

FINNLINES

ANNUAL REPORT 1995



FINNLINES LTD ANNUAL REPORT 1995

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 10 a.m. on Monday, February 26, 1996 on the 10th floor of the Restaurant Palace, Eteläranta 10, 00130 Helsinki.

Finnlines Ltd publishes its Annual Report in Finnish and English. Interim Reports for January to April and for January to August are published in June and October, respectively, again in both Finnish and English.

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GENERAL FACTS ABOUT THE GROUP

GROUP STRUCTURE

Shipping and Sea Transport Services

Finncarriers Oy Ab with subsidiaries (100%)	Parent company Listed company Ship ownership 12 employees ¹⁾	The Group's - strategic planning and management - finance and treasury - business control - data administration - legal matters Ownership of vessels
FG-Shipping Oy Ab (100%)	Ship management 108 employees	Development of tonnage Supervision of newbuildings Management and manning of vessels Passenger services Principal owner in shipping partnerships Purchase and sale of vessels Chartering and operating services
Oy Intercarriers Ltd (51%)	Sea transport services 569 employees	Regular liner service between Finland and Germany, Scandinavia and countries round the North Sea and the Bay of Biscay Small tonnage traffic between Finland, Scandinavia, Continental Europe and the Bay of Biscay Contract traffic between Finland and North America Door-to-door services
Shipping partnerships Railship II, III (40%) Railship AG (87%)	17 employees 93 employees (not consolidated)	Small tonnage services: chartering, agency and ship clearance Railferry service between Finland and Continental Europe Ownership of railway wagons

Forwarding and Logistics

Oy Huolintakeskus Ab with subsidiaries (100% from 1.5.1995)	506 employees	European, Overseas, Domestic and Air freight transport services Warehousing and distribution Special operations
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Port Operations

Finncarriers Oy Ab (100%)	Port operations in Sompassaari, West and South harbours of Helsinki and Kant- vik harbour in Kirkko- nummi 658 employees	Stevedoring and terminal operations Warehousing service Container depot service
Oy A.E. Erickson Ab (100%)	Port operations in the port of Turku 139 employees	Stevedoring and terminal operations Forwarding Container depot operations

¹⁾ Personnel figures are given as average figures during the year from the Group's point of view.

GENERAL FACTS ABOUT THE GROUP

The Finnlines Group is a listed company in the transport sector that concentrates on versatile freight transport and logistic services and related information services. Finnlines has three business areas: Shipping and Sea Transport Services, Forwarding and Logistics, and Port Operations.

The ownership of the vessels of the Finnlines Group is mainly concentrated to the parent company Finnlines Ltd. The Group owns 14 vessels either wholly or partly, and the average age of the vessels is about 7 years. The vessels are mostly ro-ro vessels designed by the Group and their cargo capacity is 25,000 lane metres. During the year under review, two new combi-ro-ro vessels, MS Finnpartner and MS Finntrader, were added to the fleet. Both vessels have a capacity of 3,200 lane metres and can take 110 passengers. The sister ship of these vessels, MS Finn hansa, which was the first to be completed in an investment programme launched in 1990, went into service in 1994. The Group has its own ship management company, FG-Shipping Oy Ab, whose principal function is the management and manning of the Group's tonnage.

Sea transport services are run by Finn carriers Oy Ab, a subsidiary of Finnlines. The company runs regular liner service between Finland and other member countries of the European Union and Norway, small tonnage traffic between Finland and Continental Europe, railferry service between Finland and Germany, and contract traffic between Finland and North America. During the year, Finn carriers had an average of 83 vessels in service. The Group or its conference partners owned 19 of these vessels, and 64 were time-chartered vessels.

Oy Huolintakeskus Ab with its subsidiaries, which has been wholly owned by the Group since the beginning of May, offers global freight transport by land, sea and air as well as forwarding and warehousing services and related information services. Before the acquisition in May, Finnlines owned 45.5 per cent of Huolintakeskus's share capital.

The Group runs port operations, which include stevedoring, terminal operations, warehousing and container depot services in Sompasaari, West and South harbours of Helsinki, in Kantvik harbour in Kirkkonummi, and in Turku harbour. The operations are managed by Finnsteve Oy Ab in Helsinki and on a selective basis by Oy A.E. Erickson Ab in Turku. Finnlines also owns 19.1 per cent of Steveco Oy, which runs corresponding operations in the ports of Kotka, Hamina and Hanko.



During the year under review, three new-generation combi-oro vessels were introduced to the Group's service.



1995 IN BRIEF

In May, Finnlines Ltd purchased 54.5 per cent of the share capital of Oy Huolintakeskus Ab at a price of FIM 150 million. The holding of Finnlines in the company increased from 45.5 to 100 per cent.

In June, Finnlines issued FIM 100 million in fixed rate notes. The term of the notes is 5 years.

The investment programme launched in 1991 was completed. Three (of which two owned by the Group) new combi-ro-ro vessels were introduced to service during the period under review.

The turnover increased by 42 per cent to FIM 2,554 million (FIM 1,805 mill.)

The operating profit before depreciation improved by 30 per cent, from FIM 379 million to FIM 491 million.

The operating profit was FIM 361 million (+37%).

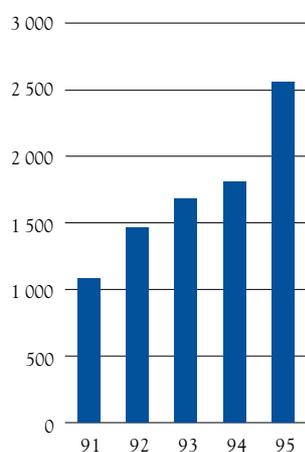
The profit before appropriations and taxes was FIM 319 million (+30%).

The earnings per share was FIM 11.11 (FIM 9.45).

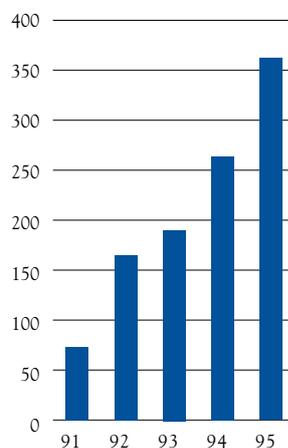
The equity ratio was 33 per cent (34%).

Key ratios	1995	1994	Change-%
Turnover, FIM million	2,554	1,805	42
Operating profit before depreciation, FIM million	491	379	30
% of turnover	19	21	
Operating profit, FIM million	361	264	37
% of turnover	14	15	
Profit before appropriations and taxes, FIM million	319	245	30
% of turnover	13	14	
Earnings per share, FIM	11.11	9.45	18
Investments, FIM million	619	479	29
Equity ratio, %	33	34	-3
Number of personnel	2,009	1,331	51

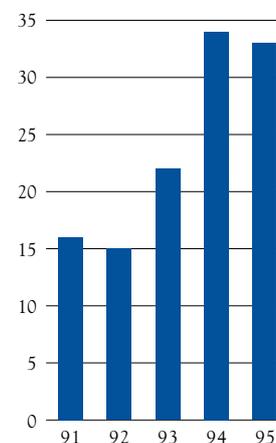
Turnover 1991-1995,
FIM million



Operating profit 1991-1995,
FIM million



Equity ratio
1991-1995, %



The Group offers daily departures between Helsinki and Lübeck for both cargo and passengers with its new vessels.



GROUP ORGANISATION AND AUDITORS

Board of Directors

Chairman

L.J. Jouhki
(1995-1998)
President and CEO
Thomesto Trading Companies Ltd
Member of the Board since 1989

Vice Chairman

Jukka Härmälä
(1994-1997)
President and CEO
Enso-Gutzeit Oy
Member of the Board since 1989

Members

Martin Granholm
(1994-1997)
President, Kymmene Corporation
Member of the Board since 1992

Pertti Laine
(1995-1998)
President, Veikko Laine Oy
Member of the Board since 1994

Thor Björn Lundqvist
(1995-1998)
President
Rettig Heating Group B.V (Holland)
Member of the Board since 1992

Hannu Ketola
(1995-1996)
Senior Vice President
The Pohjola Group
Member of the Board since 1995

Jouko K. Leskinen
(1993-1996)
President and CEO
Sampo Insurance Company Limited
Member of the Board since 1993

The Members of the Board have a three-year term of office, which begins and ends at the Annual General Meeting held in the year indicated in brackets.

Auditors

Regular auditor

Anneli Lindroos
Authorised Public Accountant

Deputy auditor

SVH Coopers & Lybrand Oy,
Authorised Public Accountants

Group Administration

Antti Lagerroos
President and CEO
Finnlines Ltd

Seija Turunen
Vice President,
Group Finance and Treasury

Lars Trygg
Vice President,
Group Legal Affairs

Kurt Österberg
Vice President,
Group Business Control

Subsidiaries

Asser Ahleskog
Managing Director
Finn carriers Oy Ab

Hans Martin
Managing Director
Finnsteve Oy Ab and Oy A.E. Erickson Ab

Heikki Laine
Managing Director
Oy Huolintakeskus Ab

Olavi Pylkkänen
Managing Director
FG-Shipping Oy Ab

FACTS ABOUT FINNLINES SHARES

Share capital

The company's minimum share capital is FIM 70 million and maximum FIM 280 million; within these limits the share capital can be raised or lowered without amending the Articles of Association. The nominal value of shares is FIM 10. Each share carries one vote at General Meetings.

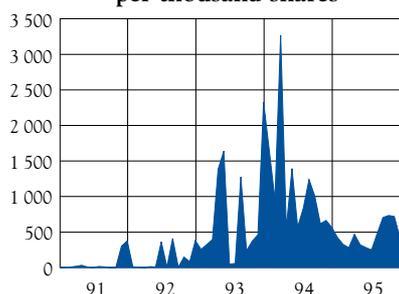
Bonds with warrants

A bond with warrants targeted to the management of Finnlines was issued in 1994. The loan amount was FIM 1,100,000 and the issue price 100 per cent. The loan period is 4 years from June 1, 1994 to June 1, 1998. The interest of the bond is the base interest rate of the Bank of Finland minus 1%. Each bond with a nominal value of FIM 1,000 contains

one warrant, which entitles the holder to subscribe for 400 Finnlines shares with a nominal value of FIM 10 at a subscription price of FIM 89.70.

The shares can be subscribed for annually from January 2 to December 15, until June 1, 1998 at the latest. The new shares entitle the holder to a dividend starting from the financial period during which the subscription took place. On the basis of the warrants, the company's share capital can be increased by a maximum of FIM 4,400,000 and the number of shares by a maximum of 440,000, which corresponds to 2.2 per cent of the total number of votes and shares. No share subscriptions have been made by virtue of the bond with warrants.

**Trend in share trading,
per thousand shares**



BREAKDOWN OF SHAREHOLDING PER GROUP ON DEC. 31, 1995

	No. of shareholders	% of shares and votes
Public entities	3	1.58
Households and individuals	1,562	4.76
Financial institutions	80	22.99
Financial institutions, nominee registered	3	21.38
Foreign shareholders	11	0.01
Non-profit organisations	71	2.17
Corporations	223	46.92
Corporations, nominee registered	3	0.09
Not transferred to book-entry securities	–	0.10
	1,956	100.0

SHAREHOLDERS BY NUMBER OF SHARES HELD ON DEC. 31, 1995

No. of shares	Shareholders		Shares and votes	
	no.	%	no.	%
1 – 100	668	34.15	29,746	0.15
101 – 1,000	912	46.63	358,222	1.87
1,001 – 10,000	278	14.21	813,766	4.25
10,001 – 100,000	72	3.68	2,350,400	12.26
100,001 – 1,000,000	20	1.02	4,941,519	25.78
1,000,001 –	6	0.31	10,655,368	55.59
Not transferred to book-entry securities			19,958	0.10
Total	1,956	100.0	19,168,979	100.0

FACTS ABOUT FINNLINES SHARES

MAJOR SHAREHOLDERS ON DEC. 31, 1995

	no.	% of shares and votes
Thominvest Oy	1,958,180	10.22
Oy Rettig Ab	1,561,114	8.14
Enso-Gutzeit Oy	1,350,960	7.05
The Sampo Group	1,300,000	6.78
The Pohjola Group	1,195,200	6.24
Veikko Laine Oy	1,157,236	6.04
Thomesto Trading Companies Ltd	500,000	2.61
Oy Dreadnought Trade and Finance Int. Ltd	405,320	2.11
Laatusäilyke Oy	389,300	2.03
Thomproperties Oy	284,320	1.48
Foreign and nominee registered	4,118,094	21.48
	14,219,724	74.18
Group management holding	8,000	0.04

Share price development and share trading

On December 31, 1995, the registered share capital of Finnlines was FIM 191,689,790, divided into 19,168,979 shares of FIM 10 nominal value with equal voting rights. Finnlines' shares are listed on the Helsinki Stock Exchange. Total trading during the year reached 28 per cent of the share capital. The highest quotation, FIM 99, was in January and the lowest, FIM 66, in December. The market capitalization of the company measured with the share price was FIM 1,361 million at year end.

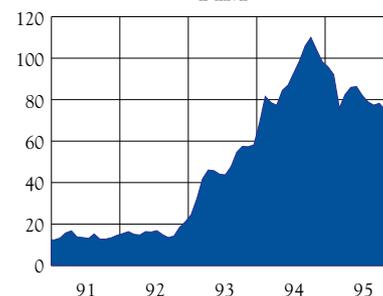
Authorisations

The company issued no convertible bonds or bonds with warrants during the year under review. The Annual

General Meeting of February 13, 1995 authorised the Board of Directors to decide on the issue of one or several convertible bonds or bonds with warrants or an increase of the company share capital through a rights issue during a period of one year from the registration of these authorisations. A maximum of 8,391,021 new shares with a nominal value of FIM 10 can be issued for subscription. The authorisation gives the Board the right to deviate from the preference right of shareholders to subscribe for new shares, convertible bonds or bonds with warrants.

Finnlines Ltd knows of no shareholder agreements regarding the ownership of shares or the exercise of voting rights that would have any significant impact on the value of shares.

Average quotation per share, FIM



FINANCIAL DEVELOPMENT AND KEY RATIOS

	1995	1994	1993	1992	1991		
Sales, FIM million	4,338.4	2,953.0	2,656.3	2,229.7	1,654.1		
Turnover, FIM million	2,554.4	1,805.3	1,678.6	1,462.2	1,079.5		
Other income from operations, FIM million	3.5	8.3	18.6	75.0	59.9		
Total income from operations, FIM million	2,557.9	1,813.6	1,697.2	1,537.2	1,139.4		
Operating profit before depreciation, FIM mill.	491.4	379.3	280.8	282.3	194.3		
% of turnover	19.2	21.0	16.7	19.3	18.0		
Operating profit, FIM million	361.5	263.8	191.4	165.2	72.5		
% of turnover	14.2	14.6	11.4	11.3	6.7		
Profit before extraordinary items, FIM million	315.3	245.2	104.5	76.3	- 70.5		
% of turnover	12.3	13.6	6.2	5.2	- 6.5		
Profit before appropriations and taxes, FIM mill.	318.7	245.2	106.1	2.9	- 37.8		
% of turnover	12.5	13.6	6.3	0.2	- 3.5		
Return on equity, % (ROE)	21.8	26.0	26.0	26.6	- 21.1		
Return on invested capital, % (ROI)	17.7	17.0	15.3	14.6	6.9		
Total assets, FIM million	3,248.8	2,608.8	2,104.8	1,939.3	1,848.4		
Gross investments per funds statement, FIM million	618.5	478.8	260.1	277.1	226.6		
% of turnover	24.2	26.5	15.5	19.0	21.0		
Equity ratio, %	32.8	34.2	21.7	15.2	15.9		
Equity ratio, adjusted with the market value of the vessels, %	35.4	39.4					
Rate of self-financing, %	55.9	60.3	71.9	69.8	35.9		
Average number of employees during the year	2,009	1,331	1,269	1,361	1,400		
SHARE RATIOS:							
Earnings per share (EPS), FIM	11.11 ¹⁾	9.45	6.42	3.84	- 3.44		
Earnings per share (EPS) less warrant bond dillution, FIM	10.94						
Earnings per share (EPS) without the change in the deferred tax liability, FIM	15.31	12.09	6.72	3.58	- 3.81		
Shareholders equity per share, FIM	55.14	46.12	29.15	20.78	20.73		
Dividend per share, FIM	3.00	2.00	1.00	-	-		
Dividend to profit, %	27.0	22.2	16.2	-	-		
Effective dividend yield, %	4.2	2.1	1.7	-	-		
Price/earnings ratio (P/E)	6.4	10.3	9.4	5.5	-		
Share price on the stock exchange at year end, FIM	71.00	97.00	60.50	23.00	16.50		
Market capitalization at year end, FIM million	1,361.0	1,859.4	943.8	299.0	214.5		
Adjusted average number of the shares	19,168,979	18,305,968	15,022,222	14,155,556	14,155,556		
Adjusted number of shares on Dec. 31	19,168,979	19,168,979	15,600,000	14,155,556	14,155,556		
Share price development in 1995	January-February	March-April	May-June	July-August	September-October	November-December	January-December
Trading high, FIM	99	89	90	87	82	81	99
Trading low, FIM	87	68	82	76.80	73	66	66
Average price	94.20	79.99	86.10	80.02	77.80	73.56	80.79
No. of shares traded	750,727	748,667	602,274	730,356	1,437,180	1,079,647	5,348,851
Total trading, FIM	70,714,760	59,889,140	51,858,801	58,442,110	111,810,028	79,414,061	432,128,900

¹⁾ Including the change in the deferred tax (FIM 80 million), in which the increase of 3% in the corporate tax has been taken into account (FIM 21 million).

CALCULATION BASIS FOR KEY RATIOS

The figures given on page 10 have been calculated as follows on the basis of information in the consolidated financial statements:

ROE (Return on equity, %) =	$\frac{\text{Profit before extraordinary items – taxes for the financial year – change in deferred tax liability}}{\text{Shareholders' equity + minority interests (average)}} \times 100$
ROI (Return on invested capital, %) =	$\frac{\text{Profit before extraordinary items + interest expenses + other financial items under liabilities}}{\text{Balance sheet total – interest-free loans (average)}} \times 100$
Equity ratio, % =	$\frac{\text{Shareholders' equity + minority shares}}{\text{Balance sheet total – advances received}} \times 100$
Rate of self-financing, % =	$\frac{\text{Funds generated from operations according to statements of source and application of funds}}{\text{Investments according to statements of source and application of funds}} \times 100$
Earnings per share (EPS) =	$\frac{\text{Profit before extraordinary items +/- minority share of Group profit +/- change in deferred tax liability – taxes for the financial year, from which the effect of extraordinary income and charges has been eliminated}}{\text{Average number of shares adjusted by share issue}}$
Shareholders' equity per share =	$\frac{\text{Shareholders' equity}}{\text{Number of shares as on Dec. 31 adjusted by share issue}}$
Dividend per share =	$\frac{\text{Dividend for the year distributed}}{\text{Number of shares on date of closing adjusted by share issue}} \times 100$
Dividend to profit, % =	$\frac{\text{Dividend for the year distributed}}{\text{Profit before extraordinary items +/- minority share of Group profit +/- change in deferred tax liability – taxes for the financial year, from which the effect of extraordinary income and charges has been eliminated}} \times 100$
Effective dividend yield, % =	$\frac{\text{Dividend per share}}{\text{Share price quoted on stock exchange as on Dec. 31 adjusted by share issue}} \times 100$
Price /earnings ratio (P/E) =	$\frac{\text{Share price quoted on stock exchange on Dec. 31}}{\text{Earnings per share}}$

CHIEF EXECUTIVE OFFICER'S REVIEW



Operating environment

The rate of growth of the Finnish national economy slackened more rapidly than expected during the last few months of 1995. The growth during the year under review did not reach 5 per cent and is likely to remain round 2 to 3 per cent in 1996. The main reasons for the slackening of growth are the poorer market outlook of the forest industry and the competitive position of the metal industry, which is said to have deteriorated because of the strengthening of the Finnish mark. Representatives of the Finnish forest industry, however, have been of the opinion that the weakening demand and fall in prices are a temporary phenomenon resulting from the stock situation in the major market areas. The slackening of growth may not yet be a sign of any business downturn, but rather the growth in Europe will continue even though its pace may be a little slower than during recent years.

Imports continued to grow more rapidly than exports, which was mainly due to the increasing transit traffic to Russia. According to forecasts, the growth of imports will exceed that of exports during the present year, too, due to domestic factors.

Finland's membership of the European Union has not had any impact on shipping, which has always been the object of international competition.

The year 1995

Finnlines completed a billion-mark investment programme launched in 1991. The programme has introduced to service four vessels (of which three are owned by the Group) of a new generation and size, the efficiency and capacity of which have fulfilled expectations.

During the year under review Oy Huolintakeskus Ab, a major Finnish forwarding company, was made part of the Finnlines Group. The new subsidiary increases the annual turnover and personnel of the Group by one third.

It will also add to our expertise in integrated transport and consolidate our position in transport to Russia. The acquisition has significantly altered the divisional breakdown of the Group's turnover. Now shipping and sea transport services stand for some 60 per cent of the total turnover instead of their previous share of about 80 per cent.

Towards the end of the year under review, the Group increased its holding in the Finnlink Group from 18 per cent to 41.2 per cent. Finnlink runs services between Finland and Sweden with one ro-ro vessel and one railferry, and transported one million tonnes of general cargo in 1995. During the first third of the present year, Finnlines will put a third vessel into Finnlink's service.

Outlook

Finnlines has at its disposal a young and effective merchant fleet with an average age of about 7 years. The liquidity, balance sheet and organisation of the Group make it possible to adapt operations flexibly to the market and competitive situation.

The weaker growth outlook in Finland and in our major export countries is also reflected in the trends in growth and results at Finnlines. If the downturn in export volumes that took place towards the end of 1995 proves to be of longer duration, the positive development of the Group's operative result shall unlikely continue.

I would like to thank our customers, associates and shareholders for the confidence they have shown the company and for their excellent cooperation, and all employees for their valuable contributions during 1995.

Helsinki, January 15, 1996

Antti Lagerroos
President and Chief Executive Officer

The scheduled liner traffic of Finnlines serves Finnish foreign trade all year around with ice-strengthened vessels.



DEVELOPMENT OF DIVISIONS



The parent company Finnlines Ltd owns most of the Group's vessels.

SHIPPING AND SEA TRANSPORT SERVICES

The turnover of the Shipping and Sea Transport Services Division was FIM 1,687 million, which was 66 per cent of the Group's total turnover.

Finnlines Ltd

Finnlines Ltd, the parent company of the Finnlines Group, has been a listed company since 1990. Finnlines owns the majority of the Group's own fleet in service and is in charge of strategic planning and management, finance and treasury, business control, data administration and legal matters for the entire Group.

The investment programme of three new-generation combi-ro-ro vessels launched in 1991 was completed. MS Finnpartner went into service in February and MS Finntrader in November. The first vessel in the series, MS Finnhansa, had already been delivered during the previous year. The new vessels have even greater efficiency and capacity than had been estimated. They can take 110 passengers, almost half of whom have been cargo related passengers during the year.

In December, Finnlines decided to purchase the Neste's stake in Finnlink Oy and the related shipping partnerships. The holdings of the Group in the said companies was 17.7 per cent before and 41.2 per cent after the acquisition. The holdings in these companies are registered in the name of FG-Shipping Oy Ab. In connection with this arrangement, the Group decided to convert MS Finnsailor into a combined cargo/passenger vessel. The vessel will be docked at the beginning of 1996 for the conversion, and it will start operating between Finland and Sweden during the first third of the year. Finnlink has

SHIPPING AND SEA TRANSPORT SERVICES

operated cargo traffic between Finland and Sweden with one ro-ro vessel and one railferry since 1989.

FG-Shipping Oy Ab

FG-Shipping Oy Ab, a subsidiary of Finnlines Ltd, manages the Group's own tonnage. The company has three foreign subsidiaries: AB Finnlines Ltd, Finnlines (Lübeck) GmbH and Finnmanagement Ltd. FG-Shipping is responsible for the development of the tonnage, supervision of newbuildings, management of ships, passenger services, purchase and sale of vessels, and some chartering and operating services.

The building and construction supervision of four new-generation combi-ro-ro vessels ordered by Finnlines and its German conference partner Poseidon was completed in Poland.

The second vessel of the series, MS Finnpartner, was delivered to Finnlines on February 12, the third, MS Transeuropa, to Poseidon on May 31, and the fourth, MS Finntrader, to Finnlines on October 26.

During the year under review, the tonnage managed by the company increased by two combi-ro-ro vessels. Two barges and one cargo vessel were withdrawn. The company docked 17 vessels during the year.

At year end, FG-Shipping managed 27 vessels (28 vessels in 1994). The company manned 18 (18) of these vessels and employed 553 (508) seamen. Four (5) of the vessels managed by the company were registered in various shipping registers abroad. Ten of the vessels were engaged in Finn carriers' European service and three in the North-Atlantic service. The company further managed ten vessels used by industrial companies for carrying their own goods. One of these was a bulk carrier, three were

pusher-tugs and six pusher-barges. One bulk carrier was used in cross-trade traffic. One ro-ro vessel and one railferry managed by the company were in service on Finnlink's Uusikaupunki-Hargshamn route. In addition to these, the company operated two other vessels, one in world-wide tramp traffic and the other in North-European traffic.

In the autumn, the labour market organisations in the shipping sector reached an agreement in accordance with the guidelines that the central labour market organisations had set for the years 1996 to 1997 in their economic, employment and labour market policy agreement. The officer unions have started to apply a guaranteed salary system from January 1, 1996. According to the general income policy agreement, the new agreements will be in force until January 31, 1998.

An IMO Conference held in London in November decided to tighten several regulations on the safety arrangements and equipment of passenger-ro-ro vessels. In addition, the Conference accepted principles according to which two or several countries can agree on stricter regulations between themselves. This is likely to give rise to new stability requirements in the Scandinavian countries and the nearby areas. The new combined cargo/passenger vessels used by the Group meet the planned regulations.

The development of a security system according to the international security management code (ISM Code) continued. According to a schedule set by the European Union, the security system must be approved by July 1, 1996 for passenger ships, by November 1, 1996 for tank and bulk vessels, and by July 1, 1998 for other vessels.



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Helsinki is the largest and most important port for unitized cargo in Finland. In 1995 more than 70% of the traffic consisted of lorries, semi-trailers, trailers and containers.



SHIPPING AND SEA TRANSPORT SERVICES



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Turku is the second largest port in Finland measured by the value of traffic.

Finn carriers Oy Ab

Finn carriers Oy Ab, a subsidiary of Finnlines Ltd, is responsible for the sea transport services of the Finnlines Group and the marketing of these services. The Finn carriers sub-group also comprises Finn carriers AB, Fen nia Shipping Ltd, Oy Intercarriers Ltd (51%) and A/O Eurocarriers STP.

During the period under review,

Finn carriers was engaged in

- regular liner traffic in the Baltic Sea between Finland, Germany and Scandinavia, in the North Sea between Finland, the UK, Belgium and Holland, and between Finland and the Bay of Biscay
- small tonnage services between Finland, Scandinavia, Continental Europe and the Bay of Biscay
- contract services between Finland and North America
- barge services in the Baltic Sea through an associated company Baltic Bulk Services Oy Ab (50%).

The company also offered selected door-to-door and terminal services.

Oy Intercarriers Ltd was engaged in agency and clearance services related to small tonnage chartering operations. The associated companies, Frachtkontor Finnland (50%) in Lübeck and Travemünde, Finnbelgia Agencies N.V. (50%) in Antwerp, and Finanglia Ferries Ltd (50%) in London, Felixstowe and Hull were in

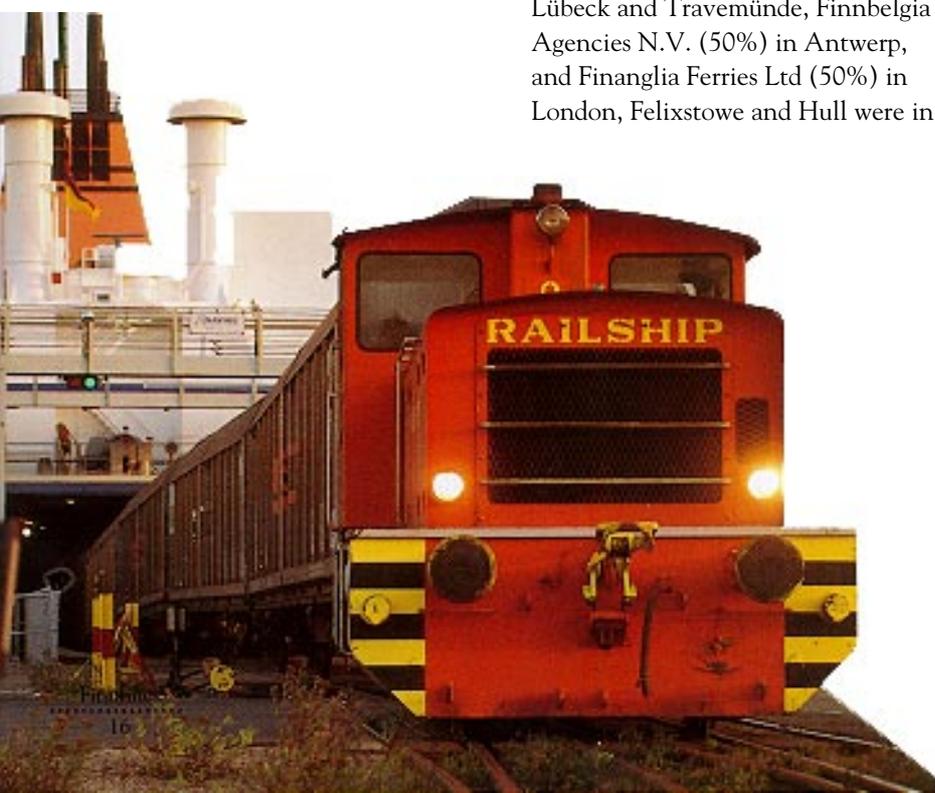
charge of port and canvassing agent services.

A major change was made in the business of the division, as the railship operations became part of the Group's liner traffic operations in the Baltic Sea. The preparations for the integration started in the autumn of 1994, and the actual transfer of business took place on January 1, 1995. Rail-ferry services are sold under a separate product name Railship. Finn carriers is responsible for the marketing, operations and administration of these services. The reorganisation was completed both in Finland and Germany during the period under review.

The cargo volumes carried (including conference partners) increased by 3 per cent on the previous year. The increase of import volumes exceeded that of export volumes. During the year, Finn carriers had an average of 83 vessels in service.

Liner Traffic

The core areas of Finn carriers' services are the Baltic Sea and the North Sea. The traffic was conducted as so-called conference traffic together with several conference partners. Finn carriers holds the majority in these conferences, and it functions as conference manager responsible for the marketing and sale of the conferences as well as the operation and administration of the vessels. The conference partner in the Baltic liner traffic, Railship traffic and Scandinavian liner traffic was the German company Poseidon Schifffahrt AG, and in the Rostock traffic also Transbaltic Schifffahrt GmbH. The traffic had a high frequency: the conference offered several departures a day both from Finland and Germany. The conference partners in the North Sea liner traffic were Andrew Weir Shipping Company under the name of United Baltic Corporation and Poseidon Schifffahrt AG. The conference offered several weekly departures to



SHIPPING AND SEA TRANSPORT SERVICES

different destinations around the North Sea.

Liner traffic services developed according to plan during the period under review. The traffic ran on schedule without disturbances. The trend in the number of semi-trailers and lorries transported was especially favourable, which was partly due to the increase in cargo and passenger capacity offered by the new vessels introduced into service. The additional capacity made it possible for the company to invest in the growth of transit traffic. The company has also taken special measures in order to consolidate its position in Russia both within the liner traffic and the Railship operations.

Small Tonnage Traffic

During the year, Finncarriers operated an average of 44 German and Russian so-called small tonnage vessels. The vessels operated direct routes from Lake Saimaa and sea ports to Continental Europe and Russian sea and inland ports. The operations of Inter-carriers also comprised traffic from Russian sea and inland ports to Scandinavia and Continental Europe.

Within small tonnage services, the position of the traffic in the Gulf of Bothnia in particular was consolidated. Finncarriers continued to develop its cooperation with German and Russian small tonnage shipping companies. The development of the business operations of Oy Inter-carriers Ltd also continued.

Contract Traffic

The company operated contract traffic between Finland and North America with five vessels under the name of F-Ships. In 1996 the activities will continue with three vessels as a joint operation.

Finncarriers continued to act as principal agent for Svenska Orient Linien AB in the Eastern Mediterranean traffic.

Railferry Services

The Group owns 40 per cent of the Railship Group, which specialises in transporting railway wagons between Finland and Continental Europe. The difference between the railway track gauge in Finland and Continental Europe is 89 mm, but Finland and Russia have the same track gauge. The Railship Group owns some 1,400 specially-developed railway wagons. It takes ten minutes per wagon to change the axle width of the wagons at the bogie changing station in Hanko. Consequently, the wagons can be transported between Finland and Russia as well as Continental Europe without unloading the cargo.

The Group concentrated on consolidating and developing the railferry operations both in Finland and Germany. Railship services were operated between Hanko and Travemünde with two railferries. The existing wagon stock was reduced in order to achieve a better traffic balance. Services to Russia were given particular emphasis.

Finnlink Group (holding 41.2%)

During the year under review, Finnlink supplied transport services between Uusikaupunki in Finland and Hargshamn in Sweden with one ro-ro vessel and one railferry. Finnlink transported 1,008,752 tonnes of general cargo (998,877 tonnes in 1994). Finnlink has decided to expand its services between Finland and Sweden during the year 1996. It will open a new line between Helsinki and Norrköping with MS Finnsailor, which has been chartered from Finnlines Ltd. During the beginning of the year, this vessel will be converted into a combined passenger/cargo vessel.



As air freight forwarder, Huolintakeskus offers world-wide air freight services.



FORWARDING AND LOGISTICS

The turnover of the Forwarding and Logistics Division was FIM 645 million, which was 25 per cent of the total turnover of the Finnlines Group.

The Huolintakeskus Group provides worldwide freight transport, forwarding and warehousing services and related information services for trade and industry. The main business areas of Huolintakeskus are:

- European,
- domestic,
- air freight and
- overseas transport services
- warehousing and distribution

In addition to these main business areas, Huolintakeskus has several special operations:

- Fashion Logistics - hanging garment transport system
- Ersta Furniture Logistics - furniture transport system
- PDI - car import unit
- Frigotrans-Green Line - thermo-transport
- DPD Finland - parcel distribution system

The European transport of Huolintakeskus is smoothly linked to the company's domestic distribution system. This solution, which is mainly based on trailer units and an efficient data management system, makes it possible to transport groupage freight and part and full loads on a regular schedule all over Europe. Huolintakeskus operates through its own branch network in its home market area, which covers Finland, the European parts of Russia and the Baltic countries. In Russia and the Baltic countries the company has subsidiaries of its own: A/O Huolintakeskus Ltd in Moscow, A/O Huolintakeskus Ltd SP in St. Petersburg, A/S Balti Transport in Estonia and Baltic Transport SIA in Latvia, which operate as one network. This makes it possible to offer transit transport to Russia from the entire Baltic Sea area. In other parts of Europe, operations are

based on cooperation with strong partners. By optimising operations with these partners the company has created a competitive land transport product covering the whole of Europe.

As air freight forwarder Huolintakeskus offers worldwide air freight services with regular cargo and charter traffic connections. The Overseas unit also operates globally. Its main product is NVO (Non Vessel Operating)-import and export transport for groupage and full container loads, and the main market areas are the economic centres in the Far East and North America. A separate department is responsible for worldwide project transport in cooperation with different transoceanic shipping companies and local representatives.

Fashion Logistics operates as a transport system for hanging garments, with Europe as its main market area. The unit is in charge of domestic distribution and the reconditioning of garments before they are delivered to retail outlets. Ersta Furniture Logistics, which is part of the Confiance chain, is an important furniture transport system that operates all over Europe offering services that cover all forms of logistics to both manufacturers and traders in the furniture business. The PDI (pre-delivery inspection) Unit in Turku specialises in car imports. In addition to the pre-delivery inspection of cars, the Unit takes care of the installation of accessories and special equipment and car logistics in the entire domestic market area of the Huolintakeskus Group.



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The Group runs liner service to Lübeck daily with a combined cargo/passenger vessel, to Travemünde a few times a week with a railferry and to Rostock once a week with a freighter.



European transport is smoothly linked to the domestic transport system of the Huolintakeskus Group.



FORWARDING AND LOGISTICS

Frigotrans-Green Line is the Huolintakeskus thermo-transport service, which operates with its own transport equipment across the whole of Europe. Its latest market areas are Russia and the Baltic countries. DPD Finland, a parcel distribution system established in 1995, is the latest special product of Huolintakeskus. Its operations are based on the European DPD System.

During the year under review, the main emphasis of operations lay in the adaptation of Huolintakeskus's business activities to Finland's EU membership and the rationalisation and further development of Huolintakeskus-Domestic Ltd, the operations of which cover the whole of Finland. The operations and result of Huolintakeskus developed solidly: invoicing totalled FIM 1.7 billion and turnover was FIM 1.0 billion. At the end of the financial period, Huolintakeskus employed 750 persons (701 persons) in Finland and abroad.

The fact that transport to and from the EU was no longer subject to customs clearance had a major impact on Huolintakeskus's invoicing and turnover. It did not, however, influence the result considerably thanks to the more efficient operations of the European transport system and a slight increase in the market share. During the last months of the year, the fluctuations in the volumes of export industries had, on occasions, a negative impact on the traffic balance. Huolintakeskus renewed its transport fleet by acquiring 150 semi-trailers meeting European standards. The development of Huolintakeskus-Domestic Ltd also continued: during the year the company introduced a so-called hub system for the transport of groupage goods, which will make it possible to transport groupage goods efficiently

within Finland both in the east-west and south-north directions.

The subsidiary Finntransport consolidated its position as a significant European transport company. The Overseas Unit made important decisions about cooperation with various representatives in order to create a clearer global set of products. It also increased its cooperation with transoceanic shipping companies. The company's own organisation in Hong Kong was wound up; the operations will now be conducted in cooperation with a significant international company. This will guarantee a wide coverage of the Chinese market. The volume increase of the air freight operations was larger than expected, and the rationalisation measures introduced will make it possible for the unit to achieve a better operative result. In Russia, the company opened an air freight terminal at Sheremetyevo airport in Moscow and a terminal at Pulkovo airport in St. Petersburg.

The joining of the Fashion Logistics Unit with the European Fashionet chain consolidated the Unit's operations at the European level. The increase in car imports and transit transports to Russia had a positive effect on the operations of the car import unit. The restructuring of the foodstuffs trade within the EU and the demand from Russia opened new opportunities for Frigotrans-Green Line Oy, which specialises in temperature-controlled transport.



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The Group runs a regular service to Amsterdam, Rotterdam and Antwerp several times a week.



PORT OPERATIONS



Finnsteve is engaged in stevedoring operations in the harbours of Helsinki, where it has equipment and terminals of its own.

The turnover of the Port Operations Division was FIM 316 million, which was 12 per cent of the total turnover of the Finnlines Group.

The Group manages port operations including, among other things, stevedoring and terminal operations as well as warehousing services and container depot operations in Helsinki and Kirkkonummi under the name of Finnsteve Oy Ab and in Turku under the name of Oy A.E.Erickson Ab. Measured by total value of traffic, the largest ports in Finland are Helsinki and Turku. The export and import volumes in these ports are also in a better balance than in most Finnish ports, which are more clearly engaged in either imports or exports. Helsinki is the most important Finnish port for general cargo: over 70 per cent of the total traffic consists of unitized cargo, i.e. semi-trailers, trailers and containers.

Finnsteve Oy Ab

Finnsteve Oy Ab is engaged in stevedoring operations in Sompasaari, West and South harbours of Helsinki and in Kantvik harbour in Kirkkonummi. The company also runs a terminal, provides warehousing services and operates a container depot.

The development of foreign trade and transportation by sea is reflected in the operations of Finnsteve. A total of 2,400,012 tonnes and 746,467 units of cargo was handled in Helsinki and Kantvik during the year under review (in 1994 2,818,419 tonnes and 742,679 units). In order to improve customer service, Finnsteve took over the management of the container terminal in the West Harbour of Helsinki. The company has paid special attention to more effective security and passage control, and these aspects will

PORT OPERATIONS

have an important role in the future as well, when different functions are being developed.

The emphasis in the development of data management services lay in the design and introduction of data communication networks. In accordance with an agreement with the Port of Helsinki, the company has taken care of the invoicing and payment service of freight charges since the beginning of the year.

Oy A.E. Erickson Ab

Oy A.E. Erickson Ab runs stevedoring and terminal operations in the port of Turku. The company is also engaged in warehousing and container depot services and runs forwarding, documentation and ship clearance operations in the economic region of Turku under the auxiliary business name of Turku Shipping.

The company handled 926,602 tonnes (932,851 tonnes) of cargo during the year 1995. The number of stevedoring assignments decreased due to Finland's membership in the European Union. The EU membership also altered the system for collecting freight charges in ports. According to an agreement with the Port of Turku, the company has taken care of the invoicing and payment of freight charges in the port of Turku since the beginning of 1995. Erickson took over the car terminal operations of Oy Huolintakeskus Ab in Turku at the beginning of October. During the same month, the company obtained a quality system certification based on the SFS-EN ISO 9002 standard. The certification covers stevedoring, terminal, forwarding, documentation and ship clearance services.

Metropolitan Port Oy Ab (33.3%) Kantvik Port Co. Ltd Strömsby-Invest Oy Ab Optar Oy

During the first part of the year, Finnlines Ltd and Cultor Oy agreed on ownership arrangements resulting in Finnlines now wholly owning the shares of Kantvik Port Co. Ltd, Strömsby-Invest Oy Ab and Optar Oy.

Discussions about a new port for the Helsinki metropolitan area started in 1992. One of the two alternative locations for this port is the Pikkala Bay in Kirkkonummi, where Finnlines owns land areas. Matters related to the Pikkala Bay port project are handled by Metropolitan Port Oy Ab, which was established in the summer. The shareholders of the company are Finnlines, Nokia Oy and Cultor Oy. Negotiations on the expansion of the ownership basis are being conducted. Environmental studies on the competing port alternatives have been completed and handed over to the Ministry of the Environment.

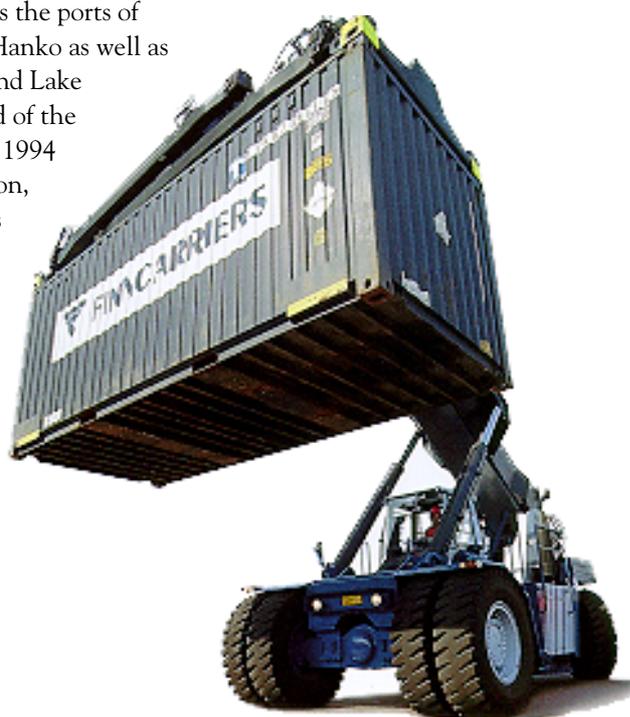
Steveco Oy (19.1%)

Finnlines owns 19.1 per cent of Steveco Oy, which operates the ports of Kotka, Hamina and Hanko as well as some of the ports round Lake Saimaa. The dividend of the company for the year 1994 totalled FIM 36 million, the share of Finnlines being FIM 9 million.



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The Group runs a liner service to Felixstowe in the UK a few times a week.



Over 90 per cent of Finland's foreign trade is transported by sea.



FINANCIAL STATEMENTS 1995

BOARD OF DIRECTORS' REPORT

During the year under review, Finland's export volume carried by sea decreased by 4 per cent and import volume by 4 per cent (source: National Board of Navigation). The items of the greatest importance to Finnlines, such as imports of general cargo and metal products as well as paper exports, have still shown some growth.

Huolintakeskus is included in the figures of the Finnlines Group as an associated company during the period Jan. 1-April 30, 1995 and as a subsidiary from May 1, 1995.

The sales of the Group totalled FIM 4,338 million (in 1994 FIM 2,953 million). The growth of sales, 47 per cent on the previous year, was mainly due to Huolintakeskus. Sales adjustment items consisted of conference partners' share in the sales of sea transport services, customs and VAT fees, discounts given, exchange rate differences on sales receivables, cargo fees at ports, rents on container terminals and land areas, and other transit items from land transport services.

The turnover of the Group was FIM 2,554 million (FIM 1,805 million). Other income from operations totalled FIM 4 million (FIM 8 million). The income from operations totalled FIM 2,558 million (FIM 1,813 million). The operating profit before depreciation was FIM 491 million (FIM 379 million), which was 19 per cent (21%) of turnover.

Depreciation according to plan totalled FIM 130 million (FIM 115 million). The goodwill of FIM 42 million that arose in connection with the acquisition of Huolintakeskus will be depreciated over a period of 10 years. Depreciation according to plan on vessels and ship shares totalled FIM 67 million (FIM 69 million). In connection with the introduction of the new combi-ro-ro vessels, the depreciation practice of the Group has been altered so as to reflect more accurately the international practice and the real economic life of the vessels. If the new depreciation schedule had been used, the planned depreciation for the previous year would have been FIM 26 million lower than what was actually the case.

The consolidated operating profit was FIM 361 million (FIM 264 million).

Financial Development of the Finnlines Group

	Jan. 1-Dec. 31, 1995		Jan. 1-Dec. 31, 1994	
	FIM million	%	FIM million	%
Sales	4,338	170	2,953	163
Sales adjustment items	- 1,784	- 70	- 1,148	- 63
Turnover	2,554	100	1,805	100
Other income from operations	4	-	8	-
Income from operations	2,558	100	1,813	100
Expenses	- 2,067	- 81	- 1,434	- 79
Operating profit before depreciation	491	19	379	21
Depreciation according to plan	- 130	- 5	- 115	- 6
Operating profit	361	14	264	15
Financial income and expenses (net)	- 55	- 2	- 45	- 2
Share of associated companies' results	9	-	26	1
Profit before extraordinary items	315	12	245	14
Extraordinary income and expenses	4	-	-	-
Profit before appropriations and taxes	319	12	245	14

FINANCIAL STATEMENTS 1995

continued

Turnover by division

	1995		1994	
	FIM mill.	Turnover %	FIM mill.	Turnover %
Shipping and Sea Transport Services	1,687	66.0	1,544	85.5
Forwarding and Logistics ¹⁾	645	25.3	–	–
Port Operations	316	12.4	322	17.8
Eliminations (inter-group)	– 94	– 3.7	– 61	– 3.3
Group total	2,554	100.0	1,805	100.0

¹⁾ Huolintakeskus as Group company during the period of May 1-Dec. 31, 1995.

Financial expenses (net) excluding the Group's share of the associated companies' results totalled FIM 55 million (FIM 45 million).

The dividend income of FIM 9 million (FIM 9 million) consisted of dividends paid by Steveco Oy (holding 19.1%) for 1994.

The unrealised exchange rate losses on currency-denominated loans generated in 1992 and 1993 have been divided over the remaining loan period. The unrealised exchange rate gains generated in 1994 and 1995 are divided over the same period of time as unrealised exchange rate losses. The total exchange rate losses (net) on the income statement, FIM 7 million (FIM 6 million), include unrealised exchange rate losses of FIM 2 million (FIM 9 million) and realised exchange rate losses of FIM 5 million (gains FIM 3 million) accrued for the year under review. Exchange rate differences of FIM 2 million (FIM 9 million) divided over the remaining loan period have been entered in the balance sheet under valuation items.

The Group's share of the associated companies' results was FIM 9 million (FIM 26 million). The main part of this came from Huolintakeskus, which was an associated company until April 30, 1995.

Profit before extraordinary items was FIM 315 million (FIM 245 million).

Consolidated extraordinary income

and expenses include extraordinary gains and losses from the sale of shares and other non-recurrent items.

Extraordinary income, FIM 4.1 million, consisted of gains from the sale of shares. The extraordinary losses of FIM 0.7 million were costs incurred from winding up a foreign subsidiary.

The consolidated profit before appropriations and taxes was FIM 319 million (FIM 245 million). The consolidated financial statements show a profit of FIM 216 million (FIM 173 million) after taxes, the change in the deferred tax liability and minority interest. The corresponding profit of the parent company was FIM 82 million (FIM 95 million).

The acquisition costs of MS Finnpartner and MS Finntrader, the combi-oro vessels delivered during the year under review, include capitalised interest on construction-time loans totalling FIM 55 million, unrealised exchange rate differences on currency-denominated loans generated during the construction period and crew expenses incurred during the time between the sea trials and the delivery of vessels.

Investments and financing

Total Group investments were FIM 619 million (FIM 479 million). The FIM 339 million in investments in vessels and ship shares include the delivery instalments on the new vessels MS Finnpartner and MS Finntrader and the shares (23.5%) in the Railfellow (MS Finnfellow) and

FINANCIAL STATEMENTS 1995

continued

Finnmaid (MS Finnmaid) shipping partnerships acquired from Neste Oy. Investments also include FIM 42 million in goodwill that arose in connection with the acquisition of Oy Huolintakeskus Ab and the balance sheet value of Huolintakeskus's fixed assets at the time of the acquisition totalling FIM 212 million.

At year end, the Group had FIM 1.4 billion (FIM 1.2 billion) in interest-bearing debts. In June, the company issued FIM 100 million in fixed rate notes. The Group repaid its long-term loans to a total of FIM 629 million (FIM 484 million). Loans in the amount of FIM 132 million were repaid in advance as distinct from the original repayment programme.

At year end, consolidated cash reserves were FIM 379 million (FIM 430 million). These consisted of cash in hand and at banks totalling FIM 166 million (FIM 234 million) including trustee deposits and securities under current assets to the amount of FIM 213 million (FIM 196 million).

The Group equity ratio was 33 (34) per cent calculated at the book value of the vessels and 35 (39) per cent calculated at the market value of vessels.

Fleet

At the end of the period under review, the Group owned 14 vessels fully or partly. The market value of the fleet exceeded the balance sheet value by FIM 133 million. The average of two external evaluations have been used as the market value. The fleet is presented on page 46 of the Annual Report.

The hull and hull interest insurance on ships fully owned by the Group was FIM 2,150 million (FIM 1,240 million) at year end, and that of ship shares reported in the balance sheet FIM 246 million (FIM 277 million), i.e. a total of FIM 2,396 million (FIM 1,517 million).

Impact of exchange rates

The Finnish mark strengthened by some 3 per cent against the German mark and by approximately 8 per cent against the US dollar during the year. As the Group's major invoicing currency is the German mark, the strengthening of the Finnish mark has decreased turnover expressed in Finnish marks. About 30 per cent of the invoicing of sea transport services is covered by currency clauses, which partly protect the Group from the impact of exchange rate fluctuations. As most of the Group's loans are in German marks, the strengthening of the Finnish mark has contributed to a decrease in net financing costs.

The weakening of the US dollar has cut down the Group's expenses, as fuel costs and charter hires are mostly tied to the dollar. The Group has partly protected itself against fluctuations in the price of fuel with so-called bunker clauses, which are included in customer agreements.

The strengthening of the Finnish mark has had a slightly negative impact on the Group's result. On the other hand, this strengthening has increased the demand for imported goods and consequently improved the Group's traffic balance.

Outlook

Finnlines has at its disposal a young and effective merchant fleet with an average age of about 7 years. The liquidity, balance sheet and organisation of the Group make it possible to adapt operations flexibly to the market and competitive situation.

The weaker growth outlook in our major export countries and Finland is also reflected in the trends in growth and results at Finnlines. If the downturn in export volumes that took place towards the end of 1995 proves to be of longer duration, the positive development of the Group's operative result shall unlikely continue.

FINANCIAL STATEMENTS 1995

continued

Personnel

The Group employed the following average personnel during the year:

	Group		Parent Company	
	1995	1994	1995	1994
Personnel ashore				
Shipping and Sea Transport Services	371	281	12	13
Forwarding and Logistics	506	-	-	-
Port Operations	797	794	-	-
	1,674	1,075	12	13
Sea personnel				
Shipping and Sea Transport Services	335	256	-	-
	335	256	-	-
Total	2,009	1,331	12	13

The Group employed 1,176 persons ashore at the beginning of the year and 1,894 at the end. The corresponding figures for sea personnel were 314 ja 365.

The increase in personnel ashore was due to Huolintakeskus being a subsidiary since May 1, 1995 and Railship operations becoming part of Finncarriers. The increase in sea personnel was caused by the delivery of the new combi-oro vessels.

Wages, salaries and fees, FIM million

	Group		Parent company	
	1995	1994	1995	1994
Managing directors and Board members	4.8	2.9	1.5	1.3
Others	314.4	214.0	3.2	3.2
	319.2	216.9	4.7	4.5

No profit-sharing fees were paid.

INCOME STATEMENTS

FIM million

	Group		Parent Company	
	1995	1994	1995	1994
SALES	4,338.4	2,953.0	190.0	66.5
SALES ADJUSTMENT ITEMS	- 1,784.0	- 1,147.7	-	-
TURNOVER	2,554.4	1,805.3	190.0	66.5
OTHER OPERATING INCOME (1)	3.5	8.3	-	40.6
Expenses				
Materials and supplies				
Purchases during the financial year	155.1	120.2	2.9	1.0
Increase/decrease in inventories	- 0.4	- 3.0	- 0.7	- 0.4
Staff costs (2)	430.9	300.1	6.3	6.4
Rents	51.1	30.9	0.8	0.8
Other costs	1,429.8	986.1	15.7	11.6
	2,066.5	1,434.3	25.0	19.4
PROFIT FROM OPERATIONS BEFORE DEPRECIATION	491.4	379.3	165.0	87.7
Depreciation				
Goodwill	6.8	3.9	-	-
Other long-term expenditure	6.0	6.3	1.0	1.0
Buildings and constructions	10.1	6.2	-	-
Ships	51.0	52.6	45.2	27.0
Ship shares	15.6	16.8	-	1.2
Machinery and equipment	40.4	29.7	6.1	0.7
	129.9	115.5	52.3	29.9
PROFIT FROM OPERATIONS	361.5	263.8	112.7	57.8
Financial income and expenses (3)				
Dividends received	9.2	8.8	67.8	28.1
Interest income on long-term investments	0.2	0.5	1.4	1.2
Other interest income	24.4	27.6	23.2	21.4
Other financial income (4)	0.9	2.0	0.5	1.7
Interest expenses	- 73.6	- 65.9	- 72.7	- 54.4
Currency differences (4)	- 6.7	- 6.1	- 3.6	4.6
Other financial expenses (4)	- 9.1	- 11.7	- 6.6	- 9.6
Associated companies (5)	8.5	26.2	-	-
	- 46.2	- 18.6	10.0	- 7.0
RESULT BEFORE EXTRAORDINARY ITEMS	315.3	245.2	122.7	50.8
Extraordinary income and expenses (6)				
Extraordinary income	4.1	-	0.2	-
Extraordinary expenses	- 0.7	-	-	-
Group contribution received	-	-	201.7	232.5
Group contribution given	-	-	-	-
	3.4	-	201.9	232.5
RESULT BEFORE TAXES AND MINORITY INTEREST	318.7	245.2	324.6	283.3
Depreciation difference	-	-	- 234.8	- 168.7
Change in voluntary provisions	-	-	-	-
Income taxes (7)	- 21.5	- 21.5	- 7.8	- 19.4
Change in deferred tax liability (8)	- 80.3	- 48.3	-	-
Minority interest	- 1.3	- 2.4	-	-
PROFIT FOR THE YEAR	215.6	173.0	82.0	95.2

BALANCE SHEETS

FIM million

	Group		Parent Company	
ASSETS	1995	1994	1995	1994
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS (9)				
Intangible assets				
Goodwill	53.4	17.3	–	–
Other capitalized expenditure	15.0	18.8	2.9	3.8
	68.4	36.1	2.9	3.8
Tangible assets				
Land	85.3	49.2	–	–
Buildings and constructions	188.0	89.1	–	–
Ships	1,559.2	860.2	1,425.9	723.9
Ship shares	95.7	87.8	–	–
Ships under construction	–	434.7	–	434.7
Machinery and equipment	237.3	179.4	74.2	73.8
	2,165.5	1,700.4	1,500.1	1,232.4
Financial assets (10)				
Shares and holdings (11)				
Group companies	–	–	574.6	379.7
Associated companies	33.3	54.6	0.3	42.5
Other shares	35.9	36.7	25.6	25.2
Loan receivables	7.1	8.9	13.9	16.6
	76.3	100.2	614.3	464.0
VALUATION ITEMS (12)	1.5	8.6	1.5	8.6
CURRENT ASSETS				
Stocks				
Materials and supplies	9.6	9.2	1.1	0.4
Receivables (13)				
Sales receivables	413.1	251.0	5.9	1.1
Loan receivables	5.7	2.3	–	–
Prepaid expenses and accrued income	110.5	39.1	16.5	8.8
Other receivables	18.9	32.2	135.6	105.9
	548.2	324.6	158.0	115.8
Investments				
Marketable securities	213.2	195.7	213.2	194.5
Cash in hand and at banks	166.1	234.0	147.1	189.5
	3,248.8	2,608.8	2,638.2	2,209.0
Pledges given (18)	1,255.3	1,193.0	984.7	778.0

BALANCE SHEETS

FIM million

	Group		Parent Company	
	1995	1994	1995	1994
LIABILITIES				
SHAREHOLDERS' EQUITY (14)				
Restricted equity				
Share capital	191.7	191.7	191.7	191.7
Other restricted equity	280.6	277.3	275.8	275.8
Non-restricted equity				
Equity part of provisions	326.1	181.4	–	–
Associated companies	27.5	11.1	–	–
Translation difference	– 4.3	0.1	–	–
Other non-restricted equity	19.8	49.4	176.0	119.1
Result for the year	215.6	173.0	82.0	95.2
	1,057.0	884.0	725.5	681.8
MINORITY INTEREST	7.4	9.0	–	–
PROVISIONS (15)				
Accelerated depreciation	–	–	452.3	217.5
Voluntary provisions	–	–	1.0	1.0
CREDITORS				
Non-current (16)				
Notes and bonds (17)	300.0	200.0	300.0	200.0
Loans from credit institutions	798.3	873.1	675.4	673.3
Pension loans	123.1	59.9	33.9	31.7
Other non-current liabilities (17)	9.3	6.1	101.1	136.3
Deferred tax liability on provisions (15)	193.4	108.8	–	–
	1,424.1	1,247.9	1,110.4	1,041.3
Current				
Loans from credit institutions	135.7	95.1	99.6	66.9
Pension loans	8.8	5.0	2.9	2.4
Purchases payable	177.2	142.5	4.8	1.9
Accrued liabilities and deferred income	368.0	179.1	57.9	67.7
Other current liabilities	70.6	46.2	183.8	128.5
	760.3	467.9	349.0	267.4
	3,248.8	2,608.8	2,638.2	2,209.0
Contingent liabilities (18)	39.0	5.5	3.0	4.1
Pension liabilities (18)	25.0	1.9	–	–

STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

FIM million

	Group		Parent Company	
	1995	1994	1995	1994
SOURCE OF FUNDS				
Funds generated from operations				
Profit from operations				
before depreciation	491.4	379.3	165.0	87.7
Financial income and expenses	- 46.1	- 18.7	10.0	- 7.0
Extraordinary income and expenses	3.4	-	201.9	232.5
Taxes	- 101.8	- 69.8	- 7.7	- 19.4
Minority interests in profits	- 1.3	- 2.4	-	-
Total funds generated from operations	345.6	288.4	369.2	293.8
Sale of fixed assets	4.6	0.8	0.1	43.3
Change in minority interests	- 1.6	6.0	-	-
Provision for the acquisition of a subsidiary	-	-	-	-
Translation difference	- 4.3	0.1	-	-
Other change in shareholders' equity	-	- 0.5	-	-
Share issue	-	272.5	-	272.5
Increase in non-current liabilities	856.3	560.0	675.3	560.0
TOTAL SOURCE OF FUNDS	1,200.6	1,127.3	1,044.6	1,127.3
APPLICATION OF FUNDS				
Investments				
Buildings and constructions	109.0	4.8	-	-
Ships	315.4	153.1	312.5	323.7
Ship shares	23.5	1.5	-	0.1
Ships under construction	-	268.7	-	268.7
Shares and holdings	29.0	1.6	153.0	22.6
Other fixed assets	98.2	49.1	6.7	73.6
Goodwill	43.4	-	-	-
Total investments	618.5	478.8	472.2	688.7
Associated companies; change in shareholders' equity	- 8.5	15.4	-	-
Decrease in non-current liabilities	628.6	483.6	599.1	414.2
Dividend paid	38.3	15.6	38.3	15.6
Change in net working capital	- 76.3	133.9	- 65.0	305.2
TOTAL APPLICATION OF FUNDS	1,200.6	1,127.3	1,044.6	1,423.7
CHANGE IN NET WORKING CAPITAL				
Cash in hand and at banks, change	- 67.9	109.4	- 42.3	118.3
Other financial assets, increase	239.2	55.1	58.3	71.7
Stocks, increase	0.3	3.0	0.6	0.4
Current liabilities, change	- 247.9	- 33.6	- 81.6	114.8
NET WORKING CAPITAL	- 76.3	133.9	- 65.0	305.2

APPENDIX TO THE ACCOUNTS

ACCOUNTING PRINCIPLES

Consolidated financial statements

The consolidated financial statements include the parent company and all domestic and foreign subsidiaries (companies in which the parent company directly or indirectly holds more than 50% of the voting rights) and all domestic and foreign associated companies (companies in which the parent company directly or indirectly holds 20 to 50% of the share capital and voting rights). The financial period of the subsidiaries and associated companies is the same as that of the parent company. More detailed information about the Group companies and associated companies is given below in Note 11.

The consolidated financial statements have been drawn up according to the acquisition cost method. The acquisition cost of subsidiary shares has been eliminated against the shareholders' equity in the balance sheet at the time of the acquisition. The consolidated difference that has arisen in the elimination has been allocated to the subsidiary's fixed assets where the current value of such assets exceeded the book value at the time of acquisition. The remaining part of the acquisition cost of the shares has been presented as Group goodwill in the consolidated balance sheet. On December 31, 1995, items allocated to land totalled FIM 31.3 million, to buildings and constructions FIM 29.7 million, and to ship shares FIM 8.3 million. The items allocated to buildings and constructions and ship shares will be depreciated according to the depreciation plan of the fixed assets item in question.

Inter-group transactions, sales profits, distribution of profits and inter-group receivables and liabilities, have been eliminated.

The share of minority interests in the subsidiaries' results, shareholders' equity and the portion of provisions allocated to shareholders' equity have been presented as a separate item in the income statement and balance sheet.

The associated companies have been consolidated according to the equity method. The Group's share of the subsidiaries' results for the financial period has been entered under financial items as a separate item. The impact of the consolidation of associated companies on the Group's shareholders' equity has been presented as a separate item in the balance sheet.

The balance sheets of foreign subsidiaries and associated companies have been converted into Finnish marks at the average exchange rates on the closing day. The income statements have been converted by using the average exchange rates of the financial period. The resulting translation difference is

presented separately under consolidated non-restricted equity.

In the consolidated financial statements, the Group's shares in the income statement and balance sheet items of domestic and foreign shipping partnerships are presented according to the gross principle. In the financial statement of separate companies, the shares in the income statement and balance sheet items of domestic shipping partnerships are, however, presented according to the net principle.

Foreign currency items and derivative instruments

Foreign currency receivables, cash in hand and at banks, and liabilities have been valued according to the Bank of Finland's average exchange rate on the last day of the year.

Exchange rate differences on sales receivables and accounts payable realised during the financial period and on unpaid receivables and payables on the closing day are reported in the income statement before the operating profit before depreciation. The exchange rate differences of financing operations and loans are entered as a separate item under financial income and expenses. The unrealised exchange rate losses on currency-denominated loans generated in 1992 and 1993 have been divided over the remaining loan period. The unrealised exchange rate gains generated in 1994 and 1995 are divided over the same period of time as the unrealised exchange rate losses. The part of the exchange rate difference that has not been entered under expenses has been presented under valuation items.

The realised changes in the value of the derivative instruments taken in order to hedge the currency rate and interest risks related to the cash instalments of the construction-time loans of vessels have been capitalized, and they are included in the acquisition cost of the combi-oro vessels.

The realised changes in the value of other derivative contracts concluded in order to hedge currency rate and interest rate risks have been booked on the result: the interest rate derivatives under interest income and expenses and the currency derivatives under currency differences.

Fixed assets

The fixed assets are capitalized at direct acquisition cost. The depreciation according to plan has been calculated on a straight-line basis according to the economic life of the fixed assets items.

The construction-time interests and currency differences of vessels have been capitalized, and they are included in the acquisition cost of vessels.

Valuation items

Valuation items are unrealised exchange rate differences on foreign currency loans. The increases and decreases in valuation items are presented in Note 12.

Stocks

Ships stocks of fuel, lubricating oil, materials, provisions, and the tax-free sales stores are entered under materials and supplies. The stocks are valued at direct acquisition cost according to the FIFO principle.

Securities included in current assets

The part of the Group's liquid assets that has been invested in money market instruments is reported in the balance sheet under marketable securities.

Tax liability corresponding to voluntary provisions and cumulative depreciation difference

The voluntary provisions, i.e. the transition provision (formerly operating provision and other provisions), and the cumulative depreciation difference have been distributed on the result for the year and shareholders' equity and, on the other hand, the change in the deferred tax liability and the deferred tax liability. The deferred tax liability has been calculated according to the tax rate in force, when preparing the financial statement i.e. 28%. The change in the tax rate of 3% is reported in the income statement under the change in deferred tax liability (Note 8).

The deferred tax liability on the closing day has been reported as a separate item in the balance sheet under non-current liabilities. The portion of provisions and cumulative depreciation difference entered under shareholders' equity and the corresponding change is presented in more detail in Note 14. The amount of provisions and cumulative depreciation difference before the division into shareholders' equity and deferred tax liability is presented in Note 15.

Pension arrangements

The pension cover for the Group's personnel both at sea and ashore has been provided through pension insurances. Except for the liability of Huolintakeskus's pension fund, the liabilities of the pension funds of all other Group companies have been transferred to pension insurance companies. The Group's pension commitments and the liabilities of the pension fund are presented in Note 18.

Other income from operations

The profit from the sale of ships is reported under other income from operations after turnover. The same item includes sale profits from other fixed assets, which are not regarded as extraordinary gains. The sale profits has

been calculated as the difference between sales price and the residual value according to plan. The contents of the other income from operations have been presented in more detail in Note 1.

Depreciation

The Group's depreciation according to plan has been calculated on uniform principles as straight-line depreciation on the original acquisition cost based on the economic life of the fixed assets. In connection with the delivery of the new combi-oro vessels, the depreciation practice of the Group's fleet in 1995 has been revised so as to reflect more accurately the real economic life-span of the vessels. The depreciation periods according to plan are:

Group goodwill	10 years
Other long-term expenditure	5 to 10 years
Buildings and constructions	5 to 40 years
Vessels and ship shares	30 years
Machinery and equipment	3 to 5 years
Machinery and equipment used in stevedoring	5 to 10 years

The second-hand cargo vessels are depreciated on straight-line basis so that the vessel is fully depreciated by the end of its economic useful life as estimated at the time of the purchase.

The fixed assets items included in non-current investments are depreciated on straight-line basis according to the economic life of the item as follows:

Information systems	5 years
Merger loss	10 years
Improvements on rented premises	10 years
Planning expenses for Port of Pikkala Bay	10 years

Extraordinary income and expenses

Extraordinary sales profits and losses arising from the sale of shares and non-recurrent items are reported under extraordinary income and expenses. A more detailed description of the extraordinary income and expenses is given in Note 6.

NOTES AND COMMENTS

(Finnish marks in millions, unless otherwise stated)

1 Other operating income

	Group		Parent Company	
	1995	1994	1995	1994
Result from sale of ship	–	5.1	–	40.6
Result from sale of other fixed assets	1.8	1.7	–	–
Rent income	1.7	1.5	–	–
	3.5	8.3	–	40.6

2 Staff costs

	Group		Parent Company	
	1995	1994	1995	1994
Wages and salaries	321.4	219.4	4.5	4.5
Pension costs	52.6	39.0	1.4	1.1
Other staff costs	56.9	41.7	0.4	0.8
Total of staff costs	430.9	300.1	6.3	6.4
Taxable value of fringe benefits	8.7	5.2	0.2	0.2

3 Parent Company's financial income and expenses / Group and associated companies

	Parent Company	
	1995	1994
Dividends received		
Group companies	52.5	5.4
Associated companies	6.1	14.0
Interest received on non-current investments		
Group companies	1.2	0.9
Other interest received		
Group companies	3.6	3.1
Interest expenses		
Group companies	16.2	18.4
Currency differences		
Group companies	– 2.7	0.4

4 Currency differences and other financial income and expenses

	Group		Parent Company	
	1995	1994	1995	1994
Currency differences				
Currency losses/gains realized during the year under review	– 5.2	2.8	– 2.1	9.0
Part of the unrealized exchange rate losses arising from currency-denominated loans allocated to year under review	– 1.5	– 8.8	– 1.5	– 4.4
Currency differences	– 6.7	– 6.0	– 3.6	4.6
Other financial income/expenses				
Other financial income	0.9	2.0	0.5	1.7
Expenses on new ship mortgages	– 2.1	– 5.0	– 2.1	– 5.0
Other financial expenses	– 7.0	– 6.7	– 4.5	– 4.6
Other financial income/expenses	– 8.2	– 9.7	– 6.1	– 7.9

5 Associated companies

	Group	
	1995	1994
Income statement		
Share of results	8.5	26.2
Dividend adjustment	– 6.1	– 14.0
Change from associated company to a subsidiary	– 31.3	2.2
Dividend tax credit	1.5	1.0
Effect on result	– 27.4	15.4

NOTES AND COMMENTS
continued

5 Associated companies (continued)

	Group	
	1995	1994
Balance sheet		
Shares in associated companies		
Balance sheet value before consolidation	33.4	27.1
Adjustment term	- 0.1	27.5
Share of associated companies' shareholders' equity	33.3	54.6
Non-restricted shareholders' equity		
Adjustment for associated companies	27.5	11.2
Translation difference	- 0.2	0.9
Result for the year	- 27.4	15.4
Total adjustment	- 0.1	27.5

6 Extraordinary income and expenses

	Group		Parent Company	
	1995	1994	1995	1994
Profit on sale of shares	4.1	-	0.2	-
Cost of dismantling a subsidiary	- 0.7	-	-	-
Group contributions received	-	-	201.7	232.5
	3.4	-	201.9	232.5

7 Income taxes

	Group		Parent Company	
	1995	1994	1995	1994
Taxes for financial year	- 24.3	- 21.0	- 7.8	19.4
Taxes for previous years (includes corporate tax credit on internal dividend distributed)	+ 2.8	- 0.5	-	-
	- 21.5	- 21.5	- 7.8	19.4

8 Change in deferred tax liability

	Group	
	1995	1994
Changes		
in depreciation difference	238.5	- 193.0
in voluntary provisions	-	-
Total	238.5	- 193.0
Change in deferred tax liability (25%)	- 59.6	- 48.3
Change in corporate tax level (3 % x 690.7)	- 20.7	-
	- 80.3	- 48.3

9 Fixed assets

	Group		Parent Company	
	1995	1994	1995	1994
Goodwill				
Acquisition cost on Jan. 1	40.5	40.5		
Increases	42.9	-		
Decreases	-	-		
Acquisition cost on Dec. 31	83.4	40.5		
Cumulative depreciations on Jan. 1	23.2	19.4		
Cumulative depreciations on decreases	-	-		
Depreciation for period	6.8	3.8		
Book value on Dec. 31	53.4	17.3		
Other non-current expenditure				
Acquisition cost on Jan. 1	47.0	41.8	8.2	8.9
Increases	2.2	5.2	0.1	0.2

NOTES AND COMMENTS
continued

9 Fixed assets (continued)

	Group		Parent Company	
	1995	1994	1995	1994
Acquisition cost on Dec. 31	49.2	47.0	8.3	9.1
Cumulative depreciations on Jan. 1	28.2	21.9	4.4	4.3
Depreciation for period	6.0	6.3	1.0	0.1
Book value on Dec. 31	15.0	18.8	2.9	4.1
Land				
Acquisition cost on Jan. 1	49.2	49.2		
Increases	36.1	-		
Acquisition cost on Dec. 31	85.3	49.2		
Buildings and constructions				
Acquisition cost on Jan. 1	119.9	115.1		
Increases	109.0	4.8		
Decreases	-	-		
Acquisition cost on Dec. 31	288.9	119.9		
Cumulative depreciations on Jan. 1	30.9	24.6		
Cumulative depreciations on decreases	-	-		
Depreciation for period	10.1	6.2		
Book value on Dec. 31	188.0	89.1		
Accumulated overdepreciations on Jan. 1	17.3	18.0		
Over/underdepreciations for period	6.0	-0.7		
Residual value after accumulated total depreciation	163.3	71.8		
Ships				
Acquisition cost on Jan. 1	1,090.1	442.3	754.6	27.0
Increases	750.0	647.8	747.2	727.6
Decreases	-	-	-	-
Acquisition cost on Dec. 31	1,840.1	1,090.1	1,501.8	754.6
Cumulative depreciations on Jan. 1	229.9	177.3	30.7	3.7
Cumulative depreciations on decreases	-	-	-	-
Depreciation for period	51.0	52.6	45.2	27.0
Book value on Dec. 31	1,559.2	860.2	1,425.9	723.9
Accumulated overdepreciations on Jan. 1	342.5	112.9	216.2	10.0
Over/underdepreciations for period	257.4	229.6	217.4	206.2
Residual value after accumulated total depreciation	959.3	517.7	992.3	507.7
Ship shares				
Acquisition cost on Jan. 1	125.7	319.1	-	67.8
Increases	23.5	1.0	-	0.1
Decreases	-	-194.4	-	-67.9
Acquisition cost on Dec. 31	149.2	125.7	-	-
Cumulative depreciations on Jan. 1	37.9	124.8	-	23.6
Cumulative depreciations on decreases	-	-103.7	-	-24.8
Depreciation for period	15.6	16.8	-	1.2
Book value on Dec. 31	95.7	87.8	-	-
Accumulated overdepreciations on Jan. 1	2.4	41.9	-	38.6
Over/underdepreciations for period	15.5	-39.5	-	-38.6
Residual value after accumulated total depreciation	77.8	85.4	-	-
Machinery and equipment				
Acquisition cost on Jan. 1	288.2	265.1	75.5	2.3
Increases	99.6	43.9	6.7	73.4
Decreases	-3.4	-20.8	-0.1	-0.2
Acquisition cost on Dec. 31	384.4	288.2	82.1	75.5
Cumulative depreciations on Jan. 1	108.8	94.5	1.8	1.1
Cumulative depreciations on decreases	-2.1	-15.4	-	-
Depreciation for period	40.4	29.7	6.1	0.7
Book value on Dec. 31	237.3	179.4	74.2	73.7
Accumulated overdepreciations on Jan. 1	24.4	21.5	1.2	0.1
Over/underdepreciations for period	18.5	2.9	17.5	1.1
Residual value after accumulated total depreciation	194.4	155.0	55.5	72.5
Taxation value				
Land	12.3	6.8	-	-
Buildings	128.6	76.4	-	-
Shares and holdings	99.6	42.6	280.5	252.7

NOTES AND COMMENTS continued

10 Financial assets

Parent Company's non-current investments in Group and associated companies	Parent Company	
	1995	1994
Shares and holdings		
Group companies	574.6	379.7
Associated companies	0.3	42.5
Loan receivables		
Group companies	10.9	13.1
Loan receivables		
Group's loan receivables, FIM 8.9 million, include loans of DEM 2 million given to finance two small tonnage vessels with an option to convert the loans to 20% ownership of the vessels in 1997 and 1998.		

11 Shares and holdings

	Number	Holding %	Nominal value	Book value	Net result
HOLDINGS IN SUBSIDIARIES					
Domestic					
Finn carriers Oy Ab, Helsinki	1,000,000	100.0	100.0	100.0	0.6
Oy Huolintakeskus Ab, Helsinki	117,810	100.0	1.2	193.1	34.5
FG-Shipping Oy Ab, Helsinki	1,000,000	100.0	10.0	10.0	0.0
Finnfellow Oy Ltd, Helsinki	500,000	100.0	5.0	5.0	0.2
Oy Bore Line Ab, Helsinki	250,000	100.0	6.0	4.8	0.7
Finnsteve Oy Ab, Helsinki	14,400	100.0	1.4	89.9	0.3
Oy A.E. Erickson Ab, Turku	420,000	100.0	4.1	21.5	0.2
Strömsby-Invest Oy Ab, Kirkkonummi	8,448	60.0	8.4	10.0	-2.4
Optar Oy, Helsinki	3,576	100.0	3.6	1.8	0.0
Oy Intercarriers Ltd, Helsinki	51	51.0	0.2	0.2	2.1
Kantvikin Satama Oy, Kirkkonummi	2,400	30.0	2.4	2.4	0.2
DPD Finland Oy		100.0		0.3	-0.2
Oy Ersta Furniture Logistics Ltd, Lahti		90.0		0.5	0.0
Oy Finntransport Ab, Helsinki		100.0		0.5	0.0
Frigotrans-Green Line Oy, Helsinki		100.0		0.5	0.0
HK-Air Oy, Vantaa		100.0		1.0	0.0
HK-Jakelu Oy, Helsinki		100.0		0.0	-0.1
Huolintakeskus-Domestic Ltd, Helsinki		70.0		3.0	-1.8
Interforwarding Oy, Helsinki		100.0		0.0	-
Oy Valkon Ahtaus Ab, Helsinki		100.0		0.0	-
Foreign					
FCRS-Shipping Ltd, Cayman Islands	50,000	100.0	USD 0.05	0.0	0.4
FG-Waggon Limited, Cayman Islands	100	100.0	USD 0.01	0.0	0.0
FG-Finance S.A.H., Luxemburg	15,913	100.0	LUF 166.5	23.5	-0.9
FG Schiffahrts-Beteiligungsgesellschaft mbH, Germany	2	100.0	DEM 0.05	75.0	3.7
Railship AG, Switzerland	4,348	86.96	CHF 4.3	37.4	5.2
Finn carriers GmbH, Germany	50	100.0	DEM 0.05	0.1	-0.1
Bore Line A/S, Norway	500	100.0	NOK 0.5	0.3	1.5
Fennia Shipping Ltd, Cayman Islands	50,000	100.0	USD 0.05	0.2	0.0
Aktiebolaget Finnlines Ltd, Sweden	600	100.0	SEK 0.06	0.6	0.0
Finnlines (Lübeck) GmbH, Germany	1	100.0	DEM 0.05	0.2	0.0
Finnmanagement Ltd, Cayman Islands	100	100.0	USD 0.001	0.0	0.0
A/O Eurocarriers STP, Russia	100	100.0	RUR 0.1	-	-
A/S Balti Transport, Estonia		100.0		0.4	0.5
Baltic Transport SLA, Latvia		100.0		0.3	0.0
A/O Huolintakeskus Ltd, Moscow, Russia		100.0		0.3	0.0
A/O Huolintakeskus Ltd SP, St. Petersburg, Russia		100.0		0.1	-0.2
Transholding Shipping Ltd, Hong Kong		100.0		0.3	-0.7
Other companies				0.5	0.0
				583.5	
of which subsidiaries' holdings in Group companies				-8.9	
Total				574.6	

NOTES AND COMMENTS continued

11 Shares and holdings (continued)

	Number	Holding %	Nominal Value		Book Value	Net Result
ASSOCIATED COMPANIES						
Domestic						
Baltic Bulk Services Oy Ab, Helsinki	250	50.0	0.3		0.3	0.2
Railship Oy Ab, Helsinki		46.0	4.6		0.6	–
Oy Finnlink Ab, Uusikaupunki	14,270	41.2	0.2		9.6	–
Metropolitan Port Oy Ab, Kirkkonummi	250	33.3	0.3		0.3	0.0
Air Express International Finland Oy, Vantaa		50.0			0.1	2.1
Helsingin Huolintatyönjohto Oy, Helsinki		33.0			0.1	0.1
Kiinteistömaaliikenne Oy, Helsinki		44.7			15.4	–0.2
Kuljetus-Taverna Oy, Helsinki		50.0			0.0	0.0
Oy Nordic Express Ab, Helsinki		50.0			0.1	0.1
Partasen Kuljetusliike Oy, Mikkeli		34.4			3.1	–2.8
Uukuniemen Raja Oy, Uukuniemi		31.0			0.0	–
Foreign						
Finnbelgia Agencies N.V., Belgium	3,200	50.0	BEC	4.0	0.6	0.1
Frachtkontor Finnland OHG, Germany	1	50.0	DEM	0.01	0.0	–
Finnwest N.V., Belgium	2,500	33.3	BEC	25.0	2.7	–0.3
Finanglia Ferries Ltd, Great Britain	50,000	50.0	GBP	0.1	0.5	–0.5
Scandia Herrel GmbH, Germany		33.3			0.0	0.4
Total					33.4	

	Number	Holding %	Nominal value		Book value
OTHER SHARES					
Domestic					
Steveco Oy, Kotka	5,732	19.1	5.7		24.5
Helsingin Puhelinyhdistys, Helsinki	501				1.1
Other companies (57)					9.6
Foreign					
Other companies (2)					0.7
Total					35.9

A complete list of shares can be seen in the head office of the Group.

12 Valuation items

	Group		Parent Company	
	1995	1994	1995	1994
Capitalized exchange rate losses on loans on Jan. 1	8.6	50.0	8.6	45.6
Change during the year	– 5.6	– 32.6	– 5.6	– 32.6
Allocation to the year	– 1.5	– 8.8	– 1.5	– 4.4
Capitalized exchange rate losses on loans on Dec. 31	1.5	8.6	1.5	8.6

13 Parent Company's receivables and payables / Group and associated companies

	Parent Company	
	1995	1994
Sales receivables		
Group companies	5.9	–
Other receivables		
Group companies	134.1	92.8
Other non-current liabilities		
Group companies	100.0	135.2
Purchases payable		
Group companies	4.4	1.4
Other current payables		
Group companies	183.5	126.6

NOTES AND COMMENTS
continued

14 Shareholders' equity

	Group		Parent Company	
	1995	1994	1995	1994
Share capital on Jan. 1	191.7	156.0	191.7	156.0
Share issue	–	37.5	–	37.5
Share capital on Dec. 31	191.7	191.7	191.7	191.7
Reserve fund on Jan. 1	275.8	39.0	275.8	39.0
Share issue	–	236.8	–	236.8
Share capital on Dec. 31	275.8	275.8	275.8	275.6
Other restricted equity on Jan. 1	1.5	0.8	–	–
Transferred from non-restricted equity	3.3	0.7	–	–
Other restricted equity on Dec. 31	4.8	1.5	–	–
Restricted equity on Dec. 31	472.3	469.0	467.5	467.5
Adjustment for associated companies before previous year's result	11.1	– 6.1	–	–
Of previous year's result	15.4	16.6	–	–
Other adjustment item (exchange rate difference)	0.9	0.6	–	–
Adjustment for associated companies on Dec. 31	27.5	11.1	–	–
Equity part of provisions before previous year's result	181.4	168.4	–	–
Of previous year's result	144.7	13.6	–	–
Other adjustment item	–	– 0.6	–	–
Equity part of provisions on Dec. 31	326.1	181.4	–	–
Translation difference	– 4.3	0.1	–	–
Other non-restricted equity before previous year's result and translation difference	49.4	– 1.7	191.1	74.3
Of previous year's result	12.9	67.4	95.2	60.4
Translation difference	– 0.9	–	–	–
Transferred to restricted equity	– 3.3	– 0.7	–	–
Dividend paid	– 38.3	– 15.6	– 38.3	– 15.6
Other non-restricted equity on Dec. 31	19.8	49.4	176.0	119.1
Result for the year	215.6	173.0	82.0	95.2
- of which from associated companies	– 27.4	15.4	–	–
- of which from equity part of provisions	158.1	144.7	–	–
- transferred to other non-restricted equity	84.9	12.9	–	–
Non-restricted equity on Dec. 31	584.7	415.0	258.0	214.3
- of which disposable	100.5	88.9	258.0	214.3
Total equity on Dec. 31, 1995	1,057.0	884.0	725.5	681.8

15 Depreciation differences and provisions

	Group	
	1995	1994
Depreciation difference	625.3	386.6
Voluntary provisions	65.4	48.5
Group total before appropriations	690.7	435.1
Deferred tax liability (28 %/25 %)	193.4	108.8
Minority interest	0.2	0.2
Portion of shareholders' equity	497.1	326.1
of which		
- elimination of the acquisition of a subsidiary	12.9	–
- portion of provisions	326.1	181.4
- portion of the year's result	158.1	144.7

NOTES AND COMMENTS continued

16 Non-current liabilities

	Group		Parent Company	
	1995	1994	1995	1994
Debts falling due in five years or later				
Loans from credit institutions	309.2	166.2	300.9	151.7
Pension loans	86.4	35.5	24.6	22.4
Others	-	0.1	-	-

17 Notes and bonds

Capital, FIM	Loan period	Interest	Type
100,000,000	26.11.93-26.11.97	8.25%	bullet, unsecured
100,000,000	28.4.94-28.4.99	6 mo. Helibor + 1.20%	bullet, unsecured
100,000,000	16.6.95-16.6.2000	8.50%	bullet, unsecured
1,100,000	1.6.94-1.6.1998	BoF's base rate - 1%	bullet, management bond loan with warrants Each bond with a nominal value of FIM 1,000 contains one warrant, which entitles the holder to subscribe for 400 Finnlines shares with a nominal value of FIM 10 at a subscription price of FIM 89.70.

18 Pledges and liabilities

	Group		Parent Company	
	1995	1994	1995	1994
On own account				
Mortgages to land areas and buildings	131.4	59.1	-	-
Ship mortgages	1,020.4	982.0	905.7	669.7
Ship share mortgages	18.6	25.0	-	-
Mortgages to machinery	72.5	72.0	72.5	72.0
Pledged shares	6.6	54.9	6.5	36.3
On subsidiaries' account				
Guarantees	-	-	3.0	3.6
On associated companies' account				
Mortgages to land areas and buildings	1.0	-	-	-
Guarantees	1.4	-	-	-
On other companies' account				
Mortgages to land areas and buildings	4.4	-	-	-
Pledged shares	0.4	-	-	18.5
Guarantees	4.0	5.5	-	0.5
Other own liabilities				
Liabilities from pension commitments	25.0	1.9	-	-
Other liabilities	33.6	-	-	-
Total				
Mortgages to land areas and buildings	136.8	59.1	-	-
Ship mortgages	1,020.4	982.0	905.7	669.7
Ship share mortgages	18.6	25.0	-	-
Mortgages to machinery	72.5	72.0	72.5	72.0
Pledged shares	7.0	54.9	6.5	36.3
Loan guarantees	5.4	5.5	3.0	4.1
Liabilities from pension commitments	25.0	1.9	-	-
Other liabilities	33.6	-	-	-
Leasing liabilities				
In the year following reporting year	38.8	27.0	12.6	13.7
In subsequent years	50.5	48.9	25.2	41.1

BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL GENERAL MEETING

According to the consolidated balance sheet on December 31, 1995:

Profit from previous years	FIM 369,129,282.00
Profit for the financial year	FIM 215,613,220.40
<hr/>	
Non-restricted equity, total	FIM 584,742,502.40
<hr/>	
of which disposable	FIM 100,504,947.74

According to the balance sheet of Dec. 31, 1995, Parent Company profits stand at:

Profit from previous years	FIM 175,957,550.22
Profit for the financial year	FIM 82,022,945.26
<hr/>	
Non-restricted equity, total	FIM 257,980,495.48

The Board of Directors proposes that a dividend of FIM 3 per share on the 19,168,979 shares, i.e. a total of FIM 57,506,937, be paid out of the profit for the year and that the residual balance be transferred to non-restricted equity.

Helsinki, February 8, 1996

L.J. Jouhki

Martin Granholm

Jukka Härmälä

Hannu Ketola

Pertti Laine

Jouko K. Leskinen

Thor Björn Lundqvist

Antti Lagerroos
President and CEO

According to the proposal made by the Board of Directors, the dividend approved by the Annual General Meeting will be paid to those shareholders who on February 29, 1996 are registered as shareholders in the list kept by the Central Register for Shares. The date on which the dividend is paid is March 5, 1996.

REPORT OF THE AUDITOR To the Shareholders of Finnlines Ltd

I have audited the accounts, the accounting records and the corporate governance of Finnlines Ltd for the 1995 financial year. The accounts prepared by the Board of Directors and the President and CEO include, both for the Group and the Parent Company, a report on operations, an income statement, a balance sheet and notes to the accounts. Based on my audit I express an opinion on these accounts and on corporate governance.

I have audited, in accordance with Finnish auditing standards, the accounting records, and the accounts, the disclosures and the presentation of information, including the accounting policies, in the accounts. The purpose of this audit is to obtain assurance about whether the accounts are free from all material misstatements. The purpose of the audit of corporate governance is to examine that the members of the Board of Directors and the President and CEO have legally complied with the rules of the Companies' Act.

In my opinion the accounts have been prepared in accordance with the regulations of the Accounting Act and other legislation and regulations relevant to the preparation of the accounts, and give a true and fair view of the Parent Company's and the Group's results from operations and financial position in accordance with such legislation and regulations. The profit of the Parent Company for the 1995 financial year is FIM 82,022,945.26 and the profit of the Group FIM 215,613,220.40. The accounts including the Group accounts may be approved, and the members of the Board of Directors and the President and CEO of the Parent Company may be discharged from liability for the financial year examined by me. The proposal of the Board of Directors concerning the disposition of the unrestricted shareholders' equity according to the balance sheet is in accordance with the Companies' Act.

The interim reports published during the financial year have been prepared in accordance with the relevant regulations.

Helsinki, February 10, 1996

Anneli Lindroos
Authorized Public Accountant

ARTICLES OF ASSOCIATION

FINNLINES LTD

THE COMPANY AND ITS OPERATIONS

§1 Company name and domicile

The name of the company is Finnlines Oy, in Swedish Finnlines Ab, in English Finnlines Ltd, and in German Finnlines AG. The Company domicile is Helsinki.

§2 Sphere of operations

The Company's sphere of operations is shipping, other transports and foreign trade and other services, and trade and commercial operations related to the foregoing.

MINIMUM AND MAXIMUM CAPITAL, SHARES AND SHAREHOLDERS

§3 Minimum and maximum capital

The Company's minimum capital is 70 million and its maximum capital 280 million marks, within which limits the share capital may be increased or decreased without amending the Articles of Association.

§4 Nominal value of the shares

The nominal value of the shares is 10 marks.

§5 Book-entry securities system

The Company shares shall be in the book-entry securities system.

The right to funds distributed by the Company and the subscription right when share capital is increased shall be held only by a party

1. who was entered as a shareholder in the shareholder register on the record date;

2. whose right to payment had, on the record date, been entered in the book-entry securities account of registered shareholders, and entered in the shareholder register; or

3. if the share has been registered in a nominee's name, in whose book-entry securities account the share had, on the record date, been entered and the custodian of whose shares had, on the record date, been entered as the custodian of the shares in the shareholder register.

§6 Redeeming the Company's own shares

The Company is entitled, on offer, to redeem its own shares using its distributable equity without decreasing the share capital.

BOARD OF DIRECTORS

§7 Board of Directors

The Board of Directors shall be elected from amongst Company shareholders. The Board of Directors shall comprise at least seven and at most twelve members. The term of a Board member begins immediately following the election and ends at the latest at the close of the third annual general meeting following the election. If possible, the annual general meeting shall elect the members so that the term of one-third of the members ends every year. A member who is in turn to resign from the Board may be re-elected. Should a Board member resign before the end of his term, a by-election for the remaining term can be held at a general meeting.

The Board of Directors shall elect a chairman and a vice-chairman from amongst its members until the end of the following annual general meeting.

§8 President

The Company shall have a president appointed by the Board of Directors, who shall attend to the Company's operative administration in accordance with instructions and regulations issued by the Board of Directors, and who may have one or more deputies.

§9 Signing for the Company

The Company is signed for by the chairman of the Board and the president, each severally, and by members of the Board of Directors two together. The Company Board of Directors shall otherwise decide on procurations and rights to sign for the Company.

§10 Auditors

The Company shall have one regular auditor and one deputy auditor. The auditors are elected for the ongoing financial year at the annual general meeting. The regular auditor and the deputy auditor must be authorized public accountants or authorized public accounting firms.

THE ANNUAL GENERAL MEETING

§11 Summons to meetings

The summons to a general meeting shall be published in a newspaper with a nationwide circulation chosen by the Board, at the earliest four weeks before the General Meeting and at the latest one week before the registration date for the General Meeting as specified in §12.

§12 Attendance

A shareholder who wishes to attend a General Meeting shall notify the Company Board of Directors at the latest on the day specified in the invitation, which may be five days before the meeting at the earliest.

§13 Meeting procedure

A General Meeting shall be opened by the chairman or vice-chairman of the Board of Directors, or, if they are unable to attend, by another member of the Board of Directors who is present.

The minutes of a general meeting shall be scrutinized by the chairman and by two scrutinizers elected by the meeting.

Matters are settled by a simple majority of votes, unless otherwise prescribed by the Companies Act. In the event of a tie, the chairman has the casting vote, except in an election, where the matter shall be settled by lot. The method of voting is decided by the chairman of the meeting.

§14 Annual general meeting

The annual general meeting shall be held annually at the latest in June.

At the annual general meeting the following shall be presented:

1. the financial statements
 2. the auditors' report
- decided:
3. approval of the income statement and balance sheet;
 4. measures called for by the result reported in the financial statements;
 5. granting discharge from liability to the members of the Board of Directors and the president;
 6. number of Board members and the remuneration to be paid to Board members;
 7. the remuneration to be paid to the auditors; elected:
 8. Board members;
 9. the auditor and deputy auditor, and dealt with:
 10. any other matters mentioned in the invitation to the General Meeting.

§15 Financial year

The company financial year is the calendar year.

Registered on March 15, 1995

ADDRESSES

Finnlines Oy	Lönnrotinkatu 21 P.O. Box 182 00121 Helsinki	phone + 358 0 162 2400 telefax + 358 0 693 1696
Finn carriers Oy Ab	Porkkalankatu 7 P.O.Box 197 00181 Helsinki	phone + 358 0 134 311 telex 1001743 fcfs fi telefax + 358 0 134 31200, 134 31300
FG-Shipping Oy Ab	Lönnrotinkatu 21 P.O.Box 406 00121 Helsinki	phone + 358 0 162 21 telex 124462 fgsoy fi telefax + 358 0 693 2403, 693 1873
Finnsteve Oy Ab	Saukonkuja 5 P.O.Box 225 00181 Helsinki	phone + 358 0 695 61 telex 122408 hstev fi telefax + 358 0 695 6371
Oy A.E. Erickson Ab	Huolintakatu 5 20200 Turku	phone + 358 21 337 555 telex 62166 tship fi telefax + 358 21 2303 115
Oy Huolintakeskus Ab	Metsäläntie 2 P.O.Box 405 00101 Helsinki	phone + 358 0 777 91 telefax + 358 0 792 395
Railship Oy Ab c/o Finn carriers Oy Ab	Porkkalankatu 7 P.O.Box 197 00181 Helsinki	phone + 358 0 134 311 telex 1001743 fcfs fi telefax + 358 0 134 31200, 134 31300
Strömsby-Invest Oy Ab	Porkkalankatu 7 P.O.Box 197 00181 Helsinki	phone + 358 0 1343 1353 telefax + 358 0 1343 1356
Metropolitan Port Oy Ab	Porkkalankatu 7 P.O.Box 197 00181 Helsinki	phone + 358 0 1343 1353 telefax + 358 0 1343 1356

SHIPS PLYING IN GROUP SERVICES ON JANUARY 1, 1996

		Traffic	Group's share	Owner	GT/Lane metre, delivery year
		in ship, %			
	ANTARES*	Finn carriers	100	Finn carriers Oy Ab	19,963 GT/2,090, 1988
	FINNSAILOR*	Finn carriers	100	Finnlines Ltd	19,919 GT/2,090, 1987
	AHTELA	Finn carriers		Laivanisännistöyhtiö Ahtela	6,620 GT/1,278, 1991
	ANN-MARI	Finn carriers		Rederi AB Lillgaard	5,972 GT/1,016, 1991
	BORE NORDIA	Finn carriers		Oy Rettig Ab	7,395 GT/1,212, 1991
	SWAN HUNTER	Finn carriers		Swan Shipping A/S	8,407 GT/1,068, 1993
	ASTREA*	Finn carriers	100	Finn carriers Oy Ab	9,528 GT/827, 1991
	AURORA	Finn carriers		Hafslund Bulk I A/S	20,391 GT/2,170, 1982
	FINNMERCHANT*	Finn carriers	100	Finnlines Ltd	21,195 GT/2,170, 1982
	OIHONNA*	Finn carriers	100	Finn carriers Oy Ab	20,203 GT/2,170, 1984
	BALTIC EIDER	Finn carriers		United Baltic Corporation Ltd	20,865 GT/2,170, 1989
	TRANSBALTICA	Finn carriers		Poseidon Schiffahrt AG	21,224 GT/2,170, 1990
	BALTIC EAGLE	Finn carriers		United Baltic Corporation Ltd	14,738 GT/1,403, 1979
	BORE BRITANNICA	Finn carriers		Oy Rettig Ab	15,525 GT/2,100, 1978
	BORE GOTHICA	Finn carriers		Aug. Lindholm eft. AB	14,059 GT/2,100, 1978
	BORE SONG	Finn carriers		Oy Rettig Ab	8,188 GT/1,268, 1977
	CELIA	Finn carriers		B & N, Bylock & Nordsjöfrakt AB	20,172 GT/1,812, 1979
	CORTIA	Finn carriers		B & N, Bylock & Nordsjöfrakt AB	20,169 GT/1,812, 1978
	FINNFELLOW*	Finnlink	41	Laivanisännistöyhtiö Railfellow	14,297 GT/1,130, 1973/89
	FINNMAID*	Finnlink	41	Laivanisännistöyhtiö Finnmaid	13,730 GT/1,200, 1972/89
	FINNHANSA*	Finn carriers	100	Finnlines Ltd	32,531 GT/3,200, 1994
	FINNPARTNER*	Finn carriers	100	Finnlines Ltd	32,534 GT/3,200, 1995
	FINNTRADER*	Finn carriers	100	Finnlines Ltd	32,534 GT/3,200, 1995
	TRANSEUROPA	Finn carriers		Poseidon Schiffahrt AG	32,533 GT/3,200, 1995
	FINNMASTER*	Finn carriers	100	Finnlines Ltd	11,839 GT/1,480, 1973
	RIJNHAVEN	Finn carriers		Rijnhaven Shipping Ltd	11,889 GT/1,480, 1973
	FINNPINE*	Finn carriers	100	Finnlines Ltd	8,996 GT/1,184, 1984
	POLARIS	Finn carriers		Schiffahrtsgesellschaft MS "Odin" KG	7,950 GT/610, 1988
	RAILSHIP I*	Finn carriers	40	Railship Oy Ab	17,864 GT/1,800, 1975/79
	RAILSHIP II	Railship	40	Partenreederei MS "Railship II"	20,077 GT/1,950, 1984
	RAILSHIP III	Railship	40	Partenreederei MS "Railship III"	20,729 GT/1,975, 1990



TRANSFINLANDIA	Finn carriers	Poseidon Schiffahrt AG	19,524 GT/2,240, 1981
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TRANSLUBECA	Finn carriers	Poseidon Schiffahrt AG	24,727 GT/2,100, 1990
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FINNFIGHTER*	F-Ships	Palkki-Yhtiöt Oy	12,582 GT/-, 1978
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CLIPPER FAME	F-Ships	Atlas Navigation Co Ltd	12,409 GT/-, 1977
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POKKINEN*	F-Ships	Lumi Shipping Ltd	12,409 GT/-, 1980
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VARJAKKA*	F-Ships	Lumi Shipping Ltd	12,409 GT/-, 1979
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PARA-DUO	Baltic Bulk Services	Laivanisännistöyhtiö Proomu 343	2,826 GT/-, 1984/92
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PARA-UNO	Baltic Bulk Services	Laivanisännistöyhtiö Proomu 342	2,826 GT/-, 1992
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Ships plying in Group services, totalling 39 ships

* Managed by FG-Shipping

DURING THE YEAR ON AVERAGE 44 TIME-CHARTERED SMALL TONNAGE SHIPS, E.G.



PINTA	Finn carriers		2,270 GT/2,850 DWT
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P-type	Finn carriers		1,522 GT/1,650 DWT
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STK-type	Finn carriers		1,800 GT/1,675 DWT
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SHIPS MANAGED BY FG-SHIPPING

BOARD	bulk	Suomen Asiakasrahoitus Oy	9,066 GT/14,100 DWT, 1987
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BOTNIA	bulk	Suomen Asiakasrahoitus Oy	9,066 GT/13,995 DWT, 1987/91
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BULK	bulk	Suomen Asiakasrahoitus Oy	9,066 GT/14,100 DWT, 1987
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KALLA	bulk	Partrederiet för Kalla	9,066 GT/14,100 DWT, 1986
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TASKU	bulk	Partrederiet för Tasku	9,066 GT/14,100 DWT, 1986
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MOTTI	bulk	Lumi Shipping Oy	5,165 GT/8,212 DWT, 1993
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FINNWOOD	tramp	Puhos Shipping Limited	21,305 GT/30,946 DWT, 1989
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KEMIRA	industrial transports	Kemira Oy	5,582 GRT/8,250 DWT, 1981
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RAUTARUUKKI	bulk	Partrederiet för Rautaruukki	1,562 GT/445 DWT, 1986
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STEEL	bulk	Suomen Asiakasrahoitus Oy	1,562 GT/430 DWT, 1987
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MEGA	bulk	Lumi Shipping Oy	768 GT/186 DWT, 1993
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Ships managed by FG-Shipping, totalling 27 ships

Ships plying in Group services + ships in management, totalling	50
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+ small tonnage, average	44
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TOTALLING	94
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FINNLINES

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