Financial review January–September 2018

6 November 2018

FINNLINES Q3

JANUARY–SEPTEMBER 2018: Strong performance continued, revenue up 10.7 per cent

- Revenue EUR 447.9 (404.5 in 2017) million, increase 10.7 per cent
- Result before interest, taxes, depreciation and amortisation (EBITDA) EUR 129.0 (120.4) million, increase 7.1 per cent
- Result for the reporting period EUR 75.3 (67.8) million, increase 10.9 per cent
- Interest-bearing debt increased by EUR 7.8 million and was EUR 493.8 (486.0) million at the end of the period

JULY–SEPTEMBER 2018: Best ever third quarter result again

- Revenue EUR 158.8 (145.2) million, increase 9.4 per cent
- Result before interest, taxes, depreciation and amortisation (EBITDA) EUR 50.6 (50.7) million
- Result for the reporting period EUR 33.0 (32.5) million, increase 1.5 per cent

KEY FIGURES

MEUR	1–9 2018	1–9 2017 restated	7–9 2018	7–9 2017 restated	1–12 2017 restated
Revenue	**447.9**	404.5	**158.8**	145.2	536.3
Result before interest, taxes, depreciation and amortisation (EBITDA)	**129.0**	**120.4**	**50.6**	**50.7**	**152.3**
Result before interest and taxes (EBIT)	**82.8**	76.6	**35.3**	35.6	94.0
% of revenue	**18.5**	19.0	**22.2**	24.5	17.5
Result for the reporting period	**75.3**	**67.8**	**33.0**	**32.6**	**82.6**
Shareholders' equity/share, EUR	**12.42**	11.65	**12.42**	11.65	11.94
Equity ratio, %	**50.6**	49.5	**50.6**	49.5	51.1
Net debt/EBITDA	**3.1**				2.78
Interest bearing debt, MEUR	**493.8**	486.0	**527.6**	486.0	458.2
Gearing, %	**77.0**	81.0	**81.0**	81.0	68.9

EMANUELE GRIMALDI, PRESIDENT AND CEO, IN CONJUNCTION WITH THE REVIEW:
”The Finnlines Group's result for the reporting period increased by EUR 7.3 million to EUR 75.3 million. Earning before interest, taxes, depreciation and amortization, EBITDA, came to EUR 129.0 million against EUR 120.4 million last year. Revenue increased EUR 43.4 million to EUR 447.9 million.

Shipping is undoubtedly the most sustainable way of transportation. Approximately 90 per cent of global trade is shipped by sea but shipping sector's emissions represent only for around 2.2 per cent of the total global CO2 emissions. Regardless of this 2.2 per cent, the International Maritime Organization, IMO, decided to take further actions to cut CO2 emissions by at least 50 per cent by 2050 compared to 2008. Reducing fuel consumption and cutting harmful emissions have long time ago been the fundamental objectives of our Group. Finnlines has made a whole series of concrete investments and actions to promote environmental sustainability and corporate social responsibility. These actions include scrubber installations on 21 ships, slow steaming, fleet changes and route optimisation, fuel monitoring, hull silicon treatments, propulsion improvement and vessel lengthening investments, developing multiple newbuilding projects aimed at reducing fleet emission/ton footprint.

We continue to implement our strategy with determination and with consistency. Already a decade ago, we were forerunners when we invested over EUR 1 billion into very modern fleet and as reported in spring, we have ordered three modern and green ro-ro vessels to add up further 17,500 lane metres to our services. This way we continue our efforts on further improving our operational and environmental efficiency and invest around EUR 200 million in these technologically and environmentally advanced 5,800 lane meters ro-ro vessels. Further resources will be invested in a new series of modern large green ro-pax vessels to be delivered in a 3-4 years time span.

These investments enable us to grow with our customers on longer term and, moreover, to grow with them in a sustainable way, but also keeping our reliability and efficiency on high level. We are pleased with our current progress both operationally and financially and we are on track to deliver an excellent result – once more – in 2018.”

FINNLINES PLC, FINANCIAL REVIEW JANUARY–SEPTEMBER 2018 (unaudited)

FINNLINES' BUSINESS

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

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 of Oy Intercarriers Ltd, in which it was majority shareholder. Oy Intercarriers Ltd's result has been consolidated into the Finnlines Group result until August 2018. The divestment does not have material impact on Group level profit.

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. 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 the Finnish Transport Agency for January–August, the Finnish seaborne imports carried in container, lorry and trailer units (measured in tons) increased by 4 per cent and exports increased by 1 per cent compared to the same period in 2017. During the same period private and commercial passenger traffic between Finland and Sweden decreased by 2 per cent. Between Finland and Germany the corresponding traffic increased by 1 per cent (Finnish Transport Agency).

FINNLINES' TRAFFIC

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

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

The cargo volumes transported during January–September totalled approximately 575 (530 in 2017) thousand cargo units, 114 (101) thousand cars (not including passengers' cars) and 933 (962) thousand tons of freight not possible to measure in units. In addition, some 530 (496) thousand private and commercial passengers were transported.

FINANCIAL RESULTS

January–September 2018

The Finnlines Group recorded revenue totalling EUR 447.9 (404.5) million in the reporting period, an increase of 10.7 per cent compared to the same period in the previous year. Shipping and Sea Transport Services generated revenue amounting to EUR 431.0 (389.6) million, of which passenger related revenue was EUR 47.7 (44.0) million. The revenue of Port Operations was EUR 33.4 (31.5) million. Cargo volume continued to grow in most trades, which increased the turnover in Shipping and Sea Transport Services segment. Compared to last year, bunker prices and respective bunker surcharge are on 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 16.4 (16.6) million.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 129.0 (120.4) million, an increase of 7.1 per cent.

Result before interest and taxes (EBIT) was EUR 82.8 (76.6) million. Improved volumes and optimised vessel capacity enabled a positive development of the result.

As a result of the improved financial position, net financial expenses decreased to EUR -7.8 (-9.0) million. Financial income was EUR 0.3 (0.2) million and financial expenses EUR -8.1 (-9.2) million. Result before taxes (EBT) improved by EUR 7.3 million and was EUR 75.0 (67.6) million. The result for the reporting period was EUR 75.3 (67.8) million.

July–September 2018

The Finnlines Group recorded revenue totalling EUR 158.8 (145.2) million. Cargo volumes improved during the third quarter increasing the revenue. Also, cargo-related bunker surcharge has been higher since respective fuel costs have continued to increase also on the third quarter. Shipping and Sea Transport Services generated revenue amounting to EUR 153.5 (140.0) million and Port Operations

EUR 10.4 (10.6) million. The internal revenue between the segments was EUR 5.1 (5.4) million. Compared to the first two quarters the cargo volumes and the amount of passengers have increased due to the seasonality of the trade.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 50.6 (50.7) million, a decrease of 0.1 per cent.

Result before interest and taxes (EBIT) was EUR 35.3 (35.6) million.

Net financial expenses were EUR -2.5 (-2.9) million. Financial income was EUR 0.1 (0.0) million and financial expenses totalled EUR -2.6 (-3.0) million. Result before taxes (EBT) improved by EUR 0.1 million and was EUR 32.8 (32.7) million. The result for July–September was EUR 33.0 (32.5) million which is the best third quarter result ever.

STATEMENT OF FINANCIAL POSITION, FINANCING AND CASH-FLOW

The Company continued the ongoing Energy Efficiency and Emission Reduction Investment Programme and purchased MS Europalink, therefore interest-bearing debt increased by EUR 7.8 million to EUR 493,8 (486.0) million, excluding leasing liabilities of EUR 0.0 (2.7) million. Net interest-bearing debt at the end of period was EUR 492.3 (486.4) million. Net interest-bearing debt/EBITDA (rolling 12 months) ratio amounted to 3.1 (3.4) and the equity ratio calculated from the balance sheet was 50.6 (49.5) per cent. Gearing resulted to 77.0 (81.0) 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 135.4 (121.7) million.

Net cash generated from operating activities remained strong and was EUR 103.5 (87.2) million.

CAPITAL EXPENDITURE

The Finnlines Group's gross capital expenditure in the reporting period totalled EUR 120.7 (26.0) million, including tangible and intangible assets. Total depreciation and amortisation amounted to EUR 46.2 (43.8) million. The investments consist of normal replacement expenditure of fixed assets, the purchase of MS Europalink, scrubber 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, Finnlines extended the programme by using the options for lengthening two additional sister vessels. Thanks to the four lengthened vessels, during 2018 Finnlines has gradually increased the overall fleet capacity with nearly 4,000 lane metres. On 15th September 2018, MS Finnbreeze arrived in Gdansk to undergo her conversion. Immediately after she has been redelivered, MS Finnsea will follow. The whole program is expected to be finished by the end of December 2018.

Furthermore, Finnlines has continued investing in improved passenger comfort and further optimising the Finnlines' ro-ro passenger vessels and routes. In beginning of May, MS Europalink replaced MS Finnswan on the Germany–Sweden route while MS Finnswan moved to her new service between Finland, Åland Islands and Sweden, replacing the much smaller and older ro-pax vessel MS Finnclipper.

All combined actions are aimed to improve the travel experience onboard Finnlines' modern and environmentally friendly ro-pax vessels, to ensure sufficient capacity throughout the 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.

PERSONNEL

The Group employed an average of 1,660 (1,674) persons during the reporting period, consisting of 932 (967) persons at sea and 728 (707) persons on shore. The number of persons employed at the end of the period was 1,585 (1,631) in total, of which 883 (937) at sea and 702 (694) on shore. The number of sea personnel decreased due to the bareboat charter out of MS Finnclipper. 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 66.6 (66.5) million.

THE FINNLINES SHARE

The Company's paid-up and registered share capital on 30 September 2018 totalled EUR 103,006,282. The capital stock consisted of 51,503,141 shares.

Finnlines Plc is fully owned by the Grimaldi Group.

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 effect on the Group’s business. However, with one of the youngest and largest fleets in Northern Europe and with investments in engine systems and energy efficiency, Finnlines is in a strong position to greatly mitigate this risk.

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

LEGAL PROCEEDINGS

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

Finnlines’ port operations subsidiaries have received a summons from 18 former employees. All employees claim for compensation based on groundless termination of their employment contracts and compensation according to the Non-Discrimination Act. The total amount of the claims is EUR 2.2 million. The subsidiaries consider the claims to be groundless. The District Court of Helsinki issued a decision in March 2017. The District Court dismissed the claims of the employees in their entirety. The employees appealed to the Court of Appeal. The parties have reached an amicable settlement on the case and the employees withdraw their appeal to the Court of Appeal. The case is closed.

CORPORATE GOVERNANCE

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

EVENTS AFTER THE REPORTING PERIOD

Finnlines Plc has sold the ro-ro vessel MS Finncarrier to the external party in October 2018. Finnlines has bareboat chartered MS Finncarrier from its new owner from October 2018 to January 2019.

OUTLOOK AND OPERATING ENVIRONMENT

Finland’s economy continues to grow and import and export volumes are estimated to develop positively. The EUR 70 million lengthening programme has progressed according to plan and now five out of six vessels have 30 per cent more capacity to carry than last year. The Finnlines Group’s result before taxes is expected to improve from the previous year as a result of these investments in the Finnlines fleet, as well as, as a result of several efficiency and productivity actions that have been taken.

The fourth financial review of 2018 for the period of 1 January–31 December 2018 and the Financial Statement 2018 will be published on Thursday, 28 February 2019.

Finnlines Plc
The Board of Directors

Emanuele Grimaldi
President and CEO

FURTHER INFORMATION

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ENCLOSURES

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DISTRIBUTION

Main media

This interim report is unaudited.

REPORTING AND ACCOUNTING POLICIES

This interim report included herein is prepared in accordance with IAS 34 (Interim Financial Reporting) standard. The Group has adopted new or revised IFRS standards and IFRIC interpretations from the beginning of the reporting period corresponding to those described in the 2017 Financial Statements with effect of 1 January 2018. The impacts have been described below.

Finnlines has adopted new IFRS 9 and IFRS 15 principles with effect of 1 January 2018. IFRS 15 (Revenue from contracts with customers) has been adopted in full to prior year using practical expedient approach. IFRS 15 did not have an effect on 2017 reported figures.

IFRS 9 (Financial instruments) has been adopted retrospectively to prior year. Therefore 2017 reported figures have been restated regarding the impairment of trade receivables using simplified credit loss method, although this did not have a material effect. Similarly effect of impairment of trade receivables on year 2018 is not material.

Finnlines has applied IFRS 9 hedge accounting method for derivatives have been purchased to hedge against cash flow risk related to vessel orders. Fair values of the contracts are included in Non-current receivables. All contracts have positive values as of September 2018. Change in fair value is presented as part of other comprehensive income.

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

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

The preparation of the interim financial statements in accordance with IFRS requires management to make estimates and assumptions and use its discretion in applying the accounting principles that affect the valuation of the reported assets and liabilities and other information such as contingent liabilities and the recognition of income and expenses in the income statement. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates. The uncertainties related to the key assumptions were the same as those applied to the consolidated financial statements at the year-end 31 December 2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR 1,000	7–9 2018	7–9 2017 restated	1–9 2018	1–9 2017 restated	1–12 2017 restated
Revenue	**158,794**	145,207	**447,941**	404,464	536,257
Other income from operations	**202**	712	**1,018**	1,556	2,633
Materials and services	**-52,120**	-40,175	**-147,194**	-120,509	-163,645
Personnel expenses	**-20,638**	-21,118	**-66,608**	-66,472	-89,451
Depreciation, amortisation and impairment losses	**-15,360**	-15,043	**-46,161**	-43,783	-58,368
Other operating expenses	**-35,607**	-33,961	**-106,194**	-98,628	-133,512
Total operating expenses	**-123,725**	-110,297	**-366,157**	-329,392	-444,976
Result before interest and taxes (EBIT)	**35,271**	**35,621**	**82,801**	**76,628**	**93,914**
Financial income	**122**	42	**270**	152	258
Financial expenses	**-2,642**	-2,992	**-8,095**	-9,175	-11,769
Result before taxes (EBT)	**32,751**	**32,672**	**74,976**	**67,605**	**82,404**
Income taxes	**211**	-207	**309**	202	236
Result for the reporting period	**32,963**	**32,465**	**75,285**	**67,807**	**82,639**
Other comprehensive income:					
Other comprehensive income to be reclassified to profit and loss in subsequent periods:					
Fair value changes on currency derivatives	**1,030**	0	**1,030**	0	0
Exchange differences on translating foreign operations	**-2**	-3	**-2**	-11	-12
Tax effect, net					
Other comprehensive income to be reclassified to profit and loss in subsequent periods, total	**1,028**	**-3**	**1,028**	**-11**	**-12**
Other comprehensive income not being reclassified to profit and loss in subsequent periods:					
Remeasurement of defined benefit plans	**0**	0	**0**	0	60
Tax effect, net	**0**	0	**0**	0	-36
Other comprehensive income not being reclassified to profit and loss in subsequent periods, total					**24**
Total comprehensive income for the reporting period	**33,991**	**32,462**	**76,313**	**67,796**	**82,651**
Result for the reporting period attributable to:					
Parent company shareholders	**32,963**	32,458	**75,285**	67,817	82,647
Non-controlling interests	**0**	7	**0**	-10	-7
	32,963	**32,465**	**75,285**	**67,807**	**82,639**
Total comprehensive income for the reporting period attributable to:					
Parent company shareholders	**33,991**	32,455	**76,313**	67,804	82,658
Non-controlling interests	**0**	7	**0**	-10	-7
	33,991	**32,462**	**76,313**	**67,796**	**82,651**
Result for the reporting period attributable to parent company shareholders calculated as earnings per share (EUR/share):					
Undiluted / diluted earnings per share	**0.66**	0.63	**1.48**	1.32	1.60
Average number of shares:					
Undiluted / diluted	**51,503,141**	51,503,141	**51,503,141**	51,503,141	51,503,141

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR 1,000	30 Sep 2018	30 Sep 2017 restated	31 Dec 2017 restated
ASSETS			
Non-current assets			
Property, plant and equipment	**1,000,913**	923,199	929,152
Goodwill	**105,644**	105,644	105,644
Intangible assets	**4,092**	3,187	3,516
Other financial assets	**7,253**	4,580	4,579
Receivables	**2,425**	1,810	1,642
Deferred tax assets	**4,431**	5,691	4,517
	1,124,758	**1,044,111**	**1,049,049**
Current assets			
Inventories	**7,281**	6,410	6,340
Accounts receivable and other receivables	**114,422**	102,798	98,073
Income tax receivables	**6**	34	42
Cash and cash equivalents	**1,518**	2,218	36,965
	123,227	**111,461**	**141,420**
Non-current assets held for sale	**15,121**	57,080	15,121
Total assets	**1,263,106**	**1,212,652**	**1,205,591**
EQUITY			
Equity attributable to parent company shareholders			
Share capital	**103,006**	103,006	103,006
Share premium account	**24,525**	24,525	24,525
Fair value reserve*	**1,030**	0	0
Translation differences	**123**	125	124
Fund for invested unrestricted equity	**40,016**	40,016	40,016
Retained earnings	**470,938**	432,197	447,049
	639,638	**599,869**	**614,721**
Non-controlling interests	**0**	168	127
Total equity	**639,638**	**600,037**	**614,848**
LIABILITIES			
Long-term liabilities			
Deferred tax liabilities	**49,329**	51,155	49,851
Other long-term liabilities	**0**	25	13
Pension liabilities	**3,635**	3,826	3,622
Provisions	**1,730**	1,742	1,730
Loans from financial institutions	**303,880**	309,088	292,608
	358,574	**365,836**	**347,824**
Current liabilities			
Accounts payable and other liabilities	**74,709**	66,993	74,670
Current tax liabilities	**-4**	8	13
Provisions	**219**	201	248
Loans from financial institutions	**189,970**	179,576	167,988
	264,893	**246,779**	**242,919**
Total liabilities	**623,468**	**612,615**	**590,743**
Liabilities related to long-term assets held for sale	**0**	0	0
Total equity and liabilities	**1,263,106**	**1,212,652**	**1,205,591**

* Fair value reserve consists of valuation of foreign currency forward agreements, accounted by using hedge accounting method.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2017, IFRS

EUR 1,000	Equity attributable to parent company shareholders							
	Share capital	Share issue premium	Translation differences	Unrestricted equity 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 reinstatement 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:								
Effect of IFRS 9 reinstatement bad debt provision					-83	-83		-83
Result for the reporting period					67,901	67,901	-10	67,891
Exchange differences on translating foreign operations			-11			-11		-11
Remeasurement of defined benefit plans								
Tax effect, net								
Total comprehensive income for the reporting period			**-11**		**67,818**	**67,807**	**-10**	**67,797**
Dividend					-55,623	-55,623		-55,623
Equity 30 September 2017, restated	**103,006**	**24,525**	**125**	**40,016**	**432,198**	**599,869**	**168**	**600,037**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2018, IFRS

EUR 1,000	Equity attributable to parent company shareholders								
	Share capital	Share issue premium	Translation differences	Fair value reserve	Unrestricted equity reserve	Retained earnings	Total	Non-controlling interests	Total equity
Reported equity 31 December 2017	**103,006**	**24,525**	**124**		**40,016**	**447,388**	**615,060**	**127**	**615,187**
Effect of IFRS 9 restatement – bad debt provision						-339	-339		-339
Shareholders' equity 1 January 2018, restated	103,006	24,525	124		40,016	447,049	614,721	127	614,848
Comprehensive income for the reporting period:									
Result for the reporting period						75,285	75,285	0	75,285
Fair value changes on currency derivatives				1,030			1,030		1,030
Exchange differences on translating foreign operations			-1			-1	-2		-2
Remeasurement of defined benefit plans									
Acquisitions and disposals						108	108	-127	-19
Tax effect, net									
Total comprehensive income for the reporting period			**-1**	**1,030**		**75,392**	**76,421**	**-127**	**76,294**
Dividend						-51,503	-51,503		-51,503
Equity 30 September 2018	**103,006**	**24,525**	**123**	**1,030**	**40,016**	**470,938**	**639,638**	**0**	**639,638**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1,000	1–9 2018	1–9 2017 restated	1–12 2017 restated
Cash flows from operating activities			
Result for the reporting period	**75,284**	67,891	82,639
Adjustments:			
Non-cash transactions	**45,857**	42,731	56,482
Unrealised foreign exchange gains (-) / losses (+)		1	1
Financial income and expenses	**7,825**	9,022	11,509
Taxes	**-309**	-202	-235
Changes in working capital:			
Change in accounts receivable and other receivables	**-16,336**	-25,432	-20,691
Change in inventories	**-940**	290	360
Change in accounts payable and other liabilities	**1,062**	2,884	4,418
Change in provisions	**13**	-6	-223
Interest paid	**-6,511**	-7,386	-8,434
Interest received	**34**	41	99
Taxes paid	**-136**	-37	-122
Other financing items	**-2,380**	-2,568	-3,336
Net cash generated from operating activities	**103,465**	**87,229**	**122,470**
Cash flow from investing activities			
Investments in tangible and intangible assets	**-121,114**	-26,006	-43,547
Sale of tangible assets	**1,443**	972	45,881
Purchase of investments	**-2,672**	0	0
Disposal of subsidiaries	**-135**	0	0
Dividends received	**0**	1	2
Net cash used in investing activities	**-122,478**	**-25,034**	**2,335**
Cash flows from financing activities			
Loan withdrawals	**76,556**	121,976	151,000
Net increase in current interest-bearing liabilities (+) / net decrease (-)	**28,406**	11,111	6,580
Repayment of loans	**-69,884**	-139,385	-191,742
Dividends paid	**-51,509**	-55,623	-55,623
Net cash used in financing activities	**-16,432**	**-61,921**	**-89,786**
Change in cash and cash equivalents	**-35,445**	273	35,020
Cash and cash equivalents 1 January	**36,965**	1,943	1,943
Effect of foreign exchange rate changes	**-1**	2	3
Cash and cash equivalents at the end of period	**1,518**	**2,218**	**36,965**

REVENUE AND RESULT BY BUSINESS SEGMENTS

	7–9 2018		7–9 2017 restated		1–9 2018		1–9 2017 restated		1–12 2017 restated	
	MEUR	%	MEUR	%	MEUR	%	MEUR	%	MEUR	%
Revenue										
Shipping and sea transport services	153.5	96.7	140.0	96.5	431.0	96.2	389.5	96.3	516.0	96.2
Port operations	10.4	6.5	10.6	7.3	33.4	7.5	31.5	7.8	42.5	7.9
Intra-group revenue	-5.1	-3.2	-5.4	-3.7	-16.4	-3.7	-16.6	-4.1	-22.2	-4.1
External sales	**158.8**	**100.0**	**145.2**	**100.0**	**447.9**	**100.0**	**404.5**	**100.0**	**536.3**	**100.0**
Result before interest and taxes										
Shipping and sea transport services	34.7		34.6		81.3		73.9		91.1	
Port operations	0.6		1.0		1.5		2.7		2.8	
Result before interest and taxes (EBIT) total	**35.3**		**35.6**		**82.8**		**76.6**		**93.9**	
Financial items	-2.5		-2.9		-7.8		-9.0		-11.5	
Result before taxes (EBT)	**32.8**		**32.7**		**75.0**		**67.6**		**82.4**	
Income taxes	0.2		-0.2		0.3		0.2		0.2	
Result for the reporting period	**33.0**		**32.4**		**75.3**		**67.8**		**82.6**	

REVENUE BY GEOGRAPHICAL AREA

EUR 1,000	1–9 2018	1–9 2017
Revenue		
Finland	188,389	162,548
Sweden	74,909	66,627
Germany	59,673	58,512
Other EU countries	113,593	104,094
Russia	5,689	7,473
Other	5,689	5,210
	447,941	**404,464**

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

PROPERTY, PLANT AND EQUIPMENT 2018

EUR 1,000	Land	Buildings	Vessels	Machinery and equipment	Advance payments & acquisitions under construction	Total
Acquisition cost 1 January 2018	72	73,157	1,330,776	67,000	18,567	1,489,572
Exchange rate differences		4		-5		-1
Increases		8	108,626	1,444	9,522	119,599
				-301		-301
Disposals		-922	-1,765	-148		-2,834
Reclassifications between items		-4,931	18,345		-18,323	-4,909
Reclassifications to non-current assets held for sale *		-4,369	-12,446	-22,395		-39,210
Acquisition cost 30 September 2018	**72**	**62,947**	**1,443,536**	**45,595**	**9,766**	**1,561,916**
Accumulated depreciation, amortisation and write-offs 1 January 2018		-23,971	-477,187	-44,140	0	-545,299
Exchange rate differences		-4		5		1
Cumulative depreciation on reclassifications and disposals		4,598	844	144		5,586
				293		293
Depreciation for the reporting period		-1,539	-42,930	-1,203		-45,672
Accumulated depreciation, amortisation and write-offs 30 September 2018	**0**	**-20,916**	**-519,274**	**-44,902**	**0**	**-585,091**
Reclassifications to non-current assets held for sale *		1,132	2,697	10,510		14,339
Carrying value 30 September 2018	**72**	**43,164**	**926,959**	**11,204**	**9766**	**991,164**
Assets classified as held for sale 1 January 2018						
Acquisition cost						
Transfer to non-current assets held for sale		4,369	12,446	22,395		39,210
Reclassification between items						
Accumulated depreciation						
Transfer to non-current assets held for sale		-1,132	-2,697	-10,510		-14,339
Reclassification between items						
Carrying value 30 September 2018		**3,237**	**9,749**	**11,884**	**0**	**24,870**

* Assets held for sale:
Finnlines is negotiating a sale of port operations' assets with carrying value of EUR 15.1 million. Finnlines has entered into an agreement to sell a ro-ro vessel MS Finncarrier. No impairment losses were recognised on the carrying values of these assets in 2017 nor 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 30 September 2018.

PROPERTY, PLANT AND EQUIPMENT 2017

EUR 1,000	Land	Buildings	Vessels	Machinery and equipment	Advance payments & acquisitions under construction	Total
Acquisition cost 1 January 2017	72	73,142	1,386,912	66,755	10,117	1,536,998
Exchange rate differences		-13		-1		-14
Increases		16	11,051	228	14,677	25,972
Disposals		-3	-2,515	-381		-2,899
Reclassifications between items			6,548	110	-6,657	0
Reclassifications to non-current assets held for sale *		-4,369	-83,648	-22,395	-6,475	-116,886
Acquisition cost 30 September 2017	**72**	**68,773**	**1,318,348**	**44,317**	**11,661**	**1,443,171**
Accumulated depreciation, amortisation and write-offs 1 January 2017		-21,793	-474,532	-42,923		-539,248
Exchange rate differences		11		2		13
Cumulative depreciation on reclassifications and disposals		3	2,515	381		2,899
Depreciation for the reporting period		-1,644	-40,582	-1,216		-43,441
Accumulated depreciation, amortisation and write-offs 30 September 2017		**-23,424**	**-512,598**	**-43,756**		**-579,778**
Reclassification to non-current assets held for sale *		1,132	48,163	10,510		59,806
Carrying value 30 September 2017	**72**	**46,481**	**853,913**	**11,071**	**11,661**	**923,199**
Assets classified as held for sale 1 January 2017						
Acquisition cost						
Transfer to non-current assets held for sale **		4,369	83,648	22,395	6,475	116,886
Reclassification between items						
Accumulated depreciation						
Transfer to non-current assets held for sale		-1,132	-48,163	-10,510		-59,806
Reclassification between items						
Carrying value 30 September 2017		**3,237**	**35,484**	**11,884**	**6,475**	**57,080**

* Finnlines is negotiating a sale of port operations' assets with carrying value of EUR 15.1 million. No impairment losses were recognised on the carrying values of these assets in 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 30 September 2017 and 30 September 2018.

** Assets held for sale:
The non-current assets held for sale includes the vessel MS Finneagle which was classified as held for sale in September 2017. The book value of the vessel is EUR 42.0 million. Furthermore, in the current assets are included EUR 1.2 million prepayments regarding MS Finneagle's ongoing investments. The fair value of the asset is higher than the book value of the asset classified as held for sale.

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

Level 3 includes unlisted shares amounting to EUR 7.3 million (4.6 in 2017), which are valued at the lower of acquisition cost or probable value, as their fair value cannot be reliably measured. Finnlines acquired 6.3 per cent of the shares of Steveco Oy in April 2018 and owns now 25.4 per cent of Steveco Oy. This shareholding is presented in financial assets, because Finnlines has no significant influence in Steveco Oy.

CONTINGENCIES AND COMMITMENTS

EUR 1,000	30 Sep 2018	30 Sep 2017	31 Dec 2017
Minimum leases payable in relation to fixed-term leases:			
Vessel leases (Group as lessee)			
Within 12 months	**396**		
1-5 years	**0**		
Vessel leases (Group as lessor)*:			
Within 12 months	**6,752**	2 868	0
1-5 years	**14,818**	0	0
	21,571	**2,868**	**0**
Other leases (Group as lessee):			
Within 12 months	**6,498**	5,473	5,397
1-5 years	**8,550**	9,152	8,263
After five years	**4,135**	5,712	5,478
	19,183	**20,337**	**19,138**
Other leases (Group as lessor):			
Within 12 months	**229**	224	232
	229	**224**	**232**
Collateral given			
Loans from financial institutions	**388,030**	364,215	369,995
Vessel mortgages provided as guarantees for the above loans	**1,012,000**	1,002,500	954,500
Other collateral given on own behalf			
Pledges	**340**	340	340
	340	**340**	**340**
Other obligations			
Vessel acquisitions	**179,825**	0	70,200
Other external obligations*	**13,054**	31,411	23,389
	192,879	**31,411**	**93,589**
VAT adjustment liability related to real estate investments	**462**	1,758	1,434

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

REVENUE AND RESULT BY QUARTER

MEUR	Q1/18	Q1/17 restated	Q2/18	Q2/17 restated	Q3/18	Q3/17 restated	Q4/18	Q4/17 restated
Shipping and sea transport services	129.0	116.0	148.5	133.4	153.5	140.0		126.5
Port operations	11.4	10.1	11.6	10.8	10.4	10.6		11.0
Intra-group revenue	-5.5	-5.2	-5.8	-5.9	-5.4	-5.5		-5.7
External sales	**134.9**	**120.9**	**154.3**	**138.4**	**145.2**	**145.2**		**131.8**
Result before interest and taxes								
Shipping and sea transport services	18.7	13.5	27.9	25.9	34.7	34.6		17.1
Port operations	0.2	0.1	0.7	1.5	0.6	1.0		0.2
Result before interest and taxes (EBIT) total	**18.9**	**13.6**	**28.6**	**27.4**	**35.3**	**35.6**		**17.3**
Financial items	-2.6	-3.1	-2.7	-3.0	2.5	-2.9		-2.5
Result before taxes (EBT)	**16.3**	**10.5**	**25.9**	**24.4**	**32.8**	**32.7**		**14.8**
Income taxes	0.2	0.6	-0.1	-0.2	0.2	-0.2		0
Result for the reporting period	**16.5**	**11.1**	**25.8**	**24.2**	**33.0**	**32.5**		**14.8**
EPS (undiluted / diluted)	0.32	0.22	0.50	0.47	0.66	0.63		0.29

SHARE INFORMATION

	30 Sep 2018	30 Sep 2017
Number of shares	**51,503,141**	51,503,141

Finnlines Plc is fully owned by the Grimaldi Group.

EVENTS AFTER THE REPORTING PERIOD

Finnlines Plc has sold the ro-ro vessel MS Finncarrier to the external party in October 2018. Finnlines has bareboat chartered MS Finncarrier from its new owner from October 2018 to January 2019.

CALCULATION OF RATIOS

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

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

RELATED PARTY TRANSACTIONS

Finnlines purchased MS Europalink from the Grimaldi Group in February 2018. Otherwise there were no material related party transactions during the reporting period. The business transactions were carried out using market-based pricing.