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The Company has not authorized any offer to the public of Securities in any Member State of the European Economic Area other than Finland. With respect to each Member State of the European Economic Area other than Finland, no action has been undertaken or will be undertaken to make an offer to the public of Securities requiring publication of a prospectus in such other Member State. As a result, the Securities may only be offered in such Member States (a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation ("Qualified Investor"); or (b) in any other circumstances falling within Article 1(4) of the Prospectus Regulation. For the purposes of this paragraph, the expression an "offer of securities to the public" means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to exercise, purchase or subscribe the Securities, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

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OFFERING CIRCULAR **12 June 2020**

Finnair Plc

Rights Offering of a Maximum of 1,279,265,150 Offer Shares

Subscription Price EUR 0.40 per Offer Share

Finnair Plc ("**Finnair**" or the "**Company**"), a public limited liability company incorporated in Finland, offers for subscription in a rights issue pursuant to the shareholders' pre-emptive subscription right a maximum of 1,279,265,150 shares in the Company (the "**Offer Shares**") at a subscription price of EUR 0.40 per Offer Share (the "**Subscription Price**"), as described in more detail in this offering circular (the "**Offering Circular**") (the "**Offering**").

All shareholders of Finnair registered in the Company's shareholders' register maintained by Euroclear Finland Oy ("**Euroclear Finland**") on the record date 12 June 2020 (the "**Record Date**") will receive one (1) subscription right in the form of a book-entry entitling them to subscribe for Offer Shares (the "**Subscription Right**") for each share of the Company owned on the Record Date. In accordance with the normal clearing period for trading on Nasdaq Helsinki Ltd (the "**Helsinki Stock Exchange**"), trades in the Company's shares made no later than on 10 June 2020 will affect the shareholders' register of the Record Date. Each one (1) Subscription Right entitles to subscribe for ten (10) Offer Shares at the Subscription Price (the "**Primary Subscription Right**"). No fractions of shares will be allotted and a Subscription Right cannot be exercised partially. The Subscription Rights will be registered on the shareholders' book-entry accounts in the book-entry system maintained by Euroclear Finland on 15 June 2020.

The subscription period for the Offer Shares will commence on 17 June 2020 at 9:30 a.m. (Finnish time) and end on 1 July 2020 at 4:30 p.m. (Finnish time) (the "**Subscription Period**"). The Subscription Rights are freely transferable, and they are subject to trading on the Helsinki Stock Exchange (trading code "FIA1SU0120") between 17 June 2020 and 25 June 2020. Subscription Rights that remain unexercised at the end of the Subscription Period on 1 July 2020 at 4:30 p.m. (Finnish time) will expire without compensation. See section "*Important Dates*".

Both holders of Subscription Rights and investors who do not hold Subscription Rights may submit orders to subscribe for any Offer Shares that have not been subscribed for pursuant to the Primary Subscription Right (the "**Secondary Subscription Right**"). Offer Shares remaining unsubscribed under the Primary Subscription Right and the Secondary Subscription Right may be directed for subscription as resolved by the Board of Directors, see "*Terms and Conditions of the Offering*".

The Company's largest shareholder, the State of Finland, has irrevocably committed to subscribe in full for Offer Shares on the basis of Subscription Rights allocated to it (the "**Subscription Undertaking**"). The Subscription Undertaking represents approximately 55.9 per cent of the Offer Shares. Nordea Bank Abp and Citigroup Global Markets Limited have entered into an underwriting agreement with the Company (the "**Underwriting Agreement**") pursuant to which they have severally agreed, subject to certain terms and conditions, to procure subscribers for any Offer Shares that may remain unsubscribed for in the Offering, excluding the Offer Shares that are covered by the Subscription Undertaking, or to subscribe for such Offer Shares themselves. For further information on the matter, see section "*Plan of Distribution in the Offering*".

Finnair's shares are subject to trading on the Helsinki Stock Exchange under trading code "FIA1S" (ISIN code: FI0009003230). Trading in interim shares corresponding to the Offer Shares that have been subscribed for based on the Subscription Rights (the "**Interim Shares**") is expected to commence as an own share class on the Helsinki Stock Exchange (trading code "FIA1SN0120") on 18 June 2020. The Interim Shares will be combined with the Company's shares once the Offer Shares have been registered with the Finnish Trade Register of the Finnish Patent and Registration Office (the "**Finnish Trade Register**"). The Offer Shares subscribed for pursuant to the Primary Subscription Right and the Secondary Subscription Right are expected to be registered in the Finnish Trade Register on or about 8 July 2020. Trading in the Offer Shares on the official list of the Helsinki Stock Exchange together with the existing shares in the Company is expected to commence on or about 9 July 2020.

The Offering consists of (i) a public offering in Finland and (ii) a private placement, described in "*Selling and Transfer Restrictions*" herein, in other jurisdictions outside the United States, in each case, in reliance on Regulation S of the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and in accordance with applicable securities laws. The Subscription Rights and the Offer Shares have not and will not be registered under the U.S. Securities Act or under any state securities laws of the United States, and may not be offered or sold in or into the United States, directly or indirectly.

The Offering Circular may not be published or distributed 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 deliver the Subscription Rights or make an offering of the Offer Shares. The Subscription Rights or the Offer Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into any such countries.

For certain risk factors involved in investing in the Subscription Rights or the Offer Shares, see section "*Risk Factors*" beginning on page 8.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

citi Nordea

Co-Lead Managers

OP **SEB** **Swedbank**

IMPORTANT INFORMATION

In connection with the Offering, the Company has prepared a Finnish language prospectus (the "**Finnish Prospectus**") in accordance with the Finnish Securities Market Act (746/2012, as amended) (the "**Finnish Securities Market Act**"), Regulation (EU) 2017/1129 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**"), Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (Annexes 3 and 12), Commission Delegated Regulation (EU) 2019/979 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary on a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus and a notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301, as well as the regulations and guidelines issued by the Finnish Financial Supervisory Authority ("**FIN-FSA**").

The Finnish Prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of the Prospectus Regulation. This Offering Circular also contains the summary in the format required by Article 7 of the Prospectus Regulation. Except for certain additional information included for the benefit of non-Finnish shareholders and prospective investors, this is an English language translation of the Finnish Prospectus. The FIN-FSA, as the competent authority under the Prospectus Regulation, has approved the Finnish Prospectus. The FIN-FSA has only approved the Finnish Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Investors should make their own assessment as to the suitability of investing in the securities. Approval by the FIN-FSA of the Finnish Prospectus shall not be considered as an endorsement of the issuer that is the subject of the Finnish Prospectus. The journal number of the FIN-FSA's decision of approval is FIVA 35/02.05.04/2020. In case of any discrepancies between the original Finnish Prospectus and the English language Offering Circular, the Finnish Prospectus shall prevail.

In this Offering Circular, any reference to the "Company", "Finnair" or the "Group" means Finnair Plc and its subsidiaries on a consolidated basis, except where it is clear from the context that the term means Finnair Plc or a particular subsidiary or business unit only. References relating to the shares and share capital of the Company or matters of corporate governance shall refer to the shares, share capital and corporate governance of Finnair Plc.

The Company has appointed Citigroup Global Markets Limited ("**Citi**") and Nordea Bank Abp ("**Nordea**") to act as the joint global coordinators, joint bookrunners and joint lead managers for the Offering (Citi and Nordea together, the "**Joint Global Coordinators**") and OP Corporate Bank plc ("**OP**"), Skandinaviska Enskilda Banken AB (publ) Helsinki Branch ("**SEB**") and Swedbank AB (publ) ("**Swedbank**") to act as the co-lead managers for the Offering (the Joint Global Coordinators together with OP, SEB and Swedbank, the "**Managers**").

Prospective investors should not rely on the Managers or any of their affiliated parties in connection with any investigation in respect of the accuracy of any information contained in this Offering Circular or their investment decision. Shareholders and prospective investors should rely solely on the information contained in the Offering Circular. Finnair or the Managers have not authorised anyone to provide any information or give any statements other than those provided in the Offering Circular. Delivery of the Offering Circular shall not, under any circumstances, indicate that the information presented in the Offering Circular is correct on any day other than the date of the Offering Circular, or that there would not be any changes in the business of Finnair after the date of the Offering Circular. However, if a fault or omission is discovered in this Offering Circular after the FIN-FSA has approved the Finnish Prospectus but prior to the end of the Subscription Period or before the admission of the Offer Shares or the Interim Shares for trading on the Helsinki Stock Exchange (whichever occurs later) and such fault or omission may be of material importance to investors, the Offering Circular shall be supplemented in accordance with the Prospectus Regulation.

In a number of countries, in particular in the United States, Australia, Canada, Hong Kong, Japan, New Zealand, Singapore and South Africa, the distribution of the Offering Circular and the offer of the Offer Shares are subject to restrictions imposed by law (such as registration, admission, qualification and other regulations). The offer to subscribe for the Offer Shares does not include persons in any jurisdiction where such an offer would be illegal. No action has been or will be taken by the Company or the Managers to permit the possession or distribution of the Offering Circular (or any other offering or publicity materials or application form(s) relating to the Offering) in any jurisdiction where such distribution may otherwise lead to a breach of any law or regulatory requirement.

The Subscription Rights or the Offer Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any documents relating to the Offer Shares nor any advertisements may be distributed or published in any jurisdiction in which this would violate any laws or regulations. No action has been or will be taken by the Company or the Managers to permit public offering of the Subscription Rights or the Offer Shares outside Finland. The Company and the Managers require that any person who receives this Offering Circular into their possession acquire adequate information of these restrictions and comply with them. Nevertheless, the Offer Shares may be offered to qualifed investors in a member state of the European Economic Area ("**EEA**") and in the United Kingdom, if any of the exceptions in the Prospectus Regulation is applicable.

The Subscription Rights and the Offer Shares have not and will not be registered under the U.S. Securities Act or under any state securities laws of the United States. The Subscription Rights or the Offer Shares may not be offered, sold, exercised, pledged, transferred or delivered, directly or indirectly, in or into the United States. In addition to the United States, the legislation of certain other countries may restrict the distribution of this Offering Circular. This Offering Circular must not be considered an offer of securities in such country, where offering of the Offer Shares would be forbidden. The Subscription Rights or the Offer Shares may not be offered, sold, exercised, pledged, transferred or delivered, directly or indirectly, in or into such country.

Neither the Company nor the Managers accept any legal responsibility for persons who have obtained the Offering Circular in violation of these restrictions, irrespective of whether these persons are prospective subscribers or purchasers of the Subscription Rights or the Offer Shares.

The Company reserves the right, in its sole and absolute discretion, to reject any subscription of the Offer Shares that the Company or its representatives believe may give rise to a breach or violation of any law, rule or regulation.

Investors must not construe the contents of this Offering Circular as legal, investment or tax advice. Each investor should consult such investor's own counsel, accountant or business advisor as to legal, investment and tax advice and related matters pertaining to the Offering, if they deem it necessary.

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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 Offering Circular. Any decision to invest in the securities should be based on consideration of the Offering Circular 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 Offering Circular is brought before a court, the plaintiff investor might, under applicable law, have to bear the costs of translating the Offering Circular before legal proceedings are initiated. The Company assumes civil liability in respect of this summary only if it is misleading, inaccurate or inconsistent when read together with the other parts of the Offering Circular, or if it does not provide, when read together with the other parts of the Offering Circular, key information in order to aid investors when considering whether to invest in the Offer Shares.

The identity and contact details of the issuer are as follows:

Name of the issuer:	Finnair Plc
Address:	Tietotie 9, FI-01530 Vantaa, Finland
Business identity code:	0108023-3
Legal entity identifier (LEI):	213800SB6EOB8SSK9W63
ISIN Code of the shares:	FI0009003230
Trading code:	FIA1S

This is an English language translation (the "**Offering Circular**") of the original Finnish language prospectus (the "**Finnish Prospectus**"). The Finnish Prospectus has been approved by the Finnish Financial Supervisory Authority (the "**FIN-FSA**") as the competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") on 12 June 2020. The FIN-FSA has only approved the Finnish Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the FIN-FSA of the Finnish Prospectus shall not be considered as an endorsement of the issuer that is the subject of the Finnish Prospectus. The decision number of the approval of the Finnish Prospectus is FIVA 35/02.05.04/2020.

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

Financial Supervisory Authority
P.O. Box 103
FI-00101 Helsinki, Finland
Tel.: +358 9 183 51
Email: registry@fiva.fi.

Key Information on the Issuer

Who Is the Issuer of the Securities?

The issuer's legal and commercial name is Finnair Plc (the "**Company**") and it is domiciled in Helsinki, Finland. The Company is registered in the Finnish Trade Register of the Finnish Patent and Registration Office (the "**Finnish Trade Register**") under business identity code 0108023-3 and legal entity identifier (LEI) 213800SB6EOB8SSK9W63. The Company is a public limited liability company incorporated in Finland and operating under Finnish law.

General

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.

As at the date of this Offering Circular, in response to the restrictions on air travel due to the COVID-19 pandemic, Finnair is operating a minimum network corresponding to less than 5 per cent of its budgeted capacity (measured in Available Seat Kilometres (ASK)). Finnair's intention is to gradually add frequencies and routes back to its network starting from July 2020 so that Finnair would operate approximately 30 per cent of its budgeted amount of flights in July, corresponding to approximately 20 per cent of its budgeted capacity (measured in Available Seat Kilometres (ASK)). Finnair will update its schedule on a monthly basis depending on demand.

Finnair's mission is to enable its passengers to connect and experience the world effortlessly and in a more sustainable way. Based on the Company'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 is over Finland.

The Company's management has assessed material uncertainties such as the duration and impact of the pandemic as well as the adequacy of the Company's funding, and conducted an assessment of Finnair's operations as a going concern. The going concern assessment has been conducted based on different scenarios and the likelihood of their materialisation. The Company's management has concluded that the assessment does not cast significant doubt on the Company's ability to continue as a going concern and that, consequently, there is no cause for deviating from the earlier assessment of the Company's management according to which the financial statements are prepared using the going concern basis of accounting. The conclusion is based on the information available as at the date of this Offering Circular and an assessment conducted based on the information, assuming that the Company is able to conduct its adjusted business operations according to the current plan and secure the financing under its refinancing plan. However, future events or conditions may cause the Company to be unable to continue its operations in accordance with management's current assessment.

Major Shareholders

The following table sets forth the ownership information of the ten largest shareholders of the Company as at 10 June 2020 pursuant to the shareholders' register maintained by Euroclear Finland Oy ("**Euroclear Finland**"):

Shareholder	**No. of shares**	**Shares, %**	**Votes, %**
State of Finland (acting through the Prime Minister's Office)	71,515,426	55.81	55.90
Keva	5,191,756	4.05	4.06
Varma Mutual Pension Insurance Company	3,261,933	2.55	2.55
Ilmarinen Mutual Pension Insurance Company	3,005,642	2.35	2.35
The State Pension Fund	2,000,000	1.56	1.56
U.S. Global Jets Etf	1,876,102	1.46	1.47
Elo Mutual Pension Insurance Company	1,333,788	1.04	1.04
Laakkonen Mikko Kalervo	720,000	0.56	0.56
Finnair Oyj:n Henkilöstörahasto Hr	659,400	0.51	0.52
Veritas Pension Insurance Company Ltd.	236,767	0.18	0.19
Others	38,125,701	29.75	29.80
Total	**127,926,515**	**99.84**	**100**
Treasury shares	209,600	0.16	-
Total shares in the Company	**128,136,115**	**100**	**100**

As at the date of this Offering Circular, the State of Finland (acting through the Prime Minister's Office) holds 55.9 per cent of the outstanding shares in the Company. Accordingly, the State of Finland has control over the Company as referred to in Chapter 2, Section 4 of the Finnish Securities Market Act (746/2012, as amended).

Key Managing Directors and Statutory Auditor

The members of the Board of Directors of the Company are Jouko Karvinen (Chair), Colm Barrington (Vice Chair), Tiina Alahuhta-Kasko, Montie Brewer, Mengmeng Du, Jukka Erlund, Henrik Kjellberg, Maija Strandberg and Jaana Tuominen. Finnair's Executive Board consists of Topi Manner, Nicklas Ilebrand, Piia Karhu, Johanna Karppi, Ole Orvér, Tomi Pienimäki, Sami Sarelius, Jaakko Schildt, Mika Stirkkinen and Arja Suominen.

The Company's statutory auditor is KPMG Oy Ab, Authorized Public Accountant Firm, with Kirsi Jantunen, Authorized Public Accountant as the auditor with principal responsibility. The Company's consolidated financial statements for the financial year ended 31 December 2019 have been audited by 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 interim report as at and for the three months ended 31 March 2020, including the unaudited comparative consolidated financial information as at and for the three months ended 31 March 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 recognized 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.

In 2019, Finnair changed the presentation of customer compensations related to delayed or cancelled flights to be treated as deductions from revenue instead of passenger and handling costs. The change was made 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 three months ended 31 March 2019 and for the financial year ended 31 December 2018 has been restated.

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

	As at and for the three months ended 31 March		**As at and for the year ended 31 December**	
	2020	**2019**	**2019**	**2018**
(EUR in millions, unless otherwise indicated)	**(unaudited)**		**(audited)**	**(unaudited) (restated)**
KEY FIGURES				
Revenue	561.2	668.2[1]	3,097.7	2,836.1
Operating result	-95.6	-17.6	160.0	256.3
Result for the period	-142.6	-38.8	74.5	101.6
Earnings per share (EPS), EUR				
Basic	-1.14	-0.33	0.49	0.70
Diluted	-1.14	-0.33	0.49	0.70
Interest-bearing net debt	923.0	682.8	621.0	706.7
Net cash flow from operating activities	-133.5	148.3	564.5	503.6
Net cash flow from investing activities	-67.3	-70.2	-513.2	-202.6
Net cash flow from financing activities	135.5	-37.1	-225.4	-289.2
Assets total	3,756.5	4,052.0	3,877.9	3,943.6
Equity total	735.7	899.3	966.4	918.5

[1] Restated.

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 manouverability exposing the Company to the risks of decreased profitability and liquidity.

- Variation in the price of jet fuel affects 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 Offering or other transactions involving the Company and the State of Finland may result in additional costs for the Company and materially and adversely affect the Company'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 the aircraft.

- 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.

- Exchange rate fluctuations may affect Finnair's financial condition or results of operations.

- 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?

Finnair aims to raise gross proceeds of approximately EUR 500 million by offering a maximum of 1,279,265,150 shares in the Company (the "**Offer Shares**") for subscription (the "**Offering**"). The Company's shares (the "**Shares**") are registered in the Finnish book entry system maintained by Euroclear Finland under the ISIN code FI0009003230 and are admitted to trading on the official list of Nasdaq Helsinki Ltd (the "**Helsinki Stock Exchange**") under the trading code "FIA1S". The Shares have no nominal value and they are denominated in euro.

The Offer Shares will carry equal rights along with all existing Shares of the Company. After they are registered in the Finnish Trade Register and recorded in the investor's book-entry account, the Offer Shares will entitle their holders to dividends and other distributions of funds by the Company as well as other shareholder rights. The rights attached to the Shares include, among others, pre-emptive rights to subscribe for new shares in the Company, right to participate and exercise voting power at the General Meeting of Shareholders, right to dividend and distribution of other unrestricted equity, and right to demand redemption at a fair price from a shareholder that holds shares representing more than 90 per cent of all the Shares and votes in the Company, as well as other rights generally available under the Finnish Limited Liability Companies Act (624/2006, as amended) (the "**Finnish Companies Act**").

All Shares in the Company carry equal rights to dividends and other distributions by the Company. 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 Company intends to take into account the Company´s earnings trend and outlook, financial situation and capital need for any given period.

Where Will the Securities Be Traded?

The Company will submit an application for the Offer Shares to be admitted to trading on the official list of the Helsinki Stock Exchange under the share trading code "FIA1S".

Trading in interim shares corresponding to the Offer Shares that have been subscribed for based on the Subscription Rights (the "**Interim Shares**") is expected to commence as an own share class on the Helsinki Stock Exchange (trading code "FIA1SN0120") on 18 June 2020. The Offer Shares subscribed for in the Offering are expected to be registered in the Finnish Trade Register on or about 8 July 2020. Trading in the Offer Shares on the official list of the Helsinki Stock Exchange together with the existing Shares in the Company is expected to commence on or about 9 July 2020.

The Subscription Rights will be subject to public trading on the Helsinki Stock Exchange (trading code "FIA1SU0120") from 17 June 2020 to 25 June 2020.

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

- The Company may be unable to, or decide not to, pay any dividends or other distributions of unrestricted equity in the future.

- The interests of the Company's major shareholder may not be aligned with the interests of other shareholders.

- A shareholder's ownership will be diluted if the shareholder does not exercise the Subscription Rights, and the Subscription Rights could lose all their value.

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

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

Shareholders of Finnair registered in the Company's shareholders' register maintained by Euroclear Finland on the record date of the Offering 12 June 2020 (the "**Record Date**") will receive one (1) subscription right in the form of a book-entry entitling them to subscribe for Offer Shares (the "**Subscription Right**") for each Share of the Company owned on the Record Date.

Each one (1) Subscription Right entitles to subscribe for ten (10) Offer Shares at the Subscription Price (as defined below) (the "**Primary Subscription Right**"). No fractions of the Offer Shares will be allotted and a Subscription Right cannot be exercised partially. If the Offer Shares are not fully subscribed for pursuant to the Primary Subscription Right, both holders of Subscription Rights and investors who do not hold Subscription Rights have the right to subscribe for such Offers Shares (the "**Secondary Subscription Right**"). Offer Shares remaining unsubscribed under the Primary Subscription Right and Secondary Subscription Right may be directed for subscription as resolved by the Board of Directors.

The subscription period will commence on 17 June 2020 at 9:30 a.m. Finnish time and end on 1 July 2020 at 4:30 p.m. Finnish time (the "**Subscription Period**"). The Board of Directors is entitled to extend the Subscription Period. Any extension will be announced by the Company through a stock exchange release no later than on 1 July 2020.

Upon expiry of the Subscription Period, unexercised Subscription Rights will lapse and will be removed from the holder's book-entry account, without notification.

The subscription price is EUR 0.40 per Offer Share (the "**Subscription Price**").

The State of Finland, who holds approximately 55.9 per cent of the outstanding Shares in the Company, has irrevocably committed to subscribe in full for the Offer Shares on the basis of Subscription Rights allocated to it (the "**Subscription Undertaking**").

Citigroup Global Markets Limited ("**Citi**") and Nordea Bank Abp ("**Nordea**") have entered into the Underwriting Agreement with Finnair pursuant to which they have severally agreed, subject to certain terms and conditions, to procure subscribers for any Offer Shares that may remain unsubscribed for in the Offering, or to subscribe for such Offer Shares themselves, excluding the Offer Shares that are covered by the Subscription Undertaking.

Applicable Laws and Dispute Resolution

The Offering shall be governed by the laws of Finland. Any disputes arising in connection with the Offering shall be settled by the court of competent jurisdiction in Finland.

Fees and Expenses

Finnair expects to pay approximately EUR 10.8 million in fees and expenses in connection with the Offering, including the commissions and fees paid to the Managers.

No fees or expenses will be charged for the subscription of Offer Shares, and no transfer tax is payable for the subscription of Offer Shares. Account operators, custodians or securities brokers who execute subscription orders relating to the Subscription Rights may charge a commission in accordance with their own tariffs. Account operators and custodians may also charge a fee for the maintenance of a book-entry account and the custody of the shares.

Dilution

The maximum number of Offer Shares offered in the Offering represents 90.9 per cent of all Shares after the completion of the Offering. In the event that existing shareholders of Finnair do not subscribe for the Offer Shares in the Offering (except for the participation of the State of Finland), their total holdings in Finnair would be diluted by 90.9 per cent.

Why is This Prospectus Being Produced?

Reasons for the Offering

The COVID-19 pandemic and measures undertaken by local and national authorities to prevent the further escalation of the pandemic represent a unique challenge for Finnair. The negative shock caused by the pandemic to the global economy has resulted in a significant deterioration of macroeconomic conditions in the markets in which Finnair operates, with a sudden and material reduction in the demand for the Company's services, reinforced by travel restrictions imposed by public authorities around the world.

Finnair is determined to continue on its long-term strategic path despite temporary adjustments related to the COVID-19 pandemic, and aims to ensure that the Company remains a competitive airline company also in the future. The Company's management believes that air traffic will, upon expiration of the COVID-19 pandemic related travel restrictions, 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.

To achieve the goals of the Company despite the exceptional circumstances, Finnair considers it prudent to seek to strengthen its balance sheet in these conditions and to lay a foundation for the successful execution of its long-term strategy, ensuring that the Company is viable in a post-crisis environment. The Offering is undertaken as part of Finnair's recapitalization plan, which will be carried out in the course of 2020, comprising in addition to the Offering of (i) already agreed amendments under the Company's revolving credit facility, including obtaining gearing covenant relief, (ii) entry into a new EUR 600 million pension premium loan agreement with Ilmarinen Mutual Pension Insurance Company, (iii) potential refinancing or solicitation of changes to the terms of the Company's outstanding hybrid notes and (iv) potential sale and leaseback arrangements of unencumbered aircraft.

State Aid and Conditions Applicable to Finnair

The European Commission has on 9 June 2020 issued a decision that the participation of the State of Finland in the Offering is compatible with the EU state aid rules under the Treaty on the Functioning of the European Union Article 107(3)(b). The European Commission has approved the participation of the State of Finland in the Offering based on, among others, the assumption that the State of Finland's relative shareholding in Finnair would not increase (save for slight variations due to the technical organisation inherent to the Offering). Under the Commission's decision, the Company has agreed to certain conditions following the Offering, which include, among other things, limitations on management remuneration during financial years 2020, 2021 and 2022 and a ban on acquisitions, restricting the Company from acquiring a stake of more than 10 per cent in competitors or other operators in the same line of business, including upstream or downstream operations for a period of three years from the Offering.

Use and Estimated Amount of Proceeds

Assuming all of the Offer Shares are subscribed for in the Offering, the gross proceeds received by Finnair from the Offering will be approximately EUR 511.7 million.[1] Finnair expects to pay approximately EUR 10.8 million in fees and expenses in connection with the Offering, resulting in net proceeds of approximately EUR 500.9 million.

The net proceeds from the Offering will be used 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. The Offering is aimed at ensuring Finnair's viability in the post-crisis environment as well as helping to reach its goal of sustainable, profitable growth.

Conflicts of Interest

Each of Citi and Nordea as well as OP Corporate Bank plc, Skandinaviska Enskilda Banken AB (publ) Helsinki Branch and Swedbank AB (publ) (together, the "**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 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.

[1] The gross proceeds of the Offering have been calculated by multiplying the Subscription Price by the maximum number of Offer Shares in the Offering. The final number of Offer Shares will be determined based on subscriptions made in accordance with the terms and conditions of the Offering and approved by the Company's Board of Directors.

RISK FACTORS

An investment in the Company involves risks, which may be significant. The following describes the risks relating to the Offering, as well as the risks relating to the Company and its business and Shares. Many of the risks related to the Company and its business operations are inherent to its business and are typical in its industry. Potential investors should carefully review the information contained in this Offering Circular and, in particular, the risk factors described below.

Each of the risks presented may have a material impact on the Company's business, results of operations and financial position, and they may together or individually result in the Company failing to achieve its financial targets. Should these risks lead to a decline in the market price of the Shares, investors who have invested in them could lose part or all of their investment. The description of risk factors below is based on information available and estimates made on the date of this Offering Circular and, therefore, is not necessarily exhaustive. As a part of the assessment of the risk factors, the Company has considered the probability of the realisation of the possible risks. Potential events that may or may not materialise are presented in the risk factors. Due to the uncertainty characteristic for these potential courses of events, the Company is unable to present an exact estimate for all the risks on the probability of such events materialising or failing to materialise.

The risks presented herein have been divided into five categories based on their nature. These categories are:

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 Shares, the Subscription Rights and the Offering

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 the Company's business or on the market price of the Shares.

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 Offering Circular, the recent spread of coronavirus ("**COVID-19**") has resulted in a number of restrictive and preventive measures imposed by public authorities as well as private organizations 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 the Company's services, as well as a significant increase in cancelled bookings. This, in turn, had a significant adverse effect on Finnair's first quarter performance in 2020, during which Finnair experienced a 15.6 per cent reduction in passenger volume, a 16 per cent reduction in revenue and a comparable operating loss of EUR 91.1 million. In order to adjust its operations to the prevailing conditions, Finnair has operated less than 5 per cent of its budgeted capacity from the beginning of April 2020. The Company has also introduced significant cost adjustment initiatives, including temporary layoffs, affecting all of its personnel. The Company estimates that the gradual recovery of air traffic will commence from the beginning of July 2020, and intends to gradually add frequencies and routes to its network starting from July. In the view of the Company's management, the recovery of air traffic will progress in stages in accordance with the development of the COVID-19 pandemic and general economic conditions. In the view of the Company'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. 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, this 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 to dissuade people from air travel 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 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 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. There can however be no assurance that Finnair would be able to use such losses in 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 or in part.

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 the Company 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.

The Company's estimates regarding the impact of 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 Finnair as at the date of this Offering Circular. 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 Offering Circular, the duration of the COVID-19 pandemic and its future impact on the aviation industry, and Finnair in particular, are unknown, and the overall situation remains highly fluid, making it nearly impossible to predict 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 cost manouverability exposing the Company 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 16.0 per cent during the first quarter of 2020 compared to the first quarter of 2019, but due to the short-term inelasticity of certain cost items, Finnair's operating expenses decreased only by 4.7 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, 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 the Company's profitability and liquidity, which may have a material adverse effect on Finnair's business, financial condition, results of operations and future prospects.

3. Variation in the price of jet fuel affects 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 result, as fuel costs are Finnair's largest variable expense item. Jet fuel costs represented 23 per cent of Finnair's operating costs[2] in 2019 and 22 per cent in the first quarter 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 Offering Circular, cuts in production and revival of demand has enabled oil price rebound from lower levels. However, any increased supply or decreased demand could put again 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 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 its hedging policy until 31 December 2020, setting out the hedging degrees between 0 and 90 per cent for the first six months. The hedging degrees vary significantly depending on the capacity and demand. As a result, the hedging degrees are variable and may be subject to material changes as the capacity and demand development forecasts are updated. The Company's hedging policy may not however always prove to be appropriate in relation to market prices, and market fluctuations are not reflected directly in the Company's result. Consequently, there remains a risk that fluctuations

[2] Operating expenses including depreciation and impairment and excluding items affecting comparability.

in fuel prices may result in the Company bearing the expenses of the hedging without receiving any benefits in the form of reduced risk exposure. During the first quarter of 2020, flight cancellations caused by the COVID-19 pandemic resulted in lower than expected volumes of fuel consumption, making the Company's hedges partially ineffective. During the same time, the market price of jet fuel was also in average 22.0 per cent lower in than in the comparison period, impacted by both the reduced demand due to the COVID-19 pandemic and the oil price war between Saudi Arabia and Russia. The combination of these two factors meant that fuel costs remained nearly the same as in the comparison period, which resulted in the fuel price impact offsetting the savings from the Company's capacity reduction.

According to the view of Finnair's management, 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 "*Business of the Company – 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 (see section "*Business of the Company – Business Overview*"). 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 Offering Circular, 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. According to the Company's management, 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 already sold flights and routes, 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 "*Business of the Company – 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. As a result of the COVID-19 pandemic, the most substantial reduction in passenger numbers during this year is expected to be in Europe, especially during its peak summer travel season, followed by the Asia-Pacific region.[3] 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 (see section "*Business of the Company – Strategy*"), 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. According to the Company's management's views, 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

[3] Source: ICAO: Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis, 28 April 2020.

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, according to the Company's management, the middle class in many Asian countries is growing and Asian airlines are expected to expand their operations to intercontinental flights (see section "*Business of the Company – 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 the Company'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 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 utilizing new distribution technologies. The utilization of these technologies also enables improved identification of customer preferences and behavior through customer data generated by sales and service applications. The ability to capitalize 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 utilize 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 utilize new technologies efficiently enough or in a manner that resonates with customers, this may weaken Finnair's competitive position as well as reduce 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 the Company 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 the Company 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 Offering or other transactions involving the Company and the State of Finland may result in additional costs for the Company and materially and adversely affect the Company's financial and liquidity position.

With respect to the Offering, the State of Finland has 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 "*Background of the Offering and Use of Proceeds – State Aid and Conditions Applicable to Finnair*". In addition, on 18 May 2020, the European Commission approved the State of Finland's guarantee of Finnair's pension premium loan up to EUR 540 million. 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 Offering Circular 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 Offering or other transactions involving the Company and the State of Finland, such as the guarantee granted for the Company's Pension Loan. If such appeals or complaints were to be filed, the Company would vehemently defend its position but any administrative or legal proceedings could be lengthy, take up management resources and result in additional costs. Whilst the Company believes that it is in a strong legal position, the final outcome of any legal proceedings resulting from a potential appeal or complaint is subject to significant uncertainty, and as at the date of this Offering Circular, it is not possible to estimate the result of such proceedings. In the event that an appeal or complaint would be 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 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 manouverability exposing the Company 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, the 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 utilizing them. Such changes may restrict Finnair's possibilities of increasing its traffic on routes that are a part of the Company'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. As at the date of this Offering Circular, while Finnair is paying out refunds to customers entitled to compensation under applicable EU regulations, the Company'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 the Company'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.

According to the Company's management's estimates, the legislative framework regarding customer compensation and the airlines' liability is expected to 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 receives a large number of such claims and appeals annually, the financial impact of the delay and cancellation claims is 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 the Regulation (EC) No 261/2004, has adopted an interpretation of the Regulation (EC) No 261/2004 and of the rulings of the Court of Justice of the European Union, which, according to the Company'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.

The Company is also as at the date of this Offering Circular party to numerous consumer disputes relating to the interpretation of the 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 the Company directly from individual disputes, if determined adversely to the Company, 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 the Company's profitability. See also section "*Business of the Company – 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 regulation in Finnair's operations, the adoption of new national, regional and/or international regulations or revisions to existing regulations may result in restrictions to 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 is depending 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 the 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 at 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 minimize 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 lacking diversity on certain non-stop routes. As at the date of this Offering Circular, 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 "*Business of the Company – 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, in case such regulation would be 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 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.

According to the Company's management's views, 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 adverse effect on Finnair's business as discussed in more detail in "*– Risks Relating to the Airline Industry – Variation in the price of jet fuel affects 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 (the "**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 the Company 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 the Company'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 (see section "*Business of the Company – Strategy*") 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 in implementing 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, the Company 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 the Company 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 the Company 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 oneworld™ 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 oneworld™ 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 oneworld™ 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 emphasizes the use of both Finnair's own digital sales channels and those of online travel agents. To the extent that consumer behavior favors sales channels with a higher cost to Finnair, its investments in these channels will not produce the desired effeciencies 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 an up to EUR 80 million reduction to its permanent cost base starting from 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. The Company will also continue streamlining of its operations and digitalization and automation of its customer processes and will renegotiate certain of its supplier and partner agreements.

The Company'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. 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 would lead to new, more permanent measures, those could result in increases in the time and expenses spent on the training of Finnair's personnel. As a result, Finnair may be unable to achieve the full benefits from these measures or 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 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 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 labor 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 immediately due to the COVID-19 pandemic, there is less work available for the personnel. Due to the COVID-19 pandemic, Finnair has taken adjustment measures affecting Finnair personnel, including temporary layoffs. The Company estimates that need to adjust personnel resources will continue until the end of March 2021. For this reason, Finnair carried out negotiations with its personnel on additional layoffs. The co-operations process concerned all of the approximately 6,100 Finnair employees in Finland. Finnair estimates that if realized, the layoffs could be temporary for fixed periods of time or until further notice based on resource needs. Similar measures are planned for Finnair employees outside Finland based on local legislation. The planned 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 the Company'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 the 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. The market value of aircraft may be adversely affected by fluctuations in the exchange rate between the euro and the U.S. dollar, as aircraft purchases are mainly denominated in dollars. In addition, a large amount of similar aircraft brought into 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 is sustained. 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 sold 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.

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 31 March 2020, the balance sheet value of the entire fleet was EUR 2,311.0 million, which consisted of fleet (EUR 1,605.7 million) and right-of-use-fleet (EUR 705.3 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, 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 recognize 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 require 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 price. Should Finnair need to recognize 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 "*Business of the Company – 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 would not be 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 the Company. There can also be no assurance that the Company 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 Amadeus IT Group, which provides an airline reservation system and global distribution system ("**GDS**") for the Company.

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 on switching suppliers. 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 Offering Circular, Helsinki Airport is under construction to expand the terminals, and the construction work is expected to be finalised during 2022. 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 Offering Circular, 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 "*Business of the Company – 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 the Company 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 future take adjustment measures including negotiations on temporary 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 the Company's ability to secure 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 which 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. The Company aims to reduce the risk 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. Finnair's recapitalization plan includes a revolving credit facility totaling EUR 175 million, which as of the date of this Offering Circular has been fully drawn, the statutory pension premium loan of up to EUR 600 million, of which EUR 200 million was drawn in June, potential refinancing or solicitation of changes to the terms of the Company's outstanding hybrid notes, and the potential sale and leaseback arrangements of unencumbered aircraft. However, the relatively high percentage of fixed costs in the airline industry, in relation to decreases in demand and revenues, also exposes the Company 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*"), the Company 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 the Company's cash flows from operations and its available capital and credit facilities have so far been sufficient to meet its obligations and commitments to date, the Company's capital position and liquidity has been, and may in the future be, negatively affected by 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 with a larger portion than its relative shareholding. As a result, the State's ability to support Finnair's capital acquisition is limited, which may materially hamper the Company's ability to raise future equity-based funding. See also "*Background of the Offering and Use of Proceeds – State Aid and Conditions Applicable to Finnair*".

If Finnair's access to capital would be materially diminished, the Company 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 would not be able 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 the Company's current loans provide for debt covenants to be assessed based on current accounting standards, a change in said standards may affect the Company'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 the Company 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 the Company 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 market 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 *"Business of the Company – 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 Company 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. The following review under the amended covenant levels will take place after the completion of the Offering or on 31 March 2021 at the latest. As at 31 March 2020, the Company'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 125.5 per cent, up from 64.3 per cent as at 31 December 2019. 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. In addition, the amendments to the revolving credit facility require the Company to complete the Offering (or a corresponding rights issue) by no later than the end of 2020. 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 other of Finnair's financing agreements. Events of default under the Company'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 would be exceeded, which Finnair would not be contesting and which it would be unable to pay. However, the Company'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 the Company's control. There can be no assurance that the Company 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 Company 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 the Company and any future borrowings and financing arrangements may be subject to covenants which limit the Company'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 the Company'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 31 March 2020, the investment portfolio's interest rate re-fixing period was approximately 4 months and approximately 52 months for interest-bearing liabilities including lease liabilities and interest rate derivatives. As at 31 March 2020, a one percentage point rise in interest rates would increase the annual financial income of the investment portfolio by EUR 5.5 million and the interest expenses of the loan portfolio by EUR 5.2 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 Company'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 the Company may suffer substantial hedging losses.

As at 31 March 2020, the net fair value of the Company's derivative instruments was EUR -174.7 million, representing a decrease of EUR 223.4 million from the comparison period of 2019 and EUR 191.5 million compared to 31 December 2019. During the first quarter of 2020, the decrease in the fair value of the Company's hedge instruments had a decreasing effect on the Company's equity, especially due to the decline in the jet fuel price. Due to the capacity cuts caused by the COVID-19 pandemic, the forecast fuel volume and related currency exposure decreased significantly resulting in overhedging. 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 55 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.

E. Risks Relating to the Shares, the Subscription Rights and the Offering

1. The Company may be unable to, or decide not to, pay any dividends or other distributions of unrestricted equity in the future.

Pursuant to the Finnish Companies Act, the amount distributed by the Company as dividends may not exceed the amount of distributable funds shown on its latest audited unconsolidated parent company financial statements adopted by the General Meeting of Shareholders. Any potential distribution of dividends or other distributions of unrestricted equity will depend on the Company's and its subsidiaries' results of operations, financial condition, cash flows, need for working capital, capital expenditure, future outlook, terms of the Company's financing agreements, ability to upstream any income to the Company from the subsidiaries and other factors. Any payment of dividends or other distributions of unrestricted equity will always be at the discretion of the Board of Directors of the Company and, ultimately, be dependent on a resolution of the General Meeting of Shareholders. Moreover, under the Finnish Companies Act, the distribution of dividends is not permitted if it would jeopardize the Company's solvency. The aim of Finnair's dividend policy is to pay on average at least one third of the earnings per share as dividends over an economic cycle. The Company intends to take into account the Company's earnings trend and outlook, financial situation and capital need for any given period, which may result in a deviation or change in the dividend policy, including a decision not to distribute any dividends. For example, the Company's Board of Directors reconsidered the dividend proposal and concluded that the Company should refrain from paying a dividend for the financial year ended 31 December 2019. The amount of any dividends paid by the Company in any given financial year is, therefore, uncertain. Further, any payment of dividends, or other distributions of unrestricted equity, by the Company with respect to prior financial periods is not an indication of the dividends to be paid for financial periods in the future, if any. See also section "*Dividend and Dividend Policy*".

2. The interests of the Company's major shareholder may not be aligned with the interests of other shareholders.

As at the date of this Offering Circular, the State of Finland is the largest shareholder in the Company with a holding of approximately 55.9 per cent of the outstanding Shares and votes in the Company. According to the Finnish State Shareholdings and the Ownership Steering Act (1368/2007, as amended, the "**Ownership Steering Act**") if the state were to renounce its majority holding in the Company, the Finnish parliament's approval will be required. The State of Finland has irrevocably committed to subscribe in full for the Offer Shares on the basis of the Subscription Rights allocated to it.

If the Offering is implemented as planned, the State of Finland will hold approximately 55.9 per cent of the outstanding Shares and votes in the Company immediately after the Offering. As such, the State of Finland has control over resolutions to be made in the General Meetings of Shareholders, such as adopting financial statements, distribution of dividends, capital increases and election and dismissal of the members of the Company's Board of Directors. The interests of the Company's largest shareholder may not always be aligned with the interests of other shareholders.

3. A shareholder's ownership will be diluted if the shareholder does not exercise the Subscription Rights, and the Subscription Rights could lose all their value.

Should a shareholder choose not to exercise its Subscription Rights or if a shareholder and the securities broker employed by the shareholder do not meet the requirements detailed in the section "*Terms and Conditions of the Offering*", the Subscription Rights shall expire and the investor may not necessarily receive any compensation for them. In such a case, the shareholder's relative ownership and share of voting rights conferred by the Shares will be diluted correspondingly. Even if the shareholder decided to sell the Subscription Rights, that the shareholder has not exercised, or even if these Subscription Rights were sold in the name of the shareholder, the payment received for the Subscription Rights in the markets will not necessarily correspond with the direct dilution attributable to the execution of the Offering.

4. It is possible that the Offering is unsuccessful in the collection of funds in full.

Based on the Subscription Undertaking, the Company's largest shareholder, the State of Finland, has irrevocably committed to subscribe in full for the Offer Shares on the basis of the Subscription Rights allocated to it, i.e. in total approximately 55.9 per cent of the Offer Shares. The Joint Global Coordinators have agreed to procure subscribers for any Offer Shares that may remain unsubscribed for in the Offering, excluding the Offer Shares that are covered by the Subscription Undertaking, or to subscribe for such Offer Shares themselves. By virtue of the Subscription Undertaking and the underwriting by the Joint Global Coordinators, the Offering is fully underwritten subject to the terms and conditions of the Underwriting Agreement and the Subscription Undertaking.

The Underwriting Agreement is subject to customary provisions allowing the Joint Global Coordinators to terminate their respective underwriting commitments in certain circumstances, as discussed in "*Plan of Distribution in the Offering*". In addition, the Subscription Undertaking given by the State of Finland is subject to certain conditions, such as the underwriting commitments by the Joint Global Coordinators being in force. Also, the European Commission has approved the participation of the State of Finland in the Offering based on the assumption that the State of Finland's relative shareholding in Finnair would not increase (save for slight variations due to the technical organisation inherent to the Offering). See also "*Background of the Offering and Use of Proceeds – State Aid and Conditions Applicable to Finnair*". In line with the market practice, the State of Finland who has given the Subscription Undertaking and the Joint Global Coordinators have neither provided security for the fulfilment of their obligations. Consequently, there can be no assurance that a situation could not arise, in which the Underwriting Agreement or the Subscription Undertaking by the State of Finland would no longer be in force. Further, it is not certain that the State of Finland who has given the Subscription Undertaking, and the Joint Global Coordinators will fulfil their obligations in their entirety. If the Offering is not subscribed for in full due to non-fulfilment of a Subscription Undertaking or the underwriting commitments or due to each of those not being in force, it would reduce the equity and cash funds booked by the Company from the Offering, which might necessitate the acquisition of additional financing or hamper the Company's possibilities to implement its business strategy. As the conditions of the state aid decision by the European Commission do not enable the State of Finland to subscribe for a larger number of Offer Shares in the Offering than its relative shareholding (save for slight variations due to the technical organisation inherent to the Offering) or a larger number of new Shares than its relative shareholding in possible future share issues of Finnair, this may hamper the raising of additional equity-based funding by the Company and increase its capital acquisition costs.

Any of the above-mentioned consequences could in turn have an adverse effect on Finnair's business, financial condition, results of operations and future prospects.

5. Investors do not have the right to cancel the use of Subscription Rights or sales and other transfers of Interim Shares, and if the Offering would be cancelled, the Subscription Rights would have no value.

Subscriptions made in the Offering as well as sales and other transfers of Interim Shares are binding and may not be withdrawn, invalidated or changed, except in the special cases mentioned in the section "*Terms and Conditions* *of the Offering – Withdrawal of Subscriptions in Certain Circumstances*". The Offer Shares are paid for in connection with the subscription. The sales and other transfers of Interim Shares are paid in connection with the transaction in question. Therefore, the investors must make their investment decisions before the final outcome of the Offering is known. In case the Underwriting Agreement were not fulfilled, the Company's proceeds from the Offering could be considerably below the level planned herein.

Correspondingly, should the Board of Directors decide not to carry out the Offering, for example, if carrying out the Offering is not in the Company's interest or if the underwriting commitments by the Joint Global Coordinators would be terminated, the Subscription Price will be refunded to the holders of Interim Shares and to the subscribers of Offer Shares without Subscription Rights. See also "*Terms and Conditions of the Offering – Approval of Subscriptions and Publication of the Outcome in the Offering*". In the event that the Offering would be cancelled, the unused Subscription Rights could not be exercised and would have no value, which could cause losses to the investors who have acquired Subscription Rights from the market. Correspondingly, the investors who have acquired Interim Shares from the market may incur losses if the Subscription Price that is refunded in connection with a cancellation of the Offering is lower than the price paid by the investor for the Interim Shares.

6. The market price of the Subscription Rights and the Offer Shares could fluctuate considerably and the price of the Offer Shares could fall below the Subscription Price.

Finnair will apply for the listing of the Subscription Rights, Interim Shares and Offer Shares on the official list of Helsinki Stock Exchange. The market price of the Subscription Rights, the Interim Shares and the Offer Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Subscription Rights, the Offer Shares or similar securities, and in response to various facts and events, including any variations in the Company's results of operations and business developments. The Interim Shares will not be fungible with the Company's new Shares until the Interim Shares are combined with the Company's existing share class. In addition, if the Offering would be cancelled, the Subscription Rights could not be exercised and would have no value. These factors may have an adverse effect on the market price and liquidity of the Interim Shares or the Subscription Rights. Further, stock markets may from time to time experience significant price and volume fluctuations that may be unrelated to the Company's operating performance or prospects. Any of these factors could result in a decline in the market price of the Offer Shares below the Subscription Price and/or render the Subscription Rights without value.

7. Future share offerings or the sale of a significant number of shares could have adverse effects on the market price of shares and any future share offerings may dilute the shareholdings of current shareholders.

The issuance or sale of a significant number of shares or an understanding that such an issue or sale may take place in the future could have an adverse effect on the market price of the Company's Shares and on the Company's ability to obtain equity financing in the future. In addition, should the Company require further equity financing, the Company may organise share issues with pre-emptive subscription rights for the shareholders or directed share issues deviating from the shareholders' pre-emptive subscription rights, if the General Meeting of Shareholders provides an authorisation. Any possible future directed share issue or a rights issue where any existing shareholders decide not to exercise their subscription rights, could dilute shareholders' relative share of shares and votes.

8. Certain foreign shareholders may not necessarily be able to exercise their Subscription Rights.

According to Finnish legislation, shareholders have certain pre-emptive subscription rights pro rata their shareholdings, when the Company issues new shares or securities with entitlements to subscribe for new shares. Certain shareholders in the Company who reside, or will reside, or whose registered address is in certain countries outside Finland, such as the United States, may not necessarily be able to exercise their Subscription Rights in the Offering or in possible future share issues, unless the Shares have been registered according to the securities legislation in effect in the relevant country or in another corresponding way or an exception from registration or other similar requirements is available based on applicable legislation. This may dilute the shareholding of such shareholders in the Company. Furthermore, if the number of such shareholders who cannot exercise their Subscription Rights is large and their Subscription Rights are sold on the market, this may have an adverse effect on the price of the Subscription Rights. In addition, the legislation of the relevant country may limit the right of a foreign shareholder to receive information on share issues and other important transactions. For more information on shareholders' rights, see "*Shares and Share Capital – Shareholders' Rights*".

9. Investors with a different reference currency than the euro are exposed to certain foreign exchange risks when investing in the Shares.

The Offer Shares are priced and traded on the Helsinki Stock Exchange in euros and possible dividends on the shares are paid in euros. Due to this, fluctuations in the value of the euro affect the value of possible dividends and other distributions of unrestricted equity, such as capital repayment, if the investor's reference or main currency differs from the euro. In addition, the market price of the Offer Shares in other currencies than the euro fluctuates in part due to changes in exchange rates. This can affect the value of the Offer Shares and possible dividends paid on the Shares if the investor's main currency is not the euro. In addition, exchanging euros into another currency may incur such investor's additional transaction costs.

PARTIES RESPONSIBLE FOR THE OFFERING CIRCULAR

Finnair Plc
Business identity code: 0108023-3
Domicile: Helsinki, Finland
Address: Tietotie 9, FI-01530 Vantaa, Finland

STATEMENT REGARDING THE OFFERING CIRCULAR

The Company accepts responsibility for the information contained in the Offering Circular. To the best knowledge of the Company, the information contained in this Offering Circular is in accordance with the facts and contains no omission likely to affect its import.

INFORMATION DERIVED FROM THIRD-PARTY SOURCES

Where certain information contained in this Offering Circular has been derived from third party sources, such sources have been identified herein. The Company confirms that such third-party information has been accurately reproduced herein and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

AVAILABILITY OF THE FINNISH PROSPECTUS AND THE OFFERING CIRCULAR

The Finnish Prospectus and the documents incorporated therein by reference will be available on or about 15 June 2020 on the website of the Company at www.finnair.com/osakeanti and at the registered office of the Company at Tietotie 9, FI-01530 Vantaa, Finland. In addition, the Finnish Prospectus will be available on or about 15 June 2020 on the website of Nordea at www.nordea.fi/equities.

This English language Offering Circular and the documents incorporated herein by reference will be available on or about 15 June 2020 on the website of the Company at www.finnair.com/rightsissue.

INFORMATION ON THE WEBSITE IS NOT INCLUDED IN THE OFFERING CIRCULAR

This Offering Circular will be published on the Company's website at www.finnair.com/rightsissue. Information presented on the website of the Company or any other website is not part of this Offering Circular and the prospective investors should not rely on such information in making their decision to invest in securities. However, as an exception to the above, the information incorporated by reference in the Offering Circular, which is available on the Company's website, as well as possible supplements of the Offering Circular, are part of the Offering Circular.

FINANCIAL STATEMENTS RELATED AND CERTAIN OTHER INFORMATION

Financial Statements and Interim Financial Information

The financial information presented in this Offering Circular has been derived from Finnair's unaudited consolidated interim report as at and for the three months ended 31 March 2020, including the unaudited comparative consolidated financial information as at and for the three months ended 31 March 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). The restatements have been described in more detail in section "*Selected Financial Information*".

Alternative Performance Measures

Finnair presents in this Offering Circular 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 Company's view, alternative performance measures provide meaningful supplemental information about the Company to the management, investors, securities market analysts and others regarding the Company's results of operations, financial position and cash flows.

In line with its aim of promoting the protection of current and potential investors, Article 6 of the Prospectus Regulation sets out the principle that the information in a prospectus shall be written and presented in an easily analyzable, concise and comprehensible form. According to ESMA, in case persons responsible for the prospectus decide to include alternative performance measures ("**APMs**") in a prospectus, this principle of comprehensibility dictates that such APMs should be defined, provided with meaningful labels and reconciled to financial statements and their relevance and reliability should be explained. These alternative performance measures are:

- Operating result
- Comparable operating result
- Comparable operating result, % of revenue
- Revenue at constant currency
- Costs at constant currency and fuel price
- Comparable operating result at constant currency and fuel price
- Comparable EBITDA
- Comparable EBITDA, % of revenue
- Adjusted interest-bearing liabilities
- Cash funds
- Interest-bearing net debt
- Interest-bearing net debt / Comparable EBITDA, LTM
- Gearing, %
- Equity ratio, %
- Gross capital expenditure
- Return on capital employed (ROCE), LTM, %
- Cash to sales, LTM, %

For the detailed definitions and reasons for the use of these alternative performance measures, see "*Selected Financial Information – Calculation of Certain Alternative Performance Measures, Key Operational Metrics and Other Key Figures*".

Auditors

The Company's consolidated financial statements for the financial year ended 31 December 2019 have been audited by 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. The change of auditor was the result of statutory auditor rotation under Finnish law. Kirsi Jantunen is registered in the auditor register in accordance with Chapter 6 Section 9 in the Finnish Auditing Act (1141/2015, as amended).

Other Information

The financial and other information presented in the tables in this Offering Circular are rounded. Accordingly, in certain cases the sum of numbers presented in a column or row does not always correspond to the presented total sum of a column or a row. In addition, certain percentages are calculated with accurate numbers before rounding, so they do not necessarily correspond to the results that would have been reached if rounded figures had been used.

In this Offering Circular, "euro" or "EUR" are references to the currency used by member states of the Economic and Monetary Union of the European Union; "U.S. dollar" or "USD" are references to the United States dollar, the lawful currency of the United States of America; "Swedish krona" is reference to the lawful currency of Sweden; "Chinese yuan" is reference to the China yuan renminbi, the lawful currency of the People's Republic of China; and "Japanese yen" is reference to lawful currency of Japan.

FORWARD-LOOKING STATEMENTS

Certain statements in the Offering Circular, such as certain statements set forth under "*Summary*", "*Risk Factors*", "*Background of the Offering and Use of Proceeds*", "*Business of the Company – Long-term Targets*", "*Business of the Company – Outlook*" and "*Business of the Company – Impact of the COVID-19 Pandemic and Assessment of Finnair as a Going Concern*" are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management, and such statements may constitute forward-looking statements. The words "believe", "expect", "anticipate", "intend" or "plan" and similar expressions identify certain of such forward-looking statements.

Such forward-looking statements involve known and unknown risks, uncertainties and other important factors, and as a result, events described in the forward-looking statements may not occur or may fail to materialize. The section "*Risk Factors*" of this Offering Circular presents examples of these and other risks, uncertainties and other factors. Should one or more of these and other risks or uncertainties materialize or the underlying assumptions prove wrong, Finnair's actual results of operations or financial position could differ significantly from what is described in this Offering Circular as expected, believed, estimated or anticipated.

IMPORTANT DATES

12 June 2020	Record Date of the Offering on Euroclear Finland
17 June 2020	The Subscription Period for the Offering commences
17 June 2020	Trading in the Subscription Rights commences on the Helsinki Stock Exchange
18 June 2020	Trading in the Interim Shares commences on the Helsinki Stock Exchange
25 June 2020	Trading in the Subscription Rights ends on the Helsinki Stock Exchange
1 July 2020	The Subscription Period for the Offering ends and unexercised Subscription Rights expire without compensation
3 July 2020 (estimate)	Announcement of the preliminary results of the Offering
7 July 2020 (estimate)	Announcement of the final results of the Offering
8 July 2020 (estimate)	Trading in the Interim Shares ends on the Helsinki Stock Exchange
8 July 2020 (estimate)	The Offer Shares are registered in the Finnish Trade Register
9 July 2020 (estimate)	The Offer Shares subscribed for in the Offering will be recorded in the book-entry accounts of investors
9 July 2020 (estimate)	Trading in the Offer Shares on the official list of the Helsinki Stock Exchange commences

TERMS AND CONDITIONS OF THE OFFERING

Overview of the Offering

On 29 May 2020, the Annual General Meeting of Shareholders of Finnair Plc ("**Finnair**" or the "**Company**") authorised the Board of Directors of the Company to decide on a new share issue of up to 6,500,000,000 shares. In the share issue, the shareholders of the Company will have a pre-emptive right to subscribe for new shares in proportion to their shareholdings in the Company. The Company's Board of Directors was also authorised to decide upon other terms and conditions of the share issue. The Company plans to use the funds raised in the Offering to strengthen the Company'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. The Offering is aimed at ensuring Finnair's viability in the post-crisis environment as well as helping to reach its goal of sustainable, profitable growth.

On 10 June 2020, the Board of Directors of the Company resolved, based on the authorisation granted by the Annual General Meeting of Shareholders, to issue a maximum of 1,279,265,150 new shares in the Company (the "**Offer Shares**") in the offering for consideration based on the pre-emptive subscription right of the shareholders (the "**Offering**") as set forth in these terms and conditions.

As a result of the Offering, the total number of the shares in the Company may increase from 128,136,115 shares to a maximum of 1,407,401,265 shares. Assuming the Offering is fully subscribed, the Offer Shares represent approximately 1,000 per cent of the existing outstanding shares and votes in the Company prior the Offering, and approximately 90.9 per cent of all outstanding shares and votes in the Company after the completion of the Offering.

Subscription Rights

Shareholders of Finnair registered in the Company's shareholders' register maintained by Euroclear Finland Oy ("**Euroclear Finland**") on the record date of the Offering 12 June 2020 (the "**Record Date**") will receive one (1) subscription right in the form of a book-entry entitling them to subscribe for Offer Shares (the "**Subscription Right**") for each share of the Company owned on the Record Date. No Subscription Rights will be allocated to the treasury shares of Finnair. See also section "*– Shareholders Resident in Certain Unauthorised Jurisdictions*" below.

The Subscription Rights will be registered on the shareholders' book-entry accounts on 15 June 2020 in the book-entry system maintained by Euroclear Finland.

Each one (1) Subscription Right entitles to subscribe for ten (10) Offer Shares at the Subscription Price (as defined below) (the "**Primary Subscription Right**"). No fractions of the Offer Shares will be allotted and a Subscription Right cannot be exercised partially. If the Offer Shares are not fully subscribed for pursuant to the Primary Subscription Right, both holders of Subscription Rights and investors who do not hold Subscription Rights have the right to subscribe for such Offers Shares (the "**Secondary Subscription Right**"). Offer Shares remaining unsubscribed under the Primary Subscription Right and Secondary Subscription Right may be directed for subscription as resolved by the Board of Directors. See also "*– Participation of the Majority Shareholder in the Offering and the Underwriting*" and "*– Allocation of Offer Shares Subscribed for without Subscription Rights*".

The Subscription Rights will be publicly traded on Nasdaq Helsinki Ltd (the "**Helsinki Stock Exchange**") from 17 June 2020 to 25 June 2020.

Upon expiry of the Subscription Period (as defined below), unexercised Subscription Rights will lapse and will be removed from the holder's book-entry account, without notification. If the Offering would be cancelled, the Subscription Rights could not be exercised and would have no value. See also "*– Approval of Subscriptions and Publication of the Outcome in the Offering*" and "*– Other Issues*" below as well as "*Plan of Distribution in the Offering*".

In order for the value of the Subscription Rights not to be lost, the holder must either:

- exercise the Subscription Rights to subscribe for the Offer Shares no later than on 1 July 2020, in accordance with instructions from the subscriber's account operator, custodian or nominee; or

- sell the Subscription Rights that are not to be exercised no later than on 25 June 2020.

If a share in the Company entitling to a Subscription Right is pledged or subject to any other restrictions, the Subscription Right may not necessarily be exercised without the consent of the pledgee or the holder of any other right.

Participation of the Majority Shareholder in the Offering and the Underwriting

The State of Finland, who holds approximately 55.9 per cent of the outstanding shares in the Company, has irrevocably committed to subscribe in full for the Offer Shares on the basis of Subscription Rights allocated to it ("**Subscription Undertaking**").

Citigroup Global Markets Limited ("**Citi**") and Nordea Bank Abp ("**Nordea**") have entered into the Underwriting Agreement with Finnair pursuant to which they have severally agreed, subject to certain terms and conditions, to procure subscribers for any Offer Shares that may remain unsubscribed for in the Offering, or to subscribe for such Offer Shares themselves, excluding the Offer Shares that are covered by the Subscription Undertaking. See "*Plan of Distribution in the Offering*".

Subscription Price

The subscription price is EUR 0.40 per Offer Share (the "**Subscription Price**").

The Subscription Price includes a customary discount compared to the theoretical ex-rights price based on the closing price of the Company's shares on the Helsinki Stock Exchange on the trading day immediately preceding the decision on the Offering. The Subscription Price shall be recorded into the invested unrestricted equity reserve of the Company.

Record Date

The Record Date of the Offering is 12 June 2020.

Subscription Period

The subscription period will commence on 17 June 2020 at 9:30 a.m. Finnish time and end on 1 July 2020 at 4:30 p.m. Finnish time (the "**Subscription Period**"). The Board of Directors is entitled to extend the Subscription Period. Any extension will be announced by the Company through a stock exchange release no later than on 1 July 2020.

Places of subscription (i.e. account operators, custodians and nominees) may require their customers to submit subscription orders on specified dates and times before trading in the Subscription Rights or the Subscription Period end. Such dates and times may be different from the end in trading in Subscription Rights and the end of the Subscription Period.

Trading in Subscription Rights

Holders of Subscription Rights may sell their Subscription Rights at any time during the public trading of the Subscription Rights. Public trading of the Subscription Rights on the Helsinki Stock Exchange commences on 17 June 2020 at 10:00 a.m. Finnish time and ends on 25 June 2020 at 6:30 p.m. Finnish time. The price of the Subscription Rights on the Helsinki Stock Exchange will be determined in market trading. Subscription Rights may be sold or purchased by giving a sell or purchase order to one's own custodian.

The ISIN code of the Subscription Rights on the Helsinki Stock Exchange is FI4000440136 and the trading code is "FIA1SU0120".

Subscription for Offer Shares with Subscription Rights (Primary Subscription Right)

Directly Registered Shareholders

A shareholder may participate in the Offering by subscribing for the Offer Shares by using the Subscription Rights on the shareholder's book-entry account and by paying the Subscription Price. However, this shall not apply to shareholders resident in certain Unauthorised Jurisdictions (as defined below). Shareholders may be required in connection with any such subscription to certify that they are not in an Unauthorised Jurisdiction. In order to participate in the Offering, a shareholder must give a subscription order in accordance with the instructions provided by the shareholder's own account operator or custodian.

Holders of Subscription Rights purchased on the Helsinki Stock Exchange must submit their subscription orders in accordance with the instructions given by their own book-entry account operator or custodian.

Nominee-registered Shareholders

Shareholders and other investors participating in the Offering, whose existing shares in the Company or Subscription Rights are held through a nominee, must submit their subscription orders in accordance with the instructions given by their nominee or, if the holding is registered with more than one nominee, through each nominee. Subscription and payment must be made in accordance with instructions from the nominee. Banks and other nominees are required to read and comply with the restrictions described in the section "*Important Information*" and section "*– Shareholders Resident in Certain Unauthorised Jurisdictions*" below. Banks, custodians and other nominees may be required in connection with any such subscription to certify that shareholders on whose behalf they are holding the shares or Subscription Rights, are not in an Unauthorised Jurisdiction.

General

Subscriptions must be submitted separately for each book-entry account. Incomplete or erroneous subscriptions may be rejected. A subscription may be rejected if the subscription payment is not made according to these terms and conditions or if such payment is incomplete. In these situations, the subscription payment will be refunded to the subscriber. No interest will be paid on the refunded amount.

Any unexercised Subscription Rights will expire without any compensation at the end of the Subscription Period on 1 July 2020 at 4:30 p.m. Finnish time.

The Offer Shares subscribed with Subscription Rights will be recorded on the subscriber's book-entry account on or about 9 July 2020.

Payments for the Subscriptions

The Subscription Price of the Offer Shares subscribed for in the Offering shall be paid in full in euros at the time of submission of the subscription order in accordance with the instructions given by the account operator or the custodian.

A subscription will be deemed effected only after the arrival of the subscription form at relevant account operator or custodian and of the payment of the Subscription Price in full.

Interim Shares

The Offer Shares subscribed for pursuant to the exercise of the Subscription Rights will be recorded on the subscriber's book-entry account as interim shares representing the Offer Shares (the "**Interim Shares**") after the subscription has been effected.

In case the Offering is cancelled, the Subscription Price will be refunded to the holders of the Interim Shares. No interest will be paid on the refunded amount. See also "*– Approval of Subscriptions and Publication of the Outcome in the Offering*", "*– Withdrawal of Subscriptions in Certain Circumstances*" and "*– Other Issues*" below as well as "*Plan of Distribution in the Offering*".

The Interim Shares are combined with the existing shares of the Company (ISIN code FI0009003230, trading code "FIA1S") after the Offer Shares have been registered with the Finnish Trade Register. Such combination is expected to occur on or about 9 July 2020.

Trading with Interim Shares

The Interim Shares are freely transferable and trading with the Interim Shares on the Helsinki Stock Exchange, as a separate class of securities, is expected to take place during the period from and including 18 June 2020, up to and including 8 July 2020, under the trading code "FIA1SN0120". The ISIN code of the Interim Shares is FI4000440128.

Subscription for Offer Shares without Subscription Rights (Secondary Subscription Right)

Subscription for the Offer Shares without Subscription Rights shall be effected by a shareholder and/or other investor by submitting a subscription assignment and simultaneously paying the Subscription Price in accordance with the instructions provided by his/her book-entry account operator, custodian, or in case of nominee-registered holders, in accordance with instructions provided by the nominee. It may not be possible to provide a subscription on the basis of the Secondary Subscription Right via an equity savings account (the Act on Equity Saving Account, 680/2019) through certain account operators. In such case, shareholders should provide the secondary subscription via another book-entry account than the equity savings account.

The subscription assignment and payment shall be received by the shareholder's and/or investor's account operator, custodian or nominee on 1 July 2020 at the latest or on an earlier date in accordance with instructions by the book-entry account operator, custodian or nominee.

If several subscription orders are submitted in relation to a single book-entry account, the orders will be considered as one order per book-entry account.

The Offer Shares subscribed without Subscription Rights will be recorded on the subscriber's book-entry account as shares on or about 9 July 2020.

Approval of Subscriptions and Publication of the Outcome in the Offering

The Board of Directors of Finnair will approve subscriptions pursuant to the Subscription Rights made in accordance with these terms and conditions of the Offering and applicable laws and regulations on or about 7 July 2020. In addition, the Board of Directors of Finnair will, in accordance with the allocation principles set out below in "– *Allocation of Offer Shares Subscribed for without Subscription Rights*", approve subscriptions without Subscription Rights made in accordance with these terms and conditions of the Offering and applicable laws and regulations. The Company's Board of Directors may decide not to approve the subscriptions and not to carry out the Offering, if the Board of Directors concludes that carrying out the Offering is not in the Company's interest. In such an event the Subscription Price will be refunded to the holders of Interim Shares and the Subscription Price paid for Offer Shares subscribed without Subscription Rights will be refunded to persons that have subscribed for such Offer Shares. In the event the Offering is cancelled, the Subscription Rights cannot be exercised and have no value.

Finnair will publish the final results of the Offering in a stock exchange release on or about 7 July 2020.

Allocation of Offer Shares Subscribed for Without Subscription Rights

In the event that not all the Offer Shares have been subscribed for pursuant to the exercise of the Subscription Rights, the Board of Directors of Finnair shall determine the allocation of Offer Shares subscribed for without Subscription Rights as follows:

- first, to those that subscribed for Offer Shares also pursuant to Subscription Rights. If the Offering is oversubscribed by such subscribers, the allocation among such subscribers shall be determined per account operator in proportion to the number of Subscription Rights exercised by a subscriber for subscription of Offer Shares and, where this is not possible, by drawing of lots;

- second, to those that have subscribed for Offer Shares without Subscription Rights only and, if the Offering is oversubscribed by such subscribers, the allocation among such subscribers shall be determined per account operator in proportion to the number of Offer Shares which such subscribers have subscribed for and, where this is not possible, by drawing of lots; and

- third, to subscribers procured by Citi and Nordea, or, when such subscribers have not been procured, to Citi or Nordea in accordance with, and subject to, the terms and conditions of the Underwriting Agreement. The subscription period with respect to Citi or Nordea and/or to subscribers procured by them expires on 7 July 2020.

If the allocation of Offer Shares subscribed for without Subscription Rights does not correspond to the amount of Offer Shares indicated in the subscription assignment, the Subscription Price paid for non-allocated Offer Shares will be refunded to the subscriber starting from on or about 9 July 2020. No interest will be paid on the refunded amount.

Withdrawal of Subscriptions in Certain Circumstances

Any exercise of the Subscription Rights is irrevocable and may not be modified or cancelled other than as set forth below.

Where the Finnish language prospectus relating to the Offering (the "**Finnish Prospectus**") is supplemented in accordance with the Prospectus Regulation due to a significant new factor, material mistake or material inaccuracy, which may affect the assessment of the Offer Shares or the Interim Shares, investors who have subscribed for Offer Shares before the supplement is published shall have the right to withdraw their subscriptions during a withdrawal period. Such withdrawal period shall last for at least two working days from the publication of the supplement. The withdrawal right is further conditional on that the significant new factor, material mistake or material inaccuracy referred above was noted prior to the end of the Subscription Period or the delivery on the book-entry account of the subscriber of the Offer Shares or the Interim Shares which are subject to the withdrawal (whichever occurs earlier).

The procedure regarding the withdrawal of the subscriptions will be announced together with any such supplement to the Finnish Prospectus and its English translation as a supplement to this Offering Circular through a stock exchange release. Any withdrawal of a subscription shall relate to the entire subscription of the investor. The withdrawal must be made in writing at the account operator, custodian or nominee in which the subscription order was given.

After the end of the withdrawal period, the right of withdrawal will lapse. Where a subscription is withdrawn, the Subscription Price paid will be returned to the subscriber within approximately two business days from withdrawal. No interest will be paid on the funds returned. If the holder of a Subscription Right or an Interim Share has sold or otherwise transferred the Subscription Right or the Interim Share, such sale or transfer cannot be withdrawn.

Shareholders Resident in Certain Unauthorised Jurisdictions

The granting of Subscription Rights to shareholders resident in countries other than Finland and the issuance of the Offer Shares through exercise of Subscription Rights to persons resident in countries other than Finland may be affected by securities legislation in such countries. Consequently, subject to certain exceptions, shareholders whose existing shares are directly registered on a securities account and whose registered address is in the United States, Canada, Australia, Hong Kong, South Africa, Singapore, Japan, New Zealand or any other jurisdiction in which participation in the Offering would not be permissible (the "**Unauthorised Jurisdictions**"), may not receive any Subscription Rights and will not be allowed to subscribe for the Offer Shares. In Finland, each such shareholder, registered in the Company's shareholders' register, acting through banks, nominees, custodians or other financial intermediaries through which its shares are held, may consider selling any and all Subscription Rights held for its benefit to the extent permitted under their arrangements with such persons and applicable law and receiving the sales proceeds (less deduction of costs) on their account.

Trading in Offer Shares

Trading in the Offer Shares registered with Euroclear Finland commences on the Helsinki Stock Exchange on or about 9 July 2020.

Shareholder Rights

The Offer Shares will entitle their holders to possible dividend and other distribution of funds, if any, and to other shareholder rights in Finnair after the Offer Shares have been registered with the Finnish Trade Register, on or about 8 July 2020 and in the Company's shareholder register maintained by Euroclear Finland on or about 9 July 2020. Each Offer Share entitles its holder to one vote at the General Meeting of Shareholders of Finnair.

Costs and Expenses

No fees or expenses will be charged for the subscription of Offer Shares, and no transfer tax is payable for the subscription of Offer Shares. Account operators, custodians or securities brokers who execute subscription assignments relating to the Subscription Rights may charge a commission in accordance with their own tariffs. Account operators and custodians may also charge a fee for the maintenance of a book-entry account and the custody of the shares. See also "*Taxation*".

Applicable Law and Dispute Resolution

The Offering shall be governed by the laws of Finland. Any disputes arising in connection with the Offering shall be settled by the court of competent jurisdiction in Finland.

In case of any discrepancies between the original Finnish language version and the English language translation of these terms and conditions, the Finnish language version shall prevail.

Other Issues

Documents referred to in Chapter 5, Section 21 of the Finnish Companies Act (624/2006, as amended) are available for review at the website of Finnair at www.finnair.com/rightsissue.

Other issues and practical matters relating to the Offering will be resolved by the Board of Directors of Finnair. The Board of Directors may resolve not to accept subscriptions, including the subscriptions made with Subscription Rights, and not to carry out the Offering, if the Board of Directors would conclude that carrying out the Offering is not in the Company's interest. See also "*Plan of Distribution in the Offering*".

Nordea is acting as issuing and paying agent in respect of the Offering, i.e., assisting the Company with certain administrative services concerning the Offering. The fact that Nordea is acting as issuing and paying agent does not, in itself, mean that Nordea regards the subscriber as a customer of Nordea. For the purposes of the Offering, the subscriber is regarded as a customer of Nordea only if Nordea has provided advice to the subscriber regarding the Offering or has otherwise contacted the subscriber individually regarding the Offering, or if the subscriber has an existing customer relationship with the bank. As a consequence of Nordea not regarding the subscriber as a customer in respect of the Offering, the investor protection rules set forth in the Finnish Investment Service Act (747/2012, as amended) will not apply to the Offering. This means, among other things, that neither customer categorization nor a suitability assessment will take place with respect to the Offering. Accordingly, the subscriber is personally responsible for ensuring that he or she possesses sufficient experience and knowledge to understand the risks associated with the Offering.

Subscribers in the Offering will provide personal data to Nordea. Personal data provided to Nordea will be processed in data systems to the extent required to provide services and administer matters in Nordea. Personal data obtained from a party other than the customer to whom the processing relates may also be processed. Personal data may also be processed in data systems at companies and organizations with which Nordea cooperate. Information regarding the processing of personal data is provided by Nordea's branch offices, which also accept requests for correction of personal data. Information regarding addresses may be obtained by Nordea through automatic data runs at Euroclear Finland.

By subscribing for the Offer Shares in the Offering, the subscriber authorises his / her account operator to disclose necessary personal data, the number of his / her book-entry account and the details of the subscription to the parties involved in the processing of the subscription order or the execution of the assignment to allocate and settle the Offer Shares.

BACKGROUND OF THE OFFERING AND USE OF PROCEEDS

Reasons for the Offering

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 maintaining a strong balance sheet.

However, the COVID-19 pandemic and measures undertaken by local and national authorities to prevent the further escalation of the pandemic represent a unique challenge. The negative shock caused by the pandemic to the global economy has resulted in a significant deterioration of macroeconomic conditions in the markets in which Finnair operates, with a sudden and material reduction in the demand for the Company's services, reinforced by travel restrictions imposed by public authorities around the world.

Finnair is determined to continue on its long-term strategic path despite temporary adjustments related to the COVID-19 pandemic, and aims to ensure that the Company remains a competitive airline company also in the future. The Company's management believes that air traffic will, upon expiration of the COVID-19 pandemic related travel restrictions, 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.

To achieve the goals of the Company despite the exceptional circumstances, Finnair considers it prudent to seek to strengthen its balance sheet in these conditions and to lay a foundation for the successful execution of Finnair's long-term strategy, ensuring that the Company is viable in a post-crisis environment. The Offering is undertaken as part of Finnair's recapitalization plan, which will be carried out in the course of 2020, comprising in addition to the Offering of (i) already agreed amendments under the Company's revolving credit facility, including obtaining gearing covenant relief, (ii) entry into a new EUR 600 million pension premium loan agreement with Ilmarinen Mutual Pension Insurance Company, (iii) potential refinancing or solicitation of changes to the terms of the Company's outstanding hybrid notes and (iv) potential sale and leaseback arrangements of unencumbered aircraft. 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.

To this end, the Offering pursuant to the shareholders' pre-emptive subscription right of up to 1,279,265,150 Offer Shares at a subscription price of EUR 0.40 per Offer Share in order to raise approximately EUR 500 million in net proceeds is intended to ensure Finnair's viability throughout the crisis and in preparation for normalized market conditions.

The Company's largest shareholder, the State of Finland, has irrevocably committed to subscribe in full for Offer Shares on the basis of Subscription Rights allocated to it, i.e. in total approximately 55.9 per cent of the Offer Shares.

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 Offering are 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 Offering is compatible with the EU state aid rules under the TFEU Article 107(3)(b). Under the Commission's decision, the Company has agreed to certain conditions following the Offering.

The decision on the authorisation of state aid and the conditions set out in the decision by the Commission are based on the assumption that the State of Finland subscribes only to its pro rata share of the Offer Shares on the basis of the Subscription Rights allocated to it. The State of Finland has provided its Subscription Undertaking to that effect. It is also assumed that private investors participate in the offering and that Citi and Nordea, subject to certain terms and conditions specified in the Underwriting Agreement, commit to procure subscribers for any Offer Shares that may remain unsubscribed for in the Offering, or to subscribe for such Offer Shares themselves, excluding the Offer Shares that are covered by the Subscription Undertaking. The conditions set out in the

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

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

Acquisition Ban

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

Management Remuneration

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

For persons becoming members of the Company's management on or after the 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 in 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 Company shall, within 12 months from the date of the 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 Company'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.

No other material terms and conditions have been set out in the Commission's decision in connection with the Offering.

Use of Proceeds

Assuming all of the Offer Shares are subscribed for in the Offering, the gross proceeds received by Finnair from the Offering will be approximately EUR 511.7 million.[4] Finnair expects to pay approximately EUR 10.8 million in fees and expenses in connection with the Offering, resulting in net proceeds of approximately EUR 500.9 million.

The net proceeds from the Offering will be used 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. The Offering is aimed at ensuring Finnair's viability in the post-crisis environment as well as helping to reach its goal of sustainable, profitable growth.

[4] The gross proceeds of the Offering have been calculated by multiplying the Subscription Price by the maximum number of Offer Shares in the Offering. The final number of Offer Shares will be determined based on subscriptions made in accordance with the terms and conditions of the Offering and approved by the Company's Board of Directors.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the Company's capitalisation and indebtedness as at 31 March 2020 (i) based on the Company's unaudited consolidated interim report for the three months ended 31 March 2020 and (ii) as adjusted by the gross proceeds of EUR 511.7 million[5] from the Offering and estimated expenses of EUR 10.8 million in connection with the Offering. The table shall be read with consideration of the fact that there is not complete certainty that the Offering will be carried out, see "*Terms and Conditions of the Offering – Approval of Subscriptions and Publication of the Outcome in the Offering*".

This table should be read together with section "*Selected Financial Information*" and the Company's audited consolidated financial statements as at and for the year ended 31 December 2019 and the Company's unaudited consolidated interim report as at and for the three months ended 31 March 2020, incorporated by reference to this Offering Circular.

EUR in millions	As at 31 March 2020 Actual (unaudited)	As at 31 March 2020 Adjusted (unaudited)
Capitalisation		
Current borrowings		
Unguaranteed/Unsecured	175.0[4]	175.0
Guaranteed/Secured[1]	186.2	186.2
Total current borrowings	**361.2**	**361.2**
Non-current borrowings		
Unguaranteed/Unsecured	199.7	199.7
Guaranteed/Secured[1]	1,199.3	1,199.3
Total non-current borrowings	**1,399.0**	**1,399.0**
Total borrowings	**1,760.2**	**1,760.2**
Equity		
Share capital	75.4	75.4
Other restricted funds	168.1	168.1
Hedging reserve and other OCI items	-95.2	-95.2
Unrestricted equity funds	256.5	759.5
Retained earnings	132.6	132.6
Hybrid bond	198.2	198.2
Total equity	**735.7**	**1,238.7**[5]
Total equity and borrowings	**2,495.9**	**2,998.9**
Net indebtedness		
Cash and cash equivalents	118.8	619.7
Other financial assets	713.7	713.7
Liquidity (A)	**832.5**	**1,333.4**[6]
Lease liabilities[2]	141.6	141.6
Other interest-bearing liabilities[2]	219.6	219.6
Cross currency interest rate swaps[2, 3]	-4.7	-4.7
Current liabilities total (B)	**356.5**	**356.5**
Net current financial indebtedness (C = B - A)	**-476.0**	**-976.9**
Lease liabilities[2]	925.1	925.1
Other interest-bearing liabilities[2]	473.9	473.9
Non-current liabilities total (D)	**1,399.0**	**1,399.0**
Net indebtedness (C + D)	**923.0**	**422.1**[7]

[1] Includes lease liabilities.

[2] The Company presents the figure Adjusted interest-bearing liabilities in its financial reporting. Adjusted interest-bearing liabilities consist of non-current and current lease liabilities, non-current and current other interest-bearing liabilities and cross currency interest rate swaps. Adjusted interest-bearing liabilities amounted to EUR 1,755.5 million as at 31 March 2020.

[3] The cross-currency interest rate swaps are used for hedging the currency and interest rate risk of interest-bearing loans, but hedge accounting is not applied. Changes in fair net value correlate with changes in the fair value of interest-bearing liabilities. Therefore, the fair

[5] The gross proceeds of the Offering have been calculated by multiplying the Subscription Price by the maximum number of Offer Shares in the Offering. The final number of Offer Shares will be determined based on subscriptions made in accordance with the terms and conditions of the Offering and approved by the Company's Board of Directors.

net value of cross-currency interest rate swaps recognised in derivative assets/liabilities is considered an interest-bearing liability in the net indebtedness calculation.

[4] Includes Finnair's revolving credit facility which is guaranteed by Finnair's wholly-owned subsidiary Finnair Aircraft Finance Oy.

[5] In the table above, the gross proceeds of EUR 511.7 million of the Offering, which have been adjusted with the estimated transaction costs of EUR 10.8 million deducted by taxes in the amount of EUR 2.2 million, have been recognised in the unrestricted equity funds. The Company's total equity would increase EUR 503.0 million as a result of the estimated net proceeds of the Offering, and consequently the equity ratio would increase from 19.6 per cent to 29.1 per cent. See also "*Selected Financial Information – Calculation of Certain Alternative Performance Measures, Key Operational Metrics and Other Key Figures*". The gross proceeds of the Offering have been calculated by multiplying the Subscription Price by the maximum number of Offer Shares in the Offering. The final number of Offer Shares will be determined based on subscriptions made in accordance with the terms and conditions of the Offering and approved by the Company's Board of Directors.

[6] In the table above, the gross proceeds of EUR 511.7 million of the Offering, which have been adjusted with the estimated transaction costs of EUR 10.8 million deducted by taxes in the amount of EUR 2.2 million, have been recognised in the unrestricted equity funds. Deferred tax asset of EUR 2.2 million realises in cash and cash equivalents later, provided that confirmed tax loss can be deducted from taxable result. The Company's cash funds would increase EUR 500.9 million as a result of the estimated net proceeds of the Offering, and consequently the cash to sales, LTM, % would increase from 27.8 per cent to 44.6 per cent. See also "*Selected Financial Information – Calculation of Certain Alternative Performance Measures, Key Operational Metrics and Other Key Figures*".

[7] In the table above, the gross proceeds of EUR 511.7 million of the Offering which have been adjusted with the estimated transaction costs of EUR 10.8 million deducted by taxes in the amount of EUR 2.2 million, have been recognised in the unrestricted equity funds. Deferred tax asset of EUR 2.2 million realises in cash and cash equivalents later, provided that confirmed tax loss can be deducted from taxable result. Therefore, the Company's net indebtedness would decrease EUR 500.9 million as a result of the estimated net proceeds of the Offering, and consequently the gearing would decrease from 125.5 per cent to 34.1 per cent. See also "*Selected Financial Information – Calculation of Certain Alternative Performance Measures, Key Operational Metrics and Other Key Figures*".

For further information on the Company's contingent liabilities, see note 16 of the Company's unaudited consolidated interim report as at and for the three months ended 31 March 2020.

The Company 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. The following review under the amended covenant levels will take place after the completion of the Offering or on 31 March 2021 at the latest.

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. As at the date of this Offering Circular, EUR 200 million of the pension premium loan has been drawn.

There have not been any other material changes in the Company's capitalization and indebtedness since 31 March 2020.

Working Capital Statement

In the opinion of the Company's management, the Company's working capital is sufficient for the Company's present needs for the next 12 months following the date of this Offering Circular.

DIVIDENDS AND DIVIDEND POLICY

The aim of Finnair's dividend policy is to pay on average at least one third of the earnings per share as dividends over an economic cycle. The Company intends to take into account the Company's earnings trend and outlook, financial situation and capital need for any given period. There can be no assurance regarding any financial period as to the amount of dividends to be distributed or as to whether the Company will distribute dividends at all.

In the notice to the Annual General Meeting on February 24, 2020, the Board of Directors proposed to the Annual General Meeting that a dividend of EUR 0.20 per share be paid based on the balance sheet adopted for the financial year ended 31 December 2019. In March 2020, the Board of Directors of Finnair reconsidered its dividend proposal due to the dramatic global impact of the COVID-19 pandemic, and the Board concluded that the Company should refrain from paying dividend for the financial year ended 31 December 2019. The Annual General Meeting held on 29 May 2020 resolved that no dividend is paid based on the balance sheet adopted for the financial year ended 31 December 2019.

Under the Finnish Companies Act, the General Meeting of Shareholders decides on the distribution of dividends based on a proposal by the Company's Board of Directors. Dividends are generally declared once every financial year and may be paid only after the General Meeting of Shareholders has approved the Company's financial statements. If dividends are distributed, all of the Shares of the Company are entitled to the same dividend. The dividends paid by the Company for any financial period will not be indicative of the dividends to be paid after the said financial period. For a description of the restrictions applicable to dividend distributions, see "*Shares and Share Capital – Shareholders' Rights – Dividend and Distribution of Other Unrestricted Equity*".

BUSINESS OF THE COMPANY

General

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.

As at the date of this Offering Circular, in response to the restrictions on air travel due to the COVID-19 pandemic, Finnair is operating a minimum network corresponding to less than 5 per cent of its budgeted capacity (measured in Available Seat Kilometres (ASK)). Finnair's intention is to gradually add frequencies and routes back to its network starting from July 2020 so that Finnair would operate approximately 30 per cent of its budgeted amount of flights in July, corresponding to approximately 20 per cent of its budgeted capacity (measured in Available Seat Kilometres (ASK)). Finnair will update its schedule on a monthly basis depending on demand.

Finnair's mission is to enable its passengers to connect and experience the world effortlessly and in a more sustainable way. Based on the Company'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 is 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 Finnair'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.

Finnair's revenue amounted to EUR 561.2 million for the three months ended 31 March 2020 and EUR 3,097.7 million for the year ended 31 December 2019. Finnair's first quarter 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.

Key Strengths

Leveraging a Unique Geographic Position

Helsinki, Finnair's central hub, has a unique strategic position on the great circle route from many European cities to Southeast Asia. This enables Finnair to operate a one-stop itinerary from most European cities with a shorter total elapsed time than airlines operating one-stop flights from other European hubs. The Company believes that this is a key competitive advantage compared to other airlines, and represents the foundation for its strong network based on a connecting flight model. In addition, unlike its competitor hubs including London, Paris or Frankfurt, Helsinki's geographic position allows the majority of the Company's main Asian destination cities to be served with one aircraft within a 24 hour period. This increases the utilisation on the wide body fleet, and allows Finnair to operate a larger network with fewer aircraft than its competitors.

Strong Network Connecting Asia Pacific to Europe

The Company has enjoyed a strong position in Europe – Asia traffic, which pre-COVID-19 was estimated to grow at a CAGR of 3.9 per cent.[6] In 2019, Asia Pacific represented approximately 50 per cent of Finnair's Available Seat Kilometres (ASK). In 2019, Finnair's market share in flights between Europe and Asia was approximately 6

[6] Source: Boeing commercial market outlook 2019–2038.

per cent.[7] Finnair believes that its strong position is primarily due to positive characteristics that distinguish the Company from its competitors. First, its long-standing presence in large Asian cities such as Bangkok (since 1976), Tokyo (since 1983), Beijing (since 1988), Hong Kong (since 2002), and Shanghai (since 2003). Second, a diversified European network that enables Finnair to efficiently feed and route passengers from Asia to over 100 destinations in Europe (i.e. transfer flights accounted for 60 per cent of traffic in 2019). Third, the Helsinki Airport as a hub, which is very well invested and is particularly well suitable for transfer traffic, given its strategic position, size and design.

Leadership Position in Helsinki Hub

The Company is the leading airline at Helsinki Airport, with a 75 per cent market share based on capacity, measured in ASKs, in 2019.[8] This demonstrates that Finnair is one of the strongest European airlines among its peers in their respective hubs. For example, KLM has a 53 per cent market share in Amsterdam, TAP has 56 per cent in Lisbon, Lufthansa has 51 per cent in Frankfurt and 52 per cent in Munich, Swiss Airlines has 49 per cent in Zurich and SAS has 34.5 per cent in Copenhagen.[9] The Company's position in, and strategy of using, Helsinki as a connecting hub enhances its competitive position by allowing Finnair to optimize flight connections and shorten passenger journey times. The Company also has an extensive domestic network, providing critical connections from Finnish cities to the rest of the world. Moreover, Finnair's travel service segment (Aurinkomatkat-Suntours, Finnair Holidays) and other partners further strengthen the Company's leading position in the local market by increasing Finnair's brand recognition in the market for incoming tourism.

Strategic Global Partnerships Further Leveraging Strong Network and Geographic Position

Finnair believes that one of its core strengths is its membership in the oneworld™ alliance. Global partnerships enable Finnair to approximate scale, augmenting the size of its own operations, increase its ability to sell routes in markets outside Finland, and attract new demand by providing additional connectivity to its passengers. Through the oneworld™ alliance, Finnair's global network included over 1,000 destinations in more than 160 countries in 2019. Some of the existing joint ventures and partnerships include the Siberian Joint Business (a 23 per cent market share in the Europe – Japan traffic[10]), the Atlantic Joint Business (a 26 per cent market share in the Europe – USA traffic[11]), and Nordic Regional Airlines, in which Finnair holds a minority ownership stake and which operates on a purchased traffic basis on selected regional routes. Furthermore, the Company is constantly seeking to establish new strategic partnerships in its core markets, such as the recently-announced joint venture with Juneyao Air on the Helsinki – Shanghai route, for which a letter of intent was signed in April 2020.

Efficient Operational Performance

Finnair is focused on continually adjusting its cost structure to maintain competitiveness. Its cost advantage stems from a number of factors. First, Finnair's efficient use of its Helsinki hub and assets enables Finnair to offer customers lower fares and shorter journey times on connecting itineraries. This efficiency is further enhanced with the recent introduction of the midnight departure bank, with selected long-haul eastbound flights. Second, Finnair seeks to minimize its operating costs by focusing on on-time performance. Third, Finnair benefits from a modern, fuel-efficient wide-body fleet with the latest technology, which decreases overall fuel and maintenance costs. Finnair's in-house maintenance operations are competitive, and it efficiently outsources to third party maintenance service providers via a tightly-managed procurement process. Finnair's network scheduling follows a 24-hour rotational programme, which ensures optimal aircraft and crew utilisation. Finnair also uses its cargo segment to improve overall wide-body fleet efficiency, with the Airbus A350 serving as the backbone of Finnair's cargo fleet due to its superior mission profile and minimal payload/range restrictions on the Company's network. The main passenger destinations are also key destinations for the cargo segment, increasing the yield per flight. Additionally, Finnair's cargo operations benefit from Finnair's air cargo terminal, which is state-of-the-art in Europe, capable of handling temperature-sensitive, high-value cargo such as pharmaceuticals and live seafood.

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[7] 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 January-November 2019. The basis for calculation is Finnair's non-seasonal destinations.

[8] Source: RDC Aviation.

[9] Source: RDC Aviation.

[10] Source: DDS passenger volume estimates for the last twelve months ended in March 2020.

[11] Source: DDS passenger volume estimates for the last twelve months ended in March 2020.

Modern, Fuel-Efficient Wide-body Fleet

As at 31 March 2020, Finnair operated a fleet comprised of 60 Airbus aircraft. Having a fleet sourced from a single manufacturer increases operating efficiencies whilst also reducing maintenance and repair costs through the streamlining of spare parts. Finnair's current fleet structure has a 2.8:1 narrow-body/wide-body ratio, which increases its route-planning efficiency as high utilisation on the wide-body fleet is maintained with optimal scheduling of connecting regional flights operated by narrow-body aircraft. Finnair's wide-body fleet also contributes to the Company's sustainability strategy, using biofuels for certain long-haul flights. According to the Company'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.

Focus on Strong Balance Sheet Positions Finnair to Emerge from the COVID-19 Pandemic in a Position of Strength

Finnair has historically sought to maintain strong liquidity and relatively low financial leverage. As at 31 December 2019, when the significant shock caused by COVID-19 pandemic had not yet materialised, Finnair's gearing[12] was 64.3 per cent. Post-recapitalisation, Finnair seeks to maintain a conservative capital structure and a strong liquidity position. Finnair's unencumbered asset base (42 aircraft as at 31 March 2020) provides additional headroom to satisfy potential liquidity needs. The Company's largest shareholder is the State of Finland. In the Government Resolution on State Ownership Policy, Finnair is considered to be a company in which the State of Finland has strategic interests. Most recently, the State has supported the Company by providing a guarantee of 90 per cent of the EUR 600 million pension premium loan's principal, and the Finnish Government approved the guarantee on 20 May 2020.

Proactive Approach to Sustainability

Finnair's objective is to create a sustainable, profitable business model, in harmony with the needs of society and the environment. To align 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 recognized in the Prime class.[13] 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. By the end of year 2019, Finnair's achievements included cutting its carbon dioxide emissions per revenue ton kilometer 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 intermodality in combining different modes of transport for a seamless travel experience, emissions trading, operations improvements and sustainable aviation fuels (Bio and Synthetic).

Well-Recognised Brand and Excellent Customer Service

Finnair's brand is well-regarded in the Nordic region, contributing to the airline's comprehensive network and traffic numbers with respect to the size of Finland. This is evidenced by Finnair's Net Promoter Score (NPS), which has increased to 43 from 37 in the last 12 months period on 31 March 2020. Finnair also holds a four-star rating from APEX. In addition, it has been voted by Skytrax as the best airline in Northern Europe for 10 consecutive years. Further, Universum has ranked Finnair as the most attractive employer amongst business students in Finland for years 2017–2020. Finnair has recently invested in the development of direct distribution capabilities, which are expected to lower the overall selling cost, and the expansion and enhancement of its retail offering to improve the overall customer service approach, including the personalization of the travel experience using ancillaries.

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[12] Gearing is calculated as Interest-bearing net debt / Equity x 100. See also "*Selected Financial Information – Reconciliation of Certain Alternative Performance Measures – Gearing*".

[13] Environmental, social and corporate governance rating provided by ISS-ESG.

Strong and Experienced Management Team

Finnair has a strong and experienced management team, as a function of its performance-driven mix of executives from diverse backgrounds, both from within the airline industry and outside, incorporating best practices throughout the organisation. The diversity of executive backgrounds and experience allows the management team to bring a balanced mix of perspectives on how to deal with the current COVID-19 situation, adapt to the post-crisis travel landscape, and integrate best practices from outside the aviation sector into areas such as technology and digital business models into Finnair's strategy. The strength of the management team allows Finnair to respond in an agile manner to sudden changes in passenger demand and preferences, such as the impact of the COVID-19 pandemic.

Strategy

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 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.

Network and Fleet

Exclusive of the impact of the COVID-19 pandemic, Finnair will continue to target growth in line with Finnair's Asian focus market level growth rates, focusing primarily on the transfer traffic between Europe and Asia. Finnair focuses on serving Asian megacities (such as Shanghai, Tokyo, Hong Kong, Beijing) that have capacity constraints at their airports and continue to leverage Finnair's long-term presence at such destinations to serve a customer base with high purchasing power and high volume of business traffic. The previously expected annual capacity growth between 3–5 per cent was in line with anticipated Asian market growth based on Finnair's estimates.

Transfer traffic generated half of Finnair's total revenue and two thirds of ticket sales in 2019. During the same period, three quarters of the transfer traffic was between Asia and Europe. Finnair will continue to leverage its Helsinki hub's unique geographical location and will continuously seek to increase its efficiencies when operating from this hub. Finnair's strategy includes further developing a fourth bank of flights in Helsinki Airport over time enabling better utilisation of its aircraft as well as airport capacity and, thus, traffic growth is mostly expected to take place outside the main afternoon bank. Finnair is focused on renewing its narrow-body fleet. Given current market conditions, the timing and scale of the investment in the narrow-body fleet is under review, but is expected to continue as a key part of Finnair's strategy. It offers an attractive opportunity to seek to capture upside in Finnair's operational and financial performance by increasing dispatch reliability and fuel efficiency. As a part of the fleet investment, Finnair may also utilize opportunities to dispose of certain aircraft if the terms prove to be beneficial to the Company.

Operational Excellence

The safety culture and efficiency as well as reliability and productivity of the operations continue to be at the core of the Company's strategy. As a result, more effort will be put into technology, automation and utilising data as well as into working together cross-functionally. Even though Finnair has reached its previous growth targets through the end of 2019, productivity can be improved and cost can be reduced. The focus will be especially in fuel efficiency and on-time performance which have a great impact on both operating cost and productivity as well as the customer experience. In terms of on-time performance and fuel efficiency, Finnair aims to develop from being in line with peers to being among the leaders.

Modern Premium Airline

Finnair aims to be defined as a modern, premium airline by offering more extensive destination and product portfolios, additional route frequencies as well as by enabling a smooth travel experience, which allows customers to tailor the way they want to travel. To grow and win in the competitive airline market, Finnair aims to excel in everyday customer experience. Finnair will additionally continue to develop its distribution channels, Finnair.com and the travel agent channel as well as its ability to understand individual customer preferences.

Sustainability

Sustainability is an essential part of Finnair and this focus area will remain unchanged despite the impacts of the COVID-19 pandemic. Based on the sustainability plan published in March 2020, Finnair's long-term goal is carbon neutrality by the end of 2045, with a 50 per cent net carbon reduction by the end of 2025 compared to the 2019 level. In order to achieve this goal, Finnair will e.g. continue using biofuel on selected flights that it has operated since 2011, investigate the use of other sustainable aviation fuels, utilise recycling and reduce single-use plastic waste, take part in voluntary and non-voluntary offsetting schemes and target significant operational improvements to ensure more fuel-efficient flying. The fleet-related investment is not only impacting the customer experience but is also a significant investment in more sustainable flying.

Culture and Ways of Working

The strategy will be implemented by engaging the entire Finnair personnel and thus the strategy will be closely linked to their everyday work and targets. The strategy emphasises genuine collaboration, target-oriented leadership and utilising new efficient working methods such as lean and agile. Finnair's service culture resonates well with customers in the Net Promoter Score, which is something Finnair wants to continue improving on.

Long-term Targets

These financial targets are not guarantees of future financial performance. The Company's actual results of operations could differ materially from those expressed or implied by these targets as a result of many factors, including but not limited to those described under "Forward-looking Statements" and "Risk Factors". Any targets discussed herein are targets only and are not, and should not be viewed as, forecasts, projections, estimates or views on the Company's future performance.

Finnair has set out the following long-term targets:

- Comparable EBIT of over 7.5 per cent over the cycle (at constant fuel and currency)
- ROCE of over 10 per cent over the cycle (at constant fuel and currency)
- On-time-performance of over 85 per cent
- Improved Net Promoter Score and improved employee Net promoter score
- Carbon neutrality by the end of 2045 and a 50 per cent net carbon reduction by the end of 2025 compared to the 2019 level

However, due to the COVID-19 pandemic, Finnair is assessing its financial targets and the schedule for reaching them, taking into account the assumption of the Company's management that the traffic is expected to recover in 2–3 years on the 2019 level. The financial targets, the timing for their implementation, or both may be amended depending on the length and impact of the COVID-19 pandemic.

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 Company's Shares were listed on the Helsinki Stock Exchange on 26 June 1989. In 1997, Finnair's official name became Finnair Plc and Finnair joined the oneworld™ alliance as the first new member since the alliance was formed. Two years later in 1999, full membership in the oneworld™ alliance was granted.

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 oneworld™ 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.

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 of 31 March 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

Other than as described below, there has been no significant change in Finnair's financial position since 31 March 2020. Further, other than as described below, there has been no material adverse change in the financial performance of Finnair since 31 December 2019.

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 Offering Circular, 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 realize until the pace and volume of passenger demand recovery is known.

At the date of this Offering Circular, Finnair has made substantial adjustments to its traffic and reduced over 95 per cent of its budgeted capacity, compared to the original schedule, starting from the beginning of April 2020. As of 1 April, Finnair is operating approximately 20 routes, ensuring certain critical air and cargo supply connections for Finland during this exceptional situation. Finnair will gradually add frequencies and routes back to its network starting from July 2020. Finnair's intention is to operate approximately 30 per cent of its budgeted amount of flights in July but the amount of flights depends on the removal of the travel restrictions and on the development of the demand.

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 that are based in Finland. In addition, Finnair has negotiated with its employees on possible additional layoffs. The need to adjust personnel resources is estimated to continue until the end of March 2021. Further, similar personnel measures are expected to be taken in countries outside Finland, and Finnair is globally adjusting its other costs related to, for example, sales and marketing activities.

In addition, the Company 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 impacting the Company'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 up to EUR 80 million reduction to its permanent cost base starting from 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. In addition, the Company 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.

The available credit lines included in the funding plan consist of a revolving credit facility totaling EUR 175 million, which as of the date of this Offering Circular 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 pension premium loan can be drawn in three instalments by the end of 2020, if necessary, and EUR 200 million of the loan was drawn in June. 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 would prevail longer than currently anticipated. The plan includes also sale and leaseback arrangements of 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 sections "*– Outlook*" and "*– Impact of the COVID-19 Pandemic and Assessment of Finnair as a Going Concern*" below). On 18 May 2020, Finnair announced the resumption of some traffic starting in July 2020, and therefore the Company expects to see the greatest combined effect of the above-mentioned factors reflected in the financial statements in the first half of 2020.

Other Events

In April 2020, Finnair and Shanghai-based Juneyao Air have 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 Company, the financial performance of the Company 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 Company advises to take a cautious view on these forward-looking statements, which are valid only as at the date of this Offering Circular. 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.

Due to the current situation, Finnair's revenue will decrease significantly in 2020 compared to 2019. The comparable operating loss will be significant in the financial year 2020. In addition, Finnair's operating capacity will decrease significantly in 2020 compared to 2019.

Finnair estimates that with the current minimum network, its comparable operating result will be a daily loss of approximately EUR 2 million throughout the second quarter, despite announced cost adjustments.

Finnair's current assumption is that it will operate the current minimum network throughout the second quarter of 2020 due to the COVID-19 pandemic. At the same time, the Company estimates that the recovery of air traffic will begin in stages from the beginning of July 2020. However, the pace of recovery cannot be assessed at this stage, leaving the outlook for the second half of 2020 unclear. Finnair is preparing for the future with different scenarios to have the ability to quickly adapt its capacity to changing demands. Finnair will update its outlook for the second half of 2020 in connection with the Q2 interim report.

Finnair's guidance is based on the estimates and assumptions made by the Company's management as regards the development of the COVID-19 pandemic. The key factors affecting revenue and operating loss, that Finnair can affect, are operating cost adjustments and the ability to respond to changes in demand. Factors beyond Finnair'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 Finnair's control.

Liabilities and Capital Resources

Finnair's cash funds as at 31 March 2020 amounted to EUR 832.5 million, consisting of cash and cash equivalents (EUR 118.8 million) and other financial assets (EUR 713.7 million). The Offering is undertaken as part of Finnair's recapitalization plan, which will be carried out in the course of 2020, comprising in addition to the Offering of (i) already agreed amendments under the Company's revolving credit facility, including obtaining gearing covenant relief, (ii) entry into a new EUR 600 million pension premium loan agreement with Ilmarinen Mutual Pension Insurance Company, (iii) potential refinancing or solicitation of changes to the terms of the Company's outstanding hybrid notes and (iv) potential sale and leaseback arrangements of unencumbered aircraft. 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.

An unsecured syndicated revolving credit facility totalling EUR 175 million was drawn during the first quarter of 2020. Further, a statutory pension premium loan totalling up to EUR 600 million can be drawn by the Company in three instalments by the end of 2020, if necessary, and EUR 200 million of the loan was drawn in June. In addition, Finnair has a EUR 200 million short-term commercial paper program, which was unused as at 31 March 2020.

The Company has on 13 October 2015 issued deeply subordinated capital securities in the aggregate nominal amount of EUR 200 million (the "**Hybrid Bond**"). The Hybrid Bond has an initial fixed annual coupon rate of 7.875 per cent until the first reset date 13 October 2020 and thereafter floating, at least 12.875 per cent per year. Finnair can postpone interest payments on the Hybrid Bond if it does not distribute dividends or any other equity to its shareholders. The Hybrid Bond has no specified maturity date, but the Company may exercise its redemption option on the 5th anniversary of the issue date of the Hybrid Bond and on each annual interest payment date thereafter. The Hybrid Bond does not confer on its holders the right to vote at shareholder meetings and does not dilute the holdings of the Company's shareholders. The Hybrid Bond is listed on the official list of the Helsinki Stock Exchange. As at 31 March 2020, the total outstanding nominal amount of the Hybrid Bond was EUR 200 million. The Hybrid Bond is recognised in the Company's equity.

The Company has on 22 March 2017 issued senior unsecured notes in the aggregate nominal amount of EUR 200 million (the "**Bond**"). The Bond matures on 29 March 2022 and bears a fixed annual interest at the rate of 2.250 per cent. The Bond is callable before its final maturity. The Bond is listed on the official list of the Helsinki Stock Exchange. As at 31 March 2020, the total outstanding nominal amount of the Bond was EUR 200 million.

The lease liabilities comprise of leased aircraft and spare engines, real estate, cars and ground equipment. Aircraft account for the majority (approximately 80 per cent) of the balance sheet value of the lease liability. The majority of the remaining liabilities comprise of real estate contracts. The majority of Finnair's existing lease agreements and lease payments for aircraft are denominated in USD. As at 31 March 2020, Finnair had 36 leased aircraft, of which 9 were subleased to Nordic Regional Airlines Oy ("**Norra**").

The following table sets forth Finnair's interest-bearing financial liabilities on the dates indicated:

Interest-bearing financial liabilities	**As at 31 March**		**As at 31 December**	
	2020	**2019**	**2019**	**2018**
	(unaudited)		**(audited)**	**(unaudited)**
(EUR in millions)				**(restated)**
Non-current interest-bearing liabilities				
Lease liabilities	925.1	1,003.1	913.6	1,034.3
JOLCO loans[1] and other	274.3	309.2	277.6	314.7
Bonds	199.7	199.5	199.6	199.5
Total	**1,399.0**	**1,511.8**	**1,390.8**	**1,548.4**
Current interest-bearing liabilities				
Lease liabilities	141.6	131.3	140.4	125.1
JOLCO loans[1] and other	44.7	102.8	43.6	100.8
Loans from financial institutions	175.0	-	-	-
Other loans	-0.1	-0.3	-0.1	-0.3
Total	**361.2**	**233.9**	**183.9**	**225.6**

[1] JOLCO loans include the JOLCO loans (Japanese Operating Lease with Call Option) for three A350 aircraft. The transactions are treated as loans and owned aircraft in Finnair's accounting.

The following table sets forth maturity dates of financial liabilities as at 31 March 2020:

Maturity dates of financial liabilities as at 31 March 2020 (EUR in millions)	**1-12 months**	**13-24 months**	**25-36 months**	**37-48 months**	**49-60 months**	**Later**	**Total**
JOLCO loans and other, fixed interest	0.0	0.0	0.0	0.0	0.0	46.2	46.2
JOLCO loans and other, variable interest	44.7	46.4	32.5	30.2	60.4	62.1	276.2
Bonds, fixed interest	0.0	0.0	200.0	0.0	0.0	0.0	200.0
Lease liabilities, fixed interest	97.7	99.1	102.6	91.6	91.8	164.0	646.7
Lease liabilities, variable interest	43.9	45.6	48.5	51.3	54.5	176.1	419.9
Loans from financial institutions, fixed interest	175.0	0.0	0.0	0.0	0.0	0.0	175.0
Other loans	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1
Interest-bearing financial liabilities total[1]	**361.2**	**191.0**	**383.5**	**173.2**	**206.7**	**448.3**	**1,764.0**
Payments from currency derivatives	1,773.1	333.7	0.0	0.0	0.0	0.0	2,106.8
Income from currency derivatives	-1,822.7	-340.9	0.0	0.0	0.0	0.0	-2,163.6
Commodity derivatives	193.0	38.6	0.0	0.0	0.0	0.0	231.6

Trade payables and other liabilities	781.3	0.0	0.0	0.0	0.0	0.0	781.3
Interest payments	73.3	62.7	47.9	37.0	30.0	66.5	317.4
Total	**1,359.3**	**285.0**	**431.4**	**210.1**	**236.7**	**514.8**	**3,037.4**

[1] The bonds maturing do not include the amortised cost of EUR 0.3 million paid in 2017 and due on 2022. Respectively, JOLCO loans do not include the amortised cost of EUR 3.4 million paid on 2016 and due on 2025. Therefore, the total amount of interest-bearing financial liabilities differs from the book value by the amount equal to the amortised costs.

Impact of the COVID-19 Pandemic and Assessment of Finnair as a Going Concern

In preparing the financial statements, the Board of Directors and the CEO are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The Company's Board of Directors and management has both for the financial year ended 31 December 2019 and the three months ended 31 March 2020 considered it justified to prepare the financial statements based on the assumption of the Company as a going concern.

The spread of COVID-19 and consequent restrictive measures and negative impact on customer demand has had a significant adverse effect on Finnair's financial and operating performance during the first quarter of 2020, resulting in a 15.6 per cent reduction in passenger volume, a 16 per cent reduction in revenue and a comparable operating loss of EUR 91.1 million. Net cash flow from operating activities turned negative especially due to working capital movements related to flight cancellations and the decline in Finnair's operating result, and amounted EUR -133.5 million during the three months ended 31 March 2020. The Company's equity decreased during the same period, totaling EUR 735.7 million as at 31 March 2020 (EUR 966.4 million as at 31 December 2019), impacted primarily by the loss for the period and changes in the fair values of jet fuel and currency derivatives used for hedging. The negative impact of the COVID-19 pandemic is expected to be exacerbated during the second quarter compared to the first quarter, as Finnair has operated less than 5 per cent of its budgeted capacity starting from the beginning of April 2020.

Not only have sales decreased as travel restrictions came into effect and passenger demand decreased, but refunds of ticket prices to customers have also increased as many of Finnair's flights were cancelled. The primary impact of lower sales is seen in the operating result, and the impact of the refunds is seen in operating cash flow. The majority of the impact of hedges that became ineffective due to the decline in the jet fuel price is reflected in the Company's equity in the first quarter of 2020. Increase in financial expences was affected by the negative net impact of EUR 55 million related to hedges, which consists of an increase in financial expenses related to jet fuel and foreign exchange hedging in the amount of EUR 69 million and, on the other hand, an increase in financial income by EUR 14 million due to the same reason.

Simultaneously, the level of uncertainty relating to the near- and long-term development of the world economy as well as the aviation industry's operating environment has increased. Given the unpredictability of the duration and reach of the ongoing pandemic, its impact on Finnair's future profitability, financial position and cash flows may differ from the current management estimates and assumptions made.

The Company strives to actively adjust its operations and renew its capital structure to respond to the challenging financial situation caused by the COVID-19 pandemic. The Company has since January 2020 undertaken measures to mitigate the above-mentioned impacts, uncertainties and risks, as well as secure the Company's financial position, competitiveness and sufficient funding. The Company has, among others, adjusted its operations in terms of traffic and personnel and undertaken measures to achieve savings in, for example, real estate costs, aircraft leasing costs, compensation structures, sales and distribution costs, IT costs as well as administration costs. The Company is also renegotiating terms of existing agreements with its suppliers and partners. In addition, the Company is implementing a refinancing plan during 2020, comprising in addition to the Offering of (i) already agreed amendments under the Company's revolving credit facility, including obtaining gearing covenant relief, (ii) entry into a new EUR 600 million pension premium loan agreement with Ilmarinen Mutual Pension Insurance Company, (iii) potential refinancing or solicitation of changes to the terms of the Company's outstanding hybrid notes and (iv) potential sale and leaseback arrangements of unencumbered aircraft (see "– *Recent events – Measures Due to COVID-19 Pandemic*" and "– *Liabilities and Capital Resources*" above).

The Company's management has assessed material uncertainties such as the duration and impact of the pandemic as well as the adequacy of the Company's funding, and conducted an assessment of Finnair's operations as a going concern. The going concern assessment has been conducted based on different scenarios and the likelihood of their materialisation. Considering the above-mentioned circumstances and the already undertaken as well as planned measures to mitigate the impacts as well as the uncertainties and risks associated with such circumstances, the Company's management has concluded that the assessment does not cast significant doubt on the Company's ability to continue as a going concern and that, consequently, there is no cause for deviating from the earlier assessment of the Company's management according to which the financial statements are prepared using the going concern basis of accounting. The conclusion is based on the information available as at the date of this Offering Circular and an assessment conducted based on the information, assuming that the Company is able to conduct its adjusted business operations according to the current plan and secure the financing under its refinancing plan. However, future events or conditions may cause the Company to be unable to continue its operations in accordance with management's current assessment.

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 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 Offering Circular, 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 Company'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. 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, the Company will be a competitive airline company in the future. The Company'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 Company'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 Company'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 is 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 Company'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 Company'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 Company'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.

According to the Company's management, Finnair has designed one of the most ambitious sustainability strategies in the airline industry, over and above the minimum standards set by international governing bodies and institutions. Finnair's long-term goal is carbon neutrality by the end of 2045, with a 50 per cent net carbon reduction by the end of 2025 compared to 2019 level. See also "*– Key Strengths – Proactive Approach to Sustainability*" above.

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 Company'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

Global air traffic has doubled every 15 years since the mid-1970s. [14] 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.[15] 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. The most substantial reduction in passenger numbers during this year is expected to be in Europe, especially during its peak summer travel season, followed by the Asia-Pacific region.[16]

According to the Company's management's estimate, with the growth of the industry, Finnair's competitors have not just 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, whereas 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 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, the 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

[14] ICAO Capacity & Efficiency, Global Air Navigation Plan 2016 – 2030

[15] Source: Airbus Global Market Forecast 2019–2038

[16] Source: ICAO: Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis, 28 April 2020.

forward contracts, swaps and options, in compliance with its risk management policy approved annually by the Company'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 utilizes 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 degrees between 0 and 90 per cent for the first six months. The hedging degrees vary significantly depending on the capacity and demand. As a result, the hedging degrees are variable and may be subject to material changes as the capacity and demand development forecasts are updated.

Organisational Structure

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

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 Sevices Oü, Estonia	100.0

Business Overview

Integrated Business Model

According to the Company'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 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 three months ended 31 March 2020 (unaudited)	2019 (unaudited)	For the financial year ended 31 December 2019 (audited)	2018 (unaudited) (restated)
Passenger revenue	423.3	512.5[1]	2,479.8	2,245.4[1]
Ancillary revenue	42.8	40.7	176.2	160.8
Cargo	36.7	47.4	212.1	207.2
Travel services	58.4	67.7	229.5	222.6
Total	**561.2**	**668.2[1]**	**3,097.7**	**2,836.1[1]**

[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 three months ended 31 March 2019 and for the financial year ended 31 December 2018 has been restated. As of 1 January 2019, Finnair also changed the presentation of 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 "*Selected Financial Information*".

Passenger Revenue

Passenger revenue i.e. airline tickets sold to consumers, are the most important revenue source for Finnair. For the three months ended 31 March 2020, passenger revenue accounted for 75.4 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 quarter of 2020, Finnair carried 2.7 million passengers. For the three months ended 31 March 2020, Asian traffic accounted for 40.4 per cent, European traffic accounted for 41.0 per cent, domestic traffic accounted for 10.6 per cent and North Atlantic traffic accounted for 6.3 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 three months ended 31 March 2020 (unaudited)	For the financial year ended 31 December 2019 (unaudited)
Asia	40.4	43.7
Europe	41.0	40.2
Domestic	10.6	7.3
North Atlantic	6.3	7.2
Unallocated	1.7	1.5

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 7.6 per cent of Finnair's revenue for the three months ended 31 March 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 aircraft's cargo bay. 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 from its Helsinki COOL hub. Cargo revenue accounted for 6.5 per cent of Finnair's revenue for the three months ended 31 March 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 the Company 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.

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 10.4 per cent of Finnair's revenue for the three months ended 31 March 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 three months ended 31 March 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 three months ended 31 March		For the financial year ended 31 December	
Total traffic	2020	Change, %	2019	Change, %
	(unaudited)		(unaudited)	
Passengers 1,000	2,655.5	-15.6	14,650.4	10.3
Available seat kilometres million	9,670.8	-9.4	47,188.1	11.3

Revenue passenger kilometres million	7,025.3	-15.9	38,533.6	11.2
Passenger load factor %	72.6	-5.7p	81.7	-0.1p
Cargo tonnes total	30,092.2	-19.8	173,282.1	9.6
Available tonne kilometres million	1,421.8	-9.6	6,921.1	11.0
Revenue tonne kilometres million	817.5	-17.1	4,541.4	10.7

In April and May 2020, Finnair's significant capacity reductions due to the impact of the COVID-19 pandemic were clearly visible in all traffic figures. In April 2020, Finnair carried 16,100 passengers which is 98.7 per cent less than in the corresponding period of 2019. In May, Finnair carried 26,700 passengers, which is 97.9 per cent less than in the corresponding period of 2019 but 65.0 per cent more than in April 2020.

The overall capacity measured in Available Seat Kilometres (ASK) decreased in April by 97.0 per cent and in May by 97.7 per cent year-on-year. Finnair's traffic measured in Revenue Passenger Kilometres (RPKs) decreased by 99.1 per cent both in April and May year-on-year. The Passenger Load Factor (PLF) decreased year-on-year in April by 57.5 percentage points to 23.9 per cent and in May by 49.9 percentage points to 29.9 per cent.

Total cargo tonnes decreased 71.3 per cent in May (86.4 per cent in April), available tonne kilometres decreased 82.7 per cent in May (89.3 per cent in April) and revenue tonne kilometres decreased 91.6 per cent in May (95.9 per cent in April) year-on-year. However, cargo related available tonne kilometres decreased by 76.3 per cent in May (88.7 per cent in April) and revenue tonne kilometres decreased by 68.5 per cent in May (85.5 per cent in April) as they include also the cargo only flights operated primarily between Asia and Europe. Finnair operated 263 one-way cargo-only flights in May (112.1 per cent more than in April 2020).

Fleet

Fleet Operated by Finnair

Finnair's fleet is managed by Finnair Aircraft Finance Oy, a wholly-owned subsidiary of the Company. As at 31 March 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 31 March 2020, the average age of the fleet operated by Finnair was 10.3 years. According to the Company's management, Finnair's long-haul fleet is one of the most modern fleets in the industry. The following table sets forth the fleet operated by Finnair as at 31 March 2020:

Fleet operated by Finnair* on 31 March 2020	Seats	Number of aircraft	Change from 31 December 2019	Own**	Leased	Average age on 31 March 2020	Ordered
Narrow-body fleet							
Airbus A319	144	8	-	7	1	18.9	-
Airbus A320	174	10	-	8	2	17.6	-
Airbus A321	209	19	-	4	15	8.8	-
Wide-body fleet							
Airbus A330	289/263	8	-	4	4	10.4	-
Airbus A350	297/336	15	1	10	5	2.9	4
Total		**60**	**1**	**33**	**27**	**10.3**	**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 Company'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 the date of this Offering Circular, 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 31 March 2020:

Fleet operated by Norra* on 31 March 2020	Seats	Number of aircraft	Change from 31 December 2019	Aircraft owned by Finnair	Leased (Operating lease)	Average age on 31 March 2020	Ordered
ATR 72	68-72	12	-	6	6	10.7	-
Embraer E190	100	12	-	9	3	11.8	-
Total		**24**	**0**	**15**	**9**	**11.2**	**-**

* 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.

The Siberian Joint Business has a 23 per cent market share and the Atlantic Joint Business a 26 per cent market share in the markets in which they operate.[17]

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 three months ended 31 March 2020, Finnair's overall customer satisfaction measured by Net Promoter Score (NPS) was 43.

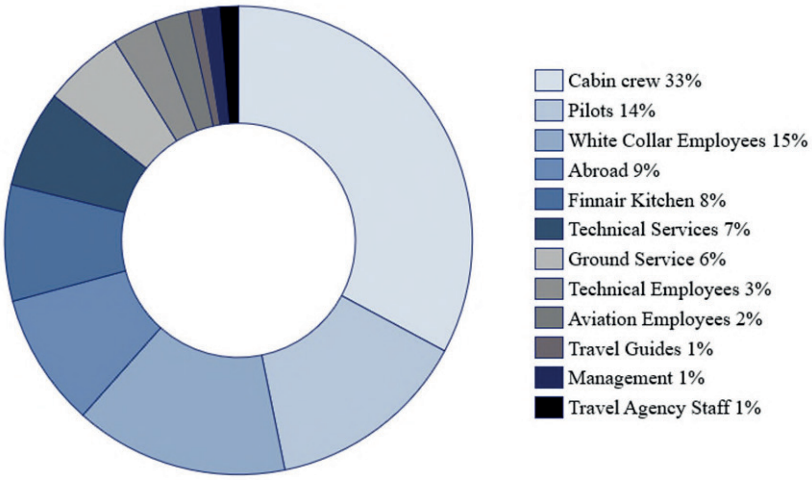
The Finnair customer loyalty program Finnair Plus was started in 1996. As at 31 March 2020, Finnair Plus had 3.4 million members. In the wider Finnair strategy context, customer loyalty is a primary driver for the achievement of retail excellence which is a key element of being a modern premium airline. 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.

[17] Source: DDS passenger volume estimates for the last twelve months ended in March 2020.

Further, Finnair Plus members travel on average 3 flights more 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 6,790 employees as at 31 March 2020. A large majority of the personnel work in Finland. The following graph presents the Company's employees by group as at 31 March 2020:



The majority of Finnair's employees are represented by labor 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.

Finnair has adjusted its resourcing and other costs in order to mitigate the effects of the COVID-19 pandemic, and has therefore negotiated temporary layoffs of up to 90 days affecting all Finnair personnel that are based in Finland. Finnair has also carried out negotiations with its employees on possible additional layoffs. The need to adjust personnel resources is estimated to continue until the end of March 2021. The co-operations process concerned all of the approximately 6,100 Finnair employees in Finland. Finnair estimates that if realized, the layoffs could be temporary for a fixed period of time or until further notice based on resource needs. Similar measures are planned for Finnair employees outside Finland based on local legislation.

Investments

Capital expenditure excluding advance payments totalled EUR 187.4 million for the three months ended 31 March 2020 and was primarily related to fleet investments. Investment commitments for property, plant and equipment as at 31 March 2020 totaled EUR 634 million and it includes firm aircraft orders, currently scheduled for the next three years.[18] 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.

[18] 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.

Finnair has not made any material investments or any resolutions on new material investments between 31 March 2020 and the date of this Offering Circular.

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. The Company 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 the Company 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 the Company are procured and licensed from third parties. Significant outsourcing partners for the Company are Amadeus IT Group, IBM, Lufthansa Systems and Telia. Amadeus IT Group provides airline reservation system and a GDS for the Company. Amadeus is a leading provider of GDSs airline reservation systems. IBM provides basic user support, data center capacity services and application management services for the Company. Lufthansa Systems is the provider of flight operations system and the Company uses Telia's telecommunication services. 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.

The Company is committed to preserving the confidentiality, integrity and availability of applicable physical and electronic information assets throughout Company 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. The Company has also sourced backups for the data in the systems it regards 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 Proceedings

Except as discussed below, in the 12 months preceding the date of this Offering Circular, the Company 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 the Company and/or its subsidiaries, nor is the Company 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 Company. 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 (see "*Regulation – Requirements of EU Regulation – Passenger Rights*"). 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 the Company 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 the Company 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.

Material Contracts

Other than the below, between the period 1 January 2018 and the date of this Offering Circular, Finnair has not, outside its ordinary course of business, concluded material agreements based on which some Group company would have material obligations or rights from the Group's perspective.

Financing Agreements

On 18 January 2019, Finnair signed a EUR 175 million syndicated revolving credit facility for general corporate purposes. 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 Company has exercised the first in January 2020. The Company 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 the Company's gearing level may increase the interest payable under the revolving credit facility. The following review under the amended covenant levels will take place after the completion of the Offering or on 31 March 2021 at the latest.

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. As at the date of this Offering Circular, EUR 200 million of the pension premium loan has been drawn.

Shareholders' Agreement and Purchased Traffic Agreement with Norra

Finnair has concluded a shareholders' agreement with Danish Air Transport concerning Norra. All material decisions require the approval of both shareholders, and neither shareholder can sell shares in Norra to third parties until a date specified in the shareholders' agreement. The remaining shareholder has the right of first refusal. Both shareholders have tag along right and Finnair also has drag along right.

In accordance with a purchased traffic agreement between Norra and Finnair, Finnair purchases all traffic produced by Norra's ATR and Embraer 190 aircraft and deploys the traffic in Finnair's route network system. Finnair bears the commercial risks of the operations. All aircraft operated by Norra are leased from Finnair Aircraft Finance Ltd, which is a wholly-owned subsidiary of Finnair.

Aircraft Leasing Agreements

As part of its operations, Finnair operates several leased aircraft under operating leases, of which Finnair itself operates 27 while 9 are sub-leased to Norra (see "*– Liabilities and Capital Resources*"). Under operating lease agreements, the lessor retains the ownership of and therefore the residual risk for the aircraft. Finnair has the obligation to pay, in addition to the lease rent, for all flight, maintenance and ground operations as well as insurance related to the aircraft, and carries the related risks. Finnair's lease agreements also require it to place a security deposit corresponding to approximately 1–3 months of rent, which is commonly issued by way of a letter of credit issued by a bank, and in a few cases the deposit has been paid in cash. The lease periods under Finnair's lease agreements can vary from 8 to up to 22 years, and some of them include early termination and/or extension options. At the end of the lease term, Finnair may be obligated to pay a certain compensation or be entitled to compensation from the lessor, depending on the economic return condition specified for the aircraft in the lease agreement and the condition in which the aircraft is returned to the lessor.

REGULATION

The summary presented below is a general description of the international conventions and agreements as well as legislation and regulations of the EU and Finnish national legislation and regulations which are applicable to the civil aviation industry as at the date of this Offering Circular, and is not intended to provide an exhaustive account of all regulations which apply to the business of the Company.

General

The aviation industry has traditionally been subject to a considerable amount of international and domestic regulation by authorities. The regulation of the industry is based on international conventions and agreements as well as fundamental treaties, regulations and directives harmonizing the legislation of EU member states, as well as national legislation. These are enforced through supervision by both international and domestic authorities.

The regulatory system applicable to international air transportation is based on a general principle, which stipulates that each state has sovereignty over the airspace above its own territory as well as a right to administer air traffic activities above its own territory. Consequently, international air traffic rights are mainly based on traffic rights granted by individual states to other states. States which have been granted these rights based on such bilateral agreements, in turn, grant these rights to local air carriers. In addition to international air traffic rights, some rights are also granted through multilateral agreements.

Non-scheduled flights such as charter flights are subject to restrictions imposed by individual states. Air carriers often acquire traffic rights for non-scheduled flights from the relevant foreign state.

ICAO, a special organization of the United Nations, is responsible for the coordination and regulation of international air traffic, and has developed norms and recommendations of conduct on several issues, such as aircraft operations, staff licencing, aviation safety, accident investigation, navigation services, airport planning and operations and environmental protection. Finland is a member of the ICAO.

IATA (The International Air Transport Association) acts as an international forum for cooperation on issues concerning e.g. technical security, safety, navigation services, flight operations as well as communication norms and the development of administrative procedures.

In addition to international conventions and agreements, regulation of the civil aviation industry in the EU has been substantially harmonized through EU directives and regulations, which has diminished the significance of national rules of EU member states and reduced differences between them. One of the most significant regulations concerning the aviation industry in the EU is Regulation (EC) No 1008/2008 on common rules for the operation of air services in the Community (the "**Air Services Regulation**"). The Regulation aims to provide more detailed information to passengers on the actual prices of flight tickets without separate taxes or fuel-related charges, and prohibits the price discrimination of passengers based on their home country in the EU area. The Regulation also clarifies the criteria for granting EU operating licenses as well as their duration, including also requirements for the financial condition, ownership and supervision of control applicable to air carriers. The Regulation facilitates leasing of EU registered aircraft, while also imposing stricter requirements for leasing aircraft from countries outside the EU.

The European Union Aviation Safety Agency (EASA) is responsible for supervising safety and environmental protection in the civil aviation industry at the EU level. EASA's tasks include, among others, facilitating common regulation and certification, drafting technical rules for aviation, approving aircraft and their components as well as companies manufacturing and maintaining aircraft and their components, supervision of aviation safety and related support to EU member states, promotion of European and global safety standards as well as cooperation with international stakeholders to improve safety in Europe.

As Finnair is an air carrier operating under an operating license granted by the Finnish State, Finnish legislation and the Finnish regulatory environment is a significant for the Company's operations in addition to EU regulations. In Finland, the law generally applicable to the aviation industry is the Finnish Aviation Act (864/2014, as amended), and the Finnish Transport and Communications Agency (Traficom) acts as the competent supervisory authority.

Requirements of International Regulation

The Chicago Convention

The Convention on International Civil Aviation, also known as the Chicago Convention, established the ICAO. The Convention provides rules for airspaces as well as aircraft registration and safety, and specifies the rights concerning air traffic rights of the signatory countries. In addition, the Chicago Convention also stipulates the exemption from taxation for jet fuel. The Chicago Convention was signed on 7 December 1944 in Chicago, Illinois by 52 states, and it entered into force on 4 April 1947. Finland signed the Chicago Convention in 1949.

The Open Skies Agreement between the EU and the United States

The so-called "Open Skies" Agreement between the EU and the United States entered into force on 30 March 2008. Under the Agreement, U.S.- and EU-based airlines can fly on all air routes between the EU and the United States. Although U.S. airlines can fly intra-European flights as well as some routes outside Europe, EU airlines are not allowed to fly domestic flights in the U.S. Ownership of U.S. airlines remains restricted. The Agreement was extended to also apply to Norway and Iceland in December 2009.

Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA")

In 2016, the General Assembly of the ICAO resolved on the implementation of a Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"). In terms of timing, CORSIA is divided into three phases, including the pilot phase in 2021–2023, phase one in 2024–2026 and phase two in 2027–2035. CORSIA makes aviation the first industry to establish a global market-based emissions system. Finnair has actively participated in developing the system already since 2009 in cooperation with other members of the air travel industry.

Currently, reduced emissions of flights within the EEA Area are being pursued through the emissions trading for air travel in the EU (see "*– Requirements of EU Regulation – Environmental Matters*" below). The possible alignment of CORSIA and the EU emissions trading system for air travel is planned to be resolved by the end of 2023. Although the aim is to reconcile the supervision and monitoring obligations under EU emissions trading and CORSIA, diverging requirements are still possible.

Bilateral Agreements

Finland currently has bilateral air traffic agreements with over 50 states. These agreements regulate airlines operating certain routes and airports as well as airline capacity and approval procedures for prices of flights. Based on these bilateral agreements, the states which are parties to the agreements grant designated airlines the right to operate scheduled air transportation of passengers and cargo on certain routes of the states in questions. Most bilateral agreements require that airlines must be able to demonstrate that their majority ownership and control is in the hands of nationals of the airline's home state. Should the Company ever cease to be owned or controlled by Finnish nationals or Finnish corporations, the contracting states of such bilateral agreements could deny Finnair the landing rights under such agreements. Currently relevant bilateral agreements for the Company's operations are Finland's agreements with countries in Finnair's focus markets, as well as countries Finnair is required to overfly to reach those markets. There is no valid agreement with Belarus, but connections have been made to obtain flight rights to Minsk.

Requirements of EU Regulation

General

Historically, air traffic between EU member states has been regulated through bilateral air traffic agreements. The bilateral system has been gradually liberalized through a multitude of actions, which have been aimed at introducing common rules for licensing procedures applicable to air carriers in the EU, and at allowing air carriers with EU Operating Licenses to operate freely between airports situated in the EU. In 1995, through the Agreement on the European Economic Area, Norway Iceland and Liechtenstein, which are not EU member states, became subject to the EU regulatory system for air traffic, expanding the regulatory system to cover the EEA.

Regulation (EC) No 847/2004 on the negotiation and implementation of air service agreements between EU member states and third countries sets out 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. See "*Risk Factors – Regulatory Risks –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*".

Operating Licence

According to the Air Services Regulation, air carriers subject to the regulations applicable to air services in the EU must have an Operating Licence in order to commercially carry passengers, mail and/or cargo.

Air Operator Certificate, AOC

In order to be granted an Operating Licence, an air carrier must also have an Air Operator Certificate ("**AOC**") in accordance with the Air Service Regulation. The Air Operator Certificate specifies the types of aircraft which the air carrier may operate, and stipulates other operational and technical specifications.

Requirements Concerning Ownership and Business Operations

According to the Air Services Regulation, the principal place of business and registered office of EU airlines must be in an EU member state. The Regulation also requires that the main occupation of EU airlines must be to operate air services, and they must also meet certain requirements concerning the conduct of their operations and their economic condition. To be granted an operating license, an air carrier must be able to, among others, meet fixed and operational costs incurred by operations established under realistic assumptions, without taking into account any income from its operations.

In addition, a European air carrier, such as Finnair, must continuously be directly or indirectly, through one or more undertakings, under the ownership and effective control of member states and/or nationals of member states. Under the EEA Agreement as well as the EU-Switzerland Air Transport Agreement, EEA countries and Switzerland are equated with EU member states.

Allocation of Slots

For landings and departures, an air carrier must have so-called slots. A slot entails the right to take off or land at a certain time in a specified scheduling period. The allocation of slots in the EEA Area and Switzerland is governed by Regulation (EEC) No 95/93, as amended (the "**Slot Regulation**").

Airports are designated as either coordinated or schedules-facilitated airports. At coordinated airports, it is necessary for an air carrier to have a slot allocated by a coordinator. A schedules-facilitated airport is an airport where there is potential for congestion during some periods of the day, week or year, which is amenable to resolution by voluntary co-operation between air carriers. At schedules-facilitated airports, a schedules facilitator has been appointed to facilitate the operations of air carriers which are operating services or intending to operate services at a specific airport.

According to the Slot Regulation, a coordinator of a coordinated airport allocates slots for each scheduling period. If applications exceed the number of available slots, air carriers which have held the slots in question during the previous scheduling period, and which are using them for at least 80 per cent of the time, are given preference. If an air carrier does not achieve this threshold, it may lose the slot in question, which can be placed into a slot pool to be allocated to other air carriers (the so-called "**use-it-or-lose-it**" rule). If an air carrier has been unable to utilize its slot for exceptional reasons (e.g. unforeseen and unpreventable circumstances beyond the air carrier's control), it may however be entitled to keep its slot. The European Commission has temporarily waived minimum slot-use requirements due to the COVID-19 pandemic at relevant airports.

Slots can be traded between airlines, and mechanisms for such trades between airlines have developed over time. In accordance with practices adopted at certain airports, airlines exchange valuable slots for less valuable ones in exchange for a monetary compensation.

In December 2011, the European Commission published a package of measures containing proposed revisions to the regulation of slot allocations. The aim is to improve the use of the available capacity at European airports. The proposed regulation contains, among others, measures to promote the transparency of slot trading and clarifications to the conditions for such trading under the supervision of national authorities, as well as additional requirements to the "use-it-or-lose-it" rule.

Air Rates

The Air Services Regulation provides EU air carriers the right to freely set passenger air rates in the EU, however, this does not constitute a limitation to prohibitions on predatory or unreasonable pricing.

Airport Charges

Airport charges are regulated at the EU level through Directive 2009/12/EC. The directive has been implemented on a national level in Finland through the Finnish Act on the Airport Network and Airport Charges (210/2011, as amended). The Directive, among other provisions, prohibits the discrimination of airport users through airport charges, and sets out a compulsory procedure where the airport managing body and airport users or the representatives or associations of airport users negotiate on a regular basis on the operation of the system of airport charges, the level of airport charges and, as appropriate, the quality of service provided.

In addition, the so-called single European sky initiative, which is regulated in Council Regulations (EC) No 549/2004, No 550/2004, No 551/2004 and No 552/2004 (as amended) resulted in a more uniform legal framework for European air traffic control services. Save for Eurocontrol fees, services are however still charged based on national regulations.

Environmental Matters

The most essential environmental matters concerning the Company are the physical and noise emission regulations applicable to its aircraft.

Directive 2008/101/EC concerning European emission allowance trading entered into force in February 2009, and included aviation activities in the EU Emissions Trading System ("**EU ETS**"). Since 2012, the EU ETS applies to all flights arriving to or departing from EU member states and, pursuant to the EEA Agreement, Iceland, Liechtenstein and Norway.

EU ETS delivers a market price for emission allowances, and limits total emissions to a fixed cap amount. Businesses within the scope of the system must hand over a certain amount of emission allowances for each reporting year in order to cover their total emissions. Airlines are granted a certain number of allowances based on historical emissions in designated benchmark years as well as their market share. EU member states also sell additional allowances through an auction procedure.

Directive 86/629 on the limitation of noise emission from civil subsonic jet aeroplanes aims to limit noise caused by air traffic. The Directive prohibits the operation of subsonic jet aeroplanes which do not comply with ICAO Chapter 3 norms in the EU air space, excluding aircraft which have been registered before 1 November 1990 and with exemptions for certain overseas departments. In addition, Regulation (EU) No 598/2014 further limits noise at and around airports. On the other hand, Directive 2002/49, as amended, aims to harmonize noise indicators and noise maps, as well as encourage states to conduct detailed evaluations of noise exposure. The Company is not aware of any environmental issues relating to its aircraft or other operations, which could have material impact on its business.

Safety

Regulation (EC) No 300/2008 on rules in the field of civil aviation security confirms common rules at the EU level for the protection of civil aviation from unlawful interferences that jeopardize the security of civil aviation. According to the Regulation air carriers must adopt specific security measures and a security program containing such measures, which complies with the requirements of a civil aviation security program approved by a national aviation authority. The Company has concluded that it complies with the rules of the aviation security program.

Council Regulation (EEC) No 3922/91 (as last amended through Commission Regulation (EC) No 859/2008) imposes restrictions on maximum total duty time for cockpit and cabin crew members and stipulates defined stopping times and rest periods. In addition, Commission Regulation (EU) No 965/2012, as amended, lays out more detailed technical security and safety specifications on, among others, the planning of flight duty periods in order to ensure that members of the crew remain sufficiently alert. The annexes of the Commission Regulation also specify technical specifications for, among others, safety specifications, supervision, approval and maintenance of aircraft, as well as the transport of dangerous goods.

Insurance

Regulation (EC) No 785/2004 on insurance requirements for air carriers and aircraft operators as well as Commission Implementing Regulation (EU) No 1035/2011 laying down common requirements for the provision of air navigation services and amending Regulations (EC) No 482/2008 and (EU) No 691/2010 provide regulations concerning insurance for events of liability for damages in aviation. The Company has sufficient insurance coverage as required by its liabilities and sufficient coverage for the particular minimum insurance requirements applicable to the Company under Finnish law and international aviation conventions. The Company's insurance coverage is described in more detail under the section *"Business of the Company – Insurance"*

Passenger Rights

Regulation (EC) No 1107/2006 confirms the rights of disabled persons and persons with reduced mobility when travelling by air. According to the Regulation persons with a disability or reduced mobility may not be refused transport on a flight on the grounds of their disability or lack of mobility, except for reasons which are justified on the grounds of safety and prescribed by law. The Regulation prescribes for example that persons with a disability or lack of mobility must be provided with assistance and support to meet their particular needs at the airport as well as on board aircraft, by employing the necessary staff and equipment.

Regulation (EC) No 2027/97, as amended, sets out air carrier liability in respect of the carriage of passengers and their baggage by air, in accordance with the Montreal Convention. Under the Regulation, Finnair is liable to, among others, compensate passengers for the destruction, delay or loss of, or damages to their carriage and baggage, up to a certain amount. No monetary limit is applied to the liability for the possible death or injury of passengers.

The EU has provided regulation concerning passengers who are denied boarding on flights for which they have a valid ticket (Regulation (EC) No 261/2004, which entered into force on 17 February 2005). The Regulation also sets out fixed amounts of compensation payable to passengers whose flights are cancelled, except in cases where the airline is able to prove that the cancellation was due to exceptional circumstances, such as weather conditions, delays by air traffic control or security and safety issues. The compensation amounts set out in the Regulation are EUR 250, EUR 400 or EUR 600 for each passenger, depending on the length of the flight. The Regulation also sets out obligations concerning the care and assistance of passengers, which become applicable as a result of cancellations or delays of flights.

Amendments to the Regulation (EC) No 261/2004 are pending as at the date of this Offering Circular. The European Commission has drafted an amendment proposal, on which the European Parliament has adopted a legislative resolution on 5 February 2014. The proposal strives to strengthen passengers' rights to e.g. care and assistance, as well as to clarify the legal status of passengers on connecting flights. On the other hand, passengers would under the proposal not as often have a right to the standard compensations under the Regulation for delayed flights. An airline's obligation to arrange for accommodation of passengers in exceptional circumstances would be limited as well. The proposal is also intended to promote passengers' ability to enforce their rights in the event of destruction of or damage to their carriage or baggage.

Competition and State Aid Regulation

Airlines operating in the EU must comply with EU competition regulations, of which the most significant are contained in the TFEU Articles 101 and 102, which are the most substantial instruments to counteract measures restricting competition. TFEU Article 101(1) prohibits all agreements between undertakings, decisions by associations of undertakings and concerted practices which restrict or distort competition. TFEU Article 102 prohibits the abuse of a dominant market position.

An agreement which would normally restrict competition as set out in TFEU Article 101(1) may not be unlawful in all cases. Provided that certain requirements are met, the European Commission can grant exemptions in accordance with TFEU Article 101(3) to certain categories of agreements or concerted practices in the aviation industry. In addition to individual exemptions, it is also possible to apply more generally applicable so-called bloc exemptions. As at the date of this Offering Circular, there are no bloc exemptions in force that would apply particularly to the air transport sector. However, the European Commission has adopted general bloc exemptions for certain types of horizontal and vertical agreements that also apply to the air transport sector.

According to TFEU Article 107(1), aid granted through state resources which distorts competition by favouring certain undertakings or certain fields of business are generally prohibited. However, under Article 107(3), certain forms of aid may be considered permissible, e.g. aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest of the EU. According to TFEU Article 108(3), a member state must inform the European Commission of any plans to grant or alter aid, in sufficient time to enable it to submit its comments. The member state concerned may not put its proposed measures into effect until this procedure has resulted in a final decision. With respect to the Offering, the State of Finland has made a state aid notification to the European Commission, and the Commission has made a formal decision on the authorisation of state aid and the applicable conditions on 9 June 2020.

Requirements of Finnish Regulation

As a Finnish air carrier, the Company is subject to the requirements of the Finnish Aviation Act (864/2014, as amended). The Aviation Act regulates, among others, the registers for aircraft and licenses, qualification requirements for aircraft and licenses, safety measures, control of airspace and specified actions in the event of accidents.

Traficom acts as the competent aviation authority of Finland, supervising, among others, compliance with aviation safety requirements, other compliance with requirements for aviation as well as the Safety Management Systems (SMS) of the aviation organizations and their efficiency. The supervision is based on national and EU legislation as well as other rules applicable to Finnish aviation organizations.

SUMMARY OF RECENT DISCLOSURES

*The following summary sets forth information disclosed by the Company pursuant to the Market Abuse Regulation (EU) No 596/2914 ("**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 Offering Circular, which is to the Company's knowledge still relevant as at the date of this Offering Circular. 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 Company 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 had concluded that the Company should refrain from paying a dividend. In addition, the State of Finland had advised the Company 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 the Company'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 totaling EUR 175 million. As of the date of this Offering Circular, the revolving credit facility has been fully drawn.

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.

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 starting from 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. The Company 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.

Changes in the Company'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 and Executive Board" of this Offering Circular.

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 Vähähyyppä 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 organizational 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; optimize 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 the Company 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 Company'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 or 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 Company 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 Company's own shares and/or on the acceptance as pledge of the Company's own shares as described in section "*Shares and Share Capital – Share Information – Valid Authorisations*"; (vi) to authorise the Board of Directors to decide on the disposal of own shares held by the Company as described in section "*Shares and Share Capital – Share Information – Valid Authorisations*"; (vii) to authorise the Board of Directors to decide on a rights offering as described in section "*Shares and Share Capital – Share Information – Valid Authorisations*"; (viii) that the Articles of Association be amended in order to expand the Company's field of business as described in section "*Shares and Share Capital – General"*; 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 be authorized 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 Company 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.

SELECTED FINANCIAL INFORMATION

The following tables present selected consolidated financial information for the Company as at and for the three months ended 31 March 2020 and 2019 and as at and for the financial year ended 31 December 2019 and 2018. The financial information presented below has been derived from the Company's unaudited consolidated interim report as at and for the three months ended 31 March 2020, including unaudited comparative financial information as at and for the three months ended 31 March 2019 prepared in accordance with "IAS 34 Interim Financial Reporting", and from the audited consolidated financial statements as at and for the financial year ended 31 December 2019, including the unaudited restated comparative consolidated financial information as at and for the financial year ended 31 December 2018 prepared in accordance with 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 recognized 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 the Company's audited consolidated financial statements as at and for the year ended 31 December 2019 incorporated by reference into this Offering Circular.

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 three months ended 31 March 2019 and for the financial year ended 31 December 2018 has been restated.

The selected financial information provided herein should be read together with "*Financial Statements Related and Certain Other Information*" and the Company's audited consolidated financial statements as at and for the year ended 31 December 2019 and unaudited consolidated interim report as at and for the three months ended 31 March 2020 incorporated by reference into this Offering Circular.

Consolidated Income Statement

	For the three months ended 31 March		For the year ended 31 December	
	2020	2019	2019	2018
	(unaudited)		(audited)	(unaudited)
(EUR in millions)				(restated)
Revenue	**561.2**	**668.2**[1]	**3,097.7**	**2,836.1**
Other operating income	14.0	14.6	56.4	73.7
Operating expenses				
Staff costs	-136.1	-129.7	-534.7	-499.6
Fuel costs	-143.9	-145.2	-687.3	-581.0
Capacity rents	-29.9	-32.1	-130.2	-122.4
Aircraft materials and overhaul	-40.2	-46.3	-201.2	-162.9
Traffic charges	-64.5	-72.1	-331.3	-300.8
Sales, marketing and distribution costs	-30.4	-41.6	-172.1	-159.0
Passenger and handling services	-104.7	-122.8[1]	-476.7	-440.3
Property, IT and other expenses	-34.1	-33.3	-132.4	-131.3
Comparable EBITDA	**-8.6**	**59.7**	**488.3**	**512.6**
Depreciation and impairment	-82.5	-75.9	-325.4	-294.2
Comparable operating result	**-91.1**	**-16.2**	**162.8**	**218.4**
Unrealized changes in foreign currencies of fleet overhaul provisions	-3.7	-2.0	-1.4	-4.9
Fair value changes of derivatives where hedge accounting is not applied	-0.2	0.7	1.3	0.2

Sales gains and losses on aircraft and other transactions	-0.1	0.0	0.2	42.7
Restructuring costs	-0.5	-	-3.0	-0.1
Operating result	**-95.6**	**-17.6**	**160.0**	**256.3**
Financial income	9.2	0.7	4.8	-2.2
Financial expenses	-88.9	-21.3	-83.6	-84.6
Exchange rate gains and losses	-3.0	-10.3	12.7	-42.3
Share of results in associates and joint ventures	-	-	-0.9	-
Result before taxes	**-178.2**	**-48.5**	**93.0**	**127.2**
Income taxes	35.6	9.7	-18.4	-25.6
Result for the period	**-142.6**	**-38.8**	**74.5**	**101.6**
Attributable to				
Owners of the parent company	-142.6	-38.8	74.5	101.6
Earnings per share attributable to shareholders of the parent company, EUR				
Basic earnings per share	-1.14	-0.33	0.49	0.70
Diluted earnings per share	-1.14	-0.33	0.49	0.70

[1] Restated.

Consolidated Statement of Comprehensive Income

(EUR in millions)	For the three months ended 31 March 2020 (unaudited)	2019 (unaudited)	For the year ended 31 December 2019 (audited)	2018 (unaudited) (restated)
Result for the period	**-142.6**	**-38.8**	**74.5**	**101.6**
Other comprehensive income items				
Items that may be reclassified to profit or loss in subsequent periods				
Change in fair value of hedging instruments	-152.3	86.5	75.8	-113.5
Tax effect	30.5	-17.3	-15.2	22.7
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial gains and losses from defined benefit plans	41.7	-18.4	-50.2	0.7
Tax effect	-8.3	3.7	10.0	-0.1
Other comprehensive income items total	**-88.5**	**54.5**	**20.5**	**-90.2**
Comprehensive income for the period	**-231.1**	**15.8**	**95.0**	**11.4**
Attributable to				
Owners of the parent company	-231.1	15.8	95.0	11.4

Consolidated Balance Sheet

(EUR in millions)	As at 31 March 2020 (unaudited)	2019 (unaudited)	As at 31 December 2019 (audited)	2018 (unaudited) (restated)
ASSETS				
Non-current assets				
Fleet	1,605.7	1,397.0	1,533.3	1,320.2
Right-of-use fleet	705.3	811.0	736.4	834.3
Fleet total	2,311.0	2,208.0	2,269.7	2,154.5
Other fixed assets	182.5	177.1	178.4	173.2
Right-of-use other fixed assets	160.6	144.0	141.1	164.3
Other fixed assets total	343.1	321.1	319.5	337.5
Other non-current assets	36.0	51.6	39.5	53.3
Non-current assets total	**2,690.1**	**2,580.8**	**2,628.7**	**2,545.3**
Current assets				
Receivables related to revenue	73.2	204.0	160.6	152.4
Inventories and other current assets	84.6	116.7	80.2	120.7

Derivative financial instruments	76.1	88.7	55.7	52.1
Other financial assets	713.7	929.2	800.8	892.2
Cash and cash equivalents	118.8	132.6	151.9	180.9
Current assets total	**1,066.4**	**1,471.2**	**1,249.2**	**1,398.3**
Assets held for sale	-	-	-	0.1
Assets total	**3,756.5**	**4,052.0**	**3,877.9**	**3,943.6**
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	75.4	75.4	75.4	75.4
Other equity	660.3	823.8	890.9	843.0
Equity total	**735.7**	**899.3**	**966.4**	**918.5**
Non-current liabilities				
Lease liabilities	925.1	1,003.1	913.6	1,034.3
Other interest-bearing liabilities	473.9	508.7	477.3	514.2
Pension obligations	39.3	38.6	77.1	17.0
Provisions and other liabilities	159.0	123.6	156.9	107.1
Deferred tax liabilities	6.5	45.5	64.3	47.6
Non-current liabilities total	**1,603.8**	**1,719.5**	**1,689.1**	**1,720.2**
Current liabilities				
Lease liabilities	141.6	131.3	140.4	125.1
Other interest-bearing liabilities	219.6	102.5	43.5	100.5
Provisions	23.7	24.4	17.2	30.9
Trade payables	95.8	88.3	84.7	72.6
Derivative financial instruments	250.9	39.9	38.9	107.1
Deferred income and advances received	437.0	704.0	552.7	548.9
Liabilities related to employee benefits	123.8	116.1	119.4	105.6
Other liabilities	124.7	226.5	225.7	214.2
Current liabilities total	**1,417.0**	**1,433.2**	**1,222.4**	**1,304.9**
Liabilities total	**3,020.8**	**3,152.7**	**2,911.5**	**3,025.1**
Equity and liabilities total	**3,756.5**	**4,052.0**	**3,877.9**	**3,943.6**

Consolidated Cash Flow Statement

	As at and for the three months ended 31 March		As at and for the year ended 31 December	
	2020	**2019**	**2019**	**2018**
	(unaudited)		(audited)	(unaudited)
(EUR in millions)				(restated)
Cash flow from operating activities				
Result before taxes	-178.2	-48.5	93.0	127.2
Depreciation and impairment	82.5	75.9	325.4	294.2
Items affecting comparability	4.5	1.3	2.8	-37.9
Financial income and expenses	82.6	30.9	66.1	129.0
Share of results in associates and joint ventures	-	-	0.9	-
Comparable EBITDA	**-8.6**	**59.7**	**488.3**	**512.6**
Change in provisions	3.6	5.1	29.5	20.6
Employee benefits	4.1	3.7	10.6	3.0
Other adjustments	-1.5	0.2	1.5	-3.1
Non-cash transactions	**6.2**	**9.0**	**41.5**	**20.5**
Changes in trade and other receivables	83.7	-49.3	33.4	-18.4
Changes in inventories	-0.4	0.7	-2.2	-1.8
Changes in trade and other payables	-199.3	162.7	46.9	70.6
Changes in working capital	**-116.0**	**114.1**	**78.1**	**50.4**
Financial expenses paid, net	-12.1	-21.6	-31.5	-79.9
Income taxes paid	-3.0	-13.0	-11.9	-
Net cash flow from operating activities	**-133.5**	**148.3**	**564.5**	**503.6**
Cash flow from investing activities				
Investments in fleet	-113.4	-120.4	-453.1	-309.7
Investments in other fixed assets	-9.3	-6.4	-25.2	-26.0
Divestments of fixed assets	2.1	0.0	1.3	213.8
Lease and lease interest payments received	4.0	4.1	16.3	-
Net change in financial assets maturing after more than three months	49.2	52.6	-53.4	-81.8
Change in other non-current assets	0.0	-0.2	0.8	1.2

Net cash flow from investing activities	**-67.3**	**-70.2**	**-513.2**	**-202.6**
Cash flow from financing activities				
Proceeds from loans	175.0	-	-	-
Loan repayments	-9.5	-4.8	-42.0	-112.5
Repayments of lease liabilities	-29.9	-31.8	-132.2	-118.9
Hybrid bond interests and expenses	-	-	-15.8	-15.8
Acquisitions of own shares	-	-0.5	-0.5	-3.7
Dividends paid	-	-	-35.0	-38.4
Net cash flow from financing activities	**135.5**	**-37.1**	**-225.4**	**-289.2**
Change in cash flows	**-65.3**	**40.9**	**-174.1**	**11.8**
Liquid funds, at beginning	481.7	655.8	655.8	643.9
Change in cash flows	-65.3	40.9	-174.1	11.8
Liquid funds, at end*	**416.4**	**696.7**	**481.7**	**655.8**
***Liquid funds**				
Other financial assets	713.7	929.2	800.8	892.2
Cash and cash equivalents	118.8	132.6	151.9	180.9
Cash funds	**832.5**	**1,061.9**	**952.7**	**1,073.1**
Maturing after more than three months	-416.1	-365.2	-470.9	-417.3
Liquid funds	**416.4**	**696.7**	**481.7**	**655.8**

Key Figures

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

	As at and for the three months ended 31 March		As at and for the year ended 31 December	
	2020	2019	2019	2018
	(unaudited, unless otherwise indicated)		(unaudited, unless otherwise indicated)	
(EUR in millions, unless otherwise indicated)				(restated)
Revenue and profitability				
Revenue	561.2	668.2[1]	3,097.7[2]	2,836.1
Comparable operating result	-91.1	-16.2	162.8[2]	218.4
Comparable operating result at constant currency and fuel price	-61.9	-5.6	205.7	218.4[3]
Comparable operating result, % of revenue	-16.2	-2.4	5.3	7.7
Operating result	-95.6	-17.6	160.0[2]	256.3
Comparable EBITDA, % of revenue	-1.5	8.9	15.8	18.1
Earnings per share (EPS), basic and diluted, EUR	-1.14	-0.33	0.49[2]	0.70
Unit revenue per available seat kilometre (RASK), cents/ASK	5.80	6.26	6.56	6.69
RASK at constant currency, cents/ASK	5.77	6.24	6.53	6.69
Unit revenue per revenue passenger kilometre (yield), cents/RPK	6.03	6.13	6.44	6.48
Unit cost per available seat kilometre (CASK), cents/ASK	6.75	6.41	6.22	6.18
CASK excluding fuel, cents/ASK	5.26	5.05	4.76	4.81
CASK at constant currency and fuel price, cents/ASK	6.41	6.29	6.10	6.18
Capital structure				
Equity ratio, %	19.6	22.2	24.9	23.3
Gearing, %	125.5	75.9	64.3[2]	76.9
Interest-bearing net debt	923.0	682.8	621.0[2]	706.7
Interest-bearing net debt / Comparable EBITDA, LTM	2.2	1.4	1.3	1.4
Gross capital expenditure	187.4	158.2	443.8	474.0
Return on capital employed (ROCE), LTM, %	3.7	8.4	6.3	9.3
Cash to sales, LTM, %	27.8	37.0	30.8	37.8
Traffic				
Passengers, 1,000	2,656	3,148	14,650	13,281
Flights, number	28,047	31,307	131,186	125,848
Available seat kilometres (ASK), million	9,671	10,670	47,188	42,386

Revenue passenger kilometres (RPK), million	7,025	8,356	38,534	34,660
Passenger load factor (PLF), %	72.6	78.3	81.7	81.8
Operational excellence				
Jet fuel consumption, tonnes	226,381	260,350[5]	1,132,219	1,031,125
On-time performance, %	87.4	72.6	79.3	79.7
Modern premium airline				
Net Promoter Score (NPS)	43	37	38	47[4]
Share of digital direct ticket sales, %	33.0	26.7	25.9	23.9
Average number of monthly visitors at finnair.com, millions	2.3	1.6	2.0	1.9
Active users for Finnair mobile app, thousands	338.0	290.0	332.6	265.5
Ancillary revenue	42.8	40.7	176.2[2]	160.8
Sustainability				
Flight CO_2 emissions, tonnes	713,101	820,103	3,566,491[5]	3,248,045
Non-flight CO_2 emissions, tonnes	3,770	4,434	13,938[5]	18,862
Flight CO_2 emissions, tonnes/ASK	0.0737	0.0769	0.0756	0.0766
Flight CO_2 emissions, tonnes/RTK	0.8723	0.8319	0.7853	0.7917
Culture and ways of working				
Average number of employees	6,804	6,541	6,771	6,360
Absences due to illness, %	4.82	4.86	4.62	4.24
Attrition rate, LTM, %	3.9	3.5	3.8	3.3

[1] Restated.

[2] Audited.

[3] Historical and has not been adjusted for constant currency.

[4] A new Customer satisfaction survey was launched in the beginning of January 2019. Because of this, data in 2018 is not fully comparable to 2019. In the new survey, NPS is calculated based on responses from all customers whereas in 2018, NPS was calculated based on responses from Finnair Plus members only. Therefore, 2018 and 2019 results are not comparable to each other.

[5] The figures differ slightly from the figures originally reported as more exact amounts are verified in connection with the assurance on selected environmental performance indicators.

Calculation of Certain Alternative Performance Measures, Key Operational Metrics and Other Key Figures

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.
Comparable operating result, % of revenue	Comparable operating result / Revenue x 100	Comparable operating result is presented to better reflect the Group's business performance when comparing results to previous periods.
Revenue at constant currency	Revenue + Currency impact adjustment at 2018 currency	Component used in calculating comparable operating result at constant currency and fuel price and RASK at constant currency. All changes in currency levels and hedging results since 2018

		are excluded from the measurement.
Costs at constant currency and fuel price	Other operating income + Operating expenses included in comparable operating result + Currency impact adjustment at 2018 currency + Fuel price impact adjustment at 2018 price	Component used in calculating comparable operating result at constant currency and fuel price and CASK at constant currency and fuel price. All changes in fuel price, currency levels and hedging results since 2018 are excluded from the measurement.
Comparable operating result at constant currency and fuel price	Revenue at constant currency + Costs at constant currency and fuel price	Comparable operating result at constant currency and fuel price aims to provide a comparative, currency and fuel price neutral measurement for comparable operating result.
Comparable EBITDA	Comparable operating result + Depreciation and impairment	Comparable EBITDA is presented to better reflect the Group's business performance when comparing results to previous periods. Comparable EBITDA is a common measure in airline business which aims to reflect comparable operating result excluding capital cost.
Comparable EBITDA, % of revenue	Comparable EBITDA / Revenue x 100	Comparable EBITDA is presented to better reflect the Group's business performance when comparing results to previous periods. It is a common measure in the airline business with the aim to reflect comparable operating result excluding capital cost.
Adjusted interest-bearing liabilities	Lease liabilities + Other interest-bearing liabilities + Cross currency interest rate swaps in derivative financial instruments	Component used in calculating gearing
Cash funds	Cash and cash equivalents + Other financial assets	Component used in calculating gearing. Cash funds represent the total amount of financial assets that are available for use within short notice. Therefore, cash funds provide the true and fair view of the Group's financial position.
Interest-bearing net debt	Adjusted interest-bearing liabilities - Cash funds	Interest-bearing net debt provides view of the Group's total external debt financing.
Interest-bearing net debt / Comparable EBITDA, LTM	Interest-bearing net debt / Comparable EBITDA, for the last twelve months	The ratio provides information on the Group's leverage by comparing the Group's net debt to the amount of income generated before covering interest, taxes, depreciation and impairment.

Gearing, %	Interest-bearing net debt / Equity x 100	Gearing provides view of the level of the Group's indebtedness.
Equity ratio, %	Equity / Equity and liabilities total x 100	Equity ratio provides information on the financial leverage used by the Group to fund its assets.
Gross capital expenditure	Additions in fixed assets + New contracts in right-of-use assets + Reassessments and modifications in right-of-use assets	Gross capital expenditure provides information on the Group's capitalized investments and lease modifications.
Return on capital employed (ROCE), LTM, %	(Result before taxes + Financial expenses + Exchange rate gains and losses, for the last twelve months) / (Equity + Lease liabilities + Other interest-bearing liabilities, average of reporting period and comparison period)	The ratio provides a view to monitor the return of capital employed.
Cash to sales, LTM, %	Cash funds / 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

Basic earnings per share (EPS)	(Result for the period - Hybrid bond expenses net of tax) / Average number of outstanding shares during the period
Diluted earnings per share (EPS)	(Result for the period - Hybrid bond expenses net of tax) / Average number of outstanding shares during the period taking into account the diluting effect resulting from changing into shares all potentially diluting shares
Unit revenue per available seat kilometre (RASK)	Unit revenue (RASK) represents the Group's revenue divided by available seat kilometres (ASK).
Unit revenue per revenue passenger kilometre (yield)	Passenger revenue by product divided by Revenue passenger kilometres (RPK).
Unit cost per available seat kilometre (CASK)	Unit cost (CASK) represents the Group's operational costs divided by available seat kilometres. Other operating income is deducted from operational costs.
CASK ex Fuel	(Comparable operating result – Revenue CASK – Fuel costs) / ASK x 100
RASK at constant currency	Revenue at constant currency / Available seat kilometres (ASK)
CASK at constant currency and fuel price	Costs at constant currency and fuel price / Available seat kilometres (ASK)
Available seat kilometres (ASK)	Total number of seats available × kilometres flown
Revenue passenger kilometres (RPK)	Number of revenue passengers × kilometres flown
Passenger load factor (PLF)	Share of revenue passenger kilometres of available seat kilometres
On-time performance	The share of flights arrived less than 15 minutes late
Net Promoter Score (NPS)	Net Promoter Score is based on a question: "Thinking about all aspects of this journey, how likely would you be to recommend

	Finnair to a relative, friend or colleague?" Scale is 0-10: The share of detractors (ratings 0-6) is deducted from the share of promoters (ratings 9-10).
Share of digital direct ticket sales	Share of ticket sales in Finnair's own direct channels in relation to total ticket sales for the period. Direct channels include Finnair.com, Finnair mobile app, New Distribution Capability (NDC) solutions and Finnair Holidays.
Flight CO_2 emissions	CO_2 emissions from jet fuel consumption
Non-flight CO_2 emissions	CO_2 emissions from electricity and heating consumption of facilities and fuel consumption of ground equipment
Absences due to illness	Share of sickness absence hours relating to planned work hours
Attrition rate, LTM	Number of leavers on own request during the last twelve months compared to active employments on reporting date and leavers on own request during the last twelve months

Reconciliation of Certain Alternative Performance Measures

Items affecting comparability

Unrealised exchange rate differences of mainly in U.S. dollars denominated aircraft maintenance provisions are not included in the comparable operating result. These changes are not included in the comparable operating result until the maintenance event or redelivery occurs and the exchange rate differences realise. Further, unrealised fair value changes of derivatives where hedge accounting is not applied, are not included in the comparable operating result, as the business transactions which they are hedging are recognised in the comparable operating result only when they occur. In addition to above, gains and losses on aircraft and other transactions and restructuring costs are not included in the comparable operating result. Gains and losses on transactions include sales gains and losses as well as other items that can be considered being directly related to the sale of the asset. For example, a write-down that might occur when an asset is classified under "Assets held for sale" in accordance with IFRS 5, is included in gains and losses on the transactions. Restructuring costs include termination benefits and other costs that are directly related to the restructuring of operations.

	1 Jan – 31 Mar 2020			1 Jan – 31 Mar 2019		
(EUR in millions)	**Operating result**	**Items affecting compa-rability (unaudited)**	**Compa-rable operating result**	**Operating result**	**Items affecting compa-rability (unaudited)**	**Compa-rable operating result**
Revenue	**561.2**	**-**	**561.2**	**668.2**	**-**	**668.2**
Sales gains on aircraft and other transactions	0.0	0.0	-	0.0	0.0	-
Other operating income	14.0	-	14.0	14.6	-	14.6
Operating expenses						
Staff costs	-136.6	0.5	-136.1	-129.7	-	-129.7
Fuel costs	-144.1	0.2	-143.9	-144.5	-0.7	-145.2
Capacity rents	-29.9	-	-29.9	-32.1	-	-32.1
Aircraft materials and overhaul	-43.9	3.7	-40.2	-48.3	2.0	-46.3
Traffic charges	-64.5	-	-64.5	-72.1	-	-72.1
Sales, marketing and distribution costs	-30.4	-	-30.4	-41.6	-	-41.6
Passenger and handling services	-104.7	-	-104.7	-122.8	-	-122.8
Sales losses on aircraft and other transactions	-0.1	0.1	-	-	-	-
Property, IT and other expenses	-34.1	0.0	-34.1	-33.3	-	-33.3
EBITDA	**-13.1**	**4.5**	**-8.6**	**58.3**	**1.3**	**59.7**
Depreciation and impairment	-82.5	-	-82.5	-75.9	-	-75.9
Operating result	**-95.6**	**4.5**	**-91.1**	**-17.6**	**1.3**	**-16.2**

(EUR in millions)	1 Jan – 31 Dec 2019 Operating result	 Items affecting compa-rability (audited)	 Compa-rable operating result	1 Jan – 31 Dec 2018 Operating result	 Items affecting compa-rability (unaudited)	 Compa-rable operating result (restated)
Revenue	**3,097.7**	**-**	**3,097.7**	**2,836.1**	**-**	**2,836.1**
Sales gains on aircraft and other transactions	0.2	-0.2	-	44.1	-44.1	-
Other operating income	56.4	-	56.4	73.7	-	73.7
Operating expenses						
Staff costs	-536.6	1.9	-534.7	-499.7	0.1	-499.6
Fuel costs	-686.0	-1.3	-687.3	-581.0	-	-581.0
Capacity rents	-130.2	-	-130.2	-122.4	-	-122.4
Aircraft materials and overhaul	-202.5	1.4	-201.2	-167.8	4.9	-162.9
Traffic charges	-331.3	-	-331.3	-300.8	-	-300.8
Sales, marketing and distribution costs	-172.1	-	-172.1	-159.0	-	-159.0
Passenger and handling services	-476.7	-	-476.7	-440.3	-	-440.3
Sales losses on aircraft and other transactions	-	-	-	-1.3	1.3	-
Property, IT and other expenses	-133.5	1.0	-132.4	-131.1	-0.1	-131.3
EBITDA	**485.4**	**2.8**	**488.3**	**550.4**	**-37.9**	**512.6**
Depreciation and impairment	-325.4	-	-325.4	-294.2	-	-294.2
Operating result	**160.0**	**2.8**	**162.8**	**256.3**	**-37.9**	**218.4**

Comparable operating result at constant currency and fuel price, revenue at constant currency as well as costs at constant currency and fuel price

(EUR in millions)	1 Jan – 31 Mar 2020	 2019	1 Jan – 31 Dec 2019	 2018
	(unaudited, unless otherwise indicated)		(unaudited, unless otherwise indicated)	(restated)
Revenue	561.2	668.2	3,097.7[1]	2,836.1
Currency impact adjustment at 2018 currency	-3.4	-2.8	-14.8	-
Revenue at constant currency	557.8	665.4	3,082.9	2,836.1[2]
Other items included in comparable operating result*	-652.3	-684.5	-2,934.9	-2,617.7
Currency and fuel price impact adjustment at 2018 currency and price	32.6	13.5	57.7	-
Costs at constant currency and fuel price	-619.7	-671.0	-2,877.2	-2,617.7[2]
Comparable operating result at constant currency and fuel price	**-61.9**	**-5.6**	**205.7**	**218.4**[2]

* Other items included in comparable operating result consists of all items in comparable operating result except revenue.

[1] Audited.

[2] Historical and has not been adjusted for constant currency.

Gearing

(EUR in millions)	31 March 2020	 2019	31 December 2019	 2018
	(unaudited)		(audited)	(unaudited) (restated)
Lease liabilities	1,066.7	1,134.4	1,054.0	1,159.3
Other interest-bearing liabilities	693.6	611.3	520.8	614.7
Cross currency interest rate swaps*	-4.7	-0.9	-1.1	5.8
Adjusted interest-bearing liabilities	**1,755.5**	**1,744.7**	**1,573.7**	**1,779.8**
Other financial assets	-713.7	-929.2	-800.8	-892.2
Cash and cash equivalents	-118.8	-132.6	-151.9	-180.9
Cash funds	**-832.5**	**-1,061.9**	**-952.7**	**-1,073.1**
Interest-bearing net debt	**923.0**	**682.8**	**621.0**	**706.7**
Equity total	735.7	899.3	966.4	918.5
Gearing, %	**125.5**	**75.9**	**64.3**	**76.9**

* Cross-currency interest rate swaps are used for hedging the currency and interest rate risk of interest-bearing loans, but hedge accounting is not applied. Changes in fair net value correlate with changes in the fair value of interest-bearing liabilities. Therefore, the fair net value

of cross-currency interest rate swaps recognised in derivative assets/liabilities is considered an interest-bearing liability in the net debt calculation.

Interest-bearing net debt / Comparable EBITDA, LTM

(EUR in millions)	31 March 2020	2019	31 December 2019	2018
	(unaudited, unless otherwise indicated)		(unaudited, unless otherwise indicated)	(restated)
Interest-bearing net debt	923.0	682.8	621.0[1]	706.7
Comparable EBITDA, LTM	420.0	485.7	488.3[1]	512.6
Interest-bearing net debt / Comparable EBITDA, LTM	**2.2**	**1.4**	**1.3**	**1.4**

[1] Audited.

Equity ratio

(EUR in millions)	31 March 2020	2019	31 December 2019	2018
	(unaudited, unless otherwise indicated)		(unaudited, unless otherwise indicated)	(restated)
Equity total	735.7	899.3	966.4[1]	918.5
Equity and liabilities total	3,756.5	4,052.0	3,877.9[1]	3,943.6
Equity ratio, %	**19.6**	**22.2**	**24.9**	**23.3**

[1] Audited.

Gross capital expenditure

(EUR in millions)	31 March 2020	2019	31 December 2019	2018
	(unaudited)		(unaudited)	(restated)
Additions in fixed assets	166.8	154.3	420.2	339.6
New contracts in right-of-use assets	2.3	4.0	29.2	122.7
Reassessments and modifications in right-of-use assets	18.3	-	-5.6	11.8
Gross capital expenditure	**187.4**	**158.2**	**443.8**	**474.0**

Return on capital employed (ROCE), LTM, %

(EUR in millions)	31 March 2020	2019	31 December 2019	2018
	(unaudited, unless otherwise indicated)		(unaudited, unless otherwise indicated)	(restated)
Result before taxes, for the last twelve months	-36.8	62.0	93.0[1]	127.2
Financial expenses, for the last twelve months	151.2	85.1	83.6[1]	84.6
Exchange rate gains and losses, for the last twelve months	-20.0	73.8	-12.7[1]	42.3
Return, for the last twelve months	**94.4**	**220.9**	**163.9**	**254.0**
Equity total	735.7	899.3	966.4[1]	918.5
Non-current lease liabilities	925.1	1,003.1	913.6[1]	1,034.3
Non-current other interest-bearing liabilities	473.9	508.7	477.3[1]	514.2
Current lease liabilities	141.6	131.3	140.4[1]	125.1
Current other interest-bearing liabilities	219.6	102.5	43.5[1]	100.5
Capital employed	**2,495.9**	**2,644.9**	**2,541.1**	**2,692.5**
Capital employed, average of reporting period and comparison period	**2,570.4**	**2,641.2**[2]	**2,616.8**	**2,717.6**[2]
Return on capital employed (ROCE), LTM, %	**3.7**	**8.4**	**6.3**	**9.3**

[1] Audited.

[2] Capital employed accounted was EUR 2,637.5 million as at 31 March 2018 and EUR 2,742.7 million as at 1 January 2018.

Cash to sales, LTM, %

(EUR in millions)	31 March 2020	31 March 2019	31 December 2019	31 December 2018
	(unaudited, unless otherwise indicated)		(unaudited, unless otherwise indicated)	
				(restated)
Other financial assets	713.7	929.2	800.8[1]	892.2
Cash and cash equivalents	118.8	132.6	151.9[1]	180.9
Cash funds	**832.5**	**1,061.9**	**952.7**[1]	**1,073.1**
Revenue, LTM	**2,990.6**	**2,868.8**	**3,097.7**[1]	**2,836.1**
Cash to sales, LTM, %	**27.8**	**37.0**	**30.8**	**37.8**

[1] Audited.

BOARD OF DIRECTORS AND EXECUTIVE BOARD

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, Finnair 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 Offering Circular, 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**	*Stora Enso Oyj*, CEO (2007–2014) *Royal Philips N.V., Medical Systems Division*, Chief Executive Officer (2002–2006) *ABB Asea Brown Boveri Ltd,* several executive positions **Memberships in other Boards of Directors and positions of trust** *IMD Business School*, Member of the Foundation and Supervisory Boards (2016–) *Komatsu Ltd*, Member of the International Advisory Board (2016–2019) *Valmet Oyj*, Member of the Board and Vice Chairman of the Board (2016–2018)

	Nokia Corporation, 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), *SKF AB*, 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**	*Marimekko Corporation,* 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**	*Fly Leasing Limited*, Chief Executive Officer, Director (2007–) **Memberships in other Boards of Directors and positions of trust** *Aer Lingus Group plc*, Chairman of the Board (2008–2015) *Hibernia REIT Plc*, Senior Independent Non-Executive Director (2013–) *IFG Group Plc*, 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**	*Air Canada,* President & Chief Executive Officer (2004–2009) and Executive Vice President Commercial (2002–2004) Senior positions with *United Airlines, Northwest Airlines, Republic Airlines, Braniff and Trans World Airlines* **Memberships in other Boards of Directors and positions of trust** *ID90 Travel Inc.* Member of the Board (2018–) *Allegiant Travel Company,* Member of the Board (2009–) *Radixx International,* Member of the Board (2015–2019) *AirHelp Limited,* Member of the Board (2015–2018) *Swiss International Air Lines AG,* Member of the Board (2012–2017) *Aer Lingus Group Plc,* Member of the Board (2010–2015) *Air Canada,* Member of the Board (2002–2010) *Star Alliance Services GmbH,* Member of the Board *The International Air Transport Association (IATA),* Member of the Board
Mengmeng Du Born 1980, M. Sc. (Econ.), M. Sc. (Computer Science) **Member of the Board (2017–)**	*GetGeek AB*, Co-Founder (2016–2017) *Iridis AB*, Founder and Chief Executive Officer (2014–) *Acast AB*, Chief Operating Officer (2015–2016) *Spotify AB*, Director of Operations, Marketing and International Growth (2011–2014)

Member of the People and Remuneration Committee	*Stardoll AB*, Vice President, Product Development (2008–2010) **Memberships in other Boards of Directors and positions of trust** *Saminvest AB*, Non-Executive Member of the Board (2019–) *Netonnet Group AB*, Non-Executive Member of the Board (2016–) *Swedish National Innovation Council*, Member (2015–2018) *Livförsäkringsbolaget Skandia, ömsesidigt*, Non-Executive Member of the Board (2015–2020) *Filippa K AB,* Member of the Board (2015–2017) *Skånska Byggvaror AB,* Member of the Board (2012–2016) *Qliro Group AB*, Member of the Board (2010–2016)
Jukka Erlund Born 1974, M. Sc. (Econ.) eMBA **Member of the Board (2019–)** **Chairman of the Audit Committee**	*Kesko Corporation*, Executive Vice President and Chief Financial Officer (2011–), Vice President and Corporate Controller (2007–2010) and Corporate Business Controller (2004–2007) *Kesko Food Ltd,* Vice President for Finance (2010–2011) **Memberships in other Boards of Directors and positions of trust** *Varma Mutual Pension Insurance Company*, Member of the Supervisory Board (2018–) *Confederation of Finnish Industries EK*, Member of the Economy and Tax Committee (2012–) *Suomen Luotto-osuuskunta,* Member of the Board (2012–) *Federation of Finnish Commerce*, Chair of the Tax and Economic Policy Committee (2011–)
Henrik Kjellberg Born 1971, M. Sc. (Econ.) **Member of the Board (2018–)** **Member of the Audit Committee**	*Awaze Limited*, Chief Executive Officer (2018–) *Expedia Group*, various senior positions, inter alia, President of the Hotwire Group and President of Expedia® Affiliate Network (2001–2017) **Memberships in other Boards of Directors and positions of trust** *eLong, Inc*, Member of the Board (2006–2015) *VOYAGES-SNCF.COM.* Member of the Board (2007–2013)
Maija Strandberg Born 1969, M. Sc. (Econ.) **Member of the Board (2020–)**	*Finnish Prime Minister's Office, Government Ownership Steering Department,* Senior Financial Counsellor (2019–) *Uponor Corporation,* Executive Vice President, CFO (2017–2019) *Valmet Oyj,* Vice President, Finance (2013–2017)

	Memberships in other Boards of Directors and positions of trust *Nordic Morning Group Oyj,* Member of the Board, Chairman of the Audit Committee (2020–) *Vapo Oyj,* Member of the Board (2019–) *VR Group Oyj,* Member of the Board, Member of the Audit Committee (2014–2020), Chairman of the Audit Committee (2016–2020) *Exel Composites Oyj,* Member of the Board (2019–2020) *Dustin Group AB,* 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**	*Fiskars Group*, Chief Executive Officer (2017–2020) *Paulig Group*, Chief Executive Officer (2008–2017) *GE Healthcare Finland Oy*, Managing Director and General Manager of Global Monitoring Solutions (2002–2008) **Memberships in other Boards of Directors and positions of trust** *Suominen Oyj,* Member of the Board (2014–2019) *Finnish Fair Corporation*, Member of the Board (2014–2017) *Fuchs Gruppe*, Chair of the Advisory Board (2016–2017) *Confederation of Finnish Industries (EK)*, Member of the Board (2016–2017) *Finnish Food and Beverage Industries' Federation*, 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 Offering Circular, 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, apart from Jukka Erlund, 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 Offering Circular, 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 Offering Circular, 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 Offering Circular, the Executive Board consists of the following persons:

Name:	Background:
Topi Manner Born 1974, M. Sc. (Econ.) **President & Chief Executive Officer (2019–)**	*Nordea Bank Abp*, 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** *Finland Chamber of Commerce,* Vice Chairman (2019–) *Elisa Corporation*, Member of the Board (2020–)
Nicklas Ilebrand Born 1980, M. Sc. (Computer Science) **Senior Vice President, Strategy (2019–)**	*Nordea Bank Abp*, 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** *Nordea Hypotek AB*, Chairman of the Board (2016–) *Nordea Kredit*, Chairman of the Board (2016–)
Piia Karhu Born 1976, Doctor of Science (Econ. and Business Administration) **Senior Vice President, Customer Experience (2016–30 June 2020)**	*Finnair Oyj*, Vice President, Network and Business Development (2015–2016), Vice President, Corporate Development (2014–2015) and Project Director, Corporate Development (2013–2014) **Memberships in other Boards of Directors and positions of trust** *Kesko Corporation*, Member of the Board (2018–)
Johanna Karppi Born 1968, LL.M. (trained on bench) **Senior Vice President, People & Culture (2019–)**	*Suomen Terveystalo Oy*, Senior Vice President, Human Resources (2007–2019) *Rautaruukki Oyj*, Director, Corporate Human Resources (2004–2007) *Orion Corporation,* Human Resources Manager (2001–2004) **Memberships in other Boards of Directors and positions of trust** *Finnpilot Pilotage Oy*, Member of the Board (2014–)
Ole Orvér Born 1966 **Chief Commercial Officer (2019–)**	Several leadership positions with *Qatar Airways, LOT Polish Airlines*, *Air Berlin and SAS Group* (2002–2017)
Tomi Pienimäki Born 1973, Dr. Tech., M. Sc. (Eng.), M. Sc. (Econ.) **Chief Digital Officer (2019–)**	*Vincit Plc*, Chief Executive Officer (2016–2018) *Jolla Ltd*, Chief Executive Officer (2013–2015) *Itella Oyj*, Chief Information Officer (2005–2013) *Hackman Oyj*, Chief Information Officer (2000–2005)

Sami Sarelius Born 1971, LL.M. **Senior Vice President and General Counsel (1998–)**	*Finnair Oyj*, Senior Vice President and General Counsel (1998–)
Jaakko Schildt Born 1970, MBA, B. Sc. (Engineering) **Chief Operating Officer (2016–)**	*Thomas Cook Group Plc*, Accountable Manager (2015–2016), Head of Group Maintenance Organisation (2014–2015) *Finnair Oyj*, Vice President, Technical Operations (2012–2014)
Mika Stirkkinen Born 1968, M. Sc. (Econ.) **Chief Financial Officer (2019–)**	*Finnair Oyj*, 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–)**	*Nokia Oyj,* 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 Offering Circular, the current members of the Shareholders' Nomination Board are Minna Pajumaa, Timo Sallinen, Mikael Etola and Jouko Karvinen.

Statement on the Company's Board of Directors and the Management

As at the date of this Offering Circular none of the members of the Board of Directors, Executive Board or the CEO, have during the five previous years:

- been convicted in relation to fraudulent offences;
- held an executive function, been included in the executive management, or been a member of the administrative, management or supervisory bodies of any company, or acted as a general partner with individual liability in a limited partnership at the time of or preceding any bankruptcy, receivership, administration of an estate or liquidation; or
- been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including any designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

There are no family relationships between the members of the Board of Directors, CEO and the members of the Executive Board.

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 Jukka Erlund and Maija Strandberg, are independent of the Company and its significant shareholders. Jukka Erlund is not deemed to be independent of the Company because Piia Karhu, Finnair's Senior Vice President, Customer Experience, is a member of the Board of Directors of Kesko Plc and Jukka Erlund is the Executive Vice President, CFO of Kesko Plc. 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.

Performance-Based Long-Term Incentive Plan for Key Personnel

Members of Finnair's Executive Board are within the scope of the Performance-Based Long-Term Incentive Plan.

Within 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 purpose of the arrangement is to motivate the management to work for increasing the shareholder value in the long-term and to commit the management to the Company.

The annually commencing plans include a three-year performance period and the potential share rewards will be delivered to the participants in one tranche after the performance period. The members of Finnair's Executive Board are expected to retain at least fifty per cent of the net shares received based on the arrangement until their share ownership in Finnair corresponds to at least their annual gross base salary.

The maximum combined value of all variable compensation paid to an individual participant in any given year may not exceed hundred and twenty per cent of the participant's annual gross base salary.

OWNERSHIP STRUCTURE AND RELATED PARTY TRANSACTIONS

Ownership Structure

As at 10 June 2020, there were altogether 46,947 holders of Shares in the Company, of which 10 largest shareholders are listed below with their respective ownership participation percentage. As at 10 June 2020, the Company held 209,600 treasury shares, which corresponds to approximately 0.2 per cent of the Shares and votes in the Company.

The following table sets forth the ownership information of the ten largest shareholders of the Company as at 10 June 2020 pursuant to the shareholders' register maintained by Euroclear Finland:

Shareholder	No. of shares	Shares, %	Votes, %
State of Finland (acting through the Prime Minister's Office)	71,515,426	55.81	55.90
Keva	5,191,756	4.05	4.06
Varma Mutual Pension Insurance Company	3,261,933	2.55	2.55
Ilmarinen Mutual Pension Insurance Company	3,005,642	2.35	2.35
The State Pension Fund	2,000,000	1.56	1.56
U.S. Global Jets Etf	1,876,102	1.46	1.47
Elo Mutual Pension Insurance Company	1,333,788	1.04	1.04
Laakkonen Mikko Kalervo	720,000	0.56	0.56
Finnair Oyj:n Henkilöstörahasto Hr	659,400	0.51	0.52
Veritas Pension Insurance Company Ltd.	236,767	0.18	0.19
Others	38,125,701	29.75	29.80
Total	**127,926,515**	**99.84**	**100**
Treasury shares	209,600	0.16	-
Total Shares in the Company	**128,136,115**	**100**	**100**

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

Finnair is not aware of any arrangements that may lead to a change of control in the Company. The Company is not aware of any shareholder agreements between the shareholders of the Company that would be in effect.

Ownership Steering by the Finnish Government and the Government Resolution on State-Ownership Policy

The decision-making process and decision-making authorities concerning corporate ownership by the Finnish State are based on the Ownership Steering Act. According to the definition under Section 2 of the Ownership Steering Act, Finnair is a "state majority-owned company". This means, among others, 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 defense. 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.

The Resolution on State Ownership Policy

The Resolution provides that in the management of the State's assets, the State aims, amongst others, to maximize 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.

State Ownership Steering

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 emphasizes 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.

The Ownership Steering Department of the Prime Minister's Office is responsible for the preparation of ownership steering policies and consistency of the policies as well as the coordination of the collaboration between the Ministries. Under all circumstances, decisions-making relating to ownership policy is vested in the minister responsible for ownership steering and the Government, and decision-making relating to business operations is vested in the companies' own bodies.

Ownership steering is based on independent owner-strategic influence and financial analysis, as well as preparation based on these. The State is an active owner. According to the Resolution on the State Ownership Policy, the Boards of Directors and the management of State-owned companies are responsible for discussing with the significant shareholders about matters related to the development of the shareholder value or other important matters concerning the shareholders and, respectively, the State as an owner carries out dialogue with the companies within the framework of legislation and with due consideration to other shareholders.

From the State ownership's perspective, the central decision-making body of the companies is the company's Board of Directors. Finnair has a Shareholders' Nomination Board, which is tasked with, and retains the competence to, annually prepare and present proposals on the number of the members of the Board of Directors, its composition and the remuneration to be paid for the members of the Board of Directors and its committees to the Annual General Meeting and, if required, Extraordinary General Meeting and surveying for possible successors for the members of the Board of Directors (see "*Board of Directors and Executive Board – Shareholders' Nomination Board*"). The number of and the remuneration for the member of the Board of Directors will be decided, as well as the Chairman, Vice Chairman and the members of the Board of Directors elected in the Annual General Meeting.

The Shareholders' Nomination Board consists of four members, which are nominated annually. The three biggest shareholders of the Company are each entitled to nominate one member. 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 in the Board of Directors of the companies. The aim is to have the representative, appointed based on the State's proposal, as a member of the Board of Directors for a term of office of five, and in maximum seven, years. Such target can be deviated if it is justified by the company's strategy, change of operating environment, knowledge of the Board or diversity.

State Ownership Steering's Policy on Remuneration

The remuneration statement included in the Resolution outlines the executive remuneration of the State-owned companies. According to the statement, management and personnel remuneration is a tool for the company's Board of Directors that is used to promote achieving the set objectives and growth in the company's value. The State majority-owned companies must adhere to the statement, unless the common interest of the shareholders otherwise requires. State-owned companies must be able to hire management and personnel under competitive terms. As an owner, the State always requires remuneration to be reasonable, fair and transparent. The company's Board of Directors resolves on the remuneration of the management and personnel. As an owner, the State does not make decisions on remuneration.

In terms of the salaries and remuneration of the management determined within the framework of the Resolution, the will of the State as an owner is that the remuneration of the management in State-owned companies is reasonable, especially in terms of fixed salaries. The highest fixed salaries are adjusted downward, if necessary, when drafting new contracts, in which case the flexibility of the variable remuneration can, respectively, be increased.

According to the statement on the remuneration, fixed salary of the Managing Director and the members of the executive management team must be defined in terms of a total salary that includes all the benefits for which the employer incurs any expenses. As an owner, the State's position is that supplementary pensions are not to be used as a form of remuneration. If the company has other owners, the company's Board of Directors decides on supplementary pension. Any supplementary pension payment exceeding the level referred to in the Employees Pensions Act must be on a cash basis. The pension benefits must be based on the fixed monthly salary.

The objectives constituting the basis of performance bonuses to be paid in addition to the fixed total salary must be demanding and the beneficiary must be able to influence the attainment of the objective with their own contribution. The total amount of variable remuneration for listed companies and comparable unlisted companies in the State's ownership steering is at most 50 per cent of the beneficiary's fixed annual salary each year. If the performance of the company and the beneficiary is exceptionally good, the total maximum amount of the payable remuneration may annually be at most 120 per cent of the fixed annual salary. However, the State does not approve remuneration schemes that include stock options or other instruments that require the issuance of new shares. According to the statement on the remuneration, the State expects the companies to integrate corporate responsibility with the remuneration.

In the State's view, the combined pay for the notice period and the severance package in the new employment contracts to be concluded by listed companies and large, commercially operating companies should not exceed the regular 12 months' fixed salary.

Related Party Transactions

Finnair's related parties include subsidiaries, associates, joint operations and Finnair pension fund as well as the members of the Board of Directors and the Executive Board and their close family members and controlled entities.

The following table sets forth the related party transactions of Finnair between 1 January 2020 and 31 March 2020. Transactions with the related parties have been carried out on market-based terms. Related party transactions include such operations that are not eliminated in the Group's consolidated financial statement.

(EUR in millions)	**For the three months ended 31 March 2020 (unaudited)**
Sales of goods and services	
Associates and joint ventures	7.1
Pension fund	0.2
Purchases of goods and services	
Associates and joint ventures	28.7
Pension fund	4.1
Financial income and expenses	
Associates and joint ventures	0.8
Pension fund	-0.2
Receivables	
Non-current receivables from joint ventures	30.3
Current receivables from associates and joint ventures	24.4
Liabilities	
Non-current liabilities to joint ventures	3.6
Non-current liabilities to pension fund	39.0
Current liabilities to associates and joint ventures	0.6

The Company's largest shareholder, the State of Finland, has given a Subscription Undertaking concerning the Offering.

The following tables set forth the remuneration of the CEO as well as the members of the Executive Board and the Board of Directors for the three months ended 31 March 2020. Management remuneration is presented on an accrual basis.

The CEO and Executive Board remuneration

(EUR in thousands)	For the three months ended 31 March 2020 (unaudited) President and CEO Topi Manner	Executive Board	Total
Fixed pay	186	538	**724**
Short-term incentives[1]	56	161	**217**
Fringe benefits	4	15	**19**
Share-based payments	-5	192	**187**
Pensions (statutory)[2]	41	118	**159**
Pensions (voluntary, defined contribution)	-	20	**20**
Total	**282**	**1,044**	**1,327**

[1] Short-term incentives are estimates based on payout at target level.

[2] Statutory pensions include Finnair's share of the payment to Finnish statutory "TyEL" pension plan.

The Board of Directors remuneration

(EUR)	Fixed remuneration	For the three months ended 31 March 2020 (unaudited) Meeting compensation	Fringe benefits	Total
Alahuhta-Kasko Tiina	7,500	3,000	-	**10,500**
Barrington Colm	8,100	9,600	-	**17,700**
Brewer Montie	7,500	9,600	-	**17,100**
Du Mengmeng	7,500	6,600	1,740	**15,840**
Erlund Jukka	8,100	2,400	-	**10,500**
Karvinen Jouko	15,300	4,800	1,723	**21,823**
Kjellberg Henrik	7,500	9,600	-	**17,100**
Tuominen Jaana	8,100	3,000	-	**11,100**
Total	**69,600**	**48,600**	**3,463**	**121,663**

In addition to the above, Finnair has neither had any other significant related party transactions, nor has there been any material changes in the related party transactions after the period between 1 January 2020 and 31 March 2020.

SHARES AND SHARE CAPITAL

General

The business name of the Company is Finnair Plc and it is domiciled in Helsinki, Finland. The Company is a public limited liability company incorporated on 1 November 1923 in Finland and it is organised under the laws of Finland. The Company is registered with the Finnish Trade Register under the business identity code 0108023-3. The Company's legal entity identifier code (LEI) is 213800SB6EOB8SSK9W63. The registered address of the Company is Tietotie 9 A, FI-01530, Vantaa, Finland, and its telephone number is +358 600 081 881. In accordance with section 2 of the Company's Articles of Association, the Company's field of 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 Company 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 Company may conduct its business through subsidiaries, associated companies and joint ventures.

Share Information

General

The Company has one share class and all Shares are entitled to one vote and equal dividend. The Shares have no par value. The Shares are recorded in the Finnish book-entry system maintained by Euroclear Finland and they are subject to public trading on the official list of the Helsinki Stock Exchange. The trading code of the Shares is "FIA1S" and the ISIN code is FI0009003230. The denomination currency of the Shares is the euro.

The Company's registered share capital at the date of this Offering Circular is EUR 75,442,904.30 and the Company has 128,136,115 fully paid Shares. On 10 June 2020, the Company held 209,600 treasury shares.

Valid Authorisations

The Annual General Meeting held on 29 May 2020 authorised the Board of Directors to decide on the repurchase of the Company's own shares and/or on the acceptance as pledge of the Company's own shares. The number of own shares to be repurchased and/or accepted as pledge shall not exceed 5,000,000 Shares, which corresponds to approximately 3.9 per cent of all the Shares in the Company. Only the unrestricted equity of the Company can be used to repurchase own shares on the basis of the authorisation. Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market.

The Board of Directors decides how own shares will be repurchased and/or accepted as pledge. Own shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). Own shares may be repurchased and/or accepted as pledge in order to, inter alia, develop the capital structure of Finnair, to finance or carry out acquisitions, investments or other business transactions, or in order to use the Shares as part of the Company's incentive and remuneration schemes. The authorisation is effective for a period of 18 months from the resolution of the Annual General Meeting.

In addition, the Annual General Meeting held on 29 May 2020 authorised the Board of Directors to decide on the disposal of own shares held by the Company. The number of Shares to be disposed based on the authorisation shall not exceed 5,000,000 Shares, which corresponds to approximately 3.9 per cent of all the Shares in the Company. The Board of Directors decides on all the conditions of the disposals, including to whom, at what price and in which manner the Company's Shares are disposed. The disposals may also be made in deviation from the shareholders' pre-emptive rights, such as using the Shares to develop the Company's capital structure, to finance or carry out acquisitions, investments or other business transactions, or in order to use the Shares as part of the Company's incentive and remuneration schemes. The authorization is effective for a period of 18 months from the resolution of the Annual General Meeting.

Further, the Annual General Meeting held on 29 May 2020 authorised the Board of Directors to resolve on the issuance of a maximum of 6,500,000,000 new Shares to carry out the rights offering of approximately EUR 500 million. The Shares are offered to the Company's shareholders for subscription in proportion to their shareholding on the record date of the share issue (rights offering). The authorisation includes the right for the Board of Directors to resolve upon the issuance of Shares that remain unsubscribed for pursuant to the primary subscription right. The authorisation can only be used to execute one share issue. The Board of Directors is authorised to determine all other terms and conditions of the issuance of Shares. The authorisation is valid until the close of the next Annual General Meeting, however, no longer than until 30 June 2021.

Shareholders' Rights

Shareholders' Rights Under New Shareholder Rights Directive

The European Union's Second Shareholder Rights Directive (EU) 2017/828, ("**SHRD II**") was implemented in Finland on 10 June 2019. New provisions of the SHRD II have resulted in amendments of the Finnish Companies Act and the Finnish Securities Markets Act, among others, and concerns publicly listed companies, institutional investors, asset managers and proxy advisors. In addition, the Finnish Corporate Governance Code has also been amended during 2019, and the amended Code has entered into force on 1 January 2020. The SHRD II seeks to strengthen the position of shareholders to have an effective say on related party transactions and directors' remuneration as well as to encourage the flow of information and increase transparency between a listed company and its shareholders. The core of the SHRD II consists of themes such as director remuneration, related party transactions, identification of shareholders and transmission of information, and transparency requirements for institutional investors, asset managers and proxy advisors. The new requirements have entered into force gradually during the years 2019 and 2020.

Pre-emptive Subscription Rights

Under the Finnish Companies Act, existing shareholders have pre-emptive right to subscribe for new Shares of the Company. A resolution to issue new Shares waiving pre-emptive rights as well as a resolution to grant option rights and other special rights entitling to the Company's Shares requires at least two-thirds of all votes cast and Shares represented at a General Meeting of Shareholders. In addition, such resolution requires that there is a weighty financial reason for the Company to do so. According to the Finnish Companies Act, a resolution on a share issue without payment waiving the shareholders' pre-emptive rights requires that there is an especially weighty reason for the Company and in regard to the interests of all shareholders in the Company.

Certain shareholders who reside or whose registered address is outside Finland, including "U.S. Persons" (as defined in Regulation S of the U.S. Securities Act), may not necessarily be able to exercise their pre-emptive subscription rights unless the Shares have been registered according to the securities legislation in effect in the relevant country or an exception from registration or other similar requirements is available.

General Meeting of Shareholders

Under the Finnish Companies Act, shareholders exercise their power to decide on corporate matters at General Meetings. According to the Company's Articles of Association, the Annual General Meeting shall be held by the end of May each year. The Annual General Meeting shall decide, among others, upon the approval of the financial statements, auditor's report, distribution of dividend and elections of members of the Board of Directors and the auditor and their remuneration. The Annual General Meeting decides also upon discharge of the Board of Directors and of the CEO from liability. Extraordinary General Meetings in respect of specific matters must be held when considered necessary by the Board of Directors, or when requested in writing by the auditor of the Company or by shareholders of the Company holding at least 10 per cent of all the Shares of the Company.

According to the Finnish Companies Act and the Company's Articles of Association, the notice convening a General Meeting of Shareholders shall be delivered to the shareholders no more than three months and no less than three weeks before the meeting, however, at least nine days before the record date of the General Meeting of Shareholders. The notice shall be delivered to the shareholders with a notification published in the Company's website. To be entitled to attend the General Meeting of Shareholders, the shareholder shall notify his/her attendance to the Company at the latest by the date mentioned in the notice convening the meeting, which date may be no more than ten days before the General Meeting of Shareholders.

In order to have the right to attend and vote at a General Meeting of Shareholders, a shareholder must be registered, in accordance with the Act on the Book-entry System and Clearing Operations, in the shareholders' register maintained by Euroclear Finland no later than eight business days prior to the relevant General Meeting of Shareholders (the record date of the General Meeting of Shareholders). A beneficial owner wishing to attend and vote at the General Meeting of Shareholders should seek a temporary registration in the shareholders' register. The notification of temporary registration should be made at the latest on the date mentioned in the notice to the General Meeting of Shareholders, which shall according to the Finnish Companies Act be after the record date of the General Meeting of Shareholders, and such notification is considered a notice of participation in the General Meeting of Shareholders. If the shareholder is participating in the General Meeting of Shareholders through several authorised representatives, the shareholder shall in connection with the notification notify the shares on the basis of which each authorised representative represents the shareholder.

Except for certain exceptions stipulated in the Finnish Companies Act, there are no quorum requirements for General Meetings of Shareholders.

Voting Rights

A shareholder may attend and vote at a General Meeting of Shareholders in person or through an authorised representative. Each share in the Company entitles its holder to one vote at a General Meeting of Shareholders. If the shareholder's shares are recorded on more than one book-entry account, the shareholder has the right to use a different authorised representative for each book-entry account. The shareholder may also vote differently with a part of his owned votes. In order to attend and vote at a General Meeting of Shareholders, a shareholder must be registered in the shareholders' register maintained by Euroclear Finland.

At the General Meeting of Shareholders, most resolutions are passed by a simple majority of the votes cast. However, certain resolutions, such as amending the Articles of Association, waiving shareholders' pre-emptive right to subscribe for shares in a new issue and resolutions on a merger, a demerger or dissolution of the Company require at least a two-thirds majority of the votes cast and the shares represented at the meeting.

Dividend and Distribution of Other Unrestricted Equity

A General Meeting of Shareholders decides on the payment of dividend and other distribution of funds by the majority of the votes cast. All Shares of the Company carry equal rights to dividends and other distributions by the Company. In accordance with prevailing practice in Finland, dividends on shares of a Finnish company are generally only paid annually and only after shareholder approval of the Company's financial statements and of the amount of the dividend proposed by the Board of Directors. However, under the Finnish Companies Act the General Meeting of Shareholders may also authorize the Board of Directors to resolve upon payment of dividends.

Under the Finnish Companies Act, shareholders' equity is divided into restricted and unrestricted equity. Restricted equity consists of the share capital, the fair value funds and the revaluation fund as well as any possible reserve fund and share premium fund formed subject to the old Finnish Companies Act effective prior to 1 September 2006. The other equity reserves are included in unrestricted equity. Accordingly, unrestricted equity includes the profit for the preceding financial year, retained earnings from previous financial years and the Company's other unrestricted equity, including the funds in the invested unrestricted equity fund, less the reported losses and the amount that the Articles of Association of the Company require to be left undistributed, and certain other undistributable funds.

The Finnish Companies Act emphasises the maintenance of the company's solvency in connection with the distribution of funds and, consequently, no funds may be distributed if, when making the decision on the distribution, the persons knew or should have known that the Company was insolvent or that it would become insolvent due to the distribution of the funds.

Under the Finnish Companies Act, the amount of dividend may not exceed the amount proposed or accepted by the Board of Directors. However, shareholders holding no less than 10 per cent of all the shares may request at the Annual General Meeting that the amount distributed as dividend shall be at least one-half of the company's profit for the last preceding financial year, less the amount that the Articles of Association of the company may require to be left undistributed and any dividends previously distributed in respect of the financial year in question. However, the dividend so paid may neither exceed the amount distributable without the creditors' consent nor 8 per cent of the total shareholders' equity of the parent company.

Dividends and other distributable funds can be distributed for a certain financial year after the General Meeting of Shareholders has adopted the financial statements for the year in question and resolved on the amount of dividends or other distribution of unrestricted funds on the basis of the proposal prepared by the Board of Directors. Pursuant to the Finnish Companies Act, payment of dividends or other distribution of unrestricted equity can be also based on other financial statements than the adopted financial statements for the latest financial year, provided that the General Meeting of Shareholders has adopted the financial statements in question. Significant changes in the Company's financial position that have occurred after the financial statements were prepared must be considered when deciding on the distribution of profits.

Under the Finnish Companies Act, dividends and other distributions are paid to shareholders or their nominees entered in the shareholders' register on the relevant record date. Such register is maintained by Euroclear Finland through the account operators. No dividends are payable to shareholders not entered in the shareholders' register.

The right to dividends is forfeited three years from when they are payable according to the decision on the dividend.

Distribution of other unrestricted equity is effected essentially in the same way as described above regarding the distribution of dividend.

For information on the taxation of dividends, see *"Taxation"*.

Obligation to Make a Mandatory Bid and Redemption Obligations and Rights

According to the Finnish Securities Market Act, a shareholder holding more than three-tenths or more than half of the voting rights attached to shares in a company after the shares or securities entitling to such shares of the company have entered into public trading, is obligated to make an offer for all such remaining shares and securities entitling to such shares in the company at fair value (mandatory bid). According to the Finnish Securities Market Act, the obligation to launch a mandatory bid shall, however, not arise if the securities resulting in the threshold referred to above being exceeded have been acquired through a voluntary takeover bid, provided that the initial voluntary takeover bid is made for all securities entitling to shares of the target company. Moreover, the obligation to launch a mandatory bid shall not arise if the exceeding of the threshold for a mandatory bid is caused solely by the actions of the target company or another shareholder. The obligation to launch a mandatory bid shall no longer exist if the person obliged to offer within a month from the emergence of the obligation gives up the share of voting rights exceeding the threshold for a mandatory bid by assigning shares of the target company or otherwise decreasing its share of voting rights in the target company.

Under the Finnish Companies Act, a shareholder holding shares representing more than 90 per cent of all the shares and votes in a company has the right to redeem the remaining shares in the company at fair market value (squeeze-out). In addition, a shareholder whose shares can be redeemed in the above manner is entitled to demand redemption of his/her shares from the majority shareholder entitled to exercise redemption (sell-out).

Dilution of Ownership

To the extent that a shareholder decides not to subscribe for the full amount of new Shares, or is restricted from subscribing, the proportionate ownership and voting interest in the Company of such shareholder will be diluted accordingly and such shareholder's original share percentage of the increased amount of all Shares issued by the Company will be proportionally reduced.

The Company's equity per Share as at 31 March 2020 was EUR 5.75.

Transfer of Shares

When the shares are sold through the book-entry system, the shares are transfered as a bank transfer from the seller's book-entry account to the buyer's book-entry account. For the purpose of the sales, allocation data is entered in the Infinity 2 clearing system of Euroclear Finland and, if necessary, a reservation regarding the book-entries is entered in the book-entry account. The purchase is marked as a pre-sale until it has been cleared and the shares have been paid, after which the buyer is automatically entered in the Company's shareholders' register. If the shares are nominee registered and the shares of both seller and buyer are held in the same custodial nominee accounts, the sale of shares does not cause any notes on the book-entry system unless the nominee registration custodian is changed or the shares will not be transferred from the custodial nominee account as a result of the sale.

Exchange Control

Foreign people can acquire shares of a Finnish company without any specific exchange control authorisation. Foreign people can also receive dividend without any specific exchange control authorisation, but the company distributing the dividend must deduct the tax-at-source from the assets transferred outside Finland, unless otherwise stated in an applicable tax treaty. Foreign people who have acquired shares of a Finnish company may receive shares in connection with a capitalisation or participate in a rights issue without any specific exchange control authorisation. Foreign people may sell their shares in a Finnish company in Finland and the assets acquired in connection with such sale can be transferred outside Finland in any convertible currency. There are no exchange control rules in Finland which would restrict the selling of shares of a Finnish company to another foreign person.

PLAN OF DISTRIBUTION IN THE OFFERING

Underwriting

Finnair and the Joint Global Coordinators entered into the Underwriting Agreement on 10 June 2020, pursuant to which the Joint Global Coordinators have severally agreed, subject to certain terms and conditions, to procure subscribers for any Offer Shares that remain unsubscribed for in the Offering, excluding the Offer Shares that are covered by the Subscription Undertaking, or to subscribe for such Offer Shares (the "**Rump Shares**") themselves at the Subscription Price in the percentages set forth below:

	Percentage of Rump Shares
Nordea	50
Citi	50

The obligations of the Joint Global Coordinators are subject to certain conditions that are customary for an agreement of this nature. These conditions include, among other things, that Offer Shares covered by the Subscription Undertaking have been subscribed and paid for, as described in "*– Participation of the State of Finland*" below, the accuracy of the representations and warranties in the Underwriting Agreement and approval for listing of the Offer Shares on the Helsinki Stock Exchange having taken place on or prior to the closing date. Finnair has given customary representations and warranties to the Joint Global Coordinators, including in relation to Finnair's business and legal compliance, the existing Shares and the Offer Shares and the contents of this Offering Circular. In addition, Finnair has agreed to indemnify the Joint Global Coordinators against certain liabilities in connection with the Offering.

The Underwriting Agreement is subject to customary provisions allowing the Joint Global Coordinators to terminate their respective underwriting commitments in certain circumstances. These include the occurrence of certain material adverse changes in the business, condition (financial, legal or otherwise), results of operations or prospects of Finnair and certain changes in, among other things, certain national or international political, financial or economic conditions. If any of the above-mentioned conditions are not satisfied or any of the above-mentioned events occurs, the Underwriting Agreement may be terminated. See also "*Risk Factors – Risks Relating to the Shares, the Subscription Rights and the Offering – It is possible that the Offering is unsuccessful in the collection of funds in full*".

The Rump Shares are being offered and sold by the Joint Global Coordinators to institutional investors in certain jurisdictions outside the United States, in compliance with Regulation S.

Fees and Expenses

Finnair expects to pay approximately EUR 10.8 million in fees and expenses in connection with the Offering, including the commissions and fees paid to the Managers.

Interests of the Managers

Each of the 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 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 acts as the coordinating 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 has guaranteed 10 per cent of the principal of the Finnair's EUR 600 million pension premium loan from Ilmarinen Mutual Pension Insurance Company (see "*Business of the Company – Material Contracts – Financing Agreements*").

Participation of the State of Finland

Finnair has received an irrevocable commitment from the Company's largest shareholder, the State of Finland, to subscribe for Offer Shares. Such Subscription Undertaking represents approximately 55.9 per cent of the Offer Shares. The State of Finland's Subscription Undertaking is subject to certain conditions, such as the underwriting commitments by the Joint Global Coordinators being in force. Also, the European Commission has approved the participation of the State of Finland in the Offering based on the assumption that the State of Finland's relative shareholding in Finnair would not increase (save for slight variations due to the technical organisation inherent to the Offering). See also "*Background of the Offering and Use of Proceeds – State Aid and Conditions Applicable to Finnair*".

Lock-ups

Finnair has agreed with the Joint Global Coordinators that, subject to certain exceptions, during the period ending on the date that falls 180 days from the closing of the Offering, without the prior written consent of the Joint Global Coordinators, Finnair will not undertake any capital markets offering of equity securities, including securities exchangeable/convertible into to the Shares and neither Finnair nor any of its subsidiaries or affiliates will undertake any capital markets offering involving equity securities, including securities exchangeable/convertible into the Shares, or enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of the ownership of the Shares, including any Offer Shares issued or to be issued pursuant to the Offering, or publicly disclose the intention to make any such issue, sale, transfer, pledge, lien, charge, grant or offer. The foregoing undertaking does not apply, among others, to the Company's current incentive schemes or any future schemes that are adopted in volume and other terms comparable to the current schemes.

Dilution

The maximum number of Offer Shares offered in the Offering represents 90.9 per cent of all Shares after the completion of the Offering. In the event that existing shareholders of Finnair do not subscribe for the Offer Shares in the Offering (except for the participation of the State of Finland, see "*– Participation of the State of Finland*" above), their total holdings in Finnair would be diluted by 90.9 per cent.

Listing of Shares

Finnair will file an application for the Offer Shares to be admitted to trading on the official list of the Helsinki Stock Exchange.

General

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of Finnair and the terms of the Offering, including the merits and risks involved. Neither the Company nor the Managers, nor any of their respective affiliates or representatives, is making any representation to any offeree, subscriber or purchaser of the Subscription Rights or the Offer Shares regarding the legality of an investment in the Subscription Rights or the Offer Shares by such offeree, subscriber or purchaser under the laws applicable to such offeree, subscriber or purchaser. Each investor should consult their own advisors before purchasing the Subscription Rights or subscribing for the Offer Shares. Investors are required to make their independent assessment of the legal, tax, business, financial and other consequences of a purchase of the Subscription Rights or subscription for the Offer Shares. They are also required to make their independent assessment of the risks involved in the purchase of the Subscription Rights or subscription for the Offer Shares. Any tax consequences arising from an investor's participation in the Offering will be solely on account of such investor.

The Managers are acting exclusively for the Company and no-one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this document) as their respective client in relation to the Offering. The Managers will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

In connection with the Offering, each of the Managers and any of their respective affiliates, acting as an investor for its own account, may take up Subscription Rights or Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account any Subscription Rights or Offer Shares or related investments and may offer or sell such Subscription Rights or Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Offering Circular to shares being offered should be read as including any offering of the Subscription Rights or the Offer Shares to any of the Managers or any of their respective affiliates acting in such capacity. None of the Managers intend to disclose the extent of such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

FINNISH SECURITIES MARKET

The following summary is a general description of the Finnish securities market and it is based on the laws in force in Finland on the date of this Offering Circular. The following summary is not exhaustive.

General

The securities market in Finland is supervised by the FIN-FSA. The primary laws governing securities markets are the Finnish Securities Market Act (746/2012, as amended), which contains provisions in respect of, among others, company and shareholder disclosure obligations, prospectus requirements and public tender offers, the Prospectus Regulation ((EU) 2017/1129), containing regulation relating to, among others, on the duty to prepare a prospectus and its contents, as well as the Market Abuse Regulation (EU) No 596/2017 containing regulation relating to, among others, disclosure of inside information and the obligation of the issuer's management to notify transactions. The regulation governing admission of securities and other financial instruments to public trading and trading in listed financial instruments is compiled under the Act on Trading in Financial Instruments (748/2012, as amended). The role of the FIN-FSA is to monitor compliance with these provisions. The FIN-FSA may issue further detailed regulation based on delegation of authority under the Finnish Securities Market Act and other laws that entitle it to do so.

The Finnish Securities Market Act and the Market Abuse Regulation specify minimum disclosure requirements for companies applying to have their shares listed on the Helsinki Stock Exchange or whose securities are publicly traded or who offer their securities to the public. Insider information must be made public in a manner which enables fast access and complete, correct and timely assessment of the information by the public. A Finnish listed company, i.e. a company that has issued shares that are traded in a regulated market, is under an obligation to regularly publish financial information on the company as well as to inform the markets of any matters concerning the company which, if made public, would be likely to have a significant effect on the price of the financial instruments of the issuer.

A shareholder is required to notify, without undue delay, a Finnish listed company and the FIN-FSA when its voting rights in, or its percentage ownership of the total number of shares of such Finnish listed company reaches, exceeds or falls below 5, 10, 15, 20, 25, 30, 50 or 90 per cent or two thirds (66.67 per cent), calculated in accordance with the Finnish Securities Markets Act (flagging notification). A flagging notification must also be made when a shareholder is entitled to acquire, on the basis of a financial instrument, a number of shares that will reach, exceed or fall below the flagging threshold described above or, when the combined ownership share based either on direct holding or holding through financial instruments reaches, exceeds or falls below the flagging threshold described above. In this connection, the definition of financial instrument also refers to such financial instruments the value of which is determined on the basis of the company's share and which have a similar economic effect as a financial instrument that entitles its holder to receive the company's shares. A flagging notification must be made regardless of whether the underlying asset of the financial instrument will be settled physically or in cash. The notification must be submitted without an undue delay, however no later than on the following trading day after the shareholder was informed or should have known about such a change in the shareholder's voting rights or ownership. The shareholder shall be deemed to have been informed of the said transaction no later than two trading days after the transaction. When a listed company has received the above-mentioned information, it must disclose the information in a stock exchange release without undue delay.

According to the Finnish Securities Market Act, a shareholder, whose holding increases to more than 30 per cent or more than 50 per cent of the voting rights attached to shares in a company after the shares or securities entitling to such shares in the company have been entered into public trading on the regulated market, is obligated to make a public offer for all remaining shares and securities entitling to such shares in the company at fair value (mandatory takeover bid). Under the Finnish Companies Act (624/2006, as amended), a shareholder holding shares representing more than 90 per cent of all the shares and votes in a company has the right to redeem the remaining shares in the company at fair value (right of squeeze-out). In addition, a shareholder whose shares may be redeemed in the above-mentioned manner is entitled to demand redemption from the majority shareholder entitled to exercise redemption (right of sell-out). Detailed rules apply to the calculation of the proportions of shares and votes discussed above.

According to the Finnish Securities Market Act, a Finnish listed company shall directly or indirectly belong to an independent body representing the economy on a wide basis and established in Finland, which has issued a recommendation to promote compliance with good securities markets practice on the actions of the management of the offeree company with regard to a takeover bid (the "**Helsinki Takeover Code**"). According to the Finnish Securities Market Act, a listed company must provide an explanation for not committing to complying with the Helsinki Takeover Code.

The Financial Supervisory Authority must be notified of net short positions in shares listed on the Helsinki Stock Exchange in accordance with the Regulation (EU) No 236/2012 of the European Parliament and of the Council on short selling and certain aspects of credit default swaps. The obligation to notify net short positions applies to all investors and market participants. A net short position in relation to the shares of a company that has shares admitted to trading on a regulated market must be disclosed where the position reaches, exceeds or falls below the threshold of 0.2 per cent of the target company's issued share capital. A new notification must be submitted for each 0.1 per cent above the threshold. The FIN-FSA will publish any notified net short position that reaches, exceeds or falls below the threshold of 0.5 per cent of the target company's issued share capital on its website.

The Finnish Penal Code (39/1889, as amended), contains provisions relating to breach of disclosure requirements, the misuse of inside information, unauthorized disclosure of inside information and market manipulation. Acts described in such provisions have been criminalized. Pursuant to Market Abuse Regulation, the Finnish Securities Markets Act and the Finnish Act on the Financial Supervisory Authority (878/2008, as amended), the FIN-FSA has the right to impose administrative sanctions for breach of provisions relating to, among others, disclosure requirements, misuse of inside information, market manipulation and the obligation of issuer's management to notify transactions, with the exception of situations where preliminary investigation, consideration of charges or a pending criminal case in a court of law against the party in breach of such regulations is ongoing in relation to the same offence, or where the party has received a non-appealable sentence for the same act. The FIN-FSA can, for example, issue a public warning, prohibit the person involved to trade securities or impose administrative fines or penalty payments. The disciplinary board of the Helsinki Stock Exchange may give a warning or note or impose a disciplinary fine or order the company to be removed from the official list.

Trading and Settlement on the Helsinki Stock Exchange

Share trading on the Helsinki Stock Exchange occurs through automatic order matching. In carrying out share trades, the Helsinki Stock Exchange uses the INET Nordic trading platform, which is an order-based system in which buy and sell orders are matched as trades when the price and the volume information tally. In the INET Nordic trading platform, the trading day consists, as a general rule, of the following main phases: pre-trading, continuous trading, the closing auction and post-trading.

During the pre-trading session from 9:00 a.m. to 9:45 a.m., orders may be entered, changed or deleted. The opening call begins at 9:45 a.m. and ends at 10:00 a.m. Round lot orders entered during the pre-trading phase and existing orders that may be valid for more than one day are automatically transferred into the opening call. Continuous trading takes place between 10:00 a.m. and 6:25 p.m. Continuous trading begins sequentially immediately after the end of the opening call at 10:00 a.m., at which time the first share's opening price is determined, after which continuous trading in said share commences. Approximately ten minutes later, the opening prices of all the shares have been determined and trading based on market demand continues until 6:25 p.m. The closing auction begins at 6.25 p.m. and ends at approximately 6:30 p.m., when the closing prices are determined and when continuous trading ends as well. In post-trading between 6:30 p.m. and 7:00 p.m., the only trades that may be registered are contract trades for shares in after-hours trading. The shares will be registered at prices established during the trading day.

Trades are primarily cleared in Euroclear Finland's automated clearing and settlement system (Infinity system) on the second (2nd) banking day after the trade date (T+2) unless otherwise agreed by the parties.

Trading in securities on the Helsinki Stock Exchange and clearing of trades in Euroclear Finland takes place in euros, with the minimum tick size for trading quotations depending on the tick size table and being a minimum of EUR 0.0001. The price information is produced and published only in euros.

The Finnish Book-Entry Securities System

General

Any issuer established in the European Union that issues or has issued transferable securities which are admitted to trading or traded on trading venues, shall arrange for such securities to be represented in book-entry form. An issuer has the right to choose the central securities depository where the securities are admitted to trading. In Finland, the book-entry system is maintained by Central Securities Depository. In Finland, on the date of this Offering Circular, the Central Securites Depository is Euroclear Finland. Euroclear Finland maintains a book-entry securities register for both equity and debt securities. The registered office of Euroclear Finland is located at Urho Kekkosen katu 5C, FI-00100, Helsinki.

The Finnish Central Securities Depository keeps company-specific shareholder registers of the shareholders of companies on behalf of issuers. According to the Regulation (EU) No 909/2014, Central Securities Depositories are not obliged to offer shareholders book-entry accounts free of charge and sponsored by issuers, but a Central Securities Depository may offer such accounts based on a voluntary business decision. The account operators, which consist of, among others, banks, investment services companies and other institutions licensed to act as clearing parties by the Central Securities Depository, are entitled to make entries in the book-entry register and administer the book-entry accounts.

Registration

Shareholders of all companies entered into the book-entry securities system must establish a book-entry account with an account operator or register its securities through nominee registration in order to effect share entries. A Finnish shareholder may not hold his or her shares through a nominee registered account in the Finnish book-entry system. For shareholders who have not transferred their shares into book-entries, a joint book-entry account shall be opened with Euroclear Finland and the issuer is entered as the account holder. All transactions in securities registered with the book-entry securities system are executed as computerized book-entry transfers. The account operator confirms book-entry transfers by sending notifications of all transactions to the holder of the respective book-entry account. The account holders also receive an annual statement of their holdings as of the end of each calendar year.

Each book-entry account must give the particulars of the account holder and other holders of rights to the book-entries in the account or of the custodial account holder who manages the assets in the nominee-registered account, as well as information on the account operator for the account. The required information includes the type and number of the book-entry securities registered in the account as well as the rights and restrictions pertaining to the account and the book-entries. Any nominee-registered account must be identified when making entries in the account. Euroclear Finland and all the account operators are responsible for maintaining the confidentiality of the information they receive. However, a company must keep the shareholders' register accessible to everyone at the head office of the company or, if the company's shares are incorporated in the book entry system, at the registered office of the Central Securities Depository in Finland. The FIN-FSA is entitled to receive certain information on nominee registrations upon request.

Each account operator is liable for possible errors and omissions in the book-entry registers maintained by it and for any breach of data protection. However, if an account holder has suffered loss as a result of a faulty registration and the account operator is unable to compensate such a loss, such account holder is entitled to receive compensation from the statutory registration fund of Euroclear Finland. The capital of the registration fund must be at least 0.0048 per cent of the average of the total market value of the book-entries kept in the book-entry securities system during the last five (5) calendar years and it must be no less than EUR 20 million. The compensation to be paid to one injured party shall be equal to the amount of damage suffered by such an injured party from a single account operator, subject to a maximum amount of EUR 25,000. The liability of the registration fund to pay damages in relation to each incident is limited to EUR 10 million.

Custody of Securities and Nominee Registration

According to the Finnish laws, a non-Finnish shareholder may appoint an account operator (or certain non-Finnish organizations approved by the Central Securities Depository) to act as a custodial nominee account holder on its behalf. In some cases, nominee-registration of Finnish shareholders abroad may be possible by virtue of the Regulation (EU) No 909/2017 of the European Parliament and of the Council or other EU regulation or, if a Finnish company issues its shares in another EU country. A nominee-registered shareholder is entitled to receive dividends and to exercise all share subscription rights and other financial and administrative rights attached to the shares held in its name. A nominee-registered shareholder wishing to attend a General Meeting of Shareholders should seek a temporary registration in the shareholders' register. The notification of the temporary registration shall be made at the latest on the date set out in the notice to the General Meeting, which shall be after the record date of the General Meeting. A custodial nominee account holder or another nominee is required to disclose to the FIN-FSA and to the relevant issuer, upon request, the actual identity of the shareholder of any shares registered in the name of such a nominee, where the nominee-registered shareholder is known, as well as the number of shares owned by such nominee-registered shareholder. If the name of the nominee-registered shareholder is not known, the nominee is required to disclose said information in respect of the representative acting on behalf of the nominee-registered shareholder and to submit a written declaration to the effect that the actual shareholder is not a Finnish natural person or legal entity.

Finnish depositories for both Euroclear Bank, S.A./N.V. – as operator of Euroclear Finland – and Clearstream have custodial accounts within the book-entry securities system and, accordingly, non-Finnish shareholders may hold their shares listed on Helsinki Stock Exchange in their accounts in Euroclear Bank, S.A./N.V. and in Clearstream.

Shareholders wishing to hold their shares in the book-entry securities system in their own name but who do not maintain a book-entry account in Finland are required to open a book-entry account with an account operator as well as a bank account denominated in euros in Finland.

Compensation Fund for Investors

Under Finnish law, investors are divided into professional and non-professional investors. The definition of professional investors includes business enterprises and public entities which can be deemed to know the securities markets and the risks related thereto. A customer may also declare in writing that, on the basis of his or her professional skills and experience in investment activities, he or she is a professional investor. However, private investors are generally considered to be non-professional investors.

Credit institutions and such investment services companies managing or retaining clients' assets that do not provide solely intermediation or investment advisory services or organizing of multilateral trading must belong to a compensation fund for investors. The compensation fund safeguards payment of clear, indisputable receivables that are due when an investment services company or a credit institution, for a reason other than temporary insolvency, is not capable of paying the claims of investors within a determined period of time. Only claims of non-professional investors are paid by the compensation fund. An investor is paid 90 per cent of the investor's receivable, subject to a maximum amount of EUR 20,000. The compensation fund does not compensate for losses due to a fall in equity prices or incorrect investment decisions, whereby the customer is still responsible for the consequences of his or her investment decisions. If a bank becomes insolvent, customers of a credit institution shall be compensated from the Deposit Guarantee Fund for claims up to EUR 100,000. The funds of an investor are safeguarded either through the Deposit Guarantee Fund or the compensation fund. Accordingly, the same funds of an investor do not benefit from double protection.

TAXATION

The following summary is based on the tax laws of Finland as in effect on the date of this Offering Circlular, and is subject to changes in Finnish law, including changes that could have a retroactive effect on taxation. The following summary is not exhaustive and does not take into account or deal with the tax laws of any country other than Finland. Prospective investors are advised to consult their own professional tax advisors as to the Finnish or foreign tax consequences of the subscription, ownership and disposition of the Offer Shares and Subscription Rights. The tax laws of other jurisdictions may have an effect on the prospective investor and on the possible income of the Offer Shares and Subscription Rights, and prospective investors should consult their tax advisors with respect to the tax consequences applicable to their particular circumstances.

The following is a description of the material Finnish income tax consequences that may be relevant with respect to this Offering. The following description of Finnish domestic tax legislation relating to dividend distributions and capital gains arising from the sale of Offer Shares and Subscription Rights is applicable to natural persons and limited liability companies both resident and non-resident in Finland.

The following description does not address tax considerations applicable to the holders of the Offer Shares or Subscription Rights that may be subject to special tax rules, including, among others, different restructurings of corporations, controlled foreign corporations (CFC), non-business carrying entities, income tax-exempt entities or general or limited partnerships. Furthermore, this description addresses neither Finnish inheritance nor gift tax consequences.

This description is based on:

- The Finnish Income Tax Act (1535/1992, as amended);
- The Finnish Business Income Tax Act (360/1968, as amended);
- The Finnish Act on Taxation of Non-residents (627/1978, as amended); and
- The Finnish Transfer Tax Act (931/1996, as amended).

In addition, relevant case law as well as decisions and statements made by the tax authorities in effect and available on the date of this Offering Circular have been taken into account.

All of the foregoing is subject to change, which could apply retroactively and affect the tax consequences described below.

General

Residents and non-residents of Finland are treated differently for tax purposes. The worldwide income of persons resident in Finland is subject to taxation in Finland. Non-residents are taxed on Finnish source income only. In addition, any income received by a non-resident from a permanent establishment in Finland is subject to taxation in Finland. Finnish tax treaties may limit the applicability of the domestic tax legislation and also the right to tax the non-resident's income that is received from Finland.

Generally, an individual is deemed a resident of Finland if such individual stays in Finland for more than six consecutive months or if the permanent home and dwelling of such individual is in Finland. Earned income, including salary, is taxed at progressive rates. Capital income is currently taxed at a rate of 30 per cent. However, if the capital income exceeds EUR 30,000 during the calendar year, the tax for the exceeding amount is 34 per cent. Corporate entities established under the laws of Finland are regarded as residents of Finland and are subject to corporate income tax on their worldwide income. Currently, the corporate income tax rate is 20 per cent.

The following is a summary of certain Finnish tax consequences relating to the ownership and disposal of the Offer Shares and Subscription Rights by Finnish resident and non-resident shareholders. The summary also briefly addresses tax questions relating to the purchase of the Offer Shares and Subscription rights.

Taxation of Dividends and Equity Returns

Any distribution of assets from unrestricted equity fund (Chapter 13, Section 1, Subsection 1 of the Finnish Companies Act) by a publicly listed company, as defined in the Finnish Income Tax Act Section 33 a, Subsection 2 (the "**Listed Company**"), is taxed as distribution of dividends. Therefore, the following also applies to the distribution of funds from unrestricted equity fund of the Company.

Resident Individuals

85 per cent of dividends paid by a Listed Company to a Finnish individual shareholder is considered capital income of the recipient, taxable at the rate of 30 per cent (however, if the overall capital income exceeds EUR 30,000 during the calendar year, the tax for the exceeding amount is 34 per cent) while the remaining 15 per cent is tax-exempt.

Distribution of dividends by a Listed Company is obligated to cause advance tax withholding from dividends paid to resident individuals. Currently, the amount of the advance tax withholding is 25.5 per cent of the amount of the dividend. The advance tax withheld by the distributing company is credited against the final tax payable by the individual shareholder for the dividend received. Where shares are held through a nominee account by a Finnish resident individual the withholding rate is 50 per cent.

Resident individuals must review their pre-completed tax form to confirm that the received dividend income during the tax year is correct. If necessary, the taxpayer must report the correct amount of dividend income and the amount of prepaid income tax to the tax authorities, should these amounts be incorrectly entered in the pre-completed tax form.

Finnish Limited Liability Companies

Dividends received by a Listed Company from another Listed Company are generally tax-exempt. However, in case the shares are included in the investment assets of the shareholder (only financial, insurance and pension institutes may have investment assets referred to in this context), 75 per cent of the dividend is taxable income while the remaining part of the dividend is tax-exempt.

Dividends received by a non-listed Finnish company from a Listed Company are generally taxable income with respect to 100 per cent of the dividend. However, in cases where the non-listed company directly owns 10 per cent or more of the share capital of the Listed Company distributing the dividend, the dividend received on such shares is tax-exempt provided that the shares are not included in the investment assets of the shareholder. If the shares are included in the investment assets of the shareholder, 75 per cent of the dividend is taxable income while the remaining part of the dividend is tax-exempt.

Where shares are held through a nominee account by a Finnish resident company the withholding rate is 50 per cent.

Non-residents

Dividends paid by a Finnish company to non-residents are subject to Finnish withholding tax. The withholding tax as a final tax at source is withheld by the company distributing the dividend at the time of the dividend payment. The withholding tax rate for a dividend received by a non-resident individual shareholder is 30 per cent whereas the withholding tax rate for a dividend received by a non-resident company is 20 per cent unless otherwise set forth in an applicable tax treaty.

Finland has entered into double tax treaties with many countries pursuant to which the withholding tax rate on dividends paid to persons entitled to the benefits under such treaties is reduced. For example, in the case of the treaties with the following countries, Finnish withholding tax rate regarding dividends of portfolio shares is generally reduced to the following per centages: Austria: 10 per cent; Belgium: 15 per cent; Canada: 15 per cent; Denmark: 15 per cent; France: 0; Germany: 15 per cent; Ireland: 0; Italy: 15 per cent; Japan: 15 per cent; the Netherlands: 15 per cent; Norway: 15 per cent; Spain: 15 per cent; Sweden: 15 per cent; Switzerland: 10 per cent; the United Kingdom: 0; and the United States: 15 per cent. This list is not exhaustive. A further reduction in the withholding tax rate is usually available to corporate shareholders for dividend distributions on qualifying holdings (usually ownership of at least 10 or 25 per cent of the share capital or voting rights of the distributing company).

The benefit of reduced withholding rate in an applicable tax treaty will be available if the receiver of the dividend has provided to the payer of the dividend required details on the applicability of the tax treaty.

Where shares in a Finnish company are held through a nominee account, the Finnish distributing company pays the dividends to the nominee account managed by the custodian, who then delivers the dividend payment to the beneficial owner. If such beneficial owner holding the shares through a nominee account is a resident in a tax treaty country, the withholding tax rate is the tax rate set forth in the relevant tax treaty. However, the withholding rate is always at least 15 per cent provided that the payer (dividend distributing company or Finnish custodian entity) has confirmed the applicability of the tax treaty to the person beneficially entitled to the dividend in a reasonably diligent manner. If the tax rate set forth in the tax treaty is less than 15 per cent, an application for the refund of the excess withholding tax may be submitted together with the necessary details on the beneficiary owner's nationality and identity. This means that with respect to dividend paid on shares held through a nominee account, a withholding tax pursuant to the applicable tax treaty or at least at the rate of 15 per cent is withheld without a thorough clarification of the person beneficially entitled to the dividend. Such procedure, however, requires that the foreign custodian intermediary is registered in the Finnish tax authorities' register and that it is resident in a country Finland has a tax treaty with. In addition, the foreign custodian intermediary must have an agreement with the Finnish account operator with regard to the custody of the shares. In this agreement the foreign asset manager intermediary, among others, commits to report the dividend receiver's residential country to the account operator and to provide additional information to the tax authorities, if needed. If these provisions are not fulfilled, the 30 per cent withholding tax for non-resident individuals and the 20 per cent withholding for non-resident companies will be withheld on the nominee account's dividends.

The above-mentioned rules regarding shares in a Finnish company held through a nominee account have been amended. These changes will come into force on 1 January 2021 and be applicable to dividend distributions made on or after 1 January 2021. In summary, the new rules abolish the simplified procedure currently applied to shares held through a nominee account and tighten the conditions for the application of the withholding tax rates set forth in applicable tax treaties. Further, the new rules increase the withholding tax rate applied to unidentified beneficial owners to 35 per cent.

Foreign Companies Residing in the European Union Member States

No withholding tax is levied under Finnish tax laws on dividends paid to foreign corporate entities that reside, and are subject to corporate tax, in an EU member state as specified in Article 2 of the Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different member states (Parent Subsidiary Directive), as amended by the Council Directive EU2013/13/EU and 2017/86/EU, and that directly hold at least 10 per cent of the capital of the dividend distributing Finnish company.

Foreign Companies Residing in the European Economic Area

Dividends paid to certain foreign companies residing in the European Economic Area are either tax-exempt in full or a lowered rate of withholding tax is applied depending on how the dividend would be taxed if paid to a corresponding Finnish corporate entity.

No withholding tax will be levied in Finland from dividends paid by a Finnish company to a non-resident entity, if (i) the entity receiving the dividend resides in the European Economic Area; (ii) the Council Directive 2011/16/EU on Administrative Cooperation in the Field of Taxation and Repealing Directive 77/799/EEC as amended by the Council Directive (EU) 2015/2376 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation, or an agreement on mutual assistance and information exchange in tax matters applies to the home state of the receiver of the dividends; and (iii) the company receiving dividend is equivalent to a Finnish entity defined in the Finnish Income Tax Act Section 33d, Subsection 4 or in Section 6a of the Finnish Business Income Tax Act; (iv) the dividend would be tax-exempt in full if paid to a corresponding Finnish limited liability company (see above " − *Finnish Limited Liability Companies"*): and (v) the entity provides a report (a certificate from the home member state's tax authority) clarifying that in accordance with the treaties on avoiding double taxation applicable in the home state of the receiver of dividends, the withholding tax cannot be reimbursed in full.

If dividend is paid to a foreign company that fulfils the requirements presented above in section (iii) and resides in a country which fulfils the criteria set out in sections (i) and (ii) above, but the dividend would be only partly tax exempt if it was paid to a corresponding Finnish entity (see above "− *Finnish Limited Liability Companies"*), a withholding tax will be withheld on the dividends (see above "– *Non-residents*")*,* but the withholding tax for such dividends will be lowered to 15 per cent (instead of 20 per cent). Thus, notwithstanding entities as defined in the Parent Subsidiary Directive, which fulfil the criteria for tax exemption by directly owning at least 10 per cent of the capital of the Finnish company paying the dividends (see above "– *Foreign Companies Residing in the European Union Member States*"), the withholding tax rate of 15 per cent will be applied to dividends paid to a foreign entity, if the shares of the Finnish company paying dividends belong to the investment assets of the company receiving the dividends. Depending on the applicable treaty on avoiding double taxation, the applicable withholding tax can also be lower than 15 per cent (see above "– *Non-residents*").

Foreign Individuals Residing in the European Economic Area

The dividends paid to a foreign non-resident individual can upon request by the individual in question be taxed, instead of as withholding tax (see above "– *Non-residents*"), in accordance with the Act on Assessment Procedure (1558/1995, as amended) and thus similarly as resident individuals in Finland are taxed (see above "– *Resident Individuals*"), provided that (i) the individual receiving the dividend resides in the European Economic Area; (ii) the Council Directive 2011/16/EU on Administrative Cooperation in the Field of Taxation and Repealing Directive 77/799/EEC, as amended by the Council Directive (EU) 2015/2376 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation, or an agreement on mutual assistance and information exchange in tax matters applies to the home state of the receiver of the dividend; and (iii) the individual provides a report (a certificate from the home member state's tax authority) clarifying that in accordance with the treaties on avoiding double taxation applicable in the home state of the receiver of dividends, the withholding tax cannot be reimbursed in full.

Capital Gains Taxation

Resident Individuals

Capital gain or loss arising from the sale of the Offer Shares or the Subscription Rights (other than in the context of business activities) is taxable as capital gain or as capital loss deductible from capital gains for resident individuals. Capital gains are currently taxed at a rate of 30 per cent (however, if the overall capital income exceeds EUR 30,000 during the calendar year, the tax for the exceeding amount is 34 per cent). If the disposition of shares is connected to the business activities (business income source) of the seller, any gain arising from the sale is deemed to be a the seller's business income, which will be divided according to the Finnish Income Tax Act to be taxed as earned income at a progressive tax rate and capital income at a flat rate of 30 per cent (however, if the overall capital income exceeds EUR 30,000 during the calendar year, the tax for the exceeding amount is 34 per cent).

Any capital gain or loss is calculated by deducting the original acquisition cost and sales related expenses from the sales price. Alternatively, individuals may, instead of deducting the actual acquisition costs, choose to apply a so-called presumptive acquisition cost, which is equal to 20 per cent of the sales price or, if the shares have been held for at least ten years, 40 per cent of the sales price. If the presumptive acquisition cost is used instead of the actual acquisition cost, any sales related expenses are deemed to be included therein and, therefore, may not be separately deducted from the sales price.

When a shareholder sells its Offer Shares subscribed for in the Offering, the date of acquisition of the Offer Shares is deemed to be the date of acquisition of the underlying shares based on which the shareholder received the Subscription Rights. The acquisition costs of the shares are determined by dividing the total of the acquisition costs of the previously owned shares and the subscription prices of the new Shares subscribed based on the previously owned shares by the total number of the shares based on which the new Shares have been subscribed and the subscribed new Shares. When a shareholder sells the Subscription Rights it has received in connection with the Offering without exercising them for subscribing for the Offer Shares in the Offering, the acquisition cost of the Subscription Rights is deemed to be zero and in such shareholder's taxation the date of acquisition for the Subscription Rights is deemed to be the date of acquisition of the underlying shares entitling to the Subscription Rights. Consequently, the presumptive acquisition cost of 20 per cent or, if the underlying shares have been owned for ten years or more, of 40 per cent may be used in calculating the capital gains resulting from the sales of Subscription Rights.

If the Offer Shares have been subscribed for by the virtue of purchased Subscription Rights, the acquisition date of the Offer Shares shall be deemed to be the date when the Subscription Rights were purchased. The said date shall also determine the applicable amount of presumptive acquisition cost. If the seller wishes to use the actual acquisition costs in connection with the sale of the shares so subscribed, the capital gains or losses shall be calculated by deducting the acquisition cost of both the Subscription Rights and the Offer Shares (and sales related expenses) from the sales price. If purchased Subscription Rights are sold without exercising them for subscribing for the Offer Shares in the Offering, the seller may choose whether the presumptive acquisition cost is used or whether the acquisition cost is deemed to be the actual aggregate of acquisition cost of the Subscription Rights and the sales related expenses.

A capital loss arising from the sale of securities, such as the Offer Shares, is primarily deductible from the resident individual's capital gains and secondarily from other capital income arising in the same year and during the following five calendar years. Capital losses will not be taken into account when calculating the capital income deficit for the calendar year in question. Thus, such capital losses do not affect the amount of the deficit.

Notwithstanding the above, capital gains arising from the sale of assets, such as the Offer Shares, are exempt from tax provided that the proceeds of all assets sold by the resident individual during the calendar year do not, in the aggregate, exceed EUR 1,000 (not including proceeds of assets the sale of which is tax-exempt pursuant to Finnish tax laws). Correspondingly, capital losses are not tax deductible if the acquisition cost of all assets sold during the calendar year does not, in the aggregate, exceed EUR 1,000 and also the proceeds of all assets sold by the resident individual during the calendar year do not, in the aggregate, exceed EUR 1,000.

An individual resident in Finland has to enter information regarding the sale of securities (such as the Offer Shares or Subscription Rights) occurred during the relevant calendar year on the pre-completed tax form.

Finnish Limited Liability Companies

The following applies only to Finnish limited liability companies taxed in accordance with the Finnish Business Income Tax Act. Generally, capital gain arising from the Offer Shares or Subscription Rights is taxable income of the limited liability company.

Shares may be fixed assets, current assets, investment assets (only financial, insurance and pension institutes may have investment assets referred to in this context), financial assets or other assets of a limited liability company. The taxation of a disposal of shares and loss of value may vary according to the asset type for which the shares qualify. The Finnish tax legislation concerning limited liability companies (and some other entities) has changed. The changes are applied for the first time in the income tax assessment of tax year 2020. As a result of the changes, shares may only exceptionally qualify as other than business income source assets of a limited liability company. The provisions of the Finnish Income Tax Act are applied to the capital gains arising from the sale of assets from other income source.

Any sales price from the sale of shares is generally included in the business income of a Finnish company. The acquisition cost of the shares is similarly deductible from business income upon disposal of the shares. However, a participation exemption for capital gains on share disposals is available for Finnish limited liability companies, provided that certain strictly defined requirements are met. Under the participation exemption and except for investment companies, capital gains arising from the sale of shares that are part of the fixed assets of the selling company are not considered as taxable business income and, correspondingly, capital losses incurred on the sale of such shares are not tax deductible, provided, among others, that (i) that the selling company has continuously owned at least 10 per cent of the share capital in the company whose shares are sold and such sold shares have been owned for at least one year, which period has ended no later than one year before the sale, (ii) the company whose shares have been sold is not a real estate or residential housing company or limited liability company whose activities, on a factual basis, consist of ownership or possession of property, and (iii) the company whose shares are sold is resident in Finland or a company meant in Article 2 of the Parent-Subsidiary Directive or it is resident in a country with which Finland has entered into a tax treaty for the elimination of double taxation which is applicable to dividends. Further, based on case law, the application of the participation exemption also requires among other things, that there is an operational connection between the company disposing of the shares and the company whose shares are being sold.

Tax deductible capital losses pertaining to the sale of shares (other shares than shares sold under the participation exemption) that are part of the fixed assets of the selling company can only be deducted from capital gains arising from the sale of shares included in the fixed assets in the same fiscal year and the subsequent five years. Tax deductible capital losses arising from the sale of shares belonging to other assets are tax deductible only from capital gains arising from the sale of other assets in the same fiscal year and the subsequent five years. Capital losses pertaining to the sale of shares that are not part of fixed assets or other assets are tax deductible from taxable income in the same fiscal year and the subsequent ten years in accordance with the general rules concerning losses carried forward.

Non-residents

Non-residents are generally not tax liable in Finland on capital gains realized on the sale of shares or subscription rights of a Finnish company, unless the non-resident taxpayer is deemed to have a permanent establishment in Finland as meant in the Finnish Income Tax Act and the shares are considered as assets of that permanent establishment.

Finnish Transfer Tax

In Finland, transfer tax is not payable in connection with the issuance or subscription of new shares. Transfer tax is generally not payable on the transfer of shares or subscription rights subject to public trading against fixed cash consideration. The transaction is not subject to transfer tax provided that an investment company or a foreign investment service company or another investment service provider, as defined in the Finnish Investment Services Act (747/2012, as amended), is brokering or serving as a party to the transaction or that the transferee has been approved as a trading party in the market where the transfer is executed. If the transferee's broker or other party to the transfer is not a Finnish investment firm, Finnish credit institution or Finnish branch or office of a foreign investment firm or credit institution, the transfer will be tax exempt provided that the transferee liable for tax notifies the Finnish tax authorities of the transfer within two months thereof or that the broker submits an annual declaration concerning the transfer to the Finnish Tax Administration as set forth in the Finnish Act on Assessment Procedure (1588/1995 as amended). Tax exemption does not apply to transfers executed as capital investments or distribution of funds or to transfers in which consideration comprises whether in full or in part of work contribution, or to certain other transfers set out in the Finnish Transfer Tax Act. Accordingly, in case law it has been considered that if an incentive scheme remuneration of key persons is paid in money and the receiver of the remuneration is obliged to purchase shares in the Listed Company with a part of the cash remuneration, consideration of the share purchase comprises in full or in part of work contribution, and is thus subject to transfer tax.

The buyer is liable to pay transfer tax amounting to 1.6 per cent of the transaction price in share transfers that do not fulfil the above criteria (2.0 per cent on transfers of shares in a company qualified as a real estate company under the transfer tax act). If the buyer in that case is not generally liable for tax in Finland or a foreign credit institution's or an investment firm's or a fund management company's or an EEA alternative investment fund manager's Finnish branch, the seller must charge the tax from the buyer. If the broker is a Finnish stockbroker or a credit institution or a foreign stockbroker's or credit institution's Finnish branch, it is liable to charge the transfer tax from the buyer and effect the payment on the buyer's behalf. If neither party to the transaction is generally liable for tax in Finland or a foreign credit institution's or an investment firm's or a fund management company's or an EEA alternative investment fund manager's Finnish branch, transfer tax will not be payable on the transfer of shares (excluding transfers of qualified real estate company shares). No transfer tax is levied if the amount of the tax is less than EUR 10.

SELLING AND TRANSFER RESTRICTIONS

Restrictions on Offers and Sales in United States

The Offering has not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of such regulatory authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

The Subscription Rights and the Offer Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws in the Unites States. Accordingly, the Subscription Rights may not be offered, sold, purchased or exercised, directly or indirectly, in the United States, and the Offer Shares may not be subscribed for, offered or sold, directly or indirectly, in the United States, unless in either case they are registered under the U.S. Securities Act or are subject to an exemption from the registration requirements of the U.S. Securities Act. The Subscription Rights and the Offer Shares are only to be offered and sold outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act.

Although all existing shareholders of the Company, regardless of the jurisdiction in which they reside, will be allocated Subscription Rights, due to such restrictions under applicable laws and regulations, the Company expects that certain shareholders and investors residing in the United States may not be able to receive this Offering Circular and may not be able to exercise the Subscription Rights or subscribe for the Offer Shares.

Each purchaser of the Subscription Rights and Offer Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed as follows:

1. The purchaser is purchasing Subscription Rights and/or Offer Shares in an offshore transaction meeting the requirements of Regulation S.

2. The purchaser has not purchased the Subscription Rights and/or the Offer Shares as a result of any directed selling efforts.

3. The purchaser is aware that the Subscription Rights and Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to restrictions on transfer.

4. The purchaser will not offer, sell, pledge, or transfer any Subscription Rights or Offer Shares, except in accordance with the U.S. Securities Act and any applicable laws of any state of the United States and any other jurisdictions.

5. The purchaser is not engaged in the business of distributing securities or, if it is, the purchaser agrees that it will not offer or sell in the United States (a) any Subscription Rights and Offer Shares that it acquires in the Offering at any time or (b) any Subscription Rights and Offer Shares that it acquires other than in the Offering until 40 days after the date hereof, except in both cases in transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act.

6. The Company shall not recognize any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions.

Restrictions on Offers and Sales in the European Economic Area and the United Kingdom

In relation to each relevant member state of the EEA (each, a "**Relevant Member State**") and the United Kingdom, this Offering Circular is only addressed to, and is only directed at, investors (including existing shareholders of the Company) in that Relevant Member State, or in the United Kingdom, that fulfil the criteria for exemption from the obligation to publish a prospectus, including qualified investors, within the meaning of the Prospectus Regulation as implemented in each such Relevant Member State or the United Kingdom.

This Offering Circular has been prepared on the basis that all offers of Subscription Rights and Offer Shares, other than the offer contemplated in Finland, will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus for offers of Subscription Rights and Offer Shares. Accordingly, any person making or intending to make any offer within the EEA or in the United Kingdom of Subscription Rights and Offer Shares which is the subject of the placement contemplated in this Offering Circular should only do so in circumstances in which no obligation arises for the Company or any of the Managers to produce a prospectus for such offer. Neither the Company nor the Managers have authorised, nor does any of the Company or the Managers authorise, the making of any offer of Subscription Rights and Offer Shares through any financial intermediary, other than offers made by the Managers which constitute the final placement of Offer Shares contemplated in this Offering Circular.

The Subscription Rights and Offer Shares have not been, and will not be, offered to the public in any Relevant Member State, or in the United Kingdom, other than Finland. Notwithstanding the foregoing, an offering of the Subscription Rights and the Offer Shares may be made in a Relevant Member State and in the United Kingdom: (i) to any qualified investor as defined in the Prospectus Regulation; (ii) to fewer than 150 natural or legal persons per Relevant Member State and the United Kingdom (other than qualified investors as defined in the Prospectus Regulation subject to obtaining the prior consent of the Joint Global Coordinators); (iii) to investors who acquire Subscription Rights or Offer Shares for a total consideration of at least EUR 100,000 per investor, for each separate offer; (iv) in any other circumstances falling within Article 1(4) of the Prospectus Regulation; provided that no such offer of Subscription Rights or Offer Shares shall result in a requirement for the publication by the Company or any of the Managers of a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplementary prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Subscription Rights and Offer Shares in any Relevant Member State, or in the United Kingdom, means the communication in any form and by any means of sufficient information on the terms of the Offering, the Subscription Rights and the Offer Shares so as to enable an investor to decide to purchase Subscription Rights and purchase or subscribe for Offer Shares.

United Kingdom Restrictions

In addition to the EEA restriction above, in the United Kingdom, this Offering Circular is being distributed only to, and is directed only at, and any offer subsequently made in relation to any Subscription Rights and Offer Shares may only be directed at persons who are "qualified investors" (as defined in the Prospectus Regulation) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**Relevant Persons**"). This Offering Circular must not be acted on or relied on in the United Kingdom by persons who are not Relevant Persons. In the United Kingdom, any investment or investment activity, to which this Offering Circular relates, is only available to, and will be engaged in with, Relevant Persons.

Although all existing shareholders of the Company, regardless of the jurisdiction in which they reside, will be allocated Subscription Rights, due to restrictions under applicable laws and regulations in jurisdiction outside of Finland, certain existing shareholders may not be able to receive this Offering Circular and may not be able to exercise their allocated Subscription Rights and to subscribe for the Offer Shares. The Company makes no offer or solicitation to any person under any circumstances that may be unlawful.

Restrictions on Offers and Sales in Canada, Australia and Japan

This Offering Circular may not be distributed or otherwise made available, the Offer Shares may not be offered, sold or subscribed for, directly or indirectly, and the Subscription Rights may not be offered, sold, purchased or exercised, directly or indirectly, in Canada, Australia or Japan, unless such distribution, offering, sale, acquisition, exercise or subscription is permitted under applicable laws of the relevant jurisdiction, and the Company and the Joint Global Coordinators receive satisfactory documentation to that effect.

Due to such restrictions under applicable laws and regulations, the Company expects that certain shareholders and investors residing in Canada, Australia, Japan and other jurisdictions may not be able to receive this Offering Circular and may not be able to exercise the Subscription Rights or subscribe for the Offer Shares. No offer and no solicitation to any person are being made by the Company in any jurisdiction or under any circumstances that would be unlawful.

Information to Distributors

Solely for the purposes of the product governance requirements contained within the MiFID II Product Governance Requirements, and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the securities that are the subject of the Offering have been subject to a product approval process, which has determined that the Subscription Rights and the Offer Shares comply with the Target Market Assessment. Notwithstanding the Target Market Assessment, distributors should note that: the price of the Subscription Rights and the Offer Shares may decline and shareholders and investors could lose all or part of their investment; the Subscription Rights and the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Subscription Rights and the Offer Shares is compatible only with shareholders and investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties (except for a public offering to shareholders and investors in Finland conducted pursuant to a separate prospectus that has been approved by and registered with the FIN-FSA).

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any shareholder or to any investor or group of shareholders or group of investors to invest in, or purchase, or take any other action whatsoever with respect to, the Subscription Rights and Offer Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Subscription Rights and the Offer Shares and determining appropriate distribution channels.

LEGAL MATTERS

Certain legal matters in connection with the Offering have been passed upon for the Company by Roschier, Attorneys Ltd. and certain EU state aid related advice has been passed upon for the Company by Borenius Attorneys Ltd. Certain legal matters in connection with the Offering have been passed upon for the Managers by White & Case LLP.

INFORMATION INCORPORATED BY REFERENCE

The Company's consolidated financial statements for the financial year ended 31 December 2019 and unaudited consolidated interim report for the three months ended 31 March 2020 are incorporated into and form part of the Offering Circular by reference. The non-incorporated information in the documents incorporated by reference is not relevant for investors or can be found elsewhere in the Offering Circular. The referenced documents are available on the Company's website at www.finnair.com/rightsissue.

Document	**Information by reference**
Finnair Group Annual Report 2019, pages 43–98	Audited consolidated financial statements and the auditor's report for the financial year ended 31 December 2019
Finnair Group Interim Report 1 January–31 March 2020	Unaudited consolidated interim report for the three months ended 31 March 2020

DOCUMENTS ON DISPLAY

In addition to the documents incorporated by reference, the Company's Finnish language Articles of Association, the Finnish Prospectus and this Offering Circular are available on the Company's website at www.finnair.com/rightsissue.

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