Annual Report 2004

Finnlines

Information for shareholders

Finnlines' financial reports and key events in 2005:

Record date for Annual General Meeting: 7 March 2005.
Registrations for Annual General Meeting: by 15 March 2005.
Annual General Meeting: 17 March 2005.
Dividend record date: 22 March 2005.
Start date for payment of dividends: 31 March 2005.

Interim reports
January-March 2005 published on Thursday 28 April 2005
January-June 2005 published on Tuesday 2 August 2005
January-September 2005 published on Wednesday 26 October 2005

Registering for attendance at the AGM

Finnlines Plc's Annual General Meeting will be held from 10 a.m. on Thursday 17 March 2005 at the Palace Hotel, Eteläranta 10 (10th floor), Helsinki. All shareholders registered in the shareholder list maintained by Suomen Arvopaperikeskus Oy by 7 March 2005 have the right to attend the meeting. Shareholders who wish to attend the meeting must register by 4 p.m. on 15 March 2005, either in writing to Finnlines Plc, Osakerekisteri, P.O. Box 197, FI-00181 Helsinki, Finland, by telephone on +358 (0)10 343 4409, by email at IR@finnlines.fi or by fax on +358 (0)10 343 4425.

Address changes

Please send details of any address changes to the bank where you hold your book-entry account.

Financial publications

Finnlines' Annual Report is published in Finnish, English and German. Interim reports and other financial reports are published in Finnish and English.

The Annual Report, interim reports and other important reports are also published on Finnlines' website at **www.finnlines.fi.**

To order any of these publications, please contact:
Finnlines Plc/Corporate Communication
P.O. Box 197 , FI-00181 Helsinki, Finland
Tel.: +358 (0)10 343 4402
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This Annual Report has been translated into English from the Finnish version. In case of discrepancies the Finnish version shall prevail.

Content

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 the Baltic Sea and North Sea areas, Finnlines provides port services mainly in Helsinki, Turku and Kotka. These two core business areas are supported by efficient, extensive and flexible information management services. The Finnlines fleet consists of ro-pax (roro-passenger), ro-ro (roll-on, roll-off) and container vessels, specifically designed for northern conditions. The company has subsidiaries or sales offices in Germany, Belgium, Great Britain, Sweden, Norway, Russia and Poland, as well as a network of sales agents located throughout Europe.

FINNLINES 2004	**2004**	2003
Revenue, EUR million	698	701
Earnings before depreciation, amortisation and write-downs, EUR million	95	103
Operating profit, EUR million	54	60
Profit before extraordinary items, EUR million	46	40
Earnings per share, EUR	0.94	0.59
Cash earnings from operating activities per share, EUR	2.39	2.54
Dividend per share, EUR	0.75*	1.25
Equity ratio at close of period, %	42	41
Gearing at close of period, %	76	68

*) Board’s proposal

The year in brief

Main events in 2004
In February Finnlines ordered three ro-pax (ro-ro/passenger) vessels from the Italian shipyard Fincantieri. The vessels will be completed between November 2005 and June 2006. The contract also included options for two additional vessels. The vessels are the largest ro-pax vessels ever built, and the fastest in their size class. Each vessel's cargo capacity is 4,200 lane metres, and they have 500 passenger berths. Their service speed will be 25 knots.

In April Finnlines and the City of Helsinki signed a final agreement regarding the transfer of land owned by Strömsby-Invest Oy to the City of Helsinki in accordance with an agreement made in January 1997. According to the agreement, Finnlines would be granted the right to build 8,500 m² of office buildings in the Kamppi business centre in exchange for ceding the land owned by its subsidiary Strömsby-Invest Oy Ab in Kantvik, Kirkkonummi. Finnlines renounced its right to build in Kamppi in benefit of a company called Helsingin Kamppi Center Oy established by SRV Viitoset Oy.

The company continued to increase the efficiency of its operations, restructuring its organisation in May. The main changes affected the Finnlines Cargo Services division and the Group's Ship Management function.

In October, Finnlines exercised the options related to its agreement with Fincantieri and ordered another two vessels in addition to the three ro-pax vessels commissioned in February. One of these will begin operating in autumn 2006 and the other one in early 2007. The total cost of the investment in all five vessels is approximately EUR 500 million. Three of the new ro-pax vessels will be assigned to Finnlines' Finland-Germany route and two to Sweden-related traffic. Smaller ro-pax vessels will then become available for new, growing routes. This investment will increase Finnlines' ro-ro/ro-pax vessel capacity by approximately 25%.

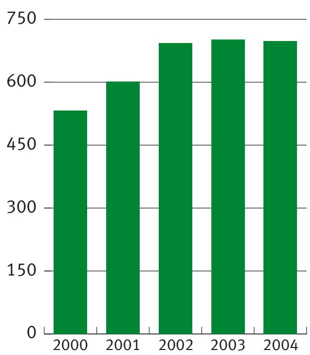
A decision on a bonus issue was made at an Extraordinary General Meeting held on 28 October 2004. The bonus issue doubled the number of shares in the company, which will increase their liquidity on the market. A total of 19,978,979 new shares were issued. A sum equivalent to the share capital increase was transferred from the premium fund to the share capital fund.

Finnlines' port operations subsidiary Finnsteve Oy Ab started offering container terminal services at the port of Mussalo in Kotka at the end of 2004. Finnsteve is one of Finland's largest port operators, whose operations have until now focused on the ports of Helsinki and Turku.

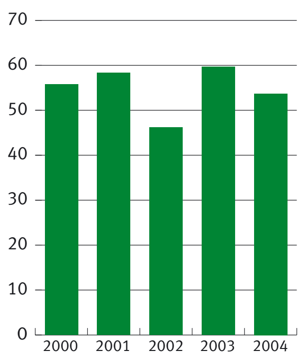
Jukka Laaksovirta, MSc (Eng), was appointed Finnlines' Deputy CEO on 1 January 2004. He was previously director of the Shipping unit at Fortum Oil and Gas Oy.

Finnlines Plc's President and CEO Antti Lagerroos was on sick leave between November 2003 and 1 March 2004.

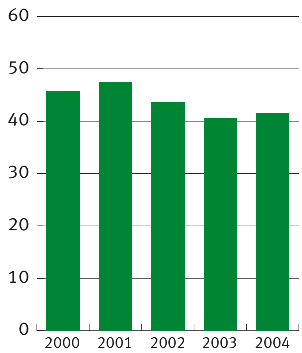
Revenue, EUR million



Operating profit, EUR million



Equity ratio, %



Business concept, values and goals

Business concept

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

Financial goals

Finnlines' principal financial objectives are to guarantee long-term profitability through high-quality operations, to generate added value and to maintain a healthy capital structure. A strong balance sheet helps the company withstand business risks and economic fluctuations in the sector. It also enables the controlled growth and development of the company as well as the utilisation of emerging business opportunities.

The Board of Directors bases its annual dividend proposal on the company's capital structure, future outlook and investment and development needs.

Values

Customer focus
Our customers choose us thanks to our expertise. Satisfied customers are the basis for Finnlines' enduring success. By identifying its customers' needs, Finnlines will be able to continue developing its service products and to generate concrete added value for its customers.

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 necessary conditions for increased share value and an attractive dividend policy.

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.

Employee satisfaction
Finnlines is a reliable and motivating employer, which treats its employees with fairness and equality.

Strategic goals

Maintaining the company's market position in Finland-related traffic
- We will maintain our competitiveness by focusing on increasing the efficiency of our sea transport services and port operations

A stronger position in Russian freight traffic
- We will be the leading shipping company in transit traffic
- We will actively develop and market direct transport routes between Central Europe and Russian Baltic ports

A stronger position in non-Finland-related traffic in the Baltic Sea and North Sea
- We will invest in the operational efficiency of our current transport areas
- We will open new routes according to market opportunities
- We will actively participate in the consolidation processes taking place in our sector

Increased profitability through
- improved productivity
- more efficient operational management and information technology
- efficient handling of environmental and safety issues
- increasingly competent personnel.

Chief Executive Officer's review

2004 was another challenging year for shipping companies. The year began fairly weakly, but the market recovered somewhat towards the end of the year, even in Central Europe. Finnlines' profit for the year grew even though revenue was at the previous year's level. The increase in profits was partly due to the sale of Finnlines' construction rights in Kamppi and to changes in tax legislation. Even though the company did not reach its main targets, Finnlines' profitability level remains one of the best in the sector. Revenues were influenced by the weak economy in Germany, the accident at the beginning of the year and a deficit in our passenger capacity in German traffic. The transportation sector was in turn affected negatively by high oil prices.

The cargo market in the Baltic Sea region is expected to grow constantly in the coming years. Finnlines believes in its own prospects for maintaining its position as the leading cargo shipping company in Northern Europe. This is evident in the company's strong investment programme, which will increase efficiency on routes between Finland and Germany and add new, competitive capacity to Sweden-related traffic. Our newly ordered vessels will be delivered in a tight schedule, with the first of five vessels being taken into use in late 2005, and the last one in early 2007. They are the largest ro-pax vessels ever built, and the fastest in their size class. The total cost of this investment will be approximately EUR 500 million. Part of the investment may be financed by selling some of the older vessels owned by the company. Any vessels that are sold will continue operating in Finnlines' traffic on time-charter basis. The new vessels will help Finnlines strengthen its market-leading position in its core business – cargo traffic – and increase its share of passenger traffic in the Baltic Sea region.

A recently published study estimates that transports of Russian exports through Finland may increase at a rate of eight per cent per annum thanks to the growth of the Russian economy. A large part of Russian exports is transported in containers, and Finland is expected to have two internationally competitive container ports in future: the new port of Vuosaari, being constructed in Helsinki, and Mussalo in Kotka. Finnlines intends to retain a strong presence in both sea transports and port operations in these two locations. In accordance with this strategy, Finnsteve, which is in charge of the Group's port operations, expanded its operations at Mussalo towards the end of the year, its first customer being the Group's own container shipping unit, TeamLines.

There were few acquisitions and mergers in 2004, particularly in shipping. Finnlines' strategy still includes growth through acquisitions and mergers when these actions fulfil the financial criteria set for them.

The economy continues to show some signs of recovery. Finnlines is in a good position to make use of the growth, with its excellent product concept – constantly improved with new vessels and routes – and stable customer relationships. The company's financial situation is good, with a solid balance sheet and cash flow statement, although the return on capital is not yet at a satisfactory level. The keys to achieving our targets will be the know-how and skills of our staff and the continuous development of our operations.

During the year under review, Finnlines embarked on a project to boost the efficiency of sales, marketing and customer service processes (ProLink), which will be put into practice from 2005. The aim of the new operating models is to deepen our understanding of the needs of our customers, to strengthen our customer relationships and to reach new clients. Customers will reap the benefits of reliable and flexible services, a long-term commitment from the company and specialised know-how focusing on their needs. With the new models, Finnlines aims to encourage the creation of an entrepreneurial atmosphere, thus enhancing efficiency, profitability and sales figures.

I wish to thank our customers, personnel and other interest groups for the year. Thanks are also due to our shareholders for the confidence they have shown in us and our work.

Helsinki, 10 February 2005
Antti Lagerroos

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. Finland continues to be Finnlines' main market. In the past few years the company has sought new operating areas in the southern Baltic Sea area and growth has focused mainly on non-Finland-related ro-pax and container traffic operations.

The volume of unitised cargo transports is expected to continue growing strongly, particularly due to the effect of the new EU member states and Russia. There is demand in the Baltic Sea region for ro-pax vessels able to carry passengers in addition to general cargo. There has been a constant shortage of these kinds of ice-strengthened multi-purpose vessels in the market.

International shipping continues to be subject to intense competition. The economic situation in Central Europe has remained fairly weak and the constantly high price of oil has contributed to the increase of costs in the transport sector.

The Finnlines fleet

Finnlines maintained an average of 73 vessels in service in 2004, consisting mainly of ro-ro freight vessels (28 vessels), ro-ro passenger (ro-pax) vessels (12) and container vessels (22). At the beginning of 2005, the total capacity of the ro-ro vessels in liner service was approximately 80,000 lane metres and the container fleet's capacity was 12,200 TEU. At year-end, the Group's own fleet had an average age of 11 years. The Group owns 12 of the ro-ro/ro-pax vessels, which is equal to approximately 40% of its ro-ro capacity. These 12 vessels are managed by the Group.

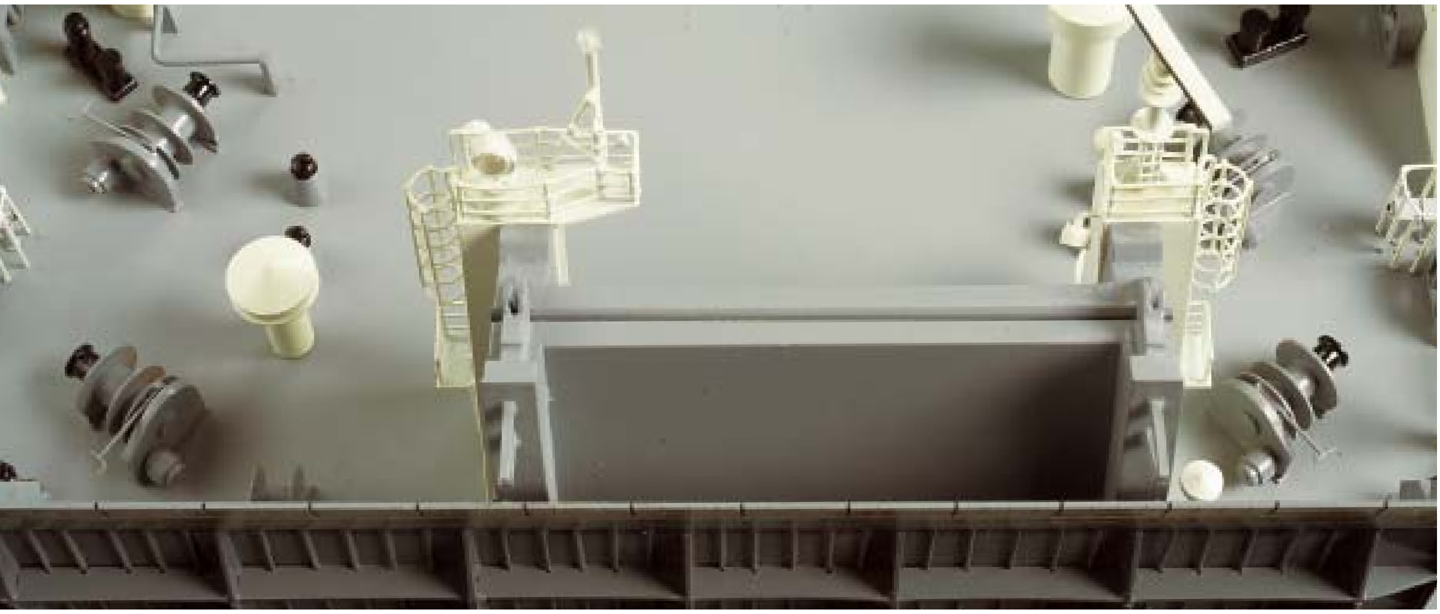
Operating areas

Finnlines' route network covers all major Finnish ports as well as approximately 30 ports abroad. In 2004 there were 100 weekly departures from Finland. The main general cargo traffic ports in Finland are Helsinki, Turku and Naantali. Other main liner traffic ports in Finland are Kotka, Hamina, Hanko, Uusikaupunki, Rauma, Oulu and Kemi. Finnlines' ro-ro liner traffic ports in Sweden are Kapellskär and Malmö. In Germany, the main port is Lübeck/Travemünde, which is the most important port for both the Finnish and Swedish routes. The main ports for feeder container traffic (Team Lines) are Hamburg and Bremerhaven, which are used as a base for managing traffic services to and from 26 different ports in the Baltic Sea area. (See the map on page 59).

Group-wide management system development

Since the beginning of 2005, all of the Group's business units are customers of the centralised financial management Shared Service Centre. The Shared Service Centre operates from Helsinki and its objective is to increase the efficiency of the entire Group's financial management and reporting processes.

The ProLink project, designed to boost the efficiency of sales, marketing and customer service processes from 2005 onwards, was launched in 2004. A large part of these units' staff were involved with the project during the year.



Shipping and sea transport services

Shipping and sea transport services division include the Finnlines ro-ro and ro-pax, FinnLink, Team Lines, Nordö-Link and TransRussiaExpress traffic. In 2004, the division's revenue amounted to EUR 627.6 million and at year end it employed 1,264 staff.

Finnlines ro-pax and ro-ro traffic
Finnlines offered regular ro-ro and ro-pax liner services in the Baltic Sea between Finland and Central European and Scandinavian ports; in the North Sea between Finland and ports in Great Britain, Belgium and the Netherlands; and between Finland and the Bay of Biscay. Finnlines also provided door-to-door and terminal services based on its customers' needs.

In 2004 Finnlines started liner traffic between Helsinki and St. Petersburg to support the Group's Western European traffic.

Finnlines' ro-pax and ro-ro services maintained an average of 43 vessels in service during the year.

Finland-related traffic continued to be subject to strong competition, partly due to some competitors pricing their services lower than their production costs. Finnlines managed to maintain its position as market leader, in accordance with its strategy, by offering the best product concept in the market and the highest frequency of traffic between Finland and Central Europe.

FinnLink
FinnLink continued to offer six daily departures for unitised freight traffic on the maritime route 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.

The number of trucks, lorries and trailers transported by FinnLink rose to over 111,000 units, representing a growth of more some 6% compared to the previous year. The growth of FinnLink traffic was equivalent to that of the overall market, maintaining FinnLink's market share at 44%.

During the year under review, passenger traffic services continued on all FinnLink departures. The principal objective of this service was to attract touring car and caravan passengers and, at the same time, to prepare for the structural changes expected to affect the competitors' tax-free traffic in coming years.

MS Finnclipper was transferred from FinnLink traffic to Nordö-Link traffic between Sweden and Germany in early 2005. The vessel was replaced by MS Finnarrow, which, together with MS Finneagle and MS Finnclipper, provides excellent year-round capacity for both freight customers and passengers. A total of some 126,000 passengers were transported by FinnLink.

A new Bookit system designed to manage passenger bookings and check-ins was purchased for FinnLink. The Bookit system and its online booking version will be brought into use in early 2005.

Nordö-Link
The Swedish shipping company Rederi AB Nordö-Link has been owned by Finnlines since 2002. Nordö-Link has provided ro-ro services between Sweden (Malmö) and Germany (Travemünde) since 1982. In early 2004, a new ro-pax vessel was transferred to Nordö-Link traffic from elsewhere in the Group, which meant that the division operated four ro-pax vessels providing four daily departures in both directions. The Nordö-Link service is based on an efficient concept tailored to meet international freight transport needs.

Despite the tough competition in the South Baltic, Nordö-Link transported some 220,000 cargo units during the year and increased its market-leading position on the Lübeck/Travemünde-Southern Sweden route to a 49% market share.

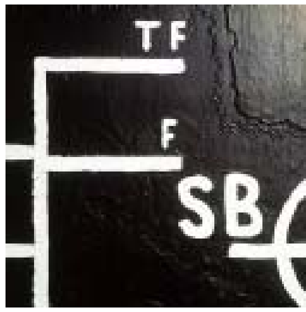
TransRussiaExpress
Finnlines provided transport services from Lübeck (Germany) to Baltijsk (Kaliningrad) and St. Petersburg (Russia) under the TransRussiaExpress name. The two-vessel service operated two to three times a week. Finnlines owns 75% of this traffic, while its Russian partner Baltic Transport Systems (BTS) owns 25%.
A new route via Finland (Hub Helsinki) was added to Finnlines' direct route from Germany to St. Petersburg via Baltijsk (Kaliningrad).

Traffic on direct connections between Central Europe and St. Petersburg continued to increase, largely thanks to the stabilisation of the Russian market. The development of internal Russian traffic between Kaliningrad (Baltijsk) and St. Petersburg was also positive.

Team Lines
Under the Team Lines name, Finnlines provided regular container traffic services mainly from Hamburg and Bremerhaven to 26 different ports in the Baltic Sea and North Sea area. The division's operating areas were Finland, Russia, Sweden, Norway, Poland, Latvia, Estonia, Lithuania and Ireland. Team Lines maintained 22 container vessels in service during the year, with a capacity ranging between 348 and 822 TEU. Team Lines is one of the largest container feeder operators in the Baltic Sea area, and its main customers are transatlantic shipping companies.

In addition to its feeder operations, Team Lines is involved in intra-European container traffic, mainly between Germany, Finland, the Baltic states and Russia, also using the Group's roro-lines.

In autumn 2004, Team Lines opened a new route in the North Sea, between Rotterdam and the west coast of Ireland. Team Lines' capacity was adapted to the growing market by replacing small container vessels with larger ones.



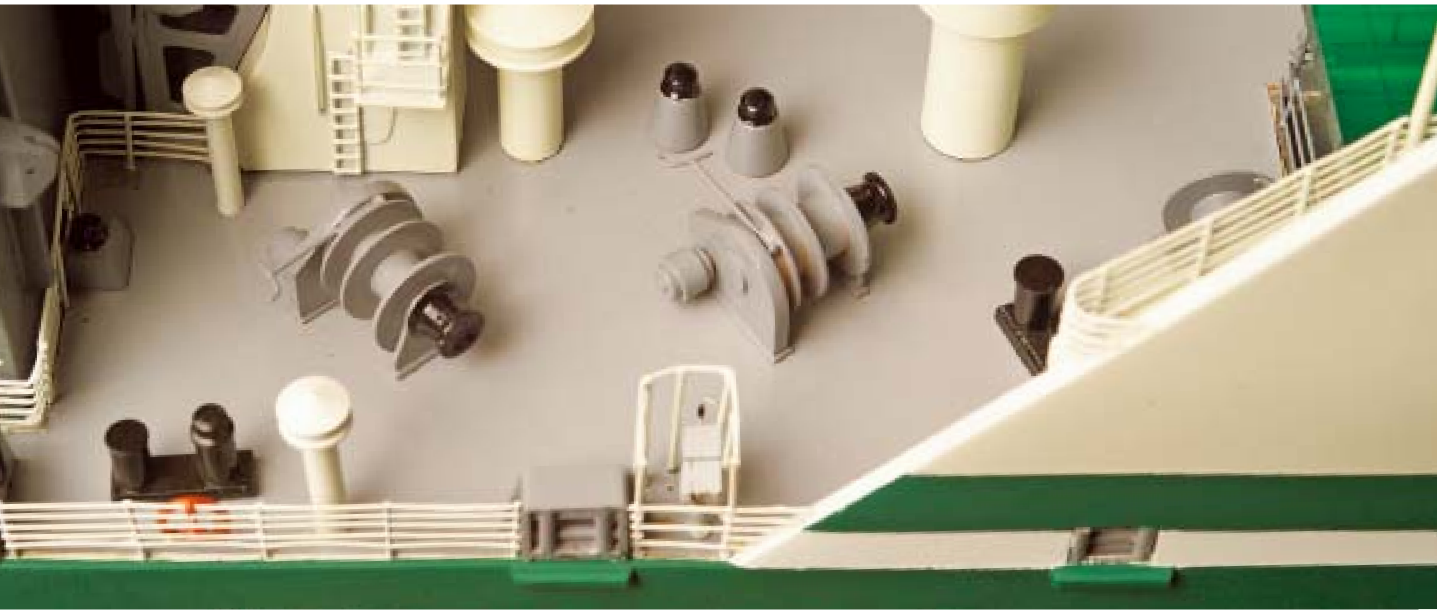
During the year under review new, efficient systems was adopted in operations and administration.

Other traffic operations
Small-tonnage traffic services were provided between ports in Finland and some inland ports in Russia to various parts of Europe (Intercarriers).

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

Passenger services
During 2004, Finnlines provided places for passengers unrelated to its freight operations on four ro-ro passenger vessels operating on the route between Helsinki and Travemünde. The overall passenger capacity of these vessels was some 500 berths. A total of some 44,000 passengers were transported between Germany and Finland, including freight-related passengers.

A private travel agency, Nordic Ferry Center Oy, is responsible for the sale and marketing of the passenger services in Finnlines German traffic.



Port operations

Finnlines engages in port operations under the name Finnsteve in the ports of Helsinki, Turku, Naantali and Kotka as well as in the industrial port of Kantvik. Helsinki, Turku and Naantali are Finland's most important ports in terms of general cargo and liner traffic services. In 2004, Finnlines' Port Operations generated a revenue of EUR 103.1 million and employed an average of 837 people.

Finnsteve is Finland's leading port operator when it comes to general cargo traffic. Finnsteve is specialised in providing services to operators of transit, regular and planned unitised cargo traffic: stevedoring, terminal services, ship clearance as well as warehousing and container depot services. Finnsteve's customers include 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.

The Port of Helsinki is Finland's most important port. It is specialised in providing unitised cargo traffic services for Finnish companies engaged in foreign trade. The strengths of the port of Helsinki include a regular and frequent liner service combined with efficient stevedoring services. Helsinki is also Finland's busiest passenger traffic port, providing a variety of links with the cities of Tallinn, Stockholm and Travemünde.

A new, modern unitised cargo handling port is being constructed in Vuosaari, Helsinki. The freight traffic currently being handled in Helsinki's West Harbour and the port of Sörnäinen will be transferred to Vuosaari in 2008. The construction project is a joint effort by the Port of Helsinki, the Finnish Maritime Administration, the Finnish Rail Administration and the Finnish Road Administration. Finnsteve is actively involved in the port's operational planning.

A total of 694,700 units or more than 9.8 million tons of freight passed through the Port of Helsinki in 2004. The corresponding figure for the previous year was 9.3 million tons. In order to improve customer service, the unitised cargo terminals of Helsinki began providing round-the-clock services during 2004.

After Helsinki, Turku is Finland's second most important unitised cargo and general cargo harbour. It is also Finland's only railferry harbour. The modern and sheltered Port of Turku is equipped to develop into a significant distribution centre covering all of Scandinavia, Northern Europe, the Baltic area and Russia.

A total of 161,900 units passed through the Port of Turku, which is equivalent to 3.3 million tons of freight. The corresponding figure for the previous year was 3.1 million tons. A new resource management system (REHA), aimed at the improved targeting of human and machine resources, has been developed further and its use extended to include Turku. During the year, the Edifact data transfer system also underwent further development. Consequently, a new containerisation system was introduced in port terminals. This system enables the quick transfer of container and railferry-specific loading list information to customers.

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. In order to increase the efficiency of its container traffic and improve related services, an information system designed to support container field planning and container handling will be brought into use in 2005 in the port of Oslo.

The International Maritime Organisation (IMO) and the EU have established new requirements concerning the safety of ports and vessels. The new regulations entered into force in July 2004 and have had an effect on Finnsteve's operations.

Finnsteve started offering stevedoring services at the port of Mussalo in Kotka from the end of 2004. The port of Mussalo is seen to be the second container port of Finland in the future besides the port of Vuosaari in Helsinki.

In order to maintain the profitability of the port operations there is a continuous need to improve utilisation of existing resources. Also product development and marketing will be used to minimise the effects of increasing cost pressures.

Responsible business operations

Finnlines' objective is to guarantee long-term profitability through high-quality business operations. High quality is based on sustainable development, whether it concerns finances, the environment, safety issues or people. The company's values and goals are based on the principles of responsible business operations.

There is a strong link between responsible operating procedures and financial success. Financial responsibility is the cornerstone of responsible business operations. Good profitability and a strong balance sheet structure are the requirements for assuming environmental and social responsibility.

Environmental report

Environment and safety

Environmental responsibility forms part of Finnlines' everyday operations, and safety aspects are always taken into consideration in all of our activities. The company invests in continuous long-term development based on high-quality know-how and knowledge of environmental effects and the means to reduce them.

It is difficult to compare the environmental impacts of different transport modes, but sea transportation can be considered the least harmful, as ships reduce congestion and noise on roads. Finnlines focuses on optimising the transport and routes to achieve a highest possible capacity utilisation level on ships both on southbound and northbound voyages. This will decrease the environmental stress per transported cargo unit.

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:

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

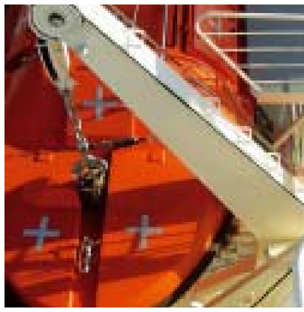
This means that Finnlines:

- 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 continuously to 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.
- Revises 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 measures the results of its environmental efforts.

Organisation and system

The Board of Directors of Finnlines Plc reinforces the objectives and guidelines of the company's environmental policy and environmental work. The President and CEO bears practical responsibility for the Group's environmental management activities. Environmental and safety managers in Finnlines' offices in Germany, Sweden and Finland are responsible for environmental and safety management systems, preventive measures and reporting systems. Finnlines Plc has a certified environmental management system based on the ISO 14001 standard.

All Finnlines vessels have an environmental and safety organisation headed by the master of the vessel, who is responsible for the practical environmental and safety measures adopted on board. All vessels have been certified in accordance with the International Safety Management Code. A number of the vessels also have the ISO 14001 certificate.



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 garbage and sewage water into the sea. Maritime safety matters are regulated through the SOLAS Convention. The vessels are regularly inspected and audited by the relevant maritime authorities, classification societies and certification institutions. In addition to IMO regulations, the EU and the HELCOM agreement on the protection of the Baltic Sea have issued their own directives on shipping. The company's port operations comply with national legislation.

MARPOL Annex VI has been ratified and will enter into force in May 2005. In the Baltic, the maximum sulphur content of our ships' fuel will be 1.5% after a transition period of one year.

In accordance with the EU directive on ship-generated waste, solid waste and sewage generated onboard are included in the "no special fee" system. The aim is to stop illegal discharges at sea by requiring all ships to deliver their waste to port reception facilities. All ships calling at a port must pay for waste reception costs whether they have anything to deliver or not. Ships engaged in scheduled traffic with frequent port calls may be exempted from this directive, if they have made alternative arrangements with competent companies. Finnlines has had its own independent contracts with waste management companies for years.

Stakeholders

In environmental and safety matters, Finnlines' most important stakeholders are the flag and host state administration, customers, shareholders and subcontractors, as well as the inhabitants of harbour and fairway areas. In terms of environmental and safety issues, the Group's most important subcontractors are shipowner and management companies and port operators. A significant number of these have been awarded the ISO 14001 certificate for their operations. Finnlines also cooperates with national and international supervisory organisations in environmental matters.

In 2004, Finnlines participated in the New Hansa of Sustainable Ports and Cities project. The project aims to create common practices in the Baltic for reducing ships' air emissions, for handling waste and for managing wastewater.

Safety and security

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 personnel. Emergency situation procedures are regularly rehearsed on vessels and in ports. As in previous years, in 2004 Finnlines held joint emergency simulations with emergency and rescue authorities.

Finnlines has strict operating instructions for handling and carrying dangerous IMDG cargo on vessels and in ports. The company provides regular training on the handling of dangerous cargo.

An automatic identification system (AIS) was installed on passenger ships already in 2003. In 2004 the remaining vessels in the Finnlines fleet were fitted with the AIS system, which enables other vessels in the area as well as shore-based Vessel Traffic services to identify the name of the vessel, its call letters, position, speed and course.

Voyage data recorders (VDRs), installed on ships in 2003, have proved to be efficient tools for analysing accidents and near misses.

The Baltic Sea can be considered the European Union's inland sea, where sea transportation is continuously growing. The IMO has classified the Baltic as a Particularly Sensitive Sea Area (PSSA). A maritime accident could cause severe damage to the vulnerable marine ecosystems in the Baltic. In the Gulf of Finland, traffic has greatly increased – particularly oil transports from Russia and passenger traffic between Finland and Estonia. The Gulf of Finland's mandatory Ship Reporting System (GOFREP) started in summer 2004. Finland, Estonia and Russia monitor the international waters in cooperation. On arrival in the Gulf of Finland and on leaving a port, vessels must report to the GOFREP operator, who will monitor the vessel and inform of situations affecting safe navigation.

The International Ship and Port Facility Security Code (ISPS Code) was implemented during 2004. The Code concerns ships in international traffic and port facilities.

In January 2004, MS Finnclipper, which plies between Naantali, Finland and Kapellskär, Sweden, ran aground in the Stockholm archipelago, northeast of the island of Kapellskär. The accident did not cause any personal injuries or damage to the marine environment.

Energy consumption and atmospheric emissions

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 an effort to reduce fuel consumption, a special route-planning programme was in trial use on MS Finnpartner during 2004.

In addition to fuel oils, ships use lubricating and hydraulic oils. In the past few years, the use of organic hydraulic oils has been tested and the use will be extended.

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

In 2004, Finnlines' vessel traffic consumed 536,000 tons of heavy fuel oil and diesel oil, representing an increase of 2% compared to the previous year. In 2004, the fuel consumption of the company's port operations totalled 2,200 tons, which includes the Group's operations in Helsinki and Turku, the increase being 3.5%.

In 2004, Finnlines' sulphur dioxide emissions totalled 20,400 tons and overall nitrogen oxide emissions amounted to 29,900 tons. The average sulphur content of the fuel used by ships was 2%.

When vessels are in port, power is generated using auxiliary engines running on low-sulphur fuel oil (sulphur content less than 0.2%). Other 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.

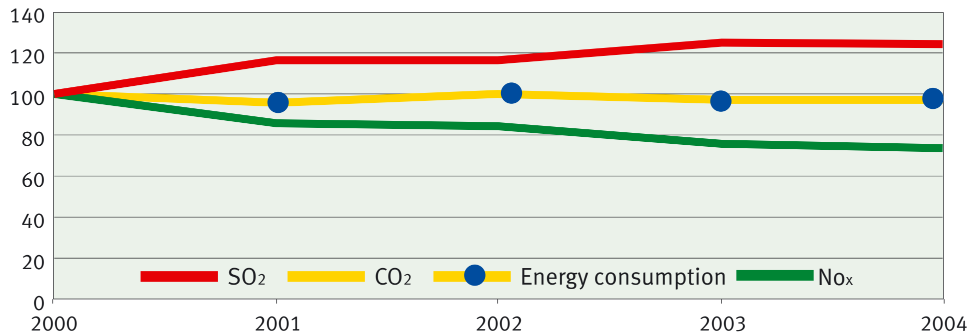
Other environmental aspects

The water used on Finnlines vessels is acquired by vaporising seawater or taken from shore. Oily bilge water and black water, i.e. toilet water, is either pumped ashore or purified onboard the vessels and then discharged.
Waste oils are sorted by type and delivered ashore, where the recipients use them for energy production.
MS Finnclipper is trialling the use of a wastewater management system. The target is efficient purification that exceeds the international and national requirements. The system is expected to be reliable and cost-efficient.
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, where they are collected for disposal. In 2004, efforts were made to increase waste recycling in hotel and restaurant services on ships.
Micro-organisms attached to the ship's hull slow the ship down, increasing fuel consumption. An EC regulation from 2003 prohibits the use of organotin compounds on ships. As a rule, the underwater hulls of Finnlines' own vessels are painted with epoxy-based paints that do not give off toxic substances into the sea. The under-water hulls are brushed and cleaned at regular intervals.
Many ports are located close to residential and recreational areas. In port, noise emissions are mainly caused by the clatter of ramps, by vehicles and by cargo handling. Onboard, noise is generated by ventilators in the cargo holds and auxiliary engines as they generate power. However, ships seldom stay overnight at ports. The noise levels of some of the ships in Finnlines' fleet was measured in Helsinki and Turku. Measures to reduce noise pollution included technical adjustments.

Targets for 2005

- Renewal of the ISO 14001 environmental certificate for MS Transeuropa.
- To develop and implement efficient safety and security arrangements and systems for new buildings.
- Measurement of air emissions in Malmö–Travemünde traffic.
- To create and implement a uniform Safety Management System for all Finnlines Ship Management Units.

Development of nitrogen oxide, sulphur oxide and carbon dioxide emissions, and the energy consumption of ro-ro traffic vessels in relation to transport performance



	Sea traffic		Port operations*)	
(In tons)	**2004**	**2003**	**2004**	**2003**
Fuel	536,000	525,000	2,200	2,100
Carbon dioxide emissions (CO_2)	1,672,400	1,653,000	6,800	6,600
Sulphur dioxide emissions (SO_2)	20,400	20,500		
Nitrogen oxide emissions (NO_x)	29,900	30,600		

*) Figures include port operations in Helsinki and Turku.

Human resources

Skilled, developing staff

Skilled, enthusiastic people form an important resource and the basis of the company's competitiveness. A proper, systematic handling of human resources guarantees that the company's employees continue to be competent and motivated. The central issues in our human resources policy are leadership, recruitment, training and orientation, safety, work development, work ability and health.

The company continued to improve its operations, reforming its organisation in May 2004. The main changes took place in the Finnlines Cargo Services unit and the Ship Management function.

The main targets for 2004 was to improve internal communications and competence. The success of the human resources policy was evaluated in a work environment survey carried out at year-end.

Job satisfaction surveys

Job satisfaction is one of Finnlines' main values. The company strives to achieve the satisfaction of its employees by being a reliable and motivating employer that treats its employees fairly and supports the continuous development of their skills, expertise and competence. During the year under review, job satisfaction surveys were carried out among shore-based personnel in Finland, Germany, the UK and Belgium. The results were quite positive, with clear improvements on the 2002 results in many areas.

Mental and physical work ability

Several measures have been taken to promote the physical, mental and social work ability and health of the company's employees. Our occupational health care programme has been improved, and some employees have taken part in courses which promote well-being at work by teaching life management skills and suggesting lifestyle changes. Measures related to work ability are implemented in co-operation with service providers and the occupational health care system. Fitness evaluation events were and continue to be arranged for mapping and improving the employees' basic health and fitness levels.

The company has striven to design new offices in ergonomically favourable ways and to make existing offices more comfortable and functional. Staff associations support the employees' leisure and recreation activities.

Competence development in 2004

The aims of the company's employee training programme are to improve operations and increase expertise. Independent studies are encouraged and supported. The new employees take part in orientation programmes.

Leadership coaching and internal training were arranged within the framework of the Finnlines Training Programme. Additionally, IT and language training were offered.

With regard to sea personnel, the most important training areas continued to be safety and competence development. The International Ship and Port Facility Security Code (ISPS) of the International Maritime Organisation was implemented in July 2004, and the company arranged training in the subject for its staff. Regular compulsory and voluntary safety drills are arranged on vessels, occasionally with external trainers. Guided practical training forms an important part of the company's sea personnel training programme.

With regard to port operations, training focused on the maintenance of basic skills as well as on user training for machine operators organised by machine manufacturers. Staff in charge of documentation received professional training in the form of a six-month course. The management group received teamwork coaching with the aim of focusing and activating the group's work. Marketing staff and production managers who participate in sales work were trained in the sale of solutions. Leadership operations were improved through basic and further training for production managers.

Support of business units

Co-operation between the company's business units and the human resources department was enhanced in 2004. The company sought to support the operation of the various business units by ensuring that each unit has sufficient, competent staff. Managers were offered leadership training and tools for their day-to-day activities. The importance of development discussions as a tool for performance and target management was emphasised.

Recruitment

Finnlines uses various recruitment channels to maximise its opportunities to employ staff with top-level expertise. Job circulation processes have been improved to help employees receive a variety of skills and an overall understanding of the company's operations. New employees have been recruited to manage the vessel construction work ordered by Finnlines and to handle terminal operations in Mussalo, Kotka.

Key figures	2004	2003
Average no. of employees	2,101	2,161
Revenue/employee, EUR 1,000	332,271	324,589
Personnel expenses/employee, EUR	52,982	49,730
Operating profit/employee, EUR	21,454	26,048
Employee turnover, %	30	25
Training days/employee, total	4,209	4,200
Absences of personnel, change %	−2	−14

Average no. of employees per business area:	2004	2003
Shore-based personnel		
Shipping and Sea Transport Services	589	612
Port operations	837	836
Sea personnel		
Shipping and Sea Transport Services	675	713
Total	2,101	2,161

As of 31 December 2004, there were 1,384 shore-based personnel and 682 sea personnel, a total of 2,066

Employee categories:	2004	2003
Office staff	30%	28%
Sea personnel	33%	34%
Stevedores and supervisors	37%	38%

Gender distribution:	Office staff	Port operations	Sea personnel
Female	47%	8%	18%
Male	53%	92%	82%

Personnel by business region:	2004	2003
Finland	61%	62%
Germany	13%	15%
Sweden	19%	16%
Other	7%	7%

The average age of Finnlines' employees was 43 (43) years. The average duration of employment was approx. 11 (11) years.

Personnel profit and loss account (EUR 1,000)	2004	2003
Revenue	698,100	701,436
Personnel expenses		
Real working time expenses	83,595	82,832
Personnel renewal (holidays, recruitment)	16,292	15,300
Personnel development	1,020	805
Personnel benefits and obligations	10,410	8,531
Personnel expenses, total	111,317	107,468
Other operating expenses	541,708	537,678
Profit before other operating income (operating profit)	45,075	56,290
Other operating income	8,661	3,407
Operating profit	53,736	59,697

Board of Directors' report

Market conditions
The amount of cargo transported in the first few months of the year was significantly smaller than the previous year. This was partly due to the weak German economy and to the fact that one vessel was taken out of Swedish traffic for six weeks due to an accident. A ro-pax vessel with capacity for more than 400 passengers was transferred from the Finland-Germany route to Swedish traffic, but no suitable vessel was found to replace it on the German route. This caused revenues and profits from passenger traffic to fall well below 2003 levels. The passenger traffic situation will improve significantly at the latest in summer 2006 when newly ordered ro-pax vessels are in operation. From then on, the company will offer daily departures for 500 passengers in both directions between Finland and Germany.

Economic prospects improved towards the end of the year, even though growth was still slow in Central Europe. Finnish exports increased during the year, although partly to countries to which Finnlines does not have service. High oil prices caused cost pressures in the whole transport sector, contributing to a slowdown in economic development.

Main events in 2004
In February Finnlines ordered three ro-pax (ro-ro/passenger) vessels from the Italian shipyard Fincantieri. The vessels will be completed between November 2005 and June 2006. The contract included options to add another two vessels. Each vessel's cargo capacity is 4,200 lane metres and they have 500 passenger berths. The total cost of this investment deal, closed in February, is approximately EUR 300 million.

In April Finnlines and the City of Helsinki signed a final agreement regarding the transfer of lands owned by Strömsby-Invest Oy to the City of Helsinki in accordance with a preliminary agreement made in January 1997. According to the agreement, Finnlines would be granted the right to build 8,500 m^2 of office buildings in the Kamppi business centre in exchange for ceding the land owned by its subsidiary Strömsby-Invest Oy Ab in Kantvik, Kirkkonummi. Finnlines renounced its right to build in Kamppi in benefit of a company called Helsingin Kamppi Center Oy established by SRV Viitoset Oy.

In October, Finnlines exercised the Fincantieri options and ordered another two ro-pax vessels. One of these will begin operating in autumn 2006 and the other one in early 2007. The total cost of the investment in all five vessels is some EUR 500 million, most of which will be paid on delivery of the vessels. The investment will increase Finnlines' ro-ro/ro-pax vessel capacity by approx. 25%.

Finnlines' port operation subsidiary Finnsteve Oy Ab expanded its business by offering container terminal services at the port of Mussalo in Kotka at the end of 2004. Until now the group's port operations have focused on the ports of Helsinki and Turku.

Finnlines held an Extraordinary General Meeting in October, where a decision was made on a bonus share issue. It was decided that the company's share capital would be doubled from EUR 39,957,958 to EUR 79,915,916. As part of the bonus issue, one old share could be exchanged for one new share with a nominal value of EUR 2. A total of 19,978,979 new shares were issued.
A sum equivalent to the share capital increase was transferred from the premium fund to the share capital fund. The bonus issue doubled the number of shares in the company, which will increase their liquidity on the market. According to the terms of the option rights issued by the company in 2001, the relative proportion out of the share capital of new shares subscribed as part of bonus issues must remain unchanged. Therefore, after the bonus issue, each option will entitle its holder to subscribe two Finnlines Plc shares instead of one.
In order to carry out the bonus issue, Section 3 of the Articles of Association was changed such that the company's minimum share capital is EUR 50 million and the maximum is EUR 200 million. The amount of share capital may be raised or lowered within these limits without the need to change the Articles of Association.
As the company's share capital was doubled through the bonus issue, the maximum limit of EUR 60,000,000 for share capital was exceeded by the bonus issue. Thus the share issue authorisation granted to the Board of Directors by the Annual General Meeting of 17 March 2004 was updated such that the company's share capital may be increased through new share issues to a maximum of EUR 101,357,958.

Financial developments

Revenue and profit
The Finnlines Group's revenue totalled EUR 698.1 million (EUR 701.4 million in 2003). The revenue of the Shipping and Sea Transport Services division came to EUR 627.6 (632.0) million and the revenue of the Port Operations division amounted to EUR 103.1 (97.9) million. Other operating income totalled EUR 8.7 (3.4) million, which included EUR 6.7 million in income from land transfer and the sale of construction rights (at Kamppi).

Operating profit amounted to EUR 53.7 (59.7) million. Dividend income totalled EUR 4.7 (1.2) million. Interest expenses (net) amounted to EUR 11.0 (13.3) million and other financial expenses, which were mainly the result of currency exchange differences, totalled EUR 1.0 (7.1) million. Profit before extraordinary items amounted to EUR 46.4 (40.4) million and pre-tax profit to EUR 46.4 (40.4) million. The Group's exceptional taxation level was a result of changes in Finnish corporate tax legislation. Return on shareholders' equity (ROE) was 10.0 (6.1)% and return on investment (ROI) 8.1 (8.3)%. Earnings per share amounted to EUR 0.94 (0.59) and net cash flow from operating activities per share totalled EUR 2.39 (2.54).

Financing
The Group's net cash flow from operations amounted to EUR 64.9 (78.6) million. Net cash flow from operations after investments totalled EUR 33.3 (31.2) million. At the end of the year, net interest-bearing debt amounted to EUR 279.3 (255.4) million, or EUR 23.9 million more than at the beginning of the year. The Group's liquidity was good, with cash, cash equivalents and investments amounting to EUR 60.1 (140.0) million. The Group's equity ratio was 41.5 (40.6)% and gearing stood at 76.3 (67.5)%. Shareholders' equity per share was EUR 9.23 (9.58). At year-end nearly 75% of the Group's long-term loans were denominated in euros. Of the loans, 90% were floating interest rate loans and the remainder fixed interest rate loans. At year-end, the amortisation period for the Group's interest-linked debts was 9 months. The average interest rate on loans amounted to 3.5% and the average maturity of the loan portfolio was about 5 years. The net profit for the year includes net exchange rate differences of EUR 1.0 (6.2) million.

Investments and divestments
Investments in 2004 totalled EUR 68.8 (88.5) million. They mainly consisted of advance payments for the ro-pax vessels ordered from Italy. The most important divestment of property was the transfer of lands carried out with the City of Helsinki and the related sale of construction rights to Kamppi Center Oy for EUR 13.5 million.

Personnel
The Group had 2,066 (2,188) employees on 31 December 2004. During the year under review, the number of employees decreased by 122. The average number of employees for the year was 2,101 (2,161), which was 60 less than during 2003.

IFRS
Finnlines will adopt the IFRS system so that the first IFRS financial statements will be published for the whole year 2005. The IFRS valuation project, which was started in 2003 has proceeded as planned.

Board of Directors and auditors
The Annual General Meeting convened on 17 March 2004 appointed the following persons to serve on the Finnlines Board of Directors until the date of the next Annual General Meeting: Mr Pertti Laine, President and CEO of Veikko Laine Oy; Mr Jukka Härmälä, Chief Executive Officer of Stora Enso Oyj; Mr Peter Fagernäs, CEO of Hermitage & Co. Oy; Mr Timo Jouhki, CEO of Buag, A.G.; and Mr Antti Lagerroos, President and CEO of Finnlines Plc. From among its members, the Board selected Pertti Laine to serve as Chairman and Jukka Härmälä to serve as Debuty Chairman. Authorised Accountants PricewaterhouseCoopers Oy were chosen as Finnlines Plc's external auditors.

Shares and share capital
At year-end, Finnlines Plc's capital stock totalled 39,957,958 shares. The company held 556,000 of these shares. Repurchased shares accounted for 1.4% of the company's share capital and voting rights. The Group's total shareholders' equity stood at EUR 363.9 (380.4) million. Shareholders' equity per share was EUR 9.23 (9.58). The shares' market capitalisation on the Helsinki Exchanges was EUR 504.3 million on 31 December 2004. The book-entry value of issued Finnlines shares amounted to EUR 79.9 million.

During the period under review, the highest quotation on the Helsinki Exchanges for the Finnlines share was EUR 14.75 and the lowest EUR 11.0. On the balance sheet date one Finnlines share was quoted at EUR 12.80. A total of 30.7 million Finnlines shares, or 76.9% of the share capital, were traded on the Helsinki Exchanges during the period under review.

Authorisations to the Board of Directors

The Annual General Meeting held in March 2004 authorised the Board to raise the share capital in one or several instalments and/or to raise one or more convertible loans. The Board was authorised to increase the share capital by a maximum of EUR 18,642,042 to a total of EUR 101,357,958. The authorisation had not been used by 31 December 2004.

The Annual General Meeting also authorised the Board of Directors to make decisions regarding the purchase of shares in Finnlines Plc and the divestment of purchased shares. The Board was authorised to use the company's distributable equity to repurchase a maximum of 5% of the total share capital and votes of the company through public trading on the Helsinki Exchanges. The Board of Directors was authorised to decide on the other terms of purchases and divestments. In a meeting held on 17 March 2004, the Board of Directors decided to purchase shares in Finnlines Plc, of which 331,000 were purchased during the period under review.
The authorisations are valid for one year from the Annual General Meeting.

Outlook for 2005

Economic conditions appear to be more favourable at the outset of 2005 than one year ago. The Baltic region is experiencing the strongest growth of the whole of Europe, thanks to the expansion of the EU and the Russian economy. The Finnish economy also continues to grow at a higher rate than the EU average.
Demand for the latest ro-ro/ro-pax vessels clearly exceeds supply, which is an indication of the positive development of the market. In 2005 the company will be taking a year off increasing its capacity, but will continue doing so in 2006 and 2007, with the new vessels ordered in 2004. Stevedoring operations were not included in the collective labour agreement made in autumn 2004 in Finland. The current agreement for stevedoring operations expires in February, and the renegotiations are expected to be tough. Finnlines' operating profit is forecast to be higher than last year, assuming that operating conditions remain stable.

Annual General Meeting

The Annual General Meeting of Finnlines Plc will be held at 10 a.m. on Thursday 17 March 2005 at Hotel Palace in Helsinki.

Proposals to the Annual General Meeting

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.75 per share be paid out for the financial year ending on 31 December 2004. If the Board's proposal is approved, the dividend will be distributed on 31 March 2005 to shareholders registered no later than the dividend record date, 22 March 2005, in the shareholder register maintained by the Finnish Central Securities Depository Ltd.

The Board proposes that the AGM make a decision to decrease the company's share capital in order to cancel the own 556,000 shares held by the company. This would be done by transferring a sum equivalent to the decrease in share capital, i.e. EUR 1,112,000, into the premium fund. This decrease in share capital would not affect the shareholders' equity.

The Board proposes that the AGM authorise the Board for a period of one year to repurchase the company's own shares in public trading on the Helsinki Exchanges at the prevailing share price. The repurchase may comprise a maximum of 5% of all shares and votes. The proposed authorisation will also include the right to dispose of these repurchased shares, derogating the pre-emptive rights of Finnlines shareholders.

Consolidated profit and loss account

EUR 1,000	Note	**2004**	2003
Revenue	1	698,100	701,436
Share of associated companies' results			-209
Other operating income	2	8,661	3,407
Materials and services	3	187,574	191,949
Staff costs	4	108,360	105,086
Depreciation, amortisation and write-downs	5	41,520	43,718
Other operating expenses	6	315,571	304,184
Operating profit		53,736	59,697
Financial income and expenses	7	-7,359	-19,324
Profit before extraordinary items		46,377	40,373
Extraordinary items	8		
Profit before appropriations and taxes		46,377	40,373
Income taxes	11	-8,820	-16,675
Minority interest		-535	-493
Net profit		37,022	23,205

Quarterly figures

Year 2004	**I/2004**	**II/2004**	**III/2004**	**IV/2004**
Revenue, EUR million	163.2	180.3	172.7	182.0
Operating profit, EUR million	8.7	21.8	8.6	14.7
Profit before extraordinary items, EUR million	6.4	19.2	9.9	10.9
Earnings per share (EPS), EUR	0.12	0.57	0.19	0.06
Shareholders' equity/share, EUR	8.44	8.99	9.17	9.23
Net interest-bearing debt (end of period), EUR million	316.4	302.5	288.9	279.3
Return on investment, %	5.4	12.2	7.5	8.4
Return on equity, %	5.4	24.5	8.0	2.8
Gearing, %	93.8	84.9	79.5	76.3
Average no. of employees	2,175	2,196	2,126	2,101

Consolidated balance sheet

EUR 1,000	Note	**2004**	2003
Assets			
Non-current assets	12		
Intangible assets		112,138	118,213
Tangible assets		584,606	575,219
Financial assets		8,380	8,513
		705,124	701,945
Current assets			
Inventories	13	4,101	3,821
Long-term receivables	14	7,724	4,744
Short-term receivables	15	104,240	90,298
Marketable securities		48,207	122,264
Cash and bank balances		11,873	17,734
		176,145	238,861
		881,269	940,806
Shareholders' equity and liabilities			
Capital and reserves	16		
Share capital		79,916	39,958
Share premium		13,773	53,731
Legal reserve		1,405	1,405
Retained earnings		231,749	262,127
Net profit		37,022	23,205
		363,865	380,426
Minority interests		2,049	1,999
Liabilities			
Deferred tax liabilities	18	83,405	82,603
Long-term liabilities	19		
Interest-bearing		301,113	318,946
Other		11,437	5,317
		312,550	324,263
Current liabilities	20		
Interest-bearing		38,307	76,425
Other		81,093	75,090
		119,400	151,515
		881,269	940,806

Consolidated cash flow statement

EUR 1,000	**2004**	2003
Cash flow from operating activities		
Operating profit	53,736	59,697
Depreciation, amortisation and write-downs	41,520	43,718
Undistributed earnings in associated companies		209
Gain on disposals	-7,251	-2,090
Other		
	88,005	101,534
Change in working capital		
Decrease (+)/increase (-) in current receivable	581	1,076
Decrease (+)/increase (-) in inventories	-280	1,671
Decrease (-)/increase (+) in current other liabilities	6,003	-3,495
	6,304	-748
Cash flow from operating activities	94,309	100,786
Interest expenses	-13,319	-14,981
Interest received	1,639	2,062
Realised exchange gains and losses	-51	-5,762
Income taxes	-17,650	-3,474
	-29,381	-22,155
Net cash flow from operating activities	64,928	78,631
Cash flow from investing activities		
Proceeds from sale of tangible assets	31,364	39,788
Investments in tangible assets	-67,665	88,512
Increase in investments in financial assets		171
Dividends received	4,685	1,155
Net cash used in investing activities	-31,616	-47,398
Cash flow before financing activities	33,312	31,233
Cash flow from financing activities		
Own shares acquired	-3,728	
Change in minority interests, increase (+)/decrease (-)	50	200
Payment of long-term liabilities	-86,091	-70,050
Borrowings	30,000	132,170
Granted long-term loans	-2,980	-4,744
Dividends paid	-49,666	-29,800
Other	-815	-151
Net cash flow from financing activities	-113,230	27,625
Change in cash and cash equivalents, increase (+)/decrease (-) [1]	-79,918	58,858
Cash and cash equivalents 1 January	139,998	81,140
Cash and cash equivalents 31 December	60,080	139,998

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.

Profit and loss account, Parent company

EUR 1,000	Note	**2004**	2003
Revenue	1	231,280	246,358
Other operating income	2	4,540	4,935
Materials and services	3	50,289	33,606
Staff costs	4	20,480	22,538
Depreciation, amortisation and write-downs	5	12,142	20,499
Other operating expenses	6	137,305	170,439
Operating profit		15,604	4,211
Financial income and expenses	7	23,117	-3,584
Profit before extraordinary items		38,721	627
Extraordinary items	8		
Profit before appropriations and taxes		38,721	627
Group contribution	9	-10,878	9,435
Appropriations	10	9,113	34,862
Income taxes	11	-2,307	-17,735
Net profit		34,649	27,189

Balance sheet, Parent company

EUR 1,000	Note	**2004**	2003
Assets			
Non-current assets	12		
Intangible assets		7,561	5,552
Tangible assets		275,680	230,789
Financial assets		238,743	239,377
		521,984	475,718
Current assets			
Inventories	13	882	842
Long-term receivables	14	94,386	96,704
Short-term receivables	15	208,688	242,674
Marketable securities		48,208	122,264
Cash and bank balances		1,735	3,328
		353,899	465,812
		875,883	941,530
Shareholders' equity and liabilities			
Capital and reserves	16		
Share capital		79,916	39,958
Share premium		13,773	53,731
Legal reserve			
Retained earnings		24,535	50,740
Net profit		34,649	27,189
		152,873	171,618
Accumulated appropriations	17	219,187	228,300
Liabilities			
Long-term liabilities	19		
Interest-bearing		301,113	318,751
Other		335	422
		301,448	319,173
Current liabilities	20		
Interest-bearing		176,329	191,399
Other		26,046	31,040
		202,375	222,439
		875,883	941,530

Cash flow statement, Parent company

EUR 1,000	**2004**	2003
Cash flow from operating activities		
Operating profit	15,604	4,211
Depreciation, amortisation and write-downs	12,142	20,499
Gain on disposals	-663	17,045
Other		
	27,083	41,755
Change in working capital		
Decrease (+)/increase (-) in current receivable	43,107	-184,160
Decrease (+)/increase (-) in inventories	-41	46
Decrease (-)/increase (+) in current other liabilities	17,835	42,986
	60,901	-141,128
Cash flow from operating activities	87,984	-99,373
Interest expenses	-14,336	-16,818
Interest received	2,202	8,153
Realised exchange gains and losses	637	-4,450
Income taxes	-17,650	-3,473
	-29,147	-16,588
Net cash flow from operating activities	58,837	-115,961
Cash flow from investing activities		
Proceeds from sale of tangible assets	1,362	209,129
Investments in tangible assets	-59,107	-82,609
Increase in investments in financial assets		578
Dividends received	31,822	10,293
Net cash used in investing activities	-25,923	137,391
Cash flow before financing activities	32,914	21,430
Cash flow from financing activities		
Own shares acquired	-3,727	
Payment of long-term liabilities	-86,178	-69,233
Borrowings	30,000	132,170
Repayments of long-term receivables	5,047	
Accrued long term liabilities	-3,247	-3,959
Dividends paid	-49,666	-29,800
Group contributions		9,435
Other	-792	101
Net cash flow from financing activities	-108,563	38,714
Change in cash and cash equivalents, increase (+)/decrease (-) [1]	-75,649	60,144
Cash and cash equivalents 1 January	125,592	65,448
Cash and cash equivalents 31 December	49,943	125,592

1) Cash and bank deposits and marketable securities

Accounting principles

The consolidated statements are prepared in conformity 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 the 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 plan corresponding to the underlying asset. The remainder of the difference is entered as goodwill on consolidation, 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 their 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.

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

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

Materials and external services

Materials
This item includes fuel oil purchases, the purchase of food, products sold on the vessels and the purchase of materials and supplies for port operations.

External Services
This item includes the expenses relating to cargo handling and terminal operations.

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 net sales and exchange rate differences on accounts payable under 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 euro zone 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 financial instruments
The gains or losses arising from derivative financial instruments such as forward foreign exchange and option contracts and currency swaps are entered under financial items. The interest received or payable under derivative financial instruments used to cover the company 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.

Finnlines 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 under operating expenses.

Fixed assets and depreciation
Fixed assets are capitalised to their direct acquisition cost excluding depreciation and other deductions, along with any revaluations allowed by local accounting practices. Financial items falling due during ship construction are capitalised to the acquisition cost of the vessels.

Fixed assets subject to wear are depreciated according to plan based on the economic life span of the asset and its estimated salvage value as well as the estimated residual value.

Depreciation periods:

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	30–32 years
Stevedoring machinery and equipment	5–15 years
Railway wagons (until 2002)	10–20 years
Other machinery and equipment	3–5 years

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

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

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

Securities
The portion of the Group's cash reserves invested in short-term marketable securities is entered under 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 shareholders' equity, retained earnings and 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 2004	Group 2003	Parent company 2004	Parent company 2003
1. Revenue				
By division				
Shipping and Sea Transport Services	627,574	631,999	231,280	246,358
Port Operations	103,069	97,943		
Eliminations	-32,543	-28,506		
Total	698,100	701,436	231,280	246,358
Intragroup revenue			61,264	57,908
2. Other operating income				
Gain on disposals	4,359	2,090	698	4,660
Rental income	662	471	592	274
Other	3,640	846	3,250	1
Total	8,661	3,407	4,540	4,935
3. Materials and services				
Purchases during period				
Bunker	79,222	80,403	17,312	12,712
Other	2,358	2,979	240	425
Variation in inventories	-266	1,363	-41	52
Total	81,314	84,745	17,511	13,189
External services	106,260	107,204	32,778	20,417
Materials and services, total	187,574	191,949	50,289	33,606
4. Staff and staff expenses				
Staff				
Average number of employees	2,101	2,161	412	483
Shipping and Sea Transport Services	1,264	1,325	412	483
Port Operations	837	836		
Staff expenses				
Wages and salaries	93,397	95,894	19,298	21,925
Social security costs				
Pension costs	12,643	12,406	2,930	3,594
Other	15,002	10,202	1,860	2,290
State subsidies *)	-12,682	-13,417	-3,608	-5,271
Total	108,360	105,085	20,480	22,538
*) previously booked under Other operating expenses				
Salaries and remunerations to				
Presidents	2,034	1,705	545	537
Board of Directors	155	115	145	115
5. Depreciation, amortisation and write-downs				
Depreciation and amortisation according to plan	41,520	43,718	12,142	20,499

EUR 1,000	Group 2004	2003	Parent company 2004	2003
6. Other operating expenses				
Time-charters of vessels	145,820	135,802	59,036	48,498
Other	169,751	168,382	78,269	121,941
Total	315,571	304,184	137,305	170,439
7. Financial income and expenses				
Income from financial assets				
Dividends	4,685	1,155	4,506	1,101
From Group undertakings			28,848	9,644
Other				
Total	4,685	1,155	33,354	10,745
Long-term interest income				
From Group undertakings				
Other	241	156	241	268
Total	241	156	241	268
Other interest and financial income				
From Group undertakings			4,981	6,227
Other	1,347	2,161	1,193	1,684
Total	1,347	2,161	6,174	7,911
Other financial income				
From Group undertakings				
Other	292		250	957
Total	292		250	957
Exchange gains and losses				
From Group undertakings				
Gains			1,550	1,232
Losses			-552	-279
Other				
Gains	1,694	3,311	863	3,311
Losses	-2,724	-9,545	-2,246	-9,616
Total	-1,030	-6,234	-385	-5,352
Interest and other financial expenses				
Interest expenses				
From Group undertakings			-2,618	-1,876
Other	-12,540	-15,420	-12,857	-15,381
Total	-12,540	-15,420	-15,475	-17,257
Other financial expenses				
To Group undertakings				
Other	-354	-1,142	-1,042	-856
Total	-354	-1,142	-1,042	-856

EUR 1,000	Group 2004	2003	Parent company 2004	2003
Financial income and expenses, total	-7,359	-19,324	23,117	-3,584
Interest income and expenses, total				
Interest income, total	1,588	2,317	6,415	8,179
Interest expenses, total	-12,540	-15,420	-15,475	-17,257
8. Extraordinary items				
Extraordinary income				
Extraordinary expenses				
Total				
9. Group contributions				
Group contributions (+)			13,380	9,435
Group contributions (-)			-24,258	
			-10,878	9,435
10. Appropriations				
Change in difference between actual and planned depreciation			9,113	34,862
11. Taxes				
Taxes on operations	-8,820	-16,675	-5,462	-14,999
Taxes on extraordinary items			3,155	-2,736
Total	-8,820	-16,675	-2,307	-17,735
Taxes for the period	-6,591	-16,085	-2,060	-15,708
Taxes from previous periods	-1,426	-4,227	-247	-2,027
Change in deferred tax liability [1])	-803	3,637		
Total	-8,820	-16,675	-2,307	-17,735

[1]) Includes calculated tax liabilities and receivables incurred through appropriations, accruals and consolidation procedures.

12. Non-current assets

12.1 Intangible rights, Group

	Goodwill	Other non-current assets	Total
Acquisition cost on 1 January 2004	142,563	16,241	158,804
Increases		3,730	3,730
Decreases		-1,088	-1,088
Acquisition cost on 31 December 2004	142,563	18,883	161,446
Accumulated depreciation and writedowns 1 January 2004	-30,557	-10,034	-40,591
Accumulated depreciation on decreases		904	904
Depreciation in the period	-7,836	-1,785	-9,621
Accumulated depreciation and writedowns 31 December 2004	-38,393	-10,915	-49,308
Balance sheet total on 31 December 2004	104,170	7,968	112,138
Balance sheet total on 31 December 2003	112,006	6,207	118,213

12.1 Intangibles rights, Parent company

	Other non-current assets	Total
Acquisition cost on 1 January 2004	11,591	11,591
Increases	3,579	3,579
Decreases		
Acquisition cost on 31 December 2004	15,170	15,170
Accumulated depreciation on 1 January 2004	-6,040	-6,040
Accumulated depreciation on decreases		
Depreciation in the period	-1,569	-1,569
Accumulated depreciation on 31 December 2004	-7,609	-7,609
Balance sheet total on 31 December 2004	7,561	7,561
Balance sheet total on 31 December 2003	5,552	5,552

12.2 Tangible assets, Group

	Land and water	Buildings and constructions	Vessels and ship shares	Machinery and equipment	Advance payments and purchases in progress	Total
Acquisition cost on 1 January 2004	8,355	33,146	650,945	59,885		752,331
Transfers between categories			711			711
Increases		379	4,325	7,841	52,511	65,056
Decreases		-420	-20,791	-4,169		-25,380
Acquisition cost on 31 December 2004	8,355	33,105	635,190	63,557	52,511	792,718
Accumulated depreciation and writedowns 1 January 2004	-6,430	-17,813	-114,639	-44,660		-183,542
Transfers between categories			-223			-223
Accumulated depreciation on decreases		200	3,270	4,081		7,551
Depreciation in the period		-1,646	-25,450	-4,802		-31,898
Accumulated depreciation and writedowns 31 December 2004	-6,430	-19,259	-137,042	-45,381		-208,112
Balance sheet total on 31 December 2004	1,925	13,846	498,148 [1)]	18,176	52,511	584,606
Balance sheet total on 31 December 2003	8,355	15,333	536,306	15,225		575,219

1) Capitalised interest 12.4 EUR million.

12.2 Tangible assets, Parent company

	Buildings and constructions	Vessels and ship shares	Machinery and equipment	Advance payments and purchases in progress	Total
Acquisition cost on 1 January 2004	4,794	246,870	6,549		258,213
Increases		3,717	543	51,268	55,528
Decreases		-74	-504		-578
Acquisition cost on 31 December 2004	4,794	250,513	6,588	51,268	313,163
Accumulated depreciation on 1 January 2004	-2,261	-19,919	-5,244		-27,424
Accumulated depreciation on decreases		71	442		513
Depreciation in the period	-251	-9,810	-511		-10,572
Accumulated depreciation 31 December 2004	-2,512	-29,658	-5,313		-37,483
Balance sheet total on 31 December 2004	2,282	220,855	1,275	51,268	275,680
Balance sheet total on 31 December 2003	2,533	226,951	1,305		230,789

12.3 Financial assets, Group

	Participating interest	Other shares and holdings	Total
Acquisition cost on 1 January 2004	2,714	5,799	8,513
Increases		1	1
Decreases	-115	-19	-134
Transfers between categories			
Balance sheet total on 31 December 2004	2,599	5,781	8,380
Balance sheet total on 31 December 2003	2,714	5,799	8,513

12.3 Financial assets, Parent company

	Shares in Group undertakings	Participating interest	Other shares and holdings	Total
Acquisition cost on 1 January 2004	232,933	1,565	4,879	239,377
Decreases	-570	-51	-13	-634
Balance sheet total on 31 December 2004	232,363	1,514	4,866	238,743
Balance sheet total on 31 December 2003	232,933	1,565	4,879	239,377

	Group 2004	2003	Parent company 2004	2003
13. Inventories				
Bunker	3,263	2,961	633	572
Other	838	860	249	270
Total	4,101	3,821	882	842

	Group 2004	2003	Parent company 2004	2003
14. Long-term receivables				
Accounts receivable				
Group receivable				
Receivables from participating interests				
Loan receivables	7,724	4,744	6,687	3,959
Group receivables			87,699	92,745
Prepaid expenses and accrued income				
Total	7,724	4,744	94,386	96,704
15. Short-term receivables				
Accounts receivable	65,669	60,365	6,654	7,187
Group receivables				
Accounts receivable			4,769	5,439
Loan receivables			140,074	173,753
Other receivables			31,013	36,124
Prepaid expenses and accrued income			1,699	2,873
Total			177,555	218,189
Receivables from participating interests				
Loan receivables				
Other receivables	7,342	8,522	3,728	5,054
Prepaid expenses and accrued income	31,229	21,411	20,751	12,244
	38,571	29,933	24,479	17,298
Total	104,240	90,298	208,688	242,674
Main prepaid expense and accrued income items				
State subsidies	2,250	3,422	2,250	3,422
Time-charter of vessels	5,105	1,568	2,213	1,568
Insurance compensations	1,249	3,847	1,249	3,813
Interest expenses	1,307	1,618	1,151	1,616
Taxes	11,469	452	11,469	452
Other	9,849	10,504	2,419	1,373
	31,229	21,411	20,751	12,244

	Group		Parent company	
	2004	2003	2004	2003
16. Capital and reserves				
Share capital on 1 January	39,958	39,958	39,958	39,958
Bonus issue	39,958		39,958	
Shareholders' equity on 31 December	79,916	39,958	79,916	39,958
Share premium on 1 January	53,731	53,731	53,731	53,731
Bonus issue	-39,958		-39,958	
Share premium on 31 December	13,773	53,731	13,773	53,731
Legal reserve 1 January	1,405	1,405		
Legal reserve 31 December	1,405	1,405		
Retained earnings on 1 January	285,332	292,642	77,929	80,540
Dividend distribution	-49,666	-29,800	-49,666	-29,800
Acquired own shares	-3,728		-3,728	
Currency exchange difference	-189	-715		
Net profit for the financial year	37,022	23,205	34,649	27,189
Non-restricted equity 31 December	268,771	285,332	59,184	77,929
	363,865	380,426	152,873	171,618
Calculation of distributable funds				
Retained earnings on 31 December	268,771	285,332		
Accumulated shareholders' equity of appropriations	-202,420	-174,952		
Group's distributable funds on 31 December	66,351	110,380		
17. Accumulated appropriations				
Accumulated depreciation in excess on plan			219,187	228,300
18. Deferred tax liability				
Deferred tax receivables				
From appropriations				
From consolidation				
From accruals	366	7,118		
Total	366	7,118		
Deferred tax liabilities				
From appropriations	77,981	80,859		
From consolidation	992	1,413		
From accruals	4,798	7,449		
Total	83,771	89,721		
Total deferred tax liabilities	83,405	82,603		
19. Long-term liabilities				
Bonds and notes				
Loans from financial institutions	291,913	307,344	291,913	307,344
Pension loans	9,200	11,602	9,200	11,407
Other long-term loans	11,437	5,317	335	422
Total	312,550	324,263	301,448	319,173
of which interest-bearing	301,113	318,946	301,113	318,751

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Maturity of loans				
Year				
2004		76,091		76,091
2005	38,193	38,193	38,193	38,193
2006	34,824	34,807	34,824	34,807
2007	88,931	88,560	88,931	88,560
2008	76,489	76,456	76,489	76,456
2009	22,486	22,453	22,486	22,453
2010 and later	78,383	58,282	78,383	58,282
Total	339,306	394,842	339,306	394,842
Long-term loans due after five years				
Loans from financial institutions	73,783	74,985	73,783	74,985
Pension loans	4,600	5,750	4,600	5,750
	78,383	80,735	78,383	80,735
20. Current liabilities				
Bonds and notes		35,000		35,000
Loans from financial institutions	35,985	39,218	35,986	38,884
Pension loans	2,207	2,207	2,207	2,207
Accounts payable and agent accounts	22,211	17,490	3,989	1,711
Other debts	115			
Debts to Group undertakings				
Accounts payable			897	2,892
Accrued expenses and prepaid income			700	918
Other debts			138,161	115,333
Total	60,518	93,915	181,940	196,945
Other short-term debt	15,041	9,692	6,012	5,922
Accrued expenses and prepaid income	43,841	47,908	14,423	19,572
Total	119,400	151,515	202,375	222,439
of which interest-bearing	38,307	76,425	176,329	191,399
Main deferred income items				
Personnel expenses	11,383	13,604	2,856	3,065
Cargo handling expenses	5,861	4,447	2,030	2,491
Travel expenses	5,811	2,726	1,266	1,132
Interest expenses	3,789	4,936	3,789	4,929
Taxes	437	9,297		5,857
Other	16,560	12,898	4,482	2,098
	43,841	47,908	14,423	19,572

	Group				Parent company			
	2004		2003		2004		2003	
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	156,220	279,572	189,479	312,858	156,220	201,000	189,479	201,000
	156,220	279,572	189,479	312,858	156,220	201,000	189,479	201,000
Pledges given to cover other own commitments								
Pledges		8,523	1	6,113		1,513		1,513
Mortgages		113		543				
		8,636	1	6,656		1,513		1,513
Pledges given on behalf of others								
Pledges		2,353	712	447				
Mortgages								
		2,353	712	447				
Pledges, total	156,220	290,561	190,192	319,961		202,513		202,513
Other contingent liabilities		399,901		564		399,600		336
Other own liabilities								
Pension liability								
Others								
Leasing liabilities								
Due in following financial year		1,460		976		484		537
Due in later years		4,766		1,710		417		588
Leasing liabilities, total		6,226		2,686		901		1,125
Pledges and commitments, total		696,688		323,211		603,014		203,974

Liabilities on derivate instruments on 31.12.	Group		Parent company	
	Nominal value	Market value 1)	Nominal value	Market value 1)
Currency forward contracts	41,426	-449	14,641	-91
Interest rate swaps	100,000	-450	135,000	-1,986
Total	141,426	-899	149,641	-2,077

1) Net profit/loss, if these derivatives had 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	
North Wind Oy	Helsinki	100	100
Kiinteistö Oy LevinTuvat	Kittilä	100	20
Team Lines Finland Oy	Helsinki	100	
Hanseatic Shipping Oy	Helsinki	100	
Foreign			
Finnlines Deutschland AG	Germany	100	100
Finnlines (Cyprus) Ltd	Cyprus	100	100
Partenreederei MS Railship III	Germany	100	
Finncarriers GmbH	Germany	100	
FG-Shipping GmbH	Germany	100	
Finnlines GmbH	Germany	100	
Hansa Link GmbH	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	
Finncarriers Limited	Great Britain	100	
Finland London Terminal Ltd	Great Britain	100	
AB Finnlines Ltd	Sweden	100	100
Finnlink AB	Sweden	100	
Ropax I Aktiebolaget Clipper	Sweden	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	
Finnwest N.V.	Belgium	66.7	
Verwaltungsgesellschaft Team Lines GmbH	Germany	100	
Team Lines GmbH & Co. KG	Germany	100	
Team Lines Sverige AB	Sweden	80	

	Domicile	Group holding (%)	Parent company holding (%)
Team Lines Norge A/S	Norway	100	
Road to Sea Transport GmbH	Germany	100	
Finnlines Holland B.V.	Holland	100	100
Rederi AB Nordö-Link	Sweden	100	
Finnlines Shipmanagement AB	Sweden	100	
Skandinavien-Link GmbH	Germany	100	

Patricipating interests	Domicile	Group holding (%)	Parent company holding (%)
Domestic			
Simonaukion Pysäköinti Oy	Helsinki	50	50
Foreign			
MS "Pinta" Interscan GmbH & Co.	Germany	21	
MS "Patriot" Interscan GmbH & Co.	Germany	21	
RosEuroTrans	Russia	50	
Other investments			
Domestic			
Steveco Oy	Hamina	19.1	19.1
Other companies (22)			
Foreign			
Total of 7 companies			

Shares and shareholders

General information
Finnlines Plc has one share series. Each share carries one vote at general shareholder meetings and confers identical dividend rights. As outlined in Finnlines' Articles of Association, the company's minimum share capital is EUR 50,000,000 and the maximum is EUR 200,000,000. 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 2004 totalled EUR 79,915,916. Finnlines' entire capital stock totalled 39,957,958 shares.

Bonus Issue
The company's share capital was doubled in autumn 2004 through a bonus issue. An Extraordinary General Meeting held in October 2004 approved a proposal by the Board of Directors regarding an increase of the company's share capital by EUR 39,957,958 through a bonus issue, from EUR 39,957,958 to EUR 79,915,916. As part of the bonus issue, one old share could be exchanged for one new share with a nominal value of EUR 2. A total of 19,978,979 new shares were issued. A sum equivalent to the share capital increase was transferred from the premium fund to the share capital fund.

The date of recording of the bonus issue was 2 November 2004. The new shares were recorded on shareholders' book-entry accounts on 2 November 2004. Holders of the new shares will be entitled to full dividends for the financial year beginning 1 January 2004. Other rights related to the shares will apply to the company from the date of recording.

In order to carry out the bonus issue, Section 3 of the Articles of Association was changed so that the company's minimum share capital is EUR 50 million and the maximum is EUR 200 million. The amount of share capital may be raised or lowered within these limits without the need to change the Articles of Association.

Share price and trading in 2004
Finnlines Plc shares are listed on the Helsinki Exchanges. The highest quoted price of the Finnlines share during the year was EUR 14.75 and the lowest EUR 12.70. A total of 30.7 million Finnlines shares were traded during the year. Finnlines' market capitalisation at the end of the year was EUR 511.9 million.

Shareholders
At the end of 2004, Finnlines had approximately 4,800 shareholders. The ten largest shareholders owned 46% of the company shares. Some 82% of the shareholders were Finnish, while 18% were nominee-registered.

Authorisations
The Annual General Meeting of Finnlines Plc, convened in March 2004, authorised the Board of Directors to use the company's distributable equity to repurchase a maximum of 5% of the total share capital and votes of the company, and similarly to dispose of a maximum of the same amount. The authorisations are valid for one year from the Annual General Meeting. At year-end, the company held 556,000 own shares, with an average purchase price of EUR 10.73.

Share issue authorisation
The Annual General Meeting authorised the Board to raise the share capital in one or several instalments and/or to raise one or more convertible loans. The Board was authorised to issue a maximum of 9,321,021 new shares, meaning a maximum share capital increase of EUR 18,642,042 to a total of EUR 101,357,958. Of this amount, 3,995,795 shares (worth EUR 7,991,950) could be issued with the right to derogate shareholders' pre-emptive rights. The authorisation is valid for one year from the Annual General Meeting. It had not been used by 31 December 2004.

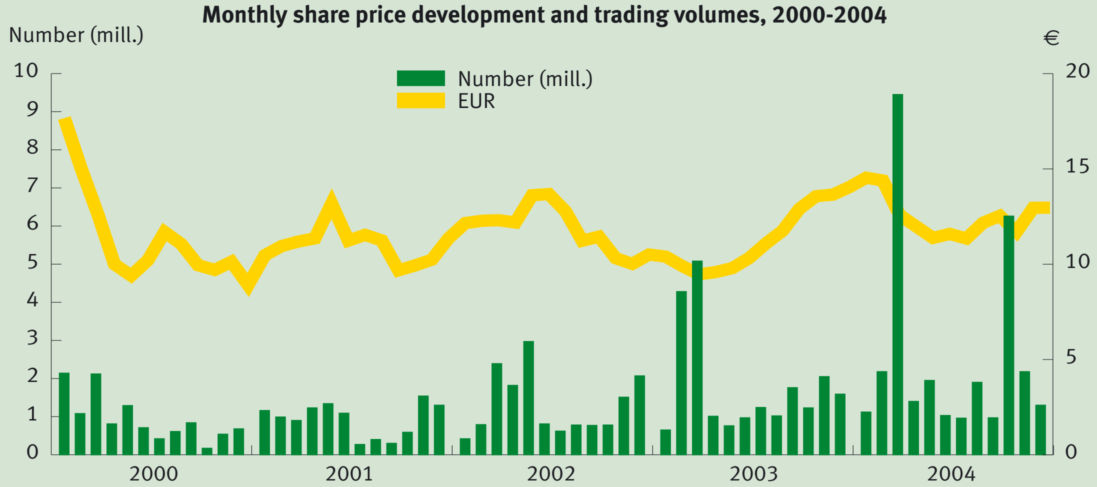
Share option schemes
Finnlines has one share option scheme for the Group's management, launched in 2001. It consists of 700,000 share options, which entitle their holders to subscribe a maximum of 1,400,000 Finnlines Plc shares such that each option has the right to subscribe two shares. Of these share options, 350,000 are marked with the letter A and 350,000 with the letter B. The subscription price calculated per share is EUR 9.42 for Type A options and EUR 9.975 for Type B options. The annual dividend per share is deducted from the share subscription price on the dividend recording date. The options can be exercised annually between 2 January and 30 November.
The options must be exercised by 26 March 2006.

No new shares were issued through option schemes during the year under review.

Finnlines' share ownership structure on 31 December 2004	% of shares
Private companies	36.4
Financial and insurance companies	18.3
Public entities	9.3
Non-profit associations	7.3
Households	10.7
Nominee registered	17.7
Other	0.3
Total	100.0

Principal shareholders on 31 December 2004	Number of shares	% of shares
Thominvest Group	4,395,760	11.00 %
Veikko Laine Oy	4,247,872	10.63 %
Stora Enso Plc	2,209,340	5.53 %
Svenska Handelsbanken AB	2,200,000	5.51 %
Pension Insurance Company Ilmarinen	1,608,000	4.02 %
Dreadnought Finance Oy	1,090,640	2.73 %
Sampo Life Insurance Company	920,050	2.30 %
Svenska Litteratursällskapet i Finland	690,000	1.73 %
Nordea Life Assurance Finland Ltd	600,600	1.50 %
Finnlines Plc	556,000	1.39 %
Nominee registered	7,088,299	17.74 %
Other	14,351,397	35.92 %
Total	39,957,958	100.00 %
Group management direct holding	154,000	0.39 %

Monthly share price development and trading volumes, 2000-2004



Proposal of the Board of Directors

According to the consolidated balance sheet on 31 December 2004	EUR
Profit from previous years	235,666,179.10
Purchase of own shares	-3,727,524.00
Currency exchange difference	-189,271.25
Profit from the financial year	37,021,876.30
Non-restricted equity, total	268,771,260.15
of which distributable	66,351,000.00

According to the parent company's balance sheet on 31 December 2004

Profit from previous years	28,262,815.58
Acquisition of own shares	-3,727,524.00
Profit from the financial year	34,649,115.36
Non-restricted equity, total	59,184,406.94

The Board of Directors proposes that a dividend of 0.75 on each of the 39,401,958 shares, i.e. EUR 29,551,468.50 be paid out of the distributable funds.

Helsinki, 10 February 2005
Pertti Laine

Peter Fagernäs
Timo Jouhki

Jukka Härmälä
Antti Lagerroos

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 2004. 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 of the parent company.

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 of the parent company 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 of the parent company 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, 10 February 2005
PricewaterhouseCoopers Oy
Authorised Public Accountants
Kari Miettinen
Authorised Public Accountant

Corporate governance

General background
Finnlines complies with the Recommendation for Corporate Governance of Listed Companies, valid from 1 July 2004.

The duties and responsibilities of Finnlines' various governing bodies are founded on the provisions of the Finnish Companies Act and other applicable legislation. 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 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. The General Meeting of Shareholders has exclusive authority over certain important functions such as amending the Articles of Association, approving the Financial Statements, determining the amount of dividends to be paid, appointing members to the Board of Directors and selecting the company's auditors.
The company provides shareholders with advance information on the AGM in the invitation to attend the AGM, in other communiqués and on its website. The invitation to attend the AGM and the agenda are published in a national newspaper chosen by the Board and on the company's website, at the earliest two months and at the latest one week before the AGM tallying date as stipulated in the Finnish Accounting Act.
The Annual General Meeting is attended by the President and CEO, the Chairman of the Board, a sufficient number of Board members and any persons nominated for the first time to be Board members, unless there is a pressing reason for their absence.

Board of Directors
The names of candidates for membership of the Board of Directors put forward by the Board of Directors or by shareholders with a minimum holding of 10 per cent of the company's voting rights are published in the invitation to attend the AGM, if the candidates have agreed in writing to their name being put forward. Any candidates put forward after the publication of the invitation to attend the AGM will be published separately.

Candidates for membership of the Board of Directors must have the qualifications required for the post and sufficient time to complete the tasks required by the post successfully. A majority of the Board of Directors must consist of persons who are independent of the company. At least two of these must be independent also of the major shareholders. The company will decide which of the members can be considered to be independent.

Due to the current number of Board members, the Board handles all issues in the presence of the entire Board. The Board does not have any separate committees.

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 is responsible for the company's administration and for making the required operative arrangements. The Board oversees Finnlines' operative management, appoints and dismisses the Chief Executive Officer, approves the company's strategic goals and risk management principles, and ensures the functioning of the company's management system. The Board of Directors is responsible for ensuring that the company approves the values to adhere to in its operations.

It is the duty of the Board of Directors to promote the interests of the company and all its shareholders. The members of the Board do not represent the persons who put their name forward for membership of the Board.
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 one year at a time. The Board selects the Chairman and the Deputy Chairman from among its members. In 2004, the Board consisted of five members. The present 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 President and CEO cannot be appointed the Chairman of the Board.

The Board of Directors prepares written rules of procedure for its operations. The Board reviews its operations and working methods annually through an internal self-assessment process. The Board convened 8 times in 2004. The average attendance level at these Board meetings was 90%.

President and CEO

The President and CEO is appointed by the Board of Directors. The terms and conditions of the President and CEO's employment are determined in a written contract approved by the Board. 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 also responsible for ensuring the legality of the company's accounts and guaranteeing reliable financial administration. The President bears responsibility for the Group's strategy, investments, financing, administration and human resources, for Group communication and for investor relations. In addition, the President oversees all important operative decisions. Since 1 January 2004, the President has one deputy.

Executive Management Team

The Executive Management Team is appointed by the President and CEO. In addition to the President and CEO, the Team consists of the Deputy CEO responsible for operational functions, the Head of Port Operations, Executive Vice President in charge of Finance and Communication, Executive Vice President in charge of Financial Control and Administration, Executive Vice President in charge of Information Technology and Executive Vice President in charge of Legal Affairs. The Executive Management Team assists the President in his duties, and convenes twice a month and whenever necessary.

Management Contracts, Remuneration and Benefits

The Annual General Meeting appoints the Board of Directors and approves the Board members' remuneration. The Annual General Meeting also decides on any management share option plans. The Board of Directors appoints the President and CEO and the Deputy CEO and approves their remuneration. Together with the Chairman of the Board, the President and CEO appoints and decides on the remuneration of Directors who report directly to the President. The Board of Directors decides on any separate management performance-based compensation plans.

Remuneration of Board members

In 2004 the members of the Board of Directors received the following annual remuneration: Chairman EUR 40,000, Deputy Chairman EUR 30,000 and other members EUR 25,000.
The Board of Directors does not have share- or derivative-based compensation systems in place.

President's contract

According to his contract, the company's present President and CEO had the right to take full retirement (with a pension equalling 66% of his salary) on reaching the age of 58. However, he has agreed with the Board to extend his contract until the end of 2007. The President and CEO's notice period is six months and he has the right to receive compensation equivalent to 12 months' pay if his contract is terminated by the employer. In 2004, the President and CEO's salary and remunerations totalled EUR 570,361.

Management share option plans and performance-based compensation plan

Finnlines has one share option plan consisting of 700,000 options granted to management in 2001. Some 20 key managers are involved in the plan. The plan grants the right to subscribe a maximum of 1,400,000 Finnlines Plc shares. Of the options, 350,000 are Class A and 350,000 are Class B options. These options give the right to subscribe options annually between 2 January and 30 November until 26 March 2006. The options are listed on the Helsinki Exchange.

In spring 2004 the Board of Directors made a decision on a performance-based compensation plan for the Executive Management Team, the leaders of the business units and other key managers. The plan is linked to the Group's and the business units' budgeted results and ROI. Those who are included under the plan have conditional rights to a maximum bonus equalling three or six months' pay.

Risk management and internal audits

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

The Group's financing and liquidity management activities have been centralised to Corporate Finance unit. The aim of centralisation is to achieve efficient financial risk management, cost savings and cash flow optimisation. The Corporate Finance 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 foreign exchange and interest exposure is reviewed by the Board of Directors for each budgeting period. The Group's external long-term loan arrangements are submitted to the Board of Directors for approval.

The Group aims to maintain adequate liquidity in all circumstances. Its cash reserve investments are short-term and are only made with counterparts with a high credit rating. Derivative contracts are only made with financially solid banks and credit institutions.

Fuel risks have mainly been covered using fuel clauses in customer contracts. The Board of Directors decides on any additional protection measures in conjunction with annual budgeting. The Corporate Finance unit co-ordinates fuel risks and hedges the risks using derivative instruments in accordance with the policies approved by the Board of Directors.

The Corporate Legal Affairs and Insurance unit is responsible for risks associated with the company's fixed assets and any interruptions in operations as well as for the management and co-ordination of the Group's insurance policies.

The majority of the Group's invested capital consists of its fleet. The fleet is always insured to its full value. Accidents and engine damage can result in interruptions to operations, which are covered by loss-of-earnings insurances.

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

The Group's internal auditing is organised through a controller system, by which each business unit is appointed a responsible controller who reports to the Chief Controller.

The Directors of Finnlines' business units are responsible for the profit and working capital of their business units. They set the operational targets for their units and ensure that resources are used efficiently and that operations are evaluated and improved.

Responsibility for the Group's investment assets, working capital, investments, financing, finances, human resources, communications and information systems is centralised to the Corporate Management. Since 1 January 2004 the Group's payment transactions, external accounting and internal accounting have been centralised to a Financial Management Shared Service Centre, which reports to the Corporate Management.

Insider issues

Finnlines Plc complies with the insider guidelines of the Helsinki Exchanges. 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 Executive Management Team, the heads of the business units as well as key sales and accounting personnel on the list of permanent insiders. Insider administration is the responsibility of the Corporate Finance Unit.

Auditors

The company's auditors are appointed by the Annual General Meeting on the basis of a proposal made by the Board of Directors. The Board's proposal for auditors is published in the invitation to attend the AGM.
In 2004, PricewaterhouseCoopers Oy were Finnlines Plc's external auditors, with APA Kari Miettinen as responsible auditor. The Board of Directors invites the auditors to present a report at a minimum of two Board meetings per year. In 2004 the total remuneration paid to the auditors by Finnlines group was EUR 500,000 of which EUR 290,000 was based on auditing and EUR 210,000 due for other services from PricewaterhouseCoopers.

Communications

The Corporate Management is responsible for corporate communication. Each unit is responsible for its internal communication. The units are also responsible for their external marketing communication in accordance with principles approved by the Corporate Management.

Board of Directors

PERTTI LAINE
Chairman
Member of Finnlines Board since 1994.
Born 1941. BSc (Econ).
Chairman of Veikko Laine Oy.

Number of Finnlines shares:
Pertti Laine 144,000
Veikko Laine Oy 4,247,872
(wholly owned by Pertti Laine)
Other positions:
Evox Rifa Oyj, Board Member 2002–
United Bankers Ab, Chairman 1986–
Länsiauto Oy, Chairman 1989–

JUKKA HÄRMÄLÄ
Vice-Chairman
Member of Finnlines Board since 1989.
Independent Board Member.
Born 1946. BSc (Econ),
Hon PhD (Tech and Econ).
CEO and Board Member of StoraEnso Oyj since 1999.

Other positions:
Varma Mutual Pension Insurance Company, Vice-Chairman of Supervisory Board 1998–
Finnish Forest Industries Federation, Board Member 1999–
European Round Table of Industrials, Member 2001–
Finnish Business and Policy Forum EVA, Board Member 2005–
The Research Institute of the Finnish Economy ETLA, Board Member 2005–

PETER FAGERNÄS
Member of Finnlines Board since 2002.
Independent Board Member.
Born 1952. Master of Law.
CEO of Hermitage & Co Oy.

Number of Finnlines shares: 10,000
Other positions:
Fortum Corporation, Chairman since 2004

TIMO JOUHKI
Member of Finnlines Board since 2002.
Born 1951. MSc (Econ).
CEO of Buag A.G., Switzerland since 2002.

Other positions:
Thominvest Oy & Thomart Oy, Chairman
Cygate AB, Sweden,
Board Member
Trigon Capital A.S., Estonia, Board Member

ANTTI LAGERROOS
Member of Finnlines Board since 1999.
Born 1945. Licentiate in Law.
President and CEO of Finnlines Ltd since 1990.

Other positions:
Fortum Corporation, Board Member since 2002
Ilmarinen Mutual Pension Insurance Company, Supervisory Board member since 1996
Finnish Shipowners' Association, Board Member since 1990,
Wärtsilä Oyj Abp, Chairman since 2003, Board Member since 2002

Executive Management Team

ANTTI LAGERROOS
President and CEO of Finnlines Plc since 1990
Born 1945.
Licentiate in Law.

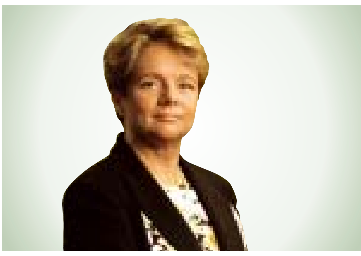
JUKKA LAAKSOVIRTA
Chief Operating Officer and Deputy CEO and Executive Management Team member since 2004. Born 1961.
MSc in Technology, Industrial Economics and Management
Number of Finnlines options:
2001 A 15,000, B 15,000

CHRISTER ANTSON
Executive Vice President, Financial Accounting and Administration, and Chief Controller. Executive Management Team member since 1999.
Born 1958.
MSc (Econ), Authorised Public Accountant
Number of Finnlines shares: 2,000

HANS MARTIN
President, Finnsteve Oy Ab.
Executive Management Team member since 1991.
Born 1945.
Business School Graduate
Number of Finnlines options:
2001 A 20,000, B 20,000

SEPPO MIKONSAARI
Executive Vice President, Information Technology.
Executive Management Team member since 2002.
Born 1955.
Bachelor's degree in social insurance

LARS TRYGG
Executive Vice President, Legal Affairs
Executive Management Team member since 1989.
Born 1951.
Master of Law.



SEIJA TURUNEN
Executive Vice President, Finance and Communication, and CFO.
Executive Management Team member since 1993.
Born 1953.
MSc (Econ)

The Group Management's ownership of shares and Finnlines options as per March 1, 2005.

Five years' figures

EUR million	2004	2003	2002	2001	2000
Revenue	698.1	701.4	693.0	601.0	532.1
Participating interests	0.0	-0.2	0.1	0.7	0.8
Other operating income	8.7	3.4	7.5	3.8	12.7
Earnings before the depreciation, amortisation and write-downs (EBITDA)	95.3	103.4	94.4	103.1	100.2
% of revenue	13.7	14.7	13.6	17.2	18.8
Operating profit (EBIT)	53.7	59.7	46.2	58.3	55.8
% of revenue	7.7	8.5	6.7	9.7	10.5
Profit before extraordinary items	46.4	40.4	33.8	46.3	41.6
% of revenue	6.6	5.8	4.9	7.7	7.8
Profit before provisions and taxes (EBT)	46.4	40.4	33.8	46.3	34.6
% of revenue	6.6	5.8	4.9	7.7	6.5
Profit for the year	37.0	23.2	23.5	34.7	25.5
% of revenue	5.3	3.3	3.4	5.8	4.8
Total investments as per cash flow statement	68.8	88.5	126.5	24.1	12.8
% of revenue	9.9	12.6	18.3	4.0	2.4
Return on equity, % (ROE)	10.0	6.1	6.1	8.9	8.0
Return on investment, % (ROI)	8.1	8.3	7.1	9.1	8.2
Total assets	881.3	940.8	892.8	840.2	846.0
Equity ratio, %	41.5	40.6	43.6	47.4	45.7
Gearing, %	76.3	67.5	65.4	50.0	63.2
Average number of employees during the year	2,101	2,161	2,096	1,981	1,937

	2004	2003	2002	2001	2000
Earnings per share (EPS), EUR	0.94	0.59	0.59	0.87	0.77
Earnings per share less warrant dilution, EUR	0.93				
Cash earnings from operating activities per share, EUR	2.39	2.54	2.39	2.49	1.68
Share capital per share, EUR	9.23	9.58	9.76	9.93	9.65
Dividend per share, EUR	0.75	1.25	0.75	0.75	0.59
Payout ratio, %	79.8	214.0	98.7	87.1	77.1
Effective dividend yield, %	5.9	8.7	7.3	6.5	6.5
Price/earnings ratio (P/E)	13.6	24.7	13.5	13.2	11.8
Share price on stock exchange at year-end, EUR	12.80	14.38	10.25	11.50	9.00
Market capitalisation at the year end, EUR	504.3	571.2	409.6	459.5	359.6
Adjusted average number of shares (1,000)	39,402	39,734	39,734	39,958	39,958
Adjusted number of shares on 31 December (1,000)	39,402	39,734	39,734	39,958	39,958
Average number of shares (1,000)	39,958	39,958	39,958	39,958	39,958
Number of shares on 31 December (1,000)	39,958	39,958	39,958	39,958	39,958

Calculation of key ratios

Return on equity (ROE), %

$$= \frac{\text{Profit before extraordinary items – taxes for the financial year – change in deferred tax liabilities}}{\text{Share capital + minority interests (average)}} \times 100$$

Return on investment (ROI), %

$$= \frac{\text{Profit before extraordinary items + interest expenses + other expenses under liabilities}}{\text{Balance sheet total – non-interest bearing loans (average)}} \times 100$$

Equity ratio, %

$$= \frac{\text{Share capital + minority interests}}{\text{Balance sheet total – advances received}} \times 100$$

Gearing, %

$$= \frac{\text{Interest-bearing debt – cash and bank equivalents}}{\text{Shareholders' equity + minority interest}} \times 100$$

Earnings per share (EPS)

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

Earnings per share (EPS) less warrant dilution

$$= \frac{\text{Profit before extraordinary items +/– minority interest in consolidated profit +/– change in deferred tax liability – taxes for the financial year less effect of extraordinary income}}{\text{Issue-adjusted number of shares + number of shares to be received on full exercise of options – (number of shares to be received on full exercise of options x share issue price)/share market value}}$$

Cash flow from operating activities per share

$$= \frac{\text{Cash flow from operating activities}}{\text{Average number of shares}}$$

Share capital per share

$$= \frac{\text{Share capital}}{\text{Number of shares on 31 December adjusted for share issue}}$$

Dividend per share

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

Payout ratio, %

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

Effective dividend yield, %

$$= \frac{\text{Dividend per share}}{\text{Share price quoted on stock exchange on 31 December adjusted for share issue}} \times 100$$

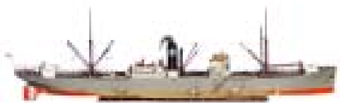
Price/earnings ratio (P/E)

$$= \frac{\text{Share price quoted on stock exchange on 31 December}}{\text{Earnings per share}}$$

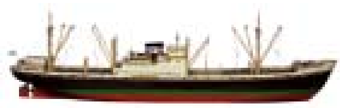
NB 1–5 *(2005–2007) 4,200 lane metres, 500 passenger berths, speed 25 knots. Construction ongoing in Italy.*

The development of Finnlines' Baltic fleet

In 1947, some of the companies in charge of Finnish imports and exports, under the direction of the state-owned forest industry, established a shipping company called Merivienti Oy to handle sea transports to the United States. Its subsidiary was Oy Finnlines Ltd.



SS Tornator, *(1947–1954)*
6,800 DWT, speed 9.5 knots.
Purchased from Denmark, where it had been built in 1916.



MS Finntrader (I), *(1951–1970)*
6,435 DWT, 12 passenger berths, speed 15 knots.
Built in the Netherlands.

MS Finnclipper (I), *(1962–1978)*
11,200 DWT, speed 16 knots.
Built in Germany.

Six second-hand steamers were purchased the same year; the largest one, **SS Tornator**, came from Denmark and began operating in February 1948, crossing the Atlantic with a load of 5,667 tons of pulp and paper.

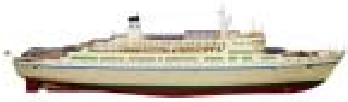
The vessels were too old, however, to cope with the country's transport demands. The company's first new-building was completed in the Netherlands in 1951, and a series of three vessels – **MS Finntrader**, MS Finnpulp and MS Finnsailor – began operating in 1953. The old steamers were decommissioned from Atlantic routes as part of the construction project. Once MS Finnmerchant and MS Finnboard had begun operating in 1956 and 1958 respectively, Finnlines had a fleet of seven vessels and offered weekly departures to the US. In 1960 the fleet was extended with the new and powerful MS Finneagle, **MS Finnclipper** and MS Finnforest.

Until the early 1960s, all car and lorry traffic from Finland to Central Europe had to go through Sweden. The first ice-strengthened ferry HansaExpress was ordered in 1962 and began operating between Hanko (Finland) and Travemünde (Germany) via Gotland (Sweden). Right from the beginning it was apparent that the vessel was too small and it was lengthened the following winter, increasing passenger capacity from 133 to 179 berths. Hanko was also found to be too small and too distant, so in 1963 the route was changed to Helsinki–Kalmar-Travemünde.

The first passenger ferries built in Finland, **Finnhansa** and Finnpartner, began operating in 1966 on the Hansa route (Helsinki-Travemünde). In addition to transporting passengers, the vessels offered an excellent alternative to lorry traffic between Finland and Germany.

As passenger traffic was limited to the summer season, the expensive car ferries must at other times be put to effective use in cargo transports. This, however, required swift loading and unloading procedures, which led to Finnlines developing its own Finnflow cargo handling system on wheels. This in turn caused the development of new kinds of ro-ro vessels, the prototype being **MS Finncarrier**, built in 1969. Its sister vessels, MS Hans Gutzeit and MS Finnfellow, included slight improvements in design and were completed in 1972–73.

In the early 1980s, Finnlines designed the new-generation "jumbo ro-ro" vessels MS Arcturus, MS Finnmerchant and MS Oihonna for traffic to Britain. Later the same design was adopted for the Baltic fleet in the form of MS Finnsailor and MS Antares.



***MS Finnhansa (I),** (1966–1978)*
Passenger ferry
2,510 DWT, 1,700 passenger berths, speed 20 knots.
Built in Finland.

***MS Finncarrier**, (1969–1975)*
Ro-ro/passenger vessel
1,000 lane metres, 36 passenger berths, speed 18 knots.
Built in Finland.

***MS Finnhansa (II)**, (1994–*
Combi ro-ro
3,200 lane metres, 114 passenger berths, speed 20 knots.
Built in Poland.

***MS Finnclipper (II)**, (1999–*
Ro-pax vessel
2,500 lane metres, 440 passenger berths, speed 21 knots.
Built in Spain.

Finnjet, a new kind of gas turbine vessel, was built in the mid-1970s for passenger traffic. The original aim was that the ship would travel between Helsinki and Travemünde in 22 hours at a speed of 30 knots. The oil crisis affected the vessel's cost-effectiveness, and diesel engines were added to it for use in quieter periods. Finnlines' passenger traffic in the Baltic Sea ended in 1986, when Enso-Gutzeit sold the Finnjet to Effoa.

Just before the recession in the early 1990s, Finnlines invested in three new "combi ro-ro" vessels – **MS Finnhansa**, MS Finnpartner and MS Finntrader – built in Poland. Each have a capacity of 3,200 lane metres and 114 passenger berths. Together with MS Transeuropa, which was ordered later, these vessels began operating between Finland and Germany in 1994–1995.

In the late 1990s the company commissioned two new ro-pax (ro-ro/passenger) vessels with capacity for over four hundred passengers. These vessels, **MS Finnclipper** and MS Finneagle, were joined in 2003 by sister vessel MS Finnfellow.

In 2004, Finnlines ordered five new-generation ro-pax vessels from the Italian shipbuilder Fincantieri. These will be the largest ro-pax vessels ever built, and the fastest in their size class. Each vessel's cargo capacity will be 4,200 lane metres and they will have capacity for 500 passengers. They will travel at a speed of 25 knots. Three of the new ro-pax vessels will be placed on Finnlines' Finland-Germany route, while two will operate in Sweden-related routes.

In 2007 after the delivery of all new vessels Finnlines will have a multi-purpose fleet of some 80 vessels. 17 of these will be ro-pax vessels especially designed into the Baltic circumstances.

The fleet on 1 January 2005

ANTARES

FINNSAILOR

ASTREA

FINNCLIPPER, FINNEAGLE, FINNFELLOW

AMBER, FINNOAK

BALTIC EIDER, MERCHANT, VASALAND, BALTICA

FINNARROW

	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
FINNFELLOW	33,769/2,918	2000
AMBER	6,719/1,260	1991
FINNOAK	7,953/1,593	1991/98
MERCHANT	21,195/2,170	1982
VASALAND	20,203/2,170	1984
BALTICA	21,224/2,170	1990
FINNARROW	25,996/2,400	1996
FINNBIRCH	14,059/2,100	1978

FINNBIRCH, FINNFOREST

FINNKRAFT, FINNMASTER, FINNREEL, FINNHAWK

FINNMILL, FINNPULP

FINNHANSA, FINNPARTNER, FINNTRADER, TRANSEUROPA

LÜBECK-LINK, MALMÖ-LINK

FINLANDIA

TRANSLUBECA

INOWROCLAW

POLARIS

RIDER

RUNNER

BIRKA CARRIER , BIRKA EXPRESS, BIRKA TRADER

NORCLIFF

FORTE, LARGO

NESS, BAUMWALL

	Gross tonnage/Lane metres	Year of delivery
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
LÜBECK-LINK	33,163/2,650	1980/90
MALMÖ-LINK	33,163/2,650	1980/90
FINLANDIA	19 524/2,240	1981
TRANSLUBECA	24,727/2,100	1990
INOWROCLAW	14,786/1,403	1980
POLARIS	7,950/540	1988
RIDER	20,077/1,950	1984
RUNNER	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	3,998/-	1989
LARGO	3,998/-	1990
NESS	3,999/-	1996
BAUMWALL	3,999/-	1995

Team Lines operated on average 22 container vessels whose capacity was between TEU 348-822.

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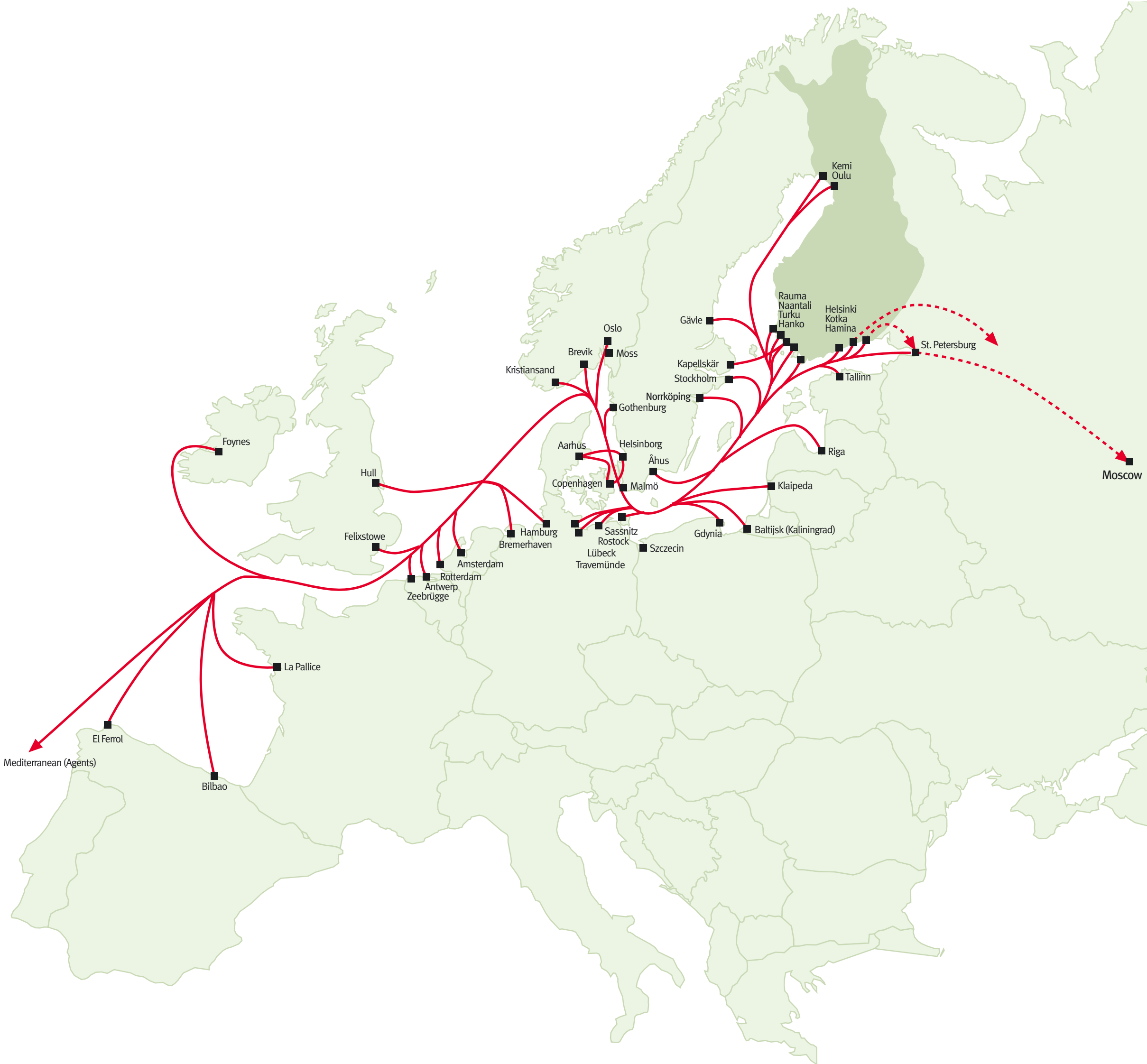
Operating area on 1 January 2005



Finnlines' route network covers all major Finnish ports as well as approximately 30 ports abroad.

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