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### SHIPPING AND SEA TRANSPORT SERVICES, PAGE 12



### PORT OPERATIONS, PAGE 16



### PASSENGER SERVICES, PAGE 15

**Finnlines is a leading shipping operator of ro-ro and passenger services in the Baltic Sea and the North Sea. The Company is listed on the NASDAQ OMX Helsinki Ltd and is a part of the Grimaldi Group, one of the world's largest operators of ro-ro vessels and the largest operator of the Motorways of the Sea in Europe for both passengers and freight. This affiliation enables Finnlines to offer liner services to and from any destination in the Mediterranean, West Africa as well as the Atlantic coast of both North and South America. Finnlines' sea transports are concentrated in the Baltic and the North Sea. Finnlines' passenger-freight vessels offer services from Finland to Germany and via the Åland Islands to Sweden, from Sweden to Germany and from Germany to Russia. The Company has subsidiaries or sales offices in Germany, Belgium, Great Britain, Sweden, Denmark and Poland. In addition to sea transportation, the Company provides port services in Finland in Helsinki and Turku, which are the most important seaports in Finland.**





# FINNLINES IN 2014

**Finnlines Group's result before taxes (EBT) improved by EUR 43.3 million, and was EUR 36.6 million. The improvement was driven by a targeted cost-cutting programme and by reducing the overcapacity and optimising the existing fleet.**

Finnlines has also made the necessary adjustments required due to the slow growth in the EU area and due to the EU sanctions. Despite of an uncertain economic environment, Finnlines was able to improve its profitability markedly. Lower bunker surcharge reduced the turnover slightly. However, higher cargo volumes increased the capacity utilisation of the vessels, which in turn reduced our costs and improved our efficiency. Through operational optimisations, fuel consumption was reduced by 7 per cent with benefit for both the environment and Company results. Finnlines Group's good cash-flow generation enabled the Company to further reduce its interest-bearing debt considerably, by EUR 118.9 million, and as a result, the equity ratio rose to 41.7 per cent.

The AGM held in Helsinki on 8 April 2014 decided that no dividend shall be paid for 2013. The meeting decided that the number of Board Members be seven: Mr Christer Backman, Ms Tiina Bäckman, Mr Emanuele Grimaldi, Mr Gianluca Grimaldi, Mr Diego Pacella, Mr Olav K. Rakkenes and Mr Jon-Aksel Torgersen. The AGM elected APA KPMG Oy Ab as the Company's auditor for the fiscal year 2014.

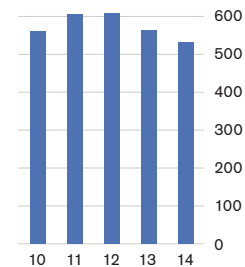
In May, Finnlines announced a capex programme focused on investments in environmental technology. The Company ordered exhaust gas cleaning systems – scrubbers – for six of its latest series of ro-ro vessels built in 2011–2012 and for four of its ro-ro vessels built in 2000–2002. Later in August, Finnlines ordered exhaust gas scrubbers for four of its Star-class ro-pax vessels built in 2006–2007. A total of 14 vessels in service will be fitted with scrubbers. Finnlines also ordered an improvement retrofit to the propulsion system for six of its vessels.

In June, Finnlines doubled the departures to Långnäs, Åland for the summer season.

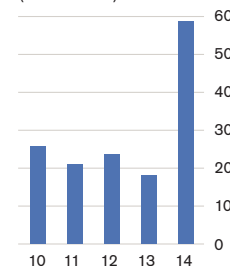
In August, Finnlines re-opened its weekly service from the Finnish ports of Kotka and Helsinki to Tilbury. This complements Finnlines' services to Immingham and Hull, thus expanding its services to cover the whole of Great Britain.

In October, Finnlines announced its participation in the privatisation process of Polferries, a Polish shipping company operating in the Poland–Sweden routes. Finnlines also expanded its North Sea services by adding a new port of call in the Baltic Sea, Paldiski in Estonia. The port of Paldiski offers very good rail connections to Central Asia and Siberia. Finnlines sold MS Finnhanza to the Grimaldi Group for EUR 30 million. Furthermore, Finnlines Plc's subsidiary signed a sales agreement of MS Euroferry Brindisi (MS Finnarrow) with an external party at EUR 32.5 million.

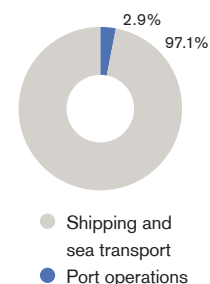
**Revenue 2010–2014**  
(EUR million)



**Result before interest and taxes (EBIT) 2010–2014**  
(EUR million)



**Breakdown of revenue 2014**



	IFRS 2014	IFRS 2013
(EUR million)		
Revenue	<b>532.9</b>	563.6
Result before interest, taxes, depreciation and amortisation (EBITDA)	<b>115.4</b>	83.7
Result before interest and taxes (EBIT)	<b>58.6</b>	18.1
Result for the reporting period	<b>41.7</b>	6.0
Earnings per share (EPS), EUR	<b>0.81</b>	0.12
Dividend per share, EUR	<b>0.00*</b>	0.00
Equity ratio, %	<b>41.7</b>	35.7
Gearing, %	<b>113.0</b>	149.1

\* Board's proposal



# FINNLINES' ENVIRONMENTAL INVESTMENTS

Air pollutant emissions from maritime transport can be carried over long distances and therefore contribute to air quality problems. In order to reduce the impact of these pollutants, the International Maritime Organization and the European Union have introduced new legislation.

As of January 2015, the new fuel sulphur limit applicable in Emission Control Areas (ECAs) is 0.10 per cent. This means that all vessels in the Baltic Sea, the North Sea and the English Channel will be required to use 0.10 per cent sulphur fuel, unless they can remove sulphur emissions using either exhaust gas scrubbers, switch to marine gas oil (MGO, less than 0.1 per cent sulphur) or liquefied natural gas (LNG, contains no sulphur).

Finlines is focusing on the environmental and economic performance of its vessels and has invested in technological innovation. In 2014, the most important contributions to sustainability were the investments in emissions abatement technology

(exhaust gas scrubbers) and hyper-efficient propellers. The Company ordered scrubber installations for 14 vessels operating on medium-long routes and it will replace the original propeller blades with newly designed blades in six of its vessels and fit their rudders with bulbs that will further increase the propulsion efficiency by reducing rotational propulsion losses.

Since 2008, the Finlines fleet's fuel consumption has decreased by over 30 per cent. Higher cargo volumes have increased the capacity utilisation of the Company's vessels, which has reduced fuels costs per transported cargo unit and improved efficiency. Finlines will continue exploring all possibilities to further reduce its fuel consumption and fuel costs; further investments in scrubbers, propellers and rudders are under study.

Finlines is set to be one of the best equipped shipping companies in terms of technological innovation in the markets we serve.





# FINNLINES – ONE OF THE MOST EFFICIENT PLAYERS

Last year, 2014, was a historic year for Finnlines. We recorded the best financial results since the beginning of the 2008 economic downturn. In certain quarters of the year we put in financial performances that have not been bettered or equalled in the present century.

New services were inaugurated in 2014: to Tilbury in Great Britain and Paldiski port in Estonia.

At the same time, Finnlines placed orders worth more than EUR 65 million for innovative equipment. Propellers, scrubbers and information technology will help renew the fleet and create efficiencies, allowing the Company to keep reducing its debt.

Turning to the present, it is safe to say that 2015 looks destined to be challenging. The maritime transport market in northern Europe is now obliged to comply with stringent International Maritime Organization 'Marpol' rules designed to reduce sulphur emissions from the burning of fuel.

Bunker fuel is the largest single cost item for many of the ship operators serving our markets. The premium separating low-sulphur bunkers and non-compliant bunkers previously in use in the North Sea, Baltic Sea and English Channel is currently around USD 300 per tonne, compared to the base price of around USD 230 per tonne at the time of writing. For many companies this premium is a "profit killer".

Operators in these regions face a terrible dilemma: pass on all cost increases to clients and kill their own competitiveness, or absorb the cost increases and kill their own profits. All players have introduced Marpol surcharges, at different levels, in order to share the cost burden with clients, although most undoubtedly could not afford to pass on all cost increases entirely.

The sharp drop in bunker prices that occurred in the last quarter of 2014, which has been maintained in early 2015, is good news for the entire market in that it has reduced costs for maritime transport, as well as bunker surcharges for clients. However, the challenges brought about by the Marpol rules remain.

Only the most efficient players will be able to build up a long-term sustainable concept and stay competitive throughout the volatile period that we face. Finnlines will be one of these companies, as demonstrated by the fact that our Marpol surcharge is one of the lowest in the Baltic.

Hard work is the price of ambition. The energy efficiency investments already underway will inevitably mean that the first quarter of 2015 will be a difficult transitional period. Two thirds of the Finnlines fleet will be laid up in a staggered fashion over several months while refits and upgrades take place. Fourteen scrubbers

and six new efficient propeller and rudder sets will be installed over this time. Similar investments are under study for the remaining third of the fleet and could follow soon after.

Finnlines' management has worked hard to keep service disturbances to a minimum, though realistically we have to admit that some disruption is possible. Operating results, at least in the first quarter, will be affected. Making these changes now will help us become leaner and fitter, and our business model will logically become more profitable.

The long-term competitive position of the Company, meanwhile, has been further secured by the signing of contracts for the purchase of three ice-class ro-ro vessels. They have all been tested by Finnlines as charter vessels and found to be ideal for our markets. Once delivered and upgraded, they will be a great addition to the fleet. In all, we will then employ 13 ro-ro vessels with a total capacity of around 40,000 lane metres, all equipped with scrubbers and the latest fuel-saving technology. Our flexible fleet will include eight ships with a capacity of over 3,000 lane metres, and five smaller units.

Uniquely, the entire fleet will be owned. We want to be able to offer solid, sustainable services that are not subject to the volatility of the speculative, illiquid ro-ro charter markets. In this way we will attract long-term contracts, and durable partnerships based on openness and transparency.

We aim to become the market leader in our sector. Since the Italy-based Grimaldi Group took over the Company, Finnlines has learned to stand on its own two feet. At the time of the takeover, most of the fleet was chartered in. An excess of tonnage, combined with small and obsolete units, inevitably depressed profitability. Today, on the other hand, we can boast that we will have an ideal, efficient, fully owned fleet in 2016. This means high frequency, high capacity and high standards for all our clients.

I would like to use this opportunity to thank our clients for their patience during this transitional period while upgrades take place. I wish also to express my gratitude to the officers and seafarers, managers and employees, as well as port staff and supervisors, for their contribution to the latest chapter in our success story. The coming months will be fascinating. We must turn the next challenges into a new chapter that reads just as hearteningly.

Emanuele Grimaldi

**“2014 was a historic year for Finnlines.”**



# STRONG FINANCIAL PERFORMANCE AND INCREASED SHAREHOLDER VALUE

## FINANCIAL PERFORMANCE

Despite a somewhat uncertain economic environment, we have been able to improve further our profitability, reduce our costs and improve our efficiency. During 2014, our revenues declined by 5.4 per cent to EUR 532.9 million, but the positive financial development continued over the year and the result before taxes was EUR 36.6 million. Several measures undertaken during previous years lie behind the strength of this performance: optimisation of vessels, routes and trade flows, reduction of interest-bearing debt, cut of the overcapacity through the sale of certain ro-pax vessels, cost controlling and cost cutting. We are responsible for our profitability, we have to make our cuts and adjust our business in a new way to remain competitive.

## THE TURNAROUND PROGRAMME

Finnlines Group's result before interest, taxes, depreciation and amortisation (EBITDA) improved by EUR 31.7 million, and was EUR 115.4 million. The improvement was driven by a targeted cost-cutting and optimising programme. Higher cargo volumes also increased the capacity utilisation of our vessels. Through operational optimisations, fuel consumption was reduced by 7 per cent in 2014, with benefit for both the environment and company results. Finnlines remains focused on both operational and cost efficiency: we will continue to analyse every vessel, every line and every function to find out whether there is room for further improvement and for more profitable operations in order to remain successful in this very competitive and international Shipping business.

## CAPITAL STRUCTURE

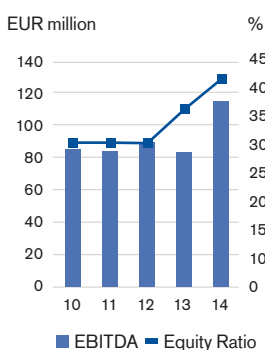
The Company is targeting not only for improving its operations and profitability but also for improving its capital structure. Finnlines Group's good cash-flow generation has enabled us to further reduce our interest-bearing debt considerably and, therefore, the equity ratio improved markedly, to 41.7 per cent. Considering the fact that the Group has been implementing EUR 65 million capex programme for installing scrubbers and new propeller and rudder systems into our 14 vessels, we were able to reduce our interest-bearing debt by EUR 119 million. Finnlines Group's interest-bearing debt has been almost halved in five years and our debt service capacity has continued to strengthen. Net debt to EBITDA stood at 4.8 at year end, which has greatly improved our credit profile.

## SHAREHOLDER VALUE

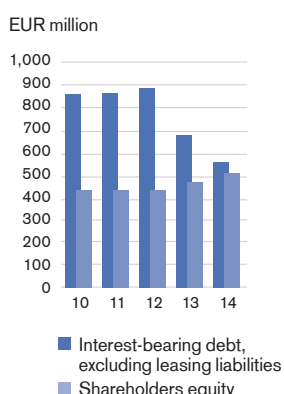
The 2014 financial year was of great significance in creating an increased value to our shareholders. Through the improved financial and operational performance our share price increased by over 113 per cent. The increase in share price was fueled by improved financial performance in every quarter, and the earnings per share (EPS) was EUR 0.81 in 2014 as opposed to 2013's EPS of EUR 0.12 per share. This year, we will work hard in order to be able to continue generating increased shareholder value, and we will focus on improving all of our Group's operations and processes in Europe. It is pleasing to conclude a review saying that we are confident Finnlines has turned the corner, and our EUR 41.7 million result for the period that led to the outstanding 113 per cent share price increase, is a remarkable achievement of all of our employees within the Group.

Tom Pippingsköld

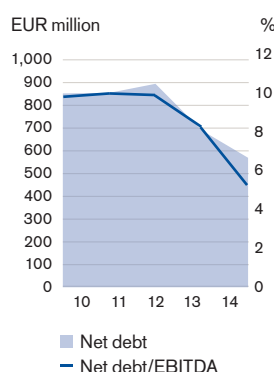
**EBITDA and Equity Ratio**



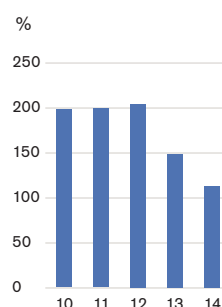
**Interest-bearing Debt and Shareholders Equity**



**Net Debt/EBITDA Development**



**Gearing, %**





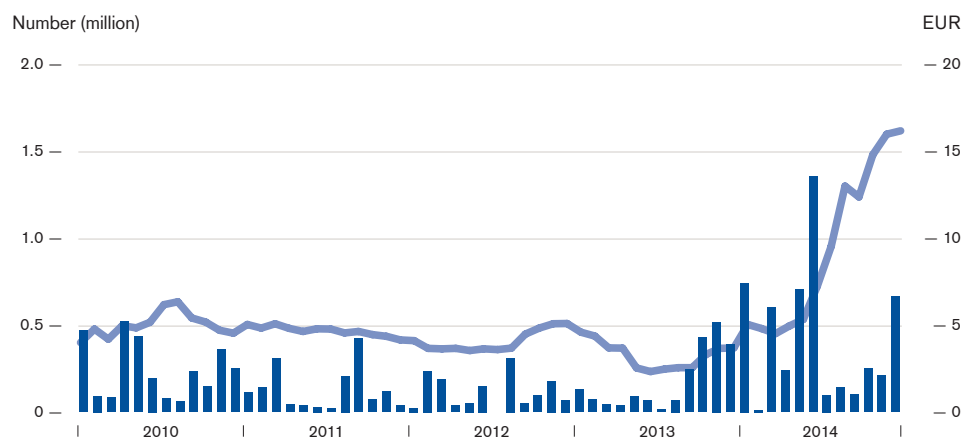


## SHAREHOLDER VALUE

Finnlines share's monthly share trading and average share price on the NASDAQ OMX Helsinki 2010–2014 \*

— Average monthly share price  
 █ Share trading pcs

\* Source: NASDAQ OMX Helsinki Ltd







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# BUSINESS CONCEPT, VALUES AND STRATEGIC GOALS

## 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 and private passengers.

## 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. 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, expertise and reliability. Satisfied customers are the basis for Finnlines' enduring success. By identifying its cargo customers' and passengers' needs, the Company can continuously develop its service products and generate concrete added value for its customers.

### 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.

### PROFITABILITY

We achieve our objectives. Through the quality of our business operations, we are able to guarantee long-term profitability and generate added value.

### EMPLOYEE SATISFACTION

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

## STRATEGIC GOALS

### A stronger position in the Baltic Sea and the North Sea cargo traffic

- We invest in the operational efficiency of our current transport areas.
- We will open new routes according to market opportunities.
- We are actively involved in the growing consolidation of the sector.
- We increase Group-wide network synergies beyond the core of today.

### A stronger position in the Baltic Sea passenger traffic

- We offer quick and effortless travel between Finland, Sweden, Germany and Russia to our passengers on our large and efficient ro-pax vessels.

### A stronger position in Russian freight traffic

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

### Growing profitability

- We strive to improve our productivity. One of the main ways of doing this is to focus on routes where the vessels' capacity utilisation is as high as possible in both directions.
- We will increase the efficiency of our operational systems and information management.
- We take proper care of environmental and safety issues.
- We invest in staff competence.

# BUSINESS ENVIRONMENT

## FLEET

During 2014, there were no major changes in Finnlines' fleet. At the end of the year, the total capacity of the fleet was 75,400 lane metres, of which 37,300 metres in ro-pax ferries and 38,100 metres in ro-ro vessels. MS Finnarrow, which had been chartered out during the year, and MS Finnhansa, which operated on Helsinki–Rostock route, were sold at the end of 2014.

The average age of the Group's vessels was about 10 years.

## ROUTE NETWORK

There were several additions to Finnlines' network during 2014. In July, a service to Tilbury was established. The Tilbury service connects the estuary of Thames with the Finnish ports of Kotka, Rauma and Helsinki as well as St. Petersburg in Russia; on the eastbound leg there is also a connection from Tilbury to Amsterdam in the Netherlands and Antwerp in Belgium.

The Estonian port Paldiski was added to the North Sea Service. The route connects Estonia to Spain and Belgium in the North Sea, as well as to Finland and Russia in the Baltic Sea.

The West Finland service was strengthened as the frequency between Uusikaupunki and Germany was ramped up to the designed level.

All in all, there were about 20 departures a week from Finland to Germany and vice versa including the daily HansaLink service, a combined freight and passenger service between Helsinki and Travemünde.

Traffic to and from the port of Rostock in Germany continued as a combined service between Aarhus in Denmark and Helsinki in Finland.

The Rauma–Gdynia service was discontinued but the service between Helsinki and Gdynia continued twice a week in both directions.

In addition to the TransRussiaExpress service, St. Petersburg, Russia, had weekly links with Great Britain, Finland, Spain, Belgium, the Netherlands, Estonia and Germany within the context of both North Sea and Baltic Sea services.

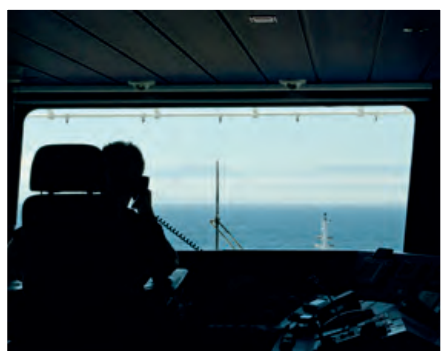
Between Great Britain and the Benelux there was a sailing once a week as well as between Great Britain and Russia. From Finland to Great Britain and vice versa there were two weekly departures.

Belgium has one weekly departure to Russia, and two weekly departures to Finland and Spain. The Netherlands have a weekly service to Russia once and a bi-weekly service to Finland.

During 2014, the FinnLink service continued visiting the port of Långnäs in Åland, on both the eastbound and westbound legs between Naantali and Kapellskär, with three daily departures in both directions.

NordöLink has three daily departures between Malmö and Travemünde, in both directions, except on Mondays and Sundays when there are two.

TransRussiaExpress has a weekly sailing from St. Petersburg to Lübeck and vice versa.







# SHIPPING AND SEA TRANSPORT SERVICES

**Finnlines is one of the industry's leading players in the Baltic Sea, the North Sea and the Bay of Biscay. A strong position is based on outstanding service and service concepts based on customer needs. High frequency, cargo capacity and information services offered by Finnlines contribute to flexibility, reliability and predictability to customers.**

Shipping and Sea Transport segment revenues totalled 517.4 (538.6 in 2013) million, and it employed 1,371 (1,388) people on average.

During January–December, there were a total of about 638 (632) thousand cargo units, 99 (66) thousand cars (not including passengers' cars) and 2,388 (2,248) thousand tons of non-unitised freight. In addition, some 561 (556) thousand private and commercial passengers were transported.

Over the year, the competitive position of Finnlines was strengthened owing to the decision to install exhaust gas scrubbers in its vessels, to comply with the stricter provisions on sulphur emissions from shipping that entered into force at the beginning of 2015. The investments in scrubber technology and modern propellers will ensure Finnlines' competitiveness also in future.

In autumn, the overall market prospects became slightly less predictable, as the overall volatility of markets increased, especially with economic sanctions on one of Finnlines' significant potential markets, Russia. The slightly unstable economic environment makes it fairly challenging to predict the future development of the shipping market.

## **FINNLINES, THE BALTIC SEA AND THE NORTH SEA SERVICES**

Finnlines' ro-ro services in the Baltic and North Sea areas provide a backbone to Finnish industries' transportation needs. The services covered the Finnish ports of Rauma, Uusikaupunki, Turku, Helsinki and Kotka, offering connections with Russian, Estonian, Polish, German, Danish, British, Dutch, Belgian and Spanish ports. Traffic was operated with some ten modern ro-ro vessels catering for both lorries, trailers, other mobile cargo, containers and break bulk.

### **HANSALINK**

HansaLink consisted of three Star-class ro-pax vessels plying between Helsinki and Travemünde. HansaLink retained its strong position as the largest carrier for unitised cargo volumes between Germany and Finland. For passengers it was the only direct connection by sea between Finland and Continental Europe.

The traffic was operated with six weekly departures in both directions with a fast sailing time of less than 30 hours.

### **NORDÖLINK**

NordöLink runs a ro-pax service between Malmö, Sweden and Travemünde, Germany. The four vessels, MS Finnpartner, MS

Finntreader, MS Nordlink and MS Finnclipper, made 19 weekly departures in both directions with an average intake capacity of about 110,000 lane metres per week. As from mid-November MS Nordlink was re-deployed on another route of the Group without altering the frequency of the NordöLink service.

The non-freight passenger traffic's turnover continued its positive trend and improved by 3.7 per cent. Further investment in onboard services and facilities along with stronger canvassing activities aimed at the tourism industry are oriented towards further improving the result of the line.

### **FINNLINK**

FinnLink between Naantali, Finland and Kapellskär, Sweden operated mainly with two Clipper-class ro-pax vessels, MS Finn fellow and MS Finneagle, and one smaller ro-pax vessel, MS Finnsailor until 14 November. These vessels served unitised cargo traffic with a total of 19 weekly departures in each direction. The fast eight-hour voyage and the service's schedule, tailored to the needs of freight customers, have maintained the competitiveness of the route. The calls at the port of Långnäs in the Åland islands were continued throughout the year, and even increased during the summer high season, with duty-free shopping onboard. The line's number of passengers was 3.3 per cent higher than the year before.

### **TRANSRUSSIAEXPRESS**

TransRussiaExpress (TRE) runs a regular direct liner service between Germany and Russia (Lübeck–St. Petersburg), offering one weekly departure in each direction with the modern ro-pax ships MS Finntreader, MS Finnpartner and MS Finnclipper, deployed in a weekly rotation from NordöLink. To create Group synergies with the Germany ro-ro traffic, the port of Kotka is called at westbound by MS Finntreader and MS Finnpartner. As from 18 November TransRussiaExpress is run by pure ro-ro vessels, due to the docking programme to comply with the new fuel sulphur regulations for 2015. Cargo volumes were below expectations since August 2014, influenced by the ongoing crisis in Russia and Ukraine. Nevertheless, TRE is keeping the market leader position in direct sea transport between Germany and Russia.

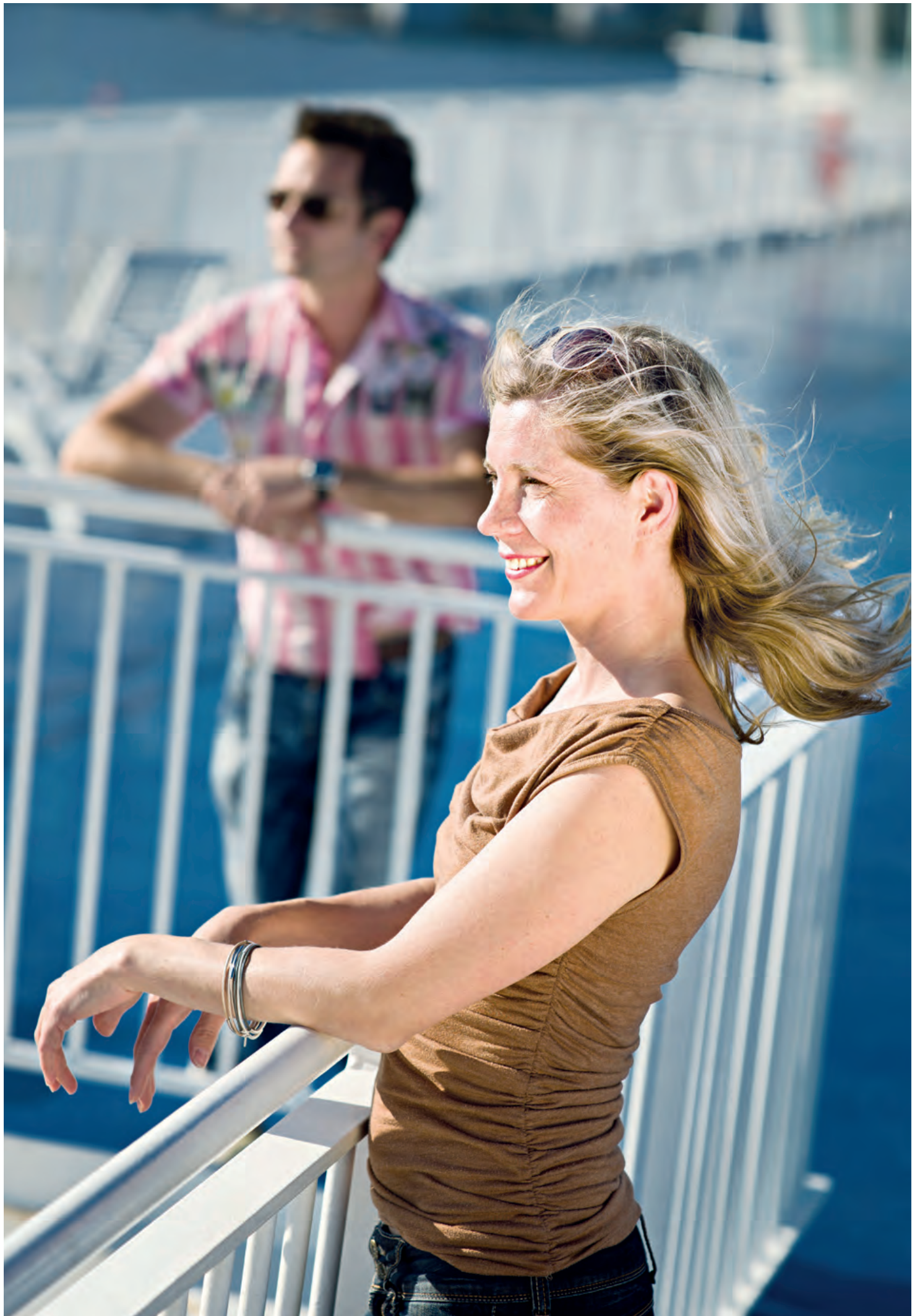
### **INTERCARRIERS**

Intercarriers, in which Finnlines holds a 78.5 per cent stake, offered small-tonnage traffic services from ports in Lake Saimaa and some Russian inland ports to various parts of Europe.











# PASSENGER SERVICES

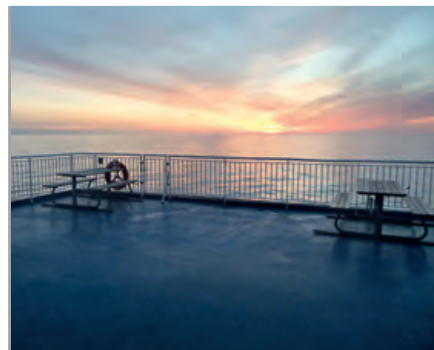
**With its ten ro-pax vessels, operating between seven ports in four countries, Finnlines has established its position as an important provider of passenger services in the Baltic Sea.**

The total number of passengers transported on all routes (private and commercial) increased by 1 per cent to 561 (556 in 2013) thousand passengers.

New customer segments, such as cruise passengers, were attracted to the services. Especially on the Germany–Sweden route the business developed well, but unfortunately the difficult economic situation in Russia resulted in a decline on the Germany–Finland route from this market and affected the total passenger business turnover negatively.

Channels for interaction with consumers were further expanded into social media in the main markets and preparations for the launch of a new customer website have begun.

The onboard passenger concept on all lines is continuously being improved further in close collaboration with the personnel onboard in order to maintain high customer satisfaction levels and experience. A new market segment, created in late 2013 when the Naantali–Kapellskär line started calling at Långnäs, developed as expected.



# PORT OPERATIONS

**The Group's Port Operations are handled by Finnsteve companies (Finnsteve, Containersteve and FS-Terminals). Finnsteve companies are a major port operator focused on unitised cargo services required by regular liner traffic in the ports of Helsinki, Turku and Naantali. Helsinki is Finland's most important export and import port for unitised goods, while Turku and Naantali have the fastest sea connections to Sweden.**

In Helsinki, Vuosaari and in Turku, the Company provides ro-ro services, container terminal and depot services as well as import and export terminal services.

In 2014, Finnlines' Port Operations generated revenues of EUR 36.9 (50.1 in 2013) million and employed 330 (452) people on average. The Port Operations unit suffered from low volumes and keen competition.

The labour negotiations held in Kotka at the beginning of the year resulted in the termination of all Kotka employments. The company made a decision to discontinue its business activities in Kotka.

## PORT OPERATIONS IN HELSINKI

The Vuosaari Harbour, which was opened at the end of 2008, has proved to be an efficient world-class port with its modern and advanced infrastructure.

The Company's four container cranes have sufficient capacity and power to cope easily with future growth in container volumes. The export terminals allow cargo handling in all weather conditions, while the import terminal in the logistics area has capacity for diversifying and increasing the provision of supplementary services.

## HELSINKI VOLUME DEVELOPMENT

The overall cargo volumes handled by Finnsteve companies in the Vuosaari Harbour decreased from the previous year and the price level of some services was still somewhat unsatisfactory due to the tough competitive situation in the port.

In 2014, the total cargo throughput in the port of Helsinki increased 2.6 per cent to a volume of 10.8 million tons, compared to the 2013 volumes. Unitised export traffic increased by 7.2 per cent to 5.2 million tons and import traffic by 1.0 per cent to 4.8 million tons. Trailers and lorries increased by 3.8 per cent to 497,400 units. Container traffic decreased by 1.2 per cent to 401,300 TEUs.

## PORT OPERATIONS IN TURKU AND NAANTALI

The Company's operations covered the West Harbour, Pansio Harbour, Base Harbour and the port of Naantali. During the year under review, the volumes of cargo handled by the Company decreased from the previous year.

In 2014, the total cargo throughput in the port of Turku increased 1.9 per cent to a volume of 2.7 million tons, in comparison to the volumes in 2013. Container export and import traffic decreased by 36.5 per cent to 1,884 TEUs, thus representing only a small part of the total cargo throughput. Trailers and lorries decreased by 3.4 per cent up to 116,400 units in 2014.

The Company's Naantali operations provided services to the Group's FinnLink traffic between Naantali, Långnäs and Kapellskär.







# SAFETY AND ENVIRONMENT

**The objective of Finnlines' safety and environmental policy is to provide safe, top-quality services while making efforts to minimise the environmental impacts in every aspect of operations. The environmental management system encompasses programmes and practices to minimise the environmental effects of operations. A consistent investment programme is launched among others in scrubber and propulsion systems for improving environmental records of the fleet.**

## SAFETY AND SECURITY

Safety is one of the most important environmental aspects in shipping. The International Safety Management Code (ISM Code), which contains requirements for the safe operation of ships and for pollution prevention, has been mandatory on Finnish- and Swedish-flagged passenger vessels since 1996 and on cargo vessels since 1998.

All vessels and port facilities also comply with the requirements of the International Ship and Port Facility Security (ISPS) Code.

The vessels are regularly inspected and audited by the maritime administration and classification societies. Internal audits are held every year. To be prepared for safety and environmental risks, vessels continued to hold regular drills both "in-house" and with authorities, such as the coast guard, border guard and city rescue departments.

Occupational safety and health, which entails maintenance of health, prevention of injuries and illnesses, and riskless use of work equipment, is an important part of Finnlines' operations. In 2014, inspections under the Maritime Labour Convention 2006 were carried out on Swedish-flagged vessels whereas the Finnish-flagged vessels had already been inspected in 2013. The purpose of the Convention is to safeguard that seafarers are provided with decent working and living conditions.

In ports, stevedoring companies have safety systems, including communication and contingency plans in case of an accident. Ports are equipped to respond to oil and chemical spills.

## ENVIRONMENTAL CERTIFICATION

A certified environmental system provides a tool to monitor and measure the impact of all environment-related operations and services. The system will also guarantee that the environmental performance unconditionally complies with relevant legislation and regulations. All Finnlines-owned vessels are incorporated in the environmental certificate, which complies with the ISO 14 001:2004 standard. External and internal environmental audits were held in 2014.

## STAKEHOLDERS

In environmental and safety matters, Finnlines' most important stakeholders are the flag, port and host state administration,

owners, customers, port operators and subcontractors, as well as the inhabitants of harbour and fairway areas.

Finnlines is represented at the technical and environmental committees under the Swedish and Finnish Shipowners' Associations.

As part of the Alg@line co-operation, which is co-ordinated by the Finnish Environment Institute, a device for monitoring the conditions of the Baltic Sea and the Gulf of Finland has been installed on MS Finnmaid and MS Finnsea.

## LEGISLATION

Shipping is governed by international, regional and national regulations. The International Maritime Organization (IMO) manages international legislation on safety and environmental matters. The MARPOL 73/78 Convention contains regulations on the disposal of waste and sewage into the sea, and on the prevention of air emissions. The SOLAS Convention regulates maritime safety matters, including ship construction, life-saving arrangements and navigation. The Helsinki Commission (HELCOM) has issued regional recommendations for the shipping industry. The Company's port operations comply with national legislation.

## ENERGY CONSUMPTION AND ATMOSPHERE EMISSIONS

Finnlines operates mainly in the Emission Control Areas, i.e. the Baltic Sea, the North Sea and the English Channel, where the sulphur content limit for ship fuel oil was reduced to 0.10 per cent as from 1 January 2015 in accordance with the MARPOL Convention.

To comply with the MARPOL rules, Finnlines signed contracts with three suppliers on installation of exhaust gas scrubbers on 14 ships. These devices are designed to filter and clean engines' exhaust gas emissions and to set the engine systems in order to comply with new ECA regulations entering into force. The first scrubber installations started in late 2014. The rest of the Finnlines' vessels will run on marine gas oil, but the Company will continue to look for new innovative technology.

During the stay in port, power is normally generated using auxiliary engines. In EU ports, while the ship is at berth for more than two hours, the sulphur limit has been 0.1 per cent since 2010.

Today's global sulphur fuel limit is 3.5 per cent but the plan is to decrease it to 0.5 percent in 2020.

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## SAFETY AND ENVIRONMENT (CONTINUED)

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

Finnlines' newest ro-ro ships have been fitted with modern propellers and rudders and the rudders are fitted with bulbs. These design changes have reduced fuel consumption compared with sister vessels. To improve the energy efficiency of the older generation ships, Finnlines is in the process of replacing the original propeller blades with newly designed blades on six vessels. At the same time their rudders will also be fitted with bulbs to improve vessels' propulsion efficiency.

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

In 2014, Finnlines' vessel traffic consumed around 330,000 tons of heavy fuel oil and diesel oil, representing a decrease of around 7 per cent compared with 2013.

### WASTE AND SEWAGE

In accordance with the EU directive on ship-generated waste, solid waste and oily water are included in the "no special fee" system. The aim is to stop illegal discharges at sea by requiring all ships 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 directive if they have made alternative arrangements with competent companies. Finnlines has its own contracts with waste management companies.

The main recyclable waste types generated on board include energy waste, bio waste, glass, paper, cardboard, and metal. Hazardous waste, including oil waste, oily filters, paint, and electronic scrap, is separated and taken to a designated container in port.

MARPOL contains restrictions concerning black water, i.e. toilet water. Finnlines' ro-pax vessels send black water to onshore municipal sewage systems whenever they are accessible. Tank vehicles are used where reception facilities are not provided. There are no restrictions on the discharge of grey water, i.e. water from kitchens and showers, but Finnlines pumps grey

water to the shore-based sewage system whenever it is available. Cargo ships are equipped with sewage treatment plants approved by the flag-state administration. After treatment, the remaining slurry is taken ashore.

### OTHER ENVIRONMENTAL ASPECTS

Oily waste water, 'bilge water', is generated in engine rooms. Bilge water is separated in separators and the remaining sludge is always taken ashore. The limit for the oil content of water that may be discharged into the sea is 15 ppm but many ships in our fleet have more efficient separators. Some bilge water is also pumped ashore.

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

Ships' ballast water may transfer from one location to another species of sea life that are ecologically harmful when released into a non-native environment. At the end of 2014, the Ballast Water Management Convention had been signed by 43 contracting states, representing 32.54 per cent of world tonnage. The entry into force criteria for the number of countries (30) has been well met, but the requirement of 35 per cent world tonnage has not been attained.

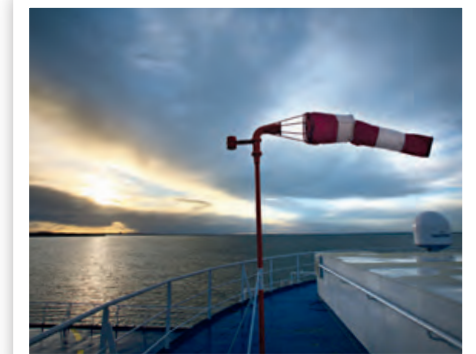
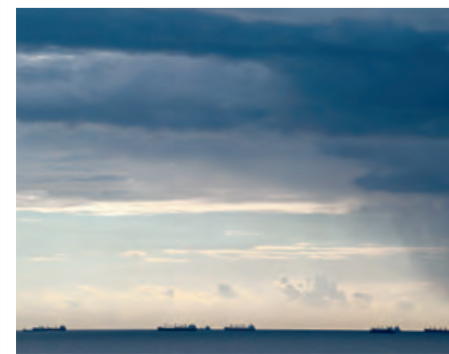
After entry into force, the ships will have to exchange ballast water. After a transition period, a treatment plant will be mandatory.

### ENVIRONMENTAL ASPECTS IN PORT OPERATIONS

Being aware of their environmental effects and responsibilities, Finnsteve companies follow the principles of sustainable development. Finnsteve takes environmental aspects into consideration when making investments and when planning and steering its operations. The focus is on enhancing energy savings and on reducing air emissions and waste generation in processes, in storage operations and maintenance of machines and properties.

Finnsteve companies hold a valid ISO 14 001 environmental certificate and an ISO 9001 quality certificate.

In 2014, the fuel consumption of the port operations totalled some 684 tons, which includes the operations in Helsinki, Turku and Naantali, a decrease of around 30 per cent compared with 2013.





# HUMAN RESOURCES

## EMPLOYEE WELL-BEING

Good health is imperative in our line of business for occupational safety reasons and due to the elevated physical workload of our personnel. At Finnlines, we have created a systematic approach towards employee well-being, which has been in use with shore personnel and, since 2014, also with sea personnel. The aim is to discuss the reasons behind absenteeism proactively in an attempt to find ways for rehabilitation together with the employee and health professionals. This approach has already proven helpful in many cases where full rehabilitation of employees has been achieved and early retirement avoided.

During 2014, Finnlines promoted the well-being of its employees by also training fitness pilots on board its vessels. They conducted training sessions and aimed to change general attitudes towards a more active, healthy and fitness-orientated daily life.

These efforts are clearly a step in the right direction, as the Finnlines Group's total sick leave level has also decreased since 2013.

## TRAINING

During 2014, we focused our efforts on cargo securing training for more than 40 masters and chief officers, and on having good internal guidelines in cargo securing. We also organised Pilot Exemption training for many of our masters, and have seen 45 new/renewed Pilotage Exemption Certificates (PECs) for both domestic and foreign ports.

## JOB ROTATION

We believe that it is through job rotation that a holistic understanding of our business is achieved. We support this during every position vacancy by re-designing the team's job descriptions in order to eliminate inefficiencies to be able to offer as motivating tasks as possible for all team members.

Through this internal job market, we have also been able to understand our employees' career aspirations, and most of the time fulfil them. Job rotation has also reduced department barriers and increased interdepartmental co-operation.

## PERSONNEL CHANGES IN 2014

During 2014, employee co-operation negotiations were held with the employees of Finnsteve companies and with the crews of MS Finnhanza and MS Finnsailor.

The average number of employees in the Finnlines Group was 1,701 (1,861 in 2013). At the end of 2014, Finnlines had about 1,635 (1,806) employees in total, of which 716 (898) on shore and 919 (908) on board.

## FUTURE

Although we have experienced difficult times in recent years, we will embrace the challenges that lie ahead as a strong and motivated team. Owing to the EU Sulphur Directive coming into effect in 2015, we have to continue keeping costs to the minimum and motivation to the maximum, but with this crew – both onshore and at sea – we know it is achievable.

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HUMAN RESOURCES (CONTINUED)

<b>Key figures</b>	<b>2014</b>				2013	
Average number of employees	<b>1,701</b>				1,861	
Revenue/employee, EUR	<b>313,298</b>				302,779	
Personnel expenses/employee, EUR	<b>52,543</b>				58,096	
Result before taxes/employee, EUR	<b>21,538</b>				-3,618	
Employee turnover, %	<b>32</b>				37	
Absences of personnel, change %	<b>13.7</b>				15.4	
Training days, total	<b>1,798</b>				1,300	
<b>Average number of employees per business area</b>						
Shore-based personnel						
Shipping and Sea Transport Services	<b>429</b>				445	
Port Operations	<b>330</b>				473	
Sea personnel	<b>942</b>				943	
Continuing operations, total	<b>1,701</b>				1,861	
Total	<b>1,701</b>				1,861	
	As of 31 December 2014, there were 716 shore-based personnel and 919 sea personnel for a total of 1,635.			As of 31 December 2013, there were 898 shore-based personnel and 908 sea personnel for a total of 1,806.		
<b>Employee categories</b>						
Office staff	<b>30%</b>				28%	
Sea personnel	<b>56%</b>				50%	
Stevedores	<b>14%</b>				22%	
<b>Gender distribution</b>	<b>Shipping Port personnel Sea operations</b>			<b>Shipping Port personnel Sea operations</b>		
Female	<b>52%</b>	<b>6%</b>	<b>20%</b>	48%	4%	21%
Male	<b>48%</b>	<b>94%</b>	<b>80%</b>	52%	96%	79%
<b>Personnel by country</b>						
Finland	<b>69%</b>				69%	
Sweden	<b>21%</b>				22%	
Germany	<b>7%</b>				6%	
Other	<b>3%</b>				2%	
The average age of Finnlines personnel, years	<b>45</b>				42	
The average duration of employment, years	<b>6</b>				5	
<b>Personnel profit and loss account, (EUR 1,000)</b>						
Revenue	<b>532,889</b>				563,587	
Other income from operations	<b>6,776</b>				5,329	
Personnel expenses						
Real working time expenses	<b>68,010</b>				77,255	
Personnel renewal (holidays, recruitment)	<b>24,712</b>				24,888	
Personnel development	<b>214</b>				207	
Personnel benefits and obligations	<b>-3,567</b>				5,788	
Personnel related expenses, total	<b>89,370</b>				108,138	
Other operating expenses excluding personnel expenses, total	<b>443,519</b>				455,448	
Result before interest and taxes (EBIT)	<b>58,563</b>				18,075	
Result before taxes (EBT)	<b>36,634</b>				-6,734	
<b>Quarterly figures,</b>						
<b>Average number of employees</b>						
Continuing operations	<b>I/2014</b>	<b>II/2014</b>			I/2013	II/2013
	<b>1,712</b>	<b>1,731</b>			1,906	1,894
	<b>III/2014</b>	<b>IV/2014</b>			III/2013	IV/2013
	<b>1,729</b>	<b>1,701</b>			1,887	1,861





**NORDLINK**

**FINANCIAL  
STATEMENTS**

**2014**

### FINNLINES' BUSINESS

Finnlines is the largest shipping company in the Baltic Sea based on both ro-ro and ro-pax volumes (source: Baltic Transportation Journal). The Company's passenger-freight vessels offer services from Finland to Germany and via the Åland Islands to Sweden, from Sweden to Germany and from Germany to Russia.

Finnlines' ro-ro vessels operate in the Baltic Sea and the North Sea. The Company has subsidiaries in Germany, Belgium, Great Britain, Sweden, Denmark and Poland which all are also sales offices. In addition to sea transportation, the Company provides port services in Helsinki and Turku.

### GROUP STRUCTURE

Finnlines Plc is a Finnish listed company. At the end of the reporting period, the Group consisted of the parent company and 24 subsidiaries.

Finnlines is part of the Italian Grimaldi Group, which is a global logistics group specialising in maritime transport of cars, rolling cargo, containers and passengers. The Grimaldi Group comprises seven shipping companies, including Finnlines, Atlantic Container Line (ACL), Malta Motorways of the Sea (MMS) and Minoan Lines. With a fleet of about 100 vessels, the Group provides maritime transport services for rolling cargo and containers between North Europe, the Mediterranean, the Baltic Sea, West Africa, North and South America. It also offers passenger services within the Mediterranean and Baltic Sea. With 79.96 per cent (on 31 December 2014) of the shares, the Grimaldi Group is the biggest shareholder in Finnlines Plc.

### GENERAL MARKET DEVELOPMENT

Based on the statistics by the Finnish Transport Agency for January–December, the Finnish seaborne imports carried in container, lorry and trailer units remained on the same level whereas exports increased by 3 per cent (measured in tons) compared to the same period from 2013. During the same period private and commercial passenger traffic between Finland and Sweden decreased by 3 per cent. Between Finland and Germany the corresponding traffic decreased by 10 per cent (Finnish Transport Agency).

### FINNLINES' TRAFFIC

MS Transrussia was renamed MS Finnansa after Finnlines Plc purchased the vessel from its subsidiary Finnlines Deutschland GmbH in the end of January 2014. The vessel flew the Finnish flag and continued to operate on Helsinki–Rostock route until the end of September 2014, when MS Finnkraft substituted MS Finnansa. In the fourth quarter of 2014, Finnlines sold MS

Finnansa to the Grimaldi Group for EUR 30 million.

In June, Finnlines doubled the calls at Långnäs, Åland for the summer season.

In August, Finnlines re-opened its weekly service from the Finnish ports of Kotka and Helsinki to Tilbury. From Tilbury the vessel sails via Antwerp and Amsterdam back to Helsinki, from where there is also a connection further to St. Petersburg.

In October, Finnlines extended its North Sea services by adding a weekly call at Paldiski in Estonia. The port of Paldiski offers very good rail connections to Central Asia and Siberia.

During the reporting period, Finnlines operated on average 24 (24 in 2013) vessels in its own traffic.

The cargo volumes transported during January–December totalled approximately 638 (632 in 2013) thousand cargo units, 99 (66) thousand cars (not including passengers' cars) and 2,388 (2,248) thousand tons of freight not possible to measure in units. In addition, some 561 (556) thousand private and commercial passengers were transported.

### FINANCIAL RESULTS

The Finnlines Group recorded revenue totalling EUR 532.9 (563.6) million in 2014, a decrease of 5.4 per cent compared to the same period in the previous year. Shipping and Sea Transport Services generated revenue amounting to EUR 517.4 (538.6) million and Port Operations EUR 36.9 (50.1) million. In Shipping and Sea Transport Services the revenue decreased due to the lower bunker surcharge and lower charter income due to divestment of vessels. In Port Operations the revenue decreased due to the re-structuring measures taken. The internal revenue between the segments was EUR 21.3 (25.1) million.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 115.4 (83.7) million, an increase of 37.9 per cent.

Result before interest and taxes (EBIT) was EUR 58.6 (18.1) million. The increased efficiency of the operations i.e. lower bunker consumption, higher capacity utilisation of vessels and reduction of costs in many areas continued to impact the financial performance of the Group.

Net financial expenses decreased and were EUR -21.9 (-24.8) million. Financial income was EUR 0.5 (0.5) million and financial expenses EUR -22.4 (-25.3) million. Result before taxes (EBT) improved by EUR 43.4 million and was EUR 36.6 (-6.7) million. The above mentioned increased operational efficiency, decreased net financial expenses, and above all, cutting of the vessel overcapacity through the sale of three vessels at the end of 2013 and another two vessels during the last quarter 2014, which enabled better optimisation of the existing tonnage, alto-



gether contributed to a EUR 37.1 million increase in the result for the reporting period. The result for the reporting period was EUR 41.7 (6.0) million and earnings per share (EPS) were EUR 0.81 (0.12).

The most important business and share related key indicators are presented in the Five-Year Key Figures on page 35.

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

Interest-bearing debt decreased significantly by EUR 118.9 million and amounted to EUR 552.5 (671.3) million excluding leasing liabilities EUR 19.6 (21.1) million. The equity ratio calculated from the balance sheet improved to 41.7 (35.7) per cent and gearing dropped to 113.0 (149.1) per cent. Vessel lease commitments decreased by EUR 13.2 million to EUR 11.4 million compared to the end of December 2013.

The Group's liquidity position was strengthened and at the end of the period, cash and cash equivalents together with unused committed credit facilities grew by EUR 57.2 million amounting to EUR 123.1 (65.9) million.

Net cash generated from operating activities improved considerably and was EUR 82.1 (48.2) million before capex and divestments.

During the fourth quarter, Finnliness sold two vessels, MS Finnhanasa to the Grimaldi Group and MS Finnarrow to an external party, at a total price of EUR 62.5 million.

#### **CAPITAL EXPENDITURE**

Finnliness Group's gross capital expenditure in the reporting period totalled EUR 36.6 (10.1) million including tangible and intangible assets. Total depreciation decreased to EUR 56.8 (65.6) million. The capital expenditures consist of normal replacement costs of fixed assets, prepayments of scrubber and re-blading projects and dry-docking cost of ships.

The new stricter environmental regulations for the fuel sulphur limit came into force as from 1 January 2015. For this reason, Finnliness ordered exhaust gas cleaning systems ("scrubbers") for six of its latest series of ro-ro vessels built in 2011–2012, for four of its Star-class ro-pax vessels built in 2006–2007 and for four of its ro-ro vessels built in 2000–2002. These investments are part of the 2014 EUR 65 million capex programme. The actual installations of scrubbers started in late 2014 and are scheduled to be finished in spring 2015. These cleaning systems enable the vessels to operate in compliance with the new environmental regulations. Finnliness has also ordered an improvement retrofit to the propulsion system on four Star-class ro-pax vessels and on two ro-ro vessels. This propulsion upgrading project started also at

the turn of the year. The new system will substantially improve the vessels' relative propulsion efficiency and, as a result, reduce their fuel consumption.

#### **PERSONNEL**

The Group employed an average of 1,701 (1,861) persons during the period, consisting of 759 (918) persons on shore and 942 (943) persons at sea. The number of persons employed at the end of the period were 1,635 (1,806) in total, of which 716 (898) on shore and 919 (908) at sea.

The average number of shore personnel decreased mostly due to employee reductions in Port Operations. Containersteve Oy Ab's adaptation negotiations were initiated in the Port of Kotka in January 2014, which resulted in the termination of all 36 employments in Kotka.

The Group's personnel expenses for the reporting period were EUR 88,4 (102,6) million social costs included.

#### **RESEARCH AND DEVELOPMENT**

The aim of Finnliness' research and development work is to find and introduce new practical models and operating methods, which enable the Company to meet customer requirements in a more sustainable and cost-efficient way. In 2014, the focus was on environmental investments in vessels.

To cost-efficiently fulfil the requirements of the EU sulphur directive and the MARPOL Convention, in force as from beginning of 2015, the Company began to install scrubbers on vessels in 2014. On some of the vessels new propellers were also installed to decrease energy consumption. Installation work will continue in 2015.

The Company is actively improving the safety of cargo handling methods. During 2014, the Company had a comprehensive study made by an external cargo handling expert to identify improvement needs in cargo handling. Based on the study, implementation of corrective actions was started.

In 2014, the Company continued the renewal of its operative IT systems for the cargo traffic. The target is to harmonise the systems within the Finnliness Group and in the framework of the entire Grimaldi Group network. Implementation of the system to different services will continue in 2015.

#### **THE FINNLINES SHARE**

The Company's registered share capital on 31 December 2014 was EUR 103,006,282 divided into 51,503,141 shares. A total of 5.1 (2.2) million shares were traded on the NASDAQ OMX Helsinki during the reporting period. The market capitalisation of the Company's stock at 31 December 2014 more than doubled

compared to previous year and was EUR 824.1 (386.3) million. Earnings per share (EPS) were EUR 0.81 (0.12). Shareholders' equity per share was EUR 9.78 (8.98). At the end of the reporting period, the Grimaldi Group's holding and share of votes in Finnlines was 79.96 per cent.

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

#### **DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING**

Finnlines Plc's Annual General Meeting was held in Helsinki on 8 April 2014. The Annual General Meeting of Finnlines Plc approved the Financial Statements, the Board of Directors' Report and the Auditor's Report, and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2013. It was decided to accept the proposal of the Board of Directors that no dividend shall be paid for 2013.

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

The Annual General Meeting elected APA KPMG Oy Ab as the Company's auditor for the fiscal year 2014. It was decided that the external auditors will be reimbursed according to invoice.

It was decided to authorise the Board of Directors to resolve on the issuance of shares in one or several tranches. The Board of Directors may, on the basis of the authorisation, resolve on the issuance of shares in one or several tranches, so that the aggregate number of shares to be issued shall not exceed 10,000,000 shares. The Board of Directors decides on all the conditions of the issuance of shares. The issuance of shares may be carried out in deviation from the shareholders' pre-emptive rights (direct issue). The authorisation is valid until the next Annual General Meeting. The authorisation replaces the Annual General Meeting's authorisation to decide on a share issue of 16 April 2013.

#### **RISKS AND RISK MANAGEMENT**

Finnlines is exposed to business risks that arise from the capacity of the fleet existing in the market, counterparties, prospects for export and import of goods, and changes in the operating envi-

ronment. The risk of overcapacity is reduced when the aging vessels are scrapped, on the one hand, and when more stringent sulphur directive requirements come into force, on the other. Finnlines operates mainly in the Emissions Control Areas where the emission regulations are stricter than globally. The sulphur content limit for heavy fuel oil was reduced to 0.10 per cent in 2015 in accordance with the MARPOL Convention. This increases costs of sea transportation. However, with one of the youngest and largest fleets in Northern Europe and with investments targeted in engine systems and energy efficiency, Finnlines is in a strong position to greatly mitigate this risk. The effect of fluctuations in the foreign trade is reduced by the fact that the Company operates in several geographical areas. This means that slow growth in one country is compensated by faster recovery in another. Finnlines continuously monitors the solidity and payment schedules of its customers and suppliers. Currently, there are no indications of imminent risks related to counterparties but the Company continues to monitor the financial position of its counterparties. Finnlines holds adequate credit lines to maintain liquidity in the current business environment.

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

#### **LEGAL PROCEEDINGS**

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

In 2008, the Administrative Court of Helsinki rendered the decisions based on which it can be argued that the Finnish Act on Fairway Dues in force until 1 January 2006 contained provisions which, according to the EU legislation, were discriminatory. The Company has submitted a claim for damages and restitution against the Finnish State for the years 2001–2004 at the District



Court of Helsinki. The amount of the claim is approximately EUR 8.5 million which has not been recognised as revenue. The process is ongoing.

#### **TONNAGE TAXATION**

Finnlines Plc entered into the Finnish tonnage taxation regime as from 1 January 2013. In tonnage taxation, the shipping operations transferred from taxation of business income to tonnage-based taxation. Finnlines Deutschland GmbH transferred from tonnage-based taxation to business taxation. The company entered into business taxation as from 1 February 2014.

#### **ENVIRONMENT AND SAFETY**

The objective of Finnlines' environmental policy is to provide safe, top-quality services while taking into account the environmental impacts in every aspect of operations. The focus is on responsible use of natural resources.

All Finnlines-owned vessels are incorporated in the environmental certificate, which complies with the ISO 14 001:2004 standard. External and internal environmental audits were held in 2014. Finnsteve companies hold a valid ISO 14 001 environmental certificate and an ISO 9001 quality certificate.

In 2014, Finnlines' vessel traffic consumed 329,150 tons of heavy fuel oil and diesel oil, representing a decrease of around 7 per cent compared with 2013. In 2014, the fuel consumption of the port operations totalled some 684 tons, which includes the operations in Helsinki, Turku and Naantali, a decrease of around 30 per cent compared with 2013.

Safety is one of the most important environmental aspects in shipping. The International Safety Management Code (ISM Code), which contains requirements for the safe operation of ships and for pollution prevention, has been mandatory on Finnish- and Swedish-flagged passenger vessels since 1996 and on cargo vessels since 1998.

#### **CORPORATE GOVERNANCE**

Finnlines applies the Finnish Corporate Governance Code for listed companies. The Corporate Governance Statement can be reviewed on the corporate website: [www.finnlines.com](http://www.finnlines.com).

#### **EVENTS AFTER THE REPORTING PERIOD**

Finnlines has signed a purchase agreement of two ro-ro vessels in January 2015. The vessels will be put into Finnlines liner traffic at the end of 2015. Furthermore in January 2015, Finnlines bought MS Finnmerchant (ex MS Dorset, ex MS Longstone),

which is deployed on the route between Rostock and Hanko as from 19 January 2015. The acquired ro-ro vessels will complement Finnlines' liner services offered to customers and strengthen the competitiveness of Finnlines fleet.

In October, Finnlines Plc announced that it has participated in the privatisation of the Polish shipping company, Polferries. In January 2015, Ministry of Treasury of Poland announced that Finnlines Plc was accepted among the three bidders to the final stage of the privatisation negotiations.

#### **OUTLOOK AND OPERATING ENVIRONMENT**

The ongoing capex programme affects smoothness of operations during the first three months of the financial year 2015, because fourteen scrubbers and six propulsion systems are being installed. However, Finnlines Group's result before taxes is expected to be better in 2015 compared to the same period in the previous year due to several reasons: the company has been able to reduce the overcapacity, new Rostock–Hanko route with recently acquired MS Finnmerchant is in full operation, fuel consumption is further reduced due to energy-saving measures and technological improvements in our vessels, and, efficient fleet planning and streamlining of every function bring cost savings.

#### **DIVIDEND DISTRIBUTION PROPOSAL**

The parent company Finnlines Plc's result for the reporting period was EUR 4.2 million. The Board of Directors proposes to the Annual General Meeting that no dividend is paid for the reporting period ended on 31 December 2014 due to the ongoing extensive capital expenditure requirement for installing the scrubbers into Finnlines vessels in 2015.

According to the consolidated statement of financial position, the equity attributable to parent company shareholders equals to EUR 503.9 (462.7) million at the end of the reporting period.

#### **ANNUAL GENERAL MEETING 2015**

Finnlines Plc's Annual General Meeting will be held from 13:00 on Tuesday, 14 April 2015 at the Havis Business Center, Unioninkatu 22, 00130 Helsinki.

London, 24 February 2015

Finnlines Plc, The Board of Directors

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
<b>Revenue</b>	<b>532,889</b>	563,587
Other income from operations	6,776	5,329
Materials and services	-191,445	-229,690
Personnel expenses	-88,418	-102,584
Depreciation, amortisation and impairment losses	-56,843	-65,583
Other operating expenses	-144,396	-152,983
Total operating expenses	-481,102	-550,840
<b>Result before interest and taxes (EBIT)</b>	<b>58,563</b>	18,075
Financial income	483	526
Financial expense	-22,412	-25,335
<b>Result before taxes (EBT)</b>	<b>36,634</b>	-6,734
Income taxes *	5,079	12,744
<b>Result for the reporting period</b>	<b>41,713</b>	6,011
<b>Other comprehensive income:</b>		
<b>Other comprehensive income to be reclassified to profit and loss in subsequent periods:</b>		
Exchange differences on translating foreign operations	69	-9
Tax effect, net		2
Other comprehensive income to be reclassified to profit and loss in subsequent periods, total	69	-7
<b>Other comprehensive income not being reclassified to profit and loss in subsequent periods:</b>		
Remeasurement of defined benefit plans	-844	-399
Tax effect, net	353	1
Other comprehensive income not being reclassified to profit and loss in subsequent periods, total	-491	-398
<b>Total comprehensive income for the reporting period</b>	<b>41,291</b>	5,606
<b>Result for the reporting period attributable to:</b>		
Parent company shareholders	41,726	5,997
Non-controlling interests	-13	14
	41,713	6,011
<b>Total comprehensive income for the reporting period attributable to:</b>		
Parent company shareholders	41,304	5,592
Non-controlling interests	-13	14
	41,291	5,606
<b>Result for the reporting period attributable to parent company shareholders calculated as earnings per share (EUR/share)</b>		
Undiluted / diluted earnings per share	0.81	0.12

\* Most of other items recognised in the Consolidated Statement of Comprehensive Income fall under the tonnage tax scheme. In Finland, the corporate tax rate decreased from 24.5 per cent to 20 per cent as of 1 January 2014. In 2013, the non-recurring positive effect of the tax rate change was EUR 9.4 million.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR 1,000	31 Dec 2014	31 Dec 2013
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	983,183	1,084,389
Goodwill	105,644	105,644
Other intangible assets	5,500	5,836
Other financial assets	4,576	4,580
Receivables	838	43
Deferred tax assets	5,353	1,370
	1,105,092	1,201,861
<b>Current assets</b>		
Inventories	5,926	8,832
Accounts receivable and other receivables	76,480	85,251
Income tax receivables	1	1
Cash and cash equivalents	2,680	2,508
	85,086	96,592
<b>Non-current assets held for sale</b>	<b>20,297</b>	
<b>Total assets</b>	<b>1,210,475</b>	<b>1,298,453</b>
<b>TOTAL ASSETS</b>		
<b>Equity attributable to parent company shareholders</b>		
Share capital	103,006	103,006
Share premium account	24,525	24,525
Translation differences	178	109
Fund for invested unrestricted equity	40,016	40,016
Retained earnings	335,876	294,641
	503,601	462,297
<b>Non-controlling interests</b>	<b>306</b>	<b>360</b>
<b>Total equity</b>	<b>503,907</b>	<b>462,658</b>
<b>LIABILITIES</b>		
<b>Long-term liabilities</b>		
Deferred tax liabilities	56,102	57,560
Other long-term liabilities	163	3,242
Pension liabilities	4,705	3,982
Provisions	1,844	1,980
Loans from financial institutions	420,722	557,759
	483,536	624,523
<b>Current liabilities</b>		
Accounts payable and other liabilities	71,565	72,815
Current tax liabilities	72	27
Provisions	81	3,715
Current liabilities	142,967	134,715
	214,685	211,273
<b>Total liabilities</b>	<b>698,220</b>	<b>835,796</b>
Liabilities related to long-term assets held for sale	8,348	
<b>Total shareholders' equity and liabilities</b>	<b>1,210,475</b>	<b>1,298,453</b>

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

EUR 1,000	Equity attributable to parent company shareholders						Non-controlling interests	Total equity
	Share capital	Share issue premium	Translation differences	Fund for invested unrestricted equity	Retained earnings	Total		
<b>Reported equity 1 January 2013</b>	<b>93,642</b>	<b>24,525</b>	<b>116</b>	<b>21,015</b>	<b>289,990</b>	<b>429,289</b>	<b>838</b>	<b>430,127</b>
Effect of revised IAS 19					-1,338	-1,338		-1,338
<b>Restated equity 1 January 2013</b>	<b>93,642</b>	<b>24,525</b>	<b>116</b>	<b>21,015</b>	<b>288,652</b>	<b>427,951</b>	<b>838</b>	<b>428,788</b>
<b>Comprehensive income for the year:</b>								
Result for the reporting period					5,997	5,997	14	6,011
Exchange differences on translating foreign operations			-9			-9		-9
Remeasurement of defined benefit plans					-399	-399		-399
Tax effect, net			2		1	3		3
<b>Total comprehensive income for the year</b>			<b>-7</b>		<b>5,599</b>	<b>5,592</b>	<b>14</b>	<b>5,606</b>
<b>Share issue</b>	<b>9,364</b>			<b>19,001</b>		<b>28,365</b>		<b>28,365</b>
<b>Changes in non-controlling interests without change in controlling interest</b>					<b>390</b>	<b>390</b>	<b>-491</b>	<b>-102</b>
<b>Equity 31 December 2013</b>	<b>103,006</b>	<b>24,525</b>	<b>109</b>	<b>40,016</b>	<b>294,641</b>	<b>462,297</b>	<b>360</b>	<b>462,658</b>

EUR 1,000	Equity attributable to parent company shareholders						Non-controlling interests	Total equity
	Share capital	Share issue premium	Translation differences	Fund for invested unrestricted equity	Retained earnings	Total		
<b>Reported equity 1 January 2014</b>	<b>103,006</b>	<b>24,525</b>	<b>109</b>	<b>40,016</b>	<b>294,641</b>	<b>462,297</b>	<b>360</b>	<b>462,658</b>
Effect of revised IAS 19								
<b>Restated equity 1 January 2014</b>								
<b>Comprehensive income for the year:</b>								
Result for the reporting period					41,726	41,726	-13	41,713
Exchange differences on translating foreign operations			69			69		69
Remeasurement of defined benefit plans					-844	-844		-844
Tax effect, net					353	353		353
<b>Total comprehensive income for the year</b>			<b>69</b>		<b>41,235</b>	<b>41,304</b>	<b>-13</b>	<b>41,291</b>
<b>Dividend</b>							<b>-42</b>	<b>-42</b>
<b>Changes in non-controlling interests without change in controlling interest</b>								
<b>Equity 31 December 2014</b>	<b>103,006</b>	<b>24,525</b>	<b>178</b>	<b>40,016</b>	<b>335,876</b>	<b>503,601</b>	<b>306</b>	<b>503,907</b>

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## CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
<b>Cash flows from operating activities</b>		
Result for reporting period	41,713	6,011
Adjustments:		
Non-cash transactions	51,987	61,609
Unrealised foreign exchange gains (-) / losses (+)	-28	19
Financial income and expenses	21,957	24,790
Taxes	-5,079	-12,744
Changes in working capital:		
Change in accounts receivable and other receivables	4,855	-6,402
Change in inventories	2,906	927
Change in accounts payable and other liabilities	-9,435	-170
Change in provisions	-207	379
Interest paid	-18,742	-22,366
Interest received	141	192
Taxes paid *	-3,990	-423
Other financing items	-3,970	-3,645
<b>Net cash generated from operating activities</b>	<b>82,108</b>	<b>48,175</b>
<b>Cash flows from investing activities</b>		
Investments in tangible and intangible assets	-29,575	-10,960
Sale of tangible assets	69,590	120,647
Proceeds from sale of investments	1	
Dividends received	13	12
<b>Net cash used in investing activities</b>	<b>40,029</b>	<b>109,699</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	0	28,365
Loan withdrawals	169,604	263,772
Net increase (+) / decrease (-) in current interest-bearing liabilities	7,953	-14,198
Repayment of loans	-298,974	-449,914
Acquisition of non-controlling interest	0	-102
Loans granted	-900	
Increase / decrease in non-current receivables	395	429
Dividends paid	-42	
<b>Net cash used in financing activities</b>	<b>-121,964</b>	<b>-171,647</b>
<b>Change in cash and cash equivalents</b>	<b>173</b>	<b>-13,772</b>
Cash and cash equivalents 1 January	2,508	16,282
Effect of foreign exchange rate changes	-1	-2
<b>Cash and cash equivalents 31 December</b>	<b>2,680</b>	<b>2,508</b>

\* Taxes paid include the payment of EUR 3.6 million included in Finnlines Deutschland GmbH's tax provisions in regard to the termination of tonnage tax.

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## PROFIT AND LOSS ACCOUNT, PARENT COMPANY, FAS

EUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
<b>Revenue</b>	<b>407,439,007.76</b>	411,486,284.49
Other income from operations	4,495,845.52	4,848,343.44
Materials and services	-176,131,401.66	-203,047,414.09
Personnel expenses	-41,320,170.61	-42,505,152.04
Depreciation, amortisation and other write-offs	-29,145,189.72	-25,985,232.84
Other operating expenses	-116,837,436.34	-124,233,659.18
<b>Result before interest and taxes</b>	<b>48,500,654.95</b>	20,563,169.78
Financial income and expenses	-47,795,840.12	-31,518,431.08
<b>Result before appropriations and taxes</b>	<b>704,814.83</b>	-10,955,261.30
Other income taxes	-86,623.89	-107,515.63
Deferred taxes	3,586,502.74	11,022,977.00
<b>Result for the reporting period</b>	<b>4,204,693.68</b>	-39,799.93

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## BALANCE SHEET, PARENT COMPANY, FAS

EUR	31 Dec 2014	31 Dec 2013
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	4,667,878.84	4,936,531.06
Tangible assets	642,930,262.24	646,989,178.71
Investments		
Shares in group companies	242,826,003.61	276,126,003.61
Other investments	4,379,744.61	4,379,744.61
	<b>894,803,889.30</b>	932,431,457.99
<b>Current assets</b>		
Inventories	4,915,457.90	7,459,349.07
Long-term receivables	177,785,148.58	194,173,274.65
Short-term receivables	73,371,593.53	69,321,724.92
Bank and cash	825,954.65	631,226.71
	<b>256,898,154.66</b>	271,585,575.35
<b>Total assets</b>	<b>1,151,702,043.96</b>	1,204,017,033.34
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	103,006,282.00	103,006,282.00
Share premium account	24,525,353.70	24,525,353.70
Unrestricted equity reserve	40,882,508.10	40,882,508.10
Retained earnings	254,874,850.73	254,914,650.66
Result for the reporting period	4,204,693.68	-39,799.93
<b>Total shareholders' equity</b>	<b>427,493,688.21</b>	423,288,994.53
<b>Accumulated appropriations</b>		0.00
<b>Statutory provisions</b>		
Pension obligation, IFRS	1,137,000.00	808,000.00
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Deferred tax liability	38,082,960.35	41,669,463.09
Interest-bearing	454,636,755.42	552,357,093.77
	<b>492,719,715.77</b>	594,026,556.86
<b>Current liabilities</b>		
Interest-bearing	179,580,128.16	133,581,390.66
Interest-free	50,771,511.82	52,312,091.29
	<b>230,351,639.98</b>	185,893,481.95
<b>Total liabilities</b>	<b>723,071,355.75</b>	779,920,038.81
<b>Total shareholders' equity and liabilities</b>	<b>1,151,702,043.96</b>	1,204,017,033.34

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## CASH FLOW STATEMENT, PARENT COMPANY, FAS

EUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
<b>Cash flows from operating activities</b>		
Result for the reporting period	4,204,693.68	-39,799.93
Adjustments for:		
Depreciation, amortisation & impairment loss	29,145,189.72	25,985,232.84
Gains (-) and Losses (+) of disposals of fixed assets and other non-current assets	-1,443,776.04	-656,387.35
Financial income and expenses	47,795,840.12	31,518,431.08
Income taxes	-3,499,878.85	-10,915,461.37
Other adjustments		3,495.34
	76,202,068.63	45,895,510.61
Changes in working capital:		
Change in inventories, addition (-) and decrease (+)	2,543,891.17	219,134.55
Change in accounts receivable, addition (-) and decrease (+)	-3,820,976.45	-3,857,809.80
Change in accounts payable, addition (+) and decrease (-)	-6,030,986.06	3,115,634.40
Change in provisions	329,000.00	808,000.00
	69,222,997.29	46,180,469.76
Interest paid	-17,312,980.47	-20,158,390.80
Dividends received	154,200.00	48,001,400.00
Interest received	5,778,771.26	7,578,684.18
Other financing items	-3,139,221.71	-3,457,327.49
Income taxes paid	-88,653.10	-105,673.48
	-14,607,884.02	31,858,692.41
<b>Net cash generated from operating activities</b>	<b>54,615,113.27</b>	<b>78,039,162.17</b>
<b>Cash flows from investing activities</b>		
Investments in tangible and intangible assets	-48,389,719.05	-274,793,859.11
Proceeds from sale of tangible and intangible assets	30,415,992.30	420,826.36
Investment in subsidiary (SVOP)	-200,000.00	-40,000,000.00
Change in internal loans (net)	15,474,942.27	416,287,069.54
<b>Net cash used in investing activities</b>	<b>-2,698,784.48</b>	<b>101,914,036.79</b>
<b>Net cash before financing activities</b>	<b>51,916 328.79</b>	<b>179,953,198.96</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital		28,794,939.60
Loan withdrawals	46,352,302.06	
Repayment of short-term borrowings	-353,564.56	-17,884,257.03
Proceeds of long-term borrowings	190,204,494.98	237,000,000.00
Repayment of long-term borrowings	-287,924,833.33	-441,574,836.45
<b>Net cash used in financing activities</b>	<b>-51,721,600.85</b>	<b>-193,664,153.88</b>
<b>Change in cash and cash equivalents</b>	<b>194,727.94</b>	<b>-13,710,954.92</b>
Cash and cash equivalents on 1 Jan	631,226.71	14,342,181.63
<b>Cash and cash equivalents on 31 Dec</b>	<b>825,954.65</b>	<b>631,226.71</b>

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## FIVE-YEAR KEY FIGURES

	2014	2013	2012	2011	2010
EUR million	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	<b>532.9</b>	563.6	609.3	605.2	561.1
Other income from operations	<b>6.8</b>	5.3	5.7	2.5	4.3
Result before interest, taxes, depreciation and amortisation (EBITDA)	<b>115.4</b>	83.7	89.8	84.5	85.9
% of revenue	<b>21.7</b>	14.8	14.7	14.0	15.3
Result before interest and taxes (EBIT)	<b>58.6</b>	18.1	23.7	21.0	25.6
% of revenue	<b>11.0</b>	3.2	3.9	3.5	4.6
Associated companies					
Result before taxes (EBT)	<b>36.6</b>	-6.7	-1.6	-5.4	3.7
% of revenue	<b>6.9</b>	-1.2	-0.3	-0.9	0.7
Result for reporting period, continuing operations	<b>41.7</b>	6.0	-0.1	-2.5	2.2
% of revenue	<b>7.8</b>	1.1	0.0	-0.4	0.4
Result for reporting period, discontinuing operations					
Result for reporting period	<b>41.7</b>	6.0	-0.1	-2.5	2.2
% of revenue	<b>7.8</b>	1.1	0.0	-0.4	0.4
Total investments *	<b>36.6</b>	10.1	67.1	64.4	82.2
% of revenue	<b>6.9</b>	1.8	11.0	10.6	14.6
Return on equity (ROE), %	<b>8.6</b>	1.3	0.0	-0.6	0.5
Return on investment (ROI), %	<b>5.3</b>	1.5	1.8	1.6	2.2
Assets total	<b>1,210.5</b>	1,298.5	1,479.9	1,472.1	1,472.6
Equity ratio, %	<b>41.7</b>	35.7	29.0	29.1	29.1
Gearing, %	<b>113.0</b>	149.1	204.9	199.8	198.8
Average no. of employees	<b>1,701</b>	1,861	2,023	2,076	2,096
	<b>2014</b>	2013	2012	2011	2010
	IFRS	IFRS	IFRS	IFRS	IFRS
Earnings per share (EPS), EUR	<b>0.81</b>	0.12	0.00	-0.05	0.05
Earnings per share (EPS) less warrant dilution, EUR	<b>0.81</b>	0.12	0.00	-0.05	0.05
Shareholders' equity per share, EUR	<b>9.78</b>	8.98	9.14	9.12	9.14
Dividend per share, EUR	<b>0</b>	0.00	0.00	0.00	0.00
Payout ratio, %	<b>0</b>	0	0	0	0
Effective dividend yield, %	<b>0</b>	0.0	0.0	0.0	0.0
Price/earnings ratio (P/E)	<b>19.8</b>	62.5	n/a	n/a	166.4
Share price on stock exchange at year-end, EUR	<b>16.0</b>	7.50	7.80	7.70	7.97
Market capitalisation at year-end, EUR million	<b>824.1</b>	386.3	365.2	360.5	373.2
Adjusted average number of outstanding shares (1,000)	<b>51,503</b>	49,782	47,344	47,344	47,344
Adjusted number of outstanding shares 31 Dec (1,000)	<b>51,503</b>	51,503	47,344	47,344	47,344
Number of outstanding shares at year-end (1,000)	<b>51,503</b>	51,503	46,821	46,821	46,821

\* Includes continuing and discontinuing operations.

Calculation of key ratios is presented on page 36.

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## CALCULATION OF KEY RATIOS, IFRS

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

The recognised income taxes are based on the year's estimated average income tax rate which is expected to realise during the entire reporting period. Finnlines Plc's Shipping and Sea Transport Services transferred to tonnage-based taxation in January 2013. Finnlines Deutschland GmbH exited the German tonnage tax scheme at the end of January 2014 and transferred to normal income taxation as 1 February 2014.

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## QUARTERLY DATA, IFRS

EUR million	Q1/2014	Q1/2013	Q2/2014	Q2/2013	Q3/2014	Q3/2013	Q4/2014	Q4/2013
<b>Revenue by segment</b>								
Shipping and Sea Transport Services total	122.8	126.0	139.1	143.6	140.0	144.2	115.4	124.8
Sales to third parties	122.9	126.1	139.2	143.6	140.1	144.2	115.4	124.9
Sales to Port Operations	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Port Operations total	10.0	14.3	10.2	12.8	8.5	11.4	8.2	11.6
Sales to third parties	3.9	7.8	4.2	6.1	3.6	5.5	3.6	5.4
Sales to Port Operations	6.1	6.4	6.0	6.8	4.9	6.0	4.6	6.2
Group internal revenue	-6.0	-6.4	-5.9	-6.7	-4.8	-5.9	-4.6	-6.1
<b>Revenue total</b>	<b>126.8</b>	<b>133.9</b>	<b>143.3</b>	<b>149.7</b>	<b>143.7</b>	<b>149.7</b>	<b>119.1</b>	<b>130.3</b>
<b>Result before interest and taxes per segment</b>								
Shipping and Sea Transport Services	7.3	-3.6	20.4	9.8	22.1	13.5	11.9	8.2
Port Operations	-1.8	-2.2	-0.6	-3.0	0.7	-1.8	-1.4	-2.8
<b>Result before interest and taxes (EBIT) total</b>	<b>5.4</b>	<b>-5.8</b>	<b>19.8</b>	<b>6.9</b>	<b>22.8</b>	<b>11.7</b>	<b>10.5</b>	<b>5.3</b>
Financial income and expenses	-5.8	-6.2	-5.7	-6.5	-5.3	-6.2	-5.1	-5.9
<b>Result before tax (EBT)</b>	<b>-0.4</b>	<b>-12.1</b>	<b>14.1</b>	<b>0.4</b>	<b>17.5</b>	<b>5.6</b>	<b>5.4</b>	<b>-0.6</b>
Income taxes	0.7	1.2	0.6	0.5	0.6	0.6	3.2	10.5
<b>Result for the reporting period</b>	<b>0.3</b>	<b>-10.9</b>	<b>14.7</b>	<b>0.9</b>	<b>18.1</b>	<b>6.1</b>	<b>8.5</b>	<b>9.9</b>
<b>Quarterly consolidated key figures</b>								
Result before interest and taxes, (% of revenue)	4.3	-4.4	13.8	4.6	15.9	7.8	8.8	4.1
Earnings per share, EUR	0.01	-0.23	0.29	0.02	0.35	0.12	0.17	0.19
Average number of outstanding shares (1,000)	51,503	47,344	51,503	48,714	51,503	51,503	51,503	51,503

This page is an extract of the audited Financial Statements. The complete audited Financial Statements of the Group and the parent company are available at [www.finnlines.com](http://www.finnlines.com). The extracts of the audited Financial Statements presented in the Annual Report should be viewed together with the complete and audited Financial Statements.



## SHARES AND SHAREHOLDERS

Finnlines Plc has one share series. Each share carries one vote at general shareholder meetings and confers identical dividend rights. As outlined in Finnlines' Articles of Association, the Company's minimum share capital is EUR 50 million and the maximum is EUR 200 million. The share capital can be increased or decreased within these limits. The Company's paid-up and registered share capital on 31 December 2014 totalled EUR 103,006,282. The capital stock consisted of 51,503,141 shares.

### SHARES

Finnlines Plc shares are listed on NASDAQ OMX Helsinki Ltd. A total of 5.1 (2.2 in 2013) million shares were traded during the

year under review. No treasury shares were held by the Company. The highest quoted price of the Finnlines share during the year was EUR 17.00 (7.97) and the lowest was EUR 7.14 (5.76). At year-end, the shares' market capitalisation value was EUR 824.1 (386.3) million.

### SHAREHOLDERS

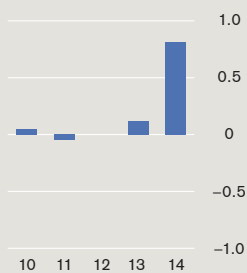
At year-end 2014, Finnlines had 1,464 shareholders. The ten largest shareholders owned 91.36 per cent of the Company's shares. 6.77 per cent of shareholders were nominee registered. At year-end, the Italian Grimaldi Group had a holding of 79.96 per cent of Finnlines' shares and voting rights.

Finnlines' share ownership structure on 31 December 2014*	% of shares
Non-financial corporations	0.38
Financial and insurance corporations	0.32
General government	10.85
Households	1.51
Non-profit associations	0.19
Nominee registered	6.77
Other foreign	79.98
Total	100.00

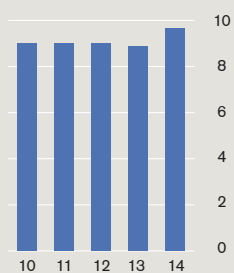
\* Source: Euroclear Finland Ltd

Shares outstanding 31 December 2008–31 December 2014			
Transaction	Number of shares	Shares outstanding	Total number of shares
31 December 2008		40,691,958	40,691,958
25 June 2009			
Share issue	6,129,079	46,821,037	46,821,037
31 December 2009		46,821,037	46,821,037
31 December 2010		46,821,037	46,821,037
31 December 2011		46,821,037	46,821,037
31 December 2012		46,821,037	46,821,037
6 June 2013			
Share issue	4,682,104	51,503,141	51,503,141
31 December 2013		51,503,141	51,503,141
31 December 2014		51,503,141	51,503,141

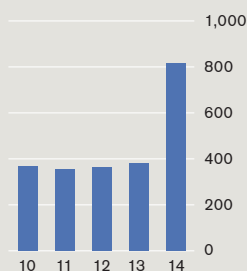
### Earnings per share (EPS), EUR



### Shareholders' equity per share, EUR



### Market capitalisation at year-end EUR million



### Major shareholders on 31 December 2014 \*

	Number of shares	% of shares
Grimaldi Group Naples	41,181,663	79.96
Ilmarinen Mutual Pension Insurance Company	5,449,033	10.58
Kaleva Mutual Insurance Company	110,000	0.21
Yleisradion Eläkesäätiö S.r.	74,666	0.14
Sijoitusrahasto Taaleritehdas Arvo Markka Osake	60,000	0.12
Varma Mutual Pension Insurance Company	50,000	0.10
Mandatum Life Insurance Company Limited	42,491	0.08
Savings Bank Finland Fund	38,634	0.08
Foundation of William and Ester Otsakorpi	27,060	0.05
Reiman Kari Juhani	18,500	0.04
<b>10 major shareholders total</b>	<b>47,052,047</b>	<b>91.36</b>
Nominee registered shares**	3,488,070	6.77
Other shareholders	963,024	1.87
<b>Total number of shares</b>	<b>51,503,141</b>	<b>100.00</b>

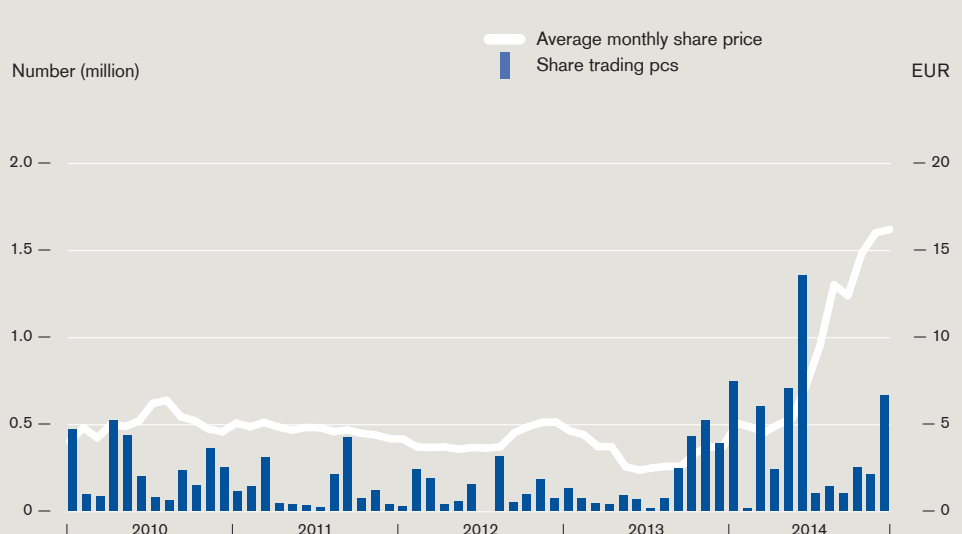
### Holdings of Finnlines' Board of Directors and executive management on 31 December 2014 \*

	Number of shares	% of shares
Emanuele Grimaldi, President and CEO, member of the Board	1,000,000	1.94
Gianluca Grimaldi, member of the Board	930,000	1.81
Diego Pacella, member of the Board	23,088	0.04
Tapani Voionmaa, member of the Executive Committee	5,750	0.01
Staffan Herlin, member of the Executive Committee	15	0.00
<b>Total</b>	<b>1,958,853</b>	<b>3.80</b>

\* Source: Euroclear Finland Ltd

\*\* Nominee registered shares includes the holdings of the shares by Emanuele Grimaldi, Gianluca Grimaldi and Diego Pacella.

### Finnlines share's monthly share trading and average share price on the NASDAQ OMX Helsinki 2010–2014 \*\*



\*\* Source: NASDAQ OMX Helsinki Ltd

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

### Distributable funds included in the parent company's shareholders' equity on 31 December 2014:

Retained earnings	EUR	254,874,850.73
Unrestricted equity reserve	EUR	40,882,508.10
Result for the reporting period	EUR	4,204,693.68
Distributable funds total	EUR	299,962,052.51

The Board of Directors proposes to the Annual General Meeting that no dividend is paid for the reporting period ended on 31 December 2014.

London, 24 February 2015

Jon-Aksel Torgersen  
Chairman of the Board

Christer Backman

Tiina Bäckman

Gianluca Grimaldi

Diego Pacella

Olav K. Rakkenes

Emanuele Grimaldi  
President and CEO

### THE AUDITOR'S NOTE

Our auditor's report has been issued today.

Helsinki, 24 February 2015

KPMG Oy Ab

Pauli Salminen  
Authorized Public Accountant

This page is an extract of the audited Financial Statements. The complete audited Financial Statements of the Group and the parent company are available at [www.finnlines.com](http://www.finnlines.com). The extracts of the audited Financial Statements presented in the Annual Report should be viewed together with the complete and audited Financial Statements.



## AUDITOR'S REPORT

### TO THE ANNUAL GENERAL MEETING OF FINNLINES OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Finnlines Oyj for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

### OTHER OPINIONS

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

Helsinki, 24 February 2015  
KPMG OY AB

Pauli Salminen  
Authorized Public Accountant

Auditors' report issued for the Board of Directors' report and Financial Statements for the year ended on 31 December 2014 is available at [www.finnlines.com](http://www.finnlines.com).  
Translation from the Finnish original.

## CORPORATE GOVERNANCE STATEMENT

Finnlines Plc applies the guidelines and provisions of the Finnish Limited Liability Companies Act, the NASDAQ OMX Helsinki Ltd, and its own Articles of Association. Finnlines also applies the Finnish Corporate Governance Code entered into force on 1 October 2010 for listed companies. The Code is publicly available on [www.cgfinland.fi](http://www.cgfinland.fi). This Corporate Governance Statement has been approved by Finnlines' Board.

### TASKS AND RESPONSIBILITIES OF GOVERNING BODIES

Management of the Finnlines Group is the responsibility of the Board of Directors elected by the General Meeting as well as of the President and CEO. Their duties are for the most part defined by the Finnish Limited Liability Companies Act. Day-to-day operational responsibility lies with the members of the Extended Management Board supported by relevant staff and service functions.

### GENERAL MEETING OF SHAREHOLDERS

The ultimate decision-making body in the Company is the General Meeting of Shareholders. It resolves issues as defined for the General Meeting in the Finnish Limited Liability Companies' Act and the Company's Articles of Association. These include approving the financial statements, deciding on the distribution of dividends, discharging the Company's Board of Directors and CEO from the liability for the financial year, appointing the Company's Board of Directors and auditors and deciding on their remuneration.

A General Meeting of Finnlines Plc is held at least once a year. The Annual General Meeting (AGM) must be held no later than the end of June. An invitation to attend the AGM and the agenda are published in a national newspaper chosen by the Board or on the web site of the company, no earlier than three months before the Shareholders' Meeting and no later than 21 days before the Shareholders' Meeting. Shareholders have, according to the law, the right to put items falling within the competence of the General Meeting on the agenda of the General Meeting, if the shareholder so notifies the Board of Directors in writing well in advance of the General Meeting so that the item can be added to the notice of the General Meeting. The demand is deemed to have arrived in sufficient time, if the Board has been notified of the demand four weeks before the delivery of the notice of the General Meeting at the latest.

### ANNUAL GENERAL MEETING 2014

The Annual General Meeting of Finnlines Plc approved the Financial Statements and discharged the members of the Board of Directors and the Company's President and CEO and the Company's officers from liability for the financial year 2013.

The Meeting approved the Board of Directors' proposal not to pay any dividend.

AGM decided that the Board of Directors shall have seven members. The following were re-elected to the Board: Mr Christer Backman, Ms Tiina Bäckman, Mr Emanuele Grimaldi, Mr Gianluca Grimaldi, Mr Diego Pacella, Mr Olav K. Rakkenes and Mr Jon-Aksel Torgersen. The Board elected Mr Jon-Aksel Torgersen Executive Chairman and Mr Diego Pacella Vice Chairman.

The firm of authorised public accountants KPMG Oy Ab was appointed as the Company's auditors for 2014.

AGM decided to authorize the Board of Directors to resolve on the issuance of shares in one or several tranches. The Board of Directors may, on the basis of the authorization, resolve on the issuance of shares in one or several tranches, so that the aggregate number of shares to be issued shall not exceed 10,000,000 shares. The Board of Directors decides on all the conditions of the issuance of shares. The issuance of shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization is valid until the next Annual General Meeting. The authorization replaces the Annual General Meeting's authorization to decide on a share issue of 16 April 2013.

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All related documents can be found on Finnlines' website:  
[www.finnlines.com/company](http://www.finnlines.com/company)  
> Corporate Governance  
> General Meeting of Shareholders.

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## BOARD OF DIRECTORS

Responsibility for the management of the Company and proper organisation of its operations lies with the Company's Board of Directors, which has at least five (5) and at most eleven (11) members. The members of the Board are appointed by AGM for one year at a time.

The majority of the directors shall be independent of the Company and at least two of the directors representing this majority shall be independent from significant shareholders of the Company. Information on the Board composition, Board members and their independence can be found on Finnlines' website. The President and CEO is a member of the Board.

The proposal for the Board composition shall be included in the notice of AGM. The names of candidates for membership of the Board of Directors, put forward by the Board of Directors or by shareholders with a minimum holding of 10 per cent of the Company's voting rights, are published in the notice of the AGM, provided that the candidates have given their consent to the election.

The candidates proposed thereafter shall be disclosed separately.

The Board elects a chairman and a deputy chairman from among its members. The Board steers and supervises the Company's operations, and decides on policies, goals and strategies of major importance. The principles applied by the Board in its regular work are set out in the Rules of Procedure approved by the Board. The Board handles all issues in the presence of the entire Board. The Board does not have any separate committees. The Board considers all the matters stipulated to be the responsibility of a board of directors by legislation, other provisions and the Company's Articles of Association. Due to the limited extent of the Company's business, it is considered effective that the entire Board also handles the duties of the audit committee, the nomination committee as well as those of the remuneration committee.

### THE MAIN DUTIES AND WORKING PRINCIPLES DRAWN UP BY THE BOARD ARE:

- the annual and interim financial statements
- the matters to be put before General Meetings of Shareholders
- the appointment and dismissal of the President and CEO, the Deputy CEO, if any, and the members of the Executive Committee
- approval of internal supervision and organisation of the Company's financial supervision
- other matters related to the duties of the audit committee mentioned in the Finnish Corporate Governance Code
- approval of the Group's strategic plan and long-term goals
- approval of the Group's annual business plan and budget
- decisions concerning investments, acquisitions, or divestments that are significant or that deviate from the Group's strategy
- decisions on raising long-term loans and the granting of security or similar collateral commitments
- risk management principles
- the Group's organisational structure
- approval of the remuneration and pension benefits of the President and CEO, the Deputy CEO, if any, and the members of the Executive Committee
- monitoring and assessment of the performance of the President and CEO.

In addition to matters requiring decisions, Board meetings are given updates on the Group's operations, financial position and risks.

The Board of Directors reviews its operations and working methods annually. The Board convenes 6–8 times a year following a predetermined schedule. In addition to these meetings, the Board convenes as necessary.

### BOARD OF DIRECTORS 2014

In 2014, the Board consisted of 7 members:

- Mr Jon-Aksel Torgersen, Chairman of the Board, born 1952, MBA, CEO of Astrup Fearnley AS
- Mr Diego Pacella, Vice Chairman of the Board, born 1960, Degree with honours in Mech. Eng., Managing Director of Grimaldi Deep Sea S.p.A.
- Mr Christer Backman, born 1945, M Pol Sc
- Ms Tiina Bäckman, born 1959, Master of Laws, SSAB, Manager, Group Internal Audit
- Mr Emanuele Grimaldi, born 1956, Degree in Ec. and Comm., Managing Director of Grimaldi Group S.p.A., President and CEO of Finnlines Plc
- Mr Gianluca Grimaldi, born 1955, Degree in Ec. and Comm., Managing Director of Grimaldi Euromed S.p.A.
- Mr Olav K. Rakkenes, born 1945, Master's License, Board Member of Atlantic Container Line AB

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During 2014, Finnlines Plc's Board of Directors held 15 meetings. The average attendance of all directors was 98.1 per cent.

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Present Board of Directors  
on Finnlines' website:  
[www.finnlines.com/company](http://www.finnlines.com/company)  
> About Finnlines  
> Board of Directors

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#### INDEPENDENCE OF THE BOARD OF DIRECTORS

Three Members, Ms Tiina Bäckman, Mr Olav K. Rakkenes and Mr Jon-Aksel Torgersen, are independent of the Company and of the major shareholders. Mr Christer Backman is independent of the major shareholders. Mr Gianluca Grimaldi and Mr Diego Pacella are independent of the Company. Mr Emanuele Grimaldi is dependent of the Company and the shareholders.

#### PRESIDENT AND CEO AND DEPUTY CEO

The Board of Directors appoints a President for the Group who is also its Chief Executive Officer. The President and CEO is in charge of the day-to-day management of the Company and its administration in accordance with the Company's Articles of Association, the Finnish Limited Liability Companies Act and the instructions of the Board of Directors. He is assisted in this work by the Executive Committee. The current President and CEO of the Company is Mr Emanuele Grimaldi (born 1956, Degree in Economics and Commerce, University of Naples, Italy). He does not receive any compensation or other benefit in the form of salary, bonus or pension benefit from the Company.

The Board of Directors appoints, if necessary, a Deputy CEO. The Company has no Deputy CEO at present.

#### EXECUTIVE COMMITTEE AND EXTENDED MANAGEMENT BOARD

The members of the Executive Committee are appointed by the Board of Directors. The Executive Committee convenes regularly, and is chaired by the President and CEO. The Executive Committee supports the President and CEO in his duties in implementing Group-level strategies and guidelines, in coordinating the Group's management, in finding practical solutions for reaching the targets determined by the Board, and in supervising the Company's operations.

The Company has an Extended Management Board, which consists of the members of the Executive Committee and the heads of the business units. Extended Management Board convenes regularly.

The Extended Management Board is chaired by the President and CEO. It considers issues related to the Group business and service products. The heads of the business units are responsible for the sales volumes and profitability of their respective units.

The retirement age of the members of the Executive Committee and the members of the Extended Management Board is based on local laws and there are no special pension schemes in place.

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Information on the members  
of the Executive Committee and  
of the Extended Management Board,  
including their areas of responsibility,  
is given on Finnlines' website:  
[www.finnlines.com/company](http://www.finnlines.com/company)  
> About Finnlines  
> Executive Committee and  
the Extended Management Board.

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#### COMPENSATION

The Board of Directors or its Chairman appoints and decides on the remuneration of all the members of the Extended Management Board. The Board of Directors also decides on any separate performance-based compensation schemes for management.

The members of the Extended Management Board are included in a bonus scheme which is tied to the yearly result (EBT) of the Company and is decided by the Board of Directors on a yearly basis. The maximum bonus may be 40 per cent of the yearly salary of the member of the Extended Management Board. The bonuses are paid in cash.

There are no bonus schemes which would be based on the value of the Company's share.

#### REMUNERATION IN 2014

The annual remuneration for the Board of Directors in 2014 was EUR 50,000 for the Executive Chairman, EUR 40,000 for the Vice Chairman and EUR 30,000 for the other Board members. The remuneration of the Board of Directors has remained the same as from 2008.

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A detailed specification of the management contracts,  
salaries, remuneration and benefits paid in 2014  
is given in the Financial Statements of 2014,  
Transactions with Related Parties,  
and in Finnlines' Remuneration Statement 2014  
on Finnlines' website:  
[www.finnlines.com/company](http://www.finnlines.com/company) >  
Corporate Governance  
> Remuneration Statement

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## INTERNAL AUDIT

The Group's internal audit is handled by the Company's Internal Audit unit, which reports to the Chairman and the President and CEO.

The purpose of the Internal Audit is to analyse the Company's operations and processes and the effectiveness and quality of its supervision mechanisms. The unit assists Finnlines to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the internal control and governance processes. The Internal Audit unit carries out its task by determining whether the Company's risk management, internal control and governance processes, as designed and represented by the management, are adequate and functioning in a manner to ensure that:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial and operating information is accurate, reliable and timely.
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations.
- Resources are acquired economically, used efficiently and adequately protected.
- Programs and plans are properly implemented and objectives are achieved.
- Quality and continuous improvement are fostered in the Company's internal control processes.
- Significant legislative or regulatory issues impacting the Company's internal controls are recognised and addressed appropriately.

The head of the Internal Audit unit prepares an annual plan using an appropriate risk-based methodology and taking into consideration potential risks or control concerns identified by the management. The scope of the audits within a fiscal year is planned so that it is representative and the focus is set on the business areas with the biggest risk potentials. The plan is approved by the President and CEO. The internal auditor also carries out special tasks assigned by the Chairman, the President and CEO or the Board of Directors.

Internal auditor carries out the internal audits independently from operational units. In his auditing work the auditor complies with the corporate governance, ethical principles, policies and

other guidelines of the Company as well as generally accepted standards for the professional practice of Internal Auditing.

The audit reports are sent to the President and CEO, the CFO and also to the Chairman. The President and CEO and the CFO have at least once a year a closed session with the head of Internal Audit unit about the results of the conducted audits and the plans for the next period. Relevant issues are also brought to the attention of the Board of Directors.

## RISK MANAGEMENT

Internal control in Finnlines is designed to support the Company in achieving its targets. The risks related to the achievement of the targets need to be identified and evaluated in order to be able to manage them. Thus, identification and assessment of risks is a prerequisite for internal control in Finnlines.

Internal control mechanisms and procedures provide management assurance that the risk management actions are carried out as planned. Conscious and carefully evaluated risks are taken in selecting strategies, e.g. in expanding business operations, in enhancing market position and in creating new business.

Financial, operational and damage/loss risks are avoided or reduced. The continuity of operations is ensured by safeguarding critical functions and essential resources. Crisis management, continuity and disaster recovery plans are prepared. The costs and resources involved in risk management are in proportion to the obtainable benefits.

The Board of Directors of Finnlines is responsible for defining the Group's overall level of risk tolerance and for ensuring that Finnlines has adequate tools and resources for managing risks. The President and CEO, with the assistance of the Executive Committee, is responsible for organising and ensuring risk management in all Finnlines' operations.

Responsibilities for the Group's working capital, investments, financing, finances, human resources, communications, information management and procurement are centralised to the head office of the Company. The Group's payment transactions, external and internal accounting are managed centrally by the Financial Department, which reports to the CFO. 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 submitted to the Board of Directors for approval.

The Corporate Legal Affairs and Insurance unit is responsible for risks associated with the Company's non-current 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 non-current assets consist of its fleet. The fleet is always insured to its full value. The financial position and credit-worthiness of the Group's customers are monitored continuously in order to minimise the risk of customer credit losses.

Each business unit has a responsible controller who reports to the head of the relevant business unit and to the Group CFO. The heads 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.

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Finnlines' most important strategic, operative and financial risks are described in the Financial Statements 2014, Financial Risk Management.

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#### **INTERNAL CONTROL OVER THE FINANCIAL REPORTING**

Monitoring is a process that assesses the quality of Finnlines' system of internal control and its performance over time. Monitoring is performed both on an ongoing basis, and through separate evaluations including internal, external and quality audits. The business unit is responsible for ensuring that relevant laws and regulations are complied with in their respective responsibility areas.

The Internal Audit function assists the President and CEO and the Board of Directors in assessing and assuring the adequacy and effectiveness of internal controls and risk management by performing regular audits in the Group's legal entities and support functions according to its annual plan. Finnlines' external auditor and other assurance providers such as quality auditors conduct evaluations of the Company's internal controls.

The Company's financial performance is reviewed at each Board meeting. The Board reviews all interim and annual financial reports before they are released. The effectiveness of the process for assessing risks and the execution of control activities are monitored continuously at various levels. This involves reviews of results in comparison with budgets and plans. Responsibility for maintaining an effective control environment and operating the system for risk management and internal control of financial reporting is delegated to the President and CEO.

The internal control in the Company is based on the Group's structure, whereby the Group's operations are organised into two segments and various business areas and support functions. Group functions issue corporate guidelines that stipulate responsibilities and authority, and constitute the control environment for specific areas, such as finance, accounting, and investments, purchasing and sales.

The Company has a compliance program. Standard requirements have been defined for internal control over financial reporting. The management expects all employees to maintain high moral and ethical standards and those expectations are communicated to the employees through internal channels.

The Group Finance & Control unit monitors that the financial reporting processes and controls are being followed. It also monitors the correctness of external and internal financial reporting. The external auditor verifies the correctness of external annual financial reports.

The Board monitors the statutory audit of the financial statements and consolidated financial statements, evaluates the independence of the statutory auditor or audit firm, particularly the provision of related services to the Company and prepares the proposal for resolution on the election of the auditor.

The Board reviews annually the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in this Corporate Governance Statement.

#### **INFORMATION MANAGEMENT**

An effective internal control system needs sufficient, timely and reliable information to enable the management to follow up the achievement of the Company's objectives. Both financial and non-financial information is needed, relating to both internal and external events and activities. Information management plays a key role in Finnlines' internal control system. Information systems are critical for effective internal control as many of the control activities are programmed controls.

The controls embedded in Finnlines' business processes have a key role in ensuring effective internal control in Finnlines. Controls in the business processes help ensure the achievement of all the objectives of internal control in Finnlines, especially those related to the efficiency of operations and safeguarding Finnlines' profitability and reputation. Business units and IT management are responsible for ensuring that in their area of responsibility the defined Group level processes and controls are imple-

mented and complied with. Where no Group level processes and controls exist, business units and IT management are responsible for ensuring that efficient business level processes with adequate controls have been described and implemented.

The proper functioning of Finnlines' information systems is guaranteed through extensive and thorough security programs and emergency systems.

#### **INSIDER MANAGEMENT**

Finnlines applies the legal provisions applying to the management of insiders, as well as the guidelines for insiders approved by NASDAQ OMX Helsinki Ltd for public listed companies, and the stipulations and guidelines of the Finnish Financial Supervisory Authority.

Finnlines' permanent insiders comprise the statutory insiders, i.e. the Board of Directors, the Company's President and CEO, the Members of the Executive Committee, and the Principal Auditor. The members of the Extended Management Board and other employees, as required by their duties, belong to the Company's own non-public insider register.

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 the projects. The decision to draw up a project-specific insider list rests with the President and CEO.

The Company's insiders are not permitted to trade in the Company's share for 14 (however Finnlines recommends 30 days) days prior to the publication of the interim reports or the annual financial statements. The Company's insider register is maintained by the Corporate Legal unit.

Information on the interests and holdings of the Company's permanent insiders and related parties is available from the SIRE system of Euroclear Finland Ltd. The information can also be obtained directly from the Company's website.

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Ownership and trading information  
of Finnlines' insiders on Finnlines' website:  
[www.finnlines.com/company](http://www.finnlines.com/company)  
> Corporate Governance  
> Insider register

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#### **EXTERNAL AUDIT**

The Company has one auditor which shall be an auditing firm authorised by the Central Chamber of Commerce. The auditor is elected by the Annual General Meeting to audit the accounts for the ongoing financial year and its duties cease at the close of the subsequent Annual General Meeting. The auditor is responsible for auditing the consolidated and parent company's financial statements and accounting records, and the administration of the parent company. On closing of the annual accounts, the external auditor submits the statutory auditor's report to the Company's shareholders, and also regularly reports the findings to the Board of Directors. An auditor, in addition to fulfilling general competency requirements, must also comply with certain legal independence requirements guaranteeing the execution of an independent and reliable audit.

#### **AUDITOR IN 2014**

In 2014, the Annual General Meeting elected KPMG Oy Ab as the Company's auditor for the fiscal year 2014. Mr Pauli Salminen, APA, has been appointed the head auditor. It was decided that the external auditors will be reimbursed according to invoice. In 2014, EUR 205 thousand was paid to the auditors in remuneration for the audit of the consolidated, parent company and subsidiary financial statements. During the same year, EUR 77 thousand was paid for consulting services not related to auditing.

#### **COMMUNICATIONS**

The principal information on Finnlines' administration and management is published on the Company's website. All stock exchange releases and press releases are published on the Company's website as soon as they are made public.



## BOARD OF DIRECTORS 31 DECEMBER 2014

### JON-AKSEL TORGERSEN

- Chairman of the Board
- Member of Finnlines Board since 2007
- Independent of the Company and major shareholders
- Born 1952
- Master in Business Administration, University of St. Gallen, Switzerland
- Astrup Fearnley AS, CEO

#### Current positions:

- Atlantic Container Line AB, Chairman
- Awilco LNG ASA, Board Member
- I.M. Skaugen ASA, Board member
- Norske Skogindustrier ASA (Norske Skog), Board Member
- Chairman and Board Member of a number of private companies
- Number of Finnlines Plc shares: 0 \*

### DIEGO PACELLA

- Vice Chairman of the Board
- Member of Finnlines Board since 2007
- Independent of the Company
- Born 1960
- Degree in Mechanics Engineering at the University of Naples, Italy
- Grimaldi Group S.p.A., Managing Director
- Grimaldi Deep Sea S.p.A., Managing Director
- Grimaldi Euromed S.p.A., Managing Director
- Grimaldi Group, Finance Director

#### Current positions:

- Hellenic Seaways Maritime S.A., Board Member
- Minoan Lines, Greece, Board Member
- Malta Motorways of the Sea Ltd, Board Member
- Atlantic Container Line AB, Board Member
- Finance Committee of Confitarma, Member
- Number of Finnlines Plc shares: 23,088 \*

### CHRISTER BACKMAN

- Member of Finnlines Board since 2012
- Independent of major shareholders
- Born 1945
- M.Pol.Sc, Åbo Akademi University
- Number of Finnlines Plc shares: 0 \*

### TIINA BÄCKMAN

- Member of Finnlines Board since 2012
- Independent of the Company and major shareholders
- Born 1959
- Master of Laws LL.M., University of Lapland
- SSAB, Manager, Group Internal Audit, 9/2014-
- Pension Foundation of Rautaruukki, Chairman to the Board, 1/1999-

#### Current positions:

- Oulun Puhelin Oyj Pension foundation, Chairman to the Board 11/2014-
- Oulu ICT Oy, Board Member 6/2014-
- Finnish Company Law Association, Board Member 2013-
- Legal Committee of Finnish Central Chamber of Commerce, Member 2004-, Vice Chairman 2011-
- Advisory Board of the Finnish Listed Companies, Member 2008-
- ESY, the Finnish Pension Foundation Association, Board Member 2002-
- Number of Finnlines Plc shares: 0 \*

### EMANUELE GRIMALDI

- Member of Finnlines Board since 2006
- President and CEO of Finnlines Plc
- Born 1956
- Degree in Economics and Commerce, University of Naples, Italy
- General Certificate of Education (scientific), Military School Nunziatella, Naples, Italy
- Grimaldi Group S.p.A., Managing Director
- Grimaldi Deep Sea S.p.A., Managing Director
- Grimaldi Euromed S.p.A., President

#### Current positions:

- Minoan Lines, Greece, President
- Malta Motorways of the Sea Ltd, President
- European Community Shipowners' Associations, Past President and Board Member
- Atlantic Container Line AB, Board Member
- President of Italian Shipowner Association
- Number of Finnlines Plc shares: 1,000,000 \*

### GIANLUCA GRIMALDI

- Member of Finnlines Board since 2007
- Independent of the Company
- Born 1955
- Degree in Economics and Commerce at the University of Naples, Italy
- Grimaldi Group S.p.A., President
- Grimaldi Deep Sea S.p.A., President
- Grimaldi Euromed S.p.A., Managing Director

#### Current positions:

- Minoan Lines, Greece, Board Member
- Malta Motorways of the Sea, Board Member
- Atlantic Container Line AB, Board Member
- Antwerp Euro Terminal n.v. – Antwerp (Belgium), President
- Number of Finnlines Plc shares: 930,000 \*

### OLAV K. RAKKENES

- Member of Finnlines Board since 2007
- Independent of the Company and major shareholders
- Born 1945
- Master's Licence, Maritime College of Tromsø, Norway

#### Current positions:

- Atlantic Container Line AB, Board Member
- Through Transport Mutual Club, Board Member
- Number of Finnlines Plc shares: 0 \*

\* Number of shares 31 December 2014.  
More information on the members of the Board at [www.finnlines.com](http://www.finnlines.com).

## EXECUTIVE COMMITTEE 31 DECEMBER 2014

### EMANUELE GRIMALDI

- President and CEO
- Member of Finnlines Board since 2006
- Born 1956
- Degree in Economics and Commerce, University of Naples, Italy
- General Certificate of Education (scientific), Military School Nunziatella, Naples, Italy
- Number of Finnlines Plc shares: 1,000,000 \*

### THOMAS DOEPEL

- Head of Group Purchasing
- Born 1974
- M.Sc. (Econ.), Master Mariner
- Number of Finnlines Plc shares: 0 \*

### STAFFAN HERLIN

- Head of Group Marketing, Sales and Customer Service
- Line Manager Germany, North Sea ro-ro
- Born 1958
- M.Sc. (Econ.)
- Number of Finnlines Plc shares: 15 \*

### MIKAEL LINDHOLM

- Head of Ship Management
- Born 1958
- Master Mariner, Business management education
- Number of Finnlines Plc shares: 0 \*

### TOM PIPPINGSKÖLD

- CFO
- Born 1960
- B.Sc., MBA.
- Number of Finnlines Plc shares: 0 \*

### ANTONIO RAIMO

- Line Manager FinnLink, NordöLink & Russia
- Born 1975
- M.Sc. (Banking and Economics), Master in Business Administration
- Number of Finnlines Plc shares: 0 \*

### KIELO VESIKKO

- Head of Passenger Services
- Line Manager HansaLink & Hanko–Rostock
- Born 1957
- Diploma in Translation
- Number of Finnlines Plc shares: 0 \*

### TAPANI VOIONMAA

- Group General Counsel
- Born 1951
- Master Mariner, LL M, Pg Dipl
- Number of Finnlines Plc shares: 5,750 \*

## EXTENDED MANAGEMENT BOARD 31 DECEMBER 2014 (IN ADDITION TO THE EXECUTIVE COMMITTEE)

**UWE BAKOSCH**, Managing Director Finnlines Deutschland GmbH

**RAUHA BATO-LIUKKONEN**, Head of Group HR

**DOMENICO FERRAIUOLO**, Head of Port Operations

**CLAUS HØGH**, Line Manager, Scandinavia ro-ro

**WOJCIECH KEP CZYNSKI**, Line Manager, Poland

**KIMMO KOSTIA**, Head of Group IT, Hardware

**SANTERI LAAKSO**, Head of Financial Department

**BLASCO MAJORANA**, Traffic Manager, North Sea

**TORSTI MUURI**, Traffic Manager, Baltic Sea

**SANNA SIMPANEN-MÄENPÄÄ**, Group Business Controller, is on parental leave.

**KRISTIINA UPPALA**, Head of Customer Services, Passenger Services as from 12 January 2015

**VESA VÄHÄMAA**, Head of Group IT, Software

\* Number of shares 31 December 2014.  
More information on the members of the  
Management Board at [www.finnlines.com](http://www.finnlines.com).

# YOUNGEST, LARGEST AND STRONGEST FLEET

FINNLINES FLEET 31 DECEMBER 2014



## RO-PAX VESSELS

### FINNMAID \* (2006)

### FINNSTAR \* (2006)

### FINNLADY \* (2007)

### NORDLINK \* (2007)

Length, o.a. (m)	218.8
Breadth, moulded (m)	30.5
DWT metric tons	9,650
GT	45,923
Total lane length (m)	4,200
Passengers	554
Speed (knots)	25
Ice Class	1A Super

### FINNCLIPPER (1999)

### FINNEAGLE (1999)

### FINNFELLOW (2000)

Length, o.a. (m)	188.3
Breadth, moulded (m)	29.5
DWT metric tons:	7,836 / 8,383 / 7,800
GT	33,958 / 29,841 / 33,724
Total lane length (m)	3,079 / 2,459 / 2,918
Passengers	440
Speed (knots)	22
Ice Class	1A

### FINNPARTNER (1995 / 2007)

### FINNTRADER (1995 / 2007)

Length, o.a. (m)	183.0
Breadth, moulded (m)	28.7
DWT metric tons	8,865
GT	33,313
Total lane length (m)	3,050
Passengers	270
Speed (knots)	21
Ice Class	1A Super







## RO-RO VESSELS

- FINNBREEZE** \* (2011)
- FINNSEA** \* (2011)
- FINNSKY** \* (2012)
- FINNSUN** \* (2012)
- FINNTIDE** \* (2012)
- FINNWAVE** \* (2012)

Length, o.a. (m)	188.4
Breadth, moulded (m)	26.5
DWT metric tons	11,000
GT	28,002
Total lane length (m)	3,326
Speed (knots)	21
Ice Class	1A

- FINNMILL** \* (2002 / 2009)
- FINNPULP** \* (2002 / 2009)

Length, o.a. (m)	187.06
Breadth, moulded (m)	26.5
DWT metric tons	11,746
GT	25,732
Total lane length (m)	3,276
Speed (knots)	20
Ice Class	1A

- FINNKRAFT** \* (2000)
- FINNHAWK** \* (2001)

Length, o.a. (m)	162.5
Breadth, moulded (m)	20.6
DWT metric tons	8,731
GT	11,671
Total lane length (m)	1,853
Speed (knots)	20
Ice Class	1A Super



## OTHER FINNLINES-OWNED VESSELS

	GT / Total lane length (m)	Year of delivery
Finnsailor (out chartered)	20,921 / 1,350	1987 / 1996

## CHARTERED

\* Exhaust gas scrubber, the installations started in late 2014.

DWT: Deadweight Tonnage  
GT: Gross Tonnage

	GT / Total lane length (m)	Year of delivery
Baltica	21,224 / 2,170	1990
Misana	15,586 / 2,155	2007
Misida	15,586 / 2,155	2007



## INFORMATION FOR SHAREHOLDERS

### REPORT PUBLICATION SCHEDULE AND KEY EVENTS IN 2015

Record date for Annual General Meeting: 31 March 2015

Registration period for AGM ends on: 9 April 2015

Annual General Meeting: 14 April 2015

### INTERIM REPORTS

Finnlines' interim reports for 2015 will be published as follows:

- January–March: 13 May 2015
- January–June: 29 July 2015
- January–September: 12 November 2015

### REGISTERING FOR ATTENDANCE AT THE AGM

Finnlines Plc's Annual General Meeting will be held on 14 April 2015 at 13:00 at the Havis Business Center, Unioninkatu 22, 00130 Helsinki. All shareholders registered in the shareholder list maintained by Euroclear Finland Ltd by 31 March 2015 have the right to attend the meeting.

Shareholders who wish to attend the meeting must register by 16:00 on 9 April 2015, either in writing to Finnlines Plc, Share Register, P.O. Box 197, 00181 Helsinki, Finland, by telephone on +358 50 565 4306, by e-mail at [ir@finnlines.com](mailto:ir@finnlines.com) or by fax on +358 10 343 5322.

A holder of nominee-registered shares has the right to participate in the Annual General Meeting, if he/she has, based on his/

her shareholding, the right to be entered in the Shareholder Register on the record date. For the purpose of participation, such holder of nominee registered shares shall register into the temporary Shareholders' Register held by Euroclear Finland Ltd based on these shares by 9 April 2015, 10:00 (Finnish time). This is also considered as registration for the Annual General Meeting as regards nominee registered shares.

### ADDRESS CHANGES

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

### FINANCIAL PUBLICATIONS

Interim reports and other financial reports are published in Finnish and English. The Annual Report, the Financial Statements, interim reports and other important reports are published on 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 10 343 50

Fax: +358 10 343 5200

E-mail: [ir@finnlines.com](mailto:ir@finnlines.com)

## CONTACT INFORMATION

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fax +49 (0)451 1507 222

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fax +45 (0)85 206 659

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## THE GRIMALDI GROUP

With long experience dating back to 1947, the Grimaldi Group specialises in the operation of roll-on/roll-off vessels, car carriers and ferries. It is a dedicated supplier of integrated logistics services based on maritime transport to the world's major vehicle manufacturers. Through its maritime services, the Naples-based Group also transports containers, palletised/unitised cargo and passengers with a modern fleet of more than 100 ro-ro multipurpose vessels, pure car carriers and ferries, 32 of which built in the last 5 years.

The Group's presence in the maritime transport of vehicles started in 1969 when it introduced a regular service between Italy and England. The Group rapidly gained the trust of other major car manufacturers who chose Grimaldi's vessels to transport their production from North Europe to various Mediterranean countries. Throughout the years the Group rapidly developed and now serves over 120 ports in 47 countries in the Mediterranean Sea, North Europe, West Africa, North and South America. The shore personnel and crew are nearly 10,000 people.

The Grimaldi Group comprises seven main shipping companies, including Atlantic Container Line (ACL), Malta Motorways of the Sea (MMS), Finnlines and Minoan Lines. With 79.96 per cent (at 31 December 2014) of the shares, the Group is the biggest shareholder in Finnlines, the Finnish company which runs a fleet of ro-pax and ro-ro vessels in the Baltic Sea and North

Europe. Moreover, the Group owns over 90 per cent of the share capital of the Greek ferry company Minoan Lines, which operates ro-pax services between Italy and Greece as well as between Piraeus and Crete.

Recently, the Grimaldi Group has also evolved to become a multimodal transport operator offering "door to door" logistics services. For this purpose, it currently operates, together with strategic partners, car and container terminals (totalling over 4.5 million sq. metres) in the Mediterranean, North Europe and West Africa as well as trucking companies for the transport of cars and containers.

In recent years, the Group has also invested in the development of the Motorways of the Sea in the Mediterranean Sea introducing new and modern ro-pax ferries. Currently, its network covers Italy, Spain, Malta, Tunisia, Morocco, Libya, Montenegro and Greece for the transport of trailers, cars and passengers.

The high-quality services offered by the Grimaldi Group are being regularly awarded by its international clientele such as General Motors, Fiat Auto, Ford and Land Rover.

Finally, the Grimaldi Group is the first Italian shipping company to have obtained the SMS, ISO 9001 and ISO 14001 certifications for Safety, Quality and Environment. Moreover, the Grimaldi Group is also the first shipping company in Italy to be awarded the status of Authorized Economic Operator - Complete (AEO-F).

Photos:

Kimmo Brandt, Tasha Doremus, Horst-Dieter Foerster, Soile Kallio, Seppo Kaksonen, Christiane Schröder / Wolfgang Reiher, Eeva Sumiloff, Jarmo Teinilä, Finnlines photo competition and Finnlines archive.



**Finlines**  
*a Grimaldi Group company*

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