FINNLINES PLC ANNUAL REPORT 2002

Finnlines Plc Annual Report

Information for Shareholders

PUBLICATION OF THE FINNLINES FINANCIAL REPORT AND KEY EVENTS IN 2003

The record date for the Annual General Meeting is 7 March 2003.
Registration for the Annual General Meeting ends on 13 March 2003.
The 2003 AGM will be held on 17 March 2003.
The dividend record date for the proposed dividend distribution is 20 March 2003.
The dividend distribution will begin on 27 March 2003 (as proposed by the Board of Directors).

Interim report January-March 2003	24 April 2003
Interim report January-June 2003	Beginning of August
Interim report January-September 2003	End of October

REGISTRATION FOR THE ANNUAL GENERAL MEETING

Finnlines Plc's Annual General Meeting will be held at 10 a.m. on 17 March 2003 at Rake-Sali, Erottajankatu 4 C, Helsinki. To be entitled to attend the meeting, shareholders are required to be registered in the shareholder register maintained by the Finnish Central Securities Depository Ltd no later than 7 March 2003.

Shareholders wishing to attend the Annual General Meeting are kindly requested to notify the Company no later than by 4 p.m. (Finnish time) on 13 March 2003, either to the postal address Finnlines Plc, P.O. Box 197, FIN-00181 Helsinki, Finland; by telephone +358-10-343 4409; or by telefax +358-10-343 4425.

CHANGE OF ADDRESS

Shareholders are kindly asked to inform their custodian bank of any changes in their contact information.

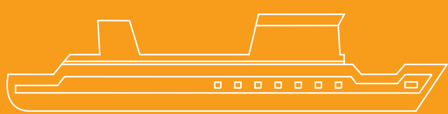
FINANCIAL PUBLICATIONS

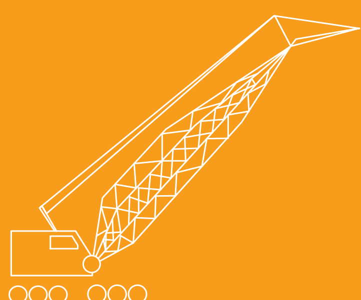
Finnlines Plc's annual report is published in Finnish, English and German. The Company's interim reports and other financial bulletins are published in Finnish and English.

Finnlines also publishes its annual report and other key financial bulletins on the Group's Internet site: www.finnlines.fi

These publications may be ordered from Finnlines Plc's head office:
Finnlines Plc/Corporate Communications
P.O. Box 197, FIN-00181 Helsinki, Finland
telephone: +358-10-343 4402
telefax: +358-10-343 4425
e-mail: info@finnlines.fi

Finnlines in brief

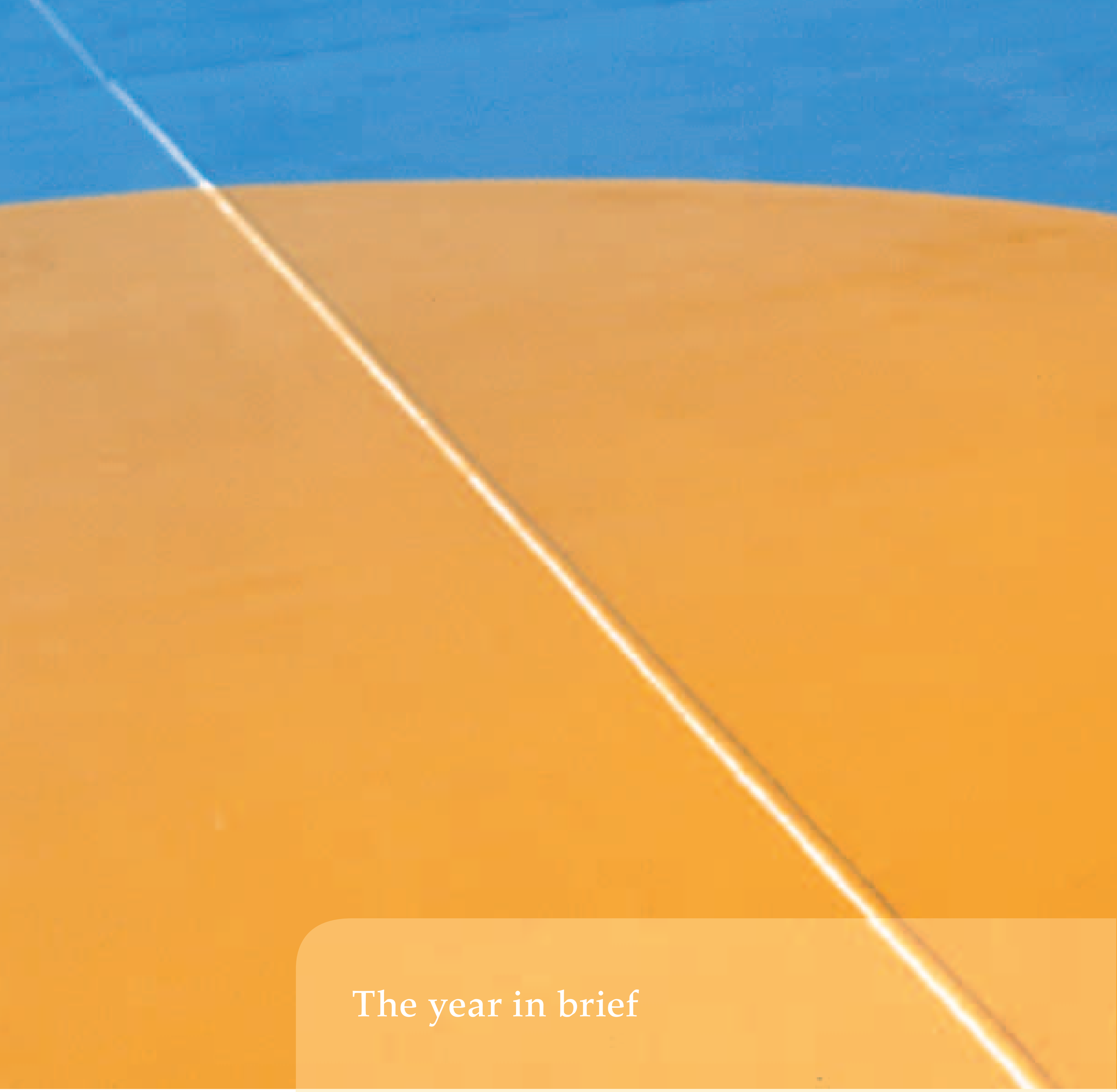




FINNLINES IS ONE OF THE LARGEST EUROPEAN SHIPPING COMPANIES SPECIALISED IN LINER CARGO SERVICES. IN ADDITION TO PROVIDING SEA TRANSPORT SERVICES IN EUROPE, FINNLINES ALSO PROVIDES PORT SERVICES, MAINLY IN HELSINKI AND TURKU IN FINLAND.

THESE TWO CORE BUSINESS AREAS ARE SUPPORTED BY THE GROUP'S OWN INFORMATION MANAGEMENT FUNCTION, WHICH ENSURES EFFICIENT BUSINESS PROCESSES AND PROVIDES CUSTOMERS WITH FLEXIBLE AND EFFICIENT INFORMATION SERVICES. THE FINNLINES FLEET, WHICH CONSISTS OF ROPAX (RO-RO-PASSENGER), RO-RO (ROLL-ON, ROLL-OFF) AND CONTAINER VESSELS, IS SPECIFICALLY DESIGNED FOR CONDITIONS IN NORTHERN EUROPE AND THE BALTIC REGION.

THE COMPANY HAS SUBSIDIARIES OR SALES OFFICES IN GERMANY, BELGIUM, GREAT BRITAIN, SWEDEN, NORWAY, RUSSIA AND POLAND AS WELL AS A WIDE NETWORK OF SALES AGENTS LOCATED THROUGHOUT EUROPE.



The year in brief

FINNLINES 2002	2002	2001
Revenue, EUR million	693	601
Operating profit, EUR million	46	58
Profit before extraordinary items, EUR million	34	46
Earnings per share, EUR	1.52	1.74
Cash earnings per share, EUR	3.95	3.98
Divident per share, EUR	1.50*	1.50
Equity ratio at close of period, %	44	47
Gearing at close of period, %	65	50

*) Board's proposal

The Annual General Meeting of Finnlines Plc re-elected Jukka Härmälä, Antti Lagerroos, Pertti Laine and Thor Björn Lundqvist to the Board of Directors of Finnlines. Two new Board members, Peter Fagernäs and Timo Jouhki, were also elected. Pertti Laine was appointed Chairman and Jukka Härmälä Vice-Chairman of the Board.

In April, Finnlines acquired the Swedish shipping company Rederi AB Nordö-Link from its Swedish owner, MGA Holding Group. In 2001, the revenue of Nordö-Link amounted to approximately SEK 552 million and its operating profit to SEK 123 million. The acquisition price was SEK 615 million. Nordö-Link has provided ro-ro services between Sweden (Malmö) and Germany (Travemünde) since 1982. The company operates three ro-pax vessels. The acquisition strengthens the Group's position in freight traffic between Sweden and Germany, an area in which Nordö-Link has long been one of the biggest operators. The Competition Authorities approved the acquisition in May.

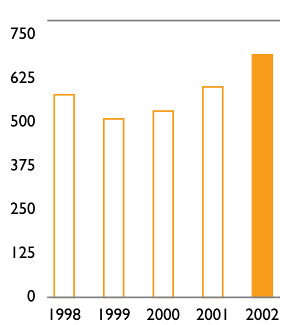
In August, Finnlines sold off its convertible railway wagon equipment and decided to terminate its own door-to-door railway services as part of the Company's increased focus on sea transport services. From the beginning of 2003, the management of railway wagons has been the responsibility of the German company KVG Kesselwagen Vermietgesellschaft mbH, while the Swiss company Ferroviasped Holding AG is responsible for providing railway transport services. Finnlines and Ferroviasped Holding AG have signed a standard agreement on the sea transport of railway wagons. Ferroviasped Holding AG is a subsidiary of the international transport group Kuehne & Nagel. Finnlines vessels on the Turku–Travemünde route continue to transport all kinds of unitised cargo in addition to railway wagons.

During the autumn, Finnlines carried out a re-arrangement of its traffic services in order to increase the effectiveness of the Company's overall concept. At the beginning of the year 2003, MS Finnarrow, which operated on the FinnLink route between Finland and Sweden, was assigned to the Nordö-Link fleet, while MS Finnclipper was removed from the route between Finland and Germany to operate alongside its sister vessel, MS Finneagle, on the route between Finland and Sweden. Finnlines is looking for a ropax vessel to replace the Finnclipper in order to meet next summer season's transport needs.

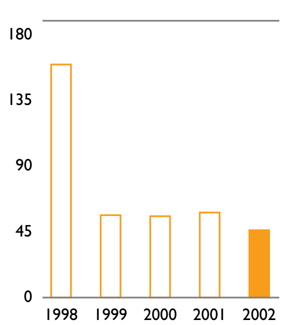
During the year under review, the Group engaged in an extensive overhaul of its financial management systems. This overhaul increased the workload of Finnlines' employees beyond their normal daily duties. The renewal of the systems will continue until the end of 2003, when the whole Group is expected to operate within the same management system framework.

At the beginning of 2002, both economists and the export industry believed that the economy would recover by the end of the year. This prognosis turned out to be too optimistic: market conditions remained poor in several industry sectors throughout the year. On the basis of predictions made at the beginning of the year, Finnlines decided to maintain its overall capacity and service level unchanged in order to prepare for the predicted improvement in market conditions. As a result of this decision, as well as due to the considerable fluctuation in fuel prices during the period under review, the Company's expenditure level was too high in comparison with transport volumes.

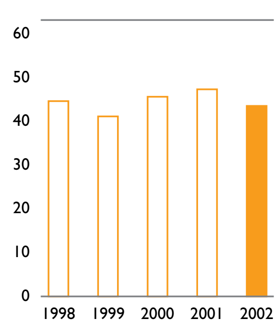
REVENUE, MEUR



OPERATING PROFIT, MEUR



EQUITY RATIO, %



Business concept, goals and values

BUSINESS CONCEPT

Finnlines promotes international commerce by providing efficient transport and port services mainly to meet the requirements of European industrial, commercial and transport sector companies.

Finnlines is one of Europe's leading freight shipping companies. The Company possesses highest know-how and most advanced services in the sector.

FINANCIAL GOALS

Finnlines' principal financial objectives are to guarantee long-term profitability, generate the highest possible return on the capital invested by the Company's owners and maintain a healthy capital structure. A strong balance sheet will assist the Company in withstanding business risks and economic fluctuations in the sector. It also enables controlled growth and development as well as exploitation of emerging business opportunities.

The Board of Directors bases its annual dividend proposal on the Company's financial performance, its outlook for the future, and its investment and development needs.

STRATEGIC GOALS

MAINTAINING THE COMPANY'S MARKET POSITION IN FINLAND-RELATED TRAFFIC

A STRONGER POSITION IN RUSSIAN FREIGHT TRAFFIC

- leading shipping company in transit traffic
- active development and marketing of direct transport routes between Central Europe and Russian Baltic ports

A STRONGER POSITION IN NON-FINLAND-RELATED TRAFFIC IN THE BALTIC SEA AND THE NORTH SEA AREA

INCREASED PROFITABILITY

- through improved productivity
- through more efficient operational management and information technology
- through efficient management of environmental and safety issues
- through a highly-skilled personnel

VALUES

1. CUSTOMER SATISFACTION

Our customers choose us because of our competence and expertise. Satisfied customers are the basis for Finnlines' enduring success. By identifying customers needs, Finnlines will be able to continuously develop its service products and generate concrete added value for its customers.

2. PROFITABILITY

We achieve our objectives. Through the quality of our business operations, we are able to guarantee long-term profitability and generate added value. Confidence in the Company is based on our ability to generate a steady growth in profits, which in turn creates the conditions necessary for increased share value and an attractive dividend policy.

3. RESPONSIBILITY

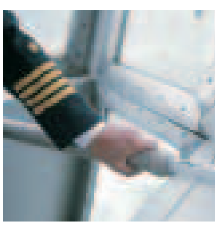
We adhere to the principles of sustainable development. Environmental responsibility forms part of our Company's everyday operations. We take safety issues into consideration in all our operations.

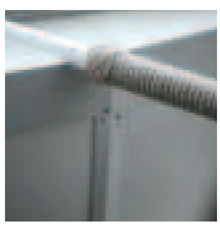
4. EMPLOYEE SATISFACTION

Finnlines is a reliable and motivating employer that treats its employees with fairness and equality.

Finnlines' 55 years

FINNLINES HAS MAINTAINED A VITAL BRIDGE TO EUROPE FOR FINNISH EXPORTERS AND IMPORTERS FOR HALF A CENTURY. DURING THE PAST TEN YEARS, THE GROUP HAS CONCENTRATED ON DEVELOPING AND STRENGTHENING ITS CORE BUSINESS OPERATIONS WHILE ACTIVELY DETACHING FROM BALANCE SHEET ITEMS UNRELATED TO THESE OPERATIONS.





Finnlines 1947–1988

Oy Finnlines Ltd was founded in 1947 for the purpose of managing the vessels and traffic of Merivienti Oy, a company owned by the Finnish forest industry and trade sector. The following year the Company started liner services to the United States with a fleet consisting of three old steam boats. Finnlines provided liner services to the United States until 1976.

In 1955, Finnlines initiated its traffic services to Europe by opening a route between Finland and Great Britain. Traffic services between Finland and Germany were started in 1962 with the introduction of a new ship, the Hansa Express. Passenger vessels MS Finnhansa and MS Finnpartner started operating the route in 1966. In addition to transporting passengers, the vessels provided an ideal sea route to meet the needs of the rising volume in truck and lorry traffic. Finnlines' own passenger traffic services in the Baltic Sea were terminated in 1986, when Enso-Gutzeit sold off its last passenger vessel, the Finnjet, to Effoa. Finnlines also operated cruise ships in the Mediterranean during 1965–1980.

In 1975, Finnlines and its rival FÅA (later known as Effoa) established a jointly owned marketing company, Oy Finncarriers Ab, which took over the Baltic Sea and the North Sea freight traffic services formerly handled by Finnlines and Effoa.

Finnlines was a partially or fully owned subsidiary of Enso-Gutzeit until 1982, when Enso sold off 75 per cent of Finnlines to other Finnish industrial companies. At the same time, Enso sold off all of its vessels operating in Finncarriers traffic to Effoa and Neste Oy and relinquished its ownership of Finncarriers, which became a fully owned subsidiary of Effoa.

Finnlines 1989–2002

Effoa incorporated its share in the Railship railferry company (40 per cent), the Satama Stevedoring Group (which consisted of the companies Finnish Stevedores Oy, Oy A.E.Erickson Ab and Oy Turku Shipping Ltd among others), as well as its share in Kantvikin Satama Oy (60 per cent ownership) and Huolintakeskus Oy Ab (45.5 per cent) into the operations of its subsidiary Finncarriers Oy Ab. Effoa decided to separate its freight traffic services from the rest of the company's operations. In the spring of 1989, Effoa offered its shareholders shares in Finncarriers Oy Ab instead of carrying out a dividend distribution. After a series of mergers, diffusions and name changes, the Finnlines Group Oy Ab consortium was born. Its subsidiaries included Finncarriers Oy Ab which was in charge of the Group's freight traffic, ship management company FG-Shipping

Oy Ab, Satama Stevedoring Group (later known as Finnsteve), Kantvikin Satama Oy and Strömsby-Invest Oy Ab, as well as a 40 per cent share in the Railship railferry company and a 45.5 per cent share in Huolintakeskus Oy Ab. This new Finnlines was listed on the Helsinki Exchanges on 2 July 1990.

Acquisition of Bore Line

At the beginning of the 1990s, Finnlines acquired its domestic rival Oy Bore Line Ab from Oy Rettig Ab. At the same time, Rettig became a 10 per cent shareholder in Finnlines. The business operations of Bore Line were incorporated into Finncarriers in 1992.

Swapping Huolintakeskus for Poseidon

In 1995, Finnlines acquired the remainder of Huolintakeskus' shares. The same year the company was sold to the Bilspedition Transport Logistics (BTL) Group in exchange for a directed share issue in which Finnlines acquired 16.5 per cent of BTL. Finnlines continued to purchase BTL shares in 1995 and 1996, ending up with 35 per cent of the group's shares and approximately 50 per cent of its voting rights. In the autumn of 1997, Finnlines exchanged this holding for shares in its long-term partner, the German shipping company Poseidon Schiffahrt AG, through a sale and purchase agreement with Stinnes AG. Currently this company is Finnlines' German subsidiary Finnlines Deutschland AG, the backbone of Finnlines' operations in Germany.

Relinquishing Railship operations

As a result of the acquisition of Poseidon Schiffahrt AG, Railship AG also became a subsidiary of Finnlines. In order to improve the company's profitability, Railship traffic services were moved from Hanko to Turku. In 2002, Finnlines sold off its entire railway wagon equipment. The vessels which operated on Railship's traffic routes currently provide liner services from Turku, transporting customers' railway wagons in addition to other unitised cargo.

Becoming a container feeder operator

As a result of BTL/Poseidon deal, Finnlines became a 31.8 per cent shareholder in Team Lines, a container feeder shipping company. In 2001, Finnlines bought the rest of Team Lines shares, making the company a fully owned subsidiary of Finnlines. Team Lines is one of the largest container feeder shipping companies in Northern Europe.

Detaching from land areas in Kantvik

In 1997, Finnlines and the City of Helsinki signed a preliminary agreement on the exchange of land areas. As a result of the agreement, Finnlines acquired construction rights in Kamppi, entitling the Company to build approximately 8,500 m^2 of office facilities in the heart of Helsinki. In exchange for these rights, Finnlines relinquished its ownership of land areas in Kantvik in Kirkkonummi, which it had obtained through its subsidiary Strömsby-Invest Oy Ab.

Return to passenger traffic services

In the mid-1990s, Finnlines made a small-scale re-entry into passenger traffic services between Finland and Germany when the Company invested in four new generation ro-ro/passenger vessels. Later in the 1990s, Finnlines bought two new vessels each having a passenger capacity of approximately four hundred berths. In 2002, the Finnlines fleet provided a total of some 1,000 passenger berths on its vessels.

Reducing the number of companies and product names

At the beginning of 2001, Finnlines' subsidiary and sea transport operator Finncarriers Oy Ab, and the ship management and technology company FG-Shipping Oy Ab, were incorporated into the parent company. The Group's port operations companies, Oy Finnsteve Ab and Oy A.E.Erickson Ab, were merged into a single company under the name of Finnsteve, which continues to provide port and stevedoring services mainly in Helsinki and Turku.

Entry into the traffic between Sweden and Finland

In 1989, some of Finnlines' shareholders established a new company, Oy Finnlink Ab, for the purpose of transporting lorries and railway wagons between Finland and Sweden. Finnlines initially owned 15 per cent of the company's shares. Finnlines became the company's sole owner by 1997. Its railferry traffic was terminated and its services were concentrated on the Naantali–Kapellskär route. FinnLink's business operations are based on short distance, high frequency traffic, which is focused on serving freight customers. FinnLink is the market leader in freight traffic services between Finland and Sweden.

Entry into the traffic between Sweden and Germany

In 2002, the Swedish company Nordö-Link AB, one of the biggest freight traffic operators between Sweden and Germany, was acquired to the Finnlines product family.

Chief Executive Officer's review

I WOULD LIKE TO EXTEND MY THANKS ESPECIALLY TO OUR CUSTOMERS AND BUSINESS PARTNERS FOR THE CONSTRUCTIVE CO-OPERATION AND CONFIDENCE YOU HAVE SHOWN TOWARDS OUR SERVICES. I WOULD ALSO LIKE TO THANK OUR SHAREHOLDERS FOR THE APPRECIATION YOU SHOW TOWARDS OUR COMPANY. FINNLINES' EMPLOYEES DESERVE WARM THANKS FOR THE GOOD WORK YOU HAVE DONE UNDER DIFFICULT MARKET CONDITIONS.

One of Finnlines' most important strategic objectives is to strengthen its position in non-Finland-related traffic in the Baltic Sea and North Sea areas. With this objective in mind, Finnlines acquired the Swedish shipping company Nordö-Link in the spring 2002. The acquisition of Nordö-Link, an efficient liner traffic operator specialised in the transport of freight between Sweden and Germany, was an excellent contribution to the Finnlines concept.

The acquisition of Nordö-Link also allows the Group to better optimise the use of its vessels. At the beginning of this year, MS Finnarrow was assigned to the Nordö-Link fleet to replace a smaller and older vessel which had been chartered from outside the Group. At the same time, MS Finnclipper was assigned to the FinnLink route between Finland and Sweden to operate alongside its sister vessel, MS Finneagle, as had been originally intended when these two vessels were acquired in 1999.

The development of a capital-intensive company like Finnlines is a long-term effort. During these past years, the Group has concentrated on developing and strengthening its core business operations. When the new Finnlines was established in 1989 (see p. 6), its owners at the time transferred all the freight traffic related balance sheet items over to the new company. After some ten years of active work we have been able to detach ourselves from balance sheet items not related to Finnlines' core business operations. The last of these items involved relinquishing the Group's Railship operations when selling the railway wagon equipment during the summer. The Railship vessels currently operate as ro-ro vessels on the route between Turku and Travemünde, transporting all types of unitised cargo including customers' railway wagons.

For approximately half a century, Finnlines has maintained a vital bridge to Europe for Finnish exporters and importers using its efficient and modern fleet. Regular high frequency traffic between Finland and the rest of Europe will continue to be the foundation of Finnlines' operations as well as the object of active development work. A modern, ice-strengthened fleet designed to withstand conditions in Northern Europe guarantees uninterrupted liner traffic services even in the coldest and iciest of winters which – as we have seen this winter – still occur at regular intervals despite the claimed effects of global warming.

A year ago it was generally believed that the European economy would recover during 2002. However, this did not happen. Forcasting developments in the global economy during 2003 has become increasingly difficult due to the threatening situation in the Middle East. Germany, an important trading partner for the Finnish economy, finds itself in a deepening economic crisis. No helpful nudge can be expected from the rest of Europe either.

Given the circumstances, the Group's operative result for the year under review may be considered satisfactory, although with the benefit of hindsight we can now say that Finnlines prepared for the year with a slight overcapacity. We have adjusted our vessel capacity for this year to better meet existing demand levels, as any speedy recovery of the economy does not seem likely in the near future. If volumes remain at around last year's levels, Finnlines' financial result for this year is expected to improve in comparison with the previous year as a result of the structural reforms and other arrangements carried out.

I would like to extend my thanks especially to our customers and business partners for the constructive co-operation and confidence you have shown towards our services.

I would also like to thank our shareholders for the appreciation you show towards our Company. Finnlines' employees deserve warm thanks for the good work you have done under difficult market conditions.

January 2003

Antti Lagerroos

Business operations

FINNLINES HAS TWO MAIN BUSINESS AREAS: SHIPPING AND SEA TRANSPORT SERVICES AND PORT OPERATIONS. THESE TWO CORE BUSINESS AREAS ARE SUPPORTED BY THE GROUP'S OWN INFORMATION MANAGEMENT, WHICH ENABLES EFFICIENT BUSINESS PROCESSES AND PROVIDES INFORMATION SERVICES TO FINNLINES' CUSTOMERS.

Business environment

Finnlines' business areas include the Baltic Sea, the North Sea and the Bay of Biscay. Sea transport is vital to Finland's foreign trade. In the case of processed products, modern, frequent and regular liner traffic services are especially important. This fact has been at the heart of Finnlines' business operations for 55 years. Over the past three decades, the volume of Finnish sea transport activities has more than tripled. In the past few years, the Group has sought out new business areas in the southern Baltic Sea area and growth has been focused mainly on non-Finland-related ro-pax and container traffic operations.

In Europe, the volume of unitised cargo transports has grown especially vigorously during the last decade. The latest development trend seems to indicate that as the importance of tax free trade decreases in the EU zone, the number of combination vessels able to carry passengers in addition to general cargo is set to increase in those operating areas where a demand for passenger transports exists alongside the demand for freight transports. At the same time, however, the need for ro-ro freight vessels will continue on the routes involving so-called industrial ports.

International shipping is continuously subject to intense competition. The competition and unfavourable market conditions have maintained freight prices at a low level. In Finnlines' business areas, the importance of Central European countries and especially Germany, Finland's largest export country, has increased. During the year under review, Germany suffered from the global downturn which greatly affected the country's export and import volumes. The country's economic difficulties were clearly visible in Finnish export volumes, in which Germany's relative share decreased. The Russian market, which displayed strong growth, proved to be a positive exception.

The Finnlines fleet

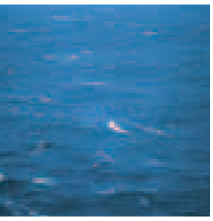
The Finnlines Group maintained an average of 80 vessels in service in 2002, consisting mainly of ro-ro freight vessels, ro-ro/passenger vessels and container vessels. At the beginning of 2003, the total capacity of the ro-ro vessels in liner service was approximately 75,000 lane metres. The capacity of the container fleet was approximately 6,050 TEU. The Group's fleet has an average age of about 11 years. The Group owns 18 of the ro-ro vessels, which is equal to over 50 per cent of its ro-ro capacity. The Group's own vessels are also under its own management. At the end of the year, the Group also had management agreements for ten vessels owned by different industrial companies external to the Group which were used for handling these companies' own traffic.

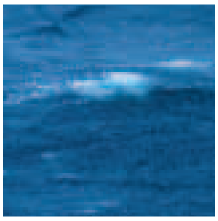
Operating areas

Finnlines' route network covers all major Finnish ports as well as approximately 30 ports abroad. In 2002, the Group provided approximately 100 weekly departures from ports in Finland. The Group's main general cargo traffic ports in Finland are Helsinki, Turku and Naantali. The Group's other main liner traffic ports in Finland are Kotka, Hamina, Hanko, Rauma, Uusikaupunki, Oulu and Kemi. Finnlines' ro-ro liner traffic ports in Sweden are Kapellskär and Malmö. In Germany, the Group's main port is Lübeck/Travemünde, which is the most important port for both the Finnish and Swedish routes. The main ports for the Group's feeder container traffic (Team Lines) are Hamburg and Bremerhaven, which are used as a base for managing traffic services to and from several different ports in the Baltic Sea area.

Shipping and sea transport services

FINNLINES' SHIPPING AND SEA TRANSPORT SERVICES INCLUDE THE GROUP'S BALTIC SEA, NORTH SEA AND BAY OF BISCAY TRAFFIC, FINNLINK AND TEAMLINES TRAFFIC, AND AS OF 1 JUNE 2002 ALSO THE NORDÖ-LINK TRAFFIC. IN 2002, THE BUSINESS DIVISION'S REVENUE AMOUNTED TO MEUR 629 AND ITS PERSONNEL AT THE END OF THE YEAR TOTALLED 1,205 EMPLOYEES.





Finnlines services

Finnlines offered regular ro-ro liner services in the Baltic Sea between Finland and ports in Central Europe and Scandinavia, in the North Sea between Finland and ports in Great Britain, Belgium and the Netherlands, as well as between Finland and the Bay of Biscay. In 2002, Finnlines also provided Railship railferry traffic between Finland and Germany. The Group also provided door-to-door and terminal services based on its customers' needs.

Finnlines maintained an average of 50 vessels in service during the year. At the beginning of the year, two new time-chartered ro-ro vessels were added to the fleet. The fleet was reduced by two vessels as a result of a sales transaction and two vessels due to the conclusion of time-charter periods.

At the beginning of the period under review, the joint North Sea traffic operations with United Baltic Corporation Limited was terminated. Finnlines acquired full ownership of Finanglia Ferries Ltd, a marketing company in which it had previously been a 50 per cent shareholder. This company is currently in charge of marketing Finnlines products under the name Finnlines UK Ltd.

At the beginning of the year, Finnlines introduced one ro-ro vessel to provide transport services on the route between Hull (Great Britain) and Gdynia (Poland). These business operations proved to be unprofitable and were terminated in July. In April, Finnlines also terminated the unprofitable route between Kiel (Germany) and Riga (Latvia), which had been operated as a single-vessel route since 2001.

During the year under review, Finnlines was still responsible for the marketing, operation and administration of F-Ships traffic as a general agent. F-Ships operations as well as its Baltic Sea barge traffic services will be terminated during spring 2003.

TransRussia Express services

Finnlines provided transport services between Kiel (Germany) and St. Petersburg (Russia) under the name TransRussia Express. The three vessel-service was operated three times a week. One of the vessels was paying a visit to Kaliningrad once a week. From the beginning of 2003, the services in Germany were transferred to the port of Lübeck in order to increase operational efficiency. The traffic was operated jointly with a Russian company Baltic Transport Systems (BTS), which owned 25 per cent of this traffic.

FinnLink services

FinnLink continued to offer six daily departures between Naantali (Finland) and Kapellskär (Sweden) with three ro-pax vessels. The fast connection and schedule of this service, tailored to the needs of the freight customers, have maintained the competitiveness of the route. Although overall traffic volumes remained at last year's level, FinnLink's transport volumes increased and its market share rose clearly above 40 per cent.

From the beginning of June, small-scale passenger traffic services were introduced on the route's morning departures. The aim of this measure was mainly to attract touring car and caravan passengers and prepare for the structural changes expected to affect tax free traffic in the coming years.

At the beginning of 2003, MS Finnarrow, which formed part of the FinnLink fleet, was assigned to the Nordö-Link route between Finland and Germany. MS Finnarrow was replaced by MS Finnclipper, the sister vessel of MS Finneagle, which already operated on the route between Finland and Sweden. Both vessels have a maximum passenger capacity of 440. However, to-date passenger services have been offered on a limited scale.

Nordö-Link services

In April, Finnlines acquired the Swedish shipping company Rederi AB Nordö-Link from its Swedish owner, MGA Holding Group. Nordö-Link has provided ro-ro services between Sweden (Malmö) and Germany (Travemünde) since 1982. The company operates three ro-pax vessels providing three daily departures from both directions. From the beginning of 2003, MS Finnarrow was assigned to the Nordö-Link fleet, replacing one time-chartered and considerably smaller vessel. Mainly as a result of the recession in Germany, the overall volume of freight traffic between Sweden and Germany decreased during the year under review in comparison with the previous year. Nordö-Link was nonetheless able to maintain its strong market position, which is based on its efficient service concept tailored to meet freight transport needs.

Team Lines services

Under the name Team Lines, Finnlines provides regular container traffic services mainly from Hamburg and Bremerhaven to approximately twenty different ports in the Baltic Sea area. The company's operating areas are Norway, Denmark, Sweden, Finland, Russia, Latvia, Lithuania and Poland. The company's vessels visit the traffic ports from one to three times a week. Team Lines maintained 22 container vessels in service during the year. The vessels' capacity ranged between 220 and 658 TEU. Team Lines is one of largest container feeder operators in the Baltic Sea area, and its main customers are the transatlantic shipping companies. During 2003, four new time-chartered container ships with a capacity of over 800 TEU will be chartered into the Team Lines fleet. Some smaller and older container ships will accordingly be removed from the fleet.

Other traffic operations

Small-tonnage traffic services were provided through Oy Intercarriers Ltd (Finnlines' holding 51 per cent), mainly between ports in Finland as well as some inland ports in Russia and ports in Scandinavia, continental Europe, Great Britain and the Bay of Biscay.

Finnlines acted as the main agent in Finland for both the Swedish company Svenska Orient Linien AB and the Greek company Scan Orient Shipping Co. Ltd in the eastern Mediterranean traffic. These operations are marketed under the name Sol-Niver Lines. The Group also acts as a general agent in Finland for a Polish POL-Levant Shipping Lines Ltd in its traffic services to the eastern Mediterranean.

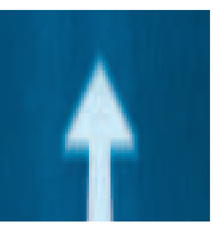
Passenger services

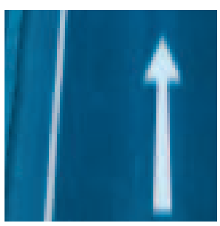
During 2002, Finnlines provided accommodation for passengers unrelated to its freight operations on five ro-ro passenger vessels operating on the route between Helsinki and Travemünde. The overall passenger capacity of these vessels totalled approximately 1,000 berths. Passengers travelling between Finland and Germany totalled some 90,000. This figure includes cargo related passengers. On the route between Finland and Sweden, Finnlines has mainly provided transport services to passengers related to its freight operations. In 2002, these passengers totalled over 97,000. At the beginning of the year, MS Finnclipper was removed from the route between Finland and Germany and reassigned to the route between Finland and Sweden.

A private travel agency, Nordic Ferry Center Oy, is responsible for the sales and marketing of Finnlines' passenger services.

Port operations

FINNLINES GROUP ENGAGED IN PORT OPERATIONS UNDER THE NAME FINNSTEVE IN THE HARBOURS OF HELSINKI, TURKU, NAANTALI AS WELL AS IN THE INDUSTRIAL PORT OF KANTVIK. IN TERMS OF GENERAL CARGO AND LINER TRAFFIC SERVICES, HELSINKI, TURKU AND NAANTALI ARE FINLAND'S MOST IMPORTANT PORTS.





Finnsteve is Finland's leading port operator when it comes to general cargo traffic. The company is specialised in providing services to operators of regular and planned unitised cargo traffic: stevedoring, terminal services, ship clearance as well as warehousing and container depot services. Finnsteve's customers include all companies that import or export unitised goods to or from Finland, companies involved in the aforementioned transport chains, as well as companies which operate in the transit traffic sector.

In 2002, Port Operations generated a revenue of EUR 95 million and employed an average of 891 people. The port operations revenue figure also includes the Group's stevedoring and terminal operations in the port of Oslo, which are carried out under the name of Norsteve A/S.

A total of 1,057,564 (1,020,275) units or more than 10.7 (10.6) tons of freigth passed through the Port of Helsinki.

A total of 465,563 (463,163) units passed through the Port of Turku, which is equivalent to 3.5 (3.7) million tons of freight.

Finnlines concentrated all its ro-ro traffic on the Port of Sompasaari in Helsinki following the re-direction of its Polfin traffic away from the West Harbour in Helsinki in April. Focusing on a single ro-ro port enabled the company to speed up the handling of its customers' cargo units and increase the efficiency of its haulage and terminal operations.

Helsinki has begun the construction of a new port in Vuosaari, which is expected to be completed in 2008. Finnlines participates actively in the port's operational planning.

Information system development

Sea transport services

During the year, Finnlines launched a new extranet service enabling its contract customers to place cargo space orders on the Internet, monitor unit movements in real-time and, in the future, obtain images taken at the time of the cargo units' gateway registration.

This new extranet service can also be used by companies that transmit their information in the traditional EDI format, for example if they want to make use of the track & trace service. The extranet service enables the management of unitised cargo information on the routes between Helsinki, Turku and Lübeck/Travemünde, and it is based on a gateway model developed by Finnlines.

The gateway model is based on Finnlines assuming overall responsibility for the transport of a freight unit from the moment that the unit has been registered as having arrived at the gateway of the port of departure. Finnlines receives all the information related to the freight unit's movements at the loading and unloading ports from its own business units or subcontractors. This information is made available to the customer through an Internet-based monitoring system. In addition, Finnlines has also developed its own ro-ro vessel cargo planning system, which can be used to handle the arrival notification of customers' freight units automatically. This information is also available on the extranet service. In Germany, Finnlines also uses a similar extranet system for handling vehicles' cargo space orders.

Port operations

Finnsteve has developed and introduced an information transmission scenario service for its port operations customers aimed at improving transport compatibility. The solution is designed to increase the efficiency of the entire transport chain through the use of automatic information transmission. This also involves the provision of new Edifact message transmission services for the customers.

During the year under review, Finnsteve has also launched electronic invoicing projects together with its customers.

A new estimation programme was introduced to assist the management of Finnsteve's container warehousing services. The repair estimates for empty containers are produced electronically. Customers' repair instructions have been integrated into the system. This makes it possible to connect customers to the systems through message transmission.

FIPS, the production planning system for port operations, has been updated. The more advanced version of the system is better able to meet the future requirements. The objective of this development work is to achieve better customer relationship management and more effective production planning. The system consists of the following components: resource management including route and resource status information, a unitised cargo management system and port operation processes including customer specifications. The final targets are an end to the use of paper documentation and the simplification of the cargo management chain.

Financial management systems

During the year, Finnlines started an overhaul of its financial management systems (FINA). The project is very extensive and is aimed at establishing a standardised financial management system for the whole Group. The overhaul targeted internal and external accounting, the accounts payable and receivable, the purchase order system as well as reporting systems. In addition, the Company introduced an electronic purchase order handling system. The majority of the system's modules were simultaneously introduced during the year in both Finland and Germany. All the aforementioned system updates will be carried out phase by phase throughout the Group by the end of 2003.

Electronic connections and infrastructure

The improvement of electronic information transmissions in the Finnlines logistics chain was one of the focuses of the year. In this sector, the Company has concentrated on electronic information transmission.

Finnlines is updating and dublicating the telecommunication connections between its different offices. This project was initiated in the autumn of 2002 involving telecommunication connections between Finland and Germany.

Responsible business operations

FINNLINES' OBJECTIVE IS TO GUARANTEE LONG-TERM PROFITABILITY THROUGH HIGH-QUALITY BUSINESS OPERATIONS. THERE IS A STRONG LINK BETWEEN RESPONSIBLE OPERATING PROCEDURES AND FINANCIAL SUCCESS. HIGH QUALITY IS BASED ON SUSTAINABLE DEVELOPMENT, WHETHER IT CONCERNS FINANCES, THE ENVIRONMENT, SAFETY ISSUES OR PERSONNEL. FINANCIAL RESPONSIBILITY IS THE CORNERSTONE OF RESPONSIBLE BUSINESS OPERATIONS. IF THE FINANCIAL PERFORMANCE IS POOR, IT WILL BE INCREASINGLY DIFFICULT TO ASSUME RESPONSIBILITY FOR OTHER MATTERS.

Environmental report

Environmental issues are an important part of Finnlines' social responsibility and risk minimisation efforts. Thanks to Finnlines' environmental management system, its annual objectives and its environmental impact assessments, our customers can be certain that the services we provide are safe and environmentally friendly. Finnlines is committed to continuously reducing the detrimental environmental consequences of its operations, while at the same time taking safety and financial aspects into consideration. The Group emphasises the importance of continuous, long-term development in its environmental activities.

The development of new technologies creates new opportunities for reducing the environmental impact of our corporate operations. Therefore the correctly-timed adoption and implementation of new technologies is important not only for the environment, but for financial performance as well. Finnlines' environmental policy is based on advanced competence and understanding of the environmental impact of corporate operations as well as of the different ways to reduce their detrimental effects.

Environmental policy

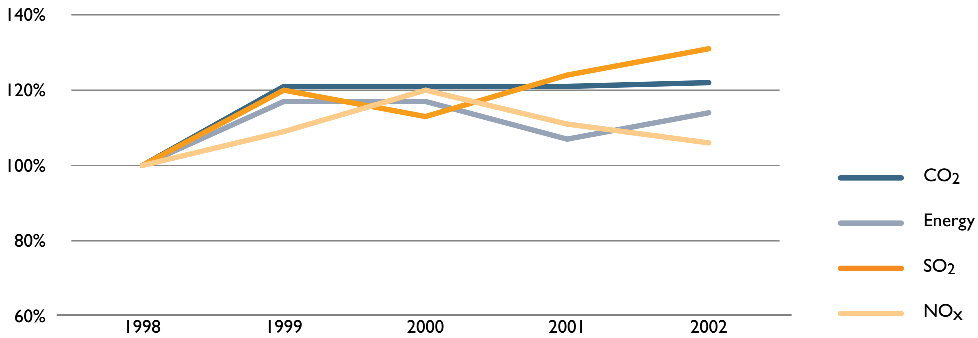
Finnlines' environmental policy defines the goals and principles underlying the Company's environmental protection activities. The Company's objectives in environmental matters are the following:

- to rank among the leading companies in its industry regarding focus on the environment
- to provide safe, top-quality services while taking into account the environmental impact of these services in every aspect of the Company's operations
- to use natural resources responsibly.

This means that Finnlines

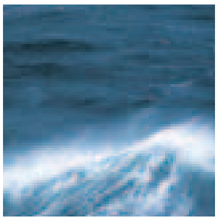
- places high priority on the environmental aspects of its operations in keeping with the requirements of sustainable development
- observes existing environmental legislation unconditionally
- continuously focuses on environmental and safety matters
- integrates environmental programmes and operations into its management system
- seeks to continuously improve its environmental programmes while considering the needs of technical development, its customers and partners, as well as the demands imposed by society
- trains its employees and encourages them to be environmentally responsible
- prepares contingency plans for accidents that involve environmental risks
- promotes environmental responsibility in sea transport and port operations in general and follows developments in this field
- insists that its suppliers and subcontractors comply with the same environmental requirements
- promotes environmental awareness both within the Company and outside it
- is committed to the 1996 Business Charter for Sustainable Development by the International Chamber of Commerce
- regularly benchmarks the results of its environmental efforts.

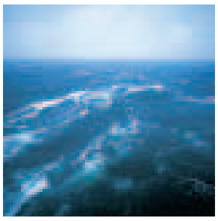
DEVELOPMENT OF NITROGEN OXIDE, SULPHUR OXIDE AND CARBON DIOXIDE EMISSIONS, AND THE ENERGY CONSUMPTION OF RO-RO TRAFFIC VESSELS IN RELATION TO TRANSPORT PERFORMANCE



Environmental report (continues)

WE ADHERE TO THE PRINCIPLES OF SUSTAINABLE DEVELOPMENT. ENVIRONMENTAL RESPONSIBILITY FORMS PART OF OUR COMPANY'S EVERYDAY OPERATIONS. WE TAKE SAFETY ISSUES INTO CONSIDERATION IN ALL OUR OPERATIONS.





Organisation and system

Finnlines Plc and its German subsidiary Finnlines Deutschland AG have certified environmental management systems based on the ISO 14 001 standard. In 2002, the ship management of Finnlines Plc were integrated into the certified systems. All Finnlines vessels have been certified in accordance with the International Safety Management (ISM) code. In addition, six vessels have also been awarded the ISO 14 001 certificate.

The Board of Directors of Finnlines reinforces the objectives and guidelines for the Company's environmental policy and environmental work. The President and CEO bears practical responsibility for the Group's environmental management activities. The President is assisted in this task by the Group's Environmental Manager. Finnlines' subsidiaries have their own environmental management systems and they operate in accordance with the Group's environmental policy.

Environmental and safety managers are responsible for Finnlines' environmental and safety management systems, preventive measures and reporting systems. Each of the Group's vessels has an environmental organisation, headed by the master of the vessel, who is responsible for the operative environmental and safety measures adopted on board. Finnlines provides both general and task-specific training in environmental and safety issues as part of the personnel training programme.

Legislation

The International Maritime Organisation (IMO) manages international legislation on safety and environmental matters. The MARPOL 73/78 Convention contains, among other things, regulations on the disposal of waste matter and sewage water into the sea. Maritime safety matters are regulated through the so-called SOLAS agreement. The vessels are regularly inspected and audited by the relevant maritime authorities and certification institutions.

In addition to IMO regulations, the EU has issued directives on shipping, and the HELCOM agreement on the protection of the Baltic Sea area obliges that vessels dispose of their oil-based waste materials at Baltic Sea ports and harbours. From the beginning of 2003, this obligation will be extended to all types of waste matter. For several decades now, Finnlines has disposed of its waste materials on land through its own independent contracts with waste management companies.

The Company's port operations comply with Finnish national legislation. By the end of 2003, all sea ports must apply for an environmental license. In the majority of the ports used by Finnlines, the application process is already underway.

Stakeholders

In environmental and safety matters, Finnlines' most important stakeholders are the relevant authorities, the customers, shareholders and subcontractors, as well as the inhabitants of harbour and fairway areas. Finnlines, together with the local port authorities, maintains a constant dialogue with people living in the vicinity of harbour areas. In terms of environmental and safety issues, the Group's most important subcontractors are shipowner companies and port operators. A significant number of these shipowners and port operators have been awarded the ISO 14 001 certificate.

Safety

Safety is Finnlines' most important environmental issue. To avoid accidents, the Company performs risk analyses, emphasises safety in operational procedures, and engages in the continuous training and professional development of the personnel. All of the vessels in Finnlines' operations have been certified in accordance with the international ISM safety and environmental management code. In January 2003, the Group's ropax vessels were equipped with a so-called maritime black box system known as a VDR (voyage data recorder), which records information during a vessel's voyage. The VDR system enables accident investigators to reconstruct events leading up to an accident as well as to analyse close calls.

Emergency situation procedures are regularly rehearsed both on the vessels and in ports. In autumn 2002, one vessel participated in an emergency simulation organised by the Federal Marine Pollution Control Unit in Germany. In 2002, navigation qualification certificates were revised in accordance with the requirements of the international STCW 95 agreement.

Finnlines has strict operating instructions for handling and depositing classified cargo materials both on vessels and in ports. Separate restrictions apply to cargo carried on ropax vessels. The Company provides regular training on the handling of classified cargo.

Energy consumption and atmospheric emissions

In 2002, Finnlines' vessel traffic consumed 556,000 tons of heavy fuel oil and diesel oil. The increase of two percent compared to the previous year, is mainly a result of the Nordö-Link's acquisition. In 2002, the fuel consumption of the Company's port operations totalled 2,300 tons, which includes the Group's Helsinki, Turku, Naantali and Kantvik-based operations. The increase of four percent is mainly attributable to the increase in traffic volumes.

	Sea traffic		Port operations	
(in tons)	**2002****	**2001***	**2002**	**2001**
Fuel	556 000	545 000	2 300	2 200
Carbon dioxide emissions	1 733 000	1 803 000	7 100	6 900
Sulphur dioxide emissions	19 200	19 100	4.6	4.4
Nitrogen oxide emissions	44 000	45 000	not available	not available
Electricity consumption***	–	–	3 748 000 kWh	3 698 000 kWh
Oily waste water and waste oil****	5 041	4 362	236	167
Other recyclable waste materials	28	21	179	196
Hazardous waste	46	38	4.7	5.1
Mixed waste	1 827	1 666	119	121

* includes Team Lines traffic from the beginning of the year
** includes Nordö-Link traffic from the beginning of the year
*** The electricity used on vessels is generated using main and auxiliary machines.
**** Port operations include waste oil disposed of by vessels in the port of Kantvik.

Environmental report (continues)

Reductions in fuel consumption can be achieved through efficient design work and economic operation. Finnlines has increased the efficiency of its energy consumption by adopting a number of measures, including the acquisition of new maritime equipment and the use of exhaust gas boilers and systems for recovering cooling water and air conditioning heat.

In May 2002, MS Baltic Eider leaked small amounts of oil into the sea when disposing of its ballast water. This oil was collected and forwarded to a waste management company for disposal. In addition to fuel oils, ships also use lubricating and hydraulic oils. In the past few years, the use of organic hydraulic oils has been tested. Depending on the availability of organic hydraulic oils, the use of it will be gradually extended.

Fuel combustion in diesel engines creates exhaust gases that contain sulphur and nitrogen oxides as well as carbon dioxide, carbon monoxide, hydrocarbons and fine particles. Exhaust gas emissions can be reduced in three ways: through the use of cleaner fuels, more fuel-efficient engines or more effective exhaust gas purification.

In 2002, Finnlines' sulphur dioxide emissions totalled 19,100 tons and overall nitrogen oxide emissions amounted to 44,000 tons. The increase in emission levels is the result of the introduction of new traffic routes. The sulphur content of the fuels used at sea has decreased slightly, and was on average under 1.9 percent. When the vessels are in port, power is normally generated using auxiliary engines running on low-sulphur fuel oil (sulphur content under 0.2 percent). In 2000–2002, six new vessels have been added to Finnlines' fleet. They are the first vessels in the world to be equipped with so-called water emulsion systems that reduce nitrogen oxide emissions. In addition, one of the vessels is equipped with a so-called direct water injection system.

Efforts to reduce port emissions include regular maintenance, renewal of the machines and equipment, use of electrical heating and electric forklift trucks, production planning and provision of training for drivers. The harbour machines introduced during 2002 all meet the latest air quality directives.

Other environmental aspects

The water used on Finnlines' vessels is acquired by vaporising sea water or taken from onshore. All oily bilge and waste water is purified on board the vessels and the purified water is then discharged into the sea. Waste oils are sorted by type and delivered ashore, where the recipients of the waste oils utilise them for energy production. In 2002, FinnLink vessels began treating oily bilge water and sewage water directly on land. Solid waste is sorted into recyclable waste, hazardous waste and other waste, and collected for appropriate treatment. Hazardous waste materials are separated and forwarded to collection stations, from where they are picked up for disposal.

The hulls of Finnlines' own vessels are painted below the waterline with epoxy-based paints which do not give off toxic substances into the sea. The hulls are brushed and cleaned at regular intervals.

Other major environmental impacts are caused during vessels' stays in port and by port operations. Noise emissions are mainly caused by the ventilators located in the ships' cargo holds as well as by the auxiliary engines as they generate power during stays in port. Measures to reduce noise pollution include technical adjustments and changes in operating methods.

Environmental goals for 2003 are:

- Construction and testing of a discharge system in the port of Helsinki for disposing of vessels' grey waste water (cleaning and kitchen water) into the city's water purification system.
- Certification of the operating systems in place on MS Finntrader and MS Finnpartner in accordance with the ISO 14 001 standard.
- Certification of the operating system in place at the Sompasaari repair workshop in accordance with the ISO 14 001 standard.
- Increased efficiency in separating mixed waste materials generated by the vessels' hotel and restaurant services while at the same time examining the whole waste chain with the objective of recycling as much waste as possible.
- Testing environmentally-friendly detergents and cleaning agents in the vessels' kitchens and engine rooms.
- Adoption of energy and water conserving systems on Finnlines' new office premises in Germany.
- Increased efficiency in transporting empty containers in ports and harbours.
- Continued automation and development of environmental impact monitoring and reporting systems.

Environmental objectives in 2002	Completion	Additional information
Harmonisation of the certified environmental management systems used in ro-ro traffic in Finland and Germany.	Yes	Extension of the implementation of best operating procedures.
Incorporation of an environmental management system compliant with the ISO 14 001 standard into the ISM-compatible safety management systems already in place in MS Translubeca and MS Finntrader. Certificate application for these systems.	Partially completed	Instead of MS Finntrader, MS Finnhansa was certified in December 2002.
By 1 July 2002, all operating vessels must have an ISM code-compliant Safety Management Certificate issued by their flag state.	Yes	
The two new vessels introduced into the Finnlines fleet must be equipped with nitrogen oxide emission reducing technology.	Yes	MS Finnmill experienced problems in the implementation of the required technology. Its use on the MS Finnpulp has been initiated.
Automation of the atmospheric and waste emissions reporting system	Partially completed	Information entry on the vessels has been initiated. Automation of the reporting system in 2003.
Participation in the development of electrically operated container handling equipment.	Yes	
Testing of a new waste water treatment method on MS Transeuropa.	Yes	
Assessment of the possibility of adopting an environmental cost accounting system as part of the standard cost accounting process.	No	Postponed until 2003 as part of the development of Finnlines' financial management systems.
Three vessels will discontinue the use of anti-corrosion chemicals in their cooling systems and boiler facilities. Evaluation of the possibility of reducing the use of other chemicals in cleaning the engine room.	No	The system is currently only being tested on one vessel.
Increasing the degree of waste separation on Finnlines vessels, taking the whole waste chain into consideration.	Partially completed	Planned on MS Finnhansa in 2002, implementation and extension in 2003.

Human resources

Employee satisfaction is one of the main values of Finnlines. The Company aims to be a reliable and motivating employer and to create an atmosphere, which encourages every employee to develope his/her own competence and expertise.

Competent personnel

Finnlines' aim is to be the leading company in its field. For a company operating in the service sector, competent and enthusiastic employees are a key resource and the basis for corporate competitiveness. Good human resources policy serves to guarantee the enthusiasm of the personnel, which in turn promotes the achievement of Finnlines' objective. The key elements in Finnlines' human resources policy are competence and quality management based on the Company's corporate values.

One of Finnlines' key values is employee satisfaction, a goal which the Company aims to achieve by being a reliable and motivating employer that treats its personnel with fairness and equality and promotes the continuous development of its employees' professional skills and competence. The most important challenge of personnel administration and human resource management is to recognise the key areas whose development is of vital importance to the achievement of the Company's objectives. As a result of the rapid growth and organisational changes undergone by Finnlines, co-operation and the flow of information between different parts of the organisation have been identified as areas requiring further development.

The competence of the Company's personnel is ensured both through the continuous training of its current personnel and through the recruitment of new employees. One of the challenges is to attract new, talented experts into the Company operating in a sector which has always been very international but which has traditionally not been regarded as a very attractive career option.

Common systems with local applications

Europe-wide business operations and numerous different personnel groups also place a host of different demands on the operational practices used in human resource management and human resource systems. Personnel issues are handled in accordance with the principles established by the Group as well as local agreements and legislation.

Employee satisfaction surveys

Increasingly advanced methods to measure employee motivation, competence and welfare create the conditions necessary to devise a carefully planned human resource policy. Employee satisfaction surveys conducted by Finnlines during the year under review were targeted at the land-based personnel of the Parent Company as well as the German, Belgian and British subsidiaries. The results indicated that employees are committed to their work and are satisfied with the training programme. Respondents described their work atmosphere as relaxed and the flow of information within the units was deemed to be good. However, the flow of information between different units was indicated as an area requiring further development.

Physical and mental capacity

Finnlines promotes the physical, mental and social capacity and well-being of its employees by supporting the recreation, hobby and course-related activities of its personnel through employee associations and by investing in efficient occupational health care services.

The different units of the Group employ various programmes to maintain the working capacity of their employees. For example, Finnlines employees in Finland participate annually in rehabilitation courses organised by the Social Insurance Institution of Finland (Kela).

Competence development in 2002

The Finnlines Training Programme initiated in the spring of 2001 was continued. The objective of the programme is to maintain and develop the employees' professional competence with the help of the know-how of the Group's own personnel. Some 160 office staff members participated in the programme in 2002.

The programme was expanded to include the Finnish office employees of Finnsteve and Team Lines as well as the Group's international offices. In Finland, the basic training segment directed at all the participants will be completed by spring 2003, by which time almost 300 office staff members will have received training. The first training day designed especially for the Group's international offices was also organised in conjunction with this training programme.

Training on marketing of Russian traffic was provided for the sales personnel working in the various units of the Group.

Project leadership training was organised for those employees who work as project managers. Sales work development training based on customer satisfaction surveys was organised for the second time in spring 2002.

During the year, training programmes aimed at maintaining and improving the employees' other professional competence were also provided. These included training on shipping terms and the new IMDG regulations. As before, information technology courses and language training have continued actively.

Training for Finnlines' sea personnel continued to consist of safety training and the development of professional skills. The training and competency requirements of the STCW-95 general agreement have increased the need to provide training opportunities for sea personnel. The training required for the renewal of their certificates of competence was brought to an end. In order to promote safety, Finnlines invested in the management of new technologies and navigation systems as well as in the development of safe work procedures. Co-operation with various educational institutions in the field of trainee programmes will continue and be developed in accordance with the STCW general agreement. Guided traineeships are also an important part of Finnlines' on-board training.

Obligatory and voluntary safety drills headed by external instructors will be organised continuously on Finnlines vessels.

In port operations, the activities of the Finnsteve institute were continued. The management and middle management implemented a Balanced Scorecard monitoring system. Production staff were provided training e.g. in services and the use of new technologies.

Key figures	**2002**	**2001**
Average number of employees	2 096	1 981
Employee turnover, %	22	14
Training days	4 680	3 070

Average number of employees per business are	**2002**	**2001**
Shore-based employees		
Shipping and Sea Transport Services	617	462
Port Operations	891	966
Sea personnel		
Shipping and Sea Transport Services	588	553
Total	2 096	1 981

The figures for 2002 include Rederi AB Nordö-Link Group. Finnlines Group had a combined sea personnel of 736 employees and a shore personnel of 1 511 employees on 31 December 2002. The figures do not include the crews employed on the time-chartered vessels.

Employee categories	**2002**
Office staff	28%
Sea personnel	39%
Stevedores and supervisors	33%

Gender distribution	*Office staff*	*Port operations*	*Sea personnel*
Women	45%	8%	14%
Men	55%	92%	86%

Personnel by business area	**2002**	**2001**
Finland	66%	75%
Germany	15%	17%
Sweden	11%	–
Other	8%	8%

The average age of Finnlines employees was 42 (43) years. Their average length of employment was approximately 10 (13) years.

Personnel profit and loss account (TEUR)	**2002**	**2001**
Revenue	693 039	601 020
Personnel expenses		
Real working time expenses	81 560	78 269
Personnel renewal (holidays, recruitment)	15 883	16 720
Personnel development	918	705
Personnel benefits and obligations	8 496	9 209
Other operating expenses	547 592	442 301
Operating profit before other operating income (result of operations)	38 637	54 417
Other operating income	7 544	3 839
Operating profit	46 181	58 256

Key indicators (EUR)	**2002**	**2001**
Revenue/employee	330 615	303 392
Personal expenses /employee	50 977	52 651
Operating profit /employee	22 031	27 469

Board of Directors’ report

FINNLINES ACQUIRED THE SWEDISH SHIPPING COMPANY REDERI AB NORDÖ-LINK, WHICH IS ONE OF THE BIGGEST FREIGHT SHIPPING COMPANIES OPERATING ON THE ROUTE BETWEEN SWEDEN AND GERMANY. FINNLINES SOLD OFF ITS RAIL-SHIP RAILWAY WAGONS AND RELINQUISHED ITS OWN RAIL TRAFFIC OPERATIONS, BUT IS CONTINUING TO TRANSPORT ALSO RAIL WAGONS AS A PART OF UNITISED CARGO TRAFFIC ON THE ROUTE BETWEEN TURKU AND TRAVEMÜNDE. TRAFFIC REARRANGEMENTS WERE CARRIED OUT IN THE FALL TO IMPROVE THE EFFICIENCY OF THE OVERALL CONCEPT.

Business environment

At the beginning of the financial year, it was generally thought that the global economy would recover during the remainder of the year. However, this did not happen. Germany, an especially important partner for Finnish and Swedish foreign trade, was in recession, which was reflected in the volumes of maritime freight transported. Due to the downturn in the economy there has been excess capacity in the sea transport sector which has kept the competition intense.

Revenue and result

Revenue totalled EUR 693.0 million, up 15.3 per cent from 2001. The figures of Finnlines' Swedish subsidiary Nordö-Link have been included in the revenue and result figures since the beginning of June. The revenue of the Shipping and Sea Transport Services division came to EUR 629.3 (536.2) million and the revenue of the Port Operations totalled EUR 94.6 (93.1) million.

Other operating income totalled EUR 7.5 (3.8) million of which vessel sales profit was EUR 2.5 (2.4) million. Earnings before interests, taxes, depreciation and amortisation (EBITDA) amounted to 94.5 or 13.6 per cent of revenue. Operating profit amounted to EUR 46.2 (58.3) million or 6.7 per cent of revenue. Operating profit without vessel sales profits totalled EUR 43.7 million. The operating profit without vessel sales profits for the previous year amounted to EUR 56.1 million.

Depreciation according to plan totalled EUR 48.3 (44.8) million. Net exchange rate differences for the financial year amounted to EUR –1.7 million. The dividend income was EUR 0.1 (0.1) million.

Profit before taxes and minority interest totalled EUR 33.8 (46.3) million. The net profit for the year was EUR 23.5 (34.7) million. Earnings per share amounted to EUR 1.52 (1.74). Cash earnings per share totalled EUR 3.95 (3.98). Return on investment (ROI) amounted to 7.1 (9.1) per cent and return on shareholders' equity (ROE) to 7.8 (8.9) per cent.

Result for the last quarter of 2002

Revenue during the last quarter of 2002 totalled EUR 175.8 (150.1) million and operating profit was EUR 10.2 (12.5) million. Pre-tax profit totalled EUR 7.3 (10.6) million.

Investments and financing

In April, Finnlines acquired the Swedish shipping company Rederi AB Nordö-Link. In 2001, Nordö-Link's revenue amounted to approximately SEK 552 million and its operating profit to SEK 123 million. The acquisition price was SEK 615 million.

The company operates three ro-pax vessels, two of which it owned at the time of the acquisition. The transaction is important for Finnlines in that it is strengthening the Group's position in the freight traffic between Sweden and Germany, an area in which Nordö-Link has long been one of the biggest operators.

Finnlines sold off two old ro-ro vessels, MS Transrussia and MS Finnfellow. MS Transrussia operated between Germany and Russia and MS Finnfellow formed part of the FinnLink fleet. In August the Company sold off the Railship railway wagons and relinquished its own rail traffic operations.

Overall investments for the financial year amounted to EUR 126.5 (24.1) million.

Board of Directors' report (continues)

The Group's financial position was good. Net cash flow from operations amounted to EUR 79.4 (80.7) million. At the end of the year, liquid funds stood at EUR 81.1 (90.7) million, and net interest-bearing liabilities amounted to EUR 254.8 (199.5) million. Gearing stood at 65.4 (50.0) at the close of the year. Net financial expenses amounted to EUR –12.4 (–12.0) million or 1.8 per cent of revenue. Shareholders' equity at the close of the year totalled EUR 387.7 million. Shareholders' equity per share was EUR 19.52 (19.86). The equity ratio was 43.6 (47.4) per cent.

Taxes

The taxes effected for 1989–1993 following tax reviews of Group companies registered in the Cayman Islands, EUR 6.8 million, which were paid in 2000, are entered as items affecting the financial result, because it has been decided that the aforementioned companies are to be dissolved.

Personnel

The Group had an average of 2,096 (1,981) employees during the year. At the close of the reporting period, the number of employees stood at 2,247 (1,928). The increase in the number of employees was mainly due to the incorporation of Nordö-Link into the Group.

The Finnlines share

The Company's registered share capital amounted to EUR 39,957,958 and it was divided into 19,978,979 shares. A total of 7.9 million Finnlines shares were traded on the Helsinki Exchanges during the period under review. During the year, the highest quotation for the share was EUR 28.30 and the lowest EUR 19.00. The Company's market capitalisation on the balance sheet date was EUR 410 million.

Annual General Meeting

The Annual General Meeting of Finnlines Plc, convened on 15 March 2002, decided on a dividend distribution of EUR 1.50 per share, or a total dividend distribution of EUR 30 million.

The AGM re-appointed Jukka Härmälä, Antti Lagerroos, Pertti Laine and Thor Björn Lundqvist to the Finnlines Board of Directors. Two new Board members, Peter Fagernäs and Timo Jouhki, were also appointed. Pertti Laine was appointed Chairman and Jukka Härmälä Vice-Chairman of the Board.

Repurchase of Finnlines shares

The Annual General Meeting of Finnlines Plc authorised the Board of Directors to use the Company's distributable equity to repurchase Finnlines shares in public trading on the Helsinki Exchanges within a period of one year from the decision reached by the AGM. The authorisation was for the repurchase of a maximum of 5 per cent of the total share capital and votes of the Company at the prevailing share price. The authorisation also includes the right to dispose of the repurchased shares. Following the AGM, the Board decided to repurchase Finnlines shares. During the last quarter of the year, 112,500 shares was repurchased. Their book entry value was EUR 2.2 million, and the repurchased shares amounted to 0.56 per cent of the share capital and voting rights.

Proposals to the Annual General Meeting

The Board of Directors proposes to the Annual General Meeting which will be held on 17 March, 2003 that a dividend of EUR 1.50 per share be paid on the financial year ending on 31 December 2002.

The Board also proposes that the AGM authorise the Board for a period of one year to repurchase Finnlines shares in public trading on the Helsinki Exchanges at the prevailing share price. The repurchase can comprise a maximum of 5 per cent of all shares and votes. The proposed authorisation will also include the right to dispose of the repurchased shares in exception to the pre-emptive rights of Finnlines shareholders. The Board proposes to the AGM that the remaining entitlement included in the similar authorisation to repurchase and dispose of Finnlines shares, given to the Board on 15 March 2002, be cancelled.

The Board further proposes that the AGM authorise it for a period of one year from the registration of the authorisation to raise one or more convertible loans and/ or to issue share options and/or to raise the share capital in one or several instalments such that at most 9,321,021 new shares be offered for subscription when floating convertible bonds, when subscribing shares according to the terms and conditions of the share options, and when issuing new shares. Based on this authorisation, the share capital may be raised by a maximum of EUR 18,642,042 to a total of EUR 58,600,000. The authorisation includes the right to derogate shareholders' pre-emptive rights to subscribe new shares, convertible loans and/or share options, as well as the right to determine the terms and conditions applicable to the share subscriptions and/or loans. As an exception to the shareholders' right to pre-emptive share subscription, the authorisation can be used by the Board for certain carefully defined purposes, including the financing of corporate acquisitions, obtaining financing from international capital markets, facilitation of joint arrangements or other financial arrangements related to the development of the Company's business operations.

Outlook for 2003

The key factor for the Finnlines operational result for 2003 will be Central Europe's recovery from recession. The outlook for the global economy remains very uncertain, and there are no signs indicating a quick change for the better.

As a result of the savings generated by structural and other arrangements carried out within the Group, the financial result for 2003 is expected to improve in comparison with the previous financial year providing that the transported volumes will stay approximately at the previous year's level.

Profit and loss accounts

EUR 1 000	Note	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Revenue	1	693 039	601 020	236 524	238 289
Share of associated companies' results		47	656		
Other operating income	2	7 544	3 839	3 898	2 676
Materials and services	3	4 662	5 180	1 451	1 593
Staff costs	4	106 857	97 697	32 031	33 171
Depreciation, amortisation and write-downs	5	48 263	44 802	23 364	18 178
Other operating expenses	6	494 667	399 580	160 975	161 329
Operating profit		46 181	58 256	22 601	26 694
Financial income and expenses	7	–12 408	–11 915	489	–3 787
Profit before extraordinary items		33 773	46 341	23 090	22 907
Extraordinary items	8				
Profit before appropriations and taxes		33 773	46 341	23 090	22 907
Group contribution	9			19 072	17 244
Appropriations	10			–19 434	–36 713
Income taxes	11	–3 150	–10 354	–719	–949
Taxes for the period					
Taxes for previous years[1)]		–6 701	–860		
Minority interest		–424	–421		
Net profit		23 498	34 706	22 009	2 489

Quarterly figures

Year 2002	I/2002	II/2002	III/2002	IV/2002
Revenue, EUR million	157.8	182.0	177.4	175.8
Operating profit, EUR million	10.0	14.4	11.6	10.2
Profit before extraordinary items, EUR million	8.5	10.5	7.5	7.3
Earnings per share (EPS), EUR	0.33	0.40	0.27	0.52
Shareholders´ equity/share, EUR	18.69	19.09	19.34	19.52
Net interest-bearing debt (end of period), EUR million	221.3	313.6	288.1	254.8
Return on investment, %	7.6	8.4	7.1	4.8
Return on equity, %	6.9	8.6	5.9	10.5
Gearing, %	59.0	81.8	74.2	65.4
Average personnel	1 938	2 027	2 060	2 096
Profit on sale of vessels, EUR million	0.3		2.2	

[1)] The taxes for 1989 to 1993 based on a tax review of Group companies registered on the Cayman Islands (paid in 2000).

Balance sheet

EUR 1 000	*Note*	Group **2002**	Group 2001	Parent company **2002**	Parent company 2001
Assets					
Non-current assets	12				
Intangible assets		124 948	51 258	5 470	2 350
Tangible assets		565 241	583 367	395 410	417 373
Financial assets		10 026	8 937	239 479	250 926
		700 215	643 563	640 359	670 649
Current assets					
Inventories	13	5 492	3 781	887	1 140
Long-term receivables	14				
Short-term receivables	15	105 928	102 140	166 386	84 584
Marketable securities		56 225	64 426	56 225	64 427
Cash and bank balances		24 915	26 268	9 223	17 324
		192 560	196 615	232 721	167 475
		892 775	840 178	873 080	838 124
Shareholders' equity and liabilities					
Capital and reserves	16				
Share capital		39 958	39 958	39 958	39 958
Share premium		53 731	53 731	53 731	53 731
Legal reserve		1 405	1 405		
Retained earnings		269 144	266 973	58 530	88 244
Net profit		23 498	34 706	22 009	2 489
		387 736	396 773	174 229	184 422
Minority interests		1 799	1 825		
Accumulated appropriations	17			263 163	243 729
Liabilities					
Deferred tax liabilities	18	86 240	78 457		
Long-term liabilities	19, 21				
Interest-bearing		263 200	249 193	262 671	248 262
Other		2 705	1 947	484	481
		265 905	251 140	263 155	248 743
Current liabilities	20, 21				
Interest-bearing		70 049	39 030	69 171	38 597
Other		81 046	72 953	103 362	122 633
		151 095	111 983	172 533	161 230
		892 775	840 178	873 080	838 124

Cash flow statement

EUR 1 000	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Cash flow from operating activities				
Operating profit	46 181	58 256	22 601	26 694
Depreciation, amortisation and write-downs	48 263	44 802	23 364	18 178
Undistributed earnings in associated companies	47	−267		
Gain on disposals	−3 156	−2 470	−2 881	−2 404
Other				
	91 335	100 321	43 084	42 468
Change in working capital				
Decrease (+)/increase (–) in current receivable	−2 650	−9 147	−89 603	−5 966
Decrease (+)/increase (–) in inventories	−1 711	70	252	−52
Decrease (–)/increase (+) in current other liabilities	8 092	8 181	−19 515	67 988
	3 731	−896	−108 866	61 970
Cash flow from operating activities	95 066	99 425	−65 728	104 438
Interest expenses	−14 154	−17 410	−16 531	−13 437
Interest received	1 516		4 845	
Realised exchange gains and losses	−1 664	166	−2 384	184
Income taxes	−1 333	−1 486	−719	−949
	−15 635	−18 730	−14 789	−14 202
Net cash flow from operating activities	79 431	80 695	−80 571	90 236
Cash flow from investing activities				
Proceeds from sale of tangible assets	22 709	7 555	19 098	4 464
Investments in tangible assets	−126 536	−24 067	−20 739	−159 210
Increase in investments in financial assets	−607	677	11 477	
Dividends received	88	66	21 960	804
Net cash used in investing activities	−104 346	−15 769	31 766	−153 942
Cash flow before financing activities	−24 915	64 926	−48 805	−63 706
Cash flow from financing avtivities				
Own shares acquired	−2 234		−2 234	
Change in minority interests	−26	322		
Payment of long-term liabilities	−38 076	−43 628	−38 076	−38 635
Borrowings	83 860		83 063	100 493
Dividends paid	−29 968	−23 522	−29 968	−23 522
Group contributions			19 072	17 244
Other	1 805	5 263	647	8 661
Net cash flow from financing activities	15 361	−61 565	32 504	64 241
Change in cash and cash equivalents, increase (+)/decrease (–) [1]	−9 554	3 361	−16 301	535
Cash and cash equivalents 1 January	90 694	87 333	81 749	81 214
Cash and cash equivalents 31 December	81 140	90 694	65 448	81 749

[1] Cash and bank deposits and marketable securities.

The items in the cash flow statement cannot be directly derived from the balance sheets due e.g. to the acquisition and sale of subsidiary companies and exchange rate differences during the financial year.

Accounting principles

The consolidated statements have been prepared in conformance with the Finnish Accounting Act and other regulations and provisions in force in Finland.

Consolidation

The consolidated financial statements include the Parent Company Finnlines Plc as well as all those companies in which Finnlines Plc directly or indirectly holds more than 50 per cent 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 its shareholders' equity at the time of acquisition arising from the elimination of mutual shareholdings is allocated, whenever possible, to fixed assets at the time of acquisition to the extent that their fair value exceeds their book value at the time of acquisition. Items allocated to fixed assets are depreciated according to the plan corresponding to the underlying asset. The remainder of the difference is entered as goodwill, which is amortised over its estimated lifetime, however within a maximum of 20 years.

Unless otherwise agreed, subsidiaries acquired during the year are consolidated from the date of acquisition.

Intra-group transactions, receivables, liabilities, internal margins and the 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 per cent of voting rights are consolidated using the equity method. In accordance with the equity method, the Group's share of the associated companies' results and its share of other changes in shareholders' equity, excluding the write-off 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.

Revenue

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

Other operating income

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

Materials and services

This item includes the purchase of food and other supplies and the products sold on the vessels as well as the purchase of materials and supplies for port operations. Bunker purchases (fuel oil purchases) and changes in bunker stocks are entered under other operating expenses.

Foreign currency items

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

Conversion differences arising from the conversion of the shareholders' equity of foreign subsidiaries during consolidation are entered under retained earnings.

The profit and loss accounts of subsidiaries located outside the eurozone are converted into euros using the average of the end-of-month exchange rates. The subsidiaries' balance sheets are converted into euros at the exchange rate prevailing on the balance sheet date. The conversion 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 financial derivative 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 financial derivative 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 Group also covers itself against changes in fuel prices by including a so-called bunker clause in its freight contracts and by using commodity derivative instruments. The gains or losses arising from the commodity derivative instruments used to cover the Company against fluctuations in fuel prices are entered in the accounts when the corresponding income or expense is recognised.

Non-current assets and depreciation

Non-current assets are capitalised to their direct acquisition cost less depreciation and other deductions, along with any possible revaluations allowed by local accounting practices. Finance items falling due during ship construction have also been capitalised to the acquisition cost of the vessels.

Non-current assets subject to wear are depreciated according to plan based on the economic life span of the asset.

The depreciation periods are:

Goodwill on consolidation	5 – 20 years
Other long-term expenditure	5 – 10 years
Buildings	10 – 40 years
Constructions	5 – 10 years
Vessels and ship shares	30 years
Stevedoring machinery and equipment	5 – 15 years
Railway wagons	10–20 years
Other machinery and equipment	3–5 years

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

Leasing

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

Inventories

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

Marketable securities

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

Marketable securities with a maturity of more than one year are carried at their acquisition cost or the lower 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 are essential and non-recurring events unrelated to the Company's regular business activities, such as income and expenses arising from the termination of operations.

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. From 1 January 1999, the deferred tax liability also includes the effect of any deferred tax receivables arising from losses carried forward.

Provisions

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

Notes to the financial statements

EUR 1 000	Group 2002	Group 2001	Parent company 2002	Parent company 2001
1. Revenue				
By division				
Shipping and Sea Transport Services	629 350	536 224	236 525	238 289
Port Operations	94 559	93 143		
Eliminations	–30 870	–28 347		
Total	693 039	601 020	236 525	238 289
Intragroup revenue			87 237	76 586
2. Other operating income				
Gain on disposals	3 871	2 639	3 596	2 404
Rental income	318	218	302	272
Other	3 355	982		
Total	7 544	3 839	3 898	2 676
3. Materials and services				
Purchases during period	2 951	5 176	1 338	1 564
Variation in inventories	1 711	4	113	29
Total	4 662	5 180	1 451	1 593
4. Staff and staff expenses				
Staff				
Average number of employees	2 096	1 981	593	629
Shipping and Sea Transport Services	1 205	1 015	593	629
Port Operations	891	966		
Staff expenses				
Wages and salaries	88 236	81 466	25 146	25 751
Social security costs				
Pension costs	9 888	9 271	4 120	4 425
Other	8 733	6 960	2 765	2 995
Total	106 857	97 697	32 031	33 171
Salaries and remunerations to				
Presidents	1 649	1 256		
Board of Directors	122	99	122	99

EUR 1 000	Group 2002	Group 2001	Parent company 2002	Parent company 2001
5. Depreciation, amortisation and write-downs				
Depreciation and amortisation according to plan	48 263	44 802	23 364	18 178
6. Other operating expenses				
Bunker (fuel oil)	69 743	67 305	3 764	3 202
Variation in bunker inventories	30	51	–15	–42
	69 773	67 356	3 749	3 160
Time-charters of vessels	114 682	94 223	31 472	31 350
Other	310 212	238 001	125 754	126 819
Total	494 667	399 580	160 975	161 329
7. Financial income and expenses				
Income from financial assets				
Dividends				
From Group undertakings			21 916	549
Other	88	66	44	255
Total	88	66	21 960	804
Interest income				
From Group undertakings				
Other	1 516	5 187	293	
Total	1 516	5 187	293	
Other interest and financial income				
From Group undertakings			3 590	950
Other	2 090	404	961	5 052
Total	2 090	404	4 551	6 002
Other financial income				
From Group undertakings				2 732
Other			757	56
Total			757	2 788
Exchange gains and losses				
Gains	4	467	3 037	445
Losses	–1 668	–301	–5 421	–261
Total	–1 664	166	–2 384	184
Interest and other financial expenses				
Interest expenses				
From Group undertakings			–2 673	–1 488
Other	–14 154	–17 410	–13 858	–11 949
Total	–14 154	–17 410	–16 531	–13 437

EUR 1 000	Group 2002	2001	Parent company 2002	2001
Other financial expenses				
To Group undertakings			–8 407	
Other	–285	–328	–110	–128
Total	–285	–328	–8 157	–128
Financial income and expenses, total	–12 408	–11 915	489	–3 787
Interest income and expenses, total				
Interest income, total	3 606	5 591	4 844	6 002
Interest expenses, total	–14 154	–17 410	–16 531	–13 437
8. Extraordinary items				
Extraordinary income				
Extraordinary expenses				
Total				
9. Group contributions			19 072	17 244
10. Appropriations				
Change in difference between actual and planned depreciation			–19 434	–36 713
11. Taxes				
Taxes on operations	–9 851	–11 214	4 812	4 052
Taxes on extraordinary items			–5 531	–5 001
Total	–9 851	–11 214	–719	–949
Taxes for the period	–1 432	–626	–568	–89
Taxes from previous periods	–6 701	–860	–151	–860
Change in deferred tax liability	–1 718	–9 728		
Total	–9 851	–11 214	–719	–949

12. Non-current assets, Group

12.1 Intangible rights	Goodwill	Other non-current assets	Total
Acquisition cost on 1 January 2002	66 494	13 027	79 521
Increases	76 069	5 505	81574
Decreases		–3403	–3 403
Acquisition cost on 31 December 2002	142 563	15 129	157 692
Accumulated depreciation and write-downs			
1 January 2002	18 178	10 085	28 263
Accumulated depreciation on decreases		–3 371	–3 371
Depreciation in the period	5 653	2 199	7 852
Accumulated depreciation and write-downs			
31 December 2002	23 831	8 913	32 744
Balance sheet total on 31 December 2002	118 732	6 216	124 948
Balance sheet total on 31 December 2001	48 316	2 942	51 258

12.2 Tangible assets

	Land and water	Buildings and constructions	Vessels and ship shares	Machinery and equipment	Total
Acquisition cost on 1 January 2002	8 410	32 214	689 480	92 994	823 098
Increases		666	62 865	17 159	80 690
Decreases		–81	–10 318	–50 999	–61 398
Transfers between categories					
Acquisition cost on 31 December 2002	8 410	32 799	742 027	59 154	842 390
Accumulated depreciation and					
writedowns 1 January 2002		14 102	168 494	57 134	239 730
Accumulated depreciation on decreases		124	20 837	–23 954	–2 993
Depreciation in the period		1 783	28 980	9 649	40 412
Accumulated depreciation and					
writedowns 31 December 2002		16 009	218 311	42 829	277 149
Balance sheet total on 31 December 2002	8 410	16 790	523 716[1)]	16 325	565 241
Balance sheet total on 31 December 2001	8 410	18 112	520 986	35 860	

12.3 Financial assets

	Participating interest	Other shares and holdings	Total
Acquisition cost on 1 January 2002	3 214	5 723	8 937
Increases	43	1 342	1 385
Decreases		–34	–34
Transfers between categories	–262		–262
Balance sheet total on 31 December 2002	2 995	7 031	10 026
Balance sheet total on 31 December 2001	3 214	5 723	8 937

[1)] Capitalised interest 12.4 MEUR

12. Non-current assets, Parent Company

12.1 Intangibles rights	Other non-current assets	Total
Acquisition cost on 1 January 2002	5 835	5 835
Increases	5 056	5 056
Decreases		
Acquisition cost on 31 December 2002	10 891	10 891
Accumulated depreciation on 1 January 2002	3 485	3 485
Accumulated depreciation on decreases		
Depreciation in the period	1 935	1 935
Accumulated depreciation on 31 December 2002	5 420	5 420
Balance sheet total on 31 December 2002	5 471	5 471
Balance sheet total on 31 December 2001	2 350	2 350

12.2 Tangible assets

	Buildings and constructions	Vessels and ship shares	Machinery and equipment	Total
Acquisition cost on 1 January 2002	4 794	506 698	19 670	531 162
Increases		5 407	10 277	15 684
Decreases		−6 935	−23 212	−30 147
Acquisition cost on 31 December 2002	4 794	505 170	6 735	516 699
Accumulated depreciation on 1 January 2002	1 642	101 128	11 019	113 789
Accumulated depreciation on decreases		−6 553	−7 377	−13 930
Depreciation in the period	310	19 674	1 446	21 430
Accumulated depreciation on 31 December 2002	1 952	114 249	5 088	121 289
Balance sheet total on 31 December 2002	2 842	390 921 [1)]	1 647	395 410
Balance sheet total on 31 December 2001	3 152	405 570	8 651	417 373

12.3 Financial assets

	Shares in Group undertakings	Participating interest	Other shares and holdings	Receivables from participating interest	Total
Acquisition cost on 1 January 2002	243 748	1 903	4 938	336	250 925
Decreases	−11 077		−34	−336	−11 447
Transfers between categories	262	−262			
Balance sheet total on 31 December 2002	232 933	1 641	4 904	0	239 478
Balance sheet total on 31 December 2001	243 748	1 903	4 938	336	250 925

[1)] Capitalised interest 12.4 MEUR

	Group		Parent company	
	2002	2001	**2002**	2001
13. Inventories				
Bunker (fuel oil)	3 814	2 493	191	176
Other	1 678	1 288	697	964
Total	5 492	3 781	888	1 140
14. Long-term receivables				
Loan receivables				
Prepaid expenses and accrued income				
Total				
15. Short-term receivables				
Accounts receivable	69 584	60 581	5 129	5 025
Group receivable				
Accounts receivable			74	288
Loan receivables			97 968	36 856
Other receivables			35 761	16 374
Prepaid expenses and accrued income			1 918	
Total			135 721	53 518
Receivables from participating interests				15
Loan receivables	512	35		
Other receivables	8 262	18 945	6 113	6 853
Prepaid expenses and accrued income	27 570	22 101	19 423	19 173
	36 344	41 081	25 536	26 026
Total	105 928	101 662	166 386	84 584
16. Capital and reserves				
Share capital on 1 January	39 958	39 958	39 958	39 958
Share issues				
Shareholders' equity on 31 December	39 958	39 958	39 958	39 958
Share premium on 1 January	53 731	53 731	53 731	53 731
Share issues				
Share premium on 31 December	53 731	53 731	53 731	53 731
Legal reserve 1 January	1 405	1 405		
Legal reserve 31 December	1 405	1 405		
Retained earnings on 1 January	301 679	290 353	90 732	111 765
Dividend distribution	−29 968	−23 522	−29 968	−23 522
Acquired own shares	−2 233		−2 233	
Currency exchange difference	−334	142		
Net profit for the financial year	23 498	34 706	22 009	2 489
Retained earnings on 31 December	269 144	301 679	58 531	90 732
	387 736	396 773	174 229	184 421

	Group		Parent company	
	2002	2001	**2002**	2001
Calculation of distributable funds				
Retained earnings on 31 December	292 642	301 679		
Accumulated shareholders' equity of appropriations	– 198 368	– 178 030		
Group's distributable funds on 31 December	94 274	123 649		
17. Accumulated appropriations				
Accumulated depreciation in excess on plan			263 163	243 729
18. Deferred tax liability				
Deferred tax receivables				
From appropriations				
From consolidation	980	735		
From accruals	8 777	2 924		
Total	9 757	3 659		
Deferred tax liabilities				
From appropriations	87 156	75 140		
From consolidation	1 656	3 360		
From accruals	7 185	3 616		
Total	95 997	82 116		
Total deferred tax liabilities	86 240[1)]	78 457		
19. Long-term liabilities				
Bonds and notes	35 000	68 637	35 000	68 637
Loans from financial institutions	225 816	177 074	225 557	176 452
Pension loans	2 384	3 481	2 114	3 172
Other long-term loans	2 705	1 947	484	481
Total	256 905	251 140	263 155	248 742
of which interest-bearing	263 200	249 192	262 671	248 261
Maturity of long-term loans				
Year				
2003	69 171	38 792	69 717	38 792
2004	67 941	69 171	67 941	69 171
2005	30 042	67 941	30 042	67 941
2006	26 637	30 042	26 637	30 042
2007	79 963	24 116	79 963	24 116
2008 and later	58 089	32 876	58 089	32 876
Total	331 843	262 938	331 843	262 938
Long-term loans due after five years				
Loans from financial institutions	131 765	32 876	58 089	32 876
Pension loans				
	131 765	32 876	58 089	32 876

[1)] The deferred tax liabilities of Nordö-Link before acquisition are EUR 6.1 million.

	Group		Parent company	
	2002	2001	**2002**	2001
20. Current liabilities				
Bonds and notes	33 638		33 638	
Loans from financial institutions	35 354	37 264	34 476	37 069
Pension loans	1 057	1 528	1 057	1 528
Accounts payable and agent accounts	26 183	37 702	3 220	7 602
Debts to Group undertakings				
Accounts payable			24	523
Other debts			83 307	97 942
Total			83 331	98 465
Other debts to participating interests				
Other short-term debt	13 113	10 249	6 663	5 319
Accrued expenses and prepaid income	41 750	25 240	10 147	11 247
Total	151 095	111 983	172 532	161 230
of which interest-bearing	70 049	38 792	83 283	38 597

21. Fixed rate notes

	Principal, EUR 1 000	Loan period	Interest -%	Type
I/1998 (FIM)	33 638	16.6.1998–16.6.2003	5.00	Bullet, unsecured
I/1999 (EUR)	35 000	15.6.1999–15.6.2004	4.00	Bullet, unsecured

	Group				Parent company			
	2002		2001		**2002**		2001	
Pledges and other contingent liabilities								
Pledges and commitments given on own account	Debt	Value of collateral	Debt	Value of collateral	Debt	Value of collateral	Debt	Value of collateral
Ship mortgages								
Loans from fin. institutions	148 331	314 657	167 916	334 943	148 331	314 657	167 916	334 943
	148 331	314 657	167 916	334 943	148 331	314 657	167 916	334 943
Pledges given to cover other own commitments								
Pledges	2 274	2 274	2 257	2 257				
Mortgages	111	111	104	104				
	2 385	2 385	2 361	2 361				
Pledges given on behalf of others								
Mortgages	206	206	173	173				
	206	206	173	173				
Pledges, total	150 922	317 248	170 450	337 477	148 331	314 657	167 916	334 943
Other contingent liabilities								
Other own liabilities								
Pension liability								
Others				7 000				5 659
				7 000				5 659
Leasing liabilities								
Due in following financial year		809		728		392		341
Due in later years		1 333		1 381		321		221
		2 142		2 109		713		562
Leasing liabilities, total		2 142		2 109		713		562
Other commitments, total		2 142		9 109		713		6 221

Liabilities on derivate instruments at 31.12, Parent company	Nominal value	Market value [1]
Currency forward contracts	62.3	–1.4
Interest rate swaps	135.0	–2.3
Commodity swaps	2.0	–
Total	199.3	–3.7

[1] Net profit/loss, if these derivatives would have been sold at market price at year-end.

Group shares and holdings

Subsidiaries	Domicile	Group holding (%)	Parent Company holding (%)
Domestic			
Oy Finnlink Ab	Naantali	100	100
Finnfellows Oy Ltd	Helsinki	100	100
Finnsteve Oy Ab	Helsinki	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	51
Kantvikin Satama Oy	Kirkkonummi	100	39.5
Railship Oy Ab	Helsinki	100	100
Finncare Oy	Helsinki	100	100
North Wind Oy	Helsinki	100	100
Kiinteistö Oy LevinTuvat	Kittilä	100	
Team Lines Finland Oy	Helsinki	100	
Hanseatic Shipping Oy	Helsinki	100	
Foreign			
Finnlines Deutchland AG	Germany	100	100
FG-Finance S.A.H.	Luxemburg	100	100
Railship AG	Switzerland	100	100
FCRS-Shipping Ltd	Cayman Islands	100	10
FG-Waggon Limited	Cayman Islands	100	100
Finnmanagement Ltd	Cayman Islands	100	100
Fennia Shipping Ltd	Cayman Islands	100	100
Finnlines (Cyprus) Ltd	Cyprus	100	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	
Finnlines Limited	Great Britain	100	
Finnlines UK Limited	Great Britain	100	
Finanglia Ferries Ltd	Great Britain	100	
Finncarriers (UK) Limited	Great Britain	100	100
Finncarriers Limited	Great Britain	100	100
AB Finnlines Ltd	Sweden	100	
Finnlink AB	Sweden	100	100
Norsteve A/S	Norway	100	100
Norsteve Filipstad A/S	Norway	100	
Norsteve Drammen A/S	Norway	100	
Norbalt N.V.	Belgium	100	
Finnlines Belgium N.V	Belgium	100	50
Finnwest N.V.	Belgium	66.7	33.3
Verwaltungsgesellschaft Team Lines GmbH	Germany	100	

	Domicile	Group holding (%)	Parent Company holding (%)
Team Lines GmbH & Co. KG	Germany	100	
Team Lines Sverige AB	Sweden	100	
Team Lines Norge A/S	Norway	100	
Finnlines Holland B.V	Holland	100	
Nordö-Link Holding AB	Sweden	100	
Rederi AB Nordö-Link	Sweden	100	
Nordö-Link Management AB	Sweden	100	
Skandinavian Link GmbH	Germany	100	

Patricipating interest	Domicile	Group holding (%)	Parent Company holding (%)
Domestic			
North Euroway Oy	Kouvola	50	50
Simonaukion Pysäköinti Oy	Helsinki	50	50
Foreign			
Transbaltic Schiffahrt GmbH	Germany	50	
Poseidon Frachtkontor Junge Sp.z.o.o.	Poland	50	
MS "Pinta" Interscan GmbH & Co.	Germany	21	
MS "Patriot" Interscan GmbH & Co.	Germany	21	
RosEuroTrans	Russia	50	
Other shares and holdings			
Domestic			
Steveco Oy	Hamina	19.1	19.1
Other companies (25)			
Foreign			
Other companies (4)			

Key indicators

Million euro	2002	2001	2000	1999	1998
Revenue	693.0	601.0	532.1	509.7	578.8
Participating interest	0.1	0.7	0.8	–0.1	–0.1
Other operating income	7.5	3.8	12.7	9.6	79.9
Operating profit	46.2	58.3	55.8	56.5	159.8
% of revenue	6.7	9.7	10.5	11.1	27.6
Profit before extraordinary	33.8	46.3	41.6	67.3	151.8
% of revenue	4.9	7.7	7.8	13.2	26.2
Profit before provisions and taxes	33.8	46.3	34.6	67.3	151.8
% of revenue	4.9	7.7	6.5	13.2	26.2
Profit for the year	23.5	34.7	25.5	49.4	105.0
% of revenue	3.4	5.8	4.8	9.7	18.1
Total investments as per cash flow statement	126.5	24.1	12.8	163.8	259.3
% of revenue	18.3	4.0	2.4	32.1	44.8
Return on equity (ROE), %	7.8[1)]	8.9	8.0	13.3	33.3
Return on investment (ROI), %	7.1	9.1	8.2	11.5	29.1
Total assets	892.8	840.2	846.0	925.3	816.1
Equity ratio, %	43.6	47.4	45.7	41.2	44.7
Equity ratio, adjusted for the market value of the vessels, %	43.1	50.2	48.7	44.0	44.7
Gearing, %	65.4	50.0	63.2	74.9	40.6
Average number of employees during the year	2 096	1 981	1 937	2 055	1 992

	2002	2001	2000	1999	1998
Earnings per share (EPS), EUR	1.52[1)]	1.74	1.53	2.47	5.34
Earnings per share without change in deferred tax liabilities	1.61[1)]	2.22	1.52	2.81	5.87
Earnings per share less warrant dilution, EUR	1.49[1)]				
Cash earnings per share, EUR	3.95	3.98	3.50	4.61	7.62
Share capital per share, EUR	19.52	19.86	19.29	19.02	18.23
Dividend per share, EUR	1.50	1.50	1.18	1.01	1.68
Payout ratio, %	98.7	87.1	77.1	40.8	31.5
Effective dividend yield, %	7.3	6.5	6.5	3.3	4.6
Price/earnings ratio (P/E)	13.5	13.2	11.8	12.5	6.9
Share price on the stock exchange at the year end, EUR	20.50	23.00	18.00	31.00	36.66
Market capitalisation at the year end, MEUR	409.6	459.5	359.6	619.3	732.5
Adjusted average number of shares	19 867 000	19 979 000	19 979 000	19 657 000	19 200 000
Adjusted number of share on 31 December	19 867 000	19 979 000	19 979 000	19 979 000	19 499 000
Average number of shares	19 979 000	19 979 000	19 979 000	19 979 000	19 200 000
Number of shares on 31 December	19 979 000	19 979 000	19 979 000	19 979 000	19 499 000

[1)] The ratios have been calculated without the taxes effected for 1989–93 following tax reviews of Group companies registered in the Cayman Islands, EUR 6.8 million, which were paid in 2000. Without this tax correction these ratios are: ROE 6.1 %, earnings per share EUR 1.18, earnings per share, excluding deferred tax liability EUR 1.27 and earnings per share adjusted for dilution effect of share warrants EUR 1.16.

Calculation of key ratios

Return on equity (ROE), % =	Profit before extraordinary items – taxes for the financial year – change in deferred tax liabilities	Share capital + minority interests (average)	x 100
Return on investment (ROI), % =	Profit before extraordinary items + interest expenses + other expenses under liabilities	Balance sheet total – non-interest bearing loans (average)	x 100
Equity ratio, % =	Share capital + minority interests	Balance sheet total – advances received	x 100
Gearing, % =	Interest-bearing debt – cash and bank equivalents	Shareholders' equity + minority interest	x 100
Earnings per share (EPS) =	Profit before extraordinary items +/ minority interests in Group profit +/– change in deferred tax liabilities – taxes for the financial year, from which the effect of extraordinary income and charges has been eliminated	Average number of shares adjusted for share issue	
Cash earnings per share =	Net profit + depreciation	Average number of shares	
Share capital per share =	Share capital	Number of shares on 31 December adjusted for share issue	
Dividend per share =	Dividend paid for the year	Number of shares on balance sheet date	
Payout ratio, % =	Dividend paid for the year	Profit before extraordinary items +/– minority interests of Group profit +/– change in deferred tax liabilities – taxes for the financial year, from which the effect of extraordinary income and charges has been eliminated	x 100
Effective dividend yield, % =	Dividend per share	Share price quoted on stock exchange on 31 December adjusted for share issue	x 100
Price/earnings ratio (P/E) =	Share price quoted on stock exchange on 31 December	Earnings per share	

Proposal of the Board of Directors

According to the consolidated balance sheet on 31 December 2002	EUR
Profit from previous years	269 477 000.00
Currency exchange difference	–333 000.00
Profit from the financial year	23 498 000.00
Non-restricted equity, total	292 642 000.00
of which distributable	94 274 000.00
According to the Parent Company's balance sheet on 31 December 2002	
Profit from previous years	60 763 761.76
Acquisition of own shares	–2 233 593.07
Profit from the financial year	22 009 444.82
Non-restricted equity, total	80 539 613.51

The Board of Directors proposes that a dividend of EUR 1.50 on each of the 19 866 479 shares, i.e. EUR 29 799 718.50, be paid out of the distributable funds.

Helsinki, 10 February 2003

Pertti Laine

Jukka Härmälä
Peter Fagernäs
Timo Jouhki

Antti Lagerroos
Thor Björn Lundqvist

Antti Lagerroos
President and CEO

Auditors' report

We have audited the accounting, the financial statements and the corporate governance of Finnlines Plc for the period of 1 January–31 December, 2002. The financial statements, which include the report of the Board of Directors, consolidated and Parent Company profit and loss accounts, balance sheets and notes to the finacial statements, have been prepared by the Board of Directors and the Chief Executive Officer. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of the corporate governance is to examine that the members of the Board of Directors and Chief Executive Officer have legally complied with the rules of the Finnish Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. 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 as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Chief Executive Officer can be discharged from liability for the period audited by us. The proposal of the Board of Directors regarding the distributable assets is in compliance with the Finnish Companies' Act.

Helsinki, 11 February 2003

Pricewaterhouse Coopers Oy
Authorised Public Accountants
Kari Miettinen
Authorised Public Accountant

Shares and shareholders

General

Finnlines Plc has one share series. Each share carries one vote at general shareholder meetings and confers identical dividend rights. As outlined in Finnlines' Articles of Association, the Company's minimum share capital is EUR 15,000,000 and maximum EUR 60,000,000. The amount of share capital may be raised or lowered within these limits. The Company's paid up and registered share capital on 31 December 2002 totalled EUR 39,957,958. Finnlines' entire capital stock totalled 19,978,979 shares. The Company's share capital has remained unchanged since 1999.

Share price and trading in 2002

Finnlines Plc shares are listed on the Helsinki Exchanges. The highest quoted price of the Finnlines share during the year was EUR 28.30 and the lowest EUR 19.00. A total of 7.9 million Finnlines shares were traded during the year. Finnlines' market capitalisation at the end of the year was EUR 410 million.

Dividend distribution

Finnlines paid a dividend of EUR 1.50 per share on the financial year 2001, equal to 87 per cent of the net profit. The Board of Directors will propose to the Annual General Meeting to be convened in March 2003 that a dividend of EUR 1.50 per share, i.e. 98.7 per cent of the net profit, be paid on the financial year 2002.

Shareholders

At the end of 2002, Finnlines had 3,758 shareholders. The ten largest shareholders owned 48 per cent of the Company's shares. Some 85 per cent of the shareholders were Finnish, while some 15 per cent were foreign and nominee-registered.

Authorisations

The Annual General Meeting of Finnlines Plc, convened in March 2002, authorised the Board of Directors to use the Company's distributable equity to repurchase a maximum of 5 per cent of the total share capital and votes of the Company, i.e. a maximum of 998,948 shares, and similarly to dispose of a maximum of 998,948 company shares. The authorisations are valid for one year from the decision reached by the Annual General Meeting. During the period under review, a total of 112,500 Finnlines shares were repurchased on the Helsinki Exchanges at an average price of EUR 19.85.

At the end of the year The Board of Directors was not authorised to issue shares, raise convertible loans or issue share options.

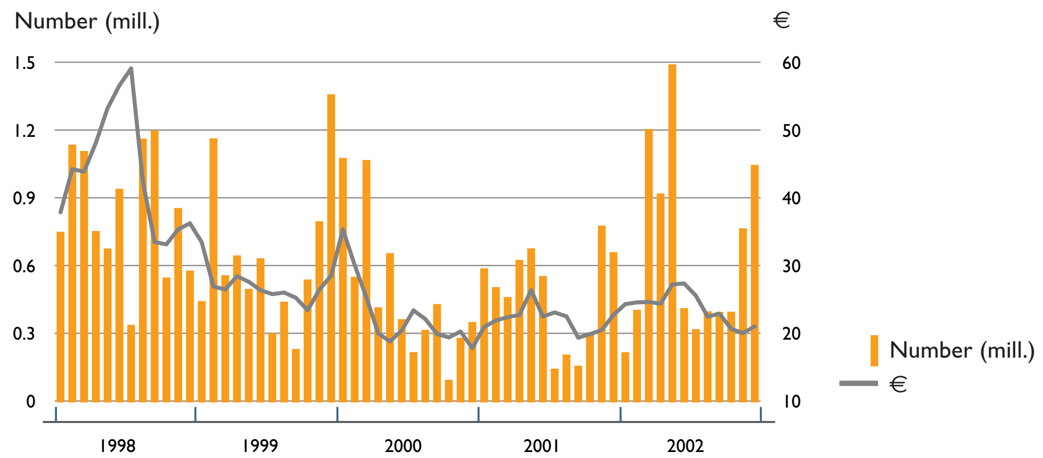
Share option schemes

Finnlines has one share option scheme for the Group's management. The scheme was launched in 2001 and it consists of 700,000 share options, which entitle their holders to subscribe a maximum of 700,000 Finnlines Plc shares. Of these share options, 350,000 are marked with the letter A and 350,000 with the letter B. The subscription price for the share is EUR 24.34 for A-options and EUR 25.45 for B-options. The annual dividend per share will be deducted from the share subscription price on the dividend record date, the first such reduction corresponding to the dividend record date for the financial year 2001. The options can be exercised yearly between 2 January and 30 November. The options must be exercised by 26 March 2006.

Finnlines share ownership structure on 31 December 2002	**% of shares**
Private companies	39.8
Financial and insurance companies	20.3
Public entities	12.1
Non-profit associations	5.4
Households	7.5
Foreign (incl. nominee registered)	14.9
Total	100.0

Principal shareholders on 31 December 2002	**Number**	**% of shares**
Thominvest Group	2 197 880	11.00
Veikko Laine Oy	2 135 936	10.69
Stora Enso Oyj	1 104 670	5.53
Pension Insurance Company Ilmarinen	826 000	4.13
Sampo Group	697 400	3.49
Pohjola Group	690 200	3.46
Dreadnought Finance Oy	545 320	2.73
Premiere Holding Oy Ab	529 000	2.65
Palcmills Oy	500 000	2.50
Pension Insurance Company Varma-Sampo	401 500	2.01
Foreign and nominee registered	2 976 061	14.90
Other	7 375 012	36.91
Total	19 978 979	100.00
Group Management Holding	74 000	0.37

Monthly share price development and trading volumes between 1998 and 2002



Corporate governance

General

The duties and responsibilities of Finnlines' various governing bodies are founded on the provisions of the Finnish Companies Act and other applicable legislation. The principles outlined below only supplement the provisions contained in these laws.

Finnlines is governed by its Board of Directors and the President and CEO. The Company's other administrative units assist and support these bodies. Finnlines is governed from its Finnish headquarters. Finnlines prepares its Financial Statements in accordance with the Finnish Accounting Act and applicable Finnish provisions and regulations. The Financial Statements are published in Finnish, English and German.

Annual General Meeting

The General Meeting of Shareholders of Finnlines Plc is held annually and convenes no later than the end of June each year. In accordance with the Finnish Companies Act, the General Meeting of Shareholders has exclusive authority over certain important functions such as amending the Articles of Association, approving the Financial Statements, determining the amount of dividend to be paid, appointing members to the Board of Directors and selecting the company's auditors.

Board of Directors

The duties and responsibilities of the Board of Directors are based on the provisions of the Finnish Companies Act and other applicable legislation. The Board of Directors has joint authority in all matters concerning the company that are not stipulated by law or the Articles of Association as being within the sphere of authority of other bodies.

The Board of Directors of Finnlines Plc consists of at least five (5) and at most eleven (11) members. The members of the Board are appointed by the Annual General Meeting for a year at a time. In 2002, the Board consisted of six (6) members. The President and CEO of the Company is also a member of the Board of Directors. With the exception of the President and CEO, the members of the Board are not employed by Finnlines.

The Board of Directors oversees Finnlines' operations and management and makes the necessary strategic, investment-related, organisational and financial decisions. The Board is responsible for the Company's administration and for making the required operative arrangements. The Board is also responsible for making sure that the Company's accounts and finances are duly supervised.

The Board selects the Chairman and the Deputy Chairman from among its members and appoints the Company's President and CEO.

The Annual General Meeting is responsible for deciding the remuneration payable to the members of the Board. In 2002, the members of the Board of Directors received the following annual rewards: Chairman EUR 26 000, Deputy Chairman EUR 21 000, and other members EUR 17 000. The Board convened eight times during 2002.

President and CEO

The President and CEO is responsible for managing the Company's day-to-day administration in accordance with the guidelines and regulations of the Board of Directors. The President is responsible for ensuring the legality of the Company's accounts and for guaranteeing reliable financing. The President also bears responsibility for the Group's strategy, investments, finances and financial planning, Group communications and investor relations. In addition, the President oversees all important operative decisions. The Company's Corporate Administration and the Corporate Management Committee, which meets several times a month, assist the President in these tasks.

Business Units

The Group's business units are responsible for their own business operations, profits and working capital. The Corporate Administration is responsible for the Group's investment assets, fixed assets, investments, financing, communications and information systems. The business units are responsible for their own marketing communications, which are based on principles approved by the Group's management.

Accounting and Personnel Administration

Responsibility for the Group's internal and external accounting lies with the Financial Control and Administration Unit, to which the accounting departments of the business units report. The Financial Control and Administration Unit defines the Group's common accounting principles and the principles used in preparing the Group's Financial Statements, as well as collects the financial information released by the Group. Each of the Group's legal units prepares its own financial information under the supervision of the Group's Financial Control and Administration Unit and in compliance with the Group's guidelines and the applicable local legislation. The Group's personnel administration functions are the responsibility of the Financial Control and Administration Unit, which is also responsible for the Group's human resources policies and general guidelines.

Financing and Financial Risk Management

The Group's financing activities have been centralised under the administration of the Corporate Finance Unit. The objective of the centralisation is the achievement of efficient risk management, cost savings and cash flow optimisation. The Group's short-term liquidity and financial risk management activities have also been centralised under the Corporate Finance Unit. The Unit controls the Group's cash reserves and hedges the Group's risk exposures in accordance with the financing policy approved by the Board of Directors. The Group's external long-term loan arrangements are submitted to the Board of Directors for approval. Intra-Group payments are netted. The Parent Company finances the subsidiaries using internal Group loans. The Group's foreign exchange exposure is reviewed per currency and based on net positions corresponding to 12-month budgeting periods. The Group aims to maintain adequate liquidity in all circumstances. Its cash reserve investments are short-term and are only made with counter-parties with a high credit rating. Derivative contracts are only made with financially solid banks and credit institutions. The Corporate Finance Unit also co-ordinates fuel risks and hedges the risks using derivative instruments in accordance with the policies approved by the Board of Directors.

Other Risk Management Functions

The Group's Corporate Legal Matters and Insurance Unit is responsible for risks associated with the Company's fixed assets and any interruptions in operations. Management and co-ordination of the Group's insurance policies has been centralised under the Corporate Legal Matters and Insurance Unit. The majority of the Group's invested capital consists of its fleet. The fleet is always insured to its full value. Accidents and engine damage can result in interruptions of operations, which have been covered by loss of earnings insurance policies. The financial position and creditworthiness of the Group's customers are monitored continuously in order to minimise the risk of customer credit losses.

The operational status of the Group's information systems is safeguarded by a host of extensive and comprehensive security programmes and back-up systems.

Auditors

In 2002, Pricewaterhouse Coopers Oy were Finnlines Plc's external auditors, with APA Kari Miettinen as responsible auditor and APA Anneli Lindroos as deputy auditor.

Insider issues

Finnlines Plc complies with the insider guidelines of the Helsinki Exchanges, which entered into force on 1 March 2000. Members of Finnlines' Board of Directors, the Company's President and CEO, and the Company's auditors are always considered to be Finnlines' insiders. In addition, the President has included the Group management, heads of the business units as well as key sales and accounting personnel on the list of permanent insiders.

Board of Directors

MEMBERS OF THE BOARD OF DIRECTORS
From left to right: Thor Björn Lundqvist, Peter Fagernäs, Antti Lagerroos, Timo Jouhki, Pertti Laine, Jukka Härmälä

PERTTI LAINE
Chairman
Chairman of Veikko Laine Oy
Member of the Board since 1994

JUKKA HÄRMÄLÄ
Deputy Chairman
CEO of Stora Enso Oyj
Member of the Board since 1989

PETER FAGERNÄS
Chairman of Pohjola Group plc
Member of the Board since 2002

TIMO JOUHKI
Chairman of Thominvest Oy
Member of the Board since 2002

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

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

Group Management and Auditors

ANTTI LAGERROOS

President and CEO
Finnlines Plc

SEIJA TURUNEN

Corporate Finance
and Communications

CHRISTER ANTSON

Corporate Financial
Control and Administration

LARS TRYGG

Corporate Legal
Matters and Insurance

SEPPO MIKONSAARI

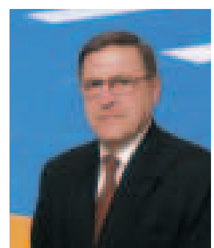
Corporate Information
Technology

ASSER AHLESKOG

Finnlines Services

GUNTHER RANKE

Finnlines Germany



HANS MARTIN

Port Operations

CHRISTER BACKMAN

FinnLink Services

AUDITORS

Regular Auditor
Pricewaterhouse Coopers Oy
Authorised Public Accountants

Principal Auditor
Kari Miettinen, MSc (Econ.),
Authorised Public Accountant
Deputy Auditor
Anneli Lindroos, MSc (Econ.),
Authorised Public Accountant

RÜDIGER MEYER

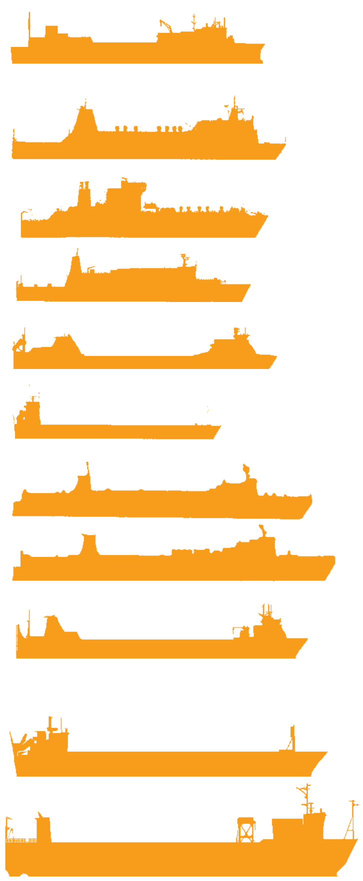
Nordö-Link Services

NIELS HARNACK

Team Lines Services

The Finnlines fleet on 1 January 2003

		Gross tonnage/ Lane metres	Year of delivery
	ANTARES	19 963/2 090	1988
	FINNSAILOR	20 783/1 350	1987/96
	ASTREA	9 528/827	1991
	FINNCLIPPER	29 841/2 459	1999
	FINNEAGLE	29 841/2 459	1999
	AMBER	6 719/1 260	1991
	FINNOAK	7 953/1 593	1991/98
	AURORA	20 391/2 170	1982
	BALTIC EIDER	20 865/2 170	1989
	FINNMERCHANT	21 195/2 170	1982
	OIHONNA	20 203/2 170	1984
	TRANSBALTICA	21 224/2 170	1990
	FINNARROW	25 996/2 400	1996
	FINNBIRCH	14 059/2 100	1978
	FINNFOREST	15 525/2 100	1978
	FINNKRAFT	11 530/1 890	2000
	FINNMASTER	11 530/1 890	2000
	FINNREEL	11 530/1 890	2000
	FINNHAWK	11 530/1 890	2001
	FINNMILL	25 654/2 680	2002
	FINNPULP	25 654/2 680	2002
	FINNHANSA	32 531/3 200	1994
	FINNPARTNER	32 534/3 200	1995
	FINNTRADER	32 534/3 200	1995
	TRANSEUROPA	32 533/3 200	1995



	Gross tonnage/ Lane metres	Year of delivery
LÜBECK-LINK	33 163/2 650	1980/90
MALMÖ-LINK	33 163/2 650	1980/90
TRANSFINLANDIA	19 524/2 240	1981
TRANSLUBECA	24 727/2 100	1990
INOWROCLAW	14 786/1 403	1980
MIRANDA	10 471/1 625	1999
POLARIS	7 950/540	1988
FINNRIDER	20 077/1 950	1984
FINNRUNNER	20 729/1 975	1990
BIRKA CARRIER	12 251/1 690	1998
BIRKA EXPRESS	12 251/1 690	1997
BIRKA TRADER	12 251/1 690	1998
NORCLIFF	8 407/1 132	1995
FORTE (STORO)	3 998/-	1989
LARGO (STORO)	3 998/-	1990

In addition to these on average 7 small tonnage vessels in service during the year.

Team Lines operated on average 22 container vessels whose capacity was between TEU 220–658.

Other vessels:

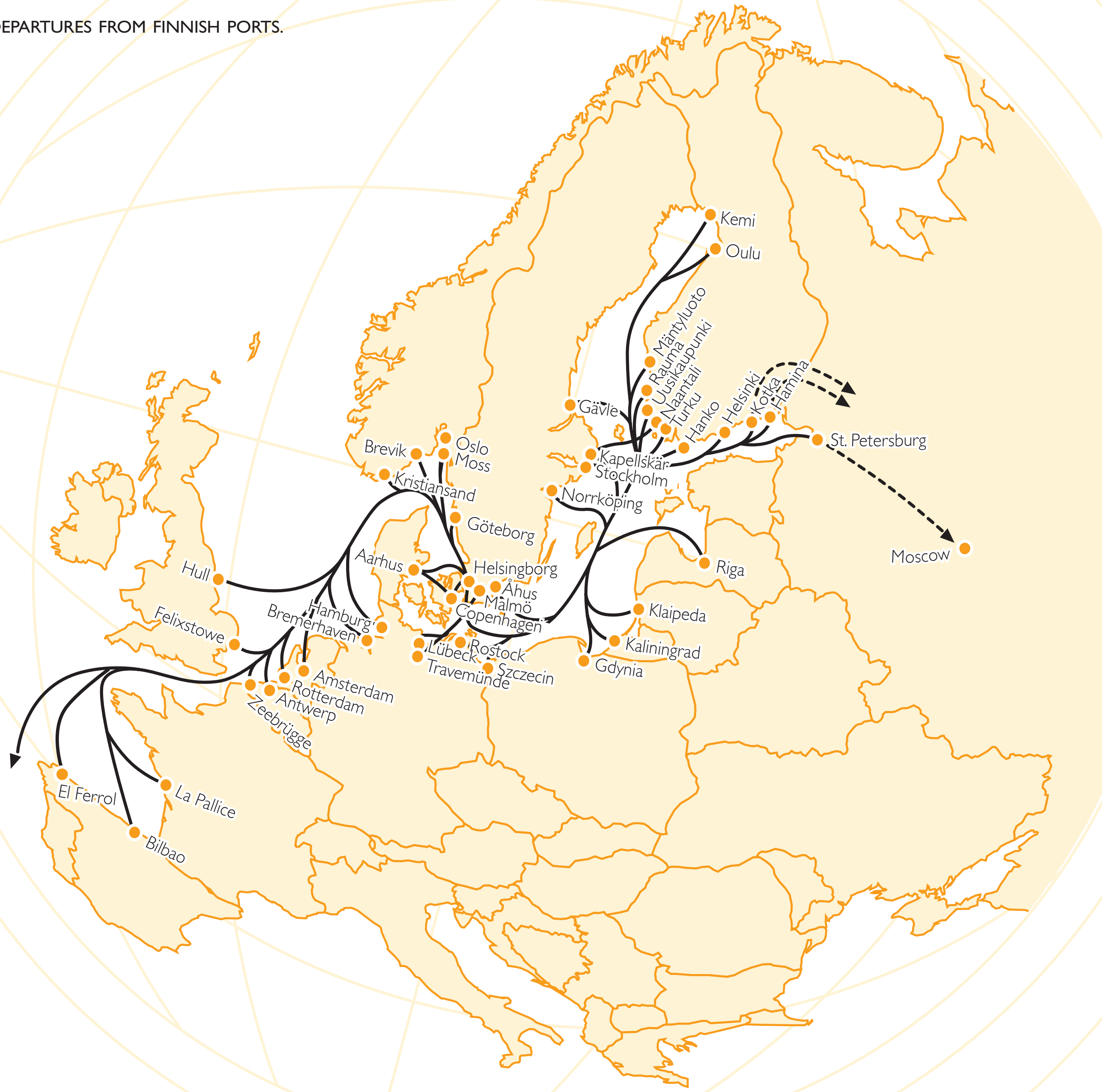
	Gross tonnage	Year of delivery
MEGA/	768	1974/93
MOTTI	5 165	1993

Vessels under management:

	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

Operating areas

THE FINNLINES ROUTE NETWORK COVERS ALL MAJOR FINNISH PORTS AND SOME 30 PORTS THROUGHOUT THE REST OF EUROPE. THE GROUP PROVIDES APPROXIMATELY 100 WEEKLY DEPARTURES FROM FINNISH PORTS.



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