Financial review
January–December 2018
28 February 2019

FINNLINES Q4

JANUARY–DECEMBER 2018: Revenue up 9.9 per cent

- Revenue EUR 589.4 (536.3 in 2017) million, increase 9.9 per cent
- Result before interest, taxes, depreciation and amortisation (EBITDA) EUR 166.4 (152.3) million, increase 9.2 per cent
- Result for the reporting period EUR 95.1 (82.6) million, increase 15.1 per cent
- Interest-bearing debt decreased by EUR 5.4 million and was EUR 452.8 (458.2) million at the end of the period

OCTOBER–DECEMBER 2018: Revenue up 7.4 per cent

- Revenue EUR 141.5 (131.8) million, increase 7.4 per cent
- Result before interest, taxes, depreciation and amortisation (EBITDA) EUR 37.3 (31.9) million
- Result for the reporting period EUR 19.7 (14.8) million, increase 33.1 per cent

KEY FIGURES

MEUR	1–12 2018	1–12 2017 restated	10–12 2018	10–12 2017 restated
Revenue	**589.4**	536.3	**141.5**	131.8
Result before interest, taxes, depreciation and amortisation (EBITDA)	**166.4**	152.3	**37.3**	31.9
Result before interest and taxes (EBIT)	**104.9**	93.9	**22.0**	17.3
% of revenue	**17.8**	17.5	**15.6**	13.1
Result for the reporting period	**95.1**	82.6	**19.7**	14.8
Shareholders' equity/share, EUR	**12.9**	11.9	**12.9**	11.9
Equity ratio, %	**53.3**	51.1	**53.3**	51.1
Net debt/EBITDA	**2.7**	2.8	**2.7**	2.8
Interest-bearing debt, MEUR	**452.8**	458.2	**452.8**	458.2
Gearing, %	**68.1**	68.9	**68.1**	68.9

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

"The Finnlines Group's January–December 2018 result increased by EUR 12.5 million to EUR 95.1 million. Revenue also increased by 9.9 per cent to EUR 589.4 million during January–December 2018. During the fourth quarter, the cargo volumes remained strong, increasing the revenue compared to last year from EUR 131.8 million to EUR 141.5 million. The result for October–December was EUR 19.7 (14.8) million.

Our strategy, to grow together with our customers, to increase efficiency of the capital employed on our fleet and to continue investing in sustainable development, is paying off. We are growing with the market and for the market. The 2018 result is a continuation of our successful track record over the past few years.

Finnlines has and will continue to deploy larger and larger vessels in both the ro-pax and ro-ro segments, creating economies of scale, and has also focused on route and vessel optimisation. All this has improved the utilisation of our fleet assets. In April 2018, we initiated a EUR 200 million Green Ro-ro Investment Programme by ordering three new green 5,800-lane-metre ro-ro vessels. But that is not all – we are currently designing and developing a new ro-pax class concept for Finnlines. These Superstar ro-pax vessels will be bigger than our existing largest Star class vessels and they will also meet the highest technical and environmental standards. These major investments will further contribute to reducing fuel consumption as well as CO2 and other emissions.

Shipping is global business and undoubtedly the most sustainable way of transportation. Shipping companies play an important role in developing solutions to reduce emissions. Within our industry, the International Maritime Organization has set a very high target – a 50 per cent reduction – in the key greenhouse gas emissions by 2050, compared with the 2008 levels. Apart from CO2, sulphur dioxide emissions (SO2) must be reduced further. At Finnlines, we began installing emission abatement systems several years ago and 19 of our 21 vessels have been fitted with this technology. Reducing fuel consumption and cutting harmful emissions have been one of the key elements of our Group's strategy for a long time.

In order to survive in an industry facing public pressure on business operations to put the environment first, demands from customers for smarter business processes and, above all, vast regulations designed to reduce emissions, Finnlines has to constantly upgrade its fleet and make use of technological advances throughout the supply chain. Saying this we have invested over EUR 1 billion during the past decade. And even more – we will continue to implement our strategy with determination and with consistency by investing over EUR 500 million more in the coming three to four years for our customers who will grow together with us."

FINNLINES PLC, FINANCIAL REVIEW JANUARY–DECEMBER 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. 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 has been 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

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 fourth quarter, 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

January–December 2018

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.

October–December 2018

The Finnlines Group recorded revenue totalling EUR 141.5 (131.8) million. Cargo volumes remained strong during the fourth quarter increasing the revenue compared to last year. Cargo-related bunker surcharge decreased at the end of the year, since respective fuel prices started to decline on the fourth quarter. Shipping and Sea Transport Services generated revenue amounting to EUR 136.3 (126.5) million and Port Operations EUR 10.2 (11.0) million. The internal revenue between the segments was EUR 5.0 (5.7) million. The result of the fourth quarter is affected by the seasonality of the cargo volumes, which are typically on a lower level at the turn of the year. The number of passengers is also modest during the autumn/winter period compared to the summer season.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 37.3 (31.9) million, an increase of 17.0 per cent.

Result before interest and taxes (EBIT) was EUR 22.0 (17.3) million. The result includes 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.

Net financial expenses were EUR -2.3 (-2.5) million. Financial income was EUR 0.1 (0.1) million and financial expenses totalled EUR -2.4 (-2.6) million. Result before taxes (EBT) improved by EUR 4.9 million and was EUR 19.7 (14.8) million. The result for October–December was EUR 19.7 (14.8) million.

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.

RISKS AND RISK MANAGEMENT

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

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

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

LEGAL PROCEEDINGS

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

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 will continue to invest over EUR 500 million more in our fleet to serve our customers. When looking into 2019 and beyond, we are confident that the Finnish economy will continue to grow, although more moderately than in recent years and at a slower pace than before. But with Finland being an export-driven country, it will grow in line with global economic development. Along with that forecast, the Finnlines Group's result before taxes is targeted to improve compared to the previous year's level.

The first financial review of 2019 for the period of 1 January–31 March 2019 will be published on Tuesday, 7 May 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 December 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	10–12 2018	10–12 2017 restated	1–12 2018	1–12 2017 restated
Revenue	**141,503**	131,793	**589,444**	536,257
Other income from operations	**5,343**	1,077	**6,361**	2,633
Materials and services	**-52,242**	-43,137	**-199,436**	-163,645
Personnel expenses	**-22,293**	-22,979	**-88,901**	-89,451
Depreciation, amortisation and impairment losses	**-15,297**	-14,584	**-61,458**	-58,368
Other operating expenses	**-35,032**	-34,865	**-141,117**	-133,512
Total operating expenses	**-124,864**	-115,566	**-490,913**	-444,976
Result before interest and taxes (EBIT)	**21,983**	17,286	**104,893**	93,914
Financial income	**84**	106	**353**	258
Financial expenses	**-2,369**	-2,594	**-10,464**	-11,769
Result before taxes (EBT)	**19,697**	14,798	**94,782**	82,404
Income taxes	**41**	33	**349**	236
Result for the reporting period	**19,738**	14,832	**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	**-5**	-1	**-8**	-12
Fair value changes on currency derivatives	**2,532**	0	**3,562**	0
Tax effect, net				
Other comprehensive income to be reclassified to profit and loss in subsequent periods, total	**2,527**	-1	**3,554**	-12
Other comprehensive income not being reclassified to profit and loss in subsequent periods:				
Remeasurement of defined benefit plans	**183**	60	**183**	60
Tax effect, net	**0**	-36	**0**	-36
Other comprehensive income not being reclassified to profit and loss in subsequent periods, total	**183**	24	**183**	24
Total comprehensive income for the reporting period	**22,448**	14,854	**98,869**	82,651
Result for the reporting period attributable to:				
Parent company shareholders	**19,738**	14,829	**95,131**	82,647
Non-controlling interests	**0**	3	**0**	-7
	19,738	14,832	**95,131**	82,639
Total comprehensive income for the reporting period attributable to:				
Parent company shareholders	**22,448**	14,851	**98,869**	82,658
Non-controlling interests	**0**	3	**0**	-7
	22,448	14,854	**98,869**	82,651
Result for the reporting period attributable to parent company shareholders calculated as earnings per share (EUR/share):				
Undiluted / diluted earnings per share	**0.38**	0.29	**1.85**	1.60
Average number of shares:				
Undiluted / diluted	**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	31 Dec 2018	31 Dec 2017 restated
ASSETS		
Non-current assets		
Property, plant and equipment	**990,404**	929,152
Goodwill	**105,644**	105,644
Intangible assets	**4,243**	3,516
Other financial assets	**7,253**	4,579
Receivables	**4,945**	1,642
Deferred tax assets	**3,650**	4,517
	1,116,139	1,049,049
Current assets		
Inventories	**7,738**	6,340
Accounts receivable and other receivables	**105,072**	98,073
Income tax receivables	**4**	42
Cash and cash equivalents	**1,850**	36,965
	114,664	141,420
Non-current assets held for sale	**15,121**	15,121
Total assets	**1,245,924**	1,205,591
EQUITY		
Equity attributable to parent company shareholders		
Share capital	**103,006**	103,006
Share premium account	**24,525**	24,525
Translation differences	**119**	124
Fund for invested unrestricted equity	**40,016**	40,016
Fair value reserve *	**3,562**	0
Retained earnings	**490,858**	447,049
	662,087	614,721
Non-controlling interests	**0**	127
Total equity	**662,087**	614,848
LIABILITIES		
Long-term liabilities		
Deferred tax liabilities	**48,392**	49,851
Other long-term liabilities	**0**	13
Pension liabilities	**3,256**	3,622
Provisions	**1,730**	1,730
Loans from financial institutions	**275,659**	292,608
	329,036	347,824
Current liabilities		
Accounts payable and other liabilities	**77,391**	74,670
Current tax liabilities	**25**	13
Provisions	**256**	248
Loans from financial institutions	**177,129**	167,988
	254,801	242,919
Total liabilities	**583,837**	590,743
Liabilities related to long-term assets held for sale	**0**	0
Total equity and liabilities	**1,245,924**	1,205,591

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

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	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 changes 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2018, IFRS

EUR 1,000	Equity attributable to parent company shareholders								
	Share capital	Share issue premium	Translation differences	Unrestricted equity reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
Reported equity 1 January 2018	**103,006**	**24,525**	**124**	**40,016**		**447,049**	**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 changes 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**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1,000	1–12 2018	1–12 2017 restated
Cash flows from operating activities		
Result for the reporting period	95,131	82,639
Adjustments:		
Non-cash transactions	56,086	56,482
Unrealised foreign exchange gains (-) / losses (+)	1	1
Financial income and expenses	10,110	11,509
Taxes	-349	-236
Changes in working capital:		
Change in accounts receivable and other receivables	-6,905	-20,690
Change in inventories	-1,398	360
Change in accounts payable and other liabilities	2,590	4,418
Change in provisions	-358	-223
Interest paid	-7,619	-8,434
Interest received	46	99
Taxes paid	-162	-122
Other financing items	-3,084	-3,336
Net cash generated from operating activities	144,093	122,470
Cash flow from investing activities		
Investments in tangible and intangible assets	-135,315	-43,547
Sale of tangible assets *	16,291	45,881
Acquisition of non-controlling interests	-2,672	0
Dividends received		2
Net cash used in investing activities	-121,696	2,335
Cash flows from financing activities		
Loan withdrawals	76,455	151,000
Net increase in current interest-bearing liabilities (+) / net decrease (-)	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 at the end of period	1,850	36,965

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

REVENUE AND RESULT BY BUSINESS SEGMENTS

	10–12 2018		10–12 2017 restated		1–12 2018		1–12 2017 restated	
	MEUR	%	MEUR	%	MEUR	%	MEUR	%
Revenue								
Shipping and sea transport services	136.3	96.3	126.5	95.9	567.2	96.2	516.0	96.2
Port operations	10.2	7.2	11.0	8.4	43.6	7.4	42.5	7.9
Intra-group revenue	-5.0	-3.5	-5.7	-4.3	-21.4	-3.6	-22.2	-4.1
External sales	**141.5**	**100.0**	131.8	100.0	**589.4**	**100.0**	536.3	100.0
Result before interest and taxes								
Shipping and sea transport services	22.1		17.1		103.5		91.1	
Port operations	-0.1		0.2		1.3		2.9	
Result before interest and taxes (EBIT) total	**22.0**		17.3		**104.9**		93.9	
Financial income and expenses	-2.3		-2.5		-11.1		-11.5	
Result before taxes (EBT)	**19.7**		14.8		**94.8**		82.4	
Income taxes	0		0		0.3		0.2	
Result for the reporting period	**19.7**		14.8		**95.1**		82.6	

REVENUE BY GEOGRAPHICAL AREA

EUR 1,000	1–12 2018	1–12 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

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

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

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		-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
Reclassifications to non-current assets held for sale **		-4,369	0	-22,395	0	-26,763
Acquisition cost 31 December 2018	**72**	**62,947**	**1,461,477**	**45,693**	**5,711**	**1,575,900**
Accumulated depreciation, amortisation and write-offs 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, amortisation and write-offs 31 December 2018	**0**	**-21,401**	**-530,642**	**-45,096**	**0**	**-597,139**
Reclassifications to non-current assets held for sale **		1,132	0	10,510		11,642
Carrying value 31 December 2018	**72**	**42,678**	**930,835**	**11,107**	**5,711**	**990,404**
Assets classified as held for sale 1 January 2018						
Acquisition cost						
Transfer to non-current assets held for sale		4,369		22,395		26,763
Reclassification between items						0
Accumulated depreciation						
Transfer to non-current assets held for sale		-1,132		-10,510		-11,642
Reclassification between items						0
Carrying value 31 December 2018		**3,237**	**0**	**11,884**	**0**	**15,121**

* Includes the sale of one vessel.

** Assets held for sale:
Finnlines is negotiating a sale of Port Operations' assets with carrying value of EUR 15.1 million. No impairment losses were recognised on the carrying values of these assets in 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.

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		-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
Reclassifications to non-current assets held for sale **		-4,369		-22,395		-26,763
Acquisition cost 31 December 2017	72	68,788	1,330,776	44,606	18,567	1,462,809
Accumulated depreciation, amortisation and write-offs 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, amortisation and write-offs 31 December 2017		-23,971	-477,187	-44,140		-545,299
Reclassification to non-current assets held for sale **		1,132		10,510		11,642
Carrying value 31 December 2017	72	45,948	853,589	10,976	18,567	929,152
Assets classified as held for sale 1 January 2017						
Acquisition cost						
Transfer to non-current assets held for sale		4,369		22,395		26,763
Reclassification between items						
Accumulated depreciation						
Transfer to non-current assets held for sale		-1,132		-10,510		-11,642
Reclassification between items						
Carrying value 31 December 2017		3,237		11,885		15,121

* Includes the sale of one vessel.

** Finnlines negotiated a sale of Port Operations’ assets with carrying value of EUR 15.1 million. No impairment losses were recognised on the carrying values of these assets in 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.

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 7.2 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 neither significant influence in Steveco Oy nor representation on Steveco’s Board of Directors.

CONTINGENCIES AND COMMITMENTS

EUR 1,000	31 Dec 2018	31 Dec 2017
Minimum leases payable in relation to fixed-term leases:		
Vessel leases (Group as lessor)*:		
Within 12 months	**6,753**	0
1–5 years	**13,117**	0
	19,869	0
Other leases (Group as lessee):		
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
Other leases (Group as lessor):		
Within 12 months	**229**	232
	229	232
Collateral given		
Loans from financial institutions	**359,786**	369,995
Vessel mortgages provided as guarantees for the above loans	**827,000**	954,500
Other collateral given on own behalf		
Pledges	**340**	340
	340	340
Other obligations		
Vessel acquisitions	**183,092**	70,200
Other external obligations*	**5,229**	23,389
	188,321	93,589
VAT adjustment liability related to real estate investments	**92**	1,434

* Other external obligations are related to lengthening of ro-ro vessels, emission abatement 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
Revenue								
Shipping and sea transport services	129.0	116.0	148.5	133.4	153.5	140.0	136.3	126.5
Port operations	11.4	10.1	11.6	10.8	10.4	10.6	10.2	11.0
Intra-group revenue	-5.5	-5.2	-5.8	-5.9	-5.1	-5.5	-5.0	-5.7
External sales	**134.9**	120.9	**154.3**	138.4	**158.8**	145.2	**141.5**	131.8
Result before interest and taxes								
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 taxes (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
Result for the reporting period	**16.5**	11.1	**25.8**	24.2	**33.1**	32.5	**19.7**	14.8
EPS (undiluted / diluted), EUR	0.32	0.22	0.50	0.47	0.64	0.63	0.38	0.29

SHARE INFORMATION

	31 Dec 2018	31 Dec 2017
Number of shares	**51,503,141**	51,503,141

Finnlines Plc is fully owned by the Grimaldi Group.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report.

CALCULATION OF RATIOS

Earnings per share (EPS), EUR	=	$\frac{\text{Result attributable to parent company shareholders}}{\text{Weighted average number of outstanding shares}}$	
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. The business transactions were carried out using market-based pricing. Otherwise there were no material related party transactions during the reporting period.