FINANCIAL STATEMENTS 2016

CONTENT

BOARD OF DIRECTORS' REPORT

FINNLINES' BUSINESS

Finnlines is the largest shipping company in the Baltic Sea based on both ro-ro and ro-pax volumes (source: Baltic Transportation Journal). The Company's passenger-freight vessels offer services from Finland to Germany and via the Åland Islands to Sweden, as well as from Sweden to Germany. Finnlines' ro-ro vessels operate in the Baltic Sea and the North Sea. The Company has subsidiaries in Germany, Belgium, Great Britain, Sweden, Denmark and Poland, which all are also sales offices. In addition to sea transportation, the Company provides port services in Helsinki and Turku.

GROUP STRUCTURE

Finnlines Plc is a Finnish public limited company, which operates under Finnish jurisdiction and legislation. At the end of the reporting period, the Group consisted of the parent company and 21 subsidiaries.

Finnlines is part of the Italian Grimaldi Group, which is a global logistics group specialising in maritime transport of cars, rolling cargo, containers and passengers. The Grimaldi Group comprises seven shipping companies, including Finnlines, Atlantic Container Line (ACL), Malta Motorways of the Sea (MMS) and Minoan Lines. With an owned fleet of about 120 vessels, the Group provides maritime transport services for rolling cargo and containers between Northern Europe, the Mediterranean, the Baltic Sea, West Africa, North and South America. It also offers passenger services within the Mediterranean and the Baltic Sea. On 25 August 2016, Grimaldi Group S.p.A. gained title to all the shares in Finnlines Plc and the shares were thus delisted.

GENERAL MARKET DEVELOPMENT

Based on the statistics by the Finnish Transport Agency for January–December, the Finnish seaborne imports carried in container, lorry and trailer units increased by 4 per cent, whereas exports increased by 4 per cent (measured in tons) compared to the same period in 2015. Private and commercial passenger traffic between Finland and Sweden remained on the same level as in 2015. The corresponding traffic between Finland and Germany increased by 4 per cent (Finnish Transport Agency).

FINNLINES' TRAFFIC

At the beginning of 2016, the frequency of the Poland service increased and Hanko became at new port of call in Finland. Finnlines also made a major improvement in its weekly liner services between West Finland and Germany, and offered two direct sailings from Turku to Travemünde and back. The line was operated by Finnlines' newest ro-ro vessels with a capacity of 3,260 lane metres.

In January 2016, the charter agreement of MS Misida expired and the vessel was redelivered in Tilbury on 4 January 2016. Finnlines also acquired two ro-ro vessels in accordance with the purchase agreement signed earlier. The vessels were put into Finnlines' liner services in February 2016.

Starting from July 2016, MS Finneagle was transferred from the FinnLink service and chartered out to the Grimaldi Group. The vessel returned to the Finnlink service in October, and at the same time, MS Finnfellow was docked for the installation of the exhaust gas cleaning system.

During the reporting period, Finnlines operated on average 21 (22) vessels in its own traffic.

The cargo volumes transported during January–December totalled approximately 629 (624 in 2015) thousand cargo units, 119 (156) thousand cars (not including passengers' cars) and 1,611 (2,032) thousand tons of freight not possible to measure in units. In addition, some 602 (575) thousand private and commercial passengers were transported.

FINANCIAL RESULTS

The Finnlines Group recorded revenue totalling EUR 473.7 (511.2) million in 2016, a decrease of 7.3 per cent compared to the same period in the previous year. Shipping and Sea Transport Services generated revenue amounting to EUR 453.6 (492.9) million and Port Operations EUR 38.4 (35.9) million. The Shipping and Sea Transport Services segment's revenue decreased mainly due to the lower bunker surcharge as compensation passed to our clients. In Port Operations the revenue grew due to increased external and internal cargo handling activities. The internal revenue between the segments was EUR 18.2 (17.6) million.

Result before interest, taxes, depreciation and amortisation (EBITDA) was EUR 139.1 (126.9) million, an increase of 9.6 per cent.

Result before interest and taxes (EBIT) was EUR 81.5 (70.3) million. In 2016, most of the vessels were operated using less expensive fuel oil, which had a positive impact on the result even though bunker prices started to increase globally during the fourth quarter. The result includes a gain on sale of EUR 4.4 million for MS Finnsailor.

As a result of the improved financial position, net financial expenses decreased and were EUR -14.6 (-17.1) million. Financial income was EUR 0.4 (0.9) million and financial expenses EUR -15.0 (-18.1) million. Result before taxes (EBT) improved by EUR 13.8 million and was EUR 67.0 (53.2) million. The result for the reporting period was EUR 68.1 (56.8) million).

The most important business and share related key indicators are presented in the Five-Year Key Figures on page 47.

STATEMENT OF FINANCIAL POSITION, FINANCING AND CASH-FLOW

Even though the Company has an ongoing Environmental Technology Investment Programme and paid dividends of EUR 41.3 million, interest-bearing debt decreased by EUR 42.6 million and amounted to EUR 491.1 (533.7) million excluding leasing liabilities of EUR 3.7 (17.9) million. The equity ratio calculated from the balance sheet improved to 48.9 (45.7) per cent and gearing dropped to 83.8 (97.1) per cent. Due to the expired charter agreements and redelivery of the remaining chartered tonnage in the first quarter 2016, vessel lease commitments decreased by EUR 0.1 million to EUR 0.0 million compared to the end of December 2015.

The Group's liquidity position is strong and at the end of the period, cash and cash equivalents together with unused committed credit facilities amounted to EUR 130.5 (114.5) million.

Net cash generated from operating activities improved considerably and was EUR 124.8 (105.8) million.

CAPITAL EXPENDITURE

The Finnlines Group's gross capital expenditure in the reporting period totalled EUR 46.3 (64.1) million, including tangible and intangible assets. Total depreciation and amortisation amounted to EUR 57.6 (56.6) million. The investments consist of the final payments related to the purchase and delivery of MS Finncarrier and MS Finnmaster, normal replacement expenditure of fixed assets, scrubber and reblading projects, improvement of passenger areas and dry-dockings of ships.

In 2015, Finnlines launched the second phase of the EUR 100 million Environmental Technology Investment Programme which covered scrubber orders for its remaining ro-ro vessels and a further three of its ro-pax vessels. Moreover, additional energy efficiency investment was initiated by extending the propulsion upgrading programme. The first of three ro-pax vessels to be rebladed and equipped with scrubbers, MS Finnclipper, received her new IAPP Certificate on 18 August 2016 upon completion of scrubber system commissioning. The second ro-pax vessel to be rebladed and equipped with scrubbers, MS Finnfellow, was under retrofit during the fourth quarter 2016. The last of the three ro-pax vessels to undergo the same environmental upgrade, MS Finneagle, will receive her scrubbers and new blades onboard in the first quarter 2017. After this, the whole Programme will be completed.

As part of the Connecting Europe Facility (CEF), the European Union awarded Finnlines a funding of EUR 14.5 million for environmental technology investments on vessels in liner services. The funding is recognised as adjustment of investment costs. Interim payments of EUR 12.5 million had been received until the end of 2016. Furthermore in June 2016, Finnlines signed a loan from EIB with guarantees from Nordea and Finnvera to finance part of the EUR 100 million Environmental Technology Investment Programme.

During spring 2016, Finnlines initiated an extensive refurbishment programme of the passenger areas on six of its ro-pax vessels. The vessels deployed on the FinnLink route were all upgraded before the summer season. On the HansaLink vessels, the programme was divided into two phases. The first phase was completed by midsummer and the second, more extensive phase, which included refurbishment of shops, cafeterias and restaurants, started in September 2016. All passenger service area improvements were completed during the fourth quarter 2016.

PERSONNEL

The Group employed an average of 1,653 (1,597) persons during the reporting period, consisting of 957 (899) persons at sea and 696 (698) persons on shore. The number of persons employed at the end of the period was 1,627 (1,588) in total, of which 934 (889) at sea and 693 (699) on shore. The number of sea personnel increased due to the acquisition of the new vessels MS Finnmaster and MS Finncarrier, which joined the Group´s fleet at the beginning of 2016.

The personnel expenses (including social costs) for the reporting period were EUR 89.8 (84.2) million.

RESEARCH AND DEVELOPMENT

The aim of Finnlines' research and development work is to find and introduce new practical models and operating methods, which enable the Company to meet customer requirements in a more sustainable and cost-efficient way. In 2016, the focus continued to be on environmental investments and energy efficiency of the vessels.

In 2016, the project for installation of scrubbers on vessels was continued. Further, improvements for enabling a lower resistance were made to some of the vessels. These measures will considerably reduce energy consumption and impacts on the environment. The Company has initiated a study on lengthening a ro-ro vessel series by approximately 30 metres each. The technical specification (i.e. concept study) was prepared during autumn 2016. The objective is to enable profitable growth by increasing vessel capacity and improving transporting efficiency by utilising bigger transport units.

During 2016, the harmonisation of the systems within the Finnlines Group and in the framework of the entire Grimaldi Group network were continued. Over the year, the new operative IT system for the cargo traffic, which was implemented in 2015, was developed further by adding new functionalities and improving the usability of the system. For instance, a new mobile user interface for cargo booking enables a more flexible and faster interaction with customers.

In 2016, the design of the new operative systems in the ports was continued. The development and implementation of the new systems will still continue in 2017 and 2018.

THE FINNLINES SHARE

The Company's paid-up and registered share capital on 31 December 2016 totalled EUR 103,006,282. The capital stock consisted of 51,503,141 shares. On 25 August 2016, Grimaldi Group S.p.A. gained title to all the shares in Finnlines Plc and the shares were thus delisted from the official list of Nasdaq Helsinki Oy.

The shares and shareholders are dealt with in more detail in the Notes to the Consolidated Financial Statements, in Note 37. Shares and shareholders.

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Finnlines Plc's Annual General Meeting was held in Helsinki on 12 April 2016. The Annual General Meeting of Finnlines Plc approved the Financial Statements, the Board of Directors' Report and the Auditor's Report, and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2015. It was decided to accept the proposal of the Board of Directors that no dividend be paid for 2015.

The meeting decided that the number of Board Members be seven. All of the current Board Members were re-elected; Mr Christer Backman, Ms Tiina Bäckman, Mr Emanuele Grimaldi, Mr Gianluca Grimaldi, Mr Diego Pacella, Mr Olav K. Rakkenes and Mr Jon-Aksel Torgersen. It was decided to pay annual compensation to the members of the Board as follows: EUR 50,000 for the Chairman, EUR 40,000 for the Vice Chairman, and EUR 30,000 for each of the other members of the Board.

The Annual General Meeting elected APA KPMG Oy Ab as the Company's auditor for the fiscal year 2016. It was decided that the external auditors be reimbursed according to invoice.

It was decided to authorise the Board of Directors to resolve on the issuance of shares in one or several tranches. The Board of

Directors may, on the basis of the authorisation, resolve on the issuance of shares in one or several tranches, so that the aggregate number of shares to be issued shall not exceed 10,000,000 shares. The Board of Directors decides on all the conditions of the issuance of shares. The issuance of shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorisation is valid until the next Annual General Meeting. The authorisation replaces the Annual General Meeting's authorisation to decide on a share issue of 14 April 2015.

DECISIONS TAKEN BY THE EXTRAORDINARY GENERAL MEETING

Finnlines Plc's Extraordinary General Meeting was held on 20 December 2016. The Extraordinary General Meeting decided, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.80 per share. The dividend was paid to shareholders on 30 December 2016.

RISKS AND RISK MANAGEMENT

Finnlines is exposed to business risks that arise from the capacity of the fleet existing in the market, counterparties, prospects for export and import of goods, and changes in the operating environment. The risk of overcapacity is reduced through scrapping of aging vessels, on the one hand, and the more stringent Sulphur Directive requirements, on the other.

Finnlines operates mainly in the Emissions Control Areas where the emission limits are stricter than globally. The sulphur content limit for heavy fuel oil was reduced to 0.10 per cent as from 1 January 2015 in accordance with the MARPOL Convention. This has increased costs of sea transportation. However, with one of the youngest and largest fleets in Northern Europe and with investments in engine systems and energy efficiency, Finnlines is in a strong position to greatly mitigate this risk.

The effect of fluctuations in the foreign trade is reduced by the fact that the Company operates in several geographical areas. This means that slow growth in one country is compensated by faster recovery in another. Finnlines continuously monitors the solidity and payment schedules of its customers and suppliers. Currently, there are no indications of imminent risks related to counterparties but the Company continues to monitor the financial position of its counterparties. Finnlines holds adequate credit lines to maintain liquidity in the current business environment.

More detailed information on Finnlines' financial risks and risk management can be found in the Notes to the Consolidated Financial Statements, in Note 33. Financial Risk Management. The risk management procedures of the Company are presented in more detail on the Company's website under Corporate Governance.

LEGAL PROCEEDINGS

The District Court of Helsinki rendered in February 2015 its decision on the dispute between Finnlines Plc and the State of Finland. According to Finnlines Plc, the Finnish Act on Fairway Dues in force until 1 January 2006 contained provisions which, according to EU law, were discriminatory. The Company has been charged excessive fairway dues during 2001–2004. In its decision, the District Court of Helsinki ordered the State of Finland to refund to Finnlines Plc, as plaintiffs, the fairway dues, charged in excessive extent in 2001–2004 totalling about EUR 17.0 million, including interest. The Finnish State appealed to the Helsinki Court of Appeal. The Court of Appeal rendered its decision in August 2016 by dismissing the judgment rendered by the District Court of Helsinki. The Court of Appeal considers that the claims of Finnlines have expired. The Company has submitted the leave to appeal at the Supreme Court. The case is pending.

The Company has summoned OMB Ostsee Mineralöl-Bunker GmbH ('OMB') Rostock, Germany, to the District Court and demanded compensation for the damage that has occurred to the Company for the price difference between the paid amount for the supplied fuel and the market price. The Company's basis for the demand is that OMB has abused its dominant position in the relevant market and the Company was forced to buy fuel from OMB, OMB being the sole supplier. The total claimed amount is EUR 2.76 million. In its decision the District Court of Rostock dismissed the Company's claims in full. The Company has decided to appeal the District Court's decision to the Court of Appeal. The case is pending.

The Company's port operations subsidiaries have received a summons from 18 former employees. All employees claim compensation based on groundless termination of their employment contracts and compensation according to the Non-Discrimination Act. The total amount of the claims is EUR 2.2 million. The subsidiaries consider the basis of the claims to be groundless. The case is pending.

TONNAGE TAXATION

Finnlines Plc entered into the Finnish tonnage taxation regime as from 1 January 2013. In tonnage taxation, the shipping operations transferred from taxation of business income to tonnage-based taxation. Finnlines Deutschland GmbH exited from the German tonnage tax scheme and transferred to business taxation on 1 February 2014.

ENVIRONMENT AND SAFETY

Operating in ecologically sensitive areas, the objective of Finnlines' safety and environmental policy is to provide safe, top-quality services while making efforts to minimise the environmental impacts in every aspect of operations. In 2016, Finnlines continued to implement its Environmental Technology Investment Programme, which will amount to EUR 100 million. The programme includes the installation of exhaust gas scrubbers, investments in propulsion and reblading, and silicone anti-fouling.

The IMO Ballast Water Management Convention will become effective on 8 September 2017, which means that ships must be fitted with treatment equipment by the first renewal survey. Furthermore, exchange of ballast water will be mandatory after the entry-into-force date. Finnlines has investigated different technologies and contacted equipment suppliers.

In 2016, Finnlines' vessel traffic consumed 310,662 tons of heavy fuel oil and diesel oil, representing an increase of 2.9 per cent compared with 2015. In 2015, fuel consumption of vessels was exceptionally low due to a large number of dockings. In 2016, the fuel consumption of the port operations totalled some 810 tons, which includes the operations in Helsinki, Turku and Naantali, an increase of nearly 8 per cent compared with 2015.

CORPORATE GOVERNANCE

The Corporate Governance Statement can be reviewed on the corporate website: www.finnlines.com.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report.

OUTLOOK AND OPERATING ENVIRONMENT

Finnlines is starting a new capital expenditure project on its fleet. We are in the process of lengthening several of our vessels for greater efficiency and better fuel economy. Finnlines Group's result before taxes is expected to improve over the previous year's high level.

DIVIDEND DISTRIBUTION PROPOSAL

The parent company Finnlines Plc's result for the reporting period was EUR 56.0 million. The Board of Directors proposes to the General Meeting that the General Meeting authorise the Board of Directors to decide, at its discretion, on the payment of dividend up to Finnlines Plc's result for the reporting period in 2016.

According to the consolidated statement of financial position, the equity attributable to parent company shareholders equals EUR 587.9 (561.1) million at the end of the reporting period.

Naples, 23 February 2017

Finnlines Plc, The Board of Directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR 1,000	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Revenue	3, 7	**473,711**	511,167
Other income from operations	8	**6,652**	1,810
Materials and services	9	**-126,486**	-161,264
Personnel expenses	10	**-89,753**	-84,186
Depreciation, amortisation and impairment losses	11	**-57,587**	-56,590
Other operating expenses	12	**-125,009**	-140,654
Total operating expenses		**-398,835**	-442,694
Result before interest and taxes (EBIT)		**81,528**	70,284
Financial income	13	**412**	934
Financial expenses	13	**-14,978**	-18,064
Result before taxes (EBT)		**66,961**	53,153
Income taxes	14	**1,162**	3,675
Result for the reporting period		**68,124**	56,829
Other comprehensive income:			
Other comprehensive income to be reclassified to profit and loss in subsequent periods:			
Exchange differences on translating foreign operations		**-74**	32
Tax effect, net		**0**	0
Other comprehensive income to be reclassified to profit and loss in subsequent periods, total		**-74**	32
Other comprehensive income not being reclassified to profit and loss in subsequent periods:			
Remeasurement of defined benefit plans		**20**	632
Tax effect, net		**-29**	-36
Other comprehensive income not being reclassified to profit and loss in subsequent periods, total		**-8**	596
Total comprehensive income for the reporting period		**68,041**	57,457
Result for the reporting period attributable to:			
Parent company shareholders		**68,133**	56,841
Non-controlling interests		**-10**	-12
		68,124	56,829
Total comprehensive income for the reporting period attributable to:			
Parent company shareholders		**68,051**	57,469
Non-controlling interests		**-10**	-12
		68,041	57,457
Result for the reporting period attributable to parent company shareholders calculated as earnings per share (EUR/share)	15		
Undiluted / diluted earnings per share		**1.32**	1.10

Most of the items recognised in the Consolidated Statement of Comprehensive Income fall under the tonnage tax scheme.

See Notes, which are an integral part the Financial Statements, starting on page 11.

(figures in EUR thousand, if not stated otherwise)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR 1,000	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Property, plant and equipment	17	**982,629**	997,619
Goodwill	18	**105,644**	105,644
Other intangible assets	18	**3,529**	3,758
Other financial assets	21	**4,580**	4,576
Receivables	22	**1,720**	1,258
Deferred tax assets	23	**5,646**	5,792
		1,103,747	1,118,645
Current assets			
Inventories	24	**6,700**	4,333
Accounts receivable and other receivables	25	**77,749**	86,019
Income tax receivables		**159**	539
Cash and cash equivalents	26	**1,943**	6,468
		86,551	97,359
Non-current assets held for sale	5	**15,121**	15,121
Total assets		**1,205,419**	1,231,125
EQUITY			
Equity attributable to parent company shareholders			
Share capital	27	**103,006**	103,006
Share premium account	27	**24,525**	24,525
Translation differences		**135**	209
Fund for invested unrestricted equity	27	**40,016**	40,016
Retained earnings		**420,240**	393,313
		587,923	561,070
Non-controlling interests		**178**	294
Total equity		**588,100**	561,363
LIABILITIES			
Long-term liabilities			
Deferred tax liabilities	23	**51,425**	52,712
Other long-term liabilities	30	**63**	113
Pension liabilities	32	**3,817**	3,919
Provisions	28	**1,757**	1,810
Loans from financial institutions	29	**322,600**	367,445
		379,663	425,999
Current liabilities			
Accounts payable and other liabilities	30	**65,174**	59,191
Current tax liabilities		**9**	14
Provisions	28	**262**	345
Loans from financial institutions	29	**171,971**	176,736
		237,415	236,287
Total liabilities		**617,078**	662,286
Liabilities related to long-term assets held for sale	29	**241**	7,476
Total shareholders’ equity and liabilities		**1,205,419**	1,231,125

See Notes starting on page 11.

(figures in EUR thousand, if not stated otherwise)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

EUR 1,000	Equity attributable to parent company shareholders							
	Share capital	Share issue premium	Translation differences	Fund for invested unrestricted equity	Retained earnings	Total	Non-controlling interests	Total equity
Reported equity 1 January 2015	103,006	24,525	178	40,016	335,876	503,601	306	503,907
Comprehensive income for the year:								
Result for the reporting period					56,841	56,841	-12	56,829
Exchange differences on translating foreign operations			32			32		32
Remeasurement of defined benefit plans					632	632		632
Tax effect, net					-36	-36		-36
Total comprehensive income for the year			32		57,437	57,469	-12	57,457
Dividend								
Equity 31 December 2015	103,006	24,525	209	40,016	393,313	561,070	294	561,363

EUR 1,000	Equity attributable to parent company shareholders							
	Share capital	Share issue premium	Translation differences	Fund for invested unrestricted equity	Retained earnings	Total	Non-controlling interests	Total equity
Reported equity 1 January 2016	**103,006**	**24,525**	**209**	**40,016**	**393,313**	**561,070**	**294**	**561,363**
Comprehensive income for the year:								
Result for the reporting period					68,133	68,133	-10	68,124
Exchange differences on translating foreign operations			-74		5	-69		-69
Remeasurement of defined benefit plans					20	20		20
Tax effect, net					-29	-29		-29
Total comprehensive income for the year			**-74**		**68,129**	**68,056**	**-10**	**68,046**
Dividend					-41,203	-41,203	-106	-41,309
Equity 31 December 2016	**103,006**	**24,525**	**135**	**40,016**	**420,240**	**587,923**	**178**	**588,100**

(figures in EUR thousand, if not stated otherwise)

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR 1,000	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Cash flows from operating activities			
Result for reporting period		**68,124**	56,829
Adjustments:			
Non-cash transactions	31	**52,461**	56,192
Unrealised foreign exchange gains (-) / losses (+)	31	**-11**	-57
Financial income and expenses		**14,577**	17,187
Taxes		**-1,162**	-3,675
Changes in working capital:			
Change in accounts receivable and other receivables		**1,565**	-2,009
Change in inventories		**-2,367**	1,592
Change in accounts payable and other liabilities		**6,471**	-2,515
Change in provisions		**-155**	-238
Interest paid		**-11,394**	-14,240
Interest received		**299**	442
Taxes paid		**280**	-81
Other financing items		**-3,842**	-3,632
Net cash generated from operating activities		**124,845**	105,794
Cash flows from investing activities			
Investments in tangible and intangible assets *		**-38,450**	-78,897
Sale of tangible assets **		**8,810**	799
Proceeds from sale of investments		**-5**	
Dividends received		**13**	12
Net cash used in investing activities		**-29,632**	-78,085
Cash flows from financing activities			
Loan withdrawals		**205,000**	282,000
Net increase (+) / decrease (-) in current interest-bearing liabilities		**8,035**	32,447
Repayment of loans		**-271,662**	-338,550
Loans granted			
Increase / decrease in non-current receivables		**200**	180
Dividends paid		**-41,309**	
Net cash used in financing activities		**-99,736**	-23,922
Change in cash and cash equivalents		**-4,523**	3,787
Cash and cash equivalents 1 January		**6,468**	2,680
Effect of foreign exchange rate changes		**-3**	1
Cash and cash equivalents 31 December		**1,943**	6,468

* Investments include environmental aid granted by the European Union, of which the Group has received EUR 6.7 (5.8) million during the reporting period 2016.

** Includes sale of one vessel.

See Notes starting on page 11.

(figures in EUR thousand, if not stated otherwise)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Finnlines is the largest shipping company in the Baltic Sea based on both ro-ro and ro-pax volumes (source: Baltic Transportation Journal). The Company's passenger-freight vessels offer services from Finland to Germany and via the Åland Islands to Sweden, as well as from Sweden to Germany. Finnlines' ro-ro vessels operate in the Baltic Sea and the North Sea. The Company has subsidiaries in Germany, Belgium, Great Britain, Sweden, Denmark and Poland which all are also sales offices. In addition to sea transportation, the Company provides port services in Helsinki and Turku.

Finnlines Plc is a Finnish public limited company. At the end of the financial period, the Group consisted of the parent company and 21 subsidiaries.

Finnlines is part of the Italian Grimaldi Group, which is a global logistics group specialising in maritime transport of cars, rolling cargo, containers and passengers. The Grimaldi Group comprises seven shipping companies, including Finnlines, Atlantic Container Line (ACL), Malta Motorways of the Sea (MMS) and Minoan Lines. With an owned fleet of about 120 vessels, the Group provides maritime transport services for rolling cargo and containers between Northern Europe, the Mediterranean, the Baltic Sea, West Africa, North and South America. It also offers passenger services within the Mediterranean and the Baltic Sea. On 25 August 2016, Grimaldi Group S.p.A. gained title to all the shares in Finnlines Plc and the shares were thus delisted.

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 Komentosilta 1, 00980 Helsinki. Copies of the financial statements can be obtained from www.finnlines.com or the Company's headquarters. These financial statements were authorised for issue by the Board of Directors of Finnlines Plc on 23 February 2017. In accordance with the Finnish Companies Act, the financial statements are presented for approval to the Annual General Meeting.

2. ACCOUNTING PRINCIPLES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements are 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 2016. The International Financial Reporting Standards mean the standards implemented in the EU by Regulation (EC) 1606/2002, and the related interpretations. The notes to the Consolidated Financial Statements also comply with Finnish accounting and corporate legislation. The Consolidated Financial Statements are primarily prepared using the acquisition cost method. Exceptions to this principle are financial assets and liabilities recognised at fair value through profit or loss. The financial statements have been compiled in EUR. All figures in the accounts have been rounded and, consequently, the sum of individual figures may deviate from the presented sum figure.

IMPLEMENTATION OF STANDARDS

New and amended standards applied in the reporting period ended

Finnlines Group has applied as from 1 January 2016 the following new and amended standards that have come into effect.

- *Annual Improvements to IFRSs* (2012–2014 cycle) (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The cycle contains amendments to four standards. Their impacts vary standard by standard but are not significant.
- Amendment to IAS *1 Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments clarify the guidance in IAS 1 in relation to applying the materiality concept, disaggregating line items in the balance sheet and in the statement of profit or loss, presenting subtotals and to the structure and accounting policies in the financial statement. The amendments have had a minor impact on presentation in Finnlines' consolidated financial statements.
- Amendments to IAS 16 *Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for financial years beginning on or after 1 January 2016): The amendments state that revenue-based methods of depreciation cannot be used for property, plant and equipment and may only be used in limited circumstances to amortise intangible assets if revenue and the consumption of the economic benefits of the intangible assets are highly correlated. The amendments have had no impact on Finnlines' consolidated financial statements.
- Amendments to IFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016): The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments have had no impact on Finnlines' consolidated financial statements.

Adoption of new and amended standards and interpretations applicable in future financial years

Finnlines has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.
* = not yet endorsed for use by the European Union as of 31 December 2016.

- IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018): The new standard replaces current IAS 18 and IAS 11 standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard introduces also extensive new disclosure requirements. The impacts of IFRS 15 on Finnlines Group's consolidated financial statements have been preliminary assessed, but the assessment may change when more specific analysis is done.
    - Key concepts of IFRS 15 have been preliminary analysed for different revenue streams. Based on the preliminary analysis the revenue arising from the frequent liner cargo transportation services and port operations is recognized over time as these services are being provided to the customer. Regarding transportation of cargo the rate of fulfilment is determined based on transportation days. The revenue arising from liner passenger transportation and related services is recognized at a point of time when the voyage has ended. The standard may have an effect on the time of recognition, if the sale includes several performance obligations or variable consideration, but the management estimates that the new standard will not have a significant impact on the financial statement of Finnlines group.
    - Timeline for implementation will be more precise, when the management has analysed different transition options more closely.
- Amendments to IFRS 15 – *Clarifications to IFRS 15 Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2018). The amendments include clarifications and further examples on how to apply certain aspects of the five-step recognition model. The impact assessment of the clarifications has been included in the IFRS 15 impact assessment described above.
- IFRS 9 *Financial Instruments** (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the

existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The impacts of IFRS 9 on Finnlines Group's consolidated financial statements have been assessed and the expected impacts are not significant.

- IFRS 16 *Leases** (effective for financial years beginning on or after 1 January 2019): The new standard replaces the current IAS 17 -standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting.
    - The impacts of IFRS 16 have been preliminary analysed, and based on preliminary analysis IFRS 16 Leases will have some impact on the financial statement of Finnlines Group as it has lease commitments related to office premises, port machinery, vessels or other equipment, which are currently classified as operational leases.
    - The timeline for implementation will be more precise, when the management has analysed different transition options more closely.

However a detailed analysis of the impact has not yet been made.

- Amendments to IAS 7 *Statement of Cash Flows – Disclosure Initiative** (effective for financial years beginning on or after 1 January 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments have an impact on the disclosures in Finnlines' consolidated financial statements.
- Amendments to IAS *12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses* *(effective for financial years beginning on or after 1 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments have no impact on Finnlines Group's consolidated financial statements.
- IFRIC 22 Interpretation *Foreign Currency Transactions and Advance Consideration** (effective for financial years beginning on or after 1 January 2018). When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation has no impact on Finnlines' consolidated financial statements.
- *Annual Improvements to IFRSs* (2014–2016 cycle)* (effective for financial years beginning on or after 1 January 2017 for IFRS 12 and on or after 1 January 2018 for IFRS 1 and IAS 28). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The cycle contains amendments to three standards. Their impacts vary standard by standard but are not significant.

ACCOUNTING PRINCIPLES THAT REQUIRE MANAGEMENT DISCRETION AND ESSENTIAL UNCERTAINTIES RELATED TO ESTIMATES

When preparing the financial statements, the Group's management has had to make estimates and assumptions which affect the content, and use its discretion in applying the accounting principles. The most significant uncertainties involved in estimates at the end of the reporting period relate to impairment of goodwill, deferred tax assets and other assets and provisions and contingent liabilities. The basis for these estimates is described in more detail in these accounting principles and, in particular, in the relevant notes to the consolidated financial statements: Note 18. Goodwill and other intangible assets, Note 23. Deferred tax assets and liabilities.

The most significant items where management has used discretion on accounting principles concern the depreciation times and residual values of the vessels and non-current assets of Port Operations and related liabilities classified as being held for sale as well as deferred tax assets as recognition of losses. The estimates and assumptions are based on management´s best current knowledge, but the actual figures may substantially differ from these estimates.

CONSOLIDATION PRINCIPLES

Subsidiaries

The Consolidated Financial Statements include the parent company, Finnlines Plc, and its subsidiaries. All the companies in which Finnlines Plc directly or indirectly holds more than 50 per cent of the voting rights, or over which it otherwise has control, are included. The control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The Group's acquisitions are accounted for according to the effective standards and accounting principles at the time of the business combination in question.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. The subsidiaries' accounting principles have been adjusted in the consolidation to correspond to the Group's accounting principles where appropriate.

The result for the reporting period and comprehensive income attributable to parent company shareholders and non-controlling interests are presented in the statement of comprehensive income. The shareholders' equity attributable to non-controlling interests is reported separately on the balance sheet under shareholders' equity. The non-controlling interest's proportionate share of profit or loss is attributed to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

JOINT OPERATIONS

Finnlines had a contractual joint operation concerning the liner services under the brand TransRussiaExpress to Russian ports in the Baltic Sea area in co-operation with a Russian port and terminal service operator during the year 2016. Finnlines managed the liner services provided. According to the contractual joint operation agreement, Finnlines recognises the revenue from the sale of its share of the output arising from the joint operation, and its expenses, including its share of any expenses incurred jointly. The joint arrangement was terminated on 31 December 2016.

NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount or fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

A discontinued operation represents a separate major line of business, or geographical area, which has been disposed of or is classified as held for sale.

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 functional currency of the subsidiaries is the official currency used in the location country except for Sweden, where the functional currency used is euro. The Consolidated Financial Statements are presented in euro, 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 at the end of the reporting period. 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 result before interest and taxes 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 statements of comprehensive income located outside the euro area are translated into EUR using weighted average exchange rates. Statements of financial positions are translated at the exchange rate prevailing at the end of the reporting period. Translation differences arising from investment 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 profit or loss from the sale of the subsidiary. 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 Financial Statements are listed as a separate item under shareholders' equity.

The Swedish Group companies' functional currency is euro, as the companies' primary trade currency is euro.

PROPERTY, PLANT AND EQUIPMENT

Fixed assets are valued at their acquisition cost, deducted by depreciation and impairment losses. The acquisition cost includes direct expenses incurred in the acquisition. Significant renovation and overhaul expenses arising at a later date are included in each asset's carrying value. They can be recognised as a separate asset only if it is likely that the future economic benefits associated with the item will flow 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:

Vessels	30–35 years
Buildings	10–40years
Constructions	5–10 years
Stevedoring machinery and equipment	5–35 years
Light machinery and equipment	3–10 years
Dry-docking	2–5 years

The estimated useful lives and the residual values of assets are revised at each end of the reporting period and, when necessary, adjusted to reflect changes that have taken place in the expected future economic benefits.

The depreciation on a tangible asset ceases 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 decommissioning and disposal of tangible assets are recognised under other income or expenses from operations.

If the carrying value of an asset exceeds its current recoverable amount, the value of the asset is written off to correspond to its recoverable amount. Any borrowing costs from long-term projects for the construction of tangible assets are capitalised as part of the borrowing costs. Other interest expenses incurred in relation to asset purchases are recognised as expenses for the reporting period during which they were incurred.

GOVERNMENT GRANTS

Grants to Shipping and Sea Transport Services are recognised in the profit and loss account as an adjustment of the personnel expenses of the vessels to which they relate.

Government grants related to funding of investments are recognised as an adjustment of acquisition cost of non-current fixed assets, reducing depreciation of the acquisition costs of the assets during the planned economical lifetime.

INTANGIBLE ASSETS

Intangible assets are recognised on the statement of financial position 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 of intangible assets are based on the following estimated useful lives:

Software	5–10 years
Other intangible assets	3–20 years

Goodwill

Goodwill arising on an acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

(figures in EUR thousand, if not stated otherwise)

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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 are not 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 depreciation 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.

IMPAIRMENT

Assets are reviewed for indications of impairment. If there are indications of impairment, the current recoverable amount of the asset in question is estimated using the higher of its current net selling price or its value in use.

Goodwill is tested for impairment annually and always if there is an indication of impairment.

If the carrying 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 carrying 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 end of the reporting period to see whether there is objective evidence of impairment of an item or a 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' carrying value and realisable present value. Impairment losses recognised through profit or loss for investments in equity instruments classified as available-for-sale are not reversed in subsequent years' profit and loss accounts.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

The Group's financial assets are classified as follows: 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. Transaction costs are included in the original carrying 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 at the transaction date.

Financial assets are derecognised from the statement of financial position 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 outside the Group.

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 for which hedge accounting according to IAS 39 is not applied are classified as assets held for trading. The assets in this category are valued at their fair value. Unrealised and realised profits and losses arising from changes in fair value are recognised in the profit and loss account in the reporting period during which they arise. The Group has no outstanding derivative contracts at balance sheet date 2015 or 2016.

Held-to-maturity investments are valued at amortised cost. During 2016, the Group had no financial assets to be classified into this category.

Subsequent to initial recognition available-for-sale financial assets are valued at fair value. Generally the fair value of investments in this category is determined based on quoted prices published on the active market, i.e. bid quotations at the balance sheet date. Unrealised gains and losses arising from valuation at fair value are recognised in the fair value reserve 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 end of the reporting period, in which case they are included under current assets. The majority of financial assets available for sale consists of unlisted shares which are valued at the lower of acquisition cost or probable value, as their fair value cannot be reliably measured.

Loans and other receivables are assets whose payments are fixed or can be reliably determined, and which are not quoted 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 using the effective interest method. Within the Finnlines Group, these items include accounts receivable and other receivables, granted loans and fixed-term deposits with a maturity longer than three months.

Cash and cash equivalents include cash in hand and at bank as well as other highly liquid assets with a low risk of change of value and with original maturity at acquisition date of less than three months.

Financial liabilities

Financial liabilities are initially recognised at the value of the original loan amount less any attributable transaction costs incurred in relation to the acquisition or issuing of the financial liability item in question. Subsequent, all financial liabilities are valued at amortised cost using the effective interest method. Financial liabilities are included in both non-current and current liabilities and they can be either interest-bearing or non-interest-bearing.

Derivatives that do not meet the conditions of hedge accounting or for which hedge accounting is not applied 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 statement of financial position.

Borrowing costs

Borrowing costs are recognised as expenses for the accounting period during which they have arisen, except for the borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset. The total of the capitalised costs and the items to which they have been capitalised as acquisition cost are shown in Note 17. Property, plant and equipment.

DERIVATIVES AND HEDGE ACCOUNTING

Derivative contracts are recognised at an acquisition cost that corresponds to their fair value at the date of acquisition. After acquisition, derivative contracts are measured at fair value, which is determined on the basis of bid and sales quotations published in the active market. Gains and losses arising from fair value measurement are recognised based on the purpose of derivative contracts.

Hedge accounting

The Group may hedge against risks arising from changes in foreign currency rates. Such risks include acquisitions of vessels made partly or fully in a foreign currency.

At the inception of a hedge relationship, the Group documents the relationship between the hedging instruments and hedged item, as well as its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents and evaluates whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is presented in other comprehensive income and is recorded in the fair value reserve under shareholders' equity. The gains and losses recognised in shareholders' equity are transferred to the profit and loss account for the accounting period in which the hedged item is recognised in the income statement. The ineffective portion of the hedge relationship is recognised in financial income or expenses. When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in shareholders' equity are transferred from equity and included in the acquisition cost of the asset.

The fair values of the derivative instruments used for hedging purposes are presented in the notes. When the hedging instrument for a cash flow item expires or is sold or no longer qualifies for hedge accounting, any cumulative gain or loss deferred in shareholders' equity at that time remains in shareholders' equity until the forecast transaction occurs. However, if the forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in shareholders' equity is recognised immediately in the profit and loss account.

Even though some hedging relationships may fulfil the requirements set by the Group's risk management on effective hedging, hedge accounting in accordance with IAS 39 is not applied to them. Such instruments include any derivatives hedging against foreign currency risk related to operations, and interest rate derivatives hedging against interest rate risk of debt portfolio, whose fair value changes are recognised in financial income and expenses. In the statement of financial position these items are shown, according to their nature, under either short- or long-term receivables or payables.

LEASES

The Group as a lessee

Leases with the Group as leaseholder, where 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 a 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 statement of financial position 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 present 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 of the leased assets subject to depreciation is calculated according to the same principles as depreciation of owned assets. If there is reasonable certainty that the Group will obtain 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.

The Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Leases where the Group acts as a lessee of vessels under operating leases but where the Group generates income through subleasing these, are also classified as operating leases. Lease income from operating leases is recognised in income on a straight-line basis over the lease term, and in case of vessels, normally adjusted with the non-usable days for the lessee.

INVENTORIES

Inventories include the fuel, lubricant, bulk and food supplies of the Group's vessels, as well as goods for sale 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 sale has been deducted.

EQUITY

Instruments issued by the Group, which do not contain contractual obligation to transfer cash or financial assets or to exchange financial assets or financial liabilities with other entities under potentially unfavourable terms, and which evidence a residual interest in the assets of the Group after deducting all of its liabilities, are classified as equity. The share capital consists of ordinary shares.

Costs arising from issues or acquisitions of equity instruments are accounted for as a deduction from equity. If the Group reacquires its own equity instruments, those instruments are deducted from equity.

INCOME TAXES

Current tax expenses recognised on the profit and loss 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 taxes are recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are calculated using the tax rates valid at the end of the reporting period or rates enacted by the balance sheet date for the following financial year.

Deferred tax assets are recognised to the extent that it is likely that future taxable profit will be available, against which the tax receivables can be used. In the Group, the most significant temporary differences relate to unused tax losses and depreciation of tangible fixed assets.
No deferred taxes are recognised for subsidiaries' undistributed earnings.

Finnlines Plc entered into the Finnish tonnage tax system on 1 January 2013. In the tonnage tax system, the shipping operations shifted from taxation of business income to tonnage-based taxation. Finnlines Deutschland GmbH transferred from tonnage-based taxation to business taxation at the end of January 2014.

EMPLOYEE BENEFITS

Pension liabilities

The Group has various pension plans in accordance with the local regulations of each country in which it operates. The Group's pension plans are classified as defined contribution plans and defined benefit plans.

The Group's employee pension plans are mainly administered by external pension insurance companies. The Finnish TyEL

pension insurance administered by external pension insurance companies is treated as defined contribution plan.
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 in the reporting period to which the payment applies.

In defined benefit plans, the employer's pension liability is based on the present value of the obligation defined in the plan and on the fair value of the assets included in the plan, which are calculated using actuarial calculations determined in 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 present 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.

The pension cost together with the net interest cost is recognised in personnel expenses in profit or loss. Remeasurements of the net defined liability (actuarial gains and losses together with the return on plan assets) are recognised in other comprehensive income as incurred.

Past service costs are recognised in profit or loss at the period earliest: when the change or curtailment of the plan has been due or the Group has recognised the costs arising from reorganisation or benefits related to post employment.

Share-based payments

At the end of the reporting period, the Group had no share schemes in force.

PROVISIONS AND CONTINGENT LIABILITIES

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 at the end of the reporting period.

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. An existing obligation that probably does not require a settlement or the amount of which cannot be reliably measured is also a contingent liability.

REVENUE RECOGNITION

The Group's revenue is mainly generated through sales of services which are principally port operations and transports of cargo and passengers. Revenue is recognised as the services are rendered in proportion to the stage of completion. Revenue is recognised at the fair value of the consideration received or receivable, adjusted by indirect taxes, revenue adjustments and exchange rate differences. Revenue from time chartered vessels is recognised based on chartered days.

INTERESTS AND DIVIDENDS

Interests are recorded using the effective interest method and the dividends when the right to receive dividend is established.

SEGMENT REPORTING

The Group presents segment reporting in accordance with IFRS 8 based on its internal reporting structure.

3. SEGMENT INFORMATION

The Group's segment reporting is based on two strategic business segments which provide different services requiring different resources and which are managed as separate businesses. The Group has two business segments: Shipping and Sea Transport Services, and Port Operations.

The Group's segment results and decisions concerning assets to be allocated to the segments are evaluated based on the segments' results before interest and taxes. The Group management considers this to be the most appropriate indicator when comparing segment results against other companies in the industry. Segment results are used to evaluate performance and allocate resources by the Executive Committee in its role as Chief operating decision maker.

SHIPPING AND SEA TRANSPORT SERVICES

Finnlines' Shipping and Sea Transport Services segment includes Finnlines' traffic in the Baltic Sea, the North Sea and the Bay of Biscay, as well as FinnLink, NordöLink and TransRussiaExpress traffic.

PORT OPERATIONS

During the reporting period, Finnlines engaged in port operations under the name Finnsteve in the ports of Helsinki and Turku in Finland. Finnsteve specialises in providing the following services to operators of regular unitised cargo traffic: stevedoring, terminal services, ship clearance, warehousing and container depot services.

EUR 1,000	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
Result per segment for reporting period ending 31 Dec 2016:				
Total revenue from segment	453,587	38,352		491,939
Intra-group revenue	-70	18,299	-18,228	-18,228
External revenue	453,657	20,053		473,711
Result before interest and taxes (EBIT)	82,791	-1,264		81,528
Financial items				-14,566
Income taxes				1,162
Result for reporting period				**68,124**
Result per segment for reporting period ending 31 Dec 2015:				
Total revenue from segment	492,870	35,932		528,803
Intra-group revenue	-150	17,785	-17,635	-17,635
External revenue	493,021	18,147		511,167
Result before interest and taxes (EBIT)	72,212	-1,929		70,284
Financial items				-17,130
Income taxes				3,675
Result for reporting period				56,829

Intra-group transfers and transactions are carried out using normal commercial conditions, equivalent to those used with external parties.

(figures in EUR thousand, if not stated otherwise)

SEGMENT ASSETS, LIABILITIES AND CAPITAL EXPENDITURE FOR 2016 AND 2015

EUR 1,000	Shipping and Sea Transport Services	Port Operations	Eliminations	Group
Non-cash expenses in the profit and loss account				
2016				
Depreciation	-55,156	-2,431		-57,587
Impairment losses in accounts receivable	-78	-1		-79
2015				
Depreciation	-53,871	-2,719		-56,590
Impairment losses in accounts receivable	-155	-48		-203
Assets, liabilities and capital expenditure by segment				
2016				
Segment assets	1,116,198	82,281	-385	1,198,093
Unallocated assets				7,326
Total assets				**1,205,419**
Segment liabilities	61,629	7,649	-385	68,892
Unallocated liabilities				548 426
Total liabilities				**617 319**
Capital expenditure	**45,937**	**319**		**46,256**
Assets, liabilities and capital expenditure by segment				
2015				
Segment assets	1,137,844	81,849	-965	1,218,727
Unallocated assets				12,398
Total assets				1,231,125
Segment liabilities	55,603	7,377	-542	62,438
Unallocated liabilities				607,324
Total liabilities				669,762
Capital expenditure	63,874	234		64,107

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

Capital expenditure includes additions to tangible assets (Note 17. Property, Plant and Equipment) and to intangible assets (Note 18. Goodwill and Other Intangible Assets).

The assets of the Port Operations segment contain EUR 15.1 million classified as assets held for sale, including EUR 0.2 million debts.

(figures in EUR thousand, if not stated otherwise)

INFORMATION ABOUT GEOGRAPHICAL AREAS

The revenue from the geographical areas is reported according to the location of the customers. Assets are reported according to the geographical location of the Group. The revenue related to non-freight related passengers is shown for the country of departure. The Group's vessels are also included in the reported assets even though they are by nature mobile and their location can be easily changed.

EUR 1,000	2016	2015
Revenue		
Finland	**189,472**	237,254
Sweden	**79,664**	84,630
Germany	**70,557**	59,141
Other EU countries	**118,246**	114,257
Russia	**7,950**	7,333
Other	**7,822**	8,554
	473,711	511,167

Assets *		
Finland	**765,979**	741,132
Sweden	**333,299**	340,194
Germany	**9,505**	41,037
Other EU countries	**-1,860**	-222
	1,106,923	1,122,141

* Non-current assets of the Group excluding financial instruments, deferred tax assets and post-employment benefit assets.

The Group has no customers whose revenue would exceed 10 per cent of the Group total revenues.

4. JOINT OPERATIONS

Finnlines offered liner shipping services under the brand TransRussiaExpress to Russian ports in the Baltic Sea area in co-operation with a Russian port and terminal service provider. Finnlines' vessels were used in the liner traffic and Finnlines managed the liner services provided. Finnlines' interest in the business was 75 per cent and the Russian terminal service provider held a 25 per cent interest. Finnlines combined 75 per cent of the income and expenses from the joint operations. The joint arrangement was terminated on 31 December 2016. Finnlines has a receivable of EUR 0.8 million from the terminal service provider relating to the joint operations. Finnlines has no other financial commitments on 31 December 2016.

5. NON-CURRENT ASSETS HELD FOR SALE

Port Operations are negotiating a sale of port assets with the carrying value of around EUR 15.1 million. The assets related to Port Operations include liabilities of EUR 0.2 million. No impairment losses have been recognised on the carrying amount of the assets.

6. ACQUIRED NON-CONTROLLING INTERESTS

No acquisitions were made in 2016 or in 2015.

7. REVENUE

EUR 1,000	2016	2015
Revenue		
Sale of goods	**13,242**	12,012
Rendering of services	**454,604**	495,668
Vessel hires	**5,865**	3,487
	473,711	511,167

(figures in EUR thousand, if not stated otherwise)

8. OTHER INCOME FROM OPERATIONS

EUR 1,000	2016	2015
Other income from operations		
Rental income	**999**	873
Profits from sale of tangible assets	**5,146**	397
Other income from operations	**506**	540
	6,652	1,810

Profits from sale of tangible assets include sales profit of EUR 4.4 million derived from the sale of one vessel in 2016.

9. MATERIALS AND SERVICES

EUR 1,000	2016	2015
Cost of services provided		
Materials and supplies		
Purchases during reporting period	**-73,688**	-99,976
Change in inventories	**2,367**	-1,592
Purchased services	**-55,164**	-59,696
	-126,486	-161,264

10. PERSONNEL EXPENSES

EUR 1,000	2016	2015	2014
Employee benefit expenses			
Salaries	**-87,932**	-83,901	-88,083
Other social costs	**-10,923**	-10,103	-9,997
Pension expenses – defined contribution plans	**-12,293**	-9,951	-10,891
Pension expenses – defined benefit plans	**-127**	-156	-177
Government grants for shipping companies	**21,521**	19,925	20,731
	-89,753	-84,186	-88,418
Average number of Group employees			
Shipping and Sea Transport Services	**1,372**	1,317	1,371
Port Operations	**281**	280	330
	1,653	1,597	1,701
Number of employees on 31 December	**1,627**	1,588	1,635

Information on the employee benefits of the senior management is presented in Note 35. Transactions with Related Parties.

According to the European Community guidelines on State aid to maritime transport valid throughout Europe, Finnlines has benefited from government grants for personnel expenses worth EUR 21.5 (19.9) million, like many other shipowners in European countries. In Finland, the amount corresponds to the tax withheld in advance from seamen's income, and the amount paid by the employer for seamen's social security fees, pension fees and employees' insurance fees. In Sweden, the government grant corresponds to the tax withheld in advance from seamen's income and the amount paid by the employer for the seamen's social fees.

11. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

EUR 1,000	2016	2015
Depreciation of tangible assets		
Buildings	**-2,243**	-2,203
Machinery and equipment	**-1,233**	-1,118
Vessels	**-53,645**	-50,749
Amortisation of intangible assets	**-467**	-2,520
Total depreciation and amortisation	**-57,587**	-56,590

(figures in EUR thousand, if not stated otherwise)

12. OTHER OPERATING EXPENSES

EUR 1,000	2016	2015
Port expenses, equipment and other voyage related costs	**-49,345**	-50,511
Leases	**-12,752**	-28,449
Manning service costs and other non-obligatory personnel costs	**-1,782**	-760
Vessel insurances, repairs and maintenance costs	**-33,484**	-30,227
Catering costs	**-12,396**	-11,696
IT costs	**-2,940**	-2,369
Sales and marketing costs	**-3,684**	-3,944
Real estate costs excluding rents and leases	**-3,024**	-2,956
Other costs	**-5,603**	-9,742
	-125,009	-140,654

AUDITOR'S REMUNERATION

The Group's principal auditor was KPMG Oy Ab in 2016.

EUR 1,000	2016	2015
Audit fees		
KPMG	**150**	171
Other	**21**	26
Tax consultancy and other fees		
KPMG	**58**	115
Other	**8**	5
	237	317

13. FINANCIAL INCOME AND EXPENSES

EUR 1,000	2016	2015
Dividend income, available-for-sale assets	**13**	12
Interest income		
Bank deposits	**1**	0
Loans and accounts receivable	**83**	154
Other receivables	**61**	455
Exchange rate gains		
Other exchange rate gains	**251**	311
Other financial income	**4**	1
Total financial income	**412**	934
Interest expenses		
Borrowings measured at amortised cost	**-11,072**	-14,122
Other interest expenses	**-78**	-3
Exchange rate losses		
Other exchange rate losses	**-218**	-208
Other financial expenses	**-3,611**	-3,731
Total financial expenses	**-14,978**	-18,064
Net financial expenses	**-14,566**	-17,130

The Group's financial income and expenses include exchange rate gains and losses, most of which are related to valuation of foreign currency accounts. The main part of the other financial expenses is composed of guarantee fees and other expenses related to borrowings.

(figures in EUR thousand, if not stated otherwise)

14. INCOME TAXES

EUR 1,000	2016	2015
Tax on taxable income of the reporting period	-135	-221
Tax from previous periods	127	32
Change in deferred taxes	1,170	3,865
Income taxes in profit and loss, expense (-)	1,162	3,675

Reconciliation of differences between tax on the profit and loss and taxes calculated using Finnish tax rates

EUR 1,000	2016	2015
Result before taxes	66,950	53,153
Tax calculated using Finnish tax rate	-13,390	-10,631
Foreign subsidiaries' differing tax rates *	-372	-252
Tax-exempt income and non-deductible expenses	-48	-13
Losses for which no deferred tax asset was recognised	-25	-75
Impact of tonnage tax **	14,870	14,614
Tax from previous periods	127	32
Change in deferred taxes of re-investment provision		
Income taxes in profit and loss, expense (-)	1,162	3,675

* As of 1 January 2014, the applicable tax rate has been 20.0 per cent in Finland.

** The Finnish parent company Finnlines Plc entered into the Finnish tonnage taxation regime as from 1 January 2013. The adoption is binding at least until 31 December 2022. Current tax includes EUR 83 (92) thousand of tonnage tax to be paid in Finland.

Income tax on other comprehensive income

EUR 1,000	2016	2015
Remeasurement of defined benefit liability	-29	-36
	-29	-36

15. EARNINGS PER SHARE

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

EUR 1,000	2016	2015
Result for the reporting period attributable to parent company shareholders, EUR 1,000	68,133	56,841
Weighted average no. of shares, 1,000	51,503	51,503
Undiluted earnings per share, EUR/share	1.32	1.10

16. DIVIDENDS

Finnlines paid EUR 41.3 million in dividend in 2016.

The parent company Finnlines Plc's result for the reporting period was EUR 56.0 million. The Board of Directors proposes to the General Meeting that the General Meeting authorise the Board of Directors to decide, at its discretion, on the payment of dividend up to Finnlines Plc's result for the reporting period in 2016.

(figures in EUR thousand, if not stated otherwise)

17. PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land	Buildings	Vessels *	Machinery and equipment	Advance payments and acquisitions under construction *	Total **
Reporting period ending 31 Dec 2016						
Acquisition cost 1 Jan 2016	72	72,773	1,352,785	65,430	23,459	1,514,518
Exchange rate differences		8		-90		-82
Increases		361	36,536	2,091	7,031	46,018
Disposals ***			-22,781	-675		-23,456
Reclassifications between items			20,373		-20,373	0
Transfer to non-current assets held for sale ****		-4,369		-22,395		-26,763
Acquisition cost 31 Dec 2016	**72**	**68,773**	**1,386,912**	**44,361**	**10,117**	**1,510,234**
Accumulated depreciation and impairment losses 1 Jan 2016		-19,544	-439,791	-42,444		-501,779
Exchange rate differences		-7		83		76
Cumulative depreciation on reclassifications and disposals			18,903	671		19,575
Depreciation for the reporting period		-2,243	-53,645	-1,233		-57,120
Accumulated depreciation and impairment losses 31 Dec 2016		-21,793	-474,532	-42,923		-539,248
Transfer to non-current assets held for sale ****		1,132		10,510		11,642
Carrying value 31 Dec 2016	**72**	**48,111**	**912,380**	**11,948**	**10,117**	**982,629**
Assets classified as held for sale 31 Dec 2016						
Acquisition cost						
Transfer to non-current assets held for sale 1 Jan 2016		4,369		22,395		26,763
Reclassification between items						
Accumulated depreciation						
Transfer to non-current assets held for sale 1 Jan 2016		-1,132		-10,510		-11,642
Reclassification between items						
Carrying value 31 Dec 2016		**3,237**		**11,885**		**15,121**

* During 2016, EUR 14,5 million environmental aid granted by the European Union was allocated to environmental investments in vessels.

** The carrying value of property, plant and equipment includes EUR 21.3 (22.3) million of capitalised borrowing costs during construction.

*** Includes sale of one vessel.

**** Finnlines is negotiating a sale of port operations' assets with carrying value of EUR 15.1 million. No impairment losses were recognised on the carrying values of these assets in 2015 or 2016, as according to management's estimate, the fair value of the assets classified as held for sale was higher than the carrying value at the balance sheet date 31 December 2015 and 31 December 2016.

The Company's management has reassessed and changed the economic depreciation and amortisation plan of four Kalmar STS container cranes in the Vuosaari Harbour from 25 to 35 years as of 1 January 2016.

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	Land	Buildings	Vessels	Machinery and equipment	Advance payments and acquisitions under construction	Total
Reporting period ending 31 Dec 2015						
Acquisition cost 1 Jan 2015	72	72,773	1,287,982	66,273	25,928	1,453,028
Exchange rate differences				33		33
Increases			44,934	279	18,117	63,330
Disposals			-708	-1,164		-1,872
Reclassifications between items			20,578	9	-20,586	0
Transfer to non-current assets held for sale *		-4,369		-22,395		-26,763
Acquisition cost 31 Dec 2015	72	68,404	1,352,785	43,035	23,459	1,487,755
Accumulated depreciation and impairment losses 1 Jan 2015		-17,341	-389,749	-42,459		-449,549
Exchange rate differences				-30		-30
Cumulative depreciation on reclassifications and disposals			707	1,162		1,870
Depreciation for the reporting period		-2,203	-50,749	-1,118		-54,070
Accumulated depreciation and impairment losses 31 Dec 2015		-19,544	-439,791	-42,444		-501,779
Transfer to non-current assets held for sale *		1,132		10,510		11,642
Carrying value 31 Dec 2015	72	49,993	912,994	11,101	23,459	997,619
Assets classified as held for sale 31 Dec 2015						
Acquisition cost						
Transfer to non-current assets held for sale 1 Jan 2015		4,369	21,675	22,395		48,439
Reclassification between items			-21,675			-21,675
Accumulated depreciation						
Transfer to non-current assets held for sale 1 Jan 2015		-1,132	-16,499	-10,510		-28,141
Reclassification between items			16,499			16,499
Carrying value 31 Dec 2015		3,237	0	11,885		15,121

* Finnlines negotiated a sale of assets concerning Port Operations, with book value of EUR 15.1 million. No impairment was made to the book values of these assets in 2015, as according to management's estimate, the fair value of the assets classified as held for sale was higher than the book value at the balance sheet date 31 December 2015.

Assets leased through finance leases are included in property, plant and equipment as follows

EUR 1,000	Machinery and equipment	Buildings	Total
31 Dec 2016			
Acquisition cost	27,390	7,181	34,571
Increases during reporting period	1,657		1,657
Reclassifications	-24,705	-2,250	-26,954
Accumulated depreciation	-2,213	-3,348	-5,561
Carrying value	**2,129**	**1,582**	**3,712**
31 Dec 2015			
Acquisition cost	27,390	7,181	34,571
Increases during reporting period			
Accumulated depreciation	-5,717	-3,927	-9,644
Carrying value	21,672	3,254	24,927

(figures in EUR thousand, if not stated otherwise)

During the reporting year Finnlines terminated the financial leasing contracts of four Kalmar STS container cranes in Vuosaari harbour and the office building in Germany by paying the residual values to the leasing companies. The office building in Germany and two container cranes are continuing tangible assets and two container cranes are classified as held for sale at 31 December 2016. The early termination of financial lease contracts did not cause extra one-off costs.

18. GOODWILL AND OTHER INTANGIBLE ASSETS

EUR 1,000	Goodwill	Advance payments for intangible assets	Other intangible assets *	Total intangible assets
Reporting period ending 31 Dec 2016				
Acquisition cost 1 Jan 2016	105,644	261	24,993	130,897
Increases		89	150	238
Disposals				
Reclassifications		-88	88	0
Acquisition costs 31 Dec 2016	**105,644**	**261**	**25,232**	**131,136**
Accumulated amortisation and impairment losses 1 Jan 2016			-21,496	-21,496
Cumulative amortisation on reclassifications and disposals				
Depreciation for the reporting period			-467	-467
Accumulated amortisation and impairment losses 31 Dec 2016			-21,963	-21,963
Carrying value 31 Dec 2016	**105,644**	**261**	**3,269**	**109,173**
Reporting period ending 31 Dec 2015				
Acquisition cost 1 Jan 2015	105,644	1,471	29,750	136,865
Increases		261	517	778
Disposals			-6,745	-6,745
Reclassifications		-1,471	1,471	0
Acquisition costs 31 Dec 2015	105,644	261	24,993	130,897
Accumulated amortisation and impairment losses 1 Jan 2015			-25,722	-25,722
Cumulative amortisation on reclassifications and disposals			6,745	6,745
Depreciation for the reporting period			-2,520	-2,520
Accumulated amortisation and impairment losses 31 Dec 2015			-21,496	-21,496
Carrying value 31 Dec 2015	105,644	261	3,497	109,401

* Other intangible assets consist mainly of capitalised ERP system implementation projects and ERP licences. The Company expects these systems and licences to generate economic benefits over a time span longer than the reporting period.

(figures in EUR thousand, if not stated otherwise)

GOODWILL IMPAIRMENT TESTING

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation principle has remained unchanged since 2015, although minor changes were made to the vessel set-up due to the fleet re-organisation during 2016. The goodwill related to Finland–Germany traffic is allocated to the HansaLink service, which is operated with a vessel system between Finland, Germany, and Poland. Goodwill related to the South Sweden–Germany traffic is allocated to the NordöLink service.

EUR 1,000	**2016**	2015
Allocation of goodwill to the cash-generating units		
NordöLink	**68,972**	68,972
HansaLink (incl. Finland–Germany–Poland traffic)	**36,671**	36,671
Total	**105,644**	105,644

NordöLink and HansaLink are included in the Shipping and Sea Transport Services segment.

The current recoverable amount is determined based on their value in use. The cash flow forecasts for the tested units are based on the next year's budget and the forecasts for the subsequent four years (five-year business plans) approved by the management. The projections of cash flow for the five-year period are based on the management's experience and assumed future development of markets, and are in line with the external market forecasts.

During 2016, minor alterations were made to the traffic patterns between Finland, Germany, and Poland. Three Star-class vessels continued to ply between Helsinki and Travemünde, and a ro-ro vessel was sailing on the direct route between Hanko and Rostock. As from January 2016, the direct route to Gdynia ran from Hanko instead of Helsinki. As from January 2017 the route between Hanko and Rostock is operated with two ro-ro vessels, thus increasing the amount of weekly sailings.

NordöLink traffic continued with a large Star-class vessel and two smaller ro-pax vessels.

Both of these services operate in one of the Emissions Control Areas, i.e. the Baltic Sea, where the sulphur content limits are stricter than globally. The sulphur limit for heavy fuel oil was reduced to 0.10 per cent in 2015 in accordance with the MARPOL Convention. Finnlines has invested in exhaust gas scrubbers to meet the new environmental regulations, and the effects of these investments on both the costs and sea freight rates have been taken into account in the tests.

The main assumptions in the five-year business plans relate to market growth, market share, price level and development of passenger services. The market growth rates used are derived from recent external economic forecasts adjusted to the relevant market. The cash flows after the forecast period of five years are extrapolated using the growth factors listed below. The growth factors used do not exceed the actual long-term growth rate in the sector in question.

The weighted average pre-tax cost of capital (WACC) is used as a discount rate. The components used to calculate the WACC are risk free interest rate, market risk premium, industry beta-coefficient, target capital structure and the cost of debt. The same common components to calculate the discount rates for all cash generating units are used, adjusted with the relevant tax rates. The usage of the same common components in discount rates is justified as the risks related to the different businesses are interlinked and relate to the general economic development in the Baltic Sea area.

MAIN ASSUMPTIONS USED IN CALCULATING VALUE IN USE IN 2016

	Cash-generating unit	
	HansaLink	**NordöLink**
Discount rate (pre-tax)	**4.6%**	**4.6%**
LTP period	**2017–2021**	**2017–2021**
Growth rate after LTP period	**2.0%**	**2.0%**
The resulting share of terminal value of the calculated discounted cash flow	**89.3%**	**87.7%**

MAIN ASSUMPTIONS USED IN CALCULATING VALUE IN USE IN 2015

	Cash-generating unit	
	HansaLink	NordöLink
Discount rate (pre-tax)	4.9%	4.9%
LTP period	2016–2020	2016–2020
Growth rate after LTP period	2.0%	2.0%
The resulting share of terminal value of the calculated discounted cash flow	88.1%	86.6%

Based on the forecasts, the current recoverable amounts of the Finland–Germany–Poland service (HansaLink) and NordöLink clearly exceed the carrying value at the end of 2016. Sensitivity tests were conducted for all the key assumptions and parameters in the business plans and in the future extrapolation. The tested parameters were market growth, market share, price level development, passenger business contribution, discount rate and growth rate after a period of five years, which were tested based on their relevance in the cash generating unit. The management views that no reasonably possible change in any of the key parameters would lead to impairment as the recoverable amounts exceed the carrying amounts considerably.

The goodwill of the Company is related to the lines and corresponding traffic flows, which can be handled with various vessel systems as the vessels are relatively easily movable assets. For both cash generating units, the assumption of infinite cash flow (the Gordon model) is applied. As the goodwill is not dependent of the system of certain vessels and their deterioration due to passage of time, the infinity assumption is a reasonable approach to measure the future cash flows. The shares of terminal values (cash flows after a five-year period) are listed above. When preparing cash flow forecasts, the Company also reviews the differences between the previous forecast and actual outcomes of the key variables.

(figures in EUR thousand, if not stated otherwise)

19. SUBSIDIARIES

Finnlines Plc has 21 subsidiaries, which are specified in Note 36. Subsidiaries.

20. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has no investments in associated companies.

21. OTHER FINANCIAL ASSETS

EUR 1,000	**2016**	2015
Investments in unlisted shares	**4,580**	4,576
Available-for-sale financial assets 31 December	**4,580**	4,576

The main part of the unlisted shares consists of a stevedoring company. The shares are measured at cost, as according to management, the fair value of the investment cannot be measured reliably because there is no sufficient information available to make a reliable estimate of the fair value. In 2015 and 2016, the Group had no financial assets classified under the category held-to-maturity investments.

22. NON-CURRENT RECEIVABLES

	2016		2015	
EUR 1,000	**Fair Value**	**Carrying amount**	Fair Value	Carrying amount
Loans and other receivables				
Loan receivables	**200**	**200**	400	400
Other receivables	**1,520**	**1,520**	858	858
	1,720	**1,720**	1,258	1,258

23. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred taxes in 2015 and 2016

EUR 1,000	1 Jan 2015	Recognised in profit and loss	Recognised in other comprehensive income	31 Dec 2015
Deferred tax assets:				
Fair value valuation loss, IAS 32, 39	18	-14		4
Unused losses in taxation	4,235	757		4,992
Group difference, vessels and equipment	510	-102		408
Other differences	212	-166		46
Remeasurement of defined benefit plans	377		-36	341
	5,353	475	-36	5,792
Deferred tax liabilities:				
Depreciation difference 1 Jan 2015	14,870	1,956		16,825
Deferred tax liability in tonnage taxation	38,083	-5,659		32,424
Group difference, vessels and equipment	2,534	-131		2,402
Fair value valuation gains and financial lease	518	447		965
Currency difference	0			0
Other differences	99	-2		96
	56,102	-3,390	0	52,713

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	1 Jan 2016	Recognised in profit and loss	Recognised in other comprehensive income	31 Dec 2016
Deferred tax assets:				
Fair value valuation loss, IAS 32, 39	4	-24		**-19**
Unused losses in taxation	4,992	351		**5,343**
Group difference, vessels and equipment	408	-408		**0**
Other differences	46	-37		**10**
Remeasurement of defined benefit plans	341		-29	**312**
	5,792	**-117**	**-29**	**5,646**
Deferred tax liabilities:				
Depreciation difference 1 Jan 2016	16,825	3,523		**20,348**
Deferred tax liability in tonnage taxation *	32,424	-4,943		**27,481**
Group difference, vessels and equipment	2,402	-144		**2,258**
Fair value valuation gains and financial lease	965	309		**1,274**
Other differences	96	-32		**65**
	52,713	**-1,288**	**0**	**51,425**

* Specification of Finnlines Plc's deferred tax liabilities at the transition to tonnage taxation on 1 January 2013 and the transactions recognised in the profit and loss account until 31 December 2015.

EUR 1,000	Deferred tax liabilities
Finnlines Plc's depreciation in excess of plan 31 Dec 2012 / 1 Jan 2013	52,692
Difference between vessel's legal and Group value	1,340
Deferred tax liability 2013	54,033
Recognised in the income statement 1 Jan 2013	
Difference between vessel's group value and fair value	364
Recognised in the income statement 1 Jan–31 Dec 2013	
Tax relief of vessels crew's social costs	-3,352
Effect of change of tax rate on tax 1 Jan 2014	-9,376
Deferred tax liability in tonnage taxation at 31 Dec 2013	41,669
Tax relief of vessels crew's social costs (the second tonnage tax period)	-3,587
Deferred tax liability in tonnage taxation at 31 Dec 2014	38,083
Recognised in more tax relief for vessels crew social costs 2013, 2014 (the third tonnage tax period)	-1,479
Tax relief of vessels crew's social costs 2015 (the third tonnage tax period)	-4,180
Deferred tax liability in tonnage taxation at 31 Dec 2015	32,424
Tax relief of vessels crew's social costs 2016 (the fourth tonnage tax period)	-5,155
Tax relief of vessels crew's social costs 2015 (the third tonnage tax period), change	211
Deferred tax liability in tonnage taxation at 31 Dec 2016	**27,481**

EUR 1,000	**2016**	2015
Deferred tax assets and liabilities		
Total deferred tax assets	**5,646**	5,792
Deferred tax assets in statement of financial position	**5,646**	5,792
Deferred tax liabilities	**51,425**	52,713
Deferred tax liabilities in statement of financial position	**51,425**	52,713

Deferred tax liabilities are not recognised for subsidiaries' undistributed earnings, because in most cases these earnings are transferred to the Company without any tax consequences. In addition, the Group does not recognise deferred tax liabilities for subsidiaries' undistributed earnings when the related funds are intended for permanent investment in the companies in question.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group has recognised EUR 5.1 (4.7) million deferred tax assets from Finnsteve companies' carry forward losses. This is based on Finnsteve companies' improved financial performance and estimated results for future years. The estimate also takes into account that the parent company has a possibility to give group contribution to Finnsteve companies.

(figures in EUR thousand, if not stated otherwise)

The Group did not recognise deferred income tax assets of EUR 0.7 (0.5) million because, according to management's view, utilisation of losses involves considerable uncertainty.

The Group has recognised deferred tax assets for unutilised losses in taxation EUR 5.3 (5.0) million. The tax losses will expire in 2020–2024.

24. INVENTORIES

EUR 1,000	**2016**	2015
Material and equipment	**5,893**	3,644
Inventory for resale	**807**	689
	6,700	4,333

No write-downs of inventories were recognised during the reporting period.

25. CURRENT RECEIVABLES

	2016		2015	
EUR 1,000	**Fair Value**	**Carrying amount**	Fair Value	Carrying amount
Accounts receivable and other receivables				
Loans and other receivables				
Accounts receivable	**55,937**	**55,937**	55,206	55,206
Accrued income and prepaid expenses	**14,119**	**14,119**	18,151	18,151
Other receivables	**7,493**	**7,493**	12,461	12,461
Loan receivables	**200**	**200**	200	200
	77,749	**77,749**	86,019	86,019

The tables below show the analysis of accounts receivable by age and currency. Significant items of accrued receivables are specified in the following table.

EUR 1,000	**2016**	2015
Significant items of accrued income and prepaid expenses		
Government grants for shipping companies	**9,247**	8,788
Personnel costs	**74**	1,018
Port expenses, cargo handling and other voyage-related costs	**1,379**	1,550
Docking costs	**1,426**	600
Reimbursement of average repairs, vessels	**1,005**	1,547
Other accrued receivables	**988**	4,648
	14,119	18,151

EUR 1,000	2016	Impaired receivables	**Net 2016**
Aging of accounts receivable 2016			
Undue	46,147		**46,147**
Overdue			
1–30 days	8,056		**8,056**
31–60 days	57	1	**56**
61–90 days	308	1	**307**
91–360 days	620	35	**584**
over 360 days	1,602	814	**787**
Total overdue	10,643	852	**9,790**
	56,789	852	**55,937**

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	2015	Impaired receivables	Net 2015
Aging of accounts receivable 2015			
Undue	45,068	1	45,067
Overdue			
1–30 days	7,223	2	7,221
31–60 days	246		246
61–90 days	424	8	416
91–360 days	2,504	105	2,399
over 360 days	527	670	-143
Total overdue	10,924	785	10,139
	55,992	786	55,206

EUR 1,000	2016	2015
Accounts receivable by currency		
EUR	**55,641**	54,856
SEK	**9**	14
GBP	**264**	297
USD	**18**	32
DKK	**5**	6
	55,937	55,206

The carrying values of accounts receivable and other receivables are reasonable estimates of their fair values. In 2016, the Group has recognised impairment losses of EUR -79 (-203) thousand in profit or loss. The maximum credit risk related to accounts receivable and other receivables is their carrying amount.

26. CASH AND CASH EQUIVALENTS

EUR 1,000	2016	2015
Cash in hand and cash equivalent	**1,943**	6,468
	1,943	6,468

The cash and cash equivalents item does not include any bank overdrafts to be paid on demand.

27. SHARE CAPITAL AND OTHER RESERVES

	No. of shares outstanding (1,000)	Share capital EUR 1,000
31 Dec 2015	51,503	103,006
31 Dec 2016	**51,503**	**103,006**

Share Capital

The share capital (ordinary shares) consists of shares in one series. Each share has a nominal value of EUR 2.00 and carries one vote in the Annual General Meeting. According to the Articles of Association, the maximum share capital was EUR 200 million on 31 December 2016 (the maximum share capital was EUR 200 million on 31 December 2015). All issued shares have been fully paid.

The number of Finnlines Plc’s shares amounted to 51,503,141 shares and share capital to EUR 103,006,282.

Share premium account

EUR 1,000	2016	2015
Share premium account	**24,525**	24,525

Share premium account generated under the former Finnish Companies’ Act.

(figures in EUR thousand, if not stated otherwise)

Fund for unrestricted equity

EUR 1,000	2016	2015
Unrestricted equity reserve 1 January	**40,016**	40,016
Increase	**0**	0
Unrestricted equity reserve 31 December	**40,016**	40,016

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

Ownership of Finnlines Plc
The shareholding of Finnlines Plc is presented in Note 37. Shares and Shareholders.

28. PROVISIONS

EUR 1,000	2016	2015
Non-current provisions	**1,757**	1,810
Current provisions	**262**	345
	2,019	2,155

EUR 1,000	Tax provision	Other provisions	Total
1 Jan 2016	327	1,828	2,155
Increases in provisions			
Decreases in provisions	-83	-53	-136
31 Dec 2016	**244**	**1,775**	**2,019**

EUR 1,000	Tax provision	Other provisions	Total
1 Jan 2015	12	1,913	1,925
Increases in provisions	315		315
Decreases in provisions		-84	-84
31 Dec 2015	327	1,828	2,155

Other provisions contain mainly dismantling provisions for buildings in the Vuosaari Harbour. Provisions have been made because the buildings are located on a leased site and, after the lease period, there is an obligation to clear the site.

(figures in EUR thousand, if not stated otherwise)

29. INTEREST-BEARING LIABILITIES

	2016		2015	
EUR 1,000	Fair Value	Carrying amount	Fair Value	Carrying amount
Non-current liabilities measured at amortised cost				
Loans from financial institutions	303,656	300,295	346,457	339,647
Bank overdraft facilities				
Re-borrowing of pension funds'	20,040	19,899	18,369	18,153
Finance lease liabilities	2,407	2,407	16,049	16,049
	326,102	322,600	380,875	373,849
Current liabilities measured at amortised cost				
Loans from financial institutions	67,509	67,509	75,509	75,509
Bank overdraft facilities	1,420	1,420		
Re-borrowing of pension funds'	8,255	8,255	8,327	8,327
Finance lease liabilities	1,315	1,315	1,874	1,874
Commercial paper programme	93,713	93,713	92,098	92,098
Financial liabilities	172,211	172,211	177,807	177,807
Loans from financial institutions	498,313	494,812	558,682	551,657

The carrying amounts of interest-bearing loans from financial institutions and pension loans have been calculated using the effective interest rate method and the fair values have been determined by discounting future cash flows of loans at the interest rate at which the Group would obtain a similar loan from external parties at the end of reporting period. The total interest comprises risk-free interest of -0.2–0.7 per cent (0.0–0.9 per cent) and a company-specific risk premium. The effective interest rate of finance lease liabilities is assumed to correspond to the valid interest rate of similar contracts to be made at the end of the reporting period. In practice, fair values of loans do not materially differ from carrying amounts.

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

The Group has loans from financial institutions and pension loans, which are presented in the table above, Note 29. Interest-bearing liabilities.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 3 includes unlisted shares amounting to EUR 4.6 million (4.6 in 2015), which are valued at the lower of acquisition cost or probable value, as their fair value cannot be reliably measured.

EUR 1,000	2016	2015
Maturity of long-term financial liabilities (not including finance lease liabilities)		
Within 12 months	77,183	83,835
1–5 years	256,770	294,162
After five years	64,552	64,923
	398,505	442,921

	2016	2015
Weighted average interest rates of the financial debts		
Loans from financial institutions	2.04%	2.53%
Bank overdraft facilities	2.50%	0.00%
Commercial paper programme	0.77%	0.89%
Re-borrowing of pension funds'	1.25%	1.88%
Finance lease liabilities	4.67%	3.66%

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	Within 1 year	1–5 years	Total
Floating rate financial liabilities, timing of re-pricing 31 Dec 2016			
Financial liabilities			
Loans from financial institutions	264,846		264,846
Bank overdraft facilities	1,420		1,420
Re-borrowing of pension funds'	18,700		18,700
Finance lease liabilities	1,252		1,252
	286,217	**0**	**286,217**

EUR 1,000	Within 1 year	1–5 years	Total
Floating rate financial liabilities, timing of re-pricing 31 Dec 2015			
Financial liabilities			
Loans from financial institutions	282,077		282,077
Bank overdraft facilities	0		0
Re-borrowing of pension funds'	11,100		11,100
Finance lease liabilities	15,116		15,116
	308,293	0	308,293

All of the Group's financial liabilities were in EUR on 31 December 2016 and on 31 December 2015.

Financial liabilities include secured liabilities. The pledge value of the related pledged assets is EUR 940 (973) million. This is detailed in Note 34. Contingencies and Commitments.

Finance lease liabilities

EUR 1,000	**2016**	2015
Finance lease liabilities future minimum lease payments due		
Within 12 months	**1,454**	2,554
1–5 years	**2,143**	15,385
After five years	**533**	1,979
	4,130	19,918
Future interest expenses from finance lease agreements	**409**	1,995
Finance lease liabilities current value of minimum lease payments		
Within 12 months	**1,526**	2,030
1–5 years	**1,806**	14,529
After five years	**391**	1,364
	3,722	17,923

During the reporting year Finnlines terminated the financial leasing contracts of four Kalmar STS container cranes in Vuosaari harbour and the office building in Germany by paying the residual values to the leasing companies. The office building in Germany and two container cranes are continuing tangible assets and two container cranes are classified as held for sale at 31 December 2016. The early termination of financial lease contracts did not cause extra one-off costs.

(figures in EUR thousand, if not stated otherwise)

30. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2016		2015	
EUR 1,000	**Fair Value**	**Carrying amount**	Fair Value	Carrying amount
Liabilities, non-current				
Other non-current accrued liabilities	**63**	**63**	113	113
Other non-current liabilities				
	63	**63**	113	113

	2016		2015	
EUR 1,000	**Fair Value**	**Carrying amount**	Fair Value	Carrying amount
Accounts payable and other liabilities				
Liabilities measured at cost				
Accounts payable	**15,580**	**15,580**	18,003	18,003
Accrued personnel costs	**11,844**	**11,844**	11,447	11,447
Accrued interest	**1,937**	**1,937**	2,613	2,613
Other accrued expenses and deferred income	**17,985**	**17,985**	11,786	11,786
Other liabilities	**15,138**	**15,138**	13,563	13,563
Current advances received	**2,690**	**2,690**	1,779	1,779
	65,174	**65,174**	59,191	59,191

The carrying value of accounts payable and other liabilities is the reasonable estimate of their fair values. The tables below show the significant items in accrued liabilities and the distribution of accounts payable by currency.

EUR 1,000	**2016**	2015
Significant items in accrued expenses and deferred income		
Discounts given	**7,160**	5,615
Bunker costs	**2,288**	697
Cargo handling costs	**2,502**	1,376
Port expenses and voyage-related costs	**2,336**	1,684
Repairs, vessels	**883**	507
Other accrued liabilities	**2,816**	1,907
	17,985	11,786

EUR 1,000	**2016**	2015
Distribution of accounts payable by currency		
EUR	**12,183**	14,581
SEK	**752**	1,304
USD	**1,987**	1,546
GBP	**417**	490
NOK	**36**	2
DKK	**204**	68
CHF	**0**	8
PLN	**0**	3
	15,580	18,003

31. ADJUSTMENTS TO CASH FLOW FROM OPERATIONS

EUR 1,000	**2016**	2015
Non-cash transactions		
Depreciation	**57,607**	56,590
Profits/losses from the sale of assets	**-5,146**	-397
	52,461	56,192

(figures in EUR thousand, if not stated otherwise)

32. PENSION LIABILITIES

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 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. All arrangements are subject to local legislation.

Finnlines Plc's and Finnsteve Oy Ab's assets of the defined benefit pension plans in Finland are mainly managed by insurance companies. The assets thus consist of approved insurance contracts. The assets are managed in accordance with the local statutory requirements under which the plans are obliged to pay guaranteed sums irrespective of market conditions. The defined benefit pension plans in Finland on 31 December 2016 covered a total of 176 (191) members, of whom 16 (23) were employed.

Finnlines Deutschland GmbH has granted defined benefit pension plans to its employees. On 31 December 2016, the defined benefit pension plan in Germany covered a total of 43 (44) members, of whom 9 (9) were employed.

In Sweden, the retirement pension and family pension for employees at the Finnlines Group companies are guaranteed with an Alecta insurance. According to the statement from the Council for Financial Reporting (Rådet för finansiell rapportering), URF 3, this is a defined benefit pension plan, encompassing several employers. During the financial year 2016 or 2015, the Company did not have access to information, which would make it possible to report this plan as a defined benefit plan. A pension plan in accordance with ITP, which is guaranteed with an insurance at Alecta, is therefore reported as a defined contribution plan. The premiums for pension insurance at Alecta amount to EUR 0.5 (0.5) million. Alecta's surplus can be distributed to policy holders and/or the insured. At the end of 2016, Alecta's surplus in the form of collective funding ratio amounted to 142 (148) per cent. The collective funding ratio consists of the market value of Alecta's assets as a percentage of the pension obligations calculated in accordance with Alecta's actuarial calculation assumptions, which are not compatible with IAS 19.

The weighted average duration of the defined benefit obligations is 11.6 years.

Assumptions 31 Dec 2016	**Germany pension promise**	**Finland Finnsteve pension promise**	**Finland Finnsteve pension plan**	**Finland Finnlines pension plan**	**Average 2016**	**Average 2015**
Discount rate	1.76%	1.65%	1.65%	1.65%	1.69%	2.23%
Rate of salary increase	1.50%	n/a	n/a	1.70%		
Rate of benefit increase	1.50%	1.63%	1.63%	1.63%		
Rate of inflation	1.50%	1.39%	1.39%	1.39%		

EUR 1,000	**2016**	2015
Expense recognised in profit or loss		
Service cost	**40**	64
Net interest	**86**	92
Expense recognised in profit or loss	**126**	156
Remeasurements in other comprehensive income	**-20**	-632
Amounts in total comprehensive income	**106**	-476

EUR 1,000	**31 Dec 2016**	31 Dec 2015
Liability recognised in statement of financial position		
Defined benefit obligation	**8,071**	8,436
Fair value of plan assets	**4,254**	4,517
Surplus (-) / Deficit (+)	**3,817**	3,919
Net defined benefit liability (+) / asset recognised in statement of financial position	**3,817**	3,919

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	31 Dec 2016	31 Dec 2015
Changes in net defined benefit liability during the period		
Net defined benefit liability recognised in statement of financial position at beginning of period	**3,919**	4,705
Contributions during the period	**-208**	-310
Expense during the period	**126**	156
Remeasurements recognised in other comprehensive income	**-20**	-632
Net defined benefit liability recognised in statement of financial position at the end of period	**3,817**	3,919

EUR 1,000	2016	2015
Remeasurements components in other comprehensive income		
Actuarial gains (-) / losses (+) on defined benefit obligation arising from changes in demographic assumptions	**0**	-633
Actuarial gains (-) / losses (+) on defined benefit obligation arising from changes in financial assumptions	**277**	-711
Actuarial gains (-) / losses (+) on defined benefit obligation arising from experience adjustments	**-290**	-134
Actuarial gains (-) / losses (+) on plan assets and return on plan assets excluding interest income	**-7**	846
Remeasurement in other comprehensive income	**-20**	-632

EUR 1,000	2016	2015
Change in defined benefit obligation		
Opening defined benefit obligation	**8,436**	10,210
Current service cost	**40**	64
Interest expense	**182**	184
Actuarial gains (-) / losses (+) on obligation	**-13**	-1,478
Benefits paid	**-574**	-544
Defined benefit obligation at the end of the period	**8,071**	8,436

EUR 1,000	2016	2015
Change in the fair value of plan assets		
Opening fair value of plan assets	**4,517**	5,505
Interest income	**96**	92
Gain on plan assets excl. item included in net interest	**7**	-846
Employer contributions	**208**	310
Benefits paid	**-574**	-544
Fair value of plan assets at the end of the period	**4,254**	4,517

(figures in EUR thousand, if not stated otherwise)

31 Dec 2016 EUR 1,000	Germany pension promise	Finland Finnsteve pension promise	Finland Finnsteve pension plan	Finland Finnlines pension plan	Total
Sensitivity analysis on net defined benefit liability					
Discount rate change +0.5%					
Defined benefit obligation	2,595	360	300	4,430	7,685
Fair value of plan assets	0	0	300	3,755	4,055
Net Liability	**2,595**	**360**	**0**	**675**	**3,630**
Change in EUR	-129	-15	1	-44	-187
Change in %	-4.74%	-4.00%	-100.00%	-6.12%	-4.90%
Discount rate change -0.5%					
Defined benefit obligation	2,865	392	338	4,922	8,517
Fair value of plan assets	0	0	337	4,135	4,472
Net Liability	**2,865**	**392**	**1**	**787**	**4,045**
Change in EUR	140	17	2	68	227
Change in %	5.15%	4.53%	-200.00%	9.46%	5.95%
Benefit increase rate change +0.5%					
Defined benefit obligation	2,862	391	338	4,875	8,466
Fair value of plan assets	0	0	318	3,936	4,254
Net Liability	**2,862**	**391**	**20**	**939**	**4,212**
Change in EUR	137	16	21	220	394
Change in %	5.05%	4.27%	-2,100.00%	30.60%	10.33%
Benefit increase rate change -0.5%					
Defined benefit obligation	2,597	360	301	4,452	7,710
Fair value of plan assets	0	0	318	3,936	4,254
Net Liability	**2,597**	**360**	**-17**	**516**	**3,456**
Change in EUR	-128	-15	-16	-203	-362
Change in %	-4.69%	-4.00%	1,600.00%	-28.23%	-9.48%

The Group estimates the costs for the defined benefit plans valid on 31 December 2016 at EUR 0.1 million in 2017.

(figures in EUR thousand, if not stated otherwise)

31 Dec 2015 1,000 EUR	Germany pension promise	Finland Finnsteve pension promise	Finland Finnsteve pension plan	Finland Finnlines pension plan	Total
Sensitivity analysis on net defined benefit liability					
Discount rate change +0.5%					
Defined benefit obligation	2,791	363	301	4,546	8,001
Fair value of plan assets	0	0	317	3,979	4,296
Net Liability	2,791	363	-16	567	3,705
Change in EUR	-149	-15	0	-50	-214
Change in %	-5.07%	-3.97%	0.00%	-8.10%	-5.46%
Discount rate change -0.5%					
Defined benefit obligation	3,103	395	338	5,077	8,913
Fair value of plan assets	0	0	355	4,403	4,758
Net Liability	3,103	395	-17	674	4,155
Change in EUR	162	17	-1	57	235
Change in %	5.53%	4.50%	6.25%	9.24%	6.01%
Benefit increase rate change +0.5%					
Defined benefit obligation	3,099	395	338	5,051	8,883
Fair value of plan assets	0	0	335	4,182	4,517
Net Liability	3,099	395	3	869	4,366
Change in EUR	159	17	19	252	447
Change in %	5.39%	4.50%	-118.75%	40.84%	11.39%
Benefit increase rate change -0.5%					
Defined benefit obligation	2,793	362	301	4,566	8,022
Fair value of plan assets	0	0	335	4,182	4,517
Net Liability	2,793	362	-34	384	3,505
Change in EUR	-147	-16	-18	-233	-414
Change in %	-4.99%	-4.23%	112.50%	-37.76%	-10.56%

(figures in EUR thousand, if not stated otherwise)

33. FINANCIAL RISK MANAGEMENT

The management of financial risks aims to reduce the volatility in earnings, the statement of financial position and cash flow, while securing effective and competitive financing for the Group. The main financial risks are currency risk, interest rate risk, credit risk, liquidity risk, funding risk and fuel price risk. For risk management the Group may use currency forwards, currency loans, interest rate swaps and fuel price clauses included in customer contracts. The Group's risk management principles are approved by the Board of Directors, and the responsibility for their implementation lies with the Group Finance, with the exception of the fuel price clauses, which are the responsibility of the business units. The Group has no derivative instruments.

CURRENCY RISK

The Group operates internationally and is therefore exposed to transaction risks through different currency positions. The main foreign currencies used by the Group are USD and SEK. Currency risks arise from commercial transactions, monetary items in the statement of financial position and net investments in foreign subsidiaries.

Transaction risk

In 2016, over 90 per cent of sales were invoiced in EUR, and the rest in SEK, DKK, PLN, USD and GBP. Bunker purchases are made in USD. Other purchases are mainly paid in EUR. Bunker price clauses included in customer contracts cover to a large extent this USD risk. Currency positions are reviewed on a net basis for each currency every 12 months in connection with annual budgeting.

The Group's business units may make internal derivative contracts with the Group Finance to hedge a specific activity. In such cases too, the Group Finance decides, according to the principles approved by the Board of Directors, on any hedging to be made with an external counterpart based on the whole Group's net currency position.

All of the Group's interest-bearing liabilities at the end of the reporting period were in EUR.

The Group had no outstanding hedging instruments in 2016 or 2015.

Translation risk

The Group has net investments abroad and is thus exposed to risks which arise when investments in GBP, DKK and PLN are converted into the parent company's functional currency. The Group's principle is to hedge significant net investments made in foreign subsidiaries through foreign currency loans. In 2016 and 2015, the Group had no such significant investments in foreign currencies. The tables below show the translation position at the end of 2016 and 2015.

EUR 1,000	**Investment**
Group translation exposure 2016	
GBP	**396**
DKK	**51**
PLN	**60**
	507

EUR 1,000	Investment
Group translation exposure 2015	
GBP	466
DKK	180
PLN	80
	726

Sensitivity to exchange rate fluctuations

The following table describes the Group's sensitivity to changes in the EUR/USD exchange rate. The impacts of exchange rate changes of other currencies are not significant.

Assumptions in estimating sensitivity:

- The variation in the EUR/USD exchange rate is assumed to be +/-10 per cent.
- The position, 31 December, includes USD-denominated cash equivalents, accounts receivable and accounts payable.

EUR 1,000	Change in Profit & Loss	Change in Equity
Sensitivity at closing date 2016, change in USD, weakening/strengthening 10% against EUR	**+171/-209**	**+0/-0**
Sensitivity at closing date 2015, change in USD, weakening / strengthening 10% against EUR	+135/-165	+0/-0

Change before tax effect.

(figures in EUR thousand, if not stated otherwise)

INTEREST RATE RISK

Interest-bearing debt exposes the Group to interest risk, i.e. re-pricing and price risk caused by interest rate movements. Management of interest rate risk is centralised to the Group Finance. The objective of the interest rate risk management is to reduce interest rate fluctuation impact on the results in different accounting periods, enabling a more stable net income. The Group may manage interest rate risk by selection of debt interest periods and by using interest rate forwards and interest rate swaps.

The level of hedging against interest rate risks and the duration of the debt portfolio are reviewed annually by the Board of Directors when making the budget. At the balance sheet date, 60 per cent of the Group's borrowings were floating-rate and the rest were fixed-rate borrowings (including loans from financial institutions, pension loans and commercial papers). The duration (average interest rate period) of the debt portfolio was approximately 11 months.

At the balance sheet date, the Group had no open interest rate swaps. Table in Note 29. Interest-bearing liabilities, shows the dates of interest rate changes of the Group's variable-rate liabilities and the effective interest rates of liabilities.

The following table shows the Group's sensitivity to variations in market interest rates. The following assumptions were made when calculating the sensitivity:

- The interest rate change is assumed to be +/-0.50 percentage points from the interest rate of individual instruments at the end of the reporting period.
- The analysis includes the instruments with an interest adjustment date within the following 12 months.
- The position includes variable-rate loans from financial institutions and commercial papers.
- The position excludes finance lease obligations and instalment debts, because the change in finance costs caused by the interest rate change is not relevant to these.
- When calculating the sensitivity, it is assumed that the variable-rate debt portfolio remains unchanged for the whole year (no instalments, no new debt) and that the interest rate changes as stated above on the next interest change date of the debt instrument.
- It is assumed that if a variable-rate instrument is fully amortised within the next 12 months, this instrument would be reacquired if the above mentioned interest rate is quoted.

EUR 1,000	**Change in profit & loss**
Sensitivity at closing date 2016, change in interest rates, increasing / decreasing 0.5% from valid rate of the instrument at 31 Dec 2016	
Debt portfolio	**-1,501 / +1,501**
	-1,501 / +1,501

Change before tax effect.

EUR 1,000	Change in profit & loss
Sensitivity at closing date 2015, change in interest rates, increasing / decreasing 0.5% from valid rate of the instrument at 31 Dec 2015	
Debt portfolio	-1,549/+1,549
	-1,549/+1,549

Change before tax effect.

The Group has no significant interest-bearing assets, and therefore the Group's result for the reporting period, generated from the assets and cash flows, is not substantially exposed to fluctuations in market interest rates.

CREDIT RISK

The Group is exposed to credit risk from its commercial receivables. The Group policy sets out 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 constantly monitored. Credit losses in the reporting period 2016 were on a low level (0.02 per cent of revenue). Note 25. Current Receivables, shows the analysis of accounts receivable by age.

LIQUIDITY RISK

The Group continuously strives to evaluate and monitor the amount of financing required for its operations to ensure that it will have sufficient liquid assets to finance its business activities and investments, and to repay loans. The Group seeks to finance vessel investments with credit agreements with the longest possible terms. The Group aims to guarantee the availability and flexibility of financing with unutilised credit facilities and by employing several banks and methods for funding. On 31 December 2016, the granted but unused credit facilities totalled EUR 128.6 (108.0) million. Loans include normal equity ratio related covenants. The cash-flows in the tables below include both repayments and expected interests.

(figures in EUR thousand, if not stated otherwise)

Contractual repayments of financial liabilities, including interest, 31 December 2016

EUR 1,000	2017	2018	2019	2020	2021	2022-	Total	**Residual amount of interest-bearing liabilities as at 31 Dec 2016**
Loans from financial institutions	74,824	73,119	92,989	55,705	32,851	59,360	388,847	**368,932**
Bank overdraft facilities	1,438	0	0	0	0	0	1,438	**1,420**
Re-borrowing of pension funds'	8,435	6,849	2,466	2,459	2,451	5,887	28,547	**28,153**
Financial lease liabilities	1,454	980	387	387	387	533	4,130	**3,722**
Commercial paper programme	94,300						94,300	**93,713**
	180,450	80,948	95,842	58,551	35,690	65,780	517,262	**495,940**

Contractual repayments of financial liabilities, including interest, 31 December 2015

EUR 1,000	2016	2017	2018	2019	2020	2021-	Total	Residual amount of interest-bearing liabilities as at 31 Dec 2015
Loans from financial institutions	85,410	70,362	68,649	83,252	78,277	62,107	448,057	416,441
Bank overdraft facilities								
Re-borrowing of pension funds'	8,616	6,990	5,406	1,026	1,022	4,041	27,101	26,480
Financial lease liabilities	2,554	2,086	12,207	546	546	1,979	19,918	17,923
Commercial paper programme	92,800						92,800	92,098
	189,380	79,438	86,262	84,824	79,844	68,127	587,876	552,941

The Group had no outstanding hedging instruments on 31 December 2016 or on 31 December 2015.

COMMODITY RISK

The Group is exposed to commodity risk relating to availability and price fluctuations of fuel. The Finnlines Group is implementing a programme for reducing its vessels' fuel consumption and costs. The Group seeks to minimise this risk by making framework agreements with known counterparts and by including bunker price clauses in 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 considerably and is also dependent on the utilisation rate of the vessels.

CAPITAL MANAGEMENT

The Group's objective in managing capital is to secure normal operating conditions in all circumstances and to enable optimal capital costs. The capital structure of the Group is regularly reviewed by the Board of Directors. The table below shows the interest-bearing net debt and total equity with the leverage ratio.

EUR 1,000	**2016**	2015
Capital risk management		
Financial liabilities	**494,812**	551,657
Cash in hand and at bank	**1,943**	6,468
Financial net debt	**492,869**	545,189
Total equity	**586,340**	561,363
Leverage ratio (gearing), %	**84.1**	97.1

34. CONTINGENCIES AND COMMITMENTS

A significant part of the leases made by the Group comprises the land leases in the Vuosaari and Turku Harbours and the leases for the head office in Helsinki.

Minimum vessel lease payments based on fixed-term lease commitments:

EUR 1,000	**2016**	2015
Vessel leases (Group as lessee)		
Within 12 months	**0**	58
1–5 years		
	0	58

At year-end 2016, the Group had not vessels on charter.

The Group adjusts its vessel capacity by acting as a lessor when needed. There were no effective future lease agreements at the balance sheet date.

(figures in EUR thousand, if not stated otherwise)

EUR 1,000	2016	2015
Vessel leases (Group as lessor)		
Within 12 months	**2,444**	2,105
1–5 years	**0**	6,841
	2,444	8,946

In 2016, the Group's revenue includes EUR 3,876 (3,022) thousand lease revenues for vessels chartered out.

EUR 1,000	2016	2015
Other leases (Group as lessee)		
Future minimum lease payments from other leases due:		
Within 12 months	**5,343**	6,015
1–5 years	**11,298**	13,788
After five years	**6,414**	7,795
	23,055	27,598

The most significant lease payments are based on the land leases in the Vuosaari and Turku Harbours, on the leases for the buildings in these ports, and on the leases for the head office in Helsinki (EUR 24.6 million). The remaining duration of the above mentioned leases is up to 12 years.

EUR 1,000	2016	2015
Other leases (Group as lessor)		
Within 12 months	**191**	257
	191	257

Rental income included in other income from operations is rental income from business premises and working machineries.

EUR 1,000	2016	2015
Collateral given		
Loans secured by mortgages	**389,852**	402,941
	389,852	402,941

EUR 1,000	2016	2015
Vessel mortgages provided as guarantees for the above loans	**940,500**	973,000

The Group's financing agreements include customary covenants relating, inter alia, to the equity ratio.

EUR 1,000	2016	2015
Other collateral given on own behalf		
Pledges	**250**	
Pledged deposit	**0**	1,700
	250	1,700

EUR 1,000	2016	2015
Other obligations	**6,529**	36,143

Other obligations are mainly related to the scrubber and propeller investments.

EUR 1,000	2016	2015
VAT adjustment liability related to real estate investments	**2,730**	4,026

(figures in EUR thousand, if not stated otherwise)

Legal proceedings

The District Court of Helsinki rendered in February 2015 its decision on the dispute between Finnlines Plc and the State of Finland. According to Finnlines Plc, the Finnish Act on Fairway Dues in force until 1 January 2006 contained provisions which, according to EU law, were discriminatory. The Company has been charged excessive fairway dues during 2001–2004. In its decision, the District Court of Helsinki ordered the State of Finland to refund to Finnlines Plc, as plaintiffs, the fairway dues, charged in excessive extent in 2001–2004 totalling about EUR 17.0 million, including interest. The Finnish State appealed to the Helsinki Court of Appeal. The Court of Appeal rendered its decision in August 2016 by dismissing the judgment rendered by the District Court of Helsinki. The Court of Appeal considers that the claims of Finnlines have expired. The Company has submitted the leave to appeal at the Supreme Court. The case is pending.

The Company has summoned OMB Ostsee Mineralöl-Bunker GmbH ('OMB') Rostock, Germany, to the District Court and demanded compensation for the damage that has occurred to the Company for the price difference between the paid amount for the supplied fuel and the market price. The Company's basis for the demand is that OMB has abused its dominant position in the relevant market and the Company was forced to buy fuel from OMB, OMB being the sole supplier. The total claimed amount is EUR 2.76 million. In its decision the District Court of Rostock dismissed the Company's claims in full. The Company has decided to appeal the District Court's decision to the Court of Appeal. The case is pending.

The Company's port operations subsidiaries have received a summons from 18 former employees. All employees claim compensation based on groundless termination of their employment contracts and compensation according to the Non-Discrimination Act. The total amount of the claims is EUR 2.2 million. The subsidiaries consider the basis of the claims to be groundless. The case is pending.

35. TRANSACTIONS WITH RELATED PARTIES

Finnlines applies the legal provisions applying to the management of insiders.

In addition, the Finnlines Group's related parties include the parent company, subsidiaries and joint arrangement as well as the companies of the Grimaldi Group. Related parties also include the members of the Board of Directors and the Executive Committee, and their immediate family members. The Grimaldi Group is the ultimate controlling party at Finnlines.

Employee benefits granted to key management

EUR 1,000	**2016**	2015
Salaries and other short-term benefits	**1,445**	1,406
Post-employment benefits	**248**	240
	1,693	1,646

In 2016, the key management consisted of the members of the Board of Directors and the Executive Committee. The Executive Committee comprised the President and CEO, the CFO, the Group General Counsel and the Operating Officers, a total of eight members.

Finnlines Plc's Annual General Meeting held on 12 April 2016 confirmed the following compensation to the Board of Directors in 2016

EUR 1,000	**2016**	2015
Salaries and fees		
President and CEO		
Board of Directors:	**240**	240
Chairman	**50**	50
Vice Chairman	**40**	40
Board members (each)	**30**	30

Compensation to the Board Members for 2015 was paid in April 2016.

(figures in EUR thousand, if not stated otherwise)

Compensation to the Board of Directors and the President and CEO recognised as expense by person

EUR 1,000	2016	2015
President and CEO		
Emanuele Grimaldi, President and CEO	**0**	0
Board of Directors		
Jon-Aksel Torgersen, Chairman of the Board	**50**	50
Diego Pacella, Vice chairman of the Board	**40**	40
Christer Backman	**30**	30
Tiina Bäckman	**30**	30
Emanuele Grimaldi	**30**	30
Gianluca Grimaldi	**30**	30
Olav K. Rakkenes	**30**	30

The President and CEO, appointed on 5 November 2013, will not receive any compensation or other benefit in the form of salary, bonus or pension scheme from the Company.

The Company's management has no supplementary pension insurances in force.

Finnlines had no option schemes on 31 December 2016. The President and CEO, the Executive Committee or the Board of Directors have no share-based incentive programmes.

Transactions with related parties

The Grimaldi Group companies held 100.00 per cent of all the shares in Finnlines Plc on 31 December 2016. More information about the Finnlines' share can be found in Note 37. Shares and Shareholders.

EUR 1,000	2016	2015
Transactions with related parties		
Income from Grimaldi companies *	**10,141**	8,560
Purchases from Grimaldi companies	**5,601**	6,007
Receivables from Grimaldi companies	**2,930**	2,092
Payables to Grimaldi companies	**296**	421

* Income from the Grimaldi Group companies consists mainly of vessel hires and freight revenues.

The business transactions with related parties were carried out using market-based pricing.

Loans, guarantees and other securities to related parties

The Group had no loan, guarantee or other securities arrangements with its key personnel or related parties (1 January 2016–31 December 2016).

(figures in EUR thousand, if not stated otherwise)

36. SUBSIDIARIES ON 31 DECEMBER 2016

Name of subsidiary	Holding (%)	Registered in
Domestic		
Containersteve Oy Ab	100	Helsinki
Cranesteve Oy Ab	100	Helsinki
Finnsteve Oy Ab	100	Helsinki
FS-Terminals Oy Ab	100	Helsinki
Oy Intercarriers Ltd	78.5	Helsinki
Foreign		
Finnlines Belgium N.V.	100	Belgium
Finnlines Danmark A/S	100	Denmark
Finnlines Deutschland GmbH	100	Germany
Finnlines Polska Sp.z.o.o	100	Poland
AB Finnlines Scandinavia Ltd	100	Sweden
Finnlines Schiffahrt GmbH	100	Germany
Finnlines Ship Management AB	100	Sweden
Finnlines UK Limited	100	Great Britain
Finnlink AB	100	Sweden
Rederi AB Nordö-Link	100	Sweden
Ropax I Aktiebolaget Clipper	100	Sweden
Ropax II EuropaLink AB	100	Sweden
Ropax III NordLink AB	100	Sweden
Ropax IV Arrow AB	100	Sweden
Roro I Mill AB	100	Sweden
Roro II Pulp AB	100	Sweden

37. SHARES AND SHAREHOLDERS

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 million and the maximum is EUR 200 million. The share capital can be increased or decreased within these limits. The Company's paid-up and registered share capital on 31 December 2016 totalled EUR 103,006,282. The capital stock consisted of 51,503,141 shares.

Shareholders on 31 December 2016

On 25 August 2016, Grimaldi Group S.p.A. gained title to all the shares in Finnlines Plc and the shares were thus delisted from the official list of Nasdaq Helsinki Oy. According to the arbitral award, the redemption price of a Finnlines share was EUR 18.00 per share. On 17 November 2016, Grimaldi Group S.p.A. paid the redemption price and interest accrued thereon to the account operators maintaining the book-entry accounts and completed the redemption proceedings concerning the shares held by minority shareholders in Finnlines Plc.

Shareholders on 25 August 2016

On 25 August 2016, Finnlines had 1,121 shareholders. The ten largest shareholders owned 98.84 per cent of the Company's shares. 0.06 per cent of the shareholders were nominee registered. On 25 August 2016, the Italian Grimaldi Group had a holding of 98.33 per cent of Finnlines' shares and voting rights.

Share trading and share price development 1 January 2016–25 August 2016 *

A total of 2.8 million shares were traded during 1 January 2016–25 August 2016 as in 2015, a total of 7.1 million shares were traded. No treasury shares were held by the Company. The highest quotation for the Finnlines share during 1 January 2016–25 August 2016 was EUR 18.68 (18.00 in 2015) and the lowest was EUR 17.15 (14.34). At 24 August 2016, the shares' market capitalisation value was EUR 923.9 (911.6 at 31.12.2015) million.

Finnlines' share ownership structure on 25 August 2016 **	% of shares
Non-financial corporations	0.08
Financial and insurance corporations	0.00
General government	0.15
Households	1.21
Non-profit associations	0.14
Nominee registered	0.06
Other foreign	98.33
Total	**100.00**

* Nasdaq Helsinki Ltd
** Source: Euroclear Finland Ltd

(figures in EUR thousand, if not stated otherwise)

Major shareholders on 25 August 2016 *	Number of shares	% of shares
Grimaldi Group, Naples - Grimaldi Group S.p.A. - Grimaldi Euromed S.p.A. - Grimaldi Deep Sea S.p.A.	50,641,685	98.33
Yleisradion Eläkesäätiö S.r.	74,666	0.14
Pakarinen Janne	66,117	0.13
Foundation of William and Ester Otsakorpi	27,060	0.05
Syrjälä Pekka	22,646	0.04
Karlsson Anne Christine	18,000	0.03
Clearstream Banking S.A.	14,663	0.03
The estate of Lindberg Roger Gus	14,019	0.03
Kunsti Kari	14,000	0.03
Eero Katajavuori Oy	13,200	0.03
10 major shareholders total	**50,906,056**	**98.84**
Nominee registered shares	33,561	0.06
Other shareholders	563,524	1.09
Total number of shares	**51,503,141**	**100.00**

Major shareholders on 31 December 2016 *	Number of shares	% of shares
Grimaldi Group, Naples - Grimaldi Group S.p.A. - Grimaldi Euromed S.p.A. - Grimaldi Deep Sea S.p.A.	51,503,141	100.00
Total number of shares	**51,503,141**	**100.00**

Shares outstanding 31 December 2011–31 December 2016

Transaction	Shares subscribed	Shares outstanding	Total number of shares
31 December 2011		46,821,037	46,821,037
31 December 2012		46,821,037	46,821,037
6 June 2013			
Share issue	4,682,104	51,503,141	51,503,141
31 December 2013		51,503,141	51,503,141
31 December 2014		51,503,141	51,503,141
31 December 2015		51,503,141	51,503,141
31 December 2016		51,503,141	51,503,141

* Source: Euroclear Finland Ltd

38. EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report.

(figures in EUR thousand, if not stated otherwise)

FIVE-YEAR KEY FIGURES

EUR million	**2016**	2015	2014	2013	2012
	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	**473.7**	511.2	532.9	563.6	609.3
Other income from operations	**6.7**	1.8	6.8	5.3	5.7
Result before interest, taxes, depreciation and amortisation (EBITDA)	**139.1**	126.9	115.4	83.7	89.8
% of revenue	**29.4**	24.8	21.7	14.8	14.7
Result before interest and taxes (EBIT)	**81.5**	70.3	58.6	18.1	23.7
% of revenue	**17.2**	13.8	11.0	3.2	3.9
Associated companies					
Result before taxes (EBT)	**67.0**	53.2	36.6	-6.7	-1.6
% of revenue	**14.1**	10.4	6.9	-1.2	-0.3
Result for reporting period, continuing operations	**68.1**	56.8	41.7	6.0	-0.1
% of revenue	**14.4**	11.1	7.8	1.1	0.0
Result for reporting period, discontinuing operations					
Result for reporting period	**68.1**	56.8	41.7	6.0	-0.1
% of revenue	**14.4**	11.1	7.8	1.1	0.0
Total investments *	**46.3**	64.1	36.6	10.1	67.1
% of revenue	**9.8**	12.5	6.9	1.8	11.0
Return on equity (ROE), %	**11.9**	10.7	8.6	1.3	0.0
Return on investment (ROI), %	**7.4**	6.5	5.3	1.5	1.8
Assets total	**1,205.4**	1,231.1	1,210.5	1,298.5	1,479.9
Equity ratio, %	**48.9**	45.7	41.7	35.7	29.0
Gearing, %	**83.8**	97.1	113.0	149.1	204.9
Average no. of employees	**1,653**	1,597	1,701	1,861	2,023

	2016	2015	2014	2013	2012
	IFRS	IFRS	IFRS	IFRS	IFRS
Earnings per share (EPS), EUR	**1.32**	1.10	0.81	0.12	0.00
Earnings per share (EPS) less warrant dilution, EUR	**1.32**	1.10	0.81	0.12	0.00
Shareholders' equity per share, EUR	**11.42**	10.89	9.78	8.98	9.14
Payout ratio, %	**n/a**	0.0	0.0	0.0	0.0
Effective dividend yield, %	**n/a**	0.0	0.0	0.0	0.0
Price/earnings ratio (P/E)	**n/a**	16.0	19.8	62.5	n/a
Adjusted average number of outstanding shares (1,000)	**51,503**	51,503	51,503	49,782	47,344
Adjusted number of outstanding shares 31 Dec (1,000)	**51,503**	51,503	51,503	51,503	47,344
Number of outstanding shares at year-end (1,000)	**51,503**	51,503	51,503	51,503	46,821

* Includes continuing and discontinuing operations.

Calculation of key ratios is presented on page 48.

CALCULATION OF KEY RATIOS, IFRS

Earnings per share (EPS), EUR	=	Result attributable to parent company shareholders / Weighted average number of outstanding shares	
Shareholders' equity per share, EUR	=	Shareholders' equity attributable to parent company shareholders / Undiluted number of shares at the end of period	
Payout ratio, %	=	Dividend paid for the year / Result before tax +/– non-controlling interests of Group result +/– change in deferred tax liabilities – taxes for the period	x 100
Effective dividend yield, %	=	Dividend per share / Share price on stock exchange at the end of period	x 100
P/E ratio	=	Share price on stock exchange at the end of period / Earnings per share	
Return on equity (ROE), %	=	Result for the reporting period / Total equity (average)	x 100
Return on investment (ROI), %	=	Result before tax + interest expense + other liability expenses / Assets total – interest-free liabilities (average)	x 100
Gearing, %	=	Interest-bearing liabilities – cash and bank equivalents / Total equity	x 100
Equity ratio, %	=	Total equity / Assets total – received advances	x 100

The recognised income taxes are based on the year's estimated average income tax rate which is expected to realise during the entire reporting period.

Finnlines Plc's Shipping and Sea Transport Services transferred to tonnage-based taxation in January 2013.

QUARTERLY DATA, IFRS

EUR million	Q1/2016	Q1/2015	Q2/2016	Q2/2015	Q3/2016	Q3/2015	Q4/2016	Q4/2015
Revenue by segment								
Shipping and Sea Transport Services total	100.4	112.9	120.3	130.2	125.1	133.4	107.9	116.4
Sales to third parties	100.4	112.9	120.3	130.2	125.1	133.5	107.9	116.4
Sales to Port Operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Port Operations total	9.3	8.3	10.2	9.7	9.7	8.9	9.2	9.0
Sales to third parties	4.8	3.9	5.3	5.0	5.3	4.8	4.7	4.5
Sales to Port Operations	4.5	4.4	4.8	4.7	4.4	4.2	4.6	4.5
Group internal revenue	-4.4	-4.4	-4.9	-4.6	-4.4	-4.1	-4.6	-4.5
Revenue total	**105.2**	**116.8**	**125.6**	**135.2**	**130.4**	**138.2**	**112.6**	**120.9**
Result before interest and taxes per segment								
Shipping and Sea Transport Services	12.1	5.0	25.1	20.2	34.7	29.0	10.9	18.1
Port Operations	-0.8	-1.1	0.2	-0.1	0.1	0.1	-0,8	-0.8
Result before interest and taxes (EBIT) total	**11.4**	**3.9**	**25.3**	**20.1**	**34.8**	**29.0**	**10.1**	**17.3**
Financial income and expenses	-3.9	-4.3	-3.6	-4.8	-3.7	-4.4	-3.4	-3.7
Result before tax (EBT)	**7.4**	**-0.4**	**21.7**	**15.3**	**31.1**	**24.7**	**6.7**	**13.6**
Income taxes	0.9	1.0	0.5	0.5	-0.8	0.0	0.6	2.1
Result for the reporting period	**8.3**	**0.6**	**22.2**	**15.8**	**30.3**	**24.7**	**7.3**	**15.7**
Quarterly consolidated key figures								
Result before interest and taxes, (% of revenue)	10.8	3.3	20.1	14.8	26.7	21.0	8.9	14.3
Earnings per share, EUR	0.16	0.01	0.43	0.31	0.59	0.48	0.14	0.31
Average number of outstanding shares (1,000)	51,503	51,503	51,503	51,503	51,503	51,503	51,503	51,503

PROFIT AND LOSS ACCOUNT, PARENT COMPANY, FAS

EUR	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Revenue	1	**365,578,003.15**	399,551,256.21
Other income from operations	2	**3,975,912.60**	3,725,094.27
Materials and services	3	**-119,963,149.79**	-146,434,213.23
Personnel expenses	4	**-45,630,895.70**	-40,143,206.84
Depreciation, amortisation and other write-offs	5	**-30,971,035.52**	-30,459,737.88
Other operating expenses	6	**-110,190,579.93**	-127,048,262.92
Operating profit		**62,798,254.81**	59,190,929.61
Financial income and expenses	7	**-9,231,814.83**	-11,159,462.11
Result before appropriations and taxes		**53,566,439.98**	48,031,467.50
Appropriations			
Group contributions	8	**-2,410,300.00**	-800,000.00
Profit before tax		**51,156,139.98**	47,231,467.50
Other income taxes			
Tonnagetax	9	**-82,136.74**	-91,640.81
Deferred taxes	10	**4,943,192.54**	5,658,883.85
Result for the reporting period		**56,017,195.78**	52,798,710.54

See Notes starting on page 54.

(figures in EUR thousand, if not stated otherwise)

BALANCE SHEET, PARENT COMPANY, FAS

EUR	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	11	**2,560,280.71**	2,819,329.37
Tangible assets	12	**660,143,299.43**	657,686,704.02
Investments	13		
Shares in group companies		**159,480,069.61**	249,480,069.61
Other investments		**4,611,284.61**	4,606,744.61
Total non-current assets		**826,794,934.36**	914,592,847.61
Current assets			
Inventories	14	**5,629,010.40**	3,552,504.96
Long-term receivables	15	**163,424,556.23**	163,954,523.75
Short-term receivables	16	**84,367,259.20**	89,869,122.08
Bank and cash		**604,578.15**	4,969,672.37
Total current assets		**254,025,403.98**	262,345,823.16
Total assets		**1,080,820,338.34**	1,176,938,670.77
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	17		
Share capital		**103,006,282.00**	103,006,282.00
Share premium account		**24,525,353.70**	24,525,353.70
Unrestricted equity reserve		**40,882,508.10**	40,882,508.10
Retained earnings		**270,675,742.15**	259,079,544.41
Result for the reporting period		**56,017,195.78**	52,798,710.54
Total shareholders' equity		**495,107,081.73**	480,292,398.75
Statutory provisions			
Pension obligation	18	**719,000.00**	617,000.00
Liabilities			
Long-term liabilities			
Deferred tax liability	19	**27,480,883.96**	32,424,076.50
Interest-bearing	20	**304,525,450.88**	435,935,998.57
		332,006,334.84	468,360,075.07
Current liabilities	21		
Interest-bearing		**203,539,261.65**	183,621,891.28
Interest-free		**49,448,660.12**	44,047,305.67
		252,987,921.77	227,669,196.95
Total liabilities		**584,994,256.61**	696,029,272.02
Total shareholders' equity and liabilities		**1,080,820,338.34**	1,176,938,670.77

See Notes starting on page 54.

(figures in EUR thousand, if not stated otherwise)

CASH FLOW STATEMENT, PARENT COMPANY, FAS

EUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Cash flows from operating activities		
Result for the reporting period	**56,017,195.78**	52,798,710.54
Adjustments for:		
Depreciation, amortisation & impairment loss	**30,971,035.52**	30,459,737.88
Gains (-) and Losses (+) of disposals of fixed assets and other non-current assets	**-624,254.14**	-213,011.25
Financial income and expenses	**9,231,814.83**	11,159,462.11
Income taxes	**-4,861,055.80**	-5,567,243.04
Other adjustments	**2,410,300.00**	800,000.00
	93,145,036.19	89,437,656.24
Changes in working capital:		
Change in inventories, addition (-) and decrease (+)	**-2,076,505.44**	1,362,952.94
Change in accounts receivable, addition (-) and decrease (+)	**4,185,793.71**	-7,337,715.55
Change in accounts payable, addition (+) and decrease (-)	**6,340,240.35**	-1,874,403.58
Change in provisions	**102,000.00**	-520,000.00
	101,696,564.81	81,068,490.05
Interest paid	**-10,493,863.70**	-13,062,957.89
Dividends received	**90,387,600.00**	
Interest received	**4,076,079.45**	4,704,721.07
Other financing items	**-3,321,972.45**	-2,867,949.21
Income taxes paid	**-89,165.00**	-79,863.97
	80,558,678.30	-11,306,050.00
Net cash generated from operating activities	**182,255,243.11**	69,762,440.05
Cash flows from investing activities		
Investments in tangible and intangible assets	**-27,339,869.06**	-55,993,336.25
Proceeds from sale of tangible and intangible assets	**559,854.14**	308,453.31
Investment in subsidiary		-6,685,566.00
Investments in other shares	**-231,540.00**	
Change in internal loans (net)	**-4,502,792.29**	12,210,720.34
Net cash used in investing activities	**-31,514,347.21**	-50,159,728.60
Net cash before financing activities	**150,740,895.90**	19,602,711.45
Cash flows from financing activities		
Proceeds from short-term borrowings	**33,717,370.37**	
Repayment of short-term borrowings		-1,243,951.16
Proceeds of long-term borrowings	**195,000,000.00**	298,400,000.00
Repayment of long-term borrowings	**-340,210,547.69**	-311,815,042.57
Dividends paid	**-41,202,512.80**	
Group contributions	**-2,410,300.00**	-800,000.00
Net cash used in financing activities	**-155,105,990.12**	-15,458,993.73
Change in cash and cash equivalents	**-4,365,094.22**	4,143,717.76
Cash and cash equivalents on 1 January	**4,969,672.37**	825,954.66
Cash and cash equivalents on 31 December	**604,578.15**	4,969,672.42

(figures in EUR thousand, if not stated otherwise)

PARENT COMPANY ACCOUNTING PRINCIPLES 2016

The financial statements are prepared in conformity with the Finnish Accountancy Act and other regulations and provisions in force in Finland.

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

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

Revenue recognition
The company's revenue is mainly generated through sales of services which are principally transports of cargo and passengers. Revenue is recognised as the services are rendered. Revenue from vessels time chartered is recognised based on chartered days.

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

Derivative financial instruments
The realised gains and losses arising from currency derivatives such as forward foreign exchange and option contracts and currency swaps are recognised under financial items. However, in case the currency derivative contract has been entered into for the purpose of hedging the cost of non-current assets, the realised gain or loss for the derivative affect the cost of such an item. The interest received or payable under derivative financial instruments used to hedge the company against interest rate risks is accrued over the duration of the contract and recorded as an adjustment to the interest income or expenses of the designated asset or liability.

Fixed assets and depreciation
Fixed assets are valued to their direct acquisition cost less depreciation and other deductions, along with any revaluations allowed by local accounting practices. Fixed assets subject to wear and tear are depreciated according to plan based on the economic life span of the asset and its estimated residual value.

Depreciation periods:

Vessels	30–35 years
Buildings	10–40 years
Constructions	5–10 years
Stevedoring machinery and equipment	5–25 years
Other machinery and equipment	3–10 years
Other long-term expenditure	3–20 years

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

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

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

Financial assets
The part of the financial assets that have been invested in money market instruments are included in the financial assets in the balance sheet. The financial assets with a maturity longer than one year, are valued at the lower of acquisition cost or fair value on the balance sheet date.

Liquid assets
Liquid assets include cash in hand and at bank. The Group's bank account balances are included in other receivables.

Valuation of shares and holdings in subsidiaries
Valuation losses of shares and holdings in subsidiaries are included in financing expenses.

Pension costs
Pension costs are recognised through the profit and loss according to the local practice. The entire uncovered pension liability is recorded as an expense and liability according to IFRS.

Appropriations
Appropriations are group contributions received and given.

Provisions
Future expenses and losses that no longer generate corresponding revenues in the foreseeable future, which the company is committed or obliged to settle and whose monetary value can reasonably be assessed are recognised as expenses in the profit and loss account and recognised as provisions in the balance sheet.

Income tax
Finnlines Plc entered into the Finnish tonnage tax regime as of 1 January 2013. It means that the Company switched from corporation taxation to tonnage-based taxation. The income taxes in the profit and loss account include taxes imposed on other operations than those to be taxed under the tonnage taxation system.

(figures in EUR thousand, if not stated otherwise)

NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY

1. REVENUE

EUR	2016	2015
By segment		
Shipping and Sea Transport Services	365,578,003.15	399,551,256.21
Total	**365,578,003.15**	399,551,256.21
Intra-group revenue	183,886.11	553,576.07

2. OTHER INCOME FROM OPERATIONS

EUR	2016	2015
Gain on disposals	624,254.14	307,876.02
Rental income	311,216.89	128,274.56
Internal administration fees	2,761,263.02	2,823,975.94
Other	279,178.55	464,967.75
Total	**3,975,912.60**	3,725,094.27

3. MATERIALS AND SERVICES

EUR	2016	2015
Purchases during the reporting period		
Bunker	-54,147,724.00	-75,360,080.91
Other	-5,647,893.48	-5,157,760.02
Change in inventories	2,076,505.44	-1,362,952.94
Total	**-57,719,112.04**	-81,880,793.87
External services	-62,244,037.75	-64,553,419.36
Materials and services total	**-119,963,149.79**	-146,434,213.23

4. PERSONNEL AND PERSONNEL EXPENSES

EUR	2016	2015
Employees		
Average number of employees		
Shore-based personnel	222	219
Sea personnel	640	583
	862	802
Personnel expenses		
Wages and salaries	-48,257,275.44	-44,674,148.62
Social costs		
Pension costs	-7,603,351.99	-4,748,264.13
Other social costs	-3,499,749.17	-3,163,304.46
State subsidies	13,729,480.90	12,442,510.37
Total	**-45,630,895.70**	-40,143,206.84
Salaries and remunerations to		
President and CEO		
Board of Directors	-240,000.00	-240,000.00

(figures in EUR thousand, if not stated otherwise)

5. DEPRECIATION, AMORTISATION AND WRITE-OFFS

EUR	2016	2015
Depreciation and amortisation according to plan		
Other long term expenditure	-408,875.38	-2,454,126.82
Vessels	-29,999,282.07	-27,252,267.45
Cargo handling equipment	-398,371.11	-603,017.65
Machinery and equipment	-164,506.96	-150,325.96
Total	**-30,971,035.52**	**-30,459,737.88**

6. OTHER OPERATING EXPENSES

EUR	2016	2015
Vessel hires, internal	-8,592,919.44	-8,848,951.68
Vessel hires, external	-5,854,990.08	-22,048,870.04
Other leases	-3,063,410.68	-2,782,414.77
Port expenses and fairway dues	-29,929,868.90	-31,846,008.53
Commissions	-9,476,973.16	-9,771,727.02
Cargo handling equipment related costs	-3,605,668.19	-3,355,969.79
Vessel insurances, repairs and maintenance	-30,455,609.98	-26,510,489.37
Marketing costs	-2,851,602.86	-3,069,659.55
Auditors' fees		
KPMG Oy Ab	-78,096.48	-93,433.67
Tax consultancy and other fees		
KPMG Oy Ab	-14,210.39	-41,007.60
Other	-16,267,229.77	-18,679,730.90
Total	**-110,190,579.93**	-127,048,262.92

7. FINANCIAL INCOME AND EXPENSES

EUR	2016	2015
Dividends		
From group companies	90,387,600.00	
Dividends total	**90,387,600.00**	
Other interest and financial income		
From group companies	3,881,701.06	4,600,224.77
From others	34,198.35	272,342.41
Other interest and financial income total	**3,915,899.41**	4,872,567.18
of which interest income total	**3,915,899.41**	4,872,567.18
Dividends and interest income total	**94,303,499.41**	4,872,567.18
Exchange gains and losses		
From others		
Gains	147,840.10	185,490.71
Losses	-68,716.26	-80,844.48
Exchange rate differences total	**79,123.84**	104,646.23
Impairment losses on investments under non-current assets *	-90,000,000.00	
Impairment losses total	**-90,000,000.00**	
Interest and other financial expenses		
To group companies	-171,566.66	-170,223.95
To others	-13,442,871.42	-15,966,451.57
Interest and other financial expenses total	**-13,614,438.08**	-16,136,675.52
of which interest expenses total	**-10,256,635.90**	-13,142,536.20
Financial income and expenses total	**-9,231,814.83**	-11,159,462.11

* Shares in group companies.

(figures in EUR thousand, if not stated otherwise)

8. APPROPRIATIONS

EUR	2016	2015
Group contribution	**-2,410,300.00**	-800,000.00
Total	**-2,410,300.00**	-800,000.00

9. OTHER TAXES

EUR	2016	2015
Tonnage tax	**-82,136.74**	-91,640.81
Total	**-82,136.74**	-91,640.81

10. DEFERRED TAX LIABILITIES

EUR	2016	2015
Change in deferred taxes	**4,943,192.54**	5,658,883.85
Total	**4,943,192.54**	5,658,883.85

11. INTANGIBLE ASSETS

EUR	Other capitalised expenditures	Advance payments	Total
Acquisition cost on 1 Jan 2016	**21,814,555.67**	**88,406.97**	**21,902,962.64**
Increases	149,826.72	0.00	149,826.72
Disposals	0.00		0.00
Reclassifications between items	88,406.97	-88,406.97	0.00
Acquisition cost on 31 Dec 2016	**22,052,789.36**	**0.00**	**22,052,789.36**
Accumulated depreciation and impairments on 1 Jan 2016	-19,083,633.27	0.00	-19,083,633.27
Accumulated depreciation on disposals and reclassifications	0.00		0.00
Depreciation for the reporting period	-408,875.38		-408,875.38
Accumulated depreciation on 31 Dec 2016	**-19,492,508.65**	**0.00**	**-19,492,508.65**
Carrying value on 31 Dec 2016	**2,560,280.71**	**0.00**	**2,560,280.71**
Carrying value on 31 Dec 2015	2,730,922.40	88,406.97	2,819,329.37

(figures in EUR thousand, if not stated otherwise)

12. TANGIBLE ASSETS

EUR	Buildings and constructions	Vessels	Cargo handling equipment	Machinery and equipment	Advance payments and acquisitions under construction	Total
Acquisition cost on 1 Jan 2016	**41,944.00**	**809,462,208.84**	**23,740,385.89**	**2,929,154.88**	**17,746,915.79**	**853,920,609.40**
Increases		26,245,798.40	18.34	166,484.83	6,606,453.98	33,018,755.55
Disposals	0.00	0.00	-1,106,337.64	0.00		-1,106,337.64
Reclassifications between items		14,905,886.44		0.00	-14,905,886.44	0.00
Acquisition cost on 31 Dec 2016	**41,944.00**	**850,613,893.68**	**22,634,066.59**	**3,095,639.71**	**9,447,483.33**	**885,833,027.31**
Accumulated depreciation and write-offs on 1 Jan 2016	-41,944.00	-171,031,560.37	-22,837,668.02	-2,322,732.99	0.00	-196,233,905.38
Accumulated depreciation on disposals and reclassifications	0.00	0.00	1,106,337.64	0.00	0.00	1,106,337.64
Depreciation for the reporting period		-29,999,282.07	-398,371.11	-164,506.96	0.00	-30,562,160.14
Accumulated depreciation on 31 Dec 2016	**-41,944.00**	**-201,030,842.44**	**-22,129,701.49**	**-2,487,239.95**	**0.00**	**-225,689,727.88**
Carrying value on 31 Dec 2016	**0.00**	**649,583,051.24**	**504,365.10**	**608,399.76**	**9,447,483.33**	**660,143,299.43**
Carrying value on 31 Dec 2015	0.00	638,430,648.47	902,717.87	606,421.89	17,746,915.79	657,686,704.02

13. INVESTMENTS

EUR	Shares in group companies	Investments in group companies (SVOP)	Receivables from group companies	Total group companies	Other shares	Total
Acquisition cost on 1 Jan 2016	**230,881,892.78**	**40,000,000.00**	**84,858,176.83**	**355,740,069.61**	**4,606,744.61**	**360,346,814.22**
Increases	0.00	0.00	0.00	0.00	4,540.00	4,540.00
Decreases	0.00			0.00		0.00
Acquisition cost on 31 Dec 2016	**230,881,892.78**	**40,000,000.00**	**84,858,176.83**	**355,740,069.61**	**4,611,284.61**	**360,351,354.22**
Accumulated impairments on 1 Jan 2016	-106,260,000.00			-106,260,000.00		-106,260,000.00
Impairments for the reporting period	-90,000,000.00			-90,000,000.00		-90,000,000.00
Accumulated impairments on 31 Dec 2016	**-196,260,000.00**	**0.00**	**0.00**	**-196,260,000.00**	**0.00**	**-196,260,000.00**
Carrying value on 31 Dec 2016	**34,621,892.78**	**40,000,000.00**	**84,858,176.83**	**159,480,069.61**	**4,611,284.61**	**164,091,354.22**
Carrying value on 31 Dec 2015	124,621,892.78	40,000,000.00	84,858,176.83	249,480,069.61	4,606,744.61	254,086,814.22

14. INVENTORIES

EUR	**2016**	2015
Bunker	**3,725,833.26**	1,886,513.79
Other inventories	**1,903,177.14**	1,665,991.17
Total	**5,629,010.40**	3,552,504.96

(figures in EUR thousand, if not stated otherwise)

15. LONG-TERM RECEIVABLES

EUR	2016	2015
Loan receivables		
Loan receivables from group companies	**161,399,961.00**	161,812,642.10
Total	**161,399,961.00**	161,812,642.10
Other receivables	**1,090,909.21**	814,829.99
Accrued income and prepaid expenses	**933,686.02**	1,327,051.66
Total long-term receivables	**163,424,556.23**	163,954,523.75

16. SHORT-TERM RECEIVABLES

EUR	2016	2015
Accounts receivable		
From group companies	**130,683.42**	168,680.84
From others	**45,148,966.75**	43,550,013.89
Total	**45,279,650.17**	43,718,694.73
Loan receivables		
From group companies	**20,449,393.93**	15,533,920.54
Total	**20,449,393.93**	15,533,920.54
Other receivables	**3,183,682.83**	10,412,757.75
Accrued income and prepaid expenses		
From group companies	**408,170.99**	429,962.33
From others	**15,046,361.28**	19,773,786.73
Total	**15,454,532.27**	20,203,749.06
Total short-term receivables	**84,367,259.20**	89,869,122.08
Significant items of accrued income and prepaid expenses		
Sea freight revenue	**248,172.79**	970,474.87
State subsidies	**7,312,263.33**	6,903,865.37
Vessel hires	**-11,970.00**	351,350.00
Docking costs	**4,959,050.23**	6,950,766.97
Passenger income	**400,102.66**	497,587.36
Insurances	**398,188.71**	932,641.61
Port expenses	**527,766.49**	687,732.43
Legal expenses	**0.00**	36,334.31
Reimbursement of average repairs, vessels	**833,015.44**	1,270,873.92
Other	**787,942.62**	1,602,122.22
Total	**15,454,532.27**	20,203,749.06

(figures in EUR thousand, if not stated otherwise)

17. SHAREHOLDERS' EQUITY

EUR	2016	2015
Restricted equity		
Share capital on 1 January	**103,006,282.00**	103,006,282.00
Share capital on 31 December	**103,006,282.00**	103,006,282.00
Share issue premium on 1 January	**24,525,353.70**	24,525,353.70
Share issue premium on 31 December	**24,525,353.70**	24,525,353.70
Non-restricted equity		
Unrestricted equity reserve 1 January	**40,882,508.10**	40,882,508.10
Unrestricted equity reserve 31 December	**40,882,508.10**	40,882,508.10
Retained earnings on 1 January	**311,878,254.95**	259,079,544.41
Retained earnings on 31 December	**311,878,254.95**	259,079,544.41
Dividend paid	**-41,202,512.80**	0.00
Result for the reporting period	**56,017,195.78**	52,798,710.54
Total shareholders' equity	**495,107,081.73**	480,292,398.75
Calculation of distributable funds		
Retained earnings	**270,675,742.15**	259,079,544.41
Unrestricted equity reserve	**40,882,508.10**	40,882,508.10
Result for the reporting period	**56,017,195.78**	52,798,710.54
Parent company's distributable funds on 31 December	**367,575,446.03**	352,760,763.05

18. STATUTORY PROVISIONS

EUR	2016	2015
Pension obligation	**719,000.00**	617,000.00
Total	**719,000.00**	617,000.00

Pension costs are recognised in the profit and loss account according to the established practice in Finland.

19. DEFERRED TAX LIABILITY

EUR	2016	2015
Deferred tax liability of excess depreciations, tonnage taxation 1 January	**32,424,076.50**	38,082,960.35
Recognised in profit and loss account 1 January–31 December		
Tonnage tax relief	**-4,943,192.54**	-5,658,883.85
Deferred tax liability, tonnage taxation 31 December	**27,480,883.96**	32,424,076.50

(figures in EUR thousand, if not stated otherwise)

20. LONG-TERM LIABILITIES

EUR	2016	2015
Long-term interest-bearing liabilities		
Loans from financial institutions	**301,423,450.88**	340,931,998.57
Re-borrowing of pension funds'	**1,102,000.00**	3,004,000.00
Other long-term interest-bearing liabilities		
Debts to group companies	**2,000,000.00**	92,000,000.00
Total	**304,525,450.88**	435,935,998.57

Maturity of loans		
Year		
2016		78,210,547.61
2017	**69,410,547.61**	64,410,547.61
2018	**68,610,547.61**	63,610,547.61
2019	**89,094,388.54**	79,094,388.54
2020	**53,897,435.65**	75,897,435.73
2021 and later for 2015	**32,230,768.99**	152,923,079.08
2022 and later for 2016	**60,692,310.09**	
Total	**373,935,998.49**	514,146,546.18

Long-term loans due after five years		
Loans from financial institutions	**58,692,310.09**	60,923,079.08
Debts to group companies	**2,000,000.00**	92,000,000.00
Total	**60,692,310.09**	152,923,079.08

(figures in EUR thousand, if not stated otherwise)

21. CURRENT LIABILITIES

EUR	2016	2015
Interest-bearing current liabilities		
Loans from financial institutions	**67,508,547.61**	75,508,547.61
Bank overdraft facilities	**1,419,698.82**	0.00
Re-borrowing of pension funds'	**1,902,000.00**	2,702,000.00
Commercial papers	**93,713,049.09**	92,097,768.95
Other interest-bearing current liabilities		
To group companies	**38,995,966.13**	13,313,574.72
Total interest-bearing liabilities	**203,539,261.65**	183,621,891.28
Interest-free current liabilities		
Accounts payable		
To group companies	**1,308,964.31**	907,395.80
To others	**12,123,035.36**	13,580,080.48
Total	**13,431,999.67**	14,487,476.28
Other interest-free liabilities to others		
To others	**12,951,814.50**	11,743,571.70
Total	**12,951,814.50**	11,743,571.70
Accrued expenses and deferred income		
To group companies	**1,643,418.53**	1,132,916.05
To others	**21,421,427.42**	16,683,341.64
Total	**23,064,845.95**	17,816,257.69
Total interest-free current liabilities	**49,448,660.12**	44,047,305.67
Total current liabilities	**252,987,921.77**	227,669,196.95
Significant items of accrued expenses and deferred income		
Agent commissions paid, internal	**361,200.18**	678,135.37
Purchased services, internal	**132,076.47**	194,603.72
Annual rebates	**5,361,464.29**	4,229,438.30
Personnel expenses	**4,892,208.54**	4,497,728.32
External services / cargo handling costs	**1,227,566.76**	927,946.63
Port expenses and voyage related costs	**1,741,841.00**	1,399,151.78
Interest expenses	**1,903,544.36**	2,534,138.10
Bunker costs	**2,288,375.12**	696,872.39
Other	**5,156,569.23**	2,658,243.08
Total	**23,064,845.95**	17,816,257.69

(figures in EUR thousand, if not stated otherwise)

CONTINGENCIES AND COMMITMENTS

	2016		2015	
EUR 1,000	Debt	Value of collateral	Debt	Value of collateral
Pledges and commitments given on own account				
Vessel mortgages provided as guarantees for loans				
Loans from financial institutions	320,493	698,000	301,809	748,000
Vessel mortgages provided by subsidiaries as guarantees for loans				
Loans from financial institutions	69,358	217,500	90,031	217,500
	389,851	915,500	391,840	965,500
Pledged deposit	0	60	0	1,700
Other contingent liabilities	0	5,466	0	29,654
Leasing liabilities				
Due within 12 months	0	246	0	669
Due between one and five years	0	337	0	240
Leasing liabilities total	0	583	0	909
Vessel leases (Group as a lessee)				
Due within 12 months	0	0	0	58
Vessel leases (Group as a lessee) total	0	0	0	58
Other leases				
Due within 12 months	0	719	0	715
Due between one and five years	0	2,503	0	2,702
Due after five years	0	0	0	450
Other leases total	0	3,222	0	3,867
Guarantees given on behalf of subsidiaries				
Guarantees given on behalf of the subsidiaries	0	6,709	0	10,164
Guarantees for rental contracts	0	1,765	0	2,193
Guarantees given on behalf of subsidiaries total	0	8,474	0	12,357

DERIVATIVE CONTRACTS

The Company has no valid derivative contracts in 2016 or 2015.

(figures in EUR thousand, if not stated otherwise)

SHARES AND HOLDINGS OF PARENT COMPANY

SHARES AND HOLDINGS

Name of subsidiary	Registered in	Holding (%)
Domestic		
Finnsteve Oy Ab	Helsinki	100
Oy Intercarriers Ltd	Helsinki	78.5
Foreign		
Finnlines Danmark A/S	Denmark	100
Finnlines Deutschland GmbH	Germany	100
Finnlines Polska Sp. z.o.o	Poland	100
AB Finnlines Scandinavia Ltd	Sweden	100
Finnlines Ship Management AB	Sweden	100
Finnlines UK Limited	Great Britain	100
Finnlines Belgium N.V.	Belgium	100
Other shares and holdings		
Domestic		
Steveco Oy	Kotka	19.1
Asunto Oy Laurinkivi	Espoo	-
Other companies (4)		

(figures in EUR thousand, if not stated otherwise)

BOARD'S PROPOSAL FOR THE USE OF THE DISTRIBUTABLE FUNDS AND SIGNATURES TO THE BOARD OF DIRECTORS' REPORT AND TO THE FINANCIAL STATEMENTS

Distributable funds included in the parent company's shareholders' equity on 31 December 2016:		
Retained earnings	EUR	**270,675,742.15**
Unrestricted equity reserve	EUR	**40,882,508.10**
Result for the reporting period	EUR	**56,017,195.78**
Distributable funds total	**EUR**	**367,575,446.03**

The Board of Directors proposes to the General Meeting that the General Meeting authorise the Board of Directors to decide, at its discretion, on the payment of dividend up to Finnlines Plc's result for the reporting period in 2016.

Naples, 23 February 2017

Jon-Aksel Torgersen
Chairman of the Board

Christer Backman

Tiina Bäckman

Gianluca Grimaldi

Diego Pacella

Olav K. Rakkenes

Emanuele Grimaldi
President and CEO

THE AUDITOR'S NOTE

Our auditor's report has been issued today.

Helsinki, 23 February 2017

KPMG Oy Ab

Kimmo Antonen
Authorized Public Accountant

(figures in EUR thousand, if not stated otherwise)

PARENT COMPANY'S ACCOUNTING BOOKS, VOUCHER CATEGORIES AND ARCHIVING

Accounting books	Archiving	System	Retention of data, 15 years
Profit and loss account and balance sheet	Digital document	Oracle Financials	until 2032
Balance sheet book	Bound book		until 2032
Balance sheet specification	Bound book		until 2032
General journals	Digital document	Oracle Financials	until 2032
General ledgers	Digital document	Oracle Financials	until 2032
Accounts receivable	Digital document	Oracle Financials	until 2032
Accounts Payable	Digital document	Oracle Financials	until 2032
Payroll accounting, land	Digital document	Aditron Personec W	until 2032
Payroll accounting, sea	Digital document	HPSWIN	until 2032
Asset accounting	Digital document	Oracle Financials	until 2032

Voucher categories	Archiving	System	Retention of data, 15 years
Sales invoices, freight	Digital document	Octopus, Compass, Gatlas, Opus Capita's image archive	until 2032
Sales invoices, passenger services	Digital document	eBooking, Opus Capita's image archive	until 2032
Sales invoices, manual	Digital document	Oracle Financials	until 2032
Bank statements	Digital document	Opus Capita	until 2032
Sales transactions	Digital document	Oracle Financials	until 2032
Interest invoices	Digital document	Oracle Financials	until 2032
Purchase invoices	Digital document	Oracle Financials	until 2032
Purchase invoices, E-invoice	Digital document	Oracle Financials	until 2032
Payment batches	Digital document	Oracle Financials	until 2032
Travel invoices	Digital document	Trip & Expense	until 2032
Bank and cash vouchers	Digital document	Oracle Financials	until 2032
Memorials and accruals	Digital document	Oracle Financials, Shipfox	until 2032
Payroll accounting vouchers, office	Digital document	Aditron Personec W	until 2032
Payroll accounting vouchers, sea personnel	Digital document	HPSWIN	until 2032
Fixed assets accounting vouchers	Digital document	Oracle Financials	until 2032
Notes	Paper		until 2032

These Financial Statements have been translated into English from the Finnish version. In case of any discrepancies the Finnish version shall prevail.

(figures in EUR thousand, if not stated otherwise)

AUDITOR'S REPORT

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

TO THE ANNUAL GENERAL MEETING OF FINNLINES OYJ
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
OPINION

We have audited the financial statements of Finnlines Oyj (business identity code 0201153-9) for the year ended 31 December, 2016. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion
- the consolidated financial statements give a true and fair view of the group's financial performance, financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER REPORTING REQUIREMENTS

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

OTHER OPINIONS

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 23 February 2017
KPMG Oy Ab

Kimmo Antonen
Authorized Public Accountant


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