Finnlines
a Grimaldi Group company

FINANCIAL STATEMENTS 2018

CONTENT

BOARD OF DIRECTORS' REPORT

FINNLINES' BUSINESS

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

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

GROUP STRUCTURE

Finnlines Plc is a Finnish public limited company, which operates under Finnish jurisdiction and legislation. At the end of the reporting period, the Group consisted of the parent company and 19 subsidiaries. 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 46.

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

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

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 CO2 emissions in April 2018. The goal is to reduce CO2 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 CO2-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	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017 restated
Revenue	3, 7	**589,444**	536,257
Other income from operations	8	**6,361**	2,633
Materials and services	9	**-199,436**	-163,645
Personnel expenses	10	**-88,901**	-89,451
Depreciation, amortisation and impairment losses	11	**-61,458**	-58,368
Other operating expenses	12	**-141,117**	-133,512
Total operating expenses		**-490,913**	-444,976
Result before interest and taxes (EBIT)		**104,893**	93,914
Financial income	13	**353**	258
Financial expenses	13	**-10,464**	-11,769
Result before taxes (EBT)		**94,782**	82,404
Income taxes	14	**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)	15		
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.

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

(figures in EUR thousand, if not stated otherwise)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR 1,000	Note	31 Dec 2018	31 Dec 2017 restated
ASSETS			
Non-current assets			
Property, plant and equipment	17	**990,404**	929,152
Goodwill	18	**105,644**	105,644
Other intangible assets	18	**4,243**	3,516
Other financial assets	21	**7,253**	4,579
Receivables	22	**4,945**	1,642
Deferred tax assets	23	**3,650**	4,517
		1,116,139	1,049,049
Current assets			
Inventories	24	**7,738**	6,340
Accounts receivable and other receivables	25	**105,072**	98,073
Income tax receivables		**4**	42
Cash and cash equivalents	26	**1,850**	36,965
		114,664	141,420
Non-current assets held for sale	5	**15,121**	15,121
Total assets		**1,245,924**	1,205,591
EQUITY			
Equity attributable to parent company shareholders			
Share capital	27	**103,006**	103,006
Share premium account	27	**24,525**	24,525
Translation differences		**119**	124
Fund for invested unrestricted equity	27	**40,016**	40,016
Fair value reserve	27	**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	23	**48,392**	49,851
Other long-term liabilities	30	**0**	13
Pension liabilities	32	**3,256**	3,622
Provisions	28	**1,730**	1,730
Loans from financial institutions	29	**275,659**	292,608
		329,036	347,824
Current liabilities			
Accounts payable and other liabilities	30	**77,391**	74,670
Current tax liabilities		**25**	13
Provisions	28	**256**	248
Loans from financial institutions	29	**177,129**	167,988
		254,801	242,919
Total liabilities		**583,837**	590,743
Liabilities related to long-term assets held for sale	29	**0**	0
Total shareholders’ equity and liabilities		**1,245,924**	1,205,591

See Notes starting on page 11.

(figures in EUR thousand, if not stated otherwise)

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**

(figures in EUR thousand, if not stated otherwise)

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR 1,000	Note	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	31	**56,086**	56,482
Unrealised foreign exchange gains (-) / losses (+)	31	**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	29		
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.

See Notes starting on page 11.

(figures in EUR thousand, if not stated otherwise)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Finnlines Plc is a Finnish public limited company, which operates under Finnish jurisdiction and legislation. The parent company is registered in Helsinki at Komentosilta 1, 00980 Helsinki. Copies of the financial statements can be obtained from www.finnlines.com or the Company's headquarters. These financial statements were authorised for issue by the Board of Directors of Finnlines Plc on 28 February 2019. In accordance with the Finnish Companies Act, the financial statements are presented for approval to the Annual General Meeting.

At the end of the financial period, the Group consisted of the parent company and 19 subsidiaries. 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. The divestment does not have material impact on the Group level profit.

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

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

Finnlines Plc is fully owned by the Grimaldi Group, which is one of the world's largest operators of ro-ro vessels and the largest operator of the Motorways of the Sea in Europe for both passengers and freight. The Grimaldi Group, headquartered in Naples, operates a fleet of more than 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.

2. ACCOUNTING PRINCIPLES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), using the IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2018. The International Financial Reporting Standards mean the standards implemented in the EU by Regulation (EC) 1606/2002, and the related interpretations. The notes to the Consolidated Financial Statements also comply with Finnish accounting and corporate legislation. The Consolidated Financial Statements are primarily prepared using the acquisition cost method. Exceptions to this principle are financial assets and liabilities recognised at fair value through profit or loss. The financial statements have been compiled in EUR. All figures in the accounts have been rounded and, consequently, the sum of individual figures may deviate from the presented sum figure.

IMPLEMENTATION OF STANDARDS

New and amended standards applied in the financial year ended

The Finnlines Group has applied as from 1 January 2018 the following new and amended standards that have come into effect:

IFRS 9 Financial Instruments

IFRS 9 replaces the earlier guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Finnlines has applied the new standard to prior period. Therefore the 2017 figures have been restated according to a simplified method of credit loss allowance for trade receivables. Finnlines applies IFRS 9 hedge accounting, but it did not have any hedging instruments in 2017. IFRS 9 did not have a significant impact on the financial statements of the Finnlines Group.

IFRS 15 Revenue from Contracts with Customers

The new standard has replaced earlier IAS 18 and IAS 11 -standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard has also introduced extensive new disclosure requirements. IFRS 15 has been applied in full to prior periods with certain limited practical expedients. IFRS 15 did not have an impact on 2017 reported figures, but it increased the number of disclosures.

Other changes in standards or interpretations did not have an impact on the financial statements of the Finnlines Group.

Adoption of new and amended standards and interpretations applicable in future financial years

Finnlines has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019)

The new standard replaces the current IAS 17 -standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short-term contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value about USD 5,000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting.

The new standard will have an effect on the financial statements of the Finnlines Group, since it has lease commitments related to office premises, port machinery, vessels or other equipment, which are currently classified as operational leases. The application of IFRS 16 will increase the amount of both tangible assets and liabilities. In the transition, Finnlines will use practical expedites regarding short-term leases and leases of low value assets, and will not restate prior years. The estimated value of right-of-use assets and lease liabilities to be recorded in the balance sheet of Finnlines is around EUR 10–15 million.

IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial years beginning on or after 1 January 2019)
The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment. When considering this, the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The interpretation will not have a significant impact on the financial statements of the Finnlines Group.

Other new or changed standards or interpretations will not have an impact on the financial statements of the Finnlines Group.

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

When preparing the financial statements, the Group's management has had to make estimates and assumptions which affect the content, and use its discretion in applying the accounting principles. The most significant uncertainties involved in estimates at the end of the reporting period relate to impairment of goodwill, deferred tax assets and other assets and provisions and contingent liabilities. The basis for these estimates is described in more detail in these accounting principles and, in particular, in the relevant notes to the consolidated financial statements: Note 18. Goodwill and other intangible assets, Note 23. Deferred tax assets and liabilities.

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

CONSOLIDATION PRINCIPLES

Subsidiaries

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

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

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

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

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

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

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

JOINT OPERATIONS

Finnlines did not have joint operations in 2017 or 2018.

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

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

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

TRANSLATION OF FOREIGN CURRENCY ITEMS

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

GOVERNMENT GRANTS

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

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

INTANGIBLE ASSETS

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

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

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

Goodwill

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

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

Research and development expenses

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

Other intangible assets

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

IMPAIRMENT

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

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

(figures in EUR thousand, if not stated otherwise)

If the carrying value exceeds the current recoverable amount, the difference is recognised in the profit and loss account as an impairment loss. Impairment losses recognised previously are reversed if the assumptions used in the calculation of the current recoverable amount change. Impairment losses are reversed only up to the amount corresponding to what the carrying value would have been without the impairment loss. Impairment losses recognised for goodwill are not reversed.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

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

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

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

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

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

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

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

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

Financial liabilities

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

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

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

Borrowing costs

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

DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

Hedging instruments' fair values are presented in notes to financial statements. When a cash flow hedge instrument is due, or is sold, or when criteria for applying hedge accounting are not met, the accrued gain or loss will remain in equity until the planned transaction takes place. However, if the planned transaction is no longer expected to happen, or risk management strategy is altered, the accrued gain or loss in equity will be released to Income statement immediately. In case the value of the hedged transaction changes, the corresponding hedge instruments will be balanced accordingly.

LEASES

The Group as a lessee

Leases with the Group as leaseholder, where a significant proportion of the risks and benefits associated with ownership remain with the lessor, are classified as operating leases, and the leases paid in relation to them are recognised as expenses in the profit and loss account on a straight-line basis over the period of the lease.

Leases in which the Company has assumed a significant proportion of the risks and benefits associated with ownership are classified as finance leases. Finance leases are recognised on the statement of financial position as assets and liabilities on the start date of the lease period at a value equivalent to the lower of the fair value of the leased goods or the present value of the minimum lease, which are determined on the date of contract. Minimum leases are divided into financial expenses and loan repayments. Financial expenses are recognised as expenses in the profit and loss account and allocated over the reporting periods within the lease contract period to the extent that the outstanding loan in each period has an equal interest rate. Depreciation of the leased assets subject to depreciation is calculated according to the same principles as depreciation of owned assets. If there is reasonable certainty that the Group will obtain ownership of an asset before the end of its lease period, the asset's estimated useful life is the same as its economic life. Otherwise, the asset is depreciated within the shorter of the lease period or the useful life.

The Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Leases where the Group acts as a lessee of vessels under operating leases but where the Group generates income through subleasing these, are also classified as operating leases. Lease income from operating leases is recognised in income on a straight-line basis over the lease term, and in case of vessels, normally adjusted with the non-usable days for the lessee.

INVENTORIES

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

EQUITY

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

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

INCOME TAXES

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

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

Deferred tax assets are recognised to the extent that it is likely that future taxable profit will be available, against which the tax receivables can be used. In the Group, the most significant temporary differences relate to unused tax losses and depreciation of tangible fixed assets.
No deferred taxes are recognised for subsidiaries' undistributed earnings.

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

EMPLOYEE BENEFITS

Pension liabilities

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

The Group's employee pension plans are mainly administered by external pension insurance companies. The Finnish TyEL pension insurance administered by external pension insurance companies is treated as defined contribution plan.
In defined contribution plans, the Company makes fixed payments into the plan. The Company has no legal or actual obligation to make additional payments if the pension insurance company is unable to pay out the benefits earned by employees in the current period or in previous periods. Payments made into defined contribution plans are recognised in the profit and loss in the reporting period to which the payment applies.

In defined benefit plans, the employer's pension liability is based on the present value of the obligation defined in the plan and on the fair value of the assets included in the plan, which are calculated using actuarial calculations determined in the IAS 19 standard.

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

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

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

Share-based payments

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

PROVISIONS AND CONTINGENT LIABILITIES

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

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

REVENUE RECOGNITION

The Group applies a five-step model of IFRS 15, when defining when and in what amount revenue is recognised. In this model the Group identifies the contract with customer and the performance obligations, determines the transaction price and allocates the price to performance obligations, and recognises the revenue.

The revenue is recognised based on the transfer of control of the goods or services either over time or at point in time. The revenue of the Finnlines Group is generated mainly by transportation of cargo and passengers as well as port services. The revenue arising from the liner service cargo transportation is recognised over time, as performance obligations are provided to the customer. Possible land haulage related to the cargo transportation is considered as a separate performance obligation. The stage of completion is defined based on transportation days. The revenue arising from liner passenger transportation and related services is recognised over time based on the completion of voyage's traffic days. The revenue arising from the port operations is recognised over time as services are provided to the customer. Customer contracts are based on ordinary payment terms used in the industry, and there is no significant financing component involved. The transaction price allocated to the performance obligations is recognised at fair value adjusted by indirect tax, revenue adjustments (including possible volume rebates) and exchange rate differences. The price does not include significant variable consideration. The Group does not have significant assets related to the contracts. The assets and liabilities related to contracts with customers are presented in the disclosures. The Group uses practical expedites and does not present the transaction price allocated to partially or fully unfulfilled performance obligations, if the duration of the agreement is one year at the most or the Group has the right to receive a price from a customer corresponding to the value of services provided to customer by the moment of transaction.

INTERESTS AND DIVIDENDS

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

SEGMENT REPORTING

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

3. SEGMENT INFORMATION

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

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

SHIPPING AND SEA TRANSPORT SERVICES

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

PORT OPERATIONS

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

EUR 1,000	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
Result per segment for reporting period ending 31 Dec 2018				
Total revenue from segment	**567,242**	**43,590**		**610,832**
Intra-group revenue	**-200**	**21,588**	**-21,388**	**-21,388**
External revenue	**567,442**	**22,002**		**589,444**
Result before interest and taxes (EBIT)	**103,545**	**1,348**		**104,893**
Financial items				**-10,111**
Income taxes				**349**
Result for reporting period				**95,131**
Result per segment for reporting period ending 31 Dec 2017				
Total revenue from segment	515,960	42,498		558,458
Intra-group revenue	-100	22,301	-22,201	-22,201
External revenue	516,060	20,197		536,257
Result before interest and taxes (EBIT)	91,062	2,852		93,914
Financial items				-11,510
Income taxes				236
Result for reporting period				82,639

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

(figures in EUR thousand, if not stated otherwise)

SEGMENT ASSETS, LIABILITIES AND CAPITAL EXPENDITURE FOR 2018 AND 2017

EUR 1,000	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
Non-cash expenses in the profit and loss account				
2018				
Depreciation	-58,762	-2,696		-61,458
Impairment losses in accounts receivable	-195	23		-173
2017				
Depreciation	-55,922	-2,446		-58,368
Impairment losses in accounts receivable	-365	-3		-368
Assets, liabilities and capital expenditure by segment				
2018				
Segment assets	1,158,497	74,927	-370	1,233,053
Unallocated assets				12,871
Total assets				**1,245,924**
Segment liabilities	74,309	7,292	-370	81,231
Unallocated liabilities				502,607
Total liabilities				**583,837**
Capital expenditure	**133,817**	**1,578**		**135,395**
Assets, liabilities and capital expenditure by segment				
2017, restated				
Segment assets	1,086,837	77,368	-564	1,163,640
Unallocated assets				41,951
Total assets				1,205,591
Segment liabilities	71,507	7,568	-564	78,510
Unallocated liabilities				512,233
Total liabilities				590,743
Capital expenditure	47,986	878		48,864

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

Capital expenditure includes additions to tangible assets (Note 17. Property, Plant and Equipment) and to intangible assets (Note 18. Goodwill and Other Intangible Assets).

The assets of the Port Operations segment contain EUR 15.1 million classified as assets held for sale.

(figures in EUR thousand, if not stated otherwise)

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

EUR 1,000	2018	2017
Revenue		
Finland	**248,302**	218,318
Sweden	**97,987**	88,577
Germany	**75,764**	74,833
Other EU countries	**151,689**	131,927
Russia	**7,687**	10,547
Other	**8,016**	12,055
	589,444	536,257
Assets *		
Finland	**725,564**	720,644
Sweden	**382,095**	323,610
Germany	**7,677**	9,135
Other EU countries	**76**	43
	1,115,412	1,053,432

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

At the end of the period, the Group had one customer, whose share of the Group's net sales exceeded ten percent being 11.0 per cent.

4. JOINT OPERATIONS
Finnlines provided liner shipping services under the brand TransRussiaExpress to Russian ports in the Baltic Sea area in co-operation with a Russian port and terminal service provider. Finnlines' vessels were used in the liner traffic and Finnlines managed the liner services provided. Finnlines' interest in the business was 75 per cent and the Russian terminal service provider held a 25 per cent interest. Finnlines combined 75 per cent of the income and expenses from the joint operations. The joint arrangement was terminated on 31 December 2016. Finnlines has a receivable of EUR 0.8 million from the terminal service provider relating to the joint operations. Finnlines has no other financial commitments on 31 December 2018.

5. NON-CURRENT ASSETS HELD FOR SALE
Port Operations are negotiating a sale of port assets with a carrying value of around EUR 15.1 million. No impairment losses have been recognised on the carrying value of the assets.

6. ACQUIRED NON-CONTROLLING INTERESTS
Finnlines acquired 6.3 per cent of the shares of Steveco Oy in April 2018 and owns now 25.4 per cent of Steveco Oy. This shareholding is presented in financial assets, because Finnlines has neither significant influence in Steveco Oy nor representation on Steveco's Board of Directors.

7. REVENUE

EUR 1,000	2018	2017
Revenue		
Sale of goods	**15,158**	13,769
Rendering of services	**567,313**	513,935
Vessel hires	**6,974**	8,553
	589,444	536,257

(figures in EUR thousand, if not stated otherwise)

REVENUE BY FUNCTIONS

EUR 1,000	2018	2017
Revenue		
Freight and other shipping services	**511,729**	464,132
Passenger services	**55,713**	51,928
Port operations	**22,002**	20,197
	589,444	536,257

The received prepayments related to passenger services were EUR 3.3 (2.1) million on 31 December 2018. Otherwise there were no received prepayments related to performance obligations to be provided by the Group.

8. OTHER INCOME FROM OPERATIONS

EUR 1,000	2018	2017
Other income from operations		
Rental income	**649**	738
Profits from sale of tangible assets	**5,668**	1,945
Other income from operations	**43**	-51
	6,361	2,633

Profits from sale of tangible assets include a sales profit of EUR 5.1 million derived from the sale of MS Finncarrier in 2018 and of EUR 0.7 million from the sale of MS Finneagle in 2017.

9. MATERIALS AND SERVICES

EUR 1,000	2018	2017
Cost of services provided		
Materials and supplies		
Purchases during reporting period	**-140,705**	-106,905
Change in inventories	**1,398**	-360
Purchased services	**-60,130**	-56,380
	-199,436	-163,645

10. PERSONNEL EXPENSES

EUR 1,000	2018	2017	2016
Employee benefit expenses			
Salaries	**-89,848**	-89,462	-87,932
Other social costs	**-10,894**	-9,488	-10,923
Pension expenses – defined contribution plans	**-9,296**	-12,224	-12,293
Pension expenses – defined benefit plans	**-91**	-100	-127
Government grants for shipping companies	**21,228**	21,823	21,521
	-88,901	-89,451	-89,753

Average number of Group employees			
Shipping and Sea Transport Services	**1,326**	1,356	1,372
Port Operations	**311**	295	281
	1,637	1,651	1,653

Number of employees on 31 December	**1,590**	1,570	1,627

Information on the employee benefits of the senior management is presented in Note 35. Transactions with Related Parties.

According to the European Community guidelines on State aid to maritime transport valid throughout Europe, Finnlines has benefited from government grants for personnel expenses worth EUR 21.2 (21.8) million, like many other shipowners in European countries. In Finland, the amount partly corresponds to the tax withheld in advance from seamen's income, and partly the amount paid by the employer for seamen's social security fees, pension fees and employees' insurance fees. In Sweden, the government grant corresponds to the tax withheld in advance from seamen's income and the amount paid by the employer for the seamen's social fees.

(figures in EUR thousand, if not stated otherwise)

11. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

EUR 1,000	2018	2017
Depreciation of tangible assets		
Buildings	**-2,024**	-2,192
Machinery and equipment	**-1,640**	-1,620
Vessels	**-57,243**	-54,032
Amortisation of intangible assets	**-551**	-523
Total depreciation and amortisation	**-61,458**	-58,368

12. OTHER OPERATING EXPENSES

EUR 1,000	2018	2017 restated
Port expenses, equipment and other voyage related costs	**-51,051**	-48,794
Leases	**-19,926**	-17,194
Manning service costs and other non-obligatory personnel costs	**-1,643**	-1,134
Vessel insurances, repairs and maintenance costs	**-36,734**	-36,374
Catering costs	**-13,033**	-12,671
IT costs	**-2,844**	-2,900
Sales and marketing costs	**-3,954**	-3,719
Real estate costs excluding rents and leases	**-2,708**	-2,105
Other costs	**-9,226**	-8,622
	-141,117	-133,512

AUDITOR'S REMUNERATION
The Group's principal auditor was KPMG Oy Ab in 2018.

EUR 1,000	2018	2017
Audit fees		
KPMG	**126**	118
Other	**18**	26
Tax consultancy and other fees		
KPMG	**96**	70
Other	**6**	4
	247	218

13. FINANCIAL INCOME AND EXPENSES

EUR 1,000	2018	2017
Dividend income	**0**	2
Interest income		
Bank deposits	**2**	0
Loans and accounts receivable	**82**	89
Other receivables	**0**	10
Exchange rate gains		
Other exchange rate gains	**266**	153
Other financial income	**4**	4
Total financial income	**353**	258
Interest expenses		
Borrowings measured at amortised cost	**-7,623**	-8,437
Other interest expenses	**-3**	-3
Exchange rate losses		
Other exchange rate losses	**-238**	-202
Other financial expenses	**-2,600**	-3,126
Total financial expenses	**-10,464**	-11,769
Net financial expenses	**-10,111**	-11,510

(figures in EUR thousand, if not stated otherwise)

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

14. INCOME TAXES

EUR 1,000	2018	2017 restated
Tax on taxable income of the reporting period	-244	-205
Tax from previous periods		-28
Change in deferred taxes	593	469
Income taxes in profit and loss, expense (-)	**349**	**236**

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

EUR 1,000	2018	2017 restated
Result before taxes	94,782	82,404
Tax calculated using Finnish tax rate, 20%	-18,956	-16,501
Foreign subsidiaries’ differing tax rates *	-267	-275
Tax-exempt income and non-deductible expenses	125	-175
Losses for which no deferred tax asset was recognised	-23	-9
Impact of tonnage tax **	19,470	17,217
Tax from previous periods	0	-19
Income taxes in profit and loss, expense (-)	**349**	**236**

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

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

Income tax on other comprehensive income

EUR 1,000	2018	2017
Remeasurement of defined benefit liability	0	-36
	0	-36

15. EARNINGS PER SHARE

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

EUR 1,000	2018	2017 restated
Result for the reporting period attributable to parent company shareholders, EUR 1,000	95,131	82,647
Weighted average no. of shares, 1,000	51,503	51,503
Undiluted earnings per share, EUR/share	1.85	1.60

16. DIVIDENDS

Finnlines paid EUR 51.5 million in dividend in 2018.

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.

(figures in EUR thousand, if not stated otherwise)

17. PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land	Buildings	Vessels	Machinery and equipment	Advance payments and acquisitions under construction	Total *
Reporting period ending 31 December 2018						
Acquisition cost on 1 January 2018	72	73,157	1,330,776	67,000	18,567	1,489,572
Exchange rate differences		4		-10	0	-5
Increases		8	126,839	1,639	5,489	133,975
Equipment of disposed subsidiary				-301		-301
Disposals **		-922	-14,484	-241	-22	-15,668
Reclassifications between items		-4,931	18,345		-18,323	-4,909
Transfer to non-current assets held for sale ***		-4,369	0	-22,395	0	-26,763
Acquisition cost on 31 December 2018	**72**	**62,947**	**1,461,477**	**45,693**	**5,711**	**1,575,900**
Accumulated depreciation and impairment losses on 1 January 2018	0	-23,971	-477,187	-44,140	0	-545,299
Exchange rate differences		-4		8		4
Cumulative depreciation on reclassifications and disposals		4,598	3,882	237		8,718
Accumulated depreciation related to equipment of disposed subsidiary				293		293
Depreciation for the reporting period		-2,024	-57,337	-1,494		-60,855
Accumulated depreciation and impairment losses on 31 December 2018	0	-21,401	-530,642	-45,096	0	-597,139
Transfer to non-current assets held for sale ***		1,132	0	10,510		11,642
Carrying value on 31 December 2018	**72**	**42,678**	**930,835**	**11,107**	**5,711**	**990,404**
Assets classified as held for sale on 31 December 2018						
Acquisition cost						
Transfer to non-current assets held for sale on 1 January 2018		4,369		22,395		26,763
Reclassification between items						0
Accumulated depreciation						
Transfer to non-current assets held for sale on 1 January 2018		-1,132		-10,510		-11,642
Reclassification between items						0
Carrying value on 31 December 2018		**3,237**	**0**	**11,884**	**0**	**15,121**

* The carrying value of property, plant and equipment includes EUR 19.2 (20.2) million of capitalised interest during construction.

** Includes the sale of one vessel.

*** The Finnlines Group is negotiating a sale of Port Operations' assets with carrying value of EUR 15.1 million. No impairment losses were recognised on the carrying values of these assets in 2017 or 2018, as according to management's estimate, the fair value of the assets classified as held for sale was higher than the carrying value at the balance sheet date 31 December 2017 and 31 December 2018.

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	Land	Buildings	Vessels	Machinery and equipment	Advance payments and acquisitions under construction	Total*
Reporting period ending 31 December 2017						
Acquisition cost on 1 January 2017	72	73,142	1,386,912	66,755	10,117	1,536,998
Exchange rate differences		-12		-3		-16
Increases		31	29,418	537	18,368	48,354
Disposals **		-3	-95,362	-399		-95,764
Reclassifications between items			9,808	110	-9,918	0
Transfer to non-current assets held for sale ***		-4,369		-22,395		-26,763
Acquisition cost on 31 December 2017	72	68,788	1,330,776	44,606	18,567	1,462,809
Accumulated depreciation and impairment losses on 1 January 2017		-21,793	-474,532	-42,923		-539,248
Exchange rate differences		11		4		15
Cumulative depreciation on reclassifications and disposals		3	51,377	399		51,779
Depreciation for the reporting period		-2,192	-54,032	-1,620		-57,845
Accumulated depreciation and impairment losses on 31 December 2017		-23,971	-477,187	-44,140		-545,299
Transfer to non-current assets held for sale ***		1,132		10,510		11,642
Carrying value on 31 December 2017	72	45,948	853,589	10,976	18,567	929,152
Assets classified as held for sale on 31 December 2017						
Acquisition cost						
Transfer to non-current assets held for sale on 1 January 2017		4,369		22,395		26,763
Reclassification between items						
Accumulated depreciation						
Transfer to non-current assets held for sale on 1 January 2017		-1,132		-10,510		-11,642
Reclassification between items						
Carrying value on 31 December 2017		3,237		11,885		15,121

* The carrying value of property, plant and equipment includes EUR 20.2 million of capitalised interest during construction.

** Includes the sale of one vessel.

*** The Finnlines Group negotiated a sale of Port Operations’ assets with carrying value of EUR 15.1 million. No impairment losses were recognised on the carrying values of these assets in 2017, as according to management’s estimate, the fair value of the assets classified as held for sale was higher than the carrying value at the balance sheet date 31 December 2017.

(figures in EUR thousand, if not stated otherwise)

Assets leased through finance leases are included in property, plant and equipment as follows

EUR 1,000	Machinery and equipment	Buildings	Total
31 December 2018			
Acquisition cost	1,657	4,931	6,588
Increases during reporting period	27	0	27
Reclassifications	0	-4,931	-4,931
Accumulated depreciation	-1,657	-3,677	-5,334
Depreciation on reclassifications	0	3,677	3,677
Carrying value	**27**	**0**	**27**
31 December 2017			
Acquisition cost	4,342	4,931	9,273
Increases during reporting period	0	0	0
Reclassifications	-2,685	0	-2,685
Accumulated depreciation	-1,219	-3,595	-4,814
Carrying value	437	1,336	1,774

18. GOODWILL AND OTHER INTANGIBLE ASSETS

EUR 1,000	Goodwill	Advance payments for intangible assets	Other intangible assets *	Total intangible assets
Reporting period ending 31 December 2018				
Acquisition cost on 1 January 2018	105,644	90	25,913	131,646
Increases		303	1,115	1,419
Disposals				0
Reclassifications		-57	35	-22
Acquisition cost on 31 December 2018	**105,644**	**335**	**27,000**	**132,979**
Accumulated amortisation and impairment losses on 1 January 2018			-22,486	-22,486
Cumulative amortisation on reclassifications and disposals				0
Depreciation for the reporting period			-669	-669
Accumulated amortisation and impairment losses on 31 December 2018			-23,092	-23,092
Carrying value on 31 December 2018	**105,644**	**335**	**3,908**	**109,887**
Reporting period ending 31 December 2017				
Acquisition cost on 1 January 2017	105,644	261	25,232	131,136
Increases		90	420	510
Disposals				
Reclassifications		-261	261	0
Acquisition cost on 31 December 2017	105,644	90	25,913	131,646
Accumulated amortisation and impairment losses on 1 January 2017			-21,963	-21,963
Cumulative amortisation on reclassifications and disposals				
Depreciation for the reporting period			-523	-523
Accumulated amortisation and impairment losses on 31 December 2017			-22,486	-22,486
Carrying value on 31 December 2017	105,644	90	3,426	109,160

* Other intangible assets consist mainly of capitalised ERP system implementation projects and ERP licences. The Company expects these systems and licences to generate economic benefits over a time span longer than the reporting period.

(figures in EUR thousand, if not stated otherwise)

GOODWILL IMPAIRMENT TESTING

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation principle has remained unchanged since 2017, although minor changes were made to the vessel set-up due to the fleet re-organisation during 2018. The goodwill related to Finland–Germany traffic is allocated to the HansaLink service, which is operated with a vessel system between Finland, Germany, and Poland. Goodwill related to the South Sweden–Germany traffic is allocated to the NordöLink service.

EUR 1,000	2018	2017
Allocation of goodwill to the cash-generating units		
NordöLink	**68,972**	68,972
HansaLink (incl. Finland–Germany–Poland traffic)	**36,671**	36,671
Total	**105,644**	105,644

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

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

During 2018, minor alterations were made to the traffic patterns between Finland, Germany, and Poland. Three Star-class vessels continued to ply between Helsinki and Travemünde, and two ro-ro vessels were sailing on the direct route between Hanko and Rostock. The direct route from Hanko to Gdynia was operated with one ro-ro vessel.

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

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

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

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

MAIN ASSUMPTIONS USED IN CALCULATING VALUE IN USE IN 2018

	Cash-generating unit	
	HansaLink	**NordöLink**
Discount rate (pre-tax)	**4.7%**	**4.7%**
LTP period	**2019–2023**	**2019–2023**
Growth rate after LTP period	**2.0%**	**2.0%**
The resulting share of terminal value of the calculated discounted cash flow	**89.2%**	**85.6%**

MAIN ASSUMPTIONS USED IN CALCULATING VALUE IN USE IN 2017

	Cash-generating unit	
	HansaLink	**NordöLink**
Discount rate (pre-tax)	4.6%	4.6%
LTP period	2018–2022	2018–2022
Growth rate after LTP period	2.0%	2.0%
The resulting share of terminal value of the calculated discounted cash flow	89.3%	85.7%

Based on the forecasts, the current recoverable amounts of the Finland–Germany–Poland service (HansaLink) and NordöLink clearly exceed the carrying value at the end of 2018. Sensitivity tests were conducted for all the key assumptions and parameters in the business plans and in the future extrapolation. The tested parameters were market growth, market share, price level development, passenger business contribution, discount rate and growth rate after a period of five years, which were tested based on their relevance in the cash generating unit. The management views that no reasonably possible change in any of the key parameters would lead to impairment as the recoverable amounts exceed the carrying amounts considerably.

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

(figures in EUR thousand, if not stated otherwise)

19. SUBSIDIARIES

Finnlines Plc has 19 subsidiaries, which are specified in Note 36. Subsidiaries.

20. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has no investments in associated companies.

21. OTHER FINANCIAL ASSETS

EUR 1,000	2018	2017
Investments in unlisted shares	**7,250**	4,579

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

EUR 1,000	Fair value through profit or loss	Subsequently measured at amortised cost	Hedging of cash flow	Balance sheet value	Fair value
Reporting period ending 31 December 2018					
Investments	7,250			7,250	7,250
Loan and other receivables		3,180		1,383	1,383
Trade receivables		84,755		84,755	84,755
Derivatives			3,562	3,562	3,562
Cash and bank		1,850		1,850	1,850
Total 31 December 2018	**7,250**	**87,988**	**3,562**	**98,800**	**98,800**
Reporting period ending 31 December 2017					
Investments	4,579			4,579	4,579
Loan and other receivables		1,639		1,639	1,639
Trade receivables		78,561		78,913	78,913
Derivatives			0	0	0
Cash and bank		36,965		36,965	36,965
Total 31 December 2017	4,579	117,518	0	122,097	122,097

22. NON-CURRENT RECEIVABLES

	2018		2017	
EUR 1,000	**Fair Value**	**Carrying amount**	**Fair Value**	**Carrying amount**
Loans and other receivables				
Other receivables	**1,385**	**1,385**	1,642	1,642
Financial assets at fair value				
Currency derivatives	**3,562**	**3,562**	0	0
	4,948	**4,948**	1,642	1,642

(figures in EUR thousand, if not stated otherwise)

23. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred taxes in 2017 and 2018

EUR 1,000	1 Jan 2017	Recognised in profit and loss	Recognised in other comprehensive income	31 Dec 2017
Deferred tax assets:				
Fair value valuation loss, IAS 32, IFRS 9	-19	-25		-44
Unused losses in taxation	5,343	-1,109		4,234
Group difference, vessels and equipment	0			0
Other differences	10	28		38
Remeasurement of defined benefit plans	312		-36	276
	5,646	-1,106	-36	4,504
Deferred tax liabilities:				
Depreciation difference on 1 January 2017	20,348	2,740		23,088
Deferred tax liability in tonnage taxation	27,481	-4,253		23,228
Group difference, vessels and equipment	2,258	-130		2,128
Fair value valuation gains and financial lease	1,274	24		1,297
Other differences	65	45		109
	51,425	-1,575	0	49,851

EUR 1,000	1 Jan 2018	Recognised in profit and loss	Recognised in other comprehensive income	31 Dec 2018
Deferred tax assets:				
Restated receivables on 1 January 2018 impairment, IFRS 9	13			13
Fair value valuation loss, IAS 32, IFRS 9	-44	-47	0	-91
Unused losses in taxation	4,234	-756		3,477
Group difference, vessels and equipment	0	0		0
Other differences	38	-63		-25
Remeasurement of defined benefit plans	276			276
	4,517	-866	0	3,650
Deferred tax liabilities:				
Depreciation difference on 1 January 2018	23,088	2,828		25,917
Deferred tax liability in tonnage taxation	23,228	-4,450		18,778
Group difference, vessels and equipment	2,128	11		2,140
Fair value valuation gains and financial lease	1,297	84		1,381
Other differences	109	68		177
	49,851	-1,460	0	48,392

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	Deferred tax liabilities
Finnlines Plc's depreciation in excess of plan 31 December 2012 / 1 January 2013	52,692
Difference between vessel's legal and Group value	1,340
Deferred tax liability 1 January 2013	54,033
Recognised in the income statement 1 January 2013	
Difference between vessel's group value and fair value	364
Recognised in the income statement 1 January–31 December 2013	
Tax relief of vessels crew's social costs	-3,352
Effect of change of tax rate on tax 1 January 2014	-9,376
Deferred tax liability in tonnage taxation at 31 December 2013	41,669
Tax relief of vessels crew's social costs 2014 (the second tonnage tax period)	-3,587
Deferred tax liability in tonnage taxation at 31 December 2014	38,083
Recognised in more tax relief for vessels crew social costs 2013, 2014 (the third tonnage tax period)	-1,479
Tax relief of vessels crew's social costs 2015 (the third tonnage tax period)	-4,180
Deferred tax liability in tonnage taxation at 31 December 2015	32,424
Tax relief of vessels crew's social costs 2016 (the fourth tonnage tax period)	-5,155
Tax relief of vessels crew's social costs 2015 (the third tonnage tax period), change	211
Deferred tax liability in tonnage taxation at 31 December 2016	27,481
Tax relief of vessels crew's social costs 2017 (the fifth tonnage tax period)	-4,032
Tax relief of vessels crew's social costs 2016 (the fourth tonnage tax period), change	-221
Deferred tax liability in tonnage taxation at 31 December 2017	23,228
Tax relief of vessels crew's social costs 2018 (the sixth tonnage tax period)	-3,692
Tax relief of vessels crew's social costs 2017 (the fifth tonnage tax period), change	-759
Deferred tax liability in tonnage taxation at 31 December 2018	**18,777**

EUR 1,000	2018	2017
Deferred tax assets and liabilities		
Total deferred tax assets	**3,650**	4,504
Deferred tax assets in statement of financial position	**3,650**	4,504
Deferred tax liabilities	**48,392**	49,851
Deferred tax liabilities in statement of financial position	**48,392**	49,851

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

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

The Group has recognised EUR 3.3 (4.1) million deferred tax assets from the Finnsteve companies' carry forward losses. This is based on the Finnsteve companies' improved financial performance and estimated results for future years. The estimate also takes into account that the parent company is able to give group contribution to the Finnsteve companies.

The Group did not recognise deferred income tax assets of EUR 0.2 (0.5) million because, according to management's view, utilisation of losses involves considerable uncertainty.

The Group has recognised deferred tax assets for unutilised losses in taxation EUR 3.5 (4.2) million. The tax losses will expire in 2023–2027.

24. INVENTORIES

EUR 1,000	2018	2017
Material and equipment	**6,795**	5,533
Inventory for resale	**943**	808
	7,738	6,340

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

(figures in EUR thousand, if not stated otherwise)

25. CURRENT RECEIVABLES

	2018		2017 restated	
EUR 1,000	**Fair Value**	**Carrying amount**	**Fair Value**	**Carrying amount**
Accounts receivable and other receivables				
Loans and other receivables				
Accounts receivable	**84,755**	**84,755**	78,561	78,561
Accrued income and prepaid expenses	**18,522**	**18,522**	15,613	15,613
Other receivables	**1,794**	**1,794**	3,699	3,699
Loan receivables	**0**	**0**	200	200
	105,072	**105,072**	98,073	98,073

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

EUR 1,000	2018	2017
Significant items of accrued income and prepaid expenses		
Government grants for shipping companies	**8,329**	7,895
Personnel costs	**1,544**	1,072
Port expenses, cargo handling and other voyage-related costs	**4,183**	1,687
Docking costs	**1,194**	1,378
Reimbursement of average repairs, vessels	**2,168**	2,174
Other accrued receivables	**1,104**	1,406
	18,522	15,613

EUR 1,000	2018	Impaired receivables	Net 2018
Aging of accounts receivable 2018			
Undue	68,703	0	**68,703**
Overdue			
1–30 days	12,954	0	**12,954**
31–60 days	952	4	**948**
61–90 days	-424	29	**-452**
91–360 days	1,631	57	**1,574**
over 360 days	2,396	988	**1,408**
Total overdue	17,510	1,078	**16,432**
Expected credit loss allowance (IFRS 9)		379	
	86,213	1,457	**84,756**

EUR 1,000	2017	Impaired receivables	Net 2017
Aging of accounts receivable 2017			
Undue	63,866	3	63,864
Overdue			
1–30 days	12,850	0	12,850
31–60 days	505	3	502
61–90 days	273	92	181
91–360 days	686	171	516
over 360 days	1,855	853	1,001
Total overdue	16,168	1,119	15,049
Expected credit loss allowance (IFRS 9), restated		352	
	80,035	1,473	78,562

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	2018	2017
Accounts receivable by currency		
EUR	**84,422**	78,583
SEK	**4**	0
GBP	**441**	309
USD	**265**	16
DKK	**2**	5
PLN	**1**	0
	85,135	78,913
Expected credit loss allowance (IFRS 9)	**-379**	-352
	84,756	78,562

The carrying values of accounts receivable and other receivables are reasonable estimates of their fair values. In 2018, the Group has recognised final impairment losses of EUR -145 (-266) thousand in profit or loss. In addition, according to IFRS 9 the Group has recognised EUR -28 (-102, 2017 restated) thousand as expected credit loss allowance. The maximum credit risk related to accounts receivable and other receivables is their carrying amount.

26. CASH AND CASH EQUIVALENTS

EUR 1,000	2018	2017
Cash in hand and cash equivalent	**1,850**	36,965
	1,850	36,965

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

27. SHARE CAPITAL AND OTHER RESERVES

	No. of shares outstanding (1,000)	Share capital EUR 1,000
31 Dec 2017	51,503	103,006
31 Dec 2018	**51,503**	**103,006**

Share Capital

The share capital (ordinary shares) consists of shares in one series. Each share has a nominal value of EUR 2.00 and carries one vote in the Annual General Meeting. According to the Articles of Association, the maximum share capital was EUR 200 million on 31 December 2018 (EUR 200 million on 31 December 2017). All issued shares have been fully paid.

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

Share premium account

EUR 1,000	2018	2017
Share premium account	**24,525**	24,525

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

Fund for unrestricted equity

EUR 1,000	2018	2017
Unrestricted equity reserve 1 January	**40,016**	40,016
Unrestricted equity reserve 31 December	**40,016**	40,016

Fair value reserve

EUR 1,000	2018	2017
Fair value reserve 1 January	**0**	0
Increase	**3,562**	0
Fair value reserve 31 December	**3,562**	0

(figures in EUR thousand, if not stated otherwise)

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

Ownership of Finnlines Plc
The shareholding of Finnlines Plc is presented in Note 37. Shares and Shareholders.

28. PROVISIONS

EUR 1,000	2018	2017
Non-current provisions	**1,730**	1,730
Current provisions	**256**	248
	1,986	1,977

EUR 1,000	Tax provision	Other provisions	Total
1 January 2018	229	1,748	1,977
Increases in provisions	9		9
Decreases in provisions			
31 December 2018	**238**	**1,748**	**1,986**

EUR 1,000	Tax provision	Other provisions	Total
1 January 2017	244	1,775	2,019
Increases in provisions			
Decreases in provisions	-14	-27	-41
31 December 2017	229	1,748	1,977

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

29. INTEREST-BEARING LIABILITIES

	2018		2017	
EUR 1,000	**Fair Value**	**Carrying amount**	**Fair Value**	**Carrying amount**
Non-current liabilities measured at amortised cost				
Loans from financial institutions	**265,508**	**264,943**	279,013	277,934
Bank overdraft facilities				
Re-borrowing of pension funds	**10,740**	**10,716**	13,180	13,144
Finance lease liabilities	**0**	**0**	1,530	1,530
	276,248	**275,659**	293,723	292,608
Current liabilities measured at amortised cost				
Loans from financial institutions	**80,640**	**80,640**	75,509	75,509
Bank overdraft facilities	**2,396**	**2,396**		
Re-borrowing of pension funds	**2,428**	**2,428**	6,755	6,755
Finance lease liabilities	**14**	**14**	876	876
Commercial paper programme	**91,651**	**91,651**	84,849	84,849
Financial liabilities	**177,129**	**177,129**	167,988	167,988
Loans from financial institutions	**453,377**	**452,788**	461,711	460,597

The carrying amounts of interest-bearing loans from financial institutions and pension loans have been calculated using the effective interest rate method and the fair values have been determined by discounting future cash flows of loans at the interest rate at which the Group would obtain a similar loan from external parties at the end of reporting period. The total interest comprises risk-free interest of -0.2–0.6 (-0.3–0.8 per cent) and a company-specific risk premium. The effective interest rate of finance lease liabilities is assumed to correspond to the valid interest rate of similar contracts to be made at the end of the reporting period. In practice, fair values of loans do not materially differ from carrying amounts.

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

(figures in EUR thousand, if not stated otherwise)

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

The Group has loans from financial institutions and pension loans, which are presented in the table above, Note 29. Interest-bearing liabilities. Also included in level 2 are foreign currency derivatives acquired to hedge against cash flow risk related to committed vessel orders. There is no material difference between carrying values and fair values of these instruments.

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

Level 3 includes unlisted shares amounting to EUR 7.2 (4.6 in 2017) million, which are valued at the lower of acquisition cost or probable value, as their fair value cannot be reliably measured.

EUR 1,000	2018	2017
Maturity of long-term financial liabilities (not including finance lease liabilities)		
Within 12 months	**83,068**	82,263
1–5 years	**250,718**	248,627
After five years	**26,000**	43,432
	359,786	374,322

	2018	2017
Weighted average interest rates of the financial debts	**1.34%**	1.60%

EUR 1,000	Within 1 year	1–5 years	Total
Floating rate financial liabilities, timing of re-pricing 31 December 2018			
Financial liabilities			
Loans from financial institutions	263,112		263,112
Bank overdraft facilities	2,396		2,396
Re-borrowing of pension funds	13,144		13,144
Finance lease liabilities	0		0
	278,652		**278,652**

EUR 1,000	Within 1 year	1–5 years	Total
Floating rate financial liabilities, timing of re-pricing 31 December 2017			
Financial liabilities			
Loans from financial institutions	232,615		232,615
Bank overdraft facilities	0		0
Re-borrowing of pension funds	15,572		15,572
Finance lease liabilities	916		916
	249,103		249,103

All of the Group’s financial liabilities were in EUR on 31 December 2018 and on 31 December 2017.

Financial liabilities include secured liabilities. The pledge value of the related pledged assets is EUR 827 (954) million. This is detailed in Note 34. Contingencies and Commitments.

(figures in EUR thousand, if not stated otherwise)

Finance lease liabilities

EUR 1,000	2018	2017
Finance lease liabilities future minimum lease payments due		
Within 12 months	**14**	963
1–5 years	**0**	1,319
After five years	**0**	394
	14	2,676
Future interest expenses from finance lease agreements	**0**	269
Finance lease liabilities current value of minimum lease payments		
Within 12 months	**14**	948
1–5 years	**0**	1,163
After five years	**0**	295
	14	2,407

Finance lease liabilities consist of machinery and equipment related to the port business.

30. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2018		2017	
EUR 1,000	**Fair Value**	**Carrying amount**	**Fair Value**	**Carrying amount**
Liabilities, non-current				
Other non-current accrued liabilities	**0**	**0**	13	13
Other non-current liabilities	**0**	**0**	0	0
	0	**0**	13	13

	2018		2017	
EUR 1,000	**Fair Value**	**Carrying amount**	**Fair Value**	**Carrying amount**
Accounts payable and other liabilities				
Liabilities measured at cost				
Accounts payable	**20,972**	**20,972**	21,942	21,942
Accrued personnel costs	**11,573**	**11,573**	11,636	11,636
Accrued interest	**1,203**	**1,203**	1,589	1,589
Other accrued expenses and deferred income	**23,209**	**23,209**	21,371	21,371
Other liabilities	**15,956**	**15,956**	14,996	14,996
Current advances received	**4,478**	**4,478**	3,136	3,136
	77,391	**77,391**	74,670	74,670

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

EUR 1,000	2018	2017
Significant items in accrued expenses and deferred income		
Discounts given	**10,040**	9,893
Bunker costs	**783**	523
Cargo handling costs	**2,884**	2,198
Port expenses and voyage-related costs	**1,910**	1,654
Repairs, vessels	**665**	755
Vessel investments	**4,400**	3,680
Other accrued liabilities	**2,531**	2,668
	23,213	21,371

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	2018	2017
Distribution of accounts payable by currency		
EUR	**18,334**	17,609
SEK	**704**	2,029
USD	**1,560**	1,879
GBP	**162**	187
NOK	**0**	0
DKK	**177**	177
CHF	**0**	56
PLN	**35**	5
	20,972	21,942

31. ADJUSTMENTS TO CASH FLOW FROM OPERATIONS

EUR 1,000	2018	2017
Non-cash transactions		
Depreciation	**61,458**	58,427
Profits/losses from the sale of assets	**-5,555**	-1,945
Defined benefit plan valuation, IAS 19	**183**	0
	56,086	56,482

32. PENSION LIABILITIES

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

Finnlines Plc’s and Finnsteve Oy Ab’s assets of the defined benefit pension plans in Finland are mainly administered by insurance companies. The assets thus consist of approved insurance contracts. The assets are administered in accordance with the local statutory requirements under which the plans are obliged to pay guaranteed sums irrespective of market conditions. The defined benefit pension plans in Finland on 31 December 2018 covered a total of 161 (170) members, of whom 13 (14) were employed.

Finnlines Deutschland GmbH has granted defined benefit pension plans to its employees. On 31 December 2018, the defined benefit pension plan in Germany covered a total of 40 (42) members, of whom 9 (9) were employed.

In Sweden, the retirement pension and family pension for employees at the Finnlines Group companies are guaranteed with an Alecta insurance. According to the statement from the Council for Financial Reporting (Rådet för finansiell rapportering), URF 3, this is a defined benefit pension plan, encompassing several employers. During the financial year 2018 or 2017, the Company did not have access to information, which would make it possible to report this plan as a defined benefit plan. A pension plan in accordance with ITP, which is guaranteed with an insurance at Alecta, is therefore reported as a defined contribution plan. The premiums for pension insurance at Alecta amount to EUR 0.5 (0.5) million. Alecta’s surplus can be distributed to policy holders and/or the insured. At the end of 2018, Alecta’s surplus in the form of collective funding ratio amounted to 159 (158) per cent. The collective funding ratio consists of the market value of Alecta’s assets as a percentage of the pension obligations calculated in accordance with Alecta’s actuarial calculation assumptions, which are not compatible with IAS 19.

The weighted average duration of the defined benefit obligations is 9.95 years.

Assumptions 31 December 2018	Germany pension promise	Finland Finnsteve pension promise	Finland Finnsteve pension plan	Finland Finnlines pension plan	Average 2018	Average 2017
Discount rate	2.05%	1.75%	1.75%	1.75%	1.86%	1.54%
Rate of salary increase	1.50%	n/a	1.90%	1.90%		
Rate of benefit increase	1.50%	1.72%	1.72%	1.72%		
Rate of inflation	1.50%	1.48%	1.48%	1.48%		

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	2018	2017
Expense recognised in profit or loss		
Service cost	32	36
Net interest	59	63
Expense recognised in profit or loss	91	100
Remeasurements in other comprehensive income	-183	-60
Amounts in total comprehensive income	-92	40

EUR 1,000	31 Dec 2018	31 Dec 2017
Liability recognised in statement of financial position		
Defined benefit obligation	6,759	7,553
Fair value of plan assets	3,503	3,931
Surplus (-) / Deficit (+)	3,256	3,622
Net defined benefit liability (+) / asset recognised in statement of financial position	3,256	3,622

EUR 1,000	31 Dec 2018	31 Dec 2017
Changes in net defined benefit liability during the period		
Net defined benefit liability recognised in statement of financial position at beginning of period	3,622	3,817
Contributions during the period	-274	-235
Expense during the period	91	100
Remeasurements recognised in other comprehensive income	-183	-60
Net defined benefit liability recognised in statement of financial position at the end of period	3,256	3,622

EUR 1,000	2018	2017
Remeasurements components in other comprehensive income		
Actuarial gains (-) / losses (+) on defined benefit obligation arising from changes in demographic assumptions	43	0
Actuarial gains (-) / losses (+) on defined benefit obligation arising from changes in financial assumptions	-329	203
Actuarial gains (-) / losses (+) on defined benefit obligation arising from experience adjustments	-71	-259
Actuarial gains (-) / losses (+) on plan assets and return on plan assets excluding interest income	173	-4
Remeasurement in other comprehensive income	-183	-60

EUR 1,000	2018	2017
Change in defined benefit obligation		
Opening defined benefit obligation	7,553	8,071
Current service cost	32	36
Interest expense	112	131
Actuarial gains (-) / losses (+) on obligation	-356	-56
Benefits paid	-582	-630
Defined benefit obligation at the end of the period	6,759	7,553

EUR 1,000	2018	2017
Change in the fair value of plan assets		
Opening fair value of plan assets	3,931	4,254
Interest income	53	68
Gain on plan assets excl. item included in net interest	-173	4
Employer contributions	274	235
Benefits paid	-582	-630
Fair value of plan assets at the end of the period	3,503	3,931

(figures in EUR thousand, if not stated otherwise)

31 December 2018					
EUR 1,000	**Germany pension promise**	**Finland Finnsteve pension promise**	**Finland Finnsteve pension plan**	**Finland Finnlines pension plan**	**Total**
Sensitivity analysis on net defined benefit liability					
Discount rate change +0.5%					
Defined benefit obligation	2,271	312	240	3,621	6,444
Fair value of plan assets	0	0	253	3,092	3,345
Net Liability	**2,271**	**312**	**-13**	**529**	**3,099**
Change in EUR	-106	-12	0	-38	-156
Change in %	-4.48%	-3.70%	0.00%	-6.70%	-4.81%
Discount rate change -0.5%					
Defined benefit obligation	2,493	336	269	4,003	7,101
Fair value of plan assets	0	0	283	3,392	3,675
Net Liability	**2,493**	**336**	**-14**	**611**	**3,426**
Change in EUR	115	12	-1	44	170
Change in %	4.85%	3.70%	7.69%	7.76%	5.23%
Benefit increase rate change +0.5%					
Defined benefit obligation	2,491	336	269	3,984	7,080
Fair value of plan assets	0	0	267	3,236	3,503
Net Liability	**2,491**	**336**	**2**	**748**	**3,577**
Change in EUR	113	12	15	181	321
Change in %	4.77%	3.70%	-115.38%	31.92%	9.87%
Benefit increase rate change -0.5%					
Defined benefit obligation	2,272	312	240	3,635	6,459
Fair value of plan assets	0	0	267	3,236	3,503
Net Liability	**2,272**	**312**	**-27**	**399**	**2,956**
Change in EUR	-106	-12	-14	-168	-300
Change in %	-4.44%	-3.70%	107.69%	-29.63%	-9.20%

The Group estimates the costs for the defined benefit plans valid on 31 December 2018 at EUR 0.1 million in 2019.

(figures in EUR thousand, if not stated otherwise)

31 December 2017					
EUR 1,000	**Germany pension promise**	**Finland Finnsteve pension promise**	**Finland Finnsteve pension plan**	**Finland Finnlines pension plan**	**Total**
Sensitivity analysis on net defined benefit liability					
Discount rate change +0.5%					
Defined benefit obligation	2,380	339	271	4,187	7,177
Fair value of plan assets	0	0	282	3,462	3,744
Net Liability	2,380	339	-11	725	3,433
Change in EUR	-117	-13	0	-59	-189
Change in %	-4.69%	-3.69%	0.00%	-7.53%	-5.22%
Discount rate change -0.5%					
Defined benefit obligation	2,624	367	304	4,669	7,964
Fair value of plan assets	0	0	316	3,796	4,112
Net Liability	2,624	367	-12	873	3,852
Change in EUR	127	15	-1	89	230
Change in %	5.09%	4.26%	9.09%	11.35%	6.36%
Benefit increase rate change +0.5%					
Defined benefit obligation	2,622	367	304	4,640	7,933
Fair value of plan assets	0	0	298	3,633	3,931
Net Liability	2,622	367	6	1,007	4,002
Change in EUR	125	15	17	223	380
Change in %	4.99%	4.26%	-154.55%	28.44%	10.48%
Benefit increase rate change -0.5%					
Defined benefit obligation	2,381	339	271	4,209	7,200
Fair value of plan assets	0	0	298	3,633	3,931
Net Liability	2,381	339	-27	576	3,269
Change in EUR	-116	-13	-16	-208	-353
Change in %	-4.64%	-3.69%	145.45%	-26.53%	-9.74%

DEFINED BENEFIT PLAN RISKS

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

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

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

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

(figures in EUR thousand, if not stated otherwise)

33. FINANCIAL RISK MANAGEMENT

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

CURRENCY RISK

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

Transaction risk

In 2018, over 90 per cent of sales were invoiced in EUR, and the rest in SEK, DKK, PLN, USD and GBP. Bunker purchases are made in USD. Other purchases are mainly paid in EUR. Bunker price clauses included in customer contracts cover to a large extent this USD risk. Currency positions are reviewed on a net basis for each currency every 12 months in connection with annual budgeting.

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

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

The Group has signed an order for three ro-ro vessels from the Chinese Jinling shipyard. The vessels' delivery is expected in 2021 and 2022 and the purchase will be paid in USD. The total investment will be over USD 200 million. In accordance with principles approved by the Board of Directors, the Group hedges the majority of this USD risk with forwards.

Derivative instruments

EUR 1,000	Fair Value +	Fair Value -	Net Fair Value	Carrying amount
Interest rate and currency derivatives				
Currency forwards	3,562	0	3,562	88,010
	3,562	**0**	**3,562**	**88,010**

Contractual payables and receivables of financial derivatives, 31 December 2018

EUR 1,000	2019	2020	2021	2022	2023	2024-	Total
Payables							
Currency forwards	0	0	30,913	53,535	0	0	**84,448**
Receivables							
Currency forwards	0	0	32,155	55,855	0	0	**88,010**

The weighted average rate of the hedging instruments with respect to EUR was approximately 1.30.

The Group had no outstanding hedging instruments in 2017.

Translation risk

The Group has net investments abroad and is thus exposed to risks which arise when investments in GBP, DKK and PLN are converted into the parent company's functional currency. The Group's principle is to hedge significant net investments made in foreign subsidiaries through foreign currency loans. In 2017 and 2018, the Group had no such significant investments in foreign currencies. The tables below show the translation position at the end of 2017 and 2018.

EUR 1,000	Investment
Group translation exposure 2018	
GBP	**589**
DKK	**222**
PLN	**80**
	891

EUR 1,000	Investment
Group translation exposure 2017	
GBP	474
DKK	157
PLN	64
	695

(figures in EUR thousand, if not stated otherwise)

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

Assumptions in estimating sensitivity:

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

EUR 1,000	Change in Profit & Loss	Change in Equity
Sensitivity at closing date 2018, change in USD, weakening/strengthening 10% against EUR	**+8,326/-10,176**	**+0/-0**
Sensitivity at closing date 2017, change in USD, weakening / strengthening 10% against EUR	+166/-203	+0/-0

Change before tax effect.

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

The level of hedging against interest rate risks and the duration of the debt portfolio are reviewed annually by the Board of Directors when making the budget. At the balance sheet date, 59 per cent of the Group's borrowings were floating-rate and the rest were fixed-rate borrowings (including loans from financial institutions, pension loans and commercial papers). The duration (average interest rate period) of the debt portfolio was approximately 7 months.

At the balance sheet date, the Group had no open interest rate swaps. Table in Note 29. Interest-bearing liabilities, shows the dates of interest rate changes of the Group's variable-rate liabilities and the effective interest rates of liabilities.

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

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

EUR 1,000	Change in profit & loss
Sensitivity at closing date 2018, change in interest rates, increasing / decreasing 0.5% from valid rate of the instrument at 31 Dec 2018	
Debt portfolio	-1,352/+1,352
	-1,352/+1,352

Change before tax effect.

EUR 1,000	Change in profit & loss
Sensitivity at closing date 2017, change in interest rates, increasing / decreasing 0.5% from valid rate of the instrument at 31 Dec 2017	
Debt portfolio	-1,304/+1,304
	-1,304/+1,304

Change before tax effect.

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

(figures in EUR thousand, if not stated otherwise)

CREDIT RISK
The Group is exposed to credit risk from its commercial receivables. The Group policy sets out the credit rating requirements and investment principles related to customers, investment transactions and derivative contract counterparts. The Group has no significant concentrations of credit risk, since it has a broad clientele distributed across various sectors. The Group makes derivative contracts and investment transactions only with counterparts with high credit ratings. The credit ratings and credit limits of credit customers are constantly monitored. Note 25. Current Receivables, shows the analysis of accounts receivable by age.

Finnlines Group applies the simplified method of expected credit loss allowance for defining impairment of trade and lease receivables as well as assets related to the contracts with customers according to IFRS 15 classified as amortised cost. The expected credit losses are recognised for their full life time using a matrix. The expected credit loss allowance is evaluated based on historical information of realised credit losses, and both reporting segments apply the same method due to the similar customer structure. When evaluating the amount of expected credit loss also economic circumstances and future expectations are taken into consideration. The table below shows the amount of impaired receivables and changes in credit losses.

EUR 1,000	**2018**	**2017**
Changes of the allowance for impaired trade recaivables		
Impaired receivables at 1 January	**1,473**	852
IFRS 9, adjustment of initial application		249
Balance at 1 January, IFRS 9		1,101
Net remeasurement of loss allowance, IFRS 9	**28**	102
Amounts written off	**145**	266
Amounts derecognised from receivables	**-188**	3
Impaired receivables at 31 December	**1,457**	1,473

LIQUIDITY RISK
The Group continuously strives to evaluate and monitor the amount of financing required for its operations to ensure that it will have sufficient liquid assets to finance its business activities and investments, and to repay loans. The Group seeks to finance vessel investments with credit agreements with the longest possible terms. The Group aims to guarantee the availability and flexibility of financing with unutilised credit facilities and by employing several banks and methods for funding. On 31 December 2018, the granted but unused credit facilities totalled EUR 152.6 (155.0) million. Loans include normal equity ratio related covenants. The cash-flows in the tables below include both repayments and expected interests.

Contractual repayments of financial liabilities, including interest, 31 December 2018

EUR 1,000	**2019**	**2020**	**2021**	**2022**	**2023**	**2024-**	**Total**	**Residual amount of interest-bearing liabilities as at 31 Dec 2018**
Loans from financial institutions	85,840	73,888	66,729	58,564	48,996	25,083	359,099	**346,642**
Bank overdraft facilities	2,397	0	0	0	0	0	2,397	**2,396**
Re-borrowing of pension funds	2,466	2,459	2,451	2,444	2,441	1,002	13,263	**13,144**
Financial lease liabilities	14	0	0	0	0	0	14	**14**
Commercial paper programme	91,800	0	0	0	0	0	91,800	**91,651**
	182,518	76,347	69,180	61,008	51,437	26,085	466,574	**453,847**

Contractual repayments of financial liabilities, including interest, 31 December 2017

EUR 1,000	**2018**	**2019**	**2020**	**2021**	**2022**	**2023-**	**Total**	**Residual amount of interest-bearing liabilities as at 31 Dec 2017**
Loans from financial institutions	81,638	76,601	64,858	57,859	49,851	40,299	371,107	354,423
Bank overdraft facilities	0	0	0	0	0	0	0	0
Re-borrowing of pension funds	6,849	2,466	2,459	2,451	2,444	3,443	20,112	19,899
Financial lease liabilities	963	403	388	388	139	394	2,676	2,407
Commercial paper programme	85,300	0	0	0	0	0	85,300	84,849
	174,751	79,470	67,705	60,699	52,434	44,136	479,195	461,578

The Group had no outstanding hedging instruments on 31 December 2017.

(figures in EUR thousand, if not stated otherwise)

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

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

EUR 1,000	2018	2017
Capital risk management		
Financial liabilities	**452,788**	460,597
Cash in hand and at bank	**1,850**	36,965
Financial net debt	**450,938**	423,631
Total equity	**662,087**	615,187
Leverage ratio (gearing), %	**68.1**	68.9

34. CONTINGENCIES AND COMMITMENTS
A significant part of the leases made by the Group comprises the land leases in the Vuosaari and Turku Harbours and the leases for the head office in Helsinki.

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

At year-end 2017 and 2018, the Group had no vessel lease commitments.

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

EUR 1,000	2018	2017
Vessel leases (Group as lessor)		
Within 12 months	**6,753**	0
1–5 years	**13,117**	
	19,869	0

EUR 1,000	2018	2017
Other leases (Group as lessee)		
Future minimum lease payments from other leases due:		
Within 12 months	**5,425**	5,397
1–5 years	**8,110**	8,263
After five years	**3,939**	5,478
	17,474	19,138

The most significant lease payments of other leases are based on the land leases in the Vuosaari and Turku Harbours, on the leases for the buildings in these ports, and on the leases for the head office in Helsinki. The remaining duration of the above mentioned leases is up to 10 years.

EUR 1,000	2018	2017
Other leases (Group as lessor)		
Within 12 months	**229**	232
	229	232

Rental income included in other income from operations is rental income from business premises and working machineries.

EUR 1,000	2018	2017
Collateral given		
Loans secured by mortgages	**359,786**	369,995
	359,786	369,995

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	2018	2017
Vessel mortgages provided as guarantees for the above loans	**827,000**	954,500

The Group's financing agreements include customary covenants relating, inter alia, to the equity ratio.

EUR 1,000	2018	2017
Other collateral given on own behalf		
Pledges	**340**	340
	340	340

EUR 1,000	2018	2017
Other obligations		
Group internal obligations, related to vessel acquisition	**183,092**	70,200
Other external obligations	**5,229**	23,389
	188,321	93,589

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

EUR 1,000	2018	2017
VAT adjustment liability related to real estate investments	**92**	1,434

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.

35. TRANSACTIONS WITH RELATED PARTIES

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

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

Employee benefits granted to key management

EUR 1,000	2018	2017
Salaries and other short-term benefits	**1,883**	1,797
Post-employment benefits	**341**	327
	2,224	2,124

In 2018, the key management consisted of the members of the Board of Directors and the Executive Committee. The Executive Committee comprised the President and CEO, the CFO, the Group General Counsel and the Operating Officers, a total of eight members.

Finnlines Plc's Annual General Meeting held on 8 May 2018 confirmed the following compensation to the Board of Directors in 2018

EUR 1,000	2018	2017
Salaries and fees		
President and CEO		
Board of Directors:	**270**	240
Chairman	**50**	50
Vice Chairman	**40**	40
Board members (each)	**30**	30

Compensation to the Board Members for 2017 was paid in June 2018.

(figures in EUR thousand, if not stated otherwise)

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

EUR 1,000	2018	2017
President and CEO		
Emanuele Grimaldi, President and CEO	**0**	0
Board of Directors		
Jon-Aksel Torgersen, Chairman of the Board	**50**	50
Diego Pacella, Vice chairman of the Board	**40**	40
Christer Backman	**30**	30
Tiina Bäckman	**30**	30
Emanuele Grimaldi	**30**	30
Gianluca Grimaldi	**30**	30
Guido Grimaldi*	**30**	
Mikael Mäkinen**		
Olav K. Rakkenes***		30

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

The Company's management has no supplementary pension insurances in force.

Finnlines had no option schemes on 31 December 2018. The President and CEO, the Executive Committee or the Board of Directors have no share-based incentive programmes.

* Member of the Board as from 16 May 2017.
** Member of the Board as from 8 May 2018.
*** Member of the Board until 16 May 2017.

Transactions with related parties
The Grimaldi Group companies held 100.00 per cent of all the shares in Finnlines Plc on 31 December 2018. More information about Finnlines' share can be found in Note 37. Shares and Shareholders.

EUR 1,000	2018	2017
Transactions with related parties		
Income from Grimaldi companies *	**12,429**	57,396
Purchases from Grimaldi companies **	**76,373**	14,137
Receivables from Grimaldi companies	**4,225**	3,385
Payables to Grimaldi companies	**277**	421

* Income consists mainly of vessel leases and freight income. In 2017 income from Grimaldi Group companies included additionally a sale of one ship.

** Includes the purchase of MS Europalink in 2018.

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

Loans, guarantees and other securities to related parties
The Group had no loan, guarantee or other securities arrangements with its key personnel or related parties (1 January 2018–31 December 2018).

(figures in EUR thousand, if not stated otherwise)

36. SUBSIDIARIES ON 31 DECEMBER 2018

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

37. SHARES AND SHAREHOLDERS

Finnlines Plc has one share series. Each share carries one vote at general shareholder meetings and confers identical dividend rights. As outlined in Finnlines' Articles of Association, the Company's minimum share capital is EUR 50 million and the maximum is EUR 200 million. The share capital can be increased or decreased within these limits. The Company's paid-up and registered share capital on 31 December 2018 totalled EUR 103,006,282. The capital stock consisted of 51,503,141 shares.

Finnlines Plc is fully owned by the Grimaldi Group.

Major shareholders on 31 December 2018	Number of shares	% of shares
Grimaldi Group, Naples - Grimaldi Group S.p.A. - Grimaldi Euromed S.p.A.	51,503,141	100.00
Total number of shares	**51,503,141**	**100.00**

38. EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report.

(figures in EUR thousand, if not stated otherwise)

FIVE-YEAR KEY FIGURES

EUR million	2018	2017 restated	2016	2015	2014
	IFRS	**IFRS**	**IFRS**	**IFRS**	**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	2017	2016	2015	2014
	IFRS	**IFRS**	**IFRS**	**IFRS**	**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 47.

CALCULATION OF KEY RATIOS, IFRS

Earnings per share (EPS), EUR = $\dfrac{\text{Result attributable to parent company shareholders}}{\text{Weighted average number of outstanding shares}}$

Shareholders’ equity per share, EUR = $\dfrac{\text{Shareholders' equity attributable to parent company shareholders}}{\text{Undiluted number of shares at the end of period}}$

Payout ratio, % = $\dfrac{\text{Dividend paid for the year}}{\text{Result before tax +/– non-controlling interests of Group result +/– change in deferred tax liabilities – taxes for the period}} \times 100$

Effective dividend yield, % = $\dfrac{\text{Dividend per share}}{\text{Share price on stock exchange at the end of period}} \times 100$

P/E ratio = $\dfrac{\text{Share price on stock exchange at the end of period}}{\text{Earnings per share}}$

Return on equity (ROE), % = $\dfrac{\text{Result for the reporting period}}{\text{Total equity (average)}} \times 100$

Return on investment (ROI), % = $\dfrac{\text{Result before tax + interest expense + other liability expenses}}{\text{Assets total – interest-free liabilities (average)}} \times 100$

Gearing, % = $\dfrac{\text{Interest-bearing liabilities – cash and bank equivalents}}{\text{Total equity}} \times 100$

Equity ratio, % = $\dfrac{\text{Total equity}}{\text{Assets total – received advances}} \times 100$

Net debt to EBITDA ratio = $\dfrac{\text{Net Debt}}{\text{EBITDA past 12 months}}$

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.

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

PROFIT AND LOSS ACCOUNT, PARENT COMPANY, FAS

EUR	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Revenue	1	**466,251,115.29**	424,462,910.59
Other income from operations	2	**8,999,827.83**	7,182,678.37
Materials and services	3	**-186,132,479.17**	-157,027,379.55
Personnel expenses	4	**-43,689,539.79**	-43,798,786.72
Depreciation, amortisation and other write-offs	5	**-30,871,516.43**	-31,055,827.06
Other operating expenses	6	**-128,135,770.72**	-121,409,032.01
Operating profit		**86,421,637.01**	78,354,563.62
Financial income and expenses	7	**-6,511,729.72**	-7,359,351.25
Result before appropriations and taxes		**79,909,907.29**	70,995,212.37
Appropriations	8		
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	9	**-87,651.83**	-91,892.55
Deferred taxes	10	**1,279,070.03**	7,424,441.61
Result for the reporting period		**93,457,423.32**	59,371,663.60

See Notes starting on page 53.

(figures in EUR thousand, if not stated otherwise)

BALANCE SHEET, PARENT COMPANY, FAS

EUR	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	11	**3,064,970.49**	2,163,491.82
Tangible assets	12	**656,945,334.90**	619,941,153.91
Investments	13		
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	14	**6,767,589.64**	5,303,012.48
Long-term receivables	15	**127,698,945.33**	149,981,889.85
Short-term receivables	16	**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	17		
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	18	**567,000.00**	784,000.00
Voluntary provisions			
Replacement reserve	19		15,856,097.83
Liabilities			
Long-term liabilities			
Deferred tax liability	20	**18,777,372.32**	23,227,661.92
Interest-bearing	21	**268,002,333.71**	280,914,903.26
		286,779,706.03	304,142,565.18
Current liabilities	22		
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

See Notes starting on page 53.

(figures in EUR thousand, if not stated otherwise)

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

(figures in EUR thousand, if not stated otherwise)

PARENT COMPANY ACCOUNTING PRINCIPLES

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

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

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

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

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

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

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

Depreciation periods:

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

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

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

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

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

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

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

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

Appropriations
Appropriations are group contributions received and given and voluntary provisions.

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

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

NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY

1. REVENUE

EUR	2018	2017
By segment		
Shipping and Sea Transport Services	**466,251,115.29**	424,462,910.59
Total	**466,251,115.29**	424,462,910.59
Intra-group revenue	**1,139,507.70**	25,928.19

2. OTHER INCOME FROM OPERATIONS

EUR	2018	2017
Gain on disposals	**6,308,286.65**	4,457,762.80
Rental income	**54,837.26**	126,928.27
Internal administration fees	**2,626,026.16**	2,684,313.59
Other	**10,677.76**	-86,326.29
Total	**8,999,827.83**	7,182,678.37

3. MATERIALS AND SERVICES

EUR	2018	2017
Purchases during the reporting period		
Bunker	**-112,325,208.96**	-84,746,528.00
Other	**-6,281,583.96**	-5,358,001.37
Change in inventories	**1,464,577.16**	-325,997.92
Total	**-117,142,215.76**	-90,430,527.29
External services	**-68,990,263.41**	-66,596,852.26
Materials and services total	**-186,132,479.17**	-157,027,379.55

4. PERSONNEL AND PERSONNEL EXPENSES

EUR	2018	2017
Employees		
Average number of employees		
Shore-based personnel	**217**	220
Sea personnel	**645**	627
	862	847
Personnel expenses		
Wages and salaries	**-49,845,401.06**	-48,417,100.92
Social costs		
Pension costs	**-6,527,149.35**	-7,126,328.06
Other social costs	**-1,956,937.20**	-2,181,739.20
State subsidies	**14,639,947.82**	13,926,381.46
Total	**-43,689,539.79**	-43,798,786.72
Salaries and remunerations to		
President and CEO		
Board of Directors	**-240,000.00**	-240,000.00

(figures in EUR thousand, if not stated otherwise)

5. DEPRECIATION, AMORTISATION AND WRITE-OFFS

EUR	2018	2017
Depreciation and amortisation according to plan		
Other long-term expenditure	**-682,166.67**	-396,788.89
Vessels	**-29,837,319.84**	-30,213,861.78
Cargo handling equipment	**-142,986.09**	-238,119.25
Machinery and equipment	**-209,043.83**	-207,057.14
Total	**-30,871,516.43**	-31,055,827.06

6. OTHER OPERATING EXPENSES

EUR	2018	2017
Vessel hires, internal	**-8,713,244.60**	-9,509,623.60
Vessel hires, external	**-13,625,867.78**	-10,806,695.04
Other leases	**-2,698,114.41**	-2,973,623.81
Port expenses and fairway dues	**-30,916,406.72**	-29,214,240.80
Commissions	**-8,779,355.38**	-9,393,745.09
Cargo handling equipment related costs	**-4,129,583.49**	-3,639,055.44
Vessel insurances, repairs and maintenance	**-34,631,889.07**	-32,767,176.44
Marketing costs	**-3,203,021.95**	-2,898,471.25
Auditors' fees		
KPMG Oy Ab	**-68,500.00**	-66,900.00
Tax consultancy and other fees		
KPMG Oy Ab	**-45,309.24**	-13,413.77
Other	**-21,320,273.38**	-20,126,086.77
Total	**-128,131,566.02**	-121,409,032.01

7. FINANCIAL INCOME AND EXPENSES

EUR	2018	2017
Dividends		
From group companies	**274,584.00**	6,156,876.00
From others		1,116.91
Dividends total	**274,584.00**	6,157,992.91
Other interest and financial income		
From group companies	**3,455,958.10**	3,684,426.42
From others	**66,268.94**	51,066.01
Other interest and financial income total	**3,522,227.04**	3,735,492.43
of which interest income total	**3,522,227.04**	3,735,492.43
Dividends and interest income total	**3,796,811.04**	9,893,485.34
Exchange gains and losses		
From others		
Gains	**174,060.52**	93,345.06
Losses	**-95,246.47**	-111,703.42
Exchange rate differences total	**78,814.05**	-18,358.36
Impairment losses on investments under non-current assets *		-6,000,000.00
Impairment losses total		-6,000,000.00
Interest and other financial expenses		
To group companies	**-4,055.56**	-4,055.56
To others	**-10,383,299.25**	-11,230,422.67
Interest and other financial expenses total	**-10,387,354.81**	-11,234,478.23
of which interest expenses total	**-7,513,087.44**	-8,166,144.18
Financial income and expenses total	**-6,511,729.72**	-7,359,351.25

* Shares in group companies.

(figures in EUR thousand, if not stated otherwise)

8. APPROPRIATIONS

EUR	2018	2017
Group contribution	**-3,500,000.00**	-3,100,000.00
Replacement reserve change	**15,856,097.83**	-15,856,097.83
Total	**12,356,097.83**	-18,956,097.83

9. OTHER TAXES

EUR	2018	2017
Tonnage tax	**-87,651.83**	-91,892.55
Total	**-87,651.83**	-91,892.55

10. DEFERRED TAX LIABILITIES

EUR	2018	2017
Change in deferred taxes	**1,279,070.03**	7,424,441.61
Total	**1,279,070.03**	7,424,441.61

11. INTANGIBLE ASSETS

EUR	Other capitalised expenditures	Advance payments	Total
Acquisition cost on 1 January 2018	**22,052,789.36**		**22,052,789.36**
Increases	1,583,645.34		1,583,645.34
Acquisition cost on 31 December 2018	**23,636,434.70**	**0.00**	**23,636,434.70**
Accumulated depreciation and impairments on 1 January 2018	-19,889,297.54		-19,889,297.54
Depreciation for the reporting period	-682,166.67		-682,166.67
Accumulated depreciation on 31 December 2018	**-20,571,464.21**	**0.00**	**-20,571,464.21**
Carrying value on 31 December 2018	**3,064,970.49**	**0.00**	**3,064,970.49**
Carrying value on 31 December 2017	2,163,491.82	0.00	2,163,491.82

(figures in EUR thousand, if not stated otherwise)

12. TANGIBLE ASSETS

EUR	Buildings and constructions	Vessels	Cargo handling equipment	Machinery and equipment	Advance payments and acquisitions under construction	Total
Acquisition cost on 1 January 2018	**41,944.00**	**813,247,937.14**	**19,538,462.26**	**3,338,583.39**	**10,568,100.31**	**846,735,027.10**
Increases		70,549,501.35	136,579.52	195,880.55	5,446,332.74	76,328,294.16
Disposals	0.00	-11,445,476.91	-1,115,967.42	-34,302.31		-12,595,746.64
Reclassifications between items		10,544,600.31		0.00	-10,544,600.31	0.00
Acquisition cost on 31 December 2018	**41,944.00**	**882,896,561.89**	**18,559,074.36**	**3,500,161.63**	**5,469,832.74**	**910,467,574.62**
Accumulated depreciation and write-offs on 1 January 2018	-41,944.00	-204,803,199.69	-19,254,432.41	-2,694,297.09	0.00	-226,793,873.19
Accumulated depreciation on disposals and reclassifications	0.00	2,314,918.20	1,115,967.42	30,097.61	0.00	3,460,983.23
Depreciation for the reporting period		-29,837,319.84	-142,986.09	-209,043.83	0.00	-30,189,349.76
Accumulated depreciation on 31 December 2018	**-41,944.00**	**-232,325,601.33**	**-18,281,451.08**	**-2,873,243.31**	**0.00**	**-253,522,239.72**
Carrying value on 31 December 2018	**0.00**	**650,570,960.56**	**277,623.28**	**626,918.32**	**5,469,832.74**	**656,945,334.90**
Carrying value on 31 December 2017	0.00	608,444,737.45	284,029.85	644,286.30	10,568,100.31	619,941,153.91

13. INVESTMENTS

EUR	Shares in group companies	Investments in group companies (SVOP)	Receivables from group companies	Total group companies	Other shares	Total
Acquisition cost on 1 January 2018	**230,881,892.78**	**40,000,000.00**	**84,858,176.83**	**355,740,069.61**	**4,611,284.61**	**360,351,354.22**
Increases	0.00	0.00	0.00	0.00	2,672,175.94	2,672,175.94
Decreases	-25,732.75			-25,732.75		-25,732.75
Acquisition cost on 31 December 2018	**230,856,160.03**	**40,000,000.00**	**84,858,176.83**	**355,714,336.86**	**7,283,460.55**	**362,997,797.41**
Accumulated impairments on 1 January 2018	-202,260,000.00	0.00	0.00	-202,260,000.00	0.00	-202,260,000.00
Impairments for the reporting period	0.00			0.00		0.00
Accumulated impairments on 31 December 2018	**-202,260,000.00**	**0.00**	**0.00**	**-202,260,000.00**	**0.00**	**-202,260,000.00**
Carrying value on 31 December 2018	**28,596,160.03**	**40,000,000.00**	**84,858,176.83**	**153,454,336.86**	**7,283,460.55**	**160,737,797.41**
Carrying value on 31 December 2017	28,621,892.78	40,000,000.00	84,858,176.83	153,480,069.61	4,611,284.61	158,091,354.22

14. INVENTORIES

EUR	2018	2017
Bunker	**4,761,704.54**	3,705,749.93
Other inventories	**2,005,885.10**	1,597,262.55
Total	**6,767,589.64**	5,303,012.48

(figures in EUR thousand, if not stated otherwise)

15. LONG-TERM RECEIVABLES

EUR	2018	2017
Loan receivables		
Loan receivables from group companies	**122,797,551.84**	145,065,482.60
Total	**122,797,551.84**	145,065,482.60
Other receivables	**1,192,218.13**	1,204,867.30
Currency derivatives	**3,562,220.62**	0.00
Accrued income and prepaid expenses	**146,954.74**	540,320.38
Deferred tax receivables	**0.00**	3,171,219.57
Total long-term receivables	**127,698,945.33**	149,981,889.85

16. SHORT-TERM RECEIVABLES

EUR	2018	2017
Accounts receivable		
From group companies	**-41,662.07**	357,599.12
From others	**71,665,310.77**	65,821,270.94
Total	**71,623,648.70**	66,178,870.06
Loan receivables		
From group companies	**30,715,991.37**	18,612,757.47
Total	**30,715,991.37**	18,612,757.47
Other receivables	**979,800.72**	2,815,885.66
Accrued income and prepaid expenses		
From group companies	**322,070.47**	414,879.43
From others	**21,346,947.06**	17,837,765.19
Total	**21,669,017.53**	18,252,644.62
Total short-term receivables	**124,988,458.32**	105,860,157.81
Significant items of accrued income and prepaid expenses		
Sea freight revenue	**168,804.78**	268,691.88
State subsidies	**7,636,880.33**	7,190,892.33
Vessel hires	**124,582.00**	154,281.00
Docking costs	**6,040,583.79**	6,169,404.63
Passenger income	**318,977.90**	429,184.07
Insurances	**567,024.98**	515,870.50
Port expenses	**699,791.01**	534,950.25
Cargo handling	**3,021,304.67**	0.00
Reimbursement of average repairs, vessels	**1,964,075.83**	2,004,116.18
Other	**1,126,992.24**	985,253.78
Total	**21,669,017.53**	18,252,644.62

(figures in EUR thousand, if not stated otherwise)

17. SHAREHOLDERS' EQUITY

EUR	2018	2017
Restricted equity		
Share capital on 1 January	**103,006,282.00**	103,006,282.00
Share capital on 31 December	**103,006,282.00**	103,006,282.00
Share issue premium on 1 January	**24,525,353.70**	24,525,353.70
Share issue premium on 31 December	**24,525,353.70**	24,525,353.70
Fair value reserve on 1 January	**0.00**	0.00
Fair value reserve on 31 December	**3,562,220.62**	0.00
Non-restricted equity		
Unrestricted equity reserve 1 January	**40,882,508.10**	40,882,508.10
Unrestricted equity reserve 31 December	**40,882,508.10**	40,882,508.10
Retained earnings on 1 January	**330,441,209.25**	326,692,937.93
Retained earnings on 31 December	**330,441,209.25**	326,692,937.93
Dividend paid	**-51,503,141.00**	-55,623,392.28
Result for the reporting period	**93,457,423.32**	59,371,663.60
Total shareholders' equity	**544,371,855.99**	498,855,353.05
Calculation of distributable funds		
Retained earnings	**278,938,068.25**	271,069,545.65
Unrestricted equity reserve	**40,882,508.10**	40,882,508.10
Result for the reporting period	**93,457,423.32**	59,371,663.60
Parent company's distributable funds on 31 December	**413,277,999.67**	371,323,717.35

18. STATUTORY PROVISIONS

EUR	2018	2017
Pension obligation	**567,000.00**	784,000.00
Total	**567,000.00**	784,000.00

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

19. VOLUNTARY PROVISIONS

EUR	2018	2017
Voluntary provisions		
Tax-based reserve, replacement reserve	**0.00**	15,856,097.83
Total	**0.00**	15,856,097.83

20. DEFERRED TAX LIABILITY

EUR	2018	2017
Deferred tax liability of excess depreciations, tonnage taxation 1 January	**23,227,661.92**	27,480,883.96
Recognised in profit and loss account 1 January–31 December		
Tonnage tax relief	**-4,450,289.60**	-4,253,222.04
Deferred tax liability, tonnage taxation 31 December	**18,777,372.32**	23,227,661.92

(figures in EUR thousand, if not stated otherwise)

21. LONG-TERM LIABILITIES

EUR	2018	2017
Long-term interest-bearing liabilities		
Loans from financial institutions	**266,002,333.71**	278,914,903.26
Re-borrowing of pension funds	**0.00**	0.00
Other long-term interest-bearing liabilities		
Debts to group companies	**2,000,000.00**	2,000,000.00
Total	**268,002,333.71**	280,914,903.26

Maturity of loans		
Year		
2018		76,610,547.62
2019	**80,639,842.55**	72,094,388.55
2020	**70,442,889.62**	61,897,435.62
2021	**64,776,222.99**	56,230,768.99
2022	**57,237,763.99**	50,692,309.99
2023 and later for 2017	**48,545,456.99**	40,000,000.10
2024 and later for 2018	**25,000,000.11**	
Total	**346,642,176.25**	357,525,450.87

Long-term loans due after five years		
Loans from financial institutions	**25,000,000.11**	40,000,000.10
Debts to group companies	**0.00**	0.00
Total	**25,000,000.11**	40,000,000.10

(figures in EUR thousand, if not stated otherwise)

22. CURRENT LIABILITIES

EUR	2018	2017
Interest-bearing current liabilities		
Loans from financial institutions	**80,639,842.54**	75,508,547.62
Bank overdraft facilities	**2,395,907.26**	0.00
Re-borrowing of pension funds	**0.00**	1,102,000.00
Commercial papers	**91,650,548.10**	84,848,858.23
Other interest-bearing current liabilities		
To group companies	**13,304,280.74**	39,677,189.30
Total interest-bearing liabilities	**187,990,578.64**	201,136,595.15
Interest-free current liabilities		
Accounts payable		
To group companies	**1,347,529.53**	675,004.77
To others	**17,823,037.33**	16,688,577.78
Total	**19,170,566.86**	17,363,582.55
Other interest-free liabilities to others		
To others	**13,195,900.01**	12,393,000.77
Total	**13,195,900.01**	12,393,000.77
Accrued expenses and deferred income		
To group companies	**1,042,652.65**	916,336.18
To others	**27,981,385.85**	25,443,002.55
Total	**29,024,038.50**	26,359,338.73
Total interest-free current liabilities	**61,390,505.37**	56,115,922.05
Total current liabilities	**249,381,084.01**	257,252,517.20
Significant items of accrued expenses and deferred income		
Agent commissions paid, internal	**358,071.56**	371,124.70
Purchased services, internal	**221,301.61**	174,963.02
Annual rebates	**7,633,469.73**	7,416,569.20
Personnel expenses	**5,242,928.02**	4,905,493.70
External services / cargo handling costs	**1,859,800.93**	1,594,224.18
Port expenses and voyage related costs	**1,850,014.36**	1,318,754.97
Interest expenses	**1,148,883.17**	1,525,901.78
Bunker costs	**778,502.46**	522,804.93
Investments in vessels	**4,400,000.00**	3,680,000.00
Other	**5,531,066.66**	4,849,502.25
Total	**29,024,038.50**	26,359,338.73

(figures in EUR thousand, if not stated otherwise)

CONTINGENCIES AND COMMITMENTS

	2018		2017	
EUR 1,000	**Debt**	**Value of collateral**	**Debt**	**Value of collateral**
Pledges and commitments given on own account				
Vessel mortgages provided as guarantees for loans				
Loans from financial institutions	**252,132**	**600,000**	275,357	650,000
Vessel mortgages provided by subsidiaries as guarantees for loans				
Loans from financial institutions	**94,510**	**202,000**	79,066	279,500
	346,642	**802,000**	354,423	929,500
Pledged deposit	**0**	**150**	0	150
Other contingent liabilities	**0**	**187,481**	0	20,480
Leasing liabilities				
Due within 12 months	**0**	**531**	0	222
Due between one and five years	**0**	**620**	0	291
Leasing liabilities total	**0**	**1,151**	0	513
Vessel leases (Group as a lessee)				
Due within 12 months	**0**	**0**	0	0
Vessel leases (Group as a lessee) total	**0**	**0**	0	0
Other leases				
Due within 12 months	**0**	**787**	0	774
Due between one and five years	**0**	**1,249**	0	1,966
Due after five years	**0**	**0**	0	0
Other leases total	**0**	**2,036**	0	2,740
Guarantees given on behalf of subsidiaries				
Guarantees given on behalf of the subsidiaries	**0**	**0**	0	3,272
Guarantees for rental contracts	**0**	**454**	0	1,371
Guarantees given on behalf of subsidiaries total	**0**	**454**	0	4,643

(figures in EUR thousand, if not stated otherwise)

SHARES AND HOLDINGS OF PARENT COMPANY

SHARES AND HOLDINGS

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

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

Distributable funds included in the parent company’s shareholders’ equity on 31 December 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

(figures in EUR thousand, if not stated otherwise)

PARENT COMPANY'S ACCOUNTING BOOKS, VOUCHER CATEGORIES AND ARCHIVING

Accounting books	Archiving	System	Retention of data, 15 years
Profit and loss account and balance sheet	Digital document	Oracle Financials	until 2034
Balance sheet book	Bound book		until 2034
Balance sheet specification	Bound book		until 2034
General journals	Digital document	Oracle Financials	until 2034
General ledgers	Digital document	Oracle Financials	until 2034
Accounts receivable	Digital document	Oracle Financials	until 2034
Accounts Payable	Digital document	Oracle Financials	until 2034
Payroll accounting, land	Digital document	Aditron Personec W	until 2034
Payroll accounting, sea	Digital document	HPSWIN	until 2034
Asset accounting	Digital document	Oracle Financials	until 2034

Voucher categories	Archiving	System	Retention of data, 15 years
Sales invoices, freight	Digital document	Octopus, Compass, Gatlas, Opus Capita's image archive	until 2034
Sales invoices, passenger services	Digital document	eBooking, Opus Capita's image archive	until 2034
Sales invoices, manual	Digital document	Oracle Financials	until 2034
Bank statements	Digital document	Opus Capita	until 2034
Sales transactions	Digital document	Oracle Financials	until 2034
Interest invoices	Digital document	Oracle Financials	until 2034
Purchase invoices	Digital document	Oracle Financials	until 2034
Purchase invoices, E-invoice	Digital document	Oracle Financials	until 2034
Payment batches	Digital document	Oracle Financials	until 2034
Travel invoices	Digital document	Aditro Expense	until 2034
Bank and cash vouchers	Digital document	Oracle Financials	until 2034
Memorials and accruals	Digital document	Oracle Financials, Shipfox, Winpos, Aava	until 2034
Payroll accounting vouchers, office	Digital document	Aditron Personec W	until 2034
Payroll accounting vouchers, sea personnel	Digital document	HPSWIN	until 2034
Fixed assets accounting vouchers	Digital document	Oracle Financials	until 2034
Notes	Paper		until 2034

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

(figures in EUR thousand, if not stated otherwise)

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

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