Finnlines Plc

# FINANCIAL STATEMENTS 2013

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# BOARD OF DIRECTORS' REPORT

## 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.

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 result for 2013 includes a non-recurring cost item of about EUR 1.0 million related to general increases of the collective agreement and a sales profit of EUR 3.0 million from the sales of MS Europalink, MS Transeuropa and MS Translubeca. The result for 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. The comparable result before interest and taxes (EBIT) adjusted with above mentioned 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).

The most important business and share related key indicators are presented in the Five-Year Key Figures on page 53.

## 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.

The personnel costs are specified in more detail in the Notes to the Consolidated Financial Statements, in Note 9. Personnel Costs.

## 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.

## RESEARCH AND DEVELOPMENT

The aim of Finnlines' research and development work is to find and introduce new practical models and operating methods, which enable the Company to meet customer requirements in a more sustainable and cost-efficient way. In 2013, the focus was on putting newbuildings into service and on optimisation of the traffic patterns with the renewed fleet.

The Company is actively developing the safety of cargo handling methods. Together with a group of vocational education providers, universities and cargo securing experts in Finland, Germany, Italy and Sweden, Finnlines participated in the “Caring” project. The project was partly financed by the Leonardo da Vinci programme of the European Union. The target was to improve the level of cargo securing to prevent cargo damages on road, rail, at sea and in the air. The three-year project, which produced up-to-date learning and presentation material, was completed during 2013.

In 2013, the Company continued the renewal work of its operative IT systems for the cargo traffics. The target is to harmonise the systems within the Finnlines Group and between Finnlines and other services within the Grimaldi Group Network. Implementation of the system to different services will take place as from 2014 onwards.

**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.

The shares, shareholders and management’s holding are dealt with in more detail in the Notes to the Financial Statements, in Note 37. Shares and shareholders.

**DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING**

Finnlines Plc’s Annual General Meeting was held in Helsinki on 16 April 2013. 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 2012. It was decided to accept the proposal of the Board of Directors that no dividend shall be paid for 2012.

The meeting decided that the number of Board Members be seven. All of the current Board Members were re-elected; Mr Emanuele Grimaldi, Mr Gianluca Grimaldi, Mr Diego Pacella, Mr Olav K. Rakkenes, Mr Jon-Aksel Torgersen, Mr Christer Backman and Ms Tiina Bäckman. The yearly compensation to the Board will remain unchanged as follows: the Chairman EUR 50,000, the Vice-Chairman EUR 40,000 and the Member EUR 30,000.

The Annual General Meeting elected KPMG Oy Ab as the Company's auditor for the fiscal year 2013. It was decided that the external auditors will be reimbursed according to invoice.

It was decided to authorise the Board of Directors to resolve on the issuance of shares in one or several tranches. The Board of Directors may, on the basis of the authorisation, resolve on the issuance of shares in one or several tranches, so that the aggregate number of shares to be issued shall not exceed 10,000,000 shares. The Board of Directors decides on all the conditions of the issuance of shares. The issuance of shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorisation is valid until the next Annual General Meeting. The authorisation replaces the Annual General Meeting’s authorisation to decide on a share issue of 17 April 2012.

It was also decided to change § 10 of the Articles of Association of the Company regarding the convocation way of announcement of the Shareholder Meeting as follows: “The Shareholders’ Meeting shall be announced in a national newspaper chosen by the Board or on the web site of the company, no earlier than three months before the Shareholders’ Meeting and no later than 21 days before the Shareholders’ Meeting. The invitation must in any event be given no later than nine (9) days before the record date of the Shareholders Meeting.”

**SHARE ISSUE**

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. The Company’s largest shareholder, Grimaldi Compagnia di Navigazione S.p.A., committed on its own and its subsidiaries’ behalf to subscribe for its relative portion of the new shares and gave an underwriting commitment concerning all new shares that would otherwise possibly remain unsubscribed for in the offering.

All offered shares were subscribed for in the rights issue completed at the end of May. A total of 4,008,441 shares, representing approximately 85.6 per cent of the offered shares, were subscribed in the primary subscription. In the secondary subscription 7,451 shares, representing 0.2 per cent of the offered shares, were subscribed for. The remaining 666,212 shares, approximately 14.2 per cent of the offered shares, were subscribed for based on the underwriting commitment.

Shares subscribed for in the primary subscription were subject to public trading on NASDAQ OMX Helsinki Ltd since 3 June 2013. The new shares are traded together with the old shares as of 7 June 2013.

The gross proceeds raised by Finnlines in the rights issue were approximately EUR 28.8 (net proceeds 28.4) million. The net proceeds are used to strengthen the Company’s capital structure.

Following the registration of the new shares with the Trade Register, the number of Finnlines Plc’s shares amounts to 51,503,141 shares and share capital to EUR 103,006,282.00.

**RISKS AND RISK MANAGEMENT**

Finnlines is exposed to business risks that arise from 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 when the aging fleet is scrapped, on the other hand, and when more stringent sulphur directive requirements come into force, on the other. Finnlines operates mainly in the Emissions Control Areas where the emission regulations are stricter than globally. The sulphur content limit for heavy fuel oil will decrease to 0.1 per cent in 2015 in accordance with the MARPOL Convention. This brings a risk of increased costs in sea transportation. But considering that Finnlines has one of the youngest and largest fleet in Northern Europe, and the Company is doing targeted investment on engine systems and energy efficiency, the Company is in the strong position to greatly mitigate this risk. The effect of fluctuations in the foreign trade is reduced by the fact that the Company operates in several geographical areas. This means that slow growth in one country is compensated by faster recovery in another. Finnlines continuously monitors the solidity and payment schedules of its customers and suppliers. Currently, there are no indications of risks related to counterparties and Finnlines continues to monitor the financial position of its counterparties. Finnlines holds adequate credit lines to maintain liquidity in the current business environment.

Detailed information on Finnlines' financial risks and risk management can be found in the Notes to the Consolidated Financial Statements, in Note 33. Financial Risk Management. The legal cases are presented under Essential legal proceedings (in Note 34.). The risk management procedures of the Company are presented in more detail on the Company's website under Corporate Governance.

**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.

**ENVIRONMENT AND SAFETY**

The objective of Finnlines' safety and environmental policy is to provide safe, top-quality services while making efforts to minimise the environmental impacts in every aspect of operations. The environmental management system encompasses programmes and practices to minimise the environmental effects of operations. In comparison with other transport modes, shipping is energy-efficient, with lower $CO_2$ emissions. Transferring the carriage of goods from road to sea also reduces congestion and noise on roads.

In 2013, the environmental certificate, which complies with the ISO 14 001:2004 standard, was renewed, covering management of a total of 20 vessels. The Finnsteve companies hold a valid ISO 14 001 environmental certificate and an ISO 9001 quality certificate.

Finnlines operates mainly in the Emissions Control Areas, i.e. the Baltic Sea, North Sea and English Channel where the emission regulations are stricter than globally. Today, the sulphur content limit for heavy fuel oil is 1.0 per cent but the limit will decrease to 0.1 per cent in 2015 in accordance with the MARPOL Convention. Today's global limit is 3.5 per cent but the plan is to decrease it to 0.5 percent in 2020.

Finnlines optimises its transports, routes and timetables to achieve the highest possible capacity utilisation, which minimises the environmental stress per transported cargo unit. Fuel consumption can be reduced by optimising route, speed, load, and engine mode.

Finnlines' newest ro-ro ships have been fitted with modern bulb rudders, which have reduced fuel consumption compared with sister vessels.

The majority of Finnlines ships have established a Ship Energy Efficiency Management Plan (SEEMP), the purpose of which is to identify energy-saving measures and to establish practices to improve the energy efficiency of a ship's operation.

In 2013, Finnlines' vessel traffic consumed 352,600 tons of heavy fuel oil and diesel oil, representing a decrease of around 4 per cent compared with 2012.

Safety is one of the most important environmental aspects in shipping. All vessels comply with the requirements of the International Safety Management Code (ISM Code). The vessels are regularly inspected and audited by the maritime administration and classification societies.

**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.

**EVENTS AFTER THE REPORTING PERIOD**

Finnlines Plc's German subsidiary, Finnlines Deutschland GmbH, sold MS Transrussia to Finnlines Plc at the market price of EUR 30.6 million which corresponds to the book value of the vessel. The sale will have no effect on the Finnlines Group's result.

**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.

According to the consolidated statement of financial position, the equity attributable to parent company shareholders equals to EUR 462.3 (428.8) million at the end of the reporting period.

**ANNUAL GENERAL MEETING 2014**

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.

Naples, 27 February 2014

Finnlines Plc, The Board of Directors

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

| EUR 1,000 | Note | **1 Jan – 31 Dec 2013** | 1 Jan – 31 Dec 2012 |
|---|---|---|---|
| **Revenue** | 3, 6 | **563,587** | 609,329 |
| | | | |
| Other income from operations | 7 | **5,329** | 5,702 |
| Materials and services | 8 | **-229,690** | -247,237 |
| Personnel expenses | 9 | **-102,584** | -109,009 |
| Depreciation, amortisation and impairment losses | 10 | **-65,583** | -66,095 |
| Other operating expenses | 11 | **-152,983** | -169,030 |
| Total operating expenses | | **-550,840** | -591,371 |
| **Result before interest and taxes (EBIT)** | | **18,075** | 23,660 |
| | | | |
| Financial income | 12 | **526** | 747 |
| Financial expense | 12 | **-25,335** | -26,013 |
| **Result before taxes (EBT)** | | **-6,734** | -1,606 |
| | | | |
| Income taxes * | 13 | **12,744** | 1,539 |
| **Result for the reporting period** | | **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 | | **-9** | 2 |
| Changes in cash flow hedging reserve | | | |
| Fair value changes | | | 13 |
| Transfer to tangible assets | | | 3,178 |
| Tax effect, net | | **2** | -782 |
| Other comprehensive income to be reclassified to profit and loss in subsequent periods, total | | **-7** | 2,411 |
| **Other comprehensive income not being reclassified to profit and loss in subsequent periods:** | | | |
| Remeasurement of defined benefit plans | | **-399** | -150 |
| Tax effect, net | | **1** | 7 |
| | | | |
| Other comprehensive income not being reclassified to profit and loss in subsequent periods, total | | **-398** | -143 |
| **Total comprehensive income for the reporting period** | | **5,606** | 2,201 |
| | | | |
| **Result for the reporting period attributable to:** | | | |
| Parent company shareholders | | **5,997** | -27 |
| Non-controlling interests | | **14** | -39 |
| | | **6,011** | -66 |
| **Total comprehensive income for the reporting period attributable to:** | | | |
| Parent company shareholders | | **5,592** | 2,241 |
| Non-controlling interests | | **14** | -39 |
| | | **5,606** | 2,201 |
| **Result for the reporting period attributable to parent company shareholders calculated as earnings per share (EUR/share)** | 14 | | |
| Undiluted / diluted earnings per share | | **0.12** | 0.00 |

With effect from 1 January 2013, the Finnlines Group has adopted the revised IAS 19 Employee benefits standard.
Resulting from the amendment, Finnlines' consolidated statement of financial position for 2012 has been restated in compliance with the requirements prescribed in the revised standard.
* In Finland, the corporate tax rate decreased from 24.5 per cent to 20 per cent starting 1 January 2014. In 2013, the non-recurring positive effect of the tax rate change was EUR 9.4 million.
* In Sweden, the corporate tax rate decreased from 26.3 per cent to 22 per cent starting 1 January 2013. In 2012, the non-recurring positive effect of the tax rate change was EUR 2.9 million.
All figures in the Consolidated Financial Statements have been rounded and, consequently, the sum of individual figures may deviate from the sum presented.
See Notes, which are an integral part the Financial Statements, starting on page 14.

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

| EUR 1,000 | Note | **31 Dec 2013** | Restated * 31 Dec 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **1,084,389** | 1,260,295 |
| Goodwill | 17 | **105,644** | 105,644 |
| Other intangible assets | 17 | **5,836** | 6,629 |
| Other financial assets | 20 | **4,580** | 4,581 |
| Receivables | 21 | **43** | 768 |
| Deferred tax assets | 22 | **1,370** | 1,792 |
| | | **1,201,861** | 1,379,709 |
| **Current assets** | | | |
| Inventories | 23 | **8,832** | 9,759 |
| Accounts receivable and other receivables | 24 | **85,251** | 74,087 |
| Income tax receivables | | **1** | 24 |
| Cash and cash equivalents | 25 | **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 | 26 | **103,006** | 93,642 |
| Share premium account | 26 | **24,525** | 24,525 |
| Fair value reserve | 26 | | 0 |
| Translation differences | | **109** | 116 |
| Fund for invested unrestricted equity | 26 | **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 | 22 | **57,560** | 71,444 |
| Interest-free liabilities | 29 | **3,242** | 1,325 |
| Pension liabilities | 32 | **3,982** | 3,710 |
| Provisions | 27 | **1,980** | 5,100 |
| Interest-bearing liabilities ** | 28 | **557,759** | 712,985 |
| | | **624,523** | 794,564 |
| **Current liabilities** | | | |
| Accounts payable and other liabilities | 29 | **72,815** | 74,504 |
| Current tax liabilities | | **27** | 108 |
| Provisions | 27 | **3,715** | 48 |
| Current interest-bearing liabilities ** | 28 | **134,715** | 181,848 |
| | | **211,273** | 256,508 |
| **Total liabilities** | | **835,796** | 1,051,072 |
| **Total shareholders' 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.
See Notes starting on page 14.

(figures in EUR thousand, if not stated otherwise)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

| EUR 1,000 | Equity attributable to parent company shareholders | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | Total | | |
| **Reported equity 1 January 2013** | **93,642** | **24,525** | **116** | | **21,015** | **289,990** | **429,289** | **838** | **430,127** |
| Effect of revised IAS 19 | | | | | | -1,338 | -1,338 | | -1,338 |
| **Restated equity 1 January 2013** | **93,642** | **24,525** | **116** | | **21,015** | **288,652** | **427,951** | **838** | **428,788** |
| **Comprehensive income for the year:** | | | | | | | | | |
| Result for the reporting period | | | | | | 5,997 | 5,997 | 14 | 6,011 |
| Exchange differences on translating foreign operations | | | -9 | | | | -9 | | -9 |
| Changes in cash flow hedging reserve | | | | | | | | | |
| Fair value changes | | | | | | | | | |
| Transfer to tangible assets | | | | | | | | | |
| Remeasurement of defined benefit plans | | | | | | -399 | -399 | | -399 |
| Tax effect, net | | | 2 | | | 1 | 3 | | 3 |
| **Total comprehensive income for the year** | | | **-7** | | | **5,599** | **5,592** | **14** | **5,606** |
| **Share issue*** | 9,364 | | | | 19,001 | | 28,365 | | 28,365 |
| **Changes in non-controlling interestswithout change in controlling interest** | | | | | | 390 | 390 | -491 | -102 |
| **Equity 31 December 2013** | **103,006** | **24,525** | **109** | | **40,016** | **294,641** | **462,297** | **360** | **462,658** |

* Transaction costs of the share issue amounted to EUR 0.4 million.

1. Share capital
2. Share issue premium
3. Translation differences
4. Fair value reserves
5. Fund for invested unrestricted equity
6. Retained earnings

(figures in EUR thousand, if not stated otherwise)

| EUR 1,000 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Equity attributable to parent company shareholders | | | | | | | Non-controlling interests | Total equity |
| | 1 | 2 | 3 | 4 | 5 | 6 | Total | | |
| **Reported equity 1 January 2012** | **93,642** | **24,525** | **114** | **-2,409** | **21,015** | **290,017** | **426,905** | **877** | **427,782** |
| Effect of revised IAS 19 | | | | | | -1,195 | -1,195 | | -1,195 |
| **Restated equity 1 January 2012** | **93,642** | **24,525** | **114** | **-2,409** | **21,015** | **288,822** | **425,710** | **877** | **426,587** |
| **Comprehensive income for the year:** | | | | | | | | | |
| Result for the reporting period | | | | | | -27 | -27 | -39 | -66 |
| Exchange differences on translating foreign operations | | | 2 | | | | 2 | | 2 |
| Changes in cash flow hedging reserve | | | | | | | | | |
| Fair value changes | | | | 13 | | | 13 | | 13 |
| Transfer to tangible assets | | | | 3,178 | | | 3,178 | | 3,178 |
| Remeasurement of defined benefit plans | | | | | | -143 | -143 | | -143 |
| Tax effect, net | | | | -782 | | | -782 | | -782 |
| **Total comprehensive income for the year** | | | **2** | **2,409** | | **-170** | **2,241** | **-39** | **2,201** |
| **Equity 31 December 2012** | **93,642** | **24,525** | **116** | **0** | **21,015** | **288,652** | **427,951** | **838** | **428,788** |

1. Share capital
2. Share issue premium
3. Translation differences
4. Fair value reserves
5. Fund for invested unrestricted equity
6. Retained earnings

(figures in EUR thousand, if not stated otherwise) 12

## CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

| EUR 1,000 | Note | **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 | 31 | **61,609** | 65,526 |
| Unrealised foreign exchange gains (-) / losses (+) | 31 | **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 (+) / decrease (-) 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.

See Notes starting on page 14.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

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 Group's ro-pax vessels carry passengers between five countries and eleven ports. The Company also provides port services in Helsinki, Turku and Kotka. Finnlines has subsidiaries in Germany, Belgium, Great Britain, Sweden, Denmark and Poland. Finnlines is a Finnish listed company and a part of the Italian Grimaldi Group.

The Group's parent company, 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 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 27 February 2014. In accordance with the Finnish Companies Act, the financial statements are presented for approval to the Annual General Meeting.

## 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 2013. 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 during the reporting period ended**

Finnlines Group has applied as from 1 January 2013 the following new and amended standards that have come into effect.

- Amendments to IAS 1 *Presentation of Financial Statements*: The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met. The amendments had an impact on the presentation of Group's other comprehensive income.
- Amendment to IAS 19 *Employee Benefits*: The major changes are as follows: all actuarial gains and losses are immediately recognised in other comprehensive income, i.e. the corridor approach is no longer applied, and finance costs are calculated on a net funding basis. The amended standard has been applied retrospectively as required under the transitional provisions. The unrecognized actuarial gains and losses have been recorded in the opening statement of financial position as of 1 January 2012 of the comparative year. The comparative information for the reporting period 2012 has been adjusted in accordance with the amended standard. See Note 32.
- IFRS 13 *Fair Value Measurement*: IFRS 13 establishes a single source for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. IFRS 13 has not had any impact on Finnlines' consolidated financial statements.
- Annual Improvements to IFRSs 2009-2011 (May 2012): 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 cover in total five standards. Their impact has not been significant.
- Amendments to IFRS 7 *Financial Instruments: Disclosures*: The amendments clarify disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amended standard has not had a significant impact on Finnlines' consolidated financial statements.

### ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE IN FUTURE FINANCIAL YEARS

Finnlines has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

* = not yet endorsed for use by the European Union as of 31 December 2013.

- IFRS 10 *Consolidated Financial Statements* and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not assessed to have a material impact on Finnlines' consolidated financial statements.
- IFRS 11 *Joint Arrangements* and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The new standard is not assessed to have a material impact on Finnlines' consolidated financial statements.
- IFRS 12 *Disclosures of Interests in Other Entities* and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard will expand the notes the Group provides for its interests in other entities. The new standard is not assessed to have a material impact on Finnlines' consolidated financial statements.
- IAS 27 *Separate Financial Statements* (revised 2011) and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): The revised standard includes the provisions on separate IFRS financial statements that were left after the control provisions were included in the new IFRS 10. The revised standard will not have an impact on Finnlines' consolidated financial statements.
- IAS 28 *Investments in Associates and Joint Ventures* (revised 2011) (in the EU effective for financial years beginning on or after 1 January 2014): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard is not assessed to have a significant impact on Finnlines' consolidated financial statements.
- Amendments to IAS 32 *Financial Instruments: Presentation* (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amendments are not assessed to have a significant impact on Finnlines' consolidated financial statements.
- Amendments to IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (effective for financial years beginning on or after 1 January 2014): The disclosure requirements added to the standard deal with the recoverable amount based on fair value less costs of disposal. The amended standard is not assessed to have a significant impact on Finnlines' consolidated financial statements.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (effective for financial years beginning on or after 1 January 2014): The amendments made to IAS 39 provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in the counterparty to a hedging instrument so that clearing for that instrument is achieved. The amendments are not assessed to have an impact on Finnlines' consolidated financial statements.
- IFRIC 21 Levies* (effective for financial years beginning on or after 1 December 2014): The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation is not assessed to have a significant impact on Finnlines' consolidated financial statements.
- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions* (effective for financial years beginning on or after 1 July 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments are not assessed to have an impact on Finnlines' consolidated financial statements.
- Annual Improvements to IFRSs (2011-2013 cycle* and 2011-2012 cycle*, December 2013) (effective for financial years beginning on or after 1 July 2014): 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 cover in total four (2011-2013 cycle) and seven (2010-2012 cycle) standards. Their impacts vary standard by standard but are not significant.
- IFRS 9 *Financial Instruments** and subsequent amendments (the effective date will be determined in due course): IFRS 9 is the first step of the IASB's originally three-phase project to replace the current IAS 39 *Financial Instruments: Recognition and Measurement*. The amendments resulting from the first phase (published in November 2009) address the classification and measurement of financial assets. Based on measurement, financial assets are classified into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. The amendments published in October 2010 deal with the classification and measurement of financial liabilities and the standard retains most of the related IAS 39 requirements. Amendments dealing with general hedge accounting were issued in November 2013. The unfinished part of IFRS 9, impairment of financial assets, is still a work in progress. Furthermore, the IASB is also considering limited amendments regarding the classification and measurement of financial assets. The macro hedge accounting phase has been taken apart from the IFRS 9 project as a separate project. As the IFRS 9 project is incomplete, the impacts of the standard on the consolidated financial statements cannot yet be assessed.

**Accounting principles that require management discretion and essential uncertainties related to estimates**
When preparing the financial statements, the Group's management must make estimates and assumptions, which affect their content, and use its discretion in applying the accounting principles. The most significant of these relate to the impairment of goodwill and other assets and to provisions and contingent liabilities. Bases for these estimates and assumptions are described in more detail in these accounting principles and in the relevant notes to the consolidated financial statements. The estimates are based on the best current knowledge of the management, but the actual figures may even substantially differ from these estimates.

## CONSOLIDATION PRINCIPLES

**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.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. According to IFRS 3 in effect, 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.

## 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 in Sweden, where the functional currency used is EUR. The Consolidated Financial Statements are presented in EUR, 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 profit and loss accounts of Group companies located outside the euro area are translated into EUR using weighted average exchange rates. Statement 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.

## PROPERTY, PLANT AND EQUIPMENT

Fixed assets are valued at their acquisition cost, deducted by depreciation and impairments 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 book value. They can be recognised as a separate asset only if it is likely that the future economic benefits associated with the item will be beneficial 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 | 30-35 years |
| Buildings | 10-40 years |
| Constructions | 5-10 years |
| Stevedoring machinery and equipment | 5-25 years |
| Light machinery and equipment | 3-10 years |
| Dry-docking | 2-5 years |

Second-hand vessels are depreciated over their estimated useful lives. 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 fixed assets. 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 as an adjustment of the personnel expenses of the vessels to which they relate. Government grants related to Germany-flagged vessels are recognised in other operating expenses.

## 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 |
| Other intangible assets | 3-20 years |

**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.

(figures in EUR thousand, if not stated otherwise) 17

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.

**Other intangible assets**
Other 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.

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.

In accordance with IAS 39, all financial assets are evaluated on each end of the reporting period to see whether there is objective evidence of impairment of an item or a group of items under the financial assets. A credit loss is recognised for accounts receivable when there is a reliable indication that it will not be possible to collect the receivable in accordance with the original terms. The amount of the credit loss is the difference between the receivables' carrying value and realisable present value. Impairment losses recognised through profit or loss for investments in equity instruments classified as available-for-sale are not reversed in subsequent years' profit and loss accounts.

## FINANCIAL ASSETS AND LIABILITIES

**Financial assets**
The Group's financial assets are classified in accordance with the standard as follows: financial assets at fair value through profit or loss, held-to-maturity investments, loans and other receivables and available-for-sale financial assets. The classification is dependent on the original purpose of the acquisition of the financial assets. The classification is determined at the time of the acquisition of the financial assets and is reviewed regularly. Transaction costs are included in the original carrying value of financial assets for assets that are not recognised at fair value through profit or loss. All financial asset acquisitions and sales are recognised at the transaction date.

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

The "Financial assets at fair value through profit or loss" category includes assets held for trading as well as assets that were originally recognised at fair value through profit or loss. The aim of financial assets held for trading is to produce profits in the short term (less than 12 months), and they are recognised under current assets. Derivatives which do not meet the conditions for hedge accounting are classified as assets held for trading. The assets in this category are valued at their fair value. Unrealised and realised profits and losses arising from changes in fair value are recognised in the profit and loss account in the reporting period during which they arise.

Held-to-maturity investments are valued at amortised cost. During 2013, the Group had no financial assets to be classified into this category.

Subsequent to initial recognition available-for-sale financial assets are valued at fair value. Generally the fair value of investments in this category is determined based on quoted prices published on the active market, i.e. bid quotations at the balance sheet date. Unrealised gains and losses arising from valuation at fair value are recognised in the fair value reserve under shareholders' equity. If financial assets available-for-sale are sold or permanently impaired, the cumulative gains and losses are recognised in the profit and loss account under financial income and expenses. Available-for-sale financial assets are included in non-current assets unless the Company intends to sell them within the 12 months following the end of the reporting period, in which case they are included under current assets.

Loans and other receivables are assets whose payments are fixed or can be reliably determined, and which are not quoted on the active market or held for trading. This category includes financial assets that have been acquired by transferring money, goods or services to a debtor. These items are valued at amortised cost. Within Finnlines these items include accounts receivable and other receivables, granted loans and fixed-term deposits with a maturity longer than three months.

Cash and cash equivalents include cash in hand and at bank as well as other highly liquid assets with a low risk of change of value and with original maturity at acquisition date of less than three months.

**Financial liabilities**
Financial liabilities are initially recognised at the value of the original loan amount less any attributable transaction costs incurred in relation to the acquisition or issuing of the financial liability item in question. Subsequent, all financial 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.

Derivatives that do not meet the conditions of hedge accounting or for which hedge accounting is not applied are classified as assets held for trading and are valued at fair value. Negative derivative fair values are recognised under short-term liabilities on the statement of financial position.

**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 16. Property, plant and equipment.

## DERIVATIVES AND HEDGE ACCOUNTING

Derivative contracts are recognised at an acquisition cost that corresponds to their fair value at the date of acquisition. After acquisition, derivative contracts are measured at fair value, which is determined on the basis of bid and sales quotations published in the active market. Gains and losses arising from fair value measurement are recognised based on the purpose of derivative contracts.

**Hedge accounting**
The Group may hedge against risks arising from changes in foreign currency rates. Such risks include acquisitions of vessels made partly or fully in a foreign currency. The Group ordered six ro-ro vessels from the Chinese Jinling shipyard, out of which two vessels were delivered in 2011 and the remaining four vessels in 2012. These ships were paid partly in USD but the instalments were fully hedged against changes in the EUR/USD exchange rate. The Group applies hedge accounting in accordance with IAS 39 to these derivative contracts for the spot part of the forward exchange. It is considered as hedging of a highly probable cash flow.

At the inception of a hedge relationship, the Group documents the relationship between the hedging instruments and hedged item, as well as its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents and evaluates whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is presented in other comprehensive income and is recorded in the fair value reserve under shareholders' equity. The gains and losses recognised in shareholders' equity are transferred to the profit and loss account for the accounting period in which the hedged item is recognised in the income statement. The ineffective portion of the hedge relationship is recognised in financial income or expenses. When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in shareholders' equity are transferred from equity and included in the acquisition cost of the asset.

The fair values of the derivative instruments used for hedging purposes are presented in the notes. When the hedging instrument for a cash flow item expires or is sold or no longer qualifies for hedge accounting, any cumulative gain or loss deferred in shareholders' equity at that time remains in shareholders' equity until the forecast transaction occurs. However, if the forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in shareholders' equity is recognised immediately in the profit and loss account.

Even though some hedging relationships may fulfil the requirements set by the Group's risk management on effective hedging, hedge accounting in accordance with IAS 39 is not applied to them. Such instruments include any derivatives hedging against foreign currency risk related to operations, and interest rate derivatives hedging against interest rate risk of debt portfolio, whose fair value changes are recognised in financial income and expenses. In the statement of financial position these items are shown, according to their nature, under either short- or long-term receivables or payables.

## LEASES

**The Group as a lessee**
Leases with the Group as leaseholder, where a significant proportion of the risks and benefits associated with ownership remain with the lessor, are classified as operating leases, and the leases paid in relation to them are recognised as expenses in the profit and loss account on a straight-line basis over the period of the lease.

Leases in which the Company has assumed a significant proportion of the risks and benefits associated with ownership are classified as finance leases. Finance leases are recognised on the statement of financial position as assets and liabilities on the start date of the lease period at a value equivalent to the lower of the fair value of the leased goods or the present value of the minimum lease, which are determined on the date of contract. Minimum leases are divided into financial expenses and loan repayments. Financial expenses are recognised as expenses in the profit and loss account and allocated over the reporting periods within the lease contract period to the extent that the outstanding loan in each period has an equal interest rate. Depreciation of the leased assets subject to depreciation is calculated according to the same principles as depreciation of owned assets. If there is reasonable certainty that the Group will obtain ownership of an asset before the end of its lease period, the asset's estimated useful life is the same as its economic life. Otherwise, the asset is depreciated within the shorter of the lease period or the useful life.

**The Group as a lessor**
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Leases where the Group acts as a lessee of vessels under operating leases but where the Group generates income through subleasing these, are also classified as operating leases. Lease income from operating leases is recognised in income on a straight-line basis over the lease term, and in case of vessels, normally adjusted with the non-usable days for the lessee.

## 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 up to the amount at which it is likely that taxable income will be generated in the future, against which the tax receivables can be used. 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.

## 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 organised through external pension insurance companies. The Finnish TyEL pension insurance organised through 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.

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**
The IFRS 2 standard is applied to all share option schemes in which options have been granted after 7 November 2002, but did not vest before 1 January 2005. Expenses for any previous share option schemes have not been recognised in the profit and loss account. At the end of the reporting period, the Group had no share option 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. 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's revenue is mainly generated through sales of services which are principally port operations and transports of cargo and passengers. Revenue is recognised as the services are rendered. Revenue port services is deferred relating to the uncompleted part of these services on each reporting date. Revenue is measured at the fair value of the consideration received or receivable adjusted according to indirect taxes, revenue adjustments and exchange rate differences. Revenue from time chartered vessels is recognised based on chartered days.

## INTERESTS AND DIVIDENDS

Interests are recorded using the effective interest method and the divends 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 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. Segment results are used to evaluate performance and allocate resources by the Executive Committee together with the Board of Directors in their role as Chief operating decision maker.

### 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, NordöLink and TransRussiaExpress traffic.

### PORT OPERATIONS

During the reporting period, Finnlines engaged in port operations under the name Finnsteve in the ports of Helsinki, Turku and Kotka 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 2013:** | | | | |
| Total revenue from segment | 538,588 | 50,117 | | 588,704 |
| Intra-group revenue | -205 | 25,322 | -25,117 | -25,117 |
| **External revenue** | **538,792** | **24,794** | | **563,587** |
| | | | | |
| **Result before interest and taxes (EBIT)** | **27,881** | **-9,806** | | **18,075** |
| Financial items | | | | -24,809 |
| Income taxes | | | | 12,744 |
| **Result for reporting period** | | | | **6,011** |

| EUR 1,000 | Shipping and Sea Transport Services | Port Operations | Eliminations | Group |
|---|---|---|---|---|
| **Result per segment for reporting period ending 31 Dec 2012:** | | | | |
| Total revenue from segment | 574,843 | 58,488 | | 633,331 |
| Intra-group revenue | -273 | 24,274 | -24,002 | -24,002 |
| **External revenue** | **575,115** | **34,214** | | **609,329** |
| | | | | |
| **Result before interest and taxes (EBIT)** | **34,033** | **-10,372** | | **23,660** |
| Financial items | | | | -25,266 |
| Income taxes | | | | 1,539 |
| **Result for reporting period** | | | | **-66** |

Intra-group transfers and transactions are carried out using normal commercial conditions, equivalent to those used with external parties. All intra-group revenue is eliminated in the consolidated financial statements.

(figures in EUR thousand, if not stated otherwise) 22

**Segment assets, liabilities and capital expenditure for 2013 and 2012**

| EUR 1,000 | Shipping and Sea Transport Services | Port Operations | Eliminations | Group |
|---|---|---|---|---|
| **Non-cash expenses in the profit and loss account** | | | | |
| **2013** | | | | |
| Depreciation | -59,358 | -6,225 | | -65,583 |
| Impairment losses in accounts receivable | -116 | 9 | | -107 |
| | | | | |
| **2012** | | | | |
| Depreciation | -59,082 | -7,014 | | -66,095 |
| Impairment losses in accounts receivable | -1,269 | -42 | | -1,311 |
| | | | | |
| **Assets, liabilities and capital expenditure by segment** | | | | |
| **2013** | | | | |
| Segment assets | 1,206,355 | 85,655 | -1,124 | 1,290,886 |
| Unallocated assets | | | | 7,568 |
| **Total assets** | **1,206,355** | **85,655** | **-1,124** | **1,298,453** |
| | | | | |
| Segment liabilities | 63,946 | 11,149 | -579 | 74,515 |
| Unallocated liabilities | | | | 761,280 |
| **Total liabilities** | **63,946** | **11,149** | **-579** | **835,796** |
| | | | | |
| **Capital expenditure** | **9,789** | **371** | | **10,160** |
| | | | | |
| **Segment assets, liabilities and capital expenditure** | | | | |
| **2012** | | | | |
| Segment assets | 1,367,557 | 92,276 | -1,629 | 1,458,203 |
| Unallocated assets | | | | 21,658 |
| **Total assets** | **1,367,557** | **92,276** | **-1,629** | **1,479,861** |
| | | | | |
| Segment liabilities | 63,190 | 11,129 | -422 | 73,897 |
| Unallocated liabilities | | | | 977,176 |
| **Total liabilities** | **63,190** | **11,129** | **-422** | **1,051,072** |
| | | | | |
| **Capital expenditure** | **66,499** | **552** | | **67,052** |

Segment assets mainly consist of tangible and intangible assets, inventories and receivables. They do not include tax or financial items (e.g. bank and cash) or assets shared by the Group as a whole. 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 16. Property, Plant and Equipment) and intangible assets (Note 17. Goodwill and Other Intangible Assets).

(figures in EUR thousand, if not stated otherwise)

### 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 | **2013** | 2012 |
|---|---|---|
| **Revenue** | | |
| Finland | **242,991** | 261,570 |
| Sweden | **77,912** | 82,076 |
| Germany | **87,046** | 83,686 |
| Other EU countries | **131,258** | 147,915 |
| Other | **24,380** | 34,083 |
| | **563,587** | 609,329 |
| | | |
| **Assets *** | | |
| Finland | **738,295** | 507,833 |
| Sweden | **377,967** | 477,829 |
| Germany | **72,778** | 115,630 |
| Other EU countries | **6,828** | 271,276 |
| | **1,195,868** | 1,372,568 |

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

There are no customers in the Group whose revenue would exceed 10 per cent of the Group total revenues.

## 4. DISCONTINUED OPERATIONS

In 2013 or 2012, there were no operations to be classified under IFRS 5.

## 5. ACQUIRED NON-CONTROLLING INTERESTS

In November 2013, the controlled company Oy Intercarriers Ltd bought its own shares from a minority shareholder for an amount of EUR 102 thousand. The operation resulted for Finnlines Plc in an increase of owned shares in Oy Intercarriers Ltd, which passed from 51 per cent to 78.5 per cent.

| EUR 1,000 | **2013** |
|---|---|
| **Acquisition of non-controlling interests** | |
| Company's ownership interests at 1 Jan | **872** |
| Effect of increase in Company's ownership interests | **390** |
| Share of other comprehensive income | **51** |
| Company's ownership interests at 31 Dec | **1,312** |

## 6. REVENUE

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| **Revenue** | | |
| Sale of goods | **10,225** | 11,635 |
| Rendering of services | **542,924** | 591,549 |
| Vessel hires | **10,438** | 6,146 |
| | **563,587** | 609,329 |

(figures in EUR thousand, if not stated otherwise) 24

## 7. OTHER INCOME FROM OPERATIONS

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| **Other income from operations** | | |
| Rental income | **1,192** | 642 |
| Profits from sale of tangible assests | **3,977** | 728 |
| Other income from operations | **160** | 4,332 |
| | **5,329** | 5,702 |

The vessels MS Europalink, MS Transeuropa and MS Translubeca were sold in 2013.

Other income from operations include a non-recurring compensation of EUR 3.4 million received from the Jinling shipyard in 2012 for the first two newbuildings covering the losses of income.

## 8. MATERIALS AND SERVICES

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| **Cost of services provided** | | |
| Materials and supplies | | |
| Purchases during reporting period | **-170,426** | -190,979 |
| Change in inventories | **-927** | 856 |
| Purchased services | **-58,337** | -57,114 |
| | **-229,690** | -247,237 |

## 9. PERSONNEL EXPENSES

| EUR 1,000 | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Employee benefit expenses** | | | |
| Salaries | **-97,512** | -102,934 | -98,057 |
| Other social costs | **-12,545** | -17,022 | -16,061 |
| Pension expenses – defined contribution plans | **-12,958** | -13,367 | -14,202 |
| Pension expenses – defined benefit plans | **-174** | -284 | -456 |
| Government grants for shipping companies | **20,603** | 24,599 | 20,828 |
| | **-102,584** | -109,009 | -107,948 |
| | | | |
| **Average number of Group employees** | | | |
| Shipping and Sea Transport Services | **1,388** | 1,518 | 1,456 |
| Port Operations | **473** | 505 | 620 |
| | **1,861** | 2,023 | 2,076 |
| | | | |
| Number of employees on 31 Dec 2013 | **1,806** | 2,009 | 2,041 |

Information regarding the employee benefits of senior management is presented in the Related Parties Section, Note 35.

According to European guidelines for international tonnage tax scheme valid throughout Europe, Finnlines benefited for the amount of EUR 20.6 (24.6) million of government grants for personnel expenses, likewise many other shipowners in European countries. In Finland, the amount corresponds to the tax withheld in advance of seamen's income, and the amount paid by the employer for the seamen’s social security fees, pension fees and employee’s 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 in employer’s social fees.

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

## 10. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| **Depreciation of tangible assets** | | |
| Buildings | **-2,564** | -2,787 |
| Machinery and equipment | **-4,111** | -4,772 |
| Vessels | **-57,566** | -56,902 |
| Amortisation of intangible assets | **-1,343** | -1,634 |
| **Total depreciation and amortisation** | **-65,583** | -66,095 |

## 11. OTHER OPERATING EXPENSES

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| Port expenses, equipment and other voyage related costs | **-65,682** | -71,354 |
| Leases | **-18,580** | -24,056 |
| Manning service costs and other non-obligatory personnel costs | **-6,159** | -7,337 |
| Vessel insurances, repairs and maintenance costs | **-30,555** | -30,758 |
| Catering costs | **-11,288** | -10,623 |
| IT costs | **-2,504** | -2,757 |
| Sales and marketing costs | **-3,462** | -3,380 |
| Real estate costs excluding rents and leases | **-3,705** | -4,113 |
| Other costs | **-11,050** | -14,652 |
| | **-152,983** | -169,030 |

In 2013, the Company had less in-chartered tonnage than in 2012.

Manning service costs are net of German government grants for sea personnel which is a fixed sum per employee depending on which level the employee is working.

**Auditor's remuneration**

The Group's principal auditors were KPMG Oy Ab in 2013.

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| Audit fees | | |
| KPMG | **151** | |
| Deloitte & Touche | **81** | 209 |
| Other | **18** | 40 |
| Tax consultancy and other fees | | |
| KPMG | **142** | |
| Deloitte & Touche | **69** | 102 |
| Other | **16** | 3 |
| | **478** | 354 |

(figures in EUR thousand, if not stated otherwise)

## 12. FINANCIAL INCOME AND EXPENSES

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| Dividend income, available-for-sale assets | **12** | 25 |
| Derivative valuation at fair value (gain) | | |
| Currency derivatives, non-hedge accounting | | 15 |
| **Interest income** | | |
| Bank deposits | **5** | 11 |
| Loans and accounts receivable | **187** | 310 |
| Currency derivatives, non-hedge accounting | | 19 |
| **Exchange rate gains** | | |
| Other exchange rate gains | **321** | 368 |
| Other financial income | **2** | 0 |
| **Total financial income** | **526** | 747 |
| | | |
| **Interest expenses** | | |
| Borrowings measured at amortised cost | **-21,296** | -21,095 |
| Other interest expenses | **-87** | -144 |
| **Exchange rate losses** | | |
| Other exchange rate losses | **-594** | -660 |
| Other financial expenses | **-3,358** | -4,114 |
| **Total financial expenses** | **-25,335** | -26,013 |
| | | |
| **Net financial expenses** | **-24,809** | -25,266 |

(figures in EUR thousand, if not stated otherwise)

## 13. INCOME TAXES

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| Tax on taxable income of the reporting period | **-341** | -690 |
| Tax from previous periods | **-4** | 0 |
| Change in deferred taxes | **13,437** | 2,750 |
| Change in tax provision (increase) | **-347** | -520 |
| **Income taxes in profit and loss, expense (-)** | **12,744** | 1,539 |

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

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| Result before taxes | **-6,734** | -1,606 |
| Tax calculated using Finnish tax rate | **1,650** | 393 |
| Foreign subsidiaries' differing tax rates | **251** | -198 |
| Tax-exempt income and non-deductible expenses | **132** | 293 |
| Change in tax provision (increase) | **-347** | -520 |
| Effect of the tax rate change on tax (net)* | **9,353** | 2,920 |
| Losses for which no deferred tax asset was recognised** | **-2,455** | |
| Impact of tonnage tax*** | **3,749** | -1,349 |
| Tax from previous periods | **412** | 0 |
| **Income taxes in profit and loss, expense (-)** | **12,744** | 1,539 |

* As of 1 January 2014, the applicable tax rate in Finland changed from 24.5 per cent to 20.0 per cent.
* As of 1 January 2013, the applicable tax rate in Sweden changed from 26.3 per cent to 22 per cent.
** Finnsteve companies' share of unrecognised tax losses is EUR -2,239 thousand.
*** The Finland-based parent company Finnlines Plc joined to the Finnish tonnage taxation system. The adoption is binding until at least 31 December 2022. Current tax includes EUR 108 thousand of tonnage tax to be paid in Finland.
*** The Germany-based entity Finnlines Deutschland GmbH belongs to the German tonnage taxation system. The adoption is binding until 31 December 2018. Current tax includes EUR 26 (43) thousand of tonnage tax to be paid in Germany.

**Income tax on other comprehensive income**

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| Cash flow hedges | | -782 |
| Other | **3** | 7 |
| | **3** | -775 |

## 14. EARNINGS PER SHARE

**Undiluted**
Undiluted 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.

| | **2013** | 2012 |
|---|---|---|
| Result for the reporting period attributable to parent company shareholders, EUR 1,000 | **5,997** | -27 |
| Weighted average no. of shares, 1,000* | **49,782** | 47,344 |
| Undiluted earnings per share, EUR/share | **0.12** | 0.00 |

* Corrected by share issue adjustment factor.

## 15. DIVIDENDS

In 2013, as well as in 2012, EUR 0 was paid out as dividends (EUR 0.00 per share).

The parent company Finnlines Plc's result for the reporting 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.

(figures in EUR thousand, if not stated otherwise) 28

## 16. PROPERTY, PLANT AND EQUIPMENT

| 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 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 | |
| **Acquisition cost 31 Dec 2013** | **72** | **75,271** | **1,372,769** | **73,122** | **398** | **1,521,632** |
| | | | | | | |
| Accumulated depreciation and impairment losses 1 Jan 2013 | | -15,047 | -429,028 | -50,285 | | -494,360 |
| Exchange 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 and impairment losses 31 Dec 2013 | | -16,316 | -373,866 | -47,060 | | -437,243 |
| **Book value 31 Dec 2013** | **72** | **58,955** | **998,903** | **26,061** | **398** | **1,084,389** |

| 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 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 and impairment losses 1 Jan 2012 | | -12,916 | -372,235 | -56,435 | | -441,586 |
| Exchange 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 and impairment losses 31 Dec 2012 | | -15,047 | -429,028 | -50,285 | | -494,360 |
| **Book value 31 Dec 2012** | **72** | **61,419** | **1,168,409** | **29,405** | **991** | **1,260,295** |

* The carrying value for property, plant and equipment includes EUR 24.4 (27.7) million of capitalised borrowing costs during construction. Interest on property, plant and equipment is capitalized to the interest of the loan concerned.
** Finnlines sold the vessels MS Europalink, MS Transeuropa and MS Translubeca during the reporting period 2013.

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

**Assets leased through finance leases are included in property, plant and equipment as follows**

| EUR 1,000 | Machinery and equipment | Buildings | Total |
|---|---|---|---|
| **31 Dec 2013** | | | |
| Acquisition cost | 4,678 | 7,181 | 11,859 |
| Increases during reporting period | 22,712 | | 22,712 |
| Accumulated depreciation | **-3,951** | **-3,304** | **-7,255** |
| **Book value** | **23,439** | **3,877** | **27,316** |
| | | | |
| **31 Dec 2012** | | | |
| Acquisition cost | 4,678 | 7,181 | 11,859 |
| Accumulated depreciation | -2,462 | -2,994 | -5,456 |
| **Book value** | **2,216** | **4,187** | **6,403** |

Assets leased through finance leases consisted of machinery and equipment, one office building and two pier ramp constructions.

In April 2013, Finnlines' port subsidiaries sold four container cranes located in the Vuosaari Harbour to a financing company and rented them back with a five-year financing lease contract. The value of the contract was EUR 22.4 million.

## 17. GOODWILL AND OTHER INTANGIBLE ASSETS

| EUR 1,000 | Goodwill | Advance payments for intangible assets | Other intangible assets* | Total intangible assets |
|---|---|---|---|---|
| **Reporting period ending 31 Dec 2013** | | | | |
| Acquisition cost 1 Jan 2013 | 105,644 | 362 | 30,515 | 136,521 |
| Additions | | 482 | 67 | 549 |
| Disposals | | | -143 | -143 |
| Reclassifications | | -61 | 61 | |
| **Acquisition costs 31 Dec 2013** | **105,644** | **783** | **30,501** | **136,928** |
| | | | | |
| Accumulated amortisation and impairment losses 1 Jan 2013 | | | -24,248 | -24,248 |
| Cumulative amortisation on reclassifications and disposals | | | 143 | 143 |
| Depreciation for the reporting period | | | -1,343 | -1,343 |
| Accumulated amortisation and impairment losses 31 Dec 2013 | | | -25,449 | -25,449 |
| **Book value 31 Dec 2013** | **105,644** | **783** | **5,052** | **111,479** |

| EUR 1,000 | Goodwill | Advance payments for intangible assets | Other intangible assets* | Total intangible assets |
|---|---|---|---|---|
| **Reporting period ending 31 Dec 2012** | | | | |
| Acquisition cost 1 Jan 2012 | 105,644 | 378 | 31,386 | 137,407 |
| Additions | | 61 | 153 | 214 |
| Disposals | | | -1,100 | -1,100 |
| Reclassifications | | -76 | 76 | 0 |
| **Acquisition costs 31 Dec 2012** | **105,644** | **362** | **30,515** | **136,521** |
| | | | | |
| Accumulated amortisation and impairment losses 1 Jan 2012 | | | -23,715 | -23,715 |
| Cumulative amortisation on reclassifications and disposals | | | 1,100 | 1,100 |
| Depreciation for the reporting period | | | -1,634 | -1,634 |
| Accumulated amortisation and impairment losses 31 Dec 2012 | | | -24,248 | -24,248 |
| **Book value 31 Dec 2012** | **105,644** | **362** | **6,267** | **112,273** |

* Other intangible assets consist mainly of capitalised ERP system implementation projects and ERP licences. These systems and licences are expected to generate economic benefits over a time span longer than the reporting period.

(figures in EUR thousand, if not stated otherwise) 30

## GOODWILL IMPAIRMENT TESTING

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation principle has been unchanged since 2012, although there were minor changes in the vessel set-up due to the fleet re-organisation in the latter half of 2013. The goodwill related to Finland-Germany traffic is allocated to HansaLink traffic, which is operated with a vessel system between Finland, Germany and Poland. Goodwill related to South Sweden–Germany traffic is allocated to NordöLink traffic.

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| **Allocation of goodwill to the cash-generating units** | | |
| NordöLink | **68,972** | 68,972 |
| HansaLink (incl. Finland–Poland–Germany traffic) | **36,671** | 36,671 |
| **Total** | **105,644** | 105,644 |

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

The 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 management. The projections of the 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 development information.

During 2013, there were minor alterations in the traffic patterns between Finland, Germany and  Poland compared to the previous year. Three Star-class vessels continued to sail between Helsinki and Travemünde, but the ro-pax vessel deployed in the traffic between Helsinki and Poland was replaced by ro-ro vessel. Respectively, changes were made to the traffic schedule of ro-pax vessel sailing between Helsinki and Rostock.

NordöLink traffic continued, as in the previous year, with one large Star-class vessel and rotating smaller ro-pax vessels.

Both of these traffics operate in an Emissions Control Area, i.e. the Baltic Sea, where the sulphur content limit for heavy fuel oil will decrease to 0.1 per cent in 2015 in accordance with the MARPOL Convention. Finnlines continues looking at the efficient technical solutions to comply with the upcoming environmental regulations, but possible additional costs are assumed to increase the price level of sea freights also in the tested units.

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 2013**

| | Cash-generating unit | |
|---|---|---|
| | HansaLink | NordöLink |
| Discount rate (pre-tax) | 6.1% | 6.1% |
| LTP period | 2014-2018 | 2014-2018 |
| Growth rate after LTP period | 2.0% | 2.0% |
| The resulting share of terminal value of the calculated discounted cash flow | 85.2% | 85.7% |

**Main assumptions used in calculating value in use in 2012**

| | Cash-generating unit | |
|---|---|---|
| | HansaLink | NordöLink |
| Discount rate (pre-tax) | 5.5 % | 5.5% |
| LTP period | 2013-2017 | 2013-2017 |
| Growth rate after LTP period | 2.0% | 2.0% |
| The resulting share of terminal value of the calculated discounted cash flow | 88.3% | 86.4% |

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

Based on the forecasts, the current recoverable amounts of the Finland–Germany–Poland service (HansaLink) and NordöLink clearly exceed the book value at the end of 2013. 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 five years period 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 cargo 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 on 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 five-year period) are listed above. When preparing cash flow forecasts, the Company also reviews the differences between the previous forecasts and actual outcomes with regards to the key parameters.

## 18. INVESTMENT PROPERTIES

The Group has no investment properties.

## 19. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has no investments in associated companies.

## 20. OTHER FINANCIAL ASSETS

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| Investments in unlisted shares | **4,580** | 4,581 |
| Available-for-sale financial assets 31 Dec | **4,580** | 4,581 |

The main part of the unlisted shares consists of a stevedoring company. The shares are measured at cost, as according to management, the fair value of the investment cannot be measured reliably because there is no sufficient information available to make a reliable estimate of the fair value. The management has no plans to dispose of the investment and it estimates that due to the heavy restructuring the Company has done during 2010- 2013, the investment has not impaired.

In 2012 and 2013, the Group had no financial assets classified under the category held-to-maturity investments.

## 21. NON-CURRENT RECEIVABLES

| | **2013** | | 2012 | |
|---|---|---|---|---|
| EUR 1,000 | **Fair Value** | **Carrying amount** | Fair Value | Carrying amount |
| Loans and other receivables | | | | |
| Loan receivables | | | 275 | 275 |
| Pledged bank account | | | 460 | 460 |
| Other receivables | **43** | **43** | 33 | 33 |
| | **43** | **43** | 768 | 768 |

In 2012, the Group has long-term fixed interest loan receivables, of which the main part is related to the selling of real estate in Turku.

(figures in EUR thousand, if not stated otherwise)

## 22. DEFERRED TAX ASSETS AND LIABILITIES

**Changes in deferred taxes in 2013 and 2012**

| EUR 1 000 | 1 Jan 2013 | Reclassification | Recognised in profit and loss | P&L effect of the 2014 tax rate change* | Recognised in other comprehensive income | 31 Dec 2013 |
|---|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | | |
| Fair value valuation loss, IAS 32, 39 | 0 | 72 | -18 | -10 | | 44 |
| Hedge accounting | | | | | | |
| Unutilised losses in taxation | 1,158 | | 0 | -159 | | 999 |
| Group difference, vessels and equipment | 442 | | -442 | | | 0 |
| Other differences | 192 | 138 | -49 | 22 | | 304 |
| Employee benefits | | | | | 24 | 24 |
| | **1,792** | **210** | **-510** | **-146** | **24** | **1,370** |
| **Deferred tax liabilities:** | | | | | | |
| Depreciation difference 1 Jan 2013* | 60,572 | -52,692 | -13 | -39 | | 7,828 |
| Tax liabilities in tonnage tax | | 54,033 | -2,988 | -9,376 | | 41,669 |
| Group difference, vessels and equipment | 10,387 | -1,288 | -1,671 | -85 | | 7,343 |
| Fair value valuation gains and financial lease | -157 | 157 | 202 | | | 202 |
| Repurchase reserve | 598 | | -124 | | | 475 |
| Currency difference | | | | | | -2 |
| Other differences | 44 | | 0 | | | 44 |
| | **71,444** | **210** | **-4,593** | **-9,499** | **0** | **57,560** |

* As of 1 January 2014, the applicable corporate tax rate in Finland changed from 24.5 per cent to 20 per cent.

* Specification of Finnlines Plc's deferred tax liabilities at the transition to tonnage taxation on 1 January 2013 and the recorded transactions in the income statement.

| EUR 1,000 | Deferred tax liabilities |
|---|---|
| **Deferred tax liability of excess depreciations, tonnage taxation 1 Jan 2013** | 52 692 |
| Deferred tax liability from the difference between the book value and the Group value 1 Jan 2013 | 1 340 |
| Deferred tax 1 Jan 2013 | 54 033 |
| **Recognised in the income statement 1 Jan 2013-31 Dec 2013** | |
| Deferred tax liability from the difference between the Group value and the market value 1 Jan 2013 | 364 |
| Tax relief | -3 352 |
| Effect of change of tax rate on 1 Jan 2014 | -9 376 |
| **Deferred tax liability, tonnage taxation 31 Dec 2013** | **41 669** |

(figures in EUR thousand, if not stated otherwise) 33

| EUR 1,000 | 1 Jan 2012 | Reclassification | Recognised in profit and loss | P&L effect of the 2013 tax rate change* | Recognised in other comprehensive income | 31 Dec 2012 |
|---|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | | |
| Fair value valuation loss, IAS 32, 39 | 4 | | -4 | | | 0 |
| Hedge accounting | 782 | | | | -782 | 0 |
| Unutilised losses in taxation | 2,813 | | -1,655 | | | 1,158 |
| Group difference, vessels and equipment | 489 | | -46 | | | 442 |
| Other differences | 307 | | -115 | | | 192 |
| | **4,394** | | **-1,821** | | **-782** | **1,792** |
| | | | | | | |
| **Deferred tax liabilities:** | | | | | | |
| Depreciation difference | 59,693 | | 2,306 | -1,427 | | 60,572 |
| Group difference, vessels and equipment | 13,609 | 188 | -1,916 | -1,494 | | 10,387 |
| Capitalised interest costs during newbuilding, currently under construction | 2,130 | | -2,130 | | | 0 |
| Fair value valuation gains and financial lease | -214 | 9 | 47 | | | -157 |
| Repurchase reserve | 722 | | -124 | | | 598 |
| Other differences | 75 | -197 | 166 | 0 | | 44 |
| | **76,015** | **0** | **-1,650** | **-2,920** | | **71,444** |

* As of 1 January 2013, the applicable corporate tax rate in Sweden changed from 26.3 per cent to 22 per cent.

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| **Deferred tax assets and liabilities** | | |
| Total deferred tax assets | **1,370** | 1,792 |
| Deferred tax assets in statement of financial position | **1,370** | 1,792 |
| | | |
| Deferred tax liabilities | **57,560** | 71,444 |
| Deferred tax liabilities in statement of financial position | **57,560** | 71,444 |

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 did not recognise deferred income tax assets of EUR 2.4 (0.6) million because according to management's view, utilisation of losses involves considerable uncertainty.

The Group has booked deferred tax assets for unutilised losses in taxation EUR 1.0 (1.2) million. The tax losses expire in 2015-2021.

(figures in EUR thousand, if not stated otherwise) 34

## 23. INVENTORIES

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| Material and equipment | **8,093** | 9,014 |
| Inventory for resale | **739** | 745 |
| | **8,832** | 9,759 |

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

## 24. CURRENT RECEIVABLES

| | **2013** | | 2012 | |
|---|---|---|---|---|
| EUR 1,000 | **Fair Value** | **Carrying amount** | Fair Value | Carrying amount |
| **Accounts receivable and other receivables** | | | | |
| Loans and other receivables | | | | |
| Accounts receivable | **64,710** | **64,710** | 58,886 | 58,886 |
| Accrued income and prepaid expenses | **18,249** | **18,249** | 11,683 | 11,683 |
| Other receivables | **2,016** | **2,016** | 3,088 | 3,088 |
| Loan receivables | **275** | **275** | 429 | 429 |
| | **85,251** | **85,251** | 74,087 | 74,087 |

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 | **2013** | 2012 |
|---|---|---|
| **Significant items of accrued income and prepaid expenses** | | |
| Government grants for shipping companies | **9,357** | 7,139 |
| Personnel costs | **3,858** | 1,169 |
| Port expenses, cargo handling and other voyage-related costs | **1,133** | 1,255 |
| Other accrued receivables | **3,901** | 2,120 |
| | **18,249** | 11,683 |

| EUR 1,000 | 2013 | Impaired receivables | **Net 2013** |
|---|---|---|---|
| **Aging of accounts receivable 2013** | | | |
| Undue | 48,521 | | **48,521** |
| Overdue | | | |
| 1-30 days | 11,398 | | **11,398** |
| 31-60 days | 1,393 | | **1,393** |
| 61-90 days | 1,186 | 9 | **1,177** |
| 91-360 days | 1,144 | 114 | **1,030** |
| over 360 days | 2,062 | 871 | **1,191** |
| Total overdue | 17,182 | 993 | **16,189** |
| | 65,704 | 993 | **64,710** |

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

| EUR 1,000 | 2012 | Impaired receivables | Net 2012 |
|---|---|---|---|
| **Aging of accounts receivable 2012** | | | |
| Undue | 43,178 | | 43,178 |
| Overdue | | | |
| 1-30 days | 12,590 | 26 | 12,564 |
| 31-60 days | 619 | 2 | 617 |
| 61-90 days | 612 | 5 | 606 |
| 91-360 days | 1,163 | 300 | 863 |
| over 360 days | 1,784 | 726 | 1,058 |
| Total overdue | 16,767 | 1,059 | 15,708 |
| | 59,944 | 1,059 | 58,886 |

| **EUR 1,000** | **2013** | 2012 |
|---|---|---|
| **Accounts receivable by currency** | | |
| EUR | **63,512** | 57,693 |
| SEK | **2** | 26 |
| GBP | **945** | 979 |
| USD | **246** | 185 |
| DKK | **2** | 0 |
| RUB | **2** | |
| PLN | **0** | 2 |
| | **64,710** | 58,886 |

The book values of accounts receivable and other receivables are reasonable estimates of their fair values. In 2013, the Group has recognised impairment losses of EUR -107 (-1,311) thousand in profit or loss. The maximum credit risk related to accounts receivable and other receivables is their carrying amount.

## 25. CASH AND CASH EQUIVALENTS

| **EUR 1,000** | **2013** | **2012** |
|---|---|---|
| Cash in hand and cash equivalent | **2,508** | 16,282 |
| | **2,508** | 16,282 |

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

## 26. SHARE CAPITAL AND OTHER RESERVES

| | No. of shares outstanding (1,000) | Share capital EUR 1,000 |
|---|---|---|
| 31 Dec 2012 | 46,821 | 93,642 |
| Share issue 6 Jun 2013 | 4,682 | 9,364 |
| **31 Dec 2013** | **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 AGM. According to the Articles of Association, the maximum share capital was 200 million on 31 December 2013 (the maximum share capital 200 million on 31 December 2012). All issued shares have been fully paid.

As a result of the share issue, 4,682,104 new shares were registered in the Trade Register on 6 June 2013. Following the registration of the new shares with the Trade Register, the number of Finnlines Plc’s shares amounts to 51,503,141 shares and share capital to EUR 103,006,282.00.

(figures in EUR thousand, if not stated otherwise) 36

**Share premium account**

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| Share premium account | **24,525** | 24,525 |

Share premium account generated during the former Finnish Companies' Act.

**Fair value reserve**

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| Fair value reserve | | 0 |

Fair value reserve 2012 included movements in the fair values of derivative instruments used for cash flow hedging. In 2013, the Group had no derivative instruments.

**Fund for unrestricted equity**

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| Unrestricted equity reserve 1 Jan | **21,015** | 21,015 |
| Increase | **19,001** | |
| Unrestricted equity reserve 31 Dec | **40,016** | 21,015 |

From the proceeds of the share issue on 6 June 2013 less the costs related to the offering, EUR 19.0 million were included in the unrestricted equity reserve and EUR 9.4 million in the share capital.

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

**Share option schemes**
The IFRS 2 standard is applied to all share option schemes in which options have been granted after 7 November 2002 but did not vest before 1 January 2005. In 2012-2013, Finnlines had no share option schemes in force.

**Ownership of Finnlines Plc**
The shareholding of Finnlines Plc is presented in Note 37. Shares and Shareholders.

## 27. PROVISIONS

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| Non-current provisions | **1,980** | 5,100 |
| Current provisions | **3,715** | 48 |
| | **5,696** | 5,148 |

| EUR 1,000 | Tax provision | Other provisions | Total |
|---|---|---|---|
| **1 Jan 2013** | 3,350 | 1,798 | 5,148 |
| Increases in provisions | 347 | 201 | 548 |
| **31 Dec 2013** | 3 697 | 1 999 | 5 696 |

| EUR 1,000 | Tax provision | Other provisions | Total |
|---|---|---|---|
| **1 Jan 2012** | 2,830 | 1,762 | 4,592 |
| Increases in provisions | 520 | 36 | 556 |
| **31 Dec 2012** | 3,350 | 1,798 | 5,148 |

Tax provisions comprise mainly tax provisions for differences, which arise in connection with optimisation of tonnage taxation in Germany. Tonnage tax is recorded in income taxes in the profit and loss account.

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

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

## 28. INTEREST-BEARING LIABILITIES

| EUR 1,000 | 2013 Fair Value | 2013 Carrying amount | 2012 Fair Value | 2012 Carrying amount |
|---|---|---|---|---|
| **Non-current interest-bearing liabilities measured at amortised cost** | | | | |
| Loans from financial institutions | **516,944** | **513,273** | 680,617 | 674,417 |
| Pension loans | **23,593** | **24,807** | 31,881 | 32,134 |
| Finance lease liabilities | **19,678** | **19,678** | 6,434 | 6,434 |
| | **560,215** | **557,759** | 718,932 | 712,985 |
| | | | | |
| **Current interest-bearing liabilities measured at amortised cost** | | | | |
| Loans from financial institutions | **74,223** | **74,223** | 146,556 | 146,556 |
| Bank overdraft facilities | **1,573** | **1,573** | | |
| Pension loans | **7,327** | **7,327** | 8,477 | 8,477 |
| Finance lease liabilities | **1,469** | **1,469** | 920 | 920 |
| Commercial paper programme | **50,124** | **50,124** | 25,895 | 25,895 |
| | **134,715** | **134,715** | 181,848 | 181,848 |
| | | | | |
| **Total interest-bearing liabilities** | **694,931** | **692,474** | 900,780 | 894,833 |

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 total interest comprises risk-free interest of 0.4–2.2 per cent (0.3–1.7 per cent) and a company-specific risk premium. The effective interest rate of finance 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.

| EUR 1,000 | 2013 | 2012 |
|---|---|---|
| **Maturity of long-term interest-bearing liabilities (not including financial lease liabilities)** | | |
| Within 12 months | **81,550** | 115,033 |
| 1-5 years | **395,841** | 464,031 |
| After five years | **143,915** | 244,441 |
| | **621,305** | 823,505 |

| | 2013 | 2012 |
|---|---|---|
| **Weighted average interest rates of the interest-bearing debts** | | |
| Loans from financial institutions | **2.98%** | 2.63% |
| Bank overdraft facilities | **1.29%** | |
| Commercial paper programme | **1.45%** | 1.45% |
| Pension loans | **2.48%** | 2.83% |
| Finance lease liabilities | **3.76%** | 3.57% |

| EUR 1,000 | Within 1 year | 1-5 years | Total |
|---|---|---|---|
| **Floating rate liabilities, timing of re-pricing 31 Dec2013** | | | |
| Financial liabilities | | | |
| Loans from financial institutions | 394,253 | | 394,253 |
| Bank overdraft facilities | 1,573 | | 1,573 |
| Pension loans | 4,900 | | 4,900 |
| Financial lease liabilities | 17,715 | | 17,715 |
| | 418,441 | | 418,441 |

(figures in EUR thousand, if not stated otherwise) 38

| EUR 1,000 | Within 1 year | 1-5 years | Total |
|---|---|---|---|
| **Floating rate liabilities, timing of re-pricing 31 Dec 2012** | | | |
| Financial liabilities | | | |
| Loans from financial institutions | 597,698 | | 597,698 |
| Pension loans | 32,260 | | 32,260 |
| Financial lease liabilities | 2,565 | 1,352 | 3,917 |
| | 632,523 | 1,352 | 633,875 |

All of the Group's interest-bearing liabilities were in EUR on 31 December 2013.

Interest-bearing liabilities include secured liabilities. The pledge value of the related pledged assets is EUR 1,121 (1,254) million. This is detailed in Note 34. Contingencies and Commitments.

**Finance lease liabilities**

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| Future minimum lease payments due: | | |
| Within 12 months | **2,414** | 1,188 |
| 1-5 years | **19,340** | 4,215 |
| After five years | **3,075** | 3,639 |
| | **24,829** | 9,042 |
| | | |
| Future interest expenses from finance lease agreements | **3,682** | 1,688 |
| | | |
| Current value of minimum lease payments | | |
| Within 12 months | **1,792** | 1,141 |
| 1-5 years | **17,297** | 3,852 |
| After five years | **2,057** | 2,362 |
| | **21,147** | 7,354 |

Finance lease liabilities consist of four cranes, two pier ramp constructions and one office building, as well as certain machinery and equipment including in the port operations business.

In April 2013, Finnlines' port subsidiaries sold four container cranes located in the Vuosaari Harbour to a financing company and rented them back with a five-year finance lease contract. The value of the contract was EUR 22.4 million.

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

## 29. ACCOUNTS PAYABLE AND OTHER LIABILITIES

| | 2013 | | 2012 | |
|---|---|---|---|---|
| EUR 1,000 | **Fair Value** | **Carrying amount** | Fair Value | Carrying amount |
| **Interest-free liabilities, non-current** | | | | |
| Other non-current interest-free accrued liabilities | **213** | **213** | | |
| Other non-current liabilities | **3,028** | **3,028** | 1,325 | 1,325 |
| | **3,242** | **3,242** | 1,325 | 1,325 |

| | 2013 | | 2012 | |
|---|---|---|---|---|
| EUR 1,000 | **Fair Value** | **Carrying amount** | Fair Value | Carrying amount |
| **Accounts payable and other liabilities** | | | | |
| Liabilities measured at cost | | | | |
| Accounts payable | **19,534** | **19,534** | 22,167 | 22,167 |
| Accrued personnel costs | **13,298** | **13,298** | 15,288 | 15,288 |
| Accrued interest | **3,620** | **3,620** | 4,848 | 4,848 |
| Other accrued expenses and deferred income | **19,363** | **19,363** | 16,367 | 16,367 |
| Other liabilities | **15,834** | **15,834** | 15,091 | 15,091 |
| Current advances received | **1,167** | **1,167** | 743 | 743 |
| | **72,815** | **72,815** | 74,504 | 74,504 |

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

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| **Significant items in accrued expenses and deferred income** | | |
| Discounts given | **4,491** | 4,726 |
| Bunker costs | **4,230** | 2,323 |
| Cargo handling costs | **2,118** | 2,350 |
| Port expenses and voyage-related costs | **2,114** | 2,711 |
| Repairs, vessels | **1,551** | 1,065 |
| Personnel costs | **1,487** | 525 |
| Other accrued liabilities | **3,372** | 2,667 |
| | **19,363** | 16,367 |

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| **Distribution of accounts payable by currency** | | |
| EUR | **14,997** | 13,119 |
| SEK | **632** | 1,297 |
| USD | **3,322** | 7,157 |
| GBP | **438** | 434 |
| NOK | **0** | 15 |
| DKK | **129** | 133 |
| PLN | **17** | 12 |
| | **19,534** | 22,167 |

(figures in EUR thousand, if not stated otherwise)

## 30. 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 liabilities, which are presented in Note 28. Interest-bearing liabilities.

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

## 31. ADJUSTMENTS TO CASH FLOW FROM OPERATIONS

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| Non-cash transactions: | | |
| Depreciation | **65,583** | 66,095 |
| Profits/losses from the sale of assets | **-3,974** | -569 |
| Exchange rate differences | **19** | -34 |
| | **61,627** | 65,493 |

## 32. 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.

Finnlines Plc's and Finnsteve Oy Ab's assets of the defined benefit pension plan in Finland are mainly managed by insurance companies. The assets are the responsibility of the insurance companies and are part of the insurance company's investment assets. Therefore, it is not possible to disclose the distribution of assets by categories. The assets are managed 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 in Finland on 31 December 2013 covered a total of 196 (192) members, of whom 34 (38) were employed.

Finnlines Deutschland GmbH has granted defined benefit pension plans to its employees. The pension plan is implemented directly through Finnlines Deutschland GmbH. On 31 December 2013, the defined benefit pension plan in Germany covered a total of 48 (48) members, of whom 13 (15) 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 of 2013, the Company has not had access to information, which makes 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 0.6 (1.4) million. Alecta's surplus can be distributed to policy holders and/or the insured. At the end of 2013, Alecta's surplus in the form of collective funding ratio amounted to 148 per cent (129 percent). 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.

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

**Employer's accounting according to IAS 19R**
* Restated

| Assumptions 31 December 2013 | Germany- pension plan | Finland - Finnsteve pension promise - | Finland – Finnlines pension plan | Finland - Finnlines voluntary plan | Total 2013 | Total 2012 |
|---|---|---|---|---|---|---|
| Discount rate | 3.50% | 3.00% | 3.00% | 3.00% | 3.16% | 3.25% |
| Expected rate of return of plan assets | n/a | n/a | 3.00% | 3.00% | | |
| Rate of salary increase | 2.00% | n/a | 3.00% | 3.00% | | |
| Rate of benefit increase | 2.00% | 2.10% | 2.10% | 2.10% | | |
| Rate of inflation | 2.00% | 2.00% | 2.00% | 2.00% | | |
| Year beginning exchange rate | 1.00000% | 1.00000% | 1.00000% | 1.00000% | | |
| Average exchange rate | 1.00000% | 1.00000% | 1.00000% | 1.00000% | | |
| Year-end exchange rate | 1.00000% | 1.00000% | 1.00000% | 1.00000% | | |

| EUR | **2013** | 2012* |
|---|---|---|
| **Expense recognised in profit or loss** | | |
| Service cost | **46** | 31 |
| Net interest | **128** | 164 |
| **Expense recognised in profit or loss** | **174** | 195 |
| | | |
| Remeasurements in other comprehensive income | **399** | **239** |
| | | |
| **Amounts in total comprehensive income** | **572** | 435 |

| EUR | **31 Dec 2013** | 31 Dec 2012* |
|---|---|---|
| **Liability recognised in statement of financial position** | | |
| Defined benefit obligation | **8,817** | 8,613 |
| Fair value of plan assets | **4,835** | 4,903 |
| **Surplus (-) / Deficit (+)** | **3,982** | 3,710 |
| | | |
| Net defined benefit liability (+) / asset (-) recognised in statement of financial position | **3,982** | 3,710 |

| EUR | **2013** | 2012* |
|---|---|---|
| **Service cost component** | | |
| Current service cost | **46** | 31 |
| **Service cost recognised in profit or loss** | **46** | 31 |

| EUR | **2013** | 2012* |
|---|---|---|
| **Interest cost component** | | |
| Interest expense | **272** | 355 |
| Interest income | **-144** | -191 |
| **Net interest recognised in profit or loss** | **128** | 164 |

| EUR | **31 Dec 2013** | 31 Dec 2012* |
|---|---|---|
| **Changes in net defined benefit liability during the period** | | |
| Net defined benefit liability recognised in statement of financial position at beginning of period | **3,710** | 3,625 |
| Contributions during the period | **-300** | -350 |
| Expense during the period | **174** | 195 |
| Remeasurements recognised in other comphrehensive income | **399** | 239 |
| **Net defined benefit liability recognised in statement of financial position at the end of period** | **3,982** | 3,710 |

(figures in EUR thousand, if not stated otherwise)

| EUR | 2013 | 2012* |
|---|---|---|
| **Remeasurements components in other comprehensive income** | | |
| Actuarial gains (-) / losses (+) on defined benefit obligation arising from changes in financial assumptions | **85** | 844 |
| Actuarial gains (-) / losses (+) on defined benefit obligation arising from experience adjustments | **341** | 190 |
| Actuarial gains (-) / losses (+) on plan assets | **-27** | -795 |
| **Remeasurement in other comprehensive income** | **399** | 239 |

| EUR | 2013 | 2012* |
|---|---|---|
| **Change in defined benefit obligation** | | |
| Opening defined benefit obligation | **8,613** | 7,703 |
| Current sevice cost | **46** | 31 |
| Interest expense | **272** | 355 |
| Actuarial gains(-) / losses (+) on obligation | **426** | 1 034 |
| Benefits paid | **-539** | -511 |
| **Defined benefit obligation at the end of the period** | **8,817** | 8,613 |

| EUR | 2013 | 2012* |
|---|---|---|
| **Change in the fair value of plan assets** | | |
| Opening fair value of plan assets | **4,903** | 4,078 |
| Interest income | **144** | 191 |
| Actuarial gains (-) / losses (+) on plan assets | **27** | 795 |
| Employer contributions | **300** | 350 |
| Benefits paid | **-539** | -511 |
| **Fair value of plan assets at the end of the period** | **4,835** | 4,903 |

| EUR | 2013 | 2012* |
|---|---|---|
| **Actual return on plan assets** | | |
| Interest income | **144** | -191 |
| Actuarial gains (-) / losses (+) on plan assets | **27** | 795 |
| **Actual return on plan assets** | **171** | 604 |

| EUR | 31 Dec 2013 | 31 Dec 2012* |
|---|---|---|
| **Amounts recognised in the statement of comprehensive income** | | |
| Recognised remeasurements at the beginning of the period in other comprehensive income | **-1,446** | -1,211 |
| Recognised actuarial gain (+) / loss (-) for year-obligation | **-426** | -1,034 |
| Recognised actuarial gain (+) / loss (-) for year-assets | **27** | 799 |
| **Recognised remeasurement at the end of the period in other comprehensive income** | **-1,845** | -1,446 |

**Estimate 2014**

| EUR | Estimate Germany – pension plan | Finland – Finnsteve – pension promise | Finland – Finnlines pension plan | Finland – Finnlines voluntary plan | Total |
|---|---|---|---|---|---|
| **Expense recognised in profit or loss** | | | | | |
| Service cost | 5 | 0 | 0 | 45 | 50 |
| Net interest | 94 | 12 | -1 | 23 | 128 |
| **Expense recognised in profit or loss** | 98 | 12 | -1 | 68 | 177 |
| | | | | | |
| Remeasurement in other comprehensive income | 0 | 0 | 0 | 0 | 0 |
| **Amounts in total comprehensive income** | 98 | 12 | -1 | 68 | 177 |

(figures in EUR thousand, if not stated otherwise)

| Estimate 31 December 2014 | | | | | |
|---|---|---|---|---|---|
| EUR | Estimate Germany – pension plan | Finland – Finnsteve – pension promise | Finland – Finnlines pension plan | Finland – Finnlines voluntary plan | Total |
| **Changes in net defined benefit liability during the period** | | | | | |
| Net defined benefit liability recognised in statement of financial position at beginning of period | 2,771 | 419 | -16 | 808 | 3,982 |
| Contribution during the period | -180 | -31 | -2 | -94 | -307 |
| Expense during the period | 98 | 12 | -1 | 68 | 177 |
| **Net defined benefit liability recognised in statement of financial position at end of the period** | 2,689 | 400 | -19 | 782 | 3,852 |

| 31 December 2013 | | | | | |
|---|---|---|---|---|---|
| EUR | Germany– pension plan | Finland – Finnsteve – pension promise | Finland– Finnlines pension plan | Finland– Finnlines voluntary plan | Total |
| **Sensivity analysis on net defined benefit liability** | | | | | |
| Discount rate change +0,5% | | | | | |
| Defined Benefit Obligation | 2,632 | 401 | 334 | 5,012 | 8,378 |
| Fair Value of Plan Assets | 0 | 0 | 349 | 4,256 | 4,604 |
| **Net Liability** | **2,632** | **401** | **-15** | **756** | **3,774** |
| Change in EURos | -139 | -18 | 1 | -52 | -208 |
| Change in % | -5.0% | -4.3% | -6.3% | -6.4% | -5.2% |
| | | | | | |
| Discount rate change -0,5% | | | | | |
| Defined Benefit Obligation | 2,922 | 439 | 379 | 5,584 | 9,324 |
| Fair Value of Plan Assets | 0 | 0 | 396 | 4,692 | 5,088 |
| **Net Liability** | **2,922** | **439** | **-17** | **892** | **4,236** |
| Change in EURos | 151 | 20 | -1 | 84 | 254 |
| Change in % | 5.5% | 4.8% | 6.3% | 10.4% | 6.4% |
| | | | | | |
| Benefit increase rate change +0,5% | | | | | |
| Defined Benefit Obligation | 2,913 | 439 | 377 | 5,523 | 9,252 |
| Fair Value of Plan Assets | 0 | 0 | 371 | 4,464 | 4,835 |
| **Net Liability** | **2,913** | **439** | **6** | **1,059** | **4,417** |
| Change in EURos | 142 | 20 | 22 | 251 | 435 |
| Change in % | 5.1% | 4.8% | 137.5% | 31.1% | 10.9% |
| | | | | | |
| Benefit increase rate change -0,5% | | | | | |
| Defined Benefit Obligation | 2,640 | 400 | 335 | 5,040 | 8,414 |
| Fair Value of Plan Assets | 0 | 0 | 371 | 4,465 | 4,836 |
| **Net Liability** | **2,640** | **400** | **-36** | **575** | **3,578** |
| Change in EURos | -131 | -19 | -20 | -233 | -403 |
| Change in % | -4.7% | -4.5% | -125.0% | -28.8% | -10.1% |

The Group estimates the costs for the defined benefit plans valid on 31 December 2013 at EUR 0.2 million in 2014.

(figures in EUR thousand, if not stated otherwise)

## 33. 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 2013, 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 large extent this USD risk. Currency positions are reviewed 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.

The Group had no outstanding hedging instruments on 31 December 2013.

**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 2013 and 2012, the Group had no such significant investments in foreign currencies. The tables below show the translation position at the end of 2013 and 2012.

| EUR 1,000 | Investment |
|---|---|
| **Group translation exposure 2013** | |
| GBP | 400 |
| DKK | 315 |
| PLN | 78 |
| | 794 |

| EUR 1,000 | Investment |
|---|---|
| **Group translation exposure 2012** | |
| GBP | 387 |
| DKK | 317 |
| PLN | 66 |
| | 770 |

**Sensitivity to exchange rate fluctuations**
The following table describes the Group's sensitivity to changes in the EUR/USD exchange rate. The impact of exchange rate changes in other currencies is not significant.

Assumptions in estimating sensitivity:
- The variation in the EUR/USD exchange rate is assumed to be +/-10 per cent.
- The position, 31 December, includes USD-denominated cash equivalents, accounts receivable and accounts payable.

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

| EUR 1,000 | Change in Profit & Loss | Change in Equity |
|---|---|---|
| **Sensitivity at closing date 2013, change in USD, weakening / strengthening 10% against EUR** | **+263/-321** | **+0/-0** |
| Sensitivity at closing date 2012, change in USD, weakening / strengthening 10% against EUR | +617/-754 | +0/-0 |

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 the fluctuation of the interest expense, 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 end of the reporting period, 64 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 25 months.

At the balance sheet date, the Group had no open interest rate swap contracts. Table in Note 28. Interest-bearing liabilities, shows the dates of interest rate changes of the Group's variable-rate liabilities and the effective interest rates of liabilities.

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 variation is assumed to be +/-0.50 per cent 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 variation 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 prevailing.

| EUR 1,000 | Change in profit & loss |
|---|---|
| **Sensitivity at closing date 2013, change in interest rates, increasing / decreasing 0.5% from valid rate of the instrument at 31 Dec 2013** | |
| Debt portfolio | - 1,912 / + 1,912 |
| | - 1,912 / + 1,912 |

Change before tax effect.

| EUR 1,000 | Change in profit & loss |
|---|---|
| Sensitivity at closing date 2012, change in interest rates, increasing / decreasing 0.5% from valid rate of the instrument at 31 Dec 2012 | |
| Debt portfolio | -2,736/+2,674 |
| | -2,736/+2,674 |

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 changes in market interest rates.

(figures in EUR thousand, if not stated otherwise) 46

## 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. Credit losses in 2013 were on a low level (0.02 per cent of revenue). Note 24. Current Receivables, shows the analysis of accounts receivable by age.

## 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 2013, the granted but unused credit facilities totalled EUR 63.4 (25) million. Loans include normal equity ratio related covenants. The cash-flows in the tables below include both repayments and expected interests.

**Contractual repayments of interest-bearing liabilities, including interest, 31 December 2013**

| EUR 1,000 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019- | Total | Residual amount of interest-bearing liabilities as at 31 Dec 2013 |
|---|---|---|---|---|---|---|---|---|
| Loans from financial institutions | 91,237 | 127,869 | 134,326 | 77,820 | 68,928 | 152,141 | 652,321 | 589,172 |
| Bank overdraft facilities | 1,573 | | | | | | 1,573 | 1,573 |
| Pension loans | 7,830 | 7,706 | 7,581 | 5,955 | 4,375 | | 33,447 | 32,134 |
| Financial lease liabilities | 2,414 | 2,418 | 2,590 | 2,118 | 12,214 | 3,075 | 24,829 | 21,147 |
| Commercial paper programme | 50,500 | | | | | | 50,500 | 50,124 |
| | 153,554 | 137,993 | 144,497 | 85,893 | 85,517 | 155,216 | 762,670 | 694,149 |

**Contractual repayments of interest-bearing liabilities, including interest, 31 December 2012**

| EUR 1,000 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018- | Total | Residual amount of interest-bearing liabilities as at 31 Dec 2012 |
|---|---|---|---|---|---|---|---|---|
| Loans from financial institutions | 164,281 | 143,315 | 167,183 | 85,135 | 83,053 | 253,445 | 896,412 | 822,895 |
| Pension loans | 9,568 | 8,175 | 7,975 | 7,774 | 6,072 | 4,424 | 43,989 | 40,610 |
| Financial lease liabilities | 1,188 | 1,129 | 1,129 | 1,129 | 828 | 3,639 | 9,042 | 7,354 |
| Commercial paper programme | 26,100 | | | | | | 26,100 | 25,895 |
| | 201,137 | 152,620 | 176,287 | 94,038 | 89,953 | 261,509 | 975,543 | 896,754 |

The Group had no outstanding hedging instruments on 31 December 2013 nor on 31 December 2012.

## COMMODITY RISK

The Group is exposed to commodity risk relating to availability and price fluctuations of fuel. It 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 also depends on the utilisation rate of the vessels.

(figures in EUR thousand, if not stated otherwise)

## 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 | **2013** | 2012 |
|---|---|---|
| **Capital risk management** | | |
| Interest-bearing liabilities | **692,474** | 894,833 |
| Cash in hand and at bank | **2,508** | 16,282 |
| Interest-bearing net debt | **689,966** | 878,551 |
| Total equity | **462,658** | 428,788 |
| Leverage ratio (gearing) % | **149.1%** | 204.9% |

## 34. CONTINGENCIES AND COMMITMENTS

A significant part of the leases made by the Group comprises the land leases in the Vuosaari and Turku Harbours and the leases for the head office in Helsinki.

**Minimum vessel lease payments based on fixed-term lease 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 |

At year-end 2013, the Group had 3 (1) ro-ro freight vessels on charter.

The Group adjusts its vessel capacity by acting as a lessor when needed. At the balance sheet date, future lease receivables based on lease contracts were divided as follows:

| 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 |

In 2013, the Group's revenue includes EUR 10,438 (6,246) thousand lease revenues for vessels chartered out.

| 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 |

The most significant lease payments are based on the land leases in the Vuosaari and Turku Harbours, on the leases for the buildings in these ports, and on the leases for the head office in Helsinki (EUR 32 million). The remaining duration of the above leases is up to 15 years.

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

Other leases are rents of business premises included in other income from operations.

(figures in EUR thousand, if not stated otherwise) 48

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| **Collateral given** | | |
| Loans secured by mortgages | **561,245** | 786,395 |
| | **561,245** | 786,395 |

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| **Vessel mortgages provided as guarantees for the above loans** | **1,121,000** | 1,254,000 |

The Group's financing agreements include customary covenants relating to the equity ratio and operations.

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

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

Other obligations are mainly related to the unemployment fund estimates and liabilities to Customs.

| 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 |

| EUR 1,000 | **31 Dec 2013** | | 31 Dec 2012 | |
|---|---|---|---|---|
| | **Nominal value** | **Fair value** | Nominal value | Fair value |
| **Derivative contracts** | | | | |
| Currency derivatives | | | 0 | 0 |

**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.

(figures in EUR thousand, if not stated otherwise)

## 35. TRANSACTIONS WITH RELATED PARTIES

The following transactions were made with the Group's related parties:

**Employee benefits granted to key management ***

| **EUR 1,000** | **2013** | 2012 |
|---|---|---|
| Salaries and other short-term benefits | **1,167** | 1,186 |
| Post-employment benefits | **115** | 128 |
| | **1,282** | 1,314 |

In 2012, the key management consisted of the members of the Board of Directors and the Executive Committee, comprising the Chairman of the Board of Directors, the President and CEO, the CFO and the COO (in total 4 persons). Till the end of July 2013, the management remained the same as in 2012, i.e. the Board of Directors and the Executive Committee. After that, the management consisted of the Board of Directors and the President and CEO. As of 1 December 2013, a new Executive Committee was appointed consisting a total of 7 members and the new President and CEO who was appointed on 5 November 2013.

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| **Salaries and fees** | | |
| President and CEO | **424** | 409 |
| Board of Directors: * | **240** | 210 |
| Chairman | **50** | 50 |
| Vice-Chairman | **40** | 40 |
| Board members (each) | **30** | 30 |

* Compensation to the Board Members for 2012 was paid in April 2013.
The new President and CEO who was appointed on 5 November 2013, does not receive any compensation or other benefit in form of salary, bonus or pension benefit from the Company.

The Company's management has no supplementary pension insurances in force.

Finnlines had no option schemes on 31 December 2013. The President and CEO, the Executive Committee or the Board of Directors have no share-based incentive programmes.

**Transactions with related parties**
According to the Euroclear Finland Ltd , the Grimaldi Group companies hold 73.39 per cent of all the shares in Finnlines Plc on 31 December 2013. More information about ownership of the Board of Directors and the President and CEO in Finnlines Plc can be found in Note 37. Shares and Shareholders. The ownership of the members of the Board and key management is dealt with in more detail on the corporate website (www.finnlines.com).

| EUR 1,000 | **2013** | 2012 |
|---|---|---|
| **Transactions with related parties** | | |
| Income from Grimaldi companies * | **131,428** | 18,107 |
| Purchases from Grimaldi companies | **6,162** | 5,978 |
| Receivables from Grimaldi companies | **5,449** | 5,094 |
| Payables to Grimaldi companies | **619** | 1,774 |

* Income includes vessel hires and other freight related revenue from the Grimaldi Group companies.
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.

To adapt its fleet capacity to the prevailing market conditions, Finnlines chartered MS Finnarrow to the Grimaldi Group for five years at a market price.

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.

**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 2012-31 December 2013).

(figures in EUR thousand, if not stated otherwise) 50

## 36. SUBSIDIARIES ON 31 DECEMBER 2013

| Name of subsidiary | Holding (%) | Registered in |
|---|---|---|
| **Domestic** | | |
| Containersteve Oy Ab | 100 | Helsinki |
| Cranesteve Oy Ab | 100 | Helsinki |
| Finnsteve Oy Ab | 100 | Helsinki |
| FL Port Services Oy | 100 | Helsinki |
| FS-Terminals Oy Ab | 100 | Helsinki |
| Oy Intercarriers Ltd | 78.5 | Helsinki |
| | | |
| **Foreign** | | |
| Finnlines Baltic S.A. | 100 | Luxembourg |
| Finnlines Belgium N.V. | 100 | Belgium |
| Finnlines Danmark A/S | 100 | Denmark |
| Finnlines Deutschland GmbH | 100 | Germany |
| Finnlines Luxembourg S.A. | 100 | Luxembourg |
| Finnlines Northsea S.A. | 100 | Luxembourg |
| 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 | United Kingdom |
| 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 |

## 37. 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 2013 totalled EUR 103,006,282. The capital stock consisted of 51,503,141 shares.

**Shares**
Finnlines Plc shares are listed on NASDAQ OMX Helsinki Ltd. A total of 2.2 (1.4 in 2012) million shares were traded during the year under review. No treasury shares were held by the Company. The highest quoted price of the Finnlines share during the year was EUR 7.97 and the lowest was EUR 5.76. At year-end, the shares' market capitalisation value was EUR 386.3 (365.2) million.

**Shareholders**
At year-end 2013, Finnlines had 1,672 shareholders. The ten largest shareholders owned 85.38 per cent of the Company's shares. 12.25 per cent of shareholders were nominee registered. At year-end, the Italian Grimaldi Group had a holding of 73.39 per cent of Finnlines' shares and voting rights.

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

| Finnlines’ share ownership structure on 31 December 2013* | % of shares |
|---|---|
| Private companies | 0.57 |
| Financial and insurance companies | 0.83 |
| Public entities | 10.87 |
| Households | 1.83 |
| Non-profit associations | 0.23 |
| Nominee registered | 12.25 |
| Other foreign | 73.42 |
| Total | 100.00 |

| Major shareholders on 31 December 2013* | Number of shares | % of shares |
|---|---|---|
| Grimaldi Group Naples | 37,799,642 | 73.39 |
| Ilmarinen Mutual Pension Insurance Company | 5,449,033 | 10.58 |
| Kaleva Mutual Insurance Company | 200,000 | 0.39 |
| Sijoitusrahasto Taaleritehdas Arvo Markka Osake | 150,000 | 0.29 |
| Mandatum Life Insurance Company Limited | 112,491 | 0.22 |
| Yleisradion Eläkesäätiö S.r. | 74,666 | 0.14 |
| Alfred Berg Small Cap Finland Fund | 52,500 | 0.10 |
| Varma Mutual Pension Insurance Company | 50,000 | 0.10 |
| Sijoitusrahasto Alfred Berg Finland | 48,000 | 0.09 |
| Savings Bank Finland Fund | 38,634 | 0.08 |
| **10 major shareholders total** | **43,974,966** | **85.38** |
| | | |
| Nominee registered shares | 6,308,388 | 12.25 |
| Other shareholders | 1,219,787 | 2.37 |
| **Total amount of shares** | **51,503,141** | **100.00** |
| | | |
| Group management holding | 1,650,015 | 3.20 |

* Source: Euroclear Finland Ltd

**Shares outstanding 31 December 2008 – 31 December 2013**

| Transaction | Option series | Options exercised | Amount of shares | Shares outstanding | Own shares | Total amount of shares |
|---|---|---|---|---|---|---|
| 31 Dec 2008 | | | | 40,691,958 | | 40,691,958 |
| 25 June 2009 | | | | | | |
| Share issue | | | 6,129,079 | 46,821,037 | | 46,821,037 |
| 31 Dec 2009 | | | | 46,821,037 | | 46,821,037 |
| 31 Dec 2010 | | | | 46,821,037 | | 46,821,037 |
| 31 Dec 2011 | | | | 46,821,037 | | 46,821,037 |
| 31 Dec 2012 | | | | 46,821,037 | | 46,821,037 |
| 6 Jun 2013 | | | | | | |
| Share issue | | | 4,682,104 | 51,503,141 | | 51,503,141 |
| 31 Dec 2013 | | | | 51,503,141 | | 51,503,141 |

## 38. EVENTS AFTER THE REPORTING PERIOD

Finnlines Plc’s German subsidiary, Finnlines Deutschland GmbH, sold MS Transrussia to Finnlines Plc at the market price of EUR 30.6 million which corresponds to the book value of the vessel. The sale will have no effect on the Finnlines Group’s result.

(figures in EUR thousand, if not stated otherwise)

# FIVE-YEAR KEY FIGURES

| EUR million | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| | IFRS | IFRS | IFRS | IFRS | IFRS |
| Revenue | 563.6 | 609.3 | 605.2 | 561.1 | 494.4 |
| Other income from operations | 5.3 | 5.7 | 2.5 | 4.3 | 13.4 |
| Result before interest, taxes, depreciation and amortisation (EBITDA) | 83.7 | 89.8 | 84.5 | 85.9 | 37.4 |
| % of revenue | 14.8 | 14.7 | 14.0 | 15.3 | 7.6 |
| Result before interest and taxes (EBIT) | 18.1 | 23.7 | 21.0 | 25.6 | -23.6 |
| % of revenue | 3.2 | 3.9 | 3.5 | 4.6 | -4.8 |
| Associated companies | | | | | |
| Result before taxes (EBT) | -6.7 | -1.6 | -5.4 | 3.7 | -51.4 |
| % of revenue | -1.2 | -0.3 | -0.9 | 0.7 | -10.4 |
| Result for reporting period, continuing operations | 6.0 | -0.1 | -2.5 | 2.2 | -41.7 |
| % of revenue | 1.1 | 0.0 | -0.4 | 0.4 | -8.4 |
| Result for reporting period, discontinuing operations | | | | | |
| Result for reporting period | 6.0 | -0.1 | -2.5 | 2.2 | -41.7 |
| % of revenue | 1.1 | 0.0 | -0.4 | 0.4 | -8.4 |
| Total investments * | 10.1 | 67.1 | 64.4 | 82.2 | 28.0 |
| % of revenue | 1.8 | 11.0 | 10.6 | 14.6 | 5.7 |
| Return on equity (ROE), % | 1.3 | 0.0 | -0.6 | 0.5 | -9.7 |
| Return on investment (ROI), % | 1.5 | 1.8 | 1.6 | 2.2 | -1.7 |
| Assets total | 1,298.5 | 1,479.9 | 1,472.1 | 1,472.6 | 1,446.4 |
| Equity ratio, % | 35.7 | 29.0 | 29.1 | 29.1 | 29.4 |
| Gearing, % | 149.1 | 204.9 | 199.8 | 198.8 | 198.3 |
| Average no. of employees | 1,861 | 2,023 | 2,076 | 2,096 | 2,050 |

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| | IFRS | IFRS | IFRS | IFRS | IFRS |
| Earnings per share (EPS), EUR | 0.12 | 0.00 | -0.05 | 0.05 | -0.93 |
| Earnings per share (EPS) less warrant dilution, EUR | 0.12 | 0.00 | -0.05 | 0.05 | -0.93 |
| Shareholders’ equity per share, EUR | 8.98 | 9.14 | 9.12 | 9.14 | 9.07 |
| Dividend per share, EUR ** | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Payout ratio, % ** | 0 | 0 | 0 | 0 | 0 |
| Effective dividend yield, % ** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Price/earnings ratio (P/E) | 62.5 | n/a | n/a | 166.4 | n/a |
| Share price on stock exchange at year-end, EUR | 7.50 | 7.80 | 7.70 | 7.97 | 6.90 |
| Market capitalisation at year-end, EUR million | 386.3 | 365.2 | 360.5 | 373.2 | 323.1 |
| Adjusted average number of outstanding shares (1,000) | 49,782 | 47,344 | 47,344 | 47,344 | 44,880 |
| Adjusted number of outstanding shares 31 Dec (1,000) | 51,503 | 47,344 | 47,344 | 47,344 | 47,344 |
| Number of outstanding shares at year-end (1,000) | 51,503 | 46,821 | 46,821 | 46,821 | 46,821 |

* Includes continuing and discontinuing operations.
** In 2013 according to the proposal by the Board of Directors.

Calculation of key ratios is presented on page 54.

# CALCULATION OF KEY RATIOS, IFRS

| Ratio | | Numerator / Denominator | |
|---|---|---|---|
| Earnings per share (EPS), EUR | = | Result attributable to parent company shareholders<br>Weighted average number of outstanding shares | |
| Shareholders’ equity per share, EUR | = | Shareholders’ equity attributable to parent company shareholders<br>Undiluted number of shares at the end of period | |
| Dividend per share, EUR | = | Dividend paid for the year<br>Number of shares at the end of period | |
| Payout ratio, % | = | Dividend paid for the year<br>Result before tax +/- non-controlling interests of Group result +/- change in deferred tax liabilities – taxes for the period | x 100 |
| Effective dividend yield, % | = | Dividend per share<br>Share price on stock exchange at the end of period | x 100 |
| P/E ratio | = | Share price on stock exchange at the end of period<br>Earnings per share | |
| Return on equity (ROE), % | = | Result for the reporting period<br>Total equity (average) | x 100 |
| Return on investment (ROI), % | = | Result before tax + interest expense + other liability expenses<br>Assets total – interest-free liabilities (average) | x 100 |
| Gearing, % | = | Interest-bearing liabilities – cash and bank equivalents<br>Total equity | x 100 |
| Equity ratio, % | = | Total equity<br>Assets total – received advances | x 100 |

## QUARTERLY DATA, IFRS

| EUR million | Q1/2013 | Q1/2012 | Q2/2013 | Q2/2012 | Q3/2013 | Q3/2012 | Q4/2013 | Q4/2012 |
|---|---|---|---|---|---|---|---|---|
| **Revenue by segment** | | | | | | | | |
| Shipping and Sea Transport Services total | 126.0 | 135.4 | 143.6 | 155.8 | 144.2 | 153.2 | 124.8 | 130.5 |
| Sales to third parties | 126.1 | 135.4 | 143.6 | 155.8 | 144.2 | 153.3 | 124.9 | 130.6 |
| Sales to Port Operations | -0.1 | -0.1 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | -0.1 |
| Port Operations total | 14.3 | 15.8 | 12.8 | 15.2 | 11.4 | 13.7 | 11.6 | 13.8 |
| Sales to third parties | 7.8 | 9.6 | 6.1 | 8.8 | 5.5 | 8.1 | 5.4 | 7.8 |
| Sales to Shipping and Sea Transport Services | 6.4 | 6.3 | 6.8 | 6.5 | 6.0 | 5.6 | 6.2 | 5.9 |
| Group internal revenue | -6.4 | -6.2 | -6.7 | -6.4 | -5.9 | -5.6 | -6.1 | -5.8 |
| **Revenue total** | **133.9** | **145.0** | **149.7** | **164.6** | **149.7** | **161.3** | **130.3** | **138.4** |
| | | | | | | | | |
| **Result before interest and taxes per segment** | | | | | | | | |
| 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 income and expenses | -6.2 | -6.9 | -6.5 | -6.3 | -6.2 | -6.2 | -5.9 | -5.9 |
| **Result before tax (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** |
| | | | | | | | | |
| **Quarterly consolidated key figures** | | | | | | | | |
| Result before interest and taxes, (% of revenue) | -4.4 | -0.2 | 4.6 | 8.9 | 7.8 | 8.9 | 4.1 | -3.7 |
| Earnings per share, EUR | -0.23 | -0.12 | 0.02 | 0.12 | 0.12 | 0.11 | 0.19 | -0.11 |
| Average number of outstanding shares (1,000) | 47,344 | 47,344 | 48,714 | 47,344 | 51,503 | 47,344 | 51,503 | 47,344 |

# PROFIT AND LOSS ACCOUNT, PARENT COMPANY, FAS

| EUR | Note | **1 Jan-31 Dec 2013** | 1 Jan-31 Dec 2012 |
|---|---|---|---|
| **Revenue** | 1 | **411,486,284.49** | 457,459,759.05 |
| | | | |
| Other income from operations | 2 | **4,848,343.44** | 21,289,135.42 |
| | | | |
| Materials and services | 3 | **-203,047,414.09** | -214,170,587.14 |
| Personnel expenses | 4 | **-42,505,152.04** | -32,221,233.92 |
| Depreciation, amortisation and other write-offs | 5 | **-25,985,232.84** | -28,219,812.60 |
| Other operating expenses | 6 | **-124,233,659.18** | -166,962,415.92 |
| **Result before interest and taxes** | | **20,563,169.78** | 37,174,844.89 |
| | | | |
| Financial income and expenses | 7 | **-31,518,431.08** | -17,721,703.21 |
| | | | |
| **Result before extraordinary items** | | **-10,955,261.30** | 19,453,141.68 |
| | | | |
| Extraordinary items | 8 | | -13,610,000.00 |
| | | | |
| **Result before appropriations and taxes** | | **-10,955,261.30** | 5,843,141.68 |
| | | | |
| Appropriations | 9 | | -6,054,591.46 |
| Other income taxes | 10 | **-107,515.63** | |
| Deferred taxes | 11 | **11,022,977.00** | |
| | | | |
| **Result for the reporting period** | | **-39,799.93** | -211,449.78 |

See Notes starting on page 60.

(figures in EUR thousand, if not stated otherwise)

# BALANCE SHEET, PARENT COMPANY, FAS

| EUR | Note | 31 Dec 2013 | Restated 31 Dec 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| | | | |
| **Non-current assets** | | | |
| Intangible assets | 12 | **4,936,531.06** | 5,599,639.79 |
| Tangible assets | 13 | **646,989,178.71** | 398,673,706.95 |
| Investments | 14 | | |
| Shares in group companies | | **276,126,003.61** | 300,126,003.61 |
| Other investments | | **4,379,744.61** | 4,379,744.61 |
| | | **932,431,457.99** | 708,779,094.96 |
| | | | |
| **Current assets** | | | |
| Inventories | 15 | **7,459,349.07** | 7,678,483.62 |
| Long-term receivables | 16 | **194,173,274.65** | 596,152,241.10 |
| Short-term receivables | 17 | **69,321,724.92** | 79,930,791.76 |
| Bank and cash | | **631,226.71** | 14,342,181.63 |
| | | **271,585,575.35** | 698,103,698.11 |
| | | | |
| **Total assets** | | **1,204,017,033.34** | 1,406,882,793.07 |
| | | | |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| | | | |
| **Shareholders' equity** | 18 | | |
| Share capital | | **103,006,282.00** | 93,642,074.00 |
| Share premium account | | **24,525,353.70** | 24,525,353.70 |
| Unrestricted equity reserve | | **40,882,508.10** | 21,451,776.50 |
| Retained earnings | | **254,914,650.66** | 92,747,356.47 |
| Result for the reporting period | | **-39,799.93** | -211,449.78 |
| **Total shareholders' equity** | | **423,288,994.53** | 232,155,110.89 |
| | | | |
| **Accumulated appropriations** | 19 | **0.00** | 215,067,688.72 |
| | | | |
| **Statutory provisions** | | | |
| Pension obligation, IFRS | 20 | **808,000.00** | |
| | | | |
| **Liabilities** | | | |
| **Long-term liabilities** | | | |
| Deferred tax liability | 21 | **41,669,463.09** | |
| Interest-bearing | 22 | **552,357,093.77** | 723,448,596.46 |
| | | **594,026,556.86** | 723,448,596.46 |
| **Current liabilities** | 23 | | |
| Interest-bearing | | **133,581,390.66** | 184,948,981.45 |
| Interest-free | | **52,312,091.29** | 51,262,415.55 |
| | | **185,893,481.95** | 236,211,397.00 |
| | | | |
| **Total liabilities** | | **779.920.038,81** | 959,659,993.46 |
| | | | |
| **Total shareholders' equity and liabilities** | | **1,204,017,033.34** | 1,406,882,793.07 |

See Notes starting on page 60.

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

## CASH FLOW STATEMENT, PARENT COMPANY, FAS

| EUR | 1 Jan-31 Dec 2013 | Restated 1 Jan-31 Dec 2012 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Result for the reporting period | **-39,799.93** | -211,449.78 |
| | | |
| Adjustments for: | | |
| Depreciation, amortisation & impairment loss | **25,985,232.84** | 28,219,812.60 |
| Gains (-) and Losses (+) of disposals of fixed assets and other non-current assets | **-656,387.35** | -13,433,494.59 |
| Financial income and expenses | **31,518,431.08** | 17,721,703.21 |
| Income taxes | **-10,915,461.37** | |
| Other adjustments | **3,495.34** | 19,664,591.46 |
| | **45,895,510.61** | 51,961,162.90 |
| Changes in working capital: | | |
| Change in inventories, addition (-) and decrease (+) | **219,134.55** | -1,115,099.33 |
| Change in accounts receivable, addition (-) and decrease (+) | **-3,857,809.80** | 804,901.68 |
| Change in accounts payable, addition (+) and decrease (-) | **3,115,634.40** | -18,387,231.19 |
| Change in provisions | **808,000.00** | |
| | **46,180,469.76** | 33,263,734.06 |
| | | |
| Interest paid | **-20,158,390.80** | -23,802,636.09 |
| Dividends received | **48,001,400.00** | 935.00 |
| Interest received | **7,578,684.18** | 18,362,639.90 |
| Other financing items | **-3,457,327.49** | -3,644,547.16 |
| Income taxes paid | **-105,673.48** | |
| | **31,858,692.41** | -9,083,608.35 |
| | | |
| **Net cash generated from operating activities** | **78,039,162.17** | 24,180,125.71 |
| | | |
| **Cash flows from investing activities** | | |
| Investments in tangible and intangible assets | **-274,793,859.11** | -51,791,578.27 |
| Proceeds from sale of tangible and intangible assets | **420,826.36** | 301,113,004.01 |
| Investment in subsidiary (SVOP) | **-40,000,000.00** | |
| Change in internal loans ( net) | **416,287,069.54** | -186,189,260.53 |
| **Net cash used in investing activities** | **101,914,036.79** | 63,132,165.21 |
| | | |
| **Net cash before financing activities** | **179,953,198.96** | 87,312,290.92 |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from issue of share capital | **28,794,939.60** | |
| Repayment of short-term borrowings | **-17,884,257.03** | -53,064,502.05 |
| Proceeds of long-term borrowings | **237,000,000.00** | 250,400,000.00 |
| Repayment of long-term borrowings | **-441,574,836.45** | -258,741,454.09 |
| Group contribution received and paid | | -13,610,000.00 |
| **Net cash used in financing activities** | **-193,664,153.88** | -75,015,956.14 |
| | | |
| **Change in cash and cash equivalents** | **-13,710,954.92** | 12,296,334.78 |
| Cash and cash equivalents on 1 Jan | **14,342,181.63** | 2,045,846.85 |
| **Cash and cash equivalents on 31 Dec** | **631,226.71** | 14,342,181.63 |

(figures in EUR thousand, if not stated otherwise) 58

# PARENT COMPANY ACCOUNTING PRINCIPLES 2013

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.
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 | 30 – 35 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.

**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 charged 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.

**Extraordinary items**
Extraordinary income and expenses are group contributions received and given.

**Provisions**
Future expenses and losses that no longer generate corresponding revenues in the foreseeable future, that 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 included as a provision in the balance sheet.

**Tonnage 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.

## NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY

### 1. REVENUE

| EUR | **2013** | 2012 |
|---|---|---|
| By segment | | |
| Shipping and Sea Transport Services | **411,486,284.49** | 457,459,759.05 |
| Total | **411,486,284.49** | 457,459,759.05 |
| | | |
| Intra-group revenue | **888,320.76** | 15,569,423.27 |

### 2. OTHER INCOME FROM OPERATIONS

| EUR | **2013** | 2012 |
|---|---|---|
| Gain on disposals | **658,520.11** | 13,433,494.59 |
| Rental income | **26,558.23** | 70,010.36 |
| Internal administration fees | **4,092,791.06** | 4,324,164.04 |
| Other | **70,474.04** | 3,461,466.43 |
| Total | **4,848,343.44** | 21,289,135.42 |

### 3. MATERIALS AND SERVICES

| EUR | **2013** | 2012 |
|---|---|---|
| **Purchases during the reporting period** | | |
| Bunker | **-131,784,554.96** | -147,830,201.68 |
| Other | **-4,205,540.01** | -4,203,991.56 |
| Change in inventories | **-219,134.55** | 1,115,099.33 |
| Total | **-136,209,229.52** | -150,919,093.91 |
| | | |
| External services | **-66,838,184.57** | -63,251,493.23 |
| | | |
| Materials and services total | **-203,047,414.09** | -214,170,587.14 |

(figures in EUR thousand, if not stated otherwise)

## 4. PERSONNEL AND PERSONNEL EXPENSES

| EUR | **2013** | 2012 |
|---|---|---|
| **Employees** | | |
| Average number of employees | | |
| Shore-based personnel | **224** | 230 |
| Sea personnel | **583** | 380 |
| | **807** | 610 |
| | | |
| **Personnel expenses** | | |
| Wages and salaries | **-44,121,878.56** | -32,627,130.20 |
| Social costs | | |
| Pension costs | **-6,591,681.82** | -4,516,090.01 |
| Other social costs | **-3,124,063.47** | -2,300,237.12 |
| State subsidies | **11,332,471.81** | 7,222,223.41 |
| Total | **-42,505,152.04** | -32,221,233.92 |
| | | |
| **Salaries and remunerations to** | | |
| President and CEO | **-223,633.76** | -209,242.02 |
| Salaries and remunerations | **-223,633.76** | -209,242.02 |
| Board of Directors | **-240,000.00** | -210,000.00 |

## 5. DEPRECIATION, AMORTISATION AND WRITE-OFFS

| EUR | **2013** | 2012 |
|---|---|---|
| Depreciation and amortisation according to plan | **-25,985,232.84** | -28,219,812.60 |
| Total | **-25,985,232.84** | -28,219,812.60 |

## 6. OTHER OPERATING EXPENSES

| EUR | **2013** | 2012 |
|---|---|---|
| Vessel hires, internal | **-18,155,390.79** | -62,365,743.28 |
| Vessel hires, external | **-10,171,042.28** | -15,170,245.31 |
| Other leases | **-2,732,611.21** | -2,968,934.71 |
| Port expenses and fairway dues | **-36,935,536.39** | -38,559,569.10 |
| Commissions | **-9,067,605.65** | -9,292,761.08 |
| Cargo equipment related costs | **-3,206,509.27** | -3,925,641.52 |
| Vessel insurances, repairs and maintenance | **-21,452,007.29** | -12,715,716.83 |
| Auditors' fees | | |
| KPMG Oy Ab | **-99,012.10** | |
| Deloitte &Touche Oy | **-37,650.00** | -123,400.00 |
| Tax consultancy and other fees | | |
| KPMG Oy Ab | **-97,681.73** | |
| Deloitte &Touche Oy | **-47,300.00** | -55,047.00 |
| PricewaterhouseCoopers Oy | **-750.00** | |
| Loss on sale | **-2,132.76** | |
| Other | **-22,228,429.71** | -21,785,357.09 |
| Total | **-124,233,659.18** | -166,962,415.92 |

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

## 7. FINANCIAL INCOME AND EXPENSES

| EUR | **2013** | 2012 |
|---|---|---|
| **Dividends** | | |
| From group companies | **48,000,000.00** | |
| From others | **1,400.00** | 935.00 |
| Dividends total | **48,001,400.00** | 935.00 |
| | | |
| **Interest income from investments** | | |
| From others | **842.50** | 3,795.23 |
| Interest income from investments | **842.50** | 3,795.23 |
| | | |
| **Other interest and financial income** | | |
| From group companies | **7,448,870.03** | 18,252,010.16 |
| From others | **128,971.65** | 106,834.51 |
| Other interest and financial income total | **7,577,841.68** | 18,358,844.67 |
| of which interest income total | **7,577,841.68** | 18,358,844.67 |
| | | |
| Dividends and interest income total | **55,580,084.18** | 18,363,574.90 |
| | | |
| **Exchange gains and losses** | | |
| From others | | |
| Gains | **138,436.03** | 248,893.99 |
| Losses | **-167,561.79** | -156,926.80 |
| Exhange rate differences total | **-29,125.76** | 91,967.19 |
| | | |
| Impairment losses on investments under non current assets * | **-64,000,000.00** | -8,500,000.00 |
| Impairment losses total | **-64,000,000.00** | -8,500,000.00 |
| | | |
| **Interest and other financial expenses** | | |
| To group companies | **-287,408.56** | -2,030,345.12 |
| To others | **-22,781,980.94** | -25,646,900.18 |
| Interest and other financial expenses total | **-23,069,389.50** | -27,677,245.30 |
| of which interest expenses total | **-19,631,809.86** | -23,965,853.92 |
| | | |
| Financial income and expenses total | **-31,518,431.08** | -17,721,703.21 |

* Shares in group companies.

## 8. EXTRAORDINARY ITEMS

| EUR | **2013** | 2012 |
|---|---|---|
| Group contributions given | | -13,610,000.00 |
| Total | | -13,610,000.00 |

## 9. APPROPRIATIONS

| EUR | **2013** | 2012 |
|---|---|---|
| Change in difference between depreciation in taxation and planned depreciation | | -6,054,591.46 |

(figures in EUR thousand, if not stated otherwise) 62

## 10. TAXES

| EUR | 2013 | 2012 |
|---|---|---|
| Tonnage tax | **-107,515.63** | |
| Total | **-107,515.63** | |

## 11. CHANGE IN DEFERRED TAX LIABILITIES

| EUR | 2013 | 2012 |
|---|---|---|
| Change in deferred tax liabilities | **11,022,977.00** | |
| Total | **11,022,977.00** | |

## 12. INTANGIBLE ASSETS

| EUR | Other capitalised expenditures | Advance payments | Total |
|---|---|---|---|
| **Acquisition cost on 1 Jan 2013** | **27,627,225.17** | **352,199.28** | **27,979,424.45** |
| Increases | 134,724.25 | 482,158.49 | 616,882.74 |
| Disposals | -930,095.85 | | -930,095.85 |
| Reclassifications between items | 51,117.28 | -51,117.28 | 0.00 |
| **Acquisition cost on 31 Dec 2013** | **26,882,970.85** | **783,240.49** | **27,666,211.34** |
| | | | |
| Accumulated depreciation and impairments on 1 Jan 2013 | -22,379,784.66 | | -22,379,784.66 |
| Accumulated depreciation on disposals and reclassifications | 930,095.85 | | 930,095.85 |
| Depreciation for the reporting period | -1,279,991.47 | | -1,279,991.47 |
| **Accumulated depreciation on 31 Dec 2013** | **-22,729,680.28** | | **-22,729,680.28** |
| | | | |
| **Book value on 31 Dec 2013** | **4,153,290.57** | **783,240.49** | **4,936,531.06** |
| | | | |
| **Book value on 31 Dec 2012** | **5,247,440.51** | **352,199.28** | **5,599,639.79** |

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

## 13. TANGIBLE ASSETS

| EUR | Buildings and constructions | Vessels | Cargo handling equipment | Machinery and equipment | Advance payments and acquisitions under constructon | Total |
|---|---|---|---|---|---|---|
| **Acquisition cost on 1 Jan 2013** | **3,441,787.91** | **489,556,196.75** | **25,443,110.85** | **4,089,502.11** | **33,386.00** | **522,563,983.62** |
| Increases | | 272,899,340.77 | | 129,781.37 | | 273,029,122.14 |
| Disposals | | | -562,373.13 | -761,418.50 | | -1,323,791.63 |
| Reclassifications between items | | 33,386.00 | | | -33,386.00 | 0.00 |
| **Acquisition cost on 31 Dec 2013** | **3,441,787.91** | **762,488,923.52** | **24,880,737.72** | **3,457,864.98** | **0.00** | **794,269,314.13** |
| Accumulated depreciation and write-offs on 1 Jan 2013 | -3,441,787.91 | -95,012,026.02 | -21,977,263.88 | -3,459,198.86 | | -123,890,276.67 |
| Accummulated depreciation on disposals and reclassifications | | | 562,373.13 | 753,009.49 | | 1,315,382.62 |
| Depreciation for the reporting period | | -23,284,984.74 | -1,256,119.36 | -164,137.27 | | -24,705,241.37 |
| **Accumulated depreciation on 31 Dec 2013** | **-3,441,787.91** | **-118,297,010.76** | **-22,671,010.11** | **-2,870,326.64** | | **-147,280,135.42** |
| **Book value on 31 Dec 2013** | **0.00** | **644,191,912.76** | **2,209,727.61** | **587,538.34** | **0.00** | **646,989,178.71** |
| **Book value on 31 Dec 2012** | **0.00** | **394,544,170.73** | **3,465,846.97** | **630,303.25** | **33,386.00** | **398,673,706.95** |

## 14. 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 Jan 2013** | **224,227,826.78** | | **84,658,176.83** | **308,886,003.61** | **4,379,744.61** | **313,265,748.22** |
| Increases | | 40,000,000.00 | | 40,000,000.00 | | 40,000,000.00 |
| **Acquisition cost on 31 Dec 2013** | **224,227,826.78** | **40,000,000.00** | **84,658,176.83** | **348,886,003.61** | **4,379,744.61** | **353,265,748.22** |
| Accumulated impairments on 1 Jan 2013 | -8,760,000.00 | | | -8,760,000.00 | | -8,760,000.00 |
| Impairments for the reporting period | -64,000,000.00 | | | -64,000,000.00 | | -64,000,000.00 |
| **Accumulated impairments on 31 Dec 2013** | **-72,760,000.00** | | | **-72,760,000.00** | | **-72,760,000.00** |
| **Book value on 31 Dec 2013** | **151,467,826.78** | **40,000,000.00** | **84,658,176.83** | **276,126,003.61** | **4,379,744.61** | **280,505,748.22** |
| **Book value on 31 Dec 2012** | **215,467,826.78** | | **84,658,176.83** | **300,126,003.61** | **4,379,744.61** | **304,505,748.22** |

(figures in EUR thousand, if not stated otherwise) 64

## 15. INVENTORIES

| EUR | 2013 | 2012 |
|---|---|---|
| Bunker | **5,420,432.52** | 5,722,211.59 |
| Other inventories | **2,038,916.55** | 1,956,272.03 |
| Total | **7,459,349.07** | 7,678,483.62 |

## 16. LONG-TERM RECEIVABLES

| EUR | 2013 | 2012 |
|---|---|---|
| **Loan receivables** | | |
| Loan receivables from group companies | **192,059,399.61** | 593,090,697.29 |
| Total | **192,059,399.61** | 593,090,697.29 |
| | | |
| Other receivables | **92.10** | 554,395.23 |
| Accrued income and prepaid expenses | **2,113,782.94** | 2,507,148.58 |
| | | |
| **Total long-term receivables** | **194,173,274.65** | 596,152,241.10 |

## 17. SHORT-TERM RECEIVABLES

| EUR | 2013 | 2012 |
|---|---|---|
| **Accounts receivable** | | |
| From group companies | **959,087.40** | 2,999,763.85 |
| From others | **40,621,788.01** | 38,455,889.80 |
| Total | **41,580,875.41** | 41,455,653.65 |
| | | |
| **Loan receivables** | | |
| From group companies | **12,972,825.64** | 28,228,597.50 |
| Total | **12,972,825.64** | 28,228,597.50 |
| | | |
| **Other receivables** | **495,738.73** | 470,168.50 |
| | | |
| **Accrued income and prepaid expenses** | | |
| From group companies | **793,731.71** | 1,186,905.59 |
| From others | **13,478,553.43** | 8,589,466.52 |
| Total | **14,272,285.14** | 9,776,372.11 |
| | | |
| **Total short-term receivables** | **69,321,724.92** | 79,930,791.76 |
| | | |
| **Significant items of accrued income and prepaid expenses** | | |
| Sea freight revenue | **275,624.00** | 164,968.28 |
| State subsidies | **7,463,256.00** | 4,053,693.19 |
| Vessel hires | **186,074.61** | 76,126.91 |
| Docking costs | **2,411,574.47** | 1,909,888.32 |
| Passenger income | **403,843.85** | 1,059,578.57 |
| Insurances | **186,915.40** | 395,915.72 |
| Port expenses | **434,790.54** | 676,015.92 |
| Legal expenses | **538,303.79** | 538,303.79 |
| Other | **2,371,902.48** | 901,881.41 |
| Total | **14,272,285.14** | 9,776,372.11 |

(figures in EUR thousand, if not stated otherwise)

## 18. SHAREHOLDERS' EQUITY

| EUR | **2013** | 2012 |
|---|---|---|
| **Restricted equity** | | |
| Share capital on 1 Jan | **93,642,074.00** | 93,642,074.00 |
| Share issue | **9,364,208.00** | |
| **Share capital on 31 Dec** | **103,006,282.00** | 93,642,074.00 |
| | | |
| Share issue premium on 1 Jan | **24,525,353.70** | 24,525,353.70 |
| **Share issue premium on 31 Dec** | **24,525,353.70** | 24,525,353.70 |
| | | |
| **Non-restricted equity** | | |
| Unrestricted equity reserve 1 Jan | **21,451,776.50** | 21,451,776.50 |
| Share issue | **19,430,731.60** | |
| **Unrestricted equity reserve 31 Dec** | **40,882,508.10** | 21,451,776.50 |
| | | |
| Retained earnings on 1 Jan | **92,535,906.69** | 92,747,356.47 |
| Accumulated shareholders' equity of appropriations, transfer to tonnage taxation regime | **162,378,743.97** | |
| | | |
| Result for the reporting period | **-39,799.93** | -211,449.78 |
| | | |
| **Total shareholders' equity** | **423,288,994.53** | 232,155,110.89 |
| | | |
| **Calculation of distributable funds** | | |
| Retained earnings | **254,914,650.66** | 92,747,356.47 |
| Unrestricted equity reserve | **40,882,508.10** | 21,451,776.50 |
| Result for the reporting period | **-39,799.93** | -211,449.78 |
| **Parent company´s distributable funds on 31 Dec** | **295,757,358.83** | 113,987,683.19 |

## 19. ACCUMULATED APPROPRIATIONS

| EUR | **2013** | 2012 |
|---|---|---|
| Accumulated depreciation in excess on plan 1 Jan | **215,067,688.72** | 209,013,097.26 |
| Change in the reporting period | **-215,067,688.72** | 6,054,591.46 |
| Accumulated depreciation in excess on plan 31 Dec | **0.00** | 215,067,688.72 |

The depreciation difference of EUR 215.1 million recorded in the 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 the deferred tax liability of EUR 52.7 million (24.5 per cent). The depreciation difference has been entered in the distributable funds of equity and the deferred tax has been entered in the deferred tax liability.

## 20. STATUTORY PROVISIONS

| EUR | **2013** | 2012 |
|---|---|---|
| Pension obligation | **808,000.00** | |
| Total | **808,000.00** | |

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

(figures in EUR thousand, if not stated otherwise) 66

## 21. DEFERRED TAX LIABILITY

| EUR | **2013** | 2012 |
|---|---|---|
| **Deferred tax liability of excess depreciations, tonnage taxation 1 Jan 2013** | **52,692,440.09** | |
| Recognized in profit and loss account 1 Jan-31 Dec 2013 | | |
| Deferred tax liability from the difference between the book value and the fair value 1 Jan 2013 | **1,704,178.17** | |
| Tax relief | **-3,351,525.97** | |
| Effect of changed tax rate 1 Jan 2014 | **-9,375,629.20** | |
| Total entered into profit and loss account 1 Jan-31 Dec 2013 | **-11,022,977.00** | |
| **Deferred tax liability, tonnage taxation 31 Dec 2013** | **41,669,463.09** | |

## 22. LONG-TERM LIABILITIES

| EUR | **2013** | 2012 |
|---|---|---|
| **Long-term interest-bearing liabilities** | | |
| Loans from financial institutions | **498,949,093.77** | 656,338,596.46 |
| Pension loans | **8,408,000.00** | 11,110,000.00 |
| Other long-term interest-bearing liabilities | | |
| Debts to group companies | **45,000,000.00** | 56,000,000.00 |
| Total | **552,357,093.77** | 723,448,596.46 |
| | | |
| Maturity of loans | | |
| Year | | |
| 2013 | | 106,408,167.09 |
| 2014 | **72,924,833.33** | 128,258,167.09 |
| 2015 | **112,924,833.33** | 154,258,167.09 |
| 2016 | **121,924,833.33** | 74,258,167.09 |
| 2017 | **68,124,833.33** | 73,458,167.09 |
| 2018 and later for 2012 | **60,467,690.43** | 293,215,928.10 |
| 2019 and later for 2013 | **188,914,903.35** | |
| Total | **625,281,927.10** | 829,856,763.55 |
| | | |
| Long-term loans due after five years | | |
| Loans from financial institutions | **143,914,903.35** | 236,113,928.10 |
| Pension loans | | 1,102,000.00 |
| Debts to group companies | **45,000,000.00** | 56,000,000.00 |
| Total | **188,914,903.35** | 293,215,928.10 |

(figures in EUR thousand, if not stated otherwise)

## 23. CURRENT LIABILITIES

| EUR | **2013** | 2012 |
|---|---|---|
| **Interest-bearing current liabilities** | | |
| Loans from financial institutions | **70,222,833.33** | 142,556,167.09 |
| Bank overdraft facilities | **1,572,937.40** | |
| Pension loans | **2,702,000.00** | 3,852,000.00 |
| Commercial papers | **50,124,110.20** | 25,894,958.47 |
| Other interest-bearing current liabilities | | |
| To group companies | **8,959,509.73** | 12,645,855.89 |
| **Total interest-bearing liabilities** | **133,581,390.66** | 184,948,981.45 |
| | | |
| **Interest-free current liabilities** | | |
| Accounts payable | | |
| To group companies | **1,194,254.60** | 2,611,193.29 |
| To others | **11,980,164.13** | 11,332,779.36 |
| Total | **13,174,418.73** | 13,943,972.65 |
| | | |
| **Other interest-free liabilities to others** | | |
| To group companies | | |
| To others | **12,643,960.70** | 11,105,598.44 |
| Total | **12,643,960.70** | 11,105,598.44 |
| | | |
| **Accrued expenses and deferred income** | | |
| To group companies | **6,103,516.04** | 5,867,504.68 |
| To others | **20,390,195.82** | 20,345,339.78 |
| Total | **26,493,711.86** | 26,212,844.46 |
| | | |
| **Total interest-free current liabilities** | **52,312,091.29** | 51,262,415.55 |
| | | |
| **Total current liabilities** | **185,893,481.95** | 236,211,397.00 |
| | | |
| **Significant items of accrued expenses and deferred income** | | |
| Agent commmisions paid, internal | **3,477,975.32** | 3,351,553.31 |
| Purchased services, internal | **2,331,527.13** | 2,169,764.55 |
| Annual rebates | **3,600,470.48** | 4,205,960.47 |
| Personnel expenses | **4,282,183.54** | 4,113,279.28 |
| External services / Cargo handling costs | **1,188,039.61** | 1,356,273.26 |
| Port expenses and voyage related costs | **1,410,557.78** | 1,880,496.98 |
| Interest expenses | **3,511,763.60** | 4,431,625.68 |
| Bunker costs | **4,099,404.88** | 2,263,137.49 |
| Other | **2,591,789.52** | 2,440,753.44 |
| Total | **26,493,711.86** | 26,212,844.46 |

(figures in EUR thousand, if not stated otherwise)

## CONTINGENCIES AND COMMITMENTS

| EUR 1,000 | 2013 Debt | 2013 Value of collateral | 2012 Debt | 2012 Value of collateral |
|---|---|---|---|---|
| **Pledges and commitments given on own account** | | | | |
| | | | | |
| **Vessel mortgages provided as guarantees for loans** | | | | |
| Loans from financial institutions | **416,475** | **812,000** | 301,146 | 524,000 |
| | | | | |
| **Vessel mortgages provided by subsidiaries as guarantees for loans** | | | | |
| Loans from financial institutions | **119,870** | **239,500** | 461,249 | 668,000 |
| | **536,345** | **1,051,500** | 762,395 | 1,192,000 |
| | | | | |
| **Pledged deposits** | | | | 460 |
| | | | | |
| Other contingent liabilities | | **1,993** | | 1,012 |
| | | | | |
| **Leasing liabilities** | | | | |
| Due within 12 months | | **895** | | 292 |
| Due between one and five years | | **1,264** | | 515 |
| **Leasing liabilities total** | | **2,159** | | 807 |
| | | | | |
| **Vessel leases (Group as a lessee)** | | | | |
| Due within 12 months | | **14,007** | | 3,285 |
| Due between one and five years | | **10,644** | | 3,468 |
| **Vessel leases (Group as a lessee) total** | | **24,651** | | 6,753 |
| | | | | |
| **Other leases** | | | | |
| Due within 12 months | | **680** | | 923 |
| Due between one and five years | | **2,536** | | 2,536 |
| Due after five years | | **1,691** | | 2,325 |
| **Other leases total** | | **4,907** | | 5,784 |
| | | | | |
| **Guarantees given on behalf of the subsidiaries** | | | | |
| Guarantees given on behalf of the subsidiaries | | **23,085** | | 26,261 |
| Guarantees for rental contracts | | **2,948** | | 3,303 |
| **Guarantees given on behalf of the subsidiaries** | | **26,032** | | 29,564 |

### Derivative contracts

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

(figures in EUR thousand, if not stated otherwise)

# SHARES AND HOLDINGS OF PARENT COMPANY

**Shares and holdings**

| Name of subsidiary | Registered in | Holding (%) |
|---|---|---|
| **Domestic** | | |
| Finnsteve Oy Ab | Helsinki | 100 |
| Oy Intercarriers Ltd | Helsinki | 78.5 |
| | | |
| | | |
| **Foreign** | | |
| Finnlines Baltic S.A. | Luxembourg | 100 |
| 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 | United Kingdom | 100 |
| | | |
| **Other shares and holdings** | | |
| **Domestic** | | |
| Steveco Oy | Kotka | 19.1 |
| Other companies (4) | | |

(figures in EUR thousand, if not stated otherwise)

# 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 2013:

| | | |
|---|---|---|
| Retained earnings | EUR | 254,914,650.66 |
| Unrestricted equity reserve | EUR | 40,882,508.10 |
| Result for the reporting period | EUR | -39,799.93 |
| Distributable funds total | EUR | 295,757,358.83 |

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the reporting period ended on 31 December 2013.

Naples, 27 February 2014

Jon-Aksel Torgersen
Chairman of the Board

Christer Backman

Tiina Bäckman

Gianluca Grimaldi

Diego Pacella

Olav K. Rakkenes

Emanuele Grimaldi
President and CEO

THE AUDITOR'S NOTE

Our auditor's report has been issued today.

Naples, 27 February 2014

KPMG Oy Ab

Pauli Salminen
Authorized Public Accountant

(figures in EUR thousand, if not stated otherwise)

## PARENT COMPANY'S ACCOUNTING BOOKS, VOUCHER CATEGORIES AND ARCHIVING

| Accounting books | Archiving |
|---|---|
| General journals | Computerised accounting journals |
| General ledgers | Computerised accounting journals |
| Profit and loss account and balance sheet | Computerised accounting journals |
| Balance sheet book | Bound book |
| Balance sheet specification | Bound book |

| Voucher categories | |
|---|---|
| Sales invoices Octopus/Compass | Electronic |
| Sales invoices / eBooking | Electronic |
| Sales invoices manual | Paper/electronic |
| Interest invoices | Paper |
| Purchase invoices E-invoice | Electronic |
| Purchase invoices | Scanned/paper |
| Travel account reports | Paper/electronic |
| Bank and cash vouchers | Paper |
| Memo vouchers | Paper |
| Payroll accounting vouchers/office | Paper |
| Payroll accounting vouchers/sea personnel | Paper |
| Fixed assets accounting vouchers | Paper |

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