Finnlines
a Grimaldi Group company

FINANCIAL STATEMENTS 2019

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BOARD OF DIRECTORS' REPORT

FINNLINES' BUSINESS

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

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

GROUP STRUCTURE

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

Finnlines Plc is fully owned by the Grimaldi Group, which is one of the world's largest operators of ro-ro vessels and the largest operator of the Motorways of the Sea in Europe for both passengers and freight. The Grimaldi Group, headquartered in Naples, operates a fleet of more than 120 vessels and employs approximately 16,000 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) decreased by 3%. Exports remained at the same level as previous year. During the same period, private and commercial passenger traffic between Finland and Sweden decreased by 1%. Between Finland and Germany, the corresponding traffic increased by 4% (Traficom).

FINNLINES' TRAFFIC

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

At the beginning of January 2019, Finnlines redelivered MS Finncarrier from a temporary bareboat charter arrangement back to its owners, when the last lengthened vessel, MS Finnsea, returned to traffic after conversion at the end of 2018. Since then all six lengthened vessels of the Breeze series have been deployed in Finnlines traffic.

Finnlines reshuffled its Biscay–Russia services at the middle of April and at the same time, MS Finnsea was chartered out to the Grimaldi Group.

In November, several sailings were cancelled nearly in all traffic areas due to the postal strike in Finland and the seven-day supporting action of Finnish Seafarers' Union FSU. The main impacts hit the Helsinki–Travemünde and Naantali–Kapellskär traffics. The Industrial Workers Union's strike lasting three days followed by a six-day lockout in mechanical forest industry in December also affected cargo volumes negatively in Finnish traffics.

The cargo volumes transported during January–December totalled approximately 738 (754 in 2018) thousand cargo units, 166 (163) thousand cars (not including passengers' cars) and 1,113 (1,226) thousand tons of freight not possible to measure in units. In addition, some 665 (655) thousand private and commercial passengers were transported.

FINANCIAL RESULTS

The Finnlines Group recorded revenue totalling EUR 574.8 (589.4) million in the reporting period, a decrease of 2.5% compared to the same period in the previous year. Shipping and Sea Transport Services generated revenue amounting to EUR 550.9 (567.2) million, of which passenger related revenue was EUR 59.9 (55.7) million. The revenue of Port Operations was EUR 45.4 (43.6) million. The development of cargo volumes remained modest in most trades, while the amount of passengers has improved compared to last year. In Port Operations, the revenue continued to rise due to increase in cargo handling activities. The internal revenue between the segments was EUR 21.5 (21.4) million.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 169.8 (166.4) million, an increase of 2.1%.

Result before interest and taxes (EBIT) was EUR 104.8 (104.9) million. A strong financial performance is supported by optimised usage of vessel capacity. Also the chartering of MS Finnsea to the Grimaldi Group enabled savings in operative costs. The result of the fourth quarter was negatively affected by the strikes and supporting actions causing a decline in cargo volumes as well as cancellations of vessel departures. The result of 2018 includes the gain on sale of EUR 5.1 million for MS Finncarrier.

As a result of the improved financial position, net financial expenses decreased to EUR -7.5 (-10.1) million. Financial income was EUR 0.3 (0.4) million and financial expenses EUR -7.7 (-10.5) million. Result before taxes (EBT) improved by EUR 2.5 million and was EUR 97.3 (94.8) million. The result for the reporting period was EUR 98.3 (95.1) million.

The most important business and share related key indicators are presented in the Five-Year Key Figures on page 47.

STATEMENT OF FINANCIAL POSITION, FINANCING AND CASH-FLOW

The Company completed the Energy Efficiency and Emission Reduction Investment Programme and interest-bearing debt decreased by EUR 80.6 million to EUR 372.2 (452.8) million, excluding leasing liabilities of EUR 19.3 (0.0) million. Leasing liabilities increased due to implementation of IFRS 16. Net interest-bearing debt at the end of period was EUR 363.0 (450.9) million. Net interest-bearing debt/EBITDA (rolling 12 months) ratio amounted to 2.1 (2.7) and the equity ratio calculated from the balance sheet was 58.5% (53.3%). Net gearing resulted in 50.8% (68.1%).

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 164.2 (154.5) million.

Net cash generated from operating activities remained strong and was EUR 173.6 (144.1) million.

CAPITAL EXPENDITURE

The Finnlines Group's gross capital expenditure in the reporting period totalled EUR 31.4 (135.4) million, including tangible and intangible assets. Total depreciation and amortisation amounted to EUR 65.1 (61.5) million. The investments consist of normal replacement expenditure of fixed assets, lengthening of ro-ro vessels, new cargo handling equipment, dry-dockings, and prepayments related to three green ro-ro newbuildings.

The six lengthened vessels have added some 7,000 lane metres to the total fleet capacity and enables Finnlines to benefit from increased economies of scale, since the added capacity equals to two extra vessels. Taken into account also the ro-pax refurbishment investments the Company has made for improving passenger comfort and service, these investments have positively impacted Finnlines' position as one of the top tier providers of high-quality ro-ro and ro-pax services in the Baltic Sea region.

Finnlines has also focused on the shore side operations as well as developing innovative port service solutions. The unique patented cargo handling equipment shortens turnaround times in port and improves Finnlines' safe, reliable and efficient services.

PERSONNEL

The Group employed an average of 1,576 (1,637) persons during the reporting period, consisting of 869 (916) persons at sea and 707 (721) persons on shore. The number of persons employed at the end of the period was 1,538 (1,590) in total, of which 858 (878) at sea and 680 (712) on shore. The number of sea personnel decreased due to the bareboat charter out of MS Finnclipper since June 2018 and due to the delivery of MS Finncarrier in January 2019.

The personnel expenses (including social costs) for the reporting period were EUR 88.7 (88.9) million.

THE FINNLINES SHARE

The Company's paid-up and registered share capital on 31 December 2019 totalled EUR 103,006,282. The capital stock consisted of 51,503,141 shares.

Finnlines Plc is fully owned by the Grimaldi Group.

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

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Finnlines Plc's Annual General Meeting was held in Helsinki on 7 May 2019. 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 2018. 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 nine. The meeting re-elected the current board members Christer Backman, Tiina Bäckman, Emanuele Grimaldi, Gianluca Grimaldi, Guido Grimaldi, Mikael Mäkinen, Diego Pacella, and Jon-Aksel Torgersen and elected Tapani Voionmaa as a new member of the Board for the term until the close of the Annual General Meeting in 2020. 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 2019. 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 34. 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

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

TONNAGE TAXATION

Finnlines Plc entered into the Finnish tonnage taxation regime as from 1 January 2013. In tonnage taxation, the shipping operations transferred from taxation of business income to tonnage-based taxation. 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 2019, the focus continued to be on environmental investments in vessels and on improving their energy efficiency.

Construction of three ice-class newbuildings was planned within the Grimaldi Group and in 2018 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 continued in 2019. The target of the planning has been to create the most environmentally friendly ship design ever operated in the Baltic Sea. To reach this 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. The order for these Superstar ro-pax vessels was confirmed in December 2019.

2019 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.

Programming Interfaces (API) for truck companies were implemented in 2018 and API development continued in 2019.

A new Onboard Point of Sales System was created for the Passenger Services onboard vessels and introduced to the FinnLink traffic at the end of 2018. In 2019, the system was further developed and extended to other ro-pax routes.

Development of a new operative ERP system for vessel traffic management, which started in 2017, was continued by adding new functionalities to the system. The main focus in 2019 was, among other things, on further development of emissions calculation, on development of cargo loading management, and on development of National Single Window (NSW) authority reporting from vessels. Development work will be continued in 2020.

In the ports, the focus in 2019 was on further improving the features of the new Terminal Operations System. A new Operative System for the Paper Stuffing Terminal was developed. In spring 2019, a new Terminal Operations System and a new invoicing system were put into use in the Port of Turku.

Developing a new resource management system for port operations was continued and the system is planned to be implemented at the beginning of 2020.

ENVIRONMENT AND SAFETY

To fight the climate change, the shipping industry has set an ambitious target to reduce its CO_2 emissions by at least 50% by 2050 compared to the 2008 baseline regardless of growth in maritime trade. Finnlines has been on the right path as the Company's fleet has cut its CO_2 emissions by over 30% compared to 2008.

Finnlines continues to invest in energy efficiency and sustainability when new vessels are designed and built. The technical innovations include an air lubrication system, a high-powered battery bank and shore-side electricity. The target is to reach zero emissions during port calls.

The first emission reports in accordance with the EU MRV regulation (monitoring, reporting and verification of CO_2 emissions) were submitted to the European Commission in 2018. Globally, IMO's Data Collection System started in 2019 and the first reports will be presented during spring 2020.

The global sulphur limit of fuel decreased from 3.5% to 0.5% on 1 January 2020. As nearly all Finnlines ships have been fitted with sulphur emission abatement technology, the Company is well prepared for the regulation.

To ensure safe and environmentally sound recycling of ships, IMO has adopted a Hong Kong Convention. As the convention has not yet been ratified, EU has adopted a regulation on ship recycling and inventory of hazardous materials. Finnlines has made a contract to have the inventories made on its ships by hazardous material experts during 2020.

In accordance with the Ballast Water Management Convention, all ships of 400 gross tonnage and above must be fitted with treatment equipment during a transitional period. Finnlines will install its first equipment on two ro-pax ships during 2020.

In 2019, Finnlines' vessel traffic consumed 325,647 tons of heavy fuel oil and diesel oil, representing a decrease of nearly 3% compared with 2018.

The fuel consumption in Finnsteve's port operations totalled 1,041 tons, which includes the operations in Helsinki, Turku and Naantali. The increase of 4.5% is due to growing cargo volumes.

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 Company has invested over EUR 1 billion through the years and the ongoing EUR 500 million newbuilding programme focuses on improving Finnlines' productivity and environmental footprint. Along with all the actions taken in order to increase the Company's efficiency and operational and financial performance, it is expected that the Finnlines Group's result before taxes continues to follow the previous year's level.

DIVIDEND DISTRIBUTION PROPOSAL

The parent company Finnlines Plc's result for the reporting period was EUR 81.7 million. The distributable funds included in the parent company's shareholders' equity equals to EUR 443.5 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 714.6 (662.1) million at the end of the reporting period.

Naples, 26 February 2020

Finnlines Plc, The Board of Directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR 1,000	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Revenue	3, 7	**574,779**	589,444
Other income from operations	8	**1,516**	6,361
Materials and services	9	**-180,806**	-199,436
Personnel expenses	10	**-88,714**	-88,901
Depreciation, amortisation and impairment losses	11	**-65,065**	-61,458
Other operating expenses	12	**-136,956**	-141,117
Total operating expenses		**-471,541**	-490,913
Result before interest and taxes (EBIT)		**104,754**	104,893
Financial income	13	**286**	353
Financial expenses	13	**-7,746**	-10,464
Result before taxes (EBT)		**97,293**	94,782
Income taxes	14	**964**	349
Result for the reporting period		**98,258**	95,131
Other comprehensive income:			
Other comprehensive income to be reclassified to profit and loss in subsequent periods:			
Exchange differences on translating foreign operations		**34**	-8
Fair value change on currency derivatives		**6,061**	3,562
Other comprehensive income to be reclassified to profit and loss in subsequent periods, total		**6,095**	3,554
Other comprehensive income not being reclassified to profit and loss in subsequent periods:			
Remeasurement of defined benefit plans		**-400**	183
Tax effect, net		**83**	0
Other comprehensive income not being reclassified to profit and loss in subsequent periods, total		**-317**	183
Total comprehensive income for the reporting period		**104,036**	98,869
Result for the reporting period attributable to:			
Parent company shareholders		**98,258**	95,131
		98,258	95,131
Total comprehensive income for the reporting period attributable to:			
Parent company shareholders		**104,036**	98,869
		104,036	98,869
Result for the reporting period attributable to parent company shareholders calculated as earnings per share (EUR/share)	15		
Undiluted / diluted earnings per share		**1.91**	1.85

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 10.

(figures in EUR thousand, if not stated otherwise)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR 1,000	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Property, plant and equipment	17	**979,741**	990,404
Goodwill	19	**105,644**	105,644
Other intangible assets	19	**3,958**	4,243
Other financial assets	22	**7,072**	7,253
Receivables	23	**10,658**	4,945
Deferred tax assets	24	**2,940**	3,650
		1,110,013	1,116,139
Current assets			
Inventories	25	**6,152**	7,738
Accounts receivable and other receivables	26	**86,916**	105,072
Income tax receivables		**2**	4
Cash and cash equivalents	27	**9,208**	1,850
		102,277	114,664
Non-current assets held for sale	5	**14,610**	15,121
Total assets		**1,226,901**	1,245,924
EQUITY			
Equity attributable to parent company shareholders			
Share capital	28	**103,006**	103,006
Share premium account	28	**24,525**	24,525
Translation differences		**140**	119
Fund for invested unrestricted equity	28	**40,016**	40,016
Fair value reserve *	28	**9,623**	3,562
Retained earnings		**537,309**	490,858
		714,620	662,087
Non-controlling interests		**0**	0
Total equity		**714,620**	662,087
LIABILITIES			
Long-term liabilities			
Deferred tax liabilities	24	**46,423**	48,392
Pension liabilities	33	**3,442**	3,256
Provisions	29	**1,697**	1,730
Loans from financial institutions	30	**219,643**	275,659
		271,206	329,036
Current liabilities			
Accounts payable and other liabilities	31	**68,975**	77,391
Current tax liabilities		**8**	25
Provisions	29	**253**	256
Loans from financial institutions	30	**171,840**	177,129
		241,075	254,801
Total liabilities		**512,281**	583,837
Total shareholders' equity and liabilities		**1,226,901**	1,245,924

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

See Notes starting on page 10.

(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 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
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

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 2019	**103,006**	**24,525**	**119**	**40,016**	**3,562**	**490,858**	**662,087**	**0**	**662,087**
Comprehensive income for the reporting period:									
Result for the reporting period						98,258	98,258	0	98,258
Exchange differences on translating foreign operations			21			13	34		34
Fair value change on currency derivatives					6,061		6,061		6,061
Remeasurement of defined benefit plans						-400	-400		-400
Tax effect, net						83	83		83
Total comprehensive income for the reporting period	**0**	**0**	**21**	**0**	**6,061**	**97,954**	**104,036**	**0**	**104,036**
Dividend						-51,503	-51,503		-51,503
Equity 31 December 2019	**103,006**	**24,525**	**140**	**40,016**	**9,623**	**537,310**	**714,620**	**0**	**714,620**

(figures in EUR thousand, if not stated otherwise)

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR 1,000	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Cash flows from operating activities			
Result for reporting period		**98,258**	95,131
Adjustments:			
Non-cash transactions	33	**64,408**	56,086
Unrealised foreign exchange gains (-) / losses (+)	33		1
Financial income and expenses		**7,461**	10,110
Taxes		**-964**	-349
Changes in working capital:			
Change in accounts receivable and other receivables		**18,481**	-6,905
Change in inventories		**1,586**	-1,398
Change in accounts payable and other liabilities		**-8,024**	2,590
Change in provisions		**151**	-358
Interest paid		**-5,714**	-7,619
Interest received		**35**	46
Taxes paid		**-225**	-162
Other financing items		**-1,845**	-3,084
Net cash generated from operating activities		**173,609**	144,093
Cash flows from investing activities			
Investments in tangible and intangible assets		**-31,357**	-135,315
Sale of tangible assets *		**252**	16,291
Proceeds from sale of non-controlling interests		**287**	0
Net cash used in investing activities		**-30,818**	-119,024
Cash flows from financing activities	31		
Loan withdrawals		**76,000**	76,455
Net increase in current interest-bearing liabilities (+) / net decrease (-)		**0**	13,227
Repayment of loans		**-156,948**	-95,020
Acquisition of non-controlling interests			-2,672
Payment of lease liabilities (2018 Payment of finance lease liabilities)		**-2,983**	-668
Dividends paid		**-51,503**	-51,503
Net cash used in financing activities		**-135,434**	-60,182
Change in cash and cash equivalents		**7,356**	-35,113
Cash and cash equivalents 1 January		**1,850**	36,965
Effect of foreign exchange rate changes		**2**	-2
Cash and cash equivalents 31 December		**9,208**	1,850

* Includes sale of one vessel in 2018.

See Notes starting on page 10.

(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 26 February 2020. 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 did not have material impact on the Group's 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 16,000 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 2019. The International Financial Reporting Standards mean the standards implemented in the EU by Regulation (EC) 1606/2002, and the related interpretations. The notes to the Consolidated Financial Statements also comply with Finnish accounting and corporate legislation. The Consolidated Financial Statements are primarily prepared using the acquisition cost method. Exceptions to this principle are financial assets and liabilities recognised at fair value through profit or loss. The financial statements have been compiled in EUR. All figures in the accounts have been rounded and, consequently, the sum of individual figures may deviate from the presented sum figure.

IMPLEMENTATION OF STANDARDS

New and amended standards and interpretations applied in financial year ended 31 December 2019

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019)
The new standard replaces the former IAS 17 standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as right-of-use assets and lease liabilities. The accounting model is similar to former 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 former IAS 17 accounting.

The Finnlines Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and lease of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line-basis over the lease term. The group has not restated 2018 financial statements. Impacts of the standard and applying is defined more detailed in note 18. Leases.

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 for accounting is the assessment of whether the tax authority will accept the entity's chosen tax treatment or not. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a tax treatment proposed by the entity. The interpretation did not have a significant impact on the financial statement of the Finnlines Group.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation (effective for financial years beginning on or after 1 January 2019)
The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation. The amendments did not have a significant impact on the financial statement of the Finnlines Group.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures (effective for financial years beginning on or after 1 January 2019)
The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that forms part of the net investment in the associate or joint venture. The amendments did not have an impact on the financial statement of the Finnlines Group.

Plan amendment, Curtailment or Settlement (Amendments to IAS 19) (effective for financial years beginning on or after 1 January 2019)
The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity uses updated actuarial assumptions to determine its current service cost and net interest for the period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments did not have a significant impact on the financial statement of the Finnlines Group.

Annual Improvements to IFRSs (2015-2017 cycle) (effective for financial years beginning on or after 1 January 2019).

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

IFRS 3: when an entity obtains control of a business that is a joint operation, it remeasures a previously held interest in that business at fair value (a business combination achieved in stages).

IFRS 11: when an entity subsequently obtains joint control of a business that is a joint operation, it does not remeasure a previously held interest in that business.

IAS 12: an entity accounts for all income tax consequences of dividends in the same way, regardless of how the tax arises (in profit or loss, other comprehensive income or equity).

IAS 23: when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made to obtain the said asset as part of general borrowings.

Adoption of new and amended standards in future financial years

* = not yet endorsed for use by the European Union as of 31 December 2019.

Amendments to References to Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020)
The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.

Definition of a Business (Amendments to IFRS 3) (effective for financial years beginning on or after 1 January 2020)
The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business.

Definition of Material (Amendments to IAS 1 and IAS 8)
(effective for financial years beginning on or after 1 January 2020)
The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective for financial years beginning on or after 1 January 2020)
Amendments have been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

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

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

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

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

CONSOLIDATION PRINCIPLES

Subsidiaries

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

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

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

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

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

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

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

JOINT OPERATIONS

Finnlines did not have joint operations in 2018 or 2019.

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

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

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

TRANSLATION OF FOREIGN CURRENCY ITEMS

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

GOVERNMENT GRANTS

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

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

INTANGIBLE ASSETS

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

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

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

(figures in EUR thousand, if not stated otherwise)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities
Financial liabilities are recognised at amortised cost or at fair value in financial liabilities 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, 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

Due to the adoption of IFRS 16 the accounting principles changed as from January 1, 2019 for lease agreements where the Group acts as a lessee. For lessors, the accounting of leases remains mostly as is. The lessor continues to classify its leases as operating or finance leases in accordance with almost the same principles as in IAS 17 Leases. Finnlines has initially adopted IFRS 16 Leases standard from 1 January 2019 using following policy for recognizing and measuring lease contracts. The comparative figures have not been restated, as allowed by IFRS 16. The effect of transition is presented in the Note "Leases".

The Group as a lessee (applied as from 1.1.2019)
The Group only acts as a lessee and leases mainly land areas, premises, warehouse and port buildings in addition to equipment such as cars. At the inception of a contract, the Group assesses whether a contract is, or contains, a lease, i.e. a contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration. Lease period is determined as a non-cancellable period, together with optional renewable periods if the Group is reasonably certain to exercise the extension options and periods after an optional termination date if the Group is reasonably certain not to terminate early. Lease contracts related to land areas in Port of Vuosaari includes extension options, which the Group has assumed to exercise.

The Group recognizes a right-of-use asset and a lease liability in the balance sheet at the lease commencement date. Finnlines Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and lease of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line-basis over the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain premeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early. Finnlines Group has variable payments that depend on an index, but it does not have any lease contracts with residual value guarantees.

Subsequently the lease liability is measured at amortized cost using the effective interest method. It is premeasured when there is a change in future lease payment arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group as a lessee (applied until 31.12.2018)
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 transfers substantially all the risks and rewards from ownership of an asset, are classified as finance leases. If a lease contract does not meet the criteria of a finance lease, it is recognised as operating lease. In that case the lessee has a right to use the asset for a limited period of time without a transfer of risks and rewards. This lease income is recognised as income on a straight-line basis over the lease term. The Finnlines Group does not have lease contracts classified as finance lease, where it is acting as a lessor.

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 and NordöLink traffic and Russian services.

PORT OPERATIONS

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

EUR 1,000	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
Result per segment for reporting period ending 31 Dec 2019				
Total revenue from segment	**550,883**	**45,429**		**596,312**
Intra-group revenue	**-347**	**21,881**	**-21,534**	**-21,534**
External revenue	**551,230**	**23,549**		**574,779**
Result before interest and taxes (EBIT)	**102,543**	**2,210**		**104,754**
Financial items				**-7,460**
Income taxes				**964**
Result for reporting period				**98,258**
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

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 2019 and 2018

EUR 1,000	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
Non-cash expenses in the profit and loss account				
2019				
Depreciation	-59,989	-5,076		-65,065
Impairment losses in accounts receivable	-690	-6		-697
2018				
Depreciation	-58,762	-2,696		-61,458
Impairment losses in accounts receivable	-195	23		-173
Assets, liabilities and capital expenditure by segment				
2019				
Segment assets	1,111,909	89,138	-207	1,200,841
Unallocated assets				26,060
Total assets				**1,226,901**
Segment liabilities	65,765	7,983	-207	73,541
Unallocated liabilities				438,740
Total liabilities				**512,281**
Capital expenditure	**31,268**	**166**		**31,434**
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

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

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

The assets of the Port Operations segment contain EUR 14.6 (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	2019	2018
Revenue		
Finland	**245,275**	248,302
Sweden	**86,344**	97,987
Germany	**70,698**	75,764
Other EU countries	**156,037**	151,689
Russia	**7,126**	7,687
Other	**9,299**	8,016
	574,779	589,444
Assets *		
Finland	**733,676**	725,564
Sweden	**362,540**	382,095
Germany	**7,645**	7,677
Other EU countries	**92**	76
	1,103,954	1,115,412

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

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

4. JOINT OPERATIONS

Finnlines had no joint operations in 2018 or 2019.

5. NON-CURRENT ASSETS HELD FOR SALE

Port Operations are negotiating a sale of port assets with a carrying value of around EUR 14.6 million. During 2019 part of port equipment was reclassified, reversing the held for sale qualification. Corresponding depreciations were booked, for the period of held for sale classification, in total EUR 0.5 million. No impairment losses have been recognized on the carrying value of the assets.

6. ACQUIRED NON-CONTROLLING INTERESTS

Finnlines has not acquired new shares in non-controlled entities in 2019.
Finnlines owns 25.4% of Steveco Oy's shares. This shareholding is presented in financial assets, because Finnlines has no significant influence in Steveco Oy.

7. REVENUE

EUR 1,000	2019	2018
Revenue		
Sale of goods	**15,847**	15,158
Rendering of services	**547,444**	567,313
Vessel hires	**11,488**	6,974
	574,779	589,444

Revenue by functions

EUR 1,000	2019	2018
Revenue		
Freight and other shipping services	**491,320**	511,729
Passenger services	**59,910**	55,713
Port operations	**23,549**	22,002
	574,779	589,444

The received prepayments related to passenger services were EUR 3.9 (3.3) million on 31 December 2019. Otherwise there were no received prepayments related to performance obligations to be provided by the Group.

(figures in EUR thousand, if not stated otherwise)

8. OTHER INCOME FROM OPERATIONS

EUR 1,000	2019	2018
Other income from operations		
Rental income	**1,208**	649
Profits from sale of tangible assets	**151**	5,668
Gain on disposal of non-current assets	**110**	0
Other income from operations	**47**	43
	1,516	6,361

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

9. MATERIALS AND SERVICES

EUR 1,000	2019	2018
Cost of services provided		
Materials and supplies		
Purchases during reporting period	**-120,630**	-140,705
Change in inventories	**-1,624**	1,398
Purchased services	**-58,552**	-60,130
	-180,806	-199,436

10. PERSONNEL EXPENSES

EUR 1,000	2019	2018	2017
Employee benefit expenses			
Salaries	**-88,252**	-89,848	-89,462
Other social costs	**-7,509**	-8,392	-9,488
Pension expenses – defined contribution plans	**-11,306**	-11,798	-12,224
Pension expenses – defined benefit plans	**-92**	-91	-100
Government grants for shipping companies	**18,444**	21,228	21,823
	-88,714	-88,901	-89,451
Average number of Group employees			
Shipping and Sea Transport Services	**1,274**	1,326	1,356
Port Operations	**302**	311	295
	1,576	1,637	1,651
Number of employees on 31 December	**1,538**	1,590	1,570

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

According to the European Community guidelines on State aid to maritime transport valid throughout Europe, Finnlines has benefited from government grants for personnel expenses worth EUR 18.4 (21.2) million, like many other shipowners in European countries. In Finland, the amount partly corresponds to the tax withheld in advance from seamen's income, and partly the amount paid by the employer for seamen's social security fees, pension fees and employees' insurance fees. In Sweden, the government grant corresponds to the tax withheld in advance from seamen's income and the amount paid by the employer for the seamen's social fees.

11. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

EUR 1,000	2019	2018
Depreciation of tangible assets		
Land and water, right of use	**-1,733**	
Buildings	**-2,926**	-2,024
Buildings, right of use	**-889**	
Machinery and equipment	**-937**	-1,640
Machinery and equipment, right of use	**-381**	
Vessels	**-57,425**	-57,243
Amortisation of intangible assets	**-776**	-551
Total depreciation and amortisation	**-65,065**	-61,458

(figures in EUR thousand, if not stated otherwise)

12. OTHER OPERATING EXPENSES

EUR 1,000	2019	2018
Port expenses, equipment and other voyage related costs	-50,208	-51,051
Leases	-15,669	-19,926
Manning service costs and other non-obligatory personnel costs	-1,457	-1,643
Vessel insurances, repairs and maintenance costs	-38,143	-36,734
Catering costs	-13,358	-13,033
IT costs	-2,943	-2,844
Sales and marketing costs	-3,623	-3,954
Real estate costs excluding rents and leases	-2,769	-2,708
Other costs	-8,786	-9,226
	-136,956	-141,117

Auditor's remuneration
The Group's principal auditor was KPMG Oy Ab in 2019.

EUR 1,000	2019	2018
Audit fees		
KPMG	125	126
Other	17	18
Tax consultancy and other fees		
KPMG	27	96
Other	8	6
	176	247

13. FINANCIAL INCOME AND EXPENSES

EUR 1,000	2019	2018
Dividend income	1	0
Interest income		
Bank deposits	2	2
Loans and accounts receivable	60	82
Other receivables	1	0
Exchange rate gains		
Other exchange rate gains	221	266
Other financial income	3	4
Total financial income	286	353
Interest expenses		
Borrowings measured at amortised cost	-5,406	-7,623
Other interest expenses	-2	-3
Exchange rate losses		
Other exchange rate losses	-223	-238
Other financial expenses	-2,115	-2,600
Total financial expenses	-7,746	-10,464
Net financial expenses	-7,460	-10,111

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.

(figures in EUR thousand, if not stated otherwise)

14. INCOME TAXES

EUR 1,000	2019	2018
Tax on taxable income of the reporting period	-209	-244
Tax from previous periods	-1	
Change in deferred taxes	1,174	593
Income taxes in profit and loss, expense (-)	964	349

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

EUR 1,000	2019	2018
Result before taxes	97,293	94,782
Tax calculated using Finnish tax rate, 20%	-19,459	-18,956
Foreign subsidiaries' differing tax rates *	-108	-267
Tax-exempt income and non-deductible expenses	-36	125
Effect on tax of the rate change (net) **	969	
Losses for which no deferred tax asset was recognised	-82	-23
Impact of tonnage tax ***	19,681	19,470
Tax from previous periods	0	0
Income taxes in profit and loss, expense (-)	964	349

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

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

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

Income tax on other comprehensive income

EUR 1,000	2019	2018
Remeasurement of defined benefit liability	-83	0
	-83	0

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	2019	2018
Result for the reporting period attributable to parent company shareholders, EUR 1,000	98,258	95,131
Weighted average no. of shares, 1,000	51,503	51,503
Undiluted earnings per share, EUR/share	1.91	1.85

16. DIVIDENDS

Finnlines paid EUR 51.5 million in dividend in 2019.

The parent company Finnlines Plc's result for the reporting period was EUR 81.7 million. The distributable funds included in the parent company's shareholders' equity equals to EUR 443.5 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 2019						
Acquisition cost on 1 January 2019	72	67,316	1,461,477	66,404	5,711	1,600,980
Exchange rate differences		-1		17		16
Increases		57	10,824	436	19,646	30,963
Disposals		-31	-515	-735		-1,282
Reclassifications between items		7	5,399	46	-5,474	-21
Transfer to non-current assets held for sale **		-3,297		-22,395		-25,691
Acquisition cost on 31 December 2019	**72**	**64,051**	**1,477,184**	**43,774**	**19,884**	**1,604,965**
Accumulated depreciation and impairment losses on 1 January 2019		-21,401	-530,642	-43,440		-595,482
Exchange rate differences		1		-16		-15
Cumulative depreciation on reclassifications and disposals		31	515	717		1,263
Depreciation for the reporting period		-2,377	-57,760	-1,139		-61,277
Accumulated depreciation and impairment losses on 31 December 2019	0	-23,747	-587,887	-43,878	0	-655,511
Transfer to non-current assets held for sale **		570		10,510		11,081
Carrying value on 31 December 2019	**72**	**40,875**	**889,298**	**10,407**	**19,884**	**960,535**

Not including right-of-use assets.

* The carrying value of property, plant and equipment includes EUR 18.2 (19.2) million of capitalised interest during construction.

** The Finnlines Group is negotiating a sale of Port Operations' assets with carrying value of EUR 14.6 (15.1) million. No impairment losses were recognised on the carrying values of these assets in 2018 or 2019, 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 2018 and 31 December 2019.

EUR 1.000	Land and water	Buildings and structures	Machinery and equipment	Total
Right-of-use assets				
Acquisition cost 1 January 2019	14,881	2,306	758	17,945
Exchange rate differences				0
Increases	3,761	300	297	4,359
Disposals		-93	-38	-130
Reclassifications between items			0	0
Acquisition cost 31 December 2019	**18,642**	**2,514**	**1,018**	**22,174**
Accumulated depreciation, amortisation and write-offs 1 January 2019				0
Exchange rate differences			1	1
Cumulative depreciation on reclassifications and disposals		28	17	45
Depreciation for the reporting period	-1,733	-889	-390	-3,012
Accumulated depreciation, amortisation and write-offs 31 December 2019	**-1,733**	**-861**	**-372**	**-2,966**
Carrying value 31 December 2019	**16,909**	**1,652**	**645**	**19,206**
Property, plant and equipment, total				**979,741**

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	Buildings	Machinery and equipment	Total
Assets classified as held for sale on 1 January 2019			
Acquisition cost			
Transfer to non-current assets held for sale on 1 January 2019	3,297	22,395	25,691
Accumulated depreciation			
Transfer to non-current assets held for sale on 31 December 2019	-570	-10,510	-11,081
Carrying value on 31 December 2019	**2,726**	**11,884**	**14,610**

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 million of capitalised interest during construction.

** Includes the sale of one vessel.

(figures in EUR thousand, if not stated otherwise)

Assets leased through finance leases are included in property, plant and equipment as follows (IAS17 applied until 31 December 2018)

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

18. LEASES

The Finnlines Group has initially adopted IFRS 16 from January 2019 using the modified retrospective approach without restating the comparative information for 2018. On transition to IFRS 16, the lease liabilities for leases classified as operating leases under IAS 17 were measured at the present value of the remaining lease payments, discounted using the Finnlines Group's incremental borrowing rate as per 1 January 2019. The corresponding right-of-use assets were measured at an amount equal to the lease payments. The Finnlines Group elected to apply the practical expedients to grandfather the assessment of which transactions are leases. The definition of a lease under IFRS 16 has been applied only to the contracts entered into on or after 1 January 2019. The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and leases that have a lease term of 12 months or less.

On transition to IFRS 16 at 1 January 2019, the Group recognised EUR 17.9 million of right-of-use assets and liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate that was on average 1.6% at 1 January 2019. Lease liability amount recognised at 31 December 2019 is EUR 17.4 million.

Transition to IFRS 16 reporting

EUR 1,000	
Operating lease commitment at 31 December 2018 as disclosed in the group's consolidated financial statements	**17,474**
Recognition exemption for short-term and low value assets	-2,763
Changes in contracts	-794
Management estimations impact on contract durations	5,331
Total	**19,248**
Discounted total using the incremental borrowing rate	17,945
Lease liabilities recognised at 1 January 2019	**17,945**

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

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

Commitments related to short-term and low value leases are stated in note 35.

Amounts recognised in profit or loss

EUR 1,000	2019
Interest on lease liabilities	263
Expenses relating to short-term leases	2,111
Expenses relating to low-value assets	104
Service components of lease payments	202
Lease payments of all leases accounted according to IFRS 16	3,146
Total cash flows of all leases 2019	**5,563**

(figures in EUR thousand, if not stated otherwise)

Maturity analysis

EUR 1,000	2019
Contractual undiscounted cash flows	
Less than one year	3,276
One to five years	9,265
More than five years	16,300
Total undiscounted lease liabilities at 31 December 2019	**28,841**
Short term leasing liability	2,802
Long term leasing liability	16,515
Lease liabilities included in statement of financial position at 31 December 2019	**19,317**

19. 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 2019				
Acquisition cost on 1 January 2019	105,644	335	27,000	132,979
Increases		92	378	470
Disposals			-705	-705
Reclassifications		-162	182	20
Acquisition cost on 31 December 2019	**105,644**	**266**	**26,855**	**132,764**
Accumulated amortisation and impairment losses on 1 January 2019			-23,092	-23,092
Cumulative amortisation on reclassifications and disposals			705	705
Depreciation for the reporting period			-776	-776
Accumulated amortisation and impairment losses on 31 December 2019			-23,163	-23,163
Carrying value on 31 December 2019	**105,644**	**266**	**3,692**	**109,602**
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			-64	-64
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			64	64
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

* 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 2018, although minor changes were made to the vessel set-up due to the fleet re-organisation during 2019. 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	2019	2018
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 2019, no 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% 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 2019

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

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%

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 2019. 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)

20. SUBSIDIARIES

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

21. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has no investments in associated companies.

22. OTHER FINANCIAL ASSETS

EUR 1,000	2019	2018
Investments in unlisted shares	**7,072**	7,250

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 2019					
Investments	7,072			7,072	7,072
Loan and other receivables		1,385		1,385	1,385
Trade receivables		67,825		67,825	67,825
Derivatives			9,623	9,623	9,623
Cash and bank		9,208		9,208	9,208
Total 31 December 2019	**7,072**	**78,419**	**9,623**	**95,115**	**95,115**
Reporting period ending 31 December 2018					
Investments	7,250			7,250	7,250
Loan and other receivables		3,180		3,180	3,180
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	89,785	3,562	100,597	100,597

23. NON-CURRENT RECEIVABLES

	2019		2018	
EUR 1,000	Fair Value	Carrying amount	Fair Value	Carrying amount
Loans and other receivables				
Other receivables	**1,385**	**1,385**	1,385	1,385
Financial assets at fair value				
Currency derivatives	**9,272**	**9,272**	3,562	3,562
	10,658	**10,658**	4,948	4,948

(figures in EUR thousand, if not stated otherwise)

24. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred taxes in 2018 and 2019

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

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

* Specification of Finnlines Plc's deferred tax liability at the transition 1.1.2013 and the recorded transactions in the Income Statement up to 31.12.2017

(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
Tax relief of vessels crew's social costs 2019 (the seventh tonnage tax period)	**-3,880**
Tax relief of vessels crew's social costs 2018 (the sixth tonnage tax period), change	**-37**
Deferred tax liability in tonnage taxation at 31 December 2019	**14,860**

EUR 1,000	2019	2018
Deferred tax assets and liabilities		
Total deferred tax assets	**2,940**	3,650
Deferred tax assets in statement of financial position	**2,940**	3,650
Deferred tax liabilities	**46,423**	48,392
Deferred tax liabilities in statement of financial position	**46,423**	48,392

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 2.4 (3.3) 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 0.4 (0.2) 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 2.6 (3.5) million. The tax losses will expire in 2023–2028.

25. INVENTORIES

EUR 1,000	2019	2018
Material and equipment	**5,120**	6,795
Inventory for resale	**1,032**	943
	6,152	7,738

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

(figures in EUR thousand, if not stated otherwise)

26. CURRENT RECEIVABLES

	2019		2018	
EUR 1,000	**Fair Value**	**Carrying amount**	**Fair Value**	**Carrying amount**
Accounts receivable and other receivables				
Loans and other receivables				
Accounts receivable	**67,825**	**67,825**	84,755	84,755
Accrued income and prepaid expenses	**16,975**	**16,975**	18,522	18,522
Other receivables	**1,764**	**1,764**	1,794	1,794
Financial assets at fair value				
Currency derivatives	**351**	**351**		
Total	**86,916**	**86,916**	105,072	105,072

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	2019	2018
Significant items of accrued income and prepaid expenses		
Government grants for shipping companies	**7,453**	8,329
Personnel costs	**806**	1,544
Port expenses, cargo handling and other voyage-related costs	**2,208**	4,183
Docking costs	**772**	1,194
Reimbursement of average repairs, vessels	**1,695**	2,168
Insurances	**1,468**	238
Other accrued receivables	**2,573**	867
Total	**16,975**	18,522

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

EUR 1,000	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	
Total	86,213	1,457	84,756

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	2019	2018
Accounts receivable by currency		
EUR	67,685	84,422
SEK	3	4
GBP	252	441
USD	222	265
DKK	3	2
PLN	0	1
	68,164	85,135
Expected credit loss allowance (IFRS 9)	-338	-379
Total	67,825	84,756

The carrying value of accounts receivable and other receivables are reasonable estimates of their fair values. In 2019, the Group has recognised impairment losses of EUR -738 (-145) thousand in profit or loss. In addition, according to IFRS 9 the Group has recognised EUR 42 (-28) thousand as expected credit loss allowance. The maximum credit risk related to accounts receivable and other receivables is their carrying amount. The calculation of the allowance for impaired trade receivables is presented in Note 34. Financial risk management / Credit risk.

27. CASH AND CASH EQUIVALENTS

EUR 1,000	2019	2018
Cash in hand and cash equivalent	9,208	1,850
	9,208	1,850

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

28. SHARE CAPITAL AND OTHER RESERVES

	No. of shares outstanding (1,000)	Share capital EUR 1,000
31 Dec 2018	51,503	103,006
31 Dec 2019	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 2019 (EUR 200 million on 31 December 2018). 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	2019	2018
Share premium account	24,525	24,525

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

Fund for unrestricted equity

EUR 1,000	2019	2018
Unrestricted equity reserve 1 January	40,016	40,016
Increase	0	0
Unrestricted equity reserve 31 December	40,016	40,016

Fair value reserve

EUR 1,000	2019	2018
Fair value reserve 1 January	3,562	0
Increase	6,061	3,562
Fair value reserve 31 December	9,623	3,562

(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 38. Shares and Shareholders.

29. PROVISIONS

EUR 1,000	2019	2018
Non-current provisions	**1,697**	1,730
Current provisions	**253**	256
	1,951	1,986

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

EUR 1,000	Tax provision	Other provisions	Total
1 January 2018	229	1,748	1,977
Increases in provisions	9	0	9
Decreases in provisions			
31 December 2018	238	1,748	1,986

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

30. INTEREST-BEARING LIABILITIES

	2019		2018	
EUR 1,000	**Fair Value**	**Carrying amount**	**Fair Value**	**Carrying amount**
Long-term interest-bearing liabilities measured at amortised cost				
Loans from financial institutions	**195,150**	**194,840**	265,508	264,943
Loans from pension funds	**8,288**	**8,288**	10,740	10,716
Lease liabilities	**16,515**	**16,515**	0	0
	219,953	**219,643**	276,248	275,659
Current interest-bearing liabilities measured at amortised cost				
Loans from financial institutions	**70,443**	**70,443**	80,640	80,640
Bank overdraft facilities	**0**	**0**	2,396	2,396
Loans from pension funds	**2,428**	**2,428**	2,428	2,428
Lease liabilities	**2,802**	**2,802**	14	14
Commercial paper programme	**96,166**	**96,166**	91,651	91,651
Financial liabilities	**171,840**	**171,840**	177,129	177,129
Total interest-bearing liabilities	**391,792**	**391,482**	453,377	452,788

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 -0.3–0.1% (-0.2–0.6%) and a company-specific risk premium. The interest rate of lease liabilities is lessee's incremental borrowing rate 1.6%. 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 30. 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 7.1 (7.2 in 2018) million, which are valued at the lower of acquisition cost or probable value, as their fair value cannot be reliably measured.

EUR 1,000	2019	2018
Maturity of long-term interest-bearing liabilities (not including lease liabilities)		
Within 12 months	**72,871**	83,068
1–5 years	**193,847**	250,718
After five years	**10,000**	26,000
	276,718	359,786

	2019	2018
Weighted average interest rates of the interest-bearing debts	**1.14%**	1.34%

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

EUR 1,000	Within 1 year	1–5 years	More than 5 years	Total
Floating rate 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
Loans from pension funds	13,144			13,144
	278,652	0	0	278,652

All of the Group’s financial liabilities were in EUR on 31 December 2019 and on 31 December 2018.

Financial liabilities include secured liabilities. The pledge value of the related pledged assets is EUR 640 (827) million. This is detailed in Note 35. Contingencies and Commitments.

(figures in EUR thousand, if not stated otherwise)

Lease liabilities according to IAS 17 (until 31 December 2018)

EUR 1,000	2018
Lease liabilities future minimum lease payments due	
Within 12 months	14
1–5 years	0
After five years	0
	14
Future interest expenses from lease agreements	0
Lease liabilities current value of minimum lease payments	
Within 12 months	14
1–5 years	0
After five years	0
	14

31. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2019		2018	
EUR 1,000	**Fair Value**	**Carrying amount**	**Fair Value**	**Carrying amount**
Liabilities, non-current	**0**	**0**	0	0

	2019		2018	
EUR 1,000	**Fair Value**	**Carrying amount**	**Fair Value**	**Carrying amount**
Accounts payable and other liabilities				
Liabilities measured at cost				
Accounts payable	**18,695**	**18,695**	20,972	20,972
Accrued personnel costs	**11,880**	**11,880**	11,573	11,573
Accrued interest	**647**	**647**	1,203	1,203
Other accrued expenses and deferred income	**19,333**	**19,333**	23,209	23,209
Other liabilities	**13,381**	**13,381**	15,956	15,956
Current advances received	**5,038**	**5,038**	4,478	4,478
	68,975	**68,975**	77,391	77,391

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	2019	2018
Significant items in accrued expenses and deferred income		
Discounts given	**10,299**	10,040
Bunker costs	**2,200**	783
Cargo handling costs	**1,918**	2,884
Port expenses and voyage-related costs	**1,506**	1,910
Catering costs	**680**	618
Repairs, vessels	**680**	665
Vessel investments	**0**	4,400
Other accrued liabilities	**2,049**	1,913
	19,333	23,213

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	2019	2018
Distribution of accounts payable by currency		
EUR	**16,344**	18,334
SEK	**1,231**	704
USD	**591**	1,560
GBP	**201**	162
DKK	**324**	177
PLN	**4**	35
	18,695	20,972

32. ADJUSTMENTS TO CASH FLOW FROM OPERATIONS

EUR 1,000	2019	2018
Non-cash transactions		
Depreciation	**65,065**	61,458
Profits/losses from the sale of assets	**-257**	-5,555
Defined benefit plan valuation, IAS 19	**-400**	183
	64,408	56,086

33. PENSION LIABILITIES

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

Finnlines Plc’s and Finnsteve Oy Ab’s assets of the defined benefit pension plans in Finland are mainly administered by insurance companies. The assets thus consist of approved insurance contracts. The assets are administered in accordance with the local statutory requirements under which the plans are obliged to pay guaranteed sums irrespective of market conditions. The defined benefit pension plans in Finland on 31 December 2019 covered a total of 137 (161) members, of whom 12 (13) were employed.

Finnlines Deutschland GmbH has granted defined benefit pension plans to its employees. On 31 December 2019, the defined benefit pension plan in Germany covered a total of 35 (40) members, of whom 7 (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 2019 or 2018, the Company did not have access to information, which would make it possible to report this plan as a defined benefit plan. A pension plan in accordance with ITP, which is guaranteed with an insurance at Alecta, is therefore reported as a defined contribution plan. The premiums for pension insurance at Alecta amount to EUR 0.4 (0.5) million. Alecta’s surplus can be distributed to policy holders and/or the insured. At the end of 2019, Alecta’s surplus in the form of collective funding ratio amounted to 142 (159) per cent. The collective funding ratio consists of the market value of Alecta’s assets as a percentage of the pension obligations calculated in accordance with Alecta’s actuarial calculation assumptions, which are not compatible with IAS 19.

The weighted average duration of the defined benefit obligations is 10.41 years.

Assumptions 31 December 2019	Germany pension promise	Finland Finnsteve pension promise	Finland Finnsteve pension plan	Finland Finnlines pension plan	Average 2019	Average 2018
Discount rate	1.19%	0.80%	0.80%	0.80%	0.94%	1.86%
Rate of salary increase	1.50%	n/a	n/a	2.40%		
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	2019	2018
Expense recognised in profit or loss		
Service cost	32	32
Net interest	60	59
Expense recognised in profit or loss	92	91
Remeasurements in other comprehensive income	400	-183
Amounts in total comprehensive income	492	-92

EUR 1,000	31 Dec 2019	31 Dec 2018
Liability recognised in statement of financial position		
Defined benefit obligation	6,908	6,759
Fair value of plan assets	3,466	3,503
Surplus (-) / Deficit (+)	3,442	3,256
Net defined benefit liability (+) / asset recognised in statement of financial position	3,442	3,256

EUR 1,000	31 Dec 2019	31 Dec 2018
Changes in net defined benefit liability during the period		
Net defined benefit liability recognised in statement of financial position at beginning of period	3,256	3,622
Contributions during the period	-306	-274
Expense during the period	92	91
Remeasurements recognised in other comprehensive income	400	-183
Net defined benefit liability recognised in statement of financial position at the end of period	3,442	3,256

EUR 1,000	2019	2018
Remeasurements components in other comprehensive income		
Actuarial gains (-) / losses (+) on defined benefit obligation arising from changes in demographic assumptions	0	43
Actuarial gains (-) / losses (+) on defined benefit obligation arising from changes in financial assumptions	497	-329
Actuarial gains (-) / losses (+) on defined benefit obligation arising from experience adjustments	91	-71
Actuarial gains (-) / losses (+) on plan assets and return on plan assets excluding interest income	-188	173
Remeasurement in other comprehensive income	400	-183

EUR 1,000	2019	2018
Change in defined benefit obligation		
Opening defined benefit obligation	6,759	7,553
Current service cost	32	32
Interest expense	119	112
Actuarial gains (-) / losses (+) on obligation	588	-356
Benefits paid	-590	-582
Defined benefit obligation at the end of the period	6,908	6,759

EUR 1,000	2019	2018
Change in the fair value of plan assets		
Opening fair value of plan assets	3,503	3,931
Interest income	59	53
Gain on plan assets excl. item included in net interest	188	-173
Employer contributions	306	274
Benefits paid	-590	-582
Fair value of plan assets at the end of the period	3,466	3,503

(figures in EUR thousand, if not stated otherwise)

31 December 2019					
EUR 1,000	**Germany pension promise**	**Finland Finnsteve pension promise**	**Finland Finnsteve pension plan**	**Finland Finnlines pension plan**	**Total**
Sensitivity analysis on net defined benefit liability					
Discount rate change +0.5%					
Defined benefit obligation	2,397	318	219	3,631	6,565
Fair value of plan assets	0	0	209	3,129	3,338
Net Liability	**2,397**	**318**	**10**	**502**	**3,227**
Change in EUR	-114	-12	-2	-86	-214
Change in %	-4.55%	-3.64%	-16.67%	-14.63%	-6.23%
Discount rate change -0.5%					
Defined benefit obligation	2,636	343	245	4,057	7,281
Fair value of plan assets	0	0	231	3,374	3,605
Net Liability	**2,636**	**343**	**14**	**683**	**3,676**
Change in EUR	124	13	2	95	234
Change in %	4.93%	3.94%	16.67%	16.16%	6.80%
Benefit increase rate change +0.5%					
Defined benefit obligation	2,633	343	245	4,037	7,258
Fair value of plan assets	0	0	220	3,246	3,466
Net Liability	**2,633**	**343**	**25**	**791**	**3,792**
Change in EUR	121	13	13	203	350
Change in %	4.82%	3.94%	108.33%	34.52%	10.17%
Benefit increase rate change -0.5%					
Defined benefit obligation	2,399	318	220	3,647	6,584
Fair value of plan assets	0	0	220	3,246	3,466
Net Liability	**2,399**	**318**	**0**	**401**	**3,118**
Change in EUR	-113	-12	-12	-187	-324
Change in %	-4.49%	-3.64%	-100.00%	-31.80%	-9.41%

The Group estimates the costs for the defined benefit plans valid on 31 December 2019 at EUR 0.1 million in 2020.

(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%

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)

34. FINANCIAL RISK MANAGEMENT

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

CURRENCY RISK

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

Transaction risk

In 2019, over 90% of sales were invoiced in EUR, and the rest in SEK, DKK, PLN, USD and GBP. Bunker purchases are made in USD. Other purchases are mainly paid in EUR. Bunker price clauses included in customer contracts cover to a large extent this USD risk. Currency positions are reviewed on a net basis for each currency every 12 months in connection with annual budgeting.

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

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

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

Derivative instruments

EUR 1,000	Fair Value +	Fair Value -	Net Fair Value	Carrying amount
Interest rate and currency derivatives				
Currency forwards	9,623	0	9,623	105,944
	9,623	**0**	**9,623**	**105,944**

Contractual payables and receivables of financial derivatives, 31 December 2019

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

The weighted average rate of the hedging instruments with respect to EUR was approximately 1.29.

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

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 2018 and 2019, the Group had no such significant investments in foreign currencies. The tables below show the translation position at the end of 2018 and 2019.

EUR 1,000	Investment
Group translation exposure 2019	
GBP	**723**
DKK	**238**
PLN	**75**
	1,035

(figures in EUR thousand, if not stated otherwise)

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

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

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

EUR 1,000	Change in Profit & Loss	Change in Equity
Sensitivity at closing date 2019, change in USD, weakening/strengthening 10% against EUR	**+29,039/-35,492**	**+0/-0**
Sensitivity at closing date 2018, change in USD, weakening / strengthening 10% against EUR	+8,326/-10,176	+0/-0

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

Change before tax effect.

INTEREST RATE RISK

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

The level of hedging against interest rate risks and the duration of the debt portfolio are reviewed annually by the Board of Directors when making the budget. At the balance sheet date, 58% 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 4 months.

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

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

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

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

Change before tax effect.

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.
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 26. Current Receivables, shows the analysis of accounts receivable by age.

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

EUR 1,000	2019	2018
Changes of the allowance for impaired trade receivables		
Impaired receivables at 1 January	**1,457**	1,473
Net remeasurement of loss allowance, IFRS 9	**-42**	28
Identified amounts written off	**738**	145
Amounts, final credit loss	**-112**	-188
Impaired receivables at 31 December	**2,041**	1,457

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 2019, the granted but unused credit facilities totalled EUR 155.0 (152.6) million. Loans include normal equity ratio related covenants. The cash-flows in the tables below include both repayments and expected interests.

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

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

Contractual repayments of interest-bearing 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

(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% 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	2019	2018
Capital risk management		
Financial liabilities	**391,482**	452,788
Cash in hand and at bank	**9,208**	1,850
Interest-bearing net debt	**382,275**	450,938
Total equity	**714,620**	662,087
Leverage ratio (net gearing), %	**53.5**	68.1

35. CONTINGENCIES AND COMMITMENTS

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

At year-end 2018 and 2019, 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	2019	2018
Vessel leases (Group as lessor)		
Within 12 months	**8,491**	6,753
1–5 years	**6,346**	13,117
	14,837	19,869

EUR 1,000	2019	2018
Other leases (Group as lessee)		
Future minimum lease payments from other leases due:		
Within 12 months	**105**	5,425
1–5 years	**160**	8,110
After five years	**0**	3,939
	264	17,474

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.

Information on other leases is presented in Note 18. Leases.

EUR 1,000	2019	2018
Other leases (Group as lessor)		
Within 12 months	**227**	229
	227	229

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

EUR 1,000	2019	2018
Collateral given		
Loans secured by mortgages	**276,718**	359,786
	276,718	359,786

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	2019	2018
Vessel mortgages provided as guarantees for the above loans	**639,500**	827,000

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

EUR 1,000	2019	2018
Other collateral given on own behalf		
Pledges	**340**	340
	340	340

EUR 1,000	2019	2018
Other obligations		
Obligations, related to vessel investments	**429,447**	183,092
Other external obligations	**2,950**	5,229
	432,397	188,321

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

EUR 1,000	2019	2018
VAT adjustment liability related to real estate investments	**4**	92

Legal proceedings

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

36. TRANSACTIONS WITH RELATED PARTIES

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

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

Employee benefits granted to key management

EUR 1,000	2019	2018
Salaries and other short-term benefits	**1,822**	1,883
Post-employment benefits	**297**	341
	2,119	2,224

In 2019, the key management consisted of the members of the Board of Directors and the Executive Committee. The Executive Committee comprised the President and CEO, the CFO, the Group General Counsel and the Operating Officers, a total of eight members.

Finnlines Plc's Annual General Meeting held on 7 May 2019 confirmed the following compensation to the Board of Directors in 2019

EUR 1,000	2019	2018
Salaries and fees		
President and CEO		
Board of Directors:	**300**	270
Chairman	**50**	50
Vice Chairman	**40**	40
Board members (each)	**30**	30

Compensation to the Board Members for 2018 was paid in June 2019.

(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	2019	2018
President and CEO		
Emanuele Grimaldi, President and CEO	**0**	0
Board of Directors		
Jon-Aksel Torgersen, Chairman of the Board	**50**	50
Diego Pacella, Vice chairman of the Board	**40**	40
Christer Backman	**30**	30
Tiina Bäckman	**30**	30
Emanuele Grimaldi	**30**	30
Gianluca Grimaldi	**30**	30
Guido Grimaldi	**30**	30
Mikael Mäkinen *	**30**	
Tapani Voionmaa **		

* Member of the Board as from 8 May 2018.
** Member of the Board as from 7 May 2019.

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 2019. The President and CEO, the Executive Committee or the Board of Directors have no share-based incentive programmes.

Transactions with related parties

The Grimaldi Group companies held 100.00% of all the shares in Finnlines Plc on 31 December 2019. More information about Finnlines’ share can be found in Note 38. Shares and Shareholders.

EUR 1,000	2019	2018
Transactions with related parties		
Income from Grimaldi companies *	10,384	12,429
Purchases from Grimaldi companies **	4,611	76,373
Receivables from Grimaldi companies	1,661	4,225
Payables to Grimaldi companies	204	277

* Income consists mainly of vessel leases and freight income.

** 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 2019–31 December 2019).

(figures in EUR thousand, if not stated otherwise)

37. SUBSIDIARIES ON 31 DECEMBER 2019

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

38. SHARES AND SHAREHOLDERS

Finnlines Plc has one share series. Each share carries one vote at general shareholder meetings and confers identical dividend rights. As outlined in Finnlines' Articles of Association, the Company's minimum share capital is EUR 50 million and the maximum is EUR 200 million. The share capital can be increased or decreased within these limits. The Company's paid-up and registered share capital on 31 December 2019 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 2019	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**

39. 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	2019	2018	2017 restated	2016	2015
	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	**574.8**	589.4	536.3	473.7	511.2
Other income from operations	**1.4**	6.4	2.6	6.7	1.8
Result before interest, taxes, depreciation and amortisation (EBITDA)	**169.8**	166.4	152.3	139.1	126.9
% of revenue	**29.5**	28.2	28.4	29.4	24.8
Result before interest and taxes (EBIT)	**104.8**	104.9	93.9	81.5	70.3
% of revenue	**18.2**	17.8	17.5	17.2	13.8
Result before taxes (EBT)	**97.3**	94.8	82.4	67.0	53.2
% of revenue	**16.9**	16.1	15.4	14.1	10.4
Result for reporting period, continuing operations	**98.3**	95.1	82.6	68.1	56.8
% of revenue	**17.1**	16.1	15.4	14.4	11.1
Result for reporting period	**98.3**	95.1	82.6	68.1	56.8
% of revenue	**17.1**	16.1	15.4	14.4	11.1
Total investments *	**31.4**	134.0	48.9	46.3	64.1
% of revenue	**5.5**	22.7	9.1	9.8	12.5
Return on equity (ROE), %	**14.3**	14.9	13.7	11.9	10.7
Return on investment (ROI), %	**9.5**	9.6	8.7	7.4	6.5
Assets total	**1,226.9**	1,245.9	1,205.9	1,205.4	1,231.1
Equity ratio, %	**58.5**	53.3	51.1	48.9	45.7
Net gearing, %	**50.8**	68.1	68.9	83.8	97.1
Average no. of employees	**1,576**	1,637	1,651	1,653	1,597

	2019	2018	2017	2016	2015
	IFRS	IFRS	IFRS	IFRS	IFRS
Earnings per share (EPS), EUR	**1.91**	1.85	1.60	1.32	1.10
Earnings per share (EPS) less warrant dilution, EUR	**1.91**	1.85	1.60	1.32	1.10
Shareholders' equity per share, EUR	**13.88**	12.86	11.94	11.42	10.89
Payout ratio, %	**n/a**	n/a	n/a	n/a	0.0
Effective dividend yield, %	**n/a**	n/a	n/a	n/a	0.0
Price/earnings ratio (P/E)	**n/a**	n/a	n/a	n/a	16.0
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 48.

CALCULATION OF KEY RATIOS, IFRS

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

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

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

QUARTERLY DATA, IFRS

EUR million	Q1/2019	Q1/2018	Q2/2019	Q2/2018	Q3/2019	Q3/2018	Q4/2019	Q4/2018
Revenue by segment								
Shipping and Sea Transport Services total	**131.8**	129.0	**151.9**	148.5	**149.1**	153.5	**118.1**	136.3
Sales to third parties	**131.9**	129.1	**152.0**	148.5	**149.2**	153.5	**118.2**	136.3
Sales to Port Operations	**-0.1**	-0.1	**-0.1**	-0.1	**-0.1**	0.0	**-0.1**	0.0
Port Operations total	**11.0**	11.4	**12.0**	11.6	**11.5**	10.4	**10.9**	10.2
Sales to third parties	**5.7**	5.8	**6.0**	5.8	**6.1**	5.3	**5.8**	5.2
Sales to Shipping and Sea Transport Services	**5.4**	5.6	**6.0**	5.8	**5.4**	5.1	**5.1**	5.1
Group internal revenue	**-5.3**	-5.5	**-6.0**	-5.8	**-5.3**	-5.1	**-5.0**	-5.0
Revenue total	**137.6**	134.9	**157.9**	154.3	**155.3**	158.8	**124.0**	141.5
Result before interest and taxes per segment								
Shipping and Sea Transport Services	**18.1**	18.7	**32.0**	27.9	**35.9**	34.8	**16.5**	22.1
Port Operations	**0.0**	0.2	**0.6**	0.7	**1.4**	0.6	**0.3**	-0.1
Result before interest and taxes (EBIT) total	**18.1**	19.0	**32.6**	28.6	**37.2**	35.4	**16.8**	22.0
Financial income and expenses	**-2.1**	-2.7	**-1.9**	-2.7	**-1.8**	-2.5	**-1.6**	-2.3
Result before tax (EBT)	**16.0**	16.3	**30.7**	25.9	**35.4**	32.9	**15.2**	19.7
Income taxes	**0.3**	0.2	**-0.3**	-0.1	**-0.3**	0.2	**1.3**	0.0
Result for the reporting period	**16.2**	16.5	**30.4**	25.8	**35.1**	33.1	**16.5**	19.7
Quarterly consolidated key figures								
Result before interest and taxes, (% of revenue)	**13.1**	14.1	**20.7**	18.5	**24.0**	22.3	**13.6**	15.5
Earnings per share, EUR	**0.32**	0.32	**0.59**	0.50	**0.68**	0.64	**0.32**	0.38
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 2019	1 Jan–31 Dec 2018
Revenue	1	**452,614,147.37**	466,251,115.29
Other income from operations	2	**3,271,886.40**	8,999,827.83
Materials and services	3	**-170,488,845.38**	-186,132,479.17
Personnel expenses	4	**-45,189,675.88**	-43,689,539.79
Depreciation, amortisation and other write-offs	5	**-33,289,780.55**	-30,871,516.43
Other operating expenses	6	**-122,481,919.37**	-128,135,770.72
Operating profit		**84,435,812.59**	86,421,637.01
Financial income and expenses	7	**-4,282,005.22**	-6,511,729.72
Result before appropriations and taxes		**80,153,807.37**	79,909,907.29
Appropriations	8		
Group contributions		**-2,300,000.00**	-3,500,000.00
Replacement reserve change			15,856,097.83
Profit before tax		**77,853,807.37**	92,266,005.12
Other income taxes			
Tonnage tax	9	**-82,586.41**	-87,651.83
Deferred taxes	10	**3,917,030.83**	1,279,070.03
Result for the reporting period		**81,688,251.79**	93,457,423.32

See Notes starting on page 54.

(figures in EUR thousand, if not stated otherwise)

BALANCE SHEET, PARENT COMPANY, FAS

EUR	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	11	**2,652,638.38**	3,064,970.49
Tangible assets	12	**649,785,989.43**	656,945,334.90
Investments	13		
Shares in group companies		**153,454,336.86**	153,454,336.86
Other investments		**7,051,920.55**	7,283,460.55
Total non-current assets		**812,944,885.22**	820,748,102.80
Current assets			
Inventories	14	**5,083,275.71**	6,767,589.64
Long-term receivables	15	**100,407,357.08**	127,698,945.33
Short-term receivables	16	**92,405,494.66**	124,988,458.32
Bank and cash		**8,383,032.69**	896,549.94
Total current assets		**206,279,160.14**	260,351,543.23
Total assets		**1,019,224,045.36**	1,081,099,646.03
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		**9,623,322.09**	3,562,220.62
Unrestricted equity reserve		**40,882,508.10**	40,882,508.10
Retained earnings		**320,892,350.57**	278,938,068.25
Result for the reporting period		**81,688,251.79**	93,457,423.32
Total shareholders' equity		**580,618,068.25**	544,371,855.99
Statutory provisions			
Pension obligation	18	**588,000.00**	567,000.00
Liabilities			
Long-term liabilities			
Deferred tax liability	19	**14,860,341.49**	18,777,372.32
Interest-bearing	20	**197,559,444.08**	268,002,333.71
		212,419,785.57	286,779,706.03
Current liabilities	21		
Interest-bearing		**174,547,027.88**	187,990,578.64
Interest-free		**51,051,163.66**	61,390,505.37
		225,598,191.54	249,381,084.01
Total liabilities		**438,017,977.11**	536,160,790.04
Total shareholders' equity and liabilities		**1,019,224,045.36**	1,081,099,646.03

See Notes starting on page 54.

(figures in EUR thousand, if not stated otherwise)

CASH FLOW STATEMENT, PARENT COMPANY, FAS

EUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Cash flows from operating activities		
Result for the reporting period	**81,688,251.79**	93,457,423.32
Adjustments for:		
Depreciation, amortisation & impairment loss	**33,289,780.55**	30,871,516.43
Gains (-) and Losses (+) of disposals of fixed assets and other non-current assets	**-192,450.15**	-6,304,081.95
Financial income and expenses	**4,282,005.22**	6,511,729.72
Income taxes	**-3,834,444.42**	-1,191,418.20
Other adjustments	**2,300,000.00**	-12,356,097.83
	117,533,142.99	110,989,071.49
Changes in working capital:		
Change in inventories, addition (-) and decrease (+)	**1,684,313.93**	-1,464,577.16
Change in accounts receivable, addition (-) and decrease (+)	**18,501,750.36**	-6,952,914.69
Change in accounts payable, addition (+) and decrease (-)	**-9,938,292.40**	5,148,722.24
Change in provisions	**21,000.00**	-217,000.00
	10,268,771.89	-3,485,769.61
Interest paid	**-5,630,146.77**	-7,496,740.41
Dividends received	**261.52**	274,584.00
Interest received	**2,647,415.37**	3,484,627.08
Other financing items	**-1,666,284.15**	-2,818,920.83
Income taxes paid	**-82,586.41**	-86,087.11
	-4,731,340.44	-6,642,537.27
Net cash generated from operating activities	**123,070,574.44**	100,860,764.61
Cash flows from investing activities		
Investments in tangible and intangible assets	**-25,566,452.97**	-77,409,059.81
Proceeds from sale of tangible and intangible assets	**136,990.15**	15,404,578.11
Disposal of subsidiaries		60,000.00
Purchase of investments	**287,000.00**	-2,672,175.94
Change in internal loans (net)	**47,247,952.52**	10,164,696.86
Net cash used in investing activities	**22,105,489.70**	-54,451,960.78
Net cash before financing activities	**145,176,064.14**	46,408,803.83
Cash flows from financing activities		
Proceeds from short-term borrowings	**1,279,714.73**	17,022,101.09
Repayment of short-term borrowings	**-14,723,265.50**	-30,168,117.60
Proceeds of long-term borrowings	**76,000,000.00**	76,454,546.06
Repayment of long-term borrowings	**-146,442,889.62**	-89,367,115.60
Dividends paid	**-51,503,141.00**	-51,503,141.00
Group contributions	**-2,300,000.00**	-3,500,000.00
Net cash used in financing activities	**-137,689,581.39**	-81,061,727.05
Change in cash and cash equivalents	**7,486,482.75**	-34,652,923.22
Cash and cash equivalents on 1 January	**896,549.94**	35,549,473.17
Cash and cash equivalents on 31 December	**8,383,032.69**	896,549.94

(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	2019	2018
By segment		
Shipping and Sea Transport Services	452,614,147.37	466,251,115.29
Total	452,614,147.37	466,251,115.29
Intra-group revenue	-302,224.83	1,139,507.70

2. OTHER INCOME FROM OPERATIONS

EUR	2019	2018
Gain on disposals	192,450.15	6,308,286.65
Rental income	338,588.28	54,837.26
Internal administration fees	2,732,290.69	2,626,026.16
Other	8,557.28	10,677.76
Total	3,271,886.40	8,999,827.83

3. MATERIALS AND SERVICES

EUR	2019	2018
Purchases during the reporting period		
Bunker	-93,802,968.08	-112,325,208.96
Other	-6,532,399.67	-6,281,583.96
Change in inventories	-1,684,313.93	1,464,577.16
Total	-102,019,681.68	-117,142,215.76
External services	-68,469,163.70	-68,990,263.41
Materials and services total	-170,488,845.38	-186,132,479.17

4. PERSONNEL AND PERSONNEL EXPENSES

EUR	2019	2018
Employees		
Average number of employees		
Shore-based personnel	212	217
Sea personnel	635	645
	847	862
Personnel expenses		
Wages and salaries	-49,877,754.91	-49,845,401.06
Social costs		
Pension costs	-6,449,279.51	-6,527,149.35
Other social costs	-1,630,242.07	-1,956,937.20
State subsidies	12,767,600.61	14,639,947.82
Total	-45,189,675.88	-43,689,539.79
Salaries and remunerations to		
President and CEO		
Board of Directors	-270,000.00	-240,000.00

(figures in EUR thousand, if not stated otherwise)

5. DEPRECIATION, AMORTISATION AND WRITE-OFFS

EUR	2019	2018
Depreciation and amortisation according to plan		
Other long-term expenditure	**-698,715.58**	-682,166.67
Vessels	**-32,050,004.60**	-29,837,319.84
Cargo handling equipment	**-335,056.80**	-142,986.09
Machinery and equipment	**-206,003.57**	-209,043.83
Total	**-33,289,780.55**	-30,871,516.43

6. OTHER OPERATING EXPENSES

EUR	2019	2018
Vessel hires, internal	**-5,536,500.00**	-8,713,244.60
Vessel hires, external	**-13,240,712.89**	-13,625,867.78
Other leases	**-1,834,900.20**	-2,698,114.41
Port expenses and fairway dues	**-29,846,316.85**	-30,916,406.72
Commissions	**-8,017,601.29**	-8,779,355.38
Cargo handling equipment related costs	**-3,741,690.05**	-4,129,583.49
Vessel insurances, repairs and maintenance	**-34,515,551.47**	-34,631,889.07
Marketing costs	**-2,950,839.38**	-3,203,021.95
Auditors’ fees		
KPMG Oy Ab	**-68,500.00**	-68,500.00
Tax consultancy and other fees		
KPMG Oy Ab	**-10,126.95**	-45,309.24
Other	**-22,719,180.29**	-21,320,273.38
Total	**-122,481,919.37**	-128,131,566.02

7. FINANCIAL INCOME AND EXPENSES

EUR	2019	2018
Dividends		
From group companies		274,584.00
From others	**261.52**	
Dividends total	**261.52**	274,584.00
Other interest and financial income		
From group companies	**2,619,967.91**	3,455,958.10
From others	**54,796.79**	66,268.94
Other interest and financial income total	**2,674,764.70**	3,522,227.04
of which interest income total	**2,674,764.70**	3,522,227.04
Dividends and interest income total	**2,675,026.22**	3,796,811.04
Exchange gains and losses		
From others		
Gains	**128,506.60**	174,060.52
Losses	**-71,058.95**	-95,246.47
Exchange rate differences total	**57,447.65**	78,814.05
Interest and other financial expenses		
To group companies	**-4,055.56**	-4,055.56
To others	**-7,010,423.53**	-10,383,299.25
Interest and other financial expenses total	**-7,014,479.09**	-10,387,354.81
of which interest expenses total	**-5,220,346.64**	-7,513,087.44
Financial income and expenses total	**-4,282,005.22**	-6,511,729.72

(figures in EUR thousand, if not stated otherwise)

8. APPROPRIATIONS

EUR	2019	2018
Group contribution	**-2,300,000.00**	-3,500,000.00
Replacement reserve change		15,856,097.83
Total	**-2,300,000.00**	12,356,097.83

9. OTHER TAXES

EUR	2019	2018
Tonnage tax	**-82,586.41**	-87,651.83
Total	**-82,586.41**	-87,651.83

10. DEFERRED TAX LIABILITIES

EUR	2019	2018
Change in deferred taxes	**3,917,030.83**	1,279,070.03
Total	**3,917,030.83**	1,279,070.03

11. INTANGIBLE ASSETS

EUR	Other capitalised expenditures	Advance payments	Total
Acquisition cost on 1 January 2019	**23,636,434.70**		**23,636,434.70**
Increases	217,923.47	68,460.00	286,383.47
Acquisition cost on 31 December 2019	**23,854,358.17**	**68,460.00**	**23,922,818.17**
Accumulated depreciation and impairments on 1 January 2019	-20,571,464.21		-20,571,464.21
Depreciation for the reporting period	-698,715.58		-698,715.58
Accumulated depreciation on 31 December 2019	**-21,270,179.79**	**0,00**	**-21,270,179.79**
Carrying value on 31 December 2019	**2,584,178.38**	**68,460.00**	**2,652,638.38**
Carrying value on 31 December 2018	3,064,970.49	0.00	3,064,970.49

(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 2019	**41,944.00**	**882,896,561.89**	**18,559,074.36**	**3,500,161.63**	**5,469,832.76**	**910,467,574.64**
Increases	0.00	1,728,763.52	4,630,137.24	83,807.88	18,989,010.84	25,431,719.48
Disposals	0.00	0.00	-515,241.16	0.00	0.00	-515,241.16
Reclassifications between items	0.00	4,911,789.05	487,489.21	31,860.00	-5,431,138.26	0.00
Acquisition cost on 31 December 2019	**41,944.00**	**889,537,114.46**	**23,161,459.65**	**3,615,829.51**	**19,027,705.34**	**935,384,052.96**
Accumulated depreciation and write-offs on 1 January 2019	-41,944.00	-232,325,601.33	-18,281,451.08	-2,873,243.31	0.00	-253,522,239.72
Accumulated depreciation on disposals and reclassifications	0.00	0.00	515,241.16	0,00	0.00	515,241.16
Depreciation for the reporting period	0.00	-32,050,004.60	-335,056.80	-206,003.57	0.00	-32,591,064.97
Accumulated depreciation on 31 December 2019	**-41,944.00**	**-264,375,605.93**	**-18,101,266.72**	**-3,079,246.88**	**0.00**	**-285,598,063.53**
Carrying value on 31 December 2019	**0.00**	**625,161,508.53**	**5,060,192.93**	**536,582.63**	**19,027,705.34**	**649,785,989.43**
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

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 2019	**230,856,160.03**	**40,000,000.00**	**84,858,176.83**	**355,714,336.86**	**7,283,460.55**	**362,997,797.41**
Increases	0,00	0.00	0.00	0.00	0.00	0.00
Decreases	0,00	0.00	0.00	0.00	-231,540.00	-231,540.00
Acquisition cost on 31 December 2019	**230,856,160.03**	**40,000,000.00**	**84,858,176.83**	**355,714,336.86**	**7,051,920.55**	**362,766,257.41**
Accumulated impairments on 1 January 2019	-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 2019	**-202,260,000.00**	**0.00**	**0.00**	**-202,260,000.00**	**0.00**	**-202,260,000.00**
Carrying value on 31 December 2019	**28,596,160.03**	**40,000,000.00**	**84,858,176.83**	**153,454,336.86**	**7,051,920.55**	**160,506,257.41**
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

14. INVENTORIES

EUR	2019	2018
Bunker	**3,119,477.90**	4,761,704.54
Other inventories	**1,963,797.81**	2,005,885.10
Total	**5,083,275.71**	6,767,589.64

(figures in EUR thousand, if not stated otherwise)

15. LONG-TERM RECEIVABLES

EUR	2019	2018
Loan receivables		
Loan receivables from group companies	89,942,877.92	122,797,551.84
Total	89,942,877.92	122,797,551.84
Other receivables	1,192,218.13	1,192,218.13
Currency derivatives	9,272,261.03	3,562,220.62
Accrued income and prepaid expenses	0.00	146,954.74
Total long-term receivables	100,407,357.08	127,698,945.33

16. SHORT-TERM RECEIVABLES

EUR	2019	2018
Accounts receivable		
From group companies	13,282.82	-41,662.07
From others	55,859,390.86	71,665,310.77
Total	55,872,673.68	71,623,648.70
Loan receivables		
From group companies	16,322,712.77	30,715,991.37
Total	16,322,712.77	30,715,991.37
Other receivables	1,113,893.47	979,800.72
Currency derivatives	351,061.06	0.00
Accrued income and prepaid expenses		
From group companies	344,408.52	322,070.47
From others	18,400,745.16	21,346,947.06
Total	18,745,153.68	21,669,017.53
Total short-term receivables	92,405,494.66	124,988,458.32
Significant items of accrued income and prepaid expenses		
Sea freight revenue	156,321.07	168,804.78
State subsidies	6,490,949.93	7,636,880.33
Vessel hires	0.00	124,582.00
Docking costs	5,232,238.30	6,040,583.79
Passenger income	319,044.40	318,977.90
Insurances	1,483,454.62	567,024.98
Port expenses	-34,835.06	699,791.01
Cargo handling	1,774,803.58	3,021,304.67
Reimbursement of average repairs, vessels	1,528,083.96	1,964,075.83
Other	1,795,092.88	1,126,992.24
Total	18,745,153.68	21,669,017.53

(figures in EUR thousand, if not stated otherwise)

17. SHAREHOLDERS' EQUITY

EUR	2019	2018
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	**3,562,220.62**	0.00
Increase	**6,061,101.47**	3,562,220.62
Fair value reserve on 31 December	**9,623,322.09**	3,562,220.62
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	**372,395,491.57**	330,441,209.25
Dividend paid	**-51,503,141.00**	-51,503,141.00
Retained earnings on 31 December	**320,892,350.57**	278,938,068.25
Result for the reporting period	**81,688,251.79**	93,457,423.32
Total shareholders' equity	**580,618,068.25**	544,371,855.99
Calculation of distributable funds		
Retained earnings	**320,892,350.57**	278,938,068.25
Unrestricted equity reserve	**40,882,508.10**	40,882,508.10
Result for the reporting period	**81,688,251.79**	93,457,423.32
Parent company's distributable funds on 31 December	**443,463,110.46**	413,277,999.67

18. STATUTORY PROVISIONS

EUR	2019	2018
Pension obligation	**588,000.00**	567,000.00
Total	**588,000.00**	567,000.00

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

19. DEFERRED TAX LIABILITY

EUR	2019	2018
Deferred tax liability of excess depreciations, tonnage taxation 1 January	**18,777,372.32**	23,227,661.92
Recognised in profit and loss account 1 January–31 December		
Tonnage tax relief	**-3,917,030.83**	-4,450,289.60
Deferred tax liability, tonnage taxation 31 December	**14,860,341.49**	18,777,372.32

(figures in EUR thousand, if not stated otherwise)

20. LONG-TERM LIABILITIES

EUR	2019	2018
Long-term interest-bearing liabilities		
Loans from financial institutions	**195,559,444.08**	266,002,333.71
Other long-term interest-bearing liabilities		
Debts to group companies	**2,000,000.00**	2,000,000.00
Total	**197,559,444.08**	268,002,333.71

Maturity of loans		
Year		
2019		80,639,842.55
2020	**70,442,889.62**	70,442,889.62
2021	**64,776,222.99**	64,776,222.99
2022	**57,237,763.99**	57,237,763.99
2023	**48,545,456.99**	48,545,456.99
2024 and later for 2018	**15,000,000.11**	25,000,000.11
2025 and later for 2019	**10,000,000.00**	
Total	**266,002,333.70**	346,642,176.25

Long-term loans due after five years		
Loans from financial institutions	**10,000,000.00**	25,000,000.11
Debts to group companies	**0.00**	0.00
Total	**10,000,000.00**	25,000,000.11

(figures in EUR thousand, if not stated otherwise)

21. CURRENT LIABILITIES

EUR	2019	2018
Interest-bearing current liabilities		
Loans from financial institutions	**70,442,889.62**	80,639,842.54
Bank overdraft facilities	**0.00**	2,395,907.26
Commercial papers	**96,166,428.48**	91,650,548.10
Other interest-bearing current liabilities		
To group companies	**7,937,709.78**	13,304,280.74
Total interest-bearing liabilities	**174,547,027.88**	187,990,578.64
Interest-free current liabilities		
Accounts payable		
To group companies	**393,759.99**	1,347,529.53
To others	**14,839,976.20**	17,823,037.33
Total	**15,233,736.19**	19,170,566.86
Other interest-free liabilities to others		
To others	**10,625,678.31**	13,195,900.01
Total	**10,625,678.31**	13,195,900.01
Accrued expenses and deferred income		
To group companies	**1,005,765.21**	1,042,652.65
To others	**24,185,983.95**	27,981,385.85
Total	**25,191,749.16**	29,024,038.50
Total interest-free current liabilities	**51,051,163.66**	61,390,505.37
Total current liabilities	**225,598,191.54**	249,381,084.01
Significant items of accrued expenses and deferred income		
Agent commissions paid, internal	**383,631.15**	358,071.56
Purchased services, internal	**434,410.85**	221,301.61
Annual rebates	**7,938,918.40**	7,633,469.73
Personnel expenses	**5,651,944.04**	5,242,928.02
External services / cargo handling costs	**1,794,974.82**	1,859,800.93
Port expenses and voyage related costs	**1,073,823.70**	1,850,014.36
Interest expenses	**596,183.86**	1,148,883.17
Bunker costs	**851,783.26**	778,502.46
Investments in vessels	**0.00**	4,400,000.00
Other	**6,466,079.08**	5,531,066.66
Total	**25,191,749.16**	29,024,038.50

(figures in EUR thousand, if not stated otherwise)

CONTINGENCIES AND COMMITMENTS

	2019		2018	
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	**190,821**	**495,000**	252,132	600,000
Vessel mortgages provided by subsidiaries as guarantees for loans				
Loans from financial institutions	**75,182**	**119,500**	94,510	202,000
			346,642	802,000
Vessel leases (Finnlines Plc as lessor)				
Due within 12 months		**1,720**		
Due between one and five years		**0**		
Vessel leases (Finnlines Plc as lessor), total		**1,720**		
Pledged deposit		**150**	0	150
Other contingent liabilities		**431,599**	0	187,481
Leasing liabilities				
Due within 12 months		**146**	0	531
Due between one and five years		**134**	0	620
Leasing liabilities total		**280**	0	1,151
Other leases				
Due within 12 months		**765**	0	787
Due between one and five years		**510**	0	1,249
Due after five years		**0**	0	0
Other leases total		**1,275**	0	2,036
Guarantees given on behalf of subsidiaries				
Guarantees given on behalf of the subsidiaries		**0**	0	0
Guarantees for rental contracts		**0**	0	454
Guarantees given on behalf of subsidiaries total		**0**	0	454

(figures in EUR thousand, if not stated otherwise)

SHARES AND HOLDINGS OF PARENT COMPANY

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

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 2035
Balance sheet book	Bound book		until 2035
Balance sheet specification	Bound book		until 2035
General journals	Digital document	Oracle Financials	until 2035
General ledgers	Digital document	Oracle Financials	until 2035
Accounts receivable	Digital document	Oracle Financials	until 2035
Accounts Payable	Digital document	Oracle Financials	until 2035
Payroll accounting, land	Digital document	Aditro Personec W	until 2035
Payroll accounting, sea	Digital document	HPSWIN	until 2035
Asset accounting	Digital document	Oracle Financials	until 2035

Voucher categories	Archiving	System	Retention of data, 15 years
Sales invoices, freight	Digital document	Octopus, Compass, Gatlas, Opus Capita's image archive	until 2035
Sales invoices, passenger services	Digital document	eBooking, Opus Capita's image archive	until 2035
Sales invoices, manual	Digital document	Oracle Financials	until 2035
Bank statements	Digital document	Opus Capita	until 2035
Sales transactions	Digital document	Oracle Financials	until 2035
Interest invoices	Digital document	Oracle Financials	until 2035
Purchase invoices	Digital document	Oracle Financials	until 2035
Purchase invoices, E-invoice	Digital document	Oracle Financials	until 2035
Payment batches	Digital document	Oracle Financials	until 2035
Travel invoices	Digital document	Aditro Expense	until 2035
Bank and cash vouchers	Digital document	Oracle Financials	until 2035
Memorials and accruals	Digital document	Oracle Financials, Shipfox, Winpos, Aava	until 2035
Payroll accounting vouchers, office	Digital document	Aditro Personec W	until 2035
Payroll accounting vouchers, sea personnel	Digital document	HPSWIN	until 2035
Fixed assets accounting vouchers	Digital document	Oracle Financials	until 2035
Notes	Paper		until 2035

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)

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 2019:		
Retained earnings	EUR	**320,892,350.57**
Unrestricted equity reserve	EUR	**40,882,508.10**
Result for the reporting period	EUR	**81,688,251.79**
Distributable funds total	**EUR**	**443,463,110.46**

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, 26 February 2020

Jon-Aksel Torgersen
Chairman of the Board

Christer Backman

Tiina Bäckman

Gianluca Grimaldi

Guido Grimaldi

Mikael Mäkinen

Diego Pacella

Tapani Voionmaa

Emanuele Grimaldi
President and CEO

THE AUDITOR’S NOTE

Our auditor’s report has been issued today.

Helsinki, 26 February 2020

KPMG Oy Ab

Kimmo Antonen
Authorized Public Accountant

(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, 2019. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company’s balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

BASIS FOR OPINION

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

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

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

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company’s and the group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

OTHER REPORTING REQUIREMENTS

OTHER INFORMATION

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

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

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

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

OTHER OPINIONS

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

Helsinki 26 February 2020

KPMG OY AB

Kimmo Antonen
KHT

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