FINNLINES PLC ANNUAL REPORT 1999


# FINNLINES

ANNUAL REPORT 1999




**FINANCIAL PUBLICATIONS**

Finnlines Plc will publish the following reports during 2000:

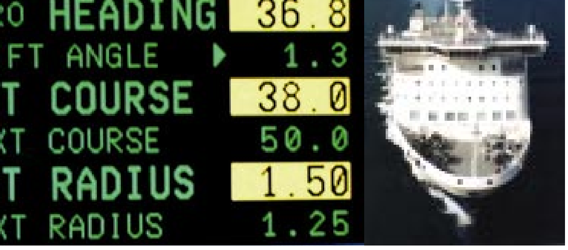
• The annual report in Finnish, English and German

• Interim reports for January-April and January-August in Finnish and English

These publications may be ordered from Finnlines Plc's head office: P.O. Box 182, FIN-00121 Helsinki, Finland, or by telephone +358-10-554 4402, or telefax +358-10-554 4425.

Finnlines Plc's Internet address is http://www.finnlines.fi

HEX Helsinki Exchanges, trading code FLGIS.HE

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### ANNUAL GENERAL MEETING

The Annual General Meeting of Finnlines Plc will be held on Monday, 13 March 2000, commencing at 3.00 pm at the Palace Restaurant, Eteläranta 10 (10th floor), 00130 Helsinki.

To be entitled to attend the AGM, shareholders are required to be registered in the shareholder register maintained by the Finnish Central Securities Depository Ltd no later than 8 March 2000.

Shareholders wishing to attend the Annual General Meeting are kindly requested to notify the Company no later than by 4.00 pm (Finnish time) on Thursday 9 March 2000, address: Finnlines Plc, P.O. Box 182, FIN-00121 Helsinki, Finland, or by telephone +358-10-554 4409, or by telefax +358-10-554 4425.

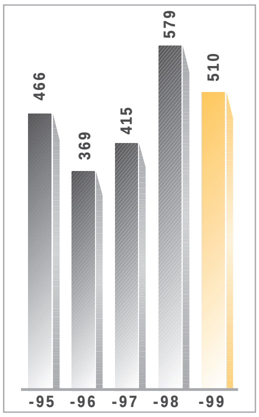
### DIVIDEND

The Board of Directors will propose to the AGM that a dividend of FIM 6.00, i.e. EUR 1.01, be paid on the financial year 1999. This dividend will be paid to shareholders who are registered in the shareholder register maintained by the Finnish Central Securities Depository Ltd on the dividend record date, 16 March 2000. The Board of Directors proposes that the dividend be paid on 23 March 2000.

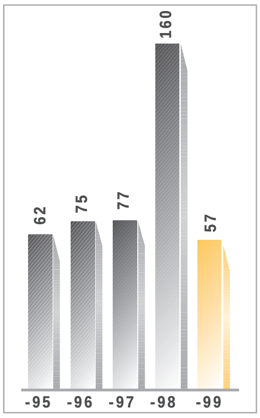
## FINNLINES IN BRIEF

**Finnlines is one of the largest European liner shipping companies specializing in freight transport. The company was founded in 1947 and listed on the Helsinki Exchanges in 1989. The Finnlines Group had 2,055 employees on average during 1999 and its net sales totalled EUR 510 million. Finnlines provides sea transport services principally in the Baltic Sea and North Sea, transport services in Europe and port services in Finland's major ports, together with a wide range of efficient information services related to these activities.**

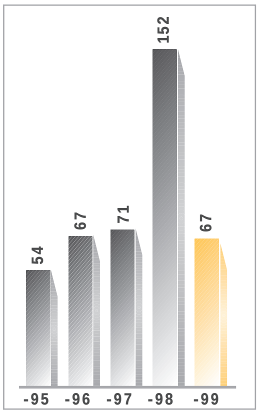
NET SALES, MEUR



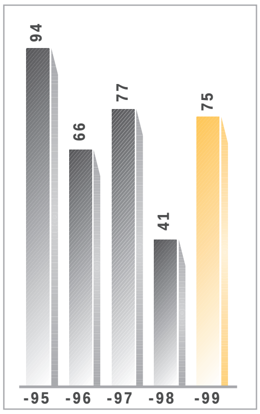

OPERATING PROFIT, MEUR




PROFIT BEFORE EXTRA-ORDINARY ITEMS, MEUR




GEARING, %





# THE YEAR 1999

## KEY INDICATORS

| Million euro | 1999 | 1998 [1)] | Change-% |
|---|---|---|---|
| Net sales | **510** | 579 | -12 |
| Operating profit | **57** | 160 | -64 |
| Profit before extraordinary items | **67** | 152 | -56 |
| Earnings per share, euro | **2.47** | 5.34 | |
| Dividend per share (1999: Board's proposal), euro | **1.01** | 1.68 | |
| Return on shareholders' equity, % | **13** | 33 | |
| Equity ratio at close of period, % | **41** | 45 | |
| Gearing at close of period, % | **75** | 41 | |

1) The figures include EUR 80 million gain on sale of shares.

Finnlines took delivery of two ropax (roro-passenger) vessels from Stena AB: MS Finnclipper in May and MS Finneagle in October. These vessels, built at the state-owned Spanish shipyard AESA Puerto Real, were delivered more than one year behind their original schedule. They each have a cargo capacity of 2,450 lane metres and accommodation for 440 passengers. These vessels are owned by Finnlines' German subsidiary.

MS Finnclipper entered service between Helsinki and Travemünde (Germany) in mid-June, while MS Finneagle began sailing between Naantali and Kapellskär (Sweden) at the beginning of November.

In June Finnlines floated a fixed-rate serial bond with a maximum value of EUR 100 million. The bond has a maturity of five years and carries a coupon of 4 % p.a. The first tranche totalled EUR 35 million.

At the end of October Finnlines acquired Stora Enso Oyj's 16.6 % holding in Oy Transfennica Ab and at the same time concluded a long-term transport agreement covering Stora Enso's transportation needs from Finland to Continental Europe. At the beginning of November Transfennica's other owners exercised their right to acquire the Transfennica shares from Finnlines. The transport agreement between Stora Enso and Finnlines covering all Stora Enso's freight transportation from Finland remained unaffected.

In December the Finnish parliament, in line with EU requirements, approved an amendment to the Finnish Maritime Act allowing the registration of Finnish-owned vessels in other EU countries. This law came into effect at the beginning of 2000.

## CHIEF EXECUTIVE OFFICER'S REVIEW

1999 started off poorly. Finland's traditional exports remained below the previous year's level until the end of summer. Despite high consumer confidence, demand for consumer goods was slacker than forecast, and this was reflected in Finland's import volumes. Consumer demand has apparently focused more than expected on information technology and associated services. Finland's export and import figures began to show positive development at the end of the year. Export volumes entered double-digit annual growth figures and industrial production strengthened significantly, indicating strong recovery in Finland's traditional fields of export. Russian transit traffic likewise picked up slightly towards the year end. Throughout the year there was a strong imbalance between imports and exports, the latter being noticeably higher.

In order to compete against countries operating under flags of convenience, the European Union endorsed new guidelines for the fleets of EU countries in 1997. According to the EU's decisions,which Finland was also involved in approving, the EU permits national subsidies to shipping companies to safeguard their competitiveness. Subsidies may take the form of a tonnage tax, whereby the shipping company pays a fixed corporate tax based on its total tonnage rather than profits. Similarly, the taxes and social security costs related to seamen's wages may be reimbursed to the shipping companies. The guidelines approved by the European Commission entitle shipping companies in each member country to avail themselves of all the financial benefits offered by each country. Most EU countries have adopted the permitted subsidy methods to the full. Subject to certain conditions, many countries additionally allow the use of mixed crews, and the payment of salaries to these crews according to prevailing practice in their own countries. Furthermore, the Treaty of Accession between the EU and Finland specifically recognises Finland's island-like location, and its dependence on sea transportation.

In the recent past there has been an increasing trend for shipping companies operating in an internationally competitive environment to pay little or no tax at all. Countries wishing to retain and develop commercial fleets operating under their own flags have placed their shipping branches in a privileged position. The Finnish maritime business has lost its competitive edge with respect to the EU since, unlike other EU countries, Finland has not enacted legislation that would allow the industry to compete internationally on equal terms.

To safeguard its own competitive viability, Finnlines began statutory negotiations with employee representatives on 17 January 2000 to place 11 Finnish vessels under the flags of other EU countries. These negotiations, which do not apply to the Group's service between Finland and Sweden, affect the jobs of 325 Finnish seamen. At the end of 1999 14 of the altogether 23 vessels owned by the Group sailed under Finnish flag. The timing of the negotiations results from the fact that after a warning from the European Commission Finland's maritime law was amended on 1 January 2000 enabling Finnish-owned vessels to be transferred under the flags of any EU country without the necessity to sell the vessels.

Placing vessels under other EU flags does not imply any deterioration in safety or environmental issues, which receive high priority throughout the EU. The tonnage tax makes it financially sound to renew the fleet, while strengthening the competitiveness of Finnish shipping companies will prevent the steadily increasing transfer of freight transportation to ships sailing under flags of convenience, which is considered to entail higher risks.

### PROSPECTS FOR 2000

European exports have begun to recover fuelled by a buoyant global economy and a weak euro. Finland's exports have increased sharply, further strengthening the already robust growth of the Finnish economy.

Stronger exports will also boost domestic demand, a view which is supported by continuing high consumer confidence and increased private borrowing. The Finnish economy is forecast to grow by at least 4 % this year, which is well above the EU average.

The stabilisation of the political situation in Russia also raised hopes of a recovery in that country's economy. Whether Russia's vast market potential materialises or not will largely depend on the presidential elections in March and what actions the newly elected president decides to take.

Geographic polarisation of companies served by the shipping industry has continued as predicted. This will inevitably put shipping companies under pressure to increase in size as well. Finnlines intends to play an active role in this development.

Finland's maritime sector has been affected by unhealthy competition on prices, notably by companies that, owing to their ownership structure, do not have to meet the profitability requirement of public corporations. However, prices may have hit bottom because most companies in the business appear to be operating at levels which jeopardize their profitability. The dramatic increase in fuel prices during the last few months is causing pressure to raise freight rates despite of the tight competition.

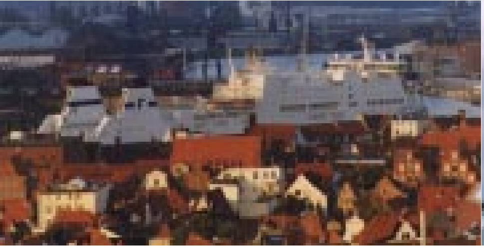
The current year started in unfavourable circumstances for Finnish seamen. Unfortunately, the shipping sector cannot take greater responsibility for the existence of a Finnish commercial fleet than the country's government. Faced with ever tougher international competition, companies will have to safeguard their future competitiveness.

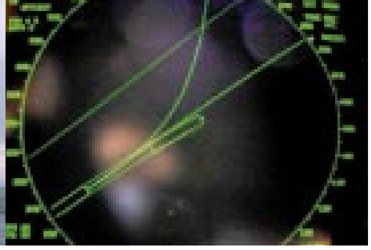
I extend my warm thanks to the company's employees for their contribution in 1999 and I hope we will have the strength this year to face the changes that will require enormous flexibility and close cooperation from us all.

I also thank our customers, partners and owners for the confidence they have shown in the company and for their close collaboration.

Helsinki, 31 January, 2000

Antti Lagerroos





## SHIPPING AND SEA TRANSPORT SERVICES

**Finnlines' route network covers all Finland's major ports as well as some 20 ports elsewhere in Europe. Finnlines is continuously developing its network of routes together with its customers. Its aim is to offer them rapid and prompt transport from gate to gate as well as efficient automatic information transfer which, at its best, allows interactive communication between the customer and transport service provider.**


The Shipping and Sea Transport Services division generated net sales of EUR 446 million in 1999. In addition to paper and metal industry products, it transported trucks, trailers, containers and train wagons.

#### FLEET

The Finnlines Group maintained an average of 66 vessels in service during 1999. The fleet operated by the Finnlines Group consists mainly of roro freight vessels and ropax (freight-passenger) vessels. Twenty-three of these are owned by Finnlines itself. The total capacity of the vessels in liner service is approximately 67,000 lane metres (317,000 dwt), which includes about 44,000 lane metres (193,000 dwt) for the vessels owned by Finnlines. The Group's vessels have an average age of ten years, making them among the youngest and most modern in Europe. Two new ropax vessels, MS Finnclipper and MS Finneagle, were added to the fleet during 1999.

At the end of the year the Group's own vessels sailed under Finnish, German and Swedish flags. These vessels, with the exception of the one sailing under Swedish flag, were managed by Finnlines. The Group also had management agreements for ten vessels owned by industrial companies.

Finnlines possesses solid expertise in marine engineering and ship design.

**OCTOPUS, A COMPUTERISED LOGISTICS SYSTEM DEVELOPED BY FINNLINES, GUARANTEES RELIABLE, REAL-TIME TRANSMISSION OF INFORMATION THROUGHOUT THE TRANSPORT CHAIN. THIS ENHANCES DELIVERY RELIABILITY AND MAKES MANAGEMENT OF THE TRANSPORT PROCESS MORE EFFICIENT.**

This proved necessary during the year particularly when supervising the construction of the two vessels acquired from Stena AB and built in Spain. These vessels were completed in May and October, more than one year behind their original schedule, owing to the shipyard. Accordingly, the Group was paid the normal penalties for late delivery. Finnlines also sells its expertise in newbuilding supervision to outside parties, one example being new supervision contracts with the Finnish company Palkkiyhtymä Oy and Swedish company B&N Nordsjöfrakt AB covering two rolo (roll-on roll-off/ lift-on lift-off) vessels under construction in Poland.

### OPERATING AREAS

Finnlines operates principally in the Baltic Sea and the North Sea. Its route network covers all Finland's major ports as well as some 20 ports abroad. It offers about 90 weekly departures from ports in Finland.

The main Finnish ports serving the Group's liner services are Helsinki, Turku and Naantali. These ports handle unitised cargo and mainly serve truck and trailer traffic. Their cargo flows offer the best balance among Finnish ports between exports and imports of unitised cargo. The other ports used by the Group handle exports, mainly of paper industry products, and have only a minor flow of imports.

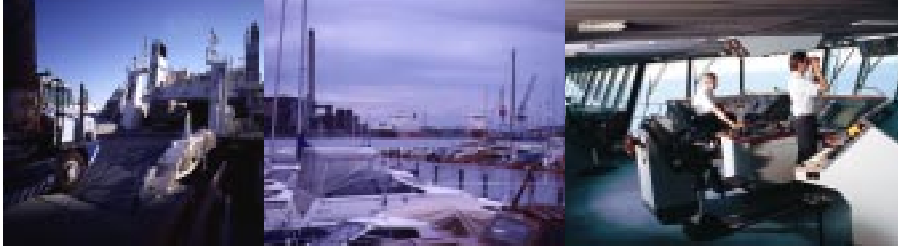
The Group also provides door-to-door and terminal services based on its customers' needs and acts as the main agent for Svenska Orient Linien AB in the eastern Mediterranean. Finnlines also markets and operates bulk transport services in the Baltic Sea on behalf of the owners of the vessels. It also supplies agency and clearance services related to small tonnage chartering operations and handles contract traffic in the North Atlantic, primarily between the North American and European continents and the Mediterranean.

Since the beginning of 1999 transport operations in the Baltic, Scandinavia, North Sea and Bay of Biscay have been marketed under the Finncarriers service brand regardless of what Group company actually offers the service. The liner service in the Baltic also includes the Railship railferry service between Turku (Finland) and Travemünde (Germany). Invoicing of Finncarriers services is the responsibility of the German company Poseidon Schiffahrt AG.

Traffic destined directly for Russia is sold under the TransRussia Express name, traffic between Finland and Poland under the PolFin name and traffic to North America under the F-Ships name. Traffic between Finland and Sweden is sold under the FinnLink name.

### THE GROUP'S EXTERNAL CONFERENCE PARTNERS IN 1999 WERE:

Baltic Sea/Rostock: Euroseabridge GmbH, Rostock
Polish traffic, PolFin Line: Euroafrica Shipping Lines Co. Ltd, Szczecin
North Sea: United Baltic Corporation Ltd, London
German - Russian traffic, TransRussia Express: ZAO Baltic Transport Systems (BTS), St. Petersburg and Friedrich Sänger GmbH, Hamburg
North America, F-Ships traffic: Palkkiyhtymä Oy, Helsinki and B&N Nordsjöfrakt, Skärhamn (Sweden).



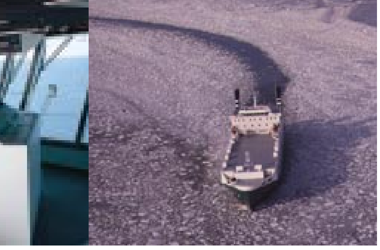
**EVENTS DURING 1999**

In spring Finnlines concluded a multi-year cooperation and port agreement covering the development of traffic between Finland and the port of Hull (England). The other parties to this agreement are Finnlines' forest industry customers on this line and the port of Hull. It was partly in order to meet the tonnage needs of this line that Finnlines Group also signed long-term time-chartering agreements for six roro vessels ordered from China. The Group holds purchase options on these vessels, the first of which is scheduled for delivery in spring 2000.

The Group started to reduce the number of wagons in the railferry service to reach an eventual total of about 800 mainly because of the imbalance created by the low volume of transit traffic to and from Russia.

In cooperation with its customers Finnlines moved its Scandinavian liner service from the port of Hamina to Sompasaari in Helsinki. The purpose of this change was to achieve better customer service by offering more departures and to create higher vessel utilisation.

The Group offered under the name FinnLink three daily departures for freight traffic in both directions on its efficient 7-hour route between Naantali (Finland) and Kapellskär (Sweden). The removal of duty-free sales in the EU at the beginning of July improved the Group's market position in this service. Its competitors between Finland and Sweden are shipping companies offering passenger services and reliant for most of their revenues on sales of duty-free products. Since July these companies have been obliged to sail via Ahvenanmaa, which has been granted exemption by the EU to remain a duty-free zone. Since the time factor is growing in importance in freight traffic, FinnLink's short route is very competitive. FinnLink's timetable has been prepared with the needs of freight customers in mind. In 1999 its share of the freight transport market between western Finland and Sweden exceeded 38 %. The strong economic outlook in the Scandinavian countries, along with the completion of the bridge connecting Sweden and Denmark, may lead to increased demand for sea transport services between Finland and Sweden. FinnLink, with its capacity increase during the year, is well positioned to meet this demand.



**THE GROUP IS ENHANCING ITS BUSINESS OPERATIONS TOWARDS COMPREHENSIVE CUSTOMER SERVICE. SPECIFICALLY, THIS INVOLVES EFFICIENT TELECOMMUNICATION NETWORK BETWEEN FINNLINES AND ITS CUSTOMERS.**

Finland’s traditional export industries developed more weakly than expected during 1999. Exports were hit by the Asian and Russian crises and also by slow recovery in central Europe, Finland’s most important market area. Prospects improved at the end of the year as countries in Continental Europe started to show better growth figures. Although the consumer confidence index in Finland was higher than elsewhere in the EU, consumer demand tended to focus on information technology and related services at the expense of traditional consumer goods.

Finland’s liner traffic suffers from an imbalance between exports and imports because Finland’s exports of unitised cargo is higher than corresponding import volumes. This imbalance is partially offset by transit freight transportation via Finland to Russia. However, according to transport statistics compiled by the Finnish Maritime Authority, transit traffic in 1999 reached only roughly half of the previous year’s volume.

### PASSENGER TRAFFIC

During 1999 the Finnlines Group provided accommodation for passengers unrelated to its freight operations on seven ropax or combi-roro vessels operating between Helsinki and Travemünde/Lübeck in Germany. Five such vessels were in service at the end of the year offering a total of some 1,000 berths, roughly one quarter of which is continuously reserved for freight-related passengers. Sales and marketing of the Group’s passenger services is the responsibility of a private travel agency, Nordic Ferry Center Oy.

# PORT OPERATIONS

**Port Operations is a general term covering the movement and storage of freight in ports, and associated information services. The main port operations are stevedoring (loading and unloading of ships) along with various terminal, warehousing and container depot services. The main emphasis in these operations is synchronisation of the transport chain to minimise total transport and handling costs and to ensure that unitised cargo moving through the port are handled smoothly and rapidly.**

The Finnlines Group manages its port operations through Finnsteve Oy Ab in the Sompasaari, West and South Harbours in the Helsinki Metropolitan Area and in the Kantvik Harbour in Kirkkonummi. The Helsinki harbours serve the regular liner vessels, while the Kantvik harbour is reserved for tramp ships.

Port operations in Turku and Naantali are in the hands of Oy A.E. Erickson Ab and its auxiliary name Turku Shipping. In Turku the Group operates the Turku harbour and the Pansio railferry harbour.

The Group has also cargo handling and terminal operations in the port of St. Petersburg in cooperation with a Russian party operating through a company called RosEuroTrans Ltd, in which Finnlines owns 50 %.

Net sales from port operations also includes the terminal operations of the port of Oslo.

### EVENTS IN 1999

The net sales of the Port Operations Division was EUR 89 million. Roughly 70 % of this figure was generated by customers outside the Group. Operational efficiency was improved at the Sompasaari harbour through cooperation between the Group’s liner service and port operations companies. The result was faster and more flexible delivery of cargo to customers.

The amount of unitised cargo handled by the export terminal of the Sompasaari harbour tripled in volume after the Group centred its Scandinavia liner service at the harbour.

The Group established a new container depot at Hakkila in Helsinki to improve its service to overseas shipping companies and container leasing companies, and also to meet the increasing need for container storage capacity. The new depot is in an area which also contains the warehouses of Finland’s largest importers as well as much of the terminal operations required by transit traffic between Finland and Russia.

Operations at the Pansio harbour in Turku were further developed. Bogie changing for the railferry wagons was further automated, freight security was improved, and screening of transport units was begun at harbour gates. At the beginning of September the Group concluded a bogie changing agreement with another Finnish shipping company, making Finnlines the only company in Europe with this type of operation.

The Group is actively developing the fleet of equipment operating in its harbours. An example is a cooperation agreement with a large international equipment manufacturer to develop container handling equipment and trucks. The aim is to design a simple and reliable production model for each type of equipment which buyers can then tailor to their needs at the time of purchase. The market for such equipment is global.

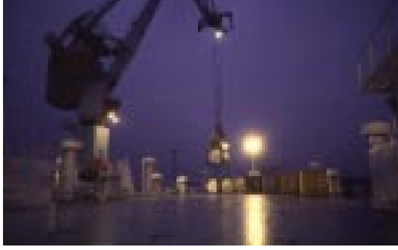
Port service times have been substantially improved in recent years. Overall development, aided by automatic planning and control software and better management of transport data, has resulted among other things in continuous improvements in loading and discharging times and in faster customer service.

## ASSOCIATED COMPANIES

### TEAM LINES GMBH & CO. (31.8 %)

Team Lines GmbH Co. was founded in 1991. It is owned by four well-known German shipping companies: Johannes Ick, Mathies Reederei, Ernst Russ GmbH & Co., and from 1 January 1998 Finnlines Group's German subsidiary Poseidon Schiffahrt AG.

Team Lines, with a fleet of around 20 container carriers, is one of the largest container feeder operators in Northern Europe. Team Lines supplies regular transport services, mainly to Hamburg and Bremerhaven, and its operating areas are Norway, Denmark, Sweden, Finland, Russia, Latvia, Lithuania and Poland.



# INFORMATION SYSTEMS

The Group's IT function employs 25 people. Investments in IT systems, including the average annual expenses of the IT function and excluding personnel expenses, come to over EUR 3 million.

Finnlines began intensive development of new-generation information systems in 1996. This effort focused on both the company's IT infrastructure and its business processes, along with resource planning systems that support them.

Infrastructure development centred around creating a modern voice and data network connecting all the Group's points of operation and a Group-wide message exchange system. Together, these provide a flexible, secure and sufficiently real-time means of communication within the company and between Finnlines and its business partners.

The most important system projects have involved the roll-out of two new production planning systems: Octopus for shipping and sea transport operations, and FIPS for port operations.

Using Octopus booking can be handled in Finland, Germany or Belgium. It enables harmonisation of operations and overlap removals. The same data are used in booking, documentation and invoicing. Octopus also makes it possible to tell customers exactly when the cargo will be unloaded. The FIPS system for port operations is a comprehensive production planning and control system which supervises movements of transport units through the whole port area. FIPS incorporates 150 wireless radio terminals and hand-held computers, plus CAM (computer aided manufacturing) computers with maps of the harbour layouts. This enables two people in the control centre to exercise complete control over the hundreds of thousands of cargo unit movements every year.

During 1999 system development shifted from enhancing internal operations to emphasising logistical IT services for customers. Most of the services so far available have been based on Edifact messages; transport information is transferred electronically to the customer's own IT systems for further automatic processing. Customers have welcomed this service, as is shown by the steady increase in message exchange volume. The Octopus systems, for example, nowadays transfer hundreds of thousands of messages every year.

Finnlines' Y2K preparations got under way at the beginning of 1998 with a group-wide project to ensure the uninterrupted functionality of its

**IN RECENT YEARS THE GROUP HAS PLACED HIGH PRIORITY ON DEVELOPING ITS IT SYSTEMS. SEVERAL INTERNET APPLICATIONS WILL BE INTRODUCED DURING 2000 AS WELL.**

systems at the change of millennium. The project required an enormous amount of work including surveying the functionality of all the company's IT systems, planning required changes and testing them after implementation. As a result of this project all systems operated faultlessly and Finnlines Group entered the year 2000 with no disturbances to its own operations or to those of its customers.

In 2000 the emphasis will be on introducing Internet-based systems. The advantage of these systems is to provide customers with real-time information on their own transport chain without the need for major new investments in information technology. The first Internet applications will be used for cargo booking, for monitoring deliveries and for advising customers. An example of Finnlines' proactive approach to information management in general and to the development of specific Internet applications is this press release published in autumn 1999:

"Tascomm Engineering Oy has supplied Finnlines Plc with an authentication system for verifying the user licences of Internet/extranet users. This application represents further development, in cooperation with Finnlines, of Tascomm's existing user licence management systems. Finnlines' participation in the design of the new end product has been substantial. The application enables user identification and authentification of user licences in an environment where the user may be simultaneously connected through several Internet servers to a number of internal systems around the world. Identification and user licences are managed globally in the network. Authentification of user rights is based on the content of the information being processed at any given time. Users can also move between servers or even physically to new locations while using an application. The system is dimensioned for several thousand simultaneous users. The system can be used to authenticate the licences not only of Web users but also of GSM users and WAP applications, as well as the licences of traditional applications."

# HUMAN RESOURCES

The Group had altogether 2,055 (1,992) employees on average during the year and 1,999 (1,946) at the year end.

Personnel by division was as follows:

| | 1999 | 1998 |
|---|---|---|
| On shore | | |
| Shipping and Sea Transport Services | 459 | 489 |
| Port Operations | 897 | 883 |
| | 1 356 | 1 372 |
| At sea | | |
| Shipping and Sea Transport Services | 699 | 620 |
| Total | 2 055 | 1 992 |

The figures above do not include the crews on the time-chartered vessels in the Group's service or those persons working on vessels owned by the Group but managed by an outside ship management company.

The Group's employees by nationality on 31 December 1999 were as follows:

| | |
|---|---|
| Finnish | 1 617 |
| German | 272 |
| Other | 110 |
| Total | 1 999 |

The parent company had 20 employees.

Finnlines employees had an average age of 43 years. Their average length of employment was approximately 10 years. Women represented less than 20 % of total personnel.

Finnlines places great priority on developing the skills and expertise of its employees and on continuous improvement of operations. Each division/subsidiary is responsible for developing and training its own personnel. Human resources development focuses especially on training for sales and marketing people. Furthermore, all employees have been offered training in IT applications, to increase the Group's IT capabilities. Internal training has been arranged to enhance collaboration between the Group's IT staff and the users of these systems. Other issues receiving training priority have been safety, quality and the environment. More than 2,200 days were utilised for personnel training during the year.

| PERSONNEL PROFIT AND LOSS ACCOUNT 1999 (EUR 1 000) | |
|---|---|
| Net sales | 509 694 |
| Personnel expenses | |
| Real working time expenses | 66 207 |
| Personnel renewal (holidays, recruitment) | 14 995 |
| Personnel development | 648 |
| Personnel benefits and obligations | 11 276 |
| Other operating expenses | 369 621 |
| Operating profit before other operating income (result of operations) | 46 947 |
| Other operating income | 9 603 |
| Operating profit | 56 550 |

| KEY INDICATORS ON PERSONNEL (EUR) | |
|---|---|
| Net sales / employee | 248 026 |
| Personnel expenses / employee | 45 317 |
| Operating profit / employee | 22 845 |

# ENVIRONMENTAL REPORT

**The Group relies on continuous development in its environmental policy. This policy places special emphasis on efficient and appropriate sea transport activities that are both economically and environmentally sustainable. The Group aims at continuously reducing the harmful environmental effects of its transport activities.**

### FINNLINES' ENVIRONMENTAL POLICY

In environmental matters, Finnlines Group's objective is to rank among the leading companies in its industry with respect to focus on the environment, and also to offer safe and top-quality services, while taking into account the environmental impact of these services in every aspect of its operations.

This requires:

- A continuous focus on environmental and safety issues, the minimum requirement being to comply with official regulations
- Continuous efforts to minimise environmental risks
- Harmonisation of environmental management practices throughout the Group
- Consideration of environmental aspects in new investments and operations
- Promotion of environmental aspects together with the customers and partners
- Participation in general activities contributing to environmentally friendly sea transport and port operations, and monitoring developments in this field
- Encouragement of all Group employees to take an active part in environmental matters and a responsible attitude towards them
- Communication on the Group's environmental activities
- Commitment to the Business Charter for Sustainable Development by the International Chamber of Commerce from 1996.

All companies in the Finnlines Group have an environmental policy of their own which complies with the Group's policy.

### ENVIRONMENTAL ASPECTS

#### Safety

Safety is the most significant environmental aspect of sea transportation and port operations. Safety issues are the focus of continuous improvement in Finnlines. The safety management systems of all vessels in Finnlines Group's liner service are certified, or will be certified during 2000, according to the International Management Code for the Safe Operation of Ships and for Pollution Prevention (ISM).

In ports, the Group's port operation companies operate safety systems that incorporate risk assessment and preventive measures, and also instructions for communication and action in case of accidents. The ports are also equipped with special equipment to handle fires, oil and chemical spills. These safety systems are maintained with regular training organised in cooperation with the port authorities and local fire brigades.

The Group follows strict rules governing the handling of classified cargoes. Finnlines does not accept goods with the highest danger classification for transportation. Cargo carried on roro-passenger vessels are also subject to further restrictions. Hazardous substances are not stored in ports and several of these are never shipped via the ports of the largest cities.

### Emissions to the air and energy consumption

The main emissions to the air caused by the Group's operations come from combustion engines. Burning fossil fuels produces carbon dioxide. Other significant emissions include sulphur and nitrogen oxides. To reduce energy consumption and emissions into the atmosphere Finnlines Group aims at continuous improvement in efficiency; the speed of the vessels and their routes are adapted to the logistic requirements of their cargoes. The company also emphasises continuous development of its operations and technology at ports and at sea.

In ports, vessels mainly use low-sulphur fuel in auxiliary engines. Various alternative technical solutions to reduce nitrogen oxides are tested on the newest vessels.

### Solid waste and waste waters

The handling of both solid wastes and waste waters in sea transportation is internationally regulated. All oily bilge waters and wastewater from toilets are purified on the vessels themselves or collected in tanks and pumped ashore for purification.

Solid waste, both in ports and on vessels, is sorted into recyclable waste, problematic waste and other waste, and collected for appropriate treatment ashore.

### Other environmental aspects

No vessels owned by Finnlines Group use toxic hull paints. The hulls are cleaned every year, which also reduces fuel consumption.

Another significant environmental issue is noise in ports.

## ENVIRONMENTAL TARGETS

The Group's environmental targets for 2000 - 2001 are:

- To assess and measure the Group's environmental impacts, and
- To further develop its environmental management systems.

The following issues are given high priority:

- The Group's existing operations and systems are being constantly improved taking into consideration the economic and environmental aspects.
- The Group engages in dialogue with its major customers and parties on environmental issues.
- Subcontractors are audited.
- The Group maintains and develops environmental monitoring systems, the most important items being emissions into the atmosphere and energy consumption in relation to transport performance.
- Environmental assessments are conducted in conjunction with new-buildings and other investments, focusing especially on development and testing of new technology to reduce nitrogen oxides

## ENVIRONMENTAL ORGANISATION

All Finnlines Group employees have the right and duty to take environmental aspects into account in their every-day work. In order to increase awareness of environmental issues, employees receive environmental and safety training.

Finnlines Plc co-ordinates and outlines the environmental work in the whole Group. One member of the board of management of each subsidiary is also responsible for maintaining and developing its environmental management system. Some Group companies also have a separate environmental manager or co-ordinator.

Finncarriers Oy Ab has an ISO 14 001 certificate and FG-Shipping Oy Ab has an ISM DOC certificate. Oy Finnlink Ab, Finnsteve Oy Ab, Oy A. E. Erickson Ab and the companies operating under the Finncarriers trademark are currently building an environmental system according to the ISO 14 001 standard.

## EVENTS IN 1999

In March 1999 Finncarriers Oy Ab received ISO 14001 certification for its environmental management system. During the year, Finncarriers focused on further developing its environmental programmes.

In autumn 1999, Finnsteve Oy Ab and Oy A. E. Erickson Ab began developing and collecting data for measuring their environmental load.

Most of the Group's liner vessels have started using fuel with lower sulphur content in their auxiliary engines.

Finnsteve Oy Ab together with the Port of Helsinki has developed contingency plans in the event of chemical accidents in port. Finnsteve Oy Ab has also built an information system which monitors chemical cargoes arriving at port and which provides immediate information about the effects of the chemical if an accident occurs.

Oy A. E. Erickson Ab, the Port of Turku and VR (the Finnish state railways) held a joint chemical accident exercise at Pansio harbour.

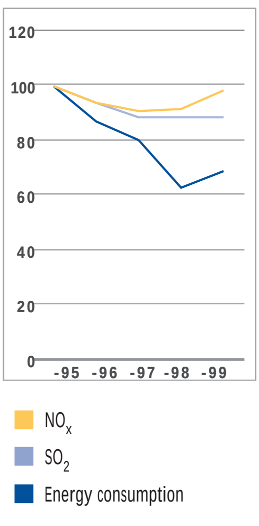
The Group organised an internal environment seminar in August 1999. This reviewed customers' expectations, legislation, the Baltic Sea, emission reductions and communication about environmental matters.

Finnsteve Oy Ab opened a terminal for empty containers in Hakkila to reduce the transportation of empty containers to and from the port through the city of Helsinki.

Residents living close to some of the ports used by the Group have complained about the noise created by ventilation, auxiliary engines and stevedoring. The problem has been studied by taking measurements and by testing alternative methods. Attention will continue to be focused on the noise issue.

At the request of Railship Oy Ab and with the permission of the environmental authorities, the company has cleaned the soil in the port of Hanko which was polluted when stocking fuel and fuelling vessels.

### NITROGEN AND SULPHUR EMISSIONS OF VESSELS IN LINER SERVICE 1995-99 AND THEIR ENERGY CONSUMPTION IN RELATION TO CARGO VOLUMES.




### MOST SIGNIFICANT ENVIRONMENTAL ISSUES IN SEA TRANSPORTATION AND THEIR IMPACT

| Environmental load | Main environmental impact |
|---|---|
| Energy consumption | - Depletion of fossil energy reserves |
| Atmospheric emissions | |
| Sulphur dioxide $SO_2$ | - Oxidation |
| Nitrogen oxides $NO_x$ | - Oxidation, eutrophication |
| Carbon dioxide $CO_2$ | - Greenhouse effect |
| CO, HC, particulates | - E.g. irritation of respiratory tracts |
| Solid waste | |
| - Household waste | - Oxygen depletion, eutrophication |
| - Hazardous waste | - E.g. toxic gases, soil contamination |
| Waste water | |
| - Bilge water (oily) | - Oil contamination of waterways |
| - Black water | - Eutrophication |
| - Grey water | - Eutrophication |
| Other | |
| - Need for space and effect of waves | - Weathering, scenic drawbacks |
| - Noise | - Disturbances to people and animals in ports and along waterways |
| - Hull paint | - Toxic pollution of water and ecosystem |
| - Safety | - Atmospheric pollution by toxic gases, soil and sea pollution by toxic substances |

# BOARD OF DIRECTORS' REPORT

## BUSINESS ENVIRONMENT

The full-year volume of Finnish exports transported by sea increased by 4.8 % while imports declined by 2.6 %. Imports of unitised cargo (including transit traffic to Russia) decreased during the same period by 7.8 %. The year was very dualistic. Export and import volumes were both in decline early in the year but livened up towards the year's end.
The volume of unitised cargo in transit to Russia was 45.8 % down on the previous year.

The so-called tonnage tax came into force in Germany on 1 January 1999. Finnlines made structural changes to its operations during the year. Most of the vessels owned by the parent company were chartered to the German subsidiary Poseidon Schiffahrt AG. Poseidon is responsible for management and invoicing of the Group's services in the Baltic and North Seas. Sales and marketing to Finnish customers is handled by Finncarriers Oy Ab.

## GROUP MANAGEMENT

The Annual General Meeting, held on 5 March 1999, decided to change the term of office of Board members to one year. Board members in turn for retirement were Hannu Ketola and Jouko K. Leskinen; both were re-elected. Martin Granholm resigned from the Board at his own request. Finnlines Plc's CEO Antti Lagerroos was elected to the Board as a new member. The Board comprises L.J. Jouhki, chairman, Jukka Härmälä, deputy chairman, and members Hannu Ketola, Antti Lagerroos, Pertti Laine, Jouko K. Leskinen and Thor Björn Lundqvist. The meeting appointed authorised public accountants SVH Pricewaterhouse Coopers Oy as the company's auditors and Anneli Lindroos MSc (Econ.) APA as the deputy auditor.

## FINANCIAL PERFORMANCE

Finnlines Plc has used the euro as its accounting currency since 1 January 1999.

Finnlines Plc's net sales in 1999 decreased by 11.9 % on the previous year to EUR 509.7 million (1998: MEUR 578.8). The net sales of the Shipping and Sea Transport Services division declined 11.2 % to EUR 446.0 (502.3) million. This division's internal processes and division of responsibilities were clarified during the year and the hub of operations was gradually shifted to Germany. Invoicing from outside Finland represented 60 % of the year's divisional net sales. Port Operations recorded net sales of EUR 89.2 (98.6) million, down 9.5 %.

The decrease in total net sales was caused by a fall in import volumes – which led to a greater imbalance in traffic –, intense competition for freight and weak price levels. Container operations in ports continued to reflect the negative impacts of the Russian and Asian crises.

Other operating income, EUR 9.6 million, consisted primarily of the penalties received for late delivery of the ropax vessels. The previous year's figure, EUR 79.9 million, mainly comprised profit on the sale of the BTL AB shares.

Depreciation and writedowns amounted to EUR 42.7 (41.3) million. The basis for depreciation was increased by the ropax vessels MS Finnclipper and MS Finneagle delivered to Poseidon Schiffahrt AG during the year.

Materials and external services EUR 45.8 (36.0) million, comprised mainly fuel costs, which were increased by the high price of oil and the strengthening of the dollar against the euro. Personnel expenses rose 3.9 %, totalling EUR 92.5 (89.0) million. The average number of employees was up 3.2 %, mainly due to the two new vessels brought into service. Other operating expenses fell 15.3 % to EUR 281.6 (332.4) million. Most of the decline was caused by adapting the time-chartered tonnage to the present market situation.

Expenses were 7.2 % lower than the year before. Since the company hedges its net currency exposure, the net profit from hedging items related to USD-denominated expenses is entered under financial income.

Operating profit was EUR 56.6 (159.8) million. The comparable figure for the previous year, excluding the profit on the sale of the BTL shares, was EUR 80 million.

Net financial income totalled EUR 10.8 million (1998: net financial expenses MEUR 8.1). Of this figure EUR 18.7 million comprised exchange rate gains, most of which arose from profits on forward contracts purchased to hedge the company's USD exposure. Dividend income, EUR 1.8 (4.8) million, were mainly dividends paid by Steveco Oy.

The profit before extraordinary items was EUR 67.3 (151.8) million. The comparable figure in the previous year was EUR 72 million.

The Consolidated statements show a profit after taxes, the change in deferred tax liability and minority interest of EUR 49.4 (105.0) million. The previous year's profit, adjusted for the profit on the sale of the BTL shares and related income tax, was EUR 50.8 million.

Return on shareholders' equity (ROE) was 13.3 (33.3) % and return on investments (ROI) was 11.5 (29.1) %.

### INVESTMENTS

The Group's gross investments amounted to EUR 163.8 (259.3) million. Most of this comprised the purchase price of MS Finnclipper and MS Finneagle.

## FINANCING

The Group's equity ratio at 31 December 1999 was 41.2 (44.7) %. Gearing was 75 (41) %.

Cash flow from operations (profit before extraordinary items + depreciation and writedowns) totalled EUR 110.0 (193.1) million. Interest-bearing net debt amounted to EUR 248.8 (147.8) million.

Finnlines floated a fixed-rate serial bond with a maximum value of EUR 100 million during the year. The first tranche totalled EUR 35 million. The bond has a maturity of five years. It carries a coupon of 4 % p.a and the issue price is variable.

The euro, introduced at the beginning of the year, reduces the Group's financing and cash transaction costs, and also foreign currency and interest rate exposure related to financing. More than 80 % of invoicing takes place in euro currencies.

## ENVIRONMENTAL AFFAIRS

Within Finnlines, environmental affairs are an integral part of business management. To ensure responsible management of these affairs, Finnlines places special emphasis on comprehensive environmental management and monitoring. This applies to normal daily operations, investment projects and acquisitions.

## PROSPECTS

In order to safeguard its international competitiveness Finnlines started negotiations with employees on 17 January 2000 with a view to placing 11 Finnish vessels under the flag of another EU country. The negotiations apply to 325 Finnish seamen's jobs. This move will save FIM 2-5 million per vessel in manning costs, depending on the country. It will give rise to non-recurring severance costs during the year in which the redundancies take place. Further savings will be achieved by the tonnage tax in the country chosen, which will reduce the company's tax burden, enabling continuous renewing of the fleet.

The roll-over into the year 2000 went as planned and without interruption in telecommunications. The Group is developing its activities around the concept of comprehensive customer service, the core of which is effective data communications between Finnlines and its customers. For several years the Group has placed great emphasis on developing its information technology. This will provide the opportunity to actively seek savings in operations.

Finland's GDP, industrial production, exports and imports are all expected to show positive development this year. However, the sharp imbalance in sea transportation, the high price of oil and the threat of work stoppages by the unions in shipping branch cast considerable uncertainty over the result of operations for the year 2000.

# PROPOSAL OF THE BOARD OF DIRECTORS

According to the consolidated balance sheet on 31 December 1999:

| | EUR |
|---|---|
| Profit from previous years | 235,581,000.00 |
| Profit from the financial year | 49,391,000.00 |
| | |
| Non-restricted equity, total | 284,972,000.00 |
| of which distributable | 124,983,000.00 |

According to the Parent Company's balance sheet on 31 December 1999:

| | |
|---|---|
| Profit from previous years | 79,136,376.65 |
| Profit from the financial year | 31,291,727.67 |
| | |
| Non-restricted equity, total | 110,428,104.32 |

The Board of Directors proposes that a dividend of FIM 6.00, EUR1.01, on each of the 19,978,979 shares, i.e. a total of FIM 119,873,874.00, i.e. EUR 20,161,338.31, be paid out of the profit for the year and that the residual balance be transferred to retained earnings.

Helsinki, 10 February 2000

L.J. Jouhki

Jukka Härmälä

Hannu Ketola

Antti Lagerroos

Pertti Laine

Jouko K. Leskinen

Thor Björn Lundqvist

Antti Lagerroos
President and CEO

# PROFIT AND LOSS ACCOUNTS

| EUR 1 000 | NOTE | GROUP 1999 | GROUP 1998 | PARENT COMPANY 1999 | PARENT COMPANY 1998 |
|---|---|---|---|---|---|
| NET SALES | 1 | 509 694 | 578 832 | 30 734 | 38 441 |
| Share of associated companies' results | | -117 | -110 | | |
| Other operating income | 2 | 9 603 | 79 853 | 157 | 87 156 |
| Materials and external services | 3 | 45 816 | 36 035 | | 407 |
| Personnel expenses | 4 | 92 482 | 89 008 | 1 927 | 1 466 |
| Depreciation and writedowns | 5 | 42 707 | 41 315 | 15 837 | 15 944 |
| Other operating expenses | | 281 625 | 332 372 | 1 947 | 5 862 |
| OPERATING PROFIT | | 56 550 | 159 844 | 11 180 | 101 918 |
| Financial income and expenses | 6 | 10 777 | -8 076 | 13 638 | -7 646 |
| PROFIT BEFORE EXTRAORDINARY ITEMS | | 67 327 | 151 768 | 24 818 | 94 272 |
| Extraordinary items | 7 | | | | |
| Profit before appropriations and taxes | | 67 327 | 151 768 | 24 818 | 94 272 |
| Group contributions | | | | 26 846 | 37 045 |
| Appropriations | | | | -8 663 | -26 260 |
| Income taxes | 8 | -17 631 | -46 433 | -11 709 | -29 701 |
| Minority interest | | -305 | -374 | | |
| NET PROFIT FOR THE YEAR | | 49 391 | 104 961 | 31 292 | 75 356 |

# BALANCE SHEETS

| EUR 1 000 | NOTE | GROUP 1999 | GROUP 1998 | PARENT COMPANY 1999 | PARENT COMPANY 1998 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS | 9 | | | | |
| Intangible assets | | 49 940 | 51 651 | 406 | 347 |
| Tangible assets | | 665 351 | 545 417 | 277 151 | 301 794 |
| Investments | | 9 950 | 7 434 | 263 799 | 260 851 |
| | | 725 241 | 604 502 | 541 356 | 562 992 |
| CURRENT ASSETS | | | | | |
| Stocks | 10 | 3 717 | 2 018 | | |
| Long-term receivables | 11 | 670 | 370 | 339 | |
| Short-term receivables | 12 | 83 913 | 90 519 | 48 858 | 50 356 |
| Investments in marketable securities | | 88 000 | 35 235 | 88 000 | 35 235 |
| Cash and bank deposits | | 23 781 | 83 438 | 17 301 | 74 714 |
| | | 200 081 | 211 580 | 154 498 | 160 305 |
| | | 925 322 | 816 082 | 695 854 | 723 297 |

| EUR 1 000 | NOTE | GROUP 1999 | GROUP 1998 | PARENT COMPANY 1999 | PARENT COMPANY 1998 |
|---|---|---|---|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | | | |
| SHAREHOLDERS' EQUITY | 13 | | | | |
| Share capital | | 39 958 | 33 602 | 39 958 | 33 602 |
| Share premium fund | | 53 731 | 60 087 | 53 731 | 60 087 |
| Reserve fund | | 1 405 | 1 405 | | |
| Retained earnings | | 235 581 | 164 223 | 79 136 | 37 383 |
| Net profit for the year | | 49 391 | 104 961 | 31 292 | 75 356 |
| | | 380 066 | 364 278 | 204 117 | 206 428 |
| Minority interest | | 1 324 | 589 | | |
| Appropriations | 14 | | | 186 753 | 178 089 |
| LIABILITIES | | | | | |
| Deferred tax liability | 15 | 68 813 | 62 061 | | |
| Long-term liabilities | 16, 18 | | | | |
| Interest-bearing | | 376 099 | 219 283 | 218 479 | 238 233 |
| Non-interest bearing | | 1 448 | 2 388 | 17 | 17 |
| | | 377 547 | 221 671 | 218 496 | 238 250 |
| Short-term liabilities | 17, 18 | | | | |
| Interest-bearing | | 20 494 | 44 839 | 75 247 | 65 186 |
| Non-interest bearing | | 77 078 | 122 644 | 11 241 | 35 343 |
| | | 97 572 | 167 483 | 86 488 | 100 529 |
| | | 925 322 | 816 082 | 695 854 | 723 297 |

# CASH FLOW STATEMENTS

| 1000 EUR | GROUP 1999 | GROUP 1998 | PARENT COMPANY 1999 | PARENT COMPANY 1998 |
|---|---|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Operating profit | 56 550 | 159 844 | 11 180 | 101 918 |
| Depreciation, amortisation and writedowns | 42 707 | 41 315 | 15 837 | 15 944 |
| Undistributed earnings in associated companies | -665 | 8 370 | | |
| Divesting activities, net | -848 | -79 567 | -28 | -87 152 |
| Other items | | | 26 846[1)] | 37 045[1)] |
| | 97 744 | 129 962 | 53 835 | 67 755 |
| Change in net working capital | | | | |
| Decrease (+)/increase (-) in accounts receivable and other short-term receivables | 6 567 | -9 069 | 1 159 | -6 843 |
| Decrease (+)/increase (-) in stocks | -1 699 | 286 | | 206 |
| Decrease (+)/increase (-) in non-interest bearing liabilities | -45 565 | 42 214 | -32 244 | 50 580 |
| | -40 697 | 33 431 | -31 085 | 43 943 |
| CASH FLOW FROM OPERATING ACTIVITIES, TOTAL | 57 087 | 163 393 | 22 750 | 111 698 |
| Interest paid, net | -12 991 | -13 357 | -12 285 | -13 706 |
| Realised foreign exchange gains and losses | 18 736 | -2 762 | 18 442 | -2 835 |
| Income taxes paid | -10 879 | -36 056 | -11 709 | -29 701 |
| | -5 134 | -52 175 | -5 552 | -46 242 |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 51 953 | 111 218 | 17 198 | 65 456 |
| Cash flow from investing activities | | | | |
| Proceeds from sale of fixed assets | 10 516 | 205 427 | 8 986 | 204 418 |
| Investments in fixed assets | -163 746 | -259 317 | -209 | -213 167 |
| Increase in long-term investments | -2 516 | 196 | -2 948 | 210 |
| Cash flow from investing activities | -155 746 | -53 694 | 5 829 | -8 539 |
| CASH FLOW BEFORE FINANCING ACTIVITIES | -103 833 | 57 524 | 23 027 | 56 917 |
| Cash flow from financing activities | | | | |
| Capital investments by minority shareholders, increase (+)/decrease (-) | 735 | -985 | | |
| Payment of long-term liablities | -44 931 | -32 440 | -41 751 | -27 431 |
| Increase in long-term liablities | 169 709 | 38 188 | 40 199 | 28 053 |
| Dividends paid | -33 604 | -16 398 | -33 604 | -16 398 |
| Proceeds from share issues | | 10 077 | | 10 077 |
| Other financing activities | 5 032 | 8 043 | 7 481 | 8 895 |
| Net cash flow from financing activities | 96 941 | 6 485 | -27 675 | 3 196 |
| CHANGE IN LIQUID FUNDS INCREASE (+) / DECREASE (-) | -6 892 | 64 009 | -4648 | 60 113 |
| Liquid funds 1 January | 118 673 | 54 938 | 109 949 | 49 836 |
| Foreign exchange adjustment | | -274 | | |
| Liquid funds 31 December | 111 781 | 118 673 | 105 301 | 109 949 |

1) Group contributions

# ACCOUNTING PRINCIPLES

### ACCOUNTING PRINCIPLES

The consolidated statements are prepared in accordance with the Finnish Accounting Act and other regulations in force in Finland.

### CONSOLIDATION

The consolidated financial statements include the parent company Finnlines Plc as well as those companies in which Finnlines Plc directly or indirectly holds more than 50 % of the voting rights.

The consolidated financial statements are prepared using the acquisition cost method.

The difference between the acquisition cost of a subsidiary and shareholders equity at time of acquisition, arising from the elimination of mutual shareholdings, is allocated to fixed assets at the time of acquisition to the extent that their fair value at that time exceeded the book value.

Items allocated to the fixed assets are depreciated according to plan for the underlying asset. The rest of the difference is entered as goodwill on consolidation, which is amortized over its estimated lifetime to maximum of 20 years. Subsidiaries acquired during the year are consolidated from their date of acquisition.

Intra-group transactions, receivables, liabilities, internal margins and internal distribution of profit are eliminated.

Minority interests are presented separately in the profit and loss account and in the Balance Sheet.

Associated companies (in which the Group holds 20-50 % of the voting rights) are consolidated using the equity method. Accordingly, the Group's share of the associated companies' results and its share of other changes in shareholders' equity less the writeoff of goodwill on consolidation are entered in the profit and loss account and added to the value of the shares. Dividends received are then deducted from the balance sheet value of the shares.

### NET SALES

Net sales comprises sales income and exchange rate differences related to sales, less discounts and indirect sales taxes such as VAT.

### OTHER OPERATING INCOME

Other operating income includes profits on the sale of vessels, other fixed assets as well as all other regular income that are not directly related to the company's sales, such as rents.

### FOREIGN CURRENCY ITEMS

Receivables and payables denominated in foreign currency are valued at the exchange rates prevailing on the balance sheet date. Exchange rate differences on accounts receivable are entered under net sales and exchange rate differences on accounts payable under other operating expenses. Exchange rate differences on financing operations are entered under financial items.

Translation differences arising from the translation of shareholders' equity of foreign subsidiaries during consolidation are entered under retained earnings. The profit and loss accounts of subsidiaries outside the EU are translated into euro using the average of the end-of-month exchange rates. Their balance sheets are translated into euro at the exchange rate prevailing on the balance sheet date. The translation difference between the profit and loss account and balance sheet is shown under retained earnings.

### DERIVATIVE INSTRUMENTS

Finnlines hedges its exposure to foreign currency risks using derivative financial instruments such as forward foreign exchange and option contracts and currency swaps. The gains or losses arising from these hedging transactions are entered under financial items.

The interest received or payable under derivative financial instruments used to hedge the company's exposure against interest rate risks is accrued over the duration of the contract and recorded as an adjustment to the interest income or expense of the designated asset or liability.

The gains or losses arising from the commodity derivative instruments used to hedge the fluctuations of fuel prices are entered in the accounts when the corresponding income or expense is recognised.

### FIXED ASSETS AND DEPRECIATION

Fixed assets are capitalised to direct acquisition cost less depreciation and other deductions, plus any revaluations permitted by local accounting practice. Financial items falling due during ship construction have also been capitalised to the acquisition cost of the vessels.

Fixed assets subject to wear are depreciated according to plan based on the economical life-span of the asset.

### THE DEPRECIATION PERIODS ARE:

| | |
|---|---|
| Goodwill on consolidation | 5-20 years |
| Other long-term expenditure | 5-10 years |
| Buildings and constructions | 5-40 years |
| Vessels and ship shares | 30 years |
| Stevedoring machinery and equipment | 5-10 years |
| Other machinery and equipment | 3-5 years |

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

### LEASING

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

### STOCKS

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

### SHORT-TERM INVESTMENTS

The portion of the Group's cash reserves invested in short-term marketable securities is entered under short-term investments in the balance sheet.

Marketable securities with a maturity of more than one year are carried at the lower of acquisition cost or their market value at the balance sheet date.

### PENSION COSTS

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

### EXTRAORDINARY ITEMS

Extraordinary income and expenses comprise gains, losses and writedowns arising from withdrawing from a business.

### DEFERRED TAX LIABILITY

The accumulated depreciation difference and other voluntary provisions in the consolidated accounts are divided between retained earnings and the deferred tax liability. The deferred tax liability also includes from 1 January 1999 onward the effect of any deferred tax assets arising from losses.

### PROVISIONS

Expenses and losses that no longer accrue corresponding revenues in the foreseeable future and those the group is committed or obliged to settle, and whose monetary value can reasonably be assessed, are entered as expenses in the P/L and included as a provision in the balance sheet.

# NOTES TO THE FINANCIAL STATEMENTS

EUR 1 000

| 1. NET SALES | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| By division | | | | |
| Shipping and Sea Transport Services | 445 986 | 502 315 | 30 734 | 38 441 |
| Port Operations | 89 202 | 98 616 | | |
| Eliminations | -25 494 | -22 099 | | |
| Total | 509 694 | 578 832 | 30 734 | 38 441 |
| Intragroup net sales | | | 30 734 | 38 441 |

| 2. OTHER OPERATING INCOME | | | | |
|---|---|---|---|---|
| Profits on sale of fixed assets 1) | 848 | 79 567 | 28 | 87 152 |
| Rental income | 1 099 | 286 | 4 | 4 |
| Other 2) | 7 656 | | 125 | |
| Total | 9 603 | 79 853 | 157 | 87 156 |

1) In 1998 mainly profit on sale of BTL shares
2) In 1999 mainly penalty payments for late delivery of Finneagle/Finnclipper

| 3. MATERIALS AND EXTERNAL SERVICES | | | | |
|---|---|---|---|---|
| Purchases during period | | | | |
| Bunker | 34 468 | 26 792 | | |
| Other | 13 047 | 8 957 | | 201 |
| Change in stocks | -1 699 | 286 | | 206 |
| Total | 45 816 | 36 035 | | 407 |

| 4. PERSONNEL AND PERSONNEL EXPENSES | | | | |
|---|---|---|---|---|
| Personnel | | | | |
| Average number of employees | 2 055 | 1 992 | 20 | 19 |
| Shipping and Sea Transport Services | 1 158 | 1 109 | | |
| Port Operations | 897 | 883 | | |

The Group had 1 946 employees on 1 January and 1 999 on 31 December.

| | | | | |
|---|---|---|---|---|
| Personnel expenses | | | | |
| Salaries and fees | 76 283 | 69 550 | 1 345 | 1 079 |
| Other personnel expenses | | | | |
| Pension costs | 8 943 | 10 580 | 459 | 278 |
| Other personnel expenses | 7 256 | 8 878 | 123 | 109 |
| Total | 92 482 | 89 008 | 1 927 | 1 466 |
| Salaries and renumerations to | | | | |
| Presidents | 1 180 | 1 106 | | |
| Board of Directors | 99 | 76 | 99 | 76 |

| 5. DEPRECIATION AND WRITEDOWNS | | | | |
|---|---|---|---|---|
| Depreciation according to plan | 42 707 | 41 315 | 15 837 | 15 944 |

| 6. FINANCIAL INCOME AND EXPENSES | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Income from long-term investments | | | | |
| Dividends | | | | |
| From Group companies | | | 905 | 756 |
| Other | 1 775 | 4 785 | 1 758 | 4 052 |
| Total | 1 775 | 4 785 | 2 663 | 4 808 |
| Interest income | | | | |
| From Group companies | | | 452 | 785 |
| Other | 3 741 | 3 425 | 4 | 0 |
| | 3 741 | 3 425 | 456 | 785 |
| Other interest and financial income | | | | |
| Interest income | | | | |
| From Group companies | | | 1 585 | 601 |
| Other | 277 | 294 | 3 432 | 3 269 |
| | 277 | 294 | 5 017 | 3 870 |
| Other financial income | | | | |
| From Group companies | | | | |
| Other | 61 | 256 | | |
| | 61 | 256 | | |
| Exchange rate differences | | | | |
| Gains | 19 393 | 21 | 19 576 | 4 |
| Losses | -657 | -2 783 | -1 134 | -2 839 |
| | 18 736 | -2 762 | 18 442 | -2 835 |
| Interest and other financial expenses | | | | |
| Interest expenses | | | | |
| From Group companies | | | -979 | -1 606 |
| Other | -12 991 | -13 357 | -11 306 | -12 100 |
| | -12 991 | -13 357 | -12 285 | -13 706 |

| 6. FINANCIAL INCOME AND EXPENSES | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Other financial expenses | | | | |
| To Group companies | | | | |
| Other | -822 | -717 | -655 | -568 |
| | -822 | -717 | -655 | -568 |
| Financial income and expenses, total | 10 777 | -8 076 | 13 638 | -7 646 |
| Interest income and expenses | | | | |
| Interest income | 4 018 | 3 719 | 5 473 | 4 655 |
| Interest expenses | -12 991 | -13 357 | -12 285 | -13 706 |

## 7. EXTRAORDINARY ITEMS

No extraordinary income or expenses

| 8. TAXES | | | | |
|---|---|---|---|---|
| Taxes on operations | -10 879 | -36 064 | -11 709 | -29 701 |
| Taxes on extraordinary items/Group contributions | | 2 | -7 517 | -10 373 |
| Total | -10 879 | -36 062 | -19 226 | -40 074 |
| Taxes for the period | -12 459 | -36 064 | -11 591 | -29 317 |
| Taxes from previous periods | 1 580 | 2 | -118 | -384 |
| Change in deferred tax liability | -6 752 | -10 371 | | |
| Total | -17 631 | -46 433 | -11 709 | -29 701 |

## 9. FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS, GROUP

9.1. INTANGIBLE RIGHTS

| | Goodwill | Other long-term expenditures | Total |
|---|---|---|---|
| Acquisition cost on 1 January 1999 | 59 354 | 9 284 | 68 638 |
| Increases | 701 | 1 180 | 1 881 |
| Decreases | | -247 | -247 |
| Transfers between categories | | | |
| Acquisition cost on 31 December 1999 | 60 055 | 10 217 | 70 272 |
| | | | |
| Accumulated depreciation and writedowns on 1 January 1999 | 9 789 | 7 198 | 16 987 |
| Accumulated depreciation on decreases | | -245 | -245 |
| Depreciation in the period | 2 731 | 859 | 3 590 |
| Accumulated depreciation and writedowns on 31 December 1999 | 12 520 | 7 812 | 20 332 |
| Balance sheet total on 31 December 1999 | 47 535 | 2 405 | 49 940 |

9.2. TANGIBLE ASSETS

| | Land and water | Buildings and structures | Vessels | Ship shares | Machinery and equipment | Advance payments and purchases in progress | Total |
|---|---|---|---|---|---|---|---|
| Acquisition cost on 1 January 1999 | 8 275 | 31 132 | 528 581 | 28 844 | 93 126 | 8948 | 698 905 |
| Increases | | 2 405 | 150 228 | | 7 197 | 790 | 160 620 |
| Decreases | | | -92 | | -1 867 | | -1 959 |
| Transfers between categories | 135 | | 37 631 | -28 683 | | -8948 | 135 |
| Acquisition cost on 31 December 1999 | 8 410 | 33 537 | 716 348 | 161 | 98 456 | 790 | 857 701 |
| | | | | | | | |
| Accumulated depreciation and writedowns on 1 January 1999 | | 9 553 | 104 815 | 55 | 39 121 | | 153 543 |
| Accumulated depreciation on decreases | | | -61 | | -699 | | -760 |
| Depreciation in the period | | 2 325 | 27 619 | 8 | 9 615 | | 39 567 |
| Accumulated depreciation and writedowns on 31 December 1999 | | 11 878 | 132 373 | 63 | 48 037 | | 192 350 |
| Revaluations | | | | | | | |
| Balance sheet total on 31 December 1999 | 8 410 | 21 659 | 583 975 | 98 | 50 419 | 790 | 665 351 |

9.3 OTHER LONG-TERM INVESTMENTS

| | Shares in associated companies | Other shares and holdings | Total |
|---|---|---|---|
| Acquisition cost on 1 January 1999 | 589 | 6 845 | 7 434 |
| Increases | 2 344 | 172 | 2 516 |
| Decreases | | | |
| Transfers between categories | | | |
| Acquisition cost on 31 December 1999 | 2 933 | 7 017 | 9 950 |
| | | | |
| Accumulated writedowns on 1 January 1999 | | | |
| Accumulated writedowns on decreases | | | |
| Writedowns in the period | | | |
| Accumulated writedowns on 31 December 1999 | | | |
| Revaluations | | | |
| Balance sheet total on 31 December 1999 | 2 933 | 7 017 | 9 950 |

## 9. FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS, PARENT COMPANY

9.1. INTANGIBLE RIGHTS

| | Goodwill | Other long-term expenditures | Total |
|---|---|---|---|
| Acquisition cost on 1 January 1999 | | 1 820 | 1 820 |
| Increases | | 173 | 173 |
| Decreases | | | |
| Transfers between categories | | | |
| Acquisition cost on 31 December 1999 | | 1993 | 1993 |
| Accumulated depreciation and writedowns on 1 January 1999 | | 1 473 | 1 473 |
| Accumulated depreciation on decreases | | | |
| Depreciation in the period | | 114 | 114 |
| Accumulated depreciation and writedowns on 31 December 1999 | | 1 587 | 1 587 |
| Balance sheet total on 31 December 1999 | | 406 | 406 |

9.2. TANGIBLE ASSETS

| | Land and water | Buildings and structures | Vessels | Ship shares | Machinery and equipment | Advance payments and purchases in progress | Total |
|---|---|---|---|---|---|---|---|
| Acquisition cost on 1 January 1999 | | | 331 532 | | 8 958 | 13 859 | 354 349 |
| Increases | | | 38 | | | 18 | 56 |
| Decreases | | | | | -8 958 | -35 | -8 993 |
| Transfers between categories | | | | | | | |
| Acquisition cost on 31 December 1999 | | | 331 570 | | | 13 842 | 345 412 |
| Accumulated depreciation and writedowns on 1 January 1999 | | | 48 499 | | | 4 053 | 52 552 |
| Accumulated depreciation on decreases | | | | | | -13 | -13 |
| Depreciation in the period | | | 14 681 | | | 1 041 | 15 722 |
| Accumulated depreciation and writedowns on 31 December 1999 | | | 63 180 | | | 5 081 | 68 261 |
| Revaluations | | | | | | | |
| Balance sheet total on 31 December 1999 | | | 268 390 | | | 8 761 | 277 151 |

9.3. OTHER LONG-TERM INVESTMENTS

| | Shares in Group companies | Shares in associated companies | Other shares and holdings | Receivables from Group companies | Total |
|---|---|---|---|---|---|
| Acquisition cost on 1 January 1999 | 255 986 | | 4 864 | 7 051 | 267 901 |
| Increases | 1 434 | | 1 514 | | 2 948 |
| Decreases | | | | | |
| Transfers between categories | | | | -7 051 | -7 051 |
| Acquisition cost on 31 December 1999 | 257 420 | | 6 378 | | 263 798 |
| Accumulated writedowns on 1 January 1999 | | | | | |
| Accumulated writedowns on decreases | | | | | |
| Writedowns in the period | | | | | |
| Accumulated writedowns on 31 December 1999 | | | | | |
| Revaluations | | | | | |
| Balance sheet total on 31 Dec. 1999 | 257 420 | | 6 378 | | 263 798 |

| 10. STOCKS | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Bunker | 2 614 | 1 234 | | |
| Other | 1 103 | 784 | | |
| | 3 717 | 2 018 | | |

| 11. LONG-TERM RECEIVABLES | | | | |
|---|---|---|---|---|
| Loans receivable | 331 | 370 | | |
| Other receivables | 339 | | | |
| Prepaid expenses and accrued income | | | 339 | |
| | 670 | 370 | 339 | |

Prepaid expenses and accrued income in the parent company includes a periodized emission loss arising from the issues of bonds

| 12. CURRENT RECEIVABLES | | | | |
|---|---|---|---|---|
| Accounts receivable | 55 516 | 47 513 | | |
| Receivables from Group companies | | | | |
| Trade debtors | | | | 585 |
| Loans receivable | | | 45 256 | 46 700 |
| Other receivables | | | 187 | 3 |
| Prepaid expenses and accrued income | | | 354 | 54 |
| | | | 45 797 | 47 342 |
| No receivables from associated companies | | | | |
| Loans receivable | 83 | 1 295 | | |
| Other receivables | 17 131 | 30 745 | 6 | 6 |
| Prepaid expenses and accrued income | 11 183 | 10 966 | 3 055 | 3 007 |
| | 28 397 | 43 006 | 3 061 | 3 013 |
| | 83 913 | 90 519 | 48 858 | 50 355 |

| 13. SHAREHOLDERS' EQUITY | | | | |
|---|---|---|---|---|
| Shareholders' equity on 1 January | 33 602 | 32 796 | 33 602 | 32 796 |
| Share issues | 6 356 | 806 | 6 356 | 806 |
| Shareholders' equity on 31 December | 39 958 | 33 602 | 39 958 | 33 602 |
| Share premium fund on 1 January | 60 087 | 50 817 | 60 087 | 50 817 |
| Share issues | -6 356 | 9 270 | -6 356 | 9 270 |
| Share premium fund on 31 December | 53 731 | 60 087 | 53 731 | 60 087 |
| Reserve fund on 1 January | 1 405 | 1 405 | | |
| Transfer from/to other shareholders' equity | | | | |
| Reserve fund on 31 December | 1 405 | 1 405 | | |
| Retained earnings on 1 January | 269 184 | 180 890 | 112 739 | 37 383 |
| Dividend distribution | -33 603 | -16 398 | -33 603 | |
| Translation difference | | -269 | | |
| Net profit for the financial year | 49 391 | 104 961 | 31 292 | 75 356 |
| Retained earnings on 31 December | 284 972 | 269 184 | 110 428 | 112 739 |
| | 380 066 | 364 278 | 204 117 | 206 428 |

| 13. SHAREHOLDERS' EQUITY (CONTINUES) | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Calculation of distributable funds | | | | |
| Retained earnings on 31 December. | 284 972 | 269 184 | 110 428 | 112 739 |
| Accumulated shareholders' equity of appropriations | -159 989 | -159 427 | | |
| Group's distributable funds on 31 December | 124 983 | 109 757 | 110 428 | 112 739 |

| 14. APPROPRIATIONS | | | | |
|---|---|---|---|---|
| Accumulated depreciation difference | | | 186 753 | 178 089 |

| 15. DEFERRED TAX LIABILITY | | | | |
|---|---|---|---|---|
| Change in deferred tax liability | | | | |
| Appropriations | 1 980 | 10 371 | | |
| Increase of tax rate [1)] | 2 603 | | | |
| From accruals | 2 169 | | | |
| | 6 752 | 10 371 | | |
| Deferred tax liability | | | | |
| Appropriations | 66 644 | 62 061 | | |
| From accruals | 2 169 | | | |
| | 68 813 | 62 061 | | |

1) from 28% 1999 to 29% 2000 onwards

| 16. LONG-TERM LIABILITIES | | | | |
|---|---|---|---|---|
| Bonds | 68 637 | 50 456 | 68 638 | 50 456 |
| Loans from financial institutions | 298 761 | 161 074 | 143 613 | 159 031 |
| Pension loans | 8 035 | 7 753 | 6 228 | 7 756 |
| Loans from Group companies | | | | 20 990 |
| Loans from associated companies | | | | |
| Other long-term debt | 2 113 | 2 388 | 17 | 17 |
| Accrued expenses and prepaid income | | | | |
| Total | 377 547 | 221 671 | 218 496 | 238 250 |
| of which interest-bearing | 376 099 | 219 283 | 218 479 | 238 233 |
| | | | | |
| Maturity of long-term loans | | | | |
| Year | | | | |
| 2000 | 45 672 | | 48 788 | |
| 2001 | 43 628 | | 31 986 | |
| 2002 | 38 597 | | 26 956 | |
| 2003 | 69 171 | | 57 530 | |
| 2004 | 67 888 | | 56 299 | |
| 2005 and later | 111 143 | | 45 723 | |
| Total | 376 099 | | 267 282 | |
| | | | | |
| Long-term loans due after five years | | | | |
| Bonds | | | | |
| Loans from financial institutions | 110 086 | 56 210 | 44 666 | 56 210 |
| Pension loans | 1 057 | 2 114 | 1 057 | 2 114 |
| Other long-term debt | | | | |
| | 111 143 | 58 324 | 45 723 | 58 324 |

## 17. SHORT-TERM LIABILITIES

| | GROUP 1999 | GROUP 1998 | PARENT COMPANY 1999 | PARENT COMPANY 1998 |
|---|---|---|---|---|
| Bonds | 16 819 | 16 819 | 16 819 | 16 819 |
| Loans from financial institutions | 2 275 | 25 548 | 30 442 | 23 404 |
| Pension loans | | 2 472 | 1 528 | 1 528 |
| Advances received | | | | |
| Accounts payable | 31 857 | 34 058 | 71 | 760 |
| Debts to Group companies | | | | |
| Advances received | | | | |
| Accounts payable | | | 6 | |
| Other debts | | | 32 234 | 29 211 |
| Accrued expenses and prepaid income | | | | 94 |
| Debts to associated companies | | | | |
| Other short-term debt | 17 423 | 19 831 | 362 | 635 |
| Accrued expenses and prepaid income | 29 198 | 68 755 | 5 026 | 28 078 |
| Total | 97 572 | 167 483 | 86 488 | 100 529 |
| of which interest-bearing | 20 494 | 44 839 | 75 247 | 65 186 |

## 18. FREE AND FLOATING RATE NOTES AND BONDS WITH WARRANTS

| Currency | Principal | Loan period | Interest | Type |
|---|---|---|---|---|
| 1000 FIM | 100 000 | 16.6.95–16.6.2000 | 8.50 % | Bullet, unsecured |
| 1000 FIM | 200 000 | 16.6.98–16.6.2003 | 5.00 % | Bullet, unsecured |
| 1000 EUR | 35 000 | 15.6.99–15.6.2004 | 4.00 % | Bullet, unsecured |
| 1000 FIM | 100 | 3.3.97–3.3.2001 | interest-free | Bullet, management bond [1] |

[1] Each bond with a nominal value of FIM 100 contains one warrant entitling the holder to subscribe for 500 Finnlines shares of nominal value EUR 2 at a subscription price of EUR 22.77.

## PLEDGES AND OTHER CONTINGENT LIABILITIES

| | GROUP 1999 Debt | GROUP 1999 Value of collateral | GROUP 1998 Debt | GROUP 1998 Value of collateral | PARENT COMPANY 1999 Debt | PARENT COMPANY 1999 Value of collateral | PARENT COMPANY 1998 Debt | PARENT COMPANY 1998 Value of collateral |
|---|---|---|---|---|---|---|---|---|
| PLEDGES AND COMMITMENTS GIVEN ON OWN ACCOUNT | | | | | | | | |
| COLLATERALS FOR OWN DEBT | | | | | | | | |
| SHIP MORTGAGES | | | | | | | | |
| Bonds | | | | | | | | |
| Loans from fin. institutions | 248 005 | 342 603 | 131 427 | 203 800 | 122 333 | 193 345 | 127 350 | 178 692 |
| Pension loans | | | | | | | | |
| Other long-term debt | | | | | | | | |
| | 248 005 | 342 603 | 131 427 | 203 800 | 122 333 | 193 345 | 127 350 | 178 692 |

The Group had no debt for which other mortages or pledges were given as collateral.

| | GROUP 1999 Debt | GROUP 1999 Value of collateral | GROUP 1998 Debt | GROUP 1998 Value of collateral | PARENT COMPANY 1999 Debt | PARENT COMPANY 1999 Value of collateral | PARENT COMPANY 1998 Debt | PARENT COMPANY 1998 Value of collateral |
|---|---|---|---|---|---|---|---|---|
| PLEDGES GIVEN TO COVER OTHER OWN COMMITMENTS | | | | | | | | |
| Pledges | 1 314 | 1 314 | 2 055 | 2 055 | | | | |
| Mortgages | 8 328 | 8 328 | 9 218 | 9 218 | 8 328 | 8 328 | 9 218 | 9 218 |
| | 9 643 | 9 643 | 11 274 | 11 274 | 8 328 | 8 328 | 9 218 | 9 218 |

| PLEDGES AND OTHER CONTINGENT LIABILITIES | GROUP | | | | PARENT COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | 1999 | | 1998 | | 1999 | | 1998 | |
| PLEDGES GIVEN | | | | | | | | |
| ON BEHALF OF OTHERS | | | | | | | | |
| Pledges | | | | | | | | |
| Mortgages | 201 | 201 | 239 | 239 | | | | |
| | 201 | 201 | 239 | 239 | | | | |
| PLEDGES, TOTAL | 257 848 | 352 447 | 142 940 | 215 313 | 130 661 | 201 673 | 136 568 | 187 911 |

| OTHER CONTINGENT LIABILITIES | | | | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Other own liabilities | | | | |
| Pension liability | | | | |
| Others 1) | 5 659 | 5 659 | | |
| | 5 659 | 5 659 | | |
| Leasing liabilities | | | | |
| | | | | |
| Other leasing liabilities | | | | |
| Due in year following financial year | 786 | 1 076 | | |
| Due in later years | 130 | 115 | | |
| | | | | |
| Leasing liabilities, total | 916 | 1 191 | | |

The Group had no other commitments or liabilities on behalf of associated companies or others

| | | |
|---|---|---|
| OTHER COMMITMENTS, TOTAL | 6 575 | 6 850 |
| DERIVATIVE CONTRACTS AS PER 31 DEC., 1999 | Contract value | Market value |
| Interest and currency swap contracts | 26 881 | 26 898 |

1) Includes taxes for 1989 to 1993 based on a tax review of Group companies registered in the Cayman Islands. The Supreme Administrative Court has returned the matter to the tax authorities.

## GROUP SHARES AND HOLDINGS

| SUBSIDIARIES | Domicile | Group holding, % | Parent company holding, % |
|---|---|---|---|
| DOMESTIC | | | |
| Finncarriers Oy Ab | Helsinki | 100 | 100 |
| FG-Shipping Oy Ab | Helsinki | 100 | 100 |
| Oy Finnlink Ab | Naantali | 100 | |
| Finnfellows Oy Ltd | Helsinki | 100 | 100 |
| Finnsteve Oy Ab | Helsinki | 100 | 100 |
| Oy A.E. Erickson Ab | Turku | 100 | 100 |
| Strömsby-Invest Oy Ab | Kirkkonummi | 100 | 80 |
| Optar Oy | Helsinki | 100 | 100 |
| Metropolitan Port Oy Ab | Kirkkonummi | 100 | 100 |
| Oy Intercarriers Ltd | Helsinki | 51 | |
| Kantvikin Satama Oy | Kirkkonummi | 100 | 39.5 |
| Railship Oy Ab | Helsinki | 100 | 100 |
| Finncare Oy | Helsinki | 100 | |
| North Wind Oy | Helsinki | 100 | |
| Kiinteistö Oy Levin-Tuvat | Kittilä | 100 | |
| | | | |
| FOREIGN | | | |
| Poseidon Schiffahrt AG | Germany | 100 | 100 |
| FG-Finance S.A.H. | Luxembourg | 100 | 99 |
| Railship AG | Switzerland | 100 | 100 |
| FCRS-Shipping Ltd | Cayman-islands | 100 | 10 |
| FG-Waggon Limited | Cayman-islands | 100 | 100 |
| Finnmanagement Ltd | Cayman-islands | 100 | |
| Fennia Shipping Ltd | Cayman-islands | 100 | |
| Finnlines (Cyprus) Ltd | Cyprus | 100 | 100 |
| Railship GmbH & Co. KG | Germany | 100 | |
| Verwaltungsgesellschaft Railship GmbH | Germany | 100 | |
| Partnerreederei MS Railship III | Germany | 100 | |
| Finncarriers GmbH | Germany | 100 | |
| FG-Shipping GmbH | Germany | 100 | |
| Finnlines GmbH | Germany | 100 | |
| Deutsch-Russische Transport&Beteiligungsgesellschaft mbH | Germany | 100 | |
| Finncarriers AB | Sweden | 100 | |
| Finncarriers (UK) Ltd | Great Britain | 100 | |
| Finncarriers Limited | Great Britain | 100 | |
| AB Finnlines Ltd | Sweden | 100 | |
| Finnlink AB | Sweden | 100 | |
| Finncarriers A/S | Norway | 100 | 100 |
| Norsteve Filipstad A/S | Norway | 100 | |
| Norsteve Drammen A/S | Norway | 100 | |
| Norbalt N.V. | Belgium | 100 | |
| Finncarriers N.V. | Belgium | 100 | |
| Finnwest N.V. | Belgium | 66.7 | |

## GROUP SHARES AND HOLDINGS (CONTINUED)

| ASSOCIATED COMPANIES | Domicile | Group holding, % | Parent company holding, % |
|---|---|---|---|
| DOMESTIC | | | |
| North Euroway Oy | Kouvola | 50 | |
| Simonaukion Pysäköinti Oy | Helsinki | 50 | 50 |
| FOREIGN | | | |
| Team Lines GmbH | Germany | 31,8 | |
| Team Lines GmbH & Co. KG | Germany | 31,8 | |
| Finanglia Ferries Ltd | Great Britain | 50 | |
| Transbaltic Schiffahrt GmbH | Germany | 50 | |
| Poseidon Frachtcontor Junge Sp.z.o.o. | Poland | 50 | |
| MS “Pinta” Interscan GmbH & Co. | Germany | 21,05 | |
| MS “Patriot” Interscan GmbH & Co. | Germany | 21,5 | |
| RosEuroTrans | Russia | 50 | |
| OTHER SHARES AND HOLDINGS | | | |
| DOMESTIC | | | |
| Steveco Oy | Hamina | 19,1 | 19,1 |
| Helsinki Telephone Company Plc | Helsinki | | |
| HPY-Holding | Helsinki | | |
| Helsinki Exchanges Group | Helsinki | | |
| As Oy Tehtaankatu 10 | Helsinki | | |
| As Oy Munkkiniemi 23 | Helsinki | | |
| OKR-Liikkeeseenlaskijat Osuuskunta | Helsinki | | |
| Turun Terminaali Oy Ab | Turku | 7,7 | 7,7 |
| Turun Vapaavarasto | Turku | | |
| Other companies (23) | | | |
| FOREIGN | | | |
| Other companies (4) | | | |

# KEY INDICATORS AND CALCULATION OF KEY RATIOS

| MILLION EURO | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Net sales | 509.7 | 578.8 | 414.6 | 369.2 | 465.5 |
| Associated companies | –0.1 | – 0.1 | 8.7 | – 0.29 | 1.43 |
| Other operating income | 9.6 | 79.9 | 1.7 | 20.2 | 0.6 |
| Operating profit | 56.5 | 159.8 | 76.5 | 74.7 | 62.2 |
| % of net sales | 11.1 | 27.6 | 18.4 | 20.2 | 13.4 |
| Profit before extraordinary items | 67.3 | 151.8 | 71.3 | 67.9 | 53.0 |
| % of net sales | 13.2 | 26.2 | 17.2 | 18.4 | 11.4 |
| Profit before provisions and taxes | 67.3 | 151.8 | 71.3 | 67.4 | 53.6 |
| % of net sales | 13.2 | 26.2 | 17.2 | 18.3 | 11.5 |
| Profit for the year | 49.4 | 105.0 | 58.3 | 46.9 | 36.3 |
| % of net sales | 9.7 | 18.1 | 14.1 | 12.7 | 7.8 |
| Total investments as per funds statement | 163.8 | 259.3 | 131.6 | 87.4 | 104.0 |
| % of net sales | 32.1 | 44.8 | 31.7 | 23.7 | 22.3 |
| Return on equity, (ROE), % | 13.3 | 33.3 | 24.3 | 23.8 | 21.8 |
| Return on investment, (ROI), % | 11.5 | 29.1 | 17.0 | 19.1 | 17.1 |
| Total assets | 925.3 | 816.1 | 660.0 | 542.2 | 546.4 |
| Equity ratio, % | 41.2 | 44.7 | 40.5 | 39.9 | 32.8 |
| Equity ratio, adjusted for the market value of the vessels, % | 44 | 44.7 | 45.3 | 41.9 | 35.4 |
| Gearing , % | 74.9 | 40.6 | 77.4 | 65.8 | 94.2 |
| Average number of employees during the year | 2,055 | 1,992 | 1,628 | 1,550 | 2,009 |

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

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

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

$$\text{Gearing, \%} = \frac{\text{Interest-bearing net debt – cash and bank deposits}}{\text{Shareholders' equity}} \times 100$$

| EUROS | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Earnings per share (EPS) | 2.47 | 5.34 | 3.04 | 2.46 | 1.87 |
| Earnings per share without change in deferred tax liability | 2.81 | 5.87 | 3.48 | 3.06 | 2.57 |
| Earnings per share less warrant bond dilution | 2.40 | | | | |
| Shareholders' equity per share | 19.02 | 18.23 | 13.64 | 11.21 | 9.28 |
| Dividend per share | 1.01 | 1.68 | 0.84 | 0.67 | 0.50 |
| Payout ratio, % | 40.8 | 31.5 | 27.7 | 27.3 | 27.0 |
| Effective dividend yield, % | 3.3 | 4.6 | 2.3 | 3.5 | 4.2 |
| Price/earnings ratio (P/E) | 12.5 | 6.9 | 12.0 | 7.7 | 6.4 |
| Share price on the stock exchange at the year end | 31 | 36.66 | 36.50 | 19.00 | 11.94 |
| Market capitalisation at the year end | 619.3 | 732.5 | 711.7 | 364.3 | 228.9 |
| Adjusted average number of shares | 19,979,000 | 19,657,000 | 19,200,000 | 19,169,000 | 19,169,000 |
| Adjusted number of shares on 31 December | 19,979,000 | 19,979,000 | 19,499,000 | 19,169,000 | 19,169,000 |

$$\text{Earnings per share (EPS)} = \frac{\text{Profit before extraordinary items +/– minority interests in Group profit +/– change in deferred tax liability – taxes for the financial year, from which the effect of extraordinary income and charges has been eliminated}}{\text{Average number of shares adjusted by share issue}}$$

$$\text{Shareholders' equity per share} = \frac{\text{Shareholders' equity}}{\text{Number of shares at 31 December adjusted for share issue}}$$

$$\text{Dividend per share} = \frac{\text{Dividend paid for the year}}{\text{Number of shares on balance sheet date}}$$

$$\text{Payout ratio, \%} = \frac{\text{Dividend paid for the year}}{\text{Profit before extraordinary items +/– minority interests of Group profit +/– change in deferred tax liability – taxes for the financial year, from which the effect of extraordinary income and charges has been eliminated}} \times 100$$

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

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

# AUDITOR'S REPORT

I have audited the accounting records, the financial statements and administration of Finnlines Plc for the financial year 1999. 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 my audit I express an opinion on these financial statements and on corporate governance.

I have conducted my audit in accordance with generally accepted auditing standards in Finland. These standards require that I 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 my 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 my 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 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 me. The proposal of the Board of Directors concerning the disposition of the non-restricted shareholders' equity is in compliance with the Finnish Companies Act.

Helsinki, 10 February 2000

Anneli Lindroos
Authorized Public Accountant

# THE FINNLINES SHARE

### SHARE CAPITAL AND SHARES

The Finnlines share is quoted on the Helsinki Exchanges. The company has one share series. Each share carries one vote at general shareholder meetings and identical dividend rights. The shares have a nominal value of EUR 2 per share.

Finnlines' share capital is minimum EUR 15,000,000 and maximum EUR 60,000,000. Within these limits the share capital may be raised or lowered without amending the Articles of Association. The company's paid up and registered share capital at the end of 1999 totalled EUR 39,957,958. The company had 19,978,979 shares outstanding at the end of the period.

At the end of 1999 the Board of Directors held no authorisations to raise the share capital.

### DIVIDEND POLICY

The dividend policy of the Board of Directors has in recent years been to propose a dividend to the Annual General Meeting in line with the company's profit performance. The dividends paid in the past five years have totalled approximately 30 % of annual net profit. In 1999 the Board proposes that a dividend of FIM 6.00, EUR 1.01, per share, i.e. 40.8 % of the net profit, be distributed.

### SHARE PRICES AND TRADING IN 1999

The quoted price of the Finnlines share at the end of the year was EUR 31.00. The highest quoted price during the year was EUR 37.00 and the lowest was EUR 22.20.

Altogether 7,529,547 Finnlines shares were traded during the year. The market capitalisation on 31 December 1999 was EUR 619 million.

### BONDS WITH WARRANTS AND SHARE OPTIONS

Finnlines has one bond with warrants issued to Group management and one share option scheme for the Group's management.

The bond with warrants was launched in 1997. It totals FIM 100,000 and the loan period is four years, from 3 March 1997 to 3 March 2001. Each bond with a nominal value of FIM 100 carries one warrant entitling the holder to subscribe for 500 Finnlines shares of nominal value EUR 2 per share for a subscription price of EUR 22.77 per share. The shares may be subscribed annually from 2 January to 30 November and no later than 3 March 2001. By the end of 1999 370,000 shares had been subscribed based on this bond. Based on the unexercised warrants of this bond the number of shares may increase by at most 130,000 and the share capital by at most EUR 260,000.

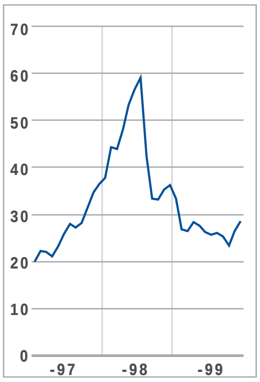
The Annual General Meeting on 5 March 1999 decided to offer 600,000 share options to Group management, which would entitle them to subscribe for at most 600,000 Finnlines shares of nominal value EUR 2 per share. Each share option entitles the holder to subscribe for one share. Based on these subscriptions the company's share capital may increase by at most EUR 1,200,000. The shares may be subscribed and the options may be transferred from 22 March 2001. The shares may be subscribed annually between 2 January and 30 November, ending on 22 March 2004. The subscription price of the shares is EUR 38.68, which will be reduced by the amount of annual dividends per share. The shares carry dividend rights from the date of subscription. The other rights carried by the shares will come into force upon registration of the increase in share capital.

### INSIDERS

Finnlines Plc's insider guidelines comply with Finnish legislation and the insider guidelines of the Helsinki Exchanges published on 28 October 1999 and due to come into force on 1 March 2000.

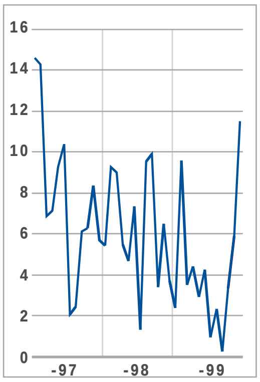
## SHARE PRICE PERFORMANCE,

EURO




## SHARES TRADED

NO. 100 000




## PRINCIPAL SHAREHOLDERS ON 31 DECEMBER 1999

| | Number | % of shares /votes |
|---|---|---|
| Veikko Laine Oy | 2,135,936 | 10.69 |
| Thominvest Group | 2,001,980 | 10.02 |
| Sampo Group | 1,770,000 | 8.86 |
| Pension Insurance Company Ilmarinen | 1,416,100 | 7.09 |
| Pohjola Group | 1,114,800 | 5.58 |
| Stora Enso Oyj | 1,104,670 | 5.53 |
| Varma-Sampo Mutual Pension Insurance Company | 847,165 | 4.24 |
| Dreadnought Finance Oy | 535,320 | 2.68 |
| The Local Government Pensions Institution | 429,520 | 2.15 |
| Thomproperties Oy | 371,339 | 1.86 |
| Foreign and nominee registered | 2,546,237 | 12.74 |
| Other | 5,705,912 | 28.56 |
| Total | 19,978,979 | 100.00 |
| Group management holding | 72,000 | 0.36 |

## OWNERSHIP STRUCTURE ON 31 DECEMBER 1999

| | % of shares | % of shares /votes |
|---|---|---|
| Public companies | 0.2 | 0.3 |
| Private companies | 10.0 | 34.5 |
| Financial and insurance institutions | 2.3 | 36.4 |
| Public entities | 1.6 | 17.7 |
| Non-profit associations | 5.4 | 4.5 |
| Households | 79.7 | 6.2 |
| Foreign | 0.8 | 0.4 |
| Total | 100.0 | 100.0 |

## DISTRIBUTION OF OWNERSHIP ON 31 DECEMBER 1999

| No. of | Shareholders | | Shares/votes | |
|---|---|---|---|---|
| shares | No. | % | No. | % |
| 1-100 | 1,202 | 36.8 | 76,691 | 0.4 |
| 101-1,000 | 1,516 | 46.4 | 624,389 | 3.1 |
| 1,001-10,000 | 434 | 13.3 | 1,309,203 | 6.6 |
| 10,001-100,000 | 87 | 2.7 | 2,757,166 | 13.8 |
| 100,001-1,000,000 | 21 | 0.6 | 6,602,956 | 33.0 |
| 1,000,001- | 5 | 0.2 | 8,606,714 | 43.1 |
| Not transferred to book-entry accounts | | | 1,860 | 0.0 |
| Total | 3,265 | 100.0 | 19,978,979 | 100.0 |

# CORPORATE GOVERNANCE

### BOARD OF DIRECTORS

The Board of Directors of Finnlines Plc comprises at least five and at most eleven members. The Board is responsible for the management of the company and the appropriate organisation of its operations, for appointing the President, and for the other tasks stipulated by Finnish legislation. The Board is elected by the Annual General Meeting, which is held no later than the end of June, as required by the Finnish Companies Act. The Board members are elected for one year at a time, their term of office expiring at the end of the Annual General Meeting following their election.

The Board decides on matters of far-reaching significance to the Group's operation. These include endorsement of the company's operating strategy and its long-term strategic plans. The Board also considers the annual action plans and major investments. The Board convened 10 times in 1999.

### ORGANISATION AND RESPONSIBILITIES

The Group's operations are divided into two divisions: Shipping and Sea Transport Services, and Port Operations. These divisions are individually responsible for their own operations, financial performance and operating capital. The parent company, Finnlines Plc, is responsible for the Group's financial assets, fixed assets and investments. An information technology department in the parent company is in charge of the information technology systems employed by the Group and its divisions, and the development of these systems.

### ACCOUNTING AND FINANCIAL REPORTING

Responsibility for the Group's internal and external accounting lies with the parent company's Controller function, to which the accounting departments of the divisions report. The Group's Controller function defines common accounting principles for the Group and it also prepares the consolidated financial statements and financial information released by the Group. Each legal entity in the Group produces its own information under the supervision of the Group's Controller staff and in compliance with the Group's guidelines and local legislation.

### FINANCING AND FINANCIAL RISK MANAGEMENT

The Group's financing activities are centralized to the parent company's Finance function. External long-term loans are submitted to the Board of Directors for approval. Short-term liquidity is managed by the parent company, which controls the cash reserves of the Group's subsidiaries. Intra-group payments are netted. The parent company finances the subsidiaries using Group loans.

Group Finance is responsible for managing the Group's foreign exchange and interest rate risk exposures. The net positions of the Group's foreign exchange exposure are reviewed by currency every 12 months in the course of annual budgeting. The Group's subsidiaries are permitted to engage in hedging transactions only against the parent company.

### AUDIT

The Annual General Meeting has appointed SVH Pricewaterhouse Coopers Oy as the company's external auditors and Anneli Lindroos APA as its deputy auditor. In addition to their statutory responsibilities, the auditors also report to the Group's top management on any observations they make during their audits.

### RISK MANAGEMENT

The Group's Risk Management function aims to identify any indemnity risks associated with the company's operation, assets and personnel and to minimise the amount of indemnity. Risk Management is decentralised in the Group's various companies. These are assisted by the Group's Legal Affairs function, which is responsible for management and co-ordination of the Group's insurance policies.

# BOARD OF DIRECTORS AND AUDITORS

## BOARD OF DIRECTORS

**Chairman**

**L.J. JOUHKI**
Chairman of Thominvest Oy
Member of the Board since 1989

**Deputy Chairman**

**JUKKA HÄRMÄLÄ**
President and CEO
Stora Enso Oyj
Member of the Board since 1989

**Members**

**HANNU KETOLA**
President
Fennia Life Insurance Company Ltd
Member of the Board since 1995

**ANTTI LAGERROOS**
President and CEO
Finnlines Plc
Member of the Board since 1999

**PERTTI LAINE**
President
Veikko Laine Oy
Member of the Board since 1994

**JOUKO K. LESKINEN**
President and CEO
Sampo Insurance Company Limited
Member of the Board since 1993

**THOR BJÖRN LUNDQVIST**
Master of Science (Econ.)
Member of the Board since 1992

The term of office of Board members starts immediately after their election and ends no later than at the close of the first Annual General Meeting following their election.

## AUDITORS

**Regular Auditor**

**SVH PRICEWATERHOUSE COOPERS OY**
Authorized Public Accountants
Principal Auditor until 31 May 1999
Christer Antson, MSc (Econ.),
Authorized Public Accountant

**Deputy Auditor**

**ANNELI LINDROOS**
MSc (Econ.),
Authorized Public Accountant

# GROUP MANAGEMENT

**ANTTI LAGERROOS** President and CEO, Finnlines Plc




## CORPORATE ADMINISTRATION, FINNLINES PLC

**CHRISTER ANTSON**
Vice President
Chief Controller

**KARI SAVOLAINEN**
Vice President
Information Technology

**LARS TRYGG**
Vice President
Legal Counsel

**SEIJA TURUNEN**
Vice President
Chief Financial Officer





## BUSINESS OPERATIONS

**ASSER AHLESKOG**
Finncarriers Oy Ab
President

**GUNTHER RANKE**
Poseidon
Schiffahrt AG
President

**CHRISTER BACKMAN**
Oy Finnlink Ab
President

**HANS MARTIN**
Finnsteve Oy Ab and
Oy A.E. Erickson Ab
President

**ESKO MUSTAMÄKI**
FG-Shipping Oy Ab
President



# VESSELS IN SERVICE

### ROPAX VESSELS

Ropax vessels carry both freight and passengers. They are registered as passenger vessels as they carry more than 12 passengers. The Group's ropax vessels each have capacity for 2,450 lane metres of cargo and 440 passengers. They have an average crew of 25-30 (including service personnel).

| | Gross tonnage/Lane metres, Year of delivery |
|---|---|
| FINNCLIPPER* | 29,841/2,450. 1999 |
| FINNEAGLE* | 29,841/2,450.1999 |

### COMBI-RORO VESSELS

Combi-roro vessels are primarily cargo vessels which can also take passengers. Their passenger capacity is restricted to 119 people. The vessels are entered in the Register for merchant ships in foreign trade but they are registered as passenger vessels. They have an average crew of 20.

| | Gross tonnage/Lane metres, Year of delivery |
|---|---|
| FINNHANSA* | 32,531/3,200. 1994 |
| FINNPARTNER* | 32,534/3,200. 1995 |
| FINNSAILOR* | 20,783/1,790. 1987/96 |
| FINNTRADER* | 32,534/3,200. 1995 |
| TRANSEUROPA* | 32,533/3,200. 1995 |
| TRANSLUBECA* | 24,727/2,100. 1990 |

### RORO VESSELS

Roro (roll on - roll off) vessels are the Group's unitised cargo vessels. Cargo is rolled on and off the vessels on wheels (trucks, trailers) or on wheeled freight beds (e.g. containers and paper rolls). As cargo vessels, they are permitted to take only 12 passengers. They have an average crew of 14 people.

| | Gross tonnage/Lane metres Year of delivery | | Gross tonnage/Lane metres Year of delivery |
|---|---|---|---|
| ANTARES* | 19,963/2,090, 1988 | FINNOAK | 7.850/1.590,191/98 |
| AMBER | 6,620/1,260, 1991 | FNNPINE* | 8.996/1.14, 1984 |
| ASTREA* | 9,528/827, 1991 | FINNRIVER | 20.172/.812, 1979 |
| AURORA | 20,391/2,170, 1982 | FINNROSE | 20.1691.812, 1978 |
| BALTIC EIDER | 20,865/2,170, 1989 | FNNSEAL | 7.95/1.212, 1991 |
| FINNARROW* | 25,996/2,400, 1996 | INOWROCLAW | 1.786/1.320, 1980 |
| FINNBEAVER | 5,972/1,016, 1991 | OHONNA* | 2.203/2.170, 1984 |
| FINNBIRCH | 14,059/2,100, 1978 | POLARIS | 7950/610, 1988 |
| FINNFELLOW* | 14,297/1,130, 1973/89 | TRNSBALTICA* | 21.224/2.170, 1990 |
| FINNFOREST | 15,525/2,100, 1978 | TRANSFINLANDIA* | 19.524/2.240, 1981 |
| FINNMAID* | 13,730/1,200, 1972/89 | TRANNORDICA | 8.188/1.268, 1977 |
| FINNMASTER* | 11,839/1,385, 1973 | TRANSRUSSIA* | 8.432/1.048, 1977 |
| FINNMERCHANT* | 21,195/2,170, 1982 | | |


VESSEL TYPES FROM LEFT: ROPAX, COMBI-RORO, RORO AND RAILFERRY

### RAILFERRIES

Railferries are roro vessels equipped with rails on the cargo deck. They can transport 80 loaded wagons or, alternatively, normal roro freight units. The rail gauges in use in Finland and Continental Europe differ by 89 mm. The rails in the railferries conform to the Continental European standard. The axle width of the Group's tailor-made wagons is designed to be modified without unloading the wagons. This operation is carried out in the bogie transfer hall built specially for this purpose in the port of Turku. The crew of the railferries totals 16-18 people.

| | Gross tonnage/Lane metres, Year of delivery |
|---|---|
| RAILSHIP I* | 17,864/1,800, 1975/79 |
| RAILSHIP II* | 20,077/1,950, 1984 |
| RAILSHIP III* | 20,729/1,975, 1990 |

* Owned by the Finnlines Group

### 20 SMALL-TONNAGE VESSELS ON AVERAGE DURING THE YEAR, INCLUDING:

| | Gross tonnage |
|---|---|
| PINTA | 2,200 |
| P-type | 1,522 |
| LADOGA-type | 1,600 |

### OTHER VESSELS

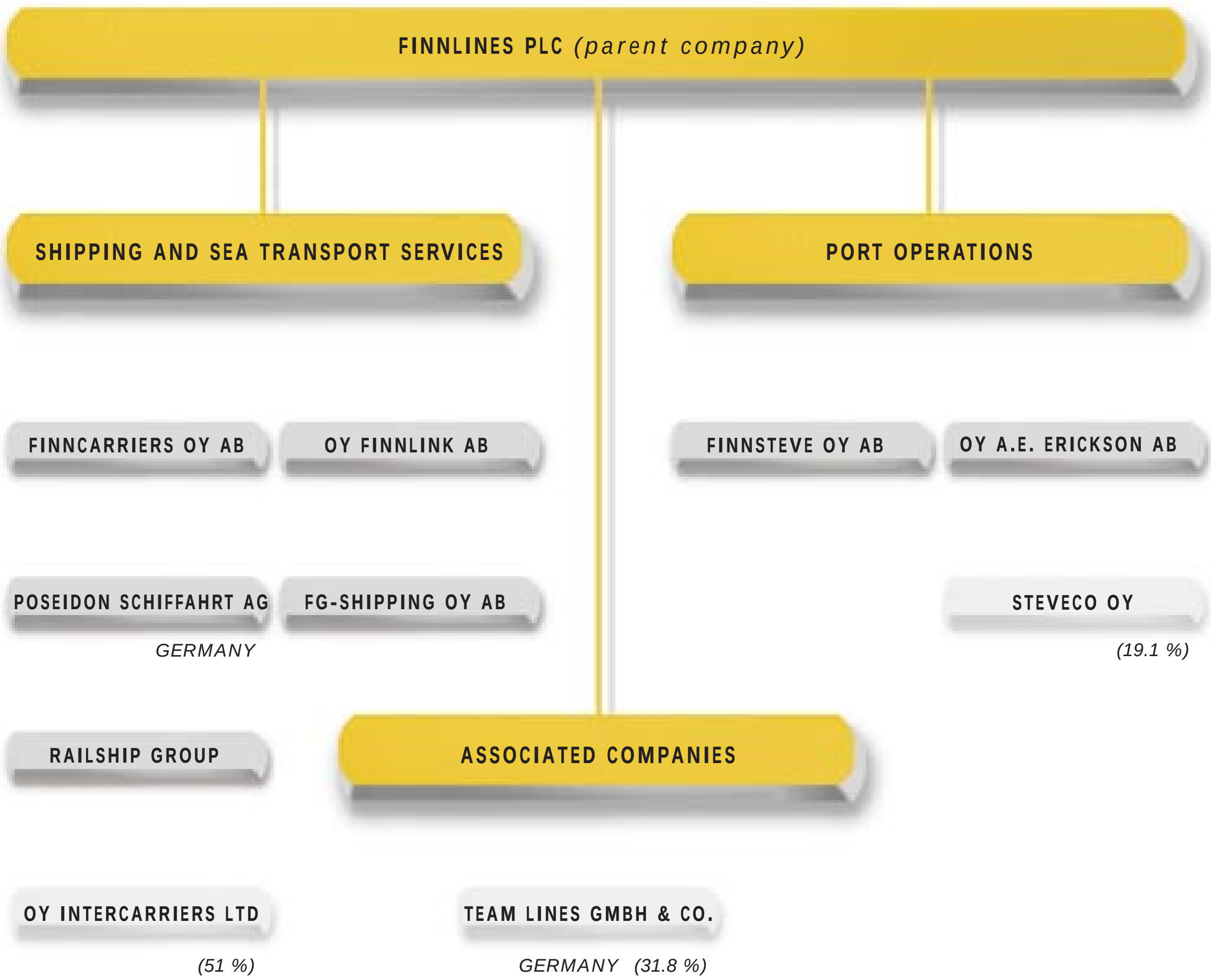
| | Gross tonnage, Year of delivery |
|---|---|
| CAMILLA | 10,085, 1982 |
| CONCORD | 6,994, 1985 |
| FINNFIGHTER | 12,582, 1978 |
| FOREST ATLANTIC | 10,522, 1973/84 |
| MACADO | 6,996, 1985 |
| MEGA | 768, 1974/93 |
| MOTTI | 5,165, 1993 |
| PARA-DUO | 2,826, 1984/92 |
| PARA-UNO | 2,826, 1992 |
| PUHOS | 10,165, 1979/94 |
| TOFTON | 12,409, 1980 |
| WESTON | 12,409, 1979 |

### EXTERNAL VESSELS MANAGED BY FG-SHIPPING

| | Gross tonnage, Year of delivery |
|---|---|
| BOARD | 9,066, 1987 |
| BOTNIA | 9,066, 1987/91 |
| BULK | 9,066, 1987 |
| KALLA | 9,066, 1986 |
| KEMIRA | 5,582, 1981 |
| RAUTARUUKKI | 1,562, 1986 |
| STEEL | 1,562, 1987/91 |
| TASKU | 9,066, 1986 |

66 vessels in service on average.
Altogether 74 vessels in the Group's service or managed by the Group.

## THE FINNLINES GROUP



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