

# FINNLINES

Annual Report 1996





# Finlines Ltd

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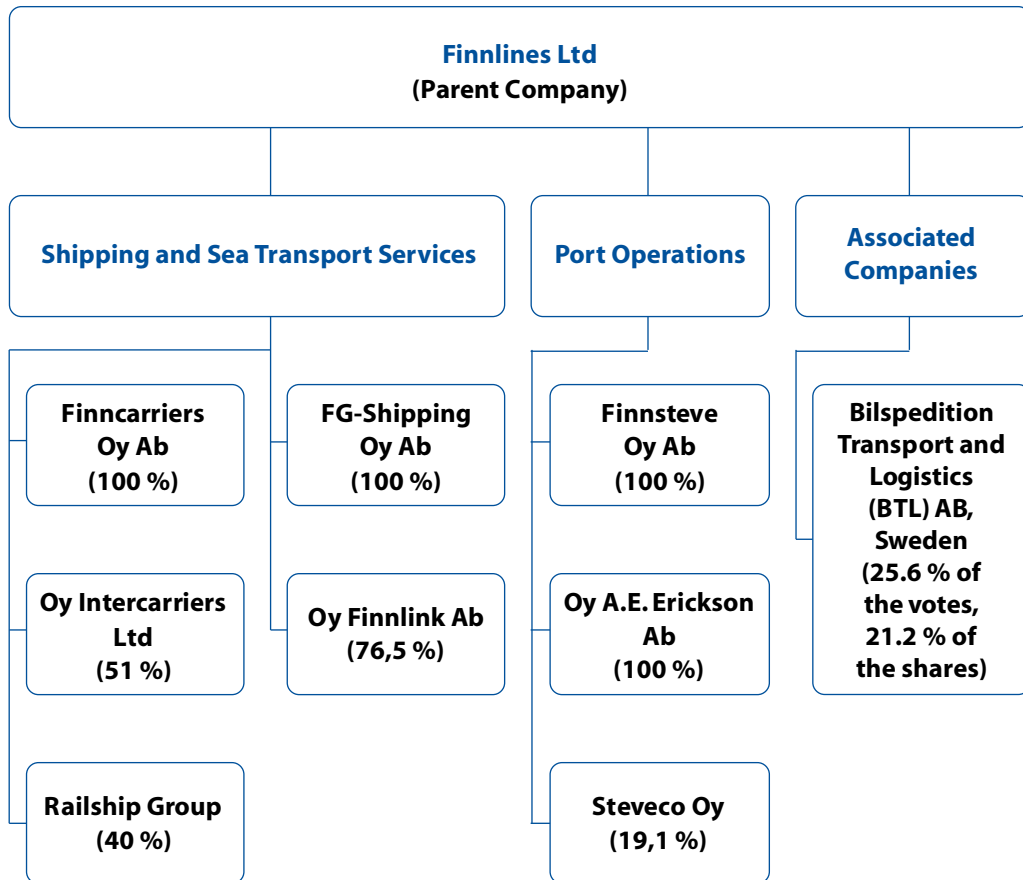
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## Annual General Meeting

The Annual General Meeting will be held on Friday, 28 February 1997, commencing at 10 a.m. at the Palace Restaurant, Eteläranta 10, FIN-00130 Helsinki.

Finlines Ltd publishes its annual report and interim reports in Finnish and English. The interim reports for January to April and January to August are published in June and October respectively.

# The Finnlines Group



The Finnlines Group specializes in providing a wide range of freight transport, logistics and related information services.

The parent company Finnlines Ltd is listed on the Helsinki Stock Exchange. Most of the Group's vessels are owned by the parent company. The Group has an average of 80 vessels in service or in management, of which 15 are either wholly or partly owned. FG-Shipping Oy Ab handles the Group's tonnage and its manning.

Finncarriers Oy Ab handles sea transports mainly between Finland and conti-

ental Europe and Great Britain, and Oy Finnlink Ab between Finland and Sweden.

The Group's port operations are managed by Finnsteve Oy Ab in Helsinki and by Oy A.E. Erickson Ab in Turku. Finnlines also holds 19.1 % of Steveco Oy, which operates the ports of Kotka, Hamina and Hanko.

The associated company Bilspedition Transport & Logistics (BTL) AB in Sweden is the biggest transport and logistics group in the Nordic countries and one of the largest in Europe. BTL operates mainly in the EU countries, Norway and eastern Europe.

## Significant Events During 1996

In April the Finnlines Group acquired Rautaruukki Corporation's 29.4 % holding, and in December Uudenkaupungin Terminaali Oy's 5.9 % holding, in Oy Finnlink Ab and its shipping partnerships. The Finnlines Group's previous holding in these companies, 41.2 %, was thus raised to 76.5 %. Finnlink opened a new route between Helsinki and Norrköping (Sweden) with MS Finnsailor in mid-April. Finnsailor was converted earlier in the year to a combi-roro (a combined passenger/cargo) vessel.

In April Finnlines and the City of Helsinki signed a Memorandum on co-operation in the Helsinki Vuosaari port project and on land exchange. Based on this Memorandum, a provisional land exchange agreement was signed in January 1997 granting Helsinki ownership of the Pikkala land areas held by Finnlines' subsidiary Strömsby-Invest Oy Ab, and Finnlines office building rights in the centre of Helsinki.

Finnlines Ltd sold its subsidiary Oy Huolintakeskus Ab to Scansped Group Oy for FIM 300 million. The company was handed over on 1 January 1996. The buyer's parent company, Bilspedition Transport & Logistics (BTL) AB, issued shares to Finnlines Ltd in the same connection. Finnlines received altogether 18.6 million shares comprising 7.3 million Series A shares and 11.3 million Series B shares,

representing 16.5 % of the share stock and voting rights. The shares have a nominal value of SEK 12.50 per share, and the issue price was SEK 23.00 per share. These arrangements were concluded in April and May.

In May Finnlines acquired 4.1 million Series A shares in Bilspedition Transport & Logistics (BTL) AB from AB Catena, representing 8.5 % of BTL's voting rights and 4.4 % of the share stock at the time. Finnlines Oy is BTL's largest single owner with 21.2 % of the shares and 25.6 % of the voting rights.

In October Finnlines concluded an option arrangement with AB Catena and Walleniusrederierna AB entitling Finnlines to acquire the BTL shares owned by the other two parties. The option agreements are valid until 31 March 1997 and if exercised would raise Finnlines' ownership in BTL to 46 % of the votes and 32 % of the share stock.

In November Oy Finnlink Ab decided to operate solely between Naantali and Kapellskär. This decision will be implemented in two stages. MS Finnsailor was transferred to the new route at the beginning of 1997. MS Finnfellow and MS Finnmaid, which sail between Uusikaupunki and Hargshamn, will be transferred to the new route in April.

Key indicators	1996	1995	% change
Net turnover, FIM million	<b>2,007</b>	2,554	-21
Profit before depreciation, FIM million	<b>585</b>	500	17
% of net turnover	<b>29</b>	19	
Profit after depreciation, FIM million	<b>444</b>	370	20
% of net turnover	<b>22</b>	14	
Profit before provisions and taxes, FIM million	<b>401</b>	319	26
% of net turnover	<b>20</b>	12	
Earnings per share, FIM	<b>14.65</b>	11.11	32
Capital expenditure, FIM million	<b>520</b>	619	-16
Equity ratio, %	<b>40</b>	33	21
Average personnel	<b>1,550</b>	2,009	-23



# Chief Executive Officer's Review



Exports from Finland during 1996 were adversely affected by the weak business conditions in the country's principal export markets. This trend was especially apparent in demand for forest industry products. Imports, on the other hand, grew especially where consumer goods were concerned. Economic growth in Europe is still at a modest level despite signs of a slight recovery. Industrial production in Finland is now growing and GDP is forecast to rise by some three to four percent during 1997. This prognosis is supported by the rising confidence of industry and consumers, based on the fledgling recovery in Europe and stability in interest and exchange rates.

The Finnlines Group had an eventful year in 1996. In spring we sold the Huolintakeskus forwarding group to its largest competitor Scansped Group Oy in return for 16 % of the shares and voting power in Scansped's parent company Bilspedition Transport & Logistics (BTL) AB, the biggest group in its field in Scandinavia. At the end of the year Finnlines held roughly 26 % of the BTL voting power as well as option agreements entitling us to raise our share to 46 % of the votes and 32 % of the share stock. These agreements are valid until 31 March 1997. BTL's total invoicing in 1995 was 16 billion Swedish crowns and the Group carried approximately 18 million tonnes of freight. BTL mainly operates in and between countries bordering the Baltic Sea, a region with increasingly interesting business potential as development makes progress in eastern Europe.

Large changes also took place in Finnlink's services between Finland and Sweden. During the year Finnlines raised its holding in Finnlink from 41 % to 77 % through the acquisition of the Finnlink shares previously owned by Rautaruukki Corporation and Uudenkaupungin Terminaali Oy. Finnlink opened a new route between Helsinki and Norrköping with MS Finnsailor, which was newly converted to a combi-ro-ro vessel. At the end of the year the company decided to concentrate its traffic between Finland and Sweden on the Naantali-Kapellskär route by transferring MS Finnsailor to this route at the beginning of 1997, followed by MS Finnfellow and MS Finnmaid in April. The new route will have capacity for 120,000 truck loads and three daily departures in both directions.

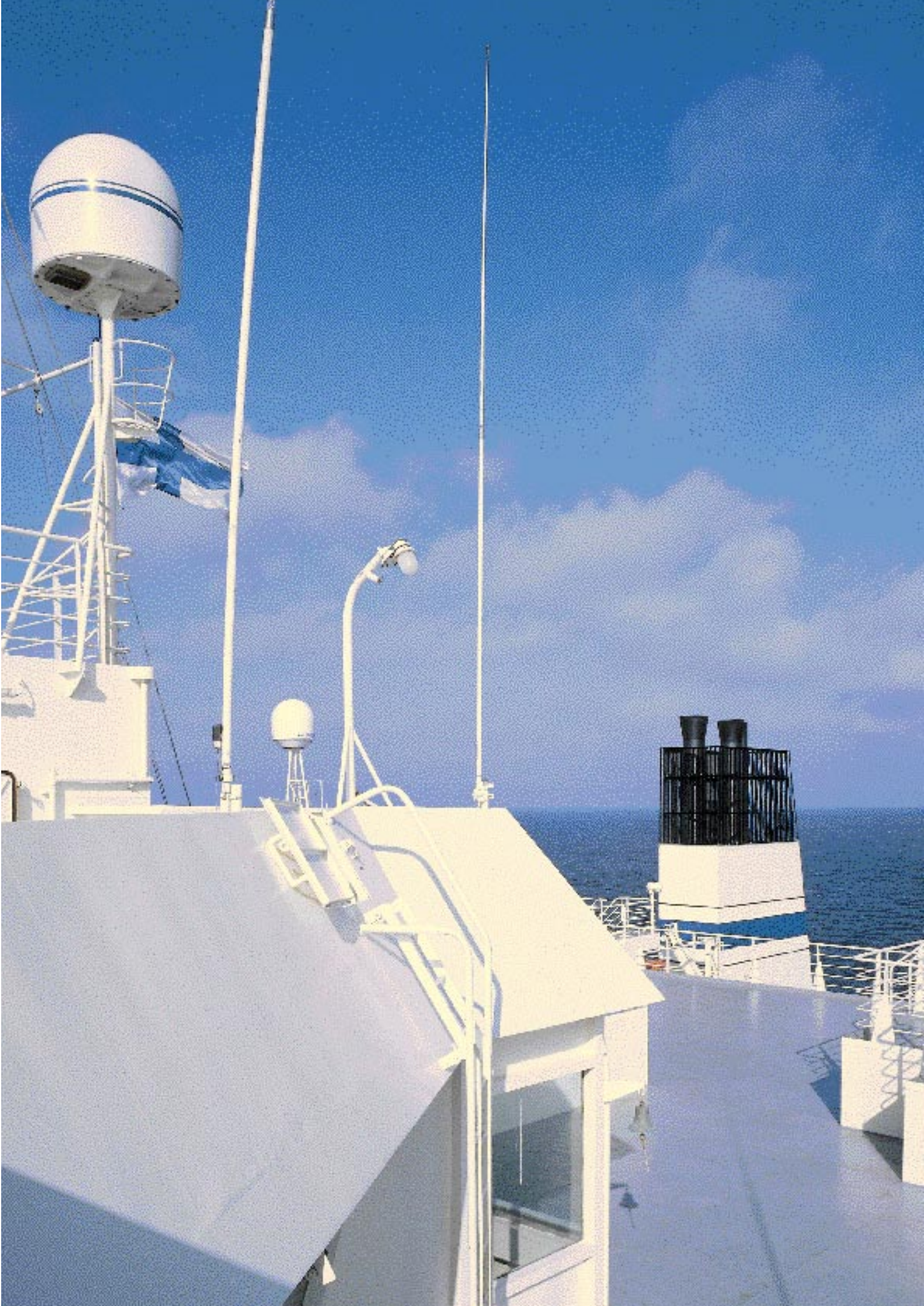
The City of Helsinki and Finnlines reached agreement on the proposed new Vuosaari port. Finnlines will support this project and also lend its expertise, on terms to be agreed later, to the port's design, construction and operation. The agreement also calls for the transfer of land; Finnlines will receive approximately 8,500 square metres of office building rights in Helsinki city centre, while the city will be given the land areas in Pikkala owned by Finnlines Ltd's subsidiary Strömsby-Invest Oy Ab.

The Group recorded a clear improvement in profits on the previous year due to gains on the Huolintakeskus disposal. Operatively we were successful as well, despite the decline in export volumes and tighter competition. The result of operations in the current year should reach 1996 levels assuming business conditions remain stable.

I would like to extend my sincere thanks to our customers, partners and owners for their confidence in the company and their close cooperation, and also to all Finnlines employees for their valuable contribution during the year.

Helsinki, 15 January 1997

Antti Lagerroos  
President and Chief Executive Officer





## Shipping and Sea Transport Services



**Ice-strengthened vessels serve Finnlines' customers throughout the year, whatever the conditions.**

Net turnover of the Shipping and Sea Transport Services Division totalled FIM 1,736 million, which was 87 % of the Group's total net turnover. The division's personnel averaged 778 during the year.

### **Finnlines Ltd**

Finnlines Ltd is the Group's parent company and is listed on the Helsinki Stock Exchange. Finnlines is responsible for fleet ownership, strategic planning, business control and management, finance and treasury, information systems and legal matters on behalf of the Group.

The parent company owns the majority of the Group's vessels, which have an average age of nine years. The fleet mainly comprises ro-ro and combi-ro-ro vessels designed by the Group itself. The newest series, three combi-ro-ro vessels built between 1991 and 1995, are registered as passenger vessels, each able to accommo-

date 110 passengers. This enables the Group to provide a daily two-way service between Helsinki and Lübeck for both cargo and passengers.

In April the Finnlines Group acquired Rautaruukki Corporation's holding in Oy Finnlink Ab and its shipping partnerships. At the same time MS Finnsailor was converted to a combi-ro-ro vessel, enabling it to take 119 passengers as well as cargo. The vessel complies with existing and proposed new stability requirements and other regulations governing new passenger-ro-ro vessels. The conversion required Finnsailor to be docked from the beginning of the year until mid-April, after which it began operating on the Finnlink route between Finland and Sweden. In December the Finnlines Group acquired Uudenkaupungin Terminaali Oy's 5.9 % holding in the Finnlink Group, which raised the Finnlines Group's holding in this company to 76.5 %.

Finnlines and the City of Helsinki signed a Memorandum in April on co-operation in the Helsinki Metropolitan Area's port project and on land exchange. Finnlines pledged to support the Vuosaari port project, to lend its expertise on separately agreed terms to the planning, construction and operation of the Vuosaari port, and eventually to transfer its Helsinki traffic to Vuosaari. On the basis of this Memorandum the parties began preparing for a land transfer, whereby Helsinki would receive the land areas in Pikkala owned by Finnlines' subsidiary Strömsby-Invest Oy Ab and Helsinki would grant office building rights totalling approximately 8,500 square metres to Finnlines in return. Helsinki City Council approved the plan to build a new port at Vuosaari on 24 April 1996. On 11 December 1996 the Council also approved the land exchange between the City of Helsinki and Finnlines and the preliminary agreement was signed in January 1997.

Finnlines Ltd sold the shares of its subsidiary Oy Huolintakeskus Ab to Scansped Group Oy for FIM 300 million. The company was handed over on 1 January 1996. In addition Huolintakeskus paid Finnlines a dividend of FIM 40 million for 1995. In conjunction with this transaction the buyer's parent company Bilspedition Transport & Logistics (BTL) AB issued shares to Finnlines. Finnlines received altogether 18,606,959 shares comprising 7,303,728 Series A shares and 11,303,728 Series B shares; this issue represented 16.5 % of BTL's share stock and votes. The shares have a nominal value of 12.50 Swedish crowns per share and an issue price of 23 Swedish crowns. These transactions were concluded during April and May.

In May Finnlines acquired 4.1 million shares in Bilspedition Transport & Logistics (BTL) AB from AB Catena, representing 8.5 % of BTL's voting rights and 4.4 % of the share stock at the time. At the end of the year Finnlines held 25.6 % of the voting rights and 21.2 % of the share capital of BTL. Finnlines also holds option agree-

ments concluded with AB Catena and Wallenius Rederierna AB in the autumn entitling Finnlines to acquire the BTL shares held by these two parties by 31 March 1997. On exercising these options Finnlines would raise its holding in BTL to 45.8 % of the voting rights and 31.6 % of the share capital.

### **FG-Shipping Oy Ab**

FG-Shipping Oy Ab is a wholly owned subsidiary of Finnlines Ltd. FG-Shipping Oy Ab comprises four subsidiaries: AB Finnlines Ltd (100 %), Finnlines (Lübeck) GmbH (100 %), Finnmanagement Ltd (100 %) and Oy Finnlink Ab (76.5 %).

FG-Shipping is responsible for the management and manning of the Group's vessels, and for development of the Group's tonnage, which it provides for both the Group's and other vessels. It also provides passenger services for the Group's own vessels.

Progress was made on several new development projects during the year, principally concerning the Group's own vessels. The year's major newbuilding project was supervision of the MS Finn-sailor conversion in Turku.

Central importance was given to developing and introducing a security system complying with the international security management code (ISM Code). Maintaining a security management system for its vessels has become a new and permanent task of the company's tonnage management operations and special emphasis has been given to personnel training in this matter.

Two cargo vessels were removed from the tonnage managed by the company. At the end of the period FG-Shipping managed 25 vessels (27 during 1995) representing a total gross capacity of 348,989 (373,807) tonnes. The company manned 17 (18) of these and employed 532 (553) seamen. One (4) of the vessels managed by the company was registered outside Finland.



**The Group provides regular liner services mainly to countries bordering the Baltic and North Sea.**

AB Finnlines has manned one vessel registered in Sweden.

Ten of the vessels were engaged on Finncarriers' European routes and one in the North Atlantic service operated by F-Ships. The company also 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 were pusher-barges. One bulk carrier was employed in cross-trade traffic. Three of the roro passenger vessels managed by the company were in service on Finnlink's Swedish route.

The company was in charge of the passenger traffic for three combi-ro-

vessels between Finland and Germany, and one between Finland and Sweden.

During the year the Finnish Maritime Authority granted a Document of Compliance to FG-Shipping attesting to the approval of the company's security management system developed in accordance with the ISM Code. FG-Shipping is certified to manage passenger, bulk carrier and other cargo vessels. The Authority also awarded a Safety Management Certificate to each of the six passenger-ro-ro vessels and the bulk chemicals carrier managed by the company in recognition of the security management system's approval. The same system is under development for the other

vessels and approval is due to be granted by 1 July 1998.

#### **The Finnlink Group (76.5 % holding)**

The Finnlink Group comprises Oy Finnlink Ab, the shipping partnerships Railfellow and Finnmaid, and Finnlink AB. The Finnlines Group's holding in these companies was 76.5 %. During the year Finnlink operated between Uusikaupunki in Finland and Hargshamn in Sweden with one ro-ro vessel and one railferry. Both vessels (MS Finnmaid and MS Finnfellow) provided cargo customers with two daily departures, mainly every weekday. MS Finnfellow was out of commission from 9 December 1996 after running aground, and will return to service in March 1997.

In April Finnlink expanded its service between Finland and Sweden with a new line between Helsinki and Norrköping using the combi-ro-ro MS Finnsailor, which it chartered from Finnlines Ltd.

The cargo volumes carried, computed by truck load, rose 24 % on the previous year. Altogether 48,529 truck loads were transported.

Finnlink will combine the current routes of its cargo ferries into a single main route between Naantali and Kapellskär in spring 1997. MS Finnsailor will start on this route from the beginning of the year, followed by MS Finnfellow and MS Finnmaid later in the spring. With all vessels operating on this route the company will be able to offer its customers three daily departures in both directions.

#### **Finn carriers Oy Ab**

The Finn carriers sub-group comprises Finn carriers Oy Ab, Finn carriers AB, Fennia Shipping Ltd and Oy Intercarriers Ltd (51 %).

During the year Finn carriers Oy Ab engaged in the following activities:

- Regular liner service in the Baltic Sea between Finland, Germany and Scandinavia; in the North Sea between Finland, Great Britain, Belgium and the Nether-

lands; and between Finland and the Bay of Biscay

- Railferry service between Finland and Germany
- 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 the associated company Baltic Bulk Services Oy Ab (50 %).

The company also offered selected door-to-door and terminal services and acted as the main agent for Svenska Orient Linien AB in the eastern Mediterranean.

Oy Intercarriers Ltd supplied 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 Ferriers Ltd (50 %) in London, Felixstowe and Hull were responsible for port and canvassing agent services.

Cargo volumes (including conference partners) remained at the previous year's level in terms of tonnes carried. Finn carriers had an average of 70 vessels in service during the year.

#### **Liner Service**

Finn carriers mainly operates on routes in the Baltic Sea and North Sea in the form of conferences involving several partners. As the majority holder in these conferences, Finn carriers acts as the conference manager responsible for marketing, sales, administration and the operation of the vessels. On the Baltic liner service, the Railship railferry service and the Scandinavian liner service the conference partner was the German company Poseidon Schiffahrt AG, and also Transbaltic Schiffahrt GmbH on the Rostock route. Frequency was high with the conference offering several daily departures both from Finland and Germany. The conference partners in the North Sea liner service were Andrew Weir Shipping Company under the

name of United Baltic Corporation, and Poseidon Schiffahrt AG. The conference offered several weekly departures to various destinations around the North Sea.

Liner service developed as planned and the vessels ran on schedule without interruptions. The entire newly built combined tonnage was in service throughout the year. The extra capacity provided a solid basis for the growing volume of semi-trailer and truck cargo as well as the increasing volume of transit traffic. The company also laid emphasis on strengthening its position in Russia both in liner and Railship operations.

A new liner route will be opened at the beginning of 1997 between Finland and Poland under a conference arrangement with the Polish company Euroafrica Shipping Lines and Poseidon Schiffahrt AG in Germany. Finncarriers will be the manager of this new conference with responsibility for its marketing, sales, administration and the operation of the vessels. The company has a minority holding in this conference.

#### Small Tonnage Services

During the year Finncarriers operated an average of 30 so-called small tonnage vessels which sail under the German and Russian flags. These plied direct routes from Lake Saimaa and sea ports in Finland to Continental Europe and to sea and inland ports in Russia. The operations of Intercarriers also comprised traffic from Russian sea and inland ports to Scandinavia and Continental Europe.

#### Contract Traffic

The company engaged in contract traffic under the name of F-Ships with three vessels mainly between North America and Europe. In 1997 these activities will continue with five vessels together with the Finnish Palkkiyhtymä Oy and B&N Rederi AB of Sweden. F-Ships, with a one-third holding, is responsible for marketing and operating.

The associated company Baltic Bulk

Services Oy Ab, which operates barge traffic in the Baltic Sea, was hit by slack demand especially at the beginning of the year. This affected both cargo prices and volumes.

#### Railferry Services

The Group owns 40 % of Railship's railferries and wagons operated; Railship specializes in transporting rail wagons between Finland and Continental Europe. Finland and Russia share the same track gauge, which is 89 mm wider than the gauge used in Continental Europe. To enable uninterrupted transportation of rail wagons between Finland, Russia and Continental Europe without reloading, the Railship Group has developed special rail wagons with changeable bogies. Bogie changing takes ten minutes per wagon at the bogie changing station in Hanko. Railship Group owns about 1,350 such wagons.

Two railferries were operated between Hanko and Travemünde. The wagon stock was reduced to achieve a better balance of traffic. Special emphasis was given to developing services to Russia: new representative offices were opened in St. Petersburg and Moscow.



## Port Operations



**Imports and exports are well balanced in the ports of Helsinki and Turku, which are operated by the Group.**

The net turnover of the Port Operations Division was FIM 332 million, which was 17 % of the total net turnover of the Finnlines Group. The division's personnel averages 772 during the year.

The Group manages port operations including stevedoring and terminal operations, warehousing services and container depot operations under the name of Finnsteve Oy Ab in Helsinki and Kirkkonummi, and under the name of Oy A.E. Erickson Ab in Turku. These ports are the largest in Finland measured in terms of cargo value. They also offer the best balance between imports and exports compared with Finland's other ports, which are more clearly orientated towards either exports or imports. Helsinki is the most important port in Finland for unitized cargo, i.e. semi-trailers, trailers and contain-

ers, which comprises more than 70 % of the port's total cargo volume.

### **Finnsteve Oy Ab**

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

Finland's foreign trade and sea transportation development are also reflected in Finnsteve's operations. A total of 1,975,995 tonnes and 780,842 units of cargo were handled in Helsinki and Kantvik during the year (2,400,012 tonnes and 746,467 units in 1995). The company continued with measures to improve customer service. During the year Finnsteve took over the management of the container terminal in

Sompasaari harbour, having done the same at the West harbour the previous year. Regular investments have also been made to enhance security and access control and these issues will continue to receive priority as other functions are developed. Progress was made as planned in the development of a quality system and evaluation for certification was carried out in December.

The company further developed its data communication networks and considerably improved internal flow of information through personnel training and expansion of its data network. In Helsinki's West harbour FIPS software was introduced to facilitate control of container traffic and an extensive hand-portable radio system was taken into use. The same system will be introduced at the Sompasaari harbour during 1997. Personnel were given wide-ranging training especially in computer skills.

The company continued to take care of invoicing and collection of freight charges in accordance with an agreement made with the Port of Helsinki in 1995.

#### **Oy A.E. Erickson Ab**

Oy A.E. Erickson Ab is engaged in stevedor-

ing and terminal operations in the port of Turku. The company also provides bonded terminal, warehousing and container depot services. Under the auxiliary name of Turku Shipping the company runs forwarding, documentation and ship clearance operations in the economic region of Turku.

In 1996 the company handled altogether 980,101 tonnes of cargo (926,602 tonnes in 1995). The number of forwarding contracts remained at the previous year's level.

The company runs a quality system certified according to the SFS-EN ISO 9002 standard, covering stevedoring, terminal, forwarding, documentation and ship clearance services.

During the year the company also took care of invoicing and collection of freight charges in accordance with an agreement made with the Port of Turku.

#### **Steveco Oy (19.1 %)**

Finnlines owns 19.1 % of Steveco Oy, which operates the ports of Kotka, Hamina and Hanko as well as some ports round Lake Saimaa. The company paid a dividend of FIM 50 million in 1995, giving Finnlines a share of FIM 12.8 million.

## **Associated Companies**

#### **Bilspedition Transport & Logistics (BTL) AB, Sweden (25.6 % of the votes, 21.2 % of the share capital)**

Bilspedition Transport & Logistics (BTL) AB is the biggest transport and logistics group in the Nordic countries and one of the largest in Europe. It operates mainly in the EU countries, Norway and Eastern Europe. In 1995 approximately 18 million tonnes of cargo were transported within the Group's network, which handles land, sea and air transportation through some 500 offices in 31 countries.

BTL's net invoicing totalled 16.3 billion Swedish crowns in 1995 and 12.6 billion Swedish crowns between January and September 1996 (SEK 12.1 billion 1-9/95). The Group had 10,474 employees on average during the January-September 1996 period.

Bilspedition Transport & Logistics (BTL) AB's Series A and B shares are listed on the Stockholm Stock Exchange and its Series B shares are also listed on the Copenhagen and Oslo stock exchanges.



Principal shareholders on 31 December 1996:

	%	%
	of votes	of shares
Finnlines Ltd	25.6	21.2
Walleniusrederierna AB	13.1	6.7
Bilspedition Transportörer		
Förvaltnings AB	10.7	5.5
ACC-Gruppen	9.5	4.9
AB Catena	7.1	3.6
Total	66.0	41.9

There are approximately 29,000 shareholders, of whom approximately 6,500 are registered outside Sweden. The market capitalisation at the year end was 2,642 million Swedish crowns. Finnlines Ltd holds options, valid until 31 March 1997, to acquire the BTL shares owned by Walleniusrederierna AB and AB Catena.

## Divisions

### Bilspedition Sweden

Bilspedition Sweden and its subsidiaries concentrate on domestic transport of goods, parcels and temperature-controlled foodstuffs in Sweden through a nationwide network. This division contributed 32 % of BTL's net invoicing in 1995. During the first nine months of 1996 the division transported roughly the same tonnage as during the same period in the previous year, with no change in market share. Net invoicing fell 3.5 % mainly as a result of work stoppages at the beginning of the year.

### The Scansped Group

The Scansped Group transports goods and parcels and provides logistics services in a European network consisting of subsidiaries and associated companies in 16 countries. The Group also has extensive domestic transport operations in Finland, Norway and Poland, and on a smaller scale also in Germany. The division contributed 39 % of BTL's net invoicing in 1995.

In spring 1996 the Scansped Group's subsidiary in Finland, Scansped Group Oy

Ab, acquired its largest Finnish competitor, Oy Huolintakeskus Ab, from Finnlines Ltd. The reorganization and integration of the Scansped and Huolintakeskus operations are now virtually complete in Finland, and currently in progress in the Baltic countries and Russia. The division's net invoicing rose 9.5 % during the first nine months of the year, due principally to the Huolintakeskus acquisition. The full impact of this acquisition on the Scansped Group's operations will not be apparent until the beginning of 1997.

### The Wilson Group

The Wilson Group concentrates on air and sea transport services with Scandinavia as a base for a global network comprising subsidiaries, associated companies and alliances with local companies. This division contributed 20 % of BTL's net invoicing in 1995. Orders rose 19 % during the first nine months of 1996.

### Specialist Division

The Specialist Division consists of ten companies, in most cases market leaders, with specialist know-how in certain niche areas. The companies are based in Scandinavia with operations that include rail transport, storage and distribution of hanging garments, international household removals, and the transportation and storage of imported cars. This division contributed 9 % of BTL's net invoicing in 1995.

### Other Activities

BTL reviewed its structure and strategic priorities during 1996. As a result the Group has now largely withdrawn from its holdings in sea transportation and has combined the operations of Bilspedition Sweden and the Swedish operations of the Scansped Group into a new company called BTL Sweden.

BTL will publish its financial statements for 1996 on 6 March 1997.



# Board of Directors' Report

## Business Environment

According to shipping statistics Finland's volume of exports fell during the review year by 2.3 %, imports by 0.2 % and exports of paper by 6.9 %. Imports of unitized cargo, on the other hand, increased by 10.4 % during the same period.

## Financial Performance

The Group's consolidated accounts for the year do not include the figures for Oy Huolintakeskus Ab since this company was handed over to Scansped Group Oy on 1 January 1996. The Group accounts include BTL as an associated company for the period 1 July–31 December 1996. BTL issued shares to Finnlines on 21 May 1996. Oy Finnlink Ab was consolidated in the annual accounts as an associated company for the period 1 January - 31 March 1996, and as a subsidiary from 1 April 1996. In the comparable figures for the previous year Huolintakeskus is included as an associated company between 1 January and 30 April 1995 and as a subsidiary from 1 May 1995. The Group's share of its associated companies' results is shown separately after net turnover.

The gross sales of the Finnlines Group totalled FIM 3,236 million (FIM 4,338 million in 1995). The decrease on the previous year, 25 %, was principally due to the divestment of Huolintakeskus.

Sales adjustment items comprised the

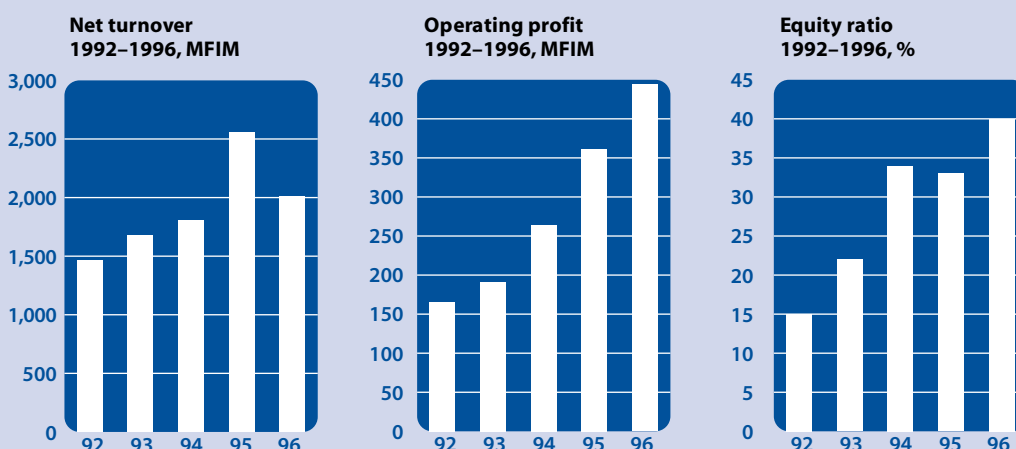
shares of conference partners in the sales of sea transport services, customs dues and VAT, discounts given, exchange rate differences on sales receivables, cargo fees at ports, rents on container terminals and land areas, and other transit items arising from land transport services.

The Finnlines Group's net turnover totalled FIM 2,007 (2,554) million. Its share of associated companies' results was a loss of FIM 2 (a profit of 9) million, principally from the results of BTL and Oy Finnlink Ab. The Group's share of BTL's result is estimated on the base of the figures published in BTL's interim report for the period 1 January–30 September 1996. Other operating income amounted to FIM 120 (4) million, and mainly comprised gains on the divestment of Huolintakeskus (including the Huolintakeskus dividend paid on 1995). Operating income totalled FIM 2,125 (2,566) million. The profit before depreciation was FIM 585 (500) million, which was 29 % (19 %) of net turnover.

Depreciation according to plan totalled FIM 141 (130) million. Planned depreciation on vessels and ship shares came to FIM 86 (67) million.

The Group showed an operating profit of FIM 444 (370) million.

Financial expenses (net) were FIM 40 (55) million. Dividend income, FIM 13 (9) million, comprised the dividend paid by Steveco Oy (Group holding 19.1 %) on the



1995 financial year.

Foreign exchange rate losses (net) in the profit and loss account totalled FIM 0.2 (7) million and included unrealised exchange losses of FIM 0.1 (2) million and realised exchange losses of FIM 0.1 (5) million allocated to the review year. Unrealised foreign exchange gains arising during 1996 have been allocated for the remaining period of the Group's loans. The share not allocated to 1996 (FIM 7.2 million) has been entered under valuation items in the balance sheet.

The profit before extraordinary items was FIM 404 (315) million. The accrual of profits during the year was weakened by the docking of MS Finnsailor for conversion work, the docking of MS Finnmaid for repairs, and MS Finnfellow, which ran aground. MS Finnsailor was out of commission from the beginning of the year until 18 April 1996, MS Finnmaid for the whole of April, and MS Finnfellow from 9 December onwards.

The Group's extraordinary charges, FIM -3.1 million, consisted of costs arising from the termination of Oy Finnlink Ab's railferry route between Uusikaupunki and Hargshamn.

The Group's profit before provisions and

taxes was FIM 401 (319) million. The Group's accounts show a profit after taxes, the change in computed tax liability and minority interests totalling FIM 279 (216) million. The parent company's equivalent profit was FIM 137 (82) million.

### Investments and Financing

The Group's gross investments came to FIM 520 (619) million. Investments in vessels and ship shares, FIM 83 million, included the holdings in the Railfellow (MS Finnfellow) and Finnmaid (MS Finnmaid) shipping partnerships acquired from Rautaruukki Corporation (29.4 %) and Uudenkaupungin Terminaali Oy (5.9 %). Gross investments also included the acquisition cost of the BTL shares, the costs of converting MS Finnsailor to a combi-ro-ro vessel, and the acquisition of the shares in the Finnlink Companies.

Consolidated interest-bearing liabilities totalled FIM 1.2 (1.4) billion at the year end. The Group repaid FIM 261 (629) million in long-term loans.

Consolidated cash reserves amounted to FIM 363 (379) million at the year end. These comprised cash and bank receivables, FIM 238 (166) million, and marketable securities, FIM 125 (213) million.

The Group's equity ratio was 40 % (33 %)

### Finlines Group result

	1 Jan.–31 Dec. 1996		1 Jan.–31 Dec. 1995	
	MFIM	%	MFIM	%
Gross sales	3,236	161	4,338	170
Sales adjustment items	- 1,229	- 61	- 1,784	- 70
Net turnover	2,007	100	2,554	100
Share of associated companies' results	- 2	-	9	-
Other operating income	120	6	4	-
Expenses	- 1,540	- 77	- 2,067	- 81
Operating profit before depreciation	585	29	500	19
Depreciation according to plan	- 141	- 7	- 130	- 5
Operating profit	444	22	370	14
Financial income/expenses (net)	- 40	- 2	- 55	- 2
Profit before extraordinary items	404	20	315	12
Extraordinary items/charges	- 3	-	4	-
Profit before provisions and taxes	401	20	319	12

calculated at the book value of the vessels, and 42 % (35 %) calculated at the market value of the vessels.

### Fleet

At the end of the period the Group owned 15 vessels either wholly or partly. The market value of the fleet exceeded the balance sheet value by FIM 110 million. Market value is the average of two external evaluations. The fleet is presented on page 42 of the Annual Report.

The hull and hull interest insurance on ships wholly owned by the Group was FIM 2,205 (2,150) million at the end of the year, and that of ship shares reported in the balance sheet was FIM 281 (246) million, making a total of FIM 2,486 (2,396) million.

### Impact of Exchange Rates

The Finnish markka strengthened by some 2 % against the German mark, the Group's most important invoicing and foreign loan currency. The Group has partially hedged against changes in the exchange rates of its invoicing currencies through currency clauses in its customer agreements. However, the Finnish markka weakened against the US dollar by about 7 %, which raised costs since fuel costs and ship rentals are

mainly linked to the dollar. The Group has partially hedged against fluctuations in oil prices using so-called bunker clauses, which are written into some of its customer agreements.

### Prospects

The Group's result was a distinct improvement on the result for the previous year due to the gain on the Huolintakeskus divestment. The Group was also successful in its operations despite the fall in export volumes and a continuous increase in competition. The result of operations in 1997 should reach 1996 levels, assuming business conditions remain stable.

### Net turnover by division

	1996		1995	
	MFIM	%	MFIM	%
Shipping and Sea Transport Services <sup>1)</sup>	<b>1,736</b>	<b>86.5</b>	1,687	66.0
Forwarding and Logistics <sup>2)</sup>	–	–	645	25.3
Port Operations	<b>332</b>	<b>16.5</b>	316	12.4
Intra-group eliminations	<b>– 61</b>	<b>– 3.0</b>	– 94	– 3.7
Group total	<b>2,007</b>	<b>100.0</b>	2,554	100.0

<sup>1)</sup> Oy Finnlink Ab as subsidiary from 1 April 1996

<sup>2)</sup> Oy Huolintakeskus Ab as subsidiary between 1 May and 31 December 1995

# Key Indicators

	1996	1995	1994	1993	1992
Sales, FIM million	<b>3,236.4</b>	4,338.4	2,953.0	2,656.3	2,229.7
Net turnover, FIM million	<b>2,007.1</b>	2,554.4	1,805.3	1,678.6	1,462.2
Associated companies <sup>1)</sup>	<b>-1.7</b>	8.5	26.2	21.6	-1.7
Other operating income, FIM million	<b>120.3</b>	3.5	8.3	18.6	75.0
Total operating income, FIM million	<b>2,125.7</b>	2,566.4	1,839.8	1,718.8	1,535.5
Operating profit before depreciation, FIM million	<b>584.7</b>	499.9	405.5	302.4	280.6
% of net turnover	<b>29.1</b>	19.5	22.5	18.0	19.2
Operating profit, FIM million	<b>443.9</b>	370.0	290.0	213.0	163.5
% of net turnover	<b>22.1</b>	14.5	16.1	12.7	11.2
Profit before extraordinary items, FIM million	<b>403.9</b>	315.3	245.2	104.5	76.3
% of net turnover	<b>20.1</b>	12.3	13.6	6.2	5.2
Profit before provisions and taxes, FIM million	<b>400.8</b>	318.7	245.2	106.1	2.9
% of net turnover	<b>20.0</b>	12.5	13.6	6.3	0.2
Return on equity, %	<b>23.8</b>	21.8	26.0	26.0	26.6
Return on investment, %	<b>19.1</b>	17.7	17.0	15.3	14.6
Total assets, FIM million	<b>3,223.6</b>	3,248.8	2,608.8	2,104.8	1,939.3
Total investments as per funds statement, FIM million	<b>519.8</b>	618.5	478.8	260.1	277.1
% of net turnover	<b>25.9</b>	24.2	26.5	15.5	19.0
Equity ratio, %	<b>39.9</b>	32.8	34.2	21.7	15.2
Equity ratio, adjusted for the market value of the vessels, %	<b>41.9</b>	35.4	39.4	31.2	-
Rate of self-financing, %	<b>80.7</b>	55.9	60.3	71.9	69.8
Average number of employees during the year	<b>1,550</b>	2,009	1,402	1,210	1,273

<sup>1)</sup> The Group's share of the results of associated companies for 1996 is shown separately after net turnover in the profit and loss account. The figures for previous years have been adjusted accordingly.

## Calculation of key ratios

ROE (Return on equity, %) =	$\frac{\text{Profit before extraordinary items} - \text{taxes for the financial year} - \text{change in deferred tax liability}}{\text{Shareholders' equity} + \text{minority interests (average)}} \times 100$
ROI (Return on invested capital, %) =	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial items under liabilities}}{\text{Balance sheet total} - \text{interest-free loans (average)}} \times 100$
Equity ratio, % =	$\frac{\text{Shareholders' equity} + \text{minority shares}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Rate of self-financing, % =	$\frac{\text{Funds generated from operations according to funds statements}}{\text{Investments according to funds statements}}$

# Share Data

	1996	1995	1994	1993	1992
Earnings per share (undiluted), FIM	<b>14.65</b>	11.11	9.45	6.42	3.84
Earnings per share without change in deferred tax liability, FIM	<b>18.17</b>	15.31	12.09	6.72	3.58
Earnings per share less warrant bond dilution, FIM	<b>14.38</b>				
Shareholders' equity per share, FIM	<b>66.68</b>	55.14	46.12	29.15	20.78
Dividend per share, FIM	<b>4.00</b>	3.00	2.00	1.00	–
Payout ratio, %	<b>27.3</b>	27.0	22.2	16.2	–
Effective dividend yield, %	<b>3.5</b>	4.2	2.1	1.7	–
Price/earnings ratio (P/E)	<b>7.7</b>	6.4	10.3	9.4	5.5
Share price on the stock exchange at the year end, FIM	<b>113.00</b>	71.00	97.00	60.50	23.00
Market capitalisation at the year end, FIM million	<b>2,166.1</b>	1,361.0	1,859.4	943.8	299.0
Adjusted average number of shares	<b>19,168,979</b>	19,168,979	18,305,968	15,022,222	14,155,556
Adjusted number of shares on 31 Dec.	<b>19,168,979</b>	19,168,979	19,168,979	15,600,000	14,155,556

## Share performance in 1996

	January-February	March-April	May-June	July-August	September-October	November-December	January-December
Highest, FIM	85	90	101	96	114	119	119
Lowest, FIM	70.60	72	84	88	93	105	70.6
Average price, FIM	79.70	79.17	93.04	92.50	102.89	111.01	98.19
No. of shares traded	2,212,933	1,132,326	930,989	1,462,552	5,027,955	4,054,266	14,821,021
Total trading, FIM	176,343,093	89,650,882	86,621,380	135,285,299	517,333,777	450,078,167	1,455,312,598

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 =  $\frac{\text{Shareholders' equity}}{\text{Number of shares as on 31 Dec. adjusted for share issue}}$

Payout ratio, % =  $\frac{\text{Dividend for the year distributed}}{\text{Number of shares on balance sheet date}} \times 100$

Dividend to profit, % =  $\frac{\text{Dividend for the year distributed}}{\text{Profit before extraordinary items +/- minority share of Group profit +/- change in deferred tax liability - taxes for the financial year, from which the effect of extraordinary income and charges has been eliminated}}$

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

Price /earnings ratio (P/E) =  $\frac{\text{Share price quoted on stock exchange on 31 Dec.}}{\text{Earnings per share}}$

# Shares and Shareholders

## Share Capital

The company's share capital is minimum FIM 70,000,000 and maximum FIM 280,000,000; within these limits the share capital may be raised or lowered without amending the Articles of Association. The shares have a nominal value of FIM 10 per share. Each share carries one vote at shareholder meetings. The Board of Directors holds no authorizations to raise the share capital.

## Bonds with Warrants

A bond with warrants was offered to the management of Finnlines Ltd in 1994. The loan totalled FIM 1,100,000 and the issue price was 100 %. The loan period is four years, from 1 June 1994 to 1 June 1998, and the bond bears interest of 1 % below the Bank of Finland's base rate. Each bond with a nominal value of FIM 1,000 carries one warrant entitling the holder to subscribe for 400 Finnlines shares with a nominal value of FIM 10 per share for a subscription price of FIM 89.70.

The shares may be subscribed annually from 2 January to 15 December and no later than 1 June 1998. The new shares entitle the holder to a dividend starting

from the period during which the shares were subscribed. On the basis of the warrants the company's share capital may increase by at most FIM 4,400,000 and the number of shares by at most 440,000, which corresponds to 2.2 % of the total number of votes and shares. No warrants have yet been exercised.

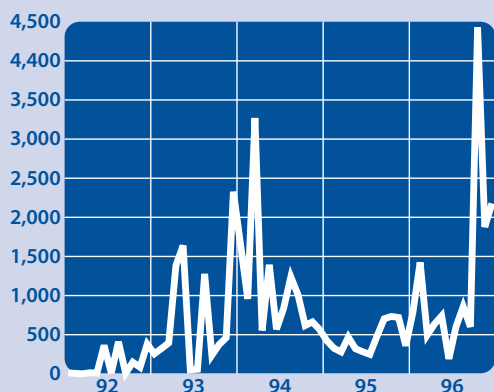
## Share Prices and Trading

On 31 December 1996 the registered share capital of Finnlines Ltd was FIM 191,689,790 divided into 19,168,979 shares of FIM 10 nominal value with equal voting rights. The shares are listed on the Helsinki Stock Exchange. Share trading during the year totalled 77 % of the share capital registered at the end of the year. The highest quotation, FIM 119, was in December and the lowest, FIM 70.60, in January. The market capitalisation on 31 December 1996 was FIM 2,166 million.

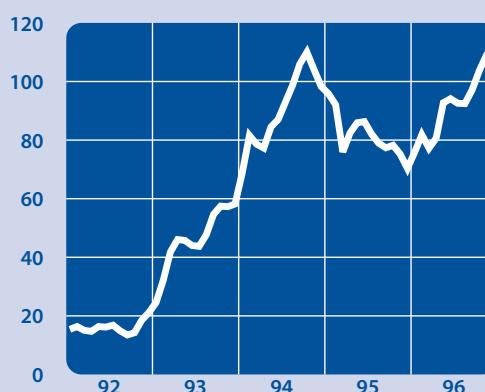
## Shareholder Agreements

Finnlines Ltd knows of no shareholder agreements regarding the ownership of shares or the exercise of voting rights which would have a material impact on the value of the shares.

Shares traded, No. x 1,000



Share price performance, FIM





### Principal shareholders on 31 December 1996

	Number	% of shares/votes
Thominvest Oy	2,346,780	12.24
The Sampo Group	2,245,000	11.71
The Pohjola Group	1,900,000	9.91
Veikko Laine Oy	1,465,036	7.64
Enso Oy	1,100,510	5.74
The Eläkevarma Group	645,450	3.37
Dreadnought Finance Oy	460,320	2.40
Thomproperties Oy	420,939	2.20
Laatusäilyke Oy	389,300	2.03
Kuntien Eläkevakuutus	249,320	1.30
Foreign and nominee registered	2,695,087	14.06
	13,917,742	72.60
Group management holding	2,000	0.01

### Ownership structure on 31 December 1996

	No. of owners	% of shares/votes
Public entities	5	5.84
Households and individuals	306	34.28
Financial institutions	56	24.18
Financial institutions, nominee registered	37	12.15
Non-profit organisations	126	3.78
Corporations	1,898	5.14
Foreign shareholders	24	14.06
Corporations, nominee registered		0.53
Not transferred to book-entry securities		0.04
	2,452	100.00

### Distribution of ownership on 31 December 1996

No. of shares	Shareholders		Shares/votes	
	No.	%	No.	%
1 – 100	725	29.57	36,379	0.19
101 – 1,000	1,200	48.95	519,583	2.71
1,001 – 10,000	414	16.88	1,335,611	6.97
10,001 – 100,000	90	3.67	2,865,169	14.95
100,001 – 1,000,000	18	0.73	6,029,829	31.45
1,000,001 –	5	0.20	8,272,794	43.16
Corporations, nominee registered			102,100	0.53
Not transferred to book-entry securities			7,514	0.04
Total	2,452	100.00	19,168,979	100.00

# Personnel

## Personnel

Group personnel during the year averaged the following:

	Group		Parent Company	
	1996	1995	1996	1995
Shore Personnel				
Shipping and Sea Transport Services	395	371	17	12
Forwarding and Logistics	–	506	–	–
Port Operations	772	797	–	–
	<b>1,167</b>	1,674	<b>17</b>	12
Sea Personnel				
Shipping and Sea Transport Services	383	335	–	–
<b>Total</b>	<b>1,550</b>	2,009	<b>17</b>	12

The Group employed 1,170 persons ashore at the beginning of the year and 1,155 at the end. The corresponding figures for sea personnel were 335 ja 383.

The decrease in personnel ashore was due to the divestment of Oy Huolintakeskus Ab.

## Wages, salaries and fees, FIM million

	Group		Parent Company	
	1996	1995	1996	1995
Managing directors and Board members	4.9	4.8	1.5	1.4
Others	279.1	314.4	4.2	3.1
	<b>284.0</b>	319.2	<b>5.7</b>	4.5

No profit-sharing fees were paid.

The decrease in wages and salaries paid was due to the divestment of Oy Huolintakeskus Ab on 1 January 1996.

# Profit and Loss Accounts

FIM million	Group		Parent Company	
	1996	1995	1996	1995
SALES	<b>3,236.4</b>	4,338.4	<b>232.0</b>	190.0
SALES ADJUSTMENT ITEMS	<b>-1,229.3</b>	-1,784.0	<b>-3.9</b>	
NET TURNOVER	<b>2,007.1</b>	2,554.4	<b>228.1</b>	190.0
Associated companies	<b>-1.7</b>	8.5		
OTHER OPERATING INCOME <sup>(1)</sup>	<b>120.3</b>	3.5	<b>83.4</b>	
Expenses				
Materials and supplies				
Purchases during the financial year	<b>171.2</b>	155.1	<b>3.8</b>	2.9
Increase/decrease in stocks	<b>-2.8</b>	-0.4	<b>0.2</b>	-0.7
Staff costs <sup>(2)</sup>	<b>377.7</b>	430.9	<b>8.1</b>	6.3
Rental costs	<b>25.2</b>	51.1	<b>0.7</b>	0.8
Other operating expenses	<b>969.7</b>	1,429.8	<b>21.1</b>	15.7
	<b>1,541.0</b>	2,066.4	<b>33.9</b>	25.1
OPERATING PROFIT BEFORE DEPRECIATION	<b>584.7</b>	499.9	<b>277.6</b>	165.0
Depreciation				
Goodwill	<b>4.8</b>	6.8		
Other long-term expenditure	<b>6.1</b>	6.0	<b>1.0</b>	1.0
Buildings and constructions	<b>7.7</b>	10.1		
Ships	<b>65.4</b>	51.0	<b>59.5</b>	45.2
Ship shares	<b>21.2</b>	15.6		
Machinery and equipment	<b>35.6</b>	40.4	<b>6.2</b>	6.1
	<b>140.8</b>	129.9	<b>66.7</b>	52.3
PROFIT FROM OPERATIONS	<b>443.9</b>	370.0	<b>210.9</b>	112.7
Financial income and expenses <sup>(3)</sup>				
Dividend income	<b>12.8</b>	9.2	<b>70.3</b>	67.8
Interest income from non-current investments	<b>6.1</b>	0.2	<b>2.6</b>	1.6
Other interest income	<b>9.8</b>	24.4	<b>15.1</b>	23.2
Other financial income <sup>(4)</sup>	<b>0.1</b>	0.9		0.5
Interest expenses	<b>-66.5</b>	-73.6	<b>-65.1</b>	-72.7
Exchange rate differences <sup>(4)</sup>	<b>-0.2</b>	-6.7	<b>-8.1</b>	-3.6
Other financial expenses <sup>(4)</sup>	<b>-2.1</b>	-9.1	<b>-0.9</b>	-6.6
	<b>-40.0</b>	-54.7	<b>13.9</b>	10.0
RESULT BEFORE EXTRAORDINARY ITEMS	<b>403.9</b>	315.3	<b>224.8</b>	122.7
Extraordinary income and charges <sup>(5)</sup>				
Extraordinary income		4.1		0.2
Extraordinary charges	<b>-3.1</b>	-0.7	<b>-1.2</b>	
Group contribution received			<b>208.3</b>	201.7
Group contribution given			<b>-7.1</b>	
	<b>-3.1</b>	3.4	<b>200.0</b>	201.9
RESULT BEFORE PROVISIONS AND TAXES	<b>400.8</b>	318.7	<b>424.8</b>	324.6
Depreciation difference			<b>-234.1</b>	-234.8
Income taxes <sup>(6)</sup>	<b>-56.9</b>	-21.5	<b>-53.5</b>	-7.7
Change in deferred tax liability <sup>(7)</sup>	<b>-67.5</b>	-80.3		
Minority interest	<b>2.2</b>	-1.3		
PROFIT FOR THE YEAR	<b>278.6</b>	215.6	<b>137.2</b>	82.0

# Balance Sheets

FIM million	Group		Parent Company	
<b>ASSETS</b>	<b>1996</b>	1995	<b>1996</b>	1995
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS <sup>(8)</sup>				
Intangible assets				
Goodwill	<b>10.0</b>	53.4		
Other capitalized expenditure	<b>12.8</b>	15.0	<b>2.1</b>	2.9
	<b>22.8</b>	68.4	<b>2.1</b>	2.9
Tangible assets				
Land	<b>49.2</b>	85.3		
Buildings and constructions	<b>83.7</b>	188.0		
Ships	<b>1,547.2</b>	1,559.2	<b>1,419.4</b>	1,425.9
Ship shares	<b>104.0</b>	95.7		
Machinery and equipment	<b>192.8</b>	237.3	<b>69.1</b>	74.2
	<b>1,976.9</b>	2,165.5	<b>1,488.5</b>	1,500.1
Financial assets <sup>(9)</sup>				
Shares and holdings <sup>(10)</sup>				
Group companies			<b>377.1</b>	574.6
Associated companies	<b>392.3</b>	33.3	<b>387.9</b>	0.3
Other shares	<b>31.0</b>	35.9	<b>25.7</b>	25.6
Loans receivable	<b>6.7</b>	7.1	<b>43.7</b>	13.9
	<b>430.0</b>	76.3	<b>834.4</b>	614.3
VALUATION ITEMS <sup>(11)</sup>		1.5		1.5
CURRENT ASSETS				
Stocks				
Materials and supplies	<b>12.4</b>	9.6	<b>0.9</b>	1.1
Debtors <sup>(12)</sup>				
Trade debtors	<b>303.2</b>	413.1	<b>5.3</b>	5.9
Loans receivable	<b>0.4</b>	5.7		
Prepayments and accrued income	<b>65.1</b>	110.5	<b>25.0</b>	16.5
Other debtors	<b>50.1</b>	18.9	<b>177.2</b>	135.6
	<b>418.9</b>	548.2	<b>207.5</b>	158.0
Investments				
Marketable securities	<b>124.5</b>	213.2	<b>124.5</b>	213.2
Cash at bank and in hand	<b>238.1</b>	166.1	<b>216.9</b>	147.1
	<b>3,223.6</b>	3,248.8	<b>2,874.8</b>	2,638.2
Pledges given <sup>(17)</sup>	<b>1,138.3</b>	1,255.3	<b>971.1</b>	984.7

FIM million	Group		Parent Company	
<b>LIABILITIES</b>	<b>1996</b>	1995	<b>1996</b>	1995
<b>CAPITAL AND RESERVES <sup>(13)</sup></b>				
Restricted capital				
Share capital	<b>191.7</b>	191.7	<b>191.7</b>	191.7
Other restricted capital	<b>280.6</b>	280.6	<b>275.8</b>	275.8
Non-restricted capital				
Capital part of provisions	<b>484.9</b>	326.1		
Associated companies	<b>0.0</b>	27.5		
Translation difference	<b>0.0</b>	-4.3		
Other non-restricted capital	<b>42.4</b>	19.8	<b>200.5</b>	176.0
Profit for the period	<b>278.6</b>	215.6	<b>137.2</b>	82.0
	<b>1,278.2</b>	1,057.0	<b>805.2</b>	725.5
MINORITY INTEREST	<b>8.2</b>	7.4		
PROVISIONS <sup>(14)</sup>				
Accelerated depreciation			<b>686.4</b>	452.3
Voluntary provisions			<b>1.0</b>	1.0
VALUATION ITEMS	<b>7.2</b>		<b>7.2</b>	
CREDITORS				
Non-current <sup>(15)</sup>				
Notes and bonds <sup>(16)</sup>	<b>200.0</b>	300.0	<b>200.0</b>	300.0
Loans from credit institutions	<b>704.0</b>	798.3	<b>642.3</b>	675.4
Pension loans	<b>46.9</b>	123.1	<b>30.4</b>	33.9
Other non-current liabilities	<b>6.0</b>	9.3	<b>81.1</b>	101.1
Deferred tax liability on provisions <sup>(14)</sup>	<b>256.0</b>	193.4		
	<b>1,212.9</b>	1,424.1	<b>953.8</b>	1,110.4
Current				
Notes and bonds <sup>(16)</sup>	<b>100.0</b>			100.0
Loans from credit institutions	<b>143.7</b>	135.7	<b>124.2</b>	99.6
Pension loans	<b>3.5</b>	8.8	<b>2.3</b>	2.9
Trade creditors	<b>139.2</b>	177.2	<b>0.2</b>	4.8
Accruals and deferred income	<b>282.1</b>	368.0	<b>88.3</b>	57.9
Other creditors	<b>48.6</b>	70.6	<b>106.2</b>	183.8
	<b>717.1</b>	760.3	<b>421.2</b>	349.0
	<b>3,223.6</b>	3,248.8	<b>2,874.8</b>	2,638.2
Contingent liabilities <sup>(17)</sup>	<b>36.0</b>	39.0		3.0
Pension liabilities <sup>(17)</sup>	<b>1.4</b>	25.0		

# Funds Statements

FIM million	Group		Parent Company	
	1996	1995	1996	1995
<b>SOURCE OF FUNDS</b>				
Funds generated from operations				
Profit before depreciation	<b>584.7</b>	491.4	<b>277.6</b>	165.0
Financial income and expenses	<b>-40.0</b>	-46.2	<b>13.9</b>	10.0
Other income and expenses	<b>-3.1</b>	3.4	<b>200.0</b>	201.9
Taxes	<b>-124.5</b>	-101.8	<b>-53.5</b>	-7.6
Minority interest in profits	<b>2.2</b>	-1.3		
<b>Total funds generated from operations</b>	<b>419.3</b>	345.6	<b>438.0</b>	369.2
Sales of fixed assets	<b>257.4</b>	4.6	<b>193.2</b>	0.1
Change in minority interest	<b>0.8</b>	-1.6		
Translation difference		-4.3		
Other change in capital and reserves	<b>0.1</b>			
Increase in non-current liabilities	<b>161.3</b>	856.3	<b>104.4</b>	675.3
<b>TOTAL SOURCE OF FUNDS</b>	<b>838.9</b>	1,200.6	<b>735.6</b>	1,044.6
<b>APPLICATION OF FUNDS</b>				
Investments				
Buildings and constructions	<b>4.3</b>	109.0		
Ships	<b>53.4</b>	315.4	<b>53.1</b>	312.5
Ship shares	<b>29.4</b>	23.5		
Shares and holdings	<b>379.5</b>	29.0	<b>383.3</b>	153.0
Other fixed assets	<b>52.0</b>	98.2	<b>1.4</b>	6.7
Goodwill	<b>1.2</b>	43.4		
<b>Total investments</b>	<b>519.8</b>	618.5	<b>437.8</b>	472.2
Associated companies; change in capital and reserves	<b>-1.7</b>	-8.5		
Decrease in non-current liabilities	<b>260.9</b>	628.5	<b>128.4</b>	599.1
Dividend paid	<b>57.5</b>	38.3	<b>57.5</b>	38.3
Change in net working capital	<b>2.4</b>	-76.3	<b>111.9</b>	-65.0
<b>TOTAL APPLICATION OF FUNDS</b>	<b>838.9</b>	1,200.6	<b>735.6</b>	1,044.6
<b>CHANGE IN NET WORKING CAPITAL</b>				
Cash at bank and in hand, increase	<b>71.9</b>	-67.9	<b>69.8</b>	-42.3
Other financial assets, increase	<b>-218.3</b>	239.2	<b>-0.2</b>	0.7
Stocks, increase	<b>2.8</b>	0.3	<b>-9.5</b>	58.3
Current liabilities, increase/decrease	<b>146.0</b>	-247.9	<b>51.8</b>	-81.7
<b>NET WORKING CAPITAL</b>	<b>2.4</b>	-76.3	<b>111.9</b>	-65.0

# 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 10.

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 capital and reserves 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 remainder of the acquisition cost of the shares has been presented as Group goodwill in the consolidated balance sheet. On 31 December 1996, items allocated to land totalled FIM 6.6 million, to buildings and constructions FIM 3.8 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.

Intra-group transactions, sales profits, distribution of profits and intra-group receivables and liabilities, have been eliminated.

Minority interests in the subsidiaries' results, capital and reserves, and the share of provisions allocated to capital and reserves are presented separately in the profit and loss account and the balance sheet.

The associated companies have been consolidated according to the equity method. The Group's share of the associated companies' results for the financial period has been entered separately after net turnover in the profit and loss account. The Group's share of Bilspedition Transport & Logistics (BTL) AB's result for the period 1 July–31 December 1996 is estimated on the basis of BTL's result published in its nine-

month interim report. The effect of the consolidation of associated companies on the Group's capital and reserves has been presented separately in the balance sheet.

The balance sheets of foreign subsidiaries and associated companies have been converted into Finnish markka at the average exchange rates on the closing day. The profit and loss accounts 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.

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

## Foreign currency items and derivative instruments

Foreign currency receivables, cash at banks and in hand, 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 profit and loss account before the operating profit before depreciation. The exchange rate differences of financing operations and loans are entered separately under financial income and expenses. The unrealised exchange losses on currency-denominated loans generated in 1992 and 1993 have been allocated over the remaining loan period. The unrealised exchange gains generated in 1994 and 1995 are allocated over the same period as the unrealised exchange losses. The unrealised exchange gain arising during 1996 has been allocated over the remaining loan period. The part of the exchange rate difference that has not been entered in the profit and loss accounts has been presented under valuation items.

Exchange rate differences on the construction-time loans of the combi-oro vessels completed in 1994 and 1995 are capitalised at the acquisition cost of the

vessels.

The realised changes in the value of derivative contracts concluded in order to hedge against other foreign exchange and interest rate risks have been charged against the result: interest rate derivatives under interest income and expenses, and forward contracts and currency options under the individual items hedged.

#### **Fixed assets**

Fixed assets have been capitalized at their direct acquisition cost. Fixed assets have been depreciated on a straight-line basis according to plan, based on estimated useful economic life.

The construction-time interests and currency differences of vessels have been capitalized, and they are included in the acquisition cost of the 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 11.

#### **Stocks**

Ship 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**

Group liquid assets invested in money market instruments are presented in the balance sheet under marketable securities.

#### **Tax liability corresponding to voluntary provisions and accumulated depreciation difference**

Voluntary provisions (i.e. the transition provision) and the accumulated depreciation difference, have been allocated to the result for the year and capital and reserves, and, on the other hand, to 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 statements, i.e. 28 %. The change in the tax rate is reported in Note 7. The deferred tax liability on the closing day has been shown separately in the balance sheet under non-current liabilities. The share of provisions and accumulated depreciation difference entered under capital and reserves and the corresponding change is presented in more detail in Note 13. The amount of

provisions and accumulated depreciation difference before the division into capital and reserves and deferred tax liability is presented in Note 14.

#### **Pension arrangements**

The statutory pension obligations of the Group's sea and shore personnel are covered by pension insurances. The liabilities of the pension funds of all Group companies have been transferred to pension insurance companies. The Group's pension commitments are presented in Note 17.

#### **Other income from operations**

The profit from the sale of ships is reported under other operating income after net turnover. The same item includes profits on the sale of other fixed assets which are not regarded as extraordinary income. The sale profits have been calculated as the difference between the sales price and the residual value according to plan. Other items in other operating income are presented in more detail in Note 1.

#### **Depreciation**

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. 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 a straight-line basis so that the vessel is fully depreciated by the end of its useful life as estimated at the time of the purchase.

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

Information systems	5 years
Merger loss	10 years
Improvements on rented premises	10 years

#### **Extraordinary income and charges**

Extraordinary income and charges comprise extraordinary gains and losses arising from the sale of shares and non-recurring items. A more detailed description of extraordinary income and charges is given in Note 5.



# Notes to the Financial Statements

(FIM million, unless otherwise stated)

1 Other operating income	Group		Parent Company	
	1996	1995	1996	1995
Gain from sale of Huolintakeskus	115.5	–	83.1	–
Gains from sales of other fixed assets	3.1	1.8	0.3	–
Rental income	1.7	1.7	–	–
	<b>120.3</b>	3.5	<b>83.4</b>	–

2 Staff costs	Group		Parent Company	
	1996	1995	1996	1995
Wages and salaries	284.4	321.4	5.9	4.5
Pension costs	46.0	52.6	1.8	1.4
Other employee costs	47.3	56.9	0.4	0.4
Total staff costs	<b>377.7</b>	430.9	<b>8.1</b>	6.3
Taxable value of fringe benefits	7.7	8.7	0.3	0.2

The decrease in staff costs is due to the divestment of Huolintakeskus on 1 January 1996.

3 Parent Company's financial income and expenses / Group and associated companies	1996	1995
	Dividends received from	
Group companies	4.2	52.5
Associated companies	–	6.1
Interest received on non-current investments		
Group companies	2.4	1.2
Other interest received		
Group companies	3.5	3.6
Interest expenses		
Group companies	8.1	16.2
Currency differences		
Group companies	-7.7	-2.7

4 Currency differences and other financial income and expenses	Group		Parent Company	
	1996	1995	1996	1995
Currency differences				
Currency losses/gains realised during the review year	-0.1	-5.2	-8.0	+5.1
Share of unrealised exchange rate losses arising from currency-denominated loans allocated to review year	-0.1	-1.5	-0.1	-1.5
Currency differences	-0.2	-6.7	-8.1	+3.6
Other financial income/expenses				
Other financial income	0.1	0.9	–	0.5
Expenses on new ship mortgages		-2.1		-2.1
Other financial expenses	-2.1	-7.0	-0.9	-4.5
Other financial income/expenses	<b>-2.0</b>	-8.2	<b>-0.9</b>	-6.1

5 Extraordinary income and charges	Group		Parent Company	
	1996	1995	1996	1995
Profit on sale of shares		4.1		0.2
Cost of terminating Uusikaupunki railferry service	-3.1			
Cost of dismantling a subsidiary/merger loss		-0.7	-1.2	-
Group contributions received			208.3	201.7
Group contribution given			-7.1	
	-3.1	3.4	200.0	201.9

6 Income taxes	Group		Parent Company	
	1996	1995	1996	1995
Taxes for financial year	-57.4	-24.3	-53.8	-7.8
Taxes for previous years (includes corporate tax credit on internal dividend distributed)	+0.5	+2.8	+0.3	-
	-56.9	-21.5	-53.5	-7.8

7 Change in deferred tax liability	Group	
	1996	1995
Changes		
In depreciation difference		
Buildings	-1.5	-1.1
Vessels	221.6	217.3
Ship shares	4.2	3.9
Machinery and equipment	16.5	18.4
	240.8	238.5
In voluntary provisions	0.1	-
Total	240.9	238.5
Change in deferred tax liability (28 %/25 %)	-67.4	-59.6
Change in tax rate (3 % x 690.8)	-	-20.7
	-67.4	-80.3

8 Fixed assets	Group		Parent Company	
	1996	1995	1996	1995
Goodwill				
Acquisition cost on 1 Jan.	83.4	40.5		
Increases	1.2	42.9		
Decreases	-42.9			
Acquisition cost on 31 Dec.	41.7	83.4		
Accumulated depreciation on 1 Jan.	30.0	23.2		
Accumulated depreciation on decreases	-2.9			
Depreciation for period	4.8	6.8		
Book value on 31 Dec.	10.0	53.4		
Other non-current term expenditure				
Acquisition cost on 1 Jan.	49.2	47.0	8.3	8.2
Increases	4.6	2.2	0.3	0.1
Decreases	-0.8		-0.1	
Acquisition cost on 31 Dec.	53.0	49.2	8.5	8.3
Accumulated depreciation on 1 Jan.	34.2	28.2	5.4	4.4
Accumulated depreciation on decreases	-0.1			
Depreciation for period	6.1	6.0	1.0	1.0
Book value on 31 Dec.	12.8	15.0	2.1	2.9
Land areas				
Acquisition cost on 1 Jan.	85.3	49.2		
Increases		36.1		
Decreases	36.1			
Acquisition cost on 31 Dec.	49.2	85.3		

8 Fixed assets (continued)	Group		Parent Company	
	1996	1995	1996	1995
<b>Buildings and constructions</b>				
Acquisition cost on 1 Jan.	228.9	119.9		
Increases	4.3	109.0		
Decreases	-103.2			
Acquisition cost on 31 Dec.	130.0	228.9		
Accumulated depreciation on 1 Jan.	40.9	30.8		
Accumulated depreciation on decreases	-2.3			
Depreciation for period	7.7	10.1		
Book value on 31 Dec.	83.7	188.0		
<b>Ships</b>				
Acquisition cost on 1 Jan.	1,840.1	1,090.1	1,501.8	754.6
Increases	53.4	750.0	53.0	747.2
Decreases				
Acquisition cost on 31 Dec.	1,893.5	1,840.1	1,554.8	1,501.8
Accumulated depreciation on 1 Jan.	280.9	229.9	75.9	30.7
Accumulated depreciation on decreases				
Depreciation for period	65.3	51.0	59.5	45.2
Book value on 31 Dec.	1,547.3	1,559.2	1,419.4	1,425.9
<b>Ship shares</b>				
Acquisition cost on 1 Jan.	149.2	125.7		
Increases	29.5	23.5		
Decreases				
Acquisition cost on 31 Dec.	178.7	149.2		
Accumulated depreciation on Jan. 1	53.5	37.9		
Accumulated depreciation on decreases				
Depreciation for period	21.2	15.6		
Book value on 31 Dec.	104.0	95.7		
<b>Machinery and equipment</b>				
Acquisition cost on 1 Jan.	384.4	288.2	82.1	75.5
Increases	47.4	99.6	1.2	6.7
Decreases	-67.2	-3.4	-0.3	-0.1
Acquisition cost on 31 Dec.	364.6	384.4	83.0	82.1
Accumulated depreciation on 1 Jan.	147.1	108.8	7.9	1.8
Accumulated depreciation on decreases	-10.9	-2.1	-0.2	
Depreciation for period	35.6	40.4	6.2	6.1
Book value on 31 Dec.	192.8	237.3	69.1	74.2
<b>Taxation values</b>				
	Group		Parent Company	
	1996	1995	1996	1995
Land	8.8	12.3		
Buildings	70.5	128.6		
Shares and holdings	445.7	99.6	661.1	280.5

## 9 Financial assets

	Parent Company	
	1996	1995
<b>Shares and holdings</b>		
Group companies	377.1	574.6
Associated companies	387.9	0.3
<b>Loans receivable</b>		
Group companies	40.7	10.9

### Loans receivable

The Group's loans receivables FIM 6.7 million include loans of DEM 2 million given to finance two small tonnage German vessels with an option to convert the loans to 20 % ownership of the vessels in 1997 and 1998.

## 10 Shares and holdings

	Number	Holding %	Nominal value	Book value	Net result
<b>HOLDINGS IN SUBSIDIARIES</b>					
Domestic					
Finn carriers Oy Ab, Helsinki	1,000,000	100.0	100.0	100.0	-0.4
FG-Shipping Oy Ab, Helsinki	1,000,000	100.0	10.0	10.0	0.0
Oy Finnlink Ab, Uusikaupunki	26,496	76.5		14.4	-7.8
Finnfellows Oy Ltd., Helsinki	500,000	100.0	5.0	5.0	0.1
Finnsteve Oy Ab, Helsinki	14,400	100.0	1.4	89.9	0.1
Oy A.E. Erickson Ab, Turku	420,000	100.0	4.1	21.5	0.0
Strömsby-Invest Oy Ab, Kirkkonummi	8,448	60.0	8.4	10.0	-1.5
Optar Oy, Helsinki	3,576	100.0	3.6	1.8	0.0
Oy Intercarriers Ltd, Helsinki	51	51.0	0.2	0.2	2.0
Kantvikin Satama Oy, Kirkkonummi	2,400	30.0	2.4	2.4	0.2
Foreign					
FCRS-Shipping Ltd., Cayman Islands	50,000	100.0	USD 0.05	0.0	-0.2
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	-2.8
FG Schiffahrts-Beteiligungs-gesellschaft mbH, Germany	2	100.0	DEM 0.05	75.0	0.2
Railship AG, Switzerland	4,348	86.96	CHF 4.3	37.4	4.4
Finn carriers GmbH, Germany	50	100.0	DEM 0.05	0.1	0.1
Finn carriers AB, Sweden	500	100.0	SEK 0.05	0.0	0.0
Finn carriers A/S, Norway	500	100.0	NOK 0.5	0.3	1.4
Norrsteve A/S, Norway	50	100.0	NOK 0.05	1.8	1.9
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
Finnlines (Cyprus) Ltd, Cyprus	1,000	100.0	CYP 0.001	0.0	0.0
Finnmanagement Ltd., Cayman Islands	100	100.0	USD 0.001	0.0	0.0
				394.3	
of which subsidiaries' holdings in Group companies				-17.2	
<b>Total</b>				<b>377.1</b>	
<b>ASSOCIATED COMPANIES</b>					
Domestic					
Baltic Bulk Services Oy Ab, Helsinki	250	50.0	0.3	0.3	0.2
Railship Oy Ab, Helsinki	46,000	46.0	4.6	0.6	0.6
Metropolitan Port Oy Ab, Helsinki	250	33.3	0.3	0.3	-1.2
North Euroway Oy, Kouvola	12	20.0	0.1	0.1	0.8
Foreign					
Bilspedition Transport & Logistics (BTL) AB, Sweden	23,819,809	21.2	MSEK 298	387.7	30.1
Finnbelgia Agencies N.V., Belgium	3,200	50.0	BEC 4.0	0.6	0.4
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	0.0
Finanglia Ferries Ltd., UK	50,000	50.0	GBP 0.1	0.4	-2.0
<b>Total</b>				<b>392.7</b>	
Consolidation of the associated companies				-0.4	
				<b>392.3</b>	
<b>OTHER SHARES</b>					
Domestic					
Steveco Oy, Kotka	5,732	19.1	5.7	24.5	
Helsingin Puhelinyhdistys, Helsinki	310			0.8	
Other companies (27)				5.5	
Foreign					
Other companies (1)				0.2	
<b>Total</b>				<b>31.0</b>	

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

11 Valuation items	Group		Parent Company	
	1996	1995	1996	1995
Capitalised exchange rate losses on loans on 1 Jan.	1.5	8.6	1.5	8.6
Change during the year	-8.6	-5.6	-8.6	-5.6
Allocation to the year	-0.1	-1.5	-0.1	-1.5
Capitalised exchange rate gains/losses on loans on 31 Dec. *)	-7.2	1.5	-7.2	1.5

\*) Shown under liabilities in the balance sheet.

12 Parent Company's receivables and payables / Group and associated companies	Parent Company	
	1996	1995
Sales receivable		
Group companies	5.3	5.9
Other receivables		
Group companies	175.5	134.1
Other non-current liabilities		
Group companies	80.0	100.0
Purchases payable		
Group companies	0.1	4.4
Other current payables		
Group companies	66.1	183.5

13 Shareholders' equity	Group		Parent Company	
	1996	1995	1996	1995
Share capital on 1 Jan.	191.7	191.7	191.7	191.7
Share capital on 31 Dec.	191.7	191.7	191.7	191.7
Reserve fund on 1 Jan.	275.8	275.8	275.8	275.8
Share capital on 31 Dec.	275.8	275.8	275.8	275.8
Other restricted equity on 1 Jan.	4.8	1.5		
Transferred from non-restricted equity		3.3		
Other restricted equity on 31 Dec.	4.8	4.8		
Restricted equity on 31 Dec.	472.3	472.3	467.5	467.5
Adjustment for associated companies before previous year's result	27.5	11.2		
Of previous year's result	-27.4	15.4		
Translation difference	-0.1	0.9		
Adjustment for associated companies on 31 Dec.	0.0	27.5		
Capital part of provisions before previous year's result	326.1	181.4		
Of previous year's result	158.1	144.7		
Other adjustment item	0.1			
Equity in provisions on 31 Dec.	484.3	326.1		
Translation difference	0.0	-4.3		
Other non-restricted equity before previous year's result and translation difference	19.8	49.4	176.0	119.1
Of previous year's result	84.9	12.9	82.0	95.2
Translation difference	-4.2	-0.9		
Transferred to restricted equity		-3.3		
Dividend paid	-57.5	-38.3	-57.5	-38.3
Other non-restricted equity on 31 Dec.	43.0	19.8	200.5	176.0
Profit for the period	278.6	215.6	137.2	82.0
- of which from associated companies	-1.6	-27.4		
- of which from capital part of provisions	173.9	158.2		
- transferred to other non-restricted equity	106.3	84.8		
Non-restricted equity on 31 Dec.	805.9	584.7	337.7	258.0
- of which distributable	147.7	100.4	337.7	258.0
Total shareholders' equity on 31 Dec. 1996	1,278.2	1,057.0	805.2	725.5

14 Depreciation differences and provisions	Group	
	1996	1995
Depreciation difference		
Buildings	14.7	16.2
Vessels	769.8	548.2
Ship shares	22.2	18.0
Machinery and equipment	59.3	42.8
	866.0	625.2
Voluntary provisions	48.4	65.6
Group total before provisions	914.4	690.8
Deferred tax liability (28 %)	256.0	193.4
Minority interests	0.2	0.2
Share of shareholders' equity	658.2	497.2
of which		
– elimination of the acquisition of a subsidiary	–	–12.9
– share of provisions	484.3	326.1
– share of the year's result	173.9	158.2

15 Non-current liabilities	Group		Parent Company	
	1996	1995	1996	1995
Debts falling due in five years or longer				
Loans from credit institutions	211.6	309.2	210.1	300.9
Pension loans	35.1	86.4	22.8	24.6

16 Fixed and floating rate notes			
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	1.6.94–1.6.98	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.

17 Pledges and liabilities	Group		Parent Company	
	1996	1995	1996	1995
On own account				
Mortgages on land areas and buildings	34.0	131.4		
Mortgages on ships	1,026.7	1,020.4	905.7	905.7
Mortgages on ship shares	12.2	18.6		
Mortgages on machinery	65.4	72.5	65.4	72.5
Pledged shares		6.6		6.5
On subsidiaries' account				
Guarantees				3.0
On associated companies' account				
Mortgages on land areas and buildings		1.0		
Guarantees		1.4		
On other companies' account				
Mortgages on land areas and buildings		4.4		
Pledged shares		0.4		
Guarantees	2.4	4.0		
Other own liabilities				
Liabilities from pension commitments	1.4	25.0		
Other liabilities	33.6	33.6		
Liabilities from derivative contracts	433.6		433.6	
Total				
Mortgages on land areas and buildings	34.0	136.8		
Mortgages on ships	1,026.7	1,020.4	905.7	905.7
Mortgages on ship shares	12.2	18.6		
Mortgages on machinery	65.4	72.5	65.4	72.5
Pledged shares		7.0		6.5
Guarantees	2.4	5.4		3.0
Liabilities from pension commitments	1.4	25.0		
Other liabilities	33.6	33.6		
Liabilities from derivative contracts	433.6		433.6	
Leasing liabilities				
One year after reporting year	17.4	38.8	13.4	12.6
On subsequent years	15.8	50.5	13.4	25.2

# Proposal of the Board

According to the consolidated balance sheet on 31 December 1996:

Profit from previous years	FIM	527,310,971.86
Profit for the financial year	FIM	278,579,466.59
<u>Non-restricted equity, total</u>	<u>FIM</u>	<u>805,890,438.45</u>
of which disposable	FIM	147,699,553.25

According to the balance sheet of 31 December 1996, Parent Company profits stand at:

Profit from previous years	FIM	200,473,558.48
Profit for the financial year	FIM	137,233,068.52
<u>Non-restricted equity, total</u>	<u>FIM</u>	<u>337,706,627.00</u>

The Board of Directors proposes that a dividend of FIM 4 per share on the 19,168,979 shares, i.e. a total of FIM 76,675,916.00, be paid out of the profit for the year and that the residual balance be transferred to non-restricted equity.

Helsinki, 6 February 1997

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 5 March 1997 are registered as shareholders in the list kept by the Central Register for Shares. The dividend payment date is 10 March 1997.



# Auditors' Report

To the shareholders of Finnlines Ltd

We have audited the accounting records, the financial statements and administration of Finnlines Ltd for the financial year 1996. The financial statements, which have been prepared by the Board of Directors and the Chief Executive Officer, contain the Board's report, and the consolidated and parent company profit and loss accounts, balance sheets and notes to the financial statements. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted our audit in accordance with generally accepted auditing standards in Finland. These standards require that we conduct a sufficient examination of the annual accounts, as well as the accounting principles, disclosures and presentation of the financial statements, to obtain reasonable assurance that the financial statements are free of material misstatement. The purpose of our audit of the corporate governance is to establish that the Board of Directors and Chief Executive Officer have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations and financial position. The parent company's profit for the year was FIM 137,233,068.52 million, and the consolidated profit was FIM 278,575,466.59 million. The financial statements, including the consolidated statements, may be adopted, and the members of the Board of Directors and the Chief Executive Officer may be discharged from liability for the financial period audited by us. The proposal of the Board of Directors concerning the disposition of the non-restricted shareholders' equity is in compliance with the Finnish Companies Act.

We have reviewed the interim reports published by the Company during the financial year. The interim reports have been prepared in accordance with the applicable regulations.

Helsinki, 7 February 1997

SVH Coopers & Lybrand Oy  
Authorized Public Accountants

Christer Antson  
Authorized Public Accountant

# Group Administration and Auditors

## Board of Directors

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

Deputy Chairman **Jukka Härmälä**  
(1994–1997)  
President and CEO, Enso Oy  
Member of the Board since 1989

Members

**Martin Granholm**  
(1994–1997)  
Executive Vice President  
UPM-Kymmene Corporation  
Member of the Board since 1992

**Hannu Ketola**  
(1996–1999)  
Senior Vice President  
The Pohjola Group  
Member of the Board since 1995

**Pertti Laine**  
(1995–1998)  
President  
Veikko Laine Oy  
Member of the Board since 1994

**Jouko K. Leskinen**  
(1996–1999)  
President and CEO  
Sampo Insurance Company Limited  
Member of the Board since 1993

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

The term of office of Board members is three years, beginning and ending at the Annual General Meetings of the years given in brackets.

## Auditors

Regular auditor  
**SVH Coopers & Lybrand Oy**  
Authorized Public Accountants

Deputy auditor  
**Anneli Lindroos**  
MSc (Econ.), APA

## Group Management

**Antti Lagerroos**  
President and CEO  
Finnlines Ltd

**Kari Savolainen**  
Vice President  
Corporate Information Systems

**Lars Trygg**  
Vice President  
Corporate Legal Affairs

**Seija Turunen**  
Vice President  
Corporate Finance and Treasury

**Kurt Österberg**  
Vice President  
Corporate Business Control

## Subsidiaries

**Asser Ahleskog**  
Managing Director  
Finn carriers Oy Ab

**Christer Backman**  
Managing Director  
Oy Finnlink Ab

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

**Esko Mustamäki**  
Managing Director  
FG-Shipping Oy Ab

# Articles of Association

## The Company and its operations

### §1 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 is domiciled in the City of Helsinki.

### §2 Object of the company

The Company shall engage in shipping, other transport operations 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 FIM 70 million and its maximum capital FIM 280 million, within which limits the share capital may be increased or decreased without amending these Articles of Association.

### §4 Nominal value of the shares

The nominal value of the shares is FIM 10.00.

### §5 Book-entry securities system

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

Only those shareholders will be entitled to receive distributable funds from the company and to subscribe for new shares in conjunction with an increase in the company's share capital:

1. Who have registered as shareholders in the shareholder register on the record date specified by the company,
2. Whose right to receive payment is registered on the record date in the book-entry account of the shareholder registered in the shareholder register, or
3. Whose share, if this is nominee registered, is registered in his/her book-entry account on the record date and the custodian of which is registered in the shareholder register as the custodian of the shares on the record date.

### §6 Redemption of Company shares

The Company is entitled to 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 among the Company's shareholders. The Board of Directors shall comprise at least seven and at most twelve members.

The term of a Board member will begin immediately following the election, and will end no later than at the close of the third subsequent Annual General Meeting. 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 for retirement from the Board may be re-elected. Should a Board member resign before the end of his term, a by-election for the remainder of this term can be held at a general meeting.

The Board of Directors shall elect a Chairman and a Deputy Chairman from among its members, who shall hold office until the end of the following Annual General Meeting.

### §8 President

The Company shall have a President appointed by the Board of Directors. The President shall be responsible for managing the administration of the Company in accordance with the instructions and requirements of the Board of Directors, and he may have one or more deputies.

### §9 Signing for the Company

The Chairman of the Board of Directors and the company's President shall sign for the company, each singly, and the members of the Board of Directors two jointly.

The Board of Directors shall decide on the granting of procuration.

### §10 Auditors

The Company shall have one regular auditor and one deputy auditor.

The auditors shall be elected for the ongoing financial year at the Annual General Meeting. The regular auditor and the deputy auditor shall be authorized

public accountants or authorized public accounting firms.

## Shareholders' Meetings

### §11 Convocation

Shareholders' Meetings shall be announced in a national newspaper chosen by the Board, no earlier than four weeks before the Shareholders' Meeting and no later than one week before the registration date for the Shareholders' Meeting as specified in §12.

### §12 Attendance

A shareholder who wishes to attend a Shareholders' Meeting shall notify the Board of Directors no later than on the day specified in the convocation. The date so indicated shall not be earlier than five days prior to the meeting.

### §13 Meeting procedure

A Shareholders' Meeting shall be opened by the Chairman or Deputy 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 Shareholders' Meeting shall be verified by the Chairman and two others elected by the meeting.

Matters shall be decided by a simple majority of votes, unless otherwise prescribed by the Companies Act. In the event of a tie, the Chairman shall have the casting vote except in an election, where the matter shall be settled by ballot. The method of voting shall be 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 to which the result shown in the financial statements may give rise;
5. 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 convocation to the General Meeting.


















### §15 Financial year

The company financial year is the calendar year.

Registered on 15 March 1995

Fleet on 1 January 1997

## Vessels in Group Service

		Service	Group's share in ship,%	Owner	GT/Lane metre, year of delivery
	ANTARES*	Finn carriers	100	Finn carriers Oy Ab	19,963 GT/2,090, 1988
	FINNSAILOR*	Finnlink	100	Finnlines Ltd	20,783 GT/1,790, 1987/96
	AHTELA	Finn carriers		Shipping partnership 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
	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 Schifffahrt AG	21,224 GT/2,170, 1990
	BALTIC EAGLE	Finn carriers		United Baltic Corporation Ltd.	14,738 GT/1,403, 1979
	FINNFOREST	Finn carriers		Bore Lines AB	15,525 GT/2,100, 1978
	FINNBIRCH	Finn carriers		Bore Lines AB	14,059 GT/2,100, 1978
	BORE SONG	Finn carriers		Oy Rettig Ab	8,188 GT/1,268, 1977
	FINNRIVER	Finn carriers		B & N Rederi AB	20,172 GT/1,812, 1979
	FINNROSE	Finn carriers		B & N Rederi AB	20,169 GT/1,812, 1978
	FINNFELLOW*	Finnlink	77	Shipping partnership Railfellow	14,297 GT/1,130, 1973/89
	FINNMAID*	Finnlink	77	Shipping partnership 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 Schifffahrt 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 Finncarriers Poseidon Schiffahrt AG 19,524 GT/2,240, 1981



TRANSLUBECA Finncarriers Poseidon Schiffahrt AG 24,727 GT/2,100, 1990



FINNFIGHTER\* F-Ships Palkkiyhtymä Oy 12,582 GT/-, 1978

TOFTÖN F-Ships B & N Rederi AB 12,409 GT/-, 1980

WESTÖN F-Ships B & N Rederi AB 12,409 GT/-, 1979



NOMADIC POLLUX F-Ships A/S SS Mathilda 14,013 GT/-, 1977

NOMADIC PATRIA F-Ships Norchem Shipping A/S 14,013 GT/-, 1978



PARA-DUO Baltic Bulk Services Shipping partnership Proomu 343 2,826 GT/-, 1984/92

PARA-UNO Baltic Bulk Services Shipping partnership Proomu 342 2,826 GT/-, 1992

Altogether 30 vessels in Group's service

\* Managed by FG-Shipping

30 TIME-CHARTERED SMALL TONNAGE VESSELS ON AVERAGE DURING THE YEAR, EG:

PINTA Finncarriers 2,200 GT/2,850 DWT

P-type Finncarriers 1,522 GT/1,650 DWT

STK-type Finncarriers 1,800 GT/1,675 DWT

### Ships managed by FG-Shipping



BOARD bulk Merita Financing 9,066 GT/14,100 DWT, 1987

BOTNIA bulk Merita Financing 9,066 GT/13,995 DWT, 1987/91



BULK bulk Merita Financing 9,066 GT/14,100 DWT, 1987



KALLA bulk Merita Financing 9,066 GT/14,100 DWT, 1986



TASKU bulk Merita Financing 9,066 GT/14,100 DWT, 1986



MOTTI bulk Lumi Shipping Oy 5,165 GT/8,212 DWT, 1993



FINNWOOD tramp Puhos Shipping Ltd 21,305 GT/30,946 DWT, 1989



KEMIRA industrial transport Kemira Chemicals Oy 5,582 GRT/8,250 DWT, 1981



RAUTARUUKKI bulk Merita Financing 1,562 GT/445 DWT, 1986



STEEL bulk Merita Financing 1,562 GT/430 DWT, 1987/91



MEGA bulk Lumi Shipping Oy 768 GT/186 DWT, 1974/93

Altogether 27 ships managed by FG-Shipping

Ships in Group service + managed by Group, total 50

+ Small tonnage ships on average 30

TOTAL 80

A green bell is suspended from a white metal structure. The bell has the word "FINNHAM" and the year "1994" inscribed on its side. The bell is attached to a white metal arm that extends from a vertical post. The background is a clear blue sky.

FINNHAM

1994

# Addresses

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<b>Finn carriers Oy Ab</b>	Porkkalankatu 7 P.O. Box 197 FIN-00181 Helsinki	phone +358 10 343 50 telex 1001743 fcrs fi telefax +358 10 343 5200, +358 10 343 5300
<b>Oy Finnlink Ab</b>	Pakkahuoneentori 1 FIN-23500 Uusikaupunki	phone +358 2 841 5070 telefax +358 2 841 5091
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