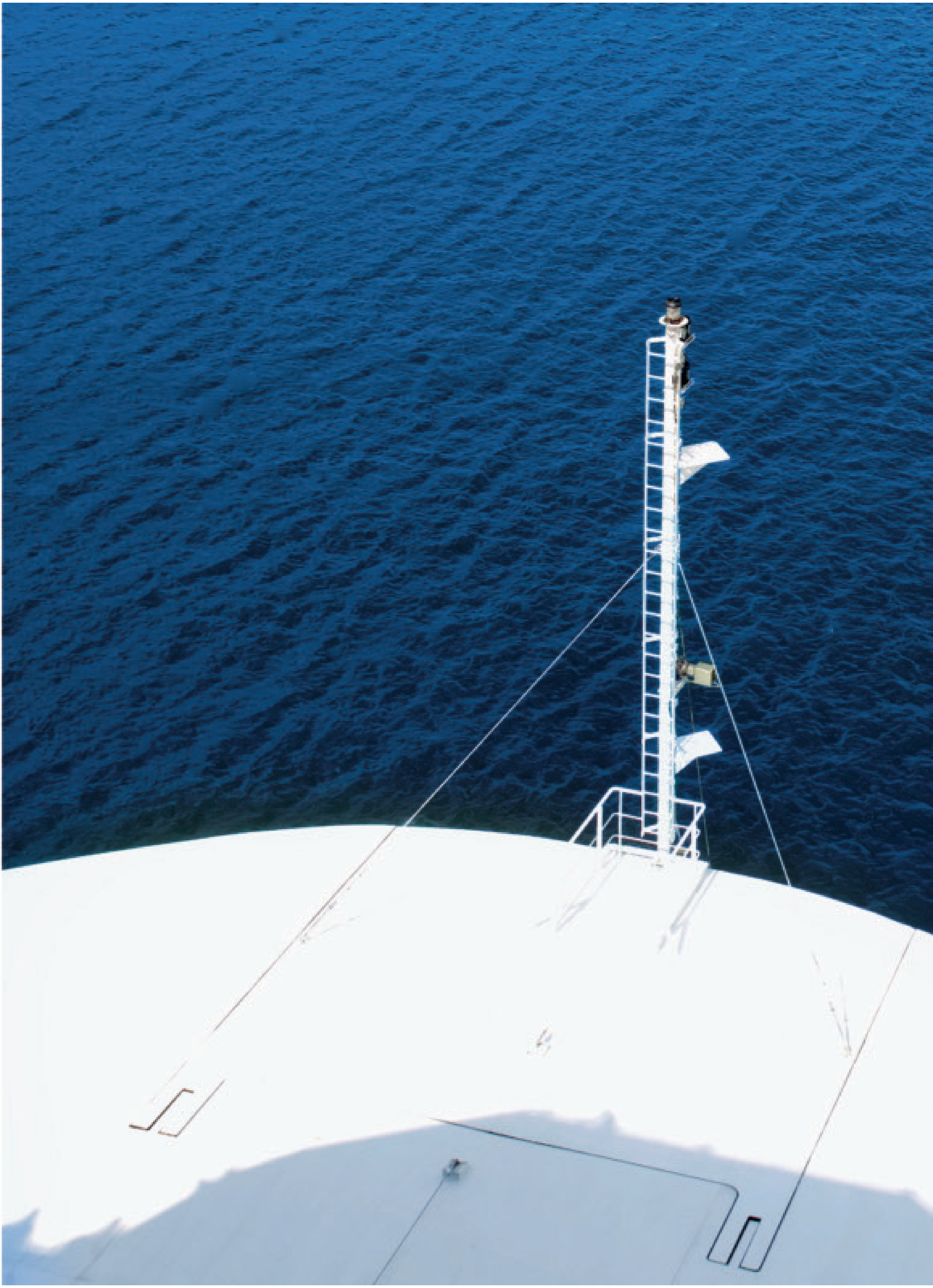
ANNUAL REPORT 2008

Finnlines



SHIPPING AND SEA TRANSPORT SERVICES, PAGE 10

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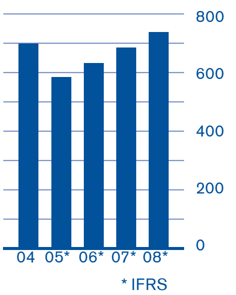
FINNLINES IS ONE OF THE LARGEST EUROPEAN shipping companies specialised in liner cargo services. In addition to sea transport services Finnlines also provides port services, mainly in Helsinki, Turku and Kotka. Efficient, extensive and flexible information management services support core business areas.

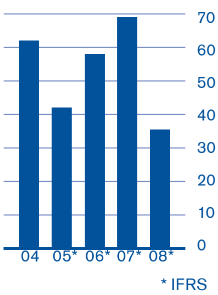
CONTENT

FINNLINES IN 2008

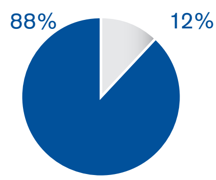
Revenue 2004–2008 **, EUR million



Operating profit 2004–2008 **, EUR million



Breakdown of revenue 2008



** Figures for 2004 have not been divided into continuing and discontinuing operations.

YEAR 2008

- Spring 2008, Finnlines bought MS Finnmill and MS Finnpulp and two other vessels, MS Finnkraft and MS Finnhawk, which all were under time-charter in Finnlines traffic, at the total amount of EUR 121 million. This deal settled the litigation process relating to the purchase options of Finnpulp and Finnmill. The main dispute concerned the validity and terms of the purchase options of the vessels.
- The Annual General Meeting held on 15 April 2008 decided that the company's Board of Directors has seven members. Mr. Emanuele Grimaldi, Mr. Gianluca Grimaldi, Mr. Diego Pacella, Mr. Heikki Laine, Mr. Antti Pankakoski, Mr. Olav K. Rakkenes and Mr. Jon-Aksel Torgersen were re-elected. Finnlines' Board of Directors elected Mr. Jon-Aksel Torgersen as Chairman and Mr. Diego Pacella as Vice Chairman of the Board. The firm of authorised public accountants Deloitte & Touche Oy was appointed as the company's auditors, with Mikael Leskinen, APA, as the principally responsible auditor. The minority shareholders used their rights to require the postponement of the handling of the closing of the books and the discharge of the Board to a continued meeting. The Continued Annual General Meeting, held on 20 May 2008, approved the financial statements and discharged the company's officers from liability for the financial year 2007. Ilmarinen Mutual Pension Insurance Company informed that it will apply for a special audit in the company. The Meeting decided that the minimum dividend required by the minority will be paid. The total amount of dividends paid was EUR 180,216.40 ie. EUR 0.00443 per share.
- In June, Finnlines Plc received a request for a statement of reply from the County Administrative Board of Southern Finland to the application made by Mutual Pension Insurance Company Ilmarinen on executing a special audit of accounts. Ilmarinen demanded for execution of a special audit in Finnlines Plc's administration and accounting from 1 January to 31 December 2007.
- Ilmarinen initiated action against Finnlines Plc in the City Court of Helsinki. Ilmarinen objects to the decision of Finnlines' Annual General Meeting held on 20 May 2008 to distribute EUR 180,216.40 as a minimum dividend. Ilmarinen demands primarily that the minimum dividend is to be altered to EUR 17,181,000. Secondly Ilmarinen demands that the resolution taken by the AGM on 20 May 2008 is to be declared null and void. Additionally, Ilmarinen demands that Finnlines pays its legal expenses. Mr. Tomas Lindholm, attorney at law from Roschier Attorneys Ltd., acts as legal adviser to Finnlines.
- Cargo port operations in Helsinki were concentrated to the new Vuosaari Harbour in the end of November. The Group invested on the project nearly EUR 100 million.

FINNLINES (IFRS)	2008	2007
Revenue, EUR million	735.7	685.5
Earnings before depreciation and amortisation (EBITDA), EUR million	98.1	121.9
Operating profit (EBIT), EUR million	35.4	68.8
Profit before extraordinary items, EUR million	1.0	34.4
Earnings per share, EUR	0.01	0.83
Dividend share, EUR	0.00 *	0.00
Equity ratio at close of period, %	28.5	31.1
Gearing at close of period, %	205.5	167.4

* Board's proposal

CEO'S REVIEW

CHIEF EXECUTIVE OFFICER'S REVIEW

2008 was a challenging year in many ways. Having started well, the climate took a negative turn in the summer. Record high fuel prices in July/August, followed by a global financial crisis and the subsequent slowdown of the real economy that only escalated in the last quarter, had a detrimental impact on the company's Shipping and Sea Transportation and Port Operations functions.

One of the highlights of the autumn was the transfer to the new Port of Vuosaari in Helsinki, which provides a whole new setting and future potential for our operations in port.

The move, coupled with the opening of the new port, did cause large-scale one-off expenses that affected our net income for 2008. The new port also altered the competitive scenario for Port Operations, leading to price pressure and loss of customers. We will be able to offset some of these effects thanks to the synergies that arise from operating in just one port instead of two, but the current economic climate will probably force us to make further adjustments.

In the spring we invested in four ro-ro vessels. We already use these vessels in our time freight operations, so they have not increased our capacity. This investment, just as the six ro-ro vessels we ordered from China, will reduce our dependency on outsourced tonnage. The new vessels will have more versatile characteristics than the existing tonnage. They will be better suited for transporting especially cars, thanks to hoistable car decs. They will be brought into traffic gradually in the next two to three years, and, depending on the market at the time, they will either replace some of our time-chartered fleet or be added to our current ro-ro capacity.

One of Finnlines' financial targets is to maintain a strong balance sheet structure. When the last of the six new ro-ro vessels is completed in China at the end of 2011, we will have invested approximately EUR one billion into our vessels and into the Port of Vuosaari. These investments are highly strategic in terms of the company's competitiveness, but naturally they affect our solvency in the short term.

The decrease in sea transports is expected to continue in our geographical area of operation, due to the advancing recession in some of the crucial countries for our routes. This includes the development and transport needs of the Russian market.

Due to the challenging situation, we have adjusted our sea transport production capacity by returning some leased vessels to their owners and allocating capacity to areas where we have identified short- and long-term growth opportunities. These measures involved transferring one Star-class ro-pax vessel from the Malmö–Travemünde route to the Helsinki–Travemünde route, where it replaces an older Hansa-class ro-pax vessel. The replaced Hansa ship was transferred to sailing between Germany and St. Petersburg, in order to increase capacity and improve service levels on that line.

We will also strive to enhance services on other routes by optimising schedules and stock.

We have set ourselves ambitious targets for 2009. Meeting them will require extensive measures, of which the abovementioned vessel changes account for a significant part. That by itself will not be enough.

The most important of our focus points for 2009 is a purchasing and procurement function development scheme initiated in late 2008 as a part of the Look Forward programme. The first stage of the scheme is now complete and the second stage, where we aim for large-scale savings, has been initiated.

Passenger traffic did not meet the targets set for it in 2008. In 2009 we will persist in developing our passenger traffic function, and its significance as a business area will continue to grow for Finnlines. Meeting our objectives requires commitment and willingness to adopt new work methods and ideas from each of us at Finnlines. We must also be innovative and ready to react quickly to changes in our surroundings.

I believe we have all it takes to come out of this recession stronger than we went in.

Competent, committed staff form one of Finnlines' main resources. So I would like to thank all employees for the efforts, which helped us get through last year's difficulties, and encourage the whole personnel to tackle new challenges.

I also wish to thank our loyal customers and assure you that you will always be welcome onboard at Finnlines.

Helsinki, 18 February 2009
Christer Antson

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 passengers and of the European industrial, commercial and transport sectors.

FINANCIAL GOALS

Finnlines' objective is to guarantee long-term profitability through high-quality operations, to generate added value for its shareholders and to maintain a healthy capital structure. 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.

STRATEGIC GOALS

A stronger position in Baltic Sea and North Sea cargo traffic

- We invest into 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.

A stronger position in Baltic Sea passenger traffic

- Our large, efficient ro-pax vessels offer passengers quick and effortless travel between Finland, Sweden and Germany.

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' degree of filling is as high as possible in both directions.
- We will increase the efficiency of our ERP and information management.
- We take proper care of environmental and safety issues.
- We invest into staff competence.

BUSINESS ENVIRONMENT

Finnlines mainly operates in the Baltic Sea and North Sea. Unitised traffic has experienced strong growth in the Baltic Sea in recent years, due among other things to the continuous increase of traffic to and from Russia. Reliability of the transport chain, information management and route frequency have become increasingly important as more and more companies stop maintaining stocks. Recently, oil prices have made up a major expense factor in the transport sector as a whole. In the second half of the year under review, the growth of cargo transports became clearly negative on all routes, due to the global economic downturn.

THE FINNLINES FLEET

Finnlines owns the largest and newest ro-pax fleet in the Baltic Sea. The latest Star-class series of vessels was brought fully into traffic in 2007. In the year under review, Finnlines' Star-class vessels operated on the Helsinki–Travemünde and Malmö–Travemünde routes. In April 2008, the company acquired the ro-ro vessels MS Finnpulp, Finnmill, Finnkraft and Finnhawk.

Six 10,500-dwt ro-ro vessels ordered in 2007 from the Chinese Jinling shipyard are to be completed in 2010–2011.

In 2008, the Group operated an average of 40 vessels, of which 35 were in its own traffic. Of the vessels, 15 were ro-pax, 24 were ro-ro and one was other kind of a vessel. At year-end, the total capacity of the ro-ro liner fleet was approximately 86,000 lane meters. At that time, the Group owned 19 vessels, which was equivalent to approximately 66 per cent of its ro-ro capacity. The average age of the Group's tonnage was approximately 10 years. The owned fleet is primarily managed by the Group.

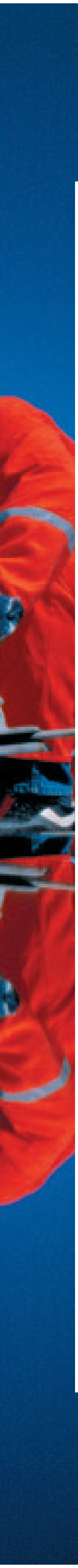
ROUTE NETWORK

During the year under review, Finnlines had roughly 70 weekly departures from Finland, covering all of Finland's major ports. A major development in terms of traffic was the opening of the new Port of Vuosaari in Helsinki, in November 2008.

The main ports of call are still Helsinki, Turku and Naantali. Finnlines' Turku–Travemünde traffic was centralised to the port of Pansio from 19 December 2008. Other liner traffic ports for the Group are Kotka, Hanko and Rauma. The main ports in Sweden are Kapellskär and Malmö, in Denmark Aarhus, in Poland Gdynia, and in Germany Lübeck/Travemünde (still the main port of call for Finnish and Swedish routes) and Rostock.

The main ports in the North Sea are Hull in the UK, Antwerp in Belgium, and Amsterdam in the Netherlands. In the Bay of Biscay, the main port was Bilbao in Spain, although some stops were made in El Ferrol. Finnlines also has a direct link between St. Petersburg and Lübeck (TransRussiaExpress).

SHIPPING AND SEA TRANSPORT SERVICES



Finnlines is one of the leading operators in the sector in the Baltic Sea. Its strong position derives from excellent services and a product concept tailored to its customers' needs. Finnlines' high frequency of departures, cargo capacity and information services contribute flexibility, reliability and predictability to customers' transport plans.

The Group operates an owned fleet of 15 ro-pax vessels that can carry cargo and passengers and 4 ro-ro vessels and an average of 20 time-chartered ro-ro vessels purely focused on cargo.

Despite tough competition, Finnlines strengthened its market-leading position on all of its ro-pax lines in 2008. During the year, Finnlines transported approximately 814,000 (791,000 in 2007) units of freight, 117,000 (99,000) vehicles (not including passengers' vehicles) and approximately 2,901,000 (2,576,000) tonnes of non-unitised freight. Approximately 612,000 (504,000) passengers travelled with Finnlines, including freight-related passengers.

The whole Shipping and Sea Transportation segment's turnover for the reporting period was EUR 643.7 (585.1) million, and employed 458 (456) people at year-end.

The company's ro-ro operations run under the Finnlines name in the Baltic Sea and North Sea, under the FinnLink name between Naantali and Kapellskär, under the Nordö Link name between Malmö and Travemünde and under the TransRussia-Express name between Lübeck and St. Petersburg.

FINNLINES' RO-PAX AND RO-RO TRAFFIC

Finnlines operated liner services under its own name in the Baltic Sea, the North Sea and the Bay of Biscay. The Company also provided related tailor-made door-to-door services and terminal services. During 2008, Finnlines' competitive position strengthened and became established especially in German traffic, thanks to the commissioning of the new Star-class vessels. The fast, efficient and high-capacity service offered by the Star-class vessels was well received in the market and significantly increased competitiveness. The route with the highest frequency, Helsinki–Travemünde, had ten weekly departures in both directions at year-end, with three fast Star-class vessels and two Hansa-class vessels.

FINNLINK TRAFFIC

FinnLink traffic operated on four ro-pax vessels. Eight daily departures were offered for unitised cargo traffic on the maritime route between Naantali (Finland) and Kapellskär (Sweden). The fast eight-hour connection and the service's schedule, tailored to the needs of freight customers, have maintained the competitiveness of the route.

The number of trucks transported by FinnLink rose to nearly 159,000 units, representing a growth exceeding 12 per cent over the previous year. The line's market share of Finland–Sweden cargo traffic was approximately 53 per cent.

Passenger traffic continued on three vessels, the main target group being touring car and caravan passengers. The line's passenger volumes rose to nearly 70,000 people, representing a growth of more than 40 per cent year on year.

Three so-called Clipper-class ro-pax vessels and one smaller ro-pax vessel in FinnLink traffic offered customers an excellent service capacity year round.

NORDÖLINK TRAFFIC

NordöLink offers ro-pax services on the maritime route between Malmö (Sweden) and Travemünde (Germany). In 2008, NordöLink had two Star-class and two Hansa-class ro-pax vessels, providing four daily departures in both directions.

NordöLink's transported volumes increased by eight per cent compared to the previous year. NordöLink maintained its market-leading position on the Lübeck/Travemünde–Southern Sweden route with a 57 per cent market share. In the second half of the year, the economic downturn in Sweden and Germany had a powerful impact on the amount of cargo transported on the route.

TRANSRUSSIAEXPRESS (TRE) TRAFFIC

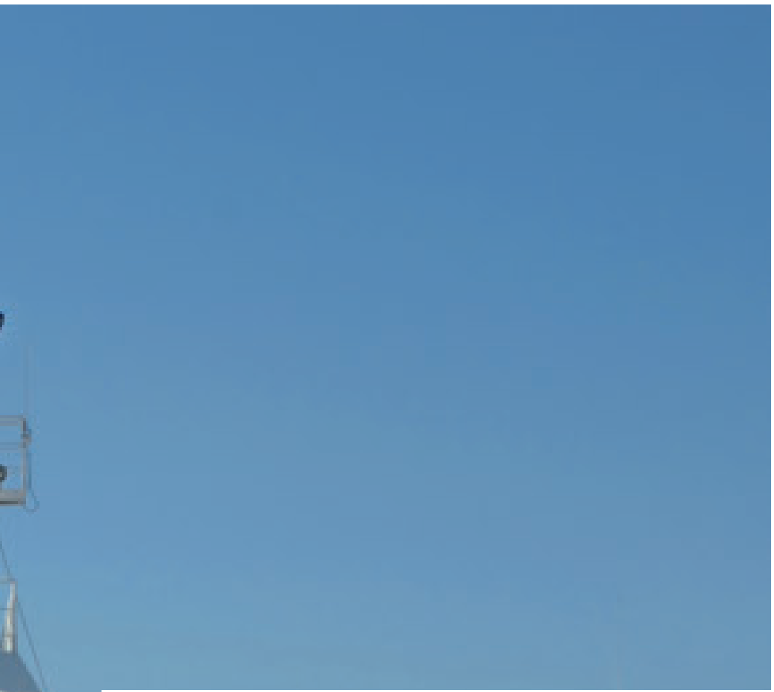
Finnlines sailed between Germany and Russia (Lübeck–St. Petersburg) on three vessels under the TransRussiaExpress (TRE) name. Traffic volumes between Russia and the Southern Baltic continued to grow in the early stages of the year, but the growth rate came to a halt during the summer and particularily the autumn, due to the global financial crisis, which reached Russia with a few months' delay.

The Company maintained its market-leading position in TRE traffic thanks to an increase in port capacity and services planned according to customers' needs. Finnlines owns 75 per cent of TRE traffic, with the other 25 per cent belonging to Russian partners.

OTHER TRAFFIC

Intercarriers, in which Finnlines holds a 51 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



Since the beginning of 2008, Finnlines' Passenger Services have been a separate business segment. Routes are marketed to consumers on all ro-pax lines under the Finnlines name. In 2008, the company's 14 ro-pax vessels transported 600,000 passengers and freight drivers; this was 20 per cent more than in the previous year.

For Passenger Services, the most profitable route is Helsinki–Travemünde. Passenger volumes grew by 10 per cent on the route. During the year, passenger services onboard were developed. The catering was revised, passenger services opening hours extended, and the look and feel of leisure areas were improved.

The Naantali–Kapellskär route is growing in popularity and thereby passenger volumes. There were over 40 per cent more passengers on the route than in the previous year. The peak month was July, when full passenger capacity was reached. The route's marketing area was expanded in both Finland and Sweden. The fast and frequent service between Finland and Sweden was on display for the first time for instance at the TUR 2008 travel fair in Gothenburg in March, and the Ski-Expo fair in Helsinki in November.

Marketing and sales of the Malmö–Travemünde line had previously been on a very small scale. Marketing of the route began in full in the spring of 2008. Four daily departures were offered in each direction on the route. Two of the vessels were large Star-class vessels. As on the Naantali–Kapellskär route, passengers on this line travel with a vehicle. Between Finland and Germany, on the other hand, Finnlines offers travel for passengers also without a vehicle.

There was one ro-pax vessel on the Lübeck–St. Petersburg route, which offered one return departure a week.

The passenger marketing organisation was enhanced. During the year, Finnlines' passenger traffic was advertised at diverse trade fairs in Finland, Sweden and Germany.

In early 2009, the marketing and sale of all routes were transferred entirely to Finnlines. Sales are now taken care of by call centers in Finland and Germany. The Nordic Ferry Center travel agency takes care of flight/ship and hotel packages to Finnlines' passengers.

PORT OPERATIONS

The Group's Port Operations are conducted by Finland's leading port operator, Finnsteve. Finnsteve focuses on the unitised cargo services required by regular liner traffic in the ports of Helsinki, Turku and Kotka. It also offers bulk shipping operations in the industrial port of Kantvik.

Helsinki is Finnsteve's main port, and also the major import and export harbour for unitised cargo in Finland. The fastest sea connections between Finland and Sweden go from Turku. The port of Kotka specialises in the unitised cargo services needed for container transports, including transit containers to Russia. Norsteve A/S, a wholly owned subsidiary of Finnsteve, carries out stevedoring and terminal operations in the port of Oslo.

In 2008, Finnlines' Port Operations generated revenue of EUR 122.1 (133.2) million and employed an average of 1,006 (1,014) people.

PORT OPERATIONS IN HELSINKI

The most important event during the year for Finnsteve in Helsinki was the transfer to the new Port of Vuosaari on 24 November 2008. All functions previously carried out at Helsinki's West Harbour and Sompasaari were transferred to Vuosaari in an overnight manoeuvre. Finnsteve stopped operating completely in the older ports on 19 December.

Demolition of the buildings in those ports will begin according to plan in early 2009. Offices and residential buildings are planned for the old areas.

Finnsteve started planning the Vuosaari project in 2004, and actual construction work began in early 2007. The port project was completed to schedule and in line with the overall budget. The layout in Vuosaari is significantly clearer and more efficient than that of the old ports in Helsinki. The investment was very significant in terms of finances and operations.

The port's four new PostPanamax-size container cranes represent latest technology. They have sufficient capacity and power to cope easily with predictable future growth in container volumes. The number and performance of the port's new container handlers are optimal.

The new export terminals allow for cargo handling in any weather conditions, as per current regulations. Meanwhile, the new import terminal in the logistics area diversifies and increases the provision of supplementary services.

Stevedoring for ro-ro vessels is easier thanks to new double ramps, so time spent in port can be reduced by vessels if necessary. The layout of the trailer fields is designed to make the car traffic involved in exports and imports much more fluid.

The financial figures for 2008 were negatively affected by the cost of transferring to and starting up the Port of Vuosaari, and demolishing work conducted at the old ports (West Harbour and Sompasaari).

As new operators became involved after the opening of the Port of Vuosaari, competition increased significantly.

The investment into the Port of Vuosaari, totalling almost EUR 100 million on Finnsteve's behalf, was made during the economic boom, while the port's opening took place in a downturn. This is a particular challenge in terms of making operations profitable. The new, efficient port provides excellent opportunities for increasingly rationalised and efficient customer service, however.

PORT OPERATIONS IN TURKU

The ramp construction project in Pansio was completed for the Port of Turku on 19 December 2008, and Finnlines' large ro-ro vessels transferred to Pansio. Two new warehouses and terminal halls were built in the area.

A fire on a rail ferry vessel caused an interruption in rail ferry traffic in December, leading to a fall in the cargo volumes handled. The number of transit vehicles grew significantly, but as the global economic downturn began affecting Russia, a temporary backlog built up in warehouses towards the end of the year. The number of containers handled continued to grow in early 2008, resulting in overall growth over the previous year, despite a fall in volumes at the end of the year.

PORT OPERATIONS IN KOTKA

A project to lengthen the dock in Kotka began in the summer of 2008 and is expected to be complete in early 2009.

In Kotka, the loss of a major client will require special measures during 2009. Problems in transit traffic have significantly reduced the volumes handled in the port.

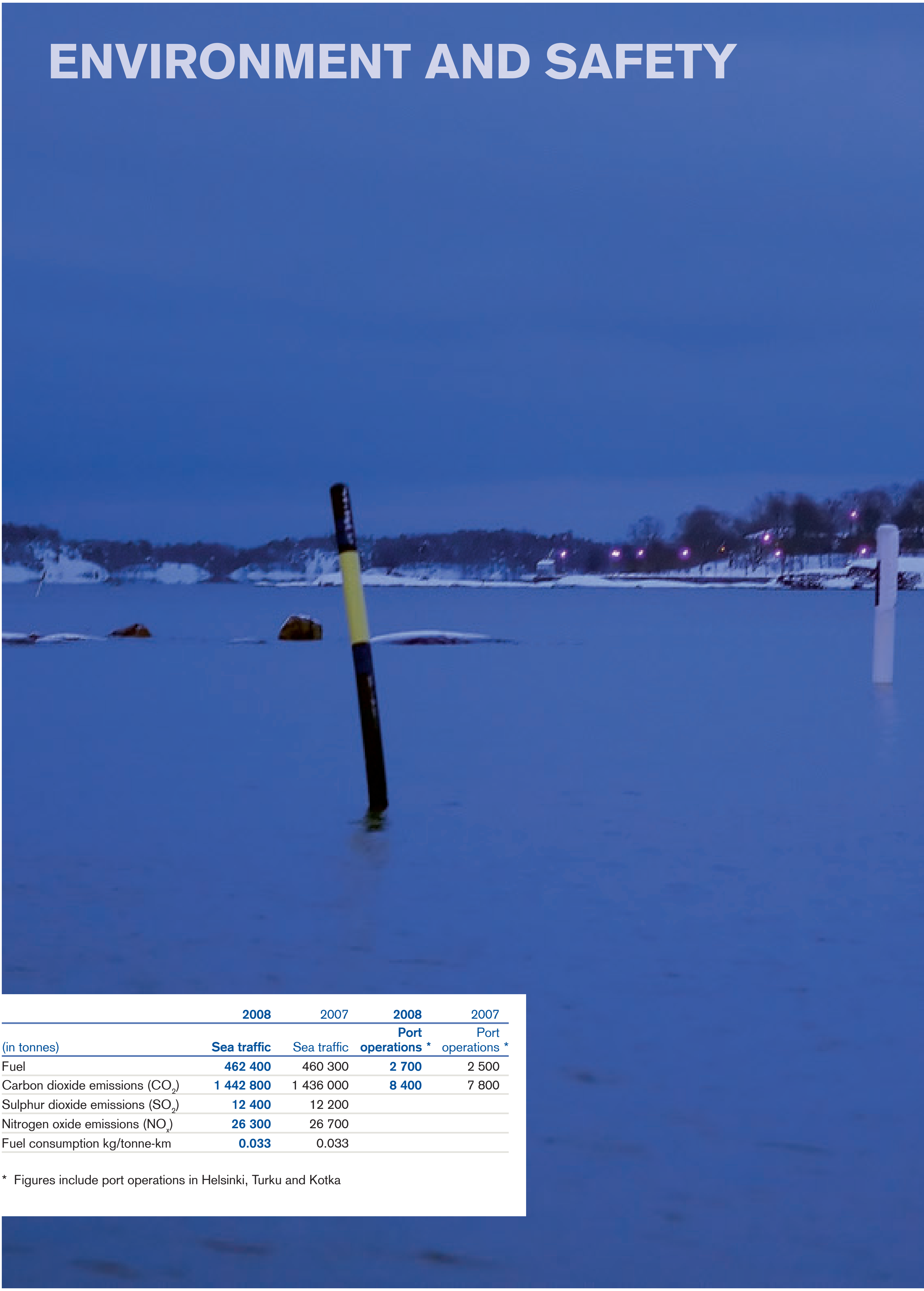
PORT OPERATIONS IN OSLO

The new port of Sjursøya was opened in Oslo in June 2008. The functional and financial costs of the opening had a negative impact on profits for 2008.

UNITISED CARGO VOLUMES

	2008, units	change (%) vs. 2007
Helsinki		
containers	428 000	-5%
trailers	502 000	-10.2%
Turku		
trailers	112 877	-13.5%
containers	22 736	3.7%
Kotka		
containers	627 000	10%

ENVIRONMENT AND SAFETY



(in tonnes)	2008 Sea traffic	2007 Sea traffic	2008 Port operations *	2007 Port operations *
Fuel	**462 400**	460 300	**2 700**	2 500
Carbon dioxide emissions (CO_2)	**1 442 800**	1 436 000	**8 400**	7 800
Sulphur dioxide emissions (SO_2)	**12 400**	12 200		
Nitrogen oxide emissions (NO_x)	**26 300**	26 700		
Fuel consumption kg/tonne-km	**0.033**	0.033		

* Figures include port operations in Helsinki, Turku and Kotka

Environmental matters are important in Finnlines' operations, in accordance with the principles of sustainable development. The company continuously strives to improve its environmental schemes, taking into account sustainable development, customers' and partners' needs and the society's demands.

An energy-efficient form of transport, shipping only accounts for less than five per cent of global carbon dioxide emissions. The sector is committed to making continuous improvements. In its operations, Finnlines focuses on routes where the highest capacity utilisation level can be achieved in both directions. This reduces the environmental impact per unit of freight.

ENVIRONMENTAL CERTIFICATION

Finnlines has integrated its environmental and safety programmes into its management system.

The environmental management system plays an important part in implementing the principles of sustainable development. All Finnlines ro-pax vessels have achieved the environmental certificate awarded by the Lloyd's Register Quality Assurance (LRQA). This certification corresponds to the requirements of ISO 14 001. In 2008, LRQA audited three ro-pax vessels and the Company's ship management functions. Next, Finnlines intends to extend the certificate to apply to its ro-ro vessels.

A large number of other vessels and port operators in Finnlines' traffic also have the ISO 14 001 environmental certificate.

STAKEHOLDERS

In environmental and safety matters, Finnlines' most important stakeholders are the flag and host state administrations, customers, shareholders and subcontractors, as well as the inhabitants of harbour and fairway areas. The most important subcontractors in the area are ship-owner and management companies and port operators.

The development of environmental and safety issues is followed up with research institutes, maritime colleges and different organisations. The Company is actively engaged in the operations of Finnish and Swedish shipowners' associations.

LEGISLATION

Maritime traffic is regulated by international, regional and national legislation. The International Maritime Organisation (IMO) manages international legislation on safety and environmental matters. The MARPOL 73/78 Convention contains, among other things, regulations on the disposal of waste and sewage into the sea, and the prevention of air emissions. Maritime safety matters, including issues related to ship-building, life-saving equipment and navigation, are regulated by the SOLAS Convention. HELCOM has issued its own regional directives on shipping.

SAFETY AND SECURITY

All vessels are certified according to the International Safety Management (ISM) code. They also comply with the requirements of the International Ship and Port Facility Security (ISPS) Code.

The safety management system is continuously developed through internal audits and crew training. Emergency drills are conducted regularly on board and on land. In October 2008, the Finnish Coast Guard organised a search and rescue drill in the northern Baltic Sea, in collaboration with Swedish and Estonian rescue officials. MS Finnlady participated in the operation after its departure from Helsinki, receiving fire-fighting units from two helicopters.

During the year, staff and students from rescue departments and institutes visited Finnlines vessels to examine their fire extinguishing equipment and practise in onboard conditions.

Training was organised in stevedoring and cargo stowage and securing for masters, chief officers and land personnel in Finnlines' ports. The aim was to upgrade and standardise the company's competence in these areas.

Sailing in the new Vuosaari fairway was practised on a Sydväst simulator, after which pilot training was carried out on MS Finnstar and Finnlady in the late summer and early autumn

ENERGY CONSUMPTION AND ATMOSPHERE EMISSIONS

The Baltic, North Sea and English Channel are Emissions Control Areas in accordance with MARPOL Annex VI, due to being sensitive, densely populated and highly trafficked areas. This means that ships must use fuel with maximum 1.5 per cent sulphur content.

In 2008, the sulphur content of heavy fuel oil used by Finnlines varied between 0.8 and 1.5 percent, depending on the supplier. The quality of fuel is followed by taking several samples that are sent to a laboratory for testing whenever it is deemed necessary.

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

The IMO has decided to tighten its ship fuel sulphur content limits, reducing the limit for heavy fuel oil from 1.5 per cent to one per cent in Emissions Control Areas in 2010. The plan is to further reduce the limit to 0.1 per cent in 2015.

The global limit is currently 4.5 per cent; this will fall to 3.5 per cent in 2012 and further to 0.5 per cent in 2020. The availability of low-sulphur fuel will be assessed in 2018, and if it is insufficient, the 0.5 per cent limit may be deferred until 2025.

The shipping industry has expressed doubts regarding the availability of sulphur-free fuel, as it is unclear whether the refining industry will be able to respond to future demand. Increasing fuel costs cause the risk of transports shifting from the sea to methods with a greater environmental impact.

In 2008, Finnlines focused on means to reduce fuel consumption in particular and energy consumption in general. Fuel consumption depends on many factors: the route, the load, the speed and engine power. Optimal scheduling can be used to reduce consumption. The Onboard Napa Power electronic operation optimising tool and the Speed Pilot system were trialled on MS Finnmaid.

The vessels to be delivered from China in 2010–2011 will achieve fuel savings through redesigning propellers and rudders.

The shipping industry has investigated opportunities for reducing emissions through emissions trading or a global CO_2-tax. Further analyses are needed before their applicability to the sector can be decided, however.

MARPOL Annex VI is soon to include nitrogen oxide restrictions. Tier I, representing the current level, applies to vessels built after 1 January 2000. Tier II applies to engines installed after 1 January 2011, and is approximately 20 per cent lower than the Tier I emissions limit. Tier III applies to engines installed after 1 January 2016, and is some 80 per cent lower than Tier I.

In port, efforts to reduce emissions include regular maintenance, renewal of machines and equipment, use of electrical heating and electric forklift trucks, production planning and training for drivers.

WASTE AND SEWAGE

Most waste generated on board is recyclable: glass, paper, cardboard, metal, etc. Hazardous waste, including oil waste, oily filters, paint and batteries, is separated and taken to a separate container in port. In Helsinki, food waste from the new Star-class vessels is taken to a sewage treatment plant. Vessels in FinnLink and NordöLink traffic also separate combustible waste.

MARPOL contains regulations regarding the treatment of black water, i.e. waste water from toilets. 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.

Grey water (waste water from kitchens and showers) is unregulated, but Finnlines pumps it, too, into the sewage system whenever it is available.

Cargo ships are also equipped with sewage treatment plants approved by the flagstate administration. After treatment, the remaining slurry is taken ashore.

Bilge water (waste water from engine rooms) is separated in separators. The limit for the oil content of water that may be discharged into the sea is 15 ppm. The remaining sludge is always taken ashore. In 2009, four vessels on the Malmö–Travemünde route will be equipped with new bilge water separators with an efficiency exceeding 5 ppm.

OTHER ENVIRONMENTAL ASPECTS

In addition to fuel oils, ships use lubricants and hydraulic oils. For years, Finnlines has been partly replacing mineral oils with environmentally non-hazardous biological oils.

A new cleaning scheme will be gradually implemented on Star-class vessels, one aim being to reduce the amount of detergents used. New tools and methods are selected to improve ergonomics.

Many ports are located close to residential and recreation areas, and there are occasional complaints regarding noise. In port, noise is caused by vehicles and cargo handling. Onboard, the main sources of noise are fans and auxiliary engines. Noise reduction has been improved for the exhaust pipes in auxiliary engines and ventilation ducts on older ships.

Micro-organisms that attach themselves to ships' hulls slow down the ships, increasing fuel consumption and emissions. The underwater hulls of Finnlines' own vessels are painted with epoxy-based paints that do not give off toxic substances into the sea. In 2008, the frequency of hull brushing and cleaning was increased, with good results.

Ballast water may lead to species being transported to foreign environment for which they are ecologically damaging by destroying native species. The Ballast Water Convention has now been signed by 16 countries, representing approximately 14 per cent of global tonnage. The convention will come into effect once 30 countries, representing 35 per cent of tonnage, have agreed to it. Some safety risks are involved in ballast water changes. The conditions are that the distance from the nearest shore must be at least 200 nautical miles, while the water depth must be at least 200 metres. These conditions are never simultaneously fulfilled anywhere in the Baltic Sea.

HUMAN RESOURCES

In the spring of 2008, Finnlines acquired four ro-ro vessels, of which MS Finnmill and MS Finnpulp were placed under the Swedish flag and MS Finnkraft and MS Finnhawk under the Finnish flag. The organisation of Passenger Sevices was strengthened. Preparations for the transfer to the Port of Vuosaari were made throughout the year under review in Helsinki. During the autumn, Finnsteve conducted co-operation negotiations related to the transfer to the port. The new port was taken into use over one weekend in late November 2008.

TRAINING

The aim of the company's employee training programme is to improve operations, increase expertise and maintain motivation for work. New employees take part in specifically designed orientation programmes. The whole Group also makes use of the eLearning-based Finnlines Induction Game for orientation.

A Group-wide management training programme was launched in the autumn. Those involved with organising traffic to and from Russia were given training in Russian culture and practices, and courses in IT and languages were also offered.

A new operational system called Compass was taken into use, to handle the whole process from bookings to invoicing. Also implemented was the Lighthouse CRM system.

With regard to sea personnel, the most important training areas were safety, competence maintenance and diverse competence development. To guarantee expertise, the Company continued to use navigation bridge simulator training in cooperation with Novia University of Applied Sciences. The simulator was used to practise sailing into the new Port of Vuosaari. Training voyages to Vuosaari were organised and the ships' officers acquired the pilot on line service data for the lane. Group-wide training in cargo safety was held, and onboard manager training started.

Emergency drills are conducted regularly on board and on land. Joint emergency simulations were organised with emergency and rescue authorities. Officers took part in an annual shipping event focused on topical issues. Guided practical training also forms an important part of the company's onboard training program.

In port operations, staff development focused particularly on the transfer to Vuosaari and its challenges, including the development of shared work models. Efforts were made in process development, and the training programme will continue into 2009. Management skills are improved with a Specialist Qualification in Management taken by some twenty foremen members. The professional competence of stevedores was improved with occupational safety training.

RECRUITMENT

According to Finnlines' human resource policy, open positions are first advertised internally; this improves job rotation and develops employee competence. During 2008, staff were recruited particularly for Finnlines' own ro-ro vessels. Shore-based new personnel was recruited in the Passenger Services organisation as well as new experts in IT department and in some temporary posts.

MENTAL AND PHYSICAL WORK ABILITY

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

SATISFACTION SURVEY

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

The success of the human resources policy is evaluated every other year in each business unit. At year-end, the job satisfaction survey encompassed the parent company (Finnlines Plc), as well as the units in Germany, UK, Poland, Denmark and Belgium. Each unit creates its own development plan on the basis of survey results.

Key figures	2008	2007
Average number of employees	2 436	2 335
Revenue/employee, EUR	302 030	293 661
Personnel expenses/employee, EUR	53 693	54 083
Operating profit/employee, EUR	13 552	22 910
Employee turnover, %	32	34
Absences of personnel, change %	-14	3
Training days, total	4 173	3 862

Average number of employees per business area	2008	2007
Shore-based personnel		
Shipping and Sea Transport Services	458	456
Port Operations	1 006	1 014
Sea personnel	972	865
Continuing operations, total	2 436	2 335
Divestments		
Total	2 436	2 335

As of 31 Dec 2008, there were 1 365 shore-based personnel and 1 012 sea personnel for a total of 2 377.

Employee categories	2008	2007
Office staff	27%	28%
Sea personnel	40%	37%
Stevedores	33%	35%

Gender distribution	Shipping	Sea operations	Port personnel
Female	48%	8%	21%
Male	52%	92%	79%

Personnel by country	2008	2007
Finland	66%	66%
Germany	5%	5%
Sweden	23%	23%
Other	6%	6%

The average age of Finnlines personnel was 42 (43) years.

The average duration of employment was appr. 10 (10) years.

Personnel profit and loss account, (EUR 1 000)	2008	2007
Revenue	735 747	685 464
Personnel expenses		
Real working time expenses	94 105	90 605
Personnel renewal (holidays, recruitment)	20 108	17 221
Personnel development	1 281	1 349
Personnel benefits and obligations	16 909	17 109
Total personnel expenses	132 403	126 284
Other operating expenses	570 331	505 684
Profit before other operating income (operating profit)	33 013	53 496
Other income from operations	2 430	15 320
Net operating profit	35 443	68 816

Quarterly figures	I/2008	II/2008	III/2008	IV/2008
Average number of employees	2 313	2 477	2 555	2 415

FINANCIAL STATEMENTS

BOARD OF DIRECTORS' REPORT

SIGNIFICANT EVENTS

Operationally, the year was twofold: During the first half of the year, the increase in cargo volumes and the rising fuel oil price reached their peak in the summer. In early autumn, the financial crisis spread quickly from the US to the global real economy. Due to the sharp decline in foreign trade, cargo volumes dropped dramatically towards the end of the year. However, the cargo volumes of the entire year (measured in cargo units) increased by 2.9 per cent. The number of passengers transported on the company's ships during the year rose by 21 per cent.

Despite the increase in revenue, the financial statements for the fiscal year show a loss before taxes, which is due to the dramatic drop in the cargo volumes towards the end of the year and also due to non-recurring costs of port operations relating to port moves. In addition, the company's extensive investment programme added depreciations and interest expenses.

In Helsinki, the company's port operations from the West and North Harbours were concentrated to the new Vuosaari Harbour. The company's investments in the new harbour, including non-recurring items related to the move, totalled nearly EUR 100 million, of which nearly EUR 50 million in 2008. The new modern harbour will enable the company to provide faster and more efficient services to its customers.

In April, the Group companies bought four ro-ro vessels, which had been on time-charter, at a price of EUR 121 million.

MARKET DEVELOPMENT

During the whole year, the growth in unitized sea transports via Finnish ports continuously paced down with imports growing constantly more than exports, thus increasing the imbalance in the traffic. This was partly caused by the restructuring of the Finnish forest industry.

In the last quarter, volumes dropped sharply, as the economic crisis decreased transports of investment goods, raw materials and paper dramatically. This negative trend impacted all traffics in the Shipping and Sea Transports as well as the Port Services segment.

For the full year, the Finnish sea transports of unitized goods were at the same level as in 2007, but declined in Q4 by 9 per cent compared to the year before. Similarly, the full year trailer and lorry volumes between Southern Sweden and Germany stayed at the 2007 level, but dropped by 11 per cent during Q4.

The passenger traffic between Finland and Germany increased by 2.9 per cent and decreased by 0.2 per cent between Finland and Sweden during 2008.

Bunker prices increased heavily during the first half of the year and reached their peak in mid-July, when the price for the Rotterdam LS180 used as a reference was 100 per cent higher than the 2007 average price at 818 USD/ton. During the second half of the year, bunker prices decreased substantially and at the end of the year the reference quotation stood at 228 USD/ton.

GROUP STRUCTURE

Finnlines is one of the largest European shipping companies specialising in liner cargo services. The Group's operations are centred on sea transports in the Baltic Sea and North Sea areas and on providing port services mainly in Finland. Through its subsidiaries and sales offices, the Group has operations in eight North European countries and in Russia. The Group's services are also offered throughout Europe via an extensive network of agents. There were no significant changes in the Group structure during the reporting period.

To improve the customer service, efficiency and business follow-up, different port operations were split into separate companies by de-merger of Finnsteve as of 1 January 2009. The new companies provide container, ro-ro and terminal services.

THE ANNUAL GENERAL MEETING

The Board of Directors of Finnlines Plc proposed to the AGM held on 15 April 2008, that no dividend be paid out for the fiscal year 2007 due to the sizeable investment in the five vessels already in operation, the commitments of the vessel renewal programme and the investments in the harbour.

The minority shareholders (more than 10 per cent of the shares) used their rights to require postponement of the handling of the closing of the books and the discharge of the Board to a continued meeting. The AGM also decided to postpone the Board of Directors' proposal for authorization to increase the share capital to the same meeting. The continued meeting was held on 20 May 2008.

The AGM decided that the company's Board of Directors has seven members. Mr. Emanuele Grimaldi, Mr. Gianluca Grimaldi, Mr. Diego Pacella, Mr. Heikki Laine, Mr. Antti Pankakoski, Mr. Olav K. Rakkenes and Mr. Jon-Aksel Torgersen were unanimously re-elected. Finnlines' Board of Directors elected Mr. Jon-Aksel Torgersen Chairman and Mr. Diego Pacella Vice Chairman of the Board. The firm of authorised public accountants Deloitte & Touche Oy was appointed the company's auditors, with Mikael Leskinen, APA, as the principally responsible auditor.

In the Continued Annual General Meeting on 20 May 2008, Christer Antson, President and CEO, explained that Group contribution had been given, like in previous years, to Finnlines' 100 per cent owned ship-owning companies, which had invested in new vessels or converted older vessels.

The Continued AGM approved, after voting, the financial statements and discharged the company's officers from liability for the financial year 2007. Ilmarinen informed that it will demand a special audit in the company. The AGM decided, after voting, that the minimum dividend required by the minority (more than 10 per cent of shares) be paid. The total amount of dividends paid is EUR 180,216.40 i.e. EUR 0.00443 per share. The dividend record date was 23 May 2008 and the dividend payment date was 30 May 2008.

The Board of Directors was authorised to resolve on the issuance of shares. The company may, on the basis of the authorisation, issue new shares in one or several instalments, so that the aggregate maximum number of new shares will be 10,000,000 shares. The authorisation includes the right for direct issue of shares, in deviation from the shareholders' pre-emptive subscription right on the terms and conditions prescribed by law. The authorisation is valid until the next Annual General Meeting.

THE VUOSAARI HARBOUR

Helsinki's cargo port operations were moved from the West and North Harbours to the new modern Vuosaari Harbour Centre, which was opened on schedule at the end of November. The Group's total investments in new container cranes and terminal facilities, together with non-recurring expenses related to the move, are nearly EUR 100 million. In the eastern part of the Vuosaari Harbour, the Group's port operator Finnsteve has an operating area of about 70 hectares for container, semi-trailer and truck services. The area has 10 ro-ro berths and 750 metres of quay for container ships. Vehicles to and from Finnsteve's area pass through the sheltered 8-lane gate area. An online computer system controls and directs cargo units between the harbour gate and the ship.

FLEET

In April, Finnlines bought MS Finnmill and MS Finnpulp and two other vessels, MS Finnkraft and MS Finnhawk, all of which were under time-charter in Finnlines traffic, at the total amount of EUR 121 million. This deal settled the litigation process relating to the purchase options of Finnpulp and Finnmill. Finnkraft and Finnhawk are currently sailing under the Finnish flag and Finnmill and Finnpulp under the Swedish flag.

TRAFFIC

The operations at the terminals of Lübecker Hafengesellschaft (LHG) in Lübeck harbours suffered from actions of the stevedoring workers' union early in the year. The union protested against the planned privatisation of LHG.

The cargo volumes transported during the year totalled approximately 814,000 (791,000 in 2007) units (lorries, trailers), 117,000 (99,000) cars (not including cars of the passengers) and 2,901,000 (2,576,000) tonnes of freight not possible to measure by the unit. In addition, some 612,000 (504,000) passengers (including freight-related passengers) were transported in 2008.

FINANCIAL PERFORMANCE

The Finnlines Group recorded revenue totalling EUR 735.7 (685.5 in 2007) million. Shipping and Sea Transport Services generated revenue amounting to EUR 643.7 (585.1) million and Port Operations EUR 122.1 (133.2) million. Other income from operations amounted to EUR 2.4 (15.3) million. The main part (EUR 12.3 million) of the 2007 amount was generated by the sales gain of the two vessels sold during the third quarter of 2007.

Operating profit was EUR 35.4 (68.8) million. The decrease in operating profit of Shipping and Sea Transport Services resulted mainly from the sharp drop in transported volumes in the last quarter of the year and from the fact that the comparison figure contains sales gain of two vessels totalling EUR 12.3 million.

The profitability of the Group's Port Operations was weak. Operating loss was EUR -12.4 (7.2) million. The port operations in Oslo (Norsteve) moved to a new location, which caused losses in income and non-recurring costs. The transfer of Finnsteve's Helsinki operations to the Vuosaari Harbour caused non-recurring costs of over EUR 5 million. In addition, due to a changed competitive situation, goodwill write-offs of EUR 3.0 million were made to Finnsteve's operations in Kotka. The financial performance of Port Operations was also affected negatively by the considerable decrease in cargo volumes during the last quarter of the year.

Financial income was EUR 3.4 (5.3) million and financial expenses totalled EUR -42.0 (-34.0) million. Loss before taxes was EUR -3.2 (40.1). Return on equity (ROE) was 0.2 (8.0) per cent and return on investment (ROI) was 2.9 (6.9) per cent The most important business and share related key indicators are presented in the notes to the accounts on page 72.

INVESTMENTS AND FINANCING

The Group's investments totalled EUR 236.3 (391.3) million, consisting mainly of the down-payments for the six ro-ro vessels on order, the purchased four ro-ro vessels and investments in the Vuosaari Harbour. Interest-bearing net debt amounted to EUR 900.1 (729.3) million. The payments in 2009 for the Jinling newbuilding project, totalling approximately EUR 8 million, are due during the second half of the year. At the year-end, 57 per cent of the loans were fixed rate and the rest were floating rate loans. The duration (average interest-rate period) of the debt portfolio was approximately 58 months. The Group's financing agreements include customary covenants relating to the equity ratio and operations. On 31 December 2008, the granted but non-utilised credit facilities totalled EUR 203 million. The equity ratio calculated from the balance sheet was 28.5 (31.1) per cent. Gearing was 205.5 (167.4) per cent

RESEARCH AND DEVELOPMENT

The aim of Finnlines' research and development work is to find and introduce new practical solutions and operating methods, which enable the company to better and more cost-efficiently meet customer needs.

The Vuosaari Harbour was opened at the end of November. In addition to an increased capacity, it will enable us to provide faster and more efficient port and terminal services to our customers. A great deal of effort was put into the planning of the operations in the harbour area, which will ensure efficient, smooth and safe cargo handling in the harbour, not forgetting passengers.

Finnlines introduced new ro-pax vessels to the company's fleet during 2006–2007. As a result, sailing schedules and operational models on the company's main routes were altered. The aim is to further improve the company's competitiveness and service when the new ro-ro vessels join the fleet in 2010–2011.

The company's operative and customer management systems are under ongoing development and improvement. The new computer programs are aimed at enhancing efficiency and improving sales and day-to-day customer service.

Development work is an integral part of the company's day-to-day activities. The Group has an IT Department consisting of 37 employees, which is responsible for the system development and maintenance.

Research and development costs are not significant, considering the extent of the company's operations.

PERSONNEL

The Group employed an average of 2,436 (2,335) people during the period, consisting of 1,464 (1,470) employees on shore and 972 (865) people at sea.

THE FINNLINES SHARE

The Company's registered share capital on 31 December 2008 was EUR 81,383,916 divided into 40,691,958 shares. A total of 8.6 (9.4) million Finnlines shares were traded on the NASDAQ OMX Helsinki Ltd during the reporting period. The market capitalisation of the Company's stock at the end of December was EUR 262.5 (620.6) million. Earnings per share (EPS) during the reporting period were EUR 0.01 (0.83). Shareholders' equity per share was EUR 10.72 (10.67). At the end of the year, Grimaldi Group's holding and share of votes in Finnlines was 64.90 per cent.

RISKS

The most significant operative risk in shipping is involved in vessel and sea safety. Accidents at sea may have consequences for humans, a harmful impact on the environment and may lead to financial losses. The ships in Finnlines' service have safety management systems which are audited and improved through appropriate training and regular safety drills. Cargo handling practices play an important role in ensuring safe sea traffic. In the past year, the company reassessed its cargo handling practices, updated the instructions and stepped up the monitoring of cargo handling and cargo securing in ports.

Well-functioning information systems and data security are of vital importance in all situations. Failures in information systems cause extra work, disturbances in service, loss of potential cargoes, data security risk and erosion of customer confidence. The company's operative information systems are under ongoing development and improvement. The technical failure prevention systems have been built on effective exploitation of modern technology. In addition, for stevedoring operations, operating models have been created in case of major failures in the IT systems. Technological data security solutions will prevent third parties from accessing Finnlines' internal and customers' data.

In addition to the 6-vessel investment programme announced earlier, Finnlines purchased four ro-ro vessels at the price of EUR 121 million in April. The deal was financed with long-term bank loans. The company has invested and will invest from 2003 to 2011 over one billion euros in the fleet and ports. Due to the investment programme, the net interest-bearing debt has increased and will continue to do so. This is also reflected on the consolidated equity ratio. More detailed information on Finnlines' risks can be found in financial statements included in the company's Annual Report.

The risk management procedures of the Group are more widely presented on the Group's Internet pages under Corporate Governance.

LITIGATION

The arbitration proceedings between the owners of MS Finnmill and MS Finnpulp and Finnlines Plc were withdrawn in April. The main dispute concerned the validity and terms of the purchase options of the vessels. The parties settled the case amicably and in April Finnlines bought MS Finnmill and MS Finnpulp and two other time chartered ro-ro vessels, MS Finncraft and MS Finnhawk. The total price for the deal was EUR 121 million.

MS Finnbirch sank in November 2006 in the Southern Baltic. She was under time-charter to Finnlines from her owners Lindholm Shipping, Sweden. Finnlines has an adequate insurance coverage in the event Finnlines would be found liable towards the cargo interest.

In June, Finnlines Plc received a request for a statement of reply from the County Administrative Board of Southern Finland to the application made by Mutual Pension Insurance Company Ilmarinen for conducting a special audit of accounts. In its application letter to the County Administrative Board of Southernern Finland Ilmarinen demanded that the County Administrative Board orders a special audit to be conducted in Finnlines Plc's administration and accounting for the period from 1 January to 31 December 2007, as prescribed in the Companies Act (21.7.2006/624) 7:7 §. In September, Finnlines Plc submitted its reply by the given time limit.

Mutual Pension Insurance Company Ilmarinen initiated action against Finnlines Plc in the Helsinki District Court. Ilmarinen objects to the decision of Finnlines' Annual General Meeting held on 20 May 2008 to distribute EUR 180,216.39 as a minimum dividend. Ilmarinen demands primarily that the minimum dividend be altered to EUR 17,181,000. Secondly Ilmarinen demands that the resolution taken by the AGM on 20 May 2008 to be declared null and void. Additionally, Ilmarinen demands that Finnlines pays its legal expenses.

Finnlines considers the action groundless. The company considers that the measures taken have had commercial grounds and that it has in all respects acted in the best interests of the company and its shareholders. Finnlines prepared a detailed response and submitted it to the Helsinki District Court within the given time limit.

Mr. Tomas Lindholm, attorney at law from Roschier Attorneys Ltd., acts as legal adviser to Finnlines.

On the day of signing the financial statements, the County Administrative Board of Southern Finland had not yet released its resolution on the special audit of accounts and the Helsinki District Court had not yet started the hearing of the case initiated by Mutual Pension Insurance Company Ilmarinen.

ENVIRONMENT AND SAFETY

Finnlines places high priority on the environmental aspects of its operations. The company seeks to continuously improve its environmental programmes while considering the requirements of sustainable development, the needs of customers and partners, as well as the demands imposed by society. Finnlines focuses on optimising its transports and routes to achieve the highest possible utilisation on both southbound and northbound voyages, which minimises environmental stress per transported cargo unit.

The company is continuously looking for ways to reduce fuel and energy consumption. Fuel consumption depends on many factors: route, amount of cargo, speed and engine power. Schedule planning is one tool to reduce fuel consumption. An electronic operation optimising tool has been trialled on one vessel. The six new ships to be delivered from China in 2010–2011 will be fitted with a rudder/propeller combination technology that is designed to achieve significant reductions in fuel consumption.

All of Finnlines' ro-pax ships have been incorporated into the environmental certificate issued by LRQA (Lloyd's Register Quality Assurance). Certification complies with the requirements of the ISO 14 001 standard. In 2008, three ro-pax ships and ship management functions were audited by LRQA. Most of the other ships in Finnlines' service and port operators also have the ISO 14 001 certificate.

All vessels have been certified in accordance with the International Safety Management Code. All ships also comply with the requirements of the International Ship and Port Facility Security Code (ISPS). The safety management system is developed through crew training and internal audits. Safety drills are held together with the authorities annually.

Ship crews first practised maneuvering on the new Vuosaari fairway with a simulator, and in late summer and early autumn, before the new harbour was opened, the Star class vessels made test runs on the new route.

In its Annual Report, Finnlines publishes a summary of environmental and safety issues.

OUTLOOK FOR 2009

The overall economic development in Europe and in the whole world has rapidly deteriorated and casts uncertainty over our business environment. The sharp drop in cargo volumes started in the last quarter of 2008, will burden the company's revenues and financial performance at least during the first half of 2009. Due to the fleet renewal programme, ship conversions and investments in harbours, Finnlines' depreciations are expected to continue to rise from the 2008 level. However, interest expenses are likely to fall due to declining market interest rates.

Finnlines will take a number of actions to respond to the difficult market conditions. The actions include adjustment of the capacity to the demand where possible, cost-saving initiatives, personnel adjustments, and even divesting non-core business.

DIVIDEND DISTRIBUTION PROPOSAL

The parent company's non-restricted equity on 31 December, 2008 is EUR 92,747,356.47 of which net profit from the financial year is EUR 0.00. The Board of Directors will propose to the Annual General Meeting that no dividend be paid out for 2008 due to the weak financial performance, poor economic prospects in the immediate future and the ongoing extensive investment programme.

ANNUAL GENERAL MEETING

Finnlines Plc's Annual General Meeting will be held from 12.30 pm on Wednesday, 15 April 2009 at the Hotel SAS Radisson Royal, Kamppi, Runeberginkatu 2, Helsinki, Finland.

CONSOLIDATED PROFIT AND LOSS ACCOUNT, IFRS

EUR 1 000	Note *	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Revenue	6	**735 747**	685 464
Other income from operations	7	**2 429**	15 320
Materials and services	8	**-258 187**	-205 904
Personnel expenses	9	**-122 944**	-116 648
Depreciation, amortisation and other write-offs	10	**-62 690**	-53 082
Other operating expenses	11	**-258 912**	-256 334
Total operating expenses		**-702 732**	-631 968
Operating profit		**35 443**	68 816
Financial income	12	**3 422**	5 258
Financial expense	12	**-42 039**	-33 956
Profit before taxes		**-3 174**	40 118
Income taxes	13	**4 145**	-5 725
Profit for the reporting period		**971**	34 393
Distribution:			
Parent company shareholders		**507**	33 900
Minority interest		**464**	493
		971	34 393
Profit attributable to parent company shareholders, calculated as earnings per share (EUR/share)	14		
Undiluted earnings per share		**0.01**	0.83
Diluted earnings per share		**0.01**	0.83

All figures in the Annual Report have been rounded and consequently the sum of individual figures may deviate from the sum presented.

* Notes from page 33.

CONSOLIDATED BALANCE SHEET, IFRS

EUR 1 000	Note *	31 Dec 2008	31 Dec 2007
ASSETS			
Non-current assets			
Property, plant and equipment	16	1 311 969	1 139 576
Goodwill	17	105 644	108 660
Other intangible assets	17	12 947	9 899
Investment properties	18	1 580	1 584
Share of associated companies	19	1 526	1 526
Other financial assets	20	4 793	4 797
Receivables	21	3 848	9 173
Deferred tax assets	22	2 734	2 051
		1 445 041	1 277 265
Current assets			
Inventories	23	5 252	6 908
Accounts receivable and other receivables	24	73 474	91 191
Income tax receivables		76	63
Bank and cash	25	10 509	26 913
		89 312	125 075
Total assets		1 534 352	1 402 340
SHAREHOLDER'S EQUITY			
Equity attributable to parent company shareholders	26		
Share capital		81 384	81 384
Share premium account		24 525	24 525
Fair value reserve		-2 807	-4 544
Translation differences		379	152
Retained earnings		332 927	332 601
		436 409	434 118
Minority interest		1 531	1 534
Total shareholders' equity		437 940	435 652
LIABILITIES			
Long-term liabilities			
Deferred tax liabilities	22	96 835	103 910
Interest-free liabilities	29	370	1 314
Pension liabilities	31	3 026	2 358
Provisions	27	4 277	2 284
Interest-bearing liabilities	28	789 692	593 817
		894 201	703 682
Current liabilities			
Accounts payable and other liabilities	29	78 293	99 459
Income tax liabilities		110	491
Provisions	27	2 930	672
Current interest-bearing liabilities	28	120 878	162 384
		202 212	263 006
Total liabilities		1 096 412	966 688
Total shareholders' equity and liabilities		1 534 352	1 402 340

* Notes from page 33.

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1 000	Note *	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Cash flow from operations			
Profit for reporting period		**971**	34 393
Adjustments:			
Non-cash transactions	30	**64 508**	39 561
Financial income and expenses		**35 672**	28 937
Taxes		**-4 145**	5 725
Changes in working capital:			
Change in accounts receivable and other receivables		**17 446**	66
Change in inventories		**1 866**	-1 496
Change in accounts payable and other liabilities		**-20 434**	11 766
Change in provisions		**3 230**	197
Interest paid		**-34 101**	-20 988
Interest received		**1 383**	1 397
Taxes paid		**-2 747**	-1 087
Other financing items		**-1 261**	-3 948
Net cash flow from operating activities		**62 387**	94 524
Cash flow from investing activities			
Acquisition of subsidiaries		**-194**	
Investments in tangible and intangible assets		**-235 849**	-392 780
Sale of tangible assets		**1 537**	30 819
Disposal of associated companies			200
Proceed sale of investments			243
Reduction in share capital, minority interest			-598
Dividends received		**5**	16
Net cash used in investing activities		**-234 501**	-362 099
Cash flow from financing activities			
Loan withdrawals		**280 267**	309 307
Net increase in current interest-bearing liabilities		**-45 867**	79 907
Repayment of loans		**-78 700**	-96 440
Increase / decrease in long-term receivables		**694**	770
Dividends paid		**-647**	-17 483
Net cash flow used in financing activities		**155 747**	276 062
Change in cash and cash equivalents		**-16 367**	8 487
Cash and cash equivalents 1 January		**26 913**	18 436
Effect of foreign exchange rate changes		**-37**	-10
Cash and cash equivalents 31 December		**10 509**	26 913

* Notes from page 33.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY, IFRS

EUR 1 000	Equity attributable to parent company shareholders						Minority interest	Total shareholders' equity
	Share capital	Share issue premium	Translation differences	Fair value reserves	Retained earnings	Total		Total
Shareholders' equity 31 Dec 2006	**81 384**	**24 525**	**28**		**315 791**	**421 728**	**2 028**	**423 757**
Cash flow hedges				-6 141		-6 141		-6 141
Deferred tax in equity				1 597		1 597		1 597
Translation differences			124			124	3	127
Profit for the reporting period					33 900	33 900	493	34 393
Total recognised income and expenses for the period			124	-4 544	33 900	29 480	496	29 976
Dividend					-17 091	-17 091	-392	-17 483
Reduction of share capital							-598	-598
					-17 091	-17 091	-990	-18 081
Shareholders' equity 31 Dec 2007	**81 384**	**24 525**	**152**	**-4 544**	**332 601**	**434 118**	**1 534**	**435 651**
Cash flow hedges				347		347		347
Deferred tax in equity				-90		-90		-90
Currency valuation of deferred tax liability				1 481		1 481		1 481
Translation differences			227			227		227
Profit for the reporting period					507	507	464	971
Total recognised income and expenses for the period			227	1 737	507	2 471	464	2 936
Dividend					-180	-180	-467	-647
Shareholders' equity 31 Dec 2008	**81 384**	**24 525**	**379**	**-2 807**	**332 927**	**436 409**	**1 531**	**437 940**

PROFIT AND LOSS ACCOUNT, PARENT COMPANY, FAS

EUR 1 000	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Revenue	**285 448**	296 112
Other income from operations	**828**	4 179
Materials and services	**-72 830**	-67 074
Personnel expenses	**-25 536**	-23 308
Depreciation, amortisation and other write-offs	**-11 694**	-14 864
Other operating expenses	**-174 096**	-188 337
Operating profit	**2 121**	6 708
Financial income and expense	**-6 565**	-9 938
Profit/loss before extraordinary items	**-4 444**	-3 230
Extraordinary items		-34 002
Profit/loss before appropriations and taxes	**-4 444**	-37 232
Appropriations	**4 444**	37 624
Income taxes	**0**	-31
Profit for the reporting period	**0**	360

All figures in the Annual Report have been rounded and consequently the sum of individual figures may deviate from the sum presented. This annual report does not contain full financial statements of the parent company but this information with notes is available at www.finnlines.com.

BALANCE SHEET, PARENT COMPANY, FAS

EUR 1 000	31 Dec 2008	31 Dec 2007
ASSETS		
Non-current assets		
Intangible assets	11 420	11 065
Tangible assets	315 213	223 292
Investments		
Shares in Group companies	315 236	315 236
Other investments	5 646	5 646
	647 517	555 240
Current assets		
Inventories	1 491	1 950
Long-term receivables	616 340	592 747
Short-term receivables	171 840	188 589
Marketable securities		13 363
Bank and cash	2 562	6 014
	792 234	802 662
Total assets	1 439 751	1 357 902
EQUITY AND LIABILITIES		
Shareholder's equity		
Share capital	81 384	81 384
Share premium account	24 525	24 525
Retained earnings	92 747	92 567
Profit for the reporting period		360
Total shareholders' equity	198 657	198 837
Accumulated appropriations	144 270	148 714
Liabilities		
Long-term liabilities		
Interest-bearing	850 759	649 713
Interest-free	397	1 168
	851 156	650 881
Current liabilities		
Interest-bearing	216 412	292 139
Interest-free	29 256	67 331
	245 668	359 470
Total liabilities	1 096 824	1 010 351
Total shareholders' equity and liabilities	1 439 751	1 357 902

CASH FLOW STATEMENT, PARENT COMPANY, FAS

EUR 1 000	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Cash flow from operations		
Profit for the reporting period	0	360
Adjustments for:		
Depreciation, amortisation & impairment loss	11 694	14 864
Gains (-) and Losses (+) of disposals of fixed assets and other non-current assets	-452	3 295
Unrealised currency differences	-196	490
Financial income and expenses	6 761	9 448
Income taxes		31
Other adjustments	-4 444	-3 622
	13 362	24 867
Changes in working capital:		
Change in inventories, addition (+), decrease (-)	459	-839
Change in accounts receivable, addition (-), decrease (+)	1 643	-716
Change in accounts payable, addition (+), decrease (-)	-4 585	82
	10 879	23 394
Interest paid	-49 837	-29 290
Dividends received	474	2 609
Interest received	43 484	26 461
Other financing items	-758	-3 682
Income taxes paid		438
	-6 637	-3 463
Net cash flow from operations	4 242	19 932
Cash flows from investing activities		
Investments in tangible and intangible assets	-104 049	-319 229
Proceeds from sale of tangible and intangible assets	530	516
Acquisition of subsidiaries, net of cash acquired		-501
Proceeds from sale of investments		241
Loans granted	-58 424	-43 580
Proceeds from repayments of loans	15 747	759
Net cash used in investing activities	-146 195	-361 794
Net cash before financing activities	-141 953	-341 862
Cash flows from financing activities		
Proceeds from short-term borrowings		112 731
Repayment of short-term borrowings	-76 493	
Proceeds of long-term borrowings	279 606	350 879
Repayment of long-term borrowings	-77 794	-95 592
Dividends paid	-180	-17 091
Net cash used in financing activities	125 139	350 927
Change in cash and cash equivalents	-16 815	9 065
Cash and cash equivalents on 1 Jan	19 377	10 322
Effect of foreign exchange rate changes		-10
Cash and cash equivalents on 31 Dec	2 562	19 377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Finnlines is one of the largest European shipping companies specialised in liner cargo services. The Group's operations are centred on sea transports in the Baltic Sea and North Sea areas and on providing port services in Finland and Norway. Through its subsidiaries and associated companies, the Group has operations in eight northern European countries and in Russia. The Group's services are also offered throughout Europe via an extensive network of agents. The Group's parent company, Finnlines Plc, is a Finnish public limited company, which operates under Finnish jurisdiction and legislation. The parent company is registered in Helsinki at Porkkalankatu 20, 00180 Helsinki. Copies of financial statements can be obtained from www.finnlines.com or the company's headquarters.

These Consolidated Financial Statements were authorised for issue by the Board of Directors of Finnlines Plc on 18 February 2009. In accordance with the Finnish Companies Act, the financial statements are presented for approval to the Annual General Meeting.

2. ACCOUNTING PRINCIPLES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), using the IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2008. The International Financial Reporting Standards mean the standards to be implemented in the EU by regulation (EC) 1606/2002, and the related interpretations. The notes to the consolidated financial statements also comply with Finnish accounting and corporate legislation. Full financial statement information of the parent company is available at www.finnlines.com.

The consolidated financial statements are primarily prepared using the acquisition cost method. Exceptions to this principle are financial assets and liabilities recorded at fair value through profit or loss. Goodwill for business combinations formed before 2004 is equivalent to the book value reported in accordance with the previous accounting standards, and is used as the deemed cost in accordance with IFRS. The classification and accounting of these acquisitions were not adjusted when preparing the consolidated opening balance sheet of 2005.

IMPLEMENTATION OF STANDARDS

The Group adopted the following new standards as of 1 January 2008:

- IFRIC 11 IFRS 2: Group and Treasury Share Transactions
- IFRIC 12: Service Concession Arrangements
- IFRIC 14 IAS 19: The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Amendment to IAS 39 Reclassification of Financial Assets

Adoption of these standards did not have an impact on the Group's financial statements.

Implementation of new or revised standards and interpretations in future accounting periods:

IFRS 3 (revised) Business combinations (effective for annual periods beginning on or after 1 July 2009.) The amendments address e.g. the accounting for acquisition-related costs, step acquisitions, goodwill and non-controlling interest (NCI, previously 'minority interest') and contingent consideration. The Group has not yet determined the potential effects of the standard.

The Group has investigated the impact of the new IFRS 8 Operating Segments standard on the segment information to be published. According to IFRS 8, segment information to be presented has to be based on internal reporting provided to Group management and on the same accounting principles used in this reporting. Group management follows up the profitability of the business and makes the most important business and asset allocation decisions based on the segment structure used earlier. Thus adoption of IFRS 8 will not change the information to be presented notably. Segment information is based on the internal reporting structure of the Group. The Group will apply the new standard as of 1 January 2009.

The Group will implement the IAS 1 standard, Presentation of Financial Statements, for the reporting period beginning on 1 January 2009. The revised standard will mainly change the way the financial statements are presented. The Group expects the change to have an impact mainly on the presentation of the profit and loss account and the statement of changes in shareholders' equity.

The Group will implement the revised IAS 23 Borrowing Costs standard for the reporting period beginning on 1 January 2009. The revised standard requires that the borrowing costs for an asset, e.g. a plant, must be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. The Group has earlier already capitalised all borrowing costs for significant assets acquired (e.g. during construction of vessels) on the balance sheet as part of the acquisition cost of the asset. The Group does not therefore expect the adoption of the new standard to have a significant impact on future financial statements.

IAS 27 (revised) Consolidated and separate financial statements (effective for annual periods beginning on or after 1 July 2009). The amendments to IAS 27 reflect changes to the accounting for non-controlling (minority) interest and deal primarily with the accounting for changes in ownership interests in subsidiaries after control is obtained, the accounting for the loss of control of subsidiaries, and the allocation of profit or loss to controlling and non-controlling interests in a subsidiary. The Group has not yet determined the potential effects of the standard.

Interpretations of IFRIC 15, IFRIC 16, IFRIC 17 and IFRIC 18 will be applied as of 1 January 2009 but are not expected to have an impact on the Group's financial statements.

Of the above mentioned interpretations, IFRIC 12, 15, 16, 17 and 18 have not yet been approved for application in the EU.

Accounting principles that require management discretion and essential uncertainties related to estimates

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

CONSOLIDATION PRINCIPLES

Subsidiaries

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

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

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

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

Associated companies

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

DISCONTINUED OPERATIONS AND OPERATIONS FOR SALE

A discontinued operation or an operation for sale results from a decision to divest separate, major business operations for which assets, liabilities and net profits can be separated physically, operationally and for financial reporting. Profits from discontinued operations and operations for sale are presented in the profit and loss account as a separate item after the profit for continued operations. The comparative income statement of the previous period is adjusted accordingly. However, the comparative balance sheet is not adjusted but the assets and liabilities of the discontinued operations are separated from the assets and liabilities of continued operations from the date they are classified as discontinued or for sale.

TRANSLATION OF FOREIGN CURRENCY ITEMS

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

Vessels and ship shares	30–35 years
Buildings	10–40 years
Constructions	5–10 years
Stevedoring machinery and equipment	5–25 years
Light machinery and equipment	3–5 years

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

The depreciation on a tangible asset stops when the asset is classified as being held for sale in accordance with the IFRS 5 standard (Non-current Assets Held for Sale and Discontinued Operations).

Gains and losses on retirement and disposal of tangible assets are recognised under other income or expenses from operations.

If the book value of an asset exceeds its current recoverable amount, the value of the asset is written off to correspond to its recoverable amount. The recoverable amount of material assets is estimated mainly as part of the cash-generating unit.

Any interest and deposit charges from long-term projects for the construction of tangible assets are capitalised as part of the fixed assets. Other interest expenses incurred in relation to asset purchases are recognised as expenses for the reporting period during which they were incurred.

GOVERNMENT GRANTS

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

INTANGIBLE ASSETS

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

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

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

Goodwill

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

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

Research and development expenses

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

Other intangible assets

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

INVESTMENT PROPERTIES

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

IMPAIRMENT

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

Assets are evaluated for signs of impairment. If there are signs of impairment, the current recoverable amount of the asset in question is calculated using the higher of its current net selling price or its value in use. If the book value exceeds the current recoverable amount, the difference is recognised in the profit and loss account as an impairment loss. Impairment losses recognised previously are reversed if the assumptions used in the calculation of the current recoverable amount change. Impairment losses are reversed only up to the amount corresponding to what the book value would have been without the impairment loss. Impairment losses recognised for goodwill are not reversed.

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

FINANCIAL ASSETS AND LIABILITIES

Financial assets

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

Financial assets are written off the balance sheet when the Group loses its contractual right to their cash flow or when the Group has transferred a significant amount of the risks and profits outside the Group.

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

Held-to-maturity investments are valued at amortised cost. In 2008 and 2007, the Group had no financial assets in this category. Available-for-sale financial assets are valued at fair value after their acquisition. Generally the fair value of investments in this category is determined based on quoted prices published on the active market, i.e. bid quotations on the balance sheet date. Unrealised gains and losses arising from valuation at fair value are recognised in the fair value fund under shareholders' equity. If financial assets available for sale are sold or permanently impaired, the cumulative gains and losses are recognised in the profit and loss account under financial income and expenses. Available-for-sale financial assets are included in non-current assets unless the company intends to sell them within the 12 months following the balance sheet date, in which case they are included under current assets.

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

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

Financial liabilities

Financial liabilities are initially recognised at the value of the original loan amount less direct transaction charges incurred in relation to the acquisition or issuing of the financial liability item in question. Later, all financial liabilities are valued at amortised cost using the effective interest method. Financial liabilities are included in both long-term and short-term liabilities and they can be either interest-bearing or non-interest-bearing.

Derivatives that do not meet the conditions of hedge accounting are classified as assets held for trading and are valued at fair value. Negative derivative fair values are recognised under short-term liabilities on the balance sheet.

Borrowing costs

Borrowing costs are recognised as expenses for the accounting period during which they have arisen, except for the borrowing costs capitalised for construction contracts. The total of the capitalised costs and the items to which they have been capitalised at acquisition cost are shown in the notes to "Property, plant and equipment".

DERIVATIVES AND HEDGE ACCOUNTING

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

The Group hedges against risks arising from changes in foreign currency rates. Such risks include acquisitions of vessels made partly or fully in a foreign currency. The Group has ordered six ro-ro vessels from the Chinese Jinling shipyard at a total price of around EUR 240 million. These ships will be paid mainly in USD but those instalments have been fully hedged against changes in the EUR/USD exchange rate. The Group applies hedge accounting in accordance with IAS 39 to these derivative contracts for the spot part of the forward exchange. It is considered as hedging of a highly probable cash flow.

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

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

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

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

LEASES

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

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

INVENTORIES

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

SHARE CAPITAL

The share capital consists only of ordinary shares. Direct costs (minus tax) arising from a new share issue are recognised under shareholders' equity as a deduction from the income received from the issue. When the company acquires treasury shares, the sum paid for them and all direct costs (minus any applicable taxes) are deducted from the shareholders' equity.

INCOME TAXES

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

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

Deferred tax assets are recognised in the accounts up to the amount at which it is likely that taxable income will be generated in the future, against which the tax receivables can be used. No deferred taxes are recognised for subsidiaries' undistributed earnings.

EMPLOYEE BENEFITS

Pension liabilities

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

Employee pension plans are organised through external pension insurance companies. The Finnish Tyel pension insurance organized through external pension insurance companies is treated as defined contribution plans as of 1 January 2006.

In defined contribution plans, the company makes fixed payments into the plan. The company has no legal or actual obligation to make additional payments if the pension insurance company is unable to pay out the benefits earned by employees in the current period or in previous periods. Payments made into defined contribution plans are recognised in the profit and loss account in the reporting period to which the payment applies.

In defined benefit plans, the employer's pension liability is based on the current value of the obligation defined in the plan and on the fair value of the assets included in the plan, which are calculated using actuarial calculations determined in the IAS 19 standard.

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

In the Group's defined benefit plans, the opening balance at the time of transfer includes all the accrued actuarial profits and losses. After that the actuarial profits and losses are recognised through profit or loss over the average employment time to the extent that they exceed the higher of the following: 10 per cent pension obligation or 10 per cent of the fair value of plan assets.

Share-based payments

The IFRS 2 standard is applied to all share option schemes in which options have been granted after 7 November 2002, but did not vest before 1 January 2005. Expenses for any previous share option schemes have not been recognised in the profit and loss account. On the balance sheet date, the Group had no share option schemes in force.

PROVISIONS

Provisions are recognised when the company, as a consequence of previous events, has a legal or actual obligation whose monetary value can be reliably determined and whose realisation is probable. The amount recognised as provisions is equivalent to the best estimate of the expenses that will be incurred by fulfilling the obligations existing on the balance sheet date. The amount used for provisions is the current value of the expected expenses.

REVENUE RECOGNITION

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

SEGMENT REPORTING

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

3. SEGMENT INFORMATION

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

PRIMARY SEGMENT REPORTING – BUSINESS SEGMENTS

The Group has two business segments: Shipping and Sea Transport Services, and Port Operations.

SHIPPING AND SEA TRANSPORT SERVICES

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

PORT OPERATIONS

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

EUR 1 000	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
Profit per segment for the reporting period ending 31 Dec 2008:				
Total sales from segment	643 666	122 150		765 816
Inter-segment sales	1 448	28 621	-30 069	-30 069
External sales	**645 115**	**150 770**	**-30 069**	**735 747**
Operating profit for segment	**47 849**	**-12 406**		**35 443**
Financial items				-38 617
Income taxes				4 145
Profit for the reporting period				**971**
Profit per segment for the reporting period ending 31 Dec 2007:				
Total sales from segment	585 067	133 155		718 222
Inter-segment sales	1 407	31 351	-32 758	-32 758
External sales	**583 660**	**101 804**		**685 464**
Operating profit for segment	**61 653**	**7 163**		**68 816**
Financial items				-28 698
Income taxes				-5 725
Profit for the reporting period				**34 393**

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

EUR 1 000	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
Expenses in the profit and loss account, no cash-flow relating:				
2008				
Depreciation	-52 206	-7 440	-27	-59 674
Write-off of goowill		-3 016		
Write-offs in accounts receivable	-770	-76		-846
Change in provisions	-626	-1 958		-2 584
2007				
Depreciation	-46 318	-6 764		-53 082
Write-off of goowill				
Write-offs in accounts receivable	-92	-109		-201
Change in provisions	-933			-933
Assets, liabilities and investments by segment:				
2008				
Segment assets	1 378 028	136 216	-2 760	1 511 484
Investment in associated companies consolidated by the equity method	1 526			1 526
Unallocated assets				21 342
Total assets	**1 379 554**	**136 216**	**-2 760**	**1 534 352**
Segment liabilities	56 002	94 284	-78 268	72 018
Unallocated liabilities				1 024 394
Total liabilities	**56 002**	**94 284**	**-78 268**	**1 096 412**
Investments	**183 392**	**50 036**	**2 835**	**236 263**
2007				
Segment assets	1 265 263	101 413	-4 203	1 362 473
Investment in associated companies consolidated by the equity method	1 526			1 526
Unallocated assets				38 341
Total assets	**1 266 789**	**101 413**	**-4 203**	**1 402 340**
Segment liabilities	69 289	86 455	-67 521	88 224
Unallocated liabilities				878 465
Total liabilities	**69 289**	**86 455**	**-67 521**	**966 688**
Investments	**350 977**	**40 360**		**391 337**

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

Investments include additions to tangible assets (Note 16) and intangible assets (Note 17), without additions made through business acquisitions.

SECONDARY SEGMENT REPORTING – GEOGRAPHICAL SEGMENTS

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

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

EUR 1 000	2008	2007
Revenue		
Finland	**406 767**	368 688
Other EU countries	**290 083**	270 304
Other	**38 896**	46 473
	735 747	685 464
Assets		
Finland	**955 489**	895 220
Other EU countries	**584 468**	496 158
Other	**5 067**	8 166
Internal items	**-34 748**	-37 595
Unallocated	**24 076**	40 392
	1 534 352	1 402 340
Investments		
Finland	**159 880**	135 005
Other EU countries	**75 831**	252 368
Other	**552**	3 964
	236 263	391 337

4. DISCONTINUED OPERATIONS

During 2008 or 2007, there were no operations to be classified under IFRS 5.

5. ACQUIRED BUSINESS OPERATIONS

During 2008 or 2007, there were no operations to be classified under IFRS 3.

6. DISTRIBUTION OF REVENUE

The Group's revenue is generated by rendering Sea Transport and Port Operations Services. Services are offered to freight and passenger traffic customers.

7. OTHER INCOME FROM OPERATIONS

EUR 1 000	**2008**	2007
Other income from operations		
Rental income	**1 136**	1 225
Profits from sale of fixed assets	**1 214**	13 960 *
Other income from operations	**79**	136
	2 429	15 320

* Profits from the sale of fixed assets mainly include gains from sales of two vessels, MS Malmö-link and MS Lübeck-link.

8. MATERIALS AND SERVICES

EUR 1 000	**2008**	2007
Cost of services provided		
Materials and supplies		
Purchases during reporting period	**-187 302**	-139 786
Change in inventories	**-435**	627
Purchased services	**-70 450**	-66 745
	-258 187	-205 904

9. PERSONNEL EXPENSES

EUR 1 000	2008	2007
Employee benefit expenses		
Salaries	**-110 937**	-104 317
Other social costs	**-17 002**	-16 292
Pension expenses – defined contribution plans	**-15 077**	-14 388
Pension expenses – defined benefit plans	**-1 180**	-429
Government grants for shipping companies	**21 251**	18 777
	-122 944	-116 648
Average number of Group employees		
Shipping and Sea Transport Services	**1 430**	1 321
Port Operations	**1 006**	1 014
	2 436	2 335

10. DEPRECIATION AND AMORTISATION AND OTHER WRITE-OFFS

EUR 1 000	2008	2007
Depreciation and amortisation of fixed assets and of investment properties		
Depreciation of tangible assets		
Buildings and constructions	**-3 029**	-3 769
Machinery and equipment	**-6 189**	-5 525
Vessels and ship shares	**-48 264**	-41 801
Amortisation of intangible assets	**-2 189**	-1 984
Depreciation of investment properties	**-4**	-4
Impairment loss on Goodwill	**-3 016**	
Total depreciation and amortisation	**-62 690**	-53 082

The new Vuosaari Harbour started operations on schedule at the end of November in 2008. Finnsteve Oy has revised the depreciation periods of the buildings located at Helsinki's West and North Harbours so that values were fully depreciated on the balance sheet day.

11. OTHER OPERATING EXPENSES

EUR 1 000	2008	2007
Other operating expenses		
Personnel-related costs	**-10 103**	-9 635
Port expenses and other vessel voyage related costs	**-62 052**	-58 496
Lease expenses	**-85 314**	-98 303
Other expenses	**-101 442**	-89 900
	-258 912	-256 334

12. FINANCIAL INCOME AND EXPENSES

EUR 1 000	2008	2007
Dividend income, available-for-sale assets	5	16
Profit earned from the sale of available-for-sale assets		145
Debts carried at amortised cost, valuation (gain)		168
Derivative valuation at fair value (gain)		
Currency derivatives, non-hedge accounting		822
Interest income		
Bank deposits	867	867
Loans and accounts receivable	268	275
Currency derivatives, non-hedge accounting	247	248
Exchange rate gains		
Loans carried at amortised cost	255	1 308
Currency derivatives, non-hedge accounting	562	321
Other exchange rate gains	1 181	1 039
Other financial income	37	49
Total financial income	3 422	5 258
Interest expenses		
Borrowings measured at amortised cost	-34 967	-26 325
Interest-rate swaps, non-hedge accounting	320	-78
Currency derivatives, non-hedge accounting	-6	-61
Derivative valuation at fair value (loss)		
Interest-rate swaps, non-hedge accounting	-2 958	-249
Currency derivatives, non-hedge accounting	-134	
Exchange rate losses		
Loans carried at amortised cost	-19	-480
Currency derivatives, non-hedge accounting	-130	-3 996
Other exchange rate losses	-2 590	-1 288
Other financial expenses	-1 555	-1 479
Total financial expenses	-42 039	-33 956
Net financial expenses	-38 617	-28 698

Operating profit includes EUR 1.1 million in exchange rate losses for 2008 (EUR 40,000 loss in 2007).

13.INCOME TAXES

EUR 1 000	2008	2007
Tax on taxable income of the reporting period	-1 497	-1 340
Tax from previous periods	-1 120	-19
Change in deferred taxes	6 762	-5 705
Change in tax provision (liabilities)		1 339
Taxes in profit and loss account, expense (-)	4 145	-5 725

Reconciliation of differences between tax on the profit and loss account and taxes calculated using Finnish tax rates (2008: 26 per cent, 2007: 26 per cent):

EUR 1 000	2008	2007
Profit before taxes	**-3 174**	40 118
Tax calculated using Finnish tax rate *	**825**	-10 431
Foreign subsidiaries' differing tax rates	**608**	-2 709
Tax-exempt income and non-deductible expenses	**2 232**	6 095
Tax from previous periods	**-1 120**	-19
Effect of change in tax rate on tax 1 Jan (net) **	**1 600**	1 339
Tax expenses in profit and loss account, continuing operations	**4 145**	-5 725

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

** As of January 2009 the applicable corporation tax rate in Sweden changed from 28 per cent to 26.3 per cent.

14. EARNINGS PER SHARE

UNDILUTED

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

EUR 1 000	2008	2007
Profit for the reporting period (EUR 1,000)	**507**	33 900
Weighted average no of shares (1,000)	**40 692**	40 692
Undiluted earnings per share (EUR/share)	**0.01**	0.83

DILUTED

Diluted earnings per share are calculated taking into account the diluting effect of the conversion into shares of all ordinary shares with diluting potential. The diluting effect was no longer generated in 2007 or 2008, because the number of outstanding shares did not change in 2007 or 2008 and the company has no option schemes.

15. DIVIDENDS

In 2007, EUR 17,090,622 was paid out in dividends (EUR 0.42 per share).
In 2008, EUR 180,216 was paid out in dividends (EUR 0.004 per share).

The parent company's non-restricted equity on December 31, 2008 is EUR 92,747,356.47 of which net profit from the financial year is EUR 0.00. The Board of Directors will propose to the Annual Shareholders' Meeting that no dividend be paid out for 2008 due to the weak financial performance, poor economic prospects in the immediate future and the ongoing extensive investment programme.

16. PROPERTY, PLANT AND EQUIPMENT

EUR 1 000	Land	Buildings	Vessels and ship shares	Machinery and equipment	Advance payments and acquisitions under construction	Total *
Reporting period ending 31 Dec 2007						
Acquisition cost 1 Jan	363	44 474	864 330	74 958	98 768	1 082 893
Exchange rate differences		4		4		8
Acquisition of subsidiaries						
Increases		460	32 332	10 397	346 371	389 559
Disposals	-25	-198	-59 680	-3 560	-136	-63 598
Reclassifications			327 988	19	-327 988	19
Acquisition cost 31 Dec	339	44 739	1 164 970	81 818	117 014	1 408 880
Accumulated depreciation, amortisation and write-offs 1 Jan		-25 539	-192 090	-47 287		-264 916
Exchange rate differences		-1		12		11
Cumulative depreciation on acquisitions						
Cumulative depreciation on reclassifications and disposals		63	43 333	3 298		46 694
Depreciation for the reporting period		-3 769	-41 801	-5 525		-51 094
Accumulated depreciation, amortisation and write-offs 31 Dec		-29 246	-190 558	-49 501		-269 305
Book value 31 Dec	339	15 493	974 412	32 317	117 014	1 139 575
Reporting period ending 31 Dec 2008						
Acquisition cost 1 Jan	339	44 739	1 164 970	81 818	117 014	1 408 880
Exchange rate differences		-22		-1 471		-1 493
Acquisition of subsidiaries				121		121
Increases		1 762	126 197	20 663	82 341	230 963
Disposals		-58	-1 475	-5 281		-6 814
Reclassifications		60 216		13 676	-73 954	-62
Acquisition cost 31 Dec	339	106 638	1 289 692	109 525	125 401	1 631 595
Accumulated depreciation, amortisation and write-offs 1 Jan		-29 246	-190 558	-49 501		-269 305
Exchange rate differences		11		731		741
Cumulative depreciation on acquisitions						
Cumulative depreciation on reclassifications and disposals		43	1 427	4 949		6 418
Depreciation for the reporting period		-3 029	-48 264	-6 189		-57 481
Accumulated depreciation, amortisation and write-offs 31 Dec		-32 221	-237 395	-50 010		-319 627
Book value 31 Dec	339	74 417	1 052 297	59 515	125 401	1 311 968

* Balance sheet value for tangible fixed assets includes EUR 19.7 million (17.9 million in 2007) in capitalised interest during construction.

Interests booked under advance payments include interest on advance payments of six new ro-ro vessels ordered from Jinling shipyard.
Balance sheet value of advance payments include EUR 4.6 million in capitalised interest (EUR 2.2 million in 2007).
Capitalisation in 2008 is based on interest-rate of 4.9 per cent (4.3 per cent in 2007).

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

EUR 1 000	Machinery and equipment	Buildings and constructions	Total
31 Dec 2007			
Acquisition cost		7 181	7 181
Accumulated depreciation and amortisation		-1 440	-1 440
Book value		5 741	5 741
31 Dec 2008			
Acquisition cost	2 305	7 181	9 486
Accumulated depreciation and amortisation	-32	-1 751	-1 783
Book value	2 273	5 430	7 703

There were no assets leased through finance leases in 2007. Acquisition cost of machinery and equipment include EUR 2.3 million assets financed by finance lease in 2008.

17. GOODWILL AND OTHER INTANGIBLE ASSETS

EUR 1 000	Goodwill	Advance payments for intangible assets	Other intangible assets *	Total intangible assets
Reporting period ending 31 Dec 2007				
Acquisition cost 1 Jan	139 213	4 244	19 900	163 357
Exchange rate differences	34			34
Increases		372	1 406	1 778
Disposals	99	-9	-333	-243
Reclassifications		-4 235	4 216	-19
Acquisition cost 31 Dec	139 346	372	25 188	164 907
Accumulated depreciation, amortisation and write-offs 1 Jan	-30 554		-14 008	-44 561
Exchange rate differences	-34			-34
Cumulative depreciation on reclassifications and disposals	-99		330	231
Cumulative depreciation on sales of subsidiaries				
Depreciation for the reporting period			-1 984	-1 984
Accumulated depreciation, amortisation and write-offs 31 Dec	-30 686		-15 662	-46 348
Book value 31 Dec	108 660	372	9 526	118 558

EUR 1 000				
Reporting period ending 31 Dec 2008	Goodwill	Advance payments for intangible assets	Other intangible assets *	Total intangible assets
Acquisition cost 1 Jan	139 346	372	25 188	164 907
Exchange rate differences	-44			-44
Acquisition of subsidiaries			348	348
Increases		1 982	2 849	4 831
Disposals			-1 424	-1 424
Reclassifications			62	62
Acquisition cost 31 Dec	139 302	2 355	27 023	168 680
Accumulated depreciation, amortisation and write-offs 1 Jan	-30 686		-15 662	-46 348
Exchange rate differences	44			44
Cumulative depreciation on reclassifications and disposals			1 420	1 420
Cumulative depreciation on sales of subsidiaries				
Depreciation for the reporting period			-2 189	-2 189
Impairments	-3 016			-3 016
Accumulated depreciation, amortisation and write-offs 31 Dec	-33 659		-16 431	-50 090
Book value 31 Dec	105 644	2 355	10 592	118 590

* Other intangible assets mainly consist of capitalised ERP software implementation projects and licences, which are estimated to have useful lives longer than one financial year. These systems and licences are expected to generate economic benefits over a time span longer than the reporting period.

GOODWILL IMPAIRMENT TESTING

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

EUR 1 000	**2008**	2007
Allocation of goodwill to the cash-generating units		
NordöLink	**68 972**	68 972
HansaLink (Finland–Germany traffic)	**36 671**	36 671
Finnsteve Kotka operations *		3 016
Total	**105 644**	108 660

* Finnsteve Oy's acquisition of shares in TBE System Oy Ltd on 1 January 2006.
Goodwill was written down in 2008 based on impairment test.

SEGMENT-LEVEL SUMMARY OF GOODWILL ALLOCATION

EUR 1 000	Shipping and Sea Transport Services	Port Operations	Group
2008			
Finland			
Other EU countries	105 644		105 644
Other countries			
	105 644		105 644
2007			
Finland		3 016	3 016
Other EU countries	105 644		105 644
Other countries			
	105 644	3 016	108 660

The current recoverable amount of cash-generating units is determined based on their value in use. The calculations are based on cash flow forecasts based on extensive five-year budgets and forecasts (three-year budgets and forecasts in port operations).

In 2007 the Finnlines Group completed an extensive investment programme, which included five ro-pax vessels, each worth about EUR 100 million. In addition to freight capacity, the new ships have substantial passenger facilities (500 passenger berths each). Two of these vessels were delivered in 2006 to Finnlines' Finland–Germany service (HansaLink) and the remaining three during 2007 – one to Finland–Germany service (HansaLink) and the other two to Malmö–Travemünde (NordöLink) traffic. In addition, two old Hansa-class vessels were placed to NordöLink traffic after a conversion that increased their cabin capacity and made them drive-through ships. The vessels previously operating in NordöLink traffic (Malmö-link and Lübeck-link) were sold in 2007. Due to the investment programme, the book values of HansaLink and NordöLink have considerably risen in goodwill impairment testing.

Due to recent changes in the market situation, Finnlines has decided to transfer one Star-class vessel from NordöLink traffic to Finnlines' Germany traffic during 2009. Furthermore, one Hansa-class vessel will be transferred from Finland–Germany traffic to the Lübeck–St. Petersburg route.

The budget for 2008 has been drawn up based on a vessel plan, which covers the new and converted ships introduced in 2006-2007. In addition, calculations include above mentioned changes in the vessel plan to be implemented in the first half of 2009. Due to the substantial increase in the capacity, the Group expects its income during the five-year forecast period to slightly exceed the market growth. Particularly the revenue of the passenger services is expected to grow rapidly in the next five years. Towards the end of the forecast period, the proportion of passenger services is expected to grow in the units' cash flows.

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

The most important factors affecting cash flows are the vessel capacity utilisation rate, risk-free rate of interest on liabilities and the equity ratio. The interest rate of a 10-year government loan has been used as the risk-free rate of interest and 35 (35) per cent as the Group's equity ratio.

Main assumptions used in calculating value in use in 2008			
	Cash-generating unit		
	HansaLink	NordöLink	Finnsteve Kotka
Discount rate (pre-tax)	6.49%	6.89%	6.54%
LTP period	2009–2013	2009–2013	2009–2011
Length of the 2nd forecast period	2014–2016	2014–2016	2012–2014
- yearly growth rate (for 2nd forecast period)	2.00%	2.00%	2.00%
Growth rate after 2nd forecast period	2.00%	2.00%	2.00%

Main assumptions used in calculating value in use in 2007			
	Cash-generating unit		
	HansaLink	NordöLink	Finnsteve Kotka
Discount rate (pre-tax)	6.76%	6.73%	6.71%
LTP period	2008–2012	2008–2012	2008–2010
Length of the 2nd forecast period	2013–2015	2013–2015	2011–2013
- yearly growth rate (for 2nd forecast period)	2.00%	2.00%	2.00%
Growth rate after 2nd forecast period	2.00%	2.00%	2.00%

In the tested units, the current recoverable amounts of the Finland–Germany service (ex. HansaLink) and NordöLink exceed the book value only slightly at the end of 2008. Calculated margin (recoverable amount – the book value) is affected negatively in the Finland–Germany service by a sharp decline in the short-term market conditions and by an increased vessel capacity on the route. Margin in NordöLink is improved by the reduced capacity but is affected negatively by a sharp decline in the short-term market conditions. If the capacity utilisation rate drops under the planned, Finnlines is, even in the short-term, able to make changes to the vessel plan and transfer ships to other routes and either hire them out or sell them to external operators.

Finnsteve's Kotka operations' recoverable amounts dropped distinctly in 2008 from previous year's level due to the loss of a significant customer contract. Impairment test no longer supported the existence of the goodwill and thus, based on the outcome of the test, the goodwill of Finnsteve Kotka operations, amounting EUR 3.016 million, was written off in December 2008.

The cash flow forecast is based on an assumption of the sector's market development in the period covered by the latest budgets. The assumptions used reflect actual development and forecasts for the future, and are consistent with external data.

18. INVESTMENT PROPERTIES

EUR 1 000	**2008**	2007
Acquisition cost 1 Jan	**1 598**	1 598
Acquisition cost 31 Dec	**1 598**	1 598
Accumulated depreciation and amortisation 31 Dec	**-18**	-14
On 31 Dec	**1 580**	1 584

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

19. INVESTMENTS IN ASSOCIATED COMPANIES

EUR 1 000	2008	2007
Acquisition cost 1 Jan	**1 526**	2 349
Additions		
Disposals		-822
Acquisition cost 31 Dec	**1 526**	1 526
Share of associated companies' profits		
Book value 31 Dec	**1 526**	1 526

The Group sold its 50 per cent holding in RosEuroTrans in 2007. The Group share of profits of RosEuroTrans was consolidated as an associated company up to the moment of sale.

EUR 1 000	Registered in	Assets	Liabilities	Revenue	Profit / loss	Holding (%)
2007						
Simonaukion pysäköinti	Helsinki	2 996	1	26	-3	50
2008						
Simonaukion pysäköinti *	Helsinki					50

* Information for 2008 not yet available.

The book values for associated companies on 31 December 2008 and 31 December 2007 do not include goodwill.

20. OTHER FINANCIAL ASSETS

During the reporting period, EUR 0 (145) thousand in sales gain was recognised under financial assets available-for-sale.

EUR 1 000	2008	2007
Investments in unlisted shares	**4 793**	4 797
Available-for-sale financial assets 31 Dec	**4 793**	4 797

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

In 2008 and 2007, the Group had no financial assets classified under the category held-to-maturity investments.

21. NON-CURRENT RECEIVABLES

EUR 1 000	2008		2007	
	Fair Value	**Carrying amount**	Fair Value	Carrying amount
Loans and other receivables				
Loan receivables	**2 927**	**2 874**	3 278	3 397
Pension plan receivables	**921**	**921**	653	653
Other receivables	**50**	**50**	50	50
Accrued receivables	**2**	**2**	5 074	5 074
	3 900	**3 848**	9 055	9 173

The Group has a long-term fixed-interest loan receivable in USD related to sales of vessels. 31 December 2008, the unamortised part of the loan was EUR 3,593 (4,076) thousand. Amortisations of the loan in the following year, EUR 719 thousand, are presented under current receivables. The book value of loan receivables was calculated using the effective interest-rate method and the fair value was determined by discounting the future cash flows of the loan at the interest-rate that corresponds to the market interest-rate prevailing on the balance sheet date, 1.2–1.4 per cent (3.9–4.1 per cent) to which a risk premium has been added. The maximum credit risk related to a loan asset is its book value.

22. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred taxes in 2007 and 2008:

EUR 1 000	1 Jan 2007	Reclassi-fication	Recognised in profit and loss account	Exchange rate differences	Acquired businesses	Recognised in share-holders' equity	31 Dec 2007
Deferred tax assets:							
Defined benefit pension plans			84				84
Acquired businesses, fair value valuation	142		-10				132
Confirmed loss	397		-397				
Fair value valuation loss, IAS 32, 39			65				65
Hedge accounting						1 597	1 597
Other differences	77		97				174
	616		-161			1 597	2 051
Defined benefit pension plan, transfer from deferred tax liabilities	105		-105				
Total deferred tax assets	722		-266			1 597	2 052
Deferred tax liabilities:							
Depreciation difference	86 167		-1 164				85 003
Group difference, vessels and cargo handling equipment	9 319		7 466				16 785
Group difference, vessels sold	1 478		-1 478				
Fair value valuation gains, IAS 32, 39	1		257				258
Repurchase reserve	1 238						1 238
Defined benefit pension plans	-105		275				170
Other differences	254		188	14			456
	98 352		5 544	14			103 910
Set off against deferred tax assets	105		-105				
Total deferred tax liabilities	98 457		5 439	14			103 910

EUR 1 000	1 Jan 2008	Reclassi-fication	Recognised in profit and loss account	Exchange rate differences	Acquired businesses	Recognised in share-holders' equity	31 Dec 2008
Deferred tax assets:							
Defined benefit pension plans	84		-84				
Acquired businesses, fair value valuation	132		-115				17
Fair value valuation loss, IAS 32, 39	65		764				828
Hedge accounting	1 597					-90	1 506
Other differences	174		357	-148			382
	2 051		922	-148		-90	2 734
Deferred tax liabilities:							
Depreciation difference	85 003		-5 987				79 016
Acquired businesses, fair value valuation					113		113
Group difference, vessels and cargo handling equipment	16 786	469	-1 164				16 091
Capitalised interest costs during newbuilding		312	1 865				2 177
Fair value valuation gains, IAS 32, 39	258		-203				55
Repurchase reserve	1 238		-144				1 093
Defined benefit pension plans	170		-170				
Deferred tax currency revaluation						-1 481	-1 481
Other differences	456	-781	-38			133	-230
	103 910		-5 841		113	-1 347	96 835

EUR 1 000	2008	2007
Deferred tax assets and liabilities		
Total deferred tax assets	2 734	2 051
Set off against deferred tax liabilities		
Deferred tax assets on balance sheet	2 734	2 051
Deferred tax liabilities	96 835	103 910
Set off against deferred tax assets		
Deferred tax liabilities on balance sheet	96 835	103 910

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

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

23. INVENTORIES

EUR 1 000	2008	2007
Material and equipment	4 765	6 651
Inventory for resale	487	257
Other inventories		
	5 252	6 908

No impairment of inventories was recognised during the reporting period.

24. CURRENT RECEIVABLES

EUR 1 000	2008		2007	
	Fair Value	**Carrying amount**	Fair Value	Carrying amount
Accounts receivable and other receivables				
Loans and other receivables				
Accounts receivable	**48 796**	**48 796**	64 949	64 949
Accrued receivables *	**17 510**	**17 510**	17 113	17 113
Other receivables	**5 725**	**5 725**	7 597	7 597
Loan receivables	**735**	**735**	710	710
Financial assets at fair value through P&L				
Currency derivatives, non-hedge accountig	**709**	**709**	822	822
	73 474	**73 474**	91 191	91 191

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

The Group has ordered six ro-ro vessels from the Chinese Jinling shipyard at a total price of around EUR 240 million. These ships will be paid partly in USD, but instalments have been fully hedged against EUR. The Group applies hedge accounting in accordance with IAS 39 for the spot part of the forward exchange of the above derivative contracts. The interest portion of these forward agreements is handled outside hedge accounting and the generated positive valuation is shown in short-term receivables.

EUR 1 000	2008	2007
*** Significant items of accrued receivables**		
Government grants for shipping companies	**4 259**	5 209
Vessel hire	**3 890**	5 311
Vessel docking costs	**2 914**	3 892
Other accrued receivables	**6 447**	2 701
	17 510	17 113

EUR 1 000	2008	Booked as credit loss	Net 2008
Aging of accounts receivable 2008			
Undue	40 299	726	39 574
Overdue			
1–30 days	8 093	0	8 092
31–60 days	785	0	785
61–90 days	177	1	176
91–360 days	442	62	380
over 360 days	-153	57	-210
Total overdue	9 343	120	9 222
	49 642	846	48 796

EUR 1 000	2007	Booked as credit loss	Net 2007
Aging of accounts receivable 2007			
Undue	51 339	31	51 308
Overdue			
1–30 days	12 569		12 569
31–60 days	1 455		1 455
61–90 days	-635		-635
91–360 days	594	55	539
over 360 days	-172	115	-287
Total overdue	13 811	170	13 641
	65 150	201	64 949

EUR 1 000	2008	2007
Accounts receivable by currency		
EUR	**43 741**	54 615
SEK	**3 285**	6 918
GBP	**964**	1 901
NOK	**724**	1 396
USD	**66**	102
DKK	**15**	17
PLN	**1**	
	48 796	64 949

The book values of accounts receivable and other receivables are reasonable estimates of their fair values. In 2008, the Group has recognised EUR 846 (201) thousand in credit losses for accounts receivable. The maximum credit risk related to accounts receivable and other receivables is their book value.

25. BANK AND CASH

EUR 1 000	2008	2007
Cash in hand and at bank	**10 187**	13 227
Financial instruments (less than 3 months)	**322**	13 687
	10 509	26 913

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

26. SHAREHOLDERS' EQUITY

EUR 1 000	No of shares out-standing (1 000)	Share capital	Share issue premium	Total
31 Dec 2007	40 692	81 382	24 525	105 909
31 Dec 2008	**40 692**	**81 384**	**24 525**	**105 909**

The share capital (ordinary shares) consists of shares in one series. Each share has a nominal value of EUR 2.00 and carries one vote in the AGM. On 31 December 2008, the maximum number of shares was 100 million (100 million on 31 December 2007). The maximum share capital was thus EUR 200 million. All issued shares have been fully paid.

TRANSLATION DIFFERENCES

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

SHARE OPTION SCHEMES

The IFRS 2 standard is applied to all share option schemes in which options have been granted after 7 November 2002 but did not vest before 1 January 2005. Finnlines did not have ongoing option plans in 2007–2008.

OWNERSHIP OF FINNLINES PLC

The share holding of Finnlines Plc is presented in the Annual Report, in section Shares and Shareholders.

27. PROVISIONS

EUR 1 000	**2008**	2007
Non-current provisions	**4 277**	2 284
Current provisions	**2 930**	672
	7 208	2 956

	Tax provision	Other provisions	Total
1 Jan 2008	2 836	120	2 956
Exchange rate differences			
Increases in provisions	498	3 784	4 282
Used provisions		-30	-30
Reversal of unused provisions			
31 Dec 2008	3 334	3 874	7 208

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

Other provisions consist mainly of demolition provisions of buildings located in leased areas, the most significant of them being demolition provisions of buildings in Helsinki's West and North Harbours. The buildings in the West and North Harbour will be demolished in 2009.

28. INTEREST-BEARING LIABILITIES

EUR 1 000	2008		2007	
	Fair Value	**Carrying amount**	Fair Value	Carrying amount
Long-term interest-bearing liabilities measured at amortised cost through P&L				
Loans from financial institutions	**738 028**	**738 280**	571 906	581 345
Pension loans	**42 392**	**43 540**	5 572	5 750
Finance lease liabilities	**7 623**	**7 623**	5 900	5 900
Instalment loans	**249**	**249**	822	822
	788 292	**789 692**	584 201	593 817
Current interest-bearing liabilities measured at amortised cost through P&L				
Loans from financial institutions	**110 307**	**110 307**	120 644	120 644
Bank overdraft facilities	**3 517**	**3 517**		
Pension loans	**5 477**	**5 477**	1 150	1 150
Finance lease liabilities	**555**	**555**	244	244
Accrued liabilities	**121**	**121**		
Instalment plan debts	**567**	**567**	630	630
Commercial paper programme			39 384	39 384
Other liabilities	**333**	**333**	333	333
	120 878	**120 878**	162 384	162 384
Total interest-bearing liabilities	**909 170**	**910 571**	746 586	756 202

The book values of interest-bearing loans from financial institutions and pension liabilities have been calculated using the effective interest method and the fair values have been determined by discounting future cash flows of loans at the interest-rate at which the Group would obtain a similar loan from external parties on the balance sheet date. The total interest comprises risk-free interest of 2.4–3.8 per cent (4.5–4.9 per cent) and a company-specific risk premium. The effective interest-rate of finance lease obligations is assumed to correspond to the valid interest-rate of similar contracts to be made on the balance sheet date. Effectively, fair values of loans are not considered to differ from amortised cost.

EUR 1 000	2008	2007
Maturity of long-term interest-bearing liabilities (not including financial lease liabilities)		
Within 12 months	**119 301**	121 794
1–5 years	**301 048**	232 604
After five years	**484 718**	354 680
	905 067	709 078
Weighted average interest rates of the interest-bearing debts		
Loans from financial institutions	**4.51%**	4.77%
Bank overdraft facilities	**3.49%**	
Commercial paper programme		5.03%
Pension loans	**3.11%**	3.98%
Finance lease liabilities	**4.84%**	5.12%

EUR 1 000	Within 1 year	1–5 years	More than 5 years	Total
Floating rate liabilities, timing of re-pricing 2008				
Financial liabilities				
Loans from financial institutions	509 743			509 743
Bank overdraft facilities	3 517			
Pension loans		43 267		
Financial lease liabilities	2 278	2 367	1 636	6 281
Instalment plan debts	381			381
Commercial paper programme				
Effect of interest swaps	-120 000	120 000		
	395 920	165 634	1 636	516 406
Floating rate liabilities, timing of re-pricing 2007				
Financial liabilities				
Loans from financial institutions	492 259			492 259
Bank overdraft facilities				
Financial lease liabilities		2 490	1 699	4 189
Instalment plan debts	533			533
Commercial paper programme	39 384			39 384
Effect of interest swaps	-120 000	120 000		
	412 176	122 490	1 699	536 364

All of the Group's interest-bearing liabilities were in EUR 31 dec 2007 and 2008. Interest-bearing liabilities include secured liabilities. The securities for these liabilities are worth EUR 1,114 (724) million in assets. This is detailed in Note 33, Contingencies and Commitments.

FINANCE LEASE LIABILITIES

Finance lease liabilities in 2007 consist of two pier ramp structures and one office building. In addition, during 2008 machinery and equipment belonging to port operations business were financed through lease.

EUR 1 000	**2008**	2007
Future minimum lease payments due:		
Within 12 months	**891**	553
1–5 years	**3 557**	2 211
After five years	**6 840**	6 426
	11 288	9 189
Future interest expenses from finance lease agreements	**3 127**	3 021
Current value of minimum lease payments		
Within 12 months	**864**	538
1–5 years	**3 073**	1 897
After five years	**4 241**	3 733
	8 178	6 168

29. ACCOUNTS PAYABLE AND OTHER LIABILITIES

EUR 1 000	2008		2007	
	Fair Value	Carrying amount	Fair Value	Carrying amount
Interest-free liabilities, long-term				
Hedge accounting				
Currency-forward contracts – hedge accounting	**370**	**370**	1 314	1 314
	370	**370**	1 314	1 314
Accounts payable and other liabilities				
Liabilities measured at amortised cost through P&L				
Accounts payable	**17 974**	**17 974**	26 197	26 197
Periodised personnel costs	**13 440**	**13 440**	16 369	16 369
Periodised interest	**9 944**	**9 944**	10 111	10 111
Other accrued liabilities	**21 727**	**21 727**	28 791	28 791
Other liabilities	**11 979**	**11 979**	14 389	14 389
Financial liabilities at fair value through P&L				
Interest-rate swaps – non-hedge accounting	**3 208**	**3 208**	249	249
Currency-forward contracts – non-hedge accounting	**22**	**22**		
Hedge accounting				
Currency-forward contracts – hedge accounting			3 353	3 353
	78 293	**78 293**	99 459	99 459

The Group has an open interest-rate swap made in 2007, where the Group swaps six-month Euribor interest for a fixed three-year interest. The nominal value of the interest-rate swap is EUR 120 million and the duration is three years. This interest-rate swap is measured at fair value through profit or loss, and the negative effect of the change in value is presented in the balance sheet under accounts payable and other liabilities.

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

EUR 1 000	2008	2007
Significant items in accrued liabilities		
Discounts given	**6 911**	7 457
Cargo handling costs	**2 841**	5 688
Port expenses and voyage-related costs	**1 390**	2 446
Repairs, vessels	**815**	463
Bunker costs	**765**	4 473
Other accrued liabilities	**9 005**	8 264
	21 727	28 791
Distribution of accounts payable by currency		
EUR	**15 039**	20 589
SEK	**869**	1 865
USD	**1 509**	1 948
GBP	**259**	666
NOK	**103**	961
DKK	**184**	153
PLN	**11**	15
	17 974	26 197

30. ADJUSTMENTS TO CASH FLOW FROM OPERATIONS

EUR 1 000	2008	2007
Non-cash transactions:		
Depreciation	62 690	53 082
Profits/losses from the sale of assets according to plan	-1 127	-13 281
Exchange rate differences	2 945	-239
	64 508	39 561

31. PENSION LIABILITIES

The Group's pension plans are organised through external pension insurance companies.

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

EUR 1 000	2008	2007
Post-employment benefits		
Defined benefit pension plans (receivable)	-921	-695
Defined benefit pension plans (liability)	3 026	2 400
	2 105	1 705

EUR 1 000	2008 Defined benefit plans	2007 Defined benefit plans
Balance sheet reconciliation		
1 Jan	1 705	2 130
Net income(-)/expenses(+) recognised in profit and loss account	1 145	480
Payments into the plan	-745	-904
31 Dec	2 105	1 705
Pension liabilities on balance sheet		
Present value of funded liabilities	8 391	9 132
Fair value of plan assets	-5 382	-6 191
Unrecognised actuarial profits(+) and losses(-)	-904	-1 236
Total liabilities (receivables)	2 105	1 705

EUR 1 000	2008	2007
Pension costs on profit and loss account		
Service costs in current period	-234	-296
Interest expenses	-369	-292
Expected income from plan assets	205	164
Actuarial profits(+)/losses(-)	-45	-30
Service cost of past periods	-678	
Gains and losses on curtailments and settlements	-23	-26
Total in personnel costs	-1145	-480

	2008 Defined benefit planst	2007 Defined benefit plans
Main actuarial assumptions		
Finland		
Discount rate, %	**5.00**	5.00
Expected return on assets, %	**6.00**	4.30
Expected salary increase rate, %	**4.00**	4.26
Rate of inflation, %	**2.00**	2.00
Expected remaining employment time in years	**6.00**	6.00
Main actuarial assumptions		
Germany		
Discount rate, %	**5.50**	5.40
Expected return on assets, %	**5.40**	4.50
Expected salary increase rate, %	**2.00**	3.00
Future increases in pensions, %	**3.00**	2.00
Rate of inflation, %	**2.00**	2.00
Expected remaining employment time in years	**13.00**	13.00
Main actuarial assumptions		
Norway		
Discount rate, %	**4.30**	4.75
Expected return on assets, %	**n/a**	n/a
Expected salary increase rate, %	**4.50**	4.50
Future increases in pensions, %	**2.00**	5.75
Rate of inflation, %	**2.00**	2.00
Expected remaining employment time in years	**13.00**	13.00

Calculation of the present value of defined benefit obligations

EUR 1 000	2008	2007	2006	2005
Present value of the obligation	**8 391**	9 132	7 052	6 163
Fair value of plans assets	**-5 382**	-6 191	-3 704	-802
	3 009	2 941	3 348	5 361

The Group expects to reimburse an estimated EUR 1.0 million in 2009 for the defined benefit plans valid on 31 December 2008.

32. FINANCIAL RISK MANAGEMENT

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

CURRENCY RISK

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

Transaction risk

In 2008, around 90 per cent of sales were invoiced in EUR, and the rest in SEK, DKK, NOK and GBP. Purchases are mainly paid in EUR. Fuel oil purchases are made in USD. Fuel price clauses included in customer contracts cover a major part of this USD risk. Currency positions are reviewed for each currency every 12 months in connection with annual budgeting. In 2008, transaction risk of operative activities was not hedged by derivative financial instruments.

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

All of the Group's interest-bearing liabilities on the balance sheet date were in EUR. The Group has interest-bearing loan assets approximately EUR 3.6 million.

Hedge accounting

The Group has ordered six ro-ro vessels from the Chinese Jinling shipyard at a total price of approximately EUR 240 million. These vessels will be paid partly in USD but the instalments have been fully hedged against EUR. The Group applies hedge accounting in accordance with IAS 39 to these derivative contracts for the spot part of the currency forward. It is considered as hedging of cash flow from a highly probable transaction. The following table shows the duration and fair values of the hedging instruments.

EUR 1 000	Fair value	Spot price *	Interest element **
Hedge accounting 2008			
Jinling vessel order USD / EUR-hedging			
Due 2007	-1473	-1 091	
Due 2008	-3 706	-2 922	
Due 2010	75	-93	200
Due 2011	264	-181	509
	-4 840	-4 287	709

* Spot part (net) of the currency-forward contract is under hedge accounting and changes are booked in shareholders' equity including gross value of EUR -5,793 thousand of the instruments and deferred tax of EUR +1,506 thousand.

** Interest element of the currency-forward contract, non-hedge accounting, through P&L.

EUR 1 000	Fair value	Spot price *	Interest element **
Hedge accounting 2007			
Jinling vessel order USD / EUR-hedging			
Due 2007	-1473	-1 091	
Due 2008			
Due 2010	-278	-332	171
Due 2011	-470	-640	395
	-5 318	-4 544	822

* Spot part (net) of the currency-forward contract is under hedge accounting and changes are booked in the shareholders' equity including gross value of EUR -6,141 thousand of the instruments and deferred tax of EUR +1,597 thousand.

** Interest element of the currency-forward contract, non-hedge accounting, through P&L.

Changes in fair value from sources other than derivatives under hedge accounting are recognised through profit or loss and presented under financial items.

Translation risk

The Group has net investments abroad and is thus exposed to risks which arise when investments in NOK, GBP, DKK and PLN are converted into the parent company's functional currency. The Group's principle is to hedge significant net investments made in foreign subsidiaries through foreign currency loans. In 2007 and 2008, the Group had no such significant investments in foreign currencies. The tables below show the translation position at the end of 2007 and 2008.

EUR 1 000	Investment
Group translation exposure 2008	
NOK	-1 418
GBP	54
DKK	288
PLN	58
	-1 018
Group translation exposure 2007	
SEK	1 704
NOK	-956
GBP	167
DKK	76
	990

Sensitivity to interest-rate fluctuations

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

Assumptions in estimating sensitivity:

- The variation in the EUR/USD exchange rate is assumed to be +/-10 per cent.
- The position includes USD-denominated financial liabilities, deposits, loan assets, accounts receivable, accounts payable and derivative contracts.
- The position excludes future USD-denominated cash flows and future USD-denominated instalments for the ro-ro vessels ordered from the Jinling shipyard.

EUR 1 000	Change in Profit & Loss	Change in Equity
Sensitivity at closing date 2008, change in USD, weakening/strenghtening 10% against EUR	**-261 / +319**	**-2 218 / +2 711**
Sensitivity at closing date 2007, change in USD, weakening/strenghtening 10% against EUR	-677 / +827	-4 815 / +5 885

INTEREST-RATE RISK

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

The level of hedging against interest-rate risks and the duration of the debt portfolio is settled annually by the Board of Directors when making the budget. On the balance sheet date, 43 per cent of the Group's borrowings were floating-rate and the rest were fixed-rate borrowings (including loans from financial institutions, pension loans, commercial papers and interest forwards handled as fixed-rate). The duration (average interest-rate period) of the debt portfolio (including debt and derivative instruments) was approximately 58 months.

The Group has an open interest-rate swap made in 2007, where the Group has swapped six-month Euribor interest for fixed three-year interest. The nominal value of the interest-rate swap is EUR 120 million and its duration is three years. The Group does not apply hedge accounting in accordance with IAS 39 to this interest-rate swap but it is measured to fair value through profit or loss, and the negative effect of the change in value is recognised in the balance sheet under accounts payable and other liabilities. The table in Note 28, Interest-Bearing Liabilities, shows the dates of interest-rate changes of the Group's variable-rate liabilities and the effective interest-rates of liabilities

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

- The variation in the interest-rate was assumed to be +/-0.50 per cent from the interest-rate of individual instruments on the balance sheet date.
- The analysis includes the instruments with an interest adjustment date within the following 12 months.
- The position includes variable-rate loans from financial institutions, commercial papers and interest derivative instrument, the fair value of which is shown separately in the table.
- The position excludes finance lease obligations and instalment debts, because the change in finance costs caused by the interest-rate variation is not relevant to these.
- When calculating the sensitivity, it is assumed that the variable-rate debt portfolio remains unchanged for the whole year (no instalments, no new debt) and that the interest-rate changes as stated above on the next interest change date of the debt instrument.
- It is assumed that if a variable-rate instrument is fully amortised within the next 12 months, this instrument would be reacquired at a new prevailing interest-rate according to the above.

EUR 1 000	Change in Profit & Loss	Change in Equity
Sensitivity at closing date 2008, change in interest-rates, increasing/decreasing 0.5% from valid rate of the instrument at 31 Dec 2008		
Debt portfolio	**-2 217 / +2 217**	**-1 641 / +1 641**
Interest-rate swap	**+910 / - 910**	**+673 / -680**
	-1 037 / +1 299	**-967 / +961**
Sensitivity at closing date 2007, change in interest-rates, increasing/decreasing 0.5% from valid rate of the instrument at 31 Dec 2007		
Debt portfolio	-2 357 / +2 357	-1 744 / +1 744
Interest-rate swap	+ 1 358 / -1 162	+1 005 / -860
	-999 / +1 195	-739 / +884

The sensitivity of the Group's debt portfolio has grown, mainly due to an increase in liabilities. At the same time, the Group has, however, made more fixed-rate debt agreements proportionately, and also made an interest-rate swap. These actions cover the duration of the debt portfolio, which reduces the Group's sensitivity to market interest-rate variations in the next 12 months.

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

CREDIT RISK

The Group is exposed to credit risk from its commercial receivables and receivables from financial institutions based on short-term investment of liquid funds as well as derivative transactions. The Group policy sets out the credit rating requirements and investment principles related to customers, investment transactions and derivative contract counterparts. The Group has no significant concentrations of credit risk, since it has a broad clientele distributed across various sectors. The Group makes derivative contracts and investment transactions only with counterparts with high credit ratings. The credit ratings and credit limits of credit customers are constantly monitored. Credit losses in 2008 were immaterial (0.1 per cent of revenue). Note 24, Current Receivables, shows the analysis of accounts receivable by age and realised credit losses.

LIQUIDITY RISK

The Group continuously strives to evaluate and monitor the amount of financing required for its operations to ensure that it will have sufficient liquid assets to finance its business activities and investments and to repay loans. The Group seeks to finance vessel investments with credit agreements with the longest possible terms. The Group aims to guarantee the availability and flexibility of financing with unutilised credit facilities and by employing several banks and methods for funding. On 31 December 2008, the granted but unused credit facilities totalled EUR 203 (240) million.

Contractual cash flow of interest-bearing liabilities, 31 December 2008

EUR 1 000	2009	2010	2011	2012	2013	2014–	Total
Loans from financial institutions	-110 307	-70 304	-70 304	-69 588	-68 944	-463 086	-852 534
Bank overdraft facilities	-3 517						-3 517
Pension loans	-5 477	-5 477	-5 477	-5 477	-5 477	-21 634	-49 017
Financial lease liabilities	-891	-891	-891	-891	-885	-6 840	-11 288
Instalment plan debts	-567	-130	-85	-14			-797
	-120 759	-76 801	-76 757	-75 969	-75 306	-491 560	-917 153

Contractual cash flow of interest-bearing liabilities, 31 December 2007

EUR 1 000	2008	2009	2010	2011	2012	2013–	Total
Loans from financial institutions	-120 644	-58 307	-58 305	-58 304	-53 088	-353 530	-702 178
Pension loans	-1 150	-1 150	-1 150	-1 150	-1 150	-1 150	-6 900
Financial lease liabilities	-553	-553	-553	-553	-553	-6 402	-9 165
Instalment plan debts	-630	-593	-130	-85	-14		-1 452
Commercial paper programme	-39 384						-39 384
	-162 361	-60 603	-60 138	-60 092	-54 805	-361 082	-759 079

Contractual cash flow of derivatives, 31 December 2008

EUR 1 000	2009	2010	2011	2012	2013	2014–	Total
Non-hedge accounting							
Interest-rate swaps	-1 020	-2 812					-3 832
Currency-forward contracts	-22						-22
Currency-forward contracts, interest elements		200	509				709
Hedge accounting							
Currency-forward contracts (w/o interest element)		-125	-245				-370
	-1 042	-2 737	264				-3 515

Contractual cash flow of derivatives, 31 December 2007

EUR 1 000	2008	2009	2010	2011	2012	2013–	Total
Non-hedge accounting							
Interest-rate swaps	-109	-110	-110				-329
Currency-forward contracts, interest elements	255		171	395			821
Hedge accounting							
Currency-forward contracts (w/o interest element)	-3 352		-448	-866			-4 666
	-3 206	-110	-387	-471			-4 174

COMMODITY RISK

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

COUNTRY RISK

The Group revenue contains around 5 per cent sales of traffic to the Port of St Petersburg. This Russian traffic is estimated to be exposed to a risk of interruption, since the contracts with the Port of St. Petersburg are short-term.

CAPITAL MANAGEMENT

The Group's objective in managing capital is to secure normal operating conditions in all circumstances and to enable optimal capital costs. The capital structure of the Group is regularly revised by the Board of Directors.

The Group monitors its capital structure on the basis of gearing. The gearing ratio is calculated by dividing the interest-bearing net liabilities by shareholders' equity. Net liabilities include interest-bearing liabilities minus interest-bearing receivables and cash.

EUR 1 000	**2008**	2007
Capital risk management		
Interest-bearing liabilities	**910 570**	756 202
Cash in hand and at bank	**10 509**	26 914
Interest-bearing net debt	**900 061**	729 288
Total equity	**437 940**	435 652
Leverage ratio (gearing)	**205,5 %**	167,4 %

33. CONTINGENCIES AND COMMITMENTS

FINNSTEVE'S LEASEHOLD AGREEMENT

The new Vuosaari Harbour is now operational and Finnsteve Oy Ab transferred its port operations from Helsinki's West and North Harbours to Vuosaari. Finnsteve and the Port of Helsinki have made a leasehold agreement, which obliges the leaseholder to dismantle and remove any buildings, plants and equipment (including foundations) located in the area. The extent of the liabilities arising from this has become more concrete now that demolition work has started and the Group has made obligatory accrual to balance sheet though P&L, amounting to EUR 2.0 million, which is estimated to cover expenses arising from demolition. The work will be completed during 2009.

OTHER LEASE COMMITMENTS WITH THE GROUP AS LEASEHOLDER

Most of the leases made by the Group are time-charter parties of vessels. At year-end 2008, the Group had 19 (22) ro-ro freight vessels on time charter.

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

EUR 1 000	**2008**	2007
Vessel leases (Group as lessee)		
Within 12 months	**69 861**	89 899
1–5 years	**83 485**	51 614
	153 346	141 513

The Group adjusts its vessel capacity by subleasing some of the vessels when needed. On balance sheet day 2008, future lease receivables based on sublease contracts were divided as follows:

EUR 1 000	2008	2007
Vessel leases (Group as lessor)		
Within 12 months	**7 214**	11 547
1–5 years	**1 829**	7 213
	9 043	18 760

The 2008 consolidated profit and loss includes EUR 19,970 (14,970) thousand in lease revenues from the sublet vessels.

Minimum lease payables in relation to other fixed-term leases:		
Future minimum lease payments from other leases due:		
Within 12 months	**7 557**	5 673
1–5 years	**21 947**	21 537
After 5 years	**25 917**	42 689
	55 421	69 899

The most significant lease payments are based on the land leases of Vuosaari and Oslo harbours (EUR 19 million), on leases for the buildings in these ports and on the leases for the head office in Ruoholahti, Helsinki (EUR 32 million). The remaining duration of the above leases is 6–20 years.

Collateral given		
Loans secured by mortgages		
Loans from financial institutions	**735 478**	531 461
	735 478	531 461
Vessel mortgages provided as guarantees for the above loans	**1 113 500**	723 500

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

Other guarantees given on behalf of the Group		
Collateral	**2 875**	3 717
Mortgages	**606**	606
Other obligations	**120 627**	197 238
	124 108	201 561

Other obligations are mainly binding order contracts related to vessels and the Vuosaari Harbour. Based on the contract made with the Chinese Jinling shipyard, Finnlines paid EUR 117 million for the six ro-ro vessels on order by the end of 2008 and the unpaid purchase price on the balance sheet date was EUR 123 million. The binding obligations for cranes and buildings at the Vuosaari Harbour have now been fulfilled (EUR 34 million on 31 December 2007).

Guarantees given on behalf of subsidiaries		
Guarantees given on behalf of subsidiaries	**6 000**	6 000
Guarantees for rental contracts	**480**	
	6 480	6 000

EUR 1 000	**31 Dec 2008**		31 Dec 2007	
Derivative contracts	**Nominal value**	**Fair value ***	Nominal value	Fair value *
Currency derivatives	**29 405**	**317**	64 126	-3 845
Interest-rate swaps	**120 000**	**-2 886**	120 000	-327
	149 405	**-2 569**	184 126	-4 172

* Net effect if the derivatives had been sold at the market rate at year-end.

AUDITOR'S REMUNERATION

The Group's principal auditors were Deloitte & Touche Oy. In 2008, EUR 289 (324) thousand was paid to the auditors in remuneration for the audit of parent company and subsidiary financial statements, plus EUR 11 (46) thousand for other consulting services not directly related to auditing.

LEGAL PROCEEDINGS

The arbitration proceedings between the owners of MS Finnmill and MS Finnpulp and Finnlines Plc were withdrawn in April. The main dispute concerned the validity and terms of the purchase options of the vessels. The parties settled the case amicably and in April Finnlines bought MS Finnmill and MS Finnpulp and two other time chartered ro-ro vessels, MS Finncraft and MS Finnhawk. The total price for the deal was EUR 121 million.

MS Finnbirch sank in November 2006 in the Southern Baltic. She was under time charter to Finnlines from her owners Lindholm Shipping, Sweden. Finnlines has an adequate insurance coverage in the event Finnlines is found liable towards the cargo interest.

On 26 June 2008, Finnlines Plc received a request for a statement of reply from the County Administrative Board of Southern Finland to the application made by Mutual Pension Insurance Company Ilmarinen for conducting a special audit of accounts. In June in its application letter to the County Administrative Board of Southern Finland Ilmarinen demanded that the County Administrative Board orders a special audit to be conducted in Finnlines Plc's administration and accounting for the period from 1 January to 31 December 2007, as it is prescribed in the Companies Act (21.7.2006/624) 7:7 §. In September, Finnlines Plc submitted its reply by the given time limit.

Mutual Pension Insurance Company Ilmarinen initiated action against Finnlines Plc in the Helsinki District Court. Ilmarinen objects to the decision of Finnlines' Annual General Meeting held on 20 May 2008 to distribute EUR 180,216.39 as a minimum dividend. Ilmarinen demands primarily that the minimum dividend is to be altered to EUR 17,181,000. Secondly Ilmarinen demands that the resolution taken by the AGM on 20 May 2008 is to be declared null and void. Additionally, Ilmarinen demands Finnlines to pay its legal expenses.

Finnlines finds the action groundless. The company finds that the measures taken have had commercial grounds and that it has in all respects acted in the best interests of the company and its shareholders. Finnlines prepared a detailed response and submitted it to the District Court of Helsinki within the given time limit. Mr. Tomas Lindholm, attorney at law from Roschier Attorneys Ltd., acts as legal adviser to Finnlines.

On the day of signing the financial statements, the County Administrative Board of Southern Finland had not yet released its resolution on the special audit of accounts and the Helsinki District Court had not yet started the hearing of the case initiated by Mutual Pension Insurance Company Ilmarinen.

34. TRANSACTIONS WITH RELATED PARTIES

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

EMPLOYEE BENEFITS GRANTED TO KEY MANAGEMENT

EUR 1 000		2008	2007
Salaries and other short-term benefits		**2 452**	1 957
Post-employment benefits		**1 343**	800
		3 795	2 757
Includes benefits granted to the Board of Directors, the President and CEO, the deputy CEO and the members of the Board of Management.			
Salaries and fees			
President and CEO **			
President and CEO (1 Jan–23 Apr 2007)			462
President and CEO (4 Jul–31 Dec 2007)	1 Jan–31 Dec 2008	**387**	134
Deputy CEO ** (4 Jul–31Dec 2007)	1 Jan–31 Dec 2008	**335**	117
Board of Directors: *			
Chairman		**40**	40
Vice Chairman		**30**	30
Board members (each)		**25**	25

* Compensation paid in arrears in March of each year.

** Including compensation for the period during which position was held, bonus program calculated cash basis.

Finnlines' President and CEO, Antti Lagerroos, resigned from his duties in February 2007 and Olav K. Rakkenes, a member of the Board of Directors, was appointed temporary President and CEO on 24 April 2007. Olav K. Rakkenes was paid no remuneration by Finnlines for his temporary post.

The current President and CEO and Deputy CEO are entitled to full retirement at the age of 60. In the event that the company should decide to give notice of termination to the President and CEO or the Deputy CEO, they are entitled to compensation equalling 18 months' salary, in addition to six months' salary for the notice period.

The Group's Board of Management has a pension insurance, on the basis of which the retirement age of the members of the Board of Management is 60–63 years. The annual premiums of the insurance are tied to the Group's performance.

Finnlines had no option schemes on 31 December 2008. The President and CEO, the Deputy CEO, the Board of Directors or the Board of Management have no share based incentive programmes.

TRANSACTIONS WITH RELATED PARTIES

According to information received by the company on 31 December 2008, Grimaldi Group companies hold 64.90 per cent of all shares in Finnlines Plc. More information about ownership of the Board of Directors in Finnlines Plc can be found in the Annual Report, section Shares and Shareholders. The President and CEO or Deputy CEO did not have ownership in Finnlines Plc on the balance sheet day.

EUR 1 000	**2008**	2007
Transactions with related parties		
Income from Grimaldi companies	**557**	3 112
Purchases from Grimaldi companies	**14**	217
Receivables from Grimaldi companies	**251**	602
Business transactions with key management	**20**	62

Transactions with the Group's related parties are carried out using ordinary, market-based pricing.

LOANS, GUARANTEES AND OTHER SECURITIES TO RELATED PARTIES

The Group granted no loans, guarantees or other securities to its key personnel or related parties (1 January 2007–31 December 2008).

35. SUBSIDIARIES ON 31 DECEMBER 2008

Name of subsidiary	Holding (%)	Registered in
Domestic		
Containersteve Oy Ab	100	Helsinki
Finncare Oy	100	Helsinki
Oy Finnlink Ab	100	Naantali
Finnsteve Oy Ab	100	Helsinki
FL Port Services Oy	100	Helsinki
FL-Sailor's Shop Oy	100	Helsinki
FS-Terminals Oy Ab	100	Helsinki
Hanseatic Shipping Oy	100	Helsinki
Oy Intercarriers Ab	51	Helsinki
Kantvikin Satama Oy	100	Kirkkonummi
Kiinteistö Levin-Tuvat Oy	100	Kittilä
Metropolitan Port Oy Ab	100	Kirkkonummi
Ropax Oy Eagle	100	Helsinki
Ropax Oy Fellow	100	Helsinki
Ropax Oy Star	100	Helsinki
Ropax Oy Maid	100	Helsinki
Strömsby-Invest Oy Ab	100	Kirkkonummi
TBE System Oy Ltd	100	Kotka

Name of subsidiary	Holding (%)	Registered in
Foreign		
Finanglia Ferries Limited	100	United Kingdom
Finland Terminal London Ltd	100	United Kingdom
Finncarriers (UK) Limited	100	United Kingdom
Finncarriers GmbH	100	Germany
Finncarriers Limited	100	United Kingdom
Finnlines (Cyprus) Ltd	100	Cyprus
Finnlines Belgium N.V.	100	Belgium
Finnlines Danmark A/S	100	Denmark
Finnlines Deutschland GmbH	100	Germany
Finnlines Eesti OÜ	100	Estonia
Poseidon Schiffahrt Lübeck GmbH	100	Germany
Finnlines Holland B.V.	100	The Netherlands
Finnlines Limited	**100**	United Kingdom
Finnlines Polska Sp.z.o.o	100	Poland
Finnlines Russia ZAO	100	Russia
AB Finnlines Scandinavia Ltd	100	Sweden
Finnlines Schiffahrt GmbH	100	Germany
Finnlines Ship Management AB	100	Sweden
Finnlines UK Limited	100	United Kingdom
Finnlink AB	100	Sweden
Finnwest N.V.	66.7	Belgium
Hansa Link GmbH	100	Germany
Norsteve Oslo A/S	100	Norway
Rederi AB Nordö-Link	100	Sweden
Ropax I Aktiebolaget Clipper	100	Sweden
Ropax II EuropaLink AB	100	Sweden
Ropax III NordLink AB	100	Sweden
Ropax IV Arrow AB	100	Sweden
Roro I Mill AB	100	Sweden
Roro II Pulp AB	100	Sweden
Skandinavien-Link GmbH	100	Germany

36. EVENTS AFTER THE BALANCE SHEET

The Group’s management is not aware of any events after the balance sheet date that could have a material impact on the Group’s financial position or the figures or calculations reported in these financial statements.

FIVE-YEAR KEY FIGURES

	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 * IFRS
Revenue, EUR million	**735.7**	685.5	632.7	584.1	698.1
Other income from operations, EUR million	**2.4**	15.3	2.1	3.5	8.7
Profit before interest tax, depreciation and amortisation (EBITDA), EUR million	**98.1**	121.9	98.1	75.8	96.6
% of revenue	**13.3**	17.8	15.5	13.0	13.8
Operating profit (EBIT), EUR million	**35.4**	68.8	58.2	42.0	62.7
% of revenue	**4.8**	10.0	9.2	7.2	9.0
Associated companies, EUR million			0.3	0.3	
Profit / Loss before taxes *, EUR million	**-3.2**	40.1	47.7	36.3	55.0
% of revenue	**-0.4**	5.9	7.5	6.2	7.9
Profit for the reporting period, continuing operations *, EUR million	**1.0**	34.4	37.7	28.6	
% of revenue	**0.1**	5.0	6.0	4.9	
Profit for the reporting period, discontinuing operations *, EUR million			18.7	-1.4	
Profit for the reporting period, EUR million	**1.0**	34.4	56.5	27.1	46.0
% of revenue	**0.1**	5.0	8.9	4.6	6.6
Total investments **, EUR million	**236.3**	391.3	238.8	73.0	68.8
% of revenue	**32.1**	57.1	37.7	12.5	9.9
Return on equity (ROE), %	**0.2**	8.0	14.1	7.2	12.2
Return on investment (ROI), %	**2.9**	6.9	9.9	6.0	9.3
Balance sheet total, EUR million	**1 534.4**	1 402.3	1 068.0	908.1	893.2
Equity ratio, %	**28.5**	31.1	39.7	41.7	41.6
Gearing, %	**205.5**	167.4	104.2	82.8	76.5
Average number of employees *	**2 436**	2 335	2 196	2 090	2 101

	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS
Earnings per share (EPS), EUR	**0.01**	0.83	1.38	0.66	1.15
Earnings per share (EPS) less warrant dilution, EUR	**0.01**	0.83	1.38	0.66	1.14
Shareholders' equity per share, EUR	**10.72**	10.67	10.36	9.26	9.38
Dividend per share, EUR ***	**0.00**	0.00	0.42	0.3	0.75
Payout ratio, % ***	**0**	0.5	30.5	45.3	65.3
Effective dividend yield, % ***	**0.0**	0.0	2.4	2.1	5.9
Price/earnings ratio (P/E)	**n/a**	18.3	12.5	21.7	11.1
Share price on stock exchange at year-end, EUR	**6.45**	15.25	17.20	14.40	12.80
Market capitalisation at year-end, EUR million	**262.5**	620.6	699.9	585.5	504.3
Adjusted average number of outstanding shares (1 000)	**40 692**	40 692	40 685	40 236	39 531
Adjusted number of outstanding shares 31 Dec (1 000)	**40 692**	40 692	40 692	40 660	39 402
Number of outstanding shares at year-end (1 000)	**40 692**	40 692	40 692	40 660	39 958

* Figures for 2004 have not been divided into continuing and discontinuing operations.
** Includes continuing and discontinuing operations.
*** In 2008 according to the proposal by the Board of Directors'.

CALCULATION OF KEY RATIOS, IFRS

$$\text{Earnings per share (EPS), EUR} = \frac{\text{Profit attributable to parent company shareholders}}{\text{Weighted average number of outstanding shares}}$$

$$\text{Shareholders' equity per share, EUR} = \frac{\text{Shareholders' equity attributable to parent company shareholders}}{\text{Number of shares on 31 Dec adjusted for share issue}}$$

$$\text{Dividend per share, EUR} = \frac{\text{Dividend paid for the year}}{\text{Number of shares on 31 Dec adjusted for share issue}}$$

$$\text{Payout ratio, \%} = \frac{\text{Dividend paid for the year}}{\text{Profit before tax +/– minority interests of Group profit +/– change in deferred tax liabilities – taxes for the period}} \times 100$$

$$\text{Effective dividend yield, \%} = \frac{\text{Dividend per share}}{\text{Share price on stock exchange on 31 Dec adjusted for share issue}} \times 100$$

$$\text{P/E ratio} = \frac{\text{Share price on stock exchange on 31 Dec}}{\text{Earnings per share}}$$

$$\text{Return on Equity (ROE), \%} = \frac{\text{Profit before tax – taxes for the period – change in deferred tax liability}}{\text{Shareholders' equity + minority interests (average)}} \times 100$$

$$\text{Return on investment (ROI), \%} = \frac{\text{Profit before tax + interest expense + other liability expenses}}{\text{Balance sheet total – interest-free liabilities (average)}} \times 100$$

$$\text{Gearing, \%} = \frac{\text{Interest-bearing liabilities – cash and bank equivalents}}{\text{Shareholders' equity + minority interests}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{Shareholders' equity + minority interests}}{\text{Balance sheet total – received advances}} \times 100$$

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

According to the parent company's balance sheet on 31 December 2008:

Profit from the previous financial years	EUR	92 747 356.47
Profit for the reporting period	EUR	0.00
Non-restricted equity	EUR	92 747 356.47

The Board of Directors proposes that no dividend be paid out from the distributable funds.

Helsinki, 18 February 2009

Jon-Aksel Torgersen
Chairman

Emanuele Grimaldi | Gianluca Grimaldi | Heikki Laine

Diego Pacella | Antti Pankakoski | Olav K. Rakkenes

Christer Antson
President and CEO

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF FINNLINES PLC

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Finnlines Plc for the financial period 1 January to 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity 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.

THE RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors, that the consolidated financial statements give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and that the parent company's financial statements and the report of the Board of Directors give a true and fair view in accordance with 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 perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain assurance 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 of the financial statements, whether due to fraud or error. When designing appropriate audit procedures, the auditor considers internal controls relating to the entity's preparation and fair presentation of the financial statements. 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.

The audit was performed in accordance with good auditing practice in Finland. 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, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company 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.

Helsinki, 27 February, 2009

Deloitte & Touche Oy
Authorized Public Audit Firm

Mikael Leskinen
APA

PARENT COMPANY ACCOUNTING PRINCIPLES 2008

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

REVENUES

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

OTHER OPERATING INCOME

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

FOREIGN CURRENCY ITEMS

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

DERIVATIVE FINANCIAL INSTRUMENTS

The gains of losses arising from derivative financial instruments such as forward foreign exchange and option contracts and currency swaps are recognised under financial items. The interest received or payable under derivative financial instruments used to cover the company against interest rare risks is accrued over the duration of the contract and recorded as an adjustment to the interest income or expenses of the designated asset or liability.

Finnlines also covers itself against changes in fuel prices by including bunker clauses in its freight contracts and by using commodity derivative instruments. The gains and losses arising from the commodity derivative instruments used to cover the company against fluctuations in fuel prices are recognised under operating expenses.

FIXED ASSETS AND DEPRECIATION

Fixed assets are capitalised to their direct acquisition cost excluding depreciation and other deductions, along with any revaluations allowed by local accounting practices. Financial items falling due during ship construction are capitalised to the acquisition cost of the vessels. Fixed assets subject to wear and tear are depreciated according to plan based on the economic life span of the asset and its estimated salvage value as well as the estimated residual value.

DEPRECIATION PERIODS:

Other long-term expenditure	5–10 years
Buildings	10–40 years
Constructions	5–10 years
Vessels and ship shares	30–35 years
Stevedoring machinery and equipment	5–15 years
Other machinery and equipment	3–5 years

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

LEASING

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

STOCKS

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

PENSION COSTS

Pension costs are charged to the profit and loss account according to the local practice in each country of operation. The entire unsecured pension liability is recorded as an expense and liability.

EXTRAORDINARY ITEMS

Extraordinary income and expenses are essential and non-recurring events unrelated to the company's regular business activities, such as income and expenses arising from the termination of operations.

PROVISIONS

Expenses and losses that no longer accrue corresponding revenues in the foreseeable future and that the Group is committed or obliged to settle and whose monetary value can reasonably be assessed are recongised as expenses in the profit and loss account, and included as a provision in the balance sheet.

PROFIT AND LOSS ACCOUNT, PARENT COMPANY, FAS

EUR	Note	1 Jan-31 Dec 2008	1 Jan-31 Dec 2007
Revenue	1	**285 448 178.43**	296 111 800.48
Other income from operations	2	**828 494.97**	4 178 934.68
Materials and services	3	**72 830 083.55**	67 073 826.03
Personnel expenses	4	**25 535 811.56**	23 308 061.63
Depreciation, amortisation and other write-offs	5	**11 693 953.01**	14 863 914.70
Other operating expenses	6	**174 096 267.05**	188 337 303.78
Operating profit		**2 120 558.23**	6 707 629.02
Financial income and expenses	7	**-6 564 583.78**	-9 938 001.25
Profit/loss before extraordinary items		**-4 444 025.55**	-3 230 372.23
Extraordinary items	8		-34 001 909.00
Profit/loss before appropriations and taxes		**-4 444 025.55**	-37 232 281.23
Appropriations	9	**4 443 962.82**	37 623 644.75
Income taxes	10	**62.73**	-30 930.73
Profit for the reporting period		**0.00**	360 432.79

BALANCE SHEET, PARENT COMPANY, FAS

EUR	Note	31 Dec 2008	31 Dec 2007
ASSETS			
Non-current assets			
Intangible assets	11	**11 420 469.66**	11 065 393.47
Tangible assets	12	**315 213 404.55**	223 291 922.25
Investments	13		
Shares in group companies		**315 236 323.44**	315 236 323.44
Other investments		**5 646 382.36**	5 646 382.36
		647 516 580.01	555 240 021.52
Current assets			
Inventories	14	**1 491 410.44**	1 949 968.28
Long-term receivables	15	**616 340 462.46**	592 746 532.24
Short-term receivables	16	**171 840 071.44**	188 588 873.50
Marketable securities	17		13 362 692.75
Bank and cash		**2 562 046.16**	6 013 983.12
		792 233 990.50	802 662 049.89
Total assets		**1 439 750 570.51**	1 357 902 071.41
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	18		
Share capital		**81 383 916.00**	81 383 916.00
Share premium account		**24 525 353.70**	24 525 353.70
Retained earnings		**92 747 356.47**	92 567 140.07
Profit for the reporting period		**0.00**	360 432.79
Total shareholders' equity		**198 656 626.17**	198 836 842.56
Accumulated appropriations	19	**144 269 824.09**	148 713 786.91
Liabilities			
Long-term liabilities	20		
Interest-bearing		**850 759 236.13**	649 713 157.60
Interest-free		**397 250.00**	1 167 918.61
		851 156 486.13	650 881 076.21
Current liabilities	21		
Interest-bearing		**216 411 688.97**	292 138 897.99
Interest-free		**29 255 945.15**	67 331 467.74
		245 667 634.12	359 470 365.73
Total liabilities		**1 096 824 120.25**	1 010 351 441.94
Total shareholders' equity and liabilities		**1 439 750 570.51**	1 357 902 071.41

CASH FLOW STATEMENT, PARENT COMPANY, FAS

EUR	1 Jan-31 Dec 2008	1 Jan-31 Dec 2007
Cash flow from operations		
Profit for the reporting period	0.00	360 432.79
Adjustments for:		
Depreciation, amortisation & impairment loss	11 693 953.01	14 863 914.70
Gains (-) and Losses (+) of disposals of fixed assets and other non-current assets	-452 199.93	3 295 287.66
Unrealized currency differences	-196 219.93	490 189.04
Financial income and expenses	6 760 803.71	9 447 812.21
Income taxes	-62.73	30 930.73
Other adjustments	-4 443 962.82	-3 621 735.75
	13 362 311.31	24 866 831.38
Changes in working capital:		
Change in inventories	458 557.84	-838 906.21
Change in accounts receivable	1 642 731.98	-715 503.95
Change in accounts payable	-4 584 696.46	81 912.38
	10 878 904.67	23 394 333.60
Interest paid	-49 836 687.56	-29 290 267.18
Dividends received	473 750.00	2 609 300.00
Interest received	43 484 109.12	26 461 459.19
Other financing items	-758 431.70	-3 681 512.33
Income taxes paid	62.79	438 334.27
	-6 637 197.35	-3 462 686.05
Net cash flow from operations	4 241 707.32	19 931 647.55
Cash flows from investing activities		
Investments in tangible and intangible assets	-104 048 728.36	-319 229 003.45
Proceeds from sale of tangible and intangible assets	530 416.79	515 589.96
Acquisition of subsidiaries, net of cash acquired		-500 668.19
Proceeds from sale of investments		240 850.00
Loans granted	-58 423 530.59	-43 579 608.01
Proceeds from repayments of loans	15 746 852.01	759 301.44
Net cash used in investing activities	-146 194 990.15	-361 793 538.25
Net cash before financing activities	-141 953 282.83	-341 861 890.70
Cash flows from financing activities		
Proceeds from short-term borrowings		112 730 786.46
Repayment of short-term borrowings	-76 492 911.25	
Proceeds of long-term borrowings	279 605 505.14	350 878 851.79
Repayment of long-term borrowings	-77 793 724.38	-95 592 423.76
Dividends paid	-180 216.39	-17 090 622.36
Net cash used in financing activities	125 138 653.12	350 926 592.13
Change in cash and cash equivalents	-16 814 629.71	9 064 701.43
Cash and cash equivalents on 1 Jan	19 376 675.87	10 322 164.89
Effect of foreign exchange rate changes		-10 190.45
Cash and cash equivalents on 31 Dec	2 562 046.16	19 376 675.87

NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY

EUR	2008	2007
1. Revenue		
By division		
Shipping and Sea Transport Services	285 448 178.43	296 111 800.48
Total	285 448 178.43	296 111 800.48
Intragroup revenue	86 942 361.95	94 372 497.70
2. Other income from operations		
Gain on disposals	496 572.97	3 695 883.28
Rental income	321 552.00	454 956.40
Other	10 370.00	28 095.00
Total	828 494.97	4 178 934.68
3. Materials and services		
Purchases during period		
Bunker	39 354 200.67	31 773 256.79
Other	915 698.65	487 591.30
Change in inventories	458 557.84	-838 906.21
Total	40 728 457.16	31 421 941.88
External services	32 101 626.39	35 651 884.15
Materials and services total	72 830 083.55	67 073 826.03
4. Personnel expenses		
Employees		
Average number of employees		
Shore-based personnel	197	199
Sea personnel	311	282
	508	481
Personnel expenses		
Wages and salaries	25 333 017.64	22 879 858.36
Social costs		
Pension costs	4 164 756.82	3 384 800.44
Other social costs	1 949 195.59	1 605 885.45
State subsidies	-5 911 158.49	-4 562 482.62
Total	25 535 811.56	23 308 061.63
Salaries and remunerations to		
President and CEO	721 776.00	712 579.00
Board of Directors	195 000.00	170 000.00
5. Depriciation, amortisation and write-offs		
Depreciation and amortisation according to plan	11 693 953.01	14 103 914.70
Write-offs		760 000.00
Total	11 693 953.01	14 863 914.70

EUR	2008	2007
6. Other operating expenses		
Vessel hires	95 480 051.33	108 457 627.66
Auditors' fees	156 892.00	170 343.63
Other	78 459 323.72	79 709 332.49
Total	174 096 267.05	188 337 303.78
7. Financial income and expenses		
Dividends		
From group companies	473 000.00	2 608 000.00
From others	750.00	1 300.00
Total	473 750.00	2 609 300.00
Interest income from long-term investments		
From others	122 292.26	140 314.14
Long-term interest income from investments	122 292.26	140 314.14
Other interest and financial income		
From group companies	42 500 865.80	25 476 783.70
From others	859 245.33	837 956.20
Other interest and financial income total	43 360 111.13	26 314 739.90
of which interest income total	43 360 111.13	26 314 739.90
Dividends and interest income total	43 956 153.39	29 064 354.04
Exchange gains and losses		
From others		
Gains	1 556 242.58	2 227 615.27
Losses	-606 484.91	-4 883 183.27
Exhange rate differences total	949 757.67	-2 655 568.00
Interest and other financial expenses		
To group companies	-8 927 528.16	-5 891 409.52
To others	-42 542 966.68	-30 455 377.77
Interest and other financial expenses total	-51 470 494.84	-36 346 787.29
of which interest expenses total	-49 970 467.46	-34 754 113.89
Financial Income and Expenses total	-6 564 583.78	-9 938 001.25
8. Extraordinary items		
Group contribution paid		-34 001 909.00
Total		-34 001 909.00
9. Appropriations		
Change in difference between depreciation in taxation		
and planned depreciation	4 443 962.82	37 623 644.75
10. Taxes		
Taxes on operations	62.73	-8 871 427.07
Taxes on extraordinary items		8 840 496.34
Total	62.73	-30 930.73
Taxes for the period		
Taxes from previous periods	62.73	-30 930.73
Total	62.73	-30 930.73

EUR

11. Intangible assets

	Other capitalised expenditures	Advance payments	Total
Acquisition cost on 1 Jan 2008	22 495 285.55	372 441.75	22 867 727.30
Increases	860 213.40	1 777 311.61	2 637 525.01
Disposals	-14 578.55	0.00	-14 578.55
Reclassifications between items	0.00	0.00	0.00
Acquisition cost on 31 Dec 2008	23 340 920.40	2 149 753.36	25 490 673.76
Accumulated depreciation and write-offs on 1 Jan 2008	-11 802 333.83		-11 802 333.83
Accumulated depreciation on disposals and reclassifications	14 578.55		14 578.55
Depreciation for the reporting period	-2 282 448.82		-2 282 448.82
Accumulated depreciation on 31 Dec 2008	-14 070 204.10		-14 070 204.10
Book value on 31 Dec 2008	9 270 716.30	2 149 753.36	11 420 469.66
Book value on 31 Dec 2007	10 692 951.72	372 441.75	11 065 393.47

12.Tangible assets

	Buldings and constructions	Vessels and ship shares	Machinery and equipment	Advance payments and acquisitions under construction	Total
Acquisition cost on 1 Jan 2008	4 793 399.28	168 487 770.47	6 745 881.78	73 025 888.51	253 052 940.04
Increases		52 417 397.29	1 081 263.97	47 912 542.09	101 411 203.35
Disposals		-1 475 103.14	-1 271 286.19	0.00	-2 746 389.33
Reclassifications between items		0.00	0.00	0.00	0.00
Acquisition cost on 31 Dec 2008	4 793 399.28	219 430 064.62	6 555 859.56	120 938 430.60	351 717 754.06
Accumulated depreciation and write-offs on 1 Jan 2008	-3 022 171.52	-21 239 048.18	-5 499 798.09		-29 761 017.79
Accummulated depreciation on disposals and reclassifications		1 426 804.05	1 241 368.42		2 668 172.47
Depreciation for the reporting period	-137 004.14	-8 754 699.54	-519 800.51		-9 411 504.19
Accumulated depreciation on 31 Dec 2008	-3 159 175.66	-28 566 943.67	-4 778 230.18		-36 504 349.51
Book value on 31 Dec 2008	1 634 223.62	190 863 120.95	1 777 629.38	120 938 430.60	315 213 404.55
Book value on 31 Dec 2007	1 771 227.76	147 248 722.29	1 246 083.69	73 025 888.51	223 291 922.25

13. Investments

	Group owned shares	Investments in associated companies	Other shares	Receivables from group companies	Total
Acquisition cost on 1 Jan 2008	231 338 146.61	1 513 691.34	4 132 691.02	84 658 176.83	321 642 705.80
Increases					0.00
Disposals					0.00
Reclassifications between items					
Acquisition cost on 31 Dec 2008	231 338 146.61	1 513 691.34	4 132 691.02	84 658 176.83	321 642 705.80
Accumulated depreciation and write-offs on 1 Jan 2008	-760 000.00				-760 000.00
Disposals					
Depreciation for the financial period					
Write-offs					
Accumulated depreciation on 31 Dec 2008	-760 000.00				-760 000.00
Book value on 31 Dec 2008	230 578 146.61	1 513 691.34	4 132 691.02	84 658 176.83	320 882 705.80

EUR	2008	2007
14. Inventories		
Bunker	722 759.83	1 519 625.18
Other inventories	768 650.61	430 343.10
Total	1 491 410.44	1 949 968.28
15. Long-term receivables		
Group receivables		
Loan receivables	608 643 197.59	584 221 576.00
Total	608 643 197.59	584 221 576.00
Loan receivables	2 874 182.66	3 396 508.39
Other receivables	741 000.00	653 000.00
Accrued income and prepaid expenses	4 082 082.21	4 475 447.85
Total long-term receivables	616 340 462.46	592 746 532.24
16. Short-term receivables		
Accounts receivable	7 411 131.89	10 657 332.67
Group receivables		
Accounts receivable	1 855 259.97	204 012.85
Loan receivables	150 437 303.63	165 504 853.96
Other receivables	7 836.56	678.75
Accrued income and prepaid expenses	475 923.87	0.00
Total	152 776 324.03	165 709 545.56
Loan receivables	718 545.66	679 301.68
Other receivables	1 664 137.77	2 363 815.14
Accrued income and prepaid expenses	9 269 932.09	9 178 878.45
Total short-term receivables	171 840 071.44	188 588 873.50
Significant items of accrued income and prepaid expenses		
State subsidies	3 147 492.32	1 994 033.46
Vessel hires	3 174 148.38	5 306 663.19
Docking costs	962 391.57	1 021 204.34
Vessel hire income	715 772.54	385 989.34
Bunker expense	289 634.82	54 960.66
Interest income	12 727.11	14 432.84
Taxes	4 301.16	4 301.22
Other	963 464.19	397 293.40
Total	9 269 932.09	9 178 878.45
17.Marketable securities		
Book value	0.00	13 362 692.75

EUR	2008	2007
18. Shareholders' equity		
Tied Equity		
Share capital on 1 Jan	81 383 916.00	81 383 916.00
Share capital on 31 Dec	81 383 916.00	81 383 916.00
Share issue premium on 1 Jan	24 525 353.70	24 525 353.70
Share issue premium on 31 Dec	24 525 353.70	24 525 353.70
Non-tied Equity		
Retained earnings on 1 Jan	92 927 572.86	109 657 762.43
Dividend distribution	-180 216.39	-17 090 622.36
Retained earnings on 31 Dec	92 747 356.47	92 567 140.07
Profit for the reporting period	0.00	360 432.79
Total shareholders' equity	198 656 626.17	198 836 842.56
Calculation of distributable funds		
Retained earnings on 31 Dec	92 747 356.47	92 927 572.86
Parent company´s distributable funds on 31 Dec	92 747 356.47	92 927 572.86
19. Accumulated appropriations		
Accumulated depreciation in excess on plan	144 269 824.09	148 713 786.91
20 Long-term liabilities		
Debts to group companies		
Other debts	94 411 476.33	63 596 639.80
Total	94 411 476.33	63 596 639.80
of which interest bearing	94 014 226.33	62 428 721.19
Loans from financial institutions	742 227 009.80	581 534 436.41
Pension loans	14 518 000.00	5 750 000.00
	756 745 009.80	587 284 436.41
Total	851 156 486.13	650 881 076.21
of which interest-bearing	850 759 236.13	649 713 157.60
Maturity of loans		
Year		
2008		121 793 724.39
2009	112 559 426.62	59 457 425.88
2010	72 556 461.47	59 454 460.73
2011	72 556 461.51	59 454 460.75
2012	71 839 794.77	54 237 794.03
2013	71 196 445.36	354 680 295.01
2014 and later	468 595 846.69	
Total	869 304 436.42	709 078 160.79
Long-term loans due after five years		
Loans from financial institutions	463 085 846.69	353 530 295.01
Pension loans	5 510 000.00	1 150 000.00
	468 595 846.69	354 680 295.01

EUR	2008	2007
21. Current liabilities		
Loans from financial institutions	**110 307 426.62**	120 643 724.39
Bank overdraft facilities	**3 517 044.59**	
Pension loans	**2 252 000.00**	1 150 000.00
Accounts payable	**4 751 700.27**	7 481 763.58
Commercial papers	**0.00**	39 383 618.89
Total	**120 828 171.48**	168 659 106.86
of which interest-bearing	**116 076 471.21**	161 177 343.28
Debts to group companies		
Accounts payable	**509 197.92**	71 772.02
Other debts	**100 327 202.70**	164 955 448.65
Accrued expenses and deferred income	**1 127 907.89**	436 588.80
Total	**101 964 308.51**	165 463 809.47
of which interest-bearing	**100 335 217.76**	130 961 554.71
Other short-term debt	**4 743 823.60**	5 098 654.24
Accrued expenses and deferred income	**18 131 330.53**	20 248 795.16
Total	**245 667 634.12**	359 470 365.73
of which interest-bearing	**216 411 688.97**	292 138 897.99
Significant items of accrued expenses and deferred income		
Personnel expenses	**3 649 431.15**	3 389 145.17
Cargo handling costs	**401 433.77**	901 174.35
Voyage costs	**816 744.39**	982 515.56
Interest expenses	**9 815 456.64**	10 075 042.38
Rents	**371 643.76**	597 549.57
Bunker costs	**30 569.52**	1 650 352.12
Other	**3 046 051.30**	2 653 016.01
	18 131 330.53	20 248 795.16

1000 EUR	2008		2007	
Contingencies and commitments				
Pledges and commitments given on own account	**Debt**	**Value of collateral**	Debt	Value of collateral
Vessel mortgages provided as guarantees for loans				
Loans from financial institutions	**236 197**	**395 000**	141 392	244 000
Vessel mortgages provided by subsidiaries as guarantees for loans				
Loans from financial institutions	**499 281**	**718 500**	390 069	479 500
	735 478	**1 113 500**	531 461	723 500
Pledges given to cover other own commitments				
Pledges		**1 200**		1 200
	0	**1 200**	0	1 200
Collateral given	**735 478**	**1 114 700**	531 461	724 700
Other contingent liabilities		**120 057**		163 062
Leasing liabilities				
Due within 12 months		**333**		254
Due between one and five years		**554**		233
Due after five years		**0**		0
Leasing liabilities total		**887**		487
Vessel leases (Group as a lessee)				
Due within 12 months		**69 861**		89 899
Due between one and five years		**83 485**		51 614
Due after five years		**0**		0
Vessel leases (Group as a lessee) total		**153 346**		141 513
Other leases				
Due within 12 months		**1 680**		1 577
Due between one and five years		**6 648**		6 158
Due after five years		**2 565**		3 978
Other leases total		**10 893**		11 713
Guarantees given on behalf of the subsiadiaries				
Guarantees given on behalf of the subsiadiaries		**6 000**		6 000
Guarantees for rental contracts		**480**		0
		6 480		6 000
Pledges and other contingent liabilities total	**735 478**	**1 406 363**	531 461	1 047 475

	31 Dec 2008		31 Dec 2007	
Derivative contracts	**Nominal value**	**Fair value 1)**	Nominal value	Fair value 1)
Currency derivatives	**29 405**	**317**	64 126	-3 845
Interest rate swaps	**120 000**	**-2 886**	120 000	-327
Total	**149 405**	**-2 569**	184 126	-4 172

1) Net effect if the derivatives had been sold at the market rate at year-end

SHARES AND HOLDINGS

Name of subsidiary	Registered in	Holding (%)
Domestic		
Oy Finnlink Ab	Naantali	100
Ropax Oy Star	Helsinki	100
Finnsteve Oy Ab	Helsinki	100
Ropax Oy Eagle	Helsinki	100
Metropolitan Port Oy Ab	Kirkkonummi	100
Ropax Oy Maid	Helsinki	100
Ropax Oy Fellow	Helsinki	100
Oy Intercarriers Ltd	Helsinki	51
Kiinteistö Oy LevinTuvat	Kittilä	20
Foreign		
Finnlines Deutschland GmbH	Germany	100
Finnlines (Cyprus) Ltd	Cyprus	100
Finnlines Limited	United Kingdom	100
Finnlines Holland B V	The Netherlands	100
Finnlines UK Limited	United Kingdom	100
Finanglia Ferries Ltd	United Kingdom	100
Finncarriers UK Limited	United Kingdom	100
Finncarriers Limited	United Kingdom	100
Finland Terminal London Limited	United Kingdom	100
AB Finnlines Scandinavia Ltd	Sweden	100
Finnlines Polska Sp.z.o.o.	Poland	100
Associated companies		
Domestic		
Simonaukion Pysäköinti Oy	Helsinki	50
Other shares and holdings		
Domestic		
Steveco Oy	Hamina	19.1
Other companies (4)		

ACCOUNTING BOOKS , VOUCHER CATEGORIES AND ARCHIVING

	Archiving
Accounting books	
General journals	Computerized accounting journals
General ledgers	Computerized accounting journals
Profit and loss account and balance sheet	Computerized accounting journals
Balance sheet book	Bound book
Balance sheet specification	Bound book
Voucher categories	
Sales invoices Octopus/Compass	Electronic
Sales invoices manual	Paper/Electronic
Interest invoices	Paper
Purchase invoices E-invoice	Electronic
Purchase invoices	Scanned/paper
Travelling account reports	Paper
Bank and cash vouchers	Paper
Memo vouchers	Paper
Payroll accounting vouchers/office	Paper
Payroll accounting vouchers/sea personnel	Paper
Fixed assets accounting vouchers	Paper

QUARTERLY DATA, IFRS

EUR million	Q1/2008	Q2/2008	Q3/2008	Q4/2008
Revenue by segment				
Shipping and Sea Transport Services total	160.0	173.4	170.1	140.2
Sales to third parties	159.9	173.3	170.0	139.1
Sales to Port Operations	0.1	0.1	0.1	1.1
Port Operations total	32.4	33.5	30.8	25.5
Sales to third parties	25.2	25.7	23.9	18.8
Sales to Shipping and Sea Transport Services	7.2	7.8	6.9	6.7
Group internal revenue	-7.4	-7.9	-7.0	-7.8
Revenue total	**185.1**	**199.0**	**193.8**	**157.8**
Operating profit per segment				
Shipping and Sea Transport Services	12.7	17.6	12.0	5.6
Port Operations	1.4	-0.1	-1.4	-12.2
Operating profit total	**14.0**	**17.5**	**10.6**	**-6.7**
Financial income and expenses	-8.5	-6.8	-10.3	-13.0
Share of associated companies' profits				
Profit before tax	5.5	10.7	0.3	-19.7
Direct taxes	-0.9	-1.8	0.7	6.2
Profit for the reporting period	**4.6**	**8.9**	**0.9**	**-13.4**
Quarterly consolidated key figures				
Operating profit, (% of revenue)	7.6	8.8	5.5	-4.2
Return on equity (ROE), %	4.2	8.0	0.8	-12.1
Return on investment (ROI), %	5.0	6.2	2.7	-1.9
Earnings per share, EUR	0.11	0.21	0.02	-0.33
Average number of outstanding shares (1 000)	40 692	40 692	40 692	40 692

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 2008 totalled EUR 81,383,916. The capital stock consisted of 40,691,958 shares.

SHARES

Finnlines Plc's shares are listed on NASDAQ OMX Helsinki Ltd. A total of 8.6 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 15.49 and the lowest was EUR 5.02. At year-end, the shares' market capitalisation value was EUR 262 million.

SHAREHOLDERS

At year-end 2008, Finnlines had approximately 2,214 shareholders. The ten largest shareholders owned 82.5 per cent of the company's shares. 9.4 per cent of shareholders were nominee registered. At year-end Italian Grimaldi Group had a holding of 64.9 per cent of Finnlines' shares and voting rights.

Finnlines share ownership structure on 31 December 2008	% of shares
Private corporations	1.68
Financial and insurance companies	4.04
Public sector entities	11.92
Non-profit organisations	3.29
Households	4.51
Nominee registered	9.36
Outside Finland	65.20
Total	100.00

Shares outstanding on 31 December 2003–31 December 2008

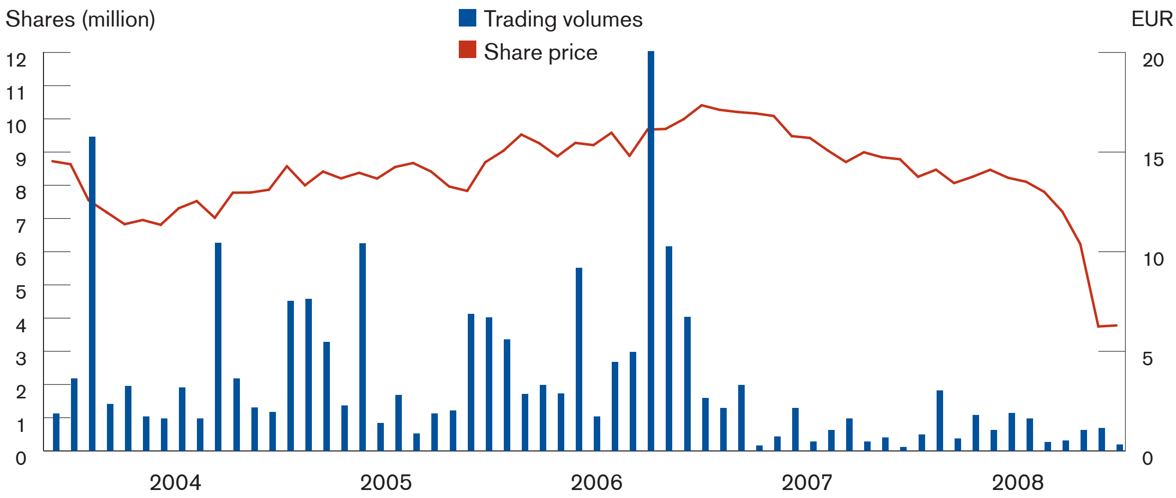
Transaction	Option series	Options exercised	Amount of shares	Shares outstanding	Own shares	Total amount of shares
On 31 Dec 2003				19 866 479 *	112 500 *	19 978 979 *
On 1 Nov 2004						
Bonus issue (1/2)				39 401 958	556 000	39 957 958
On 31 Dec 2004				39 401 958	556 000	39 957 958
On 18 Jan 2005	2001A	154 600	309 200			
Exercise of options	2001B	21 300	42 600	39 753 758	556 000	40 309 758
On 11 Mar 2005	2001A	76 300	152 600			
Exercise of options	2001B	199 500	399 000	40 305 358	556 000	40 861 358
On 8 Apr 2005						
Cancellation of own shares			-556 000	40 305 358		40 305 358
On 30 Sep 2005				40 305 358		40 305 358
On 9 Nov 2005	2001A	84 100	168 200			
Exercise of options	2001B	91 600	183 200	40 656 758		40 656 758
On 31 Dec 2005				40 656 758		40 656 758
On 20 Jan 2006						
Exercise of options	2001B	1 500	3 000	40 659 758		40 659 758
On 10 Apr 2006	2001A	7 500	15 000			
Exercise of options	2001B	8 600	17 200	40 691 958		40 691 958
On 31 Dec 2006				40 691 958		40 691 958
On 31 Dec 2007				40 691 958		40 691 958
On 31 Dec 2008				40 691 958		40 691 958

* Amounts not corrected for Bonus Issue.

Major shareholders on 31 December 2008	Number of shares	%
Grimaldi Group Naples	26 408 770	64.90
Ilmarinen Mutual Pension Insurance Company	4 246 000	10.43
Svenska Litteratursällskapet i Finland	690 000	1.70
Mandatum Life Insurance Company Limited	663 000	1.63
Sigrid Juselius Foundation	470 000	1.16
Pohjola Non-Life Insurance Company Ltd	290 000	0.71
UCITS Fund Aktia Capital	256 393	0.63
The State Pension Fund	215 000	0.53
Kaleva Mutual Insurance Company	200 000	0.49
The Finnish Cultural Foundation	150 000	0.37
10 largest total	33 589 163	82.54
Nominee registered	3 808 104	9.36
Other shareholders	3 294 691	8.10
Management holding	136 400	0.3
Total amount of shares	40 691 958	100.00

Source: Finnish Central Securities Depositary Ltd.

MONTHLY SHARE PRICE DEVELOPMENT AND TRADING VOLUME, 2004–2008



Source: NASDAQ OMX Helsinki Ltd.

FINNLINES' CORPORATE GOVERNANCE STATEMENT

Finnlines Plc applies the guidelines and provisions of the Finnish Companies Act, the NASDAQ OMX Helsinki Ltd, and its own Articles of Association. Finnlines also applies, when effective, the Finnish Corporate Governance Code issued in October 2008 and provided by the NASDAQ OMX Helsinki Ltd, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industries EK.

This Corporate Government Statement is approved by the Board of Directors.

You can find the entire Finnish Corporate Governance Code on the Internet website www.cgfinland.fi.

Finnlines is governed by its Board of Directors and the President and CEO. The company also has a Deputy CEO. The company's other administrative units assist and support these management bodies. The company is managed from its headquarters in Finland. Finnlines Plc (the parent company) prepares its financial statements in accordance with the Finnish Accounting Act and other applicable Finnish provisions and regulations. The Finnlines Group prepares consolidated financial statements in accordance with IFRS. Financial statements are published in Finnish and English.

ANNUAL GENERAL MEETING

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

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 the Annual General Meeting for one year at a time. The Board selects the Chairman and the Deputy Chairman from among its members. Since 15 March 2007, the Board has had seven members.

All members of the Board of Directors are independent of the company and three of them are also independent of significant shareholders of the company. As from April 15, 2008, the Board members are: Jon-Aksel Torgersen (Chairman), Diego Pacella (Vice Chariman), Emanuele Grimaldi, Gianluca Grimaldi, Heikki Laine, Antti Pankakoski and Olav K. Rakkenes.

The President and CEO is not a member of the Board. 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 invitation to attend the AGM, if the candidates have agreed in writing to their names being put forward. Any candidates put forward after the publication of the invitation to attend the AGM will be published separately. The company presents on its website the biographical details of possible new board candidates.

The Board handles all issues in the presence of the entire Board. The Board does not have any separate committees. The Board steers and supervises the company's operations, and decides on policies, goals and strategies of major importance. 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 extent of the company's business, the entire Board also handles the duties of the audit committee as well as those of the nomination 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 and the Board of Management
– 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 and the Board of Management
– 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 through an internal self-assessment process. The Board convened eight times in 2008. The average attendance level at these Board meetings was 96.42 per cent.

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 responsible for managing the company's day-to-day administration in accordance with the company's Articles of Association, the Finnish Companies Act and the instructions of the Board of Directors. He is assisted in this work by the Management Board. As of 4 July 2007, the President and CEO of the company is Christer Antson, MSc (Economics and Business Administration). If necessary, the Board of Directors can appoint a Deputy CEO. The Company's Deputy CEO is Chief Financial Officer Seija Turunen, MSc (Economics and Business Administration).

BOARD OF MANAGEMENT

The Company's Board of Management consists of the President and CEO, the Chief Financial Officer and the directors in charge of the largest business units and supporting units. The members are appointed by the Board of Directors, which also approves their remuneration and other terms of employment. The Board of Management convenes 1–2 times a month. The Board of Management is chaired by the President and CEO. It considers strategic issues related to the Group and its business, as well as investments, service products, the Group's structure and the corporate steering system, and supervises the company's operations. The heads of the business units are responsible for the sales volumes and profitability of their respective units.

COMPENSATION

MANAGEMENT CONTRACTS, REMUNERATION AND BENEFITS

The Annual General Meeting appoints the Board of Directors and approves the Board members' remuneration. The remuneration for 2008 is EUR 50,000 for the Chairman, EUR 40,000 for the Vice Chairman and EUR 30,000 for the other Board members.

The Board of Directors appoints the President and CEO and the Deputy CEO, if applicable, and approves their remuneration. The Board or its Chairman appoints and decides on the remuneration of Directors who report directly to the President. The Board also decides on any separate performance-based compensation plans for management.

The remuneration of the President and CEO and the other members of the Board of Management consists of a monthly salary and a bonus. The Board of Directors determines the terms for bonus payment. Bonuses are paid to the President and CEO and the Board of Management in relation to the fulfilment of the company's profit targets. The present President and CEO and the Deputy CEO are entitled to full pension at a retirement age of 60. In the event the company decides to give notice of termination to the President and CEO or the Deputy CEO, they are entitled to compensation equalling 18 months' salary, in addition to 6 months' salary for the term of notice.

Other members of the Board of Management have a collective pension plan in which the members' retirement age is defined as 60–65. The annual payments are linked to the Group's profits.

The Compensation for Finnlines' President and CEO for the financial year 2008 was EUR 387 thousand.

For a more detailed specification of the salaries and remunerations paid to these persons, see Note 34 of the Financial Statement of 2008 Annual Report, Transactions with related parties, on page 69.

INTERNAL SUPERVISION

The Board of Directors is responsible for the company's administration and for making the required operative arrangements. In practice it is the President and CEO's task to ensure the proper organisation of the company's internal supervision, risk management, internal auditing and accounting supervision mechanisms, assisted by the Board of Management. The instructions and guidelines apply to the entire Group.

The company's financial progress is reviewed monthly with a Group-wide reporting system.

RISK MANAGEMENT AND INTERNAL AUDITS

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

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

The Corporate Legal Affairs and Insurance unit is responsible for risks associated with the company's fixed assets and any interruptions in operations, as well as for the management and coordination of the Group's insurance policies. The majority of the Group's invested capital consists of its fleet. The fleet is always insured to its full value. Accidents and engine damage can result in interruptions to operations, which are covered by loss-of-earnings policies.

The financial position and creditworthiness of the Group's customers are monitored continuously in order to minimise the risk of customer credit losses. The proper functioning of Finnlines' information systems is guaranteed through extensive and thorough security programmes and emergency systems.

Each business unit has a responsible controller who reports to the CFO. The Directors of Finnlines' business units are responsible for the profit and working capital of their units. They set the operational targets for their units and ensure that resources are used efficiently and that operations are evaluated and improved.

As from September 2008, Finnlines has had a separate internal audit function reporting to the President and CEO. This function was until the end of the financial year outsourced to the internal audit unit of PricewaterhouseCoopers. From the beginning of 2009, the company has appointed an internal auditor of its own.

INSIDER MANAGEMENT

Finnlines Plc complies in all aspects with the insider guidelines of the NASDAQ OMX Helsinki Ltd.

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

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

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 the Finnish Central Securities Depository Ltd. The information can also be obtained directly from the company's website.

EXTERNAL AUDITING

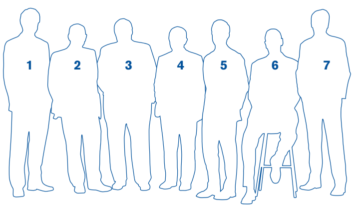
The company's auditors are appointed by the Annual General Meeting on the basis of a proposal made by the Board of Directors. The Board's proposal for auditors is published in the invitation to attend the AGM. The auditors must be an Authorised Public Auditors Firm, which appoints a head auditor.

In 2008, the Group's principal auditors have been the Authorised Public Auditors Firm Deloitte & Touche Oy, which has appointed APA Mikael Leskinen as head auditor. In 2008, EUR 289 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 11 thousand was paid for other consulting services.

COMMUNICATIONS

The principal information on Finnlines' administration and management is published on the company's website according to the principles of the Finnish Corporate Governance Code. All stock exchange releases and press releases are published on the company's website as soon as they are made public.

BOARD OF DIRECTORS



1. JON-AKSEL TORGERSEN

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

Current positions:
- Atlantic Container Line AB, Chairman
- Board Member of I.M. Skaugen ASA. and Norske Energy Corp. ASA, Board member
- Chairman and Board Member of a number of private companies

- Number of Finnlines shares: 0 *

2. EMANUELE GRIMALDI

- Member of Finnlines Board since 2006
  Independent of the Company
- Born 1956
- Degree in Economics and Commerce, University of Naples, 1980, Italy
  General Certificate of Education (scientific studies), Military School Nunziatella in Naples, Italy
- Grimaldi Compagnia di Navigazione Spa, Director
  Atlantica S.p.a. di Navigazione, Managing Director
  Industria Armamento Meridionale Spa, Director

Current positions:
- Minoan Lines, Greece, President
- Malta Motorways of the Sea Ltd, President
- European Community Shipowners' Associations, Board Member
- Atlantic Container Line AB, Board Member

- Number of Finnlines shares: 120 000 *

3. HEIKKI LAINE

- Member of Finnlines Board since 2007
  Independent of the Company and significant shareholders
- Born 1948
- Degree on International Business, Finnish Institute in Management, Finland
- Oy Paihia Ltd, Managing director

Current positions:
- Cargomasters Group Ltd, Board member

- Number of Finnlines shares: 0 *

4. 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 Compagnia di Navigazione 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 shares: 16 400 *

5. 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
- Industria Armamento Meridionale (INARME), Managing Director
  Grimaldi Group, Finance Director

Current positions:
- Minoan Lines, Greece, Board Member
- Malta Motorways of the Sea Ltd, Board Member
- Grimaldi Compagnia di Navigazione, Board Member
- Atlantica S.p.a. di Navigazione, Board Member
- Atlantic Container Line AB, Board Member

- Number of Finnlines shares: 0 *

6. OLAV K. RAKKENES

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

Current positions:
- Atlantic Container Line AB, Board Member
- EUKOR Car Carriers Inc., Board Member
- TT Club, Member

- Number of Finnlines shares: 0 *

7. ANTTI PANKAKOSKI

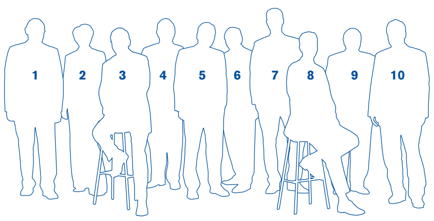
- Member of Finnlines Board since 2007
  Independent of the Company and significant shareholders
- Born 1954
- Master of Laws taken at the University of Helsinki, Finland
- Altia Corporation, CEO

Current positions:
- eQ Plc, Board Member
- Kristina Cruises Oy, Board member

- Number of Finnlines shares: 0 *

* Ownership of shares per 31 December 2008
More information at www.finnlines.com

BOARD OF MANAGEMENT



1. CHRISTER ANTSON

- President and CEO 2007–
  Board of Management, member 1999–
- Born 1958
- MSc (Econ),
  Authorised Public Accountant

- Number of Finnlines shares: 0 *

2. SEIJA TURUNEN

- Chief Financial Officer (CFO) and
  Deputy CEO 2007–
  Finance, Communication, HR &
  Administration, IT
  Board of Management, member 1993–
- Born 1953
- MSc (Econ)

- Number of Finnlines shares: 0 *

3. CHRISTER BACKMAN

- President, Link Services 2008–
  Board of Management, member 2008–
- Finnlink Oy Ab, Managing
  Director 1988–
- Born 1945
- M.Pol.Sc

- Number of Finnlines shares: 0 *

4. LARS TRYGG

- Legal Counsellor
  Secretary to the Board of Management,
  2008–
  Secretary to the Board of Directors
  1989–
- Born 1951
- Master of Law

- Number of Finnlines shares: 0 *

5. GUNTHER RANKE

- President, Russia Liner Services 2008–
  Board of Management, member 2008–
- Finnlines Deutschland GmbH,
  Managing Director 1996–
- Born 1950

- Number of Finnlines shares: 0 *

6. SIMO AIRAS

- President, Baltic and North Sea Liner
  Services 2008–
  Board of Management, member 2006–
- Born 1947
- BSc (Econ)

- Number of Finnlines shares: 0 *

7. CHRISTER BRUZELIUS

- Executive Vice President,
  Ship Management
  Board of Management, member 2008–
- Born 1958
- MSc (Naval Architect)

- Number of Finnlines shares: 0 *

8. HÅKAN MODIG

- Executive Vice President,
  Fleet Management 2008–
  Board of Management, member 2008–
- Born 1964
- MSc (Econ)

- Number of Finnlines shares: 0 *

9. HANS MARTIN

- President, Port Services 2008–
  Board of Management, member 1991–
- Finnsteve Oy Ab,
  Managing Director 1990–
- Born 1945
- Business School Graduate

- Number of Finnlines shares: 0 *

10. STAFFAN HERLIN

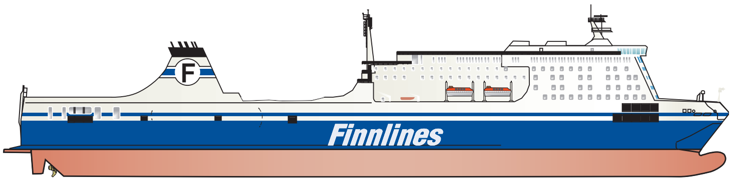
- Executive Vice President, Liner Services
  Marketing and Sales 2008–
  Board of Management, member 2008–
- Born 1958
- MSc (Econ)

- Number of Finnlines shares: 12 *

* Ownership of shares per
31 December 2008
More information at www.finnlines.com

THE FLEET ON 1 JANUARY 2009

STAR-CLASS (5 VESSELS)



FINNSTAR (2006)
Helsinki–Travemünde

FINNMAID (2006)
Helsinki–Travemünde

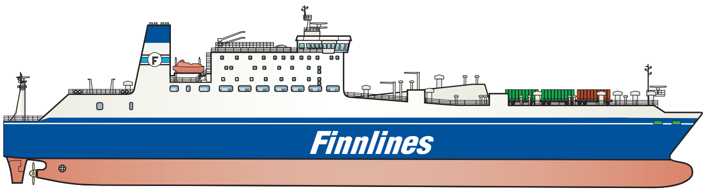
FINNLADY (2007)
Helsinki–Travemünde

EUROPALINK (2007)
Malmö–Travemünde

NORDLINK (2007)
Malmö–Travemünde

Loa	218 m
Breadth, moulded	30.5 m
DWT	9 650 t
GT	45 923
Lane metres	4 200 m
Passengers	500
Capacity for passengers cars	110
Service speed	25 knots
Ice class	1A Super

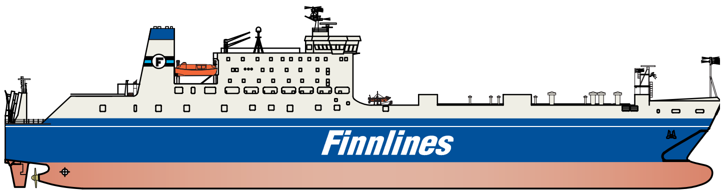
HANSA-CLASS (4 VESSELS)



FINNHANSA (1994)
Helsinki–Travemünde

TRANSEUROPA (1995)
Helsinki–Travemünde

Loa	183 m
Breadth, moulded	28.7 m
DWT	11 600 t
GT	32 531
Lane metres	3 200 m
Passengers	114
Service speed	21 knots
Ice class	1A Super

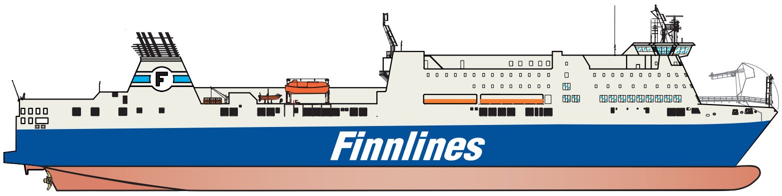


FINNPARTNER (1995/2007)
Malmö–Travemünde

FINNTRADER (1995/2007)
Malmö–Travemünde

Loa	183 m
Breadth, moulded	28.7 m
DWT	8 865 t
GT	33 313
Lane metres	3 050 m
Passengers	274
Service speed	21 knots
Ice class	1A Super

CLIPPER-CLASS (3 VESSELS)



FINNCLIPPER (1999)
Naantali–Kapellskär

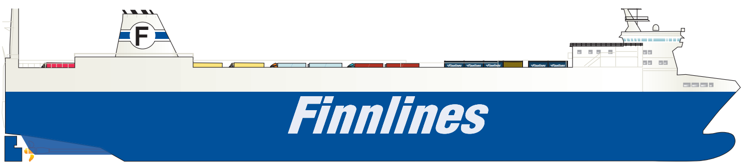
FINNFELLOW (2000)
Naantali–Kapellskär

Loa	188 m
Breadth, moulded	28.7 m
DWT	7 800 t
GT	33 958 / 33 724
Lane metres	3 118 m
Passengers	440
Service speed	22 knots
Ice class	1A

FINNEAGLE (1999)
Naantali–Kapellskär

Loa	188 m
Breadth, moulded	28.7 m
DWT	7 800 t
GT	29 841
Lane metres	2 459 m
Passengers	400
Service speed	22 knots
Ice class	1A

NEWBUILDINGS (6 VESSELS, 2010–2011)



Loa	187 m
Breadth, moulded	26.5 m
DWT	10 500 t
GT	27 120
Lane metres	3 245 m
Service speed	20 knots
Ice class	1A
Shipyard	Jinling, China

OTHER OWNED VESSELS

	GT / Lane metres / Passengers	Year of delivery
Finnarrow	25 996 / 2 400 / 200	1996
Finnsailor	20 921 / 1 350 / 119	1987/96
Translubeca	24 727 / 2 100 / 84	1990

	GT / Lane metres	Year of delivery
Finnkraft	11 530 / 1 899	2000
Finnhawk	11 530 / 1 899	2001
Finnmill	25 654 / 2 681	2002
Finnpulp	25 654 / 2 681	2002

CHARTERED

	GT / Lane metres	Year of delivery
Antares	19 963 / 2 090	1988
Astrea	9 528 / 860	1991
Amber	6 719 / 1 260	1992
Baltica	21 224 / 2 170	1990
Finnforest	15 525 / 2 100	1978
Finnreel	11 530 / 1 899	2000
Finlandia	19 524 / 2 240	1981
Inowroclaw	14 786 / 1 403	1980

	GT / Lane metres	Year of delivery
Birka Carrier	12 251 / 1 775	1998
Birka Express	12 251 / 1 775	1997
Birka Trader	12 251 / 1 775	1998
Birka Exporter	6 620 / 1 278	1991
Birka Shipper	6 620 / 1 278	1992
Birka Transporter	6 620 / 1 274	1991
Envoy	18 653 / 1 934	1979
Vasaland	20 544 / 2 170	1984
Runner	20 729 / 1 975	1990

INFORMATION FOR SHAREHOLDERS

REPORT PUBLICATION SCHEDULE AND KEY EVENTS IN 2009

Record date for Annual General Meeting: 3 April 2009
Registration period for AGM ends on: 14 April 2009
Annual General Meeting: 15 April 2009

INTERIM REPORTS

Finnlines' interim reports for 2009 will be published as follows:

- January–March: 7 May 2009
- January–June: 30 July 2009
- January–September: 4 November 2009

REGISTERING FOR ATTENDANCE AT THE AGM

Finnlines Plc's Annual General Meeting will be held from 12:30 pm on 15 April 2009 at the Radisson SAS Royal Hotel, Runeberginkatu 2, Helsinki. All shareholders registered in the shareholder list maintained by the Finnish Central Securities Depository Ltd by 3 April 2009 have the right to attend the meeting. Shareholders who wish to attend the meeting must register by 4 pm on 14 April 2009, either in writing to Finnlines Plc, Share Register, P.O. Box 197, 00181 Helsinki, Finland, by telephone on +358 10 343 4404, by e-mail at IR@finnlines.com or by fax on +358 10 343 4425.

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, interim reports and other important reports are also published on Finnlines' website at www.finnlines.com.

TO ORDER ANY OF THESE PUBLICATIONS, PLEASE CONTACT:

Finnlines Plc, Corporate Communication
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This Annual Report has been translated into English from the Finnish version. In case of any discrepancies the Finnish version shall prevail.

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