Annual Report 2005

Finnlines

Content

Information for Shareholders

REPORT PUBLICATION SCHEDULE AND KEY EVENTS IN 2006

Record date for Annual General Meeting: 31 March 2006
Registration period for Annual General Meeting ends on 6 April 2006
Annual General Meeting: 10 April 2006
Dividend record date: 13 April 2006
Start date for the payment of dividends: 25 April 2006

Interim reports
January-March 2006 published on Tuesday 25 April 2006
January-June 2006 published on Wednesday 2 August 2006
January-September 2006 published on Wednesday 25 October 2006

REGISTERING FOR ATTENDANCE AT THE AGM

Finnlines Plc's Annual General Meeting will be held from 10 am on Monday 10 April 2006 at Hotel Linna, Lönnrotinkatu 29, Helsinki. All shareholders registered in the shareholder list maintained by Suomen Arvopaperikeskus Oy by 31 March 2006 have the right to attend the meeting. Shareholders who wish to attend the meeting must register by 4 pm on 6 April 2006, either in writing to Finnlines Plc, Share Register, P.O. Box 197, FI-00181 Helsinki, Finland, by telephone on +358 (0)10 343 4402, 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
Fax: +358 (0)10 343 4425

This Annual Report has been translated into English from the Finnish version. In case of discrepancies the Finnish version shall prevail.

Finnlines in Brief

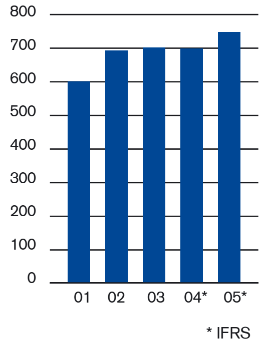
Finnlines is one of the largest European shipping companies specialised in liner cargo services. In addition to providing sea transport services in the Baltic Sea and North Sea areas, Finnlines provides port services, mainly in Helsinki, Turku and Kotka. These two core business areas are supported by efficient, extensive and flexible information management services. The Finnlines fleet consists of ro-pax (ro-ro 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, Denmark, Norway, Russia and Poland, as well as a network of sales agents located throughout Europe.

Finnlines in 2005

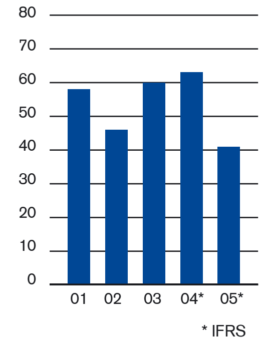
- The company distributed dividends of EUR 0.75 per share, i.e. a total of EUR 29.6 million, for 2004. The dividend payment day was 31 March 2005.
- The growth of Finnlines' expenses in proportion to its income was higher than forecast for the year. Fuel costs rose by 45%. The company is partly hedged against fluctuations in fuel prices with special clauses included in its contracts with customers, but the effects of this protection are strongly delayed.
- In March, two rail ferries time-chartered by Finnlines were not operational for two weeks due to an illegal strike carried out by Polish seamen.
- The collective labour agreement for cargo handlers at Finnish seaports expired in February. The negotiations for a new collective agreement were very difficult, and an overtime ban declared by the Transport Workers' Union (AKT) for all Finnish seaports in April disturbed Finnlines' liner traffic schedules. A three-year collective labour agreement was finally completed for the ports at the end of April.
- Due to paper industry strikes and lockouts, which went on for nearly two months, an average of ten ro-ro vessels were out of operation in Finnlines' paper line traffic. Some of the vessels were docked prematurely. Transports for the paper industry did not resume fully until August.
- In early October 2005, Finnlines Plc initiated talks in accordance with the Finnish Act on Co-operation within Undertakings with regard to cutting some 40 jobs from Finnlines Plc. Similar reorganisation measures to improve the efficiency of operations will also be initiated in other Group companies.
- The Italian shipyard has provided new delivery schedules for the ro-pax vessels ordered by Finnlines: the first two are due to be delivered in May 2006, the next two in October 2006 and the final one in March 2007.

FINNLINES (IFRS)	2005	2004
Revenue, EUR million	747	698
Earnings before depreciation and amortisation, EUR million	75	96
Operating profit, EUR million	41	63
Profit before extraordinary items, EUR million	27	46
Earnings per share, EUR	0.66	1.15
Dividend per share, EUR	0.30*	0.75
Equity ratio at close of period, %	42	42
Gearing at close of period, %	83	76
*Board's proposal		

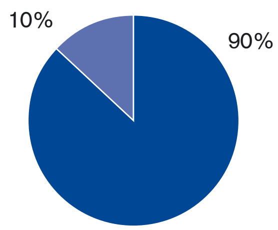
Revenue 2001–2005, EUR million



Operating profit 2001–2005, EUR million



Breakdown of revenue 2005, %



Shipping and sea transport services
Port operations

Business Concept, Values and Goals

BUSINESS CONCEPT

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

FINANCIAL GOALS

Finnlines' objective is to guarantee long-term profitability through high-quality operations, to generate added value for its shareholders 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 through 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 competence and expertise. Satisfied customers are the basis for Finnlines' enduring success. By identifying its customers' needs, the company will be able to continue developing its service products and to generate concrete added value for its customers.

Profitability

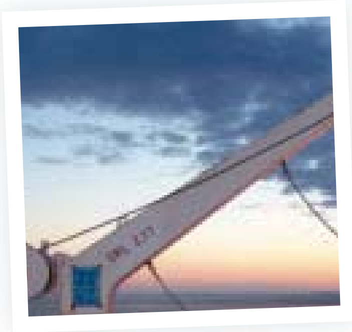
We achieve our objectives. Through the quality of our business operations, we are able to guarantee long-term profitability and generate added value. Confidence in the company is based on our ability to generate a steady growth in profits, which in turn creates the necessary conditions for increased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

- We will maintain our competitiveness by focusing on increasing the efficiency of our sea transport services and port operations.

Stronger market position in Finland-related passenger traffic

An even 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.

An even 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

- We will strive to improve productivity, one of the main means being to concentrate on routes with the highest possible passenger and cargo volumes in both directions.
- We will improve the efficiency of our operational management and reporting.
- We will handle environmental and safety issues efficiently.
- We will invest in the competence of our personnel.

* FINNLINES' NEWBUILDING PROJECT

Finnlines ordered five new ro-pax vessels from the Italian shipyard Fincantieri in 2003–2004. These vessels will be 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 speed will be 25 knots. The total cost of the investment in these five vessels is some EUR 500 million. Three of the new ro-pax vessels will be assigned to Finnlines' Finland–Germany route and two to NordöLink traffic between Sweden and Germany. The older vessels replaced by these will be transferred to FinnLink traffic (Finland–Sweden) and to new routes. Four of the new vessels will be operational in 2006, the final one being scheduled for delivery in spring 2007.

Chief Executive Officer's Review

Finnlines' performance in 2005 was significantly weaker than expected, due to reasons beyond the company's and the transport sector's control. The first six months of the year were marked by several labour disputes in Finland. The collective labour agreement for cargo handlers at Finnish seaports expired in February. Negotiations proved to be very difficult, because the employee side's main aim was to reduce the number of temporary workers used at the ports. To speed up negotiations, port workers declared an illegal strike lasting a few days and an overtime ban lasting a month. Finally, a three-year collective labour agreement was reached following the general trends in the sector. The agreement allows the adoption of continuous three-shift operations at the ports, permitting large ports such as the one to be opened at Vuosaari to remain open 24 hours a day.

Two rail ferries time-chartered by Finnlines from their Norwegian owner were out of operation for two weeks due to a strike carried out by Polish seamen, which was declared illegal by a German court. To minimise downtime in transports, Finnlines solved the dispute by changing the vessels from the Norwegian to the Finnish register and manning the ships with Finnish crews.

In spring, the Finnish paper industry suffered from strikes and a six-week lockout was declared by employers. An average of ten vessels were out of Finnlines' paper line traffic for almost two months, as paper transports did not resume fully until August. This meant that the vessels produced no income for the period, while their expenses remained at the normal level. The vessels could not be assigned to other routes or chartered to third parties, because no one knew how long the lockout would last.

Finnlines' operations are increasingly focused on ro-pax traffic, i.e. routes which serve both unitised cargo transports and passengers. These routes also offer a good balance between imports and exports, which is important in terms of profitability. An increase in passenger traffic will reduce the cyclical nature of the company's business, as the peak season for passengers is the summer, when cargo transports decrease due to holidays in the industrial sector.

Finnlines has invested in five new large ro-pax vessels, each with capacity for 500 passengers. Four of these structurally exceptionally demanding vessels are to be delivered in 2006. They will be the world's largest cargo vessels built in accordance with passenger standards. They will also be the fastest for their size class and have the highest level of ice strengthening. The delivery of the first vessel has been delayed, and it is not expected to begin operating until summer 2006. Unfortunately, delays in the delivery of the first vessel in a new series are all too common. In accordance with common practice, the delays will bring contractual penalties intended to cover the loss of income and additional expenses incurred by the purchaser. The delivery of the second vessel appears to be on schedule, so it is expected to begin operating at around the same time as the first one. The first three vessels in the series will be registered in Finland.

A new operating model will be implemented in 2006 by which older vessels are relocated as the new ones arrive. Two so-called Hansa ships, the MS Finntrader and the MS Finnpartner, will be docked in Poland for conversion into drive-through vessels with increased passenger capacity. After this overhaul, they will begin operating on the Malmö–Travemünde route. The total cost of the conversion work is some EUR 30 million. The investment will make these ten-year-old vessels as good as new and, thanks to their drive-through capacity, more efficient. The arrival of the new vessels and the rotation of vessels from one route to another will cause some non-recurrent additional expenses, for instance in relation to personnel and fairway dues. Finnlines' new service concept will be fully functional in 2007, when all the new vessels are in operation and the old fleet has been relocated optimally.

Finnlines' dependence on the forestry sector is gradually decreasing. As part of the reorganisation of the ownership structure of Transfennica, which specialises in paper transports and which used to be a joint venture between various forestry companies, UPM has assigned some of its Baltic transports to Transfennica's new owner. Finnlines' paper lines in northern Finland will stop operating towards the end of 2006, as StoraEnso's transports in future will be handled as specialised container traffic on purpose-built vessels. As a common carrier, and being unwilling to invest in purpose-built vessels, Finnlines refrained from making a tender to be StoraEnso's contract carrier. The contracts for time-chartered vessels will expire so that the vessel capacity can be adapted to the changes mentioned.

Finland has ratified the IMO Marpol 73/78 Convention, which defines the Baltic Sea as a special area in which the sulphur content of ship fuel can be a maximum of 1.5% (currently max. 4.5%). The new regulations will come into effect in Finland as of 19 May 2006. The North Sea will receive the same status in autumn 2007. Vessels travelling from the Baltic to the North Sea will, however, use low-sulphur fuel from May 2006 onwards, as it would be practically impossible to switch fuels during the journey. Vessels operating in the Baltic region have difficulties obtaining low-sulphur fuel, because there is no active market for the product; this is reflected in the product's price, which in turn will increase the transport costs of all operators in foreign trade. This is expected to weaken Finland's competitiveness. It will also jeopardise Finnish sea transport employees' jobs, as equivalent savings have to be made somewhere. Finnlines has contacted the Finnish Ministry of Transport and Communications requesting that the demands be postponed at least until 2007, when the same fuel will be used in the Baltic and North Seas, thus creating a larger European market for the product.

According to published economic forecasts, the European economy can be expected to recover somewhat. Thanks to the development of the Russian economy, the Baltic region continues to be the fastest-growing area in Europe. Finnlines believes that the capacity increases and renovations are taking place at the right time.

I would like to thank our customers and stakeholders for their flexibility and understanding. I also wish to thank our employees for their good work during the challenging year that was 2005, and our shareholders for the confidence they have shown in Finnlines.

Helsinki, 14 February 2006

Antti Lagerroos

MOVING – YOUR WAY

Business Environment

Finnlines operates in the Baltic Sea, the North Sea and the Bay of Biscay, although Finland continues to be the company's main market. Unitised cargo traffic continues to grow strongly in the Baltic Sea, due among other factors to growing traffic volumes in Russia and the new EU member states, and the changes which have taken place in various products' transport means. As an increasing number of companies cease to maintaining stocks, delivery reliability in the transport chain, information management and route frequency become ever more important. The sharp rise in oil prices caused significant cost increases for the transport sector as a whole in 2005.

THE FINNLINES FLEET

Finnlines maintained an average of 65 vessels in service in 2005, consisting mainly of ro-ro freight vessels (28 vessels), ro-ro passenger (ro-pax) vessels (12) and container vessels (25). At the beginning of 2006, the total capacity of the ro-ro vessels in liner service was approximately 75,000 lane metres, while the container fleet's capacity was 15,500 TEU. At year-end, the average age of the Group's own fleet was 12 years. The Group owns 12 of the ro-ro/ro-pax vessels it operates, which is equal to approximately 40 per cent of its ro-ro capacity. These 12 vessels are managed by the Group.

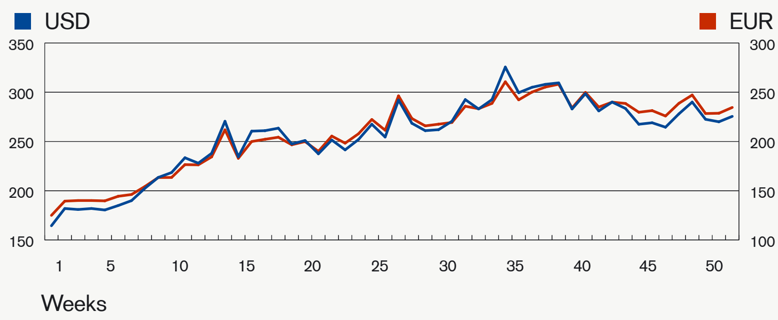
ROUTE NETWORK

Finnlines' route network covers all major Finnish ports, with nearly 100 weekly departures from Finland. The main general cargo traffic ports in Finland are Helsinki, Turku and Naantali. Other main liner traffic ports for Finnlines are Kotka, Hamina, Hanko, Rauma, Oulu and Kemi.

There are approximately 30 visiting ports abroad. Group's main ports in Sweden are Kapellskär and Malmö, and in Germany Lübeck/Travemünde, which is the most important port for Finnish and Swedish routes.

The main harbours for feeder container traffic (TeamLines) are Hamburg and Bremerhaven, which are used as bases for managing services to 26 different ports in the Baltic Sea area.

PRICE DEVELOPMENT OF FUEL OIL IN 2005



* NEW ENVIRONMENTALLY FRIENDLY RO-PAX VESSELS

The new, faster vessels are being built to comply with the latest EU and international environmental and safety standards. The new vessels contribute to improving the Baltic Sea environment by using state-of-the-art marine technology, and with their ability to carry approximately 30 per cent more cargo with the same energy consumption as older vessels. The use of new vessels in the Baltic is also in line with the EU's policy to transfer road transports to the sea in order to relieve some of the traffic onshore. These measures have led the European Investment Bank (EIB), which focuses on environmental issues in granting infrastructure financing, to grant Finnlines a loan of EUR 200 million for this investment. The new vessels are the largest ro-pax vessels ever built, at 218 metres long, 30 metres wide and have a draught of 7 metres, and GT of 46,500. The vessels' cargo capacity is 4,200 lane metres, in addition to which they have 300 lane metres for passenger cars. Passenger capacity is 500 berths per vessel. The vessels have four main engines and two propellers and the service speed will be 25-knot. The journey time between Helsinki and Travemünde will be reduced by nine hours to 27 hours. 1 A Super ice classification and the 41.6 MW power of the main engine guarantee year-round traffic, regardless of weather and wind conditions.

Shipping and Sea Transport Services

Finnlines is one of the leading operators in the sector in the Baltic Sea. Its strong position derives from excellent services and a product concept tailored to its customers. The high frequency of departures and the information services offered by Finnlines contribute flexibility, reliability and predictability to the customers' transport plans. Finnlines' up-to-date vessels and equipment also help the company maintain its market position and reach its profitability targets.

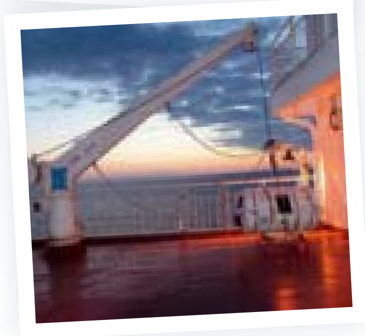
Despite tough competition, Finnlines maintained its position as market leader in Finland-related cargo traffic, which accounted for a significant proportion of the company's sea transports. The division's turnover for 2005 was EUR 676 million, and it employed 1,341 people at year-end. Growth took place particularly in traffic to and from Russia. Finnlines has a direct link between St. Petersburg and Lübeck (TransRussia-Express), and its feeder traffic through Helsinki links the rest of the company's network to this route.

FINNLINES' RO-PAX AND RO-RO TRAFFIC

Finnlines' ro-pax traffic (HansaLink) offers lines from Helsinki and Turku to Germany. Finnlines ro-ro traffic (RoroLink) offers regular liner services between Finland and Central European and Scandinavian ports. In 2005 there were also services between Finland and the UK, between Belgium and Holland and between Finland and Spain. Finnlines also provided tailored door-to-door transports and terminal services.

In 2005, the ports of Muuga in Tallinn (Estonia), Tilbury in the UK and Halmstad in Sweden were added to the Group's route network.

Finnlines' ro-pax and ro-ro services maintained an average of 30 vessels in service during the year.



FINNLINK TRAFFIC

FinnLink's three ro-pax vessels operate six daily departures for unitised cargo traffic on the maritime route between Naantali (Finland) and Kapellskär (Sweden). 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 and trailers transported by FinnLink was approximately 120,000 units, representing a growth of more than eight per cent compared to the previous year. FinnLink's market share was approx. 46 per cent.

Passenger traffic services continued on all departures. The main aim of attracting touring car and caravan passengers was successfully met, as the number of passengers transported on FinnLink vessels doubled.

MS Finnarrow was transferred from FinnLink traffic to the NordöLink route between Sweden and Germany in early 2006. MS Finnclipper returned to take its place. Together with its sister vessels MS Finneagle and MS Finnfellow, MS Finnclipper provides excellent year-round capacity for both freight customers and passengers.

NORDÖLINK TRAFFIC

The Swedish NordöLink has been owned by Finnlines since 2002. NordöLink has provided ro-ro services between Sweden (Malmö) and Germany (Travemünde) since 1982. In 2005, NordöLink operated four ro-pax vessels providing four daily departures in both directions.

NordöLink transported some 225,000 cargo units during the year and maintained its market-leading position on the Lübeck/Travemünde-Southern Sweden route with a 49 per cent market share.

TRANSRUSSIAEXPRESS TRAFFIC

In 2005, Finnlines provided regular transport services on two vessels from Lübeck (Germany) to Baltijsk (Kaliningrad) and St. Petersburg (Russia) under the TransRussiaExpress name. Finnlines owns 75 per cent of this traffic, while its Russian partner BTS owns the other 25 per cent.

Thanks to the stabilisation of the Russian market, traffic volumes on direct connections between Central Europe and St. Petersburg continued to increase. The development of internal Russian traffic between Baltijsk and St. Petersburg was also positive.

TEAMLINES TRAFFIC

Finnlines provided regular container traffic services under the TeamLines name mainly from Hamburg and Bremerhaven to 26 different ports in the Baltic Sea and North Sea areas. TeamLines' operating areas were Finland, Russia, Norway, Sweden, Poland, Latvia, Estonia, Lithuania and Ireland. TeamLines maintained an average of 25 container vessels in service during the year, with a capacity ranging between 348 and 822 TEU. TeamLines 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, TeamLines is involved in internal European container traffic – mainly between Germany, Finland, the Baltic countries and Russia – also making use of Finnlines' ro-ro vessels.

In 2005, TeamLines continued to focus on boosting the efficiency of its operations. Several small, old container vessels were replaced by larger, more efficient ones.

OTHER TRAFFIC OPERATIONS

Intercarriers offered small-tonnage traffic services from ports in Lake Saimaa and some Russian inland ports to various parts of Europe.

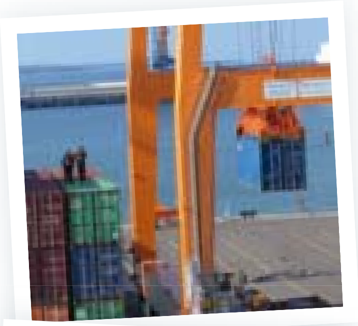
Finnlines acted as the main agent in Finland for two operators in eastern Mediterranean traffic: SolNiver Lines and the Polish POL-Levant Shipping Lines. SolNiver is owned by the Swedish Svenska Orient Linien AB and the Greek Scan Orient Shipping Co. Ltd.

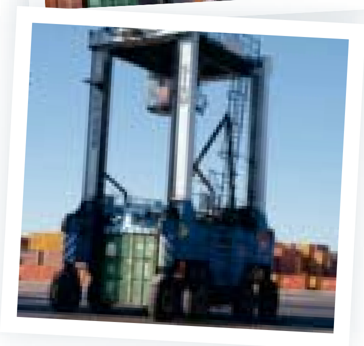
PASSENGER SERVICES

A total of 367,356 (335,000 in 2004) passengers were transported by Finnlines' ro-pax vessels in 2005. This figures includes both freight drivers and tourists. Ro-pax vessels operate on four routes: Helsinki-Travemünde (Finnlines), Naantali-Kapellskär (FinnLink), Malmö-Travemünde (NordöLink) and Lübeck-St. Petersburg (TransRussiaExpress).

The Nordic Ferry Center Oy travel agency is responsible for the sale and marketing of Finnlines' passenger services to Germany.

Port Operations





Finnlines' subsidiary Finnsteve is Finland's leading port operator when it comes to general cargo traffic. Its customers are Finnish companies involved in international trade, as well as transport operators who deal in imports, exports and transit traffic. Finnsteve's major assets are the speed and efficiency of its port operations and the 24-hour availability of its services, which make ports handled by Finnsteve attractive even to transports passing through Finland. Finnlines uses Finnsteve's services to complement its own shipping operations and offer its customers complete services to manage their logistical chains. However, most of Finnsteve's revenue comes from work done for other customers.

Finnsteve offers port operations 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 for liner traffic services. In 2005, Finnlines' Port Operations generated revenues of EUR 106 million and employed an average of 871 people.

The company specialises 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 began operating in the port of Mussalo in Kotka on 1 January 2005 with stevedoring services for the Group's own vessels. The operations are expected to develop positively. The port operations revenue figure also includes the Group's stevedoring and terminal operations in the port of Oslo, which are carried out by Norsteve AS, a wholly owned subsidiary of Finnsteve.

Measures to increase the efficiency of the port operations continued to be implemented in 2005. Cost pressures are evened out by improving resource utilisation, product development and marketing operations.

PORTS

The Port of Helsinki is Finland's most important port. It specialises in providing unitised cargo traffic services for companies engaged in Finland's foreign trade. The strengths of the Port of Helsinki include a regular and frequent volume of sea traffic 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 670,600 units of freight passed through the Port of Helsinki in 2005. This is equivalent to more than 9.3 million tonnes. The corresponding figures for the previous year were 694,700 units and 9.8 million tonnes. In order to improve customer service, the unitised cargo terminals of Helsinki added the West Harbour container depot to their round-the-clock services in 2005.

After Helsinki, Turku is Finland's second major unitised cargo and general cargo harbour. It is also Finland's only rail ferry 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 163,600 units passed through the Port of Turku, which is equivalent to 3.3 million tonnes of freight. The corresponding figures for the previous year were 161,900 units and 3.3 million tonnes.

A total of 216,600 containers passed through the port of Mussalo in 2005.

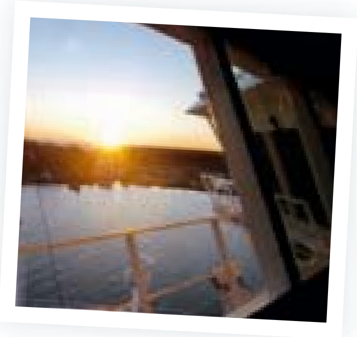
* NEW METROPOLITAN PORT IN 2008

The new port of Vuosaari in Helsinki is designed to become the most modern and efficient port on the Baltic. The large-scale construction project has progressed according to plan, and traffic is expected to begin by the end of 2008. The port of Vuosaari will be in operation 24 hours a day, seven days a week; this is essential in terms of the operation and efficiency of the port, as one third of Finland's international trade is expected to pass through it. Finnlines is actively involved in the port's operational planning through its subsidiary Finnsteve. Once the port opens, Finnlines will be the port's major customer, while Finnsteve will be the major port operator after all of its operations are transferred to Vuosaari from Helsinki's West Harbour and Sompasaari in 2008.


Finnlines


WE KNOW OUR
WAY AROUND

Environmental Report



Environmental responsibility forms an important part of Finnlines' every-day operations, and safety aspects are taken into consideration in all activities. Finnlines invests in continuous development based on competence and knowledge of environmental effects and the means to reduce them. The company focuses on optimising its transports and routes to achieve the highest possible capacity utilisation level on both southbound and northbound voyages. This minimises the environmental stress per transported cargo unit.

Sea transportation is considered to be the most energy-efficient form of transport. Transferring the carriage of goods from road to sea also reduces congestion and noise on roads. There has been a substantial reduction in marine pollution over the last 15 years, despite a massive increase in global sea-borne trade.

ENVIRONMENTAL POLICY

The company's objectives for 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.

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.

The master of each Finnlines vessel is responsible for the vessel's environmental and safety organisation and the practical environmental and safety measures adopted on board. All vessels have been certified in accordance with the International Safety Management Code. It also regulates pollution prevention.

A number of Finnlines vessels and functions have implemented an environmental management system in accordance with the ISO 14001 standard. In 2005, ship management functions and MS Finnhansa were audited by an external certification organisation. Most of ship-owning companies and port operators which cooperate with Finnlines 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 waste and sewage into the sea. Maritime safety matters are regulated by the Solas Convention. 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.

The vessels are regularly inspected and audited by the relevant maritime authorities, classification societies and certification institutions. In addition, 'port and host state control' inspections are held on ships.

STAKEHOLDERS

In environmental and safety matters, Finnlines' most important stakeholders are the flag and host state administrations, 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 ship-owner and management companies and port operators. Finnlines also cooperates with national and international supervisory organisations.

Finnlines contributes to research projects and the development of new technology. The Finnish Institute of Marine Research and the Baltic Sea Research Institute in Germany (Institut für Ostseeforschung Warnemünde) have installed a device for monitoring the condition of the Baltic Sea by continuously measuring temperature, salinity and algal blooms on MS Finnpartner's Helsinki-Travemünde route.

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 the shore organisation. As in previous years, Finnlines held joint emergency simulations with emergency and rescue authorities in 2005. Otherwise, the focus of safety and security work was on planning efficient arrangements for the new ro-pax vessels.

The international Ship and Port Facility Security Code (ISPS Code) entered into force in 2004. Port operator Finnsteve concentrated on assessing the risk of its operations and on implementing the ISPS Code to prevent unauthorised entry into ports and ships.

ENERGY CONSUMPTION AND ATMOSPHERIC EMISSIONS

The sulphur content of oil varies depending on its source. In 2005, the average sulphur content varied between 1.6% and 2.1%. When vessels are in port, power is generated using auxiliary engines running on low-sulphur fuel oil (sulphur content of approx. 0.1%).

Annex VI of Marpol came into effect 19 May 2005, and sets the maximum permissible sulphur content of ships' fuel in the Baltic at 1.5%, with a one-year transition period. The demand for low-sulphur fuel will exceed supply and availability will be uncertain. Thus there are grounds for extending the transition period. Alternatively, ships must use a system for cleaning the exhaust gases to reach sulphur dioxide emissions of no more than 6.0 SOx/kWh.

In accordance with the Marpol Convention, fuel suppliers must submit bunker delivery notes including density and sulphur content. The notes must be accompanied by a sealed sample. The notes must be kept for three years and the samples for at least one year.

Reductions in energy consumption can be achieved through economical operations, speed, load, trim and timetable planning. Finnlines has increased the efficiency of its energy consumption by taking 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, electronic analysis tools were investigated during 2005.

In addition to fuel oils, ships use lubricants and hydraulic oils. In the past few years, the use of organic hydraulic oils, non-hazardous to the environment, has increased.

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 through the use of cleaner fuels, with more fuel-efficient engines or using more effective exhaust gas purification. MS Finnhansa carried out experiments with fuel additives, which reduced nitrogen oxide emissions by 10% and soot by more than 20%.

OTHER ENVIRONMENTAL ASPECTS

In accordance with the EU directive on ship-generated waste, solid waste and oily water 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.

Every ship of 400 GT and above must carry a garbage management plan providing written procedures for collecting, storing, processing and disposing waste, including the use of onboard equipment. Each discharge operation must be recorded in a Garbage Record Book.

Solid waste is always sorted into recyclable waste, hazardous waste and other waste, and collected for appropriate treatment. Hazardous waste materials like oil filters, paints and solvents are separated and forwarded to onshore collection stations for disposal. Waste oils are sorted by type and delivered ashore.

Different types of wastewaters are produced onboard: 'black water' comes from sewers, 'grey water' comes from kitchens and showers and 'bilge water' is oily wastewater from engine rooms. There are no restrictions on the discharge of grey water, but Marpol contains regulations concerning other sewage.

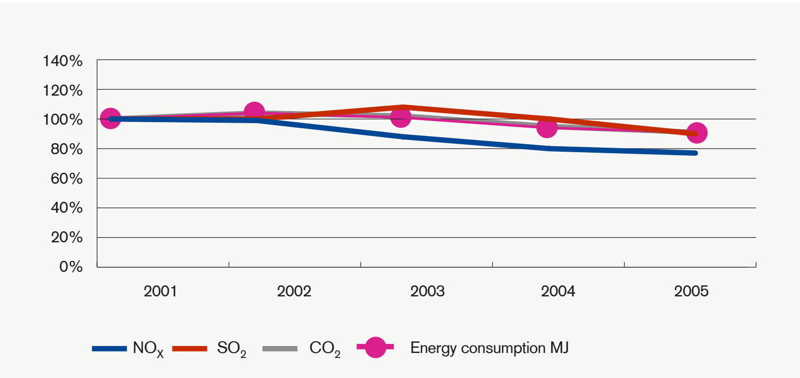
On Finnlines ships, black water is either pumped ashore or treated onboard so that the purified water can be discharged, after which the remaining slurry is pumped ashore. Bilge water is separated in separators that reduce its oil content below 15 ppm (parts per million). The remaining sludge is always taken ashore. The black water purification plant and bilge water separator are surveyed and approved by the authorities and a classification society.

Finnlines has replaced traditional cleaning chemicals with biological and biodegradable cleaning systems that are friendly to the environment and to their users' health. MS Finnpartner is trialling a biological toilet cleaner which also degrades waste, grease, soaps and other surfactants which accumulate in pipelines. MS Finnclipper has been trialling an Evac wastewater management system, which has proved to be efficient in purification.

Micro-organisms attached to the ship's hull slow the ship down, increasing fuel consumption. An EC regulation prohibits the use of organotin compounds on ships and there is a request for an international anti-fouling system certification. 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 underwater 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, sources of noise are ventilators in the cargo holds and auxiliary engines as they generate power. However, ships seldom stay overnight at ports. On MS Rider and MS Runner vessels, exhaust pipes were renewed in auxiliary engines and silencing of ventilation ducts was improved in order to reduce noise in the Natura area. The noise level of MS Vasaland was also measured by experts. All three ships came in under the noise limit for the port of Pansio and the surrounding area.

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



(In tons)	2005	2004	2005	2004
	Sea traffic*		Port Operations**	
Fuel	545 000	536 000	2 100	2 200
Carbon dioxide emissions (CO_2)	1 693 000	1 672 400	6 500	6 600
Sulphur dioxide emissions (SO_2)	19 700	20 400		
Nitrogen oxide emissions (NO_X)	28 800	29 900		
Fuel kg / tonne-km	0.017	0.024		

* Figures include Finnlines' HansaLink and RoroLink traffic

** Figures include port operations in Helsinki and Turku

Human Resources

Skilled, enthusiastic people form an important resource and the basis of the company's competitiveness. Finnlines continuously focuses on leadership and orientation training, developing work methods and maintaining safety, work ability and health.

FOCUS ON DEVELOPING CUSTOMER SERVICES

In 2005 Finnlines implemented large-scale development projects to improve the efficiency of sales, marketing and customer service operations. The projects led to the creation of a new customer-focused organisation in spring. Major changes were effected in customer services, sales and information technology. Finnlines was awarded the ISO 9001:2000 certificate in June 2005.

The company set up its own monitoring teams at the Fincantieri shipyard in Castellamare and Ancona, Italy, in order to plan and monitor the progress of the newbuilding project. The company's employees took part in broad development projects related to the Vuosaari harbour.

The aim of the company's employee training program is to improve operations and increase expertise. Independent studies are encouraged and supported, and new employees take part in specifically designed orientation programs.

The ProLink project, designed to develop customer service processes, was completed in 2005. The main focus of the training was on customer relationship management and the adoption of related software.

A team consisting of younger representatives of the company's middle management started the Bridge development program in autumn. Management training was organised within the scope of the Finnlines Training Program. The e-learning-based Finnlines Induction Game orientation process was adopted in June, with the aim of providing the best possible knowledge of the Group's operations to all units. Training also included safety, IT and languages.

With regard to sea personnel, the most important training areas were safety and competence development. To guarantee competence, the company uses a navigation bridge simulator developed in co-operation with Sydväst Polytechnic School of Maritime Studies. Regular compulsory and voluntary safety drills are arranged on board vessels, occasionally with external trainers. Guided practical training forms an important part of the company's sea personnel training program.

With regard to port operations, training concentrated on the production unit, and was focused primarily on leadership. Traditional professional development courses, for instance in the operation of various machines, were also organised during the year. In addition, the company strives to maintain its employees' customer service, language and first aid skills.

RECRUITMENT FOR THE SUPERVISION OF THE NB PROJECT

Finnlines uses various recruitment channels to maximise its opportunities to employ staff with top-level expertise. Open positions are generally first advertised internally, and job circulation processes have been improved.

New employees were recruited in 2005 to supervise the newbuilding work commissioned by Finnlines. MS Finnclipper was transferred in early January to NordöLink traffic and into the Swedish shipping register, while MS Rider and MS Runner were changed to the Finnish register in spring 2005. These actions caused some changes in the vessels' crews.

MEASURES TO IMPROVE EFFICIENCY

In early October 2005, Finnlines Plc initiated talks in accordance with the Finnish Act on Cooperation within Undertakings with regard to reducing the number of employees in the company. The measures will lead to the reduction of some 40 jobs within Finnlines Plc in 2006. Similar reorganisation measures to improve the efficiency of operations were initiated towards the end of the year in other Group units.

VARIOUS MEASURES TO IMPROVE MENTAL AND PHYSICAL WORK ABILITY

Finnlines continued to invest in occupational health care program and some employees took part in courses that promote wellbeing 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 external occupational health care operators. Fitness evaluation events are arranged for mapping and improving basic health and fitness levels among the employees. Staff associations help to support employee leisure and recreational activities. Future challenges will lie in resource management and the continuity of competence through the ageing of the working population.

CONTINUED WORK ON JOB SATISFACTION SURVEYS

The central issues in the company's human resources policy are leadership, recruitment, training and orientation, safety, work development, work ability and health.

A job satisfaction survey was carried out at the end of the year amongst shore-based personnel employed by Finnsteve, FinnLink, TeamLines, NordöLink and Norsteve. Generally speaking, there were a few improvements over previous survey results. Variations were observed, however, within and between units. Each unit will create its own development plan on the basis of the survey results.

COMPLETION OF THE EQUALITY POLICY

Changes to the Finnish Act on Equality between Women and Men were passed on 1 June 2005. A new Equality Policy has been formulated in accordance with the legislation together with employee representatives. The policy contains a review of the company's current situation and planned measures for promoting equality.

Key figures	2005	2004
Average no. of employees	2 212	2 101
Revenue/employee, EUR 1,000	337 564	332 271
Personnel expenses/employee, EUR	50 276	52 982
Operating profit/employee, EUR	16 520	21 454
Employee turnover, %	25	30
Absences of personnel, change %	10	-2
Training days, total	4 113	4 209

Average no. of employees per business area	2005	2004
Shore-based personnel		
Shipping and Sea Transport Services	618	589
Port operations	871	837
Sea personnel		
Shipping and Sea Transport Services	723	675
Total	2 212	2 101
As of 31 December 2005, there were 1,399 shore-based personnel and 737 sea personnel		

Employee categories	2005	2004
Office staff	29%	30%
Sea personnel	34%	33%
Stevedores and supervisors	37%	37%

Gender distribution			
	Office staff	Port operations	Sea personnel
Female	46%	8%	19%
Male	54%	92%	81%

Personnel by country	2005	2004
Finland	61%	61%
Germany	12%	13%
Sweden	21%	19%
Other	6%	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)	2005	2004
Revenue	746 692	698 100
Personnel expenses		
Real working time expenses	82 495	83 595
Personnel renewal (holidays, recruitment)	14 566	16 292
Personnel development	1 111	1 020
Personnel benefits and obligations	13 039	9 507
Total personnel expenses	111 211	110 414
Other operating expenses	598 939	533 678
Profit before other operating income (operating profit)	36 542	54 008
Other income from operations	4 226	8 661
Net operating profit	40 768	62 670

Quarterly figures	I/2005	II/2005	III/2005	IV/2005
Average no. of employees	2 167	2 218	2 257	2 232

Board of Directors' Report

MARKET BACKGROUND

Various labour disputes in Finland hindered Finnlines' operations throughout the first half of the year. The first normal month of the year under review was September, and since then the Group's revenue and profit have been at a satisfactory level. The sharp rise in oil prices increased costs, not only for shipping companies but for the transport sector as a whole. Finnlines' financial statements show a 45 per cent increase in fuel costs over the previous year. A part of this increase will be recovered through increased cargo transport prices. It will be apparent as an increase in revenue.

The competitive situation remained unchanged in Finnlines' traffic areas compared to previous year. Freight rates are kept low by price competition, while the amount of transported cargo has increased, thanks to a slight recovery in the Central European markets.

The company has ordered a new series of five ro-pax vessels from Italy. According to the shipyard, the first vessel is to be delivered in May 2006, six months behind the original schedule. The second vessel should be ready according to the original schedule and will be put into operation around the same time as the first one. Three of the new vessels will be assigned to Finnlines' Finland-Germany routes, where the peak season for passenger traffic begins in May/June. As the shipyard has been unable to confirm a final delivery date, Finnlines has had to limit the number of passenger tickets sold for summer 2006.

FINANCIAL DEVELOPMENTS IN 2005

(as compared to 2004)

Finnlines Plc's revenue grew by EUR 48.6 million to EUR 746.7 million. This is equivalent to a 7.0 per cent growth. Approximately EUR 17 million of this can be attributed to the freight price increases caused by the rise in oil prices. Other income from operations amounted to EUR 4.2 (8.7) million. The equivalent figure from 2004 includes EUR 6.8 million in exceptional items. Fuel expenses increased by EUR 35.3 million to EUR 113.3 (78.0) million. Operating profit was EUR 40.8 (62.7) million. The effects of the labour disputes in the paper industry, which lasted nearly two months, are calculated to be approximately EUR -16 million on revenue due to lost income from cargo traffic, and EUR -13 million on operating profit due the cost of keeping an average of ten vessels out of operation. The dividend income was EUR 0.1 (4.7) million. The interest expense (net) was EUR 8.7 (11.1) million and other financial income/expenses (net) totalled EUR 2.6 (-1.1) million. Profit before taxes was EUR 35.0 (55.0) million. Income tax amounted to EUR 7.9 (9.1) million. The equivalent figure for 2004 included a EUR 7.7 million change in deferred tax liabilities caused by changes in Finnish tax legislation. The profit for the financial year was EUR 27.1 (46.0) million. Return on investment (ROI) was 6.0 (9.3) per cent. Return on equity (ROE) was 7.2 (12.2) per cent. Invested capital totalled EUR 719.0 (748.2) million.

FINANCING

Total cash flow from operations was EUR 53.2 (65.1) million. Cash flow from operations after investments was EUR -12.3 (33.5) million. Interest-bearing net debt at year-end amounted to EUR 313.5 (284.3) million. The equity ratio was 41.7 (41.6) per cent and gearing was 82.8 (76.5) per cent. The share capital attributable to the parent company's shareholders was EUR 376.5 million or EUR 9.26 (9.38) per share. At year-end, the Group's market capitalisation value at the Helsinki Stock Exchange was EUR 585.5 million.

INVESTMENTS

Total investments into tangible assets totalled EUR 66.9 (65.1) million. Most of this consisted of advance payments for the vessels under construction. Five large ro-pax vessels are being built in Italy for a contract price of EUR 100 million per vessel, i.e. a total of EUR 500 million. As agreed, ten per cent of the contract price was paid on making the order, and ten per cent will be paid on launching of the vessels. The rest of the amount will be settled when the vessels are delivered. Two of the vessels were launched in 2005. The delivery schedule provided by Fincantieri towards the end of 2005 was for May 2006 (two vessels), October 2006 (two vessels) and March 2007 (one vessel).

CORPORATE STRUCTURAL CHANGES

Finnlines opened a sales office in Denmark in August. Previously, sales of Danish ro-ro traffic were handled by an agent. In November, Finnlines' subsidiary Finnsteve acquired 100 per cent of shares in TBE System Oy Ltd. Through the acquisition, the company's stevedoring operations in Kotka and some 30 permanent employees were transferred to Finnsteve as of 1 January 2006.

PERSONNEL

The Group employed an average of 2,212 (2,101) people in 2005, consisting of 1,489 (1,426) employees on shore and 723 (675) persons at sea. In early October 2005, Finnlines Plc initiated talks in accordance with the Finnish Act on Cooperation within Undertakings with regard to reducing the number of employees in the company. The measures will lead to the reduction of some 40 jobs within Finnlines Plc in 2006. Similar reorganisation measures to improve the efficiency of operations will also be initiated in other Group units.

BOARD OF DIRECTORS AND AUDITORS

There were no changes in the structure of Board of Directors or in the auditing in 2005.

SHARES AND SHARE CAPITAL

In April the Group's share capital was decreased by invalidating the 556,000 treasury shares held by the company and by transferring a sum equivalent to the decrease, i.e. EUR 1,112,000, into the premium fund. This decrease in share capital had no effect on the Group's shareholders' equity, the share options issued previously or the rights related to these options.

A total of 1,254,800 shares were subscribed in 2005 through options issued by Finnlines Plc in 2001. This increased the Group's share capital by EUR 2,509,600. On 31 December 2005, the Group's registered share capital was EUR 81,313,516 and the number of shares was 40,656,758. No own shares were purchased during 2005. A total of 30.6 million Finnlines shares were traded on the Helsinki Stock Exchange during the period. At year-end, the market capitalisation of the company's stock was EUR 585.5 million. Earnings per share (EPS) during the period were EUR 0.66 (1.15). Shareholders' equity per share was EUR 9.26 (9.38).

OUTLOOK FOR 2006

The European economy appears to be recovering gradually, which was reflected in the cargo volumes at the end of 2005. Cargo prices are expected to remain fairly stable due to the amount of competition. The decrease in paper transports effective from the beginning of 2006 will cause revenue to fall by a few percentage points. During 2006, Finnlines will focus on creating a new, more efficient service concept. The launching of new vessels in the middle of the year will cause non-recurrent additional expenses, for instance in relation to personnel and fairway dues. The new concept cannot be sold fully until 2007, when all the new vessels are in operation. On the expense side, the uncertainty surrounding development of oil prices is a cause for concern.

DIVIDEND DISTRIBUTION PROPOSAL

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.30 per share be paid out for the financial year ending on 31 December 2005. If the Board's proposal is approved, the dividend will be paid out on 25 April 2006 to shareholders registered in the shareholder register maintained by the Finnish Central Securities Depository Ltd no later than on the dividend record date of 13 April 2006.

ANNUAL GENERAL MEETING

Finnlines Plc's Annual General Meeting will be held at 10 am on Monday 10 April 2006 at Hotel Linna, Lönnrotinkatu 29, Helsinki, Finland.

Consolidated Profit and Loss Account, IFRS

EUR 1 000	Note*	2005	2004
Revenue		746 692	698 100
Other income from operations	16	4 226	8 661
Materials and services	17	-239 785	-187 574
Personnel expenses	18	-108 207	-107 457
Depreciation, amortisation and other write-offs	19	-34 027	-33 902
Other operating expenses	20	-328 130	-315 159
Total operating expenses		-710 150	-644 092
Operating profit		40 768	62 670
Financial income	21	5 787	8 253
Financial expenses	21	-11 852	-15 880
Share of associated companies' profits		263	
Profit before taxes		34 965	55 043
Income taxes	22	-7 854	-9 085
Profit for the reporting period		27 112	45 958
Distribution:			
Parent company shareholders		26 651	45 423
Minority interest		461	535
		27 112	45 958
Profit attributable to parent company shareholders calculated as earnings per share (EUR/share)			
Undiluted earnings per share	23	0,66	1,15
Diluted earnings per share	23	0,66	1,14

* Notes from page 48.

Consolidated Balance Sheet, IFRS

EUR 1 000	Note*	2005	2004
Assets			
Non-current assets			
Property, plant and equipment	1	619 727	588 387
Goodwill	2	109 011	110 940
Other intangible assets	2	11 935	7 442
Investment properties	3	1 591	1 595
Share of associated companies	4	2 105	2 599
Other financial assets	5	5 513	5 701
Receivables	7	8 647	7 724
Deferred tax assets	11	410	351
		758 941	**724 740**
Current assets			
Inventories	6	6 640	4 101
Accounts receivable and other receivables	7	103 843	92 770
Tax receivables for revenue earned during the reporting period		9 974	11 469
Bank and cash	8	28 735	60 081
		149 194	168 421
Total assets		**908 134**	**893 161**
Shareholders' equity			
Equity attributable to parent company shareholders			
Share capital	9	81 314	79 916
Share issue		6	
Share issue premium	9	24 301	13 774
Treasury shares			-5 961
Translation differences		-1 046	-192
Retained earnings		271 946	282 139
		376 520	369 675
Minority interest		2 002	2 049
Total shareholders' equity		**378 523**	**371 724**
Liabilities			
Long-term liabilities			
Deferred tax liabilities	11	89 505	83 483
Pension liabilities	15	4 628	4 557
Provisions	12	4 354	3 874
Interest-bearing liabilities	10	269 425	305 892
Other liabilities	13		
		367 913	**397 805**
Current liabilities			
Accounts payable and other liabilities	13	87 710	80 656
Tax liabilities for revenues earned during the reporting period		514	437
Provisions	12	665	4 078
Current interest-bearing liabilities	10	72 809	38 461
		161 699	123 632
Total liabilities		**529 612**	**521 437**
Total shareholders' equity and liabilities		**908 134**	**893 161**

* Notes from page 48.

Consolidated Cash Flow Statement, IFRS

EUR 1 000	Note*	2005	2004
Cash flow from operations			
Profit for reporting period		27 112	45 958
Adjustments:			
Non-cash transactions	14	28 174	25 390
Interest expense and other financial expenses		9 873	13 900
Interest income		-1 024	-1 639
Dividend income		-54	-4 685
Taxes		7 854	9 081
Changes in working capital:			
Change in accounts receivable and other receivables		-11 187	581
Change in current assets		-2 539	-280
Change in accounts payable and other liabilities		9 554	680
Change in provisions		-2 861	5 470
Interest paid		-10 868	-13 319
Interest received		1 211	1 639
Taxes paid		-2 004	-17 650
Net cash flow from operations		**53 241**	**65 126**
Cash flow from investing activities			
Investments in tangible assets		-66 749	-63 935
Investments in intangible assets		-2 022	-3 730
Sale of tangible assets		3 217	31 364
Dividends received		54	4 685
Net cash flow from investing activities		**-65 500**	**-31 616**
Cash flow from financing activities			
Proceeds from issue of shares		11 931	
Borrowing		40 000	30 000
Net increase in current interest-bearing liabilities		37 627	
Repayment of loans		-78 353	-86 091
Granted long-term loans			-2 980
Decrease of long-term receivables		-850	
Acquisition of treasury shares			-3 728
Increase in finance lease liabilities		1 818	
Repayment of finance lease liabilities		-154	-147
Dividends paid		-30 229	-49 666
Financing expenses		-891	-765
Net cash flow from financing activities		**-19 101**	**-113 377**
Change in cash and cash equivalents		**-31 360**	**-79 867**
Cash and cash equivalents on 1 January		60 081	139 998
Effect of foreign exchange rate changes		14	-50
Cash and cash equivalents on 31 December		**28 735**	**60 081**

* Notes from page 48.

Quarterly Figures, IFRS

	Q1/2005	Q2/2005	Q3/2005	Q4/2005
Revenue by segment (EUR million)				
Shipping and Sea Transport Services, total	157,2	158,2	170,4	190,7
Sales to third parties	157,1	158	170,2	189,8
Sales to Port Operations	0,1	0,1	0,2	0,9
Port Operations, total	25,2	25,6	27,2	27,5
Sales to third parties	16,7	17,7	18,5	18,5
Sales to Shipping and Sea Transport Services	8,5	7,9	8,7	9,0
Group internal revenue	-8,6	-8,0	-8,8	-10,0
Revenue, total	**173,8**	**175,8**	**188,8**	**208,3**
Operating profit per segment (EUR 1 000)				
Shipping and Sea Transport Services	9 332	3 724	6 331	16 397
Port Operations	1 296	683	1 980	1 026
Operating profit, total	**10 628**	**4 407**	**8 311**	**17 422**
Financial income and expenses	-944	-1 215	-1 848	-2 058
Share of associated companies' profits				263
Profit before tax	9 684	3 191	6 463	15 627
Direct taxes	-1 863	-377	-942	-4 671
Minority interest	-32	-149	-195	-85
Profit for the reporting period	**7 789**	**2 665**	**5 326**	**10 871**
Quarterly consolidated key figures				
Operating profit (% of revenue)	6,1	2,5	4,4	8,4
Return on equity (ROE), %	8,6	3,1	6,1	11,8
Return on investment (ROI), %	6,5	2,9	4,8	9,8
Earnings per share, EUR	0,20	0,07	0,13	0,27
Average number of outstanding shares (1 000)	39 816	40 305	40 305	40 509

Changes in Consolidated Shareholders' Equity, IFRS

EUR 1 000	Equity attributable to parent company shareholders								Minority interests	Total equity
	Share capital	Share issue	Share issue premium	Translation differences	Reserve fund	Treasury shares	Retained earnings	Total		Total
Shareholders' equity 31 Dec 2003	**39 958**		**53 731**	**-715**	**1 405**	**-2 234**	**288 281**	**380 426**		**380 426**
Effect of IFRS implementation				715	-1 405		-1 899	-2 589	1 999	-590
Adjusted shareholders' equity 1 Jan 2004	**39 958**		**53 731**			**-2 234**	**286 382**	**377 838**	**1 999**	**379 837**
Translation differences				-192				-192	5	-187
Profit for reporting period							45 423	45 423	535	45 958
Total recognised income for the period				**-192**			**45 423**	**45 231**	**540**	**45 771**
Dividend							-49 666	-49 666	-490	-50 156
Share issue	39 958		-39 958							
Treasury shares						-3 728		-3 728		-3 728
	39 958		-39 958			-3 728	-49 666	-53 394	-490	-53 884
Shareholders' equity 31 Dec 2004	**79 916**		**13 774**	**-192**		**-5 961**	**282 139**	**369 675**	**2 049**	**371 724**
Adoption of IAS 32 and IAS 39							-654	-654		-654
Adjusted shareholders' equity 1 Jan 2005	**79 916**		**13 774**	**-192**		**-5 961**	**281 485**	**369 021**	**2 049**	**371 070**
Translation differences				-853				-853		-853
Profit for the reporting period							26 651	26 651	461	27 112
Total recognised income and expenses for the period				**-853**			**26 651**	**25 798**	**461**	**26 258**
Dividend							-30 229	-30 229	-508	-30 737
Stock options exercised	2 510	6	9 416					11 931		11 931
Invalidation of treasury shares	-1 112		1 112			5 961	-5 961			
	1 398	6	10 528			5 961	-36 190	-18 298	-508	-18 805
Shareholders' equity 31 Dec 2005	**81 314**	**6**	**24 301**	**-1 046**			**271 946**	**376 520**	**2 002**	**378 523**

Notes to the Financial Statements

ACCOUNTING PRINCIPLES

Main functions

Finnlines is one of the largest European shipping companies specialised in liner cargo services. The Group's operations are centred on sea transports in the Baltic Sea and North Sea areas and on the provision of port services in Finland and Norway. Through its subsidiaries and associated companies, the Group has operations in eight European countries. The Group's services are also offered throughout Europe via extensive network of agents. The Group's parent company, Finnlines Plc, is a Finnish public limited company, which operates under Finnish jurisdiction and legislation. The parent company is registered in Helsinki at Porkkalankatu 20 A, 00181 Helsinki. Copies of financial statements can be acquired from www.finnlines.fi or at the company's headquarters.

Basis of preparation of the financial statements

The 2005 Group financial statements are the first of the Finnlines Group prepared in accordance with the International Financial Reporting Standards (IFRS), using the IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2005. Previous financial statements have been prepared in accordance with Finnish Accounting Standards. The date of transition to IFRS was 1 January 2004 with the exception of IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement), which were subject to an exemption in accordance with the IFRS 1 transition standard. The transition date for IAS 32 and IAS 39 was 1 January 2005. Due to the exemption granted by the IFRS 1 standard, the comparative data for the 2004 financial instruments have not been adjusted in accordance with IFRS. The accounting principles related to financial instruments are detailed separately for 2004 and 2005. Reconciliation statements and descriptions of the effects of the transition to IFRS reporting are presented on page 37.

The consolidated financial statements are primarily prepared using the acquisition cost method. Exceptions to this principle are financial assets and liabilities recorded at fair value through profit or loss. Goodwill for business combinations formed before 2004 is equivalent to the book value reported in accordance with the previous accounting standards, and is used as the deemed cost in accordance with IFRS. The classification and accounting of these acquisitions were not adjusted when preparing the consolidated opening balance sheet.

When preparing the financial statements, the Group's management must make estimates and assumptions, which affect their content, and use its discretion in applying the accounting principles. The most significant relate to the impairment of goodwill and other assets and to provisions. Actual figures may differ from these estimates.

Consolidation principles

Subsidiaries

The consolidated financial statements include the parent company, Finnlines Plc, and its subsidiaries. Included are all the companies in which Finnlines Plc directly or indirectly holds more than 50 per cent of the voting rights, or of which it otherwise has control.

Mutual shareholdings are eliminated using the acquisition cost method. The acquisition cost is determined based on the fair value of the transferred assets on the aquisition date, the issued shares or the assumed liabilities, plus the direct costs incurred from the acquisition. The part of the acquisition cost, which exceeds the fair value of the acquired company's net assets, is treated as goodwill (cf. Note 2 on page 49). Subsidiaries are consolidated from the date on which control is transferred to the Company. Sold subsidiaries are consolidated until the date on which control is transferred to the buyer.

Intra-group transactions, internal receivables and liabilities, unrealised profit from internal transactions and the internal distribution of profit are eliminated in the consolidated financial statements. Unrealised losses caused by impairment are not eliminated. The subsidiaries' accounting principles have been adjusted to correspond to the consolidated accounting principles where necessary.

The distribution of the profit for the reporting period to parent company shareholders and minority interest is recognised in the profit and loss account, and the shareholders' equity attributable to minority interest is reported separately on the balance sheet under shareholders' equity. The accrued losses attributable to minority interest are recognised in the consolidated financial statements only up to the amount of the investment.

Associated companies

Associated companies are ones over which the Group has a significant influence. A significant influence is realised if the Group holds more than 20 per cent of the voting rights or otherwise has a significant influence. Associated companies are consolidated using the equity method. If the Group's share of associated companies' losses exceeds the book value of the investment, the investment is recognised in the balance sheet at zero value and the portion of the losses exceeding the book value is not consolidated unless the Group has agreed to meet the associated companies' obligations. Unrealised profits between the Group and its associated companies are eliminated to the extent of the Group's share of ownership. The investment in each associated company includes goodwill arising from the acquisition.

Translation of foreign currency items

The items in each Group unit's accounts are valued in the principal currency of the operating environment of the unit in question ("the functional currency"). The consolidated financial statements are presented in EUR, which is the parent company's functional and presentation currency.

Transactions in foreign currencies are recognised at the exchange rate valid on the transaction date. Monetary items denominated in foreign currencies are translated into EUR at the exchange rates valid on the balance sheet date. Non-monetary items denominated in foreign currencies and valued at their fair value, are translated into EUR at the exchange rates valid on the date of valuation. Other non-monetary items are valued using the exchange rate valid on the transaction date. Profits and losses arising from foreign currency valued transactions and translation of foreign currency valued monetary items are recognised in the profit and loss account. Exchange rate differences arising from transaction translations are included under operating profit in the profit and loss account, whereas exchange rate differences arising from financial assets and liabilities are included under financial items. Profits and losses arising from the translation of loans in foreign currencies are recognised under financial income and expenses.

The profit and loss accounts of subsidiaries located outside the euro area are translated into EUR using weighted average exchange rates. Balance sheets are translated at the exchange rate prevailing on the balance sheet date. Translation differences arising from investments in foreign units are recognised under shareholders' equity. Translation differences arising from shareholders' equity items emerging from the elimination of foreign subsidiaries' acquisition costs after the acquisition are recognised under shareholders' equity. When a subsidiary is wholly or partly sold, cumulative translation differences are recognised in the profit and loss account as part of the gain or loss from the sale of subsidiaries. Translation differences arising prior to 1 January 2004 were transferred to retained earnings on the date of transition to IFRS. They will not be recognised in the profit and loss account on the sale of the subsidiaries in question. Translation differences arising after the transition date during the creation of the consolidated accounts are listed as a separate item under shareholders' equity.

Goodwill arising from the acquisition of foreign units since 1 January 2004 and fair value adjustments made to the book values of those foreign units' assets and liabilities on the date of acquisition are treated as assets and liabilities of the foreign units in question and translated into EUR using the exchange rate valid on the balance sheet date. Goodwill and fair value adjustments related to acquisitions made before 1 January 2004 are recognised in EUR.

Property, plant and equipment

Fixed assets are valued at their direct acquisition cost deducted by depreciations and impairments. The acquisition cost includes direct expenses incurred in relation to the acquisition. Renovation and overhaul expenses of significant proportions arising at a later date are included in each asset's book value. They can be recognised as a separate asset only if it is likely that the future economic benefits associated with the item will be beneficial to the Group and if the acquisition cost of the asset can be reliably determined. Ordinary repair and maintenance expenses are recognised as expenses for the reporting period during which they were incurred.

Fixed assets are depreciated according to plan based on the estimated useful life of the asset. Land is not depreciated. The estimated useful lives are as follows:

	years
Vessels and ship shares	30–35
Buildings	10–40
Constructions	5–10
Stevedoring machinery and equipment	5–15
Light machinery and equipment	3–5

Second-hand vessels are depreciated over their estimated useful lives.

The estimated useful lives and the residual values of assets are revised on each balance sheet date and, when necessary, adjusted to reflect changes that have taken place in the expected future economic benefits.

The depreciation on tangible asset stops when the asset is classified as being held for sale in accordance with the IFRS 5 standard (Non–current Assets Held for Sale and Discontinued Operations).

Gains and losses on retirements and disposals of tangible assets are recognised under other income or expenses from operations.

If the book value of an asset exceeds its current recoverable amount, the value of the asset is written off to correspond to its recoverable value. The gain or loss on the sale of assets is determined using the difference between the amount received and the book value, and it is included in the operating profit.

Any interest and deposit charges related to long-term projects for the construction of tangible assets are capitalised as part of the fixed assets. Other interest expenses incurred in relation to asset purchases are recognised as expenses for the reporting period during which they were incurred.

Borrowing costs

In cases other than those mentioned above, borrowing costs are recognised as expenses in the reporting period in which they arise. Direct transaction charges arising from and related to specific acquired loans are included in the loan's original amortised cost and amortised as interest expenses using the effective interest method. This method is also applied to commission on credit paid before raising a loan.

State subsidies

Subsidies related to Shipping and Sea Transport Services are recognised as an adjustment of the personnel expenses to which they relate.

Intangible assets

Intangible assets are recognised on the balance sheet only if their acquisition costs can be reliably measured and if it is likely that the future economic benefits from the asset will flow to the Group.

The amortisation periods for intangible assets are based on the following estimated useful lives:

Software	5–10 years
Other intangible assets	5–10 years

Goodwill

Goodwill arising from acquisitions made after 1 January 2004 corresponds to the part of the acquisition cost that exceeds the proportion attributable to the Group out of the fair value of the acquired company's net assets on the acquisition date. Goodwill that has arisen prior to 1 January 2004 is calculated as the book value on the transfer date, as required by the previously used accounting standards. This value was used as the deemed cost of goodwill for the date of transition to IFRS.

Goodwill is tested annually for impairment and an impairment loss is recognised if the test shows loss of recoverable value. For the impairment testing, goodwill is transferred to cash generating units, or, in the case of associated companies, included in the associated company's acquisition cost.

Research and development expenses

Research expenses are recognised as expenses in the reporting period in which they arise. Development expenses are capitalised when the company is able to determine the technical feasibility and commercial usability of the product under development and when the acquisition cost can be reliably calculated. Other development expenses are recognised as expenses. Development expenses that have previously been recognised as expenses cannot be capitalised later. Research and development expenses that have been recognised as expenses are included in the consolidated profit and loss account as other operating expenses.

Other intangible assets

Other intangible assets are valued at their acquisition cost excluding depreciations and impairments. They are amortised according to plan and recognised as expenses during their estimated useful lives. Intangible assets with unlimited useful lives are not amortised but are tested annually for impairment.

Investment properties

Investment properties are properties held by the Group for the purposes of gaining rent income or for value increases. Investment properties are valued according to the acquisition cost model, as their acquisition cost excluding depreciations and impairments.

Impairment

Goodwill and other intangible assets with unlimited useful lives, as well as tangible assets are tested for impairment annually at the minumum.

Assets are evaluated for signs of impairment. If there are signs of impairment, the current recoverable amount of the asset in question is calculated by using higher of its current net selling price or its value in use. If the book value exceeds the current recoverable amount, the difference is recognised in the profit and loss account as an impairment loss.

Impairment losses recognised previously are reversed if the assumptions used in the calculation of the current recoverable amount change. Impairment losses are reversed only up to the amount corresponding to what the book value would have been without the impairment loss. Impairment losses recognised for goodwill are not reversed.

In accordance with IAS 39, all financial assets are evaluated on each balance sheet date to see whether there is objective evidence of impairment of an item or group of items under the financial assets. A credit loss is recognised for accounts receivable when there is a reliable indication that it will not be possible to collect the receivable in accordance with the original terms. The amount of the credit loss is the difference between the receivables' book value and realisable value, and it corresponds to the current value of expected cash flow. Impairment losses recognised through profit or loss for investments in equity instruments classified as being held for sale are not reversed in subsequent years' profit and loss accounts.

Financial assets and liabilities

Financial assets

The Group has applied the IAS 39 standard (Financial Instruments: Recognition and Measurement) since 1 January 2005. In 2004, financial assets and liabilities were still valued according to Finnish Accounting Standards.

1 January 2004–31 December 2004
Financial assets recognised under non-current assets consist of other shares

and of shares in associated companies. Other shares are valued at their original acquisition cost.

Available-for-sale securities included in current assets are valued at lower of their acquisition cost or their expected selling price.

From 1 January 2005
Since the beginning of 2005, the Group's financial assets have had the following classifications in accordance with the standard: financial assets at fair value through profit or loss; held-to-maturity investments; loans and other receivables; and available-for-sale financial assets. The classification is dependent on the original purpose of the acquisition of the financial assets. The classification is determined at the time of the acquisition of the financial assets and is reviewed regularly. Transaction charges are included in the original book value of financial assets for assets that are not recognised at fair value through profit or loss. All financial asset acquisitions and sales are recognised on the transaction date.

Financial assets are written off the balance sheet when the Group loses its contractual right to their cash flow or when the Group has transferred a significant amount of the risks and profits.

The Financial assets at fair value through profit or loss category includes assets held for trading as well as assets that were originally recognised at fair value through profit or loss. The aim of financial assets held for trading is to produce profits in the short term (less than 12 months), and they are recognised under current assets. Derivatives which do not meet the conditions for hedge accounting are classified as assets held for trading. This category also includes investments in shares. The assets in this category are valued at their fair value, which is determined based on quoted prices published on the active market, i.e. bid quotations. Unrealised and realised profits and losses arising from changes in fair value are recognised in the profit and loss account in the reporting period in which they arise.

Held-to-maturity investments are valued at amortised cost. In 2005 the Group had no financial assets in the category.

Available-for-sale financial assets are valued at fair value after their acquisition. Generally the fair value of investments in this category is determined based on quoted prices published on the active market, i.e. bid quotations on the balance sheet date. Unrealised gains and losses arising from valuation at fair value are recognised in the fair value fund under shareholders' equity. If financial assets available-for-sale are sold or permanently impaired, the cumulative gains and losses are recognised in the profit and loss account under financial income and expenses. Available-for-sale financial assets are included in non-current assets unless the company intends to sell them within the 12 months following the balance sheet date, in which case they are included in current assets.

Loans and other receivables are assets whose payments are fixed or can be reliably determined, and which are not listed on the active market or held for trading. This category includes financial assets that have been acquired by transferring money, goods or services to a debtor. These items are valued at amortised cost. These items include accounts receivable and other receivables, granted loans and fixed–term deposits.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank as well as other assets with an original maturity at acquisition date of less than three months.

Financial liabilities

1 January 2004 – 31 December 2004
Loans are initially recognised at fair value based on the remuneration received. Transaction charges are recognised under other financial expenses at the time they arise.

From 1 January 2005
Financial liabilities are initially recognised at the value of the remuneration received, increased by direct transaction charges incurred in relation to the acquisition or issuing of the financial liability item in question. Transaction charges are included in the original book value of financial liabilities. Later, all financial liabilities are valued at amortised cost using the effective interest method. Financial liabilities are included in both long-term and short-term liabilities and they can be either interest-bearing or non-interest-bearing.

Derivatives that do not meet the conditions of hedge accounting are classified as assets held-for-trading and are valued at fair value. Negative derivative fair values are recognised under short-term liabilities on the balance sheet.

Derivatives and hedge accounting

The Group has been accounting for derivative contracts in accordance with IAS 39 since 1 January 2005. Derivative contracts are recognised at an acquisition cost that corresponds to their fair value. After acquisition, derivative contracts are valued at fair value, which is determined on the basis of bid and sales quotations published on the active market. Gains and losses arising from valuation at fair value are recognised in the financial statements based on the purpose of use of each derivative contract. The Group does not use hedge accounting in accordance with IAS 39. Unrealised and realised gains and losses arising from changes in fair value are recognised in the profit and loss account under financial items in the reporting period in which they arise. Since 1 January 2005, the fair values of derivatives have been recognised under accounts payable and other liabilities.

Leases
Leases with the Group as leaseholder and in which a significant proportion of the risks and benefits associated with ownership remain with the lessor are classified as operating leases, and the leases paid in relation to them are recognised as expenses in the profit and loss account on straight-line basis over the period of the lease.

Leases in which the company has assumed a significant proportion of the risks and benefits associated with ownership are classified as finance leases. Finance leases are recognised on the balance sheet as assets and liabilities on the start date of the lease period at a value equivalent to the lower of the fair value of the leased goods or the current value of the minimum lease, which are determined on the date of contract. Minimum leases are divided into financial expenses and loan repayments. Financial expenses are recognised as expenses in the profit and loss account and allocated over the reporting periods within the lease contract period to the extent that the outstanding loan in each period has an equal interest rate. Depreciation on leased assets subject to depreciation is calculated according to the same principles as depreciation on owned assets. If there is relative certainty that the Group will receive ownership of an asset before the end of its lease period, the asset's estimated useful life is the same as its economic life. Otherwise, the asset is depreciated within the shorter of the lease period or the useful life.

Inventories
Inventories include the Group's vessels' fuel, lubricant, bulk and food supplies as well as goods sold on the vessels. Inventories are valued at the lower of their acquisition cost or their net realisation value. Acquisition costs are determined using the FIFO (first in, first out) method. The net realisation value is the estimated sale price in ordinary business transactions, from which the cost of the sale has been deducted.

Share capital
The share capital consists entirely of ordinary shares. Direct costs (minus tax) arising from a new share issue are recognised under shareholders' equity to be deducted from the income received from the issue.

When the company acquires treasury shares, the sum paid for them and all direct costs (minus any applicable taxes) are deducted from the shareholders' equity.

Income taxes
The tax expenses recognised on the profit and loss account consist of income tax payable on taxable profit and of deferred taxes. Income tax on taxable profit for the reporting period is calculated using the valid tax rate of each country. Taxes are adjusted by possible taxes relating to previous periods.

Deferred tax liabilities are calculated using the balance sheet liability method, by calculating the tax from all temporary differences between book value and taxable value. Deferred taxes are calculated using the tax rates valid on the balance sheet date.

Deferred tax assets are recognised in the accounts up to the amount at which it is likely that taxable income will be generated in the future against which the tax receivables can be used. No deferred taxes are recognised for subsidiaries' undistributed earnings.

Employee benefits
Pension liabilities
The Group has various pension plans in accordance with the local regulations of each country in which it operates. A majority of the Group's pension plans are classified as defined contribution plans.

Employee pension plans are organised through external pension companies. Finnish TEL pension insurance in external pension insurance companies are treated as defined contribution plans. Up to 31 December 2005, the TEL insurance component covering disability was recognised as a defined benefit plan; after this, TEL pension insurances are classified as defined contribution plans fully.

In defined contribution plans, the company makes fixed payments into the plan. The company has no legal or actual obligation to make additional payments if the pension insurance company is unable to pay out the benefits earned by employees in the current period or in previous periods. Payments made into defined contribution plans are recognised in the profit and loss account in the reporting period to which the payment applies.

In defined benefit plans, the employer's pension liability is based on the current value of the obligation defined in the plan and on the fair value of the assets included in the plan, which are calculated at appropriate intervals through actuarial calculations based on the IAS 19 standard.

The Group's obligations in relation to defined benefit plans are calculated separately for each plan using the projected unit credit method. Pension costs are recognised as expenses during each employee's employment term on the basis of calculations made by authorised actuaries. In calculating the current value of a pension liability, the Group uses the market rate of return of high-quality debenture bonds issued by the companies or the interest rate of government debt obligations as the discount rate. The maturity of debenture bonds and debt obligations corresponds in all essential aspects to the maturity of the pension obligation being considered.

In the Group's defined benefit plans, the opening balance at the time of transfer includes all the accrued actuarial profits and losses.

Share-based payments
The IFRS 2 standard is applied to all share option schemes in which options have been granted after 7 November 2002, but did not vest before 1 January 2005. On the balance sheet date the Group had no share option schemes

to report in accordance with IFRS 2. Expenses from previous share option schemes have not been recognised on the profit and loss account.

Provisions

Provisions are recognised when the company, as a consequence of previous events, has a legal or actual obligation whose monetary value can be reliably determined and whose realisation is probable. The amount recognised as provisions is equivalent to the best estimate of the expenses that will be incurred by fulfilling the obligations existing on the balance sheet date. If the time value of the amount is significant, the amount used for provisions is the current value of the expected expenses.

Revenue recognition

The Group's revenue is mainly generated through the sale of services. These services are principally port operations and cargo and passenger transports. The revenue from the sale of a service is recognised when the service has been provided. Income and expenses from incomplete voyages are recognised in proportion to their stage of completion. The stage of completion is determined by the percentage of the voyage completed during the reporting period. If it is likely that the total expenses from incomplete activities will exceed their total income, the expected loss is recognised as an expense. Revenue is adjusted with indirect taxes, revenue adjustments and exchange rate differences.

Segment reporting

The Group's primary segment reporting is based on its business segments. Its secondary segment reporting is based on geographical segments.

Implementation of standards

The changes to the IAS 39 standard published by the IASB in 2004 and 2005 will be implemented in 2006. The Group expects the implementation of the modified standard to bear no significant effect on future financial statements.

The new IFRS 7 standard published in 2005 by the IASB will be implemented in 2007. The standard will principally affect the notes to the consolidated financial statements.

FINANCIAL RISK MANAGEMENT

The Group is exposed to various financial risks in its business operations. The aim of the Group's risk management is to minimise the adverse effects of the movements in financial markets on the Group's financial performance. The major financial risks are currency risk, interest rate risk, credit risk, liquidity risk, funding risk and fuel price risk. In its risk management the Group uses currency forwards, currency loans, interest rate swaps and fuel price clauses in customer contracts. The Group's risk management principles are approved by the Board of Directors, and responsibility for their implementation lies centrally with the Group treasury, with the exception of the fuel price clauses, which are the responsibility of the business units.

Currency risk

The Group operates internationally and is therefore exposed to transaction risks arising from different currency positions. The main foreign currencies used by the Group are USD, SEK and GBP. Currency risks arise from commercial transactions, monetary balance sheet items and net investments in foreign subsidiaries. In 2005, 85 per cent of sales were invoiced in EUR and the rest in SEK, DKK, NOK and GBP. Currency positions are reviewed for each currency every 12 months, when annual budgets are made. The Group's policy is to hedge 50 per cent of its budgeted net currency position at the beginning of each budget year. Cash flow hedging instruments consist of 1-12-month currency forwards. The Group does not use hedge accounting in accordance with IAS 39. Changes in fair value of these derivatives are recognised through profit or loss in financial items. The acquisition value of subsidiary shares valued in SEK is hedged with a loan in SEK and with a currency forward.

The Group's business units can make internal derivative agreements with the Group treasury to hedge a specific activity. The treasury will make hedge agreements with an external counterpart based on the whole Group's net currency position. With the exception of the above-mentioned loan in SEK, all the Group's debts are in EUR. The investment program that is currently ongoing (construction of five new ro-pax vessels) is EUR valued.

Interest rate risk

The Group's short-term money market investments and commercial papers issued expose it to cash flow interest rate risk but their impact is immaterial. The Group's income and cash flow from operations are mainly not effected by fluctuations in market interest rates. The Group has mainly been exposed to interest rate risks of the fair value of investment portfolios. The level of hedging against interest rate risks is settled annually by the Board of Directors on making the budget. On the balance sheet date, 93 per cent of the Group's borrowings were variable-rate and the rest were fixed-rate borrowings. The average duration of the loan portfolio was approximately seven months. The Group can raise both fixed-rate and variable-rate loans and use interest rate swaps. On the balance sheet date, there were no open interest rate swaps.

Credit risk

The Group determines the credit rating requirements and investment principles related to customers, investment transactions and derivative contract counterparts. The Group has no significant concentrations of credit risk, since it has a broad clientele distributed across various sectors. The Group makes derivative contracts and investment transactions only with counterparts with high credit ratings. The credit ratings and credit limits of credit customers are monitored constantly. Credit losses in 2005 were immaterial.

Liquidity risk

The Group continuously strives to evaluate and monitor the amount of funding required for its operations, to ensure that it will have sufficient liquid assets to fund its business activities and investments and to repay loans. The Group's aim is to fund its vessel investments with credit agreements with the longest possible terms. The Group aims to guarantee the availability and flexibility of funding by unused credit lines and by employing several banks and funding methods in acquiring funding. On 31 December 2005 the unused credit lines totalled EUR 530 million.

Commodity risk

The Group is exposed to commodity risks in relation to the availability and price fluctuations of fuel. It aims to minimise this risk by making framework agreements with known counterparts and by adding fuel price clauses to its contracts with customers. In the long term, these clauses can hedge more than 50 per cent of this risk, but in the short term the hedging level fluctuates strongly and depends on the utilisation rate of the Group's vessels.

TRANSITION TO IFRS REPORTING

Finnlines made the transition from Finnish Accounting Standards (FAS) to International Financial Reporting Standards (IFRS) in 2005. The Group financial statement for the reporting period ending 31 December 2005 is the first financial statement prepared in accordance with IFRS accounting principles. Finnlines prepared an opening balance sheet for the date of transition to IFRS (1 January 2004). Below are the most important changes in the accounting principles and the impact of the adoption of IFRS on Finnlines' consolidated financial statement. IAS and IFRS standards and SIC and IFRIC interpretations valid as of 31 December 2005 were observed in the accounting. The first IFRS-compliant interim report will be prepared for the period ending 31 March 2006.

Transition to IFRS accounting principles will affect the following items, among others:

Amortisation of goodwill:
Under the previous accounting standards goodwill was amortised in 5–20 years. IFRS does not allow the amortisation of goodwill. Goodwill is tested for impairment annually and an impairment loss is recognised if the impairment test shows loss of recoverable value.

Finnish Pension Scheme (TEL):
Group pension plans are classified as either defined contribution or defined benefit plans. A majority of the Group's pension plans are defined contribution plans. Payments made on defined contribution pension plans are recognised as expenses on the consolidated profit and loss account for the applicable reporting period. In Finnish Accounting Standards pension costs are recognised according to local regulations. In FAS, TEL is recognised as a defined contribution plan, whereas in IFRS the TEL component covering disability was recognised as a defined benefit plan until 31 December 2005. As a result of the implementation of amendments made to TEL disability insurance payment principles at the beginning of 2006, TEL disability pensions will be changed into defined contribution plans. Sweden's pension plans are recognised as defined contribution plans. The Group has defined benefit supplementary pension plans in Finland and Germany.

Segment information:
Previously reported segment divisions remained unchanged when transferring to IFRS. Segment information is reported in accordance with the Group's business and geographical segment distribution. The Group's primary segment reporting form is based on business segments. Business segments are based on the Group's internal organisational structure and internal financial reporting. The Group has two primary segments: Shipping and Sea Transport Services and Port Operations. The geographical segments are Finland, other EU member states and other countries.

Finance leases:
According to the principles of the IAS 17 standard, leases in which the Group assumes a significant portion of the risks and benefits for its holdings are classified as finance leases. In such cases the leased asset is recognised on the balance sheet as an asset and leasing obligations as interest-bearing liabilities.

Income taxes:
Income taxes are presented in accordance with the IAS 12 standard, where, in addition to the taxes levied on taxable income for the reporting period, also deferred taxes on all temporary differences are recognised.

Financial instruments:
Compared to Finnish Accounting Standards, the accounting rules for

derivatives, financial assets and loans were changed on 1 January 2005 to comply with the IAS 32 and IAS 39 standards. Derivatives and financial assets are valued at fair value and financial liabilities are valued at amortised cost using the effective interest method. Financial instruments have been reclassified to meet the requirements of IAS 32.

Implementation of the IFRS 1 First-time adoption of IFRS

In preparing the financial statements in accordance with the requirements of IFRS 1 (First-time Adoption of IFRS), the Group has applied obligatory and certain voluntary exemptions related to the retrospective application of IFRS standards.

Exemptions from the requirements of other IFRS standards used by the Group

During the transitional phase, the Group has made the following selections regarding optional exemptions permitted by IFRS 1 in relation to the application of other IFRS requirements:

Business combinations

Business combinations formed prior to the IFRS date of transition have not been adjusted to comply with IFRS 3.

Employee benefits

Actuarial profits and losses accumulated by defined benefit pension plans are recognised in the transitional period balance sheet.

Exemption from requirements for the adjustment of IAS 32 and IAS 39 comparative information

Comparative data from 2004 have not been adjusted for compliance with the IAS 32 and IAS 39 standards. Adjustments made between IAS 32 and IAS 39 and Finnish Accounting Standards have been calculated and recognised in the opening balance sheet on the transition date for IAS 32 and IAS 39 (1 January 2005).

Cumulative translation differences

All foreign units' cumulative translation differences on the transition date to IFRS have been transferred to retained earnings.

Fair value or revaluation as the deemed cost

The Group uses revaluation for the deemed cost at the transition to IFRS when measuring investment properties.

Share-based payments

In accordance with transitional provisions of the IFRS 2 standard, share options granted prior to 7 November 2002 have not been recognised through profit or loss during the vesting period.

The optional exemptions allowed under the IFRS 1 adoption standard, other than those mentioned above, do not apply to Finnlines.

Effects of the transition to IFRS on previously reported shareholders' equity and profit

The transition to IFRS reporting has resulted in numerous changes to previously prepared financial statements. Prior to the transition to IFRS reporting, consolidated financial statements were prepared in accordance with Finnish Accounting Standards (FAS). The following reconciliations and additional data describe the differences between IFRS reporting and FAS in the opening IFRS balance sheet for 1 January 2004 (the Group's IFRS transition date, except as regards standards IAS 32 and IAS 39), for the 2004 reporting period and on 31 December 2004. Values of the comparative data for 2004 for the financial instruments accounted for under IAS 32 and IAS 39 are prepared according to FAS, in accordance with exemptions defined in IFRS 1. Adjustments made between the last day of the comparative period (31 December 2004) and the opening balance of the first IFRS reporting period are presented below in a separate reconciliation.

SHAREHOLDERS' EQUITY RECONCILIATION

EUR 1 000	Note	31 Dec 2004	1 Jan 2004
FAS*-compliant shareholders' equity and minority interest**		**365 914**	**382 425**
Effects of transition to IFRS			
Reversal of goodwill amortisation	1	6 770	
Goodwill write-off	1		-1 067
Pension liabilities	2	-1 071	-1 971
Effects of financial lease on shareholders' equity	3	-163	-89
IFRS-adjusted deferred taxes	4	274	538
IFRS-compliant shareholders' equity **		**371 724**	**379 836**
* FAS = Finnish Accounting Standards			
** Includes minority interest			

PROFIT RECONCILIATION FOR 1 JAN-31 DEC 2004

EUR 1 000	Note	2004
FAS*-compliant profit for the reporting period**		**37 557**
Effects of transition to IFRS		
Reversal of goodwill amortisation	1	7 837
Change in pension obligations	2	903
Change in financial items	5	-268
Change in IFRS-adjusted deferred taxes	4	-265
Other		194
IFRS-compliant profit for the reporting period **		**45 958**

* FAS = Finnish Accounting Standards
** Includes minority interest

PROFIT AND LOSS RECONCILIATION 2004

EUR 1 000		2004		
	Note	FAS* 2004	Change from transition to IFRS	IFRS 2004
Revenue		**698 100**		**698 100**
Other income from operations		8 661		8 661
Materials and services		-187 574		-187 574
Personnel expenses	2	-108 360	903	-107 457
Depreciation, amortisation and other write-offs	1,3	-41 520	7 617	-33 902
Other operating expenses	3	-315 572	414	-315 159
Total operating expenses		-653 026	8 934	-644 092
Operating profit		**53 736**	**8 934**	**62 670**
Financial expenses (net)	3,5	-7 359	-268	-7 627
Share of associated companies' profits				
Profit before taxes		**46 377**	**8 666**	**55 043**
Income taxes	4	-8 820	-265	-9 085
Profit for reporting period		**37 557**	**8 401**	**45 958**
Distribution				
Parent company shareholders		37 022	8 401	45 423
Minority interest		535		535
		37 557	8 401	45 958
Earnings per share on parent company shareholder profits:				
Undiluted earnings per share, EUR		0,94		1,15
Diluted earnings per share, EUR		0,93		1,14

* FAS = Finnish Accounting Standards

BALANCE SHEET RECONCILIATION FOR 1 JAN 2004 AND 31 DEC 2004

EUR 1 000	Note	FAS* 31 Dec 2004	Change from transition to IFRS	IFRS 31 Dec 2004	FAS* 31 Dec 2003	Change from transition to IFRS	IFRS 1 Jan 2004
Assets							
Non-current assets							
Property, plant and equipment	3,6,8,9	584 606	3 781	588 387	575 219	3 421	578 640
Goodwill	1	104 170	6 770	110 940	112 006	-1 067	110 939
Other intangible assets	6	7 968	-525	7 442	6 207		6 207
Investment properties	8		1 595	1 595		1 569	1 569
Share of associated companies	9		2 599	2 599		2 713	2 713
Other financial assets	9	8 380	-2 679	5 701	8 513	-2 713	5 800
Receivables		7 724		7 724	4 744		4 744
Deferred tax assets			351	351		351	351
		712 848	11 892	724 740	706 689	4 275	710 964
Current assets							
Inventories		4 101		4 101	3 821		3 821
Accounts receivable and other receivables		92 770		92 770	89 846		89 846
Tax receivables for revenue earned during the reporting period		11 469		11 469	452		452
Financial assets at fair value through profit or loss	7	48 207	-48 207		122 263	-118 828	3 436
Bank and cash	7	11 873	48 207	60 081	17 735	118 828	136 563
		168 421		168 421	234 117		234 117
Total assets		**881 269**	**11 892**	**893 161**	**940 806**	**4 275**	**945 081**
Shareholders' equity and liabilities							
Equity attributable to parent company shareholders							
Share capital		79 916		79 916	39 958		39 958
Share issue premium		13 774		13 774	53 731		53 731
Treasury shares			-5 961	-5 961		-2 234	-2 234
Reserve fund		1 404	-1 404		1 405	-1 405	
Translation differences		-905	712	-192	-715	715	
Retained earnings		269 676	12 463	282 139	286 047	334	286 381
		363 865	5 810	369 675	380 426	-2 589	377 837
Minority interest		2 049		2 049	1 999		1 999
Total shareholders' equity		**365 914**	**5 810**	**371 724**	**382 425**	**-2 589**	**379 836**
Long-term liabilities							
Deferred tax liabilities	4	83 405	78	83 483	82 603	-186	82 417
Pension liabilities	2	3 485	1 071	4 557	2 835	1 971	4 805
Interest-bearing liabilities	3	301 113	4 779	305 892	318 945	4 933	323 878
Interest-free liabilities and provisions	10	3 874		3 874	2 482		2 482
		391 878	5 928	397 805	406 865	6 717	413 582
Current liabilities							
Accounts payable and other liabilities		80 656		80 656	65 794		65 794
Tax liabilities for revenues earned during the reporting period		437		437	9 297		9 297
Provisions	10	4 078		4 078			
Current interest-bearing liabilities	3	38 307	154	38 461	76 426	146	76 572
		123 478	154	123 632	151 516	146	151 662
Total liabilities		**515 355**	**6 082**	**521 437**	**558 381**	**6 863**	**565 245**
Total shareholders' equity and liabilities		**881 269**	**11 892**	**893 161**	**940 806**	**4 275**	**945 081**

* FAS = Finnish Accounting Standards

NOTES TO THE RECONCILIATIONS

1) Reversal of goodwill amortisation and impairment testing of goodwill

As required by IFRS, there is no depreciation on goodwill, which is instead annually tested for impairment. In FAS, goodwill is depreciated over 20 years in the consolidated financial statements. Business combinations formed prior to the IFRS transition date have not been adjusted to comply with IFRS 3. At the time of adoption of IFRS on 1 January 2004, depreciation on goodwill was stopped and the EUR 6.77 million of depreciation on goodwill recognised according to FAS for 2004 (EUR 7.84 million for 2004) was reversed in the IFRS statements on 31 December 2004.

Goodwill was tested for impairment in the opening balance sheet of 1 January 2004 and 31 December 2004. In the opening balance sheet for 1 January 2004, EUR 1.07 million of impairment was recognised for Finnlines UK's goodwill. Finnlines UK Ltd is an agent for RoroLink and TeamLines operations and has no independent business operations. Goodwill was depreciated according to FAS on 31 December 2004.

As required by IFRS 1, the whole goodwill was tested for impairment on the transition date. These calculations led to no other changes in the opening IFRS balance sheet for 1 January 2004.

2) Defined benefit pension plans

In accordance with Finnish Accounting Standards, the Group's pension liabilities were primarily recognised in accordance with local regulations. Upon transition to IFRS reporting, defined benefit pension plans have been assigned EUR 1.07 million (31 December 2004) and EUR 1.97 million (1 January 2004) in additional liability. The effect on personnel costs for 2004 was EUR 903,000.

The Group's obligations in relation to defined benefit plans are calculated separately for each plan using the projected unit credit method. Pension costs are recognised as expenses during each employee's employment term on the basis of calculations made by authorised actuaries. In calculating the current value of a pension liability, the Group uses the market rate of return on high-quality debenture bonds issued by the companies or the interest rate of government debt obligations as the discount rate. The maturity of debenture bonds and debt obligations corresponds in all essential aspects to the maturity of the pension obligation being considered.

Actuarial profits and losses accumulated by defined benefit pension plans are recognised in the opening balance sheet on the transition date.

3) Finance leases

Upon transition to IFRS, certain Group leases are classified as finance leases in accordance with IAS 17. A building financed by lease and a pier ramp structure are recognised in the balance sheet under property, plant and equipment. The above-mentioned assets, minus cumulative depreciations, are valued at EUR 4.77 million (31 December 2004) and EUR 4.99 million (1 January 2004). At the end of 2004, interest-bearing liabilities recognised in the balance sheet included EUR 4.93 million (31 December 2004) and EUR 5.08 million (1 January 2004) in finance lease liabilities.

Correspondingly, the decrease in operational costs in 2004 is primarily due to the handling of finance leases in the manner specified by IFRS. Leases in 2004 (EUR 414,000) are recognised in IFRS reporting by dividing minimum leases among debt instalments and interest payments recognised in financial items.

4) Direct taxes and deferred tax liabilities adjusted for IFRS

IFRS adjustments are calculated for deferred tax liabilities on the IFRS opening balance sheet on 1 January 2004 at a tax rate of 29 per cent. In 2004 Finnish tax legislation was changed, lowering the rate to 26 per cent. Deferred tax liabilities adjusted for IFRS on the 31 December 2004 balance sheet were calculated at the 26 per cent rate.

Deferred tax liabilities of EUR 274,000 (31 December 2004) and EUR 538,000 (1 January 2004) were recognised on temporary differences caused by IFRS reporting. The change in deferred tax liabilities and assets is primarily due to the temporary differences in defined benefit pension plans. Effect on profit and loss of 2004 caused by deferred taxes was EUR -265,000.

5) Change in financial items

The change in financial expenses in 2004 is due to changes made to finance lease agreement drafting principles, in which paid leases are divided into instalments and interest payments specified in financial items.

6) Intangible assets

Renovation costs of lease properties of EUR 525,000 (31 December 2004) were moved from intangible assets to property, plant and equipment.

7) Investments held as current assets

EUR 48.21 million (31 December 2004) and EUR 118.83 million (1 January 2004) in short-term financial instruments were transferred to the cash and cash equivalent items.

8) Investment properties

The Group owns properties in Turku (in the form of land and small buildings). The town planning of the area has not been completed, which makes it difficult to specify the fair value of these properties. The properties in question have been valued in the balance sheet at their acquisition cost.

9) Long-term investments

Long-term investments have been transferred onto their own line on the balance sheet. Furthermore, EUR 80,000 in association fees have been transferred to properties, plant and equipment.

10) Correction between long-term non-interest-bearing liabilities and short-term provisions

The FAS and IFRS figures reported include an adjustment by which EUR 4.08 million in provisions have been transferred from long-term non-interest-bearing liabilities to short-term provisions. The adjustment was made for 2004 and 2005.

11) Financial assets and liabilities at fair value through profit or loss

Compared to Finnish Accounting Standards, the accounting rules for derivatives, financial assets and loans were changed to comply with the IAS 32 and IAS 39 standards. The valuation of derivatives at fair value on 1 January 2005 increased the balance sheet value by EUR 899,000, while the value of financial assets decreased by EUR 2,000 and financial liabilities valued at amortised cost using the effective interest method reduced financial liabilities by EUR 17,000. EUR 230,000 in deferred tax assets was recognised for the items in question. The adoption of the IAS 32- and IAS 39 standards reduced retained earnings by EUR 654,000. Financial instruments have been reclassified to meet the requirements of IAS 32.

SEGMENT INFORMATION

Segment information is reported in accordance with the Group's business and geographical segment distribution. The Group's primary segment reporting is based on business segments. Business segments are based on the Group's internal organisational structure and internal financial reporting.

The accounting principles for segment reporting are identical to those used in consolidated reporting. Finnlines treats inter-segment profits and transfers as if they had been made with a third party at a fair market value.

Primary segment reporting: business segments

The Group's business segments are Shipping and Sea Transport Services and Port Operations.

Shipping and Sea Transport Services

Finnlines' Shipping and Sea Transport Services segment includes the Finnlines' ro-ro (RoroLink) and ro-pax (HansaLink), FinnLink, TeamLines, NordöLink and TransRussiaExpress traffic in the Baltic Sea, the North Sea and the Bay of Biscay.

Port Operations

Finnlines engages in port operations under the name Finnsteve in the ports of Helsinki, Turku, Naantali and Kotka, and under the name Norsteve in the port of Oslo, Norway. Finnsteve and Norsteve specialise 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.

RECONCILIATION FOR 1 JANUARY 2005: EFFECTS OF IAS 32 AND IAS 39 IMPLEMENTATION

The IAS 32 and 39 standards were applied for the first time during the reporting period beginning 1 January 2005. This resulted in changes to the accounting of items such as derivatives, loan valuation and financial asset classification as compared to Finnish Accounting Standards.

EUR 1 000	Note	IFRS 31 Dec 2004	Change IAS 32,39	IFRS 1 Jan 2005
Assets				
Non-current assets				
Property, plant and equipment		588 387		588 387
Goodwill		110 940		110 940
Other intangible assets		7 442		7 442
Investment properties		1 595		1 595
Share of associated companies		2 599		2 599
Other financial assets		5 701		5 701
Receivables	11	7 724	1	7 725
Deferred tax assets		351	230	581
		724 740	231	724 971
Current assets				
Inventories		4 101		4 101
Accounts receivable and other receivables		92 770		92 770
Tax receivables for revenue earned during the reporting period	11	11 469		11 469
Bank and cash	11	60 081	-2	60 078
		168 421	-2	168 419
Total assets		**893 161**	**228**	**893 389**
Shareholders' equity and liabilities				
Equity attributable to parent company shareholders				
Share capital		79 916		79 916
Share issue premium		13 774		13 774
Treasury shares		-5 961		-5 961
Translation differences		-192		-192
Retained earnings		282 139	-654	281 485
		369 675	-654	369 021
Minority interest		2 049		2 049
Total shareholders' equity		**371 724**	**-654**	**371 070**
Long-term liabilities				
Deferred tax liabilities		83 483		83 483
Pension liabilities		4 557		4 557
Interest-bearing liabilities	11	305 892	-17	305 875
Non-interest-bearing liabilities and provisions	10	3 874		3 874
		397 805	-17	397 789
Current liabilities				
Accounts payable and other liabilities	11	80 656	899	81 555
Tax liabilities for revenue earned during the reporting period		437		437
Provisions	10	4 078		4 078
Current interest-bearing liabilities		38 461		38 461
		123 632	899	124 531
Total liabilities		**521 437**	**882**	**522 320**
Total shareholders' equity and liabilities		**893 161**	**228**	**893 389**

* FAS = Finnish Accounting Standards

PROFIT PER SEGMENT

EUR 1 000	Shipping and Sea Transport Services	Port Operations	Elim.	Consolidated
Profit per segment for reporting period ending 31 Dec 2005:				
Total sales from segment	676 495	105 544		
Inter-segment sales	1 234	34 114	-35 349	
External sales	**675 262**	**71 430**		**746 692**
Operating profit for segment	35 783	4 985		40 768
Unadjusted expenses				
Share of associated companies' profits	263			263
Operating profit				41 031
Financial items				-6 066
Profit before taxes				**34 965**
Income taxes				-7 854
Profit for reporting period	**25 610**	**1 502**		**27 112**
Profit per segment for reporting period ending 31 Dec 2004:				
Total sales from segment	628 374	100 637		
Inter-segment sales	799	30 111	-30 910	
External sales	**627 574**	**70 526**		**698 100**
Operating profit for segment	54 074	8 596		62 670
Unadjusted expenses				
Operating profit				62 670
Financial items				-7 627
Profit before taxes				**55 043**
Income taxes				-9 085
Profit for reporting period	**42 555**	**3 404**		**45 958**

Inter-segment transfers and transactions are carried out using normal commercial conditions, equivalent to those used with external parties. All inter-segment sales are eliminated in the consolidated financial statements.

Expenses in the profit and loss account, no payment relating:

1 000 euroa	Shipping and Sea Transport Services	Port Operations	Elim.	Consolidated
2005				
Depreciation	-28 808	-5 219		-34 027
Accounts receivable write-off	-343	-28		-371
Change in provisions	-2 932			-2 932
2004				
Depreciation	-29 142	-4 760		-33 902
Accounts receivable write-off	-669	-33		-702
Change in provisions	5 469			5 469

Segment assets, liabilities and investments for 2005 and 2004

EUR 1 000	Shipping and Sea Transport Services	Port Operations	Elim.	Consolidated
2005				
Segment assets	808 934	46 750	-3 918	851 765
Investment in equity-method accounted associated companies	2 105			2 105
Unallocated assets				54 264
Total assets	**811 039**	**46 750**	**-3 918**	**908 134**
Segment liabilities	78 026	15 926	-1 189	92 762
Unallocated liabilities				436 849
Total liabilities	**78 026**	**15 926**	**-1 189**	**529 612**
Investments	**151 591**	**15 486**	**-94 071**	**73 006**
2004				
Segment assets	777 198	33 730	-2 963	807 964
Investment in associated companies consolidated by equity method	2 599			2 599
Unallocated assets				82 598
Total assets	**779 797**	**33 730**	**-2 963**	**893 161**
Segment liabilities	71 142	16 701	-1 376	86 467
Unallocated liabilities				434 970
Total liabilities				**521 437**
Investments	**70 892**	**7 189**	**-9 296**	**68 785**

Segment assets consist mainly of tangible and intangible fixed assets, inventories and receivables. They do not include tax or financial items (e.g. bank and cash) or assets shared by the Group as a whole. Segment liabilities mainly consist of business-related liabilities such as accounts payable and other liabilities, accrued liabilities and received advances. They do not include tax items or loans.

Investments include additions to tangible assets (note 1) and intangible assets (note 2) without additions made through business acquisitions.

Secondary segment reporting: geographical segments

The Group's geographical segments are Finland, other EU member states and other countries.

Revenue from the geographical segments is reported according to the location of the customers, whilst assets and investments are reported according to the location of the investing subsidiary. The Group's vessels and inventories (mainly fuel) are included in the reported assets even though they are by nature mobile and their location can be easily changed.

EUR 1 000	2005	2004
Revenue		
Finland	367 508	422 458
Other EU countries	336 898	249 399
Other	42 285	26 243
	746 692	698 100
Assets		
Finland	519 994	515 275
Other EU countries	378 256	334 838
Other	4 563	4 234
Internal items	-48 943	-43 784
Unallocated	54 264	82 598
	908 134	893 161
Investments		
Finland	111 188	67 173
Other EU countries	55 665	10 252
Other	224	656
Internal items	-94 071	-9 296
	73 006	68 785

Notes

1. PROPERTY, PLANT AND EQUIPMENT

EUR 1 000	Land and water areas	Buildings and constructions	Vessels and ship shares*	Machinery and equipment	Advance payments and acquisitions under constructiont	Total
1 Jan 2004						
Acquisition cost	6 793	38 491	650 945	59 885		756 114
Accumulated depreciation, amortisation and write-offs		-18 176	-114 639	-44 660		-177 475
Book value	6 793	20 315	536 306	15 225		578 639
Reporting period ending 31 Dec 2004						
Book value on 1 Jan	6 793	20 315	536 306	15 225		578 639
Increases		959	4 325	7 841	52 511	65 635
Acquisition of subsidiaries						
Disposals	-6 430	-221	-17 521	-86		-24 258
Exchange rate differences			488			488
Depreciation and amortisation for the reporting period		-1 865	-25 450	-4 802		-32 117
Book value on 31 Dec	363	19 187	498 148	18 177	52 511	588 387
31 Dec 2004						
Acquisition cost	363	39 290	635 190	63 557	52 511	790 911
Accumulated depreciation, amortisation and write-offs		-20 103	-137 042	-45 380		-202 524
Book value	363	19 187	498 148	18 177	52 511	588 387
Reporting period ending 31 Dec 2005						
Book value on 1 Jan	363	19 187	498 148	18 177	52 511	588 387
Increases		2 196	12 241	16 281	36 269	66 986
Disposals			-43	-245	-118	-405
Exchange rate differences		2	-2 866	35	-5	-2 834
Depreciation and amortisation for the reporting period		-2 034	-25 198	-5 175		-32 408
Book value on 31 Dec	363	19 352	482 281	29 073	88 658	619 727
31 Dec 2005						
Acquisition cost	363	41 490	642 827	74 094	88 657	847 431
Accumulated depreciation, amortisation and write-offs		-22 137	-160 545	-45 021		-227 704
Book value	363	19 352	482 281	29 073	88 657	619 727

* Balance value for vessels incl. EUR 13.8 million in capitalised interest during construction

Assets leased through finance lease are included under property, plant and equipment as follows:

EUR 1 000	Buildings and constructions	Total
31 Dec 2004		
Acquisition cost	5 354	5 354
Accumulated depreciation and amortisation	-584	-584
Book value	4 770	4 770
31 Dec 2005		
Acquisition cost	7 181	7 181
Accumulated depreciation and amortisation	-818	-818
Book value	6 363	6 363

2. GOODWILL AND OTHER INTANGIBLE ASSETS

EUR 1 000	Goodwill	Other intangible assets*	Total intangible assets
1 Jan 2004			
Acquisition cost	142 563	16 321	158 884
Impairment	-1 066		-1 066
Accumulated depreciation, amortisation and write-offs	-30 557	-10 034	-40 591
Book value	110 940	6 287	117 227
Reporting period ending 31 Dec 2004			
Book value on 1 Jan	110 940	6 287	117 227
Increases		3 730	3 730
Disposals		-788	-788
Exchange rate differences			
Depreciation and amortisation for the reporting period		-1 787	-1 787
Book value on 31 Dec	110 940	7 442	118 382
31 Dec 2004			
Acquisition cost	142 563	18 095	160 658
Accumulated depreciation, amortisation and write-offs	-31 623	-10 653	-42 276
Book value	110 940	7 442	118 382
Reporting period ending 31 Dec 2005			
Book value on 1 Jan	110 940	7 442	118 382
Increases		6 143	6 143
Disposals			
Exchange rate differences	-1 929		-1 929
Depreciation and amortisation for the reporting period		-1 651	-1 651
Book value on 31 Dec	109 011	11 935	120 946
31 Dec 2005			
Acquisition cost	140 123	23 981	164 104
Accumulated depreciation, amortisation and write-offs	-31 112	-12 046	-43 158
Book value	109 011	11 935	120 946

* Other intangible assets mainly consist of capitalised ERP software implementation projects and licences, which are estimated to have useful lives longer than one financial year.

Goodwill impairment testing

For the purposes of impairment testing, goodwill is allocated to the following cash generating units:

NordöLink EUR 66.7 (68.7) million
HansaLink EUR 36.7 (36.7) million
TeamLines EUR 5.6 (5.6) million

Segment-level summary of goodwill allocation

EUR 1 000	Shipping and Sea Transport Services	Port Operations	Consolidated
2005			
Finland			
Other EU countries	109 011		109 011
Other countries			
	109 011		109 011
2004			
Finland			
Other EU countries	110 940		110 940
Other countries			
	110 940		110 940

The current recoverable amount of cash generating units is determined based on their value in use. The calculations are based on cash flow forecasts based on extensive 3–5-year financial evaluations and forecasts. The cash flows after a period of 3–5 years are extrapolated using the growth factors listed below. Each growth factor is extrapolated in two stages. The first stage encompasses the three years subsequent to the forecast period, and the second stage encompasses the future to infinity. The growth factors used do not exceed the actual long-term growth rate of the sector in question.

	HansaLink	NordöLink	TeamLines
Main assumptions used in calculating value in use in 2004:			
Discount rate (pre-tax), %	7,08	7,43	8,34
Budget period	2005–2008	2005–2009	2005–2008
Growth rate (3 years beyond the budget period), %	2,00	2,40	2,00
Growth rate 2012–	2,00	2,00	2,00
Main assumptions used in calculating value in use in 2005:			
Discount rate (pre-tax), %	6,13	6,36	7,45
Budget period	2006–2008	2006–2009	2006–2009
Growth rate (3 years beyond the budget period), %	2,50	3,00	2,00
Growth rate 2013–	2,00	2,00	2,00

The cash flow forecast is based on an assumption of the sector's market development in the period covered by the last budget.

The assumptions used reflect actual developments and forecasts for the future and are consistent with external data.

3. INVESTMENT PROPERTIES

EUR 1 000	2005	2004
Acquisition cost on 1 Jan	1 598	1 571
Transfers between categories		28
Acquisition cost on 31 Dec	1 598	1 598
Accumulated depreciation and amortisation on 31 Dec	-7	-3
On 31 Dec	1 591	1 595

The Group owns properties in Turku (in the form of land and small buildings). The town planning of the area has not been completed, which makes it difficult to specify the fair value of these properties. The properties in question have been valued in the balance sheet at their acquisition cost.

4. INVESTMENTS IN ASSOCIATED COMPANIES

EUR 1 000	2005	2004
Acquisition cost on 1 Jan	2 599	2 713
Additions		1
Disposals	-1 023	-115
Acquisition cost on 31 Dec	1 577	2 599
Share of associated companies' profits	263	
Share of shareholders' equity	266	
Book value on 31 Dec	2 105	2 599

	Registered in	Assets	Liabilities	Revenue	Profit/loss	Holding, %
2004						
RosEuro Trans*	St. Petersburg, Russia	1 436	341	19	525	50
Simonaukion pysäköinti	Helsinki, Finland	3 098	73	28		50
Pinta Interscan GmbH & Co	Germany	931	931	2 129		21
Patriot Interscan GmbH & Co	Germany	1 809	429	1 952		21
2005						
RosEuro Trans	St. Petersburg, Russia					50
Simonaukion pysäköinti	Germany	3 024		28	-1	50

* Group share of profits consolidated for the first time as associated company on 31 Dec 2005.

Financial statements for 2005 incomplete at time of consolidation.

The book values for associated companies on 31 December 2005 and 31 December 2004 do not include goodwill.

5. OTHER FINANCIAL ASSETS

During the reporting period EUR 593,000 in realised profits from sales have been recognised for financial assets available-for-sale.

EUR 1 000	2005	2004
Other financial assets		
Investments in unlisted shares	5 513	5 701
Available-for-sale financial assets on 31 Dec	5 513	5 701

Financial assets available-for-sale include unlisted shares. Since the fair value of the shares cannot be reliably determined, they are recognised at their acquisition cost deducted by possible impairment.

In 2005 the Group had no financial assets classified under categories held-to-maturity investments and financial assets held for trading.

6. INVENTORIES

EUR 1 000	2005	2004
Material and equipment	6 308	4 030
Goods held for sale	174	
Other inventories	158	71
	6 640	4 101

The Group did not recognise any impairment of inventories during the reporting period.

7. RECEIVABLES

The book values of accounts receivables and other receivables correspond to their value. In 2005 the Group recognised EUR 371,000 (702,000) credit losses for accounts receivalble.

EUR 1 000	2005	2004
Accounts receivable and other receivables		
Accounts receivable	76 027	65 669
Accrued receivables	20 612	19 759
Other receivables	7 178	7 316
Loan receivables	26	26
	103 843	92 770
Receivables (non-current)		
Loan receivables	7 726	505
Pension plan receivable	426	
Other receivables	61	7 181
Accrued receivables	434	38
	8 647	7 724

8. BANK AND CASH

EUR 1 000	2005	2004
Cash in hand and at bank	12 398	11 873
Financial instruments (less than 3 months)	16 337	48 208
	28 735	60 081

The bank and cash item did not include any cheque account overdrafts to be paid on demand.

9. NOTES ON SHAREHOLDERS' EQUITY

EUR 1 000	No. of shares outstanding (1 000)	Share capital	Share issue	Share issue premium	Treasury shares recognised from retained earnings	Total
1 Jan 2004	19 866	39 958		53 731	-2 234	91 455
Acquisition of treasury shares (12 May–6 Jul)	-166				-3 728	-3 728
Bonus issue 1 Nov	19 701	39 958		-39 958		
31 Dec 2004	39 402	79 916		13 774	-5 961	87 728
Exercise of share options (18 Jan–11 Mar)	903	1 807		6 948		8 755
Invalidation of treasury shares (8 Apr)		-1 112		1 112	5 961	5 961
Exercise of share options (9 Nov)	351	703		2 446		3 149
Exercise of share options (29 Nov)*	3		6	22		28
31 Dec 2005	**40 660**	**81 314**	**6**	**24 301**		**105 621**

* Shares were not registered in the Trade Register by 31 Dec 2005

The share capital (ordinary shares) consists of shares from one series. Each share has a nominal value of EUR 2 and carries one vote in the AGM. Dividends are paid to holders of outside shares. The maximum share capital was thus EUR 200 million. All issued shares are fully paid.

TRANSLATION DIFFERENCES

The translation difference fund contains translation differences arising from the translation of foreign units' financial statements.

TREASURY SHARES

The treasury shares include the acquisition cost of treasury shares owned by the Group. In the financial year 2004 the Group purchased 165,500 shares on the stock exchange. The acquisition cost of the shares was EUR 3.7 million, and it is recognised as a deduction from shareholders' equity. The shares were cancelled through a decision made by the AGM on 17 March 2005. No treasury shares were purchased in 2005.

DIVIDENDS

The Board of Directors proposes that EUR 0.30 per share be paid out in dividends.

SHARE OPTION SCHEMES

The IFRS 2 standard is applied to all share option schemes in which options have been granted after 7 November 2002, but did not vest before 1 January 2005. On the balance sheet date the Group had no share option schemes to report in accordance with IFRS 2. Expenses from previous share option schemes have not been recognised on the profit and loss account.

Finnlines has one share option plan consisting of 700,000 options granted to management in 2001. The plan grants the right to subscribe a maximum of 1,400,000 Finnlines Plc shares such that two shares can be subscribed with each option. Of the options, 350,000 are Class A options and 350,000 are Class B. The computational share subscription price (as of 31 December 2005) for Class A options is EUR 8.67 and for Class B options is EUR 9.225. The annual dividend per share will be deducted from the share subscription price on the dividend record date. The options give the right to subscribe shares annually between 2 January and 30 November until 26 March 2006. During the reporting period, 630,000 shares were subscribed with Class A options and 627,800 shares with Class B options. The average price of the subscriptions was EUR 9.49. The Group received EUR 11.9 million from the option exercise, of which EUR 2.5 million was recognised as share capital and EUR 9.4 million was transferred to the premium fund. No subscriptions were made through options in 2004.

Number and exercise of options

(1 000)	2005		2004*	
	Exercised price as weighted average, EUR/ share	No. of options	Exercised price as weighted average, EUR/ share	No. of options
On 1 Jan	9,71	700 000	10,96	700 000
Exercised options	9,49	628 900		
Exercisable options on 31 Dec	8,95	71 100	9,71	700 000

* Figures for 2004 adjusted according to bonus issue

10. INTEREST-BEARING LIABILITIES

EUR 1 000	2005	2004
Long-term interest-bearing liabilities		
Loans from financial institutions	254 999	291 913
Pension loans	8 050	9 200
Finance lease liabilities	6 376	4 779
	269 425	305 892
Current interest-bearing liabilities		
Loans from financial institutions	33 574	35 985
Pension loans	1 150	2 207
Finance lease liabilities	220	154
Accrued liabilities	238	114
Other liabilities	37 627	
	72 809	38 461
Total interest-bearing liabilities	**342 234**	**344 353**
Maturity of long-term interest-bearing liabilities (not including finance lease liabilities):		
Within 12 months	34 707	35 760
Between one and five years	192 002	218 356
After five years	71 064	85 173
	297 773	339 289
Weighted average interest rates of the interest-bearing debts:		
Loans from financial institutions	2,69%	2,85%
Pension loans	3,98%	3,95%
Finance lease liabilities	5,12%	5,34%

The book values of interest-bearing variable-rate loans correspond to their fair values, because the Group's interest margins have been adjusted to correspond to the market situation. The fair values of fixed-rate loans are also equivalent to their book values. Fixed-rate loans cannot be paid off and financed with cheaper market interest rates without paying the difference between the original interest and the market rates. Therefore the fair value is the same as the original agreed interest.

Interest-bearing liabilities include secured liabilities. The securities for these liabilities are worth EUR 231 million in assets. This is detailed in note 27, Contigencies and commitments.

Finance lease liabilities

Finance lease liabilities consist of two pier ramp structures and one office building.

EUR 1 000	2005	2004
Future minimum lease payments due:		
Within 12 months	553	414
Between one and five years	2 211	1 654
After five years	7 507	5 857
Future interest expenses from finance lease agreements	3 674	2 992
Current value of finance lease agreements	6 623	4 954
Current value of finance lease agreements:		
Within 12 months	538	402
Between one and five years	1 897	1 411
After five years	4 188	3 141

11. DEFERRED TAX ASSETS AND LIABILITIES IN 2004 AND 2005

EUR 1 000	1 Jan 2004	Recognised in profit and loss account	Exchange rate differences	31 Dec 2004
Deferred tax assets				
Defined benefit pension plans	488	-86		402
Total deferred tax assets	488	-86		402
Deferred tax liabilities				
Property, plant and equipment	3 080	1 142		4 222
Depreciation difference	77 591	-848	-1	76 743
Defined benefit pension plans				
Other differences	1 882	687		2 569
Total deferred tax liabilities	82 553	981	-1	83 533
Net deferred tax liabilities	82 065	1 067	-1	83 132
Effect of IAS 32 and IAS 39 implementation				
Valuation at fair value				230
Deferred tax assets on 1 Jan 2005				230
	1 Jan 2005	Recognised in profit and loss account	Exchange rate differences	31 Dec 2005
Deferred tax assets				
Defined benefit pension plans	402	157		559
Fair value valuation loss, IAS 32, 39	230	-230		
Total deferred tax assets	631	-73		559
Deferred tax liabilities				
Property, plant and equipment	4 222	4 500		8 722
Depreciation difference	76 743	1 223	-363	77 603
Defined benefit pension plans				
Fair value valuation gains		5		5
Other differences	2 569	744	10	3 323
Total deferred tax assets	83 533	6 473	-353	89 654
Net deferred tax liabilities	82 902	6 546	-353	89 095

	2005	2004
Total deferred tax assets	559	402
Net against deferred tax liabilities	-148	-50
Deferred tax assets on balance sheet	410	351
Deferred tax liabilities	89 654	83 533
Net against deferred tax assets	-148	-50
Deferred tax liabilities on balance sheet	89 505	83 483

Deferred tax assets and liabilities are netted when there is a legal right to deduct tax liabilities based on the reporting period's taxable income from tax receivables based on the reporting period's taxable income, and when the receivables and liabilities relate to the same taxpayer.

Deferred tax liabilities are not recognised for subsidiaries' undistributed earnings, because in most cases these earnings are transferred to the Group without any tax consequences. The Group does not recognise deferred tax assets for subsidiaries' undistributed earnings when the income in question is intended for permanent investment in the companies in question.

12. PROVISIONS

EUR 1 000	2005	2004
Non-current provisions	4 354	3 874
Current provisions	665	4 078
	5 019	7 951

	Tax provision	Other provisions	Total
1 Jan 2005	**6 697**	**1 255**	**7 952**
Increases in provisions	640	320	960
Used provisions	-2 754	-1 139	-3 893
31 Dec 2005	**4 583**	**436**	**5 019**

The provisions mainly contain tax provisions related to German corporate taxation. They are caused by differences between book values and market values that existed when the company joined the German tonnage tax system. The tax will become realised in relation to vessel sales or when the company leaves the German tonnage tax system.

Other provisions consist of several small items.

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

EUR 1 000	2005	2004
Accounts payable	26 041	22 211
Periodising of personnel costs	11 782	9 781
Periodised interest	12	
Other accrued liabilities	33 247	33 636
Other liabilities	16 628	15 028
	87 710	80 656

The book values of accounts payable and other liabilities correspond to their fair value.

The financial assets and liabilities at fair value through profit or loss listed below have been recognised in accrued liabilities as of 1 january 2005 in accordance with the IAS 32 and 39 standards (cf. page 37, Transition to IFRS reporting). At year-end 2005 the Group had no assets and liabilities under this category.

EUR 1 000	31 Dec 2005		1 Jan 2005	
Derivative contracts	Nominal value	Fair value*	Nominal value	Fair value*
Currency derivatives			41 426	-449
Interest rate swaps			100 000	-450
Total			141 426	-899

* Net effect had the derivatives been sold at the market rate at the year-end.

14. ADJUSTMENTS TO CASH FLOW FROM OPERATIONS

EUR 1 000	2005	2004
Non-cash transactions		
Depreciation	34 027	33 903
Profits/losses from the sale of assets according to plan	-1 727	-7 251
Exchange rate differences	-3 573	-3
Share of associated companies' profits	263	
Other	-816	-1 259
	28 174	25 390

15. PENSION LIABILITIES

Employee pension plans are organised through external pension insurance companies.

The Group's obligations in relation to defined benefit plans are calculated separately for each plan using the projected unit credit method. Pension costs are recognised as expenses during each employee's employment term on the basis of calculations made by authorised actuaries. In calculating the current value of a pension liability, the Group uses the market rate of return of high-quality debenture bonds issued by the companies or the interest rate of government debt obligations as the discount rate. The maturity of debenture bonds and debt obligations corresponds in all essential aspects to the maturity of the pension obligation being considered.

EUR 1 000	2005	2004
Benefits after the end of employment		
Defined benefit pension plans (receivable)	-426	
Defined benefit pension plans (liability)	4 628	4 557
	4 202	4 557
Balance sheet reconciliation		
1 Jan	4 557	4 805
Net income (-) / expenses (+) recognised in profit and loss account	-192	-119
Payments to the plan	-163	-129
31 Dec	4 202	4 557
Pension liabilities on balance sheet		
Present value of funded liabilities	6 163	6 652
Fair value of plan assets	-801	-2 016
Unrecognised actuarial profits (+) and losses (-)	-1 160	-79
Total liabilities (receivables)	**4 202**	**4 557**

EUR 1 000	2005	2004
Pension costs on profit and loss account		
Service cost of current period	-165	-112
Interest expense	-207	-358
Expected income from plan assets	4	59
Actuarial profits (+) / losses (-)		70
Gains and losses on curtailments and settlements	559	460
Total in personnel costs	192	119
Main actuarial assumptions		
Finland		
Discount rate, %	4,5	5,0
Expected return on assets, %	4,5	5,0
Expected salary increase rate, %	4,0	4,0
Expected remaining employment time in years	10	10
Germany		
Discount rate, %	4,0	5,0
Expected return on assets, %	n/a	n/a
Expected salary increase rate, %	2,0	2,0
Future increases in pensions, %	1,5	1,0
Expected remaining employment time in years	12	13

16. OTHER INCOME FROM OPERATIONS

EUR 1 000	2005	2004
Rent income	1 015	662
Gain from sale of fixed assets	1 442	3 640
Other income from operations	1 769	4 359
	4 226	8 661

17. MATERIALS AND SERVICES

EUR 1 000	2005	2004
Materials, supplies and merchandise		
Purchases during reporting period	-117 249	-81 580
Change in inventories	527	266
Purchased services	-123 064	-106 260
	-239 785	-187 574

18. PERSONNEL EXPENSES

EUR 1 000	2005	2004
Salaries	-93 570	-93 396
Other social costs	-15 144	-15 002
Pension expenses – defined contribution plans	-12 697	-11 860
Pension expenses – defined benefit plans	152	119
Shipping and Sea Transport Services subsidies	13 051	12 682
	-108 207	-107 457
Average number of Group employees		
Shipping and Sea Transport Services	1 341	1 264
Port Operations	871	837
	2212	2101

19. DEPRECIATION, AMORTISATION AND OTHER IMPAIRMENT

EUR 1 000	2005	2004
Depreciation of tangible assets		
Buildings and constructions	-2 038	-1 865
Machinery and equipment	-5 176	-4 802
Vessels and ship shares	-25 163	-25 450
Amortisation of intangible assets	-1 651	-1 785
Total depreciation and amortisation	-34 027	-33 902

20. OTHER OPERATING EXPENSES

EUR 1 000	2005	2004
Personnel-related costs	-3 385	-2 444
Lease costs	-175 629	-147 869
Other expenses	-149 116	-164 846
	-328 130	-315 159

21. FINANCIAL INCOME AND EXPENSES

EUR 1 000	2005	2004
Dividend income	54	4 685
Other financial income	45	286
Derivative valuation at fair value (gain)	899	
Interest income	1 024	1 589
Exchange rate gains	3 765	1 693
Total financial income	5 787	8 253
Interest expenses		
Loans	-9 874	-13 162
Impairments		7
Exchange rate losses	-1 978	-2 724
Total financial expenses	-11 852	-15 880
Net financial expenses	-6 066	-7 627

Operating profit includes EUR 445,000 of exchange rate gains in 2005.

22. INCOME TAXES

EUR 1 000	2005	2004
Tax on taxable revenue of the reporting period	-1 413	-6 591
Tax from previous periods	105	-1 426
Change in deferred taxes	-6 546	-1 068
Taxes in profit and loss account, expense (-)	-7 854	-9 085

Reconciliation of differences between tax on the profit and loss account and taxes calculated using Finnish tax rates (2005: 26 per cent, 2004: 29 per cent):

EUR 1 000	2005	2004
Profit before taxes	34 965	55 043
Tax calculated using Finnish tax rate *	-9 091	-15 962
Foreign subsidiaries' exceptional tax rates	-9 087	-7 408
Tax-exempt income and non-deductible expenses	10 219	7 986
Effect of change in tax rate*		7 725
Tax from previous periods	105	-1 426
Tax expenses in profit and loss account	-7 854	-9 085

* As of 1 January 2005 the applicable tax rate in Finland is 26 per cent. In 2004 it was 29 per cent. Deferred tax assets and liabilities for 31 December 2004 are calculated using the 26 per cent rate.

23. EARNINGS PER SHARE

Undiluted

Undiluted earnings per share are calculated by dividing the profit for the reporting period attributable to the parent company's shareholders by the weighted average number of shares during the reporting period, minus the treasury shares purchased by the company.

	2005	2004
Profit for the reporting period (EUR 1 000)	26 651	45 423
Weighted average no. of shares (1 000)	40 236	39 531
Undiluted earnings per share (EUR/share)	0,66	1,15

Diluted

Diluted earnings per share are calculated taking into account the diluting effect of the conversion of all diluting potential ordinary shares into shares.

	2005	2004
Profit for the reporting period attributable to parent company shareholders (EUR 1 000)	26 651	45 423
Adjustments		
Profit used for calculating diluted EPS (EUR 1 000)	26 651	45 423
Weighted average no. of shares (1 000)	40 236	39 531
Effect of share options (EUR 1 000)	203	333
Weighted average no. of shares, diluted (1 000)	40 439	39 864
Diluted earnings per share (EUR/share)	0,66	1,14

24. DIVIDENDS

In 2004, EUR 49,666,197.50 was paid out in dividends (EUR 1.25 per share).
In 2005, EUR 30,229,018.50 was paid out in dividends (EUR 0.75 per share).

The Board of Directors proposes that dividends of EUR 12,197,927.40 (EUR 0.30 per share) be paid out from the profits for 2005. The liability arising from the proposed dividend has not been recognised in these financial statements.

25. TRANSACTIONS WITH RELATED PARTIES

The following transactions were made with the Group's related parties:

EUR 1 000	2005	2004
Employee benefits granted to key management		
Salaries and other short-term benefits*	1 669	1 696
Post-employment benefits	356	271
	2 025	1 696
Includes benefits granted to the Board of Directors, the President and CEO and the members of the Executive Management Team. Not including the income generated by the 2001 share option scheme. * Includes social security payments (also for options granted in 2001).		
Salaries and fees		
President and CEO	584	570
Deputy CEO	191	177
Board of Directors:		
Chairman	40	40
Vice-Chairman	30	30
Board members (each)	25	25

According to his contract, the company's current President and CEO had the right to take full retirement (with a pension equalling 66 per cent 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 Group's Executive Management Team has a collective pension plan in which the members' retirement age is defined as 60. The pension is a defined contribution plan in which the annual payments are linked to the Group's profits.

Finnlines has one share option plan consisting of 700,000 options granted to management in 2001. The options give the right to subscribe shares annually between 2 January and 30 November until 26 March 2006. The Group has no options granted after 7 November 2002, which did not vest before 1 January 2005, to which the IFRS 2 standard would apply. No expenses for the existing plan have been reported in the profit and loss account. On 31 December 2005, the President and CEO, the Deputy CEO and the Executive Management Team had 7,500 Class A options and 7,500 Class B options, which had vested (67,500 Class A options and 77,500 Class B options, which vested in 2004). The Board of Directors has no share-based compensation systems in place.

EUR 1 000	2005	2004
Transactions with related parties*		
Income from associated companies		127
Receivables from associated companies	88	230
	88	357
* Includes the associated companies MS Pinta and MS Patriot, sold in Dec 2005.		

Transactions with the Group's related parties are carried out using ordinary, market-based pricing.

Loans, guarantees and other securities to related parties

The Group has granted no loans, guarantees or other securities to its key personnel or related parties, nor does it have any earlier, open ones (1 January 2004–31 December 2005).

26. SUBSIDIARIES ON 31 DECEMBER 2005

Name of subsidiary	Holding (%)	Registered in
Domestic		
Oy Finnlink Ab	100	Naantali
Finnfellows Oy Ltd	100	Helsinki
Finnsteve Oy	100	Helsinki
Strömsby-Invest Oy Ab	100	Kirkkonummi
Optar Oy	100	Helsinki
Metropolitan Port Oy Ab	100	Kirkkonummi
Oy Intercarriers Ab	51	Helsinki
Kantvikin Satama Oy	100	Kirkkonummi
Railship Oy Ab	100	Helsinki
Finncare Oy	100	Helsinki
North Wind Oy	100	Helsinki
Kiinteistö Levin-Tuvat Oy	100	Kittilä
Team Lines Finland Oy	100	Helsinki
Hanseatic Shipping Oy	100	Helsinki
Foreign		
Finnlines Deutschland AG	100	Germany
Finnlines (Cyprus) Ltd	100	Cyprus
Finncarriers GmbH	100	Germany
FG-Shipping GmbH	100	Germany
Poseidon Schiffahrt Lübeck GmbH	100	Germany
Hansa Link GmbH	100	Germany
Finnlines Limited	100	United Kingdom
Finnlines UK Limited	100	United Kingdom
Finanglia Ferries Ltd	100	United Kingdom
Finncarriers (UK) Limited	100	United Kingdom
Finncarriers Limited	100	United Kingdom
Finland London Terminal Ltd	100	United Kingdom
AB Finnlines Scandinavia Ltd	100	Sweden
Finnlink AB	100	Sweden
Ropax I Aktiebolaget Clipper	100	Sweden
Norsteve A/S	100	Norway
Norsteve Filipstad A/S	100	Norway
Norsteve Drammen A/S	100	Norway
Finnlines Belgium N.V.	100	Belgium
Finnwest N.V.	66,7	Belgium
Team Lines GmbH & Co. KG	100	Germany
Team Lines Sverige AB	80	Germany
Team Lines Norge A/S	100	Norway
Verwaltungsgesellschaft Finnlines-Team Lines GmbH	100	Germany
Verwaltungsgesellschaft Teamlines GmbH	100	Germany
Finnlines-Teamlines GmbH & Co. KG	100	Germany
Finnlines Holland B.V.	100	The Netherlands
Rederi AB Nordö-Link	100	Sweden
Finnlines Shipmanagement AB	100	Sweden
Skandinavien-Link GmbH	100	Germany
Finnlines Danmark A/S	100	Denmark
Finnlines LLC	100	Russia

27. CONTIGENCIES AND COMMITMENTS

Finnsteve's leasehold agreement

When the new port of Vuosaari is complete, Finnsteve Oy will transfer its port operations there from Helsinki's West Harbour and Sompasaari. Finnsteve and the Port of Helsinki have made a leasehold agreement, which specifies that the leaseholder must dismantle and remove any buildings, plants and equipment (including foundations) located in the area. The volume of the liabilities arising from this depends on future town planning and is therefore difficult to estimate.

Other commitments with the Group as leaseholder

Most of the leases made by the Group are time-charter agreements of vessels. At year-end 2005, the Group had 55 (49) vessels in charter. These were mainly ro-ro freight vessels 30 (30 in 2004) and container vessels 25 (19).

Minimum charter and lease payable in relation to other fixed-term charters and leases:

EUR 1 000	2005	2004
Vessel charters		
Within 12 months	152 246	130 227
Between one and five years	202 421	216 556
After five years		12 847
	354 667	359 630
Other leases		
Within 12 months	6 583	6 152
Between one and five years	12 471	8 074
After five years	11 414	3 424
	30 468	17 650
Collateral given		
Borrowings secured by given mortgages		
Loans from financial institutions	125 859	156 220
	125 859	156 220
Vessel mortgages provided as guarantees for the above loans	231 000	279 572
Other guarantees given on behalf of the Group		
Collateral	4 476	10 876
Mortgages	431	113
Other obligations	399 757	399 901
	404 664	410 890

Auditor's remuneration

The Group's principal auditors are PricewaterhouseCoopers Oy. In 2005, EUR 445,000 (290,000) was paid to the auditors in remuneration for the audit of the consolidated, parent company and subsidiary financial statements and EUR 197,000 (210,000) for other consultant services not directly related to auditing.

Legal proceedings

The Group had no significant lawsuits or disputes ongoing in 2005.

28. EVENTS AFTER THE BALANCE SHEET DATE

The Group's management is not aware of significant events after the balance sheet date that could have affected the figures reported in these financial statements.

Board's Proposal to the AGM

According to the consolidated balance sheet on 31 December 2005:

Retained earnings	EUR	245,294,696.43
Translation differences	EUR	- 1,045,694.90
Profit for reporting period	EUR	26,650, 891.10
Non-restricted equity	EUR	270,899,892.63
of which distributable	EUR	53,190,000.00

According to the parent company's balance sheet on 31 December 2005:

Profit from previous financial years	EUR	28,955,388.44
Profit for reporting period	EUR	37,668,010,09
Non-restricted equity	EUR	66,623,398.53

The Board of Directors proposes that a dividend of 0.30 on each of the 40,659,758 outstanding shares, i.e. EUR 12,197,927.40, be paid out of the distributable funds.

Helsinki, 13 February 2006

Pertti Laine
Chairman

Jukka Härmälä   Peter Fagernäs

Antti Lagerroos   Timo Jouhki

Auditors' Report

TO THE SHAREHOLDERS OF FINNLINES PLC

We have audited the accounting records, the financial statements and the administration of Finnlines Plc for the period 1.1. – 31.12.2005. The Board of Directors and the President and CEO have prepared the report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that includes parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

We have conducted the 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 administration is to examine that the members of the Board of Directors and the President and CEO of the parent company have legally complied with the rules of the Companies' Act.

CONSOLIDATED FINANCIAL STATEMENTS

In our opinion the consolidated financial statements give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The cnsolidated financial statements can be adopted.

PARENT COMPANY'S FINANCIAL STATEMENTS AND ADMINISTRATION

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies' Act.

Helsinki 14 February 2006
PricewaterhouseCoopers Oy
Authorised Public Accountants

Kari Miettinen
Authorised Public Accountant

Five-Year Key Figures

	2005 IFRS	2004 IFRS	2003 FAS	2002 FAS	2001 FAS
Revenue, EUR million	746,7	698,1	701,4	693	601
Other income from operations, EUR million	4,2	8,7	3,4	7,5	3,8
Profit before tax, depreciation and amortisation (EBITDA), EUR million	74,8	96,6	103,4	94,4	103,1
% of revenue	10,0	13,8	14,7	13,6	17,2
Operating profit (EBIT), EUR million	40,8	62,7	59,7	46,2	58,3
% of revenue	5,5	9,0	8,5	6,7	9,7
Associated companies, EUR million	0,3	0	-0,2	0,1	0,7
Profit/loss before taxes (EBT), EUR million	35,0	55,0	40,4	33,8	46,3
% of revenue	4,7	7,9	5,8	4,9	7,7
Profit for reporting period, EUR million	27,1	46,0	23,2	23,5	34,7
% of revenue	3,6	6,6	3,3	3,4	5,8
Total investments, EUR million	73,0	68,8	88,5	126,5	24,1
% of revenue	9,8	9,9	12,6	18,3	4
Return on equity (ROE), %	7,2	12,2	6,1	6,1	8,9
Return on investment (ROI), %	6,0	9,3	8,3	7,1	9,1
Balance sheet total, EUR million	908,1	893,2	940,8	892,8	840,2
Equity ratio, %	41,7	41,6	40,6	43,6	47,4
Gearing, %	82,8	76,5	67,5	65,4	50
Average no. of employees	2 212	2 101	2 161	2 096	1 981
Earnings per share (EPS), EUR	0,66	1,15	0,59	0,59	0,87
Earnings per share (EPS) less warrant dilution, EUR	0,66	1,14			
Shareholders' equity per share, EUR	9,26	9,38	9,58	9,76	9,93
Dividend per share, EUR	0,30	0,75	1,25	0,75	0,75
Payout ratio, %	45	65	214	99	87
Effective dividend yield, %	2,1	5,9	8,7	7,3	6,5
Price/earnings ratio (P/E)	21,7	11,1	24,7	13,5	13,2
Share price on stock exchange at year-end, EUR	14,40	12,80	14,38	10,25	11,50
Market capitalisation at year-end, EUR million	585,5	504,3	571,2	409,6	459,5
Adjusted average number of outstanding shares (1 000)	40 236	39 531	39 734	39 734	39 958
Adjusted number of outstanding shares on 31 Dec (1 000)	40 660	39 402	39 734	39 734	39 958
Number of outstanding shares at year-end (1 000)	40 660	39 958	39 958	39 958	39 958

Calculation of Key Ratios

Earnings per share (EPS), EUR $= \dfrac{\text{Profit attributable to parent company shareholders}}{\text{Weighted average number of outstanding shares}}$

Shareholders' equity per share, EUR $= \dfrac{\text{Shareholders' equity attributable to parent company shareholders}}{\text{Number of shares on 31 Dec adjusted for share issue}}$

Dividend per share, EUR $= \dfrac{\text{Dividend paid for the year}}{\text{Number of shares on 31 Dec adjusted for share issue}}$

Payout ratio, % $= \dfrac{\text{Dividend paid for the year}}{\text{Profit before tax +/- minority interests of Group profit +/- change in deferred tax liabilities – taxes for the period}} \times 100$

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

P/E ratio $= \dfrac{\text{Share price on stock exchange on 31 Dec}}{\text{Earnings per share}}$

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

Return on investment (ROI), % $= \dfrac{\text{Profit before tax + interest expenses + other liability expenses}}{\text{Balance sheet total – interest-free liabilities (average)}} \times 100$

Gearing, % $= \dfrac{\text{Interest-bearing liabilities – cash and bank equivalents}}{\text{Shareholders' equity + minority interests}} \times 100$

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

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 can be increased or decreased within these limits. The company's paid-up and registered share capital on 31 December 2005 totalled EUR 81,313,516. The capital stock consisted of 40,656,758 shares.

SHARES

Finnlines Plc shares are listed on the OMX Helsinki Exchanges. The highest quoted price of the Finnlines share during the year was EUR 15.15 and the lowest EUR 12.75. A total of 30.6 million Finnlines shares were traded during the year. The 556,000 own shares held by the company were invalidated in April, which made the shares' market capitalisation EUR 585.5 million at year-end.

SHAREHOLDERS

At the end of 2005, Finnlines had approximately 4,300 shareholders. The ten largest shareholders owned 57 per cent of the company's shares. Some 73 per cent of the shareholders were Finnish, while 13 per cent were nominee-registered.

AUTHORISATIONS

The Annual General Meeting convened in March 2005 authorised the Board of Directors to use the company's distributable equity to repurchase a maximum of 5 per cent of the total share capital and votes of the company, and similarly to dispose of a maximum of the same amount. The authorisations are valid for one year from the Annual General Meeting. No own shares were purchased during 2005.

SHARE OPTION SCHEMES

Finnlines has one share option plan consisting of 700,000 options granted to management in 2001. The plan grants the right to subscribe a maximum of 1,400,000 Finnlines Plc shares such that two shares can be subscribed with each option. Of the options, 350,000 are Class A options and 350,000 are Class B. The computational share subscription price for Class A options is EUR 8.67, and for Class B options EUR 9.225. The annual dividend per share will be deducted from the share subscription price on the dividend record date. The options give the right to subscribe shares annually between 2 January and 30 November until 26 March 2006. A total of 1,254,800 shares were subscribed through options during 2005. At the year-end the amount of unexercised options was 71,100.

Shares outstanding 31 December 2003–31 December 2005

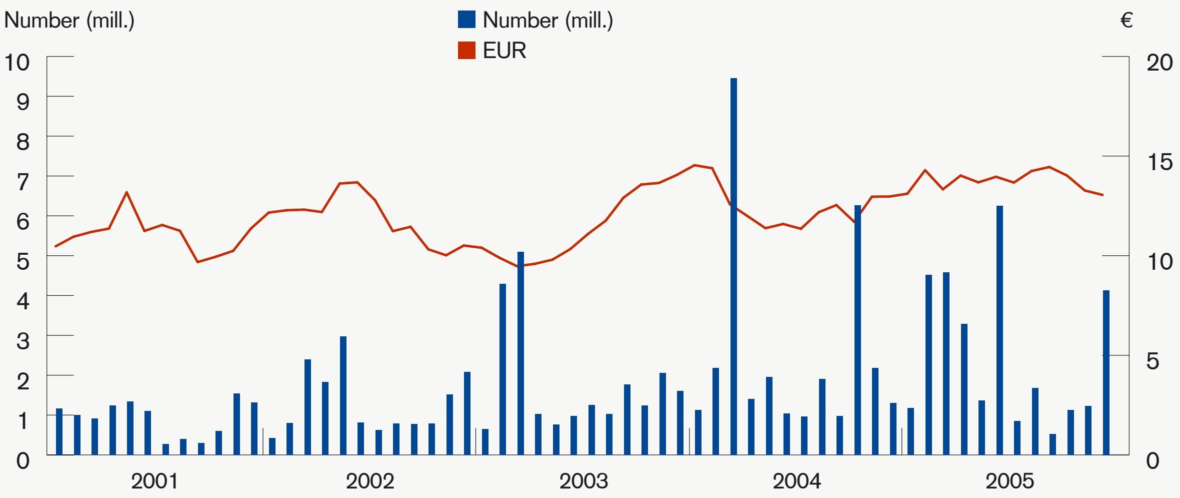
Transaction	Option series	Options exercised	Amount of shares	Shares outstanding	Own shares	Total amount of shares
31 Dec 2003				19 866 479 *	112 500 *	19 978 979 *
1 Nov 2004						
Bonus issue (1/2)				39 401 958	556 000	39 957 958
31 Dec 2004				39 401 958	556 000	39 957 958
18 Jan 2005	2001A	154 600	309 200			
Exercise of options	2001B	21 300	42 600	39 753 758	556 000	40 309 758
11 Mar 2005	2001A	76 300	152 600			
Exercise of options	2001B	199 500	399 000	40 305 358	556 000	40 861 358
8 Apr 2005						
Cancellation of own shares			-556 000	40 305 358		40 305 358
30 Sep 2005				40 305 358		40 305 358
9 Nov 2005	2001A	84 100	168 200			
Exercise of options	2001B	91 600	183 200	40 656 758		40 656 758
31 Dec 2005				40 656 758		40 656 758

* Amounts not corrected for Bonus Issue

Finnlines' share ownership structure on 31 December 2005	
	% of shares
Private companies	32.7
Financial and insurance institutions	15.3
Public entities	9.1
Households	8.8
Non-profit associations	6.9
Nominee registered	13.1
Other	14.1
Total	100.0

Principal shareholders on 31 December 2005		
	Number of shares	%
Grimaldi Group Naples	5 512 700	13.56
Thominvest Group	4 395 760	10.81
Veikko Laine Oy	4 247 872	10.45
Stora Enso Plc	2 209 340	5.43
Pension Insurance Company Ilmarinen	2 208 300	5.43
Nordea Bank Finland Plc	2 000 000	4.92
Sampo Life Insurance Company	800 000	1.97
Svenska Litteratursällskapet i Finland	690 000	1.70
Pohjola Finland Value Mutual Fund	509 000	1.25
OP Delta Mutual Fund	507 000	1.25
Nominee registered	5 327 858	13.10
Other shareholders	12 248 928	30.13
Total amount of shares	40 656 758	100.00
Group management direct holding	154 000	0.39

MONTHLY SHARE PRICE DEVELOPMENT AND TRADING VOLUMES, 2001–2005



Corporate Governance

GENERAL BACKGROUND

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. The company is managed from headquarters located in Finland. The Finnlines Group prepares its Financial Statements in accordance with the IFRS standard. The Financial Statements are published in Finnish, English and German.

The company's Corporate Governance Policy takes into account the rules and recommendations provided by OMX Helsinki Exchanges, whenever possible.

ANNUAL GENERAL MEETING

The General Meeting of Shareholders of Finnlines Plc is held annually and convenes no later than at the end of June. 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 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

Finnlines Plc is managed by the company Board of Directors, according to the principles of good management practice.

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 2005, the Board had five members. The current President and CEO is also a member of the Board. 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 Chairman of the Board.

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 names 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 competence required for the post and enough 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 also be independent of the major shareholders. The company will decide which of the members can be considered to be independent. The AGM decides annually on the Board members' remuneration.

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 Board of Directors is responsible for the company's administration and for making the required operative arrangements. The Board oversees Finnlines' operative management, can appoint and dismiss the Chief Executive Officer, approves the company's strategic goals and risk management principles, and ensures the functioning of the company's management system.

It is the duty of the Board of Directors to promote the interests of the company and all its shareholders. 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 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 6 times in 2005. The average attendance level at these Board meetings was 94 per cent.

The salaries and remuneration of the Board of Directors are shown in Note 25 on page 63.

PRESIDENT AND CEO

The Board of Directors appoints the President and CEO and sets his salary, remunerations and other benefits. 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 the reliability of its financial administration. The President bears direct responsibility for the Group's strategy, investments, financing, administration and human resources, Group communication and investor relations. In addition, the President oversees all important operative decisions. The President has one deputy. The salary and remuneration of the President and CEO is shown in Note 25 on page 63.

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.

The Board members' share option plans and performance-related compensation schemes are described in Note 25 on page 63.

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 the Corporate Finance unit. 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 in each budgeting period. External long-term loan arrangements are also submitted to the Board for approval.

The Group's risk management principles are described on page 36.

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 coordination 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 policies. The financial position and creditworthiness of the Group's customers are monitored continuously in order to minimise the risk of customer credit losses. The proper functioning of Finnlines' information systems is guaranteed through extensive and thorough security programmes 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 units. They set the operational targets for their units and ensure that resources are used efficiently and that operations are evaluated and improved.

Responsibilities for the Group's investment assets, working capital, investments, financing, finances, human resources, communications and information systems are centralised to the Group Management. The Group's payment transactions, external accounting and internal accounting are managed centrally by the Financial Management Service Centre, which reports to the Group Management.

INSIDER ISSUES

Finnlines Plc complies in all aspects with the insider guidelines of the Helsinki Exchanges.

The members of Finnlines' Board of Directors, the company's President and CEO, the company's auditors and its Executive Management Team are permanently and publicly considered to be Finnlines insiders. In addition, the Group has a company-specific insider register, which includes the heads of the business units and key sales and accounting personnel.

Project-specific insider lists are drawn up for major projects such as mergers and acquisitions and include all those who participate in planning and organising such projects. Decisions on drawing up project-specific insider lists are made by the President and CEO. During a so-called "closed-window period" beginning two weeks before the publication of each reporting period's Financial Statements, insiders are forbidden from trading in the company's shares and other securities.

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. They must be Certified Public Accountants. The head auditor is appointed by the auditing company.

The compensation paid to auditors is shown on page 65.

COMMUNICATIONS

The Group Management is responsible for corporate communications. Each unit is responsible for its internal communications. The units are also responsible for their external marketing communications in accordance with principles approved by the Group 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 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 (ERT), Member 2001–
Finnish Business and Policy Forum EVA, Board Member 2005–
The Research Institute of the Finnish Economy ETLA, Board Member 2005–
Outokumpu Plc, Board Member 2005–
TT Foundation, Chairman 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 2004–
Winpak Ltd, Canada, Board Member 2005–

TIMO JOUHKI

Member of Finnlines Board since 2002
Born 1951
MSc (Econ)
CEO of Buag A.G., Switzerland 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 1990–

Other positions:
Ilmarinen Mutual Pension Insurance Company, Supervisory Board member 1996–
Finnish Shipowners' Association, Board Member 1990–
Wärtsilä Oyj Abp, Board Member 2002–, Chairman 2003–
Schiffshypothekenbank zu Lübeck AG (Deutsche Bank), Advisory Board, Germany 2002–
Confederation of Finnish Industries, EK, Board Member 2006–

Executive Management Team

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

JUKKA LAAKSOVIRTA
Chief Operating Officer and Deputy CEO
Executive Management Team member 2004–
Born 1961
MSc in Technology, Industrial Economics and Management

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

HANS MARTIN
President, Finnsteve Oy Ab
Executive Management Team member 1991–
Born 1945
Business School Graduate

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

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

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

(The Group Management's ownership of shares as per February 14, 2006.)

The Fleet on 1 January 2006

FINNHANSA, FINNPARTNER, FINNTRADER, TRANSEUROPA

FINNCLIPPER, FINNEAGLE, FINNFELLOW

LÜBECK-LINK, MALMÖ-LINK

FINNSAILOR

FINNARROW

TRANSLUBECA

ANTARES

ASTREA

AMBER, FINNOAK

MERCHANT, VASALAND, BALTICA

FINNBIRCH, FINNFOREST

FINNKRAFT, FINNMASTER, FINNREEL, FINNHAWK

	Gross tonnage/Lane metres	Year of delivery
Finnhansa	32 531/3 200	1994
Finnpartner	32 534/3 200	1995
Finntrader	32 534/3 200	1995
Transeuropa	32 533/3 200	1995
Finnclipper	29 841/2 459	1999
Finneagle	29 841/2 459	1999
Finnfellow	33 769/2 918	2000
Lübeck-link	33 163/2 650	1980/90
Malmö-link	33 163/2 650	1980/90
Finnsailor	20 783/1 350	1987/96
Finnarrow	25 996/2 400	1996
Translubeca	24 727/2 100	1990
Antares	19 963/2 090	1988
Astrea	9 528/827	1991
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
Finnbirch	14 059/2 100	1978
Finnforest	15 525/2 100	1978
Finnkraft	11 530/1 890	2000
Finnmaster	11 530/1 890	2000
Finnreel	11 530/1 890	2000
Finnhawk	11 530/1 890	2001


FINNMILL, FINNPULP


FINLANDIA


INOWROCLAW


POLARIS


RIDER


RUNNER


BIRKA CARRIER, BIRKA EXPRESS,
BIRKA TRADER


TRANS CARRIER


GLOBAL CARRIER, GLOBAL FREIGHTER


NB 6123-6125, NB 6133-34

	Gross tonnage/Lane metres	Year of delivery
Finnmill	25 654/2 680	2002
Finnpulp	25 654/2 680	2002
Finlandia	19 524/2 240	1981
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
Trans Carrier	8 407/1 132	1995
Global Carrier	13 117/1 700	1978
Global Freighter	13 145/1 700	1977
Envoy	18 653/1 934	1979
Forte	3 998/-	1989
Largo	3 998/-	1990
Baumwall	3 999/-	1995
NB 6123-6125	46 545/4 200	2006
NB 6133-34	46 545/4 200	2006–2007

TeamLines operated on average 25 container vessels whose capacity was between TEU 348–822.

Addresses

Finnlines Plc
Porkkalankatu 20 A
00180 Helsinki
P.O.Box 197
FI-00181 Helsinki
Phone +358 (0)10 343 50
Telefax +358 (0)10 343 4425
www.finnlines.fi

Finnlines Deutschland AG
Einsiedelstraße 43-45
23554 Lübeck
P.O.Box 10 22 22
DE-23527 Lübeck
Phone +49 (0)451 15 07 0
Telefax +49 (0)451 1507 222
www.finnlines.de

Finnlines Belgium N.V.
Land van Waaslaan-Kaai 1213
BE-9130 Kallo (Beveren)
Phone +32 (0)3 570 9530
Telefax +32 (0)3 570 9550

Finnlines UK Ltd.
8 Heron Quay
GB-London E14 4JB
Phone +44 (0)207 519 7300
Telefax +44 (0)207 536 0255

Finnlines Danmark A/S
Østhavnsvej 11
DK-8000 Aarhus C
Phone +45 (0)86 206 650
Telefax +45 (0)86 206 659

Oy Finnlink Ab
Satamatie 11
FI-21100 Naantali
Phone +358 (0)10 436 7620
Telefax +358 (0)10 436 7680
www.finnlink.fi

Rederi AB Nordö-Link
Grimsbygatan 8
SE-21120 Malmö
P.O. Box 106
SE-20121 Malmö
Phone +46 (0)40 176800
Telefax +46 (0)40 176801
www.nordoe-link.com

Skandinavien-Link GmbH
Skandinavienkai
DE-23570 Lübeck-Travemünde
P.O. Box 150 228
DE-23524 Lübeck-Travemünde
Phone +49 (0)4502 80520
Telefax +49 (0)4502 2560

Team Lines GmbH & Co. KG
Baumwall 3
DE-20459 Hamburg
P.O. Box 11 33 43
D-20433 Hamburg
Phone +49 (0)40 37602 0
Telefax: +49 (0)40 37602 192
www.teamlines.de

Team Lines Finland Oy
Porkkalankatu 20 A
00180 Helsinki
P.O.Box 197
FI-00181 Helsinki
Phone +358 (0)10 577 5700
Telefax +358 (0)10 577 5775
www.teamlines.fi

Finnsteve Oy Ab
Saukonkuja 5
00180 Helsinki
P.O.Box 225
FI-00181 Helsinki
Phone +358 (0)10 565 60
Telefax +358 (0)9 685 7253
www.finnsteve.fi

Brokers Analysing Finnlines

Alfred Berg ABN AMRO, Helsinki
Veikko Valli
Phone +358 (0)9 2283 2706
veikko.valli@alfredberg.fi

D. Carnegie AB, Helsinki
Jussi Karhunen
Phone +358 (0)9 61 871 233
jussi.karhunen@carnegie.fi

Deutsche Bank AG, Helsinki Branch
Jussi Uskola
Phone +358 (0)9 2525 2551
jussi.uskola@db.com

eQ Bank Ltd, Helsinki
Bengt Dahlstrom
Phone +358 (0)9 6817 8610
bengt.dahlstrom@eqonline.fi

Evli Bank Plc, Helsinki
Matti Riikonen
Phone +358 (0)9 4766 9631
matti.riikonen@evli.com

FIM Securities Ltd, Helsinki
Linda Blom
Phone +358 (0)9 6134 6354
linda.blom@fim.com

Kaupthing Bank Oyj, Helsinki
Mika Mikkola
Phone +358 (0)9 4784 0267
mika.mikkola@kaupthing.fi

Mandatum Stockbrokers Ltd, Helsinki
Robin Johansson
Phone +358 (0)10 2364 828
robin.johansson@mandatum.fi

SEB Enskilda, Helsinki
Kari Paajanen
Phone +358 (0)9 6162 8714
kari.paajanen@enskilda.fi

Finnlines

Finnlines Plc
Porkkalankatu 20 A
00180 Helsinki
P.O.Box 197
FI-00181 Helsinki
Phone +358 (0)10 343 50
Telefax + 358 (0)10 343 4425
www.finnlines.fi