Financial review

January–September 2019

6 November 2019

FINNLINES Q3

JANUARY–SEPTEMBER 2019: Revenue increased to EUR 450.8 million

- Revenue EUR 450.8 (447.9 in 2018) million, increase 1%
- Result before interest, taxes, depreciation and amortisation (EBITDA) EUR 136.8 (129.0) million, increase 6%
- Result for the reporting period EUR 81.8 (75.3) million, increase 9%
- Interest-bearing debt decreased by EUR 84.7 million and was EUR 409.1 (493.8) million at the end of the period

JULY–SEPTEMBER 2019: EBITDA up 5% to EUR 53.3 million

- Revenue EUR 155.3 (158.8) million, decrease 2%
- Result before interest, taxes, depreciation and amortisation (EBITDA) EUR 53.3 (50.6) million, increase 5%
- Result for the reporting period EUR 35.1 (33.0) million, increase 6%

KEY FIGURES

MEUR	1–9 2019	1–9 2018	7–9 2019	7–9 2018	1–12 2018
Revenue	**450.8**	447.9	**155.3**	158.8	589.4
Result before interest, taxes, depreciation and amortisation (EBITDA)	**136.8**	129.0	**53.3**	50.6	166.4
Result before interest and taxes (EBIT)	**87.9**	82.8	**37.2**	35.3	104.9
% of revenue	**19.5**	18.5	**24.0**	22.2	17.8
Result for the reporting period	**81.8**	75.3	**35.1**	33.0	95.1
Shareholders' equity/share, EUR	**13.61**	12.42	**13.61**	12.42	12.86
Equity ratio, %	**56.0**	50.6	**56.0**	50.6	53.3
Net debt/EBITDA	**2.4**	3.1	**2.4**		2.7
Interest-bearing debt, MEUR	**409.1**	493.8	**409.1**	493.8	452.8
Gearing, %	**58.2**	77.0	**58.2**	81.0	68.1

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

"The Finnlines Group's revenue for January–September was EUR 450.8 (447.9 in 2018) million – showing a small increase over the preceding year. Earnings before interest, taxes, depreciation and amortisation, EBITDA, was EUR 136.8 (129.0) million. The result for the reporting period was EUR 81.8 million in January–September 2019, compared to EUR 75.3 million during the corresponding period in 2018. In spite of the slowdown in the Finnish economic growth, we are still on track to achieve another excellent result.

Reducing fuel consumption and cutting harmful emissions have been one of the key elements of our Group's strategy for a long time. This requires vast amount of investments, which we carried out during the past years. Technology is an important but not the only solution. Apart from investing in technology, various other actions are needed e.g. in technology and green energy – but also every day actions like fleet changes and route optimisation, fuel monitoring and propulsion improvement and vessel lengthening investments. All these actions and investments – worth around EUR 200 million, which have been completed – were aimed at improving energy efficiency and thus reducing emissions. The results have been distinctive and all of the above have contributed to lower emissions in CO2, SOx and NOx.

We have an embedded philosophy within the Grimaldi Group systematically optimise our daily operations, enhance the use of our fleet and the return on capital employed and, more importantly, invest in green technology, already long before and, also, beyond regulatory guidelines. Our engineers, with a very long track-record, have analysed the ways and technology and required measures how to save fuel and thus lower the overall emissions. At present, Finnlines have two major newbuilding programmes running in which our engineers have contributed to make these vessels flagships, both in terms of size and technology. We have ordered three ultra-clean ro-ro vessels, which are designed to produce zero emission in port and aimed at pushing beyond the green scores of ro-ro in the Baltic. Furthermore, we are ordering two Superstar ro-pax vessels, which will be best and most environmentally friendly units in their category – half consumption and double capacity, as well as other green features. Approximately 90% of Finland's exports and 80% of imports is transported via seaways and therefore it is worth emphasising that our ro-pax vessels offer to customers – both to corporate clients and also to passengers – a very sustainable liner service, since our ro-pax vessels combine cargo and passenger traffic in an eco-efficient way and our high utilisation rates in those ro-pax routes guarantee them the possibility to carry their goods or travel in a sustainable and responsible way.

To continue to sail ahead of the waves, Finnlines has the right strategy. Firstly, we are investing in larger and environmentally sound vessels, thus providing our customers most modern vessels to grow together with us. Secondly, we are on track on our financial performance and Finnlines Group is a solid company with 56.0% equity ratio and with Net debt to EBITDA at 2.4. Thirdly, we continue to invest in sustainable development with our "next-generation" vessels. It is worth mentioning that Finnlines' EUR 500 million investment programme must be among the most sizeable investments by a Finnish company published recently."

FINNLINES PLC, FINANCIAL REVIEW JANUARY–SEPTEMBER 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 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–August, the Finnish seaborne imports carried in container, lorry and trailer units (measured in tons) decreased by 2% and exports increased by 1%. 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 5% (Traficom).

FINNLINES' TRAFFIC

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

The cargo volumes transported during January–September totalled approximately 571 (575 in 2018) thousand cargo units, 127 (114) thousand cars (not including passengers' cars) and 853 (933) thousand tons of freight not possible to measure in units. In addition, some 544 (530) thousand private and commercial passengers were transported.

FINANCIAL RESULTS

January–September 2019

The Finnlines Group recorded revenue totalling EUR 450.8 (447.9) million in the reporting period, an increase of 1% compared to the same period in the previous year. Shipping and Sea Transport Services generated revenue amounting to EUR 432.8 (431.0) million, of which passenger related revenue was EUR 51.6 (47.7) million. The revenue of Port Operations was EUR 34.5 (33.4) million. The development of cargo volumes remained modest in most trades, while the amount of passengers has improved compared to last year. The internal revenue between the segments was EUR 16.5 (16.4) million.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 136.8 (129.0) million, an increase of 6%.

Result before interest and taxes (EBIT) was EUR 87.9 (82.8) million.

As a result of the improved financial position, net financial expenses decreased to EUR -5.9 (-7.8) million. Financial income was EUR 0.2 (0.3) million and financial expenses EUR -6.1 (-8.1) million. Result before taxes (EBT) increased by EUR 7.1 million and was EUR 82.1 (75.0) million. The result for the reporting period was EUR 81.8 (75.3) million.

July–September 2019

The Finnlines Group recorded revenue totalling EUR 155.3 (158.8) million. Cargo-related bunker surcharge has been lower since respective fuel prices have declined compared to last year. The chartering of MS Finnsea to the Grimaldi Group enabled savings in operative costs. Shipping and Sea Transport Services generated revenue amounting to EUR 149.1 (153.5) million and Port Operations EUR 11.5 (10.4) million. The internal revenue between the segments was EUR 5.3 (5.1) million. Compared to the first two quarters the amount of passengers has increased due to the seasonality of the trade.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 53.3 (50.6) million, an increase of 5%.

Result before interest and taxes (EBIT) was EUR 37.2 (35.3) million.

Net financial expenses were EUR -1.8 (-2.5) million. Financial income was EUR 0.1 (0.1) million and financial expenses totalled EUR -1.9 (-2.6) million. Result before taxes (EBT) improved by EUR 2.6 million and was EUR 35.4 (32.8) million. The result for July–September was EUR 35.1 (33.0) million which is the best third 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 84.7 million to EUR 409.1 (493.8) million, excluding leasing liabilities of EUR 16.1 (0.0) million. Leasing liabilities increased due to implementation of IFRS 16. Net interest-bearing debt at the end of period was EUR 407.6 (492.3) million. Net interest-bearing debt/EBITDA (rolling 12 months) ratio amounted to 2.4 (3.1) and the equity ratio calculated from the balance sheet was 56.0% (50.6%). Gearing resulted in 58.2% (77.0%).

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 133.2 (135.4) million.

Net cash generated from operating activities remained strong and was EUR 122.9 (103.5) million.

CAPITAL EXPENDITURE

The Finnlines Group's gross capital expenditure in the reporting period totalled EUR 31.6 (120.7) million, including tangible and intangible assets. Total depreciation and amortisation amounted to EUR 48.9 (46.2) 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 of the lengthened vessels have added some 7,000 lane metres to the total fleet capacity and enables us 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 we have 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 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 has already contributed to shorter turnaround times in port and improves Finnlines' safe, reliable and efficient services now, and also in the future.

PERSONNEL

The Group employed an average of 1,589 (1,660) persons during the reporting period, consisting of 877 (932) persons at sea and 712 (728) persons on shore. The number of persons employed at the end of the period was 1,550 (1,585) in total, of which 851 (883) at sea and 699 (702) on shore. The number of sea personnel decreased due to the delivery of MS Finncarrier in January 2019.

The personnel expenses (including social costs) for the reporting period were EUR 66.0 (66.6) million.

THE FINNLINES SHARE

The Company's paid-up and registered share capital on 30 September 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 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 Supreme Court has, in its decision in September 2019, dismissed the submission. The case is closed.

CORPORATE GOVERNANCE

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

EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report.

OUTLOOK AND OPERATING ENVIRONMENT

Finnlines is continuously developing its productivity and efficiency. The Company has invested over EUR 1 billion through the years and further investments, approximately EUR 500 million, will be made in forthcoming years. The growth of Finland's economy has slowed down to some extent, but export volumes are estimated to grow moderately. Considering the investments in the Finnlines fleet, as well as all the actions taken in order to increase the Company's efficiency, productivity and financial performance, regardless the economic slowdown, it is expected that the Finnlines Group's result before taxes remains at previous year's level.

The fourth financial review of 2019 for the period of 1 January–31 December 2019 and the Financial Statements 2019 will be published on Wednesday, 26 February 2020.

Finnlines Plc
The Board of Directors

Emanuele Grimaldi
President and CEO

FURTHER INFORMATION

Tom Pippingsköld, Chief Financial Officer, tel. +358 40 519 5041, tom.pippingskold@finnlines.com

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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	7–9 2019	7–9 2018	1–9 2019	1–9 2018	1–12 2018
Revenue	**155,265**	158,794	**450,781**	447,941	589,444
Other income from operations	**698**	202	**1,092**	1,018	6,361
Materials and services	**-45,050**	-52,120	**-144,175**	-147,194	-199,436
Personnel expenses	**-21,664**	-20,638	**-66,018**	-66,608	-88,901
Depreciation, amortisation and impairment losses	**-16,060**	-15,360	**-48,874**	-46,161	-61,458
Other operating expenses	**-35,945**	-35,607	**-104,859**	-106,194	-141,117
Total operating expenses	**-118,719**	-123,725	**-363,926**	-366,157	-490,913
Result before interest and taxes (EBIT)	**37,244**	35,271	**87,946**	82,801	104,893
Financial income	**91**	122	**218**	270	353
Financial expenses	**-1,888**	-2,642	**-6,054**	-8,095	-10,464
Result before taxes (EBT)	**35,447**	32,751	**82,110**	74,976	94,782
Income taxes	**-316**	211	**-308**	309	349
Result for the reporting period	**35,132**	32,963	**81,803**	75,285	95,131
Other comprehensive income:					
Other comprehensive income to be reclassified to profit and loss in subsequent periods:					
Exchange differences on translating foreign operations	**6**	-2	**4**	-2	-8
Fair value changes on currency derivatives	**5,474**	1,030	**8,385**	1,030	3,562
Other comprehensive income to be reclassified to profit and loss in subsequent periods, total	**5,480**	1,028	**8,389**	1,028	3,554
Other comprehensive income not being reclassified to profit and loss in subsequent periods:					
Remeasurement of defined benefit plans	**0**	0	**0**	0	183
Other comprehensive income not being reclassified to profit and loss in subsequent periods, total	**0**	0	**0**	0	183
Total comprehensive income for the reporting period	**40,612**	33,991	**90,192**	76,313	98,869
Result for the reporting period attributable to:					
Parent company shareholders	**35,132**	32,963	**81,803**	75,285	95,131
Non-controlling interests	**0**	0	**0**	0	0
	35,132	32,963	**81,803**	75,285	95,131
Total comprehensive income for the reporting period attributable to:					
Parent company shareholders	**40,612**	33,991	**90,192**	76,313	98,869
Non-controlling interests	**0**	0	**0**	0	0
	40,612	33,991	**90,192**	76,313	98,869
Result for the reporting period attributable to parent company shareholders calculated as earnings per share (EUR/share):					
Undiluted / diluted earnings per share	**0.68**	0.66	**1.59**	1.48	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 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS			
Non-current assets			
Property, plant and equipment	**987,880**	1,000,913	990,404
Goodwill	**105,644**	105,644	105,644
Intangible assets	**3,868**	4,092	4,243
Other financial assets	**7,076**	7,253	7,253
Receivables	**13,330**	2,425	4,945
Deferred tax assets	**3,497**	4,431	3,650
	1,121,293	1,124,758	1,116,139
Current assets			
Inventories	**7,065**	7,281	7,738
Accounts receivable and other receivables	**110,291**	114,422	105,072
Income tax receivables	**4**	6	4
Cash and cash equivalents	**1,453**	1,518	1,850
	118,813	123,227	114,664
Non-current assets held for sale	**14,610**	15,121	15,121
Total assets	**1,254,717**	1,263,106	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	**121**	123	119
Fund for invested unrestricted equity	**40,016**	40,016	40,016
Fair value reserve *	**11,947**	1,030	3,562
Retained earnings	**521,158**	470,938	490,858
	700,775	639,638	662,087
Non-controlling interests	**0**	0	0
Total equity	**700,775**	639,638	662,087
LIABILITIES			
Long-term liabilities			
Deferred tax liabilities	**48,410**	49,329	48,392
Pension liabilities	**3,261**	3,635	3,256
Provisions	**1,730**	1,730	1,730
Loans from financial institutions	**245,501**	303,880	275,659
	298,902	358,574	329,036
Current liabilities			
Accounts payable and other liabilities	**75,125**	74,709	77,391
Current tax liabilities	**0**	-4	25
Provisions	**241**	219	256
Loans from financial institutions	**179,672**	189,970	177,129
	255,039	264,893	254,801
Total liabilities	**553,942**	623,468	583,837
Total equity and liabilities	**1,254,717**	1,263,106	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						75,285	75,285	0	75,285
Exchange differences on translating foreign operations			-1			-1	-2		-2
Fair value changes on currency derivatives					1,030		1,030		1,030
Remeasurement of defined benefit plans									
Acquisitions and disposals						108	108	-127	-19
Total comprehensive income for the reporting period			-1		1,030	75,392	76,421	-127	76,294
Dividend						-51,503	-51,503		-51,503
Equity 30 September 2018	103,006	24,525	123	40,016	1,030	470,938	639,638	0	639,638

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						81,803	81,803	0	81,803
Exchange differences on translating foreign operations			3			1	4		4
Fair value changes on currency derivatives					8,385		8,385		8,385
Remeasurement of defined benefit plans						0	0		0
Total comprehensive income for the reporting period	**0**	**0**	**3**	**0**	**8,385**	**81,804**	**90,192**	**0**	**90,192**
Dividend						-51,503	-51,503		-51,503
Equity 30 September 2019	**103,006**	**24,525**	**122**	**40,016**	**11,947**	**521,158**	**700,775**	**0**	**700,775**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1,000	1–9 2019	1–9 2018	1–12 2018
Cash flows from operating activities			
Result for the reporting period	**81,803**	75,285	95,131
Adjustments:			
Non-cash transactions	**47,874**	45,857	56,086
Unrealised foreign exchange gains (-) / losses (+)			1
Financial income and expenses	**5,841**	7,825	10,110
Taxes	**307**	-309	-349
Changes in working capital:			
Change in accounts receivable and other receivables	**-5,664**	-16,336	-6,905
Change in inventories	**674**	-940	-1,398
Change in accounts payable and other liabilities	**-1,595**	1,062	2,590
Change in provisions	**-10**	13	-358
Interest paid	**-4,837**	-6,511	-7,619
Interest received	**40**	34	46
Taxes paid	**-160**	-136	-162
Other financing items	**-1,375**	-2,380	-3,084
Net cash generated from operating activities	**122,898**	103,465	144,093
Cash flow from investing activities			
Investments in tangible and intangible assets	**-26,820**	-121,114	-135,315
Sale of tangible assets *	**86**	1,443	16,291
Acquisition of non-controlling interests	**0**	-2,672	-2,672
Proceeds from sale of non-controlling interests	**287**	0	0
Disposal of subsidiaries	**0**	-135	0
Net cash used in investing activities	**-26,447**	-122,478	-121,696
Cash flows from financing activities			
Loan withdrawals	**76,147**	76,556	76,455
Net increase in current interest-bearing liabilities (+) / net decrease (-)	**-311**	28,406	13,227
Repayment of loans	**-121,177**	-69,884	-95,688
Dividends paid	**-51,503**	-51,509	-51,503
Net cash used in financing activities	**-96,845**	-16,432	-57,510
Change in cash and cash equivalents	**-394**	-35,445	-35,113
Cash and cash equivalents 1 January	**1,850**	36,965	36,965
Effect of foreign exchange rate changes	**-3**	-1	-2
Cash and cash equivalents at the end of period	**1,453**	1,518	1,850

* Includes sale of one vessel in 2018.

REVENUE AND RESULT BY BUSINESS SEGMENTS

	7–9 2019		7–9 2018		1–9 2019		1–9 2018		1–12 2018	
	MEUR	%	MEUR	%	MEUR	%	MEUR	%	MEUR	%
Revenue										
Shipping and sea transport services	**149.1**	**96.0**	153.5	96.7	**432.8**	**96.0**	431.0	96.2	567.2	96.2
Port operations	**11.5**	**7.4**	10.4	6.5	**34.5**	**7.7**	33.4	7.5	43.6	7.4
Intra-group revenue	**-5.3**	**-3.4**	-5.1	-3.2	**-16.5**	**-3.7**	-16.4	-3.7	-21.4	-3.6
External sales	**155.3**	**100.0**	158.8	100.0	**450.8**	**100.0**	447.9	100.0	589.4	100.0
Result before interest and taxes										
Shipping and sea transport services	**35.9**		34.7		**86.0**		81.3		103.5	
Port operations	**1.4**		0.6		**1.9**		1.5		1.3	
Result before interest and taxes (EBIT) total	**37.2**		35.3		**87.9**		82.8		104.9	
Financial income and expenses	**-1.8**		-2.5		**-5.8**		-7.8		-10.1	
Result before taxes (EBT)	**35.4**		32.8		**82.1**		75.0		94.8	
Income taxes	**-0.3**		0.2		**-0.3**		0.3		0.3	
Result for the reporting period	**35.1**		33.0		**81.8**		75.3		95.1	

REVENUE BY GEOGRAPHICAL AREA

EUR 1,000	1–9 2019	1–9 2018	1–12 2018
Revenue			
Finland	**195,037**	188,389	248,302
Sweden	**67,332**	74,909	97,987
Germany	**56,646**	59,673	75,764
Other EU countries	**118,683**	113,593	151,689
Russia	**5,334**	5,689	7,687
Other	**7,748**	5,689	8,016
	450,781	447,941	589,444

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

REVENUE BY FUNCTIONS

EUR 1,000	1–9 2019	1–9 2018	1–12 2018
Revenue, external			
Freight and other shipping services	**381,480**	383,452	511,729
Passenger services	**51,559**	47,670	55,713
Port operations	**17,742**	16,819	22,002
	450,781	447,941	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				4		4
Increases		52	12,193	255	18,953	31,453
Disposals		-2	-495	-273		-771
Reclassifications between items		7	999	73	-5,474	-4,395
Reclassifications to non-current assets held for sale *		-3,297		-22,395		-25,691
Acquisition cost 30 September 2019	**72**	**64,076**	**1,474,174**	**44,069**	**19,190**	**1,601,581**
Accumulated depreciation, amortisation and write-offs 1 January 2019		-21,401	-530,642	-43,440		-595,482
Exchange rate differences				-4		-4
Cumulative depreciation on reclassifications and disposals		2	495	273		771
Depreciation for the reporting period		-1,898	-43,301	-867		-46,065
Accumulated depreciation, amortisation and write-offs 30 September 2019	**0**	**-23,296**	**-573,447**	**-44,037**	**0**	**-640,781**
Reclassifications to non-current assets held for sale *		570		10,510		11,081
Carrying value 30 September 2019	**72**	**41,350**	**900,727**	**10,542**	**19,190**	**971,881**

* 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 September 2018 and 30 September 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				
Increases		156	153	309
Disposals			-13	-13
Reclassifications between items			-27	-27
Acquisition cost 30 September 2019	**14,881**	**2,462**	**2,556**	**19,889**
Accumulated depreciation, amortisation and write-offs 1 January 2019			-1,657	-1,657
Exchange rate differences				
Cumulative depreciation on reclassifications and disposals			4	4
Depreciation for the reporting period	-1,300	-667	-279	-2,246
Accumulated depreciation, amortisation and write-offs 30 September 2019	**-1,300**	**-667**	**-1,932**	**-3,899**
Carrying value 30 September 2019	**13,581**	**1,794**	**624**	**15,999**

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

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 September 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 September 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 Sep 2019	30 Sep 2018	31 Dec 2018
Minimum leases payable in relation to fixed-term leases:			
Vessel leases (Group as lessee):			
Within 12 months	**0**	396	0
1–5 years	**0**	0	0
Vessel leases (Group as lessor):			
Within 12 months	**9,871**	6,752	6,753
1–5 years	**8,048**	14,818	13,117
	17,919	21,571	19,869
Other leases (Group as lessee):			
Within 12 months	**111**	6,498	5,425
1–5 years	**183**	8,550	8,110
After five years	**0**	4,135	3,939
	294	19,183	17,474
Other leases (Group as lessor):			
Within 12 months	**214**	229	229
	214	229	229
Collateral given			
Loans from financial institutions	**306,101**	388,030	359,786
Vessel mortgages provided as guarantees for the above loans	**639,500**	1,012,000	827,000
Other collateral given on own behalf			
Pledges	**150**	340	340
	150	340	340
Other obligations			
Vessel acquisitions	**173,272**	179,825	183,092
Other external obligations *	**4,159**	13,054	5,229
	177,431	192,879	188,321
VAT adjustment liability related to real estate investments	**4**	462	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	**149.1**	153.5		136.3
Port operations	**11.0**	11.4	**12.0**	11.6	**11.5**	10.4		10.2
Intra-group revenue	**-5.3**	-5.5	**-6.0**	-5.8	**-5.3**	-5.1		-5.0
External sales	**137.6**	134.9	**157.9**	154.3	**155.3**	158.8		141.5
Result before interest and taxes								
Shipping and sea transport services	**18.1**	18.7	**32.0**	27.9	**35.9**	34.8		22.1
Port operations	**0.0**	0.2	**0.6**	0.7	**1.4**	0.6		-0.1
Result before interest and taxes (EBIT) total	**18.1**	19.0	**32.6**	28.6	**37.2**	35.4		22.0
Financial income and expenses	**-2.1**	-2.7	**-1.9**	-2.7	**-1.8**	-2.5		-2.3
Result before taxes (EBT)	**16.0**	16.3	**30.7**	25.9	**35.4**	32.9		19.7
Income taxes	**0.3**	0.2	**-0.3**	-0.1	**-0.3**	0.2		0
Result for the reporting period	**16.2**	16.5	**30.4**	25.8	**35.1**	33.1		19.7
EPS (undiluted / diluted), EUR	**0.32**	0.32	**0.59**	0.50	**0.68**	0.64		0.38

SHARE INFORMATION

	30 Sep 2019	30 Sep 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.