Finnlines Plc, Stock Exchange Release, 27 February 2014

# INTERIM REPORT JANUARY – DECEMBER 2013 (unaudited)

## SUMMARY


January – December 2013

- Revenue EUR 563.6 million (EUR 609.3 million prev. year), decrease 7.5%
- Result before interest, taxes, depreciation and amortisation (EBITDA) EUR 83.7 million (EUR 89.8 million), decrease 6.8%
- Result for the reporting period EUR 6.0 million (EUR -0.1 million)
- Earnings per share were 0.12 (0.00) EUR/share

October – December 2013

- Revenue EUR 130.3 million (EUR 138.4 million prev. year), decrease 5.9%
- Result before interest, taxes, depreciation and amortisation (EBITDA) EUR 20.2 million (EUR 11.6 million), increase 73.7%
- Result for the reporting period EUR 9.9 million (EUR -5.3 million)
- Earnings per share were 0.19 (-0.11) EUR/share


## JANUARY – DECEMBER 2013 IN BRIEF

| MEUR | 1-12 2013* | 1-12 2012* | 10-12 2013 | 10-12 2012 |
|---|---|---|---|---|
| Revenue | 563.6 | 609.3 | 130.3 | 138.4 |
| **Result before interest, taxes, depreciation and amortisation (EBITDA)** | **83.7** | **89.8** | **20.2** | **11.6** |
| Result before interest and taxes (EBIT) | 18.1 | 23.7 | 5.3 | -5.1 |
| % of revenue | 3.2 | 3.9 | 4.1 | -3.7 |
| **Result for the reporting period** | **6.0** | **-0.1** | **9.9** | **-5.3** |
| | | | | |
| Earnings per share (EPS), EUR** | 0.12 | 0.00 | 0.19 | -0.11 |
| Equity ratio, % | 35.7 | 29.0 | 35.7 | 29.0 |
| Gearing, % | 149.1 | 204.9 | 149.1 | 204.9 |
| Shareholders' equity/share, EUR | 8.98 | 9.14 | 8.98 | 9.14 |

Calculation of key ratios is presented under 'Calculation of ratios'.

* The result for January-December 2013 includes a non-recurring cost item of about EUR 1.0 million related to general increases of the collective agreement (see chapter "Changes in Essential Legal Proceedings") and a sales profit of EUR 3.0 million from the sales of MS Europalink, MS Transeuropa and MS Translubeca. The result for January-December 2012 includes a non-recurring compensation of EUR 3.4 million from the Jinling shipyard and one-time cost items amounting to EUR 3.3 million mainly relating to the arrangements of leased property and settlements with the personnel.
** Key indicators per share have been adjusted with the share issue adjustment factor.

## FINNLINES' BUSINESS

Finnlines is one of the largest North-European liner shipping companies, providing sea transport services mainly in the Baltic and the North Sea. In addition to freight, the Company's ro-pax vessels carry passengers between five countries and eleven ports. The Company also provides port services in Helsinki, Turku and Kotka. The Company has subsidiaries in Germany, Belgium, Great Britain, Sweden, Denmark and Poland.

## GENERAL MARKET DEVELOPMENT

Based on the statistics by the Finnish Transport Agency for January-December, the Finnish seaborne imports carried in container, lorry and trailer units decreased by 3 per cent whereas exports increased by 6 per cent (measured in tons) compared to the same period in 2012. According to the statistics published by Shippax for January-December, trailer and lorry volumes transported by sea between Southern Sweden and Germany increased by 4 per cent compared to 2012. During the same period, private and commercial passenger traffic between Finland and Sweden decreased by 1 per cent compared to 2012. Between Finland and Germany the corresponding traffic decreased by 15 per cent (Finnish Transport Agency).

## FINNLINES TRAFFIC

In the first quarter, the last of six ro-ro newbuildings (MS Finnwave) entered service. The vessel flies the Finnish flag.

In order to adapt to the current market situation, Finnlines chartered out MS Finnarrow to the Grimaldi Group at market price in the second quarter.

In the third quarter, Finnlines started new services in the Baltic Sea and the North Sea. The expansion of the liner service network is a result of long-term contracts made with key customers.

Due to changes in the market circumstances, Finnlines restructured its vessel capacity and updated schedules in the service with Aarhus and Rostock during the last quarter. The newest ro-ro vessels in the Finnlines fleet were operating two sailings a week in both directions linking Aarhus and Helsinki. At the same time, when rescheduling this service, a new twice weekly connection between Aarhus and Rostock was introduced. In addition, Finnlines sold the vessels MS Translubeca and MS Transeuropa. MS Transeuropa was sold to the Grimaldi Group at market price of EUR 27 million, which is slightly above the book value of the vessel. MS Transrussia entered the Helsinki-Rostock route due to the sale of MS Transeuropa. MS Translubeca was sold to an external party at market price of EUR 11.6 million, which is also slightly above book value of the vessel.

During the fourth quarter, Finnlines operated on average 24 (24 in 2012) vessels in its own traffic.

The cargo volumes transported during January **–** December totalled approximately 632 thousand (628 thousand in 2012) cargo units, 66 thousand (72 thousand) cars (not including passengers' cars) and 2,248 thousand (2,102 thousand) tons of freight not possible to measure in units. In addition, some 556 thousand (598 thousand) private and commercial passengers were transported.

## FINANCIAL RESULTS

The lowering of the corporate tax rate from 24.5 per cent to 20 per cent at the end of the fourth quarter had a EUR 9.4 million non-recurring positive effect on the result for the reporting period January-December 2013 and also on the result for October-December 2013.

### January – December 2013

The Finnlines Group recorded revenue totalling EUR 563.6 (609.3) million, a decrease of 7.5 per cent compared to the same period in 2012. Shipping and Sea Transport Services generated revenue amounting to EUR 538.6 (574.8) million and Port Operations EUR 50.1 (58.5) million. The internal revenue between the segments was EUR 25.1 (24.0) million.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 83.7 (89.8) million, a decrease of 6.8 per cent.

Result before interest and taxes (EBIT) was EUR 18.1 (23.7) million. The comparable result before interest and taxes (EBIT) adjusted with non-recurring items was EUR 16.1* (23.6) million. The result is affected by the seasonality of the cargo volumes, which are typically on a lower level at the beginning of the year. The number of passengers is also modest during the winter period compared to the summer season. Financial income was EUR 0.5 (0.7) million and financial expenses totalled EUR 25.3 (26.0) million. Result for the reporting period was EUR 6.0 (-0.1) million and earnings per share (EPS) were EUR 0.12 (0.00).

**October–December 2013**

The Finnlines Group recorded revenue totalling EUR 130.3 (138.4) million, a decrease of 5.9 per cent compared to the same period in 2012. Shipping and Sea Transport Services generated revenue amounting to EUR 124.8 (130.5) million and Port Operations EUR 11.6 (13.8) million. The internal revenue between the segments was EUR 6.1 (5.8) million.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 20.2 (11.6) million, an increase of 73.7 per cent. This improvement was achieved by cutting costs and adjusting the fleet to meet the prevailing market conditions both through the sale of vessels and efficient route planning.

Result before interest and taxes (EBIT) was EUR 5.3 (-5.1) million. Financial income was EUR 0.2 (0.0) million and financial expenses totalled EUR 6.1 (6.0) million. Result for the reporting period was EUR 9.9 (-5.3) million and earnings per share (EPS) were EUR 0.19 (-0.11).

**STATEMENT OF FINANCIAL POSITION, FINANCING AND CASH-FLOW**

Interest-bearing debt decreased by EUR 216.4 million and amounted to EUR 673.0 (889.4) million. The equity ratio calculated from the balance sheet improved to 35.7 per cent (29.0) and gearing dropped to 149.1 per cent (204.9). Due to the expansion of liner service network vessel lease commitments increased by EUR 17.9 million to EUR 24.7 million compared to the end of December 2012.

At the end of the period, cash and deposits together with unused committed working capital credits amounted to EUR 65.9 (41.3) million.

The Board of Directors of Finnlines Plc decided on 7 May 2013, based on the authorisation granted at the annual general meeting on 16 April 2013, on a rights issue, in which the Company offered a maximum of 4,682,104 new shares to be subscribed by the Company's existing shareholders. All offered shares were subscribed for in the rights issue completed at the end of May. The net proceeds raised by Finnlines in the rights issue were approximately EUR 28.4 million which were used to strengthen the Company's capital structure.

In April, Finnlines' port subsidiaries sold four container cranes to a financing company and rented them back with a five-year financing lease contract. This arrangement released EUR 15 million working capital to the Group.

During the latter half of the year, Finnlines sold two vessels, MS Europalink and MS Transeuropa, to the Grimaldi Group and MS Translubeca to an external party for a total amount of EUR 124 million.

Net cash generated from operating activities after investing activities improved markedly and was EUR 157.9 (-25.0) million.

**CAPITAL EXPENDITURE**

Finnlines Group's gross capital expenditure in the reporting period totalled EUR 10.1 (67.1) million. Total depreciation amounted to EUR 65.6 (66.1) million. The investments consist of normal replacement costs of fixed assets and accrued dry-docking cost of ships. The investment programme of six ro-ro newbuildings was completed in 2012 and there are no decisions on any new vessel investments.

**PERSONNEL**

The Group employed an average of 1,861 (2,023) persons during the period, consisting 918 (957) employees on shore and 943 (1,066) persons at sea. The number of the employees at the end of the year were 1,806 (2,009) in total, of which 898 (963) on shore and 908 (1,046) at sea. The total number of persons employed by the Group will decrease to 1,661 persons as a result of the actions mentioned below.

In the first quarter, the Finnsteve companies started statutory employee co-operation negotiations in Helsinki with all personnel groups due to the loss-making business in the ports. As a result of the negotiations, the number of the port personnel decreased by 100 in the Finnsteve companies (Finnsteve Oy Ab, Containersteve Oy Ab, FS-Terminals Oy Ab and FL Port Services Oy Ab) in 2013.

In the fourth quarter, the Finnsteve companies started new statutory employee co-operation negotiations in Turku with all personnel groups due to the loss-making business in the port. As a result of the negotiations, the number of port personnel decreased by 61 employees. In Helsinki, at FL Port Services Oy Ab the statutory employee co-operation negotiations ended in the dismissal of 21 employees and closing down the company.

The number of the sea personnel decreased due to selling of two vessels and chartering out of a third one.

The personnel expenses (including social costs) for the reporting period were EUR 102.6 (109.0) million.

**GROUP STRUCTURE**
Finnlines Plc is a Finnish listed company. At the end of the reporting period, the Group consisted of the parent company and 25 subsidiaries.

Finnlines is part of the Italian Grimaldi Group, which is a global logistics group specialising in maritime transport of cars, rolling cargo, containers and passengers. The Grimaldi Group comprises seven shipping companies, including Finnlines, Atlantic Container Line (ACL), Malta Motorways of the Sea (MMS) and Minoan Lines. With a fleet of about 100 vessels, the Group provides maritime transport services for rolling cargo and containers between North Europe, the Mediterranean, the Baltic Sea, West Africa, North and South America. It also offers passenger services within the Mediterranean and Baltic Sea. With 73.39 per cent (at 31 December 2013) of the shares, the Grimaldi Group is the biggest shareholder in Finnlines Plc.

**THE FINNLINES SHARE**
The Company's registered share capital on 31 December 2013 was EUR 103,006,282 divided into 51,503,141 shares. A total of 2.2 (1.4) million shares were traded on the NASDAQ OMX Helsinki during the period. The market capitalisation of the Company's stock at the end of December was EUR 386.3 (365.2) million. Earnings per share (EPS) were EUR 0.12 (0.00). Shareholders' equity per share was EUR 8.98 (9.14). At the end of the year, the Grimaldi Group's holding and share of votes in Finnlines was 73.39 per cent.

**ESSENTIAL LEGAL PROCEEDINGS**
In March 2010, the District Court of Helsinki rendered its judgment in the action initiated by Mutual Pension Insurance Company Ilmarinen (”Ilmarinen”) against the Company, which was reversed by the Court of Appeal of Helsinki in favour of the Company in November 2011. The Supreme Court granted a leave to the appeal of Ilmarinen on the decision of the Court of Appeal of Helsinki in December 2012. The action initiated by Ilmarinen is the appeal against the decision of Finnlines' Annual General Meeting held on 20 May 2008 concerning minimum dividend and claimed that the decision be amended in that the minimum dividend paid should have been 17,181,000.00 euros instead of 180,216.39 euros. The process is still ongoing.

In 2008, the Administrative Court of Helsinki rendered the decisions based on which it can be argued that the Finnish Act on Fairway Dues in force until 1 January 2006 contained provisions which, according to the EU law, were discriminatory. The Company has submitted a claim for damages and restitution against the Finnish State for the years 2001-2004 at the District Court of Helsinki. The amount of the claim is approximately EUR 8.5 million which has not been recognised as revenue. The process is ongoing.

**TONNAGE TAXATION**
The Finnish Parliament approved the amended Tonnage Tax Act (476/2002), as amended by the Act 90/2012 which entered into force on 1 March 2012. Finnlines Plc's board decided in December 2012 to enter into the tonnage taxation regime as from 1 January 2013. In the tonnage taxation regime, the shipping operations will be transferred from business taxation to tonnage-based taxation.

The depreciation difference of EUR 215.1 million recorded in Finnlines Plc's opening balance as per 1 January 2013 has been divided into two portions: the depreciation difference of EUR 162.4 million (75.5 per cent) and deferred tax liability of EUR 52.7 million (24.5 per cent). The depreciation difference of EUR 162.4 million has been entered in to the retained earnings of Finnlines Plc's equity. The deferred tax of EUR 52.7 million has been entered in the deferred tax liability. The recording has no effect on the equity and the deferred tax liability of the consolidated financial statements of the Finnlines Group.

The fixed assets subject to tonnage tax regime must be revalued in the transition moment 1 January 2013 to their fair values. The fair value of Finnlines Plc's fixed assets exceeded their net book values by EUR 7.0 million, and out of this amount the company recorded a deferred tax liability of EUR 1.7 million (24.5 per cent). The fair value of the fixed assets exceeded their group values by EUR 1.5 million, and the share of deferred tax liability out of this amount was EUR 0.4 million.

Under the tonnage tax regime, at the time of transition, from the value of maximum amount entered as income determined to the fixed assets subject to tonnage tax regime a maximum reduction of 1/9 can be made from the second year onwards. The yearly maximum of deductible amount cannot exceed the maximum value of the granted state subsidy. The deferred tax liability will decline respectively according to the valid corporate tax rate.

Finnlines Plc will record the reduction of deferred tax liability as from 1 January 2013, according to the above mentioned Tonnage Tax Act.

## CORPORATE GOVERNANCE
Finnlines applies the Finnish Corporate Governance Code for listed companies. The Corporate Governance Statement can be reviewed on the corporate website: www.finnlines.com.

## CHANGE IN THE MANAGEMENT AND IN THE BOARD
During the fourth quarter the position of the President and CEO was taken over by Mr Emanuele Grimaldi and at the same time he stepped down as the Chairman of the Board. The Board of Directors elected Mr Jon-Aksel Torgersen as the new Chairman of the Board of Directors. Mr Emanuele Grimaldi continues as the Board member.

## OUTLOOK AND OPERATING ENVIRONMENT
Finnlines has continued to re-structure its fleet and organisation to improve the cost-efficiency of its vessels and overall logistics system. Having sold its last vessel, Finnlines Deutschland GmbH will end its shipowning operations and concentrate on providing agency services to the Finnlines Group companies and Russia liner services with chartered vessels. Finnlines has flagged a large number of vessels in Finland as the company has entered the Finnish tonnage taxation regime.

The Finnlines Group's result before taxes is expected to improve as a consequence of the measures taken: vessels have been sold to cut overcapacity, the number of personnel has been reduced, fleet planning has brought cost savings and the capital structure has been improved due to share issue and reduction in the net interest bearing debt.

## DIVIDEND DISTRIBUTION PROPOSAL
The parent company Finnlines Plc's result for the period ended on 31 December 2013 was EUR 0.04 million negative. The Board of Directors will propose to the Annual Shareholders' Meeting that no dividend be paid out for 2013 due to fact that the Group's and the parent company's result before taxes were unsatisfactory.

## ANNUAL GENERAL MEETING
Finnlines Plc's Annual General Meeting will be held from 12.00 on Tuesday, 8 April 2014 at Scandic Marina Congress Center, Katajanokanlaituri 6, Helsinki.

The annual report for 2013 will be published during the week commencing on 17 March 2014 at the latest and will be available at www.finnlines.com or at Finnlines' headquarters, Komentosilta 1, 00980 Helsinki.

The first interim report of 2014, for 1 January–31 March, will be published on Tuesday, 6 May 2014.

Finnlines Plc
The Board of Directors

Emanuele Grimaldi
President/CEO

ENCLOSURES
- Reporting and accounting policies
- Consolidated statement of comprehensive income, IFRS
- Consolidated statement of financial position, IFRS
- Consolidated statement of changes in equity, IFRS
- Consolidated statement of cash flows, IFRS (condensed)
- Revenue and result by business segments
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- Calculation of ratios
- Related party transactions

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## REPORTING AND ACCOUNTING POLICIES

This interim report included herein is prepared in accordance with IAS 34 (Interim Financial Reporting) standard. The Company has adopted new or revised IFRS standards and IFRIC interpretations from the beginning of the reporting period corresponding to those described in the 2012 Financial Statements.

With effect from 1 January 2013, the Finnlines Group has adopted the revised IAS 19 Employee benefits standard. The amendment has an impact on the Finnlines Group's pension liability and equity on the balance sheet. Resulting from the amendment, the Finnlines Group's consolidated statement of financial position for 2012 has been updated in compliance with the requirements prescribed in the revised standard. In consequence of the adoption of the revised IAS 19 Employee benefits standard, the Group's equity in the 2012 opening balance will decrease by EUR 1.2 million and in the balance sheet of 31 December 2012 by EUR 0.1 million due to actuarial losses recognised in equity in the consolidated statement of financial position.

Otherwise new or revised standards have not had an effect on the reported figures.

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

In other respects, the same accounting policies have been followed as in the previous annual financial statements.

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

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information such as contingent liabilities and the recognition of income and expenses in the income statement. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates. The uncertainties related to the key assumptions were the same as those applied to the consolidated financial statements at the year-end 31 December 2012.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

| EUR 1,000 | 1 Oct-31 Dec 2013 | 1 Oct-31 Dec 2012 | 1 Jan-31 Dec 2013 | Restated* 1 Jan-31 Dec 2012 |
|---|---|---|---|---|
| Revenue | 130,284 | 138,399 | 563,587 | 609,329 |
| Other income from operations | 2,693 | 479 | 5,329 | 5,702 |
| Materials and services | -51,670 | -58,532 | -229,690 | -247,237 |
| Personnel expenses | -24,158 | -27,659 | -102,584 | -109,009 |
| Depreciation, amortisation and impairment losses | -14,915 | -16,773 | -65,583 | -66,095 |
| Other operating expenses | -36,921 | -41,044 | -152,983 | -169,030 |
| Total operating expenses | -127,662 | -144,008 | -550,840 | -591,371 |
| **Result before interest and taxes (EBIT)** | **5,314** | **-5,129** | **18,075** | **23,660** |
| Financial income | 178 | 32 | 526 | 747 |
| Financial expenses | -6,126 | -5,962 | -25,335 | -26,013 |
| **Result before taxes (EBT)** | **-633** | **-11,059** | **-6,734** | **-1,606** |
| Income taxes | 10,513 | 5,727 | 12,744 | 1,539 |
| **Result for the reporting period** | **9,880** | **-5,333** | **6,011** | **-66** |
| | | | | |
| **Other comprehensive income:** | | | | |
| **Other comprehensive income to be reclassified to profit and loss in subsequent periods:** | | | | |
| Exchange differences on translating foreign operations | 1 | -12 | -9 | 2 |
| Changes in cash flow hedging reserve | | | | |
| Fair value changes | | 4 | | 13 |
| Transfer to tangible assets | | 1,423 | | 3,178 |
| Tax effect, net | -1 | -350 | 2 | -782 |
| Other comprehensive income to be reclassified to profit and loss in subsequent periods, total | 0 | 1,065 | -7 | 2,411 |
| **Other comprehensive income not being reclassified to profit and loss in subsequent periods:** | | | | |
| Remeasurement of defined benefit plans* | -399 | | -399 | -150 |
| Tax effect, net | 1 | | 1 | 7 |
| Other comprehensive income not being reclassified to profit and loss in subsequent periods, total | -398 | | -398 | -143 |
| **Total comprehensive income for the reporting period** | **9,482** | **-4,268** | **5,606** | **2,201** |
| | | | | |
| Result for the reporting period attributable to: | | | | |
| Parent company shareholders | 9,876 | -5,332 | 5,997 | -27 |
| Non-controlling interests | 4 | -1 | 14 | -39 |
| | **9,880** | **-5,333** | **6,011** | **-66** |
| Total comprehensive income for the reporting period attributable to: | | | | |
| Parent company shareholders | 9,479 | -4,267 | 5,592 | 2,241 |
| Non-controlling interests | 3 | -1 | 14 | -39 |
| | **9,482** | **-4,268** | **5,606** | **2,201** |
| Result for the reporting period attributable to parent company shareholders calculated as earnings per share (EUR/share): | | | | |
| Undiluted / diluted earnings per share ** | 0.19 | -0.11 | 0.12 | 0.00 |
| Average number of shares Undiluted / diluted ** | 51,503,141 | 47,343,662 | 49,782,370 | 47,343,662 |

* restated due to revised IAS 19 Employee benefit standard.
** key indicators have been adjusted with the share issue adjustment factor

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

| EUR 1,000 | 31 Dec 2013 | Restated* 31 Dec 2012 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 1,084,389 | 1,260,295 |
| Goodwill | 105,644 | 105,644 |
| Intangible assets | 5,836 | 6,629 |
| Other financial assets | 4,580 | 4,581 |
| Receivables | 43 | 768 |
| Deferred tax assets | 1,370 | 1,792 |
| | **1,201,861** | **1,379,709** |
| **Current assets** | | |
| Inventories | 8,832 | 9,759 |
| Accounts receivable and other receivables | 85,251 | 74,087 |
| Income tax receivables | 1 | 24 |
| Cash and cash equivalents | 2,508 | 16,282 |
| | **96,592** | **100,151** |
| **Total assets** | **1,298,453** | **1,479,861** |
| **EQUITY** | | |
| **Equity attributable to parent company shareholders** | | |
| Share capital | 103,006 | 93,642 |
| Share premium account | 24,525 | 24,525 |
| Fair value reserve | 0 | 0 |
| Translation differences | 109 | 116 |
| Fund for invested unstricted equity | 40,016 | 21,015 |
| Retained earnings | 294,641 | 288,652 |
| | **462,297** | **427,951** |
| Non-controlling interests | 360 | 838 |
| **Total equity** | **462,658** | **428,788** |
| **LIABILITIES** | | |
| **Long-term liabilities** | | |
| Deferred tax liabilities | 57,560 | 71,444 |
| Interest-free liabilities | 3,242 | 1,325 |
| Pension liabilities | 3,982 | 3,710 |
| Provisions | 1,980 | 5,100 |
| Interest-bearing liabilities** | 557,759 | 712,985 |
| | **624,523** | **794,564** |
| **Current liabilities** | | |
| Accounts payable and other liabilities | 72,815 | 74,504 |
| Current tax liabilities | 27 | 108 |
| Provisions | 3,715 | 48 |
| Current interest-bearing liabilities** | 134,715 | 181,848 |
| | **211,273** | **256,508** |
| **Total liabilities** | **835,796** | **1,051,072** |
| **Total equity and liabilities** | **1,298,453** | **1,479,861** |

* With effect from 1 January 2013, the Finnlines Group has adopted the revised IAS 19 Employee benefits standard. The amendment has an impact on the Finnlines Group's pension liability and equity on the balance sheet. Resulting from the amendment, Finnlines consolidated statement of financial position for 2012 has been updated in compliance with the requirements prescribed in the revised standard. In consequence of the adoption of the revised IAS 19 Employee benefits standard, the Group's equity in the 2012 opening balance will decrease by EUR 1.2 million and in the balance sheet of 31 December 2012 by EUR 0.1 million due to actuarial losses recognised in equity in the consolidated statement of financial position.

** The revolving credit facilities, of which the Company can unilaterally postpone the final due date over one year after the reporting period, are reclassified from current liabilities to non-current liabilities in accordance with IFRS.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2013, IFRS

| EUR 1,000 | Equity attributable to parent company shareholders | | | |
|---|---|---|---|---|
| | Share capital | Share issue premium | Translation differences | Fund for invested unrestricted equity |
| **Reported equity 1 January 2013** | **93,642** | **24,525** | **116** | **21,015** |
| Effect of IAS 19 Employee benefits standard | | | | |
| **Restated equity 1 January 2013** | **93,642** | **24,525** | **116** | **21,015** |
| **Comprehensive income for the reporting period:** | | | | |
| Exchange differences on translating foreign operations | | | -9 | |
| Changes in cash flow hedging reserve | | | | |
| Fair value changes | | | | |
| Transfer to fixed assets | | | | |
| Tax effect, net | | | 2 | |
| **Total comprehensive income for the reporting period** | | | **-7** | |
| Share issue | 9,364 | | | 19,001 |
| **Equity 31 December 2013** | **103,006** | **24,525** | **109** | **40,016** |

| EUR 1,000 | Equity attributable to parent company shareholders | | Non-controlling interests | Total equity |
|---|---|---|---|---|
| | Retained earnings | Total | | |
| **Reported equity 1 January 2013** | **289,990** | **429,289** | **838** | **430,127** |
| Effect of IAS 19 Employee benefits standard | -1,338 | -1,338 | | -1,338 |
| **Restated equity 1 January 2013** | **288,652** | **427,951** | **838** | **428,788** |
| **Comprehensive income for the reporting period:** | | | | |
| Result for the reporting period | 5,997 | 5,997 | 14 | 6,011 |
| Exchange differences on translating foreign operations | | -9 | | -9 |
| Changes in cash flow hedging reserve | | | | |
| Fair value changes | | | | |
| Transfer to fixed assets | | | | |
| Remeasurement of defined benefit plans | -399 | -399 | | -399 |
| Tax effect, net | 1 | 3 | | 3 |
| **Total comprehensive income for the reporting period** | **5,599** | **5,592** | **14** | **5,606** |
| Share issue | | 28,365 | | 28,365 |
| **Changes in non-controlling interests without change in controlling interest** | **390** | **390** | **-491** | **-102** |
| **Equity 31 December 2013** | **294,641** | **462,297** | **360** | **462,658** |

Finnlines
a Grimaldi Group company



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2012, IFRS**

| EUR 1,000 | Equity attributable to parent company shareholders | | | | |
|---|---|---|---|---|---|
| | Share capital | Share issue premium | Translation differences | Fair value reserves | Fund for invested unrestricted equity |
| **Reported equity 1 January 2012** | **93,642** | **24,525** | **114** | **-2,409** | **21,015** |
| Effect of IAS 19 Employee benefits standard | | | | | |
| **Restated equity 1 January 2012** | **93,642** | **24,525** | **114** | **-2,409** | **21,015** |
| **Comprehensive income for the reporting period:** | | | | | |
| Exchange differences on translating foreign operations | | | 2 | | |
| Changes in cash flow hedging reserve | | | | | |
| Fair value changes | | | | 13 | |
| Transfer to tangible assets | | | | 3,178 | |
| Tax effect, net | | | | -782 | |
| **Total comprehensive income for the reporting period** | | | **2** | **2,409** | |
| **Equity 31 December 2012** | **93,642** | **24,525** | **116** | **0** | **21,015** |

| EUR 1,000 | Equity attributable to parent company shareholders | | Non-controlling interests | Total equity |
|---|---|---|---|---|
| | Retained earnings | Total | | |
| **Reported equity 1 January 2012** | **290,017** | **426,905** | **877** | **427,782** |
| Effect of IAS 19 Employee benefits standard | -1,195 | -1,195 | | -1,195 |
| **Restated equity 1 January 2012** | **288,822** | **425,710** | **877** | **426,587** |
| **Comprehensive income for the reporting period:** | | | | |
| Result for the reporting period | -27 | -27 | -39 | -66 |
| Exchange differences on translating foreign operations | | 2 | | 2 |
| Changes in cash flow hedging reserve | | | | |
| Fair value changes | | 13 | | 13 |
| Transfer to tangible assets | | 3,178 | | 3,178 |
| Remeasurement of defined benefit plans | -143 | -143 | | -143 |
| Tax effect, net | | -782 | | -782 |
| **Total comprehensive income for the reporting period** | **-170** | **2,241** | **-39** | **2,201** |
| **Equity 31 December 2012** | **288,652** | **427,951** | **838** | **428,788** |

## CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS (CONDENSED)

| EUR 1,000 | 1 Jan-31 Dec 2013 | 1 Jan-31 Dec 2012 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Result for reporting period | 6,011 | -66 |
| Adjustments: | | |
| Non-cash transactions | 61,609 | 65,526 |
| Unrealised foreign exchange gains (-) / losses (+) | 19 | -34 |
| Financial income and expenses | 24,790 | 25,300 |
| Taxes | -12,744 | -1 539 |
| Changes in working capital: | | |
| Change in accounts receivable and other receivables | -6,402 | 2,606 |
| Change in inventories | 927 | -856 |
| Change in accounts payable and other liabilities | -170 | -28,247 |
| Change in provisions | 379 | 16 |
| Interest paid | -22,366 | -20,829 |
| Interest received | 192 | 339 |
| Taxes paid | -423 | -650 |
| Other financing items | -3,645 | -4,448 |
| **Net cash generated from operating activities** | **48,175** | **37,118** |
| | | |
| **Cash flows from investing activities *** | | |
| Investments in tangible and intangible assets | -10,960 | -63,121 |
| Sale of tangible assets | 120,647 | 957 |
| Proceeds from sale of investments | | 2 |
| Dividends received | 12 | 25 |
| **Net cash used in investing activities** | **109,699** | **-62,136** |
| | | |
| **Cash flows from financing activities *** | | |
| Proceeds from issue of share capital | 28,365 | |
| Loan withdrawals | 263,772 | 282,772 |
| Net increase in current interest-bearing liabilities | -14,198 | -34,602 |
| Repayment of loans | -449,914 | -211,377 |
| Acquisition of non-controlling interest | -102 | |
| Increase / decrease in non-current receivables | 429 | 237 |
| **Net cash used in financing activities** | **-171,647** | **37,030** |
| | | |
| **Change in cash and cash equivalents** | **-13,772** | **12,012** |
| Cash and cash equivalents 1 January | 16,282 | 4,263 |
| Effect of foreign exchange rate changes | -2 | 7 |
| **Cash and cash equivalents 31 December** | **2,508** | **16,282** |

* Activities related to revolving credit facilities, of which the company can unilaterally postpone the final due date over one year after the reporting period, have been reclassified from current liabilities to non-current liabilities within the Cash flows from financing activities group in accordance with IFRS.

**REVENUE AND RESULT BY BUSINESS SEGMENTS**

| | 1 Oct-31 Dec 2013 MEUR | % | 1 Oct-31 Dec 2012 MEUR | % | 1 Jan-31 Dec 2013 MEUR | % | 1 Jan-31 Dec 2012 MEUR | % |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| Shipping and sea transport services | 124.8 | 95.8 | 130.5 | 94.3 | 538.6 | 95.6 | 574.8 | 94.3 |
| Port operations | 11.6 | 8.9 | 13.8 | 9.9 | 50.1 | 8.9 | 58.5 | 9.6 |
| Intra-group revenue | -6.1 | -4.7 | -5.8 | -4.2 | -25.1 | -4.5 | -24.0 | -3.9 |
| **External sales** | **130.3** | **100.0** | **138.4** | **100.0** | **563.6** | **100.0** | **609.3** | **100.0** |
| | | | | | | | | |
| **Result before interest and taxes** | | | | | | | | |
| Shipping and sea transport services | 8.2 | | -1.3 | | 27.9 | | 34.0 | |
| Port operations | -2.8 | | -3.8 | | -9.8 | | -10.4 | |
| **Result before interest and taxes (EBIT) total** | **5.3** | | **-5.1** | | **18.1** | | **23.7** | |
| Financial items | -5.9 | | -5.9 | | -24.8 | | -25.3 | |
| **Result before taxes (EBT)** | **-0.6** | | **-11.1** | | **-6.7** | | **-1.6** | |
| Income taxes | 10.5 | | 5.7 | | 12.7 | | 1.5 | |
| **Result for the reporting period** | **9.9** | | **-5.3** | | **6.0** | | **-0.1** | |

## PROPERTY, PLANT AND EQUIPMENT 2013

| EUR 1,000 | Land | Buildings | Vessels | Machinery and equipment | Advance payments and acquisitions under construction | Total * |
|---|---|---|---|---|---|---|
| **Reporting period ending 31 Dec 2013** | | | | | | |
| Acquisition cost 1 Jan 2013 | 72 | 76,466 | 1,597,437 | 79,690 | 991 | 1,754,655 |
| Exchange rate differences | | | | -11 | 0 | -11 |
| Increases | | 102 | 8,861 | 542 | 31 | 9,536 |
| Disposals | | -1,298 | -233,934 | -7,104 | -214 | -242,549 |
| Reclassifications | | | 406 | 5 | -410 | 0 |
| **Acquisition cost 31 Dec 2013** | **72** | **75,271** | **1,372,769** | **73,122** | **398** | **1,521,632** |
| Accumulated depreciation, amortisation and write-offs 1 Jan 2013 | | -15,047 | -429,028 | -50,285 | | -494,360 |
| Exchange rate differences | | | | 10 | | 10 |
| Cumulative depreciation on reclassifications and disposals | | 1,295 | 112,727 | 7,325 | | 121,348 |
| Depreciation for the reporting period | | -2,564 | -57,566 | -4,111 | | -64,240 |
| Accumulated depreciation, amortisation and write-offs 31 Dec 2013 | 0 | -16,316 | -373,866 | -47,060 | 0 | -437,243 |
| **Book value 31 Dec 2013** | **72** | **58,955** | **998,903** | **26,061** | **398** | **1,084,389** |

* Finnlines has sold the vessels MS Translubeca and MS Transeuropa. MS Transeuropa was sold to the Grimaldi Group at market price, which is slightly above the book value of the vessel. MS Translubeca was sold to an external party at market price, which is also slightly above book value of the vessel. The sales will have a minor positive effect on Finnlines' result in the last quarter of 2013.

## PROPERTY, PLANT AND EQUIPMENT 2012

| EUR 1,000 | Land | Buildings | Vessels | Machinery and equipment | Advance payments and acquisitions under construction | Total * |
|---|---|---|---|---|---|---|
| **Reporting period ending 31 Dec 2012** | | | | | | |
| Acquisition cost 1 Jan 2012 | 72 | 76,758 | 1,401,930 | 90,543 | 130,588 | 1,699,892 |
| Exchange rate differences | | | | 15 | | 15 |
| Increases | | 533 | 8,212 | 263 | 57,830 | 66,837 |
| Disposals | | -848 | -110 | -11,131 | | -12,089 |
| Reclassifications | | 23 | 187,405 | | -187,427 | 0 |
| **Acquisition cost 31 Dec 2012** | **72** | **76,466** | **1,597,437** | **79,690** | **991** | **1,754,655** |
| Accumulated depreciation, amortisation and write-offs 1 Jan 2012 | | -12,916 | -372,235 | -56,435 | | -441,586 |
| Exchange rate differences | | | | -13 | | -13 |
| Cumulative depreciation on reclassifications and disposals | | 656 | 110 | 10,935 | | 11,701 |
| Depreciation for the reporting period | | -2,787 | -56,902 | -4,772 | | -64,461 |
| Accumulated depreciation, amortisation and write-offs 31 Dec 2012 | 0 | -15,047 | -429,028 | -50,285 | 0 | -494,360 |
| **Book value 31 Dec 2012** | **72** | **61,419** | **1,168,409** | **29,405** | **991** | **1,260,295** |

## CONTINGENCIES AND COMMITMENTS

| EUR 1,000 | 2013 | 2012 |
|---|---|---|
| **Vessel leases (Group as lessee):** | | |
| Within 12 months | 14,007 | 3,285 |
| 1-5 years | 10,644 | 3,468 |
| | **24,651** | **6,753** |

| EUR 1,000 | 2013 | 2012 |
|---|---|---|
| **Vessel leases (Group as lessor):** | | |
| Within 12 months | 2,356 | 6,251 |
| 1-5 years | 7,457 | 17,742 |
| | **9,812** | **23,993** |

| EUR 1,000 | 2013 | 2012 |
|---|---|---|
| **Other leases (Group as lessee):** | | |
| Future minimum lease payments from other leases due: | | |
| Within 12 months | 6,107 | 6,496 |
| 1-5 years | 17,948 | 17,176 |
| After five years | 12,358 | 16,123 |
| | **36,413** | **39,795** |

| EUR 1,000 | 2013 | 2012 |
|---|---|---|
| **Other leases (Group as lessor):** | | |
| Within 12 months | 350 | 211 |
| | **350** | **211** |

| EUR 1,000 | 2013 | 2012 |
|---|---|---|
| **Collateral given** | | |
| Loans secured by mortgages | 561,245 | 786,395 |
| | **561,245** | **786,395** |
| **Vessel mortgages provided as guarantees for the above loans** | **1,121,000** | **1,254,000** |

| EUR 1,000 | 2013 | 2012 |
|---|---|---|
| **Other collateral given on own behalf** | | |
| Pledged deposits | | 471 |
| Corporate mortgages | 606 | 606 |
| | **606** | **1,077** |

| EUR 1,000 | 2013 | 2012 |
|---|---|---|
| **Other obligations** | **2,375** | **1,932** |

| EUR 1,000 | 2013 | 2012 |
|---|---|---|
| **Guarantees given by the parent company on behalf of the subsidiaries** | **6,000** | **6,913** |

| EUR 1,000 | 2013 | 2012 |
|---|---|---|
| **VAT adjustment liability related to real estate investments** | **6,756** | **7,927** |

**Open derivative instruments:**

| | Fair value | | Contract amount | |
|---|---|---|---|---|
| 1,000 EUR | 31 Dec 2013 | 31 Dec 2012 | 31 Dec 2013 | 31 Dec 2012 |
| Currency derivatives | | 0 | | 0 |

The Group has no outstanding hedging or other financial instruments at the end of the reporting period, which would be classified in category 2 or 3 in the fair value hierarchy described in Note 30 to the 2012 Financial Statements.

## REVENUE AND RESULT BY QUARTER

| MEUR | Q1/13 | Q1/12 | Q2/13 | Q2/12 | Q3/13 | Q3/12 | Q4/13 | Q4/12 |
|---|---|---|---|---|---|---|---|---|
| Shipping and sea transport services | 126.0 | 135.4 | 143.6 | 155.8 | 144.2 | 153.2 | 124.8 | 130.5 |
| Port operations | 14.3 | 15.8 | 12.8 | 15.2 | 11.4 | 13.7 | 11.6 | 13.8 |
| Intra-group revenue | -6.4 | -6.2 | -6.7 | -6.4 | -5.9 | -5.6 | -6.1 | -5.8 |
| **External sales** | **133.9** | **145.0** | **149.7** | **164.6** | **149.7** | **161.3** | **130.3** | **138.4** |
| | | | | | | | | |
| **Result before interest and taxes** | | | | | | | | |
| Shipping and sea transport services | -3.6 | 2.4 | 9.8 | 16.5 | 13.5 | 16.4 | 8.2 | -1.3 |
| Port operations | -2.2 | -2.7 | -3.0 | -1.8 | -1.8 | -2.1 | -2.8 | -3.8 |
| **Result before interest and taxes (EBIT) total** | **-5.8** | **-0.2** | **6.9** | **14.7** | **11.7** | **14.3** | **5.3** | **-5.1** |
| Financial items | -6.2 | -6.9 | -6.5 | -6.3 | -6.2 | -6.2 | -5.9 | -5.9 |
| **Result before taxes (EBT)** | **-12.1** | **-7.1** | **0.4** | **8.4** | **5.6** | **8.1** | **-0.6** | **-11.1** |
| Income taxes | 1.2 | 1.3 | 0.5 | -2.7 | 0.6 | -2.8 | 10.5 | 5.7 |
| **Result for the reporting period** | **-10.9** | **-5.8** | **0.9** | **5.7** | **6.1** | **5.3** | **9.9** | **-5.3** |
| | | | | | | | | |
| EPS (undiluted / diluted)* | -0.23 | -0.12 | 0.02 | 0.12 | 0.12 | 0.11 | 0.19 | -0.11 |

*Key indicators per share have been adjusted with the share issue adjustment factor.

## SHARES, MARKET CAPITALISATION AND TRADING INFORMATION

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Number of shares | 51,503,141 | 46,821,037 |
| Market capitalisation, EUR million | 386.3 | 356.2 |

| | 1 Jan – 31 Dec 2013 | 1 Jan – 31 Dec 2012 |
|---|---|---|
| Number of shares traded, million | 2.2 | 1.4 |

| | 1 Jan – 31 December 2013 | | | |
|---|---|---|---|---|
| | High | Low | Average | Close |
| Share price | 7.97 | 5.76 | 6.86 | 7.50 |

## CALCULATION OF RATIOS

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

Income tax expense is recognised based on the best estimate of the weighted-average annual income tax rate expected for the full financial year. In January 2013, the shipping operations of Finnlines Plc transferred to tonnage-based taxation as described in more detail in the Tonnage Taxation chapter on page 6.

## RELATED PARTY TRANSACTIONS

In September 2013, Finnlines sold MS Europalink to the Grimaldi Group at the market price of EUR 86 million. The vessel had been chartered out since November 2012 and was sailing in Grimaldi traffic in the Mediterranean Sea.

Finnlines has cut its fleet overcapacity in the second quarter by chartering MS Finnarrow for five years to the Grimaldi Group.

In November 2013, Finnlines sold MS Transeuropa to the Grimaldi Group at the market price of EUR 27 million.

Otherwise there were no material related party transactions during the reporting period. The business transactions were carried out using market-based pricing.