

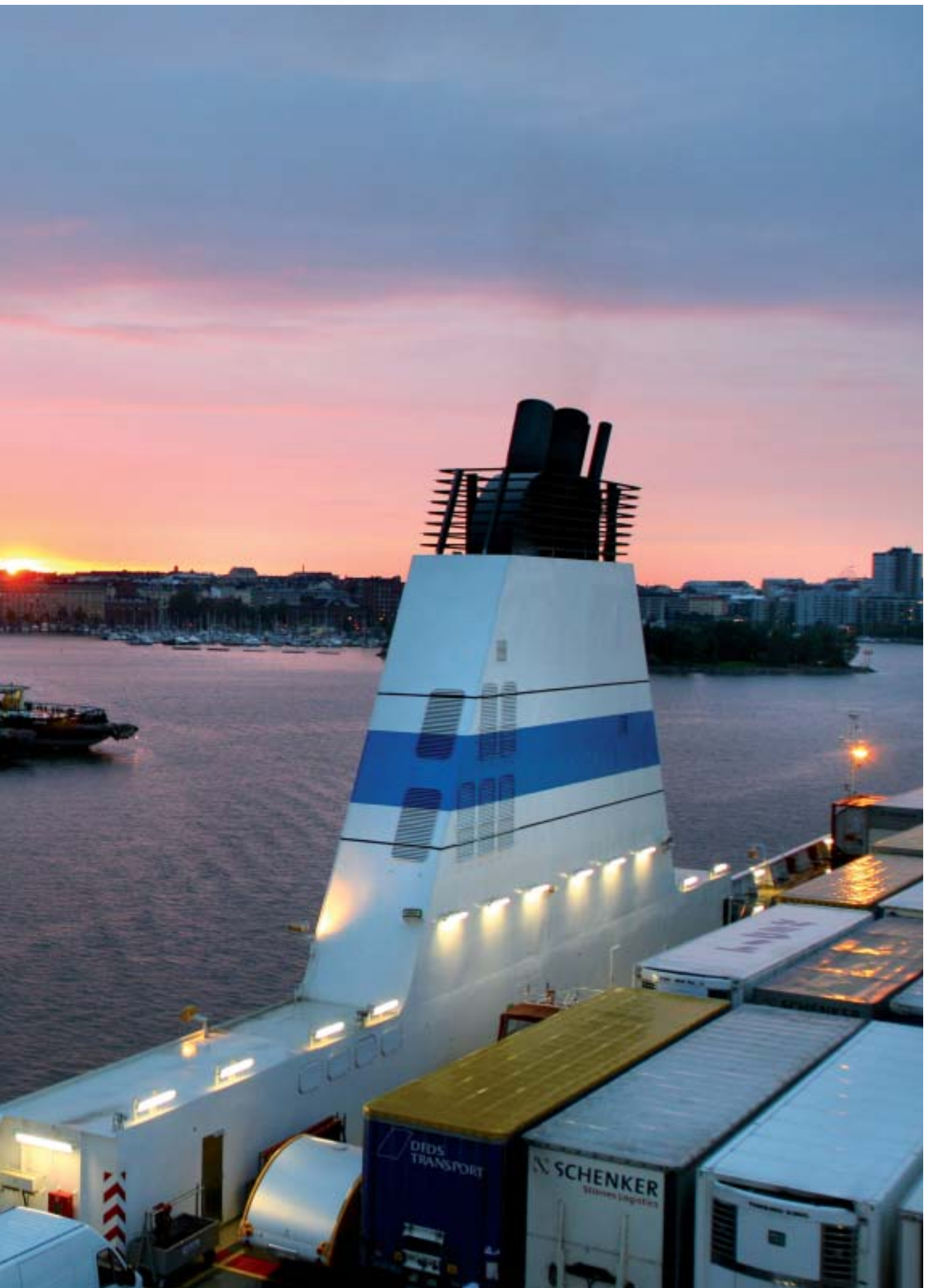
ANNUAL REPORT **2006**

## CONTENT

Finnlines in 2006	2	Profit and Loss Account, Parent Company	28
Chief Executive Officer's Review	7	Balance Sheet, Parent Company	29
Business Concept, Values and Goals	8	Notes to the Financial Statements	30
Business Environment	11	Board's Proposal to the AGM	59
Shipping and Sea Transport Services	13	Auditor's Report	60
Port Operations	15	Quarterly Data	61
Environment and Safety	17	Five-Year Key Figures	62
Human Resources	19	Calculation of Key Ratios	63
Financial Statements		Shares and Shareholders	64
Board of Directors' Report	22	Corporate Governance	66
Consolidated Profit and Loss Account	24	Board of Directors and Executive Management Team	68
Consolidated Balance Sheet	25	The Fleet	70
Consolidated Cash Flow Statement	26	Information for Shareholders	72
Changes in Consolidated Shareholder's Equity	27		



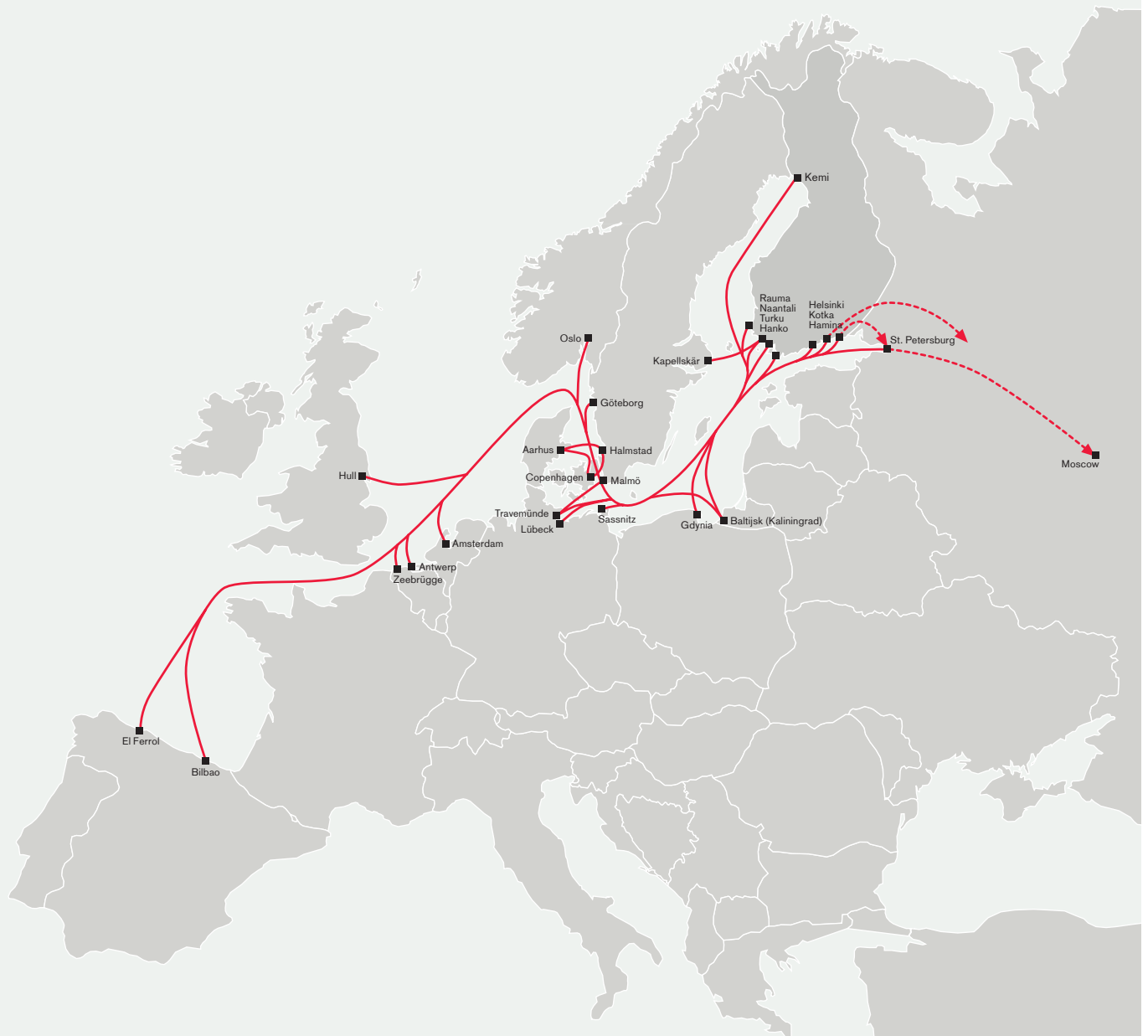




## FINNLINES IN 2006

**Finnlines is one of the largest European shipping companies specialised in liner cargo services. In addition to providing sea transport services in the Baltic Sea and North Sea areas, Finnlines provides port services, mainly in Helsinki, Turku and Kotka. These two core business areas are supported by efficient, extensive and flexible information management services. The Finnlines fleet consists of ro-pax (ro-ro passenger) and ro-ro (roll-on, roll-off) vessels, specifically designed for northern conditions. The company has subsidiaries or sales offices in Germany, Belgium, Great Britain, Sweden, Denmark, Norway, Russia and Poland, as well as a network of sales agents located throughout Europe.**

- The company distributed dividends of EUR 0.30 per share, i.e. a total of EUR 12.2 million. The dividend payment day was 25 April 2006.
- At the end of June the Naples-based Grimaldi Group increased its holding of Finnlines shares and voting rights to 30.5 per cent.
- In July, Finnlines sold the container feeder company Team Lines GmbH & Co. KG and its Finnish, Swedish and Norwegian subsidiaries to a Belgian container shipping company called Delphis NV. The debt-free sale price was EUR 40 million. The deal was approved by the relevant competition authorities and finalised in early September.
- The two first ro-pax vessels from Finnlines' order of five new



vessels, MS Finnstar and MS Finnmaid, were delivered in Italy in July/August. Both vessels began sailing under the Finnish flag, between Helsinki and Travemünde, in August.

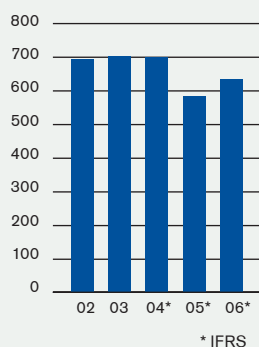
- In October, Grimaldi increased its holding to 46.2 per cent and made a voluntary public tender for the rest of Finnlines Plc's shares. The tender offered a cash price of EUR 15.95 per share. Finnlines Plc's Board issued a statement on Grimaldi's offer on 25 October 2006, in which it considered the offered price to be too low, considering the company's new competitive capacity and its strong position in the growing Baltic Sea market.
- Grimaldi's offer was valid until 1 December 2006. This increased the Grimaldi Group's holding by 85,503 Finnlines shares to 46.4 per cent.
- On 29 December 2006, Grimaldi announced the acquisition of 1,500,000 shares in Finnlines Plc, after which the Grimaldi Group had a holding of 50.1 per cent in Finnlines Plc.
- As a consequence the Grimaldi Group was, in accordance with Section 10 of Chapter 6 of the Finnish Securities Markets Act, forced to make a mandatory public tender for all the remaining shares in Finnlines. According to the Grimaldi Group's announcement, the cash price offered in this mandatory public tender was EUR 17.00 per Finnlines share. The offer period expired on 16 February 2007 and according to the preliminary result Grimaldi's holding rose to 50.7 per cent.
- Because Grimaldi acquired Finnlines shares for a higher price than that paid in accordance with the voluntary offer, Grimaldi paid compensation of EUR 1.05 per share in accordance with Section 13 of Chapter 6 of the Securities Mar-

kets Act to the shareholders who accepted the voluntary public offer. The compensation was equivalent to the difference between the price quoted in the voluntary public offer and the higher price paid later. The compensation was paid to eligible shareholders at the end of January 2007.

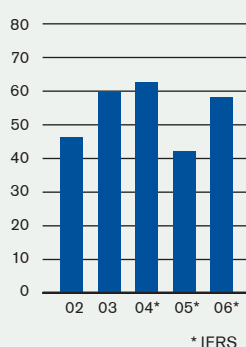
- In a meeting of 28 December 2006, the Harbour Committee of the Port of Helsinki approved a long-term harbour operation contract made for the port of Vuosaari between the Port of Helsinki and Finnlines subsidiary Finnsteve Oy Ab. Finnsteve will be appointed a 66-hectare operating area in the eastern part of the harbour, where it will manage the terminal, offering port services for containers, trailers and trucks. The area will contain ten quays for ro-ro vessels and 750 metres of dock for container vessels. Finnsteve's operations in the new harbour will begin in late 2008.

FINNLINES (IFRS)	2006	2005
Revenue, EUR million*	<b>632.7</b>	584.1
Earnings before depreciation and amortisation, EUR million*	<b>98.1</b>	75.8
Operating profit, EUR million*	<b>58.2</b>	42.0
Profit before extraordinary items, EUR million	<b>56.5</b>	27.1
Earnings per share, EUR	<b>1.38</b>	0.66
Dividend per share, EUR	<b>0.30 **</b>	0.30
Equity ratio at close of period, %	<b>39.7</b>	41.7
Gearing at close of period, %	<b>104.2</b>	82.8
* Continuing operations		
** Board's proposal		

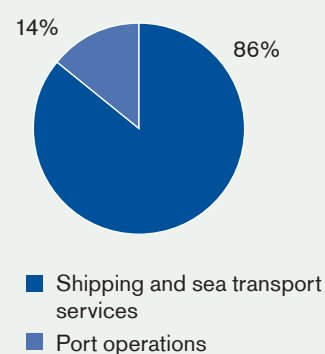
Revenue 2002–2006, EUR million \*\*



Operating profit 2002–2006, EUR million \*\*



Breakdown of revenue 2006, %



\*\* Only continuing operations are included for 2005–2006.



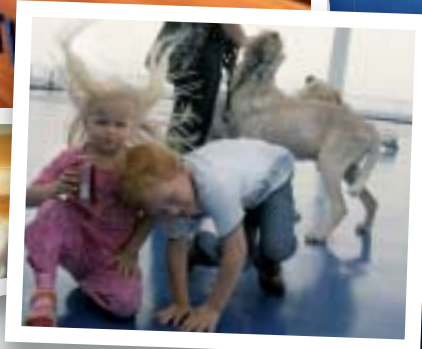
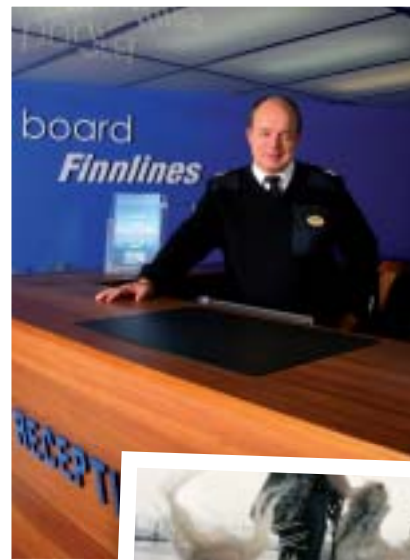
## STAR VESSELS IN OPERATION

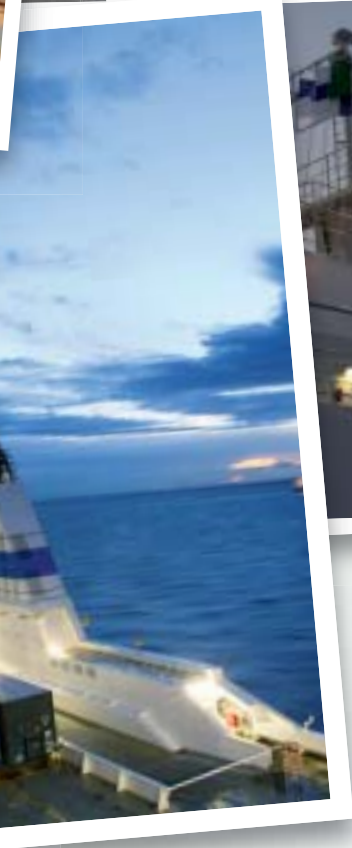
Finnstar and Finnmaid, the company's first next-generation ro-pax vessels began operating in August between Helsinki and Travemünde. The third new vessel started on the route in February 2007, which will make the route manned by three new Star class vessels and two Hansa vessels.

With capacity for 500 passengers and 4,200 lane meters of cargo, the new ro-pax vessels are the world's largest in their class. Journey times have been cut by nine hours to 27 hours, with new vessels travelling at 25 knots.

The vessels have nine cabin categories. Ticket prices include all meals during the journey. The ships contain a buffet restaurant, two bars, saunas with jacuzzis and many other facilities to increase enjoyment of the passage.

They also have modern, adaptable meeting facilities for approximately 50 people.









## CHIEF EXECUTIVE OFFICER'S REVIEW

2006 was a very eventful year for Finnlines. Early on in the year it became evident that some ro-ro lines had not reduced their capacity according to what was planned, so the company had too many traditional ro-ro vessels in traffic. During the spring, capacity was adjusted to correspond to demand. At the same time, Finnlines increased the efficiency of shore operations and carried out an organisational change by which ro-ro and ro-pax operations were merged into a single business unit named HansaLink.

Finnlines was expecting to receive at least two new vessels for the summer season. The delivery of these vessels was delayed until the late summer, however, which meant that practically the whole passenger traffic season was wasted.

Once the new, powerful Star class vessels began operating according to the faster timetable, demand for the product among cargo sector exceeded supply. This led the company to change its original plans, by which only the three new vessels would have operated between Helsinki and Travemünde. Once the third Star vessel begins operating in late February 2007, the company will have three new vessels running by the faster timetable, as well as two older and slower ro-pax vessels on the Helsinki-Travemünde route. On several days of the week there will be two departures in each direction.

The company's traffic structure changed significantly in the last year. In the summer Finnlines sold its container feeder company Team Lines, which had annual revenues of approximately EUR 190 million. The company voluntarily gave up a part of its forestry transports, while another part has been transferred to competitors; this led to the closure of some ro-ro routes.

Finnlines will now focus even more strongly on its core operations – ro-ro/ro-pax liner services and port operations. The com-

pany's major lines are Helsinki-Travemünde, Naantali-Kapellskär and Malmö-Travemünde, operated by ro-pax vessels. The last two new vessels will come into operation in the spring and summer of 2007, sailing between Malmö and Travemünde. Finnlines is the largest unitised cargo transporter in the northern Baltic, and it now owns and operates the world's most competitive ice-strengthened ro-pax fleet.

The most important market continues to be Finland, which accounts for nearly 60 per cent of the company's revenue. Other major markets are Germany and Sweden. Direct traffic to Russia from Germany accounts for approximately four per cent of the company's total revenue. Traffic on this route could be increased dramatically, but this is prevented mainly by the capacity of the harbour at St. Petersburg and the port services offered there. Operations there are carried out on very short port agreements, which makes it difficult to plan in the long term.

Major changes are to be expected in the company's Board of Directors and top management in 2007. Finnlines holds a superior market position in the Baltic Sea, with a matchless fleet and employees who represent the vanguard of the sector and who are extremely committed to acting in the company's interests. Therefore the company's staff and customers can look to Finnlines' future with confidence.

I would like to thank our customers, all our stakeholders and our staff for their contributions in the past year.

Helsinki, 13 February 2007

**Antti Lagerroos**

## BUSINESS CONCEPT

Finnlines promotes international commerce by providing efficient, high-quality sea transport and port services, mainly to meet the requirements of the European industrial, commercial and transport sectors.

### FINANCIAL GOALS

Finnlines' objective is to guarantee long-term profitability through high-quality operations, to generate added value for its shareholders and to maintain a healthy capital structure. A strong balance sheet helps the company withstand business risks and economic fluctuations in the sector. It also enables the controlled growth and development of the company through the utilisation of emerging business opportunities. The Board of Directors bases its annual dividend proposal on the company's capital structure, future outlook, and investment and development needs.

## VALUES

### CUSTOMER FOCUS

Our customers choose us thanks to our competence and expertise. Satisfied customers are the basis for Finnlines' enduring success. By identifying its customers' needs, the company will be able to continue developing its service products and to generate concrete added value for its customers.

### PROFITABILITY

We achieve our objectives. Through the quality of our business operations, we are able to guarantee long-term profitability and generate added value. Confidence in the company is based on our ability to generate a steady growth in profits, which in turn creates the necessary conditions for increased share value and an attractive dividend policy.

### RESPONSIBILITY

We adhere to the principles of sustainable development. Environmental responsibility forms part of our company's everyday operations. We take safety issues into consideration in all our operations.

### EMPLOYEE SATISFACTION

Finnlines is a reliable and motivating employer, which treats its employees with fairness and equality.



## STRATEGIC GOALS

### Maintaining the company's market position in Finland-related cargo traffic

- We will maintain our competitiveness by focusing on increasing the efficiency of our sea transport services and port operations.

### A stronger market position in Finland-related passenger traffic

- Our fleet consists of large, powerful ro-pax vessels, which offer passengers quick and easy travel between Finland, Germany and Sweden.

### A stronger position in Russian freight traffic

- We will be the leading shipping company in transit traffic.
- We will actively develop and market direct transport routes between Central Europe and Russian Baltic ports.

### An even stronger position in non-Finland-related traffic in the Baltic Sea and North Sea

- We will invest in the operational efficiency of our current transport areas.
- We will open new routes according to market opportunities.
- We will actively participate in the consolidation processes taking place in our sector.

### Increased profitability

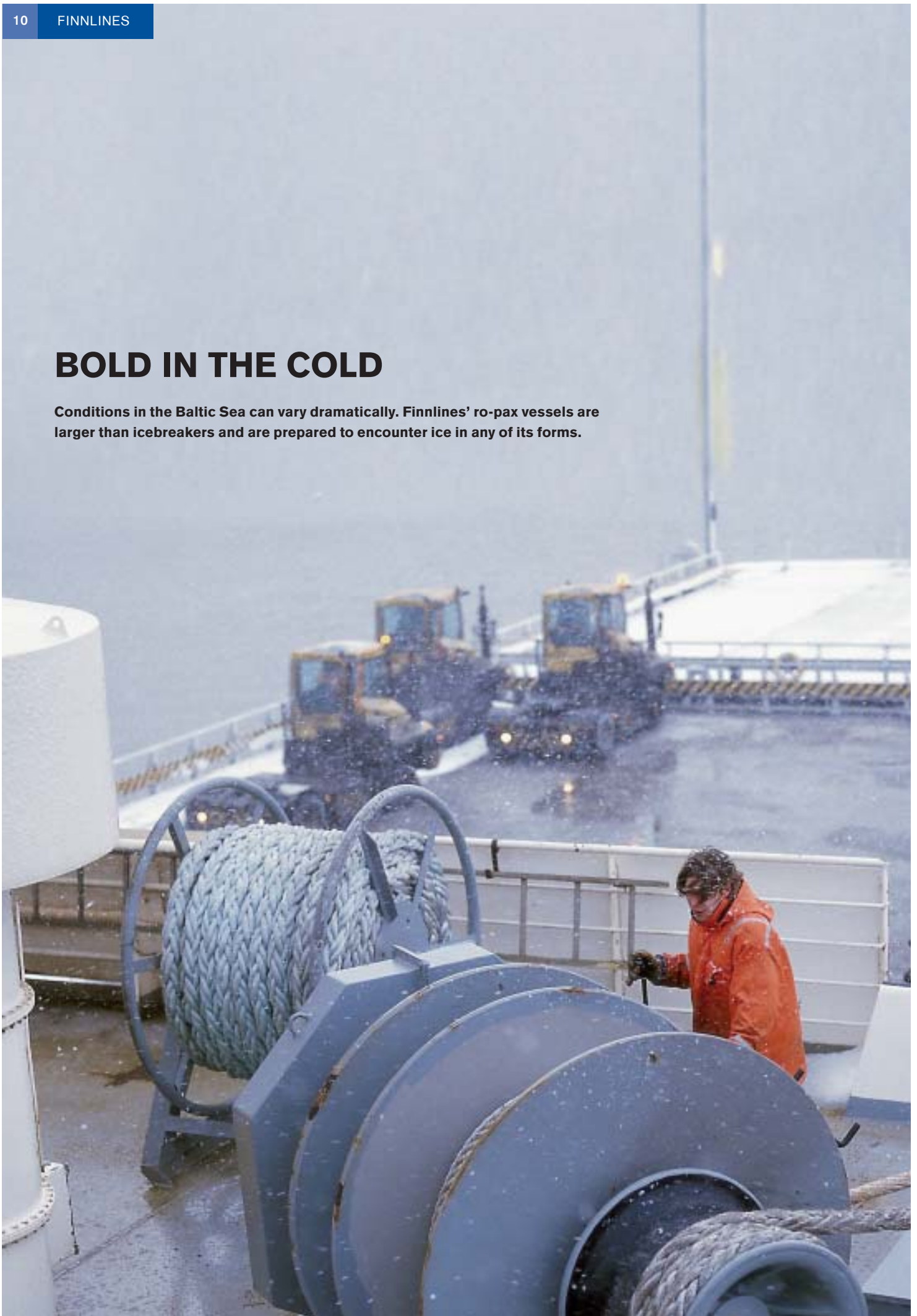
- We will strive to improve productivity. One of the main means is to concentrate on routes with the highest possible passenger and cargo volumes in both directions.
- We will improve the efficiency of our operational management and reporting.
- We will handle environmental and safety issues efficiently.
- We will invest in the competence of our personnel.





## BOLD IN THE COLD

Conditions in the Baltic Sea can vary dramatically. Finnlines' ro-pax vessels are larger than icebreakers and are prepared to encounter ice in any of its forms.



## BUSINESS ENVIRONMENT

**Finnlines operates in the Baltic Sea, the North Sea and the Bay of Biscay, Finland continuing to be the company's main market. Unitised cargo traffic continues to grow strongly in the Baltic Sea, due, among other factors, to growing traffic volumes in Russia and the new EU member states, the strong economies of Finland and Germany, and the changes which have taken place in various products' transport means. As an increasing number of companies cease to maintain stocks, delivery reliability in the transport chain, information management and route frequency become ever more important. High oil prices are causing significant expenses in the transport sector as a whole.**

### THE FINNLINES FLEET

In 2006, the Group had an average of 38 vessels in traffic. The fleet consisted mainly of ro-ro vessels (24 vessels) and ro-pax vessels (14). At the end of 2006, the total capacity of the ro-ro vessels in liner service was approximately 81,000 lane metres. The average age of the Group's own fleet was 11 years. At the end of 2006 the Group owned 14 ro-pax vessels, which is equivalent to 50 per cent of its ro-ro capacity. The owned fleet is managed by the Group.

### ROUTE NETWORK

Finnlines' route network covers all major Finnish ports, with nearly 60 weekly departures from Finland. The main general cargo traffic ports in Finland are Helsinki, Turku and Naantali; other liner traffic ports used by Finnlines are Kotka, Hamina, Hanko, Rauma, Oulu and Kemi.

There are approximately 20 visiting ports abroad. The Group's main ports in Sweden are Kapellskär and Malmö, while in Germany it is Lübeck/Travemünde, which is the most important port for both Finnish and Swedish routes. The main ports in the North Sea region are Antwerp and Zeebrugge in Belgium, Amsterdam in the Netherlands, and Hull in the UK.

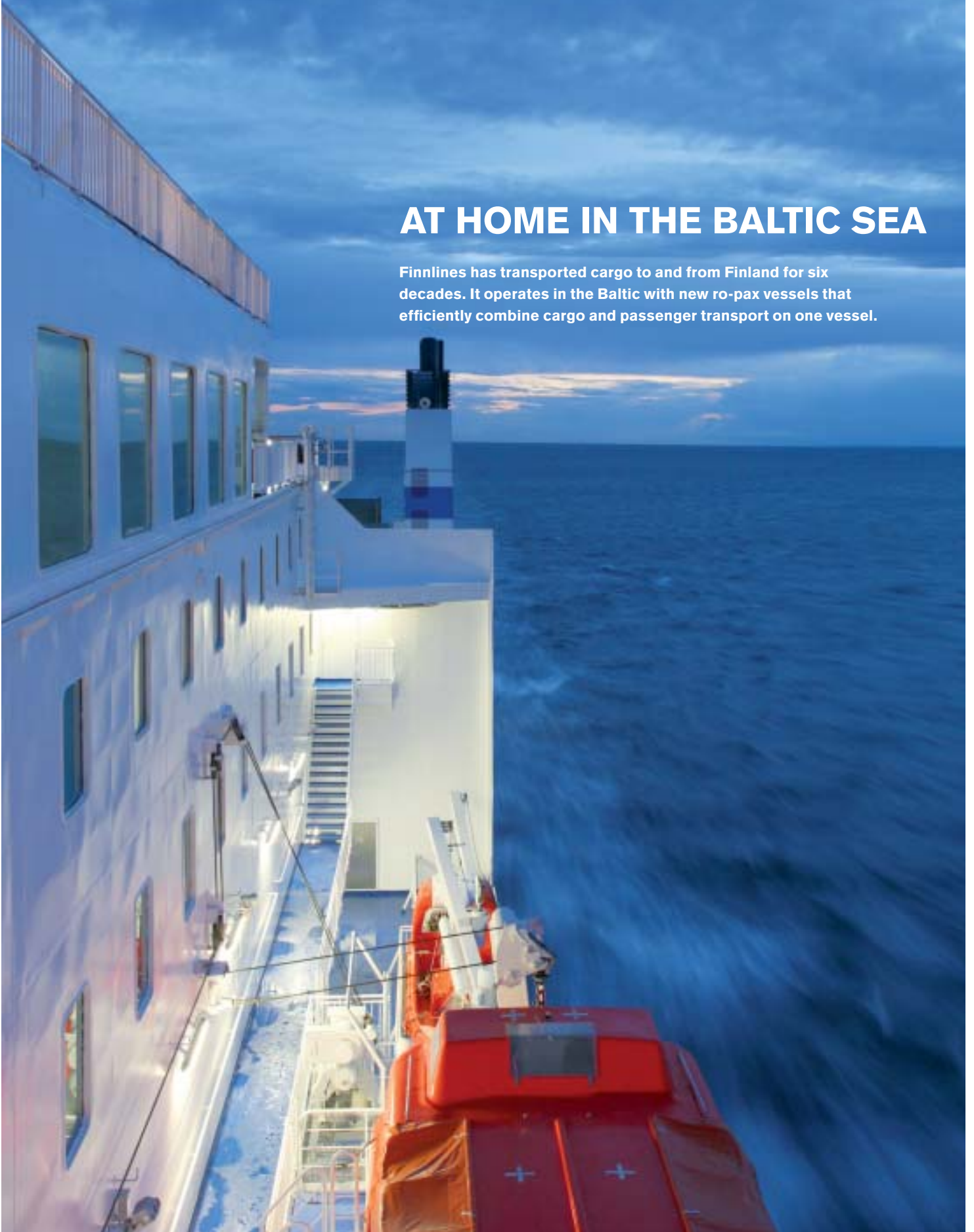
### DIVESTMENTS

Finnlines divested itself of the container feeder company Team Lines GmbH & KG in July 2006, so the Group no longer has separate container vessel routes. The revenue of Team Lines was EUR 190 million in 2005 and it operated about 25 container vessels. The deal was closed in September 2006.



## AT HOME IN THE BALTIC SEA

Finlines has transported cargo to and from Finland for six decades. It operates in the Baltic with new ro-pax vessels that efficiently combine cargo and passenger transport on one vessel.





## SHIPPING AND SEA TRANSPORT SERVICES

**Finnlines is one of the leading operators in the shipping sector in the Baltic Sea. Its strong position derives from excellent services and a product concept tailored to its customers. The high frequency of departures and the information services offered by Finnlines contribute flexibility, reliability and predictability to customers' transport plans. Finnlines' up-to-date vessels and equipment also help the company maintain its market position and reach profitability targets. In the autumn, two new ro-pax vessels came into operation between Helsinki and Travemünde.**

Despite tough competition, Finnlines strengthened its position as market leader in all its ro-pax lines. The division's turnover for the reporting period was EUR 539 million, and it employed 1,222 people at year-end. In terms of Russian traffic, Finnlines has a direct link between St. Petersburg and Lübeck (TransRussiaExpress), while its feeder traffic from Helsinki to St. Petersburg used to link the rest of the Group's network to the Russian market. However, due to congestion at Russian ports, the feeder traffic was temporarily halted as of the beginning of 2007.

### FINNLINES' RO-PAX AND RO-RO TRAFFIC

Finnlines' ro-pax and ro-ro traffic was consolidated into the HansaLink business unit. HansaLink's ro-pax traffic focused on routes from Helsinki and Turku to Germany, while its ro-ro vessels offered regular liner services between Finland, Russia, Central Europe and Scandinavia. There were also services between Finland and the UK, Belgium, Holland and Spain. Finnlines also provided tailored door-to-door transports and terminal services.

The joint operation of routes between Finland and Poland by Finnlines and the Polish EuroAfrica Shipping Lines Co. Ltd. expired at the end of 2006. Finnlines will continue to operate the route independently and has set up a marketing company in Gdynia, Poland, for the purpose.

### FINNLINK TRAFFIC

FinnLink's three ro-pax vessels operated six daily departures for unitised cargo traffic on the maritime route between Naantali (Finland) and Kapellskär (Sweden). The fast connection and the service's schedule, tailored to the needs of freight customers, have maintained the competitiveness of the route. The number of trucks transported by FinnLink was approximately 126,000 units, representing a growth of some 5 per cent over the previous year. The company's market share was approx. 47 per cent.

Passenger traffic services continued on all departures. The main aim was to attract touring car and caravan passengers, and this aim was successfully met, as the number of passengers transported on FinnLink vessels grew by 43 per cent. FinnLink vessels MS Finnclipper, MS Finneagle and MS Finn fellow provided excellent year-round capacity for customers.

### NORDÖLINK TRAFFIC

The Swedish company NordöLink has been owned by Finnlines since 2002. NordöLink has provided ro-ro services between Sweden (Malmö) and Germany (Travemünde) since 1982. In 2006, NordöLink operated four ro-pax vessels providing four daily departures in both directions. During the year, NordöLink transported some 260,000 cargo units, representing a growth of 16 per cent over the previous year. NordöLink maintained its market-leading position on the Lübeck/Travemünde–Southern Sweden route with a 52 per cent market share.

### TRANSRUSSIAEXPRESS TRAFFIC

In 2006, Finnlines provided regular transport services on three vessels from Lübeck (Germany) to Baltijsk (Kaliningrad) and St. Petersburg (Russia) under the TransRussiaExpress name. Finnlines owns 75 per cent of this venture, while its Russian partner BTS owns the other 25 per cent.

Thanks to the stabilisation of the Russian market, traffic volumes on direct connections between Central Europe and St. Petersburg continued to increase. The development of internal Russian traffic between Baltijsk and St. Petersburg was also positive.

### OTHER TRAFFIC

Inter-carriers offered small-tonnage traffic services from ports in Lake Saimaa and some Russian inland ports to various parts of Europe. Until the end of 2006, Finnlines acted as the main agent in Finland for two operators in eastern Mediterranean traffic: SolNiver Lines and the Polish POL-Levant Shipping Lines.

### PASSENGER SERVICES

Approximately a total of 413,000 (367,000 in 2005) passengers were transported by Finnlines' ro-pax vessels in 2006. This figure includes freight drivers. Ro-pax vessels operated on four routes: Helsinki–Travemünde (Finnlines), Naantali–Kapellskär (FinnLink), Malmö–Travemünde (NordöLink) and Lübeck–St. Petersburg (TransRussiaExpress). The Nordic Ferry Center Oy travel agency is responsible for the sale and marketing of Finnlines' passenger services to Germany.



## LOGISTICAL MANAGEMENT

Cargo volumes have increased thanks to tighter schedules and shorter loading times. A modern harbour is being built in Vuosaari, Helsinki, where Finnsteve will transfer its port operations in late 2008.

## PORT OPERATIONS

**Finnlines' subsidiary Finnsteve is Finland's leading port operator for general cargo traffic. Its customers are Finnish companies involved in international trade, as well as transport operators who deal in imports, exports and transit traffic. Finnsteve's major assets are the speed and efficiency of its port operations and the 24-hour availability of its services, which make ports handled by Finnsteve attractive also to transports passing through Finland. Finnlines uses Finnsteve's services to complement its own shipping operations and to offer its customers complete services for managing their logistical chains. However, most of Finnsteve's revenue comes from work done for other customers.**

### PORT OPERATIONS

Finnsteve offers port operations in the ports of Helsinki, Turku, Naantali and Kotka, as well as the industrial port of Kantvik. Helsinki, Turku and Naantali are Finland's most important ports for liner traffic services. In 2006, Finnlines' port operations division generated revenues of EUR 123 million and employed an average of 974 people. Finnsteve specialises in providing services to operators of transit, regular and planned general cargo traffic: stevedoring, terminal services, ship clearance, warehousing and container depot services.

To support its operations in the port of Mussalo in Kotka, the company acquired all the shares in TBE System Oy Ltd on 1 January 2006. Revenue and personnel figures for port operations also include TBE. Norsteve AS, which carries out stevedoring and terminal operations in the port of Oslo, is another wholly owned subsidiary of Finnsteve.

### PORTS

The Port of Helsinki is Finland's most important port. It provides general cargo traffic services for companies engaged in Finland's foreign trade. The strengths of the Port of Helsinki include a regular and frequent volume of sea traffic combined with efficient stevedoring services. Helsinki is also Finland's busiest passenger traffic port, providing a variety of links with the cities of Tallinn, Stockholm and Travemünde.

A total of 743,700 units of freight passed through the Port of Helsinki in 2006. This is equivalent to more than 9.9 million tonnes of goods. The corresponding figures for the previous year were 670,600 units and 9.3 million tonnes.

After Helsinki, Turku is Finland's second major unitised cargo and general cargo harbour. It is also Finland's only rail ferry harbour. A total of 168,100 units passed through the Port of Turku, which is equivalent to 4.1 million tonnes of freight. The corresponding figures for the previous year were 163,600 units and 3.9 million tonnes.

A total of 234,000 (216,600) containers passed through the port of Mussalo in Kotka.

A new, modern unitised cargo handling port is being constructed in Vuosaari, Helsinki. The freight traffic currently being handled in Helsinki's West Harbour and North Harbour will be transferred to Vuosaari in 2008. The construction project is a joint effort by the Port of Helsinki, the Finnish Maritime Administration, the Finnish Rail Administration and the Finnish Road Administration, while Finnsteve is actively involved in the port's operational planning. In February 2007, the Port of Helsinki and Finnsteve made a long-term agreement regarding the operation of the port of Vuosaari. Finnsteve will be appointed a 66-hectare operating area in the eastern part of the harbour, where it will manage the terminal, offering port services for containers, trailers and trucks. The area will contain ten quays for ro-ro vessels and 750 metres of dock for container vessels. Finnsteve will build employee rest facilities, a machine maintenance hall and an export terminal there, and transfer all of its stevedoring equipment and machinery to the area. The largest investments into machinery and equipment were four large container cranes. The total cost of new investments, most of which will take place in 2007–2008, is expected to be around EUR 90 million.





## ENVIRONMENT AND SAFETY

Sea transports are the most energy-efficient way of transporting cargo. The new vessels are even more eco-friendly, thanks to improved energy consumption and waste recycling.

## ENVIRONMENT AND SAFETY

**Finnlines adheres to the principles of sustainable development. Environmental responsibility and safety awareness form part of our company's everyday operations. The company focuses on optimising its transports and routes to achieve the highest possible capacity utilisation level on both southbound and northbound voyages. This minimises the environmental stress per transported cargo unit.**

Sea transportation is considered to be the most energy-efficient form of transport. Transferring the carriage of goods from road to sea also reduces congestion and noise on roads.

### ENVIRONMENTAL POLICY

Finnlines' environmental policy defines the targets and principles of the company's environmental work.

The company's objectives for environmental matters are:

- To rank among the leading companies in the industry regarding focus on the environment.
- To provide safe, top-quality services while taking into account their environmental impact in every aspect of operations.
- To use natural resources responsibly.

Environmental and safety managers in Finnlines' offices in Germany, Sweden and Finland are responsible for environmental and safety management systems, preventive measures and reporting.

Each Finnlines vessel has an environmental and safety organisation, which is headed by the master. All vessels have been certified in accordance with the International Safety Management Code, which also regulates pollution prevention. All vessels also comply with the requirements of the International Ship and Port Facility Security Code (ISPS Code), the aim of which is to prevent terrorist actions against ships and ports.

A number of Finnlines vessels and functions have implemented an environmental management system in accordance with the ISO 14001 standard. In 2006, ship management and fleet management operations were audited by an external certification organisation. The target is to incorporate all ro-pax ships owned by Finnlines in the environmental certificate. Most of the ship-owning companies and port operators which cooperate with Finnlines also have the ISO 14001 certificate.

### LEGISLATION

The International Maritime Organisation (IMO) manages international legislation on safety and environmental matters. The Marpol 73/78 Convention contains, among other things, regulations on the disposal of waste and sewage into the sea and for the prevention of air emissions. Maritime safety matters are regulated by the SOLAS Convention. The EU and the Helcom have issued their own directives on shipping. The company's port operations comply with national legislation.

The vessels are regularly inspected and audited by the flag-state administration, classification societies and certification institutions. In addition, port and host state control inspections are held on ships.

The IMO has adopted an "Internal Convention for the Control and Management of Ships' Ballast Water and Sediments", the aim of which is to prevent alien species to move from one place to another with ballast water. To date, six countries have ratified the convention.

### SAFETY AND SECURITY

Safety is Finnlines' most important environmental issue and it is emphasized in all operational procedures.

Emergency procedures are regularly rehearsed on vessels and in the shore organisation. Joint emergency simulations are held with emergency and rescue authorities. In September 2006, MS Finnhanza participated in an extensive exercise involving the Gulf of Finland Coast Guard, an air patrol squadron and police. The exercise, which took place after departure from Helsinki, included environmental and security aspects.

Finnlines has invested in a new bridge simulator, which is run by Sydväst Polytechnic. The simulator provides facilities to train pilotage in narrow fairways and ship manoeuvring in challenging conditions.

In 2006, an extensive training and orientation programme was provided for the staff of the first two new vessels. The programme included simulator training ashore and onboard training.

On 1 November, MS Finnbirch, which was under Finnlines charter, capsized and sank in heavy seas on its way from Helsinki to Aarhus. There were 250 tons of heavy fuel oil onboard. Some oil leakage was detected in the vicinity of the casualty, but the oil spill did not pose a threat to the marine environment.

### ENERGY CONSUMPTION AND ATMOSPHERIC EMISSIONS

Fuel combustion in diesel engines creates exhaust gases that contain carbon dioxide, carbon monoxide, hydrocarbons, sulphur and nitrogen oxides and fine particles. Air emissions can be reduced in several ways.

In May 2006, the Baltic Sea became a Sulphur Oxides Emission Area ('Seca area') in accordance with the Marpol Annex VI. With this implementation ships sailing in the Baltic must use fuel with maximum 1.5 per cent sulphur content, the previous limit being 4.5 per cent. The average sulphur content of the heavy fuel oil used by Finnlines ships has been 1.4 per cent as from May.

Despite the fact that the North Sea and the English Channel will not become Seca areas until August 2007, the entire Finnlines fleet has bunkered low-sulphur fuel since May 2006. Carrying two different fuels onboard would cause operational and technical problems and fuel change-over procedures are risky and challenging.

The availability of low-sulphur fuel is limited. An alternative to buying low-sulphur fuel is to use other technology to decrease sulphur oxide emissions or clean exhaust gases. Finnlines has studied different methods, including sea water scrubbing.

Fuel consumption can be reduced by optimizing the route, load, speed, trim and engine mode for each part of the voyage. Timetable planning also has an impact on fuel consumption. An electronic analysis tool, Napa Power system, will be trialled on the Finnmaid.

Six vessels in Finnlines traffic are equipped with the water emulsion system where water is added to the fuel to reduce nitrogen dioxide emissions. In addition to fuel oils, ships use lubricants and hydraulic oils. Finnlines has partly replaced the use of mineral oil by biological oils that are non-hazardous to the environment.

In port, power is generated using auxiliary engines. As from 2010 there will be a maximum 0.1 per cent sulphur limit on all marine fuel used at berth in EU ports. Finnlines ships already run on non-sulphur fuel oil in port.

## WASTE AND SEWAGE

The main principle onboard Finnlines vessels is not to throw any waste overboard. In order to stop illegal discharges, all ships are required to deliver their waste to port reception facilities. All ships calling at a port must pay for waste reception costs whether they have anything to deliver or not. Ships engaged in scheduled traffic with frequent port calls may be exempted from this EU directive, if they have made alternative arrangements with competent companies. Finnlines has had its own independent contracts with waste management companies for years.

Every ship of 400 GT and above must carry a garbage management plan providing written procedures for collecting, storing, processing and disposing waste, including the use of onboard equipment. Each discharge operation must be recorded in a Garbage Record Book.

The target of waste management is to minimize the amount of waste to be taken to the landfill. The main waste categories that are generated onboard are recyclable waste, like glass, paper, cardboard and metal. Hazardous waste, including oil waste, oily filters, paint, and batteries, is separated and taken to a separate container in port. Food waste can be made into compost. The

food waste from the new ro-pax vessels Finnstar and Finnmaid is taken to a sewage treatment plant in Helsinki.

Different types of wastewater are produced onboard: 'black water' comes from toilets, 'grey water' comes from kitchens and showers and 'bilge water' is wastewater from engine rooms. There are no restrictions on the discharge of grey water, but Marpol contains regulations concerning other waste water.

On Finnlines vessels, black water is either pumped ashore or treated onboard so that the purified water can be discharged, after which the remaining slurry is pumped ashore. In 2006, the port of Helsinki built reception facilities for sewage in the North Harbour. The ro-pax vessels of Finnlines are thus able to pump their sewage into the municipal sewage system to be forwarded to a treatment plant.

MS Finnclipper continued to trial an Evac wastewater management system onboard. After treatment, the Evac system produces an effluent that exceeds the requirements of current quality standards, included those set by the IMO and United States Coast Guard.

Bilge water is separated in separators. The limit for the oil content of water that may be discharged into sea is 15 ppm (parts per million), but more efficient separators have been installed on the ro-pax vessels, the oil content being below 3 ppm. The remaining sludge is always taken ashore. The black water purification plants and bilge water separators are surveyed and approved by the flag-state administration and a classification society.

## OTHER ENVIRONMENTAL ASPECTS

Biological and biodegradable cleaning systems that are friendly to the environment and to their users' health have been taken into use. The Finnpartner continued trialling a biological toilet cleaner which also degrades waste, grease, soaps and other surfactants which accumulate in pipelines.

Micro-organisms attached to the ship's hull slow the ship down, increasing fuel consumption. As a rule, the underwater hulls of Finnlines' own vessels are painted with epoxy-based paints that do not give off toxic substances into the sea. The underwater hulls are brushed and cleaned at regular intervals.

(In tons)	2006	2005	2006	2005
	Sea traffic	Sea traffic *	Port operations **	Port operations **
Fuel	440 400	445 000	2 400	2 100
Carbon dioxide emissions	1 374 000	1 390 000	7 600	6 500
Sulphur dioxide emissions	13 200	16 200		
Nitrogen oxide emissions	23 500	23 700		
Fuel kg / tonne-km	0.026	0.021		
* Team Lines' figures have been deducted				
** Figures include port operations in Helsinki and Turku				



## HUMAN RESOURCES

**2006 was characterised by the delivery of new vessels, which required operational reforms and staff competence development.**

### FOCUS ON NEW BUILDING WORK

The company had its own teams for planning and monitoring the progress of new building projects at the Fincantieri docks in Castellamare and Ancona, Italy, and for the ro-pax vessel conversion work at the Remontowa docks in Poland. The first new vessels began operating towards the end of the summer, after extensive preparations. Just over one hundred employees were trained in the use of the new vessels, and sales and customer service functions related to these vessels were improved. Officers were trained in the use of machinery and monitoring and navigation systems. Crews received orientation in the vessels, their functions and safety-related matters before operations began, both at the Italian docks and on the transfer voyage from Italy to Travemünde.

### TRAINING

The aim of the company's employee training programme is to improve operations and increase expertise. New employees took part in specifically designed orientation programmes. The whole Group also made use of the e-learning based orientation game Finnlines Induction Game.

The Bridge development programme for younger representatives of the company's middle management was concluded and the customer service function began training for the implementation of a new booking system in 2007. Other training initiatives included job-specific training and courses in IT and languages.

With regard to sea personnel, the most important training areas were safety, competence maintenance and diverse competence development. To guarantee expertise, the company uses navigation bridge simulator training developed in cooperation with Sydväst Polytechnic. Regular compulsory and voluntary safety drills are arranged onboard vessels, occasionally with external trainers. Guided practical training forms an important part of the company's sea personnel training program.

In port operations, the company focused especially on maintaining and complementing professional skills. Several employees took part in various machinery-related and supervision courses. Managers increased their knowledge of safe port handling of hazardous materials. Hot work and first aid skills were updated, and staff took part in IT and language training.

The IntraLink intranet system was implemented at the beginning of the year to improve communication efficiency. The system's contents were then developed and expanded during the year.

### THE COMPANY CONTINUED TO REORGANISE ITS FUNCTIONS

Talks were conducted in accordance with the Finnish Act on Co-operation within Undertakings in early May, leading to organisational changes, the modification of certain functions and a reduction in the number of employees in the parent company. Similar reorganisation measures to improve the efficiency of operations were also initiated in other Group companies. In August, Finnlines sold its subsidiary Team Lines GmbH & KG to a Belgian shipping company, whereby 116 employees transferred to the new employer.

Management services for MS Transeuropa and MS Translubeca were outsourced, causing 60 sea personnel to transfer to a new employer.

### RECRUITMENT

According to Finnlines' human resource policy, open positions are first advertised internally; this improves job rotation and develops employee competence. New employees were recruited particularly for the new vessels commissioned by Finnlines – Finnstar and Finnmaid – which were delivered in July/August. MS Rider was taken out of the Finnlines register and the Finnish shipping register in April. MS Finntrader transferred to the Remontowa shipyard in Poland for conversion in August, and switched to the Swedish shipping register and at a same time crew were changed. Shore-based personnel were recruited mainly for tasks requiring IT expertise and to fill temporary posts.

### MENTAL AND PHYSICAL WORK ABILITY

Several measures were taken to promote the physical, mental and social work ability and health of the company's employees. Occupational health care services were used more extensively and some employees took part in events to promote occupational health. A staff fitness and recreation event was again organised in spring. Regular health mappings are offered to allow employees to monitor their fitness level and motivate them to take the initiative to exercise. Staff associations are in place to support employee leisure and recreational activities.

### SATISFACTION SURVEYS

The central issues in the company's human resources policy are leadership, recruitment, training and orientation, safety, work development, work ability and health.

The success of the human resources policy is evaluated every other year in each business unit. At year-end the satisfaction survey was concluded in Finland, Germany, UK, Belgium and Denmark. Each unit creates its own development plan on the basis of survey results.

Key figures	2006	2005		
Average no. of employees	2 196	2 090		
Revenue/employee, EUR	288 099	279 466		
Personnel expenses/employee, EUR	52 808	50 276		
Operating profit/employee, EUR	25 567	18 400		
Employee turnover, %	24	25		
Absences of personnel, change %	-6	10		
Training days, total	3 798	4 113		
Average no. of employees per business area	2006	2005		
Shore-based personnel				
Shipping and sea transport services	477	504		
Port operations	974	863		
Sea personnel	745	723		
Continuing operations, total	2 196	2 090		
Divestments	81	122		
Total	2 277	2 212		
As of 31 Dec 2006, there were 1 320 shore-based personnel and 759 sea personnel for a total of 2 080.				
Employee categories	2006	2005		
Office staff	28%	30%		
Sea personnel	35%	35%		
Port operations and supervisors	37%	35%		
Gender distribution	Shipping	Sea operations	Port personnel	
Female	46%	21%	8%	
Male	54%	79%	92%	
Personnel by country	2006	2005		
Finland	67%	60%		
Germany	5%	12%		
Sweden	22%	22%		
Other	6%	6%		
The average age of Finnlines employees was 42 (43) years.				
The average duration of employment was approx. 11 (11) years.				
Personnel profit and loss account (EUR 1 000)	2006	2005		
Revenue	632 666	584 085		
Personnel expenses				
Real working time expenses	85 991	77 579		
Personnel renewal (holidays, recruitment)	15 835	14 857		
Personnel development	912	1 050		
Personnel benefits and obligations	13 229	11 757		
Total personnel expenses	115 967	105 243		
Other operating expenses	460 554	440 385		
Profit before other operating income (operating profit)	56 145	38 457		
Other income from operations	2 078	3 497		
Net operating profit	58 223	41 954		
Quarterly figures	I/2006	II/2006	III/2006	IV/2006
Average no. of employees	2 115	2 143	2 239	2 200

# FINANCIAL STATEMENTS





## BOARD OF DIRECTORS' REPORT

### OVERVIEW

During the first half of the reporting period, finances were burdened by increases in expenses, caused especially by the rise in fuel oil prices and a partly incorrectly dimensioned fleet. The company cut down its ro-ro capacity on some lines and reorganised its operations. Due to the late delivery of the first two new vessels, Finnlines missed practically the whole passenger traffic summer season. Finnlines decided to concentrate on its core businesses – the ro-ro/ro-pax liner shipping and port operations – and sold its container feeder subsidiary Team Lines in the summer. Thanks to the economic growth of Finnlines' main market and the company's competitive new fleet, transported volumes started to increase more than expected towards the end of the year. The volume growth has continued during the first weeks of 2007.

### SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Finnlines Plc's Annual General Meeting, held on 10 April 2006, approved the financial statements and discharged the Company's Board of Directors and CEO from liability for the 2005 financial year. The meeting decided to pay a dividend of EUR 0.30 per share, i.e. a total of EUR 12.2 million. The dividend payment date was 25 April 2006.

Jukka Laaksovirta resigned from his post as Chief Operating Officer of Finnlines Plc in March.

At the end of June, the Grimaldi Group of Naples increased its ownership to 30.5 per cent of the voting rights and share capital of Finnlines Plc.

Two ro-pax vessels of a series of five new vessels were delivered to Finnlines by Fincantieri in late July and early August. The vessels, MS Finnstar and MS Finnmaid, were in operation under the Finnish flag between Helsinki and Travemünde from mid-August.

In October 2006, the Grimaldi Group increased its ownership to 46.2 per cent of all shares in Finnlines' which led Grimaldi to make a voluntary public offer for all remaining Finnlines shares. Grimaldi offered a cash consideration of EUR 15.95 for each share, which was considered too low by the Board of Directors. The tender offer period ended on 1 December 2006 and Grimaldi was offered 85,503 shares, increasing the group's holding in Finnlines to 46.4 per cent.

On 29 December Grimaldi announced that it had acquired 1,500,000 Finnlines shares, increasing its holding to 50.1 per cent of Finnlines. As Grimaldi now held more than 50 per cent of all Finnlines shares, it had to make a mandatory offer for the remaining shares. The offered price was EUR 17.00. This price being higher than that which was paid in the voluntary offer in December, Grimaldi had to pay EUR 1.05 in compensation to the shareholders who had sold their shares in the voluntary tender offer by early December. This compensation was paid at the end of January.

### EVENTS AFTER THE REPORTING PERIOD

In January 2007, Grimaldi Compagnia di Navigazione S.p.A. made an unconditional mandatory tender offer for all Finnlines shares at a cash consideration of EUR 17.00 per share. The offer period started on 22 January and expired on 16 February 2007. The Board of Directors of Finnlines evaluated the mandatory tender offer and its conditions based on Grimaldi's offer document, published on 22 January 2007. The Board of Directors considered the offered price to be too

low, taking into account the company's new competitive capacity and strong position in the rapidly growing market of the Baltic Sea. However, the Board reminded shareholders that they should decide independently on the acceptance of the mandatory tender offer taking into account all the information presented in the offer and the statement of the Board, which was published on 26 January. The Board of Directors drew the attention of Finnlines' shareholders in particular to the fact that Grimaldi, at the time of the statement, already held 50.1 per cent of the votes in Finnlines and was consequently in a position to (i) nominate a new Board of Directors and (ii) decide on the amount of dividends to be distributed at the Annual General Meeting, among other things. The directors believed that the company's Board of Directors and executive management would change significantly. The Board had no details of the strategy or dividend policy of the new Board to be appointed at the AGM. The attention of the shareholders was also drawn to the fact that Grimaldi would not be obliged to make another mandatory tender offer for Finnlines' shares. In future there may be less trading in Finnlines' shares and the share price structure on the stock exchange may be uncertain.

Emanuele Grimaldi, Jukka Härmälä and Timo Jouhki, members of the Board, did not participate in the handling of the mandatory tender offer by the Board or in the issuing of the Board's statement. Mandatum & Co. Ltd acted as financial advisor to the Board of Directors, while legal counsel was received from Hannes Snellman Attorneys at Law Ltd. The Board also issued preliminary financial figures for 2006 on 26 January 2007.

The third new vessel of the series of five was delivered to Finnlines in Ancona, Italy at the beginning of February. The vessel was registered in the Finnish Ship Register under the name Finn lady and will start plying between Helsinki and Travemünde on 22 February 2007.

The profits for the financial year do not include compensation for the new vessels and their late delivery. Finnlines estimates the amount of the compensations due to be substantial. Negotiations are still underway, however, as two of the vessels are still under construction.

### REPORTING

Finnlines Plc transferred to IFRS reporting on 1 January 2005. The 2006 financial statements were prepared according to the same accounting principles as those for 2005.

### FINANCIAL PERFORMANCE

The Finnlines Group's continuing operations recorded revenues totalling EUR 632.7 (584.1 in 2005) million during the reporting period. This is equivalent to an 8.3 per cent growth. Continuing operations in Shipping and Sea Transport Services generated revenues of EUR 539.0 (505.5) million and Port Operations EUR 123.1 (105.5) million. Other income from operations amounted to EUR 2.1 (3.5) million. Operating profit for continuing operations was EUR 58.2 (42.0) million. Continuing operations are presented without Team Lines figures for both 2006 and 2005 and profits related to Team Lines of EUR 18.7 million are presented separately as discontinuing operations. This item consists of Team Lines' profits for eight months of EUR 0.6 million, and the profit on the sale of Team Lines of EUR 18.1 million.

Financial income was EUR 10.8 (5.9) million while financial expenses totalled EUR -21.6 (-11.9) million. Profit before taxes from continuing operations was EUR 47.7 (36.3) million. Return on equity (ROE) was 14.1 (7.2) per cent and return on investment (ROI) was 9.9 (6.0) per cent.

#### INVESTMENTS AND FINANCING

Investments were made for a total of EUR 238.8 (73.0) million. Most of this consists of payments for the two new vessels, which were delivered in late July and early August. Interest-bearing net debt amounted to EUR 441.4 (313.5) million. The equity ratio calculated from the balance sheet was 39.7 (41.7) per cent. Gearing was 104.2 (82.8) per cent.

MS Finntrader was docked at the Remontowa shipyard in Poland for conversion. It started operating in NordöLink traffic in February 2007. Her sister vessel MS Finnpartner will be docked in February–March 2007 and will then start plying in NordöLink traffic in August 2007. These Hansa vessels are being converted into drive-through vessels with increased passenger capacity. MS Finnclipper, a vessel in FinnLink's traffic, was docked at the shipyard at the end of December 2006 and will be back in service in March 2007. The cargo capacity of MS Finnclipper will increase by 500 lane metres to a total of 2,900 lane metres. These conversions cost approx. EUR 10 million in cash payments in 2006. The third new vessel will start running between Helsinki and Travemünde at the end of February. The fourth vessel is estimated for delivery in March 2007, while the last one of the five vessels is expected in June 2007.

#### CORPORATE STRUCTURAL CHANGES

In November 2005, Finnlines subsidiary Finnsteve acquired 100 per cent of the shares in TBE System Oy Ltd. Through the acquisition, the company's stevedoring operations in Kotka and some 30 permanent employees were transferred to Finnsteve as of 1 January 2006.

In July, Finnlines sold the German container feeder operator Team Lines GmbH & Co. KG together with its subsidiaries in Finland, Sweden and Norway for EUR 40 million (debt-free sale price) to the Belgian container shipping company Delphis NV. The Team Lines Group made net sales of EUR 187 million in 2005. The deal was approved by the competition authorities and it was closed in early September. The net profit on the deal, EUR 18.1 million, is recorded under discontinued operations. Team Lines' operations are handled as discontinued operations in this report. Prior periods have been adjusted accordingly.

The permanent establishment of Finnlines Plc in Poland was turned into a limited liability company at the end of 2006.

From 1 January 2007, all of Finnlines' Swedish subsidiaries adopted the euro as their functional and bookkeeping currency. This development as a substantial amount of these companies' revenues and costs are recognised in euros.

#### PERSONNEL

The Group's continuing operations employed an average of 2,196 (2,090) people during the period, with 1,451 (1,367) onshore staff and 745 (723) at sea.

#### BOARD OF DIRECTORS AND AUDITORS

The Annual General Meeting appointed six members to the Board of Directors. Peter Fagernäs, Jukka Härmälä, Timo Jouhki, Antti Lagerroos and Pertti Laine were re-elected, and Emanuele Grimaldi, Managing Director of the Grimaldi Group, Naples, was appointed as a new member. The Board elected Pertti Laine as the Chairman and Jukka Härmälä as the Vice-Chairman of the Group.

The firm of authorised public accountants PricewaterhouseCoopers Oy was appointed as the company's auditors.

#### THE FINNLINES SHARE

The Company's registered share capital on 31 December 2006 was EUR 81,383,916, comprising 40,691,958 shares. A total of 32,200 shares were subscribed in 2006 through options issued by Finnlines Plc in 2001. This increased the Group's share capital by EUR 64,400.

A total of 47.2 million Finnlines shares were traded on the Helsinki Stock Exchange during the reporting period. The market capitalisation of the Company's stock at the end of December was EUR 699.9 million. Earnings per share (EPS) were EUR 1.38 (0.66). Earnings per share (EPS) for continuing operations were EUR 0.92 (0.70). Shareholders' equity per share was EUR 10.36 (9.26).

#### OUTLOOK FOR 2007

Freight volumes on all Finnlines routes have been clearly higher at the beginning of 2007 than in the same period of previous years. This is due to economic growth in Finland and its main trading countries, as well as to Finnlines' new, faster timetable between Finland and Germany.

Despite non-recurring expenses arising from the commissioning of new vessels, rotation of the fleet and three vessels being under conversion, the operating profit for 2007 is expected to be higher than that of 2006.

#### DIVIDEND DISTRIBUTION PROPOSAL

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.30 per share be paid out for the financial year ending on 31 December 2006. If the Board's proposal is approved, the dividend will be paid out on 28 March 2007 to shareholders registered in the shareholder register maintained by the Finnish Central Securities Depository Ltd no later than the dividend record date of 21 March 2007.

#### ANNUAL GENERAL MEETING

Finnlines Plc's Annual General Meeting will be held from 10 am on Friday, 16 March 2007 at the Hotel Radisson SAS Royal, Runeberginkatu 2, Helsinki, Finland.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT, IFRS

EUR 1 000	Note*	2006	2005
<b>Continuing operations</b>			
Revenue	7	<b>632 666</b>	584 085
Other income from operations	8	<b>2 078</b>	3 497
Materials and services	9	<b>-196 042</b>	-173 229
Personnel expenses	10	<b>-111 266</b>	-101 770
Depreciation, amortisation and other write off	11	<b>-39 875</b>	-33 848
Other operating expenses	12	<b>-229 337</b>	-236 781
Total operating expenses		<b>-576 521</b>	-545 628
<b>Operating profit</b>		<b>58 223</b>	41 954
Financial income	13	<b>10 784</b>	5 927
Financial expenses	13	<b>-21 557</b>	-11 852
Share of associated companies' profits	20	<b>274</b>	263
<b>Profit before taxes</b>		<b>47 725</b>	36 291
Income taxes	14	<b>-9 989</b>	-7 738
Profit for the reporting period, continuing operations		<b>37 736</b>	28 553
<b>Discontinuing operations</b>			
Profit / loss for the reporting period, discontinuing operations	5	<b>18 742</b>	-1 442
<b>Profit for the reporting period</b>		<b>56 477</b>	27 112
<b>Distribution:</b>			
Parent company shareholders		<b>56 053</b>	26 651
Minority interest		<b>425</b>	461
		<b>56 477</b>	27 112
<b>Profit attributable to parent company shareholders calculated as earnings per share (EUR/share):</b>			
Undiluted earnings per share		<b>1.38</b>	0.66
Diluted earnings per share		<b>1.38</b>	0.66
<b>Profit attributable to parent company shareholders, continuing operations, calculated as earnings per share (EUR/share):</b>			
Undiluted earnings per share		<b>0.92</b>	0.70
Diluted earnings per share		<b>0.92</b>	0.69
<b>Profit attributable to parent company shareholders discontinuing operations, calculated as earnings per share (EUR/share):</b>			
Undiluted earnings per share		<b>0.46</b>	-0.04
Diluted earnings per share		<b>0.46</b>	-0.04

All figures of the annual report are rounded which may cause summarising individual figures outcome to differ from the totals presented.

\* Notes from page 30.



## CONSOLIDATED BALANCE SHEET, IFRS

EUR 1 000	Note*	2006	2005
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	817 977	619 727
Goodwill	18	108 660	109 011
Other intangible assets	18	10 136	11 935
Investment properties	19	1 588	1 591
Share of associated companies	20	2 349	2 105
Other financial assets	21	4 892	5 513
Receivables	22	5 839	8 647
Deferred tax assets	23	617	410
		<b>952 057</b>	758 941
<b>Current assets</b>			
Inventories	24	5 412	6 640
Accounts receivable and other receivables	22	91 538	103 843
Tax receivables for revenue earned		512	9 974
Bank and cash	25	18 436	28 735
		<b>115 898</b>	149 194
<b>Total assets</b>		<b>1 067 956</b>	908 134
<b>SHAREHOLDER'S EQUITY</b>			
<b>Equity attributable to parent company shareholders</b>			
Share capital		81 384	81 314
Share issue			6
Share issue premium		24 525	24 301
Translation differences		28	-1 046
Retained earnings		315 791	271 946
		<b>421 728</b>	376 520
<b>Minority interest</b>			
		<b>2 028</b>	2 002
<b>Total shareholders' equity</b>		<b>423 757</b>	378 523
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Deferred tax liabilities	23	98 352	89 505
Pension liabilities	31	2 565	4 628
Provisions	27	3 659	4 354
Interest-bearing liabilities	28	360 067	269 425
		<b>464 643</b>	367 913
<b>Current liabilities</b>			
Accounts payable and other liabilities	29	79 155	87 710
Tax liabilities for revenues earned		430	514
Provisions	27	230	665
Current interest-bearing liabilities	28	99 739	72 809
		<b>179 555</b>	161 699
<b>Total liabilities</b>		<b>644 199</b>	529 612
<b>Total shareholders' equity and liabilities</b>		<b>1 067 956</b>	908 134

\* Notes from page 30.

## CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1 000	Note*	2006	2005
<b>Cash flow from operations</b>			
Profit for the reporting period		56 477	27 112
Adjustments:			
Non-cash transactions	30	13 913	28 174
Interest expense and other financial expenses		11 762	9 873
Interest income		-2 013	-1 024
Dividend income		-34	-54
Taxes		9 989	7 854
Realized currency differences		1 028	
Changes in working capital:			
Change in accounts receivable and other receivables		4 525	-11 187
Change in current assets		1 228	-2 539
Change in accounts payable and other liabilities		-11 646	9 554
Change in provisions		-2 096	-2 861
Interest paid		-11 473	-10 868
Interest received		2 008	1 211
Taxes paid		7 174	-2 004
Realized currency differences		1 475	
<b>Net cash flow from operations</b>		<b>82 318</b>	<b>53 241</b>
<b>Cash flow from investing activities</b>			
Acquisition of subsidiaries, net of acquired cash		-1 727	
Sale of subsidiaries, net of sold cash		35 708	
Investments in tangible assets		-229 537	-66 749
Investments in intangible assets		-2 207	-2 022
Sale of tangible assets		1 625	3 217
Dividends received		34	54
<b>Net cash flow from investing activities</b>		<b>-196 104</b>	<b>-65 500</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares		289	11 931
Borrowing		202 881	41 818
Net increase in current interest-bearing liabilities		-27 816	37 627
Repayment of loans		-59 394	-78 507
Decrease in long-term receivables		2 190	-850
Dividends paid		-12 600	-30 229
Financing expenses		-2 063	-891
<b>Net cash flow from financing activities</b>		<b>103 487</b>	<b>-19 101</b>
<b>Change in cash and cash equivalents</b>		<b>-10 299</b>	<b>-31 360</b>
Cash and cash equivalents on 1 January		28 735	60 081
Effect of foreign exchange rate changes			14
<b>Cash and cash equivalents 31 December</b>		<b>18 436</b>	<b>28 735</b>

\* Notes from page 30.

## CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY, IFRS

EUR 1 000									
	Equity attributable to parent company shareholders							Minority interest	Total shareholders' equity
	Share capital	Share issue	Share issue premium	Translation differences	Treasury shares	Retained earnings	Total		
<b>Shareholders' equity 31 Dec 2004</b>	<b>79 916</b>		<b>13 774</b>	<b>-192</b>	<b>-5 961</b>	<b>282 139</b>	<b>369 675</b>	<b>2 049</b>	<b>371 724</b>
Adoption of IAS 32 and IAS 39						-654	-654		-654
<b>Adjusted shareholders' equity 1 Jan 2005</b>	<b>79 916</b>		<b>13 774</b>	<b>-192</b>	<b>-5 961</b>	<b>281 485</b>	<b>369 021</b>	<b>2 049</b>	<b>371 070</b>
Translation differences				-853			-853		-853
Profit for the reporting period						26 651	26 651	461	27 112
Total recognised income and expenses for the period				-853		26 651	25 798	461	26 258
Dividend						-30 229	-30 229	-508	-30 737
Stock options exercised	2 510	6	9 416				11 931		11 931
Invalidation of treasury shares	-1 112		1 112		5 961	-5 961			
	1 398	6	10 528		5 961	-36 190	-18 298	-508	-18 805
<b>Shareholders' equity 31 Dec 2005</b>	<b>81 314</b>	<b>6</b>	<b>24 301</b>	<b>-1 046</b>		<b>271 946</b>	<b>376 520</b>	<b>2 002</b>	<b>378 523</b>
Translation differences				1 074			1 074		1 074
Profit for the reporting period						56 053	56 053	427	56 480
Total recognised income and expenses for the period				1 074		56 053	57 127	427	57 554
Dividend						-12 208	-12 208	-392	-12 600
Sale of Team Lines companies								-9	-9
Stock options exercised	70	-6	224				289		289
	70	-6	224			-12 208	-11 919	-401	-12 320
<b>Shareholders' equity 31 Dec 2006</b>	<b>81 384</b>		<b>24 525</b>	<b>28</b>		<b>315 791</b>	<b>421 728</b>	<b>2 028</b>	<b>423 757</b>



## PROFIT AND LOSS ACCOUNT, PARENT COMPANY, FAS

EUR 1 000	2006	2005
<b>Revenue</b>	<b>253 070</b>	233 559
Other income from operations	<b>4 738</b>	1 152
Materials and services	<b>60 061</b>	52 670
Personnel expenses	<b>22 668</b>	20 958
Depreciation, amortisation and write off	<b>12 354</b>	9 790
Other operating expenses	<b>147 647</b>	165 687
<b>Operating profit / (-) loss</b>	<b>15 078</b>	-14 395
Financial income and expenses	<b>38 190</b>	28 408
<b>Profit before extraordinary items</b>	<b>53 268</b>	14 013
Extraordinary items	<b>-7 445</b>	192
<b>Profit before appropriations and taxes</b>	<b>45 823</b>	14 206
Appropriations	<b>9 419</b>	23 430
Income taxes		32
<b>Net profit</b>	<b>55 242</b>	37 668

## BALANCE SHEET, PARENT COMPANY, FAS

EUR 1 000	2006	2005
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	11 577	11 781
Tangible assets	247 103	273 136
Financial assets		
Share of associated companies	317 582	317 517
Other financial assets	5 742	6 290
<b>Total non-current assets</b>	<b>582 004</b>	<b>608 724</b>
<b>Current assets</b>		
Inventories	1 111	1 174
Long-term receivables	248 635	8 338
Short-term receivables	158 592	241 184
Marketable securities	3 191	16 338
Cash and bank balances	7 131	1 638
<b>Total current assets</b>	<b>418 661</b>	<b>268 672</b>
<b>Total assets</b>	<b>1 000 665</b>	<b>877 396</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	81 384	81 314
Share issue		6
Share issue premium	24 525	24 301
Retained earnings	54 416	28 955
Net profit	55 242	37 668
<b>Total shareholders' equity</b>	<b>215 567</b>	<b>172 244</b>
<b>Accumulated appropriations</b>	<b>186 337</b>	<b>195 757</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Interest-bearing	373 349	263 066
<b>Total long-term liabilities</b>	<b>373 349</b>	<b>263 066</b>
<b>Current liabilities</b>		
Interest-bearing	196 459	223 485
Other	28 952	22 843
<b>Total current liabilities</b>	<b>225 411</b>	<b>246 329</b>
<b>Total liabilities</b>	<b>598 760</b>	<b>509 395</b>
<b>Total shareholders' equity and liabilities</b>	<b>1 000 665</b>	<b>877 396</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Finnlines is one of the largest European shipping companies specialised in liner cargo services. The Group's operations are centred on sea transports in the Baltic Sea and North Sea areas and on providing port services in Finland and Norway. Through its subsidiaries and associated companies, the Group has operations in eight northern European countries and in Russia. The Group's services are also offered throughout Europe via an extensive network of agents. 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 Porkkalankatu 20 A, 00181 Helsinki. Copies of financial statements can be obtained from [www.finnlines.com](http://www.finnlines.com) or the company's headquarters.

These Group consolidated financial statements were authorised for issue by the Board of Directors of Finnlines Plc on 13 February 2007. According to the Finnish Companies Act, the shareholders of the company have the right to accept or to reject the financial statements in the Annual General Meeting held after the issue.

## 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 2006. The International Financial Reporting Standards mean the standards accepted to be implementation in the EU by EU regulation (EY) 1606/2002 and the interpretations related. The notes to the Group financial statements also comply with the Finnish accounting and corporate legislation. This Annual Report does not contain full financial statement information of the parent company.

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. Goodwill for business combinations formed before 2004 is equivalent to the book value reported in accordance with the previous accounting standards, and is used as the deemed cost in accordance with IFRS. The classification and accounting of these acquisitions were not adjusted when preparing the consolidated opening balance sheet of 2005.

When preparing the financial statements, the Group's management must make estimates and assumptions, which affect the content of the financial statements, and use its discretion in applying the accounting principles. The most significant at these relate to the impairment of goodwill and other assets and to provisions. Bases for these estimates and assumptions are described in more detail in these accounting principles and in the following notes to the consolidated accounts. The estimates are based on the best current knowledge of the management, but the actual figures may differ from these estimates.

## CONSOLIDATION PRINCIPLES

### SUBSIDIARIES

The consolidated financial statements include the parent company, Finnlines Plc, and its subsidiaries. Included are all the companies in which Finnlines Plc directly or indirectly holds more than 50 per cent of the voting rights, or of which it otherwise has control.

Mutual shareholdings are eliminated using the acquisition cost method. The acquisition cost is determined based on the fair value of the transferred assets on the acquisition date, the issued shares or the assumed liabilities, plus the direct costs incurred from the acquisition. The part of the acquisition cost, which exceeds the fair value of the acquired company's net assets, is treated as goodwill (cf. Intangible Assets, Goodwill). Subsidiaries are consolidated from the date on which control is transferred to the Company. Sold subsidiaries are consolidated until the date on which control is transferred to the buyer.

Intra-group transactions, internal receivables and liabilities, unrealised profit from internal transactions and the internal distribution of profit are eliminated in the consolidated financial statements. Unrealised losses caused by impairment are not eliminated. The subsidiaries' accounting principles have been adjusted to correspond to the consolidated accounting principles where appropriate.

The distribution of the profit for the reporting period to parent company shareholders and minority interest is recognised in the profit and loss account, and the shareholders' equity attributable to minority interest is reported separately on the balance sheet under shareholders' equity. The accrued losses attributable to minority interest are recognised in the consolidated financial statements only up to the amount of the investment.

### ASSOCIATED COMPANIES

Associated companies are the ones on which the Group has a significant influence. A significant influence is realised if the Group holds more than 20 per cent of the voting rights or otherwise has a significant influence, without having full control. Associated companies are consolidated using the equity method. If the Group's share of associated companies' losses exceeds the book value of the investment, the investment is recognised in the balance sheet at zero value and the portion of the losses exceeding the book value is not consolidated unless the Group has agreed to meet the associated companies' obligations. Unrealised profits between the Group and its associated companies are eliminated to the extent of the Group's share of ownership. The investment in each associated company includes goodwill arising from the acquisition.

### DISCONTINUED OPERATIONS

A discontinued operation or an operation for sale results from a decision to divest of separate, major business operations for which assets, liabilities and net result can be physically, operationally and for financial reporting separated. The result of discontinued operations is presented in the income statement as separate item



after the result of continued operations. The comparative income statement of the previous period is adjusted accordingly. However, comparative balance sheet is not adjusted but the assets and liabilities of the discontinued operations are separated from the assets and liabilities of continued operations from the date they are classified as discontinued or 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 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 on the balance sheet date. 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 operating profit 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 subsidiaries located outside the euro area are translated into EUR using weighted average exchange rates. Balance sheets are translated at the exchange rate prevailing on the balance sheet date. Translation differences arising from investments in foreign subsidiaries 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 subsidiaries. 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 accounts are listed as a separate item under shareholders' equity.

Goodwill arising from the acquisition of foreign units since 1 January 2004 and fair value adjustments made to the book values of those foreign units' assets and liabilities on the date of acquisition are treated as assets and liabilities of the foreign units in question and translated into EUR using the exchange rate valid on the

balance sheet date. Goodwill and fair value adjustments related to acquisitions made before 1 January 2004 are recognised in EUR.

#### PROPERTY, PLANT AND EQUIPMENT

Fixed assets are valued at their direct acquisition cost deducted by depreciations and impairments. The acquisition cost includes direct expenses incurred in relation to the acquisition. Renovation and overhaul expenses of significant proportions 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 and ship shares	30–35 years
Buildings	10–40 years
Constructions	5–10 years
Stevedoring machinery and equipment	5–15 years
Light machinery and equipment	3–5 years

Second-hand vessels are depreciated over their estimated useful lives.

The estimated useful lives and the residual values of assets are revised on each balance sheet date and, when necessary, adjusted to reflect changes that have taken place in the expected future economic benefits.

The depreciation on tangible asset stops 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 retirements and disposals of tangible assets are recognised under other income or expenses from operations.

If the book value of an asset exceeds its current recoverable amount, the value of the asset is written off to correspond to its recoverable value.

Any interest and deposit charges related to 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 incurred.

#### GOVERNMENT SUBSIDIES

Subsidies related to Shipping and Sea Transport Services are recognised as an adjustment of the personnel expenses to which they relate.

## INTANGIBLE ASSETS

Intangible assets are recognised on the balance sheet 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 for intangible assets are based on the following estimated useful lives:

Software	5–10 years
Other intangible assets	5–10 years

## GOODWILL

Goodwill arising from the acquisitions made after 1 January 2004 corresponds to the part of the acquisition cost that exceeds the proportion attributable to the Group out of the fair value of the acquired company's net assets on the acquisition date. Goodwill that has arisen prior to 1 January 2004 is calculated as the book value on the transfer date, as required by the previously used accounting standards. This value was used as the deemed cost of goodwill for the date of transition to IFRS.

Goodwill is tested annually for impairment and an impairment loss is recognised if the test shows a loss of recoverable value. For the impairment testing, goodwill is transferred to cash generating units, or, in the case of associated companies, included in the associated company's acquisition cost.

## 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 cannot be 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 depreciations 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.

## INVESTMENT PROPERTIES

Investment properties are properties held by the Group for the purposes of gaining rent income or for value increases. Investment properties are valued according to the acquisition cost model, as their acquisition cost excluding depreciations and impairments.

Investment properties are depreciated according to Group depreciation plans.

## IMPAIRMENT

Goodwill and intangible assets with unlimited useful lives, as well as tangible assets are tested for impairment annually at the minimum.

Assets are evaluated for signs of impairment. If there are signs of impairment, the current recoverable amount of the asset in question is calculated by using higher of its current net selling price or its value in use. If the book 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 book 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 balance sheet date 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' book value and realisable value, and it corresponds to the current value of expected cash flow. Impairment losses recognised through profit or loss for investments in equity instruments classified as being held for sale are not reversed in subsequent years' profit and loss accounts.

## FINANCIAL ASSETS AND LIABILITIES

### FINANCIAL ASSETS

The Group has applied the IAS 39 standard (Financial Instruments: Recognition and Measurement) since 1 January 2005.

Since the beginning of 2005, the Group's financial assets have had the following classifications in accordance with the standard: 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 charges are included in the original book 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 on the transaction date.

Financial assets are written off the balance sheet 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 to outside the Group.

**Financial assets at fair value through profit or loss** include 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, which is determined based on quoted prices published on the active market, i.e. bid and sales quotations on the balance sheet date. 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. In 2006 and 2005 the Group had no financial assets in the category.

**Available-for-sale financial assets** are valued at fair value after their acquisition. Generally the fair value of investments in this category is determined based on quoted prices published on the active market, i.e. bid quotations on the balance sheet date. Unrealised gains and losses arising from valuation at fair value are recognised in the fair value fund 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 balance sheet date, in which case they are included in current assets.

**Loans and other receivables** are assets whose payments are fixed or can be reliably determined, and which are not listed 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

Cash and cash equivalents include cash in hand and at bank as well as other highly liquid assets with 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 remuneration received, increased by direct transaction charges incurred in relation to the acquisition or issuing of the financial liability item in question. Transaction charges are included in the original book value of financial liabilities. Later, all financial liabilities are valued at amortised cost using the effective interest method. Borrowing costs are recognised as expense in the reporting period during which they arise. Financial liabilities are included in both long-term and short-term liabilities and they can be either interest-bearing or non-interest-bearing.

Derivatives that do not meet the conditions of hedge accounting 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 balance sheet.

#### DERIVATIVES AND HEDGE ACCOUNTING

Derivative contracts are recognised at an acquisition cost that corresponds to their fair value. After acquisition, derivative contracts are valued at fair value, which is determined on the basis of bid and sales quotations published on the active market. Gains and losses arising from valuation at fair value are recognised in the financial statements based on the purpose of use of each derivative contract. The Group does not use hedge accounting in accordance with IAS 39. Unrealised and realised gains and losses arising from changes in fair value are recognised in the profit and loss account under financial items in the reporting period in which they arise. The fair values of derivatives are recognised either under accounts payable and other liabilities or under accounts receivable and other receivables.

#### LEASES

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 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 balance sheet 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 current 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 on leased assets subject to depreciation is calculated according to the same principles as depreciation on owned assets. If there is relative certainty that the Group will receive 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.

#### INVENTORIES

Inventories include the Group's vessels' fuel, lubricant, bulk and food supplies as well as goods sold 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 the sale has been deducted.

### SHARE CAPITAL

The share capital consists only of ordinary shares. Direct costs (minus tax) arising from a new share issue are recognised under shareholders' equity to be deducted from the income received from the issue.

When the company acquires treasury shares, the amount paid for them and all direct costs (minus any applicable taxes) are deducted from the shareholders' equity.

### INCOME TAXES

The tax expenses recognised on the profit and loss account 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 tax liabilities are calculated using the balance sheet liability method, by calculating the tax from all temporary differences between book value and taxable value. Deferred taxes are calculated using the tax rates valid on the balance sheet date.

Deferred tax assets are recognised in the accounts 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.

### EMPLOYEE BENEFITS

#### PENSION LIABILITIES

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

Employee pension plans are organised through external pension companies. Finnish TEL pension insurance in external pension insurance companies are treated as defined contribution plans. Up to 31 December 2005, the TEL insurance component covering disability was recognised as a defined benefit plan; after that, TEL pension insurances are classified as defined contribution plans fully.

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 account in the reporting period to which the payment applies.

In defined benefit plans, the employer's pension liability is based on the current 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 current 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.

In the Group's defined benefit plans, the opening balance at the time of transfer includes all the accrued actuarial profits and losses. After that the actuarial profits and losses are recognised through profit or loss over the average employment time.

### 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. On the balance sheet date the Group had no share option schemes to report in accordance with IFRS 2. Expenses from previous share option schemes have not been recognised in the profit and loss account.

### PROVISIONS

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 on the balance sheet date. The amount used for provisions is the current value of the expected expenses.

### REVENUE RECOGNITION

The Group's revenue is mainly generated through the sale of services which are principally port operations and transports of cargo and passengers. The revenue from the sale of a service is recognised when the service has been provided. Income and expenses from incomplete voyages are recognised in proportion to their stage of completion. The stage of completion is determined by the percentage of the voyage completed during the reporting period. If it is likely that the total expenses from incomplete activities will exceed their total income, the expected loss is recognised as an expense. Revenue is adjusted with indirect taxes, revenue adjustments and exchange rate differences.

### SEGMENT REPORTING

The Group's primary segment reporting is based on its business segments. Its secondary segment reporting is based on geographical segments.

### IMPLEMENTATION OF STANDARDS

The changes to the IAS 39 and IAS 19 standards published by the IASB in 2004 and 2005 were implemented in 2006. The implementation of the modified standards does not have a significant effect on the financial statements.

Implementation of new or amended standards and interpretations in the future periods:

The new IFRS 7 standard published in 2005 by the IASB will be implemented in 2007. The standard will principally affect the notes to the consolidated financial statements.



The amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures will be implemented in 2007.

The Group estimates that the new interpretations IFRIC 8, IFRIC 9 and IFRIC 10 to be implemented in 2007 will not have an effect on the Group financial statements. The EU has not accepted IFRIC 10 by the end of 2006.

Finnlines has started investigating effects of the new standard IFRS 8 on the segment information. The standard will be implemented on 1 January 2009.

New interpretations IFRIC 11 and IFRIC 12 should be implemented on 1 January 2008, but the Group estimates that they will not affect the financial statements.

### 3. RISK MANAGEMENT

The Group is exposed to various financial risks in its business operations. The aim of the Group's risk management is to minimise the adverse effects of the movements in financial markets on the Group's financial performance. The major financial risks are currency risk, interest rate risk, credit risk, liquidity risk, funding risk and fuel price risk. In its risk management the Group uses currency forwards, currency loans, interest rate swaps and fuel price clauses in customer contracts. The Group's risk management principles are approved by the Board of Directors, and the responsibility for their implementation lies centrally with the Group treasury, 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 arising from different currency positions. The main foreign currencies used by the Group are USD, SEK and GBP. Currency risks arise from commercial transactions, monetary balance sheet items and net investments in foreign subsidiaries. In 2006, 85 per cent of sales of the continued operations were invoiced in EUR and the rest in SEK, DKK, NOK and GBP. Currency positions are reviewed for each currency every 12 months, when annual budgets are made. Cash flow hedging instruments consist of 1–12-month currency forwards. The Group does not apply hedge accounting in accordance with IAS 39. The acquisition value of subsidiary shares valued in SEK is hedged with a loan in SEK and with a currency forward until 31 December 2006. The investment and the hedging loan are converted to EUR in the beginning of 2007. Changes in fair value of these derivatives are recognised through profit or loss in financial items.

The Group's business units can make internal derivative agreements with the Group treasury to hedge a specific activity. The treasury will make hedge agreements with an external counterpart based on the whole Group's net currency position. With the exception of the above-mentioned loan in SEK, all the Group's debts are in EUR. The SEK loan's value was SEK 465 million. The investment programme that is currently ongoing (construction of five new ropax vessels, two of which were delivered in 2006) is EUR valued.

#### INTEREST RATE RISK

The Group's short-term money market investments and commercial papers issued expose it to cash flow interest rate risk but their impact is immaterial. The Group's income and cash flow from operations are mainly not affected by fluctuations in market interest rates. The Group is exposed to interest rate risks of the fair value of investment portfolios. The level of hedging against interest rate risks is settled annually by the Board of Directors on making the budget. On the balance sheet date, 97 per cent of the Group's borrowings were variable-rate and the rest were fixed-rate borrowings. The average duration of the loan portfolio was approximately four months. The Group can raise both fixed-rate and variable-rate loans and use interest rate swaps. On the balance sheet date, there were no open interest rate swaps.

#### CREDIT RISK

The Group determines 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 monitored constantly. Credit losses in 2006 were immaterial.

#### LIQUIDITY RISK

The Group continuously strives to evaluate and monitor the amount of funding required for its operations, to ensure that it will have sufficient liquid assets to fund its business activities and investments and to repay loans. The Group's aim is to fund its vessel investments with credit agreements with the longest possible terms. The Group aims to guarantee the availability and flexibility of funding by unused credit lines and by employing several banks and funding methods in acquiring funding. On 31 December 2006 the granted, but not raised, credit lines totalled EUR 635 million.

#### COMMODITY RISK

The Group is exposed to commodity risks in relation to the availability and price fluctuations of fuel. It aims to minimise this risk by making framework agreements with known counterparts and by adding fuel price clauses to 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 strongly and depends on the utilisation rate of the Group's vessels.

#### COUNTRY RISK

The group revenue includes 4 per cent sale of traffic to the port of St. Petersburg. This Russian traffic is estimated to be exposed to a risk of interruption since the contracts with the port of St. Petersburg are short term.

#### 4. SEGMENT INFORMATION

Segment information is reported in accordance with the Group's business and geographical segment distribution. The Group's primary segment reporting is based on business segments. Business segments are based on the Group's internal organisational structure and internal financial reporting.

##### PRIMARY SEGMENT REPORTING: BUSINESS SEGMENTS

The Group has two business segments, one is Shipping and Sea Transport Services and the other Port Operations.

##### SHIPPING AND SEA TRANSPORT SERVICES

Finnlines' Shipping and Sea Transport Services segment includes the Group's HansaLink, FinnLink, NordöLink and TransRussiaExpress traffic in the Baltic Sea, the North Sea and the Bay of Biscay.

##### PORT OPERATIONS

Finnlines engages in port operations under the name Finnsteve in the ports of Helsinki, Turku, Naantali and Kotka, and under the name Norsteve in the port of Oslo, Norway. Finnsteve and Norsteve specialise in providing services to operators of transit, regular and planned unitised cargo traffic: stevedoring, terminal services, ship clearance as well as warehousing and container depot services.

EUR 1 000				
	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
<b>Profit per segment for the reporting period ending 31 Dec 2006:</b>				
Total sales from segment	538 996	123 092		662 088
Inter-segment sales	1 015	28 407	-29 422	-29 422
<b>External sales</b>	<b>537 981</b>	<b>94 685</b>		<b>632 666</b>
<b>Operating profit for segment</b>	<b>50 771</b>	<b>7 452</b>		<b>58 223</b>
Share of associated companies' profits	274			274
Financial items				-10 773
Income taxes				-9 989
<b>Profit before taxes, continuing operations</b>				<b>37 736</b>
<b>Profit before taxes, discontinuing operations</b>				<b>18 742</b>
<b>Profit for reporting period</b>				<b>56 477</b>
<b>Profit per segment for the reporting period ending 31 Dec 2005:</b>				
Total sales from segment	505 499	105 544		611 043
Inter-segment sales	1 100	25 859	-26 959	-26 959
<b>External sales</b>	<b>504 399</b>	<b>79 686</b>		<b>584 085</b>
<b>Operating profit for segment</b>	<b>36 969</b>	<b>4 985</b>		<b>41 954</b>
Share of associated companies' profits	263			263
Financial items				-5 925
Income taxes				-7 738
<b>Profit before taxes continuing operations</b>				<b>28 553</b>
<b>Profit before taxes, discontinuing operations</b>				<b>-1 442</b>
<b>Profit for the reporting period</b>				<b>27 112</b>

Inter-segment transfers and transactions are carried out using normal commercial conditions, equivalent to those used with external parties. All inter-segment sales are eliminated in the consolidated financial statements.

EUR 1 000				
	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
<b>Expenses in the profit and loss account, no payment relating:</b>				
<b>2006</b>				
Depreciation	-34 092	-5 783		-39 875
Write off of accounts receivable	-271	-140		-411
Change in provisions	-1 130			-1 130
<b>2005</b>				
Depreciation	-28 629	-5 219		-33 848
Write off of accounts receivable	-555	-28		-582
Change in provisions	-2 932			-2 932
<b>Assets, liabilities and investments by segment:</b>				
<b>2006</b>				
Segment assets	973 627	63 440	-3 001	1 034 067
Investment in associated companies consolidated by equity method	2 349			2 349
Unallocated assets				31 540
<b>Total assets</b>				<b>1 067 956</b>
Segment liabilities	64 412	52 869	-40 043	77 238
Unallocated liabilities				566 961
<b>Total liabilities</b>				<b>644 199</b>
<b>Investments</b>	<b>425 742</b>	<b>22 312</b>	<b>-209 980</b>	<b>238 074</b>
<b>2005</b>				
Segment assets	808 934	46 750	-3 918	851 765
Investment in associated companies consolidated by equity method	2 105			2 105
Unallocated assets				54 264
<b>Total assets</b>	<b>811 039</b>	<b>46 750</b>	<b>-3 918</b>	<b>908 134</b>
Segment liabilities	78 026	15 926	-1 189	92 762
Unallocated liabilities				436 849
<b>Total liabilities</b>	<b>78 026</b>	<b>15 926</b>	<b>-1 189</b>	<b>529 612</b>
<b>Investments</b>	<b>151 591</b>	<b>15 486</b>	<b>-94 071</b>	<b>73 006</b>

Segment assets consist mainly of tangible and intangible fixed 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 tax items or loans.

Investments include additions to tangible assets (note 17) and intangible assets (note 18) without additions made through business acquisitions.

## SECONDARY SEGMENT REPORTING: GEOGRAPHICAL SEGMENTS

The Group's geographical segments are Finland, other EU member states and other countries.

Revenue from the geographical segments is reported according to the location of the customers, whilst assets and investments are reported according to the location of the investing subsidiary. The Group's vessels and inventories (mainly fuel) are included in the reported assets even though they are by nature mobile and their location can be easily changed.

EUR 1 000	2006	2005
<b>Revenue</b>		
Finland	373 113	366 357
Other EU countries	223 626	187 607
Other	35 927	30 121
	<b>632 666</b>	584 085
<b>Assets</b>		
Finland	722 558	519 994
Other EU countries	342 317	378 256
Other	4 212	4 563
Internal items	-32 671	-48 943
Unallocated	31 540	54 264
	<b>1 067 956</b>	908 134
<b>Investments</b>		
Finland	232 273	111 188
Other EU countries	5 729	55 665
Other	174	224
Internal items	-102	-94 071
	<b>238 074</b>	73 006

## 5. DISCONTINUED OPERATIONS

In July, Finnlines sold the German container feeder operator Team Lines GmbH & Co. KG and its subsidiaries in Finland, Sweden and Norway to the Belgian container shipping company Delphis NV. The sale was approved by the relevant competition authorities and it was finalised on 4 September 2006. Team Lines operations were classified as discontinued on 1 July 2006. Value of the sale totalled EUR 40 million (selling price free from debt).

Turnover of Team Lines group was EUR 188 million in 2005. Net profit of the sale was EUR 18.7 million, of which EUR 0.6 million is the January–August 2006 revenue of Team Lines companies.

## SPECIFICATION OF DISCONTINUING OPERATIONS AND ASSETS HELD FOR SALE

EUR 1 000	1 Jan–4 Sep 2006	1 Jan–31 Dec 2005
<b>Income statement</b>		
Revenue	142 831	188 454
Expenses	-141 612	-189 640
Operating profit (+), loss (-)	1 219	-1 185
Net financial expenses	-556	-140
Profit (+), loss (-) before taxes	663	-1 326
Income taxes	-159	-115
Profit (+), loss (-) after taxes	504	-1 441
<b>Cash flow statement</b>		
Net cash flow from operations	-4 227	-1 053
Net cash flow from investing activities	-260	-73
Net cash flow from financing activities	4 466	1 959
<b>Total cash flow</b>	<b>-22</b>	<b>833</b>



## EFFECT OF TEAM LINES COMPANIES SALE ON THE GROUP FINANCIAL POSITION

EUR 1 000	2006
Tangible assets	453
Goodwill	5 605
Other intangible assets	128
Shares	32
Receivables	27 878
Inventories	809
Provisions	-76
Interest-bearing liabilities	-11 763
Accounts payable and other liabilities	-14 844
Total assets and liabilities	8 221
Received in cash*	35 708
Cash and cash equivalents in disposed subsidiaries	
Net cash flow from disposals	35 708

\* Cash received does not include EUR 4 million security deposit expiring on 5 March 2007. Information on the income tax of the Group allocated to discontinued operations is in note 14, Income Taxes.

## 6. ACQUISITIONS

On 1 January 2006, Finnlines Plc's subsidiary Finnsteve Oy acquired from Oy Saimaa Lines Ltd all the shares in TBE System Oy Ltd, a company providing stevedoring, ship clearance, terminal, warehousing and container depot services in Kotka. The cash consideration of the purchase was EUR 1.7 million. Goodwill of EUR 3.0 million generated by the acquisition was due to the expected significant synergy benefits with the existing Finnsteve operations in Kotka. Finnsteve did not possess social or storage facilities in Kotka, which were acquired as part of the acquisition. TBE System is consolidated to the Finnlines Group from the beginning of the accounting period 2006.

EUR 1 000	2006
<b>Consideration</b>	
Consideration paid in cash	1 700
Direct costs related to acquisitions	27
Total consideration	1 727
Fair value of the acquired net assets, negative	1 289
Goodwill	3 016

EUR 1 000	Fair value	Original carrying amount
<b>Specification of the acquired net assets</b>		
Goodwill		79
Other intangible assets		22
Tangible assets	2 590	3 177
Tax receivables	576	
Other receivables	931	931
Liabilities	-5 387	-5 387
Fair value of the acquired net assets	-1 289	-1 178
Consideration paid in cash	-1 700	
Capital transfer tax	-27	
Cash outflow on the acquisitions	-1 727	

## 7. DISTRIBUTION OF REVENUE

The revenue of the Group is generated by rendering sea transport and port operations services.

## 8. OTHER INCOME FROM OPERATIONS

EUR 1 000	2006	2005
<b>Other income from operations, continuing operations</b>		
Rent income	1 212	1 220
Gain from sale of fixed assets	725	1 746
Other income from operations	142	532
	<b>2 078</b>	<b>3 497</b>

## 9. MATERIALS AND SERVICES

EUR 1 000	2006	2005
<b>Cost of goods sold, continuing operations</b>		
Materials and supplies		
Purchases during reporting period	-125 096	-95 373
Change in inventories	355	527
Purchased services	-196 042	-78 383
	<b>-320 784</b>	<b>-173 229</b>

## 10. PERSONNEL EXPENSES

EUR 1 000	2006	2005
<b>Employee benefit expenses, continuing operations</b>		
Salaries	-98 014	-88 269
Other social costs	-14 652	-13 542
Pension expenses – defined contribution plans	-14 756	-12 457
Pension expenses – defined benefit plans	-130	160
Shipping and Sea Transport Service grants	16 286	12 338
	<b>-111 266</b>	<b>-101 770</b>
<b>Average number of Group employees*</b>		
Shipping and Sea Transport Services	1 222	1 227
Port Operations	974	863
	<b>2 196</b>	<b>2 090</b>

\* Continuing operations

## 11. DEPRECIATION, AMORTISATION AND OTHER WRITE OFF

EUR 1 000	2006	2005
<b>Depreciation of tangible assets, continuing operations</b>		
Buildings	-2 916	-2 038
Machinery and equipment	-5 164	-5 038
Vessels and ship shares	-29 990	-25 163
Amortisation of intangible assets, continuing operations	-1 805	-1 609
<b>Total depreciation and amortisation</b>	<b>-39 875</b>	<b>-33 848</b>

## 12. OTHER OPERATING EXPENSES

EUR 1 000	2006	2005
Personnel-related costs, continuing operations	-4 691	-2 892
Lease costs, continuing operations	-104 156	-112 411
Other expenses, continuing operations	-120 491	-121 478
	<b>-229 337</b>	<b>-236 781</b>

## 13. FINANCIAL INCOME AND EXPENSES

EUR 1 000	2006	2005
Dividend income	4	33
Other financial income	19	45
Derivative valuation at fair value (gain)		899
Interest income	2 018	1 246
Exchange rate gains	8 743	3 704
Total financial income	<b>10 784</b>	<b>5 927</b>
Interest expenses		
Loans	-11 764	-9 929
Exchange rate losses	-9 793	-1 923
Total financial expenses	<b>-21 557</b>	<b>-11 852</b>
Net financial expenses	<b>-10 773</b>	<b>-5 925</b>

Operating profit includes EUR 82,000 (445,000) of exchange rate gains in 2006.

## 14. INCOME TAXES

### CONTINUING OPERATIONS

EUR 1 000	2006	2005
Tax on taxable revenue of the reporting period	-1 289	-1 314
Tax from previous periods	-9	107
Change in deferred taxes	-8 691	-6 531
Taxes in profit and loss account, expense (-)	<b>-9 989</b>	<b>-7 738</b>

Reconciliation of differences between tax on the profit and loss account and taxes calculated using Finnish tax rates (2006: 26 per cent, 2005: 26 per cent):

EUR 1 000	2006	2005
Profit before taxes	47 725	36 291
Tax calculated using Finnish tax rate*	-12 408	-9 436
Foreign subsidiaries' exceptional tax rates	-9 477	-9 087
Tax-exempt income and non-deductible expenses	11 905	10 679
Tax from previous periods	-9	105
Tax expenses in profit and loss account, continuing operations	<b>-9 989</b>	<b>-7 738</b>

\* As of 1 January 2005 the applicable tax rate in Finland is 26 per cent.

## DISCONTINUING OPERATIONS

EUR 1 000	2006	2005
Tax on taxable revenue of the reporting period	-99	-99
Tax from previous periods		-2
Change in deferred taxes	14	-15
Taxes in profit and loss account, expense (-)	-85	-115
Profit before taxes	18 742	-1 326
Tax calculated using Finnish tax rate*	-4 873	345
Foreign subsidiaries' exceptional tax rates	-1 212	
Tax-exempt income and non-deductible expenses	6 000	866
Tax expenses in profit and loss account, discontinuing operations	-85	-115

\* As of 1 January 2005 the applicable tax rate in Finland is 26 per cent.

## 15. EARNINGS PER SHARE

### UNDILUTED

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

	2006	2005
Profit for the reporting period (EUR 1 000), continuing operations	37 311	28 092
Profit for the reporting period (EUR 1 000), discontinuing operations	18 742	-1 441
Weighted average no. of shares (1 000)	40 685	40 236
Undiluted earnings per share (EUR/share), continuing operations	0.92	0.70
Undiluted earnings per share (EUR/share), discontinuing operations	0.46	-0.04

### DILUTED

Diluted earnings per share are calculated taking into account the diluting effect of the conversion of all diluting potential ordinary shares into shares.

	2006	2005
Profit for the reporting period attributable to parent company shareholders (EUR 1 000), continuing operations	37 311	28 092
Profit for the reporting period attributable to parent company shareholders (EUR 1 000), discontinuing operations	18 742	-1 441
Profit used for calculating diluted EPS	56 053	26 651
Weighted average no. of shares (1 000)	40 685	40 236
Effect of share options (1 000)	15	203
Weighted average no. of shares, diluted (1 000)	40 700	40 439
Diluted earnings per share (EUR/share), continuing operations	0.92	0.69
Diluted earnings per share (EUR/share), discontinuing operations	0.46	-0.04

## 16. DIVIDENDS

In 2005, EUR 30.23 million was paid out in dividends (EUR 0.75 per share).

In 2006, EUR 12.21 million was paid out in dividends (EUR 0.30 per share).

The Board of Directors proposes that dividends of EUR 12,207,587.40 (EUR 0.30 per share) be paid out from the profits for 2006. The liability arising from the proposed dividend has not been recognised in these financial statements.



## 17. PROPERTY, PLANT AND EQUIPMENT

EUR 1 000						
	Land	Buildings	Vessels and ship shares *	Machinery and equipment	Advance payments and acquisitions under construction	Total
<b>Reporting period ending 31 Dec 2005</b>						
Book value on 1 Jan	363	19 187	498 148	18 177	52 511	588 387
Increases		2 196	12 241	16 281	36 269	66 986
Disposals			-43	-245	-118	-405
Exchange rate differences		2	-2 866	35	-5	-2 834
Depreciation and amortisation for the reporting period		-2 034	-25 198	-5 175		-32 407
Book value on 31 Dec	363	19 352	482 281	29 073	88 657	619 727
<b>31 Dec 2005</b>						
Acquisition cost	363	41 490	642 827	74 094	88 657	847 431
Accumulated depreciation, amortisation and write-offs		-22 137	-160 545	-45 021		-227 703
Book value	363	19 352	482 281	29 073	88 657	619 727
<b>Reporting period ending 31 Dec 2006</b>						
Book value on 1 Jan	363	19 352	482 281	29 073	88 657	619 727
Increases		103	4 923	4 261	221 183	230 470
Acquisition of subsidiaries		2 390		200		2 590
Disposals of subsidiaries				-453		-453
Disposals			-318	-232	-37	-587
Reclassifications			211 038	66	-211 038	66
Exchange rate differences		1	4 465	-14	2	4 455
Depreciation and amortisation for the reporting period		-2 913	-30 150	-5 230		-38 292
Book value on 31 Dec	363	18 934	672 240	27 671	98 768	817 977
<b>31 Dec 2006</b>						
Acquisition cost	363	44 474	864 330	74 958	98 768	1 082 893
Accumulated depreciation, amortisation and write-offs		-25 539	-192 090	-47 287		-264 916
Book value	363	18 934	672 240	27 671	98 768	817 977

\* Balance value for vessels incl. EUR 17.8 million (13.8 million in 2005) in capitalised interest during construction. Capitalization is based on interest rate level of 3.3 per cent (2.9 per cent in year 2005).

Assets leased through finance lease are included under property, plant and equipment as follows:

EUR 1 000		
	Buildings	Total
<b>31 Dec 2005</b>		
Acquisition cost	7 181	7 181
Accumulated depreciation and amortisation	-818	-818
Book value	6 363	6 363
<b>31 Dec 2006</b>		
Acquisition cost	7 181	7 181
Accumulated depreciation and amortisation	-1 129	-1 129
Book value	6 052	6 052

In 2005, the increase in acquisition cost of property, plant and equipment included EUR 1,827 million in assets leased through finance lease. There were no additions in 2006.

## 18. GOODWILL AND OTHER INTANGIBLE ASSETS

EUR 1 000				
	Goodwill	Advance payments for intangible assets	Other intangible assets *	Total intangible assets
<b>1 Jan 2005</b>				
Acquisition cost	110 940	260	17 835	129 035
Accumulated depreciation, amortisation and write-off			-10 653	-10 653
Book value	110 940	260	7 182	118 382
<b>Reporting period ending 31 Dec 2005</b>				
Book value on 1 Jan	110 940	260	7 182	118 382
Increases		4 121	2 022	6 143
Reclassifications		-36	36	
Exchange rate differences	-1 929			-1 929
Depreciation and amortisation for the reporting period			-1 651	-1 651
Book value on 31 Dec	109 011	4 345	7 589	120 946
<b>31 Dec 2005</b>				
Acquisition cost	109 011	4 345	19 635	132 992
Accumulated depreciation, amortisation and write-off			-12 046	-12 046
Book value	109 011	4 345	7 589	120 946
<b>Reporting period ending 31 Dec 2006</b>				
Book value on 1 Jan	109 011	4 345	7 589	120 946
Increases		1 618	327	1 945
Acquisition of subsidiaries	3 016			3 016
Disposals of subsidiaries	-5 605		-128	-5 733
Reclassifications		-1 720	1 654	-66
Exchange rate differences	2 238			2 238
Depreciation and amortisation for the reporting period			-3 550	-3 550
Book value on 31 Dec	108 660	4 244	5 892	118 796
<b>31 Dec 2006</b>				
Acquisition cost	108 660	4 244	19 900	132 804
Accumulated depreciation, amortisation and write-off			-14 008	-14 008
Book value	108 660	4 244	5 892	118 796

\* Other intangible assets mainly consist of capitalised ERP software implementation projects and licences, which are estimated to have useful lives longer than one financial year.

## GOODWILL IMPAIRMENT TESTING

For the purposes of impairment testing, goodwill is allocated to the cash generating units.

EUR 1 000	2006	2005
<b>Allocation of goodwill to the cash generating units</b>		
NordöLink	68 972	66 734
HansaLink	36 671	36 671
Finnsteve Kotka operations*	3 016	
Continuing operations, total	108 660	103 405
Team Lines		5 606
Discontinuing operations, total		5 606
	108 660	109 011

\* Finnsteve Oy's acquisition of shares in TBE System Oy Ltd on 1 January 2006.

## SEGMENT-LEVEL SUMMARY OF GOODWILL ALLOCATION

EUR 1 000			
	Shipping and Sea Transport Services	Port Operations	Group
<b>2006</b>			
Finland		3 016	3 016
Other EU countries	105 644		105 644
Other countries			
	105 644	3 016	108 660
<b>2005</b>			
Finland			
Other EU countries	109 011		109 011
Other countries			
	109 011		109 011

The current recoverable amount of cash generating units is determined based on their value in use. The calculations are based on cash flow forecasts based on extensive 3–5-year budgets and forecasts.

The cash flows after a period of 3–5 years are extrapolated using the growth factors listed below.

Each growth factor is extrapolated in two stages. The first stage encompasses the 3–5 years subsequent to the forecast period, and the second stage encompasses the future to infinity. The growth factors used do not exceed the actual long-term growth rate of the sector in question.

## Main assumptions used in calculating value in use in 2006

	Cash generating unit			
	HansaLink	NordöLink	Finnsteve Kotka	Team Lines
Discount rate (pre-tax), %	6.16%	6.01%	6.18%	
LTP-period	2007–2009	2007–2011	2007–2009	
Length of the 2nd forecast period	2010–2012	2012–2014	2010–2012	
-yearly growth rate (for 2nd forecast period), %	2.50%	2.50%	2.50%	
Growth rate after 2nd forecast period	2.00%	2.00%	2.00%	

## Main assumptions used in calculating value in use in 2005

	Cash generating unit			
	HansaLink	NordöLink	Finnsteve Kotka	Team Lines
Discount rate (pre-tax), %	6.13%	6.36%		7.45%
LTP-period	2006–2008	2006–2009		2006–2009
Length of the 2nd forecast period	2009–2011	2010–2012		2010–2012
-yearly growth rate (for 2nd forecast period), %	2.50%	3.00%		2.00%
Growth rate after 2nd forecast period	2.00%	2.00%		2.00%

The cash flow forecast is based on an assumption of the sector's market development in the period covered by the latest budgets.

The assumptions used reflect actual developments and forecasts for the future and are consistent with external data.

## 19. INVESTMENT PROPERTIES

EUR 1 000	2006	2005
Acquisition cost on 1 Jan	1 598	1 598
Acquisition cost on 31 Dec	1 598	1 598
Accumulated depreciation and amortisation on 31 Dec	-10	-7
On 31 Dec	1 588	1 591

The Group owns properties in Turku (in the form of land and small buildings). The town planning of the area has not been completed, which makes it difficult to specify the fair value of these properties. The properties in question have been valued in the balance sheet at their acquisition cost.

## 20. INVESTMENTS IN ASSOCIATED COMPANIES

EUR 1 000	2006	2005
Acquisition cost on 1 Jan	2 105	2 599
Additions		
Disposals	-31	-1 023
Acquisition cost on 31 Dec	2 074	1 577
Share of associated companies' profits	274	263
Share of shareholders' equity		266
Book value on 31 Dec	2 349	2 105

EUR 1 000	Registered in	Assets	Liabilities	Revenue	Profit / loss	Holding (%)
<b>2005</b>						
RosEuroTrans*	St. Petersburg, Russia	1 436	341	19	525	50%
Simonaukion pysäköinti	Helsinki	3 024		28	-1	50%
<b>2006</b>						
RosEuroTrans*	St. Petersburg, Russia	2 168	420	15	549	50%
Simonaukion pysäköinti	Helsinki	3 027	28	5	-25	50%

\* Group share of profits consolidated based on financial statement of previous year.  
The book values for associated companies on 31 December 2006 and 31 December 2005 do not include goodwill.

## 21. OTHER FINANCIAL ASSETS

During the reporting period, EUR 0.23 (0.59) million accumulated fair value profits have been recognised for financial assets available for sale.

EUR 1 000	2006	2005
<b>Other financial assets</b>		
Investments in unlisted shares	4 892	5 513
Available-for-sale financial assets on 31 Dec	4 892	5 513

Financial assets available-for-sale include unlisted shares. Since the fair value of the shares cannot be reliably determined, they are recognised at their acquisition cost deducted by possible impairment.

In 2006 and 2005, the Group had no financial assets classified under category held-to-maturity investments. The group has recognised financial assets and liabilities at fair value through profit or loss during the reporting period, but on 31 December 2006 and 2005 the group had no assets or liabilities in this category.



## 22. RECEIVABLES

EUR 1 000	2006	2005
<b>Accounts receivable and other receivables</b>		
Accounts receivable	63 754	76 027
Accrued receivables*	15 788	20 612
Other receivables	11 960	7 178
Loan receivables	36	26
	<b>91 539</b>	103 843
<b>* Significant items of accrued receivables</b>		
Vessel hires	4 790	8 753
Vessel docking costs	1 864	3 826
State subsidies for shipping companies	3 603	2 903
Other accrued receivables	5 532	5 130
	<b>15 788</b>	20 612

The book values of accounts receivable and other receivables correspond to their fair value. In 2006, the Group recognised EUR 0.41 (0.58) million credit losses for accounts receivable.

EUR 1 000	2006	2005
<b>Receivables (non-current)</b>		
Loan receivables	5 315	7 726
Pension plan receivables	435	426
Other receivables	53	61
Accrued receivables	35	434
	<b>5 839</b>	8 647

## 23. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred taxes in 2005 and 2006:

EUR 1 000	1 Jan 2005	Recognised in profit and loss account	Exchange rate differences	Acquired businesses	31 Dec 2005
<b>Deferred tax assets:</b>					
Defined benefit pension plans	402	157			559
Fair value valuation loss, IAS 32, 39	230	-230			
Total deferred tax assets	631	-73			559
<b>Deferred tax liabilities:</b>					
Property, plant and equipment	4 222	4 500			8 722
Depreciation difference	76 743	1 223	-363		77 603
Fair value valuation gains		5			5
Other differences	2 569	744	10		3 323
Total deferred tax liabilities	83 533	6 473	-353		89 654
Net deferred tax liabilities	82 902	6 546	-353		89 095

EUR 1 000					
	1 Jan 2006	Recognised in profit and loss account	Exchange rate differences	Acquired businesses	31 Dec 2006
<b>Deferred tax assets:</b>					
Defined benefit pension plans	559	-454			105
Acquired businesses		-37		576	539
Other		78			78
Fair value valuation loss, IAS 32, 39					
Total deferred tax assets	559	-413		576	722
<b>Deferred tax liabilities:</b>					
Property, plant and equipment	8 722	-607	-8		8 107
Depreciation difference	77 603	8 018	547		86 167
Fair value valuation gains	5	-4			1
Other differences	3 323	859			4 183
Total deferred tax liabilities	89 654	8 265	539		98 457
Net deferred tax liabilities	89 095	8 678	539	-576	97 736

EUR 1 000	2006	2005
Total deferred tax assets	<b>722</b>	559
Set-off against deferred tax liabilities	<b>-105</b>	-148
Deferred tax assets on balance sheet	<b>617</b>	410
Deferred tax liabilities	<b>98 457</b>	89 654
Set-off against deferred tax assets	<b>-105</b>	-148
Deferred tax liabilities on balance sheet	<b>98 352</b>	89 505

Deferred tax assets and liabilities are offset when there is a legal right to deduct tax liabilities based on the reporting period's taxable income from tax receivables based on the reporting period's taxable income, and when the receivables and liabilities relate to the same taxpayer.

Deferred tax liabilities are not recognised for subsidiaries' undistributed earnings, because in most cases these earnings are transferred to the Group without any tax consequences. The Group does not recognise deferred tax assets for subsidiaries' undistributed earnings when the income in question is intended for permanent investment in the companies in question.

## 24. INVENTORIES

EUR 1 000	2006	2005
Material and equipment	<b>5 031</b>	6 308
Inventory for resale	<b>216</b>	174
Other inventories	<b>165</b>	158
	<b>5 412</b>	6 640

The Group did not recognise any impairment of inventories during the reporting period.

## 25. BANK AND CASH

EUR 1 000	2006	2005
Cash in hand and at bank	<b>14 253</b>	12 398
Financial instruments (less than 3 months)	<b>4 183</b>	16 337
	<b>18 436</b>	28 735

The bank and cash item did not include any cheque account overdrafts to be paid on demand.

## 26. SHAREHOLDERS' EQUITY

EUR 1 000						
	No. of shares outstanding (1 000)	Share capital	Share issue	Share issue premium	Treasury shares recognised from retained earnings	Total
1 Jan 2005	39 402	79 916		13 774	-5 961	87 728
Subscription of share options (18 Jan–11 Mar)	903	1 807		6 948		8 755
Invalidation of treasury shares (8 Apr)		-1 112		1 112	5 961	5 961
Subscription of share options (9 Nov)	351	703		2 446		3 149
Subscription of share options (29 Nov)*	3		6	22		28
31 Dec 2005	40 660	81 314	6	24 301		105 621
Registration of share options in the Trade Register (20 Jan)*		6	-6			
Subscription of share options (10 Apr)	32	64		224		289
31 Dec 2006	40 692	81 384		24 525		105 909

\* Shares were not registered in the Trade Register by 31 Dec 2005.

The share capital (ordinary shares) consists of shares from one series. Each share has a nominal value of EUR 2 and carries one vote in the AGM. Dividends are paid to holders of outstanding shares. On 31 December 2006, the maximum number of shares was 100 million (100 million on 31 December 2005). The maximum share capital was thus EUR 200 million. All issued shares are fully paid.

### TRANSLATION DIFFERENCES

The translation difference fund contains translation differences arising from the translation of foreign units' financial statements.

### TREASURY SHARES

The treasury shares include the acquisition cost of treasury shares owned by the Group. In the financial year 2004, the Group purchased 165,500 shares on the stock exchange. The acquisition cost of the shares was EUR 3.7 million, and it is recognised as a deduction from shareholders' equity. The shares were cancelled through a decision made by the AGM on 17 March 2005. No treasury shares were purchased in 2006 and 2005.

### DIVIDENDS

The Board of Directors proposes that EUR 0.30 per share be paid out in dividends.

### 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. On the balance sheet date, the Group had no share option schemes to report in accordance with IFRS 2. Expenses from previous share option schemes have not been recognised on the profit and loss account.

Finnlines did not have open share option plans on 31 December 2006. Finnlines had one share option plan consisting of 700,000 options granted to management in 2001. The plan granted the right to subscribe a maximum of 1,400,000 Finnlines Plc shares such that two shares could be subscribed with each option. Of the options, 350,000 are Class A options and 350,000 are Class B. The computational share subscription price (1 Jan 2006–26 March 2006) for Class A options was EUR 8.67 and for Class B options EUR 9.225. The annual dividend per share was deducted from the share subscription price on the dividend recognition date. The options gave the right to subscribe options annually between 2 January and 30 November. The subscription period ended on 26 March 2006. During the reporting period, 15,000 shares were subscribed with Class A options and 17,200 shares with Class B options. The average price of the subscriptions was EUR 8.97. The Group received EUR 0.3 million from the option subscription, of which EUR 0.1 million was recognised as share capital and EUR 0.2 million was transferred to the premium fund.

1 000	2006		2005	
	Excercise price as weighted average, EUR/share	No. of options	Excercise price as weighted average, EUR/share	No. of options
On 1 Jan	8.95	71 100	9.71	700 000
New options granted				
Cancelled options				
Exercised options	8.97	16 100	9.49	628 900
Expired options		55 000		
On 31 Dec			8.95	71 100
Exercisable options on 31 Dec			8.95	71 100

## 27. PROVISIONS

EUR 1 000	2006	2005
Non-current provisions	<b>3 659</b>	4 354
Current provisions	<b>230</b>	665
	<b>3 889</b>	5 019

	Tax provisions	Other provisions	Total
<b>1 Jan 2006</b>	4 583	435	5 019
Increases in provisions	119	58	177
Used provisions	-965	-342	-1 307
<b>31 Dec 2006</b>	3 737	152	3 889

The provisions mainly contain tax provisions related to German corporate taxation. They are caused by differences between book values and market values that existed when the company joined the German tonnage tax system. The tax will be realised in connection with vessel sales or when the company leaves the German tonnage tax system.

Other provisions consist of several small items.

## 28. INTEREST-BEARING LIABILITIES

EUR 1 000	2006	2005
<b>Long-term interest-bearing liabilities</b>		
Loans from financial institutions	345 571	254 999
Pension loans	6 900	8 050
Finance lease liabilities	6 144	6 376
Instalment loans	1 452	
	<b>360 067</b>	269 425
<b>Current interest-bearing liabilities</b>		
Loans from financial institutions	87 695	33 574
Pension loans	1 150	1 150
Finance lease liabilities	232	220
Accrued liabilities	236	238
Instalment loans	616	
Other liabilities	9 810	37 627
	<b>99 739</b>	72 809
<b>Total interest-bearing liabilities</b>	<b>459 806</b>	342 234
<b>Maturity of long-term interest-bearing liabilities (not including finance lease liabilities)</b>		
Within 12 months	88 845	34 707
Between one and five years	169 049	192 002
After five years	183 443	71 064
	<b>441 337</b>	297 773
<b>Weightend average interest rates of the interest-bearing debts</b>		
Loans from financial institutions	3.85%	2.69%
Pension loans	3.98%	3.98%
Finance lease liabilities	5.12%	5.12%

The book values of interest-bearing variable-rate loans are close to their fair values, because the interests of the loans are adjusted at three- or six-months intervals. Fixed-rate loans are not valued to fair value on 31 December 2006 due to the values of the loans being insignificant.

Interest-bearing liabilities include secured liabilities. The securities for these liabilities are worth EUR 461 (231) million in assets. This is detailed in note 32, Contingencies and Commitments.



### FINANCE LEASE LIABILITIES

Finance lease liabilities consist of two pier ramp structures and one office building.

EUR 1 000	2006	2005
Future minimum lease payments due:		
Within 12 months	553	553
Between one and five years	2 211	2 211
After five years	6 980	7 533
	<b>9 743</b>	10 297
Future interest expenses from finance lease agreements	3 342	3 674
Current value of finance lease agreements	6 401	6 623
Current value of finance lease agreements:		
Within 12 months	538	538
Between one and five years	1 897	1 897
After five years	3 966	4 188

### 29. ACCOUNTS PAYABLE AND OTHER LIABILITIES

EUR 1 000	2006	2005
Accounts payable	17 576	26 041
Periodising of personnel costs	14 168	11 782
Periodised interest	4 635	12
Other accrued liabilities*	28 707	33 247
Other liabilities	14 069	16 628
	<b>79 155</b>	87 710
<b>* Significant items in accrued liabilities</b>		
Cargo handling costs	6 044	6 191
Port and voyage related costs	2 975	3 396
Bunker costs	2 347	1 301
Discounts given	6 349	9 717
Other accrued liabilities	10 992	12 642
	<b>28 707</b>	33 247

The book values of accounts payable and other liabilities correspond to their fair value.

The financial assets and liabilities at fair value through profit or loss listed below have been recognised in accrued liabilities as of 1 January 2005 in accordance with the IAS 32 and 39 standards. At year-end 2006 and 2005, the Group had no financial assets and liabilities under this category.

### 30. ADJUSTMENTS TO CASH FLOW FROM OPERATIONS

EUR 1 000	2006	2005
Non-cash transactions:		
Depreciation	39 875	34 027
Profits/losses from the sale of assets according to plan	-20 499	-1 727
Exchange rate differences	-5 500	-3 573
Share of associated companies' profits	274	263
Other	-237	-816
	<b>13 913</b>	28 174

### 31. PENSION LIABILITIES

Employee pension plans are organised through external pension insurance companies.

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 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.

EUR 1 000	2006	2005
<b>Post-employment benefits</b>		
Defined benefit pension plans (receivable)	-435	-426
Defined benefit pension plans (liability)	2 565	4 628
	2 130	4 202
	<b>Defined benefit plans</b>	Defined benefit plans
<b>Balance sheet reconciliation</b>		
1 Jan	4 202	4 557
Net income (-) / expenses (+) recognised in profit and loss account	158	-192
Payments to the plan	-2 230	-163
31 Dec	2 130	4 202
<b>Pension liabilities on balance sheet</b>		
Present value of funded liabilities	7 052	6 163
Fair value of plan assets	-3 704	-801
Unrecognised actuarial profits (+) and losses (-)	-1 218	-1 160
<b>Total liabilities (receivables)</b>	<b>2 130</b>	<b>4 202</b>
<b>Pension costs on profit and loss account</b>		
Service cost of current period	-233	-165
Interest expense	-263	-207
Expected income from plan assets	148	4
Actuarial profits (+) / losses (-)	-77	
Gains and losses on curtailments and settlements	267	559
<b>Total in personnel costs</b>	<b>-158</b>	<b>192</b>
<b>Main actuarial assumptions</b>		
<b>Finland</b>		
Discount rate, %	4.3	4.5
Expected return on assets, %	4.3	4.5
Expected salary increase rate, %	4.0	4.0
Expected remaining employment time in years	7	10
<b>Main actuarial assumptions</b>		
<b>Germany</b>		
Discount rate, %	4.5	4.0
Expected return on assets, %	n/a	n/a
Expected salary increase rate, %	2.0	2.0
Future increases in pensions, %	1.7	1.5
Expected remaining employment time in years	12	12

Calculation on the present value of defined benefit obligations:

EUR 1 000	2006	2005
Present value of the obligation	7 052	6 163
Fair value of plans assets	-3 704	-802
	<b>3 348</b>	5 361

The defined benefit plan costs are estimated at EUR 0.3 million in 2007.

### 32. CONTINGENCIES AND COMMITMENTS

#### FINNSTEVE'S LEASEHOLD AGREEMENT

When the new Vuosaari harbour is operational Finnsteve Oy will transfer its port operations from Helsinki's West Harbour and North Harbour to Vuosaari. Finnsteve and the Port of Helsinki have made a leasehold agreement, which obliges the leaseholder to dismantle and remove any buildings, plants and equipment (including foundations) located in the area. The extent of the liabilities arising from this depends on future town planning and is therefore difficult to estimate.

#### OTHER LEASE COMMITMENTS WITH THE GROUP AS LEASEHOLDER

Most of the leases made by the Group are time charter parties of vessels. At year-end 2006, the Group had 25 (30) ro-ro freight vessels on time charter.

Minimum lease payable in relation to other fixed-term leases:

EUR 1 000	2006	2005
<b>Vessel leases (Group as a lessee):</b>		
Within 12 months	88 258	95 422
Between one and five years	102 301	161 953
After five years		
	<b>190 559</b>	257 375

The group adjusts its vessel capacity by subleasing some of the vessels when needed. On 31 December 2006 future lease receivables based on sublease contracts divided as follows:

EUR 1 000	2006	2005
<b>Vessel leases (Group as a leaser):</b>		
Within 12 months	15 899	
Between one and five years	11 653	
After five years		
	<b>27 551</b>	

The 2006 Group profit and loss includes EUR 4.69 million received lease revenues from the sublet vessels.

EUR 1 000	2006	2005
<b>Other leases:</b>		
Within 12 months	5 515	5 301
Between one and five years	11 899	11 419
After five years	9 937	11 414
	<b>27 351</b>	28 134
<b>Collateral given</b>		
Borrowings secured by given mortgages		
Loans from financial institutions	300 367	125 859
	<b>300 367</b>	125 859

EUR 1 000	2006	2005
<b>Vessel mortgages provided as guarantees for the above loans</b>		
	<b>461 000</b>	231 000
<b>Other guarantees given on behalf of the Group</b>		
Collateral	<b>3 512</b>	4 476
Security deposits (outstanding installment, TeamLines sale)	<b>4 000</b>	
Mortgages		431
Other obligations	<b>239 883</b>	399 757
	<b>247 395</b>	404 664
<b>Guarantees given on behalf of the subsidiaries</b>		
Guarantees given on behalf of the subsidiaries	<b>6 000</b>	
	<b>6 000</b>	

#### AUDITOR'S REMUNERATION

The Group's principal auditors are PricewaterhouseCoopers Oy. In 2006, EUR 335,000 (445,000) was paid to the auditors in remuneration for the audit of the consolidated, parent company and subsidiary financial statements and EUR 69,000 (197,000) for other consultant services not directly related to auditing.

#### LEGAL PROCEEDINGS

The Group had no significant lawsuits or disputes ongoing on 31 December 2006.

### 33. TRANSACTIONS WITH GROUP RELATED PARTIES

EUR 1 000	2006	2005
<b>Employee benefits granted to key management</b>		
Salaries and other short-term benefits*	<b>1 520</b>	1 669
Termination benefits		
Post-employment benefits	<b>367</b>	356
Other long-term benefits		
Share-based payments**		
	<b>1 887</b>	2 025

Includes benefits granted to the Board of Directors, the President and CEO and the members of the Executive Management Team.

\* Includes social security payments (also for options granted in 2001).

\*\* Not including the income generated by the 2001 share option scheme.

EUR 1 000	2006	2005
<b>Salaries and fees</b>		
President and CEO	<b>593</b>	584
Board of Directors:*		
Chairman	<b>40</b>	40
Vice-Chairman	<b>30</b>	30
Board members (each)	<b>25</b>	25

\* Compensation paid yearly afterwards in March.

According to his contract, the company's current President and CEO had the right to take full retirement (with a pension equalling 66 per cent of his salary) on reaching the age of 58. However, he has agreed with the Board to extend his contract until the end of 2007.

The Group's Executive Management Team has a collective pension plan in which the members' retirement age is defined as 60. The pension is a defined contribution plan in which the annual payments are linked to the Group's profits.

Finnlines did not have open share option plans on 31 December 2006. Finnlines had one share option plan consisting of 700,000 options granted to management in 2001. The options gave the right to subscribe shares annually between 2 January and 30 November. The subscription period ended on 26 March 2006. The Group has no options granted after 7 November 2002, which did not vest before 1 January 2005, to which the IFRS 2 standard would apply. No expenses for the this plan have been recognised in the profit and loss account. The Board of Directors has no share-based compensation systems in place.

#### TRANSACTIONS WITH RELATED PARTIES

According to an information release received by the Group on 29 December 2006, Grimaldi Group companies hold 50.1 per cent of all shares in Finnlines Plc.

EUR 1 000	2006**	2005*
<b>Transactions with related parties</b>		
Income from associated companies		
Receivables from associated companies	71	88
Income from Grimaldi companies	2 556	
Receivables from Grimaldi companies	485	

\* Includes the associated companies MS Pinta and MS Patriot, sold in Dec 2005.

\*\* Grimaldi companies are treated as related party from 1 January 2006. Information concerning 2005 is not presented. Transactions with the Group's related parties are carried out using ordinary, market-based pricing.

#### LOANS, GUARANTEES AND OTHER SECURITIES TO RELATED PARTIES

The Group has granted no loans, guarantees or other securities to its key personnel or related parties, nor does it have any earlier, open ones (1 January 2005–31 December 2006).



## 34. SUBSIDIARIES ON 31 DECEMBER 2006

Name of subsidiary	Holding (%)	Registered in
<b>Domestic</b>		
Oy Finnlink Ab	100	Naantali
Finnfellows Oy Ltd	100	Helsinki
Finnsteve Oy	100	Helsinki
TBE System Oy Ltd	100	Kotka
Strömsby-Invest Oy Ab	100	Kirkkonummi
Optar Oy	100	Helsinki
Metropolitan Port Oy Ab	100	Kirkkonummi
Oy Inter-carriers Ab	51	Helsinki
Kantvikin Satama Oy	100	Kirkkonummi
Railship Oy Ab	100	Helsinki
Finn-care Oy	100	Helsinki
North Wind Oy	100	Helsinki
Kiinteistö Levin-Tuvat Oy	100	Kittilä
Hanseatic Shipping Oy	100	Helsinki
<b>Foreign</b>		
Finnlines Deutschland GmbH	100	Germany
Finnlines (Cyprus) Ltd	100	Cyprus
Finn-carriers GmbH	100	Germany
Finnlines GmbH	100	Germany
Finnlines Schiffahrt GmbH	100	Germany
Hansa Link GmbH	100	Germany
Finnlines Limited	100	United Kingdom
Finnlines UK Limited	100	United Kingdom
Finanglia Ferries Limited	100	United Kingdom
Finn-carriers (UK) Limited	100	United Kingdom
Finn-carriers Limited	100	United Kingdom
Finland Terminal London Ltd	100	United Kingdom
AB Finnlines Scandinavia Ltd	100	Sweden
Finnlink AB	100	Sweden
Ropax I Aktiebolaget Clipper	100	Sweden
Ropax II EuropaLink AB	100	Sweden
Ropax III NordLink AB	100	Sweden
Norsteve A/S	100	Norway
Norsteve Filipstad A/S	100	Norway
Norsteve Drammen A/S	100	Norway
Finnlines Belgium N.V.	100	Belgium
Finnwest N.V.	66.7	Belgium
Verwaltungsgesellschaft Finnlines-Team Lines GmbH	100	Germany
Finnlines-Teamlines GmbH & Co KG	100	Germany
Finnlines Holland B.V.	100	The Netherlands
Rederi AB Nordö-Link	100	Sweden
Finnlines Ship Management AB	100	Sweden
Skandinavien-Link GmbH	100	Germany
Finnlines Danmark A/S	100	Denmark
Finnlines Polska Sp.z.o.o	100	Poland
Finnlines LLC	100	Russia

### **35. EVENTS AFTER THE BALANCE SHEET DATE**

The Group's management is not aware of any significant events after the balance sheet date that could have affected the figures reported in these financial statements.

Grimaldi Group held 50.1 per cent of the shares in Finnlines on 29 December 2006 and was obliged to make a mandatory tender offer for all shares in Finnlines Plc. In January 2007, Grimaldi Compagnia di Navigazione S.p.A. made an unconditional mandatory tender offer for all Finnlines shares. The offer expired on 16 February 2007. According to the preliminary result Grimaldi was offered 264,368 shares in Finnlines and its holding in Finnlines Plc rose to 50.7 per cent.

## BOARD'S PROPOSAL TO THE AGM

### According to the parent company's balance sheet on 31 December 2006

Profit from previous financial years	EUR	54,415,811.13
Profit for reporting period	EUR	55,241,951.30
<hr/>		
Non-restricted equity	EUR	109,657,762.43

The Board of Directors proposes that a dividend of 0.30 on each of the 40,691,958 outside shares, i.e. EUR 12,207,587.40, be paid out of the distributable funds.

The financial position of the company has not substantially changed after the end of the financial period. The dividend proposed by the Board of Directors does not risk solvency (in accordance with the Finnish Companies Act 13:2 §) of the company.

Helsinki, 13 February 2007

Pertti Laine  
Chairman

Jukka Härmälä

Peter Fagernäs

Antti Lagerroos

Timo Jouhki

Emanuele Grimaldi

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF FINNLINES PLC

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Finnlines Plc for the period 1.1.–31.12.2006. The Board of Directors and the President and CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the President and CEO of the parent company have complied with the rules of the Companies' Act.

### CONSOLIDATED FINANCIAL STATEMENTS

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

### PARENT COMPANY'S FINANCIAL STATEMENTS, REPORT OF THE BOARD OF DIRECTORS AND ADMINISTRATION

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies' Act.

Helsinki, 13 February 2007

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Kari Miettinen  
Authorised Public Accountant

## QUARTERLY DATA

	Q1/2006	Q2/2006	Q3/2006	Q4/2006
<b>Revenue by segment (EUR million)</b>				
<b>Continuing operations</b>				
Shipping and Sea Transport Services total	129.1	142.2	132.1	135.6
Sales to third parties	128.9	141.9	131.8	135.3
Sales to Port Operations	0.2	0.3	0.2	0.3
Port Operations total	30.4	31.5	29.6	31.6
Sales to third parties	23.9	23.9	23.0	23.8
Sales to Shipping and Sea Transport Services	6.4	7.7	6.6	7.8
Group internal revenue	-6.6	-7.9	-6.8	-8.0
<b>Revenue total</b>	<b>152.9</b>	<b>165.8</b>	<b>154.9</b>	<b>159.1</b>
<b>Operating profit per segment (EUR 1 000)</b>				
Shipping and Sea Transport Services	7 868	16 142	13 158	13 604
Port Operations	1 877	1 766	1 771	2 038
<b>Operating profit total</b>	<b>9 745</b>	<b>17 908</b>	<b>14 929</b>	<b>15 641</b>
Financial income and expenses	-3 313	-3 940	-732	-2 789
Share of associated companies' profits				274
<b>Profit before tax</b>	<b>6 432</b>	<b>13 968</b>	<b>14 197</b>	<b>13 127</b>
Direct taxes	-1 425	-3 323	-3 213	-2 028
Minority interest	21	-124	-185	-137
<b>Profit for the reporting period, continuing operations</b>	<b>5 029</b>	<b>10 521</b>	<b>10 799</b>	<b>10 962</b>
<b>Profit for the reporting period, discontinuing operations</b>	<b>-278</b>	<b>990</b>	<b>18 264</b>	<b>-234</b>
<b>Profit for the reporting period</b>	<b>4 751</b>	<b>11 511</b>	<b>29 064</b>	<b>10 728</b>
<b>Quarterly consolidated key figures</b>				
Operating profit, cont. operations (% of revenue)	6.4	10.8	9.6	9.8
Return on Equity (ROE), %	5.0	12.2	29.3	10.4
Return on investment (ROI), %	5.4	10.7	16.6	8.0
Earnings per share, EUR	0.12	0.28	0.71	0.26
Average number of outside shares (1 000)	40 663	40 692	40 692	40 692



## FIVE-YEAR KEY FIGURES

	2006	2005	2004*	2003*	2002*
	<b>IFRS</b>	<b>IFRS</b>	<b>IFRS</b>	<b>FAS</b>	<b>FAS</b>
Revenue, EUR million	632.7	584.1	698.1	701.4	693.0
Other income from operations, EUR million	2.1	3.5	8.7	3.4	7.5
Profit before tax, depreciation and amortisation (EBITDA), EUR million	98.1	75.8	96.6	103.4	94.4
% of revenue	15.5	13.0	13.8	14.7	13.6
Operating profit (EBIT), EUR million	58.2	42.0	62.7	59.7	46.2
% of revenue	9.2	7.2	9.0	8.5	6.7
Associated companies, EUR million	0.3	0.3		-0.2	0.1
Profit/loss before taxes (EBT), EUR million	47.7	36.3	55.0	40.4	33.8
% of revenue	7.5	6.2	7.9	5.8	4.9
Profit for reporting period, continuing operations , EUR million*	37.7	28.6			
% of revenue	6.0	4.9			
Profit for reporting period, discontinuing operations, EUR million*	18.7	-1.4			
Profit for reporting period, EUR million	56.5	27.1	46.0	23.2	23.5
% of revenue	8.9	4.6	6.6	3.3	3.4
Total investments, EUR million**	238.8	73.0	68.8	88.5	126.5
% of revenue	37.7	12.5	9.9	12.6	18.3
Return on Equity (ROE), %	14.1	7.2	12.2	6.1	6.1
Return on investment (ROI), %	9.9	6.0	9.3	8.3	7.1
Balance sheet total, EUR million	1 068.0	908.1	893.2	940.8	892.8
Equity ratio, %	39.7	41.7	41.6	40.6	43.6
Gearing, %	104.2	82.8	76.5	67.5	65.4
Average no. of employees*	2 196	2 090	2 101	2 161	2 096
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>IFRS</b>	<b>IFRS</b>	<b>IFRS</b>	<b>FAS</b>	<b>FAS</b>
Earnings per share (EPS), EUR	1.38	0.66	1.15	0.59	0.59
Earnings per share (EPS) less warrant dilution, EUR	1.38	0.66	1.14		
Shareholders' equity per share, EUR	10.36	9.26	9.38	9.58	9.76
Dividend per share, EUR	0.30	0.30	0.75	1.25	0.75
Payout ratio, %	21.8	45.3	65.3	214.0	98.7
Effective dividend yield, %	1.7	2.1	5.9	8.7	7.3
Price/earnings ratio (P/E)	12.5	21.7	11.1	24.7	13.5
Share price on stock exchange at year-end, EUR	17.20	14.40	12.80	14.38	10.25
Market capitalisation at year-end, EUR million	699.9	585.5	504.3	571.2	409.6
Adjusted average number of outstanding shares (1 000)	40 685	40 236	39 531	39 734	39 734
Adjusted number of outstanding shares on 31 Dec (1 000)	40 692	40 660	39 402	39 734	39 734
Number of outstanding shares at year-end (1 000)	40 692	40 660	39 958	39 958	39 958

\* Figures for 2002–2004 have not been divided to continuing and discontinuing operations.

\*\* Includes continuing and discontinuing operations.

## CALCULATION OF KEY RATIOS, IFRS

Earnings per share (EPS), EUR	=	$\frac{\text{Profit attributable to parent company shareholders}}{\text{Weighted average number of outside shares}}$	
Shareholders' equity per share, EUR	=	$\frac{\text{Shareholders' equity attributable to parent company shareholders}}{\text{Number of shares on 31 Dec adjusted for share issue}}$	
Dividend per share, EUR	=	$\frac{\text{Dividend paid for the year}}{\text{Number of shares on 31 Dec adjusted for share issue}}$	
Payout ratio, %	=	$\frac{\text{Dividend paid for the year}}{\text{Profit before tax +/- minority interests of Group profit +/- change in deferred tax liabilities - taxes for the period}}$	x 100
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Share price on stock exchange on 31 Dec adjusted for share issue}}$	x 100
P/E ratio	=	$\frac{\text{Share price on stock exchange on 31 Dec}}{\text{Earnings per share}}$	
Return on Equity (ROE), %	=	$\frac{\text{Profit before tax - taxes for the period} - \text{change in deferred tax liability}}{\text{Shareholders' equity + minority interests (average)}}$	x 100
Return on investment (ROI), %	=	$\frac{\text{Profit before tax + interest expense} + \text{other liability expenses}}{\text{Balance sheet total - interest-free liabilities (average)}}$	x 100
Gearing, %	=	$\frac{\text{Interest-bearing liabilities - cash and bank equivalents}}{\text{Shareholders' equity + minority interests}}$	x 100
Equity ratio, %	=	$\frac{\text{Shareholders' equity + minority interests}}{\text{Balance sheet total - received advances}}$	x 100

## SHARES AND SHAREHOLDERS

### GENERAL BACKGROUND

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 2006 totalled EUR 81,383,916. The capital stock consisted of 40,691,958 shares.

### SHARES

Finnlines Plc's shares are listed on the OMX Helsinki Exchanges. The highest quoted price of the Finnlines share during the year was EUR 17.39 and the lowest was EUR 13.20. A total of 47.2 million shares were traded during the year. No treasury shares were held by the company.

At year-end, the shares' market capitalisation value was EUR 699.9 million.

### SHAREHOLDERS

At year-end 2006, Finnlines had approximately 2,900 shareholders. The ten largest shareholders owned 67.6 per cent of the company's shares. 17.7 per cent of shareholders were nominee-registered.

At the end of June, the Italian Grimaldi Group increased its holding of Finnlines shares and voting rights to 30.5 per cent.

In October, Grimaldi increased its holding to 46.2 per cent and made a voluntary tender offer for the rest of Finnlines Plc's shares.

The tender offered a cash price of EUR 15.95 per share. Grimaldi's voluntary offer was valid until 1 December 2006 and on the basis of it, Grimaldi was offered a total of 85,503 Finnlines shares. This increased the Grimaldi Group's holding of shares and voting rights to 46.4 per cent.

On 29 December 2006, Grimaldi announced the acquisition of 1,500,000 shares in Finnlines Plc, after which the group owned 50.1 per cent of Finnlines shares. As a consequence the Grimaldi Group was, in accordance with Section 10 of Chapter 6 of the Finnish Securities Markets Act, forced to make an unconditional mandatory tender offer for all the remaining shares in Finnlines. According to Grimaldi's announcement, the cash price offered in this mandatory offer was EUR 17.00 per Finnlines share. According to a prospectus published on 22 January 2007, the offer period was four weeks, lasting until 16 February 2007.

Because Grimaldi acquired Finnlines shares for a higher price than that paid in accordance with the voluntary tender offer, Grimaldi was obliged to pay compensation of EUR 1.05 per share, in accordance with Section 13 of Chapter 6 of the Securities Markets Act, to the shareholders who accepted the voluntary offer. The compensation is equivalent to the difference between the price quoted in the voluntary tender offer and the higher price paid later. The compensation was paid at the end of January 2007.

### SHARE OPTION SCHEMES

A share option plan consisting of 700,000 options, granted to management in 2001, matured on 26 March 2006. A total of 35,200 shares were subscribed with these options during the year. At year-end the company had no remaining option schemes.

#### Shares outstanding 31.12.2003–31.12.2006

Transaction	Option series	Options exercised	Amount of shares	Shares outstanding	Own shares	Total amount of shares
31 Dec. 2003				19 866 479 *	112 500 *	19 978 979 *
1 Nov. 2004						
Bonus issue (1/2)				39 401 958	556 000	39 957 958
31 Dec. 2004				39 401 958	556 000	39 957 958
18 Jan. 2005	2001A	154 600	309 200			
Exercise of options	2001B	21 300	42 600	39 753 758	556 000	40 309 758
11 Mar. 2005	2001A	76 300	152 600			
Exercise of options	2001B	199 500	399 000	40 305 358	556 000	40 861 358
8 Apr. 2005						
Cancellation of own shares			-556 000	40 305 358		40 305 358
30 Sep. 2005				40 305 358		40 305 358
9 Nov. 2005	2001A	84 100	168 200			
Exercise of options	2001B	91 600	183 200	40 656 758		40 656 758
31 Dec. 2005				40 656 758		40 656 758
20 Jan. 2006						
Exercise of options	2001B	1 500	3 000	40 659 758		40 659 758
10 Apr. 2006	2001A	7 500	15 000			
Exercise of options	2001B	8 600	17 200	40 691 958		40 691 958
31 Dec. 2006				40 691 958		40 691 958

\* Amounts not corrected for Bonus Issue

Finlines' share ownership structure on 4 January 2007	% of shares
Private companies	2.17
Financial and insurance companies	6.73
Public entities	12.29
Households	4.98
Non-profit associations	5.50
Nominee registered	17.65
Other	50.68
<b>Total</b>	<b>100.00</b>

Principal shareholders on 4 January 2007	Number of shares	% of shares
Grimaldi Group, Naples	20 392 537	50.11
Ilmarinen Mutual Pension Insurance Company	4 021 286	9.88
Svenska Litteratursällskapet i Finland	690 000	1.70
Sampo Life Insurance Company	663 000	1.63
Juselius Sigrid Stiftelse	470 000	1.16
Pohjola Non-Life Insurance Company Ltd	290 000	0.71
Nordea Fennia Fund	289 220	0.71
Nordea Life Assurance Finland Ltd	252 600	0.62
Aktia Capital Fund	215 000	0.53
The State Pension Fund	215 000	0.53
<b>10 largest total</b>	<b>27 498 643</b>	<b>67.58</b>
Nominee Registered	7 181 576	17.65
Other shareholders	6 011 739	14.77
<b>Total amount of shares</b>	<b>40 691 958</b>	<b>100.00</b>
Group management holding	10 000	0.02

#### MONTHLY SHARE PRICE DEVELOPMENT AND TRADING VOLUMES, 2002–2006



## CORPORATE GOVERNANCE

### GENERAL BACKGROUND

The duties and responsibilities of Finnlines' various governing bodies are founded on the provisions of the Finnish Companies Act and other applicable legislation. Finnlines is governed by its Board of Directors and the President and CEO. The company's other administrative units assist and support these bodies. The company is managed from its headquarters in Finland. Finnlines Plc (the parent company) prepares its financial statements in accordance with the Finnish Accounting Act and other applicable Finnish provisions and regulations. The Finnlines Group prepares consolidated financial statements in accordance with IFRS. The financial statements are published in Finnish and English.

The company's Corporate Governance Policy takes into account the rules and recommendations of OMX Helsinki Exchange whenever possible.

### ANNUAL GENERAL MEETING

The General Meeting of Shareholders of Finnlines Plc is held annually and convenes no later than at the end of June. The General Meeting of Shareholders has exclusive authority over certain important functions such as amending the Articles of Association, approving the Financial Statements, determining the amount of dividends to be paid, appointing members to the Board of Directors and selecting the company's auditors. The company provides shareholders with advance information on the AGM in the invitation to attend the AGM, in other communiqués and on its website. The invitation to attend the AGM and the agenda are published in a national newspaper chosen by the Board, as well as on the company's website, at the earliest two months and at the latest one week before the AGM tallying date as stipulated in the Finnish Accounting Act. The Annual General Meeting is attended by the President and CEO, the Chairman of the Board, a sufficient number of Board members and any persons nominated for the first time to be Board members, unless there is a pressing reason for their absence.

### BOARD OF DIRECTORS

Finnlines Plc is managed by the company's Board of Directors, according to the international principles of good management practice.

The Board of Directors of Finnlines Plc consists of at least five (5) and at most eleven (11) members. The members of the Board are appointed by the Annual General Meeting for one year at a time. The Board selects the Chairman and the Deputy Chairman from among its members. At the end of 2006, the Board had six members. The current President and CEO is also a member of the Board. With the exception of the President and CEO, the members of the Board are not employed by Finnlines. The President and CEO cannot be appointed Chairman of the Board.

The names of candidates for membership of the Board of Directors put forward by the Board of Directors or by sharehold-

ers with a minimum holding of 10 per cent of the company's voting rights are published in the invitation to attend the AGM, if the candidates have agreed in writing to their names being put forward. Any candidates put forward after the publication of the invitation to attend the AGM will be published separately.

Candidates for membership of the Board of Directors must have the competence required for the post and enough time to successfully complete the tasks required by the post. A majority of the Board of Directors should consist of persons who are independent of the company. At least two of these must also be independent of the major shareholders. The company will decide which of the members can be considered independent. The AGM decides annually on the Board members' remuneration.

Due to the current number of Board members, the Board handles all issues in the presence of the entire Board. The Board does not have any separate committees. The Board of Directors is responsible for the company's administration and for making the required operative arrangements. The Board oversees Finnlines' operative management, can appoint and dismiss the Chief Executive Officer, approves the company's strategic goals and risk management principles, and ensures the functioning of the company's management system.

It is the duty of the Board of Directors to promote the interests of the company and all its shareholders. The members of the Board do not directly represent the persons who put their names forward for membership of the Board. The Board of Directors has joint authority in all matters concerning the company that are not stipulated by law or the Articles of Association as being within the sphere of authority of other bodies.

The Board of Directors prepares written rules of procedure for its operations and reviews its operations and working methods annually through an internal self-assessment process.

The Board convened 13 times in 2006. The average attendance level at board meetings was 85 per cent. The salaries and remuneration of the Board of Directors are shown in Note 33.

### PRESIDENT AND CEO

The Board of Directors appoints the President and CEO and sets his salary, remuneration and other benefits.

The President and CEO is responsible for managing the company's day-to-day administration in accordance with the guidelines and regulations of the Board of Directors. The President is also responsible for ensuring the legality of the company's accounts and the reliability of its financial administration. The President is directly responsible for the following functions: strategy, investments, financing, administration, human resources, Group communications and investor relations. In addition, the President oversees all important operative decisions.

The salary and remuneration of the President and CEO are shown in Note 33.



## EXECUTIVE MANAGEMENT TEAM

The Executive Management Team is appointed by the President and CEO. In addition to the President, the team consists of the Director in charge of the largest operational unit (HansaLink), the Port Operations Director, the Financing and Communications Director, the Finance and Administration Director and the Legal Affairs Director. The Executive Management Team assists the President in his duties. The team convenes when necessary.

## MANAGEMENT CONTRACTS, REMUNERATION AND BENEFITS

The Annual General Meeting appoints the Board of Directors and approves the Board members' remuneration. The Annual General Meeting also decides on any management share option plans. The Board of Directors appoints the President and CEO and the potential Deputy CEO and approves their remuneration. Together with the Chairman of the Board, the President and CEO appoints and decides on the remuneration of Directors who report directly to the President. The Board of Directors decides on any separate management performance-based compensation plans.

## RISK MANAGEMENT AND INTERNAL AUDITS

The Board of Directors is responsible for ensuring that internal auditing principles have been established in the company and that the effectiveness of the auditing is assessed. Risk management forms part of the company's assessment process.

The Group's financing and liquidity management activities have been centralised to the Corporate Finance unit. The aim of centralisation is to achieve efficient financial risk management, cost savings and cash flow optimisation. The Corporate Finance unit is in charge of the financing of the whole Group, controls the Group's cash reserves and hedges the Group's risk exposures in accordance with the financing policy approved by the Board of Directors. The Group's foreign exchange and interest exposure is reviewed by the Board of Directors in each budgeting period. External long-term loan arrangements are also submitted to the Board for approval. The Group's risk management principles are described on page 35.

The Corporate Legal Affairs and Insurance unit is responsible for risks associated with the company's fixed assets and any interruptions in operations, as well as for the management and coordination of the Group's insurance policies. The majority of the Group's invested capital consists of its fleet. The fleet is always insured to its full value. Accidents and engine damage can result in interruptions to operations, which are covered by loss-of-earnings policies. The financial position and creditworthiness of the Group's customers are monitored continuously in order to minimise the risk of customer credit losses. The proper functioning of Finnlines' information systems is guaranteed through extensive and thorough security programmes and emergency systems.

The Group's internal auditing is organised through a controller system, by which each business unit is appointed a responsible controller who reports to the Chief Controller. The Directors of Finnlines' business units are responsible for the profit and working capital of their units. They set the operational targets for their units and ensure that resources are used efficiently and that operations are evaluated and improved.

Responsibilities for the Group's investment assets, working capital, investments, financing, finances, human resources, communications and information systems are centralised to the Group Management. The Group's payment transactions, external accounting and internal accounting are managed centrally by the Financial Management Service Centre, which reports to the Group Management.

## INSIDER ISSUES

Finnlines Plc complies in all aspects with the insider guidelines of the Helsinki Exchanges.

The members of Finnlines' Board of Directors, the company's President and CEO, the company's auditors and its Executive Management Team are permanently and publicly considered to be Finnlines insiders. In addition, the Group has a company-specific insider register, which includes the heads of the business units and key sales and accounting personnel. Project-specific insider lists are drawn up for major projects such as mergers and acquisitions, and include all those who participate in planning and organising such projects. The decision to draw up a project-specific insider list rests with the President and CEO.

A "blackout period" is set during which insiders are not allowed to trade in the company's stocks. The period begins two weeks before the publication of the financial statements for a reporting period.

Insider administration is the responsibility of the Corporate Finance Unit.

## AUDITORS

The company's auditors are appointed by the Annual General Meeting on the basis of a proposal made by the Board of Directors. The Board's proposal for auditors is published in the invitation to attend the AGM. They must be Certified Public Accountants. The head auditor is appointed by the auditing company.

The compensation paid to auditors is shown on page 55.

## COMMUNICATIONS

The Group Management is responsible for corporate communications. Each unit is responsible for its internal communications. The units are also responsible for their external marketing communications in accordance with principles approved by the Group Management.

## BOARD OF DIRECTORS



Pertti Laine  
Jukka Härmälä  
Peter Fagermäk



Emanuele Grimaldi  
Timo Jouhki  
Antti Lagerroos

### PERTTI LAINE

Chairman

Member of Finnlines Board since 1994

Born 1941

BSc (Econ)

Chairman of Veikko Laine Oy

**Other positions:**

Evox Rifa Oyj, Board Member 2002–  
United Bankers Ab, Chairman 1986–  
Länsiauto Oy, Chairman 1989–

### JUKKA HÄRMÄLÄ

Vice-Chairman

Member of Finnlines Board since 1989

Independent Board Member

Born 1946

BSc (Econ), Hon PhD (Tech and Econ)

CEO and Member of the Board of Stora Enso Oyj 1999–

**Other positions:**

Varma Mutual Pension Insurance Company, Vice-Chairman of Supervisory Board 1998–  
Finnish Forest Industries Federation, Board Member 1999–  
European Round Table of Industrials (ERT), Member 2001–  
Finnish Business and Policy Forum EVA, Board Member 2005–  
The Research Institute of the Finnish Economy ETLA, Board Member 2005–  
Outokumpu Plc, Member of the Board 2005–, Chairman of the Board 2006–  
TT Foundation, Chairman of the Board 2005–

### PETER FAGERNÄS

Member of Finnlines Board since 2002

Independent Board Member

Born 1952

Master of Law

CEO of Hermitage & Co Oy

Number of Finnlines shares: 10,000

**Other positions:**

Fortum Corporation, Chairman 2004–  
Winpak Ltd, (Canada), Board Member 2005–

### EMANUELE GRIMALDI

Member of Finnlines Board since 2006

Born 1956

Degree in Economics and Commerce

Managing Director of Atlantica di Navigazione S.p.A.  
(Grimaldi Group)

**Other positions:**

Maritime Transport Committee of the Italian Section of the International Chamber of Commerce ICC Italy, Chairman 1996–  
Euro-Med Ireland Logistics Ltd, President 1999–  
Grimaldi Logística España, President 1999–  
Valencia Terminal Europa S.L., President 1999–  
Malta Motorways of the Sea Ltd, President 2005–  
Grimaldi Compagnia di Navigazione S.p.A., Board Member 1996–  
Industria Armamento Meridionale S.p.A., Board Member 1996–  
Atlantic Container Line AB, Board Member 2001–

### TIMO JOUHKI

Member of Finnlines Board since 2002

Born 1951

MSc (Econ)

CEO of Buag A.G., Switzerland 2002–

**Other positions:**

Thominvest Oy & Thomart Oy, Chairman  
Trigon Capital A.S., Estonia, Board Member

### ANTTI LAGERROOS

Member of Finnlines Board since 1999

Born 1945

Licenciante in Law

President and CEO of Finnlines Plc 1990–

**Other positions:**

Finnish Shipowners' Association, Board Member 1990–  
Ilmarinen Mutual Pension Insurance Company, Supervisory Board Member 1996–  
Wärtsilä Oyj Abp, Board Member 2002–, Chairman 2003–  
Schiffshypothekenbank zu Lübeck AG (Deutsche Bank), Advisory Board, Germany 2002–

## EXECUTIVE MANAGEMENT TEAM



Antti Lagerroos  
Simo Airas  
Christer Antson



Hans Martin  
Lars Trygg  
Seija Turunen

### ANTTI LAGERROOS

President and CEO of Finnlines Plc 1990–  
Born 1945  
Licenciate in Law

### SIMO AIRAS

President, Finnlines / HansaLink  
Executive Management Team member 2006–  
Born 1947  
BSc (Econ)

### CHRISTER ANTSON

Executive Vice President, Financial Accounting  
and Administration, and Chief Controller  
Executive Management Team member 1999–  
Born 1958  
MSc (Econ), Authorised Public Accountant

### HANS MARTIN

President, Port Operations  
Executive Management Team member 1991–  
Born 1945  
Business School Graduate

### LARS TRYGG

Executive Vice President, Legal Affairs  
Executive Management Team member 1989–  
Born 1951  
Master of Law

### SEIJA TURUNEN

Executive Vice President,  
Finance and Communication, and CFO  
Executive Management Team member 1993–  
Born 1953  
MSc (Econ)

## THE FLEET ON 1 JANUARY 2007

		Gross tonnage/Lane metres	Year of delivery
	Finnhansa	32 531/3 200	1994
FINNHANSA, FINNPARTNER, FINNTRADER, TRANSEUROPA	Finnpartner	32 534/3 200	1995
	Finntrader	32 534/3 200	1995
FINNCLIPPER, FINNEAGLE, FINNFELLOW	Transeuropa	32 533/3 200	1995
	Finnclipper	29 841/2 459	1999
LÜBECK-LINK, MALMÖ-LINK	Finneagle	29 841/2 459	1999
	Finnfellow	33 769/2 918	2000
FINNSAILOR	Lübeck-link	33 163/2 650	1980/90
	Malmö-link	33 163/2 650	1980/90
FINNARROW	Finnsailor	20 783/1 350	1987/96
	Finnarrow	25 996/2 400	1996
TRANSLUBECA	Translubeca	24 727/2 100	1990
	Antares	19 963/2 090	1988
ANTARES	Astrea	9 528/860	1991
	Amber	6 719/1 260	1992
ASTREA	Finnoak	7 953/1 590	1991/98
	Merchant	21 195/2 170	1982
AMBER, FINNOAK	Baltica	21 224/2 170	1990
	Finnforest	15 525/2 100	1978
MERCHANT, BALTICA	Finnkraft	11 530/1 899	2000
	Finnmaster	11 530/1 899	2000
FINNFOREST	Finnreel	11 530/1 899	2000
	Finnhawk	11 530/1 899	2001
FINNKRAFT, FINNMASTER, FINNREEL, FINNHAWK			



FINNMILL, FINNPULP



FINLANDIA



INOWROCLAW



RUNNER

BIRKA CARRIER, BIRKA EXPRESS,  
BIRKA TRADER

GLOBAL CARRIER, GLOBAL FREIGHTER

FINNSTAR, FINNMAID, FINNLADY,  
EUROPALINK, NORDLINK

	Gross tonnage/Lane metres	Year of delivery
Finnmill	25 654/2 680	2002
Finnpulp	25 654/2 680	2002
Finlandia	19 524/2 240	1981
Inowroclaw	14 786/1 403	1980
Runner	20 729/1 975	1990
Birka Carrier	12 251/1 775	1998
Birka Express	12 251/1 775	1997
Birka Trader	12 251/1 775	1998
Global Carrier	13 117/1 700	1978
Global Freighter	13 145/1 700	1977
Envoy	18 653/1 934	1979
Forte	3 998/-	1989
Largo	3 998/-	1990
Finnstar	45 923/4 200	2006
Finnmaid	45 923/4 200	2006
Finnlady	46 545/4 200	2007
Europalink	46 545/4 200	2007
Nordlink	46 545/4 200	2007

## INFORMATION FOR SHAREHOLDERS

### REPORT PUBLICATION SCHEDULE AND KEY EVENTS IN 2007

Record date for Annual General Meeting: 6 March 2007  
Registration period for Annual General Meeting ends on: 13  
March 2007  
Annual General Meeting: Friday 16 March 2007  
Dividend record date: 21 March 2007  
Start date for the payment of dividends: 28 March 2007

### INTERIM REPORTS

January–March 2007, Thursday 3 May 2007  
January–June 2007, Thursday 2 August 2007  
January–September 2007, Thursday 25 October 2007

### REGISTERING FOR ATTENDANCE AT THE AGM

Finnlines Plc's Annual General Meeting will be held from 10  
am on Friday 16 March 2007 at the Hotel Radisson SAS Royal,  
Runeberginkatu 2, Helsinki, Finland. All shareholders registe-  
red in the shareholder list maintained by Suomen Arvopaperi-  
keskus Oy by 6 March 2007 have the right to attend the meeting.  
Shareholders who wish to attend the meeting must register by  
4 pm on 13 March 2007, either in writing to Finnlines Plc, Share  
Register, P.O. Box 197, 00181 Helsinki, Finland, by telephone on  
+358 (0)10 343 4402, by email at IR@finnlines.com or by fax on  
+358 (0)10 343 4425.

### ADDRESS CHANGES

Please send details of any address changes to the bank where  
you hold your book-entry account.

### FINANCIAL REPORTS

The Annual Report, interim reports and other financial reports are  
published in Finnish and English. The Annual Report, interim re-  
ports and other important reports are also published on the  
Finnlines website at [www.finnlines.com](http://www.finnlines.com).

### TO ORDER ANY OF THESE PUBLICATIONS, PLEASE CONTACT

Finnlines Plc/Corporate Communications  
P.O. Box 197, 00181 HELSINKI, Finland  
tel: +358 (0)10 343 4402  
fax: +358 (0)10 343 4425

This Annual Report has been translated into English from the Fin-  
nish version. In case of discrepancies the Finnish version shall  
prevail.



## ADDRESSES

### **Finnlines Plc**

Porkkalankatu 20 A  
00180 Helsinki  
P.O.Box 197  
FI-00181 Helsinki  
Phone +358 (0)10 343 50  
Telefax +358 (0)10 343 4425  
[www.finnlines.com](http://www.finnlines.com)

### **Finnlines Deutschland GmbH**

Einsiedelstraße 43-45  
23554 Lübeck  
P.O.Box 10 22 22  
DE-23527 Lübeck  
Phone +49 (0)451 1507 0  
Telefax +49 (0)451 1507 222

### **Finnlines Belgium N.V.**

Land van Waaslaan-Kaai 1213  
BE-9130 Kallo (Beveren)  
Phone +32 (0)3 570 9530  
Telefax +32 (0)3 570 9550

### **Finnlines UK Ltd.**

Finhumber House  
Queen Elizabeth Dock  
Hedon Road  
GB-HULL, HU9 5  
Phone +44 (0)1482 377 655  
Telefax +44 (0)1482 787 229

### **Finnlines Danmark A/S**

Østhavnsvej 11  
DK-8000 Aarhus C  
Phone +45 (0)86 206650  
Telefax +45 (0)86 206659

### **Finnlines Polska Co. Ltd.**

1 C Solidarnosci Av.  
PL-81336 Gdynia  
Phone +48 (0)58 627 4227  
Telefax +48 (0)58 627 4229

### **Oy Finnlink Ab**

Satamatie 11  
FI-21100 Naantali  
Phone +358 (0)10 436 7620  
Telefax +358 (0)10 436 7680  
[www.finnlink.fi](http://www.finnlink.fi)

### **Rederi AB Nordö-Link**

Grimsbygatan 8  
SE-21120 Malmö  
P.O. Box 106  
SE-20121 Malmö  
Phone +46 (0)40 176800  
Telefax +46 (0)40 176801  
[www.nordoe-link.com](http://www.nordoe-link.com)

### **Skandinavien-Link GmbH**

Skandinavienkai  
DE-23570 Lübeck-Travemünde  
P.O. Box 150 228  
DE-23524 Lübeck-Travemünde  
Phone +49 (0)4502 80520  
Telefax +49 (0)4502 25 60

### **Finnsteve Oy Ab**

Saukonkuja 5  
00180 Helsinki  
P.O.Box 225  
FI-00181 Helsinki  
Phone +358 (0)10 565 60  
Telefax +358 (0)9 685 7253  
[www.finnsteve.fi](http://www.finnsteve.fi)



Finnlines Plc  
Porkkalankatu 20 A, 00180 Helsinki  
P.O. Box 197, FI-00181 Helsinki  
Phone +358 (0)10 343 50, Telefax +358 (0)10 343 4425  
[www.finnlines.com](http://www.finnlines.com)