

ANNUAL REPORT FOR 2008

**FINSTASHIP**

POWER AT SEA





## CONTENTS

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PRESIDENT'S REVIEW	2
ICEBREAKING SERVICES	4
FAIRWAY SERVICES	6
FERRY SERVICES	8
OFFSHORE SERVICES	10
PERSONNEL	12
TECHNICAL SHIP MANAGEMENT	14
SAFETY AND SECURITY	16
ENVIRONMENT	18
VESSELS	20
FINANCIAL STATEMENTS 2008	22

## PRESIDENT'S REVIEW

In December 2008, following a reorganisation of the management at Finstaship, I became deputy president pending the hiring of a new president. The purpose of the arrangement was to ensure the continuity of our operations through harder times and, above all, to provide the company with clear guidelines towards the ultimate goal of providing assistance to winter navigation in Finland in all conditions.

### A YEAR OF CHANGES AND CHALLENGES

Finstaship is facing a series of changes and challenges. The company ended 2008 with a loss, partly due to the mild winter and the slow-down of the offshore market.

The mild winter had a clear impact on icebreaking. The icebreaking season 2007-2008 saw a total of only 285 operating days. This was the mildest in history.

The utilisation rate of the multipurpose icebreakers also diminished from previous years as a result of the unstable economy which reflected directly on the offshore market. The market is expected to remain very difficult for some time.

In a challenging market, achieving profitability is more difficult than ever before.

### LONG-TERM CONTRACTS ARE THE KEY TO VESSEL RENEWAL

Finstaship's vessels have reached a considerable age and it is becoming necessary to replace them with newbuilds. A prerequisite for the realisation of these plans are contract periods of sufficient length. The current practice of commissioning icebreaking through one-year contracts is a challenging one for Finstaship as it means that our main task, icebreaking, is subject to short-term contracts. The question of how commissioning is to be developed will hopefully become clear this spring. One thing that is certain is that icebreakers will continue to be necessary in the future.

### HIGH-LEVEL PROFICIENCY AS THE STRENGTH

The prerequisite and strength of our business is the professionally skilled personnel, whose versatile expertise and experience in maritime operations is suitable both for arctic environment and tropical heat. Our personnel is professionally proud and extremely committed to producing high-level, customer-oriented services whether it be the case of icebreaking, marine construction, oil-spill response or offshore operations at the seas of the world.

Occupational health was one of our primary goals in 2008. An important element in this was hiring the Senior Vice President, Personnel. In personnel management, focus was specifically put on competence development and improving issues relating to workability and well-being.

I would like to thank our customers, partners and personnel for their fine collaboration in 2008.



Veijo Hiukka



## ICEBREAKING SERVICES IRONCLAD PROFESSIONAL SKILLS AND SPECIALISED EQUIPMENT

In Finland, icebreaking is key to securing a reliable infrastructure in all conditions. It is clear that icebreaking will continue to be necessary, even during mild winters.

Our robust, specialised fleet includes five traditional and three multipurpose icebreakers. Our icebreaking services include the assistance of vessels in ice, route planning and related navigational guidance. A smooth and safe winter navigation is ensured through solid professional skill.

The Finnish Ministry of Transport and Communications commissioned a report in 2008 on the subject of opening a competitive market for icebreaking services and developing acquisitions. After its publication, the report went through a lengthy consultation process. At the end of the year it was still unclear on which terms competition is to be arranged and what the contracts will look like.

### OUR GOAL: A SERVICE CONTRACT

The last option term of the contract signed by the Finnish Maritime Administration (FMA) and Finstaship on 29 December 2006 expires on 31 October 2009. The contract stipulates that seven of Finstaship's icebreakers are to be available for icebreaking duties in Finnish waters.

Time-based charters and short-term contracts are problematic, however. The icebreakers must maintain a state of preparedness in Finland during the entire winter season. Investments are hard to make and not profitable enough. Short-term contracts also mean that new entrepreneurs have a weaker chance to take part in the competition.

Our goal for the immediate future is a service contract. It would be the most cost-efficient solution, both for us and for the client, since the use of capacity would be decided by Finstaship itself, based on ice conditions and traffic.

### IMPROVED MARITIME SAFETY THROUGH ICE NAVIGATION SERVICES

The winter of 2007-2008 was the mildest in history, with a total of only 285 operating days. The 2008-2009 icebreaking season was opened by the icebreaker Otso, which departed to the northern Gulf of Bothnia at the turn of the year. Otso was followed by Kontio on 22 January 2009. During the entire season a maximum of three icebreakers operated simultaneously. The season ended with the return of Kontio to Katajanokka quay in Helsinki on 8 May 2009.

Icebreaking seasons have often been short in the last few years. The last time all icebreakers were in operation simultaneously was in the year 2006. In the field of icebreaking there is absolutely no chance for growth in Finland, and opportunities in the other Baltic countries are slim at best. Finstaship has therefore collaborated in the development of new services with the goal of expanding our operations and improve maritime safety.

The company Ice Advisors Oy, jointly owned by Finnpiilot and Finstaship, provides ice navigation services for shipping companies. The shipmasters on icebreakers and pilots employed as experts assist and advise masters on vessels navigating in icy conditions, helping them find the safest and most efficient route to their destination ports and back to open waters.

### SECURING WINTER OPERATIONS THROUGH PLANNED MAINTENANCE

Before icebreaker Voima leaves the quay, over a full day's work of preparations are carried out in the engine room and the control centre. Hundreds of things must be checked. Of the six main engines, at least four are started at departure. The engines are kept in good operating condition with full overhauls that are carried out separately on each engine in intervals of ten years.

During an overhaul, the main engine is systematically dismantled part by part. Parts subject to wear and tear such as cylinder caps, valves, pistons, cross rods, bearings, pumps, pipes and other parts are measured and checked. Worn-out parts are replaced where necessary. The cooling, fuel, lubricant and air systems are also checked and serviced.

*– The work requires precision and a sharp eye so that problems can be detected on time. Maintenance work is largely carried out by our own personnel. The work is done with great thoroughness because everyone knows it pays off at sea, says Tuomo Lindell, Chief Engineer Officer on the icebreaker Voima.*

During overhauls he is in charge of several things, among them work supervision, acquisition of spare parts and supplies, monitoring their use, keeping overhaul records and reporting the measuring results.

KEY FIGURES	2008	2007
Turnover in EUR million	20.3	22.0
Operating days	285	474



#### THE SECRET TO A LONG LIFE IS MAINTENANCE

Lindell stresses the importance of servicing and checking each ship's engines at the beginning of the maintenance season, according to a proactive maintenance plan based on the manufacturer's instructions.

The maintenance plans are drawn up in consultation with the ship's engineer officers, i.e. the engineer, the first engineer and the electrical officer, and also a superintendent from the department of Technical Ship Management. The maintenance programme AMOS is used as a management tool for work schedules, reporting and spare parts management. The maintenance season includes many other maintenance operations, repairs and tests. After each overhaul, the engines are run at the quay and the ship is taken out on a test drive.

*– Provided maintenance is done thoroughly, the ship's engines can be kept as new for several decades. Voima's engines are 30 years old, for example. A sensible maintenance is the key to ensuring a smooth and reliable winter navigation, Lindell points out.*

The icebreaker Voima was built in 1953 and its engines and deck construction were renewed in 1979.

## FAIRWAY SERVICES ROUGH WORK AND DEEPCOING RESEARCH

The fairway vessels are designed to move, and are well-suited for all kinds of marine construction. As traditional fairway maintenance work is decreasing, they have found and are finding new areas where vessels suited for winter conditions and experienced, specialised crewmen are an asset. The vessels can be fitted with additional equipment to suit each task.

Our fairway services include nine multipurpose vessels. They are each fitted with equipment for oil spill response and some of them are also specially equipped for winter use.

### OIL COMBATING WORK UNDER SYKE

The Finnish Environment Institute (SYKE) continued to be our main client and partner in the fairway service field in 2008. The oil spill response service to SYKE included a state of technical and operative preparedness on our vessels. The scope of the service included the entire marine area between Hamina and Kemi. The Finnish Navy and the Finnish Coast Guard also participate in oil spill response operations in sea areas. The Finnish Environment Institute assumes the leading role in any oil spill response situation.

The fairway vessel *Sektor* was chartered in 2008 to Veeteede Amet, the Estonian Maritime Administration, for a period of five years. The vessel was fitted with hydrographic survey equipment for the purpose of carrying out sea bottom surveys. The charter contract stipulates that the Estonian-manned vessel may also be recalled to Finland for oil spill response duties.

### KNOW-HOW IN GOOD USE

During 2008, Finstashtip also offered its customers versatile services in marine research consulting. In Estonia, we carried out sea bottom surveys for a new fairway together with Geological Survey of Finland (GTK).

Two of our vessels, *Letto* and *Kummeli*, were deployed for ice-breaking on Lake Saimaa in 2008. Other duties included fairway maintenance for FMA and ice management services.

### WEATHER-PROOF FAIRWAY MARKS

If a heavy vessel slams into a navigation mark at the edge of a narrow fairway, the crew on fairway vessel *Seili* knows that either their ship or sister ship *Letto* will soon be called on repair duty. Both vessels are well-equipped for repair and maintenance of fairway marks.

*– The main requirement is a good, long-reaching crane and sufficient transporting capacity. The needs at sea are many. Around ten of our own crewmen come along, and in addition to that there are external professionals on board, e.g. divers. Finally, an inspector from FMA also comes along, says Lauri Taralainen, master on Seili.*

Damaged or missing fairway marks are a safety risk for maritime traffic. Repair schedules are separately agreed with FMA.

*– It is not always enough, the biggest challenge in this job is the weather. There should be no rolling when the work is carried out. An ideal situation is solid ice, but as soon as a suitable moment presents itself we finish the work in one shift. Usually we make it in just under 24 hours, Taralainen says.*



KEY FIGURES	2008	2007
Turnover in EUR million	4.8	3.7
Operating days	465	457



#### SKILLS PUT TO NEW USES

A navigation buoy indicating the edge of a fairway is anchored to a base that is driven into the sea bottom. The base has a conoid metal cylinder to which the buoy is fastened. The minimum height of the buoy is ten metres.

The first step is usually to sear off the old, damaged buoy. Sometimes it is necessary to release the buoy into the sea. In its place, a new hollow buoy of painted steel is fastened.

*– It takes a lot of precision to get the buoy into place. Sometimes the base cylinder is twisted, making it necessary to straighten up the cylinder before replacing the buoy. When the new buoy is firmly in place, it is filled with several tons of concrete. Finally, divers clean up any litter, the master of Seili explains.*

Looking at the future, fairway vessels and their crews could be used in areas where there is a similar need for specialised equipment and professional skills, for example installation and maintenance of wind mills.

## FERRY SERVICES DEDICATION AND COMMITMENT IN THE ARCHIPELAGO

The eleven ferries owned by Finstaship's Archipelago Shipping play an important part in keeping the inhabited parts of the Archipelago alive and in developing their service. As the amount of leisure time increases, there is a keen demand for services throughout the year.

The archipelago ferries are built to last and to operate safely in all seasons. During very cold winters, when conditions allow ice roads to be made, the ferries lay at harbour for a maximum of two months. Usually, however, they operated with the same intensity throughout the year.

The ferries dock at over one hundred quays and small harbours each day. They carry over 260,000 passengers and 117,000 vehicles each year. The vehicle capacity varies between two vehicles on the smallest ferries and fifty on the largest.

### INCREASING YEAR-ROUND DEMAND

Based on a contract review, Finstaship operated on the Archipelago Trail (Saariston Rengastie) for the first time in summer 2008. During this time, the passenger volume on the route increased by 14 per cent, reaching 20,000. Professionalism and flexibility saw us through this challenge. The route, operated by the ferry Antonia, was open until the end of August. Revenue consisted of ticket sales and state aid funding. Both the timetables and ticket prices were set by Finstaship in consultation with its partners in the tourism sector.

The popularity of the Archipelago Trail route has resulted in an increased offer of tourist services in the area. Tourism has become

one of the main sources of income for local residents. The route has also become an important traffic connection, and the decision has been made to make it a year-round service. At the earliest, the Archipelago Trail route will become a public road by 2010.

### TOWARDS LONGER CONTRACT TERMS

Around 60 employees work in the ferry traffic, half of them local archipelago residents. On each voyage, a ferry carries 2–3 professionals charged with the security and punctuality of the service. The competence of our personnel is prescribed by precise administrative orders. An additional requirement is a good disposition for customer service.

The current ferries fulfil their purpose well. The vessels were originally planned for the diverse summer and winter conditions of the archipelago. However, the oldest vessels are over 30 years old, and therefore, it is necessary to replace them with vessels of the new generation to meet the traffic requirements of the coming decades. A working group report, which was published in the beginning of 2009 by the Finnish Ministry and Communications, serves as the foundation for this work. According to the report, the ordering officials are authorized to make longer traffic service agreements than today.

Finstaship's Archipelago Shipping knows the local archipelago residents and is actively in touch with town councils and spokesmen, gathering valuable information on their development needs. Only this way it is able to guarantee a smooth, safe, economical and reliable transportation service in the Archipelago, today and in the future.

### FUNCTIONAL PUBLIC TRANSPORT IN ALL WEATHER

The ferry Kaita operates a regular timetable in the western part of the Rimito Archipelago. Along the route there are around 60 year-round residents.

**Jarmo Juvakka** has been master on Kaita since 1993. In his opinion, the duties of a master have remained essentially the same over the years.

*– Aside from the normal routines on board, a versatile customer service is an important part of the job. In addition to passengers and vehicles, we carry post and freight goods ranging from small packages to live cattle, Juvakka describes.*

KEY FIGURES	2008	2007
Passengers	259,830	248,560
Vehicles	116,840	114,140
Turnover in EUR million	7.0	6.8



#### CUSTOMER SERVICE WITH A PROFESSIONAL TOUCH

The telephone on board rings constantly, regardless of the season. Many travellers call ahead and ask about timetables, local weather, ice conditions and storm warnings.

In Juvakka's opinion, the mildness of the last few winters has served to point out the importance of ferries.

*– We haven't had safe ice roads in the Rimito area for years. Yet there is enough ice to make it impossible to use small boats. In these conditions, the ferry has been essential to those who live permanently in the Archipelago.*

Juvakka believes that regardless of the much-discussed climate change, there will be ice on the Archipelago Sea in the future as well.

*– There is a broad ongoing national discussion regarding public transportation and how services are to be developed. The price of fuel is believed to rise in the near future, and pressures will be directed especially at public transportation. Looking at the future, it is important to remember that ferry traffic in the archipelago is a genuine example of well-operating public transportation, the experienced master points out.*

## OFFSHORE SERVICES ALONG WITH OUR CLIENTS – ALL THE WAY UP TO THE ARCTIC

Arctic projects are attractive for offshore operations in the future. There are already several demanding arctic projects in sight over the next few years, for example in oil fields and on survey expeditions.

Finstaship's multipurpose icebreakers have a strong advantage on this market, thanks to our know-how in arctic conditions and our specialised fleet, which is unique in the world. Combining the properties of icebreakers and offshore vessels, the ships have both manoeuvrability and power, and their operative capacity and safety are superb.

During 2008, the decision was made to renew the Dynamic Positioning systems on Nordica and Fennica in order to further improve their technical reliability and allow them to hold their position in demanding conditions with even higher accuracy and certainty. Decisions have also been made to replace the cranes on Nordica and Botnica.

Multipurpose icebreakers are well suited for a number of different offshore duties, such as underwater construction and maintenance, or laying pipes and cables under water. Our main customers are either oil and gas companies, or companies providing maintenance and construction for the aforementioned.

### DEEPER, COLDER, FARTHER AWAY

All three multipurpose icebreakers, i.e. MSV Fennica, Nordica and Botnica, are involved in our offshore operations. When planning assignments, it is important to take into consideration when and in what conditions the work is to be done. The vessels must also be available for icebreaking in Finnish waters when necessary. In the North Sea competition in offshore services has increased following a growth in supply. We have to keep going deeper, colder and farther away.

The heavy drop in oil prices had a clear impact on the offshore sector at the end of 2008. After a successful start on the year, the cancellation of the three-year charter contract for two multipurpose icebreakers signed with Shell Exploration & Production Co made a significant dent in the company's result. However, the collaboration with Shell lasted a full year, serving as a good reference when offshore operations are back to normal in Alaska.

The yearly utilisation rate fell from 90 per cent in 2007 to 65 per cent in 2008.

### STAYING IN PLACE IS ALSO A CHALLENGE

The ironclad crew working on the multipurpose icebreakers must be able to control the heavy vessels' movements, but also to keep them steady in conditions that can be very rough.

To assist them in this task, the vessels are fitted with computer-controlled Dynamic Positioning systems. The system uses various positioning methods together with wind meters and the ship's motion sensors to constantly calculate the vessel's position and the intensity of the external forces affecting it. With this data, the DP system automatically regulates the engines and propellers so that the vessel stays in position and on course.

**Jukka Vuosalmi** is First Mate on MSV Nordica and, like all deck officers, a trained DP-operator. To be a fully qualified DP-operator, one must complete a two-part training programme organised by the manufacturer or a certified training academy, plus 180 days of practical work training in real conditions. Fulfilling these requirements can take up to two years. In addition, deck officers on offshore vessels must be qualified as master mariners.

KEY FIGURES	2008	2007
Turnover in EUR million	28.6	39.6
Operating days	650	1,033

## PROFESSIONAL SKILL AND AUTOMATION WORKING TOGETHER

Vuosalmi has been working on Nordica since 2002. Based on his time on board, he can testify that even though the ship is basically controlled, moved and kept in position through automation, one must always be prepared to take over and steer manually.

– *The North Sea has a temperament and the conditions can be very rough. Sometimes we inevitably have so-called weather days, i.e. days when we have to cease operations. Our customers know this and are able to take it into account. They have their own established criteria for wave height, for example.*

At the end of 2008, Nordica drove to the shipyard to be fitted with the latest DP technology. Vuosalmi was one of the people planning the equipment localisation and supervising the work.

– *The new system gives us an even better control over the ship. It also improves operational reliability and diminishes the need for maintenance. Exterior sight is improved and the operator is no longer completely dependant on the monitors. This is important, for example, when working near an oil drilling platform. We have also given attention to ergonomics where possible. Our work is never short of challenges and variation. Our skills are kept up to date through continued training, and the reliability and safety of our vessels is constantly improved by new technology, Vuosaari sums up.*



## PERSONNEL WORK HEALTH AND COMPETENCE DEVELOPMENT

Our personnel have a broad range of skills, specialisation and individual know-how. Together, these assets give Finstaship a strong market advantage.

During 2008, we focused especially on personnel management. In November our Senior Vice President, Personnel, started working. At the same time, a reorganisation was implemented and the Production and Sea Personnel unit was split in two: Technical Ship Management on one hand, and Personnel on the other. Employment and training matters concerning sea and onshore personnel were transferred to the Personnel Department as well as payroll computation was adhered to the manning function at the Personnel Department.

### THE BE WELL-PROGRAM

The advanced age of our employees and the ongoing changes in our organisation have brought significant challenges when it comes to coping with work. For this reason, Finstaship launched the programme Be Well in 2008, in collaboration with the healthcare service company Terveystalo. The aim was to improve work health with a holistic approach. The programme includes guidance in the areas of nutrition, exercise and health, plus psychological guidance for foremen.

### COMPETENCE DEVELOPMENT FOR ONGOING PROFESSIONAL SKILL IN WINTER NAVIGATION

Finstaship continues to invest in training for our personnel. The professional competence of our workforce is sustained through continued training. The varied skills of our personnel

are increased through on-the-job-learning and further training opportunities. Finstaship has drawn up a programme for competence development which aims to train young seafarers into multi-skilled professionals in arctic navigation, with the ability to operate in both icebreaking and offshore duties.

### DEVELOPMENT DISCUSSIONS

In 2007, development discussions involving all personnel were launched at Finstaship in accordance with the company's personnel strategy. During 2008, more than half of employees had development discussions with their supervisors.

### OTHER SIGNIFICANT EVENTS

In August 2008, a significant change was made in the manning contracts of the traditional icebreakers. The new contracts allow a more flexible resource planning based on real needs.

As of the end of 2008, Finstaship had a staff of 454 employees (485 in 2007), of which 409 (442) were sea personnel and 45 (43) onshore employees. Of the personnel, a total of 5 (10) persons were temporary employees. The average age of personnel at the end of 2008 was 45,6 years (47.7). There were 25 (28) part-time pensioners.

### STEP BY STEP TOWARDS MULTI-SKILLED QUALIFICATION

Finstaship's competence development programme aims to raise a new generation of multi-skilled professionals within the company. Officers must be qualified for both offshore and icebreaking duties. This requires a solid basic training plus studies and several different courses, in addition to extensive experience on multiple ships. The working experience must correspond to the difficulty level of each occupational area.

Master Mariner degree is required for everyone, and preferably also a FMA certificate corresponding to at least the first level, i.e. deck officer. Several years of working experience are required to obtain certificates as chief mate and master.

The training programme includes Helicopter Landing Officer training (HLO) and Basic Safety and Emergency Training (BSN). HLO-trained personnel are in charge of operating the helicopter pad on board. BSN training includes fire and rescue situations on both ship and helicopter. The next level of qualification is Dynamic Positioning Systems Operator (DP-operator), a training that consists of multiple steps. From there, the career trail goes onward with further experience and training. Important requirements are also customer-oriented thinking, social skills, ability to work under stress, courage, flexibility, absence of prejudice and international skills.

**KEY FIGURES**

Average no. of personnel  
Onshore personnel  
Sea personnel

2008  
454  
45  
409

2007  
485  
43  
442

**AGE AND GENDER DISTRIBUTION**

Average age of personnel  
Percentage of women, %  
Percentage of men, %

2008  
45.6  
13.7  
86.3

2007  
47.7  
17.7  
82.3

**GETTING EXPERIENCE TAKES TIME**

After getting her sailor's exam at maritime school and her master mariner degree at the KyAMK University of Applied Studies, **Nina Miikkulainen** started her first icebreaker job in winter 2003. Having achieved a chief mate certificate, she is now gathering work experience for the next level.

*– There are a lot of courses, you need courses just to keep your training up to date. On top of that there is the Finstaship in-house training. Farsightedness is a must, both for the employer and for oneself. You can't gather experience in icebreaking if there is no ice, Miikkulainen says.*

Miikkulainen has worked just over two years on an offshore ship and has the appropriate DP operator training. She also has the right to navigate in icy conditions without a pilot in Finland, a right that is granted by FMA based on navigating experience noted in the ship mate's certificate.

Nina Miikkulainen's career choice was clear from an early age. Her father was District Inspector on Lake Saimaa and she was introduced to water and steam boats as a young girl.

## TECHNICAL SHIP MANAGEMENT

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Finstaship's Technical Ship Management department is responsible for ensuring that the business units have access to the functional vessel capacity they need. The main responsibilities of the department include ship maintenance according to maintenance plans, development of equipment and systems as well as acquisitions. The Technical Ship Management Department also provides ship management services, which include consultation and technical services.

### OPERATIONS IN 2008

Finstaship was responsible for the maintenance of its entire fleet of 29 vessels. During the year, maintenance and docking operations were carried out in accordance with the maintenance plan.

IB Urho was docked in August – September. The classification dockings of multipurpose vessels were carried out for MSV Fennica in January and for MSV Botnica in April. The fairway vessels Seili and Linja were docked. Ferries Aura, Finnö, Kaita, Rosala II, Jurmo II and Linja were docked too.

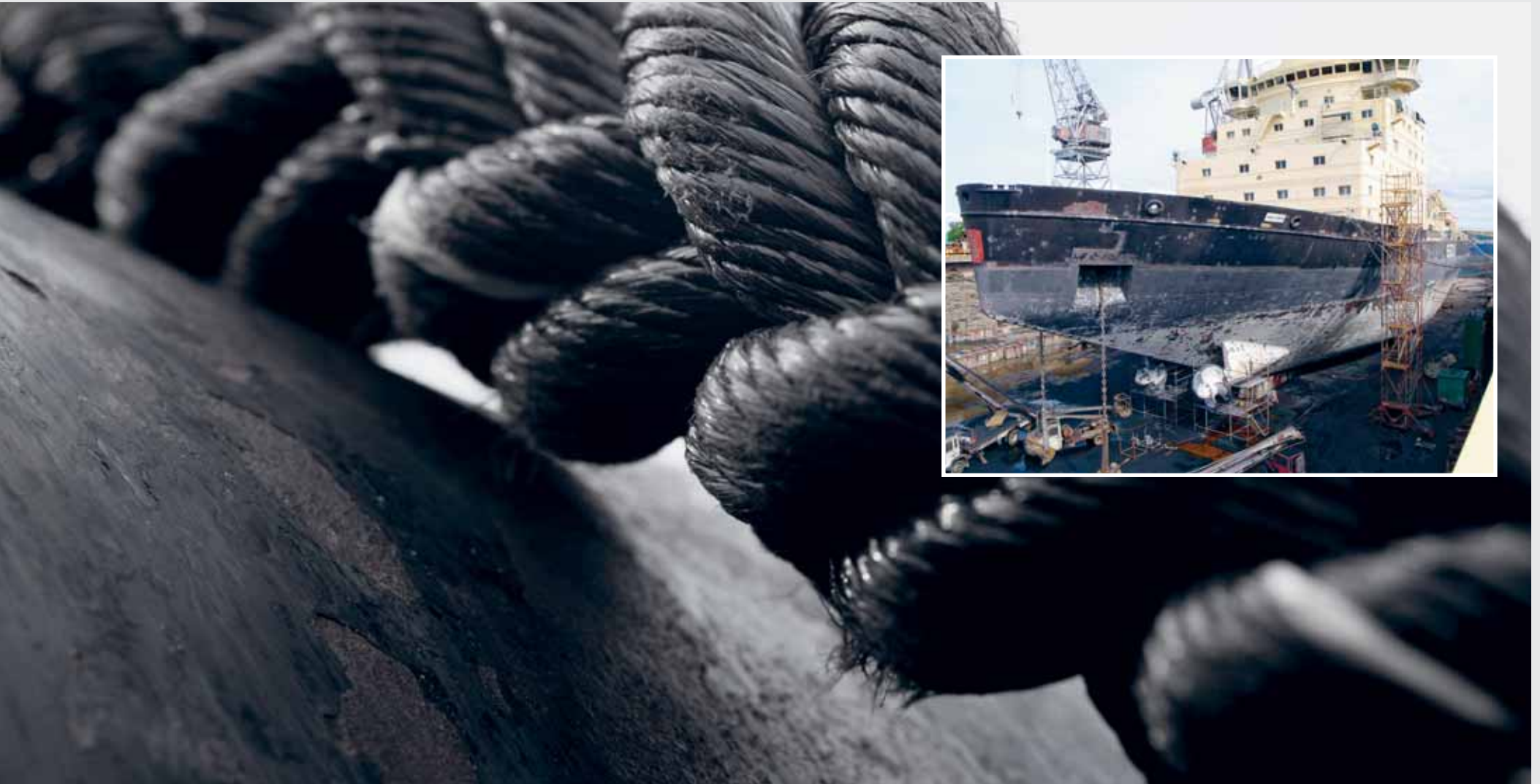
Finstaship started off renewal investments for the multipurpose vessels by ordering DP-automation systems for MSV Fennica and Nordica, and new offshore cranes for MSV Nordica and Botnica. The systems will be installed and put into operation in 2009 and 2010. We also have commissioned the concept planning and specifications for a new multipurpose vessel, having thus the preparedness to substitute icebreaker Voima.

A contract for the maintenance and manning of cranes on multipurpose vessels was signed in June with GDV Maritime AS. The contract entered into force in August.

Finstaship carried out a project for the development of maintenance planning, monitoring and reporting systems on icebreakers. The aim was to create greater uniformity between the maintenance software and reporting systems on different vessels, in order to make it easier to transfer between ships. The development project will move on to the other vessel categories in 2009.

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## SAFETY

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One of the basic principles in Finstaship's activities is a consideration for safety in all of our operations. Finstaship aims to ensure safe operations and to prevent occupational and environmental accidents. Finstaship continuously develops our safety activities and works to increase the knowledge of the personnel in safety and environmental matters. Our employees are encouraged to adopt a proactive and responsible attitude towards safety and security issues.

### SAFETY SYSTEMS

#### ISM Code

Finstaship's safety system is based on the ISM Code (International Safety Management Code) of the IMO (International Maritime Organization). The system has been certified in compliance with the provisions of the Code and it is regularly verified through audits carried out by the authorities. The onshore organisation and passenger ferries are audited each year. Finstaship's other ISM Code-compliant vessels are audited at two and a half year intervals.

FMA carried out a re-audit of the safety management system at the office. Finstaship's safety management system was approved in spring 2008. The safety management system of Archipelago Shipping was audited and approved in spring 2008.

In addition to the safety management system required by the authorities, Finstaship's offshore customers often want to ensure that the company's operations meet the quality criteria

set forth in their own safety and environmental systems. These customers audited the offshore vessels several times during 2008.

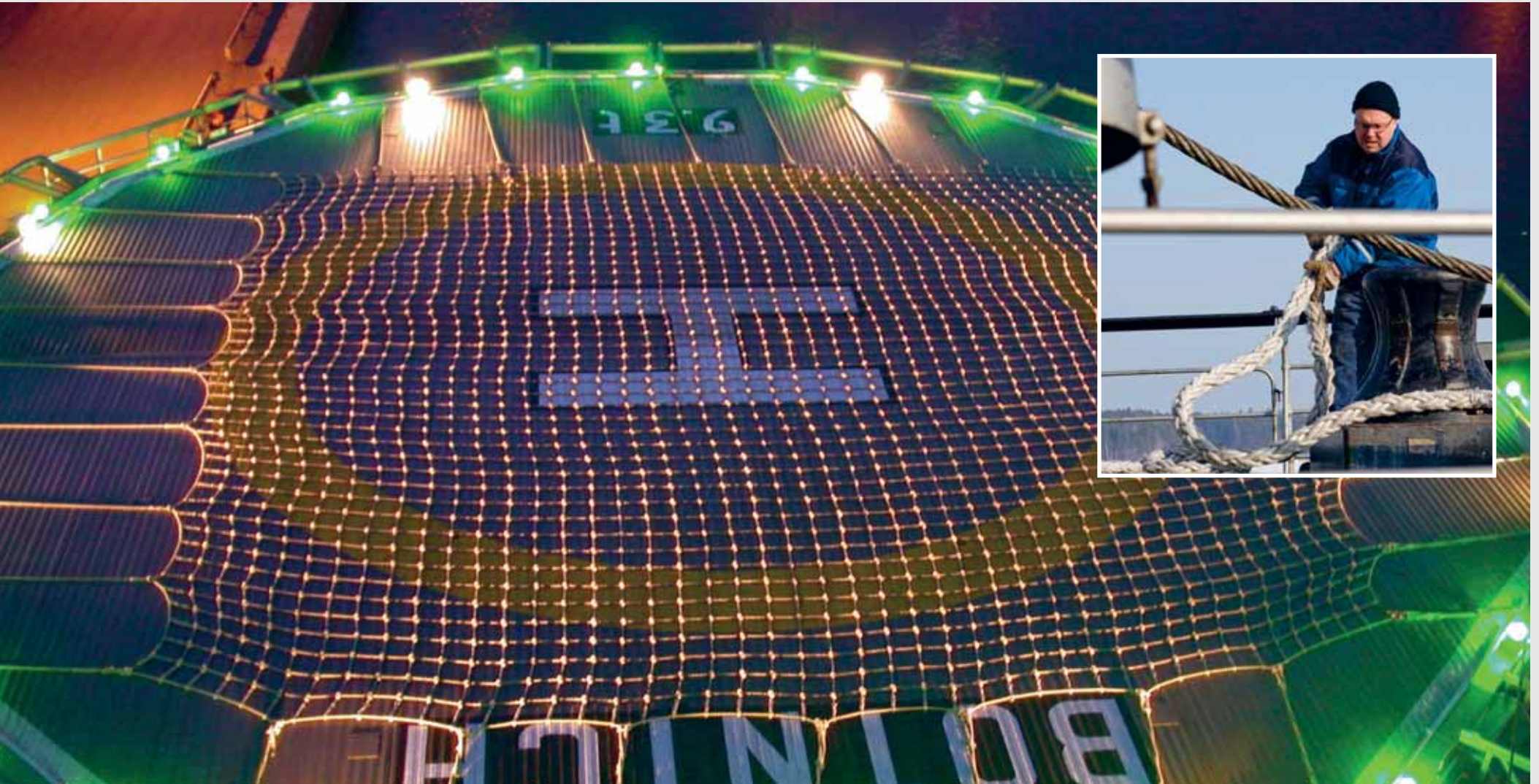
Finstaship has produced vessel-specific safety manuals for small fairway vessels with a gross tonnage of under 500 tonnes, even though the authorities do not require a written safety management system for such vessels. The contents of these manuals correspond to the manuals of the certified vessels.

#### ISPS Code

All Finstaship's vessels operating in international traffic fall within the scope of the ISPS Code (International Ship and Port Facility Security Code). In accordance with the requirements of the Code, joint exercises must be held with the authorities at intervals of approximately one and a half years. Two drills were carried out on multipurpose icebreakers in 2008, with the participation of the onshore organisation. The Finnish Frontier Guard also carried out drills on the traditional icebreakers.

There were 18 occupational accidents resulting in injuries to workers on Finstaship's vessels during 2008. Four of the accidents resulted in broken bones and strains from falls or lifts, leading to a total of 45–137 days of sick leave. Fourteen of the accidents were minor, resulting in 0–20 sick days. The above mentioned were generally caused by a loss of control, resulting in strains and mild bruising.

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## ENVIRONMENT

Environmental responsibility is an important part of Finstaship's activities. Finstaship complies with the provisions of both the ISM Code and the MARPOL Convention (International Convention for the Prevention of Pollution from Ships) of the IMO, as well as national guidelines and regulations.

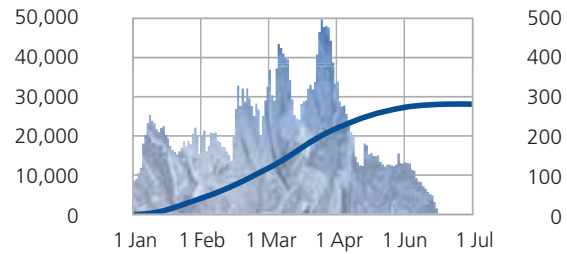
Finstaship endeavours to reduce the impact of its activities on the environment by using low-sulphur fuel.

<b>FUEL CONSUMPTION</b> (tonnes)	<b>2008</b>	<b>2007</b>
LIGHT fuel oil		
Icebreakers	9,215	17,337
Fairway vessels	450	187
Ferries	1,527	1,761
Total	11,192	19,285
HEAVY fuel oil		
Icebreakers	3,561	10,162
<b>COMPUTED CARBON DIOXIDE EMISSIONS</b> (tonnes)	<b>46,965</b>	<b>93,269</b>



# VESSELS 31 Dec 2008

EXPANSE OF ICE COVERAGE km<sup>2</sup>      OPERATING DAYS



## ICEBREAKERS AND MULTIPURPOSE VESSELS



**KONTIO**  
98.6 • 24.2 • 8.0 • 15,000



**OTSO**  
98.6 • 24.2 • 8.0 • 15,000



**SISU**  
106.6 • 23.8 • 8.3 • 16,200



**URHO**  
106.6 • 23.8 • 8.3 • 16,200



**VOIMA**  
83.5 • 19.4 • 7.0 • 10,200



**BOTNICA**  
97.0 • 24.3 • 8.5 • 10,000



**FENNICA**  
116.0 • 26.0 • 8.4 • 15,000



**NORDICA**  
116.0 • 26.0 • 8.4 • 15,000

FERRIES



AURA  
53.8 • 12.0 • 4.2 • 1,900



AURORA  
53.8 • 12.0 • 4.2 • 1,900



ANTONIA  
48.5 • 9.1 • 3.5 • 602



FALKÖ  
33.3 • 6.6 • 2.4 • 633



JURMO II  
33.3 • 6.6 • 2.4 • 633



ROSALA II  
33.3 • 6.6 • 2.4 • 633



VIKEN  
31.6 • 8.0 • 2.9 • 530



KAITA  
24.5 • 7.2 • 2.2 • 580



KIVIMO  
24.5 • 7.2 • 2.2 • 580



FINNÖ  
19.8 • 5.8 • 2.2 • 350



FISKÖ  
19.8 • 5.8 • 2.2 • 350

FAIRWAY VESSELS



SEILI  
50.5 • 12.2 • 3.8 • 2,200



LETTO  
42.7 • 12.2 • 3.8 • 2,500



LINJA  
34.9 • 9.0 • 2.8 • 1,600



SEKTORI  
33.0 • 7.9 • 2.5 • 638



KUMMELI  
28.2 • 7.9 • 2.5 • 638



OILI 1  
24.5 • 6.6 • 2.1 • 399



OILI 2  
24.5 • 6.6 • 2.1 • 268



OILI 3  
24.5 • 6.6 • 2.1 • 268



OILI 4  
19.9 • 6.5 • 2.0 • 252

LENGTH m • BEAM m • DRAUGHT m • OUTPUT kW

The year 2008 marked the Shipping Enterprise Finstaship's fifth financial period.

## SERVICE, OPERATIONAL AND FINANCIAL TARGETS IN 2008

The Finnish Parliament set the following service and operational goals for Finstaship for the year 2008.

- Finstaship is responsible for providing and developing services within its field of activities according to business requirements.
- Finstaship shall offer oil spill response and icebreaking services throughout Finland. Additionally, Finstaship will stand ready to respond to exceptional situations in any manner deemed necessary by the Ministry of Transport and Communications.

The Ministry of Transport and Communications set the following service and operational targets for Finstaship for the year 2008:

- The profit target for 2008 was set at euro 2,890,000.
- The income target was set at 50% of profits, however no less than one million euro.
- Finstaship will take the necessary steps to implement a rehabilitation programme for 2008-2010 aiming at cost savings of some euro 7 million in personnel costs and in icebreaking and oil spill response activities by 2010 compared to the 2006 levels, and submit biannual reports on the progress of this programme to the Ministry of Transport and Communications.
- In accordance with its strategy, Finstaship shall adjust its cost level toward the foreign merchant shipping level, with consideration, however, for the preservation of Finstaship's operational capacity and competitiveness.
- Finstaship will launch the planning of a vessel investment of a new type suitable for icebreaking and other operations within the company's line of business.
- Finstaship will enhance its environmental and corporate social responsibility reporting by developing emission indicators describing environmental loads.
- Finstaship will contribute to and make the necessary resources available for the work conducted under the Ministry of Transport and Communications to survey and analyse suitable solutions for making the services currently provided by Finstaship as a state-owned company compatible with the EU internal market.

In 2008, Finstaship met the targets set by the Finnish Parliament for its services and operations. It assumed responsibility for icebreaking services in the Finnish sea areas in accordance with the service level requirements set by the Finnish Maritime Administration. Fairway vessels maintained their readiness to respond to oil spills throughout Finland under the terms of the agreement with the Finnish Environment Institute.

Finstaship met the targets set by the Ministry of Transport and Communications except for the corporate social responsibility reporting the development work of which is still incomplete.

## FINANCIAL TARGETS

The financial targets set by the Ministry of Transport and Communications were not realised.

## TURNOVER AND PROFIT

Finstaship's annual turnover was euro 60.7 million (euro 72.3 million in 2007), the operating loss was euro 2.9 (operating profit of euro 5.9 million in 2007), and the net deficit for the financial year was euro 5.8 million (a profit of 4.0 million in 2007). With a deficit of euro 5.8 million, neither the profit target nor the income target set for Finstaship by the Ministry of Transport and Communication was achieved. On the other hand, Finstaship accounted euro 2.0 million as an income to the State relating to the financial year 2007.

In 2008, Finstaship paid the State euro 2.8 million as loan interests and euro 4.3 million in repayments.

## DOMESTIC BUSINESS

In Finstaship's fifth financial year, domestic business continued as before. The domestic market is not fully functional in all parts, and the majority of contracts were concluded through a negotiation procedure rather than bidding competition. The Finnish Maritime Administration was the most significant domestic customer. The icebreaking contract was extended in Autumn 2008 by a further period of 12 months.

Due to an exceptionally mild winter, the number of operating days required for icebreaking duties in 2008 only totalled 285 (474). The turnover from icebreaking services remained at euro 20.3 million (22.0). No icebreaking was necessary in the Bothnian Sea or the Gulf of Finland all winter, resulting in two of the traditional icebreakers being moored for the entire period. Icebreaking activities were practiced in compliance with the contract in force with the Finnish Maritime Administration and its first optional year. In icebreaking services, the projected results were achieved, and the activities were profitable.

The turnover from fairway services was euro 4.8 million, with less than one half of this amount being made up by compensations for preparedness for oil spill response services. The operating days of fairway services numbered 465 (457). The income was not sufficient to cover the costs of maintaining



preparedness, however, and the business unit incurred a loss of euro 0.3 million. Towards the end of the year, Finstaship concluded a bareboat charter contract with the Estonian Maritime Administration concerning fairway vessel Sektori. The charter period of Sektori will be five years with an option of five further years. The vessel performs combined hydrographic survey and oil response tasks on the Estonian coast.

Ferry service operations continued similarly to the previous year, with the turnover remaining stable at euro 7.0 million (6.8). Opening ferry traffic for competition was investigated by a new working group set up by the Ministry of Transport and Communications, which will report on the final results of its work in 2009. This is why the routes were not yet opened for competitive bidding. The Finnish Road Administration extended the contracts for two routes by two optional years. The traffic volumes on the archipelago transport and ferry routes continued their positive trend, while the ferry services sector recorded a slight deficit.

#### OFFSHORE BUSINESS

The share of offshore activities abroad in the turnover was lower than in 2007 and remained at less than 50 per cent of the total turnover. New customerships were gained during the year, but the multipurpose vessel utilisation rate was nevertheless low at 65 per cent. The level of freightage was also lower than the year before. The dramatic change in the market environment in the last quarter and the drastic dip in oil prices caused oil and gas companies to put off new projects. Significant charter agreements that were under negotiation did not go ahead, which is why the multipurpose vessels were phased out of operation towards the end of the year.

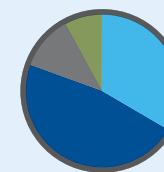
Due to charter agreements cancelled in early 2008 and the market slump in the last quarter of the year, the turnover from offshore activities remained at euro 28.6 million (39,6) and the number of operating days was 650 (1,033). In 2008, offshore business produced a deficit of euro 1.1 million, and the result was additionally burdened by a bad debt amounting to euro 5.0 million.

#### INVESTMENTS

In the second national draft budget, Finstaship received authorisation for investments of euro 110 million and commitments of euro 110 million, primarily for the building of a new multipurpose icebreaker. The planning of the newbuilding project was launched during the financial year and is to be continued in 2009. The gross investments during the financial year, which totalled euro 14.3 million (5.1), were sourced from cash flow financing. The most important commitments concerned new cranes for the two multipurpose icebreakers, as well as procurements relevant to docking operations in 2009. The new cranes will be completed and commissioned in 2010.

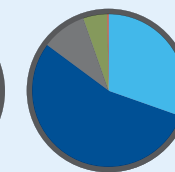
#### TURNOVER PER BUSINESS AREA (milj. €) 2008

Icebreaking	20.3
Offshore	28.6
Ferry	7.0
Fairway	4.8
Other	0.0
<b>Total</b>	<b>60.7</b>



#### 2007

Icebreaking	22.0
Offshore	39.7
Ferry	6.8
Fairway	3.7
Other	0.2
<b>Total</b>	<b>72.3</b>



#### FINANCING

Finstaship's financial position and liquidity deteriorated during the year. Towards the end of the year, a bad debt loss was incurred because of the financial difficulties of an offshore customer. This contributed to the impaired liquidity. Liquid assets stood at euro 4.5 million (15.1) at year-end.

A check account with a credit limit of euro 10 million is available to Finstaship, which was not used during the accounting period.

During the year, a total of euro 4.3 million (4.3) of the company's State loan was repaid as planned. At the end of the year, the State loan was euro 64.5 million (68.8), apart from which Finstaship has no other long-term debts.

#### CORPORATE GOVERNANCE

Finstaship has had a corporate governance programme in use since 1 January 2006.

The foundation for good corporate governance is to secure the interests of the owners and other stakeholders that are vital to the activities through the proper governing of the organisation and operational methods. Its central aspects include the determination of the responsibilities and obligations of the Board of Directors and operational management, and the organisation of their duties and activities.

During 2008, the Board of Directors met 12 times, the Audit Committee 6 times, and the Personnel and Compensation Committee 8 times. The corporate governance programme will be developed and updated to meet with the changing needs of Finstaship.

## RISK MANAGEMENT

The Board of Directors of Finstaship approves the risk management procedures and supervises their implementation in co-operation with the auditors. The operational management is responsible for the implementation of the practical aspects of risk management.

In 2007, risk assessment in Finstaship was developed through more clearly specified responsibilities and schedules. Particular attention was focused on offshore activities with their significant share in the business. The operative management did not progress in its activities as projected in 2008.

Currency hedging and currency options have been used to reduce the financing risk.

Credit loss risks are reduced through the examination of customer credit information and negotiations regarding the use of securities.

The risk of accidental loss or damage is covered by comprehensive insurance policies.

In order to develop and maintain onboard safety, a vessel-specific safety management system has been implemented for all vessels.

## PERSONNEL

On 31 December 2008, Finstaship had a staff of 454 employees (485 in 2007), of whom 409 (442) were sea personnel and 45 (43) onshore personnel. In 2008, the number of person-work-years amounted to 408 (478). The average age of the personnel was 45,6 years (47.7). There were 25 part-time pensioners (28).

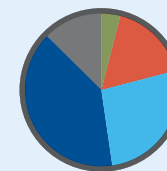
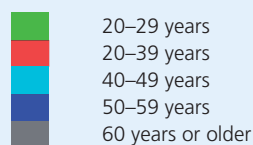
Efforts to increase personnel commitment and to change the operating culture were made in 2008 e.g. by arranging Finstaship theme days for the whole staff. The extension of development discussions to the whole staff continued in 2008.

## LAYOFFS

The co-operation negotiations with sea personnel, initiated in April 2008 continued until June 2008. The negotiations concerned the reassignment of personnel and possible lay-offs resulting from the 2006 cutbacks in ship management activities and the sale of the icebreaker Apu. As a result of the negotiations, 29 persons were laid off. These lay-offs were all for a fixed period. At the close of the financial period, altogether 11 employees remained laid off.

## AGE DISTRIBUTION OF PERSONNEL

2008



18
77
121
181
57

## ORGANISATION

Finstaship's President Esko Mustamäki resigned, and Hannu Haltsonen, Senior Vice President, Finance and Administration, left the company on 2 December 2008. Veijo Hiukka was appointed acting President from 3 December 2008.

The company's organisational structure was clarified by dividing the Production and Sea Personnel unit into two departments, the Technical Ship Management and the Personnel Department. Additionally, the Marketing and Customers unit was closed down, and the Finance and Administration unit became the Financial Department. These changes entered into force from 10 November 2008.

Finstaship has two business divisions, Baltic Sea Services and Deep Sea Services. The former comprises the icebreaking, fairway and ferry services, and the latter the offshore business unit. The supporting functions include Technical Ship Management, Personnel, Finance and Staff.

On 22 January 2008, Finstaship signed a lease agreement concerning new premises in Keilaniemi, Espoo, to which the company moved in the beginning of June.

## MANAGEMENT

Esko Mustamäki served as President of the company until 2 December 2008, after which Veijo Hiukka assumed the role of acting President from 3 December 2008.

The management team included:

Thomas Doepel, Senior Vice President, Personnel, as from 10 November 2008  
Hannu Haltsonen, Senior Vice President, Finance and Administration, till 2 December 2008  
Veijo Hiukka, Senior Vice President, Baltic Sea Services  
Sari Kanerva, Senior Vice President, Deep Sea Services  
Ulrika Larpes, Senior Vice President, Legal Matters  
Kari Patrakka, Senior Vice President, Technical Ship Management, as from 16 August 2008  
Kaija Riipinen, acting Senior Vice President, Finance, as from 3 December 2008  
Vesa Savolainen, Senior Vice President, Production and Sea Personnel, till 15 August 2008  
Jari Tuomainen, HSEQ Manager  
Additionally, Pekka Savikko participated in the management meetings as the staff representative, till 30 June 2008.

## BOARD OF DIRECTORS FOR 2007–2009

The Board of Directors appointed by the Finnish Government to serve until 31 December 2009 is as follows:

Chairman Antti Vehviläinen, M.Sc. (Econ.), MBA  
Vice-Chairman Mika Mäkilä, LL.M., B.Sc. (Econ.)

Members:

Sari Aitokallio, LL.M. with court training  
Maarit Herranen, M.Sc. (Eng.)  
Henry Lindelöf, M.Sc. (Admin.)  
Kirsti Pionius, M.Sc. (Econ.)  
Jukka Suominen, M.Sc. (Eng.), M.Sc. (Econ.)  
Employee representative Teemu Alstela, Master Mariner  
Substitute employee representative: Jorma Korhonen, Technician

## AUDITORS

Finstaship's auditor for 2008 was Chartered Auditors (KHT) Tuokko Tilintarkastus Oy, with CPA Yrjö Tuokko as the responsible auditor. CPFA Jaakko Eskola also served as an auditor.

## BUSINESS DEVELOPMENT

On 11 December 2007, the Government's Ministerial Committee on Economic Policy made a decision on Finstaship's rehabilitation programme 2008 – 2010, the aim of which is to achieve cost savings amounting to euro 7 million by 2010. Finstaship has the obligation to report to the Ministry of Transport and Communications on the implementation of the programme twice a year. The first follow-up report was submitted to the Ministry in August 2008.

## ESSENTIAL EVENTS AFTER THE END OF THE REVIEW PERIOD AND FUTURE PROSPECTS

Weak demand in the offshore market is expected to continue in early 2009 due to general uncertainty and the international financial crisis. Oil price development will have an essential impact on the offshore market trends. The demand for long-term charters in the arctic area, however, seems to be on the increase from 2010.

A moderate development in the domestic shipping sector can be anticipated due to cutbacks in industrial operations. The start of icebreaking contract negotiations predicts a short contract period, which will contribute to making it more difficult to launch new investments. A report on the procurements and service standards of ferry and archipelago transport services was completed in January. The proposals put forward in this report create openings for more long-term and functional contract models.

In early 2009, Finstaship initiated codetermination negotiations for financial and production-related reasons in order to improve the business profit development and financial standing of the company through cost savings.

In the beginning of 2008, the Ministry of Finance started preparing a report on the compatibility of State enterprises with the EU common market. One alternative is to transform state enterprises into companies. Finstaship's management takes a positive stand on this proposal.

<b>PROFIT AND LOSS ACCOUNT</b>	<b>2 008 EURO</b>	<b>%</b>	<b>2 007 EURO</b>
<b>TURNOVER</b>	60,718,858	100.0	72,349,117
Other income from operations	56,679	0.1	79,473
Materials and services			
Materials, accessories and goods			
Purchases during the fiscal year	3,632,573	6.0	3,532,361
Increase (-) or decrease (+) in inventory	-205,111	-0.3	-580,680
External services	7,238,641	11.9	13,286,428
	10,666,104	17.6	16,238,109
Personnel costs			
Salaries, wages and fees	22,335,605	36.8	24,380,739
Personnel overheads			
Pension costs	3,707,519	6.1	3,868,690
Other personnel overheads	1,164,638	1.9	1,393,931
	27,207,762	44.8	29,643,360
Depreciations and write-offs			
Planned depreciations	13,159,264	21.7	12,005,938
Other operating costs	12,619,721	20.8	8,640,357
<b>OPERATING PROFIT / LOSS</b>	<b>-2,877,314</b>	<b>-4.7</b>	<b>5,900,827</b>
Financing income and costs			
Other interest and financing income	1,422,627	2.3	1,634,197
Interest costs	2,762,140	4.5	2,925,348
Other financing costs	1,534,096	2.5	650,950
	2,873,610	4.7	1,942,102
Extraordinary items		0.0	54,327
<b>NET PROFIT / LOSS</b>	<b>-5,750,924</b>	<b>-9.5</b>	<b>4,013,052</b>

<b>BALANCE SHEET</b>	<b>31.12.2008 EURO</b>	<b>31.12.2007 EURO</b>
<b>ASSETS</b>		
<b>PERMANENT ASSETS</b>		
Immaterial goods		
Immaterial rights	34,365	48,125
	34,365	48,125
Material goods		
Land and water areas	175,536	175,536
Buildings and structures	0	0
Machinery and vessels	146,368,039	150,082,088
Other material goods	85,887	85,887
Advance payments for material goods	5,674,086	892,307
	152,303,547	151,235,817
Investments		
Other shares and equities	8,200	12,634
<b>TOTAL OF PERMANENT ASSETS</b>	<b>152,346,112</b>	<b>151,296,576</b>
<b>CURRENT ASSETS</b>		
Inventories		
Materials and goods	1,991,497	1,786,386
Short-term receivables		
Sales receivables	4,801,760	7,775,993
Other receivables	752,811	1,607,143
Accrued income	585,384	694,811
	6,139,955	10,077,947
Cash in hand and in bank	4,462,958	15,110,863
<b>TOTAL OF CURRENT ASSETS</b>	<b>12,594,411</b>	<b>26,975,196</b>
<b>TOTAL ASSETS</b>	<b>164,940,523</b>	<b>178,271,771</b>

<b>BALANCE SHEET</b>	<b>31.12.2008 EURO</b>	<b>31.12.2007 EURO</b>
<b>LIABILITIES</b>		
<b>EQUITY CAPITAL</b>		
Capital stock	18,700,000	18,700,000
Other equity capital	72,016,650	72,016,650
Retained profit	3,547,899	1,541,847
Net profit / loss for the year	-5,750,924	4,013,052
<b>TOTAL OF EQUITY CAPITAL</b>	<b>88,513,626</b>	<b>96,271,549</b>
<b>CURRENT LIABILITIES</b>		
Long-term		
Loan from the State	60,200,000	64,500,000
Short-term		
Loan from the State	4,300,000	4,300,000
Advance payments	320,140	421,948
Accounts payable	2,957,481	3,353,708
Other liabilities	2,393,841	2,728,621
Accrued liabilities and deferred income	6 255 436	6,695,945
	16,226,898	17,500,222
<b>TOTAL CURRENT LIABILITIES</b>	<b>76,426,898</b>	<b>82,000,222</b>
<b>TOTAL LIABILITIES</b>	<b>164,940,523</b>	<b>178,271,771</b>

<b>FINANCIAL STATEMENT</b>	<b>31.12.2008 EURO</b>	<b>31.12.2007 EURO</b>
<b>OPERATING PROFIT / LOSS</b>	-2 877 314	5 900 827
Depreciations	13 159 264	12 005 938
Change in working capital		
Change in short-term receivables	3 937 992	-836 436
Change in inventories	-205 111	-580 680
Change in short-term loans	-1 273 325	2 157 829
Total change in working capital	2 459 556	740 713
Financing income and costs	-2 873 610	-1 942 102
<b>Cash flow for operations</b>	<b>9 867 897</b>	<b>16 705 376</b>
<b>CASH FLOW FOR INVESTMENTS</b>		
Net investments in material and immaterial goods	-14 213 235	-5 487 667
Net investments and other receivables	4 434	-5 000
Capital gain extraordinary items	0	54 327
<b>Cash flow for investments</b>	<b>-14 208 801</b>	<b>-5 438 340</b>
<b>Cash balance</b>	<b>-4 340 904</b>	<b>11 267 036</b>
<b>CASH FLOW FOR FINANCING</b>		
Net loans from from the State	-4 300 000	-4 300 000
Distribution of dividends	-2 007 000	-500 000
<b>Cash flow for financing</b>	<b>-6 307 000</b>	<b>-4 800 000</b>
<b>Cash balance</b>	<b>-10 647 904</b>	<b>6 467 036</b>
<b>CHANGE IN CASH FLOW</b>		
Liquid assets at the beginning of the year	15 110 863	8 643 827
Liquid assets at the end of the year	4 462 958	15 110 863
<b>Change in cash flow</b>	<b>-10 647 904</b>	<b>6 467 036</b>

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING PRINCIPLES

The financial period from 1 January - 31 December 2008 was the fifth fiscal year for the Shipping Enterprise, Finstaship.

The financial statements for 2008 were prepared in compliance with the Law on State Enterprises (20 December 2002) and the Council of State Decree on Accounting and Final Accounts of State Enterprises (26 February 2004).

No consolidated annual accounts were prepared, as Finstaship has no subsidiaries. Finstaship controls a 40 per cent ownership of Ice Advisors Ltd. The company serves the needs of maritime traffic by providing ice advisory services in the Baltic Sea region. The company was entered into the trade register on 31 January 2006, and its third fiscal year ran from 1 January to 31 December 2008.

Finstaship has an 11.36 per cent holding in Offshore Technology Inc, whose main tasks include training, project activities and information in the offshore sector.

Finstaship sold its 34 per cent ownership in GDV Maritime AS in October 2008.

#### 1.1. VALUATION PRINCIPLES

##### Foreign currency items

Receivables and liabilities denominated in foreign currencies have been valued according to the exchange rate on the date the books were closed.

Unrealized exchange rate losses on forward exchange contracts that were open on the date the books were closed are entered as financing costs, by virtue of the precautionary principle. Any exchange rate gains will be entered as financing income once the relevant forward contract is closed, cancelled, or executed. At the closing of books, Finstaship had no valid forward foreign-exchange contracts.

Premium payments for open currency options have been entered into the balance sheet and will be entered as costs for the duration of their validity. Significant depreciations in the market value of the undepreciated acquisition cost of the premiums are entered as costs in the final accounts. In the final accounts for 2008, there was no need to write off any forward exchange contracts or currency options.

The futures and options are used to secure the forthcoming net cash flow from accounts receivables and accounts payables.

##### Current assets

The current assets include vessel fuel and lubricant stores. The current assets have been valued at their acquisition cost or lower anticipated sales price.

##### Permanent assets

Permanent assets have been entered in the balance sheet using the acquisition cost principle, with appropriate reductions made for the planned depreciation. Planned depreciations have been calculated as straight-line depreciations on the basis of the asset's financial lifetime.

Depreciation time	Years
Immaterial goods	5
Buildings	10 - 20
Fleet Icebreakers	30 - 40
Other vessels	16 - 30
Docking	2.5 - 5
Other long-term repair and maintenance costs	3
Communication and navigation equipment	5
IT equipment	3
Other machinery and equipment	5 - 10

The costs for repairs and maintenance implemented in connection with the docking of the vessels have been capitalized and entered as costs according to the relevant financial lifetime (2.5-5 years). Long-term repair and maintenance costs that are other than those related to docking will be capitalized and entered as costs over three years with straight-line depreciations. Any repair and maintenance costs that have an impact of less than three years and total a maximum of euro 20,000 are entered as annual costs.

As a result of a change in accounting practices, expenses corresponding to the long-term repair and maintenance costs recorded before the year 2007 have been entered both as repair and maintenance costs and, in case of deferrals, capitalized as depreciations (straight-line depreciations over three years). The net effect of the new accounting practice on the profit and loss account of 2008 is euro - 463,000 compared to the old practice, where all service and repair expenses were entered as costs.

##### Pensions

The statutory pension cover of employees is provided by the State Treasury and the Seamen's Pension Fund. Pension costs are entered as costs in the year that they accrue.

	2008	2007
<b>2. NOTES TO THE PROFIT AND LOSS ACCOUNT</b>		
<b>2.1. TURNOVER BY MARKET AREA AND BUSINESS SECTOR</b>		
<b>Market area</b>		
Finland	31,323,498	32,598,138
EU countries	17,806,643	17,637,902
Non-EU countries	11,588,718	22,113,077
	<hr/> 60,718,858	<hr/> 72,349,117
<b>Business sector</b>		
Icebreaking	20,285,387	21,985,008
Offshore services	28,648,916	39,746,474
Ferry services	6,986,364	6,838,844
Fairway services	4,755,364	3,725,367
Ship management services	42,827	53,424
	<hr/> 60,718,858	<hr/> 72,349,117
<b>2.2. DEPRECIATIONS AND WRITE-OFFS</b>		
<b>Planned depreciations</b>		
Immaterial rights	-20,635	-25,661
Buildings and structures	0	-176,798
Vessels	-12,679,004	-11,495,392
Special equipment	-285,476	-221,671
Machinery and equipment	-11,816	-16,476
Vehicles	-660	-660
Other equipment	-161,674	-69,280
	<hr/> -13,159,264	<hr/> -12,005,938

	2008	2007
<b>2.3. PERSONNEL</b>		
<b>Person-workyears</b>		
Average no. of person-workyears	408	478
<b>No. of personnel</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Onshore personnel	45	43
Sea personnel	409	442
	<hr/> 454	<hr/> 485
The average age of the personnel	45.6	47.7
<b>2.4. PERSONNEL COSTS</b>		
<b>Personnel costs</b>		
Salaries and wages	22,529,392	24,554,973
Pension costs	3,742,417	3,897,759
Other personnel overheads	1,175,025	1,404,034
	<hr/> 27,446,834	<hr/> 29,856,766
<b>Salaries and wages to be invoiced and allocations to other profit and loss items than salaries</b>		
Salaries and wages	193,787	174,234
Pension costs	34,898	29,069
Other personnel overheads	10,387	10,103
	<hr/> 239,072	<hr/> 213,406
<b>Total</b>		
Salaries and wages	22,335,605	24,380,739
Pension costs	3,707,519	3,868,690
Other personnel overheads	1,164,638	1,393,931
	<hr/> 27,207,762	<hr/> 29,643,360
<b>Salaries and fees for management</b>		
Salaries and fees of the President and Board of Directors	313,358	261,192

<b>KEY FIGURES</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Turnover, EUR million	60.7	72.3	61,5
Business profit, EUR million	-2.9	5.9	-2,5
-% of turnover	-4.7	8.2	-4,1
Profit / loss for fiscal year, EUR million	-5.8	4.0	1,1
-% of turnover	-9.5	5.5	1,7
Equity capital, EUR million	88.5	96.3	92,8
Solvency ratio, % <sup>1)</sup>	53.7	54.0	52,4
Net debt-equity ratio (gearing), % <sup>2)</sup>	67.8	55.8	69,0
Interest-bearing current liabilities, EUR million	64.5	68.8	73,1
Return on invested capital % <sup>3)</sup>	-2.0	4.2	3,0
Return on equity capital <sup>4)</sup>	-6.2	4.2	1,1
Gross investments, EUR million	14.3	5.1	3,0
-% of turnover	23.6	7.1	4,8
Total of balance sheet, EUR million	164.9	178.3	176,9

1) Equity capital / total balance sheet assets

2) (Interest-bearing liabilities - cash in hand and at bank) / equity capital

3) (Profit + interest costs) / capital invested as of the end of the year  
(total balance sheet assets - non-interest-bearing liabilities)

4) Profit / equity capital at the end of the year



## BOARD PROPOSAL FOR THE USE OF THE PROFIT

The Board of Finstaship suggests that no dividends are distributed, and that the deficit of the fiscal year -5,750,923.58 euro will be transferred to the account "profits of previous fiscal years".

Helsinki, Finland 27 February 2009

Antti Vehviläinen, Chairman

Mika Mäkilä, Vice-Chairman

Sari Aitokallio

Maarit Herranen

Henry Lindelöf

Kirsti Piponius

Jukka Suominen

Teemu Alstela, Employee representative

Veijo Hiukka, Deputy President

## FINAL ACCOUNTS NOTE

On the basis of the audit, an audit report has today been prepared.

Helsinki, Finland 13 March 2009

Tuokko Tilintarkastus Oy  
Chartered Accountants

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