Financial review
January–June 2019
31 July 2019

FINNLINES Q2

JANUARY–JUNE 2019: Revenue increased to EUR 295.5 million
- Revenue EUR 295.5 (289.1 in 2018) million, increase 2%
- Result before interest, taxes, depreciation and amortisation (EBITDA) EUR 83.5 (78.3) million, increase 7%
- Result for the reporting period EUR 46.7 (42.3) million, increase 10%
- Interest-bearing debt decreased by EUR 72.3 million and was EUR 455.3 (527.6) million at the end of the period

APRIL–JUNE 2019: Best ever second quarter result again
- Revenue EUR 157.9 (154.3) million, increase 2%
- Result before interest, taxes, depreciation and amortisation (EBITDA) EUR 49.4 (44.1) million, increase 12%
- Result for the reporting period EUR 30.4 (25.8) million, increase 18%

KEY FIGURES

MEUR	1–6 2019	1–6 2018	4–6 2019	4–6 2018	1–12 2018
Revenue	**295.5**	289.1	**157.9**	154.3	589.4
Result before interest, taxes, depreciation and amortisation (EBITDA)	**83.5**	78.3	**49.4**	44.1	166.4
Result before interest and taxes (EBIT)	**50.7**	47.5	**32.6**	28.6	104.9
% of revenue	**17.2**	16.4	**20.7**	18.5	17.8
Result for the reporting period	**46.7**	42.3	**30.4**	25.8	95.1
Shareholders' equity/share, EUR	**12.82**	11.76	**12.82**	11.76	12.86
Equity ratio, %	**52.3**	47.7	**52.3**	47.7	53.3
Net debt/EBITDA	**2.7**	3.3	**2.7**	3.3	2.7
Interest-bearing debt, MEUR	**455.3**	527.6	**455.3**	527.6	452.8
Gearing, %	**68.4**	86.3	**68.4**	86.3	68.1

EMANUELE GRIMALDI, PRESIDENT AND CEO, IN CONJUNCTION WITH THE REVIEW:
"The Finnlines Group's revenue for January–June 2019 was EUR 295.5 million, which was an increase of 2% compared to the corresponding period last year. The result for the reporting period was EUR 46.7 million – a 10% increase compared to EUR 42.3 million in January–June 2018. Earnings before interest, taxes, depreciation and amortisation, EBITDA, was EUR 83.5 (78.3 in 2018) million. Our financial performance has improved regardless of the fact that the growth of the Finnish economy has slowed down to some extent during the first half of the year.

We have made along the years substantial operational and financial efficiency improvements. These include also major investments in our existing fleet, both environmental and capacity related. We have invested in emission abatement technology covering almost all our vessels and also lengthened six of our vessels in order to benefit from economies of scale. These investments have contributed to our sustainable development and e.g. the fuel consumption per transported tonne has decreased when considerably more cargo can be loaded on board a ship. Other efforts to reduce energy consumption and emissions include changing of propeller blades, timetable planning, route optimisations as well as optimising speed, load and trim.

IMO's (International Maritime Organization) goal is to reduce CO_2 emissions by at least 50% by 2050 compared to 2008. EU has recently published its CO_2 emissions data on shipping sector for 2018. CO_2 emissions have been measured and our emissions have been certified by official certification society line by line. Based on common accepted calculation method, it can be seen that we have reduced CO_2 emission between 2008 and 2018 by approximately 30%. However, while our past record in emission reduction is superb, we are looking beyond the IMO requirements. With regulators stimulating the debate on low-carbon fuels, we pledge not to lose our focus on sustainability: we will continue to improve and are on the right path. This focus on sustainability requires further investments. We have recently ordered three new green ro-ros, which will be built to produce zero emission in ports and aimed at pushing beyond the green scores of ro-ro in the Baltic region. We are also about to further order two Superstar class ro-pax vessels, in order to strengthen our well developing passenger business growth. These vessels will be the best and most environmentally friendly units in their category, carrying 5,800 lane metres of cargo and close to 1,000 passengers.

We are on track on our financial performance and Finnlines Group's financial solidity is sound. Thanks to this and all the above systematic and strategic actions, especially in economies of scale and in environmental footprint of the fleet, and moreover, our coming EUR 500 million investments in those new vessels, we can wholeheartedly say that Finnlines' shipping operations are the most sustainable way of transportation. Also the whole sector plays an important role in developing solutions to reduce emissions and promote environmental efficiency. Thus it can be said – while shipping is already the most environmentally friendly mode of transport – our drive towards sustainability has and will ensure that Finnlines keeps its green title as a forerunner of the sector in the Baltic Sea region."

FINNLINES PLC, FINANCIAL REVIEW JANUARY–JUNE 2019 (unaudited)

FINNLINES' BUSINESS

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

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

GROUP STRUCTURE

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

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

GENERAL MARKET DEVELOPMENT

Based on the statistics by Traficom for January–May, the Finnish seaborne imports carried in container, lorry and trailer units (measured in tons) decreased by 1% and exports decreased by 1%. During the same period, private and commercial passenger traffic between Finland and Sweden decreased by 2%. Between Finland and Germany, the corresponding traffic increased by 3% (Traficom).

FINNLINES' TRAFFIC

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

During the second quarter, Finnlines operated on average 19 (20) vessels in its own traffic.

The cargo volumes transported during January–June totalled approximately 386 (388 in 2018) thousand cargo units, 88 (82) thousand cars (not including passengers' cars) and 581 (624) thousand tons of freight not possible to measure in units. In addition, some 310 (304) thousand private and commercial passengers were transported.

FINANCIAL RESULTS

January–June 2019

The Finnlines Group recorded revenue totalling EUR 295.5 (289.1) million in the reporting period, an increase of 2% compared to the same period in the previous year. Shipping and Sea Transport Services generated revenue amounting to EUR 283.7 (277.5) million, of which passenger related revenue was EUR 25.0 (22.6) million. The revenue of Port Operations was EUR 23.1 (23.0) million. The development of cargo volumes continued weak in most trades. The internal revenue between the segments was EUR 11.2 (11.4) million.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 83.5 (78.3) million, an increase of 7%.

Result before interest and taxes (EBIT) was EUR 50.7 (47.5) million.

As a result of the improved financial position, net financial expenses decreased to EUR -4.0 (-5.3) million. Financial income was EUR 0.1 (0.1) million and financial expenses EUR -4.2 (-5.5) million. Result before taxes (EBT) increased by EUR 4.4 million and was EUR 46.7 (42.2) million. The result for the reporting period was EUR 46.7 (42.3) million.

April–June 2019

The Finnlines Group recorded revenue totalling EUR 157.9 (154.3) million. Cargo volumes remained stable during the second quarter. Cargo-related bunker surcharge has been higher since respective fuel prices have been on a higher level. Shipping and Sea Transport Services generated revenue amounting to EUR 151.9 (148.5) million and Port Operations EUR 12.0 (11.6) million. The internal revenue between the segments was EUR 6.0 (5.8) million. Compared to the first quarter the cargo volumes and the amount of passengers have increased due to the seasonality of the trade.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 49.4 (44.1) million, an increase of 12%.

Result before interest and taxes (EBIT) was EUR 32.6 (28.6) million.

Net financial expenses were EUR -1.9 (-2.7) million. Financial income was EUR 0.1 (0.1) million and financial expenses totalled EUR -2.0 (-2.8) million. Result before taxes (EBT) improved by EUR 4.8 million and was EUR 30.7 (25.9) million. The result for April–June was EUR 30.4 (25.8) million which is the best second quarter result ever.

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 72.3 million to EUR 455.3 (527.6) million, excluding leasing liabilities of EUR 16.8 (0.2) million. Leasing liabilities increased due to implementation of IFRS 16. Net interest-bearing debt at the end of period was EUR 451.4 (522.6) million. Net interest-bearing debt/EBITDA (rolling 12 months) ratio amounted to 2.7 (3.3) and the equity ratio calculated from the balance sheet was 52.3% (47.7%). Gearing resulted in 68.4% (86.3%).

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 125.9 (145.1) million.

Net cash generated from operating activities remained strong and was EUR 77.2 (57.7) million.

CAPITAL EXPENDITURE

The Finnlines Group's gross capital expenditure in the reporting period totalled EUR 29.9 (109.5) million, including tangible and intangible assets. Total depreciation and amortisation amounted to EUR 32.8 (30.8) 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 Energy Efficiency and Emission Reduction Investment Programme totalling approximately EUR 70 million was successfully completed in December 2018. Finnlines has benefitted the first half of 2019 from economies of scale because six of the lengthened vessels have added some 7,000 lane metres to the total fleet capacity compared to the previous offering. This equals the capacity of two extra vessels. Considering also the refurbishment investments we have made for improving passenger comfort and service, these investments have further strengthened Finnlines' position as one of the top tier providers of high-quality ro-ro and ro-pax services in the Baltic Sea region.

Finnlines' investment strategy is not only limited to refurbishing, retrofitting and developing the existing fleet, but it is, moreover, geared towards the next decade and towards greater sustainability and towards remaining on the front line of the maritime R&D revolution.

Our EUR 500 million investment programme for the three ice-class newbuildings and the upcoming order for two Superstar class ro-pax vessels will ensure that Finnlines will remain also as a forerunner in sustainable development for both passenger and cargo transports within the Baltic Sea.

With the constant strive to improve efficiency and fight against climate change, the Company is also looking into the shore side operation to implement innovative solutions. Here the development and investment of unique patented cargo handling equipment is worth mentioning, which contributes to shorter turnaround times in port and further improves Finnlines' safe, reliable and efficient services.

PERSONNEL

The Group employed an average of 1,566 (1,648) persons during the reporting period, consisting of 859 (923) persons at sea and 707 (725) persons on shore. The number of persons employed at the end of the period was 1,669 (1,730) in total, of which 938 (989) at sea and 731 (741) on shore. The number of sea personnel decreased due to the bareboat charter out of MS Finnclipper since June 2018 and the sale of MS Finncarrier in January 2019.

The personnel expenses (including social costs) for the reporting period were EUR 44.4 (46.0) million.

THE FINNLINES SHARE

The Company's paid-up and registered share capital on 30 June 2019 totalled EUR 103,006,282. The capital stock consisted of 51,503,141 shares.

Finnlines Plc is fully owned by the Grimaldi Group.

RISKS AND RISK MANAGEMENT

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

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

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

LEGAL PROCEEDINGS

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

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

Finnlines has invested over EUR 1 billion along the years and further investments worth approximately EUR 500 million will be made on Finnlines' fleet in the coming years. The development of Finland's economy has slowed down, and import and export volumes are estimated to grow moderately. Bearing in mind the investments in the Finnlines fleet, as well as the efficiency and productivity measures that the Company has taken, along with the economic forecast, it is expected that the Finnlines Group's result before taxes remains at previous year's level.

The third financial review of 2019 for the period of 1 January–30 September 2019 will be published on Wednesday, 6 November 2019.

Finnlines Plc
The Board of Directors

Emanuele Grimaldi
President and CEO

FURTHER INFORMATION

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DISTRIBUTION

Main media

This interim report is unaudited.

REPORTING AND ACCOUNTING POLICIES

This interim report included herein is prepared in accordance with IAS 34 (Interim Financial Reporting) standard. The accounting policies are the same as those applied in the last annual financial statements except for the new or revised IFRS standards and IFRIC interpretations with effect of 1 January 2019. 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 Note Leases. Other revised standards or new interpretations do not have any material impact on the Finnlines Group consolidated financial statements.

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. The Group only acts as a lessee and recognizes a right-of-use asset and a lease liability at the lease commencement date. 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, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

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.

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 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.

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

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

The preparation of the interim financial statements in accordance with IFRS requires management to make estimates and assumptions and use its discretion in applying the accounting principles that affect the valuation of the reported assets and liabilities and other information such as contingent liabilities and the recognition of income and expenses in the income statement. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates. The uncertainties related to the key assumptions were, except for the new judgements related to lessee accounting under IFRS 16, the same as those applied to the consolidated financial statements at the year-end 31 December 2018. The Group has applied judgement to determine the lease term for some lease contracts containing renewal options.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR 1,000	4–6 2019	4–6 2018	1–6 2019	1–6 2018	1–12 2018
Revenue	**157,940**	154,263	**295,516**	289,146	589,444
Other income from operations	**128**	323	**394**	816	6,361
Materials and services	**-50,590**	-50,870	**-99,125**	-95,075	-199,436
Personnel expenses	**-22,862**	-23,258	**-44,353**	-45,970	-88,901
Depreciation, amortisation and impairment losses	**-16,723**	-15,482	**-32,815**	-30,800	-61,458
Other operating expenses	**-35,257**	-36,400	**-68,914**	-70,587	-141,117
Total operating expenses	**-125,431**	-126,010	**-245,207**	-242,432	-490,913
Result before interest and taxes (EBIT)	**32,636**	28,577	**50,702**	47,530	104,893
Financial income	**78**	102	**127**	147	353
Financial expenses	**-2,016**	-2,756	**-4,166**	-5,453	-10,464
Result before taxes (EBT)	**30,698**	25,923	**46,663**	42,225	94,782
Income taxes	**-262**	-147	**8**	97	349
Result for the reporting period	**30,436**	25,775	**46,671**	42,322	95,131
Other comprehensive income:					
Other comprehensive income to be reclassified to profit and loss in subsequent periods:					
Exchange differences on translating foreign operations	**-28**	-6	**-2**	-4	-8
Fair value changes on currency derivatives	**91**		**2,911**		3,562
Other comprehensive income to be reclassified to profit and loss in subsequent periods, total	**62**	-6	**2,909**	-4	3,554
Other comprehensive income not being reclassified to profit and loss in subsequent periods:					
Remeasurement of defined benefit plans	**0**		**0**		183
Other comprehensive income not being reclassified to profit and loss in subsequent periods, total	**0**		**0**		183
Total comprehensive income for the reporting period	**30,498**	25,769	**49,580**	42,318	98,869
Result for the reporting period attributable to:					
Parent company shareholders	**30,436**	25,774	**46,671**	42,337	95,131
Non-controlling interests	**0**	1	**0**	-15	0
	30,436	25,775	**46,671**	42,322	95,131
Total comprehensive income for the reporting period attributable to:					
Parent company shareholders	**30,498**	25,768	**49,580**	42,333	98,869
Non-controlling interests	**0**	1	**0**	-15	0
	30,498	25,769	**49,580**	42,318	98,869
Result for the reporting period attributable to parent company shareholders calculated as earnings per share (EUR/share):					
Undiluted / diluted earnings per share	**0.59**	0.50	**0.91**	0.82	1.85
Average number of shares:					
Undiluted / diluted	**51,503,141**	51,503,141	**51,503,141**	51,503,141	51,503,141

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR 1,000	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS			
Non-current assets			
Property, plant and equipment	**1,002,045**	1,004,900	990,404
Goodwill	**105,644**	105,644	105,644
Intangible assets	**4,054**	4,260	4,243
Other financial assets	**7,253**	7,254	7,253
Receivables	**7,856**	1,463	4,945
Deferred tax assets	**3,500**	4,445	3,650
	1,130,352	1,127,966	1,116,139
Current assets			
Inventories	**7,071**	7,645	7,738
Accounts receivable and other receivables	**117,846**	123,568	105,072
Income tax receivables	**4**	6	4
Cash and cash equivalents	**3,935**	5,125	1,850
	128,857	136,344	114,664
Non-current assets held for sale	**14,610**	15,121	15,121
Total assets	**1,273,819**	1,279,431	1,245,924
EQUITY			
Equity attributable to parent company shareholders			
Share capital	**103,006**	103,006	103,006
Share premium account	**24,525**	24,525	24,525
Translation differences	**119**	122	119
Fund for invested unrestricted equity	**40,016**	40,016	40,016
Fair value reserve *	**6,473**	0	3,562
Retained earnings	**486,023**	437,881	490,858
	660,163	605,551	662,087
Non-controlling interests	**0**	112	0
Total equity	**660,163**	605,663	662,087
LIABILITIES			
Long-term liabilities			
Deferred tax liabilities	**48,138**	49,600	48,392
Pension liabilities	**3,257**	3,630	3,256
Provisions	**1,730**	1,730	1,730
Loans from financial institutions	**296,275**	340,314	275,659
	349,400	395,273	329,036
Current liabilities			
Accounts payable and other liabilities	**88,191**	90,818	77,391
Current tax liabilities	**0**	6	25
Provisions	**255**	219	256
Loans from financial institutions	**175,810**	187,451	177,129
	264,256	278,495	254,801
Total liabilities	**613,656**	673,768	583,837
Total equity and liabilities	**1,273,819**	1,279,431	1,245,924

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2018, IFRS

EUR 1,000	Equity attributable to parent company shareholders								
	Share capital	Share issue premium	Translation differences	Unrestricted equity reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
Reported equity 1 January 2018	103,006	24,525	124	40,016		447,388	615,060	127	615,187
Effect of IFRS 9 restatement – bad debt provision						-339	-339		-339
Shareholders' equity 1 January 2018, restated	103,006	24,525	124	40,016		447,049	614,721	127	614,848
Comprehensive income for the reporting period:									
Result for the reporting period						42,337	42,337	-15	42,322
Exchange differences on translating foreign operations			-2			-2	-4		-4
Fair value changes on currency derivatives									
Remeasurement of defined benefit plans									
Total comprehensive income for the reporting period			-2	0	0	42,335	42,333	-15	42,318
Dividend						-51,503	-51,503	0	-51,503
Equity 30 June 2018	103,006	24,525	122	40,016	0	437,881	605,551	112	605,663

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2019, 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 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						46,671	46,671	0	46,671
Exchange differences on translating foreign operations			0			-2	-2		-2
Fair value changes on currency derivatives					2,911		2,911		2,911
Remeasurement of defined benefit plans						0	0		0
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**2,911**	**46,669**	**49,580**	**0**	**49,580**
Dividend						-51,503	-51,503		-51,503
Equity 30 June 2019	**103,006**	**24,525**	**119**	**40,016**	**6,473**	**486,023**	**660,163**	**0**	**660,163**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1,000	1–6 2019	1–6 2018	1–12 2018
Cash flows from operating activities			
Result for the reporting period	**46,671**	42,322	95,131
Adjustments:			
Non-cash transactions	**32,864**	30,315	56,086
Unrealised foreign exchange gains (-) / losses (+)	**-1**	0	1
Financial income and expenses	**4,040**	5,306	10,110
Taxes	**-8**	-97	-349
Changes in working capital:			
Change in accounts receivable and other receivables	**-13,300**	-26,765	-6,905
Change in inventories	**667**	-1,305	-1,398
Change in accounts payable and other liabilities	**9,584**	12,367	2,590
Change in provisions	**0**	-21	-358
Interest paid	**-2,360**	-2,622	-7,619
Interest received	**19**	8	46
Taxes paid	**-120**	-53	-162
Other financing items	**-883**	-1,711	-3,084
Net cash generated from operating activities	**77,173**	57,745	144,093
Cash flow from investing activities			
Investments in tangible and intangible assets	**-24,426**	-105,915	-135,315
Sale of tangible assets *	**-44**	1,404	16,291
Acquisition of non-controlling interests	**0**	-2,672	-2,672
Net cash used in investing activities	**-24,470**	-107,183	-121,696
Cash flows from financing activities			
Loan withdrawals	**66,552**	76,667	76,455
Net increase in current interest-bearing liabilities (+) / net decrease (-)	**-4,189**	22,298	13,227
Repayment of loans	**-61,474**	-29,860	-95,688
Dividends paid	**-51,503**	-51,503	-51,503
Net cash used in financing activities	**-50,614**	17,601	-57,510
Change in cash and cash equivalents	**2,089**	-31,838	-35,113
Cash and cash equivalents 1 January	**1,850**	36,965	36,965
Effect of foreign exchange rate changes	**-3**	-3	-2
Cash and cash equivalents at the end of period	**3,935**	5,125	1,850

* Includes sale of one vessel in 2018.

REVENUE AND RESULT BY BUSINESS SEGMENTS

	4–6 2019		4–6 2018		1–6 2019		1–6 2018		1–12 2018	
	MEUR	%	MEUR	%	MEUR	%	MEUR	%	MEUR	%
Revenue										
Shipping and sea transport services	**151.9**	**96.2**	148.5	96.2	**283.7**	**96.0**	277.5	96.0	567.2	96.2
Port operations	**12.0**	**7.6**	11.6	7.5	**23.1**	**7.8**	23.0	8.0	43.6	7.4
Intra-group revenue	**-6.0**	**-3.8**	-5.8	-3.7	**-11.2**	**-3.8**	-11.4	-4.0	-21.4	-3.6
External sales	**157.9**	**100.0**	154.3	100.0	**295.5**	**100.0**	289.1	100.0	589.4	100.0
Result before interest and taxes										
Shipping and sea transport services	**32.0**		27.9		**50.1**		46.6		103.5	
Port operations	**0.6**		0.7		**0.6**		0.9		1.3	
Result before interest and taxes (EBIT) total	**32.6**		28.6		**50.7**		47.5		104.9	
Financial income and expenses	**-1.9**		-2.7		**-4.0**		-5.3		-10.1	
Result before taxes (EBT)	**30.7**		25.9		**46.7**		42.2		94.8	
Income taxes	**-0.3**		-0.1		**0.0**		0.1		0.3	
Result for the reporting period	**30.4**		25.8		**46.7**		42.3		95.1	

REVENUE BY GEOGRAPHICAL AREA

EUR 1,000	1–6 2019	1–6 2018	1–12 2018
Revenue			
Finland	**128,756**	123,331	248,302
Sweden	**43,994**	47,812	97,987
Germany	**35,251**	36,522	75,764
Other EU countries	**78,708**	73,686	151,689
Russia	**3,704**	3,939	7,687
Other	**5,103**	3,858	8,016
	295,516	289,147	589,444

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

REVENUE BY FUNCTIONS

EUR 1,000	1–6 2019	1–6 2018	1–12 2018
Revenue			
Freight and other shipping services	**258,886**	254,951	511,729
Passenger services	**24,980**	22,638	55,713
Port operations	**11,650**	11,558	22,002
	295,516	289,147	589,444

PROPERTY, PLANT AND EQUIPMENT 2019

EUR 1,000	Land	Buildings	Vessels	Machinery and equipment	Advance payments & acquisitions under construction	Total
Acquisition cost 1 January 2019	72	67,316	1,461,477	66,404	5,711	1,600,980
Exchange rate differences				-1		-1
Increases		1	10,208	166	19,387	29,762
Disposals		-2	-220	-250		-472
Reclassifications between items		4	999	74	-5,471	-4,394
Reclassifications to non-current assets held for sale *		-3,297		-22,395		-25,691
Acquisition cost 30 June 2019	**72**	**64,022**	**1,472,464**	**43,998**	**19,627**	**1,600,184**
Accumulated depreciation, amortisation and write-offs 1 January 2019		-21,401	-530,642	-43,440		-595,482
Exchange rate differences				1		1
Cumulative depreciation on reclassifications and disposals		2	220	245		467
Depreciation for the reporting period		-1,418	-28,927	-592		-30,938
Accumulated depreciation, amortisation and write-offs 30 June 2019	**0**	**-22,817**	**-559,349**	**-43,786**	**0**	**-625,953**
Reclassifications to non-current assets held for sale *		570		10,510		11,081
Carrying value 30 June 2019	**72**	**41,776**	**913,115**	**10,722**	**19,627**	**985,312**

* Assets held for sale:
Finnlines is negotiating a sale of Port Operations' assets with carrying value of EUR 14.6 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 30 June 2018 and 30 June 2019.

Not including right-of-use assets.

EUR 1,000	Land and water, right-of-use	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	Total
Right-of-use assets 2019				
Acquisition cost 1 January 2019	14,881	2,306	2,442	19,630
Exchange rate differences			1	1
Increases		156	128	284
Disposals				0
Reclassifications between items			-27	-27
Acquisition cost 30 June 2019	**14,881**	**2,462**	**2,544**	**19,887**
Accumulated depreciation, amortisation and write-offs 1 January 2019			-1,657	-1,657
Exchange rate differences				0
Cumulative depreciation on reclassifications and disposals			0	0
Depreciation for the reporting period	-866	-445	-185	-1,496
Accumulated depreciation, amortisation and write-offs 30 June 2019	**-866**	**-445**	**-1,842**	**-3,153**
Carrying value 30 June 2019	**14,014**	**2,016**	**702**	**16,733**

EUR 1,000	Buildings	Machinery and equipment	Total
Assets classified as held for sale 1 January 2019			
Acquisition cost			
Transfer to non-current assets held for sale	3,297	22,395	25,691
Accumulated depreciation			
Transfer to non-current assets held for sale	-570	-10,510	-11,081
Carrying value 30 June 2019	**2,726**	**11,884**	**14,610**

PROPERTY, PLANT AND EQUIPMENT 2018

EUR 1,000	Land	Buildings	Vessels	Machinery and equipment	Advance payments & acquisitions under construction	Total
Acquisition cost 1 January 2018	72	73,157	1,330,776	67,000	18,567	1,489,572
Exchange rate differences		4		-5		-1
Increases		8	99,990	1,367	7,029	108,394
Disposals		-922	-1,790	-121		-2,832
Reclassifications between items		-4,931	18,345		-18,323	-4,909
Reclassifications to non-current assets held for sale		-4,369		-22,395		-26,763
Acquisition cost 30 June 2018	72	62,947	1,447,321	45,847	7,273	1,563,461
Accumulated depreciation, amortisation and write-offs 1 January 2018		-23,971	-477,187	-44,140	0	-545,299
Exchange rate differences		-4		5		1
Cumulative depreciation on reclassifications and disposals		4,598	867	121		5,588
Depreciation for the reporting period		-1,053	-28,521	-918		-30,493
Accumulated depreciation, amortisation and write-offs 30 June 2018	0	-20,430	-504,839	-44,934	0	-570,203
Reclassification to non-current assets held for sale		1,132		10,510		11,642
Carrying value 30 June 2018	72	43,649	942,482	11,423	7,273	1,004,900
Assets classified as held for sale 1 January 2018						
Acquisition cost						
Transfer to non-current assets held for sale		4,369		22,395		26,763
Reclassification between items						
Accumulated depreciation						
Transfer to non-current assets held for sale		-1,132		-10,510		-11,642
Reclassification between items						
Carrying value 30 June 2018		3,237		11,884		15,121

LEASES

The Finnlines Group has initially adopted IFRS 16 from 1 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, 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 of 1.6% at 1 January 2019. Lease liability amount recognised at 30 June 2019 is EUR 16.8 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**

Impact on segment results was not material during 1 January–30 June 2019.

The Finnlines Group is leasing land areas, real estate, machinery and equipment. During reporting period Finnlines did not have operating leases on vessels.

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

Level 3 includes unlisted shares amounting to EUR 7.3 million (7.3 in 2018), which are valued at the lower of acquisition cost or probable value, as their fair value cannot be reliably measured. Finnlines acquired 6.3% of the shares of Steveco Oy in April 2018 and owns now 25.4% of Steveco Oy. This shareholding is presented in financial assets, because Finnlines has neither significant influence in Steveco Oy nor representation on Steveco's Board of Directors.

CONTINGENCIES AND COMMITMENTS

EUR 1,000	30 Jun 2019	30 Jun 2018	31 Dec 2018
Minimum leases payable in relation to fixed-term leases:			
Vessel leases (Group as lessor):			
Within 12 months	**6,771**	7,222	6,753
1–5 years	**9,750**	16,521	13,117
	16,521	23,743	19,869
Other leases (Group as lessee):			
Within 12 months	**155**	4,841	5,425
1–5 years	**210**	7,412	8,110
After five years	**0**	4,236	3,939
	365	16,489	17,474
Other leases (Group as lessor):			
Within 12 months	**293**	229	229
	293	229	229
Collateral given			
Loans from financial institutions	**359,507**	427,989	359,786
Vessel mortgages provided as guarantees for the above loans	**722,000**	1,012,00	827,000
Other collateral given on own behalf			
Pledges	**150**	340	340
	150	340	340
Other obligations			
Vessel acquisitions	**165,796**	179,825	183,092
Other external obligations *	**2,295**	22,323	5,229
	168,091	202,148	188,321
VAT adjustment liability related to real estate investments	**4**	786	92

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

REVENUE AND RESULT BY QUARTER

MEUR	Q1/19	Q1/18	Q2/19	Q2/18	Q3/19	Q3/18	Q4/19	Q4/18
Revenue								
Shipping and sea transport services	**131.8**	129.0	**151.9**	148.5		153.5		136.3
Port operations	**11.0**	11.4	**12.0**	11.6		10.4		10.2
Intra-group revenue	**-5.3**	-5.5	**-6.0**	-5.8		-5.1		-5.0
External sales	**137.6**	134.9	**157.9**	154.3		158.8		141.5
Result before interest and taxes								
Shipping and sea transport services	**18.1**	18.7	**32.0**	27.9		34.8		22.1
Port operations	**0.0**	0.2	**0.6**	0.7		0.6		-0.1
Result before interest and taxes (EBIT) total	**18.1**	19.0	**32.6**	28.6		35.4		22.0
Financial income and expenses	**-2.1**	-2.7	**-1.9**	-2.7		-2.5		-2.3
Result before taxes (EBT)	**16.0**	16.3	**30.7**	25.9		32.9		19.7
Income taxes	**0.3**	0.2	**-0.3**	-0.1		0.2		0
Result for the reporting period	**16.2**	16.5	**30.4**	25.8		33.1		19.7
EPS (undiluted / diluted), EUR	**0.32**	0.32	**0.59**	0.50		0.64		0.38

SHARE INFORMATION

	30 Jun 2019	30 Jun 2018
Number of shares	**51,503,141**	51,503,141

Finnlines Plc is fully owned by the Grimaldi Group.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report.

CALCULATION OF RATIOS

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

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

RELATED PARTY TRANSACTIONS

In April 2019, Finnlines chartered out MS Finnsea to Grimaldi Group. The business transactions were carried out using market-based pricing. Otherwise, there were no material related party transactions during the reporting period.