

Containerships plc Financial Statements 12 March 2018, at 9.00 EEST

Containership plc's Financial Statement for 1 January – 31 December 2017

Containerships plc's full financial statements, which also include the Board of Directors' report and auditor's report, as well as the Corporate Responsibility Report (non-financial information) and the withdrawal from the Company's corporate governance system have been published. The full financial statements can be found on the Group's website www.containershipsgroup.com > Investors > Releases and publications. Containerships Corporate Governance is published on the Group's Internet page www.containershipsgroup.com > Corporate Governance.

Financial result 1-12/2017

- Net sales EUR 226.7 million (EUR 197.9 million in 2016)
- EBITDA EUR 15.2 (13.9) million which is 6.7 % of net sales (7.0 % in 2016)
- Net profit EUR 0.2 million (EUR -1.4 in 2016)
- In 2017 the net sales are expected to grow approximately 10% and the EBITDA to improve compared to previous year

Containerships is a Finnish full-service logistics company providing safe, fast container transportation in the Baltic Sea, North Sea and the Mediterranean. Containerships offers both standard and customised containers and variable logistics solutions from door to door. The Group's business focus is in the Baltics, where Containerships is one of the leading companies in the business. In the 2010s, the Group successfully expanded operations to the Mediterranean Sea, where operations currently account for 13% of the Group's revenue.

Containerships plc's bond totaling €60.0 million is listed on Nasdaq Helsinki (Helsinki stock exchange) and is repayable in 2021.

Operating environment

In 2017, various geopolitical, economic and legislative events impacted the logistics market in Containerships' area of operation. Nevertheless, there were no changes in the operating environment dramatically affecting the Group's activities or performance in 2017.

Oil prices impact the logistics sector in various ways. In 2017, cargo levels balanced, but the sharp increase in bunker prices during the last quarter of 2017 increased Group's operating expenses. At the same time, Russia and Libya, two markets important for the Group, are expected to see economic growth in the future as the price of oil rises.

The Russian import ban continues to have an impact, particularly on cargo flow from Europe to Russia. When the ban entered into force in 2014, Containerships successfully changed its strategy in the Russian market and replaced grocery cargoes with other cargoes and increased cargo flow from Russia to Europe. In 2017, Russian exports continued to increase.

Some markets in North Africa are exposed to political and economic insecurity. For instance, growing insecurity in the Group's important market – Libya – has increased handling times in ports. Political unrest in Turkey has not yet impacted the Group's freight volumes.

In June 2016, the United Kingdom voted to withdraw from the European Union. Brexit did not have an impact on cargo volumes in 2017. In the future, the UK's withdrawal from the EU may cause a decrease in cargo flows to the UK. However, on the other hand, it may strengthen the country's exports.

Financial performance and the Board's proposal for profit distribution

Consolidated net sales for the period grew from previous year and were €226.7 million (€197.9 million) and the operational result increased. Recorded EBITDA was €15.2 million (€13.9 million) – an improvement of €1.3 million (almost 10%). The improvement was achieved through better operational efficiency and growing transport volumes. The consolidated operating profit of €7.8 million (€5.9 million) was also an improvement. The investments in the Group's growth according to the strategy have increased financial costs. Group's net result improved €1.6 and was positive €0.2 million (-€1.4 million).

The Group's equity ratio was 16.0% (16.8%). The Parent Company has two equity loans totaling €11 million. One of which, €5 million, is reported from 2016 onwards as a hybrid capital loan as part of the equity in the financial report, and the other, €6 million, as a converted capital loan reported as debt. According to the terms of secured senior callable bond, both equity loans are considered as equity. Therefore, the adjusted equity ratio is 20.8% (21.3%).

The Group's operational cash flow decreased to €1.6 million (12.4 million). Net investments were, in total, €0.8 million (€21.8 million). The Group's cash position was at the satisfactory level of €11.3 million (€11.1 million) by the end of the year.

The Board of Directors proposes that the profit for the year is transferred to the Retained Earnings, and no dividend shall be paid for 2017.

Key figure	GROUP			
	2017	2016	Change	2015
	IFRS	IFRS	IFRS	IFRS
Net sales, M€	226,7	197,9	14,5 %	199,6
EBITDA, M€	15,2	13,9	9,3 %	8,3
EBITDA- %	6,7 %	7,0 %	-4,3 %	4,2 %
EBIT, M€	7,8	5,9	31,5 %	-0,4
EBIT- %	3,4 %	3,0 %	14,1 %	-0,2 %
Net profit, M€	0,2	-1,4		-6,7
Net profit %	0,1 %	-0,7 %		-3,4 %
Net profit, M€, adjusted	1,7	-1,4		-6,7
Net profit %, adjusted	0,8 %	-0,7 %		-3,4 %
ROE %	0,8 %	-7,8 %		-34,6 %
Equity ratio %	16,0 %	16,8 %	-4,9 %	13,9 %
Equity ratio, adjusted %	20,8 %	21,3 %	-2,4 %	22,3 %
Net interest bearing debt, M€*	52,2	46,2	12,9 %	47,6
% from Net sales	23,0 %	27,3 %	-15,7 %	28,5 %
Personnel, on average	562	532	5,6 %	537

Formulas used to calculate the key figures:

Return on equity	Profit or loss/ Equity' * 100
Equity ratio =	Equity/ total assets * 100
Equity ratio, adjusted =	(Equity + capital loans)/ Total assets *100
Net profit M€, adjusted =	Net result adjusted with bond redemption fee 1,56 M€

* Net interest bearing debt is calculated according to bond terms (does not include the capital loans)

Personnel

Group companies employed an average of 562 (532) persons in 2017, and total personnel costs were €23.1 million (€21.9 million), of which the members of management and the members of the Board of Directors accounted for €1.2 million (€1.0 million). Group had personnel in 14 countries, of which in Finland 119 employees.

Group structure and owners

Containerships Group is a family-owned company and 98 percent of its shares are owned by Container Finance Ltd Oy and two percent of its shares are owned by Containerships' CEO. The home member state of Containerships Finance Ltd is Finland.

Containerships Group consists of the parent company Containerships plc and the 19 subsidiaries each of which it owns 90 per cent at minimum. The Group operates in 21 countries.

Targets and strategy

The main targets in Containerships' strategy are growth and consolidation of market presence. According to the strategy, the Group will be the leading door-to-door operator in the Baltic Sea, as well as one of the leading container distributors in Russia by 2020. The Group has established transport services between the Baltic Sea and the Mediterranean, and has also a strong position in Central and Eastern European markets.

Containerships aims for its service selection to evolve into an entirety of different multimodal logistics solutions. This objective rests on the service selection based on transport time and distance, as well as on the industry's best customer experience and operational reliability. A strong partnership network supports the target.

Significant events during the reporting period

According to the strategy, the Group continued to invest in sustainable development. At the end of the year Containerships group had 40 LNG-powered trucks in England and four units in other markets. Building of the previously ordered four LNG cargo ships continues and the ships will be operational during 2018. During the financial year 2017, the terms of the secured bond were further amended. Due to the change in the terms, the effective interest rate on the loan fell by about 1.5 percentage points and bondholders were paid a compensation of about EUR 1,560 thousand.

Corporate Governance

The Annual General Meeting on 7 June 2017 adopted the Financial Statements and discharged the Members of the Board of Directors and the CEO from liability for the financial year 1 January -31 December 2016. Annual general meeting re-elected Veli-Kimmo Nordström (chairman), Harri-Ragnar Nordström and Karita Nordström as board members. They each own 33.3 % of Container Finance Ltd shares. Authorised Public Accounting firm KPMG was elected as the Auditor of the Group, Kimmo Antonen will act as the Principal Auditor.

The Group's CEO is Kari-Pekka Laaksonen. The management of the Group consists of the CEO, CCO Jari Lepistö, Head of Financial services Teemu Kylliäinen, Head of Management reporting & BI Antti Laukkanen, COO Frederic Leca, CBDO Juha-Pekka Mäkelä and Director of Land Operations Janne Ritakoski.

Non-financial information

Environmental responsibility

Containerships Group has defined minimising adverse environmental impacts as a strategic objective and sees environmental awareness as competitive edge. Containerships has identified the environmental impacts deriving from its operations and actively strives to minimise them. The most significant environmental impacts are airborne emissions originating from transport operations.

Containerships complies with the environmental legislation, which acts as the minimum requirement level for operations, in each of the countries in which it operates. Containerships has actively invested in technologies to reduce emissions. This includes Sulphur scrubbers aboard ships and LNG trucks with regard to road traffic. Containerships is also committed to reduce the environmental impact on the Baltic Sea by prohibiting ships from emptying wastewater into it.

Containerships has ordered four container ships, which will be fuelled by Liquefied Natural Gas (LNG). Besides new ships, the company has also invested in LNG-driven trucks in Finland, Netherlands and Great Britain. The Group has currently 44 LNG-fuelled trucks in use.

The Group has an ISO 9001:2008 quality management system in use in Finland, Russia, Lithuania, Latvia, the Netherlands, Great Britain and Ireland, and an ISO 14001:2004 environmental management system in Finland, Russia and the Netherlands. All the Group's offices use the same Operations Manual in their activities.

The Group is committed to reducing the environmental impact of its operations, specially concentrating on reducing the CO₂ emissions. In 2017, the Group succeeded in reducing its CO₂ emissions by 2.8%.

Social responsibility

Containerships is committed to ensure safe, healthy and motivating work environment for its employees. Containerships aims to be a good work community by training supervisors and encouraging all employees to be responsible for contributing to building a good work community.

Containerships provides occupational healthcare for its employees in Finland and recommends similar solutions, taking into account local practices, for persons responsible in each country in which we operate. Containerships maintains the working capacity of its employees by, among other things, organising wellbeing at work events and by contributing to the cost of employees' exercise and sports activities in their free time.

Safety at work is a priority in the Containerships operations. All our drivers participate regularly occupational health and safety training. The Group ensures occupational safety aboard the Containerships VII vessel it owns. The Group has separate health & safety guidelines, which are regularly monitored and upgraded. Crews have been trained to meet new STCW regulations requirements.

Human rights

Containerships complies with the principles of equality and non-discrimination and respects human rights in all its operations. Support the Containerships culture where multiversity of employed people is valued regardless of their ethnical- and national background, gender or sexual orientation. The Group employs and complies with a separate Code of Conduct.

Anti-bribery

Containerships is committed to conducting all of its business in a transparent and ethical manner, and has a zero-tolerance policy towards fraud, bribery and any form of dishonesty in its transactions. Containerships employs and complies with Anti-Bribery and Corruption Policy. Containerships will uphold all laws relevant

to countering bribery, fraud and corruption in all the jurisdictions in which it operates. However, no matter where Containerships, its staff or agents operate they must abide by the laws in respect of conduct both at home and abroad. Bribery and corruption are punishable for individuals.

All employees of the Group are encouraged to raise concerns about any issue or suspicion of malpractice at the earliest possible stage. The CEO together with Regional Management will monitor the effectiveness and review the implementation of this Policy, regularly considering its suitability, adequacy and effectiveness.

Investments

Group's investments were €4.3 million. Investments consisted mainly of vessel, trucks and containers and also ICT-software.

Significant risks

The Group's main risks currently relate to the possibility of an escalation in political tension in its operating areas in the Baltic Sea and in the Mediterranean Sea. In addition, the sudden increase of the oil price causes an increase of the operational costs, which the Group can compensate only with a delay. Changes in the World economic fluctuations may have an impact on goods demand and by that on cargo amounts, and this requires operational sensibility from Group's operations. Group's economic risks are described more precisely in Financial Statement's annexes.

Disputes

There are no material legal cases known at the year-end closure. A possible dispute might arise concerning the open payments of the ex-agent in Algeria. The Group has made a claim of approximately €1.8 million to the ex-agent. According to the agency agreement, the possible dispute will be solved in mediation handling in London. The Group estimates this procedure to begin in spring 2018.

Outlook for 2018

Commercial activity within the core market is expected to increase modestly according to the current views of economists. Therefore, the Group's comparable transport volumes are expected to grow. Strengthened oil price is expected to support the economies of, for example, Russia and Libya which are important to the Group. In the current business environment, the Group is aiming to approximately 10% growth and to further improve its profitability. The Group continues its growth through investments in LNG technology.

Events after the end of the financial year

In the beginning of 2018, the Group has informed to start co-operation with Norwegian Viasea Shipping AS from Baltics and Poland to Norway. Operation will start in April 2018.

These 2017 financial statements have been prepared in accordance with the IFRS accounting and measurement principles. The financial statement is audited.

CONTAINERSHIPS PLC
BOARD OF DIRECTORS

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CONTAINERSHIPS GROUP

PROFIT & LOSS STATEMENT, GROUP (IFRS)

EUR 1 000	Q4/2017	Q3/2017	Q2/2017	Q1/2017	1-12/2017	1-12/2016	Diff
Net sales	60 410	55 766	54 789	55 691	226 655	197 936	28 719
Other operating income	1 122	833	1 912	699	4 566	2 983	1 583
							0
Material and services expenses	-47 422	-43 803	-41 605	-43 148	-175 978	-150 679	-25 299
Employee benefit expenses	-5 308	-5 734	-6 182	-5 848	-23 073	-21 939	-1 134
Other operating expenses	-4 446	-3 323	-5 304	-3 910	-16 984	-14 426	-2 558
EBITDA	4 355	3 738	3 609	3 484	15 187	13 876	1 311
Depreciation, amortisation and impairment losses	-1 738	-1 769	-1 885	-2 036	-7 428	-8 016	588
EBIT	2 617	1 969	1 724	1 448	7 759	5 860	1 899
Financial income	2 680	470	1 293	876	5 319	3 807	1 513
Financial expenses	-5 726	-2 175	-3 199	-1 642	-12 743	-11 212	-1 531
Profit/loss before extraord. items, appr. and taxes	-430	264	-182	682	335	-1 545	1 881
Income taxes	495	-252	-322	-86	-165	111	-276

Profit/loss for the reporting period	65	12	-504	595	170	-1 434	1 605
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EBITDA %	7,2 %	6,7 %	6,6 %	6,3 %	6,7 %	7,0 %	
Operating profit %	4,3 %	3,5 %	3,1 %	2,6 %	3,4 %	3,0 %	
Net Profit %	0,1 %	0,0 %	-0,9 %	1,1 %	0,1 %	-0,7 %	

Containerships Plc will publish its' financial reports in 2018 as follows:

- January-March interim report on Wednesday 16 May 2018
- Half year report on Thursday 16 August 2018
- January-September interim report on Thursday 15 November 2018