

Financial review
January–December 2019
26 February 2020

FINNLINES Q4

JANUARY–DECEMBER 2019: Best ever result

- Revenue EUR 574.8 (589.4 in 2018) million, decrease 2.5%
- Result before interest, taxes, depreciation and amortisation (EBITDA) EUR 169.8 (166.4) million, increase 2.1%
- Result for the reporting period EUR 98.3 (95.1) million, increase 3.3%
- Interest-bearing debt decreased by EUR 80.6 million and was EUR 372.2 (452.8) million at the end of the period

OCTOBER–DECEMBER 2019: Strong operational performance

- Revenue EUR 124.0 (141.5) million, decrease 12.4%
- Result before interest, taxes, depreciation and amortisation (EBITDA) EUR 33.0 (37.3) million, decrease 11.5%
- Result for the reporting period EUR 16.5 (19.7) million, decrease 16.6%

KEY FIGURES

MEUR	1–12 2019	1–12 2018	10–12 2019	10–12 2018
Revenue	574.8	589.4	124.0	141.5
Result before interest, taxes, depreciation and amortisation (EBITDA)	169.8	166.4	33.0	37.3
Result before interest and taxes (EBIT)	104.8	104.9	16.8	22.0
% of revenue	18.2	17.8	13.6	15.6
Result for the reporting period	98.3	95.1	16.5	19.7
Shareholders' equity/share, EUR	13.88	12.86	13.88	12.86
Equity ratio, %	58.5	53.3	58.5	53.3
Net debt/EBITDA	2.1	2.7	2.1	2.7
Interest-bearing debt, MEUR	372.2	452.8	372.2	452.8
Net gearing, %	50.8	68.1	50.8	68.1

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

“The Finnlines Group’s revenue for January–December was EUR 574.8 (589.4 in 2018) million reflecting the lower volumes in Finland’s trade over the preceding year. Result before interest, taxes, depreciation and amortisation, EBITDA, was EUR 169.8 (166.4) million. The result for the reporting period was EUR 98.3 million in January–December 2019, compared to EUR 95.1 million during the corresponding period in 2018. The 2019 result follows our successful track record over the past years.

In 2019, we continued to focus on fundamentals, i.e. dedication to smart use of technology, digitalised and optimised processes across our businesses, investments in energy efficiency to advance sustainable development and effective execution of our strategy by our highly productive, skilled and committed employees. One topic in our strategic discussion is digitalisation. In recent years, we have invested a lot in information technology. We have implemented two major ERP systems, one in the port and the other relating to vessel efficiency monitoring and measurement. We have also developed mobile services in port operations. This development in digitalisation and automation increases the efficiency and effectiveness of our processes just to name a few examples.

Finnlines welcomes the IMO’s GHG strategy and its goal to reduce carbon dioxide emissions. Finnlines is committed to long-term efforts for the environment. Environmental responsibility is part of our daily operations and includes everyday actions – like fleet changes and route optimisation, fuel monitoring or running at optimal speed, load and trim. Moreover – as a forerunner in sustainability – we have invested heavily during the past decade: in a new, technologically advanced tonnage, in R&D that supports emission reduction equipment and operations, but also in the highly skilled personnel. Above all, we have ordered five ultra green generation vessels, three green hybrid ro-ro vessels and two eco-efficient Superstar ro-pax vessels which represents a total investment worth EUR 0.5 billion. We will continue to deploy larger and larger vessels in order to benefit from economies of scale. Moreover, increased capacity on our vessels has reduced CO2 emissions per transported tonne.

Looking to 2020 and beyond, we will continue on our path, and make the right investments in line with our strategy in order to ensure the joint success with our customers. We are geared for growth – with the sustainable investment decision to order five Ultra Green Generation vessels, along with our actions taken to increase the Company’s efficiency, productivity and financial performance – we trust that we will continue to perform well in the years to come.”

FINNLINES PLC, FINANCIAL REVIEW JANUARY–DECEMBER 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–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 fourth quarter, Finnlines operated on average 18 (20) vessels in its own traffic.

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

January–December 2019

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.

October–December 2019

The Finnlines Group recorded revenue totalling EUR 124.0 (141.5) million. Cargo-related bunker surcharge has been lower since respective fuel prices have declined on average compared to last year. Shipping and Sea Transport Services generated revenue amounting to EUR 118.1 (136.3) million and Port Operations EUR 10.9 (10.2) million. The internal revenue between the segments was

EUR 5.0 (5.0) million. The revenue and the result of the fourth quarter is affected by the seasonality of the cargo volumes, which are typically on a lower level at the turn of the year.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 33.0 (37.3) million, a decrease of 11.5%.

Result before interest and taxes (EBIT) was EUR 16.8 (22.0) million. The result was negatively affected by the strikes and supporting actions in November–December causing a decline in cargo volumes as well as cancellations in vessel departures. The result of 2018 includes the gain on sale of EUR 5.1 million for MS Finncarrier.

Net financial expenses were EUR -1.6 (-2.3) million. Financial income was EUR 0.1 (0.1) million and financial expenses totalled EUR -1.7 (-2.4) million. Result before taxes (EBT) decreased by EUR 4.5 million and was EUR 15.2 (19.7) million. The result for October–December was EUR 16.5 (19.7) million.

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.

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

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.

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.

The first financial review of 2020 for the period of 1 January–31 March 2020 will be published on Thursday, 7 May 2020.

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	10–12 2019	10–12 2018	1–12 2019	1–12 2018
Revenue	123,998	141,503	574,779	589,444
Other income from operations	424	5,343	1,516	6,361
Materials and services	-36,631	-52,242	-180,806	-199,436
Personnel expenses	-22,696	-22,293	-88,714	-88,901
Depreciation, amortisation and impairment losses	-16,191	-15,297	-65,065	-61,458
Other operating expenses	-32,097	-35,032	-136,956	-141,117
Total operating expenses	-107,615	-124,864	-471,541	-490,913
Result before interest and taxes (EBIT)	16,808	21,983	104,754	104,893
Financial income	68	84	286	353
Financial expenses	-1,692	-2,369	-7,746	-10,464
Result before taxes (EBT)	15,183	19,697	97,293	94,782
Income taxes	1,272	41	964	349
Result for the reporting period	16,455	19,738	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	30	-5	34	-8
Fair value changes on currency derivatives	-2,324	2,532	6,061	3,562
Other comprehensive income to be reclassified to profit and loss in subsequent periods, total	-2,294	2,527	6,095	3,554
Other comprehensive income not being reclassified to profit and loss in subsequent periods:				
Remeasurement of defined benefit plans	-400	183	-400	183
Tax effect, net	83		83	
Other comprehensive income not being reclassified to profit and loss in subsequent periods, total	-317	183	-317	183
Total comprehensive income for the reporting period	13,844	22,448	104,036	98,869
Result for the reporting period attributable to:				
Parent company shareholders	16,455	19,738	98,258	95,131
	16,455	19,738	98,258	95,131
Total comprehensive income for the reporting period attributable to:				
Parent company shareholders	13,844	22,448	104,036	98,869
	13,844	22,448	104,036	98,869
Result for the reporting period attributable to parent company shareholders calculated as earnings per share (EUR/share):				
Undiluted / diluted earnings per share	0.32	0.38	1.91	1.85
Average number of shares:				
Undiluted / diluted	51,503,141	51,503,141	51,503,141	51,503,141

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2018, IFRS

EUR 1,000	Equity attributable to parent company shareholders							Non-controlling interests	
	Share capital	Share issue premium	Translation differences	Unrestricted equity reserve	Fair value reserve	Retained earnings	Total	Total equity	
Reported equity 1 January 2018	103,006	24,525	124	40,016		447,049	614,721	127	614,848
Comprehensive income for the reporting period:									
Result for the reporting period						95,131	95,131	0	95,131
Exchange differences on translating foreign operations			-5			-3	-8		-8
Fair value changes on currency derivatives					3,562		3,562		3,562
Remeasurement of defined benefit plans						183	183		183
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 holding								-127	-127
Equity 31 December 2018	103,006	24,525	119	40,016	3,562	490,858	662,087	0	662,087

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2019, IFRS

EUR 1,000	Equity attributable to parent company shareholders							Non-controlling interests	
	Share capital	Share issue premium	Translation differences	Unrestricted equity reserve	Fair value reserve	Retained earnings	Total	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 changes 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

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1,000	1–12 2019	1–12 2018
Cash flows from operating activities		
Result for the reporting period	98,258	95,131
Adjustments:		
Non-cash transactions	64,408	56,086
Unrealised foreign exchange gains (-) / losses (+)		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 flow 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		
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 at the end of period	9,208	1,850

* Includes sale of one vessel in 2018.

REVENUE AND RESULT BY BUSINESS SEGMENTS

	10–12 2019		10–12 2018		1–12 2019		1–12 2018	
	MEUR	%	MEUR	%	MEUR	%	MEUR	%
Revenue								
Shipping and sea transport services	118.1	95.3	136.3	96.3	550.9	95.8	567.2	96.2
Port operations	10.9	8.8	10.2	7.2	45.4	7.9	43.6	7.4
Intra-group revenue	-5.0	-4.0	-5.0	-3.5	-21.5	-3.7	-21.4	-3.6
External sales	124.0	100.0	141.5	100.0	574.8	100.0	589.4	100.0
Result before interest and taxes								
Shipping and sea transport services	16.5		22.1		102.5		103.5	
Port operations	0.3		-0.1		2.2		1.3	
Result before interest and taxes (EBIT) total	16.8		22.0		104.8		104.9	
Financial income and expenses	-1.6		-2.3		-7.5		-10.1	
Result before taxes (EBT)	15.2		19.7		97.3		94.8	
Income taxes	1.3		0		1.0		0.3	
Result for the reporting period	16.5		19.7		98.3		95.1	

REVENUE BY GEOGRAPHICAL AREA

EUR 1,000	1–12 2019	1–12 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

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

REVENUE BY FUNCTIONS

EUR 1,000	1–12 2019	1–12 2018
Revenue, external		
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

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		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
Reclassifications to non-current assets held for sale **		-3,297		-22,395		-25,691
Acquisition cost 31 December 2019	72	64,051	1,477,184	43,774	19,884	1,604,965
Accumulated depreciation, amortisation and write-offs 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, amortisation and write-offs 31 December 2019	0	-23,747	-587,887	-43,878	0	-655,511
Reclassifications to non-current assets held for sale **		570		10,510		11,081
Carrying value 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

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 31 December 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		-10	0	-5
Increases		8	126,839	1,639	5,489	133,975
Disposals of subsidiaries				-301		-301
Disposals **		-922	-14,484	-241	-22	-15,668
Reclassifications between items		-4,931	18,345		-18,323	-4,909
Reclassifications to non-current assets held for sale		-4,369	0	-22,395	0	-26,763
Acquisition cost 31 December 2018	72	62,947	1,461,477	45,693	5,711	1,575,900
Accumulated depreciation, amortisation and write-offs 1 January 2018	0	-23,971	-477,187	-44,140	0	-545,299
Exchange rate differences		-4		8		4
Cumulative depreciation on reclassifications and disposals		4,598	3,882	237		8,718
Cumulative depreciation on disposals of subsidiaries				293		293
Depreciation for the reporting period		-2,024	-57,337	-1,494		-60,855
Accumulated depreciation, amortisation and write-offs 31 December 2018	0	-21,401	-530,642	-45,096	0	-597,139
Reclassification to non-current assets held for sale		1,132	0	10,510		11,642
Carrying value 31 December 2018	72	42,678	930,835	11,107	5,711	990,404
Assets classified as held for sale						
1 January 2018						
Acquisition cost						
Transfer to non-current assets held for sale		4,369		22,395		26,763
Reclassification between items						0
Accumulated depreciation						
Transfer to non-current assets held for sale		-1,132		-10,510		-11,642
Reclassification between items						0
Carrying value 31 December 2018		3,237	0	11,884	0	15,121

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

** Includes the sale of one vessel.

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.

Amounts recognised in profit or loss

EUR 1,000	
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

Maturity analysis

EUR 1,000	
Contractual undiscounted cash flows	2019
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

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 7.1 million (7.2 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 Stevedco Oy in April 2018 and owns now 25.4% of Stevedco Oy. This shareholding is presented in financial assets, because Finnlines has does not have significant influence in Stevedco Oy.

CONTINGENCIES AND COMMITMENTS

EUR 1,000	30 Dec 2019	31 Dec 2018
Minimum leases payable in relation to fixed-term leases:		
Vessel leases (Group as lessor):		
Within 12 months	8,491	6,753
1–5 years	6,346	13,117
	14,837	19,869
Other leases (Group as lessee):		
Within 12 months	105	5,425
1–5 years	160	8,110
After five years	0	3,939
	264	17,474
Other leases (Group as lessor):		
Within 12 months	227	229
	227	229
Collateral given		
Loans from financial institutions	276,718	359,786
Vessel mortgages provided as guarantees for the above loans	639,500	827,000
Other collateral given on own behalf		
Pledges	340	340
	340	340
Other obligations		
Obligations, related to vessel investments	429,447	183,092
Other external obligations *	2,950	5,229
	432,397	188,321
VAT adjustment liability related to real estate investments	4	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	118.1	136.3
Port operations	11.0	11.4	12.0	11.6	11.5	10.4	10.9	10.2
Intra-group revenue	-5.3	-5.5	-6.0	-5.8	-5.3	-5.1	-5.0	-5.0
External sales	137.6	134.9	157.9	154.3	155.3	158.8	124.0	141.5
Result before interest and taxes								
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 taxes (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
Result for the reporting period	16.2	16.5	30.4	25.8	35.1	33.1	16.5	19.7
EPS (undiluted / diluted), EUR	0.32	0.32	0.59	0.50	0.68	0.64	0.32	0.38

SHARE INFORMATION

	31 Dec 2019	31 Dec 2018
Number of shares	51,503,141	51,503,141

Finlines 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	=	$\frac{\text{Shareholders' equity attributable to parent company shareholders}}{\text{Undiluted number of shares at the end of period}}$	
Net gearing, %	=	$\frac{\text{Interest-bearing liabilities - cash and bank equivalents}}{\text{Total equity}} \times 100$	
Equity ratio, %	=	$\frac{\text{Total equity}}{\text{Assets total - received advances}} \times 100$	
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.