from the United States and Europe to Developing Countries"*). As a result of the increasing significance of Asian markets, non-Asian airlines must increase their understanding of various Asian cultures and Asian customers in order to stay competitive as Asian customers are expected to increasingly select their airline based on local tastes and expectations for the quality of services and products. Finnair's failure to understand or to respond in a timely manner to changes in the preferences of Asian customers and changes in Asian market conditions could have an adverse effect on Finnair's competitiveness and require further investments through, among others, hiring competent personnel with in-depth knowledge of the Asian market and measures to improve Finnair's attractiveness to Asian customers, which may put pressure on profitability.

Finnair is exposed to risks associated with the uncertainty involved in appropriate capacity planning. In the highly competitive airline environment, Finnair's revenue optimisation and marketing strategies, including decisions on products, prices and promotions, may not be adequate to create a sustainable competitive advantage. In recent years before the COVID-19 pandemic, low-cost carriers have grown and proliferated, especially in the European short-haul traffic on the routes on which Finnair operates. Simultaneously, the airline industry has suffered from overcapacity due to the increased amount and size of aircraft as well as an increase in aircraft seating density on these routes. Considering these developments, there can be no assurance that Finnair, or its competitors, would not increase its, or their, capacity beyond current public forecasts on European or Asian routes in the future. This would further intensify the competition, put pressure on ticket prices and yields and may also result in Finnair having substantial overcapacity in its short-haul or long-haul traffic, weakening Finnair's profitability. The risk of excessive capacity is magnified due to the COVID-19 pandemic, where the sudden and significant decrease in air travel and air freight has been followed by a period of low demand, which is likely to persist for an extended period of time.

In addition, Finnair, along with other airlines, strives to distribute its services in increasingly versatile and flexible ways and at lower costs by adopting and utilising new distribution technologies. The utilisation of these technologies also enables improved identification of customer preferences and behaviour through customer data generated by sales and service applications. The ability to capitalise on the commercial possibilities provided by these technologies is dependent on, among others, Finnair's ability to select the right partners to develop and implement such applications as well as its ability to generate products and services that best correspond to customer needs. There can be no assurance that Finnair would be able to utilise new technologies better, or as well as, other airlines or other operators in Finnair's value chain for digital distribution. Should Finnair not be able to adopt and utilise new technologies efficiently enough or in a manner that resonates with customers, this may weaken Finnair's competitive position, in addition to reducing its share of the benefits produced by the distribution value chain to other operators in the value chain.

Increasing competition and overcapacity resulting in weaker profitability, or conversely, insufficient capacity available to respond to a sudden recovery in demand that prevents Finnair from translating consequent opportunities into growth, may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

7. *Terrorist attacks, or the threat of such attacks, political uprisings and armed conflicts could result in a significant reduction in airline passenger demand and require Finnair to amend, suspend or cancel services on affected routes.*

Terrorist attacks and terrorist activity cause uncertainty in the minds of the travelling public. The threat or occurrence of a major terrorist attack, political uprising or armed conflict could have a material adverse effect on passenger demand for air travel or require Finnair to amend, suspend or cancel services on affected routes. The

impacts of any such attacks or conflicts could be dramatically intensified should any attacks be targeted against civil aviation, business centres or tourist destinations. While Finnair's security and safety management systems are compliant with the European Aviation Safety Agency (EASA), it cannot be excluded that any future security-related complications or changes in the security environment may result in new regulation or safety requirements that increase costs, or disruptions to Finnair's business, which may affect passengers' propensity to travel and, thereby reduce demand for Finnair's services. For example, in the beginning of 2020, Finnair diverted the flight routing of some of its Dubai-bound flights in order to avoid Iranian and Iraqi airspace. This decision was made as a safety measure after missile attacks on U.S. military bases in Iraq, and the change in the flight routing resulted in longer flight times. Any adverse developments in the actual or perceived security of air travel or travel destinations may result in reduced demand and decreased revenues or additional costs to improve the safety and security of passengers, which may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

8. *Finnair is exposed to the risk of significant losses from natural events, pandemics or health epidemics and weather-related events, influencing air travel and flight-related incidents, and airline insurance may become too difficult or expensive to obtain.*

As with all airlines, Finnair is exposed to potential significant losses in the event of major natural disasters. For example, nearly all European air traffic was affected by the ash cloud that followed the volcanic eruption in Iceland in 2010. Such unexpected external shocks can rapidly affect the development of demand for air travel. Finnair's competitiveness in the air transport sector depends on how flexibly Finnair can react and adapt to unexpected events. While Finnair has plans of action to minimise the operational impacts on air transport from various external disruptive factors, such as natural disasters, there can be no assurance that these measures will be adequate in the event such circumstances arise. Further, outbreaks of epidemics or pandemics, such as COVID-19 (see “– *The effect of the COVID-19 pandemic in the markets in which Finnair operates has adversely affected and is expected to continue to adversely affect the demand for Finnair's services. In addition, general macroeconomic developments may have a material adverse impact on the demand for airline services, including Finnair's services*” above), can adversely affect the demand for air travel and have a significant impact on Finnair's operations. As a result of such outbreaks, Finnair may have to reduce passenger levels on, and/or reduce the number of, its flights to some of its destinations. Such outbreaks, and/or negative publicity resulting from such outbreaks, could reduce Finnair's sales significantly. Further, since the airline business is characterised by high fixed costs, reduced passenger yields on Finnair's flights could have a considerable negative effect on the profitability of Finnair's business.

Further, natural hazards arising from climate change, such as increased extreme weather conditions, e.g. substantial snowfall, atmospheric turbulence, earthquakes, hurricanes, typhoons, or severe thunderstorms, may result in substantial additional costs to Finnair. Such weather conditions may lead e.g. to flight cancellations, increased waiting times, increased fuel consumption as well as costs associated with aircraft de-icing, which could lead to additional costs to Finnair and thus, have a negative impact on Finnair's results of operations and financial condition.

In addition, Finnair is exposed to potential significant losses in the event that any of its aircraft is lost, destroyed or involved in an accident, terrorist incident or other disaster, including significant costs related to passenger claims, repairs or the replacement of a damaged aircraft and its temporary or permanent loss from revenue service. While Finnair is insured against these occurrences, there can be no assurance that the amount of insurance coverage available to Finnair upon the occurrence of such an event would be adequate to cover the resulting losses or that it will not be exposed to significant losses as a result of any such event in the future, both financial and reputational. Finnair carries insurance for public liability, passenger liability, property damage and all-risk coverage for damage to Finnair's aircraft. However, there are limitations or exclusions of certain risks in the coverage of insurances, such as risks of war and risks involving weapons of mass destruction. If insurers or re-insurers exclude coverage for these (or any other) risks, or such coverage is not available on commercially reasonable terms, or if insurance cover is not available from another source (for example, a government entity), Finnair may not be able to insure those risks, would not be able to carry on its air transportation business, and could ultimately be forced to cease its operations.

Materialisation of any of the above risks may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

B. Regulatory Risks

1. *Complaints or appeals concerning the state aid decision connected to the State of Finland's participation in Finnair's rights offering, or other transactions involving Finnair and the State of Finland, may result in additional costs for Finnair and materially and adversely affect Finnair's financial and liquidity position.*

On 18 May 2020, the European Commission approved the State of Finland's guarantee of 90 per cent of Finnair's available pension premium loan, up to EUR 540 million. With respect to the State of Finland's participation in Finnair's rights offering, the State of Finland made a state aid notification to the European Commission based on the Treaty on the Functioning of the European Union ("TFEU") Article 107(3)(b). The Commission made a formal decision on the authorisation of state aid and the applicable conditions on 9 June 2020. See also "*Information about the Issuer – Recent Events – State Aid and Conditions Applicable to Finnair*". It is possible to lodge an appeal against state aid decisions in the General Court of the European Union within 2 months of their publication in the Official Journal of the European Union. Competitors in the airline industry have as at the date of this Prospectus lodged appeals against other already approved state assistance measures, providing indications that any further measures as well as the decisions to approve them may also be challenged. Consequently, there can be no assurance that similar appeals or complaints would not be filed against the decision by the Commission with respect to the State of Finland's participation in the Issuer's rights offering or other transactions involving Finnair and the State of Finland, such as the guarantee granted for Finnair's pension premium loan. Whilst Finnair believes that it is in a strong legal position, the final outcome of any legal proceedings resulting from a potential appeal or complaint against the decision by the Commission is subject to significant uncertainty, and as at the date of this Prospectus, it is not possible to estimate the result of such proceedings. In the event that an appeal or complaint is successful, this may have a material adverse effect on Finnair's financial and liquidity position.

2. *Changes to the bilateral agreements or the trade relationship between the EU and non-EU countries may result in limitations to Finnair's flight routes and increase the charges associated with such routes.*

The recent changes in the geopolitical climate, as discussed in more detail in "*– Risks Relating to the Airline Industry – Geopolitical tensions and political uncertainty may have a material adverse effect on the demand for air travel and may impact Finnair's ability to operate certain routes*" above, may result in an increase in protectionism, which may negatively affect Finnair's operations and profitability. The price and availability of over-flight rights, which allow airlines to fly over individual countries or territories, as well as the price of traffic charges, such as arrival, departure, navigation and passenger charges, impact Finnair's business operations to a material extent. Further, these rights and charges are negotiated between sovereign states, which means that their adoption is beyond Finnair's influence. In addition, the availability and price of these rights varies markedly. Any disruption in the trade relationships between the United States and China, or the EU and Russia, may cause states essential to Finnair's business to impose new fees or otherwise limit traffic over their territories. Any such developments would have a material adverse effect on the business, financial condition or results of operations of Finnair, as flight routes over Russia and to Asia are critical to Finnair's competitive advantage. In addition, there can be no assurance that existing bilateral agreements with Russia, China and other non-EU countries will not change and result in an increase in the above-mentioned charges. As disclosed in "*– Risks Relating to the Airline Industry – The airline industry is characterised by low profit margins with limited cost manoeuvrability, exposing Finnair to the risks of decreased profitability and liquidity*" above, any increase in the prices of, for example, the cost of over-flights, could significantly reduce the profitability of Finnair's business.

Additionally, Regulation (EC) No 847/2004 on the negotiation and implementation of air service agreements between EU member states and third countries sets forth principles designed to ensure an adequate exchange of information within the EU, so that EU member states, in their bilateral relations with third countries in the area of air service, do not risk infringing upon EU law. EU member states may also delegate their powers to the European Commission to negotiate agreements with third countries on behalf of all the EU member states. Currently the European Commission has not been given a mandate to negotiate on air services with third countries, such as China, South Korea and Japan, which are Finnair's core markets in – and on the way to – Northeast Asia. Should the European Commission obtain a mandate to negotiate with countries such as these, this could result in lower availability of traffic rights or unfavourable changes to the terms of utilising them. Such changes may restrict Finnair's chances of increasing its traffic on routes that are a part of Finnair's growth strategy. Any restrictions affecting core markets could involve or result in increases to the traffic charges related to flying over, or arrival at, third countries' territories, resulting in increased costs for Finnair. Such additional costs could significantly reduce the profitability of Finnair's business and have a material adverse effect on Finnair's financial condition. Limited or non-existent access to markets essential to Finnair's strategy could require Finnair to amend its strategic focus.

Amending its strategy could result in increased costs to Finnair. The additional costs arising from increases in charges or refocusing of Finnair's strategy to adjust operations to reduced access or increased prices of over-flight charges or other air traffic fees may result in reduced profitability, which may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

3. Litigation and regulatory rulings may result in significant costs and damage Finnair's brand and reputation.

The Court of Justice of the EU has confirmed on multiple occasions that passengers whose flights have been delayed for at least three hours may be entitled to standardised compensation, unless the delay is caused by extraordinary circumstances. In addition, Finnair follows EU Regulation (EC) No 261/2004 (as amended) establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights, along with Regulation (EC) No 2027/97 on air carrier liability in respect of the carriage of passengers and their baggage by air.

The COVID-19 pandemic and subsequent restrictions on air travel have resulted in an unprecedented number of claims within a short period of time from customers demanding refund for cancelled flights. Between February and June, Finnair paid over EUR 270 million to customers in refunds for flights cancelled due to the COVID-19 situation. As at the date of this Prospectus, while Finnair is paying out refunds to customers entitled to compensation under applicable EU regulations, Finnair's operational capabilities to process such a large amount of refunds in a timely manner is limited both due to the unprecedented number of customers simultaneously entitled to compensation, as well as Finnair's limited personnel resources, which have also been adversely affected by the COVID-19 pandemic. The Finnish Consumer Ombudsman has presented Finnair a clarification and commitment request concerning refunds of payments to customers for cancelled flights due to the COVID-19 pandemic. Finnair strives for a constructive cooperation with consumer protection authorities, and has delivered responses to the Finnish Consumer Ombudsman. The Company strives to take all available measures to ensure that the refunds of payments are carried out efficiently. As processing periods have become longer than usual, there is a possibility that dissatisfied customers may opt not to wait for Finnair's processing procedures to be completed, and attempt to enforce such claims through court proceedings, which may also involve actions by consumer protection authorities. Such actions may result in additional costs as well as damage to Finnair's brand and reputation.

The Issuer's management believes that the legislative framework regarding customer compensation and the airlines' liability will further develop in the future and thus, there can be no assurance that Finnair will not be subject to an increased number of claims or complaints from passengers or more strict regulation or enforcement related to the airlines' liability by the EU in the future. Flight delays often occur due to reasons outside of Finnair's influence and are difficult to avoid, which leads to a number of customer complaints and appeals. Even though Finnair has previously received a large number of such claims and appeals annually, the financial impact of the delay and cancellation claims was not threatening to the financial standing of Finnair. However, there can be no assurance that the number of appeals may not increase in the future and lead to increased costs and potential reputational damages for Finnair. Such costs or reputational damages could adversely affect Finnair's profitability and demand for Finnair's services.

The Finnish Competition and Consumer Authority, acting in its capacity as the national enforcement body contemplated in Regulation (EC) No 261/2004, has adopted an interpretation of Regulation (EC) No 261/2004 and of the rulings of the Court of Justice of the European Union, which, according to the Issuer's management's view and its own experience in Finnair's key markets in the European Union and the EEA, is significantly stricter than the interpretation adopted by other national enforcement bodies in the respective countries. The Finnish Consumer Ombudsman has also attempted to enforce this strict interpretation by seeking an injunction against Finnair regarding its compensation practices. The action was subsequently rejected by the Market Court of Justice on 4 January 2019, and the Supreme Court later also rejected the Consumer Ombudsman's application for a leave to appeal the case. However, there can be no assurance that in the future there would not be similar actions against Finnair, which could lead to increased compensations payable to passengers and lead to negative publicity causing reputational harm to Finnair.

Finnair is also as at the date of this Prospectus party to numerous consumer disputes relating to the interpretation of Regulation (EC) No 261/2004 and of the related rulings of the Court of Justice of the European Union. The monetary liability that may arise for Finnair directly from individual disputes, if determined adversely to Finnair, would be limited. However, to the extent such disputes are litigated in courts, while there is legal uncertainty regarding the interpretation of the Regulation and the related EU Court rulings, there can be no assurance as to the outcome of such court proceedings, which could lead to stricter interpretation becoming applicable and therefore

increased compensations payable to passengers. Further, Finnair may, from time to time, be involved in litigation and arbitration proceedings. There can be no assurance as to the outcome of these proceedings and Finnair's reputation could be harmed even if a favourable judgment is received. If an unfavourable judgment against Finnair would be made in these claims, it may have a material adverse effect on Finnair's business and result in additional costs that reduce Finnair's profitability. See also section *"Information about the Issuer – Legal Proceedings"*.

Materialisation of any of the above risks may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

4. Any alleged or actual non-compliance with currently applicable regulations in Finnair's operations, the adoption of new national, regional and/or international regulations or revisions to existing regulations may result in restrictions on Finnair's ability to operate or result in increased expenses, which may have a material adverse effect on Finnair.

The aviation industry is affected by a number of regulatory regimes at the EU and international levels. The airline industry is subject to national, regional and international laws and regulations, relating to, among other things, security, safety, licensing, competition, data protection, noise levels and the environment. In addition, Finnair depends on assigned take-off and landing slots at slot restricted airports. At some airports, if an airline does not use its slots, the slots may be reallocated. Although the European Commission has temporarily waived minimum slot-use requirements due to the COVID-19 pandemic at relevant airports, there can be no assurance that Finnair would be able to keep or obtain the needed slots in order to be able to implement its Asia-focused strategy in the future.

In response to the COVID-19 pandemic, the airline industry has been particularly affected by regulatory measures to curb the spread of the virus, as travel bans and general restrictions on the mobility of citizens have grounded aircraft across the world and required airlines to run significantly reduced networks with decreased capacity to comply with the restrictions. The COVID-19 pandemic may also lead to new travel safety regulations concerning, among others, social distancing. These may require e.g. adjustments of seating arrangements, mandatory empty seats or other measures intended to isolate passengers from each other and minimise contact between passengers as well as aircraft and airport personnel. Additional laws and regulations may be adopted from time to time which could impose additional requirements or restrictions on airline operations.

In the UK, the Competition and Markets Authority has requested British Airways and American Airlines to surrender some of their flight slots at London Gatwick or Heathrow in the interest of competition, citing competition concerns on certain non-stop routes. As at the date of this Prospectus, Finnair has not been materially affected by these measures or itself been subjected to such measures by competition authorities. However, any increased inclination by competition authorities to take action in a similar way in the processes through which slots are allocated or traded could result in disruptions to routes operated by Finnair or to connecting flights operated by its partners, and diminish Finnair's ability to uphold a comprehensive network together with its partners.

In addition, as part of its operations, Finnair retains personal information received from its customers, which is subject to certain regulatory data privacy protection in the EU and elsewhere. Personal information held offline and online may be sensitive. If personal information were processed, stored or made available to third parties in violation of the applicable laws or if a third party were to misappropriate such information, the reputation of Finnair could be harmed, it could become the subject of regulatory action, proceedings and/or fines, customers could bring legal claims against Finnair and certain countries could cancel Finnair's flight permits. The General Data Protection Regulation (EU) 2016/679 (the **"GDPR"**) which entered into force in 2018, introduced increased obligations to companies processing personal data along with substantial administrative fines for non-compliance (up to EUR 20 million or 4 per cent of a company's global annual turnover).

Any alleged or actual non-compliance with currently applicable regulation concerning Finnair's operations, new regulatory measures or amendments or the imposition of additional administrative charges or costs may result in additional profitability-reducing expenses and the need to divert managerial efforts and attention from operational matters, which may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

5. *Finnair may be adversely affected by any future application of restrictions in regard to pollution, greenhouse gas emissions, noise and other environmental laws and regulations or failure to adhere to best practices in sustainability.*

The increasing significance of and focus on sustainability as set out in section “*Information about the Issuer – Operating Environment – Megatrends – Increasing Significance of Sustainability*”, may lead to increasing restrictions for airlines in regard to pollution, greenhouse gas emissions, fuel composition and quality, noise and other environmental laws and regulations. Further, if any such regulation is specific to a region or country, the risk of a competitive disadvantage would arise. Finnair may be subject to additional costs due to changes in “cap and trade” -schemes such as the European Emissions Trading Scheme (the “**EU ETS**”). The EU included air traffic as part of the EU ETS in 2012. However, the European Parliament decided to exempt all flights between countries in the European Economic Area (“**EEA**”) and between third countries from the EU ETS, until 2023. In the autumn of 2016, the assembly of the International Civil Aviation Organization (ICAO) concluded a historic agreement on market-based measures to help stabilise airline emissions at the level of 2020 (so-called Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)). From 2021 onwards, the airlines will be obligated to compensate their emissions exceeding the target by purchasing emission reduction units. Due to the CORSIA agreement, all flights between countries in the EEA and third countries continue to be exempt from the EU ETS for the time being. The costs of emissions trading in the coming years may increase due to changes to the current EU ETS model and/or future implementation of the CORSIA agreement.

The Issuer’s management believes that the airline industry is expected to face stricter regulations on emissions and noise, with increased regulations resulting in added costs such as tax-like payments. From time to time, there have been discussions at the EU level and within EU member states about whether existing tax exemptions for jet fuel should be reviewed; and there can be no assurance that the current tax exemptions for jet fuel will be upheld. The elimination of these exemptions would lead to a substantial increase in Finnair’s jet fuel costs and subsequently have an adverse effect on Finnair’s business as discussed in more detail in “– *Risks Relating to the Airline Industry – Variations in the price of jet fuel affect Finnair’s operating expenses, and hedging transactions related to fuel prices may prove to increase costs in relation to the prevailing market price*” above.

New noise control regulations may also restrict airline operations and/or cause additional costs. Noise control regulations typically concentrate on the level of noise and its environmental impact, especially in areas close to airports. Permits may, for example, include restrictions on night flights to meet the imposed noise level requirements. Any such restrictions on night flights would affect Finnair’s scheduling and operations at Helsinki-Vantaa Airport (“**Helsinki Airport**”) as Finnair’s standard schedule has flights landing and taking-off between midnight and five a.m. (Eastern European time). Further, as Helsinki Airport acts as the home hub of Finnair, any additional restrictions may have a material adverse effect on Finnair’s capability to grow and to conduct its business, as discussed in more detail in “– *Risks Relating to Finnair’s Business Operations – Finnair’s business operations and its growth strategy are dependent on the ability of Helsinki Airport to accommodate the increasing air traffic to the airport*” below.

Finnair may be unable to adapt its fleet or its operations to any new environmental regulations in a timely or appropriate manner. Such failures may require Finnair to make more significant investments than anticipated, and could potentially result in sanctions imposed by authorities for non-compliance. In addition to the direct financial impact, there is a risk that insufficient measures to comply with environmental regulations and best practices, or to meet customer expectations for sustainability, may give rise to negative publicity, which may have a material adverse effect on Finnair’s brand and lead to a loss of reputation. This may result in a shift in consumer attitudes that is more negative towards air travel in general, or cause consumers to view Finnair’s competitors more favourably. Such shifts in consumer attitude or demand and/or negative publicity could reduce Finnair’s sales significantly and thus, have a significant effect on Finnair’s financial condition. The materialisation of any of the above risks may have a negative impact on Finnair’s reputation, operational efficiency and profitability, and consequently may have a material adverse effect on Finnair’s financial condition, results of operations and future prospects.

C. Risks Relating to Finnair’s Business Operations

1. *Finnair may not be able to successfully implement its strategy, or its strategy may prove to be misaligned in relation to prevailing market conditions or changes in the industry.*

Finnair’s strategy focuses on Asian markets and international scheduled passenger traffic. The appropriateness and successful execution of Finnair’s adopted strategy could be affected by a number of factors beyond Finnair’s

control and there can be no assurance that Finnair will be able to succeed in the implementation of its strategy or that its strategy would in all situations prove to be appropriate.

The future growth of Finnair's core business, international scheduled passenger traffic, is based on Finnair's ability to implement its Asia strategy and carry out its planned investments successfully. However, there can be no assurance that Finnair will continue to have access to the financial markets in order to finance these investments as planned (see below "*– Risks Relating to Finnair's Financing – The extended duration and/or increased spread of the COVID-19 pandemic or other adverse developments in macroeconomic conditions may result in reduced access to capital and lower liquidity*"), that there will not be any delays in deliveries by aircraft manufacturers (see below "*– Quality and availability issues with third-party suppliers and their products and services may have an adverse effect on Finnair's reputation and result in a decreased demand for Finnair's services and/or unexpected costs*") and that, when made, these investments would allow Finnair to grow its traffic to and from Asia as planned. Given that a large part of Finnair's sales originates from flights to and from Asia, any failure to implement its growth strategy or a decrease in Finnair's share in the Asian markets may result in Finnair not being able to reach its projected financial targets, which are set based on the assumption that Finnair will be able to successfully implement its strategy.

The COVID-19 pandemic presents a particular risk to the implementation of Finnair's strategic operating plans in the near or medium term. In developing Finnair's strategic operating plans, Finnair makes certain assumptions, including, but not limited to, those related to customer demand, competition, market consolidation, the availability of aircraft and the global economy. Actual economic, market and other conditions have been and may continue to differ from Finnair's assumptions. In 2020, demand has been, and is expected to continue to be, significantly impacted by the COVID-19 pandemic. While Finnair strongly believes in its current Asia focus and its strategy of sustainable, profitable growth and is determined to continue on this long-term path despite temporary adjustments related to the COVID-19 pandemic, the current uncertainty related to the development of the pandemic and measures undertaken by authorities to curb the spread of the virus may materially disrupt the implementation of Finnair's strategic plans. If actual results continue to vary significantly from its prior assumptions or vary significantly from its future assumptions, this could have a material adverse effect on the successful implementation of Finnair's strategy. In addition, there can be no assurance that Finnair's strategy would not in the future prove to be misaligned in relation to prevailing market conditions or changes in the industry. This may require Finnair to change its strategy on short notice, which could result in significant costs and loss of confidence in Finnair among investors.

Further, any adverse developments affecting the oneworldTM alliance or the joint businesses may have a material adverse effect on Finnair. Such adverse developments may include one or more member airlines significantly reducing their routes or frequencies, terminating their membership in favour of another alliance or a member airline being suspended as a result of insolvency or for other reasons. In addition, Finnair could in the future need to terminate its membership in the oneworldTM alliance without being able to join another competitive strategic alliance or form other cooperation arrangements with suitable partners. A failure to form suitable cooperation arrangements, or other adverse change in the oneworldTM alliance or in the joint businesses, could result in Finnair not being able to provide enough frequencies or access to additional destinations via these partners and thus, reduce the services Finnair offers and have an adverse effect on Finnair's competitiveness. Such adverse developments could result in a need for Finnair to significantly amend its strategic focus and/or to seek new strategic partners, which could increase Finnair's operating costs significantly.

In addition, Finnair's strategy emphasises the use of both Finnair's own digital sales channels and those of online travel agents. To the extent that consumer behaviour favours sales channels with a higher cost to Finnair, its investments in these channels will not produce the desired efficiencies and its sales costs may increase.

The materialisation of any of the above risks may result in a failure by Finnair to implement its strategy or prove that the current strategy is misaligned, which may result in Finnair not being able to reach its financial or operational targets, which may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

2. Finnair may be unable to achieve the expected benefits from its cost adjustment and efficiency program.

On 20 May 2020, Finnair announced its decision to adjust its volume-driven costs in line with demand due to the substantially decreased demand resulting from the COVID-19 pandemic. In 2019, volume-driven costs represented approximately 60 per cent of Finnair's total cost base. In addition, Finnair targets up to an EUR 100 million reduction to its permanent cost base by 2022 compared to 2019. Finnair seeks savings in, for example, real estate

costs, aircraft leasing costs, compensation structures, sales and distribution costs, IT costs as well as administration costs. Finnair will also continue the streamlining of its operations and the digitalisation and automation of its customer processes and will renegotiate certain of its supplier and partner agreements.

Finnair's expectations concerning the impact, timing and successful implementation of these measures are based on several assumptions and expectations, among others an assumption that air traffic will recover in 2–3 years to the 2019 level. However, these assumptions and expectations are subject to several risks and uncertainties. In addition, the planned measures are based on current circumstances and do not take into account the effect that unforeseen changes in the industry and changes to Finnair's operations may have in the future. For example, in the event that the COVID-19 pandemic leads to new, more permanent measures, those could result in increases in the time and expense spent on the training of Finnair's personnel. As a result, Finnair may be unable to achieve the full benefits from these measures, or from additional programs, in the future. The benefits achieved by Finnair may also prove to be of a temporary nature, and changes in general market conditions or the operating environment of the industry, including competitive trends, may result in the loss of some or all of such benefits in the future. In addition, the timing of the cost-saving measures is partly dependent on negotiations with employee representatives, and there can be no assurance that Finnair would as a result of the negotiations be able to define measures which would correspond fully with the expected savings.

The materialisation of any of the above-mentioned risks may result in a failure by Finnair to implement the above-described or future cost adjustment and efficiency measures in accordance with their planned schedule, or a failure by Finnair to achieve expected benefits from such measures in part or in full. This may, in turn, have a material adverse effect on Finnair's business, financial position, results of operations and future prospects.

3. *Finnair may not achieve its goals in future negotiations regarding the terms of collective labour agreements of its unionised work groups or in negotiations concerning adjustment measures due to the weakened demand situation, exposing it to the risk of strikes and other work-related disruptions.*

Finnair's business is labour intensive, employing large numbers of pilots, flight attendants and other personnel, the majority of whom are represented by labour unions. Finnair currently has no ongoing or upcoming negotiations relating to pending expirations of collective labour agreements, and Finnair has valid agreements in place with the relevant unions. However, the overall labour market situation in Finland is challenging and it may also have an impact on Finnair's future operations.

As Finnair is not able to operate a full traffic program at present due to the COVID-19 pandemic, there is less work available for its personnel. Due to the COVID-19 pandemic, Finnair has taken adjustment measures affecting Finnair personnel, including temporary layoffs. For this reason, Finnair carried out negotiations with its personnel on additional layoffs. The co-operations process concerned all of the approximately 6,200 Finnair employees in Finland. As a result of the negotiations, Finnair has temporarily laid off employees for fixed periods of time and until further notice. As at the date of this Prospectus, the layoffs are continuing, and will continue, based on resource needs. Similar measures are planned for Finnair employees outside Finland based on local legislation. On 25 August 2020, Finnair announced that it had started co-operation negotiations regarding its plan to reduce up to 1,000 jobs, to make other structural changes and to implement additional temporary layoffs due to the impact of the COVID-19 pandemic. The co-operation negotiations concern approximately 2,800 employees working at Finnair in Finland and similar processes are being conducted in Finnair's units abroad. In addition to the planned personnel reductions, Finnair intends to continue to apply temporary layoffs for practically all its personnel in Finland. The plans for permanent reduction are not applicable to Finnair's flight personnel in Finland. The personnel reductions may result in strikes, work stoppages, litigation or other industrial actions, which may require Finnair to amend or postpone its plans.

In addition, measures which may be considered in relation to adjustments of personnel costs and the associated negotiations with labour unions could cause disagreements or general unrest between the labour market parties and lead to a deterioration in Finnair's relationship with its personnel. Consequently, there can be no assurance that Finnair's future agreements with labour unions can be negotiated to the long-term benefit of Finnair or that the outcome of new negotiations, mediations or arbitrations will be on terms consistent with Finnair's expectations or comparable to agreements entered into by other airlines. If Finnair is unable to reach an agreement with any of its unionised work groups in future negotiations regarding the terms of their collective labour agreements or if additional segments of Finnair's workforce become unionised, Finnair may be subject to work interruptions or stoppages. In autumn 2019, the sympathy strike for the benefit of Finnish postal workers by unionised Finnair and Helsinki Airport workers, members of the Finnish aviation labour union (Fi: *Ilmailualan Unioni*, IAU), resulted in the cancellation of hundreds of Finnair's flights from Helsinki Airport. Likewise, if third party regional carriers

with whom Finnair has contract carrier agreements or other third parties - including ground workers and other service providers - are unable to reach agreement with their unionised work groups in current or future negotiations regarding the terms of their collective bargaining agreements, those carriers may be subject to work interruptions or stoppages affecting Finnair. In addition, any future agreements or outcome of negotiations, mediations or arbitrations in relation to wage reopeners may result in increased personnel costs or other charges that could increase Finnair's operating costs with the effect that it is not able to compete with some other airlines that have more flexible personnel cost structures than that of Finnair. The materialisation of any of the above risks may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

4. *Finnair is exposed to the residual value risk, and also to the risk of impairment in the value of its aircraft.*

When acquiring a new aircraft, Finnair generally enters into an agreement with the manufacturer to purchase the aircraft. As the financing decision is typically taken prior to the expected delivery of the aircraft, Finnair can therefore be exposed to fluctuations in the secondary market for aircraft. When used for impairment testing, the market value of Finnair's aircraft may be adversely affected by fluctuations in the exchange rate between the euro and the U.S. dollar, as the quoted aircraft market values are mainly denominated in dollars but the aircraft on Finnair's balance sheet are denominated in euros. In addition, a large number of similar aircraft brought on the market for sale within a short period of time may result in a significant downward pressure on market prices for those aircraft, as the supply becomes disproportionate to the existing demand. The impact of the COVID-19 pandemic has resulted in a significant slowdown in aircraft acquisitions, and demand for aircraft is likely to remain subdued as long as the COVID-19 pandemic persists. The financial distress caused to commercial airlines by the pandemic also creates an elevated risk that many airlines or leasing operators would simultaneously attempt to sell parts of their fleet, either to boost their liquidity or attempt to better match supply with demand. In addition, there could be attempts to liquidate aircraft fleets following airline bankruptcies, further pushing down prices in the secondary aircraft market. A decrease in the secondary market prices may involve risks for Finnair, especially to the extent that Finnair wishes or needs to rely on the sales proceeds of aircraft to discharge debts relating to the financing of aircraft. On the other hand, if Finnair finances the purchased aircraft through a sale and leaseback financing arrangement, Finnair realises the market value of the aircraft at the time of the transaction and any future changes in aircraft value will not have an impact on the payments under the initial lease arrangement, nor will Finnair be exposed to residual value risk for such aircraft.

Any decrease in the value of the aircraft could also have an adverse effect on Finnair's financial position, should the carrying value of the aircraft need to be impaired due to the difference in the carrying value and the recoverable amount of such aircraft. As at 30 June 2020, the balance sheet value of the entire fleet was EUR 2,290.2 million, which consisted of fleet (EUR 1,621.3 million) and right-of-use-fleet (EUR 668.9 million). In accordance with the International Financial Reporting Standards applicable in the EU ("IFRS"), the carrying value of the fixed assets is subject to periodic depreciation and is reviewed for impairment whenever there is an indication that their carrying values could exceed their recoverable amount. The recoverable amount is measured as the higher of fair value less costs to sell and value in use. Sometimes, the recoverable value of an individual asset cannot be determined. In that case, the recoverable amount is determined for the smallest group of assets that generates independent cash flows (cash-generating unit). As a result of such tests, Finnair might be required to recognise an impairment loss in its income statement should the carrying value of the assets be in excess of their recoverable amount. Factors that could trigger an impairment of assets include, but are not limited to, changes in the market valuation of used aircraft, possible future underperformance of Finnair's business relative to projected future operating results and cash flows, negative industry or macroeconomic developments as well as changes in discount rates or applicable tax rate. The preparation of impairment tests requires the use of estimates. Estimates are based on budgets and forecasts, which inherently contain some degree of uncertainty. The main uncertainty factors in calculations are the USD/EUR and JPY/EUR exchange rates, unit revenue, estimated sales volumes and jet fuel prices. Should Finnair need to recognise any impairment loss, this could have a material adverse effect on its business, results of operations and financial condition.

The materialisation of any of the above risks, resulting in decreases of the value of aircraft, may result in lower sales proceeds or a decreased market value of Finnair's aircraft and result in a material adverse effect on Finnair's balance sheet and profits, which may in turn have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

5. *Quality and availability issues with third-party suppliers and their products and services may have an adverse effect on Finnair's reputation and result in a decreased demand for Finnair's services and/or unexpected costs.*

As Finnair's business is focused on the operation of its aircraft, Finnair is dependent upon its ability to secure goods and services from third-party suppliers. Finnair has entered into agreements with a number of third-party suppliers to provide for services such as ground handling, aircraft maintenance, passenger handling, aircraft handling, baggage service and ticket counter space.

A key component of Finnair's business plan and growth strategy is the renewal of its fleet by phasing out the oldest aircraft types and acquiring new aircraft (see section "*Information about the Issuer – Business Overview – Fleet*"). The ongoing fleet renewal and Finnair's dependence on Airbus aircraft, especially for its long-haul fleet, makes it particularly vulnerable to any problems that might be associated with the manufacturer or its aircraft. In addition, Finnair is also dependent on Rolls-Royce Ltd, which manufactures and maintains the Trent engines, and Lufthansa Technik AG, which is responsible for certain maintenance processes. Finnair could be adversely affected if a design defect or mechanical problem with any of its aircraft - or any other type of aircraft that Finnair subsequently operates - were discovered, causing such aircraft to be grounded while any such defect or problem was corrected, or while attempts were made to correct such defect or problem.

Due to the increasing significance of information technology and other technological solutions, the ability of various IT service providers to provide software and information systems that support operations, improve customer experience and maintain competitiveness is an essential factor in Finnair's business (see "*– Finnair is dependent on the uninterrupted operation and security of information technology systems*"). In the event that service providers or other vendors are not able to provide the software or systems required for Finnair's business operations or if provision of existing services or systems to Finnair would be discontinued, switching service providers or vendors could result in significant costs for Finnair. There can also be no assurance that Finnair would be able to acquire corresponding replacement services from other suppliers in a timely manner or at all. A particular key provider of information systems and software to Finnair is the Amadeus IT Group, which provides an airline reservation system and global distribution system for Finnair.

Interruptions in the delivery of goods and services of any third-party supplier may arise as a result of a wide range of causes, many of which are beyond Finnair's control. Similarly, the efficiency, timeliness and quality of contract performance by third-party providers are largely beyond Finnair's direct control and, if these are inadequate, the reputation and performance of Finnair could be materially and adversely affected. In addition, investments in the products and services of particular suppliers may prove to be disproportionate in relation to future changes in Finnair's requirements, general market conditions or unforeseen operative disruptions. Finnair's commitment to long-term investments may also lead to a situation where switching suppliers is operationally or commercially difficult or impossible to execute. An interruption in the provision of goods or services from any of these suppliers or any inability to renew these agreements or renegotiate contracts with other providers at competitive prices could have a material adverse effect on Finnair. Any failure in these collaborations and partnerships might result in delays to Finnair's services or negative customer feedback, which may lead to additional costs for Finnair and cause reputational damage, resulting in a decrease in demand for Finnair's services and the profitability of Finnair's business operations.

Such failures may require Finnair to seek new partnerships to replace the inadequate ones, or to existing key partners terminating their relationship with Finnair. As the markets are generally concentrated to only a few suppliers, finding a suitable alternative supplier may prove to be challenging or impossible. Due to the consolidated nature of the supplier market Finnair also has limited bargaining power, which may result in increased costs when negotiating a change of supplier. Consequently, there can be no assurance that Finnair would be able to obtain alternative partners in a timely manner or at commercially acceptable terms. Similarly, if a third-party supplier experiences financial difficulty, goes out of business or defaults on its obligations to Finnair, this could have adverse consequences for Finnair. Further, Finnair could also be materially and adversely affected if its customers were to avoid flying with Finnair due to an adverse public perception of the Airbus aircraft caused by safety concerns or other problems, whether real or perceived. In addition, any disruption in a supplier's ability to provide services to Finnair could have an adverse impact on Finnair's ability to operate its fleet. Further, Finnair sells passenger airline tickets via travel agents, and any reduction in the number of travel agents selling Finnair tickets could reduce Finnair's sales.

Materialisation of any of the above risks may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

6. *Finnair's business operations and its growth strategy are dependent on the ability of Helsinki Airport to accommodate the increasing air traffic to the airport.*

In order to effectively implement Finnair's growth strategy, Finnair is dependent on its home hub, Helsinki Airport, continuing to offer adequate capacity and cost-efficient and high-quality services to support Finnair's business operations. At the date of this Prospectus, Helsinki Airport is under construction to expand the terminals, and the construction work is expected to be finalised during 2023. When finalised, the extension is expected to facilitate the increase of the airport's annual passenger volume to 30 million and, subsequently, further enable the implementation of Finnair's growth strategy. The construction work may cause passenger traffic disruptions. Furthermore, despite the finalised extension work, there might not be adequate gate capacity for Finnair's growing business, and therefore, there can be no assurance that increased air traffic would not result in severe congestion and delays. This would constitute a considerable risk for the short-haul connecting traffic, which is critical to Finnair. In relation to Asian traffic, the transfer of passengers and goods from one flight to another at Helsinki Airport has been increasing and, in the short-term, this could lead to delays due to the airport's space restrictions and increased security measures. In addition, since Finnair is heavily dependent on Helsinki Airport, a delay in the construction work could result in Finnair not being able to operate already published flights or meet the demand for its flight services. As at the date of this Prospectus, it is also uncertain what impact the COVID-19 pandemic may have on airport capacity investments, and whether these effects would be favourable to the implementation of Finnair's strategy in the future. Not being able to meet the demands of its customers and cancellations of flights or flight delays could lead to Finnair's customers opting to use Finnair's competitors' services and/or to an increased number of refunds and customer complaints. Such effects could result in additional costs and reputational damage for Finnair, reducing Finnair's profitability and demand for Finnair's services. A reduction in demand or the incurrence of additional costs could have a significant effect on Finnair's competitiveness. The materialisation of any of the above risks may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

7. *Finnair is dependent on the uninterrupted operation and security of information technology systems.*

Finnair has become increasingly dependent on information technology initiatives to reduce costs and to enhance customer service and customer satisfaction in order to compete in the current business environment (see section "*Information about the Issuer – Operating Environment*"). Finnair depends on automated information systems and technology, including its computerised airline reservation system, its flight operations system, its website, its telecommunication systems and other automated systems. Thus, the performance and the reliability of information technology are critical to Finnair's ability to attract and retain customers and for Finnair's ability to compete effectively and implement its commercial strategy. These initiatives will continue to have a direct impact on information technology and data security costs and, in addition, the development of the information system solutions and the information technology environment requires continuous investments. In addition, any internal error, failure or external interruption in information technology infrastructure Finnair depends on, such as power, telecommunications or the internet, may also disrupt its information technology network. Any individual, sustained or repeated failure of information technology could impact Finnair's customer service, and result in increased costs and damage to the Finnair brand. Finnair's information technology systems and related data may be vulnerable to a variety of sources of interruption due to events beyond its control, including natural disasters, terrorist or cyberattacks, telecommunications failures, computer viruses, hackers and other security issues. Although Finnair is continually developing its information security and situation-management preparedness for serious disruptions to information systems and telecommunications, these measures may not be adequate or implemented properly to prevent a business disruption.

As most of Finnair's revenue is contributed by passenger travel, a functioning online commerce system for ticket sales is essential for its business. A fundamental requirement for online commerce, including sales of tickets online, is the secure transmission of confidential information. Finnair may incur significant costs to protect against the threat of security breaches or to alleviate problems caused by any such breaches. Alleviating these problems could cause interruptions, delays or cessations in service to Finnair's customers, which could adversely affect Finnair's reputation and deter its customers from using its service or lead them to assert claims against Finnair. In addition, Finnair may be liable to credit card companies should any credit card information be accessed and misused as a result of security breaches by Finnair.

Any interruption or failure of information technology systems or failure to adequately process and safeguard personal information may result in service disruptions and expose Finnair to claims for damages and reputational harm. They may also result in the need to make additional investments to improve the resilience and functioning

of systems, which may result in additional costs and reduced profitability. Any of these factors may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

8. *Finnair is dependent on its capability to attract, train and retain qualified airline personnel.*

As all airlines, Finnair is dependent on qualified airline personnel, in particular pilots, cabin crew and employees with qualifications in scheduling of routes, aircraft maintenance, information technology and sales.

In response to the decreased demand due to the COVID-19 pandemic, Finnair has taken, and may in the future take, personnel adjustment measures, including negotiations on temporary and permanent layoffs. These measures could have a negative impact on the retention of competent personnel and may damage Finnair's reputation as an employer.

The implementation of Finnair's long-term growth strategy is dependent on Finnair's ability to secure the relevant and necessary competences through the retention of in-house talent and targeted recruitments. There can be no assurance that Finnair will be able to retain employees in key positions, or recruit a sufficient number of new employees with appropriate technical and/or other qualifications, at a cost that enables Finnair to remain competitive.

The materialisation of any of the above risks may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

D. Risks Relating to Finnair's Financing

1. *The extended duration and/or increased spread of the COVID-19 pandemic or other adverse developments in macroeconomic conditions may result in reduced access to capital and lower liquidity.*

Finnair has been, and may also in the future be, impacted by the uncertainty in the global economy and in the financial markets. Finnair aims to reduce the risks relating to the availability of financing by using credit agreements of varying maturities, by maintaining committed revolving credit facilities and by preserving Finnair's reputation as a trustworthy debtor among its creditors. Due to the COVID-19 pandemic, Finnair has undertaken several measures to secure Finnair's future financing even in case of a prolonged COVID-19 pandemic, including a revolving credit facility totalling EUR 175 million, which as of the date of this Prospectus has been fully drawn, the statutory pension premium loan of up to EUR 600 million, of which EUR 200 million has been drawn as at the date of this Prospectus, and carried out a rights offering of approximately EUR 512 million. However, the relatively high percentage of fixed costs in the airline industry, in relation to decreases in demand and revenues, also exposes Finnair to liquidity risks. In the event of sudden and persisting low revenues (such as the events discussed in the above risk "*– Risks Relating to the Airline Industry – The effect of the COVID-19 pandemic in the markets in which Finnair operates has adversely affected and is expected to continue to adversely affect the demand for Finnair's services. In addition, general macroeconomic developments may have a material adverse impact on the demand for airline services, including Finnair's services*"), Finnair may not be able to adjust its fixed costs at a sufficient rate, which could lead to reduced liquidity as existing cash or cash equivalent assets and cash flows would need to be directed to covering fixed costs. Although Finnair's cash flows from operations and its available capital and credit facilities have to date been sufficient to meet its obligations and commitments, Finnair's capital position and liquidity has been, and may in the future be, negatively affected by the materialisation of some of the risks related to the COVID-19 pandemic and consequent measures to restrict air travel. In addition, due to the state aid decision by the European Commission, it is not possible for the State of Finland to participate in Finnair's potential future share issues other than *pro rata* with its existing shareholding during the three-year period starting from the date of the rights issue. As a result, the State's ability to further support Finnair's capital base is limited, which may materially hamper Finnair's ability to raise future equity-based funding. See also "*Information about the Issuer – Recent Events – State Aid and Conditions Applicable to Finnair*".

If Finnair's access to capital were materially diminished, Finnair might not be able to ensure sufficient liquidity in order to be able to pay its leases and debts on time or comply with certain operating and financial covenants under its financing agreements or with other material provisions of its contractual obligations, or these agreements may require additional security, waivers or collateral to maintain. As a result, there can be no assurance that Finnair's capital resources will, at all times, be sufficient to satisfy its business and liquidity needs. If Finnair were unable to satisfy its business and liquidity needs, such as acquiring the additional financing required for future investments, refinancing or renegotiating its existing debt, Finnair might not be able to implement its strategy or fulfil the payment obligations related to its fleet investments. As discussed in the risk factor "*– Risks Relating to*

Finnair's Business Operations – Finnair may not be able to successfully implement its strategy, or its strategy may prove to be misaligned in relation to prevailing market conditions or changes in the industry” above, a failure by Finnair in implementing its strategy could have an adverse effect on Finnair’s competitiveness and profitability. If Finnair would not be able to carry out its planned investments, it may not be able to compete with its competitors in terms of available flight routes and quality of aircraft, potentially resulting in a decrease in demand for Finnair’s services. In addition, as Finnair prepares its financial information in accordance with the IFRS, future changes in the IFRS accounting standards may lead to significant changes in the reported financial statements of Finnair. Although Finnair’s current loans provide for debt covenants to be assessed based on current accounting standards, a change in said standards may affect Finnair’s position when renewing or acquiring further financing.

As a result of the high level of uncertainty, there can be no assurance that the reductions in expenditures, measures to improve liquidity or other strategic actions that Finnair has taken or may take in the future in response to the COVID-19 pandemic would be effective in offsetting decreased demand, especially in the event of an extended duration or increased spread of the pandemic, which could in turn involve extensions or expansions of current travel restrictions. This may require Finnair to take additional actions to improve its financial position, including measures to improve liquidity, such as the issuance of additional unsecured or secured debt securities, equity securities or equity-linked securities, the sale of assets and/or the entry into additional bilateral or syndicated secured or unsecured credit facilities. The effect the COVID-19 pandemic has had on the global economy generally and the air transportation industry specifically, may make it difficult for Finnair to raise additional capital if needed to meet its liquidity needs on acceptable terms, or at all. Any extended duration or increased spread of the COVID-19 pandemic and the continuation of reduced demand could have a material adverse effect on Finnair’s liquidity and ability to secure sufficient bank and capital markets financing to meet its obligations, which may have a material adverse effect on Finnair’s business, financial condition, results of operations and future prospects.

2. *Exchange rate fluctuations may affect Finnair’s financial condition or results of operations.*

Fluctuations in foreign exchange rates, particularly between the euro and the U.S. dollar and between the euro and the Japanese yen, may have a material adverse effect on Finnair. Finnair’s foreign exchange risk arises mainly from fuel and aircraft purchases and maintenance, divestment of aircraft, aircraft lease payments, overflight royalties and foreign currency revenue. The largest investments, including the acquisition of aircraft and their spare parts, are mainly made in U.S. dollars and fuel costs and aircraft lease costs are also primarily U.S. dollar-denominated. The Japanese yen and the Chinese yuan are important revenue currencies in Finnair’s Asian operations. Since a significant portion of Finnair’s sales are denominated in currencies other than the euro, and Finnair reports its financial results in euro, it is consequently subject to currency conversion risk. Further, despite Finnair’s use of foreign exchange hedging according to the prevailing hedging policy of Finnair, there can be no assurance that Finnair has sufficient derivatives in place to provide adequate protection against foreign exchange losses (see section “*Information about the Issuer – Operating Environment – Sensitivities*”). Consequently, increases and decreases in the value of the euro versus other currencies will affect the amount of these items in Finnair’s consolidated financial statements, even if their value has not changed in their original currency. These conversions could result in significant changes to Finnair’s results of operations from period to period. The materialisation of any of the above risks may have a material adverse effect on Finnair’s business, financial condition, results of operations and future prospects.

3. *The amount of indebtedness that Finnair currently has and which it may incur in the future could lead to the breach of financing covenants, or limited access to additional capital and liquidity.*

Finnair has, and will continue to have, a significant amount of indebtedness, including substantial fixed obligations under aircraft leases and financings. Finnair’s revolving credit facility in the amount of EUR 175 million includes, among others, a financial covenant based on adjusted gearing on the last date of each quarter. The Issuer has in May 2020 agreed certain amendments to the revolving credit facility agreement, including the covenant level for adjusted gearing. The covenant level for adjusted gearing, reviewed on a quarterly basis, is 225 per cent until 30 June 2021, 200 per cent from 1 July 2021 until 30 June 2022 and 175 per cent after 30 June 2022. As at 30 June 2020, Finnair’s gearing, which takes into account lease liabilities and the market-value of the cross-currency swaps that are hedging the currency and interest rate risk of interest-bearing loans, was 106.3 per cent. Based on the reduction in demand that Finnair is currently experiencing as a result of the COVID-19 pandemic and given the limited visibility to the future recovery of demand, there is a range of possible outcomes where Finnair’s earnings could be reduced enough to result in a breach of covenants. A decline in the value of Finnair’s assets supporting these facilities resulting from factors that are not under its control could also affect the covenant ratio. If Finnair anticipates a potential breach, Finnair expects to seek an amendment or waiver from its lenders. There can be no assurance that Finnair’s efforts to obtain such an amendment or waiver would be successful. If Finnair fails to

comply with its financing covenants and is unable to remedy or obtain a waiver or amendment, this may have an adverse effect on Finnair's ability to secure access to liquidity and may result in increased financing costs.

Finnair's credit facilities also contain events of default provisions customary for such financings. If an event of default were to occur, the lenders could, among other things, declare outstanding amounts due and payable and where applicable, repossess collateral. In addition, an event of default or declaration of acceleration under any of the credit facilities could also result in an event of default under Finnair's other financing agreements. Events of default under Finnair's current aircraft leases could initially result in cross-defaults of leases from the same lender or lessor, providing that certain minimum thresholds for payments in default were exceeded, which Finnair would not be contesting and which it would be unable to pay. However, Finnair's aircraft leasing arrangements also include cross-default provisions that, above certain thresholds, would result in cross-default events that would also impact Finnair's other liabilities. The acceleration of significant amounts of debt would materially and adversely affect Finnair's solvency and would require Finnair to renegotiate, repay or refinance the obligations under its credit facilities or other financing arrangements.

In addition to financing through operating cash flows, the ongoing fleet renewal programme is expected to require additional external financing. The ability of Finnair to make scheduled payments under its indebtedness will depend on, among other things, its future operating performance and its ability to refinance its indebtedness, if necessary. Each of these factors is, to a large extent, subject to economic, financial, competitive, regulatory, operational and other factors, many of which are beyond Finnair's control. There can be no assurance that Finnair will be able to generate sufficient cash flow from its operations to pay its debts, to fund its working capital, pension programs, capital expenditure, lease obligations, to engage in future acquisitions and, in the future, to refinance its indebtedness. The Issuer also depends, to some extent, on cash flow from its subsidiaries, which may not, at all times, be adequate to make distributions and other payments due to, among other things, applicable tax laws. There can be no assurance that Finnair will continue to be able to obtain, on a timely basis, sufficient funds on terms acceptable to Finnair in order to maintain adequate liquidity and to finance the operating and capital expenditures necessary to support its business strategy in the event that cash flows from operations and cash on hand are insufficient. Failure to generate additional funds and to maintain adequate liquidity, whether from operations or additional debt or equity financings, may require Finnair to delay or abandon some or all of its anticipated expenditures or to modify its business strategy. Further, the ability of competitors to raise money more easily and on more favourable terms could create a competitive disadvantage for Finnair and any future borrowings and financing arrangements may be subject to covenants which limit Finnair's operating and financial flexibility resulting in a decrease in Finnair's capability to engage in business opportunities.

The materialisation of any of the above risks may result in increased financing costs and difficulties in securing sufficient liquidity and capital to finance operational expenses and capital expenditure or pay its debts, and disrupt the implementation of Finnair's strategy, which may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

4. Finnair is exposed to interest rate risk on its floating rate borrowings and aircraft leases.

Finnair is subject to the effects of interest rate fluctuations on its floating rate financing arrangements and aircraft leases. As a result of Finnair's floating rate borrowings and aircraft leases, an increase in interest rates could cause an increase in the amount of Finnair's interest payments and aircraft lease payments. In addition, when Finnair agrees to lease a new aircraft, the monthly lease payments to be made by it upon delivery of the aircraft can be subject to adjustments based on interest rate fluctuations during the period between the signing of the lease and the delivery date of the aircraft. Finnair also has certain lease agreements in which the monthly lease payments are based on floating interest rates and hence the payment amounts fluctuate from time period to time period. Finnair measures the interest rate risk using the interest rate re-fixing period. According to Finnair's risk management policy, as set out in the financial statements as at and for the year ended on 31 December 2019, the mandate for the investment portfolio's interest rate re-fixing period is 0–12 months and for interest-bearing liabilities including lease liabilities 36–72 months. As at 30 June 2020, the investment portfolio's interest rate re-fixing period was approximately 3.2 months and approximately 47 months for interest-bearing liabilities including lease liabilities and interest rate derivatives. As at 30 June 2020, a one percentage point rise in interest rates would increase the annual financial income of the investment portfolio by EUR 6.3 million and the interest expenses of the loan portfolio by EUR 5.3 million. Despite Finnair's use of derivatives to manage the interest rate related risks, an increase in the interest rates on Finnair's indebtedness may significantly increase its costs of financing and amount of interest paid, which in turn could have an adverse effect on Finnair's financial condition and results of operations.

5. *Changes in the market price of derivatives may result in substantial hedging losses.*

Finnair seeks to mitigate the effects of market fluctuations in currencies, interest rates and jet fuel positions through the use of derivative instruments, such as forward contracts, swaps and options, according to the risk management policy approved by the Board of Directors. The aim of the hedging policy is to reduce the uncertainty in the profit and loss, cash flows and balance sheet caused by market price fluctuations. According to the Issuer's management's views, in normal market conditions, the purpose of the hedging strategy is typically achieved, but in any unusual financial market circumstances the market price of the derivatives may change substantially and Finnair may suffer substantial hedging losses.

As at 30 June 2020, the net fair value of Finnair's derivative instruments was EUR -137.7 million, representing a decrease of EUR 132.1 million from the comparison period of 2019 and a decrease of EUR 154.5 million compared to 31 December 2019. During the first half of 2020, the decrease in the fair value of Finnair's hedge instruments had a decreasing effect on Finnair's equity, especially due to the decline in the jet fuel price. Due to the COVID-19 pandemic, the operational level was adjusted and, thus, underlying currency and fuel price exposure was non-existent. As the forecast underlying risk no longer existed, Finnair unwound the hedges. In line with IFRS standards, the fair value of those derivatives was reclassified, which led to an increase on net financing expenses by EUR 84 million. Incurrence of further hedging losses in the future may also have a material adverse effect on Finnair's financial condition and results of operations.

6. *A claim for a minority dividend will and a change of control may result in increased financing costs.*

Pursuant to Chapter 13, Section 7 of the Finnish Companies Act (624/2006, as amended) (Fin: *osakeyhtiölaki*), a company must distribute at least 50 per cent of its net profit as dividends if shareholders representing at least 10 per cent of the shares of the company demand such distribution in the annual general meeting before the shareholders at the annual general meeting decide on the use of distributable profits for the preceding fiscal year. However, the maximum amount distributed under this provision may not exceed 8 per cent of the aggregate shareholders' equity of the company.

If such distribution of a dividend is demanded by shareholders representing at least 10 per cent of all shares of the Issuer and there is any unpaid Deferred Interest at the time when the Issuer declares such dividend, the Interest Rate applicable to the Capital Securities would be increased by an additional margin of 5.00 per cent per annum applicable as from the date on which such dividend is declared. The increased Interest Rate would apply also to the current amount of Deferred Interest and any further Deferred Interest to the extent that the Issuer defers any interest payment after the declaration of a dividend which constitutes a Minority Dividend. The increased Interest Rate would apply until all unpaid Deferred Interest is paid. However, Holders should note that the payment of a Minority Dividend in accordance with the mandatory provisions of the Finnish Companies Act would not cause a payment of Deferred Interest, nor does it constitute a Deferred Interest Payment Date.

If the Issuer has not redeemed the Capital Securities within 6 months after a Change of Control, the Interest Rate applicable to the Capital Securities (including any amount of current or future Deferred Interest) would, unless the Issuer has obtained an investment grade credit rating prior to the end of such period, be increased by an additional margin of 5.00 per cent per annum.

If either of the above events that are not in the Issuer's control occur, the financing cost relating to the Capital Securities would be substantially increased, which in turn could have an adverse effect on Finnair's financial condition.

E. Risks Relating to the Capital Securities

The following risk factors are, among other things, material in order to assess the risks associated with the Capital Securities. Words and expressions in this section shall have the respective meaning defined in the Terms and Conditions of the Capital Securities.

1. *Capital Securities are deeply subordinated obligations of the Issuer which increases the Holders' credit risk in respect of the Issuer.*

The Capital Securities are unsecured, deeply subordinated obligations of the Issuer and are currently the most junior debt instruments of the Issuer, ranking behind all the claims of unsubordinated creditors of the Issuer and the claims of the creditors in respect of Issuer Subordinated Indebtedness, at least *pari passu* with any present or future outstanding capital securities of the Issuer, and in priority to payments to the holders of all classes of share capital of the Issuer in their capacity as such holders and any other obligation of the Issuer expressed by its terms

to rank junior to the Capital Securities. The Holders are exposed to a credit risk in respect of the Issuer and would be unsecured and subordinated creditors in the event of the Issuer's voluntary or involuntary liquidation, bankruptcy or reorganisation which increases the Holders' credit risk in respect of the Issuer. The investor's possibility to receive payment under the Capital Securities is thus dependent on the Issuer's ability to fulfil all its senior payment obligations, which, in turn, is to a large extent dependent on developments in Finnair's business and financial performance. Accordingly, any adverse change in the financial condition and prospects of the Issuer may adversely affect the liquidity, values and market prices for the Capital Securities, and significantly reduce the probability that the Holder will receive prompt and full payment, when due, for principal, interest and/or any other amounts and items payable to the Holders pursuant to the Capital Securities from time to time. In addition to the Capital Securities being subordinated obligations of the Issuer themselves, the Capital Securities will effectively be subordinated to claims of all of the creditors of the Issuer's subsidiaries, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the subsidiaries.

Should the Issuer become insolvent during the term of the Capital Securities, an investor may forfeit interest payable on, and the principal amount of, the Capital Securities in whole or in part. An investor is solely responsible for the economic consequences of his/her investment decisions which in this case involve substantial financial risk.

2. *Capital Securities are perpetual and there are no events of default or cross default under the Capital Securities.*

The Capital Securities are perpetual securities with no specified final maturity date. The Issuer is under no obligation to redeem the Capital Securities at any time. The Holders have no right to call for their redemption and, therefore, the Holders should be aware that they may be required to bear the financial risks of an investment in the Capital Securities for an indefinite period of time and may not recover their investment in the foreseeable future, or at all.

The terms and conditions of the Capital Securities do not provide for any events of default, including cross default allowing acceleration of the Capital Securities, if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Capital Securities, including the payment of any interest, investors will not have the right of acceleration of principal. Upon a payment default, the sole remedy available to the Holders for recovery of amounts owing in respect of any payment of principal or interest on the Capital Securities will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

3. *The Issuer has the right to defer interest payments indefinitely unless certain events occur.*

The Issuer has a complete and absolute right to defer any payment of interest on the Capital Securities if no event that would trigger the obligation to pay interest has occurred. Such events include:

- (a) the Issuer elects to pay any interest on the Capital Securities, in which case any deferred interest becomes also payable on that interest payment date;
- (b) any payment is made on an obligation ranking *pari passu* with or junior to the Capital Securities (provided that such payment is at the sole discretion of the payer) during the twelve (12) months immediately preceding an Interest Payment Date;
- (c) any General Meeting of the Issuer approves a distribution of dividend (other than a Minority Dividend), or the Issuer makes a payment of any nature on any share capital or securities ranking junior to the Capital Securities (provided that such payment is at the sole discretion of the Issuer) during the twelve (12) months immediately preceding an Interest Payment Date; or
- (d) the Issuer or its subsidiary redeems, purchases or otherwise acquires any share capital or obligations owed by it (other than the Capital Securities), in each case ranking junior to or *pari passu* with the Capital Securities, if any (unless such redemption, purchase or acquisition is compulsory or non-discretionary for the Issuer or such subsidiary under the applicable terms or unless the shares or securities are acquired for the purpose of allocating such shares or securities in accordance with the terms and conditions of any share-based incentive scheme of the Issuer aimed at its employees, or unless the relevant securities are redeemed, purchased or acquired in an intragroup transaction (or transactions) by the Issuer from another

subsidiary or, if the acquirer is a group company, from the Issuer) during the twelve (12) months immediately preceding an Interest Payment Date.

Any deferred interest outstanding at the time of occurrence of events referred to in (b)-(d) above becomes payable (together with interest accrued thereon):

1. in the case of (b) above, on the date of such payment; and
2. in the case of (c) and (d) above, on the Business Day falling on (or, if not, immediately after) the date of such event but is deemed to have become due on the Business Day immediately preceding the date of such event.

As a result, any future payment of coupons to the Holders is uncertain.

Interest, which accrues during an Interest Period ending on, but excluding, an Interest Payment Date, will be due on that Interest Payment Date, unless the Issuer elects to defer such payment in whole or part, and (provided that no event referred to in (a)-(d) has occurred during the twelve (12) months immediately preceding that Interest Payment Date) the Issuer shall not have any obligation to make such payment and any failure to so pay shall not constitute a default by the Issuer under the Capital Securities or for any other purpose.

Any interest in respect of the Capital Securities, which has been deferred on an Interest Payment Date, shall constitute arrears of interest and bear interest, and shall be payable, as described in Clause 6 (*Interest Payment and Deferral*) of the Terms and Conditions of the Capital Securities. Deferred Interest shall not be capitalised to the principal amount of the Capital Securities.

Any deferral of interest payments or expectation of deferral will be likely to have an adverse effect on the market price of the Capital Securities. In addition, as a result of the above provisions of the Capital Securities, the market price of the Capital Securities may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to the above provisions and may be more sensitive generally to adverse changes in the Issuer's financial condition.

4. *The Capital Securities contain no limitation on issuing additional debt or granting of security.*

There is no restriction on the amount of debt that the Issuer may issue or guarantee that ranks senior or *pari passu* to the Capital Securities. Nor is there any restriction on granting of security by the Issuer on any existing or future debts. Such issuance of further debt or granting of security may significantly reduce the amount recoverable by the Holders upon the winding-up or insolvency of the Issuer or may increase the likelihood that the Issuer elects to defer interest payments under the Capital Securities or reduce the market value of the Capital Securities.

5. *The Capital Securities do not contain covenants governing the Issuer's operations and do not limit its ability to effect asset sales or otherwise effect significant transactions that may have a material adverse effect on the Capital Securities and the Holders.*

The Capital Securities do not contain provisions designed to protect Holders from a reduction in the creditworthiness of the Issuer. In particular, the Terms and Conditions of the Capital Securities do not restrict the Issuer's ability to enter into an asset sale or other significant transaction that could materially alter its existence, jurisdiction of organisation or regulatory regime and/or its composition and business. In the event the Issuer was to enter into such a transaction, Holders could be materially and adversely affected.

6. *The market value of the Capital Securities may fluctuate.*

The market value of the Capital Securities will be affected by the creditworthiness of the Issuer and a number of additional factors, including, but not limited to, market interest and yield rates and the perpetual nature of the Capital Securities. The value of the Capital Securities depends on a number of interrelated factors, including economic, financial and political events in Finland or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Capital Securities are traded. Any such changes could have a more volatile effect on, and lead to a greater deterioration in, the value of the Capital Securities than that of a senior bond. The price at which a Holder may be able to sell the Capital Securities from time to time may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Holder.

7. *The Capital Securities may not be a suitable investment for all investors.*

Each potential investor in the Capital Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Capital Securities, the merits and risks of investing in the Capital Securities and the information contained in or incorporated by reference into this Prospectus;
- (b) understand thoroughly the Terms and Conditions of the Capital Securities which are more complex than other debt instruments;
- (c) reach an investment decision only after careful consideration of the information contained in or incorporated by reference into this Prospectus;
- (d) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Capital Securities and the impact the Capital Securities will have on its overall investment portfolio;
- (e) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Capital Securities which may include complete loss of principal and/or interest; and
- (f) be able to evaluate (either alone or with the help of a financial and/or other professional adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

8. *An active trading market for the Capital Securities may not develop.*

There can be no assurance that an active trading market for the Capital Securities will develop. If an active trading market does develop, there can be no assurance that it will be maintained. If an active trading market for the Capital Securities does not develop or is not maintained, the market or trading price and liquidity of the Capital Securities may be adversely affected. The Issuer is entitled to buy and sell the Capital Securities for its own account or for the account of others, and to issue further securities. Such transactions may favourably or adversely affect the price development of the Capital Securities. If additional and competing products are introduced in the markets, this may adversely affect the value of the Capital Securities.

9. *Risk of early redemption at the option of the Issuer or following the occurrence of a Tax Event, Accounting Event, Change of Control, Withholding Tax Event, Corporate Restructuring Event, a Clean-up Call Option Event or a Replacing Capital Event.*

The Issuer may, at its option, redeem all, but not some only, of the Capital Securities on the Step-up Date, on a date falling no more than three (3) months before the Step-up Date and on any Interest Payment Date after the Step-up Date, and at any time following the occurrence of a Tax Event, an Accounting Event, a Change of Control, a Withholding Tax Event, Corporate Restructuring Event, a Clean-up Call Option Event or a Replacement Capital Event, as described in Clause 7 (*Redemption and Purchase*) of the Terms and Conditions of the Capital Securities.

In the event of a redemption of the Capital Securities following the occurrence of a Withholding Tax Event, a Clean-up Call Option Event or a Change of Control, such redemption of the Capital Securities will be made at the principal amount of the Capital Securities together with any Accrued Interest and arrears of interest (including any Deferred Interest), as described in such Clause 7. In the event of a redemption at the option of the Issuer following the occurrence of a Tax Event, Corporate Restructuring Event, Accounting Event or Replacing Capital Event such redemption of the Capital Securities will be made (i) in the case of a Tax Event or an Accounting Event, at 101 per cent of the principal amount of the Capital Securities, (ii) in the case of a Replacing Capital Event or a Corporate Restructuring Event before the Step-Up Date, at 103 per cent of the principal amount of the Capital Securities and (iii) in all such cases, at their principal amount together with any Accrued Interest and any arrears of interest (including any Deferred Interest) where such redemption occurs on or after the first Reset Date or in case of a redemption of the Capital Securities in respect of a Holder who opposes a Corporate Restructuring Event, as described in such Clause 7.

The circumstances upon which a Tax Event, an Accounting Event, a Change of Control, a Withholding Tax Event, Corporate Restructuring Event, a Clean-up Call Option Event or a Replacement Capital Event could occur may be uncertain and unforeseeable to the Holders and the Issuer. However, the Holders should note that a Corporate Restructuring Event in certain scenarios may be within the Issuer's control. Corporate Restructuring Events include any reduction of share capital pursuant to Chapter 14 of the Finnish Companies Act, an amendment of the Issuer's Articles of Association pursuant to Chapter 14, Section 7 of the Finnish Companies Act or a merger or demerger pursuant to Chapters 16 and 17 of the Finnish Companies Act or similar creditor protection mechanisms that may become applicable on the Issuer.

As a result of any circumstances (at the option of the Issuer or otherwise) resulting in a Corporate Restructuring Event, a Holder may exercise its statutory right to oppose such Corporate Restructuring Event. In the event of a Holder opposing such Corporate Restructuring Event, the Issuer may redeem the Capital Securities held by the opposing Holder (such Holder, a "**Redeemed Holder**") at the Nominal Amount of the redeemed Capital Securities, together with any Accrued Interest. The Redeemed Holder is obliged to withdraw its notice of opposing the relevant Corporate Restructuring Event no later than either: seven (7) days prior to the date which is one (1) month prior to the due date for the exercise of such statutory right to oppose, or the intended date of the consummation of the Corporate Restructuring Event (whichever is earlier) and the Issuer shall pay the Redeemed Holder the relevant redemption amount no later than on the date that the Corporate Restructuring Event is consummated. Further, without prejudice to the Redeemed Holder's primary obligation to withdraw its notice opposing the relevant Corporate Restructuring Event, the Issuer may, at any time after the relevant Redemption Date, withdraw such notice to oppose the relevant Corporate Restructuring Event following the payment of the relevant redemption amount.

The likelihood of redemption at the option of the Issuer might adversely affect the market value of such Capital Securities. During any period when the Issuer may elect to redeem the Capital Securities, the market value of the Capital Securities generally will not rise substantially above the price at which they can be redeemed. The Issuer may also be expected to redeem the Capital Securities when its cost of borrowing is lower than the interest rate on the Capital Securities. There can be no assurance that, at the relevant time, the Holders will be able to reinvest the redemption proceeds at an effective interest rate as high as the return that would have been received on such Capital Securities had they not been redeemed. Potential investors should consider reinvestment risk in light of other investments available at that time.

10. Market interest rate may affect the value of the Capital Securities.

Interest on the Capital Securities, which is calculated at a fixed rate, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Capital Securities. While the nominal interest rate of a fixed interest rate security is fixed, in this case, during a certain period of time, the current interest rate on the capital markets (market interest rate) typically changes on a daily basis. As the market interest rate changes, the price of such security changes in the opposite direction. If the market interest rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the market interest rate. If the market interest rate decreases, the price of a fixed rate security typically increases, until the yield of such security is approximately equal to the market interest rate. The Holders should be aware that movements of the market interest rate can adversely affect the price of the Capital Securities and can lead to losses for the Holders if they sell Capital Securities during the period in which the market interest rate exceeds the fixed rate of the Capital Securities.

11. Risk of adverse tax implications.

Potential purchasers and sellers of the Capital Securities should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Capital Securities are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Capital Securities. Potential investors are advised to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Capital Securities. Only these advisors are in a position to duly consider the specific situation of the potential investor. Each prospective investor should consult his or her own advisers as to legal, tax and related aspects of an investment in the Capital Securities. A Holder's effective yield on the Capital Securities may be diminished by the tax impact on that Holder of his or her investment in the Capital Securities.

12. *The completion of transactions relating to the Capital Securities is dependent on Euroclear Finland's operations and systems.*

The Capital Securities are issued in the book-entry securities system of Euroclear Finland. Pursuant to the Finnish Act on the Book-Entry System and Clearing and Settlement (348/2017, as amended), the Capital Securities will not be evidenced by any physical note or document of title other than statements of account made by Euroclear Finland or its account operator. The Capital Securities are dematerialised securities and title to the Capital Securities is recorded and transfers of the Capital Securities are effected only through the relevant entries in the book-entry system and registers maintained by Euroclear Finland and its account operators. Therefore, timely and successful completion of transactions relating to the Capital Securities, including but not limited to transfers of, and payments made under, the Capital Securities, depend on the book-entry securities system being operational and that the relevant parties, including but not limited to the payment transfer bank and the account operators of the Holders, are functioning when transactions are executed. Any malfunction or delay in the book-entry securities system or any failure by any relevant party may result in the transaction involving the Capital Securities not taking place as expected or being delayed, which may cause financial losses or damage to the Holders whose rights depended on the timely and successful completion of the transaction.

The Issuer and third parties will not assume any responsibility for the timely and full functionality of the book-entry securities system. Payments under the Capital Securities will be made in accordance with the laws governing the book-entry securities system, the rules of Euroclear Finland and the Terms and Conditions of the Capital Securities. For purposes of payments under the Capital Securities, it is the responsibility of each Holder to maintain with its respective book-entry account operator up to date information on applicable bank accounts.

13. *There can be no assurance as to the impact of a change in laws or practices.*

The Capital Securities are governed by the laws of Finland and their Terms and Conditions are based on Finnish law in effect on the date of this Prospectus. Finnish laws (including but not limited to tax laws) and regulations governing the Capital Securities may change during the life of the Capital Securities, and new judicial decisions may be given and new administrative practices may develop. No assurance can be given as to the impact of any such possible change of laws or regulations, or new judicial decision or administrative practice occurring after the date of this Prospectus. Hence, if any such event arises, it may have a material adverse effect on Finnair's financial condition as well as the market price and value of the Capital Securities. Such event may also cause material financial losses or damage to the Holders.

14. *The accounting treatment of the Capital Securities under the International Financial Reporting Standards may change.*

Under the IFRS as currently in force, the Capital Securities will be treated as equity in the Issuer's consolidated financial statements. However, there can be no assurance that this treatment will not change during the life of the Capital Securities. In June 2018, the International Accounting Standards Board ("IASB") published the discussion paper DP/2018/1 on "*Financial Instruments with Characteristics of Equity*" (the "**DP/2018/1 Paper**") and a public meeting was recently held on this matter. If the proposals set out in the DP/2018/1 Paper are implemented in their current form, the IFRS accounting classification currently in force may change and this may result in the occurrence of an Accounting Event (as defined in the Terms and Conditions of the Capital Securities). However, the implementation of any of the proposals set out in the DP/2018/1 Paper or any other similar such proposals, including the extent and timing of any such implementation, if at all, is still uncertain. During the meeting of the IASB on 23 October 2019, the potential scope and indicative timetable of the project plan regarding the DP/2018/1 Paper were discussed but no decisions were made. Upon the occurrence of an Accounting Event, the Issuer is entitled to redeem the Capital Securities without the prior approval of the Holders (see "*Risk of redemption following the occurrence of a Tax Event, Accounting Event, Change of Control, Withholding Tax Event, Corporate Restructuring Event, a Clean-up Call Option or a Replacing Capital Event*" above and Clause 7 (*Redemption and Purchase*) of the Terms and Conditions of the Capital Securities). Any amendments affecting the accounting treatment of the Capital Securities could have a material adverse effect on the Holders. The redemption of the Capital Securities by the Issuer, or the perception that the Issuer will exercise its redemption right, might negatively affect the market value of the Capital Securities.

15. *Rights to payments that have not been claimed within three (3) years are prescribed.*

In case any payment under the Capital Securities has not been claimed within three (3) years from the original due date thereof, the right to such payment shall be prescribed. Such prescription may incur financial losses to such Holders who have not claimed payment under the Capital Securities within three (3) years.

16. *The Issuer's majority shareholders' interest may not align with the interest of the Holders of the Capital Securities.*

As at the date of this Prospectus, the State of Finland is the largest shareholder in the Issuer with a shareholding of approximately 55.9 per cent in the Issuer. Accordingly, the State of Finland (acting through the Prime Minister's Office) has and will continue to have control over the Issuer, including in matters such as approval of the annual financial statements, declarations of dividends, capital increases and the election and removal of the members of the Board of Directors of the Issuer. The interests of the State of Finland may not always be aligned with those of the Holders of the Capital Securities.

17. *The Holders of the Capital Securities have no voting rights.*

The Holders have no voting rights with respect to the annual general meetings of shareholders of the Issuer. Consequently, in the Issuer's annual general meetings, the Holders cannot influence any decisions by the Issuer to redeem the Capital Securities, defer interest payments or any decisions by the Issuer's shareholders concerning, for instance, the capital structure of the Issuer or any other matters relating to the Issuer.

18. *Risks related to Finnish Insolvency Law.*

Under Finnish law, there are two corporate insolvency regimes for companies facing financial difficulties: bankruptcy (Fin: *konkurssi*) and corporate restructuring (Fin: *yriytssaneeraus*). Bankruptcy is a form of insolvency proceedings covering all the liabilities of the debtor, where the assets of the debtor are used in payment of the claims in bankruptcy pursuant to the Bankruptcy Act (120/2004, as amended) (Fin: *Konkurssilaki*). Corporate restructuring is a restructuring arrangement which aims to rehabilitate a distressed debtor's viable business, makes debt arrangements and provides for the debtor's continued operation as set forth in the Restructuring of Enterprises Act (47/1993, as amended) (Fin: *Laki yrityksen saneerauksesta*).

In bankruptcy proceedings, all of the debtor's available assets and legal competence related thereto are transferred to the bankruptcy estate. The debtor loses its authority over its assets and decision-making of the company is vested in the creditors. However, in practice, this power is largely transferred to the bankruptcy administrator. The statutory obligations of the bankruptcy administrator are to represent the estate, and handle its routine administration, draw-up the estate inventory and debtor description, scrutinise and sell the assets of the estate and determine whether it is possible to reverse transactions and recover assets, receive documents lodging claims, and draft a proposed distribution list. The administrator takes care of the sale of the assets belonging to the estate. The creditors have the authority to decide on matters pertaining to the bankruptcy estate, such as, *e.g.*, the sale of the bankruptcy estate's assets, the continuation of its business and establishment of a creditors' committee. In bankruptcy proceedings each creditor has a general right to vote in the proceedings with a voting strength equal to the creditor's claim in the bankruptcy estate. Most decisions in a bankruptcy estate are made by a majority vote of creditors in accordance with their receivables. Usually, subordinated creditors, such as the Holders, would not have a right to vote in any creditor meeting since the assets of the bankruptcy estate are often insufficient to repay all senior ranking claims in full.

As a part of a corporate restructuring proceedings, creditors are divided into classes pursuant to the Restructuring of Enterprises Act. In a corporate restructuring, subordinated creditors, such as the Holders, form their own creditor group. Provisions regarding voting, the voting procedure and its timeline, as well as the majority requirements are set forth in detail in the Restructuring of Enterprises Act. Creditors with the lowest priority will not be able to vote if, according to the restructuring programme, creditors with a higher-priority claim do not receive their full payment or their legal position will otherwise worsen.

As a result of the limitations on subordinated creditors' rights to vote, Holders, in most cases, would be unable to influence decisions made at any creditors' meeting in a bankruptcy proceeding. The same restriction may restrict the Holder's ability to vote on the restructuring programme in respect of a corporate restructuring.

RESPONSIBILITY REGARDING THE PROSPECTUS

This Prospectus has been prepared by Finnair Plc and Finnair Plc accepts responsibility regarding the information contained in this Prospectus. Finnair Plc declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

INFORMATION DERIVED FROM THIRD PARTY SOURCES

This Prospectus contains information about Finnair's markets and Finnair's competitive position therein. Where certain market data and market estimates contained in this Prospectus have been derived from third party sources, such as industry publications, the name of the source is given therein. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but the correctness and completeness of such information is not guaranteed. Information compiled and published by Airbus, the International Air Transport Association (IATA), Airlines Reporting Corporation (ARC) and the International Civil Aviation Organization (ICAO) has been referred to in this Prospectus under "*Risk Factors*" and "*Information about the Issuer*". The Issuer confirms that this information has been accurately reproduced herein and that, as far as the Issuer is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, the Issuer or the Joint Lead Managers have not independently verified and cannot give any assurances as to the appropriateness of such information. Should this Prospectus contain market data or market estimates in connection with which no source has been presented, such market data or market estimate is based on the Issuer's management's estimates.

The Issuer confirms that any information derived from third-party sources has been accurately reproduced herein and that, as far as the Issuer is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

AVAILABILITY OF THE PROSPECTUS

This Prospectus will be available as of 4 September 2020 on the website of the Company at <https://investors.finnair.com/fi>.

NO CREDIT RATING

The Issuer or its debt securities have not been assigned any credit ratings at the request, or with the co-operation, of the Issuer in the rating process.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements about Finnair's business that are not historical facts, but statements about future expectations, such as certain statements set forth under "*Information About the Issuer – Outlook*". Such forward-looking statements are based on Finnair's present plans, estimates, projections and expectations. They are based on certain expectations, which, even though they may seem to be reasonable at present, may turn out to be incorrect. Such forward-looking statements are based on assumptions and are subject to various risks and uncertainties. The words such as "aims", "assumes", "believes", "estimates", "expects", "will", "intends", "may", "plans", "should" and similar expressions or negative of such terms identify certain of such forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements are set forth in a number of places in this Prospectus regarding the future results, plans and expectations with regard to Finnair's business, and on the growth, profitability and the general economic conditions to which Finnair is exposed.

The forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Finnair, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among other things, risks described in section "*Risk Factors*", but are not limited to those discussed therein. Should one or more of these or other risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, the actual results of operations or financial condition of the Issuer or its ability to fulfil its obligations under the Capital Securities could differ materially from those described herein as anticipated, believed, estimated or expected. Prospective investors should not unduly rely on these forward-looking statements. Numerous factors may cause actual results, realised revenues or performance to differ materially from the results, revenues and performance expressed or implied in the forward-looking statements of Finnair. Finnair does not intend and does not assume any obligation to update any forward-looking

statements contained herein or to adjust them in the light of future events or developments unless required to do so by applicable legislation. For additional information on factors that could result Finnair's actual results of operations, performance or achievements of Finnair to differ materially, see "*Risk Factors*".

NO INCORPORATION OF WEBSITE INFORMATION

This Prospectus together with the documents incorporated by reference herein are available on Finnair's website at <https://investors.finnair.com/fi>. However, any other information presented on Finnair's website or any other website does not form a part of this Prospectus (except for any supplement to the Prospectus and information which has been incorporated by reference into the Prospectus or any supplement thereto, see the section entitled "*Information Incorporated by Reference*"), and the information on such websites has not been scrutinised or approved by the FIN-FSA. Prospective investors should not rely on such information in making their decision to invest in Finnair's securities.

CONTROLLING SHAREHOLDER

As at the date of this Prospectus, the State of Finland (acting through the Prime Minister's Office) holds 55.9 per cent of the shares in the Issuer. Accordingly, the State of Finland has control over the Issuer as referred to in Chapter 2, Section 4 of the Finnish Securities Market Act. The Issuer is not aware of any arrangements which may result in a change of control in the Issuer (see "*Financial and Other Information – Share Capital and Ownership Structure*").

The State exercises its ownership according to the State Shareholdings and Ownership Steering Act (1368/2007, as amended) (the "**Ownership Steering Act**"). According to the Ownership Steering Act, Finnair is a "state majority-owned company". This means, among other implications, that the consent of the Finnish Parliament would be required in order to relinquish the State's majority ownership in Finnair.

In the Government Resolution on State Ownership Policy, dated 8 April 2020 (the "**Resolution**"), certain state-majority owned companies, including Finnair, are considered to be companies in which the State has strategic interests relating to, for example, the security of supply, the maintenance and protection of the infrastructure and national defence. The State of Finland's defined strategic interest in Finnair is to further develop Finland's position as an international air traffic hub and thus the ownership of the State of Finland may not decrease below 50.1 per cent. In addition, in the European Commission's state aid decision on 9 June 2020 related to the Issuer's rights offering, the European Commission resolved that the State of Finland's relative shareholding in the Issuer shall not exceed 55.9 per cent during the period of the next three years.

The Resolution provides that in the management of the State's assets, the State aims, amongst others, to maximise the overall financial and social performance. The responsible business of companies is a part of the social performance and the State requires companies to act responsibly. The financial performance is built up of the long-term development of the value of companies and the distribution of profits. In terms of the financial performance, the objective is a long-term profitable growth and the increase in the ownership's value.

According to the Ownership Steering Act, the State ownership steering refers to the exercising of the State's right to vote in general meetings as well as to other measures by which the State as a shareholder contributes to companies' administration and operating principles. State ownership steering emphasises the compliance with good corporate governance. Decision-making in the issues of State ownership steering within the authority of the Parliament and the Government and other significant decisions are subject to approval by the Ministerial Committee on Economic Policy. In addition, the Ministerial Committee on Economic Policy issues guidelines and statements supplementing the Resolution, when necessary. As an owner, the State adheres to the general principles and collective principles for all the companies in which it holds interests, as defined in the Resolution. According to the Resolution, the State manages its assets in the companies as an active owner by appointing the representatives familiar with the State's objectives to the Board of Directors of the companies.

TAXATION

Potential investors should be aware that the tax legislation of a potential investor's member state and of the Issuer's country of incorporation may have an impact on the income received from the Capital Securities.

OTHER INFORMATION

Financial information set forth in a number of tables in this Prospectus has been rounded. Accordingly, in certain instances, the sum of the numbers in a column or row may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

In this Prospectus, references to “euro” or “EUR” are to the currency of the member states of the EU participating in the European Economic and Monetary Union. References to any other currencies or currency codes are to current currencies in accordance with ISO 4217 Currency Codes standard.

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

FINNAIR PLC EUR 200,000,000 CAPITAL SECURITIES

ISIN FI4000441860

MiFID II product governance / Retail clients, professional clients and eligible counterparties target market

Solely for the purposes of each manufacturer's product governance requirements set forth in Directive 2014/65/EU (as amended, "**MiFID II**"), the manufacturers have made a target market assessment in respect of the Capital Securities, and have concluded that the target group for the Capital Securities is:

Type of client: Clients that are eligible counterparties, professional clients and retail clients, each as defined in MiFID II.

Knowledge and experience: Clients that are (i) informed investors, having one or more of the following characteristics: (a) average knowledge of the relevant financial products (an informed investor can make an informed investment decision based on the offering documentation, together with knowledge and understanding of the specific risk factors/risks highlighted with them only), or (b) some financial industry experience, or (ii) advanced investors, having one or more of the following characteristics: (x) good knowledge of the relevant financial products and transactions, or (y) financial industry experience or accompanied by professional investment advice or included in a discretionary portfolio service.

Financial situation with a focus on the ability to bear losses: Clients that have the ability bear losses of up to 100 per cent of the capital invested in the Capital Securities.

Risk tolerance: Financial ability and willingness to put the entire capital invested at risk. Clients investing in the Capital Securities are willing to take more risk than deposit savings and do not require a fully guaranteed income or return profile.

Investment objective: Clients whose investment objective is to generate growth of the invested capital and have a long-term investment horizon.

Furthermore, the manufacturers have made an assessment as to the negative target market and concluded that the negative target market for the Capital Securities is clients that seek full capital protection or full repayment of the amount invested, are fully risk averse/have no risk tolerance or need a fully guaranteed income or fully predictable return profile.

The manufacturers have made an assessment as to the distribution strategy for the Capital Securities, and have concluded that (i) all channels for distribution to eligible counterparties and professional clients are appropriate; and (ii) the following channels for distribution of the Capital Securities to retail clients are appropriate – investment advice, portfolio management, non-advised sales and pure execution services, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable. Any person subsequently offering, selling or recommending the Capital Securities (a "**distributor**") should take into consideration the manufacturers' target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable.

1. Definitions and Interpretations

1.1 Definitions

"Accounting Event" means the receipt by the Issuer of an opinion of an Authorized Public Accountant in Finland (reputable and experienced in such matters) to the effect that, as a result of a change in the applicable accounting standards or interpretation thereof after the Issue Date, the equity treatment of the Capital Securities as "equity" in full in the Issuer's consolidated financial statements has or will cease.

"Accrued Interest" means interest (including Deferred Interest) accrued from the immediately preceding Interest Payment Date on which interest (including Deferred Interest) was paid or, if none, the Issue Date, to the Redemption Date.

“**Additional Amounts**” shall have the meaning ascribed to it in Clause 8 (*Taxation*).

“**Adjusted Nominal Amount**” means the total outstanding Nominal Amounts of the Capital Securities not held by the Issuer or any Group Company from time to time.

“**Authorized Public Accountant**” means an authorized public accountant (Fin: *KHT-tilintarkastaja*) certified by the Auditor Oversight Unit within the Finnish Patent and Registration Office being a partner or an employee of a recognized accountancy firm of international standing.

“**Book-Entry Account**” means a securities account (Fin: *arvo-osuustili*) according to the Act on the Book-Entry System and Clearing Operations (348/2017 as amended from time to time, Fin: *laki arvo-osuusjärjestelmästä ja selvitystoiminnasta*) and the Act on Book-Entry Accounts (827/1991 as amended from time to time, Fin: *laki arvo-osuustileistä*).

“**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are generally open to settle payments in Helsinki and a day on which (i) EFi’s Infinity system and (ii) TARGET2 System or any successor to it are open.

“**Calculation Agent**” means Nordea Bank Abp, or any successor or assignee.

“**Capital Security**” means a debt instrument which has been issued by the Issuer subject to these Terms and Conditions.

“**Change of Control**” means the occurrence of an event or series of events whereby any person or group of persons acting in concert (other than the Republic of Finland), directly or indirectly, gains Control over the Issuer.

“**acting in concert**” means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition and/or possession by any of them, either directly or indirectly, of shares in the Issuer, to obtain or consolidate Control of the Issuer.

“**Clean-up Call Option Event**” shall have the meaning ascribed to it in Clause 7.4 (*Redemption due to a Withholding Tax Event, a Clean-up Call Option Event or a Voluntary Total Redemption Event*).

“**Control**” means either:

- (a) ownership of shares of the Issuer representing more than fifty (50) per cent of the total voting rights represented by the shares of the Issuer; or
- (b) capability of appointing the majority of the board of directors of the Issuer.

“**Corporate Restructuring Event**” means any reduction of the share capital pursuant to Chapter 14 of the Finnish Companies Act (including share premium fund and reserve fund pursuant to the Act on the Implementation of the Finnish Companies Act (625/2006, as amended, Fin: *laki osakeyhtiölain voimaannpanosta*), amendment of the Issuer’s Articles of the Association pursuant to Chapter 14, Section 7 of the Finnish Companies Act, merger or demerger, pursuant to Chapter 16 or Chapter 17 of the Finnish Companies Act or similar creditor protection mechanisms that may become applicable on the Issuer.

“**Deferred Interest**” shall have the meaning ascribed to it in Clause 6.1 (*Cumulative Optional Interest Deferral and Optional Payment*).

“**Deferred Interest Payment Date**” means the earlier of:

- (a) the Interest Payment Date on which the Issuer elects to pay interest (other than Deferred Interest), in whole or in part, in respect of the Capital Securities;
- (b) the date on which the Issuer or any other issuer of, or obligor of, the New Capital Securities or other obligations referred to below makes a payment (provided that such payment is at the sole discretion of the Issuer or such other issuer or obligor) (i) in respect of any New Capital Securities (unless such payment is a compulsory interest payment or otherwise non-discretionary under the terms of the New Capital Securities) or (ii) in respect of any other obligations ranking *pari passu* with or junior to the Capital Securities, if any, or any guarantee thereof (with same ranking);

- (c) the Business Day falling on (or, if not, immediately after) the date on which any General Meeting of the Issuer approves a proposal of the Board of Directors regarding a distribution of dividend in any form and amount (excluding Minority Dividend whether proposed by the Board of Directors or not), or the Issuer makes payment of any nature on any share capital or securities ranking junior to the Capital Securities (such payment to be at the sole discretion of the Issuer); or
- (d) the Business Day falling on (or, if not, immediately after) the date on which any of the Issuer or any Group Company redeems, purchases or otherwise acquires any share capital or securities issued by it or other obligations owed by it (other than the Capital Securities), in each case ranking (in bankruptcy, liquidation and company reorganization of the Issuer or such other Group Company) junior to or *pari passu* with the Capital Securities, if any (unless such redemption, purchase or acquisition is compulsory or non-discretionary for the Issuer or such Group Company under the applicable terms or unless the shares or securities are acquired for the purpose of allocating such shares or securities in accordance with the terms and conditions of any share-based incentive scheme of the Issuer aimed at its employees, or unless the relevant securities are redeemed, purchased or acquired in an intragroup transaction (or transactions) by the Issuer from another Group Company or, if the acquirer is a Group Company, from the Issuer).

“**EFi**” means Euroclear Finland Ltd, the Finnish central securities depository in respect of the Capital Securities.

“**EUR**”, “**euro**” and “**€**” means (i) the single currency of the participating member states of the European Economic and Monetary Union or (ii) in the event the Republic of Finland having ceased for whatever reason to adopt the euro as its currency, such currency the Republic of Finland has adopted as its currency instead of the euro. Any amount in euro in this Agreement shall be converted into the currency the Republic of Finland has adopted as its currency in accordance with the applicable legislation in Finland.

“**Extraordinary Resolution**” shall have the meaning ascribed to it in Clause 13 (*Holders’ Meeting and Written Procedure*).

“**Finnish Companies Act**” means the Finnish Companies Act (624/2006, as amended from time to time, Fin: *osakeyhtiölaki*).

“**Fixed Day Count Fraction**” means (a) the actual number of days in the period from (and including) the date from which the interest began to accrue for the relevant period of calculation (the “**accrual date**”) to (but excluding) the date on which it falls due divided by (b) the actual number of days from and including the accrual date to (but excluding) the next following Interest Payment Date.

“**Further Capital Securities**” has the meaning given to it in Clause 16 (*Further Issues*).

“**Group Company**” means, in relation to the Issuer, any Finnish or foreign legal entity which at any time is a subsidiary of the Issuer, directly or indirectly.

“**Holder**” means a person that is either a direct owner or nominee registered on a Book-Entry Account as holder of any Capital Securities.

“**Holders’ Meeting**” means a meeting of Holders held in accordance with Clause 13 (*Holders’ Meeting and Written Procedure*).

“**IFRS**” means international accounting standards as adopted by the European Union.

“**Initial Fixed Interest Rate**” means, in relation to each Interest Period from and including the Issue Date to, but excluding, the Step-up Date, 10.250 per cent per annum.

“**Interest Payment Date**” means, until the Step-up Date, 3 September in each year with the first Interest Payment Date being 3 September 2021.

“**Interest Period**” means each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date or, in respect of the last Interest Period, the Redemption Date (whether or not an Interest Payment Date).

“**Interest Rate**” means before (but excluding) the Step-up Date, the Initial Fixed Interest Rate and from (and including) the Step-up Date, the Prevailing Fixed Interest Rate (as applicable).

“Investment Grade Credit Rating” means the rating assigned to the senior unsecured debt of the Issuer by any Rating Agency that is Baa3, BBB- or its equivalent for the time being or better.

“Issue Date” means 3 September 2020.

“Issue Price” means 100 per cent.

“Issuer” means Finnair Plc, Business Identity Code 0108023-3.

“Issuer Subordinated Indebtedness” means any obligation of the Issuer (including any guarantee or indemnity), whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of voluntary or involuntary liquidation, bankruptcy or company reorganization of the Issuer to the claims of all other subordinated creditors of the Issuer, but which by their terms as at their original issue date are expressed to rank, or pursuant to applicable Finnish law rank, senior to all capital securities, including the Capital Securities issued or guaranteed by the Issuer.

“Minority Dividend” means the distribution of a dividend pursuant to a resolution by the Issuer (i) in accordance with the Finnish Companies Act and based on a demand made by shareholders attending in an Annual General Meeting of the shareholders and representing at least 10 per cent of all shares of the Issuer or (ii) in accordance with a proposal made by the Board of Directors which proposal is based on a claim for minimum dividend pursuant to the Finnish Companies Act made by shareholders representing at least 10 per cent of all shares of the Issuer. Such claim shall be made before the Annual General Meeting makes a decision on the use of the profit funds.

“New Capital Securities” means any capital securities of, or guaranteed by, the Issuer which securities and/or guarantee are expressed to rank (in bankruptcy, liquidation and company reorganization of the Issuer) junior to Issuer Subordinated Indebtedness and *pari passu* with or junior to the Capital Securities.

“Nominal Amount” means the nominal amount and book-entry unit of each Capital Security, being EUR 20,000.

“Prevailing Fixed Interest Rate” means in relation to each Interest Period commencing on or after the Step-up Date, a percentage rate per annum which is the aggregate of (i) the Initial Fixed Interest Rate and (ii) five (5) per cent per annum.

“Rating Agency” means any of Moody’s Investors Service Limited (or any of its subsidiaries or any successor in business thereto from time to time), S&P Global Ratings Europe Limited (or any of its subsidiaries or any successor in business thereto from time to time), or Fitch Ratings Limited (or any of its subsidiaries or any successor in business thereto from time to time).

“Redemption Date” means the date on which the Capital Securities will be redeemed pursuant to these Terms and Conditions.

“Replacing Capital Event” means one or more issuances of share capital by the Issuer during the period from (and including) the Issue Date to (but excluding) the Step-up Date the aggregate proceeds of which (net of commissions) are equal to or greater than the outstanding aggregate amount of the Capital Securities provided that such proceeds have not been used, directly or indirectly, to repurchase or redeem, or make any payments in respect of, any shares or securities of the Issuer which rank (in bankruptcy, liquidation and company reorganization of the Issuer) *pari passu* with, or junior, to the Capital Securities.

“Step-up Date” means 3 September 2023.

“TARGET Settlement Day” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **“TARGET2 System”**) is open.

“Taxes” shall have the meaning ascribed to it in Clause 8 (*Taxation*).

“Tax Event” means the receipt by the Issuer of an opinion of counsel in Finland (reputable and experienced in such matters) to the effect that, as a result of (a) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of Finland affecting taxation, (b) any governmental action or (c) any amendment to, clarification of, or change in the official position or the interpretation of such governmental action or any interpretation or pronouncement that provides for a position with respect to such governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court,

governmental authority or regulator body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective or such pronouncement or decision is announced on or after the Issue Date, there is a sufficiently certain risk that (i) the Issuer is, or will be, subject to more than a *de minimis* amount of other taxes, duties or other governmental charges or civil liabilities with respect to the Capital Securities (other than, for the avoidance of doubt, a Withholding Tax Event) or (ii) the treatment of any of the Issuer's items of income or expense with respect to the Capital Securities as reflected in the tax returns (including estimated returns) filed (or to be filed) by the Issuer will not be accepted by a taxing authority, which subjects the Issuer to more than a *de minimis* amount of additional taxes, duties or other governmental charges, which in either such case cannot be avoided by the Issuer taking measures reasonably available to it.

"Voluntary Total Redemption" shall have the meaning ascribed to it in Clause 7.4 (*Redemption due to a Withholding Tax Event, a Clean-up Call Option Event or a Voluntary Total Redemption Event*).

"Withholding Tax Event" shall have the meaning ascribed to it in Clause 7.4 (*Redemption due to a Withholding Tax Event, a Clean-up Call Option Event or a Voluntary Total Redemption Event*).

"Written Procedure" means the written or electronic procedure for decision making among the Holders in accordance with Clause 13 (*Holders' Meeting and Written Procedure*).

1.2 **Interpretations**

- 1.2.1 Any reference in these Terms and Conditions to principal or principal amount in respect of the Capital Securities shall be deemed to include:
- (a) any Additional Amounts which may be payable with respect to principal; and
 - (b) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Capital Securities.
- 1.2.2 Any reference in these Terms and Conditions to interest in respect of Capital Securities shall be deemed to include:
- (a) any Deferred Interest (including any interest on Deferred Interest as calculated in accordance with Clause 6.1 (*Cumulative Optional Interest Deferral and Optional Payment*)); and
 - (b) any Additional Amounts which may be payable with respect to interest.
- 1.2.3 Any reference in these Terms and Conditions to bankruptcy, liquidation and company reorganization shall mean the Finnish law concepts *konkurssi*, *purkaminen* and *yrittysaneeraus* as such concepts are applied from time to time pursuant to Finnish law.

2. **The Capital Securities and Obligation to Pay**

- 2.1 The aggregate amount of the Capital Securities (subject to the issue of any Further Capital Securities pursuant to Clause 16 (*Further Issues*)) is EUR 200,000,000 and is represented by the Capital Securities, each in the Nominal Amount. The Capital Securities were offered for subscription in a minimum amount of EUR 100,000. Each Capital Security is freely transferable after it has been registered into the respective book-entry account.
- 2.2 The Issuer undertakes, pursuant to these Terms and Conditions, to redeem the Capital Securities, to pay interest on the Capital Securities and to otherwise comply with these Terms and Conditions.

3. **Status and Subordination**

- 3.1 The Capital Securities (including the obligation to pay interest thereon) constitute unsecured and subordinated obligations of the Issuer. In the event of a voluntary or involuntary liquidation, a bankruptcy or a company reorganization of the Issuer, the rights of the Holders to payments of the principal amount of the Capital Securities, Accrued Interest and any other amounts due in respect of the Capital Securities rank and will rank:
- (a) *pari passu* without any preference among themselves;

- (b) at least *pari passu* with any other present capital securities or future outstanding New Capital Securities of the Issuer;
 - (c) in priority to payments to holders of all classes of share capital of the Issuer in their capacity as such holders and any other obligation of the Issuer (including New Capital Securities) expressed by its terms as at its original issue date to rank, or pursuant to applicable Finnish law rank, junior to the Capital Securities; and
 - (d) junior in right of payment to the payment of any present or future claims (i) of all unsubordinated creditors of the Issuer, and (ii) of all creditors of the Issuer in respect of Issuer Subordinated Indebtedness, if any.
- 3.2 Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of or arising under or in connection with the Capital Securities and each Holder shall, by virtue of its holding of any Capital Security, be deemed to have waived all such rights of set-off, compensation or retention.
- 3.3 The Capital Securities rank and will rank *pari passu* with all existing capital securities issued by the Issuer prior to the Issue Date.

4. Registration and Issuance of Capital Securities

The Capital Securities will be registered on behalf of the Holders on Book-Entry Accounts by the Issue Date in accordance with the Act on the Book-Entry System and Clearing Operations and the Act on Book-Entry Accounts and the rules and regulations of EFi and title to the Capital Securities will be evidenced by such registration. The Capital Securities are not freely transferable until they have been registered in a Book-Entry Account and transfers of Capital Securities may only be effected through, and title thereto will only pass upon, registration and transfer in such Book-Entry Accounts. No physical certificates or other documents of title will be issued in respect of the Capital Securities.

5. Interest

5.1 Initial Fixed Interest Rate

From (and including) the Issue Date to (but excluding) the Step-up Date, the Capital Securities bear interest on their outstanding principal amount at the Initial Fixed Interest Rate, subject to Clauses 6.3 (*Minority Dividend*) and 7.7 (*Change of Control*). Such interest will be payable (subject to the provisions contained in Clause 6.1 (*Cumulative Optional Interest Deferral and Optional Payment*)) annually in arrear on each Interest Payment Date. The interest payable shall be determined by the Calculation Agent by applying the Initial Fixed Interest Rate to the principal amount of such Capital Security, multiplying the product by the Fixed Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

5.2 Prevailing Fixed Interest Rate

From (and including) the Step-up Date, the Capital Securities bear interest on their outstanding principal amount at the Prevailing Fixed Interest Rate, subject to Clauses 6.3 (*Minority Dividend*) and 7.7 (*Change of Control*). Such interest will be payable (subject to the provisions contained in Clause 6.1 (*Cumulative Optional Interest Deferral and Optional Payment*)) annually in arrear on each Interest Payment Date. The interest payable shall be determined by the Calculation Agent by applying the Prevailing Fixed Interest Rate to the principal amount of such Capital Security, multiplying the product by the Fixed Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

5.3 Calculation Agent

The calculations and determinations made by the Calculation Agent shall (save for any manifest error) be final and binding upon all parties. The Calculation Agent shall have no responsibility for good faith errors or omissions in any calculation made by it as provided herein.

6. Interest Payment and Deferral

6.1 Cumulative Optional Interest Deferral and Optional Payment

- 6.1.1 The Issuer may, in its sole discretion but subject to Clauses 6.1.2, 6.1.3 and 6.1.4, elect to defer any interest payment which would otherwise be due on any Interest Payment Date (in whole or in part). Any interest in respect of any Capital Security due but not paid on an Interest Payment Date shall constitute “**Deferred Interest**.” If there are several amounts of Deferred Interest they shall accumulate until paid in full on the first Deferred Interest Payment Date following such Interest Payment Date.

If the Issuer makes only a partial payment of interest on any Interest Payment Date, such amount shall be applied equally to each Capital Security.

- 6.1.2 If any of the events referred to in sub-clauses (b), (c) or (d) of the definition of Deferred Interest Payment Date has occurred during the twelve (12) months immediately preceding an Interest Payment Date, the Issuer may not defer an interest payment due on such Interest Payment Date in accordance with Clause 6.1.1.

- 6.1.3 Each amount of Deferred Interest shall bear interest (as if it constitutes a principal amount) at an Interest Rate which equals the then current Interest Rate on the Capital Securities. Deferred Interest shall not be capitalized to the principal amount of the Capital Securities.

- 6.1.4 The Issuer shall:

- (a) if it wishes to elect to defer any interest payment, as soon as practicable and in any event not less than twenty (20) Business Days prior to the relevant Interest Payment Date; or
- (b) in respect of any payment of Deferred Interest on a Deferred Interest Payment Date, as soon as practicable,

in the case of (a), give notice of such election (which shall be irrevocable) or, in the case of (b), give notice of such Deferred Interest Payment Date (which, save as provided above, shall be irrevocable) to the Calculation Agent and the Holders.

- 6.1.5 Deferred Interest may be paid, in whole or in part, at any time at the option of the Issuer following delivery of a notice given by the Issuer to the Calculation Agent and the Holders not less than seven (7) Business Days prior to the date (to be specified in such notice) on which the Issuer will pay such Deferred Interest.

6.2 Compulsory Interest Payment

The Issuer shall pay the Deferred Interest (including interest accrued thereon) in whole on the next following Deferred Interest Payment Date. If a Deferred Interest Payment Date is a result of an event referred to in sub-clauses (c) or (d) of the definition of Deferred Interest Payment Date, Deferred Interest shall be deemed to have become due on the Business Day immediately preceding the date of such event.

6.3 Minority Dividend

If there is any unpaid Deferred Interest at the time when the Issuer declares a dividend which constitutes a Minority Dividend, the Interest Rate applicable to the Capital Securities shall be increased by an additional margin of five (5.00) per cent per annum applicable as from the date on which such dividend is declared. The increased Interest Rate shall apply also to the current amount of Deferred Interest and any further Deferred Interest to the extent that the Issuer defers any interest payment after the declaration of a dividend which constitutes a Minority Dividend. The increased Interest Rate shall apply until the next following Deferred Interest Payment Date provided the payment of any and all unpaid Deferred Interest is made on such date.

7. Redemption and Purchase

7.1 No maturity

The Capital Securities do not have any specified maturity date and may not be called for repayment, repaid or redeemed otherwise than in accordance with these Terms and Conditions.

7.2 ***Redemption due to a Tax Event or an Accounting Event***

Upon the occurrence of a Tax Event or an Accounting Event, the Issuer may, if it gives not less than thirty (30) nor more than sixty (60) days' notice to the Calculation Agent and the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the Capital Securities in whole, but not in part, at any time after the occurrence of the relevant event, at (i) where such redemption occurs before the Step-up Date, an amount equal to 101 per cent of their Nominal Amount and (ii) where such redemption occurs on or after the Step-up Date, an amount equal to 100 per cent of their Nominal Amount, in each case, together with any Accrued Interest to but excluding the date of redemption.

7.3 ***Redemption due to a Replacing Capital Event or a Corporate Restructuring Event***

Upon the occurrence of a Replacing Capital Event or a Corporate Restructuring Event, the Issuer may, if it gives not less than thirty (30) nor more than sixty (60) days' notice to the Calculation Agent and the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the Capital Securities in whole, but not in part, at any time after the occurrence of such event, at (i) where such redemption occurs before the Step-up Date, an amount equal to 103 per cent of their Nominal Amount and (ii) where such redemption occurs on or after the Step-up Date, an amount equal to 100 per cent of their Nominal Amount, in each case, together with any Accrued Interest to but excluding the date of redemption.

7.4 ***Redemption due to a Withholding Tax Event, a Clean-up Call Option Event or a Voluntary Total Redemption Event***

7.4.1 Unless notice of redemption has been given pursuant to Clause 7.2 (*Redemption due to a Tax Event or an Accounting Event*) above, the Issuer may, if it gives not less than thirty (30) nor more than sixty (60) days' notice to the Calculation Agent and the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the Capital Securities in whole, but not in part, at any time, if:

(a) on the occasion of the next payment due under the Capital Securities, the Issuer has or (as evidenced by an opinion of a tax counsel in Finland (reputable and experienced in such matters)) will become obliged to pay Additional Amounts as a result of any change in, or amendment to, the laws or regulations of Finland or any political subdivision thereof or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

(a "**Withholding Tax Event**") provided that no such notice of redemption shall be given earlier than ninety (90) days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts in relation to a payment in respect of the Capital Securities then due.

7.4.2 Unless notice of redemption has been given pursuant to Clause 7.2 (*Redemption due to a Tax Event or an Accounting Event*) above, the Issuer may, if it gives not less than thirty (30) nor more than sixty (60) days' notice to the Calculation Agent and the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the Capital Securities in whole, but not in part, if, at any time, the outstanding aggregate principal amount of the Capital Securities is equal to or less than 25 per cent of the aggregate principal amount of the Capital Securities initially issued (which shall include, for these purposes, any Further Capital Securities) (a "**Clean-up Call Option Event**").

7.4.3 Unless notice of redemption has been given pursuant to Clause 7.2 (*Redemption due to a Tax Event or an Accounting Event*) above, the Issuer may, if it gives not less than thirty (30) nor more than sixty (60) days' notice to the Calculation Agent and the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the Capital Securities in whole, but not in part, at any time from and including the first Business Day falling three (3) months prior to the Step-up Date to, but excluding, the Step-up Date (a "**Voluntary Total Redemption Event**").

7.4.4 Capital Securities redeemed pursuant to this Clause 7.4 will be redeemed at their Nominal Amount, together with any Accrued Interest to, but excluding the date of redemption.

7.5 *Redemption at the Option of the Issuer*

The Issuer may, by giving not less than thirty (30) nor more than sixty (60) days' notice to the Calculation Agent and the Holders (which notice shall be irrevocable and specify the date fixed for redemption), elect to redeem all but not some only, of the Capital Securities on the Step-up Date or on any Interest Payment Date thereafter at their Nominal Amount, together with any Accrued Interest to, but excluding the date of redemption.

7.6 *Purchases*

The Issuer or any Group Company may at any time purchase Capital Securities in any manner and at any price. If purchases are made by tender, tenders must be available to all Holders alike. The repurchased Capital Securities may be resold or nullified.

7.7 *Change of Control*

Upon the occurrence of a Change of Control, the Issuer may, if it gives not less than thirty (30) nor more than sixty (60) days' notice as from the date of such Change of Control to the Calculation Agent and the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption which shall be no later than the date which is six (6) months after the date of the Change of Control), redeem the Capital Securities in whole, but not in part, at their Nominal Amount, together with any Accrued Interest. Such notice shall also specify the nature of the Change of Control, the circumstances giving rise to it and the date on which it became effective.

If such notice is not published within such sixty (60) days of the Change of Control occurring, the Issuer will notify the Calculation Agent and the Holders, no later than sixty (60) calendar days following the effective Change of Control specifying the nature of the Change of Control, the circumstances giving rise to it and the date on which it became effective.

If, after the occurrence of a Change of Control, the Issuer has not redeemed the Capital Securities within six (6) months after the date of the Change of Control, the Interest Rate applicable to the Capital Securities (including any amount of current or future Deferred Interest) shall, subject to the following paragraph, be increased by an additional margin of 5.00 per cent per annum. This increase shall become effective on the date which is six (6) months after the date of the Change of Control.

The Interest Rate increase set out in the preceding paragraph shall not be applied if, prior to the date which is six (6) months after the date of the Change of Control, the Issuer has obtained an Investment Grade Credit Rating. The Issuer will notify the Calculation Agent and the Holders not later than ten (10) calendar days after the date which is six (6) months after the date of the Change of Control whether or not it has obtained such an Investment Grade Credit Rating.

7.8 *Redemption at the Option of the Issuer due to a Holder's Opposition of a Corporate Restructuring Event*

In the event that any Holder exercises its statutory right to oppose a Corporate Restructuring Event, the Issuer may, by giving not less than seven (7) days nor more than twenty-one (21) days prior to the date which is one (1) month from the due date for the exercise of such statutory right to oppose or the intended date of the consummation of the Corporate Restructuring Event (whichever is earlier), a written notice (which notice shall be irrevocable and specify the intended date of the consummation of the Corporate Restructuring Event) to the Calculation Agent and the Holder who has opposed the relevant Corporate Restructuring Event (the "**Redeemed Holder**"), redeem the Capital Securities held by the Redeemed Holder. In such case, the redemption shall take place at the Nominal Amount of the redeemed Capital Securities, together with any Accrued Interest. The Redeemed Holder is obliged to withdraw its notice of opposing the relevant Corporate Restructuring Event no later than seven (7) days prior to the date which is one (1) month from the due date for the exercise of such statutory right to oppose or the intended date of the consummation of the Corporate Restructuring Event (whichever is earlier), as specified in the Issuer's notice at the latest and the Issuer shall pay the Redeemed Holder the relevant redemption amount in accordance with Clause 9 (*Payments of Principal and Interest*) below no later than on the date that the Corporate Restructuring Event is consummated. Further, without prejudice to the Redeemed Holder's primary obligation to withdraw its notices opposing the relevant Corporate Restructuring Event, the Redeemed Holder has by these Terms and Conditions irrevocably authorized the Issuer to represent it with respect to the Trade Register maintained by the Finnish Patent and Registration Office at any time

after the relevant Redemption Date in order to withdraw such notices opposing the relevant Corporate Restructuring Event following the payment of the relevant redemption amount.

7.9 ***Irrevocable Notices and Redemption Process***

Upon the expiry of any notice as referred to in Clauses 7.2 (*Redemption due to a Tax Event or an Accounting Event*), 7.3 (*Redemption due to a Replacing Capital Event or a Corporate Restructuring Event*), 7.4 (*Redemption due to a Withholding Tax Event, a Clean-up Call Option Event or a Voluntary Total Redemption Event*), 7.5 (*Redemption at the Option of the Issuer*), 7.7 (*Change of Control*) and 7.8 (*Redemption at the Option of the Issuer due to a Holder's Opposition of a Corporate Restructuring Event*) above, the Issuer shall be bound to redeem the Capital Securities in accordance with the terms of such Clause.

Upon the redemption of the Capital Securities the Issuer is entitled to have the Capital Securities debited from the relevant Book-Entry Accounts without any further consent from the Holders. The Issuer shall be entitled to carry out the redemption in the manner chosen by the Issuer at its sole discretion under the Act on the Book-Entry System and Clearing Operations and the Act on Book-Entry Accounts and the rules and regulations of EFi.

7.10 ***Additional Conditions to Redemption***

The Capital Securities may only be redeemed pursuant to Clauses 7.2 (*Redemption due to a Tax Event or an Accounting Event*), 7.3 (*Redemption due to a Replacing Capital Event or a Corporate Restructuring Event*) and 7.4 (*Redemption due to a Withholding Tax Event, a Clean-up Call Option Event or a Voluntary Total Redemption Event*) above, as the case may be, if the Issuer has delivered a certificate signed by two of its authorized signatories to the Calculation Agent (and copies thereof will be available at the Calculation Agent's specified office during its normal business hours) not less than five (5) Business Days prior to the date set for redemption that the Tax Event, Accounting Event, Corporate Restructuring Event, Withholding Tax Event, Replacing Capital Event, Clean-up Call Option Event or Voluntary Total Redemption Event, as the case may be, has occurred or (other than in the case of the Replacing Capital Event) will occur no more than ninety (90) days following the date fixed for redemption, as the case may be.

8. **Taxation**

All payments in respect of the Capital Securities by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of Finland or any political subdivision of, or any authority in, or of, Finland having power to tax, unless the withholding or deduction of the Taxes is required by Finnish law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Holders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Capital Securities in the absence of the withholding or deduction (such amounts being "**Additional Amounts**"), except that no Additional Amounts shall be payable in relation to any payment in respect of any Capital Security:

- (a) to, or to a third party on behalf of, a Holder who is liable to Taxes in respect of the Capital Security by reason of it having some connection with Finland other than the mere holding of the Capital Security; or
- (b) to, or to a third party on behalf of, a Holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority.

9. **Payments of Principal and Interest**

- 9.1 Payment of principal and interest shall be made to the Holders who in accordance with the Act on the Book-Entry System and Clearing Operations and the Act on Book-Entry Accounts and the rules and regulations of EFi are entitled to receive such payments and the payments shall be carried out in the manner provided in such Acts and regulations.

- 9.2 Except as otherwise provided in these Terms and Conditions, if a payment is due on a day which is not a Business Day, the due date for that payment shall instead be the following Business Day and the relevant Holder shall not be entitled to any interest or other sums in respect of such postponed payment.
- 9.3 If both the principal amount and interest are due and payable and the available funds are insufficient to discharge all the amounts due and payable, the available funds shall first be applied towards payment of interest and secondly, towards payment of the principal amount and shall be applied pro rata among the Holders.
- 9.4 Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Clause 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations or agreements thereunder or official interpretations thereof), or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement) (collectively, “**FATCA**”).

10. Default Interest

- 10.1 If the Issuer fails to pay any amount due in accordance with these Terms and Conditions, the Issuer shall, for the period commencing on the date such payment was due and ending on the date of actual payment, pay default interest on the overdue amount at a rate corresponding to eight (8) per cent per annum. Accrued default interest shall not be capitalized.
- 10.2 If the delay is due to an existence of an obstacle for any one of the Calculation Agent or EFi, respectively, referred to in Clause 18 (*Limitation of Liability*), the default interest shall not accrue nor become payable.

11. Prescription

The right to receive payment in respect of principal and interest on the Capital Securities will become void unless claimed by the relevant Holder, in respect of principal, within three (3) years from the relevant Redemption Date and, in respect of interest, within three (3) years from the relevant Interest Payment Date or the relevant Deferred Interest Payment Date on which interest became due.

12. Enforcement Events

- 12.1 There are no events of default in respect of the Capital Securities.
- 12.2 However, if proceedings are commenced for the dissolution, bankruptcy or liquidation of the Issuer, or a court or agency or supervisory authority in Finland (having jurisdiction in respect of the same) shall have instituted a proceeding or entered a decree of order for the appointment of a bankruptcy administrator or liquidator in any bankruptcy or liquidation of the Issuer, and such proceedings, decree or order shall not have been vacated or shall have remained in force, undischarged or unstayed for a period of thirty (30) days, each Holder may (i) give notice to the Issuer that the Capital Securities of such Holder are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with Accrued Interest and (ii) institute steps in order to obtain a judgement against the Issuer for any amounts due in respect of the Capital Securities of such Holder if the Issuer is declared bankrupt or put into liquidation by a competent court.
- 12.3 For the avoidance of doubt, the above shall not apply to (i) the institution of, or petition for, a company reorganization (Fin: *yrittys saneeraus*) or (ii) a dissolution resulting from a Corporate Restructuring Event.
- 12.4 If the Issuer fails to pay any principal or interest (as referred to in Clause 6.2 (*Compulsory Interest Payment*)) which has become due and payable in respect of the Capital Securities, each Holder may institute such steps as it considers desirable with a view to obtaining a judgement against the Issuer for any amounts due to such Holder or having the Issuer declared bankrupt, put into liquidation or subjected to a company reorganization, if such steps are available under applicable law. The Holder shall not be able to declare the principal amount of the Capital Securities due and repayable by reason of any such failure to pay interest.

- 12.5 No remedy against the Issuer, other than as provided above or proving or claiming in the bankruptcy, liquidation or company reorganization of the Issuer in Finland or elsewhere, shall be available to the Holders, whether for the recovery of amounts owing in respect of the Capital Securities or in respect of any breach by the Issuer of any of its obligations or undertakings with respect to the Capital Securities.

13. Holders' Meeting and Written Procedure

- 13.1 The Issuer may, and shall upon the written request of Holders holding not less than one-tenth (1/10th) of the Adjusted Nominal Amount at the time of the request, convene a Holders' Meeting or arrange a Written Procedure. The person requesting the decision may suggest the method for decision-making (being either Holders' Meeting or Written Procedure), but if it is in the Issuer's opinion more appropriate that a matter is dealt with at a Holders' Meeting or by way of a Written Procedure, the Issuer shall have the right to decide the method of decision-making. The Holders' Meeting shall be held at a venue determined by the Issuer provided that the venue shall be in Helsinki, Finland.
- 13.2 The Issuer, the Holders, EFi and the Calculation Agent shall be given notice to attend a Holders' Meeting at least ten (10) Business Days before such meeting. The notice to attend shall be given in accordance with Clause 14 (*Notices*) and it shall contain (i) the time and venue for the meeting and (ii) an agenda of the matters to be addressed and, as the case may be, resolved, at the meeting as well as (iii) any action required on the part of a Holder to attend the Holders' Meeting. No other matters than those referred to in the notice to attend may be resolved upon. The notice to attend shall specifically address that in the case of Capital Securities registered with a nominee, the underlying beneficiaries shall register their right to vote separately in order to be capable of casting votes at the meeting, in which case the nominee shall hold no voting rights in respect of such Capital Securities.
- 13.3 The Issuer shall instigate a Written Procedure no later than ten (10) Business Days after receipt of a valid request from the Holder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to those who, according to the register kept by EFi in respect of the Capital Securities, were Holders at the end of the fifth (5th) Business Day prior to the date on which the communication is sent. The notice to attend shall be given in accordance with Clause 14 (*Notices*) and it shall contain (i) each request for a decision by the Holders, (ii) a description of the reasons for each request, (iii) a specification of the Business Day at the end of which a person must be registered as a Holder in order to be entitled to exercise voting rights, (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Holder must reply to the request (such time period to last at least fifteen (15) Business Days from the communication pursuant to this Clause 13.3). If the voting is to be made electronically, instructions for such voting shall be included in the communication.
- 13.4 Representatives of the Holders, the Calculation Agent and the Issuer and their respective proxies and advisers, and, in the case of the Issuer, directors, the chief executive officer and other senior officers and external auditors of the Issuer, may attend a Holders' Meeting.
- 13.5 The Issuer shall appoint the chairman of the meeting, unless otherwise decided by the Holders' Meeting. The chairman shall prepare a list of present Holders setting out the proportion of the Adjusted Nominal Amount each Holder represents ("**Voting Register**"). The Voting Register shall be approved by the Holders' Meeting. Only those who, according to the register kept by EFi in respect of the Capital Securities, were Holders on the fifth (5th) Business Day prior to the Holders' Meeting, or proxies authorized by such Holders, shall, if holding any Adjusted Nominal Amount at the time of the meeting, be entitled to vote at the meeting and shall be registered in the Voting Register.
- 13.6 The chairman shall ensure that minutes are kept at the Holders' Meeting. The chairman shall record the date and place of the Holders' Meeting as well as resolutions adopted by the Holders' Meeting and results of voting. The Voting Register shall be incorporated in, or be attached to, the minutes. The minutes shall be signed by the keeper of the minutes. The minutes shall be attested by the chairman of the meeting, where the chairman has not kept the minutes, and by at least one Holder appointed by the meeting to attest the minutes. The minutes shall thereafter be provided to the Holders no later than seven (7) Business Days after the meeting. Should Holders' Meeting resolve to amend these Terms and Conditions, these Terms and Conditions as so amended shall be attached to the minutes and be provided by the Issuer to EFi. The minutes shall be safely kept by the Issuer.

13.7 The Holders' Meeting or the Written Procedure is quorate if Holders representing not less than one fifth (1/5th) of the Adjusted Nominal Amount are present or reply to the request (as applicable). However, in relation to resolutions in the following matters (an "**Extraordinary Resolution**"), the Holders' Meeting or Written Procedure is quorate only if Holders representing not less than one half (1/2) of the Adjusted Nominal Amount for which Holders are voting at a Holders' Meeting or for which Holders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 13.3:

- (a) approving a change of a Step-up Date, Redemption Date or Interest Payment Date or any other terms relating to interest, reduction or cancellation of the amount payable and change of the currency in which payments under the Capital Securities are to be made;
- (b) approving a substitution of the Issuer; and
- (c) amendment to this Clause 13.

However, any amendment to these Terms and Conditions (including substitution of the Issuer) shall be made in accordance with the Clause 15 (*Amendments*). For the sake of clarity, any resolution at a Holders' Meeting or in the Written Procedure, which extends or increases the obligations of the Issuer, or limits, reduces or extinguishes the rights or benefits of the Issuer (other than in accordance with these Terms and Conditions), shall be subject to the consent of the Issuer.

13.8 If quorum does not exist at the Holders' Meeting or in respect of a Written Procedure, the Issuer shall convene a second Holders' Meeting (in accordance with Clause 13.2) or initiate a second Written Procedure (in accordance with Clause 13.3), as the case may be, provided that the relevant proposal has not been withdrawn by the person(s) who initiated the procedure for Holders' consent. When an adjourned Holders' Meeting or Written Procedure resumes, the Holders' Meeting or the Written Procedure shall, if Holders representing not less than one tenth (1/10th) of the Adjusted Nominal Amount are voting at a Holders' Meeting or for which Holders reply in a Written Procedure (in accordance with the instructions given pursuant to Clause 13.3), be deemed quorate and resolutions may, also in respect of Extraordinary Resolutions, be adopted by a simple majority of the votes cast.

13.9 Resolutions at Holders' Meetings or in a Written Procedure shall be adopted by way of voting. Each Holder entitled to vote shall have one (1) vote for each Nominal Amount of the Capital Security held by it. The Issuer and any Group Company shall not hold voting rights at the Holders' Meeting nor in the Written Procedure. In the event of a tied vote, the chairman shall have the casting vote. An Extraordinary Resolution shall, subject to Clause 13.7, be valid only where supported by Holders representing not less than three-fourths (3/4th) of the votes cast at the Holders' Meeting or in the Written Procedure. In all other matters (including but not limited to actions to be taken upon an enforcement event), resolutions by the Holders' Meeting or Written Procedure shall be adopted by a simple majority of the votes cast.

13.10 Resolutions adopted at a duly convened and held Holders' Meeting or by way of a Written Procedure shall be binding on all Holders, whether or not present at the Holders' Meeting or replying to the Written Procedure and whether or not supporting the resolutions. No Holder shall be held responsible for any damage any resolution of a Holders' Meeting or by way of a Written Procedure may cause to another Holder.

13.11 If a Holders' Meeting is convened or a Written Procedure arranged for the approval of a Corporate Restructuring Event and a resolution to approve that Corporate Restructuring Event is adopted in accordance with this Clause 13, such resolution shall be binding on all Holders in accordance with Clause 13.10 and as a result of the adoption of such resolution each individual Holder shall be deemed to have waived its statutory right to oppose the Corporate Restructuring Event in question.

13.12 The Issuer shall reimburse all actual out-of-pocket costs and expenses incurred by the Calculation Agent and EFi in connection with a Holders' Meeting or a Written Procedure, regardless of who requested the meeting or procedure.

14. Notices

14.1 Notices concerning the Capital Securities (including calling Holders' Meetings and Written Procedure) shall be published (i) on the official website of the Issuer and (ii) by a press release or a stock exchange release, as appropriate under applicable law.

- 14.2 In addition to, or alternatively to, the procedure described in Clause 14.1 above, the Issuer may deliver notices concerning the Capital Securities in writing directly to Holders (*e.g.*, through EFi's book-entry system or account operators of the book-entry system).
- 14.3 Notices (including requests for Holders' Meetings and Written Procedures) shall be given to the Calculation Agent at the following address, or any substitute address notified to the Holders:

Nordea Bank Abp

2716 Securities Operations, Corporate Actions

Aleksis Kiven katu 9, VU3180

FI-00020 NORDEA

Finland

15. Amendments

- 15.1 All amendments to these Terms and Conditions (including without limitation to those set forth in Clause 13 (*Holders' Meeting and Written Procedure*)) with binding effect for all Holders, the Calculation Agent and the Issuer are possible only provided that such amendment has been duly approved by the Issuer and a Holders' Meeting or a Written Procedure in accordance with Clause 13 (*Holders' Meeting and Written Procedure*) or all Holders and the Issuer otherwise agree to such amendment.
- 15.2 Notwithstanding the foregoing, the Calculation Agent and the Issuer may, however, without the consent of the Holders, agree on (i) the replacement of the Calculation Agent or (ii) any amendment of these Terms and Conditions which is of a formal, minor or technical nature or which is made to correct a clear and manifest error.
- 15.3 The Issuer shall promptly notify the Holders of any amendments or waivers made in accordance with Clause 13 (*Holders' Meeting and Written Procedure*), setting out the date from which the amendment or waiver will be effective. The Issuer shall ensure that any amendments to these Terms and Conditions are duly registered with the EFi and each other relevant organization or authority.
- 15.4 An amendment to these Terms and Conditions shall, in the case of amendments resolved upon by a Holders' Meeting or by way of a Written Procedure, take effect on the date determined by the Holders Meeting or in the Written Procedure, or, in the case of amendments made by the Calculation Agent and the Issuer pursuant to Clause 15.2, on the date determined by the Calculation Agent and the Issuer.

16. Further Issues

The Issuer shall, from time to time and without the consent of the Holders, have the right to create and issue further capital securities ranking *pari passu* in all respects and having the same terms and conditions as the Capital Securities, other than the amount and date of the first payment of interest thereon, and so that the same shall be consolidated and form a single series with the outstanding Capital Securities ("**Further Capital Securities**"). For the avoidance of doubt, this Clause 16 shall not limit the Issuer's right to issue any other capital securities.

17. Nominee Registration and Right to Information

In respect of Capital Securities registered in the name of a nominee, the Act on the Book-Entry System and the Act on Book-Entry Accounts and the rules and regulations of EFi shall apply to the extent not validly otherwise provided in these Terms and Conditions. Notwithstanding any secrecy obligations, the Issuer and the Calculation Agent shall, subject to the rules of EFi and applicable laws, be entitled to obtain information on the Holders from EFi and EFi shall be entitled to provide such information to the Issuer. Furthermore, the Issuer and the Calculation Agent shall, subject to the rules of EFi and applicable laws, be entitled to obtain from EFi a list of the Holders, provided that it is technically possible for EFi to maintain such list. Each Holder shall be considered to have given its consent to actions described above by subscribing or purchasing a Note.

18. Limitation of Liability

- 18.1 None of the Issuer, the Calculation Agent and EFi (each a “**Protected Party**”) shall be held responsible for any damage arising out of any Finnish or foreign legal enactment, or any measure undertaken by a Finnish or foreign public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance. The reservation in respect of strikes, lockouts, boycotts and blockades applies even if a Protected Party takes such measures, or is subject to such measures.
- 18.2 Any damage that may arise in other cases shall not be compensated by any Protected Party if it has observed customary care. No Protected Party shall in any case be held responsible for any indirect damage, consequential damage and/or loss of profit.
- 18.3 Should there be an obstacle as described above for a Protected Party to take any action in compliance with these Terms and Conditions, such action may be postponed until the obstacle has been removed.
- 18.4 The provisions in this Clause 18 apply unless they are inconsistent with the provisions of the Act on the Book-Entry System and Clearing Operations, the Act on Book-Entry Accounts and the rules and regulations of EFi, which provisions shall prevail.

19. Governing Law and Jurisdiction

- 19.1 The Capital Securities and these Terms and Conditions shall be governed by and construed in accordance with Finnish law.
- 19.2 The courts of Finland, with the District Court of Helsinki (*Helsingin käräjäoikeus*) as the court of first instance, shall have non-exclusive jurisdiction in relation to any dispute arising out of or in connection with these Terms and Conditions or the Capital Securities (including a dispute regarding the existence, validity or termination of these Terms and Conditions or the Capital Securities).

20. ISIN

ISIN of the Capital Securities is FI4000441860.

OVERVIEW OF THE OFFERING AND THE CAPITAL SECURITIES

This overview is an overview of certain key features of the Offering and the Capital Securities. Any decision by an investor to invest in any Capital Securities should be based on a consideration of this Prospectus as a whole, including the information incorporated by reference herein.

*The Board of Directors of Finnair Oyj (the “**Issuer**”) has in its meeting on 17 August 2020 authorised the issuance of the Capital Securities being notes referred to in Section 34 of the Act on Promissory Notes (622/1947, as amended, *Fi: velkakirjalaki*). Based on the authorisation, the Issuer has on 3 September 2020 issued the Capital Securities.*

Words and expressions in this section shall have the meanings defined in the Terms and Conditions of the Capital Securities.

Issuer:	Finnair Plc, a public limited company incorporated in Finland.
Risk Factors:	Investing in the Capital Securities involves risks. The principal risk factors relating to the Issuer and the Capital Securities are discussed in the section “ <i>Risk Factors</i> ” of this Prospectus.
Joint Lead Managers:	Citigroup Global Markets Limited, Nordea Bank Abp and OP Corporate Bank plc.
Issuer Agent, Paying Agent and Calculation Agent:	Nordea Bank Abp.
Type and class of the Capital Securities:	Unsecured and subordinated perpetual capital securities of the Issuer.
Ranking of the Capital Securities:	The Capital Securities constitute unsecured, unguaranteed and deeply subordinated obligations of the Issuer ranking behind all claims of unsubordinated creditors of the Issuer and the claims of the creditors in respect of Issuer Subordinated Indebtedness, ranking <i>pari passu</i> among each other and with any present or future outstanding capital securities of the Issuer, and in priority to payments to the holders of all classes of share capital of the Issuer in their capacity as such holders and any other obligation of the Issuer expressed by its terms to rank junior to the Capital Securities.
Form of the Capital Securities:	Securities in dematerialised, book-entry form issued in the Infinity-book-entry securities system maintained by Euroclear Finland Oy.
ISIN of the Capital Securities:	FI4000441860.
LEI:	213800SB6EOB8SSK9W63.
Depository and settlement system:	Euroclear Finland Oy, Urho Kekkosen katu 5 C, FI-00100, Helsinki, Infinity book-entry securities system of Euroclear Finland Oy.
Issue Price and effective yield of the Capital Securities:	Issue price of 100 per cent, resulting in effective yield of 10.250 per cent per annum.
Minimum subscription amount:	EUR 100,000.
Denomination of a book-entry unit:	EUR 20,000.
Issue Date:	3 September 2020.
Step-up Date:	3 September 2023.

Interest on the Capital Securities:	<p>The Capital Securities bear interest (i) from (and including) the Issue Date to (but excluding) the Step-up Date at a fixed rate of 10.250 per cent per annum payable annually in arrears on 3 September in each year and commencing on 3 September 2021 and (ii) from (and including) the Step-up Date to (but excluding) the final redemption of the Capital Securities, at the Prevailing Fixed Interest Rate, as further described in Clause 5 (<i>Interest</i>) of the Terms and Conditions of the Capital Securities. The interest rate of the Capital Securities shall be increased in the case of a Minority Dividend or, in certain circumstances, following a Change of Control.</p> <p>The Issuer may, in its sole discretion but subject to Clauses 6.1.2, 6.1.3 and 6.1.4, elect to defer any interest payment which would otherwise be due on any Interest Payment Date (in whole or in part). Any interest in respect of any Capital Security due but not paid on an Interest Payment Date shall constitute "Deferred Interest." If there are several amounts of Deferred Interest they shall accumulate until paid in full on the first Deferred Interest Payment Date following such Interest Payment Date.</p>
Maturity:	The Capital Securities are undated securities with no specified maturity date.
Redemption:	The Issuer may, by giving not less than thirty (30) nor more than sixty (60) days' notice to the Calculation Agent and the Holders (which notice shall be irrevocable and specify the date fixed for redemption), elect to redeem all but not some only, of the Capital Securities on the Step-up Date or on any Interest Payment Date thereafter at their Nominal Amount, together with any Accrued Interest to, but excluding the date of redemption, or following a Tax Event, Accounting Event, Replacing Capital Event, Corporate Restructuring Event, Withholding Tax Event, Clean-up Call Option Event and Change of Control, as further described in the Clause 7 (<i>Redemption and Purchase</i>) of the Terms and Condition of the Capital Securities.
Purchases:	The Issuer or any Group Company may at any time purchase Capital Securities in any manner and at any price. If purchases are made by tender, tenders must be available to all Holders alike. The repurchased Capital Securities may be resold or nullified.
Guarantee:	None.
Rating:	None. A security rating is not a recommendation to buy, sell or hold securities and should be evaluated independently of any other rating. The rating is subject to revision or withdrawal at any time by the assigning rating organisation.
Publication date and investors:	The result of the Offering was announced on 27 August 2020 and the Capital Securities were allocated mainly to institutional investors.
Applicable law:	Finnish law.
Description of restrictions on free transferability of the Capital Securities:	Each Capital Security will be freely transferable after it has been registered into the respective book-entry account.
Listing:	Application has been made to have the Capital Securities listed on the Helsinki Stock Exchange. The Capital Securities are expected to be listed on the Helsinki Stock Exchange on or about 8 September 2020.

Interests of the participants of the Offering:	<p>Interests of the Joint Lead Managers: Business interest normal in the financial markets.</p> <p>Each of the Joint Lead Managers and/or their respective affiliates have performed, and may in the future perform, advisory, consulting and/or banking services for Finnair in the ordinary course of their business for which they have received, or will receive, customary fees and expenses. Furthermore, certain of the Joint Lead Managers or their respective affiliates have acted and may in the future act as arrangers, lenders or guarantors under certain facility agreements of Finnair for which they have received, or will receive, customary fees and expenses. For example, Nordea Bank Abp acted as the coordinating bookrunner and mandated lead arranger and OP Corporate Bank plc acted as bookrunner and mandated lead arranger for the Issuer's EUR 175 million syndicated revolving credit facility, which was signed on 18 January 2019 and has been amended on 15 May 2020, and Nordea Bank Abp has guaranteed 10 per cent of the principal of the Issuer's EUR 600 million pension premium loan from Ilmarinen Mutual Pension Insurance Company. In addition, the Joint Lead Managers also acted as dealer managers in a tender offer relating to the Issuer's capital securities issued in 2015. The Joint Lead Managers and their respective affiliates may hold long or short positions, and may trade or otherwise effect transactions, for their own account or the accounts of their customers, in debt or equity securities of the Issuer.</p>
Estimated total expenses related to the Offering and Listing:	The total estimated fees and expenses incurred in connection with the Offering and Listing and payable by the Issuer amount in aggregate to approximately EUR 2.3 million.
Estimated net amount of the proceeds:	The aggregate net proceeds to the Issuer from the Offering, after deduction of the fees and expenses payable by the Issuer, will be approximately EUR 197.7 million.
Reason for the issuance of the Capital Securities:	The reason for the issuance is to enable further financing and to meet the existing and future financing requirements of the Issuer. The proceeds have, on or about the issue date, been used for the financing of the redemption of the Issuer's existing capital securities.
Date of the entry of the Capital Securities to the book-entry system:	Capital Securities subscribed and paid for have been entered by the Issuer Agent to the respective book-entry accounts of the subscribers on 3 September 2020 in accordance with the Finnish legislation governing book-entry system and book-entry accounts as well as regulations and decisions of Euroclear Finland Oy.

INFORMATION ABOUT THE ISSUER

General Information about the Issuer

The corporate name of the Issuer is Finnair Plc and it is domiciled in Helsinki, Finland. The Issuer is a public limited liability company incorporated on 1 November 1923 in Finland and it is organised under the laws of Finland. The Issuer is registered with the Finnish Trade Register under the business identity code 0108023-3. The Issuer's legal entity identifier code (LEI) is 213800SB6EOB8SSK9W63. The registered address of the Issuer is Tietotie 9 A, FI-01530, Vantaa, Finland, and its telephone number is +358 600 081 881. In accordance with section 2 of the Issuer's Articles of Association, the Issuer's business is to operate an airline by transporting passengers, cargo and mail, and to buy, sell, import, export, transport, store, lease and repair aircraft and their parts and supplies, and to buy, sell, import, export, transport and store fuels and lubricants, and to provide hotel, forwarding, travel agency and other business operations relating to travelling and airline operations, as well as finance and insurance brokerage services and business operations related to the above. The Issuer may also engage in, or support, activities that are aimed at ensuring the acceptability, and thereby the long-term profitability, of its business by increasing the positive effects and reducing the negative effects of its business on the environment and society. The Issuer may conduct its business through subsidiaries, associated companies and joint ventures.

Finnair is the flag carrier of, and the largest airline in, Finland. Finnair's route network connects Europe, Asia and North America through its hub at Helsinki Airport. Finnair specialises in the transportation of passenger and cargo traffic between Asia and Europe, and also offers package tours under its Aurinkomatkat-Suntours and Finnair Holidays brands. During 2019, Finnair served 21 long-haul destinations in Asia, eight destinations in North America and over 100 destinations in Europe, totalling over 20,000 origin-destination city pairs.

The COVID-19 pandemic has heavily impacted the global aviation sector, as well as Finnair's operations. Airlines the world over were forced to significantly cut their capacity due to the travel restrictions and lack of demand. This also applied to Finnair and during the second quarter of 2020 Finnair operated a minimum network of only approximately 3 per cent of its capacity compared to the same period in 2019 (measured in Available Seat Kilometres (ASK)). Finnair has been gradually adding back frequencies and routes to its network, starting in July, when Finnair operated approximately 25 per cent of the amount of flights compared to July 2019. In July, Finnair operated on average approximately 90 flights per day to more than 30 destinations. In August, the number of daily flights was on average approximately 115. In September, Finnair currently expects the amount of flights to be approximately 20 per cent compared to September 2019. In September, the number of daily flights is expected to be on average approximately 85. However, there are uncertainties relating to the development of COVID-19 and the removal of travel restrictions. As a result, currently the outlook remains unclear.

Finnair is preparing for the future with different scenarios to quickly adapt its capacity to changing demand. In Europe and in Asia, countries are slowly and tentatively opening their borders and lifting travel restrictions. Finnair will keep adjusting the amount of flights according to demand as the year progresses depending on the development of the pandemic and travel restrictions.

Finnair's mission is to enable its passengers to connect and experience the world effortlessly and in a more sustainable way. Based on the Issuer's management's views, Helsinki's geographical location gives Finnair a competitive advantage, since the shortest great circle route between many European destinations and Asian megacities passes over Finland.

Finnair is part of the oneworld™ alliance, and it also has a deeper cooperation with some of its oneworld™ partners through its membership in the Siberian Joint Business (SJB) on flights between Europe and Japan and in the Atlantic Joint Business (AJB) on flights between Europe and North America. These joint businesses operate under immunised agreements regarding prices and capacity on specific routes. The membership in the oneworld™ alliance broadens Finnair's global network to more than one thousand destinations in more than 160 countries. Close cooperation with alliance partners - particularly in North American and Japanese traffic - is a priority for Finnair. According to the Issuer's management's views, membership in the oneworld™ alliance and joint businesses strengthen Finnair's market position and reduce the risks related to growth. Alliance partnerships and joint businesses make a significant contribution to Finnair's revenue. Before the COVID-19 pandemic, the Siberian Joint Business had a 23 per cent market share and the Atlantic Joint Business a 26 per cent market share in the

markets in which they operate.² Under these unprecedented circumstances, Finnair and its Joint Business partners are working closely together to ensure the continued delivery of efficiencies and customer benefits, despite the severely reduced capacity and revenue.

Finnair's revenue amounted to EUR 629.8 million for the six months ended 30 June 2020 and EUR 3,097.7 million for the year ended 31 December 2019. Finnair's first half of 2020 was impacted from February 2020 onwards by the COVID-19 pandemic, which led to travel restrictions, demand decline, and route and frequency cancellations in many countries worldwide. Consequently, the COVID-19 pandemic also had a negative impact on Finnair's Asian traffic figures starting in February, followed by the significant impact in all traffic areas in March.

Finnair has a clear strategy to reach its goal of sustainable, profitable growth. The foundation for the strategy lies in the high quality and safety of its operations, Helsinki's favourable geographic position, growing focus markets, clear goals to increase revenue, a modern, fuel-efficient fleet and focus on maintaining a strong balance sheet. Finnair is targeting Asian market level growth focusing primarily on the most profitable Asian mega cities and transfer traffic, however taking into account the impact of the COVID-19 pandemic as Finnair's management estimates that the recovery of airline traffic to pre-crisis levels will likely take 2–3 years.

Finnair is determined to continue on its long-term strategic path despite temporary adjustments related to the COVID-19 pandemic. Although Finnair is committed to Asian megacities and transfer traffic between Asia and Europe, Finnair will reassess the focus areas related to growth, network and fleet investments and their schedules in order to adjust its capacity to the prevailing demand. Finnair has five strategic focus areas, namely: network and fleet, operational excellence, modern premium airline, sustainability and culture and ways of working.

History and Development

Finnair, initially named Aero Ltd., is one of the world's oldest operating airlines. Aero Ltd. was established on 1 November 1923. Aero operated its flights from downtown Helsinki and during its first year, Aero carried a total of 269 passengers.

In 1953, Aero Ltd. started to use the name Finnair for marketing purposes, although the name remained Aero Ltd. until December 1968. In 1968, Finnair revealed its new logo and made the name change official. During the same year, Finnair carried one million passengers for the first time. In 1969, Finnair began flights from Helsinki via Copenhagen, Denmark and Amsterdam, the Netherlands, to New York, the United States.

Finnair's Asian expansion began with the start of its direct flights to Bangkok, Thailand in 1976 and flights to Tokyo, Japan in 1983 (at the time, Finnair was the only airline offering non-stop flights between Western Europe and Japan) and flights to Beijing, China in 1988 (Finnair was the first Western European airline to offer non-stop flights between Europe and China).

The Issuer's shares were listed on the Helsinki Stock Exchange on 26 June 1989. In 1997, Finnair's official name became Finnair Plc and, in 1999, Finnair joined the oneworldTM alliance as the first new member since the alliance was formed.

In 2002, Finnair began flights to Hong Kong. The route to Shanghai, China was opened in 2003, when Finnair was the only Northern European airline - as well as the only oneworldTM airline - to offer direct flights to Shanghai.

In 2005, Finnair placed an order for nine Airbus A350 aircraft. The long-haul fleet modernisation was initiated in 2007 by ordering new Airbus A330s and A340 wide-body aircraft to replace the MD-11 fleet.

In 2012, Finnair was the first carrier to open a non-stop route between Europe and Chongqing, China. In 2013, Finnair began direct flights to Hanoi, Vietnam and Xi'an, China and during that time, Finnair was the only European carrier offering direct connections between these two cities and Europe.

² Source: DDS (Direct Data Solutions Database provided by the International Aviation Transport Association (IATA) in cooperation with the Airlines Reporting Corporation (ARC)) passenger volume estimates for the last twelve months ended 30 March 2020.

In 2015, Finnair celebrated the arrival of the first A350 XWB aircraft and became the first airline in Europe with which the new aircraft, later labelled the A350-900, entered revenue service. As at 30 June 2020, Finnair's A350-900 fleet totalled 15 aircraft.

During recent years, Finnair's route network has expanded by several destinations. In 2016, Finnair began direct flights to Guangzhou and Fukuoka. In 2017, Finnair launched new seasonal scheduled flights to Puerto Vallarta in Mexico, Havana in Cuba, Goa in India, Puerto Plata in the Dominican Republic, San Francisco in the USA and Reykjavik in Iceland. During the same year, Finnair increased its passenger numbers by over one million and flew almost 12 million passengers. In 2018, Finnair began flights to Nanjing in China, Stuttgart in Germany, Lisbon in Portugal, Lyon in France and Minsk in Belarus. During 2019, Finnair opened a number of new routes to various locations. Such routes included, among others, a new route for the winter 2019/2020 season to Sapporo, Japan, a new weekly flight to Punta Cana in the Dominican Republic and three weekly flights to the new Beijing Daxing International Airport. Finnair also opened new routes in Europe including Bordeaux in France, Bologna in Italy and Trondheim in Norway, among others. In addition, Finnair opened a new route to Los Angeles and added flights to San Francisco and Chicago, which have increased Finnair's capacity in its North American network.

Recent Events

Measures Due to COVID-19 Pandemic

The COVID-19 pandemic has had a severe impact on demand for air travel, and several countries have implemented restrictions on travel, including air travel. At the date of this Prospectus, due to the negative impact of the COVID-19 pandemic on Finnair's financial condition, Finnair has been required to adjust its traffic program and resourcing to the reduced demand (see "*Summary of Recent Disclosures – COVID-19 Pandemic's Impacts on Air Travel and Finnair's Financial Condition*").

In late January 2020, Finnair started adapting its traffic program in response to the virus and it cancelled all flights to mainland China. In March, Finnair cancelled its daily flights to Seoul, South Korea, some of its flights to Osaka, Japan and postponed the opening of its new route to Busan, South Korea. Further, Finnair cancelled all flights to the US due to the US Government's travel restrictions and flights to Delhi, India due to the Indian Government's visa restrictions. Following an updated travel advisory from the Finnish Foreign Ministry, Finnair cancelled all of its flights between Helsinki, Finland and Milan, Italy. As a result of the cancellations, Finnair's customers can seek a full ticket refund, obtain a voucher for future travel or postpone their travel by contacting Finnair's customer services. As a result of the COVID-19 pandemic, Finnair has supported its customers, among others, by suspending the expiry of Finnair Plus points for the remainder of 2020 and extending the frequent flyer status by six months. The financial impact of these measures may not realise until the pace and volume of passenger demand recovery is known.

At the date of this Prospectus, countries in Europe and in Asia are gradually opening their borders and lifting travel restrictions. Finland has opened its borders for travel from several European countries, and allowed work-related travel from China, Japan, South Korea and Thailand as of 13 July 2020, and, as of 23 August 2020, Finland has re-introduced restrictions with respect to some European countries as well as Japan. As a result, only travellers from the countries for which such border restrictions are not applicable may enter Finland without mandatory quarantine requirements. Further, additional new travel restrictions have taken been imposed in August due to the increased number of infections in several countries, and, consequently, the situation continues to remain highly uncertain. Finnair will keep adjusting the amount of flights according to demand as the year progresses depending on the development of the pandemic and travel restrictions. Finnair currently expects to operate approximately 20 per cent (as compared to the comparable period in 2019) of its flights in September, however the number of flights depends on the development of travel restrictions and demand. On the date of this Prospectus, Finnair is flying 80–100 one-way flights per day to domestic, European and Asian destinations.

On 20 July 2020, Finnair announced that it has received permission from Chinese authorities to begin operating one weekly flight as of 23 July 2020 between Helsinki and Shanghai with its Airbus A350 aircraft. Finland has opened its borders for work-related travel from China, but entry to Finland is still restricted for the time being pending an EU level decision on reciprocity.

In addition to the cancellation of flights, Finnair has adjusted its resourcing and other costs in order to mitigate the effects of the COVID-19 pandemic. Finnair has negotiated temporary layoffs for up to a 90-day period, affecting all Finnair personnel based in Finland. In addition, Finnair has negotiated with its employees on possible additional layoffs. On 25 August 2020, Finnair announced that it had started co-operation negotiations on regarding its plan

to reduce up to 1,000 jobs, to make other structural changes and to implement additional temporary layoffs due to the impact of the COVID-19 pandemic. The co-operation negotiations concern approximately 2,800 employees working at Finnair in Finland, and similar processes are being conducted in Finnair's units abroad. As at the date of this Prospectus Finnair employs approximately 6,200 employees in Finland. In addition to the planned personnel reductions, Finnair intends to continue to apply temporary layoffs for practically all its personnel in Finland. The temporary layoffs can be either for fixed term or until further notice. The plans for permanent reduction are not applicable to Finnair's flight personnel in Finland.

In addition, Finnair has undertaken measures to adjust its network and capacity to decrease flight-related costs, such as jet fuel, airport and other fees, in accordance with the capacity development. Finnair is also looking into adjusting its other costs with measures relating to personnel, sales and marketing activities, development initiatives and other projects as well as layoffs affecting Finnair's entire workforce.

Finnair will adjust its volume-driven costs in line with the significantly reduced demand due to the COVID-19 pandemic. In 2019, volume-driven costs represented approximately 60 per cent of Finnair's total cost base. In addition, Finnair targets an approximately EUR 100 million reduction to its permanent cost base by 2022 compared to 2019 levels. Finnair seeks savings in, for example, real estate, aircraft leasing, IT, sales and distribution and administration costs, as well as compensation structures. Further, Finnair will continue streamlining its operations as well as the digitalisation and automation of its customer processes. Finnair will also renegotiate its supplier and partner agreements. In addition, it is initially estimated that up to 1,000 jobs could be reduced due to the COVID-19 pandemic and that the indefinite, as well as temporary, lay-offs will continue.

Finnair's current plan assumes that air traffic will recover to the 2019 level in 2–3 years, though this assumes that the trajectory of this recovery will likely be steeper towards the end of such period. Should the competitive environment turn out to be more challenging or the demand softer than currently estimated, Finnair may take further actions, if required.

Available credit lines included in Finnair's funding plan consist of a revolving credit facility totalling EUR 175 million, which as of the date of this Prospectus has been fully drawn. On 27 May 2020, Finnair signed a EUR 600 million pension premium loan agreement with Ilmarinen Mutual Pension Insurance Company. The State of Finland has guaranteed 90 per cent of the pension premium loan's principal, and the Finnish Government approved the guarantee on 20 May 2020. Nordea Bank Abp has guaranteed 10 per cent of the pension premium loan's principal. The guarantees of the pension loan are in place for the whole three-year tenor. The pension premium loan can be drawn in any amount under its current terms prior to the end of 2020, if necessary, and thereafter with updated terms. EUR 200 million of the loan was drawn in June 2020. With the loan backed by the state guarantee, Finnair aims to further solidify its cash position and business continuity even if the COVID-19 pandemic prevails for longer than currently anticipated. Finnair's plan also includes secured financing arrangements of selected unencumbered aircraft.

Following a substantial fall in demand, Finnair has announced that Finnair's revenue will decrease significantly in 2020 compared to 2019, and the comparable operating loss will be significant in the financial year 2020 (see *"Summary of Recent Disclosures – COVID-19 Pandemic's Impacts on Air Travel and Finnair's Financial Condition"* and section *"– Outlook"* below).

On 10 June 2020, the Board of Directors of the Issuer resolved to approve a fully underwritten rights offering of approximately EUR 500 million to strengthen Finnair's equity and liquidity position in the exceptional situation caused by the COVID-19 pandemic as well as to support the execution of Finnair's strategy. In the rights offering, the Issuer offered for subscription, based on pre-emptive rights for existing shareholders, 1,279,265,150 new shares. The State of Finland irrevocably committed to subscribe in full for the offered shares on the basis of subscription rights allocated to it. The rights offering was oversubscribed and completed on 8 July 2020, and the Issuer received net proceeds of approximately EUR 501 million taking into account transaction costs in connection with the rights offering. The rights offering increased Finnair's equity by approximately EUR 503 million as taxes were deducted from the transaction costs. As a result of the rights offering, EUR 395.4 million was recognized in the share issue account by 30 June 2020. The rest of the proceeds from the July subscriptions were recognized by Finnair in the month of July and therefore are not included in Finnair's balance sheet as at 30 June 2020.

State Aid and Conditions Applicable to Finnair

The European Commission has concluded that the State of Finland's guarantee of Finnair's pension premium loan up to EUR 540 million, which was approved by the European Commission on 18 May 2020, and the State of

Finland's participation in the rights offering were so closely linked that they must be regarded as an overall transaction that constitutes state aid within the meaning of Article 107(1) of the TFEU. On 3 June 2020, the State of Finland made a state aid notification to the European Commission based on the TFEU Article 107(3)(b). The European Commission has on 9 June 2020 issued a decision that the participation of the State of Finland in the rights offering is compatible with the EU state aid rules under the TFEU Article 107(3)(b). Under the Commission's decision, the Issuer has agreed to certain conditions following the rights offering.

The conditions set out in the Commission's decision apply for three years from the rights offering, and are based on the fact that the State of Finland's relative shareholding in Finnair will not increase (save for slight variations due to the technical organisation inherent to the rights offering).

As the beneficiary of the state aid measure, Finnair has committed to, among others, the following conditions:

Acquisition Ban

The Issuer will be subject to an acquisition ban for a period of three years from the date of the rights offering preventing the Issuer from acquiring a stake of greater than 10 per cent in any competitors or other operators in the same line of business, including upstream or downstream operations. In exceptional circumstances, without prejudice to any applicable merger control rules, the Commission may authorise an acquisition only if it is necessary to maintain the Issuer's viability.

Management Remuneration

For a period of three years from the date of the rights offering, the remuneration of each member of the Issuer's management must not go beyond the fixed part of his/her remuneration on 31 December 2019.

For persons who become members of the Issuer's management on or after the rights offering, the applicable limit of the remuneration for such new member shall be benchmarked to the remuneration of comparable managerial positions and areas of responsibility at Finnair applied on 31 December 2019.

Finnair will not pay bonuses and other variable or comparable remuneration elements during three financial years (2020, 2021 and 2022).

Publishing Information Regarding the Use of Aid Received.

The Issuer shall, within 12 months from the date of the rights offering and thereafter periodically every 12 months, for a period of three years, publish information on the use of the aid received. In particular, this should include information on how the Issuer's use of the aid received supports its activities in line with EU objectives and national obligations linked to the green and digital transformation, including the EU objective of climate neutrality by 2050.

Other Events

In April 2020, Finnair and Shanghai-based Juneyao Air signed a Letter of Intent to deepen their cooperation between China and Europe. The cooperation is subject to signing of the binding joint business agreements and required regulatory approvals. The aim is to establish a joint business on the Helsinki – Shanghai route enabling Finnair and Juneyao Air to offer their corporate and leisure customers a seamless travel experience through a wider choice of destination, schedule and fare options via their main hubs, Helsinki Airport (HEL) and Pudong International Airport (PVG).

Outlook

This section, "Outlook", contains forward-looking statements. Forward-looking statements do not guarantee future development, and the actual market development of the Issuer, the financial performance of the Issuer or the financial results actually achieved may materially differ from what has been presented in or what can be concluded from the forward-looking statements as a result of many factors, some of which are described in the sections "Forward-looking Statements" and "Risk Factors". The Issuer advises to take a cautious view on these forward-looking statements, which are valid only as at the date of this Prospectus. The following discussion has been prepared on a basis which is (i) comparable with Finnair's historical financial information, and (ii) consistent with Finnair's accounting policies.

As ramp-up is an investment, and there are costs associated with it, and Finnair will be running with clearly reduced capacity, the comparable operating loss in Q3 2020 will be of a similar magnitude than in Q2 2020.

Finnair's revenue will decrease significantly in 2020 compared to 2019 and the comparable operating loss will be significant in the financial year 2020. In addition, Finnair's capacity will decrease significantly in 2020 compared to 2019. Finnair will update its outlook and guidance in connection with the Q3 interim report.

Finnair's guidance is based on the estimates and assumptions made by the Issuer's management as regards the development of the COVID-19 pandemic. The key factors affecting revenue and operating loss, that the Issuer can affect, are operating cost adjustments and the ability to respond to changes in demand. Factors beyond the Issuer's control are mainly related to the duration of the COVID-19 pandemic and the measures to fight the pandemic as well as the recovery of air traffic. Other general risk factors in the industry and business, such as the fluctuation in prices of jet fuel, fluctuation in the demand, currency exchange fluctuations as well as regulatory and tax changes are also beyond the Issuer's control.

Operating Environment

The COVID-19 Pandemic

The COVID-19 pandemic is the most significant factor affecting the current macroeconomic environment, and the future potential recovery, prolonged subdued economic activity or a further decline in the global and/or local economies impacted by the COVID-19 pandemic will be determined by the duration of the COVID-19 pandemic and future correlative combative measures. The COVID-19 pandemic has represented an unprecedented negative shock to the economy, with the airline industry being particularly affected due to the dramatic global impact of the COVID-19 pandemic and the subsequent substantial fall in demand resulting both from travellers cancelling booked flights as well as restrictions on air travel imposed by local authorities and national governments. The COVID-19 pandemic has also had a material negative impact on the global air freight market, resulting in a significant decrease in Finnair's cargo revenue.

As at the date of this Prospectus, the duration of the COVID-19 pandemic and future correlative combative measures such as cancellation of flights to other countries, are at present unknown, and the overall situation is extremely fluid, making it nearly impossible to predict the timing of future material changes in the situation. It is therefore impossible to exactly predict whether any such unknown future developments will occur in the near, medium or long terms, and whether the COVID-19 pandemic will have a lasting impact on demand for air travel, due to the increasing adoption of virtual and teleconferencing tools to replace business travel and the perceived uncertainty relating to the impact of the current pandemic or other similar health threats in the future.

In the view of the Issuer's management, the recovery of airline traffic to pre-crisis levels is most likely not a matter of months, but will more likely take up to 2–3 years, though the trajectory of this recovery will likely be steeper towards the end of such period. Airlines that are able to weather the crisis will have to adapt their cost structures to the new environment, and Finnair will also have to ensure its competitiveness by adjusting its costs, while also investing in elements central to the customer experience. Finnair aims to ensure that despite the impact caused by the COVID-19 pandemic, Finnair will be a competitive airline company in the future. The Issuer's management believes that, after the rebuilding period, air traffic will still be a growth business, in which Finnair targets sustainable, profitable growth, supported by a strategy based on a geographical competitive advantage and strong ownership structure.

Megatrends

Based on the Issuer's management's views, Finnair's operations are, after the COVID-19 pandemic finally subsides and the related travel restrictions are lifted, particularly affected by four megatrends, which are the shift in economic and political focus from the United States and Europe to developing countries, urbanisation, technological development and sustainability.

Shift in Economic and Political Focus from the United States and Europe to Developing Countries

According to the Issuer's management's views, the gradual shift in the global economic and political focus from the United States and Europe to developing countries, and to Asia in particular, is expected to be the strongest of the four megatrends affecting the aviation industry. Asian corporations are becoming globalised and their significance to the world market is growing. In addition, as the middle class in many Asian countries is growing

and Asian airlines expand their operations to intercontinental flights, Asian travel is expected to increase and competition to intensify. At the same time, airlines and governments may also have to negotiate for more traffic rights. As a result of the increasing significance of Asian markets, Asian customers are expected to determine the expected standard of quality for service and products and non-Asian airlines must increase their understanding of Asian culture and customers in order to stay competitive.

Urbanisation

As in many countries around the world, but particularly in China and other developing countries, migration flows from rural areas to cities are expected to continue and accelerate. In Asia in particular, the number of cities with more than five million inhabitants is expected to increase, as well as the number of connections between such cities. Based on the Issuer's management's estimates, the ongoing urbanisation will result in new markets for airlines as traffic between these megacities grows. As a result, the competition will intensify as regional airlines begin to operate on these routes.

Technological Progress

According to the Issuer's management's views, technological progress is expected to lead to changes in purchasing behaviour, the comparability of prices and services online and immediate feedback. Digitalisation is a natural part of a company's operations creating service development opportunities. Consumers expect Wi-Fi network connections and other entertainment services during the flights. The airlines should anticipate and adapt to changes and provide opportunities for customers to buy, use services and send feedback online. However, different groups of customers must be considered in the digital development phases, and the availability of services for everyone must be ensured.

Increasing Significance of Sustainability

Consumers, political decision-makers and other stakeholders require businesses to operate more responsibly and transparently. Regulation and reporting obligations are expected to increase and businesses are required to be more diligent in monitoring the ethical dimensions of their supply chains. Consumers monitor the responsibility of a company's operations and give feedback especially on social media. According to the Issuer's management's views, the airline industry is expected to face stricter regulations on both emissions and noise. Increased regulation may result in added costs for airlines such as in the form of tax-like payments. Airlines must increasingly cooperate on issues related to safety, emissions, noise, accessibility and other passenger rights as well as equality.

Finnair's objective is to create a sustainable, profitable business model in harmony with the needs of society and the environment. To align its operations with its sustainability objective, Finnair has designed one of the most ambitious sustainability strategies in the airline industry, exceeding the minimum standards set by international governing bodies and institutions. Finnair offers a more environmentally friendly air travel solution to its customers, thanks to its fuel-efficient wide-body fleet, biofuel initiatives, and unique geographic position enabling Finnair to provide routes with a shorter journey time to its key destinations. Evidencing its efforts, Finnair currently holds a C+ ESG rating, ranks in top decile in the transport and logistics industry and is recognised in the Prime class³. Finnair is committed to its long-term goal of carbon neutrality by the end of 2045 (and 50 per cent net carbon reduction by the end of 2025 compared to the 2019 level), designing a long-term roadmap for carbon reduction. Finnair's sustainability strategy also includes the reduction of single-use plastics and food wastage in-flight by 50 per cent by the end of 2022 compared to the 2019 level. By the end of year 2019, Finnair's achievements included cutting its carbon dioxide emissions per revenue ton kilometre by 27 per cent since 2005, utilising biofuel on selected flights since 2011 and achieving zero landfill waste at its Helsinki hub. The aforementioned long-term roadmap for carbon reduction includes applying voluntary and non-voluntary offsetting (including CORSIA), maximising intramodality in combining different modes of transport for a seamless travel experience, emissions trading, operations improvements and sustainable aviation fuels (bio and synthetic).

³ Environmental, social and corporate governance rating provided by ISS-ESG.

A Changing Operating Environment

The airline industry is cyclical in nature and highly sensitive to general business conditions as well as to slow or moderate economic growth and private consumption trends. Typically, revenues are high during economic upswings and considerably lower during periods of economic weakness. Airline fares and passenger demand have fluctuated significantly in the past. For individual airlines, the yield also fluctuates on the basis of the holiday and business travel seasons. Further, airlines may have to make decisions on significant fleet investments years before price- and quality-conscious travellers make their purchase decisions. Since aircraft delivery times may take years, airlines must plan their business for the long term, often at least 10 years ahead, especially in long-haul traffic. This includes, among other things, a plan for future destinations and network, the type of aircraft required and the regulations with which they must comply. According to the Issuer's management's views, it is often very difficult to foresee how the market will change between the order and delivery of an aircraft. With strong competition, the low margins in the airline business, high fixed costs and the high capital expenditure needed to operate an airline, it is crucial to optimise all aspects of the business operations to succeed.

It is also crucial to build resilience and flexibility for unexpected changes in the market environment. The airline industry is typically quickly affected by external disruptions, seasonal variation and economic trends as the globally spread COVID-19 demonstrated already during the first quarter of 2020.

Competitive, Growing Industry

The demand for air transportation is driven by macroeconomic factors, as there has historically been a strong correlation between air travel and the development of macroeconomic factors such as GDP. Prior to the COVID-19 pandemic, air travel was expected to continue to grow faster than the economy, 4.4 per cent per year globally for the next 20 years. A growing middle class, particularly in Asia, has supported the growth of air travel. In addition, China is expected to surpass the United States by passenger volume as the world's largest market during this period.⁴ However, the COVID-19 pandemic has significantly reduced demand for air travel and it may take years until the worldwide demand for air travel returns to pre-crisis levels.

According to the Issuer's management's estimate, with the growth of the industry, not only have Finnair's competitors changed, but competition has also intensified. Prior to the COVID-19 pandemic, Finnair's competitive landscape could be roughly divided into two parts: short haul point-to-point traffic in Europe and long-haul transfer traffic between Asia and Europe. In short haul point-to-point traffic, airlines with the lowest cost structures typically have the strongest competitive positions and competition is mainly driven by price. In the long-haul transfer traffic environment, the presence of a comprehensive network, comfort of travel, customer service and smooth transfers are valued. Network and low-cost carriers have started revising their operating models towards each other, which results in more competition. Intense competition has led to further consolidation, alliances and joint ventures in the industry, with the aim of improving capacity discipline and profitability. Just as the role of alliances evolves, individual airlines also pursue cooperation opportunities outside their respective alliances to strengthen their positions.

Norwegian has been the main competitor within Finnair's domestic (Finnish) market, however, the competitive landscape following the financial difficulties experienced by Norwegian is more difficult to predict.

Within the European short-haul and medium-haul markets, Finnair has competed with a number of traditional flag carriers as well as low-fare and charter airlines, such as Norwegian, SAS, Lufthansa, Air Baltic and Air France-KLM. Within the long-haul market to Asia, Finnair has mainly competed with a number of traditional flag carriers, such as Lufthansa and Air France-KLM, and with a number of Middle Eastern and Asian carriers. Further, Finnair is also subject to intense competition in its cargo business both from large, established air cargo companies as well as from smaller providers that operate only a few aircraft and offer a limited range of services.

In response to the COVID-19 pandemic, the airline industry, including Finnair's competitors, has been significantly affected by regulatory measures to curb the spread of the virus, as travel bans and general restrictions on the mobility of citizens have grounded aircraft across the world and required airlines to run significantly reduced networks at a decreased capacity. The financial distress caused to commercial airlines by the COVID-19 pandemic

⁴ Source: Airbus Global Market Forecast 2019–2038

could benefit airlines with strong balance sheets. However, it is difficult to estimate the potential impact of the COVID-19 pandemic on Finnair's competitive landscape.

Sensitivities

Due to the seasonal variation of the airline business, Finnair's revenue and operating profit are typically at their lowest in the first quarter and at their highest in the third quarter of the year. The growing proportional share of Asian traffic increases seasonal fluctuation due to destination-specific seasons in Asian leisure and business travel.

In addition to operational activities and market conditions, fuel price development has a key impact on Finnair's result, as fuel costs are Finnair's most significant variable expense item. Finnair's foreign exchange risk arises primarily from fuel and aircraft purchases, divestments of aircraft, aircraft lease payments, aircraft maintenance, overflight royalties and foreign currency revenue. Significant dollar-denominated expense items are fuel costs and aircraft lease payments. The largest investments, namely the acquisition of aircraft and their spare parts, are also mainly denominated in U.S. dollars. The most significant income currencies after the euro are the Japanese yen, the Chinese yuan and the Swedish krona. In order to safeguard itself from currency and market rate fluctuations, Finnair hedges its currency, interest rate and jet fuel exposure using a variety of derivative instruments, such as forward contracts, swaps and options, in compliance with its risk management policy approved annually by the Issuer's Board of Directors. Under normal circumstances, fuel hedging has a time horizon of 24 months and up to 36 months with the CFO's approval. Finnair's utilises a layered hedging strategy, where hedging levels decrease towards the end of time horizon. Under normal circumstances, the hedging degrees for the first six months are between 60 and 90 per cent. Due to the COVID-19 pandemic, Finnair has made a temporary amendment in the hedging policy until 31 December 2020, setting out the hedging ratios between 0 and 90 per cent for the first six months. The hedging ratios vary significantly depending on the capacity and demand. As a result, the hedging ratios are variable and may be subject to material changes as the capacity and demand development forecasts are updated.

Organisational Structure

The Issuer is the parent company of the Finnair Group. The Issuer's subsidiaries provide support services to Finnair or operate in closely related areas. The following table sets forth the subsidiaries of the Issuer as at the date of this Prospectus:

Name of the company	Group ownership %	Name of the company	Group ownership %
Finnair Cargo Oy, Finland	100.0	Finnair Kitchen Oy, Finland	100.0
Finnair Aircraft Finance Oy, Finland	100.0	Amadeus Finland Oy, Finland	95.0
Finnair Technical Services Oy, Finland	100.0	Oy Aurinkomatkat - Suntours Ltd Ab, Finland	100.0
Finnair Engine Services Oy, Finland	100.0	Aurinko Oü, Estonia	100.0
Finnair Travel Retail Oy, Finland	100.0	Matkayhtymä Oy, Finland	100.0
Kiinteistö Oy Lentokonehuolto, Finland	100.0	OOO Aurinko, Russia	100.0
Northport Oy, Finland	100.0	FTS Financial Services Oy, Finland	100.0
Balticport Oü, Estonia	100.0	Finnair Business Services Oü, Estonia	100.0

Business Overview

Integrated Business Model

According to the Issuer's management, Finnair is a modern, premium airline with a unique geographical position in Helsinki, Finland. Due to its geographical position and memberships in selected strategic alliances and partnerships, Finnair is able to offer a broad choice of destinations as well as flexible routing and pricing options for its customers. Finnair's integrated business model of a modern premium airline allows for operational efficiency and product upselling, and Finnair's flexible business structure is integral to creating value to Finnair's customers and stakeholders. Finnair is the leading airline at Helsinki Airport, with a 75 per cent market share based on capacity, measured in ASKs, in 2019.⁵

Finnair has one business and reporting segment, the Airline Business. Finnair's key sources of revenue are passenger transportation, ancillary, cargo and travel services. The following table sets forth Finnair's revenue by product for the periods indicated:

Revenue by product (EUR in millions)	For the six months ended 30 June		For the financial year ended 31 December	
	2020 (unaudited)	2019 (unaudited)	2019 (audited)	2018 (unaudited) (restated)
Passenger revenue	437.0	1,154.0 ¹	2,479.8	2,245.4 ¹
Ancillary revenue	48.3	86.0	176.2	160.8
Cargo	86.2	102.1	212.1	207.2
Travel services	58.3	115.3	229.5	222.6
Total	629.8	1,457.3¹	3,097.7	2,836.1¹

¹ In 2019, Finnair changed the presentation of customer (passenger) compensations related to delayed or cancelled flights to be treated as deductions from revenue instead of passenger and handling costs. Therefore, the financial information for the six months ended 30 June 2019 and for the financial year ended 31 December 2018 has been restated. As of 1 January 2019, Finnair also changed the presentation of the income statement, balance sheet and cash flow statement. Therefore, also revenue for the financial year ended 31 December 2018 has been restated. The restatements have been described in the section entitled "Financial Information and Other Information – Historical Financial Information".

Passenger Revenue

Passenger revenue, i.e. airline tickets sold to consumers, are the most important revenue source for Finnair. For the six months ended 30 June 2020, passenger revenue accounted for 69.4 per cent of Finnair's revenue and for the financial year ended 31 December 2019, passenger revenue accounted for 80.1 per cent of Finnair's revenue.

During the first half of 2020, Finnair carried approximately 2.75 million passengers. For the six months ended 30 June 2020, Asian traffic accounted for 38.7 per cent, European traffic accounted for 42.6 per cent, domestic traffic accounted for 10.8 per cent and North Atlantic traffic accounted for 6.1 per cent of the passenger revenue.

For the financial year ended 31 December 2019, Asian traffic accounted for 43.7 per cent, European traffic accounted for 40.2 per cent, domestic traffic accounted for 7.3 per cent and North Atlantic traffic accounted for 7.2 per cent of the passenger revenue.

Amount of the passenger revenue, % Traffic area	For the six months ended 30 June 2020 (unaudited)	For the financial year ended 31 December 2019 (unaudited)
Asia	38.7	43.7
Europe	42.6	40.2
Domestic	10.8	7.3
North Atlantic	6.1	7.2
Unallocated	1.7	1.5

⁵ Source: RDC Aviation.

Ancillary Revenue

Ancillary revenue sales are the additional services that are sold to passengers in connection with airline ticket sales. Ancillary revenue consists of revenue from seat reservations and upgrades, extra baggage, travel retail, meals and beverages, lounge, Wi-Fi as well as entertainment and destination extras. Ancillary revenue accounted for 7.7 per cent of Finnair's revenue for the six months ended 30 June 2020 and for 5.7 per cent of Finnair's revenue for the financial year ended 31 December 2019.

Cargo

Finnair receives cargo revenue from the shipments that are transported in its aircraft cargo bays. Finnair Cargo is one of the largest air cargo carriers in the Nordics and the Baltic region. It specialises in flying high-value items through the short Northern route between Europe and Asia via its Helsinki COOL hub. Cargo revenue accounted for 13.7 per cent of Finnair's revenue for the six months ended 30 June 2020 and for 6.8 per cent of Finnair's revenue for the financial year ended 31 December 2019.

Similar to Finnair's Asia strategy, Finnair Cargo is specialised in air cargo traffic between Europe and Asia, but Cargo revenue accumulates from all geographical areas. The COOL Nordic Cargo Hub enables state-of-the-art hub logistics and reduces Cargo unit costs. Finnair Cargo achieves a yield premium for services catering to specialised product segments. Such specialised services include, for example, services of Finnair Cargo Nordic Pharma Chain for pharmaceutical products and Finnair Cargo Seafood for seafood. Following the outbreak of the COVID-19 pandemic, Finnair has established cargo-only flights which also enable Finnair to keep utilising part of its aircraft fleet. Finnair has the ability to refit individual aircraft from passenger use for cargo purposes at short notice if needed. During the second quarter of 2020, more than 70 per cent of Finnair's revenue was generated by cargo as Finnair operated 602 cargo-only flights, mainly to Asia.

Travel Services

Travel services include revenue streams for Aurinkomatkat and Finnair Holidays products. They include package holidays to consumers which consist of flights, hotel reservations and car rentals. Revenue from travel services accounted for 9.3 per cent of Finnair's revenue for the six months ended 30 June 2020 and for 7.4 per cent of Finnair's revenue for the financial year ended 31 December 2019.

Traffic Performance

Finnair reports its traffic statistics monthly. The following table set forth traffic statistics for the six months ended 30 June 2020 and changes compared to the corresponding period in 2019 as well as for the financial year ended 31 December 2019 and changes compared to the financial year ended 31 December 2018.

	For the six months ended 30 June		For the financial year ended 31 December	
	2020	Change, %	2019	Change, %
Total traffic	(unaudited)		(unaudited)	
Passengers 1,000	2,753.5	-61.0	14,650.4	10.3
Available seat kilometres million	10,015	-56.4	47,188.1	11.3
Revenue passenger kilometres million	7,139	-61.4	38,533.6	11.2
Passenger load factor %	71.3	-9.3p	81.7	-0.1p
Cargo tonnes total	40,518.7	-50.6	173,282.1	9.6
Available tonne kilometres million	1,688.6	-49.8	6,921.1	11.0
Revenue tonne kilometres million	899.4	-49.8	4,541.4	10.7

In July, Finnair carried 145,300 passengers, which was 90.0 per cent less than in the corresponding period of 2019 but 163.0 per cent more than in June 2020. The overall capacity measured in Available Seat Kilometres (ASK) decreased in July by 88.7 per cent year-on-year and Finnair's traffic measured in Revenue Passenger Kilometres (RPKs) decreased by 94.8 per cent. The Passenger Load Factor (PLF) decreased year-on-year in July by 48.2 percentage points to 41.4 per cent. Total cargo tonnes decreased 75.9 per cent, available tonne kilometres decreased 83.2 per cent and revenue tonne kilometres decreased 90.2 per cent in July year-on-year.

Fleet

Fleet Operated by Finnair

Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of the Issuer. As at 30 June 2020, Finnair operated 60 aircraft, of which were 23 wide-body and 37 narrow-body aircraft. Of the aircraft operated by Finnair, 27 were on operating lease as at 30 June 2020, and after such date Finnair has finalised a sale and leaseback arrangement for one of its A350 aircraft. As at 30 June 2020, the average age of the fleet operated by Finnair was 10.6 years. According to the Issuer's management, Finnair's long-haul fleet is one of the most modern fleets in the industry. Finnair's wide-body fleet is the backbone of its Europe-Asia connection strategy, which is paired with the optimal scheduling of connecting short-haul flights operated by narrow-body aircraft.

The following table sets forth the fleet operated by Finnair as at 30 June 2020:

Fleet operated by Finnair* on 30 June 2020	Seats	Number of aircraft	Change from 31 December 2019	Own**	Leased	Average age on 30 June 2020	Ordered
Narrow-body fleet							
Airbus A319	144	8		7	1	19.1	
Airbus A320	174	10		8	2	17.9	
Airbus A321	209	19		4	15	9.1	
Wide-body fleet							
Airbus A330	289/263	8		4	4	10.7	
Airbus A350	297/336	15	1	10	5	3.1	4
Total		60	1	33	27	10.6	4

* Finnair's Air Operator Certificate (AOC).

** Includes JOLCO-financed (Japanese Operating Lease with Call Option) A350 aircraft.

Renewal of the Fleet

As a part of the renewal of its fleet in 2015, Finnair exercised options for an additional eight new A350-900 aircraft. According to the Issuer's management, the renewed fleet offers a modern premium experience for customers, reduces Finnair's carbon footprint, leads to cost savings and enables further growth for Finnair. As at 30 June 2020, four of these option aircraft have been delivered. Finnair strives to adjust the size of its fleet in line with demand forecasts through the staggered maturities of its lease agreements and changes in the number of owned aircraft and by renegotiating the delivery schedules of committed aircraft purchases.

Fleet Operated by Norra (Purchased Traffic)

Norra operates a fleet of 24 aircraft for Finnair on a purchased traffic basis. All aircraft operated by Norra are leased from Finnair Aircraft Finance Oy. Finnair owns 40 per cent of Norra and Danish Air Transport the remaining 60 per cent. Finnair's influence on the company is based on shareholding and contractual arrangements. Norra's route network is coordinated with Finnair's European flights and long-haul flights. The following table sets forth the fleet operated by Norra as at 30 June 2020:

Fleet operated by Norra* on 30 June 2020	Seats	Number of aircraft	Change from 31 December 2019	Aircraft owned by Finnair	Leased (Operating lease)	Average age on 30 June 2020	Ordered
ATR 72	68-72	12		6	6	10.9	
Embraer E190	100	12		9	3	12.0	
Total		24	0	15	9	11.5	

* Nordic Regional Airlines Oy's Air Operator Certificate (AOC).

Oneworld™ Alliance and Joint Businesses

Finnair is part of the oneworld™ alliance, an alliance of thirteen airlines. The membership in the oneworld™ alliance broadens Finnair's global network to more than one thousand destinations in more than 160 countries. In addition, oneworld™ customers can earn and redeem frequent flyer points on all oneworld™ airlines and benefit from access to over 650 premium airport lounges.

Finnair also has a deeper cooperation with some of its oneworld™ partners through its membership in the Siberian Joint Business (SJB) on flights between Europe and Japan and in the Atlantic Joint Business (AJB) on flights between Europe and North America. The Siberian Joint Business includes four airlines: Finnair, British Airways, Iberia and Japan Airlines. The Atlantic Joint Business includes four airlines: Finnair, British Airways, Iberia and American Airlines.

These joint businesses seek to improve competitiveness and efficiency in a manner benefitting passengers. Finnair's influence in the joint business ventures is based on contractual arrangements. Decisions by the joint venture are sought to be made unanimously. For customers, the membership provides a broader choice of destinations as well as more flexible routing and pricing options. For airlines, joint businesses are a way to gain benefits typically associated with consolidation in a highly competitive industry without actual mergers, acquisitions or equity transfers between partners.

Finnair's Customers and Finnair Plus Loyalty Program

The majority of Finnair's customers are airline passengers. Approximately two thirds of the ticket sales revenue is generated from transfer traffic, and three quarters of transfer traffic revenue is from passengers travelling from or to Asia. Finnair collects customer satisfaction feedback continuously. Survey results and other customer feedback are reported to the unit concerned at least once per month. For the six months ended 30 June 2020, Finnair's overall customer satisfaction measured by Net Promoter Score (NPS) was 42.

The Finnair customer loyalty program Finnair Plus was started in 1996. As at 31 March 2020, Finnair Plus had 3.4 million members. In the wider Finnair strategy context, customer loyalty is a primary driver for the achievement of retail excellence which is a key element of being a modern premium airline. The goal of the program is to increase customer loyalty towards the airline and turn a profit from the sale of loyalty points. Point sales have been increasing in importance, with a key role played by Finnair's co-branded credit card as well as direct point sales to members. The Finnair Plus program is also connected to other Frequent Flyer programs within oneworld™; Finnair Plus members can earn and redeem points on all oneworld™ member airlines.

Further, Finnair Plus members travel on average three more flights annually than non-members, and customers who are engaged with the program tend to consolidate their flights to Finnair more than non-members or members who are not engaged. Finnair Plus membership also increases the likelihood of customers booking flights directly on Finnair.com or via the Finnair app.

Employees

Finnair had a total of 6,635 employees as at 30 June 2020. A large majority of the personnel work in Finland.

The majority of Finnair's employees are represented by labour unions with which there are several collective bargaining agreements. At the end of April 2020, Finnair or Service Sector Employers Palta had the following collective agreements negotiated with the unions representing Finnair's employees: Transport Workers' Union AKT, representing Finnair's cabin crew in Finland, until 31 January 2022, Transport Workers' Union AKT, representing travel agencies and applicable to Aurinkomatkat, until 30 April 2021, Finnish Airline Pilots' Association SLL until 31 March 2021, Finnish Aviation Union (IAU), representing ground customer service, ground handling, cargo, technical services and Finnair Kitchen employees, until 15 March 2022, Trade Union Pro, representing upper technical workers, until 31 January 2022, Trade Union Pro, representing clerical workers, until 31 January 2022, and FINTO, representing upper white-collar workers, until 28 February 2022.

On 25 August 2020, Finnair announced that it has started co-operation negotiations on its plan to reduce up to 1,000 jobs, to make other structural changes and to implement additional temporary layoffs due to the impact of the COVID-19 pandemic. The co-operation negotiations concern approximately 2,800 employees working at Finnair in Finland and similar processes are being conducted in Finnair's units abroad. As at the date of this Prospectus Finnair employs approximately 6,200 employees in Finland. Almost all of Finnair's employees in Finland have been temporarily laid off for a part of the spring and summer 2020. In addition to the planned personnel reductions, Finnair intends to continue to apply temporary layoffs for practically all its personnel in Finland. The temporary layoffs can be either for fixed term or until further notice. The plans for permanent reduction would not be applicable to Finnair's flight personnel in Finland.

Investments

Capital expenditure excluding advance payments totalled EUR 203.8 million for the six months ended 30 June 2020 and was primarily related to fleet investments in Q1 2020. Investment commitments for property, plant and equipment as at 30 June 2020 totalled EUR 548 million and it includes firm aircraft orders, currently scheduled for the next three years.⁶ However, the delivery schedules of committed aircraft purchases are being renegotiated. As part of the negotiations, Finnair may also utilize opportunities to dispose of certain aircraft if the terms prove to be beneficial to the Company. In addition to financing through operating cash flows, the ongoing fleet renewal programme is expected to require additional external financing.

Finnair has not made any material investments or any resolutions on new material investments between 30 June 2020 and the date of this Prospectus.

Insurance

Finnair carries insurance for public liability, passenger liability, property damage and all-risk coverage for damage to Finnair's aircraft. Insurances are covered by a centralized insurance procurement function with the assistance of an insurance broker. Finnair believes that its insurance coverage is consistent with industry practice and is sufficient for the risks that would normally be associated with its operations. General restrictions such as deductibles, maximum amounts that can be claimed and exclusion of certain events from insurance coverage apply to the insurances, due to which they may not necessarily cover all damage incurred.

Information Technology

As part of Finnair's strategy with a key focus area in operational excellence, Finnair is seeking to further improve the safety, reliability and productivity of its operations through the utilisation of technology and automation, leveraging data as well as enabling cross-functional cooperation and compatibility. The most material IT systems of Finnair are the computerised airline reservation system, the Finnair app, the flight operations system, the Finnair website, Finnair's telecommunication systems and other automated systems. The IT systems used by Finnair are procured and licensed from third parties. Significant outsourcing partners for Finnair are Amadeus IT Group, IBM, Lufthansa Systems and Telia. Amadeus IT Group provides airline reservation system and a GDS for Finnair. Amadeus is a leading provider of GDSs airline reservation systems. IBM provides basic user support, data centre capacity services and application management services for Finnair. Lufthansa Systems is the provider of flight operations system and Finnair uses Telia's telecommunication services. The Finnair app and Finnair's website are mainly developed and managed by the Company itself.

As most of Finnair's revenue is contributed by passenger travel, a functioning online commerce system for ticket sales is essential for its business. Finnair has introduced and will continue to introduce new digital distribution technologies and channels in its distribution strategy, including the transition towards the differentiation of fare content and availability between the channels.

In addition, as part of its operations, Finnair retains personal information received from its customers, which is subject to certain regulatory data privacy protection in the EU and elsewhere. A fundamental requirement for online commerce, including sales of tickets online, is the secure transmission of confidential information.

Finnair is committed to preserving the confidentiality, integrity and availability of applicable physical and electronic information assets throughout Finnair by using implemented controls, procedures and selected vendors. Threats and vulnerabilities associated with business applications and systems and networks are managed by scanning for technical vulnerabilities and other weaknesses, maintaining system and application lifecycles and up-to-date patch levels, performing continuous security event monitoring, acting on threat intelligence and protecting information against targeted cyber-attacks. Finnair has also sourced backups for the data in the systems it regards

⁶ The total commitment fluctuates between the order and the delivery of the aircraft mainly due to exchange rate EUR/USD and the escalation clauses included in airline purchase agreements. The final amount of the commitment in relation to each aircraft is only known at the time of the delivery.

as critical to its business operations in real time or on a daily basis. The backup cycles are defined and necessary technical capabilities are contracted with vendors.

Legal and Regulatory Proceedings

Except as discussed below, in the 12 months preceding the date of this Prospectus, the Issuer has not been involved in any governmental, legal or arbitration proceedings which may have, or have had in the recent past, a significant effect on the financial position or profitability of Finnair and/or its subsidiaries, nor is the Issuer aware of any pending proceedings or the threat thereof.

Finnair is, from time to time, subject to litigation, arbitration and administrative proceedings relating to claims as part of the ordinary course of business of the Issuer. These include, among others, disputes relating to flight delays, cancellations and lost or damaged luggage based on Regulation (EC) No 261/2004 and Regulation (EC) No 2027/97. Finnair complies with the requirements of both Regulations and aims to resolve all claims from passengers in an expedited manner without resorting to dispute resolution procedures. However, because of e.g. prolonged investigation and processing time or disagreements concerning the eligibility for compensation, claims are sometimes also escalated by passengers to proceedings of national authorities, alternative dispute resolution bodies or judicial courts. Such proceedings will be ongoing in the ordinary course of business.

Claims for care and compensation under Regulation (EC) No 261/2004 account for a significant proportion of Finnair's at each time ongoing disputes. Finnair has a large number of consumer disputes each year in consumer complaint tribunals and courts due to the legal uncertainty regarding the Regulation (EC) No 261/2004. While passenger claims would not be considered material to Finnair if examined separately and individually, the large number of claims results in a significant aggregate cost component for the Company. In addition, Finnair's potential liability is not only determined by claims in which Finnair itself is a direct party, but also in litigation involving other carriers, such as decisions issued by higher courts of EU member states and the European Court of Justice may create precedents, which can either widen or narrow the scope of liability for carriers under Regulation (EC) No 261/2004, and may even affect liabilities retrospectively.

In autumn 2017, the Finnish Ombudsman sought a legal injunction from the Finnish Market Court of Justice against Finnair, alleging failure by Finnair to comply with Regulation (EC) No 261/2004 in its consumer compensation practices. On 4 January 2019, the Finnish Market Court of Justice rejected the complaint on all counts. The Consumer Ombudsman applied for a leave to appeal the case in the Finnish Supreme Court, which rejected the Consumer Ombudsman's application on 3 September 2019.

In addition, on 18 May 2020, the European Commission approved the State of Finland's guarantee of 90 per cent of Finnair's available pension premium loan, up to EUR 540 million. With respect to the State of Finland's participation in Finnair's rights offering, the State of Finland made a state aid notification to the European Commission based on the Treaty on the Functioning of the European Union Article 107(3)(b). The Commission made a formal decision on the authorisation of such state aid and the applicable conditions on 9 June 2020. It is possible to lodge an appeal against state aid decisions in the General Court of the European Union within 2 months of their publication in the Official Journal of the European Union. Competitors in the airline industry have as at the date of this Prospectus lodged appeals against other approved state assistance measures, providing indications that any further measures as well as the decisions to approve them may also be challenged. Consequently, similar appeals or complaints might be filed against the decision by the Commission with respect to the State of Finland's participation in the Issuer's rights offering or other transactions involving Finnair and the State of Finland, such as the State of Finland's guarantee granted for Finnair's pension premium loan.

Material Contracts

The Issuer has not entered into any material contracts (other than in its ordinary course of business), which could result in any Group company being under an obligation or entitlement that is material to the Issuer's ability to fulfil its obligations to the Holders of the Capital Securities.

FINANCIAL INFORMATION AND OTHER INFORMATION

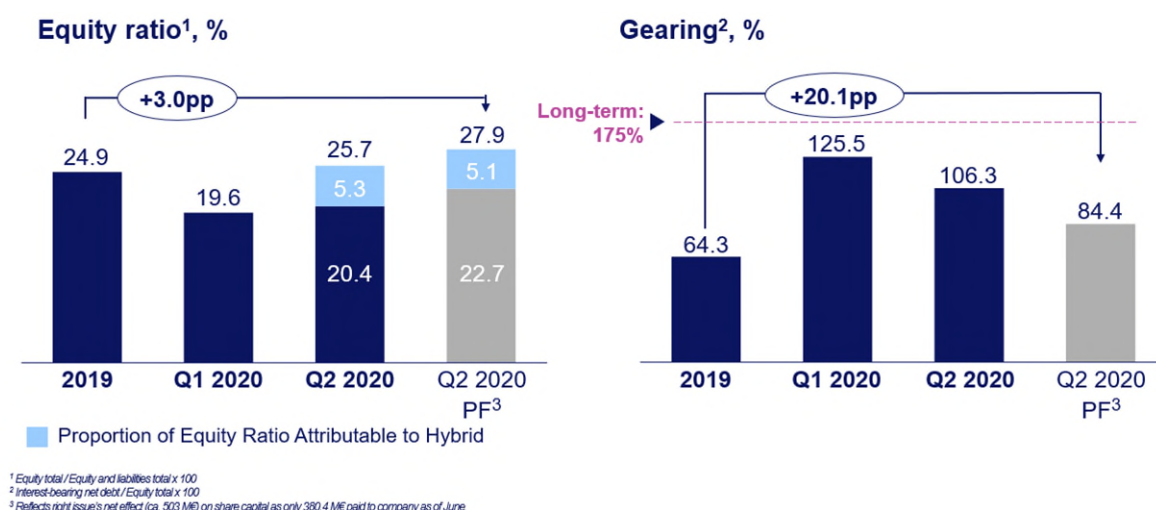
Historical Financial Information

The financial information presented in this Prospectus has been derived from Finnair's unaudited consolidated Half-year Report as at and for the six months ended 30 June 2020, including the unaudited comparative consolidated financial information as at and for the six months ended 30 June 2019, prepared in accordance with "IAS 34 Interim Financial Reporting", and Finnair's audited consolidated financial statements as at and for the year ended 31 December 2019, including the unaudited restated comparative consolidated financial information as at and for the year ended 31 December 2018, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS). As of 1 January 2019, Finnair adopted the new IFRS 16 Leases standard using the full retrospective method. From the same date, Finnair also changed its accounting principles relating to treatment of aircraft components, including cabin components and frame overhauls, so that different components are depreciated based on their economic useful lives or during their maintenance period. Previously, overhauls had been booked as expenses when they occurred. Finnair also changed its accounting principles for leased aircraft, so that a provision is recognised following the same principle that Finnair applies to the maintenance of its owned aircraft. Finnair also made certain structural changes in its income statement, balance sheet and cash flow reporting line items. Finnair's financial reporting for the financial year ended 31 December 2018 has been restated to reflect these new reporting practices. For more information, please see "Notes to the Consolidated Financial Statements – Changes in presentation of Consolidated income statement, balance sheet and cash flow statement" in Finnair's audited consolidated financial statements as at and for the year ended 31 December 2019 incorporated by reference into this Prospectus.

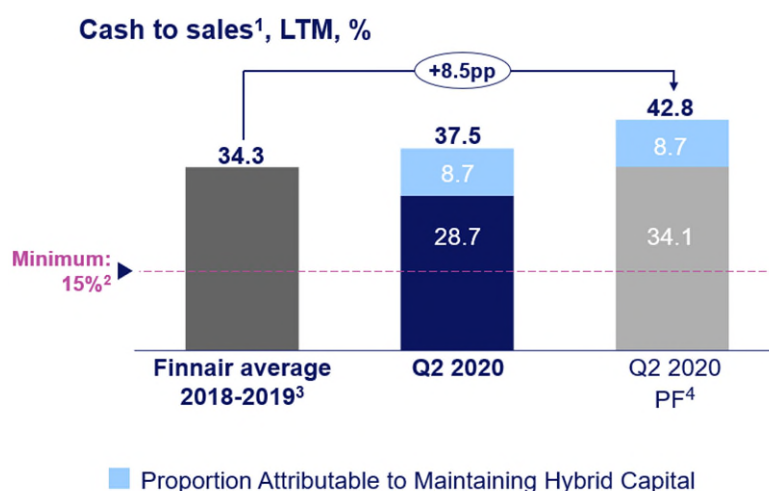
In its September 2019 meeting, the IFRS interpretation committee (IFRIC) concluded that customer compensations related to delayed or cancelled flights need to be treated as deductions from revenue instead of passenger and handling costs. Due to this, Finnair decided to apply the change retrospectively for quarterly and full-year figures for 2018 and 2019 in order for the years to be comparable. Therefore, the financial information for revenue and passenger and handling services for the six months ended 30 June 2019 and for the financial year ended 31 December 2018 has been restated.

Certain Financial Information

According to the management of the Issuer, the issuance of the Capital Securities is carried out in order to maintain a strong balance sheet and enhance financial flexibility, maintain diversified funding sources, manage debt maturity profile and support commitment to hybrid investor base as well as support the successful execution of Finnair's long-term strategy. The following graph sets out Finnair's equity ratio and gearing (unaudited, except for gearing 31 December 2019):



Finnair aims to ensure a robust liquidity through the recovery from the effects of the COVID-19 pandemic. The following graph sets out Finnair's cash to sales, LTM, % (unaudited):



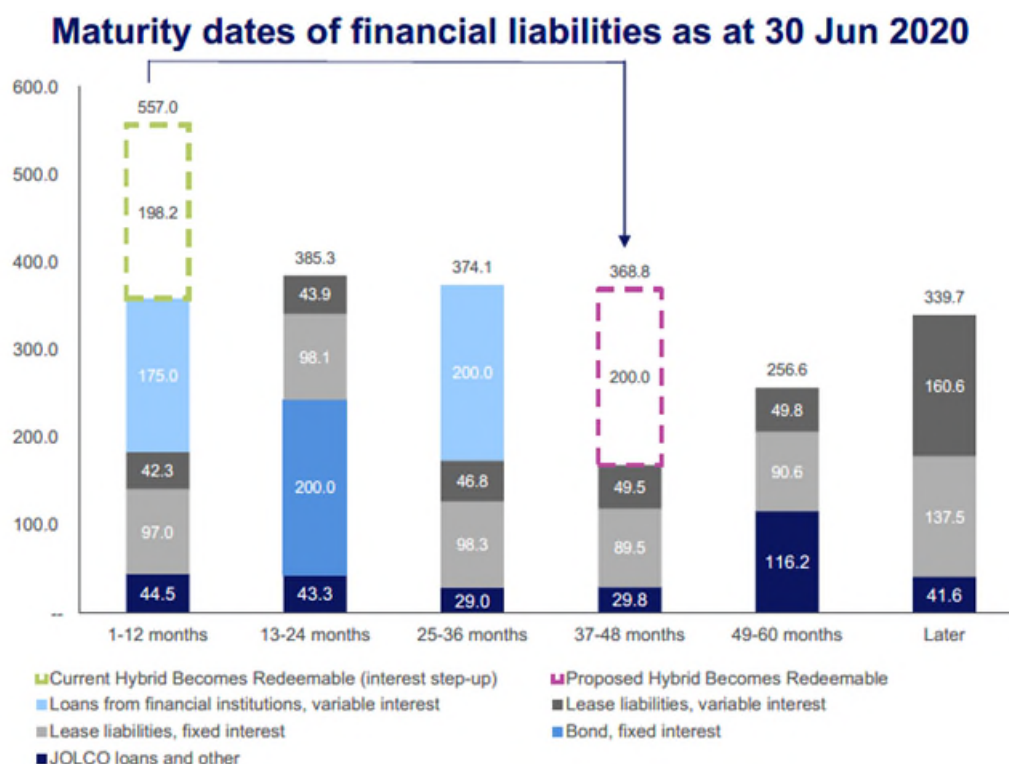
¹ Cash funds / Revenue for the last twelve months x 100.

² Finnair's treasury policy.

³ Average of December ratios for respective years.

⁴ Reflects rights issue's net effect (ca. 503 ME) on share capital as only 380.4ME paid to company as of June. The cash funds adjusted for remaining proceeds from the rights issue amount to 971.4 ME.

According to the management of the Issuer, refinancing of the Issuer's existing capital securities further balances the debt maturity profile of Finnair. The following graph sets out the debt maturity profile of Finnair:



No Material Adverse Change in the Prospects

Other than as described in sections “*Information about the Issuer – Recent Events*” and “*Information about the Issuer – Outlook*”, since 31 December 2019, the last day of the financial period in respect of which the most recently audited financial statements of the Issuer have been prepared, there has been no material adverse change in the prospects of the Issuer.

No Significant Change in the Financial Performance or Financial Position

Other than as described in section “*Information about the Issuer – Recent Events*” there has been no significant change in Finnair’s financial position since 30 June 2020. Further, other than as described in Finnair’s unaudited consolidated Half-year Report as at and for the six months ended 30 June 2020 and sections “*Information about the Issuer – Recent Events*” and “*Information about the Issuer – Outlook*”, there has been no significant change in the financial performance of Finnair since 31 December 2019.

Financing Agreements

On 18 January 2019, the Issuer signed a EUR 175 million syndicated revolving credit facility for general corporate purposes, which was fully drawn in March 2020. The coordinating bookrunner and mandated lead arranger for the facility is Nordea Bank Abp. Danske Bank A/S, OP Corporate Bank Plc, Skandinaviska Enskilda Banken AB (publ) and Swedbank AB (publ) act as bookrunners and mandated lead arrangers in the facility. The loan replaced an existing EUR 175 million syndicated revolving credit facility dated 22 June 2016, which was unutilised. The new credit facility carries a three-year tenor and has two one-year extension options, of which the Issuer has exercised the first in January 2020. The Issuer has agreed on 15 May 2020 certain amendments to the revolving credit facility agreement, including the covenant level for adjusted gearing. The covenant level for adjusted gearing, reviewed on a quarterly basis, is 225 percent until 30 June 2021, 200 percent from 1 July 2021 until 30 June 2022 and 175 per cent after 30 June 2022. A rise in Finnair’s gearing level may increase the interest payable under the revolving credit facility.

On 27 May 2020, Finnair signed a EUR 600 million pension premium loan agreement with Ilmarinen Mutual Pension Insurance Company. The State of Finland has guaranteed 90 per cent of the pension premium loan’s principal, and the Finnish Government approved the guarantee on 20 May 2020. Nordea Bank Abp has guaranteed 10 per cent of the pension premium loan’s principal. The loan shall be drawn by 31 December 2020, unless the draw-down period is separately extended after this date, and it can be drawn in three instalments. The loan is repaid in two instalments: EUR 300 million is due in 30 months from the date of withdrawal and EUR 300 million is due in 36 months from the date of withdrawal. The loan carries a fixed annual interest. EUR 200 million of the pension premium loan was drawn in June 2020.

Share Capital and Ownership Structure

As at the date of this Prospectus, the Issuer has issued a total of 1,407,401,265 shares and has a registered share capital of EUR 75,442,904.30 which is fully paid. At the General Meeting of Shareholders, each share has one vote.

As at 31 August 2020, there were altogether 61,122 holders of shares in the Issuer, of which 10 largest shareholders are listed below with their respective ownership participation percentage. As at 31 August 2020, the Issuer held 209,600 treasury shares, which corresponds to approximately 0.16 per cent of the shares and votes in the Issuer. The Issuer has one share class, and the shares have no nominal value. The trading code of the shares is FIA1S. The shares of the Issuer are recorded in the book-entry system and they are subject to public trading on the official list of the Helsinki Stock Exchange.

The following table sets forth the ownership information of the ten largest shareholders of the Issuer as at 31 August 2020:

Shareholder	No. of shares	Shareholding, %⁷
State of Finland (acting through the Prime Minister's Office)	786,669,686	55.90
The Local Government Pensions Institution	57,109,316	4.06
Ilmarinen Mutual Pension Insurance Company	41,092,420	2.92
Varma Mutual Pension Insurance Company	35,881,263	2.55
The State Pension Fund	22,000,000	1.56
Elo Mutual Pension Insurance Company	14,671,668	1.04
Veritas Pension Insurance Company Ltd.	7,834,922	0.56
Laakkonen Mikko Kalervo	7,200,000	0.51
Finnairin Henkilöstörahasto Hr.	4,100,000	0.29
Länsiauto Oy	2,323,220	0.17
Others	428,518,770	30.45
Total	1,407,401,265	100.00

As at the date of this Prospectus, the State of Finland (acting through the Prime Minister's Office) holds 55.9 per cent of the shares in the Issuer. Accordingly, the State of Finland has control over the Issuer as referred to in Chapter 2, Section 4 of the Finnish Securities Market Act.

See section “*Controlling Shareholder*” for a description of the controlling shareholder and the exercise of control.

Alternative Performance Measures

Finnair presents in this Prospectus certain performance measures, which in accordance with the “Alternative Performance Measures” guidelines by the European Securities and Markets Authority (“ESMA”) are not accounting measures of historical financial performance, financial position and cash flows, defined or specified in IFRS, but which are instead alternative performance measures. In the Issuer's view, alternative performance measures provide meaningful supplemental information about Finnair to the management, investors, securities market analysts and others regarding Finnair's results of operations, financial position and cash flows.

These alternative performance measures are:

- Operating result
- Comparable operating result
- Adjusted interest-bearing liabilities
- Interest-bearing net debt
- Gearing, %
- Equity ratio, %
- Cash to sales, LTM, %

For detailed calculation formulas, see also “*Calculation of Certain Alternative Performance Measures*” below and page 40 of Finnair Group Annual Report 2019 and page 23 of Finnair's unaudited consolidated Half-year Report as at and for the six months ended 30 June 2020 incorporated by reference into this Prospectus. For reconciliation methods for alternative performance measures, see page 40 of Finnair Group Annual Report 2019 and page 24 of Finnair's unaudited consolidated Half-year Report as at and for the six months ended 30 June 2020 incorporated by reference into this Prospectus and references to reconciliations therein.

⁷ Percentages are rounded.

Alternative performance measures used by companies may differ from company to company and the calculation formulas used by companies may not be uniform. Therefore, the alternative performance measures presented in this Prospectus may not be comparable with similarly titled measures presented by other companies.

Calculation of Certain Alternative Performance Measures

Alternative performance measures	Calculation	Reason to use the measure
Items affecting comparability	Unrealized changes in foreign currencies of fleet overhaul provisions + Fair value changes of derivatives where hedge accounting is not applied + Sales gains and losses on aircraft and other transactions + Restructuring costs	Component used in calculating comparable operating result.
Comparable operating result	Operating result - Items affecting comparability	Comparable operating result is presented to better reflect the Group's business performance when comparing results to previous periods.
Adjusted interest-bearing liabilities	Lease liabilities + Other interest-bearing liabilities + Cross currency interest rate swaps in derivative financial instruments	Component used in calculating gearing.
Interest-bearing net debt	Adjusted interest-bearing liabilities - Cash funds (Cash and cash equivalents + Other financial assets)	Interest-bearing net debt provides an insight into the Group's total external debt financing
Gearing, %	Interest-bearing net debt / Equity total x 100	Gearing provides an insight into the level of the Group's indebtedness.
Equity ratio, %	Equity total / Equity and liabilities total x 100	Equity ratio provides information on the financial leverage used by the Group to fund its assets.
Cash to sales, LTM, %	Cash funds (Cash and cash equivalents + Other financial assets) / Revenue for the last twelve months x 100	The ratio provides information about the Group's liquidity in terms of available cash as a percentage of its sales.

Key Operational Metrics and Other Key Figures

Available seat kilometres (ASK)	Total number of seats available × kilometres flown
---------------------------------	--

SUMMARY OF RECENT DISCLOSURES

The following summary sets forth information disclosed by Finnair pursuant to the Market Abuse Regulation (EU) No 596/2014 (“MAR”) as well as certain other information disclosed by the Company pursuant to the rules of Helsinki Stock Exchange, over the last 12 months preceding the date of this Prospectus, which is to the Issuer’s knowledge still relevant as at the date of this Prospectus. The summary does not discuss periodic financial reporting nor other disclosure obligations not pertaining to the MAR or the rules of Helsinki Stock Exchange. Therefore, the summary is not exhaustive and does not discuss all stock exchange releases issued by the Issuer during the above-mentioned period of time.

COVID-19 Pandemic’s Impacts on Air Travel and Finnair’s Financial Condition

On 31 January 2020, Finnair announced that, due to the COVID-19 situation and its impacts on air travel to and from mainland China, Finnair would adapt its traffic program and it subsequently cancelled all flights to mainland China.

On 28 February 2020, Finnair announced that it was revising its outlook for the financial year 2020 and issued a profit warning. In conjunction with its 2019 financial result publication on 7 February 2020, Finnair had previously announced that the direct financial impact of COVID-19 during Q1 2020 would be relatively limited, even if the mainland China cancellations continued until the end of Q1 2020. At that time, Finnair had forecasted that its capacity would increase by approximately 4 per cent in 2020. However, due to the fast-developing situation with COVID-19 and its wider than originally estimated impact on the global aviation market, Finnair was revising its financial outlook.

In its profit warning published on 28 February, Finnair revised its financial outlook and announced that its comparable operating result in Q1 2020 was expected to be lower compared to Q1 2019, its comparable operating result would be significantly lower in Q2 2020 than in the corresponding period of 2019 and that it expected a significantly lower comparable operating result in 2020 than in the previous financial year. Further, Finnair withdrew its capacity guidance of approximately 4 per cent growth for 2020 and announced that it will adjust its network and capacity over the next months leading to a decrease in Finnair’s flight related costs, such as jet fuel, airport and other fees, in accordance with the capacity development. In addition, Finnair announced that it was looking into adjusting its other costs with measures relating to personnel, sales and marketing activities, development initiatives and other projects.

On 16 March 2020, Finnair announced that Finnair revises its financial outlook due to the dramatic global impact of the COVID-19 pandemic. Following a substantial fall in demand, Finnair announced that it will cut 90 per cent of its normal capacity, which would result in a substantial comparable operating loss in the 2020 financial year.

Due to the extraordinary circumstances, Finnair announced that it will make further significant adjustments to its cost base.

In addition, the Board of Directors had reconsidered its dividend proposal and due to the rapid deterioration of the circumstances, the Board of Directors had concluded that the Issuer should refrain from paying a dividend. In addition, the State of Finland had advised the Issuer of its intention to vote against the dividend proposal of EUR 0.20 per share, due to the change in circumstances. As a result, such dividend will not be distributed for 2019.

According to the announcement, Finnair is implementing a substantial funding plan to secure Finnair’s future even in a prolonged COVID-19 pandemic. The plan includes funding instruments such as available credit lines, sale and leasebacks of unencumbered aircraft and a market-based pension premium loan.

On 20 March 2020, Finnair announced that the Ministerial Committee on Economic Policy had proposed that the State of Finland guarantees the pension premium loan. The statutory pension premium loan included in the funding plan totals to EUR 600 million. The pension premium loan can be drawn, if necessary. The guarantee of the State of Finland covers 90 per cent of the pension premium loan’s principal. In addition, Finnair announced that the available credit lines included in the funding plan consist of a revolving credit facility totalling EUR 175 million. As of the date of this Prospectus, the revolving credit facility has been fully drawn.

On 20 May 2020, Finnair announced that it will adjust its volume-driven costs in line with demand. This includes discussions related to further adjustment measures, in addition to the previously published temporary layoffs. In addition, Finnair targets an up to EUR 80 million reduction to its permanent cost base by 2022 compared to 2019.

Finnair seeks savings in, for example, real estate costs, aircraft leasing costs, compensation structures, sales and distribution costs, IT costs as well as administration costs. Finnair will also continue streamlining its operations and digitalisation and automation of its customer processes and will renegotiate certain of its supplier and partner agreements. Finnair's current plan assumes that the traffic will recover in 2–3 years on the 2019 level. In case the competitive environment would turn out to be more challenging or the demand softer than currently estimated, Finnair may take further actions, if required.

On 20 May 2020, Finnair announced that the Finnish Government has approved that the State of Finland guarantees Finnair's pension premium loan up to EUR 540 million. The arrangement is compliant with the EU state aid regulations and has been approved by the European Commission on 18 May 2020. Finnair announced that it plans to draw part of the pension premium loan during the second quarter of 2020.

On 29 April 2020, Finnair announced that it is planning for an approximately EUR 500 million rights offering due to the impact of COVID-19 pandemic. Finnair announced on 10 June 2020 a resolution by the Issuer's Board of Directors on a fully underwritten rights offering of approximately EUR 500 million as well as the terms and conditions of the rights offering. Further, Finnair announced on 12 June that the FIN-FSA had approved the prospectus in relation to the rights offering. On 3 July, Finnair announced the preliminary results of the successful rights offering, and on 7 July, the final results of the rights offering. On 8 July, Finnair announced that a total of 1,279,265,150 new shares subscribed in the rights offering had been registered in the Finnish Trade Register.

On 24 July 2020, Finnair announced the release of Finnair Group's Half-year Report 1 January – 30 June 2020. According to the announcement, COVID-19 grounded Finnair's passenger operations to a near halt and revenue was mainly driven by cargo-only operations whereas cash position and equity were restored to a pre-pandemic level. For further information on Finnair's financial performance during the first six months of 2020 and on Finnair's outlook and guidance for Q3 2020, please see the unaudited consolidated Half-year Report for the six months ended 30 June 2020 incorporated into this Prospectus by reference. Finnair is expected to publish its interim report for the Q1 2020–Q3 2020 period (January–September) on 28 October 2020.

On 25 August 2020, Finnair announced that it has finalised a sale and leaseback arrangement for one of its A350 aircraft with Nomura Babcock & Brown Co., Ltd. ("NBB"), and BBAM Aircraft Management LP as an arranger and lease servicer. In the arrangement Finnair sold the Airbus A350 aircraft, which was delivered to Finnair in February 2020 to NBB and leased the aircraft back for its own operation. The initial operating lease period is 12 years, and the lease includes extension options. The arrangement has no major impact on Finnair's operating result for the third quarter of 2020. However, the immediate positive cash effect for Finnair, resulting from the sale, is in excess of EUR 100 million.

On 25 August 2020, Finnair announced that it had started co-operation negotiations regarding its plan to reduce up to 1,000 jobs, to make other structural changes and to implement additional temporary layoffs due to the impact of the COVID-19 pandemic. The co-operation negotiations concern approximately 2,800 people working at Finnair in Finland, and similar processes are being conducted in Finnair's units abroad. On the date of this Prospectus Finnair employs approximately 6,200 people in Finland. Almost all of Finnair's employees in Finland have been temporarily laid off for a part of the spring and summer 2020. In addition to the planned personnel reductions, Finnair intends to continue to apply temporary layoffs for practically all its personnel in Finland. The temporary layoffs can be either for fixed term or until further notice. The plans for permanent reduction are not applicable to Finnair's flight personnel in Finland.

On 25 August 2020, Finnair announced that it had increased its 2022 savings target to approximately EUR 100 million of permanent cost base reductions by 2022 compared to 2019 levels, superseding the previous target announced on 20 May 2020. After a thorough review of the sources of these potential savings, and in recognition that certain elements of the COVID-19 impact, such as remote working and its effect on business travel, are likely to be longer-term in nature, Finnair has increased its savings target by EUR 20 million, increasing its initial expectations for a permanent reduction in its cost base of EUR 100 million.

Finnair continues to pursue savings in areas such as real estate, aircraft leasing, IT, sales and distribution and administration costs, as well as compensation structures. The company will further continue streamlining its operations and the digitalisation and automation of its customer processes. The company will also renegotiate its supplier and partner agreements. In addition, it is initially estimated that 1,000 jobs could be reduced due to the COVID-19 situation and that the indefinite, as well as temporary, lay-offs will continue.

Finnair's current plan assumes that air traffic will recover in 2–3 years to the 2019 level, though this assumes that the trajectory of this recovery will likely be steeper towards the end of such period.

Changes in the Issuer's Management and Shareholders' Nomination Board

Information under this subsection concerns Finnair's management and the Shareholders' Nomination Board, on which further information is available in section "Board of Directors, Management and Auditors" of this Prospectus.

On 11 September 2019, Finnair announced that the following persons were appointed to Finnair's Shareholders' Nomination Board: Minna Pajumaa, Timo Sallinen and Mikael Etola.

During the third quarter of 2019, three members of Finnair's Executive Board changed. On 26 June 2019, Finnair announced that Finnair's Chief Financial Officer, Pekka Vähähyppä will leave Finnair as of 1 July 2019. Mika Stirkkinen (MSc. Econ.) had been appointed as Chief Financial Officer and a member of the Finnair Executive Board as of 1 July 2019. Previously, Mr. Stirkkinen has also held several financial management positions at Finnair. Furthermore, Finnair announced on 19 June 2019 that Eija Hakakari, Senior Vice President, Human Resources, and on 16 September 2019 that Katri Harra-Salonen, Chief Digital Officer (CDO), had decided to leave Finnair as of 30 September 2019. Johanna Karppi, appointed Ms. Hakakari's successor, and Tomi Pienimäki, appointed successor to Ms. Harra-Salonen took up their duties on 1 October 2019. Johanna Karppi joined Finnair from Terveystalo, where she was SVP, Human Resources. She has previously held HR leadership positions at both Rautaruukki and Orion. Tomi Pienimäki has served as the CEO of Vincit and Jolla, and as the Chief Information Officer of Itella and Hackman.

On 5 May 2020, Finnair published the proposals by the Shareholders' Nomination Board to the Annual General Meeting complementing the proposals made on 27 January 2020. The Shareholders' Nomination Board proposed to the Annual General Meeting that all the current members of the Board of Directors be re-elected and that Maija Strandberg, Senior Financial Counsellor at the Government Ownership Steering Department be elected as a new member of the Board of Directors.

On 18 May 2020, Finnair announced that Piia Karhu, Senior Vice President, Customer Experience, and a member of the Finnair Executive Board, will leave Finnair on 30 June 2020 as she has been appointed Senior Vice President, Business Development, at future Metso Outotec. Finnair's Customer Experience unit will be organised so that the operative parts of the unit transfer to Finnair's Operations unit, which is led by Jaakko Schildt, and the travel service provider Aurinkomatkat, the Contact centers and the customer service development functions will become a part of Finnair's commercial unit, headed by Ole Orvér. The Commercial unit will be renamed as Commercial and Customer experience (CX) unit. These organisational changes take effect as of 1 June 2020.

Other Information

On 7 November 2019, Finnair announced that it had updated its strategic targets aiming for sustainable profitable growth. Finnair's Board of Directors defined the following targets for the 2020–2025 strategy period: 1) Comparable EBIT of over 7.5 per cent over the cycle (at constant fuel and currency), after a 12–18-month build-up period, 2) ROCE of over 10 per cent over the cycle (at constant fuel and currency), after a 12–18-month build-up period, 3) On-time-performance of over 85 per cent and 4) Improved Net Promoter Score and improved employee Net promoter score. Finnair expected to deliver these targets through a focused strategy that leverages the geographical advantage of Finnair's hub in connecting Europe and Asia. In addition, additional guidance for the 2020–2025 strategy period included the following indicative items: capacity growth, measured in available seat kilometres (ASK) of 3–5 per cent CAGR; optimise liquidity, yet keeping cash to sales ratio above 15 per cent; gearing ratio 175 per cent at maximum; assess renewal and downsizing of the hybrid bond; increase the share of owned aircraft vs. leased aircraft; and keep the dividend policy unchanged. However, Finnair announced in its interim report on 29 April 2020 that Finnair will update its long-term financial targets and the related schedule.

On 12 November 2019, Finnair announced its targets and plans for the 2020–2025 strategy period. During the strategy period 2020–2025, Finnair is expected to make decisions on replacement and growth investments mostly in its narrow-body fleet. The indicative total amount of such investments is expected to be between EUR 3.5 and EUR 4 billion. The investments are the most significant contributor to Finnair's sustainability agenda, and it is estimated to reduce emissions in Finnair's European traffic by a total of 10–15 per cent. However, Finnair announced in its interim report on 29 April 2020 that it is assessing how the COVID-19 pandemic impacts its long-term strategy, including financial targets and fleet investments.

On 18 December 2019, Finnair announced that its Board of Directors had decided on new periods for the employee share savings plan and on a long-term incentive scheme for key personnel. The Board of Directors also decided to launch a new 12-month savings period under the Employee Share Savings Plan. The new 12-month savings period is expected to commence on 1 July 2020. Eligible Finnair employees are offered the opportunity to invest part of their base salary in Finnair's shares through the plan. Additionally, the Board of Directors of Finnair had approved a new individual performance share plan for the years 2020–2022. Through the plan, the participants have the opportunity to earn Finnair's shares as a long-term incentive reward, if the performance targets set by the Board of Directors for the plan are achieved. The Board of Directors anticipates that no new shares are expected to be issued in connection with the share-based incentive plans. At the same time, the Board of Directors decided to change the performance criteria for the ongoing 2019–2021 plan so that the revenue growth target was replaced with unit cost (CASK, using constant currencies and fuel price) for the remaining years 2020–2021.

On 17 March 2020, Finnair announced that it had decided to cancel its Annual General Meeting 2020 scheduled for 18 March 2020 due to the COVID-19 pandemic. On 5 May, Finnair published the notice to the Annual General Meeting 2020, which was held on 29 May 2020.

On 29 May, Finnair announced the decisions of the Annual General Meeting. In addition to approving the Issuer's annual accounts, discharging the members of the Board of Directors and CEO of the Company from liability and supporting the remuneration policy for governing bodies, the Annual General Meeting resolved: (i) that no dividend be paid based on the balance sheet adopted for the year 2019; (ii) that the following annual remuneration shall be paid to the members of the Board of Directors: Chairperson EUR 63,000; Vice Chairperson EUR 32,700; Chairpersons of the Audit Committee and the People and Remuneration Committee EUR 32,700, where these individuals are neither the Chairperson nor the Vice Chairperson of the Board of Directors; and other members EUR 30,300; (iii) that the Board of Directors be composed of nine (9) members. All the current members of the Board were re-elected to the Board of Directors, and Maija Strandberg was elected as a new member to the Board of Directors. Mr. Jouko Karvinen was re-elected Chairperson of the Board; (iv) that KPMG Oy Ab, a firm of authorised public accountants, is elected auditor of the Issuer for the term of office ending at the end of the next Annual General Meeting; (v) to authorise the Board of Directors to decide on the repurchase of the Issuer's own shares and/or on the acceptance as pledge of the Issuer's own shares; (vi) to authorise the Board of Directors to decide on the disposal of own shares held by the Issuer; (vii) to authorise the Board of Directors to decide on a rights offering; (viii) that the Articles of Association be amended in order to expand the Issuer's field of business; and (ix) to authorise the Board of Directors to decide on donations up to an aggregate maximum of EUR 250,000 for charitable or corresponding purposes and that the Board of Directors be authorised to determine the recipients, purposes and other terms and conditions of the donations.

On 9 June, Finnair announced the decisions of the constitutive meeting of the Board of Directors. In its constitutive meeting, the Board of Directors of the Issuer elected Colm Barrington the Vice Chairman of the Board of Directors. The Board also appointed members to its Audit Committee and People and Remuneration Committee. The Board of Directors also resolved to forego the increase of the annual fees decided by the Annual General Meeting 2020 and that its existing annual fees would be reduced by 15 per cent.

On 18 August 2020, the Issuer announced an invitation to the holders of the Issuer's existing EUR 200,000,000 Capital Securities issued on 13 October 2015, with ISIN FI4000176300 (the “**Existing Capital Securities**”), to tender their Existing Capital Securities for purchase by the Issuer for cash (the “**Tender Offer**”). The Tender Offer was made on the terms and subject to the conditions contained in the tender offer memorandum (the “**Tender Offer Memorandum**”) dated 18 August 2020. On 3 September 2020, the Issuer completed a purchase of a total nominal value of EUR 157,800,000 of the Existing Capital Securities validly tendered in the Tender Offer. As at the date of this Prospectus, the total outstanding nominal amount of the Existing Capital Securities is EUR 42,200,000.

BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

General

In its decision making and administration, Finnair applies the Finnish Companies Act, the Finnish Securities Markets Act and other laws and regulations applicable to Finnish public companies as well as the Company's Articles of Association. Finnair also follows the rules and recommendations of the Helsinki Stock Exchange as applicable to listed companies. As a Finnish listed company, the Issuer complies with the Finnish Corporate Governance Code 2020 as published by the Finnish Securities Market Association effective as of 1 January 2020. Finnair does not deviate from any single recommendation of the Corporate Governance Code.

Pursuant to the provisions of the Finnish Companies Act and the Company's Articles of Association, responsibility for the governance and management of Finnair is divided between the governing bodies of the Company, including the General Meeting of Shareholders, the Board of Directors and the Chief Executive Officer (the "CEO"). Shareholders participate in the supervision and governance of the Company through resolutions passed at General Meetings of Shareholders. General Meetings of Shareholders are generally convened upon notice given by the Board of Directors. In addition, General Meetings of Shareholders are held when requested in writing by an auditor of the Company or by shareholders representing at least one-tenth of all the outstanding shares of the Company.

The business address of the members of the Board of Directors, the CEO and the Executive Board is Tietotie 9 A, FI-01530, Vantaa, Finland.

Board of Directors

The Board of Directors supervises Finnair's operations and governance, deciding on significant matters concerning the Company strategy, investments, organisation and finance. According to the Finnish Companies Act, the Board of Directors represents all shareholders of the Company and has the general duty to act diligently in the interests of the Company. Under law, the Board of Directors is accountable to the shareholders for the appropriate governance of the Company and for ensuring that the operations of the Company are run adequately. In addition to the Board of Directors' statutory tasks, certain significant matters are reserved for the Board of Directors' decision, as set out in the charter of the Board of Directors. The Board of Directors prepares and adopts the charters of the Board and of its committees. The Board of Directors approves also the Internal Audit Charter. The Board of Directors sets the Company's strategic aims and monitors the implementation of the strategy. The Board of Directors approves other significant strategic matters, business plans, significant partnerships and other decisions exceeding the limits that the Board of Directors has set to the CEO's decision-making authority. The Board of Directors decides on guarantees and other commitments for external liabilities. The Board of Directors convenes normally eight (8) times a year. At the date of this Prospectus, the Board of Directors of the Company consists of the following persons:

Name:	Background:
Jouko Karvinen Born 1957, M. Sc. (Tech.) Chairman of the Board (2017–) Member of the Board since 2016	<i>Stora Enso Oyj</i> , CEO (2007–2014) <i>Royal Philips N.V., Medical Systems Division</i> , Chief Executive Officer (2002–2006) <i>ABB Asea Brown Boveri Ltd</i> , several executive positions Memberships in other Boards of Directors and positions of trust <i>IMD Business School</i> , Member of the Foundation and Supervisory Boards (2016–) <i>Komatsu Ltd</i> , Member of the International Advisory Board (2016–2019) <i>Valmet Oyj</i> , Member of the Board and Vice Chairman of the Board (2016–2018) <i>Nokia Corporation</i> , Member of the Board (2011–2016), Vice chairman of the Board (2013–2016), Chairman of Audit Committee and Member of Corporate Governance and Nomination Committee (2012–2016),

	<i>SKF AB</i> , Member of the Board and Member of Personnel Committee (2010–2016)
Tiina Alahuhta-Kasko Born 1981, M. Sc. (Econ.), CEMS MIM Member of the Board (2019–) Member of the People and Remuneration Committee	<i>Marimekko Corporation</i> , President & Chief Executive Officer (2016–), President (2015–2016), Chief Operating Officer and Member of the Management Group (2014–2015), Chief Marketing Officer and Member of the Management Group (2012–2015) and Head of PR/PR Manager (2005–2012)
Colm Barrington Born 1946, M.A. (Econ.) Vice Chairman and Member of the Board (2017–) Member of the Audit Committee	<i>Fly Leasing Limited</i> , Chief Executive Officer, Director (2007–) Memberships in other Boards of Directors and positions of trust <i>Aer Lingus Group plc</i> , Chairman of the Board (2008–2015) <i>Hibernia REIT Plc</i> , Senior Independent Non-Executive Director (2013–) <i>IFG Group Plc</i> , Independent Non-Executive Director (2005–2019), Senior Independent Non-Executive Director (2014–2019)
Montie Brewer Born 1957, BA (Business Administration) Member of the Board (2018–) Member of the Audit Committee	<i>Air Canada</i> , President & Chief Executive Officer (2004–2009) and Executive Vice President Commercial (2002–2004) Senior positions with <i>United Airlines</i> , <i>Northwest Airlines</i> , <i>Republic Airlines</i> , <i>Braniff</i> and <i>Trans World Airlines</i> Memberships in other Boards of Directors and positions of trust <i>ID90 Travel Inc.</i> Member of the Board (2018–) <i>Allegiant Travel Company</i> , Member of the Board (2009–) <i>Radixx International</i> , Member of the Board (2015–2019) <i>AirHelp Limited</i> , Member of the Board (2015–2018) <i>Swiss International Air Lines AG</i> , Member of the Board (2012–2017) <i>Aer Lingus Group Plc</i> , Member of the Board (2010–2015) <i>Air Canada</i> , Member of the Board (2002–2010) <i>Star Alliance Services GmbH</i> , Member of the Board <i>The International Air Transport Association (IATA)</i> , Member of the Board
Mengmeng Du Born 1980, M. Sc. (Econ.), M. Sc. (Computer Science) Member of the Board (2017–) Member of the People and Remuneration Committee	<i>GetGeek AB</i> , Co-Founder (2016–2017) <i>Iridis AB</i> , Founder and Chief Executive Officer (2014–) <i>Acast AB</i> , Chief Operating Officer (2015–2016) <i>Spotify AB</i> , Director of Operations, Marketing and International Growth (2011–2014) <i>Stardoll AB</i> , Vice President, Product Development (2008–2010)

	<p>Memberships in other Boards of Directors and positions of trust</p> <p><i>Saminvest AB</i>, Non-Executive Member of the Board (2019–)</p> <p><i>Netonnet Group AB</i>, Non-Executive Member of the Board (2016–)</p> <p><i>Swedish National Innovation Council</i>, Member (2015–2018)</p> <p><i>Livförsäkringsbolaget Skandia, ömsesidigt</i>, Non-Executive Member of the Board (2015–2020)</p> <p><i>Filippa K AB</i>, Member of the Board (2015–2017)</p> <p><i>Skånska Byggvaror AB</i>, Member of the Board (2012–2016)</p> <p><i>Qliro Group AB</i>, Member of the Board (2010–2016)</p>
<p>Jukka Erlund Born 1974, M. Sc. (Econ.) eMBA Member of the Board (2019–) Chairman of the Audit Committee</p>	<p><i>Kesko Corporation</i>, Executive Vice President and Chief Financial Officer (2011–), Vice President and Corporate Controller (2007–2010) and Corporate Business Controller (2004–2007)</p> <p><i>Kesko Food Ltd</i>, Vice President for Finance (2010–2011)</p> <p>Memberships in other Boards of Directors and positions of trust</p> <p><i>Varma Mutual Pension Insurance Company</i>, Member of the Supervisory Board (2018–)</p> <p><i>Confederation of Finnish Industries EK</i>, Member of the Economy and Tax Committee (2012–)</p> <p><i>Suomen Luotto-osuuskunta</i>, Member of the Board (2012–)</p> <p><i>Federation of Finnish Commerce</i>, Chair of the Tax and Economic Policy Committee (2011–)</p>
<p>Henrik Kjellberg Born 1971, M. Sc. (Econ.) Member of the Board (2018–) Member of the Audit Committee</p>	<p><i>Awaze Limited</i>, Chief Executive Officer (2018–)</p> <p><i>Expedia Group</i>, various senior positions, inter alia, President of the Hotwire Group and President of Expedia® Affiliate Network (2001–2017)</p> <p>Memberships in other Boards of Directors and positions of trust</p> <p><i>eLong, Inc.</i>, Member of the Board (2006–2015)</p> <p><i>VOYAGES-SNCF.COM</i>, Member of the Board (2007–2013)</p>
<p>Maija Strandberg Born 1969, M. Sc. (Econ.) Member of the Board (2020–)</p>	<p><i>Finnish Prime Minister's Office, Government Ownership Steering Department</i>, Senior Financial Counsellor (2019–)</p> <p><i>Uponor Corporation</i>, Executive Vice President, CFO (2017–2019)</p> <p><i>Valmet Oyj</i>, Vice President, Finance (2013–2017)</p> <p>Memberships in other Boards of Directors and positions of trust</p> <p><i>Nordic Morning Group Oyj</i>, Member of the Board, Chairman of the Audit Committee (2020–)</p> <p><i>Vapo Oyj</i>, Member of the Board (2019–)</p>

	<i>VR Group Oyj</i> , Member of the Board, Member of the Audit Committee (2014–2020), Chairman of the Audit Committee (2016–2020) <i>Exel Composites Oyj</i> , Member of the Board (2019–2020) <i>Dustin Group AB</i> , Member of the Board, Member of the Audit Committee (2013–2017), Chairman of the Audit Committee (2014–2016)
Jaana Tuominen Born 1960, M. Sc. (Eng.) Member of the Board (2014–) Chairman of the People and Remuneration Committee	<i>Fiskars Group</i> , Chief Executive Officer (2017–2020) <i>Paulig Group</i> , Chief Executive Officer (2008–2017) <i>GE Healthcare Finland Oy</i> , Managing Director and General Manager of Global Monitoring Solutions (2002–2008) Memberships in other Boards of Directors and positions of trust <i>Suominen Oyj</i> , Member of the Board (2014–2019) <i>Finnish Fair Corporation</i> , Member of the Board (2014–2017) <i>Fuchs Gruppe</i> , Chair of the Advisory Board (2016–2017) <i>Confederation of Finnish Industries (EK)</i> , Member of the Board (2016–2017) <i>Finnish Food and Beverage Industries' Federation</i> , Chair of the Board (2016–2017), Member of the Board (since 2009)

Board Committees

General

The Board of Directors delegates certain of its functions to the Audit Committee and to the People and Remuneration Committee. The Board of Directors appoints an Audit Committee and a People and Remuneration Committee from among its members. The minimum number of members is three (3) in both Committees. Each Committee meets regularly under their respective charters. The Committees report on their work regularly to the Board of Directors but they do not have decision-making powers independent from the Board of Directors, except where expressly authorised by the Board of Directors.

Audit Committee

As at the date of this Prospectus, the Audit Committee consists of Mr. Jukka Erlund (Chairman), Mr. Colm Barrington, Mr. Montie Brewer and Mr. Henrik Kjellberg. All of the members of the Audit Committee are independent of the Company and its significant owners. The Audit Committee monitors and evaluates the Company's reporting process of financial statements and the efficiency of the internal control and risk management systems as well as the internal audit. The committee monitors the statutory audit and evaluates the independence of the auditor. In addition, the Audit Committee monitors the efficiency of the Company's compliance systems.

Pursuant to the Corporate Governance Code, the members of the Audit Committee shall have the qualifications necessary to perform the responsibilities of the committee, and at least one of the members shall have expertise specifically in accounting or auditing.

The Audit Committee monitors the financial position of the Company, monitors and assesses the financial reporting process, monitors and assesses the efficiency of the Company's internal control and risk management systems as well as internal audit, monitors the statutory audit of the financial statements, monitors and assesses the independence of the statutory auditor, and particularly the provision by the auditor of non-audit services to the Company, prepares for the Board of Directors' proposals to the Annual General Meeting regarding the election of the auditor and its remuneration, reviews the auditors' and internal auditors' audit plans and reports, monitors and assesses agreements and transactions between the Company and its related parties with respect to compliance with the governance and disclosure requirements of the same, reviews the Company's corporate governance statement, prepares for the Board of Directors the Group's risk management policies, monitors the processes and risks relating

to cyber security, prepares for the Board of Directors' decisions on significant changes in the accounting principles or in the valuations of the Group's assets, assesses the efficiency of the Company's compliance systems as well as maintains contact with the auditor.

People and Remuneration Committee

As at the date of this Prospectus, the People and Remuneration Committee consists of Ms. Jaana Tuominen (Chairman), Ms. Tiina Alahuhta-Kasko, Ms. Mengmeng Du and Ms. Maija Strandberg. All members of the People and Remuneration Committee except Maija Strandberg are independent of the Company and its major shareholders. The People and Remuneration Committee assists the Board of Directors in matters pertaining to the compensation and benefits of the CEO and other senior management, their performance evaluation, appointment and successor planning. The Committee assists the Board of Directors also in establishing and evaluating the Group's compensation structures and other personnel policies. By virtue of the Board of Directors' authorisation, the People and Remuneration Committee reviews and confirms the achievement of targets for short-term incentives and approves the payment of incentives to the CEO and other senior management.

The People and Remuneration Committee prepares for the Board of Directors the key principles of the Company's compensation policies and practices, remuneration and other material terms of the contract of the CEO and the Executive Board members, the CEO's and the Executive Board members' incentive and retention plans, the CEO's and the Executive Board members' performance reviews, nominations of the CEO and the Executive Board members, composition and responsibilities of the Executive Board, CEO's and the Executive Board members' succession planning and leadership development, assessment of the people strategy and key development initiatives, equity-based incentive plans, the remuneration policy for the Company's governing bodies and annual remuneration reporting based on the recommendations of the Corporate Governance Code.

CEO and the Executive Board

Chief Executive Officer

The Company's Board of Directors appoints the CEO. The CEO is responsible for the daily management of the Company's administration in accordance with the Finnish Companies Act and the guidelines and instructions given by the Board of Directors. In addition, the CEO is responsible for ensuring that the Company's accounting has been carried out according to applicable laws and that asset management has been organised in a reliable manner. The CEO manages the Company's daily business and is responsible for controlling and steering the business areas. At the date of this Prospectus, the CEO of the Company is Topi Manner.

Executive Board

The Executive Board of the Company is led by the CEO. The Executive Board comprises senior management responsible for Finnair's operations and commercial activities, customer experience, digital services, finance, people and culture, strategy, communications and corporate responsibility and legal affairs. At the date of this Prospectus, the Executive Board consists of the following persons:

Name:	Background:
Topi Manner Born 1974, M. Sc. (Econ.) President & Chief Executive Officer (2019–)	<i>Nordea Bank Abp</i> , various management positions (2006–2018), Member of Group Executive Management and Head of Personal Banking (2016–2018) Memberships in other Boards of Directors and positions of trust <i>Finland Chamber of Commerce</i> , Vice Chairman (2019–) <i>Elisa Corporation</i> , Member of the Board (2020–)
Nicklas Ilebrand Born 1980, M. Sc. (Computer Science) Senior Vice President, Strategy (2019–)	<i>Nordea Bank Abp</i> , various leadership positions in strategy and business development and Head of Products and Business Development for Personal Banking (2011–2019) Memberships in other Boards of Directors and positions of trust <i>Nordea Hypotek AB</i> , Chairman of the Board (2016–) <i>Nordea Kredit</i> , Chairman of the Board (2016–)
Johanna Karppi Born 1968, LL.M. (trained on bench) Senior Vice President, People & Culture (2019–)	<i>Suomen Terveystalo Oy</i> , Senior Vice President, Human Resources (2007–2019) <i>Rautaruukki Oyj</i> , Director, Corporate Human Resources (2004–2007) <i>Orion Corporation</i> , Human Resources Manager (2001–2004) Memberships in other Boards of Directors and positions of trust <i>Finnpilot Pilotage Oy</i> , Member of the Board (2014–)
Ole Orvær Born 1966 Chief Commercial Officer (2019–)	Several leadership positions with <i>Qatar Airways</i> , <i>LOT Polish Airlines</i> , <i>Air Berlin</i> and <i>SAS Group</i> (2002–2017)
Tomi Pienimäki Born 1973, Dr. Tech., M. Sc. (Eng.), M. Sc. (Econ.) Chief Digital Officer (2019–)	<i>Vincit Plc</i> , Chief Executive Officer (2016–2018) <i>Jolla Ltd</i> , Chief Executive Officer (2013–2015) <i>Itella Oyj</i> , Chief Information Officer (2005–2013) <i>Hackman Oyj</i> , Chief Information Officer (2000–2005)
Sami Sarelius Born 1971, LL.M. Senior Vice President and General Counsel (1998–)	<i>Finnair Oyj</i> , Senior Vice President and General Counsel (1998–)
Jaakko Schildt Born 1970, MBA, B. Sc. (Engineering)	<i>Thomas Cook Group Plc</i> , Accountable Manager (2015–2016), Head of Group Maintenance Organisation (2014–2015) <i>Finnair Oyj</i> , Vice President, Technical Operations (2012–2014)

Chief Operating Officer (2016–)	
Mika Stirkkinen Born 1968, M. Sc. (Econ.) Chief Financial Officer (2019–)	<i>Finnair Oyj</i> , Vice President Revenue Management & Pricing (2016–2019), Vice President Group Treasurer (2004–2016), Interim Roles as Chief Commercial Officer and Chief Financial Officer
Arja Suominen Born 1958, M.A., eMBA Senior Vice President, Corporate Communications and Corporate Responsibility (2011–)	<i>Nokia Oyj</i> , Senior Vice President, Communications (2004–2011)

Shareholders' Nomination Board

Finnair has a permanent Shareholders' Nomination Board. The Shareholders' Nomination Board shall consist of four (4) members, three of which shall be appointed by the Company's three largest shareholders, who shall appoint one member each. The Chairman of the Company's Board of Directors shall serve as the fourth member. The members shall be nominated annually and their term of office shall end when new members are nominated to replace them. The purpose and task of the Shareholders' Nomination Board is to prepare and present to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, a proposal on the remuneration of the members of the Board of Directors, a proposal on the number of members of the Board of Directors and a proposal on the members of the Board of Directors. In addition, the task of the Shareholders' Nomination Board is to seek candidates as potential board members. At the date of this Prospectus, the current members of the Shareholders' Nomination Board are Minna Pajumaa, Timo Sallinen, Mikael Etola and Jouko Karvinen.

Conflicts of Interest

Provisions regarding the conflicts of interest of the management of a Finnish company are set forth in the Finnish Companies Act. Pursuant to Chapter 6, Section 4 of the Finnish Companies Act, a member of the Board of Directors may not participate in the handling of a contract between himself or herself and the company. Further, pursuant to Chapter 6, Section 4 a of the Finnish Companies Act, a member of the Board of Directors may not participate in the handling of a contract between himself or herself or an entity that is related to himself or herself as defined in the IAS 24 standard, and the company or its subsidiary, unless the agreement is part of the company's ordinary course of business or is conducted on normal market terms. This provision also applies to any other legal act, legal proceeding or other similar matter. Further, this provision also applies to the CEO.

The members of the Board of Directors, Executive Board or the CEO do not have any conflicts of interest between their duties relating to the Company and their private interests and/or their other duties.

The members of the Board, apart from Maija Strandberg, are independent of the Company and its significant shareholders. Maija Strandberg is not deemed to be independent of the Company's significant shareholder as she is a civil servant of the government of Finland.

Auditors

The consolidated financial statements of the Issuer for the financial year ended 31 December 2019 incorporated in this Prospectus by reference have been audited by Authorised Public Accountants PricewaterhouseCoopers Oy, with Markku Katajisto, Authorised Public Accountant, as the auditor with principal responsibility. Markku Katajisto is registered in the auditor register in accordance with Chapter 6 Section 9 in the Finnish Auditing Act (1141/2015, as amended).

At the Annual General Meeting held on 29 May 2020, Authorised Public Accountants KPMG Oy Ab was elected as auditor of the Company, with Authorised Public Accountant Kirsi Jantunen acting as the auditor with principal responsibility, until the end of the next Annual General Meeting. The business address of the principal auditor and KPMG Oy Ab is Töölönlahdenkatu 3 A, FI-00100 Helsinki, Finland. Kirsi Jantunen is registered in the auditor register in accordance with Chapter 6 Section 9 in the Finnish Auditing Act (1141/2015, as amended).

ARRANGEMENTS WITH THE JOINT LEAD MANAGERS

Citigroup Global Markets Limited, Nordea Bank Abp and OP Corporate Bank plc acted as Joint Lead Managers of the Offering. The Company has entered into agreements with the Joint Lead Managers with respect to certain services provided by the Joint Lead Managers in connection with the Offering. In addition, the Joint Lead Managers also acted as dealer managers in the Tender Offer.

Each of the Joint Lead Managers and/or their respective affiliates have performed, and may in the future perform, advisory, consulting and/or banking services for Finnair in the ordinary course of their business for which they have received, or will receive, customary fees and expenses. Furthermore, certain of the Joint Lead Managers or their respective affiliates have acted and may in the future act as arrangers, lenders or guarantors under certain facility agreements of Finnair for which they have received, or will receive, customary fees and expenses. For example, Nordea Bank Abp acted as the coordinating bookrunner and mandated lead arranger and OP Corporate Bank plc acted as bookrunner and mandated lead arranger for Finnair's EUR 175 million syndicated revolving credit facility, which was signed on 18 January 2019 and has been amended on 15 May 2020, and Nordea Bank Abp has guaranteed 10 per cent of the principal of the Finnair's EUR 600 million pension premium loan from Ilmarinen Mutual Pension Insurance Company. The Joint Lead Managers and their respective affiliates may hold long or short positions, and may trade or otherwise effect transactions, for their own account or the accounts of their customers, in debt or equity securities of the Issuer.

LEGAL MATTERS

Certain legal matters in connection with the Offering have been passed upon for the Issuer by Roschier, Attorneys Ltd. Certain legal matters in connection with the Offering have been passed upon for the Joint Lead Managers by White & Case LLP.

INFORMATION INCORPORATED BY REFERENCE

The Company's audited consolidated financial statements for the financial year ended 31 December 2019 and unaudited consolidated Half-year Report for the six months ended 30 June 2020 and the auditor's report for the financial year ended 31 December 2019 as well as the report of the Board of Directors for the financial year 2019 as set out below are incorporated into and form part of the Prospectus by reference. The non-incorporated information in the documents incorporated by reference is not relevant for investors or can be found elsewhere in the Prospectus. The referenced documents are available on the Company's website at, <https://investors.finnair.com/en>.

Document	Information by reference
Finnair Group Annual Report 2019	Audited consolidated financial statements and the auditor's report for the financial year ended 31 December 2019 and the report of the Board of Directors for the financial year 2019, pages 6 to 98.
Finnair Group Half-year Report 1 January – 30 June 2020	Unaudited consolidated Half-year Report for the six months ended 30 June 2020

DOCUMENTS ON DISPLAY AND AVAILABLE INFORMATION

In addition to the documents incorporated by reference, the Issuer's Articles of Association are available on the Company's website at, <https://investors.finnair.com/en>.

The Company will publish annual reports, including audited consolidated financial statements, quarterly interim financial information and other information as required by the Finnish Securities Market Act and the rules of the Helsinki Stock Exchange. All annual reports, interim reports and stock exchange releases are published in Finnish and English. Such information will be available on the Issuer's website at <https://investors.finnair.com/en/reports-and-presentations>.

THE COMPANY

Finnair Plc
Tietotie 9 A
FI-01053 Vantaa
Finland

JOINT LEAD MANAGERS

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Nordea Bank Abp

Satamaradankatu 5
FI-00020 NORDEA
Finland

OP Corporate Bank plc

Gebhardinaukio 1
FI-00510 Helsinki
Finland

LEGAL ADVISER TO THE COMPANY

Roschier, Attorneys Ltd.

Kasarmikatu 21 A
FI-00130 Helsinki
Finland

LEGAL ADVISER TO THE JOINT LEAD MANAGERS

White & Case LLP

Aleksanterinkatu 44
FI-00100 Helsinki
Finland

AUDITOR

KPMG Oy Ab

Töölönlahdenkatu 3 A
FI-00100 Helsinki
Finland