Question 1:

Finnair announced on 6 October 2023 that it is preparing a rights issue of up to EUR 600 million. The company has announced that the net proceeds from the rights issue will be used, among other things, to repay the State of Finland's capital loan. The State of Finland expects its participation in the rights issue to be carried out by offsetting an amount equal to the subscription price of the shares against the principal amount of the loan under the capital loan agreement between Finnair and the State of Finland. Finnair's share price plunged after Finnair Plc's announcement, and a significant share of the company's shares have been sold. In view of the above, I would like to ask whether the company's largest shareholders, the State of Finland (Prime Minister's Office) and/or Varma Mutual Pension Insurance Company, have sold shares in the company either immediately before or after the announcement in question, and if so, how much?

Answer:

There have been no changes in the shareholdings of the State of Finland (Prime Minister's Office) or Varma Mutual Pension Insurance Company immediately before or after 6 October 2023.

Question 2:

My understanding is that Finnair has cash funds of EUR 1.53 billion. Why do you consider that a rights issue is the most appropriate option for minority shareholders to repay the company's capital loan? Minority shareholders may not have the means to participate in the rights issue and the ownership of such minority shareholders will be diluted in such situation. Do you consider that the planned rights issue will not violate the interests of minority shareholders?

Answer:

The gross proceeds from the rights issue will be used to strengthen Finnair's balance sheet and financial position in order to better manage its remaining financial liabilities, support the implementation of its strategy for sustainable profitable growth and ensure its ability to implement investments in the future. The purpose of the rights issue is to help the company reach its key financial targets: a comparable operating profit margin of 6 % by the end of 2025, 1–2 times net debt relative to comparable EBITDA by the end of 2025, and the restoration of the company's ability to distribute funds from 2025 onwards (based on the result for 2024).

The company will use the net proceeds from the rights issue to repay the remaining portion of the EUR 400 million capital loan after the rights issue and to pay the interest accrued on the subordinated loan. The repayment of the capital loan and the redemption of the company's hybrid bond with a nominal value of EUR 200 million on 1 September 2023 are expected to create a sustainable balance sheet and significantly reduce the company's financing costs. At the end of the second quarter of 2023, the accrued interest on the capital loan was EUR 32.8 million, the margin was 3.5 % and the reference rate was 1.851 % (12-month Euribor). The current reference rate, the interest rate for which was determined on 31 August 2023, is 4.102 %. If the capital loan is not repaid, the reference rate will be determined again on 31 August 2024. The margin on the capital loan will increase to 5.0 % in March 2024 in accordance with the terms of the loan, and according to the terms, the margin will also be increased after 2024. Interest on a capital loan (margin and reference rate) accrues both on the principal and on the interest for which payment has been deferred. Finnair will also pay a usage fee of 3.0 % of the principal amount of the capital loan.

The company's cash funds at the end of June 2023 were approximately EUR 1.53 billion. Without the rights issue, it would not be possible for the company, at least for the time being, to repay the capital loan in full according to the Finnish Companies Act as Finnair Plc’s distributable funds added with the capital loan were only c. EUR 110 million, based on the 2022 financial statements. The rights issue is necessary to improve the company's balance sheet and financial position, and the improvement of these affects all shareholders of the company equally in proportion to their shareholdings. The current shareholders of the company have an equal right to participate in the rights issue in proportion to their shareholdings. A shareholder also has the right not to participate in the rights issue. To the extent that a shareholder does not participate in the rights issue, he/she/it may sell the subscription rights that he/she/it receives in connection with the rights issue. In the company's view, the rights issue is the most appropriate way to improve the company's balance sheet and financial position from the perspective of the company and its shareholders, and it does not treat the company's shareholders unequally.

Question 3:

Will the shareholder lose his/her/its current shares or any new shares to be allotted in the rights issue if he/she/it does not attend the Extraordinary General Meeting?

Answer:

A shareholder will not lose his/her/its current shares or subscription rights to be granted in the planned rights issue even if he/she/it does not participate in the Extraordinary General Meeting. The Extraordinary General Meeting decides, inter alia, on the authorisation to the Board of Directors to resolve on a rights issue, and if the shareholder does not attend the Extraordinary General Meeting, the shareholder will not participate in the decision-making on the matters considered at the meeting. If the authorisation is granted and the Board of Directors decides to carry out the rights issue, the company's shareholders will be granted subscription rights in proportion to their current shareholdings. The subscription rights can be used to subscribe for new shares to be issued in the rights issue. The company's Board of Directors decides on the number of the subscription rights and the number of shares that can be subscribed with them as well as the subscription price. The subscription rights are also publicly traded in connection with the rights issue.