

**FINANCIAL
STATEMENTS**

2020



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BOARD OF DIRECTORS' REPORT

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 130 vessels and employs approximately 16,000 people. It serves over 140 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

Finnlines' main operating area connects trade partners around Baltic Sea. Based on the OECD Eurostat the change of Gross Domestic Product in all European countries remained negative during January–September in comparison with 2019. The change of GDP in the third quarter 2020 has been positive when compared with the previous quarter. In Germany the reported GDP improved in the third quarter 2020 by 8.5% compared with the previous quarter of 2020, while in Sweden the corresponding increase was 4.9%. In Finland GDP change in the third quarter was 3.2% compared with the second quarter of 2020. (Eurostat 2020.)

Based on the statistics by Statistics Finland for January–December, the Finnish seaborne imports carried in container, lorry and trailer units (measured in tons) decreased by 4% and exports decreased by 7%. During the same period private and commercial passenger traffic between Finland and Sweden decreased by 73%. Between Finland and Germany the corresponding traffic decreased by 46%. (Statistics Finland.)

FINNLINES' TRAFFIC

During the reporting period, Finnlines operated on average 19 (20) vessels in its own traffic.

At the end of March, Covid-19 pandemic started to affect negatively on transported volumes, while minor alterations were made to the number of departures in some routes.

In the second quarter Finnlines Group chartered MS Fionia Sea, which was deployed part-time in Baltic traffics. The vessel was redelivered back to its owners in the third quarter.

The Covid-19 epidemic continued to affect volumes the rest of the year, and especially passenger volumes declined heavily due to travelling restrictions. Nevertheless, Finnlines continued its scheduled liner traffic with all vessels throughout the year.

The cargo volumes transported during January–December totalled approximately 723 (738 in 2019) thousand cargo units 154 (166) thousand cars (not including passengers' cars) and 1,107 (1,113) thousand tons of freight not possible to measure in units. In addition, some 501 (665) thousand private and commercial passengers were transported.

FINANCIAL RESULTS

The Finnlines Group recorded revenue totalling EUR 484.0 (574.8) million in the reporting period, a decrease of 16% compared to the same period in the previous year. Shipping and Sea Transport Services generated revenue amounting to EUR 461.8 (550.9) million, of which passenger related revenue was EUR 39.0 (59.9) million. The revenue of Port Operations was EUR 42.8 (45.4) million. Since March 2020 Covid-19 pandemic has affected negatively on cargo and passenger volumes. Towards the end of the year transported cargo volumes started to recover at almost on last year's level. Instead the number of private passengers has been significantly lower than in 2019 due to the severe restrictions on leisure travelling throughout the Europe. In Port Operations the revenue declined also when the pandemic affected on transported goods. The internal revenue between the segments was EUR 20.6 (21.5) million.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 140.8 (169.8) million, a decrease of 17%.

Result before interest and taxes (EBIT) was EUR 76.2 (104.8) million. In the end of the first quarter Finnlines implemented a cost saving plan to mitigate the Covid-19 impact. This plan has been executed successfully during the year. Other operative income includes also a business cost support of EUR 0.5 million paid by Finnish State Treasury.

As a result of the improved financial position, net financial expenses decreased to EUR -5.6 (-7.5) million. Financial income was EUR 0.5 (0.3) million and financial expenses EUR -6.1 (-7.7) million. Result before taxes (EBT) decreased by EUR 26.6 million and was EUR 70.6 (97.3) million. The result for the reporting period was EUR 69.7 (98.3) million.

The most important business and share related key indicators are presented in the Five-Year Key Figures on page 46.

STATEMENT OF FINANCIAL POSITION, FINANCING AND CASH-FLOW

Interest-bearing debt decreased by EUR 40.5 million to EUR 331.7 (372.2) million, excluding leasing liabilities of EUR 17.7 (19.3) million. Net interest-bearing debt at the end of period was EUR 329.8 (363.0) million. Net interest-bearing debt/EBITDA (rolling 12 months) ratio amounted to 2.3 (2.1) and the equity ratio calculated from the balance sheet was 60.7% (58.5%). Net gearing resulted in 45.5% (50.8%). Covid-19 pandemic has not affected the availability or terms of financing.

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 226.8 (164.2) million.

Net cash generated from operating activities remained strong and was EUR 138.0 (173.6) million.

CAPITAL EXPENDITURE

The Finnlines Group's gross capital expenditure in the reporting period totalled EUR 50.4 (31.4) million, including tangible and intangible assets. Total depreciation and amortisation amounted to EUR 64.6 (65.1) million. The investments consist of normal replacement expenditure of fixed assets, lengthening of ro-ro vessels, new cargo handling equipment, dry-dockings, and prepayments related to three green ro-ro newbuildings.

The Company has continued to invest in sustainability and environmental technology within its existing fleet. The installation of ballast water treatment on ships has started and the project will be completed in the following couple of years. Ballast water is used to trim and stabilise ships, but it may carry harmful aquatic species and therefore Finnlines has decided to install new ballast water systems to its entire fleet.

Finnlines' EUR 500 million investment, the newbuilding programme, has proceeded as planned during the year, and all three new ro-ro vessels are now in production at Nanjing Jingling Shipyard in China. The first new green hybrid ro-ro, Finneco I, is scheduled to start operating already in November 2021. The investment includes also two new Superstar ro-pax vessels which are currently being designed and their construction work is set to start in 2021. The ro-paxes are expected to be delivered in 2023. Finnlines invests in sustainability on its new vessels, for instance, by installing solar panels, a high-powered battery bank and an air lubrication system. These environmentally friendly vessels are a significant step towards even a more sustainable and eco-efficient fleet.

PERSONNEL

The Group employed an average of 1,534 (1,576) persons during the reporting period, consisting of 849 (869) persons at sea and 685 (707) persons on shore. The number of persons employed at the end of the period was 1,519 (1,538) in total, of which 834 (858) at sea and 685 (680) on shore.

The personnel expenses (including social costs) for the reporting period were EUR 83.4 (88.7) million. The decrease in personnel expenses is due to the effects of the Covid-19 on the business and, as a result in strict cost saving plan including e.g. minimal number of seasonal employees, temporary lay-offs and other decrease in working hours in sea and shore personnel.

THE FINNLINES SHARE

The Company's paid-up and registered share capital on 31 December 2020 totalled EUR 103,006,282. The capital stock consisted of 51,503,141 shares.

Finnlines Plc is fully owned by the Grimaldi Group.

The shares and shareholders are dealt with in more detail in the Notes to the Consolidated Financial Statements, in Note 38. Shares and shareholders

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Finnlines Plc's Annual General Meeting was held in Helsinki on 7 May 2020. 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 2019. 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 ten. The meeting re-elected the current board members Christer Backman, Tiina Bäckman, Emanuele Grimaldi, Gianluca Grimaldi, Guido Grimaldi, Mikael Mäkinen, Diego Pacella, Jon-Aksel Torgersen and Tapani Voionmaa and elected Esben Poulsen as a new board member for the term until the close of the Annual General Meeting in 2021. 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 2020. It was decided that the external auditors will be reimbursed according to invoice.

RISKS AND RISK MANAGEMENT

The Covid-19 outbreak and the measures taken to prevent the spread represent impact on Finnlines' operations but the Company will maintain the critical sea transportation connection for Finland. The transportation of medicines, foodstuff and other essential goods from one country to another is important even and especially in situations like this. Finnlines continues to monitor the situation closely and acts in accordance to the guidelines and instructions set by national and international health authorities. The Company works hard to ensure its operations continue as normal as possible. For now, there are no changes to the sailing schedules. Travel restrictions imposed in many countries affect the Company's business operations. Finnish Government will review its decisions on border traffic restrictions on regular basis and, if necessary, make new decisions.

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. The continuity of operations is ensured by safeguarding critical functions and essential resources. The majority of the Group's non-current assets consist of its fleet. The fleet is always insured to its full value.

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, through the constant renewal and development of the fleet, using the latest technology and innovations, Finnlines is very well-positioned 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.

Finnlines has cash and unused committed credit facilities over EUR 200 million and the Company initiated cost saving plans in April 2020, which both enable the Company to mitigate the negative effects of Covid-19 pandemic.

LEGAL PROCEEDINGS

Finnlines has made an appeal to the Helsinki Administrative Court of the National Emergency Supply Agency's decision concerning the compensation of costs for securing maritime transport. Finnlines has also appealed to Market Court concerning the Finnish Transport and Communications Agency's calls for tenders concerning imposing a public service obligation for the aid of maritime traffic on the Turku/Naantali–Mariehamn/Långnäs–Stockholm, Kapellskär–Mariehamn, Naantali–Långnäs, Grisslehamn–Eckerö and Helsinki–Tallinn routes. In addition, Finnlines has made a complaint to the European Commission concerning Covid-19 situation related selective and discriminatory aid measures launched by the Finnish authorities.

Finnlines is in addition involved in a few legal proceedings and disputes whose outcome cannot be predicted, but taking into account the information that is available at present, their outcome is not expected to have any substantial impact on the Group's profit.

TONNAGE TAXATION

Finnlines Plc entered into the Finnish tonnage taxation regime as from 1 January 2013. In tonnage taxation, the shipping operations transferred from taxation of business income to tonnage-based taxation.

RESEARCH AND DEVELOPMENT

The aim of Finnlines' research and development work is to find and introduce new practical models and operating methods, which enable the Company to meet customer requirements in a more sustainable and cost-efficient way. In 2020, the focus continued to be on environmental investments in vessels and on improving their energy efficiency.

Finnlines' newbuilding programme continued as planned during the year. Three highly ecological ro-ro vessels were under construction at Nanjing Jinling shipyard in China at the end of the year. In addition to the three hybrid ro-ro vessels, the newbuilding programme includes two ecologically efficient Superstar ro-pax vessels.

Energy efficiency of the Finnlines fleet will be further improved by utilising the latest technology and environmentally friendly solutions. Vessels with lithium-ion batteries will enable emission free port calls. Modern 2-stroke engines, scrubbers, solar panels and innovative air lubrication systems will help cutting down the environmental emissions.

The renewal and development of the online store for consumers started in 2020. The aim is to launch a rebuilt and efficient channel for travel and service products sales during 2021. Customer experience will be enhanced and the efficiency of the sales channel is planned to improve.

The mapping of digital services for freight customers started in 2020. New digital services are planned to be published in 2022. The development of application programming interfaces (API) usage continued during the year. The first customers started to utilise the data also in production.

The development of an ERP system continued through several different projects. Solutions supporting the vessel loading process were implemented in 2020. A new solution for cabin allocation for drivers was developed during the year and accelerated by the covid-19 pandemic and related precautions. In the new process, all check-in steps are completed already onshore while physical contacts with the crew and queuing onboard are minimized. Part of the reporting to national authorities was automatized and new ways of working were implemented with German authorities. The monitoring system for port and stevedoring costs was further developed and the implementation for certain parts is planned to take place in 2021.

First solutions utilising Kofax software robotics were taken into production in 2020. Analytics and BI solutions based on Tableau's technology were developed and taken into use as well.

New server technologies and virtualizations improved the stability of IT systems and decreased the response times.

In Port Operations, the new resource management system for machinery and workforce was implemented during the year in Helsinki and Turku. The system provides also the material for stevedoring payrolls, which benefits certain HR processes at the same time.

ENVIRONMENT AND SAFETY

Finnlines is committed to the UN Sustainable Development Goals to minimise the use of natural resources and to combat climate change and its impact. Sea transport is an efficient mode of transport, particularly when large volumes are carried over long distances. Ro-pax vessels offer customers an opportunity to carry goods and travel in a responsible manner.

Finnlines invests in sustainability on its new vessels, for instance, by installing solar panels, a high-powered battery bank, an air lubrication system, and shore-side electricity. Installation of a shore-side connection on existing ro-pax vessels has also been studied.

Finnlines operates mainly in the Emission Control Area, where the sulphur content limit for fuel oil has been 0.10% from 2015. Globally, the sulphur limit decreased from 3.5% to 0.5% at the beginning of 2020. Nearly all Finnlines ships are equipped with sulphur emission abatement technology. Our ships also abide by the 0.10 rule when operating outside the Emission Control Area. In 2020 ships' sulphur dioxide emissions declined by around 40% compared with 2019.

In 2020, Finnlines' vessel traffic consumed 317,885 tons of heavy fuel oil and diesel oil, representing a decrease of nearly 3% compared with 2019. Finnsteve companies have invested in modern equipment and vehicles and the performance and utilisation rate of equipment have thus improved. In 2020, the fuel consumption of the port operations totalled 1,111,603 litres, which includes the operations in Helsinki, Turku and Naantali, a decrease of 8% compared with the previous year.

Technical progress involves a risk of malicious attacks to ships' control systems. Therefore, IMO requires that ship owners identify cyber security objectives and address cyber risks in safety management systems.

To ensure safe and environmentally sound recycling of ships, EU has adopted a regulation on ship recycling and inventory of hazardous materials, like mercury, cadmium and lead. During 2020 hazardous materials experts took samples to identify the presence of hazardous material contained in the equipment, systems and areas onboard.

To comply with the IMO Ballast Water Management Convention, Finnlines has started to install treatment equipment on its ships. Installations will be completed in 2023.

SUSTAINABILITY REPORTING

Finnlines' sustainability reporting includes, in addition to financial figures, key indicators related to the employees and the environment.

Finnlines' sustainability reporting is part of the Grimaldi Group's Sustainability Report which is available on the Grimaldi Group's website: www.grimaldi.napoli.it.

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

The year 2020 was extraordinary as the global Covid-19 pandemic emerged and affected the market. There is still uncertainty in the global market, depending on how long it takes to bring the pandemic under control and how swiftly the economy recovers. However, Finnlines has succeeded in maintaining a strong operative performance and a solid financial position even during the pandemic, which can be seen in the strong balance sheet. The Company started already in April 2020 cost saving measures and continues to improve the efficiency of its operations. This year looks promising as there are several improvement initiatives ongoing, including the delivery of the new large and eco-efficient ro-ro vessel. It can be expected that the Company will remain strong as it seems the Finnlines Group's diverse business concept is working.

DIVIDEND DISTRIBUTION PROPOSAL

The parent company Finnlines Plc's result for the reporting period was EUR 52.7 million. The distributable funds included in the parent company's shareholders' equity equals to EUR 444,1 million at the end of the reporting period. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.00 per share be paid out resulting in a total amount of proposed dividends of EUR 51,503,141.

According to the consolidated statement of financial position, the equity attributable to parent company shareholders equals EUR 724.5 (714.6) million at the end of the reporting period.

Naples, 25 February 2021

Finnlines Plc, The Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR 1,000	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Revenue	3, 7	484,016	574,779
Other income from operations	8	1,303	1,516
Materials and services	9	-137,964	-180,806
Personnel expenses	10	-83,376	-88,714
Depreciation, amortization and impairment losses	11	-64,599	-65,065
Other operating expenses	12	-123,164	-136,956
Total operating expenses		-409,104	-471,541
Result before interest and taxes (EBIT)		76,215	104,754
Financial income	13	494	286
Financial expenses	13	-6,065	-7,746
Result before taxes (EBT)		70,645	97,293
Income taxes	14	-918	964
Result for the reporting period		69,727	98,258
Other comprehensive income			
Other comprehensive income to be reclassified to profit and loss in subsequent periods:			
Exchange differences on translating foreign operations		-45	34
Fair value change on currency derivatives		-8,245	6,061
Other comprehensive income to be reclassified to profit and loss in subsequent periods, total		-8,290	6,095
Other comprehensive income not being reclassified to profit and loss in subsequent periods:			
Remeasurement of defined benefit plans		-120	-400
Tax effect, net		21	83
Other comprehensive income not being reclassified to profit and loss in subsequent periods, total		-100	-317
Total comprehensive income for the reporting period		61,336	104,036
Result for the reporting period attributable to:			
Parent company shareholders		69,727	98,258
		69,727	98,258
Total comprehensive income for the reporting period attributable to:			
Parent company shareholders		61,336	104,036
		61,336	104,036
Result for the reporting period attributable to parent company shareholders calculated as earnings per share (EUR/share)	15		
Undiluted / diluted earnings per share		1.35	1.91

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

See Notes, which are an integral part the Financial Statements, starting on page 11.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR 1,000	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Property, plant and equipment	17	967,748	979,741
Goodwill	19	105,644	105,644
Other intangible assets	19	3,671	3,958
Other financial assets	22	7,076	7,072
Receivables	23	3,929	10,658
Deferred tax assets	24	2,370	2,940
		1,090,438	1,110,013
Current assets			
Inventories	25	5,967	6,152
Accounts receivable and other receivables	26	86,471	86,916
Income tax receivables		32	2
Cash and cash equivalents	27	1,847	9,208
		94,317	102,277
Non-current assets held for sale			
	5	14,610	14,610
Total assets		1,199,365	1,226,901
EQUITY			
Equity attributable to parent company shareholders			
Share capital	28	103,006	103,006
Share premium account	28	24,525	24,525
Translation differences		114	140
Fund for invested unrestricted equity	28	40,016	40,016
Fair value reserve *	28	1,378	9,623
Retained earnings		555,413	537,309
		724,453	714,620
Non-controlling interests			
		0	0
Total equity		724,453	714,620
LIABILITIES			
Long-term liabilities			
Deferred tax liabilities	24	46,509	46,423
Pension liabilities	33	3,331	3,442
Provisions	29	1,697	1,697
Loans from financial institutions	30	180,383	219,643
		231,920	271,206
Current liabilities			
Accounts payable and other liabilities	31	73,798	68,975
Current tax liabilities		27	8
Provisions	29	220	253
Loans from financial institutions	30	168,946	171,840
		242,992	241,075
Total liabilities		474,912	512,281
Total shareholders' equity and liabilities		1,199,365	1,226,901

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

See Notes starting on page 11.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

EUR 1,000	Equity attributable to parent company shareholders						Total equity
	Share capital	Share issue premium	Translation differences	Unrestricted equity reserve	Fair value reserve	Retained earnings	
Reported equity 1 January 2019	103,006	24,525	119	40,016	3,562	490,858	662,087
Comprehensive income for the reporting period:							
Result for the reporting period						98,258	98,258
Exchange differences on translating foreign operations			21			13	34
Fair value change on currency derivatives					6,061		6,061
Remeasurement of defined benefit plans						-400	-400
Tax effect, net						83	83
Total comprehensive income for the reporting period	0	0	21	0	6,061	97,954	104,036
Dividend						-51,503	-51,503
Equity 31 December 2019	103,006	24,525	140	40,016	9,623	537,310	714,620

EUR 1,000	Equity attributable to parent company shareholders						Total equity
	Share capital	Share issue premium	Translation differences	Unrestricted equity reserve	Fair value reserve	Retained earnings	
Reported equity 1 January 2020	103,006	24,525	140	40,016	9,623	537,310	714,620
Comprehensive income for the reporting period:							
Result for the reporting period						69,727	69,727
Exchange differences on translating foreign operations			-26			-19	-45
Fair value change on currency derivatives					-8,245		-8,245
Remeasurement of defined benefit plans						-120	-120
Tax effect, net						21	21
Total comprehensive income for the reporting period	0	0	-26	0	-8,245	69,609	61,336
Dividend						-51,503	-51,503
Equity 31 December 2020	103,006	24,525	114	40,016	1,378	555,413	724,453

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR 1,000	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Cash flows from operating activities			
Result for the reporting period		69,727	98,258
Adjustments:			
Non-cash transactions	32	64,167	64,408
Unrealised foreign exchange gains (-) / losses (+)	32		
Financial income and expenses		5,568	7,461
Taxes		918	-964
Changes in working capital:			
Change in accounts receivable and other receivables		-66	18,481
Change in inventories		185	1,586
Change in accounts payable and other liabilities		3,674	-8,024
Change in provisions		-143	151
Interest paid		-3,589	-5,714
Interest received		50	35
Taxes paid		-252	-225
Other financing items		-2,209	-1,845
Net cash generated from operating activities		138,030	173,609
Cash flows from investing activities			
Investments in tangible and intangible assets		-50,401	-31,357
Sale of tangible assets		126	252
Proceeds from sale of non-controlling interests		0	287
Net cash used in investing activities		-50,275	-30,818
Cash flows from financing activities			
	31		
Loan withdrawals		54,000	76,000
Net increase in current interest-bearing liabilities (+) / net decrease (-)		-2,973	0
Repayment of loans		-91,204	-156,948
Payment of lease liabilities		-3,427	-2,983
Dividends paid		-51,503	-51,503
Net cash used in financing activities		-95,108	-135,434
Change in cash and cash equivalents		-7,353	7,356
Cash and cash equivalents 1 January		9,208	1,850
Effect of foreign exchange rate changes		-8	2
Cash and cash equivalents 31 December		1,847	9,208

See Notes starting on page 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Finnlines Plc is a Finnish public limited company, which operates under Finnish jurisdiction and legislation. The parent company is registered in Helsinki at Komentosilta 1, 00980 Helsinki. Copies of the financial statements can be obtained from www.finnlines.com or the Company's headquarters. These financial statements were authorised for issue by the Board of Directors of Finnlines Plc on 25 February 2021. In accordance with the Finnish Companies Act, the financial statements are presented for approval to the Annual General Meeting.

At the end of the financial period, the Group consisted of the parent company and 19 subsidiaries.

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.

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 130 vessels and employs approximately 16,000 people. It serves over 140 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.

2. ACCOUNTING PRINCIPLES BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), using the IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2020. The International Financial Reporting Standards mean the standards implemented in the EU by Regulation (EC) 1606/2002, and the related interpretations. The notes to the Consolidated Financial Statements also comply with Finnish accounting and corporate legislation. The Consolidated Financial Statements are primarily prepared using the acquisition cost method. Exceptions to this principle are financial assets and liabilities recognised at fair value through profit or loss. The financial statements have been compiled in EUR. All figures in the accounts have been rounded and, consequently, the sum of individual figures may deviate from the presented sum figure.

IMPLEMENTATION OF STANDARDS

New and amended standards and interpretations applied in financial year ended 31 December 2020

Amendments to References to Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020)

The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs. The amendments did not have a significant impact on the financial statement of the Finnlines Group.

Definition of a Business – Amendments to IFRS 3 Business Combinations (effective for financial years beginning on or after 1 January 2020)

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business. The interpretation did not have a significant impact on the financial statement of the Finnlines Group.

Definition of Material – Amendments to IAS 1 Presentation of Financial Instruments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for financial years beginning on or after 1 January 2020)

The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments did not have a significant impact on the financial statement of the Finnlines Group.

Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (effective for financial years beginning on or after 1 January 2020)

Amendments have been issued to address uncertainties related to the reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. The amendments did not have a significant impact on the financial statement of the Finnlines Group.

Covid-19-Related Rent Concessions – Amendment to IFRS 16 Leases (effective for financial years beginning on or after 1 June 2020)

The amendment allows the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the Covid-19 pandemic and only if certain conditions are met. The amendment does not concern the financial statement 2020 of the Finnlines Group.

Adoption of new and amended standards in future financial years

* = not yet endorsed for use by the European Union as of 31 December 2020.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases* (to be applied from 1 January 2021)

Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements.

Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 Property, Plant and Equipment* (to be applied from 1 January 2022)

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets* (to be applied from 1 January 2022)

When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.

Annual Improvements to IFRS Standards 2018–2020 * (to be applied from 1 January 2022)

The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter later than its parent – a subsidiary may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent.
- IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities: This amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
- IFRS 16 Leases – Lease incentives – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.
- IAS 41 Agriculture – Taxation in fair value measurements. This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement. When a present value technique is used to measure fair value, the assumptions used for the cash flows and discount rates should be internally consistent – i.e. using either after tax or pre-tax for both.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Presentation of Financial Statements * (to be applied from 1 January 2023)

The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Above mentioned changes are not estimated to have a significant impact on the financial statement of the Finnlines Group.

ACCOUNTING PRINCIPLES THAT REQUIRE MANAGEMENT DISCRETION AND ESSENTIAL UNCERTAINTIES RELATED TO ESTIMATES

When preparing the financial statements, the Group’s management has had to make estimates and assumptions which affect the content, and use its discretion in applying the accounting principles. The most significant uncertainties involved in estimates at the end of the reporting period relate to impairment of goodwill, deferred tax assets and other assets, the amount of lease liabilities and provisions and contingent liabilities. The management’s assumptions includes also the possible effects of Covid-19 pandemic on the Company. The basis for these estimates is described in more detail in these accounting principles and, in particular, in the relevant notes to the consolidated financial statements: Note 19. Goodwill and other intangible assets, Note 24. Deferred tax assets and liabilities.

The most significant items where management has used discretion on accounting principles concern the depreciation times and residual values of the vessels and non-current assets of Port Operations and related liabilities classified as being held for sale, determination of lease period for lease agreements valid until further notice as well as deferred tax assets as recognition of losses. The estimates and assumptions are based on management’s best current knowledge, but the actual figures may substantially differ from these estimates.

CONSOLIDATION PRINCIPLES Subsidiaries

The Consolidated Financial Statements include the parent company, Finnlines Plc, and its subsidiaries. All the companies in which Finnlines Plc directly or indirectly holds more than 50% of the voting rights, or over which it otherwise has control, are included. The control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The Group’s acquisitions are accounted for according to the effective standards and accounting principles at the time of the business combination in question.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. The subsidiaries’ accounting principles have been adjusted in the consolidation to correspond to the Group’s accounting principles where appropriate.

The result for the reporting period and comprehensive income attributable to parent company shareholders and non-controlling interests are presented in the statement of comprehensive income. The shareholders' equity attributable to non-controlling interests is reported separately on the balance sheet under shareholders' equity. The non-controlling interest's proportionate share of profit or loss is attributed to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

JOINT OPERATIONS

Finnlines did not have joint operations in 2019 or 2020.

NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount or fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

A discontinued operation represents a separate major line of business, or geographical area, which has been disposed of or is classified as held for sale.

TRANSLATION OF FOREIGN CURRENCY ITEMS

The items in each Group unit's accounts are valued in the principal currency of the operating environment of the unit in question (the "functional currency"). The functional currency of the subsidiaries is the official currency used in the location country except for Sweden, where the functional currency used is euro. The Consolidated Financial Statements are presented in euro, which is the parent company's functional and presentation currency.

Transactions in foreign currencies are recognised at the exchange rate valid on the transaction date. Monetary items denominated in foreign currencies are translated into EUR at the exchange rates valid at the end of the reporting period. Non-monetary items denominated in foreign currencies and valued at their fair value are translated into EUR at the exchange rates valid on the date of valuation. Other non-monetary items are valued using the exchange rate valid on the transaction date. Profits and losses arising from foreign currency valued transactions and translation of foreign currency valued monetary items are recognised in the profit and loss account. Exchange rate differences arising from transaction translations are included under result before interest and taxes in the profit and loss account, whereas exchange rate differences arising from financial assets and liabilities are included under financial items. Profits and losses

arising from the translation of loans in foreign currencies are recognised under financial income and expenses.

The statements of comprehensive income located outside the euro area are translated into EUR using weighted average exchange rates. Statements of financial positions are translated at the exchange rate prevailing at the end of the reporting period. Translation differences arising from investment in foreign units are recognised under shareholders' equity. Translation differences arising from shareholders' equity items emerging from the elimination of foreign subsidiaries' acquisition costs after the acquisition are recognised under shareholders' equity. When a subsidiary is wholly or partly sold, cumulative translation differences are recognised in the profit and loss account as part of the profit or loss from the sale of the subsidiary. Translation differences arising prior to 1 January 2004 were transferred to retained earnings on the date of transition to IFRS. They will not be recognised in the profit and loss account on the sale of the subsidiaries in question. Translation differences arising after the transition date during the creation of the Consolidated Financial Statements are listed as a separate item under shareholders' equity.

The Swedish Group companies' functional currency is euro, as the companies' primary trade currency is euro.

PROPERTY, PLANT AND EQUIPMENT

Fixed assets are valued at their acquisition cost, deducted by depreciation and impairment losses. The acquisition cost includes direct expenses incurred in the acquisition. Significant renovation and overhaul expenses arising at a later date are included in each asset's carrying value. They can be recognised as a separate asset only if it is likely that the future economic benefits associated with the item will flow to the Group and if the acquisition cost of the asset can be reliably determined. Ordinary repair and maintenance expenses are recognised as expenses for the reporting period during which they were incurred.

Fixed assets are depreciated according to plan, based on the estimated useful life of the asset. Land is not depreciated. The estimated useful lives are as follows:

Vessels	30–35 years
Buildings	10–40 years
Constructions	5–10 years
Stevedoring machinery and equipment	5–35 years
Light machinery and equipment	3–10 years
Dry-docking	2–5 years

The estimated useful lives and the residual values of assets are revised at each end of the reporting period and, when necessary, adjusted to reflect changes that have taken place in the expected future economic benefits.

The depreciation on a tangible asset ceases when the asset is classified as being held for sale in accordance with the IFRS 5 standard (Non-current Assets Held for Sale and Discontinued Operations). Gains and losses on decommissioning and disposal of tangible assets are recognised under other income or expenses from operations.

If the carrying value of an asset exceeds its current recoverable amount, the value of the asset is written off to correspond to its recoverable amount. Any borrowing costs from long-term projects for the construction of tangible assets are capitalised as part of the borrowing costs. Other interest expenses incurred in relation to asset purchases are recognised as expenses for the reporting period during which they were incurred.

GOVERNMENT GRANTS

Grants to Shipping and Sea Transport Services are recognised in the profit and loss account as an adjustment of the personnel expenses of the vessels to which they relate.

Government grants related to funding of investments are recognised as an adjustment of acquisition cost of non-current fixed assets, reducing depreciation of the acquisition costs of the assets during the planned economic lifetime.

INTANGIBLE ASSETS

Intangible assets are recognised on the statement of financial position only if their acquisition costs can be reliably measured and if it is likely that the future economic benefits from the asset will flow to the Group.

The amortisation periods of intangible assets are based on the following estimated useful lives:

Software	5–10 years
Other intangible assets	3–20 years

Goodwill

Goodwill arising on an acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Research and development expenses

Research expenses are recognised as expenses in the reporting period in which they arise. Development expenses are capitalised when the Company is able to determine the technical feasibility and commercial usability of the product under development and when the acquisition cost can be reliably calculated. Other development expenses are recognised as expenses. Development expenses that have previously been recognised as expenses are not capitalised later. Research and development expenses that have been recognised as expenses are included in the consolidated profit and loss account as other operating expenses.

Other intangible assets

Other intangible assets are valued at their acquisition cost excluding depreciation and impairments. They are amortised according to plan and recognised as expenses during their estimated useful lives. Intangible assets with unlimited useful lives are not amortised but are tested annually for impairment.

IMPAIRMENT

Assets are reviewed for indications of impairment. If there are indications of impairment, the current recoverable amount of the asset in question is estimated using the higher of its current net selling price or its value in use.

Goodwill is tested for impairment annually and always if there is an indication of impairment.

If the carrying value exceeds the current recoverable amount, the difference is recognised in the profit and loss account as

an impairment loss. Impairment losses recognised previously are reversed if the assumptions used in the calculation of the current recoverable amount change. Impairment losses are reversed only up to the amount corresponding to what the carrying value would have been without the impairment loss. Impairment losses recognised for goodwill are not reversed.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

The Group's financial assets are classified according to IFRS 9 as follows: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification is based on the Group's business model and the contractual cash flow characteristics.

Financial assets are classified at amortised cost, if the purpose is to hold financial assets to collect their contractual cash flows, and cash flows are solely payments of principal and interest on the principal amount. After the initial measurement the value of these financial assets is determined at amortised cost by using effective interest method and deducting a possible impairment. The impairment losses are recognised through profit or loss.

In the Finnlines Group the financial assets such as cash, trade receivables and other receivables not belonging to hedging assets are classified as amortised cost. The carrying amounts of short-term trade receivables and other receivables are considered as their fair value. Trade receivables and other receivables are presented as current assets in the balance sheet, if their maturity expires within 12 months after the end of the reporting period. The expected credit loss allowance is recognised against trade receivables.

Financial assets are classified at fair value through other comprehensive income, if the purpose is to hold financial assets to collect their contractual cash flows and sell the assets prior to their contractual maturity. The Group does not have such financial assets at the end of reporting period or in previous year.

The financial assets, which are held for trading purposes, or which are classified in this category in the initial measurement are classified as fair value through profit or loss. The realised and unrealised gains and losses caused by changes in fair value are recognised through profit or loss. The financial assets classified in this category are, for example, the investments in unlisted shares. A more detailed classification of financial assets is presented in the disclosures.

The date of the acquisition and the sale of financial assets is reported at the date, when the Group is committed to buy or sell the financial instrument. During the original recognition the entity measures the item in fair value, and in case of an item belonging to other than fair value through profit or loss category, the direct transaction costs are added to or deducted from the value. The financial assets classified as fair value through profit or loss are recognised at fair value in the balance sheet, and transaction costs are recognised through profit or loss.

Financial assets are derecognised from the statement of financial position when the Group loses its contractual right to the cash flow or when the Group has transferred a significant amount of the risks and gains outside the Group.

The Finnlines Group applies the simplified method of expected credit loss allowance for defining impairment of trade and lease receivables as well as assets related to the contracts with customers according to IFRS 15 classified as amortised cost. The expected credit losses are recognised for their full life time using a matrix. The expected credit loss allowance is evaluated based on historical information of realised credit losses. When evaluating the amount of expected credit loss,

economic circumstances and future expectations are also taken into consideration.

Financial liabilities

Financial liabilities are recognised at amortised cost or at fair value in financial liabilities through profit or loss. Financial liabilities are initially recognised at fair value. Transaction costs are included in the initial carrying value of financial liabilities measured at amortised cost. Subsequent, all financial liabilities, apart from possible hedging liabilities, are valued at amortised cost using the effective interest method. Financial liabilities are included in both non-current and current liabilities and they can be either interest-bearing or non-interest-bearing. Financial liabilities are classified as current, unless the Group has unconditional right to move the payment of the debt at least 12 months from the end of the reporting period. Financial liability is derecognised in the balance sheet, when the Group has either paid the debt or discharged from the liabilities related to the debt by the juridical process or by the lender.

The Group's financial liabilities measured at amortised cost consist of interest-bearing debts, lease liabilities and non-interest-bearing debts as trade payables. The financial liabilities recognised at amortised cost are measured at amortised cost by using effective interest method.

The financial liabilities recognised as fair value through profit or loss consist of financial liabilities held for trading and liabilities, which have been initially classified as fair value through profit or loss. The liabilities recognised at fair value through profit or loss may consist of the Group's hedging instruments. The Group does not have such liabilities at the end of current or previous fiscal year.

Borrowing costs

Borrowing costs are recognised as expenses for the accounting period during which they have arisen, except for the borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset. The total of the capitalised costs and the items to which they have been capitalised as acquisition cost are shown in Note 17. Property, plant and equipment.

DERIVATIVES AND HEDGE ACCOUNTING

When acquiring new vessels, the Group may be exposed to foreign currency risk. In such cases, it may use hedging against such a risk. Hedging will be performed using foreign currency derivatives and hedge accounting following IFRS 9 standard.

When applying hedge accounting, the Group will document the relation between the risk and the hedge used, the goal of risk management policy and the selected hedging strategy. The Group will document and evaluate the effectiveness of the hedging instruments' ability to reverse the impact of foreign exchange risk to the value of the cash flow of the hedged item. This will be done at the beginning of hedging and on every consecutive reporting date.

Hedging instruments are originally recognised at fair value. At later reporting dates the fair value will be based on sell and buy quote information, available from functioning markets. Fair value of hedging instruments will be reported as derivatives receivable asset or liability. Changes in fair value will be reported in other comprehensive income and presented in fair value reserve in equity.

Hedging instruments' fair values are presented in notes to financial statements. When a cash flow hedge instrument is due, or is sold, or when criteria for applying hedge accounting are not met, the accrued gain or loss will remain in equity until the planned transaction takes place. However, if the planned transaction is no longer expected to happen, or risk management strategy is altered, the accrued gain or loss in

equity will be released to Income statement immediately. In case the value of the hedged transaction changes, the corresponding hedge instruments will be balanced accordingly.

LEASES

The Group as a lessee

The Group acts mainly as a lessee and leases mainly land areas, premises, warehouse and port buildings in addition to equipment such as cars. 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. Lease period is determined as a non-cancellable period, together with optional renewable periods if the Group is reasonably certain to exercise the extension options and periods after an optional termination date if the Group is reasonably certain not to terminate early. Lease contracts related to land areas in Port of Vuosaari includes extension options, which the Group has assumed to exercise.

The Group recognizes a right-of-use asset and a lease liability in the balance sheet at the lease commencement date. Finnlines 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.

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 less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset.

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. If the contract includes purchase option, that the group expects to exercise, depreciations will be recognized over the full expected financial life time of the asset. 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. Finnlines Group has variable payments that depend on an index, but it does not have any lease contracts with residual value guarantees.

Subsequently 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 as a lessor

Leases where the Group transfers substantially all the risks and rewards from ownership of an asset, are classified as finance leases. If a lease contract does not meet the criteria of a finance lease, it is recognised as operating lease. In that case the lessee has a right to use the asset for a limited period of time without a transfer of risks and rewards. This lease income is recognised as income on a straight-line basis over the lease term. The Finnlines Group has only lease contracts classified as operative leases.

INVENTORIES

Inventories include the fuel, lubricant, bulk and food supplies of the Group's vessels, as well as goods for sale on the vessels. Inventories are valued at the lower of their acquisition cost or their net realisation value. Acquisition costs are determined using the FIFO (first in, first out) method. The net realisation value is the estimated sale price in ordinary business transactions, from which the cost of sale has been deducted.

EQUITY

Instruments issued by the Group, which do not contain contractual obligation to transfer cash or financial assets or to exchange financial assets or financial liabilities with other entities under potentially unfavourable terms, and which evidence a residual interest in the assets of the Group after deducting all of its liabilities, are classified as equity. The share capital consists of ordinary shares.

Costs arising from issues or acquisitions of equity instruments are accounted for as a deduction from equity. If the Group reacquires its own equity instruments, those instruments are deducted from equity.

INCOME TAXES

Current tax expenses recognised on the profit and loss consist of income tax payable on taxable profit and of deferred taxes. Income tax on taxable profit for the reporting period is calculated using the valid tax rate of each country. Taxes are adjusted by possible taxes relating to previous periods.

Deferred taxes are recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are calculated using the tax rates valid at the end of the reporting period or rates enacted by the balance sheet date for the following financial year.

Deferred tax assets are recognised to the extent that it is likely that future taxable profit will be available, against which the tax receivables can be used. In the Group, the most significant temporary differences relate to unused tax losses and depreciation of tangible fixed assets.

No deferred taxes are recognised for subsidiaries' undistributed earnings.

Finnlines Plc entered into the Finnish tonnage tax system on 1 January 2013. In the tonnage tax system, the shipping operations shifted from taxation of business income to tonnage-based taxation. Finnlines Deutschland GmbH exited from the German tonnage tax scheme and transferred to business taxation on 1 February 2014.

EMPLOYEE BENEFITS

Pension liabilities

The Group has various pension plans in accordance with the local regulations of each country in which it operates. The Group's pension plans are classified as defined contribution plans and defined benefit plans.

The Group's employee pension plans are mainly administered by external pension insurance companies. The Finnish TyEL pension insurance administered by external pension insurance companies is treated as defined contribution plan.

In defined contribution plans, the Company makes fixed payments into the plan. The Company has no legal or actual obligation to make additional payments if the pension insurance company is unable to pay out the benefits earned by employees in the current period or in previous periods. Payments made into defined contribution plans are recognised in the profit and loss in the reporting period to which the payment applies. In defined benefit plans, the employer's pension liability is based on the present value of the obligation defined in the plan and on the fair value of the assets included in the plan, which are calculated using actuarial calculations determined in the IAS 19 standard.

The Group's obligations in relation to defined benefit plans are calculated separately for each plan using the projected unit credit method. Pension costs are recognised as expenses during each employee's employment term on the basis of calculations made by authorised actuaries. In calculating the present value of a pension liability, the Group uses the market rate of return of high-quality debenture bonds issued by the companies or the interest rate of government debt obligations as the discount rate. The maturity of debenture bonds and debt obligations corresponds in all essential aspects to the maturity of the pension obligation being considered.

The pension cost together with the net interest cost is recognised in personnel expenses in profit or loss. Remeasurements of the net defined liability (actuarial gains and losses together with the return on plan assets) are recognised in other comprehensive income as incurred.

Past service costs are recognised in profit or loss at the period earliest: when the change or curtailment of the plan has been due or the Group has recognised the costs arising from reorganisation or benefits related to post employment.

Share-based payments

At the end of the reporting period, the Group had no share schemes in force.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Company, as a consequence of previous events, has a legal or actual obligation whose monetary value can be reliably determined and whose realisation is probable. The amount recognised as provisions is equivalent to the best estimate of the expenses that will be incurred by fulfilling the obligations existing at the end of the reporting period.

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. An existing obligation that probably does not require a settlement or the amount of which cannot be reliably measured is also a contingent liability.

REVENUE RECOGNITION

The Group applies a five-step model of IFRS 15, when defining when and in what amount revenue is recognised. In this model the Group identifies the contract with customer and the

performance obligations, determines the transaction price and allocates the price to performance obligations, and recognises the revenue.

The revenue is recognised based on the transfer of control of the goods or services either over time or at point in time. The revenue of the Finnlines Group is generated mainly by transportation of cargo and passengers as well as port services. The revenue arising from the liner service cargo transportation is recognised over time, as performance obligations are provided to the customer. Possible land haulage related to the cargo transportation is considered as a separate performance obligation.

The stage of completion is defined based on transportation days. The revenue arising from liner passenger transportation and related services is recognised over time based on the completion of voyage's traffic days. The revenue arising from the port operations is recognised over time as services are provided to the customer. Customer contracts are based on ordinary payment terms used in the industry, and there is no significant financing component involved. The transaction price

allocated to the performance obligations is recognised at fair value adjusted by indirect tax, revenue adjustments and exchange rate differences. The price does not include significant variable consideration. The Group does not have significant assets related to the contracts. The assets and liabilities related to contracts with customers are presented in the disclosures. The Group uses practical expedites and does not present the transaction price allocated to partially or fully unfulfilled performance obligations, if the duration of the agreement is one year at the most or the Group has the right to receive a price from a customer corresponding to the value of services provided to customer by the moment of transaction.

INTERESTS AND DIVIDENDS

Interests are recorded using the effective interest method and the dividends when the right to receive dividend is established.

SEGMENT REPORTING

The Group presents segment reporting in accordance with IFRS 8 based on its internal reporting structure.

3. SEGMENT INFORMATION

The Group's segment reporting is based on two strategic business segments which provide different services requiring different resources and which are managed as separate businesses. The Group has two business segments: Shipping and Sea Transport Services, and Port Operations.

The Group's segment results and decisions concerning assets to be allocated to the segments are evaluated based on the segments' results before interest and taxes. The Group management considers this to be the most appropriate indicator when comparing segment results against other companies in the industry. The Group Executive Committee, in its role as the chief operating decision-maker, uses the segment results for evaluating performance and allocating resources.

SHIPPING AND SEA TRANSPORT SERVICES

Finnlines' Shipping and Sea Transport Services segment includes Finnlines' traffic in the Baltic Sea, the North Sea and the Bay of Biscay, as well as FinnLink and NordöLink traffic and Russian services.

PORT OPERATIONS

During the reporting period, Finnlines engaged in port operations under the name Finnsteve in the ports of Helsinki and Turku in Finland. Finnsteve specialises in providing the following services to operators of regular unitised cargo traffic: stevedoring, terminal services, ship clearance, warehousing and container depot services.

EUR 1,000	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
Result per segment for reporting period ending 31 Dec 2020				
Total revenue from segment	461,815	42,831		504,647
Intra-group revenue	331	-20,961	-20,630	-20,630
External revenue	462,147	21,870		484,016
Result before interest and taxes (EBIT)	72,492	3,724		76,215
Financial items				-5,571
Income taxes				-918
Result for reporting period				69,727
Result per segment for reporting period ending 31 Dec 2019				
Total revenue from segment	550,883	45,429		596,312
Intra-group revenue	347	-21,881	-21,534	-21,534
External revenue	551,230	23,549		574,779
Result before interest and taxes (EBIT)	102,543	2,210		104,754
Financial items				-7,460
Income taxes				964
Result for the reporting period				98,258

Intra-group transfers and transactions are carried out using normal commercial conditions, equivalent to those used with external parties.

Segment assets, liabilities and capital expenditure for 2020 and 2019

EUR 1,000	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
Non cash expenses in the profit and loss account				
2020				
Depreciation	-59,683	-4,916		-64,599
Impairment losses in accounts receivable	-278	-7		-285
2019				
Depreciation	-59,989	-5,076		-65,065
Impairment losses in accounts receivable	-690	-6		-697
Assets, liabilities and capital expenditure by segment				
2020				
Segment assets	1,103,879	84,142	-227	1,187,794
Unallocated assets				11,571
Total assets				1,199,365
Segment liabilities	69,894	7,640	-227	77,307
Unallocated liabilities				397,005
Total liabilities				474,312
Capital expenditure	50,413	169		50,582
Assets, liabilities and capital expenditure by segment				
2019				
Segment assets	1,111,909	89,138	-207	1,200,841
Unallocated assets				26,060
Total assets				1,226,901
Segment liabilities	65,765	7,983	-207	73,541
Unallocated liabilities				438,740
Total liabilities				512,281
Capital expenditure	31,268	166		31,434

Segment assets mainly consist of tangible and intangible assets, inventories and receivables. They do not include tax or financial items (incl. cash and cash equivalents) or assets shared by the entire Group. Segment liabilities mainly consist of business-related liabilities such as accounts payable and other liabilities, accrued liabilities and received advances. They do not include taxes or loans.

Capital expenditure includes additions to tangible assets (Note 17. Property, Plant and Equipment) and to intangible assets (Note 19. Goodwill and Other Intangible Assets).

The assets of the Port Operations segment contain EUR 14.6 (14.6) million classified as assets held for sale.

Information about geographical areas

The revenue from the geographical areas is reported according to the location of the customers. Assets are reported according to the geographical location of the Group. The revenue related to non-freight related passengers is shown for the country of departure. The Group's vessels are also included in the reported assets even though they are by nature mobile and their location can be easily changed.

EUR 1,000	2020	2019
Revenue		
Finland	195,838	245,275
Sweden	70,860	86,344
Germany	58,383	70,698
Other EU countries	130,703	156,037
Russia	6,751	7,126
Other	21,482	9,299
	484,016	574,779
Assets *		
Finland	739,288	733,676
Sweden	344,821	362,540
Germany	7,497	7,645
Other EU countries	67	92
	1,091,673	1,103,954

* Non-current assets of the Group excluding financial instruments, deferred tax assets and post-employment benefit assets.

The Group has no customers, whose revenue would exceed 10% of the Group total revenues.

4. JOINT OPERATIONS

Finnlines had no joint operations in 2020 or 2019.

5. NON-CURRENT ASSETS HELD FOR SALE

Port Operations are negotiating a sale of port assets with a carrying value of around EUR 14.6 million. No impairment losses have been recognized on the carrying value of the assets.

6. ACQUIRED NON-CONTROLLING INTERESTS

Finnlines has not acquired new shares in non-controlled entities in 2020.

Finnlines owns 25.4% of Steveco Oy's shares. This shareholding is presented in financial assets, because Finnlines has no significant influence in Steveco Oy.

7. REVENUE

EUR 1,000	2020	2019
Revenue		
Sale of goods	13,643	15,847
Rendering of services	457,860	547,444
Vessel hires	12,513	11,488
	484,016	574,779

Revenue by functions

EUR 1,000	2020	2019
Revenue		
Freight and other shipping services	423,100	491,320
Passenger services	39,047	59,910
Port operations	21,870	23,549
	484,016	574,779

The received prepayments related to passenger services were EUR 5.2 (3.9) million on 31 December 2020. Otherwise there were no received prepayments related to performance obligations to be provided by the Group.

8. OTHER INCOME FROM OPERATIONS

EUR 1,000	2020	2019
Other income from operations		
Rental income	574	1,208
Profits from sale of tangible assets	197	151
Gain on disposal of non-current assets	0	110
Other income from operations	533	47
	1,303	1,516

Other operative income includes a business cost support of EUR 0.5 million paid by Finnish State Treasury.

9. MATERIALS AND SERVICES

EUR 1,000	2020	2019
Cost of services provided		
Materials and supplies		
Purchases during reporting period	-81,878	-120,630
Change in inventories	-195	-1,624
Purchased services	-55,891	-58,552
	-137,964	-180,806

10. PERSONNEL EXPENSES

EUR 1,000	2020	2019	2018
Employee benefit expenses			
Salaries	-85,494	-88,252	-89,848
Other social costs	-7,507	-7,509	-8,392
Pension expenses – defined contribution plans	-9,684	-11,306	-11,798
Pension expenses – defined benefit plans	-63	-92	-91
Government grants for shipping companies	19,371	18,444	21,228
	-83,376	-88,714	-88,901
Average number of Group employees			
Shipping and Sea Transport Services	1,244	1,274	1,326
Port Operations	290	302	311
	1,534	1,576	1,637
Number of employees on 31 December	1,519	1,538	1,590

Information on the employee benefits of the senior management is presented in Note 36. Transactions with Related Parties.

According to the European Community guidelines on State aid to maritime transport valid throughout Europe, Finnlines has benefited from government grants for personnel expenses worth EUR 19.4 (18.4) million, like many other shipowners in European countries. In Finland, the amount partly corresponds to the tax withheld in advance from seamen's income, and partly the amount paid by the employer for seamen's social security fees, pension fees and employees' insurance fees. In Sweden, the government grant corresponds to the tax withheld in advance from seamen's income and the amount paid by the employer for the seamen's social fees.

11. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

EUR 1,000	2020	2019
Depreciation of tangible assets		
Land and water, right of use	-1,733	-1,733
Buildings	-3,008	-2,926
Buildings, right of use	-1,342	-889
Machinery and equipment	-343	-937
Machinery and equipment, right of use	-405	-381
Vessels	-56,949	-57,425
Amortisation of intangible assets	-819	-776
Total depreciation and amortisation	-64,599	-65,065

12. OTHER OPERATING EXPENSES

EUR 1,000	2020	2019
Port expenses, equipment and other voyage related costs	-49,502	-50,208
Leases	-12,682	-15,669
Manning service costs and other non-obligatory personnel costs	-1,267	-1,457
Vessel insurances, repairs and maintenance costs	-34,281	-38,143
Catering costs	-10,294	-13,358
IT costs	-3,218	-2,943
Sales and marketing costs	-1,796	-3,623
Real estate costs excluding rents and leases	-2,581	-2,769
Other costs	-7,542	-8,786
	-123,164	-136,956

Auditor's remuneration

The Group's principal auditor was KPMG Oy Ab in 2020.

EUR 1,000	2020	2019
Audit fees		
KPMG	125	125
Other	17	17
Tax consultancy and other fees		
KPMG	36	27
Other	7	8
	184	176

13. FINANCIAL INCOME AND EXPENSES

EUR 1,000	2020	2019
Dividend income	0	1
Interest income		
Bank deposits	0	2
Loans and accounts receivable	49	60
Other receivables	0	1
Exchange rate gains		
Other exchange rate gains	442	221
Other financial income	3	3
Total financial income	494	286
Interest expenses		
Borrowings measured at amortised cost	-3,646	-5,406
Other interest expenses	-2	-2
Exchange rate losses		
Other exchange rate losses	-541	-223
Other financial expenses	-1,876	-2,115
Total financial expenses	-6,065	-7,746
Net financial expenses	-5,571	-7,460

The Group's financial income and expenses include exchange rate gains and losses, most of which are related to valuation of foreign currency accounts. The main part of the Group's other financial expenses is composed of guarantee fees, arrangement fees and other expenses related to borrowings.

14. INCOME TAXES

EUR 1,000	2020	2019
Tax on taxable income of the reporting period	-228	-209
Tax from previous periods	-14	-1
Change in deferred taxes	-676	1,174
Income taxes in profit and loss, expense (-)	-918	964

Reconciliation of differences between tax on the profit and loss and taxes calculated using Finnish tax rates

EUR 1,000	2020	2019
Result before taxes	70,645	97,293
Tax calculated using Finnish tax rate, 20%	-14,129	-19,459
Foreign subsidiaries' differing tax rates *	-84	-108
Tax-exempt income and non-deductible expenses	-23	-36
Effect on tax of the rate change (net) **	0	969
Losses for which no deferred tax asset was recognised	-99	-82
Impact of tonnage tax ***	13,417	19,681
Income taxes in profit and loss, expense (-)	-918	964

* As of 1 January 2014, the applicable tax rate has been 20.0% in Finland.

** Deferred tax assets and liabilities arising from Swedish entities are adjusted to new 2021 tax rate 20.6%.

*** The Finnish parent company Finnlines Plc entered into the Finnish tonnage taxation regime as from 1 January 2013. The adoption is binding until at least 31 December 2022.

Income tax on other comprehensive income

EUR 1,000	2020	2019
Remeasurement of defined benefit liability	-21	-83
	-21	-83

15. EARNINGS PER SHARE

Earnings per share are calculated by dividing the result for the reporting period attributable to the parent company's shareholders by the weighted average number of outstanding shares during the reporting period, minus the treasury shares purchased by the Company.

EUR 1,000	2020	2019
Result for the reporting period attributable to parent company shareholders, EUR 1,000	69,727	98,258
Weighted average no. of shares, 1,000	51,503	51,503
Undiluted earnings per share, EUR/share	1.35	1.91

16. DIVIDENDS

Finnlines paid EUR 51.5 million in dividend in 2020.

The parent company Finnlines Plc's result for the reporting period was EUR 52.7 million. The distributable funds included in the parent company's shareholders' equity equals to EUR 444.1 million at the end of the reporting period. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.00 per share be paid out resulting in a total amount of proposed dividends of EUR 51,503,141.

17. PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land	Buildings	Vessels	Machinery and equipment	Advance payments & acquisitions under construction	Total*
Reporting period ending 31 December 2020						
Acquisition cost 1 January 2020	72	67,348	1,477,184	66,169	19,884	1,630,657
Exchange rate differences		2		-16		-14
Increases			9,477	265	40,307	50,049
Disposals		-515	-683	-708		-1,907
Reclassifications between items		14	540	116	-670	0
Reclassifications to non-current assets held for sale **		-3,297		-22,395		-25,691
Acquisition cost on 31 December 2020	72	63,552	1,486,518	43,431	59,521	1,653,093
Accumulated depreciation, amortisation and write-offs 1 January 2020		-23,747	-587,887	-43,878		-655,511
Exchange rate differences		-2		14		13
Cumulative depreciation on reclassifications and disposals		511	683	711		1,905
Depreciation for the reporting period		-1,918	-57,359	-1,023		-60,300
Accumulated depreciation, amortisation and write-offs 31 December 2020		-25,156	-644,563	-44,175		-713,894
Reclassifications to non-current assets held for sale **		570		10,510		11,081
Carrying value on 31 December 2020	72	38,966	841,955	9,766	59,521	950,280

Not including right-of-use assets.

* The carrying value of property, plant and equipment includes EUR 17.3 (18.2) million of capitalised interest during construction.

** The Finnlines Group is negotiating a sale of Port Operations' assets with carrying value of EUR 14.6 (14.6) million. No impairment losses were recognised on the carrying values of these assets in 2019 or 2020, 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 December 2019 and 31 December 2020.

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 2020				
Acquisition cost 1 January 2020	18,642	2,514	1,018	22,173
Exchange rate differences			-1	-1
Increases		1,321	424	1,745
Disposals				
Reclassifications between items		-3	-2	-5
Acquisition cost 31 December 2020	18,642	3,832	1,493	23,913
Accumulated depreciation, amortisation and write-offs 1 January 2020	-1,733	-861	-372	-2,966
Exchange rate differences			0	0
Cumulative depreciation on reclassifications and disposals		1	1	2
Depreciation for the reporting period	-1,733	-1,342	-405	-3,481
Accumulated depreciation, amortisation and write-offs 31 December 2020	-3,466	-2,202	-776	-6,444
Carrying value 31 December 2020	15,176	1,629	663	17,468
Property, plant and equipment, total				967,748

EUR 1,000	Buildings	Machinery and equipment	Total
Assets classified as held for sale 1 January 2020			
Acquisition cost			
Transfer to non-current assets held for sale on 1 January 2020	3,297	22,395	25,691
Accumulated depreciation			
Transfer to non-current assets held for sale on 31 December 2020	-570	-10,510	-11,081
Carrying value 31 December 2020	2,726	11,884	14,610

EUR 1,000	Land	Buildings	Vessels	Machinery and equipment	Advance payments & acquisitions under construction	Total
Reporting period ending 31 December 2019						
Acquisition cost 1 January 2019	72	67,316	1,461,477	66,404	5,711	1,600,980
Exchange rate differences		-1		17		16
Increases		57	10,824	436	19,646	30,963
Disposals		-31	-515	-735		-1,282
Reclassifications between items		7	5,399	46	-5,474	-21
Transfer to non-current assets held for sale		-3,297		-22,395		-25,691
Acquisition cost on 31 December 2019	72	64,051	1,477,184	43,774	19,884	1,604,965
Accumulated depreciation, amortisation and write-offs 1 January 2019		-21,401	-530,642	-43,440		-595,482
Exchange rate differences		1		-16		-15
Cumulative depreciation on reclassifications and disposals		31	515	717		1,263
Depreciation for the reporting period		-2,377	-57,760	-1,139		-61,277
Accumulated depreciation, amortisation and write-offs 31 December 2019	0	-23,747	-587,887	-43,878	0	-655,511
Transfer to non-current assets held for sale		570		10,510		11,081
Carrying value 31 on December 2019	72	40,875	889,298	10,407	19,884	960,535

Not including right-of-use assets.

EUR 1,000	Land and water	Buildings and structures	Machinery and equipment	Total
Right-of-use assets 2019				
Acquisition cost 1 January 2019	14,881	2,306	758	17,945
Exchange rate differences				0
Increases	3,761	300	297	4,359
Disposals		-93	-38	-130
Reclassifications between items			0	0
Acquisition cost 31 December 2019	18,642	2,514	1,018	22,174
Accumulated depreciation, amortisation and write-offs 1 January 2019				0
Exchange rate differences			1	1
Cumulative depreciation on reclassifications and disposals		28	17	45
Depreciation for the reporting period	-1,733	-889	-390	-3,012
Accumulated depreciation, amortisation and write-offs 31 December 2019	-1,733	-861	-372	-2,966
Carrying value 31 December 2019	16,909	1,652	645	19,206
Property, plant and equipment, total				979,741

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 on 1 January 2019	3,297	22,395	25,691
Accumulated depreciation			
Transfer to non-current assets held for sale on 31 December 2019	-570	-10,510	-11,081
Carrying value 31 December 2019	2,726	11,884	14,610

18. LEASES

Finnlines does not apply practical expedient, by which service components are not separated from lease contract components.

Finnlines has included the value of option in such contracts where the leased facility has strategic long term value.

Amounts recognized in profit or loss

EUR 1,000	2020	2019
Interest on lease liabilities 31 December	235	263
Expenses relating to short-term leases	2	2,111
Expenses relating to low-value assets	93	104
Service components of lease payments 31 December	196	202
Lease payments of all leases accounted according to IFRS 16	3,635	3,146
Total cash flow of all leases 31 December	3,926	5,563

Maturity analysis

EUR 1,000	2020	2019
Contractual undiscounted cash flows		
Less than one year	3,115	3,276
One to five years	8,028	9,265
More than five years	14,223	16,300
Total undiscounted lease liabilities at 31 December	25,365	28,841
Short term leasing liability	2,882	2,802
Long term leasing liability	14,779	16,515
Lease liabilities included in statement of financial position at 31 December	17,661	19,317

19. GOODWILL AND OTHER INTANGIBLE ASSETS

EUR 1,00	Goodwill	Advance payment for intangible assets	Other intangible assets	Total intangible assets
Reporting period ending 31 December 2020				
Acquisition cost on 1 January 2020	105,644	266	26,855	132,765
Increases		405	128	533
Disposals			-653	-653
Reclassifications		-233	233	0
Acquisition cost on 31 December 2020	105,644	437	26,855	132,645
Accumulated amortisation and impairment losses on 1 January 2020			-23,163	-23,163
Cumulative amortisation on reclassifications and disposals			651	651
Depreciation for the reporting period			-819	-819
Accumulated amortisation and impairment losses on 31 December 2020			-23,330	-23,330
Carrying value on 31 December 2020	105,644	437	3,234	109,315
Reporting period ending 31 December 2019				
Acquisition cost on 1 January 2019	105,644	335	27,000	132,979
Increases		92	378	470
Disposals			-705	-705
Reclassifications		-162	182	20
Acquisition cost on 31 December 2019	105,644	266	26,855	132,764
Accumulated amortisation and impairment losses on 1 January 2019			-23,092	-23,092
Cumulative amortisation on reclassifications and disposals			705	705
Depreciation for the reporting period			-776	-776
Accumulated amortisation and impairment losses on 31 December 2019			-23,163	-23,163
Carrying value on 31 December 2019	105,644	266	3,692	109,602

Goodwill impairment testing

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation principle has remained unchanged since 2019, although minor changes were made to the vessel set-up due to the updated schedules during 2020. The goodwill related to Finland–Germany traffic is allocated to the HansaLink service, which is operated with a vessel system between Finland, Germany, and Poland. Goodwill related to the South Sweden–Germany traffic is allocated to the NordöLink service.

EUR 1,00	2020	2019
Allocation of goodwill to the cash-generating units		
NordöLink	68,972	68,972
HansaLink (incl. Finland–Germany–Poland traffic)	36,671	36,671
Total	105,644	105,644

NordöLink and HansaLink are included in the Shipping and Sea Transport Services segment.

The current recoverable amount is determined based on their value in use. The cash flow forecasts for the tested units are based on the next year's budget and the forecasts for the subsequent four years (five-year business plans) approved by the management. The projections of cash flow for the five-year period are based on the management's experience and assumed future development of markets, and are in line with the external market forecasts.

During 2020, no major alterations were made to the traffic patterns between Finland, Germany, and Poland. Three Star-class vessels continued to ply between Helsinki and Travemünde, and two ro-ro vessels were sailing on the direct route between Hanko and Rostock supported by one weekly back-up departure between Helsinki and Rostock. The direct route from Hanko to Gdynia was operated with one ro-ro vessel.

NordöLink traffic continued with a large Star-class vessel and two smaller ro-pax vessels as in the previous year.

Both of these services operate in one of the Emissions Control Areas, i.e. the Baltic Sea, where the sulphur content limits are stricter than globally. The sulphur limit for heavy fuel oil was reduced to 0.10% in 2015 in accordance with the MARPOL Convention. Finnlines has invested in emission abatement technology to meet the new environmental regulations, and the effects of these investments on both the costs and sea freight rates have been taken into account in the tests.

The main assumptions in the five-year business plans relate to market growth, market share, price level and development of passenger services. The market growth rates used are derived from recent external economic forecasts adjusted to the relevant market. The cash flows after the forecast period of five years are extrapolated using the growth factors listed below. The growth factors used do not exceed the actual long-term growth rate in the sector in question.

The weighted average pre-tax cost of capital (WACC) is used as a discount rate. The components used to calculate the WACC are risk free interest rate, market risk premium, industry beta-coefficient, target capital structure and the cost of debt. The same common components to calculate the discount rates for all cash generating units are used, adjusted with the relevant tax rates. The usage of the same common components in discount rates is justified as the risks related to the different businesses are interlinked and relate to the general economic development in the Baltic Sea area.

Main assumptions used in calculating value in use in 2020

	Cash-generating unit	
	HansaLink	NordöLink
Discount rate (pre-tax)	4.8%	4.8%
LTP period	2021–2025	2021–2025
Growth rate after LTP period	2.0%	2.0%
The resulting share of terminal value of the calculated discounted cash flow	88.8%	87.3 %

Main assumptions used in calculating value in use in 2019

	Cash-generating unit	
	HansaLink	NordöLink
Discount rate (pre-tax)	4.7%	4.7%
LTP period	2020–2024	2020–2024
Growth rate after LTP period	2.0%	2.0%
The resulting share of terminal value of the calculated discounted cash flow	89.2%	85.4%

Based on the forecasts, the current recoverable amounts of the Finland–Germany–Poland service (HansaLink) and NordöLink clearly exceed the carrying value at the end of 2020. Sensitivity tests were conducted for all the key assumptions and parameters in the business plans and in the future extrapolation. The tested parameters were market growth, market share, price level development, passenger business contribution, discount rate and growth rate after a period of five years, which were tested based on their relevance in the cash generating unit. The management views that no reasonably possible change in any of the key parameters would lead to impairment as the recoverable amounts exceed the carrying amounts considerably.

The goodwill of the Company is related to the lines and corresponding traffic flows, which can be handled with various vessel systems as the vessels are relatively easily movable assets. For both cash generating units, the assumption of infinite cash flow (the Gordon model) is applied. As the goodwill is not dependent of the system of certain vessels and their deterioration due to passage of time, the infinity assumption is a reasonable approach to measure the future cash flows. The shares of terminal values (cash flows after a five year period) are listed above. When preparing cash flow forecasts, the Company also reviews the differences between the previous forecast and actual outcomes of the key variables.

20. SUBSIDIARIES

Finnlines Plc has 19 subsidiaries, which are specified in Note 38. Subsidiaries.

21. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has no investments in associated companies.

22. OTHER FINANCIAL ASSETS

EUR 1,000	2020	2019
Investments in unlisted shares	7,073	7,072

The main part of the unlisted shares consists of investments in stevedoring companies. The shares are measured at cost or at its lower probable value, as the fair value of the investment cannot be measured reliably.

EUR 1,000	Fair value through profit or loss	Subsequently measured at amortised cost	Hedging of cash flow	Balance sheet value	Fair value
Reporting period ending 31 December 2020					
Investments	7,073			7,073	7,073
Loan and other receivables		1,385		1,385	1,385
Trade receivables		65,282		65,282	65,282
Derivatives			1,378	1,378	1,378
Cash and bank		1,847		1,847	1,847
Total 31 December 2020	7,073	68,515	1,378	76,966	76,966
Reporting period ending 31 December 2019					
Investments	7,072			7,072	7,072
Loan and other receivables		1,385		1,385	1,385
Trade receivables		67,825		67,825	67,825
Derivatives			9,623	9,623	9,623
Cash and bank		9,208		9,208	9,208
Total 31 December 2019	7,072	78,419	9,623	95,115	95,115

23. NON-CURRENT RECEIVABLES

2020			2019	
EUR 1,000	Fair values	Carrying amount	Fair value	Carrying amount
Loans and other receivables				
Other receivables	1,385	1,385	1,385	1,385
Financial assets at fair value				
Currency derivatives	2,546	2,546	9,272	9,272
	3,932	3,932	10,658	10,658

24. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred taxes in 2019 and 2020

EUR 1,000	1 Jan 2019	Reclassification	Recognised in profit and loss	Recognised in other comprehensive income	31 Dec 2019
Deferred tax assets:					
Restated receivables on 1 January 2019 impairment, IFRS 9	13	-13			0
Fair value valuation loss, IAS 32, IFRS 9	-91	0	19		-72
Unused losses in taxation	3,477		-919		2,559
IFRS 16 leases	0		35		35
Other differences	-25	0	70		46
Remeasurement of defined benefit plans	276	13		83	373
	3,650	0	-794	83	2,940
Deferred tax liabilities:					
Depreciation difference on 1 January 2019	25,917		2,079		27,995
Deferred tax liability in tonnage taxation	18,778	0	-3,917		14,861
Group difference, vessels and equipment	2,140	0	16		2,155
Fair value valuation gains and financial lease	1,381	0	-6		1,374
Currency difference	0		1		1
Other differences	177	0	-141		36
	48,392	0	-1,969	0	46,423

EUR 1,000	1 Jan 2020	Reclassification	Recognised in profit and loss	Recognised in other comprehensive income	31 Dec 2020
Deferred tax assets:					
Fair value valuation loss, IAS 32, IFRS 9	-72	0	-32		-104
Unused losses in taxation	2,559		-511		2,048
IFRS 16 leases	35		17		52
Other differences	46	0	-65		-19
Remeasurement of defined benefit plans	373	0		21	393
	2,940	0	-590	21	2,370
Deferred tax liabilities:					
Depreciation difference on 1 January 2020	27,995	0	2,877		30,872
Deferred tax liability in tonnage taxation	14,860	0	-2,890		11,971
Group difference, vessels and equipment	2,156	0	16		2,171
Assets set to sale, pension liabilities, capitalized interests	1,375	0	57		1,432
Currency difference	1		-3		-1
Other differences	36	0	29		64
	46,423	0	86		46,509
Deferred tax liabilities					
EUR 1,000					Deferred tax liabilities
Finnlines Plc's depreciation in excess of plan 31 December 2012 / 1 January 2013					52,692
Difference between vessel's legal and Group value					1,340
Deferred tax liability 1 January 2013					54,033
Recognised in the income statement 1 January 2013					
Difference between vessel's group value and fair value					364
Recognised in the income statement 1 January–31 December 2013					
Tax relief of vessels crew's social costs					-3,352
Effect of change of tax rate on tax 1 January 2014					-9,376
Deferred tax liability in tonnage taxation at 31 December 2013					41,669
Tax relief of vessels crew's social costs 2014 (the second tonnage tax period)					-3,587
Deferred tax liability in tonnage taxation at 31 December 2014					38,083
Recognised in more tax relief for vessels crew social costs 2013, 2014 (the third tonnage tax period)					-1,479
Tax relief of vessels crew's social costs 2015 (the third tonnage tax period)					-4,180
Deferred tax liability in tonnage taxation at 31 December 2015					32,424
Tax relief of vessels crew's social costs 2016 (the fourth tonnage tax period)					-5,155
Tax relief of vessels crew's social costs 2015 (the third tonnage tax period), change					211
Deferred tax liability in tonnage taxation at 31 December 2016					27,481
Tax relief of vessels crew's social costs 2017 (the fifth tonnage tax period)					-4,032
Tax relief of vessels crew's social costs 2016 (the fourth tonnage tax period), change					-221
Deferred tax liability in tonnage taxation at 31 December 2017					23,228
Tax relief of vessels crew's social costs 2018 (the sixth tonnage tax period)					-3,692
Tax relief of vessels crew's social costs 2017 (the fifth tonnage tax period), change					-759
Deferred tax liability in tonnage taxation at 31 December 2018					18,777
Tax relief of vessels crew's social costs 2019 (the seventh tonnage tax period)					-3,880
Tax relief of vessels crew's social costs 2018 (the sixth tonnage tax period), change					-37
Deferred tax liability in tonnage taxation at 31 December 2019					14,860
Tax relief of vessels crew's social costs 2020 (the eighth tonnage tax period)					-2,843
Tax relief of vessels crew's social costs 2019 (the seventh tonnage tax period)					-46
Deferred tax liability in tonnage taxation at 31 December 2020					11,971

EUR 1,00	2020	2019
Deferred tax assets and liabilities		
Total deferred tax assets	2,370	2,940
Deferred tax assets in statement of financial position	2,370	2,940
Deferred tax liabilities	46,509	46,423
Deferred tax liabilities in statement of financial position	46,509	46,423

Deferred tax liabilities are not recognised for subsidiaries' undistributed earnings, because in most cases these earnings are transferred to the Company without any tax consequences. In addition, the Group does not recognise deferred tax liabilities for subsidiaries' undistributed earnings when the related funds are intended for permanent investment in the companies in question.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group has recognised EUR 1.5 (2.4) million deferred tax assets from the Finnsteve companies' carry forward losses. This is based on the Finnsteve companies' improved financial performance and estimated results for future years. The estimate also takes into account that the parent company is able to give group contribution to the Finnsteve companies.

The Group has recognised deferred tax assets for unutilised losses in taxation EUR 2.0 (2.6) million. The tax losses will expire in 2023–2028.

The Group did not recognise deferred income tax assets of EUR 0.7 (0.4) million because, according to management's view, utilisation of losses involves considerable uncertainty.

25. INVENTORIES

EUR 1,000	2020	2019
Material and equipment	5,072	5,120
Inventory for resale	895	1,032
	5,967	6,152

No write-downs of inventories were recognised during the reporting period.

26. CURRENT RECEIVABLES

EUR 1,000	2020		2019	
	Fair Value	Carrying amount	Fair Value	Carrying amount
Accounts receivable and other receivables				
Loans and other receivables				
Accounts receivable	65,282	65,282	67,825	67,825
Accrued income and prepaid expenses	19,086	19,086	16,975	16,975
Other receivables	2,103	2,103	1,764	1,764
Financial assets at fair value				
Currency derivatives	0	0	351	351
Total	86,471	86,822	86,916	86,916

The tables below show the analysis of accounts receivable by age and currency. Significant items of accrued receivables are specified in the following table.

EUR 1,000	2020	2019
Significant items of accrued income and prepaid expenses		
Government grants for shipping companies	7,476	7,453
Personnel costs	1,494	806
Port expenses, cargo handling and other voyage-related costs	3,650	2,208
Docking costs	1,102	772
Reimbursement of average repairs, vessels	2,186	1,695
Insurances	1,457	1,468
Other accrued receivables	1,722	2,573
Total	19,086	16,975

EUR 1,000	2020	Impaired receivables	Net 2020
Aging of accounts receivable 2020			
Undue	60,357	0	60,357
Overdue			
1–30 days	4,288	0	4,288
31–60 days	-525	0	-525
61–90 days	-193	0	-193
91–360 days	264	-6	269
over 360 days	3,195	1,702	1,493
Total overdue	7,029	1,697	5,333
Expected credit loss allowance (IFRS 9)		407	
Total	67,386	2,104	65,282

EUR 1,000	2019	Impaired receivables	Net 2019
Aging of accounts receivable 2019			
Undue	58,383	0	58,383
Overdue			
1–30 days	7,683	0	7,683
31–60 days	195	0	195
61–90 days	-195	3	-198
91–360 days	1,358	157	1,201
over 360 days	2,443	1,543	900
Total overdue	11,484	1,703	9,781
Expected credit loss allowance (IFRS 9)		338	
Total	69,866	2,041	67,825

EUR 1,000	2020	2019
Accounts receivable by currency		
EUR	65,125	67,685
SEK	-3	3
GBP	248	252
USD	316	222
DKK	3	3
PLN	0	0
	65,690	68,164
Expected credit loss allowance (IFRS 9)	-407	-338
Total	65,282	67,825

The carrying value of accounts receivable and other receivables are reasonable estimates of their fair values. In 2020, the Group has recognised impairment losses of EUR -216 (-738) thousand in profit or loss. In addition, according to IFRS 9 the Group has recognised EUR -69 (42) thousand as expected credit loss allowance. The maximum credit risk related to accounts receivable and other receivables is their carrying amount. The calculation of the allowance for impaired trade receivables is presented in Note 34. Financial risk management / Credit risk.

27. CASH AND CASH EQUIVALENTS

EUR 1,000	2020	2019
Cash in hand and cash equivalent	1,847	9,208
	1,847	9,208

The cash and cash equivalents item does not include any bank overdrafts to be paid on demand.

28. SHARE CAPITAL AND OTHER RESERVES

	No. of shares outstanding (1,000)	Share capital EUR 1,000
31 Dec 2019	51,503	103,006
31 Dec 2020	51,503	103,006

Share capital

The share capital (ordinary shares) consists of shares in one series. Each share has a nominal value of EUR 2.00 and carries one vote in the Annual General Meeting. According to the Articles of Association, the maximum share capital was EUR 200 million on 31 December 2020 (EUR 200 million on 31 December 2019). All issued shares have been fully paid.

The number of Finnlines Plc's shares amounted to 51,503,141 shares and share capital to EUR 103,006,282.

Share premium account

EUR 1,000	2020	2019
Share premium account	24,525	24,525

Share premium account generated under the former Finnish Companies' Act.

Fund for unrestricted equity

EUR 1,000	2020	2019
Unrestricted equity reserve 1 January	40,016	40,016
Increase	0	0
Unrestricted equity reserve 31 December	40,016	40,016

Fair value reserve

EUR 1,000	2020	2019
Fair value reserve 1 January	9,623	3,562
Increase	-8,245	6,061
Fair value reserve 31 December	1,378	9,623

Fair value reserve consists of currency derivative valuations.

Translation differences

The translation difference reserve contains translation differences arising from the translation of foreign units' financial statements.

Ownership of Finnlines Plc

The shareholding of Finnlines Plc is presented in Note 38. Shares and Shareholders.

29. PROVISIONS

EUR 1,000	2020	2019
Non-current provisions	1,697	1,697
Current provisions	220	253
	1,918	1,951

EUR 1,000	Tax provisions	Other provisions	Total
1 January 2020	235	1 716	1 951
Decreases in provisions	-33	0	-33
31 December 2020	202	1 716	1 918

EUR 1,000	Tax provisions	Other provisions	Total
1 January 2019	238	1,748	1,986
Decreases in provisions	-3	-32	-35
31 December 2019	235	1,716	1,951

Other provisions contain mainly dismantling provisions for buildings in the Vuosaari Harbour. Provisions have been made because the buildings are located on a leased site and, after the lease period, there is an obligation to clear the site.

30. INTEREST-BEARING LIABILITIES

EUR 1,000	2020		2019	
	Fair value	Carrying amount	Fair value	Carrying amount
Long-term interest-bearing liabilities measured at amortised cost				
Loans from financial institutions	160,630	159,743	195,150	194,840
Loans from pension funds	5,900	5,860	8,288	8,288
Lease liabilities	14,779	14,779	16,515	16,515
	181,309	180,383	219,953	219,643
Current interest-bearing liabilities measured at amortised cost				
Loans from financial institutions	64,776	64,776	70,443	70,443
Bank overdraft facilities	0	0	0	0
Loans from pension funds	2,428	2,428	2,428	2,428
Lease liabilities	2,882	2,882	2,802	2,802
Commercial paper programme	98,860	98,860	96,166	96,166
Financial liabilities	168,946	168,946	171,840	171,840
Total interest-bearing liabilities	350,255	349,328	391,792	391,482

The book values of interest-bearing loans from financial institutions and pension liabilities have been calculated using the effective interest rate method and the fair values have been determined by discounting future cash flows of loans at the interest rate at which the Group would obtain a similar loan from external parties at the end of reporting period. The effective interest rate of lease obligations is assumed to correspond to the valid interest rate of similar contracts to be made at the end of the reporting period. In practice, fair values of loans do not materially differ from amortised cost.

All the Group's cash flows from financing are cash flow based and are presented in the cash flow statement.

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 and commercial papers 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 7.1 million (7.1 in 2019), which are valued at the lower of acquisition cost or probable value, as their fair value cannot be reliably measured. Majority of the unlisted shares consists of Steveco Oy's shares of which Finnliness owns 25.4%. This shareholding is presented in financial assets, because Finnliness has does not have significant influence in Steveco Oy.

EUR 1,000	2020	2019
Maturity of long-term interest-bearing liabilities (not including lease liabilities)		
Within 12 months	67,204	72,871
1–5 years	161,643	193,847
After five years	5,000	10,000
	233,847	276,718

EUR 1,000	2020	2019
Weighted average interest rates of the interest-bearing debts	1.09%	1.14%

EUR 1,000	Within 1 year	1–5 years	More than 5 years	Total
Floating rate liabilities, timing of re-pricing 31 December 2020				
Financial liabilities				
Loans from financial institutions	201,559			201,559
Bank overdraft facilities	0			0
Loans from pension funds	8,288			8,288
	209,847	0	0	209,847

EUR 1,000	Within 1 year	1–5 years	More than 5 years	Total
Floating rate liabilities, timing of re-pricing				
31 December 2019				
Financial liabilities				
Loans from financial institutions	217,336			217,336
Bank overdraft facilities	0			0
Loans from pension funds	10,716			10,716
	228,052	0	0	228,052

All of the Group's financial liabilities were in EUR on 31 December 2020 and on 31 December 2019.

Financial liabilities include secured liabilities. The pledge value of the related pledged assets is EUR 540 (640) million. This is detailed in Note 35. Contingencies and Commitments.

31. ACCOUNTS PAYABLE AND OTHER LIABILITIES

EUR 1,000	2020		2019	
	Fair Value	Carrying amount	Fair Value	Carrying amount
Current accounts payable and other liabilities				
Liabilities measured at cost				
Accounts payable	20,529	20,529	18,695	18,695
Accrued personnel costs	12,032	12,032	11,880	11,880
Accrued interest	424	424	647	647
Other accrued expenses and deferred income	18,882	18,882	19,333	19,333
Other liabilities	14,236	14,236	13,381	13,381
Current advances received	6,527	6,527	5,038	5,038
Financial liabilities at fair value				
Currency forward contracts – non hedge account	1,168	1,168		
	73,798	73,798	68,975	68,975

The carrying value of accounts payable and other liabilities is the reasonable estimate of their fair values. The tables below show the significant items in accrued liabilities and the distribution of accounts payable by currency.

EUR 1,000	2020	2019
Significant items in accrued expenses and deferred income		
Discounts given	12,096	10,299
Bunker costs	480	2,200
Cargo handling costs	2,118	1,918
Port expenses and voyage-related costs	1,807	1,506
Catering costs	470	680
Repairs, vessels	819	680
Other accrued liabilities	1,092	2,049
	18,882	19,333

EUR 1,000	2020	2019
Distribution of accounts payable by currency		
EUR	18,655	16,344
SEK	481	1,231
USD	894	591
GDP	250	201
DKK	217	324
PLN	33	4
	20,529	18,695

32. ADJUSTMENTS TO CASH FLOW FROM OPERATIONS

EUR 1,000	2020	2019
Non-cash transactions		
Depreciation	64,599	65,065
Profits/losses from the sale of assets	-195	-257
Defined benefit plan valuation, IAS 19	-237	-400
	64,167	64,408

33. PENSION LIABILITIES

The Group's obligations in relation to defined benefit plans are calculated separately for each plan using the projected unit credit method. Pension costs are recognised as expenses during each employee's employment term on the basis of calculations made by authorised actuaries. In calculating the current value of a pension liability, the Group uses the market rate of return of high-quality debenture bonds issued by companies or the interest rate of government debt obligations as the discount rate. The maturity of debenture bonds and debt obligations corresponds in all essential aspects to the maturity of the pension obligation being considered. All arrangements are subject to local legislation.

Finnlines Plc's and Finnsteve Oy Ab's assets of the defined benefit pension plans in Finland are mainly administered by insurance companies. The assets thus consist of approved insurance contracts. The assets are administered in accordance with the local statutory requirements under which the plans are obliged to pay guaranteed sums irrespective of market conditions. The defined benefit pension plans in Finland on 31 December 2020 covered a total of 129 (137) members, of whom 12 (12) were employed.

Finnlines Deutschland GmbH has granted defined benefit pension plans to its employees. On 31 December 2020, the defined benefit pension plan in Germany covered a total of 35 (35) members, of whom 6 (7) were employed.

In Sweden, the retirement pension and family pension for employees at the Finnlines Group companies are guaranteed with an Alecta insurance. According to the statement from the Council for Financial Reporting (Rådet för finansiell rapportering), URF 3, this is a defined benefit pension plan, encompassing several employers. During the financial year 2020 or 201*, the Company did not have access to information, which would make it possible to report this plan as a defined benefit plan. A pension plan in accordance with ITP, which is guaranteed with an insurance at Alecta, is therefore reported as a defined contribution plan. The premiums for pension insurance at Alecta amount to EUR 0.4 (0.4) million. Alecta's surplus can be distributed to policy holders and/or the insured. At the end of 2020, Alecta's surplus in the form of collective funding ratio amounted to 148 (142) per cent. The collective funding ratio consists of the market value of Alecta's assets as a percentage of the pension obligations calculated in accordance with Alecta's actuarial calculation assumptions, which are not compatible with IAS 19.

The weighted average duration of the defined benefit obligations is 10.48 years.

Assumptions 31 December 2020						
	Germany pension promise	Finland Finnsteve pension promise	Finland Finnsteve pension plan	Finland Finnlines pension plan	Average 2020	Average 2019
Discount rate	0.96%	0.40%	0.40%	0.40%	0.60%	0.94%
Rate of salary increase	1.50%	n/a	n/a	n/a		
Rate of benefit increase	1.50%	1.42%	1.42%	1.42%		
Rate of inflation	1.50%	1.18%	1.18%	1.18%		

EUR 1,000	2020	2019
Expense recognised in profit or loss		
Service cost	27	32
Net interest	36	60
Expense recognised in profit or loss	63	92
Remeasurements in other comprehensive income	120	400
Amounts in total comprehensive income	183	492

EUR 1,000	31 Dec 2020	31 Dec 2019
Liability recognised in statement of financial position		
Defined benefit obligation	6,667	6,908
Fair value of plan assets	3,336	3,466
Surplus (-) / Deficit (+)	3,331	3,442
Net defined benefit liability (+) / asset recognised in statement of financial position	3,331	3,442

EUR 1,000	31 Dec 2020	31 Dec 2019
Changes in net defined benefit liability during the period		
Net defined benefit liability recognised in statement of financial position at beginning of period	3,442	3,256
Contributions during the period	-294	-306
Expense during the period	63	92
Remeasurements recognised in other comprehensive income	120	400
Net defined benefit liability recognised in statement of financial position at the end of period	3,331	3,442

EUR 1,000	2020	2019
Remeasurements components in other comprehensive income		
Actuarial gains (-) / losses (+) on defined benefit obligation arising from changes in demographic assumptions	0	0
Actuarial gains (-) / losses (+) on defined benefit obligation arising from changes in financial assumptions	224	497
Actuarial gains (-) / losses (+) on defined benefit obligation arising from experience adjustments	15	91
Actuarial gains (-) / losses (+) on plan assets and return on plan assets excluding interest income	-118	-188
Remeasurement in other comprehensive income	120	400

EUR 1,000	2020	2019
Change in defined benefit obligation		
Opening defined benefit obligation	6,908	6,759
Current service cost	27	32
Interest expense	63	119
Actuarial gains (-) / losses (+) on obligation	238	588
Benefits paid	-569	-590
Defined benefit obligation at the end of the period	6,667	6,908

EUR 1,000	2020	2019
Change in the fair value of plan assets		
Opening fair value of plan assets	3,466	3,503
Interest income	27	59
Gain on plan assets excl. item included in net interest	118	188
Employer contributions	294	306
Benefits paid	-569	-590
Fair value of plan assets at the end of the period	3,336	3,466

31 December 2020

EUR 1,000	Germany pension promise	Finland Finnsteve pension promise	Finland Finnsteve pension plan	Finland Finnlines pension plan	Total
Sensitivity analysis on net defined benefit liability					
Discount rate change +0.5%					
Defined benefit obligation	2,326	314	219	3,475	6,334
Fair value of plan assets	0	0	212	2,950	3,162
Net Liability	2,326	314	7	525	3,172
Change in EUR	-108	-12	-2	-37	-159
Change in %	-4.45%	-3.68%	-22.22%	-6.58%	-4.79%
Discount rate change -0.5%					
Defined benefit obligation	2,552	338	245	3,894	7,029
Fair value of plan assets	0	0	236	3,284	3,520
Net Liability	2,552	338	9	610	3,509
Change in EUR	117	12	0	48	177
Change in %	4.82%	3.68%	0.00%	8.54%	5.32%
Benefit increase rate change +0.5%					
Defined benefit obligation	2,549	338	245	3,876	7,008
Fair value of plan assets	0	0	223	3,113	3,336
Net Liability	2,549	338	22	763	3,672
Change in EUR	114	12	13	201	340
Change in %	4.69%	3.68%	144.44%	35.77%	10.21%
Benefit increase rate change -0.5%					
Defined benefit obligation	2,328	314	219	3,489	6,350
Fair value of plan assets	0	0	223	3,113	3,336
Net Liability	2,328	314	-4	376	3,014
Change in EUR	-107	-12	-13	-186	-318
Change in %	-4.38%	-3.68%	-144.44%	-33.10%	-9.54%

The Group estimates the costs for the defined benefit plans valid on 31 December 2020 at EUR 0.1 million in 2021.

EUR 1,000	Germany pension promise	Finland Finnsteve pension promise	Finland Finnsteve pension plan	Finland Finnlines pension plan	Total
Sensitivity analysis on net defined benefit liability					
Discount rate change +0.5%					
Defined benefit obligation	2,397	318	219	3,631	6,565
Fair value of plan assets	0	0	209	3,129	3,338
Net Liability	2,397	318	10	502	3,227
Change in EUR	-114	-12	-2	-86	-214
Change in %	-4.55%	-3.64%	-16.67%	-14.63%	-6.23%
Discount rate change -0.5%					
Defined benefit obligation	2,636	343	245	4,057	7,281
Fair value of plan assets	0	0	231	3,374	3,605
Net Liability	2,636	343	14	683	3,676
Change in EUR	124	13	2	95	234
Change in %	4.93%	3.94%	16.67%	16.16%	6.80%
Benefit increase rate change +0.5%					
Defined benefit obligation	2,633	343	245	4,037	7,258
Fair value of plan assets	0	0	220	3,246	3,466
Net Liability	2,633	343	25	791	3,792
Change in EUR	121	13	13	203	350
Change in %	4.82%	3.94%	108.33%	34.52%	10.17%
Benefit increase rate change -0.5%					
Defined benefit obligation	2,399	318	220	3,647	6,584
Fair value of plan assets	0	0	220	3,246	3,466
Net Liability	2,399	318	0	401	3,118
Change in EUR	-113	-12	-12	-187	-324
Change in %	-4.49%	-3.64%	-100.00%	-31.80%	-9.41%

DEFINED BENEFIT PLAN RISKS

Changes in bond yields

A decrease in corporate bond yields will increase the plans defined benefit obligation but as the asset value is also based on bond yield values the effect to net defined benefit liability is minor.

Inflation risk

Plans benefits are tied to TyEL –index which depends partly from inflation. A higher inflation leads to higher liabilities.

Life expectancy

Plans benefits are mainly paid until death. The insurance company bears the risk if beneficiaries live longer than expected. If insurance company increases the life expectancy assumption the employer pays higher premiums after assumption change. The increment of liabilities due to the mortality change concerning funded part of benefit before change is financed by insurance company's own solvency capital.

Salary increase

If salary increases are higher than common salary index is then the promised benefits increase and due to that the liabilities increases and employer pays higher premiums to insurance company.

34. FINANCIAL RISK MANAGEMENT

The management of financial risks aims to reduce the volatility in earnings, the statement of financial position and cash flow, while securing effective and competitive financing for the Group. The main financial risks are currency risk, interest rate risk, credit risk, liquidity risk, funding risk and fuel price risk. For risk management the Group may use currency forwards, currency loans, interest rate swaps and fuel price clauses included in customer contracts. The Group's risk management principles are approved by the Board of Directors, and the responsibility for their implementation lies with the Group Finance, with the exception of the fuel price clauses, which are the responsibility of the business units.

CURRENCY RISK

The Group operates internationally and is therefore exposed to transaction risks through different currency positions. The main foreign currencies used by the Group are USD and SEK. Currency risks arise from commercial transactions, monetary items in the statement of financial position and net investments in foreign subsidiaries.

Transaction risk

In 2020, over 90% of sales were invoiced in EUR, and the rest in SEK, DKK, PLN, USD and GBP. Bunker purchases are made in USD. Other purchases are mainly paid in EUR. Bunker price clauses included in customer contracts cover to a large extent this USD risk. Currency positions are reviewed on a net basis for each currency every 12 months in connection with annual budgeting.

The Group's business units may make internal derivative contracts with the Group Finance to hedge a specific activity. In such cases too, the Group Finance decides, according to the principles approved by the Board of Directors, on any hedging to be made with an external counterpart based on the whole Group's net currency position.

All of the Group's interest-bearing liabilities at the end of the reporting period were in EUR.

In 2018 the Group signed an order for three ro-ro vessels from the Chinese Jinling shipyard, and these vessels are expected to be delivered in 2021 and 2022. Finnlines has continued its newbuilding programme and signed an order for two ro-pax vessels from China Merchants Jinling Shipyard (Weihai). These Superstar ro-pax vessels are expected to be delivered in 2023. The total value of these investments is over USD 500 million, and the purchases will be paid in USD. In accordance with principles approved by the Board of Directors, the Group hedges the majority of this USD risk with forwards.

Derivate instruments

EUR 1,000	Fair value +	Fair value -	Net Fair Value	Carrying amount
Interest rate and currency derivatives				
Currency forwards	4,380	-3,001	1,378	171,962
	4,380	-3,001	1,378	171,962

Contractual payables and receivables of financial derivatives, 31 December 2020

EUR 1,000	2021	2022	2023	2024	2025	2026-	Total
Payables							
Currency forwards	90,899	73,826	5,859	0	0	0	170,584
Receivables							
Currency forwards	89,731	76,425	5,806	0	0	0	171,962

The weighted average rate of the hedging instruments with respect to EUR was approximately 1.25.

Contractual payables and receivables of financial derivatives, 31 December 2019

EUR 1,000	2020	2021	2022	2023	2024	2025-	Total
Payables							
Currency forwards	11,872	30,913	53,535	0	0	0	96,320
Receivables							
Currency forwards	12,223	34,221	59,499	0	0	0	105,944

Translation risk

The Group has net investments abroad and is thus exposed to risks which arise when investments in GBP, DKK and PLN are converted into the parent company's functional currency. The Group's principle is to hedge significant net investments made in foreign subsidiaries through foreign currency loans. In 2019 and 2020, the Group had no such significant investments in foreign currencies. The tables below show the translation position at the end of 2019 and 2020.

EUR 1,000	Investments
Group translation exposure 2020	
GDP	855
DKK	316
PLN	98
	1,270

EUR 1,000	Investments
Group translation exposure 2019	
GDP	723
DKK	238
PLN	75
	1,035

Sensitivity to exchange rate fluctuations

The following table describes the Group's sensitivity to changes in the EUR/USD exchange rate. The impacts of exchange rate changes of other currencies are not significant.

Assumptions in estimating sensitivity:

- The variation in the EUR/USD exchange rate is assumed to be +/-10%.
- The position, 31 December, includes USD-denominated cash equivalents, accounts receivable, accounts payable and commitments.

EUR 1,000	Change in Profit & Loss	Change in Equity
Sensitivity at closing date 2020, change in USD, weakening/strengthening 10% against EUR	+16,851/-20,595	+0/-0
Sensitivity at closing date 2019, change in USD, weakening / strengthening 10% against EUR	+29,039/-35,492	+0/-0

Sensitivity calculation includes ordered vessel investments which will be paid in USD.

Change before tax effect.

INTEREST RATE RISK

Interest-bearing debt exposes the Group to interest risk, i.e. re-pricing and price risk caused by interest rate movements. Management of interest rate risk is centralised to the Group Finance. The objective of the interest rate risk management is to reduce interest rate fluctuation impact on the results in different accounting periods, enabling a more stable net income. The Group may manage interest rate risk by selection of debt interest periods and by using interest rate forwards and interest rate swaps.

The level of hedging against interest rate risks and the duration of the debt portfolio are reviewed annually by the Board of Directors when making the budget. At the balance sheet date, 61% of the Group's borrowings were floating-rate and the rest were fixed-rate borrowings (including loans from financial institutions, pension loans and commercial papers). The duration (average interest rate period) of the debt portfolio was approximately 3 months.

At the balance sheet date, the Group had no open interest rate swaps. Table in Note 30. Interest-bearing liabilities, shows the dates of interest rate changes of the Group's variable-rate liabilities and the effective interest rates of liabilities.

The following table shows the Group's sensitivity to variations in market interest rates. The following assumptions were made when calculating the sensitivity:

- The interest rate change is assumed to be +/-0.50 percentage points from the interest rate of individual instruments at the end of the reporting period.
- The analysis includes the instruments with an interest adjustment date within the following 12 months.
- The position includes variable-rate loans from financial institutions and commercial papers.
- The position excludes finance lease obligations and instalment debts, because the change in finance costs caused by the interest rate change is not relevant to these.
- When calculating the sensitivity, it is assumed that the variable-rate debt portfolio remains unchanged for the whole year (no instalments, no new debt) and that the interest rate changes as stated above on the next interest change date of the debt instrument.
- It is assumed that if a variable-rate instrument is fully amortised within the next 12 months, this instrument would be reacquired if the above mentioned interest rate is quoted.

EUR 1,000	Change in profit & loss
Sensitivity at closing date 2020, change in interest rates, increasing / decreasing 0.5% from valid rate of the instrument at 31 Dec 2020	
Debt portfolio	-1,196 / +1,196
	-1,196 / +1,196

Change before tax effect.

EUR 1,000	Change in profit & loss
Sensitivity at closing date 2019, change in interest rates, increasing / decreasing 0.5% from valid rate of the instrument at 31 Dec 2019	
Debt portfolio	-1,364/+1,364
	-1,364/+1,364

Change before tax effect.

The Group has no significant interest-bearing assets, and therefore the Group's result for the reporting period, generated from the assets and cash flows, is not substantially exposed to fluctuations in market interest rates

CREDIT RISK

The Group is exposed to credit risk from its commercial receivables. The Group policy sets out the credit rating requirements and investment principles related to customers, investment transactions and derivative contract counterparts. The Group has no significant concentrations of credit risk, since it has a broad clientele distributed across various sectors. The Group makes derivative contracts and investment transactions only with counterparts with high credit ratings. The credit ratings and credit limits of credit customers are constantly monitored. Note 26. Current Receivables, shows the analysis of accounts receivable by age.

Finnlines Group applies the simplified method of expected credit loss allowance for defining impairment of trade and lease receivables as well as assets related to the contracts with customers according to IFRS 15 classified as amortised cost. The expected credit losses are recognised for their full life time using a matrix. The expected credit loss allowance is evaluated based on historical information of realised credit losses, and both reporting segments apply the same method due to the similar customer structure. When evaluating the amount of expected credit loss also economic circumstances and future expectations are taken into consideration. Covid-19 pandemic is estimated not to have a material impact on expected credit losses. The table below shows the amount of impaired receivables and changes in credit losses.

EUR 1,000	2020	2019
Changes of the allowance for impaired trade receivables		
Impaired receivables at 1 January	2,041	1,457
Net remeasurement of loss allowance, IFRS 9	69	-42
Identified amounts written off	216	738
Amounts, final credit loss	-222	-112
Impaired receivables at 31 December	2,104	2,041

LIQUIDITY RISK

The Group continuously strives to evaluate and monitor the amount of financing required for its operations to ensure that it will have sufficient liquid assets to finance its business activities and investments, and to repay loans. The Group seeks to finance vessel investments with credit agreements with the longest possible terms. The Group aims to guarantee the availability and flexibility of financing with unutilised credit facilities and by employing several banks and methods for funding. On 31 December 2020, the granted but unused credit facilities totalled EUR 225.0 (155.0) million. Loans include normal equity ratio related covenants. The cash-flows in the tables below include both repayments and expected interests.

Contractual repayments of interest-bearing liabilities, including interest, 31 December 2020

EUR 1,000	2021	2022	2023	2024	2025	2026	Total	Residual amount of interest-bearing liabilities as at 31 Dec 2020
Loans from financial institutions	67,024	78,880	59,131	15,083	5,000	5,000	230,118	225,559
Bank overdraft facilities	0	0	0	0	0	0	0	0
Re-borrowing of pension funds	2,451	2,444	2,441	1,002	0	0	8,338	8,288
Lease liabilities	3,115	2,212	2,108	1,989	1,719	14,223	25,366	17,661
Commercial paper programme	99,000	0	0	0	0	0	99,000	98,860
	171,591	83,536	63,679	18,074	6,719	19,223	362,822	350,368

Contractual repayments of interest-bearing liabilities, including interest, 31 December 2019

EUR 1,000	2020	2021	2022	2023	2024	2025	Total	Residual amount of interest-bearing liabilities as at 31 Dec 2019
Loans from financial institutions	73,694	66,720	58,562	48,996	15,083	10,000	273,055	266,002
Bank overdraft facilities	0	0	0	0	0	0	0	0
Re-borrowing of pension funds	2,459	2,451	2,444	2,441	1,002	0	10,797	10,716
Lease liabilities	3,276	2,869	2,285	2,165	2,112	16,519	29,226	19,317
Commercial paper programme	96,300	0	0	0	0	0	96,300	96,166
	175,729	72,041	63,291	53,602	18,197	26,519	409,379	392,202

COMMODITY RISK

The Group is exposed to commodity risk relating to availability and price fluctuations of fuel. The Finnlines Group is continuing the programme for reducing its vessels' fuel consumption and costs. The Group seeks to minimise this risk by making framework agreements with known counterparts and by including bunker price clauses in its contracts with customers. In the long term, these clauses can hedge more than 50% of this risk, but in the short term the hedging level fluctuates considerably and is also dependent on the utilisation rate of the vessels.

CAPITAL MANAGEMENT

The Group's objective in managing capital is to secure normal operating conditions in all circumstances and to enable optimal capital costs. The capital structure of the Group is regularly reviewed by the Board of Directors. The table below shows the interest-bearing net debt and total equity with the leverage ratio.

EUR 1,000	2020	2019
Capital risk management		
Financial liabilities	349,328	391,482
Cash in hand and at bank	1,847	9,208
Interest-bearing net debt	347,481	382,275
Total equity	724,453	714,620
Leverage ratio (net gearing), %	45.5	50.8

35. CONTINGENCIES AND COMMITMENTS

Minimum vessel lease payments based on fixed-term lease commitments:

The Group adjusts its vessel capacity by acting as a lessor when needed. There were no effective future lease commitments at the balance sheet date.

EUR 1,000	2020	2019
Vessel leases (Group as lessor)		
Within 12 months	7,141	8,491
1–5 years	0	6,346
	7,141	14,837
Other leases (Group as lessee)		
Future minimum lease payments from other leases due		
Within 12 months	109	105
1–5 years	96	160
	205	264
Other leases (Group as lessor)		
Within 12 months	229	227
	229	227
Collateral given		
Loans secured by mortgages	233,847	276,718
	233,847	276,718
Vessel mortgages provided as guarantees for the above loans	539,500	639,500
Other collateral given on own behalf		
Pledges	340	340
	340	340
Other obligations		
Obligations, related to vessel investments	358,044	429,447
Other external obligations*	1,467	2,950
	359,511	432,397
VAT adjustment liability related to real estate investments	2	4

* Other external obligations are mainly vessel maintenance related obligations.

Legal proceedings

Finnlines has made an appeal to the Helsinki Administrative Court of the National Emergency Supply Agency's decision concerning the compensation of costs for securing maritime transport. Finnlines has also appealed to Market Court concerning the Finnish Transport and Communications Agency's calls for tenders concerning imposing a public service obligation for the aid of maritime traffic on the Turku/Naantali–Mariehamn/Långnäs–Stockholm, Kapellskär–Mariehamn, Naantali–Långnäs, Grisslehamn–Eckerö and Helsinki–Tallinn routes. In addition, Finnlines has made a complaint to the European Commission concerning Covid-19 situation related selective and discriminatory aid measures launched by the Finnish authorities.

Finnlines is in addition involved in a few legal proceedings and disputes whose outcome cannot be predicted, but taking into account the information that is available at present, their outcome is not expected to have any substantial impact on the Group's profit.

36. TRANSACTIONS WITH RELATED PARTIES

Finnlines applies the legal provisions applying to the management of insiders.

In addition, Finnlines Group's related parties include the parent company, subsidiaries and joint arrangement as well as the companies of the Grimaldi Group. Related parties also include the members of the Board of Directors and the Executive Committee, and their immediate family members. The Grimaldi Group is the ultimate controlling party at Finnlines.

Employee benefits granted to key management

EUR 1,000	2020	2019
Salaries and other short-term benefits	1,763	1,822
Post-employment benefits	226	297
	1,989	2,119

In 2020, the key management consisted of the members of the Board of Directors and the Executive Committee. The Executive Committee comprised the President and CEO, the CFO, the Group General Counsel and the Operating Officers, a total of eight members.

Finnlines Plc's Annual General Meeting held on 7 May 2020 confirmed the following compensation to the Board of Directors for the term until the close of the Annual General Meeting in 2021

EUR 1,000	2020	2019
Salaries and fees		
President and CEO		
Board of Directors:	330	300
Chairman	50	50
Vice Chairman	40	40
Board members (each)	30	30

Compensation to the Board Members for 2019 (the term commencing from the Annual General Meeting on 7 May 2019) was paid in May 2020.

Compensation to the Board of Directors and the President and CEO recognised as expense by person

EUR 1,000	2020	2019
President and CEO		
Emanuele Grimaldi, President and CEO	0	0
Board of Directors		
Jon-Aksel Torgersen, Chairman of the Board	50	50
Diego Pacella, Vice chairman of the Board	40	40
Christer Backman	30	30
Tiina Bäckman	30	30
Emanuele Grimaldi	30	30
Gianluca Grimaldi	30	30
Guido Grimaldi	30	30
Mikael Mäkinen	30	30
Esben Poulsson **	0	
Tapani Voionmaa *	30	0

* Member of the Board as from 7 May 2019.

** Member of the Board as from 7 May 2020

The President and CEO, appointed on 5 November 2013, will not receive any compensation or other benefit in the form of salary, bonus or pension scheme from the Company.

The Company's management has no supplementary pension insurances in excess of the statutory pension in force.

Finnlines had no option schemes on 31 December 2020. The President and CEO, the Executive Committee or the Board of Directors have no share-based incentive programmes.

Transactions with related parties

The Grimaldi Group companies held 100.00% of all the shares in Finnlines Plc on 31 December 2020. More information about Finnlines' share can be found in Note 38. Shares and Shareholders.

EUR 1,000	2020	2019
Transactions with related parties		
Income from Grimaldi companies *	9,673	10,384
Purchases from Grimaldi companies	5,423	4,611
Receivables from Grimaldi companies	1,657	1,661
Payables to Grimaldi companies	250	204

* Income consists mainly of vessel leases and freight income.

The business transactions with related parties were carried out using market-based pricing.

Loans, guarantees and other securities to related parties

The Group had no loan, guarantee or other securities arrangements with its key personnel or related parties (1 January 2020–31 December 2020).

37. SUBSIDIARIES ON 31 DECEMBER 2020

Name of subsidiary	Holding (%)	Registered in
Domestic		
Containersteve Oy Ab	100	Helsinki
Finnsteve Oy Ab	100	Helsinki
FS-Terminals Oy Ab	100	Helsinki
Foreign		
Finnlines Belgium N.V.	100	Belgium
Finnlines Danmark A/S	100	Denmark
Finnlines Deutschland GmbH	100	Germany
Finnlines Polska Sp.z.o.o	100	Poland
AB Finnlines Scandinavia Ltd	100	Sweden
Finnlines Schiffahrt GmbH	100	Germany
Finnlines Ship Management AB	100	Sweden
Finnlines UK Limited	100	Great Britain
Finnlink AB	100	Sweden
Rederi AB Nordö-Link	100	Sweden
Ropax I Aktiebolaget Clipper	100	Sweden
Ropax II EuropaLink AB	100	Sweden
Ropax III NordLink AB	100	Sweden
Ropax IV Arrow AB	100	Sweden
Roro I Mill AB	100	Sweden
Roro II Pulp AB	100	Sweden

38. SHARES AND SHAREHOLDERS

Finnlines Plc has one share series. Each share carries one vote at general shareholder meetings and confers identical dividend rights. As outlined in Finnlines' Articles of Association, the Company's minimum share capital is EUR 50 million and the maximum is EUR 200 million. The share capital can be increased or decreased within these limits. The Company's paid-up and registered share capital on 31 December 2020 totalled EUR 103,006,282. The capital stock consisted of 51,503,141 shares.

Finnlines Plc is fully owned by the Grimaldi Group.

Major shareholders on 31 December 2020	Number of shares	% of shares
Grimaldi Group, Naples	51,503,141	100.00
- Grimaldi Group S.p.A.		
- Grimaldi Euromed S.p.A.		
Total number of shares	51,503,141	100.00

39. EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report.

FIVE-YEAR KEY FIGURES, IFRS

EUR million	2020	2019	2018	2017 restated	2016
Revenue	484.0	574.8	589.4	536.3	473.7
Other income from operations	1.3	1.4	6.4	2.6	6.7
Result before interest, taxes, depreciation and amortisation (EBITDA)	140.8	169.8	166.4	152.3	139.1
% of revenue	29.1	29.5	28.2	28.4	29.4
Result before interest and taxes (EBIT)	76.2	104.8	104.9	93.9	81.5
% of revenue	15.7	18.2	17.8	17.5	17.2
Result before taxes (EBT)	70.6	97.3	94.8	82.4	67.0
% of revenue	14.6	16.9	16.1	15.4	14.1
Result for reporting period, continuing operations	69.7	98.3	95.1	82.6	68.1
% of revenue	14.4	17.1	16.1	15.4	14.4
Result for reporting period	69.7	98.3	95.1	82.6	68.1
% of revenue	14.4	17.1	16.1	15.4	14.4
Total investments *	50.6	31.4	134.0	48.9	46.3
% of revenue	10.5	5.5	22.7	9.1	9.8
Return on equity (ROE), %	9.7	14.3	14.9	13.7	11.9
Return on investment (ROI), %	7.0	9.5	9.6	8.7	7.4
Assets total	1,199.4	1,226.9	1,245.9	1,205.9	1,205.4
Equity ratio, %	60.7	58.5	53.3	51.1	48.9
Net gearing, %	45.5	50.8	68.1	68.9	83.8
Average no. of employees	1,534	1,576	1,637	1,651	1,653
	2020	2019	2018	2017	2016
Earnings per share (EPS), EUR	1.35	1.91	1.85	1.60	1.32
Earnings per share (EPS) less warrant dilution, EUR	1.35	1.91	1.85	1.60	1.32
Shareholders' equity per share, EUR	14.1	13.88	12.86	11.94	11.42
Payout ratio, %	n/a	n/a	n/a	n/a	n/a
Effective dividend yield, %	n/a	n/a	n/a	n/a	n/a
Price/earnings ratio (P/E)	n/a	n/a	n/a	n/a	n/a
Adjusted average number of outstanding shares (1,000)	51,503	51,503	51,503	51,503	51,503
Adjusted number of outstanding shares 31 Dec (1,000)	51,503	51,503	51,503	51,503	51,503
Number of outstanding shares at year-end (1,000)	51,503	51,503	51,503	51,503	51,503

* Includes continuing and discontinuing operations.

Calculation of key ratios is presented on page 47.

CALCULATION OF KEY RATIOS, IFRS

Earnings per share (EPS), EUR	=	$\frac{\text{Result attributable to parent company shareholders}}{\text{Weighted average number of outstanding shares}}$	
Shareholders' equity per share, EUR	=	$\frac{\text{Shareholders' equity attributable to parent company shareholders}}{\text{Undiluted number of shares at the end of period}}$	
Payout ratio, %	=	$\frac{\text{Dividend paid for the year}}{\text{Result before tax +/- non-controlling interests of Group result +/- change in deferred tax liabilities – taxes for the period}}$	x 100
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Share price on stock exchange at the end of period}}$	x 100
P/E ratio	=	$\frac{\text{Share price on stock exchange at the end of period}}{\text{Earnings per share}}$	
Return on equity (ROE), %	=	$\frac{\text{Result for the reporting period}}{\text{Total equity (average)}}$	x 100
Return on investment (ROI), %	=	$\frac{\text{Result before tax + interest expense} + \text{other liability expenses}}{\text{Assets total – interest-free liabilities (average)}}$	x 100
Net gearing, %	=	$\frac{\text{Interest-bearing liabilities* – cash and bank equivalents}}{\text{Total equity}}$	x 100
Equity ratio, %	=	$\frac{\text{Total equity}}{\text{Assets total – received advances}}$	x 100
Net debt to EBITDA ratio	=	$\frac{\text{Net Debt}}{\text{EBITDA past 12 months}}$	

* Not including leasing liabilities.

The recognised income taxes are based on the year's estimated average income tax rate which is expected to realise during the entire reporting period.

Finnlines Plc's Shipping and Sea Transport Services transferred to tonnage-based taxation in January 2013.

QUARTERLY DATA, IFRS

EUR million	Q1/2020	Q1/2019	Q2/2020	Q2/2019	Q3/2020	Q3/2019	Q4/2020	Q4/2019
Revenue by segment								
Shipping and Sea Transport Services total	124.7	131.8	100.4	151.9	121.2	149.1	115.4	118.1
Sales to third parties	124.8	131.9	100.5	152.0	121.3	149.2	115.5	118.2
Sales to Port Operations	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Port Operations total	10.9	11.0	10.4	12.0	10.6	11.5	10.9	10.9
Sales to third parties	5.7	5.7	5.3	6.0	5.5	6.1	5.4	5.8
Sales to Shipping and Sea Transport Services	5.2	5.4	5.1	6.0	5.1	5.4	5.5	5.1
Group internal revenue	-5.1	-5.3	-5.0	-6.0	-5.1	-5.3	-5.4	-5.0
Revenue total	130.5	137.6	105.8	157.9	126.7	155.3	120.9	124.0
Result before interest and taxes per segment								
Shipping and Sea Transport Services	21.5	18.1	11.4	32.0	23.0	35.9	16.6	16.5
Port Operations	0.6	0.0	0.8	0.6	1.4	1.4	0.9	0.3
Result before interest and taxes (EBIT) total	22.1	18.1	12.2	32.6	24.5	37.2	17.5	16.8
Financial income and expenses	-1.5	-2.1	-1.4	-1.9	-1.5	-1.8	-1.2	-1.6
Result before tax (EBT)	20.6	16.0	10.7	30.7	23.0	35.4	16.3	15.2
Income taxes	0.1	0.3	0.2	-0.3	-0.5	-0.3	-0.8	1.3
Result for the reporting period	20.7	16.2	11.0	30.4	22.5	35.1	15.6	16.5
Quarterly consolidated key figures								
Result before interest and taxes, (% of revenue)	16.9	13.1	11.5	20.7	19.3	24.0	14.5	13.6
Earnings per share, EUR	0.40	0.32	0.21	0.59	0.44	0.68	0.30	0.32
Average number of outstanding shares (1,000)	51,503	51,503	51,503	51,503	51,503	51,503	51,503	51,503

FINANCIAL STATEMENTS, PARENT COMPANY, FAS

PROFIT AND LOSS ACCOUNT, PARENT COMPANY, FAS

EUR	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Revenue	1	372,129,761.63	452,614,147.37
Other income from operations	2	3,477,580.02	3,271,886.40
Materials and services	3	-132,277,081.64	-170,488,845.38
Personnel expenses	4	-41,593,449.39	-45,189,675.88
Depreciation, amortisation and other write-offs	5	-33,380,705.01	-33,289,780.55
Other operating expenses	6	-112,218,664.47	-122,481,919.37
Operating profit		56,137,441.14	84,435,812.59
Financial income and expenses	7	-4,166,014.50	-4,282,005.22
Result before appropriations and taxes		51,971,426.64	80,153,807.37
Appropriations	8		
Group contributions		-2,100,000.00	-2,300,000.00
Profit before tax		49,871,426.64	77,853,807.37
Income taxes	9	-8,074.48	0.00
Deferred taxes	9	2,889,513.31	3,917,030.83
Other direct taxes	10	-88,370.98	-82,586.41
Result for the reporting period		52,664,494.49	81,688,251.79

See Notes starting on page 53.

BALANCE SHEET, PARENT COMPANY, FAS

EUR	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	11	2,381,950.51	2,652,638.38
Tangible assets	12	659,627,257.76	649,785,989.43
Investments	13		
Shares in group companies		153,454,336.86	153,454,336.86
Other investments		7,051,920.55	7,051,920.55
Total non-current assets		822,515,465.68	812,944,885.22
Current assets			
Inventories	14	4,896,931.41	5,083,275.71
Long-term receivables	15	62,544,312.18	100,407,357.08
Short-term receivables	16	86,527,559.32	92,405,494.66
Bank and cash		1,102,924.76	8,383,032.69
Total current assets		155,071,727.67	206,279,160.14
Total assets		977,587,193.35	1,019,224,045.36
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	17	103,006,282.00	103,006,282.00
Share premium account		24,525,353.70	24,525,353.70
Fair value reserve		1,378,287.63	9,623,322.09
Unrestricted equity reserve		40,882,508.10	40,882,508.10
Retained earnings		351,077,461.36	320,892,350.57
Result for the reporting period		52,664,494.49	81,688,251.79
Total shareholders' equity		573,534,387.28	580,618,068.25
Statutory provisions			
Pension obligation	18	562,000.00	588,000.00
Liabilities			
Long-term liabilities			
Deferred tax liability	19	11,970,828.18	14,860,341.49
Interest-bearing	20	162,783,221.09	197,559,444.08
		174,754,049.27	212,419,785.57
Current liabilities			
Interest-bearing	21	172,192,864.62	174,547,027.88
Interest-free		56,543,892.18	51,051,163.66
		228,736,756.80	225,598,191.54
Total liabilities		403,490,806.07	438,017,977.11
Total shareholders' equity and liabilities		977,587,193.35	1,019,224,045.36

See Notes starting on page 53.

CASH FLOW STATEMENT, PARENT COMPANY, FAS

EUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Cash flows from operating activities		
Result for the reporting period	52,664,494.49	81,688,251.79
Adjustments for:		
Depreciation, amortisation & impairment loss	33,380,705.01	33,289,780.55
Gains (-) and Losses (+) of disposals of fixed assets and other non-current assets	-172,637.94	-192,450.15
Financial income and expenses	4,166,014.50	4,282,005.22
Income taxes	-2,793,067.85	-3,834,444.42
Other adjustments	2,100,000.00	2,300,000.00
	89,345,508.21	117,533,142.99
Changes in working capital:		
Change in inventories, addition (-) and decrease (+)	186,344.30	1,684,313.93
Change in accounts receivable, addition (-) and decrease (+)	-1,097,592.57	18,501,750.36
Change in accounts payable, addition (+) and decrease (-)	4,207,034.87	-9,938,292.40
Change in provisions	-26,000.00	21,000.00
	3,269,786.60	10,268,771.89
Interest paid	-3,864,195.58	-5,630,146.77
Dividends received	0.00	261.52
Interest received	1,625,298.84	2,647,415.37
Other financing items	-2,077,997.14	-1,666,284.15
Income taxes paid	-96,445.46	-82,586.41
	-4,413,339.34	-4,731,340.44
Net cash generated from operating activities	88,201,955.47	123,070,574.44
Cash flows from investing activities		
Investments in tangible and intangible assets	-42,510,426.68	-25,566,452.97
Proceeds from sale of tangible and intangible assets	163,066.75	136,990.15
Purchase of investments	0.00	287,000.00
Change in internal loans (net)	37,701,854.90	47,247,952.52
Net cash used in investing activities	-4,645,505.03	22,105,489.70
Net cash before financing activities	83,556,450.44	145,176,064.14
Cash flows from financing activities		
Proceeds from short-term borrowings	546,008.63	1,279,714.73
Repayment of short-term borrowings	-3,003,203.01	-14,723,265.50
Proceeds of long-term borrowings	54,000,000.00	76,000,000.00
Repayment of long-term borrowings	-88,776,222.99	-146,442,889.62
Dividends paid	-51,503,141.00	-51,503,141.00
Group contributions	-2,100,000.00	-2,300,000.00
Net cash used in financing activities	-90,836,558.37	-137,689,581.39
Change in cash and cash equivalents	-7,280,107.93	7,486,482.75
Cash and cash equivalents on 1 January	8,383,032.69	896,549.94
Cash and cash equivalents on 31 December	1,102,924.76	8,383,032.69

PARENT COMPANY ACCOUNTING PRINCIPLES

The financial statements are prepared in conformity with the Finnish Accountancy Act and other regulations and provisions in force in Finland.

Revenues

Revenues comprise sales income and exchange rate differences related to sales, excluding discounts and indirect sales taxes such as VAT.

Other operating income

Other operating income includes profits on the sale of property and other fixed assets as well as other regular income not directly related to the company's sales, such as rents and leases and internal administration fees.

Revenue recognition

The company's revenue is mainly generated through sales of services which are principally transports of cargo and passengers. Revenue is recognised as the services are rendered. Revenue from vessels time chartered is recognised based on chartered days.

Foreign currency items

Receivables and payables denominated in foreign currencies are valued at the exchange rates prevailing on the balance sheet date. Exchange rate differences on accounts receivable are recognised under revenue and exchange rate differences on accounts payable under operating expenses. Exchange rate differences on financing operations are recognised under financial items.

Derivative financial instruments

The realised gains and losses arising from currency derivatives such as forward foreign exchange and option contracts and currency swaps are recognised under financial items. However, in case the currency derivative contract has been entered into for the purpose of hedging the cost of non-current assets, the realised gain or loss for the derivative affect the cost of such an item. As long as the hedged purchase is not paid, the fair value of hedging instrument is booked as receivable or liability and increase of fair value reserve. The interest received or payable under derivative financial instruments used to hedge the company against interest rate risks is accrued over the duration of the contract and recorded as an adjustment to the interest income or expenses of the designated asset or liability.

Fixed assets and depreciation

Fixed assets are valued to their direct acquisition cost less depreciation and other deductions, along with any revaluations allowed by local accounting practices. Fixed assets subject to wear and tear are depreciated according to plan based on the economic life span of the asset and its estimated residual value.

Depreciation periods:

Vessels	30–35 years
Buildings	10–40 years
Constructions	5–10 years
Stevedoring machinery and equipment	5–25 years
Other machinery and equipment	3–10 years
Other long-term expenditure	3–20 years

Second-hand vessels are depreciated over their estimated economic service life.

Leasing

Leasing payments are recognised as expenses regardless of the form of leasing.

Inventories

Vessel stocks of fuel, lubricating oil, materials, provisions and sales items are recognised under stocks. Stocks are valued on a first-in, first-out basis at their direct acquisition cost or lower probable net realisable value.

Financial assets

The part of the financial assets that have been invested in money market instruments are included in the financial assets in the balance sheet. The financial assets with a maturity longer than one year, are valued at the lower of acquisition cost or fair value on the balance sheet date.

Liquid assets

Liquid assets include cash in hand and at bank. The Group's bank account balances are included in other receivables.

Valuation of shares and holdings in subsidiaries

Valuation losses of shares and holdings in subsidiaries are included in financing expenses.

Pension costs

Pension costs are recognised through the profit and loss according to the local practice. The entire uncovered pension liability is recorded as an expense and liability according to IFRS.

Appropriations

Appropriations are group contributions received and given and voluntary provisions.

Provisions

Future expenses and losses that no longer generate corresponding revenues in the foreseeable future, which the company is committed or obliged to settle and whose monetary value can reasonably be assessed are recognised as expenses in the profit and loss account and recognised as provisions in the balance sheet.

Income tax

Finnlines Plc entered into the Finnish tonnage tax regime as of 1 January 2013. It means that the Company switched from corporation taxation to tonnage-based taxation. The income taxes in the profit and loss account include taxes imposed on other operations than those to be taxed under the tonnage taxation system.

NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY

1. REVENUE

EUR	2020	2019
By segment		
Shipping and Sea Transport Services	372,129,761.63	452,614,147.37
Total	372,129,761.63	452,614,147.37
Intra-group revenue	-263,813.55	-302,224.83

2. OTHER INCOME FROM OPERATIONS

EUR	2020	2019
Gain on disposals	172,637.94	192,450.15
Rental income	176,969.28	338,588.28
Internal administration fees	2,625,654.92	2,732,290.69
Business cost support	500,000.00	0,00
Other	2,317.88	8,557.28
Total	3,477,580.02	3,271,886.40

3. MATERIALS AND SERVICES

EUR	2020	2019
Purchases during the reporting period		
Bunker	-60,894,092.02	-93,802,968.08
Other	-6,536,499.81	-6,532,399.67
Change in inventories	-196,653.64	-1,684,313.93
Total	-67,627,245.47	-102,019,681.68
External services	-64,649,836.17	-68,469,163.70
Materials and services total	-132,277,081.64	-170,488,845.38

4. PERSONNEL AND PERSONNEL EXPENSES

EUR	2020	2019
Employees		
Average number of employees		
Shore-based personnel	206	212
Sea personnel	610	635
	816	847
Personnel expenses		
Wages and salaries	-48,219,645.30	-49,877,754.91
Social costs		
Pension costs	-5,612,841.95	-6,449,279.51
Other social costs	-1,613,775.26	-1,630,242.07
State subsidies	13,852,813.12	12,767,600.61
Total	-41,593,449.39	-45,189,675.88
Salaries and remunerations to		
President and CEO		
Board of Directors	-300,000.00	-270,000.00

5. DEPRECIATION, AMORTISATION AND WRITE OFFS

EUR	2020	2019
Depreciation and amortisation according to plan		
Other long-term expenditure	-709,406.18	-698,715.58
Vessels	-32,078,780.00	-32,050,004.60
Cargo handling equipment	-409,928.73	-335,056.80
Machinery and equipment	-182,590.10	-206,003.57
Total	-33,380,705.01	-33,289,780.55

6. OTHER OPERATING EXPENSES

EUR	2020	2019
Vessel hires, internal	-5,398,500.00	-5,536,500.00
Vessel hires, external	-12,303,949.86	-13,240,712.89
Other leases	-1,767,882.16	-1,834,900.20
Port expenses and fairway dues	-29,433,185.16	-29,846,316.85
Commissions	-7,174,337.29	-8,017,601.29
Cargo handling equipment related costs	-3,697,730.08	-3,741,690.05
Vessel insurances, repairs and maintenance	-32,142,090.77	-34,515,551.47
Marketing costs	-1,448,700.18	-2 851 602,86
Auditors' fees		
KPMG Oy Ab	-60,217.32	-68,500.00
Tax consultancy and other fees		
KPMG Oy Ab	-13,100.00	-10,126.95
Other	-18,835,866.74	-22,719,180.29
Total	-112,218,664.47	-122,481,919.37

7. FINANCIAL INCOME AND EXPENSES

EUR	2020	2019
Dividends		
From others	0.00	261.52
Dividends total	0.00	261.52
Other interest and financial income		
From group companies	1,580,708.65	2,619,967.91
From others	44,590.19	54,796.79
Other interest and financial income total	1,625,298.84	2,674,764.70
of which interest income total	1,625,298.84	2,674,764.70
Dividends and interest income total	1,625,298.84	2,675,026.22
Exchange gains and losses		
From others		
Gains	296,921.26	128,506.60
Losses	-353,443.99	-71,058.95
Exchange rate differences total	-56,522.73	57,447.65
Interest and other financial expenses		
To group companies	-4,066.67	-4,055.56
To others	-5,730,723.94	-7,010,423.53
Interest and other financial expenses total	-5,734,790.61	-7,014,479.09
of which interest expenses total	-3,643,582.40	-5,220,346.64
Financial income and expenses total	-4,166,014.50	-4,282,005.22

8. APPROPRIATIONS

EUR	2020	2019
Group contribution	-2,100,000.00	-2,300,000.00
Total	-2,100,000.00	-2,300,000.00

9. INCOME TAXES

EUR	2020	2019
Taxes from previous years	-8,074.48	0.00
Change in deferred taxes	2,889,513.31	3,917,030.83
Total	2,881,438.83	3,917,030.83

10. OTHER DIRECT TAXES

EUR	2020	2019
Tonnage taxes	-88,370.98	-82,586.41
Total	-88,370.98	-82,586.41

11. INTANGIBLE ASSETS

EUR	Other capitalised expenditures	Advance payments	Total
Acquisition cost on 1 January 2020	23,854,358.17	68,460.00	23,922,818.17
Increases	33,675.36	405,042.95	438,718.31
Reclassifications between items	36,260.00	-36,260.00	0.00
Acquisition cost on 31 December 2020	23,924,293.53	437,242.95	24,361,536.48
Accumulated depreciation and impairments on 1 January 2020	-21,270,179.79	0.00	-21,270,179.79
Depreciation for the reporting period	-709,406.18	0.00	-709,406.18
Accumulated depreciation on 31 December 2020	-21,979,585.97	0.00	-21,979,585.97
Carrying value on 31 December 2020	1,944,707.56	437,242.95	2,381,950.51
Carrying value on 31 December 2019	2,584,178.38	68,460.00	2,652,638.38

12. TANGIBLE ASSETS

EUR	Buildings and constructions	Vessels	Cargo handling equipment	Machinery and equipment	Advance payments and acquisitions under construction	Total
Acquisition cost on 1 January 2020	41,944.00	889,537,114.46	23,161,459.65	3,615,829.51	19,027,705.34	935,384,052.96
Increases	0.00	456,417.12	1,994,048.00	28,622.67	40,034,015.59	42,513,103.38
Disposals	0.00	0.00	-683,244.46	0.00	0.00	-683,244.46
Reclassifications between items	0.00	0.00	0.00	129,806.34	-129,806.34	0.00
Acquisition cost on 31 December 2020	41,944.00	889,993,531.58	24,472,263.19	3,774,258.52	58,931,914.59	977,213,911.88
Accumulated depreciation and write-offs on 1 January 2020	-41,944.00	-264,375,605.93	-18,101,266.72	-3,079,246.88	0.00	-285,598,063.53
Accumulated depreciation on disposals and reclassifications	0.00	0.00	682,708.26	0.00	0.00	682,708.26
Depreciation for the reporting period	0.00	-32,078,780.00	-409,928.73	-182,590.10	0.00	-32,671,298.83
Accumulated depreciation on 31 December 2020	-41,944.00	-296,454,385.93	-17,828,487.19	-3,261,836.98	0.00	-317,586,654.10
Carrying value on 31 December 2020	0.00	593,539,145.65	6,643,776.00	512,421.54	58,931,914.57	659,627,257.76
Carrying value on 31 December 2019	0.00	625,161,508.53	5,060,192.93	536,582.63	19,027,705.34	649,785,989.43

13. INVESTMENTS

EUR	Shares in group companies	Investments in group companies (SVOP)	Receivables from group companies	Total group companies	Other shares	Total
Acquisition cost on 1 January 2020	230,856,160.03	40,000,000.00	84,858,176.83	355,714,336.86	7,051,920.55	362,766,257.41
Increases	0.00	0.00	0.00	0.00	0.00	0.00
Decreases	0.00	0.00	0.00	0.00	0.00	0.00
Acquisition cost on 31 December 2020	230,856,160.03	40,000,000.00	84,858,176.83	355,714,336.86	7,051,920.55	362,766,257.41
Accumulated impairments on 1 January 2020	-202,260,000.00	0.00	0.00	-202,260,000.00	0.00	-202,260,000.00
Impairments for the reporting period	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated impairments on 31 December 2020	-202,260,000.00	0.00	0.00	-202,260,000.00	0.00	-202,260,000.00
Carrying value on 31 December 2020	28,596,160.03	40,000,000.00	84,858,176.83	153,454,336.86	7,051,920.55	160,506,257.41
Carrying value on 31 December 2019	28,596,160.03	40,000,000.00	84,858,176.83	153,454,336.86	7,051,920.55	160,506,257.41

14. INVENTORIES

EUR	2020	2019
Bunker	3,167,163.24	3,119,477.90
Other inventories	1,729,768.17	1,963,797.81
Total	4,896,931.41	5,083,275.71

15. LONG-TERM RECEIVABLES

EUR	2020	2019
Loan receivables		
Loan receivables from group companies	58,805,863.46	89,942,877.92
Total	58,805,863.46	89,942,877.92
Other receivables	1,192,218.13	1,192,218.13
Currency derivatives	2,546,230.59	9,272,261.03
Total long-term receivables	62,544,312.18	100,407,357.08

16. SHORT-TERM RECEIVABLES

EUR	2020	2019
Accounts receivable		
From group companies	-35,157.48	13,282.82
From others	54,688,917.40	55,859,390.86
Total	54,653,759.92	55,872,673.68
Loan receivables		
From group companies	9,757,872.33	16,322,712.77
Total	9,757,872.33	16,322,712.77
Other receivables	1,552,155.45	1,113,893.47
Currency derivatives	0.00	351,061.06
Accrued income and prepaid expenses		
From group companies	111,056.97	344,408.52
From others	20,452,714.65	18,400,745.16
Total	20,563,771.62	18,745,153.68
Total short-term receivables	86,527,559.32	92,405,494.66
Significant items of accrued income and prepaid expenses		
Sea freight revenue	64,801.11	156,321.07
State subsidies	6,992,302.52	6,490,949.93
Docking costs	4,373,890.97	5,232,238.30
Passenger income	115,665.16	319,044.40
Insurances	1,666,355.58	1,483,454.62
Port expenses, cargo handling and other voyage related costs	3,316,958.23	-34,835.06
Reimbursement of average repairs, vessels	2,143,491.78	1,528,083.96
Other	1,890,306.27	1,795,092.88
Total	20,563,771.62	18,745,153.68

17. SHAREHOLDERS' EQUITY

EUR	2020	2019
Restricted equity		
Share capital on 1 January	103,006,282.00	103,006,282.00
Share capital on 31 December	103,006,282.00	103,006,282.00
Share issue premium on 1 January	24,525,353.70	24,525,353.70
Share issue premium on 31 December	24,525,353.70	24,525,353.70
Fair value reserve on 1 January	9,623,322.09	3,562,220.62
Increase + / Decrease -	-8,245,034.46	6,061,101.47
Fair value reserve on 31 December	1,378,287.63	9,623,322.09
Non-restricted equity		
Unrestricted equity reserve 1 January	40,882,508.10	40,882,508.10
Unrestricted equity reserve 31 December	40,882,508.10	40,882,508.10
Retained earnings on 1 January	402,580,602.36	372,395,491.57
Dividend paid	-51,503,141.00	-51,503,141.00
Retained earnings on 31 December	351,077,461.36	320,892,350.57
Result for the reporting period	52,664,494.49	81,688,251.79
Total shareholders' equity	573,534,387.28	580,618,068.25
Calculation of distributable funds		
Retained earnings	351,077,461.36	320,892,350.57
Unrestricted equity reserve	40,882,508.10	40,882,508.10
Business cost support	-500,000.00	0.00
Result for the reporting period	52,664,494.49	81,688,251.79
Parent company's distributable funds on 31 December	444,124,463.95	443,463,110.46

18. STATUTORY PROVISIONS

EUR	2020	2019
Pension obligation	562,000.00	588,000.00
Total	562,000.00	588,000.00

Pension costs are recognised in the profit and loss account according to the established practice in Finland.

19. DEFERRED TAX LIABILITY

EUR	2020	2019
Deferred tax liability of excess depreciations, tonnage taxation 1 January	14,860,341.49	18,777,372.32
Recognised in profit and loss account 1 January–31 December		
Tonnage tax relief	-2,889,513.31	-3,917,030.83
Deferred tax liability, tonnage taxation 31 December	11,970,828.18	14,860,341.49

20. LONG-TERM LIABILITIES

EUR	2020	2019
Long-term interest-bearing liabilities		
Loans from financial institutions	160,783,221.09	195,559,444.08
Other long-term interest-bearing liabilities		
Debts to group companies	2,000,000.00	2,000,000.00
Total	162,783,221.09	197,559,444.08
Maturity of loans		
Year		
2020		70,442,889.62
2021	64,776,222.99	64,776,222.99
2022	77,237,763.99	57,237,763.99
2023	58,545,456.99	48,545,456.99
2024	15,000,000.11	15,000,000.11
2025 and later for 2019	5,000,000.00	10,000,000.00
2026 and later for 2020	5,000,000.00	
Total	225,559,444.08	266,002,333.70
Long-term loans due after five years		
Loans from financial institutions	5,000,000.00	10,000,000.00
Total	5,000,000.00	10,000,000.00

21. CURRENT LIABILITIES

EUR	2020	2019
Interest-bearing current liabilities		
Loans from financial institutions	64,776,222.99	70,442,889.62
Commercial papers	98,859,793.80	96,166,428.48
Other interest-bearing current liabilities		
To group companies	8,556,847.83	7,937,709.78
Total interest-bearing liabilities	172,192,864.62	174,547,027.88
Interest-free current liabilities		
Accounts payable		
To group companies	277,190.90	393,759.99
To others	16,872,474.38	14,839,976.20
Total	17,149,665.28	15,233,736.19
Other interest-free liabilities to others		
To others	11,811,766.22	10,625,678.31
Currency derivatives	1,167,942.96	
Total	12,979,709.18	10,625,678.31
Accrued expenses and deferred income		
To group companies	917,665.42	1,005,765.21
To others	25,496,852.30	24,185,983.95
Total	26,414,517.72	25,191,749.16
Total interest-free current liabilities	56,543,892.18	51,051,163.66
Total current liabilities	228,736,756.80	225,598,191.54
Significant items of accrued expenses and deferred income		
Agent commissions paid, internal	912,866.13	383,631.15
Purchased services, internal	342,528.71	434,410.85
Annual rebates	9,175,479.94	7,938,918.40
Personnel expenses	5,692,606.60	5,651,944.04
External services / cargo handling costs	2,045,413.95	1,794,974.82
Port expenses and voyage related costs	1,356,289.02	1,073,823.70
Interest expenses	375,570.68	596,183.86
Bunker costs	207,144.72	851,783.26
Other	6,306,617.97	6,466,079.08
Total	26,414,517.72	25,191,749.16

CONTINGENCIES AND COMMITMENTS

EUR 1,000	2020		2019	
	Debt	Value of collateral	Debt	Value of collateral
Pledges and commitments given on own account				
Vessel mortgages provided as guarantees for loans				
Loans from financial institutions	162,923	395,000	190,821	495,000
Vessel mortgages provided by subsidiaries as guarantees for loans				
Loans from financial institutions	62,636	119,500	75,182	119,500
	225,559	514,500	266,003	614,500
Vessel leases (Finnlines Plc as lessor)				
Due within 12 months		60		1,720
Due between one and five years				0
Vessel leases (Finnlines Plc as lessor), total		60		1,720
Pledged deposit		150		150
Other contingent liabilities		358,893		431,599
Leasing liabilities, machinery and equipment				
Due within 12 months		147		146
Due between one and five years		138		134
Leasing liabilities total		285		280
Other leases, premises				
Due within 12 months		575		765
Due between one and five years		0		510
Due after five years		0		0
Other leases total		575		1,275

SHARES AND HOLDINGS OF PARENT COMPANY

Name of subsidiary	Registered in	Holding (%)
Domestic		
Finnsteve Oy Ab	Helsinki	100
Foreign		
Finnlines Danmark A/S	Denmark	100
Finnlines Deutschland GmbH	Germany	100
Finnlines Polska Sp. z o.o	Poland	100
AB Finnlines Scandinavia Ltd	Sweden	100
Finnlines Ship Management AB	Sweden	100
Finnlines UK Limited	Great Britain	100
Finnlines Belgium N.V.	Belgium	100
Other shares and holdings		
Domestic		
Steveco Oy	Kotka	25.4
Other companies (4)		

BOARD'S PROPOSAL FOR THE USE OF THE DISTRIBUTABLE FUNDS AND SIGNATURES TO THE BOARD OF DIRECTORS REPORT AND TO THE FINANCIAL STATEMENTS

Distributable funds included in the parent company's shareholders' equity on 31 December 2020:		
Retained earnings	EUR	351 077 461,36
Unrestricted equity reserve	EUR	40 882 508,10
Business cost support	EUR	-500 000,00
Result for the reporting period	EUR	52 664 494,49
Distributable funds total	EUR	444 124 463,95

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.00 per share be paid out resulting in a total amount of proposed dividends of EUR 51,503,141.

Naples, 25 February 2021

Jon-Aksel Torgersen
Chairman of the Board

Christer Backman

Tiina Bäckman

Gianluca Grimaldi

Guido Grimaldi

Mikael Mäkinen

Diego Pacella

Esben Poulsson

Tapani Voionmaa

Emanuele Grimaldi
President and CEO

THE AUDITOR'S NOTE

Our auditor's report has been issued today.

Helsinki, 25 February 2021

KPMG Oy Ab

Kimmo Antonen
Authorized Public Accountant

PARENT COMPANY'S ACCOUNTING BOOKS, VOUCHER CATEGORIES AND ARCHIVING

Accounting books	Archiving	System	Retention of data, 15 years
Profit and loss account and balance sheet	Digital document	Oracle Financials	until 2036
Balance sheet book	Bound book		until 2036
Balance sheet specification	Bound book		until 2036
General journals	Digital document	Oracle Financials	until 2036
General ledgers	Digital document	Oracle Financials	until 2036
Accounts receivable	Digital document	Oracle Financials	until 2036
Accounts Payable	Digital document	Oracle Financials	until 2036
Payroll accounting, land	Digital document	Aditro Personec W	until 2036
Payroll accounting, sea	Digital document	HPSWIN	until 2036
Asset accounting	Digital document	Oracle Financials, Kasper	until 2036

Voucher categories	Archiving	System	Retention of data, 15 years
Sales invoices, freight	Digital document	Atlas, Opus Capita's image archive	until 2036
Sales invoices, passenger services	Digital document	eBooking, Opus Capita's image archive	until 2036
Sales invoices, manual	Digital document	Oracle Financials	until 2036
Bank statements	Digital document	Opus Capita	until 2036
Sales transactions	Digital document	Oracle Financials	until 2036
Interest invoices	Digital document	Oracle Financials	until 2036
Purchase invoices	Digital document	Oracle Financials, Nextway Next image archive	until 2036
Purchase invoices, E-invoice	Digital document	Oracle Financials	until 2036
Payment batches	Digital document	Oracle Financials	until 2036
Travel invoices	Digital document	Aditro Expense	until 2036
Bank and cash vouchers	Digital document	Oracle Financials	until 2036
Memorials and accruals	Digital document	Oracle Financials, Winpos, VesselERP	until 2036
Payroll accounting vouchers, office	Digital document	Aditro Personec W	until 2036
Payroll accounting vouchers, sea personnel	Digital document	HPSWIN	until 2036
Fixed assets accounting vouchers	Digital document	Oracle Financials	until 2036
Notes	Paper		until 2036

These Financial Statements have been translated into English from the Finnish version. In case of any discrepancies the Finnish version shall prevail.

AUDITOR'S REPORT

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

TO THE ANNUAL GENERAL MEETING OF FINNLINES OYJ REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OPINION

We have audited the financial statements of Finnlines Oyj (business identity code 0201153-9) for the year ended 31 December, 2020. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group'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 financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER REPORTING REQUIREMENTS OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

OTHER OPINIONS

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki 25 February 2021

KPMG OY AB

Kimmo Antonen
KHT



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