Financial review
January–March 2019
7 May 2019

FINNLINES Q1

JANUARY–MARCH 2019: Revenue increased to EUR 137.6 million

- Revenue EUR 137.6 (134.9 in 2018) million, increase 2.0 per cent
- Result before interest, taxes, depreciation and amortisation (EBITDA) EUR 34.2 (34.3) million, decrease 0.3 per cent
- Result for the reporting period EUR 16.2 (16.5) million, decrease 1.9 per cent
- Interest-bearing debt decreased by EUR 43.5 million and was EUR 448.8 (492.3) million at the end of the period

KEY FIGURES

MEUR	1–3 2019	1–3 2018	1–12 2018
Revenue	**137.6**	134.9	589.4
Result before interest, taxes, depreciation and amortisation (EBITDA)	**34.2**	34.3	166.4
Result before interest and taxes (EBIT)	**18.1**	19.0	104.9
% of revenue	**13.1**	14.1	17.8
Result for the reporting period	**16.2**	16.5	95.1
Shareholders' equity/share, EUR	**13.2**	12.3	12.9
Equity ratio, %	**53.4**	50.5	53.3
Net debt/EBITDA	**2.7**	3.1	2.7
Interest-bearing debt, MEUR	**448.8**	492.3	452.8
Gearing, %	**65.6**	77.3	68.1

EMANUELE GRIMALDI, PRESIDENT AND CEO, IN CONJUNCTION WITH THE REVIEW:

"The Finnlines Group's revenue for January–March 2019 was EUR 137.6 million, which was an increase of 2.0 per cent compared to the same period last year. The result for the reporting period was EUR 16.2 million compared to EUR 16.5 million in January–March 2018. Earnings before interest, taxes, depreciation and amortisation, EBITDA, was EUR 34.2 million compared to EUR 34.3 million in January–March 2018. This result can be considered to be very good taken into account the fact that the growth of Finnish exports and imports has slowed down compared to the previous year.

About 90 per cent of foreign trade is transported by sea globally and shipping is of high importance to the Finnish industry and welfare. In 2018, sea transport volumes rose to an all-time high – Finnish sea transport increased to a record level and was 103.8 million tonnes. Thus, maritime transport is vital to Finland's foreign trade and, in particular, requires modern, frequent and regular liner traffic services, which Finnlines offers to its customers. Finnlines operates in the Baltic Sea, the North Sea and the Bay of Biscay.

Finnlines is committed to the IMO's (International Maritime Organization) GHG strategy. The goal is to reduce CO2 emissions by at least 50 per cent by 2050 compared to 2008. We have ordered three modern, green ro-ro vessels to add up further 17,500 lane metres to our services. Further resources will be invested in a new series of modern large green ro-pax vessels to be delivered within a time span of three to four years. These vessels will be our Superstar ro-pax vessels which will carry around 1,100 passengers and they will also meet the highest technical and environmental standards.

Through these investments, which total around EUR 500 million, Finnlines continues to deploy larger and larger vessels in both the ro-pax and ro-ro segments, creating better economies of scale. We have already improved the utilisation of our existing fleet and this way we continue our efforts on further improving our operational and environmental efficiency. These major investments will further contribute to reducing fuel consumption as well as CO2 and other emissions.

We continue to focus on our customers and sustainability. With our rejuvenated vessels we can keep our reliability and efficiency on a high level. Automatisation, digitalisation, and the development of emission-reduction technology will push our industry towards a low carbon future. Furthermore, our EUR 500 million investments in new technology, digitalisation, and green shipping prove that we are dedicated to be the forerunner of that development. Reducing fuel consumption and emissions means we remain both competitive and firm in our commitment to contribute to cleaner shipping. We are also on track to deliver a very good result again in 2019, and to achieve our strategic goals – both financial and environmental."

FINNLINES PLC, FINANCIAL REVIEW JANUARY–MARCH 2019 (unaudited)

FINNLINES' BUSINESS

Finnlines is a leading shipping operator of ro-ro and passenger services in the Baltic Sea, the North Sea and the Bay of Biscay. The Company's passenger-freight vessels offer services from Finland to Germany and via the Åland Islands to Sweden, as well as from Sweden to Germany. Finnlines' ro-ro vessels operate in the Baltic Sea, the North Sea and the Bay of Biscay. The Company has subsidiaries or sales offices in Germany, Belgium, Great Britain, Sweden, Denmark and Poland, which all are also sales offices. In addition to sea transportation, the Company provides port services in Helsinki and Turku.

As an agent for Grimaldi Lines and Atlantic Container Line (ACL) in Finland and Russia, Finnlines connects Helsinki, St. Petersburg and Paldiski with the Grimaldi Group network in the Mediterranean, West Africa, as well as the Atlantic coast of both North and South America.

GROUP STRUCTURE

Finnlines Plc is a Finnish public limited company, which operates under Finnish jurisdiction and legislation. At the end of the reporting period, the Group consisted of the parent company and 19 subsidiaries.

Finnlines Plc is fully owned by the Grimaldi Group, which is one of the world's largest operators of ro-ro vessels and the largest operator of the Motorways of the Sea in Europe for both passengers and freight. The Grimaldi Group, headquartered in Naples, operates a fleet of more than 120 vessels and employs approximately 15,000 people. It serves over 120 ports in 50 countries in the Mediterranean Sea, North Europe, West Africa, North and South America. The Grimaldi Group comprises seven shipping companies, including Finnlines, Atlantic Container Line (ACL), Malta Motorways of the Sea (MMS) and Minoan Lines.

GENERAL MARKET DEVELOPMENT

Based on the statistics by Traficom for January–February, the Finnish seaborne imports carried in container, lorry and trailer units (measured in tons) decreased by 2 per cent and exports decreased by 6 per cent. During the same period, private and commercial passenger traffic between Finland and Sweden decreased by 4 per cent. Between Finland and Germany, the corresponding traffic decreased by 1 per cent (Traficom).

FINNLINES' TRAFFIC

In the beginning of January 2019, Finnlines redelivered MS Finncarrier from a temporary bareboat charter arrangement back to its owners, when the last lengthened vessel, MS Finnsea, returned to traffic after conversion at the end of 2018. Since then all six lengthened vessels of the Breeze series have been deployed in Finnlines traffic.

During the first quarter, Finnlines operated on average 20 (20) vessels in its own traffic.

The cargo volumes transported during January–March totalled approximately 188 (187 in 2018) thousand cargo units, 43 (40) thousand cars (not including passengers' cars) and 287 (304) thousand tons of freight not possible to measure in units. In addition, some 122 (125) thousand private and commercial passengers were transported.

FINANCIAL RESULTS

January–March 2019

The Finnlines Group recorded revenue totalling EUR 137.6 (134.9) million in the reporting period, an increase of 2.0 per cent compared to the same period in the previous year. Shipping and Sea Transport Services generated revenue amounting to EUR 131.8 (129.0) million, of which passenger related revenue was EUR 7.4 (7.1) million. The revenue of Port Operations was EUR 11.0 (11.4) million. The development of cargo volumes was modest in most routes. The internal revenue between the segments was EUR 5.3 (5.5) million.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 34.2 (34.3) million, a decrease of 0.3 per cent.

Result before interest and taxes (EBIT) was EUR 18.1 (19.0) million.

As a result of the improved financial position, net financial expenses decreased to EUR -2.1 (-2.7) million. Financial income was EUR 0.0 (0.0) million and financial expenses EUR -2.2 (-2.7) million. Result before taxes (EBT) decreased by EUR 0.3 million and was EUR 16.0 (16.3) million. The result for the reporting period was EUR 16.2 (16.5) million.

STATEMENT OF FINANCIAL POSITION, FINANCING AND CASH-FLOW

The Company completed the Energy Efficiency and Emission Reduction Investment Programme and interest-bearing debt decreased by EUR 43.5 million to EUR 448.8 (492.3) million, excluding leasing liabilities of EUR 17.5 (2.1) million. Leasing liabilities increased due to implementation of IFRS 16. Net interest-bearing debt at the end of period was EUR 447.2 (487.8) million. Net interest-bearing debt/EBITDA (rolling 12 months) ratio amounted to 2.7 (3.1) and the equity ratio calculated from the balance sheet was 53.4 (50.5) per cent. Gearing resulted in 65.6 (77.3) per cent.

The Group's liquidity position is strong and at the end of the period, cash and cash equivalents together with unused committed credit facilities amounted to EUR 137.5 (156.2) million.

Net cash generated from operating activities remained strong and was EUR 26.7 (18.8) million.

CAPITAL EXPENDITURE

The Finnlines Group's gross capital expenditure in the reporting period totalled EUR 27.6 (86.3) million, including tangible and intangible assets. Total depreciation and amortisation amounted to EUR 16.1 (15.3) million. The investments consist of normal replacement expenditure of fixed assets, lengthening of ro-ro vessels, new cargo handling equipment, dry-dockings, and prepayments of ro-ro newbuildings.

After having successfully completed the Energy Efficiency and Emission Reduction Investment Programme in December 2018, Finnlines started the year 2019 with a total fleet capacity that had grown with some 7,000 lane metres compared to the previous offering. This combined with the investments made in improved passenger comfort has further strengthened the Company's position as one of the top tier providers of high-quality ro-ro and ro-pax services in Northern Europe.

Finnlines' investment strategy is not only limited to refurbishing, retrofitting and developing the existing fleet, but also to renew its tonnage. A good example are the three ice-class newbuildings earmarked for Finnlines from the Grimaldi Group-wide orderbook. Further to this project, Finnlines is also about to order ro-pax vessels which will ensure that Finnlines will be setting new environmental standards for combined passenger and cargo transports within the Baltic Sea.

With the constant strive to improve efficiency and fight against climate change, the Company is also looking into the shore side operation to implement innovative solutions. Here the development and investment of unique patented cargo handling equipment is worth mentioning, which contributes to shorter turnaround times in port and further improves Finnlines' safe, reliable and efficient services.

The measures taken to grow with Finnlines' customers will strongly contribute to improved long-term profitability and continued ability to remain on the front line of the maritime R&D revolution.

PERSONNEL

The Group employed an average of 1,550 (1,618) persons during the reporting period, consisting of 850 (910) persons at sea and 700 (708) persons on shore. The number of persons employed at the end of the period was 1,549 (1,624) in total, of which 850 (922) at sea and 699 (702) on shore. The number of sea personnel decreased due to the bareboat charter out of MS Finnclipper since June 2018.

The personnel expenses (including social costs) for the reporting period were EUR 21.5 (22.7) million.

THE FINNLINES SHARE

The Company's paid-up and registered share capital on 31 March 2019 totalled EUR 103,006,282. The capital stock consisted of 51,503,141 shares.

Finnlines Plc is fully owned by the Grimaldi Group.

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Finnlines Plc's Annual General Meeting was held in Helsinki on 7 May 2019. The Annual General Meeting of Finnlines Plc approved the Financial Statements and discharged the members of the Board of Directors and President and CEO from liability for the financial year 2018. The meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.00 per share resulting in a total amount of dividends of EUR 51,503,141.

The meeting decided that the number of Board Members be nine. The meeting re-elected the current board members Christer Backman, Tiina Bäckman, Emanuele Grimaldi, Gianluca Grimaldi, Guido Grimaldi, Mikael Mäkinen, Diego Pacella, and Jon-Aksel Torgersen and elected Tapani Voionmaa as a new member of the Board for the term until the close of the Annual General Meeting in 2020. The yearly compensation to the Board will remain unchanged as follows: EUR 50,000 for the Chairman, EUR 40,000 for the Vice Chairman, and EUR 30,000 for each of the other members of the Board.

The Annual General Meeting elected KPMG Oy Ab as the Company's auditor for the fiscal year 2019. It was decided that the external auditors will be reimbursed according to invoice.

RISKS AND RISK MANAGEMENT

Finnlines is exposed to business risks that arise from the capacity of the fleet existing in the market, counterparties, prospects for export and import of goods, and changes in the operating environment. The risk of overcapacity is reduced through scrapping of aging vessels, on the one hand, and the more stringent environmental requirements, on the other.

Stricter environmental regulations (e.g. NOx, SOx and CO2 emission, wastewater and ballast water regulations) are the risk factors that could affect the Group's business. However, with one of the youngest and largest fleets in Northern Europe and with investments in engine systems and energy efficiency, Finnlines is in a strong position to greatly mitigate this risk.

The effect of fluctuations in the foreign trade is reduced by the fact that the Company operates in several geographical areas. This means that slow growth in one country is compensated by faster recovery in another. Finnlines continuously monitors the solidity and payment schedules of its customers and suppliers. Currently, there are no indications of imminent risks related to counterparties but the Company continues to monitor the financial position of its counterparties. Finnlines holds adequate credit lines to maintain liquidity in the current business environment.

LEGAL PROCEEDINGS

The District Court of Helsinki rendered in February 2015 its decision on the dispute between Finnlines Plc and the State of Finland. According to Finnlines Plc, the Finnish Act on Fairway Dues in force until 1 January 2006 contained provisions which, according to EU law, were discriminatory. The Company has been charged excessive fairway dues during 2001–2004. In its decision, the District Court of Helsinki ordered the State of Finland to refund to Finnlines Plc, as plaintiffs, the fairway dues, charged in excessive extent in 2001–2004 totalling about EUR 17.0 million, including interest. The Finnish State appealed to the Helsinki Court of Appeal. The Court of Appeal rendered its decision in August 2016 by dismissing the judgment rendered by the District Court of Helsinki. The Court of Appeal considers that the claims of Finnlines have expired. The Supreme Court, in its decision made in February 2018, did not grant Finnlines Plc leave to appeal the judgment of the Court of Appeal. Finnlines has lodged a complaint and dismissal application with the Supreme Court to terminate the judgment which has the force of res judicata and a legal ruling similar to the final judgment. The case is pending.

CORPORATE GOVERNANCE

The Corporate Governance Statement can be reviewed on the Company's website: www.finnlines.com.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report.

OUTLOOK AND OPERATING ENVIRONMENT

Finnlines has invested over EUR 1 billion during the past ten years and further investments are being made on Finnlines' fleet. The development of Finland's economy is slower, and import and export volumes are estimated to rise slightly, although more moderately than in recent years and at a slower pace than before. Bearing in mind the investments in the Finnlines fleet, as well as the efficiency and productivity measures that we have taken, along with the economic forecast, we estimate that the Finnlines Group's result before taxes is targeted to remain at previous year's level.

The second financial review of 2019 for the period of 1 January–30 June 2019 will be published on Wednesday, 31 July 2019.

Finnlines Plc
The Board of Directors

Emanuele Grimaldi
President and CEO

FURTHER INFORMATION

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DISTRIBUTION

Main media

This interim report is unaudited.

REPORTING AND ACCOUNTING POLICIES

This interim report included herein is prepared in accordance with IAS 34 (Interim Financial Reporting) standard. The accounting policies are the same as those applied in the last annual financial statements except for the new or revised IFRS standards and IFRIC interpretations with effect of 1 January 2019. Finnlines has initially adopted IFRS 16 Leases standard from 1 January 2019 using following policy for recognizing and measuring lease contracts. The comparative figures have not been restated, as allowed by IFRS 16. The effect of transition is presented in Note Leases. Other revised standards or new interpretations do not have any material impact on the Finnlines Group consolidated financial statements.

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease, i.e. a contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration. The Group only acts as a lessee and recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain premeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is premeasured when there is a change in future lease payment arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and lease of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line-basis over the lease term.

Finnlines Plc entered into the tonnage taxation regime in January 2013. In tonnage taxation, shipping operations transferred from taxation of business income to tonnage-based taxation.

All figures in the accounts have been rounded and, consequently, the sum of individual figures may deviate from the presented sum figure.

The preparation of the interim financial statements in accordance with IFRS requires management to make estimates and assumptions and use its discretion in applying the accounting principles that affect the valuation of the reported assets and liabilities and other information such as contingent liabilities and the recognition of income and expenses in the income statement. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates. The uncertainties related to the key assumptions were, except for the new judgements related to lessee accounting under IFRS 16, the same as those applied to the consolidated financial statements at the year-end 31 December 2018. The Group has applied judgement to determine the lease term for some lease contracts containing renewal options.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR 1,000	1–3 2019	1–3 2018	1–12 2018
Revenue	**137,576**	134,883	589,444
Other income from operations	**266**	493	6,361
Materials and services	**-48,536**	-44,204	-199,436
Personnel expenses	**-21,491**	-22,713	-88,901
Depreciation, amortisation and impairment losses	**-16,092**	-15,318	-61,458
Other operating expenses	**-33,657**	-34,187	-141,117
Total operating expenses	**-119,776**	-116,423	-490,913
Result before interest and taxes (EBIT)	**18,066**	18,953	104,893
Financial income	**49**	45	353
Financial expenses	**-2,151**	-2,697	-10,464
Result before taxes (EBT)	**15,965**	16,302	94,782
Income taxes	**270**	245	349
Result for the reporting period	**16,235**	16,546	95,131
Other comprehensive income:			
Other comprehensive income to be reclassified to profit and loss in subsequent periods:			
Exchange differences on translating foreign operations	**26**	6	-8
Fair value changes on currency derivatives	**2,820**	0	3,562
Other comprehensive income to be reclassified to profit and loss in subsequent periods, total	**2,846**	6	3,554
Other comprehensive income not being reclassified to profit and loss in subsequent periods:			
Remeasurement of defined benefit plans	**0**	0	183
Other comprehensive income not being reclassified to profit and loss in subsequent periods, total	**0**	0	183
Total comprehensive income for the reporting period	**19,081**	16,553	98,869
Result for the reporting period attributable to:			
Parent company shareholders	**16,235**	16,562	95,131
Non-controlling interests	**0**	-16	0
	16,235	16,546	95,131
Total comprehensive income for the reporting period attributable to:			
Parent company shareholders	**19,081**	16,569	98,869
Non-controlling interests	**0**	-16	0
	19,081	16,553	98,869
Result for the reporting period attributable to parent company shareholders calculated as earnings per share (EUR/share):			
Undiluted / diluted earnings per share	**0.32**	0.32	1.85
Average number of shares:			
Undiluted / diluted	**51,503,141**	51,503,141	51,503,141

Most of the items recognised in the Consolidated Statement of Comprehensive Income fall under the tonnage tax scheme.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR 1,000	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS			
Non-current assets			
Property, plant and equipment	**1,015,846**	1,000,291	990,404
Goodwill	**105,644**	105,644	105,644
Intangible assets	**4,121**	3,388	4,243
Other financial assets	**7,253**	4,582	7,253
Receivables	**7,765**	1,659	4,945
Deferred tax assets	**3,608**	4,466	3,650
	1,144,237	1,120,029	1,116,139
Current assets			
Inventories	**8,486**	6,505	7,738
Accounts receivable and other receivables	**117,347**	112,317	105,072
Income tax receivables	**4**	6	4
Cash and cash equivalents	**1,614**	4,485	1,850
	127,451	123,312	114,664
Non-current assets held for sale	**15,121**	15,121	15,121
Total assets	**1,286,809**	1,258,462	1,245,924
EQUITY			
Equity attributable to parent company shareholders			
Share capital	**103,006**	103,006	103,006
Share premium account	**24,525**	24,525	24,525
Translation differences	**135**	129	119
Fund for invested unrestricted equity	**40,016**	40,016	40,016
Fair value reserve *	**6,383**		3,562
Retained earnings	**507,102**	463,613	490,858
	681,168	631,290	662,087
Non-controlling interests	**0**	111	0
Total equity	**681,168**	631,401	662,087
LIABILITIES			
Long-term liabilities			
Deferred tax liabilities	**48,044**	49,521	48,392
Pension liabilities	**3,255**	3,628	3,256
Provisions	**1,730**	1,730	1,730
Loans from financial institutions	**285,368**	315,471	275,659
	338,396	370,349	329,036
Current liabilities			
Accounts payable and other liabilities	**86,088**	77,548	77,391
Current tax liabilities	**7**	6	25
Provisions	**256**	219	256
Loans from financial institutions	**180,894**	178,939	177,129
	267,245	256,712	254,801
Total liabilities	**605,641**	627,061	583,837
Total equity and liabilities	**1,286,809**	1,258,462	1,245,924

* Fair value reserve consists of fair value of effective part of foreign currency forward contracts, for which hedge accounting is applied.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2018, IFRS

EUR 1,000	Equity attributable to parent company shareholders								
	Share capital	Share issue premium	Translation differences	Unrestricted equity reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
Reported equity 1 January 2018	103,006	24,525	124	40,016		447,388	615,060	127	615,187
Effect of IFRS 9 restatement – bad debt provision						-339	-339		-339
Shareholders' equity 1 January 2018, restated	103,006	24,525	124	40,016		447,049	614,721	127	614,848
Comprehensive income for the reporting period:									
Result for the reporting period						16,562	16,562	-16	16,546
Exchange differences on translating foreign operations			5			2	7		7
Fair value changes on currency derivatives									
Remeasurement of defined benefit plans									
Total comprehensive income for the reporting period			5	0	0	16,564	16,569	-16	16,553
Equity 31 March 2018	103,006	24,525	129	40,016	0	463,613	631,290	111	631,401

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2019, IFRS

EUR 1,000	Equity attributable to parent company shareholders								
	Share capital	Share issue premium	Translation differences	Unrestricted equity reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
Reported equity 1 January 2019	**103,006**	**24,525**	**119**	**40,016**	**3,562**	**490,858**	**662,087**	**0**	**662,087**
Comprehensive income for the reporting period:									
Result for the reporting period						16,235	16,235	0	16,235
Exchange differences on translating foreign operations			16			9	25		25
Fair value changes on currency derivatives					2,820		2,820		2,820
Remeasurement of defined benefit plans						0	0		0
Total comprehensive income for the reporting period	**0**	**0**	**16**	**0**	**2,820**	**16,244**	**19,081**	**0**	**19,081**
Equity 31 March 2019	**103,006**	**24,525**	**135**	**40,016**	**6,383**	**507,102**	**681,168**	**0**	**681,168**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1,000	1–3 2019	1–3 2018	1–12 2018
Cash flows from operating activities			
Result for the reporting period	**16,235**	16,546	95,131
Adjustments:			
Non-cash transactions	**15,878**	14,998	56,086
Unrealised foreign exchange gains (-) / losses (+)		0	1
Financial income and expenses	**2,102**	2,652	10,110
Taxes	**-270**	-245	-349
Changes in working capital:			
Change in accounts receivable and other receivables	**-12,648**	-14,385	-6,905
Change in inventories	**-748**	-164	-1,398
Change in accounts payable and other liabilities	**8,553**	1,992	2,590
Change in provisions	**-1**	-23	-358
Interest paid	**-1,344**	-1,512	-7,619
Interest received	**6**	9	46
Taxes paid	**-54**	8	-162
Other financing items	**-473**	-1,033	-3,084
Net cash generated from operating activities	**27,236**	18,844	144,093
Cash flow from investing activities			
Investments in tangible and intangible assets	**-22,752**	-85,843	-135,315
Sale of tangible assets *	**47**	441	16,291
Acquisition of non-controlling interests	**0**	0	-2,672
Net cash used in investing activities	**-22,705**	-85,402	-121,696
Cash flows from financing activities			
Loan withdrawals	**14,309**	45,455	76,455
Net increase in current interest-bearing liabilities (+) / net decrease (-)	**896**	7,783	13,227
Repayment of loans	**-19,974**	-19,161	-95,688
Dividends paid	**0**	0	-51,503
Net cash used in financing activities	**-4,769**	34,077	-57,510
Change in cash and cash equivalents	**-239**	-32,482	-35,113
Cash and cash equivalents 1 January	**1,850**	36,965	36,965
Effect of foreign exchange rate changes	**2**	1	-2
Cash and cash equivalents at the end of period	**1,614**	4,485	1,850

* Includes sale of one vessel in 2018.

REVENUE AND RESULT BY BUSINESS SEGMENTS

	1–3 2019		1–3 2018		1–12 2018	
	MEUR	%	MEUR	%	MEUR	%
Revenue						
Shipping and sea transport services	131.8	95.8	129.0	95.6	567.2	96.2
Port operations	11.0	8.0	11.4	8.5	43.6	7.4
Intra-group revenue	-5.3	-3.8	-5.5	-4.1	-21.4	-3.6
External sales	**137.6**	**100.0**	**134.9**	**100.0**	**589.4**	**100.0**
Result before interest and taxes						
Shipping and sea transport services	18.1		18.7		103.5	
Port operations	0.0		0.2		1.3	
Result before interest and taxes (EBIT) total	**18.1**		**19.0**		**104.9**	
Financial income and expenses	-2.1		-2.7		-11.1	
Result before taxes (EBT)	**16.0**		**16.3**		**94.8**	
Income taxes	0.3		0.2		0.3	
Result for the reporting period	**16.2**		**16.5**		**95.1**	

REVENUE BY GEOGRAPHICAL AREA

EUR 1,000	1–3 2019	1–3 2018	1–12 2018
Revenue			
Finland	**60,709**	58,163	248,302
Sweden	**21,315**	21,264	97,987
Germany	**15,225**	15,711	75,764
Other EU countries	**36,486**	34,593	151,689
Russia	**1,827**	2,075	7,687
Other	**2,015**	3,078	8,016
	137,576	134,883	589,444

The revenue from the geographical areas is reported according to the location of the customers.

REVENUE BY FUNCTIONS

EUR 1,000	1–3 2019	1–3 2018	1–12 2018
Revenue			
Freight and other shipping services	**124,538**	121,984	511,729
Passenger services	**7,370**	7,092	55,713
Port operations	**5,668**	5,807	22,002
	137,576	134,883	589,444

PROPERTY, PLANT AND EQUIPMENT 2019

EUR 1,000	Land	Buildings	Vessels	Machinery and equipment	Advance payments & acquisitions under construction	Total
Acquisition cost 1 January 2019	72	67,316	1,461,477	66,404	5,711	1,600,980
Exchange rate differences			0	20		20
Increases	0	0	8,359	83	19,137	27,579
Disposals			-86	-44		-130
Reclassifications between items		4	835	74	-5,305	-4,392
Reclassifications to non-current assets held for sale *		-4,369		-22,395		-26,763
Acquisition cost 31 March 2019	**72**	**62,952**	**1,470,585**	**44,143**	**19,543**	**1,597,295**
Accumulated depreciation, amortisation and write-offs 1 January 2019		-21,401	-530,642	-43,440		-595,482
Exchange rate differences				-18		-18
Cumulative depreciation on reclassifications and disposals			86	44		130
Depreciation for the reporting period	0	-478	-14,414	-270		-15,162
Accumulated depreciation, amortisation and write-offs 31 March 2019	**0**	**-21,879**	**-544,969**	**-43,684**	**0**	**-610,533**
Reclassifications to non-current assets held for sale *		1,132		10,510		11,642
Carrying value 31 March 2019	**72**	**42,205**	**925,616**	**10,969**	**19,543**	**998,404**

* Assets held for sale:
Finnlines is negotiating a sale of Port Operations' assets with carrying value of EUR 15.1 million. No impairment losses were recognised on the carrying values of these assets in 2018 or 2019, as according to management's estimate, the fair value of the assets classified as held for sale was higher than the carrying value at the balance sheet date 31 March 2018 and 31 March 2019.

Not including right-of-use assets.

EUR 1,000	Land and water, right-of-use	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	Total
Right-of-use assets 2019				
Acquisition cost 1 January 2019	14,881	2,306	2,442	19,630
Exchange rate differences			1	1
Increases		156	87	243
Disposals				0
Reclassifications between items			-27	-27
Acquisition cost 31 March 2019	**14,881**	**2,462**	**2,503**	**19,845**
Accumulated depreciation, amortisation and write-offs 1 January 2019			-1,657	-1,657
Exchange rate differences				0
Cumulative depreciation on reclassifications and disposals				0
Depreciation for the reporting period	-433	-222	-91	-747
Accumulated depreciation, amortisation and write-offs 31 March 2019	**-433**	**-222**	**-1,748**	**-2,403**
Carrying value 31 March 2019	**14,448**	**2,239**	**755**	**17,442**

EUR 1,000	Buildings	Machinery and equipment	Total
Assets classified as held for sale 1 January 2019			
Acquisition cost			
Transfer to non-current assets held for sale	4,369	22,395	26,763
Accumulated depreciation			
Transfer to non-current assets held for sale	-1,132	-10,510	-11,642
Carrying value 31 March 2019	**3,237**	**11,884**	**15,121**

PROPERTY, PLANT AND EQUIPMENT 2018

EUR 1,000	Land	Buildings	Vessels	Machinery and equipment	Advance payments & acquisitions under construction	Total
Acquisition cost 1 January 2018	72	73,157	1,330,776	67,000	18,567	1,489,572
Exchange rate differences		4		2		6
Increases		8	81,839	1,090	3,391	86,328
Disposals			-560			-560
Reclassifications between items			17,184		-17,184	0
Reclassifications to non-current assets held for sale *		-4,369		-22,395		-26,763
Acquisition cost 31 March 2018	72	68,799	1,429,238	45,698	4,774	1,548,583
Accumulated depreciation, amortisation and write-offs 1 January 2018		-21,971	-477,187	-44,140		-545,299
Exchange rate differences		-4		-2		-6
Cumulative depreciation on reclassifications and disposals			560			560
Depreciation for the reporting period		-547	-14,190	-453		-15,190
Accumulated depreciation, amortisation and write-offs 31 March 2018		-24,522	-490,816	-44,595		-559,934
Reclassification to non-current assets held for sale *		1,132		10,510		11,642
Carrying value 31 March 2018	72	45,410	938,422	11,613	4,774	1,000,291
Assets classified as held for sale 1 January 2018						
Acquisition cost						
Transfer to non-current assets held for sale		4,369		22,395		26,763
Reclassification between items						
Accumulated depreciation						
Transfer to non-current assets held for sale		-1,132		-10,510		-11,642
Reclassification between items						
Carrying value 31 March 2018		3,237		11,885		15,121

* Finnlines negotiated a sale of Port Operations' assets with carrying value of EUR 15.1 million. No impairment losses were recognised on the carrying values of these assets in 2018, as according to management's estimate, the fair value of the assets classified as held for sale was higher than the carrying value at the balance sheet date 31 March 2018.

LEASES

The Finnlines Group has initially adopted IFRS 16 from 1 January 2019 using the modified retrospective approach, without restating the comparative information for 2018. On transition to IFRS 16, the lease liabilities for leases classified as operating leases under IAS 17 were measured at the present value of the remaining lease payments, discounted using the Finnlines Group's incremental borrowing rate as per 1 January 2019. The corresponding right-of-use assets were measured at an amount equal to the lease payments. The Finnlines Group elected to apply the practical expedients to grandfather the assessment of which transactions are leases. The definition of a lease under IFRS 16 has been applied only to the contracts entered into on or after 1 January 2019. The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and leases that have a lease term of 12 months or less.

On transition to IFRS 16, the Group recognised EUR 17.9 million of right-of-use assets and liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate of 1.6 per cent at 1 January 2019. Lease liability amount recognised at 31 March 2019 is EUR 17.4 million.

Transition to IFRS 16 reporting

EUR 1,000	
Operating lease commitment at 31 December 2018 as disclosed in the group's consolidated financial statements	**17,474**
Recognition exemption for short-term and low value assets	-2,763
Changes in contracts	-794
Management estimations impact on contract durations	5,331
Total	**19,248**
Discounted total using the incremental borrowing rate	17,945
Lease liabilities recognised at 1 January 2019	**17,945**

Impact on segment results was not material during 1 January–31 March 2019.

The Finnlines Group is leasing land areas, real estate, machinery and equipment. During reporting period Finnlines did not have operating leases on vessels.

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

The Group has loans from financial institutions and pension loans belonging to level 2. Also included in level 2 are foreign currency derivatives acquired to hedge against cash flow risk related to committed vessel orders. There is no material difference between carrying values and fair values of these instruments.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 3 includes unlisted shares amounting to EUR 7.3 million (4.6 in 2018), which are valued at the lower of acquisition cost or probable value, as their fair value cannot be reliably measured. Finnlines acquired 6.3 per cent of the shares of Steveco Oy in April 2018 and owns now 25.4 per cent of Steveco Oy. This shareholding is presented in financial assets, because Finnlines has neither significant influence in Steveco Oy nor representation on Steveco's Board of Directors.

CONTINGENCIES AND COMMITMENTS

EUR 1,000	31 Mar 2019	31 Mar 2018	31 Dec 2018
Minimum leases payable in relation to fixed-term leases:			
Vessel leases (Group as lessor):			
Within 12 months	**6 771**	0	6,753
1–5 years	**11 433**	0	13,117
	18 204	0	19,869
Other leases (Group as lessee):			
Within 12 months	**59**	4,680	5,425
1–5 years	**49**	7,580	8,110
After five years	**0**	4,392	3,939
	109	16,652	17,474
Other leases (Group as lessor):			
Within 12 months	**293**	229	229
	293	229	229
Collateral given			
Loans from financial institutions	**348,007**	395,489	359,786
Vessel mortgages provided as guarantees for the above loans	**722,000**	1,012,000	827,000
Other collateral given on own behalf			
Pledges	**150**	340	340
	150	340	340
Other obligations			
Vessel acquisitions	**167,936**	31,269	183,092
Other external obligations *	**4,353**	3,974	5,229
	172,289	35,243	188,321
VAT adjustment liability related to real estate investments	**5**	1,110	92

* Other external obligations are related to lengthening of ro-ro vessels, emission abatement systems, reblading obligations and other investments on vessels.

REVENUE AND RESULT BY QUARTER

MEUR	Q1/19	Q1/18	Q2/19	Q2/18	Q3/19	Q3/18	Q4/19	Q4/18
Revenue								
Shipping and sea transport services	131.8	129.0		148.5		153.5		136.3
Port operations	11.0	11.4		11.6		10.4		10.2
Intra-group revenue	-5.3	-5.5		-5.8		-5.1		-5.0
External sales	**137.6**	134.9		154.3		158.8		141.5
Result before interest and taxes								
Shipping and sea transport services	18.1	18.7		27.9		34.8		22.1
Port operations	0.0	0.2		0.7		0.6		-0.1
Result before interest and taxes (EBIT) total	**18.1**	19.0		28.6		35.4		22.0
Financial income and expenses	-2.1	-2.7		-2.7		-2.5		-2.3
Result before taxes (EBT)	**16.0**	16.3		25.9		32.9		19.7
Income taxes	0.3	0.2		-0.1		0.2		0
Result for the reporting period	**16.2**	16.5		25.8		33.1		19.7
EPS (undiluted / diluted), EUR	0.32	0.32		0.50		0.64		0.38

SHARE INFORMATION

	31 Mar 2019	31 Mar 2018
Number of shares	**51,503,141**	51,503,141

Finnlines Plc is fully owned by the Grimaldi Group.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report.

CALCULATION OF RATIOS

Earnings per share (EPS), EUR	=	Result attributable to parent company shareholders / Weighted average number of outstanding shares	
Shareholders' equity per share, EUR	=	Shareholders' equity attributable to parent company shareholders / Undiluted number of shares at the end of period	
Gearing, %	=	Interest-bearing liabilities - cash and bank equivalents / Total equity	x 100
Equity ratio, %	=	Total equity / Assets total - received advances	x 100
Net debt to EBITDA ratio	=	Net Debt / EBITDA past 12 months	

Income tax expense is recognised based on the best estimate of the weighted-average annual income tax rate expected for the full financial year. In January 2013, the shipping operations of Finnlines Plc transferred to tonnage-based taxation.

RELATED PARTY TRANSACTIONS

There were no material related party transactions during the reporting period. The business transactions were carried out using market-based pricing.