Finnlines
a Grimaldi Group company

FINANCIAL STATEMENTS 2022

CONTENT

BOARD OF DIRECTORS' REPORT

FINNLINES' BUSINESS
Finnlines is a leading shipping operator of freight 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 and sales offices in Germany, Belgium, Great Britain, Sweden, Denmark and Poland. 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, Finnlines connects Helsinki 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 20 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 130 vessels and employs over 17,000 people. It serves over 140 ports in 50 countries in the Mediterranean Sea, Northern 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
Finnlines' main operating area connects trade partners around the Baltic Sea. Based on the OECD Eurostat, the Gross Domestic Product in EU area increased by 2.5 per cent during the third quarter of 2022 in comparison with the same period in 2021. Compared with the second quarter of 2022, the reported GDP in Germany increased by 0.4 per cent in the third quarter of 2022, while in Sweden the increase was 0.6 per cent. In Finland, GDP declined in the third quarter by 0.2 per cent compared with the previous quarter. However, the Russian conflict with Ukraine may deteriorate future economical development in the EU area depending on the duration and extent of the confrontation.

Based on the January–December statistics by Traficom, the Finnish seaborne imports carried in container, lorry and trailer units (measured in tons) increased by 2 per cent and exports decreased by 3 per cent. According to Statistics Finland, private and commercial passenger traffic between Finland and Sweden increased by 112 per cent, between Finland and Germany the traffic increased by 47 per cent during January–December.

FINNLINES' TRAFFIC
At the beginning of 2022 Finnlines doubled the number of departures on the Hanko–Gdynia line when the previous ro-ro vessel was replaced by Finnhawk and Finnkraft. At the end of January Finnlines upgraded its services to cargo customers and private passengers between Finland and Sweden. The Star class ro-pax vessel Europalink replaced Finnfellow and joined her sister ship Finnswan on the Naantali–Långnäs–Kapellskär route. At the same time Finnfellow moved to the Malmö–Travemünde traffic. In March Finnlines suspended its regular services to and from Russia. Due to fleet rearrangements Eurocargo Savona was redelivered to its owners in the Mediterranean while Finnsea moved from the Germany–Russia traffic to the Hanko–Rostock line. At the end of the first quarter Finnclipper, which had operated in Finnlines' Malmö–Travemünde line as the fourth vessel, was sold to the Grimaldi Group.

All three Eco-class ro-ro vessels, Finneco I, Finneco II and Finneco III, were delivered to Finnlines during the second quarter of 2022. In the middle of June, Finneco I entered Finnlines' Biscay traffic increasing the capacity on the line. Simultaneously, the ro-ro vessel Finntide was shifted to Baltic traffics replacing Finnmerchant, which was chartered out at the beginning of July 2022.

During July both Finneco II and Finneco III started in regular Biscay service alongside Finneco I, which joined the fleet in June. At the same time the traffic pattern of ro-ro vessels was adjusted by moving Breeze class vessels to Baltic traffic and replacing Finnhawk by Finnmill in the Polish line. In the Helsinki–Hull line Finnhawk replaced Finnmaster, which was sold to the Grimaldi Group in September. In July, Finnlines launched a new service between Zeebrügge and Rosslare. The route is operated by one ro-ro vessel, which has two weekly departures from each direction.

In October 2022, Finnlines acquired the ro-pax vessel Euroferry Corfu from the Grimaldi Group. The vessel is bare-boat chartered outside the Group.

During the year, Finnlines operated on average 21 (21) vessels in its own traffic.

The cargo volumes transported during January–December totalled approximately 750,000 cargo units, 138,000 cars (not including passengers' cars) and 1,426,000 tons of freight not possible to measure in units. In addition, some 648,000 private and commercial passengers were transported. The volumes can be regarded as sufficiently good, considering the year of the pandemic and the Ukrainian war.

FINANCIAL RESULTS
The Finnlines Group recorded revenue totalling EUR 736.1 (579.9) million in the reporting period, an increase of 27 per cent compared to the same period in the previous year. Shipping and Sea Transport Services generated revenue amounting to EUR 712.1 (555.3) million, of which passenger related revenue was EUR 68.7 (47.8) million. The revenue of Port Operations was EUR 46.2 (47.0) million. During the reporting period, the growth of the transported cargo volumes settled down towards the end of the year, whereas the rapid rise of fuel prices have increased cargo-related bunker surcharges compared to last year. In January–December 2022 the number of private passengers increased substantially from last year. The revenue of Port Operations decreased slightly from last year. The internal revenue between the segments was EUR 22.1 (22.3) million.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 221.2 (160.3) million, an increase of 38 per cent.

Result before interest and taxes (EBIT) was EUR 136.0 (78.2) million.

The financial position remained strong, although net financial expenses increased and were EUR -5.5 (-4.4) million. Financial income was EUR 0.8 (0.2) million and financial expenses EUR -6.3 (-4.6) million. Result before taxes (EBT) increased by EUR 56.7 million and was EUR 130.5 (73.8) million. The result for the reporting period was EUR 133.3 (74.7) million.

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

STATEMENT OF FINANCIAL POSITION, FINANCING AND CASH-FLOW

Interest-bearing debt increased by EUR 45.3 million to EUR 395.7 (350.4) million, excluding leasing liabilities of EUR 21.6 (22.2) million. Net interest-bearing debt excluding leasing liabilities at the end of period was EUR 376.8 (348.5) million. Net interest-bearing debt/EBITDA (rolling 12 months) ratio amounted to 1.7 (2.2) and the equity ratio calculated from the balance sheet was 60.3 (60.4) per cent. Net gearing resulted in 44.5 (45.6) per cent.

The Group's liquidity position is strong and at the end of the period, cash and cash equivalents together with unused committed credit facilities amounted to EUR 323.9 (212.0) million.

Net cash generated from operating activities remained strong and was EUR 200.1 (146.7) million.

CAPITAL EXPENDITURE

The Finnlines Group's gross capital expenditure in the reporting period totalled EUR 223.8 (110.6) million, including tangible and intangible assets. Total depreciation and amortisation amounted to EUR 85.2 (82.1) million. The investments consist of normal replacement expenditure of fixed assets, new cargo handling equipment, dry-dockings, buildings in the Port of Vuosaari and environmental investment prepayments related to green ro-ro and ro-pax newbuildings.

Finnlines has continued to invest in sustainability and environmental technologies. In order to protect the fragile marine environment in the Baltic and the North Sea, the company completed installation of ballast water treatment systems on its vessels during 2022.

Finnlines' EUR 500-million Newbuilding Programme continued in China. In 2022 Finnlines took delivery of all three hybrid ro-ro vessels (Finneco I, II and III), which entered the Baltic, North Sea and Bay of Biscay services. The construction of two eco-friendly ro-pax vessels (Finnsirius and Finncanopus) proceeded and they are scheduled to enter traffic during 2023.

The new vessels improve the fleet's energy efficiency and reduce emissions.

PERSONNEL

The Group employed an average of 1,679 (1,555) persons during the reporting period, consisting of 959 (858) persons at sea and 720 (697) persons on shore. The number of persons employed at the end of the period was 1,657 (1,619) in total, of which 938 (931) at sea and 719 (688) on shore.

The personnel expenses (including social costs) for the reporting period were EUR 96.4 (89.6) million.

THE FINNLINES SHARE

The Company's paid-up and registered share capital on 31 December 2022 totalled EUR 103,006,282. The capital stock consisted of 51,503,141 shares.

Finnlines Plc is fully owned by the Grimaldi Group.

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

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Finnlines Plc's Annual General Meeting was held in Helsinki on 5 May 2022. The Annual General Meeting of Finnlines Plc approved the Financial Statements and discharged the members of the Board of Directors and President and CEO from liability for the financial year 2021. The meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.00 per share.

The meeting decided that the number of Board Members be nine. The meeting decided to re-elect from the current board members Tiina Bäckman, Emanuele Grimaldi, Gianluca Grimaldi, Guido Grimaldi, Mikael Mäkinen, Diego Pacella, Esben Poulsson, Jon-Aksel Torgersen and Tapani Voionmaa for the term until the close of the Annual General Meeting in 2023. The yearly compensation to the Board will remain unchanged as follows: EUR 50,000 for the Chairman, EUR 40,000 for the Vice Chairman, and EUR 30,000 for each of the other members of the Board.

The Annual General Meeting elected KPMG Oy Ab as the Company's auditor for the fiscal year 2022. It was decided that the external auditors will be reimbursed according to invoice.

RISKS AND RISK MANAGEMENT

Geopolitical tensions increased considerably when Russia attacked Ukraine in February 2022. Russia is an important exporter of energy and raw materials, but many companies have withdrawn from the Russian market and broken off trade relations. Consequently, energy prices have rocketed and the price of raw materials has also gone up, which raises costs for the public and private sector. Inflation is accelerating and expected to pose a risk to growth prospects. The probability of cyber attacks has also increased.

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. The continuity of operations is ensured by safeguarding critical functions and essential resources. The majority of the Group's non-current assets consists of its fleet. The fleet is always insured to its full value.

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, through the constant renewal and development of the fleet, using the latest technology and innovations, Finnlines is very well-positioned 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.

Finnlines' cash and unused committed credit facilities amounted to over EUR 300 million.

LEGAL PROCEEDINGS

Finnlines has made an appeal to the Helsinki Administrative Court of the National Emergency Supply Agency's decision concerning the compensation of costs for securing maritime transport. In addition, Finnlines has made a complaint to the European Commission concerning Covid-19 situation related selective and discriminatory aid measures launched by the Finnish authorities.

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

TONNAGE TAXATION

Finnlines Plc entered into the Finnish tonnage taxation regime as from 1 January 2013. In tonnage taxation, the shipping operations transferred from taxation of business income to tonnage-based taxation.

RESEARCH AND DEVELOPMENT

The aim of Finnlines' research and development work is to find and introduce new practices and operating methods, which enable the Company to meet customer requirements in a more sustainable and cost-efficient way. In 2022, the focus continued to be on environmental investments in vessels and on improving vessels' energy efficiency.

Finnlines' newbuilding program continued as planned during the year. Three highly ecological ro-ro vessels were taken into use and the construction of two ecologically efficient Superstar ro-pax vessels continued. The hybrid ro-ro vessels started in Finnlines' Baltic, North Sea and Biscay traffic during the year. Superstar ro-pax vessels are planned to enter traffic on the Naantali–Långnäs–Kapellskär route in 2023.

Energy efficiency of the Finnlines fleet has further improved by utilising the latest, environmentally friendly technology and the development will continue as the newbuilding program proceeds.

Digital services for freight customers were re-designed and the implementation project continued. The aim is to launch new services for freight customers during 2023. The development of open application programming interfaces (API) for freight customers continued in co-operation with the Grimaldi Group. API solutions benefit freight customers, for example, by providing easy access to sailing schedules, booking monitoring and tracking of cargo units. These new solutions were taken into use, for example, in Finnlines' Ireland traffic.

The development of the ERP system continued in 2022 in several different projects. The self-service check-in solution for lorry drivers in freight traffic was taken into use. All the steps in the check-in process for a driver can now be completed through self-service. The monitoring system for port and stevedoring costs was taken into use in co-operation with first port and stevedoring operators.

To further strengthen the operational efficiency through reporting, the development of quality and processing of operational and financial data continued during 2022.

Data security solutions were expanded and diversified to give efficient protection from increasing threats. Cyber security was especially in the focus considering the geo-political situation in the Baltic Sea region and in Europe.

In Port Operations, the focus continued to be in the development of electronic customer services. The aim is to ensure customers an easy access to information and to improve the quality and timeliness of various data. Processing and reporting of financial and operational data were also in the development focus during the year.

Finnlines is interested in academic collaboration with universities and other educational institutes and wants to take part in developing the maritime industry. Finnlines supported students in their final studies and theses during 2022.

ENVIRONMENT AND SAFETY

The IMO and EU continue developing and adopting new environmental regulations. The short-term GHG reduction measures, adopted by the IMO in 2021, oblige all ships to meet certain energy efficiency criteria, both structurally and operation wise from 2023 onwards. Energy Efficiency Existing Ship Index (EEXI) is a one time measure where ship's structural energy efficiency is assessed and verified. Carbon intensity indicator (CII) is an annual assessment tool for ships' energy efficient operation. As a result every ship will be given an annual energy efficiency rating. Maintaining sufficient CII rating requires continuous improvement because the target level tightens by 2 per cent every year. The IMO is working on the revision of the initial GHG reduction strategy and the revised strategy is set to be adopted in mid-2023. Also discussion about mid- and long-term GHG reduction measures is ongoing.

The EU has reached an agreement on including shipping into European Emission Trading system from 2024 onwards via a three year phase-in period. Shipping companies need to surrender allowances equal to 40 per cent of their CO_2 emissions from 2024, for 70 per cent of the emissions from 2025, and from 2026 onwards all verified CO_2 emissions will be included into the EU ETS system. The negotiations for FuelEU Maritime and revision of Energy Taxation Directive are still ongoing. FuelEU Maritime Initiative will set a maximum limit on the greenhouse gas content of energy used by ships, as well as require passenger ships and container ships to use onshore power supply at berth unless they can demonstrate the use of an alternative zero-emission technology. The Energy Taxation Directive will introduce taxes on fuels.

Finnlines' emission reduction pathway consists of a Green Newbuilding Programme, optimised operation of the older fleet and adoption of alternative fuels, which in the first phase means battery technology and shore side electricity. As part of the Green Newbuilding Programme, three new hybrid roro-vessels, Finneco I, II and III, entered Finnlines' services in 2022. Their high level energy efficiency is a result of different elements, such as hull design, optimised power and propulsion system, air lubrication system, solar panels, battery banks and various energy saving devices.

SUSTAINABILITY REPORTING

Finnlines' sustainability reporting includes, in addition to financial figures, key indicators related to the employees and the environment.

Finnlines' sustainability reporting is part of the Grimaldi Group's Sustainability Report which is available on the Grimaldi Group's website: www.grimaldi.napoli.it.

CORPORATE GOVERNANCE

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

EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report.

OUTLOOK AND OPERATING ENVIRONMENT

Although consumer and business confidence were hit by the war in Ukraine, accelerating inflation, higher interest rates and soaring energy costs, the world economy continues to support global long-term growth. In the short-term, a slightly weakened global economic outlook is forecasted according to recent economic data for 2023.

Finnlines has invested over EUR 1 billion in energy efficiency during the past decade and continues the EUR 500 million capital expenditure programme to better service its customers. Despite the economic slow-down, freight volumes were on a fairly good level and passenger travel recovered to pre-pandemic figures already in 2022. This year Finnlines will grow in line with the global economic development but taking into account our new larger vessels, new traffic lines and our efficient operations in that forecast, the Finnlines Group's result before taxes is targeted to improve compared to the previous year's level.

DIVIDEND DISTRIBUTION PROPOSAL

The parent company Finnlines Plc's result for the reporting period was EUR 126.4 million. The distributable funds included in the parent company's shareholders' equity equals to EUR 530.6 million at the end of the reporting period. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.50 per share be paid out resulting in a total amount of proposed dividends of EUR 77,254,711.50.

According to the consolidated statement of financial position, the equity attributable to parent company shareholders equals EUR 846.1 (764.3) million at the end of the reporting period.

Rome, 28 February 2023

Finnlines Plc, The Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR 1,000	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Revenue	3, 7	**736,093**	579,944
Other income from operations	8	**5,917**	1,896
Materials and services	9	**-268,157**	-192,991
Personnel expenses	10	**-96,431**	-89,602
Depreciation, amortization and impairment losses	11	**-85,190**	-82,127
Other operating expenses	12	**-156,195**	-138,958
Total operating expenses		**-605,973**	-503,678
Result before interest and taxes (EBIT)		**136,037**	78,161
Financial income	13	**753**	187
Financial expenses	13	**-6,297**	-4,591
Result before taxes (EBT)		**130,493**	73,758
Income taxes	14	**2,841**	915
Result for the reporting period		**133,334**	74,673
Other comprehensive income			
Other comprehensive income to be reclassified to profit and loss in subsequent periods:			
Exchange differences on translating foreign operations		**-69**	68
Fair value change on currency derivates		**-181**	16,695
Other comprehensive income to be reclassified to profit and loss in subsequent periods, total		**-250**	16,763
Other comprehensive income not being reclassified to profit and loss in subsequent periods:			
Remeasurement of defined benefit plans		**263**	-51
Tax effect, net		**-40**	-38
Other comprehensive income not being reclassified to profit and loss in subsequent periods, total		**223**	-90
Total comprehensive income for the reporting period		**133,307**	91,346
Result for the reporting period attributable to:			
Parent company shareholders		**133,334**	74,673
		133,334	74,673
Total comprehensive income for the reporting period attributable to:			
Parent company shareholders		**133,307**	91,346
		133,307	91,346
Result for the reporting period attributable to parent company shareholders calculated as earnings per share (EUR/share)	15		
Undiluted / diluted earnings per share		**2.60**	1.45

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

See Notes, which are an integral part the Financial Statements, starting on page 11.

(figures in EUR thousand, if not stated otherwise) 7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR 1,000	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Property, plant and equipment	17	**1,107,673**	1,004,024
Goodwill	19	**105,644**	105,644
Intangible assets	19	**3,327**	3,116
Other financial assets	22	**7,074**	7,076
Receivables	23	**781**	8,121
Deferred tax assets	24	**491**	983
		1,224,989	1,128,963
Current assets			
Inventories	25	**10,100**	8,395
Accounts receivable and other receivables	26	**140,644**	119,275
Income tax receivables		**15**	48
Cash and cash equivalents	27	**18,878**	1,951
		169,637	129,669
Non-current assets held for sale	5	**14,610**	14,610
Total assets		**1,409,236**	1,273,242
EQUITY			
Equity attributable to parent company shareholders			
Share capital	28	**103,006**	103,006
Share premium account	28	**24,525**	24,525
Translation differences		**118**	141
Fund for invested unrestricted equity	28	**40,016**	40,016
Fair value reserve *	28	**17,892**	18,073
Retained earnings		**660,543**	578,535
Total equity		**846,100**	764,296
LIABILITIES			
Long-term liabilities			
Deferred tax liabilities	24	**39,876**	44,003
Non-current interest-free liabilities		**9**	9
Pension liabilities	33	**2,653**	3,143
Provisions	29	**1,697**	1,697
Loans from financial institutions	30	**262,836**	169,123
		307,071	217,976
Current liabilities			
Accounts payable and other liabilities	31	**100,856**	87,257
Current tax liabilities		**485**	22
Provisions	29	**276**	215
Loans from financial institutions	30	**154,447**	203,476
		256,065	290,970
Total liabilities		**563,136**	508,946
Total shareholders' equity and liabilities		**1,409,236**	1,273,242

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

See Notes starting on page 11.

(figures in EUR thousand, if not stated otherwise)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

EUR 1,000	Equity attributable to parent company shareholders						
	Share capital	Share issue premium	Translation differences	Unrestricted equity reserve	Fair value reserve	Retained earnings	Total equity
Reported equity 1 January 2021	103,006	24,525	114	40,016	1,378	555,413	724,453
Comprehensive income for the reporting period:							
Result for the reporting period						74,673	74,673
Exchange differences on translating foreign operations			27			42	68
Fair value change on currency derivatives					16,695		16,695
Remeasurement of defined benefit plans						-51	-51
Tax effect, net						-38	-38
Total comprehensive income for the reporting period	0	0	27	0	16,695	74,626	91,346
Dividend						-51,503	-51,503
Equity 31 December 2021	103,006	24,525	141	40,016	18,073	578,535	764,296

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 equity
Reported equity 1 January 2022	**103,006**	**24,525**	**141**	**40,016**	**18,073**	**578,535**	**764,296**
Comprehensive income for the reporting period:							
Result for the reporting period						133,334	133,334
Exchange differences on translating foreign operations			-23			-45	-69
Fair value change on currency derivatives					-181		-181
Remeasurement of defined benefit plans						263	263
Tax effect, net						-40	-40
Total comprehensive income for the reporting period	**0**	**0**	**-23**	**0**	**-181**	**133,512**	**133,307**
Dividend						-51,503	-51,503
Equity 31 December 2022	**103,006**	**24,525**	**118**	**40,016**	**17,892**	**660,543**	**846,100**

(figures in EUR thousand, if not stated otherwise) 9

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR 1,000	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Cash flows from operating activities			
Result for the reporting period		133,334	74,673
Adjustments:			
Non-cash transactions	32	80,726	81,937
Unrealised foreign exchange gains (-) / losses (+)	32		
Financial income and expenses		5,085	4,407
Taxes		-2,841	-915
Changes in working capital:			
Change in accounts receivable and other receivables		-21,591	-20,976
Change in inventories		-1,705	-2,428
Change in accounts payable and other liabilities		13,656	14,759
Change in provisions		-366	-193
Interest paid		-4,245	-2,679
Interest received		109	29
Taxes paid		-299	-265
Other financing items		-1,721	-1,636
Net cash generated from operating activities		200,051	146,713
Cash flows from investing activities			
Investments in tangible and intangible assets		-215,921	-83,577
Sale of tangible assets *		40,890	375
Acquisition of subsidiary shares		0	-27,051
Net cash used in investing activities		-175,031	-110,253
Cash flows from financing activities	31		
Loan withdrawals		371,667	232,000
Net increase in current interest-bearing liabilities (+) / net decrease (-)		-49,356	34,881
Repayment of loans		-275,640	-248,649
Payment of lease liabilities		-2,859	-3,090
Dividends paid		-51,503	-51,503
Net cash used in financing activities		-7,691	-36,361
Change in cash and cash equivalents		17,329	99
Cash and cash equivalents 1 January		1,950	1,847
Effect of foreign exchange rate changes		-402	5
Cash and cash equivalents 31 December		18,878	1,951

* Consists mainly of the sale of two vessels.

See Notes starting on page 11.

(figures in EUR thousand, if not stated otherwise)

1. CORPORATE INFORMATION

Finnlines Plc is a Finnish public limited company, which operates under Finnish jurisdiction and legislation. The parent company is registered in Helsinki at Komentosilta 1, 00980 Helsinki. Copies of the financial statements can be obtained from www.finnlines.com or the Company's headquarters. These financial statements were authorised for issue by the Board of Directors of Finnlines Plc on 28 February 2023. In accordance with the Finnish Companies Act, the financial statements are presented for approval to the Annual General Meeting.

At the end of the financial period, the Group consisted of the parent company and 20 subsidiaries.

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. 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, Finnlines connects Helsinki and Paldiski with the Grimaldi Group network in the Mediterranean, West Africa, as well as the Atlantic coast of both North and South America.

Finnlines Plc is fully owned by the Grimaldi Group, which is one of the world's largest operators of ro-ro vessels and the largest operator of the Motorways of the Sea in Europe for both passengers and freight. The Grimaldi Group, headquartered in Naples, operates a fleet of more than 130 vessels and employs over 17,000 people. It serves over 140 ports in 50 countries in the Mediterranean Sea, North Europe, West Africa, North and South America. The Grimaldi Group comprises seven shipping companies, including Finnlines, Atlantic Container Line (ACL), Malta Motorways of the Sea (MMS) and Minoan Lines.

2. ACCOUNTING PRINCIPLES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), using the IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2022. The International Financial Reporting Standards mean the standards implemented in the EU by Regulation (EC) 1606/2002, and the related interpretations. The notes to the Consolidated Financial Statements also comply with Finnish accounting and corporate legislation. The Consolidated Financial Statements are primarily prepared using the acquisition cost method. Exceptions to this principle are financial assets and liabilities recognised at fair value through profit or loss. The financial statements have been compiled in EUR. All figures in the accounts have been rounded and, consequently, the sum of individual figures may deviate from the presented sum figure.

IMPLEMENTATION OF STANDARDS

New and amended standards applied in the financial year ended 31 December 2022

* = not yet endorsed for use by the European Union as of 31 December 2022

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for financial years beginning on or after 1 January 2022)

When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs. The amendment does not have a material impact on the financial statement of Finnlines Group.

Annual Improvements to IFRS Standards 2018–2020 (effective for financial years beginning on or after 1 January 2022)

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter later than its parent. A subsidiary may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent.
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities: This amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- IFRS 16 Leases – Lease incentives – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.

Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 Property, Plant and Equipment (effective for financial years beginning on or after 1 January 2022)

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items.

Reference to the Conceptual Framework — Amendments to IFRS 3 Business Combinations (effective for financial years beginning on or after 1 January 2022)

The amendments update a reference in IFRS 3 and makes further reference related amendments.

The above amendments do not have a material impact on the financial statement of the Finnlines Group.

ADOPTION OF NEW AND AMENDED STANDARDS IN FUTURE FINANCIAL YEARS

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 Presentation of Financial Statements * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Disclosure of Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify the application of materiality to disclosure of accounting policies.

Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Income Taxes (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases* (effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

Non-current Liabilities with Covenants – Amendments to IAS 1 Presentation of Financial Statements * (effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments require to disclose information about these covenants in the notes to the financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures * (available for optional adoption, effective date deferred indefinitely)

The amendments address the conflict between the existing guidance on consolidation and equity accounting and require the full gain to be recognised when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations.

The above amendments are estimated not to have a material impact on the financial statement of the Finnlines Group.

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

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

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

CONSOLIDATION PRINCIPLES

In connection with every acquisition, the Group performs a simplified assessment, in accordance with IFRS 3, to determine whether the acquisition was of a business or an asset. If the fair value of the acquired gross assets constitutes mainly from individual identifiable asset or group of assets and liabilities assumed, the acquisition is treated as a purchase of assets and liabilities. In 2021 Finnlines Group applied a concentration test to the share purchase of the real estate company Vuosaaren Porttikeskus, and concluded that it was an asset acquisition.

Subsidiaries

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

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

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

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

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

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

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

JOINT OPERATIONS

Finnlines had no joint operations in 2021 or 2022.

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

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

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

TRANSLATION OF FOREIGN CURRENCY ITEMS

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

Vessels	25–30 years
Buildings	10–40 years
Constructions	5–10 years
Stevedoring machinery and equipment	5–35 years
Light machinery and equipment	3–10 years
Dry-docking	2–5 years

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

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

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

GOVERNMENT GRANTS

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

(figures in EUR thousand, if not stated otherwise) 13

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

INTANGIBLE ASSETS

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

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

Software	5–10 years
Intangible assets	3–20 years

The accounting for cloud computing arrangements depends on whether the cloud-based software classifies as a software intangible asset or a service contract. Those arrangements where the Company does not have control over the underlying software are accounted for as service contracts providing the Company with the right to access the cloud provider's application software over the contract period. The ongoing fees to obtain access to the application software, together with related configuration or customisation costs incurred, are recognised under [Other operating expenses, for example] when the services are received. Prepayments paid to the cloud vendor for customizing services which are not distinct are recognized over the contract period

Goodwill

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

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

Research and development expenses

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

Intangible assets

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

IMPAIRMENT

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

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

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

FINANCIAL ASSETS AND LIABILITIES

Financial assets

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

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

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

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

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

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

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

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

Financial liabilities

Financial liabilities are recognised at amortised cost or at fair value in financial liabilities though profit or loss. Financial liabilities are initially recognised at fair value. Transaction costs are included in the initial carrying value of financial liabilities measured at amortised cost. Subsequent, all financial liabilities, apart from possible hedging liabilities, are valued at amortised cost using the effective interest method. Financial liabilities are included in both non-current and current liabilities and they can be either interest-bearing or non-interest-bearing. Financial liabilities are classified as current, unless the Group has unconditional right to move the payment of the debt at least 12 months from the end of the reporting period. Financial liability is derecognised in the balance sheet, when the Group has either paid the debt or discharged from the liabilities related to the debt by the juridical process or by the lender.

The Group's financial liabilities measured at amortised cost consist of interest-bearing debts, lease liabilities and non-interest-bearing debts as trade payables. The financial liabilities recognised at amortised cost are measured at amortised cost by using effective interest method.

The financial liabilities recognised as fair value through profit or loss consist of financial liabilities held for trading and liabilities, which have been initially classified as fair value though profit or loss. The liabilities recognised at fair value through profit or loss may consist of the Group's hedging instruments. The Group does not have such liabilities at the end of current or previous fiscal year.

Borrowing costs

Borrowing costs are recognised as expenses for the accounting period during which they have arisen, except for the borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset. The total of the capitalised costs and the items to which they have been capitalised as acquisition cost are shown in Note 17. Property, plant and equipment.

DERIVATIVES AND HEDGE ACCOUNTING

When acquiring new vessels, the Group may be exposed to foreign currency risk. In such cases, it may use hedging against such a risk. Hedging will be performed using foreign currency derivatives and hedge accounting following IFRS 9 standard.

When applying hedge accounting, the Group will document the relation between the risk and the hedge used, the goal of risk management policy and the selected hedging strategy. The Group will document and evaluate the effectiveness of the hedging instruments' ability to reverse the impact of foreign exchange risk to the value of the cash flow of the hedged item. This will be done at the beginning of hedging and on every consecutive reporting date.

Hedging instruments are originally recognised at fair value. At later reporting dates the fair value will be based on sell and buy quote information, available from functioning markets. Fair value of hedging instruments will be reported as derivatives receivable asset or liability. Changes in fair value will be reported in other comprehensive income and presented in fair value reserve in equity.

Hedging instruments' fair values are presented in notes to financial statements. When a cash flow hedge instrument is due, or is sold, or when criteria for applying hedge accounting are not met, the accrued gain or loss will remain in equity until the planned transaction takes place. However, if the planned transaction is no longer expected to happen, or risk management strategy is altered, the accrued gain or loss in equity will be released to Income statement immediately. In case the value of the hedged transaction changes, the corresponding hedge instruments will be balanced accordingly.

LEASES

The Group as a lessee

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

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

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the contract includes purchase option, that the group expects to exercise, depreciations will be recognized over the full expected financial life time of the asset. 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 remeasurements of the lease liability.

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

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

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

The Group as a lessor

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

Finnlines Group acquired shares of Kiinteistö Oy Vuosaaren Porttikeskus real estate company in April 2021. The property is mainly used as Finnlines' headquarter and for its own activities. The cost method in line with IAS 16 is applied for the whole property. Part of the buildings/premises are leased out to tenants under operating leases. Finnlines Group has changed the articles of association of the mutual real estate company into ordinary real estate company.

INVENTORIES

Inventories include the fuel, lubricant, bulk and food supplies of the Group's vessels, as well as goods for sale on the vessels. Inventories are valued at the lower of their acquisition cost or their net realisation value. Acquisition costs are determined using the FIFO (first in, first out) method. The net realisation value is the estimated sale price in ordinary business transactions, from which the cost of sale has been deducted.

EQUITY

Instruments issued by the Group, which do not contain contractual obligation to transfer cash or financial assets or to exchange financial assets or financial liabilities with other entities under potentially unfavourable terms, and which evidence a residual interest in the assets of the Group after deducting all of its liabilities, are classified as equity. The share capital consists of ordinary shares.

Costs arising from issues or acquisitions of equity instruments are accounted for as a deduction from equity. If the Group reacquires its own equity instruments, those instruments are deducted from equity.

INCOME TAXES

Current tax expenses recognised on the profit and loss consist of income tax payable on taxable profit and of deferred taxes. Income tax on taxable profit for the reporting period is calculated using the valid tax rate of each country. Taxes are adjusted by possible taxes relating to previous periods.

Deferred taxes are recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are calculated using the tax rates valid at the end of the reporting period or rates enacted by the balance sheet date for the following financial year.

Deferred tax assets are recognised to the extent that it is likely that future taxable profit will be available, against which the tax receivables can be used. In the Group, the most significant temporary differences relate to unused tax losses and depreciation of tangible fixed assets.
No deferred taxes are recognised for subsidiaries' undistributed earnings.

Finnlines Plc entered into the Finnish tonnage tax system on 1 January 2013. In the tonnage tax system, the shipping operations shifted from taxation of business income to tonnage-based taxation. Finnlines Deutschland GmbH exited from the German tonnage tax scheme and transferred to business taxation on 1 February 2014.

EMPLOYEE BENEFITS

Pension liabilities

The Group has various pension plans in accordance with the local regulations of each country in which it operates. The Group's pension plans are classified as defined contribution plans and defined benefit plans.

The Group's employee pension plans are mainly administered by external pension insurance companies. The Finnish TyEL pension insurance administered by external pension insurance companies is treated as defined contribution plan.

In defined contribution plans, the Company makes fixed payments into the plan. The Company has no legal or actual obligation to make additional payments if the pension insurance company is unable to pay out the benefits earned by employees in the current period or in previous periods. Payments made into defined contribution plans are recognised in the profit and loss in the reporting period to which the payment applies. In defined benefit plans, the employer's pension liability is based on the present value of the obligation defined in the plan and on the fair value of the assets included in the plan, which are calculated using actuarial calculations determined in the IAS 19 standard.

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

The pension cost together with the net interest cost is recognised in personnel expenses in profit or loss. Remeasurements of the net defined liability (actuarial gains and losses together with the return on plan assets) are recognised in other comprehensive income as incurred.

Past service costs are recognised in profit or loss at the period earliest: when the change or curtailment of the plan has been due or the Group has recognised the costs arising from reorganisation or benefits related to post employment.

Share-based payments

At the end of the reporting period, the Group had no share schemes in force.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Company, as a consequence of previous events, has a legal or actual obligation whose monetary value can be reliably determined and whose realisation is probable. The amount recognised as provisions is equivalent to the best estimate of the expenses that will be incurred by fulfilling the obligations existing at the end of the reporting period.

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. An existing obligation that probably does not require a settlement or the amount of which cannot be reliably measured is also a contingent liability.

REVENUE RECOGNITION

The Group applies a five-step model of IFRS 15, when defining when and in what amount revenue is recognised. In this model the Group identifies the contract with customer and the performance obligations, determines the transaction price and allocates the price to performance obligations, and recognises the revenue.

The revenue is recognised based on the transfer of control of the goods or services either over time or at point in time. The revenue of the Finnlines Group is generated mainly by transportation of cargo and passengers as well as port services. The revenue arising from the liner service cargo transportation is recognised over time, as performance obligations are provided to the customer. Possible land haulage related to the cargo transportation is considered as a separate performance obligation.

The method of measuring progress is based on transportation days. The revenue arising from liner passenger transportation and related services is recognised over time based on the completion of voyage’s traffic days. The revenue arising from the port operations is recognised over time as services are provided to the customer. Customer contracts are based on ordinary payment terms used in the industry, and there is no significant financing component involved.

The transaction price allocated to the performance obligations is recognised at fair value adjusted by indirect tax, revenue adjustments and exchange rate differences. The price does not include significant variable consideration. The Group does not have significant assets related to the contracts. The assets and liabilities related to contracts with customers are presented in the disclosures. The Group uses practical expedites and does not present the transaction price allocated to partially or fully unfulfilled performance obligations, if the duration of the agreement is one year at the most or the Group has the right to receive a price from a customer corresponding to the value of services provided to customer by the moment of transaction.

INTERESTS AND DIVIDENDS

Interests are recorded using the effective interest method and the dividends when the right to receive dividend is established.

SEGMENT REPORTING

The Group presents segment reporting in accordance with IFRS 8 based on its internal reporting structure.

3. SEGMENT INFORMATION

The Group's segment reporting is based on two strategic business segments which provide different services requiring different resources and which are managed as separate businesses. The Group has two business segments: Shipping and Sea Transport Services, and Port Operations.

The Group's segment results and decisions concerning assets to be allocated to the segments are evaluated based on the segments' results before interest and taxes. The Group management considers this to be the most appropriate indicator when comparing segment results against other companies in the industry. The Group Executive Committee, in its role as the chief operating decision-maker, uses the segment results for evaluating performance and allocating resources.

SHIPPING AND SEA TRANSPORT SERVICES

Finnlines' Shipping and Sea Transport Services segment includes Finnlines' traffic in the Baltic Sea, the North Sea and the Bay of Biscay, as well as FinnLink and NordöLink traffic.

PORT OPERATIONS

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

EUR 1,000	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
Result per segment for reporting period ending 31 Dec 2022				
Total revenue from segment	712,039	46,172		758,212
Intra-group revenue	151	-22,270	-22,118	-22,118
External revenue	**712,191**	**23,903**		**736,093**
Result before interest and taxes (EBIT)	**134,786**	**1,252**		**136,037**
Financial items				-5,544
Income taxes				2,841
Result for the reporting period				**133,334**

EUR 1,000	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
Result per segment for reporting period ending 31 Dec 2021				
Total revenue from segment	555,317	46,968		602,285
Intra-group revenue	376	-22,716	-22,341	-22,341
External revenue	555,693	24,251		579,944
Result before interest and taxes (EBIT)	73,555	4,606		78,161
Financial items				-4,404
Income taxes				915
Result for the reporting period				74,673

Intra-group transfers and transactions are carried out using normal commercial conditions, equivalent to those used with external parties.

(figures in EUR thousand, if not stated otherwise)

Segment assets, liabilities and capital expenditure for 2022 and 2021

EUR 1,000	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
Non-cash expenses in the profit and loss account				
2022				
Depreciation	-80,406	-4,783		-85 190
Impairment losses in accounts receivable	-360	-7		-366
2021				
Depreciation	-77,381	-4,746		-82,127
Impairment losses in accounts receivable	-238	-2		-240
Assets, liabilities and capital expenditure by segment				
2022				
Segment assets	1,396,234	77,962	-64,960	1,409,236
Unallocated assets				
Total assets				**1,409,236**
Segment liabilities	95,759	8,062		103,822
Unallocated liabilities				459,243
Total liabilities				**563,065**
Capital expenditure	**223,164**	**643**		**223,808**
Assets, liabilities and capital expenditure by segment				
2021				
Segment assets	1,167,156	79,081	-207	1,246,030
Unallocated assets				27,213
Total assets				1,273,242
Segment liabilities	83,700	8,208	-207	91,700
Unallocated liabilities				417,246
Total liabilities				508,946
Capital expenditure	110,114	514		110,628

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

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

The assets of the Port Operations segment contain EUR 14.6 (14.6) million classified as assets held for sale.

(figures in EUR thousand, if not stated otherwise) 19

Information about geographical areas

The revenue from the geographical areas is reported according to the location of the customers. Assets are reported according to the geographical location of the Group. The revenue related to non-freight related passengers is shown for the country of departure. The Group's vessels are also included in the reported assets even though they are by nature mobile and their location can be easily changed.

EUR 1,000	2022	2021
Revenue		
Finland	**312,601**	238,251
Sweden	**111,120**	92,888
Germany	**84,401**	71,275
Other EU countries	**204,638**	152,350
Russia	**1,626**	9,893
Other	**21,708**	15,286
	736,093	579,944
Assets *		
Finland	**914,692**	796,433
Sweden	**309,268**	323,557
Germany	**7,169**	7,311
Other EU countries	**32**	30
Other	**92**	62
	1,231,161	1,127,394

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

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

4. JOINT OPERATIONS

Finnlines had no joint operations in 2022 or 2021.

5. NON-CURRENT ASSETS HELD FOR SALE

Port Operations are negotiating a sale of port assets with a carrying value of around EUR 14.6 million. No impairment losses have been recognized on the carrying value of the assets.

6. ACQUIRED NON-CONTROLLING INTERESTS

Finnlines has not acquired new shares in non-controlled entities in 2022.

Finnlines owns 25.4 per cent of Steveco Oy's shares. This shareholding is presented in financial assets classified at fair value through profit or loss, because Finnlines does not have significant influence in Steveco Oy.

7. REVENUE

EUR 1,000	2022	2021
Revenue		
Sale of goods	**17,445**	15,315
Rendering of services	**711,062**	557,792
Vessel hires	**7,587**	6,837
	736,093	579,944

Revenue by functions

EUR 1,000	2022	2021
Revenue		
Freight and other shipping services	**643 519**	507,864
Passenger services	**68 671**	47,829
Port operations	**23 903**	24,251
	736 093	579,944

The received prepayments related to passenger services were EUR 5.7 (5.7) million on 31 December 2022. Otherwise there were no received prepayments related to performance obligations to be provided by the Group.

(figures in EUR thousand, if not stated otherwise)

8. OTHER INCOME FROM OPERATIONS

EUR 1,000	2022	2021
Other income from operations		
Rental income	**1,712**	1,664
Profits from sale of tangible assets	**4,121**	29
Other income from operations	**83**	203
	5,917	1,896

9. MATERIALS AND SERVICES

EUR 1,000	2022	2021
Cost of services provided		
Materials and supplies		
Purchases during reporting period	**-205,456**	-131,529
Change in inventories	**1,077**	2,427
Purchased services	**-63,779**	-63,890
	-268,157	-192,991

10. PERSONNEL EXPENSES

EUR 1,000	2022	2021	2020
Employee benefit expenses			
Salaries	**-97,525**	-89,849	-85,494
Other social costs	**-8,804**	-8,406	-7,507
Pension expenses – defined contribution plans	**-11,193**	-10,307	-9,684
Pension expenses – defined benefit plans	**-141**	-49	-63
Government grants for shipping companies	**21,232**	19,009	19,371
	-96,431	-89,602	-83,376
Average number of Group employees			
Shipping and Sea Transport Services	**1,373**	1,256	1,244
Port Operations	**306**	299	290
	1,679	1,555	1,534
Number of employees on 31 December	**1,657**	1,619	1,519

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

According to the European Community guidelines on State aid to maritime transport valid throughout Europe, Finnlines has benefited from government grants for personnel expenses worth EUR 21.2 (19.0) million, like many other shipowners in European countries. In Finland, the amount partly corresponds to the tax withheld in advance from seamen’s income, and partly the amount paid by the employer for seamen’s social security fees, pension fees and employees’ insurance fees. In Sweden, the government grant corresponds to the tax withheld in advance from seamen’s income and the amount paid by the employer for the seamen’s social fees.

11. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

EUR 1,000	2022	2021
Depreciation of tangible assets		
Land and water, right of use	**-1,957**	-1 919
Buildings	**-3,151**	-2 747
Buildings, right of use	**-422**	-644
Machinery and equipment	**-1,039**	-1 041
Machinery and equipment, right of use	**-281**	-304
Vessels	**-77,731**	-74 750
Amortisation of intangible assets	**-610**	-723
Total depreciation and amortisation	**-85,190**	-82 127

The management evaluated vessels’ economic life span and residual values in 2021. As a result, due to the expected economic life span of 25-30 years, the depreciation time was shortened by 5 years on average, starting from 1.1.2021.

(figures in EUR thousand, if not stated otherwise) 21

12. OTHER OPERATING EXPENSES

EUR 1,000	2022	2021
Port expenses, equipment and other voyage related costs	**-58,204**	-54,528
Leases	**-11,678**	-16,252
Manning service costs and other non-obligatory personnel costs	**-2,360**	-1,519
Vessel insurances, repairs and maintenance costs	**-44,391**	-38,672
Catering costs	**-14,755**	-11,270
IT costs	**-4,412**	-3,411
Sales and marketing costs	**-4,400**	-1,845
Real estate costs excluding rents and leases	**-4,184**	-3,287
Other costs	**-11,812**	-8,172
	-156,195	-138,958

Auditor's remuneration

The Group's principal auditor was KPMG Oy Ab in 2022.

EUR 1,000	2022	2021
Audit fees		
KPMG	**141**	119
Other	**22**	18
Tax consultancy and other fees		
KPMG	**24**	35
Other	**7**	7
	194	179

13. FINANCIAL INCOME AND EXPENSES

EUR 1,000	2022	2021
Dividend income	**8**	1
Interest income		
Bank deposits	**6**	0
Loans and accounts receivable	**103**	27
Other receivables	**0**	1
Exchange rate gains		
Other exchange rate gains	**633**	155
Other financial income	**3**	3
Total financial income	**753**	187
Interest expenses		
Borrowings measured at amortised cost	**-4,085**	-2,810
Other interest expenses	**-160**	-3
Exchange rate losses		
Other exchange rate losses	**-370**	-223
Other financial expenses	**-1,683**	-1,554
Total financial expenses	**-6,297**	-4,591
Net financial expenses	**-5,544**	-4,404

The Group's financial income and expenses include exchange rate gains and losses, most of which are related to valuation of foreign currency accounts. The main part of the Group's other financial expenses is composed of guarantee fees, arrangement fees and other expenses related to borrowings.

(figures in EUR thousand, if not stated otherwise)

14. INCOME TAXES

EUR 1,000	2022	2021
Tax on taxable income of the reporting period	-774	-232
Tax from previous periods	-59	-11
Change in deferred taxes	3,673	1,157
Income taxes in profit and loss, expense (-)	2,841	915

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

EUR 1,000	2022	2021
Result before taxes	130,493	73,758
Tax calculated using Finnish tax rate, 20%*	-26,099	-14,752
Foreign subsidiaries' differing tax rates **	-151	-109
Tax-exempt income and non-deductible expenses	-72	-31
Losses for which no deferred income tax asset was recognized	50	-112
Impact of tonnage tax ***	29,113	15,918
Income taxes in profit and loss, expense (-)	2,841	915

* As of 1 January 2014, the applicable tax rate has been 20.0 per cent in Finland.
** Deferred tax rate applied to Swedish entities is 20.6 per cent.
*** The Finnish parent company Finnlines Plc entered into the Finnish tonnage taxation regime as from 1 January 2013. The adoption is binding until at least 31 December 2032.

Income tax on other comprehensive income

EUR 1,000	2022	2021
Remeasurement of defined benefit liability	40	38
	40	38

15. EARNINGS PER SHARE

Earnings per share are calculated by dividing the result for the reporting period attributable to the parent company's shareholders by the weighted average number of outstanding shares during the reporting period, minus the treasury shares purchased by the Company.

EUR 1,000	2022	2021
Result for the reporting period attributable to parent company shareholders, EUR 1,000	133,334	74,673
Weighted average no. of shares, 1,000	51,503	51,503
Undiluted earnings per share, EUR/share	2.60	1.45

16. DIVIDENDS

Finnlines paid EUR 51.5 million in dividend in 2022. The parent company Finnlines Plc's result for the reporting period was EUR 126.4 million. The distributable funds included in the parent company's shareholders' equity equals to EUR 530.6 million at the end of the reporting period. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.50 per share be paid out resulting in a total amount of proposed dividends of EUR 77,254,711.50.

(figures in EUR thousand, if not stated otherwise) 23

17. PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land	Buildings	Vessels	Machinery and equipment	Advance payments & acquisitions under construction	Total*
Reporting period ending 31 December 2022						
Acquisition cost 1 January 2022	1,125	106,142	1,497,525	66,874	131,243	1,802,910
Exchange rate differences		2		-16		-14
Increases			165,946	769	56,272	222 ,986
Disposals			-97,783	-593		-98,376
Reclassifications between items			78,718	25	-78,743	0
Reclassifications to non-current assets held for sale *		-3,297		-22,395		-25,691
Acquisition cost on 31 December 2022	**1,125**	**102,847**	**1,644,406**	**44,665**	**108,772**	**1,901,815**
Accumulated depreciation, amortisation and write-offs 1 January 2022		-42,426	-719,249	-45,482		-807,157
Exchange rate differences		-2		13		11
Cumulative depreciation on reclassifications and disposals			61,062	580		61,642
Depreciation for the reporting period		-3,151	-77,731	-1,039		-81,920
Accumulated depreciation, amortisation and write-offs 31 December 2022		**-45,578**	**-735,918**	**-45,928**		**-827,424**
Reclassifications to non-current assets held for sale *		570		10,510		11,081
Carrying value on 31 December 2022	**1,125**	**57,839**	**908,488**	**9,247**	**108,772**	**1,085,471**

Not including right-of-use assets.
The carrying value of property, plant and equipment includes EUR 17.7 (17.5) million of capitalised interest during construction.
* The Finnlines Group is negotiating a sale of Port Operations' assets with carrying value of EUR 14.6 (14.6) million. No impairment losses were recognised on the carrying values of these assets in 2021 or 2022, 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 2021 and 31 December 2022.

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 2022				
Acquisition cost 1 January 2022	27,719	1,733	-1,622	31,073
Exchange rate differences			0	0
Increases	1,279	602	134	2,015
Disposals			-109	-109
Reclassifications between items		-1	0	-1
Acquisition cost 31 December 2022	**28,998**	**2,333**	**1,646**	**32,977**
Accumulated depreciation, amortisation and write-offs 1 January 2022	-6,019	-1,092	-1,081	-8,192
Exchange rate differences			0	0
Cumulative depreciation on reclassifications and disposals		1	75	76
Depreciation for the reporting period	-1,957	-422	-281	-2 660
Accumulated depreciation, amortisation and write-offs 31 December 2022	**-7,975**	**-1,513**	**-1,286**	**-10,775**
Carrying value 31 December 2022	**21,022**	**820**	**360**	**22,202**
Property, plant and equipment, total				**1,107,673**

EUR 1,000	Buildings	Machinery and equipment	Total
Assets classified as held for sale 1 January 2022			
Acquisition cost			
Transfer to non-current assets held for sale on 1 January 2022	3,297	22,395	25,691
Accumulated depreciation			
Transfer to non-current assets held for sale on 31 December 2022	-570	-10 510	-11,081
Carrying value 31 December 2022	**2,726**	**11,884**	**14,610**

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	Land	Buildings	Vessels	Machinery and equipment	Advance payments & acquisitions under construction	Total
Reporting period ending 31 December 2021						
Acquisition cost 1 January 2021	72	65,151	1,486,518	65,826	59,521	1,677,087
Exchange rate differences		-2		17		15
Increases	1,053	40,993	10,404	1,175	72,389	126,015
Disposals			-64	-143		-207
Reclassifications between items			667	0	-667	0
Reclassifications to non-current assets held for sale		-3,297		-22,395		-25,691
Acquisition cost on 31 December 2021	1,125	102,846	1,497,525	44,480	131,243	1,777,219
Accumulated depreciation, amortisation and write-offs 1 January 2021		-24,522	-644,563	-44,175		-713,260
Exchange rate differences		2		-16		-14
Cumulative depreciation on reclassifications and disposals		-15,159	64	-250		-15,346
Depreciation for the reporting period		- 2,747	-74,750	-1,041		-78,538
Accumulated depreciation, amortisation and write-offs 31 December 2021		-42,426	-719,249	-45,482		-807,157
Reclassifications to non-current assets held for sale		570		10,510		11,081
Carrying value on 31 December 2021	1,125	60,990	778,276	9,508	131,243	981,142

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 2021				
Acquisition cost 1 January 2021	20,339	3,832	1,439	25,610
Exchange rate differences			1	1
Increases	7,379		181	7,561
Disposals		-2,099		-2,099
Reclassifications between items		0	0	0
Acquisition cost 31 December 2021	27,719	1,733	1,622	31,074
Accumulated depreciation, amortisation and write-offs 1 January 2021	-4,100	-2,202	-776	-7,078
Exchange rate differences			-1	-1
Cumulative depreciation on reclassifications and disposals		1,753		1,753
Depreciation for the reporting period	-1,919	-644	-304	-2,866
Accumulated depreciation, amortisation and write-offs 31 December 2021	-6,019	-1,092	-1,081	-8,192
Carrying value 31 December 2021	21,700	640	541	22,882
Property, plant and equipment, total				1,004,024

EUR 1,000	Buildings	Machinery and equipment	Total
Assets classified as held for sale 1 January 2021			
Acquisition cost			
Transfer to non-current assets held for sale on 1 January 2021	3,297	22,395	25,691
Accumulated depreciation			
Transfer to non-current assets held for sale on 31 December 2021	-570	-10,510	-11,081
Carrying value 31 December 2021	2,726	11,884	14,610

The Management evaluated vessels' economic life span and residual values in 2021. As a result, due to the expected economic life span of 25-30 years, the depreciation time was shortened by 5 years on average, starting from 1.1.2021.The annual increase of the 2021 fiscal year depreciation (EUR 17.3 million) has been booked as cost on the fourth quarter of 2021.

(figures in EUR thousand, if not stated otherwise) 25

18. LEASES

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	2022	2021
Interest on lease liabilities	330	314
Expenses relating to short-term leases	251	309
Expenses relating to low-value assets	298	202
Service components of lease payments	0	51
Total	879	876
Lease payments of all leases accounted according to IFRS 16	2,859	2,997
Total cash flow of all leases	3,408	3,559
Income from operational leases	9,250	8,459

Maturity analysis

EUR 1,000	2022	2021
Contractual undiscounted cash flows		
Less than one year	2,691	2,680
One to five years	7,954	8,421
More than five years	19,081	20,763
Total undiscounted lease liabilities at 31 December	29,726	31,864
Short term leasing liability	2,417	1,986
Long term leasing liability	19,206	20,202
Lease liabilities included in statement of financial position at 31 December	21,623	22,188

(figures in EUR thousand, if not stated otherwise)

19. GOODWILL AND INTANGIBLE ASSETS

EUR 1,00	Goodwill	Advance payment for intangible assets	Intangible assets	Total intangible assets
Reporting period ending 31 December 2022				
Acquisition cost on 1 January 2022	105,644	503	26,374	132,521
Increases		742	79	821
Disposals			-56	-56
Reclassifications			420	0
Acquisition cost on 31 December 2022	**105,644**	**825**	**26,818**	**133,287**
Accumulated amortisation and impairment losses on 1 January 2022			-23,762	-23,762
Cumulative amortisation on reclassifications and disposals			56	56
Depreciation for the reporting period			-610	-610
Accumulated amortisation and impairment losses on 31 December 2022			-24,316	-24,316
Carrying value on 31 December 2022	**105,644**	**825**	**2,502**	**108,971**
Reporting period ending 31 December 2021				
Acquisition cost on 1 January 2021	105,644	437	26,564	132,645
Increases		113	53	166
Disposals				
Reclassifications		-48	48	0
Acquisition cost on 31 December 2021	105,644	502	26,665	132,811
Accumulated amortisation and impairment losses on 1 January 2021			-23,328	-23,328
Cumulative amortisation on reclassifications and disposals				
Depreciation for the reporting period			-723	-723
Accumulated amortisation and impairment losses on 31 December 2021			-24,051	-24,051
Carrying value on 31 December 2021	105,644	502	2,614	108,760

Goodwill impairment testing

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation principle has remained unchanged since 2021, although minor changes were made to the vessel set-up due to the updated schedules during 2022. The goodwill related to Finland–Germany traffic is allocated to the HansaLink service, which is operated with a vessel system between Finland, Germany, and Poland. Goodwill related to the South Sweden–Germany traffic is allocated to the NordöLink service.

EUR 1,00	2022	2021
Allocation of goodwill to the cash-generating units		
NordöLink	**68,972**	68,972
HansaLink (incl. Finland–Germany–Poland traffic)	**36,671**	36,671
Total	**105,644**	105,644

NordöLink and HansaLink are included in the Shipping and Sea Transport Services segment.

The current recoverable amount is determined based on their value in use. The cash flow forecasts for the tested units are based on the next year's budget and the forecasts for the subsequent four years (five-year business plans) approved by the management. The projections of cash flow for the five-year period are based on the management's experience and assumed future development of markets, and are in line with the external market forecasts.

During 2022, no major alterations were made to the traffic patterns between Finland, Germany, and Poland. Three Star-class vessels continued to ply between Helsinki and Travemünde, and two ro-ro vessels were sailing on the direct route between Hanko and Rostock. The direct route from Hanko to Gdynia was operated with two ro-ro vessels.

NordöLink traffic is operated with three smaller ro-pax vessels.

Both of these services operate in one of the Emissions Control Areas, i.e. the Baltic Sea, where the sulphur content limits are stricter than globally. The sulphur limit for heavy fuel oil was reduced to 0.10 per cent in 2015 in accordance with the MARPOL Convention. Finnlines has invested in emission abatement technology to meet the new environmental regulations, and the effects of these investments on both the costs and sea freight rates have been taken into account in the tests.

(figures in EUR thousand, if not stated otherwise) 27

The main assumptions in the five-year business plans relate to market growth, market share, price level and development of passenger services. The market growth rates used are derived from recent external economic forecasts adjusted to the relevant market. The cash flows after the forecast period of five years are extrapolated using the growth factors listed below. The growth factors used do not exceed the actual long-term growth rate in the sector in question.

The weighted average pre-tax cost of capital (WACC) is used as a discount rate. The components used to calculate the WACC are risk free interest rate, market risk premium, industry beta-coefficient, target capital structure and the cost of debt. The same common components to calculate the discount rates for all cash generating units are used, adjusted with the relevant tax rates. The usage of the same common components in discount rates is justified as the risks related to the different businesses are interlinked and relate to the general economic development in the Baltic Sea area.

Main assumptions used in calculating value in use in 2022

	Cash-generating unit	
	HansaLink	NordöLink
Discount rate (pre-tax)	**7.2%**	**7.2%**
LTP period	2023–2027	2023–2027
Growth rate after LTP period	**2.0%**	**2.0%**
The resulting share of terminal value of the calculated discounted cash flow	**79.6%**	**82.6%**

Main assumptions used in calculating value in use in 2021

	Cash-generating unit	
	HansaLink	NordöLink
Discount rate (pre-tax)	**5.7 %**	**5.8 %**
LTP period	2022–2026	2022–2026
Growth rate after LTP period	**2.0 %**	**2.0 %**
The resulting share of terminal value of the calculated discounted cash flow	**85.8 %**	**82.0 %**

Based on the forecasts, the current recoverable amounts of the Finland–Germany–Poland service (HansaLink) and NordöLink clearly exceed the carrying value at the end of 2022. Sensitivity tests were conducted for all the key assumptions and parameters in the business plans and in the future extrapolation. The tested parameters were market growth, market share, price level development, passenger business contribution, discount rate and growth rate after a period of five years, which were tested based on their relevance in the cash generating unit. The management views that no reasonably possible change in any of the key parameters would lead to impairment as the recoverable amounts exceed the carrying amounts considerably.

The goodwill of the Company is related to the lines and corresponding traffic flows, which can be handled with various vessel systems as the vessels are relatively easily movable assets. For both cash generating units, the assumption of infinite cash flow (the Gordon model) is applied. As the goodwill is not dependent of the system of certain vessels and their deterioration due to passage of time, the infinity assumption is a reasonable approach to measure the future cash flows. The shares of terminal values (cash flows after a five year period) are listed above. When preparing cash flow forecasts, the Company also reviews the differences between the previous forecast and actual outcomes of the key variables.

20. SUBSIDIARIES

Finnlines Plc has 20 subsidiaries, which are specified in Note 37. Subsidiaries.

21. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has no investments in associated companies.

22. OTHER FINANCIAL ASSETS

EUR 1,000	2022	2021
Investments in unlisted shares	**7,071**	7,073

The main part of the unlisted shares consists of investments in stevedoring companies. The shares are measured at cost or at its lower probable value, as the fair value of the investment cannot be measured reliably.

(figures in EUR thousand, if not stated otherwise)

EUR 1,00	Fair value through profit or loss	Subsequently measured at amortised cost	Hedging of cash flow	Balance sheet value	Fair value
Reporting period ending 31 December 2022					
Investments	7,071			7,071	7,071
Loan and other receivables		784		784	784
Trade receivables		95,247		95,247	95,247
Derivatives			17,892	17,892	17,892
Cash and bank		18,878		18,878	18,878
Total 31 December 2022	**7,071**	**114,908**	**17,892**	**139,871**	**139,871**
Reporting period ending 31 December 2021					
Investments	7,073			7,073	7,073
Loan and other receivables		1,190		1,190	1,190
Trade receivables		85,341		85,341	85,341
Derivatives			18,073	18,073	18,073
Cash and bank		1,951		1,951	1,951
Total 31 December 2021	**7,073**	**88,482**	**18,073**	**113,628**	**113,628**

23. NON-CURRENT RECEIVABLES

	2022		2021	
EUR 1,000	**Fair values**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans and other receivables				
Other receivables	**743**	**743**	1,190	1,190
Financial assets at fair value	**40**	**40**	0	0
Currency derivatives	**0**	**0**	6,933	6,933
	784	**784**	8,124	8,124

24. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred taxes in 2021 and 2022

EUR 1,000	1 Jan 2021	Reclassification	Recognised in profit and loss	Recognised in other comprehensive income	31 Dec 2021
Deferred tax assets:					
Restated receivables 1.1 impairment, IFRS 9	0	0			0
Fair value valuation loss, IAS 32, IFRS 9	-104	0	-2		-106
Hedge accounting	0				0
Unused losses in taxation	2,048		-1,297		752
IFRS 16 leases	52		19		72
Other differences	-19	0	-70		-89
Remeasurement of defined benefit plans	393	0		-38	355
	2,370	0	-1,348	-38	983
Deferred tax liabilities:					
Depreciation difference on 1 January 2021	30,872		1,734		32,605
Deferred tax liability in tonnage taxation	11,971	0	-4,302		7,669
Group difference, vessels and equipment	2,171	0	16		2,187
Assets set to sale, pension liabilities, capitalized interests	1 432	0	25		1,457
Currency difference	-1		2		1
Other differences	64		20		84
	46,509	0	-2,506	0	44,003

(figures in EUR thousand, if not stated otherwise) 29

EUR 1,000	1 Jan 2022	Reclassification	Recognised in profit and loss	Recognised in other comprehensive income	31 Dec 2022
Deferred tax assets:					
Fair value valuation loss, IAS 32, IFRS 9	-106	0	-140		-245
Unused losses in taxation	752		-329		422
IFRS 16 leases	72		17		88
Other differences	-89	0	0		-89
Remeasurement of defined benefit plans	355	0		-40	315
	983	0	-452	-40	491
Deferred tax liabilities:					983
Depreciation difference on 1 January 2022	32,605		1,710		34,315
Deferred tax liability in tonnage taxation	7,669	0	-4,944		2,725
Group difference, vessels and equipment	2,187	0	-1,075		1,112
Assets set to sale, pension liabilities, capitalized interests	1,457	0	135		1,592
Currency difference	1		8		9
Other differences	84		38		122
	44,003	0	-4,127	0	39,876

* Specification of Finnlines Plc's deferred tax liability at the transition 1.1.2013 and the recorded transactions in the Income Statement up to 31.12.2022.

EUR 1,000	Deferred tax liabilities
Finnlines Plc’s depreciation in excess of plan 31 December 2012 / 1 January 2013	52,692
Difference between vessel’s legal and Group value	1,340
Deferred tax liability 1 January 2013	54,033
Recognised in the income statement 1 January 2013	
Difference between vessel’s group value and fair value	364
Recognised in the income statement 1 January–31 December 2013	
Tax relief of vessels crew’s social costs	-3,352
Effect of change of tax rate on tax 1 January 2014	-9,376
Deferred tax liability in tonnage taxation at 31 December 2013	41,669
Tax relief of vessels crew’s social costs 2014 (the second tonnage tax period)	-3,587
Deferred tax liability in tonnage taxation at 31 December 2014	38,083
Recognised in more tax relief for vessels crew social costs 2013, 2014 (the third tonnage tax period)	-1,479
Tax relief of vessels crew’s social costs 2015 (the third tonnage tax period)	-4,180
Deferred tax liability in tonnage taxation at 31 December 2015	32,424
Tax relief of vessels crew’s social costs 2016 (the fourth tonnage tax period)	-5,155
Tax relief of vessels crew’s social costs 2015 (the third tonnage tax period), change	211
Deferred tax liability in tonnage taxation at 31 December 2016	27,481
Tax relief of vessels crew’s social costs 2017 (the fifth tonnage tax period)	-4,032
Tax relief of vessels crew’s social costs 2016 (the fourth tonnage tax period), change	-221
Deferred tax liability in tonnage taxation at 31 December 2017	23,228
Tax relief of vessels crew’s social costs 2018 (the sixth tonnage tax period)	-3,692
Tax relief of vessels crew’s social costs 2017 (the fifth tonnage tax period), change	-759
Deferred tax liability in tonnage taxation at 31 December 2018	18,777
Tax relief of vessels crew’s social costs 2019 (the seventh tonnage tax period)	-3,880
Tax relief of vessels crew’s social costs 2018 (the sixth tonnage tax period), change	-37
Deferred tax liability in tonnage taxation at 31 December 2019	14,860
Tax relief of vessels crew’s social costs 2020 (the eighth tonnage tax period)	-2,843
Tax relief of vessels crew’s social costs 2019 (the seventh tonnage tax period)	-46
Deferred tax liability in tonnage taxation at 31 December 2020	11,971
Tax relief of vessels crew’s social costs 2021 (the ninth tonnage tax period)	-4,214
Tax relief of vessels crew’s social costs 2020 (the eighth tonnage tax period)	-87.5
Deferred tax liability in tonnage taxation at 31 December 2021	7,669
Tax relief of vessels crew’s social costs 2022 (the tenth tonnage tax period)	-4,944
Deferred tax liability in tonnage taxation at 31 December 2022	**2,725**

(figures in EUR thousand, if not stated otherwise)

EUR 1,00	2022	2021
Deferred tax assets and liabilities		
Total deferred tax assets	491	983
Deferred tax assets in statement of financial position	491	983
Deferred tax liabilities	39,876	44,003
Deferred tax liabilities in statement of financial position	39,876	44,003

Deferred tax liabilities are not recognised for subsidiaries' undistributed earnings, because in most cases these earnings are transferred to the Company without any tax consequences. In addition, the Group does not recognise deferred tax liabilities for subsidiaries' undistributed earnings when the related funds are intended for permanent investment in the companies in question.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group has recognised EUR 1.6 (0.5) million deferred tax assets from the Finnsteve companies' carry forward losses. This is based on the Finnsteve companies' improved financial performance and estimated results for future years. The estimate also takes into account that the parent company is able to give group contribution to the Finnsteve companies.

The Group has recognised deferred tax assets for unutilised losses in taxation EUR 0.4 (0.7) million. The tax losses will expire in 2023–2032.

The Group did not recognise deferred income tax assets of EUR 0.4 (0.5) million because, according to management's view, utilisation of losses involves considerable uncertainty.

25. INVENTORIES

EUR 1,000	2022	2021
Material and equipment	9,233	7,566
Inventory for resale	866	830
	10,100	8,395

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

26. CURRENT RECEIVABLES

	2022		2021	
EUR 1,000	Fair Value	Carrying amount	Fair Value	Carrying amount
Accounts receivable and other receivables				
Loans and other receivables				
Accounts receivable	95,247	95,247	85,341	85,341
Accrued income and prepaid expenses	25,695	25,695	21,211	21,211
Other receivables	1,810	1,810	1,583	1,583
Financial assets at fair value				
Currency derivatives	17,892	17,892	11,140	11,140
Total	140,644	140,644	119,275	119,275

The tables below show the analysis of accounts receivable by age and currency. Significant items of accrued receivables are specified in the following table.

EUR 1,000	2022	2021
Significant items of accrued income and prepaid expenses		
Government grants for shipping companies	14,129	6,620
Personnel costs	1,590	1,629
Port expenses, cargo handling and other voyage-related costs	1,719	3,145
Docking costs	76	1,621
Reimbursement of average repairs, vessels	3,660	3,308
Insurances	1,622	1,323
Other accrued receivables	2,899	3,565
Total	25,695	21,211

(figures in EUR thousand, if not stated otherwise) 31

EUR 1,000	2022	Impaired receivables	Net 2022
Aging of accounts receivable 2022			
Undue	**82,993**	0	**82,994**
Overdue			
1–30 days	**11,396**	0	**11,396**
31–60 days	**244**	0	**244**
61–90 days	**-185**	1	**-186**
91–360 days	**46**	4	**41**
over 360 days	**3,001**	1,379	**1,622**
Total overdue	**14,502**	**1,385**	**13,118**
Expected credit loss allowance (IFRS 9)		861	
Total	**97,493**	**2,246**	**95,247**

EUR 1,000	2021	Impaired receivables	Net 2021
Aging of accounts receivable 2021			
Undue	78,601	0	78,601
Overdue			
1–30 days	6,352	0	6,352
31–60 days	-776	0	-776
61–90 days	-202	0	-202
91–360 days	656	4	652
over 360 days	2,597	1,385	1,212
Total overdue	8,626	1,388	7,238
Expected credit loss allowance (IFRS 9)		498	
Total	87,227	1,886	85,341

EUR 1,000	2022	2021
Accounts receivable by currency		
EUR	**95,311**	85,016
SEK	**3**	-1
GBP	**310**	318
USD	**485**	498
DKK	**4**	10
PLN	**0**	0
	96,113	85,841
Expected credit loss allowance (IFRS 9)	**-861**	-498
Total	**95,247**	85,341

The carrying value of accounts receivable and other receivables are reasonable estimates of their fair values. In 2022, the Group has recognised impairment losses of EUR -3 (-240) thousand in profit or loss. In addition, according to IFRS 9 the Group has recognised EUR -364 (-90) thousand as expected credit loss allowance. The maximum credit risk related to accounts receivable and other receivables is their carrying amount. The calculation of the allowance for impaired trade receivables is presented in Note 34. Financial risk management / Credit risk.

27. CASH AND CASH EQUIVALENTS

EUR 1,000	2022	2021
Cash in hand and cash equivalent	**18,878**	1,951
	18,878	1,951

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

(figures in EUR thousand, if not stated otherwise)

28. SHARE CAPITAL AND OTHER RESERVES

	No. of shares outstanding (1,000)	Share capital EUR 1,000
31 Dec 2021	51,503	103,006
31 Dec 2022	**51,503**	**103,006**

Share capital
The share capital (ordinary shares) consists of shares in one series. Each share has a nominal value of EUR 2.00 and carries one vote in the Annual General Meeting. According to the Articles of Association, the maximum share capital was EUR 200 million on 31 December 2022 (EUR 200 million on 31 December 2021). All issued shares have been fully paid.

The number of Finnlines Plc’s shares amounted to 51,503,141 shares and share capital to EUR 103,006,282.

Share premium account

EUR 1,000	2022	2021
Share premium account	**24,525**	24,525

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

Fund for unrestricted equity

EUR 1,000	2022	2021
Unrestricted equity reserve 1 January	**40,016**	40,016
Increase	**0**	0
Unrestricted equity reserve 31 December	**40,016**	40,016

Fair value reserve

EUR 1,000	2022	2021
Fair value reserve 1 January	**18,073**	1,378
Increase	**-181**	16,695
Fair value reserve 31 December	**17,892**	18,073

Fair value reserve consists of currency derivative valuations.

Translation differences
The translation difference reserve contains translation differences arising from the translation of foreign units’ financial statements.

Ownership of Finnlines Plc
The shareholding of Finnlines Plc is presented in Note 38. Shares and Shareholders.

29. PROVISIONS

EUR 1,00	2022	2021
Non-current provisions	**1,697**	1,697
Current provisions	**276**	215
	1,974	1,913

EUR 1,000	Tax provisions	Other provisions	Total
1 January 2022	**197**	**1,716**	**1,913**
Increases in provisions	61	0	61
31 December 2022	**258**	**1,716**	**1,974**

EUR 1,000	Tax provisions	Other provisions	Total
1 January 2021	202	1,716	1,918
Decreases in provisions	-5	0	-5
31 December 2021	197	1,716	1,913

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

(figures in EUR thousand, if not stated otherwise)

30. INTEREST-BEARING LIABILITIES

	2022		2021	
EUR 1,000	Fair value	Carrying amount	Fair value	Carrying amount
Long-term interest-bearing liabilities measured at amortised cost				
Loans from financial institutions	**242,850**	**242,630**	146,037	145,489
Loans from pension funds	**1,000**	**1,000**	3,432	3,432
Lease liabilities	**19,206**	**19,206**	20,203	20,203
	263,056	**262,836**	169,671	169,123
Current interest-bearing liabilities measured at amortised cost				
Loans from financial institutions	**89,879**	**89,879**	100,238	100,238
Bank overdraft facilities	**0**	**0**	0	0
Loans from pension funds	**2,432**	**2,432**	2,428	2,428
Lease liabilities	**2,417**	**2,417**	1,986	1,986
Commercial paper programme	**59,719**	**59,719**	98,824	98,824
Financial liabilities	**154,447**	**154,447**	203,476	203,476
Total interest-bearing liabilities	**417,503**	**417,283**	373,147	372,599

The book values of interest-bearing loans from financial institutions and pension liabilities have been calculated using the effective interest rate method and the fair values have been determined by discounting future cash flows of loans at the interest rate at which the Group would obtain a similar loan from external parties at the end of reporting period. The effective interest rate of lease obligations is assumed to correspond to the valid interest rate of similar contracts to be made at the end of the reporting period. In practice, fair values of loans do not materially differ from amortised cost. Total interest expense, calculated using the effective interest method, for financial liabilities that are measured at amortised cost, was EUR 4,824.6 thousand.

All the Group's cash flows from financing are cash flow based and are presented in the cash flow statement.

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 and commercial papers 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 (7.1 in 2021), which are valued at the lower of acquisition cost or probable value, as their fair value cannot be reliably measured. Majority of the unlisted shares consists of Steveco Oy's shares of which Finnlines owns 25.4 per cent. This shareholding is presented in financial assets, because Finnlines has does not have significant influence in Steveco Oy.

EUR 1,000	2022	2021
Maturity of long-term interest-bearing liabilities (not including lease liabilities)		
Within 12 months	**92,311**	102,666
1–5 years	**201,000**	149,977
After five years	**45,000**	0
	338,311	252,643

EUR 1,000	2022	2021
Weighted average interest rates of the interest-bearing debts	**2.84%**	1.10%

EUR 1,000	Within 1 year	1–5 years	More than 5 years	Total
Floating rate liabilities, timing of re-pricing 31 December 2022				
Financial liabilities				
Loans from financial institutions	293,333			293,333
Pension loans	3,432			3,432
	296,765	**0**	**0**	**296,765**

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	Within 1 year	1–5 years	More than 5 years	Total
Floating rate liabilities, timing of re-pricing 31 December 2021				
Financial liabilities				
Loans from financial institutions	228,322			228,322
Pension loans	5,860			5,860
	234,182	**0**	**0**	**234,182**

All of the Group's financial liabilities were in EUR on 31 December 2022 and on 31 December 2021.

Financial liabilities include secured liabilities. The pledge value of the related pledged assets is EUR 650 (540) million. This is detailed in Note 35. Contingencies and Commitments.

31. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2022		2021	
EUR 1,000	Fair Value	Carrying amount	Fair Value	Carrying amount
Interest-free liabilities, long-term				
Other non-current accrued liabilities	9	9	9	9
Other long-term liabilities	0	0	0	0
	9	**9**	9	9

	2022		2021	
EUR 1,000	Fair Value	Carrying amount	Fair Value	Carrying amount
Current accounts payable and other liabilities				
Liabilities measured at cost				
Accounts payable	**37,212**	**37,212**	25,629	25,629
Accrued personnel costs	**13,581**	**13,581**	13,145	13,145
Accrued interest	**1,257**	**1,257**	465	465
Other accrued expenses and deferred income	**24,352**	**24,352**	24,036	24,036
Other liabilities	**17,965**	**17,965**	17,075	17,075
Current advances received	**6,488**	**6,488**	6,906	6,906
	100,856	**100,856**	87,257	87,257

The carrying value of accounts payable and other liabilities is the reasonable estimate of their fair values. The tables below show the significant items in accrued liabilities and the distribution of accounts payable by currency.

EUR 1,000	2022	2021
Significant items in accrued expenses and deferred income		
Discounts given	**12,877**	13,207
Bunker costs	**973**	1,679
Cargo handling costs	**2,694**	1,954
Port expenses and voyage-related costs	**2,386**	2,037
Catering costs	**972**	826
Repairs, vessels	**1,651**	1,954
Capitalized vessel docking costs	**0**	1,001
Other accrued liabilities	**2,794**	1,381
	24,348	24,038

EUR 1,000	2022	2021
Distribution of accounts payable by currency		
EUR	**21,811**	19,349
SEK	**881**	1,429
USD	**14,165**	1,656
GBP	**147**	308
NOK	**9**	0
DKK	**117**	104
PLN	**83**	54
RUB	**0**	2,730
	37,212	25,629

(figures in EUR thousand, if not stated otherwise) 35

32. ADJUSTMENTS TO CASH FLOW FROM OPERATIONS

EUR 1,000	2022	2021
Non-cash transactions		
Depreciation	**85,190**	82,126
Profits/losses from the sale of assets	**-4,135**	-32
Defined benefit plan valuation, IAS 19	**-329**	-157
	80,726	81,937

33. PENSION LIABILITIES

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

Finnlines Plc's and Finnsteve Oy Ab's assets of the defined benefit pension plans in Finland are mainly administered by insurance companies. The assets thus consist of approved insurance contracts. The assets are administered in accordance with the local statutory requirements under which the plans are obliged to pay guaranteed sums irrespective of market conditions. The defined benefit pension plans in Finland on 31 December 2022 covered a total of 101 (107) members, of whom 8 (11) were employed.

Finnlines Deutschland GmbH has granted defined benefit pension plans to its employees. On 31 December 2022, the defined benefit pension plan in Germany covered a total of 32 (32) members, of whom 6 (6) were employed.

In Sweden, the retirement pension and family pension for employees at the Finnlines Group companies are guaranteed with an Alecta insurance. According to the statement from the Council for Financial Reporting (Rådet för finansiell rapportering), URF 3, this is a defined benefit pension plan, encompassing several employers. During the financial year 2022 or 2021, the Company did not have access to information, which would make it possible to report this plan as a defined benefit plan. A pension plan in accordance with ITP, which is guaranteed with an insurance at Alecta, is therefore reported as a defined contribution plan. The premiums for pension insurance at Alecta amount to EUR 0.4 (0.5) million. Alecta's surplus can be distributed to policy holders and/or the insured. At the end of 2022, Alecta's surplus in the form of collective funding ratio amounted to 189 (169) per cent. the collective funding ratio consists of the market value of Alecta's assets as a percentage of the pension obligations calculated in accordance with Alecta's actuarial calculation assumptions, which are not compatible with IAS 19.

Assumptions 31 December 2022	Germany pension promise	Finland Finnsteve pension promise	Finland Finnsteve pension plan	Finland Finnlines pension plan	Average 2022	Average 2021
Discount rate	3.55%	3.14%	3.14%	3.14%	3.29%	0.89
Rate of salary increase	2.20%	n/a	n/a	2.80%		
Rate of benefit increase	2.20%	2.79%	2.79%	2.79 %		
Rate of inflation	2.20%	2.55%	2.55%	2.55 %		
Duration	7.66	6.7	8.68	10.08	9,01	10.29

EUR 1,000	2022	2021
Expense recognised in profit or loss		
Service cost	**25**	24
Net interest	**32**	25
Expense recognised in profit or loss	**57**	49
Remeasurements in other comprehensive income	**-263**	51
Amounts in total comprehensive income	**-206**	100

EUR 1,000	31 Dec 2022	31 Dec 2021
Liability recognised in statement of financial position		
Defined benefit obligation	**5,297**	6,355
Fair value of plan assets	**2,644**	3,212
Surplus (-) / Deficit (+)	**2,653**	3,143
Net defined benefit liability (+) / asset recognised in statement of financial position	**2,653**	3 143

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	31 Dec 2022	31 Dec 2021
Changes in net defined benefit liability during the period		
Net defined benefit liability recognised in statement of financial position at beginning of period	**3,143**	3,331
Contributions during the period	**-284**	-289
Expense during the period	**57**	49
Remeasurements recognised in other comprehensive income	**-263**	51
Net defined benefit liability recognised in statement of financial position at the end of period	**2,653**	3,143

EUR 1,000	2022	2021
Remeasurements components in other comprehensive income		
Actuarial gains (-) / losses (+) on defined benefit obligation arising from changes in demographic assumptions	**0**	0
Actuarial gains (-) / losses (+) on defined benefit obligation arising from changes in financial assumptions	**-1,078**	178
Actuarial gains (-) / losses (+) on defined benefit obligation arising from experience adjustments	**414**	-64
Actuarial gains (-) / losses (+) on plan assets and return on plan assets excluding interest income	**401**	-63
Remeasurement in other comprehensive income	**-263**	51

EUR 1,000	2022	2021
Change in defined benefit obligation		
Opening defined benefit obligation	**6,355**	6,667
Current service cost	**25**	24
Interest expense	**56**	38
Actuarial gains (-) / losses (+) on obligation	**-661**	114
Benefits paid	**-475**	-489
Defined benefit obligation at the end of the period	**5,297**	6,355

EUR 1,000	2022	2021
Change in the fair value of plan assets		
Opening fair value of plan assets	**3,212**	3,336
Interest income	**24**	13
Gain on plan assets excl. item included in net interest	**-401**	63
Employer contributions	**284**	289
Benefits paid	**-475**	-489
Fair value of plan assets at the end of the period	**2,644**	3,212

(figures in EUR thousand, if not stated otherwise) 37

31 December 2022					
EUR 1,000	**Germany pension promise**	**Finland Finnsteve pension promise**	**Finland Finnsteve pension plan**	**Finland Finnlines pension plan**	**Total**
Sensitivity analysis on net defined benefit liability					
Discount rate change +0.5%					
Defined benefit obligation	1,837	236	145	2,858	5,076
Fair value of plan assets	0	0	139	2,389	2,528
Net Liability	**1,837**	**236**	**6**	**469**	**2,548**
Change in EUR	-71	-7	-1	-27	-106
Change in %	-3.70%	-2.88%	-14.29%	-5.44 %	-3.98 %
Discount rate change -0.5%					
Defined benefit obligation	1,983	251	160	3,145	5,539
Fair value of plan assets	0	0	151	2,620	2,771
Net Liability	**1,983**	**251**	**9**	**525**	**2768**
Change in EUR	76	8	2	29	115
Change in %	3.96%	3.29%	28.57%	5.85%	4.32%
Benefit increase rate change +0.5%					
Defined benefit obligation	1,982	251	160	3,138	5,531
Fair value of plan assets	0	0	145	2,499	2,644
Net Liability	**1,982**	**251**	**15**	**639**	**2,887**
Change in EUR	75	8	8	143	234
Change in %	3.94%	3.29%	114.29 %	28.83%	8.82%
Benefit increase rate change -0.5%					
Defined benefit obligation	1,836	236	145	2,862	5,079
Fair value of plan assets	0	0	145	2,499	2,644
Net Liability	**1,836**	**236**	**0**	**363**	**2,435**
Change in EUR	-71	-7	-7	-133	-218
Change in %	-3,71%	-2,88%	-100,0%	-26,81%	-8,21%

The Group estimates the costs for the defined benefit plans valid on 31 December 2022 at EUR 0.1 million in 2023.

(figures in EUR thousand, if not stated otherwise)

31 December 2021					
EUR 1,000	**Germany pension promise**	**Finland Finnsteve pension promise**	**Finland Finnsteve pension plan**	**Finland Finnlines pension plan**	**Total**
Sensitivity analysis on net defined benefit liability					
Discount rate change +0.5%					
Defined benefit obligation	2,084	301	168	3,494	6,047
Fair value of plan assets	0	0	155	2,902	3,057
Net Liability	2,084	301	13	592	2,990
Change in EUR	-95	-10	0	-48	-153
Change in %	-4.35%	-3.22%	0.00%	-7.50%	-4.86%
Discount rate change -0.5%					
Defined benefit obligation	2,281	323	185	3 904	6 693
Fair value of plan assets	0	0	171	3 211	3 382
Net Liability	2,281	323	14	693	3 311
Change in EUR	102	12	1	53	168
Change in %	4.70%	3.86%	7.69%	8.28%	5.36%
Benefit increase rate change +0.5%					
Defined benefit obligation	2,278	323	185	3,889	6,675
Fair value of plan assets	0	0	163	3,049	3,212
Net Liability	2,278	323	22	840	3,463
Change in EUR	100	12	9	200	321
Change in %	4.57%	3.86%	69.23%	31.25%	10.20%
Benefit increase rate change -0.5%					
Defined benefit obligation	2,086	301	167	3,506	6,060
Fair value of plan assets	0	0	163	3,049	3,212
Net Liability	2,086	301	4	457	2,848
Change in EUR	-93	-10	-9	-183	-295
Change in %	-4.27%	-3.22%	-69.23%	-28.59%	-9.39%

(figures in EUR thousand, if not stated otherwise) 39

DEFINED BENEFIT PLAN RISKS

Changes in bond yields

A decrease in corporate bond yields will increase the plans defined benefit obligation but as the asset value is also based on bond yield values the effect to net defined benefit liability is minor.

Inflation risk

Plans benefits are tied to TyEL index which depends partly on inflation. A higher inflation leads to higher liabilities.

Life expectancy

Plans benefits are mainly paid until death. The insurance company bears the risk if beneficiaries live longer than expected. If insurance company increases the life expectancy assumption, the employer pays higher premiums after assumption change. The increment of liabilities due to the mortality change concerning funded part of benefit before change is financed by insurance company's own solvency capital.

Salary increase

If salary increases are higher than common salary index is, the promised benefits increase and due to that the liabilities increase and employer pays higher premiums to insurance company.

34. FINANCIAL RISK MANAGEMENT

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

CURRENCY RISK

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

Transaction risk

In 2022, over 90 per cent of sales were invoiced in EUR, and the rest in SEK, DKK, PLN, USD and GBP. Bunker purchases are made in USD. Other purchases are mainly paid in EUR. Bunker price clauses included in customer contracts cover to a large extent this USD risk. Currency positions are reviewed on a net basis for each currency every 12 months in connection with annual budgeting.

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

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

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

Derivate instruments

EUR 1,000	Fair value +	Fair value -	Net Fair Value	Carrying amount
Interest rate and currency derivatives				
Currency forwards	17,892	0	17,892	174,254
Total	**17,892**	**0**	**17,892**	**174,254**

Contractual payables and receivables of financial derivatives, 31 December 2022

EUR 1,000	2023	2024	2025	2026	2027	2028-	Total
Payables							
Currency forwards	156,362	0	0	0	0	0	156,362
Receivables							
Currency forwards	174,254	0	0	0	0	0	174,254

The weighted average rate of the hedging instruments with respect to EUR was approximately 1.21.

(figures in EUR thousand, if not stated otherwise)

Contractual payables and receivables of financial derivatives, 31 December 2021

EUR 1,000	2022	2023	2024	2025	2026	2027-	Total
Payables							
Currency forwards	132,876	156,362	0	0	0	0	289,238
Receivables							
Currency forwards	144,016	163,295	0	0	0	0	307,311

Translation risk

The Group has net investments abroad and is thus exposed to risks which arise when investments in GBP, DKK and PLN are converted into the parent company's functional currency. The Group's principle is to hedge significant net investments made in foreign subsidiaries through foreign currency loans. In 2021 and 2022, the Group had no such significant investments in foreign currencies. The tables below show the translation position at the end of 2021 and 2022.

EUR 1,000	Investments
Group translation exposure 2022	
GBP	1,272
DKK	569
PLN	83
	1,924

EUR 1,000	Investments
Group translation exposure 2021	
GBP	1,092
DKK	568
PLN	138
	1,797

Sensitivity to exchange rate fluctuations

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

Assumptions in estimating sensitivity:

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

EUR 1,000	Change in Profit & Loss	Change in Equity
Sensitivity at closing date 2022, change in USD, weakening/strengthening 10% against EUR	**-27/+33**	**+0/-0**
Sensitivity at closing date 2021, change in USD, weakening/strengthening 10% against EUR	+869/-1,062	+0/-0

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

Change before tax effect.

INTEREST RATE RISK

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

The level of hedging against interest rate risks and the duration of the debt portfolio are reviewed annually by the Board of Directors when making the budget. At the balance sheet date, 82 per cent of the Group's borrowings were floating-rate and the rest were fixed-rate borrowings (including loans from financial institutions, pension loans and commercial papers). The duration (average interest rate period) of the debt portfolio was approximately 4 months.

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

(figures in EUR thousand, if not stated otherwise) 41

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

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

EUR 1,000	Change in profit & loss
Sensitivity at closing date 2022, change in interest rates, increasing / decreasing 0.5 % from valid rate of the instrument at 31 Dec 2022	
Debt portfolio	-1,512 / +1,512

EUR 1,000	Change in profit & loss
Sensitivity at closing date 2021, change in interest rates, increasing / decreasing 0.5% from valid rate of the instrument at 31 Dec 2021	
Debt portfolio	-1,284 / +1,284

Change before tax effect.

The Group has no significant interest-bearing assets, and therefore the Group's result for the reporting period, generated from the assets and cash flows, is not substantially exposed to fluctuations in market interest rates.

CREDIT RISK

The Group is exposed to credit risk from its commercial receivables. The Group policy sets out the credit rating requirements and investment principles related to customers, investment transactions and derivative contract counterparts. The Group has no significant concentrations of credit risk, since it has a broad clientele distributed across various sectors. The Group makes derivative contracts and investment transactions only with counterparts with high credit ratings. The credit ratings and credit limits of credit customers are constantly monitored. Note 26. Current Receivables, shows the analysis of accounts receivable by age.
Finnlines Group applies the simplified method of expected credit loss allowance for defining impairment of trade and lease receivables as well as assets related to the contracts with customers according to IFRS 15 classified as amortised cost. The expected credit losses are recognised for their full life time using a matrix. The expected credit loss allowance is evaluated based on historical information of realised credit losses, and both reporting segments apply the same method due to the similar customer structure. When evaluating the amount of expected credit loss also economic circumstances and future expectations are taken into consideration. The table below shows the amount of impaired receivables and changes in credit losses.

EUR 1,000	2022	2021
Changes of the allowance for impaired trade receivables		
Impaired receivables at 1 January	**1,886**	2,104
Net remeasurement of loss allowance, IFRS 9	**364**	90
Identified amounts written off	**3**	240
Amounts, final credit loss	**-7**	-548
Impaired receivables at 31 December	**2,246**	1,886

LIQUIDITY RISK

The Group continuously strives to evaluate and monitor the amount of financing required for its operations to ensure that it will have sufficient liquid assets to finance its business activities and investments, and to repay loans. The Group seeks to finance vessel investments with credit agreements with the longest possible terms. The Group aims to guarantee the availability and flexibility of financing with unutilised credit facilities and by employing several banks and methods for funding. On 31 December 2022, the granted but unused credit facilities totalled EUR 305.0 (210.0) million. Loans include normal equity ratio related covenants. The cash-flows in the tables below include both repayments and expected interests.

(figures in EUR thousand, if not stated otherwise)

Contractual repayments of interest-bearing liabilities, including interest, 31 December 2022

EUR 1,000	2023	2024	2025	2026	2027	2028	Total	Residual amount of interest-bearing liabilities as at 31 Dec 2022
Loans from financial institutions	99,187	55,718	67,038	43,733	52,356	48,664	366,696	**334,879**
Bank overdraft facilities	0	0	0	0	0	0	0	**0**
Re-borrowing of pension funds	2,475	1,008	0	0	0	0	3,483	**3,432**
Lease liabilities	2,691	2,536	2,105	2,052	1,980	13,241	24,605	**21,623**
Commercial paper programme	60,000	0	0	0	0	0	60,000	**59,719**
	164,353	59,263	69,143	45,785	54,336	61,905	454,784	**419,653**

Contractual repayments of interest-bearing liabilities, including interest, 31 December 2021

EUR 1,000	2022	2023	2024	2025	2026	2027	Total	Residual amount of interest-bearing liabilities as at 31 Dec 2021
Loans from financial institutions	102,836	58,120	15,862	55,619	20,074	0	252,510	246,783
Bank overdraft facilities	0	0	0	0	0	0	0	0
Re-borrowing of pension funds	2,444	2,441	1,002	0	0	0	5,887	5,860
Lease liabilities	2,748	2,588	2,462	2,039	2,002	20,998	32,837	22,188
Commercial paper programme	99,000	0	0	0	0	0	99,000	98,824
	207,028	63,149	19,326	57,658	22,076	20,998	390,234	373,656

COMMODITY RISK

The Group is exposed to commodity risk relating to availability and price fluctuations of fuel. The Finnlines Group is continuing the programme for reducing its vessels' fuel consumption and costs. The Group seeks to minimise this risk by making framework agreements with known counterparts and by including bunker price clauses in its contracts with customers. In the long term, these clauses can hedge more than 50 per cent of this risk, but in the short term the hedging level fluctuates considerably and is also dependent on the utilisation rate of the vessels.

CAPITAL MANAGEMENT

The Group's objective in managing capital is to secure normal operating conditions in all circumstances and to enable optimal capital costs. The capital structure of the Group is regularly reviewed by the Board of Directors. The table below shows the interest-bearing net debt and total equity with the leverage ratio.

EUR 1,000	2022	2021
Capital risk management		
Financial liabilities	**417,283**	372,599
Cash in hand and at bank	**18,878**	1,951
Interest-bearing net debt	**398,405**	370,648
Total equity	**846,592**	764,296
Leverage ratio (net gearing), %	**47.1%**	48.5%

(figures in EUR thousand, if not stated otherwise) 43

35. CONTINGENCIES AND COMMITMENTS

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

The Group adjusts its vessel capacity by acting as a lessor when needed. There were no effective future lease commitments at the balance sheet date.

EUR 1,000	2022	2021
Minimum leases payable in relation to fixed-term leases		
Vessel leases (Group as lessee)		
Within 12 months	**0**	1,440
1–5 years	**0**	0
	0	1,440
Vessel leases (Group as lessor)		
Within 12 months	**8,453**	0
1–5 years	**4,923**	0
	13,376	0
Other leases (Group as lessee)		
Within 12 months	**196**	181
1–5 years	**353**	44
After 5 years	**0**	0
	549	225
Other leases (Group as lessor)		
Within 12 months	**176**	310
1–5 years	**0**	0
	176	310
Collateral given		
Loans from financial institutions	**281,879**	207,643
Vessel mortgages provided as guarantees for the above loans	**649,500**	539,500
Other collateral given on own behalf		
Pledges	**340**	340
Other obligations		
Obligations, related to vessel investments	**163,135**	319,221
Other external obligations	**4,389**	1,130
	167,524	320,350
VAT adjustment liability related to real estate investments	**5**	5

Legal proceedings

Finnlines has made an appeal to the Helsinki Administrative Court of the National Emergency Supply Agency’s decision concerning the compensation of costs for securing maritime transport. In addition, Finnlines has made a complaint to the European Commission concerning Covid-19 situation related selective and discriminatory aid measures launched by the Finnish authorities.

Finnlines is in addition 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.

(figures in EUR thousand, if not stated otherwise)

36. TRANSACTIONS WITH RELATED PARTIES

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

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

Employee benefits granted to key management

EUR 1,000	2022	2021
Salaries and other short-term benefits	**2,165**	1,726
Post-employment benefits	**362**	253
	2,527	1,979

In 2022, the key management consisted of the members of the Board of Directors and the Executive Committee. The Executive Committee comprised the President and CEO, the Deputy President and CEO, and the Operating Officers (Line Manager Hansalink & Hanko/Helsinki–Rostock until 31 January 2022), a total of eight members.

Finnlines Plc's Annual General Meeting held on 5 May 2022 confirmed the following compensation to the Board of Directors for the term until the close of the Annual General Meeting in 2023

EUR 1,000	2022	2021
Salaries and fees		
President and CEO		
Board of Directors:	**300**	300
Chairman	**50**	50
Vice Chairman	**40**	40
Board members (each)	**30**	30

Compensation to the Board Members for 2021 (the term commencing from the Annual General Meeting on 6 May 2021) was paid in May 2022.

Compensation to the Board of Directors and the President and CEO recognised as expense by person

EUR 1,000	2022	2021
President and CEO		
Emanuele Grimaldi, President and CEO until 5 May 2022	**0**	0
Tom Pippingsköld, President and CEO as from 5 May 2022	**476**	0
Board of Directors		
Jon-Aksel Torgersen, Chairman of the Board until 5 May 2022	**50**	50
Emanuele Grimaldi, Chairman of the Board from 5 May 2022	**30**	30
Diego Pacella, Vice chairman of the Board	**40**	40
Christer Backman*	**0**	30
Tiina Bäckman	**30**	30
Gianluca Grimaldi	**30**	30
Guido Grimaldi	**30**	30
Mikael Mäkinen	**30**	30
Esben Poulsson	**30**	30
Tapani Voionmaa	**30**	30

*Member of the Board until 6 May 2021

The President and CEO, who held the position until 5 May 2022, did not receive any compensation or other benefit in the form of salary, bonus or pension scheme. The company management has no supplementary pension insurances in excess of the statutory pension in force.

Finnlines had no option schemes on 31 December 2022. The President and CEO, the Executive Committee or the Board of Directors have no share-based incentive programmes.

(figures in EUR thousand, if not stated otherwise) 45

Transactions with related parties

The Grimaldi Group companies held 100.00 per cent of all the shares in Finnlines Plc on 31 December 2022. More information about Finnlines' share can be found in Note 38. Shares and Shareholders.

EUR 1,000	2022	2021
Transactions with related parties		
Income from Grimaldi companies *	**52,485**	8,622
Purchases from Grimaldi companies *	**40,890**	12,364
Receivables from Grimaldi companies	**4,215**	2,786
Payables to Grimaldi companies	**1,008**	983

* Income consists mainly of vessel leases and freight income. MS Finnclipper was sold from Finnlines to Grimaldi Euromed in March 2022 and MS Finnmaster in September 2022 with profit for Finnlines. Finnlines acquired the ro-pax vessel Euroferry Corfu from the Grimaldi Group in October 2022.

The business transactions with related parties were carried out using market-based pricing.

Loans, guarantees and other securities to related parties

The Group had no loan, guarantee or other securities arrangements with its key personnel or related parties
(1 January 2022–31 December 2022).

37. SUBSIDIARIES ON 31 DECEMBER 2022

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

38. SHARES AND SHAREHOLDERS

Finnlines Plc has one share series. Each share carries one vote at general shareholder meetings and confers identical dividend rights. As outlined in Finnlines' Articles of Association, the Company's minimum share capital is EUR 50 million and the maximum is EUR 200 million. The share capital can be increased or decreased within these limits. The Company's paid-up and registered share capital on 31 December 2022 totalled EUR 103,006,282. The capital stock consisted of 51,503,141 shares.

Finnlines Plc is fully owned by the Grimaldi Group.

Major shareholders on 31 December 2022	Number of shares	% of shares
Grimaldi Group, Naples • Grimaldi Group S.p.A. • Grimaldi Euromed S.p.A.	51,503,141	100.00
Total number of shares	**51,503,141**	**100.00**

39. EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report.

(figures in EUR thousand, if not stated otherwise)

FIVE-YEAR KEY FIGURES, IFRS

EUR million	2022	2021	2020	2019	2018
Revenue	**736.1**	579.9	484.0	574.8	589.4
Other income from operations	**5.9**	1.9	1.3	1.4	6.4
Result before interest, taxes, depreciation and amortisation (EBITDA)	**221.2**	160.3	140.8	169.8	166.4
% of revenue	**30.1**	27.6	29.1	29.5	28.2
Result before interest and taxes (EBIT)	**136.0**	78.2	76.2	104.8	104.9
% of revenue	**18.5**	13.5	15.7	18.2	17.8
Result before taxes (EBT)	**130.5**	73.8	70.6	97.3	94.8
% of revenue	**17.7**	12.7	14.6	16.9	16.1
Result for reporting period, continuing operations	**133.3**	74.7	69.7	98.3	95.1
% of revenue	**18.1**	12.9	14.4	17.1	16.1
Result for reporting period	**133.3**	74.7	69.7	98.3	95.1
% of revenue	**18.1**	12.9	14.4	17.1	16.1
Total investments *	**223.8**	110.6	50.6	31.4	134.0
% of revenue	**30.4**	19.1	10,5	5.5	22.7
Return on equity (ROE), %	**16.6**	10.0	9.7	14.3	14.9
Return on investment (ROI), %	**11.6**	7.2	7.0	9.5	9.6
Assets total	**1,409.2**	1,273.2	1,199.4	1,226.9	1,245.9
Equity ratio, %	**60.3**	60.4	60.7	58.5	53.3
Net gearing, %	**44.5**	45.6	45.5	50.8	68.1
Average no. of employees	**1,679**	1,576	1,534	1,576	1,637
Earnings per share (EPS), EUR	**2.60**	1.45	1.35	1.91	1.85
Earnings per share (EPS) less warrant dilution, EUR	**2.60**	1.45	1.35	1.91	1.85
Shareholders' equity per share, EUR	**16.43**	14.84	14.07	13.88	12.86
Adjusted average number of outstanding shares (1,000)	**51,503**	51,503	51,503	51,503	51,503
Adjusted number of outstanding shares 31 Dec (1,000)	**51,503**	51,503	51,503	51,503	51,503
Number of outstanding shares at year-end (1,000)	**51,503**	51,503	51,503	51,503	51,503

* Includes continuing and discontinuing operations.

Calculation of key ratios is presented on page 48.

CALCULATION OF KEY RATIOS, IFRS

Earnings per share (EPS), EUR	=	$\frac{\text{Result attributable to parent company shareholders}}{\text{Weighted average number of outstanding shares}}$	
Shareholders’ equity per share, EUR	=	$\frac{\text{Shareholders' equity attributable to parent company shareholders}}{\text{Undiluted number of shares at the end of period}}$	
Return on equity (ROE), %	=	$\frac{\text{Result for the reporting period}}{\text{Total equity (average)}}$	x 100
Return on investment (ROI), %	=	$\frac{\text{Result before tax + interest expense + other liability expenses}}{\text{Assets total – interest-free liabilities (average)}}$	x 100
Net 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	=	$\frac{\text{Net Debt}}{\text{EBITDA past 12 months}}$	

* Not including leasing liabilities.

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

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

QUARTERLY DATA, IFRS

EUR million	Q1/2022	Q1/2021	Q2/2022	Q2/2021	Q3/2022	Q3/2021	Q4/2022	Q4/2021
Revenue by segment								
Shipping and Sea Transport Services total	**150.6**	117.8	**193.2**	140.3	**195.9**	149.2	**172.4**	148.0
Sales to third parties	**150.6**	117.9	**193.3**	140.4	**195.9**	149.3	**172.4**	148.1
Sales to Port Operations	**-0.9**	-0.1	**-0.4**	-0.1	**-0.2**	-0.1	**0.0**	-0.1
Port Operations total	**12.1**	11.7	**12.7**	12.5	**11.1**	11.3	**10.3**	11.5
Sales to third parties	**6.4**	6.2	**6.7**	6.4	**5.6**	5.8	**5.2**	5.9
Sales to Shipping and Sea Transport Services	**5.7**	5.5	**6.0**	6.1	**5.5**	5.5	**5.0**	5.6
Group internal revenue	**-5.7**	-5,4	**-6.0**	-6.0	**-5.4**	-5.4	**-5.0**	-5.6
Revenue total	**157.0**	124.1	**199.9**	146.8	**201.5**	155.1	**177.7**	154.0
Result before interest and taxes per segment								
Shipping and Sea Transport Services	**14.8**	13.2	**40.5**	22.9	**49.0**	32.8	**30.4**	4.6
Port Operations	**0.4**	0.9	**0.9**	1.5	**0.5**	1.2	**-0.6**	1.0
Result before interest and taxes (EBIT) total	**15.3**	14.1	**41.5**	24.4	**49.5**	34.0	**29.8**	5.7
Financial income and expenses	**-1.0**	-1.1	**-1.1**	-1.2	**-1.3**	-1.1	**-2.2**	-1.0
Result before tax (EBT)	**14.3**	13.0	**40.4**	23.2	**48.2**	32.9	**27.6**	4.6
Income taxes	**0.8**	0.2	**0.8**	-0.1	**0.6**	-0.2	**0.6**	1.1
Result for the reporting period	**15.1**	13.2	**41.2**	23.1	**48.8**	32.7	**28.2**	5.7
Quarterly consolidated key figures								
Result before interest and taxes, (% of revenue)	**9.7**	11.4	**20.7**	16.6	**24.6**	21.9	**17.0**	3.7
Earnings per share, EUR	**0.29**	0.26	**0.80**	0.45	**0.95**	0.63	**0.55**	0.11
Average number of outstanding shares (1,000)	**51,503**	51,503	**51,503**	51,503	**51,503**	51,503	**51,503**	51,503

FINANCIAL STATEMENTS, PARENT COMPANY, FAS

PROFIT AND LOSS ACCOUNT, PARENT COMPANY, FAS

EUR	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Revenue	1	**608,777,000.71**	456,773,315.23
Other income from operations	2	**5,157,813.79**	4,105,558.21
Materials and services	3	**-237,319,756.24**	-180,052,310.45
Personnel expenses	4	**-49,624,386.21**	-44,754,797.58
Depreciation, amortisation and other write-offs	5	**-50,706,969.65**	-47,221,306.66
Other operating expenses	6	**-145,945,633.34**	-125 804 445.62
Operating profit		**130,338,069.06**	63,046,013.13
Financial income and expenses	7	**-6,909,903.27**	-3,688,356.21
Result before appropriations and taxes		**123,428,165.79**	59,357,656.92
Appropriations	8		
Group contributions		**-1,900,000.00**	-1,000,000.00
Profit before tax		**121,528,165.79**	58,357,656.92
Deferred taxes	9	**4,944,023.85**	4,301,517.57
Other direct taxes	10	**-96,235.55**	-87,779.13
Result for the reporting period		**126,375,954.09**	62,571,395.36

See Notes starting on page 53.

(figures in EUR thousand, if not stated otherwise)

BALANCE SHEET, PARENT COMPANY, FAS

EUR	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	11	**2,299,321.72**	1,899,183.55
Tangible assets	12	**805,458,186.17**	684,655,631.01
Investments	13		
Shares in group companies		**154,379,459.00**	154,379,459.00
Other investments		**7,051,920.55**	7,051,920.55
Total non-current assets		**969,188,887.44**	847,986,194.11
Current assets			
Inventories	14	**8,492,105.14**	6,764,141.31
Long-term receivables	15	**49,293,473.96**	73,349,467.12
Short-term receivables	16	**141,231,404.86**	112,159,527.34
Bank and cash		**18,091,036.86**	1,282,918.28
Total current assets		**217,108,020.82**	193,556,054.05
Total assets		**1,186,296,908.26**	1,041,542,248.16
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	17		
Share capital		**103,006,282.00**	103,006,282.00
Share premium account		**24,525,353.70**	24,525,353.70
Fair value reserve		**17,892,023.07**	18 073 336.01
Unrestricted equity reserve		**40,882,508.10**	40,882,508.10
Retained earnings		**363,307,069.21**	352,238,814.85
Result for the reporting period		**126,375,954.09**	62,571,395.36
Total shareholders' equity		**675,989,190.17**	601,297,690.02
Statutory provisions			
Pension obligation	18	**496,000.00**	640,000.00
Liabilities			
Long-term liabilities			
Deferred tax liability	19	**2,725,286.76**	7,669,310.61
Interest-bearing	20	**247,000,002.11**	148,545,457.10
		249,725,288.87	156,214,767.71
Current liabilities	21		
Interest-bearing		**177,125,076.29**	217,780,266.03
Interest-free		**82,961,352.93**	65,609,524.40
		260,086,429.22	283,389,790.43
Total liabilities		**509,811,718.09**	439,604,558.14
Total shareholders' equity and liabilities		**1,186,296,908.26**	1,041,542,248.16

See Notes starting on page 53.

(figures in EUR thousand, if not stated otherwise) 51

CASH FLOW STATEMENT, PARENT COMPANY, FAS

EUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Cash flows from operating activities		
Result for the reporting period	126,375,954.09	62,571,395.36
Adjustments for:		
Depreciation, amortisation & impairment loss	50,706,969.65	47,221,306.66
Gains (-) and Losses (+) of disposals of fixed assets and other non-current assets	-2,595,604.32	-23,269.00
Financial income and expenses	6,909,903.27	3,688,356.21
Income taxes	-4,847,788.30	-4,213,738.44
Other adjustments	1,900,000.00	1,000,000.00
	178,449,434.39	110,244,050.79
Changes in working capital:		
Change in inventories, addition (-) and decrease (+)	-1,727,963.83	-1,867,209.90
Change in accounts receivable, addition (-) and decrease (+)	-21,414,861.46	-21,662,045.47
Change in accounts payable, addition (+) and decrease (-)	16,573,597.82	10,189,203.09
Change in provisions	-144,000.00	78,000.00
	-6,713,227.47	-13,262,052.28
Interest paid	-4,348,427.22	-3,313,463.61
Dividends received	7,790.00	270.00
Interest received	929,999.26	1,180,962.56
Other financing items	-2,721,033.60	-1,511,752.07
Income taxes paid	-96,234.55	-87,778.13
	-6,227,906.11	-3,731,761.25
Net cash generated from operating activities	165,508,300.81	93,250,237.26
Cash flows from investing activities		
Investments in tangible and intangible assets	-158,850,222.35	-71,099,874.45
Proceeds from sale of tangible and intangible assets	6,089,583,63	88,297.87
Purchase of investments, change	0.00	-27,051,122.14
Change in internal loans (net)	16,281,652.86	26,145,958.53
Net cash used in investing activities	-136,478,985.86	-71,916,740.19
Net cash before financing activities	29,029,314.95	21,333,497.07
Cash flows from financing activities		
Proceeds from short-term borrowings	-17,368,168.38	62,818,170.44
Repayment of short-term borrowings	-39,904,432.00	-17,230,769.00
Proceeds of long-term borrowings	371,666,668.00	232,000,000.00
Repayment of long-term borrowings	-273,212,122.99	-246.237,763.99
Dividends paid	-51,503,141.00	-51,503,141.00
Group contributions	-1,900,000.00	-1,000,000.00
Net cash used in financing activities	-12,221,196.37	-21,153,503.55
Change in cash and cash equivalents	16,808,118.58	179,993.52
Cash and cash equivalents on 1 January	1,282,918.28	1,102,924.76
Cash and cash equivalents on 31 December	18,091,036.86	1,282,918.28

(figures in EUR thousand, if not stated otherwise)

The financial statements are prepared in conformity with the Finnish Accountancy Act and other regulations and provisions in force in Finland.

Revenues
Revenues comprise sales income and exchange rate differences related to sales, excluding discounts and indirect sales taxes such as VAT.

Other operating income
Other operating income includes profits on the sale of property and other fixed assets as well as other regular income not directly related to the company's sales, such as rents and leases and internal administration fees.

Revenue recognition
The company's revenue is mainly generated through sales of services which are principally transports of cargo and passengers. Revenue is recognised as the services are rendered. Revenue from vessels time chartered is recognised based on chartered days.

Foreign currency items
Receivables and payables denominated in foreign currencies are valued at the exchange rates prevailing on the balance sheet date. Exchange rate differences on accounts receivable are recognised under revenue and exchange rate differences on accounts payable under operating expenses. Exchange rate differences on financing operations are recognised under financial items.

Derivative financial instruments
The realised gains and losses arising from currency derivatives such as forward foreign exchange and option contracts and currency swaps are recognised under financial items. However, in case the currency derivative contract has been entered into for the purpose of hedging the cost of non-current assets, the realised gain or loss for the derivative affect the cost of such an item. As long as the hedged purchase is not paid, the fair value of hedging instrument is booked as receivable or liability and increase of fair value reserve. The interest received or payable under derivative financial instruments used to hedge the company against interest rate risks is accrued over the duration of the contract and recorded as an adjustment to the interest income or expenses of the designated asset or liability.

Fixed assets and depreciation
Fixed assets are valued to their direct acquisition cost less depreciation and other deductions, along with any revaluations allowed by local accounting practices. Fixed assets subject to wear and tear are depreciated according to plan based on the economic life span of the asset and its estimated residual value.

Depreciation periods:

Vessels	25–30 years
Buildings	10–40 years
Constructions	5–10 years
Stevedoring machinery and equipment	5–25 years
Other machinery and equipment	3–10 years
Other long-term expenditure	3–20 years

Second-hand vessels are depreciated over their estimated economic service life.

The Management has evaluated vessels' economic life span and residual values. As a result, due to expected economic life span of 25–30 years, the depreciation time has been shortened by 5 years on average, starting from 1.1.2021.

Leasing
Leasing payments are recognised as expenses regardless of the form of leasing.

Inventories
Vessel stocks of fuel, lubricating oil, materials, provisions and sales items are recognised under stocks. Stocks are valued on a first-in, first-out basis at their direct acquisition cost or lower probable net realisable value.

Financial assets
The part of the financial assets that have been invested in money market instruments are included in the financial assets in the balance sheet. The financial assets with a maturity longer than one year, are valued at the lower of acquisition cost or fair value on the balance sheet date.

Liquid assets
Liquid assets include cash in hand and at bank. The Group's bank account balances are included in other receivables.

Valuation of shares and holdings in subsidiaries
Valuation losses of shares and holdings in subsidiaries are included in financing expenses.

Pension costs
Pension costs are recognised through the profit and loss according to the local practice. The entire uncovered pension liability is recorded as an expense and liability according to IFRS.

Appropriations
Appropriations are group contributions received and given and voluntary provisions.

Provisions
Future expenses and losses that no longer generate corresponding revenues in the foreseeable future, which the company is committed or obliged to settle and whose monetary value can reasonably be assessed are recognised as expenses in the profit and loss account and recognised as provisions in the balance sheet.

Income tax
Finnlines Plc entered into the Finnish tonnage tax regime as of 1 January 2013. It means that the Company switched from corporation taxation to tonnage-based taxation. The income taxes in the profit and loss account include taxes imposed on other operations than those to be taxed under the tonnage taxation system.

(figures in EUR thousand, if not stated otherwise) 53

1. REVENUE

EUR	2022	2021
By segment		
Shipping and Sea Transport Services	608,777,000.71	456 ,773,315.23
Total	**608,777,000.71**	456,773,315.23
Intra-group revenue	3,127,553.96	-283,255.75

2. OTHER INCOME FROM OPERATIONS

EUR	2022	2021
Gain on disposals	2,595,604.32	23,269.00
Rental income	11,198.38	1,144,228.18
Internal administration fees	2,568,648.27	2,904,620.43
Other	-17,637.18	33,440.60
Total	**5,157,813.79**	4,105,58.21

3. MATERIALS AND SERVICES

EUR	2022	2021
Purchases during the reporting period		
Bunker	-157,169,174.40	-101,961,814.30
Other	-8,459,822.75	-7,086,061.70
Change in inventories	1,123,435,21	1,877,519.24
Total	**-164,505,561.94**	-107,170,356.76
External services	-72,814,164.30	-72,881,953.69
Materials and services total	**-237,319,726.24**	-180,052,310.45

4. PERSONNEL AND PERSONNEL EXPENSES

EUR	2022	2021
Employees		
Average number of employees		
Shore-based personnel	220	209
Sea personnel	683	605
	903	814
Personnel expenses		
Wages and salaries	-56,284,473.56	-49,628,456.68
Social costs		
Pension costs	-6,245,033.61	-6,126,464.89
Other social costs	-1,967,662.44	-2,042,174.61
State subsidies	14,872,783.40	13,042,298.60
Total	**-49,624,386.21**	-44,754,797.58
Salaries and remunerations to		
President and CEO	-475,947.46	-00.00
Board of Directors	-300,000.00	-330,000.00

(figures in EUR thousand, if not stated otherwise)

5. DEPRECIATION, AMORTISATION AND WRITE OFFS

EUR	2022	2021
Depreciation and amortisation according to plan		
Other long-term expenditure	-421,390.68	-607,195.36
Vessels	-49,608,435.60	-46,066,003.81
Cargo handling equipment	-557,739.84	-386,635.62
Machinery and equipment	-119,403.53	-161,471.87
Total	**-50,706,969.65**	-47,221,306.66

The Management has evaluated vessels' economic life span and residual values. As a result, due to expected economic life span of 25–30 years, the depreciation time has been shortened by 5 years on average, starting from 1.1.2021.

6. OTHER OPERATING EXPENSES

EUR	2022	2021
Vessel hires, internal	-12,847,630.00	-5,683,840.26
Vessel hires, external	-10,276,652.88	-15,438,484.67
Other leases	-2,484,249.80	-1,263,629.55
Port expenses and fairway dues	-35,115,498.44	-33,028,487.85
Commissions	-8,703,331.94	-8,042,568.58
Cargo handling equipment related costs	-4,764,685.77	-4,209,601.05
Vessel insurances, repairs and maintenance	-41,341,352.45	-35,727,969.89
Marketing costs	-3,475,545.95	-1,399,022.65
Auditors' fees		
KPMG Oy Ab	-63,146.51	-59,214.55
Tax consultancy and other fees		
KPMG Oy Ab	-2,600.00	-15,165.00
Other	-26,870,939.60	-20,936,461.57
Total	**-145,945,633.34**	-125,804,445.62

7. FINANCIAL INCOME AND EXPENSES

EUR	2022	2021
Dividends		
From others	7,790.00	270.00
Dividends total	**7,790.00**	270.00
Other interest and financial income		
From group companies	831,172.81	1,157,410.89
From others	98,826.45	23,551.67
Other interest and financial income total	**929,999.26**	1,180,962.56
of which interest income total	**929,999.26**	1 180 962.56
Dividends and interest income total	**937,789.26**	1,181,232.56
Exchange gains and losses		
From others		
Gains	429,194.16	60,550.84
Losses	-189,954.12	-70,278.31
Exchange rate differences total	**239,240.04**	-9,727.47
Interest and other financial expenses		
To group companies	-59,384.96	-4,055.56
To others	-8,027,547.61	-4,855,805.74
Interest and other financial expenses total	**-8,086,932.57**	-4,859,861.30
of which interest expenses total	**-5,126,657.93**	-3,357,835.70
Financial income and expenses total	**-6,909,903.27**	-3,688,356.21

(figures in EUR thousand, if not stated otherwise) 55

8. APPROPRIATIONS

EUR	2022	2021
Group contribution	**-1,900,000.00**	-1,000,000.00
Total	**-1,900,000.00**	-1,000,000.00

9. INCOME TAXES

EUR	2022	2021
Change in deferred taxes	**4,944,023.85**	4,301,517.57
Total	**4 944 023.85**	4 301,517.57

10. OTHER DIRECT TAXES

EUR	2022	2021
Tonnage taxes	**-96,235.55**	-87,779.13
Total	**-96,235.55**	-87,779.13

11. INTANGIBLE ASSETS

EUR	Other capitalised expenditures	Advance payments	Total
Acquisition cost on 1 January 2022	**23,983,391.43**	**502,573.45**	**24,485,964.88**
Increases	79,286.55	742,242.30	821,528.85
Disposals	0.00	0.00	0.00
Reclassifications between items	420,290.95	-420,290.95	0.00
Acquisition cost on 31 December 2022	**24,482,968.93**	**824,524.80**	**25,307,493.73**
Accumulated depreciation and impairments on 1 January 2022	-22,586,781.33	0.00	-22,586,781.33
Depreciation for the reporting period	-421,390.68	0.00	-421,390.68
Accumulated depreciation on 31 December 2022	**-23,008,172.01**	**0.00**	**-23,008,172.01**
Carrying value on 31 December 2022	**1,474,796.92**	**824,524.80**	**2,299,321.72**
Carrying value on 31 December 2021	1,396,610.10	502,573.45	1,899,183.55

(figures in EUR thousand, if not stated otherwise)

12. TANGIBLE ASSETS

EUR	Buildings and constructi ons	Vessels	Cargo handling equipment	Machinery and equipment	Advance payments and acquisitions under construction	Total
Acquisition cost on 1 January 2022	**41,944.00**	**891,695,463.15**	**24,408,463.83**	**3,835,081.31**	**128,810,415.27**	**1,048,791,367.56**
Increases	0.00	111,707,008.74	8,303,009.88	150,119.40	54,271,835.99	174,431,974.01
Disposals	0.00	-11,489,087.88	-6,347.65	-83,235.98	0.00	-11,578,671.51
Reclassifications between items	0.00	76,115,658.00	787,352.54	24,804.21	-76,927,814.75	0.00
Acquisition cost on 31 December 2022	**41,944.00**	**1,068,029,042.01**	**33,492,478.60**	**3,926,768.94**	**106,154,436.51**	**1,211,644,670.06**
Accumulated depreciation and write-offs on 1 January 2022	41,944.00	-342,520,389.74	-18,151,323.45	-3,422,079.34	0.00	-364,135,736.63
Accumulated depreciation on disposals and reclassifications	0.00	8,145,248.00	6,347.65	83,235.98	0.00	8,234,831.63
Depreciation for the reporting period	0.00	-49,608,435.60	-557,739.84	-119,403.53	0.00	-50,285,578.97
Accumulated depreciation on 31 December 2022	**41,944.00**	**-383,983,577.34**	**-18,702,715.64**	**-3,458,246.89**	**0.00**	**-406,186,483.87**
Carrying value on 31 December 2022	**0.00**	**684,045,464.67**	**14,789,762.96**	**468,522.05**	**106,154,436.49**	**805,458,186.17**
Carrying value on 31 December 2021	0.00	549,175,073.41	6,257,140.38	413,001.97	128,810,415.25	684,655,631.01

13. INVESTMENTS

EUR	Shares in group companies	Investments in group companies (SVOP)	Receivables from group companies	Total group companies	Other shares	Total
Acquisition cost on 1 January 2022	**231,781,282.17**	**40,000,000.00**	**84,858,176.83**	**356,639,459.00**	**7,051,920.55**	**363,691,379.55**
Increases	0.00	0.00	0.00	0.00	0.00	0.00
Decreases	0.00	0.00	0.00	0.00	0.00	0.00
Acquisition cost on 31 December 2022	**231,781,282.17**	**40,000,000.00**	**84,858,176.83**	**356,639,459.00**	**7,051,920.55**	**363,691,379.55**
Accumulated impairments on 1 January 2022	-202,260,000.00	0.00	0.00	-202,260,000.00	0.00	-202,260,000.00
Impairments for the reporting period	0.00			0.00		0.00
Accumulated impairments on 31 December 2022	**-202,260,000.00**	**40,000,000.00**	**0.00**	**-202,260,000.00**	**0.00**	**-202,260,000.00**
Carrying value on 31 December 2022	**29,521,282.17**	**40,000,000.00**	**84,858,176.83**	**154,379,459.00**	**7,051,920.55**	**161,431,379.55**
Carrying value on 31 December 2021	29,521,282.17	40,000,000.00	84,858,176.83	154,379,459.00	7,051,920.55	161,431,379.55

14. INVENTORIES

EUR	2022	2021
Bunker	**5,911,038.18**	4,702,578.40
Other inventories	**2,581,066.96**	2,061,562.91
Total	**8,492,105.14**	6,764,141.31

(figures in EUR thousand, if not stated otherwise) 57

15. LONG-TERM RECEIVABLES

EUR	2022	2021
Loan receivables		
Loan receivables from group companies	**48,703,088.08**	65,418,914.29
Total	**48,703,088.08**	65,418,914.29
Other receivables	**550,000.00**	997,237.79
Currency derivatives	**0.00**	6,933,315.04
Accrued income and prepaid expenses	**40,385.88**	0.00
Total long-term receivables	**49,293,473.96**	73,349,467.12

16. SHORT-TERM RECEIVABLES

EUR	2022	2021
Accounts receivable		
From group companies	**-33,247.08**	-54,215.78
From others	**82,596,099.97**	73,079,184.86
Total	**82,562,852.89**	73,024,969.08
Loan receivables		
From group companies	**3,559,036.32**	3,124,862.97
Total	**3,559,036.32**	3,124,862.97
Other receivables	**1,401,317.49**	1,019,792.32
Currency derivatives	**17,892,023.07**	11,140,020.97
Accrued income and prepaid expenses		
From group companies	**382,564.68**	288,421.63
From others	**35,433,610.41**	23,561,460.37
Total	**35,816,175.09**	23,849,882.00
Total short-term receivables	**141,231,404.86**	112,159,527.34
Significant items of accrued income and prepaid expenses		
Sea freight revenue	**1,069,401.26**	206,341.54
State subsidies	**13,629,709.53**	6,109,980.31
Vessel hires	**31,056.00**	496,000.00
Docking costs	**13,447,446.61**	7 449 085.84
Passenger income	**339,663.46**	349,108,86
Insurances	**1,895,695.67**	1,455,814.66
Port expenses, cargo handling and other voyage related costs	**1,178,730.82**	2,735,979.01
Reimbursement of average repairs, vessels	**3,634,468.61**	3,289,089.18
Other	**590,003.13**	1,758,482.60
Total	**35,816,175.09**	23,849,882.00

(figures in EUR thousand, if not stated otherwise)

17. SHAREHOLDERS' EQUITY

EUR	2022	2021
Restricted equity		
Share capital on 1 January	103,006,282.00	103,006,282.00
Share capital on 31 December	103,006,282.00	103,006,282.00
Share issue premium on 1 January	24,525,353.70	24,525,353.70
Share issue premium on 31 December	24,525,353.70	24,525,353.70
Fair value reserve on 1 January	18,073,336.01	1,378,287.63
Increase + / Decrease -	-181,312.94	16,695,048.38
Fair value reserve on 31 December	17,892,023.07	18,073,336.01
Non-restricted equity		
Unrestricted equity reserve 1 January	40,882,508.10	40,882,508.10
Unrestricted equity reserve 31 December	40,882,508.10	40,882,508.10
Retained earnings on 1 January	414,810,210.21	403,741,955.85
Dividend paid	-51,503,141.00	-51,503,141.00
Retained earnings on 31 December	363,307,069.21	352,238.814.85
Result for the reporting period	126,375,954.09	62,571,395.36
Total shareholders' equity	675,989,190.17	601,297,690.02
Calculation of distributable funds		
Retained earnings	363,307,069.21	352,238,814.85
Unrestricted equity reserve	40,882,508.10	40,882,508.10
Result for the reporting period	126,375,954.09	62,571,395.36
Parent company's distributable funds on 31 December	530,565,531.40	455,692,718.31

18. STATUTORY PROVISIONS

EUR	2022	2021
Pension obligation	496,000.00	640,000.00
Total	496,000.00	640,000.00

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

19. DEFERRED TAX LIABILITY

EUR	2022	2021
Deferred tax liability of excess depreciations, tonnage taxation 1 January	7,669,310.61	11,970,828.18
Tonnage tax relief	-4,944,023.85	-4,301,517.57
Deferred tax liability, tonnage taxation 31 December	2,725,286.76	7,669,310.61

(figures in EUR thousand, if not stated otherwise) 59

20. LONG-TERM LIABILITIES

EUR	2022	2021
Long-term interest-bearing liabilities		
Loans from financial institutions	**245,000,002.11**	146,545,457.10
Other long-term interest-bearing liabilities		
Debts to group companies	**2,000,000.00**	2,000,000.00
Total	**247,000,002.11**	148,545,457.10
Maturity of loans		
Year		
2022		100,237,763.99
2023	**89,878,788.99**	56,545,456.99
2024	**48,333,332.11**	15,000,000.11
2025	**61,666,670.00**	55,000,000.00
2026	**40,000,000.00**	20,000,000.00
2027	**50,000,000.00**	0.00
2028 and later	**45,000,000.00**	0.00
Total	**334,878,791.10**	246,783,221.09
Long-term loans due after five years		
Loans from financial institutions	**45,000,000.00**	0.00
Total	**45,000,000.00**	0.00

(figures in EUR thousand, if not stated otherwise)

21. CURRENT LIABILITIES

EUR	2022	2021
Interest-bearing current liabilities		
Loans from financial institutions	**89,878,788.99**	100,237,763.99
Commercial papers	**59,719,358.97**	98,824,279.03
Other interest-bearing current liabilities		
To group companies	**27,526,928.33**	18,718,223.01
Total interest-bearing liabilities	**177,125,076.29**	217,780,266.03
Interest-free current liabilities		
Accounts payable		
To group companies	**856,057.87**	410,798.59
To others	**33,089,389.62**	20,315,666.61
Total	**33,945,447.49**	20,726,465.20
Other interest-free liabilities to others		
To others	**15,193,671.00**	14,256,381.02
Total	**15,193,671.00**	14,256,381.02
Accrued expenses and deferred income		
To group companies	**1,478,799.59**	1,226,659.94
To others	**32,343,434.85**	29,400,018.24
Total	**33,822,234.44**	30,626,678.18
Total interest-free current liabilities	**82,961,352.93**	65,609,524.40
Total current liabilities	**260,086,429.22**	283,389,790.43
Significant items of accrued expenses and deferred income		
Agent commissions paid, internal	**95,267.94**	533,350.16
Purchased services, internal	**141,325.96**	256,080.22
Annual rebates	**9,963,482.41**	10,410,695.40
Personnel expenses	**7,121,009.28**	6,400,345.62
External services / cargo handling costs	**2,400,524.26**	2,101,551.98
Port expenses and voyage related costs	**2,531,215.44**	1,738,730.70
Interest expenses	**1,198,173.48**	419,942.77
Bunker costs	**900,959.13**	1,335,833.35
Other	**9,470,276.54**	7,430,147.98
Total	**33,822,234.44**	30,626,678.18

(figures in EUR thousand, if not stated otherwise) 61

CONTINGENCIES AND COMMITMENTS

	2022		2021	
EUR 1,000	Debt	Value of collateral	Debt	Value of collateral
Pledges and commitments given on own account				
Vessel mortgages provided as guarantees for loans				
Loans from financial institutions	252,333	592,000	151,692	395,000
Vessel mortgages provided by subsidiaries as guarantees for loans				
Loans from financial institutions	29,546	57,500	50,091	119,500
	281,879	649,500	201,783	514,500
Vessel leases (Finnlines Plc as lessor)				
Due within 12 months		3,285		0
Due between one and five years		4,914		0
Vessel leases (Finnlines Plc as lessor), total		8,199		0
Vessel leases (Finnlines as lessee)				
Due within 12 months		0		1,440
Due between one and five years		0		0
Vessel leases (Finnlines as lessee), total		0		1,440
Pledged deposit		150		150
Other contingent liabilities		163,876		327,215
Leasing liabilities, machinery and equipment				
Due within 12 months		178		171
Due between one and five years		194		227
Leasing liabilities total		372		398
Other leases, premises				
Due within 12 months		0		20
Due between one and five years		0		36
Other leases total		0		56

(figures in EUR thousand, if not stated otherwise)

SHARES AND HOLDINGS OF PARENT COMPANY

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

(figures in EUR thousand, if not stated otherwise) 63

BOARD'S PROPOSAL FOR THE USE OF THE DISTRIBUTABLE FUNDS AND SIGNATURES TO THE BOARD OF DIRECTORS REPORT AND TO THE FINANCIAL STATEMENTS

Distributable funds included in the parent company's shareholders' equity on 31 December 2022:		
Retained earnings	EUR	363,307,069.21
Unrestricted equity reserve	EUR	40,882,508.10
Result for the reporting period	EUR	126,375,954.09
Distributable funds total	**EUR**	**530,565,531.40**

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.50 per share be paid out resulting in a total amount of proposed dividends of EUR 77,254,711.50.

Rome, 28 February 2023

Emanuele Grimaldi
Chairman of the Board

Tiina Bäckman

Gianluca Grimaldi

Guido Grimaldi

Mikael Mäkinen

Diego Pacella

Esben Poulsson

Jon-Aksel Torgersen

Tapani Voionmaa

Tom Pippingsköld
President and CEO

THE AUDITOR'S NOTE

Our auditor's report has been issued today.

Helsinki, 28 February 2023

KPMG Oy Ab

Kimmo Antonen
Authorized Public Accountant

(figures in EUR thousand, if not stated otherwise)

PARENT COMPANY'S ACCOUNTING BOOKS, VOUCHER CATEGORIES AND ARCHIVING

Accounting books	Archiving	System	Retention of data, 15 years
Profit and loss account and balance sheet	Digital document	Oracle Financials	until 2038
Balance sheet book	Bound book		until 2038
Balance sheet specification	Digital document		until 2038
General journals	Digital document	Oracle Financials	until 2038
General ledgers	Digital document	Oracle Financials	until 2038
Accounts receivable	Digital document	Oracle Financials	until 2038
Accounts Payable	Digital document	Oracle Financials	until 2038
Payroll accounting, land	Digital document	Aditro Personec W	until 2038
Payroll accounting, sea	Digital document	HPSWIN	until 2038
Asset accounting	Digital document	Oracle Financials, Kasperi	until 2038

Voucher categories	Archiving	System	Retention of data, 15 years
Sales invoices, freight	Digital document	Atlas, Octopus, Compass, Opus Capita's image archive	until 2038
Sales invoices, passenger services	Digital document	eBooking, Opus Capita's image archive	until 2038
Sales invoices, manual	Digital document	Oracle Financials	until 2038
Bank statements	Digital document	Opus Capita	until 2038
Sales transactions	Digital document	Oracle Financials	until 2038
Interest invoices	Digital document	Oracle Financials	until 2038
Purchase invoices	Digital document	Oracle Financials, Nextway Next image archive	until 2038
Purchase invoices, E-invoice	Digital document	Oracle Financials	until 2038
Payment batches	Digital document	Oracle Financials	until 2038
Travel invoices	Digital document	Aditro Expense	until 2038
Bank and cash vouchers	Digital document	Oracle Financials	until 2038
Memorials and accruals	Digital document	Oracle Financials, Winpos, VesselERP	until 2038
Payroll accounting vouchers, office	Digital document	Aditro Personec W	until 2038
Payroll accounting vouchers, sea personnel	Digital document	HPSWIN	until 2038
Fixed assets accounting vouchers	Digital document	Oracle Financials	until 2038
Notes	Paper		until 2038

These Financial Statements have been translated into English from the Finnish version. In case of any discrepancies the Finnish version shall prevail.

(figures in EUR thousand, if not stated otherwise)

AUDITOR'S REPORT

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

TO THE ANNUAL GENERAL MEETING OF FINNLINES PLC
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
OPINION

We have audited the financial statements of Finnlines Plc (business identity code 0201153-9) for the year ended 31 December, 2022. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

BASIS FOR OPINION

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

OTHER REPORTING REQUIREMENTS

OTHER INFORMATION

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

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

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

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

OTHER OPINIONS

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

Helsinki 28 February 2023

KPMG OY AB

Kimmo Antonen

KHT

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