
Finnlines
a Grimaldi Group company
ANNUAL REPORT
2018

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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. In addition to sea transportation, the Company provides port services in Helsinki and Turku. Finnlines is a part of the Grimaldi Group, 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. This affiliation enables Finnlines to offer liner services to and from any destination in the Mediterranean, West Africa as well as the Atlantic coast of both North and South America.

HIGHLIGHTS 2018

KEY FINANCIAL FIGURES

Revenue EUR million	EBITDA EUR million	Interest-bearing debt EUR million	Equity ratio improved to
589.4	**166.4**	**452.8**	**53.3%**
an increase of 9.9%	an increase of 9.2%	a decrease of EUR 5.4 million	

Revenue by function 2018

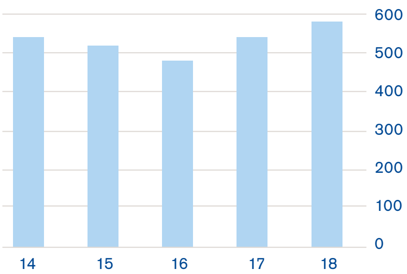
Freight Services EUR million **511.7**

Passenger Services EUR million **55.7**

Port Operations EUR million **43.6**

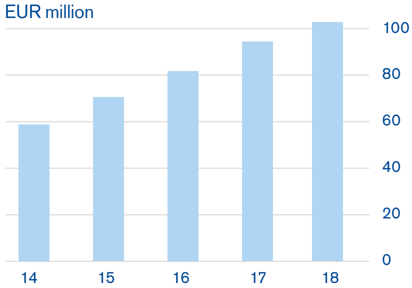
Revenue 2014–2018

EUR million

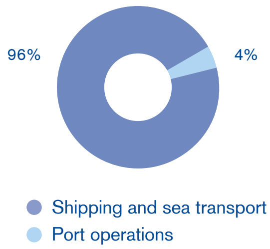


Result before interest and taxes (EBIT) 2014–2018

EUR million



Breakdown of revenue 2018



EUR million	IFRS 2018	IFRS 2017
Revenue	**589.4**	536.3
Result before interest, taxes, depreciation and amortisation (EBITDA)	**166.4**	152.3
Result before interest and taxes (EBIT)	**104.9**	93.9
Result for the reporting period	**95.1**	82.6
Equity ratio, %	**53.3**	51.1
Interest-bearing debt, MEUR	**452.8**	458.2
Gearing, %	**68.1**	68.9

STRATEGIC EXPANSION – Investments in the fleet continue

Vessel lengthening

All six Breeze series ro-ro vessels were lengthened in 2017–2018, and the achieved 30 per cent capacity increase will reduce energy consumption per transported unit compared to the original. This EUR 70 million investment programme was a direct response to the increased demand on the market.

Newbuildings: Three green ro-ro vessels ordered

Finnlines continues to invest in increasing its vessel capacity and has ordered three ro-ro vessels from the Chinese Jinling shipyard. The vessels' delivery is expected from 2021–2022. The total investment will be over EUR 200 million.

Newbuildings: Planning new Superstar ro-pax vessels

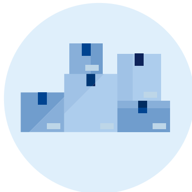
The concept planning of a new series of Superstar ro-pax vessels has started and the objective is to build an even more energy-efficient vessel. The ships will be equipped with emission abatement systems and have several advanced technologies to save energy and thus reduce emissions further.

KEY OPERATIONAL FIGURES

The cargo volumes transported during January–December totalled

754,000
cargo units

163,000
cars (not including passengers' cars)



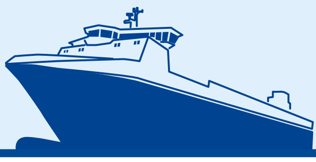
1,226,000
tons of non-unitised freight

655,000
private and commercial passengers

Our largest ro-ro vessels have the capacity to carry

300

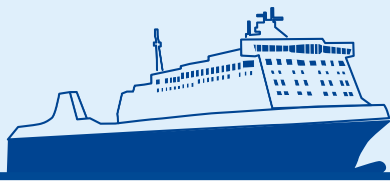
trailers per sailing.



Our largest ro-ro passenger vessels have the capacity to carry

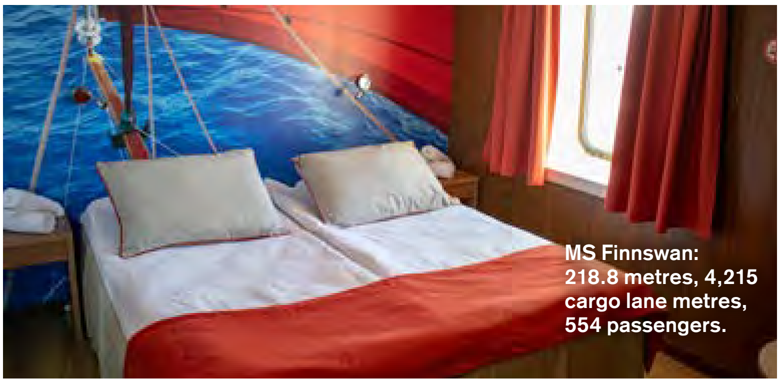
554

passengers per sailing.



MEETING CUSTOMERS' NEEDS

In response to the great demand, Finnlines introduced MS Finnswan on the Naantali–Långnäs–Kapellskär route at the beginning of May. The vessel was renewed with a mixture of ageless maritime, serene Scandinavian modern style and an industrial cargo look. This resulted in an increase in customer satisfaction.



MS Finnswan: 218.8 metres, 4,215 cargo lane metres, 554 passengers.

BEING READY FOR THE FUTURE – NEW ENERGY-EFFICIENT VESSELS

Finnlines will continue to invest in sustainability as three new ro-ro vessels have been ordered. These hybrid ro-ro vessels will be built taking all technological and environmental factors into account and will thus further increase Finnlines' energy efficiency. These vessels, with the lowest possible fuel consumption and exhaust emissions, will be in line with Finnlines' investments in sustainable development.

Further resources will be invested in a new series of modern large ro-pax vessels to be delivered in a three-four years' time span. The new plan will follow a number of initiatives launched by Finnlines to promote environmental sustainability, including the emission abatement system installations on 21 vessels, propulsion improvement, vessel lengthening projects and these ro-ro and ro-pax newbuilding orders.

CEO'S REVIEW

FINNLINES INVESTS IN SUSTAINABILITY
OVER EUR 500 MILLION IN GREEN SHIPPING

OUR STRATEGY, TO GROW TOGETHER WITH OUR CUSTOMERS, to increase the efficiency of the capital employed on our fleet and to continue investing in sustainable development, is paying off. We are growing with the market and for the market. The 2018 result is a continuation of our successful track record over the past few years. The Finnlines Group's 2018 result for the period improved to EUR 95.1 million (EUR 82.6 million in 2017).

THE FINNISH ECONOMY CONTINUED TO GROW LAST YEAR. According to the Finnish Customs' preliminary data, the value of Finnish goods exports increased by 7 per cent and imports by 6 per cent in 2018. According to the official Finnish transport statistics, total shipping volumes increased by 5 million tonnes, compared to the previous year's figures. Exports increased by 3 per cent, totalling 53 million tonnes. Imports increased by 8 per cent compared to the previous year to 51 million tonnes. In line with the general market development of the Finnish sea freight sector, our revenue increased by approximately 10 per cent, to EUR 589.4 million. We grew with our customers and we also delivered well against all our core operational KPIs.

WHEN IT COMES TO INVESTING IN OUR FLEET, i.e. our core assets, timing can often be of great importance. We can say that the lengthening of six of our ro-ro vessels, whereby each vessel's capacity was increased by 30 per cent, was definitely done at the right time. In addition to vessel lengthening, we also bought the Star class ro-pax vessel, MS Europalink, a 4,200-lane-metre vessel from our parent company, the Grimaldi Group, for the Malmö–Travemünde line. From that route, we transferred the Star class ro-pax vessel MS Nordlink, renamed MS Finnswan, to the Finland–Åland–Sweden route. With its large cargo capacity, MS Finnswan now enables us to also offer more space for our customers on the Finland–Sweden traffic. In other words, Finnlines has deployed larger and larger vessels in both the ro-pax and ro-ro segments, creating economies of scale, and has also enhanced route and vessel optimisation. All this has improved the utilisation of our fleet assets.

SHIPPING IS GLOBAL BUSINESS and undoubtedly the most sustainable way of transportation. Shipping companies play an important role in developing solutions to reduce emissions. Within our industry, the International Maritime Organization has set a very high target – a 50 per cent reduction in the key greenhouse gas emissions by 2050, compared with the 2008 levels. There are also other harmful emissions which the shipping sector as a whole has agreed to reduce. Apart from CO_2, sulphur dioxide emissions (SO_2) must be reduced. Therefore, regulators have set a stringent deadline for SO_2 from 2020 onwards at 0.5 per cent sulphur content in fuel from 3.5 per cent, which means that shipping companies are bound either to install emissions abate-

“We have invested over EUR 1 billion in the past decade and in the coming years will invest over EUR 500 million in new technology, in digitalisation, in green shipping for our customers.”

ment technology or run on cleaner lower sulphur fuel. The current allowed content is 0.10 per cent in SECA area where Finnlines operates. Therefore, Finnlines began installing emission abatement systems several years ago and 19 of our 21 vessels have been fitted with these systems. At that time, we also invested in new propulsion systems and reblading, and silicone anti-fouling in order to reduce emissions. Therefore, we can wholeheartedly say that reducing fuel consumption and cutting harmful emissions have been one of the key elements of our Group’s strategy for a long time.

WE WILL CONTINUE TO IMPLEMENT OUR STRATEGY with determination and with consistency. In early 2018, we initiated a EUR 200 million Green Ro-ro Investment Programme. This programme includes three new green 5,800-lane-metre ro-ro vessels that will be a new kind of hybrid ro-ro vessels. They will still use fossil fuel during sailing but only electricity restored in batteries while in port, and hence guaranteeing ‘zero emissions in port’. The vessels will have a lithium-ion battery bank, which will be recharged during sailing and will provide electricity to the ship while at berth but there will be no emissions during the port stay. In addition, an innovative air lubrication system under the keel will create bubble layers which will reduce friction and hydrodynamic resistance and, consequently, reduce fuel consumption and emissions as well. Optimised energy efficiency is ensured with the hull lines and propellers, including the most advanced integrated propeller-rudder systems.

LOOKING INTO THE FUTURE, we will from 2021 onwards take delivery of these three ice-class green ro-ro vessels. Their design and size mean they will be among the most fuel-efficient on the market. But that is not all – we are currently designing and developing a new ro-pax class concept for Finnlines. These Superstar ro-pax vessels will meet the highest technical and environmental standards. These vessels will also be equipped with emission abatement and other advanced fuel consumption and emission reduction systems. We are also considering LNG as an alternative fuel. As is the case with the three green ro-ro vessels already ordered, these Superstar ro-pax vessels will also be much larger in size and more efficient than the existing Star class ro-pax vessels.

THESE MAJOR INVESTMENTS WILL FURTHER CONTRIBUTE to reducing fuel consumption and CO_2 and other emissions. Our target is to set a new standard in the sector for reducing CO_2 emissions per transported tonne. It has become clear that in order to reach this ambitious sustainability target, among others, we are looking into both hybrid solutions and LNG as fuel, batteries and use of electricity while in port, known as ‘cold ironing’. According to the latest forecasts, the world economy continues to support long-term growth in Finland, even amid a slightly weakened global economic outlook. When looking into 2019 and beyond, we are confident that the Finnish economy will continue to grow, although at a more moderate pace than in recent years and more slowly than before. But being an export-driven country, it will grow along with the global economic growth. We have invested over EUR 1 billion in the past decade and will continue to invest over EUR 500 million more. We will invest in new technology, in digitalisation and in green shipping for our customers who will grow together with us.

I WOULD LIKE TO TAKE THIS OPPORTUNITY TO THANK all our customers and our stakeholders for your support and close co-operation. In the coming years, we will continue to put all our efforts in being the best partner we can be. With our enlarged and sustainable fleet, we will work hard to further improve our efficiency in order to achieve our strategic goals – both financial and environmental. I would also like to thank all our employees for your hard work and dedication.

Emanuele Grimaldi

Emanuele Grimaldi honoured as Commander of the Order of the Lion of Finland

The President of the Republic of Finland, President Sauli Niinistö, conferred a decoration of Commander of the Order of the Lion of Finland to Finnlines’ President and CEO, Mr Emanuele Grimaldi. “I am very pleased to receive this honour. We worked very hard in Finnlines, as a team of hundreds of employees both at sea and ashore, to improve our operational and economic performance, achieving results beyond our expectations and allowing us to position the company among the successful business stories in the Baltic area”, said Emanuele Grimaldi.

WORKING FOR SOUND PROFITABILITY
– CONTROLLING COSTS AND INCREASING EFFICIENCY

FINANCIAL PERFORMANCE

Favourable trading conditions and the increased capacity helped us push cargo volumes up over 6 per cent to 754,000 units, up from 709,000. We shipped 163,000 cars (not including passengers' cars), 11 per cent more than last year, and carried 655,000 passengers, 6 per cent more than last year.

The Finnlines Group recorded revenue totalling EUR 589.4 (536.3) million in the reporting period, an increase of 9.9 per cent compared to the same period in the previous year. Shipping and Sea Transport Services generated revenue amounting to EUR 567.2 (516.0) million, of which passenger-related revenue was EUR 55.7 (51.9) million. The revenue of Port Operations was EUR 43.6 (42.5) million. Cargo volumes improved in most of our lines, which increased the turnover in the Shipping and Sea Transport Services segment. Compared to last year, oil prices were at a higher level, increasing the bunker costs by over 30 per cent to EUR 131.4 million. In Port Operations, the revenue continued to rise due to increased cargo handling activities.

We chartered out one of our ro-pax vessels, MS Finnclipper, from the Finland–Sweden route in May 2018 and replaced that with the Star class ro-pax vessel MS Finnswan (formerly Nordlink from the Malmö–Travemünde line). We bought the Star class ro-pax vessel, MS Europalink, a 4,200-lane-metre vessel from our parent company, the Grimaldi Group, for the Malmö–Travemünde line, instead. We sold one smaller ro-ro vessel, MS Finncarrier, in October 2018. The result for the period includes the gain on sale of EUR 5.1 million from the sale of MS Finncarrier.

The Group's EBITDA, result before interest, taxes, depreciation and amortisation, was EUR 166.4 (152.3) million, an increase of 9.2 per cent. Net financial expenses decreased to EUR -10.1 (-11.5) million. Financial income was EUR 0.4 (0.3) million and financial expenses EUR -10.5 (-11.8) million.

The result for the reporting period improved to EUR 95.1 million from the previous year's EUR 82.6 million.

INCREASING EFFICIENCY

We achieved most of our targets and ensured improvement in Finnlines' financial performance. As long as we continue to focus on cost controlling and cost reductions, and as long as we further optimise our operations, routes and vessel utilisation, we can improve our efficiency further. Looking ahead, our operational efficiency will play an important role. Lengthening vessels, deploying larger vessels, newbuilding orders, traffic optimisations – everything will contribute to maintaining our competitiveness. In 2018, due to market growth and improved volumes and due to optimisation of routes and increased vessel capacity, we were able to raise our result for the period and also delivered well against all our core financial KPIs.

INVESTING FOR GROWTH AND SUSTAINABILITY

To remain competitive, we will continue our investments and have multiple projects under way. We completed our EUR 70 million Energy Efficiency and Emission Reduction Investment Programme to respond to the growing demand by increasing the cargo capacity of six ro-ro vessels. Each vessel now has 30 per cent additional capacity, meaning they can carry up to 4,000 lane metres of rolling cargo. The total increase in capacity was close to 6,000 lane metres.

As mentioned earlier, the major investment was the purchase of MS Europalink. The cost of acquiring the vessel was EUR 78 million. Other investments, apart from the lengthening project, consisted of normal replacement expenditure of fixed assets, the emission abatement system project on MS Europalink, refurbishment of passenger areas onboard the ro-pax vessels MS Finnswan and MS Europalink, investments in new cargo handling equipment and dry-dockings.

The Finnlines Group's gross capital expenditure in the reporting period totalled EUR 135.4 (48.9) million, including tangible and intangible assets.

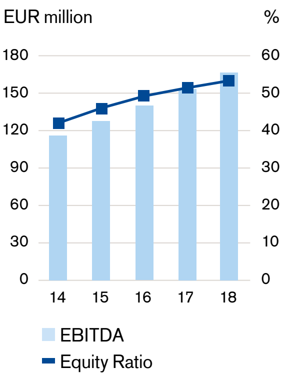
Finnlines continues to invest in increasing its vessel capacity and in April 2018 signed an order for three ro-ro vessels from the Chinese Jinling shipyard. These new technology vessels form our EUR 200 million Green Ro-ro Investment Programme and their delivery is expected from 2021–2022. The vessels are 238 metres long and will each have a cargo capacity of 5,800 lane metres.

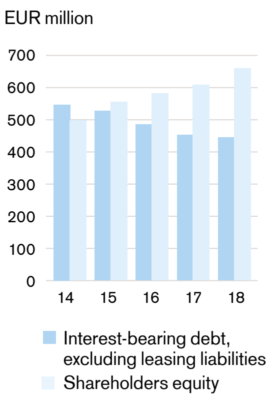
Furthermore, to serve our customers better and more efficiently we are now working on developing a new Superstar ro-pax class concept. These Superstar ro-pax newbuildings will meet the highest technical production aspects and environmental standards. In addition to improved customer service, we aim towards increased energy efficiency and reduced emissions. The deliveries of these vessels are likely to take place in 2021–2022.

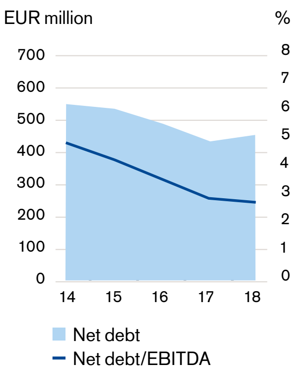
During the past decade, we have made a whole series of concrete investments totalling EUR 1 billion, including actions to promote environmental sustainability and corporate social responsibility. These actions include emission abatement system installations on 21 ships, fleet changes and route optimisation, fuel monitoring and slow steaming, silicone anti-fouling treatments, propulsion improvement and vessel lengthening investments. All investments were aimed at reducing fleet emissions per transported tonne.

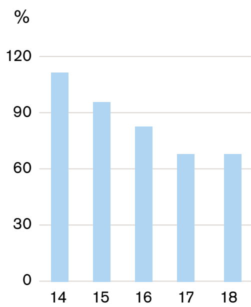
CAPITAL STURCTURE

Net cash generated from operating activities remained strong and was EUR 144.1 (122.5) million. Due to high capex, the interest-bearing debt decreased by EUR 5.4 million to EUR 452.8 (458.2) million, excluding leasing liabilities of EUR 0.0 (2.4) mil-









"As long as we continue to focus on cost controlling and cost reductions, and as long as we further optimise our operations, routes and vessel utilisation, we can improve our efficiency further."

lion. Net interest-bearing debt at the end of the period was EUR 450.9 (421.2) million. Net Interest-bearing Debt/EBITDA (rolling 12 months) ratio amounted to 2.7 (2.8) and the equity ratio calculated from the balance sheet was 53.3 (51.1) per cent. Gearing decreased slightly to 68.1 (68.9) per cent. Apart from stronger equity ratio, Finnlines has also built a decreasing maturity profile, which is more evenly spread over the years. The Group also has financial flexibility through strong liquidity position which at the end of the period, with cash and cash equivalents together with unused committed credit facilities, amounted to EUR 154.5 (192.0) million.

The shareholder structure further reinforces Finnlines' existing solid capital structure. Being the most efficient shipping company in the Baltic Sea as part of the Grimaldi Group and with their decades-long knowledge of global shipping, Finnlines has extra leverage to operate against its competitors both operationally and financially.

Tom Pippingsköld

Our strategy remains unchanged. The three key elements are to grow together with customers, to increase efficiency of capital employed on our fleet and to continue investing in sustainable development.

BUSINESS CONCEPT, VALUES AND STRATEGIC GOALS

BUSINESS CONCEPT

Finnlines promotes international commerce by providing efficient, high-quality sea transport and port services, mainly to meet the requirements of the European industrial, commercial and transport sectors and private passengers.

FINANCIAL GOALS

Finnlines' objective is to guarantee long-term profitability through high-quality operations, to generate added value for its shareholders and to maintain a healthy capital structure. The Board of Directors bases its annual dividend proposal on the Company's capital structure, future outlook, and investment and development needs.

VALUES

CUSTOMER FOCUS

Our customers choose us thanks to our competence, expertise and reliability. Satisfied customers are the basis for Finnlines' enduring success. By identifying its cargo customers' and passengers' needs, the Company can continuously develop its service products and generate concrete added value for its customers.

RESPONSIBILITY

We adhere to the principles of sustainable development. Environmental responsibility forms part of our Company's everyday operations. We take safety issues into consideration in all our operations.

PROFITABILITY

We achieve our objectives. Through the quality of our business operations, we are able to guarantee long-term profitability and generate added value.

EMPLOYEE SATISFACTION

Finnlines is a reliable and motivating employer, which treats its employees with fairness and equality, rewarding the merit.

STRATEGIC GOALS

A stronger position in the Baltic Sea and the North Sea cargo traffic

- We invest in the operational efficiency of our current transport areas.
- We will open new routes according to market opportunities.
- We are actively involved in the growing consolidation of the sector.
- We increase Group-wide network synergies beyond the core of today.

A stronger position in the Baltic Sea passenger traffic

- We offer quick and effortless travel between Finland, Sweden and Germany to our passengers on our large and efficient ro-pax vessels.

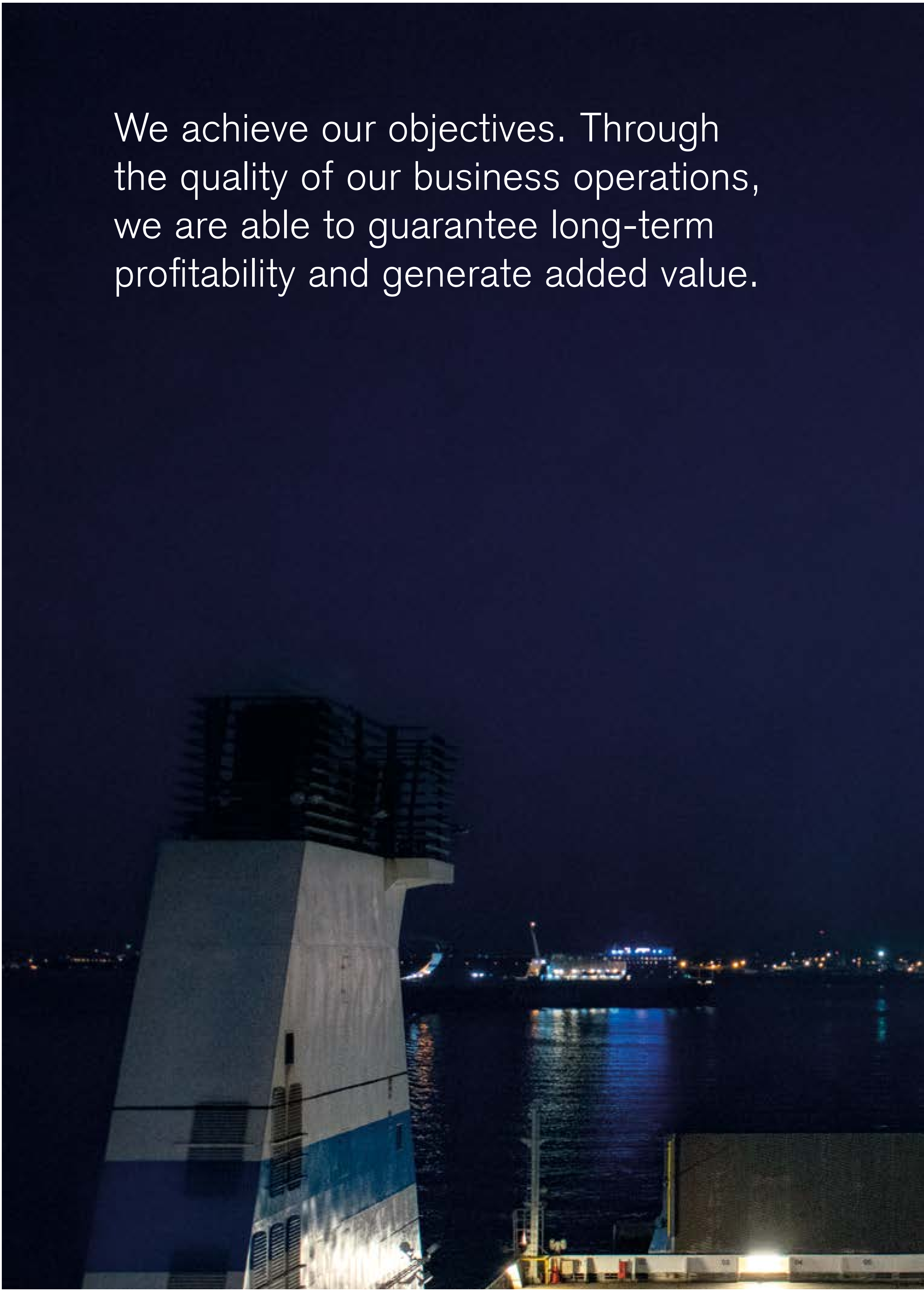
A stronger position in Russian freight traffic

- We are the leading shipping company in transit traffic.
- We actively develop and market direct transport routes between Central Europe and Russian Baltic ports.

Growing profitability

- We strive to improve our productivity. One of the main ways of doing this is to focus on routes where the vessels' capacity utilisation is as high as possible in both directions.
- We will increase the efficiency of our operational systems and information management.
- We take proper care of environmental and safety issues.
- We invest in staff competence.

We achieve our objectives. Through the quality of our business operations, we are able to guarantee long-term profitability and generate added value.



BUSINESS ENVIRONMENT

Finnlines operates in the Baltic Sea, the North Sea and the Bay of Biscay. Maritime transport is vital to Finland's foreign trade, as about 90 per cent of Finnish imports and exports are transported by sea. Processed products, in particular, require modern, frequent and regular liner traffic services.

FLEET

To respond to increased demand on the market Finnlines launched an investment programme of lengthening Breeze series vessels in 2017. The contract to lengthen four of the six ro-ro vessels was signed in 2017 and the option for the last two was exercised in 2018. The lengthening was carried out at Remontowa Shiprepair Yard in Poland. Each lengthened vessel has a capacity increase of some 30 per cent or 1,000 lane metres.

MS Europalink was bought from the Grimaldi Group in January 2018 and, after refurbishing, was put into the NordöLink service between Malmö and Travemünde. The vessel previously on that route, MS Nordlink, was also redecorated, then renamed Finnswan, and transferred to the FinnLink service between Naantali and Kapellskär.

MS Finncarrier was sold to an external party in October 2018 and chartered by Finnlines until January 2019.

The average age of the Group's vessels was about 13.6 years.

ROUTE NETWORK

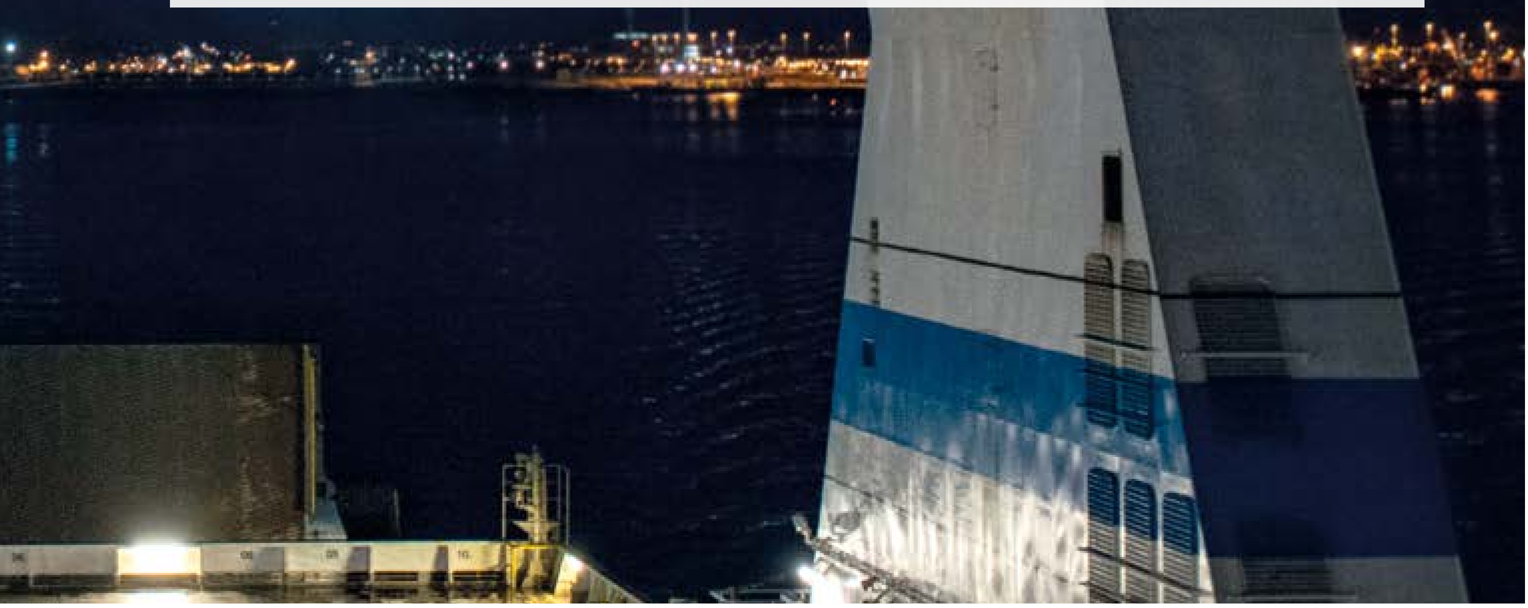
During 2018, Finnlines retained its position as a leading ro-ro shipping company in the Baltic Sea area.

Finnlines' ro-ro services in the Baltic and North Sea areas provide a backbone to Finnish industries' and trade's transportation needs. The services covered the Finnish ports of Uusikaupunki, Turku, Hanko, Helsinki and Kotka, offering connections with Russian, Estonian, Polish, German, Danish, British, Belgian and Spanish ports. The capacity between Finland and Poland was raised over the year.

The route network also enabled cargo flows between Continental and British ports and Russia, as well as offered the wide Grimaldi shortsea and deepsea network for Finnlines' customers' use.

The high frequency ro-pax lines cover the services between Finland and Sweden (FinnLink), Finland and Germany (HansaLink) and Sweden and Germany (NordöLink).

TransRussiaExpress had a weekly sailing from St. Petersburg to Lübeck and vice versa.



SHIPPING AND SEA TRANSPORT SERVICES

Finnlines is one of the industry's leading players in the Baltic Sea, the North Sea and the Bay of Biscay. The strong position derives from the outstanding service which is based on the needs of our customers. High frequency, cargo capacity and information services offered by Finnlines contribute to flexibility, reliability and predictability to customers.

The economic growth in Finnlines' market area continued but slowed down slightly in the autumn due to global uncertainty factors.

The Shipping and Sea Transport Services segment's revenues totalled EUR 567.2 (516.0 in 2017) million, and it employed 1,326 (1,356) people on average.
During January–December, the transports totalled about 754 (709) thousand cargo units, 163 (147) thousand cars (not including passengers' cars) and 1,226 (1,281) thousand tons of non-unitised freight. In addition, some 655 (619) thousand private and commercial passengers were transported.

THE BALTIC SEA AND NORTH SEA SERVICES

Ro-ro services' routes are ideally located for serving freight customers in the Baltic Sea and North Sea areas. Traffic was operated with some ten modern ro-ro vessels catering for lorries, trailers, other mobile cargo, containers and break bulk. The focus of the traffic between Rostock and Finland was moved partly to Hanko, but the traffic to/from Helsinki also remained considerable.

HANSALINK

HansaLink consisted of three Star class ro-pax vessels plying between Helsinki and Travemünde. HansaLink retained its strong position as the largest carrier for unitised cargo volumes between Germany and Finland. For passengers it was the only direct connection by sea between Finland and Continental Europe. The traffic was operated with seven weekly departures in both directions with a fast sailing time of less than 30 hours.

NORDÖLINK

NordöLink runs a ro-pax service between Malmö and Travemünde. The three vessels, MS Finnpartner, MS Finntrader and MS Europalink, made 19 weekly departures in both directions with an average intake capacity of about 110,000 lane metres per week. The non-freight passenger traffic's turnover continued its positive trend and improved by a further 8 per cent.

FINNLINK

FinnLink between Naantali and Kapellskär operated with two ro-pax vessels, the Star class vessel MS Finnswan and the Clipper class vessel MS Finnfellow. These vessels served unitised cargo traffic with a total of 14 weekly departures in each direction. The fast eight-hour voyage and the service's schedule, tailored to the needs of freight customers, have maintained the competitiveness of the route. Deployment of the Star class vessel, adding 30 per cent more capacity to the route and upgrading the standard of services onboard, has been very much appreciated by the market. The calls at the port of Långnäs in the Åland Islands were continued throughout the year with duty-free shopping onboard.

TRANSRUSSIAEXPRESS

TransRussiaExpress (TRE) runs a regular direct liner service between Germany and Russia (Lübeck–St. Petersburg), offering one weekly departure in each direction. Throughout the year, the line operated with pure ro-ro vessels. The calls at the port of Kotka on the westbound leg continued throughout the year on a weekly basis, with a temporary exception of a few weeks during the last quarter. The slot charter agreement with DFDS, increasing the utilisation of the ship for the whole roundtrip, also continued for the whole year.

Our customers choose us thanks to our competence, expertise and reliability. Satisfied customers are the basis for Finnlines’ enduring success.

PASSENGER SERVICES

With its eight ro-pax vessels, operating between six ports in three countries, Finnlines has upheld its position as an important provider of passenger services in the Baltic Sea.

GROWTH ON ALL RO-PAX ROUTES

The total number of passengers transported on all routes (private and commercial) grew by 6 per cent to 655 (619 in 2017) thousand passengers.

The number of private passengers increased on all routes. The strongest growth was seen on the Finland–Sweden route, up by 29 per cent, followed by the Germany–Sweden route up by 11 per cent and the Finland–Germany route up by 2 per cent.

INVESTMENTS IN RO-PAX VESSELS AND CUSTOMER EXPERIENCE

Finnlines has focused on unifying the ro-pax concepts on all three lines. The upgrades made to the public areas of the Company's ro-pax vessels have enhanced the customer experience and increased spending on board.

The highlights of the year were bringing MS Europalink back to the Baltic Sea and welcoming MS Finnswan on the Finland–Sweden route. Both vessels were refurbished and are thriving in their new positions.

MONITORING PASSENGER FEEDBACK & IMPROVING ONLINE SERVICES

Finnlines greatly values its customers and their opinions. The systematic feedback collected from the passengers helps improve our current services and develop new concepts on board and on shore. 90 per cent of private passengers would travel with us again and 91 per cent would recommend us to a relative or friend.

A new register for the Finnlines Star Club loyalty programme was created in 2018. Now consumers can quickly and easily register as a member on Finnlines' webpages and all members can access and modify their own information through the new Star Club online portal. From this portal, Finnlines Star Club loyalty programme members can even order a club card for their mobile device.

Modern consumers' need for online services was directly reflected in our web bookings for 2018, which grew by 24 per cent compared to the previous year. Web marketing actions in all our web channels are in place to respond to this growing trend. Finnlines' webpages were refreshed to better serve consumers' demand for easy access and clear communication of our products. With the need for traditional marketing and booking channels decreasing, the goal is to not only continue building a stronger online presence but to give our customers a more well-rounded booking and customer experience.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PORT OPERATIONS

The Group's Port Operations are handled by Finnsteve companies (Finnsteve, Containersteve and FS-Terminals). Finnsteve companies are a major port operator focused on unitised cargo services required by regular liner traffic in the ports of Helsinki, Turku and Naantali. Helsinki is Finland's most important export and import port for unitised goods, while Turku and Naantali have the fastest sea connections to Sweden.

In 2018, Finnlines' Port Operations generated revenues of EUR 43.6 (42.5 in 2017) million and employed 311 (295) people on average.

PORT OPERATIONS IN HELSINKI

The Vuosaari Harbour, which was opened at the end of 2008, has proved to be an efficient world-class port with its modern and advanced infrastructure.

The Company's four post-Panamax container gantry cranes have sufficient capacity and power to cope easily with future growth in container volumes. The export terminals allow cargo handling in all weather conditions, while the import terminal in the logistics area has capacity for diversifying and increasing the provision of supplementary services.

A new ERP system for unitised cargo was introduced at the beginning of 2018. System development related to terminal operations continues and it will be up and running during 2019.

HELSINKI VOLUME DEVELOPMENT

The overall cargo volumes handled by Finnsteve companies in the Vuosaari Harbour increased from the previous year.

In 2018, the total cargo throughput in the port of Helsinki increased 3.3 per cent to a volume of 14.7 million tons, compared to the 2017 volumes. Unitised export traffic increased by 0.9 per cent to 6.4 million tons while import traffic increased by 1.3 per cent to 5.6 million tons. The volume of trailers and lorries increased by 2.8 per cent to 589,309 units. Container traffic increased by 3.7 per cent to 509,532 TEUs.

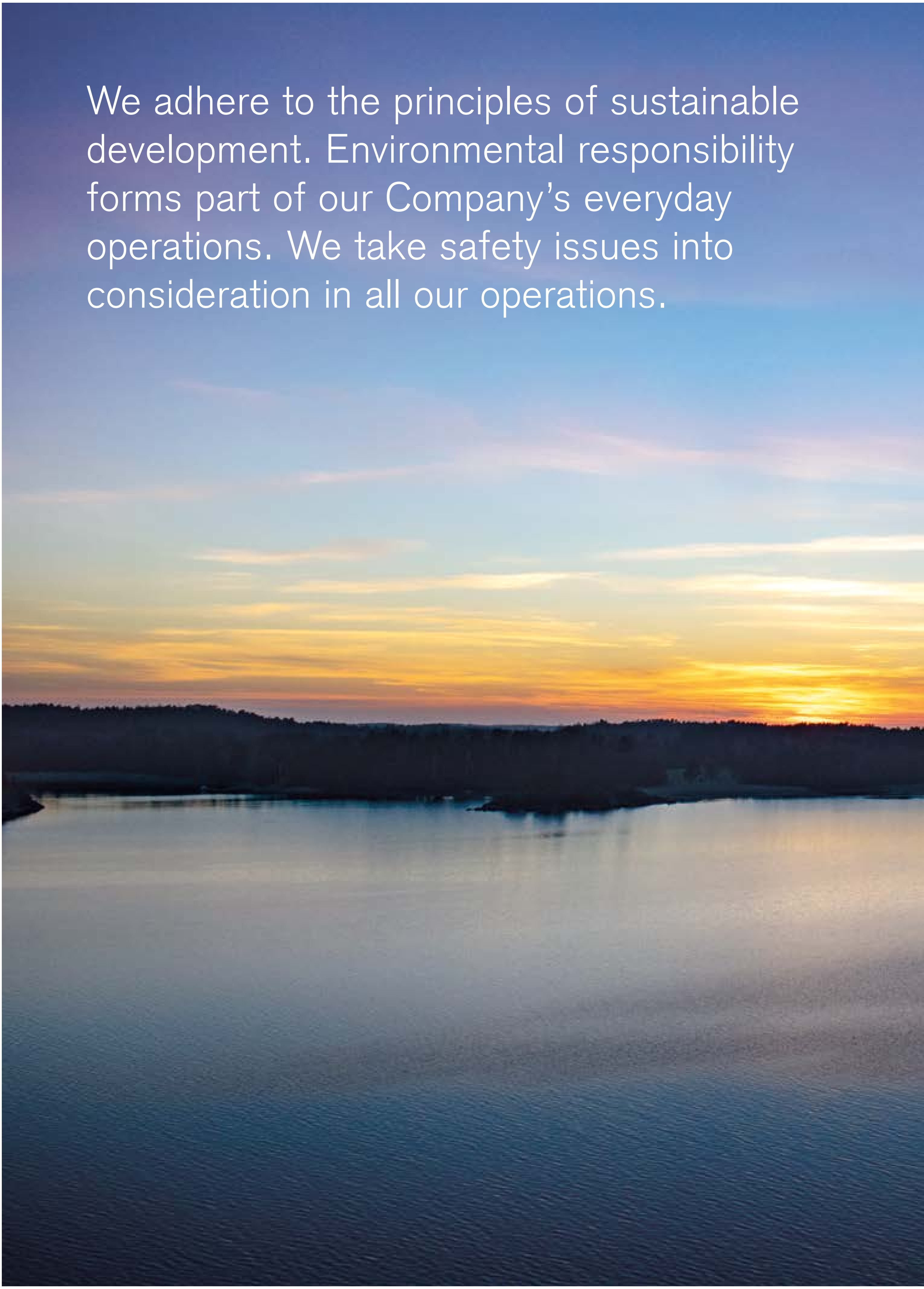
PORT OPERATIONS IN TURKU AND NAANTALI

The Company's operations covered the West Harbour, the Base Harbour and the port of Naantali.

In 2018, the total cargo throughput in the port of Turku decreased 6.1 per cent to 2.3 million tons in comparison to the volumes in 2017. Container export and import traffic increased by 71.6 per cent to 3,692 TEUs, thus representing only a small part of the total cargo throughput. The volume of trailers and lorries decreased by 7.0 per cent to 100,223 units in 2018.

The Company's Naantali operations provided services to the Group's FinnLink traffic between Naantali, Långnäs and Kapellskär.

We adhere to the principles of sustainable development. Environmental responsibility forms part of our Company's everyday operations. We take safety issues into consideration in all our operations.



ENVIRONMENT AND SAFETY

To combat the global warming, the International Maritime Organization, IMO, set an ambitious level for future CO_2 emissions in April 2018. The goal is to reduce CO_2 emissions from shipping by at least 50 per cent by 2050 compared to 2008.

During the last few years, Finnlines has made many investments in ships' energy efficiency. During 2018, six ro-ro vessels were lengthened and the 30 per cent capacity increase will cut the energy consumption per transported unit compared to the original vessel. Other efforts to reduce energy consumption include change of propeller blades, running on optimal speed, load, trim and timetable planning. Anti-fouling is normally not used as Finnlines' ships operate in ice conditions, but on three ro-pax ships, which solely operate in ice-free conditions in the Southern Baltic, the silicone anti-fouling has been applied. Consequently, Finnlines ships' total fuel consumption has decreased by nearly 30 per cent since 2008. In 2018, Finnlines' vessel traffic consumed 335,287 tons of heavy fuel oil and diesel oil. This represents a decrease of 1 per cent when allocated on each transported cargo ton compared to 2017.

NEW INVESTMENTS IN SUSTAINABILITY

Finnlines will continue to invest in sustainability as three new ro-ro vessels have been ordered. The ships will be fitted with

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two-stroke main engines, which have a lower specific fuel consumption than four-stroke engines. An air lubrication system under the keel will reduce friction and hydrodynamic resistance and, consequently, reduce fuel consumption and emissions. At berth during cargo operations, the target is zero emissions. This can be achieved by installing batteries which are recharged during sailing. Furthermore, two environmentally safe and technologically advanced ro-pax vessels are being planned.

OTHER ATMOSPHERIC EMISSIONS

Finnlines operates mainly in the Emission Control Areas, i.e. the Baltic Sea, the North Sea and the English Channel, where the sulphur content limit for ship fuel oil is 0.10 per cent in accordance with the MARPOL Convention (The International Convention for the Prevention of Pollution from Ships). Globally, the sulphur limit will decrease from today's 3.5 to 0.5 per cent in 2020. Finnlines is well prepared to comply with the regulation as 19 of our 21 ships are fitted with emission abatement systems.

The North Sea and the Baltic will constitute a nitrogen oxide (Nox) Emission Control Area (NECA) starting 1 January 2021. The NOx limit will apply to new-build vessels and NOx emissions will reduce by 80 per cent compared to the present level.

SAFETY AND SECURITY

The land-based ship management organisation and all the ships are certified in accordance with the ISM Code (International Management Code for the Safe Operation of Ships and for Pollution Prevention). All ships and port facilities also comply with the requirements of the ISPS Code (International Ship and Port Facility Security Code).

The ships are regularly inspected and audited by the maritime administration, classification societies and by in-house auditors. Regular drills are held both internally and with authorities, such as the coast guard, border guard and local city rescue departments.

In ports, stevedoring companies have safety systems, including communication and contingency plans in case of an accident. Ports are equipped to respond to fires and oil and chemical spills.

ENVIRONMENTAL CERTIFICATION

In 2018, the environmental management system was revised to comply with the renewed ISO 14001:2015 standard. Certification covers management and manning of all ships in Finnlines' trade as well as purchasing, newbuildings and projects and cargo and ship operations.

STAKEHOLDERS

In environmental and safety matters, Finnlines' most important stakeholders are the flag and port state administration, owners, customers, port operators, classification society and contractors, as well as the inhabitants of harbour and fairway areas.

Finnlines is represented at the technical, safety and environmental committees under the Swedish and Finnish Shipowners' Associations and co-operates with maritime colleges and research centres. The Company is an associated organization in the EU flagship project COMPLETE (Completing management options in the Baltic Sea Region to reduce risk of invasive alien species introduction by shipping). During the summer of 2018, the real effect of hull cleaning on reduction in fuel consumption was studied on one of Finnlines' ro-pax ships. The data is expected to be useful in deciding on optimal cleaning intervals.

Finnlines has also been involved in the real time algal monitoring project, Alg@line, for about 20 years, providing a merchant vessel for research purposes.

LEGISLATION

IMO manages international legislation on safety and environmental matters. The MARPOL 73/78 Convention contains regulations on the disposal of waste and sewage into the sea, and on the prevention of air emissions. The SOLAS Convention regulates maritime safety and security matters, including ship construction, life-saving arrangements and navigation. Port operations comply with national and international legislation.

Two similar, although separate, regimes have been introduced to reduce the carbon footprint from shipping. In Europe, the EU regulation on the monitoring, reporting and verification of CO_2 emissions became fully effective in 2018. Globally, IMO's Data Collection System will start in 2019. Ship owners and operators are required to report on fuel consumption for vessels larger than 5,000 GT.

To ensure safe and environmentally sound recycling of ships, a Hong Kong Convention has been adopted within IMO, but the Convention has not yet been ratified. However, the EU has adopted a regulation on ship recycling and inventory of hazardous materials. The inventory shall be made by 31 December 2020 and it shall be updated throughout the ship's life-cycle. Installation of hazardous materials is prohibited or restricted.

WASTE AND SEWAGE

Finnlines co-operates with waste management companies to recycle waste in an efficient manner. The main recyclable waste types generated on board include plastics, bio waste, glass, paper, cardboard, wood, and metal. Hazardous waste is separated and taken to a designated container in the port.

MARPOL contains restrictions concerning black water, i.e. toilet water. Finnlines' ro-pax vessels land black water to onshore municipal sewage systems. There are no restrictions on the discharge of grey water, i.e. water from kitchens and showers, but Finnlines pumps grey water to the shore-based sewage systems when they are accessible. Cargo ships are equipped with sewage treatment plants.

BALLAST WATER MANAGEMENT

Ballast water is used to trim and stabilise ships, but it may carry harmful aquatic species and out-compete native species, disrupting fragile marine ecosystems. Exchange of ballast water has been mandatory after the entry-into-force of the IMO Ballast Water Management Convention in 2017 if no treatment equipment has been installed. However, the Baltic Sea makes an exception as it does not meet the requirement of distance from shore or depth of water. Ships must be fitted with treatment equipment during a transitional period, however no later than 8 September 2024. Finnlines has investigated different technologies as low salinity, ice and high turbidity create extra challenges for the equipment in the Baltic Sea.

SLUDGE AND BILGE WATER

Oily waste water, 'bilge water', is generated in engine rooms. Bilge water is separated in separators and the remaining sludge is always taken ashore. The limit for the oil content of water that may be discharged into the sea is 15 ppm but many of our ships have more efficient separators. Some bilge water is also pumped ashore.

OTHER ENVIRONMENTAL ASPECTS

Chemicals and detergents may damage our health and the environment. The choice of chemicals in use onboard ships was reviewed and safety risks were re-assessed in 2018. A company-wide standard will be updated in 2019 to prevent environmental hazards and exposure to harmful products.

ENVIRONMENTAL ASPECTS IN PORT OPERATIONS

Finnsteve companies focus on enhancing energy savings and on reducing air emissions and waste generation in processes, in storage operations and maintenance of machines and properties. Finnsteve companies hold a valid ISO 14 001 environmental certificate and an ISO 9001 quality certificate.

In 2018, the fuel consumption of the port operations totalled some 994.3 tons. When allocated on each transported cargo ton, the port operations' fuel consumption remained on the same level as in 2017.

HUMAN RESOURCES

Finnlines is an international company employing over 1,600 people in seven countries. It is also a reliable and motivating employer, which treats its employees with fairness and equality.

SEA PERSONNEL

The Company's investment programmes continued in 2018, affecting also the working environment of our sea personnel. The increase of total lane metres was achieved by selling one smaller ro-ro vessel, buying one ro-pax vessel and lengthening five of a total of six vessels. Arrangements caused changes in vessels' operating areas and manning, but we are very pleased with the successful outcomes reached together with our truly committed and professional personnel.

Our sea personnel receive continuous training to meet the requirements of the STCW and other international and national regulations. To support our employees both in the rapidly changing environment and in implementation of new in-house processes and to enhance the competence in general, training was also provided, in addition to compulsory training, in cargo security, critical situations, customer experience, safety at work and numerous other vocational matters. Leadership training was given in many forms and will remain our strategic focus. Utilisation of our extensive video training tool on our vessels and online training continued. The interest in training has been excellent, and our personnel have eagerly participated in many development projects.

The long-term co-operation between shore and sea personnel was maintained by means of frequent contacts and ship visits. Wellbeing at work and work ability as essential success factors on a long-term basis were emphasised, resulting in a decrease in the sea personnel's sick leaves. For reasons of employer image and changing needs for competence of prospective seafarers co-operation with Maritime Academies, Finnish Seamen's Apprentice programme and maritime students continued.

STEVEDORE PERSONNEL

In 2018, cargo volumes continued to increase, and the IT systems renewal projects were moving ahead. The increased workloads were handled by recruiting new permanent stevedores. The renewal of our resource management system was one of the main focuses in 2018. We are aiming to have the new system up and running during 2019. In addition, the production system renewal project is still ongoing and new areas of our operations will be added to the new system in the near future.

Safety at work and quality of work as well as the competence of our personnel were maintained and improved through vocational training provided in-house. First aid courses were also provided. The importance of leadership and management skills was emphasised by providing training and workshops for the management team and supervisors. We continued our successful co-operation between the employees and their representatives focusing on managing wellbeing at work and work ability risks of our personnel. This continued to have a positive impact in our personnel's sick leaves and in the number of work-related injuries.

SHORE PERSONNEL

As for the shore personnel, in 2018 we continued to improve the competence and leadership skills, which have been our focus for several years. We are confident that these efforts will continue to be important factors in ensuring our competitiveness and wellbeing at work in the future. Job rotation, job redesign and continuous improvement of working methods are also significant aspects in our competence development. We are pleased that our employees were also motivated to take on new challenges in 2018.

Other large projects, such as the vessel lengthening project, implementation of new GDPR regulations and several IT system developments and renewals continued in 2018 and had a significant impact on our everyday work. We are proud of the dedication and commitment of our employees in these changes. We will continue to look for new ways to support and coach our employees further.

PERFORMANCE MANAGEMENT

We continued to put emphasis on performance development. It is an integral part of the Company's incentive scheme and, from the point of view of our day-to-day operations, it has been implemented mostly through development of team cohesion, by concentrating on improving leadership skills, by ensuring good quality of recruitment processes and by supporting teams in adopting new practices. New Intranet, the Link, was launched in December 2018 and this will further enhance our internal communication, overall processes, quality management and introduction.

Our Group's revenue/average number of employees in 2018 was EUR 360 (325 in 2017) thousand. EBIT/average number of employees was EUR 64 (57) thousand.

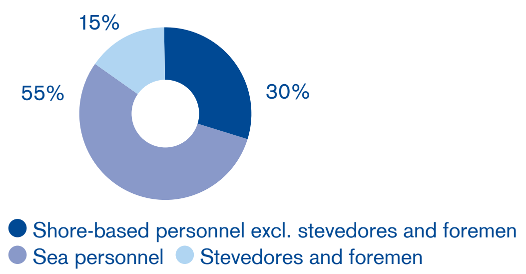
PERSONNEL FIGURES

The Group employed an average of 1,637 (1,651) persons during the reporting period, consisting of 916 (944) persons at sea and 721 (707) persons on shore. The number of persons employed at the end of the period was 1,590 (1,570) in total, of which 878 (886) at sea and 712 (684) on shore.

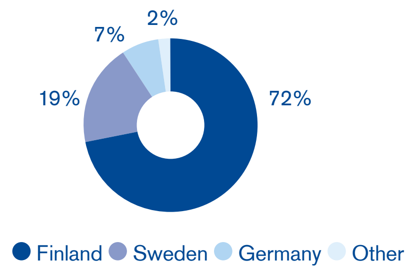
The personnel expenses (including social security costs) for the reporting period were EUR 88.9 (89.5) million.

Key figures	2018	2017
Average number of employees	**1,637**	1,651
Revenue/employee, EUR	**360,010**	324,729
Personnel expenses/employee, EUR	**54,297**	54,167
Result before taxes/employee, EUR	**57,889**	49,899
Employee turnover, %	**35**	37
Average absence of personnel, day/employee	**11.6**	11.7
Training days, total	**1,463**	1,468
Average number of employees per business area		
Shore-based personnel		
Shipping and Sea Transport Services	**410**	412
Port Operations	**311**	295
Sea personnel	**916**	944
Group, total	**1,637**	1,651
	On 31 December 2018, the shore-based personnel amounted to 712 and sea personnel to 878, in total 1,590.	On 31 December 2017, the shore-based personnel amounted to 684 and sea personnel to 886, in total 1,570.

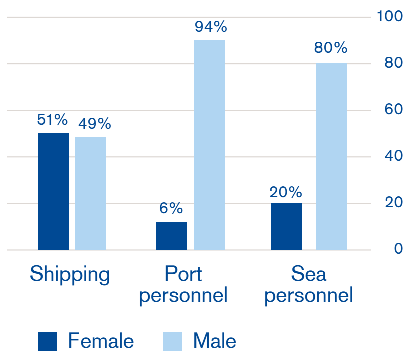
Employee categories as of 31 December 2018, %



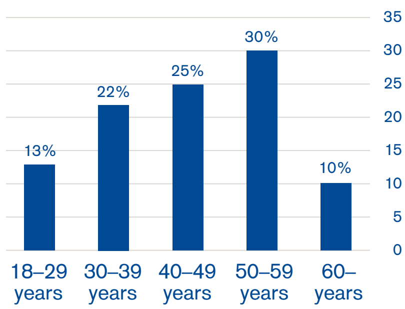
Personnel by country 2018, %



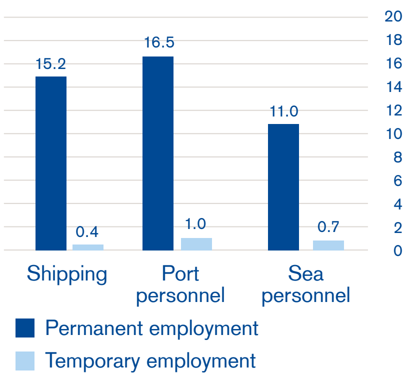
Gender distribution as of 31 December 2018, %



Breakdown by age as of 31 December 2018, %



Average length of employment as of 31 December 2018, years

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STATEMENTS
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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. In September 2018, Finnlines Plc sold its shares in Oy Intercarriers Ltd, in which it was a majority shareholder. Oy Intercarriers Ltd's result was consolidated into the Finnlines Group result until August 2018.

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

GENERAL MARKET DEVELOPMENT

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

FINNLINES' TRAFFIC

MS Europalink was purchased from the Grimaldi Group in January 2018. The vessel lengthening programme continued. MS Finnwave returned to the normal operation on the Uusikaupunki/Turku–Travemünde route at the end of January and the third vessel, MS Finnsky, went for lengthening.

MS Nordlink was reflagged under the Finnish flag and the vessel was renamed MS Finnswan in February 2018.

At the beginning of May, the Star class vessel MS Finnswan started operating on the Naantali–Långnäs–Kapellskär route. At the same time, MS Finnclipper was bareboat chartered out. Finnlines reshuffled its services between Denmark and Finland at the end of May, which enabled a direct service between Helsinki and Aarhus. This change also started a direct connection between Aarhus and Uusikaupunki.

In the middle of June, MS Finnmaster was chartered out to the Grimaldi Group.

MS Finnbreeze arrived at Remontowa Shiprepair Yard in Gdansk, Poland, for conversion in mid-September. At the same time, MS Finnmaster returned to traffic from charter.

Finnlines Plc sold the ro-ro vessel MS Finncarrier to an external party in October 2018. Finnlines bareboat chartered MS Finncarrier from its new owner from October 2018 to January 2019. At the end of October, Finnlines adapted its tonnage between Poland, TRE and Hanko–Rostock services in response to market demand.

MS Finnsea departed as the last vessel for conversion in November and returned to traffic at the end of December. After the conversion programme, the cargo capacity of Finnlines has increased by 6,000 lane metres in total.

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

The cargo volumes transported during January–December totalled approximately 754 (709 in 2017) thousand cargo units, 163 (147) thousand cars (not including passengers' cars) and 1,226 (1,281) thousand tons of freight not possible to measure in units. In addition, some 655 (619) thousand private and commercial passengers were transported.

FINANCIAL RESULTS

The Finnlines Group recorded revenue totalling EUR 589.4 (536.3) million in the reporting period, an increase of 9.9 per cent compared to the same period in the previous year. Shipping and Sea Transport Services generated revenue amounting to EUR 567.2 (516.0) million, of which passenger related revenue was EUR 55.7 (51.9) million. The revenue of Port Operations was EUR 43.6 (42.5) million. Cargo volumes improved in most trades, which increased the turnover in the Shipping and Sea Transport Services segment. Compared to last year, bunker prices and respective bunker surcharge were at a higher level increasing both turnover and costs. In Port Operations, the revenue continued to rise due to increased cargo handling activities. The internal revenue between the segments was EUR 21.4 (22.2) million.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 166.4 (152.3) million, an increase of 9.2 per cent.

Result before interest and taxes (EBIT) was EUR 104.9 (93.9) million. Improved volumes and optimised vessel capacity enabled the positive development of the result. The result includes also the gain on sale of EUR 5.1 million for MS Finncarrier, whereas the 2017 result included the gain on sale of EUR 0.7 million for MS Finneagle.

As a result of the improved financial position, net financial expenses decreased to EUR -10.1 (-11.5) million. Financial income was EUR 0.4 (0.3) million and financial expenses EUR -10.5 (-11.8) million. Result before taxes (EBT) improved by EUR 12.4 million and was EUR 94.8 (82.4) million. The result for the reporting period was EUR 95.1 (82.6) million.

The most important business and share related key indicators are presented in the Five-Year Key Figures on page 37.

STATEMENT OF FINANCIAL POSITION, FINANCING AND CASH-FLOW

Even though the Company continued the ongoing Energy Efficiency and Emission Reduction Investment Programme and purchased MS Europalink, interest-bearing debt decreased by EUR 5.4 million to EUR 452.8 (458.2) million, excluding leasing liabilities of EUR 0.0 (2.4) million. Net interest-bearing debt at the end of period was EUR 450.9 (421.2) million. Net interest-bearing debt/EBITDA (rolling 12 months) ratio amounted to 2.7 (2.8) and the equity ratio calculated from the balance sheet was 53.3 (51.1) per cent. Gearing resulted in 68.1 (68.9) per cent.

The Group's liquidity position is strong and at the end of the period, cash and cash equivalents together with unused committed credit facilities amounted to EUR 154.5 (192.0) million.

Net cash generated from operating activities remained strong and was EUR 144.1 (122.5) million.

CAPITAL EXPENDITURE

The Finnlines Group's gross capital expenditure in the reporting period totalled EUR 135.4 (48.9) million, including tangible and intangible assets. Total depreciation and amortisation amounted to EUR 61.5 (58.4) million. The investments consist of normal replacement expenditure of fixed assets, the purchase of MS Europalink, emission abatement technology project, refurbishment of passenger areas onboard ro-pax vessels, lengthening of ro-ro vessels, investments in new cargo handling equipment and dry-dockings.

Finnlines launched the EUR 70 million Energy Efficiency and Emission Reduction Investment Programme in the first quarter of 2017 by signing an agreement with Remontowa Shiprepair Yard S.A. in Gdansk, Poland, to lengthen four of its Breeze series vessels. In March 2018, the Company extended the programme by exercising the options for lengthening two additional sister vessels. Thanks to the six lengthened vessels, Finnlines has gradually increased its overall ro-ro fleet capacity by nearly 6,000 lane metres. The last vessel to undergo conversion, MS Finnsea, was redelivered from the yard on 21 December 2018, and the entire lengthening programme came to an end.

Furthermore, Finnlines has continued investing in improved passenger comfort and further optimising Finnlines' ro-ro passenger vessels and routes. At the beginning of May, MS Europalink replaced MS Finnswan on the Germany–Sweden route, while MS Finnswan transferred to her new service between Finland, the Åland Islands and Sweden, replacing the much smaller and older ro-pax vessel MS Finnclipper. These changes significantly increased the cargo-carrying capacity of Finnlines' ro-pax network, with Finnswan having a total lane length of 4,215 m compared to Finnclipper's total lane length of 2,918 m.

All combined actions are aimed to improve the travel experience onboard Finnlines' modern and environmentally friendly ro-pax vessels, to ensure sufficient capacity throughout Finnlines' ro-pax and ro-ro network and to further improve Finnlines' safe, reliable and efficient services. The measures taken to grow with Finnlines' customers will strongly contribute to improved long-term profitability and continued ability to invest in a newer, more efficient and environmentally friendly tonnage.

PERSONNEL

The Group employed an average of 1,637 (1,651) persons during the reporting period, consisting of 916 (944) persons at sea and 721 (707) persons on shore. The number of persons employed at the end of the period was 1,590 (1,570) in total, of which 878 (886) at sea and 712 (684) on shore. Due to the growth in cargo volumes, there has been a need to increase the number of stevedoring personnel which is reflected in the increase in the number of shore personnel.

The personnel expenses (including social costs) for the reporting period were EUR 88.9 (89.5) million.

THE FINNLINES SHARE

The Company's paid-up and registered share capital on 31 December 2018 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 37. Shares and shareholders.

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Finnlines Plc's Annual General Meeting was held in Helsinki on 8 May 2018. 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 2017. 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 eight. The meeting re-elected the current Board Members

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Christer Backman, Tiina Bäckman, Emanuele Grimaldi, Gianluca Grimaldi, Guido Grimaldi, Diego Pacella, and Jon-Aksel Torgersen and elected Mikael Mäkinen as a new member of the Board for the term until the close of the Annual General Meeting in 2019. 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 2018. It was decided that the external auditors will be reimbursed according to invoice.

RISKS AND RISK MANAGEMENT

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

Stricter environmental regulations (e.g. NOx, SOx and CO_2 emission, wastewater and ballast water regulations) are the risk factors that could affect the Group's business. However, with one of the youngest and largest fleets in Northern Europe and with investments in engine systems and energy efficiency, Finnlines is in a strong position to greatly mitigate this risk.

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

More detailed information on Finnlines' financial risks and risk management can be found in the Notes to the Consolidated Financial Statements, in Note 33. Financial Risk Management. The risk management procedures of the Company are presented in more detail on the Company's website under Corporate Governance.

LEGAL PROCEEDINGS

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

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. Finnlines Deutschland GmbH exited from the German tonnage tax scheme and transferred to business taxation on 1 February 2014.

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 2018, the focus continued to be on environmental investments in vessels and on improving their energy efficiency.

All six Breeze series vessels were lengthened in 2017–2018. The objective of lengthening vessels was to enable profitable growth through increased transport capacity and improved energy efficiency while using bigger transport units.

Construction of three ice-class newbuildings was planned within the Grimaldi Group and an order was placed for their delivery to Finnlines' traffic starting from 2021. Their design and size mean that they will be among the most fuel-efficient on the market.

The concept planning of a new series of Superstar ro-pax vessels was initiated at the end of 2018. The target of the planning is to create the most environmentally friendly ship design ever operated in the Baltic Sea. To reach the goal, Finnlines' and Grimaldi's experts are working in close cooperation with the world's leading companies in this field. Automated berthing solutions for these vessels are also under investigation. An automatic mooring system will reduce the harbour manoeuvring time and thus also shorten the sea voyage time, resulting in lower speed and less emissions.

2018 also saw the continuation of harmonisation of the information systems in various services within the Finnlines Group and in the framework of the entire Grimaldi Group network.

New versions of Finnlines Extranet Portal for freight customers and Finnlines Cargo mobile apps were introduced in 2018. Application Programming Interfaces (API) for truck companies were implemented in 2018 and API development will continue in 2019.

A new Consumer and Cargo Driver Loyalty Register System was introduced in spring 2018. Further, a new Onboard Point of Sales System was created for Passenger Services onboard vessels and introduced into the FinnLink traffic. The system will be extended to other routes in 2019.

Development of a new operative ERP system for vessel traffic management, which started in 2017, was continued by adding new functionalities to the system. Development work will be continued in 2019.

In the ports, the focus in 2018 was on further improving the features of the new Terminal Operations System and on developing a new resource management system for port operations. Implementation of the resource management system will be continued in 2019, as will also development of a new Operative System for Paper Stuffing Terminal.

ENVIRONMENT AND SAFETY

To combat global warming, the International Maritime Organization, IMO, set an ambitious level for future CO_2 emissions in April 2018. The goal is to reduce CO_2 emissions from shipping by at least 50 per cent by 2050 compared to 2008.

During the last few years, Finnlines has made many investments in ships' energy efficiency and sustainability. In 2018, three new ro-ro vessels were ordered. The ships will be fitted with two-stroke main engines, which have a lower specific fuel consumption than four-stroke engines. An air lubrication system under the keel will reduce friction and hydrodynamic resistance. While in port, the target is zero emissions, which can be achieved by installing batteries which are recharged during sailing. Furthermore, two new ro-pax vessels are being planned.

Two similar regimes have been introduced to reduce the carbon footprint from shipping. In Europe, the EU regulation on the monitoring, reporting and verification of CO_2-emissions became fully effective in 2018. Globally, IMO's Data Collection System will start in 2019. Ship owners and operators are required to report on fuel consumption for vessels larger than 5,000 GT.

Globally, the Sulphur limit will decrease from today's 3.5 to 0.5 per cent in 2020. Finnlines is well prepared to comply with the regulation as 19 of our 21 ships are fitted with emission abatement technology.

Consequently, Finnlines ships' total fuel consumption has decreased by nearly 30 per cent since 2008. In 2018, Finnlines' vessel traffic consumed 335,287 tons of heavy fuel oil and diesel oil. This represents a decrease of 1 per cent when allocated on each transported cargo ton. The fuel consumption of the port operations totalled 994.3 tons, which includes the operations in Helsinki, Turku and Naantali. When allocated on each transported cargo ton, the port operations' fuel consumption remained on the same level as in 2017.

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 world economy continues to support long-term growth in Finland, however a slightly weakened global economic outlook is forecasted according to recent data. We have invested over EUR 1 billion during the past decade and we continue to invest over EUR 500 million more in our fleet to service our customers. We have confidence when looking into 2019 and beyond that the Finnish economy will continue to grow, more moderately than in the recent years and at a slower pace than before. But being an export driven country it will grow in line with the global economic development and along that forecast Finnlines Group's result before taxes is targeted to improve compared to the previous year's level.

DIVIDEND DISTRIBUTION PROPOSAL

The parent company Finnlines Plc's result for the reporting period was EUR 93.5 million. The distributable funds included in the parent company's shareholders' equity equals to EUR 413.3 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 662.1 (614.7) million at the end of the reporting period.

Naples, 28 February 2019

Finnlines Plc, The Board of Directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR 1,000	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017 restated
Revenue	**589,444**	536,257
Other income from operations	**6,361**	2,633
Materials and services	**-199,436**	-163,645
Personnel expenses	**-88,901**	-89,451
Depreciation, amortisation and impairment losses	**-61,458**	-58,368
Other operating expenses	**-141,117**	-133,512
Total operating expenses	**-490,913**	-444,976
Result before interest and taxes (EBIT)	**104,893**	93,914
Financial income	**353**	258
Financial expenses	**-10,464**	-11,769
Result before taxes (EBT)	**94,782**	82,404
Income taxes	**349**	236
Result for the reporting period	**95,131**	82,639
Other comprehensive income:		
Other comprehensive income to be reclassified to profit and loss in subsequent periods:		
Exchange differences on translating foreign operations	**-8**	-12
Fair value change on currency derivatives	**3,562**	0
Tax effect, net		
Other comprehensive income to be reclassified to profit and loss in subsequent periods, total	**3,554**	-12
Other comprehensive income not being reclassified to profit and loss in subsequent periods:		
Remeasurement of defined benefit plans	**183**	60
Tax effect, net	**0**	-36
Other comprehensive income not being reclassified to profit and loss in subsequent periods, total	**183**	24
Total comprehensive income for the reporting period	**98,869**	82,651
Result for the reporting period attributable to:		
Parent company shareholders	**95,131**	82,647
Non-controlling interests	**0**	-7
	95,131	82,639
Total comprehensive income for the reporting period attributable to:		
Parent company shareholders	**98,869**	82,658
Non-controlling interests	**0**	-7
	98,869	82,651
Result for the reporting period attributable to parent company shareholders calculated as earnings per share (EUR/share)		
Undiluted / diluted earnings per share	**1.85**	1.60

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR 1,000	31 Dec 2018	31 Dec 2017 restated
ASSETS		
Non-current assets		
Property, plant and equipment	990,404	929,152
Goodwill	105,644	105,644
Other intangible assets	4,243	3,516
Other financial assets	7,253	4,579
Receivables	4,945	1,642
Deferred tax assets	3,650	4,517
	1,116,139	1,049,049
Current assets		
Inventories	7,738	6,340
Accounts receivable and other receivables	105,072	98,073
Income tax receivables	4	42
Cash and cash equivalents	1,850	36,965
	114,664	141,420
Non-current assets held for sale	15,121	15,121
Total assets	1,245,924	1,205,591
EQUITY		
Equity attributable to parent company shareholders		
Share capital	103,006	103,006
Share premium account	24,525	24,525
Translation differences	119	124
Fund for invested unrestricted equity	40,016	40,016
Fair value reserve	3,562	0
Retained earnings	490,858	447,049
	662,087	614,721
Non-controlling interests	0	127
Total equity	662,087	614,848
LIABILITIES		
Long-term liabilities		
Deferred tax liabilities	48,392	49,851
Other long-term liabilities	0	13
Pension liabilities	3,256	3,622
Provisions	1,730	1,730
Loans from financial institutions	275,659	292,608
	329,036	347,824
Current liabilities		
Accounts payable and other liabilities	77,391	74,670
Current tax liabilities	25	13
Provisions	256	248
Loans from financial institutions	177,129	167,988
	254,801	242,919
Total liabilities	583,837	590,743
Liabilities related to long-term assets held for sale	0	0
Total shareholders' equity and liabilities	1,245,924	1,205,591

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

EUR 1,000	Equity attributable to parent company shareholders								
	Share capital	Share issue premium	Translation differences	Unrestricted equity reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
Reported equity 1 January 2017	103,006	24,525	135	40,016		420,240	587,923	178	588,100
Effect of IFRS 9 restatement – bad debt provision						-237	-237		-237
Shareholders' equity 1 January 2017, restated	103,006	24,525	135	40,016		420,003	587,685	178	587,863
Comprehensive income for the reporting period:									
Exchange differences on translating foreign operations			-11			-1	-12		-12
Fair value change on currency derivatives									
Remeasurement of defined benefit plans						60	60		60
Tax effect, net						-36	-36		-36
Total comprehensive income for the reporting period			-11	0	0	82,669	82,658	-7	82,651
Dividend						-55,623	-55,623	-43	-55,666
Equity 31 December 2017, restated	103,006	24,525	124	40,016	0	447,049	614,721	127	614,848

EUR 1,000	Equity attributable to parent company shareholders								
	Share capital	Share issue premium	Translation differences	Unrestricted equity reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
Reported equity 1 January 2018	**103,006**	**24,525**	**124**	**40,016**		**447,049**	**614,721**	**127**	**614,848**
Comprehensive income for the reporting period:									
Result for the reporting period						95,131	95,131	0	95,131
Exchange differences on translating foreign operations			-5			-3	-8		-8
Fair value change on currency derivatives					3,562		3,562		3,562
Remeasurement of defined benefit plans						183	183		183
Tax effect, net									
Total comprehensive income for the reporting period	**0**	**0**	**-5**	**0**	**3,562**	**95,311**	**98,869**	**0**	**98,869**
Dividend						-51,503	-51,503		-51,503
Changes in non-controlling interests holdings								-127	-127
Equity 31 December 2018	**103,006**	**24,525**	**119**	**40,016**	**3,562**	**490,858**	**662,087**	**0**	**662,087**

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CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR 1,000	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017 restated
Cash flows from operating activities		
Result for reporting period	95,131	82,639
Adjustments:		
Non-cash transactions	56,086	56,482
Unrealised foreign exchange gains (-) / losses (+)	1	1
Financial income and expenses	10,110	11,509
Taxes	-349	-236
Changes in working capital:		
Change in accounts receivable and other receivables	-6,905	-20,690
Change in inventories	-1,398	360
Change in accounts payable and other liabilities	2,590	4,418
Change in provisions	-358	-223
Interest paid	-7,619	-8,434
Interest received	46	99
Taxes paid	-162	-122
Other financing items	-3,084	-3,336
Net cash generated from operating activities	144,093	122,470
Cash flows from investing activities		
Investments in tangible and intangible assets	-135,315	-43,547
Sale of tangible assets *	16,291	45,881
Acquisition of non-controlling interests	-2,672	0
Dividends received		2
Net cash used in investing activities	-121,696	2,335
Cash flows from financing activities		
Loan withdrawals	76,455	151,000
Net increase (+) / decrease (-) in current interest-bearing liabilities	13,227	6,580
Repayment of loans	-95,688	-191,742
Dividends paid	-51,503	-55,623
Net cash used in financing activities	-57,510	-89,786
Change in cash and cash equivalents	-35,113	35,020
Cash and cash equivalents 1 January	36,965	1,943
Effect of foreign exchange rate changes	-2	3
Cash and cash equivalents 31 December	1,850	36,965

* Includes sale of one vessel in both 2017 and 2018.

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PROFIT AND LOSS ACCOUNT, PARENT COMPANY, FAS

EUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Revenue	**466,251,115.29**	424,462,910.59
Other income from operations	**8,999,827.83**	7,182,678.37
Materials and services	**-186,132,479.17**	-157,027,379.55
Personnel expenses	**-43,689,539.79**	-43,798,786.72
Depreciation, amortisation and other write-offs	**-30,871,516.43**	-31,055,827.06
Other operating expenses	**-128,135,770.72**	-121,409,032.01
Operating profit	**86,421,637.01**	78,354,563.62
Financial income and expenses	**-6,511,729.72**	-7,359,351.25
Result before appropriations and taxes	**79,909,907.29**	70,995,212.37
Appropriations		
Group contributions	**-3,500,000.00**	-3,100,000.00
Replacement reserve change	**15,856,097.83**	-15,856,097.83
Profit before tax	**92,266,005.12**	52,039,114.54
Other income taxes		
Tonnage tax	**-87,651.83**	-91,892.55
Deferred taxes	**1,279,070.03**	7,424,441.61
Result for the reporting period	**93,457,423.32**	59,371,663.60

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BALANCE SHEET, PARENT COMPANY, FAS

EUR	31 Dec 2018	31 Dec 2017
ASSETS		
Non-current assets		
Intangible assets	**3,064,970.49**	2,163,491.82
Tangible assets	**656,945,334.90**	619,941,153.91
Investments		
Shares in group companies	**153,454,336.86**	153,480,069.61
Other investments	**7,283,460.55**	4,611,284.61
Total non-current assets	**820,748,102.80**	780,195,999.95
Current assets		
Inventories	**6,767,589.64**	5,303,012.48
Long-term receivables	**127,698,945.33**	149,981,889.85
Short-term receivables	**124,988,458.32**	105,860,157.81
Bank and cash	**896,549.94**	35,549,473.17
Total current assets	**260,351,543.23**	296,694,533.31
Total assets	**1,081,099,646.03**	1,076,890,533.26
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**103,006,282.00**	103,006,282.00
Share premium account	**24,525,353.70**	24,525,353.70
Fair value reserve	**3,562,220.62**	
Unrestricted equity reserve	**40,882,508.10**	40,882,508.10
Retained earnings	**278,938,068.25**	271,069,545.65
Result for the reporting period	**93,457,423.32**	59,371,663.60
Total shareholders' equity	**544,371,855.99**	498,855,353.05
Statutory provisions		
Pension obligation	**567,000.00**	784,000.00
Voluntary provisions		
Replacement reserve		15,856,097.83
Liabilities		
Long-term liabilities		
Deferred tax liability	**18,777,372.32**	23,227,661.92
Interest-bearing	**268,002,333.71**	280,914,903.26
	286,779,706.03	304,142,565.18
Current liabilities		
Interest-bearing	**187,990,578.64**	201,136,595.15
Interest-free	**61,390,505.37**	56,115,922.05
	249,381,084.01	257,252,517.20
Total liabilities	**536,160,790.04**	561,395,082.38
Total shareholders' equity and liabilities	**1,081,099,646.03**	1,076,890,533.26

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CASH FLOW STATEMENT, PARENT COMPANY, FAS

EUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Cash flows from operating activities		
Result for the reporting period	93,457,423.32	59,371,663.60
Adjustments for:		
Depreciation, amortisation & impairment loss	30,871,516.43	31,055,827.06
Gains (-) and Losses (+) of disposals of fixed assets and other non-current assets	-6,304,081.95	-4,457,762.80
Financial income and expenses	6,511,729.72	7,359,351.25
Income taxes	-1,191,418.20	-7,332,549.06
Other adjustments	-12,356,097.83	18,956,097.83
	110,989,071.49	104,952,627.88
Changes in working capital:		
Change in inventories, addition (-) and decrease (+)	-1,464,577.16	325,997.92
Change in accounts receivable, addition (-) and decrease (+)	-6,952,914.69	-23,400,909.21
Change in accounts payable, addition (+) and decrease (-)	5,148,722.24	1,822,856.86
Change in provisions	-217,000.00	65,000.00
	-3,485,769.61	83,765,573.45
Interest paid	-7,496,740.41	-8,149,420.82
Dividends received	274,584.00	6,157,992.91
Interest received	3,484,627.08	3,735,350.14
Other financing items	-2,818,920.83	-3,039,747.90
Income taxes paid	-86,087.11	-98,018.99
	-6,642,537.27	-1,393,844.66
Net cash generated from operating activities	100,860,764.61	82,371,728.79
Cash flows from investing activities		
Investments in tangible and intangible assets	-77,409,059.81	-26,569,354.99
Proceeds from sale of tangible and intangible assets	15,404,578.11	45,708,012.76
Disposal of subsidiaries	60,000.00	
Purchase of investments	-2,672,175.94	
Change in internal loans (net)	10,164,696.86	18,171,114.86
Net cash used in investing activities	-54,451,960.78	37,309,772.63
Net cash before financing activities	46,408,803.83	119,681,501.42
Cash flows from financing activities		
Proceeds from short-term borrowings	17,022,101.09	4,259,506.27
Repayment of short-term borrowings	-30,168,117.60	-5,862,172.77
Proceeds of long-term borrowings	76,454,546.06	151,000,000.00
Repayment of long-term borrowings	-89,367,115.60	-175,410,547.62
Dividends paid	-51,503,141.00	-55,623,392.28
Group contributions	-3,500,000.00	-3,100,000.00
Net cash used in financing activities	-81,061,727.05	-84,736,606.40
Change in cash and cash equivalents	-34,652,923.22	34,944,895.02
Cash and cash equivalents on 1 January	35,549,473.17	604,578.15
Cash and cash equivalents on 31 December	896,549.94	35,549,473.17

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FIVE-YEAR KEY FIGURES

EUR million	2018 IFRS	2017 restated IFRS	2016 IFRS	2015 IFRS	2014 IFRS
Revenue	**589.4**	536.3	473.7	511.2	532.9
Other income from operations	**6.4**	2.6	6.7	1.8	6.8
Result before interest, taxes, depreciation and amortisation (EBITDA)	**166.4**	152.3	139.1	126.9	115.4
% of revenue	**28.2**	28.4	29.4	24.8	21.7
Result before interest and taxes (EBIT)	**104.9**	93.9	81.5	70.3	58.6
% of revenue	**17.8**	17.5	17.2	13.8	11.0
Associated companies					
Result before taxes (EBT)	**94.8**	82.4	67.0	53.2	36.6
% of revenue	**16.1**	15.4	14.1	10.4	6.9
Result for reporting period, continuing operations	**95.1**	82.6	68.1	56.8	41.7
% of revenue	**16.1**	15.4	14.4	11.1	7.8
Result for reporting period, discontinuing operations					
Result for reporting period	**95.1**	82.6	68.1	56.8	41.7
% of revenue	**16.1**	15.4	14.4	11.1	7.8
Total investments *	**134.0**	48.9	46.3	64.1	36.6
% of revenue	**22.7**	9.1	9.8	12.5	6.9
Return on equity (ROE), %	**14.9**	13.7	11.9	10.7	8.6
Return on investment (ROI), %	**9.6**	8.7	7.4	6.5	5.3
Assets total	**1,245.9**	1,205.9	1,205.4	1,231.1	1,210.5
Equity ratio, %	**53.3**	51.1	48.9	45.7	41.7
Gearing, %	**68.1**	68.9	83.8	97.1	113.0
Average no. of employees	**1,637**	1,651	1,653	1,597	1,701

	2018 IFRS	2017 IFRS	2016 IFRS	2015 IFRS	2014 IFRS
Earnings per share (EPS), EUR	**1.85**	1.60	1.32	1.10	0.81
Earnings per share (EPS) less warrant dilution, EUR	**1.85**	1.60	1.32	1.10	0.81
Shareholders' equity per share, EUR	**12.86**	11.94	11.42	10.89	9.78
Payout ratio, %	**n/a**	n/a	n/a	0.0	0.0
Effective dividend yield, %	**n/a**	n/a	n/a	0.0	0.0
Price/earnings ratio (P/E)	**n/a**	n/a	n/a	16.0	19.8
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 38.

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CALCULATION OF KEY RATIOS, IFRS

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

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.

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QUARTERLY DATA, IFRS

EUR million	Q1/2018	Q1/2017 restated	Q2/2018	Q2/2017 restated	Q3/2018	Q3/2017 restated	Q4/2018	Q4/2017 restated
Revenue by segment								
Shipping and Sea Transport Services total	129.0	116.0	148.5	133.4	153.5	140.0	136.3	126.5
Sales to third parties	129.1	116.1	148.5	133.4	153.5	140.1	136.3	126.5
Sales to Port Operations	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Port Operations total	11.4	10.1	11.6	10.8	10.4	10.6	10.2	11.0
Sales to third parties	5.8	4.8	5.8	4.9	5.3	5.1	5.2	5.3
Sales to Port Operations	5.6	5.2	5.8	5.9	5.1	5.5	5.1	5.7
Group internal revenue	-5.5	-5.2	-5.8	-5.9	-5.1	-5.5	-5.0	-5.7
Revenue total	**134.9**	**120.9**	**154.3**	**138.4**	**158.8**	**145.2**	**141.5**	**131.8**
Result before interest and taxes per segment								
Shipping and Sea Transport Services	18.7	13.5	27.9	25.9	34.8	34.6	22.1	17.1
Port Operations	0.2	0.1	0.7	1.5	0.6	1.0	-0.1	0.2
Result before interest and taxes (EBIT) total	**19.0**	**13.6**	**28.6**	**27.4**	**35.4**	**35.6**	**22.0**	**17.3**
Financial income and expenses	-2.7	-3.1	-2.7	-3.0	-2.5	-2.9	-2.3	-2.5
Result before tax (EBT)	**16.3**	**10.5**	**25.9**	**24.4**	**32.9**	**32.7**	**19.7**	**14.8**
Income taxes	0.2	0.6	-0.1	-0.2	0.2	-0.2	0.0	0.0
Result for the reporting period	**16.5**	**11.1**	**25.8**	**24.2**	**33.1**	**32.5**	**19.7**	**14.8**
Quarterly consolidated key figures								
Result before interest and taxes, (% of revenue)	14.1	11.2	18.5	19.8	22.3	24.5	15.5	13.1
Earnings per share, EUR	0.32	0.22	0.50	0.47	0.64	0.63	0.38	0.29
Average number of outstanding shares (1,000)	51,503	51,503	51,503	51,503	51,503	51,503	51,503	51,503

This page is an extract of the audited Financial Statements. The complete audited Financial Statements of the Group and the parent company are available at www.finnlines.com. The extracts of the audited Financial Statements presented in the Annual Report should be viewed together with the complete and audited Financial Statements.

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 2018:

Retained earnings	EUR	278,938,068.25
Unrestricted equity reserve	EUR	40,882,508.10
Result for the reporting period	EUR	93,457,423.32
Distributable funds total	EUR	413,277,999.67

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, 28 February 2019

Jon-Aksel Torgersen
Chairman of the Board

Christer Backman

Tiina Bäckman

Gianluca Grimaldi

Guido Grimaldi

Mikael Mäkinen

Diego Pacella

Emanuele Grimaldi
President and CEO

THE AUDITOR'S NOTE

Our auditor's report has been issued today.

Helsinki, 28 February 2019

KPMG Oy Ab

Kimmo Antonen
Authorized Public Accountant

This page is an extract of the audited Financial Statements. The complete audited Financial Statements of the Group and the parent company are available at www.finnlines.com. The extracts of the audited Financial Statements presented in the Annual Report should be viewed together with the complete and audited Financial Statements.

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, 2018. 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 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, 28 February 2019
KPMG OY AB

KIMMO ANTONEN
Authorised Public Accountant, KHT

Auditors' report issued for the Board of Directors' report and Financial Statements for the year ended on 31 December 2018 is available at www.finnlines.com.

FINNLINES PLC CORPORATE GOVERNANCE STATEMENT

Finnlines Plc applies the guidelines and provisions of the Finnish Limited Liability Companies Act and its own Articles of Association. Finnlines also applies the Finnish Corporate Governance Code for listed companies entered into force on 1 January 2016 with regard to Finnlines' Corporate Governance Statement for the financial period ended on 31 December 2018. The Code is publicly available on www.cgfinland.fi. This Corporate Governance Statement has been approved by Finnlines' Board.

TASKS AND RESPONSIBILITIES OF GOVERNING BODIES

Management of the Finnlines Group is the responsibility of the Board of Directors elected by the General Meeting as well as of the President and CEO appointed by the Board of Directors. Their duties are for the most part defined by the Finnish Limited Liability Companies Act. Day-to-day operational responsibility lies with the members of the Extended Board of Management supported by relevant staff and service functions.

GENERAL MEETING OF SHAREHOLDERS

The ultimate decision-making body in the Company is the General Meeting of Shareholders. It resolves issues as defined for the General Meeting in the Finnish Limited Liability Companies' Act and the Company's Articles of Association. These include approving the financial statements, deciding on the distribution of dividends, discharging the Company's Board of Directors and CEO from the liability for the financial year, appointing the Company's Board of Directors and auditors and deciding on their remuneration.

A General Meeting of Finnlines Plc is held at least once a year. The Annual General Meeting (AGM) must be held no later than the end of June. The notice to the Shareholders' Meeting shall be given no earlier than three (3) months before the Shareholders' Meeting and no later than one (1) week before the Shareholders' Meeting.

ANNUAL GENERAL MEETING 2018

The Annual General Meeting of Finnlines Plc, held on 8 May 2018, approved the Financial Statements and discharged the members of the Board of Directors and the Company's President and CEO from liability for the financial year 2017.

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 eight. The meeting re-elected the current board members Christer Backman, Tiina Bäckman, Emanuele Grimaldi, Gianluca Grimaldi, Guido Grimaldi, Diego Pacella, and Jon-Aksel Torgersen and elected Mikael Mäkinen as a new member of the Board for the term until the close of the Annual General Meeting in 2019. The Board elected Mr Jon-Aksel Torgersen Chairman and Mr Diego Pacella Vice Chairman.

The firm of authorised public accountants KPMG Oy Ab was appointed as the Company's auditors for 2018.

All related documents can be found on Finnlines' website:
www.finnlines.com/company > About us > Corporate Governance > General Meeting

BOARD OF DIRECTORS

Responsibility for the management of the Company and proper organisation of its operations lies with the Company's Board of Directors, which has at least five (5) and at most eleven (11) members. The members of the Board are appointed by AGM for one year at a time.

The majority of the directors shall be independent of the Company and at least two of the directors representing this majority shall be independent from significant shareholders of the Company. Information on the Board composition, Board members and their independence can be found on Finnlines' website. The President and CEO is a member of the Board.

The proposal for the Board composition shall be included in the notice of AGM. The names of candidates for membership of the Board of Directors, put forward by the Board of Directors or by shareholders with a minimum holding of 10 per cent of the Company's voting rights, are published in the notice of the AGM, provided that the candidates have given their consent to the election. The candidates proposed thereafter shall be disclosed separately.

The Board elects a chairman and a deputy chairman from among its members. The Board steers and supervises the Company's operations, and decides on policies, goals and strategies of major importance. The principles applied by the Board in its regular work are set out in the Rules of Procedure approved by the Board. The Board handles all issues in the presence of the entire Board. The Board does not have any separate committees. The Board considers all the matters stipulated to be the responsibility of a board of directors by legislation, other provisions and the Company's Articles of Association. Due to the limited extent of the Company's business, it is considered effective that the entire Board also handles the duties of the audit committee, the nomination committee as well as those of the remuneration committee.

THE MAIN DUTIES AND WORKING PRINCIPLES DRAWN UP BY THE BOARD ARE:

- the annual and interim financial statements
- the matters to be put to General Meetings of Shareholders
- appointment and dismissal of the President and CEO, the Deputy CEO, if any, and the members of the Executive Committee
- approval of internal supervision and organisation of the Company's financial supervision
- other matters related to the duties of the audit committee mentioned in the Finnish Corporate Governance Code
- approval of the Group's strategic plan and long-term goals
- approval of the Group's annual business plan and budget
- decisions concerning investments, acquisitions, or divestments that are significant or that deviate from the Group's strategy
- decisions on raising long-term loans and the granting of security or similar collateral commitments
- risk management principles
- the Group's organisational structure
- approval of the remuneration and pension benefits of the President and CEO, the Deputy CEO, if any, and the members of the Executive Committee
- monitoring and assessment of the performance of the President and CEO.

In addition to matters requiring decisions, Board meetings are given updates on the Group's operations, financial position and risks.

The Board of Directors reviews its operations and working methods annually. The Board convenes 6–8 times a year following a predetermined schedule. In addition to these meetings, the Board convenes as necessary.

BOARD OF DIRECTORS 2018

In 2018, the Board consisted of eigth members:

- Jon-Aksel Torgersen, Chairman of the Board, born 1952, MBA, CEO of Astrup Fearnley AS, attended meetings: 10/10
- Diego Pacella, Vice Chairman of the Board, born 1960, Degree with honours in Mech. Eng., Managing Director of Grimaldi Group S.p.A., attended meetings: 10/10
- Christer Backman, born 1945, M.Pol.Sc., attended meetings: 10/10
- Tiina Bäckman, born 1959, Master of Laws, Chairman of the Board of Pension Foundation of Rautaruukki, attended meetings: 10/10
- Emanuele Grimaldi, born 1956, Degree in Economics and Commerce, Managing Director of Grimaldi Group S.p.A., President and CEO of Finnlines Plc, attended meetings: 10/10
- Gianluca Grimaldi, born 1955, Degree in Economics and Commerce, President of Grimaldi Group S.p.A., attended meetings: 10/10
- Guido Grimaldi, born 1983, Degree in Economics, MBA, Corporate Short Sea Shipping Commercial Director, Grimaldi Group, attended meetings: 10/10
- Mikael Mäkinen, born 1956, Master of Science, Engineering, President of Rolls-Royce Marine, attended meetings: 6/7

During 2018, Finnlines Plc's Board of Directors held 10 meetings.

The present Board of Directors can be found on Finnlines' website: www.finnlines.com/company > About us > Corporate Governance > Board of Directors

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INDEPENDENCE OF THE BOARD OF DIRECTORS

Four members, Mr Christer Backman, Ms Tiina Bäckman, Mr Mikael Mäkinen and Mr Jon-Aksel Torgersen, are independent of the Company and of the major shareholders. Mr Gianluca Grimaldi, Mr Diego Pacella and Guido Grimaldi are independent of the Company. Mr Emanuele Grimaldi is dependent of the Company and the shareholders.

PRESIDENT AND CEO AND DEPUTY CEO

The Board of Directors appoints a President for the Group who is also its Chief Executive Officer. The President and CEO is in charge of the day-to-day management of the Company and its administration in accordance with the Company's Articles of Association, the Finnish Limited Liability Companies Act and the instructions of the Board of Directors. He is assisted in this work by the Executive Committee. The current President and CEO of the Company is Mr Emanuele Grimaldi (born 1956, Degree in Economics and Commerce, University of Naples, Italy). He does not receive any compensation or other benefit in the form of salary, bonus or pension benefit from the Company.

The Board of Directors appoints, if necessary, a Deputy CEO. The Company has no Deputy CEO at present.

EXECUTIVE COMMITTEE AND BOARD OF MANAGEMENT

The members of the Executive Committee are appointed by the Board of Directors. The Executive Committee convenes regularly, and is chaired by the President and CEO. The Executive Committee supports the President and CEO in his duties in implementing Group-level strategies and guidelines, in coordinating the Group's management, in finding practical solutions for reaching the targets determined by the Board, and in supervising the Company's operations.

The Company has a Board of Management, headed by the President and CEO, which consists of the members of the Executive Committee and the heads of functions and Line Managers as well as heads of the main agencies. The heads of functions are responsible for the sales volumes and profitability of their respective units. The Board of Management supports the Executive Committee in their work upon request.

The Company has an Extended Board of Management, headed by the President and CEO, which comprises, in addition to the Board of Management, heads of other agencies, the Company's internal auditor, as well as Junior Managers. The Extended Board of Management convenes regularly to discuss operative issues related to the Group business and service products.

The retirement age of the members of the Extended Board of Management is based on local laws and there are no special pension schemes in place.

Information on the members of the Executive Committee, the Board of Management, and the Extended Board of Management, including their areas of responsibility, is given on Finnlines' website: www.finnlines.com/company > About us > Corporate Governance > Executive Committee and Board of Management

COMPENSATION

The remunerations paid to the members of the Board of Management, and the principles underlying it, are determined by the Board of Directors.

The members of the Extended Board of Management are included in a bonus scheme which is decided by the Board of Directors on a yearly basis. The Board of Directors also decides on any separate performance-based compensation schemes for the management.

The bonuses are paid in cash. There are no other bonus schemes.

REMUNERATION IN 2018

The annual remuneration for the Board of Directors in 2018 was EUR 50,000 for the Chairman, EUR 40,000 for the Vice Chairman and EUR 30,000 for the other Board members. The remuneration of the Board of Directors has remained the same as from 2008.

A detailed specification of the management contracts, salaries, remuneration and benefits paid in 2018 is given in the Financial Statements of 2018, Transactions with Related Parties, and in Finnlines' Remuneration Statement 2018 on Finnlines' website: www.finnlines.com/company > About us > Corporate Governance > Compensation

INTERNAL AUDIT

The Group's internal audit is handled by the Company's Internal Audit unit, which reports to the President and CEO.

The purpose of the Internal Audit is to analyse the Company's operations and processes and the effectiveness and quality of its supervision mechanisms. The unit assists Finnlines to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the internal control and governance processes. The Internal Audit unit carries out its task by determining whether the Company's risk management, internal control and governance processes, as designed and represented by the management, are adequate and functioning in a manner to ensure that:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial and operating information is accurate, reliable and timely.
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations.
- Resources are acquired economically, used efficiently and adequately protected.
- Programmes and plans are properly implemented and objectives are achieved.
- Quality and continuous improvement are fostered in the Company's internal control processes.
- Significant legislative or regulatory issues impacting the Company's internal controls are recognised and addressed appropriately.

The head of the Internal Audit unit prepares an annual plan using an appropriate risk-based methodology and taking into consideration potential risks or control concerns identified by the management. The scope of the audits within a fiscal year is planned so that it is representative and the focus is set on the business areas with the highest risk potentials. The plan is approved by the President and CEO. The internal auditor also carries out special tasks assigned by the Chairman, the President and CEO or the Board of Directors.

The internal auditor conducts the internal audits independently from operational units. In his auditing work the auditor complies with the corporate governance, ethical principles, policies and other guidelines of the Company.

The audit reports are sent to the President and CEO and the CFO. The President and CEO and the CFO have at least once a year a closed session with the head of Internal Audit unit about the results of the conducted audits and the plans for the next period. Relevant issues are also brought to the attention of the Board of Directors.

RISK MANAGEMENT

Internal control in Finnlines is designed to support the Company in achieving its targets. The risks related to the achievement of the targets need to be identified and evaluated in order to be able to manage them. Thus, identification and assessment of risks is a prerequisite for internal control in Finnlines.

Internal control mechanisms and procedures provide management assurance that the risk management actions are carried out as planned. Conscious and carefully evaluated risks are taken in selecting strategies, e.g. in expanding business operations, in enhancing market position and in creating new business.

Financial, operational and damage/loss risks are avoided or reduced. The continuity of operations is ensured by safeguarding critical functions and essential resources. Crisis management, continuity and disaster recovery plans are prepared. The costs and resources involved in risk management are in proportion to the obtainable benefits.

The Board of Directors of Finnlines is responsible for defining the Group's overall level of risk tolerance and for ensuring that Finnlines has adequate tools and resources for managing risks. The President and CEO, with the assistance of the Executive Committee, is responsible for organising and ensuring risk management in all Finnlines' operations.

Responsibilities for the Group's working capital, investments, financing, finances, human resources, communications, information management and procurement are centralised to the head office of the Company. The Group's payment transactions, external and internal accounting are managed centrally by the Financial Department, which reports to the CFO. The Group's foreign exchange and interest exposure is reviewed by the Board of Directors in each budgeting period. External long-term loan arrangements are submitted to the Board of Directors for approval.

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The Corporate Legal Affairs and Insurance unit is responsible for risks associated with the Company's noncurrent assets and any interruptions in operations, as well as for the management and coordination of the Group's insurance policies. The majority of the Group's non-current assets consist of its fleet. The fleet is always insured to its full value. The financial position and creditworthiness of the Group's customers are monitored continuously in order to minimise the risk of customer credit losses.

Each business unit has a responsible controller who reports to the head of the relevant business unit and to the Group CFO. The heads of Finnlines' business units are responsible for the profit and working capital of their units. They set the operational targets for their units and ensure that resources are used efficiently and that operations are evaluated and improved.

Finnlines' most important strategic, operative and financial risks are described in the Financial Statements 2018, Financial Risk Management.

INTERNAL CONTROL OVER THE FINANCIAL REPORTING

Monitoring is a process that assesses the quality of Finnlines' system of internal control and its performance over time. Monitoring is performed both on an ongoing basis, and through separate evaluations including internal, external and quality audits. The business unit is responsible for ensuring that relevant laws and regulations are complied with in their respective responsibility areas.

The Internal Audit function assists the President and CEO and the Board of Directors in assessing and assuring the adequacy and effectiveness of internal controls and risk management by performing regular audits in the Group's legal entities and support functions according to its annual plan. Finnlines' external auditor and other assurance providers such as quality auditors conduct evaluations of the Company's internal controls.

The Company's financial performance is reviewed at each Board meeting. The Board reviews all interim and annual financial reports before they are released. The effectiveness of the process for assessing risks and the execution of control activities are monitored continuously at various levels. This involves reviews of results in comparison with budgets and plans. Responsibility for maintaining an effective control environment and operating the system for risk management and internal control of financial reporting is delegated to the President and CEO. The internal control in the Company is based on the Group's structure, whereby the Group's operations are organised into two segments and various business areas and support functions. Group functions issue corporate guidelines that stipulate responsibilities and authority, and constitute the control environment for specific areas, such as finance, accounting, and investments, purchasing and sales.

The Company has a compliance programme. Standard requirements have been defined for internal control over financial reporting. The management expects all employees to maintain high moral and ethical standards and those expectations are communicated to the employees through internal channels.

The Group Finance & Control unit monitors that the financial reporting processes and controls are being followed. It also monitors the correctness of external and internal financial reporting. The external auditor verifies the correctness of external annual financial reports.

The Board monitors the statutory audit of the financial statements and consolidated financial statements, evaluates the independence of the statutory auditor or audit firm, particularly the provision of related services to the Company and prepares the proposal for resolution on the election of the auditor.

The Board reviews annually the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in this Corporate Governance Statement.

INFORMATION MANAGEMENT

An effective internal control system needs sufficient, timely and reliable information to enable the management to follow up the achievement of the Company's objectives. Both financial and non-financial information is needed, relating to both internal and external events and activities.

Information management plays a key role in Finnlines' internal control system. Information systems are critical for effective internal control as many of the control activities are programmed controls.

The controls embedded in Finnlines' business processes have a key role in ensuring effective internal control in Finnlines. Controls in the business processes help ensure the achievement of all the objectives of internal control in Finnlines, especially those related to the efficiency of operations and safeguarding Finnlines' profitability and reputation. Business units and IT management are responsible for ensuring that in their area of responsibility the defined Group level processes and controls are implemented and complied with. Where no Group level processes and controls exist, business units and IT management are responsible for ensuring that efficient business level processes with adequate controls have been described and implemented.

The proper functioning of Finnlines' information systems is guaranteed through extensive and thorough security programs and emergency systems.

INSIDER MANAGEMENT

Finnlines' shares or other securities are not listed. Therefore, Finnlines does not apply MAR or other regulations applicable to inside information relating to listed issuers.

RELATED PARTY TRANSACTIONS

The Company will assess and monitor transactions carried out with related parties and ensure that any conflicts of interests will be appropriately considered in the Company's decision-making. The Company maintains a list of related parties in its Group administration.

The Company provides information on related party transactions according to the Limited Liability Companies Act and regulations governing the preparation of the financial statements in the review by the Board of Directors and notes to the financial statements.

EXTERNAL AUDIT

The Company has one auditor which shall be an auditing firm authorised by the Central Chamber of Commerce. The auditor is elected by the Annual General Meeting to audit the accounts for the ongoing financial year and its duties cease at the close of the subsequent Annual General Meeting. The auditor is responsible for auditing the consolidated and parent company's financial statements and accounting records, and the administration of the parent company. On closing of the annual accounts, the external auditor submits the statutory auditor's report to the Company's shareholders, and also regularly reports the findings to the Board of Directors. An auditor, in addition to fulfilling general competency requirements, must also comply with certain legal independence requirements guaranteeing the execution of an independent and reliable audit.

AUDITOR IN 2018

In 2018, the Annual General Meeting elected KPMG Oy Ab as the Company's auditor for the fiscal year 2018. Mr Kimmo Antonen, APA, has been appointed the head auditor. It was decided that the external auditors be reimbursed according to invoice. In 2018, EUR 126 thousand was paid to the auditors in remuneration for the audit of the consolidated, parent company and subsidiary financial statements. During the same year, EUR 96 thousand was paid for consulting services not related to auditing.

COMMUNICATIONS

The principal information on Finnlines' administration and management is published on the Company's website. All press releases are published on the Company's website as soon as they are made public.

BOARD OF DIRECTORS 31 DECEMBER 2018

JON-AKSEL TORGERSEN

- Chairman of the Board
- Member of Finnlines Board since 2007
- Independent of the Company and major shareholders
- Born 1952
- Master in Business Administration, University of St. Gallen, Switzerland
- Astrup Fearnley AS, CEO

Current positions:

- Atlantic Container Line AB, Chairman
- Awilco LNG ASA, Board Member
- Chairman and Board Member of a number of private companies

DIEGO PACELLA

- Vice Chairman of the Board
- Member of Finnlines Board since 2007
- Independent of the Company
- Born 1960
- Degree in Mechanics Engineering, University of Naples, Italy
- Grimaldi Group S.p.A., Managing Director
- Grimaldi Deep Sea S.p.A., Managing Director
- Grimaldi Euromed S.p.A., Managing Director
- Grimaldi Group, Finance Director

Current positions:

- Minoan Lines, Greece, Board Member
- Malta Motorways of the Sea Ltd, Board Member
- Atlantic Container Line AB, Board Member
- Finance Committee of Confitarma, Member

CHRISTER BACKMAN

- Member of Finnlines Board since 2012
- Independent of the Company and major shareholders
- Born 1945
- Master of Political Science, Åbo Akademi University

TIINA BÄCKMAN

- Member of Finnlines Board since 2012
- Independent of the Company and major shareholders
- Born 1959
- Master of Laws, LL.M., University of Lapland
- Pension Foundation of Rautaruukki, Chairman of the Board

Current positions:

- OP Financial Group's central cooperative (OP Cooperative), Supervisory Board Member, Working Committee and Risk Management Committee Member
- Nordlab laboratory consortium (Pohjois-Suomen laboratiokeskus), Board Member
- Partnera Oy (Oulun Puhelin) Pension foundation, Chairman of the Board
- Finland Chamber of Commerce, Redemption Board Member
- Board Partners of Northern Finland (Pohjois-Suomen Hallituspartnerit ry), Vice Chairman
- Finnish Medical Foundation, Advisory Board Member

EMANUELE GRIMALDI

- Member of Finnlines Board since 2006
- President and CEO of Finnlines Plc
- Born 1956
- Degree in Economics and Commerce, University of Naples, Italy
- Honoured as Commander of the Order of the Lion of Finland in 2018
- General Certificate of Education (scientific), Military School Nunziatella, Naples, Italy
- Grimaldi Group S.p.A., Managing Director
- Grimaldi Deep Sea S.p.A., Board Member
- Grimaldi Euromed S.p.A., President

Current positions:

- Minoan Lines, Greece, President
- Malta Motorways of the Sea Ltd, President
- Atlantic Container Line AB, Board Member
- International Chamber of Shipping, Vice Chairman
- European Community Shipowners' Associations, Past President and Board Member
- Interferry Inc, Board Member

GIANLUCA GRIMALDI

- Member of Finnlines Board since 2007
- Independent of the Company
- Born 1955
- Degree in Economics and Commerce, University of Naples, Italy
- Honoured as "Cavaliere del Lavoro" in 2014
- Grimaldi Group S.p.A., President
- Grimaldi Deep Sea S.p.A., President
- Grimaldi Euromed S.p.A., Board Member

Current positions:

- Minoan Lines, Greece, Board Member
- Malta Motorways of the Sea, Board Member
- Atlantic Container Line AB, Board Member
- Antwerp Euro Terminal n.v. – Antwerp (Belgium), President

GUIDO GRIMALDI

- Member of Finnlines Board since 2017
- Independent of the Company
- Born 1983
- Degree in Economics at the University Federico II of Naples, Italy and MBA Master "Automotive Logistics" of ECG Academy (European Vehicle Logistics Association)
- Corporate Short Sea Shipping Commercial Director, Grimaldi Group

Current positions:

- ALIS, Italy, President
- CONFALIS, Italy, President
- Short Sea Shipping Commission, Confitarma, President
- Grimaldi Catania Agency, President
- Grimaldi Sardegna Agency, President
- Grimaldi Marangolo Terminal Catania, Board Member
- Grimaldi Tunisie Agency, Board Member
- Grimaldi Maroc Agency, Board Member
- Grimaldi Logistica Genova Agency, Board Member

MIKAEL MÄKINEN *

- Member of Finnlines Board since 2018
- Independent of the Company and major shareholders
- Born 1956
- Master of Science, Engineering, Helsinki University of Technology
- Rolls-Royce Marine Plc, President

* Member of the Board as from 8 May 2018.
More information on the members of the Board at www.finnlines.com.

EXECUTIVE COMMITTEE 31 DECEMBER 2018

EMANUELE GRIMALDI
- President and CEO
- Member of Finnlines Board since 2006
- Born 1956
- Degree in Economics and Commerce, University of Naples, Italy
- General Certificate of Education (scientific), Military School Nunziatella, Naples, Italy

THOMAS DOEPEL
- Head of Group Purchasing
- Born 1974
- M.Sc. (Econ.), Master Mariner, Executive MBA in Shipping and Logistics (Copenhagen Business School)

STAFFAN HERLIN
- Head of Group Marketing, Sales and Customer Service
- Line Manager Germany, North Sea ro-ro
- Born 1958
- M.Sc. (Econ.)

MIKAEL LINDHOLM
- Head of Ship Management
- Born 1958
- Master Mariner, Business management education

TOM PIPPINGSKÖLD
- CFO
- Born 1960
- B.Sc., MBA

ANTONIO RAIMO
- Line Manager FinnLink, NordöLink & Russia
- Born 1975
- M.Sc. (Banking and Economics), Master in Business Administration

KIELO VESIKKO
- Head of Passenger Services
- Line Manager HansaLink & Hanko–Rostock
- Born 1957
- Diploma in Translation

TAPANI VOIONMAA
- Group General Counsel
- Born 1951
- Master Mariner, LL.M., Pg Dipl

BOARD OF MANAGMENT 31 DECEMBER 2018 (IN ADDITION TO THE EXECUTIVE COMMITTEE)

UWE BAKOSCH, Managing Director, Finnlines Deutschland GmbH
DOMENICO FERRAIUOLO, Head of Port Operations
CLAUS HØGH, Line Manager, Scandinavia ro-ro
AGNIESZKA WALENCIAK, Line Manager, Hanko–Gdynia
KIMMO KOSTIA, Head of Group IT, Hardware
SANTERI LAAKSO, Head of Financial Department
JAN LAURELL, Head of Group HR
SANNA SIMPANEN-MÄENPÄÄ, Group Business Controller
KRISTIINA UPPALA, Head of Customer Service, Passenger Services
VESA VÄHÄMAA, Head of Group IT, Software

EXTENDED BOARD OF MANAGEMENT 31 DECEMBER 2018 (IN ADDITION TO THE BOARD OF MANAGEMENT)

LUC HENS, Managing Director, Finnlines Belgium N.V.
MERJA KALLIO-MANNILA, Head of Sales & Customer Service Finland
REIJO KROOK, Internal Auditor and Quality Manager
RAFAL KWAPISZ, Managing Director, Finnlines Poland
BLASCO MAJORANA, Traffic Manager, North Sea
TORSTI MUURI, Traffic Manager, Baltic Sea
BRIAN ROLFE, Managing Director, Finnlines UK Limited
TORKEL SAARNIO, Head of Truck and Trailer Segment

More information on the members of the Management at www.finnlines.com.

MODERN AND ENVIRONMENTALLY FRIENDLY FLEET

FINNLINES FLEET 31 DECEMBER 2018

RO-PAX VESSELS

FINNMAID (2006)
FINNSTAR (2006)
FINNLADY (2007)
FINNSWAN (2007)

Length, o.a. (m)	218.8
Breadth, moulded (m)	30.5
DWT metric tons	9,043 / 9,061 / 8,840 / 8,870
GT	45,923
Total lane length (m)	4,215
Passengers	554
Speed (knots)	22
Ice Class	1A Super

EUROPALINK (2007)

Length, o.a. (m)	218.8
Breadth, moulded (m)	30.5
DWT metric tons	8,757
GT	46,119
Total lane length (m)	4,215
Passengers	554
Speed (knots)	22
Ice Class	1A

FINNCLIPPER * (1999)
FINNFELLOW (2000)

Length, o.a. (m)	188.3
Breadth, moulded (m)	29.5
DWT metric tons	7,209 / 7,267
GT	33,958 / 33,724
Total lane length (m)	3,079 / 2,918
Passengers	440
Speed (knots)	22
Ice Class	1A

FINNPARTNER (1995 / 2007)
FINNTRADER (1995 / 2007)

Length, o.a. (m)	183.0
Breadth, moulded (m)	28.7
DWT metric tons	9,088 / 9,132
GT	33,313
Total lane length (m)	3,050
Passengers	270
Speed (knots)	21
Ice Class	1A Super

RO-RO VESSELS

FINNBREEZE ** (2011/2018)
FINNSEA ** (2011/2018)
FINNSKY ** (2012/2018)
FINNSUN ** (2012/2018)
FINNTIDE ** (2012/2017)
FINNWAVE ** (2012/2018)

Length, o.a. (m)	217.8
Breadth, moulded (m)	26.5
DWT metric tons	14,500
GT	33,816
Total lane length (m)	4,192
Speed (knots)	21
Ice Class	1A

FINNMERCHANT (2003)

Length, o.a. (m)	193.0
Breadth, moulded (m)	26.0
DWT metric tons	13,106
GT	23,235
Total lane length (m)	2,606
Speed (knots)	18
Ice Class	1A

FINNMILL (2002 / 2009)
FINNPULP (2002 / 2009)

Length, o.a. (m)	187.06
Breadth, moulded (m)	26.5
DWT metric tons	11,744 / 11,682
GT	25,732
Total lane length (m)	3,259
Speed (knots)	20
Ice Class	1A

FINNKRAFT (2000)
FINNHAWK (2001)

Length, o.a. (m)	162.5
Breadth, moulded (m)	20.6
DWT metric tons	9,041 / 9,035
GT	11,671
Total lane length (m)	1,853
Speed (knots)	20
Ice Class	1A Super

FINNMASTER (1998)

Lenght, o.a. (m)	154.5
Breadth, moulded (m)	22.7
DWT, metric tons	8,647
GT	12,433
Total lane length (m)	1,775
Speed (knots)	20
Ice Class	1A Super

Finnlines has a fleet of 21 vessels under its ownership.
MS Finncarrier was sold in October 2018 and bareboat chartered from its new owner from October 2018 to January 2019.

* Under bareboat charter to an external party.
** Lengthened Breeze series vessels.

DWT: Deadweight Tonnage (sea water density 1,025 kg/m^3)
GT: Gross Tonnage

CONTACT INFORMATION

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P.O. Box 225
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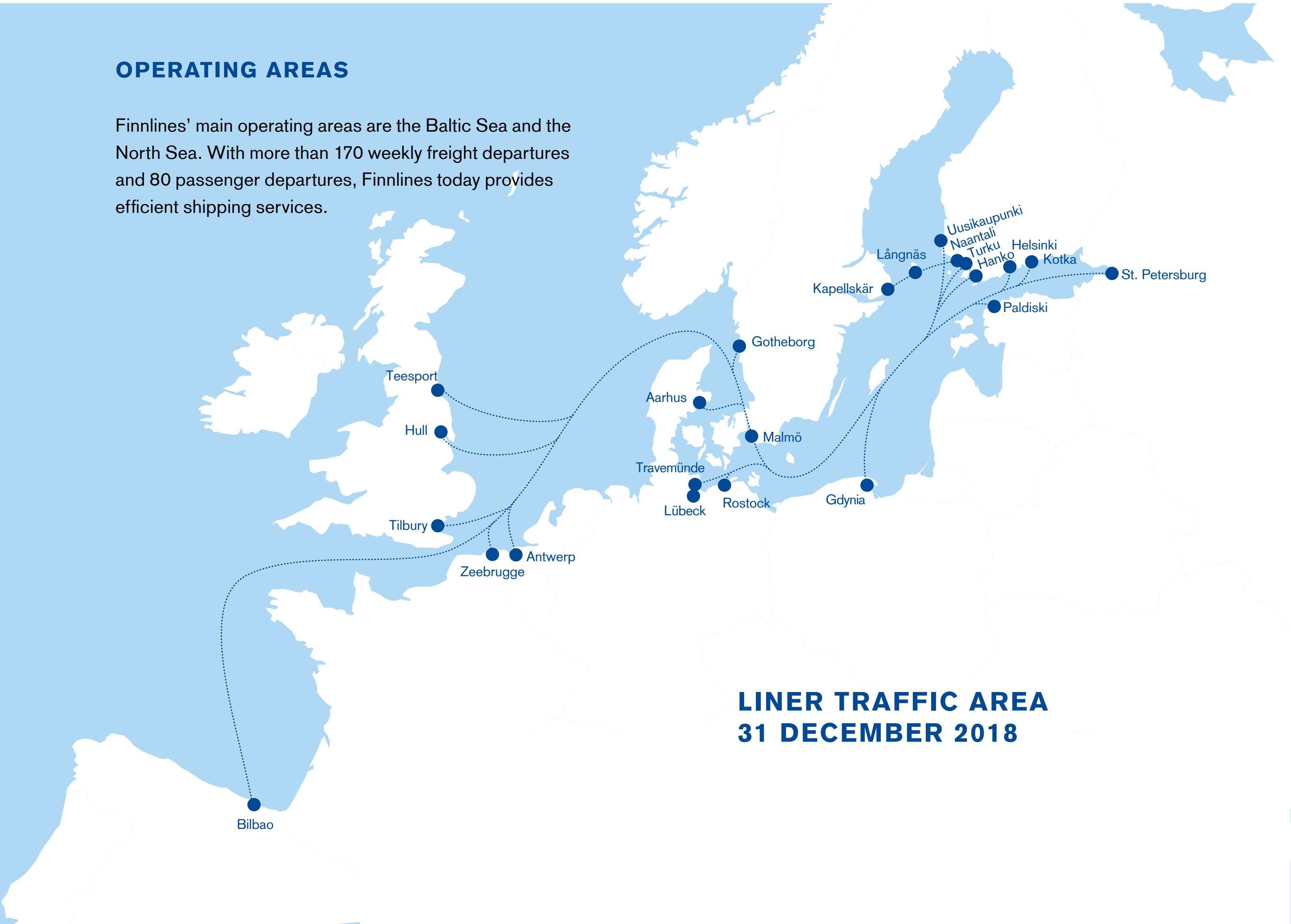
tel +358 10 565 60

FIND US ONLINE

www.finnlines.com

OPERATING AREAS

Finnlines' main operating areas are the Baltic Sea and the North Sea. With more than 170 weekly freight departures and 80 passenger departures, Finnlines today provides efficient shipping services.



LINER TRAFFIC AREA 31 DECEMBER 2018

THE GRIMALDI GROUP

With a long experience dating back to 1947, the Grimaldi Group specialises in the operation of roll-on/roll-off vessels, car carriers and ferries. It is a dedicated supplier of integrated logistics services based on maritime transport to the world's major vehicle manufacturers. Through its maritime services, the Naples-based Group also transports containers, palletised/unitised cargo and passengers with a modern fleet of more than 120 ro-ro-multipurpose vessels, pure car carriers and ferries, 30 of which built in the last five years.

The Group's presence in the maritime transport of vehicles started in 1969 when it introduced a regular service between Italy and England. The Group rapidly gained the trust of other major car manufacturers who chose Grimaldi's vessels to transport their production from Northern Europe to various Mediterranean countries. Throughout the years the Group rapidly developed and now serves over 120 ports in 50 countries in the Mediterranean Sea, Northern Europe, West Africa, North and South America. The shore personnel and crew are over 15,000 people.

The Grimaldi Group comprises six main shipping companies, including Atlantic Container Line (ACL), Malta Motorways of the Sea, Finnlines and Minoan Lines. The Finnish company Finnlines runs a fleet of ro-pax and ro-ro vessels in the Baltic Sea and Northern Europe, while the Greek ferry company Minoan Lines operates ro-pax services between Piraeus and Crete, and a high speed service between Crete and the Cyclades Islands.

The Grimaldi Group has also evolved to become a multimodal transport operator offering "door to door" logistics services. For this purpose, it currently operates, together with strategic partners, various car and container terminals totalling over 6 million sq. metres in the Mediterranean, Northern Europe and West Africa as well as trucking companies for the transport of cars and containers.

In recent years, the Group has also invested in development of the "Motorways of the Sea" in the Mediterranean Sea introducing new and modern ro-pax ferries. Currently, its network covers Italy, Spain, Malta, Montenegro, Tunisia, Morocco, Libya and Greece for the transport of trailers, cars and passengers.

The high-quality services offered by the Grimaldi Group are being regularly awarded by its international clientele such as General Motors, FCA, Ford, Honda and Land Rover.

Finally, the Grimaldi Group is the first Italian shipping company to have obtained the SMS, ISO 9001 and ISO 14001 certifications for Safety, Quality and Environment. Moreover, the Grimaldi Group is also the first shipping company in Italy to be awarded the status of Authorized Economic Operator – Complete (AEO-F).

www.grimaldi.napoli.it

Photos:
Johannes Erlandsson, Dirk Hourticolon, Riikka Krenn, Anna Sarkama-Antila, Risto Törrö/Duotone, 110th Street Productions & Finnlines' archives.

Finnlines
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